

Statement by the Authorised Fund Manager (AFM) to the shareholders of VT Greystone Global Growth Fund R Accumulation on the outcome of the AFM's assessment of the value provided to shareholders

For the year ended 30 September 2019

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This assessment is to establish what the VT Greystone Global Growth Fund (the fund) has delivered to you in return for the price you have had to pay.

As discussed below during the financial year the Accumulation shares were mandatorily converted to the R Accumulation share class, which is now the only share class in this fund. The figures below are for the R Accumulation share class.

The AFM is the Authorised Corporate Director of the fund, Valu-Trac Investment Management Limited (Valu-Trac). The Investment Adviser is Foundation Investment Management Ltd.

The investment objective of the Sub-Fund is to achieve capital growth through investment in collective investment schemes or transferable securities which are equities or equity funds, excluding those exposed to the UK, although up to 20% may be invested in any collective investment schemes or transferable securities with global exposure (including the UK). The Sub-Fund may also invest in deposits and cash.

	<b>At and for the year ended</b>				
	<b>30 Sept 2019 <sup>1</sup></b>	<b>30 Sept 2018 <sup>1</sup></b>	<b>30 Sept 2017 <sup>2</sup></b>	<b>30 Sept 2016 <sup>2</sup></b>	<b>30 Sept 2015 <sup>2</sup></b>
<b>Value of fund</b>					
R Accumulation	£76.7m	£73.8m	£66.0m	£58.3m	£44.9m
<b>Shares outstanding</b>					
R Accumulation	22.2m	22.4m	22.4m	23.2m	22.3m
<b>NAV per share</b>					
R Accumulation	345.08p	329.03p	294.55p	251.85p	201.02p
<b>Dividend per share</b>					
R Accumulation	-	-	0.7966p	0.0756p	-
<b>Operating charges</b>	1.63%	1.80%	1.73%	1.75%	1.76%
<b>Net gains/(losses)</b>					
Capital gain/(loss)	£3.2m	£8.7m	£11.2m	£14.5m	£2.2m
Total Net gain/(loss)	£3.9m	£9.2m	£12.0m	£15.1m	£2.7m

<sup>1</sup> Source: Valu-Trac Administration Services

<sup>2</sup> Sourced from Margetts Fund Management Annual Reports and Financial Statements

Although the VT Greystone Global Growth Fund does not have a formal benchmark the performance can be assessed against two comparators and considering whether the objective is achieved (i.e. whether there has been capital growth over the long term (5+ years)).

The table below demonstrates that this has been achieved.

	<b>Cumulative gain to 30 Sept 2019</b>	
	<b>5 years</b>	<b>Since share class inception 3/12/12</b>
<b>NAV per R Accumulation share</b>	78%	118%
<b>Comparator</b>		
IA Global Sector Average	73%	120%
IA Standard Money Market	2%	2%

**Notes**

*The R Accumulation share class was launched on 3 December 2012 when shares were issued at 158.09p each. The ongoing charges ratio is based on the actual charges and the average NAV during the period.*

*Data prior to 21 April 2018 is sourced from Margetts Fund Management Limited.*

*After this date the data source is Valu-Trac Administration Services.*

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 Foundation Investment Management Ltd 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.

During this financial year, on 20 November 2018, Accumulation shares were mandatorily converted to the R Accumulation share class. The only difference between these two share classes was with the

fees. The Accumulation share class had an annual management fee of 1.5% per annum while the Accumulation R shares is lower at 0.75% per annum. The ACD's preliminary charge of 3.9% on the Accumulation share class was removed and the R class does not have this charge.

## **2. Performance**

The AFM has assessed performance of the fund net of all the charges that are outlined in its prospectus. The total return for the R Accumulation shares for the year under review was 4.88%. This is after operating costs of 1.63%, which includes the 0.75% cost for the investment adviser and 0.88% for the costs of underlying AFM's, and transaction costs of 0.00%. The objective of the fund is to be considered in the longer term (5+ years) so this result for 2019 is presented above along with the results of the previous four years. Over the period since the fund's R Accumulation shares inception on 3 December 2012 performance on an annualised basis has been 12.1% or 10.6% on a "real" basis taking into account deflation by the UK CPI.

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

The costs (in £) incurred during the year ended 30 September 2019 were as follows:

Authorised Corporate Director	574,909 (VAT exempt)
Depository	34,702 (VAT inclusive)
Custodian	2,438 (VAT exempt)
Auditor	8,098 (VAT inclusive)
FCA	22 (VAT exempt)
Transaction costs (capital)	282 (VAT exempt)
Other fees	4,971 (VAT exempt)
<b>Total costs</b>	<b>625,422</b>

Income for the year (capital and revenue) was £3,925,115 before taxation of £0.

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 a dilution adjustment can be charged on transactions into or out of the fund if a) the daily total exceeds 0.5% of the value of the sub fund, or b) there is a large transaction, being 5% or over.

## **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. Over the past 5 years the ongoing charges as a percentage of assets has reduced from 1.76% (for 2015) to 1.63%. 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 depositary 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.

## **7. Classes of units**

All shareholders of this fund are treated equally. There is only one share class in this fund.

## **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 VT Greystone Global Growth Fund R Accumulation is receiving good value.

David Fraser FCCA Head of Administration Services

Douglas J Halley Independent Non-Executive Director

31 January 2020