



Annual Assessment of Value Statement as at 30 April 2024

VT AI Funds Tactical High Yield Bond

Fund Information

Investment Manager:	Valu-Trac Investment Management Limited (Valu-Trac)
Authorised Fund Manager:	Valu-Trac Investment Management Limited (Valu-Trac)
Investment Objective:	The investment objective of the Fund is to provide consistent positive total returns of c. 6-9% per annum (net of fees) over a three year business cycle. Capital is in fact at risk and there is no guarantee that a positive return will be achieved over a three year, or any, period.
Investment Policy:	<p>The Fund will seek to achieve its objective by using active systematic rules to invest almost exclusively (90%+) in a portfolio of high yielding fixed income collective investment schemes (CIS) (which may include funds managed and/or operated by the ACD) selected from a global marketplace.</p> <p>It is expected that CIS which the Fund will invest will be very large (>\$1 billion) high yield fixed income funds. To reduce potential volatility from currency exposures the Fund may invest (where available) in hedged share classes in a CIS which will mean currency exposures are hedged back to sterling.</p> <p>If, in the opinion of the Investment Manager, market conditions deteriorate and become uncertain the Fund's asset allocation may be tactically adjusted to increase the exposure to a range of money market and short dated bond CIS funds. If the conditions deteriorate even further, exposure may be made up to 30% into longer dated sovereign CIS funds.</p> <p>The Fund may also invest in transferable securities, fixed income, money market instruments, deposits, cash and near cash.</p> <p>The Fund will be actively managed.</p> <p>Save as noted above, the Fund will not have any particular geographic, industry or economic sector focus and as such weightings in these may vary as required.</p>
AUM (£):	£13.0m
Fund Launch Date:	07/12/2019

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 AI Funds Tactical High Yield Bond	AUM (%)	Quality of Service	Performance	AFM costs - general	Economies of scale	Comparable market rates	Comparable services	Classes of units	Overall
Overall	100.0%	A	A	A	G	A	G	G	A
I Accumulation	1.3%	A	A	R	G	A	G	G	A
S Accumulation	98.7%	A	A	A	G	A	G	G	A

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

VT AI Funds Tactical High Yield Bond	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	A
I Accumulation	2.3%	G	A	A	G	A	G	G	A
S Accumulation	97.7%	G	A	A	G	A	G	G	A

The 2023 assessment used previous criteria that has since been updated as described above, and therefore the results for 2023 are not directly comparable with the updated 2024 assessment.

Previous Remedial Actions

- Performance
 - Assessed as Amber
 - The fund has fallen short of the stated level of target return over the minimum recommended holding period. The AFM will discuss the drivers of long-term performance, and trends in long term performance, 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.
- Comparable Market Rates
 - Assessed as Amber
 - The AFM will discuss the level, and composition, of the Ongoing Charges Figure (OCF) of each unit class with the Investment Manager at the next scheduled Investment Manager meeting.

New Remedial Actions

- Quality of Service
 - Assessed as Amber
 - The AFM identified a number of issues in relation to the Quality of Service, being provided by the erstwhile Investment Manager of this fund. The AFM duly engaged with the Investment Manager and, as a direct result of that engagement, exercised the option to take over as Investment Manager of the fund, at the present time. Further to this, a number of the issues identified by the AFM in relation to Quality of Service, are now being actively addressed.

- Performance
 - Assessed as Amber
 - The AFM will discuss the trend in long term performance with the Investment Manager. The AFM will also investigate the drivers of long term performance and will present any relevant findings to the Investment Manager, for their comment and consideration.

- AFM Costs – General
 - Assessed as Amber
 - The AFM will discuss the level of the Annual Management Charge (AMC) with the Investment Manager.

- Comparable Market Rates
 - Assessed as Amber
 - The AFM will discuss the level, and composition, of the Ongoing Charges Figure (OCF) of each unit class 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: Valu-Trac Investment Management Limited
- Depository services: NatWest Trustee and Depository 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.

During the course of the period under review, the AFM identified a number of issues in relation to Quality of Service being provided by the erstwhile Investment Manager of this fund. The AFM duly engaged with the Investment Manager and, as a result of that engagement, exercised the option to take over as Investment Manager of the fund, at the present time. Further to this, a number of the issues identified by the AFM in relation to Quality of Service, are now being actively addressed. No similar, systemic issues have been identified in relation to Quality of Service, elsewhere.

Conclusion:

 Amber

The AFM has concluded that unitholders are not receiving reasonable value, in relation to Quality of Service.

Performance

Objective:

The investment objective of the Fund is to provide consistent positive total returns of c. 6-9% per annum (net of fees) over a three year business cycle. Capital is in fact at risk and there is no guarantee that a positive return will be achieved over a three year, or any, period.

Constraining Benchmark:

none

Comparator Benchmark:

none

Target Benchmark:

total return of 6% p.a.

Peer Group:

IA £ Strategic Bond Sector

Minimum Recommended Holding Period:

3 Years

Management Approach:

Active

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)	3 years Peer Rank
Benchmark	6.0%	6.0%	-
I Accumulation	6.3%	1.2%	Highest 22%
S Accumulation	6.4%	1.3%	Highest 20%

*To 30 April 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

Conclusion:

 Amber

The net total return of each unit class within the fund is markedly below that of its target benchmark over the minimum recommended holding period. In mitigation, the AFM notes that the fund has performed well against peers. The AFM also notes that near term performance against the target benchmark is favourable.

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 continue to discuss the trend in long term performance with the Investment Manager. The AFM will also investigate the drivers of long term performance and will present any relevant findings to the Investment Manager, for their comment and consideration.

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	0.70%	
I Accumulation	1.08%	Highest 20%
S Accumulation	0.98%	Highest 25%

Source: Valu-Trac / Morningstar

Conclusion:

 Amber

The Investment Management Fee and 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, 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	-	-	0.80%	-
I Accumulation	1.08%	1.08%	1.08%	Highest 22%
S Accumulation	0.98%	0.98%	0.98%	Highest 26%

Source: Morningstar

Conclusion

 Amber

The OCF includes the costs of underlying funds held. This is currently estimated at 0.38%, 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 of each unit class 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 one funds for which Unbiased Financial Group LLP 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 Holding Amount	Minimum Top-Up Amount
S Accumulation	0.98%	-	-	£1,000	£1,000	£1,000
I Accumulation	1.08%	0.10%	0.10%	£1,000	£1,000	£1,000

Where a unit class may minimum investment or holding amounts, this may help the unit class scale quicker, leading to a lower proportional servicing cost, and thus, lower on-going charges.

Conclusion

 Green

Both unit classes are subject to similar investment minima. The incremental difference in OCF between both unit classes is not above the suggested base materiality threshold.

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

Overall Assessment

 Amber

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. The AFM will also investigate the drivers of long term performance and will present any relevant findings to the Investment Manager, for their comment and consideration.

With regard to AFM Costs – General, the AFM will discuss the level of the Annual Management Charge (AMC) 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 Ongoing Charges Figure (OCF) of each unit class with the Investment Manager at the next scheduled Investment Manager meeting.

The AFM has concluded that the unitholders within the VT AI Funds Tactical High Yield Bond are receiving reasonable value, overall.

27/08/2024