MFM HATHAWAY FUND

INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS

For the six month period ended 31 March 2018

Marlborough

Fund Managers

MFM HATHAWAY FUND

Authorised Fund Manager and Registrar

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

Investor Support: (0808) 145 2500 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority.

Trustee

HSBC Bank plc
8 Canada Square
London
E14 5HQ

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

Investment Adviser

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

Authorised and regulated by the Financial Conduct Authority.

Auditor

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

CONTENTS **PAGE**

AUTHORISED INVESTMENT ADVISER'S REPORT
for the six month period ended 31 March 2018

Percentage change and sector position to 31 March 2018

	Six months	1 year	3 years	5 years	10 years
MFM Hathaway Fund	-3.67%	7.33%	33.09%	57.80%	124.33%
Sector Average	-0.91%	1.63%	15.95%	35.50%	75.58%
Rank*	151/157	2/155	3/134	3/113	3/68
Quartile Ranking*	4	1	1	1	1

* Based on ranking within the IA Mixed Investment 40% - 85% in shares sector, the figures showing our position and the number of funds in the class (*e.g.* 5 years: 3rd out of 113 funds) and, below, the quartile in our cohort that this therefore represents.
External Source of Economic Data: *Morningstar* (bid to bid, net income reinvested).
(Please note - The figures above are based on the quoted bid prices on the pricing/valuation points of the Fund, which is on a weekly basis on Thursday each week. For example, the figures for 6 months are based on the quoted bid prices for 28 September 2017 and 29 March 2018).

Recent performance

We are pleased to present our semi-annual report on our *equity* and *bond* unit trust, which posted a performance of *minus* 3.6% in the six months, reflecting a 6.9p decrease in *accumulation units* (which record *total return*). This compares with *minus* 1.6% from the broader stock market, *minus* 1.9% from blue chips and +2.4% from gilts. Launched in 2002 at 50p, that class of units now stand at 180.79p, which will reflect annual compounding, come September (assuming no change in the second half), of 8.5% over sixteen years.

This letter is only our fifth review recording negative *absolute* performance, from thirty annual and interim letters, the good times more than compensating for the disappointments (and vindicating our decision to bring bonds along for a permanent ride – whatever their contribution might have proven to be - when starting out in 2002). The present *relative* exhibit was also behind the average a year ago of course, and – even though it is always foolish to make predictions (see *post*) – we cannot help but note the second half performance last year. Whatever the outcome is by the autumn though, *patience* (essential to long term returns) remains a key ingredient.

Equally, our long-term superiority – shown over the period since 2002 in the table below and over the shorter periods from 12 to 120 months in the grid above – remains encouraging and untarnished, so this is a good juncture to look in more detail at the secular perspective:

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

We therefore set out below, a table of all the customary numbers since launch.

Year	MFM Hathaway Fund	Target Benchmark	FTSE 100	FTSE All Share	Our equity portfolio
2002/2017	+275.3%	+201.3%	+201.9%	+237.3%	+325.5%
2017/2018	-3.6%	-0.5%	-1.9%	-1.6%	-4.6%
Cumulative	+261.6%	+199.1%	+195.9%	+231.9%	+305.9%

In summary: our position, appreciably in front of the comparators (beyond six months), remains in place; meanwhile, government bonds have now returned +122.6% since we launched, confirming their role as a shield rather than a sword. Our equity portfolio – shown in the final column – also still sits well ahead, reflecting the quality of our investees in that crucial asset class.

While mentioning gilts – a housekeeping update on performance reporting: a year ago we recorded, in the context of our 15% or so in them (then in retreat), that our benchmark – reflecting 30% in those weaker instruments – was therefore temporarily flattering us, to which we provided a robust argument in favour of leaving the comparator nonetheless unchanged.

Now of course the benchmark is doing the opposite to flattering us but, as we have remarked several times on similar facts over the years, we have no plans to change our primary comparator: it remains a clear tool and is best left undisturbed. We are electing to persevere with clarity and so we will continue to use the FTSE All Share and the record for gilts (70:30) as a simple guide (see the Notes at the end). As a steer, the benchmark provides a long-term measure of approximately how we should have fared and the second table above indeed records that objectively.

There is also another reason for not tinkering with what is working: there are now, incredibly, more “benchmarks” then there are funds out there, giving an impression that many retained to manage capital for others, are seeking targets which they see as affording them a fighting chance of recording – come what may – a successful *relative* performance.

This development appears to have the same footing as the old (under) performance reports which, with a half-hearted run at self-congratulation, would state (using a contemporary example): “but for our holding of Carillion, we would have outperformed in the period under review…”.

AUTHORISED INVESTMENT ADVISER'S REPORT
for the six month period ended 31 March 2018

While there are many honourable exceptions just to using the basic stock or bond market indices - and those alternatives generally employ a simple amalgam anyway, as we do – so many of the new benchmarks bear the Pollyanna ability to tell you that "fool's gold" is in fact 1000 fine.

In closing on our performance numbers then, our unitholders will be gratified to know that we outperformed the stock market particularly strongly over the five years to the end of 2017 - achieving annual compounding at 13.5% - and that we were slightly ahead of Warren Buffett's Berkshire Hathaway conglomerate, which is pretty much the gold standard of *value investing*.

Investing conditions & portfolio developments

In the annual report, we highlighted the advance of particular stocks last year; suffice to say that, since then, they have experienced a broad malaise, reflecting the general market's volatility: if Toyo Tire, Games Workshop, Electrocomponents, Menzies and Next had all been of equal proportions in the autumn, then they would have since posted a *capital* performance of *minus* 6.3%; however, with generous dividend payments taken into account, the *total return* comes up to *minus* 4.4%, showing, as ever, the vitality of company payouts to your performance appraisal.

Equally, those declines were comparatively trivial compared to their great advance in 2017.

Furthermore – and this reflects *portfolio* investing – certain holdings such as Booker (which of course was folded into Tesco) had a healthy positive *total return* in the half year (although most of the former's recent strong capital growth happened a year or so ago, when the latter's offer came in); *diversification* through such stocks, held us largely harmless from the choppy seas.

Since September, Tesco has seen a significant positive re-rating by the market and its business performance bodes well: we made a significant amount of money from the stock many years ago, divested it in 2014 as we saw trouble ahead, and now we anticipate opportunities emerging from the Booker takeover; just occasionally, there is an exception to the rule that says that there are no synergies to be had from a business combination and this looks robustly like one of them.

Meanwhile, although several of our holdings indeed had a subdued half year as noted above – at least in terms of stock price – we were content to let business take its course which, for the most part, saw encouraging reports; Electrocomponents, for example, retrenched from a price peak in November, but a trading update from the company – just after our half way stage – indicated that this year it will post about a 13% turnover increase, better margins and improved cash flows.

And it is this approach – letting investees just get on with it – which is our generally preferred stance against a background of a volatile stock market, unless of course bargains are uncovered. Indeed, we mentioned in the annual report in the autumn – and this was *not* a prediction – that equity declines were becoming a possibility and the ensuing upsets rather vindicated that observation and indicated that our stance makes sense and will continue to do so.

Despite the return of some volatility to capital markets, the departure of Janet Yellen from the Federal Reserve (and she did a great job), was marked by the appointment of Jay Powell, who has been largely conspicuous by his absence from the TV and newspapers; the return of an old-fashioned central banker bodes well. However, with the climb to a 3% yield on the 10-year US Treasury bond last week – and perhaps a peaking corporate sector - he may need all the discipline and gravitas he can muster.

Outlook

We expect to eschew gilts – beyond modest commitments to short dated paper – for a considerable further time yet: although we discussed their demerits, in recent reports, the ten-year yield only advanced to 1.46% in the period; we remain then, not even lukewarm about them.

Paying 68 times annual earnings for an equity, is certainly one helluva stretch and implies tremendous growth to come; in a stodgy bond, those terms make little more sense than signing up for the Mars trip, but it could take a long time before you find out the true shortcomings of both.

Meanwhile, a professional investor – notorious for taking large positions - has just bet the farm on gilts unwinding materially by June; we share his disdain, but we wish him luck with that one.

Indeed, as ever, despite one or too observations last time, which just happened to appear wise sooner rather than later, as events unfolded, we will continue steadfastly to avoid making, or even trying to make, predictions; those still trying this futile activity, need only to consider the consensus shortly before Trump was elected to the Oval Office: almost everyone said that he would not win the election and that, if he did, it would be bad for the S&P.

They were dead wrong on both counts, leaving us to paraphrase Mark Twain on predictions: they are best made about the past.

Accordingly, we will continue the practice of *value investing* and remain steadfastly long term; in the meantime, we ask unitholders, as ever, to keep their expectations rational and of course we make no promises other than to do the same.

AUTHORISED INVESTMENT ADVISER'S REPORT
for the six month period ended 31 March 2018

Robert Bogle

Our esteemed colleague Bob Bogle – has just retired – and he checked our weekly valuation, a week before the half way stage last month, for his final time after about 750 such exercises (and he did of course vast amounts more besides); we wish him a long and happy retirement, after a career which began, in 1967, as a Scottish chartered accountant (and *they* are the best) and included spells at Baillie Gifford, Albert E. Sharp, Williams de Broe and, finally, with us – for the longest residency in a successful career.

We will miss Bob's wise counsel, his cheerful, relaxed, but focused manner and his accuracy when placing orders for the fund and for unfailingly getting to the bottom of any issues arising from stock market deals, corporate actions etc.; he is also the very personification of the Latin maxim *uberrimae fidae*, and it was a pleasure to have him on the team.

Our unitholders have manifold reasons to be grateful to Bob for his contribution to managing the fund, since he joined us fifteen years ago.

In closing, as usual, we thank MFM for their accurate daily administration in the half year and Barlow Andrews for auditing our annual numbers in 2017; for our part, we look forward to the second half of what is an intriguing year and to reporting our 2018 results in our very own autumn statement.

Graham Englefield
Graham Shaw CFA

1 May 2018
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 (except, as stated, in the first table) is based on the mid-prices of *accumulation* units, which provide a complete record, since they also include accrued income alongside capital performance (less all charges and costs). All figures in the narrative report are therefore on the same footing.

2. "Equities" means company shares, the FTSE All Share Index reflecting almost all quoted companies; "gilts" means the index of all 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 reasonably long period (particularly highlighting the allocation between bonds and equities), the statistic 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 31.03.18.; any discrepancy, is due to rounding and is not material.

5. "Year" (or "2002/2017") means the fund year (or years), *i.e.* October 1st to September 30th, except for the first year - 2002/03 - now reflected of course only within aggregate numbers here, which period commenced 25.11.02 (our launch). Additionally, actual period end dates (and so the corresponding comparative indices/benchmark) may, in some reports, vary by a day or so as the calendar dictates (the fund trades and is valued on a Thursday), but we are consistent in using identical numbers (*i.e.* dates) to commence subsequent periods etc.

AUTHORISED INVESTMENT ADVISER'S REPORT
for the six month period ended 31 March 2018

Distributions (pence per unit)

	Year 2018	Year 2017	Year 2016	Year 2015
Income units				
Net income paid 31 May	0.8801	0.8262	0.4537	0.7198
Net income paid 30 November		1.1503	0.9071	0.8373
Accumulation units				
Net income paid 31 May	1.1820	1.0920	0.5973	0.9209
Net income paid 30 November		1.5285	1.2510	1.0786

Portfolio changes

Purchases	Cost (£)	Sales	Proceeds (£)
Travis Perkins	470,938	Genus	860,827
UK Treasury 1.5% 22.01.21	199,092	Games Workshop Group	410,439
Givaudan	189,588	Menzies (John)	338,605
Meggitt	89,070	Booker Group	44,966
Total purchases for the period	948,688	Total sales for the period	1,654,837

AUTHORISED STATUS AND GENERAL INFORMATION

Authorised status

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

Investment objective

The objective of the Fund is to achieve long-term growth of investors' capital and income.

Though there will be a general emphasis on a fair immediate yield, the Fund 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 Fund 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 Fund may invest in derivatives and forward transactions for the purposes of hedging only.

Changes in prospectus

No significant changes have been made since the last report.

Up to date Key Investor Information Documents, Prospectus and Long Reports and Financial Statements 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

G R Hitchin

G R HITCHIN
INVESTMENT DIRECTOR

MARLBOROUGH FUND MANAGERS LTD
11 May 2018

COMPARATIVE TABLE

Income and Accumulation units were first offered at 50p on 4 November 2002.

Income units **Change in net assets per unit**	**Period to 31.03.2018 pence**	**Year to 30.09.2017 pence**	**Year to 30.09.2016 pence**
Opening net asset value per unit	138.03	116.77	101.50
Return before operating charges*	(4.84)	25.22	18.56
Operating charges	(1.09)	(1.98)	(1.93)
Return after operating charges*	(5.93)	23.24	16.63
Distribution on income units	(0.88)	(1.98)	(1.36)
Closing net asset value per unit	131.22	138.03	116.77
* after direct transaction costs of:	0.10	0.15	0.22
Performance			
Return after charges	-4.30%	19.90%	16.38%
Other information			
Closing net asset value	£5,814,692	£6,092,033	£5,167,700
Closing number of units	4,431,288	4,413,669	4,425,557
Operating charges	**1.57%	1.57%	1.58%
Direct transaction costs	**0.14%	0.12%	0.18%
Prices			
Highest unit price	150.03p	145.74p	125.16p
Lowest unit price	132.14p	113.81p	99.86p

Accumulation units **Change in net assets per unit**	**Period to 31.03.2018 pence**	**Year to 30.09.2017 pence**	**Year to 30.09.2016 pence**
Opening net asset value per unit	184.37	153.67	131.84
Return before operating charges*	(6.45)	33.31	24.36
Operating charges	(1.46)	(2.61)	(2.53)
Return after operating charges*	(7.91)	30.70	21.83
Distributions	(1.18)	(2.62)	(1.85)
Retained distributions on accumulation units	1.18	2.62	1.85
Closing net asset value per unit	176.46	184.37	153.67
* after direct transaction costs of:	0.13	0.20	0.28
Performance			
Return after charges	-4.29%	19.98%	16.56%
Other information			
Closing net asset value	£8,824,995	£8,740,404	£6,877,458
Closing number of units	5,001,157	4,740,654	4,475,495
Operating charges	**1.57%	1.57%	1.58%
Direct transaction costs	**0.14%	0.12%	0.18%
Prices			
Highest unit price	200.28p	192.99p	163.32p
Lowest unit price	176.41p	149.70p	129.68p

** These figures have been annualised.

Operating charges are the same as the ongoing charges and are the total expenses paid by each unit class in the period. Direct transaction costs are the total charges for the period, 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 period and the average units in issue for the pence per unit figures.

MFM HATHAWAY FUND

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 4 because it has experienced moderate volatility historically. During the period the synthetic risk and reward indicator has remained unchanged.

MFM HATHAWAY FUND

PORTFOLIO STATEMENT
as at 31 March 2018

Holding or nominal value		Bid value £	Percentage of total net assets %
	LOAN STOCKS (16.63%, Sept 17 - 15.28%)		
2,395,000	UK Treasury 1.5% 22.01.21	2,434,985	16.63
	Total Loan Stocks	2,434,985	16.63
	AEROSPACE & DEFENCE (4.01%, Sept 17 - 4.17%)		
135,625	Meggitt	587,663	4.01
	Total Aerospace & Defence	587,663	4.01
	BEVERAGES (3.05%, Sept 17 - 3.29%)		
65,400	Britvic	446,682	3.05
	Total Beverages	446,682	3.05
	EQUITY INVESTMENT INSTRUMENTS (6.91%, Sept 17 - 7.05%)		
163,250	Henderson High Income Trust	279,974	1.91
77,300	Law Debenture	434,426	2.97
67,000	Scottish Mortgage Investment Trust	297,212	2.03
	Total Equity Investment Instruments	1,011,612	6.91
	FOOD & DRUG RETAILERS (4.77%, Sept 17 - 4.64%)		
336,882	Tesco	698,693	4.77
	Total Food & Drug Retailers	698,693	4.77
	GENERAL RETAILERS (3.56%, Sept 17 - 3.82%)		
10,750	Next	521,160	3.56
	Total General Retailers	521,160	3.56
	INDUSTRIAL TRANSPORTATION (5.25%, Sept 17 - 5.28%)		
72,500	Ocean Wilsons (Holdings)	768,500	5.25
	Total Industrial Transportation	768,500	5.25
	LEISURE GOODS (5.20%, Sept 17 - 6.75%)		
33,225	Games Workshop Group	760,852	5.20
	Total Leisure Goods	760,852	5.20
	PERSONAL GOODS (2.27%, Sept 17 - 3.12%)		
146,000	PZ Cussons	332,588	2.27
	Total Personal Goods	332,588	2.27
	PHARMACEUTICALS & BIOTECHNOLOGY (Nil, Sept 17 - 4.86%)		
	Total Pharmaceuticals & Biotechnology	0	0.00
	REAL ESTATE INVESTMENT & SERVICES (1.13%, Sept 17 - 1.08%)		
2,735	Daejan Holdings	166,015	1.13
	Total Real Estate Investment & Services	166,015	1.13
	REAL ESTATE INVESTMENT TRUSTS (5.62%, Sept 17 - 6.11%)		
741,800	Primary Health Properties	821,914	5.62
43,635	Primary Health Properties sub shares	0	0.00
	Total Real Estate Investment Trusts	821,914	5.62
	SUPPORT SERVICES (13.09%, Sept 17 - 13.78%)		
100,000	Electrocomponents	599,400	4.10
86,633	Menzies (John)	547,521	3.74
61,755	Travis Perkins	768,541	5.25
	Total Support Services	1,915,462	13.09

PORTFOLIO STATEMENT
as at 31 March 2018

Holding or nominal value		Bid value £	Percentage of total net assets %
	TRAVEL & LEISURE (3.58%, Sept 17 - 3.71%)		
509,300	Marston's	523,560	3.58
	Total Travel & Leisure	523,560	3.58
	OVERSEAS SECURITIES (14.89%, Sept 17 - 15.80%)		
4,625	Fresenius Medical Care	334,968	2.29
330	Givaudan	528,981	3.61
17,870	KONE 'B'	636,159	4.35
56,600	Toyo Tire & Rubber Co.	679,575	4.64
	Total Overseas Securities	2,179,683	14.89
	UNQUOTED SECURITIES (0.00%, Sept 17 - 0.00%)		
65,000	Anglo & Overseas Trust	0	0.00
	Total Unquoted Securities	0	0.00
	Portfolio of investments	13,169,369	89.96
	Net other assets	1,470,318	10.04
	Total net assets	14,639,687	100.00

The investments of the Fund have been valued at their fair value at 12 noon on 29 March 2018. 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.

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 month period ended 31 March 2018	**£**
Total purchases costs, including transaction charges	948,688
Total sales proceeds, net of transaction charges	1,654,837

STATEMENT OF TOTAL RETURN
for the six month period ended 31 March 2018

	31 March 2018		31 March 2017	
	£	£	£	£
Income:				
Net capital gains/(losses)		(759,202)		790,043
Revenue	218,973		184,671	
Expenses	(118,874)		(96,235)	
Net revenue/(expense) before taxation	100,099		88,436	
Taxation	(3,496)		(2,201)	
Net revenue/(expense) after taxation		96,603		86,235
Total return before distributions		(662,599)		876,278
Distributions		(96,603)		(86,235)
Change in net assets attributable to unitholders from investment activities		(759,202)		790,043

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
for the six month period ended 31 March 2018

	31 March 2018		31 March 2017	
	£	£	£	£
Opening net assets attributable to unitholders	*	14,832,437		12,045,158
Amounts receivable on issue of units	569,810		275,174	
Amounts payable on cancellation of units	(62,475)		(68,434)	
Amounts payable on unit class conversions	(1)		0	
		507,334		206,740
Change in net assets attributable to unitholders from investment activities		(759,202)		790,043
Retained distribution on accumulation units		59,118		50,432
Closing net assets attributable to unitholders		14,639,687	*	13,092,373

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

BALANCE SHEET
as at 31 March 2018

	31 March 2018	30 September 2017
	£	£
Assets:		
Fixed Assets:		
Investments	13,169,369	14,645,964
Current Assets:		
Debtors	116,551	131,387
Cash and bank balances	1,424,922	110,695
Total assets	14,710,842	14,888,046
Liabilities:		
Creditors:		
Distribution payable on income units	39,003	50,771
Other creditors	32,152	4,838
Total liabilities	71,155	55,609
Net assets attributable to unitholders	14,639,687	14,832,437

NOTES TO THE INTERIM FINANCIAL STATEMENTS
for the six month period ended 31 March 2018

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 interim 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 interim 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 2017 and are described in those annual financial statements.

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

Investor Support: 0808 145 2500 (FREEPHONE)
Dealing: 0808 145 2501 (FREEPHONE)
Fax: 01204 533045

Email: investorsupport@marlboroughfunds.com
Website: www.marlboroughfunds.com