



Family Charities Ethical Trust  
Assessment of Value  
For the year ended  
31 March 2023



## 1. Introduction

This document sets out an assessment of the value provided to the investors in the Family Charities Ethical Trust (the Trust). The purpose of the assessment is to enable customers who are invested in the Trust to understand the range of services provided to them and to compare the value for money they receive from this Trust to the value provided by other similar funds.

This assessment has been produced by Family Investment Management Limited (FIML). FIML is the authorised fund manager (AFM) of the Trust and is a wholly owned subsidiary of Family Assurance Friendly Society Limited (the Society), which is a mutual friendly society. The products invested in the Trust are managed by Family Equity Plan Limited (FEPL), and until 1 April 2022, Family PEP Managers Limited (FPML) which are also wholly owned subsidiaries of the Society. OneFamily is a trading name of the Society and its subsidiaries (also referred to as the Group).

The Board of Directors of FIML are responsible under the Financial Conduct Authority's regulations to review and consider the outcome of the assessment and to ensure that it is communicated in a clear and fair way to customers.

The regulations under which this assessment of value is produced requires us to assess seven different elements which are detailed in Section 3. For each one we have set out what is being assessed, what we aim to deliver, the outcome of our assessment and how we think we can improve.

## 2. Family Charities Ethical Trust Overview

The Trust is a passively managed, single priced UCITS fund that aims to achieve long-term growth over a ten-year period by tracking the FTSE4Good UK 50 Total Return Share Index. The Trust achieves this by primarily investing in the UK equities that make up this Index.

The Trust is used as an investment vehicle for Individual Saving Accounts (ISAs), Junior ISAs (JISAs), Child Trust Funds (CTFs) and direct customers. The ISAs held in the Trust are legacy products which include converted ex-Personal Equity Plans (ex-PEPS) that are no longer available for sale. A small portion of the Trust is held by unit-linked life funds administered by the Society, namely the Family Charities Ethical Exempt Fund and the OneFamily FTSE4Good Primary Fund.

The table below shows the investment types held within the Trust as at 31 March 2023.

Investment type	Income units held	Accumulation units held	Total unit value	% of Trust value
ISAs including ex-PEPS	46,832	818,903	£7,941,403	2.6%
Junior ISAs		7,755,948	£72,618,945	23.5%
Child Trust Funds		21,725,618	£203,416,959	65.8%
Direct Investors	418,593	414,648	£6,331,534	2.1%
Internal holdings by other Group entities		1,990,269	£18,634,888	6.0%

The Trust is priced daily and incurs an Annual Management Charge (AMC) of 1.50% of its total value per annum which is taken from the Trust on a daily basis based on the prior month end value. The AMC paid by the Society for holding units in the Trust is rebated each day as these life funds are subject to their own AMC. As such any units held by the Society are outside the scope of this assessment.

The Trust has two classes of units, income and accumulation, which differ in how they receive their annual distribution payment. Customers who hold income units will have the distribution paid to them on a pro rata basis, whereas the payment is held as capital within the Trust for accumulation units and reflected in a higher unit price

Customers invested in the Trust become members of Family Assurance Friendly Society Limited, which is a mutual friendly society. This brings certain member benefits, including attendance at the Society's AGM, voting rights, £950 fee waive for equity release through the OneFamily Advice service and the opportunity to apply for young person's educational grants (for the member themselves or on behalf of another person). As a member of the mutual, it also provides them with an interest in the event of the winding up of the Society.

### **3. Assessment of Value**

The Assessment of Value has been broken down into the following categories. Each section explains what is being assessed, what we aim to achieve within the confines of that category and what the outcomes of our assessment have been in respect of our aims. Where applicable we have added comments identifying possible areas for improvement.

- 3.1 Range and Quality of Services Provided
- 3.2 Performance
- 3.3 Cost of Providing the Service
- 3.4 Economies of Scale
- 3.5 Comparable Market Rates
- 3.6 Comparable Services
- 3.7 Unit Classes

#### **3.1 Range and Quality of Services Provided**

##### **What is being assessed?**

This section considers the range of services provided to customers and whether they are sufficient and appropriate to meet their needs. These include services provided in respect of the Trust or provided directly to customers, any services relating to the product wrappers that invest in the Trust and the overall customer experience provided by OneFamily. We also considered the quality of the services provided and whether they meet our benchmark standards.

##### **What we aim to deliver**

We aim to ensure that the range and quality of the services provided is appropriate to meet our customers' needs.

##### **The outcome of our assessment**

## Range of Services

The services provided to customers include:

1. Investment management services

The Trust aims to achieve long-term growth by tracking, before charges, the performance of the FTSE4Good UK 50 Total Return Share Index. The investment manager, State Street Global Advisors, does not adopt an active management strategy in respect of the Trust, which has the characteristics of a passively managed tracker, with the investments being re-balanced on a quarterly basis.

In their role as investment manager, SSGA have a clearly defined stewardship programme. Stewardship relates to the responsible oversight of investments in order to create long term value. This is achieved by driving positive changes in environmental, social and governance matters through proxy voting, engagement and thought leadership.

2. Services relating to the management and operation of the Trust.

These include services provided by external third-party suppliers such as those provided by the trustees, custodians and auditors. It also relates to internally provided services such as the maintenance of the accounting records, valuation and pricing of the Trust and the production of its Report and Accounts.

3. Services provided directly to customers.

These services include the provision of fund literature such as the prospectus and fund factsheets. They also include provision of product literature such as the Terms and Conditions, customer statements and the provision of account services such as top-up payments and withdrawals. The services also include product specific services such as management of the subscription limits and transfers to and from other providers. Customers can communicate with us by post, online or by calling our UK-based call centre. Wherever possible we are fully committed to making enhancements to existing processes to assist vulnerable customers.

## Quality of Services

The services we provide are subject to a range of controls and reviews to help ensure that the quality of the services provided to customers is of a satisfactory standard. These include:

1. Governance framework

Use of a robust governance framework that encourages appropriate challenge and review of the services. This includes the use of different executive and board committees to review performance and the conduct of the business to help ensure that the services provided are of good quality, and to act if they do not meet the expected standards. This is underpinned by a system of policies, procedures and controls.

The governance framework also includes provision for independent reviews of business activities by the compliance and internal audit functions as well as scrutiny by external auditors and trustees.

## 2. Clear accountabilities

The Senior Managers and Certification Regime helps ensure it is clear who holds what responsibilities and accountabilities and that the individuals are fit and proper to hold these roles. This is supported by a training and competency regime that helps ensure individuals receive the appropriate training for their roles and maintain their training through continuing professional development.

## 3. Use of specific metrics and reviews to assess our performance

We maintain a clear customer focus by monitoring, measuring and reviewing key performance metrics. These include customer satisfaction scores, customer complaint volumes and response time, breach data and information in respect of service levels such as call response times, complaint handling or processing of gone away customers. We work hard to meet industry-standard service levels for transfers and aim to maintain high standards for answering customer telephone calls. Wherever possible, this information is benchmarked against external data, although where this isn't available it is measured against long-standing internal performance benchmarks.

We periodically review services provided by third parties such as the investment manager, auditors, trustees and custodians. We undertake product reviews on a cyclical basis to help ensure our products remain fit for purpose and meet the needs of our customers.

Overall, the Board believes that the range and quality of services provided to customers is appropriate. There were no findings identified through the review that significantly impacted the overall quality of the service provided during this period.

### How can we improve?

While we believe the overall range and quality of our services to be good, we are continually looking at ways to improve and offer our customers a better experience. We are currently undertaking a modernisation programme to upgrade our administration systems which should improve the level of service and functionality that we can provide to customers in the future.

## 3.2 Performance

### What is being assessed?

This considers the performance of the Trust compared to its stated investment objectives and any benchmark against which its performance can be measured. Investors in a passive fund, which aims to track an index, will usually expect to perform closely to that index before any fees are deducted. Consideration is also given to the volatility of the Trust and its stated risk profile.

### What we aim to deliver

We aim to provide customers with performance that is in line with their expectations as set out in the investment objective.

### The outcome of our assessment

The investment objective of the Trust is to achieve long-term growth over a minimum ten-year period by tracking the FTSE4Good UK 50 Total Return Share Index (the Index).

The table below shows the performance of the Trust's accumulation units over one, three, five and 10 years compared with the benchmark over the same periods. The Trust's performance is based on rounded, closing prices at 31 March 2023 each year. We have not included the income units as unlike the benchmark or accumulation units they pay a distribution which reduces the unit price.

**Table 1 Average annual compound growth rate as at 31 March 2023**

	1 Year	3 Years	5 Years	10 Years
Family Charities Ethical Trust Acc Units (after AMC)	3.0%	11.3%	4.6%	4.3%
Family Charities Ethical Trust Acc Units (before AMC)	4.5%	13.0%	6.2%	5.8%
FTSE4Good UK 50 Total Return Share Index*	4.7%	13.3%	6.3%	6.0%

\*Index data sourced from Bloomberg

The Trust's prospectus states that the investment should be considered as being for a minimum ten year-term investment. Over this period the performance of the Trust shows an average annual return of 4.3% after the AMC has been taken and 5.8% before. The Index has an annualised return of 6.0% over the same period indicating the Trust's performance before the AMC is deducted is in line with the benchmark (which is not affected by any charges).

The Trust has provided capital growth over each of the periods measured above and its performance has closely followed the benchmark. The Trust has performed in line with its investment objective.

The Trust has a published risk indicator of 6 (on a scale where 1 is the lowest risk and 7 the highest risk). This reflects the Trust's overall volatility and the associated risk of losing money over any time period.

**Table 2 Discrete annual growth rate, highest and lowest accumulation unit prices between 2018 and 2023**

	31 Mar 18 to 31 Mar 19	31 Mar 19 to 31 Mar 20	31 Mar 20 to 31 Mar 21	31 Mar 21 to 31 Mar 22	31 Mar 22 to 31 Mar 23
Annual Performance	7.5%	(15.6%)	16.7%	15.2%	3.0%
Highest Buying Price (p)	837.9	886.5	806.6	916.4	970.1
Lowest Selling Price (p)	741.1	603.5	642.8	795.3	821.8

The table above shows that the Trust can be prone to significant swings in investment performance over any 12-month period. This suggest that the risk indicator of 6 is appropriate and reflects the level of risk and potential for growth.

Overall, the Board considers that the performance of the Trust is satisfactory relative to the Trust's investment objective, benchmark and risk rating.

### How can we improve?

We will continue to monitor the investment performance of the Trust and will compare the performance of the Trust relative to its benchmark. We will engage with the investment managers in the event that the performance moves out of line with its benchmark.

### **3.3 Costs of Providing the Services**

#### **What is being assessed?**

This section considers the costs that are incurred by customers compared to the actual costs FIML incurs in providing the services.

#### **What we aim to deliver**

We aim to provide services at a level of costs that provides customers with fair value for money while ensuring the sustainability of the business. The costs should be transparent and clearly communicated to our customers.

#### **The outcome of our assessment**

The Board considered the costs associated with investing in the Trust, whether they provide value and their impact on customers within the Trust.

The Annual Management Charge of 1.50% is the only cost incurred by customers investing in the Trust. This charge covers all the services provided to the customer identified in Section 3.1. The charge is taken on a daily basis, based on the value of the Trust at the end of the previous month. This means for a typical account worth £2,000 we would take charges that average £2.50 per month to manage the account.

The Board reviewed the underlying costs of the services being provided, both in terms of the external charges and internal costs and are satisfied that they are set at a reasonable and fair level. By using a single charge, with no additional hidden costs, we believe the charging structure is clear and transparent for customers.

#### **How can we improve?**

While we consider the current charge to be appropriate, we will continue to monitor the level of AMC via our ongoing review process. FIML will also continue to look for opportunities to improve the value for money received by customers by enhancing the quality and range of the services offered.

### **3.4. Economies of Scale**

#### **What is being assessed?**

This section considers whether the Trust has generated any economies of scale and whether these have been passed back to customers. Economies of scale may arise when the growth of a fund results in the operational costs incurred in running the fund forming a smaller proportion of its total value.

#### **What we aim to deliver**

We aim to maintain a downward pressure on costs and to provide the benefits of any savings to customers by investing them in the business to help ensure its sustainability and to provide capital to develop new products and services.

## The outcome of our assessment

The Trust has been increasing in size over the last 10 years, from approximately 19m units in issue at the end of its 2012/13 accounting year to almost 53m units in issue as 31 March 2023. However, the rate of increase is slowing down, and with all CTF accounts reaching maturity by 2029 it means the Trust could lose up to 65% of its current value over the next few years.

Typically, as a trust gets smaller the costs associated with the trust will increase proportionately as it becomes less efficient to operate. While this is likely true for the Family Charities Ethical Trust it will have no impact on customers as all these costs except the AMC are paid by FIML. Customers will only be charged the 1.50% AMC regardless of the Trust's size.

Furthermore, OneFamily is committed to maintaining its high level of service noted in section 3.1 of this assessment and will not indirectly pass any increased costs to customers through reduced levels of servicing or fund administration.

## How can we improve?

While the Board has concluded that there are limited opportunities for future economies of scale, we will continue to focus on costs related to the Trust and will exert downward pressure whenever we can to introduce savings for FIML that can be reinvested back into the Group. As noted above, economies of scale have no impact on the costs incurred by customers invested in the Trust who will continue to see a charge of 1.50% per year.

We will also continue to seek opportunities to introduce the benefits of increased economies of scale by identifying and reviewing the possibility of any future rationalisation of funds.

## 3.5 Comparable Market Rates

### What is being assessed?

This section considers whether customers receive fair value for money when compared to the costs they might incur if they invested in comparable trusts in the marketplace.

### What we aim to deliver

We aim to ensure that our customers incur costs that are transparent and easily understood and that represent fair value for money based on the quality of the service that we provide.

## The outcome of our assessment

We compared the cost of investing in the Trust with a selection of similar funds and found our Trust to be more expensive than average, although it was difficult to identify the services included within charges of the alternate funds. Additionally, it was noted that investors in these alternate funds would often be subject to additional charges such as platform fees.

As the Family Charities Ethical Trust is primarily used as vehicle for ISA, CTF and JISA investments its AMC is set at a level that allows us to provide administration and servicing in support of these products which is not the case for the funds mentioned above. All products administered by OneFamily are regularly compared to similar products available in the marketplace to help ensure our charges remain competitive. These reviews consider the costs charged by OneFamily compared to our competitors as well as an overview of the charging structures and fund choices available. The latest ISA, JISA and CTF reviews concluded our rates were comparable to similar products available in the marketplace.

The Board has concluded that the overall level of charges incurred by customers of the Family Charities Ethical Trust are reasonable for customers invested through a product wrapper. For customers who invest directly in the Trust the cost is comparatively expensive although there is little scope for the AMC to be reduced considering the costs incurred in administering this particular investment type.

### **How can we improve?**

We believe the Trust's charges are comparable to other market rates. We will continue to monitor similar funds, but it is not our intention to adjust the charges this year. We will continue to look for opportunities to increase the value for money received by the customer by enhancing the quality and range of the services offered.

## **3.6 Comparable Services**

### **What is being assessed?**

This considers whether the AFM provides comparable services to other customers at a different price and in particular whether institutional investors receive similar services at comparatively lower prices.

### **What we aim to deliver**

We aim to ensure that we treat different classes of customers fairly such that one set of customers does not pay more for the same services as another set of customers.

### **The outcome of our assessment**

As the AFM does not manage any funds with the same investment objective as the Family Charities Ethical Trust we do not believe we offer any directly comparable services. However, to help ensure no group of customers are being disadvantaged, we have considered other funds managed by the AFM that allow investment within the same product wrappers, to ensure any difference in costs can be accounted for.

For our CTF and JISA customers – who make up approximately 90% of the Trust - the 1.50% AMC charged to the Family Charities Ethical Trust is consistent across the whole Group.

However, the small number of customers who invest in the Trust directly or through ex-PEP ISA wrappers could potentially receive a lower AMC if they invested in other funds. While the reasons for the higher charge originally related to the fund objective and underlying costs, we are currently reviewing these charges to determine whether these factors are still relevant.

### How can we improve?

We will continue to monitor other funds we manage to ensure any discrepancies in charges can be fully justified. In particular, we will continue to review the charges for direct and ex-PEP ISA customers and if we believe they are set too high will explore what options are available to reduce these charges including the future possible rationalisation of funds.

## 3.7 Classes of Units

### What is being assessed?

This section considers whether it is appropriate for one group of customers to hold a class of units with higher charges than those applying to another class within the Trust with similar rights.

### What we aim to deliver

We aim to ensure that customers do not suffer higher charges on their investments simply by being in a different class of unit which have substantially similar rights.

### The outcome of our assessment

The Family Charities Ethical Trust operates two classes of units; income and accumulation units. The units differ in how they receive their annual distribution payment. Customers who hold income units will have the distribution paid to them on a pro rata basis, whereas the payment is held as capital within the Trust for accumulation units and reflected in a higher unit price. There are no other differences between the units and therefore there is no comparison to be drawn between different classes of units and underlying services provided.

### How can we improve?

We have no plans to open new classes of units.

## 4. Summary and Conclusions

Since the last review we have:

- Monitored the investment performance of the Trust and discussed its performance relative to its benchmark with the investment managers.
- Monitored the quality of the services provided to help ensure these meet the needs of our customers.
- Continued work on upgrading our administration systems to help ensure we can continue to provide customers with high quality customer service.

The Board of FIML considers that the assessment of value demonstrates that, overall, we are delivering fair value for the customers invested in the Trust.

In particular, the Board considers that:

- The range and quality of services provided to customers in the Family Charities Ethical Trust are good and are appropriate to the needs of customers. A significant proportion of the value delivered to customers is in the form of the product-related services they receive rather than just the services delivered in respect of the Trust.
- The performance of the Trust is in line with its stated benchmark.
- The costs associated with the provision of these services to customers are reasonable.
- There are limited future opportunities for economies of scale as the Trust is contracting and customers are charged a fixed AMC
- Comparisons of investing in similar funds through ISA, JISA or CTF product wrappers show our overall costs are reasonable
- Comparisons of investing directly in the Trust with other similar funds shows the cost is relatively expensive while acknowledging the higher servicing costs associated with this investment type
- There are no other comparable services or alternative asset classes that require consideration.

Key areas that we will focus on as a result of undertaking this review include:

- Ongoing monitoring of the investment performance of the Trust with the investment manager.
- Ongoing monitoring of the quality of the services provided to help ensure these meet the needs of our customers.
- Continuing investment on the modernisation of our administration platforms to maintain and enhance the level of service we can provide to our customers.
- Continuing to monitor other funds we manage to ensure any discrepancies between funds that share characteristics with the Trust can be fully justified.

We will report on our progress against these in our next annual assessment of value.