

Statement by the Authorised Fund Manager (AFM) to the shareholders of the VT KMGIM Medium High Risk on the outcome of the AFM's assessment of the value provided to shareholders
For the period ended 31 May 2020

This assessment is to establish what the VT KMGIM Medium High Risk (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 KMG Investment Management Limited.

The Fund was launched on 1 November 2019

The investment objective of the Fund is to achieve capital growth over the long term (5-7 years) with an emphasis towards higher risk assets such as equities and a lower focus towards lower risk assets such as cash and fixed income.

The Fund will seek to achieve its objective by investing primarily (70%+) consisting of a range of OEICs, unit trusts, other collective investment vehicles (including exchange traded funds and funds managed and/or operated by the ACD) providing exposure to asset classes which are diversified globally including equities, fixed income, money market instruments, cash, property and commodities. The portfolio will be diversified across 20 – 50 holdings. Equity exposure within the portfolio will vary between 40% and 85%.

The Fund may also invest in other transferable securities, money market instruments, deposits, cash and near cash.

The Fund will invest in both active and passive (that is those investments which aim to track the performance of various financial indices) investments to achieve its objective.

Save as noted above, the Fund will not have any particular geographic, industry or economic sector focus and as such weightings in these may vary as required.

	At and for the period ended^{1,2}
	31 May 2020
Value of Fund	
Class A (Accumulation)	£3,049k
Shares outstanding	
Class A (Accumulation)	3,104k
NAV per share	
Class A (Accumulation)	98.25p
Dividend per share	
Class A (Accumulation)	0.40p
Capital (losses)	(£153k)
Total net (losses)	(£99k)

1 Sources of data is Valu-Trac Administration Services

2 Period from 01 November 2019 to 31 May 2020

The Fund does not have a specific benchmark. Although the Fund has been in existence for less than 1 year, an indication of the performance of the Fund can be assessed by considering what has been achieved in the time since launch.

	Cumulative (loss) to 31 May 2020
(Decrease) in NAV per share	
Class A (Accumulation)	(1.75%)

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. The AFM works closely with KMG 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.

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 capital growth over the long term (5-7 years).

To show 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
Class A (Accumulation)	(1.75%)

The poor performance for the Class A (Accumulation) class in 2020 was caused by the fall in value of the holdings in the last quarter of the financial year due to the Covid-19 pandemic. By 2 September 2020, the NAV per share had risen to 103.38p, an increase of 5.2% since 31 May 2020.

3. AFM costs - general

The costs (in £) charged for the period from 01 November 2019 to 31 May 2020 were as follows:

ACD fee	22,585 (VAT exempt)
Depository fee	10,385 (VAT inclusive)
Audit fee	6,000 (VAT inclusive)
FCA fee	91 (VAT exempt)
Safe custody and transaction fees	1,384 (VAT exempt)
Total costs	40,445

Loss for the year (capital and revenue) less costs was £151k; there was no taxation. Costs are rebated by the investment manager to ensure that the total ongoing charges equate to 1.00% of the net asset value of the Fund. The rebate totalled £32,534 during this period.

There were no preliminary charges or redemption charges paid by shareholders during the period.

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

Due to the rebate paid by the investment manager, year on year the ongoing fees will be a maximum of 1.00% of the net asset value of the Fund, meaning that investors are certain of the maximum charges made each year. However as the fund grows, with an IM fee of only 0.35% (see paragraph 7 below), the fund could benefit by ongoing charges of less than 1.00% as many of the costs are fixed, staged (dependent on the size of the fund) or increase annually by the rate of inflation.

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

The annualised operating charge for the share class since inception are:

At and for the period from 01 November 2019 to 31 May 2020

Class A (Accumulation)	1.00%
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The Investment Management fee is currently at 0.35%. The Investment Manager has, with the agreement of the ACD, undertaken that if the total ongoing charges figure ("OCF") of the Fund exceeds 1.00% the Investment Manager shall reimburse the Fund for an amount which, when deducted from the operating costs incurred by the Fund during the relevant accounting period, would result in the Fund having a total OCF equal to 1.00% in the relevant accounting period.

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; it is considered that holders of Class A (Accumulation) shares are receiving good value.

29 September 2020