

Statement by the Authorised Fund Manager (AFM) to the shareholders of VT Seneca Diversified Growth 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 VT Seneca Diversified Growth 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 Seneca Investment Managers Limited.

The Fund was launched on 5 October 2004.

The investment objective of VT Seneca Diversified Growth Fund is to achieve long-term capital growth by investing in a balanced and well diversified portfolio of UK and International equities, and fixed interest securities including government and corporate bonds. Investments will also be made in regulated collective investment schemes, money markets and cash deposits to provide further diversification to the Sub-fund in accordance with applicable regulations.

	At and for the year ended ¹				
	31 March 2020	31 March 2019	31 March 2018	31 March 2017	31 March 2016
Value of fund					
A Accumulation	£37,250k	£42,448k	£40,115k	£43,367k	£44,040k
B Accumulation	£86,860k	£64,933k	£73,058k	£70,433k	£64,154k
N Accumulation	£78k	£104k	£119k	£93k	£52k
I Accumulation ²	-	£26,480k	-	-	-
Shares outstanding					
A Accumulation	15,919k	14,759k	15,212k	17,206k	20,571k
B Accumulation	61,005k	37,345k	46,125k	46,828k	50,535k
N Accumulation	56k	61k	76k	63k	41k
I Accumulation	-	25,147k	-	-	-
NAV per share					
A Accumulation	233.99p	287.61p	263.70p	252.05p	214.08p
B Accumulation	142.38p	173.87p	158.39p	150.41p	126.95p
N Accumulation	139.45p	170.72p	155.94p	148.45p	125.59p
I Accumulation	-	105.30p	-	-	-
Dividend per share					
A Accumulation	7.02p	8.20p	5.90p	5.36p	3.53p
B Accumulation	5.37p	6.01p	4.57p	4.08p	2.92p
N Accumulation	4.84p	5.47p	4.11p	3.69p	2.58p
I Accumulation	1.95p	2.22p	-	-	-
Net gains/(losses)					
Capital gain/(losses)	(£34,107k)	£6,867k	2,763k	£15,403k	(£6,664k)
Total net gain/(losses)	(£28,070k)	£12,200k	7,099k	£19,611k	£3,038k

¹ Sources of data is Valu-Trac Administration Services, Link Fund Solution Limited and Capita Financial Managers Limited

² Share class launched 3 August 2018 and redeemed 6 January 2020

The Fund does not have a specific benchmark. However, an indication of the performance of the Fund can be assessed by considering what has been achieved in the past 5 years.

	Cumulative gain in 5 years to 31 March 2020
Increase in NAV per share	
A Accumulation	4.90%
B Accumulation	8.30%
N Accumulation	7.00%

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. The AFM works closely with Seneca Investment Managers Limited 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.

To show capital growth, the total returns generated are shown on the table below this. The figures shown are after operating costs, including the fee paid to the investment manager, and transaction costs.

	2020 performance	Annualised 5 year performance
A Accumulation	(18.6%)	1.0%
B Accumulation	(18.1%)	1.7%
N Accumulation	(18.3%)	1.4%

The poor performance in 2020, and the 5 year performance was caused by the fall in value of the holdings in the last 6 weeks of the year due to the Covid-19 pandemic. By late June 2020, the NAV per share for the share categories had risen to: A class 272.30p B class 165.93p and N class 162.42p

3. AFM costs – general

The costs (in £'000) charged during the year ended 31 March 2020 were as follows:

Investment manager's fee	1,430 (VAT exempt)
ACD fee (Valu-trac only)	27 (VAT exempt)
Depository fee	64 (VAT inclusive)
Audit fee	8 (VAT inclusive)
FCA fee	- (VAT exempt)
Safe custody and transaction fees	2 (VAT inclusive)
Total costs	1,531k

Loss for the year (capital and revenue) including costs was £29,601k; there was no taxation.

There were no preliminary charges, redemption charges 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 Sub-fund is in continual decline; on a Sub-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 Sub-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

The Seneca funds moved over Valu-Trac Investment Management Limited on 24 May 2020. As well as offering a bespoke service to the Seneca funds, the funds can also take immediate advantage of the rates Valu-Trac has agreed with its suppliers such as its Custodian and Depository services, which as the funds and AFM grow could see further reductions in the costs of such items.

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

The operating charges for the classes of shares over the past 3 years is as noted below.

	At and for the year ended		
	31 March 2020	31 March 2019	31 March 2018
Operating charges A class	1.89%	1.84%	1.89%
Operating charges B class	1.24%	1.19%	1.24%
Operating charges N class	1.49%	1.44%	1.49%

The IM fee is currently at 1.40% for the A class shares, 0.75% for the B class shares and 1.00% for the N class. Class A has a minimum initial investment of £3,000 and top-up of £2,500, whilst class B has a minimum investment level of £100,000 and a top up of £10,000. Class N has minimum investment and top up of £1,000. Class N is open to direct investors only.

(No holdings are currently held in the institutional class (I shares), but these have a minimum investment and holding of £50,000,000, and IM fee of 0.50%).

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; it is considered that the shareholders are receiving good value.

31 July 2020