

Statement by the Authorised Fund Manager (AFM) to the shareholders of VT Thistledown Income 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 VT Thistledown Income 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 up to 3rd February 2020 was Thistledown Investment Management Limited. From the 3rd February 2020 Valu-Trac Investment Management Limited retained and carried out the Investment Management function.

The investment objective of the fund is to provide income while investing to provide some capital growth over the medium to long term .

	At and for the year ended				
	31 Dec 2019¹	31 Dec 2018¹	31 Dec 2017¹	31 Dec 2016¹	3 Nov 2015¹
Value of fund					
Z Net Income	£5.3m	£5.5m	£5.5m	£5.2m	£0.2m
Z Net Accum	£6.3m	£5.5m	£4.7m	£4.0m	-
F Net Income	£3.1m	£2.9m	£3.2m	£2.9m	-
Shares outstanding					
Z Net Income	4.0m	4.5m	4.1m	4.2m	0.2m
Z Net Accum	4.5m	4.4m	3.5m	3.3m	-
F Net Income	2.44m	2.4m	2.4m	2.4m	-
NAV per share					
Z Net Income	132.78p	120.77p	133.52p	123.28p	99.60p
Z Net Accum	139.11p	124.23p	134.95p	122.92p	-
F Net Income	129.09p	117.41p	129.82p	119.85p	-
Dividend per share					
Z Net Income	2.3404p	2.2710p	1.5988p	1.5894p	0.0140p
Z Net Accum	2.4255p	2.3098p	1.6120p	1.7132p	-
F Net Income	2.7714p	2.7054p	2.0579p	1.7682p	-
Operating charges					
Z Net Income	1.31%	1.30%	1.40%	1.38%	1.54%
Z Net Accum	1.31%	1.30%	1.40%	1.38%	-
F Net Income	0.91%	0.90%	1.00%	0.98%	-
Net gains/(losses)					
Capital gain/(loss)	£1.348m	(£1.378m)	£1.061m	£2.234m	(£0.090m)
Total Net gain/(loss)	£1.798m	(£0.957m)	£1.396m	£2.540m	£0.104m

¹ Source: Valu-Trac Administration Services

F Net Income Share Class launched 19/04/2016 Z Net Accumulation Share Class launched 04/04/2016

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

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 FKF Accounting Limited

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 Thistledown Investment Management 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

Although VT Thistledown Income Fund does not have a formal benchmark the performance can be assessed as to whether the objective is being achieved (i.e. whether there has been capital growth over the medium to long term (3-5 years)).

The table below demonstrates that this has been achieved.

	Cumulative total return to 31 Dec 2019	
	5 years	Average Annual Return
Total Return		
Z Net Income	41%	7.1%
Z Net Accum (launched 04/04/2016)	39%	9.2%
F Net Income (launched 19/04/2016)	38%	9.0%

Notes

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

3. AFM costs - general

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

Authorised Corporate Director	20,798 (VAT exempt)
Investment Management	112,528 (VAT exempt)
Depository	18,020 (VAT inclusive)
Safe Custody fee	737 (VAT exempt)
Auditor	2,580 (VAT inclusive)
FCA	63 (VAT exempt)
Other fees	4,879 (VAT exempt)
Total costs	159,605

Net income for the year (capital and revenue less expenses) was £1,626,560 which included taxation of £12,005.

There were no preliminary charges, redemption charges or performance fees paid by shareholders during the year.

It should be noted that the prospectus does not allow for redemption charges however a dilution levy can be charged on transactions into or out of the fund if any deal exceeds £500,000 or, if smaller, 1% of the size of the fund.

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 scales of both the investment manager and depository in addition to reduction in depository fees and in custody fees as a result of a review of custody providers. The fixed fee nature of the Authorised Corporate Director also provides for cost efficiency as the assets of the fund have grown. 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 depository and custody fees.

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

During the period under review, the Z class shareholders suffered operating charges of 0.4% higher than the F class shareholders, due to a higher Investment Management fee being applied to the Z class shareholders. Although the services provided to this fund and the costs are comparable amongst other similar funds operated by the AFM, it is considered that the differentiation in costs between the share

classes within the fund was not appropriate, and as a result from 1 January 2020, the differentiation in the IM fee charged was eliminated and so from 1 January 2020, the Z and F share classes will be charged exactly the same operating costs.

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 all categories of shareholders, that the anomaly between the F class shareholders and the Z class shareholders in the operating costs charged to them was not considered to be justified, and that consequently as from 1 January 2020, the F and Z categories of shareholders would be charged the same.

30 April 2020