



# **Assessment of value report**

June 2020

# 1. Assessment of value summary

## **Introduction**

Lumyna Investments Limited is committed to maintain the highest levels of integrity, fairness and responsibility. Our core values at Lumyna include “Put clients first” and “Do the right thing” and we take great pride in living these values through the services we deliver every day for the funds. This assessment of value is a short summary that helps to explain how we aim to deliver on our vision of delivering innovative investment solutions to meet the needs of our clients.

The Financial Conduct Authority (FCA) introduced new rules on fund governance aiming to strengthen the duty of care and acting in investors best interest. In line with these new rules, effective from September 2019, we are carrying out an annual assessment as to whether our funds (under the Lumyna Funds umbrella) provide value to our clients.

The assessment considers Lumyna’s full value proposition, as opposed to looking at the fees or the performance in isolation. It considers the range and quality of fund services provided such as governance, safeguarding, investor services and providing quality products to name but a few. Furthermore, in these unprecedented times, it is also ensuring we have robust, fully tested contingency plans so that our systems, processes and services continue to support the funds and our clients with minimal disruption.

In performing the assessment, we conducted an in-depth rigorous review of our funds, fund services, governance, operations and infrastructure. The assessment approach is based on the seven key categories, as set by the FCA; performance, quality of service, costs and charges, economies of scale, comparable market rates, comparable services and classes of units. The assessment and final report required significant quantitative and qualitative data analysis considering, where available, market data, our peers, industry trends and service provider / client feedback.

The board of directors of Lumyna Investments Limited have reviewed the considerable data analysis and provided scrutiny and challenge, as part of the process, to ensure that both the assessment and this final report are clear and fair as to whether value is being provided to investors in Lumyna Funds.

## **Assessment outcome**

The board of directors have concluded that overall Lumyna Investments Limited (Authorised Fund Manager) and Lumyna Funds provide good value for money. The Company recognise that this is an evolving position and will ensure investor value continues to underpin our fund activities.

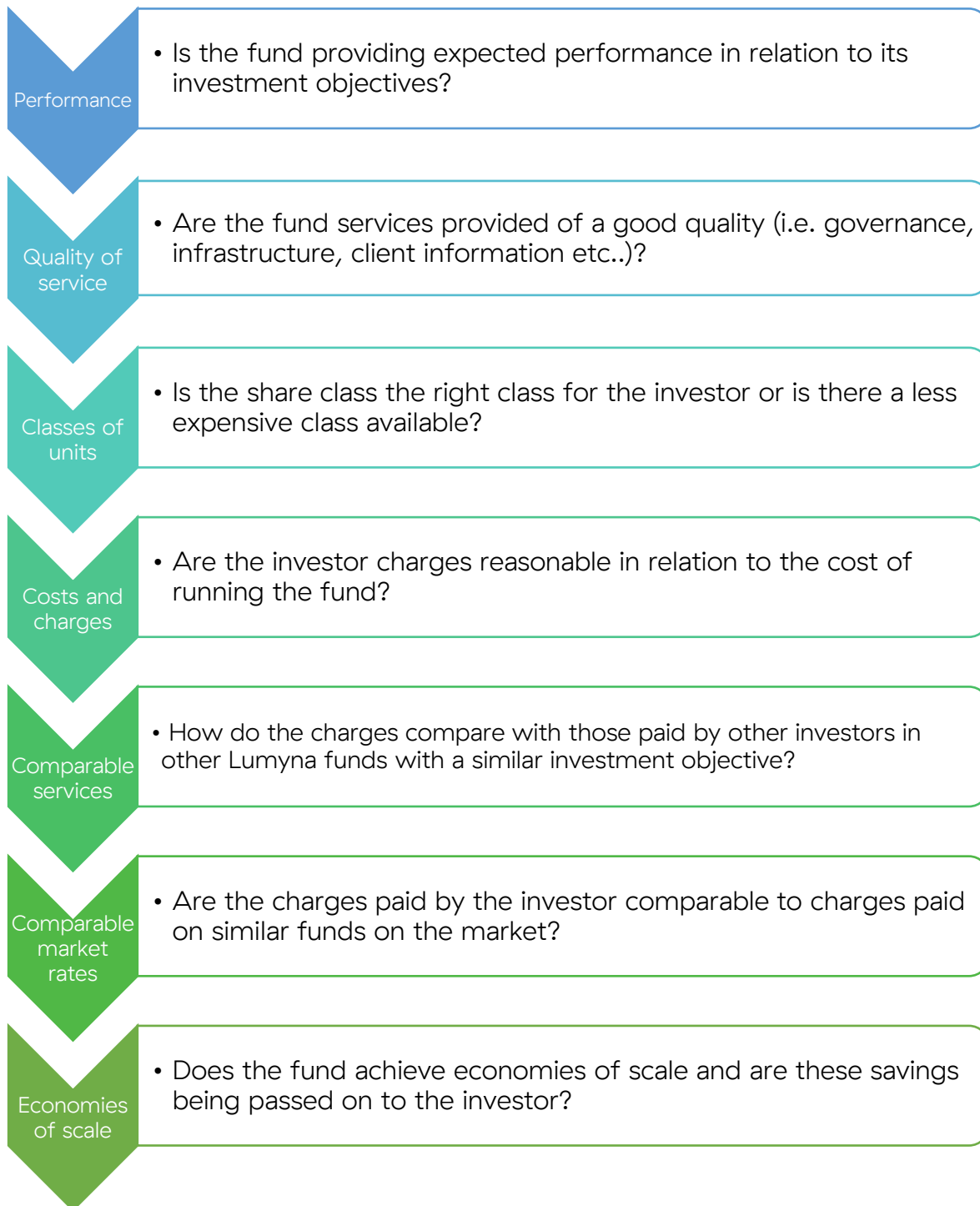
## Note

This report covers the performance of the funds until 31 December 2019. It does not take into account the recent performance in light of the COVID-19 crisis. COVID-19 has had a significant impact on financial markets around the world and its impact on the performance of the funds is best assessed over a long term horizon.

A handwritten signature in black ink, appearing to be 'Daryl Wright', written in a cursive style.

Daryl Wright, Executive Board Member, Lumyna Investments

## 2. Assessment categories



## 3. Summary results

### Lumyna Fund – sub funds:

	Performance	Quality of service	Classes of units	Costs and charges	Comparable Services	Comparable Market Rates	Economies of scale
<b>Commodity</b>							
Lumyna – Merrill Lynch MLCX Commodity Alpha Fund	Green	Green	Green	Green	Green	Green	Green
Lumyna – Merrill Lynch MLCX Commodity Enhanced Beta Fund	Green	Green	Green	Green	Green	Green	Green
<b>Equity L/S</b>							
Lumyna – Zeal Greater China Long Short UCITS Fund	Green	Green	Green	Green	Green	Green	Green
<b>Equity Market Neutral</b>							
Lumyna – Marshall Wace TOPS (Market Neutral) UCITS Fund	Green	Green	Green	Green	Green	Green	Green
Lumyna – Sandbar Global Equity Market Neutral UCITS Fund	Green	Green	Green	Green	Green	Green	Green
<b>Event-Driven</b>							
Lumyna – PSAM Global Event UCITS Fund	Green	Green	Green	Green	Green	Green	Green
Lumyna – Ramius Merger Arbitrage UCITS Fund	Green	Green	Green	Green	Green	Green	Green
Lumyna – York Asian Event-Driven UCITS Fund	Green	Green	Green	Green	Green	Green	Green
Lumyna – York Event-Driven UCITS Fund	Green	Green	Green	Green	Green	Green	Green
<b>Fixed Income</b>							
Lumyna – Global Debt – Credit UCITS Fund	Green	Green	Green	Green	Green	Green	Green
Lumyna – Global Debt – Government UCITS Fund	Green	Green	Green	Green	Green	Green	Green
Lumyna – Global Debt – Securitised UCITS Fund	Green	Green	Green	Green	Green	Green	Green
Lumyna – KLS Fixed Income UCITS Fund	Yellow	Green	Green	Green	Green	Green	Green
<b>Multi Strategy</b>							
Lumyna – AQR Global Relative Value UCITS Fund (in liquidation)	Red	Green	Green	Green	Green	Green	Green
<b>Systematic Multi-Factor</b>							
Lumyna – Millburn Diversified UCITS Fund	Green	Green	Green	Green	Green	Green	Green
<b>Volatility</b>							
Lumyna – Merrill Lynch Enhanced Equity Volatility Premium Fund	Green	Green	Green	Green	Green	Green	Green

Key

Funds offer good value for money

Fund offers value for money but merits action or further monitoring

Fund does not offer value for money



## 4. Results by assessment category

### a. Performance

Risk and return are the fundamental outputs of the investment management industry. Risk and return can be assessed in different ways and can be different when focussing on short term vs long term horizons. We think it is important that the assessment of risk and return is focussed on the investment strategy time horizon, which is generally a long term view for Lumyna Funds.

#### Assessment summary

As a fund management company focused primarily on Alternative Investments, we offer a range of investment strategies and styles across multiple sub-funds. Each of our funds has its own investment objective which the portfolio manager aims to achieve. We assessed each fund performance over multiple time horizons including 1, 3, 5 years and inception to date versus the performance of a benchmark investment strategy. In terms of the specific risk assessments, we have used the risk-adjusted metric; the Sharpe ratio which makes for a versatile way to compare all kinds of investment vehicles to get a preliminary idea of their reward potential. Finally, we assessed how each sub fund's portfolio might respond to a number of high severity stress scenarios (such as. Asian crisis 1997, Lehman collapse 2008 and more).

#### Assessment outcome

The vast majority of funds provide good to strong absolute performance over the observed period and where relevant track as expected versus their benchmark. Risk adjusted returns range from modest to strong.

#### Decisions

The AQR Global Relative Value UCITS fund has had consistent and persistent absolute and relative underperformance over the observed period. This fund was put into liquidation in May 2020.

### b. Quality of service

A large part of the value proposition is the range and quality of the services that support the funds. The quality of the infrastructure, systems, processes, outputs (such as regular reports to investors) are vital in providing strong fund services, as are the quality of service providers brought in to deal with record keeping, safe-keeping of assets and fund accounting, amongst many other services.

#### Assessment summary and outcome

We assess whether we are delivering our service well enough to create value for our clients. The graphic below lists the key services considered and the assessment outcome of each service. The management company services provided are considered to be good value. In addition to this assessment, Lumyna Investments Limited has received external accreditations from recognised industry bodies. We were recognised as 'Best overall hedge fund/fund distribution platform' in the

HFR European Performance Awards 2019 and as 'Best UCITS platform' in the HFM European Services Awards 2020.

## *Governance - What is the quality of Lumyna Investments and Lumyna Funds governance*

- Lumyna provides high subject matter expertise, strong level of independence and high quality board operational standards.
- High standard of governance at both the management company and fund level in line with FCA and Commission de Surveillance du Secteur Financier (CSSF) regulatory requirements.

## *Product Management - investors value a well managed function that safeguards assets, ensures reliability in financial reporting and filing compliance and provides operational efficiency at all levels*

- The product management function demonstrates high quality processes and controls

## *Fund administration services - investors will value a robust administration that protects the interests of investors*

- The assessment demonstrated the service provided by our administrator is of a good quality, robust, efficient and in certain circumstances they provide additional services versus a similar service provider

## *Technology platform - critical in providing stability, security, workable contingency plans that give investors confidence in the managers infrastructure*

- As a new boutique Lumyna have established a well defined and secure IT platform that caters to a modern day workforce, regulatory and cyber landscape.
- Ability to scale and flexible to support future investor requirements

## *Risk services - investors and key stakeholders value robust risk management supporting the day to day needs of the company and the fund*

- The function demonstrates ongoing effective risk management, focusing on investment and operational aspects of risk management

## *Client reporting - Investors value timely, high quality, clear and insightful reporting*

- As a boutique we provide comprehensive reporting, with both regular standardised and ad hoc tailored outputs

## c. Classes of units

The various sub-funds of the Lumyna Funds SICAV offer different share classes which have different charges. One of the main differences is Retail share class pricing compared to Institutional share class pricing. Whilst both can provide access to the same sub-fund, they have different pricing due to the cost of sub-distribution networks that are charged to such Retail classes and paid to sub-distributors. In addition, there are other types of share class such as the Institutional 'early bird' share class which provides more favourable terms to all Institutional investors to encourage subscription in to newly launched funds. The early bird share class naturally has a time and/or capacity limit.

A transparent share class framework helps investors ensure they are invested in the appropriate share class and are not inadvertently holding a more expensive unit than others that would be available to them.

In this section of the assessment we have determined if unitholders are invested in appropriate share classes.

### Assessment summary

The assessment involved a review of every share class per fund which are available to investors. We compared each share class charge versus the range of share classes available in the fund (incl. legacy and standard share classes).

### Assessment outcome

Based on the review performed, we can conclude that the classes of units offered is satisfactory, providing investors with sufficient transparency on the fee model applied across the available share classes.

### Decisions

We will establish a regular review of all share classes to ensure unitholders are invested in appropriate share classes.

Lumyna — York Asia Event Driven UCITS Fund share class (A) has been closed as there are other similar classes available that provide better value to the investor. There were no investors in the (A) share class.

## d. Costs and charges

The fees paid by the investor should be reasonable when compared to the actual cost of the service they are receiving.

The asset management industry typically bundles services together for example 'administration services' which include various fund running costs such as administration services (depository / risk monitoring / compliance etc...) and distribution services which includes marketing and sales costs. These costs will vary depending on the scale and complexity of the product for example tax compliance and valuations.



## **Assessment summary**

Lumyna reviewed the fees paid by investors across the fund range versus the actual cost of running the individual funds.

## **Assessment outcome**

The assessment concluded that Lumyna funds operate within an acceptable 'margin' range.

We review our costs and the fees we charge to investors on a regular basis to ensure that we provide value for money. Lumyna adopt a rigorous cost discipline approach which underpins all our activities. We operate an effective procurement framework for all new and renewed service providers to ensure the service provided is good value for money. It is this balance of policing costs vs the quality of the service provided which is vital to achieving value for the investor.

## **Decision**

None at this time

## **e. Comparable services**

Certain fund products are more expensive to operate than others, for example an event driven fund is more complex and typically cost more to run compared to an index tracker fund. The difference in charges should be fair in relation to the cost of investing in those products. The assessment aim is to understand whether the range of pricing is reasonable and comparable for investors versus similar funds with the same investment objective.

## **Assessment summary**

The assessment considered all fund investment objectives and the available share class ongoing charges figure (OCF). The (OCF) is the easiest costing figure to compare between funds as it is listed on all funds' Key Investor Information Documents (KIIDs) and allows the investor to compare between different funds.

## **Assessment outcome**

We have reviewed Lumyna funds fee rates for each investment strategy, comparing OCFs (based on leading institutional share classes) across each strategy. The assessment confirmed the fund OCFs are comparable within each investment strategy (i.e. Event Driven). Whilst the pricing is comparable, Lumyna will not be complacent on this and will continue to monitor pricing at the strategy level to ensure pricing continues to be appropriate and comparable to similar products.

## **Decisions**

None at this time

## **f. Comparable market rates**

Do the charges I pay provide value compared with similar funds on the market?

It is important to consider the cost of the fund in the context of similar funds on the market. Again, the OCF is the easiest costing figure to reasonably compare between funds as it is listed on all funds' KIIDs and allows the investor to compare between different funds (with similar investment objectives).

### **Assessment summary**

We have reviewed Lumyna Funds (based on the leading institutional share class) against a list of peer funds providing similar investment objectives. The assessment established an OCF fee 'range' (minimum and maximum charges) and the average charge for each investment strategy.

### **Assessment outcome**

The assessment showed the Lumyna Funds OCFs are all within the peer range with the vast majority in and around the mid-point of the peer OCFs. Whilst the assessment findings highlighted two of the funds to be at the higher end of the peer OCF range, we believe that this is reasonable when considering the complexity of the funds and their differences to many of their matched peers and also taking into account the running cost of the funds.

### **Decisions**

None at this time

## **g. Economies of scale**

Has Lumyna achieved economies of scale and have these been passed on to investors?

As the business grows, Lumyna expects to be able to negotiate good deals with providers of services, such as investor servicing and fund administration and to spread the cost across more investors.

### **Assessment summary**

The assessment considered a number of key areas to determine whether economies of scale are or can be passed back to investors.

### **Assessment outcome**

Lumyna Funds is a single umbrella SICAV fund operating under the Luxembourg 'UCITS' rules. Each of the funds considered in this assessment are set up as a sub-fund or compartment of this umbrella SICAV. The umbrella fund structure enables the company to achieve economies of scale, especially when providing administration services and other services through a single provider. For example, the umbrella fund requires one board of directors, one central administrator, one external audit firm etc....

Going forward, Lumyna, as a boutique asset management company, is looking to grow in terms of product range and AuM over the next few years. As this ambition is realised, we hope there will be further opportunities to achieve additional economies of scale

## Decisions

None at this time

