

# Maitland

**MI Somerset Capital Management Investment Funds  
ICVC**

**Annual Report 30 September 2020**

# MI Somerset Capital Management Investment Funds ICVC

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\*These collectively comprise the Authorised Corporate Director's Report.

## Directory

### Authorised Corporate Director (ACD) & Registrar

Maitland Institutional Services Limited  
Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY  
Telephone: 01245 398950  
Fax: 01245 398951  
Website: [www.maitlandgroup.com](http://www.maitlandgroup.com)  
(Authorised and regulated by the Financial Conduct Authority)

### Customer Service Centre

Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY  
Telephone: 0345 026 4282  
Fax: 0845 299 1178  
E-mail: [SomersetCM@maitlandgroup.com](mailto:SomersetCM@maitlandgroup.com)

### Directors of the Authorised Corporate Director

R. Ackermann (retired 31 January 2020)  
C. Deptford (appointed 15 October 2020)  
P.J. Foley-Brickley  
C. O'Keeffe (appointed 28 January 2020)  
D. Phillips (Non-Executive Director appointed 18 December 2019)  
J. Thompson (Non-Executive Director appointed 18 December 2019)

### Investment Manager

Somerset Capital Management LLP  
Manning House,  
22 Carlisle Place,  
London SW1P 1JA  
(Authorised and regulated by the Financial Conduct Authority)

### Lead Investment Managers

Edward Lam  
Edward Robertson  
Mark Asquith

### Co-Lead Investment Manager

Henrietta Seligman

### Depositary

Northern Trust Global Services SE (UK Branch)  
50 Bank Street, London E14 5NT  
(Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority)

### Independent Auditor

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

## Statement of the Authorised Corporate Director's Responsibilities

The Collective Investment Schemes sourcebook published by the FCA, ("the COLL Rules") require the Authorised Corporate Director ("ACD") to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Company and of the net revenue and net gains or losses on the property of the Company for the period.

In preparing the financial statements the ACD is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- following UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- complying with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014;
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- assessing the Company and its sub-funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to liquidate the Company or terminate a Sub-fund or to cease operations, or have no realistic alternative but to do so;
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- taking reasonable steps for the prevention and detection of fraud and irregularities.

The ACD is responsible for the management of the Company in accordance with its Instrument of Incorporation, the Prospectus and the COLL Rules.

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 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 Auditor is unaware; and
- the ACD has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the Auditor is aware of that information.

### Certification of the Annual Report by the Authorised Corporate Director

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



**C. O'Keeffe**

**P.J. Foley-Brickley**

Directors

Maitland Institutional Services Limited

21 December 2020

## Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Shareholders of the MI Somerset Capital Management Investment Funds ICVC ("the Company") for the Year Ended 30 September 2020

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that Company is managed in accordance with the Regulations and Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider 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 AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

### **Northern Trust Global Services SE (UK Branch)**

UK Trustee and Depositary Services

21 December 2020

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

### Opinion

We have audited the financial statements of MI Somerset Capital Management Investment Funds ICVC (the 'company') for the year ended 30 September 2020. These financial statements comprise together the statement of accounting policies and risk management policies and the individual financial statements of each of the following Sub-funds (the 'Sub-funds') of the company:

- MI Somerset Global Emerging Markets Fund
- MI Somerset Emerging Markets Dividend Growth Fund
- MI Somerset Emerging Markets Small Cap Fund
- MI Somerset Global Emerging Markets Screened Fund
- MI Somerset Emerging Markets Discovery Fund

The individual financial statements for each of the company's Sub-funds comprise the statement of total return, the statement of change in net assets attributable to shareholders, the balance sheet, notes to the financial statements and the distribution tables.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the Investment Association in May 2014.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the company and each of the Sub-funds as at 30 September 2020 and of the net revenue and net capital gains/(losses) on the scheme property of the company and each of the Sub-funds for the year then ended, and
- have been properly prepared in accordance with the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the Investment Association in May 2014, the Collective Investment Schemes sourcebook, and the company's Instrument of Incorporation.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Authorised Corporate Directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's and its Sub-fund's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's and its Sub-fund's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and its Sub-funds associated with these particular events.

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

continued

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Authorised Corporate Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Corporate Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's and its Sub-fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Authorised Corporate Director's conclusions, we considered the risks associated with the company's and its Sub-fund's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's and its Sub-fund's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company and its Sub-funds will continue in operation.

### Other information

The Authorised Corporate Director is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have been given all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit, and
- the information given in the Authorised Corporate Director's Report is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the company or a Sub-fund have not been kept, or
- the financial statements are not in agreement with those accounting records.



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

continued

### Responsibilities of the Authorised Corporate Director

As explained more fully in the Statement of the Authorised Corporate Director's Responsibilities on page 2, the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Authorised Corporate Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director is responsible for assessing the company's and each of the Sub-funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Corporate Director either intends to terminate a Sub-fund, wind up the company or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's shareholders, as a body, in accordance with regulation 67(2) of the Open-Ended Investment Companies Regulations 2001, and with Rule 4.5.12 of the Collective Investment Schemes sourcebook. 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.

**Grant Thornton UK LLP**

Statutory Auditor, Chartered Accountants

London, United Kingdom

21 December 2020



## Accounting Policies and Risk Management Policies

for the year ended 30 September 2020

The financial statements for MI Somerset Capital Management Investment Funds ICVC comprises the individual financial statements for each Sub-fund and the accounting policies and risk management policies below:

### 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 FRS 102 and the Statement of Recommended Practice (“SORP”) for Financial Statements of UK Authorised Funds issued by the Investment Association (IA) in May 2014.

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

The authorised Status and head office of the Sub-funds can be found within the general information starting on page 110.

The Certification of the Annual Report by the Authorised Corporate Director can be found on page 2.

#### (b) 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 short-term deposits is recognised on an earned basis.

All revenue includes withholding taxes but excludes irrecoverable tax credits.

#### (c) 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.

#### (d) Treatment of expenses

All expenses, except for those relating to the purchase and sale of investments, are charged against revenue for the year on an accruals basis.

#### (e) Allocation of revenue and expenses to multiple share classes

Any revenue or expense not directly attributable to a particular Sub-fund will normally be allocated pro-rata to the net assets of the relevant share classes and Sub-funds on the day that the revenue or expense is recognised.

With the exception of the Investment Manager’s fee which is directly attributable to individual share classes, all revenue and expenses are apportioned to the Sub-fund’s 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.

#### (f) 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.

#### (g) 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 funded from capital.

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

## Accounting Policies and Risk Management Policies

continued

### 1. Accounting Policies (continued)

#### (g) Distribution policy (continued)

For the purpose of enhancing revenue entitlement, the annual management fee payable to the Investment Manager for MI Somerset Emerging Markets Dividend Growth Fund, MI Somerset Global Emerging Screened Fund and the performance fees payable to the Investment Manager for MI Somerset Emerging Markets Small Cap Fund are allocated to capital. This will reduce the capital growth of the Sub-funds. All other expenses (except for those relating to the purchase and sale of investments), are charged against income for the year.

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

#### (h) Basis of valuation of investments

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

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

The fair value of open forward foreign currency contracts is calculated with reference to the changes in the spot rate, changes in interest rate differential and the reduced term left to maturity.

Market value is defined by the SORP as fair value, which generally is the bid value of each security.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

- Level 1 – Unadjusted quoted price in an active market for an identical instrument.
- Level 2 – Valuation techniques using observable inputs other than quoted prices within level 1.
- Level 3 – Valuation techniques using unobservable inputs.

#### (i) 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.

#### (j) Dilution levy

The Authorised Corporate Director (ACD) may require a dilution levy on the purchase and redemption of shares if, in its opinion, the existing Shareholders (for purchases) or remaining Shareholders (for redemptions) might otherwise be adversely affected. For example, 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' (typically being a purchase or redemption of shares to a size exceeding 5% of the Net Asset Value of the Company; in any case where the ACD is of the opinion that the interests of remaining shareholders require the imposition of a dilution levy.

From 30 October 2019, the ACD no longer makes a dilution levy. Instead it adjusts the price for all deals on a given day up or down according to net cash flows in the fund. On a particular trading day, if more shares in a Sub-fund are bought than sold, the ACD will adjust the price for all trades to reflect the Sub-fund's need to purchase more assets. If more shares are being sold than are being bought, the ACD will adjust the price to reflect the fund's need to sell assets. Investors will pay the same price on a given day, whether they are buying or selling.

## Accounting Policies and Risk Management Policies

continued

### 2. Risk Management Policies

In pursuing its 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-fund's operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued revenue.

In doing so, the ACD accepts market price risk and currency risk in relation to the investment portfolio and foreign cash positions.

The Sub-funds may also enter into a range of derivative transactions whose purpose is efficient portfolio management including hedging. In addition, the Sub-funds only executes derivative contracts where both the derivative instrument and the counterparty have been approved by the ACD.

The risks arising from financial instruments and the ACD's policies for the monitoring and managing of these risks are stated below in accordance with the Risk Management Policy of the ACD.

These policies have been consistent for both years through which these financial statements relate.

#### **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.

The Sub-fund's investment portfolio is exposed to market price fluctuations, which are monitored by the Company 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 Authority's Collective Investment Schemes Sourcebook describe the nature of the market risk to which the Sub-fund will be exposed.

#### **Currency risk**

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

Currency risk is the risk that the value of the Sub-fund's investments will fluctuate as a result of changes in currency exchange rates. For 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 Company monitors the currency exposure of the Sub-fund 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-fund's 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.

#### **Credit risk**

Credit risk arises from the possibility that the issuer of a security will be unable to pay interest and principal in a timely manner. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit credit risk.

There are no net borrowings.

Stress testing and scenario analysis is carried out on a regular basis.

## Accounting Policies and Risk Management Policies

continued

### 2. Risk Management Policies (continued)

#### Liquidity risk

Liquidity risk is the risk that a Sub-fund cannot raise sufficient cash to meet its liabilities when due. One of the key factors influencing this will be the ability to sell investments at, or close to, the fair value without a significant loss being realised.

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.

The ACD manages the Sub-fund's cash to ensure they can meet their liabilities. 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. The Sub-funds 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.

MISL conducts regular monitoring to ensure the liquidity profile of a Sub-fund's investments comply with its underlying obligations, particularly its ability to meet redemption requests.

Stress tests are undertaken, under normal and exceptional liquidity conditions, in order to assess the liquidity risk of each Sub-fund.

#### 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 its 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.

#### Derivatives

The Sub-funds may enter into derivative contracts for Efficient Portfolio Management (EPM) purposes. The purposes of EPM must be to achieve reduction of risk, the reduction of cost, or the generation of additional income or capital with an acceptably low level of risk and the use of these instruments must not cause the Sub-funds to stray from their investment objectives.

Any EPM transaction must be economically appropriate and the exposure fully covered. The ACD monitors the use of derivatives to ensure EPM rules are satisfied.

In the opinion of the ACD there is no sophisticated derivative use within the Sub-funds and accordingly a sensitivity analysis is not presented.

#### Fair value of financial assets and liabilities

Investments disclosed as at the balance sheet date are at fair value. Current assets and liabilities disclosed in the balance sheet are at amortised cost which is approximate to fair value.

## Investment Objective and Policy

### Investment objective

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

### Investment policy

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 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. Use may also be made of stock lending, 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 2020

The Sub-fund in capital terms during the 12 months to 30th September 2020 underperformed by -4.94% against the MSCI Emerging Markets Index. The Sub-fund's B Accumulation GBP Class<sup>1</sup> unit price at NAV rose +0.42% in sterling terms whereas the MSCI Emerging Markets Index rose +5.37%.

The last 12 months have been extraordinarily volatile; the final quarter of 2019 was characterised by a strong rally in China, where our underweight to large index holding Alibaba hurt relative performance. The first quarter of 2020 saw the sharpest market fall since 2008 as the COVID-19 pandemic caused economic lockdown across the globe. The market has bifurcated in the subsequent recovery and performance has concentrated in China, Internet and Tech, driving the index into positive territory year to date.

Our exposure to Financials has been the main cause of relative underperformance. Financials have been the most sold-off area of the market during this crisis. We continue to hold onto our banking exposure in the belief that they are oversold and there will be a recovery. Since the March sell-off we have seen a meaningful rebound from the lows for our Indian Financials. However, our banks in LATAM and EMEA (Itau Unibanco, Grupo Financiero Banorte, OTP Bank, Sanlam) have not yet recovered and were amongst the worst performers for the portfolio over the period. We believe these remain undervalued and continue to hold.

Following the March sell-off, our e-commerce names, IT and internet holdings have benefitted from e-commerce and online trends consolidating in lockdown. This includes B2W Cia Digital (Brazil), Russian internet (Mail.Ru and Yandex) and semiconductor companies (Samsung Electronics, Taiwan Semiconductor). In addition, our Chinese consumer names (Fuyao Glass Industry, Midea, China Mengniu Dairy) have seen continued strong performance throughout 2020.

Portfolio turnover has remained low. Most of our trading was concentrated in Q1 2020 where we took advantage of the opportunity to buy companies at very attractive valuations given the indiscriminate selling across markets. We have added new positions in China (Shanghai International Airport, Yum China and Alibaba) and Brazil (Hapvida Participacoes Investimentos and B2W Cia Digital).

Alibaba is the dominant e-commerce player in China with 66% market share and a long growth runway given e-commerce penetration is currently only 22%. The asset-lite business model also creates outstanding economics, with marketplace EBITDA margin in the 70% range. Following the change in management when Jack Ma severed all ties to the business, we now think the company will be less about empire building, with more focus on accretive capital allocation.

## Investment Manager's Report

continued

Hapvida Participacoes Investimentos is an integrated Brazilian hospital and insurance company (like Bupa). The company is an industry leader but with only 15% market share: the market remains highly fragmented and ripe for consolidation by the larger, more efficient players.

B2W Cia Digital is the largest Brazilian online retailer with a distinct competitive advantage from a strong distribution network. The industry dynamics are attractive with e-commerce representing c.5% of total retail sales in Brazil, allowing for a strong runway of growth over the long term.

We funded these new positions by selling CTBC Financial (Taiwan) which had held up relatively well in the sell-off. Netease, a Chinese gaming company, was a small position, which we sold as we already have a large exposure to gaming via Tencent. We also trimmed large portfolio holdings China Mengniu Dairy, Samsung Electronics, Tencent and Taiwan Semiconductor following strong performance.

In Q2 2020, we invested in Vale (Brazilian ore miner) and Airports of Thailand (airport operator with monopoly position) at attractive valuations. For Vale, given the Brumadinho dam collapse in January 2019, we wanted to ensure that Vale had taken sufficient measures to mitigate a repeat dam collapse. We saw that Vale had made positive changes in third party oversight and external certification of dam safety, changes in senior management and improved reporting lines regarding tailings, dam safety and sustainability and was making progress on their plans to decommission upstream dams. Overall, we believe management have taken sufficient measures. In addition, Vale is a better managed company than historically making for a more interesting investment case. Firstly, front and centre is the focus on profitability, which has resulted in divesting non-core assets, growing production in high-grade iron ore, and cost discipline. The strategic shift is evident in the margins and returns of Vale which reported a 4% net margin and 1% ROE in 2014, compared with 17% and 16% (normalised) respectively in 2019. Secondly, financial discipline is much greater. Just 4 years ago net debt/equity was 60% and interest coverage under 4x; this is now 20% and 10x respectively. Finally, CAPEX is at sustaining levels and working capital requirements have improved with a 34% improvement in the cash cycle since 2014, allowing for greater free cash flow generation which will be paid out to shareholders as dividends, when they are resumed.

In Q3 2020 we added two new positions in China, logistics provider S.F. Holding and solar technology company LONGi Green Energy Technology (LONGi). LONGi is the largest solar technology company globally, with a dominant position in mono-wafers. Our research suggests that LONGi will dominate this sector, which is expected to grow strongly over the next twenty years. The climate change agenda has been given a shot in the arm by last week's announcement from Xi Jinping that China is targeting carbon neutrality by 2060. This raises the bar and is a yardstick by which we can measure other countries progress. Renewables, including Solar, will be a major beneficiary of this transition. Over the last 10 years, solar panels have become cost competitive with other forms of energy, this is a step change where the industry no longer needs subsidies to survive. Our analysis suggests LONGi will grow earnings at over 20% for the next few years, it is one of two Chinese companies that have a global market share of 80%.

The Chinese economy continues to grow well despite global headwinds, with consumption and industrial activity holding up. It offers good long term growth opportunities whilst in the short term acts as a relative safe haven. Your portfolio has 40% in China across businesses ranging from e-commerce, consumer and logistics.

In India there is continued focus on opening up the economy. Our channel checks suggest that large manufacturing companies and their supply chains are functioning close to normal. We expect when banks report their Q2 earnings towards the end of October, that the worst of COVID-19 from an economic perspective will have been earlier in the year – by way of example, autos are expecting strong sales during the up and coming festive season.

The Latin American index is now valued at a multi-year discount to Asia, which includes its currencies in relation to the US dollar. History suggests that such a large discount does not hold for this long a period of time without a snap back.

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<sup>1</sup> Net Asset Values of the Accumulation share classes are based on the published single price provided by Maitland Institutional Services Limited, the fund ACD and Administrator; historical prices for other share classes can be provided on request.

**Edward Robertson**

Lead Manager

19 October 2020

# MI Somerset Global Emerging Markets Fund

## Portfolio Statement

as at 30 September 2020

Holding	Security	Market value £	% of total net assets 2020
	<b>BASIC MATERIALS 2.16% (0.00%)</b>		
	<b>Industrial Metals &amp; Mining 2.16% (0.00%)</b>		
796,600	Vale	6,460,869	2.16
	<b>INDUSTRIALS 3.84% (0.00%)</b>		
	<b>Electronic &amp; Electrical Equipment 1.22% (0.00%)</b>		
396,900	S.F. Holding Company	3,658,505	1.22
	<b>Industrial Transportation 2.62% (0.00%)</b>		
2,589,500	Airports of Thailand	3,571,428	1.19
546,200	Shanghai International Airport	4,266,102	1.43
		7,837,530	2.62
	<b>CONSUMER GOODS 24.78% (27.98%)</b>		
	<b>Automobiles &amp; Parts 8.12% (7.94%)</b>		
247,976	Bajaj Auto	7,490,231	2.50
2,696,619	Fuyao Glass Industry	9,919,986	3.32
208,613	Hero MotoCorp	6,883,459	2.30
		24,293,676	8.12
	<b>Beverages 2.48% (3.50%)</b>		
36,587	Fomento Economico Mexicano Sponsored ADR	1,590,210	0.53
84,881	Heineken	5,841,969	1.95
		7,432,179	2.48
	<b>Food Producers 4.13% (5.04%)</b>		
3,409,417	China Mengniu Dairy	12,335,329	4.13
	<b>Household Goods &amp; Home Construction 7.86% (7.55%)</b>		
2,089,825	Midea	17,229,284	5.76
700,240	Zhejiang Supor	6,266,913	2.10
		23,496,197	7.86
	<b>Leisure Goods 2.19% (2.99%)</b>		
73,000	Largan Precision	6,550,880	2.19
	<b>Tobacco 0.00% (0.96%)</b>		
	<b>HEALTH CARE 2.09% (1.16%)</b>		
	<b>Health Care Equipment &amp; Services 2.09% (0.00%)</b>		
734,000	Hapvida Participacoes Investimentos	6,259,368	2.09
	<b>Pharmaceuticals &amp; Biotechnology 0.00% (1.16%)</b>		
	<b>CONSUMER SERVICES 16.82% (8.28%)</b>		
	<b>Food &amp; Drug Retailers 3.27% (3.66%)</b>		
410,580	BIM Birlesik Magazalar	2,869,113	0.96
241,900	X5 Retail GDR	6,923,190	2.31
		9,792,303	3.27



# MI Somerset Global Emerging Markets Fund

## Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2020
<b>General Retailers 9.04% (1.33%)</b>			
569,400	Alibaba	15,651,069	5.23
623,196	B2W Cia Digital	7,695,446	2.57
605,420	Mr Price	3,706,246	1.24
		<b>27,052,761</b>	<b>9.04</b>
<b>Travel &amp; Leisure 4.51% (3.29%)</b>			
2,581,120	Sands China	7,689,802	2.57
141,300	Yum China	5,786,218	1.94
		<b>13,476,020</b>	<b>4.51</b>
<b>FINANCIALS 17.58% (33.89%)</b>			
<b>Banks 7.81% (19.42%)</b>			
1,249,394	Alpha Bank	586,337	0.20
857,260	First Abu Dhabi Bank	2,018,272	0.68
1,735,297	Grupo Financiero Banorte	4,645,343	1.55
2,631,046	ICICI Bank	9,785,388	3.27
1,117,323	Itau Unibanco	3,450,042	1.15
122,512	OTP Bank	2,857,879	0.96
		<b>23,343,261</b>	<b>7.81</b>
<b>Non-life Insurance 1.00% (2.77%)</b>			
894,807	BB Seguridade Participacoes	2,980,316	1.00
<b>Life Insurance 5.75% (6.85%)</b>			
1,488,799	AIA	11,278,217	3.77
2,448,149	Sanlam	5,902,396	1.98
		<b>17,180,613</b>	<b>5.75</b>
<b>Financial Services 3.02% (4.85%)</b>			
2,118,992	LIC Housing Finance	6,127,041	2.05
446,654	Shriram Transport Finance	2,900,244	0.97
		<b>9,027,285</b>	<b>3.02</b>
<b>TECHNOLOGY 31.52% (24.58%)</b>			
<b>Software &amp; Computer Services 17.71% (13.48%)</b>			
112,100	Autohome ADR	8,324,257	2.78
1,202,459	Infosys	12,710,590	4.25
185,793	Mail.Ru	3,937,754	1.32
299,328	Tencent	15,281,135	5.11
251,672	Yandex	12,694,563	4.25
		<b>52,948,299</b>	<b>17.71</b>

# MI Somerset Global Emerging Markets Fund

## Portfolio Statement

continued

		Market value £	% of total net assets 2020
	<b>Technology Hardware &amp; Equipment 13.81% (11.10%)</b>		
147,300	LONGi Green Energy Technology	1,254,881	0.42
367,278	Samsung Electronics	14,137,858	4.73
123,300	SK Hynix	6,850,276	2.29
1,646,505	Taiwan Semiconductor	19,040,942	6.37
		41,283,957	13.81
	<b>Investment assets</b>	<b>295,409,348</b>	<b>98.79</b>
	<b>Net other assets</b>	<b>3,622,513</b>	<b>1.21</b>
	<b>Net assets</b>	<b>299,031,861</b>	<b>100.00</b>

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 30.09.19.

## Comparative Tables

### Change in net assets per share

	A Accumulation GBP		
	30.09.20 p	30.09.19 p	30.09.18 p
<b>Opening net asset value per share</b>	262.09	234.62	250.00
Return before operating charges <sup>^</sup>	4.59	31.71	-11.13
Operating charges	-4.25	-4.24	-4.25
Return after operating charges <sup>^</sup>	0.34	27.47	-15.38
Distributions	-0.58	-2.40	-2.15
Retained distributions on accumulation shares	0.58	2.40	2.15
<b>Closing net asset value per share</b>	<b>262.43</b>	<b>262.09</b>	<b>234.62</b>
<sup>^</sup> After direct transaction costs of	-0.18	0.22	0.15
<b>Performance</b>			
Return after charges	0.13%	11.71%	-6.15%
<b>Other information</b>			
Closing net asset value	£206,144	£486,263	£606,176
Closing number of shares	78,553	185,533	258,369
Operating charges	1.68%	1.71%	1.67%
Ongoing operating charges*	1.68%	1.69%	1.67%
Direct transaction costs	0.07%	-0.09%	-0.06%
<b>Prices</b>			
Highest share price	282.71	275.06	275.05
Lowest share price	205.54	214.77	227.98

	B Income GBP		
	30.09.20 p	30.09.19 p	30.09.18 p
<b>Opening net asset value per share</b>	242.48	219.10	235.58
Return before operating charges <sup>^</sup>	4.56	29.58	-10.46
Operating charges	-2.19	-2.22	-2.21
Return after operating charges <sup>^</sup>	2.37	27.36	-12.67
Distributions	-2.16	-3.98	-3.81
<b>Closing net asset value per share</b>	<b>242.69</b>	<b>242.48</b>	<b>219.10</b>
<sup>^</sup> After direct transaction costs of	-0.16	0.21	0.14
<b>Performance</b>			
Return after charges	0.98%	12.49%	-5.38%
<b>Other information</b>			
Closing net asset value	£11,860,971	£23,484,263	£15,936,220
Closing number of shares	4,887,197	9,684,857	7,273,340
Operating charges	0.93%	0.96%	0.92%
Ongoing operating charges*	0.93%	0.94%	0.92%
Direct transaction costs	0.07%	-0.09%	-0.06%
<b>Prices</b>			
Highest share price	262.05	257.08	259.77
Lowest share price	191.26	200.64	215.36

## Comparative Tables

continued

### Change in net assets per share

	B Accumulation GBP		
	30.09.20 p	30.09.19 p	30.09.18 p
<b>Opening net asset value per share</b>	277.79	246.87	260.93
Return before operating charges <sup>^</sup>	4.89	33.43	-11.60
Operating charges	-2.50	-2.51	-2.46
Return after operating charges <sup>^</sup>	2.39	30.92	-14.06
Distributions	-2.65	-4.52	-4.21
Retained distributions on accumulation shares	2.65	4.52	4.21
<b>Closing net asset value per share</b>	<b>280.18</b>	<b>277.79</b>	<b>246.87</b>
<sup>^</sup> After direct transaction costs of	-0.19	0.24	0.16
<b>Performance</b>			
Return after charges	0.86%	12.52%	-5.39%
<b>Other information</b>			
Closing net asset value	£190,627,121	£191,598,924	£199,906,062
Closing number of shares	68,036,890	68,973,302	80,977,738
Operating charges	0.93%	0.96%	0.92%
Ongoing operating charges*	0.93%	0.94%	0.92%
Direct transaction costs	0.07%	-0.09%	-0.06%
<b>Prices</b>			
Highest share price	300.34	291.03	287.73
Lowest share price	218.70	226.03	239.82

	B Accumulation USD		
	30.09.20 \$c	30.09.19 \$c	30.09.18 \$c
<b>Opening net asset value per share</b>	114.14	107.35	116.76
Return before operating charges <sup>^</sup>	7.68	7.86	-8.31
Operating charges	-1.07	-1.07	-1.10
Return after operating charges <sup>^</sup>	6.61	6.79	-9.41
Distributions	-1.13	-1.88	-1.41
Retained distributions on accumulation shares	1.13	1.88	1.41
<b>Closing net asset value per share</b>	<b>120.75</b>	<b>114.14</b>	<b>107.35</b>
<sup>^</sup> After direct transaction costs of	-0.08	0.10	0.07
<b>Performance</b>			
Return after charges	5.79%	6.33%	-8.06%
<b>Other information</b>			
Closing net asset value	\$101,790,526	\$79,046,746	\$77,857,761
Closing number of shares	84,297,908	69,254,670	72,526,952
Operating charges	0.93%	0.96%	0.92%
Ongoing operating charges*	0.93%	0.94%	0.92%
Direct transaction costs	0.07%	-0.09%	-0.06%
<b>Prices</b>			
Highest share price	130.34	120.72	135.19
Lowest share price	84.08	97.71	104.00

The foreign exchange rate used to calculate the net asset value and the net distribution per share as at 30 September 2020 was US\$1.2928 (2019: 1.2323, 2018: 1.3041).

## Comparative Tables

continued

### Change in net assets per share

	B Accumulation EUR		
	30.09.20 € c	30.09.19 € c	30.09.18 € c
<b>Opening net asset value per share</b>	125.81	111.06	118.68
Return before operating charges <sup>^</sup>	1.56	15.89	-6.51
Operating charges	-1.16	-1.14	-1.11
Return after operating charges <sup>^</sup>	0.40	14.75	-7.62
Distributions	-1.17	-2.05	-1.68
Retained distributions on accumulation shares	1.17	2.05	1.68
<b>Closing net asset value per share</b>	<b>126.21</b>	<b>125.81</b>	<b>111.06</b>
<sup>^</sup> After direct transaction costs of	-0.09	0.11	0.07
<b>Performance</b>			
Return after charges	0.32%	13.28%	-6.42%
<b>Other information</b>			
Closing net asset value	€ 407,470	€ 2,458,689	€ 1,869,936
Closing number of shares	322,853	1,954,302	1,683,738
Operating charges	0.93%	0.96%	0.92%
Ongoing operating charges*	0.93%	0.94%	0.92%
Direct transaction costs	0.07%	-0.09%	-0.06%
<b>Prices</b>			
Highest share price	140.95	129.03	131.30
Lowest share price	96.26	103.38	107.91

The foreign exchange rate used to calculate the net asset value and the net distribution per share as at 30 September 2020 was € 1.1025 (2019: 1.1303, 2018: 1.1227).

	B Accumulation DKK		
	30.09.20 ore	30.09.19 ore	30.09.18 ore
<b>Opening net asset value per share</b>	2,535.15	2,232.21	2,378.49
Return before operating charges <sup>^</sup>	-29.37	323.96	-125.83
Operating charges	-20.80	-21.02	-20.45
Return after operating charges <sup>^</sup>	-50.17	302.94	-146.28
Distributions	-25.83	-44.03	-4.80
Retained distributions on accumulation shares	25.83	44.03	4.80
<b>Closing net asset value per share</b>	<b>2,484.98</b>	<b>2,535.15</b>	<b>2,232.21</b>
<sup>^</sup> After direct transaction costs of	-1.73	2.15	1.46
<b>Performance</b>			
Return after charges	-1.98%	13.57%	-6.15%
<b>Other information</b>			
Closing net asset value	kr.141,409,028	kr.144,263,779	kr.1,025,451,908
Closing number of shares	5,690,549	5,690,549	45,938,897
Operating charges	0.84%	0.88%	0.84%
Ongoing operating charges*	0.84%	0.86%	0.84%
Direct transaction costs	0.07%	-0.09%	-0.06%
<b>Prices</b>			
Highest share price	2,843.35	2,599.83	2,632.34
Lowest share price	1,903.96	2,078.52	2,169.21

The foreign exchange rate used to calculate the net asset value and the net distribution per share as at 30 September 2020 was kr. 8.2064 (2019: 8.4395, 2018: 8.3725).

## Comparative Tables

continued

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

\*The ACD believes this to be more representative of the charges going forward.

The return after charges is calculated as the closing Net Asset Value per share plus the distributions on income shares minus the opening Net Asset Value per share as a % of the opening Net Asset Value per share. The basis of valuation of investments used to calculate Net Asset Value per share is described in notes to the Financial Statements 1h) and complies with requirements of the current Statement of Recommended Practice for UK Authorised Funds. This differs from the basis used to calculate daily published single prices, in which listed investments are valued at 12:00 mid prices.

Direct transaction costs include fees, commissions, transfer taxes and duties in the purchasing and selling of investments, which are offset (where applicable) against any dilution levies charged within the accounting year. The figures used within the table have been calculated against the average Net Asset Value for the accounting year.

## Risk and Reward Profile

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 tables below shows the Sub-fund's ranking on the risk and reward indicators.



The Sub-fund is ranked at 6 because funds of this type have experienced high rises and falls in value in the past. During the year under review the category for A Accumulation GBP, B Income GBP and B Accumulation GBP changed from 5 to 6, this is due to the price volatility of the share classes. 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.
- In difficult market conditions, the value of some investments may be less predictable than normal and the Sub-fund may not be able to buy and sell these investments at the best time or at a fair price. This could affect the Sub-fund's performance, potentially reducing your returns.
- For further risk information please see the prospectus.

## Risk warning

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

# MI Somerset Global Emerging Markets Fund

## Statement of Total Return

for the year ended 30 September 2020

	Note	£	30.09.20 £	£	30.09.19 £
Income					
Net capital gains	2		2,111,397		28,365,447
Revenue	3	6,112,621		8,923,067	
Expenses	4	(2,733,891)		(3,007,406)	
Interest payable and similar charges	4	–		(147)	
Net revenue before taxation		3,378,730		5,915,514	
Taxation	5	(504,242)		(411,473)	
Net revenue after taxation			2,874,488		5,504,041
<b>Total return before distributions</b>			<b>4,985,885</b>		<b>33,869,488</b>
Distributions	6		(2,946,853)		(5,504,097)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>2,039,032</b>		<b>28,365,391</b>

## Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 September 2020

	£	30.09.20 £	£	30.09.19 £
<b>Opening net assets attributable to Shareholders</b>		<b>298,984,282</b>		<b>400,294,902</b>
Amounts receivable on issue of shares	69,159,396		35,754,830	
Less: Amounts payable on cancellation of shares	(73,928,390)		(170,712,989)	
		(4,768,994)		(134,958,159)
Dilution levy		19,174		621,815
Change in net assets attributable to Shareholders from investment activities (see Statement of Total Return above)		2,039,032		28,365,391
Retained distribution on accumulation shares		2,758,367		4,660,333
<b>Closing net assets attributable to Shareholders</b>		<b>299,031,861</b>		<b>298,984,282</b>

The notes on pages 23 to 31 form an integral part of these Financial Statements.



# MI Somerset Global Emerging Markets Fund

## Balance Sheet

as at 30 September 2020

	Note	£	30.09.20 £	£	30.09.19 £
<b>ASSETS</b>					
<b>Fixed Assets</b>					
Investments			295,409,348		286,688,884
<b>Current Assets</b>					
Debtors	7	4,364,591		5,459,539	
Cash and bank balances	9	2,116,882		13,423,981	
<b>Total current assets</b>			<b>6,481,473</b>		<b>18,883,520</b>
<b>Total assets</b>			<b>301,890,821</b>		<b>305,572,404</b>
<b>LIABILITIES</b>					
Investment liabilities			–		–
<b>Creditors</b>					
Bank overdrafts	9	(8,404)		–	
Distribution payable		(75,835)		(280,241)	
Other creditors	8	(2,774,721)		(6,307,881)	
<b>Total creditors</b>			<b>(2,858,960)</b>		<b>(6,588,122)</b>
<b>Total liabilities</b>			<b>(2,858,960)</b>		<b>(6,588,122)</b>
<b>Net assets attributable to Shareholders</b>			<b>299,031,861</b>		<b>298,984,282</b>

The notes on pages 23 to 31 form an integral part of these Financial Statements.

# MI Somerset Global Emerging Markets Fund

## Notes to the Financial Statements

for the year ended 30 September 2020

### 1. Accounting Policies

The Sub-fund's Financial Statements have been prepared on the same basis as the Accounting Policies stated on pages 7 and 8.

<b>2. Net Capital Gains</b>	<b>30.09.20</b>	<b>30.09.19</b>
	£	£
Non-derivative securities	2,372,685	28,239,217
Currency (losses)/gains	(207,525)	199,995
Transaction charges	(53,763)	(73,765)
<b>Net capital gains</b>	<b>2,111,397</b>	<b>28,365,447</b>

<b>3. Revenue</b>	<b>30.09.20</b>	<b>30.09.19</b>
	£	£
Overseas dividends	5,811,212	8,622,270
Taxable overseas dividends	301,133	298,930
Bank interest	276	1,867
<b>Total revenue</b>	<b>6,112,621</b>	<b>8,923,067</b>

<b>4. Expenses</b>	<b>30.09.20</b>	<b>30.09.19</b>
	£	£
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's fee	226,774	245,245
Registration fee	67,432	68,175
	<u>294,206</u>	<u>313,420</u>
Payable to the Investment Manager, associates of the Investment Manager and agents of either of them:		
Investment Manager's fee	2,212,783	2,369,668
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	70,350	81,049
Safe custody and other bank charges	81,273	101,380
	<u>151,623</u>	<u>182,429</u>

## Notes to the Financial Statements

continued

4. Expenses (continued)	30.09.20	30.09.19
	£	£
Auditors remuneration:		
Audit fee (including VAT)	8,652	8,034
Tax Compliance Services (including VAT)	1,970	1,800
Tax Compliance Services (including VAT) - predecessor tax adviser	–	1,200
	10,622	11,034
Other expenses:		
Legal fees	61,838	128,089
Printing costs	2,819	2,766
	64,657	130,855
<b>Expenses</b>	<b>2,733,891</b>	<b>3,007,406</b>
Interest payable and similar charges	–	147
<b>Total</b>	<b>2,733,891</b>	<b>3,007,553</b>

5. Taxation	30.09.20	30.09.19
	£	£
(a) Analysis of charge in the year:		
Capital gains tax on Indian trades	72,404	–
Overseas tax	431,838	411,473
<b>Total tax charge (note 5b)</b>	<b>504,242</b>	<b>411,473</b>
(b) Factors affecting taxation charge for the year:		
Net revenue before taxation	3,378,730	5,915,514
Corporation tax at 20%	675,746	1,183,103
Effects of:		
Movement in surplus management expenses	495,530	550,319
Capital gains tax on Indian trades	72,404	–
Overseas tax expensed	431,838	411,473
Unutilised double taxation relief	(9,034)	(8,968)
Non-taxable overseas earnings	(1,162,242)	(1,724,454)
<b>Total tax charge (note 5a)</b>	<b>504,242</b>	<b>411,473</b>

(c) Deferred tax

At the year end there is a potential deferred tax asset of £3,115,677 (2019: 2,620,147) 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.

# MI Somerset Global Emerging Markets Fund

## Notes to the Financial Statements

continued

### 6. Distributions

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

		<b>30.09.20</b>	<b>30.09.19</b>
		<b>£</b>	<b>£</b>
Interim distribution	31.03.20	919,727	1,566,477
Final distribution	30.09.20	1,943,983	3,536,923
		<b>2,863,710</b>	<b>5,103,400</b>
Revenue deducted on cancellation of shares		167,423	560,844
Revenue received on issue of shares		(84,280)	(160,147)
<b>Distributions</b>		<b>2,946,853</b>	<b>5,504,097</b>

### Reconciliation of net revenue after taxation to net distributions:

Net revenue after taxation per Statement of Total Return		2,874,488	5,504,041
Capital gains tax on Indian trades		72,404	–
Undistributed revenue brought forward		71	127
Undistributed revenue carried forward		(110)	(71)
<b>Distributions</b>		<b>2,946,853</b>	<b>5,504,097</b>

### 7. Debtors

		<b>30.09.20</b>	<b>30.09.19</b>
		<b>£</b>	<b>£</b>
Amounts receivable on issues		802,294	1,280,725
Currency deals outstanding		955,159	3,221,041
Sales awaiting settlement		2,081,714	614,551
Accrued income:			
Dividends receivable		244,206	89,055
Overseas tax recoverable		274,742	254,167
Prepaid expenses:			
Legal fee		6,476	–
<b>Total debtors</b>		<b>4,364,591</b>	<b>5,459,539</b>

# MI Somerset Global Emerging Markets Fund

## Notes to the Financial Statements

continued

<b>8. Other Creditors</b>	<b>30.09.20</b>	<b>30.09.19</b>
	<b>£</b>	<b>£</b>
Amounts payable on cancellations	1,550,206	120,667
Currency deals outstanding	951,477	3,225,894
Purchases awaiting settlement	–	2,724,431
Accrued expenses:		
Amounts payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's fee	19,145	18,814
Registration fee	5,424	5,159
	<u>24,569</u>	<u>23,973</u>
Amounts payable to the Investment Manager, associates of the Investment Manager and agents of either of them:		
Investment Manager's fee	186,834	183,708
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	18,858	6,393
Safe custody and other bank charges	26,553	7,854
Transaction charges	4,456	–
	<u>49,867</u>	<u>14,247</u>
Auditors remuneration:		
Audit fee (including VAT)	8,652	8,034
Tax Compliance Services (including VAT)	1,916	1,800
Tax Compliance Services (including VAT) - predecessor tax adviser	–	2,100
	<u>10,568</u>	<u>11,934</u>
Other expenses:		
Legal fees	–	1,827
Printing costs	1,200	1,200
	<u>1,200</u>	<u>3,027</u>
<b>Total other creditors</b>	<b><u>2,774,721</u></b>	<b><u>6,307,881</u></b>
<b>9. Cash and Bank Balances</b>	<b>30.09.20</b>	<b>30.09.19</b>
	<b>£</b>	<b>£</b>
Cash and bank balances	2,116,882	13,423,981
Overdraft positions	(8,404)	–
<b>Cash and bank balances</b>	<b><u>2,108,478</u></b>	<b><u>13,423,981</u></b>

## Notes to the Financial Statements

continued

### 10. Related Party Transactions

Maitland Institutional Services Limited (MISL) is regarded as a related party by virtue of having the ability to act in respect of the operations of the Sub-fund in its capacity as the Authorised Corporate Director (ACD).

ACD and other fees payable to MISL are disclosed in note 4 and amounts due at the year end are shown in note 8.

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.

Amounts receivable on issue and payable on cancellation of shares and dilution levy are disclosed in the Statement of Change in Net Assets Attributable to Shareholders and in note 6, amounts due at the year end are shown in notes 7 and 8.

At the year end the MI Somerset Global Emerging Markets Fund did not hold shares in any of the other Sub-funds within the MI Somerset Capital Management Investment Funds ICVC.

### 11. Contingent Liabilities and Outstanding Commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2019: none).

### 12. Risk Management Policies and Disclosures

The main risks arising from financial instruments and the ACD's policies for managing these risks are disclosed in the risk management policies on pages 9 and 10.

These policies have been consistent for both years through which these financial statements relate.

Numerical disclosures relating to the Sub-fund are as follows:

#### Market price risk

At the balance sheet date, if the price of the investments held by the Sub-fund increased or decreased by 10%, with all other variables held constant, the net assets attributable to Shareholders would increase or decrease by approximately £29,540,935 (2019: £28,668,888).

## Notes to the Financial Statements

continued

### 12. Risk Management Policies and Disclosures (continued)

#### Currency risk

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

Currency	30.09.20 Total £	30.09.19 Total £
Brazilian real	27,244,069	19,358,915
Chinese renminbi	42,595,671	26,721,447
Euro	6,458,591	10,142,627
Hong Kong dollar	62,235,552	53,021,387
Hungarian forint	2,857,879	8,449,813
Indian rupee	46,475,025	59,413,919
Indonesian rupiah	–	4,271,774
Mexican peso	4,690,412	7,848,714
Polish zloty	220,585	223,170
Pound sterling	1,404,841	10,754,171
South African rand	9,617,079	15,957,864
South Korean won	20,988,134	20,344,707
Taiwanese dollar	25,964,327	27,183,190
Thai baht	3,571,428	–
Turkish lira	2,869,113	3,813,058
United Arab Emirates dirham	2,018,272	4,344,440
United States dollar	39,820,883	27,135,087
	<b>299,031,861</b>	<b>298,984,282</b>

At the balance sheet date, if the value of sterling increased or decreased by 10%, with all other variables held constant, then the net assets attributable to Shareholders would increase or decrease by approximately £29,762,702 (2019: £28,823,011).

## Notes to the Financial Statements

continued

### 13. Portfolio Transaction Costs

30.09.20

Analysis of purchases	Total purchase cost £	Commissions paid		Taxes		Purchases before transaction cost £
		£	%	£	%	
Equities	87,515,235	54,270	0.06	38,056	0.04	87,422,909
Corporate Actions	582,016	–	0.00	–	0.00	582,016
<b>Total purchases after commissions and tax</b>	<b>88,097,251</b>					
Analysis of sales	Net sale proceeds £	Commissions paid		Taxes		Sales before transaction cost £
		£	%	£	%	
Equities	81,749,141	56,522	0.07	83,970	0.10	81,889,633
<b>Total sales after commissions and tax</b>	<b>81,749,141</b>					
Commission as a % of average net assets	0.04%					
Taxes as a % of the average net assets	0.04%					

30.09.19

Analysis of purchases	Total purchase cost £	Commissions paid		Taxes		Purchases before transaction cost £
		£	%	£	%	
Equities	48,129,026	35,185	0.07	36,102	0.08	48,057,739
Corporate Actions	(163,430)	–	0.00	–	0.00	(163,430)
<b>Total purchases after commissions and tax</b>	<b>47,965,596</b>					
Analysis of sales	Net sale proceeds £	Commissions paid		Taxes		Sales before transaction cost £
		£	%	£	%	
Equities	181,150,696	113,682	0.06	162,564	0.09	181,426,942
<b>Total sales after commissions and tax</b>	<b>181,150,696</b>					
Commission as a % of average net assets	0.05%					
Taxes as a % of the average net assets	0.06%					

Commissions and taxes as a % of the average net assets form part of the direct transactions costs stated within the comparative tables on pages 16 to 19. The direct transaction costs within the comparative tables may differ due to the effect of dilution levies charged (where applicable).



## Notes to the Financial Statements

continued

### 14. Portfolio Dealing Spread

The average portfolio dealing spread at 30 September 2020 is 0.11% (2019: 0.11%).

### 15. Events after the Balance Sheet date

The table below denotes the movement in Net Asset Value per share since the period end, calculated with reference to daily published single prices.

Share Class	30.09.20 p	14.12.20 p	% Movement
B Income GBP*	244.34	279.80	14.51%
B Accumulation USD	119.90	143.74	19.88%
A Accumulation GBP	262.54	300.45	14.44%
B Accumulation GBP	280.29	321.29	14.63%
B Accumulation EUR	125.50	144.88	15.45%
B Accumulation DKK	2,471.90	2,852.99	15.42%

\*adjusted for income distribution for comparison purposes

### ACD Statement Regarding COVID-19

Notwithstanding the challenges arising from the impact of the COVID-19 virus, the ACD continues to operate, administer and price the Sub-fund in accordance with FCA regulatory requirements and in accordance with relevant accounting standards. At the time of writing, investment markets are experiencing high levels of daily volatility and it is likely that this volatility will continue for the foreseeable future.

The ACD will continue to monitor fund liquidity and market volatility to ensure the Sub-fund is managed in the best interests of shareholders and to ensure that the Sub-fund remains a going concern. Where appropriate the ACD will value assets on a "fair value" basis in accordance with the Regulations.

As stated in the Prospectus, the Sub-fund should be considered as a long-term investment and the ACD emphasises the importance for investors to seek professional advice when considering their investment in the Sub-fund.

### 16. Fair Value Disclosure

Valuation technique	30.09.20		30.09.19	
	Assets £	Liabilities £	Assets £	Liabilities £
Level 1 <sup>^</sup>	295,409,348	–	286,688,884	–
Level 2 <sup>^^</sup>	–	–	–	–
Level 3 <sup>^^^</sup>	–	–	–	–
	<b>295,409,348</b>	<b>–</b>	<b>286,688,884</b>	<b>–</b>

<sup>^</sup> Level 1: Unadjusted quoted price in an active market for an identical instrument.

<sup>^^</sup> Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

<sup>^^^</sup> Level 3: Valuation techniques using unobservable inputs.

## Notes to the Financial Statements

continued

### 17. Shareholders Funds

	<b>A Accumulation GBP</b>	<b>B Income GBP</b>	<b>B Accumulation GBP</b>
Opening number of shares	185,533	9,684,857	68,973,302
Shares issued	15,623	94,354	17,237,521
Shares cancelled	(122,603)	(4,875,108)	(18,188,691)
Shares converted	–	(16,906)	14,758
<b>Closing number of shares</b>	<b>78,553</b>	<b>4,887,197</b>	<b>68,036,890</b>

	<b>B Accumulation USD</b>	<b>B Accumulation EUR</b>	<b>B Accumulation DKK</b>
Opening number of shares	69,254,670	1,954,302	5,690,549
Shares issued	25,586,569	72,045	–
Shares cancelled	(10,543,331)	(1,703,494)	–
<b>Closing number of Shares</b>	<b>84,297,908</b>	<b>322,853</b>	<b>5,690,549</b>

# MI Somerset Global Emerging Markets Fund

## Distribution Tables

for the year ended 30 September 2020

### Income Share Distributions

Share class	Distribution	Shares	Net revenue	Equalisation	Distribution paid/payable 2020	Distribution paid 2019	
B GBP	Interim	Group 1	0.6065p	–	0.6065p	1.0892p	
		Group 2	0.4351p	0.1714p	0.6065p	1.0892p	
	Final	Group 1	1.5517p	–	–	1.5517p	2.8936p
		Group 2	1.0934p	1.0934p	0.4583p	1.5517p	2.8936p

### Accumulation Share Distributions

Share class	Distribution	Shares	Net revenue	Equalisation	Amount reinvested 2020	Amount reinvested 2019	
A GBP	Interim	Group 1	–	–	–	0.2919p	
		Group 2	–	–	–	0.2919p	
	Final	Group 1	0.5771p	–	–	0.5771p	2.1149p
		Group 2	0.3543p	0.3543p	0.2228p	0.5771p	2.1149p
B GBP	Interim	Group 1	0.8396p	–	0.8396p	1.2429p	
		Group 2	0.6379p	0.2017p	0.8396p	1.2429p	
	Final	Group 1	1.8147p	–	–	1.8147p	3.2785p
		Group 2	1.0314p	1.0314p	0.7833p	1.8147p	3.2785p
B USD	Interim	Group 1	0.3497\$c	–	0.3497\$c	0.5377\$c	
		Group 2	0.3260\$c	0.0237\$c	0.3497\$c	0.5377\$c	
	Final	Group 1	0.7830\$c	–	–	0.7830\$c	1.3475\$c
		Group 2	0.5416\$c	0.5416\$c	0.2414\$c	0.7830\$c	1.3475\$c
B EUR	Interim	Group 1	0.3606€ c	–	0.3606€ c	0.5763€ c	
		Group 2	0.3606€ c	–	0.3606€ c	0.5763€ c	
	Final	Group 1	0.8112€ c	–	–	0.8112€ c	1.4825€ c
		Group 2	0.7432€ c	0.7432€ c	0.0680€ c	0.8112€ c	1.4825€ c
B DKK	Interim	Group 1	8.5128ore	–	8.5128ore	13.1070ore	
		Group 2^	8.5128ore	–	8.5128ore	13.1070ore	
	Final	Group 1	17.3122ore	–	–	17.3122ore	30.9274ore
		Group 2^	17.3122ore	17.3122ore	–	17.3122ore	30.9274ore

^No Group 2 units held in this distribution period

Interim period: 01.10.19 - 31.03.20

Final period: 01.04.20 - 30.09.20

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

### Investment objective

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.

### Investment policy

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 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. 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 2020

During the period covering the 12 months to 30th September 2020, the Sub-fund's A Accumulation GBP Class<sup>1</sup> returned -17.7% in sterling terms vs. a return of +5.4% for the MSCI Emerging Markets Index. The strong rally in Chinese stocks during Q4 2019, their outperformance through the COVID-19 pandemic, and the subsequent risk-off environment hitting our financials have been the dominant drivers of underperformance through this period. We cannot think of a time when markets have been more pointedly against our point of view. On that basis we would argue that this fact bodes very well indeed for future returns as it seems to us that the potential in the portfolio is materially mispriced. It has been surprising that our underweight to the epicentre of the outbreak has been such a large relative detractor over such a short period with MSCI China up +25.6% in sterling terms over the period, sharply outperforming MSCI Latin America which is down -34.1%, and MSCI EMEA which is down -18.3%. It is clear that a COVID-19 safe haven thematic decisively favouring momentum over stock-picking has precipitated some major dislocations in our markets. While it has been a tough period being on the wrong side such a powerful short-term market narrative, we believe that for the active, bottom-up investor able to look through the noise and focus on the fundamentals there are some wonderful opportunities across a number of more down-trodden sectors and regions to exploit.

The COVID-19 safe haven trade has dominated the performance of the MSCI EM Index, based in part on a narrative of rapidly accelerating trends in tech brought about by lockdowns. North Asian tech names account for eight of the top ten contributors for the benchmark, adding +11.7% to the MSCI EM Index over the period. Meanwhile, our positions in EMEA and LatAm, and particularly the financials in those regions, continue to languish despite reporting robust results and as lockdowns begin to ease. No doubt this has been a testing period, but our experience tells us that the real opportunity as truly active and independent investors is afforded in those parts of the market being shunned by virtue of them battling near term headwinds or macro uncertainty. It is safe to say that most of the portfolio falls under this banner, one indicator being that for the first time in the Sub-fund's history over one-fifth of our companies are trading below book value.

When considering the contributors and detractors, China was the leading detractor for the portfolio in relative terms, with a -5.64% contribution over the period. In particular, China's sharp rally through the month of July saw the value of its domestic equities climb to around \$9.7 trillion. Domestic Chinese equities rose briefly above \$10 trillion for the first time back in June

## Investment Manager's Report

continued

2015 before crumbling to \$5 trillion in just three months. While valuations are not yet at the same levels as in 2015, margin debt climbed through the quarter (though we are still at only around half of the level during the 2015 peak), which along with supportive commentary from state media (later tempered) added fuel to the rally. Our response is to manage the underweight given the strength of this rally, but at the same time take care not to capitulate by rotating away from quality positions likely to revert over the longer term in favour of today's star stocks.

Financials have made a -8.5% relative contribution over the period. The risk-off sentiment prevails, with indiscriminate selling through the COVID-19 panic across Latin America and EMEA. The largest single stock detractors were Brazilian companies Ambev and Porto Seguro, down -53.0% and -40.7% respectively over the period, despite reporting robust results. In Greece, Piraeus and Alpha Bank both declined over -65%, which appears excessive given their healthy levels of capitalisation following years of bad debt clean up. Overall, while such sharp drawdowns in the near term are painful, the financials across our portfolio possess robust balance sheets, strong profitability and stand positioned for a "reflation trade" as lockdowns eventually lift.

At the stock holding level, Ambev, the Brazilian brewer, trades at a c.15% discount to its 10 year average P/E despite strong growth potential from a relaxation of social distancing measures. The stock has been pummelled through the pandemic and continues to languish even though the industry backdrop continues to improve for a company that has around 70% market share of the Brazilian beer market by volume. In fact, Q3 2020 is shaping up to be strongest quarter in recent history for Brazilian beer consumption. Alcohol production volume in Brazil (c.90% of this is beer) was up +20% YTD in August, +23% in July and +15% in June, and brewers have been able to pass on price increases. Furthermore, one can note that at year end 2019 cash represented 43% of current assets so not only is the balance sheet conservatively positioned, but there is room for increases in shareholder returns once the business environment completes its turnaround.

Elsewhere India's Housing Development Finance Corporation's (HDFC) stock plunged through March over fears that the pandemic lockdown would spark large-scale defaults on banks' retail lending books. Such is the quality of HDFC's book, however, the mortgage lender surprised to the upside in its recent results and asset quality held steady as the country endured lockdown. Despite this pressure, HDFC just announced that loan disbursements through the September quarter had already recovered to 95% of the level in the corresponding quarter of 2019. While the stock has started to react to these developments, it continues to trade at a significant discount to its 5-year average on a Price/Book basis against a 15% ROE, and with a significant runway for growth in an underpenetrated Indian housing market.

In Russia, our companies have reported encouraging results out of step with market pessimism which hit those stocks at the outset of the pandemic. X5 Retail in particular has reported strong results (shares are up almost +15% YTD), and has consolidated its market leadership in Russia's fast-moving consumer goods sector, partly through rapidly accelerating growth of its e-grocery business (online sales were up an incredible 7x in May). The investment case for the stock remains strong, with an attractive forward dividend yield (5.8%) and EV/EBITDA (6.2x) relative to the very strong earnings profile (double digit percentage earnings growth in FY20 and FY21) and FCF generative qualities of the company. We first invested in the stock back in 2016 on the thesis that a successful management turnaround strategy was beginning to bear fruit and would ultimately position it to challenge Magnit for market leadership. This thesis is now playing out and we were pleased to hear the recent news that X5's board recently proposed extending the appointment of CEO Igor Shekhterman by two years from May 2021.

In conclusion, we have been disappointed by relative performance through the period, however, we believe that there will ultimately be reward for resisting the urge to chase a narrow rally that now appears to be carrying certain narratives to excess and in ignorance of fundamentals. Against a benchmark so thoroughly dominated by exposure to Chinese equities (c.41%), we offer a truly diversified, attractively valued and high quality exposure to emerging markets. We are actively seeking out opportunities in the more maligned parts of our investment universe where optimism is absent and where investor interest is lacking. As we emerge from the pandemic it will be the great businesses in these unloved parts of the market, and trading at compelling valuations, that will generate the strongest future returns.

<sup>1</sup> Net Asset Values of the Accumulation share classes are based on the published single price provided by Maitland Institutional Services Limited, the fund ACD and Administrator; historical prices for other share classes can be provided on request.

**Edward Lam**

Lead Manager

15 October 2020

# MI Somerset Emerging Markets Dividend Growth Fund

## Portfolio Statement

as at 30 September 2020

Holding	Security	Market value £	% of total net assets 2020
	<b>OIL &amp; GAS 5.74% (6.12%)</b>		
	<b>Oil &amp; Gas Producers 5.74% (6.12%)</b>		
4,755,732	CNOOC	3,531,449	0.79
1,105,502	Mol Hungarian Oil and Gas	4,668,974	1.05
163,932	NovaTek OAO Sponsored GDR	17,359,445	3.90
		<hr/>	
		25,559,868	5.74
	<b>BASIC MATERIALS 0.66% (1.20%)</b>		
	<b>Chemicals 0.66% (1.20%)</b>		
4,121,015	Aksa Akrikil Kimya Sanayii	2,950,084	0.66
	<b>INDUSTRIALS 1.58% (1.93%)</b>		
	<b>Industrial Transportation 1.58% (1.15%)</b>		
88,963	Hapag-Lloyd	3,715,870	0.84
423,435	Shanghai International Airport	3,307,244	0.74
		<hr/>	
		7,023,114	1.58
	<b>Support Services 0.00% (0.78%)</b>		
	<b>CONSUMER GOODS 17.61% (19.05%)</b>		
	<b>Automobiles &amp; Parts 3.30% (5.27%)</b>		
208,080	Maruti Suzuki India	14,710,915	3.30
	<b>Beverages 14.31% (13.78%)</b>		
8,087,004	Ambev	13,917,087	3.12
548,848	Coca-Cola HBC	10,493,974	2.36
2,758,906	Compania Cervecerais Unidas	13,734,393	3.08
135,152	Kweichow Moutai	25,609,929	5.75
		<hr/>	
		63,755,383	14.31
	<b>HEALTH CARE 1.33% (0.98%)</b>		
	<b>Health Care Equipment &amp; Services 1.33% (0.98%)</b>		
694,700	Hapvida Participacoes Investimentos	5,924,227	1.33
	<b>CONSUMER SERVICES 7.03% (6.03%)</b>		
	<b>Food &amp; Drug Retailers 7.03% (5.96%)</b>		
1,827,000	President Chain Store	12,833,106	2.88
646,331	X5 Retail GDR	18,498,025	4.15
		<hr/>	
		31,331,131	7.03
	<b>Travel &amp; Leisure 0.00% (0.07%)</b>		
	<b>UTILITIES 2.92% (2.79%)</b>		
	<b>Electricity 2.92% (2.79%)</b>		
7,637,258	Power Grid Corporation of India	13,007,217	2.92
	<b>FINANCIALS 29.44% (32.85%)</b>		
	<b>Banks 19.21% (16.82%)</b>		
325,867,610	Access Bank	4,380,842	0.98
25,986,349	Alpha Bank	12,195,317	2.74
6,143,100	Kasikornbank	11,546,645	2.59

# MI Somerset Emerging Markets Dividend Growth Fund

## Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2020
<b>Banks (continued)</b>			
583,655	KB Financial	14,495,455	3.26
621,010	OTP Bank	14,486,510	3.25
11,078,169	Piraeus Bank	10,701,361	2.40
1,966,431	Sberbank PJSC Sponsored ADR	17,773,628	3.99
		<b>85,579,758</b>	<b>19.21</b>
<b>Non-life Insurance 3.03% (6.91%)</b>			
2,037,954	Porto Seguro	13,491,643	3.03
<b>Life Insurance 2.65% (4.14%)</b>			
4,756,427	Anadolu Hayat Emeklilik	3,605,524	0.81
3,397,291	Sanlam	8,190,742	1.84
		<b>11,796,266</b>	<b>2.65</b>
<b>Real Estate Investment &amp; Services 0.20% (0.14%)</b>			
96,025	Oberoi Realty	396,852	0.09
193,834	Prestige Estates Projects	511,799	0.11
		<b>908,651</b>	<b>0.20</b>
<b>Financial Services 4.35% (4.84%)</b>			
6,771,616	Habitat	3,463,929	0.78
872,494	Housing Development Finance	15,916,639	3.57
		<b>19,380,568</b>	<b>4.35</b>
<b>TECHNOLOGY 27.52% (14.82%)</b>			
<b>Software &amp; Computer Services 6.13% (2.72%)</b>			
2,010,981	HCL Technologies	17,111,072	3.84
200,100	Tencent	10,215,399	2.29
		<b>27,326,471</b>	<b>6.13</b>
<b>Technology Hardware &amp; Equipment 21.39% (12.10%)</b>			
914,000	eMemory Technology	12,449,556	2.79
8,150,000	Nanya Technology	12,494,158	2.80
549,154	Samsung Electronics	21,138,922	4.75
444,415	SK Hynix	24,690,717	5.54
1,208,250	Taiwan Semiconductor	13,972,759	3.14
1,379,034	Win Semiconductors	10,552,056	2.37
		<b>95,298,168</b>	<b>21.39</b>
<b>Investment assets</b>		<b>418,043,464</b>	<b>93.83</b>
<b>Net other assets</b>		<b>27,491,785</b>	<b>6.17</b>
<b>Net assets</b>		<b>445,535,249</b>	<b>100.00</b>

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 30.09.19.

## Comparative Tables

### Change in net assets per share

	A Income GBP		
	30.09.20 p	30.09.19 p	30.09.18 p
<b>Opening net asset value per share</b>	143.23	132.96	150.08
Return before operating charges <sup>^</sup>	-23.83	15.49	-11.32
Operating charges	-1.42	-1.60	-1.70
Return after operating charges <sup>^</sup>	-25.25	13.89	-13.03
Distributions	-2.65	-3.62	-4.09
<b>Closing net asset value per share</b>	<b>115.33</b>	<b>143.23</b>	<b>132.96</b>
<sup>^</sup> After direct transaction costs of	-0.10	0.23	0.28
<b>Performance</b>			
Return after charges	-17.63%	10.45%	-8.68%
<b>Other information</b>			
Closing net asset value	£186,076,068	£372,834,812	£508,653,848
Closing number of shares	161,337,262	260,312,857	382,555,438
Operating charges	1.11%	1.17%	1.15%
Ongoing operating charges*	1.13%	1.17%	1.15%
Direct transaction costs	0.08%	-0.17%	-0.19%
<b>Prices</b>			
Highest share price	148.21	150.28	158.17
Lowest share price	103.62	122.39	132.75

	A Accumulation GBP		
	30.09.20 p	30.09.19 p	30.09.18 p
<b>Opening net asset value per share</b>	182.49	165.12	180.98
Return before operating charges <sup>^</sup>	-30.30	19.36	-13.80
Operating charges	-1.81	-1.99	-2.06
Return after operating charges <sup>^</sup>	-32.11	17.37	-15.86
Distributions	-3.39	-4.53	-4.96
Retained distributions on accumulation shares	3.39	4.53	4.96
<b>Closing net asset value per share</b>	<b>150.38</b>	<b>182.49</b>	<b>165.12</b>
<sup>^</sup> After direct transaction costs of	-0.13	0.29	0.34
<b>Performance</b>			
Return after charges	-17.60%	10.52%	-8.76%
<b>Other information</b>			
Closing net asset value	£195,396,380	£369,538,101	£475,736,698
Closing number of shares	129,935,360	202,495,126	288,121,038
Operating charges	1.11%	1.17%	1.15%
Ongoing operating charges*	1.13%	1.17%	1.15%
Direct transaction costs	0.08%	-0.17%	-0.19%
<b>Prices</b>			
Highest share price	188.84	188.12	190.73
Lowest share price	132.66	151.94	161.45



## Comparative Tables

continued

### Change in net assets per share

	B Income EUR		
	30.09.20 <sup>^</sup> € c	30.09.19 € c	30.09.18 € c
<b>Opening net asset value per share</b>	142.58	131.47	150.13
Return before operating charges <sup>^</sup>	-16.68	16.33	-12.89
Operating charges	-1.46	-1.59	-1.70
Return after operating charges <sup>^</sup>	-18.14	14.74	-14.59
Redemption payment	123.55	0.00	0.00
Distributions	-0.89	-3.63	-4.07
<b>Closing net asset value per share</b>	<b>0.00</b>	<b>142.58</b>	<b>131.47</b>
<sup>^</sup> After direct transaction costs of	-0.11	0.23	0.28
<b>Performance</b>			
Return after charges	-12.72%	11.21%	-9.72%
<b>Other information</b>			
Closing net asset value	€0	€718,000	€657,232
Closing number of shares	0	503,582	499,910
Operating charges	1.11%	1.17%	1.15%
Ongoing operating charges*	1.13%	1.17%	1.15%
Direct transaction costs	0.08%	-0.17%	-0.19%
<b>Prices</b>			
Highest share price	152.73	145.69	156.89
Lowest share price	98.44	122.46	131.34

<sup>^</sup>On 23 July 2020 all shares in B Income EUR Share Class were redeemed.

	B Accumulation EUR		
	30.09.20 € c	30.09.19 € c	30.09.18 € c
<b>Opening net asset value per share</b>	174.21	156.56	173.46
Return before operating charges <sup>^</sup>	-31.80	19.55	-14.93
Operating charges	-1.75	-1.90	-1.97
Return after operating charges <sup>^</sup>	-33.55	17.65	-16.90
Distributions	-3.19	-4.36	-4.73
Retained distributions on accumulation shares	3.19	4.36	4.73
<b>Closing net asset value per share</b>	<b>140.66</b>	<b>174.21</b>	<b>156.56</b>
<sup>^</sup> After direct transaction costs of	-0.13	0.28	0.33
<b>Performance</b>			
Return after charges	-19.26%	11.27%	-9.74%
<b>Other information</b>			
Closing net asset value	€403,576	€1,802,991	€50,351,006
Closing number of shares	286,917	1,034,940	32,161,353
Operating charges	1.11%	1.17%	1.15%
Ongoing operating charges*	1.13%	1.17%	1.15%
Direct transaction costs	0.08%	-0.17%	-0.19%
<b>Prices</b>			
Highest share price	186.61	174.90	181.42
Lowest share price	120.28	145.77	153.17

The foreign exchange rate used to calculate the net asset value and the net distribution per share as at 30 September 2020 was € 1.1025 (2019: 1.1303 2018: 1.1227).

# MI Somerset Emerging Markets Dividend Growth Fund

## Comparative Tables

continued

### Change in net assets per share

	B Income USD		
	30.09.20 \$c	30.09.19 \$c	30.09.18 \$c
<b>Opening net asset value per share</b>	90.89	91.09	105.78
Return before operating charges <sup>^</sup>	-9.66	3.23	-10.61
Operating charges	-0.95	-1.07	-1.21
Return after operating charges <sup>^</sup>	-10.61	2.16	-11.82
Distributions	-1.78	-2.36	-2.87
<b>Closing net asset value per share</b>	<b>78.50</b>	<b>90.89</b>	<b>91.09</b>
<sup>^</sup> After direct transaction costs of	-0.07	0.16	0.20
<b>Performance</b>			
Return after charges	-11.67%	2.37%	-11.17%
<b>Other information</b>			
Closing net asset value	\$181,273	\$622,404	\$3,120,306
Closing number of shares	230,912	684,797	3,425,683
Operating charges	1.11%	1.17%	1.15%
Ongoing operating charges*	1.13%	1.17%	1.15%
Direct transaction costs	0.08%	-0.17%	-0.19%
<b>Prices</b>			
Highest share price	101.22	97.13	115.44
Lowest share price	63.11	82.88	91.08

	B Accumulation USD		
	30.09.20 \$c	30.09.19 \$c	30.09.18 \$c
<b>Opening net asset value per share</b>	116.68	111.73	125.99
Return before operating charges <sup>^</sup>	-14.78	6.26	-12.82
Operating charges	-1.20	-1.31	-1.44
Return after operating charges <sup>^</sup>	-15.98	4.95	-14.26
Distributions	-2.24	-2.95	-3.44
Retained distributions on accumulation shares	2.24	2.95	3.44
<b>Closing net asset value per share</b>	<b>100.70</b>	<b>116.68</b>	<b>111.73</b>
<sup>^</sup> After direct transaction costs of	-0.09	0.19	0.24
<b>Performance</b>			
Return after charges	-13.70%	4.43%	-11.32%
<b>Other information</b>			
Closing net asset value	\$56,727,174	\$66,310,765	\$76,371,966
Closing number of shares	56,335,099	56,828,872	68,356,085
Operating charges	1.11%	1.17%	1.15%
Ongoing operating charges*	1.13%	1.17%	1.15%
Direct transaction costs	0.08%	-0.17%	-0.19%
<b>Prices</b>			
Highest share price	127.38	120.10	137.50
Lowest share price	79.42	101.62	109.41

The foreign exchange rate used to calculate the net asset value and the net distribution per share as at 30 September 2020 was US\$1.2928 (2019: 1.2323, 2018: 1.3041).

# MI Somerset Emerging Markets Dividend Growth Fund

## Comparative Tables

continued

### Change in net assets per share

	B Accumulation AUD		
	30.09.20 \$c	30.09.19 \$c	30.09.18 \$c
<b>Opening net asset value per share</b>	125.38	111.88	116.34
Return before operating charges <sup>^</sup>	-22.08	14.85	-3.09
Operating charges	-1.28	-1.35	-1.37
Return after operating charges <sup>^</sup>	-23.36	13.50	-4.46
Distributions	-2.40	-3.09	-3.38
Retained distributions on accumulation shares	2.40	3.09	3.38
<b>Closing net asset value per share</b>	<b>102.02</b>	<b>125.38</b>	<b>111.88</b>
<sup>^</sup> After direct transaction costs of	-0.09	0.20	0.23
<b>Performance</b>			
Return after charges	-18.63%	12.07%	-3.83%
<b>Other information</b>			
Closing net asset value	\$288,066	\$299,467	\$6,162,153
Closing number of shares	282,374	238,853	5,507,744
Operating charges	1.11%	1.17%	1.15%
Ongoing operating charges*	1.13%	1.17%	1.15%
Direct transaction costs	0.08%	-0.17%	-0.19%
<b>Prices</b>			
Highest share price	133.80	126.01	127.83
Lowest share price	100.36	104.00	110.19

	C Accumulation AUD		
	30.09.20 \$c	30.09.19 \$c	30.09.18 \$c
<b>Opening net asset value per share</b>	196.19	173.09	177.94
Return before operating charges <sup>^</sup>	-34.73	23.10	-4.85
Operating charges	0.00	0.00	0.00
Return after operating charges <sup>^</sup>	-34.73	23.10	-4.85
Distributions	-4.09	-5.14	-5.46
Retained distributions on accumulation shares	4.09	5.14	5.46
<b>Closing net asset value per share</b>	<b>161.46</b>	<b>196.19</b>	<b>173.09</b>
<sup>^</sup> After direct transaction costs of	-0.15	0.31	0.35
<b>Performance</b>			
Return after charges	-17.70%	13.35%	-2.73%
<b>Other information</b>			
Closing net asset value	\$35,203,731	\$80,238,946	\$122,791,493
Closing number of shares	21,803,082	40,899,627	70,940,482
Operating charges	0.00%	0.00%	0.00%
Ongoing operating charges*	0.00%	0.00%	0.00%
Direct transaction costs	0.08%	-0.17%	-0.19%
<b>Prices</b>			
Highest share price	210.08	197.15	196.55
Lowest share price	157.71	161.05	170.39

The foreign exchange rate used to calculate the net asset value and the net distribution per share as at 30 September 2020 was AU\$1.8037 (2019: 1.8271, 2018: 1.8023).

## Comparative Tables

continued

### Change in net assets per share

	F Income GBP	
	30.09.19 <sup>^^</sup> p	30.09.18 <sup>^</sup> p
<b>Opening net asset value per share</b>	89.58	100.00
Return before operating charges <sup>^</sup>	0.80	-8.33
Operating charges	-0.07	-0.14
Return after operating charges <sup>^</sup>	-0.73	-8.47
Redemption payment	90.31	0.0
Distributions	0.00	-1.95
<b>Closing net asset value per share</b>	<b>0.00</b>	<b>89.58</b>
<sup>^</sup> After direct transaction costs of	0.07	0.0
<b>Performance</b>		
Return after charges	0.81%	-8.47%
<b>Other information</b>		
Closing net asset value	£0	£5,885,127
Closing number of shares	0	6,569,628
Operating charges	0.17%	0.15%
Direct transaction costs	-0.17%	-0.19%
<b>Prices</b>		
Highest share price	92.58	101.64
Lowest share price	82.48	89.39

<sup>^</sup>Launched 23 March 2018.

<sup>^^</sup>On 25 March 2019, the F Income GBP Class was transferred to Somerset Emerging Markets Dividend Growth Fund a Sub-fund of the Somerset Capital Management ICAV.

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

\*The Net Asset Value of the Sub-fund has decreased by more than 10% if compared to the average Net Asset Values for the year. Taking an average of the daily Net Asset Values for the last month of the year has the effect of increasing the operating charges by 0.03%. The ACD believes this to be more representative of the charges going forward.

The return after charges is calculated as the closing Net Asset Value per share plus the distributions on income shares minus the opening Net Asset Value per share as a % of the opening Net Asset Value per share. The basis of valuation of investments used to calculate Net Asset Value per share is described in notes to the Financial Statements 1h) and complies with requirements of the current Statement of Recommended Practice for UK Authorised Funds. This differs from the basis used to calculate daily published single prices, in which listed investments are valued at 12:00 mid prices.

Direct transaction costs include fees, commissions, transfer taxes and duties in the purchasing and selling of investments, which are offset (where applicable) against any dilution levies charged within the accounting year. The figures used within the table have been calculated against the average Net Asset Value for the accounting year.

## Risk and Reward Profile

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.



A Income GBP, A Accumulation GBP, B Income EUR, B Accumulation EUR, B Accumulation AUD and C Accumulation AUD are ranked 5 because funds of this type have experienced medium to high rises and falls in value in the past. Please note that even the lowest risk class can lose you money and that extreme market circumstances can mean you suffer severe losses in all cases.



B Income USD and B Accumulation USD are 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 two indicators do 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.
- In difficult market conditions, the value of some investments may be less predictable than normal and the Sub-fund may not be able to buy and sell these investments at the best time or at a fair price. This could affect the Sub-fund's performance, potentially reducing your returns.
- For further information please see the prospectus.

## Risk warning

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

## MI Somerset Emerging Markets Dividend Growth Fund

### Statement of Total Return

for the year ended 30 September 2020

	Note	£	30.09.20 £	£	30.09.19 £
Income					
Net capital (losses)/gains	2		(146,113,841)		75,269,383
Revenue	3	16,864,381		30,682,754	
Expenses	4	(7,202,556)		(10,773,486)	
Interest payable and similar charges	4	–		95	
Net revenue before taxation		9,661,825		19,909,363	
Taxation	5	(1,407,237)		(3,773,908)	
Net revenue after taxation			8,254,588		16,135,455
<b>Total return before distributions</b>			<b>(137,859,253)</b>		<b>91,404,838</b>
Distributions	6		(14,304,103)		(25,601,141)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>(152,163,356)</b>		<b>65,803,697</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 September 2020

	£	30.09.20 £	£	30.09.19 £
<b>Opening net assets attributable to Shareholders</b>		<b>842,998,846</b>		<b>1,168,214,362</b>
Amounts receivable on issue of shares	118,973,087		178,915,117	
Less: Amounts payable on cancellation of shares	(371,036,458)		(581,222,726)	
Less: Amounts In-specie transfer	–		(4,368,422)	
		(252,063,371)		(406,676,031)
Dilution levy		81,261		3,060,193
Stamp duty reserve tax		–		(684)
Change in net assets attributable to Shareholders from investment activities (see Statement of Total Return above)		(152,163,356)		65,803,697
Retained distribution on accumulation shares		6,681,869		12,597,309
<b>Closing net assets attributable to Shareholders</b>		<b>445,535,249</b>		<b>842,998,846</b>

The notes on pages 45 to 53 form an integral part of these Financial Statements.

# MI Somerset Emerging Markets Dividend Growth Fund

## Balance Sheet

as at 30 September 2020

	Note	£	30.09.20 £	£	30.09.19 £
<b>ASSETS</b>					
<b>Fixed Assets</b>					
Investments			418,043,464		723,026,407
<b>Current Assets</b>					
Debtors	7	16,997,320		7,675,700	
Cash and bank balances	9	22,280,353		124,897,097	
<b>Total current assets</b>			<b>39,277,673</b>		<b>132,572,797</b>
<b>Total assets</b>			<b>457,321,137</b>		<b>855,599,204</b>
<b>LIABILITIES</b>					
Investment liabilities			–		–
<b>Creditors</b>					
Bank overdrafts	9	(430)		(78,361)	
Distribution payable		(2,829,731)		(6,660,153)	
Other creditors	8	(8,955,727)		(5,861,844)	
<b>Total creditors</b>			<b>(11,785,888)</b>		<b>(12,600,358)</b>
<b>Total liabilities</b>			<b>(11,785,888)</b>		<b>(12,600,358)</b>
<b>Net assets attributable to Shareholders</b>			<b>445,535,249</b>		<b>842,998,846</b>

The notes on pages 45 to 53 form an integral part of these Financial Statements.

# MI Somerset Emerging Markets Dividend Growth Fund

## Notes to the Financial Statements

for the year ended 30 September 2020

### 1. Accounting Policies

The Sub-fund's Financial Statements have been prepared on the same basis as the Accounting Policies stated on pages 7 and 8.

### 2. Net Capital (Losses)/Gains

	30.09.20	30.09.19
	£	£
Non-derivative securities	(144,770,903)	76,776,286
Currency losses	(1,268,500)	(1,292,921)
Transaction charges	(74,438)	(213,982)
<b>Net capital (losses)/gains</b>	<b>(146,113,841)</b>	<b>75,269,383</b>

### 3. Revenue

	30.09.20	30.09.19
	£	£
Overseas dividends	15,641,840	28,143,999
Taxable overseas dividends	1,186,209	2,523,998
Bank interest	36,332	14,757
<b>Total revenue</b>	<b>16,864,381</b>	<b>30,682,754</b>

### 4. Expenses

	30.09.20	30.09.19
	£	£
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's fee	428,052	543,375
Registration fee	242,254	304,441
	<u>670,306</u>	<u>847,816</u>
Payable to the Investment Manager, associates of the Investment Manager and agents of either of them:		
Investment Manager's fee	6,049,441	9,310,074
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	118,342	162,031
Safe custody and other bank charges	293,449	464,351
	<u>411,791</u>	<u>626,382</u>



## Notes to the Financial Statements

continued

4. Expenses (continued)	30.09.20	30.09.19
	£	£
Auditors remuneration:		
Audit fee (including VAT)	8,652	8,034
Tax compliance services (including VAT)	2,270	1,800
Tax compliance services (including VAT) - predecessor tax advisor	–	612
	10,922	10,446
Other expenses:		
Legal fees	112,628	50,376
Printing costs	6,251	7,597
	118,879	57,973
Total Ongoing charge (OCG) rebates accrued against expenses	(58,783)	(79,205)
<b>Expenses</b>	<b>7,202,556</b>	<b>10,773,486</b>
Interest payable and similar charges	–	(95)
<b>Total</b>	<b>7,202,556</b>	<b>10,773,391</b>

5. Taxation	30.09.20	30.09.19
	£	£
(a) Analysis of charge in the year:		
Capital gains tax on Indian trades	–	155,789
Overseas tax	1,407,237	3,618,119
<b>Total tax charge (note 5b)</b>	<b>1,407,237</b>	<b>3,773,908</b>
(b) Factors affecting taxation charge for the year:		
Net revenue before taxation	9,661,825	19,909,363
Corporation tax at 20%	1,932,365	3,981,873
Effects of:		
Movement in surplus management expenses	1,231,589	1,722,647
Capital gains tax on Indian trades	–	155,789
Overseas tax expensed	1,407,237	3,618,119
Unutilised double taxation relief	(35,586)	(75,720)
Non-taxable overseas earnings	(3,128,368)	(5,628,800)
<b>Total tax charge (note 5a)</b>	<b>1,407,237</b>	<b>3,773,908</b>

(c) Deferred tax

At the year end there is a potential deferred tax asset of £14,536,845 (2019: £13,229,749\*) 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.

\*The comparative potential deferred tax asset has been restated from £13,229,749 to £13,305,256 due to adjustments in respect of taxable income in the prior year.

# MI Somerset Emerging Markets Dividend Growth Fund

## Notes to the Financial Statements

continued

### 6. Distributions

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

		<b>30.09.20</b>	<b>30.09.19</b>
		<b>£</b>	<b>£</b>
Interim distribution	31.03.20	5,036,270	8,186,483
Final distribution	30.09.20	6,728,602	14,898,600
		<hr/> 11,764,872	<hr/> 23,085,083
Revenue deducted on cancellation of shares		3,244,826	3,512,774
Revenue received on issue of shares		(705,595)	(996,716)
<b>Distributions</b>		<hr/> <b>14,304,103</b>	<hr/> <b>25,601,141</b>

### Reconciliation of net revenue after taxation to net distributions:

Net revenue after taxation per Statement of Total Return		8,254,588	16,135,455
Expenses allocated to capital		6,049,441	9,310,074
Capital gains tax on Indian trades		–	155,789
Undistributed revenue brought forward		285	108
Undistributed revenue carried forward		(211)	(285)
<b>Distributions</b>		<hr/> <b>14,304,103</b>	<hr/> <b>25,601,141</b>

### 7. Debtors

		<b>30.09.20</b>	<b>30.09.19</b>
		<b>£</b>	<b>£</b>
Amounts receivable on issues		974,675	949,742
Currency deals outstanding		2,499,514	1,702,027
Sales awaiting settlement		11,499,717	2,830,683
Accrued income:			
Dividends receivable		894,130	1,000,986
Overseas tax recoverable		1,119,838	1,170,384
Prepaid expenses:			
Legal fee		6,108	–
Total ongoing charge (OCG) rebates accrued against expenses		3,338	21,878
<b>Total debtors</b>		<hr/> <b>16,997,320</b>	<hr/> <b>7,675,700</b>

# MI Somerset Emerging Markets Dividend Growth Fund

## Notes to the Financial Statements

continued

<b>8. Other Creditors</b>	<b>30.09.20</b>	<b>30.09.19</b>
	<b>£</b>	<b>£</b>
Amounts payable on cancellations	5,937,506	2,455,526
Currency deals outstanding	2,503,942	1,699,400
Purchases awaiting settlement	–	920,462
Accrued expenses:		
Amounts payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's fee	28,048	40,309
Registration fee	18,862	19,977
	<hr/> 46,910	<hr/> 60,286
Amounts payable to the Investment Manager, associates of the Investment Manager and agents of either of them:		
Investment Manager's fee	334,779	664,723
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	29,589	11,846
Safe custody and other bank charges	84,533	33,510
Transaction charges	5,545	–
	<hr/> 119,667	<hr/> 45,356
Auditors remuneration:		
Audit fee (including VAT)	8,652	8,034
Tax compliance services (including VAT)	1,916	1,800
Tax compliance services (including VAT) - predecessor tax advisor	–	1,800
	<hr/> 10,568	<hr/> 11,634
Other expenses:		
Legal fees	–	1,696
Printing costs	2,355	2,761
	<hr/> 2,355	<hr/> 4,457
<b>Total other creditors</b>	<hr/> <b>8,955,727</b>	<hr/> <b>5,861,844</b>
<b>9. Cash and Bank Balances</b>	<b>30.09.20</b>	<b>30.09.19</b>
	<b>£</b>	<b>£</b>
Cash and bank balances	22,280,353	124,897,097
Overdraft positions	(430)	(78,361)
<b>Cash and bank balances</b>	<hr/> <b>22,279,923</b>	<hr/> <b>124,818,736</b>

## Notes to the Financial Statements

continued

### 10. Related Party Transactions

Maitland Institutional Services Limited (MISL) is regarded as a related party by virtue of having the ability to act in respect of the operations of the Sub-fund in its capacity as the Authorised Corporate Director (ACD).

ACD and other fees payable to MISL are disclosed in note 4 and amounts due at the year end are shown in note 8.

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.

Amounts receivable on issue and payable on cancellation of shares and dilution levy are disclosed in the Statement of Change in Net Assets Attributable to Shareholders and in note 6, amounts due at the year end are shown in notes 7 and 8.

Amounts receivable from the Investment Manager for Total ongoing charge rebates accrued against expenses are disclosed in note 4 and amounts due at the year end are shown in note 7.

At the year end the MI Somerset Emerging Markets Dividend Growth Fund did not hold shares in any of the other Sub-funds within the MI Somerset Capital Management Investment Funds ICVC.

### 11. Contingent Liabilities and Outstanding Commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2019: none).

### 12. Risk Management Policies and Disclosures

The main risks arising from financial instruments and the ACD's policies for managing these risks are disclosed in the risk management policies on pages 9 and 10.

These policies have been consistent for both years through which these financial statements relate.

Numerical disclosures relating to the Sub-fund are as follows:

#### Market price risk

At the balance sheet date, if the price of the investments held by the Sub-fund increased or decreased by 10%, with all other variables held constant, the net assets attributable to Shareholders would increase or decrease by approximately £41,804,346 (2019: £72,302,641).

## Notes to the Financial Statements

continued

### 12. Risk Management Policies and Disclosures (continued)

#### Currency risk

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

<b>Currency</b>	<b>30.09.20</b>	<b>30.09.19</b>
	<b>Total</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
Australian dollar	(430)	–
Brazilian real	31,850,317	60,502,182
Chilean peso	23,365,804	47,441,111
Chinese renminbi	28,917,173	20,475,472
Euro	17,584,886	67,065,177
Hong Kong dollar	13,903,061	17,523,711
Hungarian forint	19,155,484	38,366,332
Indian rupee	66,333,961	29,810,577
Indonesian rupiah	–	56,362,186
Nigerian Naira	6,320,881	19,304,393
Polish zloty	847,723	9,068,234
Pound sterling	7,583,868	111,969,637
South African rand	8,190,742	640,996
South Korean won	62,563,015	99,125,409
Taiwanese dollar	63,658,211	70,044,017
Thai baht	11,546,645	–
Turkish lira	17,647,541	63,874,527
United Arab Emirates dirham	–	10,075,923
United States dollar	66,066,367	121,348,962
	<b>445,535,249</b>	<b>842,998,846</b>

At the balance sheet date, if the value of sterling increased or decreased by 10%, with all other variables held constant, then the net assets attributable to Shareholders would increase or decrease by approximately £43,795,138 (2019: £73,102,921).

## Notes to the Financial Statements

continued

### 13. Portfolio Transaction Costs

#### 30.09.20

Analysis of purchases	Total purchase cost £	Commissions paid		Taxes		Purchases before transaction cost £
		£	%	£	%	
Equities	101,348,097	89,613	0.09	26,532	0.03	101,231,952
Corporate Actions	(569,120)	–	0.00	–	0.00	(569,120)
<b>Total purchases after commissions and tax</b>	<b>100,778,977</b>					
Analysis of sales	Net sale proceeds £	Commissions paid		Taxes		Sales before transaction cost £
		£	%	£	%	
Equities	260,990,474	247,022	0.09	243,097	0.09	261,480,593
<b>Total sales after commissions and tax</b>	<b>260,990,474</b>					
Commission as a % of average net assets	0.05%					
Taxes as a % of the average net assets	0.03%					

#### 30.09.19

Analysis of purchases	Total purchase cost £	Commissions paid		Taxes		Purchases before transaction cost £
		£	%	£	%	
Equities	114,208,767	115,915	0.10	72,186	0.06	114,020,666
Corporate Actions	(2,421,022)	–	0.00	–	0.00	(2,421,022)
<b>Total purchases after commissions and tax</b>	<b>111,787,745</b>					
Analysis of sales	Net sale proceeds £	Commissions paid		Taxes		Sales before transaction cost £
		£	%	£	%	
Equities	553,985,354	540,122	0.10	652,941	0.12	555,178,417
In-specie transfer	1,501,267	–	0.00	–	0.00	1,501,267
<b>Total sales after commissions and tax</b>	<b>555,486,621</b>					
Commission as a % of average net assets	0.07%					
Taxes as a % of the average net assets	0.07%					

Commissions and taxes as a % of the average net assets form part of the direct transactions costs stated within the comparative tables on pages 37 to 41. The direct transaction costs within the comparative tables may differ due to the effect of dilution levies charged (where applicable).

## Notes to the Financial Statements

continued

### 14. Portfolio Dealing Spread

The average portfolio dealing spread at 30 September 2020 is 0.20% (2019: 0.20%).

### 15. Events after the Balance Sheet date

The table below denotes the movement in Net Asset Value per share since the period end, calculated with reference to daily published single prices.

Share Class	30.09.20 p	14.12.20 p	% Movement
A Income GBP*	117.17	144.20	23.07%
B Accumulation EUR	139.91	173.56	24.05%
C Accumulation AUD	161.48	196.09	21.43%
B Accumulation USD	100.02	128.77	28.74%
B Income USD*	79.16	101.63	28.39%
A Accumulation GBP	150.48	185.43	23.22%
B Accumulation AUD	102.03	123.45	20.99%

\*adjusted for income distribution for comparison purposes

### ACD Statement Regarding COVID-19

Notwithstanding the challenges arising from the impact of the COVID-19 virus, the ACD continues to operate, administer and price the Sub-fund in accordance with FCA regulatory requirements and in accordance with relevant accounting standards. At the time of writing, investment markets are experiencing high levels of daily volatility and it is likely that this volatility will continue for the foreseeable future.

The ACD will continue to monitor fund liquidity and market volatility to ensure the Sub-fund is managed in the best interests of shareholders and to ensure that the Sub-fund remains a going concern. Where appropriate the ACD will value assets on a "fair value" basis in accordance with the Regulations.

As stated in the Prospectus, the Sub-fund should be considered as a long-term investment and the ACD emphasises the importance for investors to seek professional advice when considering their investment in the Sub-fund.

### 16. Fair Value Disclosure

Valuation technique	30.09.20		30.09.19	
	Assets £	Liabilities £	Assets £	Liabilities £
Level 1 <sup>^</sup>	418,043,464	–	723,026,407	–
Level 2 <sup>^^</sup>	–	–	–	–
Level 3 <sup>^^^</sup>	–	–	–	–
	<b>418,043,464</b>	<b>–</b>	<b>723,026,407</b>	<b>–</b>

<sup>^</sup> Level 1: Unadjusted quoted price in an active market for an identical instrument.

<sup>^^</sup> Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

<sup>^^^</sup> Level 3: Valuation techniques using unobservable inputs.

# MI Somerset Emerging Markets Dividend Growth Fund

## Notes to the Financial Statements

continued

### 17. Shareholders Funds

	<b>A Income GBP</b>	<b>A Accumulation GBP</b>	<b>B Income EUR</b>	<b>B Accumulation EUR</b>
Opening number of shares	260,312,857	202,495,126	503,582	1,034,940
Shares issued	42,143,227	42,030,514	–	332,822
Shares cancelled	(141,193,934)	(114,531,350)	(503,582)	(1,080,845)
Shares converted	75,112	(58,930)	–	–
<b>Closing number of shares</b>	<b>161,337,262</b>	<b>129,935,360</b>	<b>–</b>	<b>286,917</b>
	<b>B Income USD</b>	<b>B Accumulation USD</b>	<b>B Accumulation AUD</b>	<b>C Accumulation AUD</b>
Opening number of shares	684,797	56,828,872	238,853	40,899,627
Shares issued	5,100	–	110,590	1,218,977
Shares cancelled	(458,985)	(493,773)	(67,069)	(20,315,522)
Shares converted	–	–	–	–
<b>Closing number of shares</b>	<b>230,912</b>	<b>56,335,099</b>	<b>282,374</b>	<b>21,803,082</b>



# MI Somerset Emerging Markets Dividend Growth Fund

## Distribution Tables

for the year ended 30 September 2020

### Income Share Distributions

Share class	Distribution	Shares	Net revenue	Equalisation	Distribution paid/payable 2020	Distribution paid 2019
A GBP	Interim	Group 1 Group 2	0.8974p 0.2199p	– 0.6775p	0.8974p 0.8974p	1.0741p 1.0741p
	Final	Group 1 Group 2	1.7526p 0.9116p	– 0.8410p	1.7526p 1.7526p	2.5507p 2.5507p
B EUR	Interim	Group 1 Group 2	0.8932€ c 0.8932€ c	– –	0.8932€ c 0.8932€ c	1.0957€ c 1.0957€ c
	Final	Group 1 Group 2^	– –	– –	– –	2.5385€ c 2.5385€ c
B USD	Interim	Group 1 Group 2	0.5848\$c 0.4591\$c	– 0.1257\$c	0.5848\$c 0.5848\$c	0.7329\$c 0.7328\$c
	Final	Group 1 Group 2^	1.1947\$c 1.1947\$c	– –	1.1947\$c 1.1947\$c	1.6274\$c 1.6274\$c

### Accumulation Share Distributions

Share class	Distribution	Shares	Net revenue	Equalisation	Amount reinvested 2020	Amount reinvested 2019
A GBP	Interim	Group 1 Group 2	1.1433p 0.4202p	– 0.7231p	1.1433p 1.1433p	1.3377p 1.3377p
	Final	Group 1 Group 2	2.2485p 0.9878p	– 1.2607p	2.2485p 2.2485p	3.1925p 3.1925p
B EUR	Interim	Group 1 Group 2	1.0916€ c 0.8656€ c	– 0.2260€ c	1.0916€ c 1.0916€ c	1.3066€ c 1.3066€ c
	Final	Group 1 Group 2^	2.0966€ c 2.0966€ c	– –	2.0966€ c 2.0966€ c	3.0561€ c 3.0561€ c
B USD	Interim	Group 1 Group 2	0.7356\$c 0.7356\$c	– –	0.7356\$c 0.7356\$c	0.9062\$c 0.9062\$c
	Final	Group 1 Group 2^	1.5075\$c 1.5075\$c	– –	1.5075\$c 1.5075\$c	2.0416\$c 2.0416\$c
B AUD	Interim	Group 1 Group 2	0.8717\$c 0.3883\$c	– 0.4834\$c	0.8717\$c 0.8717\$c	1.2782\$c 1.2782\$c
	Final	Group 1 Group 2^	1.5276\$c 1.5276\$c	– –	1.5276\$c 1.5276\$c	1.8076\$c 1.8076\$c
C AUD	Interim	Group 1 Group 2	1.5028\$c 0.9716\$c	– 0.5312\$c	1.5028\$c 1.5028\$c	1.5569\$c 1.5569\$c
	Final	Group 1 Group 2	2.5852\$c 0.8140\$c	– 1.7712\$c	2.5852\$c 2.5852\$c	3.5826\$c 3.5826\$c

^No Group 2 units held in this distribution period.

Interim period: 01.10.19 - 31.03.20

Final period: 01.04.20 - 30.09.20

## Distribution Tables

continued

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

### Investment objective

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

### Investment policy

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 initial 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 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 2020

During the 12 months to 30th September 2020, the Sub-fund's A Accumulation GBP Class<sup>1</sup> unit price at NAV fell -13.07% in sterling terms whereas the MSCI EM Small Cap Index rose +1.89%. The wider MSCI Global EM Equity Market Index was up +5.37%.

The significant overweight in financials and consumer discretionary were particularly hit by COVID-19 as banks took large precautionary provisions and many shops, hotels and restaurants were forced to run at very low levels of sales and occupancy. Here we are seeing fewer competitors (many are distressed or exiting) and a reduction of costs. The rebound in demand once the virus abates coupled with fixed cost operating leverage and very low valuations should make these sectors some of the best performing ones in coming years. We were also hurt on a relative basis by our geographical positioning with the portfolio underweight in Korea and Taiwan, where markets have rebounded since March.

These sectors have been understandably hard hit by the unforeseen lockdown but are now trading on significant discounts versus their historic averages (if one removes the e-commerce names from the consumer discretionary sector) whilst many of the haven sectors are at all time highs. Not much more can go right for the latter group of stocks whilst many of the negatives for those worst hit should normalise as the virus passes and a number of unforeseen positives (reduced competition, habit change, reduction of costs, implementation of new technology) may result. These are not just sectors to avoid selling, for the next two years they may be the best sectors to buy into.

Over the last 12 months, there have been opportunities in emerging markets and we have made six new purchases for the Sub-fund.

We bought three new stocks for the portfolio in the last 3 months of 2019:

Leeno Industrial is a Korean manufacturer of test sockets and pins which are an important and (critically) consumable part of the semiconductor test process. The company has delivered a steady 20% ROE and a stream of free cash flow and dividends compounding easily at mid-teen levels over the past decade. The companies that manufacture the test equipment machines leave the pin and socket part of the die blank because they are not interested in supplying consumables. Hence Leeno supplies directly to the OEMs. It's a bit like the auto manufacturers making the car but not the tyres or consumables. The replacement cycle is 3-6 months with 50-100,000 uses guaranteed. However, test times (and most likely volumes) are becoming more intensive as we move into 5G devices so the replacement cycle is likely to shorten, driving growth further. Governance is good, dividends healthy and we can buy the company on a 5% FCF yield.

## Investment Manager's Report

continued

KEI Industries is an Indian manufacturer of power cables and wires. 67% of sales are to institutional customers where products are customised and there are barriers to entry as customers require suppliers to have a long track record and the ability to deliver products on time and scale. The barriers to entry are even higher for extra high voltage cables and KEI is one of only five players in India capable of manufacturing them. Growth prospects are strong as there is high demand for housing and infrastructure in India and the higher margin retail business is growing at a faster pace than the institutional business. The company recently raised new equity to finance new capacity that will allow it to double revenues in the next five years and also to pay down its debt to 0 over the next five years. Once the investment phase is completed, we forecast that the stock will trade on a 6% free cash flow yield in FY22. We think that this stock will be a strong compounder: earnings are expected to grow in excess of 20% for the next three years and it generates a high 26% ROE.

We bought Genera, the largest Mexican microfinance bank, at the end of 2019 after considering the stock for more than two years. Genera has the largest distribution network and credit database amongst peers and is highly profitable, generating returns on assets in excess of 6%. The sector is not attractive to large banks, some of whom exited it after underestimating the scale of operations needed to originate loans and collect payments.

We bought three new stocks for the portfolio in 2020. Shakey's Pizza is a full service formal restaurant chain which is a relatively new area of growth in the Philippines. Fast food restaurants like Jollibee are well penetrated and charge around 150 pesos a head. Full service sit down restaurants are the next evolution as per capita income increases. Shakey's charge 300 pesos a head but have similar profitability to Jollibeers. They are cash generative, but given the forced closure of many restaurants owing to COVID-19 they will have reduced earnings this year and the share price has been punished. Estimated at a 13% FCF yield we believe the negatives are largely priced in and the high operating leverage inherent in bricks and mortar retail will result in a strong earnings recovery as the effects of the virus fade.

Nien Made, a Taiwanese blind and shutter manufacturer that we own in the SMID fund but has fallen into the small cap universe. It has a steady 30% ROE underpinned by a manufacturing cost advantage (vertically integrated Asian manufacturing) visible in a 1.2x asset turnover and a distribution advantage (on the ground agents and relationships in the US, its main market where it is taking share of the less efficiently run incumbents) visible in a 21% operating margin. The shares were cheap before the crisis owing to concerns over the Trade War, another event that felt epoch changing at the time but hasn't had any impact on their earnings, in fact the reverse. As the only one of the big three blind manufacturers selling into the US that had manufacturing in China, they were assumed to be hit badly by tariffs. In fact, the Renminbi depreciation has more than compensated for the tariff hit and bottom-line growth has been over 30% in the results released last week. We were able to buy the stock on an 8% FCF yield.

In addition we bought RHI Magnesita, a global steel refractory and services company. Post the merger between Austrian RHI and Brazilian Magnesita in 2018, it has a 15% global market share (approximately double this if you exclude China). They provide all the things that wear out in a steel factory (refractory bricks, ladles) as well as flow management services. This is an annuity business with much steadier margins than a steel company and plenty of market share still to gain but with clear scale and customer relationship advantages. We bought it at an estimated 17% FCF yield.

Our conviction that EM and small cap is one of the best places to be over the coming years is increasingly shared by the peers and strategists we respect the most. Cha-am and 13D are excellent paid consultants who have recently come to this view, more freely accessible is GMO's latest quarterly and 7 year asset class forecast (<https://www.gmo.com/europe/research-library/gmo-7-year-asset-class-forecast-august-2020/>). This has emerging market value and international small cap as one of the only areas priced to give good performance over the coming cycle, in marked contrast to almost every other asset class. Quite apart from a loss of diversification, removing this component may well remove one of the largest sources of absolute performance from a broad portfolio.

We fully appreciate the anxiety associated with holding the small cap fund and asset class through the recent months of turbulence. The same is true for holding good companies through crises such as these. The price of genuine active management is significant divergence from the index in both directions at times. The key is to adopt the right investment horizon to avoid disinvesting at the wrong time. We believe there is a good case to be made that this performance divergence will move strongly from negative to positive in the coming year.

<sup>1</sup> Net Asset Values of the Accumulation share classes are based on the published single price provided by Maitland Institutional Services Limited, the fund ACD and Administrator; historical prices for other share classes can be provided on request.

**Mark Asquith & Henrietta Seligman**

Co-Lead Managers

16 October 2020

# MI Somerset Emerging Markets Small Cap Fund

## Portfolio Statement

as at 30 September 2020

Holding	Security	Market value £	% of total net assets 2020
	<b>INDUSTRIALS 20.41% (22.22%)</b>		
	<b>Construction &amp; Materials 3.15% (2.70%)</b>		
498,658	Raubex	439,367	3.15
	<b>Electronic &amp; Electrical Equipment 2.43% (3.22%)</b>		
130,170	G Shank Enterprise	65,707	0.47
74,773	Kei Industries	273,431	1.96
		339,138	2.43
	<b>Industrial Engineering 6.15% (8.02%)</b>		
12,810	RHI Magniesta	325,374	2.33
97,109	Sinmag	198,148	1.42
79,540	Sung Kwang Bend	334,586	2.40
		858,108	6.15
	<b>Support Services 8.68% (8.28%)</b>		
2,362,600	My E.G. Services	571,707	4.10
104,000	Sunny Friend Environmental Technology	638,850	4.58
		1,210,557	8.68
	<b>CONSUMER GOODS 18.03% (22.49%)</b>		
	<b>Automobiles &amp; Parts 5.22% (5.74%)</b>		
366,598	Metair Investments	304,308	2.18
171,618	Tofas Turk Otomobil Fabrikasi	423,531	3.04
		727,839	5.22
	<b>Beverages 2.76% (2.24%)</b>		
178,544	Stock Spirits	384,762	2.76
	<b>Food Producers 1.37% (0.50%)</b>		
171,355	Parag Milk Foods	191,056	1.37
	<b>Household Goods &amp; Home Construction 2.56% (3.36%)</b>		
44,592	Adel Kalemcilik	92,049	0.66
1,700,061	Consortio Ara Sab	150,708	1.08
390,911	Kaulin Manufacturing	114,844	0.82
		357,601	2.56
	<b>Leisure Goods 3.30% (1.76%)</b>		
4,780	11 Bit Studios	460,940	3.30
	<b>Personal Goods 2.82% (8.89%)</b>		
171,636	Cia Hering	394,065	2.82
	<b>CONSUMER SERVICES 15.85% (16.31%)</b>		
	<b>Food &amp; Drug Retailers 6.64% (5.26%)</b>		
22,674	Abdullah Al Othaim Markets	605,987	4.34
31,058	Clicks	320,158	2.30
		926,145	6.64

# MI Somerset Emerging Markets Small Cap Fund

## Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2020
	<b>General Retailers 2.16% (0.00%)</b>		
33,000	Nien Made Enterprise	301,864	2.16
	<b>Media 2.79% (2.77%)</b>		
184,208	D.B. Corporation	150,540	1.08
299,662	Navneet Education	238,923	1.71
		<b>389,463</b>	<b>2.79</b>
	<b>Travel &amp; Leisure 4.26% (8.28%)</b>		
227,588	BK Brasil Operacao e Assessoria a Restaurantes	334,505	2.40
1,363,278	City Lodge Hotels	184,603	1.32
814,500	Shakey's Pizza Asia Ventures	75,504	0.54
		<b>594,612</b>	<b>4.26</b>
	<b>UTILITIES 0.00% (3.55%)</b>		
	<b>Gas, Water &amp; Multiutilities 0.00% (3.55%)</b>		
	<b>FINANCIALS 23.94% (26.77%)</b>		
	<b>Banks 3.28% (9.72%)</b>		
218,954	City Union Bank	320,798	2.30
623,992	Genera	136,431	0.98
788,129	Security Bank Preferred Shares*	–	–
		<b>457,229</b>	<b>3.28</b>
	<b>Non-life Insurance 3.92% (5.99%)</b>		
187,784	Qualitas Controladora	547,106	3.92
	<b>Real Estate Investment &amp; Services 6.45% (4.69%)</b>		
548,000	China Overseas Property	345,669	2.48
114,538	EZ Tec Empreendimentos e Participacoes	553,922	3.97
		<b>899,591</b>	<b>6.45</b>
	<b>Financial Services 10.29% (6.37%)</b>		
121,559	JSE	660,953	4.74
127,419	Repcos Home Finance	221,285	1.59
22,197	Shriram City Union Finance	220,787	1.58
36,647	Warsaw Stock Exchange	331,762	2.38
		<b>1,434,787</b>	<b>10.29</b>
	<b>TECHNOLOGY 17.43% (5.50%)</b>		
	<b>Software &amp; Computer Services 10.43% (3.61%)</b>		
22,000	Addcn Technology	119,864	0.86
65,669	Logo Yazilim Sanayi Ve Ticar	646,141	4.63
51,128	Tata Elxsi	689,866	4.94
		<b>1,455,871</b>	<b>10.43</b>

## MI Somerset Emerging Markets Small Cap Fund

### Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2020
	<b>Technology Hardware &amp; Equipment 7.00% (1.89%)</b>		
41,572	Kortek	225,466	1.62
9,230	Leeno Industrial	750,883	5.38
		976,349	7.00
	<b>Investment assets</b>	<b>13,346,450</b>	<b>95.66</b>
	<b>Net other assets</b>	<b>605,823</b>	<b>4.34</b>
	<b>Net assets</b>	<b>13,952,273</b>	<b>100.00</b>

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 30.09.19.

## Comparative Tables

### Change in net assets per share

	B Accumulation GBP		
	30.09.20 p	30.09.19 p	30.09.18 p
<b>Opening net asset value per share</b>	153.55	141.02	147.12
Return before operating charges <sup>^</sup>	-17.96	15.33	-3.38
Operating charges	-2.54	-2.80	-2.72
Return after operating charges <sup>^</sup>	-20.50	12.53	-6.10
Distributions	-0.40	-2.28	-2.21
Retained distributions on accumulation shares	0.40	2.28	2.21
<b>Closing net asset value per share</b>	<b>133.05</b>	<b>153.55</b>	<b>141.02</b>
<sup>^</sup> After direct transaction costs of	0.72	0.34	0.06
<b>Performance</b>			
Return after charges	-13.35%	8.89%	-4.15%
<b>Other information</b>			
Closing net asset value	£3,137,939	£40,411,490	£30,568,535
Closing number of shares	2,358,388	26,318,357	21,676,358
Operating charges	1.80%	1.63%	1.62%
Ongoing operating charges*	1.97%	1.63%	1.60%
Performance fee	0.00%	0.27%	0.18%
Direct transaction costs	-0.51%	-0.23%	-0.04%
<b>Prices</b>			
Highest share price	162.31	157.94	163.48
Lowest share price	109.71	133.74	136.46

	B Accumulation EUR		
	30.09.20 €c	30.09.19 €c	30.09.18 €c
<b>Opening net asset value per share</b>	154.09	136.99	144.41
Return before operating charges <sup>^</sup>	-23.11	19.52	-5.03
Operating charges	-2.55	-2.42	-2.39
Return after operating charges <sup>^</sup>	-25.66	17.10	-7.42
Distributions	-0.52	-4.76	-2.16
Retained distributions on accumulation shares	0.52	4.76	2.16
<b>Closing net asset value per share</b>	<b>128.43</b>	<b>154.09</b>	<b>136.99</b>
<sup>^</sup> After direct transaction costs of	0.72	0.34	0.06
<b>Performance</b>			
Return after charges	-16.65%	12.48%	-5.14%
<b>Other information</b>			
Closing net asset value	€156,828	€188,169	€9,160,376
Closing number of shares	122,115	122,115	6,687,062
Operating charges	1.80%	1.63%	1.62%
Ongoing operating charges*	1.97%	1.63%	1.60%
Performance fee	0.00%	0.03%	0.00%
Direct transaction costs	-0.51%	-0.23%	-0.04%
<b>Prices</b>			
Highest share price	170.10	155.04	159.38
Lowest share price	104.52	132.07	132.77

The foreign exchange rate used to calculate the net asset value and net distribution per share as at 30 September 2020 was €1.1025 (2019: 1.1303, 2018: 1.1227).



# MI Somerset Emerging Markets Small Cap Fund

## Comparative Tables

continued

### Change in net assets per share

	B Accumulation USD		
	30.09.20 \$c	30.09.19 \$c	30.09.18 \$c
<b>Opening net asset value per share</b>	118.50	114.78	123.17
Return before operating charges <sup>^</sup>	-9.97	5.64	-6.31
Operating charges	-2.02	-1.92	-2.08
Return after operating charges <sup>^</sup>	-11.99	3.72	-8.39
Distributions	-0.43	-1.79	-1.83
Retained distributions on accumulation shares	0.43	1.79	1.83
<b>Closing net asset value per share</b>	<b>106.51</b>	<b>118.50</b>	<b>114.78</b>
<sup>^</sup> After direct transaction costs of	0.57	-0.27	0.05
<b>Performance</b>			
Return after charges	-10.12%	3.24%	-6.81%
<b>Other information</b>			
Closing net asset value	\$13,796,872	\$26,412,322	\$43,033,199
Closing number of shares	12,953,560	22,289,016	37,491,914
Operating charges	1.80%	1.63%	1.62%
Ongoing operating charges*	1.97%	1.63%	1.60%
Performance fee	0.00%	0.00%	0.02%
Direct transaction costs	-0.51%	-0.23%	-0.04%
<b>Prices</b>			
Highest share price	132.67	124.01	142.10
Lowest share price	79.05	109.65	111.20

The foreign exchange rate used to calculate the net asset value and net distribution per share as at 30 September 2020 was US\$1.2928 (2019: 1.2323, 2018: 1.3041).

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

\*The Net Asset Value of the Sub-fund has decreased by more than 10% if compared to the average Net Asset Values for the year. Taking an average of the daily Net Asset Values for the last month of the year has the effect of increasing the operating charges by 0.17%. The ACD believes this to be more representative of the charges going forward.

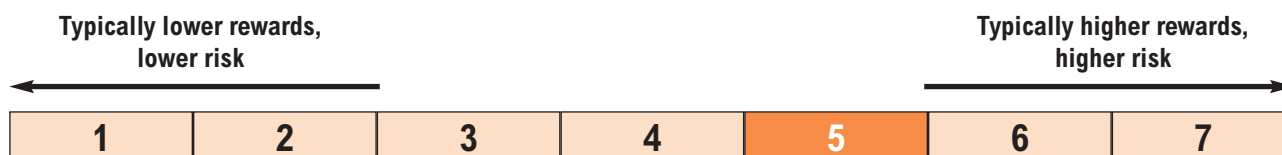
The return after charges is calculated as the closing Net Asset Value per share plus the distributions on income shares minus the opening Net Asset Value per share as a % of the opening Net Asset Value per share. The basis of valuation of investments used to calculate Net Asset Value per share is described in notes to the Financial Statements 1h) and complies with requirements of the current Statement of Recommended Practice for UK Authorised Funds. This differs from the basis used to calculate daily published single prices, in which listed investments are valued at 12:00 mid prices.

Direct transaction costs include fees, commissions, transfer taxes and duties in the purchasing and selling of investments, which are offset (where applicable) against any dilution levies charged within the accounting year. The figures used within the table have been calculated against the average Net Asset Value for the accounting year.

Performance fees (where applicable), are charged in accordance to the terms detailed in the prospectus of the Sub-fund, and are charged when the overall performance is in excess of the given benchmark from which it is calculated. Full details of the performance fee are available from the ACD.

## Risk and Reward Profile

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.



A Accumulation GBP is ranked 5 because funds of this type have experienced medium to high rises and falls in value in the past. Please note that even the lowest risk class can lose you money and that extreme market circumstances can mean you suffer severe losses in all cases.



B Accumulation USD and B Accumulation EUR are ranked 6 because funds of this type have experienced high rises and falls in value in the past. During the year under review the category for B Accumulation USD changed from 5 to 6. 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 two indicators do 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.
- In difficult market conditions, the value of some investments may be less predictable than normal and the Sub-fund may not be able to buy and sell these investments at the best time or at a fair price. This could affect the Sub-fund's performance, potentially reducing your returns.
- For further risk information please see the prospectus.

## Risk warning

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

## MI Somerset Emerging Markets Small Cap Fund

### Statement of Total Return

for the year ended 30 September 2020

	Note	£	30.09.20 £	£	30.09.19 £
Income					
Net capital (losses)/gains	2		(10,011,367)		4,082,710
Revenue	3	726,525		2,022,842	
Expenses	4	(601,587)		(1,048,731)	
Interest payable and similar charges	4	(203)		–	
Net revenue before taxation		124,735		974,111	
Taxation	5	(20,616)		(128,102)	
Net revenue after taxation			104,119		846,009
<b>Total return before distributions</b>			<b>(9,907,248)</b>		<b>4,928,719</b>
Distributions	6		122,696		(940,359)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>(10,029,944)</b>		<b>3,988,360</b>

### Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 September 2020

	£	30.09.20 £	£	30.09.19 £
<b>Opening net assets attributable to Shareholders</b>		<b>62,011,321</b>		<b>71,726,161</b>
Amounts receivable on issue of shares	1,838,690		15,195,304	
Less: Amounts payable on cancellation of shares	(40,230,430)		(30,040,151)	
		(38,391,740)		(14,844,847)
Dilution levy		275,259		227,016
Change in net assets attributable to Shareholders from investment activities (see Statement of Total Return above)		(10,029,944)		3,988,360
Retained distribution on accumulation shares		87,377		914,631
<b>Closing net assets attributable to Shareholders</b>		<b>13,952,273</b>		<b>62,011,321</b>

The notes on pages 66 to 73 form an integral part of these Financial Statements.

# MI Somerset Emerging Markets Small Cap Fund

## Balance Sheet

as at 30 September 2020

	Note	£	30.09.20 £	£	30.09.19 £
<b>ASSETS</b>					
<b>Fixed Assets</b>					
Investments			13,346,450		60,049,513
<b>Current Assets</b>					
Debtors	7	100,766		283,454	
Cash and bank balances	9	632,815		2,299,808	
<b>Total current assets</b>			<b>733,581</b>		<b>2,583,262</b>
<b>Total assets</b>			<b>14,080,031</b>		<b>62,632,775</b>
<b>LIABILITIES</b>					
Investment liabilities			–		–
<b>Creditors</b>					
Bank overdrafts	9	(70,417)		(3,475)	
Other creditors	8	(57,341)		(617,979)	
<b>Total creditors</b>			<b>(127,758)</b>		<b>(621,454)</b>
<b>Total liabilities</b>			<b>(127,758)</b>		<b>(621,454)</b>
<b>Net assets attributable to Shareholders</b>			<b>13,952,273</b>		<b>62,011,321</b>

The notes on pages 66 to 73 form an integral part of these Financial Statements.

# MI Somerset Emerging Markets Small Cap Fund

## Notes to the Financial Statements

for the year ended 30 September 2020

### 1. Accounting Policies

The Sub-fund's Financial Statements have been prepared on the same basis as the Accounting Policies stated on pages 7 and 8.

<b>2. Net Capital (Losses)/Gains</b>	<b>30.09.20</b>	<b>30.09.19</b>
	£	£
Non-derivative securities	(9,895,585)	4,241,806
Currency losses	(70,515)	(105,874)
Transaction charges	(45,267)	(53,222)
<b>Net capital (losses)/gains</b>	<b>(10,011,367)</b>	<b>4,082,710</b>

<b>3. Revenue</b>	<b>30.09.20</b>	<b>30.09.19</b>
	£	£
UK dividends: Ordinary	–	45,108
Overseas dividends	710,205	1,817,608
Taxable overseas dividends	16,320	160,009
Bank interest	–	117
<b>Total revenue</b>	<b>726,525</b>	<b>2,022,842</b>

<b>4. Expenses</b>	<b>30.09.20</b>	<b>30.09.19</b>
	£	£
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's fee	51,142	62,215
Registration fee	20,197	22,145
	<u>71,339</u>	<u>84,360</u>
Payable to the Investment Manager, associates of the Investment Manager and agents of either of them:		
Investment Manager's fee	436,811	766,346
Performance fee	12,975	94,342
	<u>449,786</u>	<u>860,688</u>
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	16,349	22,278
Safe custody and other bank charges	14,624	27,558
	<u>30,973</u>	<u>49,836</u>

## Notes to the Financial Statements

continued

4. Expenses (continued)	30.09.20 £	30.09.19 £
Auditors remuneration:		
Audit fee (including VAT)	8,652	8,034
Tax compliance services (including VAT)	1,970	1,800
Tax compliance services (including VAT) - predecessor tax advisor	–	1,200
	10,622	11,034
Other expenses:		
Legal fees	37,250	41,264
Printing costs	1,617	1,549
	38,867	42,813
<b>Expenses</b>	<b>601,587</b>	<b>1,048,731</b>
Interest payable and similar charges	203	–
<b>Total</b>	<b>601,790</b>	<b>1,048,731</b>

5. Taxation	30.09.20 £	30.09.19 £
(a) Analysis of charge in the year:		
Overseas tax	20,616	128,102
<b>Total tax charge (note 5b)</b>	<b>20,616</b>	<b>128,102</b>
(b) Factors affecting taxation charge for the year:		
Net revenue before taxation	124,735	974,111
Corporation tax at 20%	24,947	194,822
Effects of:		
UK dividends	–	(9,022)
Movement in surplus management expenses	117,584	182,704
Overseas tax expensed	20,616	128,102
Unutilised double taxation relief	(490)	(4,982)
Non-taxable overseas earnings	(142,041)	(363,522)
<b>Total tax charge (note 5a)</b>	<b>20,616</b>	<b>128,102</b>

(c) Deferred tax

At the year end there is a potential deferred tax asset of £1,856,933 (2019: £1,739,531\*) 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.

\*The comparative potential deferred tax asset has been restated from £1,739,531 to £1,739,349 due to adjustments in respect of taxable income in the prior year.

# MI Somerset Emerging Markets Small Cap Fund

## Notes to the Financial Statements

continued

### 6. Distributions

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

		<b>30.09.20</b>	<b>30.09.19</b>
		<b>£</b>	<b>£</b>
Interim distribution	31.03.20	86,823	314,088
Final distribution	30.09.20	554	600,543
		<hr/> 87,377	<hr/> 914,631
Revenue deducted on cancellation of shares		35,999	58,684
Revenue received on issue of shares		(680)	(32,956)
<b>Distributions</b>		<hr/> <b>122,696</b>	<hr/> <b>940,359</b>

### Reconciliation of net revenue after taxation to net distributions:

Net revenue after taxation per Statement of Total Return		104,119	846,009
Expenses allocated to capital		12,975	94,342
Revenue deficit to be transferred from capital		5,575	–
Undistributed revenue brought forward		29	37
Undistributed revenue carried forward		(2)	(29)
<b>Distributions</b>		<hr/> <b>122,696</b>	<hr/> <b>940,359</b>

### 7. Debtors

		<b>30.09.20</b>	<b>30.09.19</b>
		<b>£</b>	<b>£</b>
Amounts receivable on issues		1,123	15,091
Currency deals outstanding		1,094	54,265
Sales awaiting settlement		2,680	62,140
Accrued income:			
Dividends receivable		12,886	73,621
Overseas tax recoverable		79,830	78,337
Prepaid expenses:			
Legal fee		3,153	–
<b>Total debtors</b>		<hr/> <b>100,766</b>	<hr/> <b>283,454</b>

# MI Somerset Emerging Markets Small Cap Fund

## Notes to the Financial Statements

continued

<b>8. Other Creditors</b>	<b>30.09.20</b>	<b>30.09.19</b>
	<b>£</b>	<b>£</b>
Amounts payable on cancellations	–	604
Currency deals outstanding	1,091	54,267
Purchases awaiting settlement	–	355,122
Accrued expenses:		
Amounts payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's fee	3,689	4,978
Registration fee	1,335	1,848
	<u>5,024</u>	<u>6,826</u>
Amounts payable to the Investment Manager, associates of the Investment Manager and agents of either of them:		
Investment Manager's fee	14,702	63,240
Performance fee	12,975	120,371
	<u>27,677</u>	<u>183,611</u>
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	4,000	1,673
Safe custody and other bank charges	2,128	2,440
	<u>6,128</u>	<u>4,113</u>
Auditors remuneration:		
Audit fee (including VAT)	8,652	8,034
Tax compliance services (including VAT)	1,916	1,800
Tax compliance services (including VAT) - predecessor tax advisor	–	2,100
	<u>10,568</u>	<u>11,934</u>
Other expenses:		
Legal fees	–	729
Printing costs	780	773
Transaction charges	6,073	–
	<u>6,853</u>	<u>1,502</u>
<b>Total other creditors</b>	<b><u>57,341</u></b>	<b><u>617,979</u></b>
<b>9. Cash and Bank Balances</b>	<b>30.09.20</b>	<b>30.09.19</b>
	<b>£</b>	<b>£</b>
Cash and bank balances	632,815	2,299,808
Overdraft positions	(70,417)	(3,475)
<b>Cash and bank balances</b>	<b><u>562,398</u></b>	<b><u>2,296,333</u></b>



## Notes to the Financial Statements

continued

### 10. Related Party Transactions

Maitland Institutional Services Limited (MISL) is regarded as a related party by virtue of having the ability to act in respect of the operations of the Sub-fund in its capacity as the Authorised Corporate Director (ACD).

ACD and other fees payable to MISL are disclosed in note 4 and amounts due at the year end are shown in note 8.

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.

Amounts receivable on issue and payable on cancellation of shares and dilution levy are disclosed in the Statement of Change in Net Assets Attributable to Shareholders and in note 6, amounts due at the year end are shown in notes 7 and 8.

At the year end the MI Somerset Emerging Markets Small Cap Fund did not hold shares in any of the other Sub-funds within the MI Somerset Capital Management Investment Funds ICVC.

### 11. Contingent Liabilities and Outstanding Commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2019: none).

### 12. Risk Management Policies and Disclosures

The main risks arising from financial instruments and the ACD's policies for managing these risks are disclosed in the risk management policies on pages 9 and 10.

These policies have been consistent for both years through which these financial statements relate.

Numerical disclosures relating to the Sub-fund are as follows:

#### Market price risk

At the balance sheet date, if the price of the investments held by the Sub-fund increased or decreased by 10%, with all other variables held constant, the net assets attributable to Shareholders would increase or decrease by approximately £1,334,645 (2019: £6,004,951).

## Notes to the Financial Statements

continued

### 12. Risk Management Policies and Disclosures (continued)

#### Currency risk

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

Currency	30.09.20 Total £	30.09.19 Total £
Brazilian real	1,290,780	7,468,270
Euro	6,660	6,496
Hong Kong dollar	346,877	1,824,572
Indian rupee	–	9,153,922
Indonesian rupiah	2,310,076	–
Malaysian ringgit	571,707	2,170,304
Mexican peso	834,245	4,663,664
Nigerian Naira	–	1,658,541
Philippine peso	75,504	–
Polish zloty	865,872	2,451,796
Pound sterling	1,216,559	3,345,320
Saudi riyal	605,987	3,256,668
South African rand	1,909,389	8,714,782
South Korean won	1,310,935	3,085,310
Taiwanese dollar	1,444,327	9,363,336
Thai baht	–	1,398,345
Turkish lira	1,161,721	3,449,192
United States dollar	1,634	803
	<b>13,952,273</b>	<b>62,011,321</b>

At the balance sheet date, if the value of sterling increased or decreased by 10%, with all other variables held constant, then the net assets attributable to Shareholders would increase or decrease by approximately £1,273,571 (2019: £5,866,600).

## Notes to the Financial Statements

continued

### 13. Portfolio Transaction Costs

**30.09.20**

Analysis of purchases	Total purchase cost £	£	Commissions paid %	£	Taxes %	Purchases before transaction cost £
Equities	6,036,453	5,780	0.10	3,051	0.05	6,027,622
Corporate Actions	117,165	–	0.00	–	0.00	117,165
<b>Total purchases after commissions and tax</b>	<b>6,153,618</b>					
<hr/>						
Analysis of sales	Net sale proceeds £	£	Commissions paid %	£	Taxes %	Sales before transaction cost £
Equities	42,960,167	36,536	0.09	51,993	0.12	43,048,696
<b>Total sales after commissions and tax</b>	<b>42,960,167</b>					
Commission as a % of average net assets			0.12%			
Taxes as a % of the average net assets			0.16%			

**30.09.19**

Analysis of purchases	Total purchase cost £	£	Commissions paid %	£	Taxes %	Purchases before transaction cost £
Equities	17,300,741	17,643	0.10	10,248	0.06	17,272,850
Corporate Actions	(2,882)	–	0.00	–	0.00	(2,882)
<b>Total purchases after commissions and tax</b>	<b>17,297,859</b>					
<hr/>						
Analysis of sales	Net sale proceeds £	£	Commissions paid %	£	Taxes %	Sales before transaction cost £
Equities	28,439,898	25,583	0.09	31,495	0.11	28,496,976
<b>Total sales after commissions and tax</b>	<b>28,439,898</b>					
Commission as a % of average net assets			0.07%			
Taxes as a % of the average net assets			0.07%			

Commissions and taxes as a % of the average net assets form part of the direct transactions costs stated within the comparative tables on pages 61 to 62. The direct transaction costs within the comparative tables may differ due to the effect of dilution levies charged (where applicable).

## Notes to the Financial Statements

continued

### 14. Portfolio Dealing Spread

The average portfolio dealing spread at 30 September 2020 is 0.40% (2019: 0.41%).

### 15. Events after the Balance Sheet date

The table below denotes the movement in Net Asset Value per share since the period end, calculated with reference to daily published single prices.

Share Class	30.09.20 p	14.12.20 p	% Movement
B Accumulation GBP	133.58	150.47	12.64%
B Accumulation EUR	128.16	145.50	13.53%
B Accumulation USD	106.14	125.07	17.83%

### ACD Statement Regarding COVID-19

Notwithstanding the challenges arising from the impact of the COVID-19 virus, the ACD continues to operate, administer and price the Sub-fund in accordance with FCA regulatory requirements and in accordance with relevant accounting standards. At the time of writing, investment markets are experiencing high levels of daily volatility and it is likely that this volatility will continue for the foreseeable future.

The ACD will continue to monitor fund liquidity and market volatility to ensure the Sub-fund is managed in the best interests of shareholders and to ensure that the Sub-fund remains a going concern. Where appropriate the ACD will value assets on a "fair value" basis in accordance with the Regulations.

As stated in the Prospectus, the Sub-fund should be considered as a long-term investment and the ACD emphasises the importance for investors to seek professional advice when considering their investment in the Sub-fund.

### 16. Fair Value Disclosure

Valuation technique	30.09.20		30.09.19	
	Assets £	Liabilities £	Assets £	Liabilities £
Level 1 <sup>^</sup>	13,346,450	–	60,049,513	–
Level 2 <sup>^^</sup>	–	–	–	–
Level 3 <sup>^^^</sup>	–	–	–	–
	<b>13,346,450</b>	<b>–</b>	<b>60,049,513</b>	<b>–</b>

<sup>^</sup> Level 1: Unadjusted quoted price in an active market for an identical instrument.

<sup>^^</sup> Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

<sup>^^^</sup> Level 3: Valuation techniques using unobservable inputs.

### 17. Shareholders Funds

	B Accumulation GBP	B Accumulation EUR	B Accumulation USD
Opening number of shares	26,318,357	122,115	22,289,016
Shares issued	938,350	–	504,551
Shares cancelled	(24,898,319)	–	(9,840,007)
<b>Closing number of shares</b>	<b>2,358,388</b>	<b>122,115</b>	<b>12,953,560</b>

# MI Somerset Emerging Markets Small Cap Fund

## Distribution Tables

for the year ended 30 September 2020

### Accumulation Share Distributions

Share class	Distribution	Shares	Net revenue	Equalisation	Amount reinvested 2020	Amount reinvested 2019
B GBP	Interim	Group 1	0.3805p	–	0.3805p	0.7876p
		Group 2	0.3214p	0.0591p	0.3805p	0.7876p
	Final	Group 1	0.0235p	–	0.0235p	1.4903p
		Group 2	–	0.0235p	0.0235p	1.4903p
B EUR	Interim	Group 1	0.5172€ c	–	0.5172€ c	3.2857€ c
		Group 2	0.5172€ c	–	0.5172€ c	–
	Final	Group 1	–	–	–	1.4787€ c
		Group 2	–	–	–	1.4787€ c
B USD	Interim	Group 1	0.4305\$c	–	0.4305\$c	0.6512\$c
		Group 2	0.4305\$c	–	0.4305\$c	0.6512\$c
	Final	Group 1	–	–	–	1.1430\$c
		Group 2	–	–	–	1.1430\$c

Interim period: 01.10.19 - 31.03.20

Final period: 01.04.20 - 30.09.20

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

### Investment objective

The Sub-fund seeks to achieve capital appreciation by primarily investing in an actively managed portfolio of emerging market securities but excluding investments in either the tobacco industry or casinos and gaming sub-industry.

### Investment policy

The portfolio will consist primarily of quoted equity securities, issued by companies established or operating in emerging market countries, primarily in Asia, Eastern Europe, the Middle East, Africa and Latin America. The portfolio will not invest in companies classified as being in either the tobacco industry or casinos and gaming sub-industry by the Global Industry Classification Standard. This is not intended to exclude companies with incidental revenues from tobacco, such as supermarkets.

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 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. 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 2020

The Sub-fund in capital terms during the 12 months to 30th September 2020 underperformed by -3.88% against the MSCI Emerging Markets Index. The Sub-fund's A Accumulation GBP Class<sup>1</sup> unit price at NAV rose +1.49% in sterling terms whereas the MSCI Emerging Markets Index rose +5.37%.

The last 12 months have been extraordinarily volatile; the final quarter of 2019 was characterised by a strong rally in China, where our underweight to large index holding Alibaba hurt relative performance. The first quarter of 2020 saw the sharpest market fall since 2008 as the COVID-19 pandemic caused economic lockdown across the globe. The market has bifurcated in the subsequent recovery and performance has concentrated in China, Internet and Tech, driving the index into positive territory year to date.

Our exposure to Financials has been the main cause of relative underperformance. Financials have been the most sold-off area of the market during this crisis. We continue to hold onto our banking exposure in the belief that they are oversold and there will be a recovery. Since the March sell-off we have seen a meaningful rebound from the lows for our Indian Financials. However, our banks in LATAM and EMEA (Itau Unibanco, Grupo Financiero Banorte, OTP Bank, Sanlam) have not yet recovered and were amongst the worst performers for the portfolio over the period. We believe these remain undervalued and continue to hold.

Following the March sell-off, our e-commerce names, IT and internet holdings have benefitted from trends consolidating in lockdown. This includes B2W Cia Digital (Brazil), Russian internet (Mail.Ru and Yandex) and semiconductor companies (Samsung Electronics, Taiwan Semiconductor). In addition, our Chinese consumer names (Fuyao Glass Industry, Midea, China Mengniu Dairy) have seen continued strong performance throughout 2020.

Portfolio turnover has remained low. Most of our trading was concentrated in Q1 2020 where we took advantage of the opportunity to buy companies at very attractive valuations given the indiscriminate selling across markets. We have added new positions in China (Shanghai International Airport, Yum China and Alibaba) and Brazil (Hapvida and B2W).

## Investment Manager's Report

continued

Alibaba is the dominant e-commerce player in China with 66% market share and a long growth runway given e-commerce penetration is currently only 22%. The asset-lite business model also creates outstanding economics, with marketplace EBITDA margin in the 70% range. Following the change in management when Jack Ma severed all ties to the business, we now think the company will be less about empire building, with more focus on accretive capital allocation.

Hapvida Participacoes Investimentos is an integrated Brazilian hospital and insurance company (like Bupa). The company is an industry leader but with only 15% market share: the market remains highly fragmented and ripe for consolidation by the larger, more efficient players.

B2W Cia Digital is the largest Brazilian online retailer with a distinct competitive advantage from a strong distribution network. The industry dynamics are attractive with e-commerce representing c.5% of total retail sales in Brazil, allowing for a strong runway of growth over the long term.

We funded these new positions by selling CTBC Financial (Taiwan) which had held up relatively well in the sell-off. Netease, a Chinese gaming company, was a small position, which we sold as we already have a large exposure to gaming via Tencent. We also trimmed large portfolio holdings China Mengniu Dairy, Samsung Electronics, Tencent and Taiwan Semiconductor following strong performance.

In Q2 2020, we invested in Vale (Brazilian ore miner) and Airports of Thailand (airport operator with monopoly position) at attractive valuations. For Vale, given the Brumadinho dam collapse in January 2019, we wanted to ensure that Vale had taken sufficient measures to mitigate a repeat dam collapse. We saw that Vale had made positive changes in third party oversight and external certification of dam safety, changes in senior management and improved reporting lines regarding tailings, dam safety and sustainability and was making progress on their plans to decommission upstream dams. Overall, we believe management have taken sufficient measures. In addition, Vale is a better managed company than historically making for a more interesting investment case. Firstly, front and centre is the focus on profitability, which has resulted in divesting non-core assets, growing production in high-grade iron ore, and cost discipline. The strategic shift is evident in the margins and returns of Vale which reported a 4% net margin and 1% ROE in 2014, compared with 17% and 16% (normalised) respectively in 2019. Secondly, financial discipline is much greater. Just 4 years ago net debt/equity was 60% and interest coverage under 4x; this is now 20% and 10x respectively. Finally, CAPEX is at sustaining levels and working capital requirements have improved with a 34% improvement in the cash cycle since 2014, allowing for greater free cash flow generation which will be paid out to shareholders as dividends, when they are resumed.

In Q3 2020 we added two new positions in China, logistics provider S.F. Holdings and solar technology company LONGi Green Energy Technology (LONGi). LONGi is the largest solar technology company globally, with a dominant position in mono-wafers. Our research suggests that LONGi will dominate this sector, which is expected to grow strongly over the next twenty years. The climate change agenda has been given a shot in the arm by last week's announcement from Xi Jinping that China is targeting carbon neutrality by 2060. This raises the bar and is a yardstick by which we can measure other countries progress. Renewables, including Solar, will be a major beneficiary of this transition. Over the last 10 years, solar panels have become cost competitive with other forms of energy, this is a step change where the industry no longer needs subsidies to survive. Our analysis suggests LONGi will grow earnings at over 20% for the next few years, it is one of two Chinese companies that have a global market share of 80%.

The Chinese economy continues to grow well despite global headwinds, with consumption and industrial activity holding up. It offers good long term growth opportunities whilst in the short term acts as a relative safe haven. Your portfolio has 40% in China across businesses ranging from e-commerce, consumer and logistics.

In India there is continued focus on opening up the economy. Our channel checks suggest that large manufacturing companies and their supply chains are functioning close to normal. We expect when banks report their Q2 earnings towards the end of October, that the worst of COVID-19 from an economic perspective will have been earlier in the year – by way of example, autos are expecting strong sales during the up and coming festive season.

The Latin American index is now valued at a multi-year discount to Asia, which includes its currencies in relation to the US dollar. History suggests that such a large discount does not hold for this long a period of time without a snap back.

<sup>1</sup> Net Asset Values of the Accumulation share classes are based on the published single price provided by Maitland Institutional Services Limited, the fund ACD and Administrator; historical prices for other share classes can be provided on request.

**Edward Robertson**  
Lead Fund Manager  
19 October 2020

# MI Somerset Global Emerging Markets Screened Fund

## Portfolio Statement

as at 30 September 2020

Holding	Security	Market value £	% of total net assets 2020
	<b>BASIC MATERIALS 1.71% (0.00%)</b>		
	<b>Industrial Metals &amp; Mining 1.71% (0.00%)</b>		
105,300	Vale	854,042	1.71
	<b>INDUSTRIALS 3.90% (0.00%)</b>		
	<b>Electronic &amp; Electrical Equipment 1.21% (0.00%)</b>		
65,800	S.F. Holding Company	606,525	1.21
	<b>Industrial Transportation 2.69% (0.00%)</b>		
512,800	Airports of Thailand	707,252	1.42
81,500	Shanghai International Airport	636,557	1.27
		1,343,809	2.69
	<b>CONSUMER GOODS 25.70% (29.35%)</b>		
	<b>Automobiles &amp; Parts 8.96% (8.54%)</b>		
38,347	Bajaj Auto	1,158,289	2.32
492,559	Fuyao Glass Industry	1,811,965	3.63
45,546	Hero MotoCorp	1,502,850	3.01
		4,473,104	8.96
	<b>Beverages 2.14% (4.55%)</b>		
8,251	Fomento Economico Mexicano Sponsored ADR	358,620	0.72
10,324	Heineken	710,553	1.42
		1,069,173	2.14
	<b>Food Producers 4.41% (5.28%)</b>		
609,000	China Mengniu Dairy	2,203,372	4.41
	<b>Household Goods &amp; Home Construction 7.85% (7.80%)</b>		
343,028	Midea	2,828,049	5.66
121,836	Zhejiang Supor	1,090,391	2.19
		3,918,440	7.85
	<b>Leisure Goods 2.34% (3.18%)</b>		
13,000	Largan Precision	1,166,595	2.34
	<b>HEALTH CARE 1.89% (1.29%)</b>		
	<b>Health Care Equipment &amp; Services 1.89% (0.00%)</b>		
110,900	Hapvida Participacoes Investimentos	945,727	1.89
	<b>Pharmaceuticals &amp; Biotechnology 0.00% (1.29%)</b>		
	<b>CONSUMER SERVICES 14.14% (4.86%)</b>		
	<b>Food &amp; Drug Retailers 3.11% (3.52%)</b>		
67,888	BIM Birlesik Magazalar	474,398	0.95
37,684	X5 Retail GDR	1,078,518	2.16
		1,552,916	3.11



# MI Somerset Global Emerging Markets Screened Fund

## Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2020
<b>General Retailers 9.04% (1.34%)</b>			
94,200	Alibaba	2,589,271	5.18
105,413	B2W Cia Digital	1,301,677	2.61
102,072	Mr Price	624,862	1.25
		<hr/>	
		4,515,810	9.04
<b>Travel &amp; Leisure 1.99% (0.00%)</b>			
24,200	Yum China	990,987	1.99
<b>FINANCIALS 18.13% (37.06%)</b>			
<b>Banks 8.32% (21.16%)</b>			
243,698	Alpha Bank	114,367	0.23
213,042	First Abu Dhabi Bank	501,571	1.00
300,200	Grupo Financiero Banorte	803,627	1.61
449,360	ICICI Bank	1,671,260	3.35
195,467	Itau Unibanco	603,558	1.21
19,720	OTP Bank	460,015	0.92
		<hr/>	
		4,154,398	8.32
<b>Non-life Insurance 1.38% (3.58%)</b>			
207,237	BB Seguridade Participacoes	690,240	1.38
<b>Life Insurance 5.76% (7.84%)</b>			
254,995	AIA	1,931,684	3.87
392,076	Sanlam	945,281	1.89
		<hr/>	
		2,876,965	5.76
<b>Financial Services 2.67% (4.48%)</b>			
290,622	LIC Housing Finance	840,330	1.68
75,814	Shriram Transport Finance	492,281	0.99
		<hr/>	
		1,332,611	2.67
<b>TECHNOLOGY 33.10% (26.10%)</b>			
<b>Software &amp; Computer Services 18.18% (14.16%)</b>			
18,300	Autohome ADR	1,358,911	2.72
207,510	Infosys	2,193,484	4.39
35,157	Mail.Ru	745,128	1.49
53,108	Tencent	2,711,242	5.43
41,085	Yandex	2,072,365	4.15
		<hr/>	
		9,081,130	18.18

# MI Somerset Global Emerging Markets Screened Fund

## Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2020
	<b>Technology Hardware &amp; Equipment 14.92% (11.94%)</b>		
31,500	LONGi Green Energy Technology	268,355	0.54
67,938	Samsung Electronics	2,615,179	5.24
21,978	SK Hynix	1,221,049	2.45
289,000	Taiwan Semiconductor	3,342,129	6.69
		<hr/>	
		7,446,712	14.92
	<b>Investment assets</b>	<b>49,222,556</b>	<b>98.57</b>
	<b>Net other assets</b>	<b>715,363</b>	<b>1.43</b>
	<b>Net assets</b>	<b>49,937,919</b>	<b>100.00</b>

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 30.09.19.

## Comparative Tables

### Change in net assets per share

	A Income GBP		
	30.09.20 p	30.09.19 p	30.09.18 p
<b>Opening net asset value per share</b>	105.26	96.19	104.68
Return before operating charges <sup>^</sup>	2.66	12.40	-5.08
Operating charges	-1.00	-0.98	-1.01
Return after operating charges <sup>^</sup>	1.66	11.42	-6.09
Distributions	-1.70	-2.35	-2.40
<b>Closing net asset value per share</b>	<b>105.22</b>	<b>105.26</b>	<b>96.19</b>
<sup>^</sup> After direct transaction costs of	-0.09	-0.03	-0.06
<b>Performance</b>			
Return after charges	1.58%	11.87%	-5.81%
<b>Other information</b>			
Closing net asset value	£43,461,094	£52,640,954	£48,004,960
Closing number of shares	41,305,948	50,009,690	49,906,188
Operating charges	0.98%	0.97%	0.95%
Ongoing operating charges*	0.96%	0.97%	0.95%
Direct transaction costs	0.09%	0.03%	0.06%
<b>Prices</b>			
Highest share price	113.74	111.20	114.47
Lowest share price	81.70	88.34	94.50

	A Accumulation GBP		
	30.09.20 p	30.09.19 p	30.09.18 p
<b>Opening net asset value per share</b>	109.79	98.09	104.22
Return before operating charges <sup>^</sup>	2.84	12.70	-5.12
Operating charges	-1.04	-1.00	-1.01
Return after operating charges <sup>^</sup>	1.80	11.70	-6.13
Distributions	-1.78	-2.41	-2.41
Retained distributions on accumulation shares	1.78	2.41	2.41
<b>Closing net asset value per share</b>	<b>111.59</b>	<b>109.79</b>	<b>98.09</b>
<sup>^</sup> After direct transaction costs of	-0.10	-0.03	-0.06
<b>Performance</b>			
Return after charges	1.64%	11.93%	-5.88%
<b>Other information</b>			
Closing net asset value	£6,476,825	£5,822,683	£2,367,177
Closing number of shares	5,804,099	5,303,321	2,413,273
Operating charges	0.98%	0.97%	0.95%
Ongoing operating charges*	0.96%	0.97%	0.95%
Direct transaction costs	0.09%	0.03%	0.06%
<b>Prices</b>			
Highest share price	118.55	114.36	113.96
Lowest share price	85.75	90.09	94.94

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

\*The ACD believes this to be more representative of the charges going forward.

The return after charges is calculated as the closing Net Asset Value per share plus the distributions on income shares minus the opening Net Asset Value per share as a % of the opening Net Asset Value per share. The basis of valuation of investments used to calculate Net Asset Value per share is described in notes to the Financial Statements 1h) and complies with requirements of the current Statement of Recommended Practice for UK Authorised Funds. This differs from the basis used to calculate daily published single prices, in which listed investments are valued at 12:00 mid prices.

## Comparative Tables

continued

Direct transaction costs include fees, commissions, transfer taxes and duties in the purchasing and selling of investments, which are offset (where applicable) against any dilution levies charged within the accounting year. The figures used within the table have been calculated against the average Net Asset Value for the accounting year.

## Risk and Reward Profile

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.



The Sub-fund is ranked at 6 because funds of this type have experienced high rises and falls in value in the past. During the year under review the Sub-fund changed from 5 to 6, this is due to the price volatility of the share classes. 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.
- In difficult market conditions, the value of some investments may be less predictable than normal and the Sub-fund may not be able to buy and sell these investments at the best time or at a fair price. This could affect the Sub-fund's performance, potentially reducing your returns.
- For further risk information please see the prospectus.

## Risk warning

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

# MI Somerset Global Emerging Markets Screened Fund

## Statement of Total Return

for the year ended 30 September 2020

	Note	£	30.09.20 £	£	30.09.19 £
Income					
Net capital gains	2		1,011,472		5,240,301
Revenue	3	1,016,289		1,481,982	
Expenses	4	(486,382)		(518,195)	
Interest payable and similar charges	4	(15)		–	
Net revenue before taxation		529,892		963,787	
Taxation	5	(154,841)		(99,134)	
Net revenue after taxation			375,051		864,653
<b>Total return before distributions</b>			<b>1,386,523</b>		<b>6,104,954</b>
Distributions	6		(812,756)		(1,270,062)
<b>Change in net assets attributable to Shareholders from investment activities</b>			<b>573,767</b>		<b>4,834,892</b>

## Statement of Change in Net Assets Attributable to Shareholders

for the year ended 30 September 2020

	Note	£	30.09.20 £	£	30.09.19 £
<b>Opening net assets attributable to Shareholders</b>			<b>58,463,637</b>		<b>50,372,137</b>
Amounts receivable on issue of shares		1,187,516		3,540,838	
Less: Amounts payable on cancellation of shares		(10,390,276)		(397,469)	
			(9,202,760)		3,143,369
Dilution levy			164		11,875
Change in net assets attributable to Shareholders from investment activities (see Statement of Total Return above)			573,767		4,834,892
Retained distribution on accumulation shares			103,111		101,364
<b>Closing net assets attributable to Shareholders</b>			<b>49,937,919</b>		<b>58,463,637</b>

The notes on pages 84 to 90 form an integral part of these Financial Statements.

# MI Somerset Global Emerging Markets Screened Fund

## Balance Sheet

as at 30 September 2020

	Note	£	30.09.20 £	£	30.09.19 £
<b>ASSETS</b>					
<b>Fixed Assets</b>					
Investments			49,222,556		57,682,583
<b>Current Assets</b>					
Debtors	7	97,751		817,397	
Cash and bank balances	9	1,142,044		1,927,011	
<b>Total current assets</b>			<b>1,239,795</b>		<b>2,744,408</b>
<b>Total assets</b>			<b>50,462,351</b>		<b>60,426,991</b>
<b>LIABILITIES</b>					
Investment liabilities			–		–
<b>Creditors</b>					
Bank overdrafts	9	(1,353)		–	
Distribution payable		(460,685)		(750,795)	
Other creditors	8	(62,394)		(1,212,559)	
<b>Total creditors</b>			<b>(524,432)</b>		<b>(1,963,354)</b>
<b>Total liabilities</b>			<b>(524,432)</b>		<b>(1,963,354)</b>
<b>Net assets attributable to Shareholders</b>			<b>49,937,919</b>		<b>58,463,637</b>

The notes on pages 84 to 90 form an integral part of these Financial Statements.

# MI Somerset Global Emerging Markets Screened Fund

## Notes to the Financial Statements

for the year ended 30 September 2020

### 1. Accounting Policies

The Sub-fund's Financial Statements have been prepared on the same basis as the Accounting Policies stated on pages 7 and 8.

<b>2. Net Capital Gains</b>	<b>30.09.20</b>	<b>30.09.19</b>
	£	£
Non-derivative securities	1,003,842	5,265,704
Currency gains/(losses)	17,433	(13,153)
Transaction charges	(9,803)	(12,250)
<b>Net capital gains</b>	<b>1,011,472</b>	<b>5,240,301</b>

<b>3. Revenue</b>	<b>30.09.20</b>	<b>30.09.19</b>
	£	£
Overseas dividends	970,449	1,433,034
Taxable overseas dividends	45,889	48,899
Bank interest	(49)	49
<b>Total revenue</b>	<b>1,016,289</b>	<b>1,481,982</b>

<b>4. Expenses</b>	<b>30.09.20</b>	<b>30.09.19</b>
	£	£
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:		
ACD's fee	42,460	43,222
Registration fee	8,834	7,699
	<u>51,294</u>	<u>50,921</u>
Payable to the Investment Manager, associates of the Investment Manager and agents of either of them:		
Investment Manager's fee	378,203	405,419
Payable to the Depositary associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	16,530	19,381
Safe custody and other bank charges	14,612	18,017
	<u>31,142</u>	<u>37,398</u>

## Notes to the Financial Statements

continued

4. Expenses (continued)	30.09.20 £	30.09.19 £
Auditors remuneration:		
Audit fee (including VAT)	8,652	8,034
Tax compliance services (including VAT)	1,970	1,800
Tax compliance services (including VAT) - predecessor tax advisor	–	900
	10,622	10,734
Other expenses:		
Legal fees	13,952	12,673
Printing costs	1,169	1,050
	15,121	13,723
<b>Expenses</b>	<b>486,382</b>	<b>518,195</b>
Interest payable and similar charges	15	–
<b>Total</b>	<b>486,397</b>	<b>518,195</b>

5. Taxation	30.09.20 £	30.09.19 £
(a) Analysis of charge in the year:		
Capital gains tax on Indian trades	59,517	–
Overseas tax	95,324	99,134
<b>Total tax charge (note 5b)</b>	<b>154,841</b>	<b>99,134</b>

(b) Factors affecting taxation charge for the year:		
Net revenue before taxation	529,892	963,787
Corporation tax at 20%	105,978	192,757
Effects of:		
Movement in surplus management expenses	89,487	95,317
Overseas tax expensed	95,324	99,134
Unutilised double taxation relief	(1,376)	(1,467)
Capital gains tax on Indian trades	59,517	–
Non-taxable overseas earnings	(194,089)	(286,607)
<b>Total tax charge (note 5a)</b>	<b>154,841</b>	<b>99,134</b>

(c) Deferred tax

At the year end there is a potential deferred tax asset of £328,589 (2019: £239,102) 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.



# MI Somerset Global Emerging Markets Screened Fund

## Notes to the Financial Statements

continued

### 6. Distributions

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

		<b>30.09.20</b>	<b>30.09.19</b>
		<b>£</b>	<b>£</b>
Interim distribution	31.03.20	273,050	444,303
Final distribution	30.09.20	528,576	832,764
		<hr/> 801,626	<hr/> 1,277,067
Revenue deducted on cancellation of shares		15,658	1,734
Revenue received on issue of shares		(4,528)	(8,739)
<b>Distributions</b>		<hr/> <b>812,756</b>	<hr/> <b>1,270,062</b>

### Reconciliation of net revenue after taxation to net distributions:

Net revenue after taxation per Statement of Total Return		375,051	864,653
Expenses allocated to capital		378,203	405,419
Capital gains tax on Indian trades		59,517	–
Undistributed revenue brought forward		12	2
Undistributed revenue carried forward		(27)	(12)
<b>Distributions</b>		<hr/> <b>812,756</b>	<hr/> <b>1,270,062</b>

### 7. Debtors

		<b>30.09.20</b>	<b>30.09.19</b>
		<b>£</b>	<b>£</b>
Amounts receivable on issues		5,757	1,799
Currency deals outstanding		3,794	610,914
Sales awaiting settlement		3,781	140,867
Accrued income:			
Dividends receivable		35,080	16,053
Overseas tax recoverable		49,339	47,764
<b>Total debtors</b>		<hr/> <b>97,751</b>	<hr/> <b>817,397</b>

### 8. Other Creditors

		<b>30.09.20</b>	<b>30.09.19</b>
		<b>£</b>	<b>£</b>
Currency deals outstanding		3,781	612,086
Purchases awaiting settlement		–	543,327
Accrued expenses:			
Amounts payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:			
ACD's fee		3,286	3,851
Registration fee		878	620
		<hr/> 4,164	<hr/> 4,471

# MI Somerset Global Emerging Markets Screened Fund

## Notes to the Financial Statements

continued

<b>8. Other Creditors (continued)</b>	<b>30.09.20</b>	<b>30.09.19</b>
	<b>£</b>	<b>£</b>
Amounts payable to the Investment Manager, associates of the Investment Manager and agents of either of them:		
Investment Manager's fee	31,125	36,602
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee (including VAT)	4,002	1,733
Safe custody and other bank charges	4,492	1,554
Transaction charges	876	–
	<u>9,370</u>	<u>3,287</u>
Auditors remuneration:		
Audit fee (including VAT)	8,652	8,034
Tax compliance services (including VAT)	1,916	1,800
Tax compliance services (including VAT) – predecessor tax advisor	–	2,100
	<u>10,568</u>	<u>11,934</u>
Other expenses:		
Legal fees	2,786	302
Printing costs	600	550
	<u>3,386</u>	<u>852</u>
<b>Total other creditors</b>	<b><u>62,394</u></b>	<b><u>1,212,559</u></b>
<b>9. Cash and Bank Balances</b>	<b>30.09.20</b>	<b>30.09.19</b>
	<b>£</b>	<b>£</b>
Cash and bank balances	1,142,044	1,927,011
Overdraft positions	(1,353)	–
<b>Cash and bank balances</b>	<b><u>1,140,691</u></b>	<b><u>1,927,011</u></b>

## 10. Related Party Transactions

Maitland Institutional Services Limited (MISL) is regarded as a related party by virtue of having the ability to act in respect of the operations of the Sub-fund in its capacity as the Authorised Corporate Director (ACD).

ACD and other fees payable to MISL are disclosed in note 4 and amounts due at the year end are shown in note 8.

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.

Amounts receivable on issue and payable on cancellation of shares and dilution levy are disclosed in the Statement of Change in Net Assets Attributable to Shareholders and in note 6, amounts due at the year end are shown in notes 7 and 8.

At the year end the MI Somerset Global Emerging Markets Screened Fund did not hold shares in any of the other Sub-funds within the MI Somerset Capital Management Investment Funds ICVC.

## Notes to the Financial Statements

continued

### 11. Contingent Liabilities and Outstanding Commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2019: none).

### 12. Risk Management Policies and Disclosures

The main risks arising from financial instruments and the ACD's policies for managing these risks are disclosed in the risk management policies on pages 9 and 10.

These policies have been consistent for both years through which these financial statements relate.

Numerical disclosures relating to the Sub-fund are as follows:

#### Market price risk

At the balance sheet date, if the price of the investments held by the Sub-fund increased or decreased by 10%, with all other variables held constant, the net assets attributable to Shareholders would increase or decrease by approximately £4,922,256 (2019: £5,768,258).

#### Currency risk

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

	<b>30.09.20</b>	<b>30.09.19</b>
	<b>Total</b>	<b>Total</b>
<b>Currency</b>	<b>£</b>	<b>£</b>
Brazilian real	4,430,116	4,331,898
Chinese renminbi	7,241,842	5,479,042
Euro	828,995	2,093,452
Hong Kong dollar	9,435,569	8,706,953
Hungarian forint	460,015	1,843,102
Indian rupee	7,876,269	11,391,516
Indonesian rupiah	–	752,512
Mexican peso	803,627	1,581,775
Polish zloty	42,944	43,447
Pound sterling	598,315	725,740
South African rand	1,570,143	3,176,114
South Korean won	3,836,228	4,361,517
Taiwanese dollar	4,523,786	5,717,339
Thai baht	707,252	474,371
Turkish lira	474,398	765,503
United Arab Emirates dirham	501,571	1,100,388
United States dollar	6,606,849	5,918,968
	<b>49,937,919</b>	<b>58,463,637</b>

At the balance sheet date, if the value of sterling increased or decreased by 10%, with all other variables held constant, then the net assets attributable to Shareholders would increase or decrease by approximately £4,933,960 (2019: £5,773,790).

## Notes to the Financial Statements

continued

### 13. Portfolio Transaction Costs

30.09.20

Analysis of purchases	Total purchase cost £	Commissions paid		Taxes		Purchases before transaction cost £
		£	%	£	%	
Equities	10,430,195	7,251	0.07	4,499	0.04	10,418,445
Corporate Actions	93,779	–	0.00	–	0.00	93,779
<b>Total purchases after commissions and tax</b>	<b>10,523,974</b>					
Analysis of sales	Net sale proceeds £	Commissions paid		Taxes		Sales before transaction cost £
		£	%	£	%	
Equities	19,987,844	13,211	0.07	20,876	0.10	20,021,931
<b>Total sales after commissions and tax</b>	<b>19,987,844</b>					
Commission as a % of average net assets	0.04%					
Taxes as a % of the average net assets	0.05%					

30.09.19

Analysis of purchases	Total purchase cost £	Commissions paid		Taxes		Purchases before transaction cost £
		£	%	£	%	
Equities	10,863,693	7,227	0.07	8,163	0.08	10,848,303
Corporate Actions	(27,511)	–	0.00	–	0.00	(27,511)
<b>Total purchases after commissions and tax</b>	<b>10,836,182</b>					
Analysis of sales	Net sale proceeds £	Commissions paid		Taxes		Sales before transaction cost £
		£	%	£	%	
Equities	8,390,269	7,635	0.09	4,264	0.05	8,402,170
<b>Total sales after commissions and tax</b>	<b>8,390,269</b>					
Commission as a % of average net assets	0.03%					
Taxes as a % of the average net assets	0.02%					

Commissions and taxes as a % of the average net assets form part of the direct transactions costs stated within the comparative tables on pages 80 and 81. The direct transaction costs within the comparative tables may differ due to the effect of dilution levies charged (where applicable).

## Notes to the Financial Statements

continued

### 14. Portfolio Dealing Spread

The average portfolio dealing spread at 30 September 2020 is 0.11% (2019: 0.11%).

### 15. Events after the Balance Sheet date

The table below denotes the movement in Net Asset Value per share since the period end, calculated with reference to daily published single prices.

Share Class	30.09.20 p	14.12.20 p	% Movement
A Income GBP*	106.70	121.13	13.52%
A Accumulation GBP	111.98	127.27	13.66%

\*adjusted for income distribution for comparison purposes

#### ACD Statement Regarding COVID-19

Notwithstanding the challenges arising from the impact of the COVID-19 virus, the ACD continues to operate, administer and price the Sub-fund in accordance with FCA regulatory requirements and in accordance with relevant accounting standards. At the time of writing, investment markets are experiencing high levels of daily volatility and it is likely that this volatility will continue for the foreseeable future.

The ACD will continue to monitor fund liquidity and market volatility to ensure the Sub-fund is managed in the best interests of shareholders and to ensure that the Sub-fund remains a going concern. Where appropriate the ACD will value assets on a "fair value" basis in accordance with the Regulations.

As stated in the Prospectus, the Sub-fund should be considered as a long-term investment and the ACD emphasises the importance for investors to seek professional advice when considering their investment in the Sub-fund.

### 16. Fair Value Disclosure

Valuation technique	30.09.20		30.09.19	
	Assets £	Liabilities £	Assets £	Liabilities £
Level 1 <sup>^</sup>	49,222,556	–	57,682,583	–
Level 2 <sup>^^</sup>	–	–	–	–
Level 3 <sup>^^^</sup>	–	–	–	–
	<b>49,222,556</b>		<b>57,682,583</b>	<b>–</b>

<sup>^</sup> Level 1: Unadjusted quoted price in an active market for an identical instrument.

<sup>^^</sup> Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

<sup>^^^</sup> Level 3: Valuation techniques using unobservable inputs.

### 17. Shareholders Funds

	A Income GBP	A Accumulation GBP
Opening number of shares	50,009,690	5,303,321
Shares issued	630,790	517,224
Shares cancelled	(9,334,532)	(16,446)
<b>Closing number of shares</b>	<b>41,305,948</b>	<b>5,804,099</b>

# MI Somerset Global Emerging Markets Screened Fund

## Distribution Tables

for the year ended 30 September 2020

### Income Share Distributions

Share class	Distribution	Shares	Net revenue	Equalisation	Distribution paid/payable 2020	Distribution paid 2019	
A GBP	Interim	Group 1	0.5808p	–	0.5808p	0.8507p	
		Group 2	0.1133p	0.4675p	0.5808p	0.8507p	
	Final	Group 1	1.1153p	–	–	1.1153p	1.5013p
		Group 2	0.4527p	0.6626p	0.6626p	1.1153p	1.5013p

### Accumulation Share Distributions

Share class	Distribution	Shares	Net revenue	Equalisation	Amount reinvested 2020	Amount reinvested 2019	
A GBP	Interim	Group 1	0.6065p	–	0.6065p	0.8675p	
		Group 2	0.4930p	0.1135p	0.6065p	0.8675p	
	Final	Group 1	1.1697p	–	–	1.1697p	1.5456p
		Group 2	0.0599p	1.1098p	1.1098p	1.1697p	1.5456p

Interim period: 01.10.19 - 31.03.20

Final period: 01.04.20 - 30.09.20

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

### Investment objective

The Sub-fund seeks to outperform the MSCI Emerging Markets SMID Index (with net dividends reinvested) over a 5 year period by investing at least 80% (but usually significantly more) in an actively managed portfolio of smaller and mid cap emerging and frontier market securities.

There is no guarantee that this return will be achieved and investors should note that capital is at risk.

### Investment policy

The portfolio will consist principally of quoted equity securities, issued by companies established or operating in emerging and frontier market countries, principally in Asia, Eastern Europe, the Middle East, Africa and Latin America and whose market capitalisation does not generally exceed US\$ 15 billion at the time of the initial investment.

The investment manager uses detailed research to seek to discover the best investment opportunities considering each company's specific circumstances.

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 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. 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 no more than 5% 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 2020

Since inception on 30 October 2019 to 30 September 2020 the Sub-fund underperformed -9.67% against the MSCI EM Small Mid Cap Index. The Sub-fund's A Accumulation GBP Class<sup>1</sup> unit price at NAV fell -9.41% in sterling terms whereas the MSCI EM Small Mid Cap Index rose +0.26%.

We were particularly hit by our financials and consumer discretionary overweight in the context of COVID-19 as banks took large precautionary provisions and many shops, hotels and restaurants were forced to run at very low levels of sales and occupancy. Here we are seeing fewer competitors (many are distressed or exiting) and a reduction of costs. The rebound in demand once the virus abates coupled with fixed cost operating leverage and very low valuations should make these sectors some of the best performing ones in coming years. We were also hurt on a relative basis by our geographical positioning with the portfolio underweight in China and Taiwan, where markets have rebounded since March.

Financial and consumer discretionary stocks are now trading at significant discounts to their historic averages (if one removes the ecommerce names from the consumer discretionary sector) whilst many of the haven sectors are at all-time highs. Not much more can go right for the latter group of stocks whilst many of the negatives for those worst hit should normalise as the virus passes and a number of unforeseen positives (reduced competition, habit change, reduction of costs, and implementation of new technology) may result. These are not just sectors to avoid selling; for the next two years they may be the best sectors to buy into.

Over this period, there have been opportunities in emerging markets and we have made 17 new purchases for the Sub-fund. In particular, we have been finding good bottom up opportunities in LATAM and EMEA.

## Investment Manager's Report

continued

Earlier in 2020 we purchased EZ Tec, a Brazilian homebuilder focused on the upper and middle-income segments in the city of São Paulo. The company's net-cash balance sheet and cautious approach to capital deployment allowed it to ride out a period of falling demand and prices during the economic downturn of 2014-2016, when many other developers went bankrupt. This left EZ Tec well placed to benefit as consumer confidence started to recover following the clear-cut victory for the pro-business candidate in the presidential election back in 2018. Through 2019, the company enjoyed an accelerating pace of apartment sales driven by pent up demand after the long recession; the shares more than doubled over the year in response.

However, these gains were then fully reversed in the panic selling that took hold in the Brazilian market as the COVID-19 pandemic unfolded. We took the view that the economic downturn caused by COVID-19 would defer, rather than cancel, the cyclical upswing in demand from the 2014-2016 trough that the company had been starting to enjoy last year. As the impact of the pandemic passes its peak in Brazil and demand starts to return over the next few years, we expect that the undemanding valuation at which we were able to buy the shares (1.6x price to book, down from a peak of 3.4x last year) will rebound as well.

We also purchased Dino Polska, the convenience supermarket chain in Poland. The company's business model is based on catering to the 80% of Poles who live outside big cities. These are price conscious customers, so the company offers 500 core staple products at prices that are matched to those of the discount chains (such as Biedronka, the company's key competitor). But Dino also offers a much wider range of SKUs that its discounter competitors do not offer, including a variety of local branded products and fresh meat, which forms an important part of rural Poles' traditional diet. The store format is compact, requiring a catchment area of just 3,500 people (versus around 10,000 for the typical Biedronka store for example). This capitalises on the tendency in poorer non-urban Poland for consumers to do small regular shops: proximity is an important convenience factor. By providing a wide assortment, including a core range of competitively priced staples alongside fresh produce, in convenient neighbourhood locations, management's aim is to remove any incentive for local people to travel further to another shop.

The strategy is working well and Dino is expanding rapidly from its heartlands in the west of the country, with its store network set to increase by around 25% this year. There is a long runway for further expansion: in its two home regions, Dino has 10 stores per 100,000 inhabitants; in Poland as a whole (16 regions), that figure is just three. The company is taking share from small independent stores that are cost uncompetitive: 3-5% of grocery stores are closing every year in Poland. Consistently positive like-for-like sales as disposable incomes in rural Poland rise and the store base matures should continue to improve asset turnover and margins, putting upwards pressure on already high financial returns. The valuation is optically expensive (43x trailing P/E), but tolerable in the context of the company's high profitability and strong, structural growth. Dino has grown shareholders' equity by almost four times over the last five years. We expect this attractive rate of value creation to continue.

In September we added two new stocks for the portfolio:

Swellfun is a Chinese spirits (baijiu) manufacturer that largely competes in the premium segment (RMB 300 to 600/bottle) with 6% value share. We like the industry supply side conditions, where the ultra-premium (>RMB 600/bottle) players are supply constrained given the long aging process (5 years in Moutai's case), and are rational given the signalling effect of pricing on brand equity. This pricing discipline has created a pricing umbrella for the premium segment, supporting Swellfun's consistently high gross margin, which has averaged 78% over the last five years. Beyond supply, demand conditions are favourable as premium continues to take market share as Chinese disposable incomes grow. The mainstream price tier below (RMB 100 to 300/bottle) has 12 times the premium segment's volume, so the impact of premiumisation relative to the current size of the premium segment is potentially large. We think Swellfun can be a leader in this category, given its brand equity and class-leading distribution, which have been carefully built under Diageo's (63% stake in Swellfun) stewardship. Diageo's participation also offers reassurance on governance and capital management – the dividend payout is >90%, for example – while Swellfun's well thought-out incentive structure is an underappreciated advantage relative to SOE players. Valuation is not cheap, but reasonable (>2% dividend yield) in the context of low 20s earnings growth and 40%+ returns on equity. The main risk is of a 'squeezed middle', but we think ultra-premium has constraints in moving down whilst the lower-end players are largely regional and incapable of moving up.



## Investment Manager's Report

continued

Poya is a general merchandise chain store in Taiwan, selling a wide variety of products including make-up, cosmetics, accessories, household items and snacks. Traditional mom & pop stores still constitute around 40% of the market, but this is down from 70% a decade ago as formal players, led by Poya, with broader product selection and superior cost structures, have taken share. At the same time, Poya's share of the formal part of the market has risen from around 50% to almost 90% as competitors have shut stores. There is still plenty of scope for the company to expand its store presence in Taiwan (230 to 400 target in 2027). The growth runway for Poya is also extended by its new store format Poya Home, where management is leveraging the company's brand strength to expand into the homeware/hardware market, which is dominated by independent operators. The core business is relatively insulated from e-commerce given the small average basket size (less than the minimum needed for free delivery) and one-stop-shop nature of the shopping experience; the company nonetheless does have an e-commerce offering (both website and app), which accounts for ~5% of revenue. Financial risk is low: returns on equity are high (>40%), leverage is prudent and the company has a long history of paying out the majority of its earnings (>80%) as a dividend. The valuation (5% FCF yield, 3% dividend yield) is attractive in the context of the company's consistent growth and strong competitive position.

We funded these additions by reducing our position in King Slide. King Slide is a manufacturer of rail-kits (slides and hinges) used in both server farms and kitchens. We were originally attracted by the company's high profitability and strong balance sheet, combined with the potential for faster growth from expansion into the fragmented kitchen rail market. However, management has been consistently over-optimistic about growth prospects. While the position was low risk, we took the view that Swellfun and Poya represented better opportunities given their stronger growth profiles and management execution.

We also added to some of the most beaten down stocks in the portfolio, notably Hering (Brazil) and Mr Price (South Africa). The latter two are cyclical or consumer discretionary businesses on very cheap valuations, where we think both earnings and valuation multiples are likely to rebound when economies begin to open up again and deferred consumer spending starts to come through.

In the core of the portfolio we continue to focus on selecting superior businesses with high, durable profitability and sustainable growth, whilst minimising financial and governance risk and taking care not to overpay. We are confident these businesses will deliver better than average stock returns over medium and long-term time horizons and the evidence continues to support this.

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<sup>1</sup> Net Asset Values of the Accumulation share classes are based on the published single price provided by Maitland Institutional Services Limited, the fund ACD and Administrator; historical prices for other share classes can be provided on request.

**Mark Asquith & Christopher White**

Co-managers

16 October 2020

# MI Somerset Emerging Markets Discovery Fund

## Portfolio Statement

as at 30 September 2020

Holding	Security	Market value £	% of total net assets 2020
	<b>BASIC MATERIALS 3.34%</b>		
	<b>Mining 3.34%</b>		
26,300	Compania de Minas Buenaventura	248,393	3.34
	<b>INDUSTRIALS 12.28%</b>		
	<b>Construction &amp; Materials 2.62%</b>		
55,554	Beijing New Building Materials	194,901	2.62
	<b>Industrial Engineering 3.88%</b>		
11,000	King Slide Works	82,260	1.11
8,121	RHI Magniesta	206,273	2.77
		288,533	3.88
	<b>Support Services 5.78%</b>		
887,400	My E.G. Services	214,735	2.89
35,000	Sunny Friend Environmental Technology	214,997	2.89
		429,732	5.78
	<b>CONSUMER GOODS 11.70%</b>		
	<b>Automobiles &amp; Parts 3.04%</b>		
7,496	Bajaj Auto	226,420	3.04
	<b>Beverages 1.59%</b>		
16,200	Sichuan Swellfun	118,619	1.59
	<b>Food Producers 1.10%</b>		
35,691	Ulker Biskuvi Sanayi	81,917	1.10
	<b>Leisure Goods 3.92%</b>		
548	NCSOFT	291,409	3.92
	<b>Personal Goods 2.05%</b>		
66,600	Cia Hering	152,909	2.05
	<b>HEALTH CARE 4.73%</b>		
	<b>Health Care Equipment &amp; Services 2.91%</b>		
25,400	Hapvida Participacoes Investimentos	216,605	2.91
	<b>Pharmaceuticals &amp; Biotechnology 1.82%</b>		
310,000	SSY	135,828	1.82
	<b>CONSUMER SERVICES 21.82%</b>		
	<b>Food &amp; Drug Retailers 10.59%</b>		
11,139	Abdullah Al Othaim Markets	297,702	4.00
28,629	BIM Birlesik Magazalar	200,058	2.69
15,128	Clicks	155,945	2.09
2,965	Dino Polska	134,891	1.81
		788,596	10.59

# MI Somerset Emerging Markets Discovery Fund

## Portfolio Statement

continued

Holding	Security	Market value £	% of total net assets 2020
	<b>General Retailers 9.06%</b>		
16,800	B2W Cia Digital	207,452	2.79
27,677	Mr Price	169,432	2.28
26,000	Nien Made Enterprise	237,833	3.20
4,000	Poya International	58,864	0.79
		<hr/>	
		673,581	9.06
	<b>Travel &amp; Leisure 2.17%</b>		
109,800	BK Brasil Operacao e Assessoria a Restaurantes	161,382	2.17
	<b>FINANCIALS 26.38%</b>		
	<b>Banks 5.74%</b>		
193,069	Alpha Bank	90,607	1.22
10,128	Bank of Georgia	90,443	1.22
65,292	Commercial International Bank Egypt	212,954	2.86
1,405	OTP Bank	32,775	0.44
		<hr/>	
		426,779	5.74
	<b>Non-life Insurance 3.71%</b>		
19,000	Porto Seguro	125,784	1.69
51,600	Qualitas Controladora	150,336	2.02
		<hr/>	
		276,120	3.71
	<b>Life Insurance 1.66%</b>		
51,399	Sanlam	123,921	1.66
	<b>Real Estate Investment &amp; Services 4.66%</b>		
330,000	China Overseas Property	208,158	2.80
28,700	EZ Tec Empreendimentos e Participacoes	138,797	1.86
		<hr/>	
		346,955	4.66
	<b>Financial Services 10.61%</b>		
161,700	Bolsa Mexicana de Valores	282,610	3.80
28,947	JSE	157,394	2.11
17,326	Muthoot Finance	205,641	2.76
22,229	Shriram Transport Finance	144,339	1.94
		<hr/>	
		789,984	10.61
	<b>TECHNOLOGY 19.08%</b>		
	<b>Software &amp; Computer Services 9.96%</b>		
3,500	Autohome ADR	259,901	3.49
11,709	Mail.Ru	248,164	3.33
17,308	Tata Elxsi	233,535	3.14
		<hr/>	
		741,600	9.96

# MI Somerset Emerging Markets Discovery Fund

## Portfolio Statement

continued

<b>Holding</b>	<b>Security</b>	<b>Market value £</b>	<b>% of total net assets 2020</b>
	<b>Technology Hardware &amp; Equipment 9.12%</b>		
32,995	Advantech	255,555	3.43
6,000	Aspeed Technology	181,880	2.44
1,675	Leeno Industrial	136,265	1.83
22,000	Vtech	105,397	1.42
		<hr/>	
		679,097	9.12
		<hr/>	
	<b>Investment assets</b>	<b>7,393,281</b>	<b>99.33</b>
	<b>Net other assets</b>	<b>49,711</b>	<b>0.67</b>
		<hr/>	
	<b>Net assets</b>	<b>7,442,992</b>	<b>100.00</b>
		<hr/>	

All investments are ordinary shares or stock units on a regulated securities market unless otherwise stated.

## Comparative Tables

### Change in net assets per share

	A Income GBP	A Accumulation GBP
	30.09.20 <sup>^</sup> p	30.09.20 <sup>^</sup> p
<b>Opening net asset value per share</b>	100.00	100.00
Return before operating charges <sup>^</sup>	-7.98	-7.72
Operating charges	-1.14	-1.15
Return after operating charges <sup>^</sup>	-9.12	-8.87
Distributions	-0.46	-0.29
Retained distributions on accumulation shares	n/a	0.29
<b>Closing net asset value per share</b>	<b>90.42</b>	<b>91.13</b>
<sup>^</sup> After direct transaction costs of	-0.25	-0.25
<b>Performance</b>		
Return after charges	-9.12%	-8.87%
<b>Other information</b>		
Closing net asset value	£297,062	£6,806,170
Closing number of shares	328,545	7,468,510
Operating charges	1.23%	1.23%
Ongoing operating charges*	1.25%	1.25%
Direct transaction costs	0.27%	0.27%
<b>Prices</b>		
Highest share price	103.11	104.12
Lowest share price	74.56	74.74

<sup>^</sup>A Accumulation and A Income share classes was launched on 30 October 2019.

	A Accumulation EUR
	30.09.20 <sup>^</sup> €c
<b>Opening net asset value per share</b>	100.00
Return before operating charges <sup>^</sup>	13.79
Operating charges	-1.39
Return after operating charges <sup>^</sup>	12.40
Distributions	-0.45
Retained distributions on accumulation shares	0.45
<b>Closing net asset value per share</b>	<b>112.40</b>
<sup>^</sup> After direct transaction costs of	-0.30
<b>Performance</b>	
Return after charges	12.40%
<b>Other information</b>	
Closing net asset value	€374,585
Closing number of shares	333,259
Operating charges	1.23%
Ongoing operating charges*	1.25%
Direct transaction costs	0.27%
<b>Prices</b>	
Highest share price	120.28
Lowest share price	100.00

<sup>^</sup>A Accumulation EUR share class was launched on 8 April 2020.

The foreign exchange rate used to calculate the Net Asset Value and net distribution per share as at 30 September 2020 was €1.1025.

## Comparative Tables

continued

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

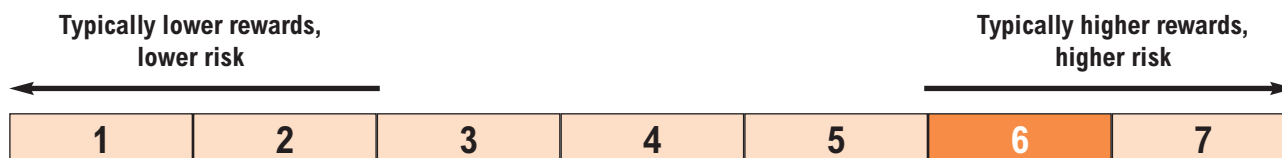
\*The Net Asset Value of the Sub-fund has increased by more than 10% if compared to the average Net Asset Values for the period. Taking an average of the daily Net Asset Values for the last month of the year has the effect of increasing the operating charges by 0.02%. The ACD believes this to be more representative of the charges going forward. The Annual Management Charge of 0.75% has been waived until 1 January 2021. The estimated ongoing charges based on the Annual Management Charge being paid from 1 January 2021 will be 2.00%.

The return after charges is calculated as the closing Net Asset Value per share plus the distributions on income shares minus the opening Net Asset Value per share as a % of the opening Net Asset Value per share. The basis of valuation of investments used to calculate Net Asset Value per share is described in notes to the Financial Statements (1h) and complies with requirements of the current Statement of Recommended Practice for UK Authorised Funds. This differs from the basis used to calculate daily published single prices, in which listed investments are valued at 12:00 mid prices.

Direct transaction costs include fees, commissions, transfer taxes and duties in the purchasing and selling of investments, which are offset (where applicable) against any dilution levies charged within the accounting period. The figures used within the table have been calculated against the average Net Asset Value for the accounting period.

## Risk and Reward Profile

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.



The Sub-fund is ranked at 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.
- In difficult market conditions, the value of some investments may be less predictable than normal and the Sub-fund may not be able to buy and sell these investments at the best time or at a fair price. This could affect the Sub-fund's performance, potentially reducing your returns.
- For further risk information please see the prospectus.

## Risk warning

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

# MI Somerset Emerging Markets Discovery Fund

## Statement of Total Return

for the period ended 30 September 2020

	Note	£	30.10.19 to 30.09.20	£
Income				
Net capital losses	2		(214,766)	
Revenue	3	104,518		
Expenses	4	(67,478)		
Interest payable and similar charges	4	(115)		
Net revenue before taxation		36,925		
Taxation	5	(11,293)		
Net revenue after taxation				25,632
<b>Total return before distributions</b>				<b>(189,134)</b>
Distributions	6			(25,626)
<b>Change in net assets attributable to Shareholders from investment activities</b>				<b>(214,760)</b>

## Statement of Change in Net Assets Attributable to Shareholders

for the period ended 30 September 2020

	Note	£	30.10.19 to 30.09.20	£
<b>Opening net assets attributable to Shareholders</b>				–
Amounts receivable on issue of shares		9,522,478		
Less: Amounts payable on cancellation of shares		(1,887,989)		
				7,634,489
Change in net assets attributable to Shareholders from investment activities (see Statement of Total Return above)			(214,760)	
Retained distribution on accumulation shares				23,263
<b>Closing net assets attributable to Shareholders</b>				<b>7,442,992</b>

This is the first accounting period therefore there are no comparatives.

The notes on pages 102 to 108 form an integral part of these Financial Statements.

# MI Somerset Emerging Markets Discovery Fund

## Balance Sheet

as at 30 September 2020

	Note	£	30.09.20	£
<b>ASSETS</b>				
<b>Fixed Assets</b>				
Investments			7,393,281	
<b>Current Assets</b>				
Debtors	7	344,719		
Cash and bank balances	9	211,222		
<b>Total current assets</b>			<b>555,941</b>	
<b>Total assets</b>			<b>7,949,222</b>	
<b>LIABILITIES</b>				
Investment liabilities				–
<b>Creditors</b>				
Distribution payable		(1,526)		
Other creditors	8	(504,704)		
<b>Total creditors</b>			<b>(506,230)</b>	
<b>Total liabilities</b>			<b>(506,230)</b>	
<b>Net assets attributable to Shareholders</b>			<b>7,442,992</b>	

This is the first accounting period therefore there are no comparatives.

The notes on pages 102 to 108 form an integral part of these Financial Statements.



# MI Somerset Emerging Markets Discovery Fund

## Notes to the Financial Statements

for the period ended 30 September 2020

### 1. Accounting Policies

The Sub-fund's Financial Statements have been prepared on the same basis as the Accounting Policies stated on pages 7 and 8.

	30.10.19 to 30.09.20 £
<b>2. Net Capital Losses</b>	
Non-derivative securities	(202,616)
Currency losses	(2,186)
Transaction charges	(9,964)
<b>Net capital losses</b>	<b>(214,766)</b>

	30.10.19 to 30.09.20 £
<b>3. Revenue</b>	
Overseas dividends	98,305
Taxable overseas dividends	6,198
Bank interest	15
<b>Total revenue</b>	<b>104,518</b>

	30.10.19 to 30.09.20 £
<b>4. Expenses</b>	
Payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:	
ACD's fee	18,425
Registration fee	12,873
	<u>31,298</u>
Payable to the Depositary associates of the Depositary and agents of either of them:	
Depositary's fee (including VAT)	10,989
Safe custody and other bank charges	2,100
	<u>13,089</u>

## Notes to the Financial Statements

continued

<b>4. Expenses (continued)</b>	<b>30.10.19 to 30.09.20 £</b>
Auditors remuneration:	
Audit fee (including VAT)	8,652
Tax compliance services (including VAT)	1,916
	10,568
Other expenses:	
Legal fee	11,256
Printing costs	1,267
	12,523
<b>Expenses</b>	<b>67,478</b>
Interest payable and similar charges	115
<b>Total</b>	<b>67,593</b>

<b>5. Taxation</b>	<b>30.10.19 to 30.09.20 £</b>
(a) Analysis of charge in the year:	
Overseas tax	11,293
<b>Total tax charge (note 5b)</b>	<b>11,293</b>
(b) Factors affecting taxation charge for the year:	
Net revenue before taxation	36,925
Corporation tax at 20%	7,385
Effects of:	
Movement in surplus management expenses	12,462
Overseas tax expensed	11,293
Unutilised double taxation relief	(186)
Non-taxable overseas earnings	(19,661)
<b>Total tax charge (note 5a)</b>	<b>11,293</b>

(c) Deferred tax

At the year end there is a potential deferred tax asset of £12,462 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 period.

## Notes to the Financial Statements

continued

### 6. Distributions

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

		30.10.19 to 30.09.20 £
Final distribution	30.09.20	24,790
		24,790
Revenue deducted on cancellation of shares		2,915
Revenue received on issue of shares		(2,079)
<b>Distributions</b>		<b>25,626</b>

#### Reconciliation of net revenue after taxation to net distributions:

Net revenue after taxation per Statement of Total Return	25,632
Undistributed revenue carried forward	(6)
<b>Distributions</b>	<b>25,626</b>

### 7. Debtors

	30.09.20 £
Amounts receivable on issues	2,901
Currency deals outstanding	95,848
Sales awaiting settlement	239,184
Accrued income:	
Dividends receivable	4,939
Prepaid expenses:	
Legal fee	1,847
<b>Total debtors</b>	<b>344,719</b>

### 8. Other Creditors

	30.09.20 £
Amounts payable on cancellations	325,248
Currency deals outstanding	95,959
Purchases awaiting settlement	62,186
Accrued expenses:	
Amounts payable to the Authorised Corporate Director (ACD), associates of the ACD and agents of either of them:	
ACD's fee	1,640
Registration fee	1,215
	2,855

# MI Somerset Emerging Markets Discovery Fund

## Notes to the Financial Statements

continued

<b>8. Other Creditors (continued)</b>	<b>30.09.20</b>
	<b>£</b>
Amounts payable to the Depositary associates of the Depositary and agents of either of them:	
Depositary's fee (including VAT)	4,000
Safe custody and other bank charges	984
	<hr/> 4,984
Auditors remuneration:	
Audit fee (including VAT)	8,652
Tax compliance services (including VAT)	1,916
	<hr/> 10,568
Other expenses:	
Printing costs	700
Sundry expenses	2,204
	<hr/> 2,904
	<hr/>
<b>Total other creditors</b>	<b>504,704</b>

<b>9. Cash and Bank Balances</b>	<b>30.09.20</b>
	<b>£</b>
Cash and bank balances	211,222
	<hr/>
<b>Cash and bank balances</b>	<b>211,222</b>

## 10. Related Party Transactions

Maitland Institutional Services Limited (MISL) is regarded as a related party by virtue of having the ability to act in respect of the operations of the Sub-fund in its capacity as the Authorised Corporate Director (ACD).

ACD and other fees payable to MISL are disclosed in note 4 and amounts due at the year end are shown in note 8.

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.

Amounts receivable on issue and payable on cancellation of shares and dilution levy are disclosed in the Statement of Change in Net Assets Attributable to Shareholders and in note 6, amounts due at the year end are shown in notes 7 and 8.

At the year end the MI Somerset Emerging Markets Discovery Fund did not hold shares in any of the other Sub-funds within the MI Somerset Capital Management Investment Funds ICVC.

## 11. Contingent Liabilities and Outstanding Commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date.

## Notes to the Financial Statements

continued

### 12. Risk Management Policies and Disclosures

The main risks arising from financial instruments and the ACD's policies for managing these risks are disclosed in the risk management policies on pages 9 and 10.

These policies have been applied throughout the period under review.

Numerical disclosures relating to the Sub-fund are as follows:

#### Market price risk

At the balance sheet date, if the price of the investments held by the Sub-fund increased or decreased by 10%, with all other variables held constant, the net assets attributable to Shareholders would increase or decrease by approximately £739,328.

#### Currency risk

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

	<b>30.09.20</b>
	<b>Total</b>
	<b>£</b>
<b>Currency</b>	
Brazilian real	1,084,217
Chinese renminbi	313,520
Egyptian pound	212,954
Euro	90,607
Hong Kong dollar	450,111
Hungarian forint	32,775
Indian rupee	840,146
Korean won	427,674
Malaysian ringgit	214,735
Mexican peso	465,243
Polish zloty	134,891
Pound sterling	146,582
Saudi riyal	297,702
South African rand	606,692
Taiwanese dollar	1,040,030
Turkish lira	281,975
United States dollar	803,138
	<b>7,442,992</b>

At the balance sheet date, if the value of sterling increased or decreased by 10%, with all other variables held constant, then the net assets attributable to Shareholders would increase or decrease by approximately £729,641.

## Notes to the Financial Statements

continued

### 13. Portfolio Transaction Costs

30.09.20

Analysis of purchases	Total purchase cost £	Commissions paid		Taxes		Purchases before transaction cost £
		£	%	£	%	
Equities	10,582,322	7,352	0.07%	6,530	0.06%	10,568,440
<b>Total purchases after commissions and tax</b>	<b>10,582,322</b>					

Analysis of sales	Net sale proceeds £	Commissions paid		Taxes		Sales before transaction cost £
		£	%	£	%	
Equities	2,985,071	1,783	0.06%	1,518	0.05%	2,988,372
<b>Total sales after commissions and tax</b>	<b>2,985,071</b>					
Commission as a % of average net assets	0.14%					
Taxes as a % of the average net assets	0.13%					

Commissions and taxes as a % of the average net assets form part of the direct transactions costs stated within the comparative tables on page 98 and 99. The direct transaction costs within the comparative tables may differ due to the effect of dilution levies charged (where applicable).

### 14. Portfolio Dealing Spread

The average portfolio dealing spread at 30 September 2020 is 0.28%.

### 15. Events after the Balance Sheet date

The table below denotes the movement in Net Asset Value per share since the period end, calculated with reference to daily published single prices.

Share Class	30.09.20 p	14.12.20 p	% Movement
A Income GBP*	90.36	101.76	12.63%
A Accumulation GBP	90.59	102.17	12.78%
Accumulation EUR	110.78	125.96	13.70%

\*adjusted for income distribution for comparison purposes

### ACD Statement Regarding COVID-19

Notwithstanding the challenges arising from the impact of the COVID-19 virus, the ACD continues to operate, administer and price the Sub-fund in accordance with FCA regulatory requirements and in accordance with relevant accounting standards. At the time of writing, investment markets are experiencing high levels of daily volatility and it is likely that this volatility will continue for the foreseeable future.

## Notes to the Financial Statements

continued

The ACD will continue to monitor fund liquidity and market volatility to ensure the Sub-fund is managed in the best interests of shareholders and to ensure that the Sub-fund remains a going concern. Where appropriate the ACD will value assets on a “fair value” basis in accordance with the Regulations.

As stated in the Prospectus, the Sub-fund should be considered as a long-term investment and the ACD emphasises the importance for investors to seek professional advice when considering their investment in the Sub-fund.

### 16. Fair Value Disclosure

Valuation technique	30.09.20	
	Assets £	Liabilities £
Level 1 <sup>^</sup>	7,393,281	–
Level 2 <sup>^^</sup>	–	–
Level 3 <sup>^^^</sup>	–	–
	<b>7,393,281</b>	<b>–</b>

<sup>^</sup> Level 1: Unadjusted quoted price in an active market for an identical instrument.

<sup>^^</sup> Level 2: Valuation techniques using observable inputs other than quoted prices within level 1.

<sup>^^^</sup> Level 3: Valuation techniques using unobservable inputs.

### 17. Shareholders Funds

	A Accumulation GBP	A Income GBP	A Accumulation EUR
Opening number of shares	–	–	–
Shares issued	9,338,641	328,545	502,972
Shares cancelled	(1,870,131)	–	(169,713)
<b>Closing number of shares</b>	<b>7,468,510</b>	<b>328,545</b>	<b>333,259</b>

# MI Somerset Emerging Markets Discovery Fund

## Distribution Tables

for the year ended 30 September 2020

### Income Share Distributions

Share class	Distribution	Shares	Net revenue	Equalisation	Distribution payable 2020
A GBP	Interim	Group 1	–	–	–
		Group 2	–	–	–
	Final	Group 1	0.4646p	–	0.4646p
		Group 2	0.4001p	0.0645p	0.4646p

### Accumulation Share Distributions

Share class	Distribution	Shares	Net revenue	Equalisation	Amount reinvested 2020
A GBP	Interim	Group 1	–	–	–
		Group 2	–	–	–
	Final	Group 1	0.2934p	–	0.2934p
		Group 2	0.2778p	0.0156p	0.2934p
A EUR	Interim	Group 1	–	–	–
		Group 2	–	–	–
	Final	Group 1	0.4468€ c	–	0.4468€ c
		Group 2	0.2135€ c	0.2333€ c	0.4468€ c

Interim period: 30.10.19 - 31.03.20

Final period: 01.04.20 - 30.09.20

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

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

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

The Company is authorised and regulated in the UK by the Financial Conduct Authority (“FCA”) as a UCITS Retail Scheme and “Umbrella Company” under the COLL Sourcebook.

The Company was incorporated in England and Wales on 17 October 2008 under registration number IC000713. The Shareholders are not liable for the debts of the Company.

The Company currently has 5 Sub-funds, which are detailed below:

MI Somerset Global Emerging Markets Fund (Launched 17.11.08)

MI Somerset Emerging Markets Dividend Growth Fund (Launched 29.03.10)

MI Somerset Emerging Markets Small Cap Fund (Launched 01.11.10)

MI Somerset Global Emerging Markets Screened Fund (Launched 20.02.17)

MI Somerset Emerging Markets Discovery Fund (Launched 30.10.19)

### Head Office

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

### Address for Service

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

### Base Currency

The base currency of the Company is Pounds Sterling.

### Share Capital

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

### Classes of Shares

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

The Sub-funds currently have the following classes of shares available for investment:

Sub-fund	Share Class																	
	A GBP		B GBP		B USD		A EUR		B EUR		B AUD		B DKK		B SGD		C AUD	
	Inc	Acc	Inc	Acc	Inc	Acc	Inc	Acc	Inc	Acc	Inc	Acc	Inc	Acc	Inc	Acc	Inc	Acc
MI Somerset Global Emerging Markets Fund	-	✓	✓	✓	✓*	✓	-	-	✓*	✓	-	-	-	✓	-	-	-	-
MI Somerset Emerging Markets Dividend Growth Fund	✓	✓	-	-	✓	✓	-	-	✓	✓	-	✓	-	-	-	✓*	✓*	✓
MI Somerset Emerging Markets Small Cap Fund	-	-	-	✓	-	✓	-	-	-	✓	-	-	-	-	-	-	-	-
MI Somerset Global Emerging Markets Screened Fund	✓	✓	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MI Somerset Emerging Markets Discovery Fund <sup>^</sup>	✓	✓	-	✓	-	-	-	✓	-	-	-	-	-	-	-	-	-	-

<sup>^</sup>Sub-fund launched 30 October 2019.

\*These share classes have no investment at the date of this report.

## General Information

continued

The company may issue both Income and Accumulation shares.

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

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 on each dealing day for the purpose of calculating the price at which shares in the Company may be issued, sold, repurchased or redeemed.

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

### Buying, Redeeming and Switching of Shares

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

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

Or by telephone to:

0345 026 4282

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

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

### Pricing Basis

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

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

### Other Information

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

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

### ACD Value Assessment

The ACD is required to provide an annual statement for the Company, attesting that in the opinion of the ACD the services provided to the Company and any fees chargeable to the scheme property represent value for money, taking into account the following criteria as set out by the Regulator under COLL 6.6.20R:

- Quality of Service
- Performance
- Economies of Scale
- Comparable Services and Market Rates
- Classes of Shares

## General Information

continued

### Other Information (continued)

This statement references services provided directly by the ACD and those services delegated by the ACD to third parties such as, but not limited to, investment management, depositary services, custody and settlement, audit provision, legal services, printing services, KIID production and maintenance, and other costs as may be set out or allowable in the scheme documentation.

The ACD Value Assessment is published on the Maitland website.

### Remuneration of the Authorised Corporate Director

The ACD is subject to a remuneration policy which meets the requirements of the Undertakings for Collective Investment in Transferable Securities Directive (UCITS) as set out in SYSC 19E of the FCA Handbook.

The policy is designed to ensure practices for employee remuneration are consistent with, and promote, sound and effective risk management. It does not encourage risk-taking which is inconsistent with the risk profiles, rules or instrument of incorporation of the funds managed, and does not impair the ACD's compliance with its duty to act in the best interests of the funds it manages.

The ACD has reviewed the Remuneration Policy and its application in the last year which has resulted in no material changes to the policy or irregularities to process.

This disclosure does not include portfolio management activities as these are undertaken by various third party investment managers appointed by the ACD. The investment manager is required to make separate public disclosure as part of their obligations under the Capital Requirements Directive.

The ACD is required to disclose the total remuneration it pays to its staff during the financial year of the company, split into fixed and variable remuneration, with separate aggregate disclosure for staff whose actions may have a material impact to the risk profile of a Sub-fund or the ACD itself. This includes executives, senior risk and compliance staff and certain senior managers.

	Number of Beneficiaries	Fixed	Variable	Total
Total remuneration paid by the ACD during the year	85	£5,806,813	£42,920	£5,849,733
Remuneration paid to employees of the ACD who have material impact on the risk profile of the Fund	4	£891,088	£31,194	£922,282

Further information is available in the ACD's Remuneration Policy Statement which can be obtained from [www.maitlandgroup.com](http://www.maitlandgroup.com) or, on request free of charge, by writing to the registered office of the ACD free of charge.

### Significant Information

On the 30 October the Company launched a new Sub-fund 'MI Somerset Emerging Markets Discovery Fund'.

### Risk Warning

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

# Maitland Institutional Services Limited

Registered in England No 6252939. Authorised and regulated by the Financial Conduct Authority.