

CG Asset Management

Consumer Duty – Annual Board Report

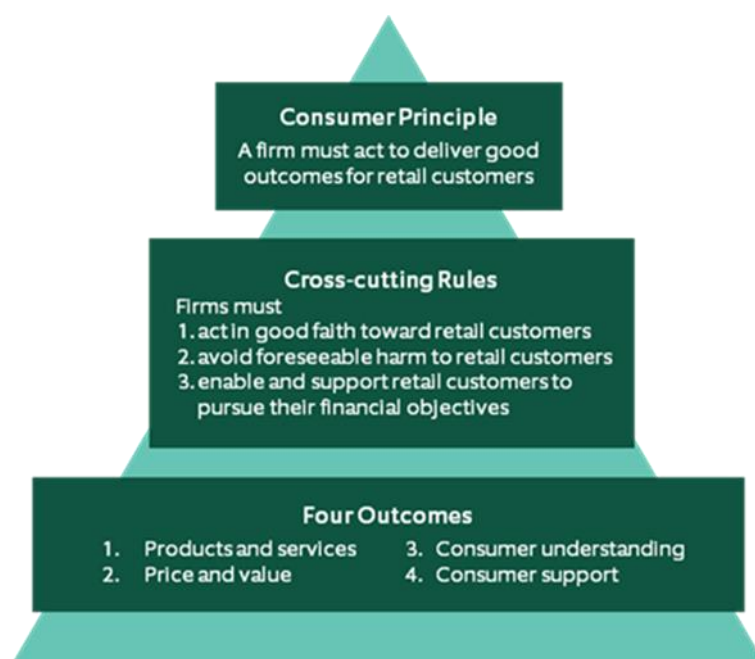
July 2024

cgam

Consumer Duty Report

1. Introduction

The FCA's Consumer Duty (the "Duty") introduced an overarching requirement (the "cross-cutting rules") for regulated activity conducted within the UK where the end consumers are classified as retail consumers/customers. The Duty aims to increase the current level of protection for consumers within the retail financial services market. The FCA's expectation from the Duty is for firms to deliver good outcomes (the "Consumer Principle") for retail customers and that it is embedded through a firm's designed consumer journey and for a firm to be able to evidence that this Principle is met. The Duty's four outcomes are demonstrated in the diagram below and expanded on within our Policy.



The FCA Consumer Duty is a critical regulatory initiative aimed at enhancing consumer protection and prioritising the interest of retail customers. This report outlines our actions in achieving the four key FCA outcomes and ensuring a culture of consumer centricity within CG Asset Management Limited ("CGAM" or "the Company" / the "Firm").

The Board is able to exercise independent judgement and offers oversight.

CGAM is the product manufacturer of Capital Gearing Trust (CGT) and the distributor of CG Portfolio Fund ICAV including all sub-funds.

In approaching this report CGAM notes that there is no FCA template. CGAM is a small fund management firm, has only two clients, is a non-complex operation, and should therefore be able to take a proportionate approach to the Duty. Furthermore, it has very limited contact with retail clients.

CGAM's role in the distribution chain is one of promoting the funds to firms and professional investors who may also be responsible for managing portfolios of other individuals/institutions. CGAM is therefore heavily reliant on others in the distribution chain for feedback from retail customers.

2. Governance, strategy, and policies.

1. Implementing Principle 12 *"a firm must act to deliver good outcomes for retail customers"*

- CGAM has a culture that places the interests of CGAM's consumers at the heart of CGAM's business decisions.
- Training and awareness programmes have been conducted to ensure that all employees understand the significance of the Consumer Duty and their responsibilities towards CGAM clients.
- CGAM ensures staff are made aware of their responsibilities under Conduct Rule 6 *"act to deliver good outcomes for retail customers"* and Principle 12.
- All relevant Conduct Rule staff have been made aware of the implementation of Conduct Rule 6. There have been no Conduct Rules Breaches in relation to Conduct Rules 6.
- Killian Buckley, as Consumer Duty Champion, has ensured that matters relevant to the Duty are raised, discussed and challenged at senior management level with records in the form of minutes recording such discussions and actions.
- Policies and procedures have been implemented which form the basis of this report on how CGAM has delivered on its obligations and are summarised in the sections below.

3. Outcomes

Please refer to Appendix A which cross checks our measurement against the Consumer Duty Four Outcomes. In summary we have concluded the following from our review of the Management Information identified in Appendix A.

Products and Services - CGAM is committed to ensuring that our fund products are suitable for our target market. A review of our fund offerings and suitability assessments have been conducted. CGAM is satisfied that:

- the design of the funds meets the needs, characteristics, and objectives of customers in the target market;
- the distribution strategy for the funds remains appropriate for the target market;
- We carry out regular reviews (through discussions with distributors) to ensure that the fund products continue to meet the needs, characteristics and objectives of the target market.

CGAM has sought information from distributors, in the form of target market reports, and shares whatever information is required by distributors. This information sharing assists us and distributors in assessing whether the four outcomes are being met. CGAM has received little direct feedback from retail investors on its products and services and has analysed various ways in which it could create more channels for such communication.

CGAM has not identified any issues which would warrant remedial action such as ceasing to launch new products, ceasing of marketing and distribution, or making changes to our marketing or distribution strategy.

Cost and Value - An in-depth analysis of fund costs and performance has been performed to ensure that the fund products continue to offer value. CGAM is satisfied that it is able to demonstrate that the benefits of its products and services are reasonable and compare favourably to peers.

Fair value considerations were also considered when designing the UK Index-Linked Bond Fund which was launched last summer. No fund changes have required an interim review and there are no instances of a fund which no longer provides fair value that would require CGAM to take action, such as decreasing management fees, closing a fund to further investment, merging funds or winding up a fund.

Consumer Understanding - CGAM has received very little information from retail investors and even less from distributors (wealth managers, managed portfolio service providers, financial advisers, brokers etc.) about their retail clients. When information or feedback from retail investors is received, this is reviewed to assess whether CGAM's fund products meet retail consumer expectations. CGAM has not identified any action necessary to address any shortcomings.

CGAM is satisfied that its communications equip consumers to make effective, timely and properly informed decisions about our fund products. CGAM is satisfied it provides consumers information they need, at the right time and presented in a way they understand. CGAM tailors its communications to professional investors, i.e. to those parties who make financial decisions on behalf of their clients, as well as to direct investors. Direct investors may include retail consumers but the communications assume that these investors are either advised by professionals or are well informed or sophisticated investors. That said, CGAM is acutely aware of the spirit of the Consumer Duty code and is endeavouring to pro-actively seek out retail investor feedback as detailed below.

As part of CGAM's review we have observed the following:

Communication and transparency

- CGAM maintains open and transparent communication with CGAM's retail consumers on those occasions where communications are directly targeted at them, such as inviting them to attend our webinars, annual investor event, or Capital Gearing Trust's AGM. Going forwards CGAM will keep a record of questions raised by retail members of the audience.
- CGAM maintains an Investor Relations (IR) mailbox, monitored and responded to by IR staff. This is our primary channel for direct communication with retail investors.
- CGAM is considering further channels for communication including (not exhaustive):
 - Paid for Research - market research can increase awareness of CGAM, extend our reach to new investors, and provide information for investors to make decisions. It also creates a new channel for retail investors to provide feedback by replying directly to published articles.
 - CGAM is in the process of finding a new PR provider and has instructed a couple of companies to conduct market research on CGAM's market perception, potentially reaching the retail market and providing useful insights.
 - Section 793 requests on Capital Gearing Trust's shareholder register to identify shareholders. Such identification exercise has the potential to give greater transparency on the register and we can ask newly identified (retail) shareholders for their consent to be directly contacted.
- CGAM's marketing material is targeted at professionals and is designed to be fair, clear, and not misleading.

CGAM has a financial promotion approval process and the financial promotion monitoring is undertaken as part of the firm's Compliance Monitoring Programme.

Consumer Support - CGAM has not identified any barriers that may hinder consumer access to its fund products. There is good availability of information on our websites.

CGAM's staff are aware of the distinction of vulnerable customers and have very little direct contact with vulnerable customers. CGAM staff assess the level of customer support needed to be provided to customers on a case by case basis.

CGAM is satisfied that the support provided to retail consumers is clear, fair and not misleading and does not stray into offering financial advice. Retail consumers are advised to either use the services of investment platforms, to seek the opinions of financial advisers, or otherwise must reach their own conclusions as to what they invest in and how to pursue their financial objectives, assuming that they can act in their own best interest.

4. Compliance

The Firm achieves compliance with the cross cutting rules by:

- *acting in good faith towards retail customers;*
- *avoiding foreseeable harm to retail customers;*
- *enabling and supporting retail customers to pursue their financial objectives.*

CGAM has not had to enact provisions of redress to address identified instances of foreseeable harm.

CGAM is committed to upholding the Consumer Duty to ensure that retail consumers receive fair treatment, and the four outcomes are delivered when dealing with retail customers. CGAM's best efforts have been made to implement the FCA consumer duty as a priority and continues to work to maintain high standards of consumer protection and ethical conduct.

Appendices

Appendix A – Consumer Duty Management Information Matrix

Consumer Outcome	Management Information	Success Measurement
<p>Outcome 1: Products and Services</p>	<p>The Monitoring determines the following:</p> <p>Identification and specification of the target market for its products which considers features that could cause harm for groups of customers with characteristics of vulnerability.</p> <p>The type of information the firm has used to consider whether products and services continue to meet the needs of customers are:</p> <ul style="list-style-type: none"> • subscriptions and redemptions • customer feedback • complaints received and the results of root-cause analysis of those complaints <p>The firm shares all necessary information with other firms in the distribution chain and receives target market reporting information.</p>	<p>Governing Body Meets Periodically to consider:</p> <ul style="list-style-type: none"> - Client demand is an indicator that the funds are understood by the client base and targeted appropriately. - No themed issues from root-cause analyses. Where themed issues are identified action is taken and reported appropriately. <p>Overall number of complaints: Nil.</p> <p>Limited retail consumer feedback received to date. Greater efforts will be made to seek and record such feedback going forwards.</p> <ul style="list-style-type: none"> - customers demonstrate a proficient level of understanding of CGAM marketing materials - Number of revoked communications for breach of consumer duty: Nil.
<p>Outcome 2 - Price and Value</p>	<p>The firm is satisfied that it is considering all relevant factors and available data as part of its fair value assessment.</p>	<p>A fair value assessment takes place at the point of approving of a new fund for distribution, or at least annually.</p> <p>The value assessments benchmark the price and value of products and services against comparable products and services in the market.</p> <p>The firm has considered the below:</p> <ul style="list-style-type: none"> • the expected fees and charges. • fund performance data. • customer complaints and root cause analyses.

	<p>The firm demonstrates that its products and services are fair value by monitoring data and taking appropriate action.</p>	<ul style="list-style-type: none"> • data about customer demands, investment behaviour and retention. • operational data. • feedback from other firms in the distribution chain regarding the value of the product. <p>Peer Review Benchmarking: The Risk Oversight & Valuations Committee concluded that all the funds currently afford fair value to consumers and that no further action is required.</p>
<p>Outcome 3 – Consumer Understanding</p>	<p>CGAM maintains open and transparent communications with retail consumers.</p> <p>Marketing material is designed to be fair, clear, and not misleading to consumers.</p> <p>Firms uses different types of data to monitor that they are meeting expectations under the consumer understanding.</p> <p>Details of products and/or services identified as causing foreseeable harm.</p>	<p>High level of clarity and accuracy of written communications.</p> <p>High level of clarity and accuracy of oral communications with customers.</p> <p>Clear presentation of fact is given and no financial advice.</p> <p>The findings from any testing of CGAM's communications:</p> <ul style="list-style-type: none"> • analysis of customer responses to communications which prompt action • relevant complaints data: Nil. • Number of Financial promotions revoked: Nil. <p>Customer and stakeholder feedback demonstrates good understanding of information provided.</p> <p>No themed issues from root-cause analyses.</p>
<p>Outcome 4 – Consumer Support</p>	<p>Details of issues identified and testing outcomes across different channels.</p>	<p>CGAM uses the following data to monitor that expectation are being met under the consumer support outcome:</p> <ul style="list-style-type: none"> • root-cause analysis of complaints; • customer retention data; • internal quality assurance; <p>Complaints and Feedback: No complaints and limited feedback to date. However, redemptions continue in the ICAV sub-funds and buybacks of CGT shares may indicate that investor</p>

	<p>Details of products / services identified as causing foreseeable harm as part of the provision of support to retail customers.</p>	<p>sentiment towards our funds is currently low. The limited feedback supports this view.</p> <p>To test that improved consumer outcomes are being delivered the firm conducts the following:</p> <ul style="list-style-type: none"> • Periodic reporting on the performance of investments to its clients. • Monitoring of fund performance to see whether it accords with our customer expectations. • CGAM is open with its customers and informs them of material changes when necessary and outlines their options. <p>Risk Management – as per requirements CGAM ensures it implements the investment strategy in accordance with the mandates in place and that systems and controls are in place to ensure that the risk profile of the funds matches the investment mandate.</p> <p>Redemptions – CGAM's documentation makes clear the redemption terms applicable to retail consumers including disclosure of any notice periods.</p>
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