Fiera Capital launches its Global Focused Strategy within a CCF:

Common Contractual Funds (CCFs) and how they can enhance investment returns

In the race for returns, investors in CCF structures can gain a head start by improving their tax efficiency. At a late stage in the economic cycle and against a backdrop of increased market volatility, institutional investors can save a minimum of 20 basis points by investing via this Irish pooled fund structure, which enables a look-through tax treatment.

What is a CCF?

A CCF is an Irish-regulated fund structure which enables institutional investors to pool assets within a single investment vehicle. Established by a management company, CCF funds are not open to individual retail investors but rather the structure is designed specifically for institutional investors looking to boost their returns through a tax efficient vehicle. The CCF is authorised and regulated by the Central Bank of Ireland and can be structured as a UCITS or a Qualified Investor Alternative Investment Fund (QIAIF).

Unlike traditional 'vanilla' UCITS fund or investment companies with variable capital (ICVC), CCF structures are tax transparent for investors, which makes them particularly attractive for pensions funds and other institutional investors.

Rather than being established as separate legal entities, CCF funds are unincorporated bodies that sit between a management company and its depositary. This means that for tax purposes, investors in the fund are treated as if they directly own a proportion of all underlying assets, thereby enabling institutional investors to recoup the withholding tax that would normally fall due on equity holdings.

Why Invest in a CCF?

As a result, **profits are treated as accruing or arising to the investor, rather than the fund, and are therefore tax exempt** in accordance with tax treaties in place with each investment jurisdiction. In the case of UK pension fund investors, the withholding tax rate on equities held would be determined by the UK tax treaty with the jurisdiction of the investee company, e.g. the United States.

UK pension funds have significant exposure to global equities which in turn, translates to material tax implications, particularly for holdings in US stocks; in aggregate, UK pension funds have a 29% allocation to equities, of which 69% is invested in overseas companies[2]. Global equity portfolios tend to have a significant allocation to US equities. In some cases, US allocations may comprise up to 50% of portfolio holdings, which in non-CCF fund structures would translate to an annual withholding tax payment of anywhere between 20-70bp, depending on the specific portfolio allocation.

Why the Fiera Capital Global Focused Fund as a CCF?

The Fiera Capital Common Contractual Fund has been established as a Qualified Investor Alternative Investment Fund (AIF) CCF, providing institutional investors with direct access to the benefits of asset pooling in a tax-efficient investment vehicle. **Based on Fiera Capital's existing Global Equity Focused Strategy, the fund comprises a focused portfolio of global equities, underpinned by a research-focused, high-conviction investment approach.**

Global Equity Focused Composite Performance (USD)

Annualized Returns (%)	Since Inception[1]
Composite, gross	11.39
Composite, net	10.40
MSCI World Index	6.81
Added value, gross	*4.58*
Added value, net	*3.59*

[1] 01 Sep 2014

Returns to 30 Jun 2018

Source: Fiera Capital, Eagle Performance Measurement System

Past performance is not a guarantee of future results. Inherent in any investment is the potential for loss. Gross performance results do not reflect the deduction of management fees or other expenses.

Since its launch in 2009, Fiera Capital's Global Equity franchise has been primarily available to investors in North America; the recently-established, Ireland-domiciled CCF fund provides UK institutional investors with access to Fiera Capital's Global Equity team with US$23bn of assets under management in a tax efficient structure. From inception on 1st October 2009 to 30 June 2018 the Global Equity strategy has outperformed the MSCI World Index by 4.01% per annum.

The Investment Strategy

Run by Nadim Rizk and his Montreal-based team, the portfolio's fundamental, bottom-up strategy aims to identify quality growth companies with strong and predictable free cash flow, trading on attractive valuations. Focused within 15-25 holdings over a five-year investment horizon, the team's disciplined approach has enabled the construction of a high-

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conviction portfolio which aims to both preserve and deliver strong returns on invested capital.

Investing across a broad universe of potential investment opportunities, the team initially screens for high quality companies with strong growth potential, underpinned by strong balance sheets and a minimum $1.5bn market capitalisation. The team then undertakes very detailed fundamental analysis on these screened companies, thereby gaining strong insights into a business' industry positioning, competitive advantage and sustainability, plus a demonstrated track record of consistent and high return on invested capital, a process supported by regular interaction with company management teams.

[2]PPF Purple Book, 2017
https://www.pensionprotectionfund.org.uk/Pages/ThePurpleBook.aspx

From a portfolio construction and risk management perspective, the team implements only its best ideas within the portfolio, progressively building positions gradually as the investment thesis is realised and conviction is solidified. The team furthermore constructs the high conviction portfolio by investing in companies with diversified sources of alpha, growth drivers and investment thesis.

Institutional investors can gain a head start on returns by investing in a tax-efficient CCF vehicle; the Fiera Capital Common Contractual Fund provides a 'look-through' tax capability, enabling investors - depending on the particular investor's status - to obtain tax treaty access as if they had invested directly in the underlying investment which would typically fall due on underlying profits in a non-CCF vehicle.

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