



Assessment of Value Report 2022

Waystone Management (UK) Limited ("WMUK")
WS Sequel Investment Funds ICVC II



Message from the Chairperson

Dear Investor,

Welcome to our 2022 Assessment of Value report, which assesses the WS Sequel Investment Funds ICVC II range 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 at the forefront at all times.

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 are 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 Manager) 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 favorable 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 Sequel Cautious Target Return Strategy	●	●	●	●	●	●	●	●
WS Sequel Balanced Target Return Strategy	●	●	●	●	●	●	●	●
WS Sequel Growth Target Return Strategy	●	●	●	●	●	●	●	●
WS Sequel Cautious Income Strategy	●	●	●	●	●	●	●	●
WS Sequel Global Target Income Strategy	●	●	●	●	●	●	●	●

Identified Actions

We had identified that the WS Sequel Cautious Income Strategy and the WS Sequel Global Target Income Strategy are not delivering value to investors both in terms of performance and costs. Both funds have very small total assets under management (AUM) and this is impacting both criteria. We undertook a review on how we can best increase the AUM to assist better outcomes for investors. This review identified both Funds would benefit with a change in strategy which we believe would open up distribution opportunities with Discretionary Fund Managers. This process has begun and has achieved FCA approval, we now are now seeking investor approvals via an EGM process and if the vote is successful, we will look to implement the changes in May 2023.

Conclusion

The Board has taken into consideration all the criteria and considers that the WS Sequel Cautious Target Return Strategy Fund, WS Sequel Balanced Target Return Strategy Fund and WS Sequel Growth Target Return Strategy Fund are delivering consistent value to its investors.

As noted above, the WS Sequel Cautious Income Strategy Fund and the WS Sequel Global Target Income Strategy Fund have been identified as not providing value. We have agreed a series of actions and will continue to closely monitor progress.

WS Sequel Cautious Target Return Strategy 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. However, we have experienced one upheld complaint during the year, which has caused us to be outside our tolerance and, therefore, an amber rating has been applied overall to ensure that this area of service is monitored going forward.

2. Performance ●

Objective: The investment objective of the Fund is to achieve total returns (a combination of income and capital growth, net of charges) over any 5-year rolling cycle of 2% in excess of the return that could be expected from long term cash deposits, represented by the Bank of England 1 Year Fixed Rate Bond IUMWTFA.

Performance %	1 Year	3 Years	5 Years
WS Sequel Cautious Target Return	-5.40	2.76	1.84
Target Benchmark	3.63	2.83	2.88
Sector Comparator	-9.66	-0.01	1.13

The Fund is a target fund and has had a challenging 2022 with respect to performance. The Fund's target benchmark is cash plus based and considering the substantial hike in interest rates that took place in 2022, the above results are not entirely unexpected.

Despite the Fund not meeting its 5 year rolling objective with respect to capital growth when compared to the target benchmark, it has however performed favourably against similar funds in its sector across all periods, we have concluded the Fund should remain green.

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 an average of the Fund's closest peers, the Fund's OCF is similar.

	OCF %
WS Sequel Cautious Target Return	2.12
Bespoke Peer Group Comparator	1.79

6. Comparable Services ●

We have concluded that, compared to similar funds based on size and complexity and investment objective, the costs of services provided are aligned.

7. Classes of Units ●

The Fund offers more than one share class with different charges, containing different entry criteria. We have assessed the classes and have not identified any investors who are within an incorrect class.

WS Sequel Balanced Target Return Strategy

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 Fund is to provide a balance of income and capital growth (net of fees) over any 5-year rolling cycle of 3.5% per annum in excess of the return that could be expected from long term cash deposits, represented by the Bank of England 1 Year Fixed Rate Bond IUMWTFA.

Performance %	1 Year	3 Years	5 Years
WS Sequel Balanced Target Return	-6.54	2.98	2.22
Target Benchmark	5.15	4.35	4.39
Sector Comparator	-10.03	1.79	2.75

The Fund is a target fund and has had a challenging 2022 with respect to performance. The Fund's target benchmark is cash plus based and considering the substantial hike in interest rates that took place in 2022, the above results are not entirely unexpected.

Despite the Fund not meeting its 5 year rolling objective with respect to capital growth when compared to the target benchmark, it has however performed favourably against similar funds in its sector in the short and medium term. In the long term it is underperforming both its target benchmark and sector and we have therefore concluded it should be scored amber.

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 an average of the Fund's closest peers, the Fund's OCF is similar.

	OCF (%)
WS Sequel Balanced Target	2.19
Bespoke Peer Group Comparator	1.79

6. Comparable Services ●

We have concluded that, compared to similar funds based on size and complexity and investment objective, the costs of services provided are aligned.

7. Classes of Units ●

The Fund offers more than one share class with different charges, containing different entry criteria. We have assessed the classes and have not identified any investors who are within an incorrect class.

WS Sequel Growth Target Return Strategy

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 Fund is to provide capital growth (net of fees) over any 5-year rolling cycle of 5% per annum over the return that could be expected from long term cash deposits, represented by the Bank of England 1 Year Fixed Rate Bond IUMWTFA.

Performance %	1 Year	3 Years	5 Years
WS Sequel Growth Target Return	-9.66	1.35	1.50
Target Benchmark	6.68	5.86	5.91
Sector Comparator	-9.98	2.38	2.90

The Fund is a target fund and has had a challenging 2022 with respect to performance. The Fund's target benchmark is cash plus based and considering the substantial hike in interest rates that took place in 2022, the above results are not entirely unexpected.

Despite the Fund not meeting its 5 year rolling objective with respect to capital growth when compared to the target benchmark, whilst it has however performed favourably against similar funds in its sector across 2022, it has lagged the sector over 3 and 5 years. We have therefore concluded the Fund should remain as amber.

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 an average of the Fund's closest peers, the Fund's OCF is higher. We will continue to monitor the OCF.

	OCF (%)
WS Sequel Growth Target Return	2.39
Bespoke Peer Group Comparator	1.79

6. Comparable Services ●

We have concluded that, compared to similar funds based on size and complexity and investment objective, the costs of services provided are aligned.

7. Classes of Units ●

The Fund offers more than one share class with different charges, containing different entry criteria. We have assessed the classes and have not identified any investors who are within an incorrect class.

WS Sequel Cautious Income Strategy

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 Fund is to provide income and the potential for some capital growth over any 5-year rolling cycle of 2% per annum total return (a combination of income and capital growth, net of charges), in excess of the return that could be expected from long term cash deposits, represented by the Bank of England 1 Year Fixed Rate Bond IUMWTF A.

Performance %	1 Year	3 Years	5 Years
WS Sequel Cautious Income	-5.53	2.07	0.41
Target Benchmark	3.63	2.83	2.88
Sector Comparator	-1.66	0.91	1.76

The Fund is a target fund and has an income and capital objective. It has been a challenging 2022, while the Fund has delivered income to its investors, the above shows that the Fund is behind its benchmark across all periods and behind its sector in 1 and 3 years. We have been monitoring the Fund over the past 2 years and Assets Under Management (“AUM”) has remained low, another factor which has contributed to the above poor performance. We have rated the fund Red and we therefore undertook a review which identified it would benefit with a change in strategy which would open up distribution opportunities with Discretionary Fund Managers and improve AUM.

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 an average of the Fund’s closest peers, the Fund’s OCF is significantly higher. Action is underway to change the strategy of the Fund from Income to Growth which we anticipate will address the lower AUM and reduce the OCF over time.

	OCF (%)
WS Sequel Cautious Income	2.26
Bespoke Peer Group Comparator	1.79

6. Comparable Services ●

We have concluded that, compared to similar funds based on size and complexity and investment objective, the costs of services provided are aligned.

7. Classes of Units ●

During 2022 action was completed and share classes were rationalised and the Fund now offers Income and Accumulation variants on two classes of share, Retail and Institutional, with different investment minima levels. During our review at the end of 2022, we have not identified any investors who should be in an alternative class.

WS Sequel Global Target Income Strategy

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 Fund is to provide a stable level of income of 4% per annum, with the potential of 1% capital growth over any 5-year rolling cycle to achieve a total return (a combination of income and capital growth, net of charges) of 5% per annum, over the return that could be expected from long term cash deposits, represented by the Bank of England 1 Year Fixed Rate Bond IUMWTFA.

Performance %	1 Year	3 Years	5 Years
WS Sequel Global Target Income	-11.39	-0.60	-0.87
Target Benchmark	6.68	5.86	5.91
Sector Comparator	-1.66	0.91	1.76

The Fund is a target fund and has an income and capital objective. It has been a challenging 2022, while the Fund has delivered income to its investors, the above shows that the Fund is behind its benchmark and sector across all periods. We have been monitoring the Fund over the past 2 years and Assets Under Management (“AUM”) has remained low, another factor to the above poor performance. We have rated the fund Red and we therefore undertook a review which identified it would benefit with a change in strategy which would open up distribution opportunities with Discretionary Fund Managers and improve AUM.

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 an average of the Fund’s closest peers, the Fund’s OCF is significantly higher. Action is underway to change the strategy of the Fund from Income to Growth which we anticipate will address the lower AUM and reduce the OCF over time.

	OCF (%)
WS Sequel Global Target Income	2.50
Bespoke Peer Group Comparator	1.79

6. Comparable Services ●

We have concluded that, compared to similar funds based on size and complexity and investment objective, the costs of services provided are aligned.

7. Classes of Units ●

During 2022 action was completed and share classes were rationalised and the Fund now offers Income and Accumulation variants on two classes of share, Retail and Institutional, with different investment minima levels. During our review at the end of 2022, we have not identified any investors who should be in an alternative class.