

# Statement by the Authorised Fund Manager (AFM) to the shareholders of the VT Tyndall Real Income Fund on the outcome of the AFM's assessment of the value provided to shareholders

For the year ended 31 March 2020

This assessment is to establish what the VT Tyndall Real 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 Odd Asset Management Limited.

The Fund was launched on 21 September 2015.

The investment objective of the VT Tyndall Real Income Fund is to generate real income and capital growth.

The Fund will aim to meet its objectives by investing at least 50% in equities. In addition to investing directly in equities, the sub-fund may also invest in other transferable securities, collective investment schemes, money market instruments, deposits, cash and near cash.

	At and for the year ended <sup>1</sup>				
	31 March 2020	31 March 2019	31 March 2018	31 March 2017	31 March 2016 (6 months)
<b>Value of fund</b>					
Class A Net Income	£544k	£964k	£2,063k	£2,354k	£1,591k
Class A Net Accumulation	£791k	£1,216k	£2,060k	£1,265k	£601k
<b>Shares outstanding</b>					
Class A Net Income	841k	1,019k	2,124k	2,228k	1,573k
Class A Net Accumulation	1,038k	1,140k	1,960k	1,145k	589k
<b>NAV per share</b>					
Class A Net Income	64.70p	94.65p	97.11p	105.68p	101.13p
Class A Net Accumulation	76.23p	106.67p	105.12p	110.43p	102.16p
<b>Dividend per share</b>					
Class A Net Income	3.77p	3.97p	3.62p	3.61p	1.03p
Class A Net Accumulation	4.30p	4.35p	3.83p	3.54p	1.03p
<b>Net gains/(losses)</b>					
Capital gains/(losses)	(£505k)	£111k	(£289k)	£235k	£27k
Total net gains/(losses)	(£429k)	£227k	(£144k)	£334k	£67k

*1 Sources of data is Valu-Trac Administration Services*

The Fund does not have a specific benchmark. However, despite the fact that the Fund has not yet been in existence for 5 years, an indication of the performance of the Fund can be assessed by considering what has been achieved in the 4 years and 6 months since launch.

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 couple of 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 Odd 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**

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 provide generate real income and capital growth.

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.

	<b>2020 performance</b>	<b>2019 performance</b>	<b>2018 performance</b>	<b>2017 performance</b>	<b>2016<sup>1</sup> performance</b>
Class A Net Income	(27.66%)	1.56%	(4.69%)	8.06%	2.19%
Class A Net Accumulation	(28.54%)	1.47%	(4.81%)	8.10%	2.19%

<sup>1</sup> 6 month period

The figures above include the dividends paid. As is noted above, there has been a steady increase in dividend per share over the past 5 years, other than in 2020. However the 2020 dividend figures are higher than those in 2018, so the trend is of increasing dividends.

The poor performance in 2020 was caused by the fall in value of the holdings in the last 6 weeks of the year due to the Covid-19 pandemic. By July 2020, the NAV per share had risen back up to 75.71p and 89.89p respectively.

### **3. AFM costs - general**

The costs (in £) charged during the year ended 31 March 2020 were as follows:

Investment manager's fee	13,230 (VAT exempt)
ACD fee	21,634 (VAT exempt)
Depository fee	18,136 (VAT inclusive)
Audit fee	7,239 (VAT inclusive)
FCA fee	35 (VAT exempt)
Safe custody and transaction fees	3,081 (VAT inclusive)
<b>Total costs</b>	<b>63,355</b>

Loss for the year (capital and revenue) less costs was £493k; there was no taxation.

There were no preliminary charges, redemption charges 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 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 ACD element of the IM fee, and the depository fee are charged as a fixed amount. This methodology could result in savings should there be increasing 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 5 years is as noted below.

	At and for the year ended				
	31March 2020	31 March 2019	31 March 2018	31 March 2017	31 March <sup>1</sup> 2016
Operating charges	3.67%	2.78%	2.22%	2.68%	1.23%

### 1. Annualised for part year period

The investment management fee is currently at 1.00% of the fund value, and the small and decreasing value of the Fund give rise to the increasing operating charges.

## CONCLUSION

In taking all of these criteria into consideration the AFM considers that; while it is recognised that dividends have been distributed at an above inflation rate, the fall in capital value leads us to conclude that the shareholders of VT Tyndall Real Income Fund are currently not receiving good value. The situation with regard to this will continue to be monitored by the AFM.

31 July 2020