

# Valu-Trac Investment Management Limited

# Annual Assessment of Value Statement as at 31 July 2023

# The VT SG Defined Return Assets Fund

#### **Fund Information**

Investment Manager:	Valu-Trac Investment Management Limited (Valu-Trac)
Authorised Fund Manager:	Valu-Trac Investment Management Limited (Valu-Trac)
Investment Objective:	The investment objective of the VT SG UK Defined Return Assets Fund is to generate capital growth over the long term.
Investment Policy:	The Fund will seek to achieve its objective primarily via exposure (indirectly by way of a swap) to a portfolio of defined return investments, namely twelve rolling up to six year autocalls (each of which will have a potential maturity date on a different calendar month each year) which are designed to provide a defined return if the FTSE 100 is at, or above, a predefined level on a specified date. Capital is at risk and there is no guarantee that a positive return will be achieved over a 12 month, or any, period. The Fund may also invest in transferable securities, bonds, money market instruments, deposits, cash and near cash.
AUM (£):	£21.8m
Fund Launch Date:	31/01/2018

Our assessment has been conducted against the seven criteria outlined by the FCA and the fund has been rated via the "traffic light" system. Where a fund may have more than one unit class, the rating shown for each of these seven criteria, at a total fund level, may be thought of as being as being an average rating, based upon the rating for each unit class, and according to the relative split of fund assets, between unit classes. The overall rating for the fund will generally be a simple average of these seven criteria, taken at the total fund level. This has been summarised within the table, below:

The VT SG Defined Return Assets Fund	AUM (%)	1	ality of ervice	Perf	ormance		/I costs - eneral	Eco	nomies of scale	mparable rket rates		nparable ervices	Classe	es of units	(	Overall
Overall	100.0%	0	G	0	G	0	G	•	G	G	0	G	0	G		G
A Net Accumulation	100.0%	0	G	0	G	0	G	0	G	G	0	G	0	G	0	G

The table below shows the overall summary for the previous assessment i.e. carried out as at 31 July 2022:

The VT SG Defined Return Assets Fund	AUM (%)	Quality of Service	Performano	AFM costs - general	Economies of scale	Comparable market rates	Comparable services	Classes of units	Overall
Overall	100.0%	G	G	G	<b>G</b>	G	G	<b>G</b>	G
A Net Accumulation	100.0%	G	G	G	G	G	G	G	G

A new methodology for determining an overall fund rating has recently been implemented. This updated methodology looks to arrive at a notional, average rating, considering the individual ratings for each of the discrete assessment criteria. This approach may differ from the approach taken previously.

# **Previous Remedial Actions**

None

# **New Remedial Actions**

• None

## **Detailed Assessment**

#### Quality of Service

The AFM has chosen to outsource the following services to third party providers:

- Investment Management services: Valu-Trac Investment Management Limited
- Depositary services: NatWest Trustee and Depositary Services Limited
- Custodian services: RBC Investor Services Trust, UK branch (RBC)
- External audit: Johnston Carmichael LLP

Other functions such as fund administration, fund accounting and transfer agency are undertaken by Valu-Trac, and all outsourced services are subject to continuous oversight.

As part of our assessment of service providers, no systemic issues have been identified as part of our ongoing due diligence, including an assessment of investment breaches, pricing errors, complaints, fund liquidity and ongoing adherence to the investment policy.

#### Conclusion:



Green

The AFM has concluded that unitholders are receiving good value, in relation to Quality of Service.

#### **Performance**

# Objective:

The investment objective of the VT SG UK Defined Return Assets Fund is to generate capital growth over the long term.

# Constraining Benchmark:

none

# Comparator Benchmark:

FTSE 100 TR

# Target Benchmark:

none

## Peer Group:

The VT SG Defined Return Assets Fund Custom Peer Group\*

\*Derived from the IA Specialist sector, with the VT SG Defined Return Assets Fund, incorporated subsequently.

### Minimum Recommended Holding Period:

5 Years

## Management Approach:

Active

The change in capital value for each available share class within the fund, is shown below:

Change in Fund Value	1 year to Jul-2023	1 year to Jul-2022	1 year to Jul-2021	1 year to Jul-2020	1 year to Jul-2019	5 years to Jul-2023
A Net Accumulation	5.0%	3.2%	14.5%	-8.9%	6.1%	20.0%

Source: Valu-Trac

The net total return and peer ranking (where available) for each available share class within the fund, together with the return of the relevant benchmark, is shown below:

Net Total Return*	1 year	3 years (avg. return per-year)	5 years (avg. return per-year)	5 years Peer Rank
Benchmark	7.8%	13.3%	3.8%	-
A Net Accumulation	5.1%	7.5%	3.7%	Highest 41%

<sup>\*</sup>To 31 July 2023

Source: Morningstar

The AFM has referred to both internal and external data sources for performance statistics, where the AFM has deemed this to be appropriate.

#### Conclusion:



Green

The fund has generated a positive capital return over the minimum recommended holding period.

The net total return of the fund is broadly in line with that of the performance comparator benchmark over the minimum recommended holding period.

The AFM has also assessed the investment risk within the Fund and has concluded that the level of investment risk taken is not out of keeping, for an actively managed Fund of this type (further details on how the AFM arrived at this conclusion may be provided upon request).

The AFM has concluded that unitholders are receiving good value, in relation to Performance.

## **AFM Costs - General**

Each unit class within the Fund has its own Annual Management Charge (AMC). The AMC may be thought of as being the amount deducted from a unit class's average net assets to pay for the investment management of that unit class; this charge will typically include a proportionate allocation from the Investment Management Fee, AFM fee and other, ancillary fees.

The current AMC of each unit class, together with the current, average AMC for the relevant, selected peer group, is shown within the table below:

Annual Management Charge (AMC)	Curi	rent
Allitual Management Charge (AMC)		Peer Rank
Peer Group	0.98%	-
A Net Accumulation	0.38%	Lowest 11%

Source: Valu-Trac / Morningstar

## Conclusion:



#### Green

The Investment Management Fee and AFM Fee is payable to Valu-Trac to cover the services undertaken by Valu-Trac as outlined in the Quality of Service section. The AFM will set fees based on the overall cost of operating the business. Most of the AFM's costs are fixed (such as staff and property costs), and the AFM will set its fees in such a way that ensures the costs are apportioned fairly across the range of funds which it operates. The AFM reviews its fee model via various means, such as through external independent consultancy and market benchmarking reviews against similar firms in the market. The results of these reviews are incorporated into the AFM's governance arrangements, up to Board level.

Other notable, ancillary fees may include the depositary, custodian, and auditor fees. The AFM regularly reviews these fees compared to other funds operated by the AFM and, where the information is available, other funds within the wider marketplace, to ensure that they remain competitive.

Unitholders are currently paying an AMC lower than the market average for similar funds.

The AFM has concluded that unitholders are receiving good value, in relation to AFM Costs - General.

### **Economies of Scale**

The fund currently has assets under management (AUM) of less than £250m; this is the threshold above which, we generally consider it reasonable to consider if economies of scale have been passed on to investors.

The fund has a tiered depositary fee, subject to a minimum amount, alongside other fixed fees, such as audit fees. Therefore, as the fund AUM grows, the proportion of such costs, relative to overall fund size, will decline, in percentage terms.

## Conclusion:



## Green

The AFM has concluded that unitholders are receiving good value, in relation to Economies of Scale.

#### **Comparable Market Rates**

The current and historic Ongoing Charges Figure (OCF) for each unit class within the fund, together with the current, average OCF for the relevant, selected peer group, is shown within the table, below:

Ongoing Charges Figure (OCE)	2021	2022	Current			
Ongoing Charges Figure (OCF)	2021	2022		Peer Rank		
Peer Group	-	-	1.17%	-		
A Net Accumulation	0.60%	0.59%	0.71%	Lowest 14%		

Source: Morningstar

#### Conclusion



Green

Unitholders are paying an OCF lower than the market average for similar funds.

The AFM has concluded that unitholders are receiving good value, in relation to Comparable Market Rates.

## **Comparable Services**

The services provided in respect to this fund are also aligned with the AFM's normal operating model.

#### Conclusion



Green

The AFM has concluded that unitholders are receiving good value, in relation to Comparable Services.

# **Classes of Units**

There is only one type of unit class in this fund and all investors are offered the same level of service; therefore, all unitholders of this fund are treated equally in all respects.

#### Conclusion



Green

The AFM has concluded that unitholders are receiving good value, in relation to Classes of Units.

# **Overall Assessment**



Green

The AFM has concluded that unitholders are receiving good value in respect to all seven, discrete criteria assessed above i.e. all have been assessed as green.

The AFM has concluded that the unitholders within The VT SG Defined Return Assets Fund are receiving good value, overall.

26/10/2023