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MARLBOROUGH EXTRA INCOME FUND

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

for the year ended 20 April 2020

MARLBOROUGH EXTRA INCOME FUND

CONTACT INFORMATION

Authorised Fund Manager 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.

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

Hargreave Hale Limited
Talisman House
Boardmans Way
Blackpool
Lancashire
FY4 5FY

Authorised and regulated by the Financial Conduct Authority.

Auditor

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

Directors of Marlborough Fund Managers Ltd

Andrew Staley
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)

MARLBOROUGH EXTRA INCOME 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	9
SYNTHETIC RISK AND REWARD INDICATOR	10
PORTFOLIO STATEMENT	11
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

MARLBOROUGH EXTRA INCOME FUND

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 20 April 2020

Percentage change and sector position to 20 April 2020

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Since 03/2009*</u>
Marlborough Extra Income Fund	-9.93%	-7.66%	3.43%	14.15%	147.00%
IA Mixed Investment 40-85% Shares	-7.48%	-5.61%	3.96%	15.48%	127.78%
Quartile Ranking**	3	3	2	3	2

* Matthew Rainbird appointed fund manager.

** Based on ranking within The Investment Association's Mixed Investment 40-85% Shares sector.

Fund launched on 12 July 1995.

External Source of Economic Data: Morningstar (P - bid to bid, net income reinvested).



Risk assets, as defined by the MSCI Global, fell 7.8% over the year. Following on from a period of steadier markets and well controlled sustainable economic expansion, markets and economies suffered from the Covid-19 pandemic. This afflicted all markets, particularly during March where many major equity markets fell by one third. There was some recovery into April as markets became more familiar with the pandemic trend and economic fallout but returns for all equity indices were down for the year to April. Particularly afflicted was the UK where the FTSE All Share Index fell 22.2%. The UK market is supported heavily by yield considerations and, as a significant number of companies cut or cancelled on dividends, the market lost its key basis of support. European equities fell 14.2% whilst Asia Pacific was down over

11%. The best performing major market was the US where the S & P 500 index fell just 3% for the period. It was supported substantially by the market's heavy exposure to health and technology stocks, particularly the latter which benefit greatly from remote access work and other trends emerging from the pandemic crisis. Sovereign bond markets rallied hard for the year as subdued economic activity suggested the reinforcement of ongoing deflationary trends. The US 10-year sovereign yield fell from 2.6 to 0.6% over the period whilst 10-year gilts were down from 1.2 to 0.3%. This came despite the cost of economic slowdown and a myriad of stimulus measures designed to circumvent the worst excesses of the global pandemic.

This has been a particularly torrid time for investors reliant on high levels of income from individual investments. The types of companies producing this level of yield such as Royal Dutch Shell and HSBC have several structural long-term challenges such as the evolution of renewable energy and zero interest rate strategies of major central banks. It would be our view that headline dividend yields will not recover and will reflect the race to the bottom suggested in general international bond markets. In many respects the UK stock market was one of the last bastions of this high yield approach although the onset of Covid-19 has catalysed the process of permanent dividend reduction. It has always been our view not to chase dividend yield but to focus on the sustainability of the business franchise which can promote long term dividend growth. A typical example of this would be Microsoft, a stock we have held for many years, which owns the Office 365 suite has a significant market share in the cloud and benefits from remote working trends. The yield is low but dividends are growing 10% annually. It is this latter rate of growth which improves the initial yield over time. Similarly, ASML is a European provider of lithography equipment with a market share of 85% in a market growing exponentially over time due to the involvement of trends such as 5G and the Internet of Things.

The Fund's class P unit return of -9.93% for the year under review is ahead of both the UK market and that of similar UK equity focused income products reflecting good stock picking and international equity exposure. The sector in which we are currently categorised returned -7.48% for the year reflecting its greater flexibility regarding overseas exposure where the opportunity set is greater and returns have been superior.

Going forward we would expect markets to exhibit significant volatility. It is difficult to see how the virus will end but, as with many crises, it will end. We would anticipate long term economic recovery but that deflationary conditions will persist, government debt will remain bloated and interest rates will stay around zero for some considerable time. It is possible when we look back over many years that the bull market remained intact but changed its character, heralding significant social and economic changes and cementing transformations that had been gradually building for years. It would be our view that the market for global corporate groups will become even more highly polarised with legacy operators increasingly marginalised. Nevertheless, the opportunity set remains to invest in well placed businesses with good capital prospects, some dividend yield and healthy rates of dividend growth. It will be our intention, as ever, to invest in such companies for your fund.

Matthew Rainbird / Andrew Moffat
Marlborough Fund Managers Ltd
22 July 2020

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MARLBOROUGH EXTRA INCOME FUND

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 20 April 2020

Distributions (pence per unit)

	<u>Year 2020</u>	<u>Year 2019</u>	<u>Year 2018</u>	<u>Year 2017</u>
<u>A Income</u>				
Net income paid 20 March	0.6665	0.6667	0.6566	0.6965
Net income paid 20 June	0.7219	1.0772	0.8420	0.8902
Net income paid 20 September		0.9513	0.8880	0.9943
Net income paid 20 December		0.7815	0.7098	0.7613
<u>B Income</u>				
Net income paid 20 March	0.6908	0.6896	0.6756	0.7136
Net income paid 20 June	0.7492	1.1139	0.8673	0.9134
Net income paid 20 September		0.9843	0.9155	1.0209
Net income paid 20 December		0.8093	0.7326	0.7825
<u>P Income</u>				
Net income paid 20 March	0.7015	0.7022	0.6830	0.7200
Net income paid 20 June	0.7612	1.1290	0.8771	0.9219
Net income paid 20 September		0.9983	0.9264	1.0309
Net income paid 20 December		0.8214	0.7417	0.7906

Portfolio changes

Largest purchases	Cost (£)	Largest sales	Proceeds (£)
Nestlé	601,131	JPMorgan Chase & Co	922,093
HSBC Holdings	594,445	Rentokil Initial	775,497
Walt Disney	509,912	Microsoft	743,347
Verizon Communications	502,868	Koninklijke Philips	718,389
Rentokil Initial	490,855	British American Tobacco	714,217
Compass Group	456,305	Apple	668,142
Sainsbury (J)	455,106	Anheuser-Busch InBev	659,890
Bellway	432,233	Lloyds Banking Group 9.25% Non-Cum Irrd Pref	574,793
Starbucks	423,966	Vodafone Group	566,229
Diageo	418,911	Rathbone Brothers	487,198
Other purchases	3,522,084	Other sales	6,795,226
Total purchases for the year	8,407,816	Total sales for the year	13,625,021

MARLBOROUGH EXTRA INCOME FUND

AUTHORISED STATUS AND GENERAL INFORMATION

Authorised status

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

Investment objective and policy

The investment objective of the Fund is to pay an income in excess of that of the FTSE All Share Index over any three year accounting period whilst taking less risk. The Fund also aims to deliver capital growth, that is to increase the value of your investment, over a period of 5 or more years.

The Investment Manager will aim to maintain volatility of the Fund (a measure of the size of short term changes in value) below 80% of the volatility of the FTSE All Share Index over any three year period.

The Fund will invest between 70% and 85% in the shares of companies and investment trusts.

The Fund will also invest up to 30% in bonds, which are loans issued by companies and other institutions. Bonds will typically be investment grade, which are issued by entities that have a high capacity to repay the debt, but the Fund may occasionally hold sub-investment grade bonds as a result of changes to existing holdings.

At least 80% of the Fund will be invested in the shares of companies incorporated or headquartered in the UK and bonds denominated in GBP.

The Fund is actively managed, which means the Investment Manager decides which investments to buy and sell and when. The Fund will invest in a range of assets that combined are aimed at achieving the objective. The Investment Manager will look to invest in companies that are well placed to benefit from current or future trends in their market environment, that exhibit some competitive advantage and employ management which are effective custodians of shareholder funds.

The Fund may also invest in companies which are listed on overseas stock exchanges, other securities which offer returns linked to the company performance, such as warrants, preference shares and convertible bonds, as well as unquoted companies and other funds.

The Fund will normally be fully invested save for an amount to enable ready settlement of liabilities (including redemption of shares) and efficient management of the Fund both generally and in relation to strategic objectives however may hold higher cash balances in extreme market conditions.

The Fund will be 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. The Manager should publish the report in the annual report of the Fund, except where the assessment and report are provided as a composite, that is, with other funds that may have a different year end date. The Marlborough Extra Income Fund was assessed and reported on, in a composite report which the Manager published on 31 July 2020 on the website. www.marlboroughfunds.com

Changes in prospectus

Since the last report, the investment objective and policy has been updated, and there has been a change of auditor from Barlow Andrews LLP to Ernst & Young LLP. Details of these changes can be found in the latest Prospectus dated 6 March 2020.

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.

MARLBOROUGH EXTRA INCOME FUND

AUTHORISED STATUS AND GENERAL INFORMATION

Remuneration policy

In line with the requirements 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 2019 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 Fund				
Senior management	9	741,229	551,303	189,926
Risk takers and other identified staff	6	154,414	102,951	51,463
Allocation of total remuneration of the employees of the AFM to the Fund				
Senior management	0.03	5,613	4,175	1,438
Risk takers and other identified staff	3.16	53,919	18,363	35,556

The total number of staff employed by the AFM was 172 as at 30 September 2019. The total remuneration paid to those staff was £7,294,016, of which £3,707,059 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 Fund is based on AUM where staff are not directly allocated to the Fund. The way these disclosures are calculated may change in the future.

MARLBOROUGH EXTRA INCOME FUND

DIRECTORS' 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



WAYNE D GREEN
JOINT MANAGING DIRECTOR

MARLBOROUGH FUND MANAGERS LTD
14 August 2020

STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES

The Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL) 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 losses on the property of the Fund for the year.

In preparing those 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.

MARLBOROUGH EXTRA INCOME 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 Marlborough Extra Income Fund ("the Trust") for the period ended 20 April 2020

The Depositary in its capacity of Trustee of Marlborough Extra Income Fund must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes 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 the 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 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 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 AFM:

(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 of the Trust; and

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

HSBC BANK PLC

LONDON

14 August 2020

MARLBOROUGH EXTRA INCOME FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF MARLBOROUGH EXTRA INCOME FUND

Opinion

We have audited the financial statements of Marlborough Extra Income Fund ("the Fund") for the year ended 20 April 2020 which comprise the Statement of Total Return, Statement of Change in Net Assets Attributable to Unitholders together with the Balance Sheet, the accounting policies and risk profile, the related notes and the Distribution Tables, including 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 20 April 2020 and of the net revenue and the net capital losses 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 including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 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 Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for the 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 Manager 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 this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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

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 Financial Conduct Authority and the Instrument of Incorporation;
- 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; and
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records.

MARLBOROUGH EXTRA INCOME FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF MARLBOROUGH EXTRA INCOME FUND

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 Financial Conduct Authority rules 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 purpose 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 liquidate 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.

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 Financial Conduct Authority. 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

14 August 2020

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.

MARLBOROUGH EXTRA INCOME FUND

COMPARATIVE TABLE

A Income units

Change in net assets per unit	Year to 20.04.2020 pence	Year to 20.04.2019 pence	Year to 20.04.2018 pence
Opening net asset value per unit	84.64	83.07	82.19
Return before operating charges*	(6.07)	6.25	5.52
Operating charges	(1.38)	(1.34)	(1.39)
Return after operating charges*	(7.45)	4.91	4.13
Distributions on income units	(3.12)	(3.34)	(3.25)
Closing net asset value per unit	74.07	84.64	83.07

* after direct transaction costs of: 0.13 0.08 0.22

Performance

Return after charges -8.80% 5.91% 5.02%

Other information

Closing net asset value	£20,338,002	£24,240,254	£25,748,448
Closing number of units	27,458,640	28,639,900	30,996,082
Operating charges	1.63%	1.62%	1.62%
Direct transaction costs	0.16%	0.10%	0.26%

Prices

Highest unit price	89.69p	91.74p	93.85p
Lowest unit price	65.86p	76.13p	81.20p

B Income units

Change in net assets per unit	Year to 20.04.2020 pence	Year to 20.04.2019 pence	Year to 20.04.2018 pence
Opening net asset value per unit	87.52	85.55	84.30
Return before operating charges*	(6.41)	6.38	5.59
Operating charges	(1.00)	(0.96)	(0.99)
Return after operating charges*	(7.41)	5.42	4.60
Distributions on income units	(3.23)	(3.45)	(3.35)
Closing net asset value per unit	76.88	87.52	85.55

* after direct transaction costs of: 0.14 0.09 0.23

Performance

Return after charges -8.47% 6.34% 5.46%

Other information

Closing net asset value	£110,819	£848,377	£836,828
Closing number of units	144,141	969,355	978,230
Operating charges	1.13%	1.12%	1.12%
Direct transaction costs	0.16%	0.10%	0.26%

Prices

Highest unit price	92.99p	94.50p	96.53p
Lowest unit price	68.33p	78.61p	83.59p

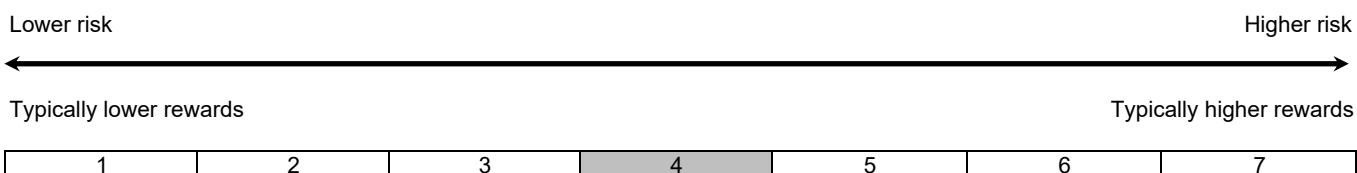
MARLBOROUGH EXTRA INCOME FUND

COMPARATIVE TABLE

P Income units	Year to 20.04.2020	Year to 20.04.2019	Year to 20.04.2018
Change in net assets per unit			
Opening net asset value per unit	88.79	86.61	85.18
Return before operating charges*	(6.54)	6.43	5.59
Operating charges	(0.79)	(0.75)	(0.78)
Return after operating charges*	(7.33)	5.68	4.81
Distributions on income units	(3.28)	(3.50)	(3.38)
Closing net asset value per unit	78.18	88.79	86.61
* after direct transaction costs of:	0.14	0.09	0.23
Performance			
Return after charges	-8.26%	6.56%	5.65%
Other information			
Closing net asset value	£16,775,205	£21,868,550	£26,935,889
Closing number of units	21,457,412	24,629,900	31,100,416
Operating charges	0.88%	0.87%	0.87%
Direct transaction costs	0.16%	0.10%	0.26%
Prices			
Highest unit price	94.50p	92.04p	93.95p
Lowest unit price	69.47p	79.98p	84.87p

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.

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, the returns of a representative portfolio are 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.

MARLBOROUGH EXTRA INCOME FUND

PORTFOLIO STATEMENT

as at 20 April 2020

Holding or nominal value	Bid value £	Percentage of total net assets %
LOAN STOCKS (20 April 2019 - 18.91%)		
279,000 A2D Funding 4.75% 18.10.22	295,863	0.79
300,000 Admiral Group 5.5% 25.07.24	331,080	0.89
400,000 Aviva 6.125% Perp	407,500	1.09
500,000 Brit Insurance Holdings 6.625% 09.12.30	481,405	1.29
450,000 Bupa Finance 6.125% Perp	438,574	1.18
260,000 Coöperatieve Rabobank 5.25% 14.09.27	296,863	0.80
300,000 esure Group 6.75% 19.12.24	253,479	0.68
250,000 Fidelity International 6.75% 19.10.20	256,245	0.69
300,000 Friends Life Holdings 8.25% 21.04.22	335,580	0.90
79,194 GLH Hotels 7.875% 20.06.22	85,925	0.23
300,000 Legal & General Group 5.375% 27.10.45	323,625	0.87
400,000 Liverpool Victoria Friendly Society 6.5% 22.05.43	426,820	1.15
449,000 Lloyds Banking Group 7.625% Perp	439,311	1.18
350,000 Phoenix Group Holdings 6.625% 18.12.25	385,053	1.03
233,000 Rothschilds Continuation Finance (CI) 9% Perp	283,719	0.76
400,000 Sainsbury (J) 6.5% Perp	398,500	1.07
445,000 Scottish Widows 5.5% 16.06.23	477,774	1.28
300,000 Society of Lloyds (The) 4.75% 30.10.24	315,534	0.85
400,000 Society of Lloyds (The) 4.875% 07.02.47	417,520	1.12
500,000 Tesco 5.5% 13.01.33	605,310	1.63
300,000 Thames Water (Kemble) Finance 5.875% 15.07.22	298,254	0.80
300,000 TP ICAP 5.25% 26.01.24	307,374	0.83
78,500 Yorkshire Building Society 13.5% 01.04.25 *	112,957	0.30
Total Loan Stocks	<u>7,974,265</u>	<u>21.41</u>
PREFERENCE SHARES (20 April 2019 - 6.64%)		
330,000 Aviva 8.75% Cum Irrd Pref	445,500	1.20
355,000 Ecclesiastical Insurance Office 8.625% Non-Cum Irrd Pref	497,000	1.34
350,000 General Accident 8.875% Cum Irrd Pref	455,000	1.22
350,000 RSA Insurance Group 7.375% Cum Irrd Pref	392,000	1.05
Total Preference Shares	<u>1,789,500</u>	<u>4.81</u>
CONVERTIBLE PREFERENCE SHARES (20 April 2019 - 0.76%)		
Total Convertible Preference Shares	<u>-</u>	<u>-</u>
BANKS (20 April 2019 - 1.41%)		
1,000,000 Lloyds Banking Group	297,800	0.80
Total Banks	<u>297,800</u>	<u>0.80</u>
BEVERAGES (20 April 2019 - 2.13%)		
57,000 Britvic	412,110	1.11
31,950 Diageo	854,503	2.29
Total Beverages	<u>1,266,613</u>	<u>3.40</u>
CHEMICALS (20 April 2019 - 1.33%)		
25,000 Victrex	508,500	1.37
Total Chemicals	<u>508,500</u>	<u>1.37</u>
CLOSED END INVESTMENTS (20 April 2019 - 1.24%)		
480,000 The Renewables Infrastructure Group	626,880	1.68
Total Closed End Investments	<u>626,880</u>	<u>1.68</u>
CONSTRUCTION AND MATERIALS (20 April 2019 - 1.12%)		
20,000 CRH	437,400	1.17
Total Construction and Materials	<u>437,400</u>	<u>1.17</u>
CONSUMER SERVICES (20 April 2019 - Nil)		
36,000 Compass Group	471,780	1.27
Total Consumer Services	<u>471,780</u>	<u>1.27</u>

MARLBOROUGH EXTRA INCOME FUND

PORTFOLIO STATEMENT

as at 20 April 2020

Holding or nominal value	Bid value £	Percentage of total net assets %
GAS, WATER AND MULTI-UTILITIES (20 April 2019 - 3.04%)		
80,000 National Grid	726,240	1.95
40,000 Severn Trent	940,000	2.53
Total Gas, Water and Multi-utilities	<u>1,666,240</u>	<u>4.48</u>
GENERAL INDUSTRIALS (20 April 2019 - 1.54%)		
20,000 Bunzl	332,400	0.89
203,636 Smith (DS)	571,810	1.54
Total General Industrials	<u>904,210</u>	<u>2.43</u>
HOUSEHOLD GOODS AND HOME CONSTRUCTION (20 April 2019 - Nil)		
15,000 Bellway	345,150	0.93
Total Household Goods and Home Construction	<u>345,150</u>	<u>0.93</u>
INDUSTRIAL ENGINEERING (20 April 2019 - 1.20%)		
7,000 Spirax-Sarco Engineering	613,620	1.65
Total Industrial Engineering	<u>613,620</u>	<u>1.65</u>
INDUSTRIAL METALS AND MINING (20 April 2019 - 3.40%)		
35,000 Rio Tinto	1,313,200	3.53
Total Industrial Metals and Mining	<u>1,313,200</u>	<u>3.53</u>
INDUSTRIAL SUPPORT SERVICES (20 April 2019 - 2.48%)		
34,000 Experian	818,040	2.20
123,750 Rentokil Initial	550,687	1.48
Total Industrial Support Services	<u>1,368,727</u>	<u>3.68</u>
INDUSTRIAL TRANSPORTATION (20 April 2019 - 1.67%)		
25,000 Ashtead Group	452,500	1.22
143,300 Doric Nimrod Air Three Pref	48,722	0.13
62,000 Doric Nimrod Air Two Pref	39,680	0.11
Total Industrial Transportation	<u>540,902</u>	<u>1.46</u>
INVESTMENT BANKING AND BROKERAGE SERVICES (20 April 2019 - 2.31%)		
65,000 3i Group	494,000	1.33
Total Investment Banking and Brokerage Services	<u>494,000</u>	<u>1.33</u>
LIFE INSURANCE (20 April 2019 - 6.17%)		
330,000 Legal & General Group	675,180	1.81
148,000 Phoenix Group Holdings	816,072	2.19
50,000 Prudential	508,250	1.37
Total Life Insurance	<u>1,999,502</u>	<u>5.37</u>
OIL, GAS AND COAL (20 April 2019 - 5.79%)		
150,000 BP	442,275	1.19
75,000 Royal Dutch Shell 'B'	992,700	2.67
Total Oil, Gas and Coal	<u>1,434,975</u>	<u>3.86</u>
PERSONAL CARE, DRUG AND GROCERY STORES (20 April 2019 - 2.43%)		
10,000 Reckitt Benckiser Group	637,200	1.71
205,000 Sainsbury (J)	407,438	1.09
17,500 Unilever	738,675	1.98
Total Personal Care, Drug and Grocery Stores	<u>1,783,313</u>	<u>4.78</u>
PHARMACEUTICALS AND BIOTECHNOLOGY (20 April 2019 - 2.52%)		
11,000 AstraZeneca	879,560	2.36
35,000 GlaxoSmithKline	580,510	1.56
Total Pharmaceuticals and Biotechnology	<u>1,460,070</u>	<u>3.92</u>

MARLBOROUGH EXTRA INCOME FUND

PORTFOLIO STATEMENT

as at 20 April 2020

Holding or nominal value	Bid value £	Percentage of total net assets %
REAL ESTATE INVESTMENT TRUSTS (20 April 2019 - 1.06%)		
333,221 Tritax Big Box REIT	383,537	1.03
Total Real Estate Investment Trusts	<u>383,537</u>	<u>1.03</u>
TELECOMMUNICATIONS SERVICE PROVIDERS (20 April 2019 - 1.14%)		
Total Telecommunications Service Providers	<u>-</u>	<u>-</u>
TOBACCO (20 April 2019 - 1.72%)		
Total Tobacco	<u>-</u>	<u>-</u>
TRAVEL AND LEISURE (20 April 2019 - 3.37%)		
43,000 easyJet	271,588	0.73
10,916 InterContinental Hotels Group	383,042	1.03
73,732 SSP Group	213,233	0.57
Total Travel and Leisure	<u>867,863</u>	<u>2.33</u>
OVERSEAS SECURITIES (20 April 2019 - 26.60%)		
4,000 Airbus	193,861	0.52
1,842 ASML Holding	428,626	1.15
18,425 ASSA ABLOY 'B'	282,751	0.76
14,740 Cisco Systems	502,351	1.35
13,400 Coca-Cola	516,563	1.39
3,685 Deere & Co	408,870	1.10
30,000 ENGIE	245,873	0.66
2,205 Essilor International	212,348	0.57
4,690 Johnson & Johnson	571,552	1.54
6,055 KONE 'B'	276,623	0.74
1,600 L'Oréal	344,425	0.93
4,000 McDonald's	596,863	1.60
5,205 Microsoft	745,600	2.00
9,250 Mondelez International	396,434	1.06
5,210 Nestlé	460,767	1.24
1,885 Pernod Ricard	229,994	0.62
6,850 Starbucks	423,711	1.14
2,510 The Home Depot	421,471	1.13
11,000 Verizon Communications	516,090	1.39
3,280 Walt Disney	280,647	0.75
1,590 Zurich Insurance Group	400,354	1.08
Total Overseas Securities	<u>8,455,774</u>	<u>22.72</u>
UNQUOTED SECURITIES (20 April 2019 - 0.00%)		
175,000 Conviviality	-	-
Total Unquoted Securities	<u>-</u>	<u>-</u>
Portfolio of investments	37,003,821	99.41
Net other assets	220,205	0.59
Total net assets	<u>37,224,026</u>	<u>100.00</u>

* unapproved security.

MARLBOROUGH EXTRA INCOME FUND

STATEMENT OF TOTAL RETURN

for the year ended 20 April 2020

	Notes	20 April 2020		20 April 2019	
		£	£	£	£
Income:					
Net capital (losses)/gains	4		(4,709,560)		1,220,541
Revenue	6	1,806,609		2,234,025	
Expenses	7	(566,076)		(631,109)	
Net revenue before taxation		<u>1,240,533</u>		<u>1,602,916</u>	
Taxation	8	<u>(26,533)</u>		<u>(36,757)</u>	
Net revenue after taxation			<u>1,214,000</u>		<u>1,566,159</u>
Total return before distributions			(3,495,560)		2,786,700
Distributions	9		(1,636,834)		(2,027,363)
Change in net assets attributable to unitholders from investment activities			<u>(5,132,394)</u>		<u>759,337</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 20 April 2020

	20 April 2020		20 April 2019	
	£	£	£	£
Opening net assets attributable to unitholders		46,957,181		53,521,165
Amounts receivable on issue of units	1,828,675		1,571,673	
Amounts payable on cancellation of units	(6,441,224)		(8,898,485)	
Amounts payable on unit class conversions	<u>-</u>		<u>(1)</u>	
		(4,612,549)		(7,326,813)
Change in net assets attributable to unitholders from investment activities		(5,132,394)		759,337
Unclaimed distributions		11,788		3,492
Closing net assets attributable to unitholders		<u>37,224,026</u>		<u>46,957,181</u>

MARLBOROUGH EXTRA INCOME FUND

BALANCE SHEET

as at 20 April 2020

	Notes	20 April 2020 £	20 April 2019 £
Assets:			
Fixed Assets:			
Investments	17	37,003,821	46,948,817
Current Assets:			
Debtors	10	776,909	448,817
Cash and bank balances		663,259	332,699
Total assets		<u>38,443,989</u>	<u>47,730,333</u>
Liabilities:			
Creditors:			
Bank overdrafts		-	99,879
Distribution payable		362,666	597,422
Other creditors	11	857,297	75,851
Total liabilities		<u>1,219,963</u>	<u>773,152</u>
Net assets attributable to unitholders		<u><u>37,224,026</u></u>	<u><u>46,957,181</u></u>

MARLBOROUGH EXTRA INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 20 April 2020

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in compliance with Financial Reporting Standard 102 (FRS102) 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 about the Fund's ability to continue as a going concern for at least the next twelve months from the date these 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 are recognised when the security is quoted ex-dividend.

Interest on debt securities is recognised on an accruals basis. Accrued interest purchased and sold on debt securities is excluded from the capital cost of these securities and is treated as revenue. Interest earned from debt securities is accounted for on an effective yield basis. Effective yield is where the interest arising on the security that is purchased at a discount or premium to the maturity value is amortised and recognised at a consistent rate over the life of the security.

Dividends from non-quoted securities are recognised when the right to receive payment is established.

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 against revenue on an accruals basis. The authorised fund manager's periodic charge is treated as a capital expense. This may constrain capital growth.

Valuation

The valuation point was 12:00 on 20 April 2020 being the last valuation point of the accounting year.

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

Unlisted, unapproved, illiquid or suspended securities are valued at the authorised fund manager's best estimate of the amount that would be received from the immediate transfer at arm's length in a manner designed to show fair value. This modelling takes into account, where appropriate, latest dealing prices, valuations from reliable sources, financial performance, maturity of the company and other relevant factors.

Where applicable, investment valuations exclude any element of accrued revenue.

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 20 April 2020 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.

MARLBOROUGH EXTRA INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 20 April 2020

2 DISTRIBUTION POLICIES

The distribution policy of the Fund is to distribute 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.

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.

Stock and special dividends

The ordinary element of stock received in lieu of cash dividends is credited to capital in the first instance followed by a transfer to revenue of the cash equivalent being offered and this forms part of the distributable revenue of the Fund. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of any distribution.

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue of the Fund. Amounts recognised as capital are deducted from the cost of the investment. The tax accounting treatment follows the treatment of the principal amount.

3 RISK MANAGEMENT POLICIES

In pursuing its investment objective as stated on page 3, 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.

MARLBOROUGH EXTRA INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 20 April 2020

RISK MANAGEMENT POLICIES

Interest rate risk (continued)

The Fund invests in fixed rate securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of the fund manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future.

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.

4 NET CAPITAL (LOSSES)/GAINS

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

	20 April 2020 £	20 April 2019 £
Non-derivative securities (losses)/gains	(4,705,314)	1,211,210
Other currency (losses)/gains	(2,424)	10,174
Transaction charges	(1,822)	(843)
Net capital (losses)/gains	(4,709,560)	1,220,541

5 PURCHASES, SALES AND TRANSACTION COSTS

	20 April 2020 £	20 April 2019 £
Purchases excluding transaction costs		
Equities	8,367,830	4,416,235
Corporate actions	-	220,066
	<u>8,367,830</u>	<u>4,636,301</u>
Equities: Commissions	16,736	8,803
Taxes and other charges	23,250	13,143
Total purchase transaction costs	<u>39,986</u>	<u>21,946</u>
Purchases including transaction costs	8,407,816	4,658,247

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

Equities: Commissions	0.20%	0.20%
Taxes and other charges	0.28%	0.30%

Sales excluding transaction costs

Equities	13,090,239	9,133,026
Debt securities	563,922	2,847,138
Corporate actions	-	78,887
	<u>13,654,161</u>	<u>12,059,051</u>
Equities: Commissions	(26,052)	(18,054)
Taxes and other charges	(1,960)	(7,067)
Debt securities: Commissions	(1,128)	(3,212)
Taxes and other charges	-	(390)
Total sale transaction costs	<u>(29,140)</u>	<u>(28,723)</u>
Sales net of transaction costs	13,625,021	12,030,328

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

Equities: Commissions	0.20%	0.20%
Taxes and other charges	0.01%	0.08%
Debt securities: Commissions	0.20%	0.11%
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	0.10%	0.06%
Taxes and other charges	0.06%	0.04%
	<u>0.16%</u>	<u>0.10%</u>

Transaction handling charges

	<u>£1,822</u>	<u>£843</u>
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MARLBOROUGH EXTRA INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 20 April 2020

PURCHASES, SALES AND TRANSACTION COSTS

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. The average portfolio dealing spread at 20 April 2020 is 0.64% (2019: 0.39%).

6 REVENUE	20 April 2020	20 April 2019
	£	£
UK dividends	971,908	1,200,902
UK dividends (unfranked)	17,119	20,412
Overseas dividends	343,689	441,980
Interest on debt securities	472,175	568,574
Bank interest	1,718	2,157
Total revenue	1,806,609	2,234,025
7 EXPENSES	20 April 2020	20 April 2019
	£	£
Payable to the authorised fund manager or associate:		
Manager's periodic charge	509,776	567,159
Registration fees	27,451	29,237
	<u>537,227</u>	<u>596,396</u>
Other expenses:		
Trustee's fees	15,932	18,226
Safe custody fees	5,236	6,646
Interest	-	5,085
Financial Conduct Authority fee	124	158
Audit fee	7,557	4,598
	<u>28,849</u>	<u>34,713</u>
Total expenses	566,076	631,109
8 TAXATION	20 April 2020	20 April 2019
	£	£
a Analysis of the tax charge for the year		
UK Corporation tax at 20%	86,943	105,955
Overseas tax	26,533	38,102
Tax relief from capital	(86,943)	(105,955)
Adjustment in respect of prior periods	-	(1,345)
Total tax charge (see note 8(b))	26,533	36,757
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	1,240,533	1,602,916
Corporation tax at 20% (2019: 20%)	248,107	320,583
Effects of:		
Revenue not subject to taxation	(263,120)	(328,576)
Managers periodic charge treated as capital	86,943	105,955
Unrelieved excess management expenses	15,013	7,993
Overseas tax	26,533	38,102
Tax relief from capital	(86,943)	(105,955)
Adjustment in respect of prior periods	-	(1,345)
Total tax charge (see note 8(a))	26,533	36,757

At 20 April 2020 the Fund has deferred tax assets of £23,006 (2019: £7,993) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

MARLBOROUGH EXTRA INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 20 April 2020

9 DISTRIBUTIONS

	20 April 2020	20 April 2019
	£	£
The distributions take account of revenue received on the issue of units and revenue deducted on the cancellation of units, and comprise:		
First interim	512,735	558,721
Second interim	400,930	446,870
Third interim	336,615	397,616
Final	362,666	597,422
Amounts deducted on cancellation of units	35,693	33,706
Amounts added on issue of units	(11,761)	(6,940)
Equalisation on conversions	-	(1)
Revenue brought forward	(44)	(31)
Distributions	<u>1,636,834</u>	<u>2,027,363</u>
Net revenue after taxation	1,214,000	1,566,159
Add: Managers periodic charge to capital as adjusted for corporation tax	422,834	461,204
	<u>1,636,834</u>	<u>2,027,363</u>

10 DEBTORS

	20 April 2020	20 April 2019
	£	£
Amounts receivable for issue of units	26,124	23,755
Sales awaiting settlement	425,153	24,852
Accrued income	288,036	373,470
Taxation recoverable	37,596	26,740
Total debtors	<u>776,909</u>	<u>448,817</u>

11 OTHER CREDITORS

	20 April 2020	20 April 2019
	£	£
Amounts payable for cancellation of units	194	35,640
Purchases awaiting settlement	819,523	-
Manager's periodic charge and registration fees	27,046	30,978
Accrued expenses	10,534	9,233
Total other creditors	<u>857,297</u>	<u>75,851</u>

12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 20 April 2020 (2019: nil).

13 RELATED PARTIES

The authorised fund manager 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 unitholders on page 14 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 £1,116 (2019: £42,863).

14 UNIT CLASSES

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

A Income	1.50%
B Income	1.00%
P Income	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 Income	B Income	P Income
Opening units in issue at 21 April 2019	<u>28,639,900</u>	<u>969,355</u>	<u>24,629,900</u>
Units issues	1,175,157	9,191	970,716
Units cancellations	(2,195,503)	(931,055)	(4,201,151)
Units conversions	(160,914)	96,650	57,947
Closing units in issue at 20 April 2020	<u>27,458,640</u>	<u>144,141</u>	<u>21,457,412</u>

MARLBOROUGH EXTRA INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 20 April 2020

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 £1,850,191 (2019: £2,347,441). 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 20 April 2020:

	Investments £	Net current assets £	Total £
Danish Krone	-	1,101	1,101
Euro	1,931,751	21,021	1,952,772
Swedish Krona	282,751	-	282,751
Swiss Franc	861,121	26,455	887,576
US Dollar	5,380,151	(809,158)	4,570,993
	<u>8,455,774</u>	<u>(760,581)</u>	<u>7,695,193</u>

Foreign currency exposure at 20 April 2019:

	Investments £	Net current assets £	Total £
Danish Krone	-	1,092	1,092
Euro	4,067,186	15,270	4,082,456
Swedish Krona	476,008	-	476,008
Swiss Franc	588,656	19,441	608,097
US Dollar	7,365,160	13,381	7,378,541
	<u>12,497,010</u>	<u>49,184</u>	<u>12,546,194</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 £384,760 (2019: £627,310). 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 consists of the following:

	20 April 2020 £	20 April 2019 £
Financial assets fixed interest rate	7,974,265	8,878,688
Financial assets floating rate	663,259	332,699
Financial assets non-interest bearing instruments	29,806,465	38,518,946
Financial liabilities floating rate	-	(99,879)
Financial liabilities non-interest bearing instruments	(1,219,963)	(673,273)
	<u>37,224,026</u>	<u>46,957,181</u>

Interest rate risk sensitivity on debt securities (based on the weighted modified duration)

Changes in interest rates or changes in expectations of future interest rates may result in an increase or decrease in the market value of the investments held. A half of one per cent increase in interest rates would have the effect of decreasing the return and net assets by £135,335 (2019: £188,278). A half of one per cent decrease would have an equal and opposite effect.

Debt security credit analysis

Portfolio split by investment grade

	20 April 2020 Bid value (£)	20 April 2019 Bid value (£)
Investments of investment grade	5,733,672	5,265,653
Investments below investment grade	737,565	1,383,325
Unrated	1,503,028	2,229,710
Total of debt securities	<u>7,974,265</u>	<u>8,878,688</u>

MARLBOROUGH EXTRA INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 20 April 2020

RISK DISCLOSURES

Liquidity risk

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

	20 April 2020 £	20 April 2019 £
Within one year:		
Bank overdrafts	-	99,879
Distribution payable	362,666	597,422
Other creditors	857,297	75,851
	<u>1,219,963</u>	<u>773,152</u>

17 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	20 April 2020		20 April 2019	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	29,029,556	-	38,070,129	-
Level 2 - Observable market data	7,974,265	-	8,878,688	-
Level 3 - Unobservable data	-	-	-	-
	<u>37,003,821</u>	<u>-</u>	<u>46,948,817</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.

Conviviality, which is now delisted and has filed for administration, is valued at zero by the fund manager.

18 POST BALANCE SHEET EVENTS

Since 20 April 2020, the Net Asset Value per unit has changed as follows:

	Net Asset Value per unit (pence)		
	20 April 2020 *	13 August 2020	Movement (%)
A Income	75.01	81.28	8.36%
B Income	77.85	84.34	8.34%
P Income	79.16	85.80	8.39%

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

MARLBOROUGH EXTRA INCOME FUND

DISTRIBUTION TABLE

First interim distribution for the period from 21 April 2019 to 20 July 2019

Group 1: units purchased prior to 21 April 2019

Group 2: units purchased on or after 21 April 2019

		Net revenue 20 July 2019 pence per unit	Equalisation 20 July 2019 pence per unit	Distribution paid 20 September 2019 pence per unit	Distribution paid 20 September 2018 pence per unit
A Income	Group 1	0.9513p	-	0.9513p	0.8880p
	Group 2	0.2113p	0.7400p	0.9513p	0.8880p
B Income	Group 1	0.9843p	-	0.9843p	0.9155p
	Group 2	0.1596p	0.8247p	0.9843p	0.9155p
P Income	Group 1	0.9983p	-	0.9983p	0.9264p
	Group 2	0.4369p	0.5614p	0.9983p	0.9264p

Second interim distribution for the period from 21 July 2019 to 20 October 2019

Group 1: units purchased prior to 21 July 2019

Group 2: units purchased on or after 21 July 2019

		Net revenue 20 October 2019 pence per unit	Equalisation 20 October 2019 pence per unit	Distribution paid 20 December 2019 pence per unit	Distribution paid 20 December 2018 pence per unit
A Income	Group 1	0.7815p	-	0.7815p	0.7098p
	Group 2	0.1737p	0.6078p	0.7815p	0.7098p
B Income	Group 1	0.8093p	-	0.8093p	0.7326p
	Group 2	0.1237p	0.6856p	0.8093p	0.7326p
P Income	Group 1	0.8214p	-	0.8214p	0.7417p
	Group 2	0.3474p	0.4740p	0.8214p	0.7417p

Third interim distribution for the period from 21 October 2019 to 20 January 2020

Group 1: units purchased prior to 21 October 2019

Group 2: units purchased on or after 21 October 2019

		Net revenue 20 January 2020 pence per unit	Equalisation 20 January 2020 pence per unit	Distribution paid 20 March 2020 pence per unit	Distribution paid 20 March 2019 pence per unit
A Income	Group 1	0.6665p	-	0.6665p	0.6667p
	Group 2	0.1335p	0.5330p	0.6665p	0.6667p
B Income	Group 1	0.6908p	-	0.6908p	0.6896p
	Group 2	0.0154p	0.6754p	0.6908p	0.6896p
P Income	Group 1	0.7015p	-	0.7015p	0.7022p
	Group 2	0.3535p	0.3480p	0.7015p	0.7022p

MARLBOROUGH EXTRA INCOME FUND

DISTRIBUTION TABLE

Final distribution for the period from 21 January 2020 to 20 April 2020

Group 1: units purchased prior to 21 January 2020

Group 2: units purchased on or after 21 January 2020

		Net revenue 20 April 2020 pence per unit	Equalisation 20 April 2020 pence per unit	Distribution paid 20 June 2020 pence per unit	Distribution paid 20 June 2019 pence per unit
A Income	Group 1	0.7219p	-	0.7219p	1.0772p
	Group 2	0.2250p	0.4969p	0.7219p	1.0772p
B Income	Group 1	0.7492p	-	0.7492p	1.1139p
	Group 2	0.1942p	0.5550p	0.7492p	1.1139p
P Income	Group 1	0.7612p	-	0.7612p	1.1290p
	Group 2	0.4143p	0.3469p	0.7612p	1.1290p

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