



investment architecture

The Optimal Fund

Assessment of Value Report

For the year ended
30 November 2022

Thesis Unit Trust Management Limited is authorised and regulated by the Financial Conduct Authority.

Fund Information

| | |
|--------------------------------|---|
| Fund objective: | The Fund aims to generate a return on your investment (generated through an increase in the value of the assets held by the Fund, after fees) over the long term (5 or more consecutive years beginning at the point of investment), by investing in a global portfolio of equity securities. |
| Fund size: | £35,167,769.57 |
| Performance comparator: | IA Global |

Assessment of Value

The Board of the Authorised Fund Manager (AFM) is required to perform an annual Assessment of Value for each share class within the fund and to report its findings to investors.

The Assessment of Value places a responsibility on the AFM to determine whether the fees and charges of the fund are justified in the context of the overall service and value provided to investors.

Following the introduction of the Assessment of Value requirement in 2019, we appointed two independent non-executive directors with a particular remit to oversee and challenge the Assessment of Value process conducted in relation to the fund.

In this Assessment of Value report, we have used a traffic light system whereby:



The fund has delivered value to investors



The fund has delivered some value to investors but action is needed to improve value delivery



The fund has not delivered value to investors and action is needed before value will be delivered

Independent AFM model – terminology

The AFM has the regulatory responsibility for all aspects of the fund operations including the actions of its delegates. Its role requires a focus on good investor outcomes, investor protection, oversight, compliance and general regulatory matters.

The Investment Manager is appointed by the AFM and has the full discretion to manage the assets of the portfolio in accordance with the fund's objective and investment policy. The Investment Manager is the entity which delivers out- or under-performance on behalf of investors. It is the entity which in turn receives the greatest share of the Annual Management Charge.

The Investment Manager and the AFM can be part of the same organisation or separate. When they are separate the fund can be described as having an Independent AFM which is the case with the Optimal Fund.

Background to our firm – Independent AFM

Thesis Unit Trust Management Limited is a specialist provider of independent AFM services. Our approach to delivering good outcomes for investors in our funds, from the initial design phase and

throughout the fund life cycle, is based upon having the right blend of experience, culture and governance.

We choose to work with a variety of service providers (fund accountants, depositaries, transfer agents and auditors) and provide independent, bespoke and flexible solutions. By outsourcing day-to-day activity to specialist providers our teams can focus on investor outcomes, risk management, oversight, product governance and regulatory change.

We delegate fund servicing to a panel of reputable institutions. Consequently, we have an informed view of this part of the supply chain. We benchmark those fund servicers against a range of criteria including service and cost. We build close relationships with our delegates at all levels within our respective organisations allowing for effective escalation when appropriate and always with the best interests of investors in mind. We are also able to change a service provider with relative ease as and when required to improve quality of service, reduce cost or for other strategic or operational reasons.

We delegate investment management to a wide range of firms who utilise different strategies and investment techniques. As such we have a broad and informed view of the investment management marketplace and independently benchmark across a range of criteria including service, performance and costs. Coming from a fund management background we have qualified investment managers and research analysts within our AFM business who have the experience to monitor fund performance and challenge third party investment managers on behalf of investors in the funds.



Independent AFM – service and costs

In assessing the quality and cost of our independent AFM service we have concluded that we have delivered a service that meets the requirements of investors in the funds, and the fund sponsor, and which has delivered value.

Examples of the criteria that we considered included the operation and compliance of the fund (including the number of errors and investor complaints), the results from the depositary's inspection and audit of our AFM arrangements, and other factors such as the implementation of regulatory change at no cost to investors.

We judge whether our AFM fee is competitive and can be justified based on feedback from independent consultants, our clients who select us and when existing funds move to us from our competitors. Our fees are tiered thereby providing economies of scale for investors as the fund value increases.



Service provider service and costs

Having separately assessed the quality and cost of the outsourced fund service providers we have concluded that services have met the requirements expected and delivered value to investors.

Examples of the criteria that we considered included Key Performance Indicators in the key areas including pricing, delivery of statements, delivery of report and accounts, and investor complaints.

We have assessed that the service providers' fees are competitive and provide value to investors by benchmarking against the other service providers on our panel. The majority of fees are tiered thereby providing a mechanism for economies of scale as the fund value increases.

Investment manager service and costs

It is our judgement that the experience of investors in the fund and an assessment of whether the fund has delivered value is most directly impacted by the services, performance and costs that are attributable to the Investment Manager. In the case of this fund, an additional annual fee of £200,000 is paid to a third party to regularly advise on rebalancing the portfolio. Further details of our value assessment, with a particular focus on the Investment Manager, are shown below:



Quality of service

The range and quality of service delivered by the Investment Manager including the experience of the team, track record, quality of relationship with our AFM team, and the results from our governance and oversight arrangements

We monitor the Investment Manager on a daily basis, and maintain frequent contact with them on a range of aspects of their work including adherence with the investment mandate and policy, liquidity management, and fair value pricing as well as regulatory compliance. We have more formal contact quarterly and further periodic reviews on a thematic basis.

We are satisfied that the Investment Manager continues to meet our requirements and provides a good quality of service.



Performance

Whether the fund has provided good performance, net of fees, in relation to its investment objective. We have considered performance against the fund's benchmark and/or appropriate peer group, compliance with investment policy, volatility and liquidity, and any evidence of closet tracking.

The fund has underperformed against its comparator over 1 year. As the independent AFM we have monitored and discussed the position with the Investment Manager and will continue to do so. The fund is being actively managed in accordance with the investment objective and policy.

| Class/Comparator | 1 year performance (%) | 3 year performance (%) | 5 year performance (%) |
|---------------------------|------------------------|------------------------|------------------------|
| The Optimal Accumulation* | -22.53 | N/A | N/A |
| IA Global | -7.86 | 24.63 | 43.45 |

* Income units have the same underlying performance, but income is paid out or re-invested. For performance measurement purposes we show Accumulation units only.



Costs

Whether the charges are reasonable compared with the costs of providing the service (considering factors such as the size of the Investment Manager, its balance sheet strength and profit margins).

At a fund size of £35,167,769.57 we are satisfied that the costs charged to the fund are reasonable given its size and a holistic assessment of the benefits that accrue to its investors.



Economies of Scale

Is the fund or the Investment Manager of a size or scale where economies of scale should be passed on to investors.

In view of the fund's size, we do not believe that there are economies of scale available yet to be passed back to the fund. However, we will discuss the feasibility of a tiered fee schedule with the investment manager in order that economies of scale are passed on should the fund grow sufficiently.

Comparable market rates

Whether the charges are comparable with similar funds in this sector of the market.

As an independent AFM we operate multiple funds. We appoint different service providers and a wide range of Investment Managers and can readily benchmark fees. Similar funds are defined as those in the same sector and of a similar size to this fund. An annual management charge rebate amounting to 0.44% average assets was paid into the fund during the period, which effectively reduced the overall expenses paid by the fund but is not deducted from the OCF.



The Optimal Accumulation

It is our assessment that, taking the annual management charge rebate into consideration, the OCF of this class is marginally higher than the OCF of other similar funds in the market.



The Optimal Income

It is our assessment that, taking the annual management charge rebate into consideration, the OCF of this class is marginally higher than the OCF of other similar funds in the market.

| Class/Peer group | OCF (%) |
|--------------------------|---------|
| The Optimal Accumulation | 1.29 |
| The Optimal Income | 1.29 |
| IA Global average OCF | 0.77 |
| IA Global highest OCF | 3.31 |



Comparable services

How the charges compare to other comparable funds that the Investment Manager manages.

The investment manager's charges for comparable services to other investors are **lower than** the charges borne by this fund.



Classes of shares

Whether investors are invested in a share class with higher charges than another class which is available. We have also considered different fees which apply to retail and institutional investors where institutional investors are subject to a significantly higher minimum investment.

The OCF for the Optimal Accumulation and the Optimal Income classes is the same.

Overall Assessment of Value

Following our assessment, the board of Thesis Unit Trust Management Limited has concluded its assessment of value for each share class as follows:



The Optimal Accumulation

Has not delivered value to investors and action is needed before value will be delivered.



The Optimal Income

Has not delivered value to investors and action is needed before value will be delivered.