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CT Universal MAP Funds

Introduction

The CT Universal Multi-Asset Portfolio range is an actively managed suite of low-cost, globally diversified, multi-asset solutions launched in November 2017. The range was originally a set of three multi asset portfolios (Cautious, Balanced and Growth) run to a set of return and volatility targets. Two more funds were launched in October 2019, run under the same investment process.

The range has been designed on three key principles:

- Risk-controlled – CPI + return expectation
- Cost focused – with an OCF capped at 0.29%
- Active – combining strategic and tactical allocations and individual stock selection.

Click here to read the Columbia Threadneedle approach to ESG investing.

Fund Range

The CT Universal MAP funds are risk managed and actively managed. The Rated range comprises:

Fund	Annualised Return Expectation	Launch Date	Volatility Parameters	OCF
Defensive Fund	CPI + 1%	October 2019	4 - 6%	0.29%
Cautious Fund	CPI + 2%	November 2017	6 - 8%	0.29%
Balanced Fund	CPI + 3%	November 2017	8 - 10%	0.29%
Growth Fund	CPI + 4%	November 2017	10 - 12%	0.29%
Adventurous Fund	CPI + 5%	October 2019	12 -14%	0.29%

Investment Process

Asset Allocation Process

The team believe that strategic and tactical asset allocation should be the main driver of returns from the portfolios and that the SAA is a long-term view which moves slowly depending upon the position in the cycle. The asset allocation framework is the output of detailed internal processes that are quantitative driven but with a qualitative overlay. The framework has no prescribed asset allocation exposure guidelines or constraints at geographical, industry or sector level and so there is no obligation to hold any asset class if the team does not find it attractive. Quants drive the SAA at the quarterly asset allocation meeting, with relative views on the attractiveness of asset classes determined at the higher global level. This is then optimized to determine the optimum allocation for a portfolio's specific remit, taking its volatility parameters into account. Inputs for the optimizer include historical volatility, correlation, and pragmatic return expectations. The results from the optimizer are then reviewed by the multi-asset team and adjustments made accordingly.

After this there are asset class meetings (equities, government bonds, credit and inflation linked bonds) to assess the relative opportunities and risks across dierent geographical regions and sub asset classes. The output of these meetings is a proposed score, in the range of ¬-5 to +5, for each asset class and region. The maximum deviation versus the strategic view is +/-¬5.

An optimisation process forms the starting point for determining the strategic allocations across nine sub-asset classes. Within the optimiser each asset has a permitted allocation range. For fixed income sub-asset classes, the range is typically 0-25%, however higher risk sub-asset classes such as high yield and emerging market debt are restricted to a maximum weighting of 5%. Equity sub asset classes have a higher permitted allocation range than individual fixed income sub-asset classes. The equity range depends on the fund, with funds that target higher volatility levels having higher permitted equity allocations. There are constraints on the maximum and minimum aggregate levels for equities and fixed income.

Inputs for the optimiser include historical volatility, correlation and pragmatic return expectations. For equities, return expectations are derived from current dividend yield and dividend growth, and fixed income expected returns are based on current yield. The optimiser is calibrated to deliver the best potential return given specific levels of volatility over the mid to long term for each fund.

The results from the optimiser are then reviewed. Having determined the optimal level of duration, beta, credit spread and inflation profile, the strategic allocation is then populated through direct holdings, securities, collective investment schemes or passive instruments.

At least every month, the tactical positions are reviewed. The formal monthly tactical process involves inputs and discussion between asset class specialists, economists and multi-asset experts. Inputs used include fundamental views and quantitative models which, after consultation, lead to a tactical output for cross asset classes (e.g. stocks versus bonds), between geographic areas for equities (e.g. US versus Europe) and between sub asset classes for fixed income. The tactical process is designed to add value by profiting from shorter term opportunities and reducing exposure to specific risks through time. These views are then integrated into the portfolios in the most efficient manner, either by physical trades or through synthetic exposures.

Investment Selection

The CT Universal range is a fettered fund of funds. Manager selection is made from internal specialist investment capabilities. If no appropriate active options are available, or no specific in-house expertise available, then the managers will use ETFs and trackers, however these are used rarely and the team looks for 'best of breed', spending time analysing performance and monitoring style factors.

The stock selection decisions for the segregated mandates and collective investment schemes are taken by the relevant investment teams using their own processes and decision-making policies. The investment teams will be trading within the investment guidelines and parameters that have been prepared by the Multi-Asset team. The team have full oversight of all positions and so can monitor each manager's trading activity and portfolios.

Our Opinion

The CT Universal MAP funds are a strong option for advisers/investors looking for a range of risk managed solution. The multi asset team is a well-resourced specialist multi-asset business, with the backing of a multinational business with offices in North America and across the globe. Although the fund range is relatively new, the investment team have been at the company for a number of years and are very experienced in running significant sums of money. The main investment team members are experienced investors with the backing of a well-resourced multi asset team. The investment process is structured but pragmatic, allowing the managers to reduce risk on a tactical basis if deemed appropriate.