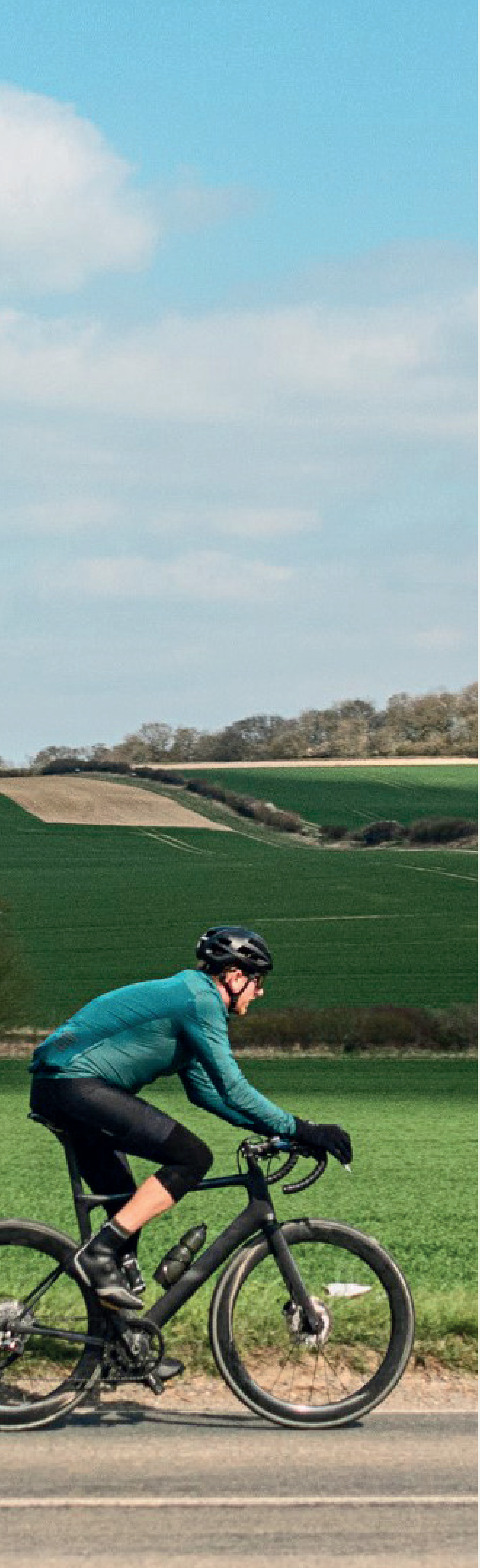
RATHBONES | Incorporating Investec Wealth & Investment (UK)

Managing your investments

Clients of financial advisers

Investec Wealth & Investment (UK) is a trading name of Investec Wealth & Investment Limited


NEWPORT
SAFFRON WALDEN



Contents

Your investments

Building trust from the start

The relationship that Investec Wealth & Investment builds with you and your adviser when you entrust us with your money is of the highest importance to us. This document sets out the steps we take when we invest our clients' money, and is designed to give you as much information as possible to help you make informed decisions. You will find more information in our series of factsheets, brochures, and in our application packs.

This document is intended to complement their advice to you and to aid your understanding of our approach to investment. If you require this document in a different format (such as large text or audio), please request this from your adviser.

Understanding you

To manage your money, we need to create an investment strategy based on your unique requirements. Our starting point is understanding your circumstances, objectives, attitude to risk, as well as the knowledge and experience you already have.

Your adviser will undertake the important role of establishing with you exactly what you need your investments to achieve, or what you would like them to achieve, and to carefully consider all of these elements to ensure any investment proposal they recommend is suitable.

They will discuss with you:

- **Circumstances** – details such as your work and family situation, age, and any upcoming life changes which can have a bearing on your future needs
- **Financial position** – they will need a summary of your assets and liabilities, income and expenditure, and your tax status
- **Needs and aspirations** – understanding your objectives and needs, and what you want your investments to achieve over a certain period of time
- **Your knowledge and experience** – they will need to assess your understanding of the risks attached to the services we offer
- **Your attitude to risk and capacity for loss** – they will also need to assess your willingness and ability to take risk in your portfolio.

The level of return you could potentially achieve will depend on how much risk you are prepared and able to take and how your investments perform. They will discuss each option with you to help determine which one would best suit your circumstances.

For charities, trusts and corporates they will need to understand the objectives as well as the capacity for loss and attitude to risk of the trustees and/or key decision makers.

Choosing the right investment objective

Depending on whether you aim to preserve or grow your investments, you can choose an option that offers:

- A balanced return from income and capital growth
- Primarily to maximise income
- Primarily to maximise capital growth.

The level of income or capital growth you could potentially achieve will depend on how much risk you are prepared to take and how well markets perform.

They will discuss each option with you to help determine which one would best suit your circumstances.

Advice status

All advice provided by IW&I will be classified as restricted but our different services have different levels of restrictions. Within our investment management service we can advise and invest in a wide range of investments in order to construct a diversified portfolio. The types of investments we offer and their associated risks are described in the section called asset class descriptions (page 29). This service will not advise on the appropriateness of products such as life policies and pensions. We are not tied to any providers, we may from time to time invest or advise on investments produced within the Rathbones Group Plc, where they are suitable.

Service descriptions

It is important that you understand the services we offer, so here is a clear explanation:

- **Discretionary portfolio management**
  This means that IW&I manages your portfolio in line with your objectives, as agreed with you and your adviser, and within your particular risk profile. IW&I has full authority at our discretion to buy and sell particular shares, funds and investments without prior reference to you, and to enter into any kind of transaction or arrangement for your account which is in line with agreed criteria. Discretionary portfolio management is preferred by most clients as it simplifies what can be a complicated investment management process and is often seen as the 'traditional' wealth management service.

Your attitude to risk

Thinking seriously about risk

When we consider investment aims, many people often think first about the potential rewards. However, your adviser will also need to have a conversation with you about risk.

This involves three aspects:

1. Your financial ability to withstand a loss of capital in your portfolio – your **capacity for loss**. Capacity for loss means the degree of loss in the value of your investment portfolio or reduction in portfolio income that you are able to accommodate without the loss resulting in a material decline in your standard of living
2. How much risk you are comfortable to take in order to meet your investment aims – your **attitude to risk**
3. How much risk you need to take in order to meet your investment aims – **the required risk level**.

It is important that the following conditions are met:

- Investing with IW&I exposes you to investment risk, which requires you to have both the capacity and willingness to accept a degree of loss of your capital; and
- The risk that you need to take to meet your investment aims (the required risk level) must not exceed the risk you are willing and/or able to take (i.e. the lower of your attitude to risk or your capacity for loss).

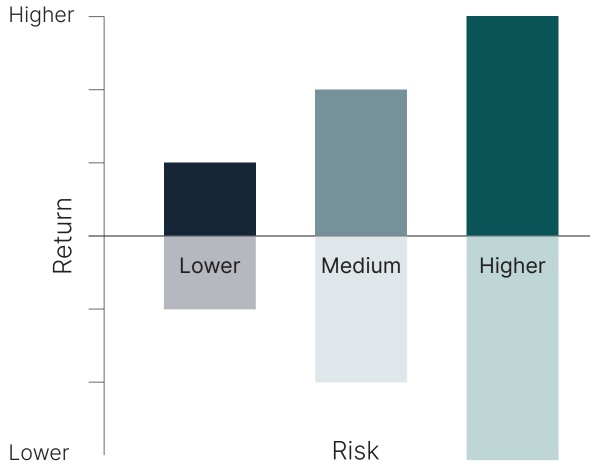
If these are not met, we may not be able to proceed, unless you are prepared to adjust your investment aims and/or accept a higher degree of risk to achieve these aims.

It is vital that you and your adviser fully explore and consider the different aspects of risk to ensure they recommend the best way forward for you. To help you in this process, please carefully consider these questions:

- How long do you want to invest your money for? Is there a particular time when you want to realise some or all of your assets?
- How do you feel about putting your money at risk? How would you feel if some or all of it was lost, even over a short period of time?
- If you did lose money, how easy would it be for you to accommodate those losses? How, for example, might it affect your family or lifestyle?

This chart provides an idea of the relationship between risk and return. It is generally accepted that your chances of receiving better returns over the long-term are improved if you are prepared and able to take more risk. However, you must be able to afford to do so.

Portfolios constructed to be low risk do not always produce the lowest returns or pose the lowest risk to your capital. Neither do high risk portfolios always lead to the greatest returns.



Choosing an appropriate level of risk for your portfolio

We understand that you may not neatly fit into one of the three levels of risk, we therefore offer five levels of risk to accommodate this:

- Low
- Low/medium
- Medium
- Medium/high
- High.

Your investment mandate

The combination of your portfolio risk level (low, low/medium, medium, medium/high or high) and any additional investment preferences you may wish to have taken into consideration, collectively define your investment mandate to your investment manager.

Managing your portfolio

Your investment manager will begin to structure your portfolio according to your investment mandate, with guidance from our Research team and following our investment process. This is overseen by our Investment Committee, which is chaired by our Chief Investment Officer.

Our Research team

Our Research team use their extensive skills and experience to seek opportunities and navigate risk in a truly global manner. They provide our investment managers with the tools and insight they need to build and manage tailored portfolios, and provide you with a high quality investment service. We have talented and experienced investment teams who select fixed income, equities and alternatives, as well as specialists in asset allocation and portfolio construction. Where we do not have the required skills and experience we blend our skills with specialist third-party managers.

Our investment process

Our investment and asset allocation committees meet regularly to review and oversee our investment process and the assets in which we invest. These committees comprise investment specialists and members of our Research team.

The process starts with a long term framework for the combination of asset classes – fixed income, equities, commercial property, alternatives, and cash – which is best aligned to your risk profile. This is called the **Strategic Asset Allocation (SAA)**.

The next stage is our **Tactical Asset Allocation (TAA)**. This is where we apply short-term deviations from our strategic framework, which reflect our views on the outlook for markets and individual asset classes. Our Our Research team conducts extensive due diligence on a range of investments in each of the asset classes, which allows us to discover opportunities as well as potential risks, such as liquidity and counterparty risk.

Asset classes

Asset classes are the way we group similar investments. These asset classes will carry different levels of expected risk and return. We have divided these into five main asset classes as referred to earlier.

- Fixed income
- Equities
- Commercial property
- Alternatives
- Cash.

Detailed descriptions of these asset classes are in the section called asset class descriptions on page 29. This section also includes details on our investment process and the risks associated with investing in each of these asset classes.

Volatility

We think of expected risk or volatility as a measure of the change in value that an investment may exhibit over time. If the price of an investment moves significantly over a short period of time, it is described as carrying high volatility. Conversely, those which are described as low volatility typically demonstrate more modest short term fluctuations in value.

When designing our strategic frameworks, our investment process looks at the typical risk and return characteristics of the five asset classes fixed income, equities, commercial property, alternatives and cash and how we might expect them to perform in future economic conditions, together with their potential volatility.

The diagram below shows the main types of investments that fall into the five asset classes and the risk of capital loss they may be exposed to. It illustrates our view of the amount of risk each asset class carries relative to the others. Listed within the ranges are our views on the classification of some of the main types of investments that your portfolio may contain.

Selecting investments and constructing your portfolio

In constructing your portfolio, we take into consideration the expected risk and return of each investment, combining them according to our asset allocation views to create a diversified portfolio which we believe to be the most suitable for your investment mandate.

This approach to portfolio construction, combined with strong internal policies around diversification and concentration, is designed to reduce your exposure to risk within your agreed risk profile. Our procedures, controls, resources and monitoring are applied to all investment mandates as appropriate and are overseen by our internal governance structures, such as our Investment Committee.

Your portfolio will be monitored so that when any of our asset allocation or investment views change, we can make appropriate and practical changes in line with your investment mandate.

Within your portfolio we will hold a wide range of investments that are covered by our Research team. We may hold investments outside of this coverage but have procedures in place to ensure that any differences are managed and monitored, within reasonable parameters. This is overseen by our Investment Committee.

Strategic asset allocation

Our investment process looks at the typical risk and return characteristics of the five asset classes - fixed income, equities, commercial property, alternatives and cash - and how we might expect them to perform in future economic conditions, together with their potential volatility.

Using this information, we then construct a framework for each risk level – low, low/medium, medium, medium/high and high. Each framework represents the combination of assets that we believe is most likely to achieve the optimal level of return for the given risk level over the longer term.

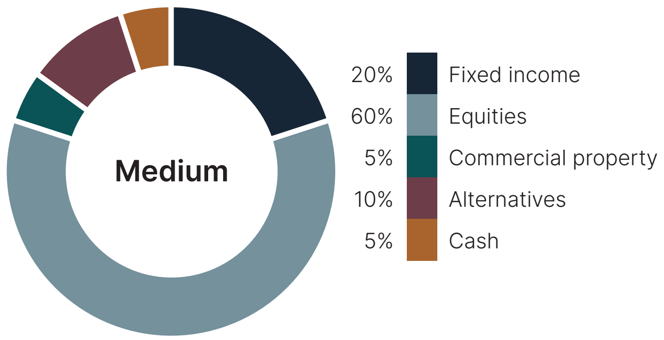
This **strategic asset allocation** is the neutral position for the investment portfolio, which is adopted when there is no anticipated advantage of moving away from this position.

Each year, our Research team review the outlook for each asset class to ensure the strategic asset allocation remains appropriate. However, material changes are rare as the framework is representative of our longer term outlook.

For example, our current strategic asset allocation for a medium risk portfolio is shown in the chart opposite and on page 18 you can see the other 4 risk levels.
If your portfolio has a specific objective or you require a bespoke asset allocation, we will agree with you a framework aligned with those requirements. This is called a **defined mandate**, and we will need to agree:

- The parameters within which we can operate
- How much risk you are prepared and able to take
- The best way to measure your portfolio's performance (the benchmark).

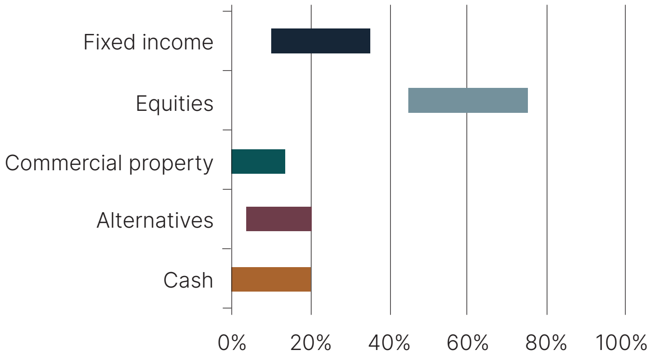
With a defined mandate, we can offer investment services to clients with specific needs. If you require your portfolio to follow a defined mandate, our approach to selecting an appropriate level of risk for your portfolio will always apply. Please speak to your adviser for further information.



Tactical asset allocation

Movements in markets and the economic climate will mean there is likely to be an advantage – either from a risk or return perspective – in moving away from the strategic asset allocation over short and medium timeframes.

This **tactical asset allocation** position is set either side of the strategic position, which ensure your investments are managed within well-defined risk bounds. This creates a tactical asset allocation range for each asset class with a minimum and maximum exposure. For example, our tactical asset allocation for a medium risk portfolio is shown in the chart below.



Your benchmark

Every portfolio that we manage on behalf of our clients has a benchmark index against which the performance of those investments can be compared. The following is designed to help you understand why your benchmark has been recommended to you, what your benchmark will tell you and, where applicable, what limitations it has. This will enable you to make informed judgements about how well your portfolio and strategy is meeting your investment aims.

Reflective of you

The most important feature of a benchmark index is that it should reflect your investment aims as closely as possible, not only from the perspective of desired returns, but also taking into account your agreed risk level. Sometimes selecting a benchmark is straightforward. One instance of this is when a portfolio is invested in only one type of asset, for example stocks and shares. In this example there are existing industry standard benchmarks that are independently calculated and readily available.

However, where clients have portfolios which are diversified across a number of different asset classes benchmarking becomes a lot more complicated, as there is no independent yardstick that could be used to measure such a bespoke mix of investments.

Benchmark framework

We provide our clients with a benchmarking framework based on three distinct measures.

1. Bespoke benchmark
2. Long-term strategy
3. Comparison against our peers.

Bespoke benchmark
The primary measure will be a bespoke benchmark, that has been created by our Research team to reflect the SAA. This will feature in your regular portfolio statements.

Long-term strategy
We will monitor a long-term strategy to reflect a steady return figure that we would expect your investments to deliver, although there is likely to be considerable shorter term fluctuation. We may refer to this from time to time but we do maintain it for comparison purposes.

Comparison against our peers
We maintain a comparison of performance against peer group investment firms, which will be produced by an independent organisation, such as Asset Risk Consultants (ARC) or the Investment Association (IA).

We generally keep a note of this on a quarterly basis, which doesn't necessarily align to your valuation dates. It will not be published in our investment reports but is available from your investment manager on request.

When we send you an investment report, we will primarily show the bespoke benchmark index reflecting your SAA.

The UK Consumer Price Index (CPI) is a globally agreed standard used by the Bank of England to help set interest rates. Our aim is to illustrate how each mandate is expected to increase the purchasing power of your money over the longer term.

The four ARC categories are cautious, balanced, UK steady growth and equity risk. They are indices independently calculated from a large number of actual client net returns from subscriber firms (including Investec) classified according to the historical volatility of each account. This is, in turn, largely driven by the proportion held in equity investments and the success of the manager in diversifying such risks using other asset classes. Our aim is to illustrate your performance in the context of a fair and independent comparison with our competitors.

As each of the above benchmark options has its own strengths and weaknesses, the fullest insight will be gained by us keeping an eye on all three of them, remembering what each one can tell you, and discussion between you and your investment manager.

Benchmark represented by:

		GBP	EUR	USD
Fixed income	**Government stock 5-15 years**	ICE BofA UK Gilts 5-15 years	ICE BofA All European Govt 5-10 years	ICE BofA US Treasury 5-10 years
	Government index linked 1-10 years	ICE BofA Inflation Linked Gilts 1-10 years	ICE BofA Euro Inflation Linked Govt 1-10 years	ICE BofA US Treasury Index Linked 5-10 years
	Corporate credit	ICE BofA Sterling Corporate Bond	ICE BofA Euro Corporate Bond	ICE BofA US Corporate Bond
Equities	**UK equities ***	MSCI United Kingdom IMI	MSCI Europe Ex UK	MSCI All Country World
	Overseas equities	MSCI All Country World Ex UK	MSCI All Country World Ex Europe	
Other	**Commercial property**	MSCI IMI UK Liquid Real Estate	FTSE EPRA/NAREIT Europe Ex UK	FTSE EPRA/NAREIT US
	Alternatives	IW&I Alternatives GBP Index	IW&I Alternatives EUR Index	IW&I Alternatives USD Index
	Cash	BoE Base Rate – 0.5%	ECB Main Refinancing Operations Rate (-0.5%)	US Fed Funds Rate (-0.5%)

* For EUR portfolios the UK equity allocation will be to European equities, while for USD portfolios the total equity allocation is 100% in Global equities.

The IW&I Alternatives Index is a composite benchmark, made up of:

	GBP	EUR	USD
37.5%	ICE BofA Sterling Corporate Bond	ICE BofA Euro Corporate Bond	ICE BofA US Corporate Bond
37.5%	MSCI All Country World	MSCI All Country World	MSCI All Country World
25.0%	Base Rate (-0.5%)	ECB Main Refinancing Operation Rate (-0.5%)	US Fed Funds Rate (-0.5%)

Your mandate factsheet

The following factsheets detail the strategic asset allocations, tactical asset allocation ranges and benchmarking framework for the five risk levels.

Mandate factsheet | Low

Low Low/medium Medium Medium/high High

Structure

Quality
100% of the portfolio's holdings researched in-house by our Research team.

We aim to hold 100% of the UK equity content in a combination of individual stocks within the FTSE 100 Index and generalist collective funds. For non-GBP portfolios this will be held in a combination of individual large capitalisation stocks in developed markets and generalist collective funds.

Concentration
No individual equity holding may account for more than 10% of the equity content of the portfolio. No individual bond may make up more than 10% of the total portfolio.

Diversification
Direct equity holdings valued at over 5% of the portfolio may not, in aggregate, represent more than 40% of the portfolio. Generally, for this mandate the overseas equity content will be at least 50% invested into collective funds. This is not applicable where a direct global equity strategy has been agreed with the client.

We do not intend that all these restrictions should apply simultaneously at all times and we allow our Investment Managers flexibility in the management of your portfolio. However, your Investment Manager has the ability to manage your portfolio to these full criteria should you wish to choose this more structured approach to your investments.

Suggested benchmark
The benchmark for the portfolio will reflect the strategic (long-term objective) asset allocation of your investments.

Volatility
A low risk portfolio will typically demonstrate modest short-term fluctuations in value.

However, there may be some sensitivity to equity market movements, market interest rate expectations and to the change in value of other investments.

This mandate has a target volatility that is 30% of the UK equity market. For non-GBP portfolios this mandate has a target volatility that is 30% of global equity markets.

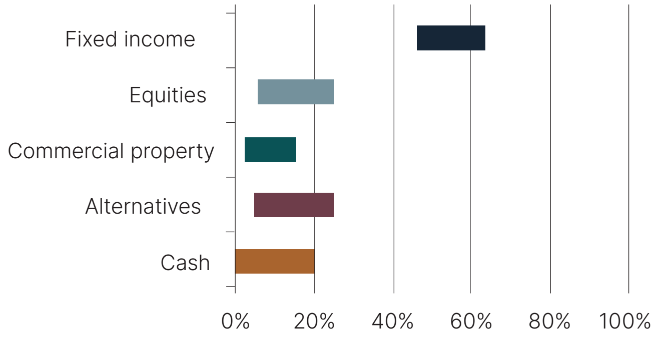
Time horizon
The nature of the portfolio will suit those seeking to invest for a minimum of three years.

Long term strategy – CPI+1.0% Peer group – ARC cautious	
SAA benchmark	
Fixed income • Government • Index linked • Corporate	 **15.0%** **10.0%** **30.0%**
UK equities *	**3.8%**
Overseas equities	**11.2%**
Commercial property	**10.0%**
Alternatives	**15.0%**
Cash	**5.0%**

* For EUR portfolios the UK equity allocation will be to European equities, while for USD portfolios the total equity allocation is 100% in Global equities.

Low risk portfolios (income, balanced & capital growth)

Income investors seek a return in the form of income rather than capital appreciation. The level of income achievable is subject to your risk tolerance and market conditions.



Mandate factsheet | Low/medium

Low **Low/medium** Medium Medium/high High

Structure

Quality
At least 90% of the portfolio's holdings researched in-house by our Research team. The remainder will be researched by your Investment Manager.

We aim to hold at least 75% of the UK equity content in a combination of individual stocks within the FTSE 100 Index and generalist collective funds. For non-GBP portfolios this will be held in a combination of individual large capitalisation stocks in developed markets and generalist collective funds.

Concentration
No individual stock should account for more than 10% of the equity content of the portfolio. No individual bond should account for more than 10% of the total portfolio.

Diversification
Direct equity holdings valued at over 5% of the portfolio may not, in aggregate, represent more than 40% of the portfolio. We shall endeavour that at least 50% of the overseas equity content will be held in generalist collective funds. This is not applicable where a direct global equity strategy has been agreed with the client.

We do not intend that all these restrictions should apply simultaneously at all times and we allow our Investment Managers flexibility in the management of your portfolio. However, your investment manager has the ability to manage your portfolio to these full criteria should you wish to choose this more structured approach to your investments.

Suggested benchmark
The benchmark for the portfolio will reflect the strategic (long-term objective) asset allocation of your investments.

Volatility
The potential for equity investment will mean that the portfolio may be prone to shorter-term periods of fluctuating value. This mandate has a target volatility that is 45% of the UK equity market. For non-GBP portfolios this mandate has a target volatility that is 45% of global equity markets.

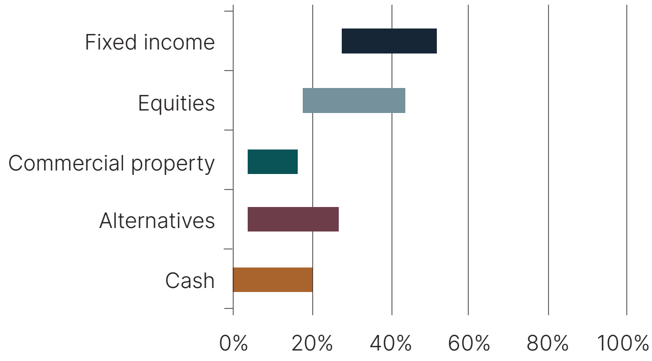
Time horizon
The potential to include equity investment means that a low/medium risk portfolio should be viewed on a longer-term horizon, typically an investment period of more than three years.

Long term strategy – CPI+2.0% Peer group – ARC balanced	
SAA benchmark	
Fixed income • Government • Index linked • Corporate	 **12.0%** **8.0%** **20.0%**
UK equities *	**7.5%**
Overseas equities	**22.5%**
Commercial property	**10.0%**
Alternatives	**15.0%**
Cash	**5.0%**

* For EUR portfolios the UK equity allocation will be to European equities, while for USD portfolios the total equity allocation is 100% in Global equities.

Low/medium risk income portfolio

Income investors seek a return in the form of income rather than capital appreciation. The level of income achievable is subject to your risk tolerance and market conditions.

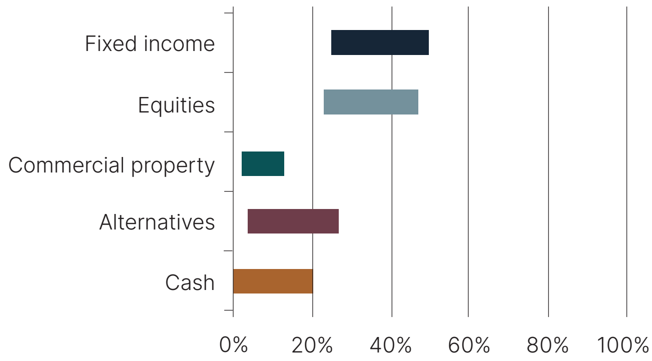


Long term strategy – CPI+2.0% Peer group – ARC balanced	
SAA benchmark	
Fixed income • Government • Index linked • Corporate	 **12.0%** **8.0%** **17.5%**
UK equities *	**8.8%**
Overseas equities	**26.2%**
Commercial property	**7.5%**
Alternatives	**15.0%**
Cash	**5.0%**

* For EUR portfolios the UK equity allocation will be to European equities, while for USD portfolios the total equity allocation is 100% in Global equities.

Low/medium risk balanced portfolio

Balanced investors seek a return in the form of both income and capital appreciation. The level of return achievable is subject to your risk tolerance and market conditions.

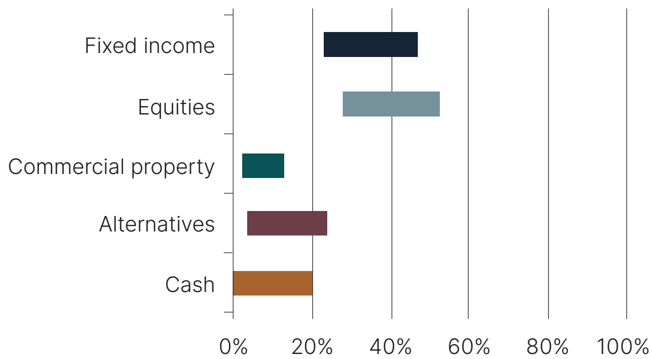


Long term strategy – CPI+2.0% Peer group – ARC balanced	
SAA benchmark Fixed income • Government • Index linked • Corporate	 **12.0%** **8.0%** **15.0%**
UK equities *	**10.0%**
Overseas equities	**30.0%**
Commercial property	**5.0%**
Alternatives	**15.0%**
Cash	**5.0%**

* For EUR portfolios the UK equity allocation will be to European equities, while for USD portfolios the total equity allocation is 100% in Global equities.

Low/medium risk capital growth portfolio

Capital growth investors seek a return in the form of capital appreciation rather than income. The level of capital appreciation is subject to your risk tolerance and market conditions.



Mandate factsheet | Medium

Low | Low/medium | **Medium** | Medium/high | High

Structure

Quality
At least 80% of the portfolio's holdings researched in-house by our Research team. The remainder will be researched by your Investment Manager.

We aim to hold at least 50% of the UK equity content in a combination of individual stocks within the FTSE 100 Index and generalist collective funds. For non-GBP portfolios this will be held in a combination of individual large capitalisation stocks in developed markets and generalist collective funds.

Concentration
No individual stock should account for more than 10% of the equity content of the portfolio. No individual bond should account for more than 10% of the total portfolio.

Diversification
Direct equity holdings valued at over 5% of the portfolio may not, in aggregate, represent more than 40% of the portfolio. We shall endeavour that at least 50% of the overseas equity content will be held in generalist collective funds. This is not applicable where a direct global equity strategy has been agreed with the client.

We do not intend that all these restrictions should apply simultaneously at all times and we allow our Investment Managers flexibility in the management of your portfolio. However, your investment manager has the ability to manage your portfolio to these full criteria should you wish to choose this more structured approach to your investments.

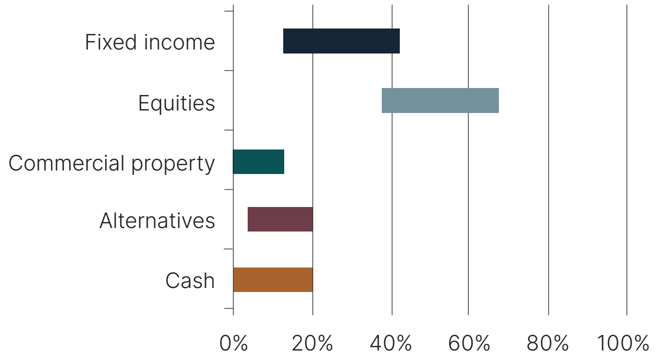
Suggested benchmark
The benchmark for the portfolio will reflect the strategic (long-term objective) asset allocation of your investments.

Volatility
This mandate has a target volatility that is 60% of the UK equity market. For non-GBP portfolios this mandate has a target volatility that is 60% of global equity markets.

Time horizon
The likely higher equity content means that a medium risk portfolio is suitable for the longer-term investor, with a minimum investment period of five years.

Medium risk income portfolio

Income investors seek a return in the form of income rather than capital appreciation. The level of income achievable is subject to your risk tolerance and market conditions.

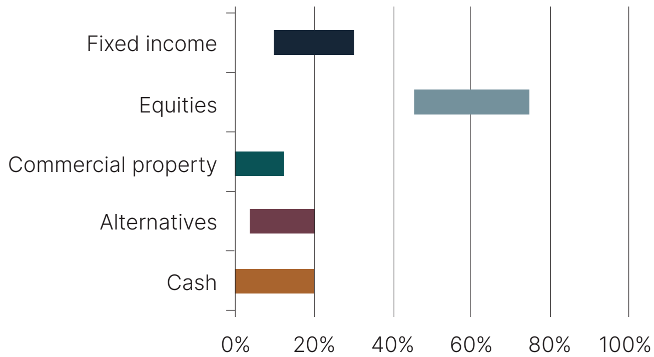


Long term strategy – CPI+2.5% Peer group – ARC balanced	
SAA benchmark	
Fixed income	
• Government	**9.0%**
• Index linked	**6.0%**
• Corporate	**12.5%**
UK equities *	**13.1%**
Overseas equities	**39.4%**
Commercial property	**5.0%**
Alternatives	**10.0%**
Cash	**5.0%**

* For EUR portfolios the UK equity allocation will be to European equities, while for USD portfolios the total equity allocation is 100% in Global equities.

Medium risk balanced portfolio

Balanced investors seek a return in the form of both income and capital appreciation. The level of return achievable is subject to your risk tolerance and market conditions.

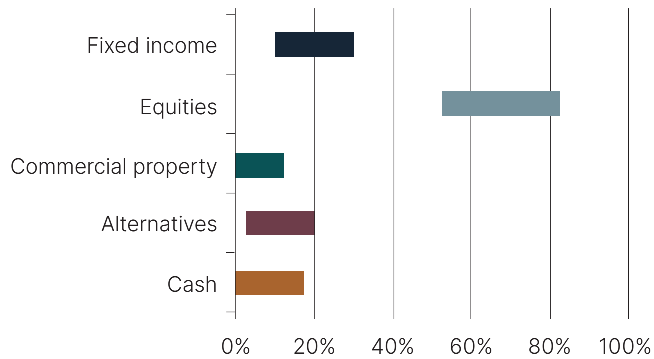


Long term strategy – CPI+2.5% Peer group – ARC steady growth	
SAA benchmark	
Fixed income	
• Government	**7.5%**
• Index linked	**5.0%**
• Corporate	**7.5%**
UK equities *	**15.0%**
Overseas equities	**45.0%**
Commercial property	**5.0%**
Alternatives	**10.0%**
Cash	**5.0%**

* For EUR portfolios the UK equity allocation will be to European equities, while for USD portfolios the total equity allocation is 100% in Global equities.

Medium risk capital growth portfolio

Capital growth investors seek a return in the form of capital appreciation rather than income. The level of capital appreciation is subject to your risk tolerance and market conditions.



Long term strategy – CPI+2.5% Peer group – ARC steady growth	
SAA benchmark	
Fixed income	
• Government	**6.0%**
• Index linked	**4.0%**
• Corporate	**5.0%**
UK equities *	**16.9%**
Overseas equities	**50.6%**
Commercial property	**5.0%**
Alternatives	**10.0%**
Cash	**2.5%**

* For EUR portfolios the UK equity allocation will be to European equities, while for USD portfolios the total equity allocation is 100% in Global equities.

Mandate factsheet | Medium/high

Low | Low/medium | Medium | **Medium/high** | High

Structure

Quality
At least 80% of the portfolio's holdings researched in-house by our Research team. The remainder will be researched by your Investment Manager.

We aim to hold at least 25% of the UK equity content in a combination of individual stocks within the FTSE 100 Index and generalist collective funds. For non-GBP portfolios this will be held in a combination of individual large capitalisation stocks in developed markets and generalist collective funds.

Concentration
No individual stock should account for more than 10% of the equity content of the portfolio. No individual bond should account for more than 10% of the total portfolio.

Diversification
Direct equity holdings valued at over 5% of the portfolio may not, in aggregate, represent more than 40% of the portfolio. There is no restriction on the percentage of the overseas equity content in generalist collective funds.

We do not intend that all these restrictions should apply simultaneously at all times and we allow our investment managers flexibility in the management of your portfolio. However, your Investment Manager has the ability to manage your portfolio to these full criteria should you wish to choose this more structured approach to your investments.

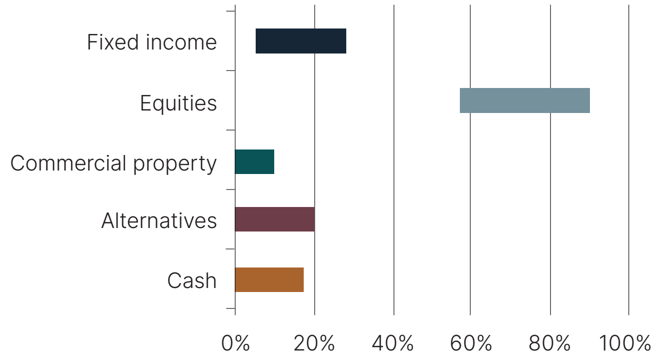
Suggested benchmark
The benchmark for the portfolio will reflect the strategic (long-term objective) asset allocation of your investments.

Volatility
This mandate has a target volatility that is 75% of the UK equity market. For non-GBP portfolios this mandate has a target volatility that is 75% of global equity markets.

Time horizon
The likely higher equity content means that a medium/high risk portfolio is suitable for the longer-term investor, with a minimum investment period of five years.

Medium/high risk income portfolio

Income investors seek a return in the form of income rather than capital appreciation. The level of income achievable is subject to your risk tolerance and market conditions.

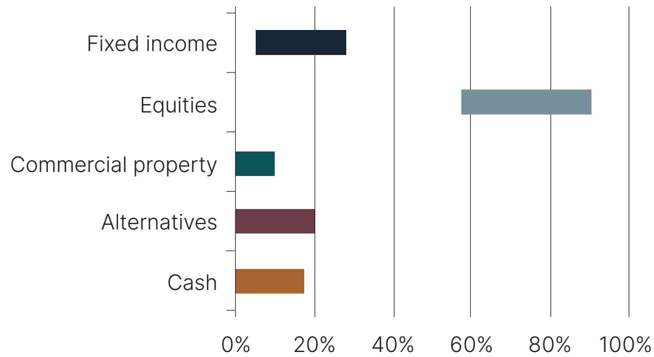


Long term strategy – CPI+3.0% Peer group – ARC steady growth	
SAA benchmark Fixed income • Government • Index linked • Corporate	 **3.0%** **2.0%** **5.0%**
UK equities *	**18.8%**
Overseas equities	**56.2%**
Commercial property	**2.5%**
Alternatives	**10.0%**
Cash	**2.5%**

* For EUR portfolios the UK equity allocation will be to European equities, while for USD portfolios the total equity allocation is 100% in Global equities.

Medium/high risk balanced portfolio

Balanced investors seek a return in the form of both income and capital appreciation. The level of return achievable is subject to your risk tolerance and market conditions.

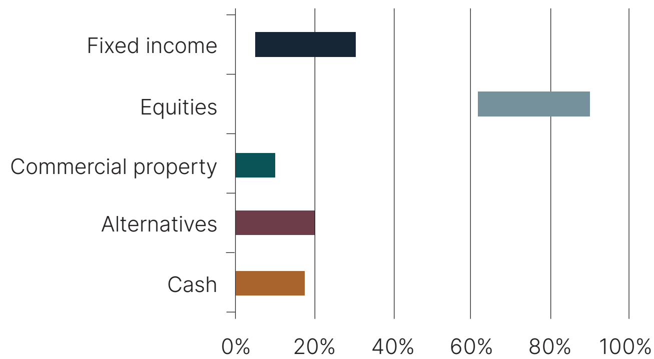


Long term strategy – CPI+3.0% Peer group – ARC steady growth	
SAA benchmark Fixed income • Government • Index linked • Corporate	 **3.0%** **2.0%** **5.0%**
UK equities *	**18.8%**
Overseas equities	**56.2%**
Commercial property	**2.5%**
Alternatives	**10.0%**
Cash	**2.5%**

* For EUR portfolios the UK equity allocation will be to European equities, while for USD portfolios the total equity allocation is 100% in Global equities.

Medium/high risk capital growth portfolio

Capital growth investors seek a return in the form of capital appreciation rather than income. The level of capital appreciation is subject to your risk tolerance and market conditions.



Long term strategy – CPI+3.0% Peer group – ARC equity risk	
SAA benchmark Fixed income • Government • Index linked • Corporate	 **3.0%** **2.0%** **2.5%**
UK equities *	**20.0%**
Overseas equities	**60.0%**
Commercial property	**2.5%**
Alternatives	**7.5%**
Cash	**2.5%**

* For EUR portfolios the UK equity allocation will be to European equities, while for USD portfolios the total equity allocation is 100% in Global equities.

Mandate factsheet | High

Low Low/medium Medium Medium/high **High**

Structure

Quality
At least 80% of the portfolio's holdings researched in-house by our Research team. The remainder will be researched by your Investment Manager.

There is no minimum percentage of the equity content to be held in a combination of individual stocks within the FTSE 100 Index and generalist collective funds. For non-GBP portfolios this will be held in a combination of individual large capitalisation stocks in developed markets and generalist collective funds.

The high risk mandate is focused upon equity investments, but allows the Investment Manager some flexibility to respond to market conditions.

Concentration
No individual stock should account for more than 10% of the equity content of the portfolio. No individual bond should account for more than 10% of the total portfolio.

Suggested benchmark
The benchmark for the portfolio will reflect the strategic (long-term objective) asset allocation of your investments.

Volatility
This mandate has a target volatility that is 90% of the UK equity market. For non-GBP portfolios this mandate has a target volatility that is 90% of global equity markets.

Time horizon
A high risk portfolio is only suitable for those prepared to invest for the long-term, typically a minimum of seven years.

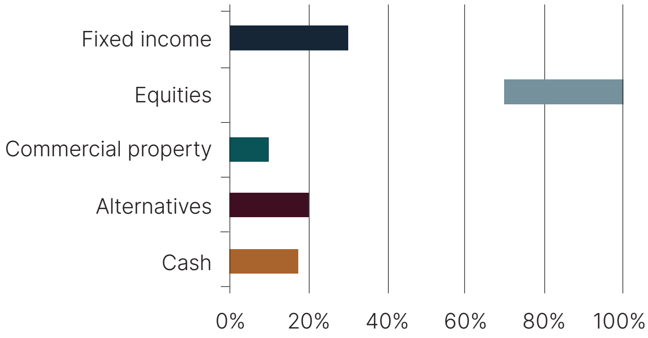
Investment Managers have a comprehensive range of tools to test for portfolio concentration and diversification characteristics, which they will apply as directed or otherwise at their own discretion.

Long term strategy – CPI+3.5% Peer group – ARC equity risk	
SAA benchmark	
Fixed income • Government • Index linked • Corporate	 **0.0%** **0.0%** **0.0%**
UK equities *	**25.0%**
Overseas equities	**75.0%**
Commercial property	**0.0%**
Alternatives	**0.0%**
Cash	**0.0%**

* For EUR portfolios the UK equity allocation will be to European equities, while for USD portfolios the total equity allocation is 100% in Global equities.

High risk portfolios (income, balanced & capital growth)

Income investors seek a return in the form of income rather than capital appreciation. The level of income achievable is subject to your risk tolerance and market conditions.



Important information

General risk warning

Investing in the type of securities traded on stock exchanges will mean that the value of the assets, and the income received from them, may go down as well as up and you may not get back all the money invested.

These are some of the main reasons why this might happen:

- The actual or perceived financial standing and trading well-being of the organisation involved may change
- The investments themselves are subject to the laws of supply and demand and are capable of significant price movements irrespective of market and corporate factors. Such movements could be a reflection of the company size, marketability and liquidity
- The stock market itself is capable of large movements due to economic, political and other factors
- Fixed income investments are subject to the above factors, and values are particularly affected by actual or expected changes in levels of interest rates
- If they are purchased above their ultimate redemption price, a capital loss will be incurred if held to redemption
- Investments may be denominated in a currency other than your base reference currency. Where an investment is denominated in a different currency you are exposed to fluctuations in the exchange rate of that currency as well as to the movement in the price of the investment itself. Changes in the exchange rate can cause the overall value of an investment to fall as well as to rise
- The tax treatment of any investment is determined by the specific circumstances of each client. Taxation may change during the lifetime of an investment. This may result in unanticipated tax liabilities. You should take tax advice in order to be aware of the potential liabilities before making an investment. If your circumstances change or you are uncertain of how an investment might affect your own tax position you should seek professional advice.

Assessing the relative risk of any of the factors referred to previously is highly subjective and can change over time in response to specific events or revised social or economic forecasts. It is not possible to lay down precise guidelines for the measurement of risk or the potential impact, whether positive or negative, upon an investment portfolio. The services provided to you under any agreement with us may have additional risks related to their specific features for the operations to be executed or their price may depend on or fluctuate in financial markets due to conditions outside our control. Past performance is no indication of future performance and prices may go down as well as up.

Collective investments and funds
The risks of investing directly in equities may be spread by investing in diversified investment vehicles such as equity funds. These come in a wide variety of forms which follow a variety of investment strategies and are also subject to different styles and qualities of regulatory oversight. It is also possible that the manager of the fund may change at any time. There are two typical types of funds, open-ended funds and closed-ended funds.

Open-ended funds
The value of open-ended funds will be calculated according to the net asset value. Large funds may become too diverse to outperform and behave similarly to their underlying indices, while the performance of smaller funds may fluctuate with flows of money in and out of the fund.

Closed-ended funds
There are additional risks with investment trusts and other closed-ended funds. The share prices of these should not be expected to reflect the exact net asset value but should be expected to trade at a discount or premium to this dependent upon supply and demand and other factors. This premium/discount will move on a day to day basis, meaning that you may sell at a loss even if the value of the underlying fund assets has risen or that you may be required to pay a premium to the net assets when purchasing shares. Investment trusts may utilise gearing (i.e. borrowing) to enhance performance. This may also result in any or all of the following occurring:

a. movements in the price of the investment trust may become more volatile than the movements in the price of the underlying investments;

b. the investment trust could be subject to sudden and large falls in value;

c. the return of a significantly reduced amount, or in a worst case none of your capital, if there is a sufficiently large fall in the value of the investment.

Exchange Traded Funds (ETFs)
Exchange Traded Funds are specialist investments designed to track an index. Some ETFs buy and hold some or all of the shares, or securities, listed in the index they are tracking. This approach is known as a physical investment strategy because the ETF buys the actual securities which make up the index and whose price it wants to track. Other ETFs use special transactions, known as swaps, to track the price of the index. The ETF reaches an agreement with a bank that it will pay the fund the same amount that the index returns. This is known as a synthetic investment strategy. It is usually cheaper than buying all the securities in an index and is useful, for example, in less developed markets where the shares are not always available to buy and sell.

Asset class descriptions

Please find detailed on pages 30-37 an explanation of our investment process and the risks associated with investing in various asset classes. We have divided these into the five main asset classes as referred to earlier in this document.

1. Fixed income
2. Equities
3. Commercial property
4. Alternatives
5. Cash.

The following tables are general in nature and not exhaustive in coverage. You may or may not deal in some of these instruments listed.

In the descriptions that follow, risk is described in terms of price volatility. Volatility is the variability of the price of each asset type, due to both daily general market effects and those due to specific changes in factors which can include, but are not limited to, corporate profitability, perceived security of capital, and exchange rates.

Fixed income

		Description	Historic annual volatility	Returns generally from
Asset class	Fixed income	Fixed income, or bond investments, generally pay a set rate of interest over a given period, then return the investor's principal. They offer a more predictable nominal return over time but may suffer shorter-term volatility. They provide good protection against loss of capital, but with the exception of index linked bonds, little protection against inflation.		
Sub-group/ region	Preference shares	Preference shares, more commonly referred to as preferred stock, are shares of a company's stock with dividends that are paid out to shareholders before common stock dividends are issued. If the company enters bankruptcy, preferred stockholders are entitled to be paid from company assets before common stockholders. Most preference shares have a fixed dividend, while common stocks generally do not.	Medium	Income
	Emerging economies government bonds	Emerging market bonds – the fixed income debt that is issued by countries with developing economies as well as by corporations within those nations – have become increasingly popular in investor portfolios in recent years. Their traction has been attributed to the bonds' rising credit quality and their higher yields, relative to U.S. corporate and treasury bonds.	Medium	Income
	High yield corporate debt	Bonds issued by companies with credit ratings below 'investment grade' or from companies or institutions based in emerging markets. Because the risk of default is higher than for investment grade bonds from developed markets, coupons are typically higher for high yield and emerging market debt.	Medium	Income
	Investment grade corporate bonds	Bonds issued by large individual companies with an 'investment grade' (i.e. high credit quality) credit rating. Returns will generally come through the periodic coupon payments rather than capital appreciation. Coupons are typically higher than for similar government bonds, reflecting the higher risk of default.	Low-medium	Income
	Advanced economy government bonds	Bonds issued by advanced economies such as the United Kingdom, generally with a promise to pay periodic interest payments (coupon) and to repay the face value on the maturity date.	Low	Income

Fixed income (continued)

	Description
General risk warning	Bonds tend to provide a lower but more predictable overall return than equities. The interest payable on these may be fixed or variable, the former providing a greater surety of return. Bonds are issued by both governments (sovereign debt) and by companies (corporate debt). The return from a fixed income bond is dependent upon the rate of interest paid and the price paid for that bond. The market prices of bonds with different credit ratings may behave in different ways as the assessment of the economic cycle changes. The most significant determinants of the value of a fixed income bond in the market are the financial position of the issuer and changes in the interest rate environment. In the shorter term, the market price of fixed income stocks will change in accordance with the market's anticipation of moves in interest base rates and the likely future course of inflation. We may also invest from time to time in indexed linked stocks. Both the interest paid by these stocks and the sum received on redemption are linked to inflation, unlike conventional fixed income stocks where both are fixed. We may choose to invest in bond funds, rather than in specific fixed income stocks. This may be for a number of reasons including diversification, income objectives and a desire to invest in bonds denominated in a currency other than sterling. Both the value of the units in a bond fund and the income received from it may fluctuate.
Our investment process	The fixed income process will first assess the split between index linked and conventional bonds on the basis of the overall inflation protection available within the portfolio. We will have a set policy on the target interest rate sensitivity of the remaining bonds; the remaining decision is on how much credit risk is appropriate. This will depend on the client's income requirements and the relative pricing of the various credit bands in the market. The choice between using individual bond holdings and funds depends on the portfolio size, and thus costs to the client, and where in the credit spectrum we are investing. It also depends on our judgement of the outperformance that we expect from third party providers.

Equities

		Description	Historic annual volatility	Returns generally from
Asset class	Equities	Equities represent shares of ownership in publicly held companies. Shares in these companies are listed and traded on public stock exchanges around the world. They are individually volatile and sensitive to many unpredictable variables. As compensation for taking these risks, a higher return than for fixed income assets is expected over the long-term. A measure of inflation protection should also be provided through this asset class.		
Sub-group/ region	Emerging market shares & funds	Investment in public companies listed in emerging markets. Corporate governance standards may be relatively less rigorous and capital markets shallower when compared with developed markets. However, emerging market economies are typically growing much faster than developed markets.	Medium-high	Capital and income
	UK mid & small cap shares & funds	Mid & small cap stands for middle and small capitalisation which are terms used to group stocks and shares. In combination they refer to all companies in the UK market outside the FTSE100; all of which are still publicly listed and therefore still subject to the same UK corporate governance standards as their larger peers. Generally these companies will have more of a bias towards the UK than their larger more international peers.	High	Capital and income
	Quoted private equity funds	Private equity LLPs are, in the main, available only to very large investors who have the financial resources to make significant long-term commitments. As a consequence, traditional forms of private equity can be difficult to access for the vast majority of smaller investors. Fewer still have the ability to buy private companies directly. Listed private equity funds provides access to this asset class to other investors.	High	Capital and income
	Developed market shares & funds	Investment in public companies listed in developed markets, where corporate governance standards are typically relatively high and capital markets relatively deep.	Medium-high	Capital and income

Equities (continued)

	Description
General risk warning	Equities are units of ownership in individual companies. By investing in equities clients will participate in the economic success or failure of the company. As a consequence a company's shares may fall as well as rise. Volatility in equity markets can change quickly and does not necessarily follow historical trends. If a company becomes insolvent the value of its equities will also fall, potentially to the point where it has no value at all. Long-term returns from equities will come from a combination of capital growth and dividend payments. We may also advise on investments in, or execute transactions in, smaller companies, including penny shares. There is an extra risk of losing money when shares are bought in smaller companies as there is a big difference between the buying price and the selling price of these shares. If they have to be sold immediately, you may get back much less than you paid for them. The price may change quickly and it may go down as well as up.
Our investment process	The equity portion of the portfolio gives our client exposure to real assets (those whose value tends to move in line with inflation) and to economic growth (via corporate earnings). Provided we have the risk budget, they typically form the core of the portfolio. The choice between direct holdings and collectives is a complex function of portfolio size, relative valuation prospects on purchase, liquidity constraints, total costs to the client and our view on the potential for outperformance from third party providers.

Commercial property

		Description	Historic annual volatility	Returns generally from
Asset class	Commercial Property Funds (investing directly in bricks and mortar)	Commercial Property comprises collective funds that are invested across a range of bricks and mortar properties. These may be UK or internationally based. Both the expected returns and inflation protection characteristics lie somewhere between fixed interest and equities.	Medium	Capital and income
General risk warning	If we invest in commercial property it will only be through funds or quoted equities. Closed-ended property funds may trade at a significant discount to underlying asset value, meaning that you may sell at a loss even if the value of the underlying assets rises. Open-ended funds are likely to underperform a rising market as they may receive a steady flow of cash for investment at ever higher values, while the illiquidity of property means that funds may refuse redemptions for extended periods while cash is raised. This will mean that you may be locked into falling prices for many months.			
Our investment process	Property exposure is accessed through our research recommended funds. The asset class has attractive real income characteristics and helps to lower the risk of the overall portfolio. Funds can target selective areas that may be more or less exposed to the economic cycle. The weight we allocate to clients is sensitive to their investment horizon, income needs and risk target, as the funds are relatively illiquid.			

Alternatives

		Description	Historic annual volatility	Returns generally from
Asset class	Alternatives	Alternatives cover all non traditional asset classes (fixed income, equities or cash). The most common sub groups are listed below.		
Sub-group/ region	Commodity funds	Investment in physical commodities or financial contracts linked to their value. Commodities have no income stream attached with them (compared to a coupon for a bond or a dividend for equities) so returns are entirely from capital.	High	Capital
General risk warning	Returns from commodities (including precious metals), either through funds or direct investment, should be expected to be highly volatile. Commodities pay no income and are thus completely subject to patterns of buying and selling in the market. Factors that may influence these patterns are the global economic cycle, production patterns, shifts in the futures markets, currency movements, extreme weather and the performance of other assets, including equities and bonds.			
Sub-group/ region	Hedge funds	Hedge funds can invest in a range of financial assets rather than being limited to individual asset classes. Unlike conventional funds, hedge funds have the ability to 'short' assets, i.e. to profit when the value falls.	Medium-high	Capital
General risk warning	Hedge funds are investments which employ a wide variety of trading strategies in order to produce returns. The strategies vary enormously from fund to fund and may include borrowing money in order to seek to increase returns of investment (known as gearing), the use of derivatives to either increase or reduce risk and the short selling of securities. As a consequence, the overall risk of each fund varies considerably. In addition to risks arising from the strategies of hedge funds there are also risks that arise from the regulatory environment in which the fund is based. Many hedge funds are domiciled in overseas locations where the style and quality of regulation differs from that in the UK. As a consequence, the funds may be subject to different disclosure requirements. This may result in funds being able to make changes in their strategy that have considerable impact upon the investor without necessarily disclosing them publicly. Funds of hedge funds will usually have greater liquidity than their underlying holdings. However, management fees may be high and include a charge for performance above a predetermined level. These high charges may reduce reported performance and may lead the managers to seek higher returns than might otherwise have been expected. A large seller may also distort the price to the detriment of other unit holders. Since a fund of funds buys many different funds which themselves invest in many different securities, it is possible for the fund of funds to own the same stock through several different funds and it can be difficult to keep track of the overall underlying holdings. The fund's management team is often small and it is not uncommon for hedge funds only to offer infrequent opportunities to sell. Funds with monthly, six-monthly or even annual lock-ups are not unusual. The pricing of closed-ended funds of hedge funds and single manager hedge funds is subject to market forces and may be at a premium or discount to the underlying net asset value. It is therefore possible that you realise a loss on the investment even though the underlying assets have risen or that smaller falls in net asset value are magnified into substantial falls in share prices.			

Alternatives (continued)

		Description	Historic annual volatility	Returns generally from
Sub-group/ region	Absolute return funds	Absolute return is the return that an asset achieves over a certain period of time. This measure looks at the appreciation or depreciation, expressed as a percentage, that an asset, such as a stock or a mutual fund, achieves over a given period of time.	Low-medium	Capital
	Infrastructure & renewable energy funds	These funds invest primarily in infrastructure projects and/or alternative energy sources such as wind and solar. The performance of these funds typically reflects the financial performance of the underlying projects.	Medium	Capital and income
	Fund of hedge funds	A fund of hedge funds (or "fund of funds") is a pooled investment fund that invests in other hedge funds in order to provide investors access to many different fund managers and their investment strategies, while generally spreading the risks over a variety of funds.	Medium	Capital
	Structured products	Structured products are investments designed to meet a specific return profile over a defined period by packaging bank bonds with derivatives strategies. They typically have a degree of capital protection and can make a positive return in a variety of market conditions.	Medium	Capital
General risk warning	Structured products is a general term to describe investments which provide exposure to a wide range of asset classes through a combination of financial instruments (typically including zero coupon bonds and/or derivatives) brought together to provide a single investment product. The nature of the financial instruments included in a structured product will depend upon the type of exposure being sought by investors. A structured product should be considered as a term investment, where the expected returns will occur at, or shortly before, maturity. In the time before then, the price of the product may not reflect changes in the underlying assets and in certain cases will initially be more sensitive to changes in the price of the issuer's bonds. The market price of the structure will also be affected by rises and falls in volatility and by market interest rates. One of the main risks when purchasing a structured product is the credit risk of the issuer. A zero coupon bond typically makes up much of the asset value of certain structured products and the price of this bond will vary according to the issuer's credit rating and market perceptions of its creditworthiness. The nature of the zero coupon bond may also mean that holders of capital protected products may face losses if forced to sell before maturity of the structure and may be locked into low returns for the life of the product if the price of the underlying asset fails to perform as anticipated. Holders of structured products may also lose if the issuer of the derivatives in the product were to default. The derivatives that make up a structure are very rarely actually purchased on the exchange. As a result, if the issuing counterparty were to default, then the derivatives involved in the structure would effectively be written off and it is likely that the holder of the product would be considered to have no rights to these derivatives. Certain structured products are dependent upon the performance of an index or indices, so that a fall in the index or any of the indices below a predetermined level may result in irrecoverable losses. Buying structured products in the secondary market may also create a number of additional risks. Capital protection, where applicable, is only applicable to the price at launch and secondary purchases may therefore be liable to large potential losses. The taxation of structured products may be yet to be determined and it is possible that products that we believe to be liable to capital gains tax could in future be taxed as income or subject to further change. You should be aware that the real value of any capital protection may be reduced by inflation. Structured products are not suitable for investors with no capacity for loss.			
Our investment process	Our favoured alternatives provide attractive real income streams, exposure to lowly correlated assets and to markets such as currencies where we rarely take specific house views. We also favour defensive equity structures, which offer partial equity upside for lower overall risk and significant downside protection. This broad category includes commodity funds and gold. Exposure is via funds and in-house researched structures. The main drivers will be client income requirements, the need to reduce overall portfolio volatility to meet client risk preferences, liquidity considerations and whether we can see value in both the assets and the external managers' ability to add value in third party funds.			

Cash

		Description	Historic annual volatility	Returns generally from
Asset class	Cash	Funds that are held on individual, or pooled bank deposit accounts. This asset class may also include high quality liquid bonds with very short maturities (less than 1 year) as well as money market funds.		
Sub-group/ region	Money market funds	A money market fund is a kind of mutual fund that invests only in highly liquid instruments such as cash, cash equivalent securities, and high credit rating debt-based securities with a short-term, maturity – less than 13 months.	Low	Income
	Time deposits	A time deposit is an interest-bearing bank deposit account that has a specified date of maturity, such as a certificate of deposit (CD). The deposited funds must remain in the account for the fixed term to receive the stated interest rate.	Low	Income
General risk warning	The main risk in cash funds are, in the case of deposit accounts the credit risk of the banking entities involved, which is minimised by the use of pooled deposits, or in the case of very short dated money market instruments, driven by a small interest rate sensitivity and/or some credit risks.			

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