



Assessment of Value Report 2021

Waystone Management (UK) Limited
DMS INVESTMENT FUNDS ICVC III (STIRLING)



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
DMS Stirling House Monthly Income Fund Inc/Acc	Green	Green	Amber	Green
DMS Stirling House Balanced Fund Inc/Acc	Green	Green	Green	Green
DMS Stirling House Growth Fund Inc/Acc	Green	Green	Green	Green
DMS Stirling House Dynamic Fund Inc/Acc	Green	Green	Amber	Green

Key

Green = delivering consistent overall value

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

Red = not delivering consistent value

Identified Actions

- The DMS Stirling House Monthly Income Fund size remains relatively small with Assets Under Management (“AUM”) of circa £3m. With no material inflows over the period under review, costs of a fixed fee nature have a higher impact on this fund versus the others. This has been recognised by the Fund Sponsor who will be subsidising the fixed costs going forward.

Conclusion

The Board has assessed all the above Funds, taking into consideration all the criteria, and considers that overall, they offer value to its investors.

The Board noted that while both the DMS Stirling House Monthly Income Fund and DMS Stirling House Dynamic Fund exhibit slightly higher costs than their sector peer group averages, they do both demonstrate an above peer group performance and overall return to investors over the 5-year period. Therefore, the Board is satisfied these two funds provide overall value to their investors.

Detailed Results

1. Performance

All funds have been assessed to have met their performance targets in terms of capital or income objectives (where stated).

Fund	5-year fund annualized returns (net)	Benchmark (annualized)	Yield 12m%	Quartile Rank	Fund objective
DMS Stirling House Monthly Income Fund Inc/Acc	2.79%	0.69%	2.56%	1	To preserve capital and achieve an income return, over the medium term, that is in excess of short-term money market interest rates.
DMS Stirling House Balanced Fund Inc/Acc	5.52%	5.53%	0.21%	4	To provide a balance of income and capital growth
DMS Stirling House Growth Fund Inc/Acc	7.23%	6.55%	0.19%	4	To provide capital growth with some income
DMS Stirling House Dynamic Fund Acc	9.15%	7.07%	n/a	n/a	To achieve long term capital growth

Source: Morningstar as at end December 2021 *Quartile ranking based on peer group yield

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 3.1 above, the Board have reviewed all costs and assessed that they are reasonable and appropriately managed.
- **Classes of Shares:** An appropriate structure is in place with each of the funds having one class only with a retail income and accumulation option which have identical fee structures.
- **Comparable Market Rates:** While all funds demonstrate an above peer group cost analysis, the DMS Stirling Monthly Income Fund is impacted greater due to its smaller fund size.

Share class	Share class OCF	IA sector median	Share Class AMC	AMC Peer Group Quartile 1 - higher AMC 4 - lower AMC
DMS Stirling Monthly Income Retail Inc/Acc	1.44%	1.02%	0.20%	2
DMS Stirling Balanced Retail Inc/Acc	1.35%	1.13%	0.70%	3
DMS Stirling Growth Retail Inc/Acc	1.33%	1.14%	0.70%	3
DMS Stirling Dynamic Retail Acc/Acc	1.40%	1.10%	0.70%	3

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.