



MI Somerset Asia Income Fund

Interim Report 30 June 2023

MI Somerset Asia Income Fund

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Directory

Authorised Unit Trust Manager ('AUTM') & 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 026 4282
Fax: 0845 299 1178
E-mail: Somersetcm@maitlandgroup.com

Directors of the Authorised Unit Trust Manager

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

Somerset Capital Management LLP
10 Bolt Court, 3rd Floor
London EC4A 3DQ
(Authorised and regulated by the Financial Conduct Authority)

Fund Managers

Mark Williams
Carolyn Chan

Trustee

Northern Trust Investor Services Limited
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 Somerset Asia Income Fund

Basis of Accounting

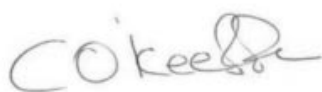
The interim financial statements have been prepared under the historical cost basis, as modified by revaluation of investments and in accordance with FRS102 and the Statement of Recommended Practice ('SORP') for the Financial Statements of Authorised Funds issued by the Investment Association ('IA')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

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 Investment Association.



C. O'Keeffe

P.J. Foley-Brickley

Directors

Apex Fundrock Limited

24 August 2023

Investment Objective and Policy

Investment objective

The Fund aims to deliver a high level of income with potential for capital growth over the long term (5 years or more).

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

Investment policy

The Fund is actively managed and will invest in companies which are incorporated, domiciled, listed or conduct significant business in the Asia Pacific region (excluding Japan).

The Fund will typically invest at least 90% (minimum 80%) in equities or equity related derivatives, but may also invest in collective investment schemes (up to 10% of Fund assets) which may be collective investment schemes managed by the Manager or by third party managers, corporate debt securities, other transferable securities, money market instruments, warrants, cash and deposits. Exposure to the companies will typically be direct but the Fund may also have limited indirect exposure (through derivatives).

The Fund is permitted to use derivatives for the purposes of efficient portfolio management and for investment purposes. Please refer to the Prospectus for further details.

Investment Manager's Report

for the period ended 30 June 2023

During the 6-month period ending 30th June 2023 the MI Somerset Asia Income Fund outperformed its benchmark, rising +3.13% in GBP (I Income daily Net Asset Value with dividends reinvested) while the MSCI Asia Pacific ex-Japan Index and the MSCI Asia ex-Japan Index both fell -2.52%¹, representing +5.65% excess return.

Over the period, outperformance was generated from areas that we identified as promising in the previous year, and these have not changed recently. Our selection of what we see as global leaders in some technology niches in Taiwan have performed particularly strong as technology investments have been buoyed by any association to artificial intelligence. China, although not strong in aggregate, has delivered positive returns in the companies that we hold.

Of our investments in Taiwan, Wistron has delivered the highest returns, rising 188% in GBP² for the year to 30th June 2023. 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. Likewise Lite-On Technology has also been positively influenced by similar server needs, and in particular the power supply used. Lite-On Technology's certification from cloud service providers gives it a clear early advantage to benefit from increasing demand for such products. AI servers require from three to eight more power supply units than traditional servers, with higher wattage, which could lead to a 70% increase in power supply units in 2024. The company is also well placed to start supplying electric vehicles with DC chargers, which could lead to further growth. These stronger markets should enable not just revenue growth but higher margins, which have both benefited the company's performance.

While our view that predicting catalysts is not a worthwhile pursuit, as all that we can identify should already be priced in by markets, these two companies are examples of stocks that are well positioned to benefit from the ongoing investment in and development of technology related to cloud computing. While having not had stellar performance up to recently, our faith in their strong execution gave us confidence to remain invested and benefit from the recent shift in market sentiment. We sold 1.5% Net Asset Value of Wistron in May and continue to monitor the positions for valuation excess or size becoming an inappropriately large part of our overall exposure.

In China, initial data at the start of the year, such as Chinese Purchasing Managers Index ('PMI') becoming expansionary³ and an initial recovery in travel and box office revenues in the Lunar New Year⁴, hinted at a strong recovery post-Covid. However, in the second quarter of the year, economic numbers have been weaker than expected, with sluggish consumer spending and exports falling at the fastest pace in 3 years⁵. Hence it was no surprise that the government began stimulus measures, with the 1-year medium-term lending rate cut by 10bps to 2.65% in June 2023.

MI Somerset Asia Income Fund

Investment Manager's Report

continued

Looking forward, there is increasing likelihood of further stimulus to attempt to revitalise the economy and China's Economic Commission vice chair Chen Jining iterated this by saying further policies would be rolled out 'as quickly as possible' in Q3. Likewise Premier Li said that the government will initiate more practical, effective measures to boost demand and expects faster economic growth.

China remains one of the few large economies that continues to lower interest rates, encourage bank lending and has the capability for further fiscal stimulus. While we do not expect a huge boost to the economy, we do expect the measures of the last 12 months to gain traction and to see an ongoing economic recovery. While we are not seeking broad exposure to the economy or market, we think that our individual companies can all potentially perform well in this environment.

In India, some of the country's difficulties were highlighted recently as legislation to extend legal working hours has been increasingly challenged by opposition ministers who threaten to repeal the measures. While this is a small, and as yet only potential setback, it highlights how Modi's early reform success might be harder to maintain as events proceed. We retain our select exposure to India while continuing to look for further opportunities. We, like many, believe the longer-term outlook seems compelling, but currently think most companies already reflect many of the likely positives.

Turnover has been low over the period. The MI Somerset Asia Income Fund sold out of one holding in April 2023, Beijing Enterprises Water. The company is trading slightly below its 5-year average valuation but due to a decline in its expected earnings rather than share price movement. While we still expect a recovery in earnings this year, the medium-term outlook is more subdued as the company transitions away from construction revenues. In addition, the company's expected expansion into lower-tier cities raises some concerns about the returns from future projects.

Overall, we continue to believe that Asian equities look attractive with a long-term view, particularly relative to the developed world.

Mark Williams & Carolyn Chan

Co-Managers

19th July 2023

¹ Source for MI Somerset Asia Income Fund figures: Apex Fundrock Ltd. Figures for the Source for Index performance figures: MSCI.

² Source: Factset

³ Source: Trading economics (manufacturing PMI at 51.5 in Feb 2023 – above 50 is expansionary)
<https://tradingeconomics.com/china/manufacturing-pmi>

⁴ Source: Bloomberg

<https://www.bloomberg.com/news/articles/2023-01-25/china-lunar-new-year-travel-box-office-rebound-after-covid-zero>

⁵ Source: Reuters

<https://www.reuters.com/markets/asia/chinas-june-exports-fall-124-imports-drop-68-2023-07-13/>

Portfolio Statement

as at 30 June 2023

Holding	Security	Market value £	% of total net assets 2023
Australia 5.89% (5.77%)			
304,452	Dexus REIT	1,243,377	1.52
645,932	Downer EDI	1,386,628	1.70
291,590	Transurban	2,174,062	2.67
		4,804,067	5.89
China 21.92% (23.27%)			
258,327	ANTA Sports Products	2,075,587	2.54
5,086,194	Bank of China	1,602,996	1.97
3,812,634	China Communications Services	1,477,142	1.81
1,943,959	CNOOC	2,185,320	2.68
1,922,000	CSPC Pharmaceutical	1,313,743	1.61
4,320,718	Industrial & Commercial Bank of China	1,812,767	2.22
1,048,252	Jiangsu Expressway	758,596	0.93
91,093	Milkyway Chemical Supply Chain Service A	878,567	1.08
732,031	Mint	1,576,038	1.93
95,968	Shenzhen Kedali Industry	1,374,089	1.69
1,534,000	Weichai Power	1,764,493	2.16
157,700	WuXi AppTec	1,064,015	1.30
		17,883,353	21.92
Hong Kong 13.72% (16.65%)			
216,805	China Mobile	1,393,793	1.71
1,781,412	China State Construction International	1,593,133	1.95
2,834,212	Far East Horizon	1,763,737	2.16
47,500	Hong Kong Exchanges and Clearing	1,407,407	1.72
2,565,566	Lee & Man Paper Manufacturing	669,524	0.82
2,485,373	Pacific Textiles	454,018	0.56
1,246,949	SITC International	1,784,753	2.19
148,500	Techtronic Industries	1,269,173	1.55
704,470	Xinyi Glass	862,645	1.06
		11,198,183	13.72
India 5.58% (5.36%)			
48,959	HCL Technologies	557,651	0.68
148,445	HCL Technologies - P Note 30.06.24	1,677,932	2.06
12,222	Housing Development Finance	330,692	0.41
36,246	Housing Development Finance - P Note 30.06.25	973,365	1.19
85,026	Mindspace Business Parks REIT	251,989	0.31
258,455	Mindspace Business Parks REIT - P Note 07.08.25	760,341	0.93
		4,551,970	5.58
Macau 2.06% (2.08%)			
628,541	Sands China	1,684,437	2.06
New Zealand 1.33% (1.51%)			
444,820	Spark New Zealand	1,086,809	1.33
Singapore 5.44% (5.95%)			
2,292,539	CDL Hospitality Trusts	1,612,212	1.98
5,095,002	Lendlease Global Commercial REIT	1,954,377	2.39
1,164,235	Suntec REIT	872,872	1.07
		4,439,461	5.44

MI Somerset Asia Income Fund

Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2023
South Korea 9.79% (9.26%)			
82,167	KB Financial ADR's	2,351,968	2.88
12,788	LG Chemical Preference Shares	2,687,092	3.29
83,108	Samsung Electronics Preference Shares	2,951,869	3.62
		7,990,929	9.79
Taiwan 25.00% (19.70%)			
1,055,502	ASE Technology	2,945,627	3.61
563,055	Lite-On Technology	1,471,796	1.80
159,727	Lotes	3,465,196	4.25
545,883	Merry Electronics	1,311,102	1.61
2,154,583	Taiwan Cement	2,070,495	2.54
258,772	Taiwan Semiconductor Manufacturing	3,757,868	4.60
2,347,726	Wistron	5,377,879	6.59
		20,399,963	25.00
Thailand 6.77% (8.29%)			
3,819,091	Digital Telecoms Infrastructure Fund	940,465	1.15
7,078,839	Jasmine Broadband Infrastructure Fund	1,107,161	1.37
554,200	Kasikornbank	1,586,046	1.94
1,725,624	Land & Houses	321,577	0.40
116,100	Siam Cement	826,793	1.01
752,006	Thai Oil	738,234	0.90
		5,520,276	6.77
Investment assets		79,559,448	97.50
Net other assets		2,037,291	2.50
Net assets		81,596,739	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: £75,399
Total sales for the period: £9,693,011

Net Asset Value and Units in Issue

Class	Net Asset Value	Units in issue	Net Asset Value per unit	Operating Charge Figure*
A Income	£53,403	43,988	121.40p	1.25%
I Income	£81,290,109	62,384,961	130.30p	1.00%
I Accumulation	£69,867	75,221	92.88p	1.00%
R Income	£183,360	155,225	118.13p	1.00%

*Operating charges include indirect costs incurred in the maintenance and running of the Fund, as disclosed (but not limited to) the detailed expenses within the Statement of Total Return. The figures used within this table have been calculated by annualising the expenses incurred against the average Net Asset Value for the accounting period.

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 indicators.



This 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.

Risk warning

An investment in a Unit Trust should be regarded as a medium to long-term investment. Investors should be aware that the price of units 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.

MI Somerset Asia Income Fund

Statement of Total Return

for the period ended 30 June 2023

	30.06.23		30.06.22	
	£	£	£	£
Income				
Net capital gains/(losses)		1,065,358		(5,115,639)
Revenue	1,856,940		1,792,141	
Expenses	(431,463)		(411,498)	
Interest payable and similar charges	(82)		(5)	
Net revenue before taxation	1,425,395		1,380,638	
Taxation	(88,658)		(160,228)	
Net revenue after taxation		1,336,737		1,220,410
Total return before distributions		2,402,095		(3,895,229)
Distributions		(1,692,179)		(1,547,400)
Change in net assets attributable to Unitholders from investment activities		709,916		(5,442,629)

Statement of Change in Net Assets Attributable to Unitholders

for the period ended 30 June 2023

	30.06.23		30.06.22	
	£	£	£	£
Opening net assets attributable to Unitholders		89,816,594		88,784,118
Amounts receivable on issue of units	7,366,771		6,268,724	
Less: Amounts payable on cancellation of units	(16,297,940)		(21,970,415)	
		(8,931,169)		(15,701,691)
Change in net assets attributable to Unitholders from investment activities (see Statement of Total Return above)		709,916		(5,442,629)
Retained distributions on accumulation units		1,398		1,467
Closing net assets attributable to Unitholders		81,596,739		67,641,265

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

Balance Sheet

as at 30 June 2023

	30.06.23		31.12.22	
	£	£	£	£
ASSETS				
Fixed Assets				
Investments		79,559,448		87,875,395
Current Assets				
Debtors	715,826		367,580	
Cash and bank balances	34,041,625		21,682,772	
Total current assets		34,757,451		22,050,352
Total assets		114,316,899		109,925,747
LIABILITIES				
Creditors				
Bank overdrafts	(31,157,739)		(18,052,460)	
Distribution payable	(1,308,332)		(421,697)	
Other creditors	(254,089)		(1,634,996)	
Total creditors		(32,720,160)		(20,109,153)
Total liabilities		(32,720,160)		(20,109,153)
Net assets attributable to Unitholders		81,596,739		89,816,594

MI Somerset Asia Income Fund

Distribution Tables

for the period ended 30 June 2023

Income Unit Distributions

Unit class	Distribution	Units	Net revenue p	Equalisation p	Distribution payable 2023 p	Distribution paid 2022 p
A Income	First interim	Group 1	0.5175	–	0.5175	0.6249
		Group 2*	0.5175	–	0.5175	0.6249
	Second interim	Group 1	1.9490	–	1.9490	2.0867
		Group 2*	1.9490	–	1.9490	2.0867
I Income	First interim	Group 1	0.5404	–	0.5404	0.6667
		Group 2	0.1645	0.3759	0.5404	0.6667
	Second interim	Group 1	2.0912	–	2.0912	2.2284
		Group 2	1.1750	0.9162	2.0912	2.2284
R Income	First interim	Group 1	0.4895	–	0.4895	0.5935
		Group 2	0.1451	0.3444	0.4895	0.5935
	Second interim	Group 1	1.8556	–	1.8556	1.9828
		Group 2	1.0331	0.8225	1.8556	1.9828

Accumulation Unit Distributions

Unit class	Distribution	Units	Net revenue p	Equalisation p	Amount reinvested 2023 p	Amount reinvested 2022 p
I Accumulation	First interim	Group 1	0.3911	–	0.3911	0.4450
		Group 2*	0.3911	–	0.3911	0.4450
	Second interim	Group 1	1.4678	–	1.4678	1.5055
		Group 2*	1.4678	–	1.4678	1.5055

*No group 2 units held in the distribution period

First interim period: 01.01.23 - 31.03.23

Second interim period: 01.04.23 - 30.06.23

Group 1: Units purchased prior to a distribution period

Group 2: Units purchased during a distribution period

Equalisation

Equalisation applies only to units purchased during the distribution period (Group 2 units). It represents accrued revenue included in the purchase price of the units. 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 units for capital gains tax purposes.

General Information

Authorised Status

MI Somerset Asia Income Fund (the 'Fund') is an Authorised Unit Trust Scheme and UCITS scheme operating under chapter 5 of COLL. The Fund is authorised and regulated in the UK by the Financial Conduct Authority ('FCA') as a UCITS Retail Scheme under the COLL Sourcebook.

The Fund was incorporated in England and Wales on 09 October 2009 under registration number 470343. The unitholders are not liable for the debts of the Fund.

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

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 Fund of notices or other documents required or authorised to be served on it.

Base Currency

The base currency of the Fund is Pounds Sterling.

Units

The Trust Deed allows the Fund to issue different classes of units in respect of the Fund.

The Fund currently has the following classes of units available for investment:

A Income
I Income
I Accumulation
R Income

Holders of Income units are entitled to be paid the revenue attributable to such units in respect of each annual accounting period in the currency of the relevant unit class.

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

Valuation Point

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

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

Buying, Redeeming and Switching of Units

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

Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY
Or by telephone to: 0345 026 4282

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

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

MI Somerset Asia Income Fund

General Information

continued

Pricing Basis

There is a dual price for buying, selling and switching units in a Fund which represents the Net Asset Value of the Fund concerned. The unit 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 AUTM.

The prices of units are published daily on www.fundrock.com. Neither the Fund nor the AUTM can be held responsible for any errors in the publication of the prices. The units in the Fund 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 Trust Deed, Prospectus, Key Investor Information Document and the most recent interim and annual reports may be inspected at the office of the Fund which is also the Head Office of the Fund. Copies may be obtained free of charge upon application. They are also available from the website of the Fund, the details of which are given in the directory of this report.

Unitholders who have complaints about the operation of the Fund should in the first instance contact the AUTM, 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 AUTM has assessed the Russia-Ukraine war implications and although the Fund has no direct exposure to Russian or Ukrainian assets the crisis will have a wider impact in terms of market performance.

Risk Warning

An investment in a Unit Trust should be regarded as a medium to long-term investment. Investors should be aware that the price of units 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.

