

Investment Fund Services

IFSL Marlborough US Multi-Cap Income Fund

Interim Report and Unaudited
Financial Statements

for the six month period ended 10 March 2024

IFSL MARLBOROUGH US MULTI-CAP INCOME FUND

CONTACT INFORMATION

Authorised Fund Manager (AFM) and Registrar

Investment Fund Services Limited (IFSL)
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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

Boston Financial Management LLC
255 State Street
6th Floor
Boston
MA 02109
USA

Depository (in it's 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 US MULTI-CAP INCOME FUND

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IFSL MARLBOROUGH US MULTI-CAP INCOME FUND

AUTHORISED INVESTMENT MANAGER'S REPORT

for the six month period ended 10 March 2024

Performance to 10 March 2024

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>
IFSL Marlborough US Multi-Cap Income Fund	10.73%	18.06%	44.89%	98.78%
IA North America Sector	12.29%	22.96%	36.49%	87.14%

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

For the six-month period ended March 10, 2024, the Fund returned 10.73%. It was a positive period for American equities with the benchmark*, the Investment Association North America sector peer group, returning 12.29%.

Market review

Market strength over the last six months has matched a turn up in economic growth and improving expectations for lower interest rates and higher fiscal policy support from central government. A healthy labour market has been a hallmark of the last two years, with US unemployment remaining below 4.0% for 26 straight months. As inflation has slowed since 2022, it's no wonder consumer confidence and retail spending have both improved recently. Economic momentum picked up considerably through 2023 with economic growth accelerating to 3.1% year-over-year in the fourth quarter. This growth has continued into 2024, with the Atlanta Federal Reserve forecasting 2.8% growth in the first quarter. Looking ahead, central bankers have expressed a willingness to reduce interest rates this year as long as inflation remains subdued. With signs pointing positively in that direction, lower rates supporting the real estate market would be most welcome. Meanwhile, US presidential campaigns are in full swing. The government has pressed ahead with spending plans that aim to boost further the economy. All in all, the backdrop for US fundamentals has been quite strong over the last six months.

Fund performance and activity

The Fund's best performing companies during this period included Carlisle, a roofing supply company, warehouse retailer Costco, and specialty insurer W.R. Berkley. The Fund experienced disappointing performance from industrial gas supplier Air Products, medical supplies manufacturer Becton Dickinson, and Apple.

We added four new companies to the portfolio during the last six months, being Danaher, Rollins, BWX Technologies, and Heico.

Rollins is a great example of the type of business we seek. It is a leading pest control company headquartered in Atlanta, Georgia, servicing both residential and commercial customers in 70 countries from over 800 locations. The pest control market is estimated at over \$20bn, with roughly half of the market in the US. Rollins is the second largest pest control company, holding 22% share in the US and 13% globally. Outside of the major operators, the industry is highly fragmented with over 40,000 providers (20,000 in the US). The pest control market continues to grow at a solid rate, delivering positive and consistent year-on-year growth for multiple decades. According to Allied Research, the market is estimated to grow at a rate of 5.7% from 2023 to 2032. Several global themes, including global warming and population migration trends, support industry growth rates. The attractive qualitative aspects of the industry have more than borne out in Rollins' financial results. The company has compounded free cash flow per share** 15% annually for over 20 years. Looking ahead, we expect more of the same.

These purchases were largely funded through the sale of IDEX Corp and Becton Dickinson.

Outlook and fund strategy

The US economy remains on solid footing and the direction of government policy suggests additional help is forthcoming. This should support earnings growth in the near term. This positive outlook has helped propel equity valuations for the broad market index to levels only seen at the height of the bubble in technology stocks in the late '90s. Complicating matters more is a level of concentration in major indices rarely seen before. Despite being considered well-diversified, the percentage of the S&P 500 Index that sits in the very largest companies has eclipsed all-time highs, with 25.0% in the largest five stocks and 35.0% in the largest ten. This concentration rhymes with the late 1990s. Like then, the largest companies in the index are producing stellar results in an exciting new field of technology. Also, like then, these very large companies have valuations that embed significant expectations of growth and associated risk if those expectations are not met. The top-heavy nature of the index, marked by expensive stocks, increases risks to investors in the broad S&P 500 Index.

IFSL MARLBOROUGH US MULTI-CAP INCOME FUND

AUTHORISED INVESTMENT MANAGER'S REPORT

for the six month period ended 10 March 2024

Investment commentary (continued)

Outlook and fund strategy (continued)

However, despite the headline index trading at all-time high multiples, the average constituent outside the largest companies is trading at a lower valuation than historical average. This means that while the backdrop for equities is constructive, stock selection is even more critical than normal. Our approach focusing on a select group of high-quality companies trading at attractive valuations is particularly timely. As risk rises for the index, we manage a portfolio that looks very different from that. We look for undervalued securities that aren't dependent on the economy or a technology trend. We look for company specific opportunities to build a truly active portfolio. We remain encouraged about the prospects for our businesses and the portfolio going into the second half of 2024.

Boston Financial Management LLC

3 April 2024

* Benchmark - used for comparative purposes

** Free cashflow per share - the amount of cash generated each year after all obligations have been paid divided by the total number of shares in issue.

Distributions

	<u>Year 2023</u>	<u>Year 2022</u>	<u>Year 2021</u>
<u>A Income (pence per unit)</u>			
Net income paid 10 November	10.5122	10.5472	8.7503
<u>P Income (pence per unit)</u>			
Net income paid 10 November	10.9033	10.8599	8.9412

Portfolio changes

<u>Purchases</u>	<u>Cost (£)</u>
Danaher	1,287,689
Rollins	1,007,035
Nexstar Media Group	712,217
BWX Technologies	621,054
HEICO 'A'	404,957
Brown & Brown	403,490
Total purchases for the period	4,436,442
<u>Largest sales</u>	<u>Proceeds (£)</u>
Becton, Dickinson and Company	1,897,506
Apple	997,271
Watsco	628,882
IDEX	595,296
Broadridge Financial Solutions	551,222
Amphenol 'A'	539,002
Visa 'A'	429,805
CME Group 'A'	409,741
CDW	399,571
Mastercard 'A'	377,649
Other sales	2,918,370
Total sales for the period	9,744,315

IFSL MARLBOROUGH US MULTI-CAP INCOME FUND

AUTHORISED STATUS

IFSL Marlborough US Multi-Cap Income 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 income, that is, money paid out of an investment such as dividends from shares, with the potential for some increase in the value of an investment, over a minimum of 5 years.

Investment policy

At least 80% of the Fund will be invested in the shares of companies which are listed on stock markets or domiciled in the United States of America.

The Fund is actively managed, which means the investment manager decides which investments to buy or sell and when. Whilst the Investment Manager may invest in small, medium and large companies, in order to meet the income objective, there will typically be a bias towards larger companies.

The Fund may also invest in other types of security 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.

In addition, the Fund may invest in other funds (including investment trusts) which offer exposure to North American companies and from time to time, may hold a small amount in investment grade bonds.

The Fund will normally hold an amount of cash to enable ready settlement of liabilities (including redemption of units) and efficient management of the Fund both generally and in relation to strategic objectives however may hold higher cash balances in certain circumstances, such as volatile market conditions.

The Fund may also hold money market instruments, a type of short-term loan, and funds that invest in these instruments as an alternative to holding cash.

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 North America 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.

Changes in prospectus

No significant changes have been made 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 US MULTI-CAP INCOME 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
3 May 2024

IFSL MARLBOROUGH US MULTI-CAP INCOME FUND
COMPARATIVE TABLE

A Income units	Period to 10.03.2024 pence	Year to 10.09.2023 pence	Year to 10.09.2022 pence	Year to 10.09.2021 pence
Change in net assets per unit				
Opening net asset value per unit	770.69	772.25	705.67	637.29
Return before operating charges*	85.70	20.65	88.74	87.55
Operating charges	(6.25)	(11.70)	(11.61)	(10.42)
Return after operating charges*	79.45	8.95	77.13	77.13
Distributions on income units	-	(10.51)	(10.55)	(8.75)
Closing net asset value per unit	850.14	770.69	772.25	705.67
* after direct transaction costs of:	0.08	0.05	0.08	0.08
Performance				
Return after charges ^A	10.31%	1.16%	10.93%	12.10%
Other information				
Closing net asset value (£)	16,014,974	18,217,574	26,804,264	36,141,913
Closing number of units	1,883,815	2,363,793	3,470,939	5,121,633
Operating charges	1.57% ^{B,C}	1.58%	1.57%	1.58%
Direct transaction costs	0.02% ^C	0.01%	0.01%	0.01%
Prices (pence per unit)				
Highest unit price	864.37	792.88	815.25	728.50
Lowest unit price	751.63	701.03	676.75	607.94
P Income units				
Change in net assets per unit				
Opening net asset value per unit	802.50	798.07	723.79	648.75
Return before operating charges*	89.41	21.70	91.38	89.58
Operating charges	(3.40)	(6.37)	(6.24)	(5.60)
Return after operating charges*	86.01	15.33	85.14	83.98
Distributions on income units	-	(10.90)	(10.86)	(8.94)
Closing net asset value per unit	888.51	802.50	798.07	723.79
* after direct transaction costs of:	0.08	0.06	0.09	0.08
Performance				
Return after charges ^A	10.72%	1.92%	11.76%	12.94%
Other information				
Closing net asset value (£)	33,724,088	29,995,072	28,520,411	31,016,935
Closing number of units	3,795,575	3,737,713	3,573,664	4,285,376
Operating charges	0.82% ^{B,C}	0.83%	0.82%	0.83%
Direct transaction costs	0.02% ^C	0.01%	0.01%	0.01%
Prices (pence per unit)				
Highest unit price	903.21	825.47	842.10	747.12
Lowest unit price	783.36	725.03	698.15	621.12

^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.

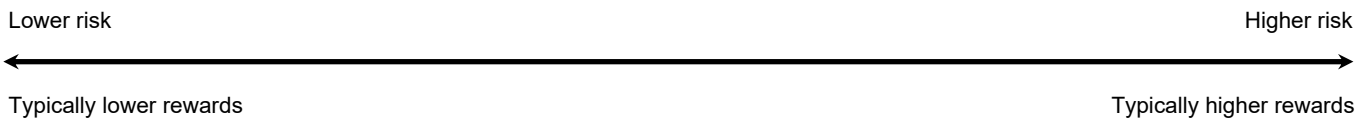
^C These figures have been annualised.

Operating charges are normally the same as the Ongoing Charges Figures (OCFs) and are the total expenses paid by each unit class in the period. Where it is considered unsuitable to use the total expenses paid by each unit class in the period 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 period, included in the purchase and sale of investments in the portfolio of the Fund. These amounts are expressed as a percentage of the average net asset value over the period and the average units in issue for the pence per unit figures.

IFSL MARLBOROUGH US MULTI-CAP INCOME FUND

SYNTHETIC RISK AND REWARD INDICATOR (all unit classes)



1	2	3	4	5	6	7
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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 5 because its investments have experienced moderate to high volatility in the past. During the period the synthetic risk and reward indicator has changed from 6 to 5.

IFSL MARLBOROUGH US MULTI-CAP INCOME FUND

PORTFOLIO STATEMENT

as at 10 March 2024

Holding or nominal value	Bid value £	Percentage of total net assets %
COMMUNICATION SERVICES (10 September 2023 - 6.26%)		
39,410 Cogent Communications	2,086,303	4.19
11,975 Nexstar Media Group	1,516,149	3.05
Total Communication Services	<u>3,602,452</u>	<u>7.24</u>
CONSUMER STAPLES (10 September 2023 - 0.95%)		
958 Costco Wholesale	586,284	1.18
Total Consumer Staples	<u>586,284</u>	<u>1.18</u>
FINANCIALS (10 September 2023 - 24.36%)		
39,798 Brown & Brown	2,663,023	5.35
12,072 CME Group 'A'	2,009,052	4.04
6,303 Mastercard 'A'	2,295,412	4.62
10,757 Visa 'A'	2,331,745	4.69
37,949 W R Berkley	2,489,312	5.01
Total Financials	<u>11,788,544</u>	<u>23.71</u>
HEALTH CARE (10 September 2023 - 8.32%)		
7,237 Danaher	1,433,862	2.88
9,412 STERIS	1,709,419	3.44
Total Health Care	<u>3,143,281</u>	<u>6.32</u>
INDUSTRIALS (10 September 2023 - 25.68%)		
27,028 A O Smith	1,824,969	3.67
13,752 Broadridge Financial Solutions	2,196,783	4.42
9,371 BWX Technologies	770,789	1.55
4,376 Carlisle Companies	1,246,972	2.51
14,457 Ferguson	2,279,428	4.58
3,451 HEICO 'A'	409,278	0.82
5,584 Lockheed Martin	1,870,705	3.76
30,472 Rollins	1,074,477	2.16
6,493 Watsco	2,047,244	4.12
Total Industrials	<u>13,720,645</u>	<u>27.59</u>
INFORMATION TECHNOLOGY (10 September 2023 - 16.66%)		
19,723 Amphenol 'A'	1,711,581	3.44
6,242 Apple	822,066	1.65
10,369 CDW	2,006,155	4.03
6,782 Microsoft	2,161,888	4.35
Total Information Technology	<u>6,701,690</u>	<u>13.47</u>
MATERIALS (10 September 2023 - 8.76%)		
8,544 Air Products & Chemicals	1,632,284	3.28
8,509 The Sherwin-Williams Company	2,284,763	4.59
Total Materials	<u>3,917,047</u>	<u>7.87</u>
REAL ESTATE (10 September 2023 - 8.71%)		
11,392 Crown Castle International	990,651	1.99
1,833 Equinix	1,293,644	2.60
15,070 FirstService	1,961,449	3.94
Total Real Estate	<u>4,245,744</u>	<u>8.53</u>
Portfolio of investments	47,705,687	95.91
Net other assets	2,033,375	4.09
Total net assets	<u><u>49,739,062</u></u>	<u><u>100.00</u></u>

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

IFSL MARLBOROUGH US MULTI-CAP INCOME FUND

PORTFOLIO TRANSACTIONS

for the six month period ended 10 March 2024

£

Total purchases costs, including transaction charges

4,436,442

Total sales proceeds, net of transaction charges

9,744,315

IFSL MARLBOROUGH US MULTI-CAP INCOME FUND

STATEMENT OF TOTAL RETURN

for the six month period ended 10 March 2024

	10 March 2024		10 March 2023	
	£	£	£	£
Income:				
Net capital gains/(losses)		4,926,981		(2,516,651)
Revenue	507,550		434,066	
Expenses	<u>(264,680)</u>		<u>(307,542)</u>	
Net revenue before taxation	242,870		126,524	
Taxation	<u>(68,461)</u>		<u>(56,225)</u>	
Net revenue after taxation		<u>174,409</u>		<u>70,299</u>
Total return before distributions		5,101,390		(2,446,352)
Distributions		(28,790)		(9,551)
Change in net assets attributable to unitholders from investment activities		<u>5,072,600</u>		<u>(2,455,903)</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the six month period ended 10 March 2024

	10 March 2024		10 March 2023	
	£	£	£	£
Opening net assets attributable to unitholders		^A 48,212,646		55,324,675
Amounts receivable on issue of units	17,019,977		18,284,427	
Amounts payable on cancellation of units	<u>(20,569,315)</u>		<u>(19,823,447)</u>	
		(3,549,338)		(1,539,020)
Dilution adjustment		2,674		7,718
Change in net assets attributable to unitholders from investment activities		5,072,600		(2,455,903)
Unclaimed distributions		480		426
Closing net assets attributable to unitholders		<u>49,739,062</u>	^A	<u>51,337,896</u>

^A These figures are not the same as the comparatives are taken from the preceding interim period and not the last annual accounts.

IFSL MARLBOROUGH US MULTI-CAP INCOME FUND

BALANCE SHEET

as at 10 March 2024

	10 March 2024 £	10 September 2023 £
Assets:		
Fixed Assets:		
Investments	47,705,687	48,066,441
Current Assets:		
Debtors	865,954	127,295
Cash and bank balances	1,429,410	1,123,805
Total assets	<u>50,001,051</u>	<u>49,317,541</u>
Liabilities:		
Creditors:		
Distribution payable	-	656,022
Other creditors	261,989	448,873
Total liabilities	<u>261,989</u>	<u>1,104,895</u>
Net assets attributable to unitholders	<u><u>49,739,062</u></u>	<u><u>48,212,646</u></u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six month period ended 10 March 2024

Basis for 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 interim 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 interim financial statements have been prepared on the historical cost convention, modified to include the revaluation of investments and certain financial instruments at fair value.

Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 10 September 2023 and are described in those annual financial statements.

The investments of the Fund have been valued at their fair value at 12 noon on 8 March 2024.

Investment Fund Services Limited
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Authorised and regulated by the Financial Conduct Authority and a
member of The Investment Association.

Investment Fund Services