

Statement by the Authorised Fund Manager (AFM) to the shareholders of the VT Proprietary Fund 1 on the outcome of the AFM's assessment of the value provided to shareholders

For the year ended 29 February 2020

This assessment is to establish what the VT Proprietary Fund 1 (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 also Valu-Trac.

The Fund was launched on 19 February 2014.

The Fund's objective is to achieve growth in capital and income.

The Fund will principally invest in a global portfolio of stocks. It may also invest in, equities, bonds, collective investment schemes, deposits, cash and near cash.

The Fund has no specific limits on exposures to any geographic area or market sectors.

The Fund can use derivatives in accordance with the FCA Rules for the purpose of meeting its investment objective and for efficient portfolio management (including hedging) ("EPM"). The use of derivatives and forward transactions for the purpose of meeting the Fund's investment objectives may increase the risk profile of the Fund.

	At and for the year ended¹				
	29 Feb 2020	28 Feb 2019	28 Feb 2018	28 Feb 2017	29 Feb 2016
Shares (Class A Net Income)					
Value of fund	£6,701k	£6,865k	£7,579k	£7,874k	£6,390k
Shares outstanding	5,916k	5,951k	6,369k	6,559k	6,555k
NAV per share	113.27p	115.38p	119.01p	120.06p	97.48p
Dividend per share	4.46p	4.84p	4.29p	4.61p	3.42p
Net gains/(losses)					
Capital gain/(losses)	(£124k)	(£217k)	(£66k)	£1,483k	(£441k)
Total Net gain/(losses)	£212k	£150k	£288k	£1,871k	(£101k)

¹ Source 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 Fund has delivered capital appreciation together with a level of income over the long term.

	<u>Cumulative gain to 29 Feb 2020</u>
	<u>5 years</u>
Capital Increase per share	8.5%

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 FKF Accounting Limited

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 period under review 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. 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 i.e. to achieve growth in capital and income.

While over the long term (5 years) the fund has achieved growth in capital, this has not been achieved over the latter three years where capital performance has been -0.87% (to 28 Feb 2018), -3.1% (to 28 Feb 2019) and -1.8% (to 29 Feb 2020). This is partly due to the investment style of the Manager which has been focussed on "Value" rather than "Growth" assets that can deliver a suitable level of income. This investment style has been out of favour during recent times and the fund has weathered

this style impediment and the most recent Equity market turmoil relatively well, albeit at the slight expense to capital. The capability to have mixed asset class exposures, including Corporate Bonds and Gold, has provided a more balanced and diversified fund than a pure Equity portfolio, especially during periods when Equity markets fall.

In addition to the capital performance mentioned above the fund has also delivered income during a time when many of the traditional sources of income have suspended or cancelled their distributions in an unprecedented period of economic and social disruption.

On a Total Return basis, the fund has delivered 29% over the past five years, or 5.3% annualised.

	2020 performance	Annualised 5-year performance
Share class performance (Total Return*)	2.04%	5.3%

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

The fund has provided a level of income for investors which has not been at the expense of capital over the longer term. It has done this by having an exposure to Bonds which can protect when Equity markets are in a drawdown.

	2020 Distribution	Percentage Increase/(Decrease)	2016 Distribution
Share class	4.46p	30%	3.42p

3. AFM costs - general

The costs (in £) charged during the year ended 29 February 2020 were as follows:

Investment manager's fee	35,614 (VAT exempt)
ACD fee	9,996 (VAT exempt)
Depository fee	17,992 (VAT inclusive)
Audit fee	2,286 (VAT inclusive)
FCA fee	41 (VAT exempt)
Safe custody and transaction fees	795 (VAT inclusive)
Total costs	66,724

Income for the year (capital and revenue) less costs was £145k; there was no taxation.

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

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 Fund is in continual decline; on a 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 5% of the Net Asset Value of the relevant 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

Some fees, such as the ACD element of the IM fee, are charged as a fixed amount (see Class 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.

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. Class of units

The operating charge for the single class of units is noted below.

	At and for the year ended				
	29 Feb 2020	28 Feb 2019	28 Feb 2018	28 Feb 2017	29 Feb 2016
Operating charges	1.34%	1.36%	1.33%	1.36%	1.71%

The IM fee is charged at 0.5% 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 shareholders of the VT Proprietary Fund 1 are receiving good value.

30 June 2020