

IFSL

— Fund Services —

15 October 2020

The Assessment of Value Report IFSL Trade Union Unit Trust

*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 fund:



IFSL are the Authorised Fund Manager (AFM) for the funds, which means we have the regulatory responsibility for operating them and we are accountable to investors and to the regulator, the Financial Conduct Authority (FCA).

As the AFM, new regulations from the FCA require us to carry out an assessment of value at least annually for every UK fund that we manage for your benefit. The purpose of this assessment of value is to consider whether the payments that the prospectus allows to be taken from the funds 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 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).

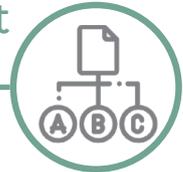
We have considered these factors as of 15 August 2020, not merely across a single year but - particularly in relation to performance - across timescales which better reflect the periods over which investors could be expected to hold this fund.

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 fund in this report is 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 fund.

2. The characteristics of the IFSL Trade Union Unit Trust



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.

IFSL Trade Union Unit Trust

Investment objective and policy

The aim of the fund is to provide capital growth, that is, to increase the value of an investment, over a minimum of 5 years, together with some income, which is money paid out of an investment such as dividends from shares.

The fund aims to outperform the benchmark (60% FTSE All Share Index and 40% MSCI Europe ex UK Index) by 1% each year over any 3 year periods, with income reinvested and after any charges have been taken out of the fund. However, there is no certainty this will be achieved.

At least 80% of the fund will be invested in the shares of companies listed on UK and European stock markets, with between 50-70% invested in the UK and 30-50% elsewhere in Europe.

The fund is actively managed which means the Investment Manager decides which investments to buy or sell and when. Investment decisions are taken based on individual company research in addition to the Investment Manager's view on global economic and market conditions.

The Investment Manager uses the FTSE All Share and MSCI Europe ex UK indices as a reference point when constructing the portfolio and for risk management purposes.

From time to time the fund may also hold other funds (which could include other funds managed by the Manager or the Investment Manager), which themselves invest in UK and European companies although this will not exceed 5%.

The fund will typically hold a small cash balance (less than 5%) to enable the ready settlement of liabilities, for the efficient management of the fund and in pursuit of the fund's objectives although may occasionally exceed this figure. The fund may also use money market funds for cash management purposes.

The performance target is the level of performance the fund aims to deliver.

The Manager believes the target is appropriate based on the investment policy of the fund and the constituents of each index.

Benchmarks

60% FTSE All Share, 40% MSCI Europe ex UK +1%

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 it has 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 - Trustee, Custodian and Auditor.

Other third parties - The Investment Manager and the Sponsor

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

Services in relation to required independent third parties

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

The Trustee

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

The Trustee 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 Trustee, 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 Trustees at any one time. There are presently two across the entire range of funds for which we, and our associated companies, are the AFM. The Trustee for this fund is HSBC.

We have assessed the Trustee 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 AFM.

Along with the Trustee, 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, and our associated companies, 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 our investors.

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 funds, resulted in this fund continuing to be audited by Shipleys LLP.

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 TU Financial Management Services Limited (TUFM) as the Sponsor of the fund. As Sponsor they carry out certain functions as a co-manufacturer. This means that they work with us to design, promote and distribute the fund.

TUFM receive a fee for their role, payable from the annual management charge taken under the terms of the prospectus. We have assessed TUFM based on a mix of criteria including but not limited to their promotion and distribution of the fund and the input they provide as they work with us to ensure the fund remains viable and relevant to the investors in the fund.

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 Aberdeen Asset Managers Limited (AAM) to manage the investments within the funds.

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

- resource and expertise
- investment research, which is funded by AAM 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 managed the fund within the 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 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 units in the fund, calculating the fund's dealing prices and maintaining the register of unit-holders in the fund.

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 fund by third parties or in-house.

4. Performance



When assessing the value represented by the performance achieved by the fund 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 the 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 objective and policy for these fund is set out in Section 2 above and we assess the performance against this.

Fund	1 Year	3 Years	5 Years
IFSL Trade Union Unit Trust	-3.27%	-0.18%	15.74%
<i>60% FTSE All Share, 40% MSCI Europe ex UK +1%</i>	<i>-5.25%</i>	<i>-5.97%</i>	<i>4.81%</i>

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

Fund	16/08/2015- 15/08/2016	16/08/2016- 15/08/2017	16/08/2017- 15/08/2018	16/08/2018- 15/08/2019	16/08/2019- 15/08/2020
IFSL Trade Union Unit Trust	2.51%	13.11%	4.45%	-1.21%	-3.27%
<i>60% FTSE All Share, 40% MSCI Europe ex UK +1%</i>	<i>0.55%</i>	<i>10.86%</i>	<i>2.48%</i>	<i>-3.16%</i>	<i>-5.25%</i>

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 fund will have experienced.

Past performance is not 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 Fund will be exposed to stock markets and market conditions can change rapidly. Prices can move irrationally and be affected unpredictably by diverse factors, including political and economic events.

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 or by calling 0808 145 2500.

Conclusion

Having reviewed the outcomes achieved by the IFSL Trade Union Unit Trust we have noted that it has increased the value of an investment which is in line with the fund's objective of providing investment growth over a period of a minimum of five. It has done so whilst also providing an income. Over the last 12 months, we have noted that the fund has out-performed its custom benchmark, which is 60% FTSE All Share Index and 40% MSCI Europe ex UK Index, by 1% each year over any 3 year period and has done so whilst taking a level of risk that is very similar to its peers.

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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 Charge

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

Trustee fee

This is a percentage fee paid from the fund to the Trustee.

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 fixed annual fee per unitholder entry on the fund's register, paid to the AFM for maintaining the register of unitholders.

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

Fund	Ongoing Charges Figure (OCF)
IFSL Trade Union Unit Trust	1.09%

IFSL do not apply exit charges to the IFSL Trade Union Unit Trust fund.

IFSL do not apply performance fees to the IFSL Trade Union Unit Trust fund.

The IFSL Trade Union Unit Trust has an initial charge of 5%. As AFM we are able to waive this charge for investors and have done so routinely throughout the year, meaning no investors have paid the charge. We have reviewed this charge with the fund's sponsor and distributor and will remove it in the coming year.

Conclusion

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

6. Comparable market rates



Periodically we review the fees we pay to third parties.

The comparable market rates for trustees, 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.

This specific fund has HSBC as Trustee. Depositaries commonly structure their fees on an ad-valorem basis, which means fees are based on the size of the fund. The costs chargeable to the fund by HSBC 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 fund will benefit increasingly from the improved tariff as the 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 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.

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.

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 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.

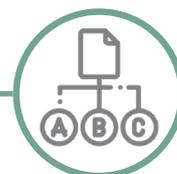
Certain services have fixed or minimum fees. This means that as funds grow they benefit from their increase in scale. We seek to ensure that each fund offers value to investors and is commercially viable in its own right taking in to account the impact of any fixed or minimum fees.

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. 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 AFM.

Trustee relationships are negotiated across multiple funds to achieve the best possible rates. IFSL negotiate Trustee 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. Unit classes



The IFSL Trade Union Unit Trust has only one class of unit and so there are no different unit classes with different features to consider.

10. Our conclusion



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

Additional Note for Investors

This assessment was conducted as at the fund's annual year end date on 15th August 2020.

In the period leading up to 15 August 2020, there was a significant global market reaction to the ongoing Covid-19 global pandemic. The impact on global markets going forward will depend on the ongoing scale, duration and individual approach of each country's government in the management of the pandemic, which continues to evolve on a day by day basis.

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