

Statement by the Authorised Fund Manager (AFM) to the shareholders of VT Tatton Blended Defensive Fund (previously VT Tatton Oak Distribution Fund) 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 Tatton Blended Defensive 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 30 January 2012.

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 25%.

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 balance between passive and active strategies, with the overall portfolio having a focus to bonds and 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.

	At and for the year ended¹				
	30 April 2020²	30 April 2019	30 April 2018	30 April 2017	30 April 2016
Value of Fund					
A Class (Retail) Income	-	£174k	£177k	£231k	£533k
A Class (Retail) Accumulation	-	£12k	£57k	£58k	£119k
B Class (Retail) Income	-	£2,846k	£5,069k	£6,417k	£9,037k
B Class (Retail) Accumulation	-	£2,239k	£2,773k	£3,996k	£4,057k
Blended Defensive Class (Retail) Income	£2,130k	-	-	-	-
Blended Defensive Class (Retail) Accumulation	£1,832k	-	-	-	-

Shares outstanding

A Class (Retail) Income	-	174k	174k	214k	517k
A Class (Retail) Accumulation	-	12k	57k	58k	96k
B Class (Retail) Income	-	2,724k	4,776k	5,761k	8,543k
B Class (Retail) Accumulation	-	1,627k	2,044k	2,869k	3,214k
Blended Defensive Class (Retail) Income	2,258k	-	-	-	-
Blended Defensive Class (Retail) Accumulation	1,919k	-	-	-	-

NAV per share

A Class (Retail) Income	-	99.91p	102.17p	107.88p	103.08p
A Class (Retail) Accumulation	-	131.59p	130.66p	134.95p	123.04p
B Class (Retail) Income	-	104.50p	106.12p	111.38p	105.78p
B Class (Retail) Accumulation	-	137.58p	135.66p	139.27p	126.23p
Blended Defensive Class (Retail) Income	94.37p	-	-	-	-
Blended Defensive Class (Retail) Accumulation	95.46p	-	-	-	-

Dividend per share

A Class (Retail) Income	1.94p	2.95p	2.35p	5.05p	5.00p
A Class (Retail) Accumulation	2.56p	3.81p	2.96p	6.12p	5.81p
B Class (Retail) Income	2.03p	3.07p	2.43p	5.19p	5.12p
B Class (Retail) Accumulation	2.69p	3.98p	3.06p	6.30p	5.92p
Blended Defensive Class (Retail) Income	1.11p	-	-	-	-
Blended Defensive Class (Retail) Accumulation	1.12p	-	-	-	-

Net gains/(losses)

Capital gains/(losses)	(£123k)	(£50k)	(£411k)	£703k	(£1,272k)
Total Net gains/(losses)	£17k	£145k	(£160k)	£1,340k	(£373k)

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

2. On 7 January 2020 the A and B Retail Class shares were transferred to Blended Defensive Class shares in proportion to the holdings held in the two share classes

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.

Cumulative gain to 30 April 2020**5 years**

A Class (Retail) Income (to 6/01/20)	5.37%
B Class (Retail) Income (to 6/01/20)	7.95%
Blended Defensive Class (Retail) Income	(4.52%)

(from 6/01/20)

A Class (Retail) Accumulation (to 6/01/20)	7.57%
B Class (Retail) Accumulation (to 6/01/20)	10.90%
Blended Defensive Class (Retail) Accumulation (from 6/01/20)	(4.54%)

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 5 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.

	2020 perform mance	2019 perform mance	2018 perform mance	2017 perform mance	2016 perform mance
A Class (Retail) Income	3.4%	0.7%	(3.1%)	9.6%	(2.8%)
B Class (Retail) Income	3.9%	1.4%	(2.5%)	10.2%	(2.1%)
Blended Defensive Class (Retail) Income	(4.5%)	-	-	-	-

A Class (Retail) Accumulation	3.4%	0.7%	(3.2%)	9.7%	(2.7%)
B Class (Retail) Accumulation	3.9%	1.4%	(2.6%)	10.3%	(2.1%)
Blended Defensive Class (Retail) Accumulation	(4.5%)	-	-	-	-

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 96.79p for Retail Income and 98.30p for Retail Accumulation.

3. AFM costs - general

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

Investment manager's fee	(7) (VAT exempt)
ACD fee	28 (VAT exempt)
Depository fee	10 (VAT inclusive)
Audit fee	6 (VAT inclusive)
FCA fee	- (VAT exempt)
Safe custody and transaction fees	5 (VAT inclusive)
Total costs	42k

Loss for the year (capital and revenue) less costs was £25k; there was no taxation.

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.

	At and for the year ended				
	30 April 2020	30 April 2019	30 April 2018	30 April 2017	30 April 2016
A Class	2.13%	2.28%	2.21%	1.72%	2.01%
B Class	1.38%	1.53%	1.46%	0.97%	1.26%
Blended Defensive Class (Retail)	0.93%				

The A class, B class and Blended Defensive Class (Retail) are all annualised for 2020.

The AMC fee was 1.50% of the fund value of the A class and 0.75% of the Fund value for the B class. On 6 January 2020, these share classes were closed and replaced with the Blended Defensive Class (Retail) share classes, which attract an AMC fee of 0.30%

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; with the change to AMC fees from January 2020 it is considered that all of the shareholders of VT Tatton Blended Defensive Fund are receiving good value.

28 August 2020