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# 2023 Assessment of Value

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# State Street Unit Trust Management Limited

## 2023 Assessment of Value

On behalf of the Board of Directors of State Street Unit Trust Management Limited (“**SSUTM**” or the “**Board**”), I would like to introduce the 2023 Assessment of Value report (“**AoV**”).

AoV was introduced by the FCA to ensure UK authorised fund managers (“**AFMs**”) demonstrate the delivery of value for underlying investors, objectively assessing ourselves against a range of criteria. This exercise is expected to be performed, with the findings published, at least annually and for SSUTM naturally sits alongside our regular oversight of funds undertaken throughout the year. Furthermore, the Board have considered the Consumer Duty regulations introduced by the FCA which take effect in July 2023. Consumer Duty sets high expectations for the standard of care for consumers and ensures products and services are fit for purpose and offer fair value to customers in retail financial markets. Consumer Duty requires firms to act on delivering good outcomes for retail customers. Under the Consumer Duty Price and Value outcome, the FCA has granted equivalence for any firms that are already subject to the FCA COLL AoV.

The AoV includes extensive review of service providers and performance, with appropriate action taken throughout the year as necessary. To help us in this assessment, we engaged a third party professional services company to provide us with peer review analysis and comparables so we could ensure delivery of value, not only in the context of the fund umbrella, but on a market-wide basis.

The Board recognises that for investors to receive value for money, AoV needs to be integrated into our governance process and scrutinised on an ongoing basis through our oversight and fiduciary responsibility in order to uphold investors’ best interest.

The Board understands that our core client base are sophisticated, institutional investors for whom ongoing transparency is provided with regards to fund fee structures and service levels, ensuring investors access the funds at competitive prices. SSUTM always has, and will continue to, assess value for its new and existing funds and exercises discipline over cost management.

Following the assessment, the Board has concluded that, SSUTM continues to provide value to clients across all sub-funds. Notwithstanding this, SSUTM strives for continuous improvement to ensure our clients’ needs are being met under the existing construct and will continue to keep our product range under review.

We are pleased to present our annual AoV.

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**Victoria Parry**  
Chairperson

## Funds in Scope

### State Street Authorised Contractual Scheme

*State Street ACS Multi-Factor Global ESG Index Equity Fund*

### State Street Authorised Unit Trust

*State Street AUT Asia Pacific Ex-Japan Screened (ex Controversies and CW) Index Equity Fund*

*State Street AUT Emerging Market Screened (ex Controversies and CW) Index Equity Fund*

*State Street AUT Europe ex UK Screened (ex Controversies and CW) Index Equity Fund*

*State Street AUT Japan Screened (ex Controversies and CW) Index Equity Fund*

*State Street AUT North America Screened (ex Controversies and CW) Index Equity Fund*

*State Street AUT UK Screened (ex Controversies and CW) Index Equity Fund*

(each a “**Sub-Fund**”, collectively the “**Sub-Funds**”)

## Details

The FCA identified seven non-exhaustive criteria which should be considered by the AFM focusing on whether charges paid by each Sub-Fund are justified in light of **value** and **quality** of service delivered. In conducting its assessment, SSUTM has considered each of the criteria in turn as detailed below and carried out a comprehensive appraisal in order to determine whether value is being provided, and where it is not, seek to remedy this as outlined in the report.

The seven criteria are as follows:

- 1 Quality of Service
- 2 Performance
- 3 AFM costs – general
- 4 Economies of scale
- 5 Comparable market rates
- 6 Comparable services
- 7 Classes of units

The assessment references costs generated by services provided directly by the AFM and also those services delegated by the AFM to third parties, such as, but not limited to, investment management, depositary services, custody and settlement, audit, legal, printing services, KIID production and maintenance as permitted in the Sub-Fund documentation.

## Quality of Service

Consideration is given to the range, nature, extent and quality of services provided directly to investors or undertaken on their behalf. SSUTM believes in order to ascertain if quality of service has really been achieved for a Sub-Fund, not only must the absence of complaints be considered, but regular service review meetings must be undertaken throughout the year to monitor service quality levels and performance which is onwards reported to the Board.

Service providers have been asked to elaborate on certain areas such as personnel qualifications, internal governance processes and procedures and IT/ cybersecurity facilities which SSUTM believes goes towards demonstrating the well-

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rounded output of quality provided to a Sub-Fund. For example, the use of highly skilled/ technical employees, enhancements to digital enterprise initiatives to ensure seamless, uninterrupted services whilst working in a hybrid environment all point towards value in terms of the quality of the services received.

#### **Board of Directors**

The Board of Directors of SSUTM collectively have over 90 years of experience in the asset management industry with a broad range of applicable skills and expertise.

SSUTM recognises that having a diverse board is important in providing a range of perspectives, insights and challenge where necessary to support good decision making and to achieve more for our clients. We are committed to developing, supporting and preserving a culture of diversity and inclusion and recognise that the collective sum of individuals represents a significant part of not only our culture but our reputation and achievements. The SSUTM Board is comprised of the following members:

#### **Victoria Parry**

Ms Parry was Global Head of Product Legal for Man Group plc until April 2013 and now acts as an independent non-executive director and consultant to the funds industry. Prior to the merger of Man Group plc with GLG Partners in 2010, Ms Parry was Senior Legal Counsel for GLG Partners LP. Ms Parry joined Lehman Brothers International (Europe) in April 1996 where she was Legal Counsel with responsibility for inter alia the activities of the GLG Partners division and left Lehman Brothers in September 2000 upon the establishment of GLG Partners LP. Prior to joining Lehman Brothers in 1996 Ms Parry practised as a solicitor with a leading London based firm of solicitors.

Ms Parry graduated from University College Cardiff, with a LLB (Hons) in 1986. Ms Parry is a solicitor and a member of the Law Society of England and Wales. Ms Parry is a director of a number of other companies.

#### **Nigel Wightman**

Mr Wightman has over 40 years' experience in the asset management industry. Mr Wightman started his career as a fund manager in 1976 in London before holding management positions for NM Rothschild first in London, managing its international and retail asset management businesses and then in Hong Kong, overseeing its Asia Pacific businesses. Mr Wightman spent 8 years as head of State Street Global Advisors in London and joint Managing Director for SSGA in Europe.

Mr Wightman holds a BA (&MA) in Politics, Philosophy & Economics (1st class hon) and an MPhil in Economics from Oxford University and is an Honorary Fellow of Brasenose College Oxford. In recent years, he has been a Director of a number of fund management and investment management companies and is currently the non-executive Chairperson of two such companies; he also sits on the investment committees of several charities.

#### **Colin Fernandes**

Mr Fernandes is a Vice President of State Street Global Advisors and Head of the EMEA Operations Control Group. He is responsible for outsourcing governance in addition to other control activities. Previously Mr Fernandes was head of EMEA Fund Operations, responsible for fund oversight, operational set ups and chaired the EMEA Valuation Committee. Colin began his career at SSGA as an Investment Services Manager supporting Active and Emerging Market mandates.

Prior to joining SSGA in 2006, Colin worked at State Street Corporation in senior roles including Client Service Manager for UK clients.

Colin has a BSC in Business Economics from Brunel University.

#### **Rebecca Bridger**

Ms Bridger has been with State Street Global Advisors for 9 years and is the Head of the EMEA Funds Management team, responsible for a number of Irish, Luxembourg and UK domiciled fund ranges. Ms Bridger currently acts as CEO for SSUTM. Prior to joining SSGA, Ms Bridger worked as in-house counsel at Walbrook Capital (previously C12 Capital Management), and qualified as a solicitor with Eversheds LLP in 2009.

Ms Bridger holds an LLB from the University of Exeter and CISI certificates in FSA Financial Regulation, Securities and Derivatives.

### Investment Manager

State Street Global Advisors Limited, regulated by the FCA, is the appointed investment manager to the Sub-Funds, whose mission is to invest responsibly to enable economic prosperity and social progress. SSGA is an indexing pioneer, which, over the past 40 years, has built a universe of active and index strategies across asset classes to help clients, and those who rely on them, achieve their investment goals. SSGA manages over \$3.48<sup>1</sup> trillion worth of assets with the average portfolio manager having a 22 year tenure. The quality of SSGA's structures and systems are vital to ensuring a high quality of service, including the processes used to manage the Sub-Fund's investments. It must be highlighted that SSGA, working in conjunction with SSUTM, is committed to full integration of material ESG factors into day-to-day investment processes. SSGA practices asset stewardship by actively using its voice and voting to engage with portfolio companies on material ESG factors.

## Performance

The investment objective of the Sub-Funds is to closely track the benchmark (as detailed in the tables below) on a gross of fees basis. The tracking error limit for each Sub-Fund is set to 1% as per the Prospectus for each range. Please note that the AoV requires performance to be measured on a net of fees return, which this assessment is based upon.

### State Street Authorised Unit Trust

All State Street AUT Sub-Funds (with the exception of the State Street AUT Emerging Market Screened (ex Controversies and CW) Index Equity Fund changed their respective benchmarks to an ESG screened version on 18 December 2020 whereby UN Global Compact violaters and controversial weapons were excluded from the benchmark. The State Street AUT Emerging Market Screened (ex Controversies and CW) Index Equity Fund launched later in March 2021 with the same ESG screening methodology.

Fund	Benchmark
State Street AUT Asia Pacific Ex-Japan Screened (ex Controversies and CW) Index Equity Fund	FTSE Developed Asia Pacific ex Japan ex Controversies ex CW Index
State Street AUT Emerging Market Screened (ex Controversies and CW) Index Equity Fund	FTSE Emerging ex Controversies ex CW Index
State Street AUT Europe ex UK Screened (ex Controversies and CW) Index Equity Fund	FTSE Developed Europe ex UK Controversies ex CW Index
State Street AUT Japan Screened (ex Controversies and CW) Index Equity Fund	FTSE Japan ex Controversies ex CW Index
State Street AUT North America Screened (ex Controversies and CW) Index Equity Fund	FTSE North America ex Controversies ex CW Index
State Street AUT UK Screened (ex Controversies and CW) Index Equity Fund	FTSE All-Share ex Controversies ex CW Index

### State Street Authorised Contractual Scheme

Fund	Benchmark
State Street ACS Multi-Factor Global ESG Index Equity Fund	MSCI World Select 5-Factor ESG Low Carbon Target Index

SSUTM is committed to ensuring investors assets are well managed and is confident with the Investment Manager's robust processes that are aligned across its global offices alongside the independent monitoring undertaken by the enterprise risk management team and various committees ensuring investors assets are being safely managed in line with regulatory requirements. Thorough review and validation checks are carried out, highlighting any issues, and or areas for improvement.

<sup>1</sup> As at 31 December 2022

On a daily basis, the Investment Manager measures each Sub-Fund by using its systems to analyse the Sub-Fund's reconciled position against its' benchmark and investment objective to ensure the investment objective is being met whilst minimising tracking error. Using this information, the system can recommend specific trades to bring a Sub-Fund back into tolerance with its respective index.

Trading lists then undergo compliance system checks to identify any potential investment restrictions which may cause a breach before execution can take place.

Additionally, the Investment Manager regularly reviews actual ex-post tracking errors against expected ex-post tracking error and would use this information to highlight improvements that can be made to its investment processes.

Independent to the portfolio management team, the Investment Manager utilises the enterprise risk team who will measure a funds tracking error volatility ("TEV") based on the clients limits on a daily basis and will question the portfolio manager in case the TEV nears or breaches the predetermined limit.

The Sub-Funds target investors with a medium to long term investment goal so returns over the three and five year period have been assessed where possible. For any Sub-Fund that does not have this length of performance data, we have assessed the next closest available performance period.

The Board's assessment concluded each Sub-Fund had been managed in line with its investment objective. The AUT Europe ex UK and AUT North America Funds experienced positive returns primarily attributable to the difference in the withholding tax rates each Sub-Fund receives compared to the rate its respective benchmark applies. The three and five year tracking errors were within its 1% targeted tolerance level in normal market conditions as outlined in the tables below.

#### **State Street Authorised Unit Trust**

<b>Fund</b>	<b>Net 3 Year Period %</b>			<b>Net 5 Year Period %</b>		
	<b>Fund Return</b>	<b>Tracking Difference</b>	<b>Tracking Error</b>	<b>Fund Return</b>	<b>Tracking Difference</b>	<b>Tracking Error</b>
State Street AUT Asia Pacific Ex-Japan Screened (ex Controversies and CW) Index Equity Fund	4.21	-0.16	0.15	2.95	-0.16	0.14
State Street AUT Europe ex UK Screened (ex Controversies and CW) Index Equity Fund	5.53	0.34	0.22	4.97	0.35	0.23
State Street AUT Japan Screened (ex Controversies and CW) Index Equity Fund	2.25	-0.01	0.11	2.35	-0.07	0.10
State Street AUT North America Screened (ex Controversies and CW) Index Equity Fund	10.03	0.15	0.09	10.94	0.13	0.08
State Street AUT UK Screened (ex Controversies and CW) Index Equity Fund	1.08	-0.08	0.23	2.11	-0.12	0.18
	<b>Net 1 Year Period %</b>					
	<b>Fund Return</b>	<b>Tracking Difference</b>	<b>Tracking Error</b>			
State Street AUT Emerging Market Screened (ex Controversies and CW) Index Equity Fund <sup>2</sup>	-9.16	-0.63	0.84			

<sup>2</sup> Fund inception date: March 2021

## State Street Authorised Contractual Scheme

Fund	Net 3 Year Period %			Net 5 Year Period %		
	Fund Return	Tracking Difference	Tracking Error	Fund Return	Tracking Difference	Tracking Error
State Street ACS Multi-Factor Global ESG Index Equity Fund	7.99	0.19	0.18	n/a	n/a	n/a

Performance figures in GBP as at 31 December 2022

## AFM costs – general

The fees paid by the investor should be reasonable in light of the cost of the service the Sub-Fund is receiving. This applies not just to management fees but to all fund charges.

As it relates to each Sub-Fund, there is one Annual Management Charge (“**AMC**”) which captures all fees charged to the relevant Sub-Fund. The Investment Manager pays the cost of all external services out of the AMC. In the event that a Sub-Fund’s costs are higher than the AMC, the Investment Manager subsidises the costs. During this assessment period, subsidies have been provided to all Sub-Funds. For the avoidance of doubt, performance fees are not charged to any Sub-Fund.

Effective management of costs is primary to SSUTM to ensure costs are aligned with the set AMC. Sub-Fund costs are closely and continuously monitored to ensure the best rates are achieved. Where opportunities are identified to reduce charges to investors, we will not hesitate to pass on material reductions to investors, as we did in May 2020 where a number of AMC’s were reduced.

## Economies of Scale

SSUTM has assessed the degree to which any savings arising from Sub-Fund scale is reflected in value for investors. Generally, cost savings can be secured as the Sub-Fund’s assets under management grow – this would be primarily driven by the way in which service provider fees have been negotiated and structured in the first instance. Furthermore, consideration is given as to whether investors have benefited from the scale of the wider State Street Group. As a subsidiary, SSUTM is generally able to use the State Street Group’s size to negotiate with service providers in a more effective manner than a standalone entity.

SSUTM concluded there had been no material increase in the size of each Sub-Fund over the past year contributing to securing additional economies of scale over and above what was already in place. Assets under management would need to significantly grow in the Sub-Funds before being able to benefit from any further material economies of scale. SSUTM remains committed to continuously look for opportunities to pass on savings to its investors.

## Comparable market rates

SSUTM appointed an external third party service provider to carry out a competitive assessment of all fees, including management fees and ongoing charges. Each of the Sub-Fund’s AMC’s were compared to those of our competitors to ascertain if value is being offered market wide. The comparison is based upon various factors such as the legal structure, investment mandate as defined by the Investment Association sector categorisation, asset size and share class characteristics. To ensure a meaningful comparison, the peer group comparators must, as far as possible, share similar characteristics as the Sub-Fund.

SSUTM concluded that its AMC’s remain competitive. With the exception of the ACS Multi-Factor Fund and AUT North America Funds, the Sub-Funds ranked average in their respective peer groups. The ACS Multi-Factor and AUT North America Funds had a limited peer group primarily due to the smaller asset size of the Sub-Funds and therefore ranked slightly below average in their respective peer groups, but the Board were comfortable with the findings, given the limited comparators available.

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## Comparable services

The underlying principle is that no investor should be paying materially more than others to access a similar product managed by SSUTM. Investors should expect to pay similar fees as investors in funds of a comparable size and with similar investment objectives. SSUTM strives to ensure the outcome is fair to all types of investor in our Sub-Funds.

It was challenging to conduct a review against comparable services within the State Street Group due to the fact there area limited number of funds and segregated mandates that were of comparable nature, size or had similar investment objectives. SSUTM concluded that it's AMC remains competitive within the State Street sphere.

## Classes of units

Analysis for this relates to whether investors are in the most appropriate share class and whether any share classes with substantially similar rights are subject to a different fee charging structure without justification.

### ***State Street Authorised Contractual Scheme***

State Street Authorised Contractual Scheme targets institutional investors and accordingly, the share classes have been structured to meet the differing needs of this potential client base. The Sub-Fund differentiates share classes as detailed in the Prospectus by:

- investor type (Insurance Company or Registered Pension Scheme);
- how the AMC is charged (i.e. outside the Sub-Fund by way of separate agreement, or within the Sub-Fund accrued as part of the AMC);
- or by other variables such as the use of hedging

SSUTM has analysed the investor base and confirms investors are in the appropriate share class based on investor type, investment minimums and ongoing charges.

### ***State Street Authorised Unit Trust***

State Street Authorised Unit Trust operates a single share class with a single fee, however, some investors benefit from a discretionary fee rebate. The level of rebate is determined by the Investment Manager's standard global discounting policy and is primarily driven by the level of investment. This operating model benefits the Sub-Funds as it is more cost effective as opposed to the Sub-Fund bearing the additional administration costs of operating multiple share classes.