Fundsmith

Assessment of Value 2023

Fundsmith
Buy good companies
Don't overpay
Do nothing

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Fundsmith

Introduction

The Management Committee of Fundsmith LLP ("Fundsmith" or "the Firm") has undertaken an annual Assessment of Value provided by the Firm's funds. The process has built on the foundations of previous years.

This report is aimed at individuals who invest in the Firm's UK funds and their advisers.

This Assessment of Value report complements other fund documents such as the Owner's Manual and the funds' regulatory documents, including the Prospectus, Factsheets and Key Investor Information Documents (KIIDs).

Summary & conclusions

This Assessment of Value covers the Fundsmith Equity Fund ("FEF") and the Fundsmith Sustainable Equity Fund ("FSEF") for 2023. Further information about these funds can be found on the relevant websites: www.fundsmith.co.uk and www.fundsmith.co.uk/fsef.

In carrying out the Assessment of Value exercise for the funds we consider evidence against the seven pillars reflected in the table below:

Pillar	Overall Rating	
	FEF	FSEF
Share Classes		
Comparable services		
Performance		
Costs		
Comparable market rates		
Quality of service		
Economies of scale		

The Management Committee has considered each of the pillars, both individually and together recognising that while each pillar has unique elements associated with it, they do not operate independently of each other when considering value as a whole.

The Management Committee has concluded that, in relation to both FEF and FSEF and each of their share classes, the payments made from the funds are justified in the context of the overall value delivered to investors.

1.

Classes of units

Approach and evidence

Approach

The purpose of the pillar is to consider the differential of charges between the share classes in the funds. We provide three different share classes in FEF and two in FSEF.

These are:

- I Class – 90bps
- T Class – 100bps
- R Class – 150bps (FEF only)

The difference between the classes is solely around the AMC. The rationale for the difference between the classes are:

- I Class for investments over £5m;
- T Class for investments under £5m;
- R Class for where an investor is advised and the method of paying that adviser is through us rebating 50bps to the adviser. This method used to be the default method for the UK market until 2012. Since then, it is mostly used by overseas investors. As such, this structure is seen as "legacy" and that is why we have not launched an R Class for FSEF.

  As a business, we do not believe that it is our place to interfere in the relationship that our customers have with their adviser. Particularly in overseas markets this remains a common way of paying your adviser. As such, we continue to have this option.

It is not uncommon for fund management companies to charge more for smaller investors. This is because a degree of the costs we bear are the same regardless of the size of the investment, for example the costs of executing the transaction (particularly banking charges), anti-money laundering checks and other investor support functions. These costs are clearly higher, on a relative basis, where the investor is investing a smaller amount of money.

In addition to those costs, we also provide a number of other benefits to the smaller shareholder including the opportunity to invest via an ISA wrapper and Regular Saving and Income Facilities, which are provided at no additional cost. It is worth noting that we have over 30,000 people who are ISA investors with us. Further, the holders in the T Class also benefit, generally, from the Financial Services Compensation Scheme to which Fundsmith contributes.

Conclusion

We consider that the costs involved in servicing the T Class (and R class) shareholders exceeds the aggregate additional fee that Fundsmith receives as a result of the additional 10bps charge on the share class and consequently have concluded that these additional charges are justified.

2.

Comparable services

Approach and evidence

Approach

The purpose of this pillar is to assess whether the Firm charges different fees for managing funds and segregated accounts or other pools of money.

Our position has not changed since last year's report. All of the Firm's other funds and its segregated accounts, which represent highly sophisticated large investors, are charged a management fee of at least 90bps, which is the same as the rate charged by the funds' I class shares.

Conclusion

We have concluded from our assessment of the charges that the Firm makes for comparable services to other clients that the payments made from the funds are justified.

Fundsmith

3.

Performance

Approach and evidence

Approach

We have considered the performance of each fund separately.

Fundsmith Equity Fund

At the inception of FEF, we wrote an Owner's Manual that is sent to all new investors in the fund and is displayed on our website. In this document we state that:

"We aim to run the best fund there has ever been, and certainly aim to provide the best fund you have ever owned. By best fund, we mean the one with the highest return over a long period of time, adjusted for risk. You may think it's odd that by best we don't necessarily mean the fund with the highest return, certainly not over any short period of time or irrespective of how the returns are achieved. Investment is subject to a lot of fads and cycles…"

In relation to timescales, the Owner's Manual emphasised that:

"We do not think it is helpful to make comparisons with movements in other asset prices or indices over the short term, as we are not trying to provide short term performance. Be warned: in our view, even a year is a short period to measure things by. Moreover, a year does not have its foundations in the business or investment cycle. It is, in fact, the time it takes the earth to go around the sun and is therefore of more use in studying astronomy than investment."

The Prospectus notes that:

"The fund is not managed with reference to any benchmark but in our fund factsheet and other marketing material we show a number of comparisons to enable the reader to have a general and consistent comparison for the Company's performance. The following are used:

- *Equities – shows the performance of the MSCI World Index, in Sterling with net dividends reinvested (priced at the close of US business and sourced from www. msci.com). The MSCI World Index is a market capitalisation weighted index of global developed world equities. This shows what you might have earned if you had invested in a broad portfolio of global developed world equities.*
- *Bonds – shows Bloomberg Bond Indices UK Govt 5-10 yr (source: Bloomberg). This shows what you might earn if you had invested in UK Government Debt.*
- *Cash – shows the SONIA Interest Rate (source: Bloomberg). This is a proxy for what you might be able to earn for cash deposits.*

We do not believe that these are the only comparisons that are relevant or, indeed, the best for an individual investor and investors may prefer others."

The table below shows cumulative and annualised performance of the fund since inception on 1 November 2010 and the above comparators.

% Total Return	Inception to 31st Dec 2023		
	Cumulative	Annualised	Sortino Ratio[1]
Fundsmith Equity Fund	+549.7	+15.3	0.83
Equities	+316.7	+11.5	0.51
UK Bonds	+26.5	+1.8	n/a
Cash	+12.8	+0.9	n/a

[1]Sortino ratio is since inception to 31.12.23, 3.5% risk free rate, source: Financial Express Analytics.

Since inception FEF has returned nearly 4% pa more than the MSCI World Index and has done so with significantly less downside price volatility as shown by the Sortino Ratio of 0.83 versus 0.51 for the Index. This simply means that the fund has returned about 63% (((0.83/0.51)-1)x100) more than the Index for each unit of downside volatility.

FEF remains the No.1 performing fund in the Investment Association Global sector of 165 peer group funds since its inception with a return of 550%, 335 percentage points above the sector average which has delivered just 215% over the same timeframe. The IA Global Sector is representative of funds that invest at least 80% of their assets globally in equities and facilitates a comparison against funds with broadly similar characteristics.

Fundsmith Sustainable Equity Fund

FSEF was launched in 2017 as an alternative to our flagship fund, FEF. FSEF follows the same investment process; buy good companies, don't overpay, do nothing. The difference lies in the additional screens we apply to the high-quality businesses from which we select the FEF portfolio. After identifying high-quality businesses that fit the primary criteria for FSEF, we apply two further screens designed to exclude the companies that have an excessive, net negative impact on the environment and/or society and aren't doing enough to reduce these impacts.

The Prospectus states that the fund *"will not invest in businesses which have substantial interests in any of the following sectors:*

- *aerospace and defence;*
- *brewers, distillers and vintners;*
- *casinos and gaming;*
- *gas and electric utilities;*
- *metals and mining;*
- *oil, gas and consumable fuels;*
- *pornography; and*
- *tobacco."*

In addition, we apply further criteria to screen investments in accordance with Fundsmith's Responsible Investment Policy which evaluates sustainability in the widest sense, taking account not only the companies' handling of environmental, social and governance policies and practices but also their policies and practices on research and development, new product innovation, dividend policy and the adequacy of capital investment. We have our own proprietary measure of innovation we have termed Capital Impact™. This is the Productive Asset Investment Ratio (capex/depreciation) multiplied by Return on Invested Capital (EBIT/invested capital) as last reported. The more productive the capital investment the higher the number.

The table below shows cumulative and annualised performance of the fund since inception on 1 November 2017 and various comparators.

% Total Return	Inception to 31st Dec 2023		
	Cumulative	Annualised	Sortino Ratio[1]
Fundsmith Sustainable Equity Fund	+82.6	+10.3	0.44
Equities	+79.9	+10.0	0.37
UK Bonds	-4.7	-0.8	n/a
Cash	+8.1	+1.3	n/a

[1] Sortino ratio is since inception to 31.12.23, 3.5% risk free rate, source: Financial Express Analytics.

Since inception FSEF has returned 0.3% more than the MSCI World Index and has done so with less downside price volatility as shown by the Sortino Ratio of 0.44 versus 0.37 for the Index. This simply means that the fund has returned about 19% (((0.44/0.37)-1)x100) more than the Index for each unit of downside volatility.

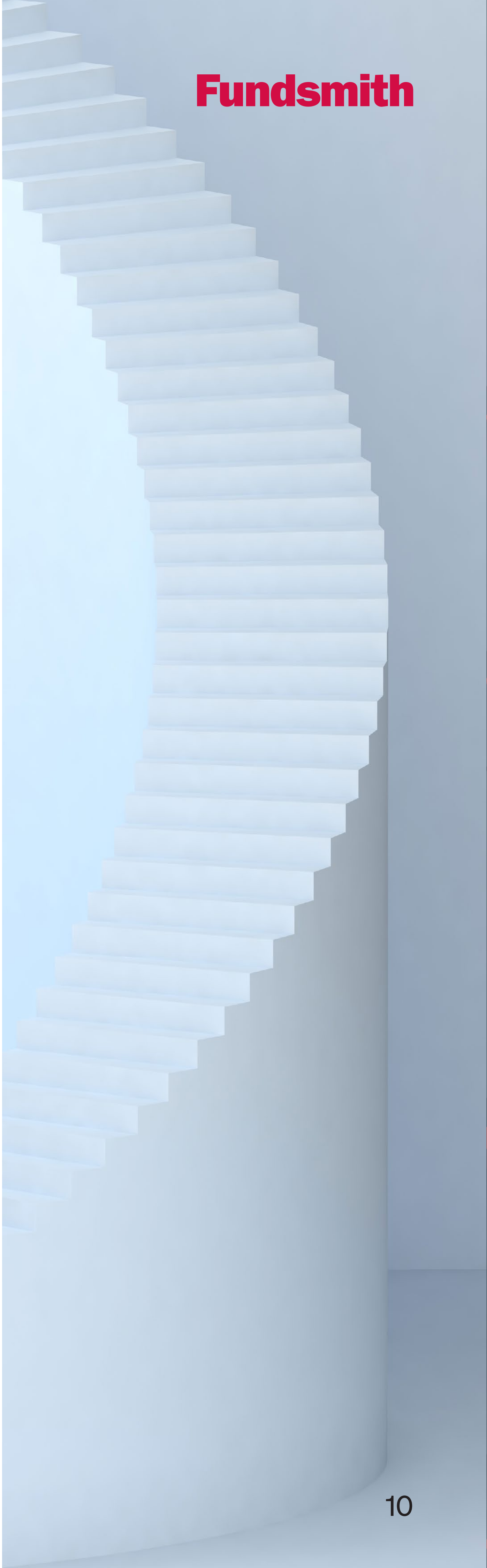
FSEF has also performed well since inception and is 13th out of 335 funds in the IA Global sector since inception.

Fund strategies

The performance of each fund has been achieved by each of them being managed in accordance with their prospectuses, specifically with reference to their investment objectives, policies and restrictions. No investments were held outside of the firm's risk tolerances. The funds have not engaged in activities or instruments contrary to the fund strategies as consistently outlined to investors in fund literature and communications. The liquidity profile of the funds continued to be appropriate for the nature of the funds, the investor profile and historic redemption levels.

Conclusion

We have concluded from our assessment of the performance of the funds that the payments made from the funds are justified.



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4.

AFM Costs

Approach and evidence

Approach

We have considered the annual management charges, the administration costs and the transaction charges borne by each fund.

Overview of costs and charges borne by the funds

Each fund bears:

- An annual management fee (which varies by share class) which is paid to the investment manager. This charge is calculated daily reflecting the net asset value of each share class.
- Administration costs which are paid to the third party providing the service and which relate to the operation of the fund. These costs are incurred at the 'fund level' and are allocated to each share class according to the relative NAV of each share class.
- Transaction costs arising on the portfolio activity (investment purchases and sales).

The annual management fee per share class plus the administration costs allocated to that share class are added together to determine the "ongoing charges figures" (OCF) for each share class, which is expressed as a percentage of the average net asset value of that share class.

Transaction costs are incurred at the fund level and are added to the OCF to give the "total cost of investment" (TCI).

Fundsmith has a simple charges structure, with the charges applicable to each fund and share class disclosed to investors in each fund's Prospectus and Owner's Manual. These are available at the time of investing and on our website. They are also shown on the monthly Factsheets and in our annual letter to shareholders.

We do not charge entry or exit fees as we do not like to impose a barrier to an investor's choice to invest or sell their holding. We have also enabled investors to invest directly with Fundsmith should they wish, thereby avoiding the costs associated with investing via third parties, such as platform fees. We do not charge performance fees.

This means that investors incur only the management charge, the administration charges, and the transaction charges, with each clearly and separately identified.

The summary of the costs borne by each share class, and the transaction costs borne by the fund, expressed as a percentage of average net asset value, are shown on the right.

	2023		
Fundsmith Equity Fund	I Class	T Class	R Class
Management charge	0.90%	1.00%	1.50%
Administration charges	0.04%	0.04%	0.04%
OCF	**0.94%**	**1.04%**	**1.54%**
Transaction costs	0.01%	0.01%	0.01%
Total cost of investment (TCI)	**0.95%**	**1.05%**	**1.55%**

	2023	
Fundsmith Sustainable Equity Fund	I Class	T Class
Management charge	0.90%	1.00%
Administration charges	0.06%	0.06%
OCF	**0.96%**	**1.06%**
Transaction costs	0.01%	0.01%
Total cost of investment (TCI)	**0.97%**	**1.07%**

Annual Management Charge (AMC)

The annual management charges are paid to Fundsmith LLP. The management fee paid is in return for services provided to the funds – as Authorised Corporate Director (ACD), as promoter and distributor and as investment manager.

The investment management services reflect the value attributed to Terry Smith's investment and research experience and includes the implicit cost of the lifetime of learning and knowledge required to be capable of delivering the best global equity fund that an investor could wish to own. The value of such expertise and experience is difficult to quantify and does not compare in simple terms against the costs of providing the service.

The investment management service received continues to deliver the objectives of the funds in an effective and value-adding manner and we have concluded that the fees paid by the funds are justified. In particular:

- There has been demonstrable long-term growth in value. Over five and ten year periods to 31 December 2023, £10,000 invested in the FEF T Class Accumulation shares would have grown to £17,580 and £32,486 respectively;

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- The investment management service has been performed consistently with the funds' investment strategy, in particular reflecting the funds' investment approach of buying good companies, not overpaying, and holding for the longer term, all of which require deep expertise and confidence in investment decision making; and
- There is a clear 'active management' value-add delivered for investors (without charging any additional performance fees), through concentrated portfolios reflecting a risk appetite that is appropriate for a fund which has a significant retail investor cohort, within the Fund's stated objectives and parameters.

The income earned by Fundsmith, for its role as ACD and as promoter and distributor, is considered reasonable having regard to the costs borne in delivering the service, the investment in the business and in customer services, the remuneration of the executives and an appropriate return on equity for the providers of capital.

Share classes

The difference in costs between the three share classes is considered reasonable. The I class is benchmarked on large, sophisticated investors and segregated account clients which choose to take our services and recognise the value delivered. Discussions with I class investors affirm their continued support of the charging framework. The additional services received by the T class holders are considered to fully support the extra 10bps charge of the share class. The R class only exists for FEF to support a specific advisory remuneration model and has not been made available to UK retail investors since implementation of FCA's rules in 2012 in response to its earlier Retail Distribution Review.

Administration costs

Administration costs are invoiced to the fund and comprise either:

- Net Asset Value (NAV) based costs – where the costs are determined using a basis points rate on NAV (often in a tiered structure with lower rates applying at higher NAV) on a periodic (daily or month end) basis: or
- Activity based costs – where the costs reflect a specific service being provided, and in the case of transfer agency costs are driven by the number of unitholders and the volume of interaction.

These costs are allocated to each share class according to the relative NAV of each share class.

All the costs borne by our funds are the actual amounts charged by the third-party. Fundsmith does not add a mark up to the third-party costs that are charged to the funds and in relation to transfer agency costs, Fundsmith itself bears a significant amount of the total amount charged by the third party service provider. Fundsmith does not include any internal costs associated with the management and oversight of service providers in the costs charged to the funds.

We have assessed the material elements of the administration costs and concluded that the costs negotiated are both appropriate for the service received and reflect current market rates.

Transaction costs

Transaction costs are a function of the value of purchases and sales of investments in the fund and the rates charged and we consider that we have negotiated the best possible rates for our investors. Purchases and sales are initiated by investor activity (entry, top-up and exit) and by the investment manager as part of fund management activities.

For activity initiated by the investment manager as part of fund management activities, Fundsmith's investment approach, as set out in our investor literature, is to invest in a small number of high quality, resilient, global growth companies which we intend to hold for a long time. This means that transactions costs associated with fund management activities are kept low, by design. Our Portfolio Turnover Rate was 11.1% for FEF and 3.3% from FSEF in 2023.

Conclusion

We have concluded from our assessment of the costs of providing each service and nature of each service provided that the payments made from the funds are justified.

Fundsmith

5.

Comparable market rates

Approach and evidence

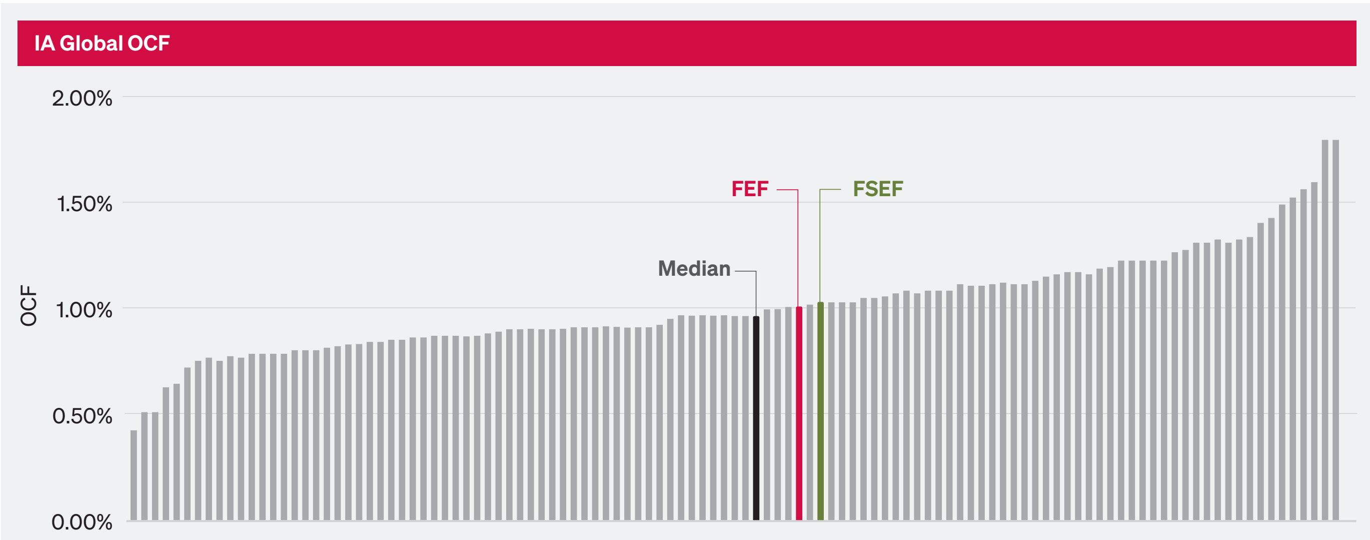
Approach

FEF and FSEF are both active global equity funds and the best available comparator for market rates is considered to be the Investment Association 'IA' Global Sector which includes 335 similar funds.

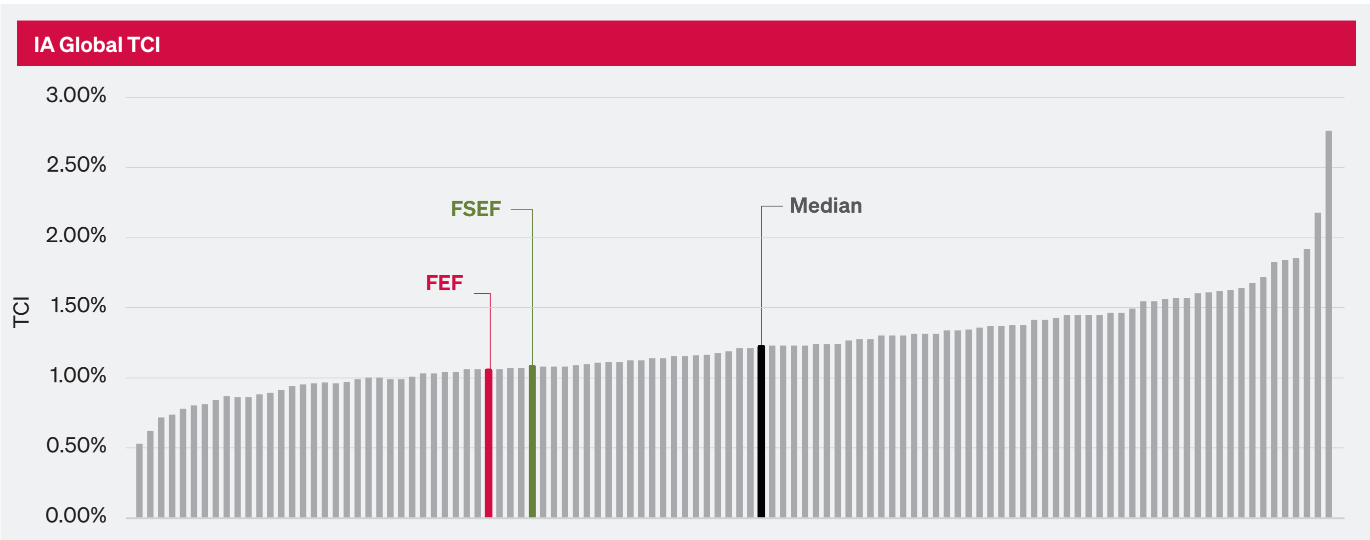
We have compared the OCF and the TCI for the T and I share classes in the funds with the charges for similar share classes in the funds in the IA Global Sector.

Below we show how the Ongoing Charges Figure ("OCF") and Total Cost of Investment (TCI = OCF plus transaction costs) of the retail (T) share class and the institutional (I) share class of both funds and the advisory (R) share class for FEF compared against a comparable universe of share classes of funds in the IA Global Sector over the past reporting period. Fundsmith does not uplift any administration costs in respect of internal services and oversight, rather it covers such expenses through the management fee. Industry practices vary and hence we consider that comparison at the aggregate level is the most appropriate so that fund buyers can draw meaningful conclusions.

Ongoing Charges Figures in IA Global Sector vs T Share Class of Fundsmith Funds

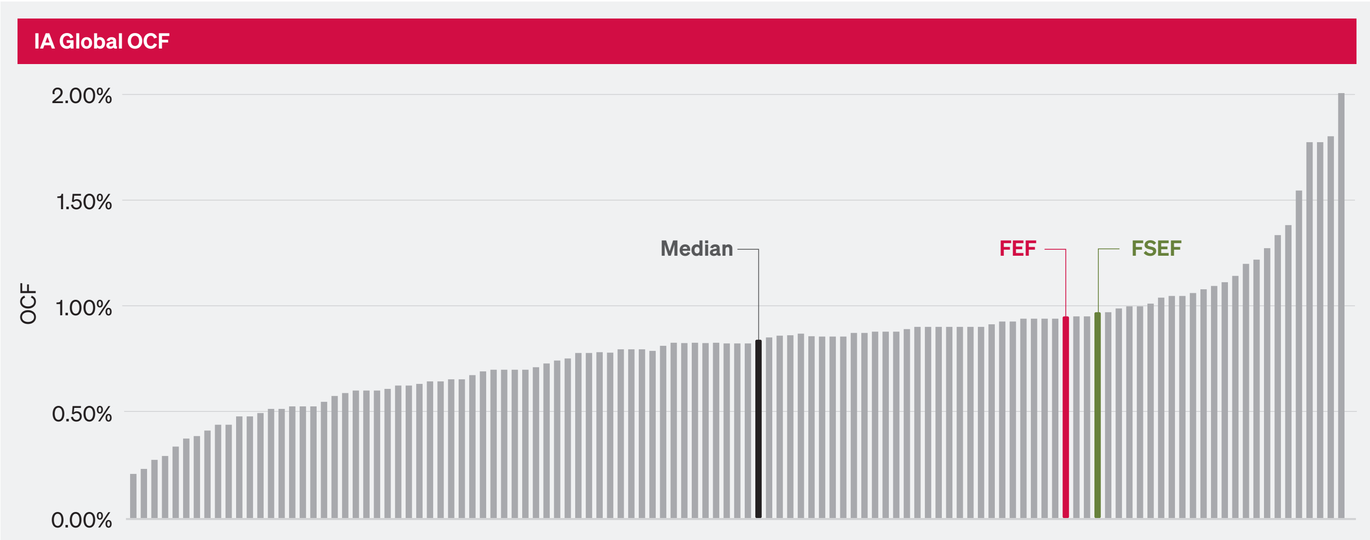


Total Cost of Investment figures in IA Global Sector vs T Share Class of Fundsmith Funds

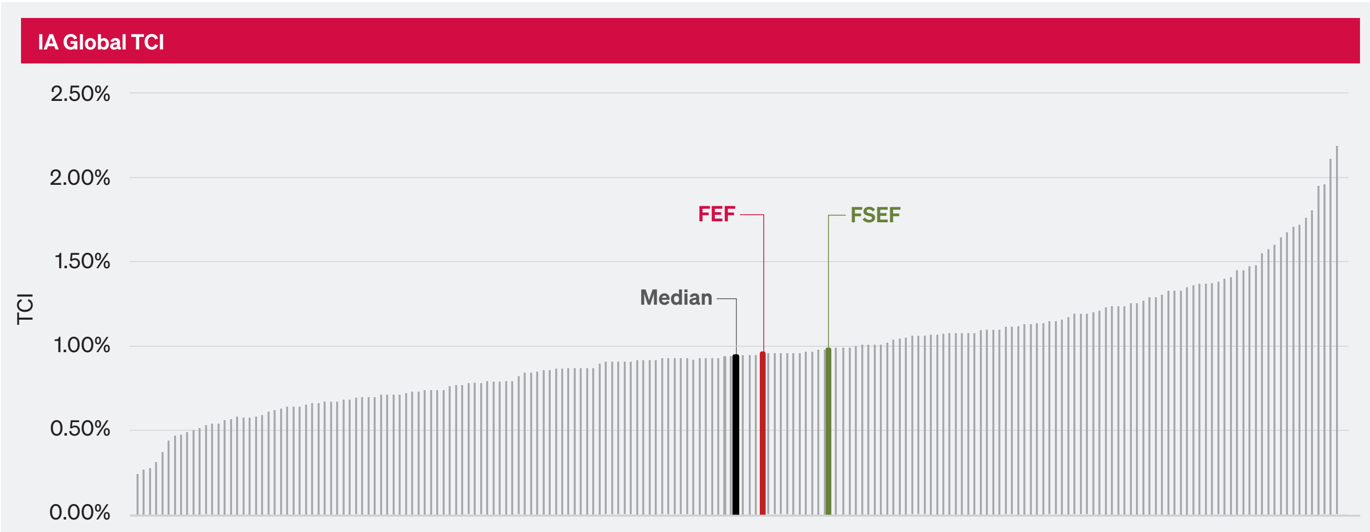


As can be seen in the above tables, both FEF and FSEF retail T classes are slightly more expensive than the median fund when comparing the OCF but are considerably cheaper when comparing the Total Cost of Investment. Fundsmith was one of the original advocates of disclosure of transaction costs so fund buyers could properly compare all costs being incurred by fund managers and we have been voluntarily releasing the figures long before it became mandatory to do so.

Ongoing Charges Figures in IA Global Sector vs I Share Class of Fundsmith Funds

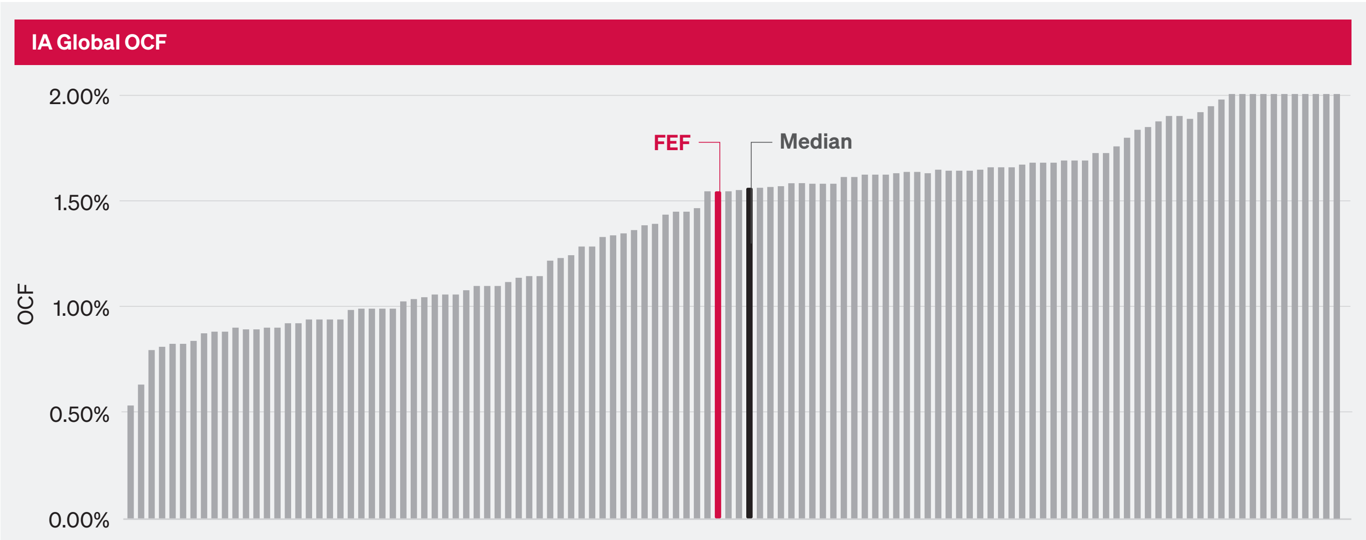


Total Cost of Investment Figures in IA Global Sector vs I Share Class of Fundsmith Funds

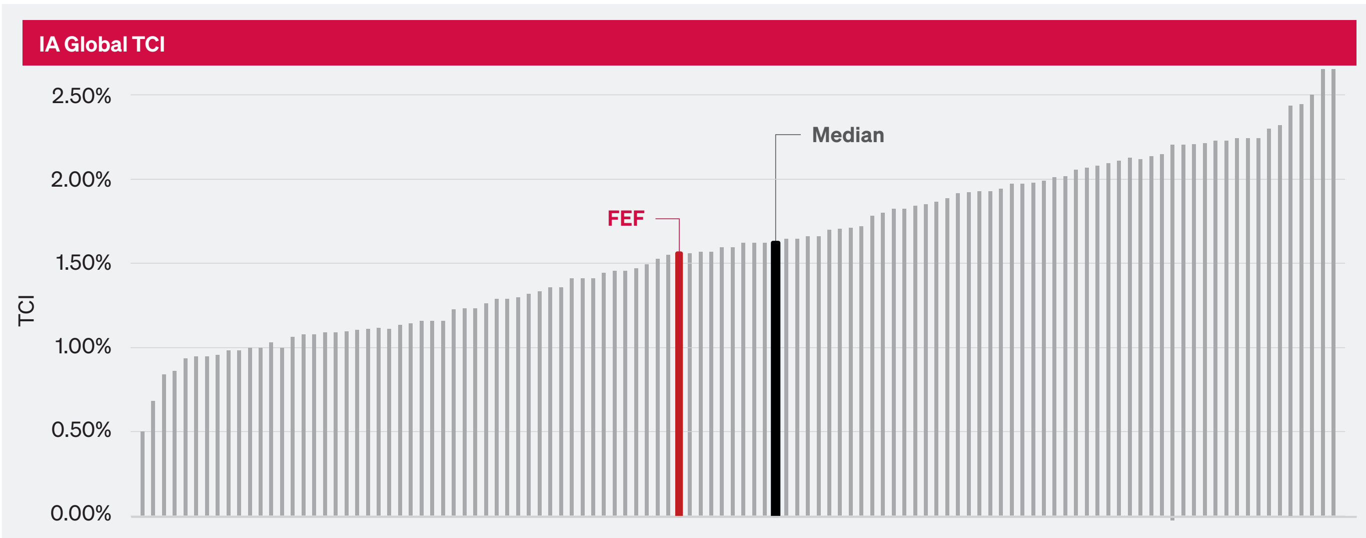


In the case of the I class shares for FEF and FSEF they are more expensive than other institutional share classes when comparing OCFs but only marginally above the median when comparing the total cost of investment. We are comfortable that the I class AMC (which represents the significant part of the OCF) is reasonable based on what sophisticated investors are prepared to pay for the service and from direct investor feedback. While the OCF is marginally higher than the median of the IA Global sector, we consider that value is being provided.

Ongoing Charges Figures in IA Global Sector vs R Share Class of FEF



Total Cost of Investment Figures in IA Global Sector vs R Share Class of FEF



There were still a number of legacy share classes from pre-RDR which would have paid trail to advisers. From both an OCF and TCI perspective the FEF R Class shares have lower charges than the median fund in the peer group.

Conclusion

Our assessment of the comparable market rates shows that the payments made from the funds, expressed as a percentage of the NAV of the funds, are similar to or below the median of the payments made from other comparable funds.

6.

Quality of service

Approach and evidence

Approach

We have considered the various services provided to our investors, either directly or via a third-party, under three headings:

- **Investment process and stewardship;**
- **Fund operations, including administration and depositary services; and**
- **Investor interaction, including relationship management, investor support and transfer agency.**

In assessing the services we have considered performance, quality and enhancements made during the year.

Given the nature of the services, which are delivered by the same teams using the same systems, this assessment applies equally to both funds.

Investment process and stewardship

The investment process for each fund is well established and articulated to investors in the Owner's Manual. Our use of an investible universe for each fund, from which the portfolio manager selects investments, is an important aspect of the investment process and functions as a key control. Significant research is undertaken before a change is made to the investible universe and on an ongoing basis on all equities within the investible universe, informing the portfolio manager's decisions on both changes to the portfolio and the management of fund flows.

The oversight of the investment process and investment risk management for each fund was robust and overseen by an effective governance process.

The funds were managed in accordance with their prospectuses, particularly with reference to their investment objectives, policies and restrictions but also having regard to wider investor communications concerning what the fund will do and will not do. No investments were held outside of risk tolerances. The liquidity profile of the funds continued to be appropriate for the nature of the funds, the investor profile and historical redemption levels.

The quality of trade execution was good.

As long-term investors we recognise the importance of being good stewards. We represent the interests of investors in the funds through proxy voting and direct engagement with companies. During the year we exercised the right to vote on 100% of available proxies in support of the investment objectives of the funds and for the benefit of investors. High levels of active engagement were maintained with portfolio companies.

Fund operations

Performance and quality across all areas of fund operations remained high during 2023 and oversight activities did not identify any areas of concern. An independent benchmarking project carried out in H2, 2021 confirmed that the external fund administration services are charged at industry norms. We will repeat the exercise during H2, 2024.

Investor interaction

Individual investors can engage with us directly across a broad range of methods including the website and dedicated "myAccount" portal, webchat, email, phone and post. Large institutional investors may also use industry messaging services including EMX and Calastone to place deals.

In relation to investor interaction, the relationship management and investor support provided by Fundsmith has remained consistently strong, with the ongoing delivery of a financial guidance seminar series, comprehensive investor documentation available through the website, as well as our well attended Annual Shareholder Meeting and widely read Annual and Semi-Annual Letters to Shareholders, which clearly differentiate ourselves from our competitors and are highly valued by our customers for improving their understanding of what we do. We monitor customer satisfaction through the firm's Net Promotor Score ("NPS") and canvas our entire retail customer base with an annual survey. This provides feedback on all key aspects of the funds and our service, and remains positive with, for example, the "myAccount" portal rated highly, both absolutely and compared to other financial services providers. We continue to develop the website and "myAccount" portal, which is now used by more than 90% of direct individual investors, to provide additional functionality.

We saw high levels of investor interactions in 2023, with circa 1,500 calls, 850 emails, 600 letters, and 550 webchats received each month on average by our individual investor contact centre, with the majority of investor queries answered within our set timescales.

As part of our implementation of the Consumer Duty, we enhanced the processes within our contact centre to support vulnerable customers, including the recently bereaved.

While our error and complaint rates remain relatively low, we believe that the quality of service can be improved. We have again spent considerable effort during the year to address the causes of errors and complaints, enhance our communications with investors and generally create less friction in the servicing arrangements. This work and the development of a team to support investors with more complex queries saw a reduction in the level of incidents during the year. Our continued focus on quality and performance is borne out by the results of our annual customer survey in which investors rated our contact centre as above average compared to wider financial services cost centres (4.0 vs 3.1 out of 5). Service quality will remain an area of focus in 2024.

Conclusion

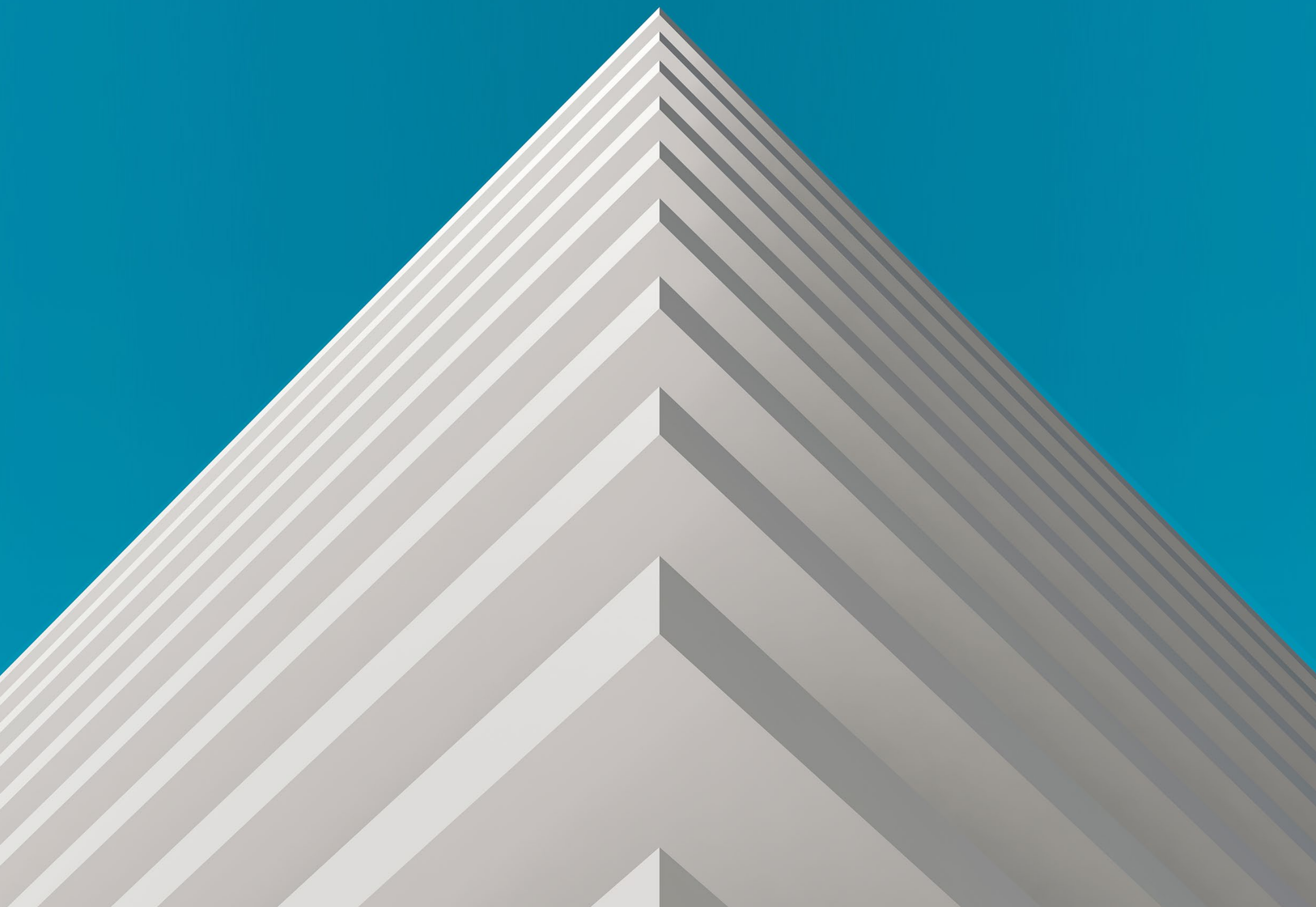
We have concluded from our assessment of the quality of services provided to the funds that the payments made from the funds are justified.

Fundsmith

7.

Economies of scale

Approach and evidence



Approach

We have considered the Firm's ability to achieve savings and benefits from economies of scale with respect to the different types of costs borne by the funds, namely:

- NAV driven administration costs;
- Activity driven administration costs;
- Transaction costs;
- Management fees.

We consider that economies of scale should arise in the provision of routine services with significant fixed costs and we should seek to ensure that the funds benefit from lower rates as the unit cost of production reduces.

We consider that it is more difficult for a supplier to achieve economies of scale in the provision of routine services with significant variable costs that increase with volume.

We consider that for value adding services the concept of economies of scale is less applicable. The charges for such services should reflect the value provided, rather than the cost of providing the service.

Administration costs – NAV driven

NAV driven administration costs comprise the charges for depositary, safe custody and fund administration services. Economies of scale are inherent because certain fee agreements, such as for depositary and fund administration are on a tiered basis, with the basis points charge reducing as assets under management increase. Unlike some other firms in the industry we do not seek to profit from these costs by charging a set ad valorem fee to the fund whilst driving down the underlying charges.

Regardless of whether rates are pre-agreed to reduce as assets under management rise, or are flat fees such as for custody charges, the Firm seeks to negotiate periodically lower rates for these services, and thereby ensure that investors benefit from the increasing scale of the funds. The most recent renegotiation was in the second half of 2021 and was supported by the Firm commissioning a benchmarking study to allow the Firm to assess the rates the funds are charged against the range of market charges.

The NAV driven administration costs, expressed as a percentage of NAV, for each fund were lower in 2022 than 2021 reflecting the benefit of negotiating lower rates for some services, and the benefit of the tiering of the rates, with lower rates charged as the funds increase in size. These lower rates were retained in 2023 and the NAV driven administration costs, expressed as a percentage of NAV, are very similar in 2023 compared with 2022.

Administration costs – activity driven

Activity driven administration costs predominantly comprise the funds' transfer agency costs and while these are routine services, the supplier's cost base is predominantly people and the costs incurred flex with the level of activity.

We have renegotiated the structure of the transfer agency charges with effect from 2023, with charges being aligned with the number of unit holders and their dealing activity rather than the number of investor interactions, incentivising the service provider to provide an enhanced service for the benefit of investors.

Transaction costs

The funds benefit from economies of scale in the transaction costs through the Firm's negotiations with its outsourced dealing services provider, reflecting their scale. The commission rate applicable to investment transactions by the funds in 2021 and 2020 of 3.5 bps was reduced to 3 bps for 2022 and was retained in 2023. These charges reflect the commercial reality of the trade execution industry.

Annual Management Charge

Since the launch of the fund, Fundsmith has made available to direct investors the T class shares at 1% and I class shares at 0.9%. Fundsmith's fee structure at launch was pioneering in its simplicity, transparency, and the level at which it was set for an active UK retail fund manager. Other active fund managers have reduced their fees in recent years, in many cases bringing their fees more into line with those charged by Fundsmith, meaning that, whilst we have not adjusted our fees, we remain competitive in the active management sector, as evidenced in the peer comparison.

We have considered whether there are economies of scale in the provision of investment management services. We have concluded that the management fees relating to the provision of investment management services reflect the value of the service provided, these being cognitive services priced according to the value delivered rather than the cost of delivering the service and that the value of high performing active investment management, at an acceptable and appropriate risk level, increases as a fund grows. The value of these activities reflects years of accumulated knowledge and experience and intangible attributes such as track record, reputation and brand which do not have quantifiable costs.

Economies of scale exist for Fundsmith in relation to the income earned for its role as ACD and as promoter and distributor, in that the costs for the firm (which do not include remuneration for senior management) have increased at a slower rate than its net fee income for providing those services. Our analysis concludes that the absolute level of profit earned by the firm is justified and that it is appropriate that the profit should accrue to the owners of the business who are the providers of its capital.

Conclusion

We have concluded from our assessment of the economies of scale relating to the funds and the Firm that the payments made by the funds are justified.

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