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MFM  
HATHAWAY FUND

**ANNUAL REPORT  
AND AUDITED FINANCIAL STATEMENTS**

for the year ended 30 September 2018

## **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

## **MFM HATHAWAY FUND**

<b>CONTENTS</b>	<b>PAGE</b>
AUTHORISED INVESTMENT ADVISER'S REPORT	1
AUTHORISED STATUS AND GENERAL INFORMATION	4
DIRECTORS' STATEMENT	5
STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES	5
DEPOSITARY'S REPORT	6
INDEPENDENT AUDITOR'S REPORT	7
COMPARATIVE TABLE	9
SYNTHETIC RISK AND REWARD INDICATOR	10
PORTFOLIO STATEMENT	11
<b>FINANCIAL STATEMENTS</b>	
STATEMENT OF TOTAL RETURN	13
STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	13
BALANCE SHEET	14
NOTES TO THE FINANCIAL STATEMENTS	15

## MFM HATHAWAY FUND

### AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 30 September 2018

#### Percentage change and sector position to 30 September 2018

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>10 years</u>
MFM Hathaway Fund	9.30%	5.29%	45.84%	58.17%	157.71%
Sector Average	6.40%	5.43%	33.38%	41.54%	108.03%
Rank*	13/157	67/154	9/134	8/111	3/73
Quartile Ranking*	1	2	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. 3rd out of 73 funds over ten years).

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 1 year are based on the quoted bid prices for 28 September 2017 and 27 September 2018).

#### Recent performance

We have pleasure in presenting our sixteenth annual report on our unit trust, which recovered in the second half of the year, to take the *total return* to 5.3% over the twelve months, reflecting a 9.94p increase in *accumulation units*. The percentage figure was nothing like the healthy advances of recent years – we did remind unitholders a year ago to keep their expectations within reasonable parameters after a couple of vintage years - but read on for the consolation provided by the *compound interest model*.

The return compares with our benchmark's 5.0%, the general stock market and blue chips at 6.9% and gilts' 0.6%. Our standing in the two tables remains gratifying over longer periods while, since launch (November 2002), the units we describe have advanced from 50p to 197.63p – reflecting annual compounding at 9% (down from the almost 9.5% run rate recorded a year ago).

Amid continuing low inflation (now it stands at 2.7%), our *absolute* return was fair, although some way behind our stocks' intrinsic value increase. Meanwhile, in this thirty-first formal report, we record our twenty-sixth positive period return; since commencement, the good times have overwhelmed the disappointments and the *relative* exhibits above and below reflect that.

#### Investing conditions & portfolio developments in the year

Continuing the theme from last year, the notable price movements of certain securities were: Toyo Tire – down 17% in sterling terms, Games Workshop (GAW) – up 107%, Electrocomponents – up 16% (a holding we gave special mention to, as requiring patience, in the 2015 annual report) and John Menzies – down 21%.

We highlight GAW, which we acquired some years ago, as a classic value investment and which we have had to reduce recently as it was heading perilously close to the 10% legal limit for our individual securities. For a long time GAW – which we had bought at a beaten-up price – sat in the doldrums, although its business performance was satisfactory; its stock market fortunes though, have changed in recent years and in the last twelve months it has had a stunning run, reflecting its gratifying commercial advances.

We recommend the company's latest annual report, for our unitholders to read about a gem of a business – making real money out of (mostly) adolescents playing table top, old fashioned, wargames and then enjoying the spin-off activities; the figures for the returns on commencement equity and capital are eye watering, but don't expect any photographs or hubris.

Next meanwhile, which gained just 3% in the year, nevertheless put in a great showing on the dividend front – with four payouts - adding an annual cash return of 4.8%; a *total return* of 7.8% is acceptable, being ahead of the average for our overall portfolio and well beyond inflation.

Finally, we described last year how and why we had significantly reduced our holding of Scottish Mortgage Investment Trust (SMT); although it has prospered since it began in 1909, and has only cut its dividend once in the 109 years, we saw a somewhat risky portfolio and recent events at Tesla (it is its second largest investor) have rather buttressed our decision. SMT rose 31% in the year, but has seen some profound falls recently; our decision a year or so ago, looks increasingly prudent. Like the Foreign & Colonial Investment Trust though - which celebrated its 150<sup>th</sup> year in the period and which we held at one time - SMT remains on our *possibles* list for a material recall, when circumstances change.

An appropriate juncture then to consider how we have fared since launch:

#### Long-term performance: the sixteen-year record

The numbers below, record our *accumulation units* well ahead of our benchmark and the stock market since late 2002; alongside, gilts returned 118.7% and inflation was close to 60%. Meanwhile, *income unitholders* received capital growth of 194% in that time, together with dividends, expressed as a yield on their original investment, averaging 6.3% a year.

<u>Year(s)</u>	<u>MFM Hathaway Fund</u>	<u>Target Benchmark</u>	<u>FTSE 100</u>	<u>FTSE All Share</u>	<u>Fund Equities</u>
2002/2017	+275.3%	+201.3%	+201.9%	+237.3%	+325.5%
2017/2018	+5.3%	+5.0%	+6.9%	+6.9%	+6.1%
Cumulative	+295.2%	+218.2%	+222.9%	+260.8%	+351.5%

## **MFH HATHAWAY FUND**

### **AUTHORISED INVESTMENT ADVISER'S REPORT**

for the year ended 30 September 2018

The quietly satisfactory year – was buttressed by strong past performance - such that the *compound interest model* has again had a magnifying effect; a notable investment lesson indeed springs from it and the above numbers: that the best returns tend to flow to the longest holders.

We now therefore turn to some observations we have made recently and some general themes which emerged in the year. First up: the newspapers and other media keep banging on about the financial crisis (“how did it happen?”, “could it happen again?” etc., etc.), so we thought we would see how we have fared in the decade since:

#### **Our performance since the financial crisis**

Lehman Brothers – in the largest bankruptcy in US history – filed for Chapter 11 protection on 15<sup>th</sup> September 2008. On that day, the London Stock Exchange All Share Index (*total return*) closed at 3280.38 and the corresponding figure on 26.09.18 was 7335.83, an increase of 123.6% for those buying a notional straight index fund at the beginning of that tumultuous decade, reflecting annual compounding at 8.5%.

At the epicentre of the crisis, government bonds were almost universally seen as about the only answer to all the uncertainty, since when they have returned 68.3% or annual compounding at 5.25%: a somewhat leakier lifeboat than generally envisaged, although it was slightly ahead of gold which was seen as the other safe haven.

Meanwhile, our accumulation units advanced by 152.7% in that period (timing differences account for the discrepancy between this number and that shown in the first table), equivalent to annual compounding at 10% (and of course that is *after* all fees and expenses); the return was even better if you look at the period starting a year or so before Lehman – a time when the stock market was booming but we were favouring bonds (as ever, a *value-based* decision and not a predictive one).

Our 10-year performance, as the first table reflects, was also strongly ahead of almost all our peer group and featured in a recent article on *Trustnet* - an online mutual fund reviewer and statistical source; however, we were also noted there as having greater volatility along the way, to which we would reply: “So what? Would you rather have almost a 10% annual compound return over a decade and a little more volatility, or a smooth ride below 7.5%?”

Now the great sages – every golf club bar has one – are recommending index funds and, whilst we have nothing to add to our previous lengthy discussions about them and we have noted their considerable merits, we do think our unitholders might like to hear of an unexpected development (although – to be objective – we note that what has emerged is not a reflection, *per se*, of their intrinsic merits or otherwise):

#### **Update on index funds**

A recent Financial Times article noted that the size of indexers in the US is such that they hold material stakes in competing enterprises, rendering arm’s length voting at company meetings, simply impossible; accordingly, exercising votes in a manner less than completely *bona fide* emerges, making such a shareholder effectively like a director of two or more rival concerns.

In English law, directors’ fiduciary duties are to their employer (so they can’t serve two competitors); shareholders, in principle, have no such obligations – but they can have extraneous impositions on similar lines (as we do) where they are acting as agents for underlying investors.

In the US, the law and the concerns are very much the same, but more clamorous as they involve the dreaded word: *collusion*; accordingly, we presume that there will be regulatory developments with index funds and it will be interesting to see how the resulting paradox – akin in difficulty to understanding the Monty Hall problem in probability (see Wikipedia) - can be resolved.

*At issue*: indexers, in exercising their fiduciary duties, could be both compelled to vote at company meetings *and* to abstain from so doing; we wish the best of luck to those trying to resolve that one as – unlike with the Monty Hall scenario – there is no middle course of action.

This brings us to our final observation, as we are sometimes asked about Bitcoin (less so now that it has plunged of late) and other virtual but unvirtuous “currencies”:

#### **Bitcoin**

It has no intrinsic worth or value, no government stands behind it and it won’t end well.

#### **Outlook**

More rises in interest rates are likely, following the Bank of England’s hike to 0.75% in August and we expect attention to start focusing on them, as is happening in the US.

So, what then generally looks positive, or at least heading in that direction, amidst current events?

## MFM HATHAWAY FUND

### AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 30 September 2018

Well, we expect capital markets in the UK – at the very least – to be influenced by the ongoing Brexit saga although, once the process/negotiations are complete, it is likely that it will be business as usual; *i.e.*, we will see the usual volatility and the daily battle between fear and greed – our happy hunting ground.

Our general stance and view therefore remains unchanged: that the shares of quality companies, bought for the long-term, represent the best home for capital. Equities therefore will remain our core, with holdings spread across a range of industries and geographies, the only common factor being that they must remain attractive to us both in their operations and valuation.

In closing, our unitholders should, as ever, expect turbulence; nothing grows to the sky.

We anticipate our spring report; meanwhile, our website contains more about *value investing*, updated prices/performance figures and all thirty-one formal reports. We close thanking MFM, our administrators/registrars and Barlow Andrews, our auditors; both do a great job.

Graham Englefield  
Graham Shaw CFA

2 November 2018

[www.hathawayinvestment.com](http://www.hathawayinvestment.com)

#### Notes

1. Statistical sources: benchmark and index figures (the former an amalgam of certain of the latter – see below) 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* (except where stated), which provide a complete record, since they carry accrued income alongside capital performance (less all charges and costs). All figures are therefore on a corresponding footing.
2. "Equities" means company shares, the FTSE All Share Index reflecting almost all quoted companies; "gilts" means UK government bonds. The FTSE 100 Index records "blue chips", "large capitalization" or "large cap" stocks; we use the first of these indices, as to 70%, the remainder the performance of all gilts, in calculating a *comparator* benchmark.
3. Our benchmark therefore roughly reflects how the Fund's portfolio might have been invested over any period (including the allocation between bonds and equities), *i.e.* anticipating 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 30.09.18; any discrepancy, is due to rounding and is not material.
5. "Year", "2002/2017" or "2017/18" means the fund year or years – October 1<sup>st</sup> to September 30<sup>th</sup> - except for 2002/03 (reflected only within aggregate numbers here), which period commenced 25.11.02 (our launch). Actual valuation dates (and the corresponding *data*) in some years, may 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 (pence per unit)

	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>	<u>Year 2015</u>
<u>Income units</u>				
Net income paid 31 May	0.8801	0.8262	0.4537	0.7198
Net income paid 30 November	0.8630	1.1503	0.9071	0.8373
<u>Accumulation units</u>				
Net income paid 31 May	1.1820	1.0920	0.5973	0.9209
Net income paid 30 November	1.1698	1.5285	1.2510	1.0786

#### Portfolio changes

Purchases	Cost (£)	Sales	Proceeds (£)
Babcock International Group	600,146	Games Workshop Group	878,251
Travis Perkins	470,939	Genus	860,827
United Kingdom Treasury 1.5% 22.01.21	298,800	Menzies (John)	338,605
Givaudan	189,588	Booker Group	44,966
Meggitt	89,070		
Primary Health Properties	47,126	Other sales	297
Total purchases for the year	1,695,669	Total sales for the year	2,122,946

## 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

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 manager's reports and accounts for any fund within the manager's range, can be requested by the investor at any time.

#### Remuneration policy

In line with the requirement of UCITS V, Marlborough Fund Managers Ltd is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under UCITS V. The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its senior staff is in line with the risk policies and objectives of the UCITS funds it manages.

The quantitative remuneration disclosures as at 30 September 2018 are set out below:

	Number of identified staff	Total remuneration paid	Fixed remuneration paid	Variable remuneration paid
		£	£	£
<b>Remuneration paid to staff of the Authorised Fund Manager (AFM) who have a material impact on the risk profile of the Fund</b>				
Senior management	8	676,276	489,569	186,707
Risk takers and other identified staff	5	186,708	158,518	28,190
<b>Allocation of total remuneration of the employees of the AFM to the Fund</b>				
Senior management	0.01	1,682	1,218	464
Risk takers and other identified staff	2.01	64,305	64,235	70

The total number of staff employed by the AFM was 148 as at 30 September 2018. The total remuneration paid to those staff was £6,491,736, of which £3,831,649 is attributable to the AFM.

The allocation of remuneration to the AFM is based on Assets Under Management (AUM), as staff work for two AFM's. The allocation of remuneration to the Fund is based on AUM where staff are not directly allocated to the Fund. The way these disclosures are calculated may change in the future.

## **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**  
28 November 2018

### **STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES**

The Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL) requires the Authorised Fund Manager (AFM) to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Fund and of the net revenue and net gains/(losses) on the property of the Fund for the year.

In preparing those financial statements the AFM is required to:

- comply with the disclosure requirements of the Statement of Recommended Practice relating to UK Authorised Funds issued in May 2014;
- follow United Kingdom Generally Accepted Accounting Practice and applicable accounting standards;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation.

The AFM is required to keep proper accounting records and to manage the Fund in accordance with the COLL rules, the Trust Deed and the Prospectus. The AFM is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The AFM is responsible for ensuring that, to the best of its knowledge and belief, there is no relevant audit information of which the auditor is unaware. It is the responsibility of the AFM to take all necessary steps to familiarise itself with any relevant audit information and to establish that the auditor is aware of that information.



## **MFM HATHAWAY FUND**

### **DEPOSITARY'S REPORT**

#### **Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Unitholders of MFM Hathaway Fund ("the Trust") for the period ended 30 September 2018**

The Depositary in its capacity of Trustee of MFM Hathaway Fund must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Trust and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Trust in accordance with the Regulations.

The Depositary must ensure that:

- the Trust's cash flows are properly monitored and that cash of the Trust is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units in the Trust are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Trust's assets is remitted to the Trust within the usual time limits;
- the Trust's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Trust is managed in accordance with the Regulations and the Scheme documents of the Trust in relation to the investment and borrowing powers applicable to the Trust.

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

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Trust's units and the application of the Trust's income in accordance with the Regulations and the Scheme documents of the Trust; and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the Regulations and the Scheme documents of the Trust.

**HSBC BANK PLC**

**LONDON**

28 November 2018

## **MFM HATHAWAY FUND**

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

#### **Opinion**

We have audited the financial statements of MFM Hathaway Fund (the 'fund') for the year ended 30 September 2018 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the fund's affairs as at 30 September 2018 and of its net revenue and net capital gains or losses on the fund property for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the authorised fund manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the authorised fund manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The authorised fund manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Collective Investment Schemes Sourcebook**

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the report of the authorised fund manager for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- 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.

## **MFM HATHAWAY FUND**

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

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the fund and its environment obtained in the course of the audit, we have not identified material misstatements in the report of the authorised fund manager.

We have nothing to report in respect of the following matters to which the Collective Investment Schemes Sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the fund have not been kept; or
- the financial statements are not in agreement with those records.

#### **Responsibilities of the authorised fund manager**

As explained more fully in the Statement of Authorised Fund Manager's Responsibilities set out on page 5, 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, and for such internal control as the authorised fund manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the authorised fund manager is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the authorised fund manager either intends to liquidate the fund or to cease activity, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **Use of our report**

This report is made solely to the fund's unitholders, as a body, in accordance with 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 purpose. 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.

**Barlow Andrews LLP**  
Chartered Accountants  
Statutory Auditor  
Carlyle House  
78 Chorley New Road  
Bolton

28 November 2018

## MFM HATHAWAY FUND

### COMPARATIVE TABLE

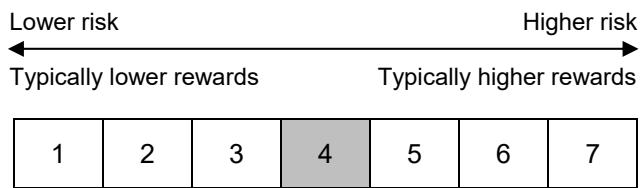
Income and Accumulation units were first offered at 50p on 4 November 2002.

<b><u>Income units</u></b>	<b>Year to 30.09.2018</b>	<b>Year to 30.09.2017</b>	<b>Year to 30.09.2016</b>
<b>Change in net assets per unit</b>			
Opening net asset value per unit	138.03	116.77	101.50
Return before operating charges*	8.12	25.22	18.56
Operating charges	(2.19)	(1.98)	(1.93)
Return after operating charges*	5.93	23.24	16.63
Distributions on income units	(1.74)	(1.98)	(1.36)
Closing net asset value per unit	142.22	138.03	116.77
* after direct transaction costs of:	0.16	0.15	0.22
<b>Performance</b>			
Return after charges	4.30%	19.90%	16.38%
<b>Other information</b>			
Closing net asset value	£6,236,879	£6,092,033	£5,167,700
Closing number of units	4,385,423	4,413,669	4,425,557
Operating charges	1.57%	1.57%	1.58%
Direct transaction costs	0.11%	0.12%	0.18%
<b>Prices</b>			
Highest unit price	151.07p	145.74p	125.16p
Lowest unit price	131.56p	113.81p	99.86p
<b><u>Accumulation units</u></b>			
<b>Change in net assets per unit</b>			
Opening net asset value per unit	184.37	153.67	131.84
Return before operating charges*	10.99	33.31	24.36
Operating charges	(2.94)	(2.61)	(2.53)
Return after operating charges*	8.05	30.70	21.83
Distributions on accumulation units	(2.35)	(2.62)	(1.85)
Retained distributions on accumulation units	2.35	2.62	1.85
Closing net asset value per unit	192.42	184.37	153.67
* after direct transaction costs of:	0.21	0.20	0.28
<b>Performance</b>			
Return after charges	4.37%	19.98%	16.56%
<b>Other information</b>			
Closing net asset value	£10,086,581	£8,740,404	£6,877,458
Closing number of units	5,241,874	4,740,654	4,475,495
Operating charges	1.57%	1.57%	1.58%
Direct transaction costs	0.11%	0.12%	0.18%
<b>Prices</b>			
Highest unit price	203.04p	192.99p	163.32p
Lowest unit price	176.41p	149.70p	129.68p

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 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 30 September 2018

Holding or nominal value	Bid value £	Percentage of total net assets %
<b>LOAN STOCKS (15.49%, Sept 17 - 15.28%)</b>		
2,493,000 United Kingdom Treasury 1.5% 22.01.21	2,528,139	15.49
Total Loan Stocks	<u>2,528,139</u>	<u>15.49</u>
<b>AEROSPACE &amp; DEFENCE (4.73%, Sept 17 - 4.17%)</b>		
135,625 Meggitt	772,520	4.73
Total Aerospace & Defence	<u>772,520</u>	<u>4.73</u>
<b>BEVERAGES (3.17%, Sept 17 - 3.29%)</b>		
65,400 Britvic	516,987	3.17
Total Beverages	<u>516,987</u>	<u>3.17</u>
<b>EQUITY INVESTMENT INSTRUMENTS (6.83%, Sept 17 - 7.05%)</b>		
163,250 Henderson High Income Trust	282,423	1.73
77,300 Law Debenture	471,530	2.89
67,000 Scottish Mortgage Investment Trust	361,599	2.21
Total Equity Investment Instruments	<u>1,115,552</u>	<u>6.83</u>
<b>FOOD &amp; DRUG RETAILERS (4.95%, Sept 17 - 4.64%)</b>		
336,882 Tesco	808,517	4.95
Total Food & Drug Retailers	<u>808,517</u>	<u>4.95</u>
<b>GENERAL RETAILERS (3.56%, Sept 17 - 3.82%)</b>		
10,750 Next	580,715	3.56
Total General Retailers	<u>580,715</u>	<u>3.56</u>
<b>INDUSTRIAL TRANSPORTATION (4.57%, Sept 17 - 5.28%)</b>		
72,500 Ocean Wilsons (Holdings)	746,750	4.57
Total Industrial Transportation	<u>746,750</u>	<u>4.57</u>
<b>LEISURE GOODS (4.96%, Sept 17 - 6.75%)</b>		
21,550 Games Workshop Group	809,202	4.96
Total Leisure Goods	<u>809,202</u>	<u>4.96</u>
<b>PERSONAL GOODS (2.10%, Sept 17 - 3.12%)</b>		
146,000 PZ Cussons	342,224	2.10
Total Personal Goods	<u>342,224</u>	<u>2.10</u>
<b>PHARMACEUTICALS &amp; BIOTECHNOLOGY (Nil, Sept 17 - 4.86%)</b>		
Total Pharmaceuticals & Biotechnology	<u>0</u>	<u>0.00</u>
<b>REAL ESTATE INVESTMENT &amp; SERVICES (0.98%, Sept 17 - 1.08%)</b>		
2,735 Daejan Holdings	160,271	0.98
Total Real Estate Investment & Services	<u>160,271</u>	<u>0.98</u>
<b>REAL ESTATE INVESTMENT TRUSTS (5.46%, Sept 17 - 6.11%)</b>		
785,435 Primary Health Properties	890,683	5.46
Total Real Estate Investment Trusts	<u>890,683</u>	<u>5.46</u>
<b>SUPPORT SERVICES (14.58%, Sept 17 - 13.78%)</b>		
72,100 Babcock International Group	522,437	3.20
100,000 Electrocomponents	717,800	4.39
86,633 Menzies (John)	474,749	2.91
61,755 Travis Perkins	665,719	4.08
Total Support Services	<u>2,380,705</u>	<u>14.58</u>

**MFM HATHAWAY FUND**

**PORTFOLIO STATEMENT**

as at 30 September 2018

Holding or nominal value	Bid value £	Percentage of total net assets %
<b>TRAVEL &amp; LEISURE (3.12%, Sept 17 - 3.71%)</b>		
509,300 Marston's	509,045	3.12
Total Travel & Leisure	<u>509,045</u>	<u>3.12</u>
<b>OVERSEAS SECURITIES (15.28%, Sept 17 - 15.80%)</b>		
4,625 Fresenius Medical Care	364,779	2.23
330 Givaudan	620,566	3.80
17,870 KONE 'B'	727,406	4.46
56,600 Toyo Tire & Rubber	781,586	4.79
Total Overseas Securities	<u>2,494,337</u>	<u>15.28</u>
<b>Portfolio of investments</b>	14,655,647	89.78
<b>Net other assets</b>	1,667,813	10.22
<b>Total net assets</b>	<u><u>16,323,460</u></u>	<u><u>100.00</u></u>

## MFM HATHAWAY FUND

### STATEMENT OF TOTAL RETURN

for the year ended 30 September 2018

	Notes	30 September 2018		30 September 2017	
		£	£	£	£
Income:					
Net capital gains/(losses)	4		459,849		2,241,096
Revenue	6	439,714		419,073	
Expenses	7	<u>(241,487)</u>		<u>(205,567)</u>	
Net revenue/(expense) before taxation		198,227		213,506	
Taxation	8	<u>(4,924)</u>		<u>(4,683)</u>	
Net revenue/(expense) after taxation			<u>193,303</u>		<u>208,823</u>
Total return before distributions			653,152		2,449,919
Distributions	9		(193,303)		(208,823)
Change in net assets attributable to unitholders from investment activities			<u>459,849</u>		<u>2,241,096</u>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 30 September 2018

	30 September 2018		30 September 2017	
	£	£	£	£
Opening net assets attributable to unitholders		14,832,437		12,045,158
Amounts receivable on issue of units	1,172,057		622,656	
Amounts payable on cancellation of units	<u>(261,316)</u>		<u>(199,364)</u>	
Amounts payable on unit class conversions			<u>0</u>	
		910,739		423,292
Change in net assets attributable to unitholders from investment activities		459,849		2,241,096
Retained distribution on accumulation units		120,435		122,891
Closing net assets attributable to unitholders		<u>16,323,460</u>		<u>14,832,437</u>



## MFM HATHAWAY FUND

### BALANCE SHEET

as at 30 September 2018

	Notes	30 September 2018	30 September 2017
		£	£
<b>Assets:</b>			
<b>Fixed Assets:</b>			
Investments	15	14,655,647	14,645,964
<b>Current Assets:</b>			
Debtors	10	42,048	131,387
Cash and bank balances		1,695,605	110,695
Total assets		<u>16,393,300</u>	<u>14,888,046</u>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Distribution payable on income units		37,850	50,771
Other creditors	11	31,990	4,838
Total liabilities		<u>69,840</u>	<u>55,609</u>
<b>Net assets attributable to unitholders</b>		<u>16,323,460</u>	<u>14,832,437</u>

## MFM HATHAWAY FUND

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2018

#### 1 ACCOUNTING POLICIES

a Basis of preparation

The financial statements have been prepared in compliance with FRS102 and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by The Investment Association in May 2014.

The financial statements are prepared in sterling, which is the functional currency of the Fund. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of investments and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

b Going concern

The authorised fund manager has at the time of approving the financial statements, a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the financial statements.

c Revenue

Dividends from shares are recognised when the security is quoted ex-dividend.

Stock dividends, received as shares to the extent that the value of such dividends is equal to the cash dividends, are treated as revenue.

Special dividends are reviewed on a case by case basis when determining if the dividend is to be treated as revenue or capital. The tax treatment follows the accounting treatment of the principal amount.

Interest on debt securities is recognised on an accruals basis. Accrued interest purchased and sold on debt securities is excluded from the capital cost of these securities and is treated as revenue. Interest earned from debt securities is accounted for on an effective yield basis. Effective yield is where the interest arising on the security that is purchased at a discount or premium to the maturity value is amortised and recognised at a consistent rate over the life of the security.

Bank interest is accounted for on an accruals basis.

d Expenses

All expenses are accounted for on an accruals basis and, other than those relating to purchase and sale of investments, are charged against income as shown in these accounts.

e Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on net revenue for the year. The taxable amount differs from net revenue as reported in the Statement of Total Return (SOTR) because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Fund's liability for current tax is calculated using tax rates that have been enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient tax profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the SOTR. Deferred tax assets and liabilities are offset when the Fund has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

f Valuation of investments

The investments of the Fund have been valued at their fair value at 12 noon on 28 September 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.

## **MFM HATHAWAY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 30 September 2018

#### **ACCOUNTING POLICIES**

g Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange ruling at the date of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the net capital gains/(losses) for the year.

h Cash and bank balances

Cash and bank balances include deposits held at call with banks. Bank overdrafts are shown within creditors in liabilities.

i Financial assets

The authorised fund manager has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of the Fund's financial instruments.

Financial assets are recognised in the Fund's balance sheet when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets, which include amounts receivable for the issue of units, accrued income and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost. Amortised cost is the amount at which the financial asset is measured at initial recognition, less any reduction for impairment or uncollectability.

Basic financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in the SOTR.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

j Financial liabilities

Financial liabilities are recognised in the Fund's balance sheet when the Fund becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified into specified categories. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of recognition.

Basic financial liabilities, which include amounts payable for cancellation of units and accrued expenses, are initially measured at transaction price. Other financial liabilities are measured at fair value.

Financial liabilities are derecognised when, and only when, the Fund's obligations are discharged, cancelled, or they expire.

#### **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. Revenue attributable to accumulation unitholders is retained at the end of each distribution period and represents a reinvestment of revenue.

b 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**

for the year ended 30 September 2018

**3 RISK MANAGEMENT POLICIES**

In pursuing its investment objective as stated on page 4, the Fund holds a number of financial instruments. The Fund's financial instruments comprise securities held in accordance with the investment objectives and policies together with cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issues and payable for redemptions and debtors for accrued income.

The main risks arising from the Fund's financial instruments and the authorised fund 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 authorised fund manager in pursuance of the investment objective and policy as set out in the Prospectus.

Investment limits set out in the Trust Deed, 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 may be denominated in currencies other than sterling which is the Fund's functional currency.

The authorised fund 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 in currency into sterling on the day of receipt.

**Credit and counterparty 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 authorised fund manager as an acceptable counterparty.

The Fund invests in fixed interest bonds, which are generally viewed as lower-risk investments than equities. However the solvency of organisations with whom the Fund invests cannot be guaranteed, and any difficulty may adversely affect the Fund's performance. Although bonds have a fixed coupon or interest payment, the Fund will be buying and selling bonds on a regular basis, and so the overall level of income will fluctuate.

**Interest rate risk**

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.

The Fund invests in fixed 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 fund 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.

**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 authorised fund manager.

## MFM HATHAWAY FUND

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2018

#### 4 NET CAPITAL GAINS/(LOSSES)

30 September 2018 30 September 2017  
£ £

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

Non-derivative securities	460,160	2,240,299
Currency gains/(losses)	(41)	1,135
Transaction charges	(270)	(338)
<b>Net capital gains/(losses)</b>	<b>459,849</b>	<b>2,241,096</b>

#### 5 PURCHASES, SALES AND TRANSACTION COSTS

30 September 2018 30 September 2017  
£ £

Purchases excluding transaction costs			
Equities		1,339,803	1,141,401
Debt securities		297,907	1,165,684
Corporate actions		47,126	168,526
		<u>1,684,836</u>	<u>2,475,611</u>
Equities:	Commissions	4,019	3,424
	Taxes and other charges	5,920	5,715
Debt securities:	Commissions	894	3,497
Total purchase transaction costs		<u>10,833</u>	<u>12,636</u>
<b>Purchases including transaction costs</b>		<b>1,695,669</b>	<b>2,488,247</b>

Purchase transaction costs expressed as a percentage of the principal amount:

Equities:	Commissions	0.30%	0.30%
	Taxes and other charges	0.44%	0.50%
Debt securities:	Commissions	0.30%	0.30%

Sales excluding transaction costs

Equities		2,084,310	969,826
Debt securities		44,966	674,500
		<u>2,129,276</u>	<u>1,644,326</u>
Equities:	Commissions	(6,252)	(2,910)
	Taxes and other charges	(78)	(102)
Total sale transaction costs		<u>(6,330)</u>	<u>(3,012)</u>
<b>Sales net of transaction costs</b>		<b>2,122,946</b>	<b>1,641,314</b>

Sale transaction costs expressed as a percentage of the principal amount:

Equities:	Commissions	0.30%	0.30%
	Taxes and other charges	0.00%	0.01%

Total purchases and sales transaction costs expressed as a percentage of the average net asset value over the year:

Commissions	0.07%	0.07%
Taxes and other charges	0.04%	0.05%
	<u>0.11%</u>	<u>0.12%</u>

#### Transaction handling charges

£270 £338

#### Average portfolio dealing spread

This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

Average portfolio dealing spread at the balance sheet date 0.30% 0.27%

## MFM HATHAWAY FUND

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2018

#### 6 REVENUE

	30 September 2018	30 September 2017
	£	£
UK dividends	303,245	312,310
UK dividends (unfranked)	23,144	0
Overseas dividends	99,768	96,060
Interest on debt securities	12,391	10,662
Bank interest	1,166	41
<b>Total revenue</b>	<u>439,714</u>	<u>419,073</u>

#### 7 EXPENSES

	30 September 2018	30 September 2017
	£	£
Payable to the authorised fund manager or associate:		
Manager's periodic charge	231,247	196,317
Registration fees	584	554
	<u>231,831</u>	<u>196,871</u>
Payable to the Trustee or associate:		
Trustee's fees	5,561	4,530
Safe Custody fees	1,371	1,271
	<u>6,932</u>	<u>5,801</u>
Other expenses:		
Financial Conduct Authority fee	24	194
Audit fee	2,700	2,701
	<u>2,724</u>	<u>2,895</u>
<b>Total expenses</b>	<u>241,487</u>	<u>205,567</u>

#### 8 TAXATION

	30 September 2018	30 September 2017
	£	£
a Analysis of the tax charge for the year		
Overseas tax	4,924	4,683
<b>Total tax charge</b>	<u>4,924</u>	<u>4,683</u>
b Factors affecting the tax charge for the year		
Net revenue before taxation	198,227	213,506
Corporation tax at 20%	39,645	42,701
Effects of:		
Revenue not subject to taxation	(80,602)	(81,674)
Unrelieved excess management expenses	40,957	38,973
Overseas tax	4,924	4,683
<b>Current tax charge</b>	<u>4,924</u>	<u>4,683</u>

At 30 September 2018 the Fund has deferred tax assets of £224,758 (30.09.17 - £183,802) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

#### 9 DISTRIBUTIONS

	30 September 2018	30 September 2017
	£	£
The distributions take account of revenue added on the issue of units and revenue deducted on the cancellation of units, and comprise:		
Interim	98,114	86,861
Final	99,171	123,232
Amounts deducted on cancellation of units	816	1,567
Amounts added on issue of units	(4,795)	(2,833)
Equalisation on conversions	(2)	0
Revenue brought forward	(1)	(4)
<b>Distributions</b>	<u>193,303</u>	<u>208,823</u>

Details of the distribution per unit are set out in the distribution table in note 16.

## MFM HATHAWAY FUND

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2018

#### 10 DEBTORS

	30 September 2018	30 September 2017
	£	£
Amounts receivable for issue of units	0	78,435
Accrued income	26,995	41,091
Taxation recoverable	15,053	11,861
<b>Total debtors</b>	<u>42,048</u>	<u>131,387</u>

#### 11 OTHER CREDITORS

	30 September 2018	30 September 2017
	£	£
Amounts payable for cancellation of units	8,669	0
Accrued expenses	23,321	4,838
<b>Total other creditors</b>	<u>31,990</u>	<u>4,838</u>

#### 12 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 net assets attributable to unitholders.

Amounts paid to the manager in respect of the manager's periodic charge and registration fees are disclosed in note 7.

The total amounts due to/(from) the manager at the year end were as follows:

	30 September 2018	30 September 2017
	£	£
Marlborough Fund Managers Ltd	28,686	(78,289)

#### 13 UNITHOLDERS' FUNDS

The Fund has income and accumulation units in issue (minimum investment £1,000) and the annual management charge is 1.5%.

During the year the authorised fund manager has issued and cancelled units as set out below:

	Income units	Accumulation units
Opening units in issue at 1 October 2017	4,413,669	4,740,654
Unit issues	138,180	520,994
Unit cancellations	(119,695)	(54,596)
Unit conversions	(46,731)	34,822
Closing units in issue at 30 September 2018	<u>4,385,423</u>	<u>5,241,874</u>

#### 14 RISK DISCLOSURES

##### Market price risk sensitivity

A five per cent increase in the market prices of the Fund's portfolio would have the effect of increasing the return and net assets by £732,782 (30.09.17 - £732,298). A five per cent decrease would have an equal and opposite effect.

##### Foreign 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 2018

	Investments	Net current assets	Total
	£	£	£
Euro	1,092,185	8,706	1,100,891
Swiss Franc	620,566	6,347	626,913
Japanese Yen	781,586	0	781,586
	<u>2,494,337</u>	<u>15,053</u>	<u>2,509,390</u>

## MFM HATHAWAY FUND

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2018

#### RISK DISCLOSURES

##### Foreign currency risk (continued)

Foreign currency exposure at 30 September 2017

	Investments £	Net current assets £	Total £
Euro	1,036,521	8,179	1,044,700
Swiss Franc	356,281	3,282	359,563
Japanese Yen	950,888	400	951,288
	<u>2,343,690</u>	<u>11,861</u>	<u>2,355,551</u>

##### Foreign currency risk sensitivity

A five per cent decrease in the value of sterling relative to the foreign currencies above would have the effect of increasing the return and net assets by £125,470 (30.09.17 - £117,778). A five per cent increase would have an equal and opposite effect.

##### Interest rate risk

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

Financial assets with fixed interest rates:	<b>30 September 2018</b>	<b>30 September 2017</b>
	£	£
Sterling	<u>2,528,139</u>	<u>2,266,331</u>
Weighted fixed interest rates:	<b>30 September 2018</b>	<b>30 September 2017</b>
	%	%
Sterling	<u>1.48</u>	<u>1.46</u>
Weighted average period for financial assets with fixed interest rates:	<b>30 September 2018</b>	<b>30 September 2017</b>
	years	years
Sterling	<u>2.32</u>	<u>3.32</u>

##### Liquidity risk

The following table provides a maturity analysis of the Fund's financial liabilities:

	<b>30 September 2018</b>	<b>30 September 2017</b>
	£	£
Within one year:		
Distribution payable on income units	37,850	50,771
Other creditors	31,990	4,838
	<u>69,840</u>	<u>55,609</u>

#### 15 FAIR VALUE HIERARCHY FOR INVESTMENTS

Fair value hierarchy as at 30 September 2018

Basis of valuation	30 September 2018		30 September 2017	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	14,655,647	0	14,645,964	0
Level 2 - Observable market data	0	0	0	0
Level 3 - Unobservable data	0	0	0	0
	<u>14,655,647</u>	<u>0</u>	<u>14,645,964</u>	<u>0</u>

The intention of a fair value measurement is to estimate the price at which an asset or liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.



**MFM HATHAWAY FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 30 September 2018

**FAIR VALUE HIERARCHY FOR INVESTMENTS**

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS102 the Fund classifies fair value measurement under the following levels:-

Level 1 - Unadjusted quoted price in an active market for an identical instrument.

Level 2 - Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3 - Valuation techniques using unobservable inputs.

**16 DISTRIBUTION TABLE**

**For the period from 1 October 2017 to 31 March 2018**

Group 1: units purchased prior to 1 October 2017

Group 2: units purchased on or after 1 October 2017

		Net revenue to 31 Mar 2018 pence per unit	Equalisation to 31 Mar 2018 pence per unit	Distribution paid 31 May 2018 pence per unit	Distribution paid 31 May 2017 pence per unit
<b>Income units</b>	Group 1	0.8801p	0.0000p	0.8801p	0.8262p
	Group 2	0.5860p	0.2941p	0.8801p	0.8262p
<b>Accum units</b>	Group 1	1.1820p	0.0000p	1.1820p	1.0920p
	Group 2	0.5832p	0.5988p	1.1820p	1.0920p

**For the period from 1 April 2018 to 30 September 2018**

Group 1: units purchased prior to 1 April 2018

Group 2: units purchased on or after 1 April 2018

		Net revenue to 30 Sep 2018 pence per unit	Equalisation to 30 Sep 2018 pence per unit	Distribution payable 30 Nov 2018 pence per unit	Distribution paid 30 Nov 2017 pence per unit
<b>Income units</b>	Group 1	0.8630p	0.0000p	0.8630p	1.1503p
	Group 2	0.2452p	0.6178p	0.8630p	1.1503p
<b>Accum units</b>	Group 1	1.1698p	0.0000p	1.1698p	1.5285p
	Group 2	0.2418p	0.9280p	1.1698p	1.5285p

# Marlborough

— Fund Managers —

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](mailto:investorsupport@marlboroughfunds.com)  
Website: [www.marlboroughfunds.com](http://www.marlboroughfunds.com)