



PHOENIX
Fund Services

**PFS Somerset Capital Management
Investment Funds ICVC**

Interim Report 31 March 2014 (Unaudited)

Contents

Page

Directory	1
Aggregated Statement of Total Return	2
Aggregated Statement of Change in Net Assets Attributable to Shareholders	2
Aggregated Balance Sheet	3
Certification of Accounts by the Authorised Corporate Director	3

PFS Somerset Global Emerging Markets Fund

Investment Objective and Policy	4
Investment Manager's Report	4
Portfolio Statement	6
Comparative Tables	9
Statement of Total Return	13
Statement of Change in Net Assets Attributable to Shareholders	13
Balance Sheet	14
Distribution Tables	15

PFS Somerset Emerging Markets Dividend Growth Fund

Investment Objective and Policy	16
Investment Manager's Report	16
Portfolio Statement	18
Comparative Tables	21
Statement of Total Return	25
Statement of Change in Net Assets Attributable to Shareholders	25
Balance Sheet	26
Distribution Tables	27

Contents

Page

PFS Somerset Emerging Markets Small Cap Fund

Investment Objective and Policy	28
Investment Manager's Report	28
Portfolio Statement	31
Comparative Tables	34
Statement of Total Return	37
Statement of Change in Net Assets Attributable to Shareholders	37
Balance Sheet	38
Distribution Table	39
General Information	40

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

P.J. Foley-Brickley (appointed 8 January 2014)
D. Jones (appointed 1 April 2014)
R.W. Leedham
D.W. Munting
A.C. Reed (retired 31 March 2014)
D.C. Tibble

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

Depository

National Westminster Bank Plc
Trustee & Depository 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

Aggregated Statement of Total Return

for the period ended 31 March 2014

	31.03.14		31.03.13	
	£	£	£	£
Income				
Net capital (losses)/gains		(13,887,986)		21,001,396
Revenue	6,476,880		2,524,836	
Expenses	(3,546,788)		(1,394,089)	
Finance costs: interest	(4,686)		(66)	
Net revenue before taxation	2,925,406		1,130,681	
Taxation	(668,745)		(291,087)	
Net revenue after taxation		2,256,661		839,594
Total return before distributions		(11,631,325)		21,840,990
Finance costs: distributions		(4,383,954)		(1,444,598)
Change in net assets attributable to shareholders from investment activities		(16,015,279)		20,396,392

Aggregated Statement of Change in Net Assets Attributable to Shareholders

for the period ended 31 March 2014

	31.03.14		31.03.13	
	£	£	£	£
Opening net assets attributable to shareholders		449,966,439		131,748,344
Amounts received on issue of shares	297,482,770		118,354,003	
Less: Amounts paid on cancellation of shares	(93,014,068)		(22,888,966)	
		204,468,702		95,465,037
Dilution levy applied		526,486		174,924
Change in net assets attributable to shareholders from investment activities (see Statement of Total Return above)		(16,015,279)		20,396,392
Retained distribution on accumulation shares		3,339,481		907,849
Closing net assets attributable to shareholders		642,285,829		248,692,546

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

Aggregated Balance Sheet

as at 31 March 2014

	31.03.14		30.09.13	
	£	£	£	£
ASSETS				
Investment assets		549,784,764		386,629,651
Debtors	9,420,372		19,138,379	
Bank balances	89,551,718		65,919,281	
Total other assets		98,972,090		85,057,660
Total assets		648,756,854		471,687,311
LIABILITIES				
Investment liabilities		–		–
Creditors	(4,961,680)		(20,062,700)	
Distribution payable on income shares	(1,460,321)		(1,658,172)	
Bank overdrafts	(49,024)		–	
Total other liabilities		(6,471,025)		(21,720,872)
Total liabilities		(6,471,025)		(21,720,872)
Net assets attributable to shareholders		642,285,829		449,966,439

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

The interim financial statements have been prepared on the same basis as the audited financial statements for the year ended 30 September 2013.

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

Certification of Accounts by the Authorised Corporate Director

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

R.W. Leedham

D.W. Munting

Directors

Phoenix Fund Services (UK) Ltd

21 May 2014

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 period ended 31 March 2014

During the six months to 31 March 2014 the Sub-Fund marginally underperformed the MSCI Emerging Markets Index falling 2.01% versus the Index which fell 1.63%.

A total of five positions were sold from the Sub-Fund over the period, including Semen Gresik Indonesia and Tambang Batubara in Indonesia, which were sold in Q4 2013. Semen Gresik Indonesia had become one of the most expensive cement companies in Asia, with its high return on equity at risk from a possible slowdown in earnings and increasing competition. Tambang Batubara, the coal mining company, faced the threat of continued oversupply in the seaborne thermal coal market.

In February of 2014, we sold two stocks – Naver, the Korean search engine and Millicom, the trans-emerging market mobile telecom provider – both owing to valuation concerns. The majority of focus on Naver was on LINE, the popular messaging application, whose price considerably overvalued instant messaging users in our view, especially when compared to Facebook's \$19 billion acquisition of WhatsApp, which translated to \$42 per user (the LINE per user valuation was over twice this). In the case of Millicom, the price had risen to well above its peer group despite unexceptional returns and competition pressure.

We added five positions to the Sub-Fund during the period. With a focus on the changing interest rate cycle, we added Public Bank in Malaysia to the Sub-Fund in November 2013. The re-pricing of Public Bank's loan book is expected to be a positive catalyst in a rising interest rate environment. The bank has been run conservatively with the asset quality consistently well managed. We added to other areas of noticeable value in the portfolio, such as the Philippines telecom company, Philippine Long Distance Telephone.

Investment Manager's Report

continued

In March 2014 we added OTP Bank to the Sub-Fund, which was trading at a discount to book value while in the early stages of what will likely be a multi-year recovery. Prior to the addition of OTP Bank, we added to the portfolio the UAE's First Gulf Bank. Furthermore, we have started adding a position in Haier Electronic, the Chinese appliance manufacturer listed in Hong Kong. Haier has a history of selling washing machines and water heaters, but the company's greatest asset is its distribution channel. Built up over 10 years, this channel is more comprehensive than that of many of Haier's peers, giving the company a real competitive advantage as China's shoppers buy more and more online, making effective distribution and delivery paramount.

Turning to the situation in the Ukraine and Russia, the portfolio's exposure to Russia over the last six months fell owing to market falls. Having been at 6.5% NAV, the weighting was 4.9% NAV by 31 March 2014. We continue to view our two oil and gas companies treated, from a risk perspective, as one position. Both are undervalued, in our view, with Lukoil exhibiting a clear catalyst for change. If the situation on the ground stabilises, Russian oil remains an interesting prospect; our exposure will be reviewed if events deteriorate massively from here.

Macroeconomics across many emerging markets remained under pressure with portfolio holdings in Brazil and Turkey coming under particular stress – these stood out as good value though accompanied by high uncertainty. Additionally, our holdings in Mexico have declined year to date though there is less uncertainty, as the fiscal reform (positive) is having a temporary (negative) effect on consumption levels. Concerns around Chinese growth and US tapering will translate into continued volatility in our markets, although we are expecting a sustained gradual recovery in the US and EU. The portfolio is positioned to benefit in this environment.

Edward Robertson

Lead Fund Manager

8 May 2014

Portfolio Statement

as at 31 March 2014

Holding	Security	Market value £	% of total net assets 2014
	OIL & GAS 8.58% (10.35%)		
	Oil & Gas Producers 8.58% (10.35%)		
724,734	CNOOC	653,439	2.33
14,902	Lukoil ADR	496,525	1.77
127,030	OAQ Rosneft Oil GDR	507,221	1.81
562,000	PTT Global Chemical (Foreign)	748,192	2.67
		<hr/>	
		2,405,377	8.58
	BASIC MATERIALS 8.09% (10.57%)		
	Chemicals 2.47% (2.98%)		
4,847	LG Chem	692,390	2.47
	Industrial Metals & Mining 4.08% (4.53%)		
148,550	Gerdau	572,971	2.04
3,428	POSCO	571,784	2.04
		<hr/>	
		1,144,755	4.08
	Mining 1.54% (3.06%)		
148,539	Coal India	430,774	1.54
	INDUSTRIALS 12.62% (12.46%)		
	Construction & Materials 2.42% (4.00%)		
23,381	Grasim Industries	678,196	2.42
	General Industrials 4.65% (4.17%)		
128,500	Beijing Enterprises	687,601	2.45
302,793	Nampak	618,710	2.20
		<hr/>	
		1,306,311	4.65
	Electronic & Electrical Equipment 5.55% (4.29%)		
36,660	SK Hynix	743,694	2.65
350,020	Taiwan Semiconductor	813,537	2.90
		<hr/>	
		1,557,231	5.55

Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2014
CONSUMER GOODS 20.23% (17.39%)			
Automobiles & Parts 9.53% (7.39%)			
207,250	Cheng Shin Rubber Industry	354,337	1.26
4,530	Hyundai Mobis	802,820	2.86
53,767	Maruti Suzuki India	1,064,768	3.79
133,569	Tofas Turk Otomobil Fabrikasi	455,042	1.62
		<hr/>	
		2,676,967	9.53
Beverages 5.47% (5.00%)			
15,515	Fomento Economico Mexicano Sponsored ADR	867,600	3.09
22,276	SABMiller	667,166	2.38
		<hr/>	
		1,534,766	5.47
Food Producers 2.67% (2.87%)			
18,914	M Dias Branco	459,539	1.64
18,710	Tiger Brands	290,514	1.03
		<hr/>	
		750,053	2.67
Household Goods & Home Construction 2.56% (2.13%)			
85,000	Haier Electronics	137,042	0.49
896,075	Turk Sise ve Cam Fabrika	580,399	2.07
		<hr/>	
		717,441	2.56
CONSUMER SERVICES 4.71% (4.59%)			
Travel & Leisure 4.71% (4.59%)			
84,761	Formosa International Hotels	599,367	2.14
395,465	Genting	719,873	2.57
		<hr/>	
		1,319,240	4.71
TELECOMMUNICATIONS 9.11% (9.28%)			
Mobile Telecommunications 9.11% (9.28%)			
164,000	China Mobile	900,388	3.21
34,877	Mobile Telesystems Sponsored ADR	365,673	1.30
62,118	MTN	763,412	2.72
14,425	Philippine Long Distance Telephone	526,346	1.88
		<hr/>	
		2,555,819	9.11

Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2014
	UTILITIES 1.34% (1.21%)		
	Electricity 1.34% (1.21%)		
755,013	Aboitiz Power	375,167	1.34
	FINANCIALS 28.22% (25.62%)		
	Banks 16.84% (13.42%)		
22,011	Bank Pekao	854,274	3.04
2,174,279	CTBC Financial	813,713	2.90
130,530	First Gulf Bank	346,389	1.23
161,000	Grupo Financiero Banorte S.A.B.	648,464	2.31
52	Krung Thai Bank (Foreign)	18	–
46,322	OTP Bank	531,898	1.90
202,700	Public Bank Berhad	713,384	2.54
31,033	Shinhan Financial	819,281	2.92
		4,727,421	16.84
	Non-life Insurance 2.31% (2.24%)		
7,589	Powszechny Zaklad Ubezpieczen	646,855	2.31
	Life Insurance 2.73% (2.23%)		
234,434	Sanlam	767,141	2.73
	Real Estate Investment Trust 2.04% (2.86%)		
1,169,907	Soho China	573,546	2.04
	Financial Services 4.30% (4.87%)		
172,450	BM&F Bovespa	515,713	1.84
35,963	Cielo	691,173	2.46
		1,206,886	4.30
	TECHNOLOGY 2.05% (3.46%)		
	Software & Computer Services 2.05% (3.46%)		
17,482	Infosys	576,398	2.05
	Investment assets	26,642,734	94.95
	Net other assets	1,417,740	5.05
	Net assets	28,060,474	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 30.09.13

Comparative Tables

as at 31 March 2014

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
2014^	£203,253	120,268	169.00p	£2,635,104	1,520,618	173.29p
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
2014^	£3,833,023	2,266,484	169.12p	£17,052,690	9,639,509	176.90p
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
2014^	\$110,087	39,075	281.73\$c	\$7,119,565	7,235,798	98.39\$c
EUR Class B						
2013	N/A	N/A	N/A	€14,416,960	14,966,348	96.33€
2014^	N/A	N/A	N/A	N/A	N/A	N/A

^ As at 31 March 2014

Comparative Tables

continued

Price history & distribution record

The table below shows the highest and lowest prices and the net distribution per share on a calendar year basis for five full calendar years. 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						
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
2014 [^]	173.17p	159.90p	0.3029p	177.25p	163.67p	0.3100p
GBP Class B						
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
2014 [^]	173.51p	160.39p	0.7400p	180.71p	167.05p	0.7706p
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	103.00\$c	87.00\$c	1.1695\$c
2014 [^]	286.53\$c	262.40\$c	1.2184\$c	100.00\$c	91.00\$c	0.4230\$c
EUR Class B^{^^^}						
2013	N/A	N/A	N/A	101.07€	89.17€	0.6371€
2014 [^]	N/A	N/A	N/A	97.88€	95.97€	N/A

[^] To 31 March 2014

^{^^} 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 and closed 13 January 2014

The foreign exchange rate used to calculate net asset value and net distribution per share as at 31 March 2014 was US\$1.6672

Comparative Tables

continued

Ongoing charges

Expense type	31 March 2014 [^] %
GBP Class A	
Manager's periodic charge	1.50
Other expenses	0.48
Manager's rebate	(0.13)
Transaction charges	0.09
Ongoing charge	1.94
GBP Class B	
Manager's periodic charge	1.00
Other expenses	0.48
Manager's rebate	(0.13)
Transaction charges	0.09
Ongoing charge	1.44
USD Class B	
Manager's periodic charge	1.00
Other expenses	0.48
Manager's rebate	(0.13)
Transaction charges	0.09
Ongoing charge	1.44

[^] The ongoing charge is annualised based on the fees incurred during the accounting period.

The Manager has agreed to rebate other expenses in excess of 0.35% of the Net Asset Value (NAV) of the 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.

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 period ended 31 March 2014

	31.03.14		31.03.13	
	£	£	£	£
Income				
Net capital (losses)/gains		(776,821)		884,256
Revenue	402,530		67,985	
Expenses	(244,249)		(79,437)	
Finance costs: interest	(315)		—	
Net expense before taxation	157,966		(11,452)	
Taxation	(48,020)		(7,045)	
Net revenue/(expense) after taxation		109,946		(18,497)
Total return before distributions		(666,875)		865,759
Finance costs: distributions		(109,954)		—
Change in net assets attributable to shareholders from investment activities		(776,829)		865,759

Statement of Change in Net Assets Attributable to Shareholders

for the period ended 31 March 2014

	31.03.14		31.03.13	
	£	£	£	£
Opening net assets attributable to shareholders		30,730,275		7,996,316
Amounts received on issue of shares	15,441,193		1,034,362	
Less: Amounts paid on cancellation of shares	(17,495,696)		(206,040)	
		(2,054,503)		828,322
Dilution levy applied		64,178		—
Change in net assets attributable to shareholders from investment activities (see Statement of Total Return above)		(776,829)		865,759
Retained distribution on accumulation shares		97,353		—
Closing net assets attributable to shareholders		28,060,474		9,690,397

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

Balance Sheet

as at 31 March 2014

	31.03.14		30.09.13	
	£	£	£	£
ASSETS				
Investment assets		26,642,734		29,172,445
Debtors	511,226		619,277	
Bank balances	1,312,677		1,664,984	
Total other assets		1,823,903		2,284,261
Total assets		28,466,637		31,456,706
LIABILITIES				
Investment liabilities		–		–
Creditors	(382,199)		(656,543)	
Distribution payable on income shares	(17,422)		(69,888)	
Bank overdrafts	(6,542)		–	
Total other liabilities		(406,163)		(726,431)
Total liabilities		(406,163)		(726,431)
Net assets attributable to shareholders		28,060,474		30,730,275

Distribution Tables

for the period ended 31 March 2014

Income Share Distribution

Share Class	Distribution	Shares	Net Revenue	Equalisation	Distribution payable 2014	Distribution paid 2013
GBP Class A	Interim	Group 1	0.3029p	—	0.3029p	—
		Group 2	0.2754p	0.0275p	0.3029p	—
GBP Class B	Interim	Group 1	0.7400p	—	0.7400p	—
		Group 2	0.4916p	0.2484p	0.7400p	—
USD Class B	Interim	Group 1	1.2184\$c	—	1.2184\$c	—
		Group 2	1.2184\$c	—	1.2184\$c	—

Accumulation Share Distribution

Share Class	Distribution	Shares	Net Revenue	Equalisation	Amount reinvested 2014	Amount reinvested 2013
GBP Class A	Interim	Group 1	0.3100p	—	0.3100p	—
		Group 2	0.2322p	0.0778p	0.3100p	—
GBP Class B	Interim	Group 1	0.7706p	—	0.7706p	—
		Group 2	0.5263p	0.2443p	0.7706p	—
USD Class B	Interim	Group 1	0.4230\$c	—	0.4230\$c	—
		Group 2	0.0679\$c	0.3551\$c	0.4230\$c	—

Interim period: 01.10.13 - 31.03.14

Futher Information

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 period ended 31 March 2014

During the six months to 31 March 2014 the Sub-Fund underperformed the MSCI Emerging Markets Index falling 2.95% versus the Index which fell 1.63%.

The portfolio saw a normal amount of turnover during the period, with the majority of the activity in Q1 2014. In Q4, we built up a position in Axis Bank, the 3rd largest private bank in India. The bank has a strong franchise and was trading on attractive absolute and relative valuations. Semen Gresik was sold from the Sub-Fund owing to its relatively high valuation and concern regarding Indonesia's credit environment. Tiger Brands, the South African branded goods company, was also sold, primarily on valuation grounds. The South African consumer remains under pressure, the bad debt cycle has not yet peaked and so growth of the market remains muted. The company's three year cost-cutting programme has not yet produced tangible results to offset margin pressures and the issues at Dangote Flour Mills, the company's recent acquisition in Nigeria, are likely to run deeper than management admit.

NCSOFT, the Korean video games producer was the best performing stock in the Sub-Fund in Q4 2013, following the announcement of a new game, Blade & Soul, to be sold in China. Adding to the stock throughout the quarter it ended the year as one of the Sub-Fund's largest positions, having contributed 0.86% to performance. Nampak and Powszachny Zaklad Ubezpieczen (PZU) also performed well, together contributing 0.84%. Nampak returned 22.37% over the quarter after the market viewed the potential for increased sales in Sub-Saharan Africa positively. Consumer Staples was the worst performing sector in Q4 2013 detracting 0.69% from performance. Natura Cosmeticos in Brazil fell -24.52% detracting 0.38% alone.

Investment Manager's Report

continued

SK Hynix, the Korean DRAM memory chip producer, was added in January 2014. The stock trades at a 12x historical price earnings ratio and although it is the only company in the Sub-Fund not to pay a dividend historically, we believe there is a strong possibility of a dividend policy being initiated. We also added two Financials during Q1, Porto Seguro, a Brazilian Insurance company and OTP Bank in Hungary, which was trading at a discount to book value while in the early stages of what we believe will be a multi-year recovery. We also built up a position in Pou Chen in Taiwan, which is the largest branded athletic and casual footwear manufacturer in the world.

We sold our position in Far Eastone Telecomm in Taiwan and completed our sale of the Foschini Group whilst also selling Natura Cosmeticos and another Brazilian Consumer Staples stock, Souza Cruz. We also completed the sale of Coal India and sold out of Container Corp in India because liquidity constraints had prevented us from building up a meaningful position. Average annual turnover of the Sub-Fund on a names basis remains around 30%.

Cielo, the Brazilian credit card transaction company performed very well in Q1, returning 17.38% and contributing 0.37% to the Sub-Fund's performance. The company reported strong revenue expansion and earnings growth for FY13 amidst a slowing Brazilian economy. Sanlam and Axis Bank also performed well, together contributing 0.90%. Whilst the Financials holdings performed best on a sector basis during the quarter, both Anadolu Hayat and PZU – insurance companies in Turkey and Poland respectively – did not have a particularly strong period. Having been the best performing stock in Q4 2013, NCSOFT was the biggest detractor to performance in Q1 returning -15.62% and detracting 0.46%. Strong Q4 numbers were followed by weaker operating numbers from Blade & Soul in China.

In our view the Emerging Market 'recession' has been confirmed by the 2012 data. The recovery looks moderate, with a chance of a double dip. The Emerging Market consumer story is overvalued and the fundamentals are weak. Industrials, technology and exporters are areas with better valuations and more opportunities. We have generally been selling expensive consumer stocks including beverages, media and retail and buying cheaper industrials including textiles and technology. Quality remains a concern in the weak GDP/operating environment however we are now 4-6 years through an Emerging Market bear market which should be positive in the longer term.

Edward Lam

Lead Fund Manager

12 May 2014

Portfolio Statement

as at 31 March 2014

Holding	Security	Market value £	% of total net assets 2014
	BASIC MATERIALS 2.64% (4.42%)		
	Mining 0.00% (0.89%)		
	Chemicals 2.64% (3.53%)		
7,685,065	Aksa Akrilik Kimya Sanayii	14,696,092	2.64
	INDUSTRIALS 6.51% (5.78%)		
	Construction & Materials 0.00% (0.14%)		
	General Industrials 2.48% (2.42%)		
6,777,571	Nampak	13,848,895	2.48
	Electronic & Electrical Equipment 4.03% (3.01%)		
7,226,150	AAC Technologies	22,434,692	4.03
	Industrial Transportation 0.00% (0.21%)		
	CONSUMER GOODS 18.94% (23.50%)		
	Automobiles & Parts 4.56% (5.52%)		
1,617,010	Nexen Tire	12,301,158	2.21
539,656	Nokian Renkaat Oyj	13,089,870	2.35
		25,391,028	4.56
	Beverages 1.10% (1.82%)		
923,395	Compania Cervecerias Unidas	6,157,670	1.10
	Food Producers 0.00% (0.89%)		
	Household Goods & Home Construction 1.42% (1.50%)		
12,243,353	Turk Sise ve Cam Fabrika	7,930,166	1.42
	Leisure Goods 6.19% (6.15%)		
112,521	NCSOFT	13,822,596	2.48
27,329	Samsung Electronics	20,666,921	3.71
		34,489,517	6.19
	Personal Goods 1.74% (1.94%)		
11,524,000	Pou Chen	9,715,145	1.74
	Tobacco 3.93% (5.68%)		
634,209	British American Tobacco	6,887,169	1.23
333,703	KT & G	15,024,721	2.70
		21,911,890	3.93

Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2014
	HEALTHCARE 0.43% (1.56%)		
	Healthcare Equipment & Services 0.43% (1.56%)		
2,657,658	Top Glove	2,411,570	0.43
	CONSUMER SERVICES 2.88% (5.23%)		
	Food & Drug Retailers 1.96% (2.81%)		
2,240,000	President Chain Store	9,442,001	1.69
165,446	Shoprite	1,501,138	0.27
		10,943,139	1.96
	General Retailers 0.00% (0.80%)		
	Travel & Leisure 0.92% (1.62%)		
724,950	Formosa International Hotels	5,126,309	0.92
	TELECOMMUNICATIONS 10.89% (10.93%)		
	Fixed Line Telecommunications 1.94% (1.94%)		
92,712,000	PT Telekomunikasi Indonesia	10,818,717	1.94
	Mobile Telecommunications 8.95% (8.99%)		
3,421,000	China Mobile	18,781,878	3.37
1,322,735	Maroc Telecom	9,715,971	1.74
181,948	Millicom International Cellular	11,084,434	1.99
281,890	Philippine Long Distance Telephone	10,285,727	1.85
		49,868,010	8.95
	UTILITIES 5.63% (6.64%)		
	Electricity 3.33% (4.06%)		
23,242,565	Aboitiz Power	11,549,251	2.07
1,462,500	AES Tiete	7,013,344	1.26
		18,562,595	3.33
	Gas, Water & Multi-utilities 2.30% (2.58%)		
24,082,035	Aguas Andinas A Class	8,916,348	1.60
4,060,973	Inversiones Aguas Metropolitanas	3,918,705	0.70
		12,835,053	2.30

Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2014
FINANCIALS 31.84% (23.53%)			
Banks 16.42% (11.21%)			
1,293,702	Axis Bank	18,976,801	3.40
186,056	Bank Pekao	7,221,065	1.30
4,159,409	First Gulf Bank	11,037,870	1.98
17,067,140	Metro Pacific	17,646,200	3.17
6,764,477	National Bank of Abu Dhabi	14,968,345	2.69
1,043,332	OTP Bank	11,980,196	2.15
2,745,500	Public Bank Berhad Foreign Market Common	9,662,530	1.73
		91,493,007	16.42
Non-life Insurance 4.40% (3.01%)			
649,267	Porto Seguro	5,495,271	0.99
223,165	Powszechny Zaklad Ubezpieczen	19,021,657	3.41
		24,516,928	4.40
Life Insurance 6.04% (5.33%)			
8,253,501	Anadolu Hayat Emeklilik	10,807,495	1.94
6,979,545	Sanlam	22,839,252	4.10
		33,646,747	6.04
Financial Services 4.98% (3.98%)			
16,268,873	AFP Habitat	12,847,960	2.31
775,752	Cielo	14,909,187	2.67
		27,757,147	4.98
TECHNOLOGY 5.16% (2.64%)			
Technology Hardware & Equipment 5.16% (2.64%)			
412,400	SK Hynix	8,366,054	1.50
8,766,785	Taiwan Semiconductor	20,376,266	3.66
		28,742,320	5.16
Investment assets		473,296,637	84.92
Net other assets		84,075,242	15.08
Net assets		557,371,879	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 30.09.13

Comparative Tables

as at 31 March 2014

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
2014^	£135,162,292	128,058,342	105.55p	£257,468,024	219,696,251	117.19p
EUR Class B						
2011	€17,877	950,000	96.62€	€48,345	49,980	96.73€
2012	€1,582,420	1,304,133	121.34€	€590,050	479,734	123.00€
2013	€512,724	444,847	115.26€	€43,157,244	35,457,994	121.71€
2014^	€676,991	602,033	112.45€	€59,321,452	49,548,014	119.73€
USD Class B						
2013	\$724,782	778,000	93.16\$c	\$49,852,374	49,249,744	101.22\$c
2014^	\$65,814,847	71,114,327	92.55\$c	\$49,601,749	48,926,498	101.38\$c
AUD Class C						
2013	N/A	N/A	N/A	AU\$84,691,946	74,263,972	114.04\$c
2014^	N/A	N/A	N/A	AU\$82,586,274	71,196,491	116.00\$c

^ As at 31 March 2014

Comparative Tables

continued

Price history & distribution record

The table below shows the highest and lowest prices and the net distribution per share on a calendar year basis 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	106.52p	2.8640p	135.58p	116.84p	3.0924p
2014 [^]	107.55p	101.64p	0.8689p	118.44p	111.93p	0.9595p
EUR Class B^{^^^}						
2011	106.57€	94.26€	0.1033€	106.74€	94.21€	–
2012	126.66€	106.49€	3.3342€	126.81€	106.67€	3.3134€
2013	129.68€	110.04€	3.0165€	134.69€	114.29€	3.1201€
2014 [^]	114.20€	108.40€	0.9320€	120.59€	114.47€	0.9794€
USD Class B^{^^^^}						
2013	100.00\$c	87.43\$c	1.3313\$c	107.11\$c	93.67\$c	2.1538\$c
2014 [^]	93.34\$c	87.50\$c	0.7632\$c	101.42\$c	95.07\$c	0.8286\$c
AUD Class C^{^^^^^}						
2012	N/A	N/A	N/A	103.42\$c	96.05\$c	–
2013	N/A	N/A	N/A	120.89\$c	98.53\$c	3.1559\$c
2014 [^]	N/A	N/A	N/A	121.10\$c	112.68\$c	1.1413\$c

[^] To 31 March 2014

^{^^} 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 31 March 2014 were €1.2096, A\$1.7988 and US\$1.6672

Comparative Tables

continued

Ongoing charges

Expense type	31 March 2014 [^] %
GBP Class A	
Manager's periodic charge	1.00
Other expenses	0.33
Transaction charges	0.01
Ongoing charge	1.34
EUR Class B	
Manager's periodic charge	1.00
Other expenses	0.33
Transaction charges	0.01
Ongoing charge	1.34
USD Class B	
Manager's periodic charge	1.00
Other expenses	0.33
Transaction charges	0.01
Ongoing charge	1.34
AUD Class C	
Manager's periodic charge	—
Other expenses	—
Transaction charges	—
Ongoing charge	—

[^] The ongoing charge is annualised based on the fees incurred during the accounting period.

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 period ended 31 March 2014

	31.03.14		31.03.13	
	£	£	£	£
Income				
Net capital (losses)/gains		(14,776,739)		11,984,383
Revenue	5,512,304		1,923,821	
Expenses	(2,774,825)		(823,516)	
Finance costs: interest	(4,371)		(65)	
Net revenue before taxation	2,733,108		1,100,240	
Taxation	(578,143)		(242,448)	
Net revenue after taxation		2,154,965		857,792
Total return before distributions		(12,621,774)		12,842,175
Finance costs: distributions		(4,235,182)		(1,444,598)
Change in net assets attributable to shareholders from investment activities		(16,856,956)		11,397,577

Statement of Change in Net Assets Attributable to Shareholders

for the period ended 31 March 2014

	31.03.14		31.03.13	
	£	£	£	£
Opening net assets attributable to shareholders		360,513,976		71,194,388
Amounts received on issue of shares	281,110,243		110,535,938	
Less: Amounts paid on cancellation of shares	(71,061,774)		(20,695,778)	
		210,048,469		89,840,160
Dilution levy applied		462,308		174,924
Change in net assets attributable to shareholders from investment activities (see Statement of Total Return above)		(16,856,956)		11,397,577
Retained distribution on accumulation shares		3,204,082		907,849
Closing net assets attributable to shareholders		557,371,879		173,514,898

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

Balance Sheet

as at 31 March 2014

	31.03.14		30.09.13	
	£	£	£	£
ASSETS				
Investment assets		473,296,637		303,672,485
Debtors	7,084,716		18,314,576	
Bank balances	82,101,351		59,081,850	
Total other assets		89,186,067		77,396,426
Total assets		562,482,704		381,068,911
LIABILITIES				
Investment liabilities		–		–
Creditors	(3,667,926)		(18,966,651)	
Distribution payable on income shares	(1,442,899)		(1,588,284)	
Total other liabilities		(5,110,825)		(20,554,935)
Total liabilities		(5,110,825)		(20,554,935)
Net assets attributable to shareholders		557,371,879		360,513,976

Distribution Tables

for the period ended 31 March 2014

Income Share Distribution

Share Class	Distribution	Shares	Net Revenue	Equalisation	Distribution Payable 2014	Distribution Paid 2013
GBP Class A	Interim	Group 1	0.8689p	–	0.8689p	1.0356p
		Group 2	0.6546p	0.2143p	0.8689p	1.0356p
EUR Class B	Interim	Group 1	0.9320€	–	0.9320€	1.0884€
		Group 2	0.8877€	0.0443€	0.9320€	1.0884€
USD Class B	Interim	Group 1	0.7632\$c	–	0.7632\$c	–
		Group 2	0.5777\$c	0.1855\$c	0.7632\$c	–

Accumulation Share Distribution

Share Class	Distribution	Shares	Net Revenue	Equalisation	Amount Reinvested 2014	Amount Reinvested 2013
GBP Class A	Interim	Group 1	0.9595p	–	0.9595p	1.1119p
		Group 2	0.7059p	0.2536p	0.9595p	1.1119p
EUR Class B	Interim	Group 1	0.9794€	–	0.9794€	1.1181€
		Group 2	0.7385€	0.2409€	0.9794€	1.1181€
USD Class B	Interim	Group 1	0.8286\$c	–	0.8286\$c	0.4920\$c
		Group 2	0.8286\$c	–	0.8286\$c	0.4920\$c
AUD Class C	Interim	Group 1	1.1413\$c	–	1.1413\$c	1.0627\$c
		Group 2	0.7906\$c	0.3507\$c	1.1413\$c	1.0627\$c

Interim period: 01.10.13 - 31.03.14

Further Information

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 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 period ended 31 March 2014

The Sub-Fund's performance was good in capital terms during the 6 months to 31 March 2014 with an outperformance of +4.46% against the MSCI EM Index. The Sub-Fund's accumulation class share price at NAV was up +2.83% in sterling terms whereas the market was down -1.63% (MSCI EM Small Cap Index was +1.84%). We are satisfied with this result but keep in mind that there is always room for improvement. In terms of longer term positioning, we continued to look for reasonably priced good quality companies

We believe the largest area of theoretical opportunity within the small cap space, and the one which was a focus throughout 2013, is IT. We have been unsuccessful in profiting from this sector and have a very low weighting there. We acknowledge the painful possibility of it doing well given consolidation in the DRAM space and its apparent cheapness. However the difficulty in identifying competitive advantages for long term investors, especially in the small cap space, has deterred us.

The continuing underperformance of Emerging Markets points to some structural flaws in the asset class, particularly in terms of financial risk. If rates rise, there is likely to be more pain and Emerging Market valuations can fall to 10x price earnings ratio (P/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 there will be an opportunity. We will start putting money to work when we find stocks providing that opportunity.

Investment Manager's Report

continued

We believe the Sub-Fund finished Q1 2014 quite well positioned with many of the stock and sector adjustments completed and a healthy cash level which should benefit the Sub-Fund in a falling market environment (witnessed in January 2014). However, the macro is continuing to evolve. A notable development is the significant depreciation in currencies over 2013 and early 2014: the Turkish lira was three standard deviations from its mean which is very unusual. Productivity has been damaged by populist policies (wage inflation – one of the reasons for the strong consumption figures) so the economic gains may not be as strong as otherwise could be hoped. In addition there have been quite significant recent hikes in interest rates (perhaps a positive on the currency side but adding significant pressure to the debt burdens we believe are key to understanding the current malaise). Within this challenging environment we see opportunity and added Do & Co in Turkey during the first quarter of 2014 despite the negative macro environment. Elsewhere there is some glimmer of hope on the political governance side with Delhi elections showing a strong showing for the anti-corruption party (the election is on-going as I write). There are elections in many discontent, populist governed emerging markets this year. P/E valuations look a little better but we would flag the very low quantity of deep value ideas available in the universe (only 2.5% of the universe qualify) which is one of our preferred yardsticks.

Governance and financial risks are well recognised by the market and stocks with these characteristics are cheap. However companies with strong businesses and lacking these risks are often very expensive which is a risk in itself. We are trying to reduce all four investment risks: valuation, business, financial and governance. This has been a struggle in the current opportunity set. However, the portfolio is at a discount to market valuations with double the profitability and much lower debt ratios (18% net cash compared to 16% net debt to equity for the universe). We maintain our caution but cannot rule out more favourable market conditions. We believe the relative valuation merits of the portfolio and good potential operating leverage in a number of our industrial holdings should provide participation in such a scenario.

Following my visit to the region in November 2013, we have now built good positions in the two Taiwanese stocks. Both operate in the industrial export/capital goods sector making incredibly boring but essential widgets. The companies win on their specific merits but the sector is an interesting one more generally given the fall in commodity prices (their raw material), the steady increase in Chinese wages (lower value competitors are hurt most by this – US and Japanese capital goods producers may benefit most) and the option value of greater customer demand (US corporate balance sheets are strong).

Nak Sealing Technologies manufactures the rubber sealing products used in most vehicles and complex machinery to prevent leakage of oil, gas, air or liquid. Only about 1% of a car's costs are oil seals but they are important. If there is a single leakage the car will stop running. This type of cost/benefit dynamic equates to good pricing power. Although the price for a standardised oil seal is low (specifically designed seals can be sold for a higher price), this does not mean the industry is unable to pass on costs. They are also a consumable good that needs to be replaced every 3-5 years. Rubber costs continue to fall with ample supply coming online this year and onwards. The top ten global competitors have 50% market share, Nak has less than 1% but it has achieved critical scale. 60% of their sales are to the fragmented aftermarket (including many European and American garages) which gives good pricing power. Their original equipment manufacturer customers are mainly based in China and include Geely, Shanghai Volkswagen and Peugeot. The boom in Chinese car ownership a few years ago should lead to an attractive after market environment from this year onwards. Finally, the valuations were attractive at point of purchase with a 14.5x P/E, 6% free cash flow (FCF) yield and 4% dividend yield.

Investment Manager's Report

continued

G Shank Enterprise has perhaps less comfortable a business position and more compelling a valuation argument (qualifying for our 'deep value' category). The company does metal precision dies and stamping. This involves stamping strips of metal with a large machine tipped with a die (the inverse of a mould) which they have manufactured to customer specifications. What typically comes out are fingernail sized metal widgets in all sorts of shapes and for anything from holding mobile phone SIM cards in place to connecting USB sticks, plug socket filaments, gps connectors in cars etc. The key fact is that metal stamping comes quite high up the supply chain and has machinery with a reasonably low degree of asset specificity. This means that if a customer's products go out of fashion the stamping machine can still be used for something else, you just need to make a new die. In G Shank's case for example consumer electronic (3C) products made up 90% of their customer base three years ago, this has since fallen to 70% as those markets declined and they have increased automobile, electrical and industrial customers. It is the decline of many of the companies in these industries that has hurt the share price. The hazard should G Shank fail to find new sectors to sell to is high but the probability of that happening seems quite low (they are already selling more to auto and healthcare industries). Single customer risk is low at 11.5% while labour costs are only 10% of costs versus 20% for competitors. Gross margin has been in a steady 24-30% range over the past ten years.

The company is bursting with cash and pays a healthy dividend. Normal financing requirements are not excessive. In our view, G Shank looks quite attractive on its one year trailing valuations, much more so on its 10 year P/E (7.7x) and FCF yield (8%).

The Sub-Fund retains its 22% average return on equity (ROE) with -19% net debt/equity. This suggests the ROE adjusted for cash on balance sheets is proportionately higher. Given the 15x P/E and 4.7% FCF yield the holdings continue to show good quality at reasonable price characteristics.

Mark Asquith

Lead Fund Manager

2 May 2014

Portfolio Statement

as at 31 March 2014

Holding	Security	Market value £	% of total net assets 2014
	BASIC MATERIALS 2.78% (2.00%)		
	Mining 2.78% (2.00%)		
625,618	Moil	1,579,967	2.78
	INDUSTRIALS 19.13% (16.52%)		
	Construction & Materials 7.14% (6.19%)		
957,301	Engineers India	2,169,557	3.82
522,757	Raubex	657,657	1.15
2,083,850	Trakya Cam Sanayii	1,232,874	2.17
		4,060,088	7.14
	Electronic & Electrical Equipment 4.42% (2.33%)		
2,231,000	G Shank Enterprise	1,083,225	1.90
2,560,167	Hana Microelectronics	1,431,983	2.52
		2,515,208	4.42
	Industrial Engineering 5.00% (3.25%)		
441,000	NAK Sealing Technologies	1,159,637	2.04
19,317	Hyundai Mipo Dockyard	1,681,774	2.96
		2,841,411	5.00
	Industrial Transportation 2.57% (2.91%)		
889,658	Super	1,458,664	2.57
	Support Services 0.00% (1.84%)		
	CONSUMER GOODS 23.38% (24.05%)		
	Automobiles & Parts 4.03% (4.09%)		
1,888,000	Minth	2,292,077	4.03
	Food Producers 0.79% (2.41%)		
20,448	HSBC Bank P-Note Herfy Food Services 08/10/2015	448,041	0.79
	Household Goods & Home Construction 4.92% (4.72%)		
118,812	Adel Kalemcilik	1,585,759	2.79
211,582	Kaulin Manufacturing	131,069	0.23
1,027,780	V.I.P. Industries	1,080,772	1.90
		2,797,600	4.92

Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2014
Personal Goods 11.01% (9.70%)			
290,000	Giant Manufacturing	1,173,849	2.06
4,601,100	Padini	1,597,340	2.81
70,162	Pegas Nonwovens	1,258,519	2.21
642,300	Sinmag	2,232,980	3.93
		6,262,688	11.01
Tobacco 2.63% (3.13%)			
4,350	Philip Morris	1,493,165	2.63
HEALTHCARE 5.93% (9.61%)			
Healthcare Equipment & Services 4.22% (5.69%)			
88,000	ST Shine Optical	1,176,941	2.07
1,348,905	Top Glove	1,224,002	2.15
		2,400,943	4.22
Pharmaceuticals & Biotechnology 1.71% (3.92%)			
713,742	FDC	905,740	1.59
9,878	Whanin Pharmaceutical	69,857	0.12
		975,597	1.71
CONSUMER SERVICES 9.17% (9.59%)			
General Retailers 0.00% (0.78%)			
Media 3.78% (3.72%)			
1,094,962	BEC World Foreign	1,093,294	1.92
1,838,359	Navneet Publications India	1,055,198	1.86
		2,148,492	3.78
Travel & Leisure 5.39% (5.09%)			
206,583	City Lodge Hotels	1,366,617	2.40
17,845	Do & Co	565,412	0.99
160,800	Formosa International Hotels	1,137,058	2.00
		3,069,087	5.39

Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2014
	FINANCIALS 24.84% (26.73%)		
	Banks 7.09% (9.93%)		
1,580,784	City Union Bank	854,959	1.50
1,127,059	Security Bank	1,596,444	2.81
1,414,231	Union National Bank	1,582,017	2.78
		4,033,420	7.09
	Non-life Insurance 3.15% (2.27%)		
1,096,410	Qualitas Controladora	1,790,205	3.15
	Financial Services 9.92% (10.04%)		
1,810,621	AFP Habitat	1,429,895	2.52
304,470	JSE	1,628,875	2.87
331,025	Warsaw Stock Exchange	2,574,099	4.53
		5,632,869	9.92
	Real Estate Investment Trust 2.63% (2.52%)		
2,236,351	Capitaretail China	1,493,390	2.63
	Real Estate Investment & Services 2.05% (1.97%)		
2,345,127	IGB	1,163,065	2.05
	TECHNOLOGY 2.44% (3.09%)		
	Software & Computer Services 2.44% (3.09%)		
2,626,931	Travelsky Technology	1,389,416	2.44
	Investment assets	49,845,393	87.67
	Net other assets	7,008,083	12.33
	Net assets	56,853,476	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 30.09.13

Comparative Tables

as at 31 March 2014

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
2014^	£8,940,934	8,857,335	100.94p
EUR Class B			
2011	€13,541,383	16,602,827	81.56€
2012	€16,987,176	16,749,382	101.42€
2013	€16,995,115	16,774,418	101.32€
2014^	€17,713,430	16,786,927	105.52€
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
2014^	\$55,465,246	53,215,224	104.23\$c

^ As at 31 March 2014

Price history & distribution record

The table below shows the highest and lowest prices and the net distribution per share on a calendar year basis 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
2014^	101.22p	94.85p	0.0627p
EUR Class B^^			
2010	103.02€	98.90€	—
2011	104.83€	79.77€	1.4170€
2012	105.30€	86.34€	1.3216€
2013	114.50€	94.14€	0.7500€
2014^	105.50€	99.11€	0.0727€
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
2014^	104.34\$c	95.98\$c	0.0702\$c

^ To 31 March 2014 ^^ From launch 1 November 2010

Foreign exchange rates used to calculate net asset value and net distribution per share as at 31 March 2014 were €1.2096 and US\$1.6672

Comparative Tables

continued

Ongoing charges

Expense type	31 March 2014 [^] %
GBP Class B	
Manager's periodic charge	1.25
Other expenses	0.41
Transaction charges	0.05
Ongoing charge	1.71
EUR Class B	
Manager's periodic charge	1.25
Other expenses	0.41
Transaction charges	0.05
Ongoing charge	1.71
USD Class B	
Manager's periodic charge	1.25
Other expenses	0.41
Transaction charges	0.05
Ongoing charge	1.71

[^] The ongoing charge is annualised based on the fees incurred during the accounting period.

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 period ended 31 March 2014

	31.03.14		31.03.13	
	£	£	£	£
Income				
Net capital gains		1,665,574		8,132,757
Revenue	562,046		533,030	
Expenses	(527,714)		(491,136)	
Finance costs: interest	—		(1)	
Net revenue before taxation	34,332		41,893	
Taxation	(42,582)		(41,594)	
Net (expense)/revenue after taxation		(8,250)		299
Total return before distributions		1,657,324		8,133,056
Finance costs: distributions		(38,818)		—
Change in net assets attributable to shareholders from investment activities		1,618,506		8,133,056

Statement of Change in Net Assets Attributable to Shareholders

for the period ended 31 March 2014

	31.03.14		31.03.13	
	£	£	£	£
Opening net assets attributable to shareholders		58,722,188		52,557,640
Amounts received on issue of shares	931,334		6,783,703	
Less: Amounts paid on cancellation of shares	(4,456,598)		(1,987,148)	
		(3,525,264)		4,796,555
Change in net assets attributable to shareholders from investment activities (see Statement of Total Return above)		1,618,506		8,133,056
Retained distribution on accumulation shares		38,046		—
Closing net assets attributable to shareholders		56,853,476		65,487,251

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

Balance Sheet

as at 31 March 2014

	31.03.14		30.09.13	
	£	£	£	£
ASSETS				
Investment assets		49,845,393		53,784,721
Debtors	1,824,430		204,526	
Bank balances	6,137,690		5,172,447	
Total other assets		7,962,120		5,376,973
Total assets		57,807,513		59,161,694
LIABILITIES				
Investment liabilities		–		–
Creditors	(911,555)		(439,506)	
Bank overdrafts	(42,482)		–	
Total other liabilities		(954,037)		(439,506)
Total liabilities		(954,037)		(439,506)
Net assets attributable to shareholders		56,853,476		58,722,188

Distribution Table

for the period ended 31 March 2014

Accumulation Share Distribution

Share Class	Distribution	Shares	Net Revenue	Equalisation	Amount Reinvested 2014	Amount Reinvested 2013
GBP Class B	Interim	Group 1 Group 2	0.0627p 0.0525p	– 0.0102p	0.0627p 0.0627p	– –
EUR Class B	Interim	Group 1 Group 2	0.0727€ 0.0727€	– –	0.0727€ 0.0727€	– –
USD Class B	Interim	Group 1 Group 2	0.0702\$c 0.0702\$c	– –	0.0702\$c 0.0702\$c	– –

Interim period: 01.10.13 - 31.03.14

Futher Information

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 different classes of shares in respect of any Sub-Fund.

PFS Somerset Global Emerging Markets Fund closed the following share class:

EUR Class B Accumulation on 13 January 2014

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.

General Information

continued

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

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.

