

**Statement by the Authorised Fund Manager (AFM) to the shareholders of VT Teviot UK Smaller Companies Fund on the outcome of the ACD's assessment of the value provided to shareholders**

For the year ended 31 December 2019

This assessment is to establish what the VT Teviot UK Smaller Companies Fund (the fund) has delivered to you in return for the price you have had to pay.

The AFM, the Authorised Corporate Director of the fund, is Valu-Trac Investment Management Limited (Valu-Trac). The Investment Manager is Teviot partners LLP.

The fund start date was 29 August 2017, the objective of the fund is to achieve a total return (of growth and income, after fees) greater than the Benchmark Index over the long term. The Benchmark Index is the Numis Smaller Companies Index (including AIM but excluding investment Companies). The Fund will seek to achieve its investment objective by investing in a diversified portfolio of companies which shall primarily consist of small UK quoted companies. Small companies are those having a market capitalisation, at the time of purchase, equal to or lower than the largest company in the Numis Smaller Companies Index (including AIM but excluding investment companies).

The table below shows the net gains or losses for the fund since its inception on 29 August 2017, a period of just over 2 years.

	<b>At and for the year ended</b>	
	<b>31 Dec 2019</b>	<b>31 Dec 2018<sup>1</sup></b>
<b>Net gains/(losses)</b>	£	£
Capital only	16,710k	(5,085k)
Total Fund	18,670k	(3,877k)

<sup>1</sup> Period covered from 29 August 2017 to 31 December 2018

<b>Share Classes</b>	<b>At and for the year ended</b>	
	<b>31 Dec 2019</b>	<b>31 Dec 2018<sup>1</sup></b>
<b>Value of fund</b>		
Net Accumulation	£20.8m	£14.7m
Net Income	£58.2m	£35.1m
<b>Shares outstanding</b>		
Net Accumulation	14.2m	13.5m
Net Income	41.9m	33.0m
<b>NAV per share</b>		
Net Accumulation	146.07p	109.36p
Net Income	138.81p	106.40p
<b>Dividend per share</b>		
Net Accumulation	3.1025p	3.2178p
Net Income	2.9998p	3.1930p
<b>Operating charges</b>		
Net Accumulation	0.86%	0.96%
Net Income	0.86%	0.96%

<sup>1</sup> Period covered from 29 August 2017 to 31 December 2018

The ongoing charges ratio is based on the actual charges and the average NAV during the period.

Source of all data is Valu-Trac Administration Services unless otherwise stated.

The performance of the Fund compared against that of a benchmark. The Numis Smaller Companies Index has been selected as it is considered that this index most closely reflects the investments which the fund will make (and its risk/reward objectives).

The table below demonstrates that this has been achieved in the year, this is discussed more fully below.

	<b>Cumulative gain to 31 Dec 2019</b>	
	<b>FY 2019</b>	<b>Since fund inception 29/08/17</b>
<b>NAV per share</b>		
Net Accumulation <sup>1</sup>	33.6%	46.1%
Net Income <sup>1</sup>	33.3%	45.0%
<b>Comparator</b>		
Numis Smaller Companies Index	22.2%	11.7%

**Notes**

<sup>1</sup>The share classes were launched on 29 August 2017 when shares were issued at 100p each. Source of all data is Valu-Trac Administration Services unless otherwise stated.

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 Teviot Partners 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. In both periods since inception, the fund outperformed the benchmark. However, this cannot be interpreted as a guarantee that such out-performance will continue into next year nor any other period in the future.

## **3. AFM costs - general**

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

Investment Manager Fee	461,079	(VAT exempt)
Authorised Corporate Director	31,334	(VAT exempt)
Depositary	27,355	(VAT inclusive)
Custodian	8,178	(VAT exempt)
Auditor	8,117	(VAT inclusive)
FCA	58	(VAT exempt)
Legal fees	1,800	(VAT inclusive)
Total costs	<b>537,921</b>	

The fund made a profit for the year (capital and revenue) before distribution of £18,131,762. There was no taxation.

It should be noted that the prospectus allows for a dilution levy to be charged of 2.5% on all transactions into or out of the fund. This charge is reviewed monthly. In its absolute discretion the ACD may waive or reduce the dilution levy.

## **4. Economies of scale**

The AFM has assessed to what extent it has been able to achieve any savings as a result of economies of scale. Where any such savings have been made this has in every case been passed on to the shareholders. Examples of this are the sliding scale of the depositary fee in addition to reduction in depositary fees and in custody fees as a result of a review of custody providers. The fixed fee nature of the Authorised Corporate Director fee will also provide for cost efficiency savings as the assets of the fund grow. As the AFM grows its total assets across all schemes, it uses this purchasing power to benefit all schemes. The successful growth of the AFM has already facilitated this for both depositary and custody fees, which has reduced from £54,926 to £35,533.

## **5. Comparable market rates**

The AFM has compared the charges of this fund with that of comparable funds. The ACD believes that the shareholders of the fund are achieving efficient market rates as a whole. As the ACD assets grow in total it continues to strive for extra efficiencies wherever this can be achieved for all of its schemes.

## **6. Comparable services**

All shareholders of this fund are subject to the same service at the same cost. The services provided to this fund and the costs are also comparable amongst other similar funds operated by the ACD.

## **7. Classes of units**

All shareholders of this fund are treated equally with fees being identical across the classes. There are two classes of shares income and accumulation.

## **CONCLUSION**

In taking all of these criteria into consideration the ACD 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 every shareholder of VT Teviot UK Smaller Companies Fund is receiving good value.

27 April 2020