

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

For the year ended 30 September 2019

This assessment is to establish what the VT Greystone Balanced Managed 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 Income and Accumulation shares were mandatorily converted to the Income R and Accumulation R share classes. Inception date for the R share classes was 3 December 2012.

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

The objective of the Sub-Fund is to provide capital growth and some income from an actively managed diversified portfolio of collective investment schemes and transferable securities selected from the global market place. The Sub-Fund will be managed within the constraints of the IA (Investment Association) Mixed Investment 40% - 85% Shares Sector (previously the IMA Balanced Managed Sector).

	At and for the year ended				
	30 Sept 2019¹	30 Sept 2018¹	30 Sept 2017¹	30 Sept 2016²	30 Sept 2015²
Value of fund					
R Income	£21.8m	£24.4m	£25.3m	£24.6m	£24.5m
R Accumulation	£83.5m	£89.5m	£82.1m	£67.7m	£56.8m
Shares outstanding					
R Income	11.2m	12.8m	13.9m	15.1m	17.2m
R Accumulation	37.0m	40.8m	39.3m	36.8m	35.3m
NAV per share					
R Income	194.25p	190.15p	182.25p	162.46p	142.92p
R Accumulation	225.76p	219.19p	209.05p	184.07p	160.80p
Dividend per share					
R Income	1.5581p	0.9654p	2.2332p	1.0963p	1.6269p
R Accumulation	1.8178p	1.1159p	2.5356p	1.2370p	1.8163p
Operating charges					
R Income	1.67%	1.74%	1.73%	1.78%	1.72%
R Accumulation	1.67%	1.74%	1.73%	1.78%	1.72%
Net gains/(losses)					
Capital gain/(loss)	£1.8m	£5.1m	£12.5m	£12.3m	£2.9m
Total Net gain/(loss)	£3.7m	£6.7m	£14.9m	£13.8m	£4.8m

¹ Source: Valu-Trac Administration Services

² Sourced from Margetts Fund Management Annual Reports and Financial Statements

Although the VT Greystone Balanced Managed 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.

	Cumulative gain to 30 Sept 2019	
	5 years	Since share class inception 3/12/12
NAV per share		
R Income	46%	72%
R Accumulation	46%	71%
Comparator		
IA Mixed Investment 40-85% Shares Sector Average	39%	65%
IA Standard Money Market	2%	2%

Notes

The R Income and R Accumulation share classes were launched on 3 December 2012 when shares were issued at 121.85p and 131.66p respectively.

The ongoing charges ratio is based on the actual charges and the average NAV during the period.

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

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 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.

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 Income and Accumulation share classes had an annual management fee of 1.5% per annum while the Income R and Accumulation R shares is lower at 0.75% per annum. The ACD's preliminary charge of 3.9% on the Income and Accumulation share classes was removed and the R classes do 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 Income R and Accumulation R shares for the year under review was 2.98% and 3.00% respectively. This is after operating costs of 1.67%, which includes the 0.75% cost for the investment adviser and 0.92% 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 share class inception on 3 December 2012 performance can be measured on an annualised basis and on a "real" basis taking into account deflation by the UK CPI.

	Annualised performance	REAL annualised performance
Income R	8.2%	6.6%
Accumulation R	8.2%	6.6%

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

3. AFM costs - general

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

Authorised Corporate Director	838,936 (VAT exempt)
Depository	48,274 (VAT inclusive)
Custodian	4,181 (VAT exempt)
Auditor	8,098 (VAT inclusive)
FCA	(23) (VAT exempt)
Transaction costs (capital)	(8) (VAT exempt)
Other fees	5,713 (VAT exempt)
Total costs	905,171

Income for the year (capital and revenue) was £3,711,759 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 depositary in addition to reduction in depositary 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 1.72% (for 2015) to 1.67%. 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. Classes are only differentiated as between accumulation shares and income shares.

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 Balanced Managed Fund Income R and Accumulation R is receiving good value.

David Fraser FCCA Head of Administration Services

Douglas J Halley Independent Non-Executive Director

31 January 2020