



Assessment of Value Report 2021

Waystone Management (UK) Limited
WS CHARTERIS UK UCITS ICVC



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 ACD Board believe the value provided does not meet our own high standards.

Waystone 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 2021. The ACD, through its Board of Directors, has a responsibility to ensure that your 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 introduced by the FCA. The way in which the Board has assessed these criteria is explained below.

The 7 criteria and how we have assessed them

We have chosen to group the criteria into three categories: Performance, Quality of Service and Costs (and charges).

1. 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 time period employed by the Key Investor Information Document (KIID).

Any fund launched more recently without a five-year track record, will be assessed on a “from inception” to 31st December 2021 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.

2. Quality of service

We have taken a holistic view when approaching this category by assessing the following:

- **Fund services:** These are operational activities that are core to the smooth running of our funds and include, for example, determining the daily price of the share classes of a fund and ensuring that investors receive their interest and dividend payments in a timely manner.
- **Engagement and Communications:** Here we have considered the quality of our investor servicing including, for example, how we address investor queries and resolve complaints, as well as the quality, breadth, and accuracy of the information we provide.
- **Governance:** It is important to ensure that funds are managed and operated in the best interests of investors. We have therefore considered whether an appropriate and effective control environment and robust risk framework are in place.

3. Costs (and charges)

The remaining criteria can be considered under the cost (and charges) umbrella and split out as follows:

- **AFM (Authorised Fund Manager) cost:** 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 (Ongoing Charges Figure – the total cost associated with running a fund) has been broken down into the Annual Management Charge (AMC), audit and tax fees, service fees (depository, custody, and other administration fees) and any underlying fund costs. This breakdown of these costs has been analysed. Where the Board felt any of the figures look disproportionate, there was further validation internally or by reviewing with the Sponsor (Owner).
- **Classes of shares:** The UK investment industry had a legacy of share classes with higher fees, largely relating to share classes that existed before the changes instigated by the Retail Distribution Review. Where a range of different share classes may be offered to investors, our assessment of this criteria has considered whether share classes within each fund are properly priced and whether investors are invested in the most appropriate share class that is available to them. We have also considered how we ensure ongoing suitability of pricing and will continue to monitor whether investors remain in the most appropriate share class. Finally, a review and discussion were held on the merits of continuing to offer each share class.
- **Comparable market rates:** This relates to the charges in relation to funds managed by other ACDs. 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. These categories are independently classified based on fund strategies and objectives.
- **Economies of scale:** 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.
- **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.

Summary Results

Fund	Performance	Quality of service	Costs	Overall Assessment of Value
WS Charteris Global Macro A Acc/Inc	Green	Green	Red	Green
WS Charteris Gold and Precious Metals A Acc/Inc	Green	Green	Amber	Green
WS Charteris Gold and Precious Metals B Acc/Inc	Green	Green	Red	Green
WS Charteris Gold and Precious Metals I Acc/Inc	Green	Green	Green	Green
WS Charteris Strategic Bond I Acc/Inc	Red	Green	Red	Red
WS Charteris Premium Income A Acc/Inc	Green	Green	Red	Green
WS Charteris Premium Income I Acc/Inc	Green	Green	Red	Green

Key

Green = delivering consistent overall value

Amber = while a fund is delivering satisfactory value, improvements/enhancements are under way or recently implemented

Red = not delivering consistent value

Identified Actions

- Where a fund offers more than one share class with different charges, we will continue to monitor and review these to ensure investors are converted to lower cost share classes where we identify this to be appropriate and, in the investors' best interests. This will involve a move from the A and B share classes (where these exist) into the I share class.
- The WS Charteris Strategic Bond Fund continues to experience low AUM growth which has an impact on the OCF and performance of the fund. The ACD is undertaking a review of the funds' objectives to ensure that these are clear to investors, and secondly a review into how the manager is executing the strategies. Any changes identified will be implemented following regulatory approvals and investor notifications where required.
- The ACD is currently reviewing the charging structure of the WS Charteris Strategic Bond Fund with the objective of addressing the disparities in OCF when compared to its peers.

Conclusion

The Board has taken into consideration all the criteria, and considers that the WS Charteris Premium Income Fund, the WS Charteris Gold and Precious Metal and the WS Charteris Global Macro Fund offer overall value to its investors.

The WS Charteris Strategic Bond Fund has been assessed as currently not delivering overall value to investors. While a yield is being achieved for investors, the costs associated with a continued lower AUM are having a negative impact on the overall performance of the Fund.

The ACD has identified actions as above with the aim that the overall assessment of this fund is improved.

Detailed Results

1. Performance

All Funds (except WS Charteris Strategic Bond Fund) with respect to performance, have met the objectives and have exceeded the quoted comparator benchmark over the 5-year period as below. Where yield is a part of the fund objective, we have also assessed whether the funds have met this objective. The WS Charteris Strategic Bond I Inc has delivered a yield to investors (1.9%), however, when compared to the peer group, the yield is 3rd quartile. The WS Charteris Premium Income A and I share classes have similarly delivered yield of 5.3% and 5.6% respectively, and both share classes are ranked 1st quartile.

We have also included IA Sector Benchmark returns for comparison purposes only.

Fund	5-year fund annualized returns (net)	Benchmark: Bank of England Fixed Rate Bond Dep GB (annualized) 5-year	Fund objective	Secondary (comparator) Benchmark annualized) 5-year - IA Sector average	IA Sector
WS Charteris Global Macro A Acc	6.50%	0.69%	Capital Growth over the longer term	12.07%	IA Global Sector
WS Charteris Gold and Precious Metals A Acc	7.36%*	0.68%*	Capital Growth over the longer term	6.93%*	IA Commodities and Natural Resources
WS Charteris Gold and Precious Metals B Acc	6.83%*	0.68%*	Capital Growth over the longer term	6.93%*	IA Commodities and Natural Resources
WS Charteris Gold and Precious Metals I Acc	3.28%	0.69%	Capital Growth over the longer term	7.06%	IA Commodities and Natural Resources
WS Charteris Strategic Bond I Inc	-1.89%*	0.68%*	Combination of income and capital growth	3.33%*	IA £ Strategic Bond
WS Charteris Premium Income A Inc	10.36%**	0.63%**	An income yield and to attempt to preserve capital	8.18%**	IA UK Equity Income
WS Charteris Premium Income I Inc	10.92%	0.63%	An income yield and to attempt to preserve capital	4.78%	IA UK Equity Income

Source: Morningstar as at end December 2021

*4 Year annualized performance due to later launch date

**3 Year annualized performance due to later launch date

2. Quality of Service

The Board have concluded that, taking all criteria into account, the level of service achieved meets investors' expectations based on the criteria set out above.

3. Costs (and charges)

- AFM cost:** Having split out the costs of running the fund as described in section 3 above, the Board has reviewed all costs and recognises that as can be seen in the summary table above, the funds are demonstrating a higher than peer group cost in both the AMC and total costs.
- Classes of Shares:** As can be seen within the table below, some of the Funds do offer different classes with different AMC charging structures.

The B share class carries an additional charge of 0.75% when compared to the I class because this route of investment is via an intermediary platform and allows for trail commission to an investor's adviser of 0.50% along with a rebate to the platform of 0.25%.

The A class on WS Charteris Premium Income Fund carries an additional charge of 0.50% when compared to the I class because this route of investment is for directly invested business via an investors adviser and therefore allows for trail commission to the adviser. The A class on WS Charteris Gold and Precious Metals Fund carries an additional charge of 0.25% when compared to the I class because this route of investment is for non-advised platform routes and therefore allows for a rebate to the platform of 0.25%.

We are asking all financial advisors, intermediaries, and providers, to reach out to clients who invest via the A or B classes to confirm whether the share class invested in is the most appropriate or whether a switch to the lower cost available share class is required.

We believe that the differences in charges between the share classes is reasonable based on factors as described above, we will however continue to monitor and review our share classes throughout the year and convert investors to lower cost share classes where we identify this to be appropriate and in investors best interests.
- Comparable Market Rates:** All the Fund's OCFs are above their respective peer group medians.

Share class	Share class OCF	IA sector median	Share Class AMC	AMC Peer Group Quartile 1 - higher AMC 4 - lower AMC
WS Charteris Global Macro A Inc/Acc	1.79%	0.88%	1.25%	1
WS Charteris Gold and Precious Metals A Inc/Acc	1.51%	1.23%	1.25%	2
WS Charteris Gold and Precious Metals B Inc/Acc	2.02%	1.23%	1.76%	1
WS Charteris Gold and Precious Metals I Inc/Acc	1.26%	1.23%	1.00%	2
WS Charteris Strategic Bond I Inc/Acc	1.90%	0.68%	0.80%	2
WS Charteris Premium Income A Inc/Acc	1.94%	0.85%	1.50%	1
WS Charteris Premium Income I Inc/Acc	1.44%	0.85%	1.00%	2

Note: The fund OCF is the latest published OCF available as at end December 2021.

- **Economies of Scale:** The Board have concluded that any cost savings which can and will be obtained from economies of scale have been passed on to investors. One example of this is through the production of KIIDs documentation internally which has reduced costs in this area and these cost savings have been passed on to the Funds.
- **Comparable Services:** As we do not offer any similar investment products or services within the ACD, the Board is not able to assess this criterion.

Disclaimer

Issued by Waystone Management (UK) Limited, which is authorised and regulated by the Financial Conduct Authority (FRN :429093). Waystone Management (UK) Limited does not offer investment advice and this document should not be interpreted as investment advice. 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 at 31 December 2021 unless otherwise stated.