

## Courtiers Investment Funds ICVC

Courtiers Total Return Cautious Risk Fund

Courtiers Total Return Balanced Risk Fund

Courtiers Total Return Growth Fund

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## Courtiers UCITS Investment Funds ICVC

Courtiers Global ex-UK Equity Income Fund

Courtiers Investment Grade Bond Fund

Courtiers UK Equity Income Fund

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## Assessment of Value Requirement

Courtiers Asset Management Limited (CAML) and the funds managed are regulated and authorised by the Financial Conduct Authority (FCA). The FCA requires CAML to assess the value of our funds. When assessing value it is much more than just looking at the fees that are charged and the performance that is generated for each fund in isolation. When making an assessment of value we have identified a number of criteria that should be taken into account.

It is the responsibility of the Board of Directors of CAML to consider the outcome of these assessments to ensure they are clear and fair, and that we communicate to investors if we have delivered value or not and where, if necessary, we need to improve.

## The Assessment Criteria

The criteria have been split into two categories:

Assessment criteria that cover the entire range of funds managed:

1. Quality of Service
2. Improvements to the business

Assessment criteria which are fund specific:

3. Performance
4. Costs charged to the funds
5. Share classes
6. Economies of scale
7. Overall assessment of value

## 1. Quality of Service

There are a number of different areas that were considered in our assessment of quality of service.

- **Fund Manager Competency and Continued Professional Development.** Although not an FCA requirement all investment team members are obliged to undertake training and complete the Chartered Financial Analyst (CFA) program which is a professional credential offered internationally by the CFA Institute. It takes on average 4 years of training, examinations and other professional requirements to become a CFA Charterholder. To maintain Charterholder status members need to submit a Professional Conduct Statement annually. This forms part of the Continued Professional Development (CPD) that is used in the annual appraisal and competency process. The FCA requires employees in certified positions to undertake a minimum of 35 hours of CPD per year, in 2019 the average for the Courtiers' investment team was over 42 hours each. Team members are also encouraged to take further professional training and qualification programs such as the Certificate of Quantitative Finance and the Chartered Institute for Securities and Investment. Qualified employees within the investment team have been at Courtiers for an average of 17 years each providing a high level of stability. During 2020 the Head of Asset and Fund Management was awarded the Certificate in Environmental, Social and Governance (ESG) Investing from CFQ UK. The investment team was stable during 2020 with no turnover amongst the 6 team members. Employees in relevant non-investment roles such as in an operational and oversight capacity are also encouraged to seek relevant qualifications such as the Investment Operations Certificate or the Investment Management Certificate and to join the Chartered Institute for Securities and Investments. The average CPD for relevant operational and oversight employees was over 25 hours.
- **Investment Process.** CAML has utilised the same research and investment process of a long period of time which has proved to be robust and thoroughly tried and tested. This coupled with the length of time it has been utilised by current members of the investment team with their knowledge and expertise adds significant value to our clients' investments.
- **CFA Institute Asset Management Code.** During 2020 CAML formally adopted the CFA Institute's Asset Management Code which sets a baseline of ethical and professional standards that assets managers adopt and enforce. Although CAML was already exceeding the requirements by formally adopting this code the requirements have been indoctrinated in all policies and procedures and provides added comfort to clients regarding investment, operations and oversight.
- **All areas of the Investment process are formally monitored by the Investment Risk Oversight Committee (IROC)** which is made up of internal employees independent of the current investment team and who have significant experience in the asset management industry. This ensures the individual funds are monitored closely and exposed to appropriate levels of risk.
- **Independent Oversight Review.** As depositary of the funds, Citibank Europe plc has a duty, authorised by the FCA, to take reasonable care in ensuring that the funds are managed in accordance with their obligations which include the following: Ensuring that CAML complies with the requirements contained within the relevant scheme documentation, UCITS V, AIFMD and other applicable laws and regulations. To ensure that procedures and controls in place are adequate, effective and followed. The depositary must then highlight any areas of non-compliance or control weaknesses and issue a report with an overall RAG Rating. In the most recent review CAML received a Green rating indicating that sufficient systems and controls are in place covering all our obligations and the range of funds offered are not exposed to any major risk.
- **Complaints.** CAML has a rigorous complaints handling process but in the last 12 months did not have to utilise it as no complaints were received.

- Trading. We review annually the transaction costs associated with our funds and these figures indicate how efficiently we trade on our investors behalf. There were no concerns with the level or cost of trading in 2020.

The Board has concluded that CAML offers a good quality of service.

## **2. Improvements to the Business**

At CAML we are constantly striving to improve our business and therefore the service we offer. The aim of such projects is to ultimately create a direct positive impact on investors through lower costs or an indirect impact through greater operating efficiency in the business and therefore lower potential risks. During 2020 significant investment was made in video and audio communications and hardware for remote working by employees. The firms Business Continuity Plan (BCP) is also constantly being reviewed and improved to cater for unseen circumstances.

During a very difficult lockdown period CAML was able to offer a virtually unaffected service to clients and unit holders in the funds which reflected the previous investment in operational activities, communications and BCP of the firm.

The Board concluded that the significant resources invested in the business has had and will continue to have a positive impact on investors in the funds.

## **3. Performance**

Each fund has a specific objective and we monitor each fund's performance against its objective and whether it has been run within its mandate. The objective of the fund is important because it shows how a fund aims to perform and we assess the performance relative to the objective. All our funds are designed to be held for a minimum holding period of at least 5 years and hence the objectives are set over this period. This also means that the funds may perform very differently to their objective over the short term in terms of both performance and volatility.

It should be noted that sometimes a fund will underperform its objective even though it is investing in line with its investment policy (such as the financial instruments it is allowed to invest in) and its investment process (how the investments are selected). This can be because of a general market downturn that affects all the assets a fund manager might invest in. Underperformance could also happen because the type of assets a fund invests in or its 'style' of investing is out of favour. These funds could still offer value for money as they may perform much better when the market it invests in or its investment style becomes in favour once again.

### **3a. Courtiers Non-UCITS Retail Schemes (NURS)**

The three NURS funds are risk managed and are not benchmarked. Each fund had a different risk profile as detailed in the prospectus and are designed to act as standalone portfolios for investors dependent on their risk profile as identified by a qualified financial adviser. Each fund has been assigned to a specific risk universe with the aim of outperforming the average fund in that universe while achieving such returns with a below average level of risk for that universe.

### Courtiers Total Return Cautious Risk Fund

Objective: This fund seeks to achieve a total return comprised of income and capital growth over 5 years with the performance comparator being the Investment Association Mixed Investment 20%-60% shares sector. We aim to deliver this return with a lower level of volatility than the comparative universe.

	Return (%)	Percentile	Quartile	Standard Deviation	Sharpe Ratio	Quartile
<b>Courtiers Total Return Cautious Risk Fund</b>	<b>30.8</b>	<b>51</b>	<b>3</b>	<b>7.3</b>	<b>0.70</b>	<b>2</b>
IA Mixed Investment 20-60% Shares sector average	30.4			8.3	0.58	

*Source: Morningstar, 5 year figures to 31.12.2020. Based on total return, income reinvested, returns are net of charges, single pricing basis in UK pound sterling. Past performance is not a reliable indicator of future returns.*

The fund has outperformed the sector average over 5 years with a much lower level of volatility as measured by standard deviation. The standard deviation was lower than the sector average while the Sharpe Ratio was in the second quartile over 5 years. We have concluded that the fund has consistently met its performance objective of delivering low risk returns relative to its universe.

### Courtiers Total Return Balanced Risk Fund

Objective: This fund seeks to achieve a total return comprised of income and capital growth over 5 years with the performance comparator being the Investment Association Mixed Investment 40%-85% shares sector. We aim to deliver this return with a lower level of volatility than the comparative universe.

	Return (%)	Percentile	Quartile	Standard Deviation	Sharpe Ratio	Quartile
<b>Courtiers Total Return Balanced Risk Fund</b>	<b>49.0</b>	<b>33</b>	<b>2</b>	<b>10.2</b>	<b>0.78</b>	<b>2</b>
IA Mixed Investment 40-85% Shares sector average	43.9			10.3	0.71	

*Source: Morningstar, 5 year figures to 31.12.2020. Based on total return, income reinvested, returns are net of charges, single pricing basis in UK pound sterling. Past performance is not a reliable indicator of future returns.*

The fund has outperformed the sector average over 5 years with a lower level of volatility as measured by standard deviation. The Sharpe Ratio were in the first second quartile over 5 years. We have concluded that the fund has consistently met its performance objective of delivering low risk returns relative to its universe.

### Courtiers Total Return Growth Fund

Objective: This fund seeks to achieve a total return comprised of income and capital growth over 5 years with the performance comparator being the Investment Association Flexible Investment sector. We aim to deliver this return with a lower level of volatility than the comparative universe though with a higher level than the other two Courtiers NURS funds.

	Return (%)	Percentile	Quartile	Standard Deviation	Sharpe Ratio	Quartile
<b>Courtiers Total Return Growth Fund</b>	<b>66.1</b>	<b>17</b>	<b>1</b>	<b>13.1</b>	<b>0.80</b>	<b>2</b>
IA Flexible Investment sector average	49.9			11.3	0.71	

Source: Morningstar, 5 year figures to 31.12.2020. Based on total return, income reinvested, returns are net of charges, single pricing basis in UK pound sterling. Past performance is not a reliable indicator of future returns.

The fund significantly outperformed the sector average over 5 years but with a higher level of volatility as measured by standard deviation. The Sharpe Ratio was in the second quartile over 5 years. We have concluded that the fund consistently beat its performance objective.

### 3b. Courtiers UCITS funds

The three Courtiers UCITS funds are managed against a specific asset class universe. The funds are designed to be held together in a portfolio of funds rather than individually and investors should take the advice of a qualified financial adviser. The investment process for the equity funds includes quantitative screening analysis which identifies investments on a value basis, the asset allocation is therefore biased away from growth stock towards deep value stocks which can perform very differently hence the actual returns and their volatility can at times diverge significantly from the sector average. The investment philosophy of the investment team is that over the long term value stocks should outperform growth stocks and overall sector averages but the volatility will be higher than for the NURS funds above.

#### Courtiers UK Equity Income Fund

Objective: This fund seeks to achieve income and capital growth from a portfolio of UK company shares over 5 years with the performance comparator being the Investment Association UK Equity Income sector. The investment process includes quantitative screening analysis which identifies investments with a value bias.

	Return (%)	Percentile	Quartile	Standard Deviation	Sharpe Ratio	Quartile
<b>Courtiers UK Equity Income Fund</b>	<b>41.8</b>	<b>1</b>	<b>1</b>	<b>21.7</b>	<b>0.40</b>	<b>1</b>
IA UK Equity Income sector average	16.1			16.0	0.22	

Source: Morningstar, 5 year figures to 31.12.2020. Based on total return, income reinvested, returns are net of charges, single pricing basis in UK pound sterling. Past performance is not a reliable indicator of future returns.

The fund significantly outperformed the sector average over 5 years and was the number one performing fund in its universe though the level of volatility as measured by standard deviation was higher than the peer group average as would be expected given the investment profile of the fund and the diverging patterns of performance for value and growth stocks over the course of the last 5 years. Despite higher volatility the strong performance led to a Sharpe Ratio in the first quartile over 5 years. We have concluded that the fund consistently beat its objective.

### Courtiers Global ex-UK Equity Income Fund

Objective: This fund seeks to achieve income and capital growth from a portfolio of global company shares over 5 years with the performance comparator being the Investment Association Global Equity Income sector. Although the Courtiers fund does not invest in UK company shares as part of its global portfolio, funds in the comparative sector can have up to 20% of their portfolio invested in such companies, this can have a negative or positive impact on the relative returns depending upon the relative performance of the UK stock market and will therefore also likely lead to increased relative volatility. The investment process includes quantitative screening analysis which identifies investments with a value bias.

	Return (%)	Percentile	Quartile	Standard Deviation	Sharpe Ratio	Quartile
<b>Courtiers Global ex-UK Equity Income Fund</b>	<b>61.3</b>	<b>43</b>	<b>2</b>	<b>13.8</b>	<b>0.72</b>	<b>2</b>
IA Global Equity Income sector average	57.3			13.6	0.72	

*Source: Morningstar, 5 year figures to 31.12.2020. Based on total return, income reinvested, returns are net of charges, single pricing basis in UK pound sterling. Past performance is not a reliable indicator of future returns.*

The fund outperformed the sector average over 5 years though this was achieved with a slightly higher level of volatility as measured by standard deviation. The Sharpe Ratio was in the second quartile over 5 years though was in line with the sector average. As mentioned above the investment process leads to a strong value tilt within the portfolio. Over the last couple of years value stocks have significantly underperformed within the global universe and the value bias in the process contributes to the portfolio becoming even more value orientated as that category of stock underperforms. Historical evidence shows that over time value stocks will perform well and we expect this trend to reverse in the future. We have concluded that the fund consistently met its performance objective.

### Courtiers Global Investment Grade Bond Fund

Objective: This fund seeks to achieve income and capital growth from a portfolio of investment grade fixed income securities over 5 years with the performance comparator being the Investment Association Global Bonds sector. We aim to deliver this return with a lower level of volatility than the comparative universe.

	Return (%)	Percentile	Quartile	Standard Deviation	Sharpe Ratio	Quartile
<b>Courtiers Global Investment Grade Bond Fund</b>	<b>6.5</b>	<b>92</b>	<b>4</b>	<b>3.7</b>	<b>0.21</b>	<b>4</b>
IA Global Bonds sector average	25.2			5.9	0.68	

*Source: Morningstar, 5 year figures to 31.12.2020. Based on total return, income reinvested, returns are net of charges, single pricing basis in UK pound sterling. Past performance is not a reliable indicator of future returns.*

The fund has underperformed the sector average over 5 years however with a lower level of volatility as measured by standard deviation. The investment process has led to the fund being run with a very short duration within the portfolio, short duration bonds have underperformed longer duration instruments which has led to the underperformance of the fund versus its peer group which have been invested more in longer

duration bonds which under the current market conditions also carry a higher level of risk. Although the fund has underperformed we have concluded that it has been managed consistently relative to its investment process and has performed as expected when held in a combined portfolio with the other two Courtiers UCITS equity funds.

#### 4. Costs charged to the fund

When looking at costs it is important that these are not taken in isolation but must be reviewed alongside the fund's performance, the type and complexity of assets in the portfolio and the quality of service that is provided by CAML. It should not be considered that value simply means selling our funds at the cheapest price.

The total cost figures that we show are known as the fund's ongoing charges figure (OCF) which is made up of several different types of charges. The main constituent is the annual management charge (AMC) which is a set percentage of the fund's total assets that CAML charges for managing the fund. In addition there are other costs which include services used to run the funds, such as custodian, depositary, auditor and research fees as well as the management fee charged by other funds that our funds invest in.

	2019	2018	2017	2016
Courtiers Total Return Cautious Risk Fund	1.75%	1.71%	1.79%	1.86%
Courtiers Total Return Balanced Risk Fund	1.73%	1.69%	1.71%	1.83%
Courtiers Total Return Growth Fund	1.74%	1.72%	1.77%	1.85%

*Figures are for the 12 month period to 30<sup>th</sup> September each year.*

	Share class	2019	2018	2017	2016
Courtiers Global ex-UK Equity Income Fund	I Accumulation	0.75%	0.75%	0.75%	0.75%
	R Accumulation	1.50%	1.50%	1.50%	1.50%
Courtiers UK Equity Income Fund	I Accumulation	0.75%	0.75%	0.75%	0.75%
	I Income	0.75%	0.75%	0.75%	0.75%
	R Accumulation	1.50%	1.50%	1.50%	1.50%
Courtiers Investment Grade Bond Fund	I Accumulation	0.75%	0.75%	0.75%	0.75%
	R Accumulation	1.00%	1.00%	1.00%	1.00%

*Figures are for the 12 month period to 30<sup>th</sup> September each year.*

For the Courtiers UCITS Funds ICVC CAML only charges an AMC. All other charges that might reasonably be expected to be paid by the fund are met by CAML directly to the benefit of investors in these funds.

We feel all the funds' costs represent good value.

#### 5. Share Classes

In some funds we offer investors the choice of different share classes which have different costs depending on the size of your investment. The larger the investment the lower the charge of managing that investment which is the equivalent of buying products in bulk.

For the Courtiers Total Return funds there is only one share class available to all investors. The minimum investment is £1,000.

For the Courtiers UCITS Investment Funds plc we offer both a retail and institutional share class:

	Share class	Minimum Investment	AMC
Courtiers Global ex-UK Equity Income Fund	I Class	£5,000,000	0.75%
	R Class	£1,000	1.50%
Courtiers UK Equity Income Fund	I Class	£5,000,000	0.75%
	R Class	£1,000	1.50%
Courtiers Investment Grade Bond Fund	I Class	£5,000,000	0.75%
	R Class	£1,000	1.00%

We conclude that the differing AMCs fairly reflect the different magnitude of investments and are appropriate.

## 6. Economies of Scale

As funds grow they will proportionally pay less for fixed costs related to the running of the fund, therefore as funds grow in size they should benefit from economies of scale. While some of the costs charged to the fund are based on a percentage of the size of the fund others are a fixed fee. We believe that as the size of the assets under management increase Courtiers will be able to pass some of the benefit of this to investors through a lower OCF. As in section 4 it is possible to conclude that economies of scale are being passed on to investors.

## Overall Assessment of Value

Taking into account all previous points the Board of Directors of Courtiers Asset Management Limited has concluded that all funds managed offer overall good value for money. The Board will continue to monitor all the funds to ensure this value is maintained.