

**Statement by the Authorised Fund Manager (AFM) to the shareholders of VT Cape Wrath Focus Fund on the outcome of the AFM's assessment of the value provided to shareholders**

For the year ended 30 September 2019

This assessment is to establish what the VT Cape Wrath Focus Fund (the fund) has delivered to you in return for the price you have had to pay.

The AFM is the Authorised Corporate Director of the fund, Valu-Trac Investment Management Limited (Valu-Trac). The Investment Adviser is Cape Wrath Capital Limited.

The fund start date was 3 October 2016, the objective of the fund is to generate capital growth over the long term, i.e. 5 or more years. The company will aim to meet its objective by principally investing in a concentrated portfolio of UK listed equities. In addition to investing in equities, the Company may also invest in other transferable securities, collective investment schemes, money market instruments, deposits, cash and near cash. Derivatives and forward transactions may be held for efficient portfolio management purposes.

The table below shows the net gains or losses for the fund since it's inception on 3 October 2016, a period of just under 3 years.

	<b>At and for the year ended</b>		
	<b>30 Sept 2019</b>	<b>30 Sept 2018</b>	<b>30 Sept 2017<sup>1</sup></b>
<b>Net gains/(losses)</b>	£	£	£
Capital only	(586k)	340k	267k
Total Fund	(441k)	392k	329k

<sup>1</sup> Period covered from 3 October 2016 to 30 September 2017

**GBP Share Classes**

	<b>At and for the year ended</b>		
	<b>30 Sept 2019</b>	<b>30 Sept 2018</b>	<b>30 Sept 2017<sup>1</sup></b>
<b>Value of fund</b>			
A Net Accumulation GBP	£4.1m	£4.0m	£3.2m
B Net Accumulation GBP	£0.4m	£0.5m	£0.4m
<b>Shares outstanding</b>			
A Net Accumulation GBP	3.8m	3.4m	2.9m
B Net Accumulation GBP	0.3m	0.4m	0.4m
<b>NAV per share</b>			
A Net Accumulation GBP	107.43p	119.48p	110.33p
B Net Accumulation GBP	107.58p	119.64p	110.30p
<b>Dividend per share</b>			
A Net Accumulation GBP	2.8467p	0.8451p	1.0989p
B Net Accumulation GBP	2.8487p	0.9154p	1.1851p
<b>Operating charges</b>			
A Net Accumulation GBP	0.45%	0.45%	0.45%
B Net Accumulation GBP	0.45%	0.45%	0.45%
<b>Performance Fee</b>			
A Net Accumulation GBP	-	-	0.94%
B Net Accumulation GBP	-	-	1.08%

<sup>1</sup> Period covered from 3 October 2016 to 30 September 2017

**USD Share Classes**

	<b>At and for the year ended</b>		
	<b>30 Sept 2019</b>	<b>30 Sept 2018</b>	<b>30 Sept 2017<sup>2</sup></b>
<b>Value of fund</b>			
A Net Accumulation USD	\$132.7k	\$156.5k	\$148.1k
B Net Accumulation USD	\$132.9k	\$156.7k	\$147.9k
<b>Shares outstanding</b>			
A Net Accumulation USD	136.5k	136.5k	136.5k
B Net Accumulation USD	136.5k	136.5k	136.5k
<b>NAV per share</b>			
A Net Accumulation USD	97.26c	114.67c	108.52c
B Net Accumulation USD	97.42c	114.86c	108.41c
<b>Dividend per share</b>			
A Net Accumulation USD	2.0929c	0.6559c	0.9950c
B Net Accumulation USD	2.0963c	0.6556c	0.9953c
<b>Operating charges</b>			
A Net Accumulation USD	0.45%	0.45%	0.45%
B Net Accumulation USD	0.45%	0.45%	0.45%
<b>Performance Fee</b>			
A Net Accumulation USD	-	-	-
B Net Accumulation USD	-	0.30%	0.80%

<sup>2</sup> Period covered from 21 February 2017 to 30 September 2017

The ongoing charges ratio is based on the actual charges and the average NAV during the period.

Source of all data is Valu-Trac Administration Services unless otherwise stated.

The performance of the Fund for the purposes of the performance fee is compared against that of a benchmark. The MSCI UK IMI Net Dividends Reinvested Index has been selected as it is considered that this index most closely reflects the investments which the fund will make (and its risk/reward objectives). Performance should be assessed over the long term and considering whether the objective is achieved (i.e. whether there has been capital growth over the long term (5+ years)).

The table below demonstrates that this has not been achieved in the year, this is discussed more fully below.

	<b>Cumulative gain to 30 Sept 2019</b>	
	<b>FY 2019</b>	<b>Since fund inception 3/10/16</b>
<b>NAV per share</b>		
Class A Net Accumulation GBP <sup>1</sup>	-10.1%	7.4%
Class A Net Accumulation USD <sup>2</sup>	-15.2%	-2.7%
Class B Net Accumulation GBP <sup>1</sup>	-10.1%	7.6%
Class B Net Accumulation USD <sup>2</sup>	-15.2%	-2.6%
<b>Comparator</b>		
MSCI UK IMI Net Dividends Reinvested Index, GBP	2.2%	19.4%
MSCI UK IMI Net Dividends Reinvested Index, USD	-3.4%	14.6%

**Notes**

<sup>1</sup>The GBP share classes were launched on 3 October 2016 when shares were issued at 100p each.

<sup>2</sup>The USD share classes were launched on 21 February 2017 when shares were issued at 100c each.

Source of all data is Valu-Trac Administration Services unless otherwise stated.

In carrying out the assessment of value the following criteria were considered:

### **1. Quality of service**

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

Depository – NatWest Trustee and Depository Services Limited

Custodian – RBC Investor Services Trust, UK branch (RBC)

The external audit is conducted by FKF Accounting Limited

These services are essential in ensuring that the fund operated efficiently and in the case of the Depository 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 fund's units will always be carried out exactly as set out in the documentation. During the period under review the AFM had in fact changed the fund's custodian to RBC following a review of custody providers and comparing the quality of the services provided in addition to costs. Such items as recovery of withholding tax and efficiency of opening new investment markets were considered.

Valu-Trac does not delegate any of the core functions of the fund 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 be certain that their instructions will be carried out efficiently and that the reporting they receive is timely and focused. The AFM works closely with Cape Wrath Capital Limited to coordinate mailings such as annual letters with dividend vouchers and financial reports to avoid excessive correspondence whilst providing all required reporting on a timely and clear basis. This also has ensured that the AFM has responded to any enquiries from shareholders fully and promptly.

### **2. Performance**

The AFM has assessed performance of the fund net of all the charges that are outlined in its prospectus. As a result of the poor performance of the fund during the first half of the year, there has been no performance fee paid to the Investment Advisor in 2019.

The poor performance of the fund in 2019 was the catalyst for an investment approach review which resulted in the Investment Advisor developing a "Red Flag Evaluation" template, as described in the Investment Managers Review section of the Financial Accounts for the year ending 2019. This new approach has already seen a positive improvement in the fund's performance in the period 30 April 2019 to 31 December 2019 with the Class A shares showing a capital return of 13% versus the benchmark of 5%.

### **3. AFM costs - general**

The costs (in £) incurred during the year ended 30 September 2019 were as follows:

Authorised Corporate Director	(1,583)	(VAT exempt)
Depository	18,099	(VAT inclusive)
Custodian	1,192	(VAT exempt)
Auditor	3,196	(VAT inclusive)
FCA	74	(VAT exempt)
Investment Association fee	(34)	(VAT exempt)
<b>Total costs</b>	<b>20,944</b>	

The fund made a loss for the year (capital and revenue) of £441,152 before taxation of £5,149.

There were no preliminary charges, redemption charges or performance fees paid by shareholders during the year.

It should be noted that the prospectus does not allow for a redemption charge if the minimum holding is maintained, however a dilution adjustment can be charged on transactions into or out of the fund in the following circumstances: where the Scheme Property of the Company is in continual decline; on the Company experiencing large levels of net purchases 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).

#### **4. Economies of scale**

The AFM has assessed to what extent it has been able to achieve any savings as a result of economies of scale. Where any such savings have been made this has in every case been passed on to the shareholders. Examples of this are the sliding scales of both the investment manager and depositary in addition to reduction in depositary fees and in custody fees as a result of a review of custody providers. The fixed fee nature of the Authorised Corporate Director will also provide for cost efficiency savings as the assets of the fund grow. As the AFM grows its total assets across all schemes it uses this purchasing power to benefit all schemes. The successful growth of the AFM has already facilitated this for both depositary and custody fees, which has reduced from £23,486 (for 2017) to £19,291.

#### **5. Comparable market rates**

The AFM has compared the charges of this fund with that of comparable funds. The AFM believes that the shareholders of the fund are achieving efficient market rates as a whole. As the AFM assets grow in total it continues to strive for extra efficiencies wherever this can be achieved for all of its schemes.

#### **6. Comparable services**

All shareholders of this fund are subject to the same service at the same cost. The services provided to this fund and the costs are also comparable amongst other similar funds operated by the AFM.

#### **7. Classes of units**

All shareholders of this fund are treated equally with fees being identical across the classes. There are two classes of shares A and B, with each having a GBP and USD class. There are only accumulation shares.

### **CONCLUSION**

In taking all of these 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 and that every shareholder of VT Cape Wrath Focus Fund is receiving good value.

Martin Henderson Executive Director

Douglas J Halley Independent Non-Executive Director

31 January 2020