

31 March 2022

The Value Assessment Report  
IFSL RC Brown UK Primary  
Opportunities Fund

*Industry knowledge,  
service quality  
and fund expertise*

## Value Assessment report

This report describes the value assessment we have carried out for the following fund (the Fund):



# 1. The Value Assessment Report



Dear Investors,

This report is the result of the annual value assessment that we have carried out for you.

Investment Fund Services Ltd (IFSL) is the authorised fund management company (AFM) for the Fund covered by this report. As the AFM, we are responsible for operating the Fund in the interests of our investors. Producing this report is an important way in which we discharge that responsibility. We are also accountable to our regulator, the Financial Conduct Authority (FCA).

We carry out a value assessment at least yearly for each of our funds. The team who carry out the value assessments includes two independent non-executive directors. Part of this independent challenge is to ensure particular regard is given to investor outcomes. As Chair of our Board of Directors, I have responsibility to ensure we carry out these value assessments.

The purpose of the value assessment is to consider whether the payments that the prospectus allows to be taken from the Fund are justified in the context of the overall value delivered to investors. After each assessment, we publish this report to provide you with our conclusions and explanations about its key aspects.

When carrying out the value assessment, we have been guided by three key considerations. These are:

- The rules of the FCA.
- Making the report meaningful for investors.
- The importance of measuring value and not just cost.

Each are now explained in more detail.

## 1. The rules of the FCA

These require us to consider certain minimum criteria. There are seven set by the FCA.

FCA Value Assessment Criteria	Summary of FCA Value Assessment Criteria
Performance	Are the funds performing against their investment objectives?
Comparable Market Rates	Are the funds priced similarly to competitors?
Comparable Services	Are funds priced reasonably compared to other products with similar investment strategies?
AFM Costs	Are fees charged to investors reasonable and appropriate?
Economies of Scale	Are economies of scale generated and passed on to investors?
Quality of Service	Does the range and quality of service offer value?
Classes of Units	Are investors in the cheapest available unit class based on their characteristics?

Each is considered under its own heading in the following pages.

We are not limited to the seven that are prescribed but to date we have found they are sufficiently broad to allow us to carry out the value assessment. We keep this under review.

## II. Making the report meaningful for investors

We aim to provide an assessment that is meaningful for all investors. We recognise individuals will have their own reasons for holding the Fund and their own specific goals. We have been guided by the following considerations for the 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 January 2022, 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 the Fund.

## III. The difference between assessing value and simply measuring cost

We believe that the best value for investors does not necessarily mean simply lowest costs.

As an example, the Fund in this report is actively managed. This means the Investment Manager chooses which investments to make, based on their own research and processes. This approach can be expected to result in higher costs being taken from the Fund than for passive funds. Passive funds are where investments are chosen based on an index or because of the size of the company, for example, and not based on a decision by an investment manager. However, while we consider the higher costs as part of the value assessment, we will also look at other factors, such as the actual returns achieved for investors, which are net of these costs.

Nevertheless, we are clear that any value assessment includes an assessment of the controls over costs borne by the Fund.

#### IV. The funds' different share classes

Funds typically have more than one share class, such as "Class A" and "Class B". Different share classes can have different costs, currencies and minimum investment amounts. Some share classes carry a higher charge than others. Often the additional charge pays for commission to the investor's adviser or is rebated back to the investor through their platform provider, which is the case with Class A shares in the Fund. More details about the differences between the share classes is available in section 9. We are not always able to tell if it is justified for an investor to stay in a more expensive share class. We have moved investors in the A share class that we believe have no good reason to be in a more expensive share class. If you do not know if you are in the cheapest share class, I encourage you to check. You can call us free on 0808 145 2500 or see your half yearly statement to find out. You can also ask your adviser or platform.

In closing, I remind you that the value of your Fund can fall or rise and it can do so daily. We carried out our assessment with performance figures as at 31 January 2022. You can always find up to date performance figures on our website or from your adviser or platform.

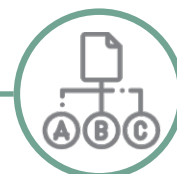
I hope in turn you find this report of value. All of us at IFSL welcome any feedback on how to improve these reports for the future.

With my kind regards,

Guy Sears

Independent non-executive Chair of the Board

## 2. The characteristics of the Fund



When we described our approach above, we said we considered the objectives and investment policies. In this section we summarise these characteristics of the Fund. Under each fund name we set out the objective and the benchmark against which you can assess the performance of the Fund.

*There can be three types of benchmark and these are explained below.*

### The benchmarks



*A 'target' benchmark is used to define the fund's target performance (or to trigger a payment from scheme property such as a performance fee).*



*A 'comparator' benchmark is used as a performance comparator for the fund ('performance benchmark').*



*A 'constraint' benchmark restricts the composition of a portfolio*

The latest version of the above information can always be read by looking at the Key Investor Information Document. These are available on our website at [www.ifsifunds.com](http://www.ifsifunds.com). They also set out the investment policy, which explains in more detail how each fund aims to achieve its objective.

## IFSL RC Brown UK Primary Opportunities Fund

### Investment objective:

*The aim of the Fund is to outperform the FTSE All Share Index over any 5 year period, after any charges have been taken out of the Fund. However, there is no certainty this will be achieved.*

### Benchmark:

*Comparator - IA UK All Companies*

*Constraint - None set*

*Target - FTSE All share Index*

### 3. Range and quality of services

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#### 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 Fund's 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 the 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 the Fund has been managed within its 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** - Depository, Custodian and Auditor

**Other third parties** - The Investment Manager and the Sponsor

**In-house functions** - Our own provision of services to the Fund

In this part of our assessment, there are no material distinctions between any of the share classes within the Fund, 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 Fund. 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 AFM 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 are the AFM. The Depositary for this fund is HSBC.

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

- size and reputation within the industry
- geographical relevance for the Fund's 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 costs chargeable to the Fund by HSBC was last reviewed formally by us in the first quarter of 2022 and resulted in no changes being made following a prior reduction applied in 2019. We regularly check the fees paid to our service providers to ensure they deliver value when considered against the service we receive.



## 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 AFM.

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

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 are the AFM. The Custodian for this fund is HSBC.

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

- size and reputation within the industry
- geographical relevance for the Fund's 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.

We regularly check the fees paid and compare these against other service providers to ensure they deliver value when considered against the service we receive and the fees achieved by other funds for which we are AFM. We last carried out this review of the costs chargeable to the Fund by the Custodian during the second quarter of 2021. This resulted in a lower fee being applied to the funds under management with IFSL.

## *The Auditor*

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

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 AFM, and we are responsible for negotiating the commercial terms, including the audit fees charged to the Fund.

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 AFM

We regularly check the fees paid and compare these against other service providers to ensure they deliver value when considered against the service we receive and the fees achieved by other funds for which we are AFM. We have regular interaction with the Auditor and remain confident that the fee is fair based upon the service received, including having considered each of the factors above.

## 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 R C Brown Investment Management PLC (R C Brown) to manage the investments within the Fund. R C Brown are also the Sponsor and are responsible for the promotion and distribution of the Fund.

R C Brown receives a share of the Annual Management Charge payable to us under the terms of the prospectus.

We have assessed the services of the Investment Manager and Sponsor 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 the Fund has been managed within its investment restrictions
- a review of any operational errors or complaints
- the timeliness with which complete and accurate data is provided to us
- how the Fund is 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 services provided, with regard to the 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 AFM, 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 AFM to use third parties to carry out fund administration services. This may include dealing and settling purchases and sales of shares in our funds, calculating our funds' dealing prices and maintaining the register of shareholders in our 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

During the period under review, we noted a slightly higher number of operational errors related to the Fund as compared with the prior period. However, the impact of these incidents on investors was limited and no material investor detriment occurred. We have investigated the root cause of these incidents and action has been taken in order that they do not reoccur.

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

## 4. Performance

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When assessing the value represented by the Fund performance achieved over the past twelve months we have considered an in depth package of information. This allows us to consider the performance having regard to the investment objective (and policy) of the Fund. A fund's objective may envisage that success is to be measured over a period greater than a year. For example, it may say that the fund aims to grow your investment over a 5 year period. We bear such timescales in mind in forming our assessments of performance.

Within the above context, we consider the:

- comparative outcome relative to the 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 objective and policy for the Fund is set out in Section 2. Full information including the Fund's objectives and investment policies can be found in the Key Investor Information Document. These are available on our website at [www.ifsifunds.com](http://www.ifsifunds.com).

The following table show the performance achieved by the Fund compared to the benchmarks.

Performance	1 Year	3 Years	5 Years
IFSL RC Brown UK Primary Opportunities Fund A Acc	13.40%	25.18%	39.34%
IFSL RC Brown UK Primary Opportunities Fund A Inc	13.41%	25.39%	39.58%
IFSL RC Brown UK Primary Opportunities Fund P Acc	14.26%	28.03%	44.66%
IFSL RC Brown UK Primary Opportunities Fund P Inc	14.27%	28.26%	44.91%
FTSE AllShare TR GBP	18.90%	21.66%	30.20%
IA UK All Companies	13.90%	22.97%	30.61%

Data Cumulative Returns as 31.01.2022

## Conclusion

We conclude that the Fund has met its stated objective. That is, all share classes of the Fund have outperformed the FTSE All-Share TR Index over the five-year period to 31 January 2022. Indeed, the Fund has achieved this objective over the majority of time-periods analysed.

Investment performance (P share class) over the five-year period to 31 January 2022 ranked within the first quartile of the IA UK All Companies sector. Except for the most recent one-year period, where the Fund was ranked in the third quartile, Fund performance was in the second quartile in each of the other time periods analysed.

The Investment Manager has achieved the objective with a risk profile which was slightly above that of the benchmark (FTSE All-Share TR Index), but less than the average investment manager within the IA UK All Companies sector.

On balance, we conclude that the Fund has delivered reasonable value and has outperformed the sector over the Fund's target timeframe, i.e. five-years.

## Important Information

Please note that the value of investments and the income from them may fall as well as rise and you may not get back the amount you originally invested. The Fund invests in smaller companies which carry a higher degree of risk than larger companies. The shares of smaller companies may be less liquid and their performance more volatile over shorter time periods. The Fund invests mainly in the UK. Therefore it may be more vulnerable to market sentiment in that country. A more detailed description of the risks that apply to this Fund can be found in the prospectus. The Key Investor Information Document (KIID) and prospectus for the Fund is available free of charge at [www.ifslfunds.com](http://www.ifslfunds.com) or by calling 0808 178 9322.

*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.*

## 5. AFM costs in general



### What have we considered?

We have considered each component of the ongoing charges figure (OCF). These are described below and investors can find a detailed breakdown of the actual amounts paid for each in the latest annual report and accounts.

*The components are as follows:*

#### **Annual management charge**

This is a percentage fee paid from the Funds to the AFM and the Investment Manager.

#### **Depositary fee**

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

#### **Custody fee**

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

#### **Audit fee**

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

#### **Registrar fee**

This is a small fixed annual fee, plus a fixed annual fee per shareholder entry on the Fund's register, paid to the AFM 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 Fund.

### Ongoing charges figures per share class

Fund	Share Class	Ongoing Charges Figure (OCF)
IFSL RC Brown UK Primary Opportunities Fund - Income	A Class	1.64%
IFSL RC Brown UK Primary Opportunities Fund - Accumulation	A Class	1.64%
IFSL RC Brown UK Primary Opportunities Fund - Income	P Class	0.89%
IFSL RC Brown UK Primary Opportunities Fund - Accumulation	P Class	0.89%

The ongoing charge figures above are based on actual expenses for the year ended 31 January 2022. They cover all aspects of operating the Fund during the year, including the fees paid and described at the start of this section 5. It does not include payments to your financial adviser through an adviser charging agreement, and/or any other firm through which you invest. You pay for their services directly.

IFSL do not apply exit charges, initial charges or performance fees to the Fund.

### Conclusion

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

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



## 6. Comparable market rates

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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. We keep these fees under review to ensure that they remain competitive and that they represent good value for investors.

We have considered the fees which are paid to the Investment Manager against those of similar services provided to other funds for which we are AFM.

The market rates for independent AFMs 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 AFM market. Fund sponsors typically conduct full tendering processes and can move their funds to other independent AFMs. 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 Fund with other similar funds in the market. This comparison uses the P share class, that is, the share class that most investors are in. We then consider different charging between share classes of this fund later, under the heading "Share Classes".

### Conclusion

Having regard to the factors above, we conclude that we are satisfied that the costs of the Fund are reasonable and appropriate.

## 7. Comparable services



With regard to AFM 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 this Fund are similar to those paid by other comparable funds within our range.

We also consider comparable services offered by the third party providers to the Fund, such as the Investment Manager. Where providers do offer comparable services we ask them to outline the key differences in charging and service, so that we can ensure good value is delivered to fund investors when compared against alternative products and services available elsewhere from the same provider.

### Conclusion

We are satisfied that the costs of the Fund are reasonable and appropriate having regard to the factors above.

## 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 fund*

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 as the effect of those fees on costs and charges reduces. 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 AFM

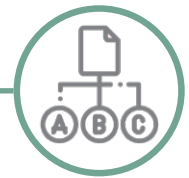
The second area of economies of scale is where we can negotiate terms for the large number of different funds for which we act as AFM. IFSL is AFM to over 70 funds with more than £10 billion under management. We use this scale to negotiate fees wherever we think it is in the interests of all the funds affected. We discuss with our suppliers the need to ensure that fees are fairly and transparently spread across all the funds.

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 funds reach certain thresholds, ensuring economies of scale apply directly to the benefit of the Fund and investors.

### Conclusion

We are satisfied that economies of scale are being passed onto investors where these are being achieved.

## 9. Share classes



The share classes in the Fund differ in the way that they treat income payments (either by distributing income payments or by accumulating them and reflecting this in the price) or by the level of Annual Management Charge (AMC) applied to them.

During the period under review, we carried out conversions for investors who were in the B share class into the P share class. The P share class provides better value than remaining in the B share class. We wrote to investors to confirm when this was happening and told them how many new shares they now have in the P share class.

Where there is an associated trail commission paid to advisers or a rebate paid to a platform, investors remain in the higher charging A share class. This share class does not deliver the same level of returns experienced by investors of the P shares. However, we recognise that investors in the A share class have the services of external parties paid for by the trail commissions or fee rebates that P share investors do not. We are not able to assess the value delivered by these external parties and would encourage investors to speak to their adviser or platform provider for further details.

### Conclusion

Having reviewed the different charging levels across all the share classes, we conclude that there is justification for the classes having varying charges. We have identified that some investors in the A share class would benefit from being switched to the P share class as they do not receive any additional services in exchange for the additional charge. We will write to these investors providing notice of our intention to move them to the P share class.

The A share class carries an additional charge of 0.75% compared to the P class because it pays for trail commission to an investor's adviser or a rebate to a platform. We have identified that in most cases trail commission payments are paid at 0.5% and rebates are paid at 0.75%, it is therefore our intention to reduce the AMC of the A share class by 0.25% to ensure that the additional AMC paid by investors in the A share class is the same as the trail commission being paid. Rebates will also be adjusted in line with the AMC reduction. We will be writing to investors in the coming weeks to inform them about this and what choices they have in relation to converting to the P share class.

## 10. Our conclusion

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We are satisfied that the charges taken from the P share class are justified in the context of the overall value delivered to investors.

We conclude that some investors in the A share class have not received the same amount of value as those in the P share class as a result of the additional amount of AMC which has been paid without the provision of any additional services or value.