

Statement by the Authorised Fund Manager (AFM) to the shareholders of Valu-Trac Equity Income Fund A 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 Valu-Trac Equity Income Fund A (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 also Valu-Trac.

The Fund was launched on 16 February 2015.

The objective of the Fund is to obtain a yield higher than that generally available from investment in global equities whilst, over the longer term, achieving growth in both capital and income.

The Fund aims to achieve its objective by gaining exposure, directly or indirectly, to equities and equity related instruments (primarily comprising individual equities, convertibles, equity index futures and exchange traded funds) of issuers worldwide, irrespective of the sector or geographical area in application of the ACD's proprietary "Intrinsic Value" approach.

The ACD will actively manage the currency exposure of the Fund by implementing currency management transactions mainly using currency futures and currency forward contracts, implemented at the Fund level.

The Fund will generally seek to be fully invested but may, on an ancillary basis, hold cash and near cash in the pursuit of the Fund's investment objective.

	At and for the year ended				
	30 June 2020 ¹	30 June 2019 ¹	30 June 2018 ¹	30 June 2017 ¹	30 June 2016 ¹
Value of fund (per Performance Record)					
Sterling Class Net Income	£2,407k	£2,685k	£2,684k	£2,646k	£2,433k
Sterling Class Net Accumulation	£90k	£142k	£273k	£273k	£267k
Shares outstanding					
Sterling Class Net Income	2,423k	2,415k	2,424k	2,424k	2,464k
Sterling Class Net Accumulation	72k	105k	213k	225k	273k
NAV per share					
Sterling Class Net Income	99.37p	111.18p	110.73p	109.16p	98.74p
Sterling Class Net Accumulation	126.09p	135.03p	128.43p	121.34p	105.21p
Dividend per share					
Sterling Class Net Income	4.80p	5.14p	4.83p	4.73p	4.08p
Sterling Class Net Accumulation	5.88p	5.95p	5.39p	5.12p	4.21p
Net gains/(losses) before expenses					
Capital gains/(losses)	(£261k)	£44k	£73k	£331k	£104k
Total Net gains/(losses)	(£116k)	£198k	£210k	£472k	£228k

1 Sources of data is Valu-Trac Administration Services

The fund has a benchmark, MSCI World Index (Net Dividends Reinvested) as measured in GBP. The performance of the Fund can be compared against that of the benchmark. This benchmark has been selected as it is considered that this index most closely reflects the investments which the Fund will make (and its risk/return objectives). For the avoidance of doubt, the Investment Manager is not bound or influenced by the index when making its decisions and can make investments that are not included in the index. The benchmark achieved 77.68% over the five years from 1 July 2015 to 30 June 2020

The table below demonstrates what has been achieved on a total return basis.

	Cumulative returns to 30 June 2020
	5 years
Sterling Class Net Income (dividends added back)	28.4%
Sterling Class Net Accumulation	28.9%

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; capital growth and rising level of income, and to obtain a yield higher than that generally available from investment in global equities and should be considered in the longer term (5+ years) so the performance for 2020 is presented below along with the results of the previous four years.

To show long-term capital growth, the table below shows the change in NAV of the share classes for this year and over 5 years.

	2020 performance	Annualised 5-year performance	Total Growth in 5 years
Sterling Class Net Income	(10.6%)	0.8%	3.8%
Sterling Class Net Accumulation	(6.6%)	5.8%	28.9%

The rising level of income can be shown to have been achieved by looking at the increase in the dividends paid since 2016. The 4.32% dividend yield for the Fund (GBP Net Inc) is above that generally available from investment in global equities as represented by the MSCI Developed World dividend yield which is 2.17%.

	2020 Distribution	Percentage Increase	2016 Distribution
Sterling Class Net Income	4.80p	17.6%	4.08p
Sterling Class Net Accumulation	5.88p	39.7%	4.21p

3. AFM costs - general

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

Annual Management Charge	12,074 (VAT exempt)
Depository fee	18,123 (VAT inclusive)
Audit fee	6,000 (VAT inclusive)
FCA fee	78 (VAT exempt)
Safe custody and transaction fees	2,139 (VAT inclusive)
Total costs	38,414

Income for the year (capital and revenue) less costs was £167k; there was £12k of taxation.

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

The ACD may charge a discretionary dilution levy on the sale and redemption of Shares if, in its opinion, the existing Shareholders (for sales) or remaining Shareholders (for redemptions) might otherwise be adversely affected. In particular, the dilution levy may be charged in the following circumstances:

- (a) where a Fund is in continual decline;
- (b) on a Fund experiencing large levels of net sales or redemptions relative to its size;
- (c) on "large deals" (for these purposes, a large deal is defined as 10% of the size of the Fund); or
- (d) in any other case where the ACD is of the opinion that the interests of remaining Shareholders require the imposition of a dilution levy.

4. Economies of scale

As well as offering their service to Valu-Trac Equity Income Fund A, 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.

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

The services provided to this Fund are comparable amongst other similar funds operated by the AFM, and is aligned with its normal operating model.

7. Classes of units

As detailed below there are 2 share classes (income and accumulation shares) which both have the same operating charges as noted below.

	At and for the year ended				
	30 June 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
Operating charges	1.00%	1.00%	1.00%	1.00%	1.00%

The authorised fund manager of the fund has undertaken to absorb any costs that would cause the fund to have operating charges in excess of 1.00%.

CONCLUSION

In taking all of these criteria into consideration the AFM has assessed 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. In addition, the dividend yield is higher than that generally available from investment in global equities and capital performance has been achieved. As a result, the AFM has concluded that the shareholders of Valu-Trac Equity Income Fund A are receiving good value.

30 October 2020