

2020

Assessment of Value Report

FOR THE PERIOD 1 JANUARY 2019 – 31 DECEMBER 2019
DMS INVESTMENT MANAGEMENT SERVICES (UK) LIMITED
DMS SEQUEL INVESTMENT FUNDS ICVC II

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, 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) AFM 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 SEQUEL INVESTMENT FUNDS ICVC II

COSTS AND PERFORMANCE SUMMARY

Fund	Launch Date	AMC	OCF	OCF Peer group median	Total annualised return fund 5 yrs	Benchmark Total annualised return fund 5 yrs
DMS Sequel Cautious Income Strategy Fund	18/09/2006	0.50%	2.45%	1.19%	2.09%	2.96%
DMS Sequel Cautious Target Return Strategy Fund	07/10/2013	0.50%	1.64%	1.02%	3.25%	2.96%
DMS Sequel Balanced Target Return Strategy Fund	07/10/2013	0.50%	1.71%	1.02%	4.14%	4.48%
DMS Sequel Global Target Income Strategy Fund	18/09/2006	0.50%	2.07%	1.26%	4.61%	5.99%
DMS Sequel Growth Target Return Strategy Fund	07/10/2013	0.50%	1.86%	1.17	5.77%	5.99%

QUALITY OF SERVICE

The funds of the DMS SEQUEL INVESTMENT FUNDS ICVC II are managed in accordance with the criteria prescribed by the FCA and 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 Sequel Cautious Income Strategy Fund

Objective:

The investment objective of the Fund is to achieve relatively stable returns over the medium term, with the potential for some long-term capital growth over the full investment cycle (not being less than 5 years) of 2% in excess of the return that could be expected from long term cash deposits.

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 annualized return over 5 years:

Fund	2.09%
Bank of England Fixed Rate Bond Dep GBP +2%	2.96%

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

DMS Sequel Cautious Target Return Strategy Fund

Objective:

The investment objective of the Fund is to achieve relatively stable returns over the medium term, with the potential for some long-term capital growth over the full investment cycle (not being less than 5 years) of 2% in excess of the return that could be expected from long term cash deposits.

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 annualized return over 5 years:

Fund	3.25%
Bank of England Fixed Rate Bond Dep GBP +2%	2.96%

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

DMS Sequel Balanced Target Return Strategy Fund

Objective:

The investment objective of the Fund is to provide a balance of income and capital growth over the medium to long term and aims to achieve a return over the full investment cycle (not being less than 5 years) of 3.5% in excess of the return that could be expected from long term cash deposits.

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 annualized return over 5 years:

Fund	4.14%
Bank of England Fixed Rate Bond Dep GBP +3.5%	4.48%

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

DMS Sequel Global Target Income Strategy Fund

Objective:

The investment objective of the Fund is to provide a stable income (of 4% per annum) and capital growth over the medium term, and it aims to achieve a return over the full investment cycle (not being less than 5 years) of 5% over the return that could be expected from long term cash deposits. Capital in the Fund is at risk and there is no guarantee that the investment objective will be achieved over this or any other time period.

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 annualized return over 5 years:

Fund	4.61%
Bank of England Fixed Rate Bond Dep GBP +5%	5.99%

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

DMS Sequel Growth Target Return Strategy Fund

Objective:

The investment objective of the Fund is to provide long term capital growth and aims to achieve a return over the full investment cycle (not being less than 5 years) of 5% over the return that could be expected from long term cash deposits.

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 annualized return over 5 years:

Fund	5.77%
Bank of England Fixed Rate Bond Dep GBP +5%	5.99%

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 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

Below the costs for each representative fund is assessed and a determination is made on whether such costs are reasonable for the level of service provided.

Fund	AMC	OCF
DMS Sequel Cautious Income Strategy Fund	0.50%	2.45%
DMS Sequel Cautious Target Return Strategy Fund	0.50%	1.64%
DMS Sequel Balanced Target Return Strategy Fund	0.50%	1.71%
DMS Sequel Global Target Income Strategy Fund	0.50%	2.07%
DMS Sequel Growth Target Return Strategy Fund	0.50%	1.86%

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

The Board in its assessment has determined the costs paid by the fund are reasonable and justified in the context of the overall value delivered to investors.

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 Sequel Cautious Income Strategy 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. For the fund we have compared the latest available 2019 OCF with the Morningstar median cost of the appropriate peer group.

Fund OCF 2.07%

EEA OE adventurous 1.26%.

Fees are higher than the peer group median. The Investment manager and Board recognise the fees are a drag on performance. The viability of this fund is under review given its size with all options being currently considered.

DMS Sequel Cautious Target Return Strategy 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 1.64%

EEA OE moderately cautious 1.02%.

DMS Sequel Balanced Target Return Strategy 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 1.71%

EEA OE moderate allocation 1.19%.

DMS Sequel Global Target Income Strategy 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. For the fund we have compared the latest available 2019 OCF with the Morningstar median cost of the appropriate peer group.

Fund OCF 2.07%

EEA OE adventurous allocation 1.26%.

Fees are higher than the peer group median. The Investment manager and Board recognise the fees are a drag on performance. The viability of this fund is under review given its size with the all options being currently considered.

DMS Sequel Growth Target Return Strategy 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. For the fund we have compared the latest available 2019 OCF with the Morningstar median cost of the appropriate peer group.

Fund OCF 1.86%

EEA OE moderately adventurous allocation 1.17%.

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 SEQUEL INVESTMENT FUNDS ICVC II umbrella offers overall value for investment.

The Board will continue to monitor each of the funds within the DMS SEQUEL INVESTMENT FUNDS ICVC II umbrella to oversee performance and challenge cost. The Board has noted specifically that the two Income Funds have experienced low AUM growth impacting the OCF against peers and is currently working with the Sponsor on the options available.