



Annual Assessment of Value Statement as at 30 April 2023

VT Tatton Blended Defensive Fund

Fund Information

Investment Manager:	Tatton Investment Management Limited
Authorised Fund Manager:	Valu-Trac Investment Management Limited (Valu-Trac)
Investment Objective:	The objective of the Fund is to maximise potential total return (i.e. capital and income growth). One measure of risk is the proportion invested in the riskiest assets, such as equities. For this Fund, over the long-term (5 years), it is expected that the proportion of the Fund exposed to equities will be approximately 25%. In the shorter term, this weighting may be adjusted tactically as economic and market conditions dictate while not deviating by more than $\pm 12.5\%$.
Investment Policy:	The Investment Manager will manage the portfolio in order to achieve its investment objective by investing in collective investment schemes, such as unit trusts, OEICs and closed ended schemes. The Fund may also invest in individual stocks, bonds and derivatives if considered appropriate to meet the investment objective. The Fund will seek exposure to a diverse portfolio of assets, with a balance between passive and active strategies, with the overall portfolio having a focus to bonds and an equity allocation in line with that in the investment objective. Other underlying assets in the portfolio (to which there will be indirect exposure) may include bonds, commodities, property, private equity, derivatives and other instruments. Some of these investments will be denominated in foreign currencies which may or may not be hedged back to Pounds Sterling. The Fund may also invest, at the ACD's discretion, in other transferable securities, money market instruments, cash and near cash, deposits and any other permitted asset type deemed appropriate to meet the investment objective. The Fund may also use derivatives for the purposes of efficient portfolio management.
AUM (£):	£6.5m
Fund Launch Date:	30/01/2012

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 Tatton Blended Defensive 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
Blended Defensive Accumulation (Retail)	78.2%	 G	 G	 G	 G	 G	 G	 G	 G
Blended Defensive Income (Retail)	21.8%	 G	 G	 G	 G	 G	 G	 G	 G

The table below shows the overall summary for the previous assessment i.e. carried out as at 30 April 2022:

VT Tatton Blended Defensive 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	 G	 G	 G	 G	 G	 A

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

- Performance
 - Assessed as Amber
 - It was noted that while long-term net total returns were below those of the performance comparator benchmark, long-term net total returns were positive. No action proposed.

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: Tatton 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 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 reasonably expect.

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

Performance

Objective:

The objective of the Fund is to maximise potential total return (i.e. capital and income growth).

Constraining Benchmark:

none

Comparator Benchmark:

IA Mixed Investment 0%-35% Shares Sector Average

Target Benchmark:

none

Peer Group:

The VT Tatton Blended Defensive Fund Custom Peer Group*

*derived from the IA Mixed Investment 0%-35% Shares Sector, with the VT Tatton Blended Defensive Fund, incorporated subsequently.

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)	Since Inception (avg. return per-year)	Since Inception Peer Rank
Benchmark	-3.7%	0.7%	-0.8%	-
Blended Defensive Accumulation (Retail)	-2.6%	0.7%	-0.8%	Highest 49%
Blended Defensive Income (Retail)	-2.6%	0.7%	-0.8%	Highest 48%

*To 30 April 2023

Source: Morningstar

The Blended Advanced Accumulation unit class was launched on 07 January 2020. The erstwhile A and B class shares were transferred into the Blended Advanced Class (Retail) Accumulation unit class, in proportion to the holdings held in these two unit classes, at this date.

Conclusion:

 Green

The fund has marginally out-performed its comparator benchmark, on a total return basis, since inception.

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)	Current	
		Peer Rank
Peer Group	0.73%	
Blended Defensive Accumulation (Retail)	0.30%	Lowest 12%
Blended Defensive Income (Retail)	0.30%	Lowest 12%

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 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 On-going 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-Going Charges Figure (OCF)	2020	2021	2022	Current	
					Peer Rank
Peer Group	-	-	-	1.01%	-
Blended Defensive Accumulation (Retail)	0.93%	0.86%	0.69%	0.70%	Lowest 30%

Blended Defensive Income (Retail)	0.93%	0.86%	0.69%	0.70%	Lowest 30%
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Source: Morningstar

Conclusion

 Green

The OCF includes the costs of underlying funds held. This is currently estimated at 0.18%, but can change as the underlying investments made, change.

Unitholders are currently 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

Valu-Trac act as AFM for seventeen funds, for which Tatton Investment Management Limited are the Investment Manager. Each of these funds may be regarded as 'growth' funds; designed for long term wealth accumulation. Allowing for any explicit difference in risk profile or investment approach between these funds, this fund is priced consistently in relation to other funds within the wider group.

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 (albeit with a distinct Accumulation and Income series) 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 each of the seven, discrete criteria assessed above i.e. all criteria have been assessed as green.

The AFM has concluded that the unitholders within the VT Tatton Blended Defensive Fund are receiving good value, overall.

30/08/2023