

Statement by the Authorised Fund Manager (AFM) to the shareholders of VT Redlands Fixed Income Portfolio on the outcome of the AFM's assessment of the value provided to shareholders

For the year ended 30 April 2020

This assessment is to establish what VT Redlands Fixed Income Portfolio (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 Wellian Investment Solutions Limited.

The Fund was launched on 7 June 2017.

The objective of VT Redlands Fixed Income Portfolio is to provide capital growth.

The Fund seeks to achieve its objective primarily by investing in collective investment vehicles (including for example collective investment schemes, exchange traded funds and investment trusts) which provide exposure to fixed income strategies and assets. The Fund may also invest in other collective investment schemes, transferable securities, bonds, money market instruments, deposits, cash and near cash.

There is no particular emphasis on any geographical area or industry sector.

	At and for the year ended¹		
	30 April 2020	30 April 2019	30 April² 2018
Class A GBP Net Accumulation			
Value of fund	£52,648k	£47,026k	£38,262k
Shares outstanding	50,830k	46,114k	39,053k
NAV per share	103.58p	101.98p	97.98p
Interest per share	2.87p	2.75p	2.18p
Net gains/(losses)			
Capital gain/(losses)	(£891k)	£811k	(£1,180k)
Total Net gain/(losses)	£574k	£2,014k	(£523k)

1 Sources of data is Valu-Trac Administration Services

2 Period from 7 June 2017 to 30 April 2018

The Fund does not have a specific benchmark, nor has it been in existence for 5 years as yet. However, an indication of the performance of the Fund can be assessed by considering what has been achieved in the 2 years and 10 months since launch.

Cumulative gain to 30 April 2020
2 years 10
months

NAV per share

3.58%

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 Depositary 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 Wellian Investment Solutions 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 objective of the Fund is to generate capital growth over the long term (5 years).

To show 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.

	2020 performance	2019 performance	2018 (period) performance
Class A GBP Net Accumulation	1.6%	4.1%	(2.0%)

3. AFM costs - general

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

Investment manager's fee	81,169 (VAT exempt)
ACD fee	26,116 (VAT exempt)
Depository fee	23,630 (VAT inclusive)
Audit fee	6,900 (VAT inclusive)
FCA fee	89 (VAT exempt)
Safe custody and transaction fees	8,734 (VAT inclusive)
Total costs	146,638

Profit for the year (capital and revenue) less costs was £421k including overseas tax of £6k.

There were no preliminary charges, redemption charges or dilution levies paid by shareholders during the year.

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 5% 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 ACD element of the IM 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.

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 operating charge for the single class of shares over the past 2 years 10 months is as noted below.

	At and for the year ended		
	30 April 2020	30 April 2019	30 April (period) 2018
Operating charges	0.63%	0.75%	0.86%

The IM fee is currently at 0.20% of the fund value up to £30m, and thereafter it will be 0.10%.

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 the shareholders of VT Redlands Fixed Income Portfolio are receiving good value.

31 August 2020