



# Cantab ESG Managed Portfolio Service

# Portfolio Overview

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## What portfolios are available and what are they called?

The Cantab ESG Managed Portfolio range includes:

- Cantab 'Defensive' ESG Portfolio
- Cantab 'Cautious' ESG Portfolio
- Cantab 'Moderate' ESG Portfolio
- Cantab 'Balanced' ESG Portfolio
- Cantab 'Adventurous' ESG Portfolio

## What risk ranking affiliations do the Cantab portfolios have?

The Cantab Portfolios are ranked and verified by Asset Risk Consultants (ARC) and Defaqto.

## What are the objectives of the portfolios?

The portfolios seek to generate superior risk-adjusted returns with a robust and disciplined investment process. The focus is on investing in active ESG-mandated funds that clearly integrate Environmental, Social and Governance (ESG) factors and holding them for the long term.

## How many funds will the portfolios contain?

The portfolios typically invest in 15 – 25 funds and are well diversified both by region and industry.

## What ESG restrictions are in place?

The portfolios will not invest in funds that do not have an active ESG mandate or those that do not clearly illustrate the integration of ESG principles into their investment decision making.

Due diligence is conducted to ensure no 'Greenwashing' and to identify whether managers follow through on the ESG restrictions they have set.

## What is the investment opportunity?

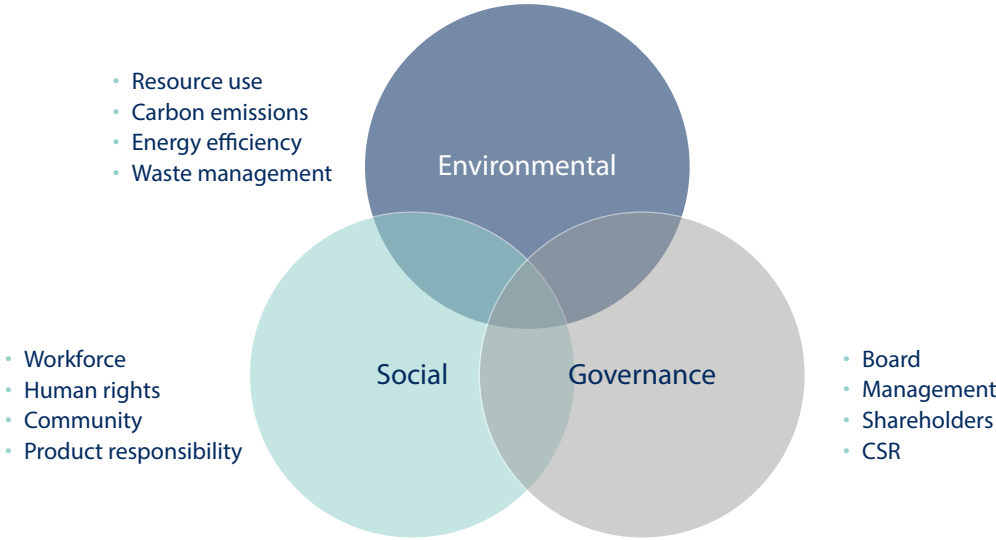
While many asset owners remain focused purely on the generation of financial returns, the growth of ESG investing is undeniable and undeniably appropriate, in our opinion. Indeed, the world is warming up to the belief that we need to invest more responsibly, in terms of how we treat the environment, but also with respect to how corporations behave from a social and governance perspective

# What is ESG?

It is easy to feel confused about ESG investing today. The media – and investment industry – are awash with differing interpretations of what is often being portrayed as a relatively new style of investing.

We see it differently. To us, ESG is merely a modern interpretation of an age-old concept that companies are not run purely for the benefit of their shareholders – there are other stakeholders to be considered.

Specifically, corporations are becoming increasingly aware of their Environmental responsibilities in terms of, for example, carbon emissions and waste management – future generations are the obvious stakeholders in this regard.



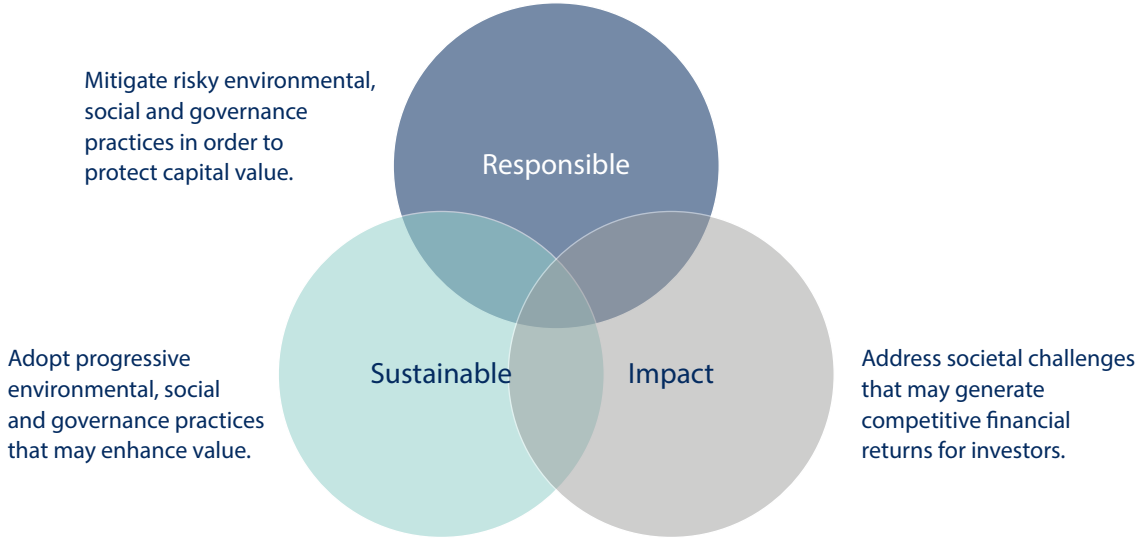
In addition, companies are coming under increasing pressure to show Social awareness in their treatment of their own workforce and the wider community. Finally, good Governance aligns the interests of boards and management teams with shareholders and other stakeholders.

## How does ESG fit into the investment process?

It is important to recognise that, while the media may focus on one specific aspect of these ESG building blocks at any point in time, as investors we need to maintain a balanced approach to all the stakeholder issues a company might face.

From an investment perspective, while the above considerations are embedded into our investment process, our overriding aim is to generate superior investment returns for our clients.

# ESG – The Investment Opportunity Set



In this context we see the investment opportunity set as a spectrum ranging from Responsible investing that is seeking to protect capital by avoiding poor ESG practices, to Sustainable investing adopting progressive practices that may enhance value, through to Impact investment addressing ESG challenges that may or may not generate financial returns.

On a risk-adjusted basis, therefore, we believe Impact investing alone may inhibit the ability to satisfy our financial goals. As such, we expect the portfolio funds to have mandates balanced across these three opportunity sets.

## Investment Framework and Process

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### What investment style will the portfolios employ?

We do not recommend wholesale adoption of any single investing style, believing a blend of styles is key to generating superior long-term, risk-adjusted returns.

### What investment framework do the portfolios follow?

The Investment Framework follows a Multi-asset approach in the construction of a diversified portfolio of daily dealing open-ended funds and investment trusts. Diversification is achieved both geographically and by asset class, which typically includes Equities, Infrastructure, Property and Fixed Interest.

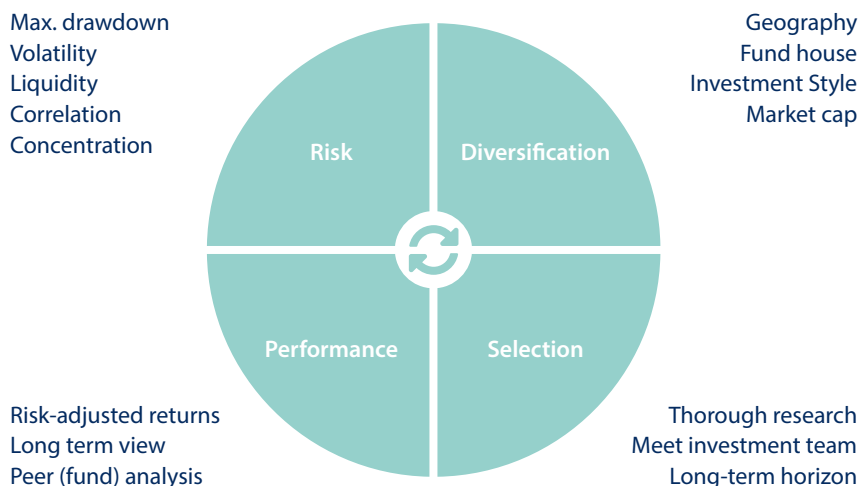
Long-term Buy and Hold	<ul style="list-style-type: none"> <li>• Decisions are made with a 5+ year horizon</li> <li>• Changes are minimised unless investment case has fundamentally changed</li> </ul>
Style agnostic	<ul style="list-style-type: none"> <li>• Recognition that different styles outperform at different stages of the cycle</li> <li>• Bottom up and top down consideration</li> </ul>
Manager consistency and track record	<ul style="list-style-type: none"> <li>• Active bias where managers have delivered consistent outperformance after fees</li> </ul>
Clear, understandable strategy	<ul style="list-style-type: none"> <li>• Investment process transparent and easy to understand</li> <li>• Informed by Cantab individual equity research</li> </ul>
Appropriate diversification	<ul style="list-style-type: none"> <li>• Equities: prefer managers who take high conviction positions in relatively concentrated portfolios</li> </ul>
Minimal tail risk	<ul style="list-style-type: none"> <li>• No investment in 'black box' structures</li> </ul>

## What is the investment process of the portfolios?

This encompasses the ESG process, the manager selection process and active monitoring. With a global fund universe of over 3,000 funds, the first step revolves around excluding funds that do not have a clear ESG mandate and conducting thorough ESG due diligence on fund managers.



This is followed by manager selection, which involves both quantitative and qualitative analysis of the fund from a risk, diversification, and performance perspective. Cantab also builds personal relationships with managers.



Using a proprietary monitoring framework, weekly research meetings and quarterly investment reviews are conducted to ensure that the underlying holdings in the portfolios continue to meet the investment case.

## What is the portfolio turnover and what limits are in place on position sizing?

We intend to hold positions for the long term, and so portfolio turnover will be low. A typical investment size for a new holding will range between 5% and 15% of the portfolio, and for risk management purposes we will not let a position grow beyond these levels. Managed portfolios are rebalanced monthly.

## About Cantab

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### History

The name and history trace back to Cambridge. Our views and experience are international. Cantab is an investment management firm with a track record of more than thirty years. We have considerable expertise and understanding of investment strategy, asset allocation, fund selection and stock analysis. Our investment committee is made up of experts from different disciplines. This depth of knowledge is made available to all clients through our investment research team.

Our investment performance speaks for itself. Cantab's Discretionary Fund Management is accessible via the VT Cantab funds, on a bespoke basis or through our Managed Portfolio Service. Cantab works to assist in achieving investment objectives.

## The Investment Team includes:



**David Saunderson** – Chief Executive

David read Engineering at Downing College, Cambridge and qualified as a Chartered Accountant with Price Waterhouse. He led Saunderson House Ltd as Chief Executive, was Senior Adviser for Liquid Capital and is now CEO of Cantab.



**Dr Jeremy Davis** – Managing Director

Jeremy read Natural Sciences at Magdalene College, Cambridge and holds a PhD in Genetics and Plant Breeding. Jeremy is a Chartered Wealth Manager and Managing Director of Cantab.



**Leah Bramwell** – Director

Leah read Economics at Newnham College, Cambridge and Economic History at Darwin College, Cambridge. She holds the Diploma in Regulated Financial Planning and is a CFA Charterholder and Chartered Wealth Manager.



**Mark Wynne-Jones** – Director

Mark studied at the London School of Economics and London Business School, is a member of the Chartered Alternative Investment Analyst (CAIA) Association and is a CFA Charterholder.



**Patrick Smyth** – Investment Manager

Patrick joined Cantab's antecedent firm in Cambridge in 2005 providing investment portfolio advice for private clients, trusts and charities. Patrick is an Associate of the Chartered Insurance Institute, a member of the CFA Society and holds the Investment Management Certificate.



**Dr Donald Stevens** – Senior Associate Director

Donald holds degrees in business and finance and joined Cantab after obtaining a PhD in Applied Behavioural Finance at St Edmund's College, Cambridge. He also holds the Investment Advice Diploma.

## Managed Portfolio Service (MPS):

Where clients prefer to have a segregated portfolio, Cantab offers the MPS. Portfolios are brought in line with Cantab models at the click of a button. We have a series of risk-rated portfolios which are used in line with the client's attitude to risk.

## Open Ended Investment Company Funds (OEIC):

Cantab have unitised the two most common portfolios for clients, the VT Cantab Moderate and VT Cantab Balanced funds. The funds are suitable for clients with an attitude to risk somewhere near the middle of the risk spectrum. These funds are also appropriate for larger clients who want to mitigate CGT liabilities in a General Investment Account. The ESG-mandated strategy is not currently available as a unitised offering.

**Risk Warnings** This document has been prepared based on our understanding of current UK law and HM Revenue and Customs practice as at 7 September 2020, both of which may be the subject of change in the future. The opinions expressed herein are those of Cantab Asset Management Ltd and should not be construed as investment advice. Cantab Asset Management Ltd is authorised and regulated by the Financial Conduct Authority. As with all equity-based and bond-based investments, the value and the income therefrom can fall as well as rise and you may not get back all the money that you invested. The value of overseas securities will be influenced by the exchange rate used to convert these to sterling. Investments in stocks and shares should therefore be viewed as a medium to long-term investment. Past performance is not a guide to the future.

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