

Statement by the Authorised Fund Manager (AFM) to the shareholders of the VT iFunds Absolute Return Orange Fund on the outcome of the AFM's assessment of the value provided to shareholders

For the year ended 31 January 2020

This assessment is to establish what the VT iFunds Absolute Return Orange 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 iFunds Asset Management Limited.

The fund was launched on 27 May 2011.

The Fund aims to deliver a level of return over rolling three year periods equivalent to cash (as measured by LIBOR) plus six per cent a year before fees and charges. There is no guarantee that a positive return will be achieved over this, or any period, and capital is at risk. The annualised volatility for the Fund is expected to be nine per cent per annum irrespective of general equity and bond market conditions.

The Fund will seek to achieve its investment objective primarily through investment in exchange traded funds, transferable securities, and other regulated collective investment schemes. This may include schemes or funds managed by the ACD and/or an associate.

The Fund may also invest directly in money market instruments, warrants, deposits, cash and near cash.

There is no particular emphasis on geographical area or industry or economic sector.

The Fund is permitted to use derivatives but solely for the purposes of Efficient Portfolio Management (including hedging).

	At and for the year ended				
	31 Jan 2020³	31 Jan 2019³	31 Jan 2018³	31 Jan 2017³	31 Jan 2016
Value of fund					
Class A Income ¹	£116k	£209k	£489k	£-k	£11k
Class A Accumulation	£30,065k	£31,920k	£39,383k	£33,069k	26,922k
Class B Income ²	£5,734k	£5,704k	£4,656k	£2,377k	£780k
Class B Accumulation	£1844k	£2,087k	£2,938k	£3,620k	£4,901k
Class C Income	£708k	£14,371k	£22,298k	£661k	£605k
Class C Accumulation	£887k	£1,083k	£764k	£165k	£16k
Shares outstanding					
Class A Income	90k	163k	335k	-k	9k
Class A Accumulation	22,685k	24,313k	26,440k	24,411k	21,605k
Class B Income	4,230k	4,243k	3,045k	1,697k	607k
Class B Accumulation	1,314k	1,510k	1,888k	2,569k	3,803k
Class C Income	529k	10,833k	14,779k	478k	474k
Class C Accumulation	644k	796k	496k	118k	12k

NAV per share

Class A Income	129.30p	128.23p	145.82p	133.67p	124.12p
Class A Accumulation	132.53p	131.29p	148.95p	135.47p	124.61p
Class B Income	135.57p	134.44p	152.91p	140.12p	128.34p
Class B Accumulation	140.32p	138.19p	155.60p	140.89p	128.89p
Class C Income	133.77p	132.66p	150.87p	138.27p	127.48p
Class C Accumulation	137.63p	136.06p	154.00p	139.84p	128.45p

Dividend per share

Class A Income	0.14p	0.27p	1.12p	0.00p	0.49p
Class A Accumulation	0.15p	0.31p	1.14p	0.29p	0.45p
Class B Income	0.95p	1.22p	1.84p	1.15p	0.72p
Class B Accumulation	0.98p	1.37p	1.85p	1.05p	1.21p
Class C Income	0.40p	0.67p	1.39p	0.56p	0.72p
Class C Accumulation	0.43p	0.66p	1.40p	0.56p	0.71p

Net gains/(losses)

Capital gain/(losses)	£809k	(£8,183k)	£4,178k	£3,220k	(1,574k)
Total Net gain/(losses)	£1,260k	(£7,527k)	£5,097k	£3,597k	(1,196k)

1 Share class launched on 18 February 2015 at 127.7p per share

2 Share class launched on 18 August 2015 at 128.4p per share

3 Source of data is Valu-Trac Administration Services.

The Fund does not have a specific benchmark. However, the performance of the Fund can be assessed as to whether the objective has been achieved, in section 2 below.

Cumulative gain to 31 Jan 2020**Total****Increase in NAV per share over 5 years**

Class A Income (since 18/2/15) (dividends paid excluded)	1.25%
Class A Accumulation	1.17%
Class B Income (since 18/8/15) (dividends paid excluded)	5.58%
Class B Accumulation	4.14%
Class C Income (dividends paid excluded)	(0.53%)
Class C Accumulation	2.08%

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 iFunds 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 achieve a return of cash plus 6 percent before fees and charges over a three year rolling period. The tables below show what has been achieved in the three years ended 31 January 2020, 2019 and 2018. This objective was not achieved in the latest 3 year period but had been achieved in the 2 3- year periods before that.

	Performance for 3 years to 31 Jan 2020	Performance for 3 years to 31 Jan 2019	Performance for 3 years to 31 Jan 2018
Class A Income (launch 18/02/2015)	0.93%	7.563%	N/A
Class A Accumulation	0.88%	8.49%	17.13%
Class B Income (launch 18/08/2015)	0.92%	9.42%	N/A
Class B Accumulation	0.91%	8.61%	17.17%
Class C Income	0.98%	8.65%	17.00%
Class C Accumulation	0.87%	8.45%	17.06%

Total return basis has distributions added back in for the Income share classes and fees and charges added back for all share classes..

3. AFM costs - general

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

Authorised Corporate Director fee	31,955 (VAT exempt)
Investment Management fee	227,466 (VAT exempt)
Depository fee	23,804 (VAT inclusive)
Safe Custody fee	7,063 (VAT inclusive)
Audit fee	8,078 (VAT inclusive)
FCA fee	61 (VAT exempt)
Other fees and subscriptions	7,935 (VAT inclusive)
Total costs	306,362

Net Income for the year (capital and revenue) was £953,539. There was no taxation.

The ACD currently intends to charge a dilution levy in respect of 'large deals' (which, for these purposes are deals in respect of Shares exceeding the sum of £500,000 in value) and reserves the right to charge a dilution levy based on prevailing market conditions. If the ACD charges a dilution levy it will be calculated by reference to the costs of dealing in the underlying investments of the Company, including any dealing spreads, commission and transfer taxes.

The need to charge a dilution levy will depend on the volume of sale and redemptions. The ACD may charge a discretionary dilution levy on the sale and redemption of Shares if, in its opinion, the existing shareholders (for sales) or remaining shareholders (for redemptions) might otherwise be adversely affected. In particular, the dilution levy may be charged where the scheme property is in continual decline or in any case where the ACD is of the opinion that the interests of remaining shareholders require the imposition of a dilution levy. If a dilution levy is not charged in such circumstances, this may have an adverse effect on the future growth of the scheme property.

Economies of scale

IM fees are charged as a fixed percentage per share class (see Classes of units section below. Other fees are fixed, inflation linked or reduce in rates dependent on the size of the fund. This indicates that as the fund grows in size, the actual costs of the fund per share class will reduce.

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.

4. Comparable services

The services provided to this fund and the costs are also comparable amongst other similar funds operated by the AFM.

5. Classes of units

There are 6 share classes, split between A, B and C shares both with Accumulation and Income shares

	At and for the year ended				
	31 Jan 2020	31 Jan 2019	31 Jan 2018	31 Jan 2017	31 Jan 2016
Operating charges					
A Class	1.08%	0.95%	1.02%	1.16%	1.25%
B Class	0.50%	0.37%	0.44%	0.58%	0.67%
C Class	0.88%	0.75%	0.82%	0.96%	1.05%

Class A Shares: available to all investors, minimum initial investment £5,000. Investment management fee 0.58%.

Class B Shares: available to clients of iFunds Asset Management Limited and others at the discretion of the ACD, minimum initial investment £5,000. Investment management charge 0.00%

Class C Shares: available to institutional investors and others at the discretion of the ACD, minimum initial investment £10,000,000. Investment management fee 0.38%.

CONCLUSION

In taking all of these criteria into consideration the AFM has assessed whether the payments out of the scheme property as set out in the prospectus are justified. Although in the longer term the fund has achieved its objectives, in the shorter term, this year and particularly in the final 3 months of the period, the performance of the fund has deteriorated markedly in absolute terms and in its universe, and hence it is not possible to conclude that investors in the fund are obtaining value for money.

Following careful consideration and discussions with iFunds Asset Management Limited (as investment manager of the Sub-fund) and the Company's depositary, we are closing the Sub-fund as it is no longer commercially viable. This is a situation which is expected to be exacerbated as we understand that certain large investors in the Sub-fund have plans to redeem their investments over coming months.

In light of this, and following consideration of other available options, we believe that termination will protect investors from suffering the effects of increased ongoing charges following planned redemptions and ensure an orderly wind-down is possible and so allow monies to be returned to investors in a controlled fashion. We therefore believe that the termination of the Sub-fund is in the best interests of investors.

24 August 2020