



Annual Assessment of Value Statement as at 31 July 2024

VT SG UK 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 (£):	£16.4m
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 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:

VT SG UK Defined Return Assets Fund	AUM (%)	Quality of Service	Performance	AFM costs - general	Economies of scale	Comparable market rates	Comparable services	Classes of units	Overall
Overall	100.0%	G	A	A	G	A	G	G	G
A Net Accumulation	100.0%	G	A	A	G	A	G	G	G

The table below shows the overall summary for the previous assessment i.e. carried out as at 31 July 2023:

The VT SG Defined Return Assets Fund	AUM (%)	Quality of Service	Performance	AFM costs - general	Economies of scale	Comparable market rates	Comparable services	Classes of units	Overall
Overall	100.0%	G	G	G	G	G	G	G	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

- Comparable Market Rates:
 - Assessed as Amber
 - The AFM will discuss the level, and composition, of the Ongoing Charges Figure (OCF) with the Investment Manager.

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: CACEIS Investor Services
- 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 all services being provided in relation to the on-going management and administration of the fund, including those provided directly and those currently being provided by third parties, are operating as unitholders may expect.

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 UK All Companies sector, with the VT SG Defined Return Assets Fund, incorporated subsequently.

Minimum Recommended Holding Period:

6 Years

Management Approach:

Active

The net total return and peer ranking (where available) for each available unit 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)	6 years (avg. return per-year)	6 years Peer Rank
Benchmark	13.0%	10.1%	5.2%	-
A Net Accumulation	6.6%	5.0%	4.2%	Lowest 48%

*To 31 July 2024

Total return is the actual rate of return of an investment over a period. Net Total return includes interest, capital gains, dividends, and realised distributions (where appropriate), after all relevant fees have been deducted.

Source: Morningstar

Conclusion:
 Amber

The net total return of each unit class within the fund is below that of the performance comparator benchmark, over the minimum recommended holding period.

The practical objective of this fund is to achieve a potential coupon of 6% p.a. The AFM notes that this has not consistently been achieved over the 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 reasonable 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)	Current	
		Peer Rank
Peer Group	0.70%	-
A Net Accumulation	0.80%	Highest 34%

Source: Morningstar

Conclusion:

 Amber

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 higher than the market average for similar funds.

The AFM has concluded that unitholders are receiving reasonable 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 (OCF)	2022	2023	Current	
				Peer Rank
Peer Group	-	-	0.76%	-
A Net Accumulation	0.59%	0.71%	0.90%	Highest 33%

Source: Morningstar

Conclusion

 Amber

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

The AFM will discuss the level, and composition, of the OCF with the Investment Manager.

The AFM has concluded that unitholders are receiving reasonable 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 four of the seven, discrete criteria assessed above i.e. each has been assessed as green.

With regard to Comparable Market Rates, the AFM will discuss the level, and composition, of the OCF with the Investment Manager.

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

20/11/2024