

Statement by the Authorised Fund Manager (AFM) to the shareholders of the VT RM Alternative Income Fund on the outcome of the AFM's assessment of the value provided to shareholders  
For the year ended 30 April 2020

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This assessment is to establish what the VT RM Alternative 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 is RM Capital Markets Limited.

The Fund was launched on 11 June 2018, with the Retail and Institutional Accumulation share classes and the Institutional Income shares.

The investment objective of the Fund is to provide income whilst preserving capital over the medium to longer term (3 to 5 years).

The Fund seeks to meet its objectives by investing primarily (70% +) in listed equities, whose primary activity or exposure is within the alternative income sector, which includes REITs and Investment Trusts which operate in areas such as Asset Lending, Direct Lending, Peer to Peer Lending, Infrastructure Debt and Equity, Property, Structured Credit Investments and Renewables.

In addition to investing in listed equities the fund may also invest in other transferable securities, bonds, money market instruments, deposits, cash or near cash.

The Fund will have a preference for investments denominated in sterling with issuers which have activities and assets within the UK, Europe, USA, Singapore or another OECD country. Other than as noted above, the sub-Fund has no particular emphasis on any geographical area or industry or economic sector.

	<b>At and for the year ended<sup>1</sup></b>	
	<b>30 April 2020</b>	<b>30 April 2019<sup>2</sup></b>
<b>Value of fund (launch date)</b>		
Retail Income (31.07.18)	£1,197k	£1,552k
Retail Accumulation (11.06.18)	£1,923k	£288k
Institutional Income (11.06.18)	£1,904k	£620k
Institutional Accumulation (11.06.18)	£1,771k	£660k
F Income (19.10.18)	£22,828k	£3,909k
F Accumulation (26.10.18)	£53,277k	1,580k
<b>Shares outstanding (launch date)</b>		
Retail Income (31.07.18)	1,296k	1,506k
Retail Accumulation (11.06.18)	1,883k	265k
Institutional Income (11.06.18)	2,040k	595k
Institutional Accumulation (11.06.18)	1,732k	608k
F Income (19.10.18)	24,352k	3,751k
F Accumulation (26.10.18)	52,770k	1,479k
<b>NAV per share (launch date)</b>		
Retail Income (31.07.18)	92.37p	103.02p
Retail Accumulation (11.06.18)	102.12p	108.39p
Institutional Income (11.06.18)	93.37p	104.10p
Institutional Accumulation (11.06.18)	102.28p	108.51p
F Income (19.10.18)	93.74p	104.20p
F Accumulation (26.10.18)	100.96p	106.83p

**Dividend per share (launch date)**

Retail Income (31.07.18)	5.08p	3.88p
Retail Accumulation (11.06.18)	5.34p	4.29p
Institutional Income (11.06.18)	5.13p	4.22p
Institutional Accumulation (11.06.18)	5.44p	4.28p
F Income (19.10.18)	5.14p	2.56p
F Accumulation (26.10.18)	5.36p	2.49p
Capital gains/(losses)	(£13,603k)	£235k
Total Net gains/(losses)	(£11,280k)	£408k

1 Sources of data is Valu-Trac Administration Services

2 The first accounting period lasted from 11 June 2018 to 30 April 2019. Individual share classes were launched as stated above.

The Fund does not have a specific benchmark. Although the Fund has not been in existence for 3 to 5 years, an indication of the performance of the Fund can be assessed by considering what has been achieved in the time since launch.

	<b>Cumulative gain/(loss) to 30 April 2020</b>
<b>Increase (decrease) in NAV per share</b>	
Retail Income (from 31 July 2018 after dividends paid)	(7.63%)
Retail Accumulation (from 11 June 2018)	2.12%
Institutional Income (from 11 June 2018 after dividends paid)	(6.63%)
Institutional Accumulation (from 11 June 2018)	2.28%
F Income (from 19 October 2018 after dividends paid)	(6.26%)
F Accumulation (from 26 October 2018)	0.96%

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. The AFM works closely with RM Capital Markets 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

The AFM has assessed performance of the Fund net of all the charges that are outlined in its prospectus. The investment objective of the Fund is to provide income whilst preserving capital over the medium to longer term.

To show income and 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.

	<b>2020 performance</b>	<b>2019 performance (part year)</b>
Retail Income (launched 31 July 2018)	(5.41%)	6.91%
Retail Accumulation (launched 11 June 2018)	(5.78%)	8.39%
Institutional Income (launched 11 June 2018)	(5.38%)	8.32%
Institutional Accumulation (launched 11 June 2018)	(5.74%)	8.51%
F Income (launched 19 October 2018)	(5.10%)	6.76%
F Accumulation (launched 26 October 2018)	(5.50%)	6.83%

The poor performance in 2020 was caused by the fall in value of the holdings in the last 6 weeks of the financial year due to the Covid-19 pandemic. At 26 August 2020, the NAV per share for the share classes had risen to: Retail Income 110.22p, Retail Accumulation 112.17p, Institutional Income 101.30p, Institutional Accumulation 112.36p, F Income 101.81p and F Accumulation 110.99p.

## 3. AFM costs - general

The costs (in £) charged during the year ended 30 April 2020 were as follows:

Investment manager's fee	171,070 (VAT exempt)
ACD fee	30,960 (VAT exempt)
Depositary fee	25,199 (VAT inclusive)
Audit fee	8,100 (VAT inclusive)
FCA fee	92 (VAT exempt)
Safe custody and transaction fees	22,453 (VAT inclusive)
<b>Total costs</b>	<b>257,874</b>

Loss for the year (capital and revenue) less costs was £11,705k; there was taxation of £167k.

There were no preliminary charges or redemption charges paid by shareholders during the year, but dilution levies of £44k were paid.

The ACD's policy is that it may require a dilution levy on the purchase and redemption of Shares if, in its opinion, the existing Shareholders (for purchases) or remaining Shareholders (for redemptions)

might otherwise be adversely affected. For example, the dilution levy may be charged in the following circumstances: where the Scheme Property of a Sub-fund is in continual decline; on a Sub-fund experiencing large levels of net purchases relative to its size; on "large deals" (typically being a purchase or redemption of Shares to a size exceeding 3% of the Net Asset Value of the relevant Sub-fund); in any case where the ACD is of the opinion that the interests of existing or remaining Shareholders require the imposition of a dilution levy.

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

Some fees, such as the audit fee, and the depositary fee are charged as a fixed amount. This methodology could result in savings that are made as a result of the increased growth of the fund and AFM, such as reduced Depositary fees being passed on to the investors.

#### **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 annualised operating charges for the share classes since inception (including the 2018/19 part year) is as noted below:

	<b>At and for the year ended</b>	
	<b>30 April 2020</b>	<b>30 April 2019</b>
Retail	0.85%	0.85%
Institutional	0.85%	0.85%
Class F	0.45%	0.45%

The Investment manager fee is currently at 0.80% for the Retail shares, 0.70% for the Institutional shares and 0.45% for Class F shares. The investment minima holding for the Retail shares is £1,000, whilst for the Institutional and Class F shares it is £1,000,000.

The Investment Manager aims to ensure that ongoing charges are maintained at a low level relative to the industry average.

In order to achieve such objective, the Investment Manager has, with the agreement of the ACD, undertaken that if the total OCF of the Fund (as calculated at the end of the relevant accounting period) exceeds 0.85% (for Class F shareholders the cap will be 0.45%), the Investment Manager shall reimburse the Sub-fund for an amount which, when deducted from the operating costs incurred by the Sub-fund during the relevant accounting period, would result in the Sub-fund having a total OCF equal to 0.85% (for Class F shareholders the total OCF will be equal to 0.45%) in the relevant accounting period.

## **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 holders of Retail, Institutional and Class F shares are receiving good value.

31 August 2020