



# **MINERVA FUND MANAGEMENT SOLUTIONS LIMITED**

## **MF ECLIPSE FUND**

**ASSESSMENT OF VALUE REPORT 2024**

**Assessment as at 31 July 2024**

**Publication date 30 November 2024**

## Minerva Fund Management Solutions Limited - MF Eclipse Fund – Assessment of Value Report 2024

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## Company Details

<b>Company</b>	<b>MF Eclipse Fund</b>
<b>Funds included within this Report</b>	<ul style="list-style-type: none"> <li>• <b>MF Eclipse Active Adventurous Fund;</b></li> <li>• <b>MF Eclipse Passive Adventurous Fund</b></li> <li>• <b>MF Eclipse Active Defensive Fund</b></li> <li>• <b>MF Eclipse Passive Defensive Fund</b></li> </ul>
<b>Authorised Corporate Director</b>	<b>Minerva Fund Management Solutions Limited (“Minerva”)</b>
<b>Investment Manager</b>	<b>Sentinel Portfolio Management Limited (“Sentinel”)</b>

## Executive Summary

The UK financial services regulator, the Financial Conduct Authority (“FCA”) requires authorised fund and asset managers to conduct an annual review of their UK domiciled funds to assess whether they provide value to their customers. This assessment is required to be conducted against the seven criteria set out within this report and is designed to strengthen fund governance.

As noted in our previous report, in July 2023, the FCA introduced the Consumer Duty which focuses on retail customer outcomes and is designed to drive up standards of care across the financial services sector. One key outcome of the Consumer Duty relates to price and value which in summary requires firms to ensure that their products and services provide fair value to retail customers<sup>1</sup>. Minerva continues to welcome the Consumer Duty initiative and the positive benefits this is already bringing across the financial services industry to ensure that retail customers get a fair deal from the financial products and services they buy.

In this report we provide the results of our assessment covering each of the seven criteria as set out by the FCA, taking into account relevant industry guidance as well as related publications issued by the FCA.

In summary, while we believe that our funds overall provide good value to our customers and that we have offered a good service, our assessment has identified the need to take further action in respect of the funds in the following areas:

- For the Passive Adventurous, the Active Defensive and the Passive Defensive funds – performance; and
- For all funds, economies of scale.

Given the relatively short period of time since the funds were launched, the outcome of our assessment is broadly in line with our expectations and demonstrates positive improvements on the previous year’s report. Over the past two years we have subsidised the costs of all of the funds through the use

<sup>1</sup> For the purposes of the Price and Value Consumer Duty outcome, value is the relationship between the amount paid by a retail customer for the product and the benefits they can reasonably expect to get from the product, and a product provides fair value where the amount paid for the product is reasonable relative to the benefits of the product.

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of our own capital given they have lower assets under management than was initially expected. We have also taken appropriate steps to address the action from last years' report and we will be launching a new share class within each of the Passive Funds on 1 October 2024 to allow the respective Funds to benefit from greater economies of scale overall and thereby reduce costs. We will continue to monitor the outcomes being achieved by the Funds over the next year in order to ensure that good outcomes are being received by all customers from each of the Funds with a focus on performance and economies of scale.

We hope that customers will find this report useful and are pleased to present this, our second Assessment of Value Report for the MF Eclipse Funds.

### Letter from the Board

The Board believes the annual Assessment of Value is an important report and is closely involved in its production. From a governance perspective, the FCA requires a minimum of two independent non-executive directors ("iNEDs") to sit on a fund board in order to improve governance through the provision of robust oversight, review and challenge. Minerva has three iNEDs, one of which is the Chair, all of which actively and collectively oversee Minerva's activities, as well as the production of this Assessment of Value report. We believe that the iNEDs play an important role in our governance arrangements as well the process of assessing the value of our funds. They represent our customers' best interests through providing robust oversight, challenge and scrutiny of the methodology, assessments and conclusions of this Assessment of Value report. Our Consumer Duty Champion (an iNED) has also provided constructive feedback and insight during the process which we have taken into account, and which supports our ongoing commitment to continuous improvement and evolution in all aspects of our business, placing our customers at the heart of what Minerva does, which is a key driver in our culture and DNA.

At Minerva, our customers come first and value for money to us does not just mean costs. We view value as a measure of a combination of factors including (but not limited to): investment performance consistent with customer expectations; transparency in fees charged; the amount paid for a fund is reasonable relative to its respective benefits as well as having a robust governance structure. We, the Board, are committed to having processes that oversee our appointed investment manager's and third-party providers' efforts and activities to create and maintain value for our customers' funds.

This report is written on behalf of the board of Minerva Fund Management Solutions Limited which is referred to as "Minerva", "us" or "we" throughout this report. This report aims to provide customers with an informed view of whether their investment in our funds provides value to them, or not. The assessment is based on the framework provided by our regulator, the FCA, along with guidance provided by the Investment Association ("IA") (the trade body that represents UK investment managers and investment management firms), the findings of the FCA's review of Value Assessments (FCA Findings) published in July 2021 and the FCA's Asset Management Supervision Strategy Dear CEO letter in February 2023 as well as other Consumer Duty related publications.

We are conscious of our obligation to our customers, and we always do our best to ensure that the funds deliver good outcomes for them, and are managed in our customers' best interests, their objectives, risk profile and needs. Our aim is to create a report that customers will understand and engage with, that will be of interest to them and, most importantly, that will provide our customers with a clear summary of their investments in our fund(s), clearly indicating when further action is required and the steps we are taking or proposing to take. This in turn should help our customers evaluate whether or not we are providing them with value, in order that they can make more informed decisions when choosing investment providers. Where further actions have been identified, we are clear about the actions to be taken to remedy the shortfall.

In this report we have done our best to view the funds through the eyes of our customers, and the Minerva Board is always interested to receive feedback or questions our customers may have on this report. If you have any feedback or any questions, please contact us at [info@minerva-funds.com](mailto:info@minerva-funds.com)

## About Minerva

Minerva is an FCA Authorised Fund Manager (“AFM”) that acts as the Authorised Corporate Director (“ACD”) to the funds. As AFM/ACD, Minerva is responsible for the day-to-day management of the funds, ensuring that they are managed in line with their objectives, risk profile, strategies and policies. Our funds are currently primarily designed to be used in customer portfolios, via centralised investment propositions/unitised wealth solutions offered through our partnerships with financial advisers and wealth managers.

Unlike many other ACDs Minerva is not a “captive asset manager” i.e., it is not influenced by and/or part of any group or third-party provider that is appointed to or associated with the funds. We believe this freedom enables us to act in the best interests of our customers at all times and to identify without bias what, if any, remedial actions may be required to ensure our customers receive value for money from the assets that they place in our care.

Putting our customers’ needs first is embedded into Minerva’s culture, its existing oversight, governance and service. We review our funds regularly throughout the year to ensure they are suitable for our customers and performing in line with our customers’ reasonable expectations. We remain fully supportive of the Consumer Duty rules by the FCA as we believe this will help to drive customer interests and needs further within the financial services sector and put customers where they should be – at the heart of every business.

We also welcome the opportunity to present our customers with our second Assessment of Value Report.

## About this Report

This report is designed to help you, our customer, to understand whether the funds managed by Minerva are providing value by meeting their objectives, risk profile and service obligations, and whether we are doing this at an appropriate price relative to the benefits you receive. It outlines each fund’s assessment and concludes on whether we believe that the funds have demonstrated good value. Where relevant, we also outline the measures that we, as the AFM/ACD are putting in place, in the event that the value provided by the funds does not meet our own high standards or what we consider to be your reasonable expectations.

For ease of reference, we have included a Glossary at the end of this document for words or terms that may need more explanation in order to support customer engagement with and understanding of the contents of this report. If you require any additional support in understanding this report, please do let us know by contacting us at [info@minerva-funds.com](mailto:info@minerva-funds.com) and we will be happy to help.

## FCA Assessment of Value Criteria

The seven assessment of value criteria with a summary description of each are set out below:

Criteria	Criteria Description
Quality of Service	<p>Under the assessment of quality of service criteria, we consider whether we are meeting our customers’ reasonable expectations on the service we deliver.</p> <p>In order to assess this, we consider the range and quality of the services we provide to our customers, including services such as accounting, administration, customer services and communications.</p>
Performance	Under the performance criteria, we monitor whether our funds have performed in line with a customers’ reasonable expectations.

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Criteria	Criteria Description
	In order to do this, we assess the performance of the fund, after the deduction of fees from the scheme property against the fund's stated objectives, and benchmarks in the investment policy and strategy, over the Recommended Holding Period. Where the fund has not been in existence for the Recommended Holding Period, we believe it is too early to assess the performance of the fund(s) overall. However, in the interests of transparency, we have commented where relevant on the fund's performance and any actions required as a result.
AFM Costs	Under the AFM costs criteria, we consider whether the fees charged to the fund were reasonable and appropriate, taking into account the service to which the charge relates, and whether money is paid directly to associates or external parties.
Comparable Market Rates	For the comparable market rates criteria, we consider how our fees compare to those of our competitors and whether the total amounts charged to customers is reasonable taking into account the average market rate charged by our peers for similar funds. This assessment also includes the costs of any aspect of the management of the fund which has been delegated.
Economies of scale	For the economies of scale criteria, we consider whether we are able to achieve savings and benefits from economies of scale, relating to the direct and indirect costs of managing the fund.  This assessment also considers whether the fund has grown or contracted in size over the reporting period. For new funds, we also take into account that the benefits of economies of scale may be limited where they have not reached a size at which economies of scale can be achieved.
Comparable Service	Unlike the comparable market rates criteria which looks to the wider market for comparison, the comparable services criteria is an internal assessment based on services Minerva provides to other funds that it manages.
Classes of units/shares	Under the classes of units/shares criteria we consider whether our customers are invested in the most appropriate share class for their investment needs.  This assessment takes into account whether it is appropriate for customers to hold shares in classes subject to higher charges than those applying to other classes of the same scheme with substantially similar rights. At Minerva, we believe in treating all of our customers fairly so we are always transparent about different charges to different share classes and where different charges are applied, these will always be subject to a Fair Value Assessment.

### Scope of the Report

This report has been prepared for the MF Eclipse Fund range, which is comprised of the following funds:

- MF Eclipse Active Adventurous Fund;
- MF Eclipse Passive Adventurous Fund;
- MF Eclipse Active Defensive Fund;
- MF Eclipse Passive Defensive Fund.

## Minerva Fund Management Solutions Limited - MF Eclipse Fund – Assessment of Value Report 2024

### Audience

This Assessment of Value report is aimed at individuals who invest in the funds, or their wealth managers and/or financial advisers (collectively referred to as “customers” throughout this report).

### Explanation of Assessment Ratings

The results of our assessments are presented below using a Red, Amber or Green rating. In addition to the Red, Amber and Green ratings, there is also a Grey rating for newly launched funds where there has been an insufficient period since launch for the fund to be assessed against the relevant criteria, for example, where the fund’s Recommended Holding Period is five years, but there is only one year’s performance data available since the fund was launched. We have not used any grey ratings in this report but instead have assessed each fund on a “best endeavours” basis, based on the available data since the funds were launched in August 2022. For ease of reference and for comparison, we have also included a summary of how the funds have performed against the FCA criteria since the previous report.

The assessment ratings are categorised as follows:

RAG	RAG Description	Denoted by
Green	Offers value	G
Amber	Has provided value in some but not all areas. Additional monitoring and/or actions may be required to address specific areas identified by the assessment.	A
Red	Has not provided value. Appropriate further action is required.	R
Grey	Not rated – too early to assess – newly launched fund.	Gy

### Summary of Assessment Results

The table below summarises the outcome of the review of each of the funds using the seven assessment criteria as described by the FCA. A simple traffic light system has been adopted to show the results per fund. The results of the assessment are covered in greater detail within the report.

Funds	Quality of services	Performance	Authorised Fund Manager costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
MF Eclipse Active Adventurous Fund	G	G	G	A	G	G	G
MF Eclipse Passive Adventurous Fund	G	A	G	A	G	G	G
MF Eclipse Active Defensive Fund	G	A	G	A	G	G	G
MF Eclipse Passive Defensive Fund	G	A	G	A	G	G	G

## Summary of Assessment Results compared to the previous Report

Funds	Quality of Services		Performance		Authorised Fund Manager costs		Economies of scale		Comparable market rates		Comparable services		Classes of units	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
MF Eclipse Active Adventurous Fund	G	G	Gy	G	A	G	A	A	A	G	Gy	G	G	G
MF Eclipse Passive Adventurous Fund	G	G	Gy	A	A	G	A	A	A	G	Gy	G	G	G
MF Eclipse Active Defensive Fund	G	G	Gy	A	A	G	A	A	A	G	Gy	G	G	G
MF Eclipse Passive Defensive Fund	G	G	Gy	A	A	G	A	A	A	G	Gy	G	G	G

## Future Developments

At Minerva, we see the Assessment of Value as an iterative process. In line with our responsibilities to ensure our customers' funds are appropriately managed and that funds deliver value to our customers, we will continue to review our reports against industry peers and where relevant, incorporate best practices. Our team of professionals are involved with the Investment Association and other industry bodies e.g. TISA to ensure that we keep up to date with industry developments.



## 1 Quality of Service

### Are we meeting our customers' expectations on the quality of the service we deliver?

Under the assessment of quality of service criteria, we consider whether we are meeting our customers' reasonable expectations on the service we deliver. In this section, we review the quality of service we directly provide as well as the quality of service provided by any third-party used to provide services to the funds.

In order to assess this, we consider the range and quality of services we provide to our customers, including services provided for accounting, administration, customer services and communications.

#### Overview

There are a number of third-party providers which deliver support to the funds. Minerva oversees all third-party providers, from an operational, risk and compliance perspective. There are a number of Key Performance Indicators for services provided by third-parties which are overseen on a day-to-day basis and discussed in monthly service review meetings as well as by Minerva's Governance Committees<sup>2</sup>. This allows Minerva to track the performance and quality of the services being provided.

Minerva has delegated investment management of the funds to Sentinel Portfolio Management Limited ("Sentinel"). Although we have delegated this activity, we independently review and challenge the investment manager and maintain oversight of the risk and compliance of the funds. Sentinel attends our monthly Investment Committee in order to provide insight and market colour to how it is managing the funds and to address any questions posed by the Investment Committee. Our Investment Committee is chaired by a member of staff who is a senior investment professional and who is independent from the investment process as we believe that having the right level of governance and oversight of our funds and our third parties is essential to protect our customers' best interests.

#### Methodology

A number of elements contribute to our assessment of the quality of service we provide to customers. In particular, fund operations, investment management, customer services, fund administration and depositary and custodian services.

When assessing the quality of service, we have focused on the following:

- The quality of the administrative services provided to the funds; and
- The quality and integrity of our appointed investment manager, – Sentinel.

#### Assessment

Minerva employs a robust due diligence, governance, and risk management framework in our oversight and monitoring processes with respect to the funds, the various third-party providers (e.g., investment managers, administrators etc) and also the internal teams within Minerva. We undertake regular reviews to identify any potential issues in the administration, investment and product processes.

Our AFM/ACD team aims to ensure that the funds operate efficiently and accurately as well as in line with their stated objectives and risk profile. This includes oversight and challenge of activities contracted to third parties, such as the investment manager, registrar and fund administrator. We also regularly engage with the Depositary, who is independent from our business, and which is responsible for the safekeeping of the assets of the funds. We monitor whether key aspects have been met for each supplier. This oversight of suppliers provides a key area of governance for us to ensure that our customers and the funds receive value and experience positive outcomes.

#### Quality of Administrative Services

Minerva's administrative services include the following key elements:

- Customer Services – Oversight of the quality and timeliness of customer communications and resolution of any complaints;

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<sup>2</sup> Minerva's Governance Committees are comprised of the Investment Committee, the Product Governance and New Business Committee, the Risk & Compliance Committee, the Operations Committee, the Executive Committee and the Board.

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- Fund Administration – Oversight of the timely and accurate calculation of the fund’s share prices;
- Depositary Services – Safekeeping of customer assets and quality of independent oversight of the fund’s assets;
- Registration Services – Oversight of the registration of customers shareholdings, Anti-Money Laundering and Know Your Customer (“AML/KYC”) services.

As part of the quality of administrative processes, in view of Minerva’s responsibilities as the AFM/ACD, we also considered, amongst other things:

- The day-to-day administration of the funds;
- The maintenance of fund documentation (such as Prospectuses and Key Investor Information Documents (“KIIDs”));
- The maintenance of accounting and other records and the preparation of the annual audited and half yearly reports and accounts;
- The production of the Assessment of Value report.

The results of our assessment are described further below.

### Customer Services

Customer service is a critical part of our customers’ experience, and we regularly evaluate this through our Fund Product Governance Committee and our Investment Committee to ensure our products and services remain relevant to our customers’ objectives, interests, risk profile and needs. In assessing the quality of service, we work closely with the fund co-manufacturer on all aspects of the fund in order to identify any areas for improvements. This includes evaluating customer feedback as well as any complaints, which we view as a valuable source of information. To date, we have not received any complaints about the funds.

### Fund Administration

Our Operations Team oversees the administration, accounting and pricing services of the funds provided by CACEIS Bank, UK Branch (“CACEIS”). The key elements of the services are monitored on a daily basis and formally discussed with CACEIS at monthly Service Review Meetings and are also overseen by the Operations Committee as well as the Risk & Compliance Committee.

### Depositary Services

We work alongside CACEIS UK Trustee & Depositary Services Ltd who is independent from our business and is responsible for providing custody and oversight services to the funds. Regular Service Review meetings are held with CACEIS and the results are discussed at both the Operations Committee and the Risk & Compliance Committee.

### Registration

Fund registration services are provided by Apex Fund Administration Services (UK). The key aspects of this service include: customer communications; fair and timely resolution of any complaints; processes customer dealing; accurate and timely distribution of payments; and customer onboarding (AML/KYC checks and ongoing monitoring). Key elements of the services are monitored on a daily basis and formally discussed with Apex at monthly Service Review Meetings. Apex is also overseen by our Operations Committee.

### Third-party Provider Due Diligence

The third-party providers appointed to the funds are subject to initial and regular ongoing due diligence which is led by our Risk & Compliance Function with oversight from our Executive Committee and the Board.

### Internal Control Functions

In reaching a view on the adequacy of services provided by Minerva, we reviewed the information provided by Minerva’s control functions (Compliance & Risk) on the adequacy of the services provided based on their independent engagement, oversight and monitoring of the third-parties appointed to the funds, including the quality of Minerva’s own internal governance, oversight, risk management and monitoring.

### **Quality and Integrity of our appointed Investment Manager**

For this part of this assessment, we regularly engage with Sentinel’s Investment Management team to examine the following areas through our ongoing interaction and due diligence as well as through Sentinel’s attendance at our Investment Committee:

- Quality, capability, skills and expertise of the investment manager’s human and material resources involved in the investment process;
- The different stages of the investment process;
- Whether the Investment Manager’s trading activities were in line with the fund’s objectives, investment strategy, risk profile and investment restrictions (as described in the Prospectus).

In reaching our view on this element of the assessment, we also take into account the quality of Minerva’s risk and fund liquidity management processes as well as monitoring conducted by our Operations, Compliance & Risk Functions.

The investment management of the fund is assessed on a monthly basis by the Investment Committee. This assessment includes reviewing the timeliness and accuracy of the trade advice, trade amendments, weekly valuation signoffs, as well as fund performance, asset allocation, current market trends, and the resulting impact on the funds. As previously noted, the performance of the funds and their suitability for the identified Target Market is also assessed through our Product Governance Committee and the Risk & Compliance Committee.

Delegated investment managers are also subject to Minerva’s initial and ongoing due diligence.

### **Conclusions**

Overall, we have concluded that a good quality of service has been provided throughout the assessment period by both Minerva and its third-party providers, including Sentinel as the delegated investment manager.

### **Next Steps**

While we have not identified any concerns to date in relation to the quality of service criteria, Minerva will continue to review this in order to identify whether there are any areas where it can be improved in line with our commitment to continually drive for improvements.

## **2 Performance**

### **Have the funds performed in line with customers’ reasonable expectations?**

Under the performance criteria, we monitor whether our funds have performed in line with a customers’ reasonable expectations. In order to do this, we assess the performance of the fund, after the deduction of fees from the scheme property, against the fund’s stated objectives and risk profile, and the benchmarks in the investment policy and strategy, over the Recommended Holding Period<sup>3</sup>. Where a fund has not been in existence for the Recommended Holding Period, we believe it is generally too early to assess the performance of the fund(s). However, we are also mindful of the need for transparency so we have rated the Funds based on their performance to date albeit with the caveat that this is short term performance and past performance is not a reliable indicator of future results.

### **Overview**

We believe that our customers can reasonably expect funds to be managed in line with the stated investment objectives, investment restrictions and risk profile. Under the Performance criteria, we consider whether our funds have performed in line with customers’ reasonable expectations and whether they have been appropriately managed. We consider a fund to be providing good value when it consistently meets its investment objectives and is managed within its risk profile as well as providing benefits that are relative to the costs charged.

Where a fund has not been in existence for long enough (i.e., it has not reached its Recommended Holding Period) to be meaningfully compared against its benchmark, we have included the relevant performance data in this section and have made an assessment on a “best endeavours” basis in the interests of transparency.

<sup>3</sup> The Funds have a recommended holding period of 5 years.

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### Methodology

A number of factors are typically considered in order to make an assessment of whether the investment objectives are being met, including specific investment, risk and volatility objectives where applicable. Such factors generally include, for example, whether a fund has met its investment objectives (including volatility objectives) as stated in the Prospectus, as well as the investment performance of the fund relative to its benchmark (where a benchmark is stated), and whether the Fund has operated within its stated risk profile.

### Assessment

Minerva has delegated investment management to Sentinel. Although we have delegated this activity, we actively oversee the investment management of the funds – which includes fund performance, risk management (including any investment constraints), and liquidity management.

### Investment Objectives

The investment objectives for each fund are set out in the Prospectus and the relevant Key Investor Information Document (“KIID”). For ease of reference, these are replicated below:

Sub-Fund	Objective	Minimum Recommended Holding Period	Comparator <sup>4</sup>
MF Eclipse Active Adventurous Fund	To provide capital growth over rolling five-year periods, with a target volatility between 12% and 15%	5 years	IA Flexible Investment
MF Eclipse Passive Adventurous Fund	To provide capital growth over rolling five-year periods, with a target volatility between 12% and 15%.	5 years	IA Flexible Investment
MF Eclipse Active Defensive Fund	To provide a combination of capital growth and income over rolling five-year periods, with a target volatility between 4% and 7%.	5 years	IA Mixed Investment 20 – 60%
MF Eclipse Passive Defensive Fund	To provide a combination of capital growth and income over rolling five-year periods, with a target volatility between 4% and 7%.	5 years	IA Mixed Investment 20 – 60%

We monitor Sentinel’s adherence to the stated fund objectives, investment restrictions and risk profile through our day-to-day oversight, our governance structures and ongoing monitoring.

### Fund Performance

<sup>4</sup> We use the most comparable IA fund sector as a transparent benchmark for fund performance comparison purposes. However, it should be noted that in certain cases, such as for the Defensive Funds, this does not provide an exact “like for like” comparison. This is because the investment objectives of the Defensive funds have a maximum investment of 40% into equities rather than 60%, recognising the risk profile of these fund are designed to be more cautious than the Adventurous funds.

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Fund performance is not only assessed as part of the Assessment of Value process, it is also regularly reviewed and assessed by the Investment Committee which evaluates the fund performance against each fund’s investment objectives, risk profile, investment restrictions and liquidity management.

As stated in the Prospectus, the Funds have comparative benchmarks of the relevant IA sector. The performance of the funds is shown in the table below based on a one-year period since the inception of the funds:

Fund Name	2 Year Fund performance	2 Year comparator benchmark performance
MF Eclipse Active Adventurous Fund	15.38%	12.03%
MF Eclipse Passive Adventurous Fund	10.08%	12.03%
MF Eclipse Active Defensive Fund	5.11%	8.58% <sup>5</sup>
MF Eclipse Passive Defensive Fund	4.57%	8.58%

As described elsewhere in this report, due to the size of the funds, we have not been able to achieve the economies of scale initially anticipated as the small size of the funds has in turn proportionally resulted in a higher OCF than was envisaged. However, we have made good progress in the last 12 months and had already taken action to mitigate the effect of costs with regards to the funds by offsetting the OCF through the use of Minerva’s own funds in order to improve the outcomes for our customers.

### Conclusion

Given the funds were launched on 1 August 2022, it is considered too early to undertake a full review of whether the funds have achieved their investment objectives or of the fund performance over the Recommended Holding Period. However, we have based our assessment on the Funds’ performance to date on a “best endeavours” basis. We will continue to keep these under review through the Firm’s Investment Committee and governance structures.

### Next Steps

Following the action noted in last year’s Assessment of Value report, we have actively sought to increase the assets of the fund and a new share class within each of the Passive Funds will be launched on 1 October 2024, which will help the funds benefit further from economies of scale.

<sup>5</sup> As noted earlier in this report, the Defensive Funds have a lower exposure to equity than the comparison benchmark. This means in a bull market they may perform less well than other funds within this sector with a higher exposure to equities. Conversely, in a bear market, they may perform better than the comparator benchmark due to the lower exposure to equities. We believe the equity exposure of the Defensive Funds to be appropriate for the respective funds risk profile which is designed for more cautious investors than the Adventurous Funds.

### 3 Authorised fund manager costs

#### Are the fees charged to the fund reasonable and appropriate?

Under the AFM costs criteria, we consider whether the fees charged to the fund were reasonable and appropriate, taking into account the service to which the charge relates, and whether money is paid directly to associates of the AFM or external parties.

##### Overview

We believe the charges should be transparent to customers, with no hidden costs.

Each of our funds is subject to a range of charges relating to its running costs. These charges are deducted from the fund on a daily basis and therefore impact the value of the investment over time. The Ongoing Charges Figure (or “OCF”) is the most common way to express the annual costs charged to a fund. The OCF covers most of the costs associated with operating a fund (and the particular share class of the fund in which customers are invested) and is presented as a percentage of the fund’s average asset value over its financial Year.

The OCF includes the following costs and charges:

- The Annual Management Charge (“AMC”) which includes the fees paid to the investment manager the ACD/AFM and the fund administration costs;
- Depositary fees;
- Other operating costs e.g., Audit and legal costs, etc.

The OCF does not include charges that relate to transactions i.e., transaction charges are buying or selling of the underlying shares or other assets that make up the fund e.g., broker commissions, transfer taxes and stamp duty as applicable.

##### Methodology

In assessing the reasonableness of costs, we also consider the services provided by Minerva as AFM/ACD to the fund. These services include:

- Maintaining oversight of the funds, monitoring the investment manager and third-party service providers;
- Managing risk;
- Managing our regulatory requirements and those of the Funds;
- Maintaining systems and processes used in our oversight processes;
- Development and maintenance of fund documentation (e.g., Prospectus, KIID);
- Customer Service activity.

We determine the cost to us of providing the service and compare this to what we charge to the customer to ensure that the costs and charges are fair. In this context, we assess “fairness” through ensuring the fees and charges remain appropriate and fair for our customers’ investments(s), that the amount paid for the fund is reasonable to the fund’s relative benefits, whilst also allowing us to operate as a commercially viable entity, innovate and develop products and services for our customers.

##### Assessment

In conducting our assessment, we have considered the costs and charges applied to the funds, using the OCF as we believe this number provides an appropriate value against which to assess the funds. The OCF as applied to each of the funds is set out below:

Fund	OCF From 1 August 2023 – 31 July 2024
MF Eclipse Active Adventurous Fund	1.18%
MF Eclipse Passive Adventurous Fund	1.05%



MF Eclipse Active Defensive Fund	1.04%
MF Eclipse Passive Defensive Fund	1.02%

We regularly review our costs and charges to ensure they offer value for our customers and believe the costs that we pass on to customers via the funds, are fair and in line with industry practice. Based on last year’s Assessment of Value, we have already reduced the overall cost charged to the Funds by subsidising the running costs of all of the funds through the use of our own capital in order to manage down their OCFs as far as commercially practicable.

**Conclusion**

Based on our assessment, while our ACD/AFM costs are comparable to other ACDs/AFMs running similar funds, the fund costs have been slightly higher than expected due to our being unable to benefit from economies of scale due to the small fund sizes which we are already taking actions to address (as noted elsewhere in this report).

**Next Steps**

As part of our ongoing oversight, we will continue to review the costs and charges of the funds to identify any further opportunities to make savings through economies of scale as noted elsewhere in this report.

## **4 Economies of scale**

### **Were we able to achieve savings and benefits from economies of scale?**

For the economies of scale criteria, we consider whether we are able to achieve savings and benefits from economies of scale, relating to the costs of managing the fund. This assessment also considers whether the fund has grown or contracted in size over the reporting period. For new funds we also take into account that the benefits of economies of scale may be limited where they have not reached a size at which economies of scale can be achieved.

**Overview**

The funds incur two types of charges: fixed and ad-valorem (a percentage of fund value).

Fixed charges such as audit costs are shared over the value of a fund and so have a larger percentage impact on smaller fund sizes. As funds grow the percentage impact to a fund is reduced.

The ACD levies its Annual Management Charge (“AMC”) to the funds on a tiered, ad-valorem basis. As the fund size grows beyond defined thresholds the percentage rate of charge is decreased to reflect the economies of scale that the AFM achieves as funds grow in size. The AMC is subject to a minimum fixed charge. Details of the AFM’s AMC charging basis is set out in the Fund Information sections of the MF Eclipse Fund Prospectus.

**Methodology**

When assessing the economies of scale criteria, we have considered whether investors have benefitted from economies of scale as well as through leveraging our relationship as ACD/AFM, and whether further economies of scale can be achieved as the fund grows.

**Assessment**

At inception and during the first year of the Funds existence, Minerva negotiated lower Depositary fees charged to the funds. In this assessment period, we have also managed to reduce the overall costs charged to the Funds through subsidising the costs through the use of our own capital.

In terms of the AMC, we believe that the tiering that is applied to the AMC is fair to investors and competitive. The AFM significantly reduced its minimum fixed charge in respect of the AMC to reduce the impact on the funds in the assessment period which has already shown positive benefits.

**Conclusions**

As noted elsewhere in this Assessment of Value report, the funds were launched on 1 August 2022 and as such, are still in the initial stages of growth. Over time, as the funds grow, we expect fees to proportionally reduce (as is already being seen through the reduction of the respective fund OCFs from last year’s report). As a result, we expect economies of scale to continue to improve over time on the premise that funds continue to grow in value. We have also gained commitment to launch new share classes for the Passive Funds from 1 October 2024.

## **Next Steps**

As noted elsewhere in this report, we have already taken steps to increase the size of the funds which will help to offset the costs and charges. The funds have also benefitted overall from a reduction in costs since last year's report. We will continue to monitor the benefits the funds receive from economies of scale and take action where we identify any areas which can increase cost efficiency for our customers.

## **5 Comparable Market Rates**

### **How do our fees compare to our competitors?**

For the comparable market rates criterion, we consider how our fees compare to those of our competitors and whether the total fees charged to customers is reasonable, taking into account the average market rate charged by our peers for similar funds. This assessment also includes the costs of the investment management of the fund which has been delegated to Sentinel.

Unlike the comparable service criteria which is an internal assessment based on services we provide to other funds when we are acting as the AFM/ACD, the comparable market rates look to the wider market for comparison (i.e., similar funds managed by other firms within the relevant IA Sector).

#### **Methodology**

When considering comparable market rates, we assess how our funds' OCFs compare against our competitors for similar funds in the relative Investment Association ("IA") Sector.

We categorise an OCF as being "aligned" with the comparison group if it is materially<sup>6</sup> within 10% of the median OCF of the comparison group. If an OCF is above the figure which is 110% of the median OCF of the comparison group, we categorise it as being higher than the comparison group and if the OCF is lower than the figure which is 90% of the median OCF, we categorise it as being lower than the comparison group.

We believe a fund offers good value if relative costs are within the above parameters. Our conclusion is also informed by the fund's size i.e., broadly we would expect a fund's charges to be lower the larger the fund.

#### **Assessment**

We considered our charges in relation to funds managed by other firms with similar investment objectives and strategies using the OCF and applicable IA Sector for comparison purposes. Having done so, we consider our costs and charges to be comparable to our competitors. This is an improvement from last years' Assessment of Value report and demonstrates that the active steps we have taken to increase economies of scale which are already showing real positive benefits.

We also expect to be able to achieve greater economies of scale over time as described earlier in this report and further in next steps section.

#### **Conclusion**

While we consider the AFM costs of the funds reasonable, we will continue to explore opportunities for the funds to benefit from the achievement of economies of scale as noted elsewhere in this Report.

#### **Next Steps**

As noted in the Conclusion, we will continue to explore opportunities for the funds to benefit from economies of scale as noted elsewhere in this report.

## **6 Comparable Services**

### **How do our fees compare to similar products we offer?**

Under the comparable service criteria, we consider the total fees charged to customers for similar products we offer. Unlike the comparable market rates criteria which looks to the wider market for comparison (i.e., against our peers and the relevant IA sector), the comparable service criterion is an internal assessment based on services Minerva

<sup>6</sup> By materially, we mean within 0.1%.



provides to other funds as AFM/ACD where those funds have similar strategies, investment remits and customer needs.

### Overview

We are the AFM/ACD for funds that are similar to the MF Eclipse Funds. However, those funds were launched on 3 April 2023, and given their short lifespan, it is not possible to complete a fully meaningful assessment of this criterion. We may also offer other funds and/or share classes in the future which may have different charging structures. However, based on the Assessment of Value undertaken for the comparable funds for the period under review, we believe that our fees are comparable to similar products we offer.

### Methodology

In order to conduct this assessment, we have considered the total fees charged to customers invested in the MF Eclipse Fund Range compared with the total costs and charges paid by customers in other similar funds where Minerva is acting as the AFM/ACD.

### Assessment

We have assessed the fees charges to customers in the funds against the fees charged to our comparable products. Having done so, we believe our fees are comparable to the total fees charged to customers for similar products we offer.

### Conclusion

We have concluded that our fees are comparable to the total fees charged to customers for similar products.

### Next Steps

While we are satisfied with the results so far, based on our assessment, we will further develop this assessment criteria as the Firm's funds grow in number and maturity.

## 7 Classes of Shares

### Are our customers invested in the most appropriate share class for their investment needs?

Under the classes of shares criteria we consider whether our customers are invested in the most appropriate share class for their investment needs. This assessment takes into account whether it is appropriate for customers to hold shares in classes subject to higher charges than those applying to other classes of the same fund with substantially similar rights.

Some funds may issue different types of shares which may depend on the features and services offered. These are called "share classes" and can differ for various reasons, for example, some funds have different share classes for different types of investors/customers e.g., institutional share classes for institutional investors/customers and retail share classes for retail investors/customers.

### Assessment

At Minerva, transparency and openness in all our dealings with our customers is of vital importance to us as is ensuring all of our customers are treated fairly. Our aims are to ensure that our customers are consistently invested in the most appropriate share class for their needs.

The Funds were launched on 1 August 2022 and during the assessment period only offered one share class – the accumulation share – with a single charge structure across all funds<sup>7</sup>. Based on this assessment, we believe our costs are transparent and that all of our customers were treated equally and fairly regardless of which fund they are invested in.

### Conclusion

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<sup>7</sup> As stated in the Prospectus, Minerva reserves the right to launch different share classes with different charging structures in the future. Where we do so, such share classes will be subject to a Fair Value Assessment.

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Given there was a single share class during the period under review, we have concluded that all customers are invested in the most appropriate share class for their investment needs.

### **Next Steps**

Not applicable.

## 8 Glossary

The following glossary provides the definitions of terms used in this report.

Term	Definition
Active management	The management of investments based on active decision-making by the investment manager. The investment manager aims to beat the benchmark through research, analysis and their own skill, expertise and judgement.
Assessment of Value	The FCA requires AFMs of UK funds to publish an annual report demonstrating how they are providing value to the investors in their funds.
Asset Allocation	The apportionment of a portfolio’s assets between asset classes and/or markets. For example, a fund may hold a combination of shares, bonds and cash. The weightings vary according to the investment objective and the investment outlook.
Bear Market	A financial market that is experiencing prolonged price declines, usually in relation to equities
Benchmark	A standard (usually an index or a market average) against which an investment fund’s performance is measured.
Bull Market	A financial market in which prices are rising or are expected to rise, most often used in relation to equities
Comparator benchmark	A standard (usually an index or a market average) against which an investment fund’s performance is compared to.
FCA (Financial Conduct Authority)	The FCA regulates the UK’s financial markets. Its objective is to ensure that relevant markets function well – for individuals, for businesses and for the economy as a whole.
The Investment Association (IA)	The Investment Association is a trade body that represents investment and asset managers in the UK.
IA (Investment Association) Sector	As published by the Investment Association, the IA sectors divide the fund universe to reflect the asset type, industry sector, or geographic regions funds are invested in. There are over 35 IA sectors. These are there to help navigate the large universe of funds in the UK and include some offshore (EU) funds. The sectors divide up the funds into smaller groups, to allow like-for-like comparisons between funds in one or more sectors. For instance, to look at performance and/or fund charges.
KIID (Key Investor Information Document)	A two-page document that summarises a fund’s investment objectives, key risks, ongoing charges figure, and past performance. It is required for funds that come under EU law and is designed to allow comparability across funds.
OCF (Ongoing Charges Figure)	The OCF is made up of Annual Management Charge the administration charge and “other costs”. The administration fee includes directly attributable costs, such as Registrar costs and Fund Accounting fees, and allocated costs to support functions.
Passive Investment	A style of investment management that does not involve active decision-making by the investment manager.
Peer group	A group of funds that may be compared with one another, often for performance purposes. A peer group will usually be based on the fund’s investment objectives and customer outcomes.

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Term	Definition
Recommended Holding Period	The period of time over which we expect the fund to deliver its investment objectives as stated in the Prospectus and KIID.
Target Market	One or more groups of customers sharing common features whose characteristics, needs and objectives the fund is or will be designed to meet.
Volatility	A statistical measure of the fluctuations in a security's price or particular market. For example, a highly volatile share experiences greater changes in price than other investments. High volatility is taken as an indication of higher risk.

