MI Sonoma Investment Fund

Value Assessment 2025

Reporting End Period 31st December 2024

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 Depositary and Custodian

- The Depositary, 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 Depositary 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 Depositary and Custodian.

- The Depositary and Custody fees are regularly reviewed by the ACD against comparable market rates for a professional Depositary for hire providing comparable services, taking into account the complexity and risk profile of the Funds.

- The Depositary 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 Depositary 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 Sonoma Partners Ltd, 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 Sonoma Investment Fund

Sub-Fund Overall Value Assessment score 31st December 2024

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 2024

The Apex MI Sonoma Investment Fund has a stated objective of achieving a return of +5% over UK CPI over a five-year period. The surge in CPI inflation in the UK and the rest of the World in 2022 and 2023 has meant that all funds with UK CPI objectives have struggled to meet their objectives. Inflation has now fallen close to the Bank of England's 2% target but the high rates in prior years has meant that the three- and five-year objectives are very challenging. As a result, we believe that a Value Assessment should consider how the Fund has performed relative to comparable funds. When the Fund is compared to other comparable funds (IA Absolute Return or IA Mixed Assets 40-85% equities) it has significantly outperformed over the last 12 months, underperformed over 3 years and over 5 years has significantly outperformed.

1 Year	Good
3 Years	Fair
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:

Summary

The MI Sonoma Investment Fund gave a total return of 11.2% over the period to the end of December 2024 (F Accumulation, published share price). Despite a change of government in the UK and the re-election of Donald Trump in the US, 2024 continued in much the same vein as 2023. Central banks continued to battle inflation and governments tried to promote economic growth, while the conflicts in Ukraine and the Middle East rumbled on and trade tensions between China and the US persisted.

At the start of 2024 many economists talked of cautious optimism for the year ahead and in general they were proved correct with most developed economies avoiding the hard landing of high interest rates, high inflation, rising unemployment and low economic growth. The UK saw the Bank of England cut interest rates twice, the first cuts since March 2020, and inflation continued to fall, albeit more slowly than in 2023.

It was a positive year for listed equities in the UK, however, UK equity indices had a disappointing final quarter as uncertainty over the new government's budget and subsequent policy changes weighed on market confidence. This was in stark contrast to the US where listed equities had a stellar year, regardless of the result of the presidential election, with over 2.5 times the return of UK equities over the year.

The six-month period to 31 December started strongly with the Sub-fund up 1.7% in July. Six of the Sub-fund's seven private equity holdings were up in July with Syncona, up 15%, and RTW Biotech Opportunities, up 13%. It was a difficult month for technology stocks as disappointing results from Tesla and Alphabet and continuing trade tensions between the US, China and Taiwan saw the Nasdaq suffer its worst single day loss since 2022 on the 24 of July. Our technology positions Polar Capital Technology and Allianz Technology were both down 7%. July was a strong month for BH Macro which saw its discount halve from 8% to 4%, which left us sitting on a 9% profit for a three-month holding period. The largest faller was Pershing Square Holdings, which fell 8% for reasons outlined below.

The long-running artificial intelligence-led equity rally took a pause in July and our technology holdings fell in value; however, this was more than offset by the rise in value of our life science and private equity companies.

Pershing Square Holdings fell by 8% following weaker than expected numbers from its top holding, Universal Music Group. This was followed later in the month by a disappointing outcome from fund manager Bill Ackman's US investment company Initial Public Offerings ('IPO'). Initially he had sought $20 billion however Ackman pulled the IPO citing he needed to address investor concerns that it might trade at a discount post IPO. Regardless of the outcome of the US company IPO, the process brought attention to the London listed investment company which we own and which trades at an incongruous discount to Net Asset Value ('NAV') of approximately 30%. Its five-year performance of approximately 25% per annum does not warrant any discount in our opinion.

August began with a global equity sell-off, however, most stock markets showed signs of a steady if unspectacular recovery through the second half of the month. Market volatility began to increase after the rise of Japanese interest rates on the 31 July, and this was compounded by disappointing and unexpected US employment data on the 2 August leading to fears of a significant downturn in the US economy. Japan's Nikkei Index fell 12% on 5 August and the jitters spread through Europe and the US as markets opened, with all major global indices posting significant losses by the end of the day. The biggest casualties came in technology stocks, but no sectors escaped unscathed.

As more economic data emerged through the month, stronger than expected consumer spending and corporate profits saw the US economy grow more quickly than initially thought in the second quarter of 2024, boosting stock market performance. Many US traders were predicting a 'Goldilocks' scenario where the economy keeps growing but not at a rate which prevents interest rate cuts, while money markets are confident of a rate cut at the next Federal Reserve meeting on 18 September.

As we have discussed in the past, during times of increased volatility and uncertainty we often see discounts to NAV of investment companies widen, and the beginning of August was no exception for many of the portfolio's holdings. While these narrowed since the 5 August there is always a time lag and we expected discounts to narrow further over the coming months providing a tailwind to performance, on the proviso that we see no further significant market shocks.

The Sub-fund fell 1.9% in September and 0.9% in October. During this period the government announced it will scrap the cost disclosure rules which have over the past two years caused the investment company sector to trade at a significant discount to NAV. New regulations will no longer require disclosure of costs that are already included in calculations of NAV. Investment companies would also be the beneficiary of a rise in capital gains tax as they would have a more significant advantage over bespoke or model portfolios. In due course we expect a narrowing of discounts as wealth managers re-enter the market.

November saw a positive return of 2.6%. Seraphim Space returned the best gains in November, up 29%. Scottish Mortgage and Allianz Technology also performed well, both up 9%. BH Macro was up 4% with its NAV up 9%. It is interesting to note that BH Macro usually performs well when equity markets are in turmoil however this significant NAV increase occurred in an up month for stocks. The largest fallers this month came in the venture capital sector with Molten Ventures, Syncona and RTW Biotech Opportunities down 7%, 6% and 3% respectively.

In December the Sub-fund was up 0.4%. There were mixed results across the portfolio during the month with the best performances coming from Augmentum Fintech, up 10%, and Allianz Technology, up 5%, while Biotech Growth was down 11% and Seraphim Space was down 9%. During December we trimmed our holdings in BH Macro and Pershing Square Holdings and used proceeds to increase our positions in Augmentum Fintech and RIT Capital Partners, both at very attractive discounts to NAV of 35% and 23% respectively.

Despite Seraphim Space's disappointing month, it finished the year as the Sub-fund's top performer, up over 58% for 2024. Other notable returns this year came from Polar Capital Technology, up 34%, and Berkshire Hathaway, up 27%. The largest detractor to performance over 2024 came from Syncona, which was down 14% and is now trading at a discount to NAV of 41%. Throughout the year we reduced the Sub-fund's exposure to private equity from 39% to 25%, disposing of positions in Apax Global Alpha and 3i Group, using the proceeds to increase exposure to technology, biotechnology and holding companies and reinstating a position in BH Macro.

We do not want our portfolio to simply rise and fall with equity markets and our asset allocation incorporates many different asset classes and strategies. At a high level we are guided by these asset allocation maxims:

(i)A major return driver arises from the fund manager adding value to the underlying investments rather than passively owning assets. Examples include:

- *private equity managers who are actively involved in managing their portfolio companies such as HgCapital and Oakley Capital Investments.*
- *venture capital managers who are founding companies, such as Syncona and RTW Biotech Opportunities.*
- *private specialist credit managers who focus on underserved segments of the market such as BioPharma Credit and Real Estate Credit Investments.*
- *private credit managers who focus on special opportunities, e.g., loans in special servicing, bridge loans and workout situations, such as CVC Income & Growth.*
- *holding companies where the portfolio managers are actively involved in 'constructivism' e.g., engaging with the manager or Board of underlying investments to make positive change, for instance AVI Global and Pershing Square Holdings.*

(ii)Owning investments that have a low correlation to the direction of equity markets, i.e., market-neutral funds, including multi-strategy, long-short equity, and global macro. Examples include Ruffer Investment Company, RIT Capital Partners, BlackRock European Absolute Alpha and BH Macro.

(iii) Misvalued or under-researched sectors. Examples currently include biotechnology and UK smaller companies.

Like at the end of 2023, we look forward to the year ahead with an air of cautious optimism for the global economy. There are signs that a ceasefire maybe on the horizon in the Middle East and President-elect Trump is bullish on his ability to bring the conflict in Ukraine to a speedy resolution. Domestically, many market commentators are predicting at least two interest rate cuts, which should boost equity markets, although the outlook for the UK economy remains conservative with the International Monetary Fund forecasting growth of 1.5%, and nobody is quite sure how Trump's mooted trade tariffs will affect transatlantic trade. Despite the ongoing domestic and international uncertainty, we feel confident that by following the asset allocation philosophy outlined above, the portfolio is well placed for whatever the year ahead brings.