



Attention to detail

## Due Diligence Questionnaire (1 October 2020)

### Section 1: Organisation Details

**Name** Cantab Asset Management Ltd ("Cantab").

**Address** 50 Station Road, Cambridge CB1 2JH.

**Telephone** 01223 522000

**Website** www.cantabam.com

**How long has the company been running in its current form in the UK?**

The company was founded in its current form in 2006 with its antecedent firms' roots going back over 30 years to 1984.

**What is the ownership structure of your company? (If you are owned by a parent company please give details of both the parent and UK subsidiary company separately)**

The company is owned by the staff. Cantab Asset Management is a private company, therefore, shares in the company are not traded on the open market. Cantab Asset Management is authorised and regulated by the Financial Conduct Authority (FCA Reference number 449269).

**What are the total Funds Under Management?**

At the time of writing, approximately £800m.

**Discretionary Assets Under Management (please state at what date this figure is quoted)**

£400m as at October 2020

**What percentage of your business comes from the IFA market?**

Less than 10%.

**Total Staff (as at October 2020)**

35

**Number of Investment Professionals (as at October 2020), including Analysts and Fund Managers. Please provide additional detail on how long they have been with the company and the relevant qualifications that they hold.**

30

**Members of the investment committee:**

David Saunderson – Chartered Accountant (since 2011)

Dr Jeremy Davis - Chartered Wealth Manager (since 2001)

**Cantab Asset Management Ltd**

5th Floor, 8 Angel Court, London EC2R 7HP  
020 3651 0570  
cantabam.com

50 Station Road, Cambridge CB1 2JH  
01223 52 2000  
advice@cantabam.com

Leah Bramwell – Chartered Financial Analyst (since 2016)

Patrick Smyth - Associate of the Chartered Insurance Institute (since 2005)

Mark Wynne-Jones – Chartered Financial Analyst (since 2019)

**Number of Offices/Branches which offer DIM services? (please state all office locations)**

Cambridge (50 Station Road, Cambridge CB1 2JH)

London (5th Floor, 8 Angel Court, London EC2R 7HP)

**Please provide details of Company Turnover & Profit before Tax for past three accounting years. Please provide a copy of the latest annual report and accounts.**

In literature library.

**Pillar 3 Disclosures - please provide an up to date account of your Pillar 3 Disclosures**

In literature library.

**Do you submit portfolios to ARC?**

Yes.

**What percentage of profit is solely from DIM activities?**

65%

**How are you meeting the requirements of MiFID II?**

Quarterly reporting for discretionary clients.

10% drop reporting (via platforms).

Call recording when advice is given.

LEIs obtained for specific legal entities (e.g. charities) where holding reportable instruments (e.g. ETFs).

Third party research costs paid for by Cantab – not passed on to client.

**Suitability**

**Who is responsible for the appropriateness of the DIM service for the client? i.e. Assessment of the client's overall circumstances, financial planning objectives etc. to ensure the service is appropriate for the client**

IFA

**Who is responsible for selecting the DIM? (i.e. conducts research and due diligence to recommend the DIM as an appropriate service to the client).**

IFA

**Who is responsible for assessing the client's ATR?**

IFA

**Who holds custody of the assets?**

Platforms.

**Who is responsible for ensuring the suitability of the portfolio construction? i.e. construction of the portfolio to meet the investment mandate.**

Cantab Asset Management

**Who is responsible for ensuring the suitability of the transactions in line with the portfolio mandate? i.e. ensures suitability of the transactions consistent with the investment mandate.**

Cantab Asset Management

**Who is responsible for ensuring the ongoing suitability of the portfolio? i.e. portfolio continues to meet the**

investment mandate.

Cantab Asset Management

Who is responsible for monitoring the DIM service? i.e. monitor performance of the portfolio to ensure appropriateness

IFA

### Unique Selling Point

Please provide any additional information that you think sets your services apart from others in the market.

**Performance** – Cantab model portfolios are listed in the top quartile of ARC rankings over most time periods in the last ten years.

**Service** - IFAs who partner with Cantab have appreciated being able to discuss with key influencers in the firm. Being a smaller boutique investment firm, we pride ourselves on the personal service we give IFAs. IFAs have easy access to decision makers if they want to discuss Cantab’s approach and rationale.

**Portfolios** - Cantab Asset Management’s rigorous fund research leads to high conviction positions, with a minimum position of 5%. This sets us apart from larger DFM firms, which typically select many smaller holdings. We believe that confidence in our investment decisions has allowed us to produce top performing portfolios in the long-term.

## Section 2: Model Portfolio Services

This section relates to model portfolio services via a platform.

Is the same team responsible for the bespoke service as well as model portfolios? If not, please provide additional information on the team involved?

The same investment committee as above is involved in the portfolio construction.

Please list ALL fund options available and the date of launch

Model	Date of Launch of MPS (segregated models running since 2009)	OCF*
Defensive (3)	1 January 2017 (has been run since 2009)	0.66%
Cautious (4)	1 January 2017 (has been run since 2009)	0.62%
Moderate (5)	1 January 2017 (has been run since 2009)	0.67%
Balanced (6)	1 January 2017 (has been run since 2009)	0.71%
Adventurous (7)	1 January 2017 (has been run since 2009)	0.80%

Do you offer model portfolio services direct? \*underlying funds

No.

Do you offer model portfolios services via a platform?

Yes.

On which platforms (if any) is your proposition available?

Aegon, Aviva, Novia, Standard Life, Transact.

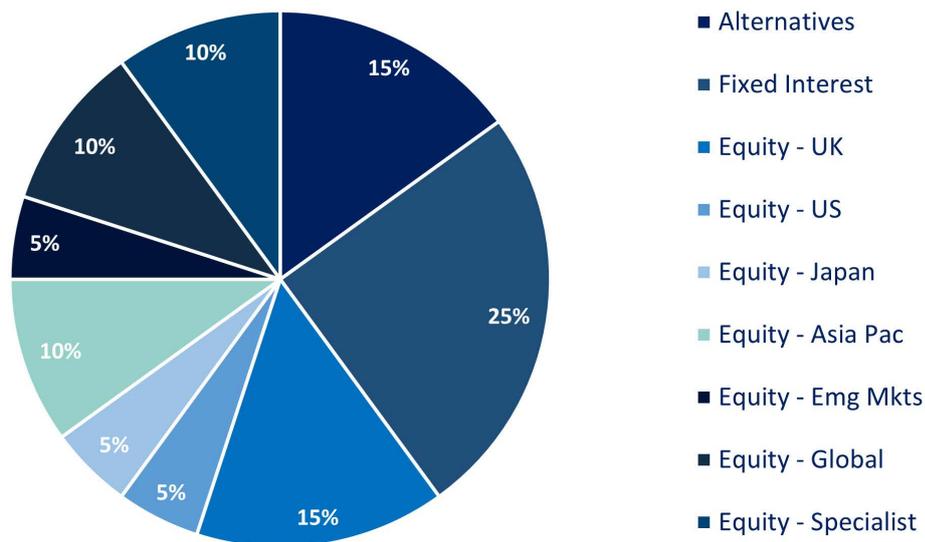
Please state the Minimum Investment Size for the Model Portfolio Services direct or via a platform?

£50k

Do you offer unitised versions of the portfolios?

Yes. The VT Cantab Moderate and Balanced funds are available on a growing number of platforms like AJ Bell, Aegon, Aviva, Canada Life, Fidelity, Hargreaves Lansdown, Novia, Old Mutual International, Pershing, Standard Life, Transact.

Further information on: [www.cantabam.com/funds/](http://www.cantabam.com/funds/)



**Fig1: Asset allocation of Cantab Risk 6 Balanced Portfolio**

## Investment Process

**How is Asset Allocation determined? If an actuarial model is used please give details of the actuaries used, or if determined by an in-house asset allocation committee, how often does this meet and who sits on the committee?**

The Cantab Investment Committee is chaired by the Chief Executive and meets quarterly to discuss the strategic asset allocation of portfolios with the Chief Investment Officer, the Investment Manager and the other Directors. Each month, an Investment Review meeting is held to discuss tactical recommendations on fund and stock selection as well as any related asset allocation issues. High level asset mix decisions and changes in strategy within asset classes are considered.

Cantab regularly reviews the success of Investment Committee decisions over different time horizons. Cantab makes asset mix decisions through considered analysis and makes only gradual changes in an attempt to avoid the behavioural biases associated with attempting to time the market.

Investment research is carried out both internally by our own analysts and externally through consultants and research firms who provide material to our investment team.

**Investment Committee – see above.**

**Are the portfolios risk based? How is risk measured and how do you ensure the risk profile is maintained?**

Cantab uses asset allocation and a fundamental approach to manage investment risk:

- A long-term view is essential. Asset allocation decisions are typically made on a quarterly basis and adjusted where appropriate in monthly reviews
- Diversification across asset classes, geographical region and investment approach can assist in the management of risk
- Large-cap and small-cap, value and growth strategies all provide risk mitigation through diversification

Standard deviation, maximum drawdowns and correlation of funds are reviewed to ensure asset allocations are appropriate for the level of risk.

**Do you provide client risk profiling? If yes, please provide details of your risk profiling process.**

The IFA does the risk profiling.

Are the portfolios risk rated by a third party? If so, please can you provide further details on the risk rating of each portfolio.

Model Name	Risk Rating Provider	Risk Rating
Defensive (3)	ARC	Balanced
Cautious (4)	ARC	Balanced
Moderate (5)	ARC	Steady Growth
Balanced (6)	ARC	Steady Growth
Adventurous (7)	ARC	Equity Risk

Which of the Following are regularly used within client portfolios?: (indicate all that apply)	
Equities:	No
OEICs:	Yes
Investment Trusts	No
SICAVs:	No
European Domiciled UCITS:	No
ETFs:	No
Structured Products:	No
Derivatives:	No
Hedge Funds	No

Where Derivatives are used within client portfolios, please describe how they are used, e.g. Currency Hedging, Non-Hedging Purposes etc.

We do not use derivatives.

What is your process for selecting funds? Do you operate a 'buy list'?

Cantab uses quantitative and qualitative approaches. Cantab conducts its own due diligence on individual stocks which allows additional insight to be gained into the way that fund managers are working. A variety of research tools is used to identify funds with good metrics. Meetings are held regularly with fund managers to understand their approaches. Cantab performs various in-depth analyses, looking not only at returns (in absolute terms), but also risk-adjusted returns, with comparison of risk metrics such as Sharpe and Sortino ratios. Comprehension of the composition of the fund is important to understand the drivers of performance, for instance, does a European fund have undue exposure to the banking sector. Emphasis is placed on managers employing clear, transparent and consistent strategies.

## Functionality

How do you deal with capacity constrained funds? Do you sell these for existing clients and replace with an alternative to maintain the efficiency of the model across all clients?

We would sell the existing funds and replace with an alternative to maintain efficiency.

If not, how do you deal with excess 'versioning' or portfolio proliferation?

N/A

Due to the investment constraints on platforms, which platforms are best suited for your model portfolio proposition i.e. which platforms hold the full range of assets/investments within your models without having to source a replacement?

Aviva, Aegon, Novia, Standard Life, Transact.

Do you report the performance of the models on each platform?

Yes.

**Do you have a maximum level of permitted drift of individual client asset allocation from model?**

No.

**How often do you rebalance?**

Monthly.

**Can you/do you edit a portfolio between rebalancing?**

Yes.

**How do you prevent an excess of contradictory trades? i.e. selling down to raise fees only to buy back in the same month with reinvested dividends or a regular subscription**

Each platform handles each MPS system differently.

**How do you draw your fees and pay adviser charges? Are these taken from the portfolio cash account or a separate client account?**

Each platform handles each MPS fees system differently – for some we leave 1-2% cash for fees, for others the platform maintains a separate cash account for fees.

**If you have enforced drawdown to meet fees, how does this maintain target asset allocation?**

Sells proportionately across assets.

## **Terms & Conditions**

**Do you adopt the underlying client as a retail client?**

No.

**Do you offer your discretionary investment management service on the basis of "Agent as Client"?**

Yes.

**Do you treat the adviser as a professional client? If so, why?**

Yes – the IFA is a qualified professional.

**Do you offer a tripartite agreement?**

Not for MPS.

**Please quote the Liability & Indemnity clause from your client agreement**

5.1 Cantab shall have no liability to the IFA for any of the services carried out by Cantab unless such loss or damage results from fraud, negligence or wilful default by Cantab.

5.2 The IFA will indemnify Cantab for any losses it incurs caused by breach of this agreement, fraud, negligence or wilful default of the IFA.

5.3 Nothing in these terms shall exclude or restrict any duty or liability which Cantab has to the IFA under the FCA Rules.

**Who would be held liable should an underlying investment later prove to be inappropriate for the portfolios?**

Cantab Asset Management is responsible for ensuring the underlying investments are appropriate for the Model Portfolio.

The IFA is responsible for ensuring the client is in the appropriate Model Portfolio.

**Please provide details of the size of your PI policy currently in place?**

Limit of Indemnity: GBP 1,800,000.00

Any one claim and in all including costs and expenses.

**Would the policy indemnify a claim to the IFA from:**

a) **Your negligence**

The Policy is designed to respond to claims made by third party clients which arise from Cantab's negligence in the delivery and provision of its professional services, subject to Policy T&Cs.

#### b) Fraud

Cover is afforded for claims made by third party clients for loss of money/property which arise out of Cantab's dishonest or fraudulent activities, subject to Policy T&Cs.

#### c) Breach of Regulatory rules

No cover is afforded for any fines/financial penalties that are handed down by the FCA.

### Performance

Please complete the performance data requirements for each of your portfolios measured against a stated benchmark.

Cumulative Performance to 30 September 2020			
Portfolio	1 year	3 years	5 years
Defensive (3)	0.8	16.9	40.9
Cautious (4)	3.9	21.4	50.8
Moderate (5)	4.4	21.9	54.8
Balanced (6)	4.6	22.1	60.3
Adventurous (7)	6.9	23.1	62.4
ARC Balanced	0.1	6.9	24.7
ARC Steady Growth	-0.6	8.5	33.9
ARC Equity Risk	-0.9	9.7	40.7

Discrete Annual Performance (Calendar Year)					
Portfolio	2019	2018	2017	2016	2015
Defensive (3)	16.0	-2.0	8.0	10.2	4.3
Cautious (4)	17.9	-2.2	9.2	11.7	5.7
Moderate (5)	19.3	-3.5	10.4	12.7	7.0
Balanced (6)	20.7	-4.7	12.1	14.9	6.6
Adventurous (7)	20.6	-5.3	14.0	13.6	6.0
ARC Balanced	11.7	-5.1	6.7	8.6	1.9
ARC Steady Growth	15.0	-5.6	9.4	11.6	2.3
ARC Equity Risk	18.0	-6.5	11.4	13.7	2.1

Portfolio	3 Year Max Drawdown to Year End (Dec 19)*	3 Year Max Loss to Year End (Dec 19)*	3 Year Annualised Volatility to Year End (Dec 19)*
Defensive (3)	-5.5	-3.2	4.7
Cautious (4)	-7.5	-4.6	5.9
Moderate (5)	-9.1	-6.2	7.0
Balanced (6)	-11.3	-7.8	8.2
Adventurous (7)	-11.7	-8.3	8.9

\*based on monthly returns

# Section 3: Unitised Service

This section relates to our unitised service via a platform.

**Is the same team responsible for the unitised service as well as model portfolios? If not, please provide additional information on the team involved?**

The same investment committee as above is involved in the portfolio construction.

**Please list ALL fund options available and the date of launch**

Model	Date of Launch (segregated models running since 2009)	OCF
Moderate (5)	3 September 2018 (has been run since 2009)	1.16%
Balanced (6)	3 September 2018 (has been run since 2009)	1.28%

**Do you offer model unitised service direct?**

No.

**Do you offer model unitised service via a platform?**

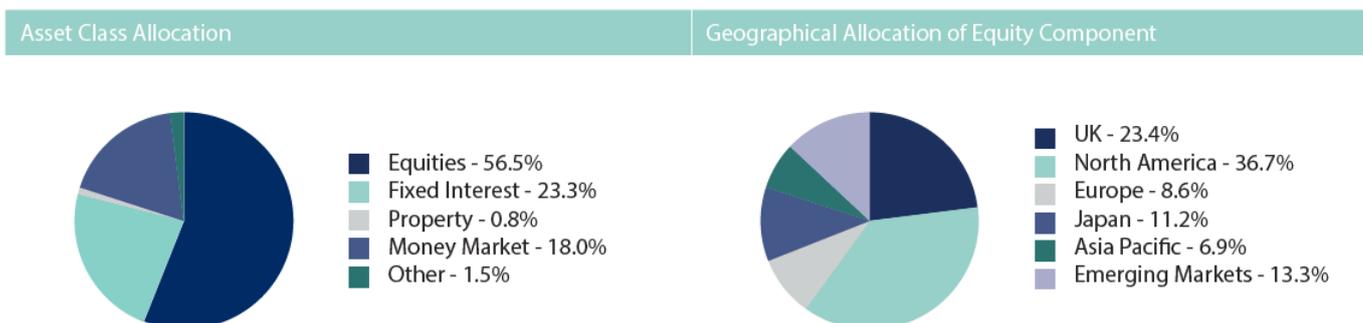
Yes.

**Which platforms (if any) is your proposition available on?**

AJ Bell, Aegon, Aviva, Canada Life, Fidelity, Hargreaves Lansdown, Novia, Old Mutual International, Pershing, Standard Life, Transact.

**Please state the Minimum Investment Size for the unitised service via a platform?**

£1k



**Fig 2: Asset allocation of the Cantab Moderate OEIC (30 September 2020)**

## Investment Process

**How is Asset Allocation determined? If an actuarial model is used please give details of the actuaries used, or if determined by an in-house asset allocation committee how often does this meet and who sits on the committee?**

The Cantab Investment Committee is chaired by the Chief Executive and meets quarterly to discuss the strategic asset allocation of portfolios with the Chief Investment Officer, the Investment Manager and the Client Directors. Each month, an Investment Review meeting is held to discuss tactical recommendations on fund and stock selection as well as any related asset allocation issues. High level asset mix decisions and changes in strategy within asset classes are considered.

Cantab regularly reviews the success of Investment Committee decisions over different time horizons. Cantab makes asset mix decisions through considered analysis and makes only gradual changes in an attempt to avoid the behavioural biases associated with attempting to time the market.

Investment research is carried out both internally by our own analysts and externally through consultants and research firms who provide material to our investment team.

**Investment Committee – see above.**

**Are the portfolios risk based? How is risk measured and how do you ensure the risk profile is maintained?**

Cantab uses asset allocation and a fundamental approach to manage investment risk:

- A long-term view is essential. Asset allocation decisions are typically made on a quarterly basis and adjusted where appropriate in monthly reviews
- Diversification across asset classes, geographical region and investment approach can assist in the management of risk
- Large-cap and small-cap, value and growth strategies all provide risk mitigation through diversification

Standard deviation, maximum drawdowns and correlation of funds are reviewed to ensure asset allocations are appropriate for the level of risk.

**Do you provide client risk profiling? If yes, please provide details of your risk profiling process.**

The IFA does the risk profiling.

**Are the portfolios risk rated by a third party? If so, please can you provide further details on the risk rating of each portfolio.**

Model Name	Risk Rating Provider	Risk Rating
Moderate (5)	ARC	Steady Growth
Balanced (6)	ARC	Steady Growth

**Which of the Following are regularly used within client portfolios:  
(indicate all that apply)**

Equities:	No
OEICs:	Yes
Investment Trusts	No
SICAVs:	No
European Domiciled UCITS:	No
ETFs:	No
Structured Products:	No
Derivatives:	No
Hedge Funds	No

**Where Derivatives are used within client portfolios, please describe how they are used, e.g. Currency Hedging, Non-Hedging Purposes etc.**

We do not use derivatives.

**What is your process for selecting funds? Do you operate a 'buy list'?**

Cantab uses quantitative and qualitative approaches. Cantab conducts its own due diligence on individual stocks which allows additional insight to be gained into the way that fund managers are working. A variety of research tools is used

to identify funds with good metrics. Meetings are held regularly with fund managers to understand their approaches. Cantab performs various in-depth analyses, looking not only at returns (in absolute terms), but also risk-adjusted returns, with comparison of risk metrics such as Sharpe and Sortino ratios. Comprehension of the composition of the fund is important to understand the drivers of performance, for instance, does a European fund have undue exposure to the banking sector. Emphasis is placed on managers employing clear, transparent and consistent strategies.

## **Functionality**

**How do you deal with capacity constrained funds? Do you sell these for existing clients and replace with an alternative to maintain the efficiency of the model across all clients?**

We would sell the existing funds and replace with an alternative to maintain efficiency.

**Due to the investment constraints on platforms, which platforms make available your unitised proposition?**

AJ Bell, Aegon, Aviva, Canada Life, Fidelity, Hargreaves Lansdown, Novia, Old Mutual International, Pershing, Standard Life, Transact.

**Do you report the performance of the OEICs on each platform?**

Yes.

**Do you have a maximum level of permitted drift of OEIC asset allocation from model?**

No

**How often do you rebalance?**

Quarterly.

**Can you/do you edit a portfolio between rebalancing?**

Yes.

**How do you prevent an excess of contradictory trades? i.e. selling down to raise fees only to buy back in the same month with reinvested dividends or a regular subscription**

The Cantab Investment Manager carefully manages cash levels in the OEIC.

**How do you draw your fees and pay adviser charges? Are these taken from the portfolio cash account or a separate client account?**

We leave 1-2% cash for fees and others expenses of the OEIC.

**If you have enforced drawdown to meet redemptions, how does this maintain target asset allocation?**

Cantab instructs Sells proportionately across assets.

## **Terms & Conditions**

**Do you adopt the underlying client as a retail client?**

No.

**Do you treat the adviser as a professional client? If so, why?**

Yes – the IFA is a qualified professional.

## Who would be held liable should an underlying investment later prove to be inappropriate for the portfolios?

Cantab Asset Management is responsible for ensuring the underlying investments are appropriate for the OEIC.

The IFA is responsible for ensuring the client is in the appropriate OEIC.

## Please provide details of the size of your PI policy currently in place?

Limit of Indemnity: GBP 1,800,000.00 . Any one claim and in all including costs and expenses.

## Would the policy indemnify a claim to the IFA from:

### a) Your negligence

The Policy is designed to respond to claims made by third party clients which arise from Cantab's negligence in the delivery and provision of its professional services, subject to Policy T&Cs.

### b) Fraud

Cover is afforded for claims made by third party clients for loss of money/property which arise out of Cantab's dishonest or fraudulent activities, subject to Policy T&Cs.

### c) Breach of Regulatory rules

No cover is afforded for any fines/financial penalties that are handed down by the FCA.

## Performance

Please complete the performance data requirements for each of your portfolios measured against a stated benchmark.

Cumulative Performance to 30 September 2020			
Portfolio	1 year	3 years	5 years
Moderate (5)	3.0	20.0	52.6
Balanced (6)	3.6	21.0	59.2
ARC Steady Growth	-0.6	8.5	33.9
IA Mixed Investment 40-85% Shares	-0.2	9.6	38.0

Discrete Annual Performance (Calendar Year)					
Portfolio	2019	2018	2017	2016	2015
Moderate (5)	19.3	-3.4	10.5	12.8	7.0
Balanced (6)	20.7	-3.9	12.1	15.0	6.6
ARC Steady Growth	15.0	-5.6	9.4	11.6	2.3
IA Mixed Investment 40-85% Shares	15.8	-6.1	10.0	12.9	2.7

Portfolio	*based on monthly returns	3 Year Max Drawdown to Year End (Dec 19)*	3 Year Max Loss to Year End (Dec 19)*	3 Year Annualised Volatility to Year End (Dec 19)*
Moderate (5)		-9.1	-6.2	7.0
Balanced (6)		-11.3	-7.8	8.2
ARC Steady Growth		-7.8	-4.5	6.4
IA Mixed Investment 40-85% Shares		-8.3	-5.0	6.7

**Risk Warnings**

This document has been prepared based on our understanding of current UK law and HM Revenue and Customs practice as at 1 December 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. It is important to note that in selecting ESG investments, a screening out process has taken place which eliminates many investments potentially providing good financial returns. By reducing the universe of possible investments, the investment performance of ESG portfolios might be less than that potentially produced by selecting from the larger unscreened universe.

5th Floor, 8 Angel Court, London EC2R 7HP  
020 3651 0570  
cantabam.com

50 Station Road, Cambridge CB1 2JH  
01223 52 2000  
advice@cantabam.com