PHOENIX
Fund Services

PFS Somerset Capital Management Investment Funds ICVC

Annual Report 30 September 2013 (Audited)

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Directory

Authorised Corporate Director (ACD) & Registrar
Phoenix Fund Services (UK) Limited
Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW
Telephone: 01245 398950
Fax: 01245 398951
(Authorised and regulated by the Financial Conduct Authority)

Customer Service Centre
PO Box 10282, Chelmsford, Essex CM1 9LJ
Telephone: 0845 026 4282
Fax: 0845 299 1178
E-mail: SomersetCM@phoenixfundservices.com
(Authorised and regulated by the Financial Conduct Authority)

Directors of the ACD
R.W. Elliott (retired 14 March 2013)
R.W. Leedham
D.W. Munting (appointed 15 February 2013)
A.C. Reed
J.M. Rice (retired 30 April 2013)
D.C. Tibble (appointed 1 May 2013

Investment Manager
Somerset Capital Management LLP
110 Buckingham Palace Road,
London SW1W 9SA
(Authorised and regulated by the Financial Conduct Authority)

Lead Investment Managers
Mark Asquith
Edward Lam
Edward Robertson

Depositary
National Westminster Bank Plc
Trustee & Depositary Services
Younger Building,1st Floor, 3 Redheughs Avenue,
Edinburgh EH12 9RH
(Authorised and regulated by the Financial Conduct Authority)

Auditor
KPMG Audit Plc
Chartered Accountants & Registered Auditors
15 Canada Square,
London EC14 5GL

Statement of the Authorised Corporate Director's Responsibilities

The ACD is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Financial Services Authority's Collective Investment Schemes Sourcebook ("the COLL Sourcebook") requires the ACD to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the net revenue and of the net losses on the property of the Company for that year. In preparing the financial statements the ACD is required to:

- select suitable accounting policies, as described in the attached financial statements, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures, which are required to be disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The ACD is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable it to ensure that the financial statements comply with the COLL Sourcebook. The ACD is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the ACD is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the ACD has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Certification of Accounts by the Authorised Corporate Director

In accordance with the requirements of the OEIC Regulations and COLL Sourcebook, we hereby certify the Report on behalf of the ACD, Phoenix Fund Services (UK) Limited.

R.W. Leedham
D.W. Munting
Directors
Phoenix Fund Services (UK) Limited
21 November 2013

Statement of the Depositary's Responsibilities and Report of the Depositary to the Shareholders of PFS Somerset Capital Management Investment Funds ICVC ('the Company')

for the year ended 30 September 2013

The Depositary is responsible for the safekeeping of all of the property of the Company (other than tangible movable property) which is entrusted to it and for the collection of revenue that arises from that property.

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL), as amended, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended (the 'OEIC Regulations') the Company's Instrument of Incorporation and Prospectus in relation to the pricing of, and dealings in, shares in the Company; the application of revenue of the Company, and the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we considered necessary to discharge our responsibilities as Depositary of the Company, it is our opinion based on the information available to us and the explanations provided, that in all material respects the Company, acting through the Authorised Corporate Director;

(i) has carried out the issue, sale, redemption, cancellation and calculation of the price of the Company's shares, and the application of the Company's revenue in accordance with (COLL) and, where applicable, the OEIC Regulations, the instrument of incorporation and prospectus of the Company, and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

National Westminster Bank plc
Trustee and Depositary Services
21 November 2013

Independent auditor's report to the shareholders of PFS Somerset Capital Management Investment Funds ICVC ('the Company')

We have audited the financial statements of the Company for the year ended 30 September 2013 set out on pages 6 to 17, 26 to 27, 46 to 58, and 69 to 80. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's shareholders as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued by the Financial Conduct Authority under the Open-Ended Investment Companies Regulation 2001. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Authorised Corporate Director ('the ACD') Phoenix Fund Services (UK) Limited and the auditor

As explained more fully in the Statement of ACD's Responsibilities set out on page 2 the ACD is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the financial position of the Company as at 30 September 2013 and of the net revenue and the net capital losses on the property of the Company for the year then ended; and

- have been properly prepared in accordance with the Instrument of Incorporation, the Statement of Recommended Practice relating to Authorised Funds and the COLL Rules.

Opinion on other matters prescribed by the COLL Rules

In our opinion the information given in the Authorised Corporate Director's Report is consistent with the financial statements.

We have received all the information and explanations which we consider necessary for the purposes of our audit.

Independent Auditor's Report to the Shareholders of PFS Somerset Capital Management Investment Funds ICVC ('the Company')

continued

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where under the COLL Rules we are required to report to you if, in our opinion:

- proper accounting records for the Company have not been kept; or
- the financial statements are not in agreement with the accounting records.

Ravi Lamba

for and on behalf of KPMG Audit Plc,
Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

22 November 2013

Aggregated Statement of Total Return

for the year ended 30 September 2013

	Note	30.09.13 £	30.09.13 £	30.09.12 £	30.09.12 £
Income					
Net capital (losses)/gains	2		(12,680,042)		12,383,382
Revenue	3	9,545,694		3,757,928	
Expenses	4	(3,709,393)		(1,602,126)	
Finance costs: interest	6	(424)		(374)	
Net revenue before taxation		5,835,877		2,155,428	
Taxation	5	(1,013,998)		(370,667)	
Net revenue after taxation			4,821,879		1,784,761
Total return before distributions			**(7,858,163)**		**14,168,143**
Finance costs: distributions	6		(6,581,850)		(2,263,912)
Change in net assets attributable to shareholders from investment activities			**(14,440,013)**		**11,904,231**

Aggregated Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 September 2013

	30.09.13 £	30.09.13 £	30.09.12 £	30.09.12 £
Opening net assets attributable to shareholders		**131,748,344**		**76,880,118**
Amounts received on issue of shares	369,985,909		53,175,746	
Less: Amounts paid on cancellation of shares	(43,776,060)		(11,533,709)	
		326,209,849		41,642,037
Dilution levy applied		428,594		17,916
Change in net assets attributable to shareholders from investment activities (see Statement of Total Return above)		(14,440,013)		11,904,231
Retained distribution on accumulation shares		6,019,665		1,304,042
Closing net assets attributable to shareholders		**449,966,439**		**131,748,344**

Aggregated Balance Sheet

as at 30 September 2013

	Note	30.09.13 £	30.09.13 £	30.09.12 £	30.09.12 £
ASSETS					
Investment assets			**386,629,651**		**124,983,519**
Debtors	7	19,138,379		2,500,843	
Bank balances	9	65,919,281		8,313,028	
Total other assets			**85,057,660**		**10,813,871**
Total assets			**471,687,311**		**135,797,390**
LIABILITIES					
Investment liabilities			–		–
Creditors	8	(20,062,700)		(2,959,505)	
Distribution payable on income shares		(1,658,172)		(1,089,541)	
Total other liabilities			**(21,720,872)**		**(4,049,046)**
Total liabilities			**(21,720,872)**		**(4,049,046)**
Net assets attributable to shareholders			**449,966,439**		**131,748,344**

Aggregated Notes to the Financial Statements
for the year ended 30 September 2013

1. Accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with the Statement of Recommended Practice ("SORP") for Financial Statements of Authorised Funds issued by the Investment Management Association in October 2010.

(b) Basis of aggregation

The aggregate financial statements represent the sum of the individual Sub-Funds within the umbrella company.

(c) Recognition of revenue

Revenue is included in the Statement of Total Return on the following basis:

Dividends on quoted equities and preference shares are recognised when the securities are quoted ex-dividend.

Interest on bank and other cash deposits is recognised on a received basis.

All revenue includes withholding taxes but excludes irrecoverable tax credits.

(d) Treatment of stock and special dividends

The ordinary element of stocks received in lieu of cash dividends is credited to capital in the first instance followed by a transfer to revenue of the cash equivalent being offered and this forms part of the distributable revenue.

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue. The tax accounting treatment follows the treatment of the principal amount.

(e) Treatment of expenses

All expenses, except for those relating to the purchase and sale of investments, performance fee charges (if any) and stamp duty reserve tax, are charged against revenue for the year on an accruals basis for PFS Global Emerging Markets Fund and PFS Somerset Emerging Markets Small Cap Fund.

The annual management fee for PFS Somerset Emerging Markets Dividend Growth Fund is charged against capital for the year on an accruals basis.

(f) Apportionment of revenue and expenses to multiple share classes:

With the exception of the Manager's periodic charge, which is directly attributable to individual share classes, all revenue and expenses are apportioned to the Sub-Funds' share classes pro-rata to the value of the net assets of the relevant share class on the day that the revenue or expense is recognised.

Aggregated Notes to the Financial Statements
continued

(g) Taxation

Corporation tax is provided at 20% on revenue, after deduction of expenses.

Deferred tax is provided using the liability method on all timing differences arising on the treatment of certain items for taxation and accounting purposes, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

Stamp duty reserve tax suffered on surrender of shares is deducted from capital.

(h) Distribution policy

The net revenue after taxation, as disclosed in the financial statements, after adjustment for items of a capital nature, is distributable to Shareholders as dividend distributions. Any revenue deficit is deducted from capital.

Interim distributions may be made at the Investment Manager's discretion and the balance of revenue is distributed in accordance with the regulations.

Distributions not claimed within a six year period will be forfeited and added back to the capital property of the Sub-Fund.

(i) Basis of valuation of investments

Listed investments are valued at closing bid prices on the last business day of the accounting year excluding any accrued interest in the case of fixed interest securities.

Unlisted or suspended investments are valued by the Investment Manager taking into account, where appropriate, latest dealing prices, valuations from reliable sources, financial performance and other relevant factors.

(j) Exchange rates

Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting period are translated into sterling at the closing exchange rates ruling on that date.

(k) Dilution levy

The ACD may require a dilution levy on the sale and redemption of shares if, in its opinion, the existing shareholders (for redemptions) might otherwise be adversely affected. In particular, the dilution levy may be charged in the following circumstances: where the scheme property is in continual decline; on a Sub-Fund experiencing large levels of net sales relative to its size; on 'large deals'; in any case where the ACD is of the opinion that the interests of remaining shareholders require the imposition of a dilution levy.

Aggregated Notes to the Financial Statements
continued

2 Net capital (losses)/gains

	30.09.13 £	30.09.12 £
Non-derivative securities	(12,342,209)	13,258,237
Currency losses	(214,164)	(769,804)
Transaction charges	(123,669)	(105,051)
Net capital (losses)/gains	**(12,680,042)**	**12,383,382**

3 Revenue

	30.09.13 £	30.09.12 £
Overseas dividends	9,544,465	3,757,638
Bank interest	1,229	290
Total revenue	**9,545,694**	**3,757,928**

Aggregated Notes to the Financial Statements
continued

4 **Expenses**	**30.09.13** £	**30.09.12** £
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's fee	358,612	180,902
Registration fees	209,606	30,173
	568,218	211,075
Payable to the Investment Manager, associates of the Investment Manager and agents of either of them:		
Investment Manager's fee	2,676,114	1,176,321
Performance fee	14,583	7,821
	2,690,697	1,184,142
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	162,864	68,501
Safe custody and other bank charges	388,780	123,991
	551,644	192,492
Other expenses:		
Audit fee (including VAT)	19,170	16,200
Audit fee (including VAT): taxation services	4,788	4,500
FCA fee	–	601
Legal fees	37,732	30,699
Printing costs	6,852	4,969
	68,542	56,969
Manager's rebate	(169,708)	(42,552)
Total expenses	**3,709,393**	**1,602,126**

Aggregated Notes to the Financial Statements
continued

5 Taxation

	30.09.13 £	30.09.12 £
(a) Analysis of charge in the year:		
Overseas tax	1,013,998	370,667
Total tax charge (Note 5b)	**1,013,998**	**370,667**

(b) Factors affecting taxation charge for the year	£	£
Net revenue before taxation	5,835,877	2,155,428
Corporation tax at 20%	1,167,176	431,086
Effects of:		
Movement in surplus management expenses	741,717	320,442
Non-taxable overseas earnings	(1,908,893)	(751,528)
Overseas withholding tax	1,013,998	370,667
Current tax charge (Note 5a)	**1,013,998**	**370,667**

(c) Deferred tax
At the year end there is a potential deferred tax asset of £1,300,778 (2012: £559,090) in relation to surplus management expenses. It is unlikely that the Sub-Funds will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the current year.

6 Finance costs

Distributions
The distributions take account of revenue received on the creation of shares and revenue deducted on cancellation of shares and comprise:

	30.09.13 £	30.09.12 £
Interim	1,561,819	284,495
Final	6,769,988	2,298,005
	8,331,807	2,582,500
Revenue deducted on cancellation of shares	227,056	64,302
Revenue received on issue of shares	(1,977,013)	(382,890)
Finance costs: distributions	**6,581,850**	**2,263,912**
Finance costs: interest	424	374
Total finance costs	**6,582,274**	**2,264,286**

Aggregated Notes to the Financial Statements

continued

6 Finance costs continued	30.09.13 £	30.09.12 £
Reconciliation of net revenue after taxation to net distributions:		
Net revenue after taxation per statement of total return	4,821,879	1,784,761
Expenses charged to capital	1,760,138	479,146
Undistributed revenue brought forward	92	97
Undistributed revenue carried forward	(259)	(92)
Finance costs: distributions	**6,581,850**	**2,263,912**

7 Debtors	30.09.13 £	30.09.12 £
Amounts receivable for creations	7,284,404	1,141,070
Currency deals outstanding	9,388,697	1,188,612
Sales awaiting settlement	2,141,399	25,373
Dividends receivable	171,265	87,651
Manager's rebate	61,768	42,552
Overseas tax recoverable	90,846	15,571
Legal fees	–	14
Total debtors	**19,138,379**	**2,500,843**

Aggregated Notes to the Financial Statements
continued

8 Creditors

	30.09.13 £	30.09.12 £
Amounts payable for cancellations	327,260	41,149
Purchases awaiting settlement	9,720,609	1,512,354
Currency deals outstanding	9,435,896	1,188,637
Accrued expenses:		
Amounts payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's fee	38,538	13,898
Registration fees	28,856	7,424
	67,394	21,322
Amounts payable to the Investment Manager, associates of the Investment Manager and agents of either of them:		
Investment Manager's fee	328,970	119,321
Performance fee	14,583	7,821
	343,553	127,142
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	19,016	6,463
Safe custody and other bank charges	117,514	32,438
	136,530	38,901
Other expenses:		
Audit fee (including VAT)	19,170	18,000
Audit fee (including VAT): taxation services	9,288	9,000
Printing costs	3,000	3,000
	31,458	30,000
Total creditors	**20,062,700**	**2,959,505**

9 Cash and bank balances

	30.09.13 £	30.09.12 £
Cash and bank balances	65,919,281	8,313,028
Cash and bank balances	**65,919,281**	**8,313,028**

Aggregated Notes to the Financial Statements
continued

10. Related party transactions

Authorised Corporate Director and other fees payable to Phoenix Fund Services (UK) Limited (the ACD) are disclosed in note 4 and amounts due at the year end are shown in note 8.

Management fees payable to Somerset Capital Management LLP (the Investment Manager) are disclosed in note 4 and amounts due at the year end are shown in note 8.

Depositary and other fees payable to National Westminster Bank Plc are disclosed in note 4 and amounts due at the year end are shown in note 8.

Somerset Capital Management LLP and its associates had the following shareholdings in the funds:

	Held at 30.09.13	Change in period	Held at 30.09.12
PFS Somerset Global Emerging Markets Fund			
Somerset Capital Management LLP	16,906	–	16,906
Mr Edward Robertson (Lead Investment Manager)	58,544	25,865	32,679
PFS Somerset Emerging Markets Dividend Growth Fund			
Somerset Capital Management LLP	–	(13,669)	13,669

11. Contingent liabilities and commitments

Details of contingent liabilities or outstanding commitments are set out in the notes to the accounts for the relevant Sub-Fund.

12. Derivatives and other financial instruments

In pursuing their investment objectives, the Sub-Funds may hold a number of financial instruments. These financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from the Sub-Funds' operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued revenue.

The main risks arising from financial instruments and the ACD's policies for managing these risks are stated below. These policies have been applied throughout the period under review.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Sub-Fund might suffer through holding market positions in the face of price movements. This means the value of an investor's holding may go down as well as up and an investor may not recover the amount invested. Investors should consider the degree of exposure of the Sub-Fund in the context of all their investments.

Aggregated Notes to the Financial Statements
continued

12. Derivatives and other financial instruments (continued)

Market price risk (continued)
The Sub-Funds' investment portfolios are exposed to market price fluctuations, which are monitored by the ACD as per the policies as set out in the Prospectus. The investment guidelines and investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the Financial Conduct Authorities Collective Investment Schemes Sourcebook describe the nature of the market risk to which the Sub-Fund will be exposed.

Currency risk

Although the Sub-Funds' capital and revenue are denominated in sterling, a proportion of the Sub-Funds' investments have currency exposure and, as a result, the revenue and capital value of the Sub-Funds are affected by currency movements.

Foreign currency risk is the risk that the value of the Sub-Funds' investments will fluctuate as a result of changes in foreign currency exchange rates. For those Sub-Funds where a proportion of the net assets of the Sub-Fund is denominated in currencies other than sterling, the balance sheet can be affected by movements in exchange rates. The ACD monitors the foreign currency exposure of the Sub-Funds and may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the sterling value of investments that are priced in other currencies.

Interest rate risk
Interest rate risk, being the risk that the value of investments will fluctuate as a result of interest rate changes. The majority of the Sub-Funds' assets comprise equity shares which neither pay interest nor have a maturity date.

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

Liquidity risk
There is little exposure to credit or cash flow risk. There are no net borrowings or unlisted securities and so little exposure to liquidity risk.

Under normal circumstances, a Sub-Fund will remain close to fully invested. However, where circumstances require: either because a view of illiquid securities markets or high levels of redemptions in the Sub-Fund, the Sub-Fund may hold cash and/or more liquid assets. Temporary higher liquidity levels may also arise during the carrying out of a change in asset allocation policy, or following a large issue of shares.

Notes to the Aggregated Financial Statements

continued

12. Derivatives and other financial instruments (continued)

Liquidity risk (continued)

The ACD manages the Sub-Funds' cash to ensure they can meet their liabilities. The ACD receives daily reports of subscriptions and redemptions enabling the ACD to raise cash from the Sub-Funds' portfolio in order to meet redemption requests. In addition the ACD monitors market liquidity of all securities seeking to ensure the Sub-Funds maintain sufficient liquidity to meet known and potential redemption activity. Sub-Fund cash balances are monitored daily by the ACD and the Investment Manager. All of the Sub-Funds' financial liabilities are payable on demand or in less than one year.

Counterparty risk

The risk that the counterparty will not deliver the investments for a purchase or the cash for a sale after the Sub-Fund has fulfilled it's responsibilities which could result in the Sub-Fund suffering a loss. The Investment Manager minimises the risk by conducting trades through only the most reputable counter parties.

Fair value of financial assets and liabilities

There is no material difference between the carrying values and the fair values of the financial instruments disclosed in the balance sheet.

13. Portfolio transaction costs

Details of portfolio transaction costs are set out in the notes to the accounts for the relevant Sub-Fund.

Investment Objective and Policy

The Sub-Fund seeks to achieve capital appreciation by mainly investing in an actively managed portfolio of emerging market securities.

The portfolio will consist principally of quoted equity securities, issued by companies established or operating in emerging market countries, principally in Asia, Eastern Europe, the Middle East, Africa and Latin America.

The Sub-Fund may also invest at the Investment Manager's discretion in other transferable securities, money market instruments, cash and near cash, depositary receipts, derivative instruments and forward transactions, deposits, and derivatives for the purpose of hedging or efficient portfolio management. The Sub-Fund may also invest in shares in other collective investment schemes, however, investment by the Sub-Fund in other Schemes will be limited to a maximum of 10% of the scheme property of the Fund. Use may also be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted under applicable FCA Rules.

The Company permits the use of derivatives for investment purposes by the Sub-Fund, however, this policy is not currently applied and may not be applied without giving the required 60 day notice to Shareholders. If derivatives are used for the purpose of meeting the investment objective of the Sub-Fund it is not intended that the use of derivatives would significantly raise the risk profile but this cannot be guaranteed and the risk profile may increase as a result of a change in the investment policy for derivatives

The Sub-Fund is permitted to invest 5% or more of its scheme property in warrants. Such investments may increase the volatility of the Sub-Fund and therefore may adversely affect its risk profile.

Investment Manager's Report

for the year ended 30 September 2013

Over the 12 months to 30 September 2013, the Sub-Fund performed in line with the MSCI Emerging Markets Index, returning +0.60% vs. the index which returned +0.79%.

The Sub-Fund performed well during the first half of the year returning 10.75% and outperforming the index by 30 basis points. In the following months, the Sub-Fund followed the economic downturn in EMs and fell considerably in June. The performance of the Sub-Fund rebounded during September, outperforming the Index by 1.40%. Volatility is inevitable given that the Sub-Fund holds well established companies with varying degrees of cyclicality rather than expensive consumer stocks. Though the mood in emerging markets may continue to sour and a considerable amount of hot money has exited, the long term investment from the QE rush has remained.

We have kept turnover quite low over the course of the year. We look to maintain gradual progress by holding many quality businesses through the long term. We continue to hold cyclical companies that trade around or below book value including Lukoil, Rosneft, Turk Sisecam, Posco and Gerdau.

Although Krung Thai Bank and Banorte were significant contributors to the Sub-Fund's performance in the first half of the year, they sold off considerably in May due to the perceived tapering by the Federal Reserve. As investors pulled out of emerging markets, currencies, bonds and equities all fell. Krung Thai Bank, Banorte, Gerdau and Tambang Batubara fell by 10%, 15%, 17.5%, and 13% respectively. Krung Thai Bank has remained volatile over the past few months but it has cleaned up its balance sheet this year and invested more in SME lending. It has also opened up in new territories. While its status as a government-owned bank offer it up to the risk of becoming a crutch during weaker economic times, the bank benefits from the massive infrastructure program the government has planned. All in all, we are optimistic about the long term outlook for Thailand.

Investment Manager's Report
continued

There has been increasingly weak data out of China, Brazil, India and South Africa, among others. During our visit to China this year, we found that there was excessive competition in most sectors, especially in food retailing and apparel and that sentiment in China is generally quite weak. Additionally, the real inflation in China is much higher than the reported number and the government is subsequently looking to cool spending. We have four core positions in China: CNOOC, Soho China, Beijing Enterprises and China Mobile (which was added to the portfolio in May). Soho China and Beijing Enterprises are both medium-sized companies that are more vulnerable to a slowdown. Soho China's assets are all prime commercial property sites in Beijing and Shanghai and as such are protected though not immune to slowdown. Beijing Enterprises is expected to benefit from rising gas prices over the long run. Though expectations in China are low, the valuations are cheap, and our position in the Chinese market is managed accordingly.

We accept that growth will continue to slow down in certain markets such as India. As the Indian central bank is forced to tighten liquidity to help the rupee, which fell to 60 rupees to the dollar, India's economic fundamentals are declining. We believe that this will be a tough period for the Indian economy, especially given the focus on the upcoming elections. The account deficit is likely to increase and the rupee is likely to remain low. The Sub-Fund is evidently not immune to this environment but it is not economical for the Sub-Fund to trade in and out of positions due to inevitable economic turbulence. We remain holders of Maruti Suzuki, Coal India, and Grasim and they were amongst the key detractors in the portfolio during August.

In April, we added a position in Coal India to the portfolio. The valuation alone somewhat justifies the investment. While the company is state owned and selling coal at a discount (20-40% compared to international prices) as a 'national service', it is nonetheless a strong business that provides for 80% of India's coal needs. Coal is and will remain India's main source of energy for the foreseeable future. Given that it uses open pit mines, it is also a low cost producer of coal. The company continues to reinvest its free cash to growing production. Coal India is also generating an impressive 35% return on equity, with net cash on its balance sheets. The company is profitable, holds a monopoly on coal and has a long reserve life. Additionally, a new 5 year formula for gas pricing could raise gas prices by as much as 100%. This will allow the state to reduce subsidies and invest in the energy sector. While Coal India will not directly benefit from this change, any reform helping the power sector's profitability is to be welcomed, since the current dysfunction of the industry is a serious problem.

In August we added a position in SABMiller (South Africa Breweries) to the Sub-Fund through cash and reducing existing investments in Indonesia and Brazil. SAB is the world's second largest brewery by volume and the largest in emerging markets. It is excellent at acquiring, managing and promoting local brands. SAB operates in all emerging markets except for Brazil and sells lager in much of Sub-Saharan Africa. Since SAB is not as profitable as Heineken, it provides an opportunity to expand over the next five years. The company's revenues and margins are weaker due to the currency weakness and this weighs on the stock's valuation of 20x historic earnings. Nevertheless, the ROE and ROC are decent and should rise over time. Stock was sold off during May and June due to currency weakness presenting us with a suitable entry point.

Despite the short term difficulty that emerging markets currently face the longer-term outlook remains positive. We believe that emerging markets will not slump forever not least as they are an integral part of the global economy and are home to investment opportunities that will continue to show conviction, quality and value.

Edward Robertson
Lead Investment Manager
6 November 2013

Portfolio Statement

as at 30 September 2013

Holding	Security	Market value £	% of total net assets 2013
	OIL & GAS 10.35% (10.61%)		
	Oil & Gas Producers 10.35% (10.61%)		
762,734	CNOOC	957,160	3.11
15,727	Lukoil ADR	615,717	2.00
163,835	OAO Rosneft Oil GDR	819,479	2.67
538,300	PTT Global Chemical (Foreign)	789,041	2.57
		3,181,397	10.35
	BASIC MATERIALS 10.57% (10.88%)		
	Chemicals 2.98% (3.12%)		
5,175	LG Chem	914,374	2.98
	Industrial Metals & Mining 4.53% (5.20%)		
154,150	Gerdau	709,837	2.31
3,723	POSCO	682,421	2.22
		1,392,258	4.53
	Mining 3.06% (2.56%)		
201,564	Coal India	585,409	1.90
531,500	Tambang Batubara Bukit Asam	355,699	1.16
		941,108	3.06
	INDUSTRIALS 12.46% (14.86%)		
	Construction & Materials 4.00% (7.21%)		
79,163	Duratex	288,772	0.94
23,761	Grasim Industries	620,151	2.02
461,221	Semen Indonesia (Persero)	319,734	1.04
		1,228,657	4.00
	General Industrials 4.17% (2.85%)		
174,000	Beijing Enterprises	773,105	2.51
265,765	Nampak	508,954	1.66
		1,282,059	4.17
	Electronic & Electrical Equipment 4.29% (4.80%)		
33,540	Hynix Semiconductor	582,984	1.90
350,020	Taiwan Semiconductor	734,679	2.39
		1,317,663	4.29

Portfolio Statement
continued

Holding	Security	Market value £	% of total net assets 2013
	CONSUMER GOODS 17.39% (17.35%)		
	Automobiles & Parts 7.39% (5.85%)		
228,250	Cheng Shin Rubber Industry	368,969	1.20
4,867	Hyundai Mobis	799,826	2.60
55,968	Maruti Suzuki India	749,981	2.44
94,383	Tofas Turk Otomobil Fabrikasi	354,390	1.15
		2,273,166	7.39
	Beverages 5.00% (5.83%)		
13,924	Fomento Economico Mexicano Sponsored ADR	834,546	2.72
22,304	SABMiller	701,126	2.28
		1,535,672	5.00
	Food Producers 2.87% (5.67%)		
12,587	M Dias Branco	356,112	1.16
28,595	Tiger Brands	524,817	1.71
		880,929	2.87
	Household Goods & Home Construction 2.13% (0.00%)		
770,336	Turk Sise ve Cam Fabrika	653,744	2.13
	HEALTH CARE 0.00% (1.11%)		
	Pharmaceuticals & Biotechnology 0.00% (1.11%)		
	CONSUMER SERVICES 4.59% (4.45%)		
	General Retailers 0.00% (1.65%)		
	Travel & Leisure 4.59% (2.80%)		
98,761	Formosa International Hotels	684,797	2.23
368,565	Genting	726,168	2.36
		1,410,965	4.59
	TELECOMMUNICATIONS 9.28% (5.42%)		
	Mobile Telecommunications 9.28% (5.42%)		
147,000	China Mobile	1,014,241	3.30
6,340	Millicom International Cellular	345,904	1.12
52,465	Mobile Telesystems Sponsored ADR	720,851	2.35
64,045	MTN	770,244	2.51
		2,851,240	9.28

Portfolio Statement
continued

Holding	Security	Market value £	% of total net assets 2013
	UTILITIES 1.21% (1.99%)		
	Electricity 1.21% (0.00%)		
833,013	Aboitiz Power	372,151	1.21
	Gas, Water & Multi-utilities 0.00% (1.99%)		
	FINANCIALS 25.62% (21.39%)		
	Banks 13.42% (15.60%)		
27,871	Bank Pekao	984,169	3.20
2,330,279	CTBC Financial	939,299	3.06
187,600	Grupo Financiero Banorte S.A.B.	718,634	2.34
1,143,783	Krung Thai Bank (Foreign)	431,276	1.40
41,951	Shinhan Financial	1,052,192	3.42
		4,125,570	13.42
	Non-life Insurance 2.24% (0.00%)		
8,200	Powszechny Zaklad Ubezpieczen	687,875	2.24
	Life Insurance 2.23% (0.00%)		
238,221	Sanlam	684,967	2.23
	Real Estate Investment Trust 2.86% (1.84%)		
1,671,669	Soho China	879,847	2.86
	Financial Services 4.87% (3.95%)		
176,150	BM&F Bovespa	604,937	1.97
53,663	Cielo	892,274	2.90
		1,497,211	4.87
	TECHNOLOGY 3.46% (4.93%)		
	Software & Computer Services 3.46% (4.93%)		
15,898	Infosys	472,472	1.54
1,844	Naver	589,120	1.92
		1,061,592	3.46
	Investment assets	**29,172,445**	**94.93**
	Net other assets	**1,557,830**	**5.07**
	Net assets	**30,730,275**	**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 30.09.12.

Comparative Tables

as at 30 September 2013

Net asset values

Year as at 30 September	Income shares			Accumulation shares		
	Net asset value	No. of shares in issue	Net asset value per share	Net asset value	No. of shares in issue	Net asset value per share
GBP Class A						
2011	£39,654	25,963	152.73p	£285,265	184,859	154.31p
2012	£79,133	45,417	174.24p	£358,122	202,463	176.88p
2013	£268,526	155,913	172.23p	£2,797,870	1,587,073	176.29p
GBP Class B						
2011	£2,483,681	1,628,582	152.51p	£5,030,093	3,231,920	155.64p
2012	£1,810,075	1,039,933	174.06p	£5,681,044	3,169,781	179.23p
2013	£5,822,559	3,378,281	172.35p	£7,177,596	3,998,428	179.51p
USD Class B						
2011	$92,817	39,075	237.54$c	N/A	N/A	N/A
2012	$109,713	39,075	280.78$c	N/A	N/A	N/A
2013	$108,964	39,075	278.86$c	$4,121,609	4,250,163	96.98$c
EUR Class B						
2013	N/A	N/A	N/A	€14,416,960	14,966,348	96.33€c

Price history & distribution record

The table below shows the highest and lowest prices on a calendar year basis per share since launch. Past performance is not necessarily a guide to the future performance.

Year	Income shares			Accumulation shares		
	Highest	Lowest	Net distribution per share	Highest	Lowest	Net distribution per share
GBP Class A^^						
2008	109.99p	103.95p	–	109.99p	103.95p	–
2009	150.93p	116.16p	1.0470p	152.10p	93.77p	1.0470p
2010	191.95p	140.01p	0.3760p	193.94p	141.09p	0.3789p
2011	194.01p	148.93p	–	196.03p	150.48p	–
2012	185.11p	155.82p	0.8267p	187.03p	157.44p	0.8352p
2013^	201.48p	164.19p	1.4280p	204.53p	166.68p	1.4496p
GBP Class B^^^						
2008	110.08p	93.17p	–	110.08p	93.17p	–
2009	150.85p	117.33p	1.2250p	152.20p	93.67p	1.2250p
2010	191.68p	140.13p	0.9290p	194.35p	141.39p	0.9374p
2011	193.75p	148.84p	0.9933p	196.45p	151.76p	1.0071p
2012	185.05p	155.97p	1.4039p	189.20p	159.32p	1.4340p
2013^	201.68p	164.63p	1.9802p	207.67p	169.52p	2.0390p

Comparative Tables
continued

Price history & distribution record (continued)

Year	Income shares			Accumulation shares		
	Highest	Lowest	Net distribution per share	Highest	Lowest	Net distribution per share
USD Class B^^^^						
2010	302.91$c	228.29$c	1.4639$c	N/A	N/A	N/A
2011	310.52$c	233.49$c	1.5375$c	N/A	N/A	N/A
2012	294.77$c	243.53$c	2.4446$c	N/A	N/A	N/A
2013^	301.96$c	253.46$c	3.1714$c	102.98$c	87.16$c	1.1695$c
EUR Class B^^^^^						
2013^	N/A	N/A	N/A	100.15€c	89.17€c	0.6371€c

^ To 30 September 2013
^^ GBP Class A Income and Accumulation shares were launched 16 December 2008
^^^ GBP Class B Income and Accumulation shares were launched 17 November 2008
^^^^ USD Class B Income shares were launched 21 April 2010 and B Accumulation shares were launched 30 April 2013
^^^^^ EUR Class B Accumulation shares were launched 3 June 2013
Foreign exchange rates used to calculate net asset value and net distributions per share as at 30 September 2013 were US$1.6194 and €1.1963

Ongoing charges

Expense type	30 September 2013 %
GBP Class A	
Manager's periodic charge	1.50
Other expenses	0.60
Manager's rebate	(0.25)
Transaction charges	0.21
Ongoing charge	**2.06**
GBP Class B	
Manager's periodic charge	1.00
Other expenses	0.60
Manager's rebate	(0.25)
Transaction charges	0.21
Ongoing charge	**1.56**
USD Class B	
Manager's periodic charge	1.00
Other expenses	0.60
Manager's rebate	(0.25)
Transaction charges	0.21
Ongoing charge	**1.56**

Comparative Tables

continued

Ongoing charges (continued)

Expense type	30 September 2013 %
EUR Class B	
Manager's periodic charge	1.00
Other expenses	0.60
Manager's rebate	(0.25)
Transaction charges	0.21
Ongoing charge	**1.56**

The Manager has agreed to rebate other expenses in excess of 0.35% of the Net Asset Value (NAV) of the Sub-Fund, with the effect of reducing the total expenses (excluding transaction charges) to 1.85% for Class A, and 1.35% for Class B share classes. The Manager will review the percentage rebate on expenses each year.

Synthetic Risk & Reward Indicator

The risk and reward indicator table demonstrates where the Sub-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 Sub-Fund. The shaded area in the table below shows the Sub-Fund's ranking on the risk and reward indicator.

Typically lower rewards, lower risk ← → **Typically higher rewards, higher risk**

1	2	3	4	5	6	7

The Sub-Fund is ranked 6 because funds of this type have experienced 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 Sub-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 and increase.

- 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.

Risk Warning

An investment in an Investment Company with Variable Capital 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 year ended 30 September 2013

	Note	30.09.13 £	30.09.13 £	30.09.12 £	30.09.12 £
Income					
Net capital (losses)/gains	2		(1,592,659)		1,341,748
Revenue	3	526,629		176,583	
Expenses	4	(224,191)		(104,744)	
Finance costs: interest	6	(194)		(30)	
Net revenue before taxation		302,244		71,809	
Taxation	5	(49,467)		(15,110)	
Net revenue after taxation			252,777		56,699
Total return before distributions			**(1,339,882)**		**1,398,447**
Finance costs: distributions	6		(252,764)		(56,696)
Change in net assets attributable to shareholders from investment activities			**(1,592,646)**		**1,341,751**

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 September 2013

	30.09.13 £	30.09.13 £	30.09.12 £	30.09.12 £
Opening net assets attributable to shareholders		**7,996,316**		**7,898,275**
Amounts received on issue of shares	24,430,626		2,974,820	
Less: Amounts paid on cancellation of shares	(373,434)		(4,283,592)	
		24,057,192		(1,308,772)
Dilution levy applied		54,473		17,916
Change in net assets attributable to shareholders from investment activities (see Statement of Total Return above)		(1,592,646)		1,341,751
Retained distribution on accumulation shares		214,940		47,146
Closing net assets attributable to shareholders		**30,730,275**		**7,996,316**

Balance Sheet

as at 30 September 2013

	Note	30.09.13 £	30.09.13 £	30.09.12 £	30.09.12 £
ASSETS					
Investment assets			**29,172,445**		**7,435,679**
Debtors	7	619,277		479,721	
Bank balances	9	1,664,984		223,201	
Total other assets			**2,284,261**		**702,922**
Total assets			**31,456,706**		**8,138,601**
LIABILITIES					
Investment liabilites			**–**		**–**
Creditors	8	(656,543)		(126,719)	
Distribution payable on income shares		(69,888)		(15,566)	
Total other liabilities			**(726,431)**		**(142,285)**
Total liabilities			**(726,431)**		**(142,285)**
Net assets attributable to shareholders			**30,730,275**		**7,996,316**

Notes to the Financial Statements
for the year ended 30 September 2013

1. Accounting policies

The Sub-Fund's Financial statements have been prepared on the same basis as the Aggregated Financial Statements. Details can be found on pages 8 to 9.

2 Net capital (losses)/gains

	30.09.13 £	30.09.12 £
Non-derivative securities	(1,457,117)	1,526,922
Currency losses	(100,491)	(154,235)
Transaction charges	(35,051)	(30,939)
Net capital (losses)/gains	**(1,592,659)**	**1,341,748**

3 Revenue

	30.09.13 £	30.09.12 £
Overseas dividends	526,626	176,577
Bank interest	3	6
Total revenue	**526,629**	**176,583**

Notes to the Financial Statements

continued

4 Expenses	30.09.13 £	30.09.12 £
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's fee	36,154	27,019
Registration fees	4,997	5,429
	41,151	32,448
Payable to the Investment Manager, associates of the Investment Manager and agents of either of them:		
Investment Manager's fee	166,863	78,132
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	13,202	11,943
Safe custody and other bank charges	20,474	5,946
	33,676	17,889
Other expenses:		
Audit fee (including VAT)	6,390	5,400
Audit fee (including VAT): taxation services	1,596	1,500
FCA fee	–	278
Legal fees	13,695	10,027
Printing costs	2,227	1,622
	23,908	18,827
Manager's rebate	(41,407)	(42,552)
Total expenses	**224,191**	**104,744**

Notes to the Financial Statements

continued

5 Taxation	30.09.13 £	30.09.12 £
(a) Analysis of charge in the year:		
Overseas tax	49,467	15,110
Current tax charge (note 5b)	**49,467**	**15,110**

(b) Factors affecting taxation charge for the year		
Net revenue before taxation	302,244	71,809
Corporation tax at 20%	60,449	14,362
Effects of:		
Movement in surplus management expenses	44,876	20,954
Non-taxable overseas earnings	(105,325)	(35,316)
Overseas withholding tax	49,467	15,110
Current tax charge (note 5a)	**49,467**	**15,110**

(c) Deferred tax

At the year end there is a potential deferred tax asset of £126,950 (2012: £82,078) in relation to surplus management expenses. It is unlikely that the Sub-Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the year.

Notes to the Financial Statements

continued

6 Finance costs

Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

		30.09.13 £	30.09.12 £
Income shares			
GBP Class A	Interim	–	–
GBP Class A	Final	2,226	375
GBP Class B	Interim	–	–
GBP Class B	Final	66,897	14,600
USD Class B	Interim	–	–
USD Class B	Final	765	591
Accumulation shares			
GBP Class A	Interim	–	–
GBP Class A	Final	23,006	1,691
GBP Class B	Interim	–	–
GBP Class B	Final	81,528	45,455
USD Class B	Final	30,695	–
EUR Class B	Final	79,711	–
		284,828	62,712
Revenue deducted on cancellation of shares		1,017	442
Revenue received on issue of shares		(33,081)	(6,458)
Finance costs: distributions		**252,764**	**56,696**
Finance costs: interest		194	30
Total finance costs		**252,958**	**56,726**

Reconciliation of net revenue after taxation to net distributions:

	30.09.13 £	30.09.12 £
Net revenue after taxation per statement of total return	252,777	56,699
Undistributed income brought forward	6	3
Undistributed income carried forward	(19)	(6)
Finance costs: distributions	**252,764**	**56,696**

Notes to the Financial Statements

continued

7 Debtors

	30.09.13 £	30.09.12 £
Amounts receivable for creations	324,528	344,801
Currency deals outstanding	251,899	57,668
Sales awaiting settlement	–	25,373
Dividends receivable	13,825	9,035
Manager's rebate	28,517	42,552
Overseas tax recoverable	508	278
Legal fees	–	14
Total debtors	**619,277**	**479,721**

8 Creditors

	30.09.13 £	30.09.12 £
Amounts payable for cancellations	473	5,789
Purchases awaiting settlement	353,791	41,771
Currency deals outstanding	251,899	57,668
Accrued expenses:		
Amounts payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD’s fee	4,887	2,213
Registration fees	836	410
	5,723	2,623
Amounts payable to the Investment Manager, associates of the Investment Manager and agents of either of them:		
Investment Manager’s fee	26,370	6,466
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary’s fee (including VAT)	1,357	918
Safe custody and other bank charges	6,444	1,484
	7,801	2,402
Other expenses:		
Audit fee (including VAT)	6,390	6,000
Audit fee (including VAT): taxation services	3,096	3,000
Printing costs	1,000	1,000
	10,486	10,000
Total creditors	**656,543**	**126,719**

Notes to the Financial Statements

continued

9 Cash and bank balances	30.09.13 £	30.09.12 £
Cash and bank balances	1,664,984	223,201
Cash and bank balances	**1,664,984**	**223,201**

10 Related party transactions

Details relating to the Sub-Fund are shown in note 10 of the Aggregated Notes to the Finacial Statements on page 15.

11 Contingent liabilities

There were no contingent liabilities or outstanding commitments at the balance sheet date (2012: £29,444).

Notes to the Financial Statements

continued

12 Derivatives and other financial instruments

The main risks arising from the Sub-Fund's holding of financial instruments together with the ACD's policies for managing these risks are disclosed in note 12 of the Aggregated Notes to the Financial Statements on pages 15 to 17.

Currency risk

The table below details the foreign currency risk profile at the balance sheet date:

30.09.13

Currency	Monetary exposures £	Non-monetary exposures £	Total £
Brazilian real	–	2,851,932	2,851,932
Hong Kong dollar	13,825	3,624,353	3,638,178
Indian rupee	–	2,428,013	2,428,013
Indonesian rupiah	–	675,433	675,433
Malaysian ringgit	–	726,168	726,168
Mexican peso	–	718,634	718,634
Philippine peso	–	372,151	372,151
Polish zloty	–	1,672,044	1,672,044
Pounds sterling	1,513,765	701,126	2,214,891
South African rand	3	2,488,982	2,488,985
South Korean won	25	4,620,917	4,620,942
Swedish krona	–	345,904	345,904
Taiwan dollar	7,931	2,727,744	2,735,675
Thai baht	–	1,220,317	1,220,317
Turkish lira	–	1,008,134	1,008,134
US dollar	22,281	2,990,593	3,012,874
	1,557,830	**29,172,445**	**30,730,275**

Notes to the Financial Statements

continued

12. Derivatives and other financial instruments (continued)

30.09.12

Currency	Monetary exposures £	Non-monetary exposures £	Total £
Brazilian real	1,658	1,001,710	**1,003,368**
Hong Kong dollar	3,902	1,053,553	**1,057,455**
Indian rupee	–	654,369	**654,369**
Indonesian rupiah	–	431,057	**431,057**
Malaysian ringgit	425	141,871	**142,296**
Mexican peso	–	242,828	**242,828**
Polish zloty	–	171,590	**171,590**
Pounds sterling	535,553	–	**535,553**
South African rand	278	404,993	**405,271**
South Korean won	24	1,131,753	**1,131,777**
Swedish krona	–	179,553	**179,553**
Taiwan dollar	2,668	687,670	**690,338**
Thai baht	3,050	360,738	**363,788**
Turkish lira	9,476	249,926	**259,402**
US dollar	3,603	724,068	**727,671**
	560,637	**7,435,679**	**7,996,316**

Notes to the Financial Statements

continued

13. Portfolio transaction costs

	30.09.13 £	30.09.12 £
Analysis of purchases		
Purchases before transaction costs	27,856,307	4,366,649
Transaction costs:		
Commissions	41,921	8,399
Stamp duty and other charges	17,639	2,025
	59,560	10,424
Total purchase costs	**27,915,867**	**4,377,073**
Analysis of sales		
Sales before transaction costs	4,746,015	5,917,164
Transaction costs:		
Commissions	(10,982)	(10,742)
Other charges	(3,968)	(5,663)
	(14,950)	(16,405)
Net sales proceeds	**4,731,065**	**5,900,759**

Distribution Tables

for the year ended 30 September 2013

Income Share Distribution

Share Class	Distribution	Shares	Net Revenue	Equalisation	Distribution Payable 2013	Distribution Paid 2012
GBP Class A	Interim	Group 1	–	–	–	–
		Group 2	–	–	–	–
	Final	Group 1	1.4280p	–	1.4280p	0.8267p
		Group 2	0.4848p	0.9432p	1.4280p	0.8267p
GBP Class B	Interim	Group 1	–	–	–	–
		Group 2	–	–	–	–
	Final	Group 1	1.9802p	–	1.9802p	1.4039p
		Group 2	1.5041p	0.4761p	1.9802p	1.4039p
USD Class B	Interim	Group 1	–	–	–	–
		Group 2	–	–	–	–
	Final	Group 1	3.1714$c	–	3.1714$c	2.4446$c
		Group 2	3.1714$c	–	3.1714$c	2.4446$c

Accumulation Share Distribution

Share Class	Distribution	Shares	Net Revenue	Equalisation	Amount Reinvested 2013	Amount Reinvested 2012
GBP Class A	Interim	Group 1	–	–	–	–
		Group 2	–	–	–	–
	Final	Group 1	1.4496p	–	1.4496p	0.8352p
		Group 2	0.4906p	0.9590p	1.4496p	0.8352p
GBP Class B	Interim	Group 1	–	–	–	–
		Group 2	–	–	–	–
	Final	Group 1	2.0390p	–	2.0390p	1.4340p
		Group 2	0.8841p	1.1549p	2.0390p	1.4340p
USD Class B	Final	Group 1	1.1695$c	–	1.1695$c	N/A
		Group 2	1.1334$c	0.0361$c	1.1695$c	N/A
EUR Class B	Final	Group 1	0.6371€c	–	0.6371€c	N/A
		Group 2	0.6370€c	0.0001€c	0.6371€c	N/A

Interim period: 01.10.12 - 31.03.13
Final period: 01.04.13 - 30.09.13

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.

Investment Objective and Policy

The Sub-Fund seeks to achieve capital appreciation and income growth by mainly investing in an actively managed portfolio of dividend-paying emerging market securities.

The portfolio will consist principally of quoted equity securities, issued by companies established or operating in emerging market countries, principally in Asia, Eastern Europe, the Middle East, Africa and Latin America.

The Sub-Fund may also invest at the Investment Manager's discretion in other transferable securities, money market instruments, cash and near cash, depositary receipts, derivative instruments and forward transactions, deposits, and derivatives for the purpose of hedging or efficient portfolio management. The Sub-Fund may also invest in shares in other collective investment schemes subject to the limits set out in the prospectus, however, investment by the Sub-Fund in other Schemes will be limited to a maximum of 10% of the scheme property of the Sub-Fund. Use may also be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted under applicable FCA Rules.

The Company permits the use of derivatives for investment purposes by the Sub-Fund, however, this policy is not currently applied and may not be applied without giving the required 60 day notice to Shareholders. If derivatives are used for the purpose of meeting the investment objective of the Sub-Fund it is not intended that the use of derivatives would significantly raise the risk profile but this cannot be guaranteed and the risk profile may increase as a result of a change in the investment policy for derivatives

The Sub-Fund is permitted to invest 5% or more of its scheme property in warrants. Such investments may increase the volatility of the Sub-Fund and therefore may adversely affect its risk profile.

Investment Manager's Report

for the year ended 30 September 2013

The Sub-Fund's accumulation class share price at NAV was up +4.07% in sterling terms whereas the market was up +0.79%. This represents an outperformance of +3.28% against the MSCI EM Index and we are satisfied with this result but keep in mind that there is always room for improvement.

Over the year the Sub-Fund has proved resilient to the rising market. As has often been repeated, we hope to outperform falling markets, but we do not expect to outperform rising ones. The Sub-Fund has benefited from a high weighting in local demand related stocks, with stocks such as Bank Pekao (Polish Banking) and Cielo (Brazilian credit card operator) amongst the top 10 contributors to Sub-Fund performance over the 12 months to 30 September 2013.

Of the changes to the portfolio, Aksa Akrilik Kimya Sanayii is one of the most interesting companies the Sub-Fund now has a stake in. Its core business is in the unloved textiles sector. Acrylic is a cheap substitute for wool and cashmere, but this is not a growth area. Partly for that reason though Aksa's position should be defensible. In addition the company has continually invested in technology and markets. Its acrylic plant is the largest in the world under a single roof and Turkey happens to be the second largest acrylic market in the world after China. A small portion of its acrylic sales come from high tech uses, such as heat resistant filters for power plants. The business is vertically integrated: it is now self-sufficient in power requirements. Meanwhile an off-shoot of the investment in acrylic technology is the company's development of commercial use carbon fibre (acrylic, natural gas and energy are the key ingredients of carbon fibre). Surprisingly the company is the first to enter the carbon fibre business with a commercial solution for 20 years. But the clincher for the investment

Investment Manager's Report

continued

case was that the company has sold half this carbon fibre business into a joint venture with the synthetic materials giant Dow Chemical. Earnings in 2013 are distorted by this sale, and a normalised P/E is around 10x. Since the carbon fibre business was a major cash drain in the start-up phase, the company's free cash flow from its acrylic should be able to fund a higher dividend in the coming years (perhaps a 3-4% yield). It is too soon to say how good this business is, but this is precisely the type of opportunity we continue to work hard to uncover.

Another interesting addition to the Sub-Fund was Nexen Tire which was added during Q3 2013. The position provides us with further diversification given our view that the portfolio was overly exposed to the domestic emerging market growth: through financials, telecoms and consumer brands. Though the emerging market consumer story was marketed aggressively by some firms, the exposure had been justified by the valuations and underlying company trends. In terms of Nexen Tire, the company is a tier 3 tire producer with Korean and Chinese production but 50% of revenues are from Europe and the U.S. It is superficially cheap on around 10x earnings, but it has substantial debt around 100% debt to equity and a small dividend yield (less than 1%). A strong positive outcome is dependent on continued growth which is supported by recent contract wins from Mitsubishi and Fiat (the first non-Korean companies to contract OEM agreements with Nexen). It is worth adding at this stage screens and other research suggest to us that embedded yield is currently offering better value than current yield, and some of the relatively low yield additions to the fund reflect this. Whilst a very different opportunity than Aksa Akrilik Kimya Sanayii, it is a high conviction position

Though the strategy has generated above market returns, we have made a number of mistakes over the last 12 months. Our South African stock picks, whilst still contributors over the 3.5 year life of the Sub-Fund have performed less well recently; and weaker returns here were compounded by a weaker Rand. We had reduced exposure here, without being prepared to sell aggressively. In addition, some smaller ASEAN markets like Indonesia, the Philippines and Thailand, have all suffered periods of difficulty during the year. Interestingly, of the eight disposals during the 12 months to 30 September 2013, seven were Asian companies – the exception being our holding in the Turkish beverage company, Anadolu Efes, which was sold from the Sub-Fund in June 2013.

Looking forward, our outlook is mixed. The commodity price divergence we witnessed in the period could indicate that a global recession is a possibility in the coming months or, otherwise that interest rates are too high to support real or financial activity. Manufacturing and trade data continues to be weak, and consumption spending in Emerging Markets have been driven by imbalances. Corporate profitability is proving more resilient, but quality stocks are trading at a premium where it is strongest. As a result, we will continue to look for better value opportunities in overlooked areas such as textiles, technology or insurance, where we can. But we prefer quality to 'cyclicals' where we cannot.

Edward Lam
Lead Manager
22 October 2013

Portfolio Statement

as at 30 September 2013

Holding	Security	Market value £	% of total net assets 2013
	BASIC MATERIALS 4.42% (1.16%)		
	Mining 0.89% (1.16%)		
1,109,336	Coal India	3,221,881	0.89
	Chemicals 3.53% (0.00%)		
4,966,225	Aksa Akrilik Kimya Sanayii	12,734,688	3.53
	INDUSTRIALS 5.78% (12.48%)		
	Construction & Materials 0.14% (3.57%)		
714,927	Semen Gresik (Persero)	495,611	0.14
	General Industrials 2.42% (3.52%)		
4,546,838	Nampak	8,707,435	2.42
	Electronic & Electrical Equipment 3.01% (5.39%)		
3,868,000	AAC Technologies	10,856,777	3.01
	Industrial Transportation 0.21% (0.00%)		
108,871	Container Corporation of India	770,118	0.21
	CONSUMER GOODS 23.50% (20.88%)		
	Automobiles & Parts 5.52% (0.00%)		
982,550	Nexen Tire	9,033,229	2.51
346,391	Nokian Renkaat Oyj	10,869,780	3.01
		19,903,009	5.52
	Beverages 1.82% (5.35%)		
127,213	CIA Cervecerias Unidas - Nil Paid Rights 12.10.13	32,151	0.01
794,463	Compania Cervecerais Unidas	6,536,823	1.81
		6,568,974	1.82
	Food Producers 0.89% (2.89%)		
175,493	Tiger Brands	3,220,904	0.89
	Household Goods & Home Construction 1.50% (0.96%)		
6,357,177	Turk Sise ve Cam Fabrika	5,395,003	1.50
	Leisure Goods 6.15% (1.51%)		
105,148	NCSoft	11,509,710	3.19
13,575	Samsung Electronics	10,655,134	2.96
		22,164,844	6.15
	Personal Goods 1.94% (2.20%)		
510,700	Natura Cosmeticos	7,012,580	1.94

Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2013
	Tobacco 5.68% (7.97%)		
649,523	British American Tobacco	7,882,626	2.19
184,924	KT & G	8,171,241	2.27
600,900	Souza Cruz	4,408,945	1.22
		20,462,812	5.68
	HEALTHCARE 1.56% (1.89%)		
	Healthcare Equipment & Services 1.56% (1.89%)		
4,763,958	Top Glove	5,613,682	1.56
	CONSUMER SERVICES 5.23% (10.68%)		
	Food & Drug Retailers 2.81% (2.86%)		
2,078,000	President Chain Store	9,244,081	2.56
87,811	Shoprite	891,192	0.25
		10,135,273	2.81
	General Retailers 0.80% (2.93%)		
454,851	The Foschini	2,904,290	0.80
	Media 0.00% (2.77%)		
	Travel & Leisure 1.62% (2.12%)		
840,950	Formosa International Hotels	5,831,051	1.62
	TELECOMMUNICATIONS 10.93% (15.94%)		
	Fixed Line Telecommunications 1.94% (2.92%)		
62,577,500	PT Telekomunikasi Indonesia	7,007,671	1.94
	Mobile Telecommunications 8.99% (13.02%)		
1,532,500	China Mobile	10,573,636	2.93
3,863,000	Far Eastone Telecommunications	5,946,081	1.65
511,283	Maroc Telecom	3,593,014	1.00
118,211	Millicom International Cellular	6,449,464	1.79
138,655	Philippine Long Distance Telephone	5,856,222	1.62
		32,418,417	8.99
	UTILITIES 6.64% (3.92%)		
	Electricity 4.06% (1.94%)		
14,189,965	Aboitiz Power	6,339,415	1.76
1,391,000	AES Tiete	8,296,069	2.30
		14,635,484	4.06

Portfolio Statement
continued

Holding	Security	Market value £	% of total net assets 2013
	Gas, Water & Multi-utilities 2.58% (1.98%)		
12,607,411	Aguas Andinas A Class	5,359,524	1.49
3,368,458	Inversiones Aguas Metropolitanas	3,930,601	1.09
		9,290,125	2.58
	FINANCIALS 23.53% (21.47%)		
	Banks 11.21% (11.86%)		
257,588	Bank Pekao	9,095,837	2.52
1,961,664	First Gulf Bank	5,441,738	1.51
8,275,090	Metro Pacific	9,741,102	2.70
3,924,345	National Bank of Abu Dhabi	8,412,138	2.33
485,800	Public Bank Berhad Common	1,630,838	0.45
1,812,400	Public Bank Berhad Foreign Market Common	6,084,253	1.70
		40,405,906	11.21
	Non-life Insurance 3.01% (3.42%)		
129,286	Powszechny Zaklad Ubezpieczen	10,845,446	3.01
	Life Insurance 5.33% (3.83%)		
6,263,278	Anadolu Hayat Emeklilik	8,699,528	2.41
3,661,624	Sanlam	10,528,416	2.92
		19,227,944	5.33
	Financial Services 3.98% (2.36%)		
384,852	Cielo	6,399,076	1.78
7,985,453	AFP Habitat	7,935,635	2.20
		14,334,711	3.98
	TECHNOLOGY 2.64% (4.37%)		
	Technology Hardware & Equipment 2.64% (4.37%)		
4,529,785	Taiwan Semiconductor	9,507,849	2.64
	Investment assets	**303,672,485**	**84.23**
	Net other assets	**56,841,491**	**15.77**
	Net assets	**360,513,976**	**100.00**

All investments are ordinary shares or stock units on regulated securities market unless otherwise stated.
The percentages in brackets show the equivalent % holdings as at 30.09.12.

Comparative Tables

as at 30 September 2013

Net asset values

Year as at 30 September	Income shares			Accumulation shares		
	Net asset value	No. of shares in issue	Net asset value per share	Net asset value	No. of shares in issue	Net asset value per share
GBP Class A						
2011	£18,775,901	19,654,357	95.53p	£5,034,547	5,179,353	97.20p
2012	£48,455,708	44,844,544	108.05p	£21,007,905	18,105,991	116.03p
2013	£94,209,408	86,125,489	109.39p	£149,667,164	124,238,108	120.47p
EUR Class B						
2011	€917,877	950,000	96.62€c	€48,345	49,980	96.73€c
2012	€1,582,420	1,304,133	121.34€c	€590,050	479,734	123.00€c
2013	€512,724	444,847	115.26€c	€43,157,244	35,457,994	121.71€c
USD Class B						
2013	$724,782	778,000	93.16$c	$49,852,374	49,249,744	101.22$c
AUD Class C						
2013	N/A	N/A	N/A	AU$84,691,946	74,263,972	114.04$c

Price history & distribution record

The table below shows the highest and lowest prices on a calendar year basis per share since launch. Past performance is not necessarily a guide to the future performance.

Year	Income shares			Accumulation shares		
	Highest	Lowest	Net distribution per share	Highest	Lowest	Net distribution per share
GBP Class A^^						
2010	111.34p	93.68p	0.7710p	112.45p	93.68p	0.7710p
2011	111.70p	93.61p	3.4289p	112.81p	97.57p	3.4852p
2012	114.09p	100.06p	3.0151p	122.50p	104.50p	3.1645p
2013^	125.16p	107.86p	2.8640p	135.58p	116.84p	3.0924p
EUR Class B^^^						
2011	106.57€c	94.26€c	0.1033€c	106.74€c	94.21€c	–
2012	126.66€c	106.49€c	3.3342€c	126.81€c	106.67€c	3.3134€c
2013^	129.68€c	110.04€c	3.0165€c	134.69€c	114.29€c	3.1201€c
USD Class B^^^^						
2013^	100.00$c	87.43$c	1.3313$c	107.11$c	93.67$c	2.1538$c
AUD Class C^^^^^						
2012	N/A	N/A	N/A	103.42$c	96.05$c	–
2013^	N/A	N/A	N/A	117.24$c	98.53$c	3.1559$c

Comparative Tables

continued

Price history & distribution record (continued)

^ To 30 September 2013
^^ GBP Class A Income and Accumulation shares were launched 29 March 2010
^^^ EUR Class B Income shares were launched 16 September 2011 and B Accumulation shares were launched 22 September 2011
^^^^ USD Class B Income shares were launched 9 May 2013 and B Accumulation shares were launched 25 February 2013
^^^^^ AUD Class C Accumulation shares were launched 3 October 2012
Foreign exchange rates used to calculate net asset value and net distribution per share as at 30 September 2013 were €1.1963, A$1.7319 and US$1.6194

Ongoing charges

Expense type	30 September 2013 %
GBP Class A	
Manager's periodic charge	1.00
Other expenses^+	0.39
Transaction charges	0.03
Ongoing charge	**1.42**
EUR Class B	
Manager's periodic charge	1.00
Other expenses^+	0.39
Transaction charges	0.03
Ongoing charge	**1.42**
USD Class B	
Manager's periodic charge	1.00
Other expenses^+	0.39
Transaction charges	0.03
Ongoing charge	**1.42**
AUD Class C	
Manager's periodic charge	–
Other expenses	–
Transaction charges	–
Ongoing charge	**–**

^ With effect from 1 October 2013, a new structure for the charging of fees relating to Dealing and Registration was introduced with the anticipated effect of reducing other expenses charged to 0.36%. Further details can be found in the General Information of this report.

+ As at 31 October 2013, the Fund had increased in size to £402m, the anticipated effect of the increase in respect of the TER, would be to reduce the other expenses (including the changes to Dealing and Registration fees detailed above) to 0.32%.

Comparative Tables

continued

Synthetic Risk & Reward Indicator

The risk and reward indicator table demonstrates where the Sub-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 Sub-Fund. The shaded area in the table below shows the Sub-Fund's ranking on the risk and reward indicator.

Typically lower rewards, lower risk ← → **Typically higher rewards, higher risk**

1	2	3	4	5	**6**	7

The Sub-Fund is ranked 6 because funds of this type have experienced 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 Sub-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 and increase.
- 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.

Risk Warning

An investment in an Investment Company with Variable Capital 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 year ended 30 September 2013

	Note	30.09.13 £	30.09.13 £	30.09.12 £	30.09.12 £
Income					
Net capital (losses)/gains	2		(13,148,772)		5,034,407
Revenue	3	7,392,031		1,921,714	
Expenses	4	(2,445,169)		(691,806)	
Finance costs: interest	6	(229)		(123)	
Net revenue before taxation		4,946,633		1,229,785	
Taxation	5	(807,226)		(212,497)	
Net revenue after taxation			4,139,407		1,017,288
Total return before distributions			**(9,009,365)**		**6,051,695**
Finance costs: distributions	6		(5,884,808)		(1,496,431)
Change in net assets attributable to shareholders from investment activities			**(14,894,173)**		**4,555,264**

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 September 2013

	30.09.13 £	30.09.13 £	30.09.12 £	30.09.12 £
Opening net assets attributable to shareholders		**71,194,388**		**24,642,609**
Amounts received on issue of shares	338,390,832		46,924,214	
Less: Amounts paid on cancellation of shares	(39,915,922)		(5,477,428)	
		298,474,910		41,446,786
Dilution levy applied		374,121		–
Change in net assets attributable to shareholders from investment activities (see Statement of Total Return above)		(14,894,173)		4,555,264
Retained distribution on accumulation shares		5,364,730		549,729
Closing net assest attributable to shareholders		**360,513,976**		**71,194,388**

Balance Sheet
as at 30 September 2013

	Note	30.09.13 £	30.09.13 £	30.09.12 £	30.09.12 £
ASSETS					
Investment assets			**303,672,485**		**66,058,761**
Debtors	7	18,314,576		1,999,250	
Bank balances	9	59,081,850		6,944,654	
Total other assets			**77,396,426**		**8,943,904**
Total assets			**381,068,911**		**75,002,665**
LIABILITIES					
Investment liabilites			**–**		**–**
Creditors	8	(18,966,651)		(2,734,302)	
Distribution payable on income shares		(1,588,284)		(1,073,975)	
Total other liabilities			**(20,554,935)**		**(3,808,277)**
Total liabilities			**(20,554,935)**		**(3,808,277)**
Net assets attributable to shareholders			**360,513,976**		**71,194,388**

Notes to the Financial Statements

for the year ended 30 September 2013

1. Accounting policies

The Sub-Fund's Financial statements have been prepared on the same basis as the Aggregated Financial Statements. Details can be found on pages 8 to 9.

2 Net capital (losses)/gains

	30.09.13 £	30.09.12 £
Non-derivative securities	(13,032,057)	5,236,235
Currency losses	(59,696)	(157,508)
Transaction charges	(57,019)	(44,320)
Net capital (losses)/gains	**(13,148,772)**	**5,034,407**

3 Revenue

	30.09.13 £	30.09.12 £
Overseas dividends	7,390,833	1,921,467
Bank interest	1,198	247
Total revenue	**7,392,031**	**1,921,714**

Notes to the Financial Statements

continued

4 Expenses	30.09.13 £	30.09.12 £
Payable to the Authorised Corporate Director (ACD), associates of the ACD, and agents of either of them:		
ACD's fee	217,482	94,210
Registration fees	189,609	18,581
	407,091	112,791
Payable to the Investment Manager, associates of the Investment Manager and agents of either of them:		
Investment Manager's fee	1,745,555	479,146
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	113,412	26,480
Safe custody and other bank charges	282,739	53,820
	396,151	80,300
Other expenses:		
Audit fee (including VAT)	6,390	5,400
Audit fee (including VAT): taxation services	1,596	1,500
FCA fee	–	278
Legal fees	14,267	10,666
Printing costs	2,420	1,725
	24,673	19,569
Manager's rebate against AUD Class C Accumulation share	(128,301)	–
Total expenses	**2,445,169**	**691,806**

Notes to the Financial Statements

continued

5 Taxation

	30.09.13 £	30.09.12 £
(a) Analysis of charge in the year:		
Overseas tax	807,226	212,497
Current tax charge (note 5b)	**807,226**	**212,497**

	30.09.13 £	30.09.12 £
(b) Factors affecting taxation charge for the year		
Net revenue before taxation	4,946,633	1,229,785
Corporation tax at 20%	989,327	245,957
Effects of:		
Movement in surplus management expenses	488,840	138,336
Non-taxable overseas earnings	(1,478,167)	(384,293)
Overseas withholding tax	807,226	212,497
Current tax charge (note 5a)	**807,226**	**212,497**

(c) Deferred tax

At the year end there is a potential deferred tax asset of £704,618 (2012: £215,766) in relation to surplus management expenses. It is unlikely that the Sub-Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the year.

Notes to the Financial Statements

continued

6 Finance costs

Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

		30.09.13 £	30.09.12 £
Income shares			
GBP Class A	Interim	650,820	179,774
GBP Class A	Final	1,574,718	1,046,806
Eur Class B	Interim	3,150	9,143
Eur Class B	Final	7,170	27,169
USD Class B	Final	6,396	–
Accumulation shares			
GBP Class A	Interim	525,628	94,458
GBP Class A	Final	2,460,536	444,231
EUR Class B	Interim	110,804	1,120
EUR Class B	Final	593,390	9,920
USD Class B	Interim	4,021	–
USD Class B	Final	505,401	–
AUD Class C	Interim	267,396	–
AUD Class C	Final	897,554	–
		7,606,984	1,812,621
Revenue deducted on cancellation of shares		221,303	56,015
Revenue received on issue of shares		(1,943,479)	(372,205)
Finance costs: distributions		**5,884,808**	**1,496,431**
Finance costs: interest		229	123
Total finance costs		**5,885,037**	**1,496,554**

Reconciliation of net revenue after taxation to net distributions:

Net revenue after taxation per statement of total return	4,139,407	1,017,288
Expenses charged to capital	1,745,555	479,146
Undistributed revenue brought forward	27	24
Undistributed revenue carried forward	(181)	(27)
Finance costs: distributions	**5,884,808**	**1,496,431**

Notes to the Financial Statements

continued

7 Debtors

	30.09.13 £	30.09.12 £
Amounts receivable for creations	6,959,876	796,269
Currency deals outstanding	8,991,914	1,130,944
Sales awaiting settlement	2,141,399	–
Dividends receivable	144,539	61,845
Manager's rebate	33,251	–
Overseas tax recoverable	43,597	10,192
Total debtors	**18,314,576**	**1,999,250**

8 Creditors

	30.09.13 £	30.09.12 £
Amounts payable for cancellations	312,958	35,360
Purchases awaiting settlement	9,205,373	1,470,583
Currency deals outstanding	9,038,474	1,130,969
Accrued expenses:		
Amounts payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's fee	25,031	4,368
Registration fees	26,818	5,743
	51,849	10,111
Amounts payable to the Investment Manager, associates of the Investment Manager and agents of either of them:		
Investment Manager's fee	242,007	59,063
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	14,474	3,035
Safe custody and other bank charges	91,030	15,181
	105,504	18,216
Other expenses:		
Audit fee (including VAT)	6,390	6,000
Audit fee (including VAT): taxation services	3,096	3,000
Printing costs	1,000	1,000
	10,486	10,000
Total creditors	**18,966,651**	**2,734,302**

Notes to the Financial Statements

continued

9 Cash and bank balances	30.09.13 £	30.09.12 £
Cash and bank balances	59,081,850	6,944,654
Cash and bank balances	**59,081,850**	**6,944,654**

10 Related party transactions

Details relating to the Sub-Fund are shown in note 10 of the Aggregated Notes to the Financial Statements on page 15.

11 Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2012: nil).

Notes to the Financial Statements

continued

12 Derivatives and other financial instruments

The main risks arising from the Sub-Fund's holding of financial instruments together with the ACD's policies for managing these risks are disclosed in note 12 of the Aggregated Notes to the Financial Statements on pages 15 to 17.

Currency risk

The table below details the foreign currency risk profile at the balance sheet date:

30.09.13

Currency	Monetary exposures £	Non-monetary exposures £	Total £
Arab Emirates dirham	–	13,853,876	13,853,876
Brazilian real	80,460	26,116,670	26,197,130
Chiliean peso	64,079	23,794,734	23,858,813
Euro	(7,170)	10,869,780	10,862,610
Hong Kong dollar	186,262	21,430,413	21,616,675
Indian rupee	2,141,399	7,503,282	9,644,681
Indonesian rupiah	–	3,991,999	3,991,999
Malaysian ringgit	–	21,211,399	21,211,399
Morroccan dirham	–	3,593,014	3,593,014
Philippine peso	(322,398)	21,936,739	21,614,341
Polish zloty	–	19,941,283	19,941,283
Pounds sterling	54,457,517	–	54,457,517
South African rand	43,597	26,252,237	26,295,834
South Korean won	–	39,369,314	39,369,314
Swedish krona	–	6,449,464	6,449,464
Taiwan dollar	–	30,529,062	30,529,062
Turkish lira	–	26,829,219	26,829,219
US dollar	197,745	–	197,745
	56,841,491	**303,672,485**	**360,513,976**

Notes to the Financial Statements

continued

12. Derivatives and other financial instruments (continued)

30.09.12

Currency	**Monetary exposures £**	**Non-monetary exposures £**	**Total £**
Arab Emirates dirham	–	2,134,148	**2,134,148**
Brazilian real	26,080	6,544,545	**6,570,625**
Chilean peso	–	3,863,406	**3,863,406**
Euro	(4,371)	–	**(4,371)**
Hong Kong dollar	53,274	4,105,172	**4,158,446**
Indian rupee	–	686,403	**686,403**
Indonesian rupiah	–	5,443,718	**5,443,718**
Malaysian ringgit	(103,155)	5,393,028	**5,289,873**
Morroccan dirham	(259,619)	1,316,721	**1,057,102**
Philippine peso	251	2,091,206	**2,091,457**
Polish zloty	–	4,126,433	**4,126,433**
Pounds sterling	5,344,582	–	**5,344,582**
South African rand	5,897	10,445,866	**10,451,763**
South Korean won	–	3,838,483	**3,838,483**
Swedish krona	–	1,172,935	**1,172,935**
Taiwan dollar	11,975	6,201,629	**6,213,604**
Thai baht	–	4,474,041	**4,474,041**
Turkish lira	–	2,314,976	**2,314,976**
US dollar	60,713	1,906,051	**1,966,764**
	5,135,627	**66,058,761**	**71,194,388**

Notes to the Financial Statements

continued

13. Portfolio transaction costs

	30.09.13 £	30.09.12 £
Analysis of purchases		
Purchases before transaction costs	287,852,749	46,994,508
Transaction costs:		
Commisions	630,878	106,025
Stamp duty and other charges	139,414	29,430
	770,292	135,455
Total purchase costs	**288,623,041**	**47,129,963**
Analysis of sales		
Sales before transaction costs	38,104,589	7,501,418
Transaction costs:		
Commissions	(83,149)	(15,646)
Other charges	(44,182)	(7,612)
	(127,331)	(23,258)
Net sales proceeds	**37,977,258**	**7,478,160**

Distribution Tables

for the year ended 30 September 2013

Income Share Distribution

Share Class	Distribution	Shares	Net Revenue	Equalisation	Distribution Paid/Payable 2013	Distribution Paid 2012
GBP Class A	Interim	Group 1 Group 2	1.0356p 0.8105p	– 0.2251p	1.0356p 1.0356p	0.6808p 0.6808p
GBP Class A	Final	Group 1 Group 2	1.8284p 1.0252p	– 0.8032p	1.8284p 1.8284p	2.3343p 2.3343p
EUR Class B	Interim	Group 1 Group 2	1.0884€c 0.8667€c	– 0.2217€c	1.0884€c 1.0884€c	0.7193€c 0.7193€c
EUR Class B	Final	Group 1 Group 2	1.9281€c 1.3887€c	– 0.5394€c	1.9281€c 1.9281€c	2.6149€c 2.6149€c
USD Class B	Final	Group 1 Group 2	1.3313$c 1.3313$c	– –	1.3313$c 1.3313$c	– –

Accumulation Share Distribution

Share Class	Distribution	Shares	Net Revenue	Equalisation	Amount Reinvested 2013	Amount Reinvested 2012
GBP Class A	Interim	Group 1 Group 2	1.1119p 0.9572p	– 0.1547p	1.1119p 1.1119p	0.7110p 0.7110p
GBP Class A	Final	Group 1 Group 2	1.9805p 0.7061p	– 1.2744p	1.9805p 1.9805p	2.4535p 2.4535p
EUR Class B	Interim	Group 1 Group 2	1.1181€c 0.9102€c	– 0.2079€c	1.1181€c 1.1181€c	0.7178€c 0.7178€c
EUR Class B	Final	Group 1 Group 2	2.0020€c 0.7687€c	– 1.2333€c	2.0020€c 2.0020€c	2.5956€c 2.5956€c
USD Class B	Interim	Group 1 Group 2	0.4920$c 0.4656$c	– 0.0264$c	0.4920$c 0.4920$c	– –
USD Class B	Final	Group 1 Group 2	1.6618$c 1.2777$c	– 0.3841$c	1.6618$c 1.6618$c	– –
AUD Class C	Interim	Group 1 Group 2	1.0627$c 0.9817$c	– 0.0810$c	1.0627$c 1.0627$c	– –
AUD Class C	Final	Group 1 Group 2	2.0932$c 1.5606$c	– 0.5326$c	2.0932$c 2.0932$c	– –

Interim period: 01.10.12 - 31.03.13
Final period: 01.04.13 - 30.09.13

Group 1: Shares purchased prior to a distribution period
Group 2: Shares purchased during a distribution period

Distribution Tables

continued

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.

Investment Objective and Policy

The objective of the Sub-Fund is to achieve long term capital appreciation.

The Sub-Fund seeks capital appreciation by investing in an actively managed portfolio composed principally of quoted equity securities, issued by companies established or operating in emerging market countries, principally in Asia, Eastern Europe, the Middle East, Africa and Latin America and whose market capitalisation does not exceed US$2.5 billion at the time of the investment. The Sub-Fund may also invest in other investment funds in order to gain exposure to specific markets or the expertise of specific managers. The Sub-Fund generally seeks to maintain a diversified portfolio in order to reduce its dependence on specific companies or industry sectors.

The Sub-Fund may invest in cash and near cash, and in shares in other collective investment schemes subject to the limits set out in Appendix 2 of the prospectus, however, investment by the Sub-Fund in other Schemes will be limited to a maximum of 10% of the scheme property of the Sub-Fund.

The Company permits the use of derivatives for investment purposes by the Sub-Fund, however, this policy is not currently applied and may not be applied without giving the required 60 day notice to Shareholders. If derivatives are used for the purpose of meeting the investment objective of the Sub-Fund it is not intended that the use of derivatives would significantly raise the risk profile but this cannot be guaranteed and the risk profile may increase as a result of a change in the investment policy for derivatives.

The Sub-Fund is permitted to invest 5% or more of its scheme property warrants. Such investments may increase the volatility of the Sub-Fund and therefore may adversely affect its risk profile.

Investment Manager's Report

for the year ended 30 September 2013

The Sub-Fund outperformed the Emerging Markets during the 12 months to 30 September 2013, returning +5.51% against +0.79% for the MSCI EM Index and +1.45% for the MSCI EM Small Cap Index: outperformance of +4.72% and +4.06% respectively. Whilst we are satisfied with this result, performance would have been stronger without the relatively poor return in August which was caused by a confluence of wider negatives.

We bought Philip Morris Czech in November, which is a well-run subsidiary of Phillip Morris International, which attracted us through its 30% ROC, large cashpile, 100% dividend pay-out and 7.5% FCF yield. Their 10 year FCF yield and p/e are 11% and 10.5x respectively, some of the cheapest valuations in the small cap universe. The reason for this value is the perceived lack of (decline in) growth. The capacity additions at their Kutna Hora factory suggest greater volumes are expected by Phillip Morris but it would be fair to say these are mostly for the latter's export markets, which are at a less attractive cost-plus margin for Phillip Morris Czech. The company has long shown itself successful at brand management, however, and the market may be underestimating some basic Bohemian urges.

We also added three new positions in January, which were Pegas Nonwovens, City Union Bank and Whanin Pharmaceutical. Whanin stands out as having a profitable niche in anti-depressant medication. South Korea has one of the highest suicide rates in the world, which has prompted the government to introduce an extra component to health tests that should increase sales of anti-depressants. Its growth potential, coupled with the specialised marketing channels required for CNS medication, in our opinion, made Whanin's 10x p/e in January look cheap. Whanin had 12% FCF margins and 27% net cash/market cap when we bought it.

Investment Manager's Report

continued

In January we sold AKR in Indonesia due to its high valuation, although their competitive advantage in chemical and refined petrochemical distribution remains undisputed. Their recent projects and mooted future ones look to have a slightly longer payback period and valuations of 23x did seem expensive for a cyclical company, albeit a quality cyclical. We trimmed two of our largest, most expensive positions: BEC World and Grupo Herdez. Both had risen to nearly 5% of the Sub-Fund and have now been reduced towards 3.5%.

We bought AFP Habitat in April, which is the second largest pension fund administrator in Chile with a 25% market share of AUM ($20bn). It is a legal obligation for workers to contribute 10% of their gross salary to a pension fund. 94% of Habitat's revenue comes from charging a 1.27% fee on this contribution. They have also won a mandate to run a fund in Peru which wishes to emulate Chile's model. From our own experience as co-investors with Habitat we believe they take a rigorous approach towards capital management and corporate governance. Their 30% ROE is high (although obviously subject to market fluctuations) and a 90% dividend pay-out policy of profits after reserves leads to a 5.4% dividend yield. We purchased them on 13x p/e.

We also purchased Qualitas Controladora, the largest auto insurer in Mexico with a 23% share of premiums written. Established in 1993 but listed last July, Qualitas modified their strategy in 2007 in order to increase their sales through financial institutions and dealerships. This was owing to the recent opening up of auto financing in Mexico and thus car ownership. Now 1 million cars are sold per year in Mexico with 55% of these sales made on credit. This was initially expensive for Qualitas but they have since negotiated commissions down and the scale and (from the car companies) deals on auto and labour they have achieved has strengthened their barriers to entry yet further. They claim to be the only insurer specialised enough, with the national reach (crucial in terms of assessment and repairs), purchasing scale and sufficient historical data to win out in the long term. Their combined ratio has dropped to 89% but has been higher. Insurance is not mandatory in most states in Mexico (although it is compulsory for the initial three years of any loan if you take financing, accounting for some recent market expansion) providing both opportunity and risk. The high 5% insurance premium (double the world average) results from the fraud risk inherent in this system. The fact that only 9 million of the 33 million vehicles in circulation are insured provides opportunity. Their dividend payout is currently 50% and we bought the stock on 13.6x p/e.

We also added Sinmag in July, a Taiwanese company which manufactures and distributes bakery equipment for hypermarket, fast food and bakery chains across the world. 40% of its sales come from China where it continues to gain market share and benefits from an increasing taste for baked breads and western snacks (4.8kg bread is consumed per capita in China compared to 22kg in Japan and 41kg in the UK). Other key markets are Taiwan, Thailand, Malaysia, Europe and the US. The dividend payout ratio has averaged 80% over the past five years and they plan to maintain this, the chairman and CEO hold almost 5% of the company each. Returns are impressive with a 32% ROE driven by 17% operating margins and 1.5x asset turnover. Sinmag's 10 year history of compounding equity (18% cagr), free cash flow (22% cagr) and dividends (30%) has been impressive.

In May we sold Lewis Group, the South African low income furniture retailer and financer. Despite low valuations and more stable results than their competitors they look to have a capex plan that is somewhat at odds to what we had expected. In addition, the aggressive lending practices of new low income lenders and the maturity of the credit cycle in these areas are a cause of concern to their competitive strength and likely credit quality of their customers.

Investment Manager's Report

continued

Turkey, Taiwan and the Philippines have been the strongest performers over the past 12 months. Turkey in particular has shown impressive performance. Adel Kalemcilik, the Philippine industrial company, has largely driven this strong outperformance. Taiwan has also been particularly strong with the strongest single stock performance coming from this country in St. Shine Optical, the Taiwanese contact lens manufacturer. This stock has performed well since purchase and continues to be a strong contributor to returns. Chinese stocks such as Minth Group and Travelsky Tech have also been strong performers on an absolute basis and, compared to the index, we have been underweight here. This is due to the usual problem of poor corporate governance keeping us out.

India has been the worst performing country over the past 12 months. We have reduced our exposure to India over the past 6 months but valuations do remain attractive. VIP Industries and City Union Bank have been the two largest detractors from the Fund. VIP Industries has suffered from continuing impact from a weak Rupee and a lack of CSD sales. City Union Bank has also suffered from the weak Rupee although is trading on attractive valuations.

A notable month in terms of underperformance was August. After strong performance in June and July, the Sub-Fund performed poorly due to a number of wider factors. The first and most obvious negative is the economic (asset class) risk crystallising within Emerging Markets. We believe the primary risks here are financial (the build-up of debt) and governance related (both at the political and the corporate level). Emerging Market debt is usually not as onerous as in developed countries and much of the consumer debt is short term rather than long term mortgage liabilities. However deficit countries such as India, Turkey, Brazil and South Africa are particularly dependent on foreign financing, countries like China with large domestic savings bases have nonetheless taken on significant leverage and overall GEM bond yields are probably still too low (dragged lower by the artificial anchor of US rates). The issue is not so much the sustainability of debt burdens at the current level as what will happen if rates move higher. An unhelpful positive feedback effect from a re-pricing of risk would lead to real credit issues, compounded by weakening currencies which are initially an effect of this re-pricing but become a cause. The governance risks are well flagged at the corporate level but political corruption has contributed to economic stagnation, loss of confidence in legal frameworks and increased financial risk.

The second negative is sectoral, resulting from the over-valuation of Emerging Market consumer and domestically focused companies. This is a simple case of the story trumping economic probability or reality. Consumer Staples and Healthcare still trade on 21x p/e as sectors and a lot of the companies are not going to deliver the earnings required to grow into these multiples, especially if debt, subsidy, currency and employment trends turn against their customers. The popularity of the sector is a danger in itself as funds have developed such conviction in the long term sustainability of the story that they have taken positions in listed stocks which are more suited to private equity holding periods. There remain good volume growth opportunities for consumer focused companies but their levels of profitability in the short term are questionable. Given the currency effect and the apparently improving economic environment outside of emerging markets exporters might be seen to be more attractive.

The last negative is a stylistic one. The lesson learned by many investors in 2008 was that it was ‘Quality’ stocks (many falling into the category above but defined fundamentally by a high and stable level of profitability and, at the time, very reasonable valuations) that outperformed the previously attractive commodity and cyclical stocks. This has meant that the strongest performing strategies since January 2010 have been Quality, GAARP and Income related strategies rather than deep value or purely ‘cheap’ investment philosophies.

Investment Manager's Report

continued

The fascinating thing about August was that all of these issues came together at once. The emerging market sell-off has been happening for a while but suddenly domestic companies and quality based philosophies underperformed as well. The consumer staples and financials sectors were off by 7% whilst the IT sector fell by 1.7% and even the unloved, cyclical energy and materials sectors fell by only 3.3% and 2.5%. Small cap fund managers operating GAARP or quality strategies saw their funds fall by up to 9% whilst some Deep Value strategies were down by only 2%.

If we expected many of these risks, what have we been doing to protect against them? Of the four key risks in portfolio construction, it was the valuation risk we had become most concerned about, but we also sold companies exposed to indebted parts of the consumer chain (Pruksa and Lewis). Over the past 18 months the 13 stocks we sold proceeded to fall on average 13% whilst the 14 stocks we bought are flat on their purchase price. In addition, we had raised cash to 10% by the start of August, the highest level in the Sub-Fund’s history. Although we were finding the most value in countries like India and Turkey we were careful not to have more than 10% in any country given some of the macro risks in the cheapest areas. Performance was likely to have been significantly worse without these measures.

The inevitable question is when will the sell-off end? It is dangerous to guess at this and a lot hinges on how the debt dynamics play out. If rates rise, there is likely to be more pain and Emerging Market valuations can fall to 10xp/e (currently closer to 15x) if panic really sets in. Ultimately this kind of currency and debt scare is nothing new for Emerging Markets though and the debt structures and tenors are fundamentally better than in the west. Economic headwinds and fatigue with the Emerging Market growth story will contribute to disillusionment but when valuations reach levels they can bounce from, the opportunity will remain.

Mark Asquith
Lead Investment Manager

1 November 2013

Portfolio Statement
as at 30 September 2013

Holding	Security	Market value £	% of total net assets 2013
	OIL & GAS 0.00% (2.08%)		
	Oil & Gas Producers 0.00% (2.08%)		
	BASIC MATERIALS 2.00% (2.51%)		
	Mining 2.00% (2.51%)		
585,994	Moil	1,176,231	2.00
	INDUSTRIALS 16.52% (24.10%)		
	Construction & Materials 6.19% (6.22%)		
800,100	Engineers India	1,368,448	2.33
522,757	Raubex	748,665	1.27
2,083,850	Trakya Cam Sanayii	1,520,362	2.59
		3,637,475	6.19
	General Industrials 0.00% (3.57%)		
	Electronic & Electrical Equipment 2.33% (4.82%)		
3,000,067	Hana Microelectronics	1,368,111	2.33
	Industrial Engineering 3.25% (2.71%)		
21,126	Hyundai Mipo Dockyard	1,905,835	3.25
	Industrial Transportation 2.91% (1.90%)		
939,110	Super	1,395,077	2.38
51,000	Tegma Gestao Logistica	310,819	0.53
		1,705,896	2.91
	Support Services 1.84% (4.88%)		
130,518	Valid Solucoes	1,078,206	1.84
	CONSUMER GOODS 24.05% (18.31%)		
	Automobiles & Parts 4.09% (2.24%)		
1,964,000	Minth	2,398,955	4.09
	Food Producers 2.41% (3.56%)		
680,540	Grupo Herdex SAB-Series	1,412,644	2.41
	Household Goods & Home Construction 4.72% (7.01%)		
127,245	Adel Kalemcilik	2,262,660	3.85
1,027,780	V.I.P. Industries	508,400	0.87
		2,771,060	4.72

Portfolio Statement
continued

Holding	Security	Market value £	% of total net assets 2013
	Personal Goods 9.70% (5.50%)		
355,000	Giant Manufacturing	1,493,970	2.54
4,601,100	Padini	1,534,136	2.61
75,611	Pegas Nonwovens	1,399,349	2.38
477,300	Sinmag	1,266,000	2.17
		5,693,455	9.70
	Tobacco 3.13% (0.00%)		
5,266	Philip Morris	1,838,687	3.13
	HEALTHCARE 9.61% (6.49%)		
	Healthcare Equipment & Services 5.69% (5.44%)		
88,000	ST Shine Optical	1,494,211	2.54
1,567,305	Top Glove	1,846,857	3.15
		3,341,068	5.69
	Pharmaceuticals & Biotechnology 3.92% (1.05%)		
802,138	FDC	655,901	1.12
250,390	Whanin Pharmaceutical	1,647,369	2.80
		2,303,270	3.92
	CONSUMER SERVICES 9.59% (14.27%)		
	General Retailers 0.78% (2.91%)		
72,021	The Foschini	459,865	0.78
	Media 3.72% (6.44%)		
1,094,962	BEC World Foreign	1,226,714	2.09
1,838,359	Navneet Publications India	959,226	1.63
		2,185,940	3.72
	Travel & Leisure 5.09% (4.92%)		
240,747	City Lodge Hotels	1,787,447	3.04
173,800	Formosa International Hotels	1,205,109	2.05
		2,992,556	5.09

Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2013
	FINANCIALS 26.73% (27.35%)		
	Banks 9.93% (13.15%)		
169,004	Banco ABC Brasil	604,775	1.03
1,760,063	City Union Bank	736,087	1.25
1,008,766	Security Bank	1,875,644	3.19
3,113,425	Union National Bank	2,617,203	4.46
		5,833,709	9.93
	Non-life Insurance 2.27% (0.00%)		
901,601	Qualitas Controladora	1,335,649	2.27
	Financial Services 10.04% (6.27%)		
1,607,739	AFP Habitat	1,597,709	2.72
323,799	JSE	1,708,681	2.91
343,796	Warsaw Stock Exchange	2,588,502	4.41
		5,894,892	10.04
	Real Estate Investment Trust 2.52% (2.87%)		
2,203,000	Capitaretail China	1,479,870	2.52
	Real Estate Investment & Services 1.97% (5.06%)		
2,345,127	IGB	1,155,126	1.97
	TECHNOLOGY 3.09% (2.86%)		
	Software & Computer Services 3.09% (2.86%)		
3,678,931	Travelsky Technology	1,816,221	3.09
	Investment assets	**53,784,721**	**91.59**
	Net other assets	**4,937,467**	**8.41**
	Net assets	**58,722,188**	**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 30.09.12

Comparative Tables

as at 30 September 2013

Net asset values

Year as at 30 September	Accumulation shares		
	Net asset value	No. of shares in issue	Net asset value per share
GBP Class B			
2011	£6,675,219	8,225,952	81.15p
2012	£9,129,785	9,775,653	93.39p
2013	£10,032,944	10,247,081	97.91p
EUR Class B			
2011	€13,541,383	16,602,827	81.56€c
2012	€16,987,176	16,749,382	101.42€c
2013	€16,995,115	16,774,418	101.32€c
USD Class B			
2011	$40,505,087	51,709,937	78.33$c
2012	$48,273,499	51,648,956	93.46$c
2013	$55,841,522	56,801,520	98.31$c

Price history & distribution record

The table below shows the highest and lowest prices on a calendar year basis per share since launch. Past performance is not necessarily a guide to the future performance.

Year	Accumulation shares		
	Highest	Lowest	Net distribution per share
GBP Class B^^			
2010	101.40p	96.01p	–
2011	102.31p	79.55p	1.6842p
2012	99.26p	83.27p	1.2703p
2013^	111.92p	93.95p	0.7427p
EUR Class B^^			
2010	103.02€c	98.90€c	–
2011	104.83€c	79.77€c	1.4170€c
2012	105.30€c	86.34€c	1.3216€c
2013^	114.50€c	94.14€c	0.7500€c
USD Class B^^			
2010	101.84$c	94.19$c	–
2011	99.11$c	86.06$c	1.3569$c
2012	99.46$c	80.09$c	1.2713$c
2013^	106.66$c	90.05$c	0.7376$c

^ To 30 September 2013
^^ From launch 1 November 2010
Foreign exchange rates used to calculate net asset value and net distributions per share as at 30 September 2013 were €1.1963 and US$1.6194

Comparative Tables

continued

Ongoing charges

Expense type	30 September 2013 %
GBP Class B	
Manager's periodic charge	1.25
Other expenses^	0.43
Transaction charges	0.05
Ongoing charge	**1.73**
EUR Class B	
Manager's periodic charge	1.25
Other expenses^	0.43
Transaction charges	0.05
Ongoing charge	**1.73**
USD Class B	
Manager's periodic charge	1.25
Other expenses^	0.43
Transaction charges	0.05
Ongoing charge	**1.73**

^ With effect from 1 October 2013, a new structure for the charging of fees relating to Dealing and Registration was introduced with the anticipation effect of reducing other expenses charged to 0.42%. Further details can be found in the General Information of this report.

Comparative Tables

continued

Synthetic Risk & Reward Indicator

The risk and reward indicator table demonstrates where the Sub-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 Sub-Fund. The shaded area in the table below shows the Sub-Fund's ranking on the risk and reward indicator.

Typically lower rewards, lower risk ← → **Typically higher rewards, higher risk**

1	2	3	4	5	**6**	7

The Sub-Fund is ranked 6 because funds of this type have experienced 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 Sub-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 and increase.
- 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.
- Investing in other funds may expose investors to increased risk due to restrictions on withdrawals, less strict regulations and the use of derivatives.
- The other funds can invest in specific companies or markets. The objectives and risk profiles of these underlying funds may not be fully in line with those of this Sub-Fund.

Smaller company shares can be riskier as they may be more difficult to buy and sell and their share price may fluctuate more than that of larger companies.

Risk Warning

An investment in an Investment Company with Variable Capital 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 year ended 30 September 2013

	Note	30.09.13 £	30.09.13 £	30.09.12 £	30.09.12 £
Income					
Net capital gains	2		2,061,389		6,007,227
Revenue	3	1,627,034		1,659,631	
Expenses	4	(1,040,033)		(805,576)	
Finance costs: interest	6	(1)		(221)	
Net revenue before taxation		587,000		853,834	
Taxation	5	(157,305)		(143,060)	
Net revenue after taxation			429,695		710,774
Total return before distributions			**2,491,084**		**6,718,001**
Finance costs: distributions	6		(444,278)		(710,785)
Change in net assets attributable to shareholders from investment activities			**2,046,806**		**6,007,216**

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 September 2013

	30.09.13 £	30.09.13 £	30.09.12 £	30.09.12 £
Opening net assets attributable to shareholders		**52,557,640**		**44,339,234**
Amounts received on issue of shares	7,164,451		3,276,712	
Less: Amounts paid on cancellation of shares	(3,486,704)		(1,772,689)	
		3,677,747		1,504,023
Change in net assets attributable to shareholders from investment activities (see Statement of Total Return above)		2,046,806		6,007,216
Retained distribution on accumulation shares		439,995		707,167
Closing net assest attributable to shareholders		**58,722,188**		**52,557,640**

Balance Sheet

as at 30 September 2013

	Note	30.09.13 £	30.09.13 £	30.09.12 £	30.09.12 £
ASSETS					
Investment assets			**53,784,721**		**51,489,079**
Debtors	7	204,526		21,872	
Bank balances	9	5,172,447		1,145,173	
Total other assets			**5,376,973**		**1,167,045**
Total assets			**59,161,694**		**52,656,124**
LIABILITIES					
Investment liabilites			**–**		**–**
Creditors	8	(439,506)		(98,484)	
Total other liabilities			**(439,506)**		**(98,484)**
Total liabilities			**(439,506)**		**(98,484)**
Net assets attributable to shareholders			**58,722,188**		**52,557,640**

Notes to the Financial Statements
for the year ended 30 September 2013

1. Accounting policies

The Sub-Fund's Financial statements have been prepared on the same basis as the Aggregated Financial Statements. Details can be found on pages 8 to 9.

2 Net capital gains

	30.09.13 £	30.09.12 £
Non-derivative securities	2,146,965	6,495,080
Currency losses	(53,977)	(458,061)
Transaction charges	(31,599)	(29,792)
Net capital gains	**2,061,389**	**6,007,227**

3 Revenue

	30.09.13 £	30.09.12 £
Overseas dividends	1,627,006	1,659,594
Bank interest	28	37
Total revenue	**1,627,034**	**1,659,631**

Notes to the Financial Statements

continued

4 Expenses

	30.09.13 £	30.09.12 £
Payable to the Authorised Corporate Director (ACD), associates of the ACD, and agents of either of them:		
ACD's fee	104,976	59,673
Registration fees	15,000	6,163
	119,976	65,836
Payable to the Investment Manager, associates of the Investment Manager and agents of either of them:		
Investment Manager's fee	763,696	619,043
Performance fee	14,583	7,821
	778,279	626,864
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	36,250	30,078
Safe custody and other bank charges	85,567	64,225
	121,817	94,303
Other expenses:		
Audit fee (including VAT)	6,390	5,400
Audit fee (including VAT): taxation services	1,596	1,500
FCA fee	-	45
Legal fees	9,770	10,006
Printing costs	2,205	1,622
	19,961	18,573
Total expenses	**1,040,033**	**805,576**

Notes to the Financial Statements

continued

5 Taxation	30.09.13 £	30.09.12 £
(a) Analysis of charge in the year:		
Overseas tax	157,305	143,060
Current tax charge (note 5b)	**157,305**	**143,060**
(b) Factors affecting taxation charge for the year		
Net revenue before taxation	587,000	853,834
Corporation tax at 20%	117,400	170,767
Effects of:		
Movement in surplus management expenses	208,001	161,152
Non-taxable overseas earnings	(325,401)	(331,919)
Overseas withholding tax	157,305	143,060
Current tax charge (note 5a)	**157,305**	**143,060**

(c) Deferred tax

At the year end there is a potential deferred tax asset of £469,210 (2012: £261,246) in relation to surplus management expenses. It is unlikely that the Sub-Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the year.

Notes to the Financial Statements

continued

6 Finance costs

Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

		30.09.13	30.09.12
		£	£
Accumulation shares			
GBP Class B	Interim	–	–
GBP Class B	Final	76,105	124,180
EUR Class B	Interim	–	–
EUR Class B	Final	105,159	176,354
USD Class B	Interim	–	–
USD Class B	Final	258,731	406,633
		439,995	707,167
Revenue deducted on cancellation of shares		4,736	7,845
Revenue received on issue of shares		(453)	(4,227)
Finance costs: distributions		**444,278**	**710,785**
Finance costs: interest		1	221
Total finance costs		**444,279**	**711,006**

Reconciliation of net revenue after taxation to net distributions:

	30.09.13	30.09.12
Net revenue after taxation per statement of total return	429,695	710,774
Expenses charged to capital	14,583	–
Undistributed revenue brought forward	59	70
Undistributed revenue carried forward	(59)	(59)
Finance costs: distributions	**444,278**	**710,785**

Notes to the Financial Statements

continued

7 Debtors

	30.09.13 £	30.09.12 £
Currency deals outstanding	144,884	–
Dividends receivable	12,901	16,771
Overseas tax recoverable	46,741	5,101
Total debtors	**204,526**	**21,872**

8 Creditors

	30.09.13 £	30.09.12 £
Amounts payable for cancellations	13,829	–
Purchases awaiting settlement	161,445	–
Currency deals outstanding	145,523	–
Accrued expenses:		
Amounts payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's fee	8,620	7,317
Registration fee	1,202	1,271
	9,822	8,588
Amounts payable to the Investment Manager, associates of the Investment Manager, and agents of either of them:		
Investment Manager's fee	60,593	53,792
Performance fee	14,583	7,821
	75,176	61,613
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	3,185	2,510
Safe custody and other bank charges	20,040	15,773
	23,225	18,283
Other expenses:		
Audit fee (including VAT)	6,390	6,000
Audit fee (including VAT): taxation services	3,096	3,000
Printing costs	1,000	1,000
	10,486	10,000
Total creditors	**439,506**	**98,484**

Notes to the Financial Statements

continued

9 Cash and bank balances	30.09.13 £	30.09.12 £
Cash and bank balances	5,172,447	1,145,173
Cash and bank balances	**5,172,447**	**1,145,173**

10 Related party transactions

Details relating to the Sub-Fund are shown in note 10 of the Aggregated Notes to the Financial Statements on page 15.

11 Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date. (2012: nil).

Notes to the Financial Statements

continued

12 Derivatives and other financial instruments

The main risks arising from the Sub-Fund’s holding of financial instruments together with the ACD's policies for managing these risks are disclosed in note 12 of the Aggregated Notes to the Financial Statements on pages 15 to 17.

Currency risk

The table below details the foreign currency risk profile at the balance sheet date:

30.09.13

Currency	Monetary exposures £	Non-monetary exposures £	Total £
Arab Emirates dirham	–	2,617,203	2,617,203
Brazilian real	–	1,993,800	1,993,800
Chilean peso	13,943	1,597,709	1,611,652
Czech Koruna	31,296	3,238,036	3,269,332
Hong Kong dollar	–	4,215,176	4,215,176
Indian rupee	(2,345)	5,404,293	5,401,948
Malaysian ringgit	21,792	4,536,119	4,557,911
Mexican peso	(5,275)	2,748,293	2,743,018
Philippine peso	–	1,875,644	1,875,644
Polish zloty	–	2,588,502	2,588,502
Pounds sterling	4,856,800	–	4,856,800
Singapore dollar	–	1,479,870	1,479,870
South African rand	14,403	6,099,735	6,114,138
South Korean won	–	3,553,204	3,553,204
Taiwan dollar	6,853	5,459,290	5,466,143
Thai baht	–	2,594,825	2,594,825
Turkish lira	–	3,783,022	3,783,022
	4,937,467	**53,784,721**	**58,722,188**

Notes to the Financial Statements

continued

12. Derivatives and other financial instruments (continued)

30.09.12

Currency	Monetary exposures £	Non-monetary exposures £	Total £
Arab Emirates dirham	–	1,542,273	**1,542,273**
Brazilian real	3,719	4,850,284	**4,854,003**
Chilean peso	–	1,562,254	**1,562,254**
Euro	61	–	**61**
Hong Kong dollar	–	2,678,176	**2,678,176**
Indian rupee	16,771	7,423,476	**7,440,247**
Indonesian rupiah	39,792	1,094,898	**1,134,690**
Malaysian ringgit	10,783	3,652,395	**3,663,178**
Mexican peso	–	1,872,655	**1,872,655**
Philippine peso	–	4,370,632	**4,370,632**
Polish zloty	–	1,776,023	**1,776,023**
Pounds sterling	832,423	–	**832,423**
Singapore dollar	–	1,507,969	**1,507,969**
South African rand	5,101	6,071,503	**6,076,604**
South Korean won	–	1,425,191	**1,425,191**
Taiwan dollar	45,923	5,761,965	**5,807,888**
Thai baht	–	3,139,087	**3,139,087**
Turkish lira	–	2,760,298	**2,760,298**
US dollar	113,988	–	**113,988**
	1,068,561	**51,489,079**	**52,557,640**

Notes to the Financial Statements

continued

13. Portfolio transaction costs	30.09.13 £	30.09.12 £
Analysis of purchases		
Purchases before transaction costs	18,576,309	15,512,355
Transaction costs:		
Commissions	48,354	43,162
Stamp duty and other charges	10,411	8,779
	58,765	51,941
Total purchase costs	**18,635,074**	**15,564,296**
Analysis of sales		
Sales before transaction costs	18,574,573	9,688,246
Transaction costs:		
Commissions	(53,140)	(30,185)
Other charges	(34,548)	(10,005)
	(87,688)	(40,190)
Net sales proceeds	**18,486,885**	**9,648,056**

Distribution Table

for the year ended 30 September 2013

Accumulation Share Distribution

Share Class	Distribution	Shares	Net Revenue	Equalisation	Amount Reinvested 2013	Amount Reinvested 2012
GBP Class B	Interim	Group 1	–	–	–	–
		Group 2	–	–	–	–
	Final	Group 1	0.7427p	–	0.7427p	1.2703p
		Group 2	0.5942p	0.1485p	0.7427p	1.2703p
EUR Class B	Interim	Group 1	–	–	–	–
		Group 2	–	–	–	–
	Final	Group 1	0.7500€c	–	0.7500€c	1.3216€c
		Group 2	0.4429€c	0.3071€c	0.7500€c	1.3216€c
USD Class B	Interim	Group 1	–	–	–	–
		Group 2	–	–	–	–
	Final	Group 1	0.7376$c	–	0.7376$c	1.2713$c
		Group 2	0.6157$c	0.1219$c	0.7376$c	1.2713$c

Interim period: 01.10.12 - 31.03.13
Final period: 01.04.13 - 30.09.13

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.

General Information

Authorised Status

PFS Somerset Capital Management Investment Funds ICVC (the "Company") is incorporated in England and Wales as an ICVC under registration number IC000713. The Shareholders are not liable for the debts of the Company.

The Company is authorised by the FCA as a UCITS Scheme under the COLL Sourcebook and is an umbrella company for the purposes of the OEIC Regulations with each Sub-Fund being a UCITS Scheme. The effective date of the authorisation order made by the FCA was 17 October 2008.

Head Office

Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW

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 values of each of the Sub-Funds.

Structure of the Company

PFS Somerset Capital Management Investment Funds ICVC is structured as an umbrella company. Provision exists for an unlimited number of Sub-Funds, and at the date of this report, the Sub-Funds launched within the OEIC are shown below:

PFS Somerset Global Emerging Markets Fund
PFS Somerset Emerging Markets Dividend Growth Fund
PFS Somerset Emerging Markets Small Cap Fund

Classes of Shares

The Company can issue difference classes of shares in respect of any Sub-Fund.

PFS Somerset Global Emerging Markets Fund seeded the following new share classes:

USD Class B Accumulation on 30 April 2013
EUR Class B Accumulation on 3 June 2013

PFS Somerset Emerging Market Dividend Growth Fund seeded the following new share classes:

AUD Class C Accumulation on 3 October 2012
USD Class B Accumulation on 25 February 2013
USD Class B Income on 9 May 2013

General Information
continued

Classes of Shares (continued)
Holders of Income shares are entitled to be paid the revenue attributable to such shares in respect of each annual accounting period.

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 the Company and each Sub-Fund will normally be valued at 12:00 mid day on each Dealing Day for the purpose of calculating the price at which Shares in the Company may be issued, sold, repurchased or redeemed.

The ACD reserves the right to revalue the Company or any Sub-Fund at any time if it considers it desirable to do so, with the Depositary's approval.

Buying and Selling of Shares
The ACD will accept orders for the purchase and sale of shares on normal business days between 8:30am and 4:30pm. Instructions to buy or sell shares may either be in writing to:

PO Box 10282, Chelmsford, Essex, CM1 9LJ
Or by telephone to:
0845 026 4282

A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

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 net valuation point after the purchase or redemption is deemed to be accepted by the ACD.

The prices of shares are published daily on the Investment Management Association website at www.investmentuk.org and on the Financial Times website at www.ft.com. Neither the ACD, nor the Company 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, Key Investor Information Document and the most recent interim and annual reports may be inspected at the office of the ACD which is also the Head Office of the Company and copies may be obtained upon application. Shareholders who have any complaints about the operation of the Company should contact the ACD or the Depositary in the first instance. In the event that a shareholder finds the response unsatisfactory they may make their complaint direct to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

General Information
continued

Significant Information
From 1 October 2013 the dealing and registration fee structure was amended. Prior to this, a flat dealing charge of £20 was incurred regardless of the complexity of the transaction. Under the new tariff, standard dealings remain at £20 with electronic dealing charges reduced to £15 per transaction. A new tier has also been introduced for complex transactions, charged at £100 per transaction. Further details are available upon request from the ACD.

Risk Warning
An investment in an Investment Company with Variable Capital should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the income 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.