

# MI Brompton UK Recovery Unit Trust

## Value Assessment 2023

Reporting End Period 30th June 2023



## 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 2023

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”.

Good Value

### Sub-Fund Performance 30<sup>th</sup> June 2023

Over the last 12 months the MI Brompton UK Recovery Trust slightly underperformed the median fund in the IA UK All Companies sector. This was principally because of the Funds' larger than average exposure to small and mid-cap stocks. A noticeable feature of the last year has been the significant outperformance of large-cap stocks (FTSE100) relative to small and medium sized companies. However, over three and five years the Fund has outperformed the average fund in the IA UK All Companies sector. The Fund also has an objective to grow the capital of the Fund. In all time periods this objective has been achieved.

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	Fair
3 Years	Good
5 Years	Good

**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 MI Brompton UK Recovery Unit Trust gained 4.82%\* over the year to 30 June 2023, underperforming the UK stock market, which gained 7.59%, while cash as measured by the three-month UK Interbank Rate returned 3.75%. The fund suffered from its bias towards small and medium-sized enterprises, which lagged larger companies over the year under review. At the year end, the gain from the fund's July 2002 inception was 344.45%. Over the same period, the UK stock market returned 304.96% while cash returned 54.40%.*

*\*Source: Thomson Reuters, NAV to NAV, A Units Accumulation, total return to 30.06.23*

#### Manager's review

*Shares fell over the autumn of 2022 as central banks tightened monetary policies in response to rising inflation and the UK government announced unfunded tax cuts, a move that earned it an International Monetary Fund censure. Investors were disturbed by the lack of fiscal discipline and sterling fell briefly to a \$1.03 historic low. Sentiment among equity investors did, however, recover over the closing weeks of 2022 and in early 2023 after the then prime minister resigned and was replaced. Shares retreated again in the spring and early summer of 2023 as the Bank of England continued to tighten monetary policy in response to persistent inflation despite signs of economic weakness.*



There were significant divergences between large internationally diversified companies and smaller companies more reliant on UK domestic economic conditions, with large companies as measured by the MSCI United Kingdom Index returning 8.13% over the year under review while the MSCI UK Small + Microcap Total Return Index fell 0.10%. At the sector level, the strongest returns came from the technology, consumer discretionary and industrial sectors, which gained 26.54%, 21.75% and 21.35% respectively. By contrast telephony was conspicuously weak, down 31.86%, while property and healthcare also generated losses, down 18.13% and 0.06% respectively.

### Portfolio review

Within the portfolio, some of the strongest returns among large and medium-sized companies came in the industrial, financial, technology and retailing sectors. In industrials, Melrose Industries, which demerged its Dowlais motor components business into a separate quoted company, returned 63.80% while IMI returned 42.44%. Among financial holdings, International Personal Finance and Abrdn returned 61.48% and 47.78%. In technology, Sage returned 49.09% while the retailers, Marks & Spencer and J Sainsbury, returned 42.21% and 38.90% respectively. The weakest large and medium-sized companies were all telephony related, with Vodafone, Spirent Communications and BT down 35.93%, 32.05% and 30.70% respectively. British Land in property and Hochschild Mining in basic materials were also conspicuously weak, down 27.85% and 24.25% respectively.

Among the portfolio's smaller stocks, Crestchic, a manufacturer of equipment used in the testing of electrical installations, returned 106.74% as a result of its takeover by its bigger rival, Aggreko, while Adara Resources, which is prospecting for rare earths in Chile, recovered 50% and Rockwood Strategic, an investment company with a focus on out-of-favour smaller businesses including Crestchic, returned 44.61%. By contrast, Advanced Oncotherapy, down 91.36%, halted trading in its shares as it sought fresh funding, while Autins, a motor parts supplier, fell 24.12% in response to microchip shortages faced by car manufacturers.

Over the year, Haleon, a medicines and toiletries group, came into the portfolio as a result of a demerger by GlaxoSmithKline, and the holding was subsequently increased. Dowlais also came into the portfolio following its demerger from Melrose and this holding was also subsequently increased. Among other transactions, the fund completed its purchase of an initial holding in Ocado, the online groceries retailer and technology provider, and participated in placings by Zinc Media and Rockwood Strategic. In addition, the holdings in Advanced Oncotherapy, Autins, British Land, N Brown, Currys, Glaxo SmithKline, Hochschild Mining, Intertek, International Personal Finance, Legal & General, Michelmersh Brick, Mitchells & Butlers, Oxford BioMedica, PZ Cussons, Redrow, Renishaw, TT Electronics, Shaftsbury Capital – formerly Capital & Counties Properties, Vanquis Banking – formerly Provident Financial, Vistry and Vodafone were topped up on weakness while the Hammerson holding was enlarged via an enhanced scrip dividend. The fund took significant profits from its holdings in Crestchic and Thungela and tendered shares in a share-back operation by Town Centre Securities.

### Outlook

Global survey indicators were showing further signs of economic contraction over the late summer of 2023, with residual strength in the Purchasing Managers Index (PMI) services sector data ebbing and the PMI for manufacturing showing a deeper move into contraction. Business services data were particularly weak, suggesting a lack of confidence among corporate purchasers.

Monetary indicators for the Group of Seven (G7) major industrial nations and the largest seven emerging market economies (E7) were also suggesting further weakness, both in the real economy and in financial markets. Regionally, the weakest figures for the money supply adjusted for inflation were in the eurozone while more positive trends in China and India have also ebbed. At the same time, inflation-adjusted money supply figures were lagging industrial output across the G7 and the E7, suggesting a lack of surplus liquidity for investing in financial markets. Given the weakness in macroeconomic trends, investors may shift their focus away from cyclical sectors towards defensive market areas.

In the US, temporary help jobs data, typically a leading indicator of broader employment trends, were declining while the tighter conditions demanded by loan officers were consistent with a period of economic contraction. A similar pattern of weakening jobs numbers was also emerging in the UK. In China, survey data was mixed although a fall in non-manufacturing new order data increased expectations that Beijing would cut official interest rates again.

In such circumstances, relative performance among companies and sectors is likely to vary significantly during the second half of 2023, emphasising the importance of stock selection in generating performance.



# 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%

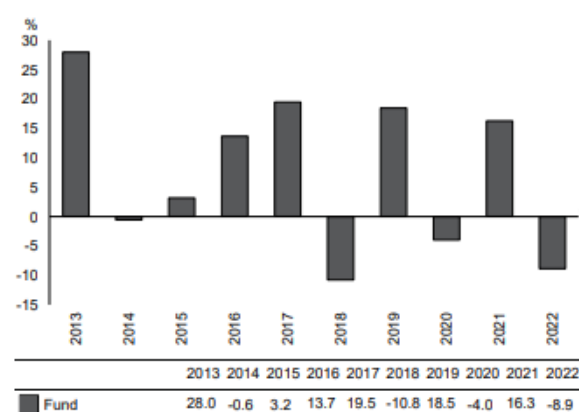
These are the maximum charges that we might take out of your money before it is invested and before we pay out the sale proceeds of your investment. In some cases, you might pay less and you should speak to your financial adviser about this.

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



Source: FE fundinfo 2023

- 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.