

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

For the year ended 28 February 2020

This assessment is to establish what the Widgeon 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 15 October 2003.

The Widgeon Fund seeks to achieve long term capital growth through investment in a mix of UK and overseas securities, which may include equities, convertibles, loan stock and other debt securities, warrants, money market instruments, deposits, collective investment schemes and other investments and transactions (other than derivatives) to the extent that each is permitted by the FCA Regulations. The portfolio is constructed without reference to the composition of any stock market index.

	At and for the year ended ¹				
	28 Feb 2020	28 Feb 2019	28 Feb 2018	28 Feb 2017	28 Feb 2016
Net Income Share Class					
Value of fund	£32,587k	£32,976k	£35,883k	£34,057k	£27,359k
Shares outstanding	10,718k	11,212k	12,105k	13,174k	13,251k
NAV per share	304.03p	294.10p	296.41p	258.52p	206.47p
Dividend per share	2.70p	2.24p	2.03p	1.83p	1.80p
Net gains/(losses)					
Capital gain/(losses)	£1,123k	(£101k)	£4,960k	£6,895k	(778k)
Total Net gain/(losses)	£1,577k	(£330k)	£5,441k	£7,303k	(378k)

1 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)).

**Cumulative gain for 5
years to 28 Feb 2020**

NAV per share

43%

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 past few years 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 should be considered in the longer term (5+ years) so the performance for 2020 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.

	2020 performance	Annualised 5-year performance
Net Income Share class	4.29%	8.2%

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

3. AFM costs - general

The costs (in £) charged during the year ended 28 February 2020 were as follows:

Investment manager's fee	118,948 (VAT exempt)
ACD fee	8,500 (VAT exempt)
Depositary fee	17,992 (VAT inclusive)
Audit fee	8,100 (VAT inclusive)
FCA fee	161 (VAT exempt)
Safe custody and transaction fees	1,605 (VAT inclusive)
Total costs	155,306

Income for the year (capital and revenue) less costs was £1,421k; 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) where over a dealing period a Sub-fund has experienced a large level of net sales or redemptions relative to its size;
- (b) on "large deals". For these purposes, a large deal means a deal worth 10% or more of the size of the Sub-fund or £15,000, whichever is lower;
- (c) where the ACD considers it necessary to protect the interests of the Shareholders of the Company.

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.

4. 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. Classes of units

The operating charge for the single class of shares over the past 5 years is as 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	1.26%	1.38%	1.35%	1.26%	1.30%

The IM fee is charged at 0.35% of the fund value up to a value of £50m, and thereafter reduces to 0.25% for the value of the fund above £50m.

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 Widgeon Fund are receiving good value.

30 June 2020