



MI Sonoma Partners Funds

Interim Report 30 June 2024

MI Sonoma Partners Funds

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Directory

Authorised Corporate Director ('ACD') & Registrar

Apex Fundrock Limited
Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY
Telephone: 01245 398950
Fax: 01245 398951
Website: www.fundrock.com
(Authorised and regulated by the Financial Conduct Authority)

Customer Service Centre

Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY
Telephone: 0345 521 1003
Fax: 0845 299 2124
E-mail: sonoma@apexgroup.com

Directors of the Authorised Corporate Director

A.C. Deptford
P.J. Foley-Brickley
S.J. Gunson (appointed 24 May 2024)
I.T. Oddy (retired 7 March 2024)
C. O'Keeffe (retired 6 May 2024)
D. Phillips (Non-Executive Director)
L.A. Poynter (appointed 18 June 2024)
J. Thompson (Non-Executive Director)

Investment Manager

Sonoma Partners Ltd
16 Millbourne Lane, Esher, Surrey KT10 9DX
(Authorised and regulated by the Financial Conduct Authority)

Depositary

Northern Trust Investor Services Limited ('NTISL')
50 Bank Street, Canary Wharf, London E14 5NT
(Authorised and regulated by the Financial Conduct Authority)

Independent Auditors

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

MI Sonoma Partners Funds

Basis of Accounting

The interim financial statements have been prepared under the historical cost basis, as modified by revaluation of investments and in accordance with FRS102 and the Statement of Recommended Practice ('SORP') for Financial Statements of UK Authorised Funds issued by the Investment Association ('IA') in May 2014 and amended in June 2017.

The interim financial statements have been prepared on the same basis as the audited financial statements for the year ended 31 December 2023.

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

Certification of the Interim 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 for Financial Statements of UK Authorised Funds issued by the IA.



P.J. Foley-Brickley

S.J. Gunson

L.A. Poynter

Directors

Apex Fundrock Limited

28 August 2024

Investment Objective and Policy

Investment Objective

The investment objective of the Sub-fund is to achieve an annualised return of UK Consumer Price Index ('CPI') +5% before fees, without the constraints of any fixed asset allocation parameters.

Investment Policy

The investment policy of the Sub-fund is to invest in a diversified portfolio of assets which exhibit favourable risk-reward characteristics. It will seek to profit from pricing inefficiencies and asymmetric risk-reward opportunities, for example where, in the view of the Manager, the upside is greater than the downside or where there is significant protection by way of a discount to intrinsic value.

The Sub-fund will primarily invest in regulated and unregulated collective investment schemes, listed funds and investment trusts, which may include unauthorised property unit trusts and limited partnerships.

The Sub-fund may also invest directly in equities, fixed income securities, exchange traded products and derivatives.

The underlying funds in which the Sub-fund invests, subject to the Regulations, may be leveraged, employing strategies such as long-short equity, event driven and global macro. The Sub-fund will be invested in a range of strategies and asset classes within any geographic region.

The Investment Manager may use derivatives for both hedging and trading strategies. Such derivatives may include forward foreign exchange, futures, options, index futures and OTC contracts, structured products and swaps, subject to the conditions and limits set out in the Regulations. Use of derivatives for the purpose of meeting the investment objective of the Sub-fund will not significantly increase the leverage or volatility of the Sub-fund.

The investment of the assets of the Company must comply with the section of the Sourcebook applicable to Qualified Investor Schemes.

Investment Manager's Report

for the period ended 30 June 2024

The MI Sonoma Investment Fund F Accumulation published share price is up 10.7% for the first half of 2024. After two years of inflationary pressures, high interest rates, slow global growth and geopolitical uncertainty, the first half of 2024 has seen good news through falling inflation, expected interest rate cuts and increased economic growth, resulting in most major global equity indices returning positive performance. The period also saw a general narrowing of investment companies' discounts to Net Asset Value ('NAV'), resulting in a very strong six months for the portfolio.

Following the rally seen through November 2023 and December 2023 it was unsurprising to see major indices drifting off end of year highs at the start of 2024. This trend was exacerbated by the unexpected, albeit small, rise in inflation announced on 17 January 2024 which saw equity markets immediately fall, although this was generally thought to be a mere blip in the downward trend of the last 12 months. However, despite many analysts opining that interest rates had peaked, given that at the previous meeting of the Bank of England's Monetary Policy Committee three of the nine members voted for a further hike, a lower interest rate environment seemed to be further away than many hoped for. While there were mixed results across the portfolio the Sub-fund was up 0.4%, in large part due to Seraphim Space, which was up 49%, with its discount tightening from 64% to 47%.

The Sub-fund continued its positive performance through February 2024 and March 2024 as discounts to NAV's continued to narrow, while there remained plenty of scope for further narrowing. According to analysis released by the Association of Investment Companies ('AIC') in March 2024, the average investment company traded at a discount of 16.9% at the end of October 2023. This is the widest average discount observed since the depths of the 2008 financial crisis and the AIC's research shows that when discounts were similarly wide in 2008, the average investment company delivered impressive returns: 39% over the next year and 119% over the next five years. This would confirm what we have been saying over the last 18 months about why the discounts make it a good time to be holding heavily discounted investment companies.

Investment Manager's Report

continued

April 2024 saw some significant trading in the Sub-fund. Having bought 3i in May 2023 at a discount of 9%, the shares hit a premium in excess of 30% and we sold the shares to crystallise a gain of 54%. We also disposed of our holding in Apax Global Alpha as we deemed potential returns were not sufficient for the level of risk and reduced our position in HgCapital from 9% to under 5% at a 5% discount to NAV due to the recent discount reversion. New positions were opened in Pantheon International and Brevan Howard Macro. Pantheon Infrastructure was bought at a discount to NAV of 27% which we believe significantly underestimates the underlying value of the portfolio. We bought Brevan Howard Macro due to heightened geopolitical concerns and an anomalous discount to NAV of 12%. History informs us that the discount & premium to NAV of Brevan Howard Macro tends to be countercyclical. The management of Brevan Howard Macro engage a flexible approach to fund management, such as adjusting its risk levels to take advantage of volatile market conditions, relative value trading and currency positioning. This flexibility helps generate positive returns in periods of geopolitical uncertainty.

In May 2024 the Sub-fund was up 2.1%. The month's news was dominated in the UK with Rishi Sunak's announcement of the election. Opinion polls had been pointing to a Labour majority government for a long time so understandably there was considerable press speculation as to what this might mean financially and if there are sensible steps that can or should be taken to mitigate any adverse effects of any changes. At a Sub-fund level while we repeatedly state at Sonoma that we do not try to predict the future, even if we could predict the result of the election, it is impossible to say how the markets will react in the short or even medium term. This is another example of short-term noise which a sensible long-term investor should try to block out when maintaining a portfolio.

The Sub-fund was up 2% in June 2024 and finished the six month period up 10.7%, returning gains in every month of 2024. Top performers in 2024 have come from Seraphim Space, up 59%, Molten Ventures, up 32%, and Polar Capital Technology, up 27%, while the largest detractors were Syncona, down 12%, and Bellevue Healthcare, down 11%. During June we increased the portfolio's exposure to technology by opening new positions in Allianz Technology, which is up over 9% since first purchased on 7 June, and International Biotechnology, which was bought at an attractive 8% discount to NAV.

UK equities and investment companies have been overlooked on the global stage in recent times, with large UK institutions globalising their portfolios while pension funds and other institutions in some other jurisdictions have retained a more local focus which has had an adverse effect on UK valuations. However, the UK remains an attractive haven for investors seeking growth, income or defensive positioning and despite the recent lacklustre performance trailing behind their US counterparts, there are good reasons for optimism for the rest of 2024 including UK equity valuations being below their long-run average, expected earnings growth of 5% and potential economic growth. While both domestic and international uncertainties persist, history suggests that opportunities still remain in the UK investment company sector and we will continue to try to identify them.

Portfolio Statement

as at 30 June 2024

Holding	Security	Market value £	% of total net assets 2024
Absolute Return 8.78% (0.00%)			
1,294,623	Brevan Howard Macro	4,777,159	8.78
Hedge Funds 9.01% (8.50%)			
117,307	Pershing Square Holdings	4,903,433	9.01
Holding Companies 13.49% (13.50%)			
1,195,543	AVI Global	2,827,459	5.19
8,373	Berkshire Hathaway	2,694,515	4.95
100,196	RIT Capital Partners	1,823,567	3.35
		7,345,541	13.49
Pharmaceuticals and Biotechnology 2.73% (0.00%)			
230,625	International Biotechnology	1,485,225	2.73
Private Equity 26.08% (40.48%)			
456,523	Aberdeen Private Equity Opportunities	2,446,963	4.49
834,140	Augmentum Fintech	988,456	1.82
494,592	HgCapital	2,388,879	4.39
1,038,858	Oakley Capital Investments	5,256,622	9.66
1,021,066	Pantheon International	3,114,251	5.72
		14,195,171	26.08
Public Equities 19.41% (19.48%)			
1,298,843	Bellevue Healthcare	1,823,576	3.35
243,356	Biotech Growth	2,377,588	4.37
93,207	Polar Capital Technology	3,071,171	5.64
372,387	Scottish Mortgage	3,292,646	6.05
		10,564,981	19.41
Technology 2.08% (0.00%)			
285,690	Allianz Technology	1,131,332	2.08
Venture Capital 18.23% (17.65%)			
707,071	Molten Ventures	2,587,880	4.75
2,175,336	RTW Biotech Opportunities	2,632,912	4.84
1,086,519	Seraphim Space	593,239	1.09
1,628,588	Syncona	1,771,904	3.25
650,000	Worldwide Healthcare	2,343,250	4.30
		9,929,185	18.23
Investment assets		54,332,027	99.81
Net other assets		104,518	0.19
Net assets		54,436,545	100.00

All investments are ordinary shares or stock units on a regulated securities market unless otherwise stated. The percentages in brackets show the equivalent % holdings as at 31.12.23.

Total purchases for the period: £9,907,319

Total sales for the period: £9,665,771

MI Sonoma Investment Fund

Net Asset Value and Shares in Issue

Class	Net Asset Value	Shares in issue	Net Asset Value per share	Operating Charges*
A Accumulation	£9,147,583	5,765	£1,586.74	0.83%
F Accumulation	£45,288,962	27,985	£1,618.33	0.63%

*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 by annualising the expenses incurred against the average Net Asset Value for the accounting period.

Risk Warning

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

Statement of Total Return

for the period ended 30 June 2024

	30.06.24		30.06.23	
	£	£	£	£
Income				
Net capital gains/(losses)		4,856,233		(1,314,526)
Revenue	325,881		456,342	
Expenses	(170,508)		(180,958)	
Interest payable and similar charges	–		(117)	
Net revenue before taxation	155,373		275,267	
Taxation	–		–	
Net revenue after taxation		155,373		275,267
Total return before distributions		5,011,606		(1,039,259)
Distributions		(155,373)		(275,267)
Change in net assets attributable to Shareholders from investment activities		4,856,233		(1,314,526)

Statement of Change in Net Assets Attributable to Shareholders

for the period ended 30 June 2024

	30.06.24		30.06.23	
	£	£	£	£
Opening net assets attributable to Shareholders		49,424,939		55,217,284
Less: Amounts payable on cancellation of shares	–		(1,246,035)	
		–		(1,246,035)
Change in net assets attributable to Shareholders from investment activities (see Statement of Total Return above)		4,856,233		(1,314,526)
Retained distributions on accumulation shares		155,373		271,301
Closing net assets attributable to Shareholders		54,436,545		52,928,024

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

MI Sonoma Investment Fund

Balance Sheet

as at 30 June 2024

	30.06.24		31.12.23	
	£	£	£	£
ASSETS				
Fixed Assets				
Investments		54,332,027		49,233,666
Current Assets				
Debtors	57,198		82,444	
Cash and bank balances	136,959		154,262	
Total current assets		194,157		236,706
Total assets		54,526,184		49,470,372
LIABILITIES				
Creditors				
Bank overdrafts	(49,044)		-	
Other creditors	(40,595)		(45,433)	
Total creditors		(89,639)		(45,433)
Total liabilities		(89,639)		(45,433)
Net assets attributable to Shareholders		54,436,545		49,424,939

Distribution Table

for the period ended 30 June 2024

Accumulation Share Distribution

Share class	Distribution	Shares	Net revenue p	Equalisation p	Amount reinvested 2024 p	Amount reinvested 2023 p
A Accumulation	Interim	Group 1	328.2684	–	328.2684	562.0777
		Group 2 [^]	328.2684	–	328.2684	562.0777
F Accumulation	Interim	Group 1	487.5771	–	487.5771	706.3518
		Group 2 [^]	487.5771	–	487.5771	706.3518

[^]No group 2 shares held in this distribution period.

Interim period: 01.01.24 - 30.06.24

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.

MI Sonoma Partners Funds

General Information

Authorised Status

MI Sonoma Partners Funds (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 Qualified Investor Scheme under the COLL Sourcebook.

The Company was incorporated in England and Wales on 25 April 2019 under registration number IC011027. The Shareholders are not liable for the debts of the Company.

The Company currently has 1 Sub-fund, which is detailed below:

MI Sonoma Investment Fund

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 the Company to issue different classes of shares in respect of any Sub-fund.

The Sub-fund currently has the following classes of shares available for investment:

	Share Class	
	A GBP	F GBP
Sub-fund	Acc	Acc
MI Sonoma Investment Fund	✓	✓

The Company may issue both Income and Accumulation Shares.

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.

General Information

continued

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 521 1003

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 for each share class in a Sub-fund which represents the Net Asset Value of the share class 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.fundrock.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 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.

Significant Information

The ACD has assessed implications of current world geopolitical tensions and conflicts. The current crises have and will have a wider impact in terms of market performance.

Task Force on Climate-Related Financial Disclosures ('TCFD')

The ACD is required to publish a public TCFD product report in respect of each Sub-fund. The report is designed to provide investors with transparency into their portfolios' climate-related risks and opportunities according to the recommendations from the TCFD and aims to help investors understand their exposure to these risks and opportunities.

Reports for each Sub-fund are published on www.fundrock.com/mi-funds/ and can be found under Task Force on Climate-Related Financial Disclosures ('TCFD') by selecting the relevant Fund Manager and Sub-fund.

Risk Warning

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

