



# **M G T S**

**Assessment of Value (AoV)**

The Prima Fund – 30/09/2024.

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## Our Assessment of Value (AoV) Process

### 1. Product Design

The Authorised Fund Manager (AFM) is responsible for designing and operating funds that provide value and meet the needs of a specific target market. Each fund has a product design which establishes any benchmarks which should be used for comparison. It also creates a reference for assessing the performance of all parties involved in operating funds, and the value provided to investors which this assessment is used to document and disclose at

### 2. Analysis and Assessment

The AFM monitors all funds on a regular basis, collecting a wide range of data to support the annual assessment of value. The process is conducted by operational teams and overseen by committees within the AFM. This is then compiled and analysed by the Investment Oversight team who draft the assessment of value and report findings to the Product Governance Committee (PGC).

### 3. PGC Review

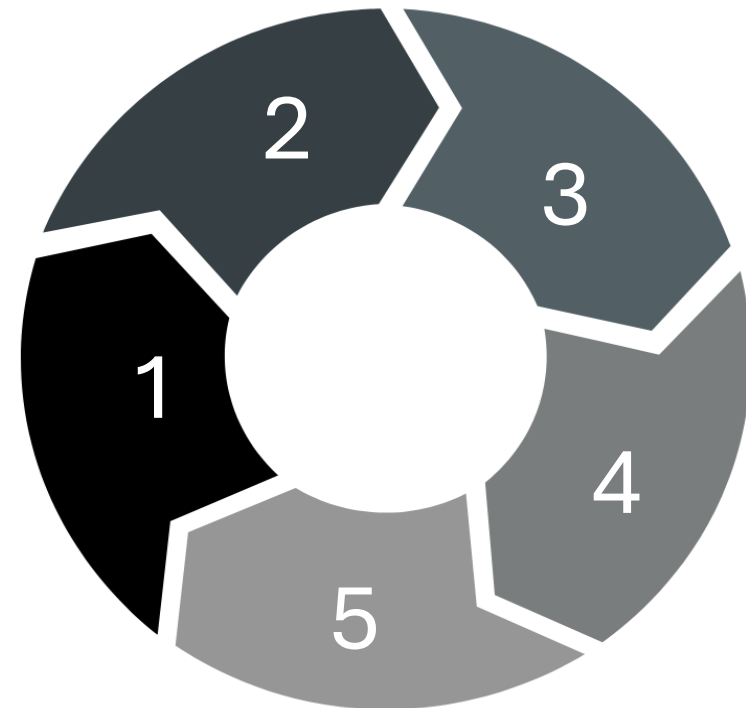
The Product Governance Committee is made up of representatives from across the AFM. The committee is responsible for ensuring that the agreed AoV methodology has been followed and applies robust challenge to the investment oversight team's findings.

### 4. Board Responsibility

The AFM board of directors is ultimately responsible for assessing the value provided to investors and production of the AoV. At least twenty five percent of the board are required to be Independent Non-Executive Directors (INEDs). INEDs play a critical role in the design and methodology for assessing each area of the following assessment.

### 5. Publication of Document

Once the assessment has been completed and the content and any actions have been agreed, the report is published on the AFM website. AoVs are aligned with the accounting year-end date of the fund, with publication no more than four months after the year-end. The year-end accounting date for each fund is specified in its prospectus.



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## How we assess each Pillar

### 1. Performance

The investment objective of each fund is stated in its Prospectus and Key Investor Information Document (KIID). These documents describe the objective of the fund and the investment policy that will be used to achieve the objectives.

Most funds will have one or more benchmark for performance comparison purposes which will be stated in the Prospectus. There are three types of benchmarks which can be used:

- A target - an index or similar factor that is part of the objective, usually creating a reference that the fund is targeted to match or exceed.
- A constraint - an index or similar factor that limits or constrains the portfolio, usually by limiting the allocation of the investment strategy.
- A comparator - an index or similar factor which provides a useful reference for investors to compare a fund's performance against.

The AFM assesses funds against their stated objective, any constraints, and the objective time-period. Where a fund has a target benchmark, the AFM assesses the performance of the fund against its target over rolling periods to assess the consistency of meeting its target.

For all funds, the AFM assesses the performance of each fund over 1 year, 3 years, 5 years, and the minimum recommended holdings period (RHP). Where the fund has not been in existence long enough to review one or more period, we take the highest number of full 12-month periods looking back from the date of assessment.

*Example: a fund launched on 01/11/2017 and has a RHP of 7 years and an assessment date of 01/01/2024. Performance will be reviewed over 1 year, 3 years, 5 years, and 6 years.*

Where the comparator is a peer-group average (such as an Investment Association sector), performance is assessed against the average and constituents making up the peer-group.

Performance is also assessed in the context of the risk taken to achieve the returns, and within the context of the flexibility afforded to the Investment Manager through the Prospectus limits. Quarterly Investment Risk Committee meetings evaluate the performance of all funds against expectations on a continuous basis. An assessment of the performance for each fund is included in the report.

The performance data collected for the assessment runs to the relevant month-end and may be different to the data shown in the annual report and accounts.

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## 2. Quality of Service

To assess whether we are delivering value for investors we have separated the main services provided to funds into three core areas: Fund Operations, Investment Management services, and Other Service Providers:

- The AFM operates most services to the funds and their investors internally, which includes fund pricing and accounting, maintaining the register of shareholders, and investor services. Each functional area produces a range of Management Information (MI) and Key Performance Indicators (KPIs) which are used to assess the quality of service over time. An assessment is made as to whether key aspects of fund operations have met or exceeded the expectations set, and what action has been taken if standards have fallen short. For example, the timeliness of prices and income rates being published, the time taken to process changes to the register of investors, and whether any complaints have been handled effectively.
- Investment Management services may be provided by the AFM directly, or they can be delegated to a third-party. The Prospectus will usually state the entity responsible for making investment decisions on behalf of the fund, although the AFM retains ultimate responsibility for the actions of any delegated Investment Manager. The AFM conducts initial and ongoing Due Diligence on all appointed Investment Managers to ensure that their governance, operations, and investment process are fit for purpose and likely to result in a good outcome for investors. In addition, the Investment Oversight team conduct independent reviews of the asset allocation, liquidity profile, and performance of Investment Managers which is overseen by the Investment Risk Committee.
- There are several services that the AFM is not permitted to undertake and must be fulfilled by other independent parties. These include Custody and Depositary services, the auditing of year-end accounts, and independent valuation of certain asset-types. The AFM is responsible for conducting initial and ongoing Due Diligence of service providers and assessing whether the costs incurred represent value for investors.

## 3. Authorised Fund Manager Costs

The AFM's Executive Committee and Board of Directors receive quarterly management accounts which includes a detailed breakdown of the costs incurred by the business, and revenue generated from its services for the funds it operates. The range of services provided to each fund and the costs incurred in providing them are reviewed against the fee charged. This is to ensure the costs remain appropriate to investors while allowing the operation of a stable business model which is well-capitalised, able to continue to operate during stressed market conditions, meet new regulatory requirements, and continue to invest in operational systems and processes.

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The largest cost to the AFM is typically salaries, and a summary of staff and senior management remuneration is available in the annual report and accounts on the literature section of the AFM website. A copy of the firm's remuneration policy can also be found on the AFM website. Adherence with the remuneration policy is overseen by a remuneration committee, comprised of Independent Non-Executive Directors.

## **4. Comparable Market Rates**

The Investment Association (IA) is a trade body that represents investment managers and asset management firms in the UK. The IA divides large numbers of funds into smaller groups to aid comparisons between funds in one or more sectors.

The Ongoing Charge Figure (OCF) represents all non-transactional costs incurred in a fund over a 12-month period expressed as a percentage. The OCF of the fund will be assessed against other funds within the same IA sector because this is representative of the full choice available to investors. It is recognised that certain characteristics of a fund are expected to result in a difference in expenses, and so a comparison may also be made against a narrower peer-group. For example, fund of funds (which incur an additional layer of expenses via the OCF of funds they purchase) are compared against other fund of funds. Actively managed funds are considered separately to passive funds, since passive funds seek to replicate an Index, they typically incur much lower costs than active funds, which require additional research.

Funds are compared to the primary share class of other funds in its peer-group. The primary share class represents the highest charging unbundled (free of any rebates or intermediary commission) share class freely available through third-party distributors in the retail market. The OCF of each share class available will be reviewed and assessed against the potential value delivered to investors, and in different circumstances.

Transaction costs are incurred when buying and selling assets (such as shares, bonds, or collective investment schemes) within the fund. The transaction costs incurred within the fund are also compared to the peer-group.

## **5. Economies of Scale**

The AFM may generate scales of economy at both the fund and group level. For example, the AFM will negotiate rates with service providers for providing services across the range of funds operated. These may include custody or Investment Management services provided to the fund, access to cheaper share classes, or fee rebates when investing into other funds, or through contract negotiations with other service providers. The assessment also considers how the fees collected by the AFM change as assets under management (AUM) varies over time, and whether economies of scale are being achieved for investors. Finally, we consider whether scales of economy are being supported by voluntary fee reductions and the impact this has on the value being delivered.

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## **6. Comparable Services**

The AFM has undertaken a review to identify any other products or services offered, which provide the same or a similar investment process, under a different pricing model. The investment process sets out how the fund will aim to meet the investment objective of the fund through any constraints set out in the policy, prospectus and relevant regulations. Other charges applied to each fund will be compared to the charges applied to other funds which have similar characteristics and receive a similar range of services.

## **7. Class of Units**

Where a direct investor holds a legacy (non-RDR\*) share class and does not have an adviser attached to their account, then they are converted to an equivalent clean share class where this is permitted. The AFM reviews the expected use-case of each available share class for each fund and the AFM will review whether share classes are being distributed as expected. This review includes identifying whether it's appropriate for different investors to pay different amounts for classes with substantially similar rights.

\*RDR is the Retail Distribution Review, following which new 'clean' share classes were created. Non-RDR classes normally have a higher AMC than their clean equivalent. The higher AMC was to allow for a commission to be paid to a third-party, typically for the provision of advice relating to that investment, whereas no commission is paid from a clean class.



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## What our scores mean

- 1 We believe that the fund is demonstrating value with respect to this pillar.
- 2 We believe that the fund is demonstrating some value with respect to this pillar, but there may be some elements where value is less clear which we have explained.
- 3 We believe that the fund is not demonstrating value with respect to this pillar overall, and we have detailed the action which has or will be taken.
- We believe there is insufficient information to fairly assess the value delivered at this point.

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## Executive Summary

### The Prima Fund – Year End 30/09/2024.

The Prima Fund range is comprised of three funds which offer different levels of risk. The funds can be used independently or combined to create an actively managed portfolio with a specific risk profile to meet investors' requirements.

The funds saw significant redemptions during the period and Asset Under Management (AUM) fell from £41.1mn at the beginning of the period to £9.6mn by the end of the period. In November 2024 we wrote to investors to explain that in recent years the Prima funds have experienced continued outflows and have become commercially unviable. The AFM have protected investors by subsidising the operational costs of the funds to ensure that investors' returns have not been negatively affected. During this period various options were considered to resolve the position, including closure of the Prima funds, merger into other similar funds, and working with third parties with the objective of increasing the assets under management to achieve a commercially viable position. These options have been considered with the interests of investors as the primary concern.

Atlantic House Investment Ltd were appointed as the Investment Adviser in December and will distribute the funds to their existing investor base. We believe these changes are advantageous to investors as it will underpin the long-term viability of the Prima funds, maintain the existing investment strategy and reduce the overall cost through both a direct annual management charge reduction and improved economies of scale.

## Summary of Findings

Fund Name	Performance	Quality of Service	AFM Costs - General	Economies of Scale	Comparable Market Rates	Comparable Services	Classes of Units
Prima Cautious	2	1	1	1	1	1	1
Prima Balanced	2	1	1	1	1	1	1
Prima Adventurous	2	1	1	1	1	1	1

## Update on previous actions.

There were no actions recorded in the previous assessment.

## Actions identified in current review.

There are no actions recommended for the funds.

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## Prima Cautious Fund

### Fund Details:

<b>Fund name</b>	Prima Cautious Fund
<b>Launch date</b>	17/02/2020
<b>Primary class</b>	Acc
<b>Investment Adviser</b>	Margetts Fund Management
<b>Investment Adviser start date</b>	17/02/2020
<b>Reporting date</b>	30/09/2024
<b>Full years of performance</b>	4
<b>Benchmark type</b>	Comparator
<b>Benchmark</b>	Mixed Investment 0-35% Shares
<b>Minimum RHP</b>	3 years
<b>Minimum allowable equity</b>	10%
<b>Maximum allowable equity</b>	35%
<b>Average one-year equity</b>	33%

### Fund Objective:

The objective of the Prima Cautious Fund is to provide capital growth and income over 3 years (investors should also consider this to be the minimum recommended holding period). The minimum period does not provide any guarantee that this objective will be achieved and investors should be aware that capital and the income distributed are at risk.

### Review of primary share-class against objectives:

	<b>1 Year</b>	<b>3 Year</b>	<b>4 Year*</b>
<b>Fund Performance (annualised)</b>	10.49%	0.90%	2.26%
<b>Fund Capital Growth (annualised)</b>	8.20%	-1.38%	0.22%
<b>Comparator Performance (annualised)</b>	10.68%	0.25%	1.59%
<b>Fund vs Comparator</b>	<b>-0.19%</b>	<b>0.65%</b>	<b>0.67%</b>
<b>Peer-group percentile ranking</b>	37.93%	64.81%	54.00%

### Our explanation of the value delivered:

The fund has partially met its objective, having delivered positive income return over 3 years, however it delivered negative capital growth over this period. Total return was positive. Over 3 years the majority of return has been through income, however over 1 and 4 years the majority of return has been delivered through capital growth. To contextualise the level of return provided, the fund uses an IA Sector as a comparator benchmark. The fund outperformed the majority of other funds within the sector over 3 and 4 years but lagged slightly over 1 year. The investment manager added value by utilising a high exposure to equity, but the underweight allocation to US

### What our scores mean



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equity detracted from performance. Overall, we believe the fund is demonstrating value on the performance pillar, but that it has not met the capital growth goal within the objective.

The fund has an OCF which is amongst the lowest 20% of fund of funds in the sector. The Assets Under Management (AUM) of the fund fell from £4.0mn to £1.5mn during the period, and the AFM have protected investors by subsidising the operational costs of the fund to ensure that investor returns have not been negatively affected. The economies of scale and comparable market rates are providing value, but only because of the financial commitment of the AFM.

As noted in the executive summary, Atlantic House were appointed as investment adviser after the period-end and have assumed responsibility for all investment decisions and are expected to provide scales of economy to secure the long-term viability of the funds.

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## Prima Balanced Fund

### Fund Details:

<b>Fund name</b>	Prima Balanced Fund
<b>Launch date</b>	17/02/2020
<b>Primary class</b>	Acc
<b>Investment Adviser</b>	Margetts Fund Management
<b>Investment Adviser start date</b>	17/02/2020
<b>Reporting date</b>	30/09/2024
<b>Full years of performance</b>	4
<b>Benchmark type</b>	Comparator
<b>Benchmark</b>	Mixed Investment 40-85% Shares
<b>Minimum RHP</b>	4 years
<b>Minimum allowable equity</b>	40%
<b>Maximum allowable equity</b>	85%
<b>Average one-year equity</b>	80%

### Fund Objective:

The objective of the Prima Balanced Fund is to provide capital growth and income over 4 years (investors should also consider this to be the minimum recommended holding period). The minimum period does not provide any guarantee that this objective will be achieved and investors should be aware that capital and the income distributed are at risk.

### Review of primary share-class against objectives:

	<b>1 Year</b>	<b>3 Year</b>	<b>4 Year*</b>
<b>Fund Performance (annualised)</b>	14.08%	1.32%	4.27%
<b>Fund Capital Growth (annualised)</b>	12.27%	-0.55%	2.61%
<b>Comparator Performance (annualised)</b>	13.84%	2.44%	5.85%
<b>Fund vs Comparator</b>	0.24%	-1.12%	-1.58%
<b>Peer-group percentile ranking</b>	48.06%	25.13%	20.00%

### Our explanation of the value delivered:

The fund has met its objective of delivering a total return over 4 years. To contextualise the level of return provided, the fund uses an IA Sector as a comparator benchmark. The fund underperformed the majority of funds within the sector over 3 and 4 years but has performed in line with the sector over 1 and 2 years. The investment manager added value by utilising a high exposure to equity, but the underweight allocation to US equity detracted from performance. We believe that the fund has delivered value in recent years, but that historic underperformance detracts from the overall value delivered. As noted in the executive summary, Atlantic House

### What our scores mean



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were appointed as investment adviser after the period-end and have assumed responsibility for all investment decisions.

The fund has an OCF which is amongst the lowest 30% of fund of funds in the sector. The Assets Under Management (AUM) of the fund fell from £33.0mn to £6.9mn during the period, and the AFM have protected investors by subsidising the operational costs of the fund to ensure that investor returns have not been negatively affected. The economies of scale and comparable market rates are providing value, but only because of the financial commitment of the AFM. The appointment of Atlantic House is expected to provide scales of economy to secure the long-term viability of the funds.

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## Prima Adventurous Fund

### Fund Details:

<b>Fund name</b>	Prima Adventurous Fund
<b>Launch date</b>	17/02/2020
<b>Primary class</b>	Acc
<b>Investment Adviser</b>	Margetts Fund Management
<b>Investment Adviser start date</b>	17/02/2020
<b>Reporting date</b>	30/09/2024
<b>Full years of performance</b>	4
<b>Benchmark type</b>	Comparator
<b>Benchmark</b>	Global
<b>Minimum RHP</b>	6 years
<b>Minimum allowable equity</b>	80%
<b>Maximum allowable equity</b>	100%
<b>Average one-year equity</b>	98%

### Fund Objective:

The objective of the Prima Adventurous Fund is to provide capital growth and income over 6 years (investors should also consider this to be the minimum recommended holding period). The minimum period does not provide any guarantee that this objective will be achieved and investors should be aware that capital and the income distributed are at risk.

### Review of primary share-class against objectives:

	<b>1 Year</b>	<b>3 Year</b>	<b>4 Year*</b>
<b>Fund Performance (annualised)</b>	16.46%	2.27%	6.73%
<b>Fund Capital Growth (annualised)</b>	14.58%	0.82%	5.52%
<b>Comparator Performance (annualised)</b>	16.42%	4.44%	8.82%
<b>Fund vs Comparator</b>	0.04%	-2.17%	-2.09%
<b>Peer-group percentile ranking</b>	48.63%	30.96%	30.17%

### Our explanation of the value delivered:

The fund has not yet reached its objective timeframe of 6 years, however it has delivered a total return over 4 years. To contextualise the level of return provided, the fund uses an IA Sector as a comparator benchmark. The fund has been in the third quartile over 3 and 4 years and is around

### What our scores mean



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the median in the most recent year. The investment manager added value by maintaining a high exposure to equity, but the underweight allocation to US equity detracted from performance.

The fund is unconstrained in its geographic allocations and offers a higher degree of regional diversification than the Global sector on average. It's noted that MSCI World Index is 72% US equity, and many funds in the sector use this as a reference point. The higher level of diversification provided by the investment manager may contribute to performance over the longer term, but in recent years has detracted as the US outpaced other markets. The investment manager has provided a clear rationale for the position, and short term performance has improved. As noted in the executive summary, Atlantic House were appointed as investment adviser after the period-end and have assumed responsibility for all investment decisions.

The fund has an OCF which is amongst the lowest 30% of fund of funds in the sector. The Assets Under Management (AUM) of the fund fell from £4.1mn to £1.2mn during the period, and the AFM have protected investors by subsidising the operational costs of the fund to ensure that investor returns have not been negatively affected. The economies of scale and comparable market rates are providing value, but only because of the financial commitment of the AFM. The appointment of Atlantic House is expected to provide scales of economy to secure the long-term viability of the funds.