

**Statement by the Authorised Fund Manager (AFM) to the shareholders of VT Tatton Oak Cautious Growth 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 VT Tatton Oak Cautious Growth 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 Tatton Investment Management Limited

The Fund was launched on 23 March 2009.

The objective of the Fund is to maximise potential total return (i.e. capital and income growth).

One measure of risk is the proportion invested in the riskiest assets, such as equities. For this Fund, over the long-term (5 years), it is expected that the proportion of the Fund exposed to equities will be approximately 45%.

In the shorter term, this weighting may be adjusted tactically as economic and market conditions dictate while not deviating by more than  $\pm 12.5\%$ .

Investment policy:

The Investment Manager will manage the portfolio in order to achieve its investment objective by investing in collective investment schemes, such as unit trusts, OEICs and closed ended schemes. The Fund may also invest in individual stocks, bonds and derivatives if considered appropriate to meet the investment objective.

The Fund will seek exposure to a diverse portfolio of assets, with a focus on passive strategies, with the overall portfolio having an equity allocation in line with that in the investment objective. Other underlying assets in the portfolio (to which there will be indirect exposure) may include bonds, commodities, property, private equity, derivatives and other instruments. Some of these investments will be denominated in foreign currencies which may or may not be hedged back to Pounds Sterling.

The Fund may also invest, at the ACD's discretion, in other transferable securities, money market instruments, cash and near cash, deposits and any other permitted asset type deemed appropriate to meet the investment objective. The Fund may also use derivatives for the purposes of efficient portfolio management.

	<b>At and for the year ended<sup>1</sup></b>				
	<b>30 April 2020</b>	<b>30 April 2019</b>	<b>30 April 2018</b>	<b>30 April 2017</b>	<b>30 April 2016</b>
<b>Value of Fund</b>					
<b>A Class (Retail) Accumulation</b>	£3,416k	£3,468k	£4,652k	£5,512k	£6,316k
<b>B Class (Retail) Accumulation</b>	£33,486k	£52,216k	£73,876k	£91,268k	£106,091k
<b>Shares outstanding</b>					
<b>A Class (Retail) Accumulation</b>	1,817k	1,810k	2,482k	2,973k	3,832k
<b>B Class (Retail) Accumulation</b>	16,546k	25,504k	37,179k	46,719k	61,441k

**NAV per share**

<b>A Class (Retail) Accumulation</b>	188.02p	191.63p	187.44p	185.39p	164.85p
<b>B Class (Retail) Accumulation</b>	202.39p	204.73p	198.71p	195.36p	172.67p

**Dividends**

<b>A Class (Retail) Accumulation</b>	0.76p	-	1.27p	1.25p	1.23p
<b>B Class (Retail) Accumulation</b>	2.45p	1.54p	2.53p	2.45p	2.42p

**Net gains/(losses)**

Capital gains/(losses)	(£1,143k)	£1,226k	£599k	£11,336k	(£3,140k)
Total Net gains/(losses)	£260k	£2,192k	£2,486k	£13,499k	(£450k)

*1 Sources of data is Valu-Trac Administration Services and Fund Partners Limited*

The Fund does not have a specific benchmark. However, an indication of the performance of the Fund can be assessed by considering what has been achieved in the past 5 years.

<b>Cumulative gain to 30 April 2020</b>
<b>5 years</b>

<b>A Class (Retail) Accumulation</b>	11.9%
<b>B Class (Retail) Accumulation</b>	15.8%

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.

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 Tatton 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

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 maximise potential total return.

To show performance the total returns generated each year are shown on the table below, this is after operating costs, including the fee paid to the investment manager, and transaction costs.

	<b>2020 perfor mance</b>	<b>2019 perfor mance</b>	<b>2018 perfor mance</b>	<b>2017 perfor mance</b>	<b>2016 perfor mance</b>
A Class (Retail) Accumulation	(1.9%)	2.2%	1.1%	12.5%	(1.9%)
B Class (Retail) Accumulation	(1.2%)	3.0%	1.7%	13.1%	(1.2%)

The poor performance in late 2020 was caused by the fall in value of the holdings in the last quarter of the financial year due to the Covid-19 pandemic. By 3 August 2020, the NAV per share had risen back up to A class: 193.99p and B class: 209.22p.

## 3. AFM costs - general

The costs (in £'000) charged during the year ended 30 April 2020 were as follows:

Investment manager's fee	330 (VAT exempt)
ACD fee	28 (VAT exempt)
Depository fee	15 (VAT inclusive)
Audit fee	6 (VAT inclusive)
FCA fee	- (VAT exempt)
Safe custody and transaction fees	15 (VAT inclusive)
<b>Total costs</b>	<b>394k</b>

Loss for the year (capital and revenue) less costs was £285k; there was taxation of £152k.

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 Fund is in continual decline; on a 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 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, 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 charges for the two classes of shares over the past 5 years is as noted below.

	<b>At and for the year ended</b>				
	<b>30 April 2020</b>	<b>30 April 2019</b>	<b>30 April 2018</b>	<b>30 April 2017</b>	<b>30 April 2016</b>
A Class (Retail) Accumulation	1.70%	1.70%	1.64%	1.61%	1.70%
B Class (Retail) Accumulation	0.95%	0.95%	0.89%	0.86%	0.95%

The AMC fee is 1.50% of the Fund value of the A class and 0.75% of the Fund value for the B class.

#### **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 Tatton Oak Cautious Growth Fund are receiving good value.

28 August 2020