

Investment Fund Services

IFSL Marlborough European Special Situations Fund

Annual Report and Audited
Financial Statements

for the year ended 10 September 2024

IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS FUND

CONTACT INFORMATION

Authorised Fund Manager (AFM)

Investment Fund Services Limited (IFSL)
Marlborough House
59 Chorley New Road
Bolton
BL1 4QP

Investor Support: (0808) 178 9321 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority.

Directors of IFSL

Andrew Staley (Non-Executive)
Allan Hamer
Dom Clarke
Helen Redmond
Sally Helston
Simon Chalkley - appointed, 27 November 2024
Katherine Damsell (Independent Non-Executive)
Sarah Peaston (Independent Non-Executive)

Investment Manager

Marlborough Investment Management Limited
PO Box 1852
Croxall
Lichfield
Staffordshire
WS13 8XU

Authorised and regulated by the Financial Conduct Authority.

Sub-investment Manager

Canaccord Genuity Asset Management Limited
88 Wood Street
London
EC2V 7QR

Authorised and regulated by the Financial Conduct Authority.

Depository (in its capacity as 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.

Administrator and Registrar (from 1 June 2024)

SS&C Financial Services International Limited
New Marlborough House
55-57 Chorley New Road
Bolton
BL1 4QR

Administrator and Registrar (to 1 June 2024)

Investment Fund Services Limited (IFSL)
Marlborough House
59 Chorley New Road
Bolton
BL1 4QP

Auditor

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

IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS FUND

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IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS FUND

AUTHORISED INVESTMENT MANAGER'S REPORT

for the year ended 10 September 2024

Performance to 10 September 2024

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>
IFSL Marlborough European Special Situations Fund	4.95%	15.22%	(3.64)%	74.37%
IA Europe excluding UK Sector	(0.42)%	11.80%	9.40%	42.13%

External Source of Economic Data: Morningstar (P Income - quoted to quoted, net income reinvested).

The performance figures above are based on quoted prices and will, therefore, differ from the performance in the Comparative Table.

Capital at risk. Past performance is not a reliable indicator of future performance; the value of your investment and any income from it can go down as well as up. Performance returns are based on the net asset value with distributable income reinvested and take account of all ongoing charges, but not entry charges (if applicable). The past performance of this unit class is calculated in sterling.

Investment commentary

Performance statement

Over the twelve months to 10 September 2024 the return on the Fund's P unit in sterling with net income reinvested was 15.22%. The benchmark*, the Investment Association Europe ex UK fund sector, returned 11.80% over the same period.

The Fund performed better than the benchmark thanks to the contribution from stock selection. Even though lower capitalised companies continued to lag larger companies in terms of returns, the small companies held in the fund performed well with more details below. The Fund's large company holdings, although a much smaller weight than the small company holdings, generally also performed well.

Market review

The European equity market was pulled in different directions during the period under review. Much anticipated rate cuts from the European Central Bank finally started in June this year and have given equity markets a boost from the expected reduction in borrowing costs of companies, the stimulus to economic growth, and the implication that high inflation has been beaten back down. The resilience of the US economy, important for world and European economic growth has also been helpful. On the other hand the slowdown in European economic growth, particularly in Germany, and the continued weakness of important export market China have been persistent headwinds for the equity market.

Fund performance review

The best performing stocks for the Fund were Swedish data storage hardware, software and services vendor Proact IT (stronger growth in higher margin services and software), Swedish truck equipment manufacturer VBG (strong growth of its air-conditioning systems), Norwegian property group Self Storage Group (received a takeover offer), Greek household goods producer Sarantis (continued good trading and announcement of ambitious medium term targets), large company Danish jewellery retailer Pandora (resilient growth despite weaker consumer environment), French engineering and IT consultant SII (received a takeover offer), and Swedish telecom software group Enea (improving results after previous weak trading).

The worst performers for the Fund were French carbon graphite products manufacturer Mersen (slowing in demand for silicon carbide semiconductors used in electric vehicles, holding was reduced ahead of this news), French care home and healthcare services provider LNA Sante (profit margins reduced by cost inflation not reflected in government tariffs), French personal protection equipment vendor Delta Plus (profit margin reduced by cost inflation and slowing demand growth), Danish electrical wholesaler Solar (downturn in demand from construction sector), French staffing company Groupe Crit (weaker economic growth expected to reduce demand for staffing), Spanish industrial services group Global Dominion Access (slowdown in demand from renewable energy projects), and Norwegian retail technology product and services vendor StrongPoint (food retailers cut back on investments in new technology).

Portfolio activity

The largest new purchases for the Fund were Finnish pharmaceutical and healthcare group Orion (growth potential from new product pipeline), French company Pluxee (growth in penetration of employee benefits services), French global catering services group Sodexo (scope for margin growth and accretive acquisitions), Swiss electrical transformer manufacturer R&S Group (benefitting from growing investments in electricity networks), and Spanish insurance company Grupo Catalana (more efficient than competitors and reinvesting surplus capital into accretive acquisitions). The largest additions were made to Swedish oncology medical equipment vendor Elekta (added on share price weakness caused by sales drop in China) and Danish pharmaceutical group Lundbeck (improving quality of new pharmaceutical product pipeline and low valuation).

The largest complete sales were the two companies which received takeover offers, SII and Self Storage Group (see above), Italian staffing company Openjobmetis (tendered shares in company share buyback) and Italian IT hardware and consumer electronics distributor Esprinet (concerns about high debt and weak trading). The largest reductions were made to Danish pharmaceutical group Novo Nordisk, German business software vendor SAP, and Swedish truck and power transmission equipment manufacturer VBG – in each case we took profits after the share price rose significantly.

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AUTHORISED INVESTMENT MANAGER'S REPORT

for the year ended 10 September 2024

Investment commentary (continued)

Investment outlook

In the near future investors are expecting weaker profits from some European companies that are economically sensitive due to slowing economic growth in the world and especially in Europe. However interest rate cuts from central banks should stimulate faster economic growth, which would benefit such economically sensitive companies more than most. Our conversations with company management teams indicate that there is some holding back on large investment decisions by companies due to the current uncertain economic and political environment, but that such decisions are only being delayed and not abandoned.

We continue to find good investment opportunities for the Fund, mostly in the smaller company part of the market where investor nervousness is creating some attractive valuations.

Canaccord Genuity Asset Management Limited
7 October 2024

Explanation of terms*

Benchmark – Comparator for performance purposes.

Distributions

	<u>Year 2024</u>	<u>Year 2023</u>	<u>Year 2022</u>
<u>A Income (pence per unit)</u>			
Net income paid 10 November	8.1657	9.9413	8.5012
<u>P Income (pence per unit)</u>			
Net income paid 10 November	13.6593	15.2568	14.3511

Portfolio changes

<u>Largest purchases</u>	<u>Cost (£)</u>
Pluxee	5,891,626
Elekta 'B'	5,015,794
Sodexo	4,749,396
Orion 'B'	3,959,145
H Lundbeck	3,568,870
Grupo Catalana Occidente	2,961,164
EVS Broadcast Equipment	2,949,017
R&S Group Holding	2,238,979
Coface	2,205,545
Brembo	2,198,078
Other purchases	24,326,470
Total purchases for the year	60,064,084
<u>Largest sales</u>	<u>Proceeds (£)</u>
Self Storage Group	7,031,349
Société Pour L'Informatique Industrielle	6,360,614
Openjobmetis	4,493,085
Novo Nordisk	4,458,044
SAP	3,270,203
Coface	3,261,211
VBG Group 'B'	2,648,384
Esprinet	2,602,377
Schaffner Holding	2,347,152
Pandora	2,121,323
Other sales	11,491,797
Total sales for the year	50,085,539

IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS FUND

AUTHORISED STATUS

IFSL Marlborough European Special Situations 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.

GENERAL INFORMATION

Investment objective

The investment objective of the Fund is to provide capital growth, that is, to increase the value of your investment, over a minimum of 5 years, however, there is no certainty this will be achieved.

Investment policy

The Fund is actively managed, which means the Investment Manager decides which investments to buy or sell and when.

At least 80% of the Fund will be invested in the shares of companies listed on European stock markets (excluding the UK). Of this, up to 90% will be in smaller companies. Smaller companies are defined as those in the bottom 20% of the market capitalisation. The remainder will be in medium and large sized companies.

The Fund may also invest up to 20% in other securities which are linked to the performance of a company, such as; investment grade bonds, which are loans typically issued by companies and governments, where the issuer has a higher capacity to repay the debt; bonds which may be converted into shares (known as convertible bonds); and preference shares.

The Fund may, from time to time, hold shares in UK companies following changes made to existing investments, for example following a corporate restructure or other corporate event. The Fund will not make any new investments into the shares of UK companies.

In addition, up to 10% of the Fund may be invested in other funds (including investment trusts) which offer exposure to shares of European companies.

The Fund may hold up to 20% in cash to enable the ready settlement of liabilities (including the redemption of units), for the efficient management of the portfolio or in pursuit of the Fund's investment objective. The Fund may also hold money market instruments (a type of short-term loan typically issued by governments and corporations), and funds that invest in these instruments as an alternative to holding cash.

Whilst the Fund itself will not use derivatives, the underlying funds purchased may have the ability to use derivatives to varying degrees.

Investment strategy

The Investment Manager seeks unique opportunities in the markets to invest in, known as 'special situations'. These 'special situations' in the Investment Manager's opinion, are European companies that exhibit one or more of the following characteristics:

- Attractive share valuations relative to the potential for profit growth. The Investment Manager is looking for companies that may be less extensively researched and therefore less familiar to investors, thereby has the potential offering a higher likelihood of being undervalued; this typically results in a focus on smaller companies.
- Potential for growing profits faster than the average growth rate of all listed European companies, often attributed to superior market share, new product innovations, economies of scale, and intellectual property advantages over competitors.
- Well-managed operations, demonstrated by prudent investment in company projects, external acquisitions and a careful management of the company's finances with a focus on expanding the company's primary business activity.

Whilst meeting the policy requirement to hold a large proportion in smaller company shares, the Investment Manager targets a diversified portfolio across securities, sectors, and geographical regions, this aims to mitigate performance being overly dependent on any one single factor that may affect investment performance.

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GENERAL INFORMATION

Assessing performance

The Investment Association (IA), the trade body for UK investment managers, has created a number of 'sectors', as a way of dividing funds into broad groups with similar characteristics.

The Fund's investment policy puts it in the IA Europe Excluding UK sector. You may want to assess the Fund's performance compared to the performance of this sector.

You should note that whilst the IA Europe Excluding UK sector represents the European focus of the Fund, the sector also contains other funds investing across the market capitalisation spectrum from large companies to small companies. The Fund is expected to have a lower average company size than the average fund in the sector. Therefore, when the shares of larger companies perform better than the shares of smaller companies, the Fund is more likely to underperform the sector. Conversely, the Fund is more likely to outperform the sector when the shares of smaller companies perform better than the shares of larger companies.

Rights and terms attaching to each unit class

A unit of each class represents a proportional entitlement to the assets of the Fund. The allocation of income and taxation and the rights of each unit in the event the Fund is wound up are on the same proportional basis.

Assessment of value

The AFM is required to carry out an assessment of value at least annually and publish its findings in a report to investors. The Fund is assessed and reported on in a composite report which the AFM publishes on the website www.ifslfunds.com. The latest report was published on 30 September 2024.

Task force on climate-related financial disclosures

A statement of the climate related financial disclosures is published on the website <https://www.ifslfunds.com/tcf-reporting>.

Changes in prospectus

On 1 June 2024, SS&C Financial Services International Limited became the administrator and registrar of the Fund. Prior to this date the administrator and registrar was IFSL.

On 12 August 2024, the following changes took effect:

Updates to investment objectives, policies and strategies

An investment strategy section was added to the Fund's prospectus, along with other minor changes to enhance how we explain the Fund's investment objectives, policies, and strategies. These changes do not reflect a change in the way the Fund is managed and are for clarification purposes only.

Changes to Registrar's fee

The AFM made changes to the fee that is taken from the Fund to cover the administration costs associated with the Registrar for the Fund. The Registrar is responsible for managing the register of investors for the Fund, which includes all investor dealing, and this fee is known as the "Registration Fee".

The AFM adjusted the calculation of the Registration Fee to include any investor dealing in the Fund, an increased, but simpler annual charge per investor, and removing some fees altogether.

Fees relating to any investor dealing in the Fund will be charged to the Fund and not to the deal placed by an investor, and will in future be charged at a rate of:

- £5 per deal, when placed through a platform.
- £15 per deal, when placed directly through the Registrar.

The AFM made an increase to the annual charge per investor in the Fund, but also removed any fixed annual fee from the calculation. 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 AFM's range, can be requested by the investor at any time.

IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS FUND

GENERAL INFORMATION

Remuneration policy

In line with the requirements of UCITS V, Investment Fund Services Limited (the 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 2023 (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	8	908,018	768,628	139,390
Risk takers and other identified staff	4	411,040	375,277	35,763
Allocation of total remuneration of the employees of the AFM to the Fund				
Senior management	0.17	19,593	16,585	3,008
Risk takers and other identified staff	0.09	8,870	8,098	772

The total number of staff employed by the AFM was 238 as at 30 September 2023. The total remuneration paid to those staff was £12,464,744 of which £4,346,942 is attributable to the AFM.

The allocation of remuneration to the Fund is based on Assets Under Management (AUM) and the figures disclosed only include remuneration paid to individuals directly employed by the AFM's group. The way these disclosures are calculated may change in the future.

IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS FUND

DIRECTOR'S STATEMENT

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority.



Allan Hamer
Director



Helen Redmond
Director

Investment Fund Services Limited
12 December 2024

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 capital 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.

IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS 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 the IFSL Marlborough European Special Situations Fund of the ("the Trust") for the Period Ended 10 September 2024

The Depositary in its capacity as Trustee of IFSL Marlborough European Special Situations 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 in 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 of 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 considered 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
12 December 2024

IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS FUND

Opinion

We have audited the financial statements of IFSL Marlborough European Special Situations Fund ("the Fund") for the year ended 10 September 2024, which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the related notes and the Distribution Tables, and the accounting policies of the Fund, which include 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 including FRS 102 'The Financial Reporting Standard applicable to 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 financial position of the Fund as at 10 September 2024 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.

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 Financial Reporting Council's (the "FRC") 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

In auditing the financial statements, we have concluded that the Authorised Fund Manager's (the "AFM") use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the AFM with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern.

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 AFM is responsible for the other information contained within the Annual Report.

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.

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 this gives rise to a material misstatement in the financial statements themselves. 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.

IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS FUND

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

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 FCA and the Trust Deed;
- there is nothing to indicate that adequate accounting records have not been kept or that the financial statements are not in agreement with those records; and
- the information given in the AFM's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 FCA 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 purposes of our audit.

Responsibilities of the Authorised Fund Manager

As explained more fully in the AFM's responsibilities statement set out on page 6, the AFM 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 AFM 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 AFM 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 AFM either intends to wind up or terminate 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.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS FUND

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are United Kingdom Generally Accepted Accounting Practice (UK GAAP), Investment Management Association's Statement of Recommended Practice (IMA SORP), the FCA Collective Investment Schemes Sourcebook, the Fund's Trust Deed and the Prospectus.
- We understood how the Fund is complying with those frameworks through discussions with the AFM and the Fund's administrators and a review of the Fund's documented policies and procedures.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the risk of management override, specifically management's propensity to influence revenue and amounts available for distribution. We identified fraud risks in relation to the incomplete or inaccurate revenue recognition through incorrect classification of special dividends and the resulting impacts to amounts available for distribution. In response to our fraud risks, we tested the appropriateness of management's classification of a sample of special dividends as either a capital or revenue return.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the AFM with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Fund.
- Due to the regulated nature of the Fund, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities to identify non-compliance with the applicable laws and regulations.

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 FCA. 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

12 December 2024

Notes:

1. The maintenance and integrity of the Investment Fund Services Limited website is the responsibility of the AFM; 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.

IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS FUND
COMPARATIVE TABLE

<u>A Income units</u>	Year to 10.09.2024	Year to 10.09.2023	Year to 10.09.2022
Change in net assets per unit	pence	pence	pence
Opening net asset value per unit	648.58	673.51	810.00
Return before operating charges*	104.60	(4.40)	(116.35)
Operating charges	(10.87)	(10.59)	(11.64)
Return after operating charges*	93.73	(14.99)	(127.99)
Distributions on income units	(8.17)	(9.94)	(8.50)
Closing net asset value per unit	734.14	648.58	673.51
* after direct transaction costs of:	0.38	0.49	0.33
Performance			
Return after charges ^A	14.45%	(2.23)%	(15.80)%
Other information			
Closing net asset value (£)	12,517,830	16,214,731	28,616,876
Closing number of units	1,705,104	2,500,050	4,248,934
Operating charges	1.54% ^B	1.55%	1.54%
Direct transaction costs	0.05%	0.07%	0.04%
Prices (pence per unit)			
Highest unit price	781.43	740.07	846.92
Lowest unit price	622.01	609.22	658.02
<u>P Income units</u>			
Change in net assets per unit	Year to 10.09.2024	Year to 10.09.2023	Year to 10.09.2022
	pence	pence	pence
Opening net asset value per unit	652.65	677.91	816.03
Return before operating charges*	105.72	(4.48)	(117.73)
Operating charges	(5.71)	(5.52)	(6.04)
Return after operating charges*	100.01	(10.00)	(123.77)
Distributions on income units	(13.66)	(15.26)	(14.35)
Closing net asset value per unit	739.00	652.65	677.91
* after direct transaction costs of:	0.39	0.49	0.33
Performance			
Return after charges ^A	15.32%	(1.48)%	(15.17)%
Other information			
Closing net asset value (£)	267,267,108	207,708,014	334,984,373
Closing number of units	36,166,217	31,825,275	49,414,258
Operating charges	0.79% ^B	0.80%	0.79%
Direct transaction costs	0.05%	0.07%	0.04%
Prices (pence per unit)			
Highest unit price	790.77	747.73	854.19
Lowest unit price	626.51	613.57	665.35

^A The return after charges is calculated using the underlying investments bid prices.

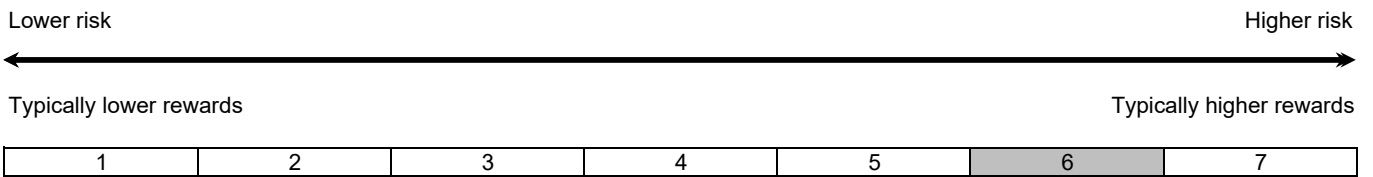
^B On 30 November 2023, The Investment Association amended the disclosure of fund charges and costs originally issued on the 2 July 2020. Consequently, we have excluded, where relevant, charges incurred by closed-ended vehicles such as investment trusts.

Operating charges are normally the same as the Ongoing Charges Figures (OCFs) and are the total expenses paid by each unit class in the year. Where it is considered unsuitable to use the total expenses paid by each unit class in the year to calculate the OCF because of material changes to the Fund's charges an estimate will be calculated instead. The OCFs disclosed in the Key Investor Information Document (KIID) (available on IFSL's website, www.ifslfunds.com) give an estimate of future costs.

Direct transaction costs are the total charges for the year, 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 year and the average units in issue for the pence per unit figures.

IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS FUND

SYNTHETIC RISK AND REWARD INDICATOR (all unit classes)



This indicator aims to give you a measure of the price movement of the Fund based on past data. It uses historic returns over the last five years. If five years' data is not available, simulated data based on a representative portfolio is used.

The Fund has been measured as 6 because its investments have experienced high volatility in the past. During the year the synthetic risk and reward indicator has remained unchanged.

IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS FUND

PORTFOLIO STATEMENT

as at 10 September 2024

Holding or nominal value	Bid value £	Percentage of total net assets %
AUSTRIA (10 September 2023 - 0.32%)		
175,707 Zumtobel Group	802,707	0.29
Total Austria	<u>802,707</u>	<u>0.29</u>
BELGIUM (10 September 2023 - 0.16%)		
18,800 Bekaert	554,936	0.20
127,900 EVS Broadcast Equipment	3,131,739	1.12
3,925 Solvay	104,874	0.04
Total Belgium	<u>3,791,549</u>	<u>1.36</u>
DENMARK (10 September 2023 - 13.23%)		
2,628,468 Columbus	2,588,901	0.93
86,700 Demant	2,716,576	0.97
1,592,997 H Lundbeck	8,359,695	2.99
466,805 H+H International 'B'	4,951,051	1.77
26,500 Novo Nordisk	2,613,402	0.93
40,500 Pandora	5,237,895	1.87
130,801 Solar 'B'	4,801,652	1.72
210,175 TCM Group	1,524,096	0.54
Total Denmark	<u>32,793,268</u>	<u>11.72</u>
FINLAND (10 September 2023 - 1.76%)		
490,000 Nokia Oyj	1,586,594	0.57
123,500 Orion 'B'	5,088,233	1.82
459,112 Scanfil	3,088,093	1.10
Total Finland	<u>9,762,920</u>	<u>3.49</u>
FRANCE (10 September 2023 - 33.10%)		
80,600 Baikowski	1,114,160	0.40
84,434 Bastide Le Confort Médical	1,483,858	0.53
320,181 Bilendi	4,156,092	1.49
157,746 Bureau Veritas	3,893,124	1.39
237,508 Coface	2,906,790	1.04
32,250 Delfingen Industry	698,605	0.25
106,737 Delta Plus Group	5,847,863	2.09
93,068 Groupe CRIT	4,753,811	1.70
184,449 Groupe GUILLIN	4,601,897	1.64
1,025,515 Groupe SFPI	1,672,599	0.60
169,400 Ipsos	7,617,574	2.72
329,294 LNA Santé	6,619,742	2.37
180,307 Mersen	4,179,402	1.49
269,350 Pluxee	4,734,739	1.69
67,750 Sodexo	4,582,719	1.64
56,944 STEF	6,546,832	2.34
84,957 Synergie	2,255,686	0.81
75,279 Thermador Groupe	4,771,562	1.70
Total France	<u>72,437,055</u>	<u>25.89</u>
GERMANY (10 September 2023 - 3.55%)		
31,200 Brenntag	1,692,542	0.61
139,360 CeoTronics	604,943	0.22
76,782 Einhell	3,734,256	1.34
2,994 KSB Pref	1,438,452	0.51
61,000 PVA TePla	651,955	0.23
18,600 SAP	3,028,614	1.08
44,000 TeamViewer	425,388	0.15
42,000 technotrans	577,040	0.21
66,748 Vossloh	2,585,191	0.92
Total Germany	<u>14,738,381</u>	<u>5.27</u>

IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS FUND
PORTFOLIO STATEMENT

as at 10 September 2024

Holding or nominal value	Bid value £	Percentage of total net assets %
GREECE (10 September 2023 - 3.32%)		
1,117,556 Sarantis	10,380,535	3.71
Total Greece	<u>10,380,535</u>	<u>3.71</u>
ITALY (10 September 2023 - 12.31%)		
29,394 ALA	510,381	0.18
250,000 B&C Speakers	3,023,854	1.08
53,746 DHH	1,096,302	0.39
355,202 El.En	2,836,766	1.01
186,000 FinecoBank	2,419,850	0.87
130,500 FOPE	2,991,908	1.07
81,000 Gentili Mosconi	172,050	0.06
149,152 Indel B	2,715,512	0.97
125,064 Italian Wine Brands	2,308,582	0.83
18,647 LU-VE	402,363	0.14
100,000 Piquadro	166,470	0.06
250,489 Sabaf	3,863,746	1.38
Total Italy	<u>22,507,784</u>	<u>8.04</u>
NETHERLANDS (10 September 2023 - 4.73%)		
231,000 Brembo	1,944,925	0.70
194,000 Koninklijke Ahold Delhaize	5,057,670	1.81
27,189 Nedap	1,287,948	0.46
195,941 NN Group	7,379,167	2.64
Total Netherlands	<u>15,669,710</u>	<u>5.61</u>
NORWAY (10 September 2023 - 4.20%)		
1,968,946 Elmera Group	4,495,712	1.61
1,303,665 StrongPoint	969,148	0.35
Total Norway	<u>5,464,860</u>	<u>1.96</u>
PORTUGAL (10 September 2023 - 1.27%)		
481,192 Ibersol SGPS	2,936,472	1.05
Total Portugal	<u>2,936,472</u>	<u>1.05</u>
REPUBLIC OF IRELAND (10 September 2023 - 1.67%)		
227,900 FBD Holdings	2,545,242	0.91
210,000 TVC Holdings ^A	10,638	-
Total Republic of Ireland	<u>2,555,880</u>	<u>0.91</u>
SPAIN (10 September 2023 - 4.21%)		
221,292 Alquiber Quality	1,660,063	0.59
1,598,598 Ercros	5,046,148	1.80
1,806,262 Global Dominion Access	4,399,947	1.57
100,798 Grupo Catalana Occidente	3,279,503	1.17
Total Spain	<u>14,385,661</u>	<u>5.13</u>
SWEDEN (10 September 2023 - 11.73%)		
176,614 CAG Group	1,406,529	0.50
1,074,000 Elekta 'B'	5,088,353	1.82
622,773 Enea	3,898,857	1.39
269,200 Loomis	6,717,462	2.40
402,471 Nordic Waterproofing Holding	4,902,803	1.75
500 Prevas 'B'	4,867	-
975,241 Proact IT Group	10,787,058	3.86
599,906 Railcare Group	1,353,644	0.48
258,802 SinterCast	2,080,147	0.74
72,466 Syksam	250,615	0.09
226,200 VBG Group 'B'	6,480,126	2.32
Total Sweden	<u>42,970,461</u>	<u>15.35</u>

IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS FUND

PORTFOLIO STATEMENT

as at 10 September 2024

Holding or nominal value		Bid value £	Percentage of total net assets %
	SWITZERLAND (10 September 2023 - 4.06%)		
233,000	R&S Group Holding	3,567,954	1.28
84,452	u-blox Holding	5,553,250	1.98
	Total Switzerland	<u>9,121,204</u>	<u>3.26</u>
	Portfolio of investments	260,318,447	93.04
	Net other assets	<u>19,466,491</u>	<u>6.96</u>
	Total net assets	<u><u>279,784,938</u></u>	<u><u>100.00</u></u>

^A TVC Holdings has been delisted and is being wound up. It is being valued in line with the accounting policy for suspended investments.

All investments are listed on recognised stock exchanges and are approved securities within the meaning of the FCA rules unless otherwise stated.

IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS FUND

STATEMENT OF TOTAL RETURN

for the year ended 10 September 2024

	Notes	10 September 2024		10 September 2023	
		£	£	£	£
Income:					
Net capital gains/(losses)	4		27,191,319		(8,602,843)
Revenue	6	7,563,255		9,513,126	
Expenses	7	(2,102,347)		(2,644,434)	
Net revenue before taxation		5,460,908		6,868,692	
Taxation	8	(459,397)		(717,969)	
Net revenue after taxation			5,001,511		6,150,723
Total return before distributions			32,192,830		(2,452,120)
Distributions	9		(5,002,473)		(6,151,281)
Change in net assets attributable to unitholders from investment activities			27,190,357		(8,603,401)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 10 September 2024

	10 September 2024		10 September 2023	
	£	£	£	£
Opening net assets attributable to unitholders		223,922,745		363,601,249
Amounts receivable on issue of units	76,515,372		12,089,657	
Amounts payable on cancellation of units	(48,029,626)		(143,282,496)	
Amounts payable on unit class conversions	-		(28,481)	
		28,485,746		(131,221,320)
Dilution adjustment		186,069		146,204
Change in net assets attributable to unitholders from investment activities		27,190,357		(8,603,401)
Unclaimed distributions		21		13
Closing net assets attributable to unitholders		279,784,938		223,922,745

IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS FUND

BALANCE SHEET

as at 10 September 2024

	Notes	10 September 2024 £	10 September 2023 £
Assets:			
Fixed Assets:			
Investments	16	260,318,447	223,079,673
Current Assets:			
Debtors	10	1,792,364	2,225,822
Cash and bank balances		26,557,042	5,906,778
Total assets		<u>288,667,853</u>	<u>231,212,273</u>
Liabilities:			
Creditors:			
Bank overdrafts		2,717,022	217,305
Distribution payable		5,079,319	5,104,069
Other creditors	11	1,086,574	1,968,154
Total liabilities		<u>8,882,915</u>	<u>7,289,528</u>
Net assets attributable to unitholders		<u><u>279,784,938</u></u>	<u><u>223,922,745</u></u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 10 September 2024

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in compliance with Financial Reporting Standard 102 (FRS 102) 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.

There are no material events that have been identified that may cast significant doubt on the Fund's ability to continue as a going concern for the next twelve months from the date when the financial statements are authorised for issue. The Authorised Fund Manager (AFM) believes that the Fund has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis in preparing the financial statements.

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.

Bank interest is accounted for on an accruals basis.

Allocation of revenue

Revenue, attributable after expenses to multiple unit classes, with the exception of the AFM's periodic charge, which is directly attributable to individual unit classes, is allocated to unit classes pro-rata to the value of the net assets of the relevant unit class on the day that the revenue is incurred.

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 10 September 2024 being the last valuation point of the accounting year.

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

Unlisted, unapproved, illiquid or suspended securities are valued at the AFM'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.

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 10 September 2024 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.

Dilution adjustment

The Fund is priced on a single price basis and may suffer a reduction in value as a result of the transaction costs incurred in the purchase and sale of its underlying investments and the spread between the buying and selling prices of such investments caused by subscriptions and redemptions in and out of the Fund. This is known as "dilution". Under certain circumstances dilution may have a material adverse effect on the existing/continuing unitholders' interest in the Fund. In order to counter this and to protect unitholders' interests, the AFM will apply "swing pricing" as part of its daily valuation policy. This will mean that in certain circumstances the Fund will make adjustments to counter the impact of dealing and other costs on occasions when these are deemed to be significant. Any dilution adjustment will be applied consistently and, in the usual course of business, automatically.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 10 September 2024

2 DISTRIBUTION POLICIES

The distribution policy of the Fund is to distribute 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.

During the year, the Fund was less than 60% invested in qualifying investments (as defined by SI 2006/964, Reg. 20) and therefore qualified as an equity fund. The Fund paid dividend distributions.

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, 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 AFM'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 AFM 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 most of the Fund's assets and income are denominated in currencies other than sterling which is the Fund's functional currency.

The AFM 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 AFM as an acceptable counterparty.

IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 10 September 2024

RISK MANAGEMENT POLICIES (continued)

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.

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 AFM.

4 NET CAPITAL GAINS/(LOSSES)	10 September 2024	10 September 2023
	£	£
The net gains/(losses) on investments during the year comprise:		
Non-derivative securities gains/(losses)	27,390,955	(8,360,574)
Currency losses	(194,607)	(230,807)
Transaction charges	(5,029)	(11,462)
Net capital gains/(losses)	27,191,319	(8,602,843)
5 PURCHASES, SALES AND TRANSACTION COSTS	10 September 2024	10 September 2023
	£	£
Purchases excluding transaction costs:		
Equities	59,968,318	11,375,814
Corporate actions	-	1,301,736
	<u>59,968,318</u>	<u>12,677,550</u>
Equities: Commissions	78,083	15,387
Taxes and other charges	17,683	1,348
Total purchases transaction costs	<u>95,766</u>	<u>16,735</u>
Purchases including transaction costs	60,064,084	12,694,285
Purchases transaction costs expressed as a percentage of the principal amount:		
Equities: Commissions	0.13%	0.14%
Taxes and other charges	0.03%	0.01%
Sales excluding transaction costs:		
Equities	29,892,540	142,975,552
Corporate actions	20,232,260	256,506
	<u>50,124,800</u>	<u>143,232,058</u>
Equities: Commissions	(39,244)	(201,612)
Taxes and other charges	(17)	(400)
Total sales transaction costs	<u>(39,261)</u>	<u>(202,012)</u>
Sales net of transaction costs	50,085,539	143,030,046
Sales transaction costs expressed as a percentage of the principal amount:		
Equities: Commissions	0.13%	0.14%
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	0.04%	0.07%
Taxes and other charges	0.01%	0.00%
	<u>0.05%</u>	<u>0.07%</u>

Transaction costs are commissions paid to agents, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the Fund. These exclude any differences between quoted bid and offer prices or internal administrative on holding costs.

Transaction handling charges

These are charges payable to the depositary in respect of each transaction:

5,029

11,462

IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 10 September 2024

PURCHASES, SALES AND TRANSACTION COSTS (continued)

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 0.46% 0.56%

6 REVENUE	10 September 2024	10 September 2023
	£	£
Overseas dividends	6,788,853	9,055,473
Overseas dividends (unfranked)	203,095	301,579
Bank interest	571,307	156,074
Total revenue	<u>7,563,255</u>	<u>9,513,126</u>
7 EXPENSES	10 September 2024	10 September 2023
	£	£
Payable to the AFM or associate:		
AFM's periodic charge	1,970,751	2,490,317
Registration fees	12,175	12,871
	<u>1,982,926</u>	<u>2,503,188</u>
Other expenses:		
Trustee's fees	58,500	91,436
Safe custody fees	22,961	31,415
Financial Conduct Authority fee	10	32
Audit fee	8,736	8,449
Notary fee	817	-
Bank interest	28,397	9,914
	<u>119,421</u>	<u>141,246</u>
Total expenses	<u>2,102,347</u>	<u>2,644,434</u>
8 TAXATION	10 September 2024	10 September 2023
	£	£
a Analysis of the tax charge for the year		
Overseas tax	458,435	717,411
Overseas capital gains tax	962	558
Total tax charge for the year (see note 8(b))	<u>459,397</u>	<u>717,969</u>
b Factors affecting the tax charge for the year		
The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for a unit trust (20%). The differences are explained below.		
Net revenue before taxation	5,460,908	6,868,692
UK corporation tax at 20% (2023: 20%)	<u>1,092,182</u>	<u>1,373,738</u>
Effects of:		
Revenue not subject to taxation	(1,357,771)	(1,811,095)
Unrelieved excess management expenses	271,682	446,403
Tax effect of expensed double taxation relief	(6,093)	(9,046)
Overseas tax	458,435	717,411
Overseas capital gains tax	962	558
Total tax charge for the year (see note 8(a))	<u>459,397</u>	<u>717,969</u>
c Provision for deferred taxation		
At 10 September 2024 the Fund has deferred tax assets of £4,312,442 (2023: £4,040,760) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.		

IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 10 September 2024

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 £13,015,922 (2023: £11,153,984). 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.

<u>Foreign currency exposure at 10 September 2024</u>	Investments £	Net other assets £	Total £
Danish krone	32,793,269	490,697	33,283,966
Euro	169,968,656	752,137	170,720,793
Norwegian krone	5,464,860	57,550	5,522,410
Swedish krona	42,970,458	97,173	43,067,631
Swiss franc	9,121,204	175,285	9,296,489
US dollar	-	12,753	12,753
	<u>260,318,447</u>	<u>1,585,595</u>	<u>261,904,042</u>

<u>Foreign currency exposure at 10 September 2023</u>	Investments £	Net other assets £	Total £
Danish krone	29,659,915	742,761	30,402,676
Euro	148,658,929	976,320	149,635,249
Norwegian krone	9,392,870	260,265	9,653,135
Swedish krona	26,270,764	-	26,270,764
Swiss franc	9,097,195	174,811	9,272,006
	<u>223,079,673</u>	<u>2,154,157</u>	<u>225,233,830</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 £13,095,202 (2023: £11,261,692). A five per cent increase would have an equal and opposite effect.

Interest rate risk

	10 September 2024 £	10 September 2023 £
--	------------------------	------------------------

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

Financial assets floating rate ^A	26,557,042	5,906,778
Financial assets non-interest bearing instruments	262,110,811	225,305,495
Financial liabilities floating rate ^A	(2,717,022)	(217,305)
Financial liabilities non-interest bearing instruments	(6,165,893)	(7,072,223)
	<u>279,784,938</u>	<u>223,922,745</u>

^A Floating rate assets and liabilities comprise bank balances and overdrafts, whose rates are determined by reference to SONIA or an international equivalent borrowing rate. Interest on investments is variable based on the distribution received from underlying investments.

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

Liquidity risk

	10 September 2024 £	10 September 2023 £
--	------------------------	------------------------

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

On demand:	Bank overdrafts	2,717,022	217,305
Within one year:	Distribution payable	5,079,319	5,104,069
	Other creditors	1,086,574	1,968,154
		<u>8,882,915</u>	<u>7,289,528</u>

IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 10 September 2024

16 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	10 September 2024		10 September 2023	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	260,307,809	-	223,079,673	-
Level 2 - Observable market data	-	-	-	-
Level 3 - Unobservable data	10,638	-	-	-
	<u>260,318,447</u>	<u>-</u>	<u>223,079,673</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 10 September 2024, the Net Asset Value per unit has changed as follows:

	Net Asset Value per unit (pence)		
	10 September 2024 ^A	10 December 2024	Movement (%)
A Income	743.85	703.47	(5.43)%
P Income	754.22	709.46	(5.93)%

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

IFSL MARLBOROUGH EUROPEAN SPECIAL SITUATIONS FUND

DISTRIBUTION TABLE

Final distribution for the period from 11 September 2023 to 10 September 2024

Group 1: units purchased prior to 11 September 2023

Group 2: units purchased on or after 11 September 2023

		Net revenue 10 September 2024 pence per unit	Equalisation 10 September 2024 pence per unit	Distribution paid 10 November 2024 pence per unit	Distribution paid 10 November 2023 pence per unit
A Income	Group 1	8.1657	-	8.1657	9.9413
	Group 2	8.0459	0.1198	8.1657	9.9413
P Income	Group 1	13.6593	-	13.6593	15.2568
	Group 2	10.8411	2.8182	13.6593	15.2568

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