

ASSESSMENT OF VALUE

Statement by the Authorised Fund Manager for the year to 30 September 2022 to the shareholders of

Moray Place Investment Company

This document assesses the value that Moray Place Investment Company (MPIC) has delivered to its shareholders in return for the charges that they have paid.

Valu-Trac Investment Management Limited (Valu-Trac) is both the Authorised Fund Manager (AFM) and Authorised Corporate Director of the company. Valu-Trac has delegated responsibility for managing MPIC's investments to Hollis Capital Limited, the investment manager.

The AFM's assessment has been conducted against the seven factors outlined by the FCA. The Company has been rated via a 'traffic light' system, where green (G) indicates good value, amber (A) room for improvement, and red (R) poor value. The dashboard below shows an overall summary of the assessment.

	Quality of service	Investment returns	Costs	Economics of scale	Comparable market	Comparable services	Share classes	Overall
Moray Place Investment Company	● G	● G	● G	● G	● G	● G	● G	● G

Note the traffic light system was introduced in 2022, and while there were no ratings in last year's assessment, the conclusion last year was that the shareholders of Moray Place Investment Company were receiving good value.

Introduction

MPIC is intended to be a long-term investment vehicle for like-minded individuals. It is low-cost, straightforward and avoids conflicts of interest.

Quality of service

- MPIC is managed according to its *Guiding Principles*, reiterated in each annual report.
- MPIC is, and is intended to remain, the investment manager's only client.
- MPIC does not solicit for new business.
- The investment manager meets every potential shareholder before they invest in MPIC.
- The AFM constantly monitors the cost of administrative service. For instance, it has twice changed the custodian bank, on each occasion lowering fees. The AFM has concluded that the Company is receiving good value for the services provided by each party. Detailed analysis of our work can be provided on request.
- One measure of administrative service is the timing of the publication and receipt of the interim and annual reports. Hard copies of both reports are published and posted to all MPIC shareholders within five weeks of their period ends.
- The AFM believes that existing shareholders are good arbiters of the quality of service provided by MPIC. Shareholders' perception of the quality of service they receive is reflected in their rate of redemptions from MPIC. A summary of redemptions in the last five years is shown below:

Year to 30 September	2018	2019	2020	2021	2022
Gross redemptions as % of net assets	Nil	Nil	0.2%	Negl.	Nil

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Investment returns

- MPIC's objective is to protect and then increase the purchasing power of its shareholders' capital. The investment manager believes that results should be evaluated over a full economic cycle. For simplicity, the investment manager comments on results over at least five years.
- The AFM assesses the Company's investment returns, after deducting all charges, in relation to this objective. While MPIC does not have a formal benchmark, its annual report shows returns against three comparators. This is shown below:

	Cumulative gain to 30 Sept 2022		
	5 years	10 years	Inception (15 May 2012)
NAV per accumulation share	33%	169%	180%
Comparators			
UK Consumer Price Index	19%	28%	29%
Index of the annual yield on the longest dated gilt	6%	23%	25%
FTSE All-Share Total Return Index	11%	79%	93%

- Thus far returns have been satisfactory against all three comparators over all relevant time frames.
- The AFM also assessed the risks taken in achieving the above returns and is satisfied that no excessive risk was taken. Detailed analysis of our work can be provided on request.

Costs

- The AFM assesses whether the costs and charges incurred by the Company are reasonable.
- The costs incurred by shareholders in the year to 30 September 2022 are summarised below:

	£'000	% of average net assets
Authorised Corporate Director	22.4	0.02%
Investment manager	478.3	0.37%
Underlying costs of investment trust holdings	65.5	0.05%
Depositary	44.0	0.03%
Custodian	11.0	0.01%
Auditor	6.3	0.01%
Ongoing charges	627.5	0.49%
Total transaction costs	33.5	0.03%
Total costs of ownership	661.0	0.52%

- There are no preliminary charges or performance fees. Shareholders are subject to redemption fees if they sell their shares within five years of purchase. (This fee is paid to MPIC to compensate existing shareholders. It is not paid to the AFM or investment manager.)
- The AFM believes that the overall cost of ownership is reasonable for the service provided, especially when considered in relation to the size of the Company.

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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 savings have been made this has been passed on to shareholders.
- Shareholders have benefited from economies of scale as MPIC's value has grown. The Authorised Corporate Director's fee is fixed and does not rise with MPIC's net assets. Both the investment manager and depositary have break points on their fees as asset values rise. For instance, the investment manager's fee on MPIC's net assets is 0.5% up to £20m, 0.35% between £20m and £150m, and 0.3% thereafter.
- Ongoing charges for the last five years are shown below:

Year to 30 September	2018	2019	2020	2021	2022
Value of company (£m)	81.0	92.2	93.0	121.3	128.6
Ongoing charges (%)	0.49	0.47	0.46	0.45	0.49

- Note: the Investment Association changed its definition of ongoing charges in 2022. The figure now includes the underlying costs of investment trust holdings. By the previous definition the ongoing charges for 2022 was 0.44%.

Comparable market rates

- The AFM assesses the Company's charges in relation to comparable investment vehicles.
- The AFM continually monitors and reviews all costs. The AFM has compared MPIC's overall costs to the 10 largest active equity-only and absolute return open-ended investment companies (OEICs), based in the UK. Of the 10 largest OEICs, the AFM calculates that the median ongoing charges ratio is 0.88% and the median total cost of ownership is 0.98%. MPIC's 0.49% ongoing charges ratio and 0.52% total costs of ownership are lower than all these large comparators.

Comparable services

- The AFM assesses whether the Company's services and their costs are comparable to those of the other investment vehicles it services.
- The AFM offers investment management and administration services to a wide range of investment vehicles. The services provided to, and the costs incurred by, the Company are comparable with these.
- Having considered the fees and services of the Company in relation to those of other investment vehicles the AFM provides comparable services to, it is satisfied that they are appropriate.

Share classes

- The AFM assesses whether shareholders are invested in the share class that is appropriate for them.
- As the Company only has accumulation and income shares in a single class of share, all shareholders are subject to the same fees and operating costs and receive the same level of service. Consequently, it is the AFM's assessment that all shareholders are treated equally in all respects.

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Conclusion

- As mentioned in the introduction, we have rated the Company based on a ‘traffic light assessment system. This is shown in the table below, where green (G) indicates good value, amber (A) indicates room for improvement, and red (R) indicates poor value.

	Quality of service	Investment returns	Costs	Economics of scale	Comparable market	Comparable services	Share classes	Overall
Moray Place Investment Company	● G	● G	● G	● G	● G	● G	● G	● G

- The AFM believes that all shareholders of MPIC receive a good quality of service, at relatively low costs and are treated equitably. Thus far the investment returns have been satisfactory, although that cannot be guaranteed in future.
- Having assessed the justification of the payments out of the scheme property in the context of the overall value delivered to shareholders the AFM concludes that every shareholder of MPIC has received good value.

11 January 2023