

Assessment of Value Report

VT AJ Bell ICVC

For the Year Ended 31st March 2020

This assessment is designed to establish the value that the VT AJ Bell ICVC (the Company) has delivered to its shareholders, in return for the price that you have paid.

The VT AJ Bell ICVC contains the following sub-funds (the Funds), all of which are reviewed in this document –

VT AJ Bell Cautious

VT AJ Bell Moderately Cautious

VT AJ Bell Balanced

VT AJ Bell Moderately Adventurous

VT AJ Bell Adventurous

VT AJ Bell Global Growth

VT AJ Bell Income

VT AJ Bell Income & Growth

The investment objectives of each of the Funds can be found within the VT AJ Bell ICVC prospectus. The AFM is the Authorised Corporate Director of the Company, Valu-Trac Investment Management Limited (Valu-Trac). The Investment Manager is AJ Bell Asset Management Limited (AJ Bell).

Statement by the Authorised Fund Manager (AFM) to the shareholders of the VT AJ Bell ICVC on the outcome of the AFM's assessment of the value delivered to its shareholders

In taking all of the criteria into consideration the AFM concludes that in assessing whether the payments out of the scheme property as set out in the prospectus are justified in the context of the overall value delivered to shareholders; the shareholders of VT AJ Bell Cautious, VT AJ Bell Moderately Cautious, VT AJ Bell Balanced, VT AJ Bell Moderately Adventurous, VT AJ Bell Adventurous, VT AJ Bell Global Growth, VT AJ Bell Income and VT AJ Bell Income & Growth **are receiving good value**.

It should be noted that the performance records of VT AJ Bell Income and VT AJ Bell Income & Growth are too short to determine whether value is being delivered on investment performance criteria.

The performance of VT AJ Bell Global Growth is being monitored and no remedial action is required, however if performance does not improve as global equity markets improve then we will assess what action needs to be taken.

Douglas J Halley

Independent Non-Executive Director

Anne A. Laing CA

Chief Executive

Martin J Henderson

Director – Head of Asset Management and Systems

A Message from AJ Bell

In 2019, the Financial Conduct Authority (FCA) introduced a new set of rules which require UK Authorised Fund Managers (AFMs) to assess the value that their funds deliver to shareholders, and make this assessment available to the public on an annual basis, so that they can make a fair and objective comparison across products.

AJ Bell's mission is to help people invest. To that end, we build simple, transparent and low-cost investment products. We fully support the drive from the FCA to ensure that customers receive good value for money. It's why we cap the costs of investing in our funds and what drove us to make a commitment to pass back cost saving we make to our customers.

We have conducted an assessment of our funds against the seven factors outlined by the FCA, and rated them via a 'traffic light' system, where green indicates good value; amber room for improvement, and red poor value. The dashboard below shows an overall summary of the assessment¹:

Fund	Performance	Fund Costs	Economies of Scale	Comparable Market Rates	Comparable Services	Classes of Units	Quality of Service	Overall
VT AJ Bell Cautious	●	●	●	●	●	●	●	●
VT AJ Bell Moderately Cautious	●	●	●	●	●	●	●	●
VT AJ Bell Balanced	●	●	●	●	●	●	●	●
VT AJ Bell Moderately Adventurous	●	●	●	●	●	●	●	●
VT AJ Bell Adventurous	●	●	●	●	●	●	●	●
VT AJ Bell Global Growth	●	●	●	●	●	●	●	●
VT AJ Bell Income	N/A	●	●	●	●	●	●	●
VT AJ Bell Income & Growth	N/A	●	●	●	●	●	●	●

You will find much more detail about each factor and each fund's rating within the assessment that follows. It is an objective appraisal of our funds, and where there are opportunities for improvement we have highlighted them. Overall, we believe that our funds offer great value to customers, but rest assured, we never forget whose money it is and the trust that you place in us when managing your investments. Thank you for choosing to invest with AJ Bell.



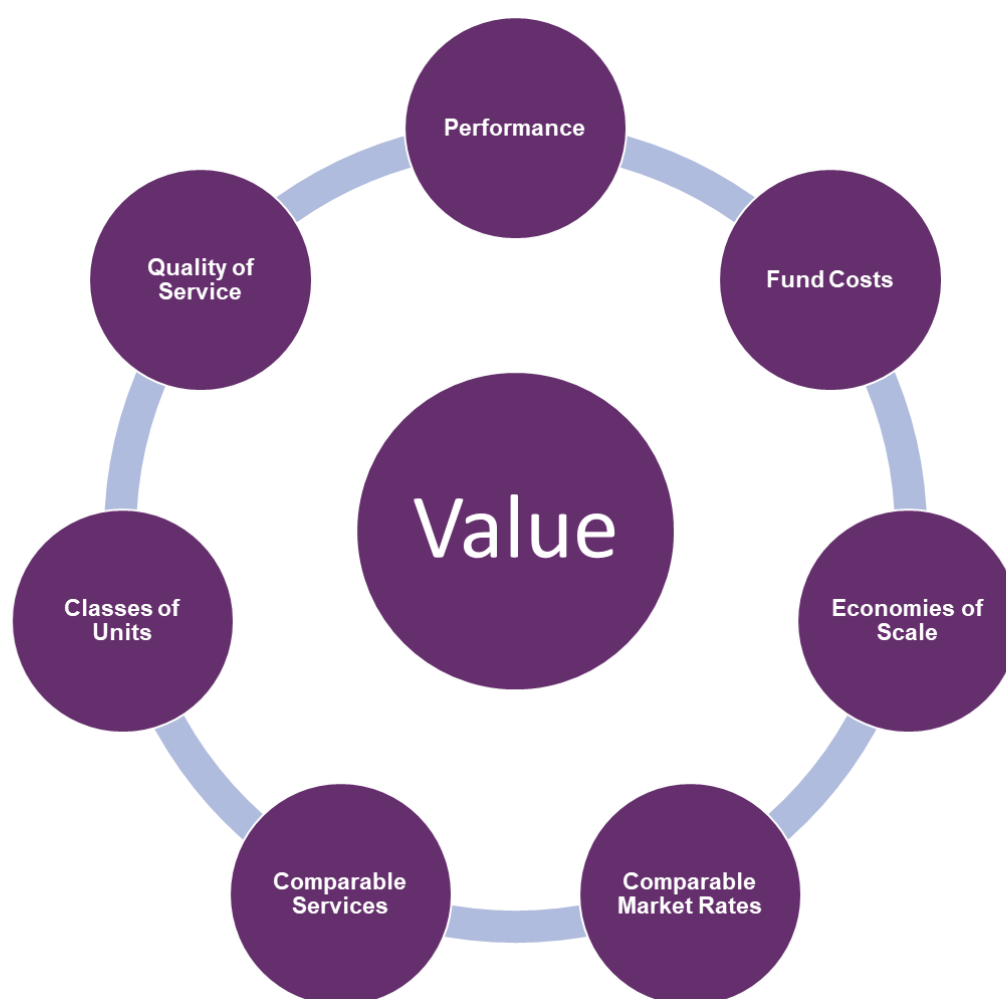
Mark Gillan

AJ Bell Asset Management Ltd. Head of Operations

¹ Income and Income & Growth are shown as "N/A" in the Performance section as, at the time of assessment, they did not have sufficient performance history to enable a robust comparison to be made.

The Seven Assessment Factors

In order to provide a broad assessment of value, the FCA has specified seven criteria that should be used, and we have therefore chosen to structure our assessment around these different factors, with a detailed analysis of how each of our Funds performed in each category.



Performance

Here, we look to assess performance based on the stated objectives of our Funds, over an appropriate timescale. We are long-term investors and recommend a minimum 5-year holding period for our shareholders. The oldest of our Funds launched on the 18th April 2017, however, and so as their track record is shorter than the recommended period we will assess against a selection of periods for comparative purposes.

We operate a range of multi-asset funds, some of which have long-term capital growth objectives (our “**Growth**” Funds) and others having a target average yield objective (our “**Income**” Funds). To assess performance, it is therefore useful to consider these separately.

Growth Funds	Income Funds
VT AJ Bell Cautious	VT AJ Bell Income
VT AJ Bell Moderately Cautious	VT AJ Bell Income & Growth
VT AJ Bell Balanced	
VT AJ Bell Moderately Adventurous	
VT AJ Bell Adventurous	
VT AJ Bell Global Growth	

The Funds are multi-asset in nature (although at times during the period, some Funds were 100% invested in equities) and therefore no single financial instrument or index represents a fair benchmark. However, to give context and enable an objective assessment of performance, it is suggested that the performance can be assessed by comparing total return to other funds with similar return and/or risk objectives. The IA (Investment Association) provides the median performance of funds with similar characteristics (IA sectors).

The Growth Funds are assigned to the following IA Sectors:

Fund	IA Sector
VT AJ Bell Cautious	Mixed Investment 0-35% Shares
VT AJ Bell Moderately Cautious	Mixed Investment 20-60% Shares
VT AJ Bell Balanced	Mixed Investment 40-85% Shares
VT AJ Bell Moderately Adventurous	Mixed Investment 40-85% Shares
VT AJ Bell Adventurous	Flexible Investment
VT AJ Bell Global Growth	Flexible Investment

The Income Funds are not assigned to an IA sector, but instead have an objective based around a target average yield. This is a target average yield of 3-5% per annum over a trailing three year period. As the Income Funds are less than one year old a robust assessment of their performance cannot yet be made.

Fund	inception Date	1 year	2 Years	Since Inception
VT AJ Bell Cautious	18/04/2017	-0.09%	1.88%	1.13%
IA Mixed Investment 0-35% Shares		-3.70%	-0.60%	-0.35%
IA Sector Quartile		1st	1st	1st
VT AJ Bell Moderately Cautious	18/04/2017	-2.08%	1.53%	1.07%
IA Mixed Investment 20-60% Shares		-7.54%	-2.28%	-1.32%
IA Sector Quartile		1st	1st	1st
VT AJ Bell Balanced	18/04/2017	-3.25%	1.60%	1.37%
IA Mixed Investment 40-85% Shares		-8.16%	-1.86%	-0.73%
IA Sector Quartile		1st	1st	2nd
VT AJ Bell Moderately Adventurous	18/04/2017	-6.29%	0.12%	0.58%
IA Mixed Investment 40-85% Shares		-8.16%	-1.86%	-0.73%
IA Sector Quartile		2nd	2nd	2nd
VT AJ Bell Adventurous	18/04/2017	-7.50%	-0.30%	0.25%
IA Flexible Investment		-8.56%	-2.55%	-0.86%
IA Sector Quartile		2nd	1st	2nd
VT AJ Bell Global Growth	11/06/2018	-10.30%	N/A	-6.76%
IA Flexible Investment		-8.56%	-2.55%	-5.56%
IA Sector Quartile		3rd	n/a	3rd

Source: Morningstar. Correct as at 31st March 2020, Performance based on I share classes in all instances. Past performance is not a guide to future performance and some investments need to be held for the long term.

Overall, we consider the performance of our funds to be highly credible. With the exception of Global Growth Fund, they are within the 1st or 2nd quartiles of their respective IA sectors on all time horizons. As the only fund sitting outside these quartiles, we will look at the performance of Global Growth in more detail.

Global Growth operates a specialist mandate, focusing on higher risk investments such as in Asian equities, emerging markets, robotics and technology. Since launch it has operated with at least 95% exposure to equities. When compared against the broader IA sector performance, it is therefore likely to look good in upward trending markets and poor in falling markets. For consistency we have used the IA Flexible Investment Sector as a comparison.

The funds in this sector are expected to have a range of different investments. However, the Investment Manager has considerable flexibility over what to invest in. There is no minimum or maximum requirement for investment in equities and there

is therefore scope for funds to have a high proportion of investment in this asset class, up to 100%.

Within the IA Flexible sector there is:

- No minimum equity requirement
- No minimum fixed income or cash requirement
- No minimum currency requirement

Since the launch of the fund on the 11th June 2018 the FTSE All-Share Total Return index is down -22% (a proxy for the performance of UK shares) and the MSCI World Total Return index (a proxy for Global shares), measured in sterling, is down -3%. Given the fall in equity markets since launch of Global Growth we are comfortable with its performance sitting in the third quartile of the IA sector. We have a number of internal measures to monitor the Fund's risk & performance and it continues to perform in line with stated objectives. No remedial action is required, however if performance does not improve when the performance of global equity markets improve we will take action if necessary. The exact nature of this remedial action will depend on prevailing conditions but may consist of asset allocation or implementation changes as appropriate.

Fund Costs

The costs incurred by shareholders in the year to 31st March 2020 for each of our Funds were as follows:

Fund	Investment Management Fee	Administration Fee	Authorised Corporate Director Fee	Direct Transaction Cost
VT AJ Bell Cautious	£25,738	£20,756	£2,022	£3,474
VT AJ Bell Moderately Cautious	£34,148	£20,756	£2,022	£5,696
VT AJ Bell Balanced	£121,630	£20,756	£2,022	£18,234
VT AJ Bell Moderately Adventurous	£81,797	£20,756	£2,022	£10,890
VT AJ Bell Adventurous	£68,034	£20,756	£2,022	£7,488
VT AJ Bell Global Growth	£34,455	£20,756	£2,022	£4,218
VT AJ Bell Income	£11,310	£18,722	£1,967	£3,044
VT AJ Bell Income & Growth	£17,978	£18,722	£1,967	£3,769

Costs play a key role in long-term performance and customer outcomes. Both the AFM and the Investment Manager are focussed on reducing the costs paid by shareholders, and the way that the underlying expenses in the Funds are structured reflects this, being low cost and with the majority fixed so investors gain from economies of scale:

- AJ Bell receives an **investment management fee** of 0.15%.

- The **Authorised Corporate Director fee** and **Administration fee** are fixed costs.
- The **Depositary** fee has break points as assets under management rise. This means that as the assets in our Funds grow, the overall rate of the depositary fee decreases and the benefits of this are passed onto shareholders.
- The **Custodian** fees are levied as an ad valorem charge per market – for example, for the UK this is 0.006% - rather than on a transactional basis, which makes them extremely competitive against our peers.

The Investment Manager and AFM ensure that expenses within the Funds are constantly reviewed and negotiated with suppliers to ensure the best deal for underlying investors. As an example, in 2019, the external auditor was changed to FKF Accounting Limited, which reduced costs for shareholders whilst ensuring the same quality of service for the Funds.

In addition to the structural costs of the Funds, we work closely with our fund management partners to ensure that the cost of the underlying investments in the Fund's portfolio are as competitive as possible. Any savings made in this area, as with the other expenses, are passed directly onto shareholders.

We are also conscious that transaction costs have a direct impact on the Fund's returns. To ensure a fairness of treatment for shareholders, on the 6th January 2020 we moved to a system of 'swing pricing'. This means that the daily price of a Fund is swung up or down, depending on whether there are net inflows or outflows respectively. This means that the costs of transactions in the underlying investments of the Funds are borne by those entering or exiting, rather than affecting the returns of existing shareholders.

Finally, we maintain a capped ongoing charges figure (OCF) for each of our Funds. Our Growth Funds are capped at 0.35% and our Income Funds are capped at 1.00%. We will talk in more detail about this in the next section.

Economies of scale

As investment funds grow, they can often benefit from economies of scale. It is our belief that shareholders and not investment managers should benefit from economies of scale, and we have designed our Funds with this in mind.

As described above, we receive a fee of 0.15% from all of its Funds. Most of the underlying costs in the Funds, as described above, are fixed, and so as the Funds grow

in size, these costs become relatively smaller. All of the benefit is passed on to shareholders automatically.

This is a different approach from many other investment managers that often absorb all fund running costs into their annual management charge. For them, as the fund running costs decrease in size, their total investment management fee grows. As an investment manager, we believe in returning these benefits to investor's pockets, not ours.

Importantly, we operate with a capped ongoing charges figure (OCF) of 0.35% for our Growth Funds, and 1.00% for our Income Funds. This means that shareholders know the maximum amounts that they will pay, and the Investment Manager will pay into the Fund such amounts required to keep the OCF at the cap. As the Funds grow, the OCF will decrease, resulting in cheaper access for shareholders. Current OCFs are as follows:

Fund	OCF
VT AJ Bell Cautious	0.35%
VT AJ Bell Moderately Cautious	0.35%
VT AJ Bell Balanced	0.35%
VT AJ Bell Moderately Adventurous	0.35%
VT AJ Bell Adventurous	0.35%
VT AJ Bell Global Growth	0.35%
VT AJ Bell Income	0.82%
VT AJ Bell Income & Growth	0.89%

Correct as at 31st March 2020

The Income Funds have a higher OCF cap than the Growth Funds because the income-producing ETFs and funds that are the underlying components of our portfolios tend to have a higher OCF themselves.

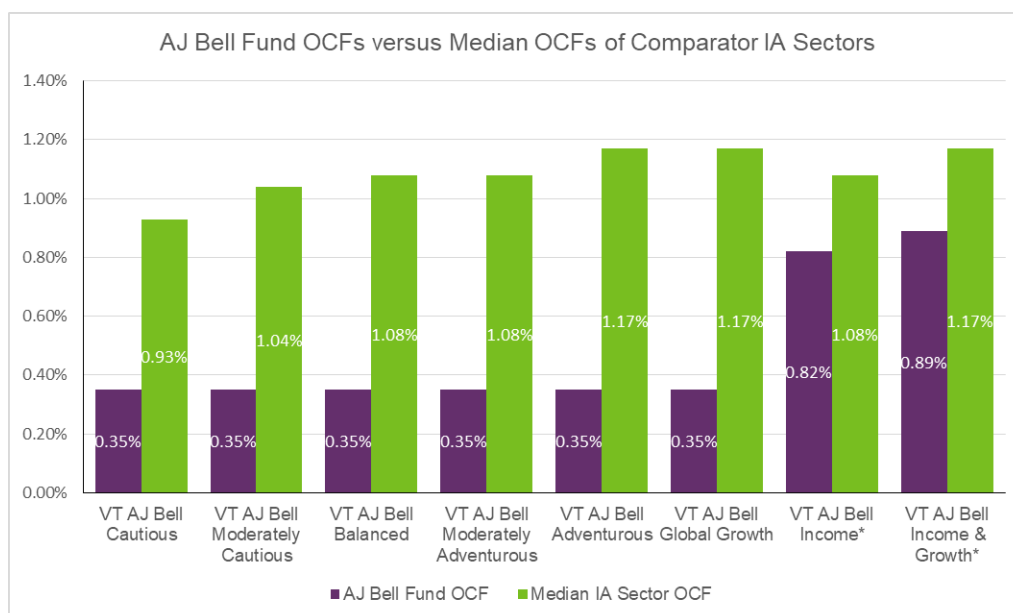
Demonstrating our commitment to reducing costs to shareholders, the Growth Funds were previously capped at 0.50%; in 2019 we took the decision to reduce this to 0.35% which directly benefited investors.

Comparable Market Rates

In order to assess the competitiveness of the Funds objectively, we will look at each Fund's OCF versus the median OCF for the most appropriate IA Sector as a comparator. For the Growth Funds, these comparators are the IA Sectors mentioned within the Performance section above; for the Income Funds, which are not assigned formally to

an IA Sector, the comparators are the IA Mixed Investment 40-85% Shares for the Income Fund, and the IA Flexible Investment Sector for the Income & Growth Fund.

The comparison shows that the AJ Bell Funds are between 0.26% and 0.82% cheaper than the average of their peer group funds:



*Source: Morningstar. *Income and Income & Growth are not formal members of any IA sectors; the sectors shown here are included as the most appropriate comparators*

As noted above, our approach to costs and pricing structure mean that as our Funds grow, their OCFs will naturally fall and we would expect them to become even more competitive against their peer set.

Comparable Services

We do not treat institutional and retail investors differently; they pay the same costs and invest in the same share classes. We therefore do not charge smaller clients more than those with larger investments.

Classes of Units

There is only one available share class for each AJ Bell Fund, ensuring that all shareholders pay the same costs and are treated equally. We do not pay any rebate arrangements.

Quality of Service

The AFM considers that a good level of service was provided to shareholders by all parties involved, proportional to the amount paid by the Company for those services. The AFM monitors the following operational services:

- Depositary – NatWest Trustee and Depositary Services Limited
- Custodian – RBC Investor Services Trust, UK branch (RBC)
- External Auditor – FKF Accounting Limited

These services are essential in ensuring that the Company operated efficiently and in the case of the Depositary and Custodian the service is supervised on an on-going daily basis by the AFM. As a shareholder, this means that you can be certain that your requests such as investment and redemption of the Company's shares will always be carried out exactly as set out in its documentation.

Valu-Trac does not delegate any of the operational functions of the Company such as fund administration, fund accounting and transfer agency. This means that the AFM directly employs and supervises the individuals who are carrying out this work and that those undertaking the work are appropriately qualified and experienced. Due to this high level of supervision and control of these functions the AFM believes that the shareholders can have confidence that their instructions will be carried out efficiently and that the reporting they receive is timely and focused. This also has ensured that the AFM has responded to any enquiries from shareholders fully and promptly.

Valu-Trac has delegated the investment management of the Funds to AJ Bell. The AJ Bell team has 11 investment professionals, with a combined experience of more than 60 years, who oversee the Funds' management on a daily basis. To ensure that its service level remains at a high standard, the team makes three market commitments:

- **Choice:** we offer a wide choice of solutions to cater a range of investment tastes.
- **Costs:** all of our Funds charge a 0.15% investment management fee. This makes us one of the lowest cost asset managers.
- **Communication:** we never forget whose money it is that we're managing, and focus on both pre-sale and post-sale communication through a variety of channels, to ensure that investors are well-informed at all stages of their journey with us.

A robust internal governance structure is in place at AJ Bell, ensuring rigorous oversight of asset allocation, portfolio implementation, risk, and customer outcomes.

Our Investment Committee also has independent representation from senior members of respected external investment firms.

Taken together, we believe that the AFM and Investment Manager have delivered a high quality of service to shareholders.

Conclusion

As mentioned in the introductory message, we have summarised our Funds based on a ‘traffic light’ assessment system. This is shown in the table below, where green indicates good value; amber indicates room for improvement, and red indicates poor value.

Fund	Performance	Fund Costs	Economies of Scale	Comparable Market Rates	Comparable Services	Classes of Units	Quality of Service	Overall
VT AJ Bell Cautious	●	●	●	●	●	●	●	●
VT AJ Bell Moderately Cautious	●	●	●	●	●	●	●	●
VT AJ Bell Balanced	●	●	●	●	●	●	●	●
VT AJ Bell Moderately Adventurous	●	●	●	●	●	●	●	●
VT AJ Bell Adventurous	●	●	●	●	●	●	●	●
VT AJ Bell Global Growth	●	●	●	●	●	●	●	●
VT AJ Bell Income	N/A	●	●	●	●	●	●	●
VT AJ Bell Income & Growth	N/A	●	●	●	●	●	●	●

In summary, we believe that our Funds deliver overall value across the seven categories and therefore each has a ‘green’ rating.

The exceptions to this are for the performance of Global Growth – this is given an amber rating for the reasons explained within the performance section above – and for Income and Income & Growth, which are too new to rate performance effectively and which are therefore not assigned a rating for this category.

Despite the strong delivery of value across our range, we will not be complacent and continue to look for ways to improve in all of the seven factors discussed in this document. We are confident that our Funds are structured to provide optimal outcomes and that our simple, transparent and low-cost philosophy will continue to deliver for shareholders in the future.

Glossary of Terms

Authorised Corporate Director (ACD)

An FCA-approved entity who is responsible for the administration and overall management of an open-ended investment company (also known as an Investment Company with Variable Capital, or OEIC). For the AJ Bell Funds, Valu-Trac Investment Management Limited is the Authorised Corporate Director.

Authorised Fund Manager (AFM)

An FCA-approved entity who is responsible for the investment management within an open-ended investment company. For the AJ Bell Funds, Valu-Trac Investment Management Limited is the Authorised Fund Manager; Valu-Trac delegates investment management to AJ Bell Asset Management Limited

Custodian

The party appointed by the Depositary to hold the assets of an open-ended investment company. For the AJ Bell Funds, the custodian is RBC Investor Services Trust, UK branch.

Depositary

The party responsible for the oversight of an Authorised Corporate Director and safekeeping of the assets of an open-ended investment company. For the AJ Bell Funds, the depositary is NatWest Trustee & Depositary Services Limited.

Equities

Shares representing the ownership of a company.

Exchange-Traded Fund (ETF)

Exchange-Traded Funds are index-tracking investments that pool investor capital like a traditional fund, but trade on an exchange like a company share.

Financial Conduct Authority (FCA)

The Financial Conduct Authority is the regulator of the UK's financial firms and markets. The FCA has recently introduced rules stipulating that Authorised Fund Managers should publish an annual value assessment of their funds.

<https://www.fca.org.uk/>

Investment Association (IA)

The trade body that represents the UK investment management industry. The IA categorises UK funds into a variety of sectors that can be used by investors to more easily compare products.

<https://www.theia.org/>

Investment Company with Variable Capital (ICVC)

Another name for an open-ended investment company (OEIC).

Ongoing Charges Figure (OCF)

This is a measure of the total cost of investment in a fund, incorporating a variety of different underlying charges.

Open-Ended Investment Company (OEIC)

A type of collective investment which is structured as a company which does not have a fixed number of shares. Often known as an Investment Company with Variable Capital (ICVC). VT AJ Bell ICVC, the company that contains the AJ Bell Funds, is an OEIC.