

**Guinness Asset Management Limited**

**Fair Value Assessment for Guinness VCT**

<b>Product / Service Owner and Role Title</b>	<i>Shane Gallwey, Head of Guinness Ventures</i>
<b>SMF Responsible</b>	<i>Edward Guinness (SMF1 and SMF3)</i>
<b>Relevant Oversight Committee</b>	<i>Product Governance Committee</i>

<b>Assessment Date</b>	17/05/2023
<b>Assessment Frequency</b>	<i>Annual</i>

	<b>From</b>	<b>To</b>
<b>Period of Review</b>	31 March 2022	31 March 2023
<b>Date of next assessment</b>	31 March 2024	

## **1. Service Description**

The Fund is a Venture Capital Trust ("VCT"), launched in October 2022. The Fund's shares are typically subscribed for via an Offer which, for eligible investors, will attract income tax relief on the amount subscribed as well as other VCT tax benefits. Existing shares can be bought and sold via a Secondary Market Purchase.

The VCT will invest primarily in companies that exhibit good growth potential and have strong management teams. It may also invest in companies on the Alternative Investment Market (AIM) of the London Stock Exchange. The investment strategy follows a diversified approach and targets a broad and balanced portfolio. We focus on investing in companies that already have a proven product, service or technology, but are looking to gain traction in their respective markets. These companies seek to raise scale-up funds to further commercialise their product or service.

## **2. Customer Outcomes**

### Good Customer Outcomes we seek to achieve

We aim to achieve capital growth and pay tax-free dividends over the medium term by investing in VCT qualifying companies, targeting an annual dividend yield of 5% from 2026 onwards. Depending on the investor's individual circumstances, the benefits of investing in a VCT can include: 30% income tax relief provided the shares are held for 5 years, tax-free capital gains (no capital gains tax is payable when shares are sold) and tax-free dividends (no income tax is payable on dividends paid by a VCT).

We aim to offer a competitive product that is designed to meet customers' needs, that provides fair value and helps customers achieve their financial objectives.

### Poor Customer Outcomes we seek to avoid

Poor Customer Outcomes we seek to avoid include customers not getting value for their money, i.e. the price the customer pays for the product is unreasonable compared to the overall benefits. We also consider other factors that may result in unfair or poor value, foreseeable harm or risks to retail customers, such as unsuitable features, poor communications and poor customer support.

## **3. Fair Value Assessment & Conclusion**

The review undertaken entailed using some independent market commentators, including MICAP and Tax Efficient Review, to assess the costs in the market and

benchmark the costs of Guinness VCT against other products. We found that Guinness VCT compares favourably in the market. We concluded that Guinness VCT offers fair value for customers.

### Basic Product Information

Information	Description	Input
Investors size	Current No. of investors	86
AUM size	Current AUM	£4.1m (as of 30 April 2023)
Product type	<i>Equity, Fixed Income, Mixed, Alternatives, etc.</i>	Venture Capital Trust
Investment objective		To achieve capital growth and pay tax-free dividends over the medium term by investing in VCT qualifying companies.
Share Class <i>If multiple share classes then comparison between each class should be conducted to ensure fair value.</i>		N/A
Minimum Investment Size		£5,000

**Assessment Area: Costs to Customer (Financial)**

Metric Description	Metric data
Charges	<p>Entry costs:            Advised: 3% Initial Fee            Direct: 5.5% Initial Fee            Execution-Only: 5.5% Initial Fee</p> <p>Manager charges: 2% per annum</p> <p>Performance fee: 20% Performance Fee (paid by the VCT and calculated as 20% of dividends provided the Total Return is above the Hurdle)</p>
Charges relative to benchmark	<p>Tax Efficient Review gave the VCT a rating of 85 out of 100. Commentary on fees stated <i>"Historically the Guinness EIS, which is also run by the Manager, has charged fees to investee companies in lieu of fees charged to investors. If the Guinness VCT co-invests with the Guinness EIS there may be arrangement or monitoring fees in relation to those co-investments."</i></p>
Gross Performance	<p>N/A, the VCT launched in October 2022, so does not yet have a track record. However, the Oct. 2022 Tax Efficient Review noted that Guinness EIS had returned £96 million to EIS investors since 2016. This breaks down as £21m to AIM EIS investors, £46m to "asset-backed" EIS investors and £30m to "growth" EIS investors. The "asset-backed" returns are not relevant to potential investors in this offer, but the figures illustrate the experience of the manager and the emphasis on returning funds to investors.</p>
Net Performance	<p>See above.</p>