Close Brothers
Asset Management

Assessment of Value

FOR YEAR ENDED
31 MARCH 2022

CEO introduction

Welcome to our third Assessment of Value report which considers the overall value we believe our authorised funds have delivered to investors, and highlights any areas of concern or where we wish to take action.

The 12 month period to end March 2022 has been characterised by a recovery in economic growth, and the resurgence of geopolitical risk and inflation. After enjoying healthy returns through the rest of 2021, equity markets suffered a sharp reversal during the first quarter of 2022 whereas bond yields have risen and monetary policy has begun to tighten. In this environment, most of our funds still managed to deliver positive absolute returns over this 12 month period. The best relative performances came from our two income focused multi-asset funds, Diversified Income and Managed Income, which benefited from their more value orientated investment approach and a return to favour of income orientated strategies, as well as the Sustainable Balanced fund.

Our fund range has been established for over 10 years and, overall, has maintained a good long term track record, as is illustrated in this report. Over a shorter time horizon, the first quarter of 2022 in particular has proved particularly challenging. This has impacted the relative performance of some of our funds given their more growth orientated investment approach countered by the better performance of the income funds as noted above.

We believe that the appropriate time horizon over which to assess fund performance is five years given that this is the minimum time horizon we suggest investors take. Over this five year period, five of our 15 funds have underperformed their peer group comparator and have therefore been rated amber on this metric. We have commented further on each of these in the Performance section below.

Although we have not launched any new funds this year, we have been pleased with the progress made by our new Sustainable Balanced Portfolio Fund. This has seen strong inflows over the last 12 months, reflecting the growing investor demand for products with an explicit sustainable investment objective, and reached £50m assets under management at the end of the assessment period.

Eddy Reynolds
Chief Executive Officer,
Close Brothers Asset Management

Our governance model

THE FINANCIAL CONDUCT AUTHORITY (FCA) HAS DEFINED SEVEN CRITERIA FOR THIS ASSESSMENT OF VALUE

1. Quality of service
2. Performance
3. Costs
4. Economies of scale
5. Comparable market rates
6. Comparable services
7. Classes of unit

As in previous years, we have included two additional criteria that we regard as important:

8. Liquidity

Maintaining liquidity on daily priced funds is important at all times, but particularly in periods of market volatility. We do not manage any property based funds and will not normally hold any unquoted shares in our fund range, as these can prove difficult to sell, even under favourable market conditions. Liquidity is monitored daily and reported monthly to CBAM's Investment Review Committee and quarterly to the Close Asset Management (UK) Ltd (CAM (UK)) Board.

9. Product Governance

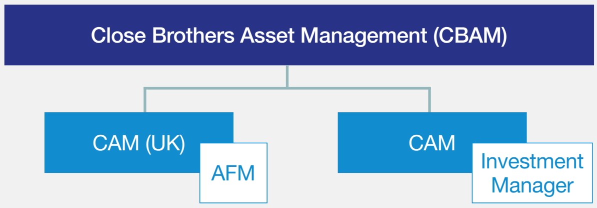
We are also conscious of our Product Governance obligations, in particular the need to ensure that funds remain fit for purpose and are distributed in accordance with their target market.

To produce this report we looked at all of our funds in turn and reviewed them against each of these criteria. The matrix on page five shows the funds included within this assessment and a summary of our findings.

SUMMARY OF FINDINGS

- We have not identified any issues relating to quality of service to our clients and investors
- The majority of our funds have performed in line with their stated performance objectives, and generally compare well to their peer group – Investment Association (IA) sector comparators
- Where funds have underperformed their comparators, we have included additional commentary in the Performance section of this report, with five of our funds rated amber for performance for this reason
- Our fund costs generally remain below their IA sector comparators
- We have taken on board last year's FCA feedback on the Assessment of Value process and have considered our approach across all areas. In most areas we felt that the reviews and actions taken in previous years, such as conversion of share classes, met with the FCA's objectives but have incorporated their additional findings where appropriate
- Looking specifically at Economies of Scale, we have implemented a process to assess when we can reduce fees based on meeting some key trigger points, notably stable net new inflows, a fund size of over £1bn and a clear indication that revenue growth is outstripping costs. Further background is included in the Economies of Scale section below
- There are no fee reductions proposed for this year, however, we will keep this under review and make changes where appropriate in the future

OUR GOVERNANCE MODEL



Close Asset Management (UK) Limited (CAM(UK)) acts as Authorised Fund Manager/Authorised Corporate Director (AFM/ACD) for the Close Brothers Asset Management (CBAM) fund range. Although wholly owned by Close Brothers, CAM(UK) is a separate legal entity from Close Asset Management Limited (CAM), the investment management company that manages CBAM's funds. This distinction is important as it helps ensure accountability and separation of responsibilities – fund oversight by CAM(UK), investment management by CAM.

To reinforce the separation from CAM and provide independent oversight, CAM(UK)'s Board includes two independent Non-Executive Directors. Their role is to consider the interests of our unit holders, overseeing the governance of the CBAM fund range, covering both how the funds are managed and how they are administered. This includes outsourced functions such as transfer agency and fund accounting, as well as the separate Trustee role, which are delegated to Bank of New York Mellon (BNYM), covered further below. The Non-Executive Directors play an active role on the Board holding fund managers to account and providing independent oversight of the different support functions across our fund range.

Value assessment for individual funds

		Quality of service	Performance	Costs – general	Economies of scale	Comparable market rates	Comparable services	Classes of unit	Liquidity	Product governance related issues	Overall
	Close Portfolio funds										
1	Sustainable Bond										
2	Select Fixed Income										
3	Diversified Income										
4	Conservative										
5	Balanced										
6	Sustainable Balanced										
7	Growth										
	Close Managed funds										
8	Income										
9	Conservative										
10	Balanced										
11	Growth										
	Close Active-Passive (Tactical Select) funds										
12	Conservative										
13	Balanced										
14	Growth										
	Specialist funds										
15	Strategic Alpha										
16	FTSE techMARK										

Throughout this report you can see how each of our funds performed under each assessment criteria, using the fund number in the table above.

KEY

- Value delivered
- Further analysis and possible remedial action required to avoid future client detriment
- Remedial action required

1. Quality of service

WHAT WE ARE ASSESSING

The range and quality of services we provide to unitholders.

ASSESSMENT

Funds are designed to meet the needs of a collective group of investors and each fund is managed in accordance with its prospectus and stated investment objectives. Administration and service are very important, so how and what we communicate to our clients matters, as does the service they receive.

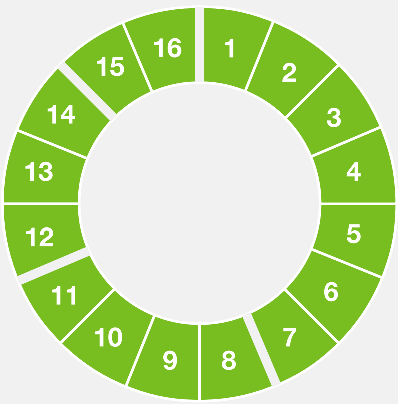
We maintain a dedicated fund operations team, whose role is to oversee the daily running of these funds, working closely with our administrator and the custodian, Bank of New York Mellon (BNYM), to whom the fund administration is delegated. BNYM is responsible for valuing and pricing the funds and for handling the daily inflows and outflows. BNYM also acts as the funds' Trustee, and therefore also plays an important governance oversight role.

Each of the funds described in this report is available for purchase through our own custody and administration platform, which clients can access on both a self-directed or advised basis. They can also be bought and sold through a wide range of external platforms, either self-directed or through advice by an Independent Financial Advisor (IFA).

Our principal interactions directly with end investors are with clients who are either advised by CBAM or who invest through our own platform. Our funds are also widely held across the main third party platforms, where our relationship is with the platforms as opposed to their underlying clients. However, many of these clients are in turn intermediated, which means that they are advised by an IFA. CBAM maintains a dedicated intermediary team who manages our relationships with these intermediaries. This is a useful source of external feedback on our funds, supplementing the insights we receive from our direct investors.

This year we also conducted a survey of our internal advice and intermediary facing Business Development team for their feedback, based on their interactions with clients and IFAs. The feedback received has generally been positive, with both internal advisers and externally facing business development personnel scoring them well on meeting client expectations and costs. One of the key messages was the importance of communication and we will review the method and content of our investor communications over the coming year.

OUR ASSESSMENT OF VALUE – QUALITY OF SERVICE



For each of the criteria, we have broken down our performance for each of our 16 funds, as follows:

- Value delivered.
- Further analysis and possible remedial action required to avoid future client detriment.
- Remedial action required.

2. Performance

WHAT WE ARE ASSESSING

How the funds have performed relative to their comparators over five years, consistent with the five year time horizon stated in the fund objectives.

ASSESSMENT

We define value in this context as the performance delivered net of fees, having regard to a fund's stated risk profile and investment objective. All of our funds have a five year minimum recommended investment time horizon for achievement of their objectives. In addition to their peer group comparator, each fund is required by internal governance monitoring to operate within a defined volatility or risk range band. This helps us to ensure that they remain suitable for their target market.

Investment objectives will vary, depending on the amount of risk a fund can take and whether it is targeting income or capital growth. Their cost will be dependent on their investment style and asset mix. Cost will be lowest for those funds that invest in index-tracking securities and highest for our multi-manager funds, which select and blend other providers' actively managed funds.

WE HAVE SUMMARISED THESE DIFFERENT ELEMENTS IN THE TABLE BELOW

Fund name	Minimum recommended time horizon	CBAM Risk profile[1]	Investment objective	Investment style
Sustainable Bond	Five years	Low – Fixed Income	Income while maintaining capital value over the medium term	Direct
Select Fixed Income	Five years	Low – Fixed Income	Income while maintaining capital value over the medium term	Direct
Diversified Income	Five years	Cautious	A regular income stream together with some capital growth over the medium term	Direct
Managed Income	Five years	Lower moderate	Income with some capital growth over the medium term	Multi-manager
Conservative Portfolio	Five years	Lower moderate	Moderate capital growth with some income over the medium term	Direct
Managed Conservative	Five years	Lower moderate	Moderate capital growth with some income over the medium term	Multi-manager
Tactical Select Passive Conservative	Five years	Lower moderate	Moderate capital growth with some income over the medium term	Active-passive
Balanced Portfolio	Five years	Moderate	Capital growth with some income over the medium term	Direct
Sustainable Balanced	Five years	Moderate	Capital growth with some income over the medium term	Direct
Managed Balanced	Five years	Moderate	Capital growth with some income over the medium term	Multi-manager
Tactical Select Passive Balanced	Five years	Moderate	Capital growth with some income over the medium term	Active-passive
Growth Portfolio	Five years	High	Capital growth over the medium term	Direct
Managed Growth	Five years	High	Capital growth over the medium term	Multi-manager
Tactical Select Passive Growth	Five years	High	Capital growth over the medium term	Active-passive
Strategic Alpha	Five years	Highest	Capital growth over the medium term	Multi-manager
FTSE techMARK	Five years	Highest	To track the FTSE techMARK Focus Index	Passive

[1] These risk profile designations help advisers determine which CBAM funds best match their clients' risk appetite.

All our funds, other than the two bond funds, delivered positive returns over the 12 months to 31 March 2022. One of our best performers this year has been the Diversified Income fund, which was put on watch for performance in the 2021 Assessment of Value. The recovery has been very strong, benefiting from good stock selection, particularly within the US and Europe equity components and an overweight allocation to the UK. The fund's preference for high dividend paying companies has been a positive contributor. Over the recent period of market volatility the diversifying assets within the 'alternatives' have helped reduce volatility for the fund. It is now ahead of its peer group comparator over one, three, five and 10 years, demonstrating its ability to perform well when market conditions are less favourable.

Relative to our IA peer group comparators, results across our range have been mixed. Following good returns in 2021, both absolute performance and that relative to the comparator has been adversely impacted during the first quarter of 2022 by renewed market volatility due to the Ukraine war and investor concerns about the outlook for inflation, interest rates and economic growth.

With the exception of our FTSE techMARK Fund which has a target benchmark as it tracks the relevant index, all of our other funds adopted the IA sector in which they are classified as comparator benchmarks. This provides clients with an independently generated performance yardstick against which to judge a fund's performance relative to other broadly similar funds.

To help ensure that our investment strategies remain suitable for their designated risk level, we also use an internally generated Strategic Asset Allocation framework to help us monitor fund volatility.

The performance table below focuses on longer term five year performance, consistent with the funds' stated investment time horizon. To make this more meaningful, we have added a yield column, mainly relevant for our lower risk, income orientated funds, as well as columns to show the value of £100 invested after five years, assuming reinvestment of income.

THE PERFORMANCE DELIVERED BY OUR FUNDS TO THE END OF MARCH 2022 IS SUMMARISED BELOW

CBAM fund range (X class units only)

Performance net of fees to 31 March 2022		Performance summary			
		Yield (YTM) [1]	5 year	Value of £100 invested after 5 years, with income reinvested	Max Drawdown over 5 years [2]
Fixed Income	Close Sustainable Bond Portfolio Fund X Acc	3.1%	9.1%	£109.10	-8.0%
	IA Sterling Corporate Bond		10.1%		-9.3%
	Close Select Fixed Income Fund X Inc	4.1%	17.4%	£117.40	-11.7%
	IA Sterling Strategic Bond		13.3%		-10.6%
Diversified Income	Close Diversified Income Portfolio Fund X Acc	3.7%	21.3%	£121.30	-15.7%
	Close Managed Income Fund X Acc	3.0%	17.5%	£117.50	-18.8%
	IA Mixed Asset 20-60% Shares		18.5%		-16.7%
Conservative	Close Conservative Portfolio Fund X Acc	1.0%	19.7%	£119.70	-14.9%
	Close Managed Conservative Fund X Acc	1.2%	19.2%	£119.20	-16.5%
	Close Tactical Select Passive Conservative Fund X Acc	1.4%	16.9%	£116.90	-17.0%
	IA Mixed Asset 20-60% Shares		18.5%		-16.7%
Balanced	Close Balanced Portfolio Fund X Acc	1.2%	28.7%	£128.70	-20.2%
	Close Sustainable Balanced Portfolio Fund X Acc [3]	1.7%	n/a	n/a	n/a
	Close Managed Balanced Fund X Acc	0.8%	31.1%	£131.10	-19.4%
	Close Tactical Select Passive Balanced Fund X Acc	1.4%	25.4%	£125.40	-20.6%
	IA Mixed Asset 40-85% Shares		29.8%		-19.9%
Growth	Close Growth Portfolio Fund X Acc	1.3%	39.7%	£139.70	-23.0%
	Close Managed Growth Fund X Acc	0.5%	41.3%	£141.30	-21.7%
	Close Tactical Select Passive Growth Fund X Acc	1.4%	33.9%	£133.90	-23.0%
	Close Strategic Alpha Fund X Acc	0.1%	42.0%	£142.00	-24.5%
	IA Flexible Investment		31.7%		-19.5%
Other	Close FTSE techMARK Fund	1.8%	40.5%	£140.50	-32.3%
	FTSE techMARK Index [4]		40.7%		-31.9%

Above the IA sector comparator. Below the sector comparator.

Numbers rounded to 1 decimal place.

[1] Yield to Maturity (YTM) = A measure of the income return earned by each fund, taking into account the current value of the expected income from the underlying fund holdings.

[2] Maximum Drawdown = This looks at the highest fall in value experienced by each fund over the last five years from a peak to a trough, before a new peak is then reached.

[3] Launched in November 2020 so longer track record not yet available.

[4] Effective 7 August 2019 the stated benchmark for this Fund changed from the FTSE techMARK Focus Capital Return to the FTSE techMARK Focus Total Return index.

We have also included an additional table below to show the income generated over five years for £100 invested in the Income (as opposed to Accumulation) share class of our four income orientated funds.

CBAM Income Fund range

		Income earned	
		5 year	Income received on £100 invested
Fixed Income	Close Sustainable Bond Portfolio Fund	15.4%	£15.40
	IA Sterling Corporate Bond		
	Close Select Fixed Income Fund	20.4%	£20.40
	IA Sterling Strategic Bond		
Diversified Income	Close Diversified Income Portfolio Fund	18.7%	£18.70
	Close Managed Income Fund	16.6%	£16.60
	IA Mixed Asset 20-60% Shares		

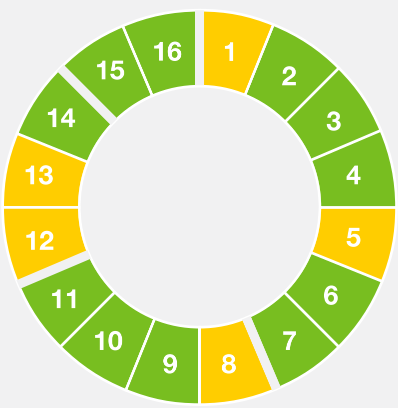
We believe there are important factors to highlight for the five funds whose performance we have rated amber in our value assessment. Each of these funds will continue to be monitored, with remedial steps taken where appropriate, but we do not think any immediate action is required. They are rated amber for performance on the basis that they have lagged their stated comparator over five years, which we explain further below:

Sustainable Bond. Until September 2020, this fund was restricted in its ability to invest in longer dated bonds and, therefore by design, had a duration consistently shorter than its peer group benchmark. This helps explain its under-performance relative to the IA sector, given the outperformance of longer dated bonds over the five years to end March 2022. Since the removal of this internal duration restriction, performance relative to its comparator has been broadly in line with its peer group.

Managed Income. In common with similar income orientated funds, this fund was impacted by the pandemic in 2020, as income paying companies such as banks and other financial institutions, utility companies and oil majors cut or suspended their dividends. This significantly impacted its longer term relative performance although it is pleasing to note that the recovery we highlighted last year from November 2020 continued through the whole of 2021.

The fund remains behind the comparator benchmark over five years by 1 percentage point but, as it has outperformed over the last year by more than 3 percentage points (6.1% vs 2.8%), we are happy with the management actions and style but will keep this under review.

OUR ASSESSMENT OF VALUE – PERFORMANCE



Please refer to the table and key on page five.

Tactical Select Passive Conservative and Tactical Select Passive Balanced. Both these funds have underperformed their comparator benchmarks over five years but have outperformed over one year. Detailed analysis shows that most of the underperformance took place in 2020. The funds were impacted by exposure to underperforming value orientated stocks in the indices held at a time when active managers (who constitute the majority of the IA sector peer group) were overweight growth stocks which performed strongly over that period.

For the Conservative fund, performance lags the benchmark by 1.6 percentage points over five years with the Balanced fund lagging by 4.4 percentage points over the same period. However, the one year performance is better than the benchmark and we will continue to monitor the funds to see if this improvement continues.

Portfolio Balanced. This, our largest fund, has now underperformed its benchmark over one, three and five years. However, it is the very short term performance in 2022, where the fund has underperformed the comparator by 4.3 percentage points which has led to this. Over five years the underperformance against the comparator benchmark is just 1.1 percentage points.

In both this period and one of earlier underperformance in 2020, broad market sentiment moved sharply away from more ‘growth’ oriented companies in favour of ‘value’ stocks. The fund’s preference for ‘quality growth’ meant that it has been on the wrong side of these rotations. As a result, relative to its comparator, the fund missed potential positive performance due to limited exposure to some of the stronger performing sectors or regions at the time.

The fund manager has concerns around the health of the global economy and sees a threat of a potential recession which led to the active choice not to partake in the sector rotation seen in the early weeks of 2022; choosing not to buy commodities, energy stocks and banks in the January rotation like many peers. It was felt that that these industries fare best in the foothills of an economic recovery, rather than the latter stages of the economic cycle; if a recession materialises, then cyclical sectors would likely be hit the hardest.

Following a comprehensive selection process and overlap with the previous incumbent to ensure a smooth handover, a new manager took over management responsibility for this fund from the beginning of November 2021. After a good start, relative performance over the first quarter of 2022 has been disappointing, so we are closely monitoring investment decisions and fund positioning. Although no action as such is being taken at this point, active monitoring is in place, with the expectation that relative performance will improve.

3. Costs

WHAT WE ARE ASSESSING

The cost of providing the services to which each of our charges relates.

ASSESSMENT

We charge a Fund Management Fee (FMF) for each of our funds, providing greater transparency and certainty over the actual amount of overall fees charged to a fund. The FMF, which we express as a percentage amount, covers all of the costs relating to the management of these funds, namely:

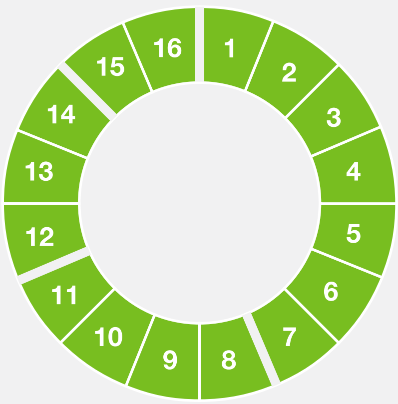
- Investment management
- Fund Adminstration
- Custody
- Independent Trustee
- Transfer agent
- External Audit
- Legal
- Other professional fees

The FMF does not include the cost of investing in third party funds or transaction costs which are not under the control of the investment manager. However, these costs are shown to investors through the Ongoing Charges Figure or MiFID II ongoing cost disclosures on our fund factsheets.

The FMF cannot be changed without reference to unitholders. However, it can be reduced if the CAM (UK) Board considers that the costs that make up the FMF are lower than when it was set. CAM (UK) conducts an annual review of the FMF across our funds to determine any scope for fee reductions.

At the last review, in December 2021, it was agreed to leave these unchanged as they continued to reflect the costs within the funds charged by the external providers. As with the previous year, we assessed the profitability of the funds and how the charges compare to our peers and determined that a reduction in the FMFs was not warranted at this stage.

OUR ASSESSMENT OF VALUE – COSTS



Please refer to the table and key on page five.

4. Economies of scale

WHAT WE ARE ASSESSING

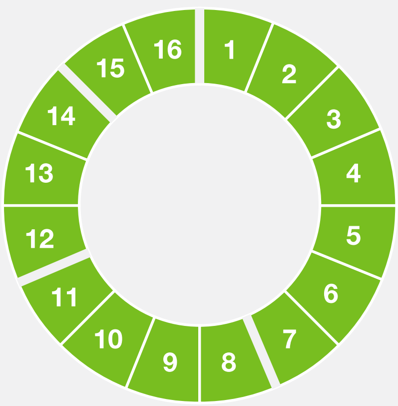
Whether, and where, we are able to achieve savings and benefits from economies of scale.

ASSESSMENT

Our use of BNYM as fund administrator and transfer agent allows us to benefit from their economies of scale, enabling us to deliver services to unitholders with better value for money. With the exception of Strategic Alpha and FTSE techMARK, our funds sit within a single UCITS umbrella structure, which allows for economies of scale on the fund range as a whole.

We conduct regular exercises to compare our fees with organisations of similar scale and levels of activity and we continue to improve the quality of our costs analysis to identify any scope for additional savings that could be passed on. As part of this process (and in order to confirm that we and our investors are receiving value for money) we regularly review our third-party contracts and fees to test whether our costs are in line with what other comparable asset management firms are paying.

OUR ASSESSMENT OF VALUE – ECONOMIES OF SCALE



Please refer to the table and key on page five.

As part of our assessment this year we have determined our methodology for identifying where the economies of scale realised on a particular fund or group of funds can point to a potential reduction in the FMF. In identifying the triggers that will suggest a reduction in the FMF, we have sought to strike a balance between ensuring that unitholders share in any cost savings that can be achieved, but also allowing the fund range to develop and new capabilities to be delivered which will benefit unitholders.

We have therefore sought to define specific criteria that show that cost reductions can be shared, sustainably, with unitholders:

- Sustained inflows rather than market movements which can swiftly reverse. This allows some security that the funds will not reduce significantly in size and therefore profitability if market conditions change which might otherwise lead to a reversal of cost reduction
- A minimum value in each relevant fund of £1bn. Coupled with the sustained inflow criteria, this should ensure that any cost reduction is sustainable
- Confirmation that revenue for each relevant fund is rising faster than costs ensuring that cost reductions do not cause the fund manager to impair or reduce services
- The revenue across the individual fund ranges (Direct, Managed and Tactical Select) and across the entire fund range being sufficient to absorb reductions in fund costs without impairing existing services and future beneficial developments
    - We are specifically conscious here of recent increased costs relating to operational and cyber resilience which benefit all unitholders as well as ongoing development of investment management capabilities such as the hiring of new research analysts, which are shared across all funds
    - We are aware that a number of our unitholders invest across more than one of our funds and therefore benefit from the services and capabilities which are shared across the fund range despite the different sizes and costs of these funds

Having considered these characteristics across the full fund range, the Balanced Portfolio fund is the only fund with more than £1bn of assets under management (AUM of £1.4bn at 31 March 2022) and this fund was therefore examined in more detail to determine whether cost savings could be identified.

In the two years to 31 March 2022, flows were negative with investors withdrawing £24.5million more than they deposited, with the outflows concentrated in the 2021/22 year. While fund performance was positive overall for this two year period, there was a fall in the value of the fund from 31 December 2021 to 31 March 2022 of £126million which illustrates the potential danger of relying on fund performance to maintain or grow the fund size.

We also considered the overall impact on the financial viability of the wider fund range if costs were reduced and determined that the wider profitability of the fund range was not sufficient to support the continued development of services for unitholders if the revenue from this fund was reduced.

Looking at all criteria, we have therefore determined that reducing the FMF for this fund is not a valid action for this year although we will consider this again next year.

5. Comparable market rates

WHAT WE ARE ASSESSING

The market rate for any comparable service we provide.

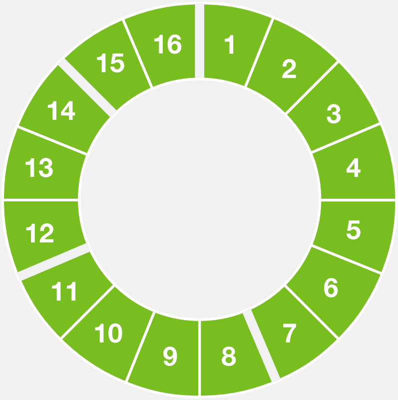
ASSESSMENT

When looking at comparable market rates, we are careful to ensure that we take account of investment strategies employed by other managers and therefore the comparability with our own. The lowest cost funds employ passively managed strategies comprising index-tracking vehicles, so follow the market, either up or down. Although CBAM only offers one purely passive fund, FTSE techMARK Fund, three of our funds, comprising the Close Tactical Select Passive range are active-passive, which means that they combine active asset class selection with passive security selection. Together, these are our lowest cost products.

The rest of our funds employ both active asset class selection and active underlying security selection and therefore have a higher cost, while still remaining competitive relative to their peer group.

Within our active fund range, we offer a mix of funds that invest either directly in stocks or indirectly through other managers' funds and similar vehicles, which may include some passive elements to reduce costs. The latter are known as multi-manager funds. These tend to have the highest overall cost because they have two sets of costs; running of the funds themselves, plus the charges on the externally managed vehicles selected.

OUR ASSESSMENT OF VALUE – COMPARABLE MARKET RATES



Please refer to the table and key on page five.

These multi-manager funds allow clients to delegate the work involved in selecting and monitoring other fund managers and can help minimise volatility, because the assets are spread across different managers and sectors of the market.

Our active funds that invest directly in equities and bonds enable clients to delegate all security selection to our investment professionals. These funds generally have a lower cost than multi-manager funds and can perform better if their managers pick the right stocks. However, they can also be more volatile, which can result in greater performance dispersion relative to their multi-manager peers.

As we offer all three different investment styles, our costs vary substantially across the fund range. In the table on the next page, we have included a cost comparison for our funds, relative to the average of their IA sector peer group. Eight of our funds compare favourably with the market and are highlighted in green, including our three active-passive funds and four of the six direct funds. Our two other direct funds – Sustainable Bond and Diversified Income are now slightly above their sector average as are our four Managed (multi-manager) funds. These are highlighted in amber. For reference, we have also included a weighted average cost for the Close funds relative to IA median for each of our three core IA sectors, 20-60% Equity, 40-85% Equity and Flexible Investment. This indicates that on an aggregate basis, investors in our funds are paying less than the median for the comparator sectors.

We are comfortable that, despite the Managed range being above the peer group in overall cost, the funds provide value for money as the majority of the costs are from the underlying securities and these are negotiated and controlled by the manager as much as possible.

Cost comparison – CBAM funds versus IA sector comparator

Investment style	Category	Published OCF (ongoing cost of funds)	IA Median	Relative
	IA Sterling Corporate Bond		0.47%	
Direct	**Close Sustainable Bond Portfolio Fund**	0.48%		0.01%
	IA Sterling Strategic Bond		0.65%	
Direct	**Close Select Fixed Income Fund**	0.48%		-0.17%
	IA Mixed Asset 20-60% Equity		0.97%	
Direct	**Close Diversified Income Portfolio Fund**	1.10%		0.13%
Direct	**Close Conservative Portfolio Fund**	0.89%		-0.08%
Multi-manager	**Close Managed Income Fund**	1.20%		0.23%
Multi-manager	**Close Managed Conservative Fund**	1.16%		0.19%
Active-passive	**Close Tactical Select Passive Conservative Fund**	0.49%		-0.48%
	Weighted average cost of CBAM funds in this sector	**0.95%**		-0.02%
	IA Mixed Asset 40-85% Equity		1.00%	
Direct	**Close Balanced Portfolio Fund**	0.89%		-0.11%
Direct	**Close Sustainable Balanced Portfolio Fund**	0.91%		-0.09%
Multi-manager	**Close Managed Balanced Fund**	1.14%		0.14%
Active-passive	**Close Tactical Select Passive Balanced Fund**	0.51%		-0.49%
	Weighted average cost of CBAM funds in this sector	**0.88%**		-0.12%
	IA Flexible Investment		1.09%	
Direct	**Close Growth Portfolio Fund**	0.92%		-0.17%
Multi-manager	**Close Managed Growth Fund**	1.12%		0.03%
Active-passive	**Close Tactical Select Passive Growth Fund**	0.51%		-0.58%
Multi-manager	**Close Strategic Alpha Fund**	1.31%		0.22%
	Weighted average cost of CBAM funds in this sector	**0.91%**		-0.18%

Below the IA sector comparator. Above the sector comparator.

SOURCE FE Analytics data as at April 2022; IA sector numbers are medians of all of the funds in each sector. Table only includes X class units.

6. Comparable services

WHAT WE ARE ASSESSING

How our charges compare with those for other services we offer to clients.

ASSESSMENT

Most of the funds described in this document do not have any equivalents elsewhere within CBAM. The only current exception is for our directly invested portfolio fund range where we are the investment adviser to equivalent (white-labelled) funds belonging to an external institutional client. For these funds, we believe that the total costs to an end investor are broadly comparable with our own funds.

7. Classes of units

WHAT WE ARE ASSESSING

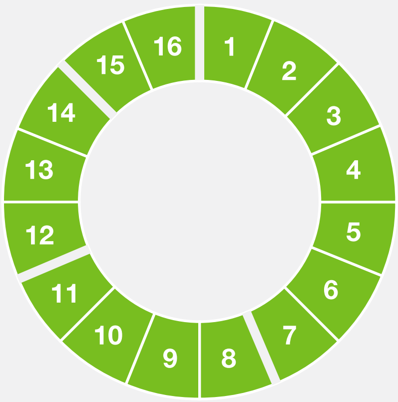
Whether it is appropriate for our unitholders to hold units in classes that are subject to higher charges than for other classes of the same scheme with substantially similar rights.

ASSESSMENT

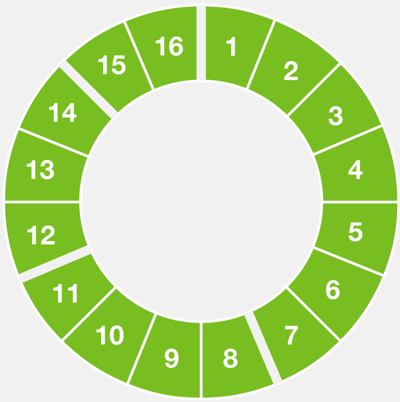
Like a number of our peers who offered funds prior to 2013, CBAM still has some legacy (pre-Retail Distribution Review) share class units. These are closed to new clients, but continue to attract small inflows from regular investors whose contracts pre-date their closure.

Following our original 2020 review, we closed 12 of these share classes. However, it proved impractical to close the remaining six legacy share classes as the majority of holders benefited from rebates which meant they were better off remaining in their legacy share class. Although we wrote to clients not benefiting from these rebates again in early 2021 inviting them to instruct a switch to the cheaper X share class, a small number still remain.

OUR ASSESSMENT OF VALUE – COMPARABLE SERVICES



OUR ASSESSMENT OF VALUE – CLASSES OF UNITS



Please refer to the table and key on page five.

8. Liquidity

WHAT WE ARE ASSESSING

The liquidity of our daily priced funds.

ASSESSMENT

Although not an FCA-defined criteria, daily traded open-ended funds can experience problems liquidating assets.

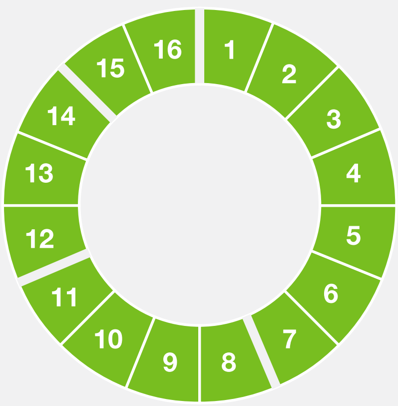
This tends to be a function of the type of assets they hold, with illiquid assets such as physical property and unquoted shares proving potentially problematic.

CBAM seeks to mitigate this risk in different ways. Examples include:

- Avoiding unquoted shares
- Using closed ended funds such as Real Estate Investment Trusts (REITS) for any property related exposure
- Closely monitoring our exposure to less liquid securities with internal limits to ensure that most of each fund's total assets are held in securities we judged to have either very high or high liquidity

This year we further strengthened our process for reviewing liquidity, testing our funds monthly against the average liquidity results from six separate simulated stressed market environments.

OUR ASSESSMENT OF VALUE – LIQUIDITY



Please refer to the table and key on page five.

9. Product Governance

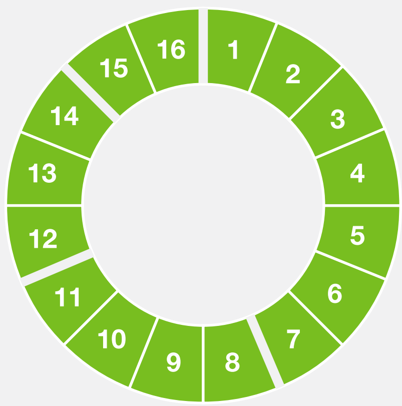
WHAT WE ARE ASSESSING

Whether our funds remain fit for purpose and are distributed in accordance with their target market.

ASSESSMENT

With the exception of Strategic Alpha, all our funds are mass-market UCITS. This means that they may be suitable for all types of investor, but that investors should still have regard to their investment priorities, risk appetite, capacity for loss and time horizon for investing. For clients unfamiliar with investing, we would recommend the use of an adviser to help decide which of these funds best meets their needs. However, our assessment indicates that all of our funds are being distributed appropriately across our different sales channels, both internal and external.

OUR ASSESSMENT OF VALUE – PRODUCT GOVERNANCE



CBAM6634. July 2022.