

# Valu-Trac Investment Management Limited

## Annual Assessment of Value Statement as at 30 September 2024

## VT Sinfonia Adventurous Growth Portfolio

## **Fund Information**

und aims to provide returns over the long term (5 a combination of both capital growth and income a.  und's investment objective will be achieved at least 70%) by investing in a diversified portfolio cerest securities and equities, as well as warrants, by market instruments, through investment in a fi collective investment schemes (which may use managed and/or advised by the ACD or
a combination of both capital growth and income a.  und's investment objective will be achieved at least 70%) by investing in a diversified portfolio cerest securities and equities, as well as warrants, y market instruments, through investment in a of collective investment schemes (which may
at least 70%) by investing in a diversified portfolio cerest securities and equities, as well as warrants, y market instruments, through investment in a of collective investment schemes (which may
t Manager). The SubFund will typically be a global portfolio of assets but may also focus on the Sub-Fund will be fully invested except for an enable redemption of shares, efficient ent of the Sub-Fund in relation to its strategic, and other purposes which may be reasonably as ancillary to the investment objectives of the However, there may be short periods (e.g. in arket stress) where it is considered appropriate the property not to be fully invested (and so for els of liquidity to be maintained). The SubFund will be actively and the investments will be selected to achieve a mer and lower risk assets. The Sub-Fund has a enturous strategy with there being a focus on to higher risk assets (such as equities (and investment schemes investing in/providing the exposure to such assets)) over lower risk assets onds and cash (and collective investment schemes in/providing investment exposure to such assets)). b-Fund, over the long-term (5 years), it is that the proportion of the Sub-Fund exposed to sufficient the proportion of the Sub-Fund exposed to ill be approximately 90%. In the shorter term, this may be adjusted tactically as economic and inditions dictate while not deviating by more than classes in which the Sub-Fund may also invest ansferable securities, money market instruments, the ear cash and deposits.  The Managery and the sub-Fund may also invest ansferable securities, money market instruments, the ear cash and deposits.  The Managery and the sub-Fund deviative the transactions for investment
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that the Sub-Fund shall utilise derivative instruments and forward transactions for hedging purposes using efficient portfolio management techniques (and if this intention is to change the ACD shall provide advance notice to Shareholders). AUM (£): £10.6m Fund Launch Date: 16/06/2008

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:

VT Sinfonia Adventurous Growth Portfolio	AUM (%)		uality of Service	Pe	erformance		AFM costs - general	Eco	nomies of scale		nparable ket rates	mparable services	Classe	es of units	(	Overall
Overall	100.0%		G		G		G		G	0	А	G		G		G
A Accumulation	85.1%		G		G		G	0	G	0	А	G	0	G		G
B Accumulation	13.3%		G		G		R		G	0	R	G		G	0	R
D Accumulation	1.6%	0	G	0	G	0	R		G	0	R	G		G	0	R

The table below shows the overall summary for the previous assessment i.e. carried out as at 30 September 2023:

VT Sinfonia Adventurous Growth Portfolio	AUM (%)	uality of Service	Pe	rformance		FM costs - general	Eco	nomies of scale		nparable ket rates	mparable services	Class	es of units		Overall
Overall	100.0%	G		G		G		G		G	G	0	G		G
A Accumulation	82.3%	G		G	0	G		G		G	G		G		G
B Accumulation	14.1%	G	0	G	0	А		G		R	G	0	G	0	А
D Accumulation	3.6%	G	0	G	0	R	0	G	0	R	G	0	G	0	R

#### **Previous Remedial Actions**

- AFM Costs General:
  - Assessed as Green, overall.
    - The AFM will discuss the level, and composition, of the Annual Management Charge (AMC) with the Investment Manager at the next scheduled Investment Manager meeting.

## **New Remedial Actions**

- AFM Costs General
  - Assessed as Green, overall.
    - The AFM reached an agreement to convert the D unit class into the B unit class. This arrangement was put in place with an effective date of 23 October 2024.
    - The AFM is reviewing all legacy unit classes across the business, with a view to retiring all such unit classes, within a reasonable timescale.
- Comparable Market Rates
  - o Assessed as Amber
    - The AFM is discussing the level of the OCF with the Investment Manager, where appropriate. The AFM reached an agreement to convert the D unit class into the B unit class. This arrangement was put in place with an effective date of 23 October 2024.
    - The AFM is reviewing all legacy unit classes across the business, with a view to retiring all such unit classes, within a reasonable timescale.

## **Detailed Assessment**

#### Quality of Service

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

- Investment Management services: Tatton 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 Sub-Fund aims to provide returns over the long term (5 years) by a combination of both capital growth and income generation.

## **Constraining Benchmark:**

none

#### Comparator Benchmark:

The ARC Steady Growth Index

## Target Benchmark:

none

## Peer Group:

IA Mixed Investment 40%-85% Shares Sector

## Minimum Recommended Holding Period:

5 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)	5 years (avg. return per-year)	5 years Peer Rank
Benchmark	12.2%	1.8%	3.9%	-
A Accumulation	14.9%	4.7%	5.6%	Highest 33%
B Accumulation	13.9%	3.8%	4.7%	Lowest 50%
D Accumulation	13.7%	3.6%	4.4%	Lowest 41%

<sup>\*</sup>To 30 September 2024

Total return is the actual rate of return of an investment over a period. Total return includes interest, capital gains, dividends, and realised distributions (where appropriate).

Source: Morningstar

### Conclusion:



Green

The net total return of each unit class within the fund is higher than that of its 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 Managament Charge (ANAC)	Current						
Annual Management Charge (AMC)		Peer Rank					
Peer Group	0.76%	-					
A Accumulation	0.65%	Lowest 46%					
B Accumulation	1.50%	Highest 9%					
D Accumulation	1.75%	Highest 2%					

Source: Valu-Trac / Morningstar

## Conclusion:



Green

The Investment Management Fee is proposed by Tatton Investment Management Limited. Owing to the limitations of the host AFM model which the AFM operates, the AFM is unable to comment upon the specific profit margin this fee may generate for Tatton Investment Management Limited; instead, the AFM will focus upon ensuring that this fee appears reasonable, in the context of the overall AMC.

The 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 within the A unit class are currently paying an AMC lower than the market average for similar funds.

Unitholders within the B and D unit classes are currently paying an AMC higher than the market average for similar funds. The AFM reached an agreement to convert the D unit class into the B unit class, thereby reducing costs for customers. This arrangement was put in place with an effective date of 23 October 2024.

The AFM is reviewing all legacy unit classes across the business, with a view to retiring all such unit classes, within a reasonable timescale.

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

#### **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:

On action Channel Figure (OCF)	2022	2022	Current				
Ongoing Charges Figure (OCF)	2022	2023		Peer Rank			
Peer Group	-	-	1.01%	-			
A Accumulation	1.01%	1.04%	1.06%	Highest 40%			
B Accumulation	1.86%	1.89%	1.91%	Highest 7%			
D Accumulation	2.11%	2.14%	2.16%	Highest 3%			

Source: Morningstar

#### Conclusion



Amber

Unitholders within the A unit class are currently paying an OCF broadly in line with the market average for similar funds.

Unitholders within the B and D unit classes are currently paying an OCF higher than the market average for similar funds.

The AFM reached an agreement to convert the D unit class into the B unit class, thereby reducing costs for customers. This arrangement was put in place with an effective date of 23 October 2024.

The Investment Manager has confirmed that the B unit classes, although more expensive than the A unit classes, are required to continue on an ongoing basis given their links to certain legacy, pre-RDR products. The AFM is reviewing all legacy unit classes across the business, with a view to retiring all such unit classes within a reasonable timescale.

The AFM is discussing the level of the OCF with the Investment Manager.

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

## **Comparable Services**

Valu-Trac act as AFM for twenty funds for which Tatton Investment Management Limited are the Investment Manager. All of these funds are what may be termed multi-asset funds. Differences between these funds, in terms of their management approach or anticipated risk profile, notwithstanding, this fund is priced consistently with other funds within the range.

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

	Current OCF	Difference Compared to Least Expensive	Difference Compared to Next Least Expensive	Minimum Lump Sum Investment	Minimum Subsequent Investment	Minimum Holding Amount
A Accumulation	1.06%	-	-	£1,000	£1,000	£1,000
B Accumulation	1.91%	0.85%	0.85%	£1,000	£1,000	£1,000
D Accumulation	2.16%	1.10%	0.25%	£1,000	£1,000	£1,000

Where a unit class may have a minimum investment or minimum holding amount, this may help the unit class scale quicker, leading to a lower proportional servicing cost, and thus, lower Ongoing charges.

#### Conclusion



Green

All unit classes have similar investment minima.

The AFM has reached an agreement with the Investment Manager, that the (most expensive) D unit class will be merged with the B unit class; thus reducing costs for investors within the D unit class. This arrangement was put in place with an effective date of 23 October 2024.

The Investment Manager has established that the B unit classes are required for the continued servicing of certain legacy products, and that such products generally entail higher servicing costs.

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

## **Overall Assessment**



Green

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

With regard to Comparable Market Rates, the AFM is discussing the level of the OCF with the Investment Manager.

The AFM reached an agreement to convert the D unit class into the B unit class. This arrangement was put in place with an effective date of 23 October 2024.

The AFM is reviewing all legacy unit classes across the business, with a view to retiring all such unit classes, within a reasonable timescale.

The AFM has concluded that the unitholders within the VT Sinfonia Adventurous Growth Portfolio Fund are receiving good value, overall.

28/01/2025