

Statement by the Authorised Fund Manager (AFM) to the shareholders of VT Chelsea Managed Balanced Growth Fund 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 Balanced Growth (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 Balanced Growth fund is to generate capital growth over the long term (5 years).

The Fund is expected to follow a balanced strategy with investment primarily (70% +) through collective investment schemes (including those managed or operated by the ACD) so as to provide a balance between exposure to asset classes which the ACD considers to lower risk (including cash, fixed income and assets following absolute return strategies) and those which it considers to be higher risk assets classes (typically equities).

The Fund may also invest directly in transferable securities, equities, bonds, money market instruments, cash and near cash, with commodity exposure being achieved through other collective investment schemes (including exchange traded funds).

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
Class A GBP Net Accumulation			
Value of Fund (per Performance record)	£24,129k	£21,401k	£16,898k
Shares outstanding	22,085k	19,567k	16,186k
NAV per share	109.26p	109.77p	104.40p
Dividend per share	1.67p	0.91p	0.27p
Net gains/(losses) before expenses			
Capital gains/(losses)	(£432k)	£769k	£422k
Total Net gains/(losses)	£94k	£1,039k	£534k

1 Sources of data is Valu-Trac Administration Services

2 Period from 5 June 2017 to 30 April 2018

3Period 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 40-85% Shares Sector, which has returned 7.21% over the three years 1 month since the Fund's launch.

**3 years 1 month to 30
June 2020**

Increase in NAV per share/total return	9.3%
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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 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.

To show long-term capital growth, 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, this is discussed more in the Classes of Units section below.

	2020 performance	Annualised performance for 3 years 1 month
Class A GBP Net Accumulation	(0.47%)	3.01%

The relatively poor performance in 2020 was caused by the fall in value of the Fund's investments due to the Covid-19 pandemic. The NAV of the Fund has since recovered and at 23 October 2020 it stood at 116.01p, an increase since 30 June of 6.75p per share.

3. AFM costs - general

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

Investment manager's fee	79,953 (VAT exempt)
ACD fee	28,045 (VAT exempt)
Depository fee	21,041 (VAT inclusive)
Audit fee	7,000 (VAT inclusive)
FCA fee	87 (VAT exempt)
Safe custody and transaction fees	3,530 (VAT inclusive)
Total costs	139,656

Loss for the year (capital and revenue) less costs was (£48k); there was no taxation.

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 the single class of shares over the past 3 years is as noted below.

	At and for the period ended		
	30 June 2020	30 April 2019	30 April 2018
Operating charges	0.53%	0.59%	0.47%

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 Balanced Growth are receiving good value.

30 October 2020