

## Assessment of Value

Statement by the Authorised Fund Manager for the year to 30 September 2019 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.

#### 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 quality of administrative service. For instance, it has twice changed the custodian bank, on each occasion improving service quality while lowering fees.
- 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 a month 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:

Financial year to 30 September	2015	2016	2017	2018	2019
Gross redemptions as % of net assets	Nil	Nil	Nil	Nil	Nil

#### 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.
- MPIC does not have a formal benchmark. Its annual report shows returns against three comparators:

	<b>Cumulative gain to 30 Sept 2019</b>	
	<b>5 years</b>	<b>Since inception</b> <i>(15 May 2012)</i>
<b>NAV per accumulation share</b>	92%	146%
<b>Comparators</b>		
UK Consumer Price Index	8%	13%
Index of the annual yield on the longest dated gilt	12%	22%
FTSE All-Share Total Return Index	39%	89%

- Thus far returns have been satisfactory against all three comparators over both relevant time frames.

## Costs

- The costs incurred by shareholders in the year to 30 September 2019 are summarised below:

	<b>£'000</b>	<b>% of average net assets</b>
Authorised Corporate Director	21.3	0.02
Investment manager	335.4	0.39
Depositary	37.8	0.04
Custodian	6.8	0.01
Auditor	5.7	0.01
FCA	0.1	negl.
<b>Ongoing charges</b>	<b>407.1</b>	<b>0.47</b>
Total transaction costs	23.3	0.03
<b>Total costs of ownership</b>	<b>430.4</b>	<b>0.50</b>

- 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.)
- 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 charges 0.5% on MPIC's net assets up to £20m and 0.35% thereafter. Average costs as a proportion of MPIC's net assets have fallen each year. The last five years are below:

Financial year to 30 September	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Value of company (£m)	34.2	51.4	68.7	81.0	92.2
Ongoing charges (%)	0.61	0.58	0.51	0.49	0.47

- The AFM continually monitors and reviews all costs. The AFM has compared MPIC's overall costs to the 10 largest actively managed equity and total return open-ended investment companies (OEICs) in the UK. Of the 10 largest OEICs, the median ongoing charges ratio is 0.80% and the median total cost of ownership is 1.06%. MPIC has an ongoing charges ratio lower than all of these large comparators.
- The AFM manages other OEICs which receive comparable services at comparable costs.

## Share classes

- Shareholders can own MPIC Income or Accumulation shares. All shareholders are treated equally and pay the same costs.

## Conclusion

- 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.

Anne A Laing CA

Chief Executive

Douglas J Halley

Independent Non-Executive Director

31 January 2020