

# MI Brompton UK Recovery Unit Trust

## Value Assessment 2024

Reporting End Period 30th June 2024



## Introduction to the ACD Assessment of Value

The ACD is required to provide an annual statement for the Company attesting that; in the opinion of the ACD; "The costs of associated services provided to the Company under the appointment or oversight of the ACD and any other fees chargeable to the scheme property, represent value for money taking into account the criteria as set out by the Regulator under COLL 6.6.20R".

## Value Assessment Criteria

### AFM Costs

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.

(It should be noted that the fees charged to the Fund by or on behalf of Apex Fundrock Limited acting in its capacity as the Authorised Fund Manager, are "unbundled" and set out separately in the scheme Prospectus. Together these fees make up the "AFM Costs".

The ACD has examined each of the component costs that make up the overall AFM Costs of the highest fee bearing invested share class and has applied the following criteria as set out by the FCA in the Regulations).

### 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.



## Economies of Scale

Whether the ACD 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 ACD; or

to the ACD 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.



## AFM Costs - Fees & Services Chargeable to the Fund

### Fees and Services of the Authorised Corporate Director

- Apex Fundrock Ltd is the FCA Authorised Corporate Director of the Fund (ACD) responsible for the set-up, management, and wind-up of the Fund under the Regulations.
- The ACD is responsible for ensuring that all aspects of the Fund are appropriately and properly managed and for the oversight of any and all third parties delegated by the ACD to provide services to the Fund.
- The services of the ACD are subject to a tightly defined Service Level Agreement and Key Performance Indicators which are used to assess the quality and performance of the ACD.
- The ACD fees are regularly reviewed against comparable market rates for a professional ACD for hire providing comparable services taking into account the complexity and risk profile of the Funds.
- The ACD's fees are clearly set out in the scheme documentation and are tiered based on the overall value of the Funds to reflect economies of scale. All investors in the Fund share equally in these economies of scale across all classes of units.

The Assessment of Value in respect of the services rendered to the Fund by the ACD is as follows:

|                          |  |
|--------------------------|--|
| Quality of Service:      | Good                                       |
| Performance (of Duties): | Good                                       |
| Cost Of Service:         | Competitive                                |
| Economies of Scale:      | Good Value – All Investors Benefit Equally |
| Comparable Market Rates: | Competitive                                |
| Comparable Services:     | Competitive                                |
| Classes of Units:        | Competitive                                |

## AFM Costs - Fees & Services Chargeable to the Fund (continued)

### Fees and Services of the Fund Administrator

- The Fund Administrator, Apex Fundrock Ltd is responsible for the administration and record-keeping of the Fund including, but not limited to, the calculation of the daily Net Asset Valuation; the preparation of the Annual Report and Accounts and Interim Financial Statements; the maintenance of the Shareholder Register; the administration of Investor Subscription and Redemptions and the provision of an on-line and telephone enquiry service for investors and their advisers.
- The services of the Fund Administrator are subject to a tightly defined Service Level Agreement and Key Performance Indicators which are used to assess the quality and performance of the ACD.
- The Fund Administration fees are regularly reviewed by the ACD against comparable market rates for a professional Fund administrator for hire providing comparable services, taking into account the complexity and risk profile of the Funds.
- The Fund Administration 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 ACD's Assessment of Value in respect of the Fund Administration services rendered to the Fund is as follows:

|                          |  |
|--------------------------|--|
| Quality of Service:      | Good                                       |
| Performance (of Duties): | Good                                       |
| Cost Of Service:         | Competitive                                |
| Economies of Scale:      | Good Value – All Investors Benefit Equally |
| Comparable Market Rates: | Competitive                                |
| Comparable Services:     | Competitive                                |
| Classes of Units:        | Competitive                                |

## AFM Costs - Fees & Services Chargeable to the Fund (continued)

### Fees and Services of the Depositary and Custodian

- The Depositary, Northern Trust Investor Services Limited, 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 who 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 on behalf of the Fund for the collection of income and dividends, 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 tightly defined Service Level Agreement and Key Performance Indicators which are used by the ACD to assess the quality and performance of the Depositary and Custodian.
- 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 ACD's Assessment of Value in respect of the services rendered to the Fund by the Depositary and Custodian is as follows:

|                          |  |
|--------------------------|--|
| Quality of Service:      | Good                                       |
| Performance (of Duties): | Good                                       |
| Cost Of Service:         | Competitive                                |
| Economies of Scale:      | Good Value – All Investors Benefit Equally |
| Comparable Market Rates: | Competitive                                |
| Comparable Services:     | Competitive                                |
| Classes of Units:        | Competitive                                |



## AFM Costs - Fees & Services Chargeable to the Fund (continued)

### Fees and Services of the Auditor

- The Fund Auditor Grant Thornton UK LLP, is appointed by the ACD.
- The appointment of the Auditor is reviewed annually.
- The Auditor fees are reviewed annually by the ACD against comparable market rates for a professional Fund Auditor for hire providing comparable services, taking into account the complexity and risk profile of the Funds.
- The Auditor fees are clearly set out in the scheme documentation and are provided to the Fund as part of an overall contract to provide Auditor services to this Fund and other schemes under the management of the ACD, enabling Fund investors to take advantage from the overall economies of scale so afforded, irrespective of share class.

The ACD's Assessment of Value in respect of Auditor services rendered to the Fund is as follows:

|                          |  |
|--------------------------|--|
| Quality of Service:      | Good                                       |
| Performance (of Duties): | Good                                       |
| Cost Of Service:         | Competitive                                |
| Economies of Scale:      | Good Value – All Investors Benefit Equally |
| Comparable Market Rates: | Competitive                                |
| Comparable Services:     | Competitive                                |
| Classes of Units:        | Competitive                                |



## Fees and Services of the Investment Manager

- The Investment Management function is delegated by the ACD to Brompton Asset Management LLP, an FCA authorised professional investment management firm.
- The Investment Manager is responsible for the management and investment of the assets within the Fund in accordance with the Investment Objective and Policy as set out in the scheme documentation.
- The Investment Manager provides an active investment management service consistent with the Investment Policy and Objectives set out within the scheme documentation.
- The ACD reviews the services of the Investment Manager, including detailed due diligence of their policies, processes, procedures, and controls on an on-going basis.
- The fees of the Investment Manager represent the largest cost to the Company, are clearly set out within the scheme documentation and are consistent with the market rates for other professional investment managers for hire providing comparable services for similar Fund types.
- The investment management fees vary by share class reflecting the size of the minimum investment into that share class, with the objective of providing economies of scale for larger investors. It is the opinion of the ACD that smaller investors benefit significantly from the economies of scale that accrue to the Fund based on the scale of investment provided by institutional investors and that Fund costs are proportionately reduced for all investors due to the high value of institutional investment in the Fund and that lower fee-paying share classes for larger investors are appropriate and fully justified.

In relation to the general services provided by the Investment Manager the ACD has made the following assessment:

|                          |  |
|--------------------------|--|
| Quality of Service:      | Good                                       |
| Performance (of Duties): | Good                                       |
| Cost Of Service:         | Good                                       |
| Economies of Scale:      | Good Value – All Investors Benefit Equally |
| Comparable Market Rates: | Good                                       |
| Comparable Services:     | Good                                       |
| Classes of Units:        | Good                                       |



## Fund Performance

### Overview of the criteria used to assess Value regarding Fund Performance

- One of the key challenges for the ACD in making an overall assessment of value which considers performance is the fact that the quantum of performance, positive or negative, is likely to significantly outweigh the percentage costs of the services provided to the Funds described in this Value Assessment.
- To provide an objective measure of performance and value the ACD has adopted the following methodology. The performance of the Fund has been assessed based on the Fund's position within its elected Investment Association Fund sector over 1, 3, 5 and 10 years if applicable.
- Funds that are in the top 50th percentile of their chosen sector would typically be rated as "Good" value; Funds in the 50th-75th quartile as "Fair" value, and Funds that are in the lower quartile as "Poor" value. However, the ACD will also take into account whether or not the Fund has met its stated investment objectives, such as performance against CPI or other comparator irrespective of its sector ranking.
- Funds that have met their stated Investment Objectives, where the objective is empirical and measurable will be assessed as being "Good Value" regardless of sector ranking.
- Fund performance is assessed after the deduction of all charges and is based on the highest charging invested share class.
- The ACD has included information relating to the Investment Objective and Policy of the Fund, the Fund's past performance and the Fund's risk profile, for the highest charging invested share class.



# MI Brompton UK Recovery Unit Trust

## Sub-Fund Overall Value Assessment score 30th June 2024

The ACD has produced an overall assessment of value for the sub-fund taking into account the value provided across all the services that underpin the management and operation of the sub-fund, using the criteria set out in the Regulations and described in this document. The performance of the sub-fund is a significant factor in the derivation of this assessment. However, while the assessment of value is not solely driven by performance, funds that are consistently poor performers over time when compared against funds with a similar investment outlook, are likely to be graded as "poor value".

Fair Value

## Sub-Fund Performance 30<sup>th</sup> June 2024

Over the last 12 months the MI Brompton UK Recovery Trust performed inline with the median fund in the IA UK All Companies sector and outperformed the FTSE All Share index. Over three and five years the Fund has underperformed the IA UK All Companies sector and in both periods the Fund was in the third quartile. The principal reason for the Fund's underperformance over three and five years is because of its larger than average exposure to small and mid-cap stocks. It is also worth pointing out that recovery/cyclical companies (where the Fund is heavily weighted) traditionally underperform in periods of high and rising interest rates as was the case in 2022 and 2023.

Taking all the above into consideration the ACD's Assessment of Value in respect of the Investment Management services rendered to the Fund is as follows:

|         |      |
|---------|------|
| 1 Year  | Good |
| 3 Years | Fair |
| 5 Years | Fair |

***Investors should recognise that the Fund is actively managed and is SRRI risk rated 6 and that short-term market volatility can affect the performance over all time periods positively or negatively. Every fund will have periods of weak performance, and this should also be considered when investing in any fund.***

The Investment Manager has made the following commentary in respect of the performance of the Fund:

### Performance

*The fund gained 12.16% \* over the year to 30 June 2024, matching the return from the UK stockmarket, while cash as measured by the three-month UK Interbank Rate returned 5.50%. At the year end, the gain from the fund's July 2002 inception was 398.50%. Over the same period, the UK stockmarket returned 354.21% while cash returned 62.89%.*

*\*Source: Thomson Reuters, NAV to NAV, A Units Accumulation, total return to 30.06.24.*

### Manager's review

*There were two principal reasons why the UK stockmarket delivered positive returns during the year to 30 June 2024. The first was that global economic conditions proved stronger than many economists had feared in early 2023, with US economic growth showing particular strength. The second reason was a growing confidence that official interest rates had peaked and that central banks would begin to ease monetary*

policy in 2024. This optimism was the product of significant falls in inflation across the developed world. The figures for May 2024 showed headline inflation at 3.3%, 2.6% and 2% respectively from the US, the eurozone and the UK.

Shares retreated, however, in the closing weeks of the year under review as investors grew more pessimistic about early rate cuts by the Federal Reserve (Fed). There had been hopes in early 2024 that the Fed would ease its policy rate as early as June and that there would be three cuts by the end of the year. In June, however, hopes of the first cut had been put back to September and Fed officials were guiding investors to expect only one cut in 2024. In the UK, investors in June were expecting the Bank of England to begin cutting Bank Rate later in the summer. The European Central Bank moved ahead of its peers, easing monetary policy in June, but raised its eurozone inflation forecast, implying that further rate cuts would come more slowly than investors had previously expected.

There were minor divergences between large internationally-diversified UK companies and medium-sized companies more reliant on domestic economic conditions, with large companies as measured by the MSCI United Kingdom Index outperforming over the year under review, up 13.16% against 12.16% for the broader market. Small and micro-cap companies, however, generated the strongest returns overall, rising 14.04%. At the sector level, the strongest returns came from the industrial, energy and technology sectors, which gained 24.10%, 18.66% and 17.83% respectively. By contrast, consumer staples fell 0.84% while utilities and consumer discretionary stocks gained only 0.08% and 8.96% respectively.

### **Portfolio review**

Within the portfolio, some of the strongest returns among large and medium-sized companies came in the basic materials, consumer, industrials and financials sectors. In basic materials, Hochschild Mining returned 151.81%. Among consumer stocks, two housebuilders, Vistry, and Redrow, the latter subject to bid activity, returned 79.11% and 58.43% respectively. The Mitchells & Butlers pubs chain rose 39.81% while the retailers Marks & Spencer and Currys, which was also subject to bid activity, returned 50.24% and 37.54% respectively. In industrials, DS Smith, a third company that faced a takeover bid, and BAE Systems returned 64.42% and 46.04% while in financials, NatWest and Lloyds Banking rose 38.86% and 32.94% respectively. The weakest large and medium-sized companies were Vanquis Banking, the subprime lender, down 71.94%, Ocado, the online retailer, down 49.14%, Dowlais, the motor component maker demerged from Melrose, down 39.72%, PZ Cussons, the personal care and toiletries business, down 36.32%, Abrdn, the fund manager, down 25.41%, and Rentokil Initial, the industrial services company, down 23.71%.

Among the portfolio's smaller stocks, Merit, a business intelligence technology company, and Johnson Service, the textile rental group, recovered 97.58% and 56.25% respectively while Rockwood Strategic, an asset manager that seeks out recovery situations among small companies, gained 32.34%. By contrast, Oxford BioMedica, a pharmaceutical services business, and N Brown, the catalogue and online retailer, fell 29.35% and 13.18% respectively.

During the year under review, the fund initiated a new position in Everyman Media, a cinema chain that should benefit from its focus on high-quality smaller venues that have an upmarket food and beverages offer and the withdrawal of financially-troubled companies from the sector. In addition, the holdings in Abrdn, Anglo American, British Land, N Brown, BT Group, Currys, Dowlais, Londonmetric, Merit, Ocado, Oxford BioMedica, PZ Cussons, Spirent Communications, Thungela Resources, Town Centre Securities, TT Electronics Property, Vanquis Banking and Vodafone were topped up on weakness. The fund took partial profits on its holdings in BAE Systems, Sage and Shell and profitably sold its holdings in Halma, Inchcape and Serica Energy.

### **Outlook**

After global economic growth surprised investors with its strength during the year under review, leading indicators in the early summer of 2024 suggested that economic conditions would deteriorate during the second half of the year. This was noticeable in the US but also in the eurozone while there were indications from Japan that monetary tightening by its central bank may reflect over-optimism about domestic economic conditions. In China, second-quarter economic growth was weaker than forecast and monetary conditions suggested further weakness to come.

In the US, a composite leading indicator measuring consumer and business sentiment, durable goods orders, the labour market, housing starts, the stockmarket and the relationship between short- and long-term bond yields had turned down. One of the main reasons was a fall in housing starts to a post-Covid low. In Japan, business confidence was waning, with exports remaining relatively soft despite the weakness of the yen. In the eurozone, business confidence levels as a whole were suffering from the political turmoil in France and nervousness among German manufacturers. In the UK, consumer confidence has improved as a result of the rapid fall in inflation to the Bank of England's 2% target yet it remains fragile, with consumer interest in big-ticket purchases dropping back after a revival in demand in 2023. Second-quarter economic growth was, once again, stronger than expected but it was narrowly based on business services, with consumer services, manufacturing, construction and property all still weak.

In such circumstances, relative performance among companies and sectors is likely to vary significantly during the second half of 2024, emphasising the importance of stock selection in generating performance.

# MI Brompton UK Recovery Unit Trust Fund Information

## Key Investor Information

This document provides you with key investor information about this fund. It is not marketing material. The information is required by law to help you understand the nature and the risks of investing in this fund. You are advised to read it so you can make an informed decision about whether to invest.



### MI Brompton UK Recovery Unit Trust ("the fund") Class A accumulation units

The fund is an authorised unit trust. ISIN: GB00B1DWY181.  
Apex Fundrock Ltd is the manager of the fund ("MI" and "MI Funds" are trading names of the manager).

#### Objectives and investment policy

The fund aims to grow your capital.

The fund will invest mainly in UK companies that are experiencing trading difficulties or that the manager considers to be undervalued.

The fund will only use derivatives (financial instruments whose value is linked to the rise and fall of other assets) and foreign exchange contracts for the purposes of efficient portfolio management, with the aim of managing risk and cost.

Any income generated will be reinvested to grow the value of your investment.

You can buy and sell units on any business day in London.

Recommendation: this fund may not be appropriate for investors who plan to withdraw their money within five years.

For full investment objectives and policy details please refer to the prospectus.

#### Risk and reward profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



- The Fund is ranked at 6 because funds of this type have experienced high rises and falls in value in the past. Please note that even the lowest risk class can lose you money and that extreme market circumstances can mean you suffer severe losses in all cases. The indicator does not take into account the following risks of investing in this fund:
- There may be cases where the company in which the fund owns shares falls into receivership due to trading difficulties. This could cause losses to the fund and reduce your investment.
- The fund invests in particular stocks which are experiencing difficulties or are undervalued. It may therefore not perform in line with funds that have a broader investment policy.
- For further risk information please see the prospectus.

# MI Brompton UK Recovery Unit Trust

## Fund Information



### Charges

The charges you pay are used to pay the costs of running the Fund, including the costs of marketing and distributing it. These charges reduce the potential growth of your investment.

| One-off charges taken before or after you invest |        |
|--|--------|
| Entry charge                                     | 10.00% |
| Exit charge                                      | 0.00%  |

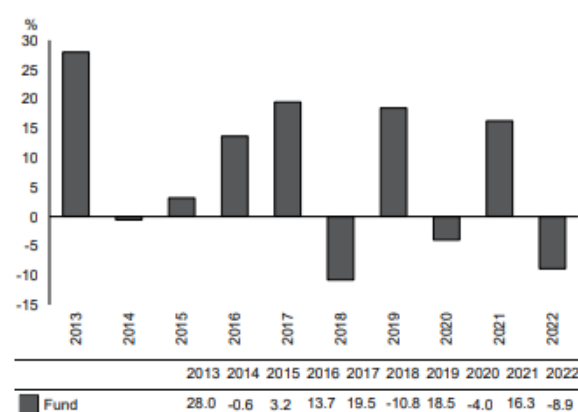
These are the maximum charges that we might take out of your money before it is invested and before we pay out the sale proceeds of your investment. In some cases, you might pay less and you should speak to your financial adviser about this.

| Charges taken from the Fund over a year |       |
|---|-------|
| Ongoing charges                         | 1.62% |

| Charges taken from the Fund under specific conditions |      |
|---|------|
| Performance fee                                       | NONE |

- The ongoing charges figure is based on the last year's expenses and may vary from year to year. It excludes the costs of buying or selling assets for the Fund (unless these assets are shares of another fund).
- For the ongoing charge, the figure is at 30 June 2023.
- You may also be charged a dilution levy on entry to or exit from the fund, this is to cover costs associated with your transaction.
- For more information about charges, please see the prospectus.

### Past performance



- You should be aware that past performance is not a guide to future performance.
- Fund launch date: 29/07/2002.
- Share/unit class launch date: 03/10/2006.
- Performance is calculated in GBP.

### Practical information

- This document is issued by Apex Fundrock Ltd and contains information on the A accumulation units only ("MI" and "MI Funds" are trading names of the manager).
- You can get further detailed information regarding the Fund, including details of the investment manager and how to switch, buy and sell units and other unit classes available, within the prospectus, the supplementary information document and the annual and half yearly managers' reports. You can get these free of charge from Apex Fundrock Ltd, Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY or from our website: [www.fundrock.com](http://www.fundrock.com). These are available in English only. You can also call us on 0345 026 4288, or look on our website for the latest unit prices.
- Details of the manager's remuneration policy (including a description of how remuneration and benefits are calculated, the composition of the remuneration committee and the identities of persons responsible for awarding remuneration and benefits) are available at [www.fundrock.com/mi-fund-data/](http://www.fundrock.com/mi-fund-data/) or by requesting a paper copy free of charge (see above for contact details).
- The Trustee of the Fund is Northern Trust Investor Services Limited.
- Please note that the tax laws of the United Kingdom may impact your own tax position.
- Apex Fundrock Ltd may be held liable solely on the basis of any statement contained in this document that is misleading, inaccurate or inconsistent with the relevant parts of the prospectus for the fund.