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MARLBOROUGH US MULTI-CAP INCOME FUND

INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS

for the six month period ended 10 March 2020

MARLBOROUGH US MULTI-CAP INCOME FUND

CONTACT INFORMATION

Authorised Fund Manager and Registrar

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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

Boston Financial Management LLC
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Boston
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USA

Auditor

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Directors of Marlborough Fund Managers Ltd

Andrew Staley	Chairman
Nicholas F J Cooling	Deputy Chairman
Allan Hamer	Joint Managing Director
Wayne D Green	Joint Managing Director
Dom Clarke	Finance Director
Geoffrey Hitchin	Investment Director
Helen Derbyshire	Director – Compliance & Risk
Richard Goodall	Director – Strategy & Business Development
Guy Sears	Non-Executive Director
David Kiddie	Non-Executive Director
Sarah Peaston	Non-Executive Director (appointed 1 October 2019)

MARLBOROUGH US MULTI-CAP INCOME FUND

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MARLBOROUGH US MULTI-CAP INCOME FUND

AUTHORISED INVESTMENT ADVISER'S REPORT

for the six month period ended 10 March 2020

Percentage change and sector position to 10 March 2020

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>
Marlborough US Multi-Cap Income Fund	-8.00%	16.23%	28.24%	79.41%
IA North American Sector	-9.21%	3.26%	14.26%	59.62%
Quartile Ranking*	2	1	1	1

* Based on ranking within The Investment Association North America sector.

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



A strong run for U.S. equity markets came to a sudden and dramatic halt in late February. The dramatic impact and toll on life and the economy from COVID19 swept U.S. equity markets into one of the swiftest and most severe declines on record. After peaking on February 19, the S&P 500 fell over 30% in the following month. For the six months ending March 10, the Fund was down 8% with all the declines registering in the last 3 weeks of the period. This is a discouraging result in the absolute. It's difficult to find areas of the U.S. market that remained completely unscathed by a shutdown of the economy. We are however encouraged that the Fund was defensive relative to peers finishing ahead of the benchmark group.

Looking forward, uncertainty resulting from the virus and impact of shutting down the economy to mitigate transmission remains high. Markets have rebounded since early March but are still well off the highs from February. We are closely evaluating both near term implications (liquidity, 2020 earnings, etc.) and the longer-term impacts (are there secular changes?) to manage risk within the portfolio. We can't pretend to have a clear view on how long the shutdown will last or how severe the resulting recession will be. However, we think our portfolio of stable and profitable companies, with low leverage, and paying healthy dividends will do better than most and we feel comfortable with our holdings. We remain diligent in our research efforts as we continue to analyze the volatile environment. Subsequent to the discussed period, we have reduced our exposure to banks and other levered areas. We will also look to take advantage of the volatility should companies become more attractively priced.

Cogent Communications (ticker CCOI) was one of the Fund's best performing stocks during the last 6 months. The company leverages their fiber optic network to sell internet services to businesses and wholesale transit to content providers and other networks. As consumers and employees have been confined to the house, demand for bandwidth has increased dramatically. Cogent earns high incremental margins on increased traffic and we expect profits to inflect meaningfully in coming quarters. Longer term, the company is the lowest cost provider in the industry and we expect them to continue to gain share and benefit from increased internet usage.

KAR Global (ticker KAR) was one of the fund's weakest performers in the period. KAR operates an auction platform for used automobiles. Used vehicle auctions are scarce, valuable assets that generate strong, stable cash flows and attractive returns on capital in any reasonable environment. But with dealerships shut down across the U.S. - like many businesses - this is anything but a reasonable environment. Normally, the business' strong cash flow profile allows it to operate with more leverage than an average company, but with sales flatlined during the pandemic, the leverage has magnified the negative impact to profit. While we expect near-term results to be awful, the business has the liquidity to survive depressed activity for many months and management is taking steps to further reduce its cash burn until demand recovers. It is difficult to know when the economy will open up again, but as it does and as we return to a more normal operating environment, we expect operating results, and the share price, to improve commensurately.

During the period we made a number of trades, continuing to trim our exposure to companies we saw heightened risk with. We exited our position in Qualcomm during February and United Health in December. We increased our holdings in companies we expect more resilient profits in any cyclical slowdowns and added to Steris (STE), Becton Dickinson (BDX), Broadridge (BR), and WR Berkley (WRB). We also initiated one new position in FirstService Corporation (FSV).

New position FirstService (FSV) fits our stringent requirements for businesses quality better than most we have run across in quite some time. FSV is North America's largest manager of residential communities providing outsourced services to homeowner's associations. This business requires very little capital to run and is 100% recurring revenue with contract renewal rates running in the high 90s. FSV is two times as large as its closest competitor but still only holds 5% share of a highly fragmented market. FSV can leverage its scale to grow market share for years to come. It also has the capital necessary to be an ideal acquirer for any number of the thousands of local and regional firms in the space, supplementing organic growth. In addition, FSV is the master franchisor for 8 residential service brands including Paul Davis, CertaPro Painters, and California Closets. These brands hold top positions in their respective markets and have significant headroom to grow market share in their likewise large and fragmented markets. The franchise model is capital light, has high incremental margins, and recurring revenue. Following a recent acquisition of a commercial restoration company, the business profile is even more biased to less cyclical end markets, making the investment case even more attractive.

Brad Weafer / Brad Gardner
Boston Financial Management LLC
20 April 2020

MARLBOROUGH US MULTI-CAP INCOME FUND

AUTHORISED INVESTMENT ADVISER'S REPORT

for the six month period ended 10 March 2020

Distributions (pence per unit)

	<u>Year 2019</u>	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>
<u>A Income</u>				
Net income paid 10 November	8.3024	2.4536	2.3216	2.2641
<u>B Income</u>				
Net income paid 10 November	8.3351	4.2573	4.4085	3.9299
<u>P Income</u>				
Net income paid 10 November	8.3478	5.1579	5.4442	4.8238

Portfolio changes

Largest purchases	Cost (£)	Largest sales	Proceeds (£)
FirstService	1,293,545	Qualcomm	2,449,533
W R Berkley	990,948	UnitedHealth Group	1,076,845
Broadridge Financial Solutions	990,541	Apple	612,278
STERIS	886,504		
Becton, Dickinson and Company	756,515		
Lennox International	531,464		
Total purchases for the period	5,449,517	Total sales for the period	4,138,656

MARLBOROUGH US MULTI-CAP INCOME FUND

AUTHORISED STATUS AND GENERAL INFORMATION

Authorised status

Marlborough US Multi-Cap 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 provide income, that is, money paid out of an investment such as dividends from shares, with the potential for some increase in the value of an investment, over a minimum of 5 years.

At least 80% of the Fund will be invested in the shares of companies which are listed on stock markets or domiciled in the United States of America.

The Fund is actively managed, which means the investment manager decides which investments to buy or sell and when. Whilst the Investment Manager may invest in small, medium and large companies, in order to meet the income objective, there will typically be a bias towards larger companies.

The Fund may also invest in other types of security which are linked to the performance of a company, such as; investment grade bonds, which are loans typically issued by companies and governments, where the issuer has a higher capacity to repay the debt; bonds which may be converted into shares (known as convertible bonds); and preference shares.

In addition, the Fund may invest in other funds (including investment trusts) which offer exposure to North American companies and from time to time, may hold a small amount in investment grade bonds.

The Fund will normally hold an amount of cash 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 certain circumstances, such as volatile market conditions.

The Fund may also hold money market instruments, a type of short-term loan, and funds that invest in these instruments as an alternative to holding cash.

The Fund's investment policy puts it in the IA North America 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.

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 17 April 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 US MULTI-CAP 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

G R HITCHIN
INVESTMENT DIRECTOR

MARLBOROUGH FUND MANAGERS LTD
5 May 2020

MARLBOROUGH US MULTI-CAP INCOME FUND
COMPARATIVE TABLE

<u>A Income units</u>	Period to 10.03.2020	Year to 10.09.2019	Year to 10.09.2018	Year to 10.09.2017
Change in net assets per unit	pence	pence	pence	pence
Opening net asset value per unit	588.97	511.47	419.91	377.20
Return before operating charges*	(44.66)	93.92	101.39	51.81
Operating charges	(4.66)	(8.12)	(7.38)	(6.78)
Return after operating charges*	(49.32)	85.80	94.01	45.03
Distributions on income units	-	(8.30)	(2.45)	(2.32)
Closing net asset value per unit	539.65	588.97	511.47	419.91
* after direct transaction costs of:	0.03	0.06	0.07	0.18
Performance				
Return after charges	-8.37%	16.78%	22.39%	11.94%
Other information				
Closing net asset value	£40,865,589	£45,002,782	£36,920,115	£15,858,360
Closing number of units	7,572,592	7,640,934	7,218,421	3,776,584
Operating charges	1.58% ^A	1.58%	1.60%	1.62%
Direct transaction costs	0.01% ^A	0.01%	0.01%	0.04%
Prices				
Highest unit price	645.28p	610.55p	521.13p	442.73p
Lowest unit price	539.84p	442.71p	412.91p	369.82p
<u>B Income units</u>	Period to 10.03.2020	Year to 10.09.2019	Year to 10.09.2018	Year to 10.09.2017
Change in net assets per unit	pence	pence	pence	pence
Opening net asset value per unit	593.11	512.48	420.12	377.40
Return before operating charges*	(45.14)	94.55	101.67	51.81
Operating charges	(3.21)	(5.58)	(5.05)	(4.68)
Return after operating charges*	(48.35)	88.97	96.62	47.13
Distributions on income units	-	(8.34)	(4.26)	(4.41)
Closing net asset value per unit	544.76	593.11	512.48	420.12
* after direct transaction costs of:	0.03	0.06	0.07	0.18
Performance				
Return after charges	-8.15%	17.36%	23.00%	12.49%
Other information				
Closing net asset value	£50,687	£117,859	£102,801	£75,695
Closing number of units	9,304	19,871	20,059	18,018
Operating charges	1.08% ^A	1.08%	1.10%	1.12%
Direct transaction costs	0.01% ^A	0.01%	0.01%	0.04%
Prices				
Highest unit price	651.28p	614.76p	523.95p	444.03p
Lowest unit price	544.95p	444.29p	413.13p	369.98p

^A These figures have been annualised.

MARLBOROUGH US MULTI-CAP INCOME FUND

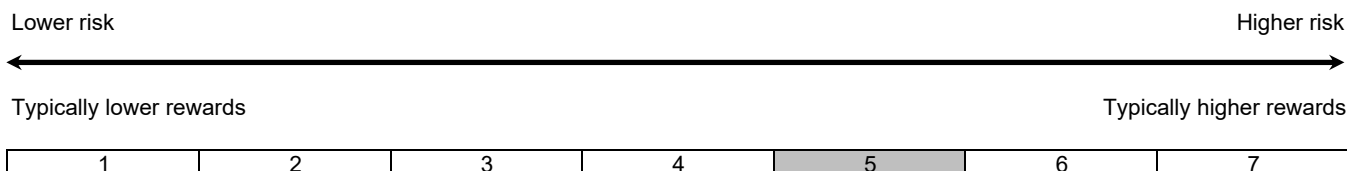
COMPARATIVE TABLE

P Income units	Period to 10.03.2020	Year to 10.09.2019	Year to 10.09.2018	Year to 10.09.2017
Change in net assets per unit	pence	pence	pence	pence
Opening net asset value per unit	595.13	512.95	420.17	377.45
Return before operating charges*	(45.32)	94.86	101.82	51.80
Operating charges	(2.48)	(4.33)	(3.88)	(3.64)
Return after operating charges*	(47.80)	90.53	97.94	48.16
Distributions on income units	-	(8.35)	(5.16)	(5.44)
Closing net asset value per unit	547.33	595.13	512.95	420.17
* after direct transaction costs of:	0.03	0.06	0.07	0.18
Performance				
Return after charges	-8.03%	17.65%	23.31%	12.76%
Other information				
Closing net asset value	£18,025,538	£20,103,395	£13,482,029	£15,977,313
Closing number of units	3,293,365	3,377,985	2,628,330	3,802,543
Operating charges	0.83% ^A	0.83%	0.85%	0.87%
Direct transaction costs	0.01% ^A	0.01%	0.01%	0.04%
Prices				
Highest unit price	654.21p	616.81p	525.32p	444.64p
Lowest unit price	547.51p	445.04p	413.20p	370.03p

^A These figures have been annualised.

Operating charges are the same as the ongoing charges and are the total expenses paid by each unit class in the period. Direct transaction costs are the total charges for the period, included in the purchase and sale of investments in the portfolio of the Fund. These amounts are expressed as a percentage of the average net asset value over the period and the average 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 5 because it has experienced moderate to high volatility historically. During the period the synthetic risk and reward indicator has remained unchanged.

MARLBOROUGH US MULTI-CAP INCOME FUND

PORTFOLIO STATEMENT

as at 10 March 2020

Holding or nominal value	Bid value £	Percentage of total net assets %
BASIC MATERIALS (10 September 2019 - 3.91%)		
14,545 Air Products & Chemicals	2,288,512	3.88
Total Basic Materials	<u>2,288,512</u>	<u>3.88</u>
CONSUMER GOODS (10 September 2019 - 3.78%)		
18,830 Carter's	1,175,611	1.99
7,860 The Hershey Company	910,851	1.55
Total Consumer Goods	<u>2,086,462</u>	<u>3.54</u>
CONSUMER SERVICES (10 September 2019 - 11.40%)		
7,860 Costco Wholesale	1,813,382	3.08
6,565 Home Depot (The)	1,058,618	1.80
52,785 IAA	1,563,550	2.65
99,785 KAR Auction Services	1,292,659	2.19
Total Consumer Services	<u>5,728,209</u>	<u>9.72</u>
FINANCIALS (10 September 2019 - 28.87%)		
2,200 BlackRock	707,010	1.20
17,200 CME Group 'A'	2,699,390	4.58
16,060 Crown Castle International	1,851,248	3.14
5,700 Equinix	2,509,696	4.26
26,775 First Republic Bank	1,773,089	3.01
18,500 FirstService	1,307,401	2.22
21,550 JPMorgan Chase & Co	1,541,623	2.62
12,300 Mastercard 'A'	2,472,170	4.19
12,725 Visa 'A'	1,666,118	2.83
51,270 W R Berkley	2,370,815	4.02
Total Financials	<u>18,898,560</u>	<u>32.07</u>
HEALTH CARE (10 September 2019 - 10.54%)		
11,960 Becton, Dickinson and Company	2,114,786	3.59
27,810 Gilead Sciences	1,562,419	2.65
8,975 Johnson & Johnson	937,770	1.59
22,870 STERIS	2,547,484	4.32
Total Health Care	<u>7,162,459</u>	<u>12.15</u>
INDUSTRIALS (10 September 2019 - 21.31%)		
14,700 A O Smith	461,249	0.78
44,250 Broadridge Financial Solutions	3,106,121	5.27
3,685 Expeditors International of Washington	191,175	0.32
24,320 Fastenal Company	581,606	0.99
5,500 Lennox International	1,058,786	1.80
8,280 Lockheed Martin	2,236,006	3.79
8,675 Nordson	875,884	1.49
17,060 Republic Services	1,204,197	2.04
5,150 The Sherwin-Williams Company	2,081,330	3.53
13,450 Watsco	1,884,527	3.20
Total Industrials	<u>13,680,881</u>	<u>23.21</u>
TECHNOLOGY (10 September 2019 - 15.65%)		
12,400 Apple	2,530,692	4.29
31,405 Cogent Communications	1,965,041	3.33
34,325 Microsoft	3,965,356	6.73
Total Technology	<u>8,461,089</u>	<u>14.35</u>
Portfolio of investments	58,306,172	98.92
Net current assets	635,642	1.08
Total net assets	<u>58,941,814</u>	<u>100.00</u>

MARLBOROUGH US MULTI-CAP INCOME FUND

PORTFOLIO TRANSACTIONS

for the six month period ended 10 March 2020

£

Total purchases costs, including transaction charges

5,449,517

Total sales proceeds, net of transaction charges

4,138,656

MARLBOROUGH US MULTI-CAP INCOME FUND

STATEMENT OF TOTAL RETURN

for the six month period ended 10 March 2020

	10 March 2020		10 March 2019	
	£	£	£	£
Income:				
Net capital losses		(5,327,749)		(3,700,240)
Revenue	602,546		514,735	
Expenses	<u>(443,321)</u>		<u>(341,893)</u>	
Net revenue before taxation	159,225		172,842	
Taxation	<u>(82,764)</u>		<u>(74,439)</u>	
Net revenue after taxation		<u>76,461</u>		<u>98,403</u>
Total return before distributions		(5,251,288)		(3,601,837)
Distributions		(13,678)		12,772
Change in net assets attributable to unitholders from investment activities		<u><u>(5,264,966)</u></u>		<u><u>(3,589,065)</u></u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the six month period ended 10 March 2020

	10 March 2020		10 March 2019	
	£	£	£	£
Opening net assets attributable to unitholders		* 65,224,036		50,504,945
Amounts receivable on issue of units	10,653,809		9,215,382	
Amounts payable on cancellation of units	(11,671,260)		(5,575,624)	
Amounts payable on unit class conversions	<u>-</u>		<u>(8)</u>	
		(1,017,451)		3,639,750
Change in net assets attributable to unitholders from investment activities		(5,264,966)		(3,589,065)
Unclaimed distributions		195		290
Closing net assets attributable to unitholders		<u><u>58,941,814</u></u>		* <u><u>50,555,920</u></u>

* These figures are not the same as the comparatives are taken from the preceding interim period and not the last final accounts.

MARLBOROUGH US MULTI-CAP INCOME FUND

BALANCE SHEET

as at 10 March 2020

	10 March 2020 £	10 September 2019 £
Assets:		
Fixed Assets:		
Investments	58,306,172	62,260,977
Current Assets:		
Debtors	1,414,800	535,263
Cash and bank balances	1,055,873	3,613,879
Total assets	<u>60,776,845</u>	<u>66,410,119</u>
Liabilities:		
Creditors:		
Distribution payable	-	918,033
Other creditors	1,835,031	268,050
Total liabilities	<u>1,835,031</u>	<u>1,186,083</u>
Net assets attributable to unitholders	<u>58,941,814</u>	<u>65,224,036</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six month period ended 10 March 2020

Basis for preparation

The interim financial statements have been prepared in compliance with 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 interim 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 interim financial statements have been prepared on the historical cost convention, modified to include the revaluation of investments and certain financial instruments at fair value.

Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 10 September 2019 and are described in those annual financial statements.

The investments of the Fund have been valued at their fair value at 12 noon on 10 March 2020.

Post balance sheet events

There has been a significant global market reaction to the ongoing Covid-19 global pandemic.

The impact on global markets going forward will depend on the ongoing scale, duration and individual approach of each country's government in their management of the pandemic, which continues to evolve on a day by day basis.

This economic market uncertainty could have a significant adverse impact on the Fund, including on the fair value of its investments.

MFM as the Authorised Fund Manager and Boston Financial Management LLC as the Investment Manager to the Fund continue to monitor UK and US government announcements and advice respectively, as the situation continues to develop.

Since 10 March 2020 the Net Asset Value per unit of the Fund, expressed in pence per unit, has changed as follows:

	10 March 2020 *	1 May 2020	Movement (%)
A Income	539.84	585.28	8.42%
B Income	544.95	591.25	8.50%
P Income	547.51	594.22	8.53%

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

Marlborough

— Fund Managers —

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