

# Assessment of Value Report

## **VT AJ Bell ICVC**

For the Year Ended 31<sup>st</sup> March 2021

This assessment is designed to establish the value that the VT AJ Bell ICVC (the “Company”) has delivered to its shareholders, in return for the price that you have paid.

The VT AJ Bell ICVC contains the following sub-funds (the “Funds”), all of which are reviewed in this document –

**VT AJ Bell Cautious**

**VT AJ Bell Moderately Cautious**

**VT AJ Bell Balanced**

**VT AJ Bell Moderately Adventurous**

**VT AJ Bell Adventurous**

**VT AJ Bell Global Growth**

**VT AJ Bell Income**

**VT AJ Bell Income & Growth**

**VT AJ Bell Responsible Growth**

The investment objectives of each of the Funds can be found within the VT AJ Bell ICVC prospectus. The Authorised Fund Manager (AFM) is the Authorised Corporate Director of the Company, Valu-Trac Investment Management Limited (Valu-Trac). The Investment Manager is AJ Bell Asset Management Limited (AJ Bell). AJ Bell has worked together with Valu-Trac to produce this assessment.

## A Message from AJ Bell

The Financial Conduct Authority (FCA) requires UK authorised fund managers to publish an annual assessment of the value provided by their funds to investors. This covers a variety of areas from costs and performance, through to quality of services and economies of scale. We are pleased to present the second Value for Money Assessment for the VT AJ Bell Funds, covering the 12-month period to the 31<sup>st</sup> March 2021.

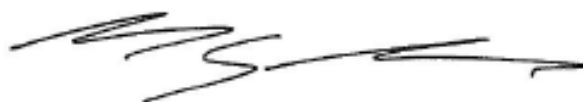
Our assessment has been conducted against the seven factors outlined by the FCA and has rated our Funds via a ‘traffic light’ system, where green indicates good value; amber room for improvement, and red poor value. The dashboard below shows an overall summary of the assessment<sup>1</sup>:

Fund	Performance	Fund Costs	Economies of Scale	Comparable Market Rates	Comparable Services	Classes of Units	Quality of Service	Overall
VT AJ Bell Cautious	●	●	●	●	●	●	●	●
VT AJ Bell Moderately Cautious	●	●	●	●	●	●	●	●
VT AJ Bell Balanced	●	●	●	●	●	●	●	●
VT AJ Bell Moderately Adventurous	●	●	●	●	●	●	●	●
VT AJ Bell Adventurous	●	●	●	●	●	●	●	●
VT AJ Bell Global Growth	●	●	●	●	●	●	●	●
VT AJ Bell Income	●	●	●	●	●	●	●	●
VT AJ Bell Income & Growth	●	●	●	●	●	●	●	●
VT AJ Bell Responsible Growth	N/A	●	●	●	●	●	●	●

The period under review saw significant market turmoil during the COVID-19 pandemic. Against this background we are pleased that our long-term investment philosophy and focus on simple, transparent, and low-cost investment solutions has continued to deliver strong returns for our shareholders.

Overall, we believe that our Funds offer excellent value to customers, and we continue to look for areas to improve and work hard to manage your money.

Thank you for choosing to invest with AJ Bell.

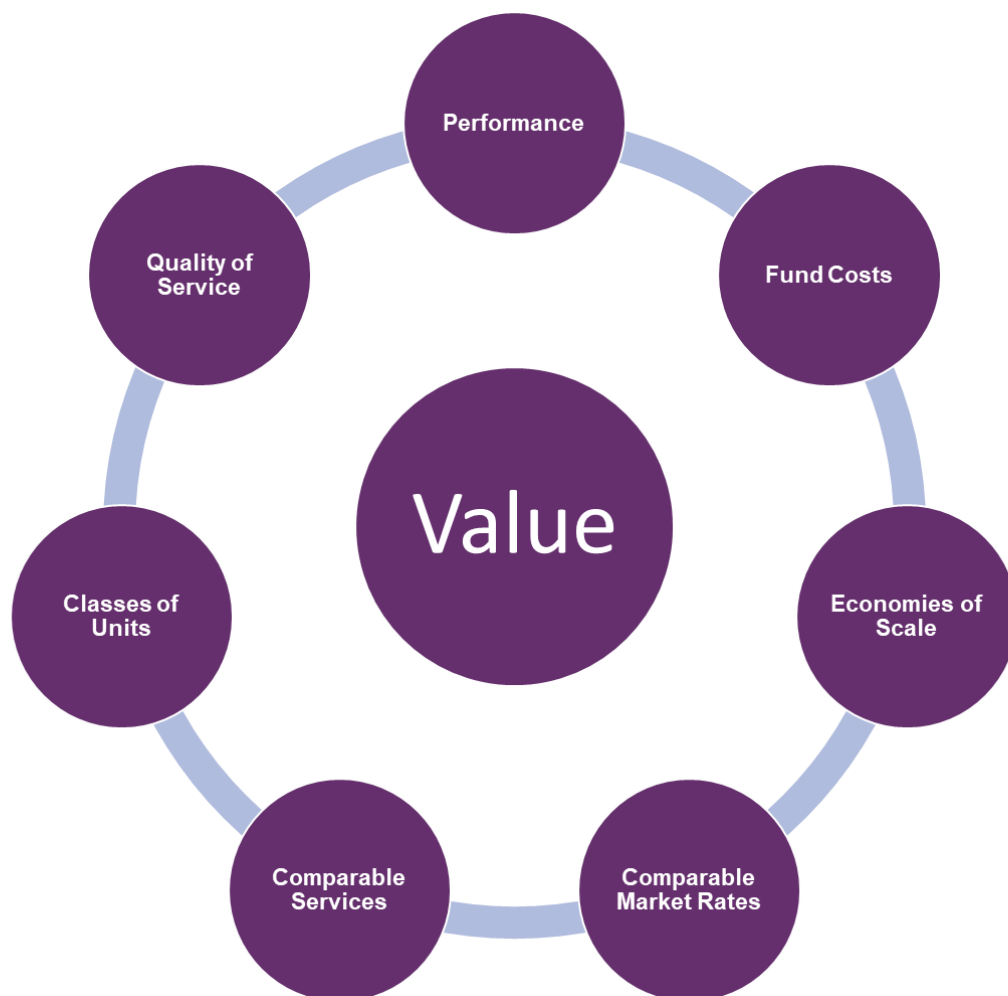



**Mark Gillan**  
AJ Bell Asset Management Ltd. Head of Product

<sup>1</sup> Responsible Growth is shown as “N/A” in the Performance section as, at the time of assessment, it did not have sufficient performance history (12 months) to enable a robust comparison to be made.

## The Seven Assessment Factors

In order to provide a broad assessment of value, the FCA has specified seven criteria that should be used, and we have therefore chosen to structure our assessment around these different factors, with a detailed analysis of how each of our Funds performed in each category.



### Performance

Here, we look to assess performance based on the stated objectives of our Funds, over an appropriate timescale. We are long-term investors and recommend a 5-year holding period for our shareholders. The oldest of our Funds launched on the 18<sup>th</sup> April 2017, however, and so as their track record is shorter than the recommended period we will assess against a selection of periods for comparative purposes.

Please note that the value of investments and the income from them can go down as well as up, and you may not get back your original investment. Past performance is

not a guide to future performance and some investments need to be held for the long term.

We operate a range of multi-asset funds, some of which have long-term capital growth objectives (our “**Growth**” Funds), others having a target average yield objective (our “**Income**” Funds) and lastly our new “**Responsible Growth**” Fund, launched in November 2020, which focuses on investing with an Environmental, Social and Governance (ESG) mandate. To assess performance, it is therefore useful to consider these separately.

Growth Funds	Income Funds	Responsible Funds
VT AJ Bell Cautious	VT AJ Bell Income	VT AJ Bell Responsible Growth
VT AJ Bell Moderately Cautious	VT AJ Bell Income & Growth	
VT AJ Bell Balanced		
VT AJ Bell Moderately Adventurous		
VT AJ Bell Adventurous		
VT AJ Bell Global Growth		
VT AJ Bell Responsible Growth		

The Funds are multi-asset in nature (although at times During the 12 months to the 31st March 2021, some Funds were 100% invested in equities) and therefore no single financial instrument or index represents a fair benchmark. However, to give context and enable an objective assessment of performance, it is suggested that the performance can be assessed by comparing total return to other funds with similar return and/or risk objectives. The IA (Investment Association) provides the median performance of funds with similar characteristics (IA sectors). The Growth and Responsible Funds are assigned to the following IA Sectors:

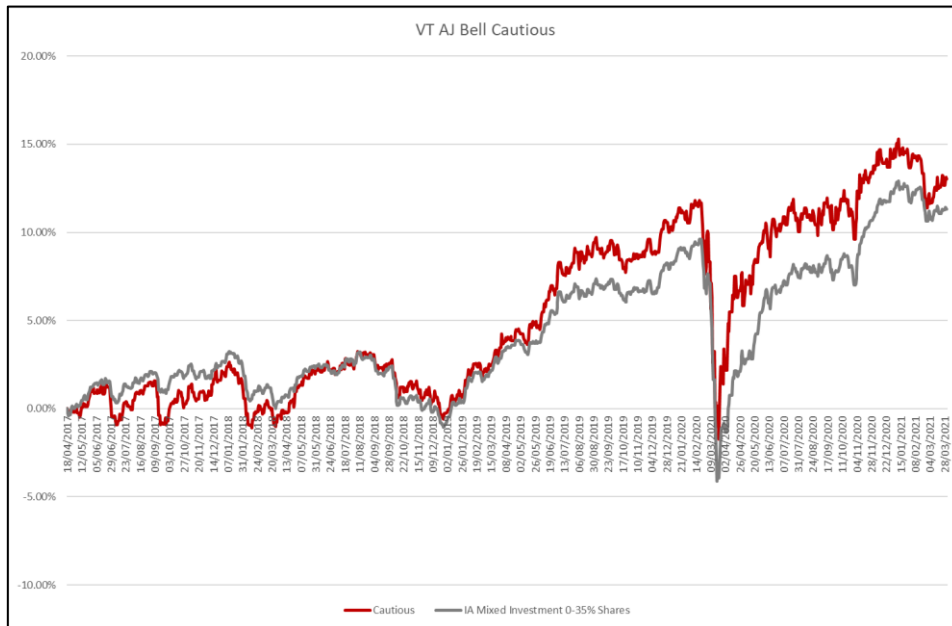
Fund	IA Sector
VT AJ Bell Cautious	Mixed Investment 0-35% Shares
VT AJ Bell Moderately Cautious	Mixed Investment 20-60% Shares
VT AJ Bell Balanced	Mixed Investment 40-85% Shares
VT AJ Bell Moderately Adventurous	Mixed Investment 40-85% Shares
VT AJ Bell Adventurous	Flexible Investment
VT AJ Bell Global Growth	Flexible Investment
VT AJ Bell Responsible Growth	Flexible Investment

The Income Funds are not assigned to an IA sector, but instead have an objective based around a target average yield. This is a target average yield of 3-5% per annum over a trailing three-year period.

We will now present a brief performance assessment on a Fund-by-Fund basis and then look at the Fund range as a whole.

## VT AJ Bell Cautious

Fund Objective: The investment objective of VT AJ Bell Cautious is to achieve long-term capital growth with a high level of exposure (often indirect) to defensive assets such as cash, fixed interest securities, money market funds and collective investment schemes following alternative strategies such as property and commodities and a low level of exposure to higher risk assets such as equities.



During the 12 months to the 31st March 2021, the Cautious Fund returned 9.31%, versus its IA Sector's return of 12.22%. This put the Fund in the 4<sup>th</sup> quartile of its IA Sector. Longer-term performance is shown in the tables below:

### Cumulative Performance:

	1 month	3 months	6 months	1 year	3 Years
<b>VT AJ Bell Cautious</b>	<b>1.47%</b>	<b>-1.04%</b>	<b>2.26%</b>	<b>9.31%</b>	<b>13.45%</b>
IA Mixed Investment 0-35% Shares	0.63%	-0.79%	3.31%	12.22%	10.88%
IA Sector Quartile	1st	3rd	3rd	4th	1st

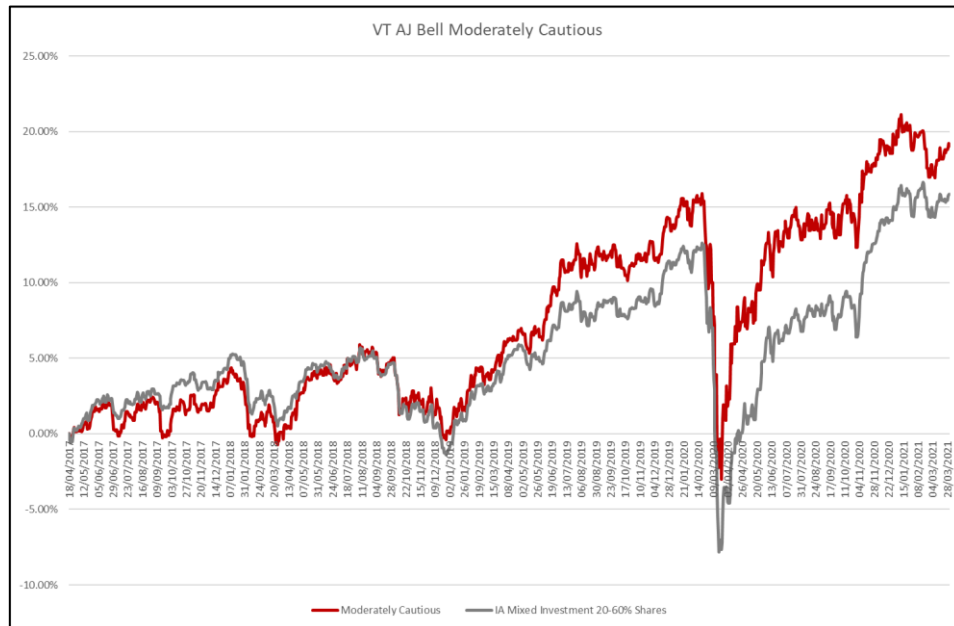
### Discrete Performance:

	31/03/2020 - 31/03/2021	31/03/2019 - 31/03/2020	31/03/2018 - 31/03/2019
<b>VT AJ Bell Cautious</b>	<b>9.31%</b>	<b>-0.09%</b>	<b>3.88%</b>
IA Mixed Investment 0-35% Shares	12.22%	-3.54%	2.43%
IA Sector Quartile	4th	1st	1st

You can view the full Fund factsheet [here](#).

## VT AJ Bell Moderately Cautious

Fund Objective: The investment objective of VT AJ Bell Moderately Cautious is to achieve long-term capital growth with a preference (often indirect) towards defensive assets such as cash, fixed interest securities, money-market funds and collective investment schemes following alternative strategies such as property and commodities and less emphasis on higher risk assets such as equities.



During the 12 months to the 31st March 2021, the Moderately Cautious Fund returned 15.38%, versus its IA Sector's return of 20.05%. This put the Fund in the 4<sup>th</sup> quartile of its IA Sector. Longer-term performance is shown in the tables below:

### Cumulative Performance:

	1 month	3 months	6 months	1 year	3 Years
<b>VT AJ Bell Moderately Cautious</b>	<b>1.75%</b>	<b>-0.08%</b>	<b>4.66%</b>	<b>15.38%</b>	<b>18.95%</b>
IA Mixed Investment 20-60% Shares	1.30%	0.90%	7.61%	20.05%	14.70%
IA Sector Quartile	2nd	4th	4th	4th	1st

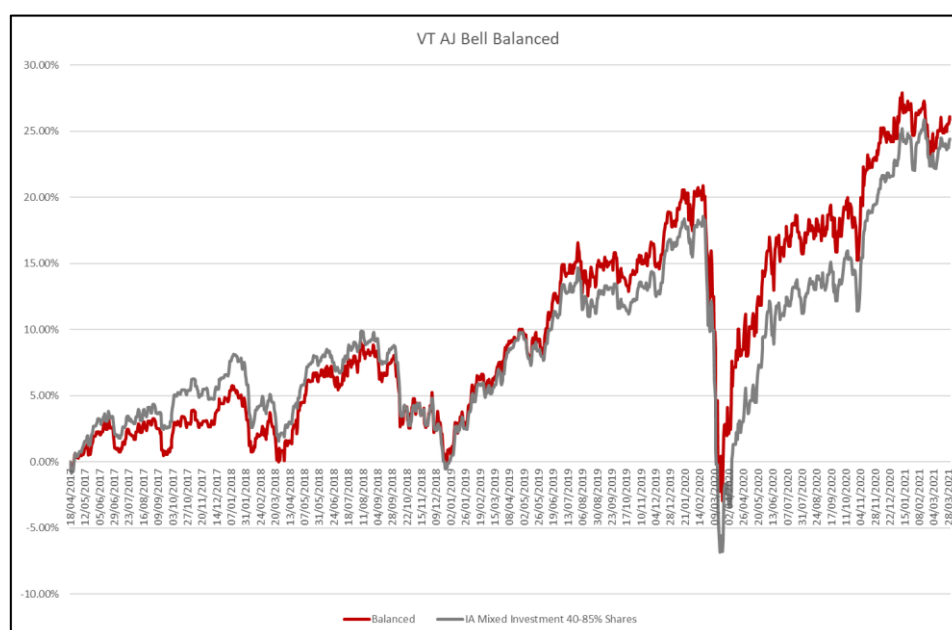
### Discrete Performance:

	31/03/2020 - 31/03/2021	31/03/2019 - 31/03/2020	31/03/2018 - 31/03/2019
<b>VT AJ Bell Moderately Cautious</b>	<b>15.38%</b>	<b>-2.08%</b>	<b>5.27%</b>
IA Mixed Investment 20-60% Shares	20.05%	-7.14%	2.89%
IA Sector Quartile	4th	1st	1st

You can view the full Fund factsheet [here](#).

## VT AJ Bell Balanced

Fund Objective: The investment objective of VT AJ Bell Balanced is to achieve long-term capital growth with a balanced approach between defensive assets such as cash, fixed interest securities, money-market funds and collective investment schemes following alternative strategies such as property and commodities, and higher risk assets such as equities



During the 12 months to the 31st March 2021, the Balanced Fund returned 20.96%, versus its IA Sector's return of 26.47%. This put the Balanced Fund in the 4<sup>th</sup> quartile of its IA Sector. Longer-term performance is shown in the tables below:

### Cumulative Performance:

	1 month	3 months	6 months	1 year	3 Years
<b>VT AJ Bell Balanced</b>	<b>2.27%</b>	<b>1.20%</b>	<b>7.26%</b>	<b>20.96%</b>	<b>24.86%</b>
IA Mixed Investment 40-85% Shares	1.66%	1.63%	9.78%	26.47%	21.79%
IA Sector Quartile	2nd	3rd	4th	4th	2nd

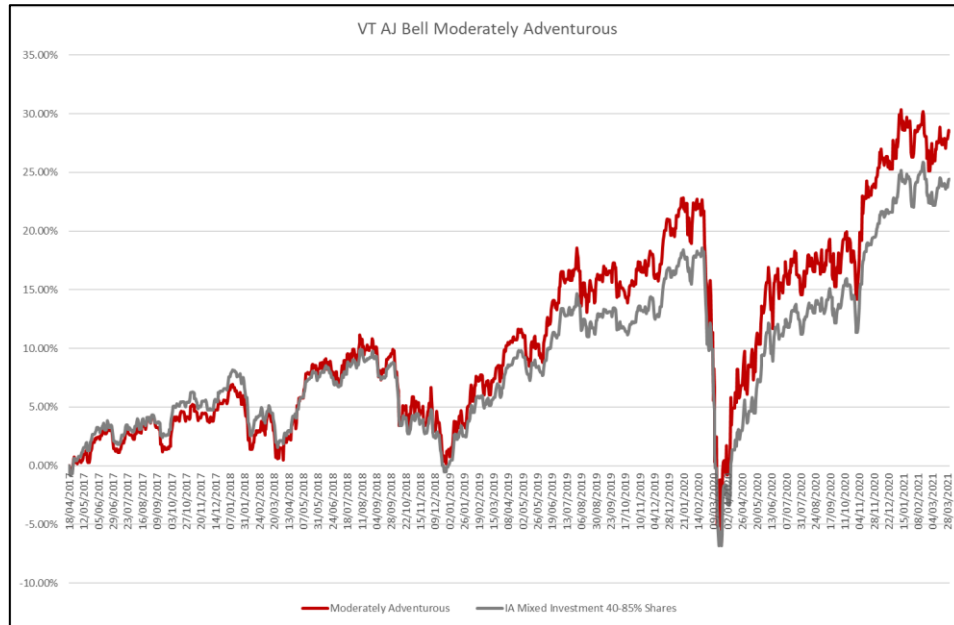
### Discrete Performance:

	31/03/2020 - 31/03/2021	31/03/2019 - 31/03/2020	31/03/2018 - 31/03/2019
<b>VT AJ Bell Balanced</b>	<b>20.96%</b>	<b>-3.25%</b>	<b>6.69%</b>
IA Mixed Investment 40-85% Shares	26.47%	-7.73%	4.36%
IA Sector Quartile	4th	1st	1st

You can view the full Fund factsheet [here](#).

## VT AJ Bell Moderately Adventurous

Fund Objective: The investment objective of VT AJ Bell Moderately Adventurous is to achieve long-term capital growth with a preference towards higher risk assets such as equities and less emphasis on lower risk assets such as cash and fixed income.



During the 12 months to the 31st March 2021, the Moderately Adventurous Fund returned 26.28%, versus its IA Sector's return of 26.47%. This put the Moderately Adventurous Fund in the 3<sup>rd</sup> quartile of its IA Sector. Longer-term performance is shown in the tables below:

### Cumulative Performance:

	1 month	3 months	6 months	1 year	3 Years
VT AJ Bell Moderately Adventurous	2.67%	1.82%	9.92%	26.28%	26.59%
IA Mixed Investment 40-85% Shares	1.66%	1.63%	9.78%	26.47%	21.79%
IA Sector Quartile	1st	2nd	3rd	3rd	1st

### Discrete Performance:

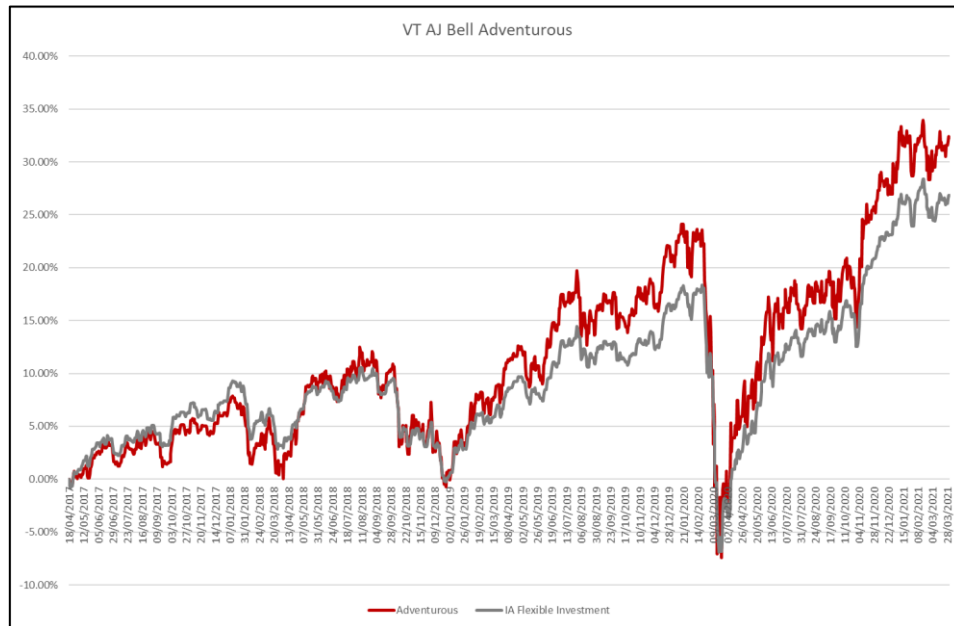
	31/03/2020 - 31/03/2021	31/03/2019 - 31/03/2020	31/03/2018 - 31/03/2019
VT AJ Bell Moderately Adventurous	26.28%	-6.29%	6.97%
IA Mixed Investment 40-85% Shares	26.47%	-7.73%	4.36%
IA Sector Quartile	3rd	2nd	1st

You can view the full Fund factsheet [here](#).



## VT AJ Bell Adventurous

Fund Objective: The investment objective of VT AJ Bell Adventurous is to achieve long-term capital growth with a preference (often indirect) towards higher risk assets such as equities and less emphasis on defensive assets such as cash, fixed interest securities, money-market funds and collective investment schemes following alternative strategies such as property and commodities.



During the 12 months to the 31st March 2021, the Adventurous Fund returned 31.32%, versus its IA Sector's return of 29.36%. This put the Moderately Adventurous Fund in the 2<sup>nd</sup> quartile of its IA Sector. Longer-term performance is shown in the tables below:

### Cumulative Performance:

	1 month	3 months	6 months	1 year	3 Years
<b>VT AJ Bell Adventurous</b>	<b>3.07%</b>	<b>3.30%</b>	<b>12.72%</b>	<b>31.32%</b>	<b>30.54%</b>
IA Flexible Investment	1.65%	2.22%	11.26%	29.36%	22.92%
IA Sector Quartile	1st	2nd	2nd	2nd	1st

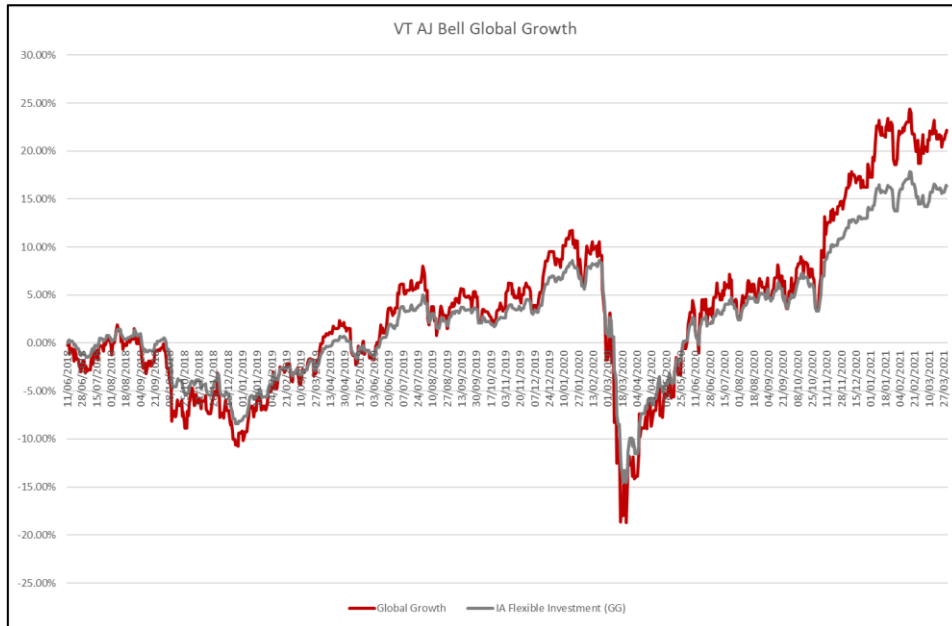
### Discrete Performance:

	31/03/2020 - 31/03/2021	31/03/2019 - 31/03/2020	31/03/2018 - 31/03/2019
<b>VT AJ Bell Adventurous</b>	<b>31.32%</b>	<b>-7.50%</b>	<b>7.46%</b>
IA Flexible Investment	29.36%	-8.05%	3.34%
IA Sector Quartile	2nd	2nd	1st

You can view the full Fund factsheet [here](#).

## VT AJ Bell Global Growth

Fund Objective: The investment objective of VT AJ Bell Global Growth is to achieve long term capital growth with a focus on having exposure (often indirect) to global equities, including higher risk equities such as emerging markets, small cap and technology, with minimal holdings or exposure to defensive assets such as cash, fixed interest securities, money-market funds and collective investment schemes following alternative strategies such as property and commodities.



During the 12 months to the 31st March 2021, the Global Growth Fund returned 38.65%, versus its IA Sector’s return of 29.36%. This put the Global Growth Fund in the 2<sup>nd</sup> quartile of its IA Sector. Longer-term performance is shown in the tables below:

### Cumulative Performance:

	1 month	3 months	6 months	1 year	3 Years
<b>VT AJ Bell Global Growth</b>	<b>2.93%</b>	<b>4.18%</b>	<b>15.89%</b>	<b>38.65%</b>	<b>N/A</b>
IA Flexible Investment	1.65%	2.22%	11.26%	29.36%	N/A
IA Sector Quartile	1st	1st	1st	2nd	N/A

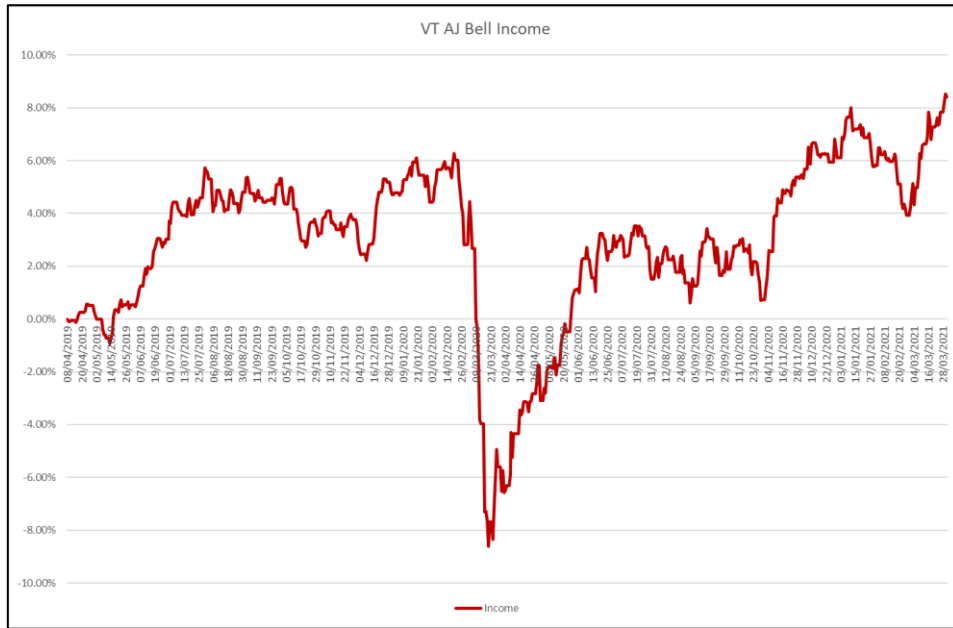
### Discrete Performance:

	31/03/2020 - 31/03/2021	31/03/2019 - 31/03/2020	31/03/2018 - 31/03/2019
<b>VT AJ Bell Global Growth</b>	<b>38.65%</b>	<b>-10.30%</b>	<b>N/A</b>
IA Flexible Investment	29.36%	-8.05%	N/A
IA Sector Quartile	2nd	3rd	N/A

You can view the full Fund factsheet [here](#).

## VT AJ Bell Income

Fund Objective: The investment objective of VT AJ Bell Income is to generate income whilst maintaining capital value over a typical investment cycle (5-10 years) through a focus on exposure to a broad range of income generating assets such as bonds and equities. The Fund has a target average yield of 3-5% per annum (over a trailing three-year period), which is not guaranteed and may be subject to change as the assumptions on which the target was calculated may change



During the 12 months to the 31st March 2021, the Income Fund returned 15.02%. Longer-term performance is shown in the tables below:

### Cumulative Performance:

	1 month	3 months	6 months	1 year	3 Years
VT AJ Bell Income	4.32%	2.18%	6.30%	15.02%	N/A

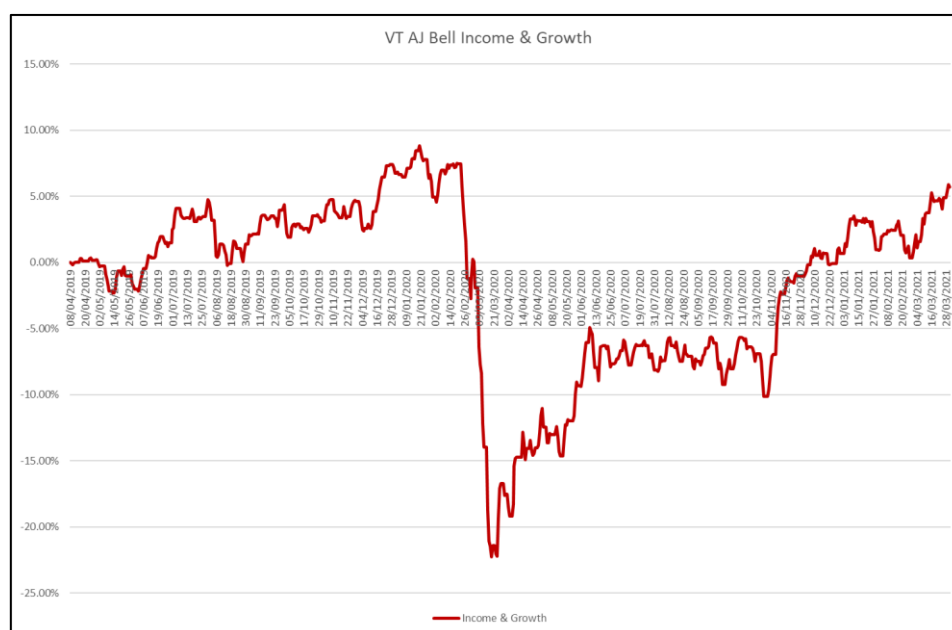
### Discrete Performance:

	31/03/2020 - 31/03/2021	31/03/2019 - 31/03/2020	31/03/2018 - 31/03/2019
VT AJ Bell Income	15.02%	N/A	N/A

You can view the full Fund factsheet [here](#).

## VT AJ Bell Income & Growth

Fund Objective: The investment objective of VT AJ Bell Income & Growth is to achieve capital growth in line with the Consumer Prices Index whilst also generating income over a typical investment cycle (5-10 years) through a focus on exposure to equities (particularly those with above average dividend yield). The Fund has a target average yield of 3-5% per annum (over a trailing three-year period), which is not guaranteed and may be subject to change as the assumptions on which the target was calculated may change.



During the 12 months to the 31st March 2021, the Income & Growth Fund returned 28.17%. Longer-term performance is shown in the tables below:

### Cumulative Performance:

	1 month	3 months	6 months	1 year	3 Years
VT AJ Bell Income & Growth	5.34%	5.00%	14.79%	28.17%	N/A

### Discrete Performance:

	31/03/2020 - 31/03/2021	31/03/2019 - 31/03/2020	31/03/2018 - 31/03/2019
VT AJ Bell Income & Growth	28.17%	N/A	N/A

You can view the full Fund factsheet [here](#).

## Fund Range Cumulative Performance Summary:

Fund	inception Date	1 month	3 months	6 months	1 year	3 Years
<b>VT AJ Bell Cautious</b>	<b>18/04/2017</b>	<b>1.47%</b>	<b>-1.04%</b>	<b>2.26%</b>	<b>9.31%</b>	<b>13.45%</b>
IA Mixed Investment 0-35% Shares		0.63%	-0.79%	3.31%	12.22%	10.88%
IA Sector Quartile		1st	3rd	3rd	4th	1st
<b>VT AJ Bell Moderately Cautious</b>	<b>18/04/2017</b>	<b>1.75%</b>	<b>-0.08%</b>	<b>4.66%</b>	<b>15.38%</b>	<b>18.95%</b>
IA Mixed Investment 20-60% Shares		1.30%	0.90%	7.61%	20.05%	14.70%
IA Sector Quartile		2nd	4th	4th	4th	1st
<b>VT AJ Bell Balanced</b>	<b>18/04/2017</b>	<b>2.27%</b>	<b>1.20%</b>	<b>7.26%</b>	<b>20.96%</b>	<b>24.86%</b>
IA Mixed Investment 40-85% Shares		1.66%	1.63%	9.78%	26.47%	21.79%
IA Sector Quartile		2nd	3rd	4th	4th	2nd
<b>VT AJ Bell Moderately Adventurous</b>	<b>18/04/2017</b>	<b>2.67%</b>	<b>1.82%</b>	<b>9.92%</b>	<b>26.28%</b>	<b>26.59%</b>
IA Mixed Investment 40-85% Shares		1.66%	1.63%	9.78%	26.47%	21.79%
IA Sector Quartile		1st	2nd	3rd	3rd	1st
<b>VT AJ Bell Adventurous</b>	<b>18/04/2017</b>	<b>3.07%</b>	<b>3.30%</b>	<b>12.72%</b>	<b>31.32%</b>	<b>30.54%</b>
IA Flexible Investment		1.65%	2.22%	11.26%	29.36%	22.92%
IA Sector Quartile		1st	2nd	2nd	2nd	1st
<b>VT AJ Bell Global Growth</b>	<b>11/06/2018</b>	<b>2.93%</b>	<b>4.18%</b>	<b>15.89%</b>	<b>38.65%</b>	<b>N/A</b>
IA Flexible Investment		1.65%	2.22%	11.26%	29.36%	N/A
IA Sector Quartile		1st	1st	1st	2nd	N/A
<b>VT AJ Bell Income</b>	<b>08/04/2019</b>	<b>4.32%</b>	<b>2.18%</b>	<b>6.30%</b>	<b>15.02%</b>	<b>N/A</b>
<b>VT AJ Bell Income &amp; Growth</b>	<b>08/04/2019</b>	<b>5.34%</b>	<b>5.00%</b>	<b>14.79%</b>	<b>28.17%</b>	<b>N/A</b>

Source: Morningstar. Correct as at 31<sup>st</sup> March 2021, Performance based on I share classes in all instances.

## Income Fund Dividend Summary

Fund	inception Date	1 year	2 years	Since Inception
<b>VT AJ Bell Income</b>	<b>08/04/2019</b>			
Dividend Per Share (I Income)		3.59p	3.88p	7.47p
Dividend Yield		3.96%	3.88%	3.74%
<b>VT AJ Bell Income &amp; Growth</b>	<b>08/04/2019</b>			
Dividend Per Share (I Income)		3.03p	3.76p	6.79p
Dividend Yield		3.67%	3.76%	3.39%

Source: VT AJ Bell ICVC Report & Accounts for Y/E 31st March 2021

All of the Funds have met their stated objectives of capital growth (for the Growth Funds) or income generation (for the Income Funds).

The objectives are not explicitly geared towards outperforming a specific benchmark, so we have included IA sectors as a reference point and to give some market background. Reviewing the performance versus the sectors, you will see that there is some variability in performance, and over shorter time periods, some of the Funds have been in the 3<sup>rd</sup> or 4<sup>th</sup> quartile of their IA sectors. To put this into context, in March 2020 during the initial stages of the COVID-19 crisis, the FTSE 100 fell to 5,190, a level not seen since the aftermath of 9/11. Markets around the world suffered similar losses.

Subsequently, the story has been one of gradual recovery, but this has not been uniform and has affected different markets and different asset classes in a variety of ways. In particular, global equities have outperformed global bonds significantly – by 58% in the 12 months to March 2021.

Our lower-risk portfolios such as Cautious, which have a lower allocation to equities, have therefore seen a headwind from the global equity outperformance, whereas our higher-risk portfolios such as Global Growth have enjoyed a strong tailwind. This is reflected in the relative performance across the Fund range.

We are not concerned about the performance of our portfolios over shorter time periods, as they are designed as long-term vehicles with a minimum 5-year holding period recommended. Over longer periods, you can see that the Funds have continued to perform well, in the 2<sup>nd</sup> or 1<sup>st</sup> quartile of their IA sectors, which is the most robust measure of performance for our products, particularly with the Growth Funds that have capital growth as their main objective.

For the Income and Income & Growth Funds, the most important part of their objectives is to deliver income, with Income & Growth also aiming to deliver capital growth to protect from inflation. They have achieved these objectives, both delivering within the 3-5% yield target and benefiting from some capital growth following the global rally in equities. Further details of the dividends received by the Income and Income & Growth Funds can be found within our annual report and accounts.

In our 2020 assessment of value reports, we highlighted the performance of Global Growth as an area for improvement, given that it was the only one of our Funds sitting outside the 1<sup>st</sup> or 2<sup>nd</sup> quartiles of their IA sectors. We noted that “...however if performance does not improve when the performance of global equity markets improves, we will take action if necessary”. As discussed above, the global equity markets have increased significantly since the publication of our report; Global Growth has performed strongly in these conditions as we would expect and therefore, we are happy with its performance.

Please note that as it was launched in November 2020, the Responsible Growth Fund does not yet have a 12-month performance record and is therefore considered too new to rate in this section. We will provide a fuller update on the performance of Responsible Growth in our next Assessment of Value in 2022.

As well as examining the performance of the Funds, it is also worth noting the levels of risk that were taken in order to achieve the returns detailed above. Our Growth

Funds have risk profiles, which are managed by restricting the types of assets held and the allocations to those assets. The risk profiles are determined using an independent external risk ratings agency's forward looking volatility assumptions. Our funds operate on a 1-10 risk rating scale, where 1 is an allocation entirely to cash, and 10 is an allocation entirely to riskier equity regions such as Asia and emerging markets. Using this 1-10 scale, our Growth Funds are rated as per the table below:

Fund	Risk Rating
VT AJ Bell Cautious	3
VT AJ Bell Moderately Cautious	4
VT AJ Bell Balanced	5
VT AJ Bell Moderately Adventurous	6
VT AJ Bell Adventurous	7
VT AJ Bell Global Growth	8

As noted above, our Income and Income & Growth Funds are not designed with specific capital growth targets in mind; rather they target income yields and therefore they are not risk rated in the same way as our Growth Fund range.

Further details of the calculations underlying the risk ratings are available upon request.

Overall, we consider the performance of our Funds to be credible and offering value for the investment management fee paid by our shareholders. We are also confident that the Funds are positioned well to take advantage of the post-pandemic recovery and continue to deliver strong performance in the future.

## Fund Costs

The costs incurred by shareholders in the year to 31<sup>st</sup> March 2021 for each of our Funds were as follows:

Fund	Audit Cost	Investment Management Fee	Administration Fee	Depository Fee	Authorised Corporate Director Fee	FCA Fee	Safe Custody Fee	Other Expenses
VT AJ Bell Cautious	£2,880.00	£40,379.00	£19,269.00	£16,483.00	£2,030.00	£66.00	£4,419.00	£3,792.00
VT AJ Bell Moderately Cautious	£2,880.00	£73,611.00	£19,269.00	£19,347.00	£2,030.00	£66.00	£7,428.00	£3,829.00
VT AJ Bell Balanced	£2,880.00	£250,387.00	£19,269.00	£57,606.00	£2,030.00	£66.00	£24,786.00	£5,903.00
VT AJ Bell Moderately Adventurous	£2,880.00	£155,917.00	£19,269.00	£38,110.00	£2,030.00	£66.00	£15,623.00	£4,202.00
VT AJ Bell Adventurous	£2,880.00	£120,479.00	£19,269.00	£30,197.00	£2,030.00	£66.00	£11,587.00	£3,786.00
VT AJ Bell Global Growth	£2,880.00	£66,687.00	£19,269.00	£17,717.00	£2,030.00	£66.00	£7,008.00	£2,989.00
VT AJ Bell Income	£2,888.00	£17,986.00	£19,217.00	£16,483.00	£2,032.00	£66.00	£1,917.00	£3,149.00
VT AJ Bell Income & Growth	£2,888.00	£29,380.00	£19,217.00	£16,483.00	£2,032.00	£66.00	£2,877.00	£3,015.00
VT AJ Bell Responsible Growth	£2,768.00	£10,234.00	£6,784.00	£4,828.00	£697.00	£66.00	£935.00	£24,648.00

Costs play a key role in long-term performance and customer outcomes. Both the AFM and the Investment Manager are focussed on reducing the costs paid by shareholders. This is reflected by the structure of the underlying expenses in the Funds, being low cost and with the majority of charges fixed so investors gain from economies of scale:

- AJ Bell receives a fixed **Investment Management Fee** of 0.15%
- The **Authorised Corporate Director fee, Audit fee, FCA fee** and **Administration fee** are fixed costs
- The **Depository** fee has break points as assets under management rise. This means that as the assets in our Funds grow, the overall rate of the depository fee decreases and the benefits of this are passed onto shareholders
- The **Safe Custody** fees are levied as an ad valorem charge per market – for example, for the UK this is 0.006% - rather than on a transactional basis, which makes them extremely competitive against our peers

The Investment Manager and AFM ensure that expenses within the Funds are constantly reviewed and negotiated with suppliers to ensure the best deal for underlying investors. As an example, this year, the Authorised Corporate Director negotiated a new cost structure for our depository fee, which has resulted in lower costs for shareholders at current levels and as the Funds grow in size.

In addition to the structural costs of the Funds, we work closely with our fund management partners to ensure that the cost of the underlying investments in the Funds' portfolios are as competitive as possible. Any savings made in this area, as with the other expenses, are passed directly onto shareholders.

Finally, we maintain a capped ongoing charge figure (OCF) for each of our Funds. Our Growth Funds are capped at 0.35% and our Income and Responsible Growth Funds are capped at 1.00%. We will talk in more detail about this in the next section.

## **Economies of scale**

As investment funds grow, they can often benefit from economies of scale. It is our belief that shareholders and not investment managers should benefit from economies of scale, and we have designed our Funds with this in mind.

As described above, we receive a fee of 0.15% from all of our Funds. Most of the underlying costs in the Funds, as described above, are fixed, and so as the Funds grow in size, these costs become relatively smaller. All of the benefit is passed on to shareholders automatically.



This is a different approach from many other investment managers that often absorb all fund running costs into their annual management charge. For them, as the fund running costs decrease in size, their total investment management fee grows. As an investment manager, we believe in returning these benefits to investor's pockets, not ours.

Importantly, we operate with a capped ongoing charge figure (OCF) of 0.35% for our Growth Funds, and 1.00% for our Responsible Growth and Income Funds. This means that shareholders know the maximum amounts that they will pay, and the Investment Manager will pay into the Fund such amounts required to keep the OCF at the cap. As the Funds grow, the OCF will decrease, resulting in cheaper access for shareholders.

Current OCFs are as follows:

Fund	OCF
VT AJ Bell Cautious	0.35%
VT AJ Bell Moderately Cautious	0.34%
VT AJ Bell Balanced	0.32%
VT AJ Bell Moderately Adventurous	0.32%
VT AJ Bell Adventurous	0.32%
VT AJ Bell Global Growth	0.34%
VT AJ Bell Income	0.83%
VT AJ Bell Income & Growth	0.80%
VT AJ Bell Responsible Growth	0.55%

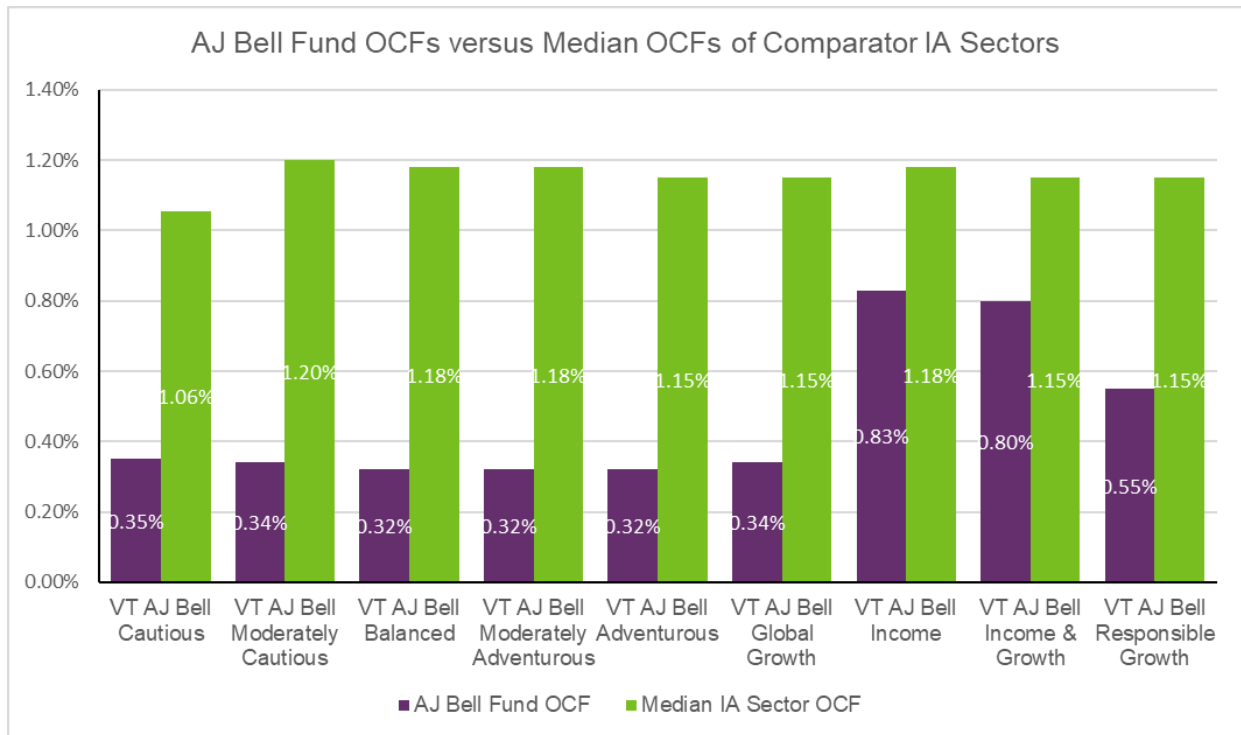
*Correct as at 31<sup>st</sup> March 2021*

The Income Funds and Responsible Growth have a higher OCF cap than the Growth Funds because the income-producing ETFs and funds, and those with Environmental, Social and Governance mandates that are the underlying components of our portfolios tend to have a higher OCF themselves.

## Comparable Market Rates

In order to assess the competitiveness of the Funds objectively, we will look at each Fund's OCF versus the median OCF for the most appropriate IA Sector as a comparator. For the Growth Funds and Responsible Growth Fund, these comparators are the IA Sectors mentioned within the Performance section above; for the Income Funds, which are not assigned formally to an IA Sector, the comparators are the IA Mixed Investment 40-85% Shares for the Income Fund, and the IA Flexible Investment Sector for the Income & Growth Fund.

The comparison shows that the AJ Bell Funds are between 0.35% and 0.86% cheaper than the average of their peer group funds. This is shown graphically below.



Source: Morningstar. Correct as at March 2021. \*Income and Income & Growth are not formal members of any IA sectors; the sectors shown here are included as the most appropriate comparators

As noted above, our approach to costs and pricing structure mean that as our Funds grow, their OCFs will naturally fall and we would expect them to become even more competitive against their peer set.

## Comparable Services

We do not treat institutional and retail investors differently; they pay the same costs and invest in the same share classes. We therefore do not charge smaller clients more than those with larger investments.

## Classes of Units

Generally, there is only one available share class for each AJ Bell Fund, the “I” classes. In 2021, we launched the “IP” share classes of certain Funds – Balanced, Cautious and Income – in order to serve as solutions for the FCA’s Investment Pathways initiative.

The IP and I classes have identical investment management fees of 0.15% and the same expense structures, which ensures that all shareholders pay the same costs and are treated equally. We do not pay any rebate arrangements.

## **Quality of Service**

The AFM considers that a good level of service was provided to shareholders by all parties involved, proportional to the amount paid by the Company for those services. The AFM monitors the following operational services:

- Depository – NatWest Trustee and Depositary Services Limited
- Custodian – RBC Investor Services Trust, UK branch (RBC)
- External Auditor – FKF Accounting Limited

These services are essential in ensuring that the Company operated efficiently and in the case of the Depository and Custodian the service is supervised on an on-going daily basis by the AFM. As a shareholder, this means that you can be certain that your requests such as investment and redemption of the Company's shares will always be carried out exactly as set out in its documentation.

Valu-Trac does not delegate any of the operational functions of the Company such as fund administration, fund accounting and transfer agency. This means that the AFM directly employs and supervises the individuals who are carrying out this work and that those undertaking the work are appropriately qualified and experienced. Due to this high level of supervision and control of these functions the AFM believes that the shareholders can have confidence that their instructions will be carried out efficiently and that the reporting they receive is timely and focused. This also has ensured that the AFM has responded to any enquiries from shareholders fully and promptly.

Valu-Trac has delegated the investment management of the Funds to AJ Bell. The AJ Bell team has a team of 13 seasoned investment professionals, with many years' experience in the industry, who oversee the Funds' management on a daily basis. This, combined with the infrastructure of the wider AJ Bell PLC group of companies, has ensured that the quality of service delivered to investors has been uninterrupted during the COVID-19 pandemic.

To ensure that its service level remains at a high standard, the team makes three market commitments:

- **Choice:** we offer a wide choice of solutions to cater a range of investment tastes
- **Costs:** all of our Funds charge a 0.15% investment management fee. This makes us one of the lowest cost asset managers
- **Communication:** we never forget whose money it is that we're managing and focus on both pre-sale and post-sale communication through a variety of channels, to ensure that investors are well-informed at all stages of their journey with us

A robust internal governance structure is in place at AJ Bell, ensuring rigorous oversight of asset allocation, portfolio implementation, risk, and customer outcomes. Our Investment Committee also has independent representation from senior members of respected external investment firms.

Taken together, we believe that the AFM and Investment Manager have delivered a high quality of service to shareholders.

## Conclusion

As mentioned in the introductory message, we have summarised our Funds based on a ‘traffic light’ assessment system. This is shown in the table below, where green indicates good value; amber indicates room for improvement, and red indicates poor value.

Fund	Performance	Fund Costs	Economies of Scale	Comparable Market Rates	Comparable Services	Classes of Units	Quality of Service	Overall
VT AJ Bell Cautious	●	●	●	●	●	●	●	●
VT AJ Bell Moderately Cautious	●	●	●	●	●	●	●	●
VT AJ Bell Balanced	●	●	●	●	●	●	●	●
VT AJ Bell Moderately Adventurous	●	●	●	●	●	●	●	●
VT AJ Bell Adventurous	●	●	●	●	●	●	●	●
VT AJ Bell Global Growth	●	●	●	●	●	●	●	●
VT AJ Bell Income	●	●	●	●	●	●	●	●
VT AJ Bell Income & Growth	●	●	●	●	●	●	●	●
VT AJ Bell Responsible Growth	N/A	●	●	●	●	●	●	●

In summary, we believe that our Funds deliver overall value across the seven categories and therefore each has a ‘green’ rating. The only exception to this is the performance of the Responsible Growth Fund; as this does not have a performance history of 12 months we have recorded it as too new to rate.

Through what has been a tumultuous year in the markets, we feel that our Fund range has continued to deliver great value for our shareholders across the board. Our portfolios are positioned to take advantage of future growth opportunities, our expense structure means that savings are passed back to investors rather than to us as investment manager, and our team is focussed on delivering even greater value and working hard to manage our shareholders’ wealth.

# **Glossary of Terms**

### **Authorised Corporate Director (ACD)**

An FCA-approved entity who is responsible for the administration and overall management of an open-ended investment company (also known as an Investment Company with Variable Capital, or OEIC). For the AJ Bell Funds, Valu-Trac Investment Management Limited is the Authorised Corporate Director.

### **Authorised Fund Manager (AFM)**

An FCA-approved entity who is responsible for the investment management within an open-ended investment company. For the AJ Bell Funds, Valu-Trac Investment Management Limited is the Authorised Fund Manager; Valu-Trac delegates investment management to AJ Bell Asset Management Limited

### **Custodian**

The party appointed by the Depositary to oversee the safekeeping of the assets of an open-ended investment company. For the AJ Bell Funds, the custodian is RBC Investor Services Trust, UK branch.

### **Depositary**

The party responsible for the oversight of an Authorised Corporate Director and safekeeping of the assets of an open-ended investment company. For the AJ Bell Funds, the depositary is NatWest Trustee & Depositary Services Limited.

### **Equities**

Shares representing the ownership of a company.

### **Exchange-Traded Fund (ETF)**

Exchange-Traded Funds are index-tracking investments that pool investor capital like a traditional fund, but trade on an exchange like a company share.

### **Financial Conduct Authority (FCA)**

The Financial Conduct Authority is the regulator of the UK's financial firms and markets. The FCA has recently introduced rules stipulating that Authorised Fund Managers should publish an annual value assessment of their funds.

<https://www.fca.org.uk/>

### **Investment Association (IA)**

The trade body that represents the UK investment management industry. The IA categorises UK funds into a variety of sectors that can be used by investors to compare products more easily.

<https://www.theia.org/>

### **Investment Company with Variable Capital (ICVC)**

Another name for an open-ended investment company (OEIC).

### **Ongoing Charges Figure (OCF)**

This is a measure of the total cost of investment in a fund, incorporating a variety of different underlying charges.

### **Open-Ended Investment Company (OEIC)**

A type of collective investment which is structured as a company which does not have a fixed number of shares. Often known as an Investment Company with Variable Capital (ICVC). VT AJ Bell ICVC, the company that contains the AJ Bell Funds, is an OEIC.