



Annual Assessment of Value Statement as at 30 April 2023

VT Tatton Oak Capital Growth 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 (7 years), it is expected that the proportion of the Fund exposed to equities will be approximately 75%. 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 the investment objective by investing in collective investment schemes such as unit trusts, OEICs and other UCITS funds 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 focus on passive strategies, with the overall portfolio having 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 (£):	£25.1m
Fund Launch Date:	23/03/2009

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 Oak Capital Growth 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	A	G	G	G	A	G
A Accumulation (Retail)	13.3%	G	A	R	G	A	G	R	R
B Accumulation (Retail)	86.7%	G	G	A	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 Oak Capital Growth 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 Accumulation (Retail)	12.1%	G	G	R	G	G	G	G	A
B Accumulation (Retail)	87.9%	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

- AFM Costs - General
 - Assessed as Green, overall
 - While the A unit class was assessed as red, it was also noted that the unitholders within this class may receive rebates and trail commissions, which are not considered in the operating cost assessment. No action proposed.

New Remedial Actions

- Performance
 - Assessed as Green, overall
 - Performance of the A unit class assessed as Amber. The AFM has discussed the drivers of investment performance with the Investment manager and is comfortable that these are in keeping with the documented investment process and the expectations set for customers. The performance differential between unit classes is largely as a result of fees. The AFM will continue to monitor.
- AFM Costs - General
 - Assessed as Amber, overall
 - A unit class assessed as red. The AFM has discussed the level of the Annual Management Charge (AMC) with the Investment Manager and confirmed that there are rebate arrangements in place for the A unit class. These relate to historic agreements with a small number of underlying investors and will be steadily wound down over time. The AFM will continue to monitor this arrangement on an ongoing basis.
- Comparable Market Rates:
 - Assessed as Green, overall
 - The On-going Charges Figure (OCF) of A unit class assessed as Amber. The AFM has discussed the level, and composition, of the OCF with the

Investment Manager, as noted above. The AFM will continue to monitor on an ongoing basis.

- Classes of Units:
 - Assessed as Amber, overall
 - A unit class assessed as Red. The AFM has discussed the differential in OCF between unit classes, as note above. The AFM will continue to monitor on an ongoing basis.

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 40%-85% Shares Sector Average

Target Benchmark:

none

Peer Group:

The IA Mixed Investment 40%-85% Shares Sector

Minimum Recommended Holding Period:

7 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)	7 years (avg. return per-year)	7 years Peer Rank
Benchmark	-1.8%	6.0%	3.6%	5.6%	-
A Accumulation (Retail)	-0.6%	6.9%	3.4%	4.9%	Lowest 31%
B Accumulation (Retail)	0.1%	7.7%	4.2%	5.7%	Highest 48%

*To 30 April 2023

Source: Morningstar

Conclusion:



Green

The net total return of the A unit class is moderately below that of the performance comparator benchmark over the minimum recommended holding period. The AFM has concluded that unitholders are receiving reasonable value, in relation to Performance.

The net total return of the B unit class is moderately above that of the performance comparator benchmark over the minimum recommended holding period. The AFM has concluded that unitholders are receiving good value, in relation to Performance.

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 discussed the drivers of investment performance with the Investment manager and is comfortable that these are in keeping with the documented investment process and the expectations set for customers. The performance differential between unit classes is largely as a result of fees.

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

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	0.75%	

A Accumulation (Retail)	1.50%	Highest 4%
B Accumulation (Retail)	0.75%	Highest 50%

Source: Valu-Trac / Morningstar

Conclusion:



Amber

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 higher than the market average for similar funds. The AFM has concluded that unitholders are not receiving good value, in relation to AFM Costs - General.

Unitholders within the B unit class are currently paying an AMC broadly in line with the market average for similar funds. The AFM has concluded that unitholders are receiving reasonable value, in relation to AFM Costs - General.

The AFM has discussed the level of the Annual Management Charge (AMC) with the Investment Manager and confirmed that there are rebate arrangements in place for the A unit class. These relate to historic agreements with a small number of underlying investors and will be steadily wound down over time. The AFM will continue to monitor this arrangement on an ongoing basis.

The AFM has concluded that unitholders are receiving reasonable 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 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	-	-	-	1.06%	-
A Accumulation (Retail)	1.75%	1.65%	1.66%	1.68%	Highest 18%
B Accumulation (Retail)	1.00%	0.90%	0.91%	0.93%	Lowest 41%

Source: Morningstar

Conclusion

 Green

The OCF includes the costs of underlying funds held. This is currently estimated at 0.09%, but can change as the underlying investments made, change.

Unitholders within the A unit class are currently paying an OCF higher than the market average for similar funds.

Unitholders within the B unit class 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.

The AFM has discussed the level, and composition, of the OCF with the Investment Manager (as noted above). The AFM will continue to monitor on an ongoing basis.

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

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, investment approach or levels of servicing between these funds, previously discussed with the Investment Manager, 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

	Current OCF	Difference Compared to Least Expensive	Difference Compared to Next Least Expensive	Minimum Lump Sum Investment	Minimum Subsequent Investment	Minimum Holding Amount
B Accumulation (Retail)	0.93%	-	-	£3,000	£1,000	£1,000
A Accumulation (Retail)	1.68%	0.75%	0.75%	£3,000	£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 on-going charges.

Conclusion



Amber

Unit holders within all unit classes receive a comparable level of service.

Both unit classes have similar investment minima and investment restrictions.

Given that the difference in OCF between each of unit classes is above the suggested materiality threshold (of 0.30%), the AFM has concluded that unitholders within the A unit class are not receiving good value, in relation to Classes of Units.

The AFM has discussed the differential in OCF between unit classes, as note above. The AFM will continue to monitor on an ongoing basis.

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

Overall Assessment



Green

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

With regard to Performance, the AFM has concluded that unitholders within the A unit class are receiving reasonable value. The AFM has discussed the drivers of investment performance with the Investment manager and is comfortable that these are in keeping with the documented investment process and the expectations set for customers. The performance differential between unit classes is largely as a result of fees. The AFM will continue to monitor.

With regard to AFM Costs - General, the AFM has concluded that unitholders within the A unit class are not receiving good value and that unitholders within the B unit class are receiving reasonable value. The AFM has discussed the level of the Annual Management Charge (AMC) with the Investment Manager and confirmed that there are rebate arrangements in place for the A unit class. These relate to historic agreements with a small number of underlying investors and will be steadily wound down over time. The AFM will continue to monitor this arrangement on an ongoing basis.

With regard to Comparable Market Rates, the AFM has concluded that unitholders within the A unit class are receiving reasonable value. The AFM has discussed the level, and composition, of the OCF with the Investment Manager (as noted above). The AFM will continue to monitor on an ongoing basis.

With regard to Classes of Units, the AFM has concluded that unitholders within the A unit class are not receiving good value. The AFM has discussed the differential in OCF between unit classes, as note above. The AFM will continue to monitor on an ongoing basis.

The AFM has concluded that the unitholders within the VT Tatton Oak Capital Growth Fund are receiving good value, overall.

30/08/2023