

Statement by the Authorised Fund Manager (AFM) to the shareholders of VT Chelsea Managed Monthly Income on the outcome of the AFM's assessment of the value provided to shareholders

For the period ended 30 June 2020

This assessment is to establish what VT Chelsea Managed Monthly Income (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 Chelsea Portfolio Management Services Limited.

The Fund was launched on 5 June 2017.

The investment objective of the VT Chelsea Managed Monthly Income fund is to generate income with the potential for some capital growth over the long term (5 years).

The Fund will aim to achieve its objective by investing primarily (70% +) in collective investment schemes (including those managed or operated by the ACD) which are expected to provide exposure to a variety of asset classes, such as equities, bonds, money market instruments, cash and near cash. There may also be indirect exposure to commodities (and from time to time other alternative asset classes such as infrastructure) through other collective investment schemes (including exchange traded funds).

The Fund may also invest directly in other transferable securities and the above asset classes.

Derivatives (that is sophisticated investment instruments linked to the rise and fall of the price of other assets) may be held for efficient portfolio management purposes.

There will be no particular emphasis on any industrial, geographic or economic sector.

	At and for the period ended¹		
	30 June³ 2020	30 April 2019	30 April² 2018
Value of Fund (per Performance record)			
Class A GBP Net Accumulation	£4,003k	£1,950k	£1,096k
Class A GBP Net Income	£23,139k	£17,433k	£12,763k
Shares outstanding			
Class A GBP Net Accumulation	3,599k	1,778k	1,071k
Class A GBP net Income	23,807k	17,226k	12,908k
NAV per share			
Class A GBP Net Accumulation	111.21p	109.67p	102.38p
Class A GBP Net Income	97.20p	101.21p	98.87p
Dividend per share			
Class A GBP Net Accumulation	6.12p	4.78p	4.00p
Class A GBP Net Income	5.51p	4.52p	3.47p
Net gains/(losses) before expenses			
Capital gains/(losses)	(£998k)	£546k	(£90k)
Total Net gains/(losses)	£282k	£1,298k	£286k

1 Sources of data is Valu-Trac Administration Services

2 Period from 5 June 2017 to 30 April 2018

3 Period from 1 May 2019 to 30 June 2020

Although the Fund does not have a specific benchmark it can be compared to the IA Mixed Investment 20-60% Shares Sector, which has returned 3.84% (annually 1.24%) over the three years 1 month since the Fund's launch.

	2020 performance	Annualised performance for 3 years 1 month	Total Return for 3 years 1 month
Class A GBP Net Accumulation	1.40%	3.66%	11.21%
Class A GBP Net Income	1.49%	3.47%	10.70%

Total return basis has distributions added back in for the income share class.

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 to generate income with the potential for some capital growth over the long term (ie 5 years). The Fund has only been in existence for three years one month so the performance for 2020 is presented below along with the results for that period.

The capital growth/(loss) of each share class is shown below, along with the increase in dividends. Although the Fund is generating increasing income in its first three periods, this is at a small cost of reducing the value of the NAV in the income shares (by 2.8% over the period since inception). The total returns generated are shown in the table on p3;

Increase/(decrease) in NAV per share	3 years 1 month to 30 June 2020
Class A GBP Net Accumulation	11.2%
Class A GBP Net Income	(2.8%)

Dividends per share have risen over the periods from:
4.00p (11 months) to 6.12p (14 months) for the Accumulation share class; and
3.47p (11 months) to 5.51p (14 months) for the Income share class.

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

3. AFM costs - general

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

Investment adviser's fee	81,078 (VAT exempt)
ACD fee	28,382 (VAT exempt)
Depository fee	21,041 (VAT inclusive)
Audit fee	7,000 (VAT inclusive)
FCA fee	88 (VAT exempt)
Safe custody and transaction fees	6,351 (VAT inclusive)
Total costs	143,940

Income for the year (capital and revenue) less costs was £100k; there was taxation of £38k.

There were no preliminary charges, redemption charges or dilution levies paid by shareholders during the year.

The ACD's policy is that it 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 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 5% 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 Chelsea Managed ICVC, the funds can also take advantage of the rates Valu-Trac has agreed with its suppliers such as its Custodian and Depository 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, and is aligned with its normal operating model.

6. Classes of units

The annualised operating charge for both of the share classes over the past 3 periods is as noted below.

	At and for the period ended		
	30 June 2020	30 April 2019	30 April 2018
Operating charges	0.52%	0.61%	0.52%

The investment management fee is charged at 0.3% of the fund value.

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; that the shareholders of VT Chelsea Managed Monthly Income are receiving good value.

30 October 2020