

IFSL

— Fund Services —

31 August 2020

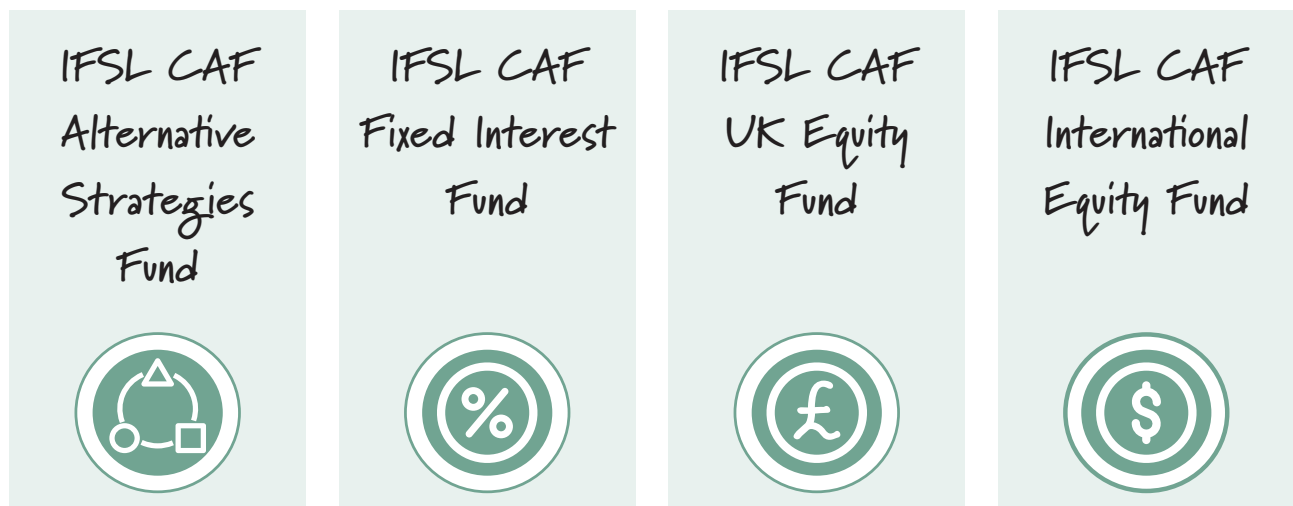
The Assessment of Value Report  
IFSL CAF Investment Umbrella Fund

*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 CAF Investment Funds



IFSL became the Authorised Corporate Director (ACD) for the funds on 23rd May 2020, which means we now have the regulatory responsibility for operating them and we are accountable to investors and to the regulator, the Financial Conduct Authority (FCA).

New regulations from the FCA require an assessment of value to be carried out 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).

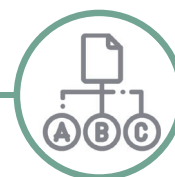
We have considered these factors as of 30 April 2020, not merely across a single year but - particularly in relation to performance - across timescales which better reflect the periods over which investors could be expected to hold these funds.

### 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 CAF Alternative Strategies Fund

#### Investment objective and policy

*The aim of the Fund is to produce a positive return over any 12-month period, in both rising and falling markets after any charges have been taken out of the Fund. This is done through both capital growth, which is profit on investments, and income received by the Fund, which is money paid out of investments, such as dividends from shares and interest from bonds. The Fund aims to outperform the UK Consumer Price Index, over any 3 year period, after any charges have been taken out of the Fund. There is no guarantee that the Fund will achieve its objectives over any time period. Capital is at risk.*

*The Fund will be actively managed, which means the Investment Manager decides which investments to buy and when. It will invest at least 80% in other collective investment schemes, investment trusts and exchange traded funds (collectively "Investment Funds").*

*Through these Investment Funds, the Fund will be exposed to a broad range of asset types and investment strategies, including: · shares · bonds · real assets, such as property or commodities (for example gold and oil), alternative investment strategies such as absolute return funds, which aim to produce a profit over time regardless of what the stock market does. Derivatives and other instruments whose performance is linked to the returns of another variable factor, such as an index or exchange rate.*

*These Investment Funds could include those managed by the Authorised Corporate Director or the Investment Manager. The Fund may also invest up to 20% directly in shares and bonds. The Investment Manager considers economic and market conditions when choosing investments, alongside a focus on individual analysis of the Investment Funds. The aim is to identify fund managers who the Investment Manager believes will add value to the Fund in the future and direct holdings that provide good liquidity whilst meeting the investment objective.*

*To allow the Fund the flexibility to aim to achieve its objective the Investment Manager has complete discretion over the exposure to different asset types the Fund has. This means any eligible asset types can be held, within any geographic or industry sector. The Fund may also hold up to 20% 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 can use derivatives or forward transactions to manage currency exposure, in order to reduce currency risk in the Fund, also known as hedging. The Fund will not always hold these, however at times they may be held for extended periods. The use of derivatives is not expected to have a significant impact on the risk profile of the Fund.*

*The performance target is the level of performance the Fund aims to deliver however there is no certainty this will be achieved. The Fund aims to outperform the UK Consumer Price Index ("UK CPI"), in any rolling 3 year period, after any charges have been taken out of the Fund. The UK CPI is a widely used indicator of inflation in the UK and measures the impact of the change in prices for goods and services. It provides a way of monitoring the spending power of your investment over time. This performance target has been chosen as it is a well-known measure of inflation, which is believed to be a fair target of the absolute return nature of the Fund.*

#### Benchmarks

UK CPI

IA Specialist Sector

## IFSL CAF Fixed Interest Fund

### Investment objective and policy

*The aim of the Fund is to increase the value of an investment, over a minimum of 5 years.*

*The Fund will do this through a combination of income received by the Fund, which is money paid out of investments, such as dividends from shares and interest from bonds and capital growth, which is profit on investments held.*

*The provision of consistent income generation by the fund is recognised as important for investors and the Fund will seek to maximise distributions whilst keeping within the scope of the investment objective and policy.*

*The Fund will be actively managed, which means the Investment Manager decides which investments to buy and when. It will invest at least 80% in other collective investment schemes, investment trusts and exchange traded funds (collectively "Investment Funds"). This could include other Investment Funds managed by the Authorised Corporate Director or the Investment Manager.*

*The Fund will have exposure to at least 80% in global bonds, which are loans typically issued by companies, governments and other institutions. These may be either investment grade, where the issuer has a high and reliable capacity to repay the debt, or sub-investment grade, which can be more vulnerable to changing market conditions but typically pay a higher rate of interest. This may include up to 20% in bonds held directly.*

*The Investment Manager considers economic and market conditions when choosing investments, alongside a focus on individual analysis of the Investment Funds. The aim is to identify fund managers who the Investment Manager believes will add value to the Fund in the future and direct bonds that provide good liquidity whilst meeting the investment objective, the Investment Funds may also hold other permitted investments such as shares in companies and money market instruments, although this is expected to be minimal.*

*The Fund may hold up to 20% in cash to enable the ready settlement of liabilities, for the efficient management of the portfolio or in pursuit of the Fund's investment objective. The Fund can use derivatives or forward transactions to manage currency exposure, in order to reduce currency risk in the Fund, also known as hedging.*

*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. The Fund is included in the IA's Sterling Strategic Bond sector. You may want to assess the Fund's performance compared to the performance of this sector.*

### Benchmarks

*IA Sterling Strategic Bond sector*

## IFSL CAF UK Equity 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.*

*Due to the nature of investments held the Fund is also likely to provide an income, which is money paid out of investments such as dividends from shares and interest from bonds, however this will not be the primary focus of the Fund.*

*The Fund will be actively managed, which means the Investment Manager decides which investments to buy and when. It will invest at least 80% in other collective investment schemes, investment trusts and exchange traded funds (collectively "Investment Funds"). This could include other Investment Funds managed by the Authorised Corporate Director or the Investment Manager.*

*The Fund will have exposure to at least 80% in UK companies (meaning shares of companies that are listed and domiciled in the UK, or incorporated in the UK). This may include up to 20% held directly in shares of UK companies.*

*The Investment Manager considers economic and market conditions when choosing investments, alongside a focus on individual analysis of the Investment Funds. The aim is to identify fund managers who the Investment Manager believes will add value to the Fund in the future and direct shares that provide good liquidity whilst meeting the investment objective.*

*Through the Investment Funds, the Fund may have some exposure in shares of companies in other developed or emerging markets globally, along with other permitted investments such as bonds and money market instruments, although this is expected to be minimal.*

*The Fund may hold up to 20% in cash to enable the ready settlement of liabilities, for the efficient management of the portfolio or in pursuit of the Fund's investment objective.*

*The Fund can use derivatives or forward transactions to manage currency exposure, in order to reduce currency risk in the Fund, also known as hedging.*

*The Fund will not always hold these, however at times they may be held for extended periods. The use of derivatives is not expected to have a significant impact on the risk profile of the Fund. Any underlying funds held within this Fund may also use derivatives to varying degrees.*

*You may wish to compare the Fund with the performance of the FTSE All-Share TR index, which is a widely used indicator of the performance of UK stock markets. The benchmark does not represent, or act as, a constraint in the selection of investments or the management of the Fund.*

*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.*

*The Fund is included in the IA's UK All Companies sector. You may want to assess the Fund's performance compared to the performance of this sector.*

### Benchmarks

*FTSE All Share TR*

*IA UK All Companies*

## IFSL CAF International Equity 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.*

*Due to the nature of investments held the Fund is also likely to provide an income, which is money paid out of investments such as dividends from shares and interest from bonds, however this will not be the primary focus of the Fund.*

*The Fund will be actively managed, which means the Investment Manager decides which investments to buy and when. It will invest at least 80% in other collective investment schemes, investment trusts and exchange traded funds (collectively "Investment Funds"). This could include other Investment Funds managed by the Authorised Corporate Director or the Investment Manager.*

*The Fund will have exposure to at least 80% in shares of companies listed on non-UK markets, including either developed or emerging markets. This may include up to 20% held directly in the shares of non-UK companies.*

*The Investment Manager considers economic and market conditions when choosing investments, alongside a focus on individual analysis of the Investment Funds. The aim is to identify fund managers who the Investment Manager believes will add value to the Fund in the future and direct shares that provide good liquidity whilst meeting the investment objective.*

*In addition, the Investment Funds may also hold other permitted investments such as bonds, shares in UK companies and money market instruments, although this is expected to be minimal.*

*The Fund may also hold up to 20% 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 can use derivatives or forward transactions to manage currency exposure, in order to reduce currency risk in the Fund, also known as hedging.*

*The Fund will not always hold these, however at times they may be held for extended periods. The use of derivatives is not expected to have a significant impact on the risk profile of the Fund. Any underlying funds held within this Fund may also use derivatives to varying degrees.*

*You may wish to compare the Fund with the performance of the MSCI All Countries World (ex UK) index, which is a widely used indicator of the performance of global stock markets. This benchmark does not represent, or act as, a constraint in the selection of investments or the management of the Fund.*

*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.*

*The Fund is included in the IA's Global sector. You may want to assess the Fund's performance compared to the performance of this sector.*

*The performance of the Fund may deviate materially from the performance of the benchmarks.*

### Benchmarks

MSCI All Countries Ex UK TR

IA Global Sector

### 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 CAF Investment funds is HSBC.

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 CAF Investment funds is HSBC.

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 we use for all of our funds during the first quarter of 2019. The review took into account each of the factors above, in addition to the costs to be borne by the funds.

As a result of this review, we took the decision to appoint Ernst & Young as Auditor to the IFSL CAF Investment funds when they moved to IFSL as ACD during May 2020.

## 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 Sponsor, Distributor and Co-Manufacturer*

We have appointed CAF Financial Solutions Limited (CAF) as the Sponsor, Distributor and Co-Manufacturer of the funds. This means that they work with us to design, promote and distribute the funds. CAF receive a fee for their role, payable from the annual fund management charge taken under the terms of the prospectus. We have assessed CAF based on a mix of criteria including but not limited to their promotion and distribution of the funds and the input they provide as they work with us to ensure the funds remain viable and relevant to the investors in the funds.

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

### *The Investment Manager*

We have appointed Octopus Investments Limited (Octopus) to manage the investments within the funds. Octopus receives an annual management charge payable under the terms of the prospectus.

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

- resource and expertise
- investment research, which is funded by Octopus 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

The results of our review of the Octopus 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 now 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

The objectives and policies for these funds are set out in Section 1 above and we assess their performance against this.

### IFSL CAF Investment funds

Fund	1 Year	3 Years	5 Years
<b>IFSL CAF Alternative Strategies Fund</b>	-3.88%	-4.61%	-4.04%
<i>UK CPI</i>	0.77%	5.35%	8.52%
<b>IFSL CAF Fixed Interest Fund</b>	2.05%	3.64%	8.75%
<i>IA Sterling Strategic Bond sector</i>	1.21%	5.71%	13.24%
<b>IFSL CAF UK Equity Fund</b>	-16.31%	-11.34%	0.48%
<i>FTSE All Share TR Index</i>	-16.68%	-7.53%	4.77%
<i>IA UK All Companies Sector</i>	-14.67%	-7.18%	6.42%
<b>IFSL CAF International Equity Fund</b>	-2.70%	14.64%	46.08%
<i>MSCI All Countries World ex UK Index</i>	-0.91%	18.42%	54.38%
<i>IA Global Sector</i>	-1.08%	16.25%	44.65%

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	01/05/2015- 30/04/2016	01/05/2016- 30/04/2017	01/05/2017- 30/04/2018	01/05/2018- 30/04/2019	01/05/2019- 30/04/2020
<b>IFSL CAF Alternative Strategies Fund</b>	-1.29%	1.92%	0.65%	-1.40%	-3.88%
<i>UK CPI</i>	0.29%	2.71%	2.38%	2.12%	0.77%
<b>IFSL CAF Fixed Interest Fund</b>	0.96%	3.93%	-0.80%	2.38%	2.05%
<i>IA Sterling Strategic Bond sector</i>	-0.16%	7.30%	1.77%	2.63%	1.21%
<b>IFSL CAF UK Equity Fund</b>	-3.68%	17.67%	6.20%	-0.25%	-16.31%
<i>FTSE All Share TR Index</i>	-5.69%	20.14%	8.16%	2.62%	-16.68%
<i>IA UK All Companies Sector</i>	-3.71%	19.07%	7.53%	1.16%	-14.67%
<b>IFSL CAF International Equity Fund</b>	-1.59%	29.48%	8.53%	8.55%	-2.70%
<i>MSCI All Countries World ex UK Index</i>	-0.54%	31.09%	7.19%	11.49%	-0.91%
<i>IA Global Sector</i>	-2.35%	27.43%	8.11%	8.71%	-1.08%

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 IFSL CAF Fixed Interest and Alternative Strategies Funds will 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.*

*The IFSL CAF Investment Funds invest a large part of their assets in other funds for which investment decisions are made independently of the Fund. 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.*

*For the IFSL CAF UK Equity Fund, 50% of the annual Manager's charge is deducted from capital rather than income. For the IFSL CAF Fixed Interest Fund, 100% of the annual Manager's charge is deducted from capital rather than income. Future capital growth for those funds may be constrained as a result. A more detailed description of the risks that apply to the funds can be found in the prospectus. You are required to read the Key Investor Information Document (KIID) before making an investment. The KIID and prospectus for all funds are available free of charge at [www.ifslfunds.com](http://www.ifslfunds.com) or by calling 0808 145 2500.*

*This report contains FTSE data. Source: FTSE International Limited ("FTSE") FTSE 2020. "FTSE" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. All rights in the FTSE indices and / or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and / or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.*

### **IFSL CAF Alternative Strategies**

Having reviewed the outcomes achieved by the IFSL CAF Alternative Strategies Fund we have noted that the fund has not met its objective to achieve a positive return in any 12 month period. The fund has also failed to meet its performance target, which is to outperform the UK Consumer Price Index.

### **IFSL CAF Fixed Interest Fund**

Having reviewed the outcomes achieved by the IFSL CAF Fixed Interest Fund we have noted that the fund has out performed its benchmark, the IA £ Strategic Bond sector average, and has done so whilst taking a level of risk that is either lower or very similar to its peers. The fund has met its stated objective which is to grow the value of your investment over a period of at least five years.

### **IFSL CAF UK Equity Fund**

Having reviewed the outcomes achieved by the IFSL CAF UK Equity Fund we have noted that the fund has not performed in line with its comparator benchmarks, the IA UK All Companies sector average and the FTSE All Share Index. The fund has achieved its stated objective to achieve capital growth over a minimum of five years but only marginally.

### **IFSL CAF International Equity Fund**

Having reviewed the outcomes achieved by the IFSL CAF International Equity Fund we have noted that the fund has outperformed its comparator benchmark, the IA UK Global sector average but not the MSCI All Countries Ex UK Index. The fund has achieved its stated objective to achieve capital growth over a minimum of five years.



## Conclusion

As the incoming ACD we are working with the funds' Sponsor and appointed investment manager and are reviewing the arrangements in place. Changes to the existing arrangements will be implemented with the aim of improving the investment returns for the funds as we seek to achieve good, ongoing delivery of value to our investors in these funds. Once this review is concluded we will write to you to detail the changes that have been made.

## 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 CAF Investment funds are as follows:*

#### **Annual management charge**

This is a percentage fee paid from the fund to the ACD, Investment Manager and the Sponsor (including the distributor and co-manufacturer).

#### **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.

#### **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.

#### **FCA fees**

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

## Ongoing charges figures per fund

Fund	Share Class	Ongoing Charges Figure (OCF)
IFSL CAF Alternative Strategies Fund	A Class	1.32%
IFSL CAF Alternative Strategies Fund	C Class	1.32%
IFSL CAF Fixed Interest Fund	A Class	1.00%
IFSL CAF Fixed Interest Fund	B Class	0.93%
IFSL CAF Fixed Interest Fund	C Class	1.00%
IFSL CAF Fixed Interest Fund	D Class	0.83%
IFSL CAF Fixed Interest Fund	Z Class	0.74%
IFSL CAF UK Equity Fund	A Class	1.10%
IFSL CAF UK Equity Fund	B Class	1.10%
IFSL CAF UK Equity Fund	C Class	1.10%
IFSL CAF UK Equity Fund	D Class	0.93%
IFSL CAF International Equity Fund	A Class	1.08%
IFSL CAF International Equity Fund	C Class	1.08%
IFSL CAF International Equity Fund	D Class	0.91%

## Other charges applied to the funds

IFSL do not apply performance fees to the funds.

IFSL do not apply any initial charges to the funds.

The funds 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.

We consider the different share classes and their charges later in this report in section 9.

## 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 are 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.

Depositories commonly structure their fees on an ad-valorem basis, which means fees are based on the size of the fund. The costs chargeable to all of the funds for which we are ACD 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 were transferred to HSBC as Depository at the same time as the ACD was moved to us in May 2020.

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.

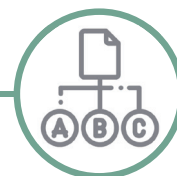
Certain services have fixed or minimum fees. This means that as funds grow they benefit from their increase in scale. We seek to ensure that each fund offers value to investors and is commercially viable in its own right taking in to account the impact of any fixed or minimum fees.

#### *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 IFSL CAF Investment Funds have a range of share classes each with different annual charging structures. The purpose of these different share classes is to cater for the different charging structures for investors who are existing clients of the CAF and the way that they access the funds (such as via platforms or the CAF investment account). Having reviewed the fund outcomes and the charges applied to investors, and considering the full value chain for investors in the funds in each share class, we consider that each represents a fair reflection of the value achieved.

## 10. Our conclusion



We will continue to progress our actions to address the performance outcomes for the IFSL CAF Investment Funds, as referred to in section 4 above. Subject to that and having completed our assessment we are satisfied that the charges taken from the funds 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 30 April 2020.

Since then there has been 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.