

IFSL MARLBOROUGH BALANCED FUND

(formerly Marlborough Balanced Fund)

Annual Report and Audited Financial Statements

for the year ended 28 February 2022

IFSL

— Fund Services —

Marlborough

IFSL MARLBOROUGH BALANCED FUND

CONTACT INFORMATION

Authorised Fund Manager and Registrar

(from 26 November 2021)

Investment Fund Services Limited (IFSL)
Marlborough House
59 Chorley New Road
Bolton
BL1 4QP

Investor Support: (0808) 178 9321 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority.

Directors of Investment Fund Services Limited

Andrew Staley (Non-Executive)
Allan Hamer
Wayne D Green - resigned 24 March 2022
Helen Redmond
Helen Derbyshire
David Kiddie (Non-Executive) - resigned 2 December 2021
Guy Sears (Independent Non-Executive)
Sarah Peaston (Independent Non-Executive)

Trustee

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 Adviser

Marlborough Investment Management Limited
PO Box 1852
Croxall
Lichfield
Staffordshire
WS13 8XU

Authorised and regulated by the Financial Conduct Authority.

Auditor

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Authorised Fund Manager and Registrar

(to 26 November 2021)

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.

Directors of Marlborough Fund Managers Ltd

Andrew Staley (Non-Executive)
Nicholas F J Cooling
Allan Hamer
Wayne D Green
Dom Clarke
Helen Derbyshire
Richard Goodall
Geoffrey Hitchin (Non-Executive)
Guy Sears (Independent Non-Executive)
David Kiddie (Independent Non-Executive)
Sarah Peaston (Independent Non-Executive)

IFSL MARLBOROUGH BALANCED FUND

CONTENTS	PAGE
AUTHORISED INVESTMENT ADVISER'S REPORT	1
AUTHORISED STATUS AND GENERAL INFORMATION	3
DIRECTORS' STATEMENT	5
STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES	5
STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES AND REPORT OF THE DEPOSITARY	6
INDEPENDENT AUDITOR'S REPORT	7
COMPARATIVE TABLE	10
SYNTHETIC RISK AND REWARD INDICATOR	11
PORTFOLIO STATEMENT	12
FINANCIAL STATEMENTS	
STATEMENT OF TOTAL RETURN	14
STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	14
BALANCE SHEET	15
NOTES TO THE FINANCIAL STATEMENTS	16
DISTRIBUTION TABLE	23

IFSL MARLBOROUGH BALANCED FUND

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 28 February 2022

Percentage change and sector position to 28 February 2022

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>02.03.1993*</u>
IFSL Marlborough Balanced Fund	(6.06%)	3.07%	21.64%	26.11%	410.81%
IA Mixed Investment 40-85% Shares	(5.03%)	4.12%	21.48%	27.99%	484.99%
Quartile Ranking**	3	3	2	3	3

* Since end of launch period.

** Based on ranking within the Investment Association Mixed Investment 40-85% Shares sector.

External Source of Economic Data: Morningstar (P Accumulation - quoted to quoted).

P units first priced on 2 January 2013. In the period to that date, the past performance information for A units has been used.

During the period under review the bid (selling price) of the class P accumulation units, net income reinvested, increased by 3.07%. The IA Mixed Investment 40-85% sector average increased by 4.12% over the same time frame.

2021 was all about Covid, one way or another. Yes, a few other factors were at play – such as Brexit here in the UK, or Evergrande in China – but these were largely overshadowed by the impact of the global pandemic.

As we move into 2022, investment debate remains centred on inflation, which itself has been driven by political and economic responses to Covid. While economic and corporate fundamentals seem solid, the global recovery is still shaky and could be derailed by over-zealous central bankers who raise rates too much or too soon.

Despite the many risks that abound, equity markets have continued to climb the wall of worry, offsetting losses on the fixed income side and helping multi-asset investors to another year of solid returns.

For most of 2021, central bankers in developed markets resisted calls to raise rates, insisting that this bout of inflation was “transitory” and would ease of its own accord, and that in any event rate rises would have little impact on energy prices and supply chain disruptions that were causing the higher prices. However, Fed chair Jerome Powell has now conceded the point, accepting that “it’s probably a good time to retire that word (transitory)”. While inflation is still likely to ease in 2022 through the impact of base effects, other factors such as wage growth will serve to keep it somewhat higher than we’ve become accustomed to in recent years. With this in mind, the Bank of England’s Monetary Policy Committee voted 8-1 to raise rates from 0.1% to 0.25%, and the Fed is doubling the pace at which it is winding down its asset purchase programme. The Fed also signalled a likelihood that they would hike rates in 2022.

But with Covid, and the ever-present risk of new strains, creating a febrile environment for growth, central bankers will fear making a policy error. If they raise rates too soon or too much, just at the point that economies take a turn for the worse, they may cause lasting damage. So it’s likely that this will remain a hot topic for much of the coming year. How long will the supply chain disruptions continue? Will reluctant workers re-enter the labour force? In deciding on Covid measures, how will governments balance the health of their citizens with that of their economies?

The inflation question is crucial, as it impacts all of us, as consumers, as savers, as borrowers and as investors. It impacts fixed income markets, as higher inflation eats away more of the real value of the future cash flows that a bond pays. It impacts equities as it can lead to higher input costs and lower margins for companies; on the other hand, it can also give companies a degree of pricing power which may more-than-offset those higher input costs. And if inflation leads to rate rises, it impacts the relative attractiveness of equities versus bonds.

Newsflow in February was dominated by the tragic escalation of Russia-Ukraine conflict, and our thoughts are with all those personally impacted by events. War is of course a highly emotive subject, but as investors we need to consider events and consequences dispassionately and objectively.

On the whole, we believe the impact of the war will be felt via inflation, rather than through a direct impact on share prices or global growth. The clearest indication of this is the rise in the oil price, but prices will rise in other areas too. This will create a quandary for central banks already under pressure to contain inflation. In the light of current events, though, they will be forgiven for taking a cautious line, and market participants are now expecting a slower pace of rate rises.

Despite the worrying geopolitical environment, the global economy is still in fairly good shape: after a soft patch in the first quarter of 2021, economic growth is likely to rebound in the latter part of the year; company earnings are solid; and monetary and fiscal policy remains supportive.

Funds that provided the most contribution to return over the period were IFSL Marlborough US Multi-Cap Income, iShares Core FTSE 100 UK and iShares Edge MSCI USA Value Factor ETF. Performance over the reporting period can be split into two parts. In the first half of the year our UK equity and overall fixed income exposure provided positive contribution versus the sector. Since November, we saw the performance of the UK active funds detract, and the global bond funds provided a negative contribution to fund performance. The lower exposure to commodities and specialist funds versus the sector was a detractor to performance.

IFSL MARLBOROUGH BALANCED FUND

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 28 February 2022

We still expect the global recovery to continue, aided by monetary policy that is still very supportive, fiscal programs that are coming on stream, pent-up consumer demand and high cash balances. Companies should do well in this environment, despite the higher inflation levels. But we cannot ignore the risk of policy error, especially in the face of on-going Covid risks, so we have maintained our overall neutral stance in equities. Within equities we still have a preference for the UK, where share price valuations are less expensive than elsewhere. In Asia we have moved to a moderate overweight position and believe China's central bank stimulus is attractive whilst most economies are tightening. In fixed income we remain underweight, favouring shorter duration funds that are less sensitive to changes in interest rates.

Marlborough Investment Management Limited
22 March 2022

Distributions (pence per unit)

	<u>Year 2022</u>	<u>Year 2021</u>	<u>Year 2020</u>	<u>Year 2019</u>
<u>A Accumulation</u>				
Net income paid 30 April	0.4882	0.3871	0.8832	0.5188
<u>P Accumulation</u>				
Net income paid 30 April	2.4113	2.0453	2.5412	2.0664

Portfolio changes

Largest purchases	Cost (£)
iShares UK Dividend UCITS ETF GBP	7,055,026
Xtrackers S&P 500 Equal Weight UCITS ETF '1C' USD	4,956,109
SVS Sanlam North American Equity 'B'	4,918,784
IFSL Marlborough UK Micro-Cap Growth 'P'	3,453,300
FTF Brandywine Global Income Optimiser 'I'	2,852,206
iShares Core FTSE 100 UCITS ETF GBP	2,622,971
Invesco FTSE RAFI UK 100 UCITS ETF	2,503,499
Fidelity Asia Pacific Opportunities 'W'	2,441,100
BlackRock European Dynamic 'D' GBP	2,362,500
M&G Global Listed Infrastructure 'I' Sterling	2,242,200
Other purchases	18,193,079
Total purchases for the year	53,600,774
Largest sales	Proceeds (£)
IFSL Marlborough US Multi-Cap Income 'P'	5,955,171
Vanguard FTSE UK Equity Income Index 'A' GBP	3,836,275
Franklin UK Equity Income 'W'	3,430,273
IFSL Marlborough Far East Growth 'P'	3,329,078
iShares UK Dividend UCITS ETF GBP	2,894,041
Xtrackers S&P Europe ex. UK UCITS ETF '1D' EUR	2,811,115
Invesco FTSE RAFI UK 100 UCITS ETF	2,672,782
iShares Healthcare Innovation UCITS ETF USD	2,444,311
Wells Fargo (Lux) Worldwide US Select Equity 'I' USD	2,361,692
iShares Core S&P 500 UCITS ETF USD	2,252,502
Other sales	26,632,917
Total sales for the year	58,620,157

IFSL MARLBOROUGH BALANCED FUND

AUTHORISED STATUS AND GENERAL INFORMATION

Authorised status

IFSL Marlborough Balanced Fund (the Fund) is an authorised unit trust scheme within the meaning of the Financial Services and Markets Act 2000 and is a non-UCITS scheme operating under the Collective Investment Schemes Sourcebook (COLL) and the Investment Fund Sourcebook (FUND) as issued by the Financial Conduct Authority.

Investment objective and policy

The investment objective of the Fund is to increase the value of your investment over any 5 year period, through a combination of capital growth, that is, profit on investments, and some income, that is, money paid out of an investment, such as interest from bonds or dividends from shares. The Fund aims to outperform the average of the IA Mixed Investment 40-85% Shares sector, after charges, over any 5 year period. However, there is no certainty this will be achieved.

At least 80% of the Fund will be invested in other funds, including exchange traded funds (which typically track an index) and investment trusts. This may include other funds operated by the Manager or its associates. Through these investments, the Fund will be exposed to a range of asset classes, creating a medium risk portfolio.

Between 40-85% of the Fund will be exposed to shares in companies, both UK and overseas, but typically this will be between 65-85%.

There will also be exposure to bonds, which are loans typically issued by companies and governments. This may include investment grade bonds, where the issuer has a higher capacity to repay the debt, as well as sub-investment grade bonds, which can be more vulnerable to changing market conditions but typically pay a higher rate of interest.

Through investing in funds, the Fund may also be exposed to other asset classes such as property, commodities (such as gold and oil), money market instruments, which are shorter term loans, cash and other permitted investments. Funds purchased may also have the ability to use derivatives (investments whose returns are linked to another asset, market or other variable factor) to varying degrees, including funds which aim to deliver positive returns in a range of market conditions, often referred to as absolute return funds.

The Fund may also invest in these asset classes directly (excluding property and commodities) up to a maximum of 20%.

The Fund is actively managed, which means the Investment Manager decides which investments to buy or sell and when. Investments will span a range of developed and emerging markets globally with no maximum or minimum exposure to any one market or geographical region.

Decisions around asset allocation are based on the Investment Manager's research process which considers the potential for loss as well as the overall return projections for an asset class, which are based on a combination of past and forward looking asset class assumptions over a 5-7 year period.

The Fund may invest in derivatives or forward transactions whose returns are linked to exchange rates in order to reduce currency risk (also known as hedging).

The Fund aims to be in the top half of all funds included in the IA Mixed Investment 40-85% Shares sector.

Rights and terms attaching to each unit class

A unit of each class represents a proportional entitlement to the assets of the Fund. The allocation of income and taxation and the rights of each unit in the event the Fund is wound up are on the same proportional basis.

Assessment of value

The Manager is required to carry out an assessment of value at least annually and publish its findings in a report to investors. IFSL Marlborough Balanced Fund is assessed and reported on, in a composite report which the Manager publishes on the website www.ifslfunds.com. The next report is expected to be published in a composite report by 30 September 2022.

Changes in prospectus

On 26 November 2021: the authorised fund manager changed from Marlborough Fund Managers Limited to another Marlborough Group company, Investment Fund Services Limited (IFSL); and the name of the Fund changed from Marlborough Balanced Fund to IFSL Marlborough Balanced Fund.

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

IFSL MARLBOROUGH BALANCED FUND

AUTHORISED STATUS AND GENERAL INFORMATION

Leverage

In accordance with the Alternative Investment Fund Manager Directive (AIFMD) we are required to disclose the 'leverage' of the Fund. Leverage is defined as any method by which a Fund increases its exposure through borrowing or the use of derivatives. 'Exposure' is defined in two ways: 'gross method; and 'commitment method'. The Fund must not exceed maximum exposures under both methods. 'Gross method' exposure is calculated as the sum of all positions of the Fund (both positive and negative), that is, all eligible assets, liabilities and derivatives, including derivatives held for risk reduction purposes. 'Commitment method' is also calculated as the sum of all positions of the Fund (both positive and negative), but after netting off any derivative and security positions as specified by AIFMD rules.

The total amount of leverage calculated for the Fund as at 28 February 2022 is as follows:

	Gross Method	Commitment Method
Marlborough Balanced Fund	94.27%	94.27%

The total amount of leverage calculated for the Fund as at 28 February 2021 is as follows:

	Gross Method	Commitment Method
Marlborough Balanced Fund	98.35%	98.35%

The maximum level of leverage which may be employed on behalf of the Fund when calculated in accordance with the gross method is 160%.

The maximum level of leverage which may be employed on behalf of the Fund when calculated in accordance with the commitment method is 110%.

Remuneration policy

In line with the requirement of the AIFMD, Investment Fund Services Limited 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 the AIFMD. 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 Alternative Investment Funds (AIFs) it manages.

The quantitative remuneration disclosures as at 30 September 2021 (the Alternative Investment Fund Manager's (AIFM's) year-end) are set out below:

	Number of identified staff	Total remuneration paid £	Fixed remuneration paid £	Variable remuneration paid £
Remuneration paid to staff of the AIFM^A who have a material impact on the risk profile of the AIF				
Senior management	9	721,509	600,044	121,465
Risk takers and other identified staff	3	223,328	174,917	48,411
Allocation of total remuneration of the employees of the AIFM to the AIF				
Senior management	0.05	7,484	6,224	1,260
Risk takers and other identified staff	0.02	150,609	117,962	32,648

The total number of staff employed by the AIFM's group was 226 as at 30 September 2021. The total remuneration paid to those staff was £9,995,870 of which £5,102,703 is attributable to the AIFM. The information is provided for the purpose of Regulation 107(1)(a) of the AIFM regulations but not for the purposes of Regulations 107(1)(b) and (c) of the AIFM regulations.

The allocation of remuneration to the AIFM is based on Assets Under Management (AUM). The allocation of remuneration to the AIF is based on AUM where staff are not directly allocated to the AIF and the figures disclosed only include remuneration paid to individuals directly employed by the AIFM's group. The way these disclosures are calculated may change in future.

^A The AIFM remuneration disclosure given above are for Marlborough Fund Managers Limited, the Authorised Fund Manager until 25 November 2021.

IFSL MARLBOROUGH BALANCED FUND

DIRECTORS' STATEMENT

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



ALLAN HAMER
DIRECTOR



HELEN REDMOND
DIRECTOR

INVESTMENT FUND SERVICES LIMITED

29 April 2022

STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES

The Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL) and the Investment Funds Sourcebook (FUND) requires the Authorised Fund Manager (AFM) to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Fund and of the net revenue and net capital gains on the property of the Fund for the year.

In preparing the financial statements the AFM is required to:

- comply with the disclosure requirements of the Statement of Recommended Practice relating to UK Authorised Funds issued in May 2014 and amended in June 2017;
- 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 Fund will continue in operation.

The AFM is required to keep proper accounting records and to manage the Fund in accordance with the COLL rules, the Trust Deed and the Prospectus. The AFM is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The AFM 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 AFM to take all necessary steps to familiarise itself with any relevant audit information and to establish that the auditor is aware of that information.

IFSL MARLBOROUGH BALANCED FUND

STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES AND REPORT OF THE DEPOSITARY

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Unitholders of The IFSL Marlborough Balanced Fund for the period ended 28th February 2022

The Depositary in its capacity as Trustee of The IFSL Marlborough Balanced Fund must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Investment Funds Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed 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 Trust and its investors.

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

The Depositary must ensure that:

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

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

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

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Trust's units and the application of the Trust's income in accordance with the Regulations and the Scheme documents; and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the Regulations and Scheme documents of the Trust.

HSBC BANK PLC

LONDON

29 April 2022

IFSL MARLBOROUGH BALANCED FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL MARLBOROUGH BALANCED FUND

Opinion

We have audited the financial statements of IFSL Marlborough Balanced Fund ("the Fund") for the year ended 28 February 2022, which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the related notes and the Distribution Tables, and the accounting policies of the Fund, which include a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 'The Financial Reporting Standard applicable to 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 financial position of the Fund as at 28 February 2022 and of the net revenue and the net capital gains on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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 below. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC") 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

In auditing the financial statements, we have concluded that the Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Manager with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern.

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 Manager is responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

IFSL MARLBOROUGH BALANCED FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL MARLBOROUGH BALANCED FUND

Opinions on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority (the "FCA")

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the FCA and the Trust Deed; and
- there is nothing to indicate that adequate accounting records have not been kept or that the financial statements are not in agreement with those records; and
- the information given in the Manager's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of the Manager

As explained more fully in the Manager's responsibilities statement set out on page 5, the Manager 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 Manager 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 Manager is responsible for assessing the Fund'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 Manager either intends to wind up or terminate the Fund or to cease operations, or has 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.

IFSL MARLBOROUGH BALANCED FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL MARLBOROUGH BALANCED FUND

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are United Kingdom Generally Accepted Accounting Practice (UK GAAP) including FRS 102, the Investment Management Association's Statement of Recommended Practice (IMA SORP), the FCA Collective Investment Schemes Sourcebook, the Fund's Trust Deed and the Prospectus.
- We understood how the Fund is complying with those frameworks through discussions with the Manager and the Fund's administrators and a review of the Fund's documented policies and procedures.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might be considered by management override, specifically management's propensity to influence revenue and amounts available for distribution. We have identified a fraud risk in relation to the valuation of non-exchange traded investments. Our procedures involved gaining an understanding of processes and controls surrounding the valuation of investments, reviewing valuations prepared by management, challenging the reasonableness of key assumptions used by management and their appropriateness in accordance with the applicable valuation guidelines, and obtaining evidence for the significant inputs to the valuation.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Manager with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Fund.
- Due to the regulated nature of the Fund, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities to identify non-compliance with the applicable laws and regulations. of specialists where appropriate, to identify non-compliance with the applicable laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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 Fund's unitholders, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the FCA. Our audit work has been undertaken so that we might state to the Fund's unitholders 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 Fund and the Fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
Edinburgh

29 April 2022

Notes:

1. The maintenance and integrity of the Marlborough Fund Managers Ltd website is the responsibility of the Manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

IFSL MARLBOROUGH BALANCED FUND

COMPARATIVE TABLE

A Accumulation units

Change in net assets per unit	Year to 28.02.2022 pence	Year to 28.02.2021 pence	Year to 29.02.2020 pence
Opening net asset value per unit	221.32	204.00	190.36
Return before operating charges*	9.74	21.30	17.97
Operating charges	(4.75)	(3.98)	(4.33)
Return after operating charges*	4.99	17.32	13.64
Distributions on accumulation units	(0.49)	(0.39)	(0.88)
Retained distributions on accumulation units	0.49	0.39	0.88
Closing net asset value per unit	226.31	221.32	204.00

* after direct transaction costs of: 0.04 0.05 0.02

Performance

Return after charges 2.25%^A 8.49% 7.17%

Other information

Closing net asset value (£)	27,585,219	26,917,195	58,756,430
Closing number of units	12,189,100	12,162,062	28,802,150
Operating charges	2.01%	1.95%	2.11%
Direct transaction costs	0.02%	0.02%	0.01%

Prices

Highest unit price	247.33p	226.06p	216.78p
Lowest unit price	219.94p	176.14p	190.77p

P Accumulation units

Change in net assets per unit	Year to 28.02.2022 pence	Year to 28.02.2021 pence	Year to 29.02.2020 pence
Opening net asset value per unit	234.80	214.81	198.95
Return before operating charges*	10.27	22.71	18.79
Operating charges	(3.17)	(2.72)	(2.93)
Return after operating charges*	7.10	19.99	15.86
Distributions on accumulation units	(2.41)	(2.05)	(2.54)
Retained distributions on accumulation units	2.41	2.05	2.54
Closing net asset value per unit	241.90	234.80	214.81

* after direct transaction costs of: 0.04 0.06 0.03

Performance

Return after charges 3.02%^A 9.31% 7.97%

Other information

Closing net asset value (£)	38,575,003	39,777,215	5,842,724
Closing number of units	15,946,687	16,940,903	2,719,977
Operating charges	1.26%	1.20%	1.36%
Direct transaction costs	0.02%	0.02%	0.01%

Prices

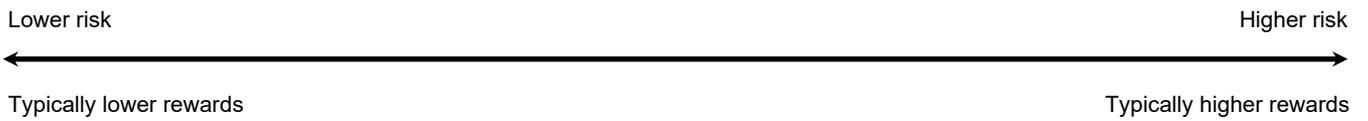
Highest unit price	263.80p	239.76p	228.08p
Lowest unit price	233.33p	185.56p	199.42p

^A The return after charges is calculated using the underlying investments bid prices

Operating charges are the same as the ongoing charges and are the total expenses paid by each unit class in the year. Direct transaction costs are the total charges for the year, 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 year and the average units in issue for the pence per unit figures.

IFSL MARLBOROUGH BALANCED FUND

SYNTHETIC RISK AND REWARD INDICATOR (all unit classes)



1	2	3	4	5	6	7
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This indicator aims to give you a measure of the price movement of the Fund based on past data. It uses historic returns over the last five years. If five years' data is not available, simulated data based on a representative portfolio is used.

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

IFSL MARLBOROUGH BALANCED FUND
PORTFOLIO STATEMENT

as at 28 February 2022

Holding or nominal value	Bid value £	Percentage of total net assets %
UK FIXED INTEREST (28 February 2021 - 4.91%)		
1,241,541 Allianz Strategic Bond 'I' GBP	1,499,905	2.27
708,812 Schroder Sterling Corporate Bond 'Z' GBP	1,336,819	2.02
Total UK Fixed Interest	<u>2,836,724</u>	<u>4.29</u>
INTERNATIONAL FIXED INTEREST (28 February 2021 - 9.95%)		
2,573,764 FTF Brandywine Global Income Optimiser 'I'	2,710,174	4.10
635,909 IFSL Marlborough Global Bond 'P'	1,273,980	1.93
1,496,332 IFSL Marlborough High Yield Fixed Interest 'P'	1,069,429	1.62
6,908 Vanguard Global Credit Bond GBP Hedged	805,357	1.22
Total International Fixed Interest	<u>5,858,940</u>	<u>8.87</u>
UNITED KINGDOM (28 February 2021 - 25.74%)		
1,275,479 IFSL Marlborough Multi Cap Income 'P'	2,901,969	4.39
315,084 IFSL Marlborough Multi-Cap Growth 'P'	1,180,872	1.78
200,798 IFSL Marlborough UK Micro-Cap Growth 'P'	2,121,514	3.21
721,954 iShares Core FTSE 100 UCITS ETF GBP ^A	5,247,884	7.93
586,090 iShares UK Dividend UCITS ETF GBP ^A	4,498,241	6.80
354,495 LF Lindsell Train UK Equity	1,668,429	2.52
1,503,634 M&G Global Listed Infrastructure 'I' Sterling	2,231,994	3.37
Total United Kingdom	<u>19,850,903</u>	<u>30.00</u>
UNITED STATES (28 February 2021 - 22.53%)		
345,240 IFSL Marlborough US Multi-Cap Income 'P'	2,488,869	3.76
437,389 iShares Edge MSCI USA Value Factor UCITS ETF USD ^A	2,925,395	4.42
946,226 SVS Sanlam North American Equity 'B'	3,735,700	5.65
7,328 Tabula US Enhanced Inflation UCITS ETF GBP Hedged ^A	858,842	1.30
81,719 Xtrackers S&P 500 Equal Weight UCITS ETF '1C' USD ^A	4,858,061	7.34
Total United States	<u>14,866,867</u>	<u>22.47</u>
JAPAN (28 February 2021 - 5.64%)		
357,871 Fidelity Index Japan 'P'	667,680	1.01
277,837 JPM Japan 'C' Net	875,187	1.32
9,009 Man GLG Japan CoreAlpha Equity 'I' GBP	1,899,888	2.87
Total Japan	<u>3,442,755</u>	<u>5.20</u>
EUROPE (28 February 2021 - 10.40%)		
138,921 BlackRock European Dynamic 'D' GBP	1,243,952	1.88
272,302 IFSL Marlborough European Special Situations 'P'	2,000,007	3.02
526,671 iShares Edge MSCI Europe Value Factor UCITS ETF EUR ^A	2,355,064	3.56
182,046 Man GLG Continental European Growth 'C'	1,297,990	1.96
Total Europe	<u>6,897,013</u>	<u>10.42</u>
FAR EAST (28 February 2021 - 6.78%)		
793,214 Fidelity Asia Pacific Opportunities 'W'	2,355,846	3.56
404,788 IFSL Marlborough Far East Growth 'P'	1,301,716	1.97
Total Far East	<u>3,657,562</u>	<u>5.53</u>
EMERGING MARKETS (28 February 2021 - 6.53%)		
2,420 Brook Global Emerging Market 'LI' GBP	221,995	0.34
692,139 IFSL Marlborough Emerging Markets 'P'	2,475,019	3.74
5,792 iShares MSCI EM Asia UCITS ETF USD ^A	765,652	1.16
Total Emerging Markets	<u>3,462,666</u>	<u>5.24</u>
SPECIALIST (28 February 2021 - 4.40%)		
7,459 EEA Life Settlements Sterling Run-Off Cell ^B	519,138	0.78
Total Specialist	<u>519,138</u>	<u>0.78</u>

IFSL MARLBOROUGH BALANCED FUND

PORTFOLIO STATEMENT

as at 28 February 2022

Holding or nominal value	Bid value £	Percentage of total net assets %
CASH ALTERNATIVES (28 February 2021 - 1.50%)		
979,741 Royal London Short-Term Money Market 'Y'	1,000,310	1.51
Total Cash Alternatives	<u>1,000,310</u>	<u>1.51</u>
Portfolio of investments	62,392,878	94.31
Net other assets	<u>3,767,344</u>	<u>5.69</u>
Total net assets	<u><u>66,160,222</u></u>	<u><u>100.00</u></u>

All investments are units/shares in unit trusts and ICVCs which are authorised or 'recognised' by the FCA with the exception of ^A which are exchange traded funds and ^B which are unregulated ICVCs.

IFSL MARLBOROUGH BALANCED FUND

STATEMENT OF TOTAL RETURN
for the year ended 28 February 2022

	Notes	28 February 2022		28 February 2021	
		£	£	£	£
Income:					
Net capital gains	4		1,442,457		5,193,231
Revenue	6	1,237,749		1,120,083	
Expenses	7	(788,619)		(885,336)	
Net revenue before taxation		<u>449,130</u>		<u>234,747</u>	
Taxation	8	<u>-</u>		<u>-</u>	
Net revenue after taxation			<u>449,130</u>		<u>234,747</u>
Total return before distributions			1,891,587		5,427,978
Distributions	9		(457,419)		(241,084)
Change in net assets attributable to unitholders from investment activities			<u>1,434,168</u>		<u>5,186,894</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
for the year ended 28 February 2022

	28 February 2022		28 February 2021	
	£	£	£	£
Opening net assets attributable to unitholders		66,698,398		64,734,380
Amounts receivable on issue of units	1,604,778		1,985,324	
Amounts payable on cancellation of units	(4,021,166)		(5,436,284)	
Amounts payable on unit class conversions	<u>(2)</u>		<u>(165,514)</u>	
		(2,416,390)		(3,616,474)
Change in net assets attributable to unitholders from investment activities		1,434,168		5,186,894
Retained distribution on accumulation units		444,046		393,598
Closing net assets attributable to unitholders		<u>66,160,222</u>		<u>66,698,398</u>

IFSL MARLBOROUGH BALANCED FUND

BALANCE SHEET

as at 28 February 2022

	Notes	28 February 2022 £	28 February 2021 £
Assets:			
Fixed Assets:			
Investments	17	62,392,878	65,617,084
Current Assets:			
Debtors	10	60,119	60,795
Cash and cash equivalents		4,063,378	1,145,092
Total assets		<u>66,516,375</u>	<u>66,822,971</u>
Liabilities:			
Creditors:			
Other creditors	11	356,153	124,573
Total liabilities		<u>356,153</u>	<u>124,573</u>
Net assets attributable to unitholders		<u><u>66,160,222</u></u>	<u><u>66,698,398</u></u>

IFSL MARLBOROUGH BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2022

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in compliance with UK Financial Reporting Standard 102 ("FRS 102") and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by The Investment Association in May 2014 and amended in June 2017.

The financial statements are prepared in sterling, which is the functional currency of the Fund. 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.

There are no material events that have been identified that may cast significant doubt on the Fund's ability to continue as a going concern for at least the next twelve months from the date when the financial statements are authorised for issue. The authorised fund manager believes that the Fund has adequate resources to continue in operational existence for the foreseeable future and, following the consideration of the impact of COVID-19, they continue to adopt the going concern basis in preparing the financial statements.

Revenue

Dividends from quoted ordinary securities and distributions receivable from onshore collective investment schemes are recognised when the security is quoted ex-dividend.

Income from offshore collective investment schemes is recorded on the ex-dividend date and additional reported income is recognised when reported.

Bank interest is accounted for on an accruals basis.

Allocation of revenue

Revenue, attributable after expenses to multiple unit classes, with the exception of the authorised fund manager's periodic charge, which is directly attributable to individual unit classes, is allocated to unit classes pro-rata to the value of the net assets of the relevant unit class on the day that the revenue is incurred.

Expenses

All expenses, other than those relating to purchase and sale of investments, are charged initially against revenue on an accruals basis.

Management fee rebates

Rebates on collective investment schemes' management fees are accounted for on an accruals basis and are subsequently attributed to the revenue or capital of the Fund depending on the fee structure of the underlying collective investment scheme.

Distributions from collective investment schemes

Distributions received from investments in collective investment schemes may include an element of equalisation which represents the average amount of revenue included in the price paid for the shares. Equalisation is treated as a return of capital for taxation purposes and does not carry a tax credit.

Valuation

The valuation point was 12:00 on 28 February 2022 being the last valuation point of the accounting year.

Listed investments are valued at fair value which is the bid price.

Investments in collective investment schemes have been valued at cancellation price for dual-priced funds or the single price for single priced funds, using the latest available published prices at the year end.

Taxation

Corporation tax has been provided for at 20% on taxable income less expenses. Deferred taxation is provided on a full provision basis on timing differences arising from the different treatment of items for accounting and tax purposes. Potential future liabilities and assets are recognised where the transactions, or events giving rise to them, occurred before the balance sheet date.

Exchange rates

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at 12:00 on 28 February 2022 being the last valuation point of the accounting year. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Exchange differences on such transactions follow the same treatment as the principal amounts.

IFSL MARLBOROUGH BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2022

2 DISTRIBUTION POLICIES

The distribution policy of the Fund is to accumulate all available revenue, after deduction of expenses properly chargeable against revenue. Gains and losses on non-derivative instruments and currencies, whether realised or unrealised, are taken to capital and are not available for distribution.

The Fund is not more than 60% invested in qualifying investments (as defined by SI 2006/964, Reg. 20) and will pay a dividend distribution.

Equalisation

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

3 RISK MANAGEMENT POLICIES

In pursuing its investment objective, the Fund holds a number of financial instruments. The Fund's financial instruments comprise securities held in accordance with the investment objectives and policies together with cash balances, debtors and creditors that arise directly from its 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 Fund's financial instruments and the authorised fund manager's policies for managing these risks are summarised below. These policies have been applied throughout the year.

The Fund is managed according to COLL 5, 'Investment and Borrowing Powers' which helps achieve the statutory objective of protecting consumers by laying down the minimum standards for the investments that may be held by an authorised fund. In particular: (a) the proportion of transferable securities and derivatives that may be held by the authorised fund is restricted if those transferable securities and derivatives are not listed on an eligible market. The intention of this is to restrict the transferable securities and derivatives that cannot be accurately valued and readily disposed of; and (b) the authorised funds are required to comply with a number of investment rules that require the spreading of risk.

Market price risk

Market price risk is the risk that the value of the 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 Fund holds. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to market price fluctuations which are monitored by the authorised fund manager in pursuance of the investment objective and policy as set out in the Prospectus.

Investment limits set out in the Trust Deed, Prospectus and in the rules contained in the Collective Investment Schemes Sourcebook mitigate the risk of excessive exposure to any particular security or issuer.

Foreign currency risk

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

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

Credit and counterparty risk

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its responsibilities. The Fund only buys and sells investments through brokers which have been approved by the authorised fund manager as an acceptable counterparty.

Interest rate risk

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. The Fund's cash holdings are held in deposit accounts, whose rates are determined by the banks concerned on a daily basis.

Liquidity risk

The Fund's assets comprise mainly of readily realisable securities. The main liability of the Fund is the redemption of any units that investors wish to sell. Assets of the Fund may need to be sold if insufficient cash is available to finance such redemptions. The liquidity of the Fund's assets is regularly reviewed by the authorised fund manager.

IFSL MARLBOROUGH BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2022

RISK MANAGEMENT POLICIES

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 Fund.

4 NET CAPITAL GAINS

	28 February 2022	28 February 2021
	£	£
The net gains on investments during the year comprise:		
Realised gains on investments	6,953,750	2,948,480
Unrealised (losses)/gains on investments	(5,542,644)	2,229,379
Currency losses	(7,351)	(14,215)
Management fee rebates	41,445	31,683
Transaction charges	(2,743)	(2,096)
Net capital gains	<u>1,442,457</u>	<u>5,193,231</u>

Where realised gains/losses include gains/losses arising in prior years, a corresponding gain/loss is included in unrealised gains/losses.

5 PURCHASES, SALES AND TRANSACTION COSTS

	28 February 2022	28 February 2021
	£	£
Purchases excluding transaction costs		
Collective Investment Schemes	27,830,974	15,391,440
Exchange Traded Funds	<u>25,763,577</u>	<u>32,916,045</u>
	53,594,551	48,307,485
Commissions - Exchange Traded Funds	6,223	8,229
Total purchase transaction costs	<u>6,223</u>	<u>8,229</u>
Total purchases after transaction costs	<u>53,600,774</u>	<u>48,315,714</u>

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

Commissions - Exchange Traded Funds	0.02%	0.02%
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Sales excluding transaction costs

Collective Investment Schemes	36,983,029	13,227,667
Exchange Traded Funds	<u>21,642,287</u>	<u>29,260,980</u>
	58,625,316	42,488,647
Commissions - Exchange Traded Funds	(5,159)	(7,315)
Total sales transaction costs	<u>(5,159)</u>	<u>(7,315)</u>
Total sales after transaction costs	<u>58,620,157</u>	<u>42,481,332</u>

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

Commissions - Exchange Traded Funds	0.02%	0.02%
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Total purchases and sales transaction costs expressed as a percentage of the average net asset value over the year:

Commissions - Exchange Traded Funds	<u>0.02%</u>	<u>0.02%</u>
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Transaction handling charges

These are charges payable to the trustee in respect each transaction.

	<u>£2,743</u>	<u>£2,096</u>
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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>0.09%</u>	<u>0.03%</u>
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IFSL MARLBOROUGH BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2022

6 REVENUE	28 February 2022	28 February 2021
	£	£
Non taxable UK dividends	379,739	534,531
Overseas dividends	494,970	284,441
Interest distributions	265,189	243,016
Management fee rebates	97,816	57,535
Bank interest	35	560
Total revenue	1,237,749	1,120,083
7 EXPENSES	28 February 2022	28 February 2021
	£	£
Payable to the authorised fund manager or associate:		
Manager's periodic charge	743,221	841,234
Registration fees	6,905	7,012
	<u>750,126</u>	<u>848,246</u>
Other expenses:		
Trustee's fees	25,360	23,005
Safe Custody fees	5,629	6,535
Financial Conduct Authority fee	124	170
Audit fee	7,380	7,380
	<u>38,493</u>	<u>37,090</u>
Total expenses	788,619	885,336
8 TAXATION	28 February 2022	28 February 2021
	£	£
a Analysis of the tax charge for the year		
UK Corporation tax at 20%	-	-
Total tax charge (see note 8(b))	<u>-</u>	<u>-</u>
b Factors affecting the tax charge for the year		
The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for a unit trust (20%). The differences are explained below.		
Net revenue before taxation	449,130	234,747
Corporation tax at 20% (2020: 20%)	89,826	46,949
Effects of:		
Revenue not subject to taxation	(174,941)	(163,794)
Tax effect of capitalised management fee rebate	8,289	6,337
Unrelieved excess management expenses	76,826	110,508
Total tax charge (see note 8(a))	<u>-</u>	<u>-</u>
At 28 February 2022 the Fund has deferred tax assets of £2,855,272 (2021: £2,778,446) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.		
9 DISTRIBUTIONS	28 February 2022	28 February 2021
	£	£
The distributions take account of revenue received on the issue of units and revenue deducted on the cancellation of units, and comprise:		
Final	444,052	393,626
Amounts deducted on cancellation of units	18,540	23,173
Amounts received on issue of units	(5,165)	(10,173)
Equalisation on conversions	(2)	(165,514)
Revenue brought forward	(6)	(28)
Distributions	<u>457,419</u>	<u>241,084</u>
Movement between net revenue and distributions:		
Net revenue after taxation	449,130	234,747
Tax effect of capitalised management fee rebate	8,289	6,337
	<u>457,419</u>	<u>241,084</u>

IFSL MARLBOROUGH BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2022

10 DEBTORS

	28 February 2022 £	28 February 2021 £
Amounts receivable for issue of units	1,522	3,139
Accrued income	58,597	57,656
Total debtors	<u>60,119</u>	<u>60,795</u>

11 OTHER CREDITORS

	28 February 2022 £	28 February 2021 £
Amounts payable for cancellation of units	287,849	56,771
Manager's periodic charge and registration fees	55,728	55,105
Accrued expenses	12,576	12,697
Total other creditors	<u>356,153</u>	<u>124,573</u>

12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 28 February 2022 (2021: nil).

13 RELATED PARTIES

The authorised fund manager is involved in all transactions in the units of the Fund, the aggregate values of which are set out in the statement of change in net assets attributable to unitholders and note 9. Amounts due to/from the authorised fund manager in respect of unit transactions at the year end are disclosed in notes 10 and 11. Amounts paid to the authorised fund manager in respect of the manager's periodic charge and registration fees are disclosed in note 7. Amounts due to the authorised fund manager at the year end are £342,055 (2021: £108,737).

14 UNIT CLASSES

The unit classes in issue for the Fund and the annual management charge for each unit class is as follows:

A Accumulation	1.50%
P Accumulation	0.75%

15 UNITHOLDERS' FUNDS RECONCILIATION

During the year the authorised fund manager has issued, cancelled and converted units from one unit class to another as set out below:

	A Accumulation	B Accumulation	P Accumulation
Opening units in issue at 1 March 2021	12,162,062	673	16,940,903
Unit issues	138,742	-	508,550
Unit cancellations	(111,620)	(10)	(1,503,496)
Unit conversions	(84)	(663)	730
Closing units in issue at 28 February 2022	<u>12,189,100</u>	<u>-</u>	<u>15,946,687</u>

	I Accumulation
Opening units in issue at 1 March 2021	1,000
Unit issues	-
Unit cancellations	(1,000)
Unit conversions	-
Closing units in issue at 28 February 2022	<u>-</u>

IFSL MARLBOROUGH BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2022

16 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 £3,119,644 (2021: £3,280,854). 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 28 February 2022:

	Investments £	Net current assets £	Total £
Euro	2,355,064	-	2,355,064
US dollar	9,068,246	-	9,068,246
	<u>11,423,310</u>	<u>-</u>	<u>11,423,310</u>

Foreign currency exposure at 28 February 2021:

	Investments £	Net current assets £	Total £
Euro	1,373,931	-	1,373,931
US dollar	7,518,852	-	7,518,852
	<u>8,892,783</u>	<u>-</u>	<u>8,892,783</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 £571,166 (2021: £444,639). A five per cent increase would have an equal and opposite effect.

Interest rate risk

The interest rate risk profile of financial assets and liabilities for the year ended 28 February 2022 consists of the following:

	28 February 2022 £	28 February 2021 £
Financial assets floating rate	4,063,378	1,145,092
Financial assets interest bearing instruments	8,695,664	9,913,781
Financial assets non-interest bearing instruments	53,757,333	55,764,098
Financial liabilities non-interest bearing instruments	(356,153)	(124,573)
	<u>66,160,222</u>	<u>66,698,398</u>

Interest rate risk sensitivity

An interest rate sensitivity disclosure has not been included because the investments held by the sub-fund are collective investment schemes, which may invest in interest bearing financial assets, however, information regarding these investments is not available from the ACD/fund managers as at the sub-fund's balance sheet date.

Liquidity risk

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

	28 February 2022 £	28 February 2021 £
Within one year:		
Other creditors	356,153	124,573
	<u>356,153</u>	<u>124,573</u>

IFSL MARLBOROUGH BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2022

17 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	28 February 2022		28 February 2021	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	21,509,138	-	15,725,960	-
Level 2 - Observable market data	40,364,602	-	49,260,935	-
Level 3 - Unobservable data	519,138	-	630,189	-
	<u>62,392,878</u>	<u>-</u>	<u>65,617,084</u>	<u>-</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; and

Level 3 - Valuation techniques using unobservable inputs.

EEA Life Settlements Fund is an illiquid stock and is priced using information supplied by the manager and other external information on recent trades in the shares of the fund. A discount is applied to the price provided by the manager to reflect the illiquidity of the investment.

18 POST BALANCE SHEET EVENTS

Since 28 February 2022, the Net Asset Value per unit has changed as follows:

	Net Asset Value per unit (pence)		
	28 February 2022 ^A	25 April 2022	Movement (%)
A Accumulation	226.42	227.68	0.56%
P Accumulation	242.01	243.64	0.67%

^A These Net Asset Values differ from those in the Comparative Table as they are the quoted Net Asset Values.

As at the balance sheet date, the sub-fund had no direct exposure to either Russia or Ukraine.

IFSL MARLBOROUGH BALANCED FUND

DISTRIBUTION TABLE

Final distribution for the period from 1 March 2021 to 28 February 2022

Group 1: units purchased prior to 1 March 2021

Group 2: units purchased on or after 1 March 2021

		Net revenue 28 February 2022 pence per unit	Equalisation 28 February 2022 pence per unit	Distribution paid 30 April 2022 pence per unit	Distribution paid 30 April 2021 pence per unit
A Accumulation	Group 1	0.4882p	-	0.4882p	0.3871p
	Group 2	0.0990p	0.3892p	0.4882p	0.3871p
P Accumulation	Group 1	2.4113p	-	2.4113p	2.0453p
	Group 2	1.5116p	0.8997p	2.4113p	2.0453p

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