

**Statement by the Authorised Fund Manager (AFM) to the shareholders of VT Ursus Arctos Fund 1 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 Ursus Arctos Fund 1 (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 Brooks Macdonald Asset Management Limited.

The investment objective of the fund is to provide capital growth from investment in a globally diversified portfolio of equities. The fund may also gain exposure to equities through investment in collective investment schemes. Fixed income securities may be held from time to time. No emphasis is to be placed on any particular economic or industrial sectors.

	<b>At and for the year ended</b>				
	<b>31 Dec 2019 <sup>1</sup></b>	<b>31 Dec 2018 <sup>1</sup></b>	<b>31 Dec 2017 <sup>1</sup></b>	<b>31 Dec 2016 <sup>1</sup></b>	<b>31 Dec 2015 <sup>1</sup></b>
<b>Value of fund</b>					
Net Income	£126.0m	£108.3m	£123.9m	£93.1m	£99.8m
<b>Shares outstanding</b>					
Net Income	77.3m	81.5m	84.8m	76.9m	90.1m
<b>NAV per share</b>					
Net Income	163.04p	132.96p	146.09p	121.20p	110.77p
<b>Dividend per share</b>					
Net Income	1.8269p	1.3418p	1.4908p	1.5560p	1.5632p
<b>Operating charges<sup>2</sup></b>					
Net Income	1.17%	1.17%	1.07%	1.16%	1.06%
<b>Net gains/(losses)</b>					
Capital gain/(loss)	£24.231m	(£10.664m)	£19.751m	£7.988m	£7.735m
Total Net gain/(loss)	£26.427m	(£8.847m)	£21.567m	£9.926m	£9.662m

<sup>1</sup> Source: Valu-Trac Administration Services

<sup>2</sup>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 Johnston Carmichael LLP.

These services are essential in ensuring that the fund operated efficiently and in the case of the Depositary 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 Brooks Macdonald Asset 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 the fund does not have a formal benchmark the performance can be assessed against the objective (i.e. whether there has been capital growth over the long term (5+ years)).

The table below demonstrates that this has been achieved.

	<b>Cumulative gain to 31 Dec 2019</b>	
	<b>5 years</b>	<b>Since share class inception 02/06/14</b>
<b>Increase in NAV per share</b>		
Net Income	54.2%	71.7%

### Notes

*The Net Income share class was launched on 2 June 2014 when shares were issued at 100.00p.*

*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	14,959 (VAT exempt)
Investment Manager fee	609,967 (VAT exempt)
Depositary	52,838 (VAT inclusive)
Custodian – safe custody	5,798 (VAT exempt)
Auditor	8,100 (VAT inclusive)
FCA	63 (VAT exempt)
Other fees	1,874 (VAT exempt)
<b>Total costs</b>	<b>693,611</b>

Net income for the year (capital and revenue less expenses) was £25,717,575 which included taxation of £15,490.

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 there is a large transaction, being 5% or over.

#### **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 depositary 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 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 depositary 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**

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 AFM.

### **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 and that every shareholder of VT Ursus Arctos Fund 1 is receiving good value.

30 April 2020