

VALUE FOR MONEY REPORT 2023



This report demonstrates how value is being delivered for investors



NFU Mutual
FINANCIAL PLANNING



REPORT PURPOSE

In accordance with rules set out by our regulator, the Financial Conduct Authority (“FCA”), all UK Authorised Fund Managers like NFU Mutual Unit Managers Limited (“MUMCO”) must carry out an annual value for money assessment for all investment fund units offered to the public.

The annual assessment is required to demonstrate whether and how value is being delivered for investors in each class of unit in each fund, and to take corrective action if it is not. The assessment must be explained annually in a report made available to the public.

We have assessed our funds based on data to 31st May 2023. The detailed output of this assessment was presented to MUMCO’s Board in September 2023, allowing for challenge and further investigation. The ongoing nature of the process means that the Board can continually monitor any areas of concern.

This document provides a summary of the latest findings and covers investment fund units currently available under the NFU Mutual OEIC and the NFU Mutual Portfolio Funds OEIC. This report does not cover any other investment fund units offered by NFU Mutual.

THE 2023 VALUE FOR MONEY ASSESSMENT SUMMARY

Service

Overall, MUMCO’s investment management team and its external service providers have delivered a good quality of service for all funds over the 12 months since the previous review.

Performance

Our funds continue to deliver performance in line with what we believe our customers reasonably expect.

Costs and charges

The current fund charges are sufficient to cover MUMCO’s costs and MUMCO has made a reasonable profit in recent years. MUMCO’s Board monitor the level of profit and consider the level of profit margin being achieved against long term targets. Whilst the Board recognise there are risks to future profitability arising from potential market downturns combined with high cost inflation, they are committed to delivering value for money to investors. The Board therefore approved a 0.05% reduction in annual fund charges on all funds and this was applied from 1 September 2023.

MUMCO’s total fund charges are competitive and reasonable in the context of expected future investment returns.

THE 2023 VALUE FOR MONEY ASSESSMENT

An annual assessment is required to demonstrate whether and how value is being delivered for investors in each class of unit in each available fund, and to take corrective action if necessary. Since the last value for

money assessment, which was approved by MUMCO Board in September 2022, the fund range has remained the same. The assessment has been made against the following prescribed areas identified by the FCA:

- 1. Quality of service** – The range and quality of services provided in the management of each class of unit in each available fund.
- 2. Performance** – The performance of each class of unit as set out in the relevant prospectus. This will be assessed over appropriate timescales and have regard to the fund’s investment objectives, policy and strategy.
- 3. Costs** – In relation to each charge for each class of unit, the cost of providing the services to which the charge relates.
- 4. Economies of scale** – Whether cost savings are achievable from economies of scale and if so, whether these can be passed on to investors.
- 5. Comparable market rates** – Consideration of other providers’ charges for comparable services provided..
- 6. Comparable services** – How charges compare for different groups of investors within any of the available funds.
- 7. Classes of units** – How charges compare for different classes of units within any of the available funds.

Areas 1) and 2) – relating to service and performance, are stand-alone factors in the value for money equation. Areas 3) to 7) all relate to costs and charges. This means that,

at the highest level, the value for money assessment can be considered under the following three headings:

- Service** – by reviewing how we monitor and measure:
 - internal services which provide oversight of our investment function;
 - client service levels and communication; and
 - the success of external suppliers helping to run the funds.
- Performance** – by assessing whether the fund has delivered performance in line with stated objectives and expectations.
- Costs and charges** – by ensuring that the fund is priced appropriately:
 - with a clear cost framework and with cost savings passed to clients where possible;
 - with competitive charges compared to similar funds available in the market; and
 - with consistent charges compared with other MUMCO products and classes of unit offered. (Since MUMCO currently only sells one class of units to retail customers for each fund, this particular factor is not relevant for this report).

We believe that the assessment of value exercise should make it easy for investors to evaluate whether their investment manager is providing them with value for money.

ASSESSMENT CONTINUED

In addition to this report, we publish other fund documentation on the ‘View fund prices’ section of our website (nfumutual.co.uk) which you may find useful:

- Current objectives and fees for each fund in their Key Investor Information Documents
- Latest performance and details of fund holdings are available in our Monthly Factsheets
- The Annual Reports and Prospectuses for the fund umbrella OEICs

fund’s level of service, performance, and costs/charges. A simple traffic light scoring system is used to represent our findings.

- The fund doesn’t provide reasonable value for money
- The fund requires attention
- The fund provides reasonable value for money

We use a broad range of data to create the following assessments for each fund’s level of service, performance, and costs/charges. The results of this examination are then analysed to establish the reason any fund has been flagged as red or amber.

The latest value for money findings are shown in the scorecard below, based on each

Fund Umbrella	Fund Name	Service	Performance	Costs and charges
NFU Mutual OEIC	Gilt and Corporate Bond	●	●	●
	Global Growth	●	●*	●
	UK Growth	●	●	●
	UK Equity Income	●	●	●
NFU Mutual Portfolio Funds OEIC	Mixed Portfolio 20-60% Shares	●	●	●
	Mixed Portfolio 40-85% Shares	●	●	●
	Mixed Portfolio Max 100% Shares	●	●	●

*The structure of the Global Growth fund changed in 2020. Whilst we do not yet have sufficient performance history to fully assess performance, we have made an assessment made on the performance history available from the date of the change in September 2020 up to 31st May 2023.

Explanations of the ratings for service, performance, and costs/charges are summarised in the sections that follow. The rating, assessment process, and any proposed remedial actions have been subject to scrutiny by MUMCO’s Board.

SERVICE

Overall, we believe that NFU Mutual’s internal investment management team and external service providers have delivered a good quality of service for all classes of unit within all MUMCO funds over the 12 months since the previous review. This is evidenced by:

- external partners consistently meeting their Service Level Agreements (SLAs);
- low error rates (e.g. on unit pricing) and
- no material issues raised in any audits or independent assurance reviews.

We have therefore rated all funds as green for service.



PERFORMANCE

Our performance assessment is based on the following four criteria:

- Achievement of the fund objective
- Relative performance against similar funds
- Performance against the stated benchmark index
- Morningstar's risk-adjusted overall performance rating

Each criterion contributes an equal proportion to the overall score. Where a measure is either not applicable or not available, it is not used, and the other weightings are adjusted accordingly.

As noted in the scorecard, the structure of the Global Growth fund changed in 2020 and it is too early to make a full assessment on long-term investment performance under the new strategy. However we have made an assessment based on the performance history available from the date of the change in September 2020 up to 31st May 2023 and over that time period the fund is rated as green. In the period since the new strategy has been implemented the fund has delivered against investment objective in the short term, and performed in the top half of funds in its peer group.

All the funds are assessed as green, except for the Mixed Portfolio 20-60% Shares fund, which is rated amber.

● Mixed Portfolio 20-60% Shares

The Mixed Portfolio 20-60% Shares fund score has fallen from its green rating last year to amber this year. The score is mainly caused by its five-year performance being in the third quartile of similar peer funds for performance for most of the period and its Morningstar rating being either 2 or 3 stars out of 5 during the year.

Morningstar ratings are a risk adjusted measure based on three-year, five-year and ten-year periods. The overall rating is the average of all three of these, with the longer duration ratings having a higher weight. As the current structure of this fund has only been in place for five years now, it has only just reached a position where it has both a three-year and a five-year Morningstar rating. The lack of a ten-year rating does make the fund's rating more vulnerable to shorter term volatility in relative performance. However, we believe the measure is still beneficial to include, but should be considered given this limitation.

The Morningstar rating of the fund improved from 2 to 3 stars from the end of October. However it fell back to 2 stars overall in April after reaching the five-year history, as the longer-term history carries some underperformance on international equities. Although the overall score has fallen, the results show a positive trend, for example



the 3-year rating is higher than the 5-year rating).

At the more cautious end of our mixed asset funds, this fund has a higher fixed interest content. In common with other similar funds in the industry, fixed interest assets lost value in the period of rising interest rates and yields. The result was a dip in capital values over a five-year horizon, causing the fund to not achieve part of the investment objective to deliver capital growth and income. This is the biggest factor causing the fall in score year on year.

More recently additional investment options have been provided to the fund with the introduction of high yield and emerging

market debt in 2022. These differentiated options within fixed interest assets were added with the aim of adding value in future years.

Against that background, we do not believe that the current amber rating is a cause for concern. Overall, we believe the Mixed Portfolio 20-60% Shares fund still offers value for money and no changes are required at this stage. The fund will continue to be monitored as part of our existing regular processes.

Overall, we believe that all MUMCO funds continue to deliver performance in line with customers' reasonable expectations.

COSTS AND CHARGES

MUMCO's Board monitor the level of profit and consider the level of profit margin being achieved against long term targets. Whilst the Board recognise there are risks to future profitability, for example from high cost inflation, they are committed to delivering value for money to investors. The Board therefore approved a 0.05% reduction in annual fund charges on all funds to share the economies of scale we have achieved in recent years. The change was implemented on 1 September 2023. All impacted customers have been informed of the change.

Economies of scale could eventually lead to a sufficient level of profit to allow a further reduction in annual charges and this will continue to be monitored.

MUMCO's total fund charges are reasonable and were already competitive compared to those of its peers. This position was further improved by the charge reduction of 0.05% per annum. The charges are in the cheaper half of funds for their market sectors.

Another item that we consider in relation to our charges, is the extent to which they will be covered by likely future investment returns. We expect all funds offered by MUMCO to comfortably cover the cost of our charges over the longer term.

Our latest assessment of third-party data concluded that MUMCO's costs are not unreasonable for a company of its size. The current fund charges are sufficient to cover MUMCO's costs and MUMCO has made reasonable profits in recent years. We have continued to review third party fees to ensure they continue to deliver value for money. In the last year we have negotiated a reduction in charges for some of the 3rd party investment managers.

As a result of the areas investigated, we have rated all funds as green for costs and charges.

FURTHER INFORMATION

In 2023 NFU Mutual became a signatory of the UK Stewardship Code. The Code was introduced to set high stewardship standards for those investing on behalf of UK savers and pensioners. Our 2022 Stewardship Report demonstrates how we have applied the Code's 12 Principles, which cover topics from Client Needs, Collaboration and Environmental, Social and Governance (ESG) Integration. In 2023 we also became a member of the Investor Forum. This is a collection of institutional investors with a focus on investments in UK-listed companies. The Investor Forum looks to place stewardship at the heart of investment decision making and focuses on creating long-term solutions to enhance shareholder value.

Bank of New York Mellon (International) Limited is the Depositary for all MUMCO's funds.

Further information about the funds, copies of the funds' prospectuses and the latest annual and half-yearly reports for the funds may be obtained free of charge, at any time, from NFU Mutual Unit Managers Limited, Tiddington Road, Stratford-upon-Avon CV37 7BJ (0800 622 323). These documents are available in English.

The last published prices of shares and other practical information on the funds, including how to buy or sell shares, is available from nfumutual.co.uk/financial-planning/fund-centre/. You can also request this information, during normal business hours, from NFU Mutual Unit Managers Limited, Tiddington Road, Stratford-upon-Avon CV37 7BJ (0800 622 323).

An explanation of many of the terms used can be found in the glossary of the Prospectus.



We're committed to supporting our customers,
whatever your circumstances or needs we're here to help.

**If you'd like this document in large print,
braille or audio, just contact us.**

To find out more about how we use your personal information and your rights,
please go to nfumutual.co.uk/privacy.

N.F.U. Mutual Unit Managers Limited (No. 1837277). Registered in England. Registered Office:
Tiddington Road, Stratford-upon-Avon, Warwickshire CV37 7BJ. Authorised and regulated by the
Financial Conduct Authority.

VFM-310124 | EXPIRY DATE: TBC



NFU Mutual
FINANCIAL PLANNING