

Statement by the Authorised Fund Manager (AFM) to the shareholders of VT Grosvenor Adventurous Fund on the outcome of the AFM’s assessment of the value provided to shareholders

For the year ended 31 December 2019

This assessment is to establish what the VT Grosvenor Adventurous 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 Manager is Brompton Asset Management LLP, who replaced Brooks Macdonald Asset Management on 21 October 2019. The sponsor of the fund is Grosvenor Consultancy Asset Management Limited.

The fund was launched on 6 January 2017 with the A Accumulation Retail and B Accumulation Staff share classes. The B class shares are only available to staff of the sponsor.

The fund aims to generate capital growth principally from equity markets. The fund has an annualised target volatility of 12.5%. The fund’s primary objective is to control volatility and this could therefore be at the expense of performance. There can be no guarantee that the fund will achieve its objective of managing volatility. Capital is in fact at risk, and there is no guarantee that the investment objective will be achieved.

In order to meet its objective, the fund will be actively managed and significantly exposed to UK and international equity investments by primarily investing in collective investment schemes, and may also invest directly in other transferable securities, money market instruments, cash and near cash. The fund will also invest in high yield bonds and alternatives, exposure to such assets will not exceed 35% of the Net Asset Value of the fund. The composition of the portfolio will reflect the Investment Manager’s view of the potential future return of different asset classes and specific investments.

	At and for the year ended		
	31 Dec 2019 ¹	31 Dec 2018 ¹	31 Dec 2017 ¹
Value of fund			
A Accumulation Retail	£135.5m	£97.7m	£74.1m
B Accumulation Staff	£4.6m	£3.6m	£2.2m
Shares outstanding			
A Accumulation Retail	113.5m	97.0m	67.5m
B Accumulation Staff	3.8m	3.6m	2.0m
NAV per share			
A Accumulation Retail	119.36p	100.71p	109.73p
B Accumulation Staff	120.05p	101.09p	109.93p
Dividend per share			
A Accumulation Retail	1.15p	1.12p	1.25p
B Accumulation Staff	1.15p	1.12p	1.25p
Net gains/(losses)			
Capital gain/(losses)	£19,472k	(£9,144k)	£4,210k

Total Net gain/(losses)	£20,680k	(£8,288k)	£4,758k
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*Both Share classes launched on 6 January 2017
Source of data is Valu-Trac Administration Services*

The Fund has a specific benchmark, IA Flexible and the performance of the Fund can be assessed by considering how the fund has performed against the benchmark.

The table below demonstrates that this has just fallen short on a total return basis. However, since the change in Investment Manager on 21 October 2019, performance has been better than the benchmark.

	Cumulative gain to 31 Dec 2019	
	3 years	benchmark
Increase in NAV per share		
A Accumulation Retail	19.36%	20.09%
B Accumulation Staff	20.05%	20.09%

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 has worked closely with Brompton Asset Management LLP and its predecessor 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 AFM has assessed performance of the fund net of all the charges that are outlined in its prospectus. The objective of the fund is of capital growth and should be considered against its benchmark. The performance for 2019 is presented below along with the results of the fund since its inception.

To show long-term capital growth, the total returns generated are shown on the table below this is after operating costs, including the fee paid to the investment manager, and transaction costs which vary depending on the class of shares, this is discussed more in the Classes of Units section below.

	2019 performance	Annualised 3 year performance
A Accumulation Retail	18.52%	5.82%
B Accumulation Staff	18.76%	5.90%

3. AFM costs - general

The costs (in £) charged during the year ended 31 December 2019 were as follows:

Authorised Corporate Director fee	25,882 (VAT exempt)
Investment Manager fee	754,334 (VAT exempt)
Depository fee	58,426 (VAT inclusive)
Audit fee	6,752 (VAT inclusive)
FCA fee	62 (VAT exempt)
Safe custody and transaction fees	13,863 (VAT exempt)
Total costs	859,819

Income for the year (capital and revenue) less costs was £19,820,021; there was no taxation.

The prospectus does allow for a dilution levy charge. 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

Some fees, are charged as a fixed amount, whilst other fees (such as the depository fee) have a sliding scale of rates which decrease as the fund reaches certain sizes. This methodology could result in

savings that are made as a result of the increased growth of the fund and AFM, such as reduced Depository fees being passed on to the investors.

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 2 share classes (accumulation for the Class A and Class B shares), available figures are given below. Each class of shares has its own rates for charges as detailed in the table below, with 2019 having the lowest percentage of operating charges thus far.

	At and for the year ended		
	31 Dec 2019	31 Dec 2018	31 Dec 2017
Operating charges			
A Class	1.27%	1.44%	1.47%
B Class	1.07%	1.24%	1.27%

The Class B shares are only available to the staff of the sponsor, and the Investment management charges made to each share class is as follows: A Class 0.65%, B Class 0.45%.

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 the shareholders of VT Grosvenor Adventurous Fund Fund A and B are receiving good value.

29 April 2020