

Assessment of value summary

VT AJ Bell Funds

August 2023

Version 1.0

1. Introduction

As part of the FCA’s COLL requirements, all UK Authorised Fund Managers (AFMs) are required to produce Assessments of Value of their products and services at least annually, and to publish their conclusions. Valu-Trac is the AFM for the VT AJ Bell Fund range (the ‘funds’) and is therefore responsible for producing and publishing the value assessments. The latest assessments, for the year 1 April 2022 – 31 March 2023, can be found [here](#).

Valu-Trac has used a “traffic light” system to assess against the seven criteria outlined by the FCA, summarised as follows:

Category	Cautious	Moderately Cautious	Balanced	Moderately Adventurous	Adventurous	Global Growth	Income	Income & Growth	Responsible Growth
Quality of service	●	●	●	●	●	●	●	●	●
Performance	●	●	●	●	●	●	●	●	●
AFM costs (general)	●	●	●	●	●	●	●	●	●
Economies of scale	●	●	●	●	●	●	●	●	●
Comparable market rates	●	●	●	●	●	●	●	●	●
Comparable services	●	●	●	●	●	●	●	●	●
Classes of units	●	●	●	●	●	●	●	●	●
Overall	●	●	●	●	●	●	●	●	●

Key

● Good value

● Room for improvement

● Poor value

Overall, Valu-Trac has assessed all nine funds to be delivering good value to the unitholders.

AJ Bell Asset Management is the appointed investment manager of the funds. As such, we do not produce the value assessments. However, as co-manufacturers of the funds, we have oversight and responsibility for additional factors that can impact the value delivered to customers.

The additional considerations covered in this document are:

- Target market
- Consumer understanding

This document is designed to provide a summary of Valu-Trac's assessment and additional factors AJ Bell consider important under its Consumer Duty obligations. This gives a comprehensive view of the value delivered along the distribution chain. This document is not designed to replace Valu-Trac's value assessment as AFM of the funds.

2. Summary of Valu-Trac's findings

Valu-Trac assessed the VT AJ Bell Fund range against seven factors:

- Quality of service
- Performance
- AFM costs (general)
- Economies of scale
- Comparable market rates
- Comparable services
- Classes of units

Section 2 will summarise their findings against each of these criteria.

2.1 Quality of service

Valu-Trac assessed the funds in terms of the quality of service delivered. This focused on the services Valu-Trac provide for the ongoing management and administration of the funds, including fund administration, fund accounting and transfer agency. It also includes services that Valu-Trac outsource, such as investment management (to AJ Bell), depository service, custodian services and external audit.

Overall Valu-Trac assessed that all funds in the range delivered good value in relation to quality of service.

2.2 Performance

The performance of each fund must be reviewed as part of the value assessment process. Valu-Trac has analysed the change in fund value over complete 12-month periods and the total change in fund value over five years (or since inception where not available). The only fund within the range to have a target benchmark for this datapoint is the VT AJ Bell Income & Growth Fund. This fund states in its objective that it aims to achieve capital growth in line with the Consumer Price Index (CPI) and therefore CPI has been used as a benchmark.

Net Accumulation

Fund	1 Year to Mar-2023	1 Year to Mar-2022	1 Year to Mar-2021	1 Year to Mar-2020	1 Year to Mar-2019	5 Years to Mar-2023
VT AJ Bell Cautious Fund	-5.1%	0.8%	7.6%	-2.7%	2.5%	2.5%
VT AJ Bell Moderately Cautious Fund	-5.1%	2.5%	13.4%	-4.3%	3.2%	9.2%
VT AJ Bell Balanced Fund	-3.0%	5.1%	18.9%	-5.5%	4.5%	20.6%
VT AJ Bell Moderately Adventurous Fund	-3.0%	7.5%	24.2%	-8.5%	4.9%	25.3%
VT AJ Bell Adventurous Fund	-2.1%	9.8%	29.4%	-9.3%	5.6%	34.5%
VT AJ Bell Global Growth Fund	-2.5%	9.3%	36.8%	-12.3%	-3.1%	25.2%
VT AJ Bell Income Fund	-5.8%	4.6%	11.4%	-	-	-0.7%*
VT AJ Bell Responsible Growth Fund	-5.0%	6.7%	-	-	-	7.3%*

*Since inception as five years of data is unavailable

Net Income

Fund	1 Year to Mar-2023	1 Year to Mar-2022	1 Year to Mar-2021	1 Year to Mar-2020	1 Year to Mar-2019	5 Years to Mar-2023
VT AJ Bell Moderately Cautious Fund	-5.2%	-1.1%	-	-	-	-6.3%*
VT AJ Bell Income Fund	-5.7%	4.5%	11.3%	-	-	-0.5%*
VT AJ Bell Responsible Growth Fund	-5.1%	6.7%	-	-	-	7.4%*

*Since inception as five years of data is unavailable

VT AJ Bell Income & Growth Fund

Fund	1 Year to Mar-2023	1 Year to Mar-2022	1 Year to Mar-2021	1 Year to Mar-2020	1 Year to Mar-2019	Inception to Mar-2023
Benchmark*	10.1%	7.0%	0.7%	-	-	20.4%
Net Accumulation	-4.1%	4.9%	24.5%	-	-	-0.5%
Net Income	-4.1%	4.9%	24.0%	-	-	-0.8%

*Consumer Price Index (CPI)

Valu-Trac has also assessed the net total return of each fund over one, three and five years against a benchmark. However, as the portfolios are multi-asset in nature, there is no single financial instrument or index that represents a fair benchmark. To give context of the peer group and enable an objective assessment of performance, Valu-Trac chose to use the IA Sectors as a comparator for this datapoint. The IA Sectors provide the median performance of funds with similar characteristics (return and/or risk objectives) to the AJ Bell Funds:

VT AJ Bell Fund	IA Sector
VT AJ Bell Cautious	IA Mixed Investment 0-35% Shares
VT AJ Bell Moderately Cautious	IA Mixed Investment 20-60% Shares
VT AJ Bell Balanced	IA Mixed Investment 40-85% Shares
VT AJ Bell Moderately Adventurous	IA Mixed Investment 40-85% Shares
VT AJ Bell Adventurous	IA Flexible Investment
VT AJ Bell Global Growth	IA Flexible Investment
VT AJ Bell Responsible Growth	IA Flexible Investment
VT AJ Bell Income	IA Mixed Investment 20-60% Shares
VT AJ Bell Income & Growth	IA Mixed Investment 20-60% Shares

It is worth noting that AJ Bell uses the IA Mixed Investment 40-85% Shares Sector as a comparator for the Income Fund, and the IA Flexible Investment Sector as a comparator for the Income & Growth Fund. Therefore, literature produced by AJ Bell will differ in its comparator assessments with Valu-Trac's Assessment of Value.

Net Accumulation

Fund / IA Sector	1 Year	3 Years	5 Years	5 Years Peer Rank
VT AJ Bell Cautious Fund	-3.2%	2.7%	2.4%	Highest 10%
IA Mixed Investment 0- 35% Shares	-5.8%	1.9%	0.9%	-
VT AJ Bell Moderately Cautious Fund	-3.0%	5.2%	3.7%	Highest 10%
IA Mixed Investment 20- 60% Shares	-5.0%	5.1%	2.1%	-
VT AJ Bell Balanced Fund	-0.8%	8.7%	5.8%	Highest 20%
IA Mixed Investment 40- 85% Shares	-4.6%	8.3%	4.1%	-
VT AJ Bell Moderately Adventurous Fund	-0.9%	11.0%	6.5%	Highest 13%
IA Mixed Investment 40- 85% Shares	-4.6%	8.3%	4.1%	-
VT AJ Bell Adventurous Fund	0.1%	13.7%	7.9%	Highest 6%
IA Flexible Investment	-4.0%	9.3%	4.4%	-
VT AJ Bell Global Growth Fund	-0.4%	15.3%	6.5%*	Highest 7%*
IA Flexible Investment	-4.0%	9.3%	3.4%*	-
VT AJ Bell Income Fund	-2.4%	6.6%	3.4%*	Highest 14%*
IA Flexible Investment	-5.0%	5.1%	1.6%*	-
VT AJ Bell Income & Growth Fund	-0.3%	11.6%	3.5%*	Highest 14%*
IA Flexible Investment	-5.0%	5.1%	1.6%*	-
VT AJ Bell Responsible Growth Fund	-4.2%	-	3.6%*	Highest 39%*
IA Flexible Investment	-4.0%	-	2.7%*	-

*Since inception as five years of data is unavailable

Net Income

Fund / IA Sector	1 Year	3 Years	5 Years	5 Years Peer Rank
VT AJ Bell Moderately Cautious Fund	-3.0%	-	-	-
IA Mixed Investment 20- 60% Shares	-5.0%	5.1%	2.1%	-
VT AJ Bell Income Fund	-2.7%	6.5%	3.3%*	Highest 15%*
IA Flexible Investment	-5.0%	5.1%	1.6%*	-
VT AJ Bell Income & Growth Fund	-0.3%	11.6%	3.5%*	Highest 13%*
IA Flexible Investment	-5.0%	5.1%	1.6%*	-
VT AJ Bell Responsible Growth Fund	-4.2%	-	3.7%*	Highest 37%*
IA Flexible Investment	-4.0%	-	2.7%*	-

*Since inception as five years of data is unavailable

The income funds have an additional objective to generate a yield of 3-5% per annum over a trailing three-year period. Valu-Trac has therefore analysed the yield generated by each share class over discrete years since inception:

Net Accumulation

Fund	1 Year to Mar-2023	1 Year to Mar-2022	1 Year to Mar-2021	3 Years to Mar-2023
VT AJ Bell Income Fund	3.9%	3.2%	3.6%	3.7%
VT AJ Bell Income & Growth Fund	4.3%	3.7%	3.7%	3.6%*

*Since inception as five years of data is unavailable

Net Income

Fund	1 Year to Mar-2023	1 Year to Mar-2022	1 Year to Mar-2021	3 Years to Mar-2023
VT AJ Bell Income Fund	3.5%	3.2%	3.5%	3.5%
VT AJ Bell Income & Growth Fund	3.8%	3.7%	3.8%	3.4%*

*Since inception as five years of data is unavailable

Valu-Trac has rated all funds ‘green’ with respect to performance, with the exception of the VT AJ Bell Income & Growth Fund. This fund has been rated ‘amber’ because the Income & Growth Fund seeks to achieve capital growth in line with the Consumer Price Index (CPI), however the change in fund value has been less than the rate of CPI. Valu-Trac has therefore concluded that the fund has not been able to fully meet its objective over the time period.

However, it is worth noting that CPI has reached levels that have not been seen in over 40 years. The fund has also outperformed its IA Sector comparator benchmark, and successfully generated the target yield. Valu-Trac has also assessed that the level of investment risk taken in the fund is appropriate. Overall, Valu-Trac has assessed that the Income & Growth Fund has delivered reasonable value to unitholders and have suggested that AJ Bell review the use of CPI in the objective of the fund.

2.3 AFM costs (general)

The Annual Management Charge (AMC) of each fund has been considered as part of Valu-Trac’s assessment. The AMC includes the Investment Management fee, Authorised Corporate Director (ACD) fee and other ancillary fees.

The AMC of each share class alongside the peer group is shown in the following table:

Fund Name	Fund AMC	Peer Group AMC
VT AJ Bell Cautious	0.18%	0.74%
VT AJ Bell Moderately Cautious	0.18%	0.85%
VT AJ Bell Balanced	0.17%	0.77%
VT AJ Bell Moderately Adventurous	0.17%	0.77%
VT AJ Bell Adventurous	0.17%	0.88%
VT AJ Bell Global Growth	0.17%	0.88%
VT AJ Bell Income	0.25%	0.85%
VT AJ Bell Income & Growth	0.39%	0.85%
VT AJ Bell Responsible Growth	0.17%	0.88%

Valu-Trac concluded that the unitholders of all portfolios were receiving value in terms of the AFM costs.

We have also assessed the additional cost AJ Bell incurs as the investment manager and co-manufacturer of the funds. We believe these costs to be reasonable and we will continue to pass on cost savings to our customers where possible.

2.4 Economies of scale

Valu-Trac sets a threshold of £250 million Assets Under Management (AUM) as the point at which economies of scale can be passed onto investors. Out of the nine VT AJ Bell Funds, three funds had more than £250 million AUM at the end of the review period. It was concluded that the fee structure of these funds supports the delivery of economies of scale to unitholders.

Of the remaining six funds with less than £250 million AUM, Valu-Trac noted that the fee structure is comparable to that of larger funds with similar objectives, which indicates the fees are already representative of a much larger fund.

Valu-Trac therefore concluded that all nine funds deliver value in relation to economies of scale.

2.5 Comparable market rates

Valu-Trac has compared the Ongoing Charge Figures (OCF) of the funds with an average OCF of the peer group. The OCF reflects the annual charge paid by customers for holding the fund. This charge is fixed at 0.31% for the growth funds, 0.65% for the income funds and 0.45% for the responsible fund.

VT AJ Bell Fund	Fund OCF (%)	Peer Group OCF (%)
VT AJ Bell Cautious Fund	0.31%	1.01%
VT AJ Bell Moderately Cautious Fund	0.31%	1.14%
VT AJ Bell Balanced Fund	0.31%	1.10%
VT AJ Bell Moderately Adventurous Fund	0.31%	1.10%
VT AJ Bell Adventurous Fund	0.31%	1.25%
VT AJ Bell Global Growth Fund	0.31%	1.25%
VT AJ Bell Income Fund	0.65%	1.14%
VT AJ Bell Income & Growth Fund	0.65%	1.14%
VT AJ Bell Responsible Growth Fund	0.45%	1.25%

Valu-Trac concluded that unitholders in all VT AJ Bell Funds are paying a lower OCF than the market average for the respective peer groups.

2.6 Comparable services

Valu-Trac has looked at the VT AJ Bell Funds holistically and compared similar funds within the range to each other, to ensure there are no outliers in terms of price or service. They found that the six growth funds and two income funds all delivered similar services and had consistent pricing within their groups. The Responsible Growth Fund is the only fund with an ESG overlay, however Valu-Trac concluded its pricing and services were consistent when compared to the rest of the range, given its additional responsible mandate.

Valu-Trac rated all nine funds as 'green' in terms of comparable services.

2.7 Classes of units

Valu-Trac has assessed each share class on its consistency of service and equal treatment of shareholders within each fund. All funds within the VT AJ Bell Fund range only have one share class. Some of the funds have an accumulation and income variant within one share class, however this does not impact this assessment.

It has been concluded that all unitholders receive value in terms of the classes of units.

2.8 Summary of Valu-Trac's assessment

To summarise Valu-Trac's 2023 Assessment of Value for the VT AJ Bell Fund range, eight of the funds were concluded to deliver value to unitholders across all factors. The Income & Growth Fund was found to deliver value across all factors, with the exception of performance. This was due to the fund failing to generate capital growth in line with UK Consumer Price Index (UK CPI) since inception, as per its objective. As a result, Valu-Trac has recommended AJ Bell consider an alternate benchmark for the assessment of the capital growth within the fund. The fund still attained a green rating overall.

3. Additional considerations

Under the Consumer Duty all parties within the distribution chain of an investment product or service are responsible for ensuring fair value is delivered to unitholders. The following section outlines the additional considerations AJ Bell believes contribute to the value received by unitholders, that Valu-Trac have not, or cannot, include in their value assessment.

3.1 Target market

The target market for the AJ Bell Fund range is defined as “UK retail advised and non-advised digital investors”. We also define the negative target market as customers who are uncomfortable taking any risk, and potentially vulnerable customers who have low financial resilience or capability.

Our target market statement and vulnerable customer policy can be found on the AJ Bell [Consumer Duty Hub](#).

3.2 Consumer understanding

AJ Bell Asset Management is committed to delivering simple, transparent, jargon-free literature at all points of the investment lifecycle. We believe customers should always know where, why, and how their money is invested. The literature produced for the AJ Bell fund range includes monthly factsheets, quarterly reports, guides, videos, FAQs and articles. We also publish portfolio changes alongside rationale behind the changes. The provision of this literature is designed to enhance customer understanding for all unitholders.

4. Conclusion/mitigation

We are confident that the VT AJ Bell Fund Range has delivered value to its investors over the time period due to both the results of Valu-Trac’s assessment and our own additional analysis. Valu-Trac’s annual [Assessment of Value](#) concluded that all funds in the VT AJ Bell Fund Range have delivered overall value to unitholders. Our own analysis outlined how we are fulfilling our Consumer Duty obligations and ensuring value can be delivered to all of our customers.

Valu-Trac has recommended that AJ Bell consider an alternative benchmark for the capital growth objective of the Income & Growth Fund due to its analysis of the fund’s performance. This is the only remedial action suggested in the assessment. We have not identified any necessary action in relation to the additional factors considered by AJ Bell.

Revision history

A record should be maintained from the initial value assessment to any subsequent changes. When the document has been peer reviewed the ‘Key Changes’ section is to be updated noting alterations.

Version	Key changes	Review date and owner
V1	Initial overlay	