

Statement by the Authorised Fund Manager (AFM) to the shareholders of The VT icf Absolute Return Portfolio on the outcome of the AFM's assessment of the value provided to shareholders

For the year ended 31 March 2020

This assessment is to establish what The VCT icf Absolute Return Portfolio (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 icf management limited.

The Fund was launched on 6 August 2010.

The objective of the Fund is to achieve a consistent absolute return over the long term irrespective of market conditions.

The Fund will invest in a diverse mix of absolute return oriented collective investment schemes. The Fund may also invest in listed closed-end funds, transferable securities, cash deposits and money market funds.

	At and for the year ended¹				
	31 March 2020	31 March 2019	31 March 2018	31 March 2017	31 March 2016
Class F Net Accumulation					
Value of fund	£2,632k	£4,362k	£4,582k	£4,747k	£4,679k
Shares outstanding	2,339k	3,646k	3,811k	3,906k	3,971k
NAV per share	112.54p	119.64p	120.23p	121.52p	117.84p
Net gains/(losses)					
Capital gains/(losses)	(£89k)	£30k	£5k	£202k	£7k
Total Net gains/(losses)	(£82k)	£47k	£16k	£214k	£23k

1 Sources of data is Valu-Trac Administration Services

The Fund does not have a specific benchmark. However, the performance of the Fund can be assessed by considering whether the objective is achieved (i.e. whether there has been capital growth and income over the long term (+5 years)).

**Cumulative loss for
5 years to 31 March
2020**

NAV per share (5.2%)

There has been no income over the past 5 years

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 past few years 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 icf management limited to coordinate mailings such as annual letters 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 to achieve a consistent absolute return over the long term irrespective of market conditions.

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.

	2020 performance	Annualised 5-year performance
Class F Net Accumulation	(5.93%)	(1.04%)

(Note, that as at 30 July 2020, the NAV had increased back to 120.78p, which is a 2.7% increase on the value at 31 July 2015)

3. AFM costs - general

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

Investment manager's fee	17,819 (VAT exempt)
ACD fee	12,594 (VAT exempt)
Depository fee	18,136 (VAT inclusive)
Audit fee	6,957 (VAT inclusive)
FCA fee	42 (VAT exempt)
Safe custody and transaction fees	1,509 (VAT inclusive)
Total costs	57,057

Loss for the year (capital and revenue) including costs was £139k; there was no taxation.

There were no preliminary charges or redemption charges during the year.

The need to charge a dilution levy will depend on the volume of sale and redemptions. The ACD may charge a discretionary 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, and if charging a dilution levy is, so far as practicable, fair to all shareholders and potential Shareholders. In particular, the dilution levy may be charged in the following circumstances:

- i. where over a dealing period the Fund has experienced a large level of net sales or redemptions relative to its size;
- ii. on "large deals". For these purposes are deals in respect of Shares exceeding the sum of £15,000 in value (or, in respect of Shares denominated in US dollars, \$15,000); and
- iii. where the ACD considers it necessary to protect the interests of the Shareholders.

Economies of scale

Some fees, such as the ACD element of the Investment management fee, are charged as a fixed amount. This methodology could result in savings that are made as a result of the increased growth of the Fund and AFM.

4. 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.

5. 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.

6. Classes of units

The operating charge for the single class of shares over the past 5 years is as noted below.

	At and for the year ended				
	31 March 2020	31 March 2019	31 March 2018	31 March 2017	31 March 2016
Operating charges	2.48%	2.07%	2.13%	2.23%	2.25%

The IM fee is charged at 0.50% of the fund value, which is a competitive rate for comparable funds.

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; that following a very poor final quarter in 2020, caused by the Covid-19 pandemic, the NAV per share has now risen back above its 2019 closing value and shows a positive performance of 2.7% since July 2015. Steps have also been taken to grow the assets and investors are now seeing the benefit of this with the Fund size at 30th July being now back over £4m so the downward trend in the OCF from 2015 to 2018 (a consistently positive trend for shareholders) has resumed. It is therefore concluded that the shareholders of the VT icf Absolute Return Portfolio are receiving good value.

31 July 2020