

Assessment of Value - SVS Church House UK Equity Growth Fund

In line with the provisions contained within COLL 6.6.20R, the Board of Smith & Williamson Fund Administration Limited ('SWFAL') as Authorised Fund Manager ('AFM'), has carried out an Assessment of Value for SVS Church House UK Equity Growth Fund ('the Fund'). Furthermore, the rules require that SWFAL publishes these assessments.

A high-level summary of the outcome of SWFAL's rigorous review of the Fund, at unit class level for the year ending 31 March 2021, using the seven criteria set by the FCA is set out below:

Criteria	A Units	B Units	Z Units
1. Quality of Service			
2. Performance			
3. AFM Costs			
4. Economies of Scale			
5. Comparable Market Rates			
6. Comparable Services			
7. Classes of Units			
Overall Rating			

SWFAL has adopted a traffic light system to show how it rated the funds:

-  On balance, the Board believes the fund is delivering value to unitholders, with no material issues noted.
-  On balance, the Board believes the fund is delivering value to unitholders, but may require some action.
-  On balance, the Board believes the fund has not delivered value to unitholders and significant remedial action is now being undertaken by the Board.

How SWFAL assessed each of the seven criteria and the rating arrived at are discussed in greater detail on the following pages.

SWFAL has created an Assessment of Value Committee ('AVC'), for the review, challenge and approval of all the funds' Assessments of Value. Ultimately the assessment will be subject to scrutiny by the Board (which includes independent directors) to ensure the outcomes of the assessments are clear and fair, before final sign-off by the chair of the Board prior to communicating to investors if the fund has delivered value, and if not, where improvements need to be made.

In carrying out the assessment, the SWFAL AVC has separately considered the following seven criteria stipulated by the FCA. The Committee may also have considered other issues where it was deemed appropriate.

SWFAL believes the Assessment of Value can make it easier for investors to both evaluate whether the fund is providing them with value for money and make more informed decisions when choosing investments.

The seven criteria are:

- (1) Quality of service - the quality of every aspect of the service provided, including, for example, accounting, administration, customer services and communications;
- (2) Performance - how the fund performed, including whether it met targets and objectives, kept to relevant policy, followed relevant principles, kept to reasonable timescales;
- (3) AFM costs - the fairness and value of the fund's costs, including entry and exit fees, early redemption fees, administration charges;
- (4) Economies of scale - how costs have been or can be reduced as a result of increased Assets under Management ('AUM'), and whether or not those savings have been passed on to investors;
- (5) Comparable market rates - how the costs of the fund compare with others in the marketplace;
- (6) Comparable services - how the charges applied to the fund compare with those of other funds administered by SWFAL;
- (7) Classes of units - the appropriateness of the classes of units in the fund for investors.

Assessment of Value - SVS Church House UK Equity Growth Fund (continued)

1. Quality of Service

What was assessed in this section?

Internal Factors

SWFAL, as AFM, has overall responsibility for the Fund. The Board assessed, amongst other things: the day-to-day administration of the Fund; the maintenance of scheme documentation (such as prospectuses and key investor information documents ('KIIDs')); the pricing and valuation of units; the calculation of income and distribution payments; the maintenance of accounting and other records; the preparation of annual audited and half-yearly Report & Accounts; the review of tax provisions and submission of tax computations to HMRC; the maintenance of the register of unitholders; and the dealing and settlement arrangements. SWFAL delegates the investment management of the Fund to an Investment Management firm.

The Board reviewed information provided by SWFAL's control functions on the adequacy of its internal services, including governance, operations and monitoring. Elements important to the client experience such as the timely payment of settlement and distribution monies were also reviewed. Over the past year, SWFAL has been audited by, internal and external auditors, the Trustee and various SWFAL delegated investment managers.

External Factors

The Board assessed the delegate's skills, processes, experience, level of breaches and complaints. Also taken into account were any results from service review meetings as well as the annual due diligence performed by SWFAL on the delegated Investment Manager, Church House Investments Limited ('Church House'), where consideration was given to, amongst other things, the delegate's controls around the Fund's liquidity management.

The Board also considered the nature, extent and quality of administrative and unitholder services performed under separate agreements covering trustee services, custodians, as well as services provided with regard to both audit and legal functions.

What was the outcome of the assessment?

Internal Factors

The Board recognised that all distribution and settlement monies were paid in a timely manner and that there were no significant findings as a result of the various audits performed on SWFAL during the year. In addition, SWFAL has performed its own independent analysis, using automated software, of the Fund's liquidity. The Board concluded that SWFAL had carried out its duties diligently.

External Factors

The Board concluded that the nature, extent and quality of the services provided by the external parties have benefitted and should continue to benefit the Fund and its unitholders.

Were there any follow up actions?

There were no follow-up actions required.

2. Performance

What was assessed in this section?

The Board reviewed the performance of the Fund, after the deduction of all payments out of the scheme property as set out in the Prospectus. Performance, against benchmarks, were considered over appropriate timescales having regard to the Fund's investment objective, policy and strategy. The Board also considered whether an appropriate level of market risk had been taken.

Investment Objectives

The aim of the Fund is to provide capital growth over the long term (at least five years).

Benchmark

As AFM, SWFAL is required to explain in a fund's scheme documentation why a benchmark is being used or alternatively explain how investors should assess performance of a fund in the absence of a benchmark.

The benchmarks for the Fund are the IA UK All Companies Sector and the FTSE 100 Index, both of which are 'comparators'. A 'comparator' benchmark is an index or similar factor against which an investment manager invites investors to compare a fund's performance. Details of how the Fund has performed against its comparator benchmarks over various timescales can be found below.

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2. Performance (continued)

Benchmark (continued)



SVS Church House UK Equity Growth Fund



Instrument	Currency	Cumulative Performance as at 28/02/2021					28/02/2011 to 28/02/2021
		6m	1y	3yrs	5yrs		
FTSE 100 TR in GB	GBP	10.00	1.35	0.77	29.41	58.18	
IA UK All Companies TR in GB	GBP	15.53	8.46	8.05	36.96	85.63	
SVS Church House - UK Equity Growth A Acc in GB	GBX	9.94	11.32	12.22	42.96	92.60	
SVS Church House - UK Equity Growth B Acc in GB*	GBX	10.32	12.08	14.41	47.51	-	
SVS Church House - UK Equity Growth Z Acc in GB**	GBX	10.41	-	-	-	-	

Fund data provided by FE fundinfo. Care has been taken to ensure that the information is correct but FE fundinfo neither warrants, represents nor guarantees the contents of the information, nor does FE fundinfo accept any responsibility for errors, inaccuracies, omissions or any inconsistencies herein.

Performance is calculated net of fees.

Performance shown is representative of all unit classes.

You should be aware that past performance is not a guide to future performance.

*The 'B' unit class was launched 18 June 2014.

**The 'Z' unit class was launched 1 September 2020.

What was the outcome of the assessment?

The Board noted the existence of the Fund's two comparator benchmarks. Consideration was initially given to the performance of the Fund's A class and B class against the IA UK All Companies Index where both had performed well over the one year period and beyond.

Next, the Board observed that both classes had also performed well against the FTSE 100 Index, again over one year and beyond, however they were mindful that the Fund had a certain exposure to companies with a smaller market capitalisation which weren't represented within the FTSE 100 Index.

Additionally, SWFAL sought to establish a composite index that accounted for the Fund's holdings in smaller companies. On completion of this exercise, it was evident to the Board that the Fund had performed well against this index which further allowed them to come to the conclusion that it was meeting its objective of capital growth over the longer term.

The Z class was only launched in September 2020 and it is therefore too early to draw any conclusions on the performance of this class.

The Board found that the Fund is investing in the asset classes permitted by the investment policy and that there have been no breaches of the policy in the last twelve months.

Were there any follow up actions?

There were no follow-up actions required.

3. AFM Costs

What was assessed in this section?

The Board reviewed each separate charge to ensure that they were reasonable and reflected the services provided. This includes investment management fees, annual management charge, Trustee/Custodian fees and audit fees.

The charges should be transparent and understandable to the investor, with no hidden costs.

What was the outcome of the assessment?

The Board observed that Church House do not charge a separate in-house portfolio management fee or internal platform fee for clients invested in their own trusts. Instead, the cost of these services is included within the trusts themselves which SWFAL have then taken into consideration when comparing them on a like-for-like basis with other similarly run funds. Once this had been done it was the Board's opinion that each of the Fund's costs were fair, reasonable and provided on a competitive basis.

Were there any follow up actions?

There were no follow-up actions required.

Assessment of Value - SVS Church House UK Equity Growth Fund (continued)

4. Economies of Scale

What was assessed in this section?

The Board reviewed each separate fee structure and the AUM of the Fund to examine the effect on the Fund to potential and existing investors should the Fund increase or decrease in value.

What was the outcome of the assessment?

All three classes have a fixed AMC with an embedded AFM tier within them, meaning that if the Fund was to grow, the result would be that the delegated investment manager would receive a greater proportion of the Fund's OCF. This mechanism therefore prevents investors from participating in any possible savings that could be achieved if the Fund was to grow in the future.

Accordingly, the Board were of the opinion that the current fee structure within the Fund was not in investors' best interests and as such they concluded that further action should be taken along with Church House in order to establish a model that was better suited to achieving a more favourable investor outcome.

This section has therefore been marked as Amber in respect of all three classes.

Were there any follow up actions?

SWFAL will enter into discussion with Church House with a view to establishing a more satisfactory outcome for investors.

5. Comparable Market Rates

What was assessed in this section?

The OCF for the 'A' units is 1.55%, 'B' units 0.93% and 'Z' units 0.66%¹.

The Board reviewed the ongoing charges of the Fund, and how those charges affected the returns of the Fund. Funds with lower fees may offer better value than those with higher fees.

The OCFs within the Fund were compared against the 'market rate' of similar external funds.

What was the outcome of the assessment?

Once an allowance had been made for the fact that Church House do not charge a separate in-house portfolio management fee or internal platform fee for clients invested in their own funds, the analysis showed that the cost of the A shares was considerably below that of their external peer group. The Board were therefore comfortable that the A shares were priced at a level not out of line with similar externally managed funds.

The B and Z shares, on the other hand, are not offered to Church House's in-house clients and as such do not attract the same portfolio management fee that the A shares do. No adjustment is therefore made when comparing them against similar externally managed funds. Again, SWFAL found these to compare favourably with the peer group and as such the Board were comfortable that both classes were aligned with equivalent externally managed funds.

Note that SWFAL has not charged an entry fee, exit fee or any other event-based fees on this Fund.

Were there any follow up actions?

There were no follow-up actions required.

6. Comparable Services

What was assessed in this section?

The Board compared the Fund's OCF with those of other funds administered by SWFAL having regard to size, investment objectives and policies.

What was the outcome of the assessment?

There were too few SWFAL administered funds displaying the same characteristics as SVS Church House UK Equity Growth Fund with which to make a meaningful comparison.

Were there any follow up actions?

There were no follow-up actions required.

¹ Figures at interim report 30 September 2021.

Assessment of Value - SVS Church House UK Equity Growth Fund (continued)

7. Classes of Units

What was assessed in this section?

The Board reviewed the Fund's set-up to ensure that where there are multiple unit classes, unitholders are in the correct unit class given the size of their holding.

What was the outcome of the assessment?

There are three unit classes within the Fund. SWFAL conducted a review of all unitholders on the registers to ensure they were invested in the correct unit class. On completion of the review it was found that all unitholders were indeed invested in the appropriate unit class.

Were there any follow up actions?

There were no follow-up actions required.

Overall Assessment of Value

The SWFAL Board concluded that, notwithstanding the issue surrounding the fee structure on all three classes, SVS Church House UK Equity Growth Fund had nevertheless provided value to the unitholders.

Dean Buckley

Chairman of the Board of Smith & Williamson Fund Administration Limited

30 July 2021

On reviewing this Assessment of Value report, we would welcome invaluable feedback from investors via our short questionnaire which can be found online:

<https://smithandwilliamson.com/en/services/fund-administration/assessment-of-value/>

Investors views are invaluable to the development and delivery of this report.

Should you be unable to access the questionnaire online please contact us directly on 0141 222 1151 and we will provide you with a paper copy of the questionnaire.