

Investment Fund Services

IFSL Marlborough Special Situations Fund

Annual Report and Audited
Financial Statements

for the year ended 20 December 2023

IFSL MARLBOROUGH SPECIAL SITUATIONS FUND

CONTACT INFORMATION

Authorised Fund Manager (AFM) and Registrar

Investment Fund Services Limited (IFSL)
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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 Derbyshire - resigned, 11 December 2023
Helen Redmond
Sally Helston
Guy Sears (Independent Non-Executive) - resigned, 25 March 2024
Katherine Damsell (Independent Non-Executive) - appointed, 25 March 2024
Sarah Peaston (Independent Non-Executive)

Investment Manager

Marlborough Investment Management Limited
PO Box 1852
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.

Auditor

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

IFSL MARLBOROUGH SPECIAL SITUATIONS FUND

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IFSL MARLBOROUGH SPECIAL SITUATIONS FUND

AUTHORISED INVESTMENT MANAGER'S REPORT

for the year ended 20 December 2023

Performance to 20 December 2023

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>
IFSL Marlborough Special Situations Fund	(0.69)%	(1.63)%	(17.84)%	13.81%
IA UK All Companies Sector	3.14%	8.29%	13.76%	29.82%

External Source of Economic Data: Morningstar (P Accumulation - quoted price to quoted price).

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

During the 12-month period from 21 December 2022 to 20 December 2023, the price of the 'P' class units fell 1.63%. This compared to an increase of 8.29% in the Investment Association's UK All Companies peer group benchmark*.

Market review

From a macroeconomic perspective, 2023 saw many economists turn away from their call for recession and embrace the idea of a controlled economic slowdown (known as a "soft landing"). The interest rate cycle is significant, and the full effects of the most aggressive rate increasing cycle since the 1980s have not likely been felt yet owing to the rate increases taking time to have an impact. It is conceivable however that the global economic cycle finds itself moving from expansion to contraction.

The UK is already exhibiting signs of stagnation**. Germany and several other of the larger Western European economies (including France, Italy and the Netherlands) have produced lower economic growth figures, suggesting their economies could move into recession in the coming quarters. The reopening of the Chinese economy at the start of 2023 did not invigorate the Asian region or the global economy as much as predicted by many, and the Chinese domestic property market issues remain.

Perhaps most importantly, the world's largest economy, the United States, shows some resilience although, with more detailed examination, it contains a mixed picture. The returns of the major US equity indices have been driven by a handful of names. Prices in shares in the so-called "Magnificent Seven" (Apple, Microsoft, Alphabet, Amazon, Nvidia, Tesla and Meta) account for the bulk of the gains in the US indices and have significantly outperformed the small and medium sized companies which can be found in the Russell 2000 Index. Whilst unemployment figures remain low by historic standards, the Purchasing Manager Index (PMI), which shows the future path of economic growth, has been weak which suggests caution moving forward.

It is a positive that inflation is on a downward trajectory, especially in the United States. Should this trend persist, global Central Banks will be able to cut interest rates. However, such cuts are very often associated with a slowing macroeconomic picture and historically the 'soft landing' scenario has happened less than a harsher outcome.

Fund performance and activity

2023 was evidently a challenging year for the Fund and, specifically, UK small and mid-sized growth companies where the Fund is predominantly invested. However, we continue to believe in our portfolio companies and the inherent value within.

Biggest winners during the period included Zegona Communications, Melrose, City Pub Group, Inspects, Renold, Yellow Cake, DX Group, Burford Capital, Bytes Technology and JD Sports.

Zegona Communications, the investment company focused on buying and selling European telecommunications, media, and technology businesses, rose 120% after acquiring Vodafone Spain for €5bn. The fund has been involved with Zegona for many years and the CEO has proved astute at identifying investment opportunities within the telecommunications sector and creating significant shareholder value; this most recent transaction follows a similar path to previous successes.

2023 saw a pick-up in corporate bid activity around the Fund's holdings which accelerated through the year. Holdings bid for (including the share price move after the bid announcement) included: logistics and parcel distribution group, DX (33%); data erasure company, Blancco Technology (25%); utility company, Smart Metering Systems (41%); digital transformation services group, Kin & Carta (67%); pub operator, City Pubs Group (46%).

Largest losers during the period included HeiQ, Superdry, Kistos, Spirent Communications, Diversified Energy, Mind Gym, IQE, Puretech Health, Kin & Carta and FDM.

HeiQ, the specialist technology company focused on antimicrobial materials and textiles, fell 80% during the period. The company's shares were suspended from trading in May 2023 following a delay in the preparation of its annual results. Trading remained challenging as the COVID impact and inflationary pressures continued to weigh, and the company has undertaken a substantial reorganisation. Although the stock has been very disappointing, we believe in the technology and the recent restructuring should allow the company to progress in 2024 and beyond.

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AUTHORISED INVESTMENT MANAGER'S REPORT

for the year ended 20 December 2023

Investment outlook

We believe UK equity valuations are cheap. They appear low in absolute terms, versus other developed markets, and versus their own history. Furthermore, share prices of UK small and mid-sized companies have not been this cheap relative to larger companies for decades. December 2023 marked the second consecutive month that the smaller company indices outperformed the FTSE 100 Index - something that had only happened three times out of the prior twenty-six months from September 2021. As discussed earlier, the value has not gone unnoticed by corporate buyers, as well as private equity funds, and it is our belief that corporate bid activity will continue to be a feature in 2024.

Investors are becoming more positive about stock markets as lower interest rate expectations mean financial conditions appear to be loosening. Recent inflation and economic growth figures suggest we may have seen the peak of the current interest rate cycle. As to whether central banks have engineered a so called 'soft landing' is to be confirmed but so far inflation is broadly trending lower, albeit with some small increases in recent weeks, and unemployment remains low. 2024 will likely see continued volatility but the macroeconomic picture appears more stable at this juncture, which could bode well for equities and small and mid-sized companies.

Canaccord Genuity Asset Management Limited

22 January 2024

* Benchmark – used for comparative purposes

** Stagnation – where the economy stays the same, does not grow and develop.

Distributions

	<u>Year 2024</u>	<u>Year 2023</u>	<u>Year 2022</u>	<u>Year 2021</u>
<u>A Accumulation (pence per unit)</u>				
Net accumulation paid 20 February	6.0461	0.1820	-	-
Net accumulation paid 20 August		4.3648	-	-
<u>P Accumulation (pence per unit)</u>				
Net accumulation paid 20 February	12.7856	7.2258	4.1988	3.2360
Net accumulation paid 20 August		11.3653	6.0825	4.0853

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AUTHORISED INVESTMENT MANAGER'S REPORT

for the year ended 20 December 2023

Portfolio changes

<u>Largest purchases</u>	<u>Cost (£)</u>
BT Group	8,697,413
Breedon Group	5,912,136
Harbour Energy	5,644,413
Endeavour Mining	5,164,840
Deliveroo	5,017,087
Moonpig Group	4,996,159
Volex	4,870,177
Var Energi	3,790,821
Clarkson	3,789,223
Marathon Oil	3,685,938
Other purchases	142,202,974
Total purchases for the year	193,771,181
<u>Largest sales</u>	<u>Proceeds (£)</u>
DX (Group)	28,006,065
Jet2	15,465,621
BT Group	12,861,569
EMIS Group	11,573,760
Blanco Technology Group	10,771,858
Smart Metering Systems	10,750,848
CVS Group	10,661,078
Oxford Instruments	10,370,735
RWS Holdings	9,757,759
Chemring Group	9,621,912
Other sales	266,525,084
Total sales for the year	396,366,289

IFSL MARLBOROUGH SPECIAL SITUATIONS FUND

AUTHORISED STATUS

IFSL Marlborough 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, however, there is no certainty this will be achieved.

Investment policy

At least 80% of the Fund will be invested in the shares of companies listed in the UK, incorporated or domiciled in the UK or with significant business operations in the UK. This will include a range of small, medium and large companies. In any event, at least 60% of the Fund shall be invested in smaller companies, defined as companies with a market capitalisation of less than £2.5bn at the time of purchase.

The aim of the investment team is to identify companies which they believe show good long-term growth potential, or which appear to be under-valued given their future prospects.

The team consider economic and market conditions, but the main focus is on individual company analysis and selection.

Following the same investment philosophy, the Fund may also invest in companies which are listed on overseas stock exchanges, other securities which offer returns linked to the company performance, such as, preference shares, convertible bonds and warrants.

The Fund may, from time to time, hold shares in companies that become unquoted following investment, due to a delisting or other corporate event, for example. The Fund will not make new investment into the shares of companies that are unquoted.

The Fund is actively managed, which means the investment manager decides which investments to buy or sell and when. The Fund invests in a diverse portfolio of investments and is not constrained by any industry or sector.

The Fund may hold cash to enable ready settlement of liabilities (including the redemption of units), for the efficient management of the Fund and in order to meet its objective.

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 UK All Companies sector. You may want to assess the Fund's performance compared to the performance of this sector.

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 Authorised Fund Manager (AFM) is required to carry out an assessment of value at least annually and publish its findings in a report to investors. IFSL Marlborough Special Situations Fund is assessed and reported on, in a composite report which the AFM publishes on the website www.ifslfunds.com. The next report is expected to be published in a composite report by 30 September 2024.

Changes in prospectus

There have been no significant changes since the last annual report.

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 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	0.59	67,317	56,983	10,334
Risk takers and other identified staff	0.30	30,473	27,822	2,651

The total number of staff employed by the AFM's group 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 information is provided for the purpose of Regulation 107(1)(a) of the AIFM regulations but not for the purposes of Regulations 107(1)(b) and (c) of the AIFM regulations.

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 SPECIAL SITUATIONS 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
Director



Helen Redmond
Director

Investment Fund Services Limited
26 March 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 losses on the property of the Fund for the year.

In preparing those financial statements the AFM is required to:

- comply with the disclosure requirements of the Statement of Recommended Practice relating to UK Authorised Funds issued in May 2014 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 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 Special Situations Fund ("the Trust") for the Period Ended 20 December 2023.

The Depositary in its capacity as Trustee of IFSL Marlborough 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 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 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

26 March 2024

IFSL MARLBOROUGH SPECIAL SITUATIONS FUND

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

Opinion

We have audited the financial statements of IFSL Marlborough Special Situations Fund ("the Fund") for the year ended 20 December 2023, 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 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 20 December 2023 and of the net revenue and the net capital losses 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 ("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 twelve 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. The AFM is responsible for the other information contained in 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 SPECIAL SITUATIONS FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL MARLBOROUGH 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 AFM

As explained more fully in the Statement of Authorised Fund Manager'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.

IFSL MARLBOROUGH SPECIAL SITUATIONS FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL MARLBOROUGH 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) including FRS 102, the Investment Association's Statement of Recommended Practice (IA 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 incomplete or inaccurate revenue recognition through incorrect classification of special dividends and the resulting impact to amounts available for distribution and the incorrect valuation of unquoted investments. In response to our fraud risks, we tested the appropriateness of management's classification of material special dividends as either a capital or revenue return and tested a sample of unquoted investment valuations by reviewing the prices used, agreeing the valuation inputs to external sources and providing challenge to management's valuations.
- 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 FRC'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 March 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 SPECIAL SITUATIONS FUND
COMPARATIVE TABLE
A Accumulation units

Change in net assets per unit	Year to 20.12.2023 pence	Year to 20.12.2022 pence	Year to 20.12.2021 pence
Opening net asset value per unit	1,625.84	2,337.84	1,976.27
Return before operating charges*	(12.05)	(681.99)	397.48
Operating charges	(25.42)	(30.01)	(35.91)
Return after operating charges*	(37.47)	(712.00)	361.57
Distributions on accumulation units	(10.41)	(0.18)	-
Retained distributions on accumulation units	10.41	0.18	-
Closing net asset value per unit	1,588.37	1,625.84	2,337.84

* after direct transaction costs of: 2.48 2.17 3.05

Performance

Return after charges^A (2.30)% (30.46)% 18.30%

Other information

Closing net asset value (£)	26,611,366	207,534,554	345,541,276
Closing number of units	1,675,383	12,764,762	14,780,396
Operating charges	1.55% ^B	1.54%	1.54%
Direct transaction costs	0.15%	0.11%	0.13%

Prices (pence per unit)

Highest unit price	1,737.97	2,469.98	2,606.72
Lowest unit price	1,419.17	1,535.33	1,928.70

P Accumulation units

Change in net assets per unit	Year to 20.12.2023 pence	Year to 20.12.2022 pence	Year to 20.12.2021 pence
Opening net asset value per unit	1,752.90	2,500.21	2,098.11
Return before operating charges*	(13.51)	(730.79)	421.77
Operating charges	(13.80)	(16.52)	(19.67)
Return after operating charges*	(27.31)	(747.31)	402.10
Distributions on accumulation units	(24.15)	(13.31)	(8.28)
Retained distributions on accumulation units	24.15	13.31	8.28
Closing net asset value per unit	1,725.59	1,752.90	2,500.21

* after direct transaction costs of: 2.61 2.33 3.26

Performance

Return after charges^A (1.56)% (29.89)% 19.16%

Other information

Closing net asset value (£)	699,375,116	791,907,850	1,315,287,778
Closing number of units	40,529,580	45,176,888	52,607,037
Operating charges	0.80% ^B	0.79%	0.79%
Direct transaction costs	0.15%	0.11%	0.13%

Prices (pence per unit)

Highest unit price	1,874.41	2,641.42	2,780.91
Lowest unit price	1,539.35	1,652.28	2,047.03

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

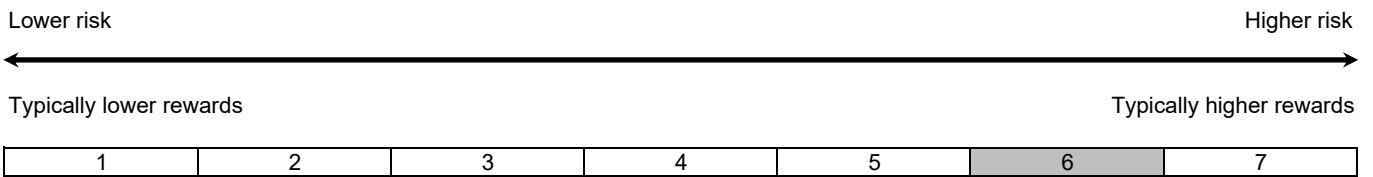
^B On 30 November 2023, The Investment Association amended the disclosure of fund charges and costs originally issued on the 2 July 2020. Consequently, we have excluded, where relevant, charges incurred by closed-ended vehicles such as investment trusts.

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 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 are 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 SPECIAL SITUATIONS FUND
PORTFOLIO STATEMENT

as at 20 December 2023

Holding or nominal value	Bid value £	Percentage of total net assets %
AEROSPACE AND DEFENSE (20 December 2022 - 2.70%)		
1,100,000 Chemring Group	3,839,000	0.53
1,400,000 Cohort	7,728,000	1.06
100,000 Melrose Industries	563,800	0.08
Total Aerospace and Defense	<u>12,130,800</u>	<u>1.67</u>
AUTOMOBILES AND PARTS (20 December 2022 - Nil)		
500,000 Aston Martin Lagonda Global Holdings	1,053,000	0.15
Total Automobiles and Parts	<u>1,053,000</u>	<u>0.15</u>
BEVERAGES (20 December 2022 - 0.62%)		
450,000 Fevertree Drinks	4,783,500	0.66
100,000 Nichols	1,105,000	0.15
Total Beverages	<u>5,888,500</u>	<u>0.81</u>
CHEMICALS (20 December 2022 - 0.66%)		
3,250,000 HeiQ	357,500	0.05
1,075,000 Treatt	4,880,500	0.67
Total Chemicals	<u>5,238,000</u>	<u>0.72</u>
CLOSED END INVESTMENTS (20 December 2022 - 0.63%)		
5,854,183 Augmentum Fintech	6,410,330	0.88
Total Closed End Investments	<u>6,410,330</u>	<u>0.88</u>
CONSTRUCTION AND MATERIALS (20 December 2022 - 3.77%)		
1,850,000 Breedon Group	6,669,250	0.92
1,000,000 Kier Group	1,084,000	0.15
1,250,000 Marshalls	3,432,500	0.47
3,500,000 Norcross	6,492,500	0.89
350,000 Polypipe Group	1,379,000	0.19
100,000 Renew Holdings	835,000	0.12
19,000,000 SigmaRoc	9,804,000	1.35
2,325,581 Stelrad Group	2,790,697	0.38
400,000 Volution Group	1,676,000	0.23
Total Construction and Materials	<u>34,162,947</u>	<u>4.70</u>
CONSUMER SERVICES (20 December 2022 - 1.07%)		
ELECTRONIC AND ELECTRICAL EQUIPMENT (20 December 2022 - 2.15%)		
25,000 Halma	577,250	0.08
55,000 Judges Scientific	5,170,000	0.71
50,000 Oxford Instruments	1,155,000	0.16
901,487 Porvair	5,535,130	0.76
2,075,055 Volex	6,712,803	0.92
274,927 XP Power	3,574,051	0.49
Total Electronic and Electrical Equipment	<u>22,724,234</u>	<u>3.12</u>
FINANCE AND CREDIT SERVICES (20 December 2022 - Nil)		
300,000 Mortgage Advice Bureau (Holdings)	2,328,000	0.32
Total Finance and Credit Services	<u>2,328,000</u>	<u>0.32</u>
FOOD PRODUCERS (20 December 2022 - 2.81%)		
175,000 Cranswick	6,713,000	0.92
1,050,000 Hilton Food Group	7,917,000	1.09
1,159,000 MP Evans Group	8,367,980	1.15
250,000 Premier Foods	332,000	0.05
Total Food Producers	<u>23,329,980</u>	<u>3.21</u>
GENERAL INDUSTRIALS (20 December 2022 - 0.88%)		
9,500,000 Coats Group	7,315,000	1.01
Total General Industrials	<u>7,315,000</u>	<u>1.01</u>

IFSL MARLBOROUGH SPECIAL SITUATIONS FUND

PORTFOLIO STATEMENT

as at 20 December 2023

Holding or nominal value	Bid value £	Percentage of total net assets %
HEALTH CARE PROVIDERS (20 December 2022 - 0.70%)		
430,000 Craneware	7,740,000	1.07
Total Health Care Providers	<u>7,740,000</u>	<u>1.07</u>
HOUSEHOLD GOODS AND HOME CONSTRUCTION (20 December 2022 - 0.69%)		
2,105,172 ProCook Group	515,767	0.07
300,000 Victoria	1,018,500	0.14
Total Household Goods and Home Construction	<u>1,534,267</u>	<u>0.21</u>
INDUSTRIAL ENGINEERING (20 December 2022 - 2.12%)		
500,000 AB Dynamics	8,850,000	1.22
15,222,500 Renold	5,084,315	0.70
1,500,000 Somero Enterprises	4,800,000	0.66
Total Industrial Engineering	<u>18,734,315</u>	<u>2.58</u>
INDUSTRIAL METALS AND MINING (20 December 2022 - 0.67%)		
415,812 Adriatic Metals	717,691	0.10
2,000,000 Tharisa	1,280,000	0.18
700,000 Yellow Cake	4,252,500	0.59
Total Industrial Metals and Mining	<u>6,250,191</u>	<u>0.87</u>
INDUSTRIAL SUPPORT SERVICES (20 December 2022 - 12.33%)		
1,000,000 Alpha Financial Markets Consulting	3,950,000	0.54
6,650,000 Boku 'Reg S'	9,177,000	1.26
10,000 Diploma	355,600	0.05
2,850,000 Essentra	4,594,200	0.63
1,250,000 FDM Group (Holdings)	5,631,250	0.78
1,391,111 Franchise Brands	2,225,778	0.31
1,300,000 Marlowe	5,330,000	0.73
2,406,541 Mind Gym	890,420	0.12
2,000,000 Restore	4,160,000	0.57
1,158,624 Robert Walters	5,051,601	0.70
1,750,000 RWS Holdings	4,305,000	0.59
1,961,450 Science Group	7,610,426	1.05
775,000 Smart Metering Systems	7,432,250	1.02
1,500,000 SThree	6,285,000	0.87
5,647,000 Trifast	4,799,950	0.66
Total Industrial Support Services	<u>71,798,475</u>	<u>9.88</u>
INDUSTRIAL TRANSPORTATION (20 December 2022 - 4.05%)		
175,000 Clarkson	5,530,000	0.76
40,000,000 DX (Group)	18,600,000	2.56
1,250,000 Vp	7,500,000	1.03
Total Industrial Transportation	<u>31,630,000</u>	<u>4.35</u>
INVESTMENT BANKING AND BROKERAGE SERVICES (20 December 2022 - 6.76%)		
100,000 3i Group	2,395,000	0.33
710,460 Alpha Group International	11,722,590	1.61
300,000 Brooks Macdonald Group	5,640,000	0.78
500,000 Burford Capital	5,305,000	0.73
300,000 IG Group Holdings	2,235,000	0.31
650,000 JTC	5,177,250	0.71
500,000 Mattioli Woods	3,050,000	0.42
1,000,000 Molten Ventures	2,932,000	0.40
4,000,000 Peel Hunt	4,120,000	0.57
6,000,000 TP ICAP Group	11,364,000	1.57
Total Investment Banking and Brokerage Services	<u>53,940,840</u>	<u>7.43</u>

IFSL MARLBOROUGH SPECIAL SITUATIONS FUND

PORTFOLIO STATEMENT

as at 20 December 2023

Holding or nominal value	Bid value £	Percentage of total net assets %
LEISURE GOODS (20 December 2022 - 3.05%)		
1,700,000 Focusrite	9,520,000	1.31
5,000 Games Workshop Group	499,750	0.07
110,000 Keywords Studios	1,712,700	0.24
Total Leisure Goods	<u>11,732,450</u>	<u>1.62</u>
MEDIA (20 December 2022 - 6.62%)		
5,000,000 Everyman Media Group	3,050,000	0.42
475,000 Future	3,434,250	0.47
9,000,000 GlobalData	13,500,000	1.86
8,000,000 LBG Media	6,400,000	0.88
800,000 Next 15 Group	6,424,000	0.88
9,500,000 Reach	6,968,250	0.96
640,000 Wilmington	2,048,000	0.28
1,250,000 YouGov	14,250,000	1.96
Total Media	<u>56,074,500</u>	<u>7.71</u>
MEDICAL EQUIPMENT AND SERVICES (20 December 2022 - 1.12%)		
2,850,000 Advanced Medical Solutions Group	6,027,750	0.83
22,183,050 Creo Medical Group	7,985,898	1.10
Total Medical Equipment and Services	<u>14,013,648</u>	<u>1.93</u>
OIL, GAS AND COAL (20 December 2022 - 1.59%)		
50,000 Diversified Energy Company	572,750	0.08
240,000 Energean	2,433,600	0.34
8,000,000 Enteq Upstream	840,000	0.12
200,000 Gulf Keystone Petroleum	247,600	0.03
500,000 Harbour Energy	1,214,000	0.17
1,300,000 Kistos Holdings	2,171,000	0.30
200,000 Kosmos Energy	1,060,786	0.15
1,750,000 Serica Energy	3,864,000	0.53
153,091 Thungela Resources	981,926	0.14
Total Oil, Gas and Coal	<u>13,385,662</u>	<u>1.86</u>
OPEN END AND MISCELLANEOUS INVESTMENT VEHICLES (20 December 2022 - 0.35%)		
790,000 Geiger Counter	434,500	0.06
Total Open End and Miscellaneous Investment Vehicles	<u>434,500</u>	<u>0.06</u>
PERSONAL CARE, DRUG AND GROCERY STORES (20 December 2022 - 1.00%)		
1,250,000 Marks & Spencer Group	3,332,500	0.46
7,005,000 IG Design Group	9,807,000	1.35
Total Personal Care, Drug and Grocery Stores	<u>13,139,500</u>	<u>1.81</u>
PERSONAL GOODS (20 December 2022 - 1.33%)		
8,310,082 Inspecks Group	6,897,368	0.95
3,797,911 Superdry	1,279,896	0.18
200,000 Watches of Switzerland Group	1,398,000	0.19
Total Personal Goods	<u>9,575,264</u>	<u>1.32</u>
PHARMACEUTICALS AND BIOTECHNOLOGY (20 December 2022 - 2.03%)		
12,500,000 Agronomics	1,162,500	0.16
5,000,000 Alliance Pharma	1,995,000	0.27
19,900,000 Benchmark Holdings	6,925,200	0.95
210,000 Genus	4,485,600	0.62
1,250,000 PureTech Health	1,902,500	0.26
Total Pharmaceuticals and Biotechnology	<u>16,470,800</u>	<u>2.26</u>

IFSL MARLBOROUGH SPECIAL SITUATIONS FUND
PORTFOLIO STATEMENT

as at 20 December 2023

Holding or nominal value	Bid value £	Percentage of total net assets %
PRECIOUS METALS AND MINING (20 December 2022 - 0.59%)		
2,500,000 Centamin	2,537,500	0.35
250,000 Endeavour Mining	4,577,500	0.63
55,200,000 Jubilee Metals Group	3,422,400	0.47
9,511,005 Pan African Resources	1,575,022	0.22
125,000 Wheaton Precious Metals	4,932,924	0.68
Total Precious Metals and Mining	<u>17,045,346</u>	<u>2.35</u>
REAL ESTATE INVESTMENT AND SERVICES (20 December 2022 - 2.82%)		
2,508,000 Lok'nStore Group	20,515,440	2.83
Total Real Estate Investment and Services	<u>20,515,440</u>	<u>2.83</u>
REAL ESTATE INVESTMENT TRUSTS (20 December 2022 - 0.96%)		
50,000 Big Yellow Group	604,500	0.08
700,000 Safestore Holdings	6,076,000	0.84
1,000,000 Shaftesbury Capital	1,349,000	0.19
Total Real Estate Investment Trusts	<u>8,029,500</u>	<u>1.11</u>
RETAILERS (20 December 2022 - 1.18%)		
1,000,000 JD Sports Fashion	1,717,000	0.24
3,000,000 Moonpig Group	4,965,000	0.68
150,000 WHSmith	2,028,000	0.28
Total Retailers	<u>8,710,000</u>	<u>1.20</u>
SOFTWARE AND COMPUTER SERVICES (20 December 2022 - 15.75%)		
7,598,859 1Spatial	3,495,475	0.48
1,450,000 accesso Technology Group	8,192,500	1.13
2,790,000 AdvancedAdvT	2,232,000	0.31
3,000,000 Aptitude Software Group	8,340,000	1.15
75,000 Auction Technology Group	393,000	0.05
2,182,500 Big Technologies	3,710,250	0.51
500,000 Bytes Technology Group	2,965,000	0.41
816,000 Cerillion	13,219,200	1.82
4,800,000 Deliveroo	6,225,600	0.86
1,884,667 Eagle Eye Solutions Group	9,046,402	1.25
675,000 FD Technologies	7,182,000	0.99
3,500,000 GB Group	9,450,000	1.30
13,149,500 Idox	8,757,567	1.21
2,500,000 K3 Business Technology Group	2,775,000	0.38
3,600,000 Kin and Carta	4,759,200	0.66
10,000,000 NCC Group	12,760,000	1.76
6,500,000 Trustpilot Group	9,464,000	1.30
Total Software and Computer Services	<u>112,967,194</u>	<u>15.57</u>
TECHNOLOGY HARDWARE AND EQUIPMENT (20 December 2022 - 1.42%)		
375,000 Gooch & Housego	2,197,500	0.30
34,000,000 IQE	7,735,000	1.07
Total Technology Hardware and Equipment	<u>9,932,500</u>	<u>1.37</u>
TELECOMMUNICATIONS EQUIPMENT (20 December 2022 - 1.44%)		
5,453,016 Spirent Communications	6,505,448	0.90
Total Telecommunications Equipment	<u>6,505,448</u>	<u>0.90</u>
TELECOMMUNICATIONS SERVICE PROVIDERS (20 December 2022 - 1.23%)		
285,000 Gamma Communications	3,152,100	0.43
2,398,637 Zegona Communications	4,149,642	0.57
Total Telecommunications Service Providers	<u>7,301,742</u>	<u>1.00</u>

IFSL MARLBOROUGH SPECIAL SITUATIONS FUND

PORTFOLIO STATEMENT

as at 20 December 2023

Holding or nominal value	Bid value £	Percentage of total net assets %
TRAVEL AND LEISURE (20 December 2022 - 6.08%)		
750,000 888 Holdings	671,625	0.09
125,000 Entain	1,271,250	0.18
200,000 Jet2	2,588,000	0.36
2,828,018 Loungers	6,334,760	0.87
1,000,000 Playtech	4,462,000	0.61
500,000 PPHE Hotel Group	5,800,000	0.80
1,250,000 SSP Group	2,922,500	0.40
4,021,315 The City Pub Group	5,509,202	0.76
8,219,178 Various Eateries	1,972,603	0.27
10,583,333 XP Factory	1,693,333	0.23
450,000 Young & Co's Brewery 'A'	4,972,500	0.69
190,000 Young & Co's Brewery 'NV'	1,474,400	0.20
Total Travel and Leisure	<u>39,672,173</u>	<u>5.46</u>
OVERSEAS SECURITIES (20 December 2022 - 0.63%)		
67,500 Agnico Eagle Mines	2,957,493	0.41
200,000 Baytex Energy	536,844	0.07
5,000 Chord Energy	660,462	0.09
30,955 CoTec Holdings	11,922	-
25,000 Marathon Oil	490,673	0.07
62,359 Pantoro	1,702	-
750,000 Var Energi	1,855,526	0.26
Total Overseas Securities	<u>6,514,622</u>	<u>0.90</u>
UNQUOTED SECURITIES (20 December 2022 - 1.82%)		
4,800,000 Genagro ^A	140,625	0.02
3,215,000 Goals Soccer Centres ^B	-	-
671,183 HealthBeacon ^C	-	-
1,000,000 Lamaune Iron ^D	-	-
7,500,000 Moxico Resources ^A	4,125,000	0.57
1,641,000 New Finsaa ^D	-	-
4,694,056 Patisserie Holdings ^B	-	-
37,734 Phoenix Industrial Minerals Pty ^D	-	-
420,018 Red Lambda ^D	-	-
267,604 SCA Investments ^A	8,547,272	1.18
47,532 SCA Investments 'M' ^A	2,662,743	0.37
1,000,000 Tottenham Hotspur ^E	2,120,000	0.29
4,353,545 Tricorn Group ^F	-	-
11 Walter Energy ^F	-	-
Total Unquoted Securities	<u>17,595,640</u>	<u>2.43</u>
Portfolio of investments	701,824,808	96.67
Net other assets	24,161,674	3.33
Total net assets	<u>725,986,482</u>	<u>100.00</u>

^A These shares are unlisted and are being valued using the latest information received.

^B These shares are valued at zero, as the company is in administration with no expected return.

^C These shares are suspended and are valued at zero, based on the latest information received until a resumption in trading or more information is released.

^D These shares are unlisted and are valued at zero, based on the latest information received.

^E These shares are delisted and are being valued using the latest information received.

^F These shares are delisted and are valued at zero, based on the latest information received.

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

IFSL MARLBOROUGH SPECIAL SITUATIONS FUND

STATEMENT OF TOTAL RETURN

for the year ended 20 December 2023

	Notes	20 December 2023		20 December 2022	
		£	£	£	£
Income:					
Net capital losses	4		(30,468,707)		(469,803,556)
Revenue	6	18,818,664		18,121,436	
Expenses	7	<u>(7,634,276)</u>		<u>(11,917,255)</u>	
Net revenue before taxation		11,184,388		6,204,181	
Taxation	8	<u>(38,794)</u>		<u>(188,684)</u>	
Net revenue after taxation			<u>11,145,594</u>		<u>6,015,497</u>
Total return before distributions			(19,323,113)		(463,788,059)
Distributions	9		(11,145,594)		(6,327,472)
Change in net assets attributable to unitholders from investment activities			<u><u>(30,468,707)</u></u>		<u><u>(470,115,531)</u></u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 20 December 2023

	20 December 2023		20 December 2022	
	£	£	£	£
Opening net assets attributable to unitholders		999,442,404		1,660,829,054
Amounts receivable on issue of units	1,206,234		19,305,153	
Amounts payable on cancellation of units	(255,174,211)		(218,054,171)	
Amounts payable on unit class conversions	(500,217)		(16,256)	
Compensation to fund	<u>5,860</u>		<u>-</u>	
		(254,462,334)		(198,765,274)
Dilution levy / adjustment		590,734		1,316,605
Change in net assets attributable to unitholders from investment activities		(30,468,707)		(470,115,531)
Retained distribution on accumulation units		10,884,385		6,177,550
Closing net assets attributable to unitholders		<u><u>725,986,482</u></u>		<u><u>999,442,404</u></u>

IFSL MARLBOROUGH SPECIAL SITUATIONS FUND

BALANCE SHEET

as at 20 December 2023

	Notes	20 December 2023 £	20 December 2022 £
Assets:			
Fixed Assets:			
Investments	17	701,824,808	935,656,331
Current Assets:			
Debtors	10	3,105,915	1,998,922
Cash and bank balances		25,305,648	63,164,870
Total assets		<u>730,236,371</u>	<u>1,000,820,123</u>
Liabilities:			
Creditors:			
Bank overdrafts		43,328	-
Other creditors	11	4,206,561	1,377,719
Total liabilities		<u>4,249,889</u>	<u>1,377,719</u>
Net assets attributable to unitholders		<u><u>725,986,482</u></u>	<u><u>999,442,404</u></u>

IFSL MARLBOROUGH SPECIAL SITUATIONS FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 20 December 2023

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in compliance with UK Financial Reporting Standard 102 ("FRS 102") and in accordance with the Statement of Recommended Practice ("SORP") for 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 about the Company's ability to continue as a going concern for at least the next twelve months from the date these 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 20 December 2023 being the last valuation point of the accounting year.

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

Investments which are unquoted are held at fair value, which is initially equal to cost and thereafter requires significant estimation in concluding on their fair value. While there is a robust and consistent valuation process undertaken by the AFM's Fair Value Pricing Committee, it is recognised that in stating these assets at fair value there is a significant element of estimation uncertainty. In line with the AFM's Fair Value Policy for reviewing investment valuations, the assumptions and estimates made in determining the fair value of each unquoted investment are considered at least each six months or sooner if there is a triggering event. The judgements to the estimations of fair value are considered on an ongoing basis including considering impact of events in the wider market. In making these estimates, appropriate care is taken to consider the nature and inherent uncertainties of market events and their impact on the fair value of unquoted assets.

The AFM has followed the IA's Authorised Funds: Fair Value Pricing Guidance July, 2019 to implement a Fair Value Pricing Policy, and takes into account individual stock specific fair value pricing, sector fair value pricing, market fair value pricing and fund fair value pricing as is necessary.

For stock specific fair value pricing, as is the case with unquoted investments, the AFM will consider these factors in determining the fair value of investments: a) the price of a recent investment, whilst an indicator of fair value, is not a default that would preclude re-estimating the valuation at the valuation date. However, if the price of recent investment is determined to be fair value then it is used to calibrate inputs to the valuation model(s); or b) where a value is indicated by a recent material arms-length transaction by an independent third party in the shares of a company, and after it is established that this is fair then this value will be used, unless the rights attributable to the shares impact the overall capital structure and rights of existing investors; or c) in the absence of (a and b) and depending upon both the subsequent trading performance and investment structure of an investee company, the valuation basis will usually move to an earnings multiple basis or, if appropriate, other valuation models such as: i) Adjusted recent transaction prices (which consider the company's performance against key milestones and the complexity of the capital structure) are also used; or ii) Discounted cash flow model which values a business based on estimates of future cash-flows with an appropriate discount rate.

To ensure that the AFM values the unquoted investments appropriately, an independent valuation provider is engaged to provide an appraisal.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 20 December 2023

ACCOUNTING POLICIES (continued)

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 20 December 2023 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.

2 DISTRIBUTION POLICIES

The distribution policy of the Fund is to 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, 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.

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for the year ended 20 December 2023

RISK MANAGEMENT POLICIES (continued)

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 some of the Fund's assets and income may be 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.

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 LOSSES	20 December 2023	20 December 2022
	£	£
The net losses on investments during the year comprise:		
Non-derivative securities losses	(30,373,865)	(469,804,243)
Currency (losses)/gains	(79,426)	11,438
Transaction charges	(15,416)	(10,751)
Net capital losses	(30,468,707)	(469,803,556)
5 PURCHASES, SALES AND TRANSACTION COSTS	20 December 2023	20 December 2022
	£	£
Purchases excluding transaction costs:		
Equities	172,121,675	240,394,613
Debt securities	1,674,840	-
Corporate actions	19,313,320	23,491,846
	<u>193,109,835</u>	<u>263,886,459</u>
Equities:		
Commissions	215,594	293,046
Taxes and other charges	445,082	433,901
Debt securities:		
Commissions	670	-
Total purchase transaction costs	<u>661,346</u>	<u>726,947</u>
Total purchases after transaction costs	<u>193,771,181</u>	<u>264,613,406</u>
Purchases transaction costs expressed as a percentage of the principal amount:		
Equities:		
Commissions	0.13%	0.12%
Taxes and other charges	0.26%	0.18%
Debt securities:		
Commissions	0.04%	0.00%

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for the year ended 20 December 2023

PURCHASES, SALES AND TRANSACTION COSTS (continued)		20 December 2023	20 December 2022
		£	£
Sales excluding transaction costs:			
Equities		384,957,435	434,511,277
Debt securities		1,672,549	-
Corporate actions		10,388,054	61,850,017
		<u>397,018,038</u>	<u>496,361,294</u>
Equities:	Commissions	(650,086)	(689,466)
	Taxes and other charges	(994)	(3,602)
Debt securities:	Commissions	(669)	-
Total sale transaction costs		<u>(651,749)</u>	<u>(693,068)</u>
Total sales after transaction costs		<u><u>396,366,289</u></u>	<u><u>495,668,226</u></u>
Sales transaction costs expressed as a percentage of the principal amount:			
Equities:	Commissions	0.17%	0.16%
	Taxes and other charges	0.00%	0.00%
Debt securities:	Commissions	0.04%	0.00%
Total purchases and sales transaction costs expressed as a percentage of the average net asset value over the year:			
	Commissions	0.10%	0.08%
	Taxes and other charges	0.05%	0.03%
		<u>0.15%</u>	<u>0.11%</u>
Transaction handling charges		15,416	10,751
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		1.65%	1.76%
6 REVENUE		20 December 2023	20 December 2022
		£	£
UK dividends		14,365,632	15,029,687
UK dividends (unfranked)		238,660	257,180
Overseas dividends		3,097,591	2,574,510
Overseas dividends (unfranked)		37,566	26,520
Interest on debt securities		411	-
Bank interest		1,078,804	233,539
Total revenue		<u><u>18,818,664</u></u>	<u><u>18,121,436</u></u>
7 EXPENSES		20 December 2023	20 December 2022
		£	£
Payable to the AFM or associate:			
AFM's periodic charge		7,269,436	11,580,335
Registration fees		17,884	19,131
		<u>7,287,320</u>	<u>11,599,466</u>
Other expenses:			
Trustee's fees		181,834	240,803
Safe custody fees		42,021	67,387
Financial Conduct Authority fee		76	(1)
Audit fee		10,559	9,600
Bank interest		2,088	-
Tax Agent fee		110,378	-
		<u>346,956</u>	<u>317,789</u>
Total expenses		<u><u>7,634,276</u></u>	<u><u>11,917,255</u></u>

IFSL MARLBOROUGH SPECIAL SITUATIONS FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 20 December 2023

8 TAXATION	20 December 2023	20 December 2022
	£	£
a Analysis of the tax charge for the year		
Overseas tax	38,794	188,684
Total tax charge (see note 8(b))	<u>38,794</u>	<u>188,684</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	11,184,388	6,204,181
Corporation tax at 20% (2022: 20%)	2,236,878	1,240,836
Tax effects of:		
Revenue not subject to taxation	(3,492,645)	(3,520,839)
Unrelieved excess management expenses	1,255,767	2,268,899
Unrelieved excess management expenses (prior period adjustment)	-	11,900
Expensed double tax relief	-	(796)
Overseas tax	38,794	188,684
Total tax charge (see note 8(a))	<u>38,794</u>	<u>188,684</u>
At 20 December 2023 the Fund has deferred tax assets of £28,917,864 (2022: £27,662,097) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.		
9 DISTRIBUTIONS	20 December 2023	20 December 2022
	£	£
The distributions take account of revenue received on the issue of units and revenue deducted on the cancellation of units, and comprise:		
Interim	5,601,144	2,889,944
Final	5,283,262	3,287,644
Add: Revenue deducted on cancellation of units	761,969	196,366
Deduct: Revenue received on issue of units	(543)	(30,186)
Equalisation on conversions	(500,218)	(16,258)
Revenue brought forward	(20)	(38)
Distributions	<u>11,145,594</u>	<u>6,327,472</u>
Net deficit of revenue for the year	-	(311,975)
Net revenue after taxation for the year	<u>11,145,594</u>	<u>6,015,497</u>
10 DEBTORS	20 December 2023	20 December 2022
	£	£
Amounts receivable for issue of units	-	166,603
Sales awaiting settlement	2,125,913	1,063,975
Accrued income	953,438	768,344
Taxation recoverable	26,564	-
Total debtors	<u>3,105,915</u>	<u>1,998,922</u>
11 OTHER CREDITORS	20 December 2023	20 December 2022
	£	£
Amounts payable for cancellation of units	3,416,260	810,108
Purchases awaiting settlement	390,202	4,791
AFM's periodic charge and registration fees	300,731	509,754
Accrued expenses	99,368	53,066
Total other creditors	<u>4,206,561</u>	<u>1,377,719</u>
12 CONTINGENT ASSETS AND LIABILITIES		
There were no contingent assets or liabilities as at 20 December 2023 (2022: nil).		

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for the year ended 20 December 2023

13 RELATED PARTIES

The AFM is involved in all transactions in the units of the Fund, the aggregate values of which are set out in the statement of change in net assets attributable to unitholders and note 9. Amounts due to/from the AFM in respect of unit transactions at the year end are disclosed in notes 10 and 11. Amounts paid to the AFM in respect of the AFM's periodic charge and registration fees are disclosed in note 7. Amounts due to the AFM at the year end are £3,716,991 (2022: £1,153,259).

In addition to the above, some units in the Fund are owned by directors of Investment Fund Services Limited or directors of UFC Fund Management plc, the ultimate parent company of Investment Fund Services Limited, as set out below:

	20 December 2023	20 December 2022
Proportion of units owned by directors of Investment Fund Services Limited or UFC Fund Management plc	0.01%	0.01%

Distributions were payable on the above holdings at the rates applicable to other unitholders.

14 UNIT CLASSES

The unit classes in issue for the Fund and the annual management charge for each unit class is as follows:

A Accumulation	1.50%
P Accumulation	0.75%

15 UNITHOLDERS' FUNDS RECONCILIATION

During the year the AFM has issued, cancelled and converted units from one unit class to another as set out below:

	A Accumulation	P Accumulation
Opening units in issue at 21 December 2022	12,764,762	45,176,888
Units issues	3,811	62,843
Units cancellations	(1,388,999)	(13,687,331)
Units conversions	(9,704,191)	8,977,180
Closing units in issue at 20 December 2023	1,675,383	40,529,580

16 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 £35,091,240 (2022: £46,782,817). 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 20 December 2023</u>	Investments £	Net other assets £	Total £
Australian Dollar	1,702	-	1,702
Brazilian Real	140,625	-	140,625
Canadian Dollar	5,481,691	75,014	5,556,705
Euro	-	288	288
Norwegian Krone	1,855,526	15,755	1,871,281
US Dollar	5,169,413	1,201,038	6,370,451
	<u>12,648,957</u>	<u>1,292,095</u>	<u>13,941,052</u>

<u>Foreign currency exposure at 20 December 2022</u>	Investments £	Net other assets £	Total £
Australian Dollar	2,142	-	2,142
Canadian Dollar	3,166,309	79,495	3,245,804
Euro	1,536,952	291	1,537,243
US Dollar	1,867,776	1,151,730	3,019,506
	<u>6,573,179</u>	<u>1,231,515</u>	<u>7,804,694</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 £697,053 (2022: £390,235). A five per cent increase would have an equal and opposite effect.

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for the year ended 20 December 2023

RISK DISCLOSURES (continued)

Interest rate risk

20 December 2023	20 December 2022
£	£

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

Financial assets floating rate	25,305,648	63,164,870
Financial assets non-interest bearing instruments	704,930,723	937,655,253
Financial liabilities floating rate	(43,328)	-
Financial liabilities non-interest bearing instruments	(4,206,561)	(1,377,719)
	<u>725,986,482</u>	<u>999,442,404</u>

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

Liquidity risk

20 December 2023	20 December 2022
£	£

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

On demand:	Bank overdrafts	43,328	-
Within one year:	Other creditors	4,206,561	1,377,719
		<u>4,249,889</u>	<u>1,377,719</u>

17 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	20 December 2023		20 December 2022	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	684,229,169	-	917,419,991	-
Level 2 - Observable market data	-	-	-	-
Level 3 - Unobservable data	17,595,639	-	18,236,340	-
	<u>701,824,808</u>	<u>-</u>	<u>935,656,331</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.

18 POST BALANCE SHEET EVENTS

Since 20 December 2023, the Net Asset Value per unit has changed as follows:

	Net Asset Value per unit (pence)			Movement (%)
	20 December 2023 ^A	21 March 2024		
A Accumulation	1,601.28	1,617.61		1.02%
P Accumulation	1,738.55	1,759.57		1.21%

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

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DISTRIBUTION TABLE

Interim distribution for the period from 21 December 2022 to 20 June 2023

Group 1: units purchased prior to 21 December 2022

Group 2: units purchased on or after 21 December 2022

		Net revenue 20 June 2023 pence per unit	Equalisation 20 June 2023 pence per unit	Distribution paid 20 August 2023 pence per unit	Distribution paid 20 August 2022 pence per unit
A Accumulation	Group 1	4.3648	-	4.3648	-
	Group 2	3.9055	0.4593	4.3648	-
P Accumulation	Group 1	11.3653	-	11.3653	6.0825
	Group 2	7.7674	3.5979	11.3653	6.0825

Final distribution for the period from 21 June 2023 to 20 December 2023

Group 1: units purchased prior to 21 June 2023

Group 2: units purchased on or after 21 June 2023

		Net revenue 20 December 2023 pence per unit	Equalisation 20 December 2023 pence per unit	Distribution paid 20 February 2024 pence per unit	Distribution paid 20 February 2023 pence per unit
A Accumulation	Group 1	6.0461	-	6.0461	0.1820
	Group 2	4.4708	1.5753	6.0461	0.1820
P Accumulation	Group 1	12.7856	-	12.7856	7.2258
	Group 2	6.4787	6.3069	12.7856	7.2258

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