

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

For the year ended 30 June 2020

This assessment is to establish what VT Protean Capital Elder 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 Protean Capital LLP.

The Fund was launched on 30 August 2017.

The objective of the Fund is to generate income, with the potential for capital growth over the long term.

The Fund will aim to meet its investment objective by investing primarily in a mixture of transferable securities (which may include debt instruments and structured notes issued by major global financial institutions), financial derivative instruments and government bonds.

The Fund may also invest in collective investment schemes, money market instruments, debentures, fixed interest securities, deposits and cash and near cash.

Derivatives (that is sophisticated investment instruments linked to the rise and fall of the price of other assets) may be used for purposes of meeting the Fund's investment objectives and efficient portfolio management purposes and are expected to form a significant part of the Fund's portfolio.

There will be no particular emphasis on any geographic or industrial sector but there will be significant credit exposure to particular financial institutions through the use of swaps.

	At and for the period ended		
	30 June 2020¹	30 June 2019¹	30 August 2017 to 30 June 2018¹
Value of Fund (Per Performance record)			
A Income	£55,075k	£55,963k	£46,962k
A Accumulation	£18,394k	£17,875k	£17,151k
I Income ²	£22k	-	-
I Accumulation ²	£22k	-	-
Shares outstanding			
A Income	59,226k	56,568k	47,406k
A Accumulation	17,715k	16,889k	16,850k
I Income ²	21k	-	-
I Accumulation ²	21k	-	-
NAV per share			
A Income	92.99p	98.93p	99.06p
A Accumulation	103.84p	105.84p	101.79p
I Income ²	103.68p	-	-
I Accumulation ²	105.56p	-	-

Dividend per share

A Net Income	4.05p	3.95p	2.67p
A Net Accumulation	4.40p	4.11p	2.69p
I Net Income ²	2.15p	-	-
I Net Accumulation ²	2.16p	-	-

Net gains/(losses) before expenses

Capital gain/(losses)	(£3,995k)	£447k	£18k
Total Net gain/(losses)	(£814k)	£3,379k	£1,326k

1 Sources of data is Valu-Trac Administration Services

2 Share classes launched 11 March 2020

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 income generated (as well as some capital growth) over the long term (5+ years))

The table below demonstrates that this has been achieved on a total return basis in the first 34 months.

2 years 10 months

to 30 June 2020

Total return for the period

A Net Income (dividends added back)	3.66%
A Net Accumulation	3.84%
I Net Income (from 11 March 2020) (dividends added back)	5.83%
I Net Accumulation (from 11 March 2020)	5.56%

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 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.

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.

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; generating income with the potential for capital growth, and should be considered in the longer term (5+ years) so the performance for 2020 is presented below along with the results of the previous periods.

To show long-term capital growth, the increase/decrease in the NAVs are shown in 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
A Net Income	(6.4%)	(2.5%)
A Net Accumulation	(1.9%)	1.4%
I Net Income (since 11 March 2020)	3.7%	N/A
I Net Accumulation (since 11 March 2020)	5.6%	N/A

The performance in 2020 was impacted by the Covid-19 pandemic, however as can be seen below the dividend income has increased over the periods since inception.

The Fund has generated income and dividends have increased since 2018 as shown in the table below:

	2020 Distribution	Percentage Increase	2018 Distribution (10 month period)
A Net Income	4.05p	51.7%	2.67p
A Net Accumulation	4.40p	63.6%	2.69p
I Net Income (since 11 March 2020)	2.15p		
I Net Accumulation (since 11 March 2020)	2.16p		

3. AFM costs - general

The costs (in £) charged during the year ended 30 June 2020 were as follows:

Investment management fee	261,363 (VAT exempt)
Authorised Corporate Director fee	31,549 (VAT exempt)
Depositary fee	33,636 (VAT inclusive)
Audit fee	6,866 (VAT inclusive)
FCA fee	73 (VAT exempt)
Safe custody transaction and other fees	15,225 (VAT inclusive)
Total costs	348,712

Loss for the year (capital and revenue) less costs was (£1,217k); there was no taxation.

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

The ACD may charge a discretionary dilution levy on the sale and redemption of Shares if, in its opinion, the existing Shareholders (for sales) or remaining Shareholders (for redemptions) might otherwise be adversely affected. In particular, the dilution levy may be charged in the following circumstances:

- (a) where a Fund is in continual decline;
- (b) on a Fund experiencing large levels of net sales or redemptions relative to its size;
- (c) on "large deals" (for these purposes, a large deal is defined as 10% of the size of the Fund); or
- (d) in any other case where the ACD is of the opinion that the interests of remaining Shareholders require the imposition of a dilution levy.

4. Economies of scale

As well as offering their service to VT Protean Capital Elder Fund, the funds can also take advantage of the rates Valu-Trac has agreed with its suppliers such as its Custodian and Depositary services, which as the funds and AFM grow could see further reductions in the costs of such items. An example of this is the change in custodian from BNYM to RBC providing better cost efficiency.

5. 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.

6. 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.

7. Classes of units

As detailed below there are 4 share classes (income and accumulation for the Class A and Class I shares), available figures are given below. Each class of shares has its own rate for investment manager charges, as detailed below,

	At and for the year ended		
	30 June 2020	30 June 2019	30 June 2018
Operating charges (A shares)	0.62%	0.63%	0.91%
Operating charges (I shares)	0.92%	N/a	N/a

The A Class shares have a 0.5% investment manager charge, whilst the I class shares have an investment management charge of 0.8% of the net asset value of those share classes. The A class shares require an initial investment of £2,000,000, whilst the I class shares require an initial investment of £100.

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 and, although the A Income shareholders have not achieved capital growth, the share class has not yet been in existence for a long-term period (5 years) and they have achieved positive total returns, and the main objective of generating income has been achieved. Consequently it is concluded that all the shareholders of VT Protean Capital Elder Fund are receiving good value.

30 October 2020