

## Statement by the Authorised Fund Manager (AFM) to the shareholders of VT Tatton Blended Balanced 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 Blended Balanced 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 31 January 2018.

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 (7 years), it is expected that the proportion of the Fund exposed to equities will be approximately 60%.

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 other UCITS funds 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 balance between passive and active 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.

	<b>At and for the year ended<sup>1</sup></b>		
	<b>30 April 2020</b>	<b>30 April 2019</b>	<b>30 April<sup>2</sup> 2018</b>
<b>A Class (Retail) Accumulation</b>			
<b>Value of fund</b>	£69,537k	£43,266k	£2,956k
<b>Shares outstanding</b>	68,659k	41,306k	2,902k
<b>NAV per share</b>	101.28p	104.74p	101.86p
<b>Dividend per share</b>	1.56p	1.28p	0.24p

**Net gains/(losses)**

Capital gains/(losses)	(£3,377k)	£825k	£57k
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Total Net gains/(losses)	(£2,237k)	£1,195k	£59k
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1 Sources of data is Valu-Trac Administration Services and Fund Partners Limited

2 Period from 31 January 2018 to 30 April 2018

The Fund does not have a specific benchmark, nor has it been in existence for 7 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 3 months since launch.

**Cumulative gain to 30 April 2020****2 years 3  
months****NAV per share**

1.3%

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 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 over a 7 year period.

To show performance 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 (period) performance</b>
Class A Net Accumulation	(3.3%)	2.8%	1.9%

The poor performance in 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 105.55p.

## 3. AFM costs - general

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

Investment manager's fee	127 (VAT exempt)
ACD fee	27 (VAT exempt)
Depository fee	19 (VAT inclusive)
Audit fee	6 (VAT inclusive)
FCA fee	- (VAT exempt)
Safe custody and transaction fees	11(VAT inclusive)
<b>Total costs</b>	<b>190k</b>

Loss for the year (capital and revenue) less costs was £2,447k; there was taxation of £21k.

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 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 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 (period) 2018</b>
Operating charges	0.69%	0.61%	0.57%

The IM fee is 0.25% of the Fund value.

#### **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 Blended Balanced Fund are receiving good value.

28 August 2020