

IFSL

— Fund Services —

30 June 2020

The Assessment of Value Report IFSL Brunsdon OEIC

*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:



The Authorised Corporate Director (ACD) for the IFSL Brunsdon funds has the regulatory responsibility for operating them and is accountable to investors and to the regulator, the Financial Conduct Authority (FCA).

New regulations from the FCA require the ACD to carry out an assessment of value at least annually for every UK fund that is managed for your benefit.

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

1. Our approach to the assessment



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

The rules of the FCA

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

Ensuring the report is meaningful for different investors

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

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

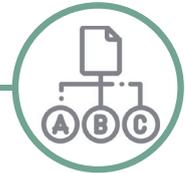
We have considered these factors as at 28 February 2020, not merely across a single year but - particularly in relation to performance - across timescales which better reflect the periods over which investors could be expected to hold these funds.

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 IFSL Brunsdon 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 Brunsdon Cautious Growth Fund

Investment objective and policy

The aim of the Fund is to provide capital growth, that is, to increase the value of your investment, over a period of at least 7 years.

It will invest at least 70% 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.

Through these Investment Funds, the Fund will have exposure to a range of UK and overseas asset classes, including: up to 35% in shares of companies, at least 45% in bonds (which are loans typically issued by companies, governments and other institutions). The remainder will be in other eligible investments, such as property and cash.

The Fund may also hold up to 30% directly in money market instruments (shorter term loans), cash and structured products.

The Fund may use derivatives (instruments whose returns are linked to another asset, market or other variable factor), or forward transactions to manage currency exposure (hedging) for efficient portfolio management. Other Investment Funds purchased may have the ability to use derivatives to varying degrees.

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

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 will be in the IA Mixed Investment 0-35% shares sector. You may want to assess the Fund's performance compared to the performance of this sector

Benchmarks

IA Mixed Investments 0-35% shares sector

IFSL Brunson Adventurous Growth Fund

Investment objective and policy

The aim of the Fund is to provide capital growth, that is, to increase the value of your investment, over a period of at least 7 years.

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

It will invest at least 70% 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.

Through these Investment Funds, the Fund will have exposure to at least 75% in shares in companies across various UK and overseas locations, the remainder will be made up of other eligible assets, such as bonds, property and cash.

The Fund may also hold up to 30% directly in shares in companies, bonds (which are loans typically issued by companies, governments and other institutions), money market instruments (shorter term loans) and cash.

The Fund may use derivatives (instruments whose returns are linked to another asset, market or other variable factor), or forward transactions to manage currency exposure (hedging) for efficient portfolio management. Other Investment Funds purchased may have the ability to use derivatives to varying degrees.

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 will be in the IA Flexible Investment sector. You may want to assess the Fund's performance compared to the performance of this sector.

Benchmarks

IA Flexible Investment 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 these funds is Natwest.

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 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 these funds is BNP Paribas.

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 our investors.

The Auditor

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

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

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

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

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

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

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

Other third parties - appointments and outsourcing

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

The Sponsor

We have appointed Brunsdon Asset Management as the Sponsor of the funds. As Sponsor they carry out certain functions as a co-manufacturer. This means that they work with us to design, promote and distribute the funds.

Brunsdon receive a fee for their role, payable from the annual management charge taken under the terms of the prospectus. We have assessed Brunsdon 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 the services of the Sponsor were justified based on the overall value delivered to investors.

The Investment Manager

We have appointed Brooks Macdonald Asset Management Limited to manage the investments within the funds.

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

- resource and expertise
- investment research, which is funded by Brooks Macdonald 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

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 were justified based on the overall value delivered to investors. The results of our review of the Brooks Macdonald 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 shareholders in the funds.

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

Investor communications and relations with investors

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

Additional competencies

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

Conclusion

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

4. Performance



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

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

Where a fund is part of a range (as is the case with the Brunsdon funds) the performance and volatility outcome of individual funds is also assessed in the context of that exhibited by others in the "connected" risk hierarchy.

The two Brunsdon funds aim to provide two different levels of risk; the Cautious Growth Fund with low to medium levels of volatility and the Adventurous Growth Fund with higher levels of volatility. They may be used individually, or as a blend of the two, as part of a wealth management solution provided by an adviser. The Cautious Growth Fund will seek to have a lower level of risk through greater exposure to bonds and cash with less exposure to shares in companies (often referred to as equities). The Adventurous Growth Fund has a greater exposure to shares in companies with less in bonds and cash.

Fund	Cash %	Equity %	Bond %	Other %
IFSL Brunsdon Cautious Growth Fund	30.11	22.79	46.22	0.88
IFSL Brunsdon Adventurous Growth Fund	6.49	81.97	0	11.53

The table above shows the exposure of each fund to equities, bonds, cash and other assets. It is correct at the date of this review, on 28 February 2020.

Conclusion

Having reviewed the performance of the funds and the manner in which they achieved their outcomes, we note that they have not produced benchmark outperformance over the seven years suggested in the objective.

However, it should be noted that after a period of underperformance following the launch of the funds the investment manager was changed on 1st January 2015. Our review during this assessment, and on an ongoing basis, finds that following this remedial action the results have improved significantly. We also find that the funds did achieve their stated objective of delivering capital growth over the stated seven years and we feel able to conclude that they have been managed satisfactorily and that the outcomes achieved represent reasonable value in the context of the costs incurred by investors in the funds.

Past performance is not a guide to the future performance. Investments can go down as well as up and investors may not get back the amount originally invested. This can be as a result of market movements and exchange rates between currencies. The Fund may invest in fixed interest funds, which are subject to market and credit risk and will be impacted by interest rates. The Fund's underlying investments may include emerging markets which may be less liquid and more volatile than more developed markets.

5. ACD 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 Investment Manager and the Sponsor.

Administration Fee

This is a percentage fee paid from the funds to IFSL as ACD.

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.

KIID update fee

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

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 Brunsdon Cautious Growth Fund	C Class	1.33%
IFSL Brunsdon Adventurous Growth Fund	C Class	1.46%

IFSL do not apply any initial charges to the funds.

IFSL do not apply exit charges to the funds.

IFSL do not apply performance fees 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.

Past performance is not a guide to the future performance. Investments can go down as well as up and investors may not get back the amount originally invested. This can be as a result of market movements and exchange rates between currencies. The Fund may invest in fixed interest funds, which are subject to market and credit risk and will be impacted by interest rates. The Fund's underlying investments may include emerging markets which may be less liquid and more volatile than more developed markets.

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.

These specific funds have Natwest as the Depository. 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 the funds by Natwest were last reviewed by us in the first quarter of 2019. This resulted in a lower ad-valorem fee applied to the funds under the management of IFSL. The funds under review will benefit increasingly from the improved tariff as their AUM increases in size.

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

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

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

Conclusion

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

7. Comparable services



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

Conclusion

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

8. Economies of scale



What have we considered?

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

The size and scale of the funds

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

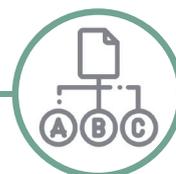
Certain services have fixed or minimum fees. This means that as funds grow they benefit from their increase in scale. We seek to ensure that each fund offers value to investors and is commercially viable in its own right taking in to account the impact of any fixed or minimum fees.

The size and scale of IFSL as ACD

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

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

9. Share classes



The IFSL Brunsdon Funds have only one class of share and so there are no different share classes with different features to consider.

10. Our conclusion



Overall, 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 28 February 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.

At the time of writing this report the IFSL Brunsdon Funds were transferring to a new ACD, a process which completed on 19th June 2020. We have conducted this report as the ACD for the year under review. It therefore reflects the costs, charges, service providers and performance during our tenure as ACD.

Future reports will be carried out and published by the new ACD, Thesis Unit Trust Managers Ltd.