

VT Teviot UK Smaller Companies Fund - Fee Structure

Teviot Partners acts as the delegated investment manager to the VT Teviot UK Smaller Companies Fund. The Authorised Corporate Director (ACD) of the Fund is Valu-Trac Investment Management Limited (Valu-trac). The Fund is designed to provide a fair and transparent fee structure for all investors and we explain the features below. The Fund invests in an illiquid asset class and therefore capacity is not unlimited. Teviot Partners is committed to manage capacity responsibly. Secondly, the frictional costs of dealing in an illiquid asset class are higher and consideration is required as to who bears these costs.

Fee Components:

Annual management charge 75bps

Performance fees None. The partners are significant co-investors of the Fund and wholly own Teviot Partners. There is clear alignment of interests without introducing a performance fee.

Initial/Exit Charges None

Ongoing Charges Fee (OCF) Funds can legitimately charge a range of administrative costs to the Fund. In small funds, this can result in a high OCF charge that erodes investors returns. Teviot Partners is conscious to control these costs wherever possible while providing a high quality of service. At the current time, the OCF of the Fund is 0.90%.

Dilution Levy The VT Teviot UK Smaller Companies Fund is an OEIC and is single priced. This means the price presented to the investor reflects the “mid-price” of all the underlying holdings. When someone elects to invest or divest from the Fund, the investment manager will place trades accordingly. This process has a cost. Stocks are typically transacted by reference to a “Bid-Offer” spread and there will be costs in terms of stamp duty and commissions. On a monthly basis, the managers will analyse these costs to calculate the dilution levy applicable to the Fund. Valu-trac, as the ACD, has the discretion to charge this to all subscriptions and divestments to the Fund. However, offsetting purchase and sales trades placed on the same day may reduce the actual dilution levy charged.

It is very important that investors understand that this levy is credited to the Fund and not the manager. The rationale for charging the levy is that without it, long term investors end up subsidising the dealing activity of shorter-term investors. Teviot Partners firmly believes this would be unfair. Whilst a dilution levy has yet to become standard industry practice, it is being adopted by some of the largest and reputable firms in our industry.

The average dilution levy applied changes monthly, but since launch the average levy on the purchase of shares has been 1.45% (or 1.14% on the redemption).

If there is any aspect of the Fund’s fee structure that is unclear, then we would be happy to provide further explanation.

1 March 2024