



Quilter Investors Assessment of Value report 2021

*Assessment as at 31 March 2021 for
multi-asset portfolio solutions*

Publication date 30 July 2021

Quilter
Investors

This report is an assessment of Quilter Investors’ multi-asset portfolio solutions

We also operate a range of funds where we have outsourced the investment management to specialist external managers. To simplify this report, we have published a separate report on these funds, which you can access [here](#).



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Welcome to Quilter Investors’ second annual Assessment of Value report. This report has been compiled in line with the requirements set out by our industry regulator, the Financial Conduct Authority.

In September 2019, the Financial Conduct Authority introduced a requirement for all investment companies to produce an Assessment of Value report to help their investors determine whether the products in which they are invested represent value for money.

We recognised at the time that the Assessment of Value (AoV) process would fall short of its potential if it was limited to an annual exercise. Instead, we chose to embrace the ideals it represents, and the monitoring it requires, as a permanent and ongoing part of our business culture.

The benefits of this approach continue to be felt across our business. Despite the unprecedented challenges presented over the last 12 months, both to the way in which we do business and how we live our lives, Quilter Investors has shown tremendous resilience.

At the investment level, our portfolio managers as a whole demonstrated great expertise in navigating through the volatile market conditions and capturing much of the upside on offer as markets moved back into recovery mode.

Consequently, I’m delighted to report that this year’s AoV report once again confirms that, based on the Financial Conduct Authority’s seven pillars, our funds continue to provide value. The majority of our funds have delivered against their investment objectives over the long-term (five years). While shorter-term performance has, in some instances, been mixed, I’ve been impressed with the speed at which this has been identified and the range of options generated to address any issues that have arisen as a result.

The focus this year was on building on the areas for improvement that we identified in last year’s report and driving progress to further improve performance, service and value. We took a number of actions over the last 12 months, including:

- Strengthening our investment team with the appointment of an experienced multi-asset manager as the new chief investment officer (CIO) of Quilter Investors. Part of the role of the CIO is the embedding of the value assessment into our various internal investment forums and committees, enabling it to become a key part of our business decision-making.
- Investment into our environmental, social and governance (ESG) investment capabilities, growing out the team and bringing powerful new systems capabilities online. During the year, we published our first annual ESG report covering our responsible investment, engagement and voting activities.
- Completion of three fund mergers as we moved investors from our Generation range into our Monthly Income range of portfolios.
- Continued review of our share classes to ensure that all shareholders are holding the most appropriate share classes available to them at the lowest cost for each fund.

- Regular review of our charges and the subsequent reduction in the charges for our Quilter Investors Cirilium Passive Portfolios as part of sharing economies of scale.

Elsewhere, we have strengthened our Board with the appointment of Sarah Fromson as an additional independent Non-executive Director. Sarah also chairs the Investment Oversight Committee and brings a wealth of investment management industry experience to the role.

We continue to strive to improve the way in which we communicate and this publication is no exception. This year’s report includes the introduction of a new scoring table, and a glossary aimed at improving the accessibility of the information we provide.

While our results demonstrate that the vast majority of our funds are delivering value, we are not complacent. We continually aim to enhance how we assess and deliver value for our investors.

The following report details our approach, findings and actions for the period.

What this report covers

This report contains details of the Assessment of Value completed on the 24 multi-asset funds listed in the table below that are managed by Quilter Investors. Our multi-asset funds are designed to offer a broad choice of outcomes at different diversification and risk levels, to meet our investors’ investment objectives. Our funds provide global diversification and invest across a range of asset classes including equities, bonds and alternatives.

This report covers the assessment as at 31 March 2021. The assessment was conducted at fund and share class level, however, for simplicity, we have summarised the results in this report at the fund level.

Funds covered by this report
Quilter Investors Cirilium Conservative Portfolio
Quilter Investors Cirilium Balanced Portfolio
Quilter Investors Cirilium Moderate Portfolio
Quilter Investors Cirilium Dynamic Portfolio
Quilter Investors Cirilium Adventurous Portfolio

Quilter Investors Cirilium Conservative Blend Portfolio
Quilter Investors Cirilium Balanced Blend Portfolio
Quilter Investors Cirilium Moderate Blend Portfolio
Quilter Investors Cirilium Dynamic Blend Portfolio
Quilter Investors Cirilium Adventurous Blend Portfolio

Quilter Investors Cirilium Conservative Passive Portfolio
Quilter Investors Cirilium Balanced Passive Portfolio
Quilter Investors Cirilium Moderate Passive Portfolio
Quilter Investors Cirilium Dynamic Passive Portfolio
Quilter Investors Cirilium Adventurous Passive Portfolio

Quilter Investors Creation Conservative Portfolio
Quilter Investors Creation Balanced Portfolio
Quilter Investors Creation Moderate Portfolio
Quilter Investors Creation Dynamic Portfolio
Quilter Investors Creation Adventurous Portfolio

Funds covered by this report
Quilter Investors Diversified Portfolio
Quilter Investors Monthly Income Portfolio
Quilter Investors Monthly Income and Growth Portfolio
Quilter Investors Strategic Bond Fund

The following funds were merged into other funds during the assessment period and are therefore not covered in this report.

Funds not covered by this report
Quilter Investors Generation CPI+ 3 Portfolio
Quilter Investors Generation CPI+ 4 Portfolio
Quilter Investors Generation CPI+ 5 Portfolio

To access all current literature on our multi-asset portfolio solutions, please visit our literature library.
www.quilterinvestors.com/literature-library

Meet the Board of Quilter Investors

Our Board is ultimately responsible for ensuring that all of our funds are run in the interests of our investors.

We have always been a strong advocate for the inclusion of independent Non-executive Directors at Board level as a way to ensure that our investors' best interests are always represented. Indeed, in 2018 we took the opportunity to add an additional Non-executive Director, some time before it became a regulatory requirement to do so.



Tim Breedon
Chairman

Tim has had a distinguished career in financial services, with past appointments including Group Chief Executive of Legal & General, being a Member of the Takeover Panel, and holding Non-executive Director roles with the Association of British Insurers and the Financial Reporting Council. Tim is an experienced Non-executive Director and committee member, having sat on the Board and committees of Barclays plc for a number of years.

As a former CEO of a FTSE 100 company operating in the UK long-term savings market, Tim will provide challenge, advice and support to Quilter management on business performance and decision-making.

Tim is currently a Non-executive Director of Barclays plc and Barclays Bank plc, chairing the Board Risk Committee and is a member of the Board Audit Committee, Board Nomination Committee and Board Remuneration Committee. He is also Chairman of Apax Global Alpha Limited.



Richard Skelt
Independent Non-executive Director

Richard was appointed to our Board in March 2020. He brings considerable investment management experience with a deep understanding of multi-asset investing, having helped build Fidelity's investment solutions group into a \$45bn (assets under management) business.

Richard spent 23 years at Fidelity where he held a number of senior leadership roles within the investment solutions group. He spent 18 years as a portfolio manager, where he managed multi-asset funds and proposed and managed new multi-asset solutions.

In his role as co-head of the investment solutions group at Fidelity, Richard formalised the strategic asset allocation process, created a third-party research team and launched a number of new investment products. He went on to become Chief Investment Officer (CIO) there, before subsequently becoming Head of Investment, where he was responsible for oversight of all investment while providing investment leadership for the team. Richard has a BA in Biochemistry from Oxford University and an MBA from London Business School.



Sarah Fromson
Independent Non-executive Director

Sarah brings a 30 year career in the investment management industry, including senior Chief Investment Risk Officer roles at RBS Asset Management (and formerly at Coutts) and, most recently, at The Wellcome Trust, where her role spanned investment and operational risks. She stepped down from her executive career in September 2019 and is currently a Non-executive Director and Chair of the Audit Committee of asset management firm Arrowstreet Capital; Chair of JP Morgan's £350m+ Global Emerging Markets Income Trust; Chair at venture capital trust Baronsmead Second Venture Trust; and a Trustee Director of the Wellcome Trust Pension Plan and that of its subsidiary Genome Research Ltd. Sarah is also Chair of the Investment Committee of Capital Generation Partners, a high-net-worth family wealth management office.



Steven Levin
Chief Executive Officer

Steven has extensive experience in developing and distributing financial products, as well as in asset management and investments. Steven has been CEO of Quilter Investment Platform Limited (Old Mutual Wealth) since October 2015 and was instrumental in leading the implementation of the new platform technology. He was appointed CEO of Quilter Investors on 1 April 2021. Prior roles include Global Head of Distribution and Managing Director of Skandia International (now Quilter International). He also served as Product & Proposition Director for Old Mutual in South Africa and globally for Old Mutual plc. Steven is a qualified Actuary and a Chartered Financial Analyst.






Dean Bowden
Managing Director

Dean is Managing Director of Quilter Investors having been appointed to the newly-created role in November 2019. He joined Skandia Investment Group in 2007 and held several senior management positions as the business transformed to become Old Mutual Global Investors (OMGI). In 2015 he was appointed OMGI's Proposition and Commercial Director, before becoming Chief Commercial Officer at Quilter Investors upon its formation in 2018. Dean is a fellow of the Chartered Institute for Securities and Investment (CISI) and before joining the business spent nearly 10 years with Thesis Asset Management, where he was head of the fund-of-funds managed service and fund selection team.

Summary of assessment findings

The table below summarises the outcome of our review of each of the funds using the seven assessment criteria set by the Financial Conduct Authority (FCA). We have adopted a simple colour coded rating system to illustrate the results per fund. These results are covered in further detail in the report.

-  Offers value
-  Offers value but further review may be required
-  Action required and in progress

Funds	Quality of services	Performance	Authorised Fund Manager costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Quilter Investors Cirilium Adventurous Blend Portfolio							
Quilter Investors Cirilium Adventurous Passive Portfolio							
Quilter Investors Cirilium Adventurous Portfolio							
Quilter Investors Cirilium Balanced Blend Portfolio							
Quilter Investors Cirilium Balanced Passive Portfolio							
Quilter Investors Cirilium Balanced Portfolio							
Quilter Investors Cirilium Conservative Blend Portfolio							
Quilter Investors Cirilium Conservative Passive Portfolio							
Quilter Investors Cirilium Conservative Portfolio							
Quilter Investors Cirilium Dynamic Blend Portfolio							
Quilter Investors Cirilium Dynamic Passive Portfolio							
Quilter Investors Cirilium Dynamic Portfolio							
Quilter Investors Cirilium Moderate Blend Portfolio							
Quilter Investors Cirilium Moderate Passive Portfolio							
Quilter Investors Cirilium Moderate Portfolio							
Quilter Investors Creation Adventurous Portfolio							
Quilter Investors Creation Balanced Portfolio							
Quilter Investors Creation Conservative Portfolio							
Quilter Investors Creation Dynamic Portfolio							
Quilter Investors Creation Moderate Portfolio							
Quilter Investors Diversified Portfolio							
Quilter Investors Monthly Income and Growth Portfolio							
Quilter Investors Monthly Income Portfolio							
Quilter Investors Strategic Bond Fund							

1. Quality of services

An assessment of the range, quality and value of the services we provide to our investors.

How we define ‘value’

Our primary service offering is aimed at supporting financial advisers and investors that recommend and buy our funds via investment platforms. We have a small number of individual retail investors that have invested directly into our funds and we continue to support those investors to ensure that the services we provide are appropriate for their needs.

Our services are those that our investors receive or experience directly and indirectly. Direct services include our investment expertise, communications and customer service. Indirect services are those that are instrumental to the operation of the funds but are in most cases not directly experienced by the investor, such as legal, compliance oversight and the quality of our fund administration. This also includes those services that we have chosen to outsource to external providers.

We consider our offering to be providing value if we are providing these services, and monitoring those delegated, to a high standard.

How we assess ‘value’

To assess our services, we classified them into the following categories, each of which represents an element of our overall service proposition:

- 1. Customer experience:** We measure the services we provide throughout the various stages of an investor’s journey against a series of 50 key service metrics. These metrics measure customer service, product quality, relationship management, communications, and marketing services.
- 2. Investment management and operation of the funds:** This is a measure of the overall quality of our investment team and risk management processes. We assessed the skills and quality of the portfolio management team, our research processes, and our risk management policies and procedures.
- 3. Quality of governance and oversight:** This is a measure of the processes by which we oversee the provision of both the services that we provide ourselves and those outsourced to third parties. We also look at our oversight of product changes to ensure any decisions impacting our investors are appropriately challenged and consideration is given to good investor outcomes.

Key outcomes for this period

Customer service: Overall, our performance against the 50 service metrics was positive throughout the period. Where improvements were identified, actions to implement changes are already underway. The assessment period was challenging given the rapidly changing markets, which increased the importance of regular communication. In response, we enhanced our communications through the use of additional materials, webinars and more recently podcasts, to provide our advisers with the appropriate tools and information to serve their investors. For our direct investors we maintained our quarterly fund reporting and ensured our customer services centre was equipped to respond to client queries.

Investment management and operation of the funds: Quilter Investors is a well-capitalised business with a strong core resource dedicated to investment management, risk and compliance. During the pandemic and the resulting changes in working patterns, our fund operations and risk management teams were able to ensure that our services to investors, both directly and indirectly, were not interrupted. All funds maintained their liquidity during the period and no funds were suspended despite the volatile market conditions.

In the past year we have published our Responsible Investment Policy and annual ESG report. Our website has also been updated to provide enhanced resources and information for investors to better understand how we are integrating ESG into our investment processes and, more importantly what it means for them.

Quality of governance and oversight: Our outsourced provider governance processes are robust. We actively interact with third party suppliers to set service standards and report on these standards regularly. This includes on-site visits (where possible) and annual due diligence reviews. Internally we have a defined governance framework to ensure that all product changes are reviewed and approved to safeguard good customer outcomes.

How we are improving

Our review identified that, while we are providing value in a number of areas, we can improve this further. For example some funds have an extensive suite of marketing materials and factsheets, however, a less extensive service suite is provided for other funds. We intend to review this further to identify where we can make improvements. We have marked these funds as amber in our assessment findings on page six.

While we have started our journey in terms of developing and implementing our responsible investment approach across Quilter Investors, our primary focus remains making sure that the solutions we offer, best meet the needs of our investors in a rapidly evolving landscape. This means considering the wider impact of our investments in helping to secure a more sustainable future, in addition to delivering the desired investment outcomes.

Looking forward, the further integration of ESG into our investment process and service offering will form a key part of our assessment across all parts of the business.

2. Performance

An assessment of the performance of our funds (after charges¹) relative to each fund’s investment objective, policy and target benchmark or performance comparator.

How we define ‘value’

A fund is considered to be providing value if it has met its investment objective, been managed consistently to its policy and strategy, and performed well against its target benchmark or performance comparator (where relevant) after charges².

How we assess ‘value’

Our assessment looks at various elements that collectively contribute to the fund’s overall outcome including:

- **Appropriate time period:** Our funds have been designed for investors with a medium to long-term investment horizon. Our focus is typically on the fund’s five-year performance up to 31 March 2021 or since launch if that is less. To evaluate whether performance has been consistent over varying market cycles and conditions, we also look at rolling returns from the fund launch date.
- **Fund objective:** Fund objectives usually include an aim to generate capital growth, income or to outperform a target benchmark. We assess whether each of the funds is meeting its objective and fulfilling investors’ expectations.
- **Level of risk:** Where appropriate, we measure whether the funds have been managed in line with their target volatility levels.

- **Performance comparator/benchmark:** For those funds with a performance comparator or benchmark, we look at whether the fund has performed against it. Performance comparators are typically the average performance of the appropriate Investment Association (IA) Sector. Benchmarks are usually a market index or peer group to which a fund’s performance is targeted. Our Cirilium Passive Portfolios are not managed in relation to a performance comparator or benchmark. For these funds, we demonstrate value by delivering against the funds’ objectives, which are to achieve capital growth within defined volatility bands. We measure the funds’ capital growth against cash to demonstrate the benefits of investing over holding money in a bank account.
- **Fund strategy:** This is the investment approach the fund offers. For our multi-asset funds this may be investing in strategies run by high quality active managers or, in the case of the Monthly Income Portfolios, providing smoothed monthly income. We measure whether the fund has delivered its strategy in line with the investment policy and investment style.
- **Future performance expectations:** We consider whether the fund is being managed and is positioned appropriately to continue to deliver its objective. In doing this, we look at not only our investment processes, but also at our confidence in the approach and ability of our investment team to deliver on all our funds’ investment objectives in the future.

The key outcomes of our assessment for this period

Our focus this year was about building on the commitment made in our 2020 report to ensure our funds continue to deliver value.

Based on our assessment of the 24 funds in this report we concluded:

- 17 funds (71%) delivered their primary investment objectives of capital growth and long-term out-performance relative to their performance comparator/benchmark. Seven of the funds were launched in 2019 and therefore have a track record less than the minimum recommended holding period of five years.
- Five funds (21%) delivered their primary investment objectives, however their long-term performance relative to their performance comparator/ benchmark was below the anticipated level. Action has already been taken to address this and we will continue to monitor these funds closely.
- Two funds (8%) have been flagged as requiring action based on their overall long-term performance. Action has already been taken on both funds, and while we have seen short-term performance improvement, we continue to closely monitor them in conjunction with the portfolio managers.

Our findings for each of the funds are provided overleaf.

How we are improving

We acknowledge that sometimes funds may underperform. Where this is the case our focus is on what measures we need to take to deliver value for investors in the future.

In last year’s assessment we reported that 11 of our funds were performing below the anticipated level and we identified corrective actions. Since then, we have completed the merger of three of these funds (Generation CPI+ 3 Portfolio, Generation CPI+4 Portfolio, and Generation CPI+5 Portfolio) into others within our range.

¹ Includes all charges as outlined in the fund prospectuses and includes the transaction costs of buying and selling investments within the funds.
² The specific details for each fund, including the investment policy, objectives and charges, are explained in the Key Investor Information Documentation (KIID) available on the Quilter Investors website. Fund performance is also available in the KIID.

2. Performance (Continued)

Funds	Assessment outcome
<p>Quilter Investors</p> <ul style="list-style-type: none">– Cirilium Conservative Portfolio– Cirilium Balanced Portfolio– Cirilium Moderate Portfolio– Cirilium Dynamic Portfolio– Cirilium Adventurous Portfolio	<p>The funds aim to achieve capital growth over a minimum recommended holding period of five years or more, by investing in a diversified range of assets whilst operating within defined volatility ranges. The performance of each of the funds is compared to the average performance relative to peers in the relevant IA Sectors (performance comparators).</p> <p>How did the funds perform?</p> <ul style="list-style-type: none">– Over the five-year period to 31 March 2021, the funds achieved their primary growth objectives within the defined volatility ranges and outperformed their respective performance comparators after charges.– Over rolling five-year periods since launch, the funds outperformed their respective performance comparators at least 89% of the time (Class R), and 68% of the time (Class A). This result demonstrates consistent outperformance relative to peers across most market cycles.– The Cirilium Adventurous Portfolio was launched in 2017 and therefore has a track record shorter than the minimum recommended holding period of five years. From launch to 31 March 2021, both share classes achieved their primary growth objectives within the defined volatility range. In the 12-month period since the last report, the fund performance has been positive, and both share classes have outperformed the performance comparator. <p>Our assessment concluded that the funds have provided value to investors by delivering against their primary objectives. The funds have also consistently outperformed their performance comparators over rolling five-year periods since launch. We will continue to assess the performance of the Cirilium Adventurous Portfolio, as its track record develops, over the five-year minimum recommended holding period.</p>
<p>Quilter Investors</p> <ul style="list-style-type: none">– Cirilium Conservative Blend Portfolio– Cirilium Balanced Blend Portfolio– Cirilium Moderate Blend Portfolio– Cirilium Dynamic Blend Portfolio– Cirilium Adventurous Blend Portfolio	<p>The funds aim to achieve capital growth over a minimum recommended holding period of five years or more, by investing in a diversified range of assets whilst operating within defined volatility ranges. The performance of each of the funds is compared to the average performance relative to peers in the relevant IA Sectors (performance comparators).</p> <p>How did the funds perform?</p> <ul style="list-style-type: none">– The funds were launched in July 2019 and therefore have a track record shorter than the minimum recommended holding period of five years.– Since launch to 31 March 2021, the funds achieved their primary growth objectives within the defined volatility ranges and outperformed their respective performance comparators (Class U1) after charges.– Looking forward, given the portfolio manager’s experience and record, we have confidence that the funds can meet their stated objectives in line with, or above, their respective performance comparators. <p>Our assessment concluded that the funds have provided value to investors by delivering against their primary objectives. We note that the funds do not have a long track record, however we maintain conviction in the investment team processes and portfolio manager. We will continue to assess the performance of the funds, as their track record develops, over the five-year minimum recommended holding period.</p>

2. Performance (Continued)

Funds	Assessment outcome
<p>Quilter Investors</p> <ul style="list-style-type: none">– Cirilium Conservative Passive Portfolio– Cirilium Balanced Passive Portfolio– Cirilium Moderate Passive Portfolio– Cirilium Dynamic Passive Portfolio– Cirilium Adventurous Passive Portfolio	<p>The funds aim to achieve capital growth over a minimum recommended holding period of five years or more, by investing in a diversified range of assets whilst operating within defined volatility ranges. The funds do not have a performance comparator therefore performance was measured based on the achievement of their investment objectives.</p> <p>How did the funds perform?</p> <ul style="list-style-type: none">– Over the five-year period up to 31 March 2021, the funds achieved their primary growth objectives and were managed within the defined volatility ranges.– In seeking to achieve their objectives, the funds invest in a range of passive investments, including exchange traded and index tracking funds. Over the five-year period (across the five risk levels) the funds generated returns in excess of cash of between 26% (Cirilium Conservative Passive Portfolio) to 63% (Cirilium Dynamic Passive Portfolio) after charges.– The Cirilium Adventurous Passive Portfolio was launched in 2017 and our assessment was therefore based on the period from launch. Since launch the fund generated returns in excess of cash of 46%. <p>Our assessment concluded that the funds have provided value to investors by delivering against their primary objectives in line with their passive investment style. We will continue to assess the performance of the Cirilium Adventurous Passive Portfolio, as its track record develops, over the five-year minimum recommended holding period.</p>
<p>Quilter Investors</p> <ul style="list-style-type: none">– Monthly Income Portfolio– Monthly Income and Growth Portfolio	<p>The funds aim to provide income and capital growth¹ over a minimum recommended holding period of five years or more, whilst operating within defined volatility ranges. The performance of each of the funds is compared to the average performance relative to peers in the relevant IA Sectors (performance comparators).</p> <p>How did the funds perform?</p> <ul style="list-style-type: none">– The funds were launched in July 2019 and therefore have a track record less than the minimum recommended holding period of five years.– Since launch to 31 March 2021 all of the share classes of the funds delivered their income objective and were managed within their defined volatility ranges. In delivering their income objectives, both funds were able to deliver a higher level of income than was forecasted, in a smoothed manner, ensuring regular payments to investors.– During this period, the funds underperformed the performance comparators after charges. Income focused investment approaches did not fare well in last year’s economic environment, with many companies forced to cut or suspend dividends. Both funds also suffered from a portfolio tilt towards value holdings, which generally tend to provide higher dividend yields, but over the last 12 months also underperformed. As the economy unlocks the expectation is that companies will reinstate or increase dividends, and the overall expectation is for the funds to pay higher dividends than observed in the year preceding 31 March 2021, but at a lower level than pre-covid market conditions. <p>Our assessment concluded that the funds have provided value to investors by delivering against their primary objectives. Despite the short-term performance, we remain comfortable that the actions being taken to improve performance are appropriate and will assist the funds in delivering value over the long-term. We will continue to assess the funds, as their performance track record develops, over the five-year minimum recommended holding period.</p> <p><i>¹ For the Quilter Investors Monthly Income Fund the objective is income with the ‘potential’ of some capital growth.</i></p>

2. Performance (Continued)

Funds	Assessment outcome
<p>Quilter Investors</p> <ul style="list-style-type: none">– Creation Conservative Portfolio– Creation Balanced Portfolio– Creation Dynamic Portfolio– Creation Moderate Portfolio– Creation Adventurous Portfolio	<p>The funds aim to achieve capital growth over a minimum recommended holding period of five years or more, by investing in a diversified range of assets whilst operating within defined volatility ranges. The performance of each of the funds is compared to the average performance relative to peers in the relevant IA Sectors (performance comparators).</p> <p>How did the funds perform?</p> <ul style="list-style-type: none">– Over the five-year period up to 31 March 2021 the funds achieved their primary growth objectives within the defined volatility ranges.– In the last five years, all of the funds underperformed their respective performance comparators. The weightings in the portfolio that had a value orientation fared less well than others, impacting overall portfolio returns. Value investing targets shares in companies that the portfolio manager believes are of good quality, but which have been overlooked by the market and are trading at a significant discount to their intrinsic or ‘book’ value. This style of investment approach did not fare as well as some other strategies, particularly in 2020.– In our last report, we explained that we had appointed a new portfolio manager to the fund in April 2019. While we have seen the funds’ performance improve as a result, we expect that it will take time to achieve more positive results from this change.– Over the short-term, the portfolio manager has removed or reduced exposure to funds that have failed to meet expectations and continues to diversify the portfolios’ exposure in line with the investment policy. In the 12-month period subsequent to last year’s report, all of the funds have generated returns after charges above their performance comparators. <p>Our assessment concluded that the funds have delivered their primary objectives, however their long-term performance against the performance comparators is below the anticipated level of value. We will continue to closely review the funds to assess any further changes that can be made.</p>
<p>Quilter Investors</p> <ul style="list-style-type: none">– Diversified Portfolio	<p>The fund aims to provide capital growth by outperforming the annual rate of the UK Consumer Price Index (CPI) by 4%, net of charges, over rolling seven-year periods. In addition, the fund also has a performance comparator (IA Mixed Investment 20-60% Shares Sector average performance).</p> <p>How did the fund perform?</p> <ul style="list-style-type: none">– Over the seven-year period up to 31 March 2021 the fund generated a lower return than its target benchmark after charges, and underperformed its performance comparator including over rolling seven years since launch.– On a discrete annual basis, over the past seven years ending 2020, the fund matched or exceeded the CPI+4% target for four out of the seven years. Despite this however, the excess return in the up years did not fully negate the shortfall in the down years, leading to the overall underperformance for the period.– In our last report, we explained that we had appointed a new portfolio manager to the fund in April 2019. While we have seen the fund’s performance improve, as a result, we expect that it will take time to achieve more positive results from this change.– Over the short-term, the portfolio manager has removed or reduced exposure to funds that have failed to meet expectations and continues to diversify the portfolio’s exposure in line with the investment policy. <p>Our assessment concluded that while the fund has achieved capital growth over the seven-year period, it has not achieved its target benchmark and is below the anticipated level of value. We will continue to closely review the fund’s performance to assess any further changes that can be made.</p>

2. Performance (Continued)

Funds	Assessment outcome
<p>Quilter Investors</p> <p>– Quilter Investors Strategic Bond Fund</p>	<p>This fund aims to provide capital growth and income over a minimum recommended holding period of five years or more by investing in collective investment schemes that provide a diversified global portfolio of debt securities.</p> <p>How did the fund perform?</p> <ul style="list-style-type: none">– Over the five-year period to 31 March 2021, the fund achieved its total return objectives in line with the investment policy and active investment style.– As at 31 March 2021, the fund's overall performance after charges was behind the performance comparator (IA Sterling Strategic Bond sector average performance). The past 12 months have been challenging for the fund as income focused investment approaches did not fare well in the post-covid economic environment.– In our last report, we explained that we had appointed a new portfolio manager to the fund in April 2019. While we have seen the fund's performance improve as a result, we expect that it will take time to achieve more positive results from this change.– Over the short-term, the portfolio manager has removed or reduced exposure to funds that have failed to meet expectations and increased exposures to managers that we believe will perform well in the future. Changes have also been made, including an increased allocation to absolute return strategies and a reduction in interest rate risk. It is anticipated that these changes will help improve long-term fund performance. <p>Our assessment concluded that the fund has delivered its primary objective, however its long-term performance against its performance comparator is below the anticipated level of value. We will continue to closely review the fund and engage with the portfolio manager to assess any further changes that can be made.</p>

3. Authorised fund manager costs

An assessment of the costs of providing relevant services (such as fund management and administration) and whether the overall charges paid by investors are reasonable when compared to these costs.

How we define ‘value’

We consider we have delivered value when we can demonstrate that the component costs that make up the ongoing charges figure (OCF) are reasonable compared to the actual charges paid by investors for the service itself.

How we assess ‘value’

We reviewed the component costs that investors pay and assessed their reasonableness compared to the overall level of service provided. Component costs include:

- **Administration Costs:** such as transfer agency, custody and fund accounting (which have been outsourced to third-party providers).
- **Investment costs:** associated with investing in other funds.
- **Rebates:** which are paid to distributors on specific share classes; and
- **Quilter Investors’ management charges:** which cover our centralised corporate costs in operating each fund.

Where any of these costs relate to a third-party supplier, we also looked at how we review our outsourced arrangements, to ensure investors are benefiting from getting competitive rates.

The key outcomes of our assessment for this period

Our assessment concluded that each of the component costs were appropriate relative to the overall charge paid by investors. These costs are disclosed to investors in the Key Investor Information Documents (as the OCF figure), which are available on our website.

Our investment costs are reasonable based on the fund style (i.e. active/passive) and appropriate to allow the fund to deliver its investment objective in line with any target benchmark or performance comparator. We closely monitor our investment costs to ensure that they are a fair reflection of the actual costs of investing efficiently.

The costs of fund administration are regularly assessed, and we have a robust process in place to ensure they are benchmarked to other providers and renegotiated periodically. During the period, our transfer agency costs were reviewed by an independent agency and determined to be competitively priced compared to other suppliers.

Our corporate costs, which include items such as rent, marketing and hardware, are regularly monitored. Those corporate costs that we share with the wider Quilter group (centralised costs) are also reviewed by our Board to ensure that they are appropriate and reasonable.

Our rebate payments are of an appropriate level based on the size of the investment being made. Rebate arrangements attract distributors, increasing the overall fund size, which benefits all investors.

How we are improving

Effective management of costs is a key requirement for providing value to investors. We will continue to monitor all of our costs and our resulting charges and will reduce these charges where we find opportunities to pass savings on to investors. To improve transparency on our costs and charges, work is also underway to improve the disclosure of fund costs and charges on product literature and our website.

4. Economies of scale

An assessment of whether we have been able to realise economies of scale and pass these onto investors.

How we define ‘value’

We define value as our ability to actively seek savings arising from economies of scale across our cost base and ensuring that, wherever possible, we share these with our investors. We do this via reduced charges or through reinvestment back into our business to enhance the processes and services that we provide to investors.

How we assess ‘value’

Alongside our assessment for the authorised fund manager costs criteria, we look at year-on-year changes in costs and ongoing trends to identify where we are realising economies and when they should be passed on to investors, or reinvested for the benefit of investors.

Economies of scale can be achieved because we are able to use the size of our business and the amount of funds we have under management to negotiate and obtain lower prices. This means that investors in all of our funds, regardless of size, can benefit, either directly or indirectly, from any realised economies of scale.

The key outcomes of our assessment for this period

Our assessment concluded that improving economies of scale is a key part of our business.

We identified economies of scale in the Cirilium Passive Portfolios as a result of their increasing AUM and were able to pass on those economies by a reduction in charges of 0.07% in February 2021.

One of the benefits of our business growth, is the ability to leverage the aggregate size of our assets to obtain better rates from third-party suppliers of services. We regularly review our material commercial arrangements to ensure we are paying competitive prices and use our scale to renegotiate rates on material contracts.

Third-party suppliers include not only service providers but other fund managers that we invest with as part of the delivery of our diversified portfolios. We have a dedicated team for reviewing and negotiating the rates we pay to access these fund managers, either by purchasing cheaper share classes or negotiating a rebate of the charges that apply to our investment.

How we are improving

Passing on charge reductions allows our investors to share in the benefits of our growth and scale. We are continually looking for opportunities to identify any economies of scale that can provide further savings to our investors.

5. Comparable market rates

An assessment of our charges compared to similar funds managed by other asset management firms.

How we define ‘value’

We consider our funds to be providing value if they have a competitive charge compared to the wider market and if that charge is reflective of the quality of the fund and the services that we provide.

How we assess ‘value’

In assessing the comparable market rates of our funds, the OCF for each share class is compared to that which investors would pay elsewhere for a similar share class and fund.

At a share class level, we considered the type of share classes that we currently offer i.e. ‘bundled’ or ‘unbundled’.

Bundled share classes are those available to a narrow group of investors that are eligible to receive a rebate. When assessing these share classes, we take into account the rebate paid to investors, to enable a comparable assessment against charges investors would pay elsewhere.

Unbundled share classes do not include any commission or rebate payments, and the OCF is assessed against comparable peer groups.

We identified comparable funds (or peers) as being those that have a similar investment objective (such as ‘income’ or

‘growth’), or a similar strategy (such as the type of assets, fund of fund), region or sector.

To ensure a thorough assessment, we also measured our funds against other funds in both the Investment Association sectors and the assigned Morningstar categories.

Using these independent sectors and categories provides different perspectives, while also ensuring that we did not just focus on the primary or cheapest share classes that are on offer.

When comparing funds to consider whether our funds provide value, it is important to recognise exactly what is on offer. For example: a diversified, actively managed, risk-targeted, capital growth fund in the case of the Quilter Investors Cirilium Portfolios or, a smoothed monthly income fund in the case of the Quilter Investors Monthly Income and Quilter Investors Monthly Income and Growth Portfolios.

The key outcomes of our assessment for this period

Our latest assessment concluded that the overall charge for investing in each of our funds remains attractive and broadly consistent with the charge for investing in comparable funds available in the market. This result is aligned with our previous year’s assessment.

We found that the charges on all of our unbundled share classes in this assessment were ranked as being competitive, relative to the average price of comparable funds in the same Investment Association sector (or other appropriate peer group). In many instances a number of these share classes were priced at the cheaper end of the spectrum, relative to their respective peer groups.

When assessed against the respective peer groups, the OCF (after rebates) of the bundled share classes were deemed reasonable. These share classes are available only to a narrow group of investors that have bespoke commercial arrangements entitling them to a rebate that reduces the full OCF.

How we are improving

We ensure that our funds remain competitively priced and that they continue to provide good value, by assessing them regularly relative to similar funds in the market. Additionally, we continue to test our offering based on feedback from distribution partners who deal directly with a broad range of competitors and end investors.

6. Comparable services

An assessment of whether any funds or services offered by any part of the Quilter group are comparable to any of Quilter Investors’ funds and whether the charges for those comparable funds or services are consistent.

How we define ‘value’

For us, value is ensuring our charges for a specific fund and share class are appropriate when compared to:

- similar funds or services that Quilter Investors may offer, and
- similar funds or services that other companies in the Quilter group may offer.

Our assessment is focused on comparing similar funds and services to those available across Quilter Investors (including the service to our Irish fund) but excludes segregated mandates. Segregated mandates are portfolios designed and run specifically for institutional clients, which are not part of our service offering. Institutional investors can still access our funds through our lower priced share classes or those paying a rebate.

How we assess ‘value’

We review whether the following features of our funds are the same or similar to other funds or services being offered:

- fund investment management style/resources;
- fund strategy (i.e. active/passive) and objectives;
- the size of the fund/service;
- the type and scope of the service(s) provided (for example, a risk-targeted multi-asset portfolio).

Where we identify comparable products or services, we measure the charges of the relevant product or service against the fund in question. Where they are not similar we have to satisfy ourselves as to why this is the case.

The key outcomes of our assessment for this period

Our latest assessment concluded that the charges levied are suitable, and that each of the funds in this report offers value compared to similar funds and services offered within the Quilter group of companies.

There are a number of partially comparable services offered by other parts of the Quilter group as well as comparable funds within Quilter Investors. These include risk-targeted multi-asset managed portfolio services that offer a similar level of service to some of our funds. For each of these, we found charges to be generally similar, but where there were differences these could be reasonably explained by taking account of the different services provided.

How we are improving

We continue to consider and monitor the charges of our funds and new or existing investment management services provided across the whole Quilter group.

7. Classes of units

An assessment of whether investors are invested in the lowest-cost share class that is available (and suitable) for them.

How we define ‘value’

We consider that we are providing good value to investors if:

- Our investors are holding the lowest-cost share class available to them; and
- We are providing a range of share classes that meet investor needs.

How we assess ‘value’

As part of our ongoing assessment, we consider the charges for each share class against the pricing of other share classes within the same fund, which enjoy similar rights. Where the rights are similar, but the charges are higher, we assess whether it is appropriate for investors to remain invested in this share class given the higher charges.

We currently offer bundled and unbundled share classes depending on the investor type and whether they are eligible to receive a rebate or not.

The main (although not the sole) focus of our review is on the bundled share classes, which are only available to a narrow group of investors who are eligible to receive a rebate.

Share class	Minimum initial investment levels <i>(varies based on fund)</i>	Share class description
Class A	£1,000	These are bundled share classes and, in all instances, the highest priced share classes on offer. The client base predominantly consists of intermediaries whose businesses remain eligible for commission or legacy business.
Class R	£5,000,000 to £15,000,000	The client base predominantly consists of intermediaries whose businesses remain eligible for commission or rebates.
Class U1 Class U2	£15,000,000 to £100,000,000	These share classes are offered to institutional investors who either satisfy the investment minimums or have agreed specific terms of business with Quilter Investors. The OCF of these share classes is lower than those for share classes A and R, considering the minimum investment size (approx. £100m +).

Outside of the above standard share classes, a number of share classes were created to facilitate investment from one fund to another as part of a fund merger (e.g. O and L share classes) or for fixed-term promotional purposes (F share class). These share classes are not intended for new business.

Given the higher cost of these share classes, our focus is around ensuring only investors with the relevant commercial arrangements (rebates) are invested in them.

A description of our share classes

Quilter Investors offers a range of share classes with varying eligibility criteria and charges to accommodate the different needs of our investors. Our share classes are designed primarily for distribution through platforms.

Share classes have different terms such as investment minimums (the minimum amount you need to invest) and different costs (how much you pay annually for your investment). Although share classes in a fund may have different investment terms, they all invest in the same portfolio of assets.

The table below is a summary of our standard share classes and an explanation of who typically invests in them:

The key outcomes of our assessment for this period¹

Our assessment concluded that the vast majority of our investors were deemed as being invested in the most appropriate share class available to them. Only 16 investors were identified who could benefit from being moved to a cheaper share class in the same fund. We have written to these investors and their share class conversions are currently in progress.

- As part of the commitment we made in our 2020 report, a further 256 investors with holdings across 13 share classes were converted from a more expensive share class to a cheaper class in the same fund during the last 12 months. The conversion provided an average saving of between 0.5%-0.75% on the OCF per annum paid by these investors.
- We have implemented additional controls in our dealing process to ensure investors are provided with access to the most appropriate share classes available to them. It is anticipated that these controls will minimise the number of investors holding share classes where a cheaper alternative is available to them.

How we are improving

Although we made measurable progress during the period under review, we continue to challenge how we assess and ensure value for our investors.

We will continue to monitor our share class offering to ensure it complements the needs of our investor base.

¹ Includes investors across all our funds, not just those covered in this report.

Glossary

Active management

A fund manager aims to achieve higher returns than the benchmark or the relevant sector they use for judging their performance by actively choosing stocks they believe will be the best performers.

Benchmark

An index or similar measure (such as the Consumer Price Index) set by Quilter Investors that is part of a target for the fund’s performance to match or exceed, and forms part of the fund objective.

Capital growth

This represents the increase in the value of the capital (or the initial amount invested). It does not include income.

Dividend

This is income that is paid by companies out of their profits and is paid to the shareholders, i.e. those who have bought shares in the company. Dividends are usually paid annually or every six months.

Financial Conduct Authority (FCA)

The FCA is a regulatory body which supervises financial services firms and is responsible for making rules and for enforcing and overseeing financial regulation. It was created by the Financial Services and Markets Act 2000. The FCA is responsible for regulating how business in retail and wholesale markets is carried out (commonly known as conduct of business). Its aim is to make sure that firms put the wellbeing of their customers at the heart of what they do. For example, the FCA oversees consumer protection and will make sure that financial markets operate with honesty.

Fixed income

A term used to describe investments such as bonds, which pay interest at a fixed rate over the term of the investment.

Fund of funds

A fund that invests in other funds rather than investing directly in assets (such as cash, bonds, shares or property) to meet its investment aim.

IA sector

IA fund categorisation into sectors based on assets, such as equities and and, in some instances, geographic focus.

Income fund

A fund that aims to pay out a higher than average income.

Index

An indicative measure of the value of a sector of shares in a market. An example of this is the FTSE 100 Index which represents the UK’s largest (or top 100) companies listed on the stock exchange by market capitalisation.

Institutional investor

A company or organisation that invests money on behalf of other people such as a life or pensions company. These investors often trade in larger amounts compared to retail investors.

Investment Association (IA)

The trade body and industry voice for UK investment managers.

Investment strategy

An asset allocation chosen to increase the probability of achieving a stated aim or outcome.

Passive investment

A style of management where a fund’s portfolio mirrors a market index.

Performance comparator

An index or peer group (such as the IA sector) against which the performance of the fund could be compared. The performance comparator does not form part of the fund’s objective.

Portfolio

A term used to describe the holdings and different types of instruments that make up your investment, for example shares, unit trusts, bonds, cash and so on.

Segregated mandate

An investment portfolio that is managed on behalf of an institutional investor.

Volatility

The movement in the price of a security. The volatility range is a target, based on long-term actuarial assumptions and funds are managed to stay within this range most of the time. The volatility range is regularly reviewed and may change from time to time due to changes in these assumptions

Weighting

This represents the percentage allocation of each sector, region or investment type in a portfolio or index.

Quilter Investors:
expertly designed
multi-asset solutions.

For more information visit quilterinvestors.com

Important information

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