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MFM
HATHAWAY FUND

**ANNUAL REPORT
AND AUDITED FINANCIAL STATEMENTS**

for the year ended 30 September 2019

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

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

MFM HATHAWAY FUND

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MFM HATHAWAY FUND

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 30 September 2019

Percentage change and sector position to 30 September 2019

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>10 years</u>
MFM Hathaway Fund	8.61%	4.29%	29.33%	58.54%	159.64%
Sector Average	6.36%	4.33%	20.17%	39.78%	96.97%
Rank*	16/163	78/161	10/143	9/121	3/76
Quartile Ranking*	1	2	1	1	1

*Based on ranking within IA Mixed Investment 40% - 85% Shares Sector – our New Benchmark (see below); the figure after the rank, shows the number of funds in the class (e.g. 3rd out of 76 funds over ten years). External source of economic data: *Morningstar* (bid to bid, income reinvested).

Recent performance

We present with pleasure, our annual report on our seventeenth year, our fund recovering in the second half, to take the annual *total return* to 4.3%, reflecting an 8.35p increase in the selling price of *accumulation units*. This of course was nothing like the healthy recent advances but was respectable.

However, before hanging out *some* bunting, we record a one-off accounting gain, following our move to a fairer system for those buying or divesting units (single price calculation) and this added two and a half percentage points to our annual return, due to an adjustment to the starting price used in the percentage calculations. No investors – prospective or existing - have been prejudiced by this change and the tables above and below indeed present a *true and fair view*.

The return matched our New Benchmark – our sector average - surpassing the general stock market/blue chips at 1% & 1.5%; meanwhile, gilts posted 13.7%. Our tabular position, above and below, remains gratifying over longer periods and, since November 2002 (launch), accumulation units have advanced from 50p to 201.43p – representing annual compounding at 8.5% (as against the 9% run rate recorded last year); the secular record therefore remains healthy.

Alongside 1.7% inflation, our *absolute* return considerably lagged our investees' *intrinsic value* increase while, in this thirty-third report, we record our twenty-seventh positive period return.

Performance summary: the annual return was small, although ahead of equities/inflation, but behind gilts' gravity-defying advance; we remain well ahead of our comparators, over longer periods, with compounding magnifying the annual performance. If you had purchased a notional stock market index fund in 2002 (with nil charges), your 50p accumulation units would now be at 182.4p, a like FTSE 100 commitment at 163.9p; we maintained the clear blue water margin...

Investing conditions & portfolio developments in the year

Continuing the theme from last year, to provide a snap-shot: the price movements of certain securities were: Toyo Tire – down 21.5% in sterling terms, Games Workshop (GAW) – up nearly 17%, Electrocomponents – down 10% (a holding we gave special mention to, as requiring patience, in the 2015 annual report) and John Menzies – down 28%; hardly a glittering roll-call...

Indeed, if it wasn't for the strength of almost all of our other equities, the tailwind of certain favourable currency movements, our healthy dividend cash flow (always the friend of the long-term investor) and factors such as gilt-beating returns from Primary Health Properties (the bond-proxy we discussed a few years ago), we would have had an uncomfortable twelve months.

For the seventeenth consecutive year, applying the tools of *value investing* proved wise...

We again highlight GAW, acquired years ago as a classic value investment: for years, even though bought at a beaten-up price, its stock declined, although business performance was satisfactory; its market fortunes though, changed dramatically in recent years, reflecting commercial advances. We did not expect its share price advance this year though, after a strong 2018, but fundamentals justify it: with sound finances, *patience* has rewarded us; in this context, see below about the summer's fresh acquisition, previous notes about Babcock etc....

Equally, another stand-out holding was Next, gaining 13% this year, its dividend payouts adding a cash return of 3%; a *total return* of 16% is more than acceptable and vindicates our patience.

Finally, Merlin Entertainments (MERL) – purchased in the year and briefly described in our interim statement – has been taken private (the workout will likely complete at the yearend) and, whilst we welcomed a capital gain of nearly 29% over the short term, we had anticipated a long-term holding with sound prospects; with hindsight, with a number of large private institutions on the shareholders' register, this development isn't unusual, but nonetheless a little disappointing.

We have already (effectively) recycled the MERL capital though, acquiring PayPoint, which operates bill payment and mobile 'phone "top-up" terminals in corner shops; we expect good things, from an acquisition at a price that made sense and so we have an appropriate juncture to consider how we have fared since launch:

MFM HATHAWAY FUND

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for the year ended 30 September 2019

Long-term performance: the seventeen-year record

The numbers below, record our *accumulation units* well ahead of our benchmark and the stock market since late 2002.

The table, in the third column, shows how a notional index fund (without charges) tracking our old benchmark and switching a year ago to our new measure, would have performed alongside us – a *comparator* indeed - while, over the seventeen years, gilts returned 148.7% and inflation was 65%. *Income unitholders*, meanwhile, received capital growth of 196.6% in that time, together with annual dividends, expressed as a yield on their original 50p investment, currently at 4.5%.

Before perusing the statistics though, unitholders might note that we have calculated our fund's *cumulative* number below, by using the unit price as against our 50p starting point – rather than utilising the percentage increase this time applied to last year's closing statistic - as the latter would exaggerate our performance; fortunately, as noted previously, this exercise is a one-off...

<u>Year(s)</u>	<u>MFM Hathaway Fund</u>	<u>Benchmark</u>	<u>FTSE 100</u>	<u>FTSE All Share</u>	<u>Fund equities</u>
2002/2018	+295.2%	+195.0%	+222.9%	+260.8%	+351.5%
2018/2019	+4.3%	+4.3%	+1.5%	+1.0%	+5.5%
Cumulative	+312.2%	+207.0%	+227.7%	+264.4%	+376.3%

The subdued but not unsatisfactory year then – was indeed buttressed by strong past performance, with the *compound interest model* again having a magnifying effect, as we noted above, and we now therefore turn to some observations we have made recently and some general themes which emerged in the year, including notes about our new benchmark comparator.

Our New Benchmark

Quite recently, we were advised that our old benchmark was of a type – an amalgam of two indices – which the regulator now frowns upon (not the indices *per se* of course, but the melding of two) and so we were obliged to change to use the Investment Association's record of our sector's average performance, a fair proxy for our old measure. Accordingly, the opening table will in future reflect our main performance exhibit (the comparison with our peers over periods of up to ten years), the second table setting out corresponding numbers since we launched.

As background to the New Benchmark, there are two essential questions for members of our cohort regularly to answer: "what proportions should we have in bonds and in stocks?" and "which securities should we hold?"; paradoxically, the first question is at least as important as the latter (see our 2015 annual report), while relative performance over the longer periods, pretty accurately records the productivity of our decision-making in addressing both of those elements.

Clearly, you could *guess* a broadly correct answer to the first question over the short term, but if the portfolio is then full of prospective time bombs like Argentine bonds, Carillion (oh, and UK gilts), then at some point the roof will cave in; as Ben Graham once said, with characteristic understatement, his observation loaded with reproach: "speculators get speculators' results"...

Our new comparator, reflects a broad church: 40%-85% in equities, and so we would expect it, over time, perhaps to present a less demanding measure of our *relative* performance (some funds may *have* to have 50:50 bonds/equities at all times etc., with commensurate results), but not necessarily so and of course we will continue also to note our returns *versus* the general stock market etc.

The new litmus test is robust in fact: over the last decade, the new comparator approached our old benchmark (97% for the former as against 104%), so we are accepting the change without a sense of resignation; that is an easy stance to assume, when you consider our return of almost 160% in the 10 years (the stock market at 118%), but we are not complacent – the challenges lie ahead.

Soured *hubris* pollutes the retail investment scene – a cautionary tale

Indeed, the necessity to concentrate on the task in front of you rather than go off-piste, has been demonstrated by the notorious fall from grace this year of a top unit trust manager, which provides an almost fable-like lesson. Taking billions to manage from an excited general public, just a few years ago, at his eponymous new firm - a greater part being from well-respected intermediaries etc. – this seasoned fund manager acquired, alongside blue chips, significant holdings in startups: an online estate agency, an ibizan property developer, a litigation funder...

After several years of abysmal returns, investors wishing to leave the party found that the exits had been barred, that one of their reasons for buying an *open ended* fund (his main offering) - *liquidity* – was no longer valid (it is an implied promise only as good as the set up behind it) and their pervading sentiment until very recently was of being trapped below decks on the Titanic.

Now we understand that the fund is to be wound-up by its administration company, two months ahead of a proposed reopening, cementing dismayed losses; quite simply, the story has unfolded like a Greek tragedy and one which no one expected...

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For listing illiquid (essentially private) holdings on a minor stock market (Guernsey), thus satisfying the letter or *form* of certain regulations, but most certainly not their *spirit*, and for general *hubris* (assurances of future outperformance, speculation over Brexit etc.), our sympathy cup is not overflowing, but we are grateful for the reminder of how *not* to approach the battle for investment survival; as they say at the Indy 500: "to finish first, first you must finish"...

If the individual had regularly followed Ayn Rand's sage advice – "check your premises" – then this debacle wouldn't have happened, and a stellar reputation would be intact. But there is a wider toxic fall out: index fund enthusiasts regard this as another nail in the coffin of active management (as logical as closing the coast road because a drunk driver went off the cliff...).

The investor we mention, had previously basked in the spotlight of decades of unrivalled outperformance; fortunately, his now tarnished shadow (all that's left) does not fall as far as us...

Interest rate declines – a 700-year view

For about a decade, we have been vexed by and we have commentated upon, the low level of interest rates, focusing on the benchmark 10 year gilt yield; indeed, we observed a couple of years ago, how that flagship instrument (a key component of valuation calculations etc.), then had a *yield to maturity* (a fancy term meaning projected annual total return) at 1.42% (*up* from 0.95% in the year) such that the long bull run in bonds might at last have been approaching.

Well, our observation proved incorrect: in the last year, gilts have of course climbed sharply, and the UK 10-year yield is back at just 0.4%; with a negative yield on many sovereign bonds (Germany, Switzerland *et al*), the popularity of fixed income has rebounded to an all-time high.

But a recent PhD thesis at Harvard, first published by the Bank of England in 2017 - now updated for the Financial Times to include the very latest bond market rally - casts doubt that we are witnessing something unprecedented; in fact, *real* rates have been broadly falling for 700 years and recently we may have merely witnessed the return of a trend. The 35-year rally in bonds is therefore more normal than it appears, but the study also notes that there have been periods when they have proved unpopular; we therefore still expect trouble ahead for gilt investors.

Our long-standing conclusion then, still holds firm: at some stage, the bond bubble will burst...

Outlook

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 the businesses must remain attractive to us both in their operations and valuation.

Finally, all readers should note that this report does not contain, nor purport to contain, investment advice, either about specific securities or more generally (and about whether to act or refrain from action) and such counsel should always be sought from an appropriate, authorised firm. Our unitholders, actual and prospective should, as ever, expect turbulence and reflect upon the standard risk warnings; 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-three formal reports. We close thanking MFM, our administrators/registrars; they do a great job.

Graham Englefield
Graham Shaw CFA

15 October 2019
www.hathawayinvestment.com

MFM HATHAWAY FUND

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 30 September 2019

Notes

1. Statistical sources: certain index figures quote *data* recorded in the Financial Times (and are on a *mid-to-mid* price basis, with income reinvested); fund performance is now based on the single-price of *accumulation units* (except where stated), which provides a complete record, since they carry accrued income alongside capital performance (less all charges and costs).
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.
3. The notes above state the basis for and provenance of our New Benchmark.
4. "Year", "2002/2018" or "2018/19" means the fund year or years – October 1st to September 30th;

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Distributions (pence per unit)

	<u>Year 2019</u>	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>
<u>Income units</u>				
Net income paid 31 May	0.5574	0.8801	0.8262	0.4537
Net income paid 30 November	1.2630	0.8630	1.1503	0.9071
<u>Accumulation units</u>				
Net income paid 31 May	0.7540	1.1820	1.0920	0.5973
Net income paid 30 November	1.7216	1.1698	1.5285	1.2510

Portfolio changes

Purchases	Cost (£)
PayPoint	651,289
Merlin Entertainments	603,194
Downing Strategic Micro-Cap Inv Trust	151,466
Total purchases for the year	1,405,949

There were no sales for the period.

MFM HATHAWAY FUND

AUTHORISED STATUS AND GENERAL INFORMATION

Authorised status

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

Investment objective and policy

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

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

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

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

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

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

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

Assessment of value

The Manager is required to carry out an assessment of value at least annually and publish its findings in a report to investors. The Manager should publish the report in the annual report of the Fund, except where the assessment and report are provided as a composite, that is, with other funds that may have a different year end date. The MFM Hathaway Fund will be assessed and reported on, in a composite report which the Manager presently intends to publish on 31 May 2020.

Changes in prospectus

With effect from 1 April 2019 the Fund has changed from a dual priced unit trust to a single priced unit trust and is operating a 'swinging' single price mechanism.

Also with effect from 26 September 2019, the investment objective and policy has been updated, and there has been a change of auditor from Barlow Andrews LLP to Ernst & Young LLP. Details of these changes can be found in the Prospectus.

Up to date Key Investor Information Documents, Prospectus and Long Reports and Financial Statements for any fund within the manager's range can be requested by the investor at any time.

MFM HATHAWAY FUND

AUTHORISED STATUS AND GENERAL INFORMATION

Remuneration policy

In line with the requirement of UCITS V, Marlborough Fund Managers Ltd, the Authorised Fund Manager (AFM) 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 2019 (the AFM's year-end) are set out below:

	Number of identified staff	Total remuneration paid	Fixed remuneration paid	Variable remuneration paid
		£	£	£
Remuneration paid to staff of the AFM who have a material impact on the risk profile of the Fund				
Senior management	9	741,229	551,303	189,926
Risk takers and other identified staff	5	174,262	158,234	16,028
Allocation of total remuneration of the employees of the AFM to the Fund				
Senior management	0.01	2,204	1,639	565
Risk takers and other identified staff	2.01	73,301	73,253	48

The total number of staff employed by the AFM was 172 as at 30 September 2019. The total remuneration paid to those staff was £7,294,016, of which £3,707,059 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
26 November 2019

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 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 and amended in June 2017;
- 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

STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES AND REPORT OF THE DEPOSITARY

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 2019

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

26 November 2019

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 2019 which comprise the Statement of Total Return, Statement of Change in Net Assets Attributable to Unitholders together with the Balance Sheet, the accounting policies and risk profile, the related notes and the Distribution Tables, including a summary of significant accounting policies. 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), including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 30 September 2019 and of the net revenue and the net capital gains on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 below. 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 Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the 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 the 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 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 this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Instrument of Incorporation;
- the information given in the Manager's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records.

MFM HATHAWAY FUND

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter in relation to which the Collective Investment Schemes Sourcebook of the Financial Conduct Authority rules requires us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

Responsibilities of the Manager

As explained more fully in the Manager's responsibilities statement set out on page 7, the 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 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 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 Manager either intends to liquidate the Fund or to cease operations, or has 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 <https://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, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. 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.

Ernst & Young LLP
Statutory Auditor
Edinburgh

26 November 2019

Notes:

1. the maintenance and integrity of the Marlborough Fund Managers Ltd website is the responsibility of the Manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

MFM HATHAWAY FUND

COMPARATIVE TABLE

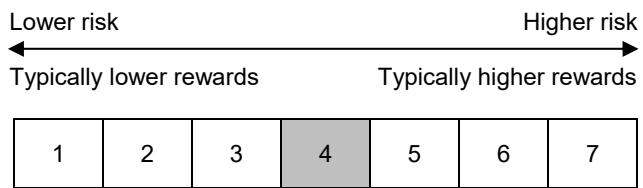
Income and Accumulation units were first offered at 50p on 4 November 2002.

<u>Income units</u>	Year to 30.09.2019	Year to 30.09.2018	Year to 30.09.2017
Change in net assets per unit	pence	pence	pence
Opening net asset value per unit	142.22	138.03	116.77
Return before operating charges*	8.48	8.12	25.22
Operating charges	(2.23)	(2.19)	(1.98)
Return after operating charges*	6.25	5.93	23.24
Distributions on income units	(1.82)	(1.74)	(1.98)
Closing net asset value per unit	146.65	142.22	138.03
* after direct transaction costs of:	0.09	0.16	0.15
Performance			
Return after charges	4.39%	4.30%	19.90%
Other information			
Closing net asset value	£6,355,014	£6,236,879	£6,092,033
Closing number of units	4,333,347	4,385,423	4,413,669
Operating charges	1.60%	1.57%	1.57%
Direct transaction costs	0.07%	0.11%	0.12%
Prices			
Highest unit price	148.37p	151.07p	145.74p
Lowest unit price	127.88p	131.56p	113.81p
<u>Accumulation units</u>	Year to 30.09.2019	Year to 30.09.2018	Year to 30.09.2017
Change in net assets per unit	pence	pence	pence
Opening net asset value per unit	192.42	184.37	153.67
Return before operating charges*	11.57	10.99	33.31
Operating charges	(3.03)	(2.94)	(2.61)
Return after operating charges*	8.54	8.05	30.70
Distributions on accumulation units	(2.48)	(2.35)	(2.62)
Retained distributions on accumulation units	2.48	2.35	2.62
Closing net asset value per unit	200.96	192.42	184.37
* after direct transaction costs of:	0.12	0.21	0.20
Performance			
Return after charges	4.44%	4.37%	19.98%
Other information			
Closing net asset value	£10,644,078	£10,086,581	£8,740,404
Closing number of units	5,296,633	5,241,874	4,740,654
Operating charges	1.60%	1.57%	1.57%
Direct transaction costs	0.07%	0.11%	0.12%
Prices			
Highest unit price	201.50p	203.04p	192.99p
Lowest unit price	172.91p	176.41p	149.70p

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 2019

Holding or nominal value	Bid value £	Percentage of total net assets %
LOAN STOCKS (14.85%, Sept 2018 - 15.49%)		
2,493,000 United Kingdom Treasury 1.5% 22.01.21	2,525,022	14.85
Total Loan Stocks	<u>2,525,022</u>	<u>14.85</u>
AEROSPACE AND DEFENCE (7.46%, Sept 2018 - 7.93%)		
72,100 Babcock International Group	403,472	2.37
135,625 Meggitt	865,016	5.09
Total Aerospace and Defence	<u>1,268,488</u>	<u>7.46</u>
BEVERAGES (3.78%, Sept 2018 - 3.17%)		
65,400 Britvic	642,555	3.78
Total Beverages	<u>642,555</u>	<u>3.78</u>
CLOSED END INVESTMENTS (7.14%, Sept 2018 - 6.83%)		
211,000 Downing Strategic Micro-Cap Investment Trust	137,150	0.81
163,250 Henderson High Income Trust	280,790	1.65
77,300 Law Debenture Corp	459,162	2.70
67,000 Scottish Mortgage Investment Trust	336,340	1.98
Total Closed End Investments	<u>1,213,442</u>	<u>7.14</u>
INDUSTRIAL SUPPORT SERVICES (12.29%, Sept 2018 - 8.47%)		
100,000 Electrocomponents	645,200	3.80
70,500 Paypoint	639,435	3.76
61,755 Travis Perkins	804,359	4.73
Total Industrial Support Services	<u>2,088,994</u>	<u>12.29</u>
INDUSTRIAL TRANSPORTATION (5.88%, Sept 2018 - 7.48%)		
86,633 Menzies (John)	353,029	2.08
72,500 Ocean Wilsons Holdings	645,250	3.80
Total Industrial Transportation	<u>998,279</u>	<u>5.88</u>
LEISURE GOODS (6.00%, Sept 2018 - 4.96%)		
21,550 Games Workshop Group	1,020,177	6.00
Total Leisure Goods	<u>1,020,177</u>	<u>6.00</u>
PERSONAL CARE, DRUG AND GROCERY STORES (6.56%, Sept 2018 - 7.05%)		
146,000 PZ Cussons	294,920	1.73
336,882 Tesco	820,645	4.83
Total Personal Care, Drug and Grocery Stores	<u>1,115,565</u>	<u>6.56</u>
REAL ESTATE INVESTMENT AND SERVICES (0.81%, Sept 2018 - 0.98%)		
2,735 Daejan Holdings	137,297	0.81
Total Real Estate Investment and Services	<u>137,297</u>	<u>0.81</u>
REAL ESTATE INVESTMENT TRUSTS (6.16%, Sept 2018 - 5.46%)		
785,435 Primary Health Properties	1,047,770	6.16
Total Real Estate Investment Trusts	<u>1,047,770</u>	<u>6.16</u>
RETAILERS (3.93%, Sept 2018 - 3.56%)		
10,750 Next	668,220	3.93
Total Retailers	<u>668,220</u>	<u>3.93</u>
TRAVEL AND LEISURE (8.27%, Sept 2018 - 3.12%)		
509,300 Marston's	626,439	3.69
172,000 Merlin Entertainments	777,784	4.58
Total Travel and Leisure	<u>1,404,223</u>	<u>8.27</u>

MFM HATHAWAY FUND

PORTFOLIO STATEMENT

as at 30 September 2019

Holding or nominal value	Bid value £	Percentage of total net assets %
OVERSEAS SECURITIES (14.17%, Sept 2018 - 15.28%)		
4,625 Fresenius Medical Care	253,589	1.49
330 Givaudan	745,222	4.38
17,870 KONE 'B'	830,049	4.88
56,600 Toyo Tire & Rubber	581,880	3.42
Total Overseas Securities	<u>2,410,740</u>	<u>14.17</u>
Portfolio of investments	16,540,772	97.30
Net other assets	458,320	2.70
Total net assets	<u>16,999,092</u>	<u>100.00</u>

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

MFM HATHAWAY FUND

STATEMENT OF TOTAL RETURN

for the year ended 30 September 2019

	Notes	30 September 2019		30 September 2018	
		£	£	£	£
Income:					
Net capital gains	4		503,324		459,849
Revenue	6	470,783		439,714	
Expenses	7	(256,908)		(241,487)	
Net revenue before taxation		<u>213,875</u>		<u>198,227</u>	
Taxation	8	<u>(4,801)</u>		<u>(4,924)</u>	
Net revenue after taxation			<u>209,074</u>		<u>193,303</u>
Total return before distributions			712,398		653,152
Distributions	9		(209,074)		(193,303)
Change in net assets attributable to unitholders from investment activities			<u>503,324</u>		<u>459,849</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 30 September 2019

	30 September 2019		30 September 2018	
	£	£	£	£
Opening net assets attributable to unitholders		16,323,460		14,832,437
Amounts receivable on issue of units	655,918		1,172,057	
Amounts payable on cancellation of units	(614,171)		(261,316)	
Amounts payable on unit class conversions	<u>-</u>		<u>(2)</u>	
		41,747		910,739
Change in net assets attributable to unitholders from investment activities		503,324		459,849
Retained distribution on accumulation units		130,561		120,435
Closing net assets attributable to unitholders		<u>16,999,092</u>		<u>16,323,460</u>

MFM HATHAWAY FUND

BALANCE SHEET

as at 30 September 2019

	Notes	30 September 2019	30 September 2018
		£	£
Assets:			
Fixed Assets:			
Investments	16	16,540,772	14,655,647
Current Assets:			
Debtors	10	76,339	42,048
Cash and bank balances		451,569	1,695,605
Total assets		<u>17,068,680</u>	<u>16,393,300</u>
Current Liabilities:			
Creditors:			
Distribution payable on income units		54,734	37,850
Other creditors	11	14,854	31,990
Total liabilities		<u>69,588</u>	<u>69,840</u>
Net assets attributable to unitholders		<u>16,999,092</u>	<u>16,323,460</u>

MFM HATHAWAY FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2019

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in compliance with Financial Reporting Standard 102 (FRS102) and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by The Investment Association in May 2014 and amended in June 2017.

The 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 financial statements for the Fund have been prepared on a going concern basis.

Revenue

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

Dividends from non-quoted securities are recognised when the right to receive payment is established.

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.

Expenses

All expenses, other than those relating to purchase and sale of investments, are charged against revenue on an accruals basis.

Valuation

The valuation point was 12:00 on 30 September 2019 being the last valuation point of the year.

Listed investments are valued at fair value which is the bid price.

Unlisted, unapproved, illiquid or suspended securities are valued at the authorised fund manager's best estimate of the amount that would be received from the immediate transfer at arm's length in a manner designed to show fair value. This modelling takes into account, where appropriate, latest dealing prices, valuations from reliable sources, financial performance, maturity of the company and other relevant factors.

Where applicable, investment valuations exclude any element of accrued revenue.

Taxation

Corporation tax has been provided for at 20% on taxable income less expenses. Deferred taxation is provided on a full provision basis on timing differences arising from the different treatment of items for accounting and tax purposes. Potential future liabilities and assets are recognised where the transactions, or events giving rise to them, occurred before the balance sheet date.

Exchange rates

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at 12:00 on 30 September 2019 being the last valuation point of the accounting year. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Exchange differences on such transactions follow the same treatment as the principal amounts.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2019

2 DISTRIBUTION POLICIES

The distribution policy of the Fund is to distribute or accumulate all available revenue, after deduction of expenses properly chargeable against revenue. Gains and losses on non-derivative instruments and currencies, whether realised or unrealised, are taken to capital and are not available for distribution.

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.

Stock and special dividends

The ordinary element of stock received in lieu of cash dividends is credited to capital in the first instance followed by a transfer to revenue of the cash equivalent being offered and this forms part of the distributable revenue of the Fund. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of any distribution.

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue of the Fund. Amounts recognised as capital are deducted from the cost of the investment. The tax accounting treatment follows the treatment of the principal amount.

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.

The Fund is managed according to COLL 5, 'Investment and Borrowing Powers' which helps achieve the statutory objective of protecting consumers by laying down the minimum standards for the investments that may be held by an authorised fund. In particular: (a) the proportion of transferable securities and derivatives that may be held by the authorised fund is restricted if those transferable securities and derivatives are not listed on an eligible market. The intention of this is to restrict the transferable securities and derivatives that cannot be accurately valued and readily disposed of; and (b) the authorised funds are required to comply with a number of investment rules that require the spreading of risk.

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.

MFM HATHAWAY FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2019

RISK MANAGEMENT POLICIES

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.

4 NET CAPITAL GAINS

The net gains on investments during the year comprise:

	30 September 2019	30 September 2018
	£	£
Non-derivative securities	503,423	460,160
Currency gains/(losses)	-	(41)
Transaction charges	(99)	(270)
Net capital gains	503,324	459,849

5 PURCHASES, SALES AND TRANSACTION COSTS

Purchases excluding transaction costs

	30 September 2019	30 September 2018
	£	£
Equities	1,395,479	1,339,803
Debt securities	-	297,907
Corporate actions	-	47,126
	<u>1,395,479</u>	<u>1,684,836</u>
Equities: Commissions	3,489	4,019
Taxes and other charges	6,981	5,920
Debt securities: Commissions	-	894
Total purchase transaction costs	<u>10,470</u>	<u>10,833</u>
Purchases including transaction costs	1,405,949	1,695,669

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

Equities: Commissions	0.25%	0.30%
Taxes and other charges	0.50%	0.44%
Debt securities: Commissions	0.00%	0.30%

MFM HATHAWAY FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2019

PURCHASES, SALES AND TRANSACTION COSTS	30 September 2019	30 September 2018
	£	£
Sales excluding transaction costs		
Equities	-	2,084,310
Debt securities	-	44,966
	-	2,129,276
Equities: Commissions	-	(6,252)
Taxes and other charges	-	(78)
Total sale transaction costs	-	(6,330)
Sales net of transaction costs	-	2,122,946
Sale transaction costs expressed as a percentage of the principal amount:		
Equities: Commissions	0.00%	0.30%
Taxes and other charges	0.00%	0.00%
Total purchases and sales transaction costs expressed as a percentage of the average net asset value over the year:		
Commissions	0.02%	0.07%
Taxes and other charges	0.04%	0.04%
	0.06%	0.11%
Transaction handling charges	£99	£270
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	0.26%	0.30%
6 REVENUE	30 September 2019	30 September 2018
	£	£
UK dividends	330,111	303,245
UK dividends (unfranked)	21,992	23,144
Overseas dividends	102,734	99,768
Interest on debt securities	13,148	12,391
Bank interest	2,798	1,166
Total revenue	470,783	439,714
7 EXPENSES	30 September 2019	30 September 2018
	£	£
Payable to the authorised fund manager or associate:		
Manager's periodic charge	240,211	231,247
Registration fees	643	584
	240,854	231,831
Other expenses:		
Trustee's fees	5,760	5,561
Safe Custody fees	1,332	1,371
Financial Conduct Authority fee	158	24
Audit fee	8,804	2,700
	16,054	9,656
Total expenses	256,908	241,487

MFM HATHAWAY FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2019

12 RELATED PARTIES

The authorised fund manager is involved in all transactions in the shares of the Fund, the aggregate values of which are set out in the statement of change in net assets attributable to unitholders on page 15 and note 9. Amounts due to/from the authorised fund manager in respect of unit transactions at the year end are disclosed in notes 10 and 11. Amounts paid to the authorised fund manager in respect of the manager's periodic charge and registration fees are disclosed in note 7. Amounts due to/(from) the authorised fund manager at the year end are as follows:

	30 September 2019	30 September 2018
	£	£
Marlborough Fund Managers Ltd	(10,577)	28,686

13 UNIT CLASSES

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

14 UNITHOLDERS' FUNDS

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 2018	4,385,423	5,241,874
Unit issues	81,877	280,340
Unit cancellations	(107,645)	(245,038)
Unit conversions	(26,308)	19,457
Closing units in issue at 30 September 2019	<u>4,333,347</u>	<u>5,296,633</u>

15 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 £827,039 (2018: £732,782). 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 2019

	Investments	Net current assets	Total
	£	£	£
Euro	1,083,638	8,891	1,092,529
Swiss Franc	745,222	9,837	755,059
Japanese Yen	581,880	-	581,880
	<u>2,410,740</u>	<u>18,728</u>	<u>2,429,468</u>

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	-	781,586
	<u>2,494,337</u>	<u>15,053</u>	<u>2,509,390</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 £121,473 (2018: £125,470). A five per cent increase would have an equal and opposite effect.

MFM HATHAWAY FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2019

RISK DISCLOSURES

Interest rate risk

The interest rate risk profile of financial assets and liabilities for the year ended 30 September 2019 consists of the following:

	30 September 2019	30 September 2018
	£	£
Financial assets fixed rate	2,525,022	2,528,139
Financial assets floating rate	451,569	1,695,605
Financial assets non-interest bearing instruments	14,092,089	12,169,556
Financial liabilities non-interest bearing instruments	(69,588)	(69,840)
	<u>16,999,092</u>	<u>16,323,460</u>

As most of the Fund's financial assets are non-interest bearing, a sensitivity analysis has not been included.

Liquidity risk

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

	30 September 2019	30 September 2018
	£	£
Within one year:		
Distribution payable on income units	54,734	37,850
Other creditors	14,854	31,990
	<u>69,588</u>	<u>69,840</u>

16 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	30 September 2019		30 September 2018	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	16,540,772	-	14,655,647	-
Level 2 - Observable market data	-	-	-	-
Level 3 - Unobservable data	-	-	-	-
	<u>16,540,772</u>	<u>-</u>	<u>14,655,647</u>	<u>-</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.

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; and

Level 3 - Valuation techniques using unobservable inputs.

17 POST BALANCE SHEET EVENTS

Since 30 September 2019, the Net Asset Value per unit has changed as follows:

	Net Asset Value per unit (pence)		
	30 September 2019 *	21 November 2019	Movement (%)
Income units	148.31	150.72	1.62%
Accumulation units	201.43	206.24	2.39%

* These Net Asset Values differ from those in the Comparative Table as they are the quoted Net Asset Values.

MFM HATHAWAY FUND

DISTRIBUTION TABLE

Interim distribution for the period from 1 October 2018 to 31 March 2019

Group 1: units purchased prior to 1 October 2018

Group 2: units purchased on or after 1 October 2018

		Net revenue to 31 Mar 2019 pence per unit	Equalisation to 31 Mar 2019 pence per unit	Distribution paid 31 May 2019 pence per unit	Distribution paid 31 May 2018 pence per unit
Income units	Group 1	0.5574p	-	0.5574p	0.8801p
	Group 2	0.2662p	0.2912p	0.5574p	0.8801p
Accumulation units	Group 1	0.7540p	-	0.7540p	1.1820p
	Group 2	0.3907p	0.3633p	0.7540p	1.1820p

Final distribution for the period from 1 April 2019 to 30 September 2019

Group 1: units purchased prior to 1 April 2019

Group 2: units purchased on or after 1 April 2019

		Net revenue to 30 Sep 2019 pence per unit	Equalisation to 30 Sep 2019 pence per unit	Distribution payable 30 Nov 2019 pence per unit	Distribution paid 30 Nov 2018 pence per unit
Income units	Group 1	1.2630p	-	1.2630p	0.8603p
	Group 2	0.4616p	0.8014p	1.2630p	0.8603p
Accumulation units	Group 1	1.7216p	-	1.7216p	1.1698p
	Group 2	0.5494p	1.1722p	1.7216p	1.1698p

Marlborough

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