



Assessment of Value Report 2022

Waystone Management (UK) Limited ("WMUK")

WS KLEINWORT HAMBROS EQUITY INCOME FUND



Message from the Chairperson

Dear Investor,

Welcome to our 2022 Assessment of Value report, which assesses the WS Kleinwort Hambros Equity Income Fund for the year to 31 December 2022. I would like to take this opportunity of thanking you for taking the time to read this report and find the content useful and informative.

As independent Chairperson, I lead the WMUK Board whose role is to provide effective oversight of the funds managed by WMUK in which you invest, to ensure that the interests of our fund investors are always at the forefront.

We continuously review the value our funds deliver to our clients throughout the year, and this annual report enables us to provide you with our assessment that the funds in which you are investing are delivering value on a consistent basis. Where issues have been identified, your Board is engaged with the WMUK management team to rectify them and seek improvements.

2022 saw an exceptionally volatile time for the worldwide financial markets caused by multiple factors. These included the conflict in Ukraine, high levels of inflation and the rising interest rates, creating challenges for our Investment Managers. This has impacted performance in the short term and while we measure investment performance over the longer term, this has made this year's review rather challenging.

Navigating these investment challenges we face today and seeking to provide consistent and competitive outcomes is paramount for the funds we manage, and your Board is monitoring this closely.

Tim Madigan
Chair of the Waystone Management (UK) Limited Board
28 April 2023

The Assessment of Value Report

As part of a move to strengthen fund governance, the regulator, the Financial Conduct Authority (“FCA”), requires asset managers to conduct an annual review of UK-domiciled funds to assess whether they provide good value to their underlying investors.

This Assessment of Value report is aimed at individuals who invest within the funds, or their financial advisers. It outlines each fund’s assessment and concludes on whether the Board believe that the fund has demonstrated good value. Where relevant, we also outline what measures we, as the Authorised Corporate Director (“ACD”), are putting in place where the Board believe the value provided does not meet our own high standards.

WMUK believe strongly that the Assessment of Value exercise should make it easier for investors to evaluate whether their investment fund is providing them with value, so they can make more informed decisions when choosing investment providers.

What is the Assessment of value?

This report is a transparent and accessible view of the assessment of performance, cost and service for the period ended 31st December 2022. The ACD, through its Board of Directors, has a responsibility to ensure that the Funds are managed appropriately and that these deliver value to you as a fund investor.

The assessment of whether each of our Funds (and underlying share classes) is providing value to investors has been evaluated using the seven criteria set out by the FCA. The way in which the Board has assessed these criteria is explained below.

The 7 criteria and how these have been assessed

In line with the regulations, we have carried out its assessments across the 7 criteria as below:

1. Quality of Service

This is a review of the range and quality of all services provided to the Funds and its investors.

This assessment considers the service provided by the Firm and its appointed delegates and suppliers, which will include:

- Investment Management Processes including Investment Committee Summary RAG status.
- Operational Services provided by appointed administration delegates.
- Complaints, breaches, errors, and incidents.
- Timely provision of Fund documentation
- Other service providers such as Fund custodians and auditors.
- The services provided by WMUK.

2. Performance

We have assessed the investment performance of the Fund (and different share classes) against both their stated investment objectives, as well as against any target or appropriate comparator benchmarks that are set out in its prospectus or available in the market.

We considered whether the Fund has performed as expected, given the market conditions and its investment philosophy, strategy, and implementation thereof. We have deemed it most appropriate to use a full five-year period for the assessment as we feel this is representative of a typical investment cycle and aligned to the period employed by the Key Investor Information Document (KIID). We have also assessed the fund on a 3 year and 1 year period.

Any fund launched more recently without a five-year track record, will be assessed on a “from inception” basis.

Where Funds have an income element as part of their Investment Objective, we have assessed the Fund's performance not just in terms of net Total Return but also taken into consideration the income generated by comparing the yield of the Fund against an appropriate peer group.

3. AFM (Authorised Fund Management) costs - general

This is a review of all fund costs including Annual Management Charge ("AMC") and other elements which make up the Ongoing Charges Figure ("OCF").

We have assessed the costs incurred by us, as ACD, for providing the services to the funds, relative to the fees charged to you for those services. To perform this exercise each Fund's OCF (the total cost associated with running a fund) has been broken down into the AMC and other individual elements of service providers to the Fund and any underlying fund costs. This breakdown of these costs has been analysed. Where the Board felt any of the figures look disproportionate to other equivalent funds, there was further validation performed. The breakdown of each cost and its impact on the OCF is separated out into share class level detail to provide further detail and analysis for each of the fund's share classes.

4. Economies of Scale

This is a review of the OCF over time compared to fund size. This assessment is based on the principle that when a fund size grows, its relative costs should reduce and, where savings have been made, whether those savings have been passed onto investors.

We have considered two aspects when looking at this criterion:

Firstly, as a fund grows, are we able to pass on economies of scale to our investors? We should be able to do this as fixed costs will fall in relative terms as the overall fund size increases.

Secondly, we can leverage better relationships and processes to bring efficiency and lower charges to the funds.

5. Comparable Market Rates

This relates to the charges in relation to funds managed by other firms. We assessed whether the charges investors pay are in line or favourable when compared to similar funds available in the market. In all instances, we measured our costs against costs charged by the fund's Investment Association sector peer group median, where appropriate. These categories are independently classified based on fund strategies and objectives.

6. Comparable Services

This criterion looks internally, where we consider charges for each fund against comparable services provided elsewhere across the range of products that we offer and how reasonable these are where offered to different client types, e.g., institutional mandates. These should be comparable in terms of strategy, investment remit and investor outcome.

7. Classes of Units

This criterion looks to identify any investors holding shares in classes of a Fund which are subject to higher charges than those applying to other classes available for the same Fund with substantially similar rights.

Overall Assessment

After reviewing the seven key criteria, the Firm has considered its overall RAG rating based upon primarily on all of the criteria and whether we are of the opinion that the Fund is delivering overall value to its investors.

Our overall RAG rating is as follows:

RAG	Description
●	Delivering consistent overall value
●	While a fund is delivering satisfactory value, improvements/enhancements are under way or recently implemented
●	Not delivering consistent value

Disclaimer / Important Information

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Source for performance data: Morningstar. All performance figures show total returns with dividends and or income reinvested, net of charges. The value of these investments and the income from them can go down as well as up and you may not get back the amount invested

Source for charges data: Waystone Management (UK) Limited. All data is correct as of 31 December 2022 unless otherwise stated.

Summary of Results

Fund	Quality of Service	Performance	AFM Costs – General	Economies of Scale	Comparable Market Rates	Comparable Services	Classes of Units	Overall
WS Kleinwort Hambros Equity Income Fund	●	●	●	●	●	N/A	●	●

Identified Actions

We have identified that the WS Kleinwort Hambros Equity Income Fund's performance has been impacted by the high OCF of the Fund resulting from the decline in assets under management (AUM) over recent periods. We are undertaking a review on whether AUM could be increased through wider distribution opportunities or whether the Fund remains viable.

Conclusion

The Board has taken into consideration all the criteria and considers that this Fund is not currently delivering consistent value to the investors. We are in active dialogue with the Investment Manager with regard to potential remedial action and will continue to closely monitor this fund.

WS Kleinwort Hambros Equity Income Fund

1. Quality of Service ●

We have concluded, based on the analysis of Quality of Service, that the Fund is providing a good level of service to investors.

2. Performance ●

Objective: The investment objective of the Kleinwort Hambros Equity Income Fund is to produce an above average and increasing income return coupled with growth of capital over the longer term.

Performance %	1 Year	3 Years	5 Years
WS Kleinwort Hambros Equity Income	-2.93	-0.96	0.14
Benchmark	-2.18	1.02	2.07
Peer Group Comparator	-1.66	0.91	1.76

The Fund has an absolute objective with a comparator benchmark and has had a challenging 2022 with respect to performance. The Fund has delivered income to its investors over all periods, therefore has delivered on this part of its objective. However, against its benchmark and verses the peer group it has underperformed across all periods. The Fund has experienced a decline in its AUM because of investors withdrawing over recent years. Total return performance has consequently been impacted by this lower AUM and the resulting relative rising cost of the Fund has limited the Investment Manager's ability to execute on the strategy. We have therefore rated this Fund as red, and we are undertaking a review on whether AUM could be increased through wider distribution opportunities or whether the Fund remains viable.

3. AFM Costs – General ●

Having broken down the costs and charges associated with the Fund, we have concluded that the cost and charges in the Fund are reasonable and appropriate.

4. Economies of Scale ●

The review carried out for the Fund did not identify any additional economies of scale that the Fund is not already benefitting from.

5. Comparable Market Rates ●

Compared to its peer group, the Fund's OCF is significantly higher. The AMC for this Fund does however include an additional fee representing a discretionary managed service as this Fund is only marketed to in-house clients who receive this.

We have therefore rated this Fund as red and in line with the impact the OCF has had on performance, we are undertaking a review of the Fund viability.

	OCF (%)
WS Kleinwort Hambros Equity Income	2.55
IA UK Equity Income	0.85

6. Comparable Services N/A

Given this Fund is specifically targeted to Kleinwort Hambros in-house clients, we have concluded that there are no comparable funds where a fair comparison of the service provided can be made.

7. Classes of Units ●

The Fund only offers Income and Accumulation variants of one class of share for which the same charges are applied. We have therefore not identified any investors who should be in an alternative class.