



ASSESSMENT OF VALUE REPORT AS AT 31 DECEMBER 2022

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WELCOME

Welcome to the Assessment of Value report issued by the Board of Epworth Investment Management Limited (Epworth) for the period ended 31 December 2022.

Epworth is a wholly owned subsidiary of the Central Finance Board of the Methodist Church (CFB). We offer portfolio and fund management services to Churches and Charities and a Managed Portfolio Service to Christian retail investors in the United Kingdom.

The CFB was one of the first “Environmental, Social and Governance” (ESG)” investors in the United Kingdom with almost fifty years of thinking and researching of the ethics of investment. Christian ethics are deeply embedded in everything that the CFB does. This extends to Epworth, and we consistently apply the same moral imperatives across all the assets that we manage. For us, ethical investment is not just part of a product suite – it’s at the heart of everything that we do.

We expect clients to judge us on both our investment performance and our ability to deliver improvements in people’s lives through our company and sector engagement.

The ethical pillars that link the theology behind Epworth’s ethical policies with the United Nations Sustainable Development goals can be found at:

www.epworthinvestment.co.uk/downloads/epworth-investment-pillars.pdf



WHAT IS AN ASSESSMENT OF VALUE REPORT?

Authorised Fund Managers are the parties responsible for all aspects of the performance of a Fund regulated in the United Kingdom and at least once a year are required to issue an assessment of whether the payments made out of that Fund are justified in the context of the overall value offered to unitholders.

Epworth is the Authorised Fund Manager of the Epworth Investment Fund for Charities (the Fund). Epworth is also the investment manager of this Fund but has appointed delegates to undertake several of the operational and valuation tasks in the maintenance of the Fund on its behalf. This assessment includes Epworth's fees as the investment manager, the fees that the Fund pays to Epworth's delegates and the costs of external providers such as the Depositary and Custodian.

This report considers whether the following Sub funds of the Epworth Investment Fund for Charities are offering value for money to their unitholders.

Sub Fund Name	Asset Class	Launch Date
UK Equity Fund	Equities - UK Equity	30 April 2019
Global Equity Fund	Equities - Global Equity	30 April 2019
Climate Stewardship Fund	Equities - UK Equity/Stewardship	28 May 2020
Sterling Sovereign Bond Fund	Fixed Interest - UK Government	30 April 2019
Corporate Bond Fund	Fixed Interest- Sterling Corporate	30 April 2019
Multi-Asset Fund	Multi-Asset - Sterling	11 June 2019

HOW HAVE WE ASSESSED VALUE FOR MONEY?

In preparing this assessment of the value of the Fund, Epworth is following rules and guidance issued by the Financial Conduct Authority (FCA). These rules set out metrics that Epworth must consider as a minimum. To these we have added an Environment, Social and Governance (ESG) metric that reflects how Christian ethics are embedded within our investment management process. The metrics we have used are:

- 1 ► What is the quality of our service to unitholders?
- 2 ► How have our Funds performed?
- 3 ► Are Epworth's costs reasonable and proportionate?
- 4 ► Do the Funds benefit from any economies of scale?
- 5 ► How do the fees that are charged within the Funds compare with the market?
- 6 ► Does Epworth offer any comparable services? If we do is the service provided and are the fees charged in the Funds fair in comparison to these other services?
- 7 ► Do the Funds have multiple unit classes? And if so, are the charges in them comparable and fair?
- 8 ► Responsible & sustainable investing

We have assessed each Sub fund within the Fund against the above eight metrics, applying a ● red / ● amber / ● green rating mechanism.

Red means that the Sub fund does not offer value for money against this metric; amber that it does offer value for money but that there are issues that we need to consider to improve the Sub fund's performance against this metric. A green rating means that the Sub fund offers value for money against the relevant metric and that there are no issues of concern.

In coming to an overall assessment, we have recognised that some of these metrics may be of more importance to unit holders than others. Thus, we have given additional weighting to performance, cost and service in arriving at our final assessment of the value for money of each Sub fund.

Identification of a peer group

For several of the metrics that we have used to assess a Fund's performance, we have made comparisons with the performance or costs of a similar Fund. This peer group has been created by:

- ▲ Identifying the universe of Funds in the United Kingdom with charitable status, to align with the charitable status of the Fund
- ▲ Reviewed the peer group identified in the performance tables of Charity Finance magazine.
- ▲ Used our own experience of close competitors from client and industry interactions.

OUR CONCLUSIONS

The overall assessment for each Sub fund's value to unit holders is set out below. Where there is a red overall rating, we have concluded that the Sub fund does not offer value for money and that the Board of the Manager must take steps to remediate this. Where there are individual amber or red ratings for separate metrics, we have identified that there is room for improvement but, providing the overall assessment for the Sub fund is green or amber, we believe that it still offers value for money to unit holders.

The following pages set out our detailed analysis of the value that the Fund and Sub funds are delivering against each metric.

	UK Equity	Global Equity	Climate Stewardship	Multi-Asset	Sterling Sovereign Bond	Corporate Bond
Quality of Service	●	●	●	●	●	●
Performance	●	●	●	●	●	●
AFM Costs	●	●	●	●	●	●
Economies of Scale	●	●	●	●	●	●
Comparable Market Rates	●	●	●	●	●	●
Comparable Services	●	●	●	●	●	●
Classes of Units	●	●	●	●	●	●
Responsibility & Sustainable Process	●	●	●	●	●	●
Overall Rating	●	●	●	●	●	●

Following last years Value for Money Assessment, Epworth made the decision to close both the Sterling Sovereign Bond Fund and the Corporate Bond Fund. The main reasons for this were due to performance, a significant decrease in the level of assets under management and costs. Following approval from the FCA these two funds were closed on 28 April 2023.

QUALITY OF SERVICE

What is the Quality of our Service to Unitholders?

	UK Equity	Global Equity	Climate Stewardship	Multi-Asset	Sterling Sovereign Bond	Corporate Bond
Quality of Service	●	●	●	●	●	●

We believe that the service provided by Epworth is generally of a good standard. One of our close peers only offers weekly dealing to unitholders; the Epworth funds deal every day.

In assessing the quality of our service to our unitholders in the Fund we have looked at a number of factors. These include:

- ▲ The ease of unitholder dealing
- ▲ The frequency of unit holder dealing
- ▲ The range, accuracy and timeliness of information made available to unitholders
- ▲ Other support provided to unitholders
- ▲ Complaints received from unitholders
- ▲ The robustness and strength of our investment process
- ▲ Any errors made by Epworth or our delegates during the investment process
- ▲ The Fund's voting record
- ▲ Epworth's engagement record with investee companies
- ▲ The dynamic nature of the exclusions list of eligible securities for the Fund

We keep unitholders apprised of developments in the investment and ethical markets through regular updates that are posted to our website. These updates reflect upon our work on ethical engagement and activity. The introduction of our 'Ethical Pillars' and priority matrix provide a clear description of Epworth's approach to and prioritisation of ethical issues.

Our equity team manage a robust research process that ensures our existing positions are constantly re-assessed and that the pipeline of potential new investment ideas is active.

In undertaking this review we have noted that there was one material pricing error by our delegate, for which we retain overall responsibility in October 2022 on the Sterling Sovereign Bond Fund. The material error occurred on one day and the Fund had no transactions on the date of the error and therefore, no unit holders were impacted. However, the investigation into this error identified weaknesses in the pricing of the Sterling Sovereign Bond Fund. The investigation ensured that no unit holders had been disadvantaged. However, we have determined that this Fund should receive a "red" outcome for its Quality of Service - it should be noted that appropriate corrective measures have been implemented. All other Sub funds are rated "green" for this metric.

PERFORMANCE

How have the funds performed?

	UK Equity	Global Equity	Climate Stewardship	Multi-Asset	Sterling Sovereign Bond	Corporate Bond
Performance	Amber	Green	Amber	Amber	Amber	Amber

We have considered four key inputs in the assessment of how each Sub fund has performed:

- ▲ How has it done against its core investment objective?
- ▲ Where the Sub fund has a stated benchmark for performance comparison purposes, how has that performance compared?
- ▲ How has it performed when compared to its peer group?
- ▲ Ethics is a core component of why many unitholders have chosen these funds. How has the ethical performance of the Sub fund been?

The performance of all funds has been relatively weak during the period. The Funds have underperformed on all metrics except ethical ones (where applicable). With the exception of the Global Equity Fund, all funds have been graded as amber. The Global Equity Fund has performed more strongly against both the benchmark and peers over the longer term and has therefore, been assessed as green. The equity funds delivered a strong ethical approach with a diverse portfolio of ethical policies, company engagements and voting activities from the Manager. The Climate Stewardship Fund had a carbon footprint of 70% less than the FTSE All Share Index against a target of 15% less.

AFM COSTS

Are Epworth’s costs reasonable and proportionate?

	UK Equity	Global Equity	Climate Stewardship	Multi-Asset	Sterling Sovereign Bond	Corporate Bond
AFM Costs	●	●	●	●	●	●

We are satisfied that our costs are reasonable and proportionate to the service that we offer to unitholders.

The investment management industry typically has a relatively high-cost base due to the remuneration packages of highly skilled staff, the demand for information technology and city centre office locations. Epworth’s management and staff are employed by the CFB with a recharge mechanism to the Firm. The salary levels paid by the CFB align with our peer group, but, unlike similar firms, there is no significant bonus scheme. Staff retention is driven by: the values of the organisation and our Christian ethical approach; a good work life balance; a strong pension scheme; and a highly supportive training programme. Overall remuneration packages are below City averages.

The office location in the northern end of the City of London is relatively modest with the office meeting the business’s functional needs without a high level of fit out or unused space for client receptions and entertaining.

Epworth has delegated some of its activities as an Authorised Fund Manager to third party providers and these costs have therefore been included within this metric. These providers were selected after an open tender process led by an external management consultant. This consultant advised on the reasonableness of costs balanced with service offered and the Board is satisfied that these costs are reasonable and proportionate.

The shareholder of Epworth is an exempt charity. This means that there is no pressure on Epworth to generate excess profits and the charges to clients reflect the cost base of running the business with a reasonable margin to support the capital requirements of a regulated firm. We are therefore satisfied that our costs are reasonable and proportionate to the service that we offer to unitholders.

ECONOMIES OF SCALE

Do the Funds benefit from any economies of scale?

	UK Equity	Global Equity	Climate Stewardship	Multi-Asset	Sterling Sovereign Bond	Corporate Bond
Economies of Scale	●	●	●	●	●	●

Some of the fees paid by the Fund and Sub funds are based upon sliding scales as the assets under management grow. The following are the fee scales applied by the Depositary. These are pro-rated across the Sub funds apart from the minimum fee, which is applied at the Sub fund level:

Trust Aggregate Net Asset Value (£)	Net asset value (%)
0 - 500,000,000	0.0350
500,000,001 - 1,000,000,000	0.0250
1,000,000,001 - 1,500,000,000	0.0135
1,500,000,000 +	0.0100

Minimum Depositary fee per Sub fund: £10,000

Fund accounting fees are also charged to the Fund based upon a sliding scale, pro-rated across the Sub funds apart from the minimum fee, which is applied at the Sub fund level:

Trust Aggregate Net Asset Value (£)	Net asset value (%)
0 - 100,000,000	0.0275
100,000,001 - 200,000,000	0.0225
200,000,001 - 400,000,000	0.020
400,000,000 +	0.0150

Minimum Fund accounting fee per Sub fund: £10,000

At 31 December 2022 the NAV of the Fund stood at £362m. Due to the reduction in NAV during 2022, the fee rates increased. Depositary fees for the first part of the year were 0.0250% (tier 2) and for the rest of 2022 they were 0.0350% (tier 1).

Fund accounting fees were 0.0150% (tier 4) for the first part of 2022, but when the NAV fell below £400m the Fund accounting fee rose to 0.020% (tier 3).

We have therefore concluded that, in general, the Fund did not achieve economies of scale, to an amount that would have been possible if the assets under management were higher. Therefore, with the exception of the Sterling Sovereign Bond Fund all other funds have been assessed as amber.

However, the minimum fees at the Sub fund level do apply to the Sterling Sovereign Bond Fund, pushing up the Sub fund's overall costs due to its lack of scale. When this consideration is added to the fixed fees that all Sub funds bear for Transfer Agency costs, we have determined that a red rating for this metric is appropriate for this Sub fund.

COMPARABLE MARKET RATES

How do the fees that are charged within the Funds compare with the market?

	UK Equity	Global Equity	Climate Stewardship	Multi-Asset	Sterling Sovereign Bond	Corporate Bond
Comparable Market Rates	●	●	●	●	●	●

We have looked at two cost figures in assessing how the fees charged within the Sub fund compare against the market:

- ▲ Our management fee, expressed as a percentage of the Sub fund's net asset value
- ▲ The total costs borne by unitholders, expressed as a percentage of the Sub fund's net asset value, when all costs that the Sub fund incurs are taken into consideration. The figure that we have used for this is the Ongoing Charges Figure (OCF), calculated following guidance from the Committee of European Securities Regulators.

The management fee and OCF as at 31 December 2022 have been contrasted with the peer group previously identified.

Our management fees are proportionate in the context of our peer group and we are satisfied that they offer value for money, given the other elements discussed in this report. However, the management fees for the UK Equity and Climate Stewardship are at the higher end of their peer group comparisons. Whilst the management fee for the Sovereign Sterling Bond Fund is relatively low for its peer group the ongoing charges figure is relatively high due to the impact of minimum fees to the costs born by unit holders in this Sub fund. These have been discussed previously under "economies of scale". Therefore, in conclusion we believe that the total costs of the UK Equity, Climate Stewardship and Sovereign Sterling Bond Funds are relatively expensive and that an amber rating for these Sub funds is appropriate.

	Management fee		OCF	
	Fund (%)	Peer group (%)	Fund (%)	Peer group (%)
UK Equity Fund	0.55	0.47 - 0.55	0.74	0.47 - 0.79
Global Equity Fund	0.65	0.55 - 0.75	0.78	0.67 - 0.80
Climate Stewardship Fund	0.65	0.55 - 0.65	0.98	0.79 - 0.98
Sterling Sovereign Bond Fund	0.35	0.22 - 0.55	0.56	0.39 - 0.59
Corporate Bond Fund	0.25	0.22 - 0.35	0.40	0.34 - 0.53
Multi-Asset Fund	0.60	0.30 - 1.00	1.05	0.66 - 1.46

COMPARABLE SERVICES

Does Epworth offer any comparable services? If we do is the service provided and are the fees charged in the Funds fair in comparison to these other services?

	UK Equity	Global Equity	Climate Stewardship	Multi-Asset	Sterling Sovereign Bond	Corporate Bond
Comparable Services	●	●	●	●	●	●

Epworth offers one other product outside of the Fund, a common deposit fund that is only permitted to invest in Bank Deposits or short-term fixed interest instruments. It is not therefore a comparable offering to the Fund.

Epworth does offer a portfolio management service for clients with over £250,000 to invest. Clients receive a discretionary management service with a portfolio that is constructed to meet their financial needs and attitude to risk.

The components of these client portfolios are the Sub funds and a selection of third party funds to gain exposure to asset classes and sectors in which the Sub funds are not invested. Each client is assigned to a model and investment strategy which

best meets the clients needs. This portfolio and the assets within are held via a third party custodian and are managed via a platform.

Clients pay a portfolio management fee and a platform fee for this service. Clients invested in any of the Sub funds as part of this service are invested in a nil fee share class. Epworth no longer charge a time spent advice fee.

Given that the comparable service offered by Epworth charges slightly higher fees for an enhanced service we believe that the Fund offers clear value for money in comparison with other services and have therefore assessed this metric as a green rating.

CLASSES OF UNITS

Do the Funds have multiple unit classes? And if so, are the charges in them comparable and fair?

	UK Equity	Global Equity	Climate Stewardship	Multi-Asset	Sterling Sovereign Bond	Corporate Bond
Classes of Units	●	●	●	●	●	●

All of the Sub funds offer income and accumulation units that have the same management fee and ongoing charges fee. For new charity investors in the Fund, the fees charged on the alternative share classes are fair and comparable. The alignment of these fees with the market has already been noted.

The management fee and ongoing charges figure for the accumulation and income units are aligned. The CFB Income units are "used by institutions that have entered into an agreement with the Authorised Fund Manager and/or are on the Portfolio Management Service with the pooled custodian for portfolio clients on Select/Seccl." Clients pay a portfolio management fee and a platform fee for this service. Clients invested in any of the Sub funds as part of this service are invested in a nil fee share class.

The Climate Stewardship Fund has an additional unit class - "Income B". This unit class with a reduced management fee was made available during the initial offering period of the Sub fund. Units holders had to be initial investors in the fund on 28 May 2020 and have retained their unit holding by 28 August 2020. These investors "seeded" the original launch of the Sub fund and made this offering to other unit holders possible. These units are no longer available to new investors.

On consideration of whether any unit holder should be eligible for another unit class with preferential costs we have determined that this is not the case and conclude that value for money is being offered across all unit classes.

RESPONSIBILITY & SUSTAINABLE PROCESS

Do the Funds invest in a responsible and sustainable way?

	UK Equity	Global Equity	Climate Stewardship	Multi-Asset	Sterling Sovereign Bond	Corporate Bond
Responsibility & Sustainable Process	●	●	●	●	●	●

Epworth's ethical investment policies are based upon guidance issued by the Methodist Church's Joint Advisory Committee on the Ethics of Investment (JACEI). These policies are worked out via the Epworth Responsible Investment Management Group (ERIM). ERIM meets at least four times a year to ensure the intended application of policies is achieved across asset classes, that the asset allocation process is well-informed of ethical issues, and to research emerging ethical themes not normally covered by JACEI. In addition, ERIM helps centre the voice of minority clients to better ensure investments meet our consumer duty to all clients. Issues for consideration are driven by a process that gives weight to the concerns of the Firm's stakeholders and the potential impact upon an issue that can be gained through a Fund's exposure to that issue.

Epworth has strengthened its theological grounding with the introduction of its 'ethical pillars', which link in to the United Nations Sustainable Development Goals (SDG's).

This prioritisation of ethical issues enables Epworth to focus upon areas where it can be most effective. Recognising that collaboration between investors can share finite resources and often lead to better outcomes, Epworth is a member of eleven investor groups including the Institutional Investors group on

Climate Change and Climate Action 100+. During 2022 Epworth engaged heavily with the Banking sector on the Climate Emergency and encouraged investee companies to seek the Fair Tax Mark. Epworth was the first of two investment managers in the UK to achieve the Fair Tax Mark accreditation.

Epworth voted in line with its ethical convictions on over 6000 shareholder resolutions in 2022.

The guidance issued by the ethical investment committee includes a list of companies that are excluded from investment on ethical grounds. However, this list is dynamic and is used not just to "punish" companies for unethical behaviour or activities but also to reward them for improved outcomes by removing them from this exclusions list and adding them to the investable universe.

Christian ethics are fundamental to the investment work undertaken by Epworth. All Funds and other services are managed using the same approach; there is not a portfolio of different ethical choices for investors to choose from. Our success will always be measured against performance and the cost of delivering it – but clients and unit holders should also expect to see tangible evidence that their investments in companies via Epworth's Funds are also delivering improvements for the good of the planet and God's people.

