



COURTIERS

ASSET MANAGEMENT LIMITED



Investment Process

Courtiers Multi-Asset Funds

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Overview

Launched:
01/03/2007

The objective of the Courtiers Total Return Fund range, collectively known as the Multi-Asset Funds is to provide risk adjusted returns for investors.

The funds are primarily focused on producing long-term growth. There are three funds with different risk profiles to appeal to investors of varying risk appetites. Each fund is managed using the same investment process with the equity exposure and risk assumed being the main differences between them.



- May invest up to 60% in equities.
- Defined as 'Below-Average' risk.
- Will always invest in more than 35% in equities.



- May invest up to 85% in equities.
- Defined as 'Average' risk.
- Will always invest in more than 60% in equities.



- Has a flexible mandate with regard to its exposure to equities
- Defined as 'Above-Average' risk
- Typically invests in more than 85% in equities

The differing risk mandates will lead to slightly different portfolio positioning and investment selection. The Courtiers definition of the risk profiles noted above can be found in the appendix. The funds were all launched on the 1 March 2007. Gary Reynolds, CFA, is lead fund manager and has managed the funds since inception. James Timpson, CFA, is co-manager and was appointed in August 2021.

Investment Team

The people committed and responsible for managing Courtiers Funds which involves asset allocation, investment analysis, investment decisions, trading, rebalancing, risk management and managing liquidity.



Gary Reynolds CFA
Chief Investment Officer



Jacob Reynolds CFA
Head of Asset Management



James Timpson CFA
Fund Manager, Multi-Asset Funds



Nigel Breakell
Fund Manager



Matthew Parker CFA
Senior Analyst



Sam Keen
Investment Analyst



Charlotte Brockington
Trainee Analyst

Fund Objectives



The funds all seek to achieve a total return comprised of income and capital growth, over 5 years. The objectives of each fund are detailed fully in the prospectus.

All three funds are managed with due regard to risk. The Sharpe ratio (excess return per unit of risk) is closely monitored and each fund looks to deliver above-average risk adjusted returns versus its respective Investment Association (IA) peer group over the longer term (5 years and longer).

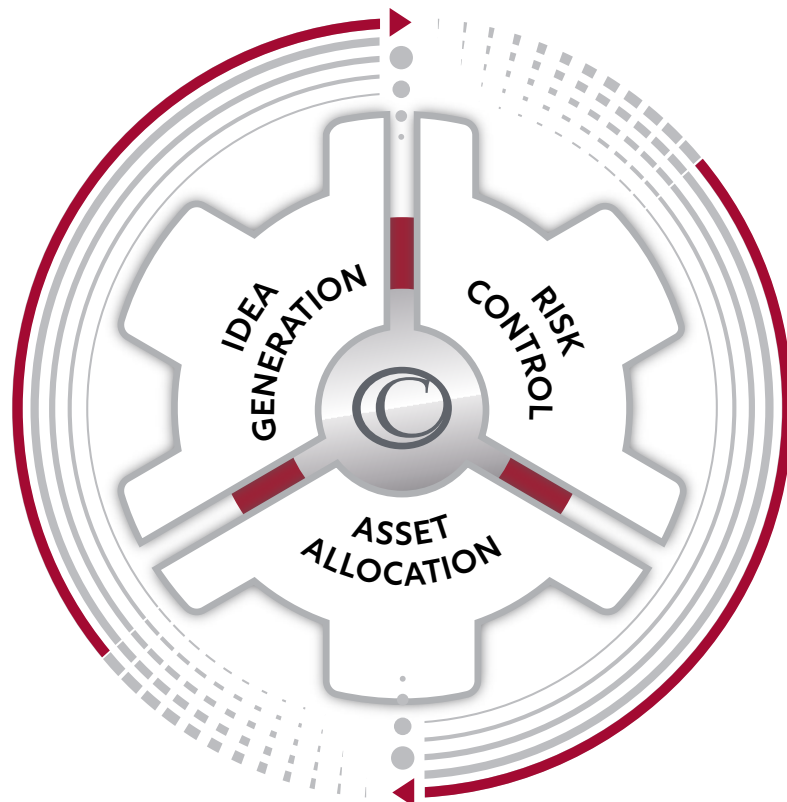
The funds do not have a specific benchmark but the relevant IA sector can be considered a peer group for performance comparison purposes.

Fund Name	IA Sector
Courtiers Total Return Cautious Risk Fund	Mixed Asset: Mixed Investment 20-60% Shares
Courtiers Total Return Balanced Risk Fund	Mixed Asset: Mixed Investment 40-85% Shares
Courtiers Total Return Growth Fund	Mixed Asset: Flexible Investment

Fund Construction

There is a team-based approach to the fund construction as well as the investment decision-making process. All team members have analyst responsibilities.

The approach focuses on three core elements:



⚙️ Idea Generation

All ideas considered for the funds will align with the relevant fund objective and associated risk profile. Idea generation for the funds is a multifaceted process and will be dependent on the type of asset being reviewed.

The core elements of idea generation are shown below.

⚙️ Macroeconomic Factors

- Consideration of fundamental ratios across all major global markets to assist with core equity index allocation decisions.
- Internal macroeconomic analysis alongside specialist third-party research providers will be used where appropriate.

⚙️ QESM

- Courtiers' proprietary Quantitative Equity Selection Model (QESM) will be utilized to provide an initial shortlist for direct equities. This will screen the starting universe for companies with value characteristics such as robust earnings, strong cash flow and dividend yield. The QESM also determines quality factors by analysing interest coverage, earnings volatility and profitability. A qualitative analyst review then verifies the QESM data output in conjunction with recent news flows, corporate governance, financial strength and liquidity.
- A full overview of the QESM can be found in the Investment Process for the Courtiers Equity Funds.

⚙️ Modelling

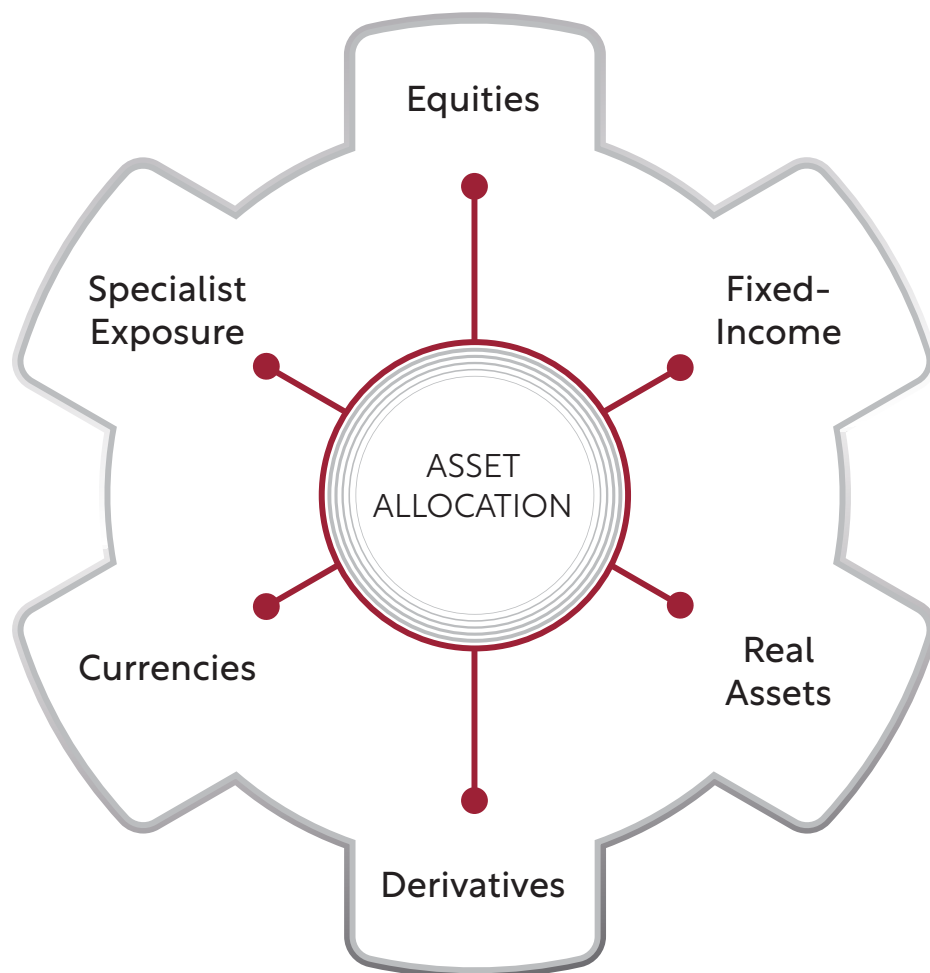
- Both Stochastic and Computational modelling is used for idea generation.

⚙️ Asset Quality

- The quality of all potential assets will be assessed. This is inclusive of balance sheet reviews, leverage and solvency.

Asset Allocation

The funds aim to achieve their objectives by investing in a range of asset classes:



The asset classes shown are not exhaustive. There is a consistent value approach across all asset classes. There are no specific targets or limits with respect to asset classes (other than the equity limits noted) nor sectors or geographies. The funds are subject to the regulatory limits applicable.

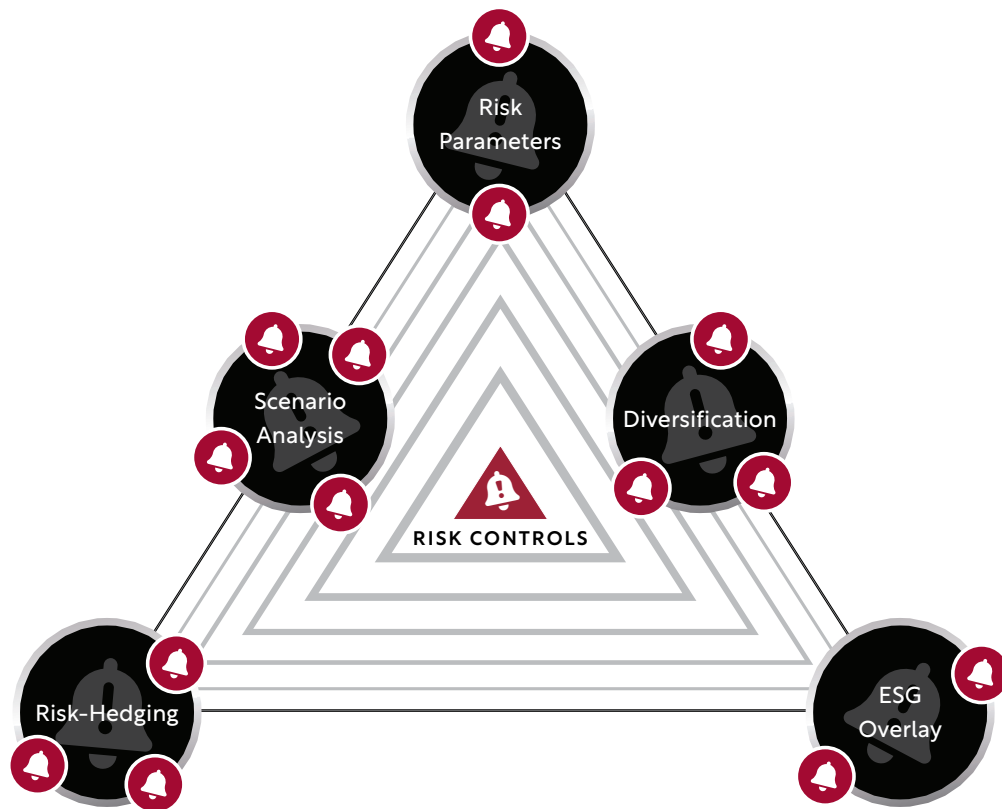
Specialist Exposure in the form of third party managed assets are typically used when the team cannot access a particular market directly. This may be due to general lack of access or size constraints. This also includes, but is not limited to, sectors such as infrastructure or real estate. The rationale for the selection of any third party investment is formally documented and reviewed.

Qualitative screens are used for collectives and, where these are used, the team meet with management at least once per annum.

Listed index derivatives are used for accessing asset returns efficiently as well as hedging. Where market volatility is attractively low, options may be used for protection or for taking long positions in equity markets. Futures contracts are also used to easily implement long or short positions in global equity indices.

Risk Controls

All of the funds have applicable risk parameters which are continually monitored.



Please refer to the appendix for a full overview of the areas detailed above. The risk controls applied to the funds will look to evolve where necessary.

Monitoring

The Investment Team meets formally on a monthly basis to review the funds. Weekly meetings with regard to the equity positions within the funds are also held.

Ad-hoc and informal meetings are also carried out where deemed appropriate.

The direct equity monitoring process applicable to the Courtiers Equity Funds is also applicable to the direct equity holdings of the Multi-Asset Funds.



Charges



Multi-asset funds can be subject to higher charges than single asset class funds, as the fees of any underlying fund managers have to be included in addition to the fees of the multi-asset fund itself.

Fund performance is always quoted net of the ongoing charges.
The latest charges are detailed on the Key Investor Information Document and on the most recent fund factsheet.

Performance



Returns to the most recent month end are available on the most recent fund factsheet.

The factsheets for each of the funds can be found on the Courtiers website.

Appendix

Courtiers Risk Profile Definitions

‘Above-Average’ Risk

This suggests that an investor recognises that taking risks can be to their long-term advantage and they are comfortable with the ups and downs of stocks and shares. They understand that this strategy can result in large fluctuations in the value of their capital, but are willing to accept this risk to achieve their goals. They have probably invested in the stock market previously and are prepared to consider more aggressive sectors, such as emerging markets and smaller companies. They will keep cash for emergencies and immediate expenditure in safer investments, such as deposits and National Savings, but this is purely for immediate liquidity.

Investor traits: Risk taker, experienced investor, thinks long-term, confident, not phased by losses.

‘Average’ Risk

This suggests an investor keeps money for capital expenditure, and emergencies, in deposit accounts and National Savings. They will, however, be prepared to accept risks with their longer-term savings (over 5 years) and will expose these savings to broadly diversified portfolios that reflect movements in the major markets for stocks and shares. They accept that there are risks with this strategy and there will be fluctuations in their capital value in the short term but they are willing to accept a reasonable amount of fluctuation in the capital value of their investments in order to achieve their goals and objectives.

Investor traits: Considered, some experience, takes measured risks, thinks long-term.

‘Below-Average’ Risk

This suggests an investor keeps money for capital expenditure, and emergencies, in cash deposits and National Savings. They will, however, take risks with their medium to longer-term assets (over 5 years) in an attempt to generate higher returns than inflation. Longer-term capital will be broadly diversified over a range of assets where the values may fluctuate, but this will be limited. They recognise that the risk of placing their money in cash deposits is that inflation can erode the value of capital.

Investor traits: Wary, takes some long-term risks.

Risk Controls

This list below is not exhaustive. Additional risk controls may be considered and used for reviewing the funds.

Diversification

- Geographical Diversification; ensures the portfolio covers multiple geographical locations to ensure country specific risk is mitigated.
- Sector Diversification; ensures the portfolio covers multiple sectors to ensure sector specific risk is mitigated.
- Factor Exposure; evaluates quantitative metrics such as Price-to-Earnings and Price-to-Cash Flow to assess the fund against relative indices.

ESG Overlay

- ESG Factors; the consideration of Environmental, Social and Governance (ESG) factors of the overall fund and individual securities. ESG factors are reviewed in conjunction with an independent third-party provider. Please refer to the 'ESG Factors in Courtiers Funds' document for further information.
- Proxy Voting; the Investment Team endeavours to exercise all proxy votes where appropriate.

Risk Hedging

- Downside Protection; measures put in place to prevent the potential loss from a portfolio resulting from market conditions and/or decline in a securities' price.
- Derivative Overlay; a financial instrument where the value is determined by the underlying asset. These can be used as defensive measures to protect investment positions.

Risk Parameters

- Beta Limits; Beta is a measure of the volatility of a security, or a portfolio, compared to the market as a whole. Each fund has a theoretical beta ceiling derived from assumed equity and bond market betas. The beta limits for each fund are detailed on the following page.
- Delta-Adjusted Equity Exposure; sensitivity of a portfolio to changes in prices of the underlying securities.

Scenario Analysis

- Stress Testing; assesses the potential impacts of events on a portfolio as well as their financial impact.
- Mean-Variance Analysis; weighting investment risk against an expected return.

- Liquidity Assessment; assessing how long it would take to liquidate the portfolio, transforming the positions into cash.
- Investment Strategy Risk-Return Analysis (ISRRA); provides an expected return of a portfolio and/or fund for a given level of risk.

Beta Limits

Courtiers uses beta as a proxy for equity and bond market risk.

Beta is a measure of the volatility of a security, or a portfolio, compared to the market as a whole. Courtiers assumes that the market has a beta of 1.0 and assesses the beta of portfolios against this. The beta of the equity market, measured by the MSCI World TR LC index, is assumed to be 1.0. The beta of the fixed interest element of the risk limit, measured by the Markit iBoxx Sterling Non Gilts Overall TR index, is assumed to be 0.5.

Based on the abovementioned assumed betas, Courtiers derives risk limits for the funds. Each fund has a beta ceiling (limit) applied. All funds must be maintained within their maximum equity content as well as their applicable beta ceiling.

Courtiers calculates the betas of the funds using the standard deviation of the returns of the current holdings over 36 months divided by the 36-month standard deviation of the MSCI World TR LC index (representing the equity market). The standard deviation calculation considers the correlation of the returns of the assets held and ensures that the diversification impacts of the holdings are also taken into account.

The risk constraints applied to the funds are shown on the following page.

Risk constraints applied to the funds

Fund Name	Minimum Equity Exposure	Maximum Equity Exposure	Beta Ceiling	Beta Ceiling Theoretically Derived From
Courtiers Total Return Cautious Risk Fund	35%	60%	0.75	50% of equity market beta + 50% of bond market beta
Courtiers Total Return Balanced Risk Fund	60%	85%	0.925	85% of equity market beta + 15% of bond market beta
Courtiers Total Return Growth Fund	80%	No Limit	1.25	125% of equity market beta

A warning system is in place to ensure that all of the funds remain below the appropriate risk limits. In the event that the risk level is breached this is immediately corrected.

There is also a warning system in place for when the portfolio beta reaches within 5% of the limit. This requires a formal explanatory report to Courtiers' Investment Risk and Oversight Committee. The warning system also flags when too little risk is taken, requiring another formal report.

Important Information

The value of your investments and any income you take from them may fall as well as rise and is not guaranteed. You might get back less than you invest. Please remember that past performance is not a reliable indicator of future returns. The investments are intended as long-term investments. Further details of the risks associated with investing in Courtiers Funds can be found in the Key Investor Information Document or Prospectus, copies of which are available on request or at www.courtiers.co.uk.

Disclaimer

This communication is for information purposes only; it should not be relied upon in making an investment. The views expressed by individuals and the business are based on market conditions at the date of issue and subject to change without notice. Reference to any investment does not constitute advice or a recommendation to buy or sell securities. Should you need advice or if you are interested in any of Courtiers Asset Management Limited's range of funds please seek advice from a financial adviser.

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