

Value for Money (VfM) Assessment for Epworth Investment Management Ltd.

The Financial Conduct Authority (FCA) have introduced new rules and guidance to improve the quality of the information available to investors. This report is designed to meet the FCA's requirements and assess whether Epworth Investment Management Ltd.'s (Epworth) funds provide value for money for the investor. If the assessment determines that one or more fund(s) does not provide value for money, an action plan to rectify the situation is proposed.

Each separate fund in the Epworth range is reviewed separately and an assessment made. Each fund is assessed using the following criteria:

- Comparable Market Rates
- Epworth Costs
- Comparable Services
- Performance
- Quality of Service
- Economies of Scale and
- Share Classes

Epworth Investment Management

Purpose and Philosophy

Epworth Investment Management limited (Epworth) is a subsidiary of the Central Finance Board of the Methodist Church (CFB). The CFB was set up by Act of Parliament to manage Methodist Church money and is effectively a mutual organisation. That is, it was not set up to maximise profits for Shareholders but to invest Methodist money with Christian ethics, generating good long term returns, at a price set to recover the CFB's cost's, manage its business risks and enable investment into the business to better serve the Church.

Epworth shares this philosophy and effectively operates as a mutual organisation. Epworth was set-up when the CFB was approached by like-minded organisations who wanted a similar ethical approach to that of the CFB. Epworth currently only has permission to act as an investment manager for Charities.

Epworth's only source of Capital is from the CFB and its retained earnings. The CFB itself has only retained earnings as a source of Capital. Epworth therefore sets its prices to generate surpluses to have sufficient Capital to manage its business risks and to have sufficient funds to invest in the business to better serve its clients. The annual ICAAP analyses the Capital position and any surpluses not needed to cover risks or invest in the business will be a dividend to the CFB.

Investment Approach and Ethics

The Board believe that Epworth is unique amongst investment managers, in that Christian ethics are totally integrated into the investment management process.

The CFB has developed a robust methodology for developing and approving by the Church the ethical principles under which the CFB operates. There is therefore a whole body of literature (positioning statement and policies) that sets out the principles investment managers should use in making their stock selections. Epworth use this literature and approach in making decisions to invest/divest or engage. This is not separate, in an ESG department handing down exclusions, but totally integrated into the investment research and investment management decision making. This approach, as well as performance and cost is a major factor in clients investing through Epworth.

We are an active investor engaging with firms on ethical and performance issues. We partner with the Church Investor Group and others to give more range and depth in our engagement. We always vote our Shares and use the Church Investors Group as our voting template. In partnership with other organisations we have co-filed resolutions at AGM's, in recent times particularly around climate change and Companies response.

Value for Money Conclusions

The following pages show the detailed consideration of value for money on a fund by fund basis. Given that we are a specialist Christian ethical investment manager, albeit investing in lower risk vanilla type investments, comparators are difficult to identify and differences in performance and cost difficult to interpret.

However, the Board is proud to conclude that, because of our mutual philosophy and the lack of a requirement to provide a return to the shareholder that:

- Although we have a Christian ethical approach our investment performance is comparable to our peers
- Although we actively engage and research on ethics our costs are comparable to our peers.

The Board therefore believes that Epworth provides good value for money for its clients.

1. Epworth Sterling Sovereign Bond Fund for Charities

The Fund invests in sovereign bonds that are issued in Pounds Sterling and aims to provide income and investment growth exceeding the iBoxx Gilt Index.

- **Comparable Market Rates** – Epworth provides straightforward asset management services to its investors. In comparing the amount, Epworth charges for these services against its peers, the amounts are in line with those peers. The Management Fee is 0.25% per annum and the Ongoing Charges Figure (OCF) is 0.5% per annum. If the Fund had a larger amount of assets under management the OCF would be smaller.
- **Epworth Costs** – Epworth keeps careful control over its costs. We do not have entry or exit charges or apply performance fees. Given the small size of the Fund, fixed charges are a higher percentage of the Fund than for a larger fund. Therefore, costs are slightly higher than for a larger fund. Costs are in line with providing the service of running the Fund and therefore, provide value for money.
- **Comparable Services** – Epworth provides the same level of service to both its retail and professional clients. Retail clients pay the same as Professional clients.
- **Performance** – The table below shows performance to 31 December 2019 and compares it to the Blackrock Charities UK Bond Fund and the iBoxx Gilt Index.

Fund	1Yr	3Yrs	5Yrs
Epworth Sterling Sovereign Bond Fund	5.8%	2.6%	3.3%
Blackrock Charities UK Bond Fund	6.9%	3.0%	3.6%
iBoxx Gilt Index	7.1%	3.2%	5.6%

Performance is simulated based on the CFB Gilt Fund. The funds share investment processes and teams. Performance data has been re-calculated using the charges applicable to the Epworth Sterling Sovereign Bond Fund for Charities, which launched on 30 April 2019. Past performance is not a reliable guide to future performance.

Performance is slightly below the benchmark index. This is due to the Sterling Sovereign Bond Fund tending to have a shorter duration than its benchmark. However, it is in line with its peers, over the longer term.

- **Quality of Service** – Epworth provides a straightforward product and service for its investors. However, it accomplishes this well. There are minimal complaints and breaches and performance is broadly in line with expectations. The quality of service provides value for money.
- **Economies of Scale** – With approximately £16 million invested, the Sovereign Bond Fund does not provide any economies of scale.
- **Share Classes** – There are three different share classes in the Sovereign Bond Fund. Charges and benefits for each share class are all broadly in line. CFB shares have a slightly lower fee, due to the CFB seed funding the Fund and being the largest investor. All investors are in the correct share class.

- **Value for Money Assessment** - The Epworth Sterling Sovereign Bond Fund for Charities provides value for money for its investors. Fees are reasonable, performance is in line with expectations and peers. Service is good and investors are treated fairly.

2. Epworth Corporate Bond Fund for Charities

The Fund invests at least 90% of its portfolio in bonds issued by corporations and which are not excluded from selection by ethical screening based on Christian principles.

- **Comparable Market Rates** - Epworth provides straightforward asset management services to its investors. In comparing the amount, Epworth charges for these services against its peers, the amounts are in line with those peers. The Management Fee is 0.35% per annum and the OCF is 0.53%.
- **Epworth Costs** – Epworth keeps careful control over its costs. We do not have entry or exit charges or apply performance fees. Costs are in line with providing the service of running the Fund and therefore, provide value for money.
- **Comparable Services** - Epworth provides the same level of service to both its retail and professional clients. Retail clients pay the same as Professional clients.
- **Performance** - The table below shows performance to 31 December 2019 and compares it to the Blackrock Charities UK Bond Fund and the iBoxx Corporate Bond Index.

Fund	1Yr	3Yrs	5Yrs
Epworth Corporate Bond Fund	7.2%	3.2%	3.8%
Blackrock Charities UK Bond Fund	6.9%	3.0%	3.6%
iBoxx Corporate Bond Index	11.0%	4.5%	5.1%

Performance is simulated based on the CFB Corporate Bond Fund. The funds share investment processes and teams. Performance data has been re-calculated using the charges applicable to the Epworth Corporate Bond Fund for Charities, which launched on 30 April 2019. Past performance is not a reliable guide to future performance. Performance is slightly below the benchmark index. This is because the Fund invests in higher quality bonds than its benchmark index. This and a shorter duration than the benchmark can lead to a difference in performance. However, it is in line with its peers.

- **Quality of Service** - Epworth provides a straightforward product and service for its investors. However, it accomplishes this well. There are minimal complaints and breaches and performance is broadly in line with expectations. Linked to Epworth's strong ethical stance on investment, which is a strong priority for the investors, the quality of service provides value for money.
- **Economies of Scale** – Although, larger than the Sovereign Bond Fund, with approximately £136 million invested, the Corporate Bond Fund still does not provide any material economies of scale.
- **Share Classes** - There are three different share classes in the Corporate Bond Fund. Charges and benefits for each share class are all broadly in line. CFB shares have a

slightly lower fee, due to the CFB seed funding the Fund and being the largest investor. All investors are in the correct share class.

- **Value for Money Assessment** - The Epworth Corporate Bond Fund for Charities provides value for money for its investors. Fees are reasonable, performance is in line with expectations and peers. Service is good and investors are treated fairly. The Ethical approach to investing based on Christian Principles adds value for Epworth’s clients.

3. Epworth UK Equity Fund for Charities

The Fund seeks to provide a level of income and investment growth greater than that of the FT All Share by investing ethically in the shares of UK companies.

- **Comparable Market Rates** - Epworth provides straightforward asset management services to its investors. In comparing the amount, Epworth charges for these services against its peers, the amounts are slightly higher than these. However, Epworth’s peers are larger organisations that are likely to benefit from economies of scale. The Management Fee is 0.55% per annum and the Ongoing Charges Figure (OCF) is 0.85% per annum.
- **Epworth Costs** – Epworth keeps careful control over its costs. We do not have entry or exit charges or apply performance fees. Costs are in line with providing the service of running the Fund and therefore, provide value for money.
- **Comparable Services** - Epworth provides the same level of service to both its retail and professional clients. Retail clients pay the same as Professional clients.
- **Performance** - The table below shows performance to 31 December 2019 and compares it to the Blackrock, Sarasin Funds and the FT All Share Index.

Fund	1Yr	3Yrs	5Yrs
Epworth UK Equity Fund	18.5%	7.5%	7.7%
Blackrock Charities UK Equity ESG Fund	22.2%	9.2%	9.6%
Sarasin Fund for Charities – Thematic UK Equity	20.8%	7.6%	6.0%
FT All Share Index	19.2%	6.9%	7.5%

Performance is simulated based on the CFB UK Equity Fund. The funds share investment processes and teams. Performance data has been re-calculated using the charges applicable to the Epworth UK Equity Fund for Charities, which launched on 30 April 2019. Past performance is not a reliable guide to future performance. Performance is in line with both the benchmark and the funds peers.

- **Quality of Service** - Epworth provides a straightforward product and service for its investors. However, it accomplishes this well. There are minimal complaints and breaches and performance is broadly in line with expectations. Linked to Epworth’s strong ethical stance on investment, which is a strong priority for the investors, the quality of service provides value for money.

- **Economies of Scale** – Although the UK Equity Fund has approximately £191 million invested, it does not provide any material economies of scale.
- **Share Classes** - There are three different share classes in the UK Equity Fund. Charges and benefits for each share class are all broadly in line. CFB shares have a slightly lower fee, due to the CFB seed funding the Fund and being the largest investor. All investors are in the correct share class.
- **Value for Money Assessment** - The Epworth UK Equity Fund for Charities provides value for money for its investors. Fees are reasonable, performance is in line with expectations and peers. Service is good and investors are treated fairly. The Ethical approach to investing based on Christian Principles adds value for Epworth's clients.

4. Epworth Global Equity Fund for Charities

The Fund aims to provide a level of income and investment growth greater than that of the FTSE All World Index by investing predominantly in companies quoted on the World's major stock exchanges and which are not excluded from selection by ethical screening based on Christian principles.

- **Comparable Market Rates** - Epworth provides straightforward asset management services to its investors. In comparing the amount, Epworth charges for these services against its peers, the amounts are very similar. The Management Fee is 0.65% per annum and the OCF is 0.84% per annum.
- **Epworth Costs** – Epworth keeps careful control over its costs. We do not have entry or exit charges or apply performance fees. Costs are in line with providing the service of running the Fund and therefore, provide value for money.
- **Comparable Services** - Epworth provides the same level of service to both its retail and professional clients. Retail clients pay the same as Professional clients.
- **Performance** – As the Fund only launched on 30 April 2019, there is insufficient data to analyse this.
- **Quality of Service** - Epworth provides a straightforward product and service for its investors. However, it accomplishes this well. There are minimal complaints and breaches and performance is broadly in line with expectations. Linked to Epworth's strong ethical stance on investment, which is a strong priority for the investors, the quality of service provides value for money.
- **Economies of Scale** – The Global Equity Fund is still small and therefore, does not benefit from economies of scale.
- **Share Classes** - There are three different share classes in the Global Equity Fund. Charges and benefits for each share class are all broadly in line. CFB shares have a slightly lower fee, due to the CFB seed funding the Fund and being the largest investor. All investors are in the correct share class.
- **Value for Money Assessment** - The Epworth Global Equity Fund for Charities provides value for money for its investors. Fees are reasonable, service is good and investors are treated fairly. Performance will be monitored in future assessments to ensure that it is in line with expectations and provides acceptable value to clients. The Ethical approach to investing based on Christian Principles adds value for Epworth's clients.

5. Epworth Multi Asset Fund for Charities

The Fund seeks income and capital growth by direct and indirect investing in a balanced portfolio of ethically screened global equities and sterling bonds and other asset classes. The Fund invests in a number of Sub-funds managed by Epworth Investment Management Ltd, funds managed by other managers or by directly investing into equities and fixed interest securities.

- **Comparable Market Rates** - Epworth provides straightforward asset management services to its investors. In comparing the amount, Epworth charges for these services against its peers, the amounts are in line with these.
The Management Fee is 0.60% per annum and the OCF is 0.92% per annum.
- **Epworth Costs** – Epworth keeps careful control over its costs. We do not have entry or exit charges or apply performance fees. Costs are in line with providing the service of running the Fund and therefore, provide value for money.
- **Comparable Services** - Epworth provides the same level of service to both its retail and professional clients. Retail clients pay the same as Professional clients.
- **Performance** - The table below shows performance to 31 December 2019 and compares it to the Blackrock, Sarasin and Edentree Funds.

Fund	1Yr	3Yrs	5Yrs
Epworth Mixed Asset Fund	15.3%	7.0%	7.5%
Blackrock Catholic Charities Growth and Income Fund	16.2%	8.1%	8.2%
Sarasin Endowments	19.9%	8.2%	7.7%
Edentree Amity Balanced for Charities (to 30/11/19)	9.9%	6.7%	6.4%

Performance is simulated based on the CFB Managed Mixed Fund. The funds share investment processes and teams. Performance data has been re-calculated using the charges applicable to the Epworth Multi-Asset Fund for Charities, which launched on 30 April 2019. Past performance is not a reliable guide to future performance. Performance is in line with the Funds peers.

- **Quality of Service** - Epworth provides a straightforward product and service for its investors. However, it accomplishes this well. There are minimal complaints and breaches and performance is broadly in line with expectations. Linked to Epworth's strong ethical stance on investment, which is a strong priority for the investors, the quality of service provides value for money.
- **Economies of Scale** - With approximately £30 million invested, the Multi Asset Fund does not provide any economies of scale.
- **Share Classes** - There are three different share classes in the Multi Asset Fund. Charges and benefits for each share class are all broadly in line. CFB shares have a

slightly lower fee, due to the CFB seed funding the Fund and being the largest investor. All investors are in the correct share class.

- **Value for Money Assessment** - The Epworth Multi Asset Fund for Charities provides value for money for its investors. Fees are reasonable, performance is in line with expectations and peers. Service is good and investors are treated fairly. The Ethical approach to investing based on Christian Principles adds value to Epworth's clients.

Epworth Investment Management Limited (Epworth) is authorised and regulated by the Financial Conduct Authority (FCA registered number 175451). Incorporated in England and Wales. Registered number 3052894. Registered office 9 Bonhill Street, London, EC2A 4PE.

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