



MFM HATHAWAY FUND

Annual Report
For the year ended 30th September 2015



Fund Details
MFM Hathaway Fund

Managers and Registrar

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

Authorised and regulated by the Financial Conduct Authority

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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

Auditors

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

MFM HATHAWAY FUND

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AUTHORISED INVESTMENT ADVISER'S REPORT

For the year ended 30 September 2015

Percentage change and sector position to 30 September 2015

	Six months	1 year	3 years	5 years
MFM Hathaway Fund	-0.25%	4.22%	34.80%	53.55%
Sector Average	-7.53%	0.42%	20.42%	29.75%
Rank*	3/140	9/137	7/120	4/109
Quartile Ranking*	1	1	1	1

*Based on ranking within The Investment Association's Mixed Investment 40% - 85% Shares sector; the figure after the rank shows the number of funds in the class (e.g. 4th out of 109 funds).

External Source of Economic Data: *Morningstar* (bid to bid, net income reinvested)

Recent performance

We have pleasure in presenting our annual report on the progress of our *equity* and *bond* unit trust, which posted an overall advance of 4.2% in the twelve months, reflecting a 5.485p increase in *accumulation* units (recording *total return*).

This compares to *minus* 3.8% for the general stock market, *minus* 6.7% from blue chips and a positive 8.4% from gilts. Since launch in November 2002, those units have advanced from 50p to 135.385p – equivalent to annual compounding at 8% (down from an accumulated annual run rate of 8.5% posted a year ago).

Amid zero rising prices though, our *absolute* return was in fact encouraging: a 10% return - when inflation is 6% - would look better, but leave you poorer while, in our twenty fifth report (there was no interim in 2003), we record a positive return for the twentieth time. The *relative* exhibit above was also robust, *Morningstar* placing us considerably above average over all periods.

Football pundits like truisms, and 2014/15 begged a favourite: "it was a game of two halves". The recent *volte-face* by our comparators was marked: our fund, slightly behind in the first six months, returned *minus* 0.3% in the second half (essentially, we stayed put), whereas our benchmark posted *minus* 7.5% and the stock market *minus* 10.2% (all *total return* figures) in the period since the end of March. The secular performance recorded below makes equally comfortable reading.

Long term performance - the thirteen year record

The long term *data* then, records us not only comfortably beating our benchmark - over both the year and since we launched thirteen years ago - but also the more demanding general stock market and the FTSE 100; meanwhile, gilts returned +100.5%. We also exhibit our equity portfolio record - the strong *relative* showing this year, further burnishing the long term number, as follows:

Year(s)	MFM Hathaway Fund	Target benchmark	FTSE 100	FTSE All Share	Fund equities
2002/2014	+159.80%	+144.30%	+146.70%	+169.70%	+189.40%
2014/2015	+4.20%	-1.00%	-6.70%	-3.80%	+2.40%
Cumulative	+170.70%	+141.70%	+130.00%	+159.30%	+196.30%

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

The performance since launch in cash and in real terms

In *accumulation* units: if you had invested £10,000 with us at launch, you would now have just over £27,075 - nearly £3,000 more than from our benchmark, over £4,000 more than the FTSE 100 and £1,140 ahead of the FTSE All Share; gilts alone, would have delivered you £7,025 less.

In *income* units: ignoring the dividends (*i.e.* considering *capital growth* alone), your £10,000 invested at launch would now be just under £21,020; the comparators were also way behind this.

Inflation adjusted (*i.e.* in real terms): your £10,000 would have become £22,495 with us in the former units and almost £16,440 in the latter while, to observe objectively the attraction of gilts (see also below), such an investment in the FTSE All Stocks Index (assuming you spent all the income) would have left you now holding £6,505 worth of bonds at those constant prices.

We previously mentioned the manifold advantages of *index funds* as against alternatives setting out futilely to *try* "to beat the stock market" or to predict its movements while failing so to do; however, after charges, the former also underperform (slightly) the relative indices, while the numbers above show the appreciable superiorities which we have secured (*after* fees) for our investors.

We are however, not complacent; every day is a fresh start and, what one writer called "the battle for investment survival" never ceases. We now therefore turn to some current issues.

Why do we hold bonds?

Gilts again defied gravity and yet we continue to eschew their siren call (we ended the year with them at the 15% minimum required to remain in our sector), begging the question as to why they are in the portfolio at all, the answer to which is: for a number of (largely unconnected) reasons.

When we launched, bonds were very much part of a conservative investor's toolbox and we have held up to 45% in fixed income/cash since then (we *can* go to 60% in bonds); unsurprisingly, their presence has paid a large part in our long term performance (for a full explanation of the role bonds *can* play, see Charles D. Ellis's excellent book: "Investment Policy").

However, although their attractions have faded - they offer "reward free risk" - we still hold some since, to do otherwise, would mean changing our mandate (the scheme reflecting our trust document etc.) while, at some point, they will again represent opportunity, rendering it then necessary to change the legal documentation back again - probably at least one palaver for nothing.

We await the great days return - when our biggest challenge will be deciding "how much in fixed income and how much in stocks?"; meanwhile, in the former we hold only short term cash equivalents or we enjoy old fashioned bond type risk/return from the likes of Primary Healthcare - a property company (owning GPs' surgeries). With such an "equity", we enjoy an attractive, HM Govt. sourced, index - linked (and soon to be quarterly) income, channelled through a mandatory healthcare sector and enhanced by rational gearing and tax efficiency - a far more appealing prospect than gilts.

Finally on bonds though, with the current degree of equity market volatility, it may not be long before they start to make sense once again (see also Note 3 at the end); we expect to be ready.

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

Developments in the year

In recent reports, we issued notes of caution about share prices generally and indeed, even though the stock market got that sinking feeling in the year, we remain not terribly enthusiastic about our equity portfolio, though we may add to it here and there; such securities may not be as high as they look, but they remain high nonetheless.

We continue to receive generally good business reports from our investees though - they are gifts which keep giving - and they have served us well over both the short term and the long haul; accordingly, we are only sellers (of individual equities) where we see better opportunities elsewhere for the capital or where we see a particular holding as no longer representing value.

Meanwhile, several of our recent additions, such as Britvic (soft drinks and mixers) and veterans like Marston's (in brewing and pubs) and Travis Perkins (building materials) continue to do well.

Reassuringly, equities we always perceived as providing core strength to our portfolio, have ridden the waves of recent volatility well - reflecting the stability of their businesses. Not only are they developing well and holding their own value, but their rising dividends add to our firepower for capturing opportunities when the market lurches. Reassuringly, pints are pulled, meals served, cement mixed and food flavourings added the world over, irrespective of the FTSE's daily move.

Some holdings have dropped though. Electrocomponents' business has performed well in harsh trading conditions, yet the stock market is less enthused, while Ocean Wilson's Brazilian ports have been hit by a depressed economy and subdued oil price. Such setbacks are part of the investor's remit and rationality determines our strategy, not knee jerk reaction to temporary events.

Patience though was, paradoxically, the main ingredient in the year – demonstrating once again that you make your money in the waiting not in the buying and selling; too many investors, as the bull market worries, are doing what Keynes observed: trying to predict not the market or what other people are thinking about it, but what other people are deciding that other people are concluding about stocks; not a good *modus operandi*. The stock market therefore (moving money from the active to the patient) is there to serve us and not to instruct us.

Outlook

Equities therefore remain the place to be, but quality and risk/price remain paramount considerations and caution is still in order. We will however continue to add to them where we are confident that we have found an exceptional business (cash generative, soundly financed and with barriers to competition); then we will buy and let business take its course.

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

We look forward to the spring report, while our website contains more about *value investing* and updated prices/performance. We close thanking MFM, our administrators/registrars and the auditors - Barlow Andrews; both do a great job, and set high standards for us to live up to.

Graham Englefield
Graham Shaw CFA
Robert Bogle

23 October 2015

www.hathawayinvestment.com

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

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 provide 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 reflects almost all quoted companies; "gilts" means UK government bonds. The FTSE 100 Index records "blue chips", "large capitalisation" 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 30.09.15; any discrepancy, is due to rounding and is not material. The numbers in the section immediately below that have been rounded up or down to the nearest £5.
5. "Year", or "2002/2014", means the fund year/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 the same numbers to commence subsequent periods etc.

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Distributions

		Year 2015	Year 2014	Year 2013	Year 2012
Net income paid 31 May	(inc units)	0.7198ppu	0.9252ppu	0.8353ppu	0.6043ppu
	(acc units)	0.9209ppu	1.1664ppu	1.0372ppu	0.7399ppu
Net income paid 30 November	(inc units)	0.8373ppu	0.5542ppu	0.5741ppu	0.5019ppu
	(acc units)	1.0786ppu	0.7051ppu	0.7195ppu	0.6194ppu

Portfolio Changes

For the year ended 30 September 2015

Purchases	Cost (£)	Sales	Proceeds (£)
Ocean Wilsons Holdings	550,488	Caledonia Investments	470,830
Menzies (John)	519,325	Invesco Perpetual Inc No Trail (Inc)	334,700
Baxalta	395,866	Synthomer	308,208
Games Workshop Group	254,239	BP	252,789
Booker Group	156,178	Vodafone Group	237,575
Genus	148,443	Severfield	207,519
Nokian Renkaat	138,755	Land Securities Group	200,946
Bond amortisation	637	Verizon Communications	147,201
		De La Rue	128,495
		HSBC Holdings	120,163
		M & G High Income Inv Trust (Inc)	110,367
		BlackRock World Mining Trust	65,379
		Booker Group 'B'	11,760
Total purchases for the year	2,163,931	Total sales for the year	2,595,932

MFM HATHAWAY FUND

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.

MFM HATHAWAY FUND

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
INVESTMENT DIRECTOR

MARLBOROUGH FUND MANAGERS LTD
18 November 2015

STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES

Marlborough Fund Managers Ltd is the Manager of the Fund.

The rules contained in the Collective Investment Schemes Sourcebook (the COLL) and made by the Financial Conduct Authority pursuant to the Financial Services and Markets Act 2000 require the manager to prepare financial statements for each annual accounting period, reporting the financial position of the scheme as at the end of that period and of its income for the period. In preparing those financial statements the manager is required to:

- Comply with the Statement of Recommended Practice relating to Authorised Funds issued by The Investment Association, the trust deed, and the rules in the COLL.
- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation.

The manager is required to keep proper accounting records and to manage the Fund in accordance with the regulations, the trust deed and the prospectus.

TRUSTEE'S REPORT

Statement of Trustee's responsibilities

The trustee is responsible for the safekeeping of all of the property of the scheme (other than tangible moveable property) which is entrusted to it and for the collection of income that arises from that property.

It is the duty of the trustee to take reasonable care to ensure that the scheme is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("The Sourcebook"), the Financial Services and Markets Act 2000, as amended, the scheme's Trust Deed and Prospectus, in relation to the pricing of, and dealings in, units in the scheme; the application of income of the scheme; and the investment and borrowing powers of the scheme.

Report of HSBC Bank plc ("the Trustee") to the Unitholders of the MFM Hathaway Fund

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee of the scheme it is our opinion, based on the information available to us and the explanations provided, that in all material respects, the Manager:

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the scheme's units and the application of the scheme's income in accordance with the Sourcebook, the Trust Deed and Prospectus, and

(ii) has observed the investment and borrowing powers and restrictions applicable to the scheme.

HSBC BANK PLC

LONDON

18 November 2015

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF THE MFM HATHAWAY FUND

We have audited the financial statements of the MFM Hathaway Fund for the year ended 30 September 2015 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the fund's unitholders, as a body, pursuant to paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook. Our audit work has been undertaken so that we might state to the fund's unitholders those matters we are required to state to them in an auditor's report and for no other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the fund and the fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the authorised fund manager and the auditor

As explained more fully in the Statement of Authorised Fund Manager's Responsibilities set out on page 6, the authorised fund manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the authorised fund manager; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the fund's affairs as at 30 September 2015 and of its net revenue and net gains or losses of the fund property for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Opinion on other matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by The Investment Association, the rules contained in the Collective Investment Schemes Sourcebook and the trust deed;
- there is nothing to indicate that proper accounting records for the fund have not been kept or that the financial statements are not in agreement with those records;
- we have been given all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit; and
- the information given in the authorised fund manager's report is consistent with the financial statements.

18 November 2015

BARLOW ANDREWS LLP
CHARTERED ACCOUNTANTS & STATUTORY AUDITORS
78 CHORLEY NEW ROAD
BOLTON

MFM HATHAWAY FUND

COMPARATIVE TABLES

Price and distribution record

INCOME UNITS - Units first offered at 50p on 4 November 2002.

	Highest issue price	Lowest redemption price	Net income per unit	Net income per £1,000 invested 7 Jan 2010
2010	81.71p	66.02p	1.0149p	£14.29
2011	83.25p	70.30p	0.9481p	£13.35
2012	85.48p	72.88p	1.1062p	£15.58
2013	105.17p	82.68p	1.4094p	£19.85
2014	107.71p	92.81p	1.4794p	£20.84
2015*	112.62p	101.07p	1.5571p	£21.93

(*up to 30 September 2015)

ACCUMULATION UNITS - Units first offered at 50p on 4 November 2002.

	Highest issue price	Lowest redemption price	Net income per unit	Net income per £1,000 invested 7 Jan 2010
2010	98.78p	78.89p	1.2138p	£14.34
2011	101.23p	85.48p	1.1497p	£13.58
2012	106.15p	89.24p	1.3593p	£16.06
2013	132.59p	102.67p	1.7567p	£20.75
2014	136.99p	118.74p	1.8715p	£22.11
2015*	145.09p	129.30p	1.9995p	£23.62

(*up to 30 September 2015)

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
at 30 Sept 2013	£9,476,059	4,851,739	4,012,242	95.62p	120.56p
at 30 Sept 2014	£10,257,521	4,790,947	4,500,236	97.24p	124.42p
at 30 Sept 2015	£10,299,816	4,513,410	4,337,802	101.50p	131.84p

ONGOING CHARGES

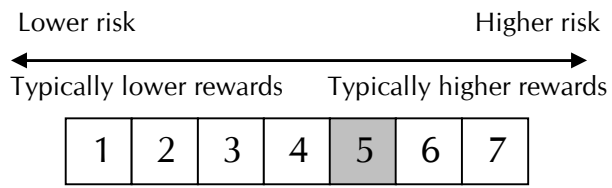
Ongoing charges

30 September 2014	1.58%
30 September 2015	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 5 because it has experienced significant volatility historically.

MFM HATHAWAY FUND

PORTFOLIO STATEMENT

as at 30 September 2015

Holding or nominal value as at 30 Sep 15		Bid value £	Percentage of total net assets %
LOAN STOCKS (14.15%, 30 Sept 14 -14.33%)			
1,018,000	Treasury 2% 22/01/16	1,022,047	9.92
428,500	Treasury 1.75% 22/01/17	435,247	4.23
	Total Loan Stocks	<u>1,457,294</u>	<u>14.15</u>
BANKS (Nil, 30 Sept 14 - 1.17%)			
	Total Banks	<u>0</u>	<u>0.00</u>
BEVERAGES (4.32%, 30 Sept 14 - 4.29%)			
65,400	Britvic	445,047	4.32
	Total Beverages	<u>445,047</u>	<u>4.32</u>
CHEMICALS (Nil, 30 Sept 14 - 2.77%)			
	Total Chemicals	<u>0</u>	<u>0.00</u>
CONSTRUCTION & MATERIALS (4.91%, 30 Sept 14 - 3.87%)			
140,000	Costain Group	505,750	4.91
	Total Construction & Materials	<u>505,750</u>	<u>4.91</u>
EQUITY INVESTMENT INSTRUMENTS (10.68%, 30 Sept 14 - 16.23%)			
163,250	Henderson High Income Trust	282,423	2.74
77,300	Law Debenture Corp	382,635	3.71
181,500	Scottish Mortgage Investment Trust	436,145	4.23
	Total Equity Investment Instruments	<u>1,101,203</u>	<u>10.68</u>
FOOD & DRUG RETAILERS (5.94%, 30 Sept 14 - 2.84%)			
336,000	Booker Group	611,856	5.94
	Total Food & Drug Retailers	<u>611,856</u>	<u>5.94</u>
INDUSTRIAL ENGINEERING (Nil, 30 Sept 14 - 1.89%)			
	Total Industrial Engineering	<u>0</u>	<u>0.00</u>
INDUSTRIAL TRANSPORTATION (3.95%, 30 Sept 14 - Nil)			
53,500	Ocean Wilsons Holdings	406,600	3.95
	Total Industrial Transportation	<u>406,600</u>	<u>3.95</u>
LEISURE GOODS (2.71%, 30 Sept 14 - 0.37%)			
51,225	Games Workshop Group	279,176	2.71
	Total Leisure Goods	<u>279,176</u>	<u>2.71</u>
MOBILE TELECOMMUNICATIONS (Nil, 30 Sept 14 - 2.00%)			
	Total Mobile Telecommunications	<u>0</u>	<u>0.00</u>
NONEQUITY INVESTMENT INSTRUMENTS (Nil, 30 Sept 14 - 1.09%)			
	Total Nonequity Investment Instruments	<u>0</u>	<u>0.00</u>
OIL & GAS PRODUCERS (Nil, 30 Sept 14 - 2.65%)			
	Total Oil & Gas Producers	<u>0</u>	<u>0.00</u>
PHARMACEUTICALS & BIOTECHNOLOGY (4.29%, 30 Sept 14 - 2.13%)			
31,200	Genus	441,480	4.29
	Total Pharmaceuticals & Biotechnology	<u>441,480</u>	<u>4.29</u>

MFM HATHAWAY FUND

PORTFOLIO STATEMENT

as at 30 September 2015

Holding or nominal value as at 30 Sep 15		Bid value £	Percentage of total net assets %
	REAL ESTATE INVESTMENT & SERVICES (3.30%, 30 Sept 14 - 2.60%)		
5,475	Daejan Holdings	340,271	3.30
	Total Real Estate Investment & Services	<u>340,271</u>	<u>3.30</u>
	REAL ESTATE INVESTMENT TRUSTS (6.25%, 30 Sept 14 - 6.67%)		
15,157	Land Securities Group	189,917	1.84
112,000	Primary Health Properties	453,880	4.41
	Total Real Estate Investment Trusts	<u>643,797</u>	<u>6.25</u>
	SUPPORT SERVICES (14.47%, 30 Sept 14 - 11.63%)		
100,000	Electrocomponents	176,700	1.72
150,000	ISG	304,500	2.96
137,574	Menzies (John)	564,053	5.48
22,515	Travis Perkins	443,546	4.31
	Total Support Services	<u>1,488,799</u>	<u>14.47</u>
	TRAVEL & LEISURE (4.85%, 30 Sept 14 - 4.82%)		
336,000	Marston's	499,632	4.85
	Total Travel & Leisure	<u>499,632</u>	<u>4.85</u>
	UNIT TRUST/OEIC (Nil, 30 Sept 14 - 3.11%)		
	Total Unit Trust/OEIC	<u>0</u>	<u>0.00</u>
	OVERSEAS SECURITIES (18.14%, 30 Sept 14 - 13.77%)		
15,350	Baxalta	314,514	3.05
4,625	Fresenius Medical Care	238,886	2.32
320	Givaudan	341,662	3.32
17,870	Kone 'B'	449,931	4.37
24,685	Nokian Renkaat	523,519	5.08
	Total Overseas Securities	<u>1,868,512</u>	<u>18.14</u>
	UNQUOTED SECURITIES (Nil, 30 Sept 14 - Nil)		
65,000	Anglo & Overseas Trust	0	0.00
	Total Unquoted Securities	<u>0</u>	<u>0.00</u>
	Portfolio of investments	10,089,417	97.96
	Net current assets on capital account	210,399	2.04
	Net assets	<u>10,299,816</u>	<u>100.00</u>

MFM HATHAWAY FUND

FINANCIAL STATEMENTS

For the year ended 30 September 2015

Statement of total return

	Notes	30 September 2015		30 September 2014	
		£	£	£	£
Income:					
Net capital gains/(losses)	4		444,403		133,216
Revenue	6	329,463		315,912	
Expenses	7	(168,077)		(162,631)	
Net revenue/(expense) before taxation		<u>161,386</u>		<u>153,281</u>	
Taxation	8	<u>(898)</u>		<u>(1,229)</u>	
Net revenue/(expense) after taxation			<u>160,488</u>		<u>152,052</u>
Total return before distributions			604,891		285,268
Finance costs: Distributions	9		(160,488)		(152,052)
Change in net assets attributable to unitholders from investment activities			<u>444,403</u>		<u>133,216</u>

Statement of change in net assets attributable to unitholders

	30 September 2015		30 September 2014	
	£	£	£	£
Opening net assets attributable to unitholders		10,257,521		9,476,059
Amounts receivable on issue of units	319,644		780,670	
Amounts payable on cancellation of units	<u>(807,942)</u>		<u>(214,283)</u>	
		(488,298)		566,387
Stamp duty reserve tax		0		(573)
Change in net assets attributable to unitholders from investment activities		444,403		133,216
Retained distribution on accumulation units		86,190		82,432
Closing net assets attributable to unitholders		<u>10,299,816</u>		<u>10,257,521</u>

MFM HATHAWAY FUND

FINANCIAL STATEMENTS
as at 30 September 2015

Balance sheet

	Notes	30 September 2015		30 September 2014
		£		£
Assets:				
Investment assets		10,089,417		10,075,690
Debtors	10	27,972		62,642
Cash and bank balances	11	<u>224,025</u>		<u>190,040</u>
Total other assets		251,997		252,682
Total assets		<u>10,341,414</u>		<u>10,328,372</u>
Liabilities:				
Investment liabilities		0		0
Creditors	12	(3,806)		(44,298)
Distribution payable on income units		<u>(37,792)</u>		<u>(26,553)</u>
Total other liabilities		(41,598)		(70,851)
Total liabilities		<u>(41,598)</u>		<u>(70,851)</u>
Net assets attributable to unitholders		<u>10,299,816</u>		<u>10,257,521</u>

FINANCIAL STATEMENTS

Notes to the financial statements

1 ACCOUNTING POLICIES

- a Basis of preparation
The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised funds issued by the Investment Management Association in October 2010.
- b Valuation of investments
The investments of the Fund have been valued using bid market values ruling on international stock exchanges at 12 noon on 30 September 2015, being the last valuation point of the year. Market value is defined by the SORP as fair value which is generally the bid value of each security. Where applicable investments are valued to exclude accrued income. Where a stock is unlisted or where there is a non liquid market, a valuation for this stock has been obtained from market makers where possible, and suspended stocks are normally valued at their suspension price. However, where the manager believes that these prices do not reflect a fair value, or where no reliable price exists for a security, it is valued at a price which in the opinion of the manager reflects a fair and reasonable price for that investment. Anglo Overseas 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.
- c Foreign exchange
All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the date of such transactions. Foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rates at 12.00 noon on 30 September 2015.
- d Revenue
Revenue includes dividends on shares when the security is quoted ex - dividend by 30 September 2015 and interest received and accrued up to that date. Interest accruals on bond stocks take into account the gain or loss which is expected on each holding from the starting point (normally the date and cost of purchase) to the expected date of maturity. All UK dividends are disclosed net of UK tax.
- e Expenses
Expenses (other than those relating to the purchase and sale of investments) are charged against income as shown in these accounts.
- f Taxation/Deferred taxation
The tax accounting treatment follows that of the principal amount. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounts purposes. The deferred tax balance is not discounted.

2 DISTRIBUTION POLICIES

- a Basis of distribution
The policy of the Fund is to distribute any net revenue shown as such in the statement of total return. This amount therefore takes into account the treatment of accumulation units and of management expenses as described in the accounting policies above.
- b Accumulation units
Revenue attributable to accumulation unitholders is retained at the end of each distribution period and represents a reinvestment of revenue.
- c Interest from debt securities
Revenue on bonds is recognised on an effective yield basis. Effective yield takes account of all expected cash flows flows from a bond over its lifetime.
- d Equalisation
Equalisation applies only to units purchased during the distribution period. It is the average amount of income included in the purchase price of all group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to UK income tax but must be deducted from the cost of the units for UK capital gains tax purposes.

Notes to the financial statements

3 RISK MANAGEMENT POLICIES

In pursuing its investment objective as stated on page 5, the Fund holds a number of financial instruments. The Fund's financial instruments comprise securities and other instruments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued income.

The main risks arising from the Fund's financial instruments and the manager's policies for managing these risks are summarised below. These policies have been applied throughout the year.

Market price risk

Market price risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Fund holds. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to market price fluctuations which are monitored by the manager in pursuance of the investment objective and policy as set out in the Prospectus.

Investment limits set out in the Trust Deed, the Prospectus and in the rules contained in the Collective Investment Schemes Sourcebook mitigate the risk of excessive exposure to any particular security or issuer.

Foreign currency risk

The income and capital value of the Fund's investments can be affected by foreign currency translation movements as some of the Fund's assets and income are denominated in currencies other than sterling which is the Trust's functional currency.

The manager has identified three principal areas where foreign currency risk could impact the Fund. These are, movements in exchange rates affecting the value of investments, short-term timing differences such as exposure to exchange rate movements during the period between when an investment purchase or sale is entered into and the date when settlement of the investment occurs, and finally movements in exchange rates affecting income received by the Fund. The Fund converts all receipts of income received on currency, into sterling on the day of receipt.

Interest rate risk

Interest rate risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in interest rates. The Fund invests in fixed and floating rate securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of the manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

The Fund's cash holdings are held in deposit accounts, whose rates are determined by the banks concerned on a daily basis.

Liquidity risk

The Fund's assets comprise mainly of readily realisable securities. The main liability of the Fund is the redemption of any units that investors wish to sell. Assets of the Fund may need to be sold if insufficient cash is available to finance such redemptions. The liquidity of the Fund's assets is regularly reviewed by the manager.

Credit Risk

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its responsibilities. The Fund only buys and sells investments through brokers which have been approved by the manager as an acceptable counterparty.

MFM HATHAWAY FUND

FINANCIAL STATEMENTS

Notes to the financial statements

4 NET CAPITAL GAINS/(LOSSES)

The net gains/(losses) on investments during the year comprise:

	30 September 2015 £	30 September 2014 £
Non-derivative securities	445,728	133,552
Transaction charges	(1,325)	(336)
Net capital gains/(losses)	<u>444,403</u>	<u>133,216</u>

5 PURCHASES, SALES AND TRANSACTION COSTS

	30 September 2015 £	30 September 2014 £
Purchases excluding transaction costs	2,153,219	2,084,186
Commissions	5,270	6,010
Taxes	5,348	6,235
Contract Charges and PTM Levy	94	87
Total purchase transaction costs	<u>10,712</u>	<u>12,332</u>
Purchases including transaction costs	<u>2,163,931</u>	<u>2,096,518</u>

Sales excluding transaction costs	2,602,712	1,508,030
Commissions	(6,769)	(4,337)
Contract Charges and PTM Levy	(11)	(61)
Total sale transaction costs	<u>(6,780)</u>	<u>(4,398)</u>
Sales net of transaction costs	<u>2,595,932</u>	<u>1,503,632</u>

Transaction handling charges	<u>1,325</u>	<u>336</u>
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6 REVENUE

	30 September 2015 £	30 September 2014 £
UK dividends	200,495	232,374
UK dividends (unfranked)	19,706	9,412
Overseas dividends	80,647	43,759
Interest on debt securities	28,496	30,098
Bank interest	119	269
Total revenue	<u>329,463</u>	<u>315,912</u>

7 EXPENSES

	30 September 2015 £	30 September 2014 £
Payable to the Manager or associate:		
Manager's periodic charge	159,541	154,281
Registration fees	549	544
	<u>160,090</u>	<u>154,825</u>
Payable to the Trustee or associate:		
Trustee's fees	3,829	3,704
Safe Custody fees	1,100	1,045
	<u>4,929</u>	<u>4,749</u>
Other expenses:		
Financial Conduct Authority fee	178	177
Audit fee	2,880	2,880
	<u>3,058</u>	<u>3,057</u>
Total expenses	<u>168,077</u>	<u>162,631</u>

FINANCIAL STATEMENTS

Notes to the financial statements

8 TAXATION

	30 September 2015	30 September 2014
	£	£
a Analysis of the tax charge for the year		
UK Corporation tax at 20%	0	0
Overseas tax	898	1,229
Total tax charge	<u>898</u>	<u>1,229</u>
b Factors affecting the tax charge for the year		
Net revenue before taxation	161,386	153,281
Corporation tax at 20%	<u>32,277</u>	<u>30,656</u>
Effects of:		
Revenue not subject to taxation	(56,228)	(55,226)
Unrelieved excess management expenses	23,951	24,570
Overseas tax	898	1,229
Current tax charge	<u>898</u>	<u>1,230</u>

At 30 September 2015 the Fund had surplus management expenses of £568,105 (30.09.14 - £448,349). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and, therefore, no deferred tax asset has been recognised.

9 FINANCE COSTS

	30 September 2015	30 September 2014
	£	£
Distributions and interest		
The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units, and comprise:		
Interim	72,799	95,767
Final	84,583	58,286
Add: Revenue deducted on cancellation of units	4,705	837
Deduct: Revenue received on creation of units	(1,596)	(2,837)
Deduct: Revenue brought forward	(3)	(1)
Total finance costs	<u>160,488</u>	<u>152,052</u>

Details of the distribution per unit are set out in the distribution table in note 15.

10 DEBTORS

	30 September 2015	30 September 2014
	£	£
Amounts receivable for creation of units	0	34,365
Accrued income	27,349	27,947
Taxation recoverable	623	330
Total debtors	<u>27,972</u>	<u>62,642</u>

11 CASH AND BANK BALANCES

	30 September 2015	30 September 2014
	£	£
Capital bank account	162,545	156,179
Revenue bank account	61,480	33,861
Total cash and bank balances	<u>224,025</u>	<u>190,040</u>

MFM HATHAWAY FUND

FINANCIAL STATEMENTS

Notes to the financial statements

12 CREDITORS

	30 September 2015	30 September 2014
	£	£
Purchases awaiting settlement	0	39,982
Accrued expenses	3,806	4,316
Total creditors	<u>3,806</u>	<u>44,298</u>

13 RELATED PARTIES

The manager is involved in all transactions in the units of the Fund, the aggregate values of which are set out in the Statement of Change in Unitholders' Net Assets on page 13.
During the year the Manager held units in the Fund and had a holding of 99.994 income units and 100.000 accumulation units at the year end.

During the year, the scheme paid management and registration charges to its manager as follows:

		Outstanding at year end	
		30 September 2015	30 September 2014
	£	£	£
Marlborough Fund Managers Ltd	160,090	143	137

During the year, the scheme paid trustee and safe custody fees and transaction charges to its trustee as follows:

		Outstanding at year end	
		30 September 2015	30 September 2014
	£	£	£
HSBC Bank	6,254	1,044	1,756

14 RISK DISCLOSURES

Interest rate risk

The interest rate risk profile of financial assets and liabilities consists of the following:

Financial assets with fixed interest rates:		30 September 2015	30 September 2014
		£	£
Sterling		<u>1,457,294</u>	<u>1,469,813</u>
Weighted fixed interest rates:		30 September 2015	30 September 2014
		%	%
Sterling		<u>1.91</u>	<u>1.90</u>
Weighted average period for financial assets with fixed interest rates:		30 September 2015	30 September 2014
		years	years
Sterling		<u>0.61</u>	<u>1.61</u>

FINANCIAL STATEMENTS

Notes to the financial statements

RISK DISCLOSURES (continued)**Currency risk**

At the year end date a portion of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by exchange rate movements.

Foreign currency exposure at 30 September 2015:

	Investments £	Net current assets £	Total £
Euro	1,212,336	623	1,212,959
Swiss franc	341,662	0	341,662
US dollar	314,514	0	314,514
	<u>1,868,512</u>	<u>623</u>	<u>1,869,135</u>

Foreign currency exposure at 30 September 2014:

	Investments £	Net current assets £	Total £
Euro	950,531	330	950,861
Swiss franc	313,593	0	313,593
US dollar	147,929	0	147,929
	<u>1,412,053</u>	<u>330</u>	<u>1,412,383</u>

15 DISTRIBUTION TABLE

For the period from 1 October 2014 to 31 March 2015

INCOME UNITS

Group 1: units purchased prior to 1 October 2014

Group 2: units purchased on or after 1 October 2014

	Net revenue to 31 Mar 2015 pence per unit	Equalisation to 31 Mar 2015 pence per unit	Distribution paid 31 May 2015 pence per unit	Distribution paid 31 May 2014 pence per unit
Group 1	0.7198p	0.0000p	0.7198p	0.9252p
Group 2	0.3520p	0.3678p	0.7198p	0.9252p

ACCUMULATION UNITS

Group 1: units purchased prior to 1 October 2014

Group 2: units purchased on or after 1 October 2014

	Net revenue to 31 Mar 2015 pence per unit	Equalisation to 31 Mar 2015 pence per unit	Distribution paid 31 May 2015 pence per unit	Distribution paid 31 May 2014 pence per unit
Group 1	0.9209p	0.0000p	0.9209p	1.1664p
Group 2	0.4503p	0.4706p	0.9209p	1.1664p

For Corporate Unitholders the percentage split between Franked and Unfranked income relating to this distribution was:

Franked	87.69%
Unfranked	12.31%

£0.00 is the trustee's net liability to corporation tax in respect of the gross revenue.

0.0000p is the trustee's net liability to corporation tax per unit.

MFM HATHAWAY FUND

FINANCIAL STATEMENTS

Notes to the financial statements

DISTRIBUTION TABLE

For the period from 1 April 2015 to 30 September 2015

INCOME UNITS

Group 1: units purchased prior to 1 April 2015

Group 2: units purchased on or after 1 April 2015

	Net revenue to 30 Sep 2015 pence per unit	Equalisation to 30 Sep 2015 pence per unit	Distribution payable 30 Nov 2015 pence per unit	Distribution paid 30 Nov 2014 pence per unit
Group 1	0.8373p	0.0000p	0.8373p	0.5542p
Group 2	0.3373p	0.5000p	0.8373p	0.5542p

ACCUMULATION UNITS

Group 1: units purchased prior to 1 April 2015

Group 2: units purchased on or after 1 April 2015

	Net revenue to 30 Sep 2015 pence per unit	Equalisation to 30 Sep 2015 pence per unit	Distribution payable 30 Nov 2015 pence per unit	Distribution paid 30 Nov 2014 pence per unit
Group 1	1.0786p	0.0000p	1.0786p	0.7051p
Group 2	0.4345p	0.6441p	1.0786p	0.7051p

For Corporate Unitholders the percentage split between Franked and Unfranked income relating to this distribution was:

Franked	83.11%
Unfranked	16.89%

£0.00 is the trustee's net liability to corporation tax in respect of the gross revenue.

0.0000p is the trustee's net liability to corporation tax per unit.

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