



Marlborough UK Micro-Cap Growth Fund

Annual Report and Audited Financial Statements
for the year ended 31st July 2017

MARLBOROUGH UK MICRO-CAP GROWTH FUND

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

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

Directors of Marlborough Fund Managers Ltd

Andrew Staley	Chairman
Nicholas F J Cooling	Deputy Chairman
Allan Hamer	Joint Managing Director
Wayne D Green	Joint Managing Director
Dom M Clarke	Finance Director
Geoffrey Hitchin	Investment Director
Helen Derbyshire	Director – Compliance & Risk
Guy Sears	Non-Executive Director (appointed 10 April 2017)
Keith Ounsworth	Director – Sales (resigned 6 April 2017)
John R Heap	Director – Strategic Development (resigned 9 February 2017)
B John Leyland	Director (resigned 9 February 2017)

MARLBOROUGH UK MICRO-CAP GROWTH FUND

CONTENTS	PAGE
AUTHORISED INVESTMENT ADVISER'S REPORT	1
AUTHORISED STATUS AND GENERAL INFORMATION	3
DIRECTORS' STATEMENT	4
STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES	4
DEPOSITARY'S REPORT	5
INDEPENDENT AUDITOR'S REPORT	6
COMPARATIVE TABLE	8
SYNTHETIC RISK AND REWARD INDICATOR	9
PORTFOLIO STATEMENT	10
FINANCIAL STATEMENTS	
STATEMENT OF TOTAL RETURN	18
STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	18
BALANCE SHEET	19
NOTES TO THE FINANCIAL STATEMENTS	20

MARLBOROUGH UK MICRO-CAP GROWTH FUND

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 July 2017

Percentage change and sector position to 31 July 2017

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Since launch*</u>
Marlborough UK Micro-Cap Growth Fund	17.99%	37.35%	58.60%	159.70%	635.13%
Quartile Ranking**	1	1	2	1	1

* 13 September 2004.

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

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

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



Giles Hargreave

Guy Feld

Our Micro-Cap fund had a strong second half of the year, rising 17.99% compared to 15.33% for the average small cap fund and 8.42% for the Small Cap (Ex IT) index and 8.45% for the FTSE 250. This resulted in a top quartile performance with the Fund finishing 10th out of 48 funds in the relevant small cap table.

Over the year 171 of our stocks rose in value whilst 72 fell. The Fund participated in a number of successful IPOs, 8 of which have risen in value with the mean average gain being a 41% for the period. As for existing holdings, the largest contributors were also some of the biggest holdings in the fund: Blue Prism (up 481%), IQE (up 337%), Keywords (up 251%), Fevertree (up 136%) and Microgen (up 120%). The Fund also added several new holdings which

have performed well since the date of purchase: EVR Holdings (Up 400% on the 1.2p placing price), Purplebricks (up 146%), Games Workshop (up 93%), Huntsworth (up 84%) and Future (up 69%). Whilst our losers were generally the smaller holdings in the fund, notable detractors in the period included Blancco Technology (down 56%), K3 Business Tech (down 53%) and NAHL (down 48%).

The composition of our top 10 has changed somewhat, mainly as a result of the rise in value of new investments and profit taking in successful older investments such as Fevertree and GB Group. IQE is now the largest holding in the fund, followed by Quixant and Learning Technologies. Our approach to portfolio construction remains the same: we average up our winners and cut our losers, whilst managing risk by ensuring no one holding accounts for an excessive percentage of the Fund (the top holding is 1.7%).

Overall, despite the continuing political and economic risks, markets remain firm as equity valuations are supported by the prolonged easy monetary policy of many of the world's major central banks. The modest recovery in global GDP growth is also supporting a generally positive, albeit cautious, market outlook. Whilst we remain vigilant of the risks to stock valuations, we believe good relative performance through the cycle can be achieved by continuing to focus on the niche, under-researched structural growth companies.

Hargreave Hale Ltd
6 September 2017

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MARLBOROUGH UK MICRO-CAP GROWTH FUND

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 July 2017

Distributions (pence per unit)

	<u>Year 2017</u>	<u>Year 2016</u>	<u>Year 2015</u>	<u>Year 2014</u>
<u>Class A Accumulation</u>				
Net income paid 30 September	0.6684	0.7214	0.0000	0.0000
<u>Class B Accumulation</u>				
Net income paid 30 September	3.6169	3.1693	1.6620	0.0462
<u>Class P Accumulation</u>				
Net income paid 30 September	5.0702	4.3626	2.7335	1.0657

Material Portfolio Changes

Major Purchases	Cost (£)	Major Sales	Proceeds (£)
Huntsworth	9,149,712	Fever-Tree Drinks	10,583,377
Draper Esprit	5,994,000	Wireless Group	7,875,000
Learning Technologies Group	5,240,000	Gear4music Holdings	7,440,334
Abzena	5,237,378	Keywords Studios	6,484,044
Games Workshop Group	5,154,998	Games Workshop Group	6,196,415
SANNE Group	5,116,155	Blue Prism Group	5,088,386
Acal	4,883,665	Lavendon Group	4,962,238
Gear4music Holdings	4,730,836	Safestyle UK	4,707,773
Animalcare Group	4,684,390	Powerflute OYJ	4,500,000
Future	4,668,726	Tracsis	4,370,743
RWS Holdings	4,385,820	Acal	4,234,005
Treatt	4,336,783	Constellation Healthcare Tech Reg 'S'	4,041,315
Coats Group	4,187,470	Source BioScience	3,951,000
On the Beach Group	4,014,913	UK Oil & Gas Investments	3,945,722
Gooch & Housego	3,847,681	Sierra Rutile	3,850,200
Taptica International	3,844,700	NetDimensions Holdings	3,620,000
EPE Special Opportunities	3,681,902	Purplebricks Group	3,401,808
Van Elle Holdings	3,617,956	Eurocell	3,306,525
Alfa Financial Software Holdings	3,611,449	Redcentric	3,195,627
FFI Holdings	3,507,822	RPC Group	3,115,461
Other purchases	212,246,983	Other sales	100,480,994
Total purchases for the year	306,143,339	Total sales for the year	199,350,967

MARLBOROUGH UK MICRO-CAP GROWTH FUND

AUTHORISED STATUS AND GENERAL INFORMATION

Authorised Status

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.

Nature and Objectives of the Fund

The investment objective of the Fund is to provide a total return of capital and income in excess of the total return achieved by the FTSE Small Cap Index (ex. Investment Companies), over the medium to long term¹.

The Fund will be actively managed on a total return basis investing primarily in UK companies having a market capitalisation of £250m or less at the time of purchase. A considerable proportion of the portfolio will be invested in smaller companies with a market capitalisation of less than £150m at the time of purchase. At times it may be appropriate for the Fund not to be fully invested but to hold cash and near cash. The Fund may also invest in other transferable securities including, but not limited to: warrants; government and public securities; and units in collective investment schemes. The Fund is permitted to invest in derivatives and forward transactions for the purposes of hedging only.

¹Investors should be aware that there is no guarantee that this objective will be achieved over this (or any) time period and that your capital is in fact at risk.

Rights and Terms Attaching to Each Unit Class

Each 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.

Change in Prospectus

No changes have been made since the last report.

Up to date key investor information document, prospectus and manager's reports and accounts for any fund within the manager's range, can be requested by the investor at any time.

Remuneration policy

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

The quantitative remuneration disclosures have not been included in the annual report as the information is not yet available. The authorised fund manager has not completed a full financial period since the regulations were introduced. Implementation of the policy remains ongoing and the disclosures will be included in the annual report for the year ended 31 July 2018.

MARLBOROUGH UK MICRO-CAP GROWTH 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
20 September 2017

STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES

Marlborough Fund Managers Ltd is the authorised fund manager of the Fund.

The rules contained in the Collective Investment Schemes Sourcebook (the COLL) and made by the Financial Conduct Authority pursuant to the Financial Services and Markets Act 2000 require the authorised fund manager to prepare financial statements for each annual accounting period, reporting the financial position of the scheme as at the end of that period and of its income for the period. In preparing those financial statements the authorised fund manager is required to:

- Comply with the Statement of Recommended Practice relating to Authorised Funds issued by The Investment Association, the trust deed, and the rules in the COLL.
- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation.

The authorised fund manager is required to keep proper accounting records and to manage the Fund in accordance with the regulations, the trust deed and the prospectus.

MARLBOROUGH UK MICRO-CAP GROWTH FUND

DEPOSITARY'S REPORT

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Unitholders of Marlborough UK Micro-Cap Growth Fund ("the Trust") for the Period Ended 31 July 2017

The Depositary in its capacity of Trustee of Marlborough UK Micro-Cap Growth 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 into 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

20 September 2017

MARLBOROUGH UK MICRO-CAP GROWTH FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF MARLBOROUGH UK MICRO-CAP GROWTH FUND

Opinion

We have audited the financial statements of Marlborough UK Micro-Cap Growth Fund (the 'fund') for the year ended 31 July 2017 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the fund's affairs as at 31 July 2017 and of its net revenue and net capital gains or losses on the fund property for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by The Investment Association, the rules contained in the Collective Investment Schemes Sourcebook and the trust deed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 authorised fund manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the authorised fund 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 a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The authorised fund 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 our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Collective Investment Schemes Sourcebook

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

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

MARLBOROUGH UK MICRO-CAP GROWTH FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF MARLBOROUGH UK MICRO-CAP GROWTH FUND (CONTINUED)

Matters on which we are required to report by exception

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

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

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

Responsibilities of the authorised fund manager

As explained more fully in the Statement of Authorised Fund Manager's Responsibilities set out on page 4, the authorised fund 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 authorised fund 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 authorised fund 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 authorised fund manager either intends to liquidate the fund or to cease activity, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

This report is made solely to the fund's unitholders, as a body, in accordance with paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook. Our audit work has been undertaken so that we might state to the 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.

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

20 September 2017

MARLBOROUGH UK MICRO-CAP GROWTH FUND

COMPARATIVE TABLE

Accumulation units were first offered at 100p on 13 September 2004. On 16 November 2009 the units were reclassified as Class A units and Class B units became available for purchase. On 31 December 2012 Class P units became available for purchase.

<u>Class A accumulation units</u>	Year to	Year to	Year to
Change in net assets per unit	31.07.2017	31.07.2016	31.07.2015
	pence	pence	pence
Opening net asset value per unit	474.62	461.77	419.14
Return before operating charges*	186.67	20.13	49.19
Operating charges	(8.73)	(7.28)	(6.56)
Return after operating charges*	177.94	12.85	42.63
Distributions	(0.67)	(0.72)	0.00
Retained distributions on accumulation units	0.67	0.72	0.00
Closing net asset value per unit	652.56	474.62	461.77

* after direct transaction costs of: 0.83 0.67 0.36

Performance

Return after charges 37.49% 2.78% 10.17%

Other information

Closing net asset value	£125,543,461	£92,321,826	£116,593,817
Closing number of units	19,238,479	19,451,724	25,249,098
Operating charges	1.54%	1.55%	1.55%
Direct transaction costs	0.15%	0.14%	0.08%

Prices

Highest unit price	705.86p	523.15p	500.98p
Lowest unit price	475.76p	430.11p	382.70p

Class B accumulation units

Change in net assets per unit	Year to	Year to	Year to
	31.07.2017	31.07.2016	31.07.2015
	pence	pence	pence
Opening net asset value per unit	490.12	474.45	428.68
Return before operating charges*	193.08	20.74	50.36
Operating charges	(6.10)	(5.07)	(4.59)
Return after operating charges*	186.98	15.67	45.77
Distributions	(3.62)	(3.17)	(1.66)
Retained distributions on accumulation units	3.62	3.17	1.66
Closing net asset value per unit	677.10	490.12	474.45

* after direct transaction costs of: 0.85 0.68 0.37

Performance

Return after charges 38.15% 3.30% 10.68%

Other information

Closing net asset value	£12,470,270	£9,083,520	£8,529,234
Closing number of units	1,841,714	1,853,321	1,797,697
Operating charges	1.04%	1.05%	1.05%
Direct transaction costs	0.15%	0.14%	0.08%

Prices

Highest unit price	704.33p	519.18p	495.05p
Lowest unit price	491.31p	443.99p	404.83p

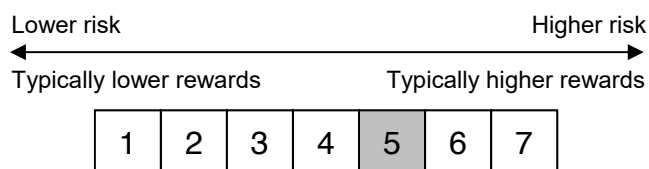
MARLBOROUGH UK MICRO-CAP GROWTH FUND

COMPARATIVE TABLE

Class P accumulation units	Year to 31.07.2017	Year to 31.07.2016	Year to 31.07.2015
Change in net assets per unit	pence	pence	pence
Opening net asset value per unit	488.31	471.49	425.01
Return before operating charges*	192.66	20.67	49.97
Operating charges	(4.65)	(3.85)	(3.49)
Return after operating charges*	188.01	16.82	46.48
Distributions	(5.07)	(4.36)	(2.73)
Retained distributions on accumulation units	5.07	4.36	2.73
Closing net asset value per unit	676.32	488.31	471.49
* after direct transaction costs of:	0.86	0.68	0.37
Performance			
Return after charges	38.50%	3.57%	10.94%
Other information			
Closing net asset value	£799,431,894	£487,519,520	£340,485,691
Closing number of units	118,202,360	99,837,826	72,214,938
Operating charges	0.79%	0.80%	0.80%
Direct transaction costs	0.15%	0.14%	0.08%
Prices			
Highest unit price	703.39p	517.03p	491.93p
Lowest unit price	489.50p	442.26p	398.87p

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

This Fund has been measured as 5 because it has experienced significant volatility historically.

MARLBOROUGH UK MICRO-CAP GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2017

Holding or nominal value	Bid value £	Percentage of total net assets %
AEROSPACE & DEFENCE (0.43%, July 2016 - 0.59%)		
1,000,000 Cohort	4,000,000	0.43
Total Aerospace & Defence	<u>4,000,000</u>	<u>0.43</u>
ALTERNATIVE ENERGY (0.13%, July 2016 - 0.26%)		
2,311,111 Atlantis Resources	855,111	0.09
1,216,045 Ilika	413,455	0.04
Total Alternative Energy	<u>1,268,566</u>	<u>0.13</u>
AUTOMOBILES & PARTS (0.16%, July 2016 - Nil)		
1,098,750 Autins Group	1,538,250	0.16
Total Automobiles & Parts	<u>1,538,250</u>	<u>0.16</u>
BEVERAGES (0.98%, July 2016 - 1.73%)		
425,000 Fever-Tree Drinks	9,231,000	0.98
Total Beverages	<u>9,231,000</u>	<u>0.98</u>
CHEMICALS (1.06%, July 2016 - 0.19%)		
2,250,000 Carclo	3,712,500	0.40
4,153,087 HaloSource	51,914	0.00
9,239,541 HaloSource Reg 'S'	92,395	0.01
3,686,542 Plant Impact	1,105,963	0.12
1,000,000 Treatt	4,942,500	0.53
Total Chemicals	<u>9,905,272</u>	<u>1.06</u>
CONSTRUCTION & MATERIALS (1.51%, July 2016 - 1.23%)		
2,427,631 Eurocell	5,462,170	0.58
654,686 Michelmersh Brick Holdings	589,217	0.06
1,669,231 Nexus Infrastructure	3,088,077	0.33
1,900,000 Norcros	3,329,750	0.36
1,683,000 Van Elle Holdings	1,649,340	0.18
Total Construction & Materials	<u>14,118,554</u>	<u>1.51</u>
ELECTRICITY (0.08%, July 2016 - 0.29%)		
1,625,000 OPG Power Ventures	715,000	0.08
Total Electricity	<u>715,000</u>	<u>0.08</u>
ELECTRONIC & ELECTRICAL EQUIPMENT (2.09%, July 2016 - 1.45%)		
14,400,000 APC Technology Group	900,000	0.10
10,000,000 CAP-XX	900,000	0.10
84,637,500 Flowgroup	710,955	0.08
300,000 Gooch & Housego	3,945,000	0.42
1,052,500 LPA Group	1,347,200	0.14
1,890,000 Luceco	4,205,250	0.45
400,000 Solid State	1,880,000	0.20
1,100,000 Sprue Aegis	2,530,000	0.27
2,500,000 Stadium Group	3,125,000	0.33
Total Electronic & Electrical Equipment	<u>19,543,405</u>	<u>2.09</u>
EQUITY INVESTMENT INSTRUMENTS (0.43%, July 2016 - Nil)		
1,332,800 EPE Special Opportunities	3,998,400	0.43
Total Equity Investment Instruments	<u>3,998,400</u>	<u>0.43</u>

MARLBOROUGH UK MICRO-CAP GROWTH FUND
PORTFOLIO STATEMENT

as at 31 July 2017

Holding or nominal value	Bid value £	Percentage of total net assets %
FINANCIAL SERVICES (6.18%, July 2016 - 5.23%)		
875,646 Alpha FX Group	4,027,972	0.43
75,000 Cenkos Securities	72,000	0.01
622,000 City of London Investment Group	2,612,400	0.28
1,714,380 Curtis Banks Group	4,457,388	0.47
1,850,000 Draper Esprit	6,012,500	0.64
7,500,000 Duke Royalty	3,075,000	0.33
500,000 European Wealth Group	75,000	0.01
2,337,500 FFI Holdings	3,623,125	0.39
5,225,000 Frenkel Topping Group	2,769,250	0.29
3,476,220 Harwood Wealth Management Group	5,214,330	0.56
2,650,000 Impax Asset Management Group	2,570,500	0.27
1,000,000 Liontrust Asset Management	4,550,000	0.49
3,260,000 Mercia Technologies	1,141,000	0.12
1,332,500 Mortgage Advice Bureau Holdings	5,999,581	0.64
118,275,044 MXC Capital	1,655,851	0.18
2,247,400 Park Group	1,781,064	0.19
350,000 Polar Capital Holdings	1,481,375	0.16
2,045,455 Premier Asset Management Group	3,211,364	0.34
1,261,154 Ramsdens Holdings	1,778,227	0.19
680,000 Redde	1,018,300	0.11
1,026,904 Sigma Capital Group	770,178	0.08
Total Financial Services	<u>57,896,405</u>	<u>6.18</u>
FIXED LINE TELECOMMUNICATIONS (0.83%, July 2016 - 0.82%)		
4,155,000 CityFibre Infrastructure Holdings	2,285,250	0.24
1,000,000 Manx Telecom	1,780,000	0.19
2,333,331 Zegona Communications	3,733,330	0.40
Total Fixed Line Telecommunications	<u>7,798,580</u>	<u>0.83</u>
FOOD & DRUG RETAILERS (0.96%, July 2016 - 1.64%)		
2,100,000 Conviviality	7,969,500	0.85
4,086,071 Crawshaw Group	1,001,087	0.11
Total Food & Drug Retailers	<u>8,970,587</u>	<u>0.96</u>
FOOD PRODUCERS (0.99%, July 2016 - 1.76%)		
5,800,000 Finsbury Food Group	6,670,000	0.71
850,000 Hotel Chocolat Group	2,637,125	0.28
Total Food Producers	<u>9,307,125</u>	<u>0.99</u>
FORESTRY & PAPER (Nil, July 2016 - 0.52%)		
Total Forestry & Paper	<u>0</u>	<u>0.00</u>
GAS, WATER & MULTIUTILITIES (0.64%, July 2016 - 0.70%)		
11,450,000 Fulcrum Utility Services	5,954,000	0.64
Total Gas, Water & Multiutilities	<u>5,954,000</u>	<u>0.64</u>
GENERAL INDUSTRIALS (1.59%, July 2016 - 1.59%)		
16,000,000 Coats Group	12,336,000	1.32
4,000,100 Macfarlane Group	2,320,058	0.25
25,000 RPC Group	224,375	0.02
Total General Industrials	<u>14,880,433</u>	<u>1.59</u>

MARLBOROUGH UK MICRO-CAP GROWTH FUND
PORTFOLIO STATEMENT

as at 31 July 2017

Holding or nominal value	Bid value £	Percentage of total net assets %
GENERAL RETAILERS (2.56%, July 2016 - 3.27%)		
2,600,000 Angling Direct	2,210,000	0.24
750,000 Applegreen	3,450,000	0.37
5,300,000 Cambria Automobiles	3,286,000	0.35
300,959 CVS Group	3,858,294	0.41
1,932,895 Franchise Brands	1,546,316	0.16
1,900,000 Joules Group	5,681,000	0.61
2,000,000 Quiz	3,925,000	0.42
Total General Retailers	<u>23,956,610</u>	<u>2.56</u>
HEALTH CARE EQUIPMENT & SERVICES (1.85%, July 2016 - 1.63%)		
1,600,000 Advanced Medical Solutions Group	4,760,000	0.51
220,000 Akers Biosciences	165,000	0.02
1,800,000 Cambridge Cognition Holdings	2,070,000	0.22
5,445,000 Collagen Solutions	258,637	0.03
4,000,000 Creo Medical Group	3,320,000	0.35
12,000,000 EKF Diagnostics Holdings	3,000,000	0.32
1,784,815 LiDCO Group	169,557	0.02
1,700,000 Medica Group	3,582,750	0.38
Total Health Care Equipment & Services	<u>17,325,944</u>	<u>1.85</u>
HOUSEHOLD GOODS & HOME CONSTRUCTION (3.25%, July 2016 - 2.70%)		
90,000 Churchill China	792,000	0.08
1,376,000 eve Sleep	1,293,440	0.14
3,125,000 IG Design Group	11,812,500	1.26
1,750,000 Victoria	9,485,000	1.01
1,000,000 Walker Greenbank	2,350,000	0.25
2,450,000 Watkin Jones	4,765,250	0.51
Total Household Goods & Home Construction	<u>30,498,190</u>	<u>3.25</u>
INDUSTRIAL ENGINEERING (3.18%, July 2016 - 2.98%)		
600,000 AB Dynamics	3,600,000	0.38
4,680,519 Flowtech Fluidpower	6,365,506	0.68
250,000 Porvair	1,235,625	0.13
180,000 Pressure Technologies	246,600	0.03
10,950,000 Severfield	7,993,500	0.85
85,153,847 TP Group	5,747,885	0.61
2,485,000 Tricorn Group	559,125	0.06
1,875,000 Trifast	4,110,937	0.44
Total Industrial Engineering	<u>29,859,178</u>	<u>3.18</u>
INDUSTRIAL TRANSPORTATION (1.45%, July 2016 - 1.52%)		
1,687,500 Clipper Logistics	7,146,562	0.76
2,000,000 DX Group	190,000	0.02
2,650,000 Gama Aviation	6,280,500	0.67
Total Industrial Transportation	<u>13,617,062</u>	<u>1.45</u>
LEISURE GOODS (3.02%, July 2016 - 1.32%)		
2,885,000 Focusrite	8,510,750	0.91
784,145 Games Workshop Group	12,358,125	1.32
570,000 Gear4music Holdings	4,132,500	0.44
2,781,000 Hornby	834,300	0.09
1,492,825 Photo-Me International	2,425,841	0.26
Total Leisure Goods	<u>28,261,516</u>	<u>3.02</u>

MARLBOROUGH UK MICRO-CAP GROWTH FUND
PORTFOLIO STATEMENT

as at 31 July 2017

Holding or nominal value	Bid value £	Percentage of total net assets %
MEDIA (8.38%, July 2016 - 9.85%)		
315,000 4imprint Group	4,885,650	0.52
13,442,063 Be Heard Group	389,820	0.04
4,000,000 Cello Group	4,920,000	0.52
1,775,000 Crossrider	1,100,500	0.12
2,280,000 Ebiquity	2,622,000	0.28
2,250,000 Future	7,155,000	0.76
2,425,000 Gfinity	545,625	0.06
350,000 GlobalData	1,925,000	0.21
19,000,000 Huntsworth	13,727,500	1.46
4,763,000 Jaywing	1,667,050	0.18
950,000 M&C Saatchi	2,992,500	0.32
23,000,000 Minds + Machines Group	2,817,500	0.30
2,170,000 NAHL Group	2,788,450	0.30
3,235,885 Next Fifteen Communications Group	14,173,176	1.51
400,000 Quarto Group	548,000	0.06
1,000,000 STV Group	3,775,000	0.40
1,000,000 Taptica International	3,800,000	0.41
990,000 Tarsus Group	2,908,125	0.31
750,000 The Mission Marketing Group	307,500	0.03
4,350,000 XLMedia	5,524,500	0.59
Total Media	<u>78,572,896</u>	<u>8.38</u>
MINING (2.08%, July 2016 - 2.15%)		
2,145,162 Anglo Pacific Group	2,466,936	0.26
70,000,000 Avesoro Resources	1,715,000	0.18
19,715,000 Base Resources	2,957,250	0.32
1,050,000 Condor Gold	525,000	0.06
2,575,000 Highland Gold Mining	3,765,937	0.40
50,000,000 Horizonte Minerals	1,175,000	0.13
650,000 Kenmare Resources	1,592,500	0.17
50,975,000 Landore Resources	1,325,350	0.14
3,150,000 Orosur Mining	401,625	0.04
22,604,367 Pan African Resources	2,995,079	0.32
6,081,186 Petropavlovsk	434,197	0.05
280,000 Trans-Siberian Gold	98,000	0.01
Total Mining	<u>19,451,874</u>	<u>2.08</u>
MOBILE TELECOMMUNICATIONS (0.21%, July 2016 - Nil)		
31,446,816 EVR Holdings	1,965,426	0.21
Total Mobile Telecommunications	<u>1,965,426</u>	<u>0.21</u>
NON EQUITY INVESTMENT INSTRUMENTS (0.16%, July 2016 - 0.89%)		
1,666,667 Derriston Capital	191,667	0.02
1,269,841 Gloop Networks	1,333,333	0.14
Total Non equity Investment Instruments	<u>1,525,000</u>	<u>0.16</u>
NON LIFE INSURANCE (Nil, July 2016 - 0.02%)		
Total Non life Insurance	<u>0</u>	<u>0.00</u>
OIL & GAS PRODUCERS (1.01%, July 2016 - 2.33%)		
16,680,000 Amerisur Resources	3,002,400	0.32
17,527,791 Egdon Resources	1,577,501	0.17
2,600,000 HaiKe Chemical Group	884,000	0.09
20,000,000 Quadrise Fuels International	552,000	0.06
11,538,885 Serica Energy	3,057,805	0.33
5,999,322 Westmount Energy	344,961	0.04
Total Oil & Gas Producers	<u>9,418,667</u>	<u>1.01</u>

MARLBOROUGH UK MICRO-CAP GROWTH FUND
PORTFOLIO STATEMENT

as at 31 July 2017

Holding or nominal value	Bid value £	Percentage of total net assets %
OIL EQUIPMENT & SERVICES (0.21%, July 2016 - 0.22%)		
1,080,000 Getech Group	302,400	0.03
2,017,000 MYCELX Technologies	1,714,450	0.18
Total Oil Equipment & Services	<u>2,016,850</u>	<u>0.21</u>
PERSONAL GOODS (0.70%, July 2016 - 0.06%)		
28,310,093 Bagir Group	778,528	0.08
600,000 Swallowfield	2,070,000	0.22
1,995,000 Warpaint London	3,790,500	0.40
Total Personal Goods	<u>6,639,028</u>	<u>0.70</u>
PHARMACEUTICALS & BIOTECHNOLOGY (8.10%, July 2016 - 7.21%)		
370,000 Abcam	3,770,300	0.40
14,425,000 Abzena	7,068,250	0.75
17,200,000 Allergy Therapeutics	4,902,000	0.52
1,800,000 Animalcare Group	6,300,000	0.67
277,500 Bioventix	5,133,750	0.55
2,158,675 C4X Discovery Holdings	1,856,460	0.20
900,000 Clinigen Group	8,928,000	0.95
1,555,000 ECO Animal Health Group	10,185,250	1.09
114,000 Faron Pharmaceuticals	775,200	0.08
1,100,000 Genedrive	440,000	0.05
2,800,000 Horizon Discovery Group	7,140,000	0.76
1,620,000 Mereo BioPharma Group	4,698,000	0.50
2,253,125 Midatech Pharma	2,298,187	0.25
4,750,000 Premaitha Health	439,375	0.05
3,525,000 Quantum Pharma	1,921,125	0.20
3,191,923 Shield Therapeutics	4,947,481	0.53
1,150,000 Summit Therapeutics	2,242,500	0.24
2,540,000 Verona Pharma	2,921,000	0.31
Total Pharmaceuticals & Biotechnology	<u>75,966,878</u>	<u>8.10</u>
REAL ESTATE INVESTMENT & SERVICES (0.83%, July 2016 - 0.65%)		
793,870 Palace Capital	2,897,625	0.31
1,000,000 Purplebricks Group	4,840,000	0.52
Total Real Estate Investment & Services	<u>7,737,625</u>	<u>0.83</u>
REAL ESTATE INVESTMENT TRUSTS (0.23%, July 2016 - 0.41%)		
2,125,000 Regional REIT	2,178,125	0.23
Total Real Estate Investment Trusts	<u>2,178,125</u>	<u>0.23</u>
SOFTWARE & COMPUTER SERVICES (16.36%, July 2016 - 18.87%)		
710,000 acceso Technology Group	11,608,500	1.24
21,666,667 Adept4	975,000	0.10
962,775 Alfa Financial Software Holdings	4,611,692	0.49
4,285,500 Attraqt Group	1,714,200	0.18
1,462,500 Bango	3,217,500	0.34
1,184,437 Blancco Technology Group	1,137,060	0.12
363,000 Blue Prism Group	3,034,680	0.32
3,525,000 Brady	2,467,500	0.26
1,195,000 CentralNic Group	693,100	0.07
741,667 Cerillion	927,084	0.10
3,900,000 CORETX Holdings	1,287,000	0.14
4,112,500 D4t4 Solutions	6,991,250	0.75

MARLBOROUGH UK MICRO-CAP GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2017

Holding or nominal value		Bid value £	Percentage of total net assets %
SOFTWARE & COMPUTER SERVICES (continued)			
12,000,000	dotDigital Group	8,280,000	0.88
851,851	Eagle Eye Solutions Group	2,299,998	0.25
14,700,000	Eckoh	7,497,000	0.80
2,500,000	eg solutions	2,525,000	0.27
850,000	Escher Group Holdings	1,912,500	0.20
86,467,645	eServGlobal	5,836,566	0.62
1,082,500	FDM Group Holdings	9,363,625	1.00
2,900,000	GB Group	10,577,750	1.13
3,504,109	Gresham Technologies	6,307,396	0.67
8,283,333	Ideagen	6,709,500	0.72
13,185,187	Idox	8,570,372	0.91
7,119,629	Imaginatik	142,393	0.02
1,500,000	IMImobile	3,105,000	0.33
410,509	Instem	771,757	0.08
1,855,314	K3 Business Technology Group	2,671,652	0.28
30,584,588	Lombard Risk Management	3,670,151	0.39
215,000	Microgen	920,200	0.10
42,978,161	Nasstar	3,975,480	0.42
295,512	Osirium Technologies	330,973	0.04
5,000,000	Oxford Metrics	2,900,000	0.31
2,375,000	Parity Group	255,312	0.03
3,225,000	Pennant International Group	2,580,000	0.28
1,163,148	PROACTIS Holdings	2,186,718	0.23
850,000	Quartix Holdings	3,060,000	0.33
1,060,246	RedstoneConnect	1,272,295	0.14
7,000,000	RhythmOne	2,485,000	0.27
16,250,000	Satellite Solutions Worldwide Group	1,137,500	0.12
37,500,000	Shearwater Group	1,593,750	0.17
695,000	SQS Software Quality Systems	3,822,500	0.41
1,300,000	StatPro Group	1,755,000	0.19
2,367,224	SysGroup	946,890	0.10
6,223,808	Tern	435,667	0.05
3,358,500	Tribal Group	2,485,290	0.27
348,000	WANdisco	2,279,400	0.24
	Total Software & Computer Services	153,327,201	16.36
SUPPORT SERVICES (14.56%, July 2016 - 14.29%)			
36,100,000	1Spatial	1,173,250	0.12
2,750,000	Acal	8,380,625	0.89
5,500,000	Augean	2,750,000	0.29
2,000,000	Communis	920,000	0.10
3,250,000	Frontier IP Group	1,430,000	0.15
1,062,256	Gattaca	3,221,291	0.34
2,875,000	Harvey Nash Group	2,774,375	0.30
543,500	Impellam Group	3,462,095	0.37
34,480,827	Inspired Energy	6,465,155	0.69
6,500,000	Johnson Service Group	8,693,750	0.93
1,442,970	K3 Capital Group	1,760,423	0.19
5,250,000	Kennedy Ventures	315,000	0.03
825,540	Keywords Studios	9,072,685	0.97
30,873,333	Learning Technologies Group	14,742,017	1.57
261,426	Maintel Holdings	2,287,477	0.24
441,640	Marlowe	1,700,314	0.18
1,300,000	Midwich Group	4,875,000	0.52
370,000	NWF Group	536,500	0.06

MARLBOROUGH UK MICRO-CAP GROWTH FUND
PORTFOLIO STATEMENT

as at 31 July 2017

Holding or nominal value	Bid value £	Percentage of total net assets %
SUPPORT SERVICES (continued)		
20,000,000 Redhall Group	1,850,000	0.20
799,000 Renew Holdings	3,365,787	0.36
1,675,000 Restore	7,939,500	0.85
2,300,000 RWS Holdings	9,706,000	1.03
976,000 SafeCharge International Group	2,684,000	0.29
1,450,000 SANNE Group	9,715,000	1.04
2,500,000 Science Group	5,000,000	0.53
1,500,000 Smart Metering Systems	9,067,500	0.97
600,000 Staffline Group	7,200,000	0.77
800,000 Synectics	1,880,000	0.20
10,633,333 Westminster Group	1,648,167	0.18
2,000,000 WYG	1,860,000	0.20
Total Support Services	<u>136,475,911</u>	<u>14.56</u>
TECHNOLOGY HARDWARE & EQUIPMENT (4.10%, July 2016 - 2.64%)		
500,000 Amino Technologies	945,000	0.10
9,000,000 BATM Advanced Communications	1,620,000	0.17
531,055,550 CyanConnode Holdings	743,478	0.08
12,750,000 Filtronic	1,689,375	0.18
1,600,000 Frontier Smart Technologies Group	1,440,000	0.15
4,410,000 Global Invacom Group	330,750	0.04
15,000,000 IQE	15,750,000	1.68
12,800,000 Pebble Beach Systems Group	332,800	0.04
3,600,000 Quixant	14,760,000	1.57
15,000,000 UK Oil & Gas Investments	885,000	0.09
Total Technology Hardware & Equipment	<u>38,496,403</u>	<u>4.10</u>
TRAVEL & LEISURE (4.91%, July 2016 - 4.35%)		
10,400,000 DP Poland	4,472,000	0.48
4,170,626 easyHotel	4,170,626	0.44
5,000,000 Elegant Hotels Group	4,800,000	0.51
533,333 Escape Hunt	768,000	0.08
2,000,000 Hollywood Bowl Group	3,205,000	0.34
2,357,470 On the Beach Group	10,526,104	1.12
1,312,025 Patisserie Holdings	4,762,651	0.51
45,333,000 Snoozebox Holdings	135,999	0.01
1,000,000 Stride Gaming	2,120,000	0.23
3,025,000 The Brighton Pier Group	2,873,750	0.31
13,905,406 The Fulham Shore	2,433,446	0.26
3,000,000 The Gym Group	5,775,000	0.62
Total Travel & Leisure	<u>46,042,576</u>	<u>4.91</u>
OVERSEAS SECURITIES (1.14%, July 2016 - 1.30%)		
700,000 Dalata Hotel Group	3,002,860	0.32
50,381 Kalina Power	2,050	0.00
9,000,000 Lydian International	2,061,352	0.22
5,525,000 Summit Germany	5,284,482	0.56
150,533 Tecogen	397,996	0.04
Total Overseas Securities	<u>10,748,740</u>	<u>1.14</u>

MARLBOROUGH UK MICRO-CAP GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2017

Holding or nominal value	Bid value £	Percentage of total net assets %
UNQUOTED SECURITIES (0.40%, July 2016 - 0.21%)		
2,760,000 APC Technology Group Warrants	0	0.00
1,891,500 Constellation Healthcare Technologies Promissory Notes	619,715	0.07
4,376,470 EVR Holdings Warrants	192,565	0.02
1,666,667 Ero Copper	1,904,835	0.20
3,575,000 Gable Holdings	0	0.00
927,290 Invocas Group	0	0.00
360,000 Lamaune Iron	0	0.00
5,395,683 London Capital Group Warrants	0	0.00
17,829 My 1st Years	750,066	0.08
910,000 Naibu Global International	0	0.00
510,000 Normandy	35,700	0.00
1,850,000 Norseman Gold	0	0.00
6,999,000 Okullo	0	0.00
1,000,000 Outsourcery	0	0.00
30,827,600 Phorm	0	0.00
1,930,000 Pure Wafer	154,400	0.02
400,000 Tern Warrants (£0.03)	16,000	0.00
1,428,571 Tern Warrants (£0.12)	0	0.00
13,896 Vanoil Energy	0	0.00
425,618 Verona Pharma Warrants	0	0.00
3,750,000 Westminster Group Warrants	131,250	0.01
1,151,161 Westmount Energy Warrants	0	0.00
Total Unquoted Securities	<u>3,804,531</u>	<u>0.40</u>
Portfolio of investments	907,011,808	96.75
Net current assets	30,433,817	3.25
Net assets	<u>937,445,625</u>	<u>100.00</u>

MARLBOROUGH UK MICRO-CAP GROWTH FUND

STATEMENT OF TOTAL RETURN

for the year ended 31 July 2017

	Notes	31 July 2017		31 July 2016	
		£	£	£	£
Income:					
Net capital gains/(losses)	4		229,688,908		9,788,903
Revenue	6	12,505,322		9,071,010	
Expenses	7	<u>(6,743,546)</u>		<u>(5,002,581)</u>	
Net revenue/(expense) before taxation		5,761,776		4,068,429	
Taxation	8	<u>(43,152)</u>		<u>(13,819)</u>	
Net revenue/(expense) after taxation			<u>5,718,624</u>		<u>4,054,610</u>
Total return before distributions			235,407,532		13,843,513
Distributions	9		(5,718,624)		(4,054,610)
Change in net assets attributable to unitholders from investment activities			<u>229,688,908</u>		<u>9,788,903</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 July 2017

	31 July 2017		31 July 2016	
	£	£	£	£
Opening net assets attributable to unitholders		588,924,866		465,608,742
Amounts receivable on issue of units	129,236,186		119,879,686	
Amounts payable on cancellation of units	(16,568,447)		(10,799,180)	
Amounts payable on unit class conversions	<u>(24,169)</u>		<u>(107,973)</u>	
		112,643,570		108,972,533
Change in net assets attributable to unitholders from investment activities		229,688,908		9,788,903
Retained distribution on accumulation units		6,188,281		4,554,688
Closing net assets attributable to unitholders		<u>937,445,625</u>		<u>588,924,866</u>

MARLBOROUGH UK MICRO-CAP GROWTH FUND

BALANCE SHEET

as at 31 July 2017

	Notes	31 July 2017	31 July 2016
		£	£
Assets:			
Fixed Assets:			
Investments	16	907,011,808	570,493,758
Current Assets:			
Debtors	10	3,793,065	2,352,359
Cash and bank balances		27,719,487	18,024,041
Total assets		<u>938,524,360</u>	<u>590,870,158</u>
Liabilities:			
Creditors:			
Other creditors	11	1,078,735	1,945,292
Total liabilities		<u>1,078,735</u>	<u>1,945,292</u>
Net assets attributable to unitholders		<u>937,445,625</u>	<u>588,924,866</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2017

1 ACCOUNTING POLICIES

a Basis of preparation

The 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.

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. The principal accounting policies adopted are set out below.

b Going concern

The authorised fund manager has at the time of approving the financial statements, a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the financial statements.

c Revenue

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

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

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

Bank interest is accounted for on an accruals basis.

d Expenses

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

e Taxation

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

Current tax

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

Deferred tax

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

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

f Valuation of investments

The investments of the Fund have been valued at their fair value at 12 noon on 31 July 2017. Fair value is normally the bid value of each security by reference to quoted prices from reputable sources; that is the market price. If the authorised fund manager believes that the quoted price is unreliable, or if no price exists, a valuation technique is used whereby fair value is the authorised fund manager's best estimate of a fair and reasonable value for that investment. The fair value excludes any element of accrued interest.

MARLBOROUGH UK MICRO-CAP GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2017

ACCOUNTING POLICIES

g Foreign exchange

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

h Cash and bank balances

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

i Financial assets

The authorised fund manager has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of the Fund's financial instruments.

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

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

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

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

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

j Financial liabilities

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

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

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

Financial liabilities are derecognised when, and only when, the Fund's obligations are discharged, cancelled, or they expire.

2 DISTRIBUTION POLICIES

a Basis of distribution

The policy of the Fund is to distribute any net revenue shown as such in the statement of total return. Revenue attributable to accumulation unitholders is retained at the end of each distribution period and represents a reinvestment of revenue.

b Apportionment to multiple unit classes

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2017

2 DISTRIBUTION POLICIES

c 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 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.

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.

MARLBOROUGH UK MICRO-CAP GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2017

4 NET CAPITAL GAINS/(LOSSES)

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

	31 July 2017	31 July 2016
	£	£
Non-derivative securities	229,725,677	9,815,403
Currency gains/(losses)	(14,971)	(5,982)
Underwriting commission	1,941	0
Transaction charges	(23,739)	(20,518)
Net capital gains/(losses)	<u>229,688,908</u>	<u>9,788,903</u>

5 PURCHASES, SALES AND TRANSACTION COSTS

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

	31 July 2017	31 July 2016
	£	£
Purchases excluding transaction costs	177,098,114	135,325,073
Corporate actions	128,329,183	89,148,000
	<u>305,427,297</u>	<u>224,473,073</u>
Commissions	400,954	320,985
Taxes and other charges	315,088	232,901
Total purchase transaction costs	<u>716,042</u>	<u>553,886</u>
Purchases including transaction costs	<u>306,143,339</u>	<u>225,026,959</u>

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

Commissions	0.23%	0.24%
Taxes and other charges	0.18%	0.17%

Sales excluding transaction costs	157,174,994	86,651,251
Corporate actions	42,550,266	24,384,943
	<u>199,725,260</u>	<u>111,036,194</u>
Commissions	(373,374)	(190,857)
Taxes and other charges	(919)	(1,517)
Total sale transaction costs	<u>(374,293)</u>	<u>(192,374)</u>
Sales net of transaction costs	<u>199,350,967</u>	<u>110,843,820</u>

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

Commissions	0.24%	0.22%
Taxes and other charges	0.00%	0.00%

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

	<u>0.15%</u>	<u>0.14%</u>
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Transaction handling charges

	<u>£23,739</u>	<u>£20,518</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>2.62%</u>	<u>3.55%</u>
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6 REVENUE

	31 July 2017	31 July 2016
	£	£
UK dividends	11,333,834	8,040,098
UK dividends (unfranked)	37,188	143,703
Overseas dividends	1,131,612	761,976
Underwriting commission	599	14,353
Bank interest	2,089	110,880
Total revenue	<u>12,505,322</u>	<u>9,071,010</u>

MARLBOROUGH UK MICRO-CAP GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2017

7 EXPENSES

	31 July 2017	31 July 2016
	£	£
Payable to the authorised fund manager or associate:		
Manager's periodic charge	6,439,844	4,759,250
Registration fees	7,351	7,434
	<u>6,447,195</u>	<u>4,766,684</u>
Payable to the trustee or associate:		
Trustee's fees	243,815	189,692
Safe Custody fees	48,062	40,211
Interest	50	1,160
	<u>291,927</u>	<u>231,063</u>
Other expenses:		
Financial Conduct Authority fee	164	154
Audit fee	4,260	4,680
	<u>4,424</u>	<u>4,834</u>
Total expenses	<u><u>6,743,546</u></u>	<u><u>5,002,581</u></u>

8 TAXATION

	31 July 2017	31 July 2016
	£	£
a Analysis of the tax charge for the year		
UK Corporation tax at 20%	0	0
Overseas tax	43,152	13,819
Total tax charge	<u><u>43,152</u></u>	<u><u>13,819</u></u>
b Factors affecting the tax charge for the year		
Net revenue/(expense) before taxation	5,761,776	4,068,429
Corporation tax at 20%	1,152,355	813,686
Effects of:		
Revenue not subject to taxation	(2,493,089)	(1,777,128)
Unrelieved excess management expenses	1,340,734	963,442
Overseas tax	43,152	13,819
Current tax charge	<u><u>43,152</u></u>	<u><u>13,819</u></u>

At 31 July 2017 the Fund has deferred tax assets of £4,975,450 (31.07.16 - £3,634,959) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

9 DISTRIBUTIONS

	31 July 2017	31 July 2016
	£	£
The distributions take account of revenue added on the issue of units and revenue deducted on the cancellation of units, and comprise:		
Final	6,188,382	4,554,688
Amounts deducted on cancellation of units	66,435	58,987
Amounts added on issue of units	(511,924)	(451,080)
Equalisation on conversions	(24,169)	(107,973)
Revenue brought forward	(100)	(12)
Distributions	<u><u>5,718,624</u></u>	<u><u>4,054,610</u></u>

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

MARLBOROUGH UK MICRO-CAP GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2017

10 DEBTORS

	31 July 2017 £	31 July 2016 £
Amounts receivable for issue of units	2,996,521	1,956,339
Sales awaiting settlement	57,287	60,028
Accrued income	731,391	330,303
Taxation recoverable	7,866	5,689
Total debtors	<u>3,793,065</u>	<u>2,352,359</u>

11 OTHER CREDITORS

	31 July 2017 £	31 July 2016 £
Purchases awaiting settlement	321,660	1,479,644
Accrued expenses	757,075	465,648
Total other creditors	<u>1,078,735</u>	<u>1,945,292</u>

12 COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 31 July 2017 there were contingent liabilities in respect of placings in Kennedy Ventures (£61,234), Proactis Holdings (£1,750,000) and Strix Group (£2,473,316).

13 RELATED PARTIES

The 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.

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

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

	31 July 2017 £	31 July 2016 £
Marlborough Fund Managers Ltd	(2,330,121)	(1,541,130)

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

Proportion of units owned by directors of Marlborough Fund Managers Ltd:	0.30%	0.35%
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Distributions were payable on the above holdings at the rates applicable to other unitholders.

14 UNITHOLDERS' FUNDS

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

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

	Class A	Class B	Class P
Opening units in issue at 1 August 2016	19,451,724	1,853,321	99,837,826
Unit issues	1,270,012	201,232	19,626,112
Unit cancellations	(350,777)	(12,431)	(2,559,621)
Unit conversions	(1,132,480)	(200,408)	1,298,043
Closing units in issue at 31 July 2017	<u>19,238,479</u>	<u>1,841,714</u>	<u>118,202,360</u>

MARLBOROUGH UK MICRO-CAP GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2017

15 RISK DISCLOSURES

Market price risk sensitivity

A five per cent increase in the market prices of the Fund's portfolio would have the effect of increasing the return and net assets by £45,350,590 (31.07.16 - £28,524,688). A five per cent decrease would have an equal and opposite effect.

Foreign currency risk

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

Foreign currency exposure at 31 July 2017:

	Investments £	Net current assets £	Total £
Australian Dollar	2,050	0	2,050
Canadian Dollar	2,061,352	0	2,061,352
Euro	8,287,342	57,292	8,344,634
US Dollar	2,922,546	0	2,922,546
	<u>13,273,290</u>	<u>57,292</u>	<u>13,330,582</u>

Foreign currency exposure at 31 July 2016:

	Investments £	Net current assets £	Total £
Australian Dollar	1,464	0	1,464
Canadian Dollar	641,152	0	641,152
Euro	6,419,235	52,317	6,471,552
US Dollar	574,645	0	574,645
	<u>7,636,496</u>	<u>52,317</u>	<u>7,688,813</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 £666,529 (31.07.16 - £384,441). A five per cent increase would have an equal and opposite effect.

Liquidity risk

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

	31 July 2017 £	31 July 2016 £
Within one year:		
Other creditors	1,078,735	1,945,292
	<u>1,078,735</u>	<u>1,945,292</u>

16 FAIR VALUE HIERARCHY FOR INVESTMENTS

Fair value hierarchy as at 31 July 2017

Valuation technique	31 July 2017		31 July 2016	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1	903,207,277	0	569,260,823	0
Level 2	0	0	0	0
Level 3	3,804,531	0	1,232,935	0
	<u>907,011,808</u>	<u>0</u>	<u>570,493,758</u>	<u>0</u>

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

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

MARLBOROUGH UK MICRO-CAP GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2017

FAIR VALUE HIERARCHY FOR INVESTMENTS

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

Level 1 - The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3 - Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Constellation Healthcare Technologies Promissory Notes are unlisted and valued at the expected redemption proceeds.

Ero Copper is valued at cost until it is listed.

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

Invocas is delisted and valued at zero until further information is received.

Lamaune Iron is valued at zero, based on the latest reports from the company.

My 1st Years is valued at cost until it is listed.

Naibu Global International is delisted and valued at zero until further information is received.

Normandy shares were received instead of a cash dividend from Impellam and are being priced at the dividend amount until further information is received.

Norseman Gold is in voluntary liquidation and deemed to be valueless.

Okullo is delisted and valued at zero, based on the latest information received.

Outsourcery is delisted and valued at zero until further information is received.

Phorm is delisted and deemed to be valueless.

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

Vanoil Energy is suspended and valued at zero until further information is received.

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

17 DISTRIBUTION TABLE

ACCUMULATION UNITS

For the year from 1 August 2016 to 31 July 2017

Group 1: shares purchased prior to 1 August 2016

Group 2: shares purchased on or after 1 August 2016

		Net revenue to 31-Jul-17 pence per unit	Equalisation to 31-Jul-17 pence per unit	Distribution payable 30-Sep-17 pence per unit	Distribution paid 30-Sep-16 pence per unit
Class 'A'	Group 1	0.6684p	0.0000p	0.6684p	0.7214p
	Group 2	0.4471p	0.2213p	0.6684p	0.7214p
Class 'B'	Group 1	3.6169p	0.0000p	3.6169p	3.1693p
	Group 2	2.3101p	1.3068p	3.6169p	3.1693p
Class 'P'	Group 1	5.0702p	0.0000p	5.0702p	4.3626p
	Group 2	2.6732p	2.3970p	5.0702p	4.3626p

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

Franked	100.00%	Unfranked	0.00%
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£0.00 is the trustee's net liability to corporation tax in respect of the gross revenue.

0.0000p is the trustee's net liability to corporation tax per unit.

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