

# THE NFU MUTUAL UNIT MANAGERS LIMITED 2024 ASSESSMENT OF VALUE



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 assessment of value 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 2024. The detailed output of this assessment was presented to MUMCO’s Board in September 2024, 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 2024 ASSESSMENT OF VALUE 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 continued to deliver performance in line with what we believe our customers reasonably expect and action has been taken to address any issues identified.

### Costs and charges

In September 2023 MUMCO reduced the annual charges for all funds by 0.05%. The current fund charges are sufficient to cover MUMCO’s costs and MUMCO has made a reasonable profit in recent years. MUMCO’s Board monitors the level of profit and profit margin being achieved against long term targets and is committed to delivering value for money to investors. The Board recognises there are risks to future profitability arising from potential market downturns combined with high cost inflation. However, growth and economies of scale could eventually lead to a sufficient level of profit to allow a further reduction in annual management charges.

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

# THE 2024 ASSESSMENT OF VALUE

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 assessment

of value, which was approved by MUMCO Board in September 2023, 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** – through the monitoring and measurement of:
  - 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 cost savings are 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

The latest assessment of value findings are shown in the scorecard below, based on each fund’s level of service, performance, and costs/charges. A simple traffic light scoring system is used to represent our findings.

- The fund hasn’t provided satisfactory value for money and improvements are required in some areas. Actions have been planned or already taken.
- The fund has provided satisfactory value for money, however improvement may be possible in some areas. Actions have been planned or already taken.
- The fund has provided good 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 MUMCO Board then allocate an overall rating for each fund.

Fund Umbrella	Fund Name	Service	Performance	Costs and charges	Overall Rating
NFU Mutual OEIC	Fixed Interest <sup>(1)</sup>	●	●	●	●
	International Equity <sup>(2)(*)</sup>	●	●	●	●
	UK Equity <sup>(3)</sup>	●	●	●	●
	UK Equity Income	●	●	●	●
NFU Mutual Portfolio Funds OEIC	Mixed Portfolio 20-60% Shares	●	●	●	●
	Mixed Portfolio 40-85% Shares	●	●	●	●
	Mixed Portfolio Max 100% Shares	●	●	●	●

(1) Formerly known as Gilt and Corporate Bond. (2) Formerly known as Global Growth. (3) Formerly known as UK Growth. \*The structure of the International Equity 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 2024.

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 low volumes of customer complaints; 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:

- Out-performance of cash returns plus a margin, where the margin increases as the risk rating of the fund increases
- Relative performance against similar funds
- Performance against the stated benchmark index (our single asset class funds' objective is to beat the relevant benchmark index)
- Morningstar's risk-adjusted overall performance rating

In previous years the first criterion was based on whether the fund had achieved its objective, such as generating capital growth or capital growth and income. However, in 2024 the objectives for the single asset class funds were updated to reflect their target of beating benchmark returns. The previous measure was therefore no longer valid as performance against the benchmark was already included as the third measure above. The new measure of outperforming cash returns is appropriate given long-term customer goals, it takes into account whether the customers are being suitably rewarded for the level of risk taken, and is consistent with risk descriptions provided in customer documentation.

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 under the scorecard, the structure of the International Equity 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 2024 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 objectives 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 UK Equity fund, which is rated amber.

## ● UK Equity

The UK Equity fund score has fallen from its green rating last year to amber this year. The change has been driven by a mix of us strengthening the metrics we use to score the funds and the relative performance of the fund.

Replacing the previous metric of achieving capital growth, with a more challenging target of outperforming cash returns by 3%, has had a negative impact on the rating. However, we believe this rating measure is aligned with customer expectations.



The fund bias towards growth, quality and smaller companies resulted in some underperformance against both peers and the benchmark. Neither the benchmark nor peer group have a 'growth' bias and this difference has impacted the relative performance of the fund.

The fund has however consistently delivered a three-star rating (out of a maximum of 5) from Morningstar over the period with a focus on longer-term returns of up to ten years. Morningstar ratings are a risk-adjusted measure based on three-year, five-year and ten-year periods.

A full review of the UK Equity fund strategy has been carried out in the period being reviewed, with focus from both the Executive and Board Investment Committees. Following the review, two small mandate changes have been applied with the aim of reducing the chance of significant deviations from benchmark in future. The growth bias of

the fund and potential variation from the benchmark that this can cause, along with the inclusion and additional volatility of the smaller company holdings this bias tends to produce, are both noted in the investment policy so are not outside customer expectations. The Committees retain conviction that the fund strategy remains suitable for the long term. The fund has not been rated as amber in any of the previous assessment of value reports.

Against that background, we do not believe that the current amber rating for the fund is a cause for concern, however given the amber score the performance of the fund will be closely monitored. We believe the UK Equity fund still offers value for money and no further changes are required at this stage.

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

# COSTS AND CHARGES

In September 2023 MUMCO reduced the annual charges for all funds by 0.05%, in response to improved levels of profitability over recent years. The current fund charges are still sufficient to cover MUMCO's costs and allow MUMCO to make a reasonable profit. MUMCO's Board monitor the level of profit and profit margin being achieved against long term targets and is committed to delivering value for money to investors. The Board recognise there are risks to future profitability arising from potential market downturns combined with high cost inflation. However, growth and economies of scale could eventually lead to a sufficient level of profit to allow a further reduction in annual management charges, and this will continue to be monitored.

MUMCO's total fund charges are competitive compared to those of its peers. The charges are in the cheaper half of funds for their market sectors.

Another item that we consider is the extent to which the charges 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. 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 the depositary and custody services for our funds and small reductions from some of the third-party investment managers.

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



# FURTHER INFORMATION

Environmental, Social and Governance ("ESG") considerations continue to be an important focus for NFU Mutual, including MUMCO. MUMCO has fully embedded ESG into the investment processes, both via the internal team and as part of investment manager selection. MUMCO believes that factoring ESG in can provide customers with an appropriate balance between the potential for good long-term investment growth and sustainable investing.

Both MUMCO and all our external managers are signed up to the United Nations-supported Principles for Responsible Investment (PRI). This publicly commits the organisation to incorporate ESG into processes, policies and practices and report on progress towards this. NFU Mutual continues to be a signatory of the UK Stewardship Code and a member of the Investor Forum. The UK Stewardship Code was introduced to set high stewardship standards for those investing on behalf of UK savers and pensioners. Our 2023 Stewardship Report demonstrates how we have applied the Code's 12 Principles, which cover topics from Client Needs, Collaboration and ESG Integration. The Investor Forum 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/investments/fund-centre](https://nfumutual.co.uk/investments/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.**

If you're hard of hearing or deaf, or you have difficulty with your speech, you can contact us by using the Relay UK app on your smartphone or tablet, or by dialling 18001 before our number on your textphone.

To find out more about how we use your personal information and your rights,  
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