

2020

# Assessment of Value Report

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

## 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 INVESTMENT FUNDS ICVC III (STIRLING)

### 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 Stirling House Balanced Fund	18/02/2013	0.70%	1.50%	1.02%	5.57%	N/A
DMS Stirling House Dynamic Fund	18/02/2013	0.70%	1.60%	1.17%	8.22%	N/A
DMS Stirling House Growth Fund	18/02/2013	0.70%	1.48%	1.19%	6.54%	N/A
DMS Stirling House Monthly Income Fund	18/02/2013	0.70%	1.56%	0.84%	2.97%	N/A

\*As at 31 December 2019

### QUALITY OF SERVICE

The funds of the DMS INVESTMENT FUNDS ICVC III (STIRLING) 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 access regular reporting online or 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 Stirling House Balanced Fund

##### **Objective:**

To provide a balance of income and capital growth over the medium to long term.

##### **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. As at 31 December 2019, the funds' annualised total return has been 5.57%. For the avoidance of doubt, the fund does not have a target or comparator benchmark.

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

#### DMS Stirling House Dynamic Fund

##### **Objective:**

To achieve long term capital growth over the longer term.

**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. As at 31 December 2019, the funds' annualised total return has been 8.22%. For the avoidance of doubt, the fund does not have a target or comparator benchmark.

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

### **DMS Stirling House Growth Fund**

**Objective:**

To provide capital growth with income over the medium to long term.

**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. As at 31 December 2019, the funds' annualised total return has been 6.54%. For the avoidance of doubt, the fund does not have a target or comparator benchmark.

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

### **DMS Stirling House Monthly Income Fund**

**Objective:**

To preserve capital and achieve an income return, over the medium term, that is in excess of short-term money market interest rates.

**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. As at 31 December 2019, the funds' annualised total return has been 2.97%. For the avoidance of doubt, the fund does not have a target or comparator benchmark.

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 other identified 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:

<b>Fund</b>	<b>AMC</b>	<b>OCF</b>	<b>Performance Fee</b>
DMS Stirling House Balanced Fund	0.70%	1.50%	0%
DMS Stirling House Dynamic Fund	0.70%	1.60%	0%
DMS Stirling House Growth Fund	0.70%	1.48%	0%
DMS Stirling House Monthly Income Fund	0.70%	1.56%	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 Stirling House Balanced 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 1.50%

EEA OE GBP moderately cautious allocation 1.02%.

Fees are higher than the peer group median. The Investment manager and Board recognise the fees are a drag on performance and with the downward pressure from the market generally will need to continue to monitor the development of the OCF and engage with the sponsor to look at ways to address this to keep competitive.

#### **DMS Stirling House Dynamic 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 1.60%

EEA OE GBP moderately adventurous allocation 1.17%.

Fees are higher than the peer group median. The Investment manager and Board recognise the fees are a drag on performance and with the downward pressure from the market generally will need to

continue to monitor the development of the OCF and engage with the sponsor to look at ways to address this to keep competitive.

### **DMS Stirling House Growth 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 1.48%

EEA OE GBP cautious allocation 1.19%.

Fees are higher than the peer group median. The Investment manager and Board recognise the fees are a drag on performance and with the downward pressure from the market generally will need to continue to monitor the development of the OCF and engage with the sponsor to look at ways to address this to keep competitive.

### **DMS Stirling House Monthly 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 1.56%

EEA OE GBP cautious allocation 0.84%.

Fees are higher than the peer group median. The Investment manager and Board recognise the fees are a drag on performance and with the downward pressure from the market generally will need to continue to monitor the development of the OCF and engage with the sponsor to look at ways to address this to keep competitive.

## **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 INVESTMENT FUNDS ICVC III (STIRLING) offers overall value for investment.

The Board will continue to monitor each of the funds within the DMS INVESTMENT FUNDS ICVC III (STIRLING) umbrella and oversee performance. It is recognised that fees can be a drag on performance and the ACD will discuss with the Sponsor the plans for increasing the AUM such that investors benefit from the economies of scale.