

The top half of the page features a background of soft, out-of-focus green and yellow bokeh lights. The text is centered in white.

THE MARLBOROUGH NO 2 OEIC

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

for the year ended 31 July 2018

THE MARLBOROUGH NO 2 OEIC

Registered Office

Marlborough House
59 Chorley New Road
Bolton
BL1 4QP

Authorised Corporate Director and Registrar

Marlborough Fund Managers Ltd
Marlborough House
59 Chorley New Road
Bolton
BL1 4QP

Investor Support: (0808) 145 2500 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority.

Depository

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Investment Advisers

Marlborough Far East Growth Fund
Marlborough Fund Managers Ltd
Marlborough House
59 Chorley New Road
Bolton
BL1 4QP

Marlborough Multi Cap Income Fund and Marlborough Nano-Cap Growth Fund
Hargreave Hale Limited
Talisman House
Boardmans Way
Blackpool
Lancashire
FY4 5FY

Authorised and regulated by the Financial Conduct Authority.

Auditor

Barlow Andrews LLP
Carlyle House
78 Chorley New Road
Bolton
BL1 4BY

Directors of Marlborough Fund Managers Ltd

Andrew Staley	Chairman
Nicholas F J Cooling	Deputy Chairman
Allan Hamer	Joint Managing Director
Wayne D Green	Joint Managing Director
Dom M Clarke	Finance Director
Geoffrey Hitchin	Investment Director
Helen Derbyshire	Director – Compliance & Risk
Guy Sears	Non-Executive Director

THE MARLBOROUGH NO 2 OEIC

CONTENTS	PAGE
AUTHORISED STATUS AND GENERAL INFORMATION	1
AUTHORISED CORPORATE DIRECTOR'S STATEMENT	3
STATEMENT OF AUTHORISED CORPORATE DIRECTOR'S RESPONSIBILITIES	3
DEPOSITARY'S REPORT	4
INDEPENDENT AUDITOR'S REPORT	5
NOTES TO THE FINANCIAL STATEMENTS – ACCOUNTING, DISTRIBUTION AND RISK MANAGEMENT POLICIES OF THE COMPANY	7
INDIVIDUAL SUB-FUNDS	
MARLBOROUGH FAR EAST GROWTH FUND	11
MARLBOROUGH MULTI CAP INCOME FUND	29
MARLBOROUGH NANO-CAP GROWTH FUND	50
The statements for each of the above sub-funds are set out in the following order:	
AUTHORISED INVESTMENT ADVISER'S REPORT	
COMPARATIVE TABLE	
SYNTHETIC RISK AND REWARD INDICATOR	
PORTFOLIO STATEMENT	
FINANCIAL STATEMENTS	
STATEMENT OF TOTAL RETURN	
STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS	
BALANCE SHEET	
NOTES TO THE FINANCIAL STATEMENTS	

THE MARLBOROUGH NO 2 OEIC

AUTHORISED STATUS AND GENERAL INFORMATION

Authorised status

The Marlborough No 2 OEIC (the Company) is an investment company with variable capital incorporated under the Open Ended Investment Company (OEIC) Regulations 2001. It is a UCITS scheme as defined in the Collective Investment Schemes Sourcebook (COLL) and is an umbrella company for the purposes of the OEIC Regulations. The Company is incorporated in England and Wales with the registration number IC000415 and is authorised and regulated by the Financial Conduct Authority with effect from 21 October 2005. The shareholders are not liable for the debts of the Company.

The sub-funds of the Company are segregated by law under the Protected Cell Regime. In the event that one sub-fund in the Company is unable to meet its liabilities, the assets of another sub-fund within the Company will not be used to settle these liabilities.

The Company currently has three sub-Funds: Marlborough Far East Growth Fund; Marlborough Multi Cap Income Fund; and Marlborough Nano-Cap Growth Fund.

Investment objective

Marlborough Far East Growth Fund

The investment objective of Marlborough Far East Growth Fund is to provide long term capital growth from an actively managed portfolio of securities.

The sub-fund will invest primarily in securities in the Pacific Basin region, excluding Japan, in order to achieve long term capital growth.

The asset classes in which the sub-fund is permitted to invest includes transferable securities, units in collective investment schemes, money market instruments and deposits as permitted for UCITS schemes and in accordance with the Company's investment powers as summarised in the Prospectus. The sub-fund may invest in derivative instruments and forward transactions for the purposes of efficient portfolio management or hedging, as explained further in the Prospectus.

Marlborough Multi Cap Income Fund

The investment objective of Marlborough Multi Cap Income Fund is to seek to generate an attractive and growing level of dividend income in addition to long term capital growth by investing in a diversified portfolio of equities predominantly listed in the UK.

The sub-fund will aim to achieve its objective by investing primarily in the shares of small to medium capitalisation companies where both capital and dividend growth are anticipated. From time to time the sub-fund may also hold the shares of large capitalisation companies as well as cash and money market instruments.

The sub-fund may also invest in other transferable securities including, but not limited to, warrants and government and public securities, and units in collective investment schemes, near cash and deposits. The sub-fund may enter into derivatives and forward transactions for the purposes of efficient portfolio management (including hedging), and may borrow and enter into stock lending arrangements.

It is intended that the sub-fund will be managed so that it is eligible for quotation within The Investment Association's UK Equity Income sector.

Marlborough Nano-Cap Growth Fund

The investment objective of Marlborough Nano-Cap Growth Fund is to seek to provide capital growth in excess of that achieved by the FTSE SmallCap Index (excluding investment companies) over the long term.

The sub-fund will aim to achieve its investment objective by investing primarily in the shares of small, UK listed equities having a market capitalisation of £100 million or less at the time of investment. The sub-fund will be actively managed.

The sub-fund may also invest in other transferable securities including, but not limited to, warrants and government and public securities, money market instruments, units/shares in collective investment schemes, cash and near cash, and deposits. The sub-fund is permitted to invest in derivatives and forward transactions for the purposes of efficient portfolio management (including hedging), and may borrow and enter into stock lending arrangements in accordance with the Regulations.

The sub-fund will invest in very small companies which will have wider bid/offer spreads and may be more volatile than larger companies. This may impact on short term performance. Any investment in this sub-fund should be considered as long term (i.e. over 10 years).

THE MARLBOROUGH NO 2 OEIC

AUTHORISED STATUS AND GENERAL INFORMATION

Rights and terms attaching to each share class

Each share of each class represents a proportional entitlement to the assets of each sub-fund of the Company. The allocation of income and taxation and the rights of each share in the event that a sub-fund is wound up are on the same proportional basis.

Change in prospectus

No significant changes have been made since the last report.

Up to date Key Investor Information Documents, Prospectus and Long Reports and Financial Statements for any fund within the manager's range can be requested by the investor at any time.

Cross holdings

No sub-funds had holdings in any other sub-funds of the Company at the end of the period.

Remuneration policy

In line with the requirement of UCITS V, Marlborough Fund Managers Ltd is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under UCITS V. The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its senior staff is in line with the risk policies and objectives of the UCITS funds it manages.

The quantitative remuneration disclosures as at 30 September 2017 are set out below:

	Number of identified staff	Total remuneration paid	Fixed remuneration paid	Variable remuneration paid
		£	£	£
Remuneration paid to staff of the Authorised Fund Manager (AFM) who have a material impact on the risk profile of the Company				
Senior management	11	748,245	577,465	170,780
Risk takers and other identified staff	11	2,453,400	982,531	1,470,869
Allocation of total remuneration of the employees of the AFM to the Company				
Senior management	2.16	237,427	183,236	54,191
Risk takers and other identified staff	8.51	2,372,034	919,017	1,453,017

The total number of staff employed by the AFM was 139 as at 30 September 2017. The total remuneration paid to those staff was £5,799,615, of which £3,592,693 is attributable to the AFM.

The allocation of remuneration to the AFM is based on Assets Under Management (AUM), as staff work for two AFM's. The allocation of remuneration to the Company is based on AUM where staff are not directly allocated to the Company. The way these disclosures are calculated may change in the future.

THE MARLBOROUGH NO 2 OEIC

AUTHORISED CORPORATE DIRECTOR'S STATEMENT

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority.



ALLAN HAMER
JOINT MANAGING DIRECTOR



G R HITCHIN
INVESTMENT DIRECTOR

MARLBOROUGH FUND MANAGERS LTD
18 September 2018

STATEMENT OF AUTHORISED CORPORATE DIRECTOR'S RESPONSIBILITIES

The Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL) requires the Authorised Corporate Director (ACD) to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Company comprising of its sub-funds and of its net revenue and the net gains/(losses) for the year.

In preparing the Financial Statements the ACD is required to:

- comply with the disclosure requirements of the Statement of Recommended Practice relating to UK Authorised Funds issued in May 2014;
- follow United Kingdom Generally Accepted Accounting Practice and applicable accounting standards;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation.

The ACD is required to keep proper accounting records and to manage the Company in accordance with the COLL rules, the Instrument of Incorporation and the Prospectus. The ACD is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The ACD is responsible for ensuring that, to the best of its knowledge and belief, there is no relevant audit information of which the auditor is unaware. It is the responsibility of the ACD to take all necessary steps as a director to familiarise itself with any relevant audit information and to establish that the auditor is aware of that information.

THE MARLBOROUGH NO 2 OEIC

DEPOSITARY'S REPORT TO THE SHAREHOLDERS OF THE MARLBOROUGH NO 2 OEIC

Statement of the Depositary's Responsibilities in Respect of the Company and Report of the Depositary to the Shareholders of The Marlborough No 2 OEIC ("the Company") for the period ended 31 July 2018

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of the shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as depositary of the Company it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

HSBC BANK PLC

LONDON

18 September 2018

THE MARLBOROUGH NO 2 OEIC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE MARLBOROUGH NO 2 OEIC

Opinion

We have audited the financial statements of The Marlborough No 2 OEIC (the 'company') for the period ended 31 July 2018 which comprise the accounting, distribution and risk management policies of the company as described on pages 7 to 10 and the statement of total return, the statement of change in net assets attributable to shareholders, the balance sheet and the notes to the financial statements for each sub-fund. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2018 and of its net revenue and net capital gains or losses on the company property for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by The Investment Association, the rules contained in the Collective Investment Schemes Sourcebook and the Instrument of Incorporation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the authorised corporate director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the authorised corporate director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the sub-funds' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The authorised corporate director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the report of the authorised corporate director for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- we have been given all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

THE MARLBOROUGH NO 2 OEIC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE MARLBOROUGH NO 2 OEIC

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the report of the authorised corporate director.

We have nothing to report in respect of the following matters to which the Collective Investment Schemes Sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the company have not been kept; or
- the financial statements are not in agreement with those records.

Responsibilities of the authorised corporate director

As explained more fully in the Statement of Authorised Corporate Director's Responsibilities set out on page 3, the authorised corporate director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the authorised corporate director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the authorised corporate director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the authorised corporate director either intends to liquidate the company or to cease activity, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's shareholders, as a body, in accordance with paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Barlow Andrews LLP
Chartered Accountants
Statutory Auditor
Carlisle House
78 Chorley New Road
Bolton

18 September 2018

NOTES TO THE FINANCIAL STATEMENTS – ACCOUNTING, DISTRIBUTION AND RISK MANAGEMENT POLICIES OF THE COMPANY

1 ACCOUNTING POLICIES

During the period under review the Marlborough No 2 OEIC consisted of three sub-funds: Marlborough Far East Growth Fund, Marlborough Multi Cap Income Fund and Marlborough Nano-Cap Growth Fund.

These accounting policies apply to all the sub-funds of the Company.

a Basis of Preparation

The financial statements have been prepared in compliance with Financial Reporting Standard (FRS) 102 and in accordance with the Statement of Recommended Practice (SORP) for UK Authorised Funds issued by the Investment Association in May 2014.

The financial statements are prepared in sterling, which is the functional currency of the sub-funds. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of investments and certain financial instruments at fair value. The principal accounting policies are set out below.

b Going concern

The authorised corporate director (ACD) has at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the financial statements.

c Revenue

Dividends from shares are recognised when the security is quoted ex-dividend.

Stock dividends, received as shares to the extent that the value of such dividends is equal to the cash dividends, are treated as revenue.

Special dividends are reviewed on a case by case basis when determining if the dividend is to be treated as revenue or capital. The tax treatment follows the accounting treatment of the principal amount.

Bank interest is accounted for on an accruals basis.

d Expenses

All expenses are accounted for on an accruals basis and, other than those relating to the purchase and sale of investments, are charged against revenue as shown in these accounts.

The ACD's periodic charge for Marlborough Multi Cap Income Fund is treated as a capital expense. This may constrain capital growth.

e Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on net revenue for the period. The taxable amount differs from net revenue as reported in the Statement of Total Return (SOTR) because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The sub-funds' liability for current tax is calculated using tax rates that have been enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient tax profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the SOTR. Deferred tax assets and liabilities are offset when a sub-fund has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

NOTES TO THE FINANCIAL STATEMENTS – ACCOUNTING, DISTRIBUTION AND RISK MANAGEMENT POLICIES OF THE COMPANY

1 ACCOUNTING POLICIES

f Valuation of investments

The investments of the sub-funds have been valued at their fair value at 12 noon on 31 July 2018. Fair value is normally the bid value of each security by reference to quoted prices from reputable sources; that is the market price. If the ACD believes that the quoted price is unreliable, or if no price exists, a valuation technique is used whereby fair value is the ACD's best estimate of a reasonable and fair value for that investment.

Investments in collective investment schemes have been valued at cancellation price for dual priced funds and the single price for single priced funds. These are the last available published prices at the period end.

g Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange ruling at the date of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the net capital gains/(losses) for the period.

h Cash and bank balances

Cash and bank balances include deposits held at call with banks. Bank overdrafts are shown within creditors in liabilities.

i Financial assets

The ACD has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of the sub-funds' financial instruments.

Financial assets are recognised in a sub-fund's balance sheet when the sub-fund becomes a party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets, which include amounts receivable for the issue of shares, accrued income and cash and bank balances are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost. Amortised cost is the amount at which the financial asset is measured at initial recognition, less any reduction for impairment or uncollectability.

Basic financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in the SOTR.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

j Financial liabilities

Financial liabilities are recognised in a sub-fund's balance sheet when the sub-fund becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified into specified categories. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of recognition.

Basic financial liabilities, which include amounts payable for cancellation of shares and accrued expenses, are initially measured at transaction price. Other financial liabilities are measured at fair value.

Financial liabilities are derecognised when, and only when, a sub-fund's obligations are discharged, cancelled, or they expire.

NOTES TO THE FINANCIAL STATEMENTS – ACCOUNTING, DISTRIBUTION AND RISK MANAGEMENT POLICIES OF THE COMPANY

2 DISTRIBUTION POLICIES

a Basis of distribution

The policy of each sub-fund is to distribute any net revenue shown as such in the statement of total return, except for the Marlborough Multi Cap Income Fund. In respect of that sub-fund, the ACD's periodic charge, which is treated as a capital expense, is added back to net revenue in determining the distribution.

Revenue attributable to accumulation shareholders is retained at the end of each distribution period and represents a reinvestment of revenue.

b Apportionment to multiple share classes

The ACD's periodic charge is directly attributable to individual share classes. All other income and expenses are allocated to the share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

c Equalisation

Equalisation applies only to shares purchased during the distribution period. It is the average amount of income included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to UK income tax but must be deducted from the cost of the shares for UK capital gains tax purposes.

3 RISK MANAGEMENT POLICIES

In pursuing the investment objectives as set out on page 1, the sub-funds hold a number of financial instruments. The sub-funds' financial instruments comprise securities, together with cash balances, debtors and creditors that arise directly from their operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issues and payable for redemptions and debtors for accrued income.

The main risks arising from the sub-funds' financial instruments and the ACD's policies for managing these risks are summarised below. The ACD reviews (and agrees with the Depositary) the policies for managing each of these risks. The policies have remained unchanged since the beginning of the period to which these financial statements relate.

Market price risk

Market price risk is the risk that the value of a sub-fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the sub-fund holds. It represents the potential loss the sub-fund might suffer through holding market positions in the face of price movements. The sub-fund's investment portfolio is exposed to market price fluctuations which are monitored by the ACD in pursuance of the investment objective and policy as set out in the Prospectus.

Foreign currency risk

The income and capital value of a sub-fund's investments can be affected by foreign currency translation movements as some or all of a sub-fund's assets and income may be denominated in currencies other than sterling which is the sub-fund's functional currency.

The ACD has identified three areas where foreign currency risk could impact the sub-funds. These are, movements in exchange rates affecting the value of investments, short term timing differences such as exposure to exchange rate movements in the period between when an investment purchase or sale is entered into and the date when settlement of the investment occurs, and finally, movement in exchange rates affecting income received by a sub-fund. The sub-funds convert all receipts of income, received in currency, into sterling of the day of receipt.

To manage foreign currency risk the sub-funds are permitted to invest in forward foreign currency contracts for the purpose of reducing the exposure of the sub-funds to a foreign currency.

The foreign currency exposure within the sub-funds is monitored to ensure that this is manageable and sensible.

NOTES TO THE FINANCIAL STATEMENTS – ACCOUNTING, DISTRIBUTION AND RISK MANAGEMENT POLICIES OF THE COMPANY

3 RISK MANAGEMENT POLICIES

Credit and counterparty risk

Certain transactions in securities that the sub-funds enter into expose them to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the sub-funds have fulfilled their responsibilities. The sub-funds only buy and sell investments through brokers which have been approved by the ACD as an acceptable counterparty.

Interest rate risk

Interest rate risk is the risk that the value of a sub-fund's investment holdings will fluctuate as a result of changes in interest rates. The sub-fund's cash holdings are held in deposit accounts, whose rates are determined by the banks concerned on a daily basis.

Liquidity risk

The sub-funds' assets comprise mainly of readily realisable securities. The main liability of the sub-funds is the redemption of any shares that investors wish to sell. Assets of the sub-funds may need to be sold if insufficient cash is available to finance such redemptions. The liquidity of the sub-funds' assets is regularly reviewed by the ACD.

Concentration risk

Some of the underlying collective investment schemes invest solely in certain markets, such as UK shares or fixed interest securities. This allows them to focus on those markets' potential but means that they are not spread amongst a range of markets. Securities in the same market tend to be affected by the same factors, so the collective investment schemes may experience greater fluctuations in price. The asset allocations aim to minimise this risk whenever possible, whilst still meeting the objectives of the sub-funds.

The ACD is obliged through FCA rules to put in place a risk management policy which sets out how the ACD measures and monitors these risks.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

AUTHORISED INVESTMENT ADVISER'S REPORT
for the year ended 31 July 2018

Percentage change and sector position to 31 July 2018

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>
Marlborough Far East Growth Fund	-7.56%	0.35%	55.73%	65.59%
Quartile Ranking*	4	4	2	2

* Based on ranking within The Investment Association's Asia Pacific ex Japan sector.

Launched 31 October 2005.

External Source of Economic Data: Morningstar (Class P Inc - mid to mid, net income reinvested). Class P shares first priced on 2 January 2013. In the period to that date, past performance information for the Class A shares has been used.



Asian markets have appreciated in Sterling terms by 5.7% in the year under review, advancing with rising volatility and greater investor fear. Indonesia and Chinese A shares vied with each other to claim the title of worst performing markets, each falling over 12% in Sterling terms during the period, whilst recovery from three years of economic hiatus served each of Thailand, Malaysia and India well, as they rose by 15.4%, 17.8% and 4.5% respectively. Despite the falls in both the Renminbi and the A share indices, MSCI China outperformed the wider region, as Tencent and tech stocks outweighed all else in the first half of the period under review, before underperforming very sharply in the second half. The fund kept pace with the regional indices for most of the period, but has been hurt since mid-June 2018 by sharp adverse currency movements and poor results from a few companies and over the period as a whole rose by 0.35%.

At the end of 2017, investors across the world had the tech bit between their teeth. In America, the FAANGS held sway and in Asia, indices were dominated by the BATs in China (Baidu, Alibaba, Tencent), Samsung and TSMC. This euphoria was based on the assumption that the general interconnectedness of everything electronic will continue to grow, demanding ever more semiconductors, big data and communications. We absolutely agree with this premise and our best performing stocks over the period have been Sunny Optical, which rose by 40% in Sterling terms over the whole period and NITEC Technologies in India, which rose over 139%. However, we have been concerned about the rate at which Tencent has been acquiring companies in apparently unrelated businesses, or backing loss-making tech start-ups throughout Asia and so we have been underweight this company, which is the largest in Asia, for most of the period. After the period end, Tencent released results which were well below expectations, recording a fall in profits for the first time in over a decade. Whilst much of the reason for the fall was the self-inflicted spending on M&A, the company highlighted a little-researched impact, which is one of the key reasons why we have maintained an underweight position in China since March. At the time of the NPC meeting in the spring, Xi Jinping announced the merger, consolidation and reorganisation of 32 ministries. In every one of these, approvals are being held up either because junior officials no longer know to whom to apply for a decision or at the higher levels, the new ministers have been instructed to impose a more hard-line Communist ideology than previously and so are simply not approving things as before. No analysts spotted that all approvals for new games (which are required to be allowed to monetise them by selling items in-game) halted in March and that the ministry has now accumulated a backlog of over 3,000 new titles. The ministry is grappling with the existential question of to what extent internet gaming, with all its problems of addiction, health, gambling, violence and anti-social behaviour, fits into Communist ideology. Tencent's blockbuster Player Unknown Battleground (PUBG) ticks all of those boxes and, worse, is licenced from a Korean developer as well. Until the company can get approval, the game, which has proved immensely popular since its release, is haemorrhaging money with no revenue to match its costs. Other Tencent games have been blocked or banned outright by the new minister. This is just one company and one ministry. Elsewhere, stocks in the education sector have fallen more than 40% apiece on adverse decisions by new ministers, the pharmaceutical sector is seeing a sharp tightening of regulation and there are anecdotal reports of logjams throughout the infrastructure sector. We expect ministers to have control of their briefs and departments by mid- to late September, but the stock market needs to price this hiatus into expectations.

Elsewhere in China, investors have been spooked by "unexpected" slowing of Rmb loans. This too, seems to emanate from another policy mis-step in the spring. In an effort to clean up unsecured lending, Beijing tightened regulations on Peer to Peer loans, which resulted in more than half of the whole sector ceasing to operate almost overnight. The need for further ministerial approvals then halted the business of all but 47 of an original pool of over 5,000 companies (223 platforms failed in July alone). P2P customers typically used loans for cars, holidays, topping up mortgages and small ticket items. Most were unable to access bank loans because their credit ratings are too weak, so efforts by the PBOC to encourage banks to lend to small companies will not replace this section of liquidity and its loss is now appearing in the results of all sorts of companies. The other reason why we have remained underweight China in the last six months is President Xi's new drive to put Communist Party Committees into every corporate and government entity, sitting at Board level and taking decisions in seniority to the Chairman (even of the PBOC). We are starting to see irrational investment decisions and uses of shareholders' money to buy troubled entities in unrelated sectors. The government are urging cash-rich companies to "invest" in debt-for-equity swaps and the CCP committees are responding. Step by step, we are seeing a return of the old triangular dependencies which took Deng Xiaoping a decade to unpick. Trade wars have consumed investors' attention for the last four months. They will have an impact, but, as trade no longer represents the driver to the Chinese economy that it once did, we are far more concerned about the three policy mis-steps outlined above. The Ministerial inaction will pass – probably by October – and consumers will learn to do without P2P loans again, but the reddening of Boardrooms will take longer to evaluate.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 July 2018

Although trade wars seem to have dominated markets almost exclusively in recent months, the other major topic this period in North Asia has been the extreme belligerence in the first half of the period between North Korea and the US, followed by the apparent rapprochement in the second half. We note that the US took advantage of the period of disquiet to sign major arms deals with six nations in Asia, halving its trade deficit with South Korea in the process, before turning to talks as its trade aspirations turned to gas. The fund has benefited substantially from this shift in approach, with Hyundai Engineering & Construction rising 32% during the period and IBK rising over 6.6%.

As global interest rates have started to rise, international investors have begun to pull money out of Emerging Markets in general, following the playbook of 2013 and 1997-8, in many cases irrespective of any structural improvement to the economies and fiscal positions of the countries concerned. In Asia this period, nowhere has felt this more keenly than Indonesia, where foreign outflows have driven the Rupiah back to lows last seen in the 1997-8 Asian crisis. The stock market has fallen 12% over the period and the currency has dropped even against Sterling by another 8.6%! In this context, our holding in Bank Rakyat has done well to remain flat (-0.4%), but our holding in Wijaya Karya Beton felt the full force, falling 37%, despite pulling in contracts worth 84% of annual revenue in the first half of the year. With a clear pipeline of multi-year contracts and a robust balance sheet, this company typifies the opportunities available to investors in Indonesia now.

Thailand, India and Malaysia have all been strong this year. Each one is emerging from three years of entirely self-inflicted economic misery. For Thailand, political protests, military rule and the death of the revered King served to effectively halt the economy between 2014 and 2017. Now, after the year of mourning has passed, Thais are returning to normality. The government may still be delaying elections, but they are finally pushing through infrastructure programmes and for the moment, tourism seems to be still holding up well. In Malaysia, years of cover-up and scandal surrounding 1MDB, the national fund created by Prime Minister Najib Razak, came to an end with a landslide election win for the opposition party, led by long-time Prime Minister Mahathir Mohammad. The unprecedented election, combined with a sharp drop in the Ringgit and a stronger oil price, is boosting Malaysia with a triple whammy of better exports, stronger consumer spending and cleaner politics. In India, a similar trilogy (better exports, stronger consumer spending after the demonetisation and GST impacts to the economy recently and slightly more transparent politics) has also supported the market, which started to outperform strongly from February onwards. Our holding in NITEC rose 129%, with large-cap Infosys following up with over 33% gain. Since mid-June, this dichotomy between China and India has diverged even further, with MSCI India soaring 5.5%, as China has fallen 8.5%.

Looking forward, although we remain concerned at the direction being taken by China, our long-term enthusiasm for the Asian region remains undiminished. If you live in a house of sticks (in Myanmar, Bangladesh, Laos, India, Indonesia or Vietnam), why would you not work diligently to build a better life for you and your family? Underlying demand for upward mobility across ASEAN looks undiminished and investors should aim to tap into this. In North Asia, the opportunity offered by the rapprochement between the two Koreas offers a long-term trend of improving profitability for the region. One can be bearish about China, but there are 15,000 stocks to choose from in Asia. The MSCI Asia trades at a p/e of 11x, with dividends growing at 8% pa and offering yields of c 3%. Its price to book stands at a discount of 61% to that of the US. We remain highly positive.

Sally Macdonald - Marlborough Fund Managers Ltd
6 August 2018

Distributions (pence per share)

	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>	<u>Year 2015</u>
<u>Class A Income</u>				
Income paid 31 March	0.6772	0.0000	0.9217	0.8770
Income paid 30 September	2.1885	2.3910	3.9215	2.1060
<u>Class A Accumulation</u>				
Accumulation paid 31 March	0.8120	0.0000	1.0603	0.9876
Accumulation paid 30 September	2.6120	2.8216	4.5263	2.3840
<u>Class B Income</u>				
Income paid 31 March	1.2658	0.4622	1.4360	1.3158
Income paid 30 September	2.8357	2.9999	4.4674	2.5815
<u>Class B Accumulation</u>				
Accumulation paid 31 March	1.5482	0.5056	1.5276	0.0000
Accumulation paid 30 September	3.3642	3.5244	4.6726	0.0000
<u>Class P Income</u>				
Income paid 31 March	1.6105	0.7043	1.5143	1.4970
Income paid 30 September	3.1114	3.2589	4.5396	2.7674
<u>Class P Accumulation</u>				
Accumulation paid 31 March	1.8172	0.7791	1.6221	1.5632
Accumulation paid 30 September	3.5305	3.6230	4.9133	2.9153

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 July 2018

Material portfolio changes

Major purchases	Cost (£)	Major sales	Proceeds (£)
China Railway Signal & Communication 'H'	1,274,259	Country Garden Holdings Co	709,436
Alibaba Group Holding	1,084,545	Sunny Optical Technology (Group) Co	664,867
ASM Pacific Technology	949,103	Sercomm	534,181
United Company RUSAL	932,975	Mega Financial Holding Co	529,717
Gujarat State Petronet	900,009	China Mobile	473,078
CIMC ENRIC Holdings	890,979	Hyundai Engineering & Construction Co	446,047
China Overseas Land & Investment	865,506	United Company RUSAL	401,151
Pacific Hospital Supply Co	741,790	Yes Bank	389,843
Wijaya Karya Beton	739,997	Padini Holdings	352,755
D&L Industries	720,913	SK hynix	326,928
Samsung Electronics Pref	703,341	Wistron NeWeb	316,187
Keppel	700,509	Jardine Cycle & Carriage	309,351
Muhibbah Engineering (M)	669,344	Bumitama Agri	260,164
Tencent Holdings	612,320	ADLINK Technology	245,259
Hyundai Engineering & Construction Co	523,717	Gamuda	243,924
Infosys ADR	507,061	Bank Rakyat Indonesia (Persero)	200,112
WT Microelectronics Co	466,036	CIMC ENRIC Holdings	199,033
MODETOUR Network	454,512	NIIT Technologies	197,838
King Yuan Electronics Co	437,234	DBS Group Holdings	189,761
YMT Co	433,267	Lyxor MSCI India 'C' ETF	155,813
Other purchases	7,399,921	Other sales	75,274
Total purchases for the year	22,007,338	Total sales for the year	7,220,719

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

COMPARATIVE TABLE

Class A and Class B, income and accumulation shares were launched at 100p on 31 October 2005. Class P, income and accumulation shares became available for purchase on 31 December 2012.

<u>Class A income shares</u>	Year to	Year to	Year to
Change in net assets per share	31.07.2018	31.07.2017	31.07.2016
	pence	pence	pence
Opening net asset value per share	237.97	181.11	161.92
Return before operating charges*	3.29	63.00	27.57
Operating charges	(4.19)	(3.75)	(3.54)
Return after operating charges*	(0.90)	59.25	24.03
Distributions on income shares	(2.87)	(2.39)	(4.84)
Closing net asset value per share	234.20	237.97	181.11

* after direct transaction costs of: 0.46 0.53 0.55

Performance

Return after charges -0.38% 32.71% 14.84%

Other information

Closing net asset value	£4,448,433	£3,483,967	£3,102,564
Closing number of shares	1,899,432	1,464,058	1,713,074
Operating charges	1.70%	1.74%	2.22%
Direct transaction costs	0.19%	0.24%	0.32%

Prices

Highest share price	262.20p	243.35p	186.95p
Lowest share price	230.01p	179.60p	136.89p

Class A accumulation shares

Change in net assets per share	Year to	Year to	Year to
	31.07.2018	31.07.2017	31.07.2016
	pence	pence	pence
Opening net asset value per share	283.13	213.48	185.68
Return before operating charges*	3.87	74.13	31.87
Operating charges	(4.99)	(4.48)	(4.07)
Return after operating charges*	(1.12)	69.65	27.80
Distributions on accumulation shares	(3.42)	(2.82)	(5.59)
Retained distributions on accumulation shares	3.42	2.82	5.59
Closing net asset value per share	282.01	283.13	213.48

* after direct transaction costs of: 0.55 0.63 0.63

Performance

Return after charges -0.40% 32.63% 14.97%

Other information

Closing net asset value	£24,169,156	£11,093,070	£4,903,976
Closing number of shares	8,570,241	3,917,961	2,297,120
Operating charges	1.70%	1.74%	2.22%
Direct transaction costs	0.19%	0.24%	0.32%

Prices

Highest share price	311.98p	286.66p	215.70p
Lowest share price	274.40p	211.65p	156.97p

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

COMPARATIVE TABLE

<u>Class B income shares</u>	Year to 31.07.2018	Year to 31.07.2017	Year to 31.07.2016
Change in net assets per share			
	pence	pence	pence
Opening net asset value per share	245.38	186.80	166.98
Return before operating charges*	3.41	64.78	28.55
Operating charges	(3.06)	(2.74)	(2.83)
Return after operating charges*	0.35	62.04	25.72
Distributions on income shares	(4.10)	(3.46)	(5.90)
Closing net asset value per share	241.63	245.38	186.80
* after direct transaction costs of:	0.48	0.54	0.58
Performance			
Return after charges	0.14%	33.21%	15.40%
Other information			
Closing net asset value	£1,008	£1,002	£1,042
Closing number of shares	417	408	558
Operating charges	1.20%	1.24%	1.72%
Direct transaction costs	0.19%	0.24%	0.32%
Prices			
Highest share price	271.07p	251.50p	193.22p
Lowest share price	237.75p	185.22p	141.21p
<u>Class B accumulation shares</u>			
Change in net assets per share			
	Year to 31.07.2018	Year to 31.07.2017	Year to 31.07.2016
	pence	pence	pence
Opening net asset value per share	284.72	213.52	185.22
Return before operating charges*	3.84	74.59	31.47
Operating charges	(3.56)	(3.39)	(3.17)
Return after operating charges*	0.28	71.20	28.30
Distributions on accumulation shares	(4.91)	(4.03)	(6.20)
Retained distributions on accumulation shares	4.91	4.03	6.20
Closing net asset value per share	285.00	284.72	213.52
* after direct transaction costs of:	0.56	0.67	0.65
Performance			
Return after charges	0.10%	33.35%	15.28%
Other information			
Closing net asset value	£34,536	£54,343	£1,136
Closing number of shares	12,118	19,086	532
Operating charges	1.20%	1.24%	1.72%
Direct transaction costs	0.19%	0.24%	0.32%
Prices			
Highest share price	314.51p	288.21p	215.81p
Lowest share price	277.22p	211.78p	157.82p

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

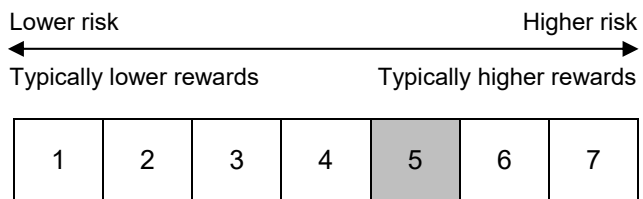
COMPARATIVE TABLE

<u>Class P income shares</u>	Year to 31.07.2018	Year to 31.07.2017	Year to 31.07.2016
Change in net assets per share	pence	pence	pence
Opening net asset value per share	238.32	181.31	162.06
Return before operating charges*	3.29	63.12	27.65
Operating charges	(2.35)	(2.15)	(2.35)
Return after operating charges*	0.94	60.97	25.30
Distributions on income shares	(4.72)	(3.96)	(6.05)
Closing net asset value per share	234.54	238.32	181.31
* after direct transaction costs of:	0.47	0.53	0.54
Performance			
Return after charges	0.39%	33.63%	15.61%
Other information			
Closing net asset value	£5,851,638	£6,199,934	£4,541,460
Closing number of shares	2,494,978	2,601,527	2,504,782
Operating charges	0.95%	0.99%	1.47%
Direct transaction costs	0.19%	0.24%	0.32%
Prices			
Highest share price	263.57p	244.53p	187.75p
Lowest share price	231.11p	179.82p	137.10p
<u>Class P accumulation shares</u>			
Change in net assets per share	Year to 31.07.2018	Year to 31.07.2017	Year to 31.07.2016
	pence	pence	pence
Opening net asset value per share	268.77	201.14	173.64
Return before operating charges*	3.61	69.99	30.03
Operating charges	(2.67)	(2.36)	(2.53)
Return after operating charges*	0.94	67.63	27.50
Distributions on accumulation shares	(5.35)	(4.40)	(6.54)
Retained distributions on accumulation shares	5.35	4.40	6.54
Closing net asset value per share	269.71	268.77	201.14
* after direct transaction costs of:	0.53	0.58	0.58
Performance			
Return after charges	0.35%	33.62%	15.84%
Other information			
Closing net asset value	£8,619,642	£7,802,713	£9,943,463
Closing number of shares	3,195,904	2,903,141	4,943,615
Operating charges	0.95%	0.99%	1.47%
Direct transaction costs	0.19%	0.24%	0.32%
Prices			
Highest share price	297.25p	272.05p	203.22p
Lowest share price	262.29p	199.43p	146.89p

Operating charges are the same as the ongoing charges and are the total expenses paid by each share class in the period. Direct transaction costs are the total charges for the period, included in the purchase and sale of investments in the portfolio of the Fund. These amounts are expressed as a percentage of the average net asset value over the period and the average shares in issue for the pence per share figures.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

SYNTHETIC RISK AND REWARD INDICATOR



The synthetic risk and reward indicator above aims to provide you with an indication of the overall risk and reward profile of the Fund. It is calculated based on the volatility of the Fund using weekly historic returns over the last five years. If five years data is not available for a fund, the returns of a representative portfolio are used.

This Fund has been measured as 5 because it has experienced moderate to high volatility historically. During the period the synthetic risk and reward indicator changed from 6 to 5.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

PORTFOLIO STATEMENT

as at 31 July 2018

Holding or nominal value	Bid value £	Percentage of total net assets %
CHINA/HONG KONG (42.26%, July 2017 - 40.61%)		
97,000 ASM Pacific Technology	883,549	2.05
12,500 Alibaba Group Holding	1,754,957	4.07
3,066,000 Bank of China 'H'	1,092,168	2.53
1,168,000 China Construction Bank 'H'	802,732	1.86
840,000 China Everbright International	776,519	1.80
303,000 China Life Insurance Co 'H'	574,281	1.33
376,000 China Overseas Land & Investment	895,349	2.08
2,233,000 China Railway Signal & Communication 'H'	1,199,640	2.78
410,000 Chow Sang Sang Holdings International	543,718	1.26
1,392,000 CIMC Enric Holdings	962,070	2.23
1,486,000 Haitong International Securities Group	509,204	1.18
1,440,000 Industrial and Commercial Bank of China 'H'	809,856	1.88
411,250 Johnson Electric Holdings	925,547	2.15
400,000 Longfor Properties Co	853,764	1.98
5,360,000 Pacific Basin Shipping	1,058,435	2.45
1,704,000 PetroChina Co 'H'	986,371	2.29
747,255 PICC Property & Casualty Co 'H'	640,150	1.48
165,600 Sands China	647,606	1.50
30,900 Sunny Optical Technology (Group) Co	387,046	0.90
39,400 Tencent Holdings	1,353,923	3.14
74,105 Xtrackers Harvest CSI300 UCITS ETF '1D' USD	569,216	1.32
Total China/Hong Kong	<u>18,226,101</u>	<u>42.26</u>
INDIA (9.55%, July 2017 - 9.41%)		
410,000 Gujarat State Petronet	898,605	2.08
102,520 ICICI Bank ADR	686,219	1.59
52,700 Infosys ADR	798,388	1.85
39,510 NIIT Technologies	538,346	1.25
185,499 Oil India	430,604	1.00
380,000 Power Grid Corporation of India	768,027	1.78
Total India	<u>4,120,189</u>	<u>9.55</u>
INDONESIA (1.79%, July 2017 - 1.90%)		
2,125,000 Bank Rakyat Indonesia (Persero)	342,605	0.79
20,530,000 Wijaya Karya Beton	430,512	1.00
Total Indonesia	<u>773,117</u>	<u>1.79</u>
MALAYSIA (3.46%, July 2017 - 3.91%)		
406,000 Alliance Financial Group	304,291	0.71
620,000 Gamuda	448,457	1.04
1,300,000 Muhibbah Engineering (M)	736,214	1.71
Total Malaysia	<u>1,488,962</u>	<u>3.46</u>
PHILIPPINES (1.46%, July 2017 - Nil)		
4,320,000 D&L Industries	629,143	1.46
Total Philippines	<u>629,143</u>	<u>1.46</u>
SINGAPORE (3.58%, July 2017 - 4.47%)		
41,600 DBS Group Holdings	620,868	1.44
167,000 Keppel	640,111	1.48
160,600 Singapore Telecommunications	286,733	0.66
Total Singapore	<u>1,547,712</u>	<u>3.58</u>

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2018

Holding or nominal value	Bid value £	Percentage of total net assets %
SOUTH KOREA (18.61%, July 2017 - 20.66%)		
17,680 Hyundai Engineering & Construction Co	700,211	1.62
8,615 Hyundai Motor Co, 2nd Pref	512,376	1.19
81,177 Industrial Bank of Korea	861,552	2.00
18,000 Korea Electric Power	405,881	0.94
49,560 Korean Reinsurance Co	369,707	0.86
18,000 MODETOUR Network	307,615	0.71
57,000 Nexen Tire	413,612	0.96
5,030 POSCO	1,127,388	2.61
22,100 Samsung Electronics Co	692,418	1.61
36,200 Samsung Electronics Pref	939,018	2.18
8,350 Samsung Life Insurance Co	544,182	1.26
14,470 SK hynix	845,882	1.96
17,000 YMT Co	307,242	0.71
Total South Korea	<u>8,027,084</u>	<u>18.61</u>
TAIWAN (13.16%, July 2017 - 14.72%)		
841,350 China Life Insurance Co	675,967	1.57
663,000 CTCI	752,978	1.75
185,000 Hon Hai Precision Industry Co	383,973	0.89
1,269,000 King Yuan Electronics Co	830,748	1.93
361,000 Pacific Hospital Supply Co	586,343	1.36
470,000 Taiwan Hon Chuan Enterprise Co	621,196	1.44
131,000 Taiwan Semiconductor Manufacturing Co	797,492	1.85
910,980 WT Microelectronics Co	1,019,929	2.37
Total Taiwan	<u>5,668,626</u>	<u>13.16</u>
THAILAND (2.13%, July 2017 - 1.51%)		
520,000 Hana Microelectronics	427,559	0.99
263,700 PTT Global Chemical	492,367	1.14
Total Thailand	<u>919,926</u>	<u>2.13</u>
Portfolio of investments	41,400,860	96.00
Net current assets	1,723,553	4.00
Total net assets	<u>43,124,413</u>	<u>100.00</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

STATEMENT OF TOTAL RETURN
for the year ended 31 July 2018

	Notes	31 July 2018		31 July 2017	
		£	£	£	£
Income:					
Net capital gains/(losses)	4		(1,257,520)		6,980,908
Revenue	6	1,181,357		775,944	
Expenses	7	<u>(508,498)</u>		<u>(334,925)</u>	
Net revenue/(expense) before taxation		672,859		441,019	
Taxation	8	<u>(90,397)</u>		<u>(49,055)</u>	
Net revenue/(expense) after taxation			<u>582,462</u>		<u>391,964</u>
Total return before distributions			(675,058)		7,372,872
Distributions	9		(582,462)		(395,114)
Change in net assets attributable to shareholders from investment activities			<u><u>(1,257,520)</u></u>		<u><u>6,977,758</u></u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS
for the year ended 31 July 2018

	31 July 2018		31 July 2017	
	£	£	£	£
Opening net assets attributable to shareholders		28,635,029		22,493,641
Amounts receivable on issue of shares	16,572,120		1,251,999	
Amounts payable on cancellation of shares	(1,282,250)		(2,348,291)	
Amounts payable on share class conversions	<u>3,242</u>		<u>7,991</u>	
		15,293,112		(1,088,301)
Change in net assets attributable to shareholders from investment activities		(1,257,520)		6,977,758
Retained distribution on accumulation shares		452,719		249,285
Unclaimed distributions		1,073		2,646
Closing net assets attributable to shareholders		<u><u>43,124,413</u></u>		<u><u>28,635,029</u></u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

BALANCE SHEET
as at 31 July 2018

	Notes	31 July 2018	31 July 2017
		£	£
Assets:			
Fixed Assets:			
Investments	15	41,400,860	27,828,991
Current Assets:			
Debtors	10	518,712	242,815
Cash and bank balances		1,688,023	738,879
Total assets		<u>43,607,595</u>	<u>28,810,685</u>
Liabilities:			
Creditors:			
Distribution payable on income shares		119,211	119,802
Other creditors	11	363,971	55,854
Total liabilities		<u>483,182</u>	<u>175,656</u>
Net assets attributable to shareholders		<u>43,124,413</u>	<u>28,635,029</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2018

Notes 1 to 3 are on pages 7 to 10.

4 NET CAPITAL GAINS/(LOSSES)

The net gains/(losses) on investments during the year comprise:

	31 July 2018	31 July 2017
	£	£
Non-derivative securities	(1,214,750)	7,026,150
Currency gains/(losses)	(34,301)	(38,656)
Transaction charges	(8,469)	(6,586)
Net capital gains/(losses)	<u>(1,257,520)</u>	<u>6,980,908</u>

5 PURCHASES, SALES AND TRANSACTION COSTS

(All purchases and sales are in the equity asset class)

	31 July 2018	31 July 2017
	£	£
Purchases excluding transaction costs	21,863,466	10,473,506
Corporate actions	96,362	72,790
	<u>21,959,828</u>	<u>10,546,296</u>
Commissions	35,217	19,357
Taxes and other charges	12,293	3,926
Total purchase transaction costs	<u>47,510</u>	<u>23,283</u>
Purchases including transaction costs	<u>22,007,338</u>	<u>10,569,579</u>

Purchase transaction costs expressed as a percentage of the principal amount:

Commissions	0.16%	0.18%
Taxes and other charges	0.06%	0.04%

Sales excluding transaction costs	7,230,887	11,752,896
Corporate actions	12,698	0
	<u>7,243,585</u>	<u>11,752,896</u>
Commissions	(11,067)	(22,281)
Taxes and other charges	(11,799)	(19,213)
Total sale transaction costs	<u>(22,866)</u>	<u>(41,494)</u>
Sales net of transaction costs	<u>7,220,719</u>	<u>11,711,402</u>

Sale transaction costs expressed as a percentage of the principal amount:

Commissions	0.15%	0.19%
Taxes and other charges	0.16%	0.16%

Total purchases and sales transaction costs expressed as a percentage of the average net asset value over the year:

Commissions	0.13%	0.16%
Taxes and other charges	0.06%	0.08%
	<u>0.19%</u>	<u>0.24%</u>

Transaction handling charges

	<u>£8,469</u>	<u>£6,586</u>
--	---------------	---------------

Average portfolio dealing spread

This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

Average portfolio dealing spread at the balance sheet date	<u>0.27%</u>	<u>0.26%</u>
--	--------------	--------------

6 REVENUE

	31 July 2018	31 July 2017
	£	£
Overseas dividends	1,132,723	706,641
Stock dividends	47,489	69,246
Bank interest	1,145	57
Total revenue	<u>1,181,357</u>	<u>775,944</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2018

7 EXPENSES

	31 July 2018	31 July 2017
	£	£
Payable to the ACD or associate:		
ACD's periodic charge	443,946	281,355
Registration fees	7,654	7,886
	<u>451,600</u>	<u>289,241</u>
Payable to the Depositary or associate:		
Depositary's fees	13,423	9,528
Safe Custody fees	26,583	21,384
Interest	22	0
	<u>40,028</u>	<u>30,912</u>
Other expenses:		
Financial Conduct Authority Fee	82	164
Audit fee	5,752	4,019
Tax agent fees	11,036	10,589
	<u>16,870</u>	<u>14,772</u>
Total expenses	<u><u>508,498</u></u>	<u><u>334,925</u></u>

8 TAXATION

	31 July 2018	31 July 2017
	£	£
a Analysis of the tax charge for the year		
Overseas tax	90,397	49,055
Total tax charge	<u><u>90,397</u></u>	<u><u>49,055</u></u>

There is no corporation tax charge for the year (31.07.17 - Nil)

b Factors affecting the tax charge for the year		
Net revenue before taxation	672,859	441,019
Corporation tax at 20%	134,572	88,204
Effects of:		
Revenue not subject to taxation	(236,042)	(155,177)
Unrelieved excess management expenses	101,470	66,973
Overseas tax	90,397	49,055
Current tax charge	<u><u>90,397</u></u>	<u><u>49,055</u></u>

At 31 July 2018 the Fund has deferred tax assets of £745,022 (31.07.17 - £643,552) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

9 DISTRIBUTIONS

	31 July 2018	31 July 2017
	£	£
The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:		
Interim	166,803	50,763
Final	456,315	336,209
Amounts deducted on cancellation of shares	4,642	2,477
Amounts added on issue of shares	(48,533)	(2,321)
Equalisation on conversions	3,242	7,991
Revenue brought forward	(7)	(5)
Distributions	<u><u>582,462</u></u>	<u><u>395,114</u></u>
Net deficit of revenue for the year	0	(3,150)
Net revenue after taxation for the year	<u><u>582,462</u></u>	<u><u>391,964</u></u>

Details of the distribution per share are set out in the distribution table in note 16.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2018

10 DEBTORS

	31 July 2018	31 July 2017
	£	£
Amounts receivable for issue of shares	168,597	13,824
Sales awaiting settlement	12,572	0
Accrued income	292,355	213,086
Taxation recoverable	45,188	15,905
Total debtors	<u>518,712</u>	<u>242,815</u>

11 OTHER CREDITORS

	31 July 2018	31 July 2017
	£	£
Amounts payable for cancellation of shares	51,370	588
Purchases awaiting settlement	219,145	0
Accrued expenses	93,456	55,266
Total other creditors	<u>363,971</u>	<u>55,854</u>

12 RELATED PARTIES

The ACD is involved in all transactions in the shares of the Fund, the aggregate values of which are set out in the statement of change in net assets attributable to shareholders.

Amounts paid to the ACD in respect of the ACD's periodic charge and registration fees are disclosed in note 7.

The total amounts due to/(from) the ACD at the year end were as follows:

	31 July 2018	31 July 2017
	£	£
Marlborough Fund Managers Ltd	(71,885)	14,566

In addition to the above, some shares in the Fund are owned by directors of Marlborough Fund Managers Ltd as set out below:

Proportion of shares owned by directors of Marlborough Fund Managers Ltd	0.31%	0.01%
--	-------	-------

Distributions were payable on the above holdings at the rates applicable to other shareholders.

13 SHAREHOLDERS' FUNDS

The Fund currently has three share classes: Class A (minimum investment £1,000); Class B (minimum investment £50,000); and Class P (minimum investment £1,000,000). The annual management charges are 1.5%, 1.0% and 0.75% respectively.

During the year the ACD has issued, cancelled and converted shares from one share class to another as set out below:

Income shares	Class A	Class B	Class P
Opening shares in issue at 1 August 2017	1,464,058	408	2,601,527
Share issues	397,097	0	120,619
Share cancellations	(5,751)	0	(76,124)
Share conversions	44,028	9	(151,044)
Closing shares in issue at 31 July 2018	<u>1,899,432</u>	<u>417</u>	<u>2,494,978</u>
Accumulation shares	Class A	Class B	Class P
Opening shares in issue at 1 August 2017	3,917,961	19,086	2,903,141
Share issues	3,950,076	0	1,314,486
Share cancellations	(107,085)	0	(273,967)
Share conversions	809,289	(6,968)	(747,756)
Closing shares in issue at 31 July 2018	<u>8,570,241</u>	<u>12,118</u>	<u>3,195,904</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2018

14 RISK DISCLOSURES

Market price risk sensitivity

A five per cent increase in the market prices of the Fund's portfolio would have the effect of increasing the return and net assets by £2,070,043 (31.07.17 - £1,391,450). A five per cent decrease would have an equal and opposite effect.

Foreign currency risk

At the year end date a portion of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by exchange rate movements.

Foreign currency exposure at 31 July 2018

	Investments £	Net current assets £	Total £
Chinese Yuan	0	151,678	151,678
Hong Kong Dollar	15,901,928	103,360	16,005,288
Indian Rupee	2,635,582	(219,145)	2,416,437
Indonesian Rupiah	773,117	1,254	774,371
Malaysian Ringgit	1,488,962	6,953	1,495,915
Phillipine Peso	629,143	0	629,143
Singapore Dollar	1,547,712	23,564	1,571,276
South Korean Won	8,027,084	22,550	8,049,634
Taiwan Dollar	5,668,626	554,068	6,222,694
Thailand Baht	919,926	0	919,926
United States Dollar	3,808,780	5,112	3,813,892
	<u>41,400,860</u>	<u>649,394</u>	<u>42,050,254</u>

Foreign currency exposure at 31 July 2017

	Investments £	Net current assets £	Total £
Chinese Yuan	0	95,182	95,182
Euro	170,638	0	170,638
Hong Kong Dollar	10,627,194	112,045	10,739,239
Indian Rupee	1,659,882	0	1,659,882
Indonesian Rupiah	544,905	0	544,905
Malaysian Ringgit	1,120,715	8	1,120,723
Singapore Dollar	1,277,834	0	1,277,834
South Korean Won	5,916,238	7,658	5,923,896
Taiwan Dollar	4,213,467	429,350	4,642,817
Thailand Baht	433,161	0	433,161
United States Dollar	1,864,957	11,640	1,876,597
	<u>27,828,991</u>	<u>655,883</u>	<u>28,484,874</u>

Foreign currency risk sensitivity

A five per cent decrease in the value of sterling relative to the foreign currencies above would have the effect of increasing the return and net assets by £2,102,513 (31.07.17 - £1,424,244). A five per cent increase would have an equal and opposite effect.

Liquidity risk

The following table provides a maturity analysis of the Fund's financial liabilities:

	31 July 2018 £	31 July 2017 £
Within one year:		
Distribution payable on income shares	119,211	119,802
Other creditors	363,971	55,854
	<u>483,182</u>	<u>175,656</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2018

15 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	31 July 2018		31 July 2017	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	41,400,860	0	27,828,991	0
Level 2 - Observable market data	0	0	0	0
Level 3 - Unobservable data	0	0	0	0
	<u>41,400,860</u>	<u>0</u>	<u>27,828,991</u>	<u>0</u>

The intention of a fair value measurement is to estimate the price at which an asset or liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS102 the Fund classifies fair value measurement under the following levels:

Level 1 - Unadjusted quoted price in an active market for an identical instrument.

Level 2 - Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3 - Valuation techniques using unobservable inputs.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

16 DISTRIBUTION TABLE

For the period from 1 August 2017 to 31 January 2018

INCOME SHARES

Group 1: shares purchased prior to 1 August 2017

Group 2: shares purchased on or after 1 August 2017

		Net revenue to 31-Jan-18 pence per share	Equalisation to 31-Jan-18 pence per share	Distribution paid 31-Mar-18 pence per share	Distribution paid 31-Mar-17 pence per share
Class A	Group 1	0.6772p	0.0000p	0.6772p	0.0000p
	Group 2	0.0000p	0.6772p	0.6772p	0.0000p
Class B	Group 1	1.2658p	0.0000p	1.2658p	0.4622p
	Group 2	1.2658p	0.0000p	1.2658p	0.4622p
Class P	Group 1	1.6105p	0.0000p	1.6105p	0.7043p
	Group 2	0.1799p	1.4306p	1.6105p	0.7043p

ACCUMULATION SHARES

Group 1: shares purchased prior to 1 August 2017

Group 2: shares purchased on or after 1 August 2017

		Net revenue to 31-Jan-18 pence per share	Equalisation to 31-Jan-18 pence per share	Distribution paid 31-Mar-18 pence per share	Distribution paid 31-Mar-17 pence per share
Class A	Group 1	0.8120p	0.0000p	0.8120p	0.0000p
	Group 2	0.0000p	0.8120p	0.8120p	0.0000p
Class B	Group 1	1.5482p	0.0000p	1.5482p	0.5056p
	Group 2	1.5482p	0.0000p	1.5482p	0.5056p
Class P	Group 1	1.8172p	0.0000p	1.8172p	0.7791p
	Group 2	0.3299p	1.4873p	1.8172p	0.7791p

For Corporate Shareholders the percentage split between Franked and Unfranked income relating to this distribution was:

Franked	100.00%	Unfranked	0.00%
---------	---------	-----------	-------

£0.00 is the depositary's net liability to corporation tax in respect of the gross revenue.

0.0000p is the depositary's net liability to corporation tax per share.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2018

DISTRIBUTION TABLE

For the period from 1 February 2018 to 31 July 2018

INCOME SHARES

Group 1: shares purchased prior to 1 February 2018

Group 2: shares purchased on or after 1 February 2018

		Net revenue to 31-Jul-18 pence per share	Equalisation to 31-Jul-18 pence per share	Distribution payable 30-Sep-18 pence per share	Distribution paid 30-Sep-17 pence per share
Class A	Group 1	2.1885p	0.0000p	2.1885p	2.3910p
	Group 2	2.0365p	0.1520p	2.1885p	2.3910p
Class B	Group 1	2.8357p	0.0000p	2.8357p	2.9999p
	Group 2	2.8357p	0.0000p	2.8357p	2.9999p
Class P	Group 1	3.1114p	0.0000p	3.1114p	3.2589p
	Group 2	2.1280p	0.9834p	3.1114p	3.2589p

ACCUMULATION SHARES

Group 1: shares purchased prior to 1 February 2018

Group 2: shares purchased on or after 1 February 2018

		Net revenue to 31-Jul-18 pence per share	Equalisation to 31-Jul-18 pence per share	Distribution payable 30-Sep-18 pence per share	Distribution paid 30-Sep-17 pence per share
Class A	Group 1	2.6120p	0.0000p	2.6120p	2.8216p
	Group 2	2.2004p	0.4116p	2.6120p	2.8216p
Class B	Group 1	3.3642p	0.0000p	3.3642p	3.5244p
	Group 2	3.3642p	0.0000p	3.3642p	3.5244p
Class P	Group 1	3.5305p	0.0000p	3.5305p	3.6230p
	Group 2	3.0762p	0.4543p	3.5305p	3.6230p

For Corporate Shareholders the percentage split between Franked and Unfranked income relating to this distribution was:

Franked	100.00%	Unfranked	0.00%
---------	---------	-----------	-------

£0.00 is the depositary's net liability to corporation tax in respect of the gross revenue.

0.0000p is the depositary's net liability to corporation tax per share.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 July 2018

Percentage change and sector position to 31 July 2018

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Since launch*</u>
Marlborough Multi Cap Income Fund	2.61%	8.62%	18.64%	62.16%	130.70%
Quartile Ranking**	3	1	4	1	1

* Launch period ended 30 June 2011.

** Based on ranking within The Investment Association UK Equity Income sector.

External Source of Economic Data: Morningstar (Class P Acc - mid to mid). Class P shares first priced on 2 January 2013. In the period to that date, past performance information for the Class A shares has been used.



Siddarth Chand Lall

The price of the Fund at the end of July 2017 was 202.46p (Class P accumulation shares). The Fund's benchmark, the FTSE All Share TR Index, was 6856.44 at that time. Since then, the benchmark has risen to 7484.05 (31 July 2018); an increase of 9.1%. In comparison, the Fund price increased to 219.91p (Class P accumulation shares), up 8.6% over the same period.

Since inception to 31 July 2018, the Fund is up 130.7% (based on the Class P accumulation shares) compared with the FTSE All Share TR Index up 76.8% over the same period (from 4233.69 to 7484.05).

The dividend on Class P income shares for the six months to 31 July 2018 is 4.1429p, due to be paid at the end of September. It makes a total dividend per unit (for the year to July 2018) of 7.4248p, which is a yield of 4.3% (historic) and 1.6% growth y-o-y. It completes a record of 7 consecutive years of dividend growth. There are slight variations in income distribution across the range of share classes but we focus on the 'P' income share class, the most common held by investors. Please see the table below

The Fund value (based on bid value of investments) at end of July 2017 was £1.51bn. As of the end of July 2018, the Fund value was £1.66bn. The Fund experienced net inflows of £64.6m.

Despite the heavy snowfall in March, which brought major disruption to the UK economy, GDP growth forecasts are unchanged at 1.4% for 2018 and expected to rise to 1.8% in 2019 (increased from 1.7% previously). The Bank of England raised interest rates by 25bps to 0.75% at the start of August. We take comfort from this as the Governor must think the UK economy is strong enough to absorb it.

We continue to believe the USD/GBP exchange rate is a good barometer for where Brexit negotiations are heading. Increased uncertainty over whether we will be able to reach a deal with the EU before the March 2019 deadline has seen cable fall to \$1.29/£ as we write, having previously recovered to a high of \$1.43/£ in April. Strong economic data in the US could leave sterling relatively weak for the remainder of the year. Once there is clarity on Brexit and the 'uncertainties' are known, we believe sterling will begin to recover and start reacting more normally to rate rises.

Small mid cap companies tend to be branded as domestic only, yet we have plenty of companies in our portfolio with global revenues – 4Imprint, Bioventix, Bloomsbury, Bodycote, Diversified Gas & Oil, DiscoverIE, Midwich, Somero, Strix, Vesuvius and Zegona amongst others. We estimate that c. 40% of revenues in the Fund are non-UK on a weighted average basis.

As part of our 20% non-UK allowance, we also have some positions in foreign companies direct. These include Roche, Taiwan Semiconductor, Total and NN Group, which showcases the diverse sector exposure as well. All these positions are displaying a positive capital return at the time of writing and offer dividend yields ranging from 3.2% to 5.5%.

Geopolitics aside, there are many well managed small and mid-cap companies capable of growing both earnings and dividends. 4imprint increased its interim dividend by 15%, Polar Capital saw its earnings more than double and increased its final dividend (+13%) for the first time in 4 years, Intermediate Capital increased their dividend by 11% as profits from the Fund Management Company beat expectations and Big Yellow announced their FY18 PBT and dividend both up 12%. The Fund, therefore, remains well positioned for meeting its IA yield test objectives once again!

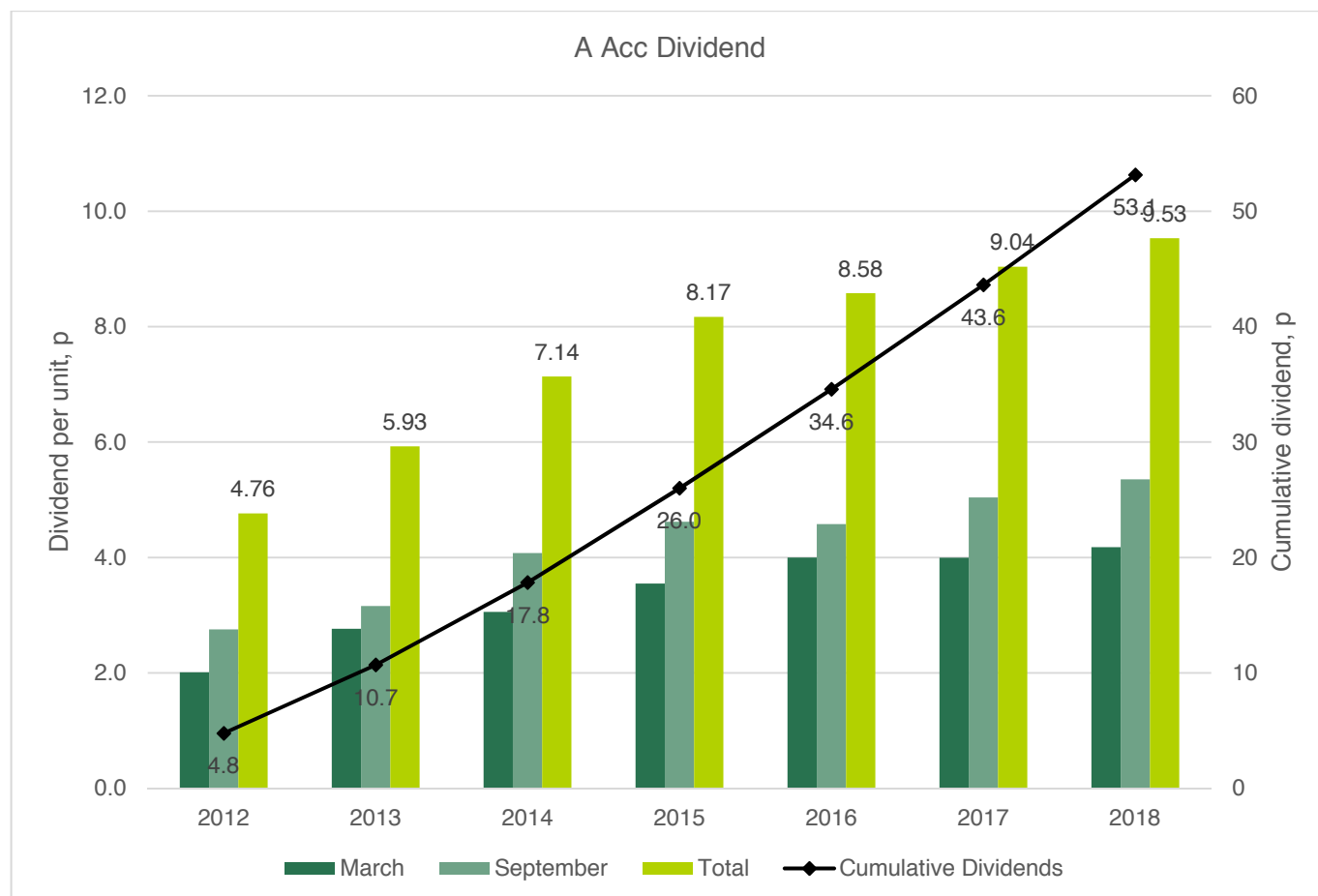
Hargreave Hale Ltd
7 August 2018

This report contains FTSE data. Source: FTSE International Limited ("FTSE") © FTSE 2018. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. All rights in the FTSE indices and / or FTSE ratings vest in FTSE and / or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and / or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

AUTHORISED INVESTMENT ADVISER'S REPORT
for the year ended 31 July 2018

This year marks the 7th year for our Fund where it has grown its dividend every single year since launch while also paying a healthy yield level above that of the FTSE All Share index. The chart below illustrates how clients reinvesting (and therefore compounding) distributions since launch, would now be receiving a yield of 9.53%! (using the 'A' acc. share class and starting price of 100p).



Distributions (pence per share)

	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>	<u>Year 2015</u>
<u>Class A Income</u>				
Net income paid 31 March	3.1684	3.1746	3.3319	3.0929
Net income paid 30 September	3.9837	3.9179	3.7323	3.9444
<u>Class A Accumulation</u>				
Net income paid 31 March	4.1782	3.9975	3.9995	3.5489
Net income paid 30 September	5.3558	5.0401	4.5789	4.6200
<u>Class B Income</u>				
Net income paid 31 March	3.2572	3.2476	3.3919	3.1352
Net income paid 30 September	4.1061	4.0188	3.8100	4.0088
<u>Class B Accumulation</u>				
Net income paid 31 March	4.0974	3.9012	3.8847	3.4327
Net income paid 30 September	5.2665	4.9317	4.4594	4.4803
<u>Class P Income</u>				
Net income paid 31 March	3.2819	3.2645	3.4012	3.1351
Net income paid 30 September	4.1429	4.0450	3.8259	4.0148
<u>Class P Accumulation</u>				
Net income paid 31 March	4.1239	3.9173	3.8909	3.4288
Net income paid 30 September	5.3071	4.9587	4.4732	4.4818

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 July 2018

Material portfolio changes

Major purchases	Cost (£)	Major sales	Proceeds (£)
Severn Trent	21,713,854	Compass Group	25,192,206
Taylor Wimpey	21,472,561	XP Power	24,780,036
Next	21,109,453	Marston's	22,402,431
Phoenix Group Holdings	21,031,657	National Grid	22,163,995
Bodycote	20,894,679	Computacenter	19,649,431
Ashmore Group	20,556,711	DFS Furniture	18,763,852
Diversified Gas & Oil	17,692,243	Renew Holdings	17,712,514
Mondi	15,846,983	Booker Group	14,827,341
Barratt Developments	15,565,677	Ibstock	14,617,435
Tate & Lyle	15,312,458	Informa	14,142,135
Stobart Group	14,084,213	Elementis	13,230,617
BCA Marketplace	12,937,005	Greene King	11,989,084
Origin Enterprises	12,553,691	Safestore Holdings	10,543,787
William Hill	10,719,120	Victrex	10,368,811
Roche Holding	10,532,418	William Hill	10,255,653
Vesuvius	10,096,999	BHP Billiton	9,920,089
Redde	9,807,873	Cineworld Group	9,874,309
Cineworld Group	9,782,101	RPS Group	9,531,998
Direct Line Insurance Group	9,734,371	Phoenix Group Holdings	9,051,929
Redrow	9,272,285	Hogg Robinson Group	8,996,549
Other purchases	395,105,784	Other sales	318,073,514
Total purchases for the year	695,822,136	Total sales for the year	616,087,716

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

COMPARATIVE TABLE

Class A, income and accumulation shares were launched at 100p on 13 June 2011. Class B, income and accumulation shares became available for purchase on 3 November 2011. Class P, income and accumulation shares became available for purchase on 31 December 2012.

<u>Class A income shares</u>	Year to	Year to	Year to
Change in net assets per share	31.07.2018	31.07.2017	31.07.2016
	pence	pence	pence
Opening net asset value per share	155.20	140.83	158.21
Return before operating charges*	14.57	23.79	(7.96)
Operating charges	(2.46)	(2.33)	(2.36)
Return after operating charges*	12.11	21.46	(10.32)
Distributions on income shares	(7.15)	(7.09)	(7.06)
Closing net asset value per share	160.16	155.20	140.83

* after direct transaction costs of: 0.45 0.44 0.64

Performance

Return after charges 7.80% 15.24% -6.52%

Other information

Closing net asset value	£93,625,531	£85,685,802	£83,849,723
Closing number of shares	58,456,957	55,208,903	59,540,942
Operating charges	1.53%	1.54%	1.55%
Direct transaction costs	0.28%	0.29%	0.39%

Prices

Highest share price	168.41p	163.55p	161.89p
Lowest share price	151.44p	141.16p	133.44p

Class A accumulation shares

Change in net assets per share	Year to	Year to	Year to
	31.07.2018	31.07.2017	31.07.2016
	pence	pence	pence
Opening net asset value per share	204.70	177.36	189.92
Return before operating charges*	19.29	30.31	(9.70)
Operating charges	(3.27)	(2.97)	(2.86)
Return after operating charges*	16.02	27.34	(12.56)
Distributions on accumulation shares	(9.53)	(9.04)	(8.58)
Retained distributions on accumulation shares	9.53	9.04	8.58
Closing net asset value per share	220.72	204.70	177.36

* after direct transaction costs of: 0.60 0.55 0.78

Performance

Return after charges 7.83% 15.41% -6.61%

Other information

Closing net asset value	£115,407,411	£114,295,821	£121,959,342
Closing number of shares	52,286,680	55,835,741	68,764,807
Operating charges	1.53%	1.54%	1.55%
Direct transaction costs	0.28%	0.29%	0.39%

Prices

Highest share price	223.10p	210.40p	194.32p
Lowest share price	203.63p	177.76p	163.71p

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

COMPARATIVE TABLE

<u>Class B income shares</u>	Year to 31.07.2018	Year to 31.07.2017	Year to 31.07.2016
Change in net assets per share	pence	pence	pence
Opening net asset value per share	159.36	143.88	160.95
Return before operating charges*	14.96	24.36	(8.24)
Operating charges	(1.70)	(1.61)	(1.63)
Return after operating charges*	13.26	22.75	(9.87)
Distributions on income shares	(7.36)	(7.27)	(7.20)
Closing net asset value per share	165.26	159.36	143.88

* after direct transaction costs of: 0.47 0.45 0.61

Performance

Return after charges 8.32% 15.81% -6.13%

Other information

Closing net asset value	£5,325,982	£5,016,382	£6,156,230
Closing number of shares	3,222,731	3,147,763	4,278,605
Operating charges	1.03%	1.04%	1.05%
Direct transaction costs	0.28%	0.29%	0.39%

Prices

Highest share price	173.29p	167.79p	164.94p
Lowest share price	156.00p	144.23p	136.29p

Class B accumulation shares

Change in net assets per share	Year to 31.07.2018	Year to 31.07.2017	Year to 31.07.2016
	pence	pence	pence
Opening net asset value per share	200.50	172.87	184.36
Return before operating charges*	18.93	29.59	(9.60)
Operating charges	(2.16)	(1.96)	(1.89)
Return after operating charges*	16.77	27.63	(11.49)
Distributions on accumulation shares	(9.36)	(8.83)	(8.34)
Retained distributions on accumulation shares	9.36	8.83	8.34
Closing net asset value per share	217.27	200.50	172.87

* after direct transaction costs of: 0.59 0.54 0.70

Performance

Return after charges 8.36% 15.98% -6.23%

Other information

Closing net asset value	£1,508,426	£1,683,260	£1,688,922
Closing number of shares	694,272	839,546	976,993
Operating charges	1.03%	1.04%	1.05%
Direct transaction costs	0.28%	0.29%	0.39%

Prices

Highest share price	219.41p	205.90p	188.91p
Lowest share price	200.11p	173.27p	159.52p

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

COMPARATIVE TABLE

<u>Class P income shares</u>	Year to 31.07.2018	Year to 31.07.2017	Year to 31.07.2016
Change in net assets per share	pence	pence	pence
Opening net asset value per share	160.48	144.54	161.28
Return before operating charges*	15.07	24.48	(8.26)
Operating charges	(1.30)	(1.23)	(1.25)
Return after operating charges*	13.77	23.25	(9.51)
Distributions on income shares	(7.42)	(7.31)	(7.23)
Closing net asset value per share	166.83	160.48	144.54

* after direct transaction costs of: 0.47 0.45 0.63

Performance

Return after charges 8.58% 16.09% -5.90%

Other information

Closing net asset value	£938,658,040	£844,341,182	£744,561,041
Closing number of shares	562,628,007	526,128,859	515,115,324
Operating charges	0.78%	0.79%	0.80%
Direct transaction costs	0.28%	0.29%	0.39%

Prices

Highest share price	174.70p	168.89p	165.46p
Lowest share price	157.35p	144.90p	136.89p

Class P accumulation shares

Change in net assets per share	Year to 31.07.2018	Year to 31.07.2017	Year to 31.07.2016
	pence	pence	pence
Opening net asset value per share	201.69	173.47	184.52
Return before operating charges*	19.02	29.71	(9.61)
Operating charges	(1.65)	(1.49)	(1.44)
Return after operating charges*	17.37	28.22	(11.05)
Distributions on accumulation shares	(9.43)	(8.88)	(8.36)
Retained distributions on accumulation shares	9.43	8.88	8.36
Closing net asset value per share	219.06	201.69	173.47

* after direct transaction costs of: 0.60 0.54 0.72

Performance

Return after charges 8.61% 16.27% -5.99%

Other information

Closing net asset value	£502,250,925	£455,896,899	£471,772,298
Closing number of shares	229,271,918	226,036,922	271,956,366
Operating charges	0.78%	0.79%	0.80%
Direct transaction costs	0.28%	0.29%	0.39%

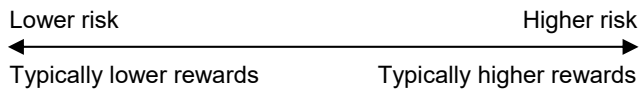
Prices

Highest share price	221.12p	207.04p	189.28p
Lowest share price	201.50p	173.88p	160.06p

Operating charges are the same as the ongoing charges and are the total expenses paid by each share class in the period. Direct transaction costs are the total charges for the period, included in the purchase and sale of investments in the portfolio of the Fund. These amounts are expressed as a percentage of the average net asset value over the period and the average shares in issue for the pence per share figures.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

SYNTHETIC RISK AND REWARD INDICATOR



1	2	3	4	5	6	7
---	---	---	---	---	---	---

The synthetic risk and reward indicator above aims to provide you with an indication of the overall risk and reward profile of the Fund. It is calculated based on the volatility of the Fund using weekly historic returns over the last five years. If five years data is not available for a fund, the returns of a representative portfolio are used.

This Fund has been measured as 4 because it has experienced moderate volatility historically. During the period the synthetic risk and reward indicator has remained unchanged.

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND

PORTFOLIO STATEMENT

as at 31 July 2018

Holding or nominal value	Bid value £	Percentage of total net assets %
AEROSPACE & DEFENCE (0.54%, July 2017 - 0.44%)		
900,000 Meggitt	5,148,000	0.31
1,175,000 Senior	3,825,800	0.23
Total Aerospace & Defence	<u>8,973,800</u>	<u>0.54</u>
BANKS (0.98%, July 2017 - 0.92%)		
350,000 Close Brothers Group	5,610,500	0.34
17,000,000 Lloyds Banking Group	10,626,700	0.64
Total Banks	<u>16,237,200</u>	<u>0.98</u>
BEVERAGES (0.14%, July 2017 - Nil)		
214,735 Shepherd Neame	2,297,665	0.14
Total Beverages	<u>2,297,665</u>	<u>0.14</u>
CHEMICALS (0.63%, July 2017 - 1.84%)		
185,000 Johnson Matthey	6,985,600	0.42
650,000 Synthomer	3,438,500	0.21
Total Chemicals	<u>10,424,100</u>	<u>0.63</u>
CONSTRUCTION & MATERIALS (4.73%, July 2017 - 5.60%)		
7,682,675 Boot (Henry)	20,666,396	1.25
2,350,000 Eurocell	5,828,000	0.35
2,800,000 Forterra	8,288,000	0.50
1,330,000 Marshalls	5,705,700	0.34
953,846 Nexus Infrastructure	1,869,538	0.11
5,900,000 Norcros	12,626,000	0.76
2,034,202 Polypipe Group	7,640,463	0.46
4,628,639 Tyman	15,899,375	0.96
Total Construction & Materials	<u>78,523,472</u>	<u>4.73</u>
ELECTRICITY (1.90%, July 2017 - 2.06%)		
2,500,000 SSE	31,500,000	1.90
Total Electricity	<u>31,500,000</u>	<u>1.90</u>
ELECTRONIC & ELECTRICAL EQUIPMENT (2.20%, July 2017 - 2.36%)		
2,100,000 discoverIE Group	8,736,000	0.53
875,000 Solid State	2,415,000	0.15
5,750,000 Strix Group	9,648,500	0.58
430,377 XP Power	15,579,647	0.94
Total Electronic & Electrical Equipment	<u>36,379,147</u>	<u>2.20</u>
EQUITY INVESTMENT INSTRUMENTS (0.49%, July 2017 - 0.40%)		
2,625,000 Funding Circle SME Income Fund	2,690,625	0.16
500,000 Honeycomb Investment Trust	5,550,000	0.33
Total Equity Investment Instruments	<u>8,240,625</u>	<u>0.49</u>
FINANCIAL SERVICES (15.38%, July 2017 - 12.59%)		
650,000 3i Group	6,189,300	0.37
6,750,000 Ashmore Group	24,705,000	1.49
5,372,862 Cenkos Securities	4,835,576	0.29
150,000 IG Group Holdings	1,371,750	0.08
4,059,885 Intermediate Capital Group	43,400,171	2.62
4,550,000 John Laing Group	13,295,100	0.80
1,853,120 K3 Capital Group	5,744,672	0.35
842,357 Liontrust Asset Management	5,509,015	0.33
2,500,000 Mortgage Advice Bureau (Holdings)	16,550,000	1.00
2,200,000 Numis	9,405,000	0.57

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND

PORTFOLIO STATEMENT

as at 31 July 2018

Holding or nominal value	Bid value £	Percentage of total net assets %
FINANCIAL SERVICES (continued)		
4,513,409 OneSavings Bank	19,687,490	1.19
5,625,000 Paragon Banking Group	28,265,625	1.71
7,515,000 Polar Capital Holdings	49,749,300	3.00
2,536,012 Premier Asset Management Group	7,151,554	0.43
11,493,000 Redde	19,055,394	1.15
Total Financial Services	<u>254,914,947</u>	<u>15.38</u>
FIXED LINE TELECOMMUNICATIONS (2.10%, July 2017 - 2.93%)		
2,536,824 Manx Telecom	4,464,810	0.27
2,650,000 Telecom Plus	27,454,000	1.66
2,500,000 Zegona Communications	2,875,000	0.17
Total Fixed Line Telecommunication	<u>34,793,810</u>	<u>2.10</u>
FOOD & DRUG RETAILERS (0.39%, July 2017 - 2.54%)		
1,000,000 Sainsbury (J)	3,275,000	0.20
1,200,000 Tesco	3,111,600	0.19
Total Food & Drug Retailers	<u>6,386,600</u>	<u>0.39</u>
FOOD PRODUCERS (2.81%, July 2017 - 3.21%)		
3,763,712 Dairy Crest Group	18,374,442	1.11
4,500,000 Tate & Lyle	28,125,000	1.70
Total Food Producers	<u>46,499,442</u>	<u>2.81</u>
FORESTRY & PAPER (1.00%, July 2017 - Nil)		
800,000 Mondi	16,576,000	1.00
Total Forestry & Paper	<u>16,576,000</u>	<u>1.00</u>
GAS, WATER & MULTIUTILITIES (3.53%, July 2017 - 4.15%)		
6,365,500 Fulcrum Utility Services	3,997,534	0.24
4,150,000 Pennon Group	31,282,700	1.89
1,200,000 Severn Trent	23,220,000	1.40
Total Gas, Water & Multiutilities	<u>58,500,234</u>	<u>3.53</u>
GENERAL INDUSTRIALS (5.77%, July 2017 - 5.10%)		
10,833,333 Macfarlane Group	10,941,666	0.66
4,140,191 RPC Group	33,535,547	2.02
8,018,181 Smith (DS)	40,636,141	2.45
1,667,000 Vesuvius	10,643,795	0.64
Total General Industrials	<u>95,757,149</u>	<u>5.77</u>
GENERAL RETAILERS (5.18%, July 2017 - 5.56%)		
2,100,000 B&M European Value Retail	8,677,200	0.52
1,840,000 Inchcape	13,064,000	0.79
9,000,000 Moss Bros Group	3,969,000	0.24
425,000 Next	25,296,000	1.53
1,800,000 WHSmith	34,848,000	2.10
Total General Retailers	<u>85,854,200</u>	<u>5.18</u>
HOUSEHOLD GOODS & HOME CONSTRUCTION (3.84%, July 2017 - 2.94%)		
2,500,000 Barratt Developments	13,430,000	0.81
882,560 Churchill China	8,790,298	0.53
2,115,000 Countryside Properties	7,064,100	0.43
669,000 Portmeirion Group	7,359,000	0.44
1,600,000 Redrow	8,592,000	0.52
10,500,000 Taylor Wimpey	18,343,500	1.11
Total Household Goods & Home Construction	<u>63,578,898</u>	<u>3.84</u>

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND

PORTFOLIO STATEMENT

as at 31 July 2018

Holding or nominal value	Bid value £	Percentage of total net assets %
INDUSTRIAL ENGINEERING (3.87%, July 2017 - 2.22%)		
2,250,000 Bodycote	22,421,250	1.35
350,000 IMI	4,382,000	0.26
2,266,100 Hill & Smith Holdings	34,059,483	2.06
895,000 Somero Enterprises	3,356,250	0.20
Total Industrial Engineering	<u>64,218,983</u>	<u>3.87</u>
INDUSTRIAL TRANSPORTATION (2.09%, July 2017 - 1.76%)		
2,670,000 BBA Aviation	9,366,360	0.57
4,553,477 Eddie Stobart Logistics	6,101,659	0.37
6,850,000 Stobart Group	16,234,500	0.98
1,025,000 Wincanton	2,736,750	0.17
Total Industrial Transportation	<u>34,439,269</u>	<u>2.09</u>
LEISURE GOODS (0.31%, July 2017 - 0.78%)		
4,617,500 Photo-Me International	5,070,015	0.31
Total Leisure Goods	<u>5,070,015</u>	<u>0.31</u>
LIFE INSURANCE (4.55%, July 2017 - 3.17%)		
500,000 Aviva	2,502,000	0.15
5,190,000 Chesnara	20,967,600	1.27
6,000,000 Phoenix Group Holdings	41,220,000	2.49
875,000 St. James's Place	10,591,875	0.64
Total Life Insurance	<u>75,281,475</u>	<u>4.55</u>
MEDIA (0.86%, July 2017 - 1.96%)		
100,000 4imprint Group	2,020,000	0.12
2,147,500 Bloomsbury Publishing	4,724,500	0.29
400,000 Informa	3,177,600	0.19
2,251,125 ITE Group	1,830,165	0.11
2,289,791 XLMedia	2,450,076	0.15
Total Media	<u>14,202,341</u>	<u>0.86</u>
MINING (2.25%, July 2017 - 2.23%)		
100,000 Anglo American	1,716,600	0.10
7,291,110 Anglo Pacific Group	9,770,087	0.59
11,000,000 Central Asia Metals	25,795,000	1.56
Total Mining	<u>37,281,687</u>	<u>2.25</u>
NONLIFE INSURANCE (2.65%, July 2017 - 3.91%)		
6,000,000 Direct Line Insurance Group	20,406,000	1.23
9,726,335 Hastings Group Holdings	23,498,825	1.42
Total Nonlife Insurance	<u>43,904,825</u>	<u>2.65</u>
OIL & GAS PRODUCERS (4.16%, July 2017 - 1.85%)		
2,300,000 BP	13,169,800	0.79
23,000,000 Diversified Gas & Oil	26,220,000	1.58
1,100,000 Royal Dutch Shell 'B'	29,617,500	1.79
Total Oil & Gas Producers	<u>69,007,300</u>	<u>4.16</u>
PERSONAL GOODS (0.35%, July 2017 - Nil)		
220,000 Ted Baker	4,888,400	0.30
340,000 Warpaint London	748,000	0.05
Total Personal Goods	<u>5,636,400</u>	<u>0.35</u>

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND

PORTFOLIO STATEMENT

as at 31 July 2018

Holding or nominal value	Bid value £	Percentage of total net assets %
PHARMACEUTICALS & BIOTECHNOLOGY (0.68%, July 2017 - Nil)		
172,250 Bioventix	5,598,125	0.34
360,000 GlaxoSmithKline	5,680,800	0.34
Total Pharmaceuticals & Biotechnology	<u>11,278,925</u>	<u>0.68</u>
REAL ESTATE INVESTMENT & SERVICES (0.29%, July 2017 - 0.34%)		
3,368,758 Belvoir Lettings	3,503,508	0.21
1,167,500 M Winkworth	1,401,000	0.08
Total Real Estate Investment & Services	<u>4,904,508</u>	<u>0.29</u>
REAL ESTATE INVESTMENT TRUSTS (8.03%, July 2017 - 8.11%)		
3,634,670 Big Yellow Group	34,456,672	2.08
30,100,000 Capital & Regional	14,432,950	0.87
12,250,000 LondonMetric Property	22,993,250	1.39
3,032,581 Mucklow (A & J) Group	16,679,196	1.01
3,850,000 Safestore Holdings	21,617,750	1.30
1,095,890 Secure Income REIT	4,164,382	0.25
9,876,535 Supermarket Income REIT	10,074,066	0.61
300,000 Unite Group	2,632,500	0.16
551,314 Workspace Group	5,998,296	0.36
Total Real Estate Investment Trusts	<u>133,049,062</u>	<u>8.03</u>
SOFTWARE & COMPUTER SERVICES (0.70%, July 2017 - 1.77%)		
590,000 FDM Group (Holdings)	5,622,700	0.34
1,262,063 RM	2,852,262	0.17
3,432,394 Sanderson Group	3,157,803	0.19
Total Software & Computer Services	<u>11,632,765</u>	<u>0.70</u>
SUPPORT SERVICES (7.13%, July 2017 - 7.46%)		
12,680,000 BCA Marketplace	30,305,200	1.83
70,000 DCC	4,980,500	0.30
1,300,000 Electrocomponents	9,240,400	0.56
104,210 Ferguson	6,296,368	0.38
2,000,000 Gateley (Holdings)	3,320,000	0.20
5,550,000 Hays	11,033,400	0.67
1,203,710 Maintel Holdings	9,328,753	0.56
3,651,020 Midwich Group	23,366,528	1.41
1,700,000 Ricardo	14,076,000	0.85
3,000,000 Rosenblatt Group	3,150,000	0.19
877,606 SThree	2,988,248	0.18
Total Support Services	<u>118,085,397</u>	<u>7.13</u>
TRAVEL & LEISURE (4.22%, July 2017 - 7.90%)		
10,000,000 Cineworld Group	27,280,000	1.65
400,000 Compass Group	6,554,000	0.40
385,000 GVC Holdings	4,508,350	0.27
1,395,371 Hollywood Bowl Group	2,888,418	0.17
3,000,000 National Express Group	12,114,000	0.73
1,112,500 PPHE Hotel Group	16,576,250	1.00
Total Travel & Leisure	<u>69,921,018</u>	<u>4.22</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

PORTFOLIO STATEMENT

as at 31 July 2018

Holding or nominal value	Bid value £	Percentage of total net assets %
OVERSEAS SECURITIES (4.85%, July 2017 - 2.29%)		
50,000 Equinor	1,009,851	0.06
750,000 Green REIT	1,009,421	0.06
225,000 NN Group	7,560,632	0.46
500,000 Nordea Bank	4,071,432	0.25
4,048,000 Origin Enterprises	21,648,409	1.31
2,970,000 Princess Private Equity Holding	26,207,517	1.58
54,500 Roche Holding	10,173,697	0.61
34,500 Taiwan Semiconductor Manufacturing Co ADR	1,077,044	0.07
150,000 Total	<u>7,445,652</u>	<u>0.45</u>
Total Overseas Securities	<u>80,203,655</u>	<u>4.85</u>
UNQUOTED SECURITIES (0.00%, July 2017 - Nil)		
6,238,672 Conviviality	0	0.00
Total Unquoted Securities	<u>0</u>	<u>0.00</u>
Portfolio of investments	1,633,554,914	98.60
Net current assets	<u>23,221,401</u>	<u>1.40</u>
Total net assets	<u>1,656,776,315</u>	<u>100.00</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

STATEMENT OF TOTAL RETURN
for the year ended 31 July 2018

	Notes	31 July 2018		31 July 2017	
		£	£	£	£
Income:					
Net capital gains/(losses)	4		71,119,640		167,783,005
Revenue	6	72,295,598		71,872,148	
Expenses	7	(13,854,886)		(13,479,723)	
Net revenue/(expense) before taxation		<u>58,440,712</u>		<u>58,392,425</u>	
Taxation	8	<u>(224,698)</u>		<u>(75,440)</u>	
Net revenue/(expense) after taxation			<u>58,216,014</u>		<u>58,316,985</u>
Total return before distributions			129,335,654		226,099,990
Distributions	9		(70,647,130)		(70,682,237)
Change in net assets attributable to shareholders from investment activities			<u>58,688,524</u>		<u>155,417,753</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS
for the year ended 31 July 2018

	31 July 2018		31 July 2017	
	£	£	£	£
Opening net assets attributable to shareholders		1,506,919,346		1,429,987,556
Amounts receivable on issue of shares	100,766,959		51,896,650	
Amounts payable on cancellation of shares	(36,183,213)		(156,868,696)	
Amounts payable on share class conversions	<u>53</u>		<u>129</u>	
		64,583,799		(104,971,917)
Change in net assets attributable to shareholders from investment activities		58,688,524		155,417,753
Retained distribution on accumulation shares		26,584,516		26,485,954
Unclaimed distributions		130		
Closing net assets attributable to shareholders		<u>1,656,776,315</u>		<u>1,506,919,346</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

BALANCE SHEET
as at 31 July 2018

	Notes	31 July 2018	31 July 2017
		£	£
Assets:			
Fixed Assets:			
Investments	16	1,633,554,914	1,482,654,220
Current Assets:			
Debtors	10	14,833,319	11,484,201
Cash and bank balances		42,218,680	44,112,476
Total assets		<u>1,690,606,913</u>	<u>1,538,250,897</u>
Liabilities:			
Creditors:			
Distribution payable on income shares		25,770,525	23,571,470
Other creditors	11	8,060,073	7,760,081
Total liabilities		<u>33,830,598</u>	<u>31,331,551</u>
Net assets attributable to shareholders		<u><u>1,656,776,315</u></u>	<u><u>1,506,919,346</u></u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2018

Notes 1 to 3 are on pages 7 to 10.

4 NET CAPITAL GAINS/(LOSSES)

The net gains/(losses) on investments during the year comprise:

	31 July 2018	31 July 2017
	£	£
Non-derivative securities	71,166,275	167,811,254
Currency gains/(losses)	(23,420)	24
Transaction charges	(23,215)	(28,273)
Net capital gains/(losses)	<u>71,119,640</u>	<u>167,783,005</u>

5 PURCHASES, SALES AND TRANSACTION COSTS

(All purchases and sales are in the equity asset class)

	31 July 2018	31 July 2017
	£	£
Purchases excluding transaction costs	633,571,609	521,199,153
Corporate actions	<u>58,807,180</u>	<u>45,274,233</u>
	692,378,789	566,473,386
Commissions	974,341	967,884
Taxes and other charges	2,469,006	2,169,119
Total purchase transaction costs	<u>3,443,347</u>	<u>3,137,003</u>
Purchases including transaction costs	<u>695,822,136</u>	<u>569,610,389</u>

Purchase transaction costs expressed as a percentage of the principal amount:

Commissions	0.15%	0.19%
Taxes and other charges	0.39%	0.42%

Sales excluding transaction costs	607,940,507	643,050,660
Corporate actions	<u>9,156,585</u>	<u>20,557,500</u>
	617,097,092	663,608,160
Commissions	(1,006,716)	(1,221,039)
Taxes and other charges	(2,660)	(3,877)
Total sale transaction costs	<u>(1,009,376)</u>	<u>(1,224,916)</u>
Sales net of transaction costs	<u>616,087,716</u>	<u>662,383,244</u>

Sale transaction costs expressed as a percentage of the principal amount:

Commissions	0.17%	0.19%
Taxes and other charges	0.00%	0.00%

Total purchases and sales transaction costs expressed as a percentage of the average net asset value over the year:

Commissions	0.12%	0.15%
Taxes and other charges	0.16%	0.14%
	<u>0.28%</u>	<u>0.29%</u>

Transaction handling charges

	<u>£23,215</u>	<u>£28,273</u>
--	----------------	----------------

Average portfolio dealing spread

This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

Average portfolio dealing spread at the balance sheet date	<u>0.80%</u>	<u>0.79%</u>
--	--------------	--------------

6 REVENUE

	31 July 2018	31 July 2017
	£	£
UK dividends	55,661,989	62,704,182
UK dividends (unfranked)	5,225,220	2,965,146
Overseas dividends	11,296,139	5,908,666
Overseas dividends (unfranked)	0	183,625
Underwriting and other commission	88,224	107,666
Bank interest	24,026	2,863
Total revenue	<u>72,295,598</u>	<u>71,872,148</u>

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2018

7 EXPENSES

	31 July 2018	31 July 2017
	£	£
Payable to the ACD or associate:		
ACD's periodic charge	13,409,165	12,901,927
Registration fees	10,041	11,104
	<u>13,419,206</u>	<u>12,913,031</u>
Payable to the Depositary or associate:		
Depositary's fees	334,322	461,002
Safe Custody fees	91,451	100,890
Interest	3,721	314
	<u>429,494</u>	<u>562,206</u>
Other expenses:		
Financial Conduct Authority Fee	82	164
Audit fee	6,104	4,322
	<u>6,186</u>	<u>4,486</u>
Total expenses	<u><u>13,854,886</u></u>	<u><u>13,479,723</u></u>

8 TAXATION

	31 July 2018	31 July 2017
	£	£
a Analysis of the tax charge for the year		
Overseas tax	224,698	75,440
Total tax charge	<u><u>224,698</u></u>	<u><u>75,440</u></u>

There is no corporation tax charge for the year (31.07.17 - Nil)

b Factors affecting the tax charge for the year

Net revenue before taxation	58,440,712	58,392,425
Corporation tax at 20%	11,688,142	11,678,485
Effects of:		
Revenue not subject to taxation	(13,391,626)	(13,722,194)
Unrelieved excess management expenses	1,703,484	2,043,709
Overseas tax	224,698	75,440
Current tax charge	<u><u>224,698</u></u>	<u><u>75,440</u></u>

At 31 July 2018 the Fund has deferred tax assets of £8,468,929 (31.07.17 - £6,849,651) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

9 DISTRIBUTIONS

	31 July 2018	31 July 2017
	£	£
The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:		
Interim	30,892,441	32,021,975
Final	40,775,194	37,635,616
Amounts deducted on cancellation of shares	291,178	1,708,481
Amounts added on issue of shares	(1,311,638)	(683,615)
Equalisation on conversions	53	129
Revenue brought forward	(98)	(349)
Distributions	<u><u>70,647,130</u></u>	<u><u>70,682,237</u></u>
Movement between net revenue and distributions:		
Net revenue after taxation	58,216,014	58,316,985
Add: ACD's periodic charge borne by capital	13,409,165	12,901,927
Deduct: Tax effect of ACD's periodic charge borne by capital	(978,049)	(536,675)
	<u><u>70,647,130</u></u>	<u><u>70,682,237</u></u>

Details of the distribution per share are set out in the distribution table in note 17.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2018

10 DEBTORS

	31 July 2018	31 July 2017
	£	£
Amounts receivable for issue of shares	4,937,271	496,845
Sales awaiting settlement	1,343,734	3,247,035
Accrued income	8,450,866	7,725,789
Taxation recoverable	101,448	14,532
Total debtors	<u>14,833,319</u>	<u>11,484,201</u>

11 OTHER CREDITORS

	31 July 2018	31 July 2017
	£	£
Amounts payable for cancellation of shares	33,147	982,646
Purchases awaiting settlement	6,694,384	5,518,100
Accrued expenses	1,332,542	1,259,335
Total other creditors	<u>8,060,073</u>	<u>7,760,081</u>

12 COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 31 July 2018 there were contingent liabilities in respect of a placing in Greencoat Renewables (£1,890,492).

13 RELATED PARTIES

The ACD is involved in all transactions in the shares of the Fund, the aggregate values of which are set out in the statement of change in net assets attributable to shareholders.

Amounts paid to the ACD in respect of the ACD's periodic charge and registration fees are disclosed in note 7.

The total amounts due to/(from) the ACD at the year end were as follows:

	31 July 2018	31 July 2017
	£	£
Marlborough Fund Managers Ltd	(3,704,024)	1,586,247

In addition to the above, some shares in the Fund are owned by directors of Marlborough Fund Managers Ltd or directors of UFC Fund Management plc, the ultimate parent company of Marlborough Fund Managers Ltd, as set out below:

Proportion of units owned by directors of Marlborough Fund Managers Ltd or UFC Fund Management plc	0.04%	0.04%
--	-------	-------

Distributions were payable on the above holdings at the rates applicable to other shareholders.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2018

14 SHAREHOLDERS' FUNDS

The Fund currently has three share classes: Class A (minimum investment £1,000); Class B (minimum investment £50,000); and Class P (minimum investment £1,000,000). The annual management charges are 1.5%, 1.0% and 0.75% respectively.

During the year the ACD has issued, cancelled and converted shares from one share class to another as set out below:

Income shares	Class A	Class B	Class P
Opening shares in issue at 1 August 2017	55,208,903	3,147,763	526,128,859
Share issues	6,046,262	335,386	39,406,287
Share cancellations	(1,132,521)	(58,986)	(10,002,412)
Share conversions	(1,665,687)	(201,432)	7,095,273
Closing shares in issue at 31 July 2018	<u>58,456,957</u>	<u>3,222,731</u>	<u>562,628,007</u>
Accumulation shares	Class A	Class B	Class P
Opening shares in issue at 1 August 2017	55,835,741	839,546	226,036,922
Share issues	1,911,870	98,782	10,175,409
Share cancellations	(2,037,034)	(57,431)	(6,419,105)
Share conversions	(3,423,897)	(186,625)	(521,308)
Closing shares in issue at 31 July 2018	<u>52,286,680</u>	<u>694,272</u>	<u>229,271,918</u>

15 RISK DISCLOSURES

Market price risk sensitivity

A five per cent increase in the market prices of the Fund's portfolio would have the effect of increasing the return and net assets by £81,677,746 (31.07.17 - £74,132,711). A five per cent decrease would have an equal and opposite effect.

Foreign currency risk

At the year end date a portion of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by exchange rate movements.

Foreign currency exposure at 31 July 2018

	Investments £	Net current assets £	Total £
Euro	63,871,631	2,051,647	65,923,278
Norwegian Krona	1,009,851	(1,011,475)	(1,624)
Swedish Krona	4,071,432	0	4,071,432
Swiss Franc	10,173,697	1,104,040	11,277,737
US Dollar	1,077,044	166,369	1,243,413
	<u>80,203,655</u>	<u>2,310,581</u>	<u>82,514,236</u>

Foreign currency exposure at 31 July 2017

	Investments £	Net current assets £	Total £
Euro	34,555,913	157,083	34,712,996
US Dollar	0	134,908	134,908
	<u>34,555,913</u>	<u>291,991</u>	<u>34,847,904</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2018

RISK DISCLOSURES

Foreign currency risk sensitivity

A five per cent decrease in the value of sterling relative to the foreign currencies above would have the effect of increasing the return and net assets by £4,125,712 (31.07.17 - £1,742,395). A five per cent increase would have an equal and opposite effect.

Liquidity risk

The following table provides a maturity analysis of the Fund's financial liabilities:

	31 July 2018	31 July 2017
	£	£
Within one year:		
Distribution payable on income shares	25,770,525	23,571,470
Other creditors	8,060,073	7,760,081
	<u>33,830,598</u>	<u>31,331,551</u>

16 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	31 July 2018		31 July 2017	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	1,633,554,914	0	1,482,654,220	0
Level 2 - Observable market data	0	0	0	0
Level 3 - Unobservable data	0	0	0	0
	<u>1,633,554,914</u>	<u>0</u>	<u>1,482,654,220</u>	<u>0</u>

The intention of a fair value measurement is to estimate the price at which an asset or liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS102 the Fund classifies fair value measurement under the following levels:

Level 1 - Unadjusted quoted price in an active market for an identical instrument.

Level 2 - Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3 - Valuation techniques using unobservable inputs.

Conviviality is in administration and valued at zero until further information is received.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2018

17 DISTRIBUTION TABLE

For the period from 1 August 2017 to 31 January 2018

INCOME SHARES

Group 1: shares purchased prior to 1 August 2017

Group 2: shares purchased on or after 1 August 2017

		Net revenue to 31-Jan-18 pence per share	Equalisation to 31-Jan-18 pence per share	Distribution paid 31-Mar-18 pence per share	Distribution paid 31-Mar-17 pence per share
Class A	Group 1	3.1684p	0.0000p	3.1684p	3.1746p
	Group 2	1.2950p	1.8734p	3.1684p	3.1746p
Class B	Group 1	3.2572p	0.0000p	3.2572p	3.2476p
	Group 2	1.5048p	1.7524p	3.2572p	3.2476p
Class P	Group 1	3.2819p	0.0000p	3.2819p	3.2645p
	Group 2	1.4364p	1.8455p	3.2819p	3.2645p

ACCUMULATION SHARES

Group 1: shares purchased prior to 1 August 2017

Group 2: shares purchased on or after 1 August 2017

		Net revenue to 31-Jan-18 pence per share	Equalisation to 31-Jan-18 pence per share	Distribution paid 31-Mar-18 pence per share	Distribution paid 31-Mar-17 pence per share
Class A	Group 1	4.1782p	0.0000p	4.1782p	3.9975p
	Group 2	1.8054p	2.3728p	4.1782p	3.9975p
Class B	Group 1	4.0974p	0.0000p	4.0974p	3.9012p
	Group 2	1.8835p	2.2139p	4.0974p	3.9012p
Class P	Group 1	4.1239p	0.0000p	4.1239p	3.9173p
	Group 2	1.8947p	2.2292p	4.1239p	3.9173p

For Corporate Shareholders the percentage split between Franked and Unfranked income relating to this distribution was:

Franked	100.00%	Unfranked	0.00%
---------	---------	-----------	-------

£0.00 is the depositary's net liability to corporation tax in respect of the gross revenue.

0.0000p is the depositary's net liability to corporation tax per share.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

DISTRIBUTION TABLE

For the period from 1 February 2018 to 31 July 2018

INCOME SHARES

Group 1: shares purchased prior to 1 February 2018

Group 2: shares purchased on or after 1 February 2018

		Net revenue to 31-Jul-18 pence per share	Equalisation to 31-Jul-18 pence per share	Distribution payable 30-Sep-18 pence per share	Distribution paid 30-Sep-17 pence per share
Class A	Group 1	3.9837p	0.0000p	3.9837p	3.9179p
	Group 2	2.1929p	1.7908p	3.9837p	3.9179p
Class B	Group 1	4.1061p	0.0000p	4.1061p	4.0188p
	Group 2	2.9848p	1.1213p	4.1061p	4.0188p
Class P	Group 1	4.1429p	0.0000p	4.1429p	4.0450p
	Group 2	2.0285p	2.1144p	4.1429p	4.0450p

ACCUMULATION SHARES

Group 1: shares purchased prior to 1 February 2018

Group 2: shares purchased on or after 1 February 2018

		Net revenue to 31-Jul-18 pence per share	Equalisation to 31-Jul-18 pence per share	Distribution payable 30-Sep-18 pence per share	Distribution paid 30-Sep-17 pence per share
Class A	Group 1	5.3558p	0.0000p	5.3558p	5.0401p
	Group 2	3.1359p	2.2199p	5.3558p	5.0401p
Class B	Group 1	5.2665p	0.0000p	5.2665p	4.9317p
	Group 2	4.0358p	1.2307p	5.2665p	4.9317p
Class P	Group 1	5.3071p	0.0000p	5.3071p	4.9587p
	Group 2	3.2180p	2.0891p	5.3071p	4.9587p

For Corporate Shareholders the percentage split between Franked and Unfranked income relating to this distribution was:

Franked	100.00%	Unfranked	0.00%
---------	---------	-----------	-------

£0.00 is the depositary's net liability to corporation tax in respect of the gross revenue.

0.0000p is the depositary's net liability to corporation tax per share.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 July 2018

Percentage change and sector position to 31 July 2018

	<u>6 months</u>	<u>1 year</u>	<u>3 year</u>	<u>Since launch*</u>
Marlborough Nano-Cap Growth Fund	9.96%	22.82%	72.79%	87.71%
Quartile Ranking**	1	1	1	2

* Launched ended 31 October 2013.

** Based on ranking within The Investment Association's UK Smaller Companies sector.

External Source of Economic Data: Morningstar (Class P Acc - bid to bid).



Giles Hargreave

Guy Feld

David Walton

For the year to 31 July 2018 our Nanocap Fund produced an excellent performance with the P shares up 22.8% compared to a decline of 0.9% in the FTSE Small Cap Ex-IT. Our peers within the IA Smaller Companies index also delivered a good performance with the average return being +13.2%, but due to our Funds outperformance, it finished 5th out of the 48 funds. Regarding the large caps, the FTSE 100 delivered a 5.1% gain.

The portfolio itself produced 99 winners in total, with 53 of these winners producing returns greater than 30.0%.

This compares to the 63 losers within the Fund, with 22

stocks falling more than 30.0%. Furthermore, we had 23 constituents which were up more than 75.0% and 5 holdings which fell by the same amount or greater. This highlights not only the great potential of small-caps, but the inherent risks they also possess.

In terms of individual holdings, our best performer by some distance was Zoo Digital, up 1,009.7% over the year. Zoo, a leader in translation based services for companies such as Netflix, compounded major contract wins and a strong operational performance to deliver a material re-rating and a stellar performance. Water Intelligence, a water conservation specialist and Tern, who invest within the realm of the 'Internet of Things', both delivered excellent returns up 253.2% and 222.8% respectively. Honourable mentions should also include Impax, K3 Capital, Bushveld Minerals, Bioquell, Blue Prism, AB Dynamics and One Media - all of which have at least doubled.

Our biggest faller was Faron Pharmaceuticals which fell significantly, down 89.1% after its lead drug Traumakine, failed a Phase III pivotal trial. The drug failed to reproduce the efficacy seen in two prior studies (albeit smaller in size). The outcome was significantly below our expectations and a heavy blow to both investors and patients. Crawshaw, the local butcher chain, fell 79.8% after a string of profit warnings as a result of ineffective management and poor trading. Other poor performers include Abzena, Angus Energy and Be Heard.

During the period we significantly reduced Frontier Developments due to concerns about the potential of their new video game, whilst taking some profits in Zoo Digital (after the above-mentioned performance) and Victoria Carpets. Our biggest addition to the portfolio was Trinity Exploration, who raised capital to accelerate capital expenditure to increase production and the company has performed well since. Other additions include Bioquell, who offer decontamination technologies to the life science industry and Sopheon, a specialist software provider aimed at product developers.

As always uncertainty remains, with Brexit yet to be resolved and ongoing trade disagreements between the US and nearly every other major economy still pertinent. However, we remain excited about the quality and potential of UK smaller companies and believe that the continuous opportunities they have provided for investors will continue.

Hargreave Hale Ltd
3 September 2018

This report contains FTSE data. Source: FTSE International Limited ("FTSE") © FTSE 2018. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. All rights in the FTSE indices and / or FTSE ratings vest in FTSE and / or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and / or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 July 2018

Distributions (pence per share)

	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>	<u>Year 2015</u>
<u>Class A Accumulation</u>				
Net income paid 31 March	0.0000	0.0000	0.0000	0.0000
Net income paid 30 September	0.0000	0.0000	0.0000	0.0000
<u>Class B Accumulation</u>				
Net income paid 31 March	0.0063	0.0000	0.0410	0.0560
Net income paid 30 September	0.1425	0.3001	0.2759	0.0690
<u>Class P Accumulation</u>				
Net income paid 31 March	0.0000	0.0866	0.1714	0.1870
Net income paid 30 September	0.3742	0.4335	0.4022	0.2021

Material portfolio changes

Major purchases	Cost (£)	Major sales	Proceeds (£)
Trinity Exploration & Production	2,902,960	Frontier Developments	5,207,602
Moxico Resources	2,750,000	ZOO Digital Group	3,022,756
UK Oil & Gas	2,505,798	UK Oil & Gas	2,467,797
Bushveld Minerals	2,216,121	Victoria	2,377,198
Sopheon	2,014,120	Marlowe	2,152,149
Tharisa	1,855,241	Ero Copper	2,148,421
Springfield Properties	1,817,608	Amino Technologies	1,754,181
LoopUp Group	1,778,901	Proactis Holdings	1,658,620
GAME Digital	1,666,704	Stadium Group	1,635,241
Bioquell	1,546,379	Bushveld Minerals	1,602,910
Thruvision Group	1,515,527	Shanta Gold	1,589,085
Augmentum Fintech	1,500,000	Next Fifteen Communications Group	1,482,940
InnovaDerma	1,499,999	Latham (James)	1,314,944
Horizonte Minerals	1,435,128	eServGlobal	1,244,736
Water Intelligence	1,375,944	EVR Holdings	1,169,377
Filtronic	1,340,176	Severfield	1,089,367
Ubisense Group	1,268,806	Caspian Sunrise	1,073,243
Morses Club	1,264,409	InnovaDerma	1,065,797
K3 Business Technology Group	1,255,390	eg Solutions	967,500
Albert Technologies	1,221,850	Inspired Energy	937,493
Other purchases	47,182,815	Other sales	24,622,519
Total purchases for the year	81,913,876	Total sales for the year	60,583,876

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

COMPARATIVE TABLE

Class A, Class B and Class P accumulation shares were launched at 100p on 14 October 2013.

<u>Class A accumulation shares</u>	Year to	Year to	Year to
Change in net assets per share	31.07.2018	31.07.2017	31.07.2016
	pence	pence	pence
Opening net asset value per share	141.46	103.96	102.04
Return before operating charges*	33.27	39.46	3.57
Operating charges	(2.46)	(1.96)	(1.65)
Return after operating charges*	30.81	37.50	1.92
Distributions on accumulation shares	0.00	0.00	0.00
Retained distributions on accumulation shares	0.00	0.00	0.00
Closing net asset value per share	172.27	141.46	103.96

* after direct transaction costs of: 0.22 0.23 0.12

Performance

Return after charges 21.78% 36.07% 1.88%

Other information

Closing net asset value	£24,851,620	£19,797,559	£15,288,706
Closing number of shares	14,425,626	13,994,853	14,707,030
Operating charges	1.55%	1.56%	1.56%
Direct transaction costs	0.14%	0.19%	0.12%

Prices

Highest share price	188.70p	154.99p	118.19p
Lowest share price	140.83p	104.08p	96.84p

Class B accumulation shares
Change in net assets per share

	Year to	Year to	Year to
	31.07.2018	31.07.2017	31.07.2016
	pence	pence	pence
Opening net asset value per share	144.42	105.40	102.96
Return before operating charges*	34.21	40.36	3.57
Operating charges	(1.70)	(1.34)	(1.13)
Return after operating charges*	32.51	39.02	2.44
Distributions on accumulation shares	(0.15)	(0.30)	(0.32)
Retained distributions on accumulation shares	0.15	0.30	0.32
Closing net asset value per share	176.93	144.42	105.40

* after direct transaction costs of: 0.22 0.24 0.13

Performance

Return after charges 22.51% 37.02% 2.37%

Other information

Closing net asset value	£1,018	£1,049	£1,054
Closing number of shares	575	726	1,000
Operating charges	1.05%	1.06%	1.06%
Direct transaction costs	0.14%	0.19%	0.12%

Prices

Highest share price	193.68p	158.07p	119.73p
Lowest share price	143.74p	105.59p	98.19p

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

COMPARATIVE TABLE

Class P accumulation shares	Year to 31.07.2018	Year to 31.07.2017	Year to 31.07.2016
Change in net assets per share	pence	pence	pence
Opening net asset value per share	145.60	106.18	103.41
Return before operating charges*	34.39	40.47	3.64
Operating charges	(1.32)	(1.05)	(0.87)
Return after operating charges*	33.07	39.42	2.77
Distributions on accumulation shares	(0.37)	(0.52)	(0.57)
Retained distributions on accumulation shares	0.37	0.52	0.57
Closing net asset value per share	178.67	145.60	106.18

* after direct transaction costs of: 0.23 0.24 0.13

Performance

Return after charges 22.71% 37.13% 2.68%

Other information

Closing net asset value	£175,179,461	£123,001,973	£79,430,581
Closing number of shares	98,045,427	84,479,984	74,807,556
Operating charges	0.80%	0.81%	0.81%
Direct transaction costs	0.14%	0.19%	0.12%

Prices

Highest share price	195.55p	159.43p	120.49p
Lowest share price	144.99p	106.31p	98.84p

Operating charges are the same as the ongoing charges and are the total expenses paid by each share class in the period. Direct transaction costs are the total charges for the period, included in the purchase and sale of investments in the portfolio of the Fund. These amounts are expressed as a percentage of the average net asset value over the period and the average shares in issue for the pence per share figures.

SYNTHETIC RISK AND REWARD INDICATOR

Lower risk ← Higher risk
Typically lower rewards Typically higher rewards

1	2	3	4	5	6	7
---	---	---	---	---	---	---

The synthetic risk and reward indicator above aims to provide you with an indication of the overall risk and reward profile of the Fund. It is calculated based on the volatility of the Fund using weekly historic returns over the last five years. If five years data is not available for a fund, the returns of a representative portfolio are used.

This Fund has been measured as 4 because it has experienced moderate volatility historically. During the period the synthetic risk and reward indicator has remained unchanged.

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2018

Holding or nominal value	Bid value £	Percentage of total net assets %
AEROSPACE & DEFENCE (0.14%, July 2017 - 0.55%)		
526,689 Velocity Composites	289,679	0.14
Total Aerospace & Defence	<u>289,679</u>	<u>0.14</u>
ALTERNATIVE ENERGY (0.65%, July 2017 - 0.20%)		
3,157,000 Ilika	662,970	0.33
2,078,125 ITM Power	648,375	0.32
Total Alternative Energy	<u>1,311,345</u>	<u>0.65</u>
AUTOMOBILES & PARTS (0.29%, July 2017 - 0.54%)		
3,050,000 Surface Transforms	579,500	0.29
Total Automobiles & Parts	<u>579,500</u>	<u>0.29</u>
CHEMICALS (0.49%, July 2017 - 2.17%)		
1,790,000 HaloSource	14,320	0.01
2,843,978 HaloSource 'Reg S'	34,128	0.02
50,852,383 Hardide	915,343	0.46
Total Chemicals	<u>963,791</u>	<u>0.49</u>
CONSTRUCTION & MATERIALS (0.51%, July 2017 - 1.22%)		
190,000 Nexus Infrastructure	372,400	0.19
1,625,000 SigmaRoc	637,000	0.32
Total Construction & Materials	<u>1,009,400</u>	<u>0.51</u>
ELECTRONIC & ELECTRICAL EQUIPMENT (1.97%, July 2017 - 3.47%)		
12,333,623 APC Technology Group	894,188	0.45
16,750,000 CAP-XX	1,340,000	0.67
4,993,492 ProPhotonix 'Reg S'	461,898	0.23
1,500,000 Volex	1,233,000	0.62
Total Electronic & Electrical Equipment	<u>3,929,086</u>	<u>1.97</u>
EQUITY INVESTMENT INSTRUMENTS (1.63%, July 2017 - Nil)		
1,500,000 Augmentum Fintech	1,515,000	0.76
1,200,000 KRM22	1,740,000	0.87
Total Equity Investment Instruments	<u>3,255,000</u>	<u>1.63</u>
FINANCIAL SERVICES (6.90%, July 2017 - 3.19%)		
385,000 Alpha FX Group	2,040,500	1.02
200,000 Aquis Exchange	850,000	0.42
300,000 Curtis Banks Group	840,000	0.42
9,250,180 High Growth Capital	35,151	0.02
2,000,000 Impax Asset Management Group	5,320,000	2.66
650,000 K3 Capital Group	2,015,000	1.01
1,433,936 Lighthouse Group	487,538	0.24
1,000,000 Morses Club	1,685,000	0.84
500,000,000 Paternoster Resources	450,000	0.23
125,000 Tungsten	71,250	0.04
Total Financial Services	<u>13,794,439</u>	<u>6.90</u>
FIXED LINE TELECOMMUNICATIONS (0.92%, July 2017 - 1.39%)		
500,000 AdEPT Telecom	1,850,000	0.92
Total Fixed Line Telecommunications	<u>1,850,000</u>	<u>0.92</u>
FOOD & DRUG RETAILERS (0.06%, July 2017 - 0.46%)		
2,600,000 Crawshaw Group	124,800	0.06
Total Food & Drug Retailers	<u>124,800</u>	<u>0.06</u>

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2018

Holding or nominal value	Bid value £	Percentage of total net assets %
FOOD PRODUCERS (1.22%, July 2017 - 2.05%)		
1,100,000 Finsbury Food Group	1,309,000	0.65
1,540,937 Science in Sport	1,094,065	0.55
100,000 Venture Life Group	48,400	0.02
Total Food Producers	<u>2,451,465</u>	<u>1.22</u>
FORESTRY & PAPER (0.48%, July 2017 - 0.71%)		
60,000 Cropper (James)	960,000	0.48
Total Forestry & Paper	<u>960,000</u>	<u>0.48</u>
GENERAL RETAILERS (1.06%, July 2017 - 1.85%)		
1,000,000 Angling Direct	950,000	0.47
4,000,000 Game Digital	1,104,000	0.55
250,000 Sosandar	78,500	0.04
Total General Retailers	<u>2,132,500</u>	<u>1.06</u>
HEALTH CARE EQUIPMENT & SERVICES (3.02%, July 2017 - 1.68%)		
510,000 Bioquell	2,091,000	1.05
700,000 Cambridge Cognition Holdings	1,029,000	0.52
717,758 Creo Medical Group	1,040,749	0.52
887,500 Fusion Antibodies	1,047,250	0.52
375,000 Kromek Group	105,000	0.05
25,525,000 Surgical Innovations Group	727,462	0.36
Total Health Care Equipment & Services	<u>6,040,461</u>	<u>3.02</u>
HOUSEHOLD GOODS & HOME CONSTRUCTION (2.11%, July 2017 - 2.49%)		
100,000 Churchill China	996,000	0.50
1,650,028 Springfield Properties	1,980,034	0.99
150,000 Victoria	1,239,000	0.62
Total Household Goods & Home Construction	<u>4,215,034</u>	<u>2.11</u>
INDUSTRIAL ENGINEERING (1.74%, July 2017 - 2.79%)		
95,000 AB Dynamics	1,168,500	0.58
500,000 Somero Enterprises	1,875,000	0.94
6,565,000 TP Group	439,855	0.22
Total Industrial Engineering	<u>3,483,355</u>	<u>1.74</u>
INDUSTRIAL TRANSPORTATION (0.89%, July 2017 - 0.83%)		
695,000 Gama Aviation	1,355,250	0.68
557,143 Xpediator	429,000	0.21
Total Industrial Transportation	<u>1,784,250</u>	<u>0.89</u>
LEISURE GOODS (0.56%, July 2017 - 2.31%)		
100,000 Frontier Developments	1,120,000	0.56
Total Leisure Goods	<u>1,120,000</u>	<u>0.56</u>
MEDIA (5.29%, July 2017 - 7.37%)		
9,321,333 Be Heard Group	83,892	0.04
261,668 Ebiquity	122,984	0.06
1,025,000 Future	4,930,250	2.47
4,294,128 Gfinity	547,501	0.27
450,000 Next Fifteen Communications Group	2,259,000	1.13
7,000,000 One Media iP Group	630,000	0.32
1,645,000 TLA Worldwide	345,450	0.17
1,262,084 ULS Technology	1,665,951	0.83
Total Media	<u>10,585,028</u>	<u>5.29</u>

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2018

Holding or nominal value		Bid value £	Percentage of total net assets %
	MINING (4.52%, July 2017 - 3.03%)		
434,200	Avesoro Resources	1,042,080	0.52
8,250,000	Bushveld Minerals	2,062,500	1.03
1,162,765	Condor Gold	441,851	0.22
8,950,000	Goldplat	492,250	0.25
48,833,334	Horizonte Minerals	1,953,333	0.98
1,500,000	Rainbow Rare Earths	183,750	0.09
7,295,000	Sylvania Platinum	1,240,150	0.62
1,697,600	Tharisa	1,629,696	0.81
	Total Mining	9,045,610	4.52
	MOBILE TELECOMMUNICATIONS (0.80%, July 2017 - 1.11%)		
16,743,078	EVR Holdings	1,590,592	0.80
	Total Mobile Telecommunications	1,590,592	0.80
	NONEQUITY INVESTMENT INSTRUMENTS (0.48%, July 2017 - 0.47%)		
3,400,000	Baskerville Capital	112,200	0.06
3,400,000	Blockchain Worldwide	187,000	0.09
625,000	Wilmcote Holdings	662,500	0.33
	Total Nonequity Investment Instruments	961,700	0.48
	OIL & GAS PRODUCERS (2.53%, July 2017 - 1.38%)		
1,923,078	Angus Energy	158,654	0.08
5,500,000	Egdon Resources	550,000	0.27
13,191,034	Europa Oil & Gas (Holdings)	619,979	0.31
19,250,000	Trinity Exploration & Production	3,157,000	1.58
31,000,000	UK Oil & Gas	589,000	0.29
	Total Oil & Gas Producers	5,074,633	2.53
	OIL EQUIPMENT & SERVICES (0.68%, July 2017 - Nil)		
855,942	Tekmar Group	1,369,507	0.68
	Total Oil Equipment & Services	1,369,507	0.68
	PERSONAL GOODS (0.24%, July 2017 - 0.69%)		
12,602,589	Bagir Group	264,654	0.13
100,000	Warpaint London	220,000	0.11
	Total Personal Goods	484,654	0.24
	PHARMACEUTICALS & BIOTECHNOLOGY (1.12%, July 2017 - 2.87%)		
1,075,000	Abzena	75,250	0.04
1,200,000	Beximco Pharmaceuticals 'Reg S'	564,000	0.28
492,475	C4X Discovery Holdings	467,851	0.23
620,000	Horizon Discovery Group	1,147,000	0.57
	Total Pharmaceuticals & Biotechnology	2,254,101	1.12
	REAL ESTATE INVESTMENT & SERVICES (1.35%, July 2017 - 2.06%)		
392,665	Palace Capital	1,342,914	0.67
967,000	Property Franchise Group (The)	1,353,800	0.68
	Total Real Estate Investment & Services	2,696,714	1.35
	SOFTWARE & COMPUTER SERVICES (24.73%, July 2017 - 17.64%)		
11,790,000	Access Intelligence	636,660	0.32
3,356,366	Albert Technologies	1,308,983	0.65
2,477,538	ATTRAQT Group	817,588	0.41
2,250,000	Beeks Financial Cloud Group	1,485,000	0.74
920,000	Bigblu Broadband	1,122,400	0.56

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2018

Holding or nominal value		Bid value £	Percentage of total net assets %
SOFTWARE & COMPUTER SERVICES (continued)			
50,000	Blue Prism Group	901,000	0.45
1,800,000	Castleton Technology	1,800,000	0.90
539,167	Cerillion	835,709	0.42
3,928,632	ClearStar	3,064,333	1.53
810,000	Cloudcall Group	1,020,600	0.51
185,185	Crossword Cybersecurity	555,555	0.28
1,430,000	D4t4 Solutions	2,030,600	1.02
265,926	Eagle Eye Solutions Group	385,593	0.19
6,000,000	eServGlobal	504,000	0.25
7,900,000	EU-Supply	869,000	0.43
850,000	Forbidden Technologies	46,750	0.02
1,900,000	GAN	1,311,000	0.66
3,600,000	GetBusy	1,908,000	0.95
1,185,000	GRC International Group	3,318,000	1.66
1,100,000	Gresham Technologies	1,793,000	0.90
1,743,229	Imaginatik	130,742	0.07
886,076	i-nexus Global	708,861	0.35
420,000	Instem	1,192,800	0.60
600,000	K3 Business Technology Group	1,302,000	0.65
648,766,823	Location Sciences Group	175,167	0.09
518,750	LoopUp Group	2,334,375	1.17
7,223,333	Maestrano Group	902,917	0.45
20,000,000	Nasstar	2,300,000	1.15
223,880	Osirium Technologies	313,432	0.16
4,025,000	Oxford Metrics	2,898,000	1.45
1,119,444	PCI-PAL	313,444	0.16
355,681	Pelatro	270,318	0.14
1,610,000	Pennant International Group	1,416,800	0.71
1,000,000	SmartSpace Software	1,000,000	0.50
203,864	Sopheon	1,773,617	0.89
250,000	StatPro Group	420,000	0.21
757,471	SysGroup	333,287	0.17
1,225,000	Tekcapital	122,500	0.06
1,600,000	Tern	368,000	0.18
3,645,000	Ubisense Group	2,733,750	1.37
1,575,000	ZOO Digital Group	2,709,000	1.35
	Total Software & Computer Services	49,432,781	24.73
SUPPORT SERVICES (13.45%, July 2017 - 16.18%)			
15,400,000	1Spatial	600,600	0.30
1,705,000	Croma Security Solutions Group	1,705,000	0.85
1,000,000	Empresaria Group	820,000	0.41
550,000	Filta Group Holdings	1,111,000	0.56
3,850,000	Frontier IP Group	2,733,500	1.37
190,000	Gordon Dadds Group	323,000	0.16
812,500	Hargreaves Services	2,843,750	1.42
7,250,000	Inspired Energy	1,486,250	0.74
858,890	Johnson Service Group	1,176,679	0.59
2,333,333	Kazera Global	36,167	0.02
87,142	Maintel Holdings	675,350	0.34
18,750,000	Malvern International	1,275,000	0.64
550,000	Marlowe	2,750,000	1.37
7,500,000	Redhall Group	487,500	0.24
3,350,000	Spectra Systems	3,283,000	1.64
350,000	Synectics	735,000	0.37

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2018

Holding or nominal value	Bid value £	Percentage of total net assets %
SUPPORT SERVICES (continued)		
12,500,000 Thruvision Group	2,000,000	1.00
640,000 Water Intelligence	2,611,200	1.31
2,500,000 Westminster Group	245,000	0.12
Total Support Services	<u>26,897,996</u>	<u>13.45</u>
TECHNOLOGY HARDWARE & EQUIPMENT (3.89%, July 2017 - 4.72%)		
1,126,500 Amino Technologies	2,140,350	1.07
9,350,000 BATM Advanced Communications	3,281,850	1.64
250,000 Ethernity Networks	75,000	0.04
8,450,000 Filtronic	819,650	0.41
800,000 Frontier Smart Technologies Group	376,000	0.19
1,957,299 SRT Marine Systems	499,111	0.25
513,580 Vianet Group	580,345	0.29
Total Technology Hardware & Equipment	<u>7,772,306</u>	<u>3.89</u>
TRAVEL & LEISURE (5.66%, July 2017 - 5.50%)		
1,000,000 Brighton Pier Group (The)	1,000,000	0.50
500,000 Cake Box Holdings	835,000	0.42
4,050,000 DP Poland	1,174,500	0.59
1,106,061 easyHotel	1,249,849	0.62
350,000 Escape Hunt	399,000	0.20
1,257,941 Everyman Media Group	2,842,947	1.42
605,500 Goals Soccer Centres	399,630	0.20
1,298,807 Rotala	688,368	0.34
400,000 Stride Gaming	484,000	0.24
905,000 Ten Entertainment Group	2,262,500	1.13
Total Travel & Leisure	<u>11,335,794</u>	<u>5.66</u>
OVERSEAS SECURITIES (1.55%, July 2017 - 0.39%)		
381,680 Ero Copper	1,882,425	0.94
3,367,000 Greenfields Petroleum	196,055	0.10
584,957 TMT Investments	1,022,186	0.51
Total Overseas Securities	<u>3,100,666</u>	<u>1.55</u>
UNQUOTED SECURITIES (2.82%, July 2017 - 1.90%)		
3,125,000 7digital Group	134,375	0.07
613,450 APC Technology Group Warrants	0	0.00
850,000 Baskerville Capital Warrants	0	0.00
833,333 Derriston Capital	71,792	0.04
4,376,470 EVR Holdings Warrants (£0.0185)	334,800	0.17
1,500,000 Gable Holdings	0	0.00
630,119 GoTech Group Warrants	0	0.00
5,942 Infinity Reliance	299,477	0.15
800,000 Mar City	0	0.00
29,166,667 Moxico Resources	3,500,000	1.75
222,387 Prefcap	1,779	0.00
560,000 Pure Wafer	44,800	0.02
28,010 SCA Investments	1,241,963	0.62
450,000 Snoozebox Holdings	0	0.00
1,250,000 Westminster Group Warrants	0	0.00
Total Unquoted Securities	<u>5,628,986</u>	<u>2.82</u>
Portfolio of investments	187,525,173	93.75
Net current assets	12,506,926	6.25
Total net assets	<u>200,032,099</u>	<u>100.00</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

STATEMENT OF TOTAL RETURN
for the year ended 31 July 2018

	Notes	31 July 2018		31 July 2017	
		£	£	£	£
Income:					
Net capital gains/(losses)	4		33,031,701		34,692,017
Revenue	6	1,778,004		1,465,796	
Expenses	7	<u>(1,522,462)</u>		<u>(1,071,614)</u>	
Net revenue/(expense) before taxation		255,542		394,182	
Taxation	8	<u>(35,569)</u>		<u>(38,992)</u>	
Net revenue/(expense) after taxation			<u>219,973</u>		<u>355,190</u>
Total return before distributions			33,251,674		35,047,207
Distributions	9		(346,167)		(415,295)
Change in net assets attributable to shareholders from investment activities			<u>32,905,507</u>		<u>34,631,912</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS
for the year ended 31 July 2018

	31 July 2018		31 July 2017	
	£	£	£	£
Opening net assets attributable to shareholders		142,800,581		94,720,341
Amounts receivable on issue of shares	25,027,940		15,335,902	
Amounts payable on cancellation of shares	(1,066,767)		(2,316,424)	
Amounts payable on share class conversions	<u>(2,040)</u>		<u>(2,873)</u>	
		23,959,133		13,016,605
Change in net assets attributable to shareholders from investment activities		32,905,507		34,631,912
Retained distribution on accumulation shares		366,878		431,723
Closing net assets attributable to shareholders		<u>200,032,099</u>		<u>142,800,581</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

BALANCE SHEET
as at 31 July 2018

	Notes	31 July 2018	31 July 2017
		£	£
Assets:			
Fixed Assets:			
Investments	16	187,525,173	133,100,430
Current Assets:			
Debtors	10	723,732	665,935
Cash and bank balances		12,000,563	9,216,874
Total assets		<u>200,249,468</u>	<u>142,983,239</u>
Liabilities:			
Creditors:			
Other creditors	11	217,369	182,658
Total liabilities		<u>217,369</u>	<u>182,658</u>
Net assets attributable to shareholders		<u><u>200,032,099</u></u>	<u><u>142,800,581</u></u>

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2018

Notes 1 to 3 are on pages 7 to 10.

4 NET CAPITAL GAINS/(LOSSES)

The net gains/(losses) on investments during the year comprise:

	31 July 2018	31 July 2017
	£	£
Non-derivative securities	33,059,742	34,702,207
Currency gains/(losses)	(14,840)	2,211
Transaction charges	(13,201)	(12,401)
Net capital gains/(losses)	<u>33,031,701</u>	<u>34,692,017</u>

5 PURCHASES, SALES AND TRANSACTION COSTS

(All purchases and sales are in the equity asset class)

	31 July 2018	31 July 2017
	£	£
Purchases excluding transaction costs	38,837,433	29,322,696
Corporate actions	42,959,861	29,764,826
	<u>81,797,294</u>	<u>59,087,522</u>
Commissions	88,859	70,906
Taxes and other charges	27,723	24,566
Total purchase transaction costs	<u>116,582</u>	<u>95,472</u>
Purchases including transaction costs	<u>81,913,876</u>	<u>59,182,994</u>

Purchase transaction costs expressed as a percentage of the principal amount:

Commissions	0.23%	0.24%
Taxes and other charges	0.07%	0.08%

Sales excluding transaction costs	57,537,620	48,604,735
Corporate actions	3,165,286	5,616,235
	<u>60,702,906</u>	<u>54,220,970</u>
Commissions	(116,267)	(120,915)
Taxes and other charges	(2,763)	(4,290)
Total sale transaction costs	<u>(119,030)</u>	<u>(125,205)</u>
Sales net of transaction costs	<u>60,583,876</u>	<u>54,095,765</u>

Sale transaction costs expressed as a percentage of the principal amount:

Commissions	0.20%	0.25%
Taxes and other charges	0.00%	0.01%

Total purchases and sales transaction costs expressed as a percentage of the average net asset value over the year:

Commissions	0.12%	0.16%
Taxes and other charges	0.02%	0.03%
	<u>0.14%</u>	<u>0.19%</u>

Transaction handling charges

	<u>£13,201</u>	<u>£12,401</u>
--	----------------	----------------

Average portfolio dealing spread

This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

Average portfolio dealing spread at the balance sheet date	<u>3.89%</u>	<u>3.94%</u>
--	--------------	--------------

6 REVENUE

	31 July 2018	31 July 2017
	£	£
UK dividends	1,533,274	1,101,872
Overseas dividends	238,235	278,645
Underwriting commission	0	84,910
Bank interest	6,495	369
Total revenue	<u>1,778,004</u>	<u>1,465,796</u>

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2018

7 EXPENSES

	31 July 2018	31 July 2017
	£	£
Payable to the ACD or associate:		
ACD's periodic charge	1,444,896	1,015,775
Registration fees	1,575	1,527
	<u>1,446,471</u>	<u>1,017,302</u>
Payable to the Depositary or associate:		
Depositary's fees	61,223	42,459
Safe Custody fees	9,644	7,654
Interest	0	16
	<u>70,867</u>	<u>50,129</u>
Other expenses:		
Financial Conduct Authority fee	82	164
Audit fee	5,042	4,019
	<u>5,124</u>	<u>4,183</u>
Total expenses	<u><u>1,522,462</u></u>	<u><u>1,071,614</u></u>

8 TAXATION

	31 July 2018	31 July 2017
	£	£
a Analysis of the tax charge for the year		
Overseas tax	35,569	38,992
Total tax charge	<u><u>35,569</u></u>	<u><u>38,992</u></u>

There is no corporation tax charge for the year (31.07.17 - Nil)

b Factors affecting the tax charge for the year

Net revenue before taxation	255,543	394,182
Corporation tax at 20%	51,109	78,836
Effects of:		
Revenue not subject to taxation	(354,302)	(276,103)
Unrelieved excess management expenses	303,193	197,267
Overseas tax	35,569	38,992
Current tax charge	<u><u>35,569</u></u>	<u><u>38,992</u></u>

At 31 July 2018 the Fund has deferred tax assets of £1,025,529 (31.07.17 - £722,336) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

9 DISTRIBUTIONS

	31 July 2018	31 July 2017
	£	£
The distributions take account of revenue received on the issue of shares and revenue received or deducted on the cancellation of shares, and comprise:		
Interim	0	65,467
Final	366,922	366,266
Amounts (added)/deducted on cancellation of shares	(139)	591
Amounts added on issue of shares	(18,532)	(14,146)
Equalisation on conversions	(2,040)	(2,873)
Revenue brought forward	(44)	(10)
Distributions	<u><u>346,167</u></u>	<u><u>415,295</u></u>
Net deficit of revenue for the year	<u>(126,194)</u>	<u>(60,105)</u>
Net revenue after taxation for the year	<u><u>219,973</u></u>	<u><u>355,190</u></u>

Details of the distribution per share are set out in the distribution table in note 17.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2018

10 DEBTORS

	31 July 2018	31 July 2017
	£	£
Amounts receivable for issue of shares	582,068	317,665
Sales awaiting settlement	88,899	203,184
Accrued income	52,765	145,086
Total debtors	<u>723,732</u>	<u>665,935</u>

11 OTHER CREDITORS

	31 July 2018	31 July 2017
	£	£
Purchases awaiting settlement	43,718	58,649
Accrued expenses	173,651	124,009
Total other creditors	<u>217,369</u>	<u>182,658</u>

12 COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 31 July 2018 there were contingent liabilities in respect of placings in Argo Blockchain (£832,370) and Creo Medical Group (£446,553).

13 RELATED PARTIES

The ACD is involved in all transactions in the shares of the Fund, the aggregate values of which are set out in the statement of change in net assets attributable to shareholders.

Amounts paid to the ACD in respect of the ACD's periodic charge and registration fees are disclosed in note 7.

The total amounts due to/(from) the ACD at the year end were as follows:

	31 July 2018	31 July 2017
	£	£
Marlborough Fund Managers Ltd	(437,927)	(214,941)

In addition to the above, some shares in the Fund are owned by directors of Marlborough Fund Managers Ltd or directors of UFC Fund Management plc, the ultimate parent company of Marlborough Fund Managers Ltd, as set out below:

Proportion of units owned by directors of Marlborough Fund Managers Ltd or UFC Fund Management plc	0.21%	0.25%
--	-------	-------

Distributions were payable on the above holdings at the rates applicable to other shareholders.

14 SHAREHOLDERS' FUNDS

The Fund currently has three share classes: Class A (minimum investment £1,000); Class B (minimum investment £50,000); and Class P (minimum investment £1,000,000). The annual management charges are 1.5%, 1.0% and 0.75% respectively.

During the year the ACD has issued, cancelled and converted shares from one share class to another as set out below:

	Class A	Class B	Class P
Opening shares in issue at 1 August 2017	13,994,853	726	84,479,984
Share issues	1,230,959	0	13,468,271
Share cancellations	(140,997)	0	(541,585)
Share conversions	(659,189)	(151)	638,757
Closing shares in issue at 31 July 2018	<u>14,425,626</u>	<u>575</u>	<u>98,045,427</u>

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

15 RISK DISCLOSURES

Market price risk sensitivity

A five per cent increase in the market prices of the Fund's portfolio would have the effect of increasing the return and net assets by £9,376,259 (31.07.17 - £6,655,022). A five per cent decrease would have an equal and opposite effect.

Foreign currency risk

At the year end date a portion of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by exchange rate movements.

Foreign currency exposure at 31 July 2018

	Investments £	Net current assets £	Total £
Australian Dollar	0	0	0
Canadian Dollar	2,078,480	0	2,078,480
US Dollar	1,022,186	0	1,022,186
	<u>3,100,666</u>	<u>0</u>	<u>3,100,666</u>

Foreign currency exposure at 31 July 2017

	Investments £	Net current assets £	Total £
Australian Dollar	215,764	0	215,764
Canadian Dollar	349,599	0	349,599
US Dollar	952,417	60,296	1,012,713
	<u>1,517,780</u>	<u>60,296</u>	<u>1,578,076</u>

Foreign currency risk sensitivity

A five per cent decrease in the value of sterling relative to the foreign currencies above would have the effect of increasing the return and net assets by £155,033 (31.07.17 - £78,904). A five per cent increase would have an equal and opposite effect.

Liquidity risk

The following table provides a maturity analysis of the Fund's financial liabilities:

	31 July 2018 £	31 July 2017 £
Within one year:		
Other creditors	<u>217,369</u>	<u>182,658</u>
	<u>217,369</u>	<u>182,658</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2018

16 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	31 July 2018		31 July 2017	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	181,896,187	0	130,385,604	0
Level 2 - Observable market data	0	0	0	0
Level 3 - Unobservable data	5,628,986	0	2,714,826	0
	<u>187,525,173</u>	<u>0</u>	<u>133,100,430</u>	<u>0</u>

The intention of a fair value measurement is to estimate the price at which an asset or liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS102 the Fund classifies fair value measurement under the following levels:

Level 1 - Unadjusted quoted price in an active market for an identical instrument.

Level 2 - Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3 - Valuation techniques using unobservable inputs.

7digital Group is temporarily suspended and valued at the last traded price pending the publication of the company's annual report.

Derriston Capital is temporarily suspended and valued at the fund manager's best estimate pending the merger into S4 Capital.

Gable Holdings is delisted and valued at zero until further information is received.

Infinity Reliance is valued at cost until it is listed.

Mar City is delisted and valued at zero until further information is received.

Moxico Resources is valued at cost until it is listed.

Prefcap is valued at the suspension price until further information is received.

Pure Wafer is in liquidation and is being valued by the fund manager according to expected liquidation proceeds.

SCA Investments is valued at cost until it is listed.

Snoozebox Holdings is in administration and valued at zero until further information is received.

All holdings of warrants have been valued at the exercise price less the price of the underlying ordinary shares.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2018

17 DISTRIBUTION TABLE

ACCUMULATION SHARES

For the period from 1 August 2017 to 31 January 2018

Group 1: shares purchased prior to 1 August 2017

Group 2: shares purchased on or after 1 August 2017

		Net revenue to 31-Jan-18 pence per share	Equalisation to 31-Jan-18 pence per share	Distribution paid 31-Mar-18 pence per share	Distribution paid 31-Mar-17 pence per share
Class A	Group 1	0.0000p	0.0000p	0.0000p	0.0000p
	Group 2	0.0000p	0.0000p	0.0000p	0.0000p
Class B	Group 1	0.0063p	0.0000p	0.0063p	0.0000p
	Group 2	0.0063p	0.0000p	0.0063p	0.0000p
Class P	Group 1	0.0000p	0.0000p	0.0000p	0.0866p
	Group 2	0.0000p	0.0000p	0.0000p	0.0866p

For corporate shareholders the percentage split between franked and unfranked income relating to this distribution was:

Franked	100.00%	Unfranked	0.00%
---------	---------	-----------	-------

£0.00 is the depositary's net liability to corporation tax in respect of the gross revenue.

0.0000p is the depositary's net liability to corporation tax per share.

For the period from 1 February 2018 to 31 July 2018

Group 1: shares purchased prior to 1 February 2018

Group 2: shares purchased on or after 1 February 2018

		Net revenue to 31-Jul-18 pence per share	Equalisation to 31-Jul-18 pence per share	Distribution payable 30-Sep-18 pence per share	Distribution paid 30-Sep-17 pence per share
Class A	Group 1	0.0000p	0.0000p	0.0000p	0.0000p
	Group 2	0.0000p	0.0000p	0.0000p	0.0000p
Class B	Group 1	0.1425p	0.0000p	0.1425p	0.3001p
	Group 2	0.1425p	0.0000p	0.1425p	0.3001p
Class P	Group 1	0.3742p	0.0000p	0.3742p	0.4335p
	Group 2	0.1579p	0.2163p	0.3742p	0.4335p

For corporate shareholders the percentage split between franked and unfranked income relating to this distribution was:

Franked	100.00%	Unfranked	0.00%
---------	---------	-----------	-------

£0.00 is the depositary's net liability to corporation tax in respect of the gross revenue.

0.0000p is the depositary's net liability to corporation tax per share.

Marlborough

— Fund Managers —

Marlborough Fund Managers Ltd
Marlborough House,
59 Chorley New Road,
Bolton BL1 4QP

Investor Support: 0808 145 2500 (FREEPHONE)

Dealing: 0808 145 2501 (FREEPHONE)

Fax: 01204 533045

Email: investorsupport@marlboroughfunds.com

Website: www.marlboroughfunds.com