



Annual Assessment of Value Statement as at 30 September 2023

VT Cape Wrath Focus Fund

Fund Information

Investment Manager:	Cape Wrath Capital Limited
Authorised Fund Manager:	Valu-Trac Investment Management Limited (Valu-Trac)
Investment Objective:	The investment objective of VT Cape Wrath Focus Fund is to generate capital growth over the long term (5 years).
Investment Policy:	The company will aim to meet its objective by typically investing at least 70% in a concentrated portfolio of UK listed equities (however at times investments in equities may be less than 70% due to liquidity or market conditions). In addition to investing in equities, the Company may also invest in other transferable securities (such as gilts and bonds), collective investment schemes (that provide exposure to investments including equities and gilts) and which may include those managed and/or advised by the ACD or Investment Manager), money market instruments, deposits, cash and near cash. Derivatives and forward transactions may be held for efficient portfolio management purposes (although use of derivatives is expected to be limited). The Company will not have any particular industry or economic sector focus and as such weightings in these may vary as required.
AUM (£):	£9.2m
Fund Launch Date:	03/10/2016

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 Cape Wrath Focus 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 Net Accumulation GBP	91.7%	G	A	G	G	G	G	G	G
B Net Accumulation GBP	8.3%	G	A	G	G	A	G	G	G

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

VT Cape Wrath Focus 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	 R	 G	 G	 G	 G	 G	 A
A Net Accumulation GBP	92.5%	 G	 R	 G	 G	 G	 G	 G	 A
B Net Accumulation GBP	7.5%	 G	 R	 G	 G	 G	 G	 G	 A

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 Red
 - No action was proposed.

New Remedial Actions

- Performance
 - Assessed as Amber
 - The AFM will discuss the drivers of long-term performance and investment risk, and trends in long term performance and investment risk, with the Investment Manager, at the next scheduled Investment Manager meeting.
- Comparable Market Rates:
 - Assessed as Green, overall
 - The AFM will discuss the level, and composition, of the Ongoing Charges Figure (OCF), where appropriate, 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: Cape Wrath Capital Limited
- Depositary services: NatWest Trustee and Depositary Services Limited
- Custodian services: RBC Investor Services Trust, UK branch (RBC)
- External audit: Frame Kennedy

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 Ongoing 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 VT Cape Wrath Focus Fund is to generate capital growth over the long term (5 years).

Constraining Benchmark:

none

Comparator Benchmark:

The MSCI UK Index (NR)

Target Benchmark:

none

Peer Group:

IA UK All Companies

Minimum Recommended Holding Period:

5 Years

Management Approach:

Active

The change in capital value for each available share class within the fund, is shown below:

Change in Fund Value	1 year to Sep-2023	1 year to Sep-2022	1 year to Sep-2021	1 year to Sep-2020	1 year to Sep-2019	5 years to Sep-2023
A Net Accumulation GBP	12.7%	-21.4%	61.1%	-22.5%	-12.5%	-2.7%
B Net Accumulation GBP	12.2%	-21.3%	58.3%	-22.2%	-12.5%	-4.5%

Source: Valu-Trac

The net total return and peer ranking (where available) for each available share 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	14.2%	14.3%	4.2%	-
A Net Accumulation GBP	15.8%	15.8%	1.8%	Lowest 38%
B Net Accumulation GBP	15.5%	15.0%	1.4%	Lowest 34%

*To 30 September 2023

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 fund has failed to provide capital growth over the minimum recommended holding period.

The fund has also under-performed benchmark, on a net total return basis, over the minimum recommended holding period.

The AFM has also assessed the investment risk within the Fund. The AFM notes that the released volatility within the fund is significantly higher than that of peers. The AFM also notes that the market risk (beta) exposure within the fund is notably greater than that of peers. However, the AFM is comfortable that the risk profile of the fund is not out of keeping for an actively managed fund of this type, nor the expectation set for customers.

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	0.72%	-
A Net Accumulation GBP	0.19%	Lowest 16%
B Net Accumulation GBP	0.63%	Lowest 38%

Source: Valu-Trac / Morningstar

Conclusion:

 Green

The Investment Management Fee is proposed by Cape Wrath Capital 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 Cape Wrath Capital 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 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	-	-	0.78%	-
A Net Accumulation GBP	0.43%	0.39%	0.40%	Lowest 24%
B Net Accumulation GBP	0.45%	0.45%	0.79%	Highest 49%

Source: Morningstar

Conclusion

 Green

Unitholders within the A unit class are currently paying an OCF below that of the market average for similar funds.

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

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 only one fund, for which Cape Wrath Capital Limited are the Investment Manager.

The services provided in respect to this fund are 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 Net Accumulation GBP	0.40%	-	-	£100,000	£20,000	£100,000
B Net Accumulation GBP	0.79%	0.39%	0.39%	£1,000	£100	£1,000

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 A unit class has notably more stringent investment minima than the B unit class. It should also be noted that the A unit class carries a performance fee and is intended for use by 'institutional' and / or 'professional' investors. The B unit class carries no such performance fee and is intended for use by 'retail' investors.

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 six 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 Comparable Market Rates, the AFM will discuss the level, and composition, of the OCF with the Investment Manager, where appropriate, at the next scheduled Investment Manager meeting.

The AFM has concluded that the unitholders within VT Cape Wrath Focus Fund are receiving good value, overall.

31/01/2024