

**Statement by the Authorised Fund Manager (AFM) to the shareholders of VT Garraway UK Equity Market 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 the VT Garraway UK Equity Market 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 Adviser is Garraway Capital Management LLP.

The Fund was launched on 29 May 2012.

The aim of the Fund is to provide a combination of capital growth and income.

Investment Policy:

The Fund will invest primarily in equity securities primarily of companies which are listed in the UK.

The Fund may also invest in other types of transferable securities and in companies which are not UK listed. At any one time, the Fund may invest in a relatively small number of securities. The Fund may invest in derivatives both for investment purposes and for efficient portfolio management. Derivatives may be used to create synthetic short positions in securities.

The Fund may also invest in money market instruments, collective investment schemes, deposits, cash and near cash.

	<b>At and for the year ended</b>				
	<b>30 June 2020<sup>1</sup></b>	<b>30 June 2019<sup>1</sup></b>	<b>30 June 2018<sup>1</sup></b>	<b>30 June 2017<sup>1</sup></b>	<b>30 June 2016<sup>1</sup></b>
<b>Value of fund (per Performance record)</b>					
Class R Net Income	£80k	£101k	£105k	£52k	£51k
Class R Net Accumulation	£168k	£930k	£1,392k	£1,432k	£1,379k
Class F Net Income	£10,297k	£24,287k	£30,785k	£36,283k	£42,597k
Class F Net Accumulation	£7,390k	£21,984k	£21,657k	£24,568k	£18,249k
<b>Shares outstanding</b>					
Class R Net Income	60k	60k	60k	32k	32k
Class R Net Accumulation	96k	434k	651k	746k	754k
Class F Net Income	7,085k	13,379k	16,439k	21,031k	25,350k
Class F Net Accumulation	3,901k	9,626k	9,582k	12,227k	9,633k
<b>NAV per share</b>					
Class R Net Income	133.77p	168.66p	175.56p	163.33p	160.66p
Class R Net Accumulation	175.98p	214.12p	213.86p	192.09p	182.85p
Class F Net Income	145.33p	181.54p	187.26p	172.52p	168.04p
Class F Net Accumulation	189.42p	228.38p	226.01p	200.93p	189.44p

**Dividend per share**

Class R Net Income	5.27p	6.85p	6.06p	5.54p	5.04p
Class R Net Accumulation	6.75p	8.46p	7.22p	6.38p	5.62p
Class F Net Income	5.67p	7.34p	6.43p	5.83p	5.25p
Class F Net Accumulation	7.23p	9.02p	7.69p	6.61p	5.80p

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

Capital gains/(losses)	(£6,876k)	(£1,620k)	£5,619k	£2,052k	(£359k)
Total Net gains/(losses)	(£5,650k)	£354k	£7,702k	£4,431k	£1,411k

*1 Sources of data is Valu-Trac Administration Services and T. Bailey Fund Services Limited (2016)*

The table below shows the capital growth and losses over the past 5 years

<b>Capital growth/(loss) per share class</b>	<b>Cumulative gain/(loss) to 30 June 2020</b>	
	<b>1 year</b>	<b>5 years</b>
<b>NAV per share</b>		
Class R Net Income	(20.7%)	(19.6%)
Class R Net Accumulation	(17.8%)	(4.1%)
Class F Net Income	(19.9%)	(15.7%)
Class F Net Accumulation	(17.1%)	0.6%

Since June 30, each share class has made a return of over 5% recouping some of the losses made in the year to 30 June 2020.

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 income, so the performance for 2020 is presented below along with the results of the previous four years.

Total returns, which encompass capital growth and dividend income, are shown in the table below; this is after operating costs, including the fee paid to the investment manager, and transaction costs.

The Fund compares itself to the FTSE 350 which over the past 5 years has achieved a return of 14.87% which equates to, 2.97% per annum.

	<b>2020 performance</b>	<b>Annualised 5-year performance</b>
R Income	(17.6%)	(0.4%)
R Accumulation	(17.8%)	(0.8%)
F Income	(16.8%)	0.5%
F Accumulation	(17.1%)	0.1%

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

The 2020 performance was badly affected by the Covid-19 pandemic. However prices per share at 29 October 2020 have slowly recovered and are as follows: R Income 134.81p, R Accumulation 178.31p, F Income 146.92p and F Accumulation 192.50p. At the end of November the R Income shareholders will receive 0.75p per share by way of the quarterly dividend, whilst the F Income shareholders will receive 0.81p per share.

As can be seen all four share classes lag behind the FTSE 350 over a five year period.

The rising level of income can be shown to have been achieved by looking at the increase in the dividends paid since 2016. However it should be noted that dividends fell between 2020 and 2019, partly as a result of dividends from financial companies stopping at the outset of the Covid-19 pandemic.

	<b>2020 Distribution</b>	<b>Percentage Increase/(Decrease)</b>	<b>2016 Distribution</b>
R Income	5.28p	5%	5.04p
R Accumulation	6.75p	20%	5.62p
F Income	5.66p	8%	5.25p
F Accumulation	7.23p	25%	5.80p

### **3. AFM costs - general**

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

Annual Management Charge	255,161 (VAT exempt)
ACD charge (payable to Valu-Trac)	29,458 (VAT exempt)
Depository fee	19,146 (VAT inclusive)
Audit fee	8,452 (VAT inclusive)
FCA fee	93 (VAT exempt)
Safe custody and transaction fees	14,278 (VAT inclusive)
<b>Total costs</b>	<b>326,588</b>

The Loss for the year (capital and revenue) less costs was £5,976k; there was no taxation.

There were no preliminary charges, redemption charges. There was a dilution levy charge of £8,222 paid by shareholders during the year.

The ACD may require a 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:

where the Scheme Property is in continual decline; on “large deals” (where the net issues or net redemptions of shares in a Fund at a particular dealing point exceed £500,000 or 5% of the size of the Fund, whichever is higher); in any 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 VT Garraway Investment Funds 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.

### **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 and the costs are also 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 4 share classes (income and accumulation for the Class R and Class F shares), available figures are given below. Each class of shares has its own rate for investment manager charges, as detailed below,

	At and for the year ended				
	30 June 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
<b>Operating charges</b>					
R Class	1.88%	1.91%	1.91%	1.88%	1.83%
F Class	0.98%	0.93%	0.93%	0.88%	0.83%

The R class shares have a 1.75% investment manager charge. The R class is a class that rebates are paid on (predominantly offshore bond holdings). The net effect is that both classes pay the same AMC to the manager. F class shares have an investment management charge of 0.85% of the net asset value of those share classes.

## 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. There has been a rising level of income with good income yield, and there has been capital growth over at least a 5 year period, although the last period has not been so strong. As a result it is concluded that the shareholders have received good value over the long term of the Fund in line with its stated objectives.

30 October 2020