

2020

Assessment of Value Report

FOR THE PERIOD 1 JANUARY 2019 – 31 DECEMBER 2019
DMS INVESTMENT MANAGEMENT SERVICES (UK) LIMITED
DMS KLEINWORT HAMBROS INCOME FUNDS UMBRELLA

Introduction

The FCA introduced new measures, as part of the FCA Asset Management Market Study, in April 2018 that set out the foundations for a comprehensive reporting process that aims to deliver effective competition in the market which includes lower prices for investors, better quality service and greater innovation.

The FCA require authorised fund managers (“**AFMs**”) to:

- assess the value for money of each fund,
- take corrective action if it does not offer good value for money, and
- explain the assessment annually in a public report.

In our role as the AFM or authorised corporate director (“**ACD**”), this policy aligns well to our independent function to provide quality service and look to the best interest of the investor at all times. This reporting process provides an opportunity to investors to best evaluate whether the fund is providing them with value for money and to make more informed decisions when choosing investment providers. This report equips investors with information that can be used as a valuable tool when making decisions and asking questions on how their investment is managed.

Each fund has been assessed in accordance with the seven assessment criteria set by the FCA:

- (i) Quality of Service
- (ii) Performance
- (iii) Authorised Fund Manager Costs – General
- (iv) Economies of Scale
- (v) Comparable Market Rate
- (vi) Comparable Services
- (vii) Classes of Units

The Performance of each fund has been evaluated over a five year period as the Board of DMS Investment Management Services (UK) Limited (“**DMS IMS UK**” / “**the ACD**”) has determined that this period provides sufficient timescale and track record to best illustrate the performance of each fund. Any fund with a shorter timescale will be assessed on a “from inception” to present basis.

If the fund has a declared benchmark, the fund will be assessed relative to that benchmark.

In conclusion, the Board are overall satisfied that the majority of the funds overseen by the ACD represent value for money for investors where economies of scale, service, performance, costs and assets under management are assessed. Those funds that should be reviewed have been noted in this report.

The Board of Directors,

DMS Investment Management Services (UK) Limited

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DMS KLEINWORT HAMBROS INCOME FUNDS UMBRELLA

COSTS AND PERFORMANCE SUMMARY

Fund	Launch Date	Annual Management Charge	Ongoing Charges Figure*	OCF Peer group median	Total net annualised return fund 5 yrs	Benchmark Total net annualised return fund 5 yrs
DMS Kleinwort Hambros Equity Income Fund	30/12/2005	1.50%	2.44%	0.93%	4.70%	6.24%
DMS Kleinwort Hambros Fixed Income Fund	28/03/2011	1.00%	0.96%	0.53%	2.17%	2.81%

*The Ongoing Charges Figure (OCF) – previously known as the total expense ratio (TER) – gives an indication of the cost of investing in the fund. The OCF is made up of the fund manager's fees for running the portfolio, along with other costs, such as administration, marketing and regulation.

QUALITY OF SERVICE

The funds of the DMS Kleinwort Hambros Income Funds Umbrella are managed in accordance with the criteria prescribed by the Financial Conduct Authority (“FCA”) and the Collective Investment Schemes sourcebook (“COLL” rules). The ACD completes monthly reviews of the investment manager and annual onsite reviews to maintain quality of service to the investor.

The ACD can provide access to global scale, resources and experience. The investors in the funds overseen by our UK business benefit from a world-class global infrastructure, well-resourced teams and a legacy of experience, at a price that represents significant value.

All investors are able to contact the ACD to the fund via telephone or post to query their investment.

Investors can obtain regular reporting via a request through the ACD. Such reporting sets out details of their investment including performance. In addition, investors are furnished with annual financial reports which details all costs borne by the funds.

PERFORMANCE

DMS Kleinwort Hambros Equity Income Fund

Objective:

The investment objective of the HC Kleinwort Hambros Equity Income Fund is to produce an above average and increasing income return coupled with growth of capital over the longer term through investment, with an equity focus, in a diversified portfolio of collective investment schemes. The manager may also choose to hold equities, cash, money market instruments and other instruments listed on a Recognised Investment Exchange (such as, but not limited to, warrants, convertible preference shares and structured products) as the investment manager may consider appropriate in achieving the overall objective of the fund.

Assessment:

Performance is measured over a range of timeframes, however in line with the Fund’s Key Investor Information Document, to properly assess the value and track record, we feel it is better assessed over a 5-year period. Aligning with this approach, the assessment has been based on the 5-year performance track record to the end of the reporting period.

Total net annualized return over 5 years*:

Fund	4.7%
EEA OE UK Equity Income Sector Average	6.24%

*past performance is not a guide to future performance

Source: Morningstar, performance data correct as at 31 December 2019.

DMS Kleinwort Hambros Fixed Income Fund

Objective:

The investment objective of the HC Kleinwort Hambros Fixed Income Fund is primarily to produce returns by way of income with the possibility of capital growth with low volatility through a diversified portfolio of predominantly bonds and Government securities. The investment manager may also choose to hold equities, collective investment schemes, cash, money market instruments and other instruments listed on a Recognised Investment Exchange (such as, but not limited to, warrants, convertible preference shares and structured products) as the investment manager may consider appropriate in achieving the overall objective of the fund. The fund may use derivatives for investment purposes as well as for efficient portfolio management.

Assessment:

Performance is measured over a range of timeframes, however in line with the Fund’s Key Investor Information Document, to properly assess the value and track record, we feel it is better assessed over a 5-year period. Aligning with this approach, the assessment has been based on the 5-year performance track record to the end of the reporting period.

Total net annualized return over 5 years*:

Fund	2.17%
50% BofAML 1-10 Sterling Corp Index, 50% BofAML 1-10 UK Gilt Index	2.81%

*past performance is not a guide to future performance

Source: Morningstar, performance data correct as at 31 December 2019.

AFM COSTS – GENERAL

There are several different costs which are charged to funds. These include:

- Annual management charge: this is the cost you pay to manage your investment. It is a variable cost and usually calculated as a percentage of the assets under management (“AUM”). From this the ACD fee (which is a fixed fee and will not change as performance improves/deteriorates) is taken with the remainder utilised to pay the investment manager and other costs as agreed.
- Other costs: the operational costs of running the fund and maintaining its investments

- Performance fees: A payment made to an investment manager for generating positive returns.

Below the costs for each representative fund is set out:

Fund	AMC	OCF	Performance Fee
DMS Kleinwort Hambros Equity Income Fund	1.50%	2.44%	0%
DMS Kleinwort Hambros Fixed Income Fund	1.00%	0.96%	0%

The funds listed above do not have entry or exit charges levied.

ECONOMIES OF SCALE

During the initial period of an investment fund’s life costs are typically higher owing to a low AUM. However, the benefit of investment funds is that they can spread fixed costs, such as the charges for safekeeping of assets and audit fees across all investors in a fund. Therefore, as an investment fund’s assets under management (“AUM”) grows considerably, the relative cost to operate the fund should reduce.

COMPARABLE MARKET RATE

DMS Kleinwort Hambros Equity Income Fund

The fees paid by an investor should be reasonable in comparison to the cost of the service they or their fund is receiving. However, we believe costs should not be considered in isolation. They should be considered alongside the fund’s performance and assets held within the portfolio. We have compared the latest available 2019 OCF of the fund against the Morningstar median OCF of the appropriate peer group.

Fund OCF 2.44%

EEA OE UK Equity Income 0.93%.

Fees are higher than the peer group median. The Investment manager and Board recognise the fees are a drag on performance. A full review of costs by the ACD and Investment Manager is currently underway.

DMS Kleinwort Hambros Fixed Income Fund

The fees paid by an investor should be reasonable in comparison to the cost of the service they or their fund is receiving. However, we believe costs should not be considered in isolation. They should be considered alongside the fund’s performance and assets held within the portfolio. We have compared the latest available 2019 OCF of the fund against the Morningstar median OCF of the appropriate peer group.

Fund OCF 0.96%

EEA OE moderately cautious 0.53%.

Fees are higher than the peer group median. The Investment manager and Board recognise the fees are a drag on performance. A full review of costs by the ACD and Investment Manager is currently underway.

COMPARABLE SERVICES

The ACD manages other funds which receive comparable services at comparable costs.

CLASSES OF UNITS

Investment funds can offer different share classes. Share classes usually have different investment minimums (the minimum amount you need to invest) and different costs (how much you pay annually for your investment).

The Board concluded that the above information is transparent to each investor per the Prospectus and that each investor would have determined the most suitable share class in which to invest.

CONCLUSION

The Board concluded the DMS Kleinwort Hambros Income Funds Umbrella offers overall value for investment.

The Board will continue to monitor each of the funds within the DMS Kleinwort Hambros Income Funds Umbrella to seek out enhanced performance. The ACD have engaged with the Investment Manager to assess the OCF of each fund and changes that could potentially be made.