Cantab
ASSET MANAGEMENT

Active versus Passive Approaches to Fund Management

We, at Cantab Asset Management, believe in creativity and competition as stimulants to growth and excellence.

We are believers in the creation of wealth through innovation and enterprise and taking the opportunity to participate in and support such wealth creation through the investment of capital in equity shares in limited liability companies.

There will, naturally, be considerable variation in the performance of companies because of factors such as product success, management competence, market timing and the state of the broader economy.

Assessment of these factors and others is important to the fund managers who manage the investment selections for clients. These fund managers are experienced in assessing risk and potential reward and they take their investment decisions after 'top-down' and/ or 'bottom-up' analysis.

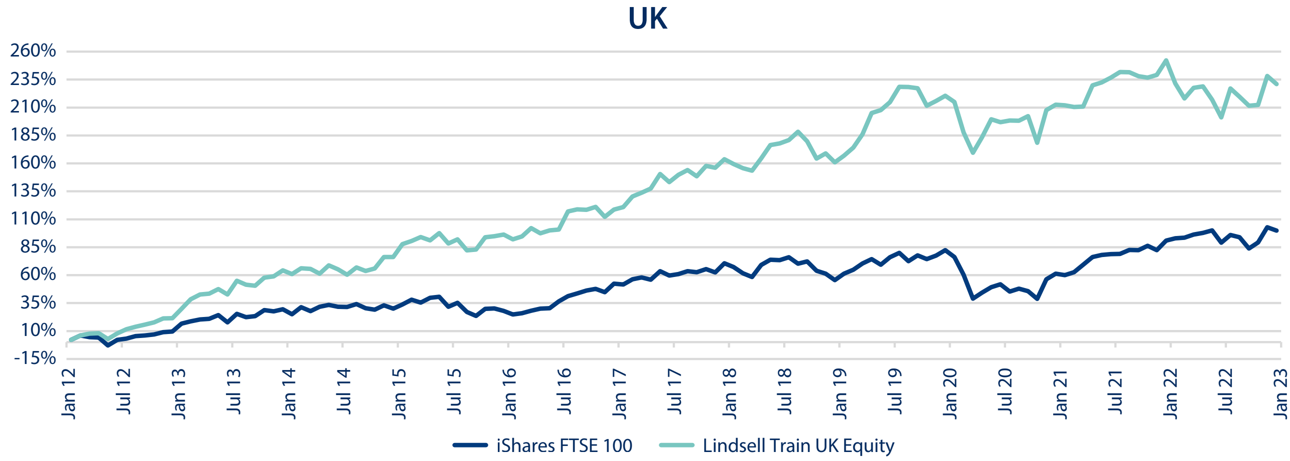
Our strategy is to employ leading fund managers in order to optimise performance over the medium to long term without exposing our clients to unnecessary risk.

Active and Passive Funds

Some academic research has suggested that buying 'passive' index tracker funds would enable clients to beat the average active manager by saving fees. We believe that this approach is not necessarily going to produce optimal results for clients because:

- Tracker funds under-perform the index after fees and trading expenses and;
- Good choices by active managers can result in above 'average' performance.

The performance of the 'average' active fund manager is calculated by using a large universe of funds which inevitably includes 'dog' funds as well as the better performing funds. Our research and expertise is focused on selecting the better performing funds and avoiding the 'dogs'.



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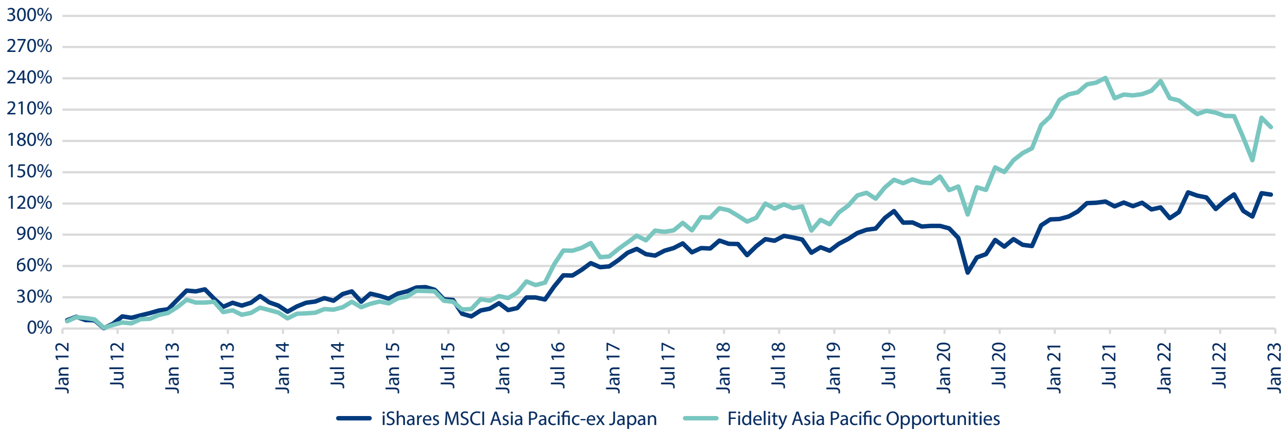
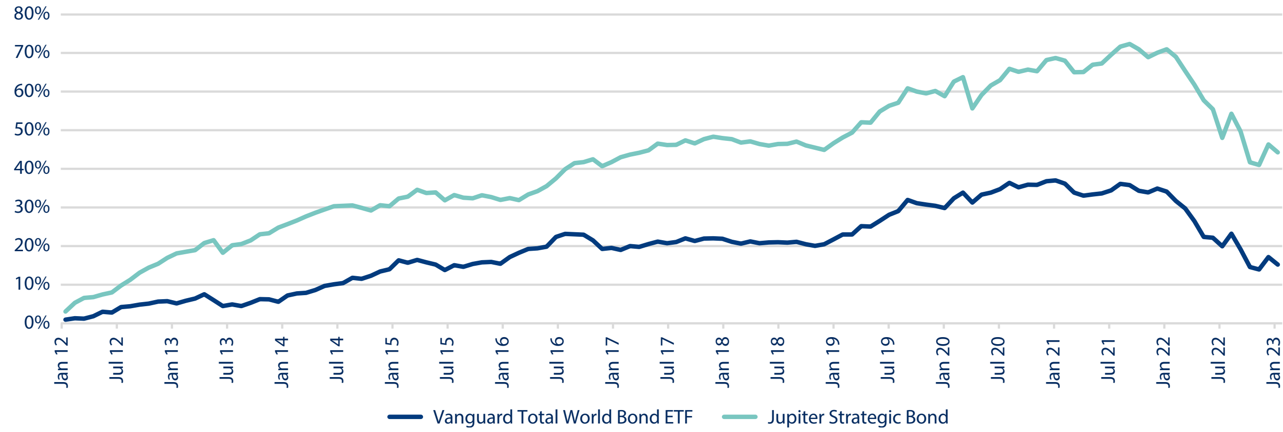


Fixed Income



In addition, we show the performance of three actively managed funds which have been recommended to clients by Cantab Asset Management – Lindsell Train UK Equity with average annual growth of 11.58%, Fidelity Asia Pacific Opportunities with average annual growth of 10.35%, and Jupiter Strategic Bond with average annual growth of 3.41%. These funds do not necessarily have similar levels of risk as the ETF Tracker.

These funds have out-performed the relevant ETF trackers by 5.04%, 2.11% and 2.49% p.a. respectively over this almost eleven year period.

Conclusion

There may be instances where a passive tracker fund is of interest for a client, but our own analysis lends weight to our preference for active management in our model portfolios.

As independent advisers, we do consider all options for clients and seek to recommend that which is appropriate for individual clients and their particular circumstances and objectives. This note should be read in conjunction with 'Our Advice Process' client briefing note.

Risk Warnings This document has been prepared based on our understanding of current UK law and HM Revenue and Customs practice as at 1 Janaury 2023, 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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