



MI Sonoma Partners Funds

Interim Report 30 June 2023

MI Sonoma Partners Funds

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Directory

Authorised Corporate Director ('ACD') & Registrar

Apex Fundrock Limited (formerly Maitland Institutional Services Limited)
Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY
Telephone: 01245 398950
Fax: 01245 398951
Website: www.fundrock.com
(Authorised and regulated by the Financial Conduct Authority)

Customer Service Centre

Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY
Telephone: 0345 521 1003
Fax: 0845 299 2124
E-mail: sonoma@maitlandgroup.com

Directors of the Authorised Corporate Director

A.C. Deptford
P.J. Foley-Brickley
I.T. Oddy (appointed 9 June 2023)
C. O'Keeffe
D. Phillips (Non-Executive Director)
J. Thompson (Non-Executive Director)

Investment Manager

Sonoma Partners Ltd
16 Milbourne Lane, Esher, Surrey KT10 9DX
(Authorised and regulated by the Financial Conduct Authority)

Depository

Northern Trust Investor Services Limited ('NTISL')
50 Bank Street, Canary Wharf, London E14 5NT
(Authorised and regulated by the Financial Conduct Authority)

Independent Auditors

Grant Thornton UK LLP
Statutory Auditors, Chartered Accountants
30 Finsbury Square, London EC2A 1AG

MI Sonoma Partners Funds

Basis of Accounting

The interim financial statements have been prepared under the historical cost basis, as modified by revaluation of investments and in accordance with FRS102 and the Statement of Recommended Practice ('SORP') for the Financial Statements of Authorised Funds issued by the Investment Association ('IA') in May 2014 and amended in June 2017.

The interim financial statements have been prepared on the same basis as the audited financial statements for the year ended 31 December 2022.

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

Certification of the Interim Report by the Authorised Corporate Director

This report has been prepared in accordance with the requirements of the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('the COLL Sourcebook') and the Statement of Recommended Practice issued by the IA.



C. O'Keeffe

P.J. Foley-Brickley

Directors

Apex Fundrock Limited

23 August 2023

Apex Fundrock Limited operates as ACD and AIFM for the purpose of the AIFM Directive 22 July 2013.

Investment Objective and Policy

Investment objective

The investment objective of the Sub-fund is to achieve an annualised return of UK Consumer Price Index ('CPI') + 5% before fees, without the constraints of any fixed asset allocation parameters.

Investment policy

The investment policy of the Sub-fund is to invest in a diversified portfolio of assets which exhibit favourable risk-reward characteristics. It will seek to profit from pricing inefficiencies and asymmetric risk-reward opportunities, for example where, in the view of the manager, the upside is greater than the downside or where there is significant protection by way of a discount to intrinsic value.

The Sub-fund will primarily invest in regulated and unregulated collective investment schemes, listed funds and investment trusts, which may include unauthorised property unit trusts and limited partnerships.

The Sub-fund may also invest directly in equities, fixed income securities, exchange traded products and derivatives.

The underlying funds in which the Sub-fund invests, subject to the Regulations, may be leveraged, employing strategies such as long-short equity, event driven and global macro. The Sub-fund will be invested in a range of strategies and asset classes within any geographic region.

The Investment Manager may use derivatives for both hedging and trading strategies. Such derivatives may include forward foreign exchange, futures, options, index futures and OTC contracts, structured products and swaps, subject to the conditions and limits set out in the Regulations. Use of derivatives for the purpose of meeting the investment objective of the Sub-fund will not significantly increase the leverage or volatility of the Sub-fund.

The investment of the assets of the Company must comply with the section of the Sourcebook applicable to Qualified Investor Schemes.

Investment Manager's Report

for the period ended 30 June 2023

The MI Sonoma Investment Fund F Accumulation published share price is down 2.2% for the first half of 2023. This time last year we wrote about the difficult period for global markets set against the backdrop of the Russian invasion of Ukraine, the cost of living crisis and spiralling fuel costs. Not much has changed in the last 12 months, in the UK at least. While inflation has been coming down in the US and EU, it has remained stubbornly high in the UK, resulting in the Bank of England raising interest rates to 5% in June, a 15-year high. In addition to the lingering concerns from the first half of 2022, the first half of 2023 has seen the US raising its debt ceiling, increased tension between the US and China regarding the latter's intentions towards Taiwan and the potential negative effects from developments in artificial intelligence. We are indeed living in interesting times.

2023 started on a more positive note than might have been expected following a difficult 2022 in which pessimism was the dominant sentiment. In January many commentators were forecasting that a US recession could be avoided. The West was still exhibiting cohesion to prevent Putin's illegal land grab, inflation was falling, and it was thought interest rates may not need to rise much further. The mood from Davos, as shown in interviews with politicians and CEOs on news channels and in broadsheets, was mostly positive.

As mentioned above the immediate issues which had the most potential to derail an economic recovery included inflation, Ukraine and China-US relations, while climate change could arguably be the biggest threat of all. On the positive side, there are several industries whose technologies are experiencing significant breakthroughs or exponential growth. For instance, life science companies seem to be enjoying a golden age for new therapies and drug invention to extend human life and health span. The war in Ukraine has necessitated a significant rethink in how and where energy is produced and how much is consumed. With necessity being the mother of invention, this will increase investment in alternative sources of power including well-understood sustainable energy sources such as wind, solar and tidal power but also long promised and potentially human race changing solutions such as cold fusion. The productivity gains which could be elicited from these technological breakthroughs are often overlooked, it is after all bad news which sells, but these gains will of course offset some of the negatives from the aforementioned risks.

Through February we reduced our positions in Augmentum Fintech, Chrysalis Investments and Seraphim Space Investment Trust. All three saw their discounts to Net Asset Value ('NAV') reduced in 2023 and we felt it was a good time to move into other positions which offer better value at lower risk. We rebalanced our private equity positions by disposing of our holding in Princess Private Equity and increasing our abrdn Private Equity Opportunities holding. We also increased our position in BH Macro through a placing below market price.

Investment Manager's Report

continued

In the second week of March a US bank which specialised in lending to start-ups collapsed. Silicon Valley Bank had been an integral part of the technology and biotechnology ecosystem since 1983 and had offices around the world. This bank failure, the result of a very basic but hugely costly mistake around managing duration risk, added to concerns for the viability of early-stage companies coming on top of the higher cost of funding and lower values due to the rapid rise of interest rates in the past twelve months. This had a knock-on effect for the prices of some of our listed private capital companies, many of which are now trading at unprecedented discounts to their NAV. This was due not only to the increased uncertainty and price volatility but also to the pro-cyclicality of discounts to NAV. This created a tremendous tailwind for future returns for many of our investments. The result of the turmoil caused by the Silicon Valley Bank collapse was that the Sub-fund was down 6.9% for the month.

April saw an increase in the Sub-fund's exposure to return-seeking assets from 69% at the end of 2022, to 78%. This was achieved by disposing of our holdings in TB Amati Strategic Metals, LF Ruffer Diversified Return, CFP SDL UK Buffettology and BH Macro and investing in investment companies covering the listed equity, private equity, venture capital and technology sectors. The primary driver for the increased exposure to risk assets is the historically large discounts to NAV at which listed private market investment companies are trading. A secondary albeit compelling rationale was to take advantage of being able to sell Open-Ended funds at NAV and deploying the proceeds at a discount to NAV.

Through May we continued to switch the Sub-fund's focus away from diversifiers and into return seeking assets. We disposed of the holding in Pantheon Infrastructure and invested in private equity investment companies 3i, HgCapital Trust and Oakley Capital Investments, all of which look cheap when compared to their NAVs. We also increased our position in RIT Capital Partners, which was trading at NAV as recently as August 2022, at a 17% discount. This repositioning of the Sub-fund saw strong performance through April and May with the Sub-fund up 6% over this period.

In June UK inflation remained stubbornly high and the Bank of England raised the base rate by 50 basis points, resulting in long-dated cashflows being revalued downwards which impacted the price of assets such as bonds and infrastructure.

During the month discounts to NAV of listed investment trusts widened across the board, more so for diversifiers such as infrastructure, property and fixed income, resulting in larger falls in the price of lower risk portfolios. One of the primary rationales for lower risk portfolios is of course capital preservation and although there has been a fall in price this year, the underlying assets with few exceptions have demonstrated resilience in the current economic situation and on an asset value basis we believe there has been little if any diminution in value. There is a huge difference between a permanent loss which is only incurred when an asset is sold at a lower price and the mark-to-market price declines we have witnessed in the past 18 months which are mostly as an outcome of discount widening. There was positive news from the US with the S&P 500 up around 5%, which was reflected in some of our positions with US exposure such as Berkshire Hathaway, Third Point Investors and Pershing Square Holdings all finishing the month in positive territory.

Despite ongoing global uncertainty fuelled by the war in Ukraine, Chinese sabre-rattling in the South China Sea and the risk of a US banking crisis, to name but three, markets are still providing pockets of value and opportunities for long-term investors. The mantra of "Keep Calm and Carry On" may seem trite but it properly reflects the mentality a long-term investor should have. All of these effects will cause short term volatility, however the best way to increase chances of making a consistently good long-term return is to invest in appropriate investments and hold them through the squalls fundamentally by which direction a given market will move. Our primary job is to manage money by focusing on what we can control, rather than philosophising and making predictions on what we cannot. A quote widely attributed to legendary baseball player and philosopher Yogi Berra (although it has also been attributed to physicist Niels Bohr amongst others), is: "Prediction is difficult, especially about the future." Our approach to investing, which does not try to predict the future, is definitely not unique but it does seem to be uncommon and we feel the Sub-fund is well placed to face the ongoing uncertainties.

Portfolio Statement

as at 30 June 2023

Holding	Security	Market value £	% of total net assets 2023
	Absolute Return 0.00% (12.56%)		
	Hedge Funds 14.81% (13.70%)		
169,807	Pershing Square Holdings	4,836,103	9.13
193,970	Third Point Investors	3,005,040	5.68
		7,841,143	14.81
	Holding Companies 9.72% (4.88%)		
10,493	Berkshire Hathaway	2,813,207	5.32
124,696	RIT Capital Partners	2,329,321	4.40
		5,142,528	9.72
	Infrastructure 0.00% (5.12%)		
	Natural Resources 0.00% (5.06%)		
	Private Equity 43.15% (32.04%)		
185,000	3i	3,600,100	6.80
456,523	abrdn Private Equity Opportunities Trust	2,061,201	3.90
1,878,736	Apax Global Alpha	3,468,147	6.55
478,069	Augmentum Fintech	476,157	0.90
147,727	HarbourVest Global Private Equity	3,213,062	6.07
1,034,412	HgCapital Trust	3,832,496	7.24
726,908	Oakley Capital Investments	3,191,126	6.03
1,176,842	Pantheon International	2,995,063	5.66
		22,837,352	43.15
	Public Equities 16.30% (14.87%)		
298,856	Biotech Growth Trust	2,405,791	4.54
155,207	Polar Capital Technology Trust	3,422,314	6.47
420,000	Scottish Mortgage Investment Trust	2,798,880	5.29
		8,626,985	16.30
	Venture Capital 15.83% (11.69%)		
607,071	Molten Ventures	1,622,094	3.06
2,535,336	RTW Biotech Opportunities	2,432,455	4.60
1,086,519	Seraphim Space Investment Trust	287,928	0.55
1,298,588	Syncona	1,984,242	3.75
65,000	Worldwide Healthcare Trust	2,050,750	3.87
		8,377,469	15.83
	Investment assets	52,825,477	99.81
	Net other assets	102,547	0.19
	Net assets	52,928,024	100.00

All investments are ordinary shares or stock units on a regulated securities market unless otherwise stated. The percentages in brackets show the equivalent % holdings as at 31.12.22.

Total purchases for the period: £17,844,217

Total sales for the period: £18,925,522

MI Sonoma Investment Fund

Net Asset Value and Shares in Issue

Class	Net Asset Value	Shares in issue	Net Asset Value per share	Operating Charge Figure*
A Accumulation	£9,124,520	6,963	£1,310.43	2.87%
F Accumulation	£43,803,504	32,868	£1,332.71	2.67%

*Operating charges include indirect costs incurred in the maintenance and running of the Sub-fund, as disclosed (but not limited to) the detailed expenses within the Statement of Total Return. Included within this figure are the charges of the underlying funds (synthetic ongoing charge). The figures used within this table have been calculated against the average Net Asset Value for the accounting period.

Risk Warning

An investment in an Open-Ended Investment Company should be regarded as a medium to long-term investment. Investors should be aware that the price of shares and the revenue from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

Statement of Total Return

for the period ended 30 June 2023

	30.06.23		30.06.22	
	£	£	£	£
Income				
Net capital losses		(1,314,526)		(14,830,778)
Revenue	456,342		547,521	
Expenses	(180,958)		(236,679)	
Interest payable and similar charges	(117)		(1,246)	
Net revenue before taxation	275,267		309,596	
Taxation	–		–	
Net revenue after taxation		275,267		309,596
Total return before distributions		(1,039,259)		(14,521,182)
Distributions		(275,267)		(309,596)
Change in net assets attributable to Shareholders from investment activities		(1,314,526)		(14,830,778)

Statement of Change in Net Assets Attributable to Shareholders

for the period ended 30 June 2023

	30.06.23		30.06.22	
	£	£	£	£
Opening net assets attributable to Shareholders		55,217,284		93,718,294
Breach compensation received	–		–	
Less: Amounts payable on cancellation of shares	(1,246,035)		(18,025,171)	
		(1,246,035)		(18,025,171)
Dilution levy		–		47,125
Change in net assets attributable to Shareholders from investment activities (see Statement of Total Return above)		(1,314,526)		(14,830,778)
Retained distributions on accumulation shares		271,301		287,642
Closing net assets attributable to Shareholders		52,928,024		61,197,112

The opening net assets attributable to Shareholders for the current period do not equal the closing net assets attributable to Shareholders for the comparative period as they are not consecutive periods.

MI Sonoma Investment Fund

Balance Sheet

as at 30 June 2023

	£	30.06.23	£	£	31.12.22	£
ASSETS						
Fixed Assets						
Investments			52,825,477			55,173,588
Current Assets						
Debtors	99,482			8,626		
Cash and bank balances	214,669			119,398		
Total current assets			314,151			128,024
Total assets			53,139,628			55,301,612
LIABILITIES						
Creditors						
Bank overdrafts	(167,004)			(39,561)		
Other creditors	(44,600)			(44,767)		
Total creditors			(211,604)			(84,328)
Total liabilities			(211,604)			(84,328)
Net assets attributable to Shareholders			52,928,024			55,217,284

Distribution Table

for the period ended 30 June 2023

Accumulation Share Distribution

Share class	Distribution	Shares	Net revenue p	Equalisation p	Amount reinvested 2023 p	Amount reinvested 2022 p
A Accumulation	Interim	Group 1	562.0777	–	562.0777	497.5999
		Group 2 [^]	562.0777	–	562.0777	497.5999
F Accumulation	Interim	Group 1	706.3518	–	706.3518	639.2330
		Group 2 [^]	706.3518	–	706.3518	639.2330

[^]No group 2 shares held in this distribution period.

Interim period: 01.01.23 - 30.06.23

Group 1: shares purchased prior to a distribution period

Group 2: shares purchased during a distribution period

Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents accrued revenue included in the purchase price of the shares. After averaging, it is returned with the distribution as a capital repayment. It is not liable to income tax but must be deducted from the cost of the shares for capital gains tax purposes.

MI Sonoma Partners Funds

General Information

Authorised Status

MI Sonoma Partners Funds (the 'Company') is structured as an Investment Company with Variable Capital ('ICVC'), under regulation 12 (Authorisation) of the OEIC Regulations (Open-Ended Investment Companies Regulations 2001 (SI 2001/1228)).

The Company does not intend to have an interest in immovable property.

The Company is authorised and regulated in the UK by the Financial Conduct Authority ('FCA') as a Qualified Investor Scheme under the COLL Sourcebook.

The Company was incorporated in England and Wales on 25 April 2019 under registration number IC011027. The Shareholders are not liable for the debts of the Company.

The Company currently has 1 Sub-fund, which is detailed below:

MI Sonoma Investment Fund

Head Office

Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY

Address for Service

The Head Office is the address in the United Kingdom for service on the Company of notices or other documents required or authorised to be served on it.

Base Currency

The base currency of the Company is Pounds Sterling.

Share Capital

The minimum share capital of the Company is £1 and the maximum is £100,000,000,000. Shares in the Company have no par value. The share capital of the Company at all times equals the sum of the Net Asset Value of the Sub-fund.

Classes of Shares

The Instrument of Incorporation allows the Company to issue different classes of shares in respect of any Sub-fund.

The Sub-fund currently has the following classes of shares available for investment:

	Share Class	
	A GBP	F GBP
Sub-fund	Acc	Acc
MI Sonoma Investment Fund	✓	✓

The Company may issue both Income and Accumulation Shares.

Holders of Accumulation shares are not entitled to be paid the revenue attributable to such shares, but that revenue is retained and accumulated for the benefit of Shareholders and is reflected in the price of shares.

Valuation Point

The scheme property of each Sub-Fund will normally be valued at 12:00pm on each dealing day for the purpose of calculating the price at which shares in the Company may be issued, sold, repurchased or redeemed.

For the purpose of the pricing of shares, a business day is defined as a day on which the dealing office of the ACD is open for the buying and selling of shares. The ACD may at any time during a business day carry out an additional valuation of the property of the Sub-fund if the ACD considers it desirable to do so, with the Depositary's approval.

General Information

continued

Buying, Redeeming and Switching of Shares

The ACD will accept orders for the purchase, sale and switching of shares on normal business days between 08:30 and 16:30. Instructions to buy or sell shares may either be in writing to:

Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY

Or by telephone to: 0345 521 1003

The ACD has the right to establish facilities for recording telephone calls made or received on this telephone line.

A contract note giving details of the shares purchased will be issued no later than the next business day after the business day on which an application to purchase shares is received and instrumented by the ACD. Certificates will not be issued in respect of shares. Ownership of shares will be evidenced by an entry on the register of Shareholders.

Pricing Basis

There is a single price for buying, selling and switching shares in a Sub-fund which represents the Net Asset Value of the Sub-fund concerned. The share price is calculated on a forward pricing basis, that is at the next Valuation Point after the purchase or redemption is deemed to be accepted by the ACD.

The prices of shares are published daily on www.fundrock.com. Neither the Company nor the ACD can be held responsible for any errors in the publication of the prices. The shares in the Company will be issued and redeemed on a forward pricing basis which means that the price will not necessarily be the same as the published price.

Other Information

The Instrument of Incorporation, Prospectus and the most recent interim and annual reports may be inspected at the office of the Company which is also the Head Office of the Company. Copies may be obtained free of charge upon application. They are also available from the website of the Company, the details of which are given in the directory of this report.

Shareholders who have complaints about the operation of the Company should in the first instance contact the ACD, or, following that, may make their complaint direct to the Financial Ombudsman Service, Exchange Tower, London E14 9SR.

Significant Information

Effective 13 July 2023 Maitland Institutional Services Limited changed name to Apex Fundrock Limited.

The ACD has assessed the Russia-Ukraine war implications and although the Company has no direct exposure to Russian or Ukrainian assets the crisis has and will have a wider impact in terms of market performance.

Risk Warning

An investment in an Open-Ended Investment Company should be regarded as a medium to long-term investment. Investors should be aware that the price of shares and the revenue from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

