

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

For the year ended 31 December 2019

This assessment is to establish what the VT Rossie House Portfolio 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 Rossie House Investment Management LLP.

The fund was launched on 11 April 2014 with the A Net Income shares; the B Net Income shares were launched on 1 May 2014.

The Fund's objective is to achieve long term capital and income growth. The Fund will aim to meet its objectives by investing primarily, though not exclusively, in investment trusts and collective investment schemes that invest predominantly in equity securities. The Fund may also have some direct exposure to bonds and other non-equity investments, including cash, gold and derivatives.

	At and for the year ended				
	31 Dec 2019³	31 Dec 2018³	31 Dec 2017³	31 Dec 2016³	31 Dec 2015³
Value of fund					
A Net Income	£1,181k	£1,027k	£1,095k	£978k	£290k
A Net Accumulation ¹	£8,541k	£7,665k	£8,586k	£7,590k	£6,463k
B Net Income	£925k	£889k	£864k	£596k	£472k
B Net Accumulation ²	£818k	£595k	£850k	£347k	£247k
Shares outstanding					
A Net Income	819k	816k	816k	812k	266k
A Net Accumulation ¹	6,137k	6,393k	6,804k	6,793k	6,477k
B Net Income	675k	738k	666k	508k	443k
B Net Accumulation ²	611k	511k	689k	315k	249k
NAV per share					
A Net Income	144.24p	125.82p	134.23p	120.50p	108.94p
A Net Accumulation ¹	139.17p	119.90p	126.18p	111.73p	99.78p
B Net Income	137.01p	120.47p	129.57p	117.26p	106.86p
B Net Accumulation ²	133.94p	116.34p	123.37p	110.15p	99.15p
Dividend per share					
A Net Income	1.74p	1.78p	1.81p	1.47p	1.46p
A Net Accumulation ¹	1.67p	1.67p	1.69p	1.35p	1.27p
B Net Income	1.66p	1.70p	1.75p	1.43p	1.43p
B Net Accumulation ²	1.61p	1.62p	1.52p	1.34p	1.19p
Net gains/(losses)					
Capital gain/(losses)	£1,523k	(£628k)	£1,165k	£951k	203k
Total Net gain/(losses)	£1,664k	(£484k)	£1,315k	£1,061k	292k

- 1 Share class launched on 1 April 2015
- 2 Share class launched on 9 June 2015
- 3 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))

The table below demonstrates that this has been achieved on a total return basis.

	Cumulative gain to 31 Dec 2019	
	5 years	Since inception 11 April 2014
NAV per share		
A Net Income	37%	44%
A Net Accumulation (inception 1 April 2015)	-	39%
B Net Income (inception 1 May 2014)	31%	37%
B Net Accumulation (inception 9 June 2015)	-	34%

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. 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. The AFM works closely with Rossie House 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 two-fold; long-term capital growth and rising level of income, and should be considered in the longer term (5+ years) so the performance for 2019 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.

	2019 performance	Annualised 5-year performance	Annualised performance since inception of each class
A Income	16.03%	9.4%	9.3%
A Accumulation	16.08%	-	8.2%
B Income	15.11%	8.1%	8.1%
B Accumulation	15.13%	-	7.4%

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

The rising level of income can be shown to have been achieved by looking at the increase in the dividends paid in the first full year of all share classes (2016) versus 2019.

	2019 Distribution	Percentage Increase/(Decrease)	2016 Distribution
A Income	1.74p	19%	1.47p
A Accumulation	1.67p	23%	1.35p
B Income	1.66p	16%	1.43p
B Accumulation	1.61p	20%	1.34p

3. AFM costs - general

The costs (in £) charged during the year ended 31 December 2019 were as follows:

Annual Management Charge	23,704 (VAT exempt)
Depository fee	18,000 (VAT inclusive)
Audit fee	8,100 (VAT inclusive)
FCA fee	92 (VAT exempt)
Safe custody and transaction fees	(1,013) (VAT inclusive)
Total costs	48,883

The negative cost for safe custody and transactions fees is due to the transfer of custodian services to RBC Investor Services Trust and subsequent agreement of the closing liability with the previous custodian. This will not recur in future periods.

Income for the year (capital and revenue) less costs was £1,615k; 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) 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, or b) there is a large transaction, being 5% or over of the Net Asset Value of the Fund.

4. Economies of scale

Some fees, such as the ACD element of the IM 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, such as reduced Depositary fees being passed on to the investors.

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 B shares), available figures are given below. Each class of shares has its own rate for investment manager charges, as detailed below, with 2019 having the lowest percentage of operating charges so far.

	At and for the year ended				
	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015
Operating charges					
A Class	1.10%	1.24%	1.14%	1.21%	1.39%
B Class	1.90%	2.04%	1.94%	2.01%	2.19%

The A Class shares are only available to the employees and partners of the Investment Manager and certain clients of the Investment Manager at the discretion of the AFM. The A class shares have no investment manager charge, whilst the B class shares have an investment management charge of 0.8% of the net asset value of those share classes.

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 that the shareholders of VT Rossie House Portfolio Fund A and B are receiving good value.

28 April 2020