



Family Asset Trust
Assessment of Value
For the year ended
31 December 2021



1. Introduction

This document sets out an assessment of the value provided to the investors in the Family Asset 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 (FAFS), which is a mutual friendly society. The products invested in the Trust during the period were managed by Family Equity Plan Limited (FEPL) and Family PEP Managers Limited (FPML) which are also wholly owned subsidiaries of FAFS. 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 Asset Trust Overview

The Trust is a passively managed, dual priced UCITS fund that aims to achieve long-term growth over a ten-year period by tracking the FTSE 350 excluding Investment Trusts 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) 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 significant portion of the Trust is held by unit-linked life funds administered by FAFS, namely the Family UK Equity Fund and the Family Capital Builder Fund.

The Trust incurs an Annual Management Charge (AMC) of 1.0% of its total value per annum which is taken from the Trust on a daily basis based on the prior month end value.

The Trust has only one type of unit class, all investors hold non-distribution accumulation units meaning the trust's income at distribution is paid back into the trust as capital for further re-investment.

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 value of the mutual 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 Share 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 ISA 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

Customers invested in the Trust can comprise both direct unit holders and investors who hold their units within an ISA wrapper. We also have some internal holdings in the Trust held by other Group entities.

As at 31 December 2021 units in the Trust were held as follows:

Investment type	Units held	Unit value	% of Trust value
ISAs including ex-PEPS	3,076,548	£11,060,199	21.5%
Direct Investors	2,811,542	£10,107,495	19.7%
Internal holdings by other Group entities	8,388,929	£30,158,200	58.8%

The units held by other Group entities are outside the scope of this assessment as the AMC charged in relation to the Trust is rebated.

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 FTSE 350 excluding Investment Trusts Total Return Share Index. The investment managers, State Street Global Advisors, do 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.

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 ISA specific services such as management of the subscription limits, transfers to and from other providers and the maintenance of our online Account Management System. Customers can communicate with us by post, online by using our secure messaging service or by calling our UK-based call centre.

Quality of Services

The services we provide are subject to a range of controls and reviews to 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 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 ensures that 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 ensures that 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 ensure we have industry leading 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 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 embarking on 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 FTSE 350 excluding Investment Trusts Total Return Share Index (the Index).

The table below shows the average annual performance of the Trust - both before and after the AMC is taken - and the performance of the Index over the last one, three, five and 10 years ending 31 December 2021.

Table 1 Average annual compound growth rate as at 31 December 2021

	1 Year	3 Years	5 Years	10 Years
Family Asset Trust (after AMC)	16.8%	6.3%	3.9%	6.0%
Family Asset Trust (before AMC)	17.9%	7.3%	4.9%	7.1%
FTSE 350 ex IT TR Share Index*	18.5%	7.6%	4.9%	7.3%

*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 6.0% after the AMC has been taken and 7.1% before. The Index has an annualised return of 7.3% 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), allowing for its stated anticipated tracking error.

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 prices between 2016 and 2021

	31 Dec 16 to 31 Dec 17	31 Dec 17 to 31 Dec 18	31 Dec 18 to 31 Dec 19	31 Dec 19 to 31 Dec 20	31 Dec 20 to 31 Dec 21
Annual Performance	11.3%	(9.4%)	17.1%	(12.3%)	16.8%
Highest Buying Price (p)	350.5	366.7	375.8	375.3	365.8
Lowest Selling Price (p)	297.8	294.6	295.7	229.5	307.8

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 investing in the Trust.

The Trust has an Annual Management Charge (AMC) of 1.0% and in addition pays trustee, custody, transaction, FCA and audit fees.

Together these costs (with the exception of the transaction fees) represent the Trust's Ongoing Charges Figure (OCF) of 1.043%. The OCF is a measure of all ongoing charges associated with a fund and is an accepted standard for the comparison of cost for all authorised funds. This means for every £1,000 invested in the Trust approximately £10.43 will be spent on costs each year. With the transaction costs included this amount increases to £10.49.

These charges cover all the services provided to the customer identified in Section 3.1.

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.

How can we improve?

FIML recognises the Audit fee (which increased in 2020) may potentially have a detrimental impact on the Trust and notes that the Group is currently undertaking an audit tender process. It should be noted however that the audit tender decision over future audit firm will not be solely based on cost.

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 savings in the business to ensure its sustainability and to provide capital (which is not available to a mutual group, such as OneFamily, through other sources) to develop new products and services.

The outcome of our assessment

The Trust has decreased in size in recent years, from 41 million units in issue at the end of 2011 to 14 million units in issue as at the end of 2021 a reduction of approximately 9.5% per year.

As the Trust is closed to new ISA business it is expected that the Trust will continue to contract in the future and there may be limited opportunities for the Trust to benefit from economies of scale.

As the Trust continues to contract the effect of certain external fees (for example, trustee, transaction, FCA and audit fees) will have a more significant impact on the performance of the Trust as they begin to form a larger percentage of its total value.

It should be noted that the impact of these charges will be gradual and will not have an immediate, significant impact on the Trust.

The Board has concluded that there are limited opportunities for future economies of scale but that if any can be achieved, they will be used to enhance the customer experience by reinvesting them in the business.

How can we improve?

We will continue to keep a focus on costs that affect the Trust and will exert downward pressure on costs whenever we can. We will consider whether any of the costs identified, for example Audit fees, could be paid by FIML to reduce their impact on the Trust.

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 directly in the Trust with a selection of funds with similar profiles. Of the 12 funds reviewed, the on-going charges (OCF) ranged from 0.09% up to 1.88%, with some funds also applying an initial charge. At 1.049% the OCF of the Trust is above the average of 0.89%. However, it is not possible to identify the services included within charges of the alternate funds, or whether investors incur additional platform or product charges.

Although our costs appear to be above average, we believe that our customers receive good value for money. This is because funds that offer ISA investments or lower investment limits often have higher than average charges.

In some circumstances this could make an ISA investment more expensive than Family Asset Trust, despite the lower OCF. This highlights the problem of drawing simple comparisons between different funds.

The Board has concluded that the overall level of the ongoing charges figures incurred by customers of Family Asset Trust is reasonable when assessed against comparable funds, especially given that the Family Asset Trust can accommodate ISA investments.

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 review 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

We offer no funds with similar investment objectives to the Family Asset Trust and therefore we do not believe there are any comparable services. As we offer other funds that invest primarily in UK equities, we have considered whether we should compare the cost of investing in each of these funds to the Family Asset Trust.

The two funds under consideration were the Family Charities Ethical Trust and the OneFamily Stockmarket 100 Trust which follow the FTSE4Good UK 50 Index and the FTSE 100 Index respectively. However, an assessment of these funds, the products invested in them, and services provided demonstrated that they are not comparable.

How can we improve?

We will remain alert to the different needs of the different customer groups invested in the Family Asset Trust and will continue to provide appropriate services to each.

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 Asset Trust only offers one type of unit and therefore no assessment required.

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 ensure these meet the needs of our customers.
- Continued work on upgrading our administration systems to ensure we can continue to provide customers with high quality customer service.
- Removed the 5% initial charge on 1 January 2021

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 Asset 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, but where possible economies of scale are passed onto customers.
- Comparisons with other similar trusts show our overall costs are reasonable when assessed against comparable funds.
- 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.
- Continued consideration of fixed costs in the Trust to ensure that, as the Trust reduces in size, investors are not materially disadvantaged by the impact of rising fixed costs
- Ongoing monitoring of the quality of the services provided to 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.

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