

**Statement by the Authorised Fund Manager (AFM) to the shareholders of VT Castlebay UK Equity Fund on the outcome of the AFM's assessment of the value provided to shareholders**

For the year ended 30 June 2020

This assessment is to establish what VT Castlebay UK Equity 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 Manager is Castlebay Investment Partners LLP.

The Fund was launched on 28 January 2015.

The objective of the Fund is to preserve capital and generate income and capital growth over the long term.

The Fund will aim to meet its investment objective by investing primarily in a portfolio of UK companies listed on recognised stock exchanges. The Fund may also invest in overseas equities, transferable securities, money market instruments, deposits and cash and near cash. There will be no particular emphasis on any industrial or economic sector.

	<b>At and for the year ended<sup>1</sup></b>				
	<b>30 June 2020</b>	<b>30 June 2019</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
<b>Value of Fund (per Performance record)</b>					
Class A Net Income	£4,983k	£2,176k	£5,892k	£3,474k	£4,388k
Class B Net Income	£14,907k	£13,414k	£8,825k	£6,106k	£2,231k
Class C Net Income <sup>3</sup>	£1k	-	-	-	-
Class A Net Accumulation	£13,106k	£11,066k	£10,918k	£8,214k	£7,376k
Class B Net Accumulation <sup>2</sup>	£13,286k	£5,038k	£2,780k	£845k	-
Class C Net Accumulation	£7,525k	£2,880k	£2,250k	£174k	£104k
<b>Shares outstanding</b>					
Class A Net Income	4,124k	1,764k	4,852k	3,113k	4,405k
Class B Net Income	12,069k	10,655k	7,150k	5,409k	2,229k
Class C Net Income	1k	-	-	-	-
Class A Net Accumulation	9,213k	7,814k	8,093k	6,809k	7,051k
Class B Net Accumulation	10,258k	3,915k	2,275k	776k	-
Class C Net Accumulation	5,105k	1,971k	1,627k	142k	98k
<b>NAV per share</b>					
Class A Net Income	120.83p	123.40p	121.44p	111.61p	99.62p
Class B Net Income	123.52p	125.90p	123.42p	112.88p	100.10p
Class C Net Income	90.59p	-	-	-	-
Class A Net Accumulation	142.26p	141.62p	134.91p	120.64p	104.61p
Class B Net Accumulation	129.52p	128.67p	122.19p	108.80p	-
Class C Net Accumulation	147.39p	146.13p	138.32p	122.67p	105.52p

**Dividend per share**

Class A Net Income	2.96p	3.90p	3.13p	3.19p	3.49p
Class B Net Income	3.03p	3.93p	3.07p	2.95p	3.50p
Class C Net Income	1.03p	-	-	-	-
Class A Net Accumulation	3.43p	4.35p	3.38p	3.23p	3.58p
Class B Net Accumulation	3.12p	3.94p	3.00p	1.80p	-
Class C Net Accumulation	3.55p	4.48p	3.43p	3.26p	3.89p

**Net gains/(losses) before expenses**

Capital gains/(losses)	£2,103k	£993k	£2,588k	£1,932k	(£41k)
Total Net gains/(losses)	£3,132k	£2,151k	£3,237k	£2,427k	£374k

1 Sources of data is Valu-Trac Administration Services.

2 Share class launched 21 November 2016

3 Share class launched 14 January 2020

The Fund does not have a specific benchmark. However, the performance of the Fund can be assessed as to whether the objective has been achieved, particularly over the long term (5+years)).

**Cumulative gain to 30 June 2020**  
**(5 years)**

**Increase in NAV per share (dividends paid excluded)**

Class A Net Income	18%
Class B Net Income	20%
Class C Net Income (since 15 January 2020)	(9%)
Class A Net Accumulation	36%
Class B Net Accumulation (since 21 November 2016)	30%
Class C Net Accumulation	41%

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 Johnston Carmichael LLP

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.

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.

## 2. Performance

The AFM has assessed performance of the Fund net of all the charges that are outlined in its prospectus. The objective of the Fund is two-fold; preservation of capital and to generate income and capital growth, and should be considered in the long term (5+ years).

To show long-term performance, the total returns generated are shown on the table below this is after operating costs, including the fee paid to the investment manager, and transaction costs which vary depending on the class of shares, this is discussed more in the Classes of Units section below.

It should be noted that, other than a small drop in 2018 for the Class A Net Income share class, dividend income has risen every year since 2017 except for 2020 when dividends were constrained by the Covid 19 pandemic. This was also the cause of the poor performance of C Net Income since its launch in January 2020.

	<b>Performance to 30 June 2020</b>	<b>Annualised 5 year Performance</b>
A Net Income	0.3%	6.7%
B Net Income	0.5%	7.2%
C Net Income (since 15 January 2020)	(8.4%)	-
A Net Accumulation	0.5%	7.3%
B Net Accumulation (since 21 November 2016)	0.7%	8.2%
C Net Accumulation	0.9%	8.3%

*Total return basis has distributions added back in for the Income share classes.*

## 3. AFM costs - general

The costs (in £) charged during the year ended 30 June 2020 were as follows:

Authorised Corporate Director fee	20,137 (VAT exempt)
Investment Management fee	320,579 (VAT exempt)
Depositary fee	19,080 (VAT inclusive)
Safe Custody fee	1,157 (VAT inclusive)
Audit fee	6,000 (VAT inclusive)
FCA fee	73 (VAT exempt)
Other fees and subscriptions	20,321 (VAT inclusive)
<b>Total costs</b>	<b>387,347</b>

Net Income for the year (capital and revenue) was £2,728k. There was taxation of £17k.

Note that the Investment Manager pays a rebate to the fund such that the operating costs per share class do not exceed the Investment management charge for that share class, as shown in section 6 below. The rebate for 2020 was £44,915.

There were no initial or redemption charges paid by shareholders during the year.

It should be noted that the prospectus does also allow for dilution levies if 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 of a Sub-fund is in continual decline; on a Sub-fund 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 10% of the Net Asset Value of the relevant Sub-fund); in any case where the ACD is of the opinion that the interests of existing or remaining Shareholders require the imposition of a dilution levy.

#### **Economies of scale**

As well as offering their service to VT Castlebay UK Equity Fund, the fund can also take advantage of the rates Valu-Trac has agreed with its suppliers such as its Custodian and Depositary services, which as the funds and AFM grow could see further reductions in the costs of such items. An example of this is the change in custodian from BNYM to RBC providing better cost efficiency.

#### **4. 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.

#### **5. Comparable services**

The services provided to this Fund and the costs are also comparable amongst other similar funds operated by the AFM.

#### **6. Classes of units**

There are 6 share classes, split between A,B and C income and accumulation shares.

	<b>At and for the year ended</b>				
	<b>30 June 2020</b>	<b>30 June 2019</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
<b>Operating charges</b>					
A Class	1.00%	1.00%	1.00%	1.00%	1.00%
B Class	0.80%	0.80%	0.80%	0.80%	0.80%
C Class	0.60%	0.60%	0.60%	0.60%	0.60%

The A Class shares have an investment management fee of 1.00%, with a minimum investment of £10,000, the B Class shares have an investment management fee of 0.8% and a minimum investment of £2,000,000 whilst the C Class shares have an investment management fee of 0.6% and a minimum investment of £20,000,000. The Investment Manager pays a rebate such that the costs of investing into the fund equate to the investment management fee charged.

#### **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 the shareholders of VT Castlebay UK Equity Fund are receiving good value.

30 October 2020