MFM Slater Recovery Fund

Interim Report and Unaudited Financial Statements

for the six month period ended 31st May 2017

Marlborough
Fund Managers

MFM SLATER RECOVERY FUND

Authorised Fund Manager and Registrar

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BL1 4QP

Investor Support: (0808) 145 2500 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority.

Trustee

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8 Canada Square
London
E14 5HQ

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

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AUTHORISED INVESTMENT ADVISER'S REPORT
for the six month period ended 31 May 2017

Percentage change and sector position to 31 May 2017

	Six Months	1 year	3 years	5 years	Since launch *
MFM Slater Recovery Fund	22.78%	27.29%	44.60%	99.31%	356.78%
Quartile Ranking **	1	1	1	2	2

* 10 March 2003
** 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.

In mid-December the US Federal Reserve raised key interest rates citing 'considerably' increased US inflation expectations. This recalibrated investors' risk appetite and during the first calendar quarter of 2017 most major indices posted solid gains with many attaining new highs coupled with negligible volatility. Markets, in the main, took their lead from a Trump-inspired rally with investors expecting higher rates of growth boosted by deregulation and tax cuts.

In mid-March, with one eye on US wage inflation, the US Federal Reserve raised key interest rates again, moving the Fed funds rate up to a range of 0.75% to 1%, albeit still not much above historic lows. Despite OPEC and Russia agreeing to an oil production cut in December West Texas Intermediate Crude oil fell by approximately 10% during the first calendar quarter of 2017, only to be outdone by a 19% fall in the price of natural gas.

As evidenced by spending on the High Street, since the turn of the year the UK consumer has started to feel the pinch as one-off currency-led inflation hit the price of imports. We also enter uncertain political times following the triggering of Article 50 of the Lisbon Treaty at the end of March and the call in April for a snap General Election. The surprise election result post period end adds to this uncertainty. Commentators are focusing now on whether the economy and the pound will be adversely impacted by a hung parliament or whether it will benefit from a potentially 'softer' Brexit outcome.

Against this backdrop of economic and political uncertainty the Fund gained +22.78%, outperforming its benchmark substantially. It was propelled in part by strong rises in its two largest holdings.

The star performer in the first half was the Fund's largest holding Hutchison China Meditech. It contributed +4.11% of the total return. Its shares rose 43%, driven by its first positive set of Phase 3 clinical results. Fruquintinib, the drug in question, is relatively niche although we expect further trials to extend its market potential. It targets metastatic colorectal cancer and the trial involved patients who had already been treated with two other chemotherapies. Fruquintinib is just the first of eight clinical programmes underway at Hutchison China Meditech. Fruquintinib is partnered by Eli Lilly and the next most advanced candidate, Savolitinib, is supported by AstraZeneca. With its newer projects Hutchison China Meditech is keen to retain full control. Its pharmaceutical manufacturing and sales operations provide the cashflow to underwrite its independence from big pharma – whose ranks Hutchison China Meditech aims to join in due course. At the period end, Hutchison China Meditech's market value was £1.9bn. The impressive Phase 3 result validates the company's approach over the last 15 years to focus on highly targeted therapies, which we believe provides a read-across to the rest of the drug development programme. The first potential blockbuster represents just one of the company's "shots at pivotal success". Post period end the company submitted a new drug application to the China Food and Drug Administration for fruquintinib triggering a $4.5 million milestone payment.

There were fifteen additional contributors of note (+0.50% and above).

The second largest contributor by some margin was First Derivatives (+2.44% contribution). Its shares rose 48%, on hopes for its Kx database technology. This allows databases to be managed in real time, sitting within computer memory. In financial markets, where nanoseconds matter, this is a powerful attribute. The real excitement, however, surrounds its application in other verticals, such as the Internet of Things, where the addressable market is more than $60bn. During the period the company signed up a Fortune 500 company as well as Airbus, another customer. The company is experiencing strong revenue growth in its established markets. Sales rose 30% in the financial year ending February 2017 with higher margin Kx software-based revenues up 47%. The company has proven technology for processing 'big data' with a demonstrable technological lead and is establishing a growing list of partners through which to exploit its technology. The shares of IWG (+0.99% contribution) rose 43%. The company reported a 2.5% decrease in revenues (up 8% at actual exchange rates) in the first calendar quarter of 2017, an improvement on the revenue decline of 6.1% in the final calendar quarter of 2016. This reflected improving sales activity trends reported at the end of 2016 broadening across a number of key markets. In addition to the pick-up in the US and key major European markets at the start of this year, the company is now seeing improving activity in the UK and several markets in Asia Pacific. Year-on-year mature occupancy remains robust increasing 0.6% to 74.9%. The company says that the secular trend to more flexible working styles appears to be becoming entrenched and in order to exploit this has accelerated its investment in freehold and long-leasehold properties which have flexible workspace operations. Guidance for new location openings this year currently stands at approximately 280 locations equating to 10% growth.

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In interims to December Hotel Chocolat (+0.91% contribution) generated strong earnings growth with pre-tax profit up 28%. The company experienced solid sales growth of 12% across retail, digital and corporate channels opening 10 new stores during the period. Improved Christmas ranges and strong availability resulted in increases in footfall, items per basket and a positive shift in the sales mix to higher priced gift items. Investment in factory production delivered a 0.6% year-on-year improvement in gross margins. The underlying operating margin rose materially to 21.9% (financial year 2016 interims: 19.7%). The balance sheet is solid with net cash at period end of £16.2m. The company now has 10 shop and café format stores enabling it to flex the customer offer for each catchment. A retrofit of cafés could potentially be applied to up to half of current estate, which historically has resulted in a 20% to 25% uplift in sales. A new website launched in January drove improved conversion. The company remains dependent on the gift market with Christmas accounting for around 20% of sales, Easter, 15% and Mother's day, Valentines, Father's Day and Hallowe'en combined, a further 15%. A beauty range and alcoholic product variants offer more potential for growth over the longer term.

Following a period of uncertainty the share price of specialist recruiter Staffline (+0.83% contribution) rose 66%. In May the company confirmed that current trading is in line with market expectations. Management continue to target a significant scaling up of the business and remain confident that its ambitious £1bn revenue target is 'still very much on track'. The Staffing division has continued to perform well with strong demand for its services from both new and existing customers with no change seen in demand following the European Union referendum. PeoplePlus, its Employability, Training and Skills division, continues to benefit from its reorganisation in 2016. The new business pipeline remains strong and the company continues to bid for and win new contracts. Staffline's exposure to government projects should offer a degree of downside protection, whilst in the private sector, the company operates predominantly in recession-resistant areas, such as food picking and packing.

Next Fifteen Communications contributed +0.81%. The major growth opportunity continues to be its US tech-focused operations. Organic sales growth in the US was 12.6% in the year to January, versus 3.7% to 6.4% in other territories reflecting its strong strategic relationships with a number of large US tech companies, such as Alphabet (owner of Google) and Facebook. The US is still the dominant region for the business contributing 63% of group revenues. However, other regions are now starting to make a material profit contribution on the back of both organic growth, acquisitions and operational improvements. In the UK the company grew its revenues by 53% and increased profit margins by 530 basis points to 18.9%, ahead of broker expectations. There were notable contributions from housebuilders Redrow (+0.79% contribution) and brown field site specialist Bellway (+0.56% contribution). The former has little exposure to the most overheated residential parts of the UK. Builders, generally, are still reporting earnings in line with expectations and are still experiencing relatively benign market conditions in terms of average selling prices for new homes and availability of land at reasonable prices. The rise in labour costs appear to be manageable particularly outside London and the government's 'Help to Buy' policy is still supporting the market. However, we are watching out for any sign of rising interest rates, the likelihood of which has increased following the most recent 2.9% inflation figure and split vote by the Bank of England monetary policy committee, as well as any serious credit contraction, any fall in selling prices and any material increase in promotional discounting.

Payments processing and digital wallet company Paysafe contributed +0.78%. In May the company released an update in line with management expectations and the company reiterated its 2017 market guidance of low double-digit organic revenue growth. Cash generation is positive as evidenced by the company deleveraging its balance sheet despite making £22m of share buybacks during the first three calendar months of the year. Forecast free cash flow in excess of $250m in each of the calendar years 2017 and 2018 should enable the rapid pay down of debt and supports an aggressive, potentially earnings enhancing M&A strategy. Despite the share price rise we believe the share remains attractive with a low multiple in relation to its forecast earnings growth rate. Dotdigital (+0.76% contribution) posted strong interims with earnings per share up 20%. The increasing quality of its earnings is evident from recurring revenues which increased from 78% to 81% of the group total. Encouragingly, recurring revenue from premium priced, marketing automation functionality, a competitive differentiator, increased 71%. The company has a strong balance sheet and had net cash of £18.9m at the end of December. The share has benefited from an expansion of the multiple as the company has increasingly won recognition from the market as a consistent growth stock. Geographic expansion into Australia, South Africa and Benelux is underway as is the launch of more connectors to market leading e-commerce and customer relationship management platforms, such as Shopify.

During the period we established a new position in Franchise Brands (+0.76% contribution). The company has completed the transformational £28m acquisition of Metro Rod, a B2B drain clearance franchise founded in 1983, largely funded by a £20m oversubscribed placing at 67p. Drainage services are established markets and should continue to do well in a downturn as they are not directly correlated with the economic cycle or interest rates. There would appear to be excellent potential for widening and expanding the Metro brand to cover other verticals over the medium term, such as its nascent Metro Plumb operation. Shares in Taptica (+0.71% contribution) rocketed by 100% during the period. The Israeli-based digital marketing company has now successfully completed its first full year as a mobile focused business. In addition to growing revenues by 66% in the year to December, the gross margin improved to 36.5% (2015: 27.8%). As a result gross profit more than doubled to $46 million. The company remains highly cash generative with net cash inflow from operations increasing to $20.3 million from $6.2 million in the prior year. The company clearly generates value for advertisers as evidenced by the revenue retention rate of 193% amongst its mobile app advertiser client base, many of whom are household names. Management foresaw the seismic shift to mobile before many of its competitors and has been reaping the rewards of having decisively shifted to mobile before the herd. That said, it still views this shift to mobile as being at an early stage of the cycle. The company continues to receive broker upgrades and this year we expect Asia, principally China and Japan, to be the focus of growth.

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Aircraft lessor Avation contributed +0.61%. The market is waiting to hear the outcome of the company's proposed sale of six ATR72-600 aircraft announced at the end of April. It is expected to complete by the end of June resulting in anticipated net proceeds of around $31m which could then be redeployed. Once completed this deal will highlight the share's lowly valuation and its discount to net asset value which would appear to be unjustified. Most recently Avation issued $20m of its existing senior term notes priced at a premium, the proceeds of which are primarily designated for the purchase of a new ATR72-600 aircraft. There is strong demand for this model of aircraft. Avation is well placed with nine firm orders plus a further 27 options, making it the largest holder of ATR72-600 options globally. XLMedia (+0.61% contribution) posted in line results for the year to December with sales up 16%. The gross margin increased strongly to 51.4%, up from 46% previously, driven by strong organic growth in its higher margin publishing business. Its 33% operating margin is high for the performance marketing sector suggesting that it delivers value to its customers. Cash at the period end stood at $32m which enables the company to act as an industry consolidator. Post year-end the company made two further acquisitions– a mobile performance marketing business for apps and a Canadian credit card comparison website operator. The company's revenues are still skewed towards gambling (70% of the total) where there are strong structural online trends. The company's business model is asset-light with a high degree of recurring revenue which delivers high levels of free cash flow and a 40% cash adjusted return on capital employed underpinning its sector-leading prospective dividend yield of 5%.

Restore contributed +0.59%. Earnings per share in the year to December rose 15% and similar growth is expected this year. Demonstrating confidence in the business management increased dividend per share by 25%. The company has established itself as the number two player in the UK records management industry and a leading player in the UK shredding sector. These core business areas are non-cyclical and, therefore, resilient. The company is well-positioned to continue its successful strategy of industry consolidation via bolt-on acquisitions. Greater scale in shredding (seven-fold increase post acquisition) and scanning should lead to significantly higher margins for these businesses in due course. Although the document storage division is starting to look mature, the shredding and scanning businesses are at a relatively early stage of development. The company believes it can lift scanning profits from last year's £1.8m to £5m-£10m within 3-5 years. Shredding should see further growth by consolidation, offering good margin growth. In a trading statement Alliance Pharma (+0.51% contribution) confirmed that trading in the current financial year is in line with expectations. Its key international growth brands targeting scar reduction and age-related macular degeneration continue to deliver a strong performance. The development of its pan-European business is also said to be proceeding well. Here, the company continues to expect that UK registration approval for Diclectin, for the treatment for nausea and vomiting of pregnancy, will be granted in the third quarter of 2017. This will enable it to begin commercial sales around the end of 2017 with sales in European territories following approximately a year later. Cash flow in the business is strong and the company is on track to reduce gearing by the end of the year.

There were only three detractors of note (-0.50% and above).

OPG Power Ventures (-0.54% contribution) disappointed. The fall in the cost of solar power has surprised the industry and shows no sign of slowing. Power stations take six or more years to bring into production, during which time their fundamental economics can change. The Indian government, however, is still committed to the expansion of the coal sector as part of the energy mix. The current government plan in India is to more than double the coal burn between now and 2030, with renewables only accounting for 15% of the total. So it looks as though there is still a window of opportunity for OPG with its coal-fired power stations. Other detractors of note included restaurant group Tasty (-0.54% contribution) and cocktail bar chain Revolution Bars (-0.52% contribution) both of which issued profit warnings on the back of a squeeze in consumer spending in the leisure sector.

The Fund sold its positions in Bonmarche, Bovis Homes, Mercantile Ports (formerly SKIL Ports), Netplay TV, NewRiver REIT and Safestay.

A range of investments were reduced. These included Castleton Technology, City of London Investment Group, Communisis, Entertainment One, Hotel Chocolat, Hutchison China MediTech (due to regulatory requirements), Mears Group, Paysafe, Restore, Trifast and XLMedia.

The proceeds were reinvested in a range of existing holdings including Marlowe, Marston's, NCC Group and Revolution Bars.

A number of new holdings were also established. These included AFH Financial Group, Franchise Brands, Iomart, On The Beach Group and RedstoneConnect.

The Fund has performed solidly since inception and continues to offer the potential for capital appreciation. Our focus remains on the underlying operating performance of the businesses we own. With very few exceptions they are trading robustly. If they continue to deliver operationally then we confidently expect their share prices to appreciate meaningfully over the medium term.

Slater Investments Limited
20 June 2017

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for the six month period ended 31 May 2017

Distributions (pence per unit)

	Year 2017	Year 2016	Year 2015	Year 2014
Class A Accumulation				
Net income paid 31 January	0.6581	0.1933	0.1715	0.0000
Net income paid 31 July	0.2666	0.3569	0.2445	0.0000
Class B Accumulation				
Net income paid 31 January	1.1041	0.6308	0.9093	0.2618
Net income paid 31 July	0.7726	0.8006	0.6504	0.0000
Class P Accumulation				
Net income paid 31 January	1.3306	0.8547	1.2962	0.4075
Net income paid 31 July	1.0323	1.0309	0.8563	0.0000

Portfolio Changes

Purchases	Cost (£)	Sales	Proceeds (£)
Franchise Brands	595,000	NewRiver Retail	692,295
RedstoneConnect	428,000	XLMedia	566,180
Iomart Group	369,305	Restore	519,235
AFH Financial Group	341,250	Bovis Homes Group	456,884
Tasty	300,150	Castleton Technology	402,427
On the Beach Group	256,998	Entertainment One	284,377
Revolution Bars Group	255,735	Trifast	278,200
Marlowe	87,000	Communisis	264,551
Marston's	76,720	Safestay	263,104
NCC Group	51,508	Hutchison China MediTech	198,953
		Hotel Chocolat Group	188,486
		City of London Investment Group	173,531
		NetPlay TV	135,442
		Paysafe Group	119,645
		Bonmarché Holdings	91,612
		Mears Group	74,962
		Mercantile Ports & Logistics	28,015
Total purchases for the period	2,761,666	Total sales for the period	4,737,898

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 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 achieve capital growth.

The Fund will invest in companies both in the UK and overseas but concentrating mainly or, where appropriate, exclusively on UK shares. Other investments including bonds, warrants and options, within the limits imposed by the trust deed may also be used where it is considered that they meet the investment objective. It is also intended where appropriate to take advantage of underwritings and placings. At times it may be appropriate for the Fund not to be fully invested but to hold cash and near cash. The Fund has powers to borrow as specified in COLL and may invest in derivatives and forward transactions for hedging purposes only.

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

A letter was sent to Unitholders on 31 May 2017, notifying them of changes to MFM Slater Recovery Fund, which will become effective on 7 August 2017. These include a change of Authorised Fund Manager, Trustee, Administrator and Registrar, consequential amendments to charges as a result of these changes, and a change in the name of the Fund.

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

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
12 July 2017

FUND INFORMATION

Price and distribution record

Accumulation units were first offered at 50p on 10 March 2003. On 31 December 2012 the units were reclassified as Class A units and Class B and P units became available for purchase.

Financial year to	Highest price	Lowest price	Net income per unit
Class A Accumulation			
30 November 2014	168.25p	130.52p	0.1715p
30 November 2015	193.37p	152.58p	0.4378p
30 November 2016	196.80p	148.63p	1.0150p
30 November 2017*	225.16p	174.64p	0.2666p
Class B Accumulation			
30 November 2014	162.95p	133.76p	0.9093p
30 November 2015	188.20p	157.39p	1.2812p
30 November 2016	191.54p	151.24p	1.9047p
30 November 2017*	220.82p	178.08p	0.7726p
Class P Accumulation			
30 November 2014	163.63p	131.71p	1.2962p
30 November 2015	189.45p	154.85p	1.7110p
30 November 2016	192.82p	152.75p	2.3615p
30 November 2017*	223.09p	179.98p	1.0323p

* six month period to 31 May 2017

Number of units in issue/Net asset value per unit

	Net asset value of scheme property	Number of units in issue	Net asset value per unit
Class A Accumulation			
30 November 2014	£23,023,438	14,706,549	156.55p
30 November 2015	£21,596,170	12,027,986	179.55p
30 November 2016	£16,513,635	9,476,432	174.26p
31 May 2017	£19,621,762	9,402,086	208.70p
Class B Accumulation			
30 November 2014	£5,017,412	3,175,139	158.02p
30 November 2015	£4,993,528	2,742,081	182.11p
30 November 2016	£4,124,196	2,321,011	177.69p
31 May 2017	£4,732,987	2,218,269	213.36p
Class P Accumulation			
30 November 2014	£5,426,512	3,419,445	158.70p
30 November 2015	£7,904,802	4,311,908	183.32p
30 November 2016	£9,842,718	5,480,647	179.59p
31 May 2017	£12,626,633	5,849,385	215.86p

Ongoing charges

	Class A	Class B	Class P
30 November 2016	1.57%	1.07%	0.82%
31 May 2017	1.57%	1.07%	0.82%

The ongoing charge figure is based on expenses for the year. This figure may vary from year to year. It excludes:

- Performance fees
- Portfolio transaction costs, except in the case of an entry/exit charge paid by the Fund when buying or selling units in another collective investment scheme.

FUND INFORMATION

Synthetic risk and reward indicator

Lower risk — Higher risk

Typically lower rewards — Typically higher rewards

1	2	3	4	5	6	7

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.

PORTFOLIO STATEMENT
as at 31 May 2017

Holding or Nominal value		Bid value £	Percentage of total net assets %
	Electricity (0.79%, Nov 2016 - 1.49%)		
676,839	OPG Power Ventures	291,041	0.79
	Total Electricity	291,041	0.79
	Financial Services (2.37%, Nov 2016 - 2.00%)		
195,000	AFH Financial Group	362,700	0.98
135,000	City of London Investment Group	513,675	1.39
	Total Financial Services	876,375	2.37
	Food Producers (1.67%, Nov 2016 - 1.72%)		
160,749	Hotel Chocolat Group	619,286	1.67
	Total Food Producers	619,286	1.67
	General Retailers (2.16%, Nov 2016 - 0.37%)		
888,060	Franchise Brands	799,254	2.16
	Total General Retailers	799,254	2.16
	Household Goods & Home Construction (7.08%, Nov 2016 - 8.80%)		
45,000	Bellway	1,271,700	3.44
36,000	Galliford Try	446,400	1.21
160,000	Redrow	899,200	2.43
	Total Household Goods & Home Construction	2,617,300	7.08
	Industrial Engineering (2.15%, Nov 2016 - 3.07%)		
367,933	Trifast	794,735	2.15
	Total Industrial Engineering	794,735	2.15
	Industrial Transportation (5.20%, Nov 2016 - 5.89%)		
550,000	Avation	1,210,000	3.27
70,000	Ocean Wilsons Holdings	714,000	1.93
	Total Industrial Transportation	1,924,000	5.20
	Leisure Goods (1.99%, Nov 2016 - 2.09%)		
445,000	Photo-Me International	736,475	1.99
	Total Leisure Goods	736,475	1.99
	Media (9.96%, Nov 2016 - 12.37%)		
343,238	Entertainment One	845,052	2.29
229,410	Matomy Media Group	237,439	0.64
280,000	Next Fifteen Communications Group	1,113,700	3.01
185,001	STV Group	677,566	1.83
145,125	Taptica International	435,375	1.18
300,000	XLMedia	372,000	1.01
	Total Media	3,681,132	9.96
	Oil & Gas Producers (0.77%, Nov 2016 - 0.97%)		
1,100,000	Amerisur Resources	286,000	0.77
	Total Oil & Gas Producers	286,000	0.77
	Pharmaceuticals & Biotechnology (15.05%, Nov 2016 - 13.92%)		
2,200,000	Alliance Pharma	1,133,000	3.06
10,000	Clinigen Group	88,950	0.24
127,956	Hutchison China MediTech	3,921,851	10.61
357,207	Vectura Group	423,290	1.14
	Total Pharmaceuticals & Biotechnology	5,567,091	15.05

PORTFOLIO STATEMENT

as at 31 May 2017

Holding or Nominal value		Bid value £	Percentage of total net assets %
	Real Estate Investment & Services (4.34%, Nov 2016 - 4.57%)		
256,675	Lok'nStore Group	1,155,037	3.12
241,277	Market Tech Holdings	449,982	1.22
	Total Real Estate Investment & Services	1,605,019	4.34
	Real Estate Investment Trusts (Nil, Nov 2016 - 2.24%)		
	Total Real Estate Investment Trusts	0	0.00
	Software & Computer Services (14.18%, Nov 2016 - 12.55%)		
584,706	Castleton Technology	400,524	1.08
1,225,000	dotDigital Group	931,000	2.52
75,000	First Derivatives	2,330,250	6.30
125,000	Iomart Group	370,313	1.00
404,253	NCC Group	646,805	1.75
211,982	Redcentric	179,125	0.49
28,533,333	RedstoneConnect	385,200	1.04
	Total Software & Computer Services	5,243,217	14.18
	Support Services (17.85%, Nov 2016 - 20.14%)		
389,736	Communisis	206,560	0.56
310,000	IWG	1,034,470	2.80
730,000	Lakehouse	350,400	0.95
181,176	Marlowe	643,175	1.74
125,000	Mears Group	636,250	1.72
195,000	Paysafe Group	975,000	2.64
370,000	Restore	1,554,000	4.20
44,500	Staffline Group	631,455	1.71
596,000	WYG	566,200	1.53
	Total Support Services	6,597,510	17.85
	Technology Hardware & Equipment (1.89%, Nov 2016 - 1.79%)		
147,500	CML Microsystems	700,625	1.89
	Total Technology Hardware & Equipment	700,625	1.89
	Tobacco (0.90%, Nov 2016 - 0.89%)		
6,000	British American Tobacco	332,940	0.90
	Total Tobacco	332,940	0.90
	Travel & Leisure (4.40%, Nov 2016 - 4.67%)		
616,000	Marston's	834,064	2.26
69,955	On the Beach Group	275,972	0.75
309,223	Revolution Bars Group	395,805	1.07
207,000	Tasty	120,060	0.32
	Total Travel & Leisure	1,625,901	4.40
	UNQUOTED SECURITIES (0.14%, Nov 2016 - 0.17%)		
1,653,028	Genagro	53,377	0.14
	Total Unquoted Securities	53,377	0.14
	Portfolio of investments	34,351,278	92.89
	Net current assets	2,630,104	7.11
	Net assets	36,981,382	100.00

The investments of the Fund have been valued at their fair value at 12 noon on 31 May 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. Genagro is being priced, based on the latest shareholder update from the company.

PORTFOLIO TRANSACTIONS
for the six month period ended 31 May 2017

	£
Total purchases, including transaction charges	2,761,666
Total sales proceeds, net of transaction charges	4,737,898

STATEMENT OF TOTAL RETURN
for the six month period ended 31 May 2017

	31 May 2017		31 May 2016	
	£	£	£	£
Income:				
Net capital gains/(losses)		5,934,069		(2,133,943)
Revenue	309,678		319,673	
Expenses	(209,389)		(205,934)	
Net revenue/(expense) before taxation	100,289		113,739	
Taxation	0		(1,193)	
Net revenue/(expense) after taxation		100,289		112,546
Total return before distributions		6,034,358		(2,021,397)
Distributions		(100,289)		(112,546)
Change in net assets attributable to unitholders from investment activities		5,934,069		(2,133,943)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
for the six month period ended 31 May 2017

	31 May 2017		31 May 2016	
	£	£	£	£
Opening net assets attributable to unitholders	*	30,480,549		34,494,500
Amounts receivable on issue of units	1,395,672		1,165,916	
Amounts payable on cancellation of units	(931,283)		(3,163,730)	
Amounts payable on unit class conversions	(211)		(5,732)	
		464,178		(2,003,546)
Change in net assets attributable to unitholders from investment activities		5,934,069		(2,133,943)
Retained distribution on accumulation units		102,586		113,838
Closing net assets attributable to unitholders		36,981,382	*	30,470,849

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

BALANCE SHEET
as at 31 May 2017

	31 May 2017	30 November 2016
	£	£
Assets:		
Fixed Assets:		
Investments	34,351,278	30,391,886
Current Assets:		
Debtors	249,875	21,038
Cash and bank balances	2,425,501	174,930
Total assets	37,026,654	30,587,854
Liabilities:		
Creditors:		
Bank overdrafts	0	9,589
Other creditors	45,272	97,716
Total liabilities	45,272	107,305
Net assets attributable to unitholders	36,981,382	30,480,549

NOTES TO THE INTERIM FINANCIAL STATEMENTS
for the six month period ended 31 May 2017

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.

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.

Accounting policies
The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 November 2016 and are described in those annual financial statements.

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