

# VALUE ASSESSMENT REPORT

February 2022



'Our Ability is Your Stability'

# Contents

---



Introduction .....	3
Summary and Conclusion.....	4
Quality of Service .....	5
Performance .....	7
Fund Manager Costs .....	11
Economies of Scale .....	12
Comparable Areas .....	13
Classes of Units .....	14

***Risk Warning: Past performance is not necessarily a guide to the future. The value of investments and the income from them may go down as well as up.***

# Introduction

---



The main focus within Slater Investments Limited (Slater Investments) is stock selection based on our investment process, something we never lose sight of as we are stewards of investors' savings. This forms the foundation of our investment track record. In our capacity as investment managers and operators of our Funds, we constantly consider how we can provide better outcomes for our investors.

To improve and strengthen fund governance, the FCA requires asset managers to conduct an annual review of its UK domiciled funds to evaluate the value provided to investors.

This Value Assessment Report covers the following Authorised Collective Investment Schemes:

- Slater Growth Fund (Authorised Unit Trust (AUT));
- Slater Recovery Fund (AUT);
- Slater Income Fund (Open Ended Investment Company (OEIC));
- Slater Artorius Fund (OEIC).

Slater Investments acts as Authorised Fund Manager (AFM) and as Authorised Corporate Director (ACD) for the funds. It delegates the following services to JTC Fund Services (UK) Limited (JTC)

- Registrar and Transfer Agent
- Fund Accounting
- Fund Administration
- Provision of investor portal

Slater Investments is wholly owned by its directors, staff, and former staff. The directors and many of its staff have invested £42,210,797 (as at 31 December 2021) in the Funds we manage which we believe ensures that our interests are directly aligned with those of our investors.

Mark Slater, our Chairman, says, 'I think it's incredibly important that fund managers eat their own cooking. You wouldn't go into a restaurant where the chef refused to eat his own food, and I think it's exactly the same with fund managers.'

# Summary and Conclusion

The executive directors of Slater Investments, supported by team members drawn from Operations, Compliance, Distribution and Risk, followed a similar process to last year to produce this Value Assessment Report (VAR) having due regard to the recent findings of the Financial Conduct Authority on VARs.

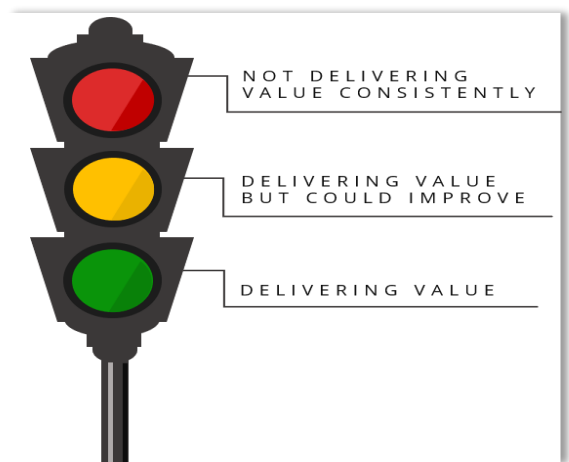
The Report, together with supporting analysis, was provided to the Board of Slater Investments (Board). The Board comprises executive directors and independent non-executive directors (iNEDS). One of the latter's role is to focus on the value assessment process, providing scrutiny and challenge to ensure that the Funds are delivering the outcomes we believe investors expect.

After careful consideration the Board has approved its publication.

The factors we are reporting on in this report are:

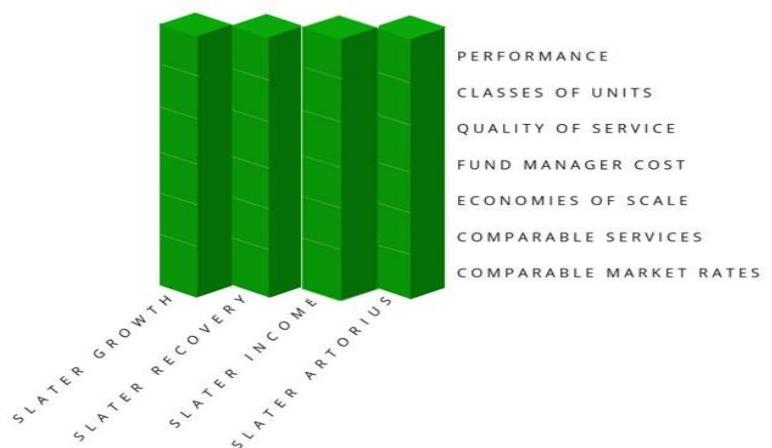
- Quality of Service
- Performance
- Fund Manager Costs
- Economies of Scale
- Comparable Services
- Comparable Market Rates
- Classes of Units

We have used a traffic light system which enables investors to see at a glance whether the Funds are delivering good value or if they are falling short in any of the factors under review.



The Board is pleased to see that all pillars are green where in contrast to last year we had one yellow pillar. The Board, after careful consideration, concluded that the Funds do represent good value. This conclusion has been reached by discussing each of the seven pillars and considering the evidence presented to them.

## OUR FINDINGS





## Quality of Service

---



We pride ourselves in providing an excellent service to our investors. Our aim is to provide information to our investors and our prospective investors in a timely manner and to make our Funds accessible to all.

This year, our review looked at both internal and external services provided to the Funds. This review included operational statics from our third-party providers together with external assurance reports. There were no outstanding issues in respect of the Transfer Agent, Fund Administrator, Registrar or Fund Accountant nor have there been any issues raised in respect of the services they provide to the Funds.

We undertake our own monitoring and supervision of our third-party providers including receiving weekly reports, monthly meetings and annual due diligence checks.

We continue to work with JTC to maintain a high standard of customer service and to maintain the high standards our investors expect.

Throughout the year, all investor communications were issued on time. These communications can be received either in paper form or electronically dependent upon the investor's preference. For all of the Funds, both the Interim Reports and Annual Reports were issued within two months following the reporting period end.

During the year we had one issue with payments which was resolved to the satisfaction of those affected. Telephone calls made to us were answered swiftly and all investor queries were dealt with and resolved in a timely manner.

Our investor portal continues to enhance the investor experience for those who chose to use the service by enabling access to the Investor's account.

We have identified more than ever the importance of regularly updating our Investors by, for example, sending more targeted communications, or posting alerts on social media, which has enabled Investors to be more aware of the release of Fund Factsheets, annual reports, upcoming webinars and events.

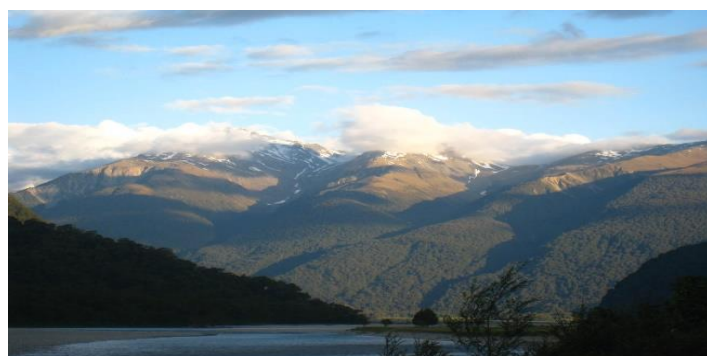
We continued to maintain direct contact with investors by providing regular virtual conferences and events. These continue to run on a monthly basis and our Annual Investor event was again held virtually which was attended by 135 investors, an increase in attendees from the previous year.

2021 also saw the continuation of our blog, PEGwatch. This series of articles by our in-house Research and Investment team shares their views on current UK equity topics.

The Fund range are accessible to both retail and institutional investors. All the Funds are single priced. This means that a single price is applied to any transaction in a particular Fund, regardless of whether an Investor is purchasing or redeeming Units. The single price is based on the mid-market valuation of the underlying investments less liabilities of the particular Fund. This is known as the net asset value of the Fund (the "NAV").

Pricing of the A share class of the Funds is published every weekday in the Financial Times. Our Fund factsheets are updated monthly and published on our website. All Fund prices are updated daily on our website [www.slaterinvestments.com](http://www.slaterinvestments.com)

All key information documentation on our Funds is available on our website. In addition, we also subscribe to fund information, data and research providers e.g. FE Trustnet, to ensure the availability of Fund information is easily accessible to all.





Dealing in the Funds is by telephone, post, online, EMX or Calastone, and direct debit. We have worked hard with JTC to ensure straight through processing.

With the ever-growing prominence of ESG (Environmental, Social, and Governance) we continued to invest resource and capability into our ESG team in 2021. We invested in external data resources whilst also developing our own in-house tools to enhance our ESG research capabilities. Our ESG team also continued to work alongside our investment team to ensure stewardship and ESG remains fully integrated into our wider investment process.

The ESG team also attends investee company meetings with the investment team and undertakes thematic and targeted reviews.

In 2021, the ESG team voted in a total of 153 meetings during the year. These meetings amounted to 1,680 resolutions. We conduct all research regarding each individual vote in-house and do not subscribe to nor receive recommendations from external proxy voting services.

The year saw us listed as a signatory to the Financial Reporting Council's UK Stewardship Code 2020 being included in the first cohort of those accredited. This was a testament to our continued commitment to stewardship and ESG.

During the year we onboarded a new Depositary and Custodian to the Funds. Part of the onboarding process included a tender process, undertaking comprehensive due diligence and reference checks which were all carried out internally.

We continue to provide a high standard of overall governance to the Funds through the operation of Compliance and Risk, Operations, Investment, Distribution and Pricing committees. These committees all report to the Board.

We also engage with our relevant trade bodies, our regulators. We adhere to and report on external codes, and continue to invest in our staff by the provision of Continued Professional Development which enables us to maintain best practice at Slater Investments.



# Performance

## Slater Growth Fund



### OBJECTIVES

#### CAPITAL GROWTH

The investment objective of the Slater Growth Fund is to seek long term capital growth, principally through investment in UK Companies. The Fund focuses, in particular, on shares which the Manager believes are currently under-valued and that have the potential of a significant re-rating.

During our review, we considered whether the Fund's performance was in line with its investment objective. We looked at one year, three years, five years, and since inception performance data. The table shows the Fund (A, B and P Units) cumulative performance figures<sup>1</sup> as well as the Fund's quartile rankings within its peer group.

The Fund completed 2021 with a return of 28.21% in the A Class compared to the IA Sector performance of 17.14%.

This strong performance in 2021 saw the Fund ranked within the top quartile amongst its peers again.

The Fund now sits within the top quartile for all of the above time periods.

PERIOD	1y (%)	Quartile	3y (%)	Quartile	5y (%)	Quartile	SI <sup>2</sup> (%)	Quartile
Growth A	28.21	1	92.65	1	110.42	1	817.58	1
IA Sector	17.14		34.50		36.29		217.67	
Growth B	28.84	1	94.56	1	114.84	1	284.68	1
IA Sector	17.14		34.50		36.29		98.92	
Growth P	29.16	1	95.98	1	117.75	1	293.03	1

<sup>1</sup>: Morningstar Direct – data as of 31<sup>st</sup> December 2021

<sup>2</sup>: SI – Since Inception March 2005

**Risk Warning: Past performance is not necessarily a guide to the future.**

# Slater Recovery Fund



## OBJECTIVES

### CAPITAL GROWTH

The Slater Recovery Fund aims to provide capital growth by investing primarily in UK shares.

During our review, we considered whether the Fund's performance was in line with its investment objective. We looked at one year, three years, five years, and since inception performance data. The table shows the Fund (A, B and P Units) cumulative performance figures<sup>1</sup> as well as the Fund's quartile rankings within its peer group.

The Fund performed well in 2021 with performance of 30.18% in the A Class compared to the IA Sector of 17.14%. This saw the Fund ranked in the top quartile in the IA UK All Companies sector.

PERIOD	1y (%)	Quartile	3y (%)	Quartile	5y (%)	Quartile	SI <sup>2</sup> (%)	Quartile
Recovery A	30.18	1	93.75	1	129.11	1	768.87	1
IA Sector	17.14		34.50		36.29		367.66	
Recovery B	30.80	1	95.81	1	135.27	1	287.71	1
IA Sector	17.14		34.50		36.29		98.92	
Recovery P	31.16	1	97.41	1	138.13	1	296.92	1

<sup>1</sup>: Morningstar Direct – data as of 31<sup>st</sup> December 2021

<sup>2</sup>: SI – Since Inception March 2003

**Risk Warning: Past performance is not necessarily a guide to the future.**



# Slater Income Fund

## OBJECTIVES

### INCOME

The investment objective of the Slater Income Fund is to produce an attractive and increasing level of income in addition to seeking long term capital growth. The Fund invests in shares of high yielding companies with growing profits and strong cash flows across the market capitalisation spectrum.

In order to achieve classification as an IA UK Equity Income Fund, a Fund must achieve a historic yield on distributable income in excess of 100% of the wider market at the Fund's year end on a 3-year rolling basis and 90% on an annual basis. This requirement regarding yield has been achieved by the Fund as shown by the data below:

Date	Wider Market Yield	Income A Inc Yield	Income B Inc Yield	Income P Inc Yield
Dec-18	4.46%	5.34%	5.33%	5.32%
Dec-19	4.09%	4.58%	4.57%	4.56%
Dec-20	3.44%	3.51%	3.50%	3.50%
Dec-21	3.09%	4.37%	4.24%	4.23%

During our review, we considered whether the Fund's performance was in line with its investment objective. We looked at one year, three years, five years, and since inception performance data.

The table shows the Fund (A, B and P Units) cumulative performance figure<sup>1</sup> as well as the Fund's quartile rankings within its peer group.

PERIOD	1y (%)	Quartile	3y (%)	Quartile	5y (%)	Quartile	SI <sup>2</sup> (%)	Quartile
Income A Inc	24.44	1	30.19	2	27.08	2	147.03	2
IA Sector	18.30		26.60		26.29		133.91	
Income B Inc	25.07	1	32.20	1	30.34	2	115.99	1
IA Sector	18.30		26.60		26.29		88.54	
Income P Inc	25.38	1	33.18	1	31.99	2	120.91	1

<sup>1</sup>: Morningstar Direct – data as of 31<sup>st</sup> December 2021

<sup>2</sup>: SI – Since Inception September 2011

The Fund showed slight underperformance during 2020 and the executive directors conducted a review of the strategy which we reported on last year. It was concluded that no changes were required to be made to the investment process.

The Fund's income distribution rose 49% compared to 2020. The Fund (A Inc) returned 24.44%<sup>2</sup> compared to the IA Sector's 18.30%. This saw the Fund return to the top quartile in its sector for 2021.

**Risk Warning: Past performance is not necessarily a guide to the future.**

# Slater Artorius Fund

## OBJECTIVES

### CAPITAL GROWTH

The investment objective of the Slater Artorius Fund is to generate long term capital growth from a diversified portfolio of equities predominantly listed in the UK.

During our review, we considered whether the Fund's performance was in line with its investment objective. We looked at one year, three years, five years, and since inception performance data<sup>1</sup> as well as the Fund's quartile rankings within its peer group.

The Fund had a very strong year in 2021 with Fund performance at more than double the IA sector, 39.39% against 17.14% respectively. The Fund was in the top quartile of its peer group.

PERIOD	1y (%)	Quartile	3y (%)	Quartile	5y (%)	Quartile	SI <sup>2</sup> (%)	Quartile
Artorius A	39.39	1	116.13	1	146.18	1	298.78	1
IA Sector	17.14		34.50		36.29		137.96	

<sup>1</sup>: Morningstar Direct – data as of 31<sup>st</sup> December 2021

<sup>2</sup>: SI – Since Inception November 2011



**Risk Warning: Past performance is not necessarily a guide to the future.**

## Fund Manager Costs

---

The Board actively monitors each Fund's performance and the cost of services, looking to pass on any improvements to our investors.

During our review, we considered the costs incurred by each Fund to ensure they are reasonable and appropriate for the services provided to the Funds. The management fees paid to Slater Investments by the Funds represents the largest cost and are clearly set out within each Fund's prospectus.

These costs reflect the quality of service and the capacity constraints of our strategies. We do not charge performance fees. We do not charge our segregated mandates any less. We have regularly declined segregated mandates that have sought lower management fees than those paid by the Funds.

These fees are considered comparable to those of other active investment managers providing similar services. They vary according to the Unit class with the objective of providing economies of scale for larger investors.

The management fee covers the costs of managing and running the Funds, the cost of client servicing and the operational costs of running a fund management company. We do not charge the Funds for the provision of any services other than the management fee. Services like investment research, fund accounting, fund administration, share registration and transfer agency are all covered within the management fee.

In our review we broke down our costs to manage and run the Funds.

There are some costs we incur which cannot be challenged or reduced. The regulatory fees paid in 2020 increased by 32.89% and in 2021 they increased a further 5.05%.

Whilst costs play a significant part in determining whether our Funds are delivering value for investors, we do not believe this should be the only factor, and that driving down costs is not always in the best interests of investors.

Our Funds are all actively managed and, unlike passive funds which simply track an index, require significant investment management, monitoring, oversight and governance,

The management fees we charge enables us to continue to invest in improving the infrastructure which supports the delivery of our services to the Funds. This includes making sure that the business can continue to operate without any interruptions as it did successfully during the pandemic.



# Economies of Scale



We recognise that we are capacity constrained and therefore identifying new savings is more difficult. However, we are continually looking for ways to realise economies of scale and achieve efficiencies in all of our activities.

Our review incorporated an analysis of how our costs change in response to changes in the levels of assets within the Funds.

During the year, the on going charges (OCF) of the Funds either lowered or remained the same. This is shown in Slater Recovery (A) as the OCF lowered from 1.55% in December 2020, to 1.54% in December 2021. In the case of the Slater Growth (A) and Slater Income (A), the OCF remained static at 1.53% and 1.56% respectively from December 2020 to December 2021.

### Slater Growth (A)



### Slater Recovery (A)



### Slater Artorius



### Slater Income (A)



# Comparable Areas

---

## COMPARABLE SERVICES

We assessed the Funds compared with other relevant institutional mandates managed by Slater Investments, noting that the segregated mandates which pursue comparable strategies to the Funds pay similar fees.

## COMPARABLE MARKET RATES

We compared each of the Fund's expenses at a Unit level against a peer group of other relevant Funds within the same IA sector. This review included comparing the OCF, the Annual Management Charge (AMC), whether performance fees were charged, any entry or exit charges levied and other additional expenses. We observed that all of the Funds' fees and expenses were in line with similar Fund's included within the peer group.





## Classes of Units

---



Slater Investments provides 3 different Unit classes in the Slater Growth, the Slater Recovery and Slater Income Funds which attract the following AMC:

- A Unit class: 1.5%
- B Unit class: 1%
- P Unit class: 0.75%

The rationale for the differences in Unit classes is:

- A Unit class is for investors who invested below £100,000 or for those who are advised where the adviser receives a rebate of the fees (where this is still permissible).
- B Unit class is for investments over £100,000 and for investors that invest directly through the Slater Investments internet dealing platform. When compared to the wider platform market this represent good value to investors who generally would have to pay a custody fee.
- P Unit class is for investments over £5 million.

Having reviewed the market, it is not unusual for smaller investors to pay a higher fee. This is because an element of the costs that we are charged is the same regardless of the size of investment. For example, the cost of executing the transaction includes banking charges, anti-money laundering reviews and registration fees. Other fund manager may charge these fees in addition.

We do not charge for providing Individual Savings Account (ISAs) or Junior Individual Savings Account (JISAs) wrappers. We also provide regular savings and income facilities. All these costs are absorbed within the AMC.

These costs, as a proportion of the amount invested, are higher when the investment is smaller.

We considered, as part of this review, whether investors remain in the most appropriate Unit class. This included looking at our direct investor base. Where a potentially better outcome may be available to an investor, we considered whether suitable action, such as offering the investor a free conversion into an alternative lower fee Unit class, should be made. We recognise that this course of action may not always be appropriate for every Investor and is dependent upon personal circumstances. We monitor this on an annual basis.

Forming part of this review, we have identified and contacted a number of A Unit class holders who are direct investors within the Funds, and offered them a free conversion into a lower fee Unit class.

The Slater Artorius Fund only has one Unit class and therefore there were no different Unit classes with different features to consider.