

# Unicorn Investment Funds Assessment of Value

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## What is an Assessment of Value Report?

The Financial Conduct Authority (FCA) requires Authorised Fund Managers (AFMs) at least annually, to conduct an assessment of value for each of the funds under its management and to take appropriate action if it determines that any are not providing good value.

The FCA have set out seven key criteria which must be considered in addressing the assessment of value:

### *Quality of Service*

The range and quality of services provided to shareholders

### *Performance*

The performance of the scheme, after deduction of all payments out of scheme property as set out in the Prospectus.

Performance should be considered over an appropriate timescale, having regard to the scheme's Investment objectives, policy and strategy.

### *AFM Costs - General*

In relation to each charge, the cost of providing the service to which the charge relates, and when money is paid directly to associates or external parties, the cost is the amount paid to that person.

### *Economies of Scale*

Whether the AFM is able to achieve savings and benefits from economies of scale, relating to the direct and indirect costs of managing the scheme property and taking into account the value of the scheme property and whether it has grown or contracted in size as a result of the sale and redemption of units

### *Comparable Market Rates*

In relation to each service, the market rate for any comparable service provided:

by the AFM; or

to the AFM or on its behalf including by a person to which any aspect of the scheme's management has been delegated.

### *Comparable Services*

In relation to each separate charge, the AFM's charges and those of its associates for comparable services provided to clients, including for institutional mandates of a comparable size and having similar investment objectives and policies;

### *Classes of Shares*

Whether it is appropriate for shareholders to hold units in classes subject to higher charges than those applying to other classes of the same scheme with substantially similar rights.

### *1. Quality of Service*

The Board assessed the services provided to shareholders by the funds, both directly by Unicorn or indirectly through third parties.

The Board reviewed the qualifications, ability and experience of the fund managers and their supporting staff. It noted that the fund management team had been provided with appropriate tools to enable detailed and meaningful analysis of fund characteristics, performance and risk. It also noted that the risk and compliance function also had access to a number of tools enabling it to monitor risk and performance.

The Board is responsible for the appointment of the Auditor, Grant Thornton. The appointment is reviewed annually.

The Board reviewed the services provided to shareholders by the custodian and the depositary

- The Depositary, HSBC, is responsible for the safekeeping of the assets of the Fund, for the monitoring of cash flows, and for the appointment and oversight of the Custodian which is responsible for the safekeeping of the assets of the fund in physical or electronic form in the markets in which the fund invests. The Custodian is also responsible for the collection of income and dividends on behalf of the Fund, the processing of corporate actions and the reclaim of tax under any applicable double taxation treaties.
- The services of the Depositary and Custodian are subject to a defined Service Level Agreement and Key Performance Indicators which are used by the Board to assess the quality and performance of the Depositary and Custodian.

Whilst not charged directly to shareholders, the Board also considered the quality of services provided on its behalf by the fund administrator. The services of the fund administrator are subject to a detailed service level agreement, with key performance indicators, which is regularly reviewed. The quality and performance of the fund administrator was assessed as good.

The Board have concluded the overall range and quality of services to shareholders is good.

### *2. Performance*

The Board assessed whether each fund was managed in line with its investment objectives, policies and strategies, as well as its adherence to any investment restrictions. Its performance was measured against other funds included in its Investment Association Sector over five years; the recommended minimum holding period for investors in the funds.

The assessments also took account of other factors, including general market conditions, and the cash flows into and out of the fund. For each fund, the Board measured the performance of the most widely held shares available to retail investors, whether directly or through a platform.

The Board reviewed the records of regular portfolio review meetings and discussed performance, attribution analysis and portfolio management with the fund managers. In addition the risk officer, director of operations and compliance officer regularly challenge the fund managers about the reasons for any underperformance or outperformance at monthly Portfolio Review Committee meetings. The Board found that the funds were managed effectively, in line with their investment objectives and policies, and that they were considered to be meeting their overall performance objectives over the appropriate timescale.

However, the Board observed that, during the year, the firm had implemented plans designed to rectify the relative underperformance of the Outstanding British Companies Fund, which had underperformed during the COVID-19 pandemic. Among other measures, a joint manager was appointed to the fund in order to directly increase the resources devoted to managing the fund and to widen the authority for investment decision-making. Overall, the Board is satisfied that the firm has adequate controls in place to tackle challenges to fund performance as they arise, as demonstrated by the actions taken and reported to the Board during the year.

### *3. AFM Costs*

The Board assessed all costs included within the ongoing charges figure. It noted that the most significant element for each fund was the annual management charge, which is a fixed percentage of the value of the fund, charged on a daily basis. The next most significant cost was the depositary's fee, which is also charged as a fixed percentage. Other costs, including audit fees, printing costs were reviewed and considered reasonable. They were also generally of a small amount and formed a small proportion of the ongoing charges. The Board noted that the firm bore the administration and research costs of the funds providing significant savings to the shareholders.

The Board believe that the costs incurred by the funds are reasonable, justifiable and compare favourably to the costs of the actively managed peer group.

### *4. Economies of Scale*

The Board reviewed each strategy to determine if there was evidence that existing or potential economies of scale were not being passed on to shareholders, taking into account the size of the funds and whether they were growing or contracting.

The Board noted that costs incurred by the funds were largely based on the net asset value of the fund and that the overall rate of charging did not change, to a significant degree, as a result of a change in the size of the fund. It was further noted as positive that the total expense ratio for the Unicorn UK Ethical Income fund had been capped at a level equal to that of the Unicorn UK Income fund, with any excess borne by the AFM.

The Board did not identify any economies of scale, which were not being passed on to shareholders, but will continue to monitor the funds.

#### *5. Comparable Market Rates*

Costs charged to Unicorn funds include, the AFM's annual management charge, the auditor's fees, the depositary and custody fees.

A comparison of these costs relative to similar funds available in the market was conducted.

The annual management charges were compared to other active funds with a similar risk profile. The Board considered that the charge for the institutional shares classes, which are available to private investors through platforms, were in line with those levied on other funds with similar profiles.

The Depositary and Custody fees are regularly reviewed by the ACD against comparable market rates for a professional Depositary for hire providing comparable services, taking into account the complexity and risk profile of the Funds.

The Depositary and Custody fees are clearly set out in the scheme documentation and are tiered based on the overall value of the Fund to reflect economies of scale. All investors in the Fund share equally in these economies of scale across all classes of units.

The audit fees are reviewed annually by the ACD against comparable market rates for a professional fund auditor providing comparable services, taking into account the complexity and risk profile of the Funds.

The administration fees, including fund accounting, transfer agency and registrars' fees, charged by the Fund Administrator are borne by Unicorn and not recharged to the funds.

The research costs incurred by the firm are also borne by Unicorn and not recharged to the funds.

Overall, the Board concluded that the costs of the funds were reasonable and justified.

#### *6. Comparable Services*

The Board observed that the firm did not, currently, provide similar services to clients against which to compare quality and cost of services.

#### *7. Classes of Shares*

The Board reviewed the charging structure for the share classes.

The Board noted that the annual management charge levied on the retail and overseas share classes was higher than for the institutional share classes. The majority of shareholders of the retail share classes were either invested through a platform with a rebate bringing the effective cost to the same level as for the cheaper institutional class or

had received historical financial advice and were facilitating rebates to their financial advisors.

The remainder were smaller shareholders whose paper based holdings generated a greater administrative burden on the firm. It concluded that the higher charges were reasonable given that investors were free to sell and reinvest through a platform.

#### *8. Conclusion*

The Board considered all factors it believed to be relevant, including the nature, extent and quality of the services provided to the funds and investors, the investment performance of the funds, how competitive the funds are when compared with similar funds, the total costs of the services provided by us, the profits we make from the funds, and the extent of economies of scale, if any exist, and whether they are shared with investors.

The conclusion of the value assessment is the majority of funds have delivered value. Where fund performance or costs have not met our targeted ranges action has been taken.

The Board approved the findings in this report, which consider the costs of the funds are justified when considered against the overall value the funds offer to investors.

Unicorn UK Income Fund

The objective of the fund is to provide an income by investing in UK Companies. The recommended minimum period for investing in the fund is five years. The Fund may also invest in smaller companies including AIM companies which can carry greater risk than is typically associated with large capitalisation companies.

Performance	Total return - 5 years to 31/12/21	OCF -%	Yield -%
Unicorn UK Income Fund	36.8	0.81	3.6
IA UK Equity Income Sector	26.4	0.82	3.5

*Conclusion*

The performance of the fund was found to have exceeded the average of the Investment Association Sector (IA UK Equity Income) over the long term. It is placed in the top quartile of the sector over five years.

The ongoing charges were found to be lower than for the median fund in the sector.

The fund has provided an income to shareholders meeting its stated objective.

*Actions Taken as a Consequence*

No action to be taken. The ACD will monitor performance and costs on an ongoing basis.

Unicorn UK Ethical Income Fund

The objective of the fund is to provide an income by investing in UK Companies. The recommended minimum period for investing in the fund is five years. The Fund may also invest in smaller companies including AIM companies which can carry greater risk than is typically associated with large capitalisation companies.

	Total return - 5 years to 31/12/21 - %	OCF -%	Yield
Unicorn UK Ethical Income Fund	31.1	0.81	3.7
IA UK Equity Income Sector	26.4	0.82	3.5

*Conclusion*

The performance of the fund was found to have exceeded the average of the Investment Association (IA UK Equity Income Sector) over the long term. It is placed in the second quartile of funds in the sector, over five years.

The ongoing charges were found to be lower than for the median fund in the sector.

The fund has provided an income to shareholders meeting its stated objective.

*Actions Taken as a Consequence*

No action to be taken. The ACD will monitor performance and costs on an ongoing basis.

### Unicorn Outstanding British Companies Fund

The objective of the fund is to achieve long-term capital growth by investing in a portfolio of outstanding British companies by taking a long term view of not less than five years. At least 80% of the companies that the Fund invests into will be British companies. The Fund can also invest into companies that are not otherwise British companies but are listed on stock exchanges in the UK. The Fund may also invest in smaller companies, including companies quoted on AIM.

Performance	Total return - 5 years to 31/12/21 - %	OCF -%
Unicorn Outstanding British Companies Fund	24.5	0.82
IA UK All Companies Sector	36.4	0.82

#### Conclusion

The objective of delivering long term growth has been met, and the fund was found to have outperformed the peer group over the long term. However, the performance of the fund was found not to have matched the average of the Investment Association (IA UK All Companies Sector) over the most recent five year period.

The ongoing charges were found to be equal to the median of the sector.

#### Actions Taken as a Consequence

Among other measures, a joint manager was appointed to the fund in order to directly increase the resources devoted to managing the fund and to widen the authority for investment decision-making.

The ACD will continue to monitor performance closely alongside costs.

Unicorn UK Growth Fund

The objective of the fund to achieve long-term capital growth through investment in a portfolio of UK Companies. The recommended minimum period for investing in the fund is five years. The Fund may also invest in smaller companies including AIM companies, which can carry greater risk than is typically associated with large capitalisation companies.

	Total return - 5 years to 31/12/21 - %	OCF -%
Unicorn UK Growth Fund	75.1	0.82
IA UK All Companies Sector	36.4	0.82

*Conclusion*

The performance of the fund was found to have exceed the average of the Investment Association (IA UK Equity Income Sector) over the long term. It is placed in the top quartile of funds in the sector over five years.

The ongoing charges were found to be in line with the median fund in the sector.

The fund has provided capital growth for shareholders meeting its stated objective.

*Actions Taken as a Consequence*

No action to be taken. The ACD will monitor performance and costs on an ongoing basis.

Unicorn Mastertrust Fund

The objective of the fund is to achieve long term capital growth by primarily investing in a range of listed investment companies. The recommended minimum period for investing in the fund is five years.

	Total return - 5 years to 31/12/21 - %	OCF -%
Unicorn Mastertrust Fund	66.7	0.83
IA Flexible Investment Sector	42.5	1.11

*Conclusion*

The performance of the fund was found to have exceeded the average of the Investment Association Flexible Investment sector over the long term. It is placed in the top quartile of funds in the sector over five years.

The ongoing charges were found to be lower than for the median fund in the sector.

The fund has provided capital growth for shareholders meeting its stated objective.

*Actions Taken as a Consequence*

No action to be taken. The ACD will monitor performance and costs on an ongoing basis.

Unicorn UK Smaller Companies Fund

The Unicorn UK Smaller Companies Fund aims to achieve long term capital growth by investing primarily in UK companies included within the UK Numis Smaller Companies plus AIM Index

	Total return - 5 years to 31/12/21 - %	OCF -%
Unicorn UK Smaller Companies Fund	65.9	0.87
IA UK Smaller Companies Sector	84.2	0.89
Numis UK Smaller Companies plus AIM index	57.8	

*Conclusion*

The objective of delivering long term capital growth has been met, and the fund has been found to have outperformed its stated benchmark the Numis UK Smaller Companies plus AIM index. However, the performance of the fund was found to have not matched the average of the Investment Association UK Smaller Companies sector over some time periods. It is placed in the bottom quartile of funds in the sector over five years.

The ongoing charges were found to be lower than for the median fund in the sector.

The fund has provided capital growth for shareholders meeting its stated objective.

*Actions Taken as a Consequence*

The ACD will continue to monitor performance closely alongside costs.