

Statement by the Authorised Fund Manager (AFM) to the shareholders of VT Esprit Tactical Balanced Fund on the outcome of the AFM's assessment of the value provided to shareholders

For the year ended 31 January 2020

This assessment is to establish what the VT Esprit Tactical Balanced Fund (the Fund) has delivered to you in return for the price you have had to pay.

The fund launched on 31 January 2018.

The AFM is the Authorised Corporate Director of the fund, Valu-Trac Investment Management Limited (Valu-Trac). The Investment Manager is Skerritt Consultants Limited.

The investment objective of the VT Esprit Tactical Balanced Fund is to achieve a level of investment return (capital growth and reinvestable income) in excess of the benchmark (UK RTMA Risk 4 - Balanced), net of fees over the longer term (5 years+).

The Fund will be actively managed to achieve its stated investment objective by investing in a globally diversified portfolio. The portfolio will consist primarily (70% or above) of a range of OEICS, Unit Trusts, other collective investment vehicles (providing exposure to asset classes including equities, fixed income, money market instruments, cash, property and commodities (through exchange traded vehicles)) and where appropriate may invest directly in equities, fixed income stocks, money market instruments and cash.

	At and for the year ended	
	31 Jan 2020 ¹	31 Jan 2019 ¹
Value of fund		
Accumulation	£58,600k	£33,418k
Shares outstanding		
Accumulation	54,126k	34,485k
Net Asset Value		
Accumulation	108.26p	96.90p
Dividend per share		
Accumulation	1.14p	0.85p
Operating charges		
Accumulation	1.46%	1.55%
Net gains/(losses)		
Capital gain/(loss)	£4,567k	(£1,059k)
Total Net gain/(loss)	£5,068k	(£794k)

1 Source of data: Valu-Trac Investment Management Limited

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. 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 Skerritt Consultants 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 fund has only been running for 2 years and hence it is too early to judge whether its long term objectives are being met.

	Cumulative gain to 31 Jan 2020	
	2 years	Benchmark
Increase in NAV per share		
Accumulation	8.3%	7.2%

The fund is currently ahead of the benchmark for the two years since launch.

3. AFM costs - general

The costs (in £) incurred during the year ended 31 January 2020 were as follows:

Authorised Corporate Director	20,438 (VAT exempt)
Investment Management fee	321,208 (VAT exempt)

Depository	19,093 (VAT inclusive)
Custodian	922 (VAT exempt)
Auditor	6,600 (VAT inclusive)
FCA	80 (VAT exempt)
Other fees	4,770 (VAT exempt)
Total costs	373,111

Net income for the year (capital and revenue less expenses) was £4,694,957. There was no taxation.

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 redemption charges however 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 3% 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.

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 depository in addition to reduction in depository fees and in custody fees as a result of a review of custody providers. The fixed fee nature of the Authorised Corporate Director also provides for cost efficiency as the assets of the fund have grown. 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 depository and custody fees.

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.

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 the VT Esprit Tactical Balanced Fund is receiving good value.

29 May 2020