

### Investment Objective

The investment objective of the Marlborough Defensive Cell is to achieve capital growth by investing predominately in low risk areas, some of which will be interest producing. The cell is a feeder fund and will aim to achieve its objective by investing in those Marlborough Master Funds predominately investing in Bonds with some limited investment in those Marlborough Master Funds which hold UK and International equities.

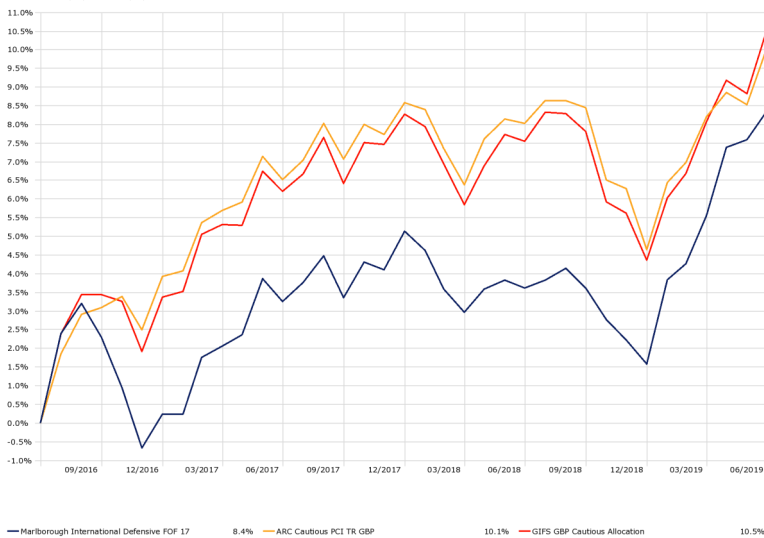
### Investment Adviser

The fund is managed by Marlborough's highly experienced Fund of Funds team comprising of Nicholas Cooling, Gurjit Soggi, Rajesh Manon and Sarah Todino. The team collectively has 77 years' experience and is supported by two dealers and an assistant.

### Performance - GBP Shares

#### Investment Growth

Time Period: 01/07/2016 to 30/06/2019



	1 year	3 years	5 years
Marlborough Defensive GBP P %	4.6	8.4	17.9
ARC Sterling Cautious PCI %	1.9	10.1	15.5
GIFS GBP Cautious Allocation %	2.8	10.5	16.6

All performance data relates to P Class shares as at 30/06/2019. Source: Morningstar, bid-bid, GBP, pre-tax. Portfolios rebalanced on a quarterly basis.

**All performance data relates to GBP shares. USD and EUR share classes are unhedged. Past performance up to and including 30/06/2016 is simulated based on the actual performance of the underlying Master funds, including estimated annual management charges, audit, transaction and custodian fees. Past performance is not a reliable indicator of future performance.**

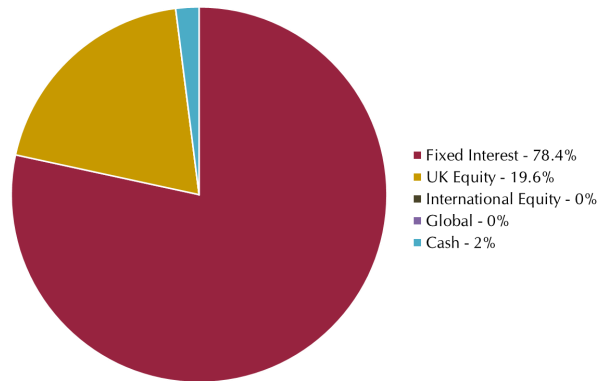
**This information is for Financial Advisers only and should not be relied upon by Retail Investors.** The Fund of Fund Cells referred to are cells of Marlborough International PCC Limited (the 'Company'), a protected cell company incorporated in Guernsey and authorised as a Class B Collective Investment Scheme under the terms of the Protection of Investors (Bailiwick of Guernsey) law, 1987, as amended. Investment may only be made on the basis of the current Prospectus. The following is a summary only of some key items in the Prospectus which is available from Marlborough International Management Limited on request or via [www.marlboroughinternational.gg](http://www.marlboroughinternational.gg). Investors in Protected Cell Company (PCC) must have the financial expertise and willingness to accept the risks inherent in this investment. These risks include inter alia, the fact that neither the past performance nor operating history of the Company is a guarantee of future performance. It should be appreciated that the value of Shares is not guaranteed and may go down as well as up and that investors may not receive, on redemption of their Shares, the amount that they originally invested. Investors should consult their professional advisers about the consequences to them, and inform themselves of the legal requirements for, acquiring, holding, exchanging redeeming or disposing of Shares under the relevant laws of the jurisdictions to which they are subject, including any tax consequences, exchange control requirements, requisite governmental or other consents and any other formalities. If you are in any doubt about the action you should take, you should consult a suitably qualified and licensed or authorised professional adviser who specialises in advising on the acquisition of shares and other securities. Investment in the Company should only be undertaken as part of a diversified investment portfolio. Investment in the Shares should be viewed as a medium term investment. Shares may not be redeemed otherwise than on any Dealing Day. The Shares of the Company are not listed on any stock exchange and it is not anticipated that there will be any secondary market in the Shares. The Company's underlying investments may include emerging market, smaller company and commodity funds which may be higher risk than other asset classes. The Company may invest in fixed interest funds which will be impacted by changes in interest rates. Changes in exchange rates may affect the value of the Company's underlying investments. Data accurate as at 30/06/2019.

### Portfolio

Fund Holdings	Allocation
Marlborough Bond Income Fund	49.00%
Marlborough Global Bond Fund	19.60%
Marlborough High Yield Fixed Interest Fund	9.80%
Marlborough Multi Cap Income Fund	9.80%
Marlborough UK Multi-Cap Growth Fund	9.80%
Cash	2.00%
<b>Total</b>	<b>100.00%</b>

Top 10 Underlying Holdings	%
McDonald's 5.875 230432	0.56%
Sky Plc 4 261129	0.55%
Welltower 4.5 11234	0.55%
Crh Fin Uk 4.125 021229	0.54%
AT&T Inc 4.375% 140929	0.53%
Amer Intl Gp Inc 5 260423	0.52%
Orange Sa 5.75% 29/10/49	0.51%
Morrison (Wm ) 3.5 270726	0.51%
London Stock Ex 4.75	0.50%
Becton Dickin 3.02 240525	0.50%

### Asset Allocation



<b>Charges:</b>	Initial: 5.0%
	Total Expense Ratio (TER): 1.55%
	<b>GBP</b> Sedol: BYT1DZ7, ISIN: GG00BYT1DZ75
<b>Identification Codes (C Class Shares):</b>	<b>EUR (unhedged)</b> Sedol: BYT1F17, ISIN: GG00BYT1F178
	<b>USD (unhedged)</b> Sedol: BYT1F06, ISIN: GG00BYT1F061

## Market Commentary - Q3 2019

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The second quarter of 2019 has served investors with news that would normally set alarm bells ringing, but has resulted in many stock market indices being pushed to record highs.

Bond markets are concerned about the strength of the global economy, as the IMF reports “significantly weakened global expansion”. The US-China trade war, Brexit, and latterly the Iran crisis has seen many investors flocking around the ‘safest’ assets, such as government bonds. This boom in demand has resulted in an unprecedented increase in the number of bonds exhibiting negative redemption yields. According to Barclays data, almost \$12 trillion of investment grade corporate and government bonds have negative yields, predominately in Europe and Japan. Half of all European government bonds have a negative yield, with the total amount outstanding at €4.4 trillion (\$5 trillion), while 20% of European investment-grade corporate debt had negative yields at the end of May.

Buyers of these bonds know they will get back less than what they paid if they hold the debt to maturity, but rationalise this approach by anticipating even lower interest rates, and more quantitative easing by central banks around the world.

The U.S. stock market rebounded after a weak May with a very strong June. The U.S. Federal Reserve continues to signal a willingness to reduce interest rates, buoying sentiment and driving markets higher. The S&P 500 Index returned 7.1% in dollar terms and 6.0% in local currency during June.

Brexit, and significantly weaker sterling have compounded to ‘decouple’ UK equity valuations from those in other developed markets. We would argue that somewhat more than a spoonful of bad news has been priced in to the UK market and, whilst risks remain, there is the valuation upside in the UK market if Boris Johnson can make new progress on Brexit negotiations. We remain focused on selecting niche, growing and high-quality UK smaller companies for inclusion in our UK portfolios where we are increasingly finding value that has been hard to come across since the Brexit vote.

Finally, the subject of fund liquidity is understandably at the forefront of investors’ mind in the current environment. Our overriding philosophy in portfolio construction has always been to run to run extremely diversified portfolios. This serves to manage both single security risk as well as liquidity risk. Our UK-focussed portfolios are typically comprised of 150 - 200 stocks; combined with cash positions of between 2% and 3%, this puts us in a good position to meet all redemptions if they arise.

*Marlborough International Management Ltd - July 2019*

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