

Statement by the Authorised Fund Manager (AFM) to the shareholders of VT Oxeye Hedged Income Option Fund 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 VT Oxeye Hedged Income Option 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 Oxeye Capital Management Limited.

The fund was launched on 1 July 2016.

The investment objective of The VT Oxeye Hedged Income Option Fund is to achieve income and potential capital growth. Capital is in fact at risk, and there is no guarantee that the investment objective will be achieved.

The Fund will invest in derivative instruments, principally through the use of futures and options strategies, involving the sale of 'strangles' on the leading UK index. The Fund may also invest in individual equities assessed on a long term valuation approach and in cash.

Derivatives will be used for both investment purposes and efficient portfolio management.

	At and for the year ended ¹			
	31 March 2020	31 March 2019	31 March 2018	31 March 2017(period)
Net Distributing Units				
Value of fund	£2,862k	£3,888k	£5,076k	£5,055k
Shares outstanding	4,868k	4,868k	4,944k	5,000k
NAV per share	58.78p	79.86p	102.66p	101.10p
Dividend per share	-p	-p	-p	-p
Net gains/(losses)				
Capital gains/(losses)	(£924k)	(£1,011k)	£202k	£172k
Total net gains/(losses)	(£921k)	(£1,009k)	£202k	£172k

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 income is provided and if there is capital growth).

Cumulative loss to 31 March 2020
Since inception

Decrease in values of NAV per share (41.22%)

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 Depositary 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 last couple of 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 Oxeye Capital Management 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 two-fold; long-term capital growth and rising level of income, so the performance for 2020 is presented below along with the results of the previous four years.

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.

	2020 performance	Annualised performance since inception
Share class	(26.4%)	(8.7%)

3. AFM costs - general

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

Investment manager's fee	10,398 (VAT exempt)
ACD fee	25,188 (VAT exempt)
Depository fee	18,136 (VAT inclusive)
Audit fee	8,144 (VAT inclusive)
FCA fee	61 (VAT exempt)
Legal & professional fees	4,877 (VAT inclusive)
Safe custody and transaction fees	38,123 (VAT inclusive)
Total costs	104,927

Loss for the year (capital and revenue) less costs was £1,026k; there was no taxation.

There were no preliminary charges, redemption charges or dilution levies paid by shareholders during the year.

It should be noted that the prospectus does allow for a dilution levy charged on transactions into or out of the fund if:

- a) the Fund is in continual decline
- b) where over a dealing period a Sub-fund has experienced a large level of net sales or redemptions relative to its size;
- c) on "large deals". For these purposes, a large deal means a deal worth 10% or more of the size of the Sub-fund;
- d) where the ACD considers it necessary to protect the interests of the Shareholders of the Company.

Economies of scale

Some fees, such as the ACD element of the IM 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
Operating charges	1.91%	1.64%	1.76%	2.05%

The IM fee is charged at 1.00% of the fund value.

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 the performance of the fund and the lack of income generated leads us to conclude that the shareholders of VT Oxeye High Income Option Fund are not receiving good value. However, this is a Qualified Investor Scheme only available to experienced investors.

31 July 2020