



Approach to Assessment of Value Reporting

Waystone Management (UK) Limited



Regulatory background

As part of a move to strengthen fund governance, the UK Financial Conduct Authority (“FCA”), has required asset managers to conduct an annual review of UK-domiciled funds to assess whether they provide fair value to their underlying investors. Waystone is now into the second year of reporting for the funds for which it acts as Authorised Corporate Director (“ACD”).

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 believes that the fund has demonstrated good value. Where relevant, we also outline the measures that we, as the ACD, are putting in place in the event that the ACD Board believe the value provided does not meet our own high standards.

Waystone believes the assessment of value exercise should make it easier for investors to evaluate whether or not their investment manager is providing them with value, in order that they can make more informed decisions when choosing investment providers.

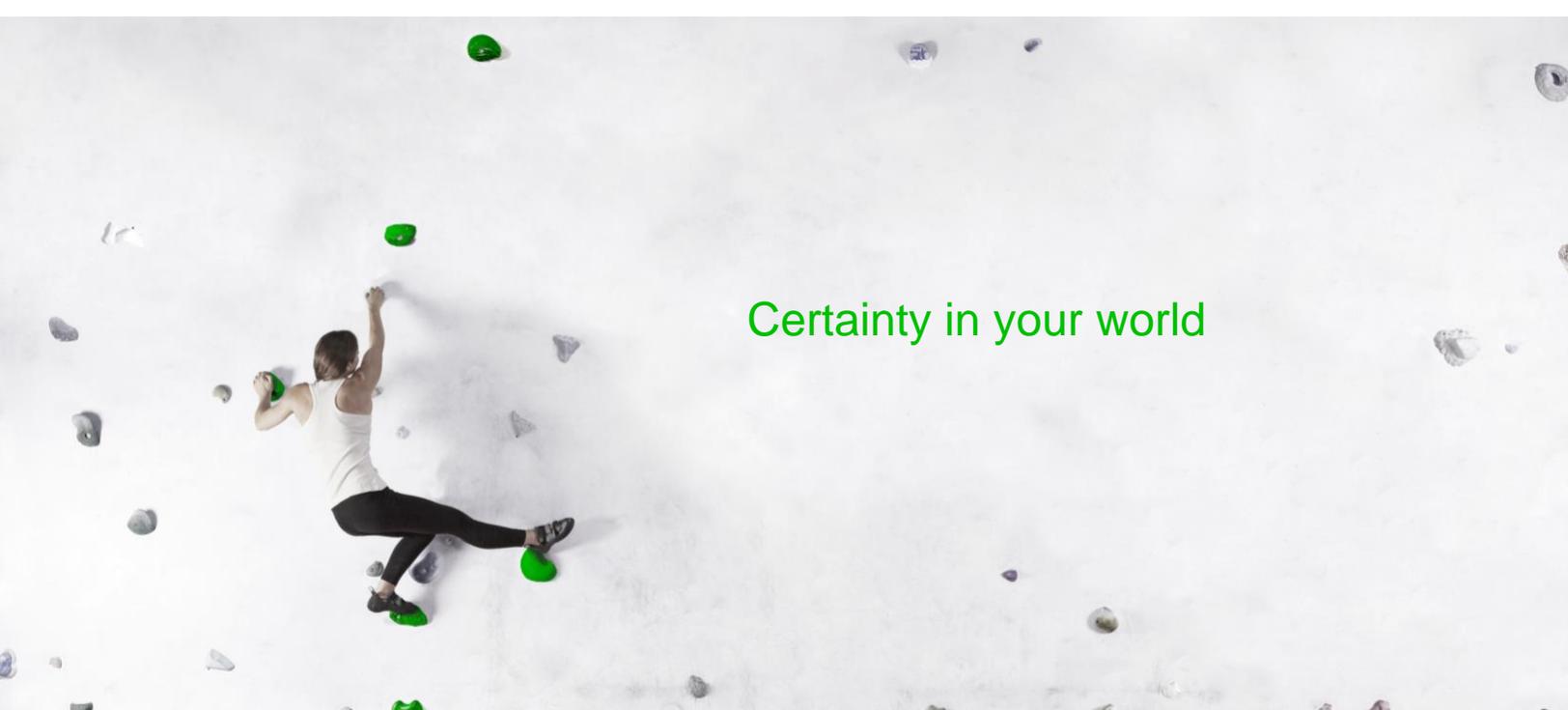
The Assessment of Value

Our intention is that this report is a transparent and accessible view to the assessment of performance, cost and service on an annual basis. The ACD, through its Board of Directors, has a responsibility to ensure that its clients’ funds are managed appropriately and that they deliver value to the fund investors.

As part of the assessment, we feel it is important to understand the type of fund being analysed, where it fits into the marketplace and what role the fund provides to the end investor.

At every stage of the process, the ACD Board has been actively engaged in the decision-making process.

The assessment of whether or not each of our funds 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.

A photograph of a person climbing a rock wall. The person is wearing a white tank top and black leggings. They are using several bright green handholds to ascend. The background is a light-colored, textured wall with various grey and white rock formations. The text "Certainty in your world" is overlaid in green on the right side of the image.

Certainty in your world

The seven criteria and the Waystone assessment

At Waystone, we have chosen to group the seven stated criteria into three categories, namely Performance, Quality of Service and Costs (and charges).

1. Performance

We assess the investment performance of our clients' funds against both their stated investment objective, as well as against any target or comparator benchmarks that are set out in its prospectus.

We consider whether the fund has performed as expected, given the market conditions and its investment philosophy, strategy and implementation. 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, is assessed on a "from inception" to present basis.

The colour coding used within the report to assess performance is based on a defined methodology signed off by the Board.

2. Quality of service

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

- **Fund services:** the operational activities that are core to the smooth running of our funds and include, 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:** we consider the quality of our investor servicing including, 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 therefore consider 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:

3.1. AFM cost

We assess the costs incurred by Waystone (in our role as ACD) for providing the services to the funds, relative to the fees charged to our clients for those services. To perform this exercise, each fund's Ongoing Charge Figure ("OCF") (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. The break-down of these costs is then analysed.

Where the ACD Board feels any of the figures look disproportionate, there is further validation conducted internally or by reviewing with the Fund Sponsor.

3.2. Classes of shares

The UK investment industry has 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 correctly priced and whether investors are invested in the most appropriate share class that is available to them.

We also consider how we ensure ongoing suitability of pricing. We will continue to monitor whether or not investors remain in the most appropriate share class. Finally, a review and discussions are held between the ACD Board and the Fund Sponsor on the merits of continuing to offer each share class.

3.3. Comparable market rates

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

3.4. Economies of scale

We consider two aspects when looking at these criteria:

1. The feasibility of passing on economies of scale to investors when the fund grows. We should be able to do this as fixed costs will fall in relative terms as the overall fund size increases.
2. We can leverage better relationships and processes through our scale as an ACD to bring efficiencies and lower charges to the funds.

3.5. Comparable services

This criterion looks internally within the Waystone Group as we consider charges for each fund against comparable services provided elsewhere across the range of products that we offer. These should be comparable in terms of strategy, investment remit and investor outcome.

Future developments

At Waystone, we see the Assessment of Value as an iterative process. We will continue to review our reports against industry peers and incorporate best practices as appropriate. Our team of professionals are engaged with the Investment Association and other industry bodies to ensure that they keep up to date with industry developments.

Please reach out to your usual Waystone representative or contact us below

[Contact us](#)