MFM SLATER GROWTH FUND

Annual Report
For the year ended 31st December 2016

Slater Investments Ltd

MARLBOROUGH
Fund Managers Limited

Authorised Fund Manager and Registrar

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Investor Support: (0808) 145 2500 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority.

Trustee

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AUTHORISED INVESTMENT ADVISER'S REPORT

For the year ended 31 December 2016

Percentage change and sector position to 31 December 2016

	Six Months	1 year	3 years	5 years	Since launch**
MFM Slater Growth Fund	13.96%	-2.36%	37.13%	99.09%	338.52%
Quartile Ranking*	2	4	1	1	1

* Based on ranking within The Investment Association's UK All Companies sector
** Launched 30 March 2005
External Source of Economic Data: Morningstar (Class P Acc - bid to bid)
Class P shares first priced on 2 January 2013. In the period to that date, the past performance information for the Class A shares has been used.
The performance figures above, differ from those in the comparative table on page 11, which uses net asset value prices as opposed to bid prices.

During the first half of the year the Fund was hit by two bouts of selling. In January, the London Stock Exchange recorded one of its worst starts to a New Year entering official bear market territory by mid-February before rallying sharply.

Then at the end of June, in what was a landmark moment in British history, Britain voted to leave the European Union. Markets had been very dogmatic in the run up to the referendum in their firm expectation that the vote was to be to "remain".

Following the referendum result, cyclical, interest rate sensitive and small to mid-cap holdings registered significant share price falls. However, many other company share prices were also marked down aggressively, often indiscriminately, even if the underlying businesses were unlikely to be impacted by currency movements or an economic slowdown.

At the end of the second quarter the sharp fall in the wider market was immediately followed by a violent rally in the FTSE All-Share index's largest twenty or so constituents, which dominate the performance of the index, as they stood to benefit from sterling weakness. As the Fund is invested mainly in midcap and smaller companies, we expect to lag near vertical upwards moves in the main indices in the short term. Typically, we catch up over time and then outperform. Consequently, the European Union referendum ended up being the dominant factor in 2016 determining the relative and absolute performance of the Fund.

During the third quarter the subsequent rebound in the UK stockmarket was fuelled by positive economic data that surprised on the upside. Consequently, we were not surprised by the strong outperformance of the Fund against its benchmark between July and September.

In November, markets responded positively to Trump's win. However, this created some volatility and significant rotation between sectors driven by higher growth and interest rate expectations. However, by the end of the calendar year small and mid-cap stocks significantly lagged the All Share Index. This suggests that the share prices of many small to medium sized UK companies, in which the Fund is mainly invested, have still not staged a full recovery following the European Union Referendum and, therefore, still have scope for a re-rating.

During the year several dynamic growth stocks enjoyed healthy returns.

The top performer amongst the Fund's growth investments was First Derivatives, which contributed +1.37%. This rapidly growing fintech company posted strong interim results. Technology trends continue to favour its technology platform, which is world leading in terms of 'big data' processing speeds. The company has a near decade-long relationship with Intel optimising its Kx database technology for Intel processors. Additional growth drivers include the successful branching-out into new markets outside its core capital markets vertical. It also has significant US dollar exposure helping to underpin broker forecasts, which look conservative based on historic growth rates and management's targets.

There was a significant number of additional contributors of note (+0.10% and above).

CVS Group (+1.34% contribution), which is the largest integrated provider of veterinary services to animal owners in the UK, gained a further 24% in the fourth quarter following the 13% gain in the third quarter. In the first four months of Financial Year 2017 like-for-like sales growth accelerated to 6.3% from 4.8% in the year to June 2016. One of the reasons behind this is that, as the company continues to buy practices and consolidate the UK market, it is able to refer increasing amounts of business to its ancillary service areas such as laboratories and referral centres, capturing a larger market share. The company has now also made its first acquisition in the Netherlands. The Dutch veterinary market is also a sizable opportunity valued at approximately €550m-600m and the small animal market there grew at 4.7% in 2015. With the potential to repeat the UK formula in the Netherlands, CVS is one of the strongest structural growth stories on the UK stockmarket. During the year the share price of Entertainment One (+1.03% contribution) received a big boost from a tentative approach by ITV at 236p, which subsequently did not materialise. Nevertheless, the approach highlights the value of the company's back-library of content, which has been revalued at $1.5bn, up from $1.0bn, in part driven by the acquisition of an additional 35% interest in Peppa Pig. There have been improvements to the operational performance. The film business continues to recover and posted box office takings in the first half of $152 million (2015: $98 million). TV remains strong, in part driven by new releases from the Mark Gordon Company, which included Designated Survivor and Peppa Pig continues to gain traction in China.

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

Restore contributed +0.88%. In what has been a transformation year, via acquisition, 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. 2016 interim results (reported in September) were ahead of expectations. Prudential (+0.82% contribution) continues to be extremely well positioned to take advantage of both economic growth and the rising middle class in the Far East, in addition to being well-diversified globally with a strong presence in developed markets. This was demonstrated by new business profits growth of 9% in the first nine months of 2016. This comprised 23% and 41% growth in Asia and the UK respectively, which offset a c. 21% fall in the US. The company continues to enjoy a robust capital structure with a Solvency II coverage ratio estimated to be 189%, notwithstanding high levels of disallowed capital. Broker KBW also points to the potential for £5bn special dividend if the company disposed of the UK annuity book. Meanwhile, top-line momentum looks set to continue in Asia, which is arguably the jewel in Prudential's crown.

Aircraft lessor Avation contributed +0.60%. The rise in the share price was in response to an approach to buy 22 aircraft from the company's ATR turboprop fleet equivalent to around half of the company's assets. A process is now in place to obtain the best price at a premium to net asset value. Overall, the company's fleet has increased to 38 aircraft with the weighted average age of the fleet down to 3.3 years. A further two Airbus jets are to be delivered to Vietjet Air in a series of six new deliveries to that customer. Separately, the company sold its five remaining Fokker 100 aircraft for around book value and Standard & Poor has upgraded Avation's credit rating. The market appears to be waking up to the company's lowly valuation as evidenced by its share price hitting an all-time high during the quarter. Walt Disney Co (+0.59% contribution) reports in dollars and, from the point of view of the Fund, is a foreign exchange beneficiary. The shares rose over 12% during the period after the company recorded the highest revenue, net income and earnings per share in its history in the year ending October 1st. Earnings per share increased 17% to a record $5.73. Fiscal 2016 was the company's sixth consecutive year of record results. Highlights included the opening of Shanghai Disney Resort, the phenomenally successful return of Star Wars, and its Studio's record-breaking $7.5 billion in total box office. Management remains confident that the company will continue to deliver strong growth over the long-term as it strengthens its brands and franchises further.

Trifast, a global manufacturer of industrial fasteners, contributed +0.53%. The company is successfully leveraging its global footprint as evidenced by Financial Year 2017 interims which confirmed pre-tax profit growth of around 8%. It has established a strong position in the global industrial fasteners market and has preferred supplier status with over 40 OEMs, across four growing sectors, including automotive and white goods. The company's end markets are highly fragmented and it is well positioned to capture further global market share, both organically and via acquisition. International specialist communications and digital marketing group Next Fifteen Communications contributed +0.44%. The US continues to drive growth. In interims to end-July sales there grew by 27% to £51m (63% of the group) with organic growth of 17%. The other key highlight was a substantial increase in margin in the UK from 11.5% to 17.8%. Significant new client wins included Johnson & Johnson and Tesco and its two acquisitions are said to be performing ahead of expectations. With the fall in the value of the pound Next Fifteen is also a currency beneficiary.

Ad-tech specialist Taptica International contributed +0.37%. The company has been subject to earnings per share upgrades of 78% since the house broker's September 2015 initiation note. Key behind this improvement in performance has been its aggressive repositioning into mobile and social media, with the former now representing 79% of sales (first half of 2015: 51%). The company is increasingly seen as differentiated with its end-to-end mobile ad-tech platform integrated with data analytics targeting top tier clients such as Amazon, Sony, Starbucks, ABC, Samsung and Subway. The results are cash-backed as evidenced by the payment of a special dividend and a Financial Year 2016 forecast free cash flow yield of 9.6%. Momentum is said to have continued into the second half with the company confident of revenue growth in line with previously upgraded market expectations. Liontrust Asset Management (+0.31% contribution) continues to build scale and broaden its fund management offering and has the systems and processes in place to support a much bigger business. In the first half of 2017 assets under management (AuM) increased from £4.8bn to £5.7bn on the back of net inflows of £92m, £272m from the acquisition of Argonaut's European income business, and, £540m from market and investment performance. The company's Economic Advantage strategies still dominate accounting 56% of AuM. This, however, will be diluted following the recent announcement of the acquisition of Alliance Trust Investments, which is expected to complete in April and will add a further £2.3bn to AuM further diversifying the asset base.

During 2016 Alliance Pharma (+0.29% contribution) completed a transformational and earnings enhancing deal to buy a portfolio of healthcare products. The company's three 'global growth products' are expected to generate £77m peak sales in the medium term, which compares to existing 2017 broker sales forecasts for the whole group of around £98m. The company is also now more geographically diverse with UK sales down from approximately 80% to around 50% following the acquisition. An important milestone in the second half of 2017 will be UK regulatory approval for Diclectin, one of its most important prospects. The company reported interims in line with expectations. Marine engineering specialist James Fisher & Sons (+0.25% contribution) confirmed that revenue in the third quarter was strongly ahead with the full year outlook unchanged. Organic growth was supplemented by two acquisitions and Sterling weakness. Sales in three of its divisions, Marine Support, Specialist Technical and Tankships, were all ahead of the previous year. Within Marine Support, ship to ship transfers continued to be strong. Offshore Oil revenue was 6% lower in the quarter but the division benefitted from a reduced cost base with the prospect for recovery. The company has a unique portfolio of niche activities with strong market positions.

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

Online lead generator XLMedia contributed +0.21%. The company posted record half-yearly performance and reiterated its profit guidance for Financial Year 2016. Its high margin publishing business was the star of the show and sports superior margins and long-term repeat revenues. With net cash on its balance sheet and strong free cash flow generation the company can continue to make earnings enhancing bolt-on acquisitions. Execution to date has been impeccable. Despite a strong run-up in the share price the company still offers a 5% prospective dividend yield. Mears Group (+0.20% contribution) confirmed in a pre-close update that trading remains in line with expectations. The company has excellent revenue visibility with 93% of consensus forecast revenues already contracted in 2017 with further visibility of 82% in 2018. In its core social housing business cash conversion was lower as a result of a busy period of contract mobilisations. The loss-making Care at Home division is in the process of being downsized because of uneconomic rates offered by local authorities. As a result, it is forecast to return to profitability in 2017 as Mears avoids loss-making contracts.

dotDigital contributed +0.19%. The company recorded year-end top-line growth of 26%. Visibility is excellent with recurring revenues now accounting for 78% of the group total. Key metrics were positive with average revenue per client up 29% year on year from £445 to £575. Cash balances stood at £17.3m and strong cash flows generated from operations resulted in free cash flow of £5.6m. International revenues now account for around 14% of the total, which with the weak pound will support broker forecasts. In a trading update post period end, Close Brothers (+0.15% contribution) confirmed strong first quarter results on the back of the release of provisions within the Banking division and signs of recovery in retail trading at Winterflood. The loan book increased 2.3% to £6.6bn. The net interest margin is stable and bad debt ratios are lower. Whilst the company remains upbeat about the first half, loan growth has recently been offset by repayments.

Photo-Me International (+0.11% contribution) was a foreign currency beneficiary. Interims to 31 October were ahead of management's expectations with sales growing by 19% (up 4% at constant currency) driven primarily by the rollout of Revolution, the company's laundry product. Similarly, pre-tax profits increased by 20% (up 4.3% at constant currency). The company is perhaps overly, conservatively managed with an unleveraged balance sheet and, if it so chose, subject to capacity constraints, could ramp up growth. Its strong net cash position increased to £68m, up £5.6m since the previous year-end in spite of the acquisition of Asda's photo division and higher dividend payments. The interim dividend increased by 20% in line with management guidance. The company is progressively increasing its competitive positioning, becoming embedded in various Governments' identification and security programmes around the world acting as the enabler for printing ID cards and capturing citizens' data electronically. The CEO recently very much put his money where his mouth is, buying a whopping £7,583,527 worth of shares.

During the period there were a number of detractors of note (-0.10% contribution and above).

Following the European Union referendum result, the housebuilding sector was hit very hard on fears of material reductions in both house prices and transaction volumes, which, as we now know, did not materialise. Portfolio constituents were nevertheless adversely hit: Bovis Homes (-0.26% contribution), Telford Homes (-0.22% contribution), Galliford Try (-0.12% contribution), Barratt Developments (-0.22% contribution) and Bellway (-0.30% contribution). We viewed the fall as a buying opportunity adding to those best positioned in the sector, topping up holdings in Telford Homes, Galliford Try, Redrow and Bellway. However, we also undertook some rationalisation, selling Barratt Developments. The fourth quarter trading update from Bellway was not untypical of the sector. The company confirmed that customer demand for new homes continues to be robust as evidenced by a 7% increase in the reservation rate. Housing completions for the full year to July 2017 are now expected to increase by around 5% supported by the Government's 'Help to Buy' equity loan scheme, which was used in 37% of reservations. Gearing remains a modest 8% and the company retains a disciplined approach towards growth after contracting to acquire 40 new sites (2015: 37). The average gross margin on land purchases, which reached 26.1% in the second half of 2015 compared with the 22-23% initially expected, may come under pressure and will be dependent on future average selling prices and cost pressures. Structural drivers, such as low interest rates, low unemployment, high mortgage availability and a shortage of new homes, persist for now.

Marston's contributed -0.47% despite announcing in line full year results. The company's Destination & Premium division generated like-for-like sales growth of 2.3% and opened 22 sites (up 6%) and managed to maintain margins year-on-year. The taverns business grew both like-for-like sales (up 2.7%) and margins. The brewing business, meanwhile, grew profits by around 12%, including the Thwaites acquisition (organic growth 6%). The bottom line is that the company is managing to negotiate industry headwinds successfully, such as the increased costs associated with the national living wage, whilst continuing to reduce its gearing. STV Group contributed -0.53% in spite of the company posting its sixth consecutive year of growth. Its national airtime revenue is expected to be down for the first three quarters of the calendar year. However, this is being offset by strong growth in its regional and digital markets. The company is piloting one of its production programs with US TV channels, which if successful, could potentially generate strong earnings stateside. On the digital side, Google and Facebook are now advertising partners and have agreed to revenue share as opposed to just hosting content. This is a new area of monetisation of STV content with the Scottish audience. Debt was down 17% demonstrating the cash generative qualities of the business.

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

Leading UK project consultancy firm, WYG, contributed -0.10%. The share price performance contrasted with the positive operational performance of the company, which posted strong half year results with earnings per share up 12%. Future prospects also look good with the order book increasing by a third to a record £164m giving 70% visibility of second half weighted revenues. The company should be a beneficiary of UK infrastructure spend. In terms of the European Union, the company is strengthening its position there by adding a Dutch entity to its existing portfolio of European Union country-based entities. The shares of Hutchison China MediTech (-1.47% combined contribution across UK and US quoted holdings) fell notwithstanding positive news flow in relation to potential blockbusters within its drug development pipeline, in part due to profit taking in 2016 and not helped by an introduction to NASDAQ at a moment when sentiment was particularly weak. The company has 'seven shots at pivotal success' and 2017 will see results from several drug development programmes. It also benefits from its non-Sterling exposure.

Other stocks that fell despite satisfactory operational performance included Regus (-0.79% contribution). The company has set up a new holding company called International Workplace Group and been renamed IWG. Underlying revenue growth slowed in the third quarter to 3.8%, down from 6.4% in the second quarter, whilst revenues from the mature estate fell for the second quarter in a row (-2.6%). This has been attributed to 'softer' trading conditions in some markets and higher closures year to date. However, the company still posted c. 30% growth in operating profit on the back of efficiency gains. Political uncertainty has weighed on the share price of specialist recruiter Staffline Group (-0.70%). The company has significant exposure to the Government's Welfare to Work scheme, which is under review and set for change, and there have been concerns following the European Union referendum over changes to the migration rules in relation to placement of temporary staff. Most recently, however, the news flow has turned positive. Post period end, the company confirmed that trading is in line with market expectations. Also, although as yet unconfirmed, press reports suggest that its PeoplePlus division has been shortlisted in all 6 regions of the Government's new Employability frameworks. In the private sector, meanwhile, many of the areas that the company operates in are in recession-resistant areas, such as food picking and packing. Management continue to target a significant scaling up of the business.

ITV contributed -0.45%. The group reported third quarter net advertising revenue down by 4.4% and forecast a 7% drop in the fourth quarter on the back of the European Union referendum vote which has adversely impacted advertising demand. The company noted, however, that earnings per share would be broadly flat for the full year. Against this, ITV remains a potential takeover target amidst much press speculation. One potential suitor with a 9.9% stake in ITV is Liberty Global, which has already acquired other free to air broadcasters in Europe for their ownership of content and audience reach. Separately, ITV and the BBC have announced the launch of a joint subscription video on demand service in the US from the first quarter of 2017.

OPG Power Ventures (-0.35% contribution) more than doubled its interim profits to September, increased earnings per share by 41%, generated strong free cash flow and was a foreign currency beneficiary on the back of the stronger Rupee. The company also announced a maiden dividend. Operationally, its coal fired power generation increased by 66% and it has a pipeline of 186MW solar projects. Sentiment towards the share, however, was adversely impacted by a spike in coal prices. The holding in Premier Technical Services Group (-0.17% contribution) was sold at a good premium to its initial public offering listing price when it was originally bought by the Fund.

A handful of companies experienced severe share price action following profit warnings. Cyber-security specialist NCC Group (-1.16% contribution) issued a profit warning in December, which was not unexpected given that adverse news had already been flagged in October. The company confirmed that three large contracts had been cancelled and that full year results would not meet market expectations. However, the company says it has not seen any structural change in its cyber security niche and foresees 'solid organic growth in both this and in future years in fast growing markets'. Redcentric (-1.58% contribution) issued a profit warning following confirmation that it misstated its accounts and overstated profit over a number of years and that debt is materially higher than previously thought. However, following a sharp fall, its share price rallied strongly in anticipation of a sale of the business, a move, which if it happens, we would support.

In the autumn shares in clothing retailer Bonmarche Holdings (-0.24% contribution) fell after issuing a profit warning in which the company cited poor September trading. However, since then the company confirmed that Christmas trading had been satisfactory and third quarter like-for-like sales were back in positive territory. Lakehouse contributed -0.59% following a profit warning. We believe there is significant value in this business and have taken steps to improve the situation. Along with another investor we called an EGM, which resulted in a change of management with 'industry guru' Bob Holt joining the board as executive chairman.

Shares in Essentra (-0.54% contribution) fell as a result of profit warnings, for the most part, relating to lower sales of cigarette filters in China and India on the back of tax increases triggering a slowdown in the Asian tobacco market. Quantum Pharma contributed -0.39% during the period after issuing more than one profit warning relating primarily to delayed regulatory approval received from the regulator for the launch of new, niche pharmaceutical products. The management team has since been changed and the company has refocused its product launch effort almost entirely on 'cease and desist' opportunities where a licensed product replaces unlicensed prescription medicines known as 'specials'. This creates a monopoly supply of high margin, licensed product and is core to the turnaround strategy of the company. Benchmark Holdings (-0.25% contribution) was sold after issuing a profit warning.

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

The Fund acquired new positions in Breedon Aggregates, Clinigen Group, CVS Group and Prudential. The Fund also added to its holdings in Alliance Pharma, Amerisur Resources, Arbuthnot Banking, Avation, Entertainment One, Ergomed, Essentra, First Derivatives, Hutchison China MediTech, Inspired Energy, ITV, IWG, Liontrust Asset Management, Marston's, Mears Group, NCC Group, Next Fifteen Communications, OPG Power Ventures, Paysafe, Quantum Pharma, Redcentric, Restore, Staffline, STV Group, Trifast, Walt Disney Co, XLMedia and housebuilders Redrow, Telford Homes, Galliford Try and Bellway. During the period Skyepharma merged with Vectura to create a world-leading respiratory health company.

In total eight holdings were sold including Barratt Developments, Benchmark Holdings, Gamma Communications, Monsanto, Parity, Premier Technical Services Group, Stanley Gibbons and Utilitywise.

Calendar 2016 was an extremely challenging year in terms of relative performance against the main indices which benefited hugely from sterling devaluation. Nonetheless, the Fund has performed very strongly since inception and continues to offer the potential for medium term 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. In the meantime, it is encouraging to see that the share prices of many of our holdings are recovering strongly. The potential still exists for a significant re-rating of the Fund's investments.

Slater Investments Ltd
10 February 2017

Distributions (pence per unit)

	Year 2017	Year 2016	Year 2015	Year 2014
Net income paid last day of February				
Class A	1.6499	0.4726	0.4348ppu	0.0000
Class B	3.7314	2.4374	1.1218ppu	1.0981
Class P	4.8066	3.4362	2.9795ppu	1.8608

Material Portfolio Changes

For the year ended 31 December 2016

Major Purchases	Cost (£)	Major Sales	Proceeds (£)
Prudential	13,151,109	Monsanto	3,466,343
CVS Group	12,240,103	Barratt Developments	3,054,764
ITV	6,222,706	Premier Technical Services Group	2,492,654
Paysafe Group	4,864,050	Benchmark Holdings	2,133,182
Mears Group	4,733,884	WYG	1,686,638
STV Group	4,335,753	Arbuthnot Banking Group	1,565,484
Arbuthnot Banking Group	4,010,458	Matomy Media Group	648,201
Hutchison China MediTech ADR	3,759,007	Utilitywise	291,747
Marston's	3,721,911	NetPlay TV	263,030
Entertainment One	3,716,906	Stanley Gibbons Group	84,056
Breedon Aggregates	3,668,966	Parity Group	53,007
First Derivatives	3,493,465	Gamma Communications	43,182
Staffline Group	3,192,425		
Regus	3,142,173		
Redrow	3,032,566		
Redcentric	2,587,806		
Restore	2,053,200		
Quantum Pharma	1,732,918		
Galliford Try	1,662,524		
Vectura Group	1,577,913		
Other purchases	15,147,180		
Total purchases for the year	102,047,023	Total sales for the year	15,782,288

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 is to achieve capital growth by investing in companies both in the UK and overseas but concentrating mainly on UK shares. The Fund will focus in particular on shares which the Manager believes are currently under-valued and that have the potential of a significant re-rating. Other investments including bonds, warrants, deposits and collective investment schemes may 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 may invest in derivatives and forward transactions but only for hedging purposes.

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 documents, 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. Implementation of the policy remains ongoing and will apply in full for the 2017 performance year ended 31 December 2017.

The quantitative remuneration disclosures have not been included in the annual report as they are considered not to be relevant, reliable or comparable as described under COLL 4.5.7A. Quantitative remuneration disclosures will be included in next year's Annual Report and Audited Financial Statements as the information will be readily available for the year.

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
16 February 2017

STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES

Marlborough Fund Managers Ltd is the 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 Trust will continue in operation.

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

TRUSTEE'S REPORT

The Depositary in its capacity as Trustee of the MFM Slater 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 (this requirement on the Depositary applied from 18 March 2016) 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.

Report of HSBC Bank plc ("the Trustee") to the Unitholders of the MFM Slater Growth Fund

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

16 February 2017

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF THE MFM SLATER GROWTH FUND

We have audited the financial statements of the MFM Slater Growth Fund for the year ended 31 December 2016 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Generally Accepted Accounting Practice, including FRS 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland.

This report is made solely to the fund's unitholders, as a body, pursuant to paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook. 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 purposes. 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 opinion we have formed.

Respective responsibilities of the authorised fund manager and the auditor

As explained more fully in the Statement of Authorised Fund Manager's Responsibilities set out on page 7, 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.
Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the authorised fund manager; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the fund's affairs as at 31 December 2016 and of its net revenue and net gains or losses of the fund property for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Opinion on other matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion:

- the financial statements 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;
- there is nothing to indicate that proper accounting records for the fund have not been kept or that the financial statements are not in agreement with those records;
- 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; and
- the information given in the authorised fund manager's report is consistent with the financial statements.

16 February 2017

BARLOW ANDREWS LLP
CHARTERED ACCOUNTANTS & STATUTORY AUDITOR
78 CHORLEY NEW ROAD
BOLTON

COMPARATIVE TABLE

Accumulation units first offered at 100p on 30 March 2005. On 31 December 2012 the units were reclassified as Class A units and Class B and P units became available for purchase.

Class A accumulation units Change in net assets per unit	Year to 31.12.2016 pence	Year to 31.12.2015 pence	Year to 31.12.2014 pence
Opening net asset value per unit	421.47	356.48	303.18
Return before operating charges*	(10.84)	71.00	58.56
Operating charges	(6.13)	(6.01)	(5.26)
Return after operating charges*	(16.97)	64.99	53.30
Distributions	(1.65)	(0.47)	(0.43)
Retained distributions on accumulation units	1.65	0.47	0.43
Closing net asset value per share	404.50	421.47	356.48
* after direct transaction costs of:	0.35	0.43	0.99
Performance			
Return after charges	-4.03%	18.23%	17.58%
Other information			
Closing net asset value	£44,226,643	£61,737,799	£56,025,757
Closing number of units	10,933,716	14,648,081	15,716,532
Operating charges	1.55%	1.55%	1.56%
Direct transaction costs	0.09%	0.11%	0.29%
Prices			
Highest unit price	448.09p	451.03p	382.51p
Lowest unit price	349.53p	353.33p	308.78p

Class B accumulation units Change in net assets per unit	Year to 31.12.2016 pence	Year to 31.12.2015 pence	Year to 31.12.2014 pence
Opening net asset value per unit	427.51	359.68	304.48
Return before operating charges*	(7.64)	71.98	58.81
Operating charges	(4.23)	(4.15)	(3.61)
Return after operating charges*	(11.87)	67.83	55.20
Distributions	(3.73)	(2.44)	(2.12)
Retained distributions on accumulation units	3.73	2.44	2.12
Closing net asset value per unit	415.64	427.51	359.68
* after direct transaction costs of:	0.36	0.44	1.00
Performance			
Return after charges	-2.78%	18.86%	18.13%
Other information			
Closing net asset value	£9,010,289	£9,920,724	£5,470,639
Closing number of units	2,167,828	2,320,593	1,520,957
Operating charges	1.05%	1.05%	1.06%
Direct transaction costs	0.09%	0.11%	0.29%
Prices			
Highest unit price	435.91p	438.58p	370.33p
Lowest unit price	357.62p	358.54p	311.76p

COMPARATIVE TABLE (CONTINUED)

Class P accumulation units Change in net assets per unit	Year to 31.12.2016 pence	Year to 31.12.2015 pence	Year to 31.12.2014 pence
Opening net asset value per unit	431.13	361.47	305.28
Return before operating charges*	(6.73)	72.85	58.98
Operating charges	(3.25)	(3.19)	(2.79)
Return after operating charges*	(9.98)	69.66	56.19
Distributions	(4.81)	(3.44)	(2.98)
Retained distributions on accumulation units	4.81	3.44	2.98
Closing net asset value per unit	421.15	431.13	361.47
* after direct transaction costs of:	0.36	0.45	1.02
Performance			
Return after charges	-2.31%**	19.27%	18.41%
Other information			
Closing net asset value	£341,004,926	£268,194,783	£110,855,644
Closing number of units	80,969,590	62,207,917	30,667,880
Operating charges	0.80%	0.80%	0.81%
Direct transaction costs	0.09%	0.11%	0.29%
Prices			
Highest unit price	439.10p	441.69p	372.15p
Lowest unit price	361.63p	360.36p	312.57p

**This performance figure is not the same as the figure stated in the performance table on page 1, as it is calculated using the net asset value prices, as opposed to the bid prices.

Operating charges are the same as the ongoing charges and are the total expenses paid by each unit class in the year. Direct transaction costs are the total charges for the year, included in the purchase and sale of investments in the portfolio of the Fund. These amounts are expressed as a percentage of the average net asset value over the year and the average units in issue for the pence per unit figures.

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 December 2016

Holding or nominal value as at 31 Dec 16		Bid value £	Percentage of total net assets %
	Construction & Materials (0.96%, Dec 2015 - Nil)		
5,250,000	Breedon Aggregates	3,780,000	0.96
	Total Construction & Materials	3,780,000	0.96
	Electricity (1.12%, Dec 2015 - 1.39%)		
7,300,000	OPG Power Ventures	4,416,500	1.12
	Total Electricity	4,416,500	1.12
	Financial Services (4.21%, Dec 2015 - 3.37%)		
521,828	Arbuthnot Banking Group	7,227,318	1.83
390,000	Close Brothers Group	5,623,800	1.43
1,040,138	Liontrust Asset Management	3,747,097	0.95
	Total Financial Services	16,598,215	4.21
	General Retailers (4.58%, Dec 2015 - 0.59%)		
1,000,000	Bonmarché Holdings	850,000	0.22
1,584,982	CVS Group	17,181,205	4.36
	Total General Retailers	18,031,205	4.58
	Household Goods & Home Construction (9.09%, Dec 2015 - 11.53%)		
485,000	Bellway	11,756,400	2.98
630,000	Bovis Homes Group	5,096,700	1.29
365,000	Galliford Try	4,693,900	1.19
2,301,962	Redrow	9,783,339	2.48
1,450,000	Telford Homes	4,524,000	1.15
	Total Household Goods & Home Construction	35,854,339	9.09
	Industrial Engineering (1.35%, Dec 2015 - 1.06%)		
400,000	Pressure Technologies	640,000	0.16
2,369,307	Trifast	4,697,151	1.19
	Total Industrial Engineering	5,337,151	1.35
	Industrial Transportation (2.72%, Dec 2015 - 1.90%)		
3,775,000	Avation	7,285,750	1.85
220,000	Fisher (James) & Sons	3,445,200	0.87
	Total Industrial Transportation	10,730,950	2.72
	Life Insurance (4.08%, Dec 2015 - Nil)		
1,000,000	Prudential	16,095,000	4.08
	Total Life Insurance	16,095,000	4.08
	Leisure Goods (0.81%, Dec 2015 - 0.85%)		
1,911,893	Photo-Me International	3,178,522	0.81
	Total Leisure Goods	3,178,522	0.81
	Media (12.58%, Dec 2015 - 9.73%)		
5,799,999	Entertainment One	13,218,198	3.35
6,825,000	ITV	13,813,800	3.50
1,352,618	Matomy Media Group	1,555,511	0.39
2,350,000	Next Fifteen Communications Group	7,120,500	1.81
2,170,000	STV Group	7,708,925	1.96
1,275,000	Taptica International	2,167,500	0.55
4,317,481	XLMedia	4,015,257	1.02
	Total Media	49,599,691	12.58

PORTFOLIO STATEMENT

as at 31 December 2016

Holding or nominal value as at 31 Dec 16		Bid value £	Percentage of total net assets %
	Mobile Communications (Nil, Dec 2015 - 0.01%)		
	Total Mobile Communications	0	0.00
	Oil & Gas Producers (0.82%, Dec 2015 - 0.58%)		
12,503,900	Amerisur Resources	3,219,754	0.82
	Total Oil & Gas Producers	3,219,754	0.82
	Pharmaceuticals & Biotechnology (13.25%, Dec 2015 - 15.65%)		
25,000,000	Alliance Pharma	11,750,000	2.98
180,000	Clinigen Group	1,323,000	0.34
2,900,000	Ergomed	4,437,000	1.13
1,130,708	Hutchison China MediTech	25,554,001	6.48
6,031,478	Quantum Pharma	2,563,378	0.65
4,776,949	Vectura Group	6,601,744	1.67
	Total Pharmaceuticals & Biotechnology	52,229,123	13.25
	Software & Computer Services (9.99%, Dec 2015 - 11.18%)		
15,072,123	dotDigital Group	8,440,389	2.14
850,000	First Derivatives	17,425,000	4.42
4,051,149	NCC Group	7,352,835	1.86
6,913,895	Redcentric	6,170,651	1.57
	Total Software & Computer Services	39,388,875	9.99
	Support Services (17.35%, Dec 2015 - 18.03%)		
4,850,000	Communisis	2,097,625	0.53
615,105	Essentra	2,823,332	0.72
27,600,000	Inspired Energy	3,726,000	0.94
4,450,000	IWG	10,884,700	2.76
4,270,000	Lakehouse	1,387,750	0.35
1,750,000	Mears Group	7,704,375	1.95
3,550,000	Paysafe Group	12,961,050	3.29
4,133,600	Restore	15,501,000	3.93
628,617	Staffline Group	5,230,093	1.33
4,940,000	WYG	6,125,600	1.55
	Total Support Services	68,441,525	17.35
	Technology Hardware & Equipment (0.39%, Dec 2015 - 0.44%)		
417,500	CML Microsystems	1,523,875	0.39
	Total Technology Hardware & Equipment	1,523,875	0.39
	Travel & Leisure (2.96%, Dec 2015 - 3.07%)		
8,447,999	Marston's	11,379,455	2.89
3,361,097	NetPlay TV	268,888	0.07
	Total Travel & Leisure	11,648,343	2.96
	Overseas Securities (4.65%, Dec 2015 - 4.22%)		
400,000	Hutchison China MediTech ADR	4,540,188	1.15
162,000	Walt Disney	13,786,193	3.50
	Total Overseas Securities	18,326,381	4.65

PORTFOLIO STATEMENT

as at 31 December 2016

Holding or nominal value as at 31 Dec 16		Bid value £	Percentage of total net assets %
	Unquoted Securities (0.00%, Dec 2015 - 0.00%)		
175,949	Sinclair (William) Holdings	0	0.00
	Total Unquoted Securities	0	0.00
	Portfolio of investments	358,399,449	90.91
	Net current assets on capital account	35,842,409	9.09
	Net assets	394,241,858	100.00

FINANCIAL STATEMENTS
For the year ended 31 December 2016

Statement of total return

	Notes	31 December 2016		31 December 2015	
		£	£	£	£
Income:					
Net capital gains/(losses)	4		(12,046,208)		37,313,772
Revenue	6	7,428,716		3,947,067	
Expenses	7	(3,320,369)		(2,292,894)	
Net revenue/(expense) before taxation		4,108,347		1,654,173	
Taxation	8	(57,722)		(31,097)	
Net revenue/(expense) after taxation			4,050,625		1,623,076
Total return before distributions			(7,995,583)		38,936,848
Distributions	9		(4,050,625)		(1,623,076)
Change in net assets attributable to unitholders from investment activities			(12,046,208)		37,313,772

Statement of change in net assets attributable to unitholders

	31 December 2016		31 December 2015	
	£	£	£	£
Opening net assets attributable to unitholders		339,853,306		172,352,040
Amounts receivable on issue of units	87,554,793		139,445,900	
Amounts payable on cancellation of units	(25,243,446)		(11,470,398)	
Amounts payable on unit class conversions	(29,793)		(51,418)	
		62,281,554		127,924,084
Change in net assets attributable to unitholders from investment activities		(12,046,208)		37,313,772
Retained distribution on accumulation units		4,153,206		2,263,410
Closing net assets attributable to unitholders		394,241,858		339,853,306

FINANCIAL STATEMENTS
as at 31 December 2016

Balance sheet

	Notes	31 December 2016	31 December 2015
		£	£
Assets:			
Fixed Assets:			
Investment assets	16	358,399,449	284,111,033
Current Assets:			
Debtors	10	1,467,786	2,874,085
Cash and bank balances	11	34,671,298	53,445,842
Total assets		394,538,533	340,430,960
Liabilities:			
Creditors:			
Other creditors	12	296,675	577,654
Total liabilities		296,675	577,654
Net assets attributable to unitholders		394,241,858	339,853,306

FINANCIAL STATEMENTS

Notes to the financial statements

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 equities are recognised when the security is quoted ex-dividend. 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 29 December 2016. 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.

FINANCIAL STATEMENTS

Notes to the financial statements

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 period.

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.

FINANCIAL STATEMENTS

Notes to the financial statements

DISTRIBUTION POLICIES

c Stock dividends
In the case of an ordinary stock dividend the whole amount is recognised as revenue. In the case of an enhanced stock dividend, the value of the enhancement, calculated as the amount by which the total market value of the shares on the date they are quoted ex-dividend exceeds the cash dividend is treated as capital. The balance is treated as revenue.

d 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 6, the Fund holds a number of financial instruments. The Fund's financial instruments comprise securities, 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 creations 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 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.

FINANCIAL STATEMENTS

Notes to the financial statements

4 NET CAPITAL GAINS/(LOSSES)	31 December 2016 £	31 December 2015 £
The net gains/(losses) on investments during the year comprise:		
Non-derivative securities	(11,976,319)	37,345,141
Currency gains/(losses)	(61,992)	(23,345)
Transaction charges	(7,897)	(8,024)
Net capital gains/(losses)	(12,046,208)	37,313,772

5 PURCHASES, SALES AND TRANSACTION COSTS (All purchases and sales are in the equity asset class)	31 December 2016 £	31 December 2015 £
Purchases excluding transaction costs	92,111,389	86,639,928
Corporate actions	9,619,794	28,323,077
	101,731,183	114,963,005
Commissions	84,572	71,727
Taxes and other charges	231,268	174,963
Total purchase transaction costs	315,840	246,690
Purchases including transaction costs	102,047,023	115,209,695
Purchase transaction costs expressed as a percentage of the principal amount:		
Commissions	0.09%	0.08%
Taxes and other charges	0.25%	0.20%
Sales excluding transaction costs	14,194,995	12,614,464
Corporate actions	1,600,121	380,987
	15,795,116	12,995,451
Commissions	(12,703)	(9,788)
Taxes and other charges	(125)	(110)
Total sale transaction costs	(12,828)	(9,898)
Sales net of transaction costs	15,782,288	12,985,553
Sales transaction costs expressed as a percentage of the principal amount:		
Commissions	0.09%	0.08%
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:	0.09%	0.11%
Transaction handling charges	7,897	8,024

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	1.31%	1.53%

6 REVENUE	31 December 2016 £	31 December 2015 £
UK dividends	6,762,790	3,336,503
UK dividends (unfranked)	0	122,804
Overseas dividends	575,729	322,136
Bank interest	90,197	165,624
Total revenue	7,428,716	3,947,067

FINANCIAL STATEMENTS

Notes to the financial statements

7 EXPENSES	31 December 2016	31 December 2015
	£	£
Payable to the manager or associate:		
Manager's periodic charge	3,148,558	2,185,593
Registration fees	5,801	4,639
	3,154,359	2,190,232
Payable to the trustee or associate:		
Trustee's fees	132,775	82,663
Safe custody fees	27,000	16,540
Interest	2,967	0
	162,742	99,203
Other expenses:		
Financial Conduct Authority fee	164	171
Audit fee	3,104	3,288
	3,268	3,459
Total expenses	3,320,369	2,292,894

8 TAXATION	31 December 2016	31 December 2015
	£	£
a Analysis of the tax charge for the year		
UK Corporation tax at 20%	0	0
Overseas tax	57,722	31,097
Total tax charge	57,722	31,097
b Factors affecting the tax charge for the year		
Net revenue/(expense) before taxation	4,108,347	1,654,173
Corporation tax at 20%	821,670	330,835
Effects of:		
Revenue not subject to taxation	(1,467,704)	(731,728)
Unrelieved excess management expenses	646,034	400,893
Overseas tax	57,722	31,097
Current tax charge	57,722	31,097

At 31 December 2016 the Fund has deferred tax assets of £1,856,291 (31.12.15 - £1,210,257) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

9 DISTRIBUTIONS	31 December 2016	31 December 2015
	£	£

Revenue will normally be deemed to be distributed annually on the last day of February.
The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units, and comprise:

Final	4,153,239	2,263,412
Add: Revenue deducted on cancellation of units	164,432	3,399
Deduct: Revenue received on creation of units	(237,219)	(592,314)
Equalisation on conversions	(29,793)	(51,418)
Revenue carried forward	(34)	(3)
Distributions	4,050,625	1,623,076

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

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10 DEBTORS

	31 December 2016	31 December 2015
	£	£
Amounts receivable for creation of units	374,311	2,069,516
Accrued income	1,092,700	803,794
Taxation recoverable	775	775
Total debtors	1,467,786	2,874,085

11 CASH AND BANK BALANCES

	31 December 2016	31 December 2015
	£	£
Capital bank account	31,321,425	51,737,159
Revenue bank account	3,349,873	1,708,683
Total cash and bank balances	34,671,298	53,445,842

12 OTHER CREDITORS

	31 December 2016	31 December 2015
	£	£
Purchases awaiting settlement	0	310,266
Accrued expenses	296,675	267,388
Total other creditors	296,675	577,654

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 December 2016	31 December 2015
	£	£
Marlborough Fund Managers Ltd	(94,342)	(1,817,858)

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:	0.003%	0.003%

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 £3,000); Class 'B' (minimum investment £100,000); and Class 'P' (minimum investment £5,000,000). The annual management charges are 1.5%, 1% 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 as at 1 January 2016	14,648,081	2,320,593	62,207,917
Unit issues	493,792	501,137	20,479,809
Unit cancellations	(578,270)	(465,018)	(5,454,220)
Unit conversions	(3,629,887)	(188,884)	3,736,084
Closing units in issue at 31 December 2016	10,933,716	2,167,828	80,969,590

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 £17,919,972 (31.12.15 - £14,205,552). 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. These net assets consist of the following:

Foreign currency exposure at 31 December 2016:	Investments £	Net current assets £	Total £
US Dollar	18,326,381	87,643	18,414,024
	18,326,381	87,643	18,414,024

Foreign currency exposure at 31 December 2015:	Investments £	Net current assets £	Total £
US Dollar	14,356,353	60,273	14,416,626
	14,356,353	60,273	14,416,626

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 £920,701 (31.12.15 - £720,831). 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 on a contractual basis:

	31 December 2016 £	31 December 2015 £
Within one year:		
Other creditors	296,675	577,654
	296,675	577,654

FINANCIAL STATEMENTS

Notes to the financial statements

16 FAIR VALUE HIERARCHY FOR INVESTMENTS

Fair value hierarchy as at 31 December 2016

	31 December 2016		31 December 2015	
Valuation technique	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1	358,399,449	0	284,111,033	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	358,399,449	0	284,111,033	0

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

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

In accordance with FRS102 the Fund classifies fair value measurement under the following levels:-
Level 1 - 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 date is unavailable) for the asset or liability.

Sinclair (William) Holdings is valueless and will be removed from the valuation when the trustee receives notification.

17 DISTRIBUTION TABLE

For the year ended 31 December 2016

ACCUMULATION UNITS
Group 1: units purchased prior to 1 January 2016
Group 2: units purchased on or after 1 January 2016

		Net revenue to 31-Dec-16 pence per unit	Equalisation to 31-Dec-16 pence per unit	Distribution payable 28-Feb-17 pence per unit	Distribution paid 29-Feb-16 pence per unit
Class 'A'	Group 1	1.6499p	0.0000p	1.6499p	0.4726p
	Group 2	0.7471p	0.9028p	1.6499p	0.4726p
Class 'B'	Group 1	3.7314p	0.0000p	3.7314p	2.4374p
	Group 2	1.6264p	2.1050p	3.7314p	2.4374p
Class 'P'	Group 1	4.8066p	0.0000p	4.8066p	3.4362p
	Group 2	1.6755p	3.1311p	4.8066p	3.4362p

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

Franked	98.79%	Unfranked	1.21%

£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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