

Risk Managed Funds Due Diligence Report

DUE DILIGENCE QUESTIONNAIRE

Firm Name:	Liontrust Asset Management PLC
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Date Completed:	16th April 2019
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Website and password if any:	www.verbatimassetmanagement.co.uk
Name of Fund Range:	DMS Verbatim Portfolio Acc Funds
Fund Manager:	John Husselbee and Paul Kim of Liontrust
Date Fund Manager Appointed:	VB 3 – 29 June 2016 VB 4 – 30 June 2014 VB 5 – 29 June 2016 VB 6 – 1 March 2016 VB 7 – 29 June 2016

The following is to be read in conjunction with the fund factsheets.

1.0 Objectives and Overview

1.1 OBJECTIVES

1.1.1 What are the objectives mandated to the Fund Manager?

The Liontrust Multi-Manager Multi-Asset investment process is designed to achieve two main objectives: The **first objective** is to target the outcome expected by investors in terms of the level of risk, as measured by volatility, of each model portfolio. This can enable investors to match the appropriate portfolio to their desired risk profile.

The **second objective** is to maximise the return for each model portfolio while still targeting the investor's level of risk.

These two objectives are pursued through a quantitative and qualitative approach. We use a scientific approach to target the risk outcome expected but consider the maximisation of returns to require an additional element of experience, knowledge and qualitative interpretation.

1.1.2 What are the fund's objectives within a volatile market?

The Verbatim portfolios are designed to suit different attitudes to risk, investment objectives and time horizons. The portfolios are designed and managed to deliver the outcome expected by your clients and to maximise returns for your clients' risk profiles.

Verbatim III- The Fund will use a broadly defensive investment strategy with the aim of achieving capital growth over the medium to longer term.

Verbatim IV- The Fund will use a broadly cautious managed investment strategy with the aim of achieving capital growth over the medium to longer term.

Verbatim V Income - The Fund will use a broadly cautious balanced investment strategy with the aim of achieving income with some potential for capital growth over the medium to longer term.

Verbatim V Growth - The Fund will use a broadly cautious balanced strategy with the aim of achieving capital growth over the medium to longer term.

Verbatim VI - The Fund will use a broadly balanced investment strategy with the aim of achieving capital growth over the medium to longer term.

Verbatim VII - The Fund will use a broadly growth investment strategy with the aim of achieving capital growth over the medium to longer term.

1.1.3 How is the asset allocation modelled and what variances are allowed?

The Verbatim Asset Management Investment Committee provide the long term Strategic Asset Allocation (SAA) and this is reviewed annually. The Investment Manager is permitted to manage the assets of each within the following variations:

1. A relative variation of 15%, plus or minus to the target allocation of each asset class within the SAA model or a nominal variation of 3%, plus or minus, to the target allocation of each asset class within the SAA model.
2. Permitted allocations to zero allocated asset classes and/or unrecognised asset classes within the SAA model subject to a maximum allocation of 3%
3. An overall adherence to the long term volatility target as measured like for like with the SAA model's assumed long term volatility assumptions.
4. A Broad Fit' criteria that 80% of the asset allocation is matched exactly to the SAA model meaning that the sum of the absolute differences between the Fund asset allocations to each asset class and the Benchmark allocations to each asset class should not exceed 20%.

1.1.4 What is the fund's philosophy in relation to Active/Passive management?

We will use a combination of active and passive managers within our portfolio dependent on market conditions. Exchange traded funds offer a cheap and efficient means to access indices and asset classes. They offer broad access to equity indices as well as property, gilts, gold and commodities. In addition we may focus on certain assets if the investment objective of the portfolio requires us to do so.

1.1.5 What is the fund's philosophy in relation to Strategic/Tactical asset allocation?

Our investment philosophy is built around the fundamental belief that asset allocation is the key determinant of risk, or volatility, as well as long-term portfolio returns. We believe the choice of asset class exposure drives long-term performance but that the choice of asset allocation should not be mechanical, nor based on forecasting.

We build a framework for our portfolio management by looking at historical return, risk and correlation profiles to produce the building blocks of a range of portfolios with different long-term volatilities. These Strategic Asset Allocation (SAA) assumes that the historic characteristics of the different asset classes are a reasonable assumption for their future characteristics. Whilst many of our competitors attempt to forecast future returns and volatilities to produce portfolios, we believe that these forecasts may result in flawed asset allocations. The SAA for these portfolios is derived from the Verbatim Asset Management Investment Committee and there is +/-3% Sector tolerance.

Instead of forecasting future asset returns, we overlay our historical framework with a Tactical Asset Allocation (TAA) where we take advantage of the fluctuating opportunity set available in the different asset classes. We concentrate on using a tried and tested process to formulate asset allocations that are based on valuation measures and business cycles.

1.1.6 Does the fund invest in Unregulated Collective Investment Vehicles?

No, we do not use unregulated collective investment vehicles.

1.1.7 Fettered/Unfettered philosophy

Unfettered. We predominantly invest in collective investment schemes including investment trusts. As a result, the initial investable universe includes all regulated investment trusts listed on the LSE, close ended funds, onshore and offshore open-ended collective investment schemes marketed within the UK, and exchange traded funds.

1.1.8 Fund selection process

Our fund manager selection process incorporates both quantitative and qualitative analysis.

Quantitative analysis allows us to highlight the relatively attractive opportunities that exist in the defined investment universe of approximately 5,000 funds. The objective is to identify fund managers who use an investment process that consistently outperforms an appropriate benchmark with little style drift and an appropriate level of investment risk (i.e. their returns are generated from the correct application of their investment process). The aim of this analysis is to determine if a fund's return has been generated by genuine fund manager skill or if it is more down to chance, and if the fund manager is consistent in the application of his or her investment process. Having passed through the quantitative process, the funds are then subject to a qualitative review which looks at additional characteristics and risks.

Fund size and flows - We look at the size of a fund and the degree to which the fund has recently enjoyed inflows or suffered outflows. This is becoming increasingly relevant as a smaller number of discretionary and wealth managers control an ever larger proportion of assets in the retail market. Funds can grow to a size that can detrimentally impact performance.

Investment style and style drift - We select funds and fund managers that complement each other in terms of their investment style. It is key, therefore, that the fund managers have a track record of maintaining their investment style and do not drift away from it. If they do, this is a reason for us to sell out of a fund.

Fund manager motivations - We identify the key personnel who have historically contributed to the fund's performance, whether the same people are in place to drive future performance and the impact of changes in personnel. We always meet the key individuals who are likely to have a material impact on future performance - we conduct more than 200 detailed one-to-one manager meetings each year. We place an emphasis upon understanding the motivations of a fund's key contributors. This includes the remuneration of fund managers but we also evaluate changes in the contentment and commitment of managers which can be a warning signal of a future deterioration in performance.

Our analysis has shown that many funds with headline grabbing cumulative returns have been remarkably inconsistent when analysed on a discrete basis. Often one period of extreme outperformance can mask subsequent longer-term underperformance, so we will never look at cumulative performance in isolation. We believe that the key elements that should underpin fund selection are: investment process, fund manager experience, fund manager knowledge and fund manager incentive (i.e. remuneration).

As part of the investment process, underlying funds are subject to a qualitative review process which looks at other aspects and risks of selecting the fund within one of our portfolios.

1.1.9 Approach to new fund launches/markets/sectors

The Fund Managers begin by reviewing the results from the quantitative screen and the risk analysis and then move on to discuss the current style characteristics of the fund and if that still ties up with the team's current macro-economic view. Quite often we will hold strong views on the global economy and markets and wish to select a fund that can implement these views. We then address the qualitative side of the process and investigate any possible concerns. The final step in the process is to analyse the impact that fund would have on the existing portfolio, using the external proprietary software and internal risk models.

Once acceptable management fees have been negotiated and on-going access with the fund provider, a due diligence document will be produced. This contains the fund's investment philosophy, process and historical performance, along with important information such as fund structure and size. Most importantly, it shall contain a 'Rationale for Purchase' which will demonstrate why the fund was purchased. This rationale will be revisited over time to ensure the investment thesis still holds true.

1.1.10 Accessibility to fund (products and platforms)

Please refer to the ACD or Sponsor for this information.

1.1.11 Defaqto risk score (as at specified date) – can this rating fluctuate?

Please refer to the ACD or Sponsor for this information

1.1.12 Distribution Technology's Dynamic Planner risk score (as at specified date) – can this rating fluctuate?

Risk Scoring is defined by Distribution Technology's (DT) Dynamic Planner.

2.0 Corporate Governance

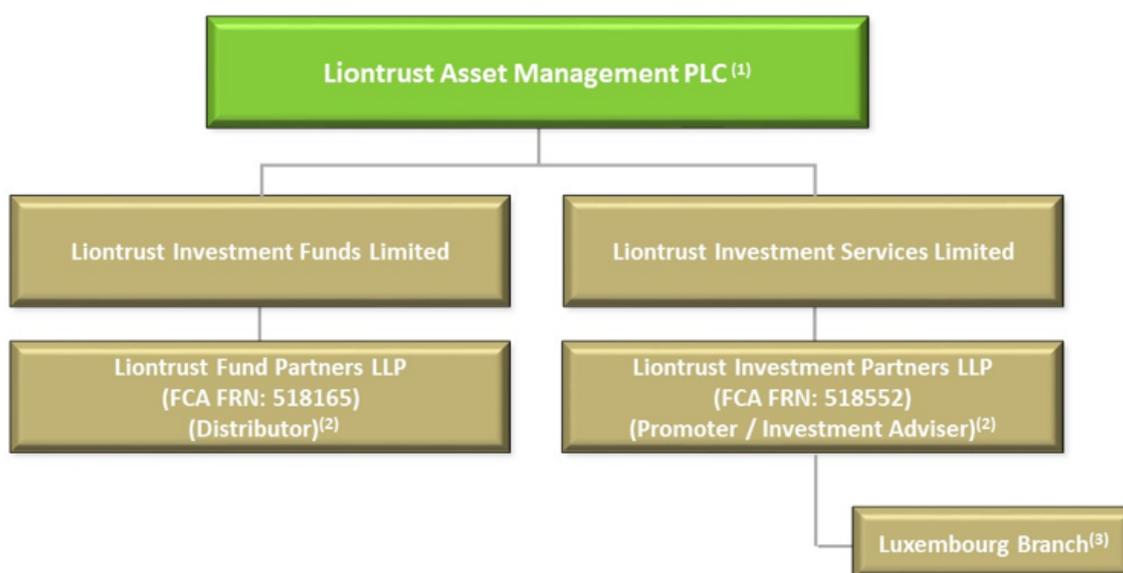
2.1 CORPORATE GOVERNANCE STRUCTURE AND POLICIES

2.1.1 Please describe your corporate structure including parent companies and subsidiaries

Liontrust Investment Partners LLP (“LIP”) is a wholly-owned subsidiary of Liontrust Asset Management PLC (the “Company” or “Liontrust”, or together with its subsidiary entities, the “Group”, as the context requires).

Liontrust is a specialist fund management company launched in 1995 and listed on the London Stock Exchange in 1999 with £12.7 billion assets under management as at 31 March 2019.

Liontrust Group Structure Chart



Subsidiaries 100% owned by Liontrust Asset Management PLC.

- (1) Premium Listing on the London Stock Exchange
- (2) Authorised and Regulated by the Financial Conduct Authority
- (3) Regulated by the Commission de Surveillance du Secteur Financier for conduct of business

2.1.2 What is the country(s) of incorporation and operation?

Liontrust Investment Partners LLP - Company number OC351668 incorporated in England and Wales.

2.2 CORPORATE STATUS AND ACTIVITIES

2.2.1 Please briefly describe your corporate status

Liontrust Asset Management PLC = Public limited company
Liontrust Investment Partners LLP = Limited liability partnership

2.2.2 Are you planning any material changes to your business, products or services?

To support and aid the continued growth of Liontrust, we have been strengthening the infrastructure of the business. We are consolidating all outsourced fund services for our UK and Ireland ranges into one provider: Bank of New York Mellon (International) Limited (BNYM). The full migration is on course to be finalised during Q2 2019.

2.3 CORPORATE RELATIONSHIPS WITH REGULATORY BODIES

2.3.1 What authorities regulate your activity?

LIP is authorised and regulated by the Financial Conduct Authority and authorised by the Central Bank of Ireland.

2.3.2 What are your authorised and regulated activities?

LIP is authorised to provide regulated products and services.

2.3.3 Has your company or any of your employees ever been censured by a regulatory body? If so, what for?

No.

3.0 Organisation

3.1 ORGANISATIONAL AND REPORTING STRUCTURE

3.1.1 Please provide details of your issue escalation process

Each internal department maintain procedures documenting what the department does and the controls around each activity undertaken. Each department is headed by senior individuals who have the necessary knowledge and experience to oversee the activities within their teams. The procedures and the internal controls are reviewed by the Compliance team as part of their Compliance Monitoring Plan. At the end of each Compliance review a report is produced detailing any findings and RAG rating the findings. The compliance reports are reviewed by senior management and minutes from these meetings are submitted to the Board.

3.1.2 To what level do issues get escalated and how quickly?

The investment operations team monitor all portfolios on a regular basis to ensure that they are within these specified limits as agreed by the PRC as well as any additional controls specified in an IMA. Where a position (or group of positions) approaches set limits, restrictions on dealing in those positions for the relevant portfolio are automatically put in place to ensure no portfolio inadvertently breaches limits. These limits are input into the Compliance Monitoring System (“CMS”) by the Compliance team, and when the centralised dealing team wish to trade on a restricted position, the rationale must be recorded and in some circumstances approved by the Compliance team before a trade may be routed on Liontrust’s Order Management System (“OMS”).

Any breaches recorded either pre-trade, post-trade or at close of business are reported to the compliance department who then manage any breaches under agreed guidelines. The Head of Risk and the Head of Compliance and Financial Crime report directly to the Chief Operating Officer and have a dotted line to the chairman of the Audit and Risk Committee to ensure there are no conflicts of interest. The Head of Risk has the power to override any trading that would result in the portfolio falling outside the pre-established risk parameters. Details of any breaches, and any corrective action taken, will be reviewed by one of the Partnership Committees of the Group whose minutes are reviewed by the Liontrust Board.

The OMS automatically checks on a regular basis for certain rules such as negative stock positions in long only funds and portfolios, trades in stocks held on a Stop List and breaches in the IMA. If any breaches are discovered then an email is automatically sent to the fund managers as well as the dealing, risk, compliance and operations teams to ensure full disclosure and appropriate measures are taken. A daily email is automatically sent ensuring all positions that are close to investment limits are highlighted to the teams along with details of all currently restricted stocks.

3.2 HR

3.2.1 Are there any issues concerning Key Personnel, which would material effect your relationship with our firm?

No.

4.0 Technology

4.1 SYSTEM FUNCTIONALITY

4.1.1 Please outline core systems and technology and the functions that support your business

Liontrust uses a suite of Portfolio and Order Management systems from Eze Software Group, a market leading system combining a Portfolio Management System (PMS), Order Management System (OMS), Execution Management System (EMS), a Compliance Monitoring System (CMS) and reporting tools. Each investment team can view their portfolios on the system and it allows the investment team to monitor the exposures each investment position of a fund has and their overall effect on a fund’s portfolio, for example the currency, sector or market cap exposures of funds at a gross and net basis.

Risk and Compliance Applications

Applications	Name of System	Vendor
Risk measures and portfolio analytics	Enterprise	Style Research / Factset / UBS Delta
Performance measurement system	Spectrum / Fin XL	WM Performance Company / Financial Express / Factset / UBS Delta
Investment Compliance Monitoring	Portfolio and Order Management Suite - Eze Software Group	Proprietary
Trade cost analysis	Liquidmetrix Works	Liquidmetrix

Middle and Back Office Applications

Applications	Name of System	Vendor
Order matching tools	Omgeo CTM. Primarily external administrators but in house system does these functions to some extent.	DTCC Bank of New York Mellon
Book keeping		
Settlement tools		
Reconciliation tools		
Accounting system		

4.2 SUPPORT AND STABILITY

4.2.1 How often are your systems subject to an independent audit?

RSM UK completed a Type 2 AAF 01/06 report for the 12 month period to 31st March 2019 which tested Liontrust's internal controls. No material exceptions were noted in the final report.

PricewaterhouseCoopers LLP conduct an annual external audit.

Multi-Asset investment process

Liontrust engaged threesixty Services to undertake an onsite risk assessment and review of relevant documentation to verify that the operation of the discretionary management service meets regulatory standards. Among other things threesixty Services have confirmed that:

- They have reviewed the investment process against regulatory standards, which includes methodology of portfolio construction, risk mapping, and benchmarks.
- They have reviewed the supervision and monitoring process against regulatory standards, including evidence of internal due diligence on third parties integral to the service.
- They have verified the experience and qualifications of key individuals.
- On the basis of what was reviewed by threesixty Services, promotional materials were a true and fair reflection of the service.

4.2.2 Have you experienced any IT failures in excess of 6 hours over the previous 6 months, 1-year, 3 years? If yes, can you provide details? How long was it before normal BAU functionality was restored?

Liontrust have never had any breaches and have an IT Security Policy which specifies update frequencies and that patches are applied to systems on a timely basis after testing where relevant. Liontrust operate on a monthly patch cycle with ad hoc critical as needed.

4.3 SYSTEM SECURITY

4.3.1 What security measures are in place to protect the integrity of your systems and stored data?

Network access is restricted to authorised personnel only and controlled by unique logons to the systems. User logons are audited and access to resources are monitored and reviewed biannually. Application access is segregated in accordance with individual roles and access to incompatible duties is restricted through access roles or/and application logons. Data interchange mechanisms with counter parties are secured using a variety of encryption protocols such as IPSec and TLS. Data is stored at the data centre with multiple layers of physical and virtual security. We employ professional services for equipment and data storage disposal to ensure data is securely wiped and the storage medium crushed to destruction.

4.3.2 How do you comply with the GDPR/Data Protection Act?

Liontrust's Data Retention Policy and Data Protection Security Policy have been updated to satisfy the Data Protection Requirements under the General Data Protection Regulations ("GDPR"). Also changes have been incorporated to cover MIFID II changes.

4.3.3 How do you ensure personnel do not use data for inappropriate purposes?

All employees undertake compulsory online training and complete a test on data protection. Enforcement of Liontrust's data retention policy is the responsibility of each line manager and periodic reviews will be carried out as part of the Liontrust Compliance Monitoring Programme.

4.3.4 What measures are in place to prevent unauthorised access to your system?

Please see the response above.

5.0 Business Continuity Plan (BCP) / Data Restore (DR)

5.1 BCP/DR ARRANGEMENTS AND POLICY

5.1.1 What is your data back-up process and when was a full data restore tested?

We did a fail over test for Investment Management systems in August 2018, we successfully ran from the alternative site for 7 days before reverting back. We have 15 dedicated seats in a recovery centre and all line managers are expected to have a member of team working from site one day a month where possible, we check the machines at site remotely on a daily basis.

5.1.2 Do you have a defined BCP/DR policy?

Yes. Our BCP policy is a business sensitive document which can be viewed on-site.

5.1.3 Have you had to invoke DR over the previous 6 months, 1-year, 3 years? If yes, what was the recovery time?

No.

5.1.4 What contingency arrangements are in place to alleviate the risk of key-person dependency?

We have a Board composition and Key Personnel Succession Plan which provides a framework consistent with the Company's Corporate Governance arrangements and guidance from the Financial Conduct Authority. In order to minimise key man risk, Liontrust ensures that each of the investment teams have at least two lead fund managers so that one is able to cover for the other at all times. Liontrust has Key Man Insurance in place for the Fund Managers, to cover the costs of replacement staff in case of death or critical illness.

To reduce the risk of Fund Manager departures, Liontrust has retention based policies around the Fund Manager's working environment, share ownership, and / or options along with a competitive remuneration package. Employment contracts require up to 12 months' notice which ensures that there would be a no sudden changes on resignations and a smooth transition to new arrangements.

5.2 ALTERNATE SITE

5.2.1 Do you have a dedicated, alternate site from which to continue your business activities?

Liontrust has detailed disaster recovery plans in place which, if implemented, would result in the company temporarily transferring its operation to a SunGard managed facility near London. Liontrust's IT infrastructure is virtualised and remotely hosted in SunGard ECS cloud environment at their data centre. Connectivity is via a MPLS network with diverse routing and auto failover. The environment is currently replicated at frequent intervals to an alternative data centre and in normal circumstances recovery would be in less than 10 minutes which gives two site resilience. Disaster recovery facilities including a recovery suite are also provided by SunGard at a third location.

5.2.2 Are there any time restrictions over how long DR facilities would be available, once invoked?

This is a dedicated site so there are no time restrictions.

5.2.3 What percentage of your activities can be realistically maintained from the site and for how long?

As we can do 95% of tasks from remote access there is only a small number of tasks (dealing for example), which need a physical desk, we could operate these tasks for a sustained period of time from the site if needed.

6.0 Legal Requirements

6.0.1 Please provide details of any ongoing or threatened litigation, arbitration, mediation or similar proceedings or disputes against the Company or employees

Not applicable.