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MFM
HATHAWAY FUND

**INTERIM REPORT
AND UNAUDITED FINANCIAL STATEMENTS**

for the six month period ended 31 March 2021

MFM HATHAWAY FUND

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Trustee

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AUTHORISED INVESTMENT ADVISER'S REPORT

for the six month period ended 31 March 2021

Percentage change and sector position to 31 March 2021

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>10 years</u>
MFM Hathaway Fund	9.87%	26.75%	24.42%	57.91%	138.11%
Sector Average	9.78%	26.47%	21.79%	45.40%	87.44%
Rank*	98/186	88/182	53/159	25/139	5/84
Quartile Ranking*	3	2	2	1	1

* Reflecting our position within IA Mixed Investment 40% - 85% Shares Sector; the related class size (e.g. 10 years: 5th out of 84 funds) and the corresponding quartile. External source of economic data: Morningstar (bid to bid, income reinvested).

Recent performance

Continuing the recovery in the second half of last year, our *equity* and *bond* unit trust, posted a gain of 9.8% (*total return*) in the six months, reflecting a 19.76p increase in *accumulation units*, compared to 17.8% from the stock market, 15.3% from blue chips and *minus* 5.7% from gilts. We came in just ahead of our peer group *benchmark* in the period - it recorded 9.7%.

Launched in 2002 at 50p, those units are now at 219.91p - reflecting *annual compounding*, come September, if there is no change in the meantime - at almost 8.25% over the then nineteen years.

An unusual 2020 and six months under review

Those unitholders familiar with HG Well's novel *The War of the Worlds* may draw parallels with 2020/21 and Covid in more ways than one, not least the unexpected threat from stage left and the apparently slow official response to it. However, as with the fiction, the situation is slowly and we trust surely, resolving itself.

The general economy, despite most of the population being under house arrest until a week or so ago, is emerging in surprisingly robust shape, although where we will be when the dust finally settles, remains to be seen. Against this background, our *relative* performance this time, *viz-a-viz* the equity indices, was lacklustre, although it was a nose in front of our peer group (who also remain behind us in every other column of the table above) and it remains well ahead over all longer periods.

Equally, our fund has had a particularly good time of it since 31st March and, while much of course can upset the party in the second half, we currently look set for a vintage year...

As further encouragement that better things lie ahead, we note that we have now recorded 28 positive *absolute* performances in the relevant review period, across thirty-six formal letters and nearly 19 years, the good times clearly outgunning the disappointments.

A propos what's happened before: our superior position – shown below since 2002 and in the grid above over shorter periods from six to 120 months – remains untarnished. This is a good juncture then, to look in detail at the secular perspective and the customary numbers since launch.

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

<u>Year(s)</u>	<u>MFM Hathaway</u>				<u>Our equity portfolio</u>
	<u>Fund</u>	<u>Benchmark</u>	<u>FTSE 100</u>	<u>FTSE All Share</u>	
2002/2020	300.3%	231.7%	174.2%	209.1%	369.6%
2020/2021	9.8%	9.70%	15.3%	17.8%	12.5%
Cumulative	339.8%	263.8%	216.1%	264.1%	428.3%

Our position remains of course well ahead of all the comparators over the long-term, the gap narrowing slightly between us and the indices in the half year. Meanwhile, gilts have returned 143% since 2002, confirming their role as shield rather than sword, while our equity portfolio rested on its laurels this time in that *still* crucial asset class. Our equities though, remain well ahead over the long-term and have enabled us to produce the numbers in the first column, while always carrying a fair amount in lower risk/lower reward fixed income...

Investing conditions & portfolio developments

As we noted above, some semblance of normality is returning; also, certain of our stocks (and the businesses behind them) did well in the period and we highlight Next for its resilience despite an utter bloodbath in High Street retail and Tesco for paying us a welcome special dividend, following its divestment of certain overseas interests.

Tesco, readers may recall, re-joined us following the Booker takeover in 2018 and our stance then - "come back all is forgiven" - is a sentiment which looks increasingly appropriate; also of note: our view of the long-term value of Marston's, enhanced by its joint venture with Carlsberg's, was vindicated by the receipt of a (rebuffed) takeover offer and a serious recovery in its share price.

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AUTHORISED INVESTMENT ADVISER'S REPORT

for the six month period ended 31 March 2021

Meanwhile, we refused - as ever - to swallow whole certain press scare stories about business conditions: one such narrative concerned the eight-day blockage of the Suez Canal last month by the *Ever Given*, which newspapers declared as showing just how vulnerable leading economies are. Well, those economies shrugged off the canal's closure for nine months during the Suez Crisis of 1956/57 and for eight years following conflict in 1967.

The newspapers and news websites also failed to report that the canal is quite often blocked for a few days as a regular feature of maritime navigation; long sea journeys, like long-term investing, are not always smooth and while the last year has been challenging on every front, we remain disinterested in distracting "chatter" ...

Indeed, in the half year we simply continued the business of *value investing*; meanwhile, our expectation that many of our holdings would recover their businesses quickly, once *purdah* was over, proved a fair analysis.

Outlook

Generally speaking, the in-tray marked "current challenges" is fairly full: the Government has borrowed eye-watering sums of *extra* money in the last year or so and most other leading economies are in the same position. The prospect of material inflation (we have just seen a meaningful spike in the UK), possibly much higher interest rates and a slowing economy are very real possibilities...

We will not let such occurrences dominate our thinking however, instead concentrating our efforts on finding wonderful businesses at attractive prices. We continue to have good geographical and commercial diversification and that has played a major role in us having sat out the Covid crisis, so far, in good shape and should see that we fare well as events unfold.

We are respectful of the sentiments and ideas behind "ESG" investing, as we have said before, but we remain concerned as to many valuations in that loose "sector" - for example Tesla's nosebleed price. We are also hugely sceptical of Bitcoin, other crypto currencies, and associated securities.

Accordingly, we will indeed continue *value investing*, while we ask unitholders, as ever, to keep their expectations rational; our customary warning to expect turbulence, applies in full, as we have no way of estimating how long the present problems will continue for or how awkward developments will prove to be. Incredibly, *The War of the Worlds* influenced the rocket designers engineering the moon landings, but no advice was given for those seeking extra investment returns; "back to basics" it is then...

In closing, we again thank MFM for their accurate administration in the half year and in difficult circumstances; we anticipate the reporting of our annual results in the autumn, while unitholders wanting up to date prices etc., should refer to our website.

Graham Englefield / Graham Shaw CFA
Hathaway Investment Management Limited
22 April 2021

www.hathawayinvestment.com

Notes

1. Statistical sources: index figures quote *data* recorded in the "Financial Times" (and are on a *mid-to-mid* price basis, with income reinvested); fund performance is based on the single price of *accumulation* units, which provide a complete record, since they too 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 UK government bonds, while the FTSE 100 Index records "blue chips" or "large capitalization" or "large cap" stocks.
3. The benchmark is a rough guide as to how adroitly the portfolio has been invested over any reasonably long period, 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 31.03.21; any discrepancy is due to rounding and is not material.
5. "Year" (or "2002/2020" etc.) 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).

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MFM HATHAWAY FUND

AUTHORISED INVESTMENT ADVISER'S REPORT

for the six month period ended 31 March 2021

Distributions (pence per unit)

	<u>Year 2021</u>	<u>Year 2020</u>	<u>Year 2019</u>	<u>Year 2018</u>	<u>Year 2017</u>
<u>Income</u>					
Income paid 31 May	0.6041	0.7397	0.5574	0.8801	0.8262
Income paid 30 November		0.3534	1.2630	0.8630	1.1503
<u>Accumulation</u>					
Accumulation paid 31 May	0.8384	1.0684	0.7540	1.1820	1.0920
Accumulation paid 30 November		0.4880	1.7216	1.1698	1.5285

Portfolio changes

Largest purchases					Cost (£)
UK Treasury 0.75% 22.07.23					2,981,577
Diageo					898,968
Total purchases for the period					3,880,545
Largest sales					Proceeds (£)
UK Treasury 1.5% 22.01.21					2,642,000
Electrocomponents					214,667
Games Workshop Group					174,885
Tesco					171,574
Travis Perkins					99,896
Total sales for the period					3,303,022

MFM HATHAWAY FUND

AUTHORISED STATUS AND GENERAL INFORMATION

Authorised status

MFM Hathaway Fund (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 and policy

The investment objective of the Fund is to grow the value of a unitholder's capital and income, over a period of at least 5 years. This growth is expected to come from a combination of gains in investments held and income received by the Fund - such as bond interest and dividends from shares.

The Fund is actively managed, which means the Investment Manager decides which investments to buy or sell, and when, across different industries and regions of the world.

The Investment Manager considers economic and market conditions, but the focus is on individual company analysis. The aim is to identify companies which show good long-term growth potential, and which appear to be undervalued given their prospects.

The Fund will invest between 40 - 85% of its portfolio in the shares of companies. There will be a bias towards enterprises that are expected to pay steady dividends; however, the Fund may occasionally invest in securities which do not pay dividends.

The Fund will invest between 15 - 60% of its portfolio in bonds, which are loans typically issued by companies, governments and other institutions. These will typically be investment grade bonds, where the issuer has a high and reliable capacity to repay the debt. However, from time to time, our operations may include sub-investment grade bonds (which can be more vulnerable to changing market conditions, but typically pay a higher rate of interest) where we judge them to be incorrectly downgraded.

The Fund may also invest in money market instruments, which are shorter term loans.

The Fund will hold cash to enable the ready settlement of liabilities and for the efficient management of the portfolio. The Fund may hold cash up to a maximum of 30%, in extreme market conditions.

The Fund will be included in the IA Mixed investment 40-85% Shares sector.

Changes in prospectus

No significant changes have been made since the last annual report.

Up to date Key Investor Information Documents, Prospectus and Long Reports and Financial Statements for any fund within the AFM'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
DIRECTOR



WAYNE D GREEN
DIRECTOR

MARLBOROUGH FUND MANAGERS LTD
27 May 2021

MFM HATHAWAY FUND

COMPARATIVE TABLE

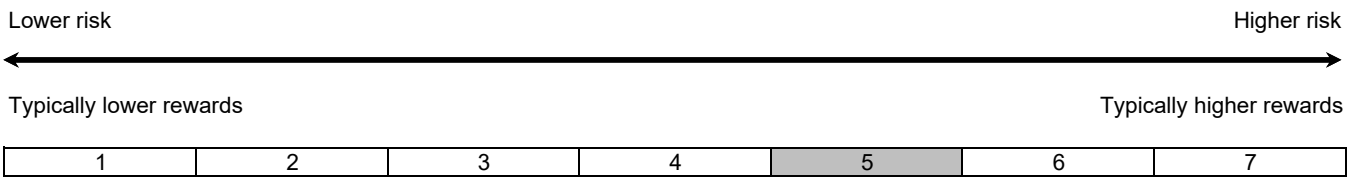
<u>Income units</u>	Period to 31.03.2021	Year to 30.09.2020	Year to 30.09.2019	Year to 30.09.2018
Change in net assets per unit	pence	pence	pence	pence
Opening net asset value per unit	145.60	146.65	142.22	138.03
Return before operating charges*	16.12	2.11	8.48	8.12
Operating charges	(0.84)	(2.07)	(2.23)	(2.19)
Return after operating charges*	15.28	0.04	6.25	5.93
Distributions on income units	(0.60)	(1.09)	(1.82)	(1.74)
Closing net asset value per unit	160.28	145.60	146.65	142.22
* after direct transaction costs of:	0.13	0.18	0.09	0.16
Performance				
Return after charges	10.49%	0.03%	4.39%	4.30%
Other information				
Closing net asset value (£)	6,983,863	6,437,730	6,355,014	6,236,879
Closing number of units	4,357,201	4,421,531	4,333,347	4,385,423
Operating charges	1.08% ^A	1.42%	1.60%	1.57%
Direct transaction costs	0.16% ^A	0.12%	0.07%	0.11%
Prices				
Highest unit price	161.17p	160.35p	148.37p	151.07p
Lowest unit price	143.37p	114.88p	127.88p	131.56p
Accumulation units				
Change in net assets per unit	Period to 31.03.2021	Year to 30.09.2020	Year to 30.09.2019	Year to 30.09.2018
	pence	pence	pence	pence
Opening net asset value per unit	201.29	200.96	192.42	184.37
Return before operating charges*	22.29	3.17	11.57	10.99
Operating charges	(1.16)	(2.84)	(3.03)	(2.94)
Return after operating charges*	21.13	0.33	8.54	8.05
Distributions on accumulation units	(0.84)	(1.56)	(2.48)	(2.35)
Retained distributions on accumulation units	0.84	1.56	2.48	2.35
Closing net asset value per unit	222.42	201.29	200.96	192.42
* after direct transaction costs of:	0.18	0.25	0.12	0.21
Performance				
Return after charges	10.50%	0.16%	4.44%	4.37%
Other information				
Closing net asset value (£)	12,110,773	10,887,393	10,644,078	10,086,581
Closing number of units	5,444,976	5,408,722	5,296,633	5,241,874
Operating charges	1.08% ^A	1.42%	1.60%	1.57%
Direct transaction costs	0.16% ^A	0.12%	0.07%	0.11%
Prices				
Highest unit price	222.73p	219.73p	201.50p	203.04p
Lowest unit price	198.13p	157.43p	172.91p	176.41p

^A 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



The synthetic 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.

The Fund has been measured as 5 because it has experienced moderate to high volatility historically. During the period the synthetic risk and reward indicator has remained unchanged.

MFM HATHAWAY FUND
PORTFOLIO STATEMENT

as at 31 March 2021

Holding or nominal value	Bid value £	Percentage of total net assets %
LOAN STOCKS (30 September 2020 - 16.75%)		
3,157,000 UK Treasury 0.75% 22.07.23	3,203,108	16.77
Total Loan Stocks	<u>3,203,108</u>	<u>16.77</u>
AEROSPACE AND DEFENCE (30 September 2020 - 5.55%)		
257,100 Babcock International Group	595,958	3.12
135,625 Meggitt	653,984	3.42
Total Aerospace and Defence	<u>1,249,942</u>	<u>6.54</u>
BEVERAGES (30 September 2020 - 3.10%)		
65,400 Britvic	553,284	2.90
29,600 Diageo	892,440	4.67
Total Beverages	<u>1,445,724</u>	<u>7.57</u>
CLOSED END INVESTMENTS (30 September 2020 - 6.28%)		
211,000 Downing Strategic Micro-Cap Investment Trust	151,920	0.80
163,250 Henderson High Income Trust	266,097	1.39
122,300 Law Debenture Corp	880,560	4.61
18,250 Scottish Mortgage Investment Trust	198,925	1.04
Total Closed End Investments	<u>1,497,502</u>	<u>7.84</u>
INDUSTRIAL SUPPORT SERVICES (30 September 2020 - 13.97%)		
103,035 Electrocomponents	1,026,229	5.37
110,500 PayPoint	654,160	3.43
Total Industrial Support Services	<u>1,680,389</u>	<u>8.80</u>
LEISURE GOODS (30 September 2020 - 5.94%)		
8,635 Games Workshop Group	858,319	4.50
Total Leisure Goods	<u>858,319</u>	<u>4.50</u>
PERSONAL CARE, DRUG AND GROCERY STORES (30 September 2020 - 4.17%)		
265,959 Tesco	612,371	3.21
Total Personal Care, Drug and Grocery Stores	<u>612,371</u>	<u>3.21</u>
REAL ESTATE INVESTMENT TRUSTS (30 September 2020 - 6.77%)		
785,435 Primary Health Properties	1,160,873	6.08
Total Real Estate Investment Trusts	<u>1,160,873</u>	<u>6.08</u>
RETAILERS (30 September 2020 - 3.64%)		
10,750 Next	866,665	4.54
79,625 Travis Perkins	1,244,937	6.52
Total Retailers	<u>2,111,602</u>	<u>11.06</u>
TRAVEL AND LEISURE (30 September 2020 - 1.26%)		
509,300 Marston's	502,424	2.63
Total Travel and Leisure	<u>502,424</u>	<u>2.63</u>
OVERSEAS SECURITIES (30 September 2020 - 17.36%)		
4,625 Fresenius Medical Care	247,491	1.30
230 Givaudan	649,162	3.40
17,870 KONE 'B'	1,061,385	5.56
56,600 Toyo Tire & Rubber	727,303	3.81
Total Overseas Securities	<u>2,685,341</u>	<u>14.07</u>
Portfolio of investments	17,007,595	89.07
Net other assets	2,087,041	10.93
Total net assets	<u>19,094,636</u>	<u>100.00</u>

All investments are listed on a regular market unless stated otherwise.

MFM HATHAWAY FUND

PORTFOLIO TRANSACTIONS

for the six month period ended 31 March 2021

£

Total purchases costs, including transaction charges

3,880,545

Total sales proceeds, net of transaction charges

3,303,022

MFM HATHAWAY FUND

STATEMENT OF TOTAL RETURN

for the six month period ended 31 March 2021

	31 March 2021		31 March 2020	
	£	£	£	£
Income:				
Net capital gains/(losses)		1,752,799		(2,534,141)
Revenue	173,785		237,632	
Expenses	<u>(98,984)</u>		<u>(144,852)</u>	
Net revenue before taxation	74,801		92,780	
Taxation	<u>(2,462)</u>		<u>(3,628)</u>	
Net revenue after taxation		<u>72,339</u>		<u>89,152</u>
Total return before distributions		1,825,138		(2,444,989)
Distributions		(72,339)		(89,152)
Change in net assets attributable to unitholders from investment activities		<u>1,752,799</u>		<u>(2,534,141)</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the six month period ended 31 March 2021

	31 March 2021		31 March 2020	
	£	£	£	£
Opening net assets attributable to unitholders		* 17,325,123		16,999,092
Amounts receivable on issue of units	330,672		624,196	
Amounts payable on cancellation of units	<u>(360,134)</u>		<u>(235,649)</u>	
		(29,462)		388,547
Distribution levy/adjustment		525		-
Change in net assets attributable to unitholders from investment activities		1,752,799		(2,534,141)
Retained distribution on accumulation units		45,651		57,708
Closing net assets attributable to unitholders		<u>19,094,636</u>		* <u>14,911,206</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

BALANCE SHEET

as at 31 March 2021

	31 March 2021 £	30 September 2020 £
Assets:		
Fixed Assets:		
Investments	17,007,595	14,689,882
Current Assets:		
Debtors	59,623	50,177
Cash and bank balances	2,079,352	2,628,182
Total assets	<u>19,146,570</u>	<u>17,368,241</u>
Current Liabilities:		
Creditors:		
Distribution payable on income units	26,325	15,626
Other creditors	25,609	27,492
Total liabilities	<u>51,934</u>	<u>43,118</u>
Net assets attributable to unitholders	<u><u>19,094,636</u></u>	<u><u>17,325,123</u></u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six month period ended 31 March 2021

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 and amended in June 2017.

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 2020 and are described in those annual financial statements.

The investments of the Fund have been valued at their fair value at 12 noon on 31 March 2021.

Marlborough

— Fund Managers —

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