



MFM Hathaway Fund

Short Report

For the period from 1st October 2012 to 31st March 2013



Fund Details

MFM Hathaway Fund

Manager and Registrar

Marlborough Fund Managers Ltd
Marlborough House
59 Chorley New Road
Bolton BL1 4QP

Customer Support: 0808 145 2500 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority

Trustee

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Authorised and regulated by the Financial Conduct Authority

Investment Adviser

Hathaway Investment Management Limited
Grosvenor House
14 Bennetts Hill
Birmingham
B2 5RS

Authorised and regulated by the Financial Conduct Authority

Auditors

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

MFM HATHAWAY FUND

GENERAL INFORMATION

Investment Objective

To achieve long-term growth of investors' capital and income. Though there will be a general emphasis on a fair immediate yield, the Scheme may occasionally buy securities which do not pay dividends. The Investment Advisers to the Manager will undertake their own security analysis (rather than relying on external research sources or commentary) and form their own views as to the merits of specific securities. At times it may be appropriate for the Scheme not to be fully invested but to hold cash and near cash.

Restrictions

The pattern of operations will concentrate upon investment grade sterling bonds of companies, corporations, public bodies, institutions and sovereign issuers and the equities of corporations considered by the investment adviser to represent sound long-term value.

The Scheme may invest in derivatives and forward transactions for the purposes of hedging only.

Risk Profile

The fund aims to achieve a satisfactory *total return* by investing in primarily UK equities and bonds. Apart from the usual risks present in predominantly large capitalisation stocks (which comprise the largest single class of securities in the portfolio), the fixed income component (in particular) can be at risk from rising inflation; some securities bear currency risk, while all may be vulnerable to rising interest rates. With the aim of managing the effect of these factors, the investment adviser monitors how capital is allocated and make adjustments accordingly, as the pricing of risks changes in the market in which the fund is invested.

Risk Warning

The past is not necessarily a guide to future performance. Investments and the income derived from them can fall as well as rise and the investor may not get back the amount originally invested. The fund is subject to an initial charge and consequently charges are not made uniformly throughout the period of the investment. Changes in exchange rates between currencies may cause the value of the investment to diminish or increase. Investments in fixed interest securities are subject to market and credit risk and will be impacted by interest rates. The Fund has a concentrated portfolio which means greater exposure to a smaller number of securities than a more diversified portfolio.

Change in Prospectus

No changes have been made since the last report.

Reports and Accounts

The purpose of sending this Short Report is to present you with a summary of how the fund has performed during the accounting period in accordance with the FCA rules. If you wish to request further information, the more detailed long form report is available. For a copy please write to Marlborough Fund Managers Ltd, Marlborough House, 59 Chorley New Road, Bolton BL1 4QP or telephone customer services on 0808 145 2500.

AUTHORISED INVESTMENT ADVISER'S REPORT

For the six month period ended 31 March 2013

Percentage change and sector position to 31 March 2013

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>
MFM Hathaway Fund	14.02%	16.81%	29.02%	42.16%
Sector Average	11.42%	12.80%	20.53%	30.05%
Rank*	17/141	8/137	11/120	11/94
Quartile Ranking*	1	1	1	1

*Based on ranking within Mixed Investment 40-85% Shares Sector
External Source of Economic Data: Morningstar (bid to bid, net income reinvested)

Recent performance

We have pleasure in presenting our semi - annual report on our *equity and bond* unit trust, which posted an overall advance of 14.02% in the six months, being a 14.085p increase in *accumulation* units (which class records the fund's *total return*), as against 13.6% for the general stock market, 12.6% from blue chips and just 0.2% from gilts. Since launch in November 2002, those units have advanced from 50p to 114.515p – equivalent, assuming we were to stay at the same level until September, to annual compounding at just over 7.5%.

In this latest report (our twentieth in the series), we record an encouraging sixteenth positive period return and the table below illustrates the relevant long term *data*, including comfortably beating the *comparator* (our “benchmark”) over both the half year and since we launched – doubly satisfying as our target bears no frictional costs (the expenses of running our fund). In both *absolute* and *relative* return terms, it was our best half year since we started in 2002 and of course followed on from the gratifying performance for 2011/12.

Reflecting our score at the half way stage, the *Morningstar* table above places us well above average over the six months and also for one, three and five years; we remain pretty much at the top of the league tables.

The main reason for the healthy performance in the half year, was the quality of our company shares – whose overall return was approximately 16%; that part of our portfolio has now advanced, in *total return* terms, by approximately 151% since we launched, as against 141% for the general stock market and 122% for *blue chips* (recorded by the FTSE 100, which is probably the most appropriate index with which to compare our equities).

As many investors and commentators continue to say that the “cult of the equity is dead” and that bonds remain the securities of choice, it is worth reflecting on the fact that the *total return* on all government bonds, has been 82% since we started and of course was well behind inflation in the half year.

Long term performance – the ten and a half year record

We set out below the complete records for our benchmark, the FTSE 100 and the general stock market, together with the figures for our fund's equity portfolio:

Year	MFM Hathaway Fund	Target benchmark (30% gilts, 70% equities)	FTSE 100 (equities)	FTSE All Share (equities)	Fund equities
2002/2012	+100.8%	+102.8%	+97.5%	+112.0%	+116.5%
2012/2013	+14.0%	+9.6%	+12.6%	+13.6%	+16.0%
Cumulative	+129.0%	+122.2%	+122.3%	+141.0%	+151.1%

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

Developments in the half year

In recent fund reports we issued a note of caution about the stock market and, indeed, as it has continued to shine, we are now not terribly enthusiastic about our equity portfolio; accordingly, we are quietly reducing our exposure to some of our companies which we see as fully valued, and moving into areas where we see opportunity to acquire lower risks for the fund (but with prospective returns superior to fixed income).

We continue though, to receive good business reports from our investees and we would single out the excellent performances, over the last year or so, of Law Debenture and Henderson High Income amongst our investment funds – they represent gifts which keep giving and have served our unit holders well over both the short term and the long haul.

One immediate challenge is Severfield Rowen (which built, amongst other projects, the massive steel structures for the Wimbledon Centre Court roof and the 2012 Olympic stadium); the company recently experienced problems constructing “The Cheese Grater” building in the City of London and this led to a *rights issue*. We have backed the management and, although this is now on the “workout pile”, we expect our investment eventually to perform (in a not dissimilar fashion to Travis Perkins a few years ago), although patience remains the order of the day. It has however, only ever been a small holding, so it has not materially affected performance.

Outlook

Although the investing scene *looks* calmer now after the mere blip that was Cyprus (and Italy, Spain, Portugal and Greece return to a degree of normality) there will still be challenges; hurdles include rising interest rates (if *quantitative easing* works) and inflation at a far higher level - over the last fifty years it has averaged 6% *per annum*, so we can probably expect bad news.

We were surprisingly prescient in our 2012 annual report when we quoted the reminder (actually in relation to gilts and their high valuation) that “all that glitters is not gold” - it has been the turn of that precious metal to remind investors that nothing is a given – it has fallen sharply this year and of cold comfort to some is the fact that balloons don’t always burst – they sometimes just shrivel instead. Government bonds are as high as they look.

Equities therefore remain the place to be, but quality and risk/price remain paramount considerations.

In closing, we would remind our investors, as always, to keep their expectations to a sensible level and to remember that all securities markets are two way streets; all long haul flights experience turbulence.

We look forward though, to reporting the annual performance in the autumn, while more about our *value investing* philosophy and the current fund prices and performance are on our website.

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

Notes

1. Statistical sources: the benchmark and index figures we quote in the second table are derived from *data* recorded in the Financial Times newspaper (and all are calculated on a *mid-to-mid* price basis, with net income reinvested); the MFM Hathaway Fund, also, shows performance based on the mid-price of *accumulation* units, so that all figures in that exhibit are on the same footing. Movements in the price of an *accumulation* unit provide a complete record, since accrued income is included alongside capital performance (and all charges and costs are taken into account).
2. "Equities" means company shares and the FTSE All Share Index (what we generally mean by "the stock market") records the aggregate experience of almost all quoted companies; "Gilts" means UK government bonds. The FTSE 100 Index covers just the largest quoted companies (the "blue chips" or "large capitalisation" or "large cap" stocks), so we instead use the first of these three indices (as to 70%) in calculating our target.
3. The benchmark is intended as a rough guide to how adroitly the portfolio has been invested over any period (particularly the allocation between bonds and equities) reflecting how a typical conservative private investor's commitments might be constructed.
4. The cumulative figures in the second table very accurately show the *total return* from 25.11.02 to 31.03.13; any discrepancy is due to rounding in preparing discrete statistics and is not material.
5. Any references to "year" (or, for example, "2002/2012") in the tables or the text, is to the fund year or years – October 1st to September 30th, except for 2002/03 (now contained only in aggregate numbers here), which was for the period starting on 25th November 2002. The actual valuation dates for the unit trust (and the comparative indices/benchmark) may, in some years, vary by a day or so from these dates, but we are consistent in using the same numbers to commence subsequent periods etc.

Distributions

		Year 2013	Year 2012	Year 2011	Year 2010
Net income paid 31 May	(inc units)	0.8353ppu	0.6043ppu	0.4535ppu	0.6571ppu
	(acc units)	1.0372ppu	0.7399ppu	0.5483ppu	0.7834ppu
Net income paid 30 November	(inc units)	-	0.5019ppu	0.4946ppu	0.3578ppu
	(acc units)	-	0.6194ppu	0.6014ppu	0.4304ppu

Graham Englefield
 Graham Shaw, CFA
 Robert Bogle
 10 May 2013

www.hathawayinvestment.com

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MFM HATHAWAY FUND

Portfolio Changes

For the six month period ended 31 March 2013

Purchases	Cost (£)	Sales	Proceeds (£)
Vodafone Group	316,943	Anglo & Overseas Trust	740
Henderson High Inome Trust	151,201	Jupiter Split	20
Bond amortisation	2,065		
Total purchases for the period	470,209	Total sales for the period	742

TOP TEN HOLDINGS AS AT 31 MARCH 2013

	%
Treasury 2% 22/01/2016	12.15
Diageo	7.21
Scottish Mortgage Investment Trust	6.62
Berkshire Hathaway 'B'	5.45
Proctor & Gamble	4.93
Tesco	4.88
Kone 'B'	4.71
Caledonia Investments	4.49
Britvic	4.39
Law Debenture Corp	4.12

TOP TEN HOLDINGS AS AT 30 SEPTEMBER 2012

	%
Treasury 2% 22/01/2016	13.34
Diageo	6.65
Scottish Mortgage Investment Trust	6.17
Berkshire Hathaway 'B'	4.74
Tesco	4.61
Proctor & Gamble	4.52
Kone 'B'	4.35
Caledonia Investments	3.97
Britvic	3.93
Law Debenture Corp	3.87

FUND FACTS

Launched Income Units 4 November 2002 at 50p
Launched Accumulation Units 4 November 2002 at 50p

Accounting Dates (Final) 30 September
 (Interim) 31 March

Distribution Dates (Final) 30 November
 (Interim) 31 May

Minimum Investment £1,000

IMA Sector Mixed Investment 40-85% Shares

MFM HATHAWAY FUND

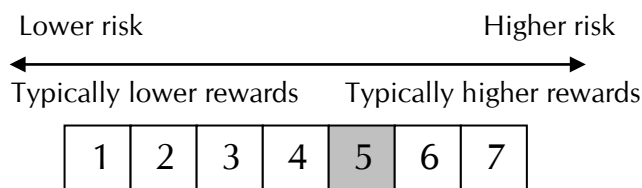
FUND FACTS (CONTINUED)

Ongoing Charge Figure as at: 31 March 2013 1.57%
30 September 2012 1.57%

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.

SYNTHETIC RISK AND REWARD INDICATOR



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

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

SUMMARY OF FUND PERFORMANCE

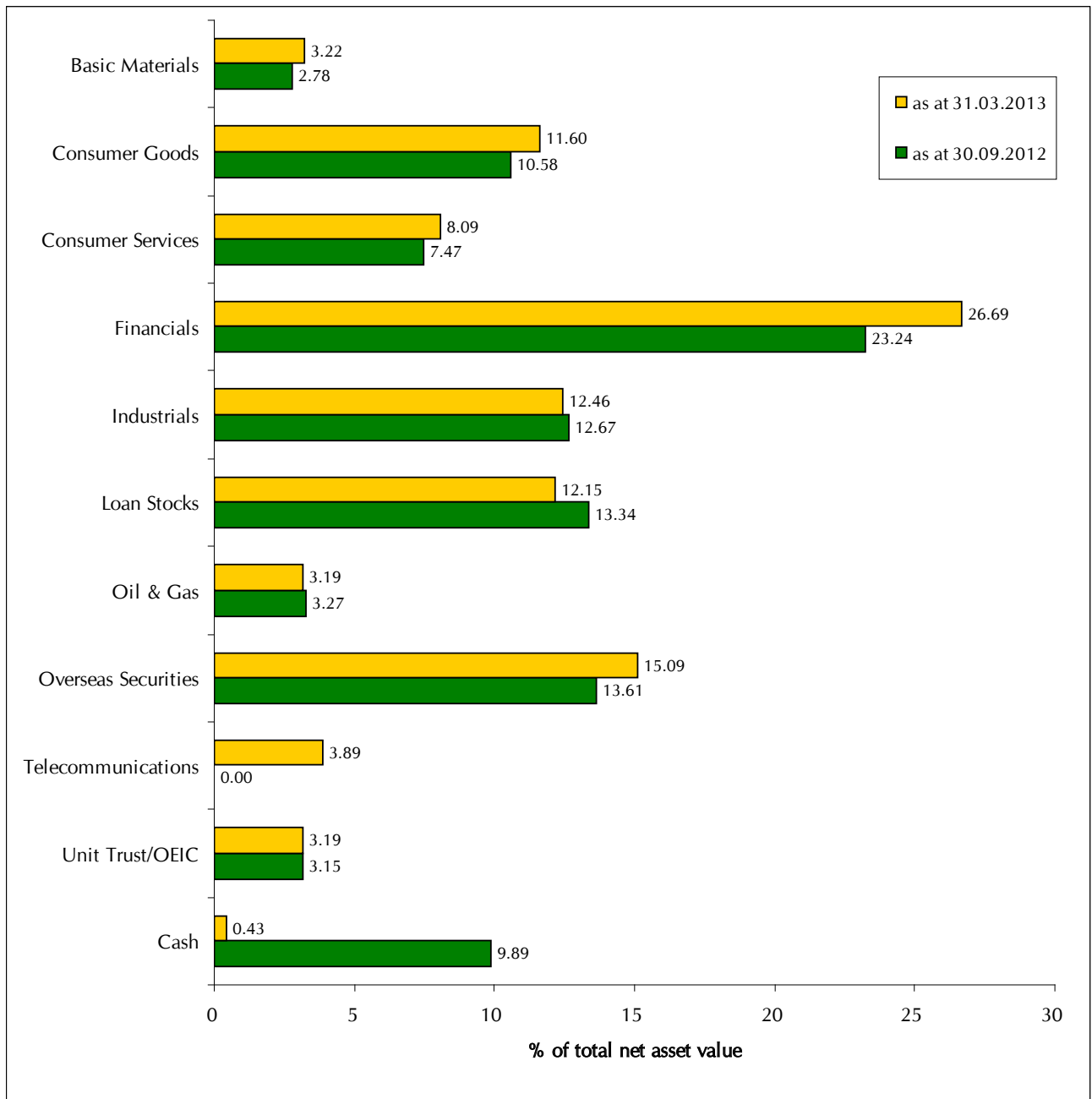
Unit Type	Year	Highest Price	Lowest Price	Distribution Per Unit
Income	2008	75.67p	54.43p	1.7192p
Income	2009	69.53p	49.47p	1.2876p
Income	2010	81.71p	66.02p	1.0149p
Income	2011	83.25p	70.30p	0.9481p
Income	2012	85.48p	72.88p	1.1062p
income	2013*	94.36p	82.68p	0.8353p
Accumulation	2008	86.01p	63.47p	1.9663p
Accumulation	2009	82.89p	57.69p	1.5108p
Accumulation	2010	98.78p	78.89p	1.2138p
Accumulation	2011	101.23p	85.48p	1.1497p
Accumulation	2012	106.15p	89.24p	1.3593p
Accumulation	2013*	117.18p	102.67p	1.0372p

*up to 31 March 2013

	Net Asset Value of Scheme Property	Net Asset Value Per Unit	
		Income	Accumulation
30 September 2010	£7,443,199	71.13p	85.56p
30 September 2011	£7,115,541	70.13p	85.28p
30 September 2012	£8,043,556	78.78p	97.84p
31 March 2013	£8,770,309	89.03p	111.59p

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PORTFOLIO BREAKDOWN



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Bolton
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Customer

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Intermediary

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