

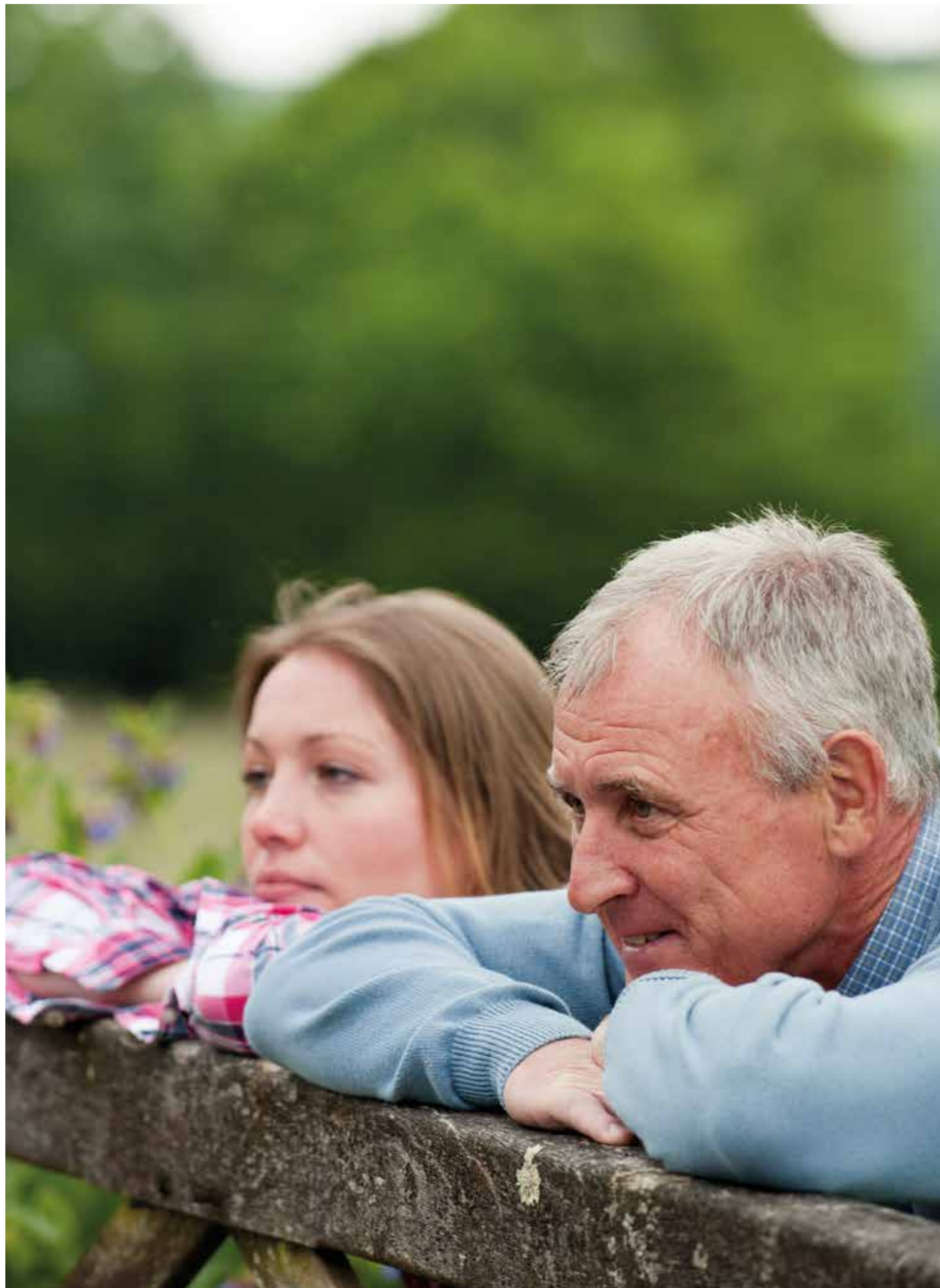
VALUE FOR MONEY REPORT 2022



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 2022. The detailed output of this

assessment was presented to MUMCO’s Board in September 2022, allowing for challenge and further investigation. Since 31st May 2022 it has continued to be a difficult period for investment markets with high volatility (variation in price over time) for some asset types. The ongoing nature of the process means that the Board can continually monitor the value for money for our funds and 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 2022 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

MUMCO’s total fund charges are competitive and reasonable in the context of expected future investment returns. 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. Economies of scale could eventually lead to a sufficient level of profit to allow a reduction in annual management charges. However, for this review we believe that MUMCO’s costs and charges are reasonably well balanced from a value for money perspective.

THE 2022 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 2021, 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 ‘My Investments’ 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

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’s level of service, performance, and

Fund	Service	Performance	Costs
Gilt and Corporate Bond	●	●	●
Global Growth	●	●*	●
UK Growth	●	●	●
UK Equity Income	●	●	●
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 based on the performance history available from the date of the change in September 2020 up to 31st May 2022.

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.

In the past 12 months NFU Mutual, including MUMCO, has made further progress in integrating Environmental, Social and Governance (“ESG”) principles into our investment and wider business activities. NFU Mutual has put in place investment-related climate ambitions to deliver a 50% reduction in carbon emissions arising from our equity, corporate bond and property portfolios by 2030, increasing to a 100% reduction by 2050. NFU Mutual has also 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. All external managers used by the Group are also PRI signatories.

We have conducted research through our online community Mutual Voice to gauge how our approach to ESG resonates and how our customers perceive the growing theme of ESG investing. In 2022 we have further improved our marketing literature and website by adding commentary on our investment beliefs to help customers understand how we invest their money and assist customers in making informed decisions. We have continued to keep customers informed about our ESG activity. For example, following the Russian invasion of Ukraine, we quickly communicated to customers via our website how this may impact their investments and highlighted that we would divest all Russian assets as soon as practically possible.



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 2022 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 UK Equity Income and Gilt and Corporate Bond funds, which are rated amber.

● The UK Equity Income Fund

This fund has a slightly higher score than last year, but continues to be rated as amber because, in common with its industry peers, the fund has underperformed the FTSE All Share benchmark index over the period. Due to the income aspect, the UK Equity Income funds will naturally have a bias towards 'Value' stocks for their higher than average levels of paid income. As was outlined in the previous report, this fund (along with other UK Equity Income funds) exists in a market where 'Growth' stocks have outperformed 'Value' stocks in recent years.

Its investment objective is comparatively difficult when viewed alongside other MUMCO funds. It aims to achieve capital growth as well as a growing income in excess of the FTSE All Share index. Income targets have continued to be achieved, but the unit price dropped below its value from five years before in several months over the last year (the measure used to assess capital growth).

The fund has maintained the middle star rating (★★★☆☆) from Morningstar throughout the period and been in the second or third quartile of similar peer funds for performance.

Against that background, we do not believe that the current amber rating is a cause for concern. However, a review of benchmark indices and fund objectives is underway and should be completed before the next value



for money assessment. This will consider if there are practical alternative benchmarks more closely aligned to the fund's investment objectives.

● Gilt and Corporate Bond Fund

The Gilt and Corporate Bond fund has moved from Green to Amber this year, mainly caused by its five-year performance being in the bottom quartile of its peers. We use the Strategic Bond peer group for this comparison because it is the only peer group the fund is eligible to join. However, we know that other funds within the group tend to have more exotic bond strategies in place than the mix of government bonds and investment-grade corporate bonds used by this fund. The differences in fund strategies compared to our own can lead to the differences in performance and hamper this peer group from providing a reasonable comparison.

Some of our customer literature references this peer group when outlining how the performance of the fund can be assessed.

Due to the differences outlined above we will review the reference to this peer group in our customer literature as part of the wider review of objectives and benchmarks. We will also consider how best to measure performance against peers.

As part of our analysis, we have compared the fund performance against peer funds that we think are a closer match to our fund strategy. From this analysis we believe our fund is delivering performance of an acceptable level. The fund achieved at least the middle star rating (★★★☆☆) from Morningstar in every month, a measure which rewards consistency alongside generating positive returns.

Overall, we believe the Gilt and Corporate Bond fund still offers value for money and no changes are required at this stage other than the peer group review.

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

COSTS AND CHARGES

MUMCO's total fund charges are reasonably competitive, being in the cheaper half of funds for their market sectors. The only exception is the Global Growth fund, however there are a significant number of tracker funds in this sector and if we compare to actively managed funds the Global Growth fund charges are also in the cheaper half of funds. We have therefore rated all funds as green.

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

Finally, in relation to costs and charges, 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.

MUMCO's Board monitor the level of profit and consider the level of profit margin being achieved. Economies of scale could eventually lead to a sufficient level of profit to allow a reduction in annual management charges. However, for this review we believe that MUMCO's costs and charges are reasonably well balanced from a value for money perspective.

PRACTICAL INFORMATION

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/](https://www.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.

To stop us from contacting you for marketing purposes via post, please write to: Data Care Team,
Group Data Office, NFU Mutual, Tiddington Road, Stratford-upon-Avon, CV37 7BJ. To update your
contact preferences, please contact Mutual Direct on 0800 197 1304.

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VFM-311223 | EXPIRY DATE: 30/11/23



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