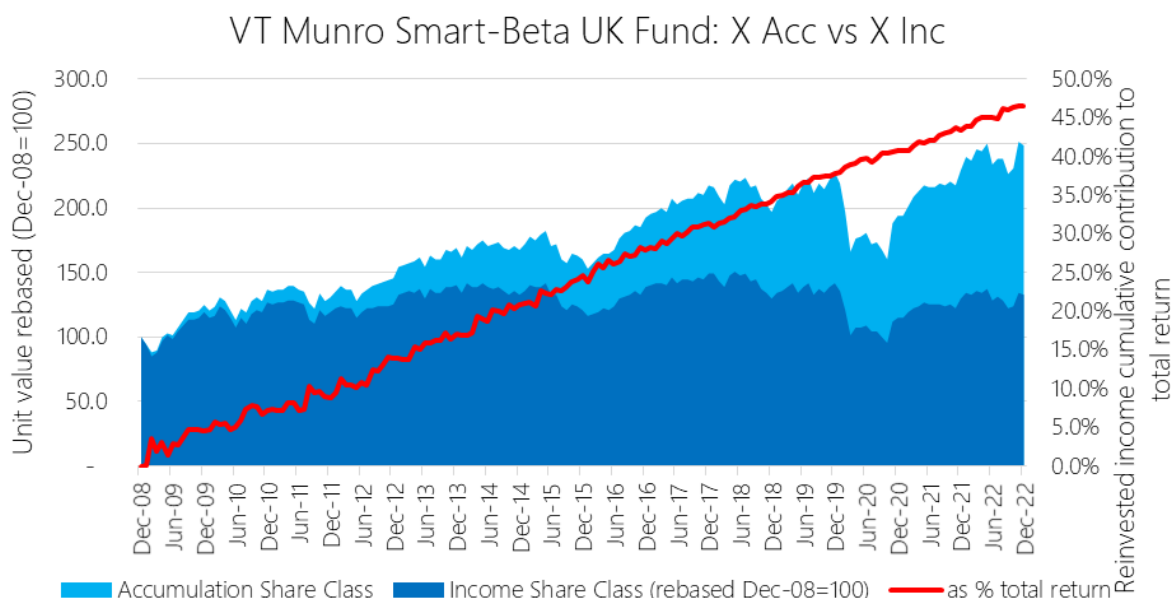


Reinvested dividends support returns

The Fund returned +8.2% in 2022 owing to the inherent bias towards income-generative companies. These companies are also “value” style companies whose valuations are typically driven more by near-term fundamentals, than long-term concepts. Furthermore, income-focused companies also tend to be more inflation resilient. This is primarily because of the sectors they operate in. The fund’s largest holdings are in income-generative companies in the Financials, Energy, Materials and Consumer Staples sectors which have greater potential to pass on inflationary pressures to their customers.

Dividend yield can help underpin returns. The Fund’s historic 12 month distribution yield was 4.9%¹. Over the long-term Dec-08 to Dec-22, the Fund’s Accumulation units have returned an annualised +6.7%p.a. As the chart shows, reinvested income has contributed a significant cumulative 46.6% to this total return over those 14 years.

Fig.1. Cumulative returns of X Acc and X Inc share classes, as at Dec-22



Source: Elston research, Bloomberg data as at Dec-22

¹ based on X Inc share class: 12 month fund distributions 4.3270p divided by 12 month average share price 88.4p as at end Jan-23

VT Munro Smart-Beta UK Fund

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This is derived from contrasting the returns of the Accumulation and Income units to understand the value of reinvested dividends.

There is growing interest in income-generative UK equity exposures in uncertain times. The Fund provides access to these exposures, with each company weighted by its contribution to overall expected dividends.

The importance of dividends to total returns should not be under-estimated.

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