



Annual Assessment of Value Statement as at 30 June 2024

VT Downing European Unconstrained Income Fund

Fund Information

Investment Manager:	Downing LLP
Authorised Fund Manager:	Valu-Trac Investment Management Limited (Valu-Trac)
Investment Objective:	The investment objective of the Sub-fund is to generate income with the potential for long term (5 years) capital growth.
Investment Policy:	The Sub-fund will seek to achieve its objective by investing at least 75% in equities issued by companies based in developed European markets (being member states of the European Union, Norway, Switzerland or the United Kingdom). The Sub-fund may also invest in emerging and frontier European markets including Turkey, Russia and Iceland. The Sub-fund may also invest in government securities, fixed income, closed ended collective investment schemes/vehicles (which may include those managed and/or operated by the AFM and which will provide exposure to various asset classes including equities and bonds), real estate investment trusts, money market instruments, deposits, cash and near cash. The Sub-fund will be actively managed. Save as noted above, the Sub-fund will not have any particular industry or economic sector focus and as such weightings in these may vary as required.
AUM (£):	£41.1m
Fund Launch Date:	05/11/2020

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 Downing European Unconstrained Income 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	1.0%	● G	● A	● A	● G	● A	● G	● G	● G
A Income	0.1%	● G	● A	● A	● G	● A	● G	● G	● G
F Income	76.0%	● G	● A	● G	● G	● G	● G	● G	● G
Z Accumulation	16.0%	● G	n/a	● G	● G	● G	● G	● G	● G
Z Income	6.8%	● G	n/a	● G	● G	● G	● G	● G	● G

The table below shows the overall summary for the previous assessment i.e. carried out as at 30 June 2023:

VT Downing European Unconstrained Income 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	1.0%	 G	 G	 G	 G	 G	 G	 G	 G
A Income	0.1%	 G	 G	 G	 G	 G	 G	 G	 G
F Income	98.9%	 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

- None

New Remedial Actions

- Performance
 - Assessed as Amber
 - The AFM will discuss the trend in long term performance with the Investment Manager.

Detailed Assessment

Quality of Service

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

- Investment Management services: Downing LLP
- Depositary services: NatWest Trustee and Depositary Services Limited
- Custodian services: CACEIS Investor Services
- 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 Sub-fund is to generate income with the potential for long term (5 years) capital growth.

Constraining Benchmark:

none

Comparator Benchmark:

IA Europe (ex UK) Sector Average

Target Benchmark:

none

Peer Group:

IA Europe (ex UK) 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 Jun-2024	1 year to Jun-2023	1 year to Jun-2022	Since Inception to Jun-2024 (avg. per-year)
Benchmark	1.6%	1.5%	1.3%	-
A Accumulation	3.8%	4.4%	3.4%	3.7%
A Income	3.8%	4.3%	3.4%	3.4%
F Income	3.8%	4.3%	3.4%	3.7%

Source: Valu-Trac

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	11.7%	5.1%	8.1%	-
A Accumulation	7.5%	1.1%	4.4%	Lowest 14%
Benchmark	11.7%	5.1%	7.9%	-
A Income	7.6%	1.1%	3.5%	Lowest 11%
Benchmark	11.7%	5.1%	9.4%	-
F Income	7.9%	1.3%	5.6%	Lowest 15%

*To 30 June 2024

Total return is the actual rate of return of an investment over a period. Net Total return includes interest, capital gains, dividends, and realised distributions (where appropriate), after all relevant fees have been deducted.

Source: Morningstar

The A Accumulation unit class was launched on 17 November 2020 . The A Income unit class was launched on 30 November 2020. The F Income unit class was launched on 05 November 2020.

The Z Accumulation and Z Income unit classes were both launched on 05 April 2024; as such, both of these unit classes have a performance record of less than 12 months and, therefore, have been excluded from any formal performance assessment.

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 within the fund has provided a yield in excess of that of the benchmark, peer group average, over each of the three, previous, discrete 12-month periods.

The net total return of each unit class within the fund is significantly 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 trend in long term performance with the Investment Manager.

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	0.81%	-
A Accumulation	0.91%	Highest 35%
A Income	0.91%	Highest 35%
F Income	0.71%	Lowest 38%
Z Accumulation	0.51%	Lowest 23%
Z Income	0.51%	Lowest 23%

Source: Morningstar

Conclusion:



Green

The Investment Management Fee is proposed by Downing LLP. 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 Downing LLP; 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 classes are currently paying an AMC higher than the market average for similar funds.

Unitholders within the F and Z unit classes 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, 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 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)	2022	2023	Current	
				Peer Rank
Peer Group	-	-	0.95%	-
A Accumulation	0.84%	0.87%	0.95%	Highest 50%
A Income	0.84%	0.87%	0.95%	Highest 50%
F Income	0.64%	0.67%	0.75%	Lowest 32%
Z Accumulation	-	-	0.55%	Lowest 21%
Z Income	-	-	0.55%	Lowest 21%

Source: Morningstar

Conclusion



Green

Unitholders are currently paying an OCF in line with, or lower than, 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 nine funds for which Downing LLP are the Investment Manager. Funds within this group may be termed single asset class funds or multi asset class funds; this fund is a single asset class fund. Differences between such funds, in terms of their management approach anticipated risk profile, notwithstanding, this fund is priced consistently with 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
Z Accumulation	0.55%	-	-	£10,000,000	£1,000	£10,000,000
Z Income	0.55%	-	-	£10,000,000	£1,000	£10,000,000
F Income	0.75%	0.20%	0.20%	£1,000,000	£1,000	£1,000,000
A Accumulation	0.95%	0.40%	0.20%	£1,000	£100	£1,000
A Income	0.95%	0.40%	0.20%	£1,000	£100	£1,000

Source: Valu-Trac

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.

Conclusion

 Green

Allowing for the differences in contingent investment minima between each unit class, the AFM is comfortable that the incremental difference in cost is not out with the relevant 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 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 trend in long term performance with the Investment Manager.

The AFM has concluded that the unitholders within the VT Downing European Unconstrained Income Fund are receiving good value, overall.

12/09/2024