

**Statement by the Authorised Fund Manager (AFM) to the shareholders of VT Vanneck Equity Fund 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 the VT Vanneck Equity 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 Vanneck Limited.

The objective of the Fund is to generate a rising level of income and achieve long-term capital growth by investing in a concentrated portfolio of equities. At least 50% will be invested in UK equities, with the balance in global equities which may include UK equities. The investment manager will aim to achieve these objectives and spread investment risk through an actively managed and diversified portfolio of equities. This is measured over the long term i.e. 5 or more years.

	<b>At and for the year ended</b>				
	<b>30 Sept 2019<sup>2</sup></b>	<b>30 Sept 2018<sup>2</sup></b>	<b>30 Sept 2017<sup>2</sup></b>	<b>30 Sept 2016<sup>3</sup></b>	<b>30 Sept 2015<sup>3</sup></b>
<b>Value of fund</b>					
A Income	£16.5k	£16.0k	£15.5k	£14.0k	£12.0k
A Accumulation	£431.7k	£424.4k	£447.0k	£411.0k	£440.0k
R Accumulation	£2,489.5k	£2,389.5k	£2,890.9k	£3,000.0k	£2,766.0k
B Income	£23,996.2k	£18,762.2k	£21,352.8k	£19,179.0k	£15,568.0k
B Accumulation	£20,863.4k	£16,655.6k	£15,338.4k	£15,585.0k	£12,809.0k
C Accumulation <sup>1</sup>	£358.4k				
<b>Shares outstanding</b>					
A Income	10.2k	10.2k	10.1k	9.7k	9.2k
A Accumulation	187.4k	199.1k	222.7k	222.8k	285.4k
R Accumulation	1,032.3k	1,074.3k	1,385.3k	1,572.0k	1,738.9k
B Income	14,438.7k	11,716.0k	13,669.3k	12,900.1k	12,003.9k
B Accumulation	8,413.9k	7,313.0k	7,209.9k	8,040.1k	7,960.7k
C Accumulation <sup>1</sup>	342.7k				
<b>NAV per share</b>					
A Income	161.19p	156.54p	153.86p	147.50p	129.61p
A Accumulation	230.33p	213.21p	200.73p	184.21p	154.03p
R Accumulation	241.16p	222.42p	208.68p	190.86p	159.04p
B Income	166.19p	160.14p	156.21p	148.67p	129.69p
B Accumulation	247.96p	227.75p	212.74p	193.84p	160.90p
C Accumulation <sup>1</sup>	104.57p				
<b>Dividend per share</b>					
A Income	7.62p	6.65p	6.77p	7.07p	6.30p
A Accumulation	10.57p	8.82p	8.60p	8.56p	7.28p

R Accumulation	11.05p	9.18p	8.93p	8.85p	7.51p
B Income	7.82p	6.78p	6.86p	7.10p	6.29p
B Accumulation	11.37p	9.38p	9.08p	8.98p	7.58p
C Accumulation <sup>1</sup>	0.25p				

**Net gains/(losses)**

Capital gain/(losses)	£1.950m	£1.614m	£2.330m	£4.947m	(£2.741m)
Total Net gain/(losses)	£4.041m	£3.427m	£4.124m	£6.685m	(£1.199m)

*1 Share class launched on 26 July 2019 at 100p*

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

*3 Source for 2016 and 2015 is City Financial Investment Company Ltd*

The Fund does not have a specific benchmark. However, the performance of the Fund can be assessed against a comparator, FTSE 100 TR, and by considering whether the objective is achieved (i.e. whether there has been a rising level of income as well as capital growth over the long term (5+ years)).

The table below demonstrates that this has been achieved on a total return basis.

	<b>Cumulative gain to 30 Sept 2019</b>	
	<b>5 years</b>	<b>Since inception 16 May 2014</b>
<b>NAV per share</b>		
A Income	37%	39%
A Accumulation	41%	42%
R Accumulation	43%	44%
B Income	42%	45%
B Accumulation	46%	48%
C Accumulation <sup>1</sup>	n/a	4.6%
<b>Comparator</b>		
FTSE 100 TR	37%	34%

**Notes**

*1 Share class inception was 26 July 2019*

*Price at inception 16/5/14 for other shares*

<i>A Income</i>	<i>145.30p</i>
<i>A Accumulation</i>	<i>162.56p</i>
<i>R Accumulation</i>	<i>167.06p</i>
<i>B Income</i>	<i>143.96p</i>
<i>B Accumulation</i>	<i>168.14p</i>

*Total return basis has distributions added back in for the Income share class.*

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. During the period under review 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 Vanneck 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 two-fold; long-term capital growth and rising level of income, and should be considered in the longer term (5+ years) so the performance for 2019 is presented below along with the results of the previous four years.

To show long-term 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 which vary depending on the class of shares, this is discussed more in the Classes of Units section below.

	<b>2019 performance</b>	<b>Annualised 5-year performance</b>	<b>Annualised performance since inception 16 May 2014</b>
A Income	7.84%	6.4%	6.3%
A Accumulation	8.03%	7.1%	6.7%
R Accumulation	8.43%	7.4%	7.1%
B Income	8.66%	7.2%	7.1%
B Accumulation	8.87%	7.9%	7.5%
C Accumulation <sup>1</sup>	4.57%	n/a	n/a

*Total return basis has distributions added back in for the Income share class.*

The rising level of income can be shown to have been achieved by looking at the increase in the dividends paid in the first year of the fund versus 2019.

	<b>2019 Distribution</b>	<b>Percentage Increase/(Decrease)</b>	<b>2014 Distribution</b>
A Income	7.62p	240%	2.24p
A Accumulation	10.57p	319%	2.52p
R Accumulation	11.05p	327%	2.59p
B Income	7.82p	252%	2.22p
B Accumulation	11.37p	337%	2.60p
C Accumulation <sup>1</sup>	0.25p	n/a	n/a

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

The fund charges a fixed fee as detailed above, should costs exceed this amount the Investment Manager will make up the difference.

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

Annual Management Charge	289,886 (VAT exempt)
Fixed expenses	111,034 (VAT inclusive)
Transaction costs	721
<b>Total costs</b>	<b>402,641</b>

Income for the year (capital and revenue) was £4,041,232 before taxation of £26,498.

There were no preliminary charges, redemption charges or performance fees paid by shareholders during the year.

It should be noted that the prospectus does not allow for redemption charges however a dilution adjustment can be charged on transactions into or out of the fund if a) the daily total exceeds 10% of the value of the fund, or b) there is a large transaction, being 5% or over or in excess of £1 million.

### **4. Economies of scale**

Fees are charged as a fixed percentage per share class (see Classes of units section below), subject to a minimum of £40,000 per annum, the rate has not changed since 2015. This methodology could result in savings that are made as a result of the increased growth of the fund and AFM, such as reduced Depository fees, not being passed on to the investors.

However, at the same time, should the fees that the fund is paying exceed the fixed fee, this will be paid for by the Investment manager and not the investors.

### **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 other than the fixed expense model which was inherited from the previous AFM. The AFM is investigating the alignment of the fee position to that of its normal operating model.

## 7. Classes of units

As detailed below there are 7 share classes, out of these; the R Income share class has been inactive since 07 December 2017 and will not be considered below, and the C Accumulation class was launched 26 July 2019, available figures are given below. Each class of shares has its own rates for charges and minimum, as detailed in the table below.

	At and for the year ended				
	30 Sept 2019	30 Sept 2018	30 Sept 2017	30 Sept 2016 <sup>2</sup>	30 Sept 2015 <sup>2</sup>
<b>Operating charges</b>					
A Class	1.69%	1.69%	1.69%	1.69%	1.70%
R Class	1.35%	1.35%	1.35%	1.35%	1.35%
B Class	0.92%	0.92%	0.97%	0.97%	0.98%
C Class <sup>1</sup>	0.79%				

The lower fee for the C Class is due to the higher minimum investment figure required and with it being offered at a preferential rate to charities.

The fee for the B Class is lower than the A & R, due to the higher minimum investment figures that must be met, (£250k versus £10k for the A & R).

The difference in the fee amount between the A & R Share Classes, is a historic difference and there appears to be no value added in being in the A Class with the higher fee. The AFM is therefore taking steps to remediate this.

## 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 and that the shareholders of VT Vanneck Equity Fund Classes R, B and C are receiving good value. However, the shareholders of the A Class although still receiving good value, are paying a higher fee for the same level of service as the other share classes and this is being remediated.

Anne A Laing CA Executive Director

Douglas J Halley Independent Non-Executive Director

31 January 2020