IFSL
Fund Services

30 September 2020

The Assessment of Value Report
IFSL Brooks Macdonald Fund

Industry knowledge,
service quality
and fund expertise

Assessment of value report

This report describes the assessment of value we have carried out for the following funds:

IFSL Brooks Macdonald Fund Range

- IFSL Brooks Macdonald Defensive Income Fund
- IFSL Brooks Macdonald Cautious Growth Fund
- IFSL Brooks Macdonald Balanced Fund
- IFSL Brooks Macdonald Strategic Growth Fund
- IFSL Brooks Macdonald Defensive Capital Fund

IFSL is the Authorised Corporate Director (ACD) for the funds, which means we have the regulatory responsibility for operating them and we are accountable to investors and to the regulator, the Financial Conduct Authority (FCA).

As the ACD, new regulations from the FCA require us to carry out an assessment of value at least annually for every UK fund that we manage for your benefit.

The purpose of this assessment of value is to consider whether the payments that the prospectus allows to be taken from the fund are, in the words of the FCA, "justified in the context of the overall value delivered to unitholders".

1. Our approach to the assessment

When carrying out this assessment, we have been guided by three key factors:

The rules of the FCA

These require us to consider certain minimum criteria. These are all individually considered under headings 3 to 9.

Ensuring the report is meaningful for different investors

We have sought to provide an assessment that's meaningful for investors with different reasons for holding our funds and different goals. We have been particularly guided by the following considerations for each fund:

- The specific investment objectives as set out in the prospectus
- The investment policies and strategies
- Any relevant benchmarks, including any against which performance is measured
- The fund's target market (the types of investors who could be expected to consider buying it).

We have considered these factors as at 31 May 2020, not merely across a single year but - particularly in relation to performance - across timescales which better reflect the periods over which investors could be expected to hold these funds.

The difference between assessing value for money and simply measuring cost

We believe that the best value for investors does not necessarily simply mean the lowest costs. As an example, the funds in this report are actively managed (where the investment manager will choose which investments to make based on their own research and processes), which can be expected to result in higher ongoing costs than for passive funds (funds where investments are chosen based on an index or because of the size of the company, for example, and not based on any decision by an investment manager). However, while we consider the higher costs as part of the assessment of value, we will also look at other factors, such as the actual returns achieved for investors, which are net of these costs.

Nevertheless, we are also clear that any assessment of value for money includes an assessment of the controls over costs borne by the funds.

2. The characteristics of each of the funds

When we described our approach above, we said we considered the objectives and investment policies. In this section we summarise these characteristics for each fund.

IFSL Brooks Macdonald Defensive Income Fund

Investment objective and policy

The Fund aims to provide income, that is, money paid out from your investment,such as interest from bonds or dividends from shares, over a minimum of 5 years. The Fund will be actively managed, which means the investment manager decides which investments to buy or sell and when.

At least 70% of the Fund will be invested in other funds, including exchange traded funds and investment trusts, collectively 'Investment Funds'. Through these investments, the Fund will be exposed to a defensive range of asset classes, creating a low risk portfolio.

This will include a maximum of 35% in equities (which are shares of companies), no minimum equity requirement, a minimum of 45% in fixed income products (which are loans typically issued by companies, governments and other institutions), money market instruments (shorter term loans), defensive uncorrelated assets (investment that are low in volatility and their value has no effect on the performance of another), and cash.

Investments may include other funds managed by the Authorised Corporate Director or the Investment Manager.

The Fund may also invest up to 30% directly in structured products (which are securities whose returns are linked to underlying assets or markets), shares in companies and bonds.

The Fund may invest in derivatives (instruments whose returns are linked to another asset, market or variable factor) and forward transactions, whose returns are linked to exchange rates in order to reduce currency risk (also known as hedging), however, this is anticipated to be infrequent.

Other Investment Funds purchased may have the ability to use derivatives for investing purposes to varying degrees. These funds may also hold other permitted investments although this is expected to be minimal.

The investment process combines selecting the mix of asset classes to invest in (strategic asset allocation) with deliberate departures away from this which seek to generate profits, but simultaneously endeavour to limit the potential for losses (tactical asset allocation). Within each asset class, the investment team then select those assets they believe will best meet the Fund's objective.

The Investment Association (IA), the trade body for UK investment managers, has created a number of 'sectors' as a way of dividing funds into broad groups with similar characteristics.

Benchmarks

IA Mixed Investment 0-35% Shares Sector

IFSL Brooks Macdonald Cautious Growth Fund

Investment objective and policy

The Fund aims to provide capital growth, that is, to increase the value of an investment, over a minimum of 5 years, through a diversified portfolio of assets. The investments held may also provide some income (such as interest and dividends), although this is of secondary importance.

The Fund will be actively managed, which means the Investment Manager decides which investments to buy or sell and when.

At least 70% of the Fund will be invested in other funds, including exchange traded funds and investment trusts, collectively 'Investment Funds'. Through these investments, the Fund will be exposed to a cautious range of asset classes, creating a low-medium risk portfolio.

This will include a maximum of 60% in equities (which are shares of companies), a minimum of 20% in equities, a minimum of 30% in fixed income products (which are loans typically issued by companies, governments and other institutions), money market instruments (shorter term loans) and cash.

Investments may include other funds managed by the Authorised Corporate Director or the Investment Manager.

The Fund may also invest up to 30% directly in structured products (which are securities whose returns are linked to underlying assets or markets), shares in companies and bonds.

The Fund may invest in derivatives (instruments whose returns are linked to another asset, market or variable factor) and forward transactions, whose returns are linked to exchange rates in order to reduce currency risk (also known as hedging), however, this is anticipated to be infrequent.

Other Investment Funds purchased may have the ability to use derivatives for investing purposes to varying degrees. These funds may also hold other permitted investments although this is expected to be minimal.

The investment process combines selecting the mix of asset classes to invest in (strategic asset allocation) with deliberate departures away from this which seek to generate profits, but simultaneously endeavour to limit the potential for losses (tactical asset allocation).

Within each asset class, the investment team then select those assets they believe will best meet the Fund's objective.

The Investment Association (IA), the trade body for UK investment managers, has created a number of 'sectors' as a way of dividing funds into broad groups with similar characteristics.

Benchmarks

IA Mixed Investment 20-60% Shares Sector

IFSL Brooks Macdonald Balanced Fund

Investment objective and policy

The Fund aims to provide capital growth, that is, to increase the value of an investment, over a minimum of 5 years, through a diversified portfolio of assets. The investments held may also provide some income (such as interest and dividends), although this is of secondary importance.

The Fund will be actively managed, which means the Investment Manager decides which investments to buy or sell and when.

At least 70% of the Fund will be invested in other funds, including exchange traded funds and investment trusts, collectively 'Investment Funds'. Through these investments, the Fund will be exposed to a balanced range of asset classes, creating a medium risk portfolio.

This will include a maximum of 85% in equities (which are shares of companies), a minimum of 40% in equities and no minimum of fixed income products (which are loans typically issued by companies, governments and other institutions), money market instruments (shorter term loans) and cash.

Investments may include other funds managed by the Authorised Corporate Director or the Investment Manager.

The Fund may also invest up to 30% directly in structured products (which are securities whose returns are linked to underlying assets or markets), shares in companies and bonds.

The Fund may invest in derivatives (instruments whose returns are linked to another asset, market or variable factor) and forward transactions, whose returns are linked to exchange rates in order to reduce currency risk (also known as hedging), however, this is anticipated to be infrequent.

Other Investment Funds purchased may have the ability to use derivatives for investing purposes to varying degrees. These funds may also hold other permitted investments although this is expected to be minimal.

The investment process combines selecting the mix of asset classes to invest in (strategic asset allocation) with deliberate departures away from this which seek to generate profits, but simultaneously endeavour to limit the potential for losses (tactical asset allocation).

Within each asset class, the investment team then select those assets they believe will best meet the Fund's objective.

The Investment Association (IA), the trade body for UK investment managers, has created a number of 'sectors' as a way of dividing funds into broad groups with similar characteristics.

Benchmarks

IA Mixed Investment 40-85% Shares sector

IFSL Brooks Macdonald Strategic Growth Fund

Investment objective and policy

The Fund aims to provide capital growth, that is, to increase the value of an investment, over a minimum of 5 years, primarily by investing in global markets. The Fund will be actively managed, which means the Investment Manager decides which investments to buy or sell and when.

At least 70% of the Fund will be invested in other funds, including exchange traded funds and investment trusts, collectively 'Investment Funds'. Through these investments, the Fund will be exposed to a strategic range of asset classes, creating a medium-high risk portfolio.

This will include a minimum of 75% in equities (which are shares of companies), a maximum of 25% in fixed income products (which are loans typically issued by companies, governments and other institutions), money market instruments (shorter term loans) and cash.

Investments may include other funds managed by the Authorised Corporate Director or the Investment Manager.

The Fund may also invest up to 30% directly in structured products (which are securities whose returns are linked to underlying assets or markets), shares in companies and bonds.

The Fund may invest in derivatives (instruments whose returns are linked to another asset, market or variable factor) and forward transactions, whose returns are linked to exchange rates in order to reduce currency risk (also known as hedging), however, this is anticipated to be infrequent.

Other Investment Funds purchased may have the ability to use derivatives for investing purposes to varying degrees. These funds may also hold other permitted investments although this is expected to be minimal.

The investment process combines selecting the mix of asset classes to invest in (strategic asset allocation) with deliberate departures away from this which seek to generate profits, but simultaneously endeavour to limit the potential for losses (tactical asset allocation).

Within each asset class, the investment team then select those assets they believe will best meet the Fund's objective.

The Investment Association (IA), the trade body for UK investment managers, has created a number of 'sectors' as a way of dividing funds into broad groups with similar characteristics.

Benchmarks

IA Flexible Investment sector

• IFSL Brooks Macdonald Defensive Capital Fund

Investment objective and policy

The aim of the Fund is to achieve capital growth, which is profit on investments held, over a minimum of 5 years. The Fund will also aim to produce a positive return over any rolling 3 year period, in both rising and falling markets. However, there is no guarantee that the Fund will achieve its objectives over any time period.

The Fund will be actively managed, which means the Investment Manager decides which investments to buy or sell and when.

The Fund will invest in a diversified spread of assets. This will include up to 20% in shares of companies, up to 60% in investment companies (including property investment companies) and exchange traded funds; · Up to 50% in structured products (which are securities whose returns are linked to underlying assets or markets), up to 20% in preference shares, up to 50% in bonds (which are debt instruments typically issued by companies, governments and other institutions) and may also include convertibles, which are bonds that can be converted into shares and up to 10% in funds.

The Investment Manager aims to identify assets which: · have a defined payout where the risk/reward balance looks attractive; or · have an attractive coupon (annual interest paid on a bond) or yield (earnings generated on an investment over a period of time) relative to the risk; or · can be purchased at a discount to its net asset value (the value of assets minus total liabilities); or · provide expose to non-standard investments such as renewable energy or private equity.

These assets may be held directly, or indirectly via holdings including though investment companies and funds.

The Fund may invest in other funds managed by the Authorised Corporate Director or the Investment Manager.

The Fund may also hold up to 30% in cash to enable the ready settlement of liabilities, for the efficient management of the portfolio and in pursuit of the Fund's investment objective.

The Fund may use derivatives (instruments whose returns are linked to another asset, market or variable factor) in order to meet the Fund's objectives (also known as investment purposes) and for efficient portfolio management.

Investment companies, exchange traded funds and funds purchased may have the ability to use derivatives to varying degrees. The Investment Association (IA), the trade body for UK investment managers, publishes figures each month showing how many times the Fund failed to provide returns greater than zero for all available rolling 12 month periods over the preceding three years on its website https://www.theia.org/industry-data/fundsectors/tar-monitoring. As the Fund does not have a benchmark, investors may wish to use this information in order to measure the success of the Fund.

3. Range and quality of services

What have we considered?

In this section we have considered the first area of the value assessment. This covers the quality of service we provide and the quality of service provided by any person to which any aspect of the funds' management has been delegated or who provides services to us.

How have we made our assessment?

We have reviewed and given consideration to the services delivered and how they affect investors in the fund and the delivery of each fund's objectives. We also give consideration to the quality of the service delivered by IFSL and each external provider.

We have considered, as we do for all value assessments, whether they have been managed within their investment restrictions and if there have been any operational errors or complaints. There are no material issues which we consider affect our conclusions about quality of service in this assessment period.

We have reported under three subsections:

Services in relation to required independent third parties - Depositary, Custodian and Auditor

Other third parties - The Investment Manager and the Sponsor

In-house functions - Our own provision of services to the funds

In this part of our assessment, there are no material distinctions between any of the funds or of the share classes within the funds, unless we specify otherwise.

Services in relation to required independent third parties

The following section considers the required independent third-party service providers: the Depositary, the Custodian and the Auditor.

The Depositary

The Depositary is an independent entity charged with various regulatory responsibilities to the funds. It is a key part of the oversight of the fund.

The Depositary is paid from the fund it oversees directly under the terms of the prospectus. Its fees are shown in the statutory accounts.

As ACD we are responsible for selecting the Depositary, negotiating its fees and other commercial terms and for monitoring its performance and suitability on an ongoing basis.

In order to ensure we receive a good level of service we only work with a very limited number of Depositaries at any one time. There are presently two across the entire range of funds for which we, and our associated companies, are the ACD. The Depositary for the IFSL Brooks Macdonald funds is Natwest.

We have assessed each Depositary based on a mix of criteria including but not limited to:

- size and reputation within the industry
- geographical relevance for the funds' strategies and investors
- service levels
- history of interactions
- resource and expertise
- costs and charges

Our interactions with them lead to constructive dialogue and challenge as we at IFSL work in collaboration with them to prioritise good outcomes for our fund investors.

The Custodian

The Custodian is an independent entity responsible for holding the assets of the fund. Again, this role is key in ensuring good outcomes for investors.

The Custodian is paid from the fund directly under the terms of the prospectus. Its fees are shown in the statutory accounts. It is appointed by the Depositary but will be selected, and commercial terms will be negotiated and agreed, by us as the ACD.

Along with the Depositary, we review and monitor the performance of the Custodian and review the charges made to the funds.

In order to ensure we receive a good level of service we only work with a very limited number of Custodians at any one time. There are presently three across the entire range of funds for which we, and our associated companies, are the ACD. The Custodian for the IFSL Brooks Macdonald funds is BNP Paribas.

We have assessed each Custodian based on a mix of criteria including but not limited to:

- size and reputation within the industry
- geographical relevance for the funds' strategies and investors
- service levels
- history of interactions
- resource and expertise
- costs and charges

We at IFSL work in collaboration with them to prioritise good outcomes for our investors.

The Auditor

The Auditor is an independent entity responsible for auditing the financial statements of the funds.

The Auditor is paid from the fund directly under the terms of the prospectus. Its fees are shown in the statutory accounts.

It is selected and appointed by us, as ACD, and we are responsible for negotiating the commercial terms, including the audit fees charged to the funds.

We have assessed the auditors based on a mix of criteria including but not limited to:

- size and reputation within the industry
- expertise, scale and involvement with regulatory and industry change
- appropriateness to overall business scale
- appropriateness for the range of funds for which we are ACD

We undertook a review of the Auditor during the first quarter of 2019. The review, which took into account each of the factors above, in addition to the costs to be borne by the funds, resulted in these funds continuing to be audited by Ernst & Young.

As a result of this review, we remain comfortable with the service and charges of the Auditor and made no changes.

Other third parties - appointments and outsourcing

This section refers to the delegation of certain functions to, or the appointment of, an external entity. Such arrangements are not required by regulation but may be entered into at our discretion.

The Investment Manager and Sponsor

We have appointed Brooks Macdonald Asset Management Limited (Brooks Macdonald) to manage the investments within the funds. Brooks Macdonald are also the Sponsor and are responsible for the promotion and distribution of the funds.

Brooks Macdonald receives an annual management charge payable under the terms of the prospectus. We have assessed them based on a mix of criteria including but not limited to:

- resource and expertise
- investment research, which is funded by the investment manager themselves and is not an additional charge to the fund
- its control of transaction costs (which the fund pays) and how trades are executed
- whether they have been managed within their investment restrictions
- a review of any operational errors or complaints
- the timeliness with which complete and accurate data is provided to us
- how the funds are distributed

Having regard to these factors and our oversight and governance more generally, we conclude that the charges taken for the services of the Investment Manager and Sponsor were justified based on the overall value delivered to investors.

The results of our review of the investment management service provided, with regard to the outcomes delivered versus each fund's objectives and the manner in which they were delivered, are discussed in more detail under the 'Performance' section below.

In-house functions - the quality of our own services

Governance and oversight

We dedicate senior manager and board level resource to our governance structures, including Product Governance, Investment, Risk and other operational committees. Combined with our model of running most services in-house, we believe that this level of governance helps us to safeguard the best interests of investors.

As ACD, we are responsible for overseeing any party that provides services to our funds and agreeing commercial terms for those services. We continuously review our service providers to ensure they continue to meet the high standards we expect for our investors.

Administration

In the UK fund industry, it is not uncommon for an ACD to use third parties to carry out fund administration services. This may include dealing and settling purchases and sales of units in the funds, calculating the funds' dealing prices and maintaining the register of unit-holders in the funds.

We maintain our own systems and resources in order to carry these activities out ourselves. We do this so that we are able to retain specialist operational expertise and maintain transparency in our processes. This also means we can direct investment into our people and our technology in a cost effective manner, that we feel brings benefits to investors.

Investor communications and relations with investors

We have a dedicated investor support team and, with the exception of some printing and publication work, all communication with investors is conducted by in-house staff, who provide support and information to end investors and their intermediaries. Working alongside our fund administration staff, this team benefit from technical training and specialist knowledge, enabling them to provide an efficient and responsive service for our investors.

Additional competencies

In addition to our in-house expertise we maintain close relationships with recognised specialist law firms, accountants, trade bodies and training providers to maintain an up-to-date understanding of legal and regulatory expectations and best practice.

Conclusion

Overall, we are satisfied with the quality of services provided to the funds by third parties or in-house.

4. Performance

When assessing the value represented by the performance achieved by the funds over the past twelve months we have considered an in depth package of information. This details the performance in the context of the expressed investment objective (and policy) of each fund, and the timescale specified within which an assessment of the success or otherwise of the investment is to be made, in the context of the:

- comparative outcome relative to their benchmark
- volatility (a measure that considers how often, and by how much, the value of an investment goes up and down relative to its average or to a benchmark)
- performance relative to a range of industry standard risk adjusted measures of performance
- the investment management activities and strategies undertaken by the investment manager

Where a fund is part of a range (as is the case with the IFSL Brooks Macdonald Defensive Income, Cautious Growth, Balanced and Strategic Growth Funds) the performance and volatility outcome of individual funds is also assessed in the context of that exhibited by others in the "connected" risk hierarchy. The IFSL Brooks Macdonald Defensive Income, Cautious Growth, Balanced and Strategic Growth funds are a range of portfolios with a progressively escalating exposure to shares in companies (often referred to as equities) and a progressively diminishing exposure to cash and bonds where the objective over time is to produce a series of progressively escalating risk and return outcomes.

Fund	Equity %	Bond %	Cash %	Other %
IFSL Brooks Macdonald Defensive Income Fund	20.05	47.27	30.35	2.33
IFSL Brooks Macdonald Cautious Growth Fund	39.53	35.45	20.44	4.58
IFSL Brooks Macdonald Balanced Fund	58.96	22.35	11.81	6.89
IFSL Brooks Macdonald Strategic Growth Fund	74.11	6.81	8.97	10.11
IFSL Brooks Macdonald Defensive Capital Fund	12.12	47.09	12.18	28.61

The table above shows the exposure of each fund to equities, bonds, cash and other assets. It is correct at the date of this review, on 31 May 2020.

The IFSL Brooks Macdonald Defensive Capital Fund is considered separately against its own investment objective and policy.

Fund	1 Year	3 Years	5 Years
IFSL Brooks Macdonald Defensive Income Fund A Inc	0.97%	3.31%	12.21%
IA Mixed Investment 0-35% Shares	*1.62%*	*4.05%*	*13.65%*
IFSL Brooks Macdonald Cautious Growth Fund A Inc	0.60%	4.38%	19.03%
IA Mixed Investment 20-60% Shares	*0.01%*	*2.71%*	*14.49%*
IFSL Brooks Macdonald Balanced A Acc	2.51%	9.21%	23.20%
IA Mixed Investment 40-85% Shares	*1.39%*	*6.37%*	*22.57%*
IFSL Brooks Macdonald Strategic Growth Fund A Acc	2.03%	12.04%	27.38%
IA Flexible Investment	*1.47%*	*6.01%*	*22.44%*
IFSL Brooks Macdonald Defensive Capital Fund A Acc	-3.29%	0.19%	11.25%

The above table shows the returns over one, three and five years, those being the period under review and the period over which the funds' investment objective seeks to outperform their benchmarks.

Fund	01/06/2015-30/05/2016	01/06/2016-30/05/2017	01/06/2017-30/05/2018	01/06/2018-30/05/2019	01/06/2019-30/05/2020
IFSL Brooks Macdonald Defensive Income Fund A Inc	-0.90%	9.60%	0.05%	2.28%	0.97%
IA Mixed Investment 0-35% Shares	*-1.12%*	*10.45%*	*0.99%*	*1.38%*	*1.62%*
IFSL Brooks Macdonald Cautious Growth Fund A Inc	0.44%	13.54%	2.38%	1.34%	0.60%
IA Mixed Investment 20-60% Shares	*-2.42%*	*14.23%*	*2.13%*	*0.55%*	*0.01%*
IFSL Brooks Macdonald Balanced A Acc	-4.25%	17.82%	6.87%	-0.31%	2.51%
IA Mixed Investment 40-85% Shares	*-3.49%*	*19.39%*	*4.39%*	*0.50%*	*1.39%*
IFSL Brooks Macdonald Strategic Growth Fund A Acc	-4.71%	19.30%	8.90%	0.85%	2.03%
IA Flexible Investment	*-4.86%*	*21.40%*	*4.90%*	*-0.40%*	*1.47%*
IFSL Brooks Macdonald Defensive Capital Fund A Acc	-0.98%	12.15%	1.03%	2.54%	-3.29%

The above table shows the returns of each of the last five years.

The figures in these tables are taken from Morningstar (who provide fund and index information). They are net of all ongoing charges, which means these are the returns that investors in the A class shares of this fund will have experienced. We have used the lead share class (Class A), which is the share class most widely available, for this analysis. We further discuss the different share classes later in this report.

Past performance is not necessarily a guide to future performance. The value of investments and the income from them is not guaranteed and can go down as well as up. Investors may not get back the full amount invested. The Funds will be exposed to stock markets and market conditions can change rapidly. The Funds may invest a large part of their assets in other funds for which investment decisions are made independently of the Funds. If these investment managers perform poorly, the value of your investment is likely to be adversely affected. Investment in other Funds may also lead to duplication of fees and commissions.

The IFSL Brooks Macdonald Funds may have exposure to bonds, the prices of which will be impacted by diverse factors, including changes in interest rates, inflation expectations and perceived credit quality. Fluctuations in interest rates may affect the value of your investment. When interest rates increase this is likely to result in a fall in the capital value of fixed interest securities, such as bonds and convertibles.

Changes in exchange rates may affect the value of investments in the funds which invest in overseas assets, such as equities and bonds.

To ensure that the objective of providing an income can be met, the annual Manager's charge for the IFSL Brooks Macdonald Defensive Income Fund is deducted from capital rather than income. Future capital growth may be constrained as a result.

Full details of all the risks associated with investment in the funds can be found on our website www.ifslfunds.com

The objectives and policies for these funds are set out in Section 2 above and we assess their performance against this.

IFSL Brooks Macdonald Defensive Income Fund

Having reviewed the outcomes achieved by the IFSL Brooks Macdonald Defensive Income Fund we have noted that as per the fund's objective it has consistently provided an income over the last 5 years whilst also increasing the value of an investment over the same period. It has done so whilst taking a level of risk which is similar to its peers.

IFSL Brooks Macdonald Cautious Growth Fund

Having reviewed the outcomes achieved by the IFSL Brooks Macdonald Cautious Fund we have noted that as per the fund's objective it has increased the value of an investment over a minimum of 5 years whilst also providing an income. Over the last 12 months, we have noted that the fund has out-performed its benchmark, the IA Mixed Investment 20-60% Shares, and has done so whilst taking a level of risk that is very similar to its peers.

IFSL Brooks Macdonald Balanced Fund

Having reviewed the outcomes achieved by the IFSL Brooks Macdonald Balanced Fund we have noted that as per the fund's objective it has increased the value of an investment over a minimum of 5 years whilst also providing an income. Over the last 12 months, we have noted that the fund has out-performed its benchmark, the IA Mixed Investment 40-85% Shares, and has done so whilst taking a level of risk that is similar to its peers.

IFSL Brooks Macdonald Strategic Growth Fund

Having reviewed the outcomes achieved by the IFSL Brooks Macdonald Strategic Growth we have noted that as per the fund's objective it has increased the value of an investment, over a minimum of 5 years. Over the last 12 months, we have noted that the fund has out-performed its benchmark, the IA Flexible Investment sector, and has done so whilst taking a level of risk that is very similar to its peers.

IFSL Brooks Macdonald Defensive Capital Fund

Having reviewed the outcomes achieved by IFSL Brooks Macdonald Defensive Capital Fund, we have noted that as per the fund's objective, it has grown the value of an investment over the last 5 years. In the same period, it has consistently produced a positive return over any rolling 3 year-period.

Conclusions

Having reviewed the performance of the IFSL Brooks Macdonald funds and the manner in which they achieved their outcomes by reference to the bullet points above we have concluded that they have been managed satisfactorily and that the outcomes achieved represent reasonable value in the context of the costs incurred by investors in the funds.

5. ACD costs in general

What have we considered?

We have considered each component of the ongoing charges figure (OCF).

The components for the IFSL Brooks Macdonald funds are as follows:

Annual management charge
This is a percentage fee paid from the fund to the ACD, Investment Manager and the Sponsor.

Depositary fee
This is a percentage fee paid from the funds to the Depositary.

Custody fee
This is a combination of a percentage fee and fixed, transaction-based fees paid from the funds to the Custodian.

Audit fee
This is a fixed annual fee paid from the funds to the Auditor.

Hedging agent's charge
These are a percentage fee, subject to a fixed minimum amount per year, paid to BNP Paribas Securities Services for the hedging service. This means that the non-GBP share classes pay a fee to BNP Paribas Securities Services for the hedging of that share class back to GBP.

Registrar fee
This is a fixed annual fee per shareholder entry on the funds' register, paid to the ACD for maintaining the register of shareholders.

KIID update fee
This is a fixed annual fee paid to cover the cost of reviewing and updating the key investor information document (KIID) for each of the funds.

Printing and publication fees
These are fixed annual costs for the printing and publication of scheme documents, including the report and accounts.

FCA fees
This is a fixed annual fee paid to the FCA for its role as regulator of IFSL and the funds.

Independent Valuation Fee (Defensive Capital Fund only)
This is a fee paid to the independent valuer, who provides independent valuation of the structured products held in the fund.

Ongoing charges figures per share class

Fund	Share Class	Ongoing Charges Figure (OCF)
IFSL Brooks Macdonald Defensive Income Fund	A Class	1.02%
IFSL Brooks Macdonald Defensive Income Fund	B Class	1.77%
IFSL Brooks Macdonald Defensive Income Fund EUR	B Class	1.82%
IFSL Brooks Macdonald Defensive Income Fund USD	B Class	1.82%
IFSL Brooks Macdonald Cautious Growth	A Class	1.04%
IFSL Brooks Macdonald Cautious Growth	B Class	1.79%
IFSL Brooks Macdonald Cautious Growth EUR	B Class	1.84%
IFSL Brooks Macdonald Cautious Growth USD	B Class	1.84%
IFSL Brooks Macdonald Balanced	A Class	1.13%
IFSL Brooks Macdonald Balanced	B Class	1.88%
IFSL Brooks Macdonald Balanced EUR	B Class	1.93%
IFSL Brooks Macdonald Balanced USD	B Class	1.93%
IFSL Brooks Macdonald Strategic Growth Fund	A Class	1.21%
IFSL Brooks Macdonald Strategic Growth Fund	B Class	1.96%
IFSL Brooks Macdonald Strategic Growth Fund EUR	B Class	2.01%
IFSL Brooks Macdonald Strategic Growth Fund USD	B Class	2.01%
IFSL Brooks Macdonald Defensive Capital Fund	A Class	0.82%
IFSL Brooks Macdonald Defensive Capital Fund	B Class	1.57%
IFSL Brooks Macdonald Defensive Capital Fund EUR	B Class	1.62%
IFSL Brooks Macdonald Defensive Capital Fund USD	B Class	1.62%
IFSL Brooks Macdonald Defensive Capital Fund	C Class	0.62%

Other charges applied to the funds

IFSL do not apply performance fees to the funds.

The funds have an initial charge of 5% which may be applied to some share classes. As ACD we are able to waive this charge for investors and have done so routinely throughout the year. We will remove this charge in the coming year.

The funds may invest in other collective investment schemes, or funds. We have not directly considered the costs of these underlying funds, but their selection and suitability are part of our assessment of the quality of service provided by the Investment Manager and of the performance of the funds. The OCF figures above, and the performance of the funds, all take account of the underlying costs of these investments (i.e. performance is reviewed net of all charges).

Conclusion

We are satisfied that the costs of the services provided represent reasonable value for our investors.

6. Comparable market rates

Periodically we review the fees we pay to third parties.

The comparable market rates for depositories, custodians and auditors are subject to a degree of commercial confidentiality. Nevertheless experience of past fees, the tender or review processes we use and our own awareness of the market mean that we believe our approach secures the best value for money when these contracts or reviewed or re-tendered; and that we review and re-tender with a reasonable frequency given the nature of the relationships and different costs of moving suppliers.

Depositaries commonly structure their fees on an ad-valorem basis, which means fees are based on the size of the fund. The costs chargeable to the funds by their respective Depositaries were last reviewed by us in the first quarter of 2019. This resulted in a lower ad-valorem fee applied to the funds under the management of IFSL. The funds under review will benefit increasingly from the improved tariff as their AUM increases in size.

We have considered the fees which are paid to the investment manager and sponsor against those of similar services provided to other funds for which we are ACD.

The market rates for independent ACDs are also subject to a degree of commercial confidentiality and will vary depending on the size and type of fund. Contracts are commercially negotiated and reflect the competitive nature of the independent ACD market. Fund sponsors typically conduct full tendering processes and can move their funds to other independent ACDs. This ensures that IFSL remains competitive and offers value for investors.

In making our assessment of the overall costs, we have also compared the OCF for the funds with other similar funds in the market.

Conclusion

We are satisfied that the costs are reasonable and appropriate compared to other similar funds.

7. Comparable services

With regard to ACD services, IFSL provides comparable services to other fund ranges.
While the charging structure will vary depending on the size, nature and risks involved with particular funds, the fees paid by these funds are similar to those paid by other comparable funds within our range.

Conclusion

We are satisfied that the costs are reasonable and appropriate compared to other similar funds.

8. Economies of scale

What have we considered?

We have considered two different types of economies of scale relating to:

The size and scale of the funds

Larger funds are more profitable to us, in some cases we are charging a minimum fee to a fund until it grows in size.

Certain services have fixed or minimum fees. This means that as funds grow they benefit from their increase in scale. We seek to ensure that each fund offers value to investors and is commercially viable in its own right taking in to account the impact of any fixed or minimum fees.

The size and scale of IFSL as ACD

The second area of economies of scale is where we can negotiate terms for the large number of different funds for which we act as ACD. We do this wherever we think it is in the interests of all the funds affected. We discuss with our suppliers the need to ensure that fees are fairly and transparently spread across all the funds. We particularly guard against the conflicts that can arise between funds in which we or an associated company act as ACD.

Depositary relationships are negotiated across multiple funds to achieve the best possible rates. IFSL negotiate Depositary fees on an appropriate sliding scale, with lower percentage fees applying as the fund reaches certain thresholds, ensuring economies of scale apply directly to the benefit of the fund and the investors.

9. Share classes

The share classes in the funds differ in the way that they treat income payments (either by distributing income payments or by accumulating them and reflecting this in the price), by the level of annual and initial management charge applied to them or because they offer currency hedging.

Over a number of years, cheaper share classes have been introduced by product providers and these have evolved to become the most commonly invested in. This has meant some investors remain in higher charging share classes. Following a regulatory application made by IFSL, we now have the ability to convert investors' shares from higher charging share classes to cheaper share classes.

Following this review we will carry out such a conversion, for all investors in the GBP B share class where there is no fee paid to advisers (or similar entities) in respect of their shares, often referred to as renewal or trail commission. These conversions will be into the GBP A class shares. Investors in the USD and EUR share classes will remain in their respective B class shares, which remain the lowest cost share class available with currency hedging.

We will write to investors to confirm when this has been done and to tell them how many shares they now have in the new share class.

The C share classes are available on a restricted basis. This means investors who have large amounts to invest benefit from lower charges due to their scale.

Having reviewed the different charging levels, we conclude that the justification for the range of charges is reasonable and that the different charges are justified.

10. Our conclusion

Overall, we are satisfied that the charges taken from the funds are are justified in the context of the overall value delivered to investors.

Additional Note for Investors

This assessment was conducted as at the funds' annual year end date on 31 May 2020.

In the period leading up to 31 May 2020, there was a significant global market reaction to the ongoing Covid-19 global pandemic. The impact on global markets going forward will depend on the ongoing scale, duration and individual approach of each country's government in the management of the pandemic, which continues to evolve on a day by day basis.

We do not anticipate any material impact on this assessment as a result but feel it worth ensuring investors are aware that we can give no reliable forward looking view as regards to those matters, particularly performance and returns, that are being and may continue to be impacted by the Covid-19 pandemic.