

Statement by the Authorised Fund Manager (AFM) to the shareholders of VT Sorbus Vector Fund I (Sub-fund of VT Sorbus Vector Funds ICVC) on the outcome of the AFM's assessment of the value provided to shareholders

For the year ended 30 September 2019

This assessment is to establish what VT Sorbus Vector Fund I (sub-fund) has delivered to you in return for the price you have had to pay.

The AFM is the Authorised Corporate Director of the sub-fund, Valu-Trac Investment Management Limited (Valu-Trac). The Investment Manager is Sorbus Partners LLP.

The objective of the sub-fund is to generate income and capital growth. There are two share classes in the sub-fund, A Net Income and B Net Income. A Net Income shares have a minimum criteria of £500,000. B Net Income shares are only available to the employees (and their connected persons) of the investment manager of the Sub-fund.

The table below demonstrates that this has been achieved overall since the inception of the fund.

	<b>At and for the year ended</b>			<b>Period from 21 Apr to 30 Sept 2016<sup>^</sup></b>
	<b>30 Sept 2019</b>	<b>30 Sept 2018</b>	<b>30 Sept 2017</b>	
<b>Value of sub-fund</b>	£31,640,314	£28,874,148	£26,778,036	£18,051,104
<b>Shares outstanding</b>				
A Net Income	18,592,999	15,554,074	16,414,247	12,561,886
B Net Income	3,848,148	3,768,738	3,708,999	3,555,168
<b>NAV per share</b> <i>(mid price)</i>				
A Net Income	141.7204p	149.9046p	133.4453p	112.8973p
B Net Income	144.3920p	152.7871p	135.1601p	113.8624p
<b>Dividend per share</b>				
A Net Income	2.7970p	1.2020p	0.4069p	0.1847p
B Net Income	4.3018p	2.6624p	1.4452p	0.6523p
<b>Ongoing charges</b>				
A Net Income	1.17%	1.20%	1.22%	1.45%
B Net Income	0.17%	0.20%	0.22%	0.45%
<b>Performance fee<sup>#</sup></b>				
A Net Income	Yes	Yes	Yes	Yes
B Net Income	Na	Na	Na	Na

<sup>^</sup>Sub-fund launched 21 April 2016

<sup>#</sup>The performance fee is explained and described in Appendix I of the prospectus. It is only applicable to the A Net Income share class.

The benchmark of the VT Sorbus Vector Fund I is the MSCI UK IMI Net Dividends Reinvested Index. In each of the periods stated above the sub-fund outperformed the benchmark meaning that a performance fee was payable for each one.

#### **Notes**

*The sub-fund started trading on 21 April 2016 when shares were issued at 100p each.*

*The ongoing charges ratio is based on the actual charges and the average NAV during the period.*

*Source of all data is Valu-Trac Administration Services unless otherwise stated*

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 sub-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 sub-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 sub-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 sub-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 sub-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 arranges delivery of mailings such as the contract notes, dividend vouchers and financial statements on a timely and clear basis, sending electronically where email details are provided. The AFM ensures that shareholder queries are responded to fully and promptly. Reporting is provided directly to the shareholder.

### **2. Performance**

The AFM has assessed performance of the sub-fund net of all the charges that are outlined in its prospectus. The total return for the share classes for the year under review was as follows:

A Net Income      loss of 3.59%

B Net Income      loss of 2.68%

This is after operating costs including the fee paid to the investment manager of 1.17% for the A Net Income and 0.17% for the B Net Income and transaction costs of 0.21%. It is relevant here to consider the performance of the fund from inception where it has delivered a total return of 46.3% against 32.7% for the benchmark (Inception is 21 April 2016).

### 3. AFM costs - general

The costs (in £) incurred during the year ended 30 September 2019 were as follows:

Authorised Corporate Director	21,289	(VAT exempt)
Investment manager	246,783	(VAT exempt)
Performance fee	6	(VAT exempt)
Depository	18,057	(VAT inclusive)
Custodian	1,180	(VAT exempt)
Auditor	8,144	(VAT inclusive)
FCA	74	(VAT exempt)
Other fees	3,625	(VAT exempt)
Transaction costs (capital)	884	(VAT exempt)
Total costs	<b>300,042</b>	

Income for the year (capital and revenue) was a loss of £ 566,042 before taxation of £ 18,566.

Per the prospectus the sub-fund does not charge for redemption (other than dilution charges), switching or initial charges.

### 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. An example of this is the reduction in the custodian element of the depository fees as a result of a review of custody providers. The main part of the depository fee has a minimum fixed fee until the fund reaches a size whereby it exceeds this and is then charged on a sliding scale (see section 7.3 in the prospectus). The calculation method of the depository fee and the fixed fee nature of the Authorised Corporate Director provides for cost efficiency as the assets of the sub-fund have grown. Since inception of the sub-fund the ongoing charges as a percentage of assets has reduced from 1.45% for the A Net Income class and 0.45% for the B Net Income class (for 2016) to 1.17% for the A Net Income class and 0.17% for the B Net Income class. 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 depository and custody fees.

## **5. Comparable market rates**

The AFM has compared the charges of this sub-fund with that of comparable funds. The AFM believes that the shareholders of the sub-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**

As stated above the A Net Income share class pays a 1% Investment Management fee and a performance fee. The B Net Income share class does not. All other fund costs are shared equally by all shareholders. The services provided to this sub-fund and the costs are also comparable amongst other similar companies operated by the AFM.

## **7. Classes of units**

Apart from the Investment Management fee and performance fee all shareholders of this sub-fund are treated equally. The fund has two Income share classes only.

## **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 concluded that every shareholder of VT Sorbus Vector Fund I is receiving good value.

..... Anne A Laing CA Executive Director

..... Douglas J Halley Independent Non Executive Director