

## Statement by the Authorised Fund Manager (AFM) to the shareholders of VT Smartfund Growth Strategy on the outcome of the AFM's assessment of the value provided to shareholders

For the year ended 21 June 2020

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This assessment is to establish what VT Smartfund Growth Strategy (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 Smart Investment Management Limited.

The Fund was launched on 14 July 2014.

### Investment Objective

To provide capital growth over the long term (5 years).

### Investment Policy

The Fund will seek to achieve its investment objective through investing primarily (70%) in a diversified portfolio of collective investment schemes and other permitted investments that have a similarly diversified character such as investment companies and exchange traded funds (ETFs).

The investments will be selected to achieve a mix of growth and defensive assets. A greater proportion of the portfolio will be allocated to collective investment schemes investing in growth assets (such as shares and infrastructure securities) to provide the potential for capital growth, than to collective investment schemes investing in defensive assets (such as fixed interest and cash).

The ACD will use an asset allocation model to identify the mix of asset classes most appropriate to achieve the investment objective of this Fund, consistent with a medium to high risk profile. The ACD will select a range of investments that are suitable to achieve the asset mix recommended.

In order to provide diversification, it is expected that the portfolio will be allocated across funds managed by a number of leading investment managers (which may include funds managed and or operated by the ACD). While the ACD expects that the Fund's portfolio will be invested primarily (70%) in other collective investment schemes, the Fund may also invest in other transferable securities, money market instruments, cash and near cash and deposits where appropriate to achieve its investment objective. The ACD may also utilise derivatives for the purposes of efficient portfolio management. Use may also be made of stock lending, borrowing and other investment techniques of efficient portfolio management. Investments in global shares and collective investment schemes will not be hedged back to the pound sterling (£).

The ACD must ensure that the Fund maintains sufficient cash for the purposes of maintaining liquidity. This portion of the Fund's assets must be represented by cash or similarly liquid assets (which may include money market instruments, deposits or units in collective investment schemes) at all times.

	At and for the year ended <sup>1</sup>				
	21 June 2020	21 June 2019	21 June 2018	21 June 2017	21 June 2016
<b>Value of Fund (per Performance record)</b>					
Z Class Income GBP <sup>3</sup>	£0k	£4k	£5k	£4k	£3k
F Class Income GBP <sup>2</sup>	£23,200k	£23,359k	£26,778k	£23,459k	£18,698k

**Shares outstanding**

Z Class Income GBP	0k	3k	4k	3k	3k
F Class Income GBP	19,488k	19,474k	22,357k	19,561k	18,683k

**NAV per share**

Z Class Income GBP	0p	128.04p	127.92p	128.12p	106.85p
F Class Income GBP	119.05p	119.95p	119.77p	119.93p	100.08p

**Dividend per share**

Z Class Income GBP	1.19p	2.01p	1.57p	0.63p	0.00p
F Class Income GBP	1.76p	2.06p	1.61p	0.83p	0.00p

**Net gains/(losses) before expenses**

Capital gains/(losses)	(£263k)	£31k	(£20k)	£3,774k	(£35k)
Total net gains/(losses)	£248k	£578k	£449k	£4,049k	£164k

1 Sources of data is Valu-Trac Administration Services, Smartfund Administration Limited (for 2016)

2 Share class launched 28 November 2015

3 Z Class Income share class transferred to F Class Income on 16 March 2020

The Fund is not managed to or constrained by a benchmark, and nor does the ACD use a benchmark in order to assess performance. However, many funds sold in the UK are grouped into sectors by the Investment Association (the “IA”) (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics. In order to assess the Fund’s performance, investors may find it useful to compare the Fund against the performance of the IA Mixed Investment 40-85% Shares, which have broadly similar characteristics.

The comparable total for this benchmark for the 4 year 7 months comparable period is 30.17%.

**Cumulative gain in 4 years 7  
months to 21 June 2020**

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**Increase in NAV per share with dividends added back**

F Class Income GBP (from 28 November 2015)	25.31%
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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 to provide capital growth over the long term (5 years).

The total return for the F Class Income share class over 4 years and 7 months since its inception is disclosed in the Cumulative Gain table above. The total returns generated for 2020 and the annualised return since inception 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.

<b>Total Returns</b>	<b>2020 performance</b>	<b>Annualised performance since inception</b>
F Class Income GBP	0.7%	5.5%

The Fund has also provided growing income per share each year, except for 2020 when financial company dividends were constrained by the outbreak of the Covid-19 pandemic.

## 3. AFM costs – general

The costs (£'s) charged during the year ended 21 June 2020 were as follows:

Investment manager's fee	53,727 (VAT exempt)
ACD fee (Valu-Trac only)	21,117 (VAT exempt)
Depository fee	17,928 (VAT inclusive)
Audit fee	6,261 (VAT inclusive)
FCA fee	91 (VAT exempt)
Safe custody and transaction fees	4,579 (VAT exempt)
<b>Total costs (including capital transaction fees)</b>	<b>103,703</b>

Profit for the year (capital and revenue) including costs was £144k; there was no taxation.

There are no initial, redemption or switching charges.

The need to make a dilution levy will depend on the volume of investments and withdrawals by shareholders (creation and or redemptions of shares) and the size of the Fund. The ACD may make a discretionary dilution levy if, in its opinion, the remaining shareholders might otherwise be adversely affected. In particular, a dilution levy may be made in the following circumstances:

- 1) if a Fund experiences large volumes of redemptions relative to its size;
- 2) on “large deals” in shares (being any deal that exceeds £500,000 or, if smaller, 1% of the size of the Fund); and
- 3) in any other case where the ACD is of the opinion that the interests of shareholders would be adversely affected if no dilution levy were made.

#### **4. Economies of scale**

As well as offering their service to VT Smartfund ICVC, 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**

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

	<b>At and for the year ended</b>		
	<b>21 June 2020</b>	<b>21 June 2019</b>	<b>21 June 2018</b>
Z Class Income GBP	1.33%	1.25%	1.14%
F Class Income GBP	1.13%	1.10%	0.99%

The investment management fee is currently at 0.30% for the F class shares, which was reduced from 0.35% effective from 6 January 2020. The Z Class Income share class was closed on 16 March 2020 and the balances mandatorily converted to the F Class Income share class. Previously the Z Income share class had an investment management 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.

21 October 2020