



Annual Assessment of Value Statement as at 30 June 2024

VT Downing Unique Opportunities Fund

Fund Information

<b>Investment Manager:</b>	Downing LLP
<b>Authorised Fund Manager:</b>	Valu-Trac Investment Management Limited (Valu-Trac)
<b>Investment Objective:</b>	The investment objective of the Fund is to achieve capital growth and income over the long term (5 + years).
<b>Investment Policy:</b>	<p>The Fund seeks to achieve its investment objective by investing at least 80% in equities listed on UK markets (including the London Stock Exchange, AIM and the ICAP Securities and Derivatives Exchange (ISDX)). The Investment Manager will be seeking to invest in equities which it considers to have a unique outlook and opportunity for growth. The Investment Manager will be looking for the Fund to invest in companies which have clearly identifiable characteristics to protect them against the entry of competitors (which are expected to enable such companies to produce an above average return on equity). The unique characteristics sought include:</p> <ul style="list-style-type: none"><li>▪ having intangible assets e.g. brands, patents or regulatory licences</li><li>▪ having cost advantages stemming from process, location, scale or access to a unique asset</li><li>▪ being the leading network in a business segment; and/or</li><li>▪ there being high switching costs which generate high customer retention rates.</li></ul> <p>Such businesses are highly likely to be the only UK listed company in their industry or one of very few and possessing a distinctive corporate strategy and so are considered 'unique opportunities'. The Fund may also invest in other equities, fixed income, money market instruments, deposits, warrants, cash and near cash. The Fund will aim to hold a portfolio of between 25-40 investments.</p> <p>The Fund will be actively managed.</p> <p>Save as noted above (with a focus on UK listed investments), the Fund will not have any particular, industry or economic sector focus and as such weightings in these may vary as required.</p>
<b>AUM (£):</b>	£42.0m
<b>Fund Launch Date:</b>	17/03/2020

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 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 Unique Opportunities 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	A	G	G	G
A Accumulation	86.1%	G	A	A	G	A	G	G	G
A Income	13.9%	G	A	A	G	A	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 Unique Opportunities 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	A	G	G	G
A Accumulation	89.6%	G	A	A	G	A	G	G	G
A Income	10.4%	G	A	A	G	A	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
    - 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 Amber
    - The AFM will discuss the level of the Annual Management Charge (AMC) with the Investment Manager at the next scheduled Investment Manager meeting.
- Comparable Market Rates:
  - Assessed 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.

## New Remedial Actions

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

- AFM Costs - General:
  - Assessed Amber
    - The AFM will discuss the level of the Annual Management Charge (AMC) with the Investment Manager.
- Comparable Market Rates:
  - Assessed Amber
    - The AFM will discuss the level, and composition, of the Ongoing Charges Figure (OCF) with the Investment Manager.

## **Detailed Assessment**

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### **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 Fund is to achieve capital growth and income over the long term (5 + years).

#### **Constraining Benchmark:**

none

#### **Comparator Benchmark:**

IA UK All Companies Sector Average

#### **Target Benchmark:**

none

**Peer Group:**

IA UK All Companies Sector

**Minimum Recommended Holding Period:**

5 Years

**Management Approach:**

Active

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

Change in Fund Value	1 year to Jun-2024	1 year to Jun-2023	1 year to Jun-2022	Since Inception to Jun-2024
A Accumulation	11.7%	2.4%	-23.1%	48.6%
A Income	11.6%	2.5%	-22.8%	51.8%

Source: Valu-Trac

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	2.4%	2.5%	2.1%	-
A Accumulation	2.9%	2.9%	2.0%	3.1%
A Income	2.9%	2.8%	2.0%	3.0%

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	12.7%	3.0%	13.6%	-
A Accumulation	14.6%	-1.6%	12.1%	Lowest 30%
Benchmark	12.7%	3.0%	13.8%	-
A Income	14.6%	-1.6%	12.6%	Lowest 36%

\*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 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 positive capital return over the longer term (since inception).

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

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 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	0.71%	-
A Accumulation	0.90%	Highest 30%
A Income	0.90%	Highest 30%

Source: Morningstar

**Conclusion:**

● Amber

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

The AFM will discuss the level of the AMC with the Investment Manager.

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)	2022	2023	Current	
				Peer Rank
Peer Group	-	-	0.75%	-
A Accumulation	0.91%	0.91%	0.97%	Highest 27%
A Income	0.91%	0.91%	0.97%	Highest 27%

Source: Morningstar

#### **Conclusion**

 Amber

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

The AFM will discuss the level, and composition, of the Ongoing Charges Figure (OCF) with the Investment Manager.

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

### **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**

There is only one type of unit class within this fund (albeit with an Accumulation and Income variant) and all investors are offered the same level of service; therefore, all unitholders of this fund are treated equally in all respects.

#### **Conclusion**

 Green

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 four 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.

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

With regard to Comparable Market Rates, the AFM will discuss the level, and composition, of the OCF with the Investment Manager.

The AFM has concluded that the unitholders within the VT Downing Unique Opportunities Fund are receiving good value, overall.

12/09/2024