MFM HATHAWAY FUND

INVESTMENT ADVISER'S REPORT

For the period ended 30 September 2003

We have pleasure in presenting the Investment Adviser's report on the MFM Hathaway Fund for the period ended 30th September 2003.

When we launched the fund last November we said, in our various materials, that there was value to be found in certain equity securities and we built most of the fund in a comparatively short time after commencement, acquiring holdings as investors generally continued despondently to sell; we added to the collection as prices fell further in early spring (unitholders joining us then have enjoyed particularly strong returns so far).

The period since we started investing was dominated by major international events, a weakening of the dollar and extreme investor pessimism (followed, as it always is, by a slow resurgence of confidence). None of these developments need concern the long-term holder of securities, but of course they affected capital markets over the short term.

Against this background the fund had a gratifying start, with a total return of 13.1% on a mid-to-mid basis, from the start of our work on 25th November 2002, to the last valuation date in the period, on 24th September 2003; the equivalent return for the FTSE All Share Index, which measures the general experience in equity securities, was 8.2%, while, for government bonds (the FT All Stocks Index), it was 3.9% - both the indices being also mid-to-mid.

A "target" total return in the period for us, given that we are an equity and bond fund holding a significant amount in fixed income securities, was about 7% while, even on the less flattering (and less comparable with the indices) "statutory" offer-to-bid basis (which in fact is the measure we prefer), the fund returned 10.5%.

We received satisfactory reports from our investee companies and funds during the period (it is, after all, only business performance which justifies an investment and not some stockmarket quotation the next day), while the summary of portfolio changes, later on, records our patient approach.

As ever, we would ask unitholders to keep their expectations within sensible parameters (rising interest rates should make that easier) and we will try to exceed them.

We should close by thanking Marlborough who, as managers and registrars, did a first-class job on the housekeeping, exceeding our expectations and providing us with a standard to follow as investment advisers.

Graham Englefield
Bob Bogle