



Valu-Trac Investment Management Limited

Annual Assessment of Value Statement as at 31 July 2023

VT Cantab Balanced Fund

Fund Information

Investment Manager:	Cantab Asset Management Limited
Authorised Fund Manager:	Valu-Trac Investment Management Limited (Valu-Trac)
Investment Objective:	The investment objective of the Fund is to provide income and capital growth over the medium term (3-5 years)
Investment Policy:	The Fund aims to achieve its objective by investing at least 80% in collective investment funds (which may include those managed and/or operated by the ACD) which provide exposure to a diversified portfolio of investments, including equities, bonds and alternative assets (such as commodities, property and infrastructure). It is expected that the exposure to equities will typically be between 50% and 85%. The Fund may also invest directly in equities, fixed income, money market instruments, deposits, cash and near cash. Derivatives (that is sophisticated investments linked to the rise and fall of one or more underlying assets) may be used for efficient portfolio management purposes (although derivative use is expected to be limited). The Fund has no particular emphasis on any geographical areas or any industrial or economic sector.
AUM (£):	£69.2m
Fund Launch Date:	03/09/2018

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 Cantab Balanced 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	● A	● G	● G	● A
A Accumulation	15.0%	● G	● A	● G	● G	● A	● G	● A	● A
A Income	3.7%	● G	● A	● G	● G	● A	● G	● A	● A
C Accumulation	47.8%	● G	● A	● G	● G	● A	● G	● G	● A
C Income	33.5%	● G	● A	● G	● G	● A	● G	● G	● A

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

VT Cantab Balanced 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	16.8%	 G	 A	 A	 G	 G	 G	 G	 G
A Income	2.7%	 G	 A	 A	 G	 G	 G	 G	 G
C Accumulation	48.4%	 G	 A	 G	 G	 G	 G	 G	 G
C Income	32.1%	 G	 A	 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

- Performance
 - Assessed as Amber
 - No action proposed.
- AFM Costs - General:
 - Assessed as Green, overall
 - A unit classes assessed as Amber. No action 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.
- Comparable Market Rates:
 - Assessed as Amber
 - The AFM will discuss the level, and composition, of the Ongoing Charges Figure (OCF) with the Investment Manager at the next scheduled Investment Manager meeting.
- Classes of Units:
 - Assessed as Green, overall
 - Where a differential in costs between unit classes may not be justified, the AFM will look to align and harmonize costs at an appropriate level. The AFM will discuss costs with the Investment Manager at the next scheduled Investment Manager meeting, where appropriate.

Detailed Assessment

Quality of Service

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

- Investment Management services: Cantab Asset 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 Ongoing 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 investment objective of the Fund is to provide income and capital growth over the medium term (3-5 years).

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:

3 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 Jul-2023	1 year to Jul-2022	1 year to Jul-2021	3 years to Jul-2023	1 year to Jul-2020	Since Inception to Jul-2019	Since Inception to Jul-2023
A Accumulation	-5.2%	-11.2%	17.1%	-1.5%	-2.2%	5.4%	1.6%
A Income	-5.1%	-11.1%	17.1%	-1.3%	-2.0%	12.5%	8.8%
C Accumulation	-5.2%	-11.2%	17.2%	-1.5%	-2.2%	5.4%	1.5%
C Income	-5.1%	-11.1%	17.1%	-1.3%	-2.1%	5.3%	1.8%

Source: Valu-Trac

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

Yield	1 year to Jul-2023	1 year to Jul-2022	1 year to Jul-2021	1 year to Jul-2020	Since Inception to Jul-2019	Since Inception to Jul-2023 (avg. per-year)
A Accumulation	1.5%	0.7%	0.6%	0.8%	0.2%	0.9%
A Income	1.6%	0.7%	0.6%	0.7%	0.0%	0.9%
C Accumulation	1.7%	0.9%	0.9%	1.0%	0.4%	1.1%
C Income	1.7%	0.9%	0.9%	1.0%	0.3%	1.0%

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)	3 years Peer Rank	Since Inception (avg. return per-year)	Since Inception Peer Rank
Benchmark	1.5%	4.7%	-	3.2%	-
A Accumulation	-3.7%	0.5%	Lowest 5%	1.2%	Lowest 9%
C Accumulation	-3.5%	0.8%	Lowest 6%	1.4%	Lowest 10%
C Income	-3.5%	0.7%	Lowest 6%	1.3%	Lowest 10%
Net Total Return*	1 year	3 years (avg. return per-year)	3 years Peer Rank	Since Inception (avg. return per-year)	Since Inception Peer Rank
Benchmark	1.5%	4.7%	-	4.4%	-
A Income	-3.8%	0.5%	Lowest 5%	2.6%	Lowest 3%

*To 31 July 2023

Source: Morningstar

The A Accumulation, C Accumulation and C Income unit classes launched on 03 September 2018. The A Income unit class launched on 03 December 2018.

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

Each unit class has failed to generate a positive capital return over the minimum recommended holding period. However, each unit class has generated a positive capital return over the longer term (since inception).

Each unit class has generated income over the minimum recommended holding period and since inception.

The net total return of each unit class is significantly below that of the performance comparator benchmark over the minimum recommended holding period and since inception.

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 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 reasonable 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	0.77%	-
A Accumulation	0.50%	Lowest 23%
A Income	0.50%	Lowest 23%
C Accumulation	0.30%	Lowest 13%
C Income	0.30%	Lowest 13%

Source: Valu-Trac / Morningstar

Conclusion:

 Green

The Investment Management Fee is proposed by Cantab Asset 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 Cantab Asset 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 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:

Ongoing Charges Figure (OCF)	2021	2022	Current	
				Peer Rank
Peer Group	-	-	1.10%	-
A Accumulation	1.38%	1.39%	1.36%	Highest 32%
A Income	1.38%	1.39%	1.36%	Highest 32%
C Accumulation	1.18%	1.19%	1.16%	Highest 41%
C Income	1.18%	1.19%	1.16%	Highest 41%

Source: Morningstar

Conclusion



Amber

The OCF includes the costs of underlying funds held. This is currently estimated at 0.74%, but can change as the underlying investments made, change.

Unitholders are currently paying an OCF higher than the market average for similar funds.

The AFM will discuss the level, and composition, of the OCF with the Investment Manager at the next scheduled Investment Manager meeting.

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

Comparable Services

Valu-Trac act as AFM for three funds, for which Cantab Asset Management Limited are the Investment Manager. Two of these funds may be regarded as multi-asset growth funds, the other may be regarded as a single asset class equity fund. This fund may be regarded as one of the multi-asset growth funds. Allowing for any explicit difference in risk profile or investment approach between these two funds, this fund is priced consistently in relation to other fund within the 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
C Accumulation	1.16%	-	-	£1,000	£100	£1,000
C Income	1.16%	-	-	£1,000	£100	£1,000
A Accumulation	1.36%	0.20%	0.20%	£1,000	£100	£1,000
A Income	1.36%	0.20%	0.20%	£1,000	£100	£1,000

Conclusion



Green

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; however, both unit classes have similar investment minima and investment restrictions.

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

The C unit classes only are available to customers of the Investment Manager's financial Planning business.

Given that the difference in OCF between each of unit classes is above the suggested materiality threshold (of 0.10%), the AFM will discuss the cost differential between unit cases with the Investment Manager, at the next scheduled Investment manager meeting.

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

Overall Assessment



Amber

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

With regard to Classes of Units, the AFM will discuss the cost differential between unit cases with the Investment Manager, at the next scheduled Investment manager meeting, where appropriate.

The AFM has concluded that the unitholders within the VT Cantab Balanced Fund are receiving reasonable value, overall.

26/10/2023