

MI Somerset Asia Income Fund

Value Assessment 2024

Reporting End Period 31st December 2023



Apex Fundrock Limited as the Authorised Fund Manager (“the AFM”) of the Funds wishes to inform investors of a recent announcement by the Investment Manager to the Funds, Somerset Capital Management LLP (“Somerset”).

On 7 December 2023, Somerset announced they will be initiating a closure of their business. Following discussions with a number of parties to secure the best outcome for investors, the AFM has appointed Polen Capital UK LLP as the delegated investment manager for the Funds. Polen Capital UK LLP is an FCA authorised investment manager and a subsidiary of Polen Capital Management LLC.

Polen Capital is a global investment management firm with approaching £50bn in assets under management. Polen Capital has long-established emerging market and Asian investment expertise consistent with the investment objectives of the Funds.

As part of this appointment, a team of investment managers from Somerset have joined Polen Capital's investment team based in London and Asia. This will ensure continuity of management of the assets with no change in process or fund objectives. Polen Capital has also committed to undertake the promotion and distribution of the Funds with a view to ensuring their future growth and longevity.

Introduction to the ACD Assessment of Value

The ACD is required to provide an annual statement for the Company attesting that; in the opinion of the ACD; “The costs of associated services provided to the Company under the appointment or oversight of the ACD and any other fees chargeable to the scheme property, represent value for money taking into account the criteria as set out by the Regulator under COLL 6.6.20R”.

Value Assessment Criteria

AFM Costs

In relation to each charge, the cost of providing the service to which the charge relates, and when money is paid directly to associates or external parties, the cost is the amount paid to that person.

(It should be noted that the fees charged to the Fund by or on behalf of Apex Fundrock Limited acting in its capacity as the Authorised Fund Manager, are “unbundled” and set out separately in the scheme Prospectus. Together these fees make up the “AFM Costs”.



The ACD has examined each of the component costs that make up the overall AFM Costs of the highest fee bearing invested share class and has applied the following criteria as set out by the FCA in the Regulations).

Quality of Service

The range and quality of services provided to shareholders.

Performance

The performance of the scheme, after deduction of all payments out of scheme property as set out in the Prospectus

Performance should be considered over an appropriate timescale, having regard to the scheme's investment objectives, policy, and strategy.

Economies of Scale

Whether the ACD is able to achieve savings and benefits from economies of scale, relating to the direct and indirect costs of managing the scheme property and taking into account the value of the scheme property and whether it has grown or contracted in size as a result of the sale and redemption of units.

Comparable Market Rates

In relation to each service, the market rate for any comparable service provided:

by the ACD; or

to the ACD or on its behalf including by a person to which any aspect of the scheme's management has been delegated.

Comparable Services



In relation to each separate charge, the AFM's charges, and those of its associates for comparable services provided to clients, including for institutional mandates of a comparable size, and having similar investment objectives and policies.

Classes of Shares

Whether it is appropriate for shareholders to hold units in classes subject to higher charges than those applying to other classes of the same scheme with substantially similar rights.



AFM Costs - Fees & Services Chargeable to the Fund

Fees and Services of the Authorised Corporate Director

- Apex Fundrock Ltd is the FCA Authorised Corporate Director of the Fund (ACD) responsible for the set-up, management, and wind-up of the Fund under the Regulations.
- The ACD is responsible for ensuring that all aspects of the Fund are appropriately and properly managed and for the oversight of any and all third parties delegated by the ACD to provide services to the Fund.
- The services of the ACD are subject to a tightly defined Service Level Agreement and Key Performance Indicators which are used to assess the quality and performance of the ACD.
- The ACD fees are regularly reviewed against comparable market rates for a professional ACD for hire providing comparable services taking into account the complexity and risk profile of the Funds.
- The ACD's fees are clearly set out in the scheme documentation and are tiered based on the overall value of the Funds to reflect economies of scale. All investors in the Fund share equally in these economies of scale across all classes of units.

The Assessment of Value in respect of the services rendered to the Fund by the ACD is as follows:

Quality of Service:	Good
Performance (of Duties):	Good
Cost Of Service:	Competitive
Economies of Scale:	Good Value – All Investors Benefit Equally
Comparable Market Rates:	Competitive
Comparable Services:	Competitive
Classes of Units:	Competitive

AFM Costs - Fees & Services Chargeable to the Fund (continued)

Fees and Services of the Fund Administrator

- The Fund Administrator, Apex Fundrock Ltd is responsible for the administration and record-keeping of the Fund including, but not limited to, the calculation of the daily Net Asset Valuation; the preparation of the Annual Report and Accounts and Interim Financial Statements; the maintenance of the Shareholder Register; the administration of Investor Subscription and Redemptions and the provision of an on-line and telephone enquiry service for investors and their advisers.
- The services of the Fund Administrator are subject to a tightly defined Service Level Agreement and Key Performance Indicators which are used to assess the quality and performance of the ACD.
- The Fund Administration fees are regularly reviewed by the ACD against comparable market rates for a professional Fund administrator for hire providing comparable services, taking into account the complexity and risk profile of the Funds.
- The Fund Administration fees are clearly set out in the scheme documentation and are tiered based on the overall value of the Fund to reflect economies of scale. All investors in the Fund share equally in these economies of scale across all classes of units.

The ACD's Assessment of Value in respect of the Fund Administration services rendered to the Fund is as follows:

Quality of Service:	Good
Performance (of Duties):	Good
Cost Of Service:	Competitive
Economies of Scale:	Good Value – All Investors Benefit Equally
Comparable Market Rates:	Competitive
Comparable Services:	Competitive
Classes of Units:	Competitive

AFM Costs - Fees & Services Chargeable to the Fund (continued)

Fees and Services of the Trustee and Custodian

- The Trustee, Northern Trust Investor Services Limited, is responsible for the safekeeping of the assets of the Fund, for the monitoring of cash flows, and for the appointment and oversight of the Custodian who is responsible for the safekeeping of the assets of the Fund in physical or electronic form in the markets in which the Fund invests. The Custodian is also responsible on behalf of the Fund for the collection of income and dividends, the processing of corporate actions and the reclaim of tax under any applicable double taxation treaties.
- The services of the Trustee and Custodian are subject to a tightly defined Service Level Agreement and Key Performance Indicators which are used by the ACD to assess the quality and performance of the Trustee and Custodian.
- The Trustee and Custody fees are regularly reviewed by the ACD against comparable market rates for a professional Trustee for hire providing comparable services, taking into account the complexity and risk profile of the Funds.
- The Trustee and Custody fees are clearly set out in the scheme documentation and are tiered based on the overall value of the Fund to reflect economies of scale. All investors in the Fund share equally in these economies of scale across all classes of units.

The ACD's Assessment of Value in respect of the services rendered to the Fund by the Trustee and Custodian is as follows:

Quality of Service:	Good
Performance (of Duties):	Good
Cost Of Service:	Competitive
Economies of Scale:	Good Value – All Investors Benefit Equally
Comparable Market Rates:	Competitive
Comparable Services:	Competitive
Classes of Units:	Competitive



AFM Costs - Fees & Services Chargeable to the Fund (continued)

Fees and Services of the Auditor

- The Fund Auditor Grant Thornton UK LLP, is appointed by the ACD.
- The appointment of the Auditor is reviewed annually.
- The Auditor fees are reviewed annually by the ACD against comparable market rates for a professional Fund Auditor for hire providing comparable services, taking into account the complexity and risk profile of the Funds.
- The Auditor fees are clearly set out in the scheme documentation and are provided to the Fund as part of an overall contract to provide Auditor services to this Fund and other schemes under the management of the ACD, enabling Fund investors to take advantage from the overall economies of scale so afforded, irrespective of share class.

The ACD's Assessment of Value in respect of Auditor services rendered to the Fund is as follows:

Quality of Service:	Good
Performance (of Duties):	Good
Cost Of Service:	Competitive
Economies of Scale:	Good Value – All Investors Benefit Equally
Comparable Market Rates:	Competitive
Comparable Services:	Competitive
Classes of Units:	Competitive



Fees and Services of the Investment Manager

- The Investment Management function is delegated by the ACD to Polen Capital UK LLP, an FCA authorised professional investment management firm.
- The Investment Manager is responsible for the management and investment of the assets within the Fund in accordance with the Investment Objective and Policy as set out in the scheme documentation.
- The Investment Manager provides an active investment management service consistent with the Investment Policy and Objectives set out within the scheme documentation.
- The ACD reviews the services of the Investment Manager, including detailed due diligence of their policies, processes, procedures, and controls on an on-going basis.
- The fees of the Investment Manager represent the largest cost to the Company, are clearly set out within the scheme documentation and are consistent with the market rates for other professional investment managers for hire providing comparable services for similar Fund types.
- The investment management fees vary by share class reflecting the size of the minimum investment into that share class, with the objective of providing economies of scale for larger investors. It is the opinion of the ACD that smaller investors benefit significantly from the economies of scale that accrue to the Fund based on the scale of investment provided by institutional investors and that Fund costs are proportionately reduced for all investors due to the high value of institutional investment in the Fund and that lower fee-paying share classes for larger investors are appropriate and fully justified.

In relation to the general services provided by the Investment Manager the ACD has made the following assessment:

Quality of Service:	Good
Performance (of Duties):	Good
Cost Of Service:	Good
Economies of Scale:	Good Value – All Investors Benefit Equally
Comparable Market Rates:	Good
Comparable Services:	Good
Classes of Units:	Good



Fund Performance

Overview of the criteria used to assess Value regarding Fund Performance

- One of the key challenges for the ACD in making an overall assessment of value which considers performance is the fact that the quantum of performance, positive or negative, is likely to significantly outweigh the percentage costs of the services provided to the Funds described in this Value Assessment.
- To provide an objective measure of performance and value the ACD has adopted the following methodology. The performance of the Fund has been assessed based on the Fund's position within its elected Investment Association Fund sector over 1, 3, 5 and 10 years if applicable.
- Funds that are in the top 50th percentile of their chosen sector would typically be rated as "Good" value; Funds in the 50th-75th quartile as "Fair" value, and Funds that are in the lower quartile as "Poor" value. However, the ACD will also take into account whether or not the Fund has met its stated investment objectives, such as performance against CPI or other comparator irrespective of its sector ranking.
- Funds that have met their stated Investment Objectives, where the objective is empirical and measurable will be assessed as being "Good Value" regardless of sector ranking.
- Fund performance is assessed after the deduction of all charges and is based on the highest charging invested share class.
- The ACD has included information relating to the Investment Objective and Policy of the Fund, the Fund's past performance and the Fund's risk profile, for the highest charging invested share class.

MI Somerset Asia Income Fund

Sub-Fund Overall Value Assessment score 31st December 2023

The ACD has produced an overall assessment of value for the sub-fund taking into account the value provided across all the services that underpin the management and operation of the sub-fund, using the criteria set out in the Regulations and described in this document. The performance of the sub-fund is a significant factor in the derivation of this assessment. However, while the assessment of value is not solely driven by performance, funds that are consistently poor performers over time when compared against funds with a similar investment outlook, are likely to be graded as "poor value".

Good

Sub-Fund Performance 31st December 2023

To provide an objective measure of performance and value the ACD has adopted the following methodology. Since the Fund has few true comparators the performance of the Fund has been assessed against the benchmark chosen by the Fund Manager, the MSCI Asia ex Japan Index and the MSCI APAC ex Japan Index. The Fund also has an income objective of yielding 110% of the MSCI All Countries Asia Pacific ex Japan Index. Overall time periods, the MI Somerset Asia Income Fund has comfortably met its income objective, last year the Fund yielded 4.1% against a benchmark dividend yield of 3.0%. In addition, the Fund has comfortably exceeded the return of both the indices mentioned above. The way that the Fund is managed does tend to see it underperform when emerging markets perform very strongly. The Fund will be expected to perform relatively well when in periods of more subdued markets.

1 Year	Good
3 Years	Good
5 Years	Good

Investors should recognise that the Fund is actively managed and is SRRI risk rated 5 and that short-term market volatility can affect the performance over all time periods positively or negatively. Every fund will have periods of weak performance, and this should also be considered when investing in any fund.

The Investment Manager has made the following commentary in respect of the performance of the Fund:

Performance & Investment Activity

The MI Somerset Asia Income Fund performed strongly during 2023 generating a return of +7.30%¹ (I Income daily Net Asset Value with dividends reinvested) during the calendar year. Despite 2023 being a good year for the Fund, we believe there are several factors that are yet to play out in our favour. For instance, we still believe that there should be room for further positive absolute returns in China. We think our expected backdrop of an ongoing, albeit muted, economic recovery will be supportive of our investments, and we do not believe that the market fully reflects the strong earnings growth we are expecting from our concentrated exposure.

There will remain volatility, however, and to highlight this of the 27 main emerging market economies, 11 are due to hold national or local elections in 2024. And it's not just the sheer number of elections that is attracting the attention of investors – many Asian market heavyweights are set to go to the polls next year, including Taiwan, India, and Indonesia. The US election, too, will warrant the focus of investors. Within this environment of globally weak economies and potential rate cuts, we believe that our approach of fundamentally driven, focused, active stock-selection should provide the opportunities that we are looking for to benefit our investors.



During the year, most significant price movements came from technology companies listed in Taiwan. Buoyed by improved demand for Artificial Intelligence (AI) and high-speed computing, our holdings in Merry Electronics, Lotes, Unimicron Technology and ASE Technology all rose by double digit percentages during 2023 and reflect the broad exposure to technology that we have built up. Merry Electronics manufactures headphones and speakers, Lotes connectors, Unimicron printed circuit boards, and ASE tests and assembles products. Without overly dominant brand risks, we think that these companies provide strong revenue streams from some of the building blocks that will be used in the coming years as technology evolves further, immediately driven by the higher specifications needed in a world embracing artificial intelligence.

Of our Taiwanese investments, Wistron stands out through the year having delivered price gains of more than 200% over the period. The stock is a good illustration of our investment process and the importance of long-term investments. We bought the stock in 2018, in part because we thought it provided a cheaper exposure to their listed subsidiary, Wiwynn, than buying the underlying directly. Performance was lacklustre for some time, in part because the other core businesses of Wistron – PC and laptop assembly – had performed poorly. The market for such devices was saturated, and with sales brought forward in the midst of Covid as the world made itself ready to work from home, there was a lull afterwards as the world opened up again. We have always believed that the server-related business was particularly well-placed for the longer-term as more and more computing is moved to the cloud, but the recent performance is as much linked to the unexpected likely need for higher specification servers with an increased focus on AI computing needs.

Although Chinese equity performance has been generally poor, we are continuing to find investment opportunities there and added Sieyuan Electric to the portfolio in July 2023, the largest private sector electrical grid equipment producer, which manufactures transformers, switches and coils, selling both domestically and overseas. They have three potential areas of revenue: the Chinese State and Southern Grids; Chinese domestic power producers, transportation, and industrials; and grid operators and industrials overseas. As renewable energy is increasingly added to countries' energy production, this will require significant upgrades to, and investment in, power equipment globally, with Sieyuan well-placed to continue to benefit. Trading at 19x forward earnings with 20% growth seems attractive for a business this well positioned

Another stock we added in China was Milkyway Chemical Supply Chain Service, the Chinese chemical logistics business. Despite its recent results reflecting the weakness of the overall economy – with second quarter net profit declining 14% over the year but recovering 36% from the first quarter – both the freight forwarding business and distribution saw significant improvements quarter on quarter. The operating cashflow also got better in the first half as this became a KPI for the company. We believe this marks the operational trough for the company in a difficult environment and saw recent poor performance as a chance to increase our exposure. Our view remains that the Chinese Communist Party is unlikely to announce a massive policy shift, but it will flag subtle policy moves that incrementally increase the likelihood of a more robust recovery. The companies in our portfolio continue to deliver growth in the current environment, and we believe that at some point markets are likely to better reflect their fundamentals.

We remain confident that with the low appetite for emerging market equities (especially compared to the United States), the Fund is well placed to give strong returns going forward. An improvement (or even expectations of an improvement) would be a boost for Asian equities. Even without this, our current holdings, with low valuations and solid growth expectations, seem well-placed to give the returns we are seeking for our investors.

MI Somerset Asia Income Fund

Fund Information

Key Investor Information

This document provides you with key investor information about this fund. It is not marketing material. The information is required by law to help you understand the nature and the risks of investing in this fund. You are advised to read it so you can make an informed decision about whether to invest.



MI Somerset Asia Income Fund ("the Fund") Class I Accumulation Units

The Fund is an Authorised Unit Trust. ISIN: GB00BNBQW452.
Apex Fundrock Ltd is the Manager of the Fund ("MI" and "MI Funds" are trading names of the Manager).

Objectives and investment policy

The Fund aims to deliver income with the potential for capital growth over the long term (5 years or more), by investing primarily in companies in the Asia Pacific region (excluding Japan).

The Fund aims to deliver an annual net target income yield of at least 110% of the yield of the MSCI All Countries Asia Pacific Excluding Japan Index.

The Manager has discretion over which investments are held in the portfolio. The Fund will typically invest at least 90% (minimum 80%) in companies or company related derivatives. The Fund may also invest in other assets, such as other investment funds (up to 10%), bonds (which are like loans that pay a fixed or variable rate of interest) issued by companies or governments, cash and other similar investments.

The Fund may also make use of derivatives, which are sophisticated instruments whose value is linked to the rise and fall of other assets. The Fund can use derivatives to generate market exposure that exceeds the value of its assets and for the purposes of hedging and efficient portfolio management (to reduce risk or manage the Fund more efficiently).

Any income this share class generates will be reinvested to grow the value of your investment.

You can buy and sell units on any business day in London.

Recommendation: this Fund may not be appropriate for investors who plan to withdraw their money within 5 years.

For full investment objectives and policy details please refer to the Prospectus.

Risk and reward profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



- The Fund is ranked at 5 because funds of this type have experienced medium to high rises and falls in value in the past. Please note that even the lowest risk class can lose you money and that extreme market circumstances can mean you suffer severe losses in all cases. The indicator does not take into account the following risks of investing in this Fund:
- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency exchange rates may cause the value of your investment to decrease or increase.
- The level of targeted income is not guaranteed and may not be achieved.
- This Fund can use derivatives in order to meet its investment objectives or to protect from price and currency movement. This may result in losses or gains that are greater than the original amount invested.
- The Fund's charges are deducted from the capital of the Fund. This may allow more income to be paid but it may also restrict capital growth and may result in capital erosion.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. This means your money is at greater risk.
- In difficult market conditions, the value of some investments may be less predictable than normal and the Fund may not be able to buy and sell these investments at the best time or at a fair price. This could affect the Fund's performance, potentially reducing your returns.
- For further risk information please see the Prospectus.

MI Somerset Asia Income Fund

Fund Information



Charges

The charges you pay are used to pay the costs of running the Fund, including the costs of marketing and distributing it. These charges reduce the potential growth of your investment.

One-off charges taken before or after you invest	
Entry charge	0.00%
Exit charge	0.00%

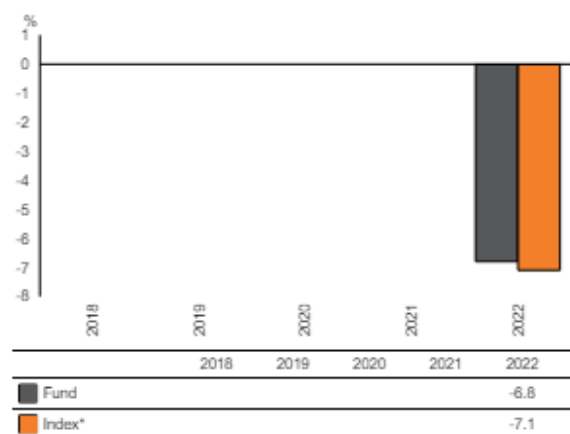
These are the maximum charges that we might take out of your money before it is invested and before we pay out the sale proceeds of your investment. In some cases, you might pay less and you should speak to your financial adviser about this.

Charges taken from the Fund over a year	
Ongoing charges	1.02%

Charges taken from the Fund under specific conditions	
Performance fee	NONE

- The ongoing charges figure is based on the last year's expenses and may vary from year to year. It excludes the costs of buying or selling assets for the Fund (unless these assets are shares of another fund).
- For the ongoing charge, the figure is as at 31 December 2022.
- In order to maximise income payments the Fund's fees, charges and expenses are taken from capital. This has the effect of increasing the Fund's income distribution but will constrain capital performance by an equivalent amount.
- For more information about charges, please see the prospectus.

Past performance



- You should be aware that past performance is not a guide to future performance.
- Fund launch date: 05/03/2012.
- Share/unit class launch date: 10/12/2021.
- Performance is calculated in GBP.
- On 12 June 2021 the Funds name changed from Liontrust Asia Income Fund to MI Somerset Asia Income Fund.
- * MSCI AC Asia Pacific ex Japan

Practical information

- This document is issued by Apex Fundrock Ltd and contains information on the Class I Accumulation Units only ("MI" and "MI Funds" are trading names of the Manager).
- You can get further detailed information regarding the Fund, including details of the investment manager and how to switch, buy and sell shares and other share classes available, within the prospectus, the supplementary information document and the annual and half yearly managers' reports. You can get these free of charge from Apex Fundrock Ltd, Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY or from our website: www.fundrock.com. These are available in English only. You can also call us on 0345 026 4282, or look on our website for the latest share prices.
- Details of the Manager's remuneration policy (including a description of how remuneration and benefits are calculated, the composition of the remuneration committee and the identities of persons responsible for awarding remuneration and benefits) are available at www.fundrock.com/mi-fund-data or by requesting a paper copy free of charge (see above for contact details).
- The Trustee of the Fund is Northern Trust Investor Services Limited.
- Please note that the tax laws of the United Kingdom may impact your own tax position.
- Apex Fundrock Ltd may be held liable solely on the basis of any statement contained in this document that is misleading, inaccurate or inconsistent with the relevant parts of the prospectus for the Fund.

