

Slater  
Investments  
Limited



2022

# Value Assessment Report

February 2023



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# INTRODUCTION

The central focus within Slater Investments Limited (Slater Investments), as an active manager, is stock selection based on our investment process, while retaining a clear focus on our role as responsible stewards of our investors money. 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 Financial Conduct Authority (FCA) requires asset managers to conduct an annual value assessment review of its UK domiciled funds to evaluate the value provided to investors, in particular during the current cost of living crisis where good outcomes and value for money are of heightened importance.

This Annual 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 over £35 million (as at 31 December 2022) in the Funds which we believe ensures that our interests are directly aligned with those of our investors.

Mark Slater, our Chairman, says, “I am a very substantial shareholder in all of our Funds, and always have been. I think it is 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 is exactly the same with fund managers.”

Overall, Slater Investments adapted well to the ongoing political and economic challenges of 2022. Against this demanding and rapidly changing landscape, we continue to work hard on investing to improve the value of our Funds, while never losing sight of the long-term drivers of performance and the importance of good stewardship. We hope you find this report clear and informative.



# 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 findings of the FCA on VARs, in conjunction with guidance from the Investment Association.

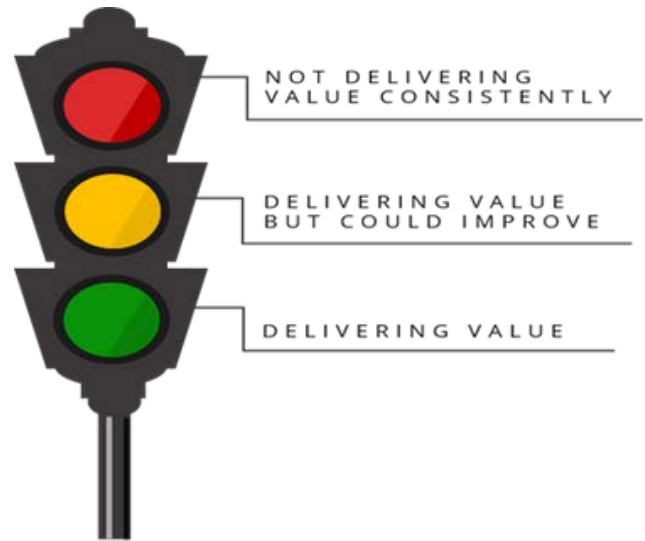
The Report, together with supporting analysis, was provided to the Board of Slater Investments (Board). The Board comprises executive directors and independent non-executive directors (iNEDS). One of the latter's roles is to focus on the value assessment process, providing scrutiny and challenge to ensure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

Any rigorous assessment ought to find room for improvement and this year's report is no exception. We have taken actions throughout the year to improve value delivery, as outlined in the following sections. After careful consideration the Board has approved its publication.

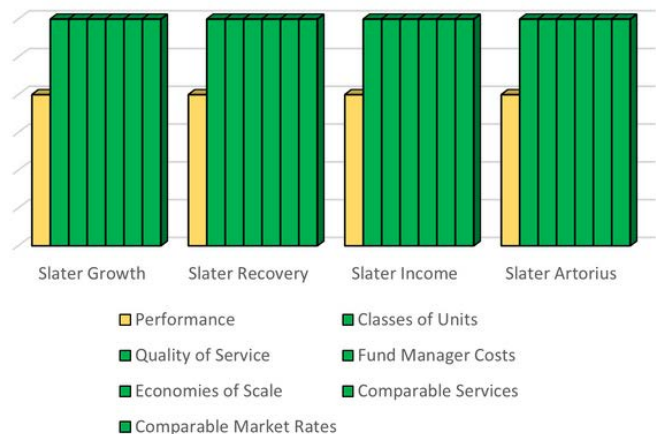
Similar to last year, the factors we are reporting on in this report are:

- 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.



All pillars, with the exception of yellow for performance, remained green this year. The Board would like to note that the performance pillar dropped to yellow this year. This is in contrast to last year when all pillars were green.



The Board, after careful consideration, concluded that on balance the Funds continue to represent good value. This conclusion has been reached by discussing each of the seven pillars and considering the evidence presented to them.

# QUALITY OF SERVICE

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

For 2022, we have reviewed and enhanced our approach to Quality of Service, assessing additional elements and metrics available to us to more fully assess the range and quality of service we provide to investors. Outlined below are six core areas we evaluated in order to ensure we continue to deliver a high standard of service.

## Investor feedback

We utilise a range of customer feedback loops that helps us improve the relevance and quality of our offerings. We believe that customer satisfaction and loyalty are crucial factors in determining our company's long-term viability, and that directly consulting with investors on their preferences and levels of customer satisfaction help us meet their expectations. During 2022, we are pleased to report that over 90% of respondents we surveyed were very satisfied with the information or service we provided. The remaining 10% felt changes could be made to improve their experience as a current or prospective investor.

We review all feedback we receive from investors, and enact changes based on feedback wherever possible and practical. An example of this is that some investors let us know that they preferred receiving fewer emails from us, so we have implemented changes to reflect that preference.

## Investor Support

The Fund range is accessible to both retail and institutional investors, meaning we are responsible for supporting a wide range of parties who may invest in our funds.

We undertook additional analysis this year to try to better understand the composition of our investor base. In 2022 we began to analyse the investor base according to a number of new metrics, including investors' ages, financial knowledge and experience, and average length of holding periods in the Funds. Our goal is to understand our investor base as fully as possible in order to best serve those who choose to invest with us recognising that different groups of investors may have different requirements especially in respect of the support required from the firm.

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, Morningstar and the FT, to ensure the availability of Fund information is easily accessible to all.

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.

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.

Dealing in the Funds is by telephone, post, direct debit and via automated electronic payment systems EMX and Calastone.

# QUALITY OF SERVICE

## Pricing

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 (the “NAV”) of the Fund.

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). In 2022, no pricing errors were identified.

## Service provider review

We looked at both the internal and external services provided to the Funds. This review included operational statistics from our third-party providers together with external assurance reports. There were no outstanding issues.

There have been no 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, quarterly 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.

JTC tracks agreed-upon metrics at the company and

Fund level, including KPIs on the following topics:

- NAV production
- Publication of fund pricing
- Investor dealing
- Investor services
- Queries & breaches

We are pleased to report that the outcome of analysing the data shows that the results fell within the top quintile for each of the reporting periods.

## Investor outreach

We continued to understand the importance of regularly updating our investors by, for example, sending 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. In 2022, we updated the formatting of each Fund's annual and interim reports to improve visual clarity.

In 2022, we continued to maintain direct contact with investors by providing regular virtual and in-person conferences and events. These continued to run monthly throughout the year. In 2022, 425 individuals attended a Slater Investments webinar, which represents a 22.5% increase in attendees from 2021. Our Annual Investor event was held in-person again, after a two-year period where the event had been held virtually. The 2022 event was attended by 97 investors. This represented a decrease in the number of attendees from the previous year (2021: 135), an anticipated outcome of offering the event in person.

# QUALITY OF SERVICE

## Stewardship and ESG

With the ever-growing prominence of ESG (Environmental, Social, and Governance) we continued to invest resource and capability into our ESG team in 2022. We continued to develop our own in-house tools to enhance our ESG monitoring and research capabilities. Our ESG team undertakes thematic and targeted company reviews, and continues to work alongside the investment team to ensure stewardship and ESG remains fully integrated into our wider investment process. Some of our tools used include the Paris Agreement Capital Transition Assessment (PACTA) tool, which is used to assess the vulnerability of our holdings in the Funds to climate change, and Refinitiv Eikon, which is our general data provider.

In December 2022, the Slater Growth, Recovery & Income Funds became Article 8 classified under the Sustainable Financial Disclosure Regulation (SFDR). SFDR is part of the EU's wider Sustainable Finance Framework, which is backed by a broad set of new and enhanced regulations.

It requires investment funds to assess and disclose environmental, social and governance ("ESG") considerations publicly. The purpose of the regulation is to ensure greater transparency for investors. requires fund managers to disclose information on various environmental, social and governance ("ESG") indicators to investors. The move to classify these Funds as Article 8 was an important step in codifying our belief that the analysis of and engagement on ESG factors is an integral part of seeking strong investment performance and underscores our ongoing commitment to responsible investment.

In 2022, the ESG team voted in a total of 140 meetings during the year. These meetings amounted to 1,634 resolutions. We conduct all research regarding each individual vote in-house and do not subscribe to nor receive recommendations from external proxy voting services.

A full breakdown of our voting statistics may be found below:

Meetings	Number
Total numbers of meetings voted at	140
Total numbers of resolutions voted on	1,634
Total numbers of resolutions where we voted with management	1,187
Total numbers of resolutions where we voted against management	446
Total numbers of resolutions where we abstained	1
Total numbers of resolutions where we voted against our voting policy	15

# QUALITY OF SERVICE

Examples of engagement in 2022 across the Fund's include the following:

## R&Q Insurance Holdings Ltd

One of SIL's main engagements during the year was to lead collaborative engagement with other shareholders to prevent a recommended cash acquisition of R&Q Insurance Holdings Ltd (previously Randall & Quilter Investments Holdings Ltd) ("RQIH") which SIL was ultimately successful in doing. In SIL's view this was fundamentally a good business, and the offer did not represent good value for shareholders. Management had been impressive prior to the event, however, SIL felt management had let themselves down through the course of this process. As for the terms of the acquisition itself, the company was significantly undervalued on a sum of its parts basis, so it was not surprising when a private equity style approach was made. However, the Board should have been more robust. The acquisition was not backed by cash but instead the parties adopted an approach more consistent with US market practice which relied on contractual protection, and not of the format seen under the Takeover Code.

## Sercu Group plc

In March 2022 we met with the Board of Sercu Group plc and were very pleased with the proactive nature of their shareholder engagement. Through no fault of its own, parts of the company are exposed to certain sectors that are typically excluded by Sustainable Finance Disclosure Regulation ("SFDR") Article 9 ESG investors. The executive team have long known this and adapted their strategy and reporting accordingly. We remain impressed by the level of governance demonstrated by the executive team. The use of nil-cost options in their remuneration policy remains a sticking point, and we have engaged further with the Chair of the Remuneration Committee on this matter.

## Diversified Energy Company plc

In August 2022, representatives from the Investment

Committee met with the Chief Executive Officer ("CEO") and Head of Investor Relationship of Diversified Energy Company plc ("Diversified Energy"). The company is making great progress on its methane reductions and has recently issued five Asset Backed Loans. Of those, three have ESG labels where the cost of debt is tied to their emission reduction targets. ESG friendly loans provide economic methods for financial institutions to continue to develop the industry, an approach SIL values over less effective divestment. SIL also discussed Diversified Energy's capability for plugging finished wells. The work done complements Diversified Energy's strength and will help the company continue to flourish. Given the nature of Diversified Energy's industry, SIL will continue to monitor closely the situation and, where required, engage with the company.

## NCC Group PLC

In May 2022 members of the ESG Committee met with the Non-Executive Chairman of NCC Group PLC to discuss the company's incoming CEO and discussed the strategy of the company going forward. Previously SIL believed that the company had not been reaching its full potential and engaged with the company's Board. It is SIL's view that the action taken in replacing the CEO has been positive and the new strategy positions the company well.

## STV Group Plc

Following a meeting in June 2022 with the Chairman of STV Group Plc ("STV"), a follow up meeting with the company's HR & Communications Director was held in September 2022 to discuss executive remuneration. At STV's previous two Annual General Meetings, SIL voted against the company's remuneration policy due to the use of nil-cost options. SIL considers this engagement to be ongoing.



# QUALITY OF SERVICE

## RPS Group PLC

SIL met with both the CEO and the Chief Financial Officer of RPS Group Plc (“RPS”) in August 2022 after they had received an offer from WSP Global Inc (“WSP”) to purchase the company. The objective of the meeting was to understand the rationale behind the Board’s recommendation of the bid. RPS’s recommendation was based on a weak pound, shareholders looking for an exit and low valuation which has made it very attractive to purchase a UK listed Plc. Shortly after, RPS received a new offer from Tetra Tech, Inc. (“Tetra Tech”) in September 2022, which the Board ultimately believed was a better offer, and therefore the WSP offer lapsed. Post period end, on 3 November 2022, shareholders approved the acquisition of RPS by Tetra Tech.

Quarterly summaries of our voting activities are available on our website, along with an archive of historical voting summaries dating back to 2010. We maintain that exercising our voting rights is the most powerful tool we have in holding companies accountable, and it is of great importance to us that investors have easy access to this information. In an effort to increase transparency further, in 2022 we began distributing records of our voting activities to a number of third-party databases which report on the voting activities of institutional investors like ourselves.

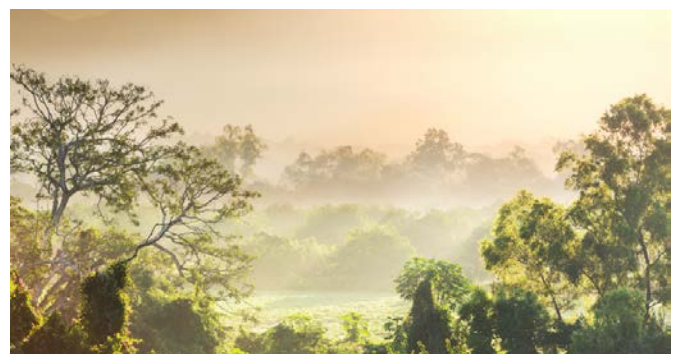
We are proud to have been listed as a successful signatory to the Financial Reporting Council’s 2020 UK Stewardship Code in September 2021, being included in the first cohort of those accredited. We remained a signatory in 2022. The Code sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. We have now published our 2021 Stewardship Report, constituting our second statement of compliance, which can be found on our website.

Slater Investments is also a voluntary signatory to the UN supported Principles for Responsible Investment, a commitment to responsible investment, that places Slater Investments at the heart of a global community seeking to build a more sustainable financial system.



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 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. We are an active member of the Investment Association, the trade body that represents investment managers and investment management firms in the UK, and provides us with the most impactful platform that allows us to be directly involved in engagement with regulators and policymakers.



# QUALITY OF SERVICE CONCLUSIONS

## Conclusions

The results of each of the core areas of our Quality of Service assessment contribute to a 'green' rating at a company level:

### 1) Investor Feedback

Responder satisfaction levels were in a positive range (>90%) for all parameters surveyed. The remaining 10% felt changes could be made to improve their experience.

### 2) Investor Support

We continued to invest resources into our website and other data providers to ensure investor communications and Fund data is easily and readily accessible.

### 3) Pricing

There were no issues with pricing identified throughout the year.

### 4) Service Provider Review

Slater Investments has a robust policy in place to regularly monitor and review service providers. The outcome of our internal and external reviews was satisfactory.

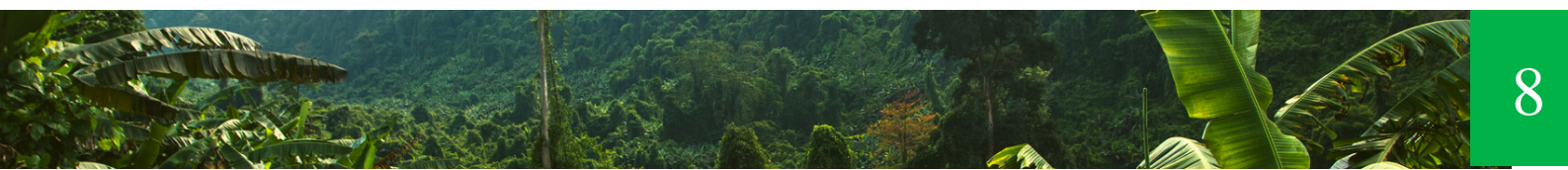
### 5) Investor Outreach

We continued to share knowledge via all relevant channels, including our website, social media platforms, and at online and in-person events.

## 6) Stewardship and ESG

We made strides in enhancing our ESG offerings throughout the year, as evidenced by several of the Funds being classified as Article 8. Slater Investments continues to prioritise its stewardship responsibilities.

In summary, we conclude that the quality of service offered to our investors is good value.



# PERFORMANCE

**Our assessment considered fund performance against appropriate timescales, given each Fund's objectives. These timescales include short, medium and long-term periods (1 year, 5 years and 10+ years, respectively). The Funds are suitable for investors planning to hold their investments over the medium to long term, (although this is not a requirement). Five years is therefore the recommended minimum investment period for the Funds. We believe medium to long term periods (5+ years) are the most appropriate measure to determine whether each Fund's performance is providing value.**

**Performance objectives are reviewed on a 'total return' basis, which is the combination of capital with the reinvestment of any income generated. Performance figures are presented net of all fees. The performance data shown for each of the Funds in the following pages are shown against each Fund's investment 'sector', which comprises similar funds and is administered by the Investment Association. These are specified in the individual page for each Fund.**

**In addition to assessing each Fund's performance, we also assessed whether each Fund was managed in line with its objectives, policy and investment strategy.**

Our Funds are constructed and managed without reference to any benchmarks. We take this approach because we believe that running focused portfolios is the best way to achieve superior performance over the long-term. Inevitably, there are periods when this approach results in under-performance against a benchmark or index over the short-term. 2022 was a challenging year with regard to the investment performance of the Funds, but we continue to maintain that these are medium to long term investments and the investors should

anticipate some underperformance during the lifecycle of the product.

In 2022 small and mid-cap UK stocks suffered against the backdrop of a long overdue tightening by central banks which coincided with the disruptions caused by the conflict in Ukraine and the aftermath of the global pandemic. Meanwhile, the largest companies, which dominate the performance of the major indices, benefitted from higher interest rates and oil prices.

The problems of rising energy bills and high inflation were a massive headwind for markets over the course of the year. It became increasingly apparent that consumers, facing a cost of living crisis, and businesses would be put under immense strain by rising fuel costs and that governments across the world would need to step in to provide some protection. Inflation continued to scale double-digit heights, with economic forecasters scrambling to trump each other with ever higher forecasts. Central Banks have been increasingly clear that they will act to choke inflation by hiking interest rates.

Our multi-decade experience in this industry has given us the perspective to know how to withstand the inevitable down periods that come with actively managing money. The run-up to recession is invariably painful for investors but equities usually perform well once the pain has moved to the high street from the trading floors. We are now seeing much more compelling buying opportunities. It is the most difficult times which bring the greatest bargains.

# SLATER GROWTH FUND

## Investment Objective: 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 managed 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, as well as the Fund's quartile rankings within its peer group.

The Fund (Class A) completed 2022 with a return of -25.51% in the A Class compared to the IA Sector performance of -9.19%.

At 2022 year end, the Fund sits in the fourth quartile over 1 year, in the 2nd quartile over 3 years and in the top quartile over 5 years, 10 years and since inception.

PERIOD	1y (%)	Quartile	3y (%)	Quartile	5y (%)	Quartile	10y (%)	Quartile	SI <sup>2</sup> (%)	Quartile
Growth A	-25.51	4	4.31	2	23.22	1	178.58	1	583.53	1
IA Sector	-9.19		-0.19		8.52		84.05		188.36	
Growth B	-25.12	4	5.93	2	25.69	1	188.36	1	188.06	1
IA Sector	-9.19		-0.19		8.52		84.05		80.57	
Growth P	-24.94	4	6.70	2	27.25	1	195.32	1	195.02	1

*The above data is sourced from Morningstar Direct - data as of 31st December 2022*

*SI: Since Inception March 2005*

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

# SLATER RECOVERY FUND

## Investment Objective: 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 as well as the Fund's quartile rankings within its peer group.

The Fund (Class A) finished 2022 with a return of -18.27% compared to the IA Sector performance of -9.19%.

At 2022 year end, the Fund sits in the fourth quartile over 1 year, and in the top quartile over 3 and 5 years, 10 years and since inception.

PERIOD	1y (%)	Quartile	3y (%)	Quartile	5y (%)	Quartile	10y (%)	Quartile	SI <sup>2</sup> (%)	Quartile
Recovery A	-18.27	4	19.02	1	41.62	1	209.10	1	610.11	1
IA Sector	-9.19		-0.19		8.52		84.05		324.52	
Recovery B	-17.84	4	20.81	1	44.70	1	224.15	1	218.53	1
IA Sector	-9.19		-0.19		8.52		84.05		98.92	
Recovery P	-17.65	4	21.75	1	46.75	1	232.63	1	226.87	1

*The above data is sourced from Morningstar Direct - data as of 31st December 2022*

*SI: Since Inception March 2003*

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

# SLATER INCOME FUND

## Investment Objective: Income and Capital Growth

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 be classified 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.

The Fund's income distribution rose 8.65% compared to 2021.

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 on the next page 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.

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%
Dec-22	3.59%	4.90%	4.87%	4.86%

*The above data is sourced from Slater Investments Ltd.*

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

# SLATER INCOME FUND

## Investment Objective: Income and Capital Growth

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 below shows the Fund (A, B and P Units) cumulative performance figure as well as the Fund's quartile rankings within its peer group.

At 2022 year end, the Fund (Class A) sits in the third quartile over 1, 3 and 5 years, and the second quartile over 10 years and since inception.

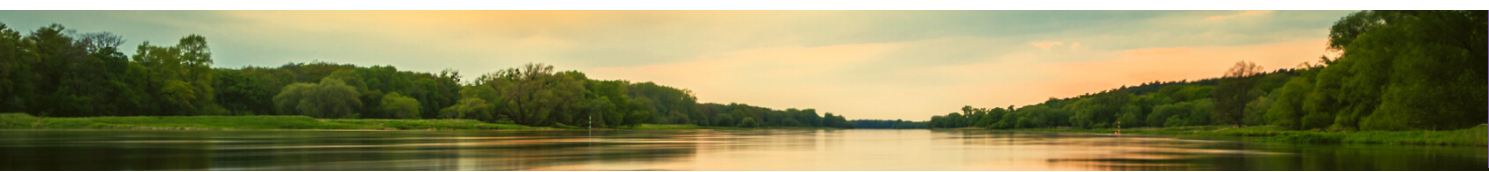
While the A Class units slightly lagged the IA Sector over 1 and 5 years, the Fund outperformed over 3 years and since inception. The B and P classes underperformed over 1 year but outperformed the IA Sector over the 3 and 5 years and since inception.

Slater Investments also introduced a new Co-Fund Manager, Eric Moore, in 2022, to help manage the Slater Income Fund. Eric Moore has UK equity experience spanning 25 years.

PERIOD	1y (%)	Quartile	3y (%)	Quartile	5y (%)	Quartile	10y (%)	Quartile	SI <sup>2</sup> (%)	Quartile
Income A Inc	-3.84	3	3.26	3	9.04	3	101.22	2	137.55	2
IA Sector	-2.16		3.12		10.81		87.26		128.79	
Income B Inc	-3.22	3	4.98	2	12.00	3	111.82	1	109.04	1
IA Sector	-2.16		3.12		10.81		87.26		84.41	
Income P Inc	-2.86	3	5.88	2	13.56	2	117.44	1	114.59	1

*The above data is sourced from Morningstar Direct - data as of 31st December 2022  
SI: Since Inception September 2011*

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



# SLATER ARTORIUS FUND

## Investment Objective: 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 as well as the Fund's quartile rankings within its peer group.

The Fund finished 2022 with a return of -25.18% compared to the IA Sector performance of -9.19%.

At 2022 year end, the Fund sits in the fourth quartile over 1 year, and in the top quartile over 3 years, 5 years, 10 years and since inception.

PERIOD	1y (%)	Quartile	3y (%)	Quartile	5y (%)	Quartile	10y (%)	Quartile	SI <sup>2</sup> (%)	Quartile
Artorius A	-25.18	4	23.55	1	46.04	1	206.76	1	198.37	1
IA Sector	-9.19		-0.19		8.52		84.05		116.01	

*The above data is sourced from Morningstar Direct - data as of 31st December 2022*

*SI: Since Inception November 2011*

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



# PERFORMANCE CONCLUSIONS

## 1) Short-term performance

All of the Funds underperformed their respective Investment Association (IA) sector over the previous 12 months. The underperformance was primarily due to each of the Funds being invested in small and mid-cap UK companies which generally performed less well than the broad UK stock market in 2022. We did not change our process.

## 2) Medium-term performance

Slater Growth, Slater Recovery and Slater Artorius Funds outperformed their peer group over both 3 and 5 year periods. The Slater Income Fund outperformed its peer group over 3 years, but underperformed its peer group over 5 years in the A Class however, the B and P classes did outperform their peer group over the 5 years.

## 4) Alignment with investment policy and objectives

Performance achieved is only meaningful if it is produced in line with the stated investment policy and objectives. We are pleased to note that, for all Funds, we believe there is a robust and high-quality investment process in place, in line with the stated investment objectives of each Fund. We have concluded that the Risk function provides effective oversight of investment-related risks.

In summary, we concluded that though each of the Funds underperformed in 2022, each still has strong medium and long-term outperformance. In addition, each of the Funds have been managed in line with their respective investment policies and objectives. The outcome after the Board considered all of these facts is that the Performance rating fell to a 'yellow' rating across all Fund's.

This represents a drop from a 'green' rating in 2021. Given the change in rating, the Board will continue to monitor performance throughout the year and take any actions it feels necessary.

There is no doubt that Fund performance in 2022 was disappointing. The fact that medium and long term performance was strong does not mean that we have not reflected on why.

We did not deviate from our process which has worked well in a multitude of market environments over the years. However, in 2022 we bore the brunt of several factors. Small and mid caps stocks underperformed, and these stocks are especially sensitive to selling pressure. Many companies we own had performed strongly prior to the weaker market, leaving them vulnerable to profit-taking. There was also an element of indiscriminate behaviour. Companies that did not put a foot wrong often suffered similar de-ratings to companies that encountered operating difficulties.

After a significant de-rating, some stocks in the portfolio trade on the kinds of single digit Price to Earnings (PE) multiples that we have not seen since 2008-2009. These are attractive and we are prepared to be patient, if necessary, as upwards re-ratings will follow.



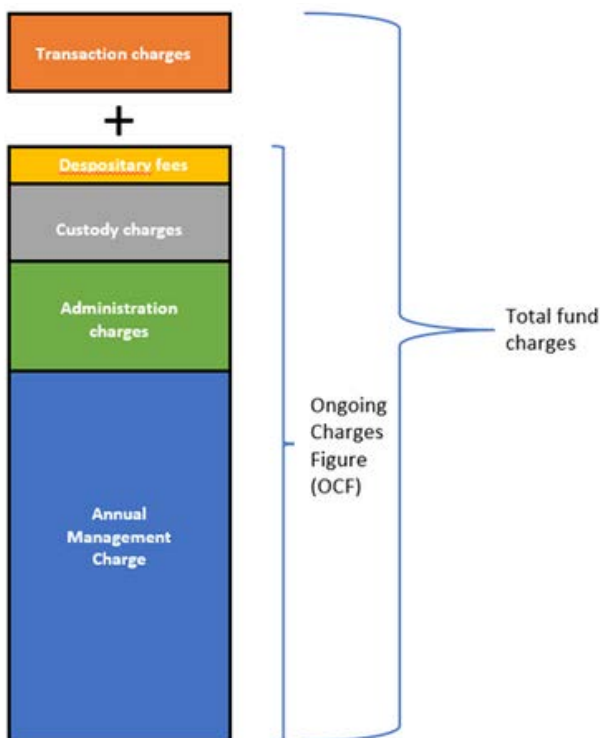
# FUND MANAGER COSTS

Our assessment looked at all costs each Fund is paying, including the Annual Management Charge (AMC) paid to Slater Investments.

We considered the costs of services provided by third party suppliers. We also considered the AMC relative to the internal costs relating to how much each Fund costs us to run. For both categories of charges, we considered, “are the Funds paying a fair price for the services they receive?”

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

Each Fund is subject to a range of charges. These charges are deducted from each Fund on a daily basis and therefore affect the value of a fund investment over time. During our review, we considered the costs incurred by each Fund in each of the categories shown in the diagram to ensure they are reasonable and appropriate for the services provided to the Funds.



## Annual Management Charge (AMC)

The Annual Management Charge paid to Slater Investments by the Funds represents the largest cost. These costs are set out within each Fund’s prospectus.

The management fee is there to cover the costs of keeping the Fund’s running smoothly and effectively. 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.

When it comes to active management, these fees are reasonable and aligned with the work being done. Managing a Fund involves a delicate balance between costs and rewards. We should be mindful of the challenges that come with daily liquidity requirements, ensuring we are compensating our people on the risk they take on, and always employing the brightest minds to help achieve our goals.

## Ongoing Charges Figure (OCF)

In the UK, the most common way to express the annual costs charged to a fund is using the Ongoing Charges Figure (OCF). The OCF covers most of the costs associated with operating a fund (and the particular share class of the fund in which you are invested) and is presented as a percentage of the fund’s average asset value over its financial year. In summary, the OCF represents costs to the Fund and is paid by the respective Fund.

# FUND MANAGER COSTS

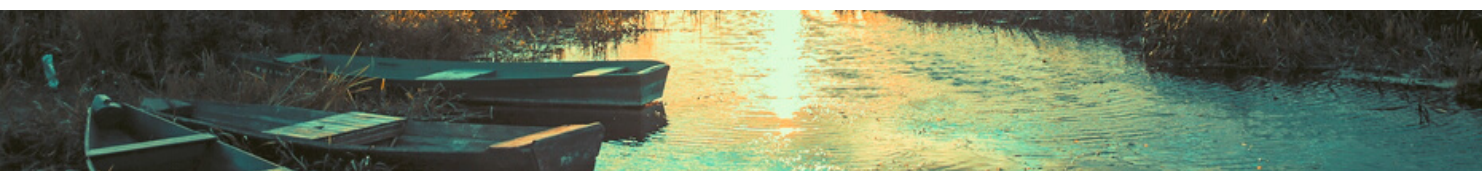
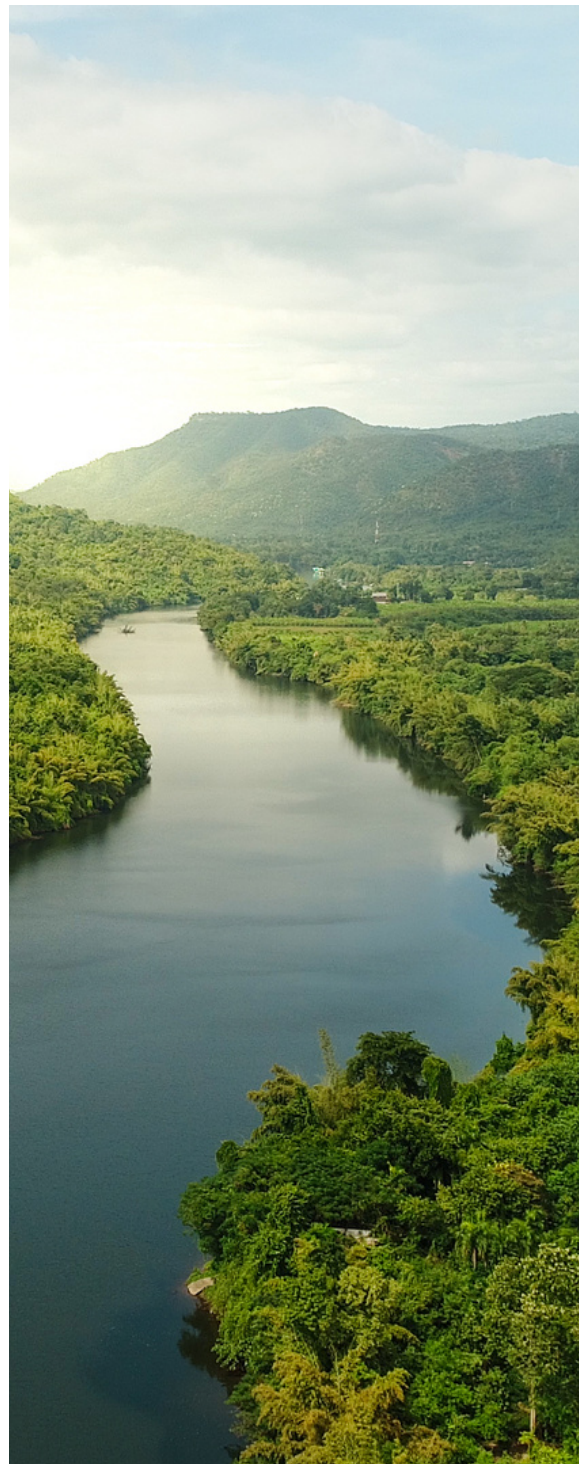
## Components of the OCF

As outlined in the diagram on the previous page, the OCF includes:

- The AMC, as described on page 16.
- Company administration charges: This charge reflects a number of costs associated with the administration, servicing, regulation and oversight of the fund, including legal and audit fees. 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%. In 2022, we saw a further increase of 21.64%.
- Custody charges: This is the charge from the independent custodian for the safekeeping of the fund's assets.
- Depositary fees: This is the fee paid to the independent trustee or depositary to oversee a fund's operations and regulatory compliance.

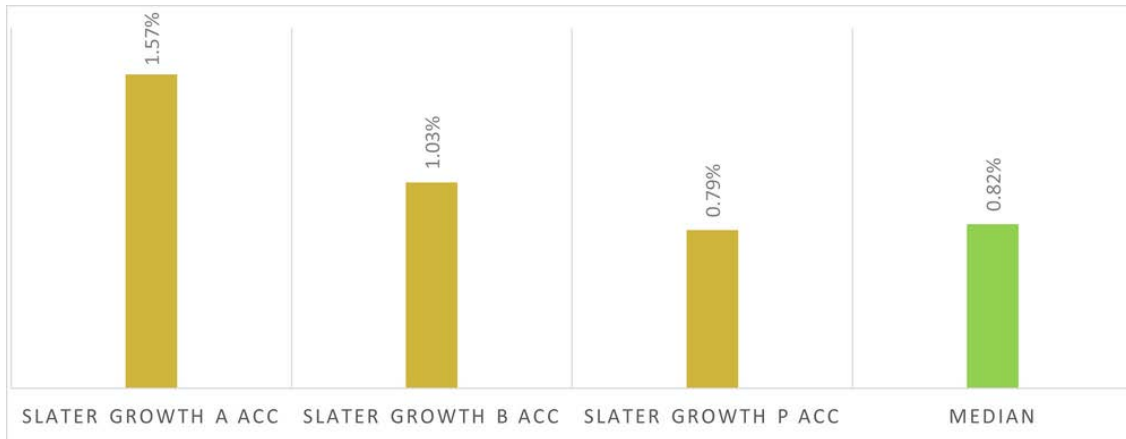
Further details in respect of these charges are clearly set out in each Fund's prospectus. Further information regarding charges may also be found on our website under '[Our Charges](#)'.

During 2022, there has been very minimal changes in the OCF across the Funds, this is particularly noteworthy for 2022 in a period of high inflation and heightened costs. The graphs on the next two pages for each Fund show the final OCF figures for each class against their respective comparators median. This data has been sourced from Morningstar Direct.

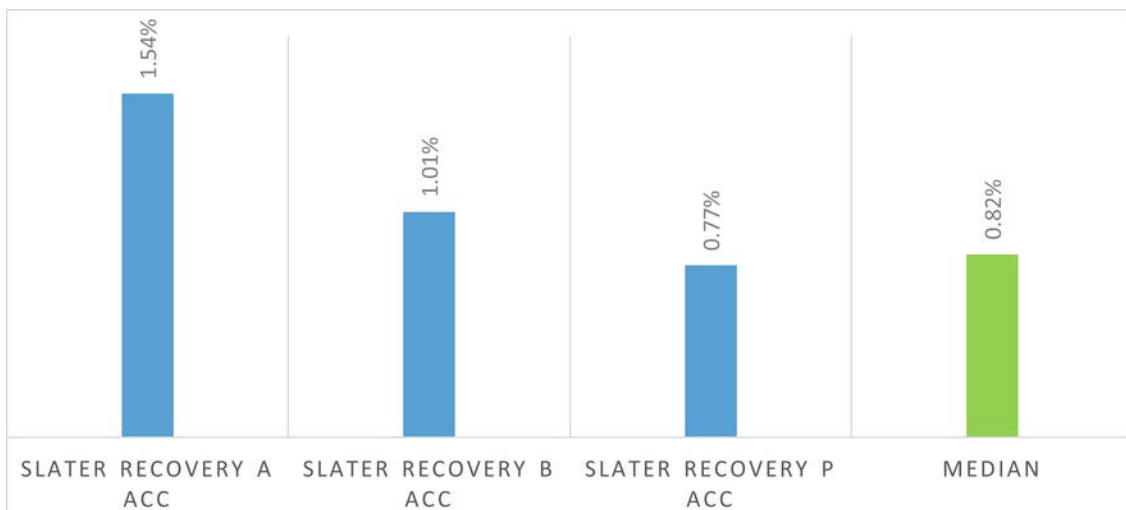


# FUND MANAGER COSTS

## Slater Growth Fund OCFs Sector: IA UK All Companies

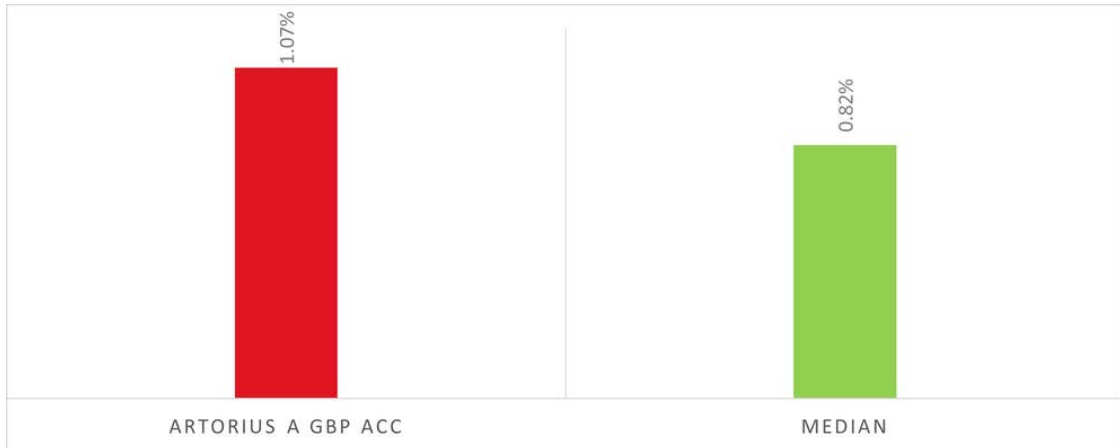


## Slater Recovery Fund OCFs Sector: IA UK All Companies



# FUND MANAGER COSTS

## Slater Artorius Fund OCF Sector: IA UK All Companies



## Slater Income Fund OCFs Sector: IA UK Equity Income



# FUND MANAGER COSTS

## What other charges are there?

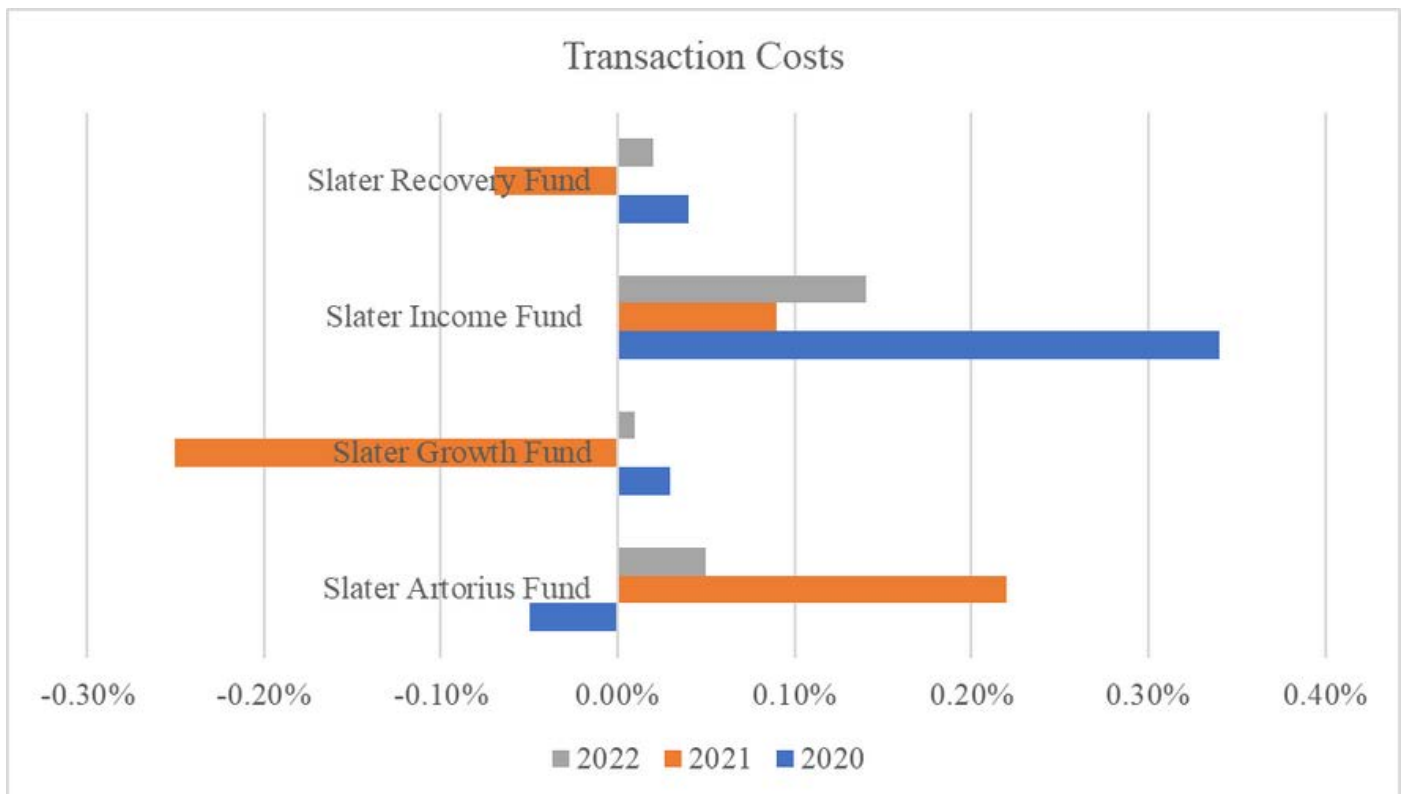
The OCF does not include charges that relate to transactions as a result of the fund buying or selling underlying shares. This is because transaction costs directly relate to activity carried out by the specific fund and may vary over time. The cost is incurred by the Fund. Transaction costs include:

- Explicit costs of trading underlying investments, including broker commissions, transfer taxes and stamp duty.
- Implicit costs of trading. For equities, this is the difference between the arrival cost, which is the mid-price at which an asset is valued immediately before an order (the arrival price) and the price at which it is actually traded (the execution price).

The below figure shows transaction costs as a percentage of the average NAV of the respective fund throughout the previous three calendar years. In 2022, transaction costs decreased in the Slater Income and Slater Artorius Funds. Transaction charges increased in 2022 for the Slater Growth and Slater Recovery Funds.

## Negative Transaction Costs

The transaction cost figure includes an element of implicit cost (“slippage”) which is the difference between the mid-market price at the time the trade is sent to the market (“arrival price”) and the eventual execution price of the trade. It is possible for the slippage cost to be negative; for example when buying an asset the arrival price might be higher than the actual price paid.



# FUND MANAGER COSTS CONCLUSIONS

Whilst costs play a significant part in determining whether our Funds are delivering fair 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 which means they require extensive research and analysis, monitoring, oversight, and governance. The costs required to manage an active fund are inherently greater than the costs associated with managing other types of funds, such as passive funds which simply track an index. While there may be some short term benefit to driving costs lower, we must consider the long term implications of our decisions, for example, cutting costs may lead to a reduction in the quality of our research, which in time could negatively impact our ability to generate returns for our investors.

In short, we believe that costs are an important factor, but not the only factor in determining the value of our Funds for our investors. We are committed to delivering the highest quality of research and analysis to our investors and we believe an active management approach is the best way to achieve this goal.

The results of each of the core areas of our costs assessment contribute to a ‘green’ rating:

## 1) Procedures for Monitoring Costs

Slater Investments has a robust process in place to regularly monitor and review the amounts paid to third parties that provide services to our Funds. Slater Investments seek to negotiate the best possible terms for all third party services.

## 2) Review of the Annual Management Charge

The AMC reviews aim to ensure that the charge for each share class is fair for that share class and has the potential to deliver a return in line with the expectations outlined in the fund’s objective.

Careful review of the Funds’ AMCs has enabled us to conclude that the fees are fair and comparable to those of other active investment managers providing similar services.

## 3) Review of Other Charges

The other charges incorporated in the OCF (as outlined on page 17) are reviewed regularly, annually at a minimum, to ensure they are a fair reflection of the actual costs incurred.

## 4) Review of Transaction Charges

Transaction costs (the costs of trading assets within the funds) are not included in the OCF but have been included in our benchmarking assessment because they are a necessary cost associated with managing all of the funds. Slater Investments has a long-standing policy of scrutinising commission rates and ensuring all trades are executed in line with our best execution policy.

After careful review of the fund manager costs data gathered, we believe the answer to the “are the funds paying a fair price for the services they receive?” question is yes, the funds are paying a fair price for the services received. The evidence shows that the costs borne by the Funds are reasonable and appropriate for their investment strategies, and when compared to other funds in the same sectors. It has been determined that the costs paid by investors for the services provided represents good value.



# ECONOMIES OF SCALE

**Our assessment considered potential savings and benefits from economies of scale which may arise due to the size of a fund or the wider economies that may be achieved by the overall size of Slater Investments as a whole, and whether these are passed on to investors in our funds.**

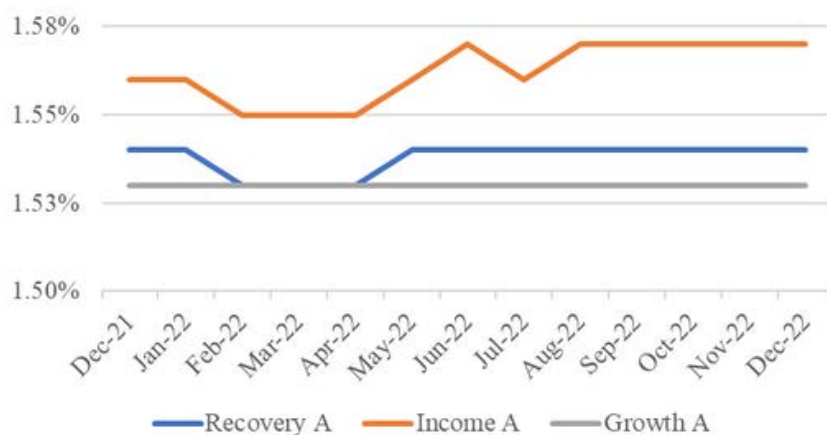
We recognise that our Fund’s strategies are capacity constrained and therefore identifying new savings is more difficult than for other investment strategies. However, we are continually looking for ways to realise economies of scale and achieve efficiencies in all of our activities.

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 ongoing charges (OCF) of the Funds (Figure 1) either remained the same or increased by 0.01%. This is shown in Slater Income (A) as the OCF increased from 1.56% in December 2021, to 1.57% in December 2022. In the case of the Slater Growth (A) and Slater Recovery (A), the OCF remained static at 1.53% and 1.54% respectively from December 2021 to December 2022.

In the case of Slater Artorius (Figure 2), during the year, the ongoing charges (OCF) of the Fund increased by 0.01% from December 2021 to December 2022.

**Slater Recovery, Income and Growth A Class 2022 OCF's - Figure 1**



**Slater Artorius 2022 OCF's -Figure 2**





# ECONOMIES OF SCALE CONCLUSION

Funds grow and shrink during a typical fund lifecycle, as well as with cyclical market changes. It is important to have a fixed management fee so that investors know now, and in the future, what they will be paying Slater Investments for its investment management expertise.

We conclude that our fixed AMC represents value for money for each Fund. Using a fixed AMC enables us to offer smaller funds to investors at a price that is comparable to a large-sized fund.

We can tell you before you invest how much the investment will cost because it will not vary as the fund grows or contracts.

The results of the Economies of Scale assessment contribute to a 'green' rating at the company level.

# 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 similar strategies to the Funds pay similar fees or even higher fees.

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.

## Comparable Market Rates

Each of the Fund's expenses 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 previously declined segregated mandates that have sought lower management fees than those paid by the Funds.

We compared each of the Fund's expenses at a Unit level against a peer group of other relevant Funds within the same Investment Association (IA) sector



# COMPARABLE AREAS CONCLUSIONS

The results of our Comparable areas assessment contribute to a 'green' rating at a company level:

## 1) Comparable Services

We concluded that the charges on our funds, including for different share classes, were reasonable and justified compared with other funds or segregated mandates with similar investment approaches and objectives.

## 2) Comparable market rates

We concluded that our fund charges are reasonable and fairly priced when compared to other, similar funds.

In summary, we conclude that the quality of service offered to our investors is good value.

# CLASSES OF UNITS

Our assessment considered the differences in charges between the share classes within the Fund, taking into consideration factors such as the types of investors in each share class and the minimum investment amount.

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 person who invests in Class A shares will typically be a retail investor.
- A person who invests in Class B shares will typically be an institutional investor
- A person who invests in Class P shares will typically be large institutional investors and platforms.

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

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 the costs related to providing these facilities are absorbed within the AMC.

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.

# CLASSES OF UNITS

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.

# CLASSES OF UNITS CONCLUSIONS

Our assessment considered the differences in charges between the share classes within the Fund, taking into consideration factors such as the types of investors in each share class and the minimum investment amount.

