

IFSL

— Fund Services —

31 December 2021

The Value Assessment Report
IFSL SIM Junior Gold & Silver Miners 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):

IFSL SIM Junior
Gold & Silver
Miners 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. A 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.

I. 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	Is the Fund performing against its investment objectives?
Comparable Market Rates	Is the Fund priced similarly to competitors?
Comparable Services	Is the Fund priced reasonably compared to other products with similar investment strategies?
ACD 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 Funds and their own specific goals. We have been guided by the following considerations for the Funds:

- 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 August, 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 Funds.

III. The difference between assessing value and simply measuring cost

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

In closing, I remind you that the value of your Fund can fall or rise in value and it can do so daily. We carried out our assessment with performance figures as at 31 August 2021. You can always find up to date performance figures on our [website](#) or from your adviser or platform.

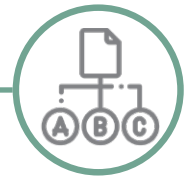
I hope in turn you find this report of value. All of us at IFSL welcome any feedback on how to improve these reports for the future.

With my kind regards,

Guy Sears

Independent non-executive Chair of the Board

2. The characteristics of the Fund



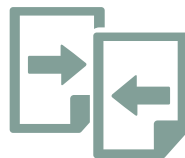
When we described our approach above, we said we considered the objectives and investment policies. In this section we summarise these characteristics for the Fund. We also set out the objective and the benchmark against which you can assess the performance of the Fund.

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.ifslfunds.com. They also set out the investment policy, which explains in more detail how each Fund aims to achieve its objective.

IFSL SIM Junior Gold & Silver Miners Fund

Investment objective

The aim of the Fund is to provide capital growth, that is, to increase the value of your holding, by investing in small and medium sized companies which specialise in identifying and extracting gold and other precious metals.

Benchmarks

Comparator – FTSE Gold Mines Index

Constraint – N/A

Target – N/A

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 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. This is reviewed by fund and by unit class if more than one unit class exists. 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 the 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 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 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 Bank plc.

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 Bank plc were last reviewed formally by us in the first quarter of 2019. We regularly check the fees paid to our service providers to ensure they deliver value when considered against the service we receive. Our next review has commenced and we expect this to conclude in Q1 2022.

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 Bank plc.

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 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 the Fund's investors.

We regularly check the fees paid and compare these against our 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 this year. This resulted in a lower ad-valorem 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 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 Fund, resulted in a decision to change auditor from Barlow Andrews to Ernst & Young. This decision did result in an increase in the Auditor fees paid by the Fund, but we considered this increase to be justified in the context of the value that the new Auditor would bring.

As a larger organisation, Ernst & Young are able to offer greater challenge and expertise as part of their audit.

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 Sector Investment Managers Ltd (Sector) to manage the investments within the Fund. Sector are also the Sponsor and are responsible for the promotion and distribution of the Fund.

Sector receives a share of the annual management charge payable to us under the terms of the prospectus.

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

- resource and expertise
- adherence to the Fund's investment objective and policy and the way that the Investment Manager invested the Fund's assets to achieve them
- investment research, which is funded by Sector 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 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 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 and complaints related to the Fund which fell below our usual standard. However, the impact of these incidents on investors was limited and no material investor detriment occurred. Overall, we are satisfied with the quality of services provided to the Fund by third parties or in-house.

4. Performance



When assessing the value represented by the performance achieved by the Fund 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, for each fund, we consider 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 objective and policy for this 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.ifslfunds.com.

IFSL SIM Junior Gold & Silver Miners Fund

Fund	Share Class	1 Year	3 Years	5 Years	10 Years
IFSL SIM Junior Gold & Silver Miners Fund	C Class:	-16.04%	42.10%	-16.27%	-72.68%
IFSL SIM Junior Gold & Silver Miners Fund	I Class	-15.82%	43.21%	-15.19%	-71.97%
IFSL SIM Junior Gold & Silver Miners Fund	P Class	-15.49%	44.90%	-13.50%	-71.27%
FTSE Gold Mines TR USD		-25.92%	81.17%	30.74%	-42.07%

Cumulative Returns as 31.08.2021

Conclusion

The Fund, with respect to all share classes, has failed to achieve its objective of producing capital growth and did not perform well against its benchmark. The Fund's benchmark, which can be used to compare performance with the shares of gold mining companies generally, is very heavily weighted to large companies. The Fund itself invests in the shares of small gold mining companies and so we take this difference into account when we assess the value delivered by the Fund. However, in our opinion, the performance achieved does not demonstrate reasonable value.

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. 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 or by calling 0808 145 2500.

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5. AFM costs in general



What have we considered?

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

The components are as follows:

Annual management charge

This is a percentage fee paid from the Fund to the AFM, the Investment Manager and the Sponsor.

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.

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 the Fund.

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

Fund	Share Class	Ongoing Charges Figure (OCF)
IFSL SIM Junior Gold & Silver Miners Fund	C Class	1.90%
IFSL SIM Junior Gold & Silver Miners Fund	I Class	1.65%
IFSL SIM Junior Gold & Silver Miners Fund	P Class	1.25%

The ongoing charge figures above are based on actual expenses for the year ending 31 August 2021. 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 and/or any other firm through which you invest. You pay for their services directly.

Conclusion

We are satisfied that the costs of the services provided represent reasonable value to our investors. We intend to improve the costs for most investors in the C and I Class shares by moving them into our P class shares. This is covered later in the report, under the heading "Share Classes".

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.

Depositaries 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 and Sponsor 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 the 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.

Conclusion

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

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 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 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

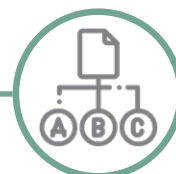
The second area of economies of scale is where we can negotiate terms for the large number of different funds for which we act as AFM. IFSL is AFM to over 70 funds with more than £10 billion under management. We use this scale to negotiate fees wherever we think it is in the interests of all the funds 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 Fund reaches certain thresholds, ensuring economies of scale apply directly to the benefit of the Fund and the 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 level of annual management charge applied to them.

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. It typically would follow that the C and I shares do not provide as good value when considering the net performance experienced by those investors. Following a regulatory application made by IFSL, we have the ability to convert investors' shares from higher charging share classes to cheaper share classes. We have previously carried out such a conversion, for all investors where there is no fee paid to advisers (or similar entities) in respect of their shares, often referred to as renewal or trail commission. We plan to undertake further conversions for any additional investors which would now also benefit from moving to a cheaper share class. 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.

Investors in the C and I share classes have not experienced the same delivery of value as those in the P shares.

10. Our conclusion



Given the failure of the Fund to achieve its Investment Objective, we are not satisfied that the charges taken from the Fund are justified in the context of the overall value delivered to investors and we are currently undertaking a review of the Fund in order to establish the most appropriate action to take in the best interest of investors. Where appropriate, following completion of this review, we will write to investors to confirm what changes will occur.