



MFM HATHAWAY FUND

Interim Report

For the six months period ended 31st March 2016

MFM HATHAWAY FUND

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MFM HATHAWAY FUND

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AUTHORISED INVESTMENT ADVISER'S REPORT

For the six month period ended 31 March 2016

Percentage change and sector position to 31 March 2016

	<u>Six Months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>
MFM Hathaway Fund	5.13%	4.86%	24.34%	49.59%
Sector Average	4.98%	-2.90%	13.47%	27.97%
Rank*	69/135	1/132	4/112	3/102
Quartile Ranking	3	1	1	1

*Based on ranking within The Investment Association Mixed Investment 40% - 85% Shares sector; the figure after the rank shows the number of funds in the class (e.g. 1st out of 132 funds).

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 5.1% in the six months, reflecting a 7.0p increase in *accumulation* units (recording *total return*).

This compares to 4.3% from the broader stock market, 4.7% from blue chips and the yet further gravity defying behaviour (3.5%) of gilts. Since launch in November 2002, the units we describe have advanced from 50p to 142.385p, equivalent to annual compounding (assuming that we stayed at the same level until our year end in September) of just below the annualised run rate of 8% posted six months ago.

Meanwhile, the *absolute* advance since September, refers us back to the annual report: amidst scant inflation, returns in appreciable single figures are gratifying and so the six monthly performance was better than it looks. It is also a pleasure to record our twenty-first positive period, spanning twenty-six yearly and interim letters, the good times more than compensating for the disappointments.

Finally, although the *relative* exhibit was only just ahead of the average over the six months, we languished at *first* place in our sector on the one-year column - our debut in the top spot at a time coinciding with a formal report.

Long term performance: the thirteen-and-a-half-year record

Looking to the longer term: we also remain very much with the elite runners in the group over three and five years (at fourth and third, respectively), while the very long term is record is also easy on the eye.

We therefore set out below, up to date records for the Fund, its benchmark, the FTSE 100 and the general stock market, together with our equities, since we started our work in late 2002:

Year(s)	MFM Hathaway Fund	Target benchmark	FTSE 100	FTSE All Share	Fund equities
2002/2015	+170.70%	+141.70%	+130.00%	+159.30%	+196.30%
2015/2016	+5.13%	+4.00%	+4.74%	+4.31%	+5.41%
Cumulative	+184.77%	+151.66%	+141.00%	+170.58%	+212.32%

In summary, the long term *relative* performance is better still than as described in September, the prior long term superiority magnifying the small outperformance this time. This reflects the mathematics of the *compound interest model*, which we slavishly seek to set to work.

To put that principle into practical terms: all the time we are acquiring interests in companies with better than average rates of return on their invested capital, something good is going to happen to our unitholders.

Our pattern of operations also serves as some protection when the general stock market is in decline – witness our return in the last year (and in the six months and one-year column set out in our September letter); we have previously recorded, that outperforming a falling market is the *litmus test* of a portfolio's quality (and an investor's philosophy in action).

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

Finally, on our long term record, the revered John Bogle in the US (no relation to our team) said, in his excellent book on mutual funds twenty-two years ago, that a vehicle such as the MFM Hathaway unit trust (*i.e.* a commitment representing a balanced approach with equities, bonds and cash) ..." is a complete investment program in a single portfolio..." and so we based our fund on that broad approach when we launched.

However, he also observed pithily (chastening us from the off) that, for the most part, balanced funds provide lower relative long term returns than equity funds; therefore, whilst it is gratifying to be a clear exception to that general observation, there is no room for complacency.

Investing conditions & portfolio developments

A year ago we said that, generally, government bonds offer the prospect of calamity ahead and yet, in September, we added that it may not be long before they start to make sense again; well, their performance in the half year *appears* to have procrastinated both outcomes.

In reality though, both developments will be on the cards at some point; the only thing that happened in the half year is that six months went by, even if – waiting for gilts to become attractive again - feels like waiting for the telephone to ring in the Carlsberg complaints department.

There were signs of an unwinding in government bonds a short time ago (a decline started and then stalled), but the spectre of Brexit from the EU seems to have given them succour.

Meanwhile, we continue also to be cautious about general stock market prices and, for the most part, unenthusiastic about our company share portfolio; equities may not be as high as they look, but they are high nonetheless.

Along the way, we experienced a headwind in the Brazilian economy, with it affecting our newly acquired Ocean Wilsons, which operates port and related facilities there, although the dollar's strength is helping to ameliorate that. We were also disappointed to lose ISG in a takeover, as fellow shareholders accepted a low ball offer although, overall, our investment worked out satisfactorily.

Finally, we made just \$6275 in the half year, from a quasi-arbitrage position in Baxalta (acquired on the New York Stock Exchange) – which development ran out of steam; however, as we had sold most of our holding of Land Securities to raise capital for that workout – and the latter promptly fell 20% or so *after* we divested it – the overall scheme worked out well.

Outlook

Most importantly, we will continue to do what is *feasible*, rather than chase the rainbows furnished by market predictors. After all, we can remember when the 10-year gilt yielded 8% and oil – at \$200 a barrel – was faithfully promised to go higher still (it is currently around \$43).

Markets turn when least expected – like Shanghai nearly a year ago – so all those “investors” piling into London property, as it imitates Icarus, might contemplate just what compound return they can rationally expect from buying at these levels; nothing grows to the sky.

The vote in June, on whether we should remain in the EU, will overshadow events over the summer; others are clearly shortening their time horizons, which requires us to be even more long term in our thinking. Accordingly, we will continue to treat the stock market as there to serve us and not to instruct us, while we seek investments of permanent value.

In closing, we remind our investors to keep expectations to a sensible level and not to expect unrealistic outcomes; to return to John Bogle: "...the long term merits of balanced investing are quite sufficient in and of themselves [*i.e.* without anticipating superiorities]..." Nevertheless, as ever, we will do our very best to exceed that for our unitholders, although there are no promises.

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

Accordingly, we look forward to reporting the annual performance in the autumn; meanwhile, more about *value investing*, the latest fund prices and performance are on our website.

Graham Englefield
Graham Shaw CFA
Robert Bogle

29 April 2016
www.hathawayinvestment.com

Notes

1. Statistical sources: benchmark and index figures quote *data* recorded in the Financial Times (and all are on a *mid-to-mid* price basis, with income reinvested); fund performance is based on the mid-price of *accumulation* units, which provides a complete record, since they carry accrued income alongside capital performance (less all charges and costs). All figures are therefore on the same footing.
2. "Equities" means company shares, the FTSE All Share Index reflecting almost all quoted companies; "gilts" means UK government bonds. The FTSE 100 Index records "blue chips" or "large capitalization" or "large cap" stocks; we use the first of these indices (as to 70%) – the remainder the performance of gilts - in calculating our *comparator* benchmark.
3. The benchmark is therefore a rough guide as to how adroitly the portfolio has been invested over any period (particularly highlighting 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 31.03.16; any discrepancy is due to rounding and is not material.
5. "Year" or "2002/2015" means the fund year or years – October 1st to September 30th - except for 2002/03 (reflected only in aggregate numbers here), which period commenced 25.11.02 (our launch). Actual valuation dates (and the comparative indices/benchmark) may, in some years, vary by a day or so, but we are consistent in using identical numbers to commence subsequent periods etc.

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Distributions

		Year 2016	Year 2015	Year 2014	Year 2013
Net income paid 31 May	(inc units)	0.4537ppu	0.7198ppu	0.9252ppu	0.8353ppu
	(acc units)	0.5973ppu	0.9209ppu	1.1664ppu	1.0372ppu
Net income paid 30 November	(inc units)		0.8373ppu	0.5542ppu	0.5741ppu
	(acc units)		1.0786ppu	0.7051ppu	0.7195ppu

Portfolio Changes

For the six month period ended 31 March 2016

Purchases	Cost (£)	Sales	Proceeds (£)
PZ Cussons	200,795	Treasury 2% 22.01.16	1,018,000
Meggitt	201,006	Baxalta	427,253
Amortisation on debt securities	(417)	ISG	256,500
Total purchases for the period	401,384	Total sales for the period	1,701,753

AUTHORISED STATUS AND GENERAL INFORMATION

Authorised Status

The Scheme is an authorised unit trust scheme within the meaning of The Financial Services and Markets Act 2000 and is a UCITS scheme operating under the Collective Investment Schemes Sourcebook (COLL) as issued by the Financial Conduct Authority.

Nature and Objectives of the Scheme

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.

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.

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 May 2016

MFM HATHAWAY FUND

FUND INFORMATION

Number of units in issue/Net asset value per unit

	Net asset value of scheme property	Income units in issue	Accumulation units in issue	Net asset value per unit	
				Income	Accum
30 September 2013	£9,476,059	4,851,739	4,012,242	95.62p	120.56p
30 September 2014	£10,257,521	4,790,947	4,500,236	97.24p	124.42p
30 September 2015	£10,299,816	4,513,410	4,337,802	101.50p	131.84p
31 March 2016	£10,688,052	4,398,960	4,292,841	106.87p	139.46p

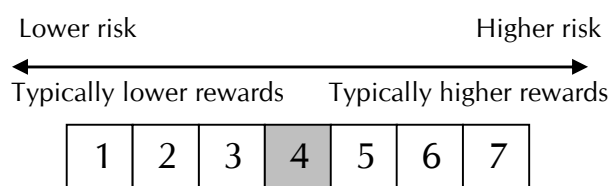
Ongoing charges

	Ongoing charges
30 September 2015	1.59%
31 March 2016	1.59%

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 4 because it has experienced moderate volatility historically. During the period the Fund's Synthetic Risk and Reward Indicator changed from a rating of 5 to 4.

MFM HATHAWAY FUND

Portfolio statement

as at 31 March 2016

Holding or nominal value as at 31 Mar 16		Bid value £	Percentage of total net assets %
LOAN STOCKS (4.05%, 30 Sept 15 - 14.15%)			
428,500	UK Treasury 1.75% 22.01.17	432,809	4.05
	Total Loan Stocks	432,809	4.05
AEROSPACE & DEFENCE (1.95%, 30 Sept 15 - Nil)			
51,000	Meggitt	208,896	1.95
	Total Aerospace & Defence	208,896	1.95
BEVERAGES (4.36%, 30 Sept 15 - 4.32%)			
65,400	Britvic	465,975	4.36
	Total Beverages	465,975	4.36
CONSTRUCTION & MATERIALS (4.60%, 30 Sept 15 - 4.91%)			
140,000	Costain Group	491,400	4.60
	Total Construction & Materials	491,400	4.60
EQUITY INVESTMENT INSTRUMENTS (10.35%, 30 Sept 15 - 10.68%)			
163,250	Henderson High Income Trust	277,525	2.60
77,300	Law Debenture	355,580	3.33
181,500	Scottish Mortgage Investment Trust	472,807	4.42
	Total Equity Investment Instruments	1,105,912	10.35
FOOD & DRUG RETAILERS (5.36%, 30 Sept 15 - 5.94%)			
336,000	Booker Group	572,544	5.36
	Total Food & Drug Retailers	572,544	5.36
INDUSTRIAL TRANSPORTATION (3.70%, 30 Sept 15 - 3.95%)			
53,500	Ocean Wilsons Holdings	395,900	3.70
	Total Industrial Transportation	395,900	3.70
LEISURE GOODS (2.32%, 30 Sept 15 - 2.71%)			
51,225	Games Workshop Group	248,569	2.32
	Total Leisure Goods	248,569	2.32
PERSONAL GOODS (2.29%, 30 Sept 15 - Nil)			
80,000	PZ Cussons	244,640	2.29
	Total Personal Goods	244,640	2.29
PHARMACEUTICALS & BIOTECHNOLOGY (4.43%, 30 Sept 15 - 4.29%)			
31,200	Genus	473,616	4.43
	Total Pharmaceuticals & Biotechnology	473,616	4.43
REAL ESTATE INVESTMENT & SERVICES (2.91%, 30 Sept 15 - 3.30%)			
5,475	Daejan Holdings	310,980	2.91
	Total Real Estate Investment & Services	310,980	2.91
REAL ESTATE INVESTMENT TRUSTS (5.85%, 30 Sept 15 - 6.25%)			
15,157	Land Securities Group	164,908	1.54
448,000	Primary Health Properties	460,320	4.31
44,800	Primary Health Properties Sub Shares	0	0.00
	Total Real Estate Investment Trusts	625,228	5.85

MFM HATHAWAY FUND

Portfolio statement

as at 31 March 2016

Holding or nominal value as at 31 Mar 16		Bid value £	Percentage of total net assets %
SUPPORT SERVICES (12.28%, 30 Sept 15 - 14.47%)			
100,000	Electrocomponents	242,300	2.27
137,574	Menzies (John)	658,292	6.16
22,515	Travis Perkins	412,024	3.85
	Total Support Services	<u>1,312,616</u>	<u>12.28</u>
TRAVEL & LEISURE (4.77%, 30 Sept 15 - 4.85%)			
336,000	Marston's	510,384	4.77
	Total Travel & Leisure	<u>510,384</u>	<u>4.77</u>
OVERSEAS SECURITIES (18.07%, 30 Sept 15 - 18.14%)			
4,625	Fresenius Medical Care	284,968	2.67
320	Givaudan	439,019	4.11
17,870	Kone 'B'	602,066	5.63
24,685	Nokian Renkaat	604,499	5.66
	Total Overseas Securities	<u>1,930,552</u>	<u>18.07</u>
UNQUOTED SECURITIES (0.00%, 30 Sept 15 - 0.00%)			
65,000	Anglo & Overseas Trust	0	0.00
	Total Unquoted Securities	<u>0</u>	<u>0.00</u>
	Portfolio of investments	9,330,021	87.29
	Net current assets on capital account	<u>1,358,031</u>	<u>12.71</u>
	Net assets	<u>10,688,052</u>	<u>100.00</u>

The investments of the Fund have been valued at their fair value at 12 noon on 29 February 2016. Fair value is normally the 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.

Anglo & Overeas Trust will be removed from the valuation when we receive confirmation that the stock has been wound up and no other liquidation payments are due to be paid.

Portfolio transactions for the six months ended 31 March 2016

	£
Total purchases, including transaction charges	401,384
Total sales proceeds, net of transaction charges	1,701,753

MFM HATHAWAY FUND

INTERIM FINANCIAL STATEMENTS (unaudited)
For the six months ended 31 March 2016

Statement of total return

	31 March 2016		31 March 2015	
	£	£	£	£
Income:				
Net capital gains/(losses)		543,163		527,993
Revenue	140,695		159,639	
Expenses	(84,263)		(83,901)	
Net revenue/(expense) before taxation	<u>56,432</u>		<u>75,738</u>	
Taxation	<u>(9,879)</u>		<u>(512)</u>	
Net revenue/(expense) after taxation		<u>46,553</u>		<u>75,226</u>
Total return before distributions		589,716		603,219
Distributions		(46,553)		(75,226)
Change in net assets attributable to unitholders from investment activities		<u><u>543,163</u></u>		<u><u>527,993</u></u>

Statement of change in net assets attributable to unitholders

	31 March 2016		31 March 2015	
	£	£	£	£
Opening net assets attributable to unitholders		* 10,299,816		10,257,521
Amounts receivable on issue of units	186,031		78,734	
Amounts payable on cancellation of units	<u>(366,593)</u>		<u>(518,422)</u>	
		(180,562)		(439,688)
Change in net assets attributable to unitholders from investment activities		543,163		527,993
Retained distribution on accumulation units		25,635		39,402
Closing net assets attributable to unitholders		<u><u>10,688,052</u></u>		* <u><u>10,385,228</u></u>

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

MFM HATHAWAY FUND

INTERIM FINANCIAL STATEMENTS (unaudited) as at 31 March 2016

Balance sheet

	31 March 2016	31 March 2015
	£	£
Assets:		
Fixed Assets:		
Investments	9,330,021	10,089,417
Current Assets:		
Debtors	23,574	27,972
Cash and bank balances	1,456,233	224,025
Total assets	<u>10,809,828</u>	<u>10,341,414</u>
Liabilities:		
Creditors:		
Distribution payable on income units	19,959	37,792
Other creditors	101,817	3,806
Total liabilities	<u>121,776</u>	<u>41,598</u>
Net assets attributable to unitholders	<u>10,688,052</u>	<u>10,299,816</u>

Notes to the interim financial statements

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 September 2015 and are described in those annual financial statements.

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Authority and a member of The Investment Association