



Assessment of Value Report 2020

The Financial Conduct Authority (FCA) requires Heritage to produce an annual Assessment of Value Report to help to promote enhanced transparency, governance and outcomes for all investors and to ultimately strengthen trust in the UK asset management industry. Our Assessment of Value Report intends to consider in detail whether we at Heritage are delivering value to our investors across a broad range of areas. The data for this report was collected as at 31st December 2019.

The FCA requires Heritage to look at seven specific areas when assessing the value we deliver to our investors:

1. **Performance** – Has the fund performed in line with expectations?
2. **Quality of service** – Are we meeting expectations on the service we deliver?
3. **General costs of the authorised fund manager** – Are the fees charged to the fund reasonable and appropriate?
4. **Comparable market rates** – How do our fees compare against competitors?
5. **Economies of scale** – Do funds enjoy cost saving as they grow?
6. **Comparable services** – How do the fees we charge compare with what we charge clients for similar products?
7. **Classes of shares or units** – Are you in the most appropriate type of share class?

Updated 17th November 2020

Heritage's approach for assessing value

1. **Performance** – We assess the returns of our Heritage funds over three to five years which is the length of time we expect our funds to deliver their investment objectives. We note that sometimes our funds will underperform due to the prevailing market conditions and their investment style. We study several measures over the three to five year period to conclude whether or not the investment objectives are being met, including volatility.
2. **Quality of service** – We review our Key Performance Indicators (KPIs) to help us determine whether we are creating sufficient value for our clients. These internal and external looking KPIs help Heritage to provide timely and accurate reporting to our clients and the Financial Conduct Authority. Additionally, we assess Heritage's policies and procedures in relation to liquidity and risk management to ensure that our governance is sufficient for our clients' needs. We also record and review all client feedback so that we can evaluate the client experience.
3. **General costs of the authorised fund manager** – We review the Ongoing Charges Figure (OCF) broken up into every cost component, including our portfolio management, fund administration and other costs. We review these costs against what we actually charge our clients. Additionally, we analyse these costs to ensure that Heritage remains a profitable business, continues to operate during stress scenarios and continues to research and innovate.
4. **Comparable market rates** – We compare the amounts we charge our investors at fund level against that of similar funds from the 'Flexible Investment' Investment Association (IA) sector. We note that the market rates of funds within the relevant IA sector can vary due to differing investment approaches of the funds.
5. **Economies of scale** – Most funds can benefit from economies of scale. We assess whether there are potential economies of scale within the Heritage funds and whether or not these have been achieved in practice.
6. **Comparable services** – All three of Heritage's funds differ in relation to objectives, investment style, domicile, investment manager and/or fund administrators. This means that the funds are not comparable services in relation to fees.

At Heritage we manage investment portfolios for a range of clients all over the world, including individuals, trusts, companies and pension schemes. We have a uniform charging structure for all types of clients. We review our charging structure to ensure that it is reasonable and appropriate for all types of clients.

7. **Classes of shares or units** – Only the SVS Heritage Balanced Portfolio Fund has more than one share class at Heritage; accumulation and income shares. Both share classes at Heritage have the same uniform charging structure. We review our charging structure for these share classes to ensure that it is reasonable and appropriate for all types of clients.

Heritage Managed Portfolio Fund

The Fund's investment objective is to generate long term capital growth, with a lower risk than pure equity alternatives.

Overall conclusion

Looking at all the seven areas included in our assessment of value, we believe that this fund is delivering value to our investors.

1. **Performance** – We have assessed whether the fund has delivered its investment objective over the performance period of five years. Over five years the fund has delivered on its investment objective. The fund is delivering value in respect of performance.
2. **Quality of service** – After reviewing our internal and external Key Performance Indicators (KPIs) along with our client feedback, we conclude that Heritage's investment process, operations and quality of client experience are effective and well established. This provides value to our clients.
3. **General costs of the authorised fund manager** – We have reviewed each cost component of the Ongoing Charges Figure (OCF) for this fund. We have concluded that in relation to each cost component, the charges for each service are reasonable and appropriate. Heritage has sufficient funds to remain a profitable business, survive stress scenarios and continue to innovate and research.
4. **Comparable market rates** – This fund is priced slightly higher than its peers, but is priced considerably lower than the highest priced fund in our sample. As this fund is priced only slightly higher than its peers, we believe that it is competitively priced and that it demonstrates value to our clients.
5. **Economies of scale** – By definition a fund requires assets under management in excess of £1 billion to achieve economies of scale. This fund is not large enough to realise economies of scale and does not benefit from the cost savings achieved from size. We will continue to assess this as this fund grows.
6. **Comparable services** – All three of Heritage's funds differ in relation to objectives, investment style, domicile, investment manager and/or fund administrators. This means that the funds are not comparable services in relation to fees. We have reviewed our charging structure and believe that it is reasonable and appropriate for all types of clients.
7. **Classes of shares or units** – There is only one share class for this fund.

Heritage Absolute Return Fund

The investment objective is to protect capital against significant losses and generate net annual returns of 3% in excess of inflation by investing in developed equity market, bond and other indices.

Overall conclusion

Looking at all the seven areas included in our assessment of value, we believe that this fund is delivering value to our investors.

1. **Performance** – We have assessed whether the fund has delivered its investment objective over the performance period of five years. Over five years the fund has delivered on its investment objective. The fund is delivering value in respect of performance.
2. **Quality of service** – After reviewing our internal and external Key Performance Indicators (KPIs) along with our client feedback, we conclude that Heritage’s investment process, operations and quality of client experience are effective and well established. This provides value to our clients.
3. **General costs of the authorised fund manager** – We have reviewed each cost component of the Ongoing Charges Figure (OCF) for this fund. We have concluded that in relation to each cost component, the charges for each service are reasonable and appropriate. Heritage has sufficient funds to remain a profitable business, survive stress scenarios and continue to innovate and research.
4. **Comparable market rates** – This fund is priced lower than the majority of its peers. The fund is competitively priced and therefore this demonstrates value to our clients.
5. **Economies of scale** – By definition a fund requires assets under management in excess of £1 billion to achieve economies of scale. This fund is not large enough to realise economies of scale and does not benefit from the cost savings achieved from size. We will continue to assess this as this fund grows.
6. **Comparable services** – All three of Heritage’s funds differ in relation to objectives, investment style, domicile, investment manager and/or fund administrators. This means that the funds are not comparable services in relation to fees. We have reviewed our charging structure and believe that it is reasonable and appropriate for all types of clients.
7. **Classes of shares or units** – There is only one share class for this fund.

SVS Heritage Balanced Portfolio Fund

The Fund's investment objective is to achieve a total investment return (comprising of capital growth and income) over the long term (at least 5 years).

Overall conclusion

Looking at all the seven areas included in our assessment of value, we believe that this fund is delivering value to our investors.

1. **Performance** – The fund launched on 1st December 2016 so we can only assess the performance over three years. We have assessed whether the fund has delivered its investment objective over the performance period of three years. Over three years the fund has delivered on its investment objective. The fund is delivering value in respect of performance.
2. **Quality of service** – After reviewing our internal and external Key Performance Indicators (KPIs) along with our client feedback, we conclude that Heritage's investment process, operations and quality of client experience are effective and well established. This provides value to our clients.
3. **General costs of the authorised fund manager** – We have reviewed each cost component of the Ongoing Charges Figure (OCF) for this fund. We have concluded that in relation to each cost component, the charges for each service are reasonable and appropriate. Heritage has sufficient funds to remain a profitable business, survive stress scenarios and continue to innovate and research.
4. **Comparable market rates** – This fund is priced lower than the majority of its peers. The fund is competitively priced and therefore this demonstrates value to our clients.
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6. **Comparable services** – All three of Heritage's funds differ in relation to objectives, investment style, domicile, investment manager and/or fund administrators. This means that the funds are not comparable services in relation to fees. We have reviewed our charging structure and believe that it is reasonable and appropriate for all types of clients.
7. **Classes of shares or units** – There are two share classes for this fund; accumulation shares and income shares. Both share classes have the same charging structure but serve differing purposes in terms of income distribution to shareholders. On review of our charging structure for the two share classes we believe that they are reasonable and appropriate for all types of clients.