



Annual Assessment of Value Statement as at 31 December 2023

VT Blackfinch Income Portfolio Fund

Fund Information

Investment Manager:	Blackfinch Investments Limited
Authorised Fund Manager:	Valu-Trac Investment Management Limited (Valu-Trac)
Investment Objective:	The investment objective of the Fund is to achieve a yield of 3.5% per annum (net of management fees and underlying fund charges).
Investment Policy:	The Fund will seek to achieve its objective by investing at least 80% in a portfolio of collective investment vehicles (which may include those managed and/or operated by the ACD or Investment Manager) and bonds (which may be government or corporate bonds and vary in terms of credit ratings). Investment in collective investment vehicles will provide exposure to asset classes such as equities, bonds, cash, property and commodities. The Fund may also invest in equities, money market instruments, deposits, cash and near cash. The Fund will be actively managed and it is expected that there will be a balance between growth assets (such as equities (and collective investment schemes investing in/providing investment exposure to such assets)) and defensive assets (such as bonds and cash (and collective investment schemes investing in/providing investment exposure to such assets)). Whilst exposure between growth and defensive assets is expected to be balanced, the exposure to growth or defensive assets could, depending on the investment manager's assessment of market opportunities vary by up to 15% (i.e. the split could be 65% growth assets and 35% defensive assets or vice versa and in very unusual circumstances exposures could vary even further). The Fund will not have any particular geographic, industry or economic sector focus and as such weightings in these may vary as required.
AUM (£):	£4.2m
Fund Launch Date:	01/05/2020

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 Blackfinch Income Portfolio 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	G	G	G	G
A Accumulation	7.2%	G	A	A	G	G	G	G	G
A Income	74.8%	G	A	A	G	G	G	G	G
F Accumulation	4.3%	G	A	A	G	G	G	G	G
F Income	13.7%	G	A	A	G	G	G	G	G

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

VT Blackfinch Income Portfolio 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	G
A Accumulation	13.1%	G	A	G	G	G	G	G	G
A Income	63.9%	G	A	G	G	G	G	G	G
F Accumulation	7.1%	G	A	G	G	G	G	G	G
F Income	15.9%	G	A	G	G	G	G	G	G

The 2022 assessment used previous criteria that has since been updated as described above, and therefore the results for 2022 are not directly comparable with the updated 2023 assessment.

Previous Remedial Actions

- Performance
 - Assessed as Amber
 - No specific action was proposed.

New Remedial Actions

- Performance
 - Assessed as Amber
 - The AFM will discuss the drivers of long -term performance and trends in long term performance with the Investment Manager, at the next scheduled Investment Manager meeting.
- AFM Costs - General:
 - Assessed as Amber
 - The AFM will discuss the level of the Annual Management Charge (AMC) with the Investment Manager, at the next scheduled Investment Manager meeting.

Detailed Assessment

Quality of Service

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

- Investment Management services: Blackfinch Investments Ltd.
- 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 expect.

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

Performance

Objective:

The investment objective of the Fund is to achieve a yield of 3.5% per annum (net of management fees and underlying fund charges).

Constraining Benchmark:

none

Comparator Benchmark:

The UK Consumer Prices Index (UK CPI)

Target Benchmark:

Yield: 3.5% p.a.

Peer Group:

IA Flexible Investment Sector

Minimum Recommended Holding Period:

5 Years

Management Approach:

Active

The income generated (percentage yield) by each available share class within the fund, is shown below:

Yield	1 year to Dec-2023	1 year to Dec-2022	1 year to Dec-2021	Since Inception to Dec-2023 (avg. per-year)
Benchmark ~	-	-	-	3.5%
A Accumulation	4.0%	3.4%	3.1%	3.2%
A Income	3.9%	3.8%	1.8%	3.3%
F Accumulation	4.0%	3.4%	3.1%	3.5%
F Income	3.8%	3.8%	2.9%	3.2%

~ mandated yield target

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	4.0%	6.6%	6.2%	
A Accumulation	6.2%	1.4%	1.5%	Lowest 18%
Benchmark	4.0%	-	7.2%	
A Income	6.2%	-	0.9%	Lowest 44%
Benchmark	4.0%	6.6%	5.6%	
F Accumulation	6.1%	1.3%	4.4%	Lowest 19%
Benchmark	4.0%	6.6%	6.5%	
F Income	6.1%	1.3%	1.5%	Lowest 27%

*To 31 December 2023

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).

The A Accumulation unit class launched on 13 October 2020. The A Income unit class launched on 11 May 2021. The F Accumulation unit class launched on 01 May 2020. The F Income unit class launched on 09 December 2020.

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:

 Amber

The majority of unit classes within the fund have failed to deliver a yield in excess of the mandated yield target, over the longer term (since inception).

The net total return of each unit class within the fund, is below that of its performance comparator benchmark, over the longer term (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 will discuss the drivers of long term performance and trends in long term performance with the Investment Manager, at the next scheduled Investment Manager meeting.

The AFM has concluded that unitholders are not 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	0.89%	-
A Accumulation	0.94%	Highest 40%
A Income	0.94%	Highest 40%
F Accumulation	1.04%	Highest 31%
F Income	1.04%	Highest 31%

Source: Valu-Trac / Morningstar

Conclusion:

 Amber

The Investment Management Fee is proposed by Blackfinch Investments Ltd. 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 Blackfinch Investments Ltd; 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 higher than the market average for similar funds.

The AFM will discuss the level of the Annual Management Charge (AMC) with the Investment Manager, at the next scheduled Investment Manager meeting.

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:

On-Going Charges Figure (OCF)	2021	2022	Current	
				Peer Rank
Peer Group			1.24%	-
A Accumulation	1.05%	1.11%	1.10%	Lowest 49%
A Income	1.05%	1.11%	1.10%	Lowest 49%
F Accumulation	1.15%	1.21%	1.20%	Lowest 49%
F Income	1.15%	1.21%	1.20%	Lowest 49%

Source: Morningstar

Conclusion



Green

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 four funds for which Blackfinch Investments Ltd are the Investment Manager. All funds may be regarded as multi-asset funds. Differences between funds, in terms of their management approach and anticipated risk profile, notwithstanding, this fund is priced consistently with the 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	1.10%	-	-	£50,000,000	£1,000,000	£50,000,000
A Income	1.10%	-	-	£50,000,000	£1,000,000	£50,000,000
F Accumulation	1.20%	0.10%	0.10%	£10,000,000	£1,000,000	£10,000,000
F Income	1.20%	0.10%	0.10%	£10,000,000	£1,000,000	£10,000,000

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

Conclusion

 Green

The AFM notes that the A unit classes come with more stringent investment minima than the F unit classes. The AFM also notes that the cost differential between both unit classes does not exceed the relevant, assumed materiality threshold.

The AFM has concluded that unit holders 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 five of the seven, discrete criteria assessed above i.e. each has been assessed as green.

With regard to Performance, the AFM will discuss the drivers of long term performance and trends in long term performance with the Investment Manager, at the next scheduled Investment Manager meeting.

With regard to AFM Costs – General, the AFM will discuss the level of the AMC with the Investment Manager, at the next scheduled Investment Manager meeting.

The AFM has concluded that the unitholders within the VT Blackfinch Income Portfolio Fund are receiving good value, overall.

27/03/2024