

Momentum Global Funds

Assessment of Value Report

for year ended 28 March 2024

With us, investing is personal



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SECTION 1

Overview

The financial services regulator in the United Kingdom is the Financial Conduct Authority (FCA). Its role includes protecting consumers, keeping the industry stable, and promoting healthy competition between financial service providers. It requires fund managers, including MGIM, to complete an annual assessment of whether our UK investment offerings provide value to investors. The FCA regulations set out seven criteria against which we must measure and report on. Our assessment, conclusions and, where applicable, proposed or completed actions to enhance value are set out in this report.

We have used a ‘traffic light’ system to help you understand the outcome of our assessment of each area where:

GREEN

indicates that no issues have been identified and the solution is delivering value.

AMBER

indicates that the solution is delivering value, however enhancements may need to be considered or have recently been completed.

RED

indicates that the solution is not consistently delivering value and some actions are required or are already underway.

GREY

indicates that performance has not been assessed for Consumer Duty as the performance history is too short.

The seven ‘Assessment of Value’ criteria are:

- 1

Quality of service

The range and quality of services provided to investors.
- 2

Performance

The performance of the portfolio after fees. Performance is measured over the timescale set out in the stated objective taking account of the investment objective, strategy and level of risk taken.
- 3

Authorised Fund Manager (AFM) costs

This assessment includes the components of the operating charges of the Portfolios, which include the Investment Manager’s fee and the costs of the underlying investments.
- 4

Economies of scale

Whether we are able to achieve any savings from economies of scale and whether these are passed back to investors.
- 5

Comparable market rates

How our pricing compares with the pricing offered by competitors.
- 6

Comparable services

How our pricing compares with other similar products that are offered to other clients.
- 7

Classes of units

The fees and charges for the different share classes, designed for different client types.

SECTION 2

Executive summary

This report has been compiled by Momentum Global Investment Management Limited as Investment Manager and Distributor and covers the in-scope products within the Momentum Global Funds (“MGF”)for the one-year period ending 28 March 2024. The Management Company of the Momentum Global Funds is FundRock Management Company S.A.

This year’s Assessment of Value resulted in both in-scope fund share classes delivering value.

The scores for five of the criteria – Quality of Service, AFM costs, Economies of scale, Comparable services and Classes of units – have been rated Green for each Fund and therefore assessed as delivering value.

For Performance, the Momentum GF Global Equity Fund was rated Green as it performed in the top quartile of its comparative Morningstar sector. For Momentum GF Global Sustainable Equity Fund, we determined that the fund is too new to rate, given it has less than five years of performance history.

Momentum Global Funds	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units	Overall assessment
MGF Global Equity*								Delivered value plus action
MGF Global Sustainable Equity*								Delivered value

* Class R is the relevant share class under the MGF umbrella which is available to UK investors.

Information on how we rate each criterion can be found in Section 3, while Section 4 provides a detailed assessment for each Fund.

Assessment of Value Criteria

Quality of service

We have identified three key service areas that we believe are central to delivering good investor outcomes. We assess value for each area against our expectations. The areas we have assessed against are:

- » Investor communications – the accuracy, timeliness and completeness of all our communications;
- » Client services and complaints handling – the quality and speed of responding to investor requests and resolving complaints;
- » Third party services – the oversight and effectiveness of key third party providers.

While retail consumers can invest directly into the Momentum Global Funds, currently most investments in the Funds are made on an advised basis; meaning that the Funds have been recommended to clients by their Financial Adviser.

We communicate with Advisers by providing regular reporting including factsheets, market and portfolio commentary, thought leadership articles and access to updated marketing documents. This is via email providing direct links to information and documents, and also via our website **momentum.co.uk**

Over the period, all investor communications were delivered in a timely manner, and we believe these are clear and transparent so our investors can understand them more easily.

All requests for information were handled in a timely and efficient manner within our service standards and no complaints were received. To measure the effectiveness of our reporting and client servicing, we conduct an annual survey with advisers.

We also maintain regular contact with all platforms who provide administrative access to the funds to ensure relevant information is both accurate and up to date.

Our conclusions

Overall, our investor experience, client servicing and third-party services continue to offer value to investors.

Performance

To analyse performance, each portfolio is compared against three criteria:

1. the investment objective
2. the risk-adjusted performance of a relevant passive multi-asset fund
3. the quartile ranking within the stated peer group

These are all calculated net of fees.

Using this methodology, we seek to show where we are providing value to investors on an absolute and relative basis, but also showing the value that Momentum’s asset allocation decisions are adding.

Where our literature states an investment objective time frame, performance is compared with the upper end of the range. For example, if the range is three-to-five years, we assess the delivery of the investment objective over five years. Where a fund has not been in existence long enough to be compared against its objective, we have completed a part review.

The level of risk taken to achieve performance is also taken into consideration and actively monitored and reported by the MGIM risk management team.

Our conclusions

The combination of heightened geopolitical tensions and inflationary environment presented challenges to global investment markets, and as a result the Funds recently underperformed their investment objectives.

In high inflation environments, it can prove more difficult for the Funds to meet or exceed their inflation targets over shorter time horizons. However, we continue to maintain conviction in our investment teams’ ability to generate targeted outcomes for clients over the long-term.

The Momentum GF Global Equity Fund performed in the top quartile of its comparative Morningstar sector, while the Momentum GF Global Sustainable Equity Fund achieved positive annualised returns over a three-year period. We therefore concluded that the funds are delivering value for investors in respect to performance.

Authorised Fund Manager (AFM) costs

To assess value, we have considered a number of fees which are charged to each Fund. These include the Investment Management fee, administrator fee, depository, audit and safe custody fees and the costs of the underlying investments that the Funds hold.

In relation to the Investment Management fee, our team of 20+ investment specialists are empowered to work collaboratively as a team, to generate and implement meaningful investment ideas across multiple disciplines and therefore we consider that this cost is appropriate and justified for the Funds.

Our conclusions

We concluded that all Funds are delivering value for investors in respect of the fees applied.

Economies of scale

Economies of scale are the advantages experienced when costs reduce as the size of assets under management (AUM) increase. Here we have assessed to what extent it has been possible to achieve any savings as a result of economies of scale.

While MGIM is not able to influence the Administration or Platform costs that are applied by the relevant platforms, MGIM is able to achieve economies of scale for the Funds by leveraging our global scale to negotiate access to lower cost share classes ensuring cost savings are achieved.

We have also considered non-monetary benefits to investors that are created by the economies of scale that are achieved as MGIM expands as a business. We take into account the level of reinvestment in the business including the level of service to supporting IFAs.

Our conclusions

We concluded that all Funds are delivering value for investors in respect of delivering benefit through economies of scale.

Comparable market rates

Our assessment considers the OCF (Ongoing Charges Figure) of each in-scope share class. This is the total expenses paid by the Fund, annualised, against its average net asset value. The OCF will fluctuate as the average net assets and costs change.

To determine whether the fees are reasonable and offer good value in relation to investment management and the costs incurred by investors, the Fund OCF’s are compared against the average OCF’s of the selected IA Global peer group.

Our conclusions

We have concluded that the Momentum GF Global Sustainable Equity Fund and Momentum GF Global Equity Fund have both delivered value for investors in respect of their fees. For the Momentum GF Global Sustainable Equity Fund, we have found that fees are significantly lower than comparable market rates peers.

Comparable services

We offer access to the MGIM investment strategies in a number of ways including through funds, some with multiple share classes, via the Momentum Managed Portfolio Service, and via numerous bespoke client solutions.

Here, we assess how the fees we charge for the Momentum Global Funds compare to other MGIM products with similar investment strategies. Services were deemed comparable if they had a combination of common characteristics such as similar investment strategies, the same investment manager or similar investment policies.

Our conclusions

We concluded that the relevant share classes are delivering value for investors in respect of service levels provided.

Classes of units

While the Momentum GF Global Sustainable Equity Fund and Momentum GF Global Equity Fund have multiple share classes each with differentiating characteristics, share class R is the only class available to UK investors. We have therefore not provided a comparison to other classes.

Our conclusions

We concluded that class R is suitably differentiated, and therefore delivering value for investors.

Fund level assessments

Momentum GF Global Equity Fund R GBP

The Fund is actively managed and invests in a portfolio of equities that are listed on international stock exchanges. The Fund seeks diversification by blending investment styles, fundamental and systematic strategies and investing in businesses across a wide range of market capitalisations. The Investment Manager may appoint specialist sub-investment managers to manage Segregated Asset Pools to implement these differing investment characteristics. The Fund may also access different styles indirectly through other eligible common investment schemes.

Investment objective

The Fund aims to outperform the MSCI World Index over a rolling 3- year period. There is no guarantee that this objective will be achieved over the indicated period, or any other period, and the capital value of the Fund is at risk.

Peer group comparator

Morningstar EAA Global Large-Cap Blend Equity.

Quality of service

Our review determined that a good level of service was provided by all parties involved commensurate to the amount paid for those services.

Performance

The Fund delivered 10.0% (annualised) over 7 years. While this underperformed the target return and relevant passive fund by 0.6%, it ranked first quartile in the peer group.

The fund’s portfolio is constructed with style diversification as a key objective. This approach aims to smooth out returns over the long term and reduce volatility while still providing exposure to high alpha portfolios. However, when one distinct style vastly outperforms, the portfolio may lag behind the index. We are not alone in this; according to SPIVA, 84% of global equity funds underperformed in 2023.

Looking at the underlying funds in the portfolio, there was a mix of results, as expected. Jennison Global Opportunities is our manager for high-growth stocks.

In this environment, they were expected to capture the rapid growth of the Magnificent Seven stocks and they did not disappoint, delivering a return of 37.9%, which equates to 12.8% outperformance. We also have a dedicated Japanese equity manager in the portfolio. The Japanese equity market, which has struggled for decades, was second only to the US this year. With the Japanese equity market returning 23.6%, our Japanese fund returned 34.4%. Managers with a small/mid-size bias, such as Contrarius, Rainier, Paradise, and Granahan, underperformed in a market dominated by mega-caps. Each of these managers has a much lower allocation in the portfolio, which limited their negative contribution.

The level of risk taken to achieve the above performance was also reviewed and we are satisfied that it remains within the stated bands and no excessive risk was taken.

AFM costs

Our review has concluded that costs, and in particular the Investment Manager’s fee are priced appropriately.

Economies of scale

Where any savings as a result of economies of scale have been made, this has in every case been passed on to the shareholders.

Comparable market rates

At 1.02%, the Fund OCF is higher than the IA peer group average of 0.85%.

Comparable services

Our assessment has concluded that investors in this Fund are charged appropriately relative to investors in other, similar MGIM funds and segregated mandates.

Classes of units

We concluded that class R (GBP) is suitably differentiated, and therefore delivering value for investors.

Assessment criteria

	Quality of service	
	Performance	
	AFM Costs	
	Economies of scale	
	Comparable market rates	
	Comparable services	
	Classes of units	

Overall value statement

While the Fund received amber for comparable market rates, we have concluded that the Fund performed in line with expectations for the remaining criteria, delivering overall value to investors.

Momentum GF Global Sustainable Equity Fund R GBP

The Fund aims to deliver long term capital growth by Investing in a diversified portfolio substantially consisting of equities listed on international stock exchanges. The strategy integrates sustainability criteria as part of the stock picking process and through a proprietary sustainability assessment.

Investment objective

The Fund aims to deliver returns comparable with the MSCI World Index over a rolling 3-year period. There is no guarantee that this objective will be achieved over the indicated period, or any other period, and the capital value of the Fund is at risk. The Fund is actively managed using a quantitative investment strategy and seeks to enhance the returns of the MSCI World Index by modifying the holdings and the weights of the holdings of the MSCI World Index for additional return.

Peer group comparator

Morningstar EAA Global Large-Cap Blend Equity.

Quality of service

Our review determined that a good level of service was provided by all parties involved commensurate to the amount paid for those services.

Performance

We determined that the Fund was too new to rate, given that it had less than five years of performance history however note that the class achieved positive annualised returns over a three-year period.

AFM costs

Our review has concluded that costs, and in particular the Investment Manager’s fee are priced appropriately.

Economies of scale

Where any savings as a result of economies of scale have been made, this has in every case been passed on to the shareholders.

Comparable market rates

At 0.53%, the Fund OCF is lower than the IA Global peer group average of 0.85%.

Comparable services

Our assessment has concluded that investors in this Fund are charged appropriately relative to investors in other, similar MGIM funds and segregated mandates.

Classes of units

We concluded that class R (GBP) is suitably differentiated, and therefore delivering value for investors.

Assessment criteria

	Quality of service	
	Performance	
	AFM Costs	
	Economies of scale	
	Comparable market rates	
	Comparable services	
	Classes of units	

Overall value statement

Our review determined that the share class has delivered value.

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