

Statement by the Authorised Fund Manager (AFM) to the shareholders of the Prestney Fund on the outcome of the AFM's assessment of the value provided to shareholders

For the year ended 31 May 2020

This assessment is to establish what the Prestney 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 Managers are both Veritas Investment Management LLP and Valu-Trac.

The fund was launched on 17 May 2002.

The investment objective of the Company is to provide long term capital growth principally through a diversified holding of securities. The Company will aim to generate superior investment returns through investing in what it believes to be quality companies and bonds worldwide. There will be no particular emphasis on any industry sector. From time to time, the Company may invest in collective investment schemes, money market instruments, deposits and warrants, cash and near cash, derivatives and forward transactions and other investments to the extent that each is permitted by the Regulations.

	At and for the year ended ¹				
	31 May 2020	31 May 2019	31 May 2018	31 May 2017	31 May 2016
Net Income Shares					
Value of fund	£14,837k	£14,368k	£14,196k	£14,024k	£12,022k
Shares outstanding	742k	761k	761k	761k	761k
NAV per share	2,000.16p	1,889.26p	1,866.66p	1,580.86p	1,621.35p
Dividend per share	22.10p	17.24p	23.56p	29.88p	21.59p
Net gains/(losses)					
Capital gain/(losses)	£816k	£169k	£186k	£1,998k	(237k)
Total Net gain/(losses)	£1,108k	£424k	£483k	£2,339k	17k

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 over the long term (+5 years)).

**Cumulative gain for 5
years to 31 May 2020**

NAV per share

43%

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 Saffery Champness 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 Veritas Investment Management LLP 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 provide long-term capital growth. For the purpose of this report, this is considered to be 5+ years 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	5-year performance
Net Income Share class	7.04%	38.72%

Total return basis has distributions added back in for the share class.

3. AFM costs - general

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

Investment manager's fee	87,277 (VAT exempt)
ACD fee	8,500 (VAT exempt)
Depository fee	17,930 (VAT inclusive)
Audit fee	7,800 (VAT inclusive)
FCA fee	107 (VAT exempt)
Safe custody and transaction fees	(2,855)(VAT exempt)
Total costs	118,759

The rebate in custody fees stems from the change in custodian from BNY to RBC discussed above, whereby the final settlement to BNY was over-accrued in the previous period. This is a one-off rebate and will not recur in future periods.

Income for the year (capital and revenue) less costs was £982k; there was overseas withholding tax of £15k.

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:

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 the Company is in continual decline; on 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 5% of the Net Asset Value of the Company); 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.

Economies of scale

Some fees, such as the ACD element of the IM fee and the Audit fee, are charged as a fixed amount (see Classes of units section below). 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 May 2020	31 May 2019	31 May 2018	31 May 2017	31 May 2016
Operating charges	1.00%	1.03%	1.12%	1.11%	1.17%

In the Prospectus, the IM fee is charged at 1.00% of the fund value. However, part of this is then rebated back to give the IM fee a charge of 0.7% of the assets under the management of Veritas Investment Management LLP.

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 shareholders of the Prestney Fund are receiving good value.

29 September 2020