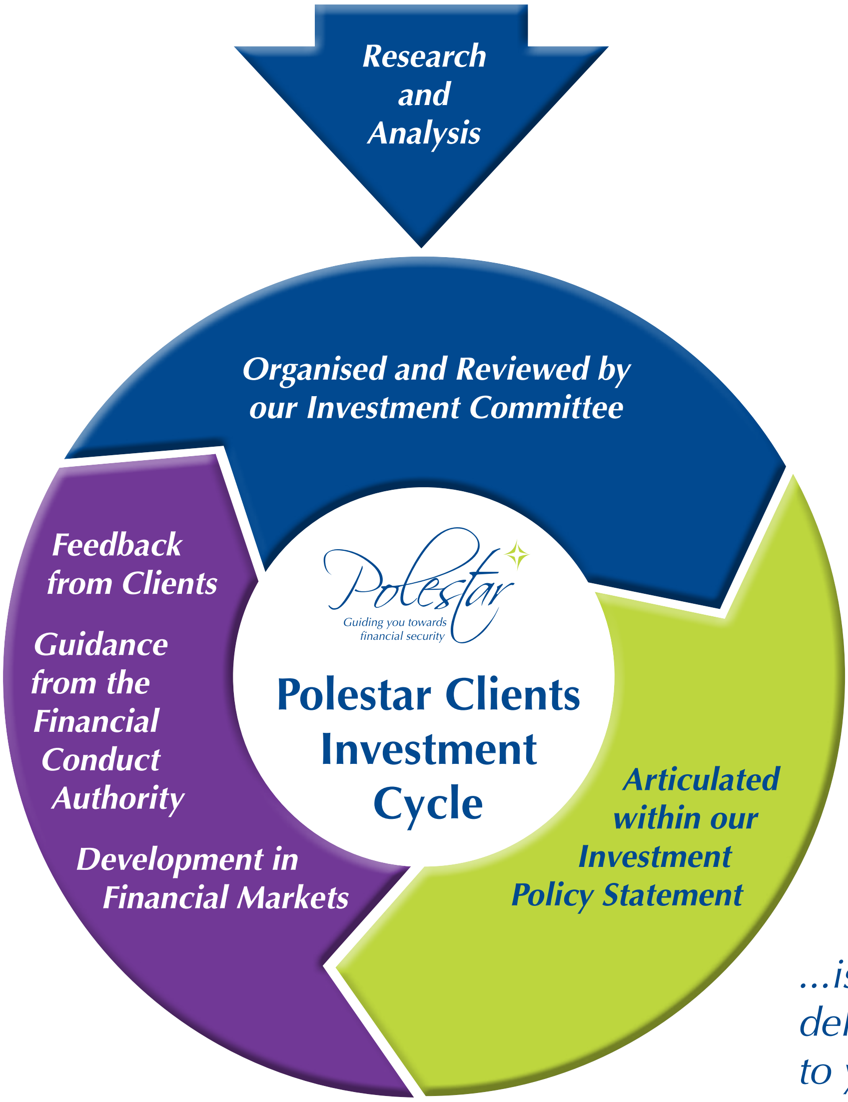
January 2017

Polestar
Guiding you towards financial security

Polestar Advanced Investment Strategy (AIS)

Polestar Investment Policy Committee investment statement and beliefs – An overview



...is your adviser delivering this to you?

January 2017

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Introduction

The Polestar Investment Policy Statement

The purpose of this Polestar investment policy statement is to provide you with a comprehensive and unambiguous record of Polestar's investment philosophies, strategies and processes. Our aim is to help you make smart decisions about your money and, ultimately, to enjoy the peace of mind that is the product of a successful investing experience. The benefits of creating an Investment Policy Statement are:

- You have a clear understanding of your attitude to investment risk.
- Your performance objectives and expectations are clarified.
- Misunderstandings are less likely.
- You understand our investment philosophies, strategies and processes.

The Polestar Investment Policy Committee

The information in this Investment Policy Statement is a result of the research carried out by our Investment Policy Committee. It meets regularly to ensure that the information you receive remains up to date and relevant.

Your growth of assets depends upon our unrestricted access to all investment options on your behalf as we work for you. Being independent advisers provides you with the best possible framework for the service we offer any restriction would compromise our support of you.

We are not predicting the market and its future we are simply helping you capture the market returns you deserve based on your exposure to risk in the most cost efficient way possible.

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The Polestar Investment Philosophy

This document sets out our investment philosophy and we hope you spare a few moments to read it. It explains what we will do with your money and why. We believe that if you know what to expect from us and from your investments we will have a more productive relationship.

Core Beliefs

Our philosophy is based upon several key beliefs about financial markets. These beliefs lead us to construct carefully structured investment portfolios that are designed to meet the investment needs of our clients.

Our beliefs are that:

Capitalism Works:

Capitalism is what underpins the world's economy and is overwhelmingly the most successful economic model that mankind has devised. The free market is a simple mechanism that brings together ideas for products and services, and the finance required to get them off the ground.

People who invest in an enterprise are taking a risk with their capital and are therefore entitled to share any financial rewards – just as they should accept any losses. This simple principle is followed in every corner of the world from the dusty markets of third-world villages to the board rooms of the world's richest corporations. In more sophisticated markets, the rules of this process are codified by formal capital markets and most investors participate through tightly regulated exchanges of shares and bonds.

Risk and Return are Related:

We believe it is impossible to improve your investment return without taking more risk. In other words, the potential for financial loss you expose yourself to in taking a risk is also the reason you earn a return. There is good risk and bad risk and higher exposure to the right risk factors leads to higher expected returns, but is no guarantee of them. Risk is the premium investors pay for the expectation of a greater return.

Our role as your adviser is first to identify which risks offer consistently higher expected returns and which do not, and then to offer you exposure to those risks in a structured, disciplined and cost effective way.

Markets Work:

Capital markets are the best mechanism we have to calculate the value of an asset. Many investors believe they are able to price assets more accurately than the market. They perform research and analysis to arrive at a price for an asset. If the market price is below their calculated price they might buy that asset to make a profit when it rises.

But however carefully they make their calculation; it is never more than an estimate upon which they base a prediction. Some estimates will be right; some estimates will be wrong.

Very few people are able to make consistently accurate estimates over a reasonable period of time so we do not use predictions about markets or prices in our portfolios. This principle applies across our investment philosophy which means we do not buy individual stocks we think will outperform the market; or weight investments towards countries or regions we expect to do well. Instead we use investment funds with broad exposure to the whole market and allocate assets to countries in proportion to their relative size in the global market.

We therefore accept that the market, powered by the wealth-generating capability of capitalism, provides an adequate rate of return. We do not try to beat the market with predictions; instead we harness the returns of the market through discipline and structure.

Diversification is Essential:

Diversification is the principle of spreading your investment risk around. Our investment portfolios therefore hold the shares and bonds of many companies and governments in many countries around the world. Because we believe in the power of capital markets rather than individual predictions or judgements, we are able to invest our clients' assets in many thousands of individual investments. This means the negative and positive influence of each individual investment is reduced, producing, on aggregate, less risk in our portfolios.

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This table ranks annual stock market performance in GBP for developed markets from highest to lowest in each of the last 25 years. The patchwork dispersion of colours shows no predictable pattern and helps illustrate why we believe it is pointless to try to predict which country will be at the top next year or the year after.

Equity Returns of Developed Markets
Annual Return (%)

Year	Highest Return																		Lowest Return
1989	Austria 130.2	Ger. 65.1	Nor. 64.3	Den. 62.5	Sing. 60.6	France 53.7	Neth. 53.3	Swed. 48.8	USA 46.8	Switz. 42.5	Can. 40.3	UK 37.6	Italy 34.8	Belg. 32.4	N.Z. 25.8	Spain 23.9	Austr. 23.4	H.K. 22.3	Japan 14.8
1990	UK -8.2	H.K. -9.2	Austria -11.5	Nor. -16.2	Den. -17.5	USA -19.4	Neth. -19.4	Switz. -22.0	Ger. -24.6	Belg. -25.9	Sing. -26.5	Can. -27.6	France -28.3	Spain -28.3	Austr. -31.4	Italy -32.8	Swed. -34.3	Japan -46.8	N.Z. -48.1
1991	H.K. 54.1	Austr. 37.7	USA 34.0	Sing. 28.8	N.Z. 21.9	France 21.4	Neth. 21.4	Den. 20.1	UK 19.5	Switz. 19.3	Spain 19.2	Swed. 17.9	Belg. 17.2	Can. 14.5	Japan 12.2	Ger. 11.5	Italy 1.2	Austria -9.6	Nor. -12.9
1992	H.K. 63.5	Switz. 44.9	USA 31.5	Sing. 31.4	France 27.1	Neth. 26.4	N.Z. 21.8	Belg. 21.8	UK 19.1	Ger. 10.9	Austria 10.4	Austr. 10.2	Can. 8.6	Swed. 5.8	Japan -2.9	Spain -3.4	Italy -3.9	Nor. -4.0	Den. -11.3
1993	H.K. 121.7	Sing. 71.8	N.Z. 71.6	Switz. 49.2	Nor. 45.3	Swed. 40.2	Ger. 38.8	Neth. 38.4	Austr. 38.3	Den. 35.9	Spain 32.8	Italy 31.5	Austria 31.1	Japan 28.4	UK 27.3	Belg. 26.4	France 23.7	Can. 20.3	USA 11.7
1994	Nor. 16.9	Japan 14.9	Swed. 11.9	Neth. 5.7	Italy 5.5	N.Z. 3.0	Belg. 2.4	Sing. 0.9	Austr. -0.3	Ger. -1.0	Den. -1.8	Switz. -2.1	USA -4.3	UK -6.9	Can. -8.3	Spain -9.9	France -10.3	Austria -11.3	H.K. -32.7
1995	Switz. 45.4	USA 38.4	Swed. 34.6	Spain 31.0	Neth. 28.9	Belg. 27.0	H.K. 23.7	UK 22.4	N.Z. 21.9	Den. 19.9	Can. 19.4	Ger. 17.5	France 15.1	Austr. 12.2	Sing. 7.4	Nor. 7.0	Italy 2.0	Japan 1.6	Austria -3.9
1996	Spain 26.6	Swed. 24.1	H.K. 20.3	Nor. 16.3	Can. 16.2	Neth. 15.3	UK 15.2	USA 11.4	Den. 10.1	France 9.6	N.Z. 5.9	Austr. 5.3	Ger. 2.7	Italy 1.8	Belg. 1.3	Austria -5.5	Switz. -7.5	Sing. -15.8	Japan -23.6
1997	Switz. 50.3	Italy 41.2	Den. 40.2	USA 39.0	Spain 30.7	Ger. 29.8	Neth. 29.0	UK 27.8	Belg. 18.3	Swed. 17.6	Can. 17.5	France 16.6	Nor. 10.7	Austria 5.8	Austr. -6.7	N.Z. -10.6	H.K. -20.1	Japan -20.5	Sing. -27.1
1998	Belg. 65.9	Italy 50.8	Spain 48.2	France 40.0	USA 28.7	Ger. 28.0	Switz. 22.2	Neth. 21.9	UK 16.5	Swed. 12.7	Den. 7.8	Austr. 4.9	Japan 3.9	Austria -0.8	H.K. -4.0	Can. -7.2	Sing. -13.8	N.Z. -23.5	Nor. -30.8
1999	Sing. 105.4	Swed. 85.1	Japan 66.4	H.K. 64.3	Can. 58.3	Nor. 35.6	France 33.1	USA 25.6	Ger. 23.6	Austr. 21.1	N.Z. 16.3	UK 15.8	Den. 15.4	Neth. 10.1	Spain 8.0	Italy 2.7	Switz. -4.2	Austria -6.4	Belg. -11.7
2000	Switz. 14.5	Can. 13.9	Den. 11.8	Nor. 7.2	Italy 6.7	Neth. 3.7	France 3.5	Austr. -2.6	UK -4.3	Austria -4.8	USA -5.8	H.K. -7.8	Ger. -8.7	Spain -9.0	Belg. -10.1	Swed. -14.9	Sing. -21.8	Japan -22.3	N.Z. -28.1
2001	N.Z. 11.3	Austr. 4.3	Austria -3.2	Belg. -8.6	Spain -9.0	Nor. -9.9	USA -10.1	UK -11.8	Den. -12.6	H.K. -16.5	Can. -18.3	Switz. -19.3	Neth. -20.1	France -20.3	Ger. -20.3	Sing. -21.4	Italy -24.7	Swed. -25.3	Japan -27.6
2002	N.Z. 12.3	Austria 5.3	Austr. -10.8	Nor. -16.2	Italy -16.2	Japan -18.9	Switz. -18.9	Sing. -19.6	Can. -21.5	Belg. -23.1	UK -23.4	Spain -23.4	Den. -24.1	H.K. -25.7	Neth. -28.4	France -28.8	USA -30.5	Swed. -37.2	Ger. -39.6
2003	Swed. 48.0	Ger. 47.3	Spain 42.5	Austria 41.2	N.Z. 39.8	Can. 39.0	Austr. 34.4	Den. 34.2	Nor. 33.2	France 26.1	H.K. 24.2	Italy 23.9	Sing. 23.7	Japan 22.2	Belg. 21.7	Switz. 20.6	UK 18.8	USA 15.5	Neth. 15.2
2004	Austria 59.9	N.Z. 39.6	Belg. 33.8	Nor. 29.0	Swed. 27.1	Italy 23.5	Den. 22.0	Austr. 21.5	Spain 20.2	H.K. 16.5	Sing. 14.0	Can. 13.9	UK 11.5	France 10.5	Ger. 8.3	Japan 8.0	Switz. 7.2	Neth. 4.7	USA 2.7
2005	Can. 43.2	Japan 40.1	Austria 39.1	Den. 38.9	Nor. 38.7	Switz. 29.8	Austr. 29.5	Sing. 27.6	Neth. 27.0	Swed. 23.1	Ger. 22.7	France 22.6	Belg. 21.7	H.K. 21.0	UK 19.8	USA 17.3	Spain 16.5	Italy 13.7	N.Z. 13.5
2006	Spain 31.2	Sing. 28.9	Nor. 27.5	Swed. 26.0	Den. 21.9	Belg. 20.1	Austria 20.0	Ger. 19.5	France 18.2	Italy 16.4	Neth. 15.4	Austr. 15.0	UK 14.8	H.K. 14.5	Switz. 11.9	Can. 3.5	N.Z. 2.4	USA 0.8	Japan -6.6
2007	H.K. 38.9	Ger. 33.0	Nor. 29.3	Can. 27.4	Sing. 26.2	Austr. 26.2	Den. 23.5	Spain 21.9	Neth. 18.6	France 11.4	N.Z. 7.1	UK 6.6	Italy 4.3	USA 3.7	Switz. 3.6	Austria 0.5	Swed. -1.0	Belg. -4.3	Japan -5.8
2008	Japan -2.0	Switz. -3.8	USA -13.6	Spain -17.8	France -21.5	Can. -24.6	Ger. -25.1	Sing. -27.1	Den. -27.4	Neth. -28.3	UK -28.5	Swed. -30.6	Italy -30.7	Austr. -31.7	H.K. -32.4	N.Z. -36.0	Nor. -50.5	Belg. -53.6	Austria -56.3
2009	Nor. 66.5	Austr. 57.1	Sing. 54.8	Swed. 46.1	H.K. 42.6	Belg. 40.2	Can. 39.0	N.Z. 33.9	Spain 27.7	UK 27.6	Austria 27.5	Neth. 26.6	Den. 21.6	France 17.4	Italy 12.7	USA 12.4	Switz. 11.5	Ger. 11.4	Japan -5.4
2010	Swed. 38.6	Den. 35.4	H.K. 27.7	Sing. 26.5	Can. 24.8	Japan 19.6	USA 18.9	Austr. 18.6	Switz. 15.8	Nor. 14.9	Austria 13.8	UK 12.7	Ger. 12.3	N.Z. 12.2	Neth. 5.4	Belg. 3.2	France -0.7	Italy -11.9	Spain -19.1
2011	N.Z. 6.0	USA 1.8	UK -2.2	Switz. -6.4	Nor. -9.7	Belg. -10.3	Austr. -10.6	Neth. -11.8	Spain -11.9	Can. -12.4	Japan -14.0	Swed. -15.7	Den. -15.7	H.K. -15.7	France -16.5	Sing. -17.6	Ger. -17.8	Italy -22.9	Austria -36.2
2012	Belg. 33.4	Den. 25.5	Sing. 25.2	Ger. 25.1	N.Z. 23.6	H.K. 22.6	Austria 20.4	Austr. 16.7	Swed. 16.6	France 16.0	Neth. 15.3	Switz. 15.1	Nor. 13.4	USA 10.3	UK 10.2	Italy 7.5	Can. 4.3	Japan 3.4	Spain -1.5
2013	USA 29.3	Ger. 28.9	Spain 28.8	Neth. 28.8	Belg. 25.2	Japan 24.7	Switz. 24.2	France 23.9	Den. 22.9	Swed. 22.1	UK 18.4	Italy 18.1	Austria 11.3	N.Z. 9.2	H.K. 9.0	Nor. 7.3	Can. 3.6	Austr. 2.2	Sing. -0.2
2014	USA 19.7	N.Z. 14.0	Den. 12.8	H.K. 11.6	Belg. 10.6	Sing. 9.5	Can. 7.8	Switz. 6.2	Austr. 2.6	Neth. 2.6	Japan 2.0	Spain 1.3	UK 0.5	Swed. -1.8	Italy -3.9	France -4.3	Ger. -4.8	Nor. -17.2	Austria -25.4
2015	Den. 30.5	Belg. 18.5	Japan 15.8	Austria 9.4	Italy 8.9	Neth. 7.1	USA 6.5	Switz. 6.2	France 5.6	H.K. 5.2	Ger. 3.7	Swed. 0.4	N.Z. -0.9	UK -2.3	Austr. -4.8	Nor. -10.1	Spain -10.8	Sing. -13.0	Can. -19.8

Source: MSCI developed markets country indices (net dividends) with at least 25 years of data. MSCI data copyright MSCI 2016, all rights reserved. **Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.**

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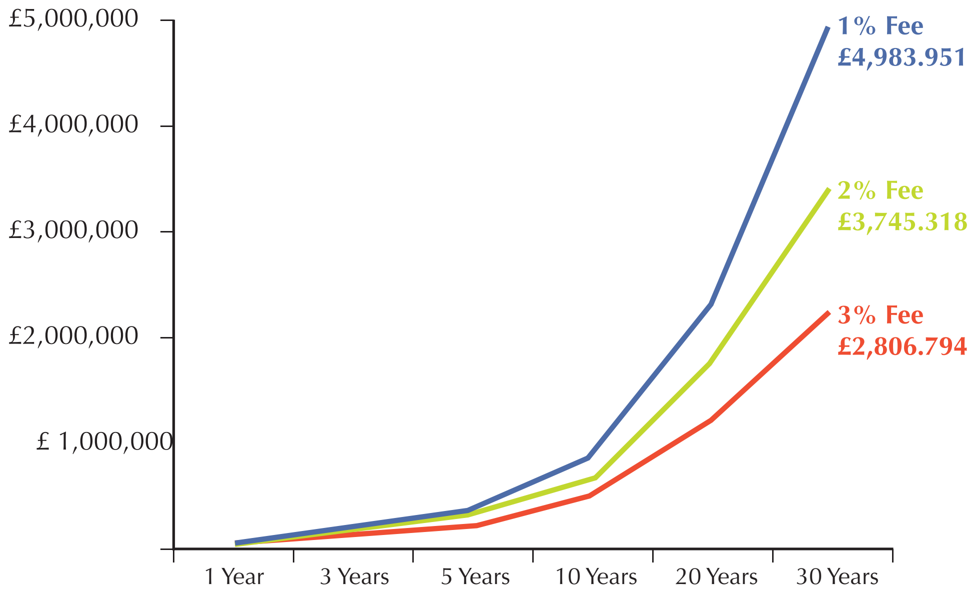
Fees Matter

Management fees, taxes, expenses and transaction costs incurred in the management of a portfolio have a direct impact on returns so managing costs is as important as managing investments. Good investment performance can be wiped out by high costs or a failure to seek tax efficiency. All other things beings equal, we seek the most cost-efficient route to market returns.

Passive investments generally cost less than the average actively managed investment by minimizing trading costs and eliminating the costs of researching stocks.

This graph shows that fees can significantly reduce net investment returns and future wealth. The higher the fees, the greater this reduction will be.

Assumed 6.5% Annualised Return over 30 Years



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Information vs. Noise

Markets are frenetic, energetic, ever-changing entities that require people who are actively involved in them to be constantly plugged in and switched on. But this does not mean that as an investor you must be too. This is a mistake many investors make – believing that to be a successful investor they must have their finger on the pulse all the time.

The investment management industry and financial press perpetuates this myth with daily chatter that offers rolling tips, predictions, warnings, speculation and advice. This material is produced by competitive media and fund sales industries that survive by attracting attention to themselves. But virtually none of this information is of use to investors; in fact, it is distracting noise that can bully people into taking ill-advised actions. It is entertainment, not information.

Our investment philosophy is based on information, not noise or entertainment. Its roots are in the work of cool-headed academics with no vested interest in selling investments or filling column inches.

This diagram shows that there are 4 categories of investment style. Some investors try to time markets to their advantage and/or select securities which they believe are mis-priced.

Investors who do not believe it is possible to make predictions about stocks or market performance – who cannot predict the future – are in box four. We are in box four.

Market Timing

SECURITY SELECTION	Yes	No
Yes	**1. The Noise Quadrant** Most individual investors and financial journalists	**2. Conventional Wisdom Quadrant** Financial advisers, stockbrokers & most managed funds
No	**3. Tactical Allocation Quadrant** Pure market timers & asset allocation funds	**4. Information Quadrant** Academics Many institutional investors

Active vs. Passive

Investment styles are often categorised as active or passive. An active investor is one who makes decisions about holding one investment over another. They occupy boxes one, two and three in the previous diagram. Passive investors are willing to accept the market rate of return and usually enjoy paying smaller fees than active investors.

Our investment philosophy is passive to the extent that we are not making judgements on the relative merits of one investment over another, but we are not willing to accept the market rate (less fees) for our clients. Our investment process targets market-beating performance through structured exposure to dimensions of higher expected return, and uses methods of portfolio construction and implementation that enhance performance relative to the average investor.

We believe:

- **the average active investor will do worse than the market because they are paying the highest fees;**
- **the average index investor will perform slightly better than that because their fees are lower than the active investor; and**
- **that our investment approach will outperform both due to reasonable fees, exposure to dimensions of higher expected return, and intelligent portfolio implementation.**

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Sources of Investment Return

In this section, we will identify the broad asset classes which we believe provide positive returns for investment over long periods of time. We will look at the risk characteristics of these asset classes, as well as their expected return characteristics. We believe that an investor should only take risks that will produce a positive expected return on their investment.

Asset Classes

The variety of instruments an investor can use is vast. The most conventional are shares, bonds and cash. These are the most liquid and transparent asset classes which, in many cases, offer investors a real stream of income now or in the future. This quality gives them a tangible and genuine value.

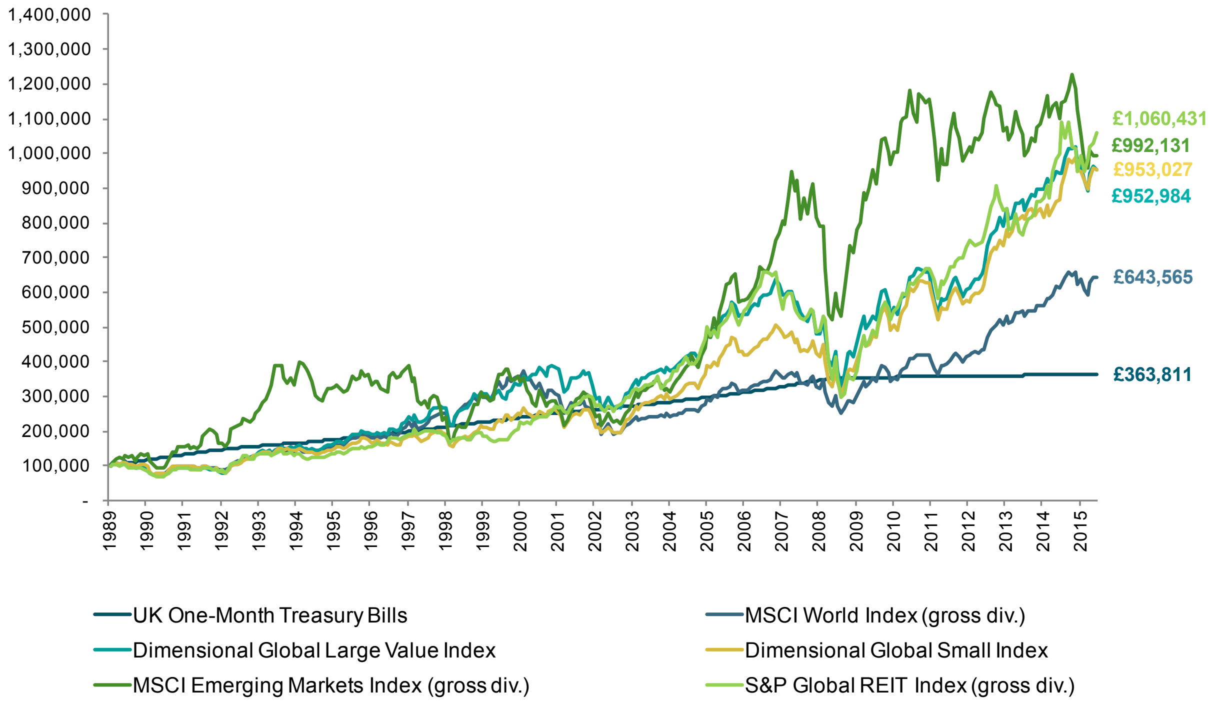
We consider an investment that has no prospect of paying an income, such as gold, to be speculative; their value is entirely reliant on finding counterparty to a trade. A speculator might own all the gold in the world but it is worthless if he cannot find a buyer.

There might be a place for speculation at the fringes of an investment portfolio, but we do not believe speculative instruments should play a major role. We therefore concentrate on cash, bonds and equities.

This graph shows what would have happened to the investment of £100,000 into different asset classes would have achieved over the past 25 years.

Growth of Wealth

1st July, 1989 – 31st December 2015



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The following table shows the returns and standard deviations (representing 'volatility') of different asset classes over a range of different time periods.

Performance Summary

1st July, 1989 – 31st December 2015

Statistics	UK One-Month Treasury Bills	MSCI World Index	Dimensional Global Large Value Index	Dimensional Global Small Index	MSCI Emerging Markets Index	S&P Global REIT Index
1-Year Total Return (%)	0.44	5.39	0.83	5.74	-9.71	6.35
3-Year Annualised Return (%)	0.41	13.86	12.40	13.72	-3.34	11.85
5-Year Annualised Return (%)	0.41	9.41	8.10	8.55	-3.40	11.07
10-Year Annualised Return (%)	1.82	7.21	6.05	8.09	5.57	7.63
20-Year Annualised Return (%)	3.56	6.78	8.68	9.39	5.72	10.44
Annualised Return (%)	4.99	7.28	8.88	8.88	9.05	9.32
Annualised Standard Deviation (%)	1.07	15.10	16.80	16.24	23.52	16.68
Growth of £100,000	£363,811	£643,565	£952,984	£953,027	£992,131	£1,060,431
Lowest 1-Year Return (%)	0.35	-31.76	-37.66	-31.41	-51.17	-43.12
	(2/12-1/13)	(10/89-9/90)	(3/08-2/09)	(1/90-12/90)	(9/97-8/98)	(3/08-2/09)
Highest 1-Year Return (%)	15.93	63.19	82.37	76.06	83.09	78.02
	(10/89-9/90)	(9/92-8/93)	(9/92-8/93)	(9/92-8/93)	(9/92-8/93)	(4/09-3/10)
Lowest 3-Year Annualised Return (%)	0.38	-17.79	-15.77	-11.57	-20.29	-18.44
	(1/12-12/14)	(4/00-3/03)	(3/06-2/09)	(3/06-2/09)	(9/95-8/98)	(3/06-2/09)
Highest 3-Year Annualised Return (%)	13.48	24.49	28.98	33.57	59.51	31.57
	(7/89-6/92)	(1/97-12/99)	(4/03-3/06)	(4/03-3/06)	(1/91-12/93)	(3/09-2/12)

Portfolios should be built around structure, discipline and diversification:

We do not use predictions, estimates or judgements to construct investment portfolios; instead, we look to world-renowned academic financial theory as a basis for our portfolio construction. We believe markets work, but we are not prepared to accept the average rate of return from the market.

Following the whole market or sections of it through index-tracking funds is a worthwhile low-cost way to gain exposure to markets, but academic research identifies particular areas of the market that have reliably rewarded investors over time. **These dimensions of higher expected return are explained later in this document in more detail and we build portfolios around these dimensions. Our aim is for our clients' portfolios to beat the average investor, without taking the risk of relying on predictions or concentrating investments too narrowly.**

Having identified these dimensions of higher expected return, we are careful to ensure that we keep our client's exposure to them as high as possible. Each fund our clients are invested in is managed with the specific aim of maintaining the highest possible exposure to the dimension of higher expected return. This discipline can enhance investment returns.

Once we have helped clients decide upon their individual investment strategy, we stick to it strictly and do not allow it to stray with market movements.

In addition, we help our clients remain disciplined. Staying invested through thick and thin is usually the best strategy for investors as timing exit and entry points is as unreliable as any other prediction of market movement. We help investors remain in the market all the time it remains appropriate to do so.

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Dimensions of Higher Expected Return

Equities

In order to get the best possible equity market return, we focus clients' exposure on dimensions of higher expected return that various academics have identified, notably Professor Gene Fama, of the University of Chicago Booth School of Business, and Professor Ken French, of the Tuck School of Business, Dartmouth College. Their research suggests that smaller companies and low-priced companies (that is companies whose book value of assets is high relative to their market price) perform better than the market average over time. Indeed a continuation of the research by Fama and French along with Robert Novy-Marx and others have uncovered a further dimension that shows that expected profitability.

When combined with the dimensions of company size and relative prices, profitability can enable investors to target higher expected return securities even more precisely, while maintaining broad diversification and low turnover in their portfolios.

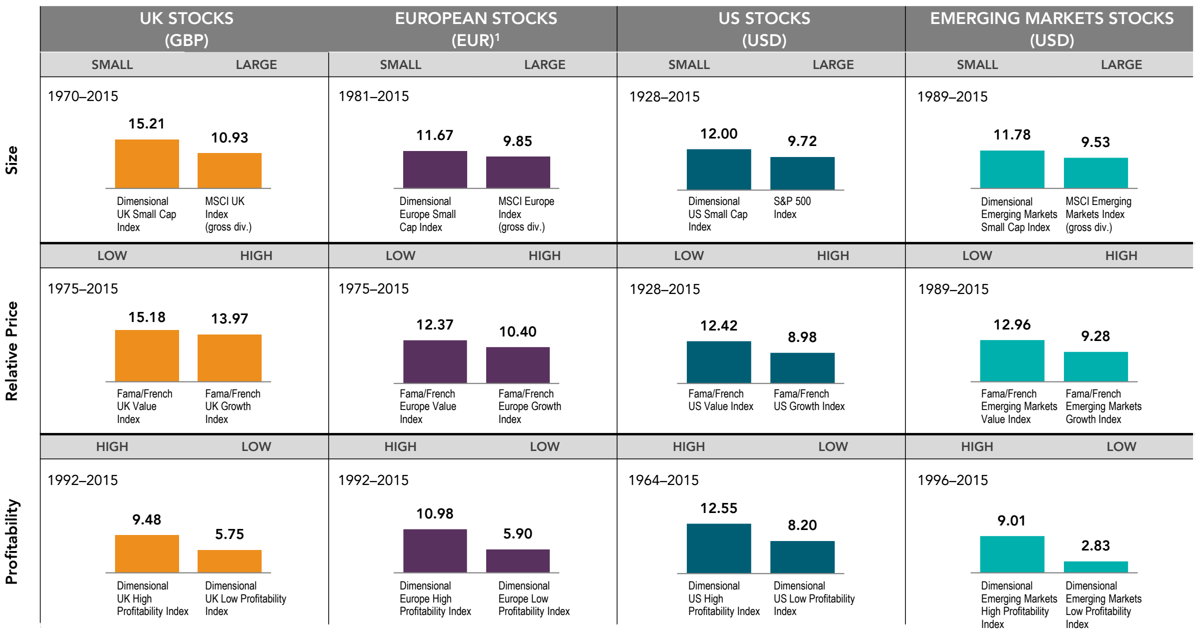
Because risk and return are related, the higher expected return comes at a price and, as a consequence, investing in these companies is riskier than investing in the whole market. There are periods when these groups of shares underperform the market, but over time, the academic research indicates that these risk premiums have been worth paying.

The chart below show how much these risk premiums have rewarded investors in comparison to an investment in the whole market in countries around the world. We therefore tilt our clients' portfolios towards small and value companies to an extent that is appropriate to the investor and their long-term goals.

This graph demonstrates the higher expected returns offered by small cap stocks and value stocks in the UK, Europe, US, and Emerging Markets.

Dimensions of Expected Returns in Equity Markets

Illustrative index performance: Annualised compound returns (%)



Profitability is measured as operating income before depreciation and amortisation minus interest expense scaled by book.

1. Pre-1999 returns calculated in DEM, post-1999 returns calculated in EUR. **Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. Returns may increase or decrease a result of currency fluctuations. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. Actual returns may be lower. See "Index Descriptions" in the appendix for descriptions of Dimensional and Fama/French index data. Eugene Fama and Ken French are members of the Board of Directors for and provide consulting services to Dimensional Fund Advisors LP.**

Small cap stocks are considered riskier than large cap stocks, and low relative price stocks are deemed riskier than high relative price stocks. These higher returns reflect compensation for bearing higher risk.

Bonds

Similarly, academic research indicates that fixed income, or bond investments exhibit two risk premiums: duration (the length of time until the bond matures); and how credit-worthy the bond issuer is. In principle, longer term bonds and those issues by companies with a lower credit rating are more risky, but pay a higher yield.

Property

Property certainly qualifies as a 'natural' asset class and we have decided it should be included in our model portfolios even though the following could be said:

- It is a difficult asset class to capture based on market returns and dimensions of natural gain.
- Although Real Estate Investment Trust (REIT) funds are available as collective investments – mostly as Exchange Traded Funds (ETF's) – their structure can be unsuitable for regular premium investors.
- Unlike equity and bond market indices which are updated daily based on the movement of prices in the market, property indices such as the Investment Property Databank (IPD) index are only updated quarterly. Consequently, it cannot be said that the asset price is derived from an efficient market process which is subject to daily market pricing.
- Funds investing directly into property are not always liquid and can restrict an investor's ability to redeem funds when asset values are adversely affected by market conditions.
- While not directly related to the dynamics of portfolio construction, many investors already have a significant exposure to property in their overall net worth.

These points sway us towards a relatively low exposure to property but an exposure nevertheless due to its natural asset class definition and because it is a natural asset class well known and recognised by our clients therefore we have chosen to include it in our available portfolio's.

Hedge Funds, Absolute Return Funds and Structured Products

We regard the returns generated by hedge funds and other esoteric and opaque strategies to be synthetic. That is to say fabricated from the natural components of capital markets but modified with, perhaps borrowing or derivatives to produce a different type of return. These are strategies, not asset classes and are at odds with our investment philosophy. In addition, they are complex, expensive and less liquid than the investments we prefer to use in our portfolios.

Risk Assessment

Managing Investment Risk

As explained before, risk and return are related to the extent that it is not possible to achieve a higher investment return without taking more investment risk. Many people invest with a level of risk that is guided by their "risk appetite" – that is how much investment risk they are prepared to tolerate.

But taking too little investment risk is risky in itself – the danger being that your assets will not grow enough to meet your investment goals. So a trade-off is necessary to achieve a balance between taking enough risk to achieve your goals, while not being reckless. We build investment portfolios with various degrees of risk and expected returns and express these variables in simple terms that we hope you understand.

Here are some of the things you might consider when deciding upon your appetite for risk:

i. Time Horizon and Liquidity Needs

How soon might you need to withdraw money from your investments? The longer an investor holds onto a risky asset the lower the chance there is of obtaining poor cumulative returns.

ii. Attitude to Risk

What is your aversion or attraction to risk when risk is defined as "the possibility of loss"?

iii. Net Worth

Generally speaking, the more assets an investor has in reserve, the higher their capacity for risk.

iv. Income and Savings Rate

How much can you save? In the same way that greater wealth enables a greater appetite for risk so too does being able to put more aside regularly.

v. Investment Knowledge

How good is your understanding of the investment you are making and how it behaves over time?

January 2017

Summary of Evidence Based Investing vs. Index Investing

Evidence Based

RESARCH	▶ Academic links provide empirical foundations for broad investment principles. ▶ Science identifies and refines the sources of higher risk and return.
PORTFOLIO MANAGEMENT	▶ Enforce portfolio construction rules that identify stocks that precisely fit the asset class. ▶ Provide quantitative buy, hold, sell criteria that ensure pure asset class exposure, whilst providing flexibility for trading efficiently.
TRADING	▶ Keep portfolios fully invested, diversified and continually rebalancing towards target weight. ▶ Minimise trading costs, including commissions, spreads, market impact, momentum, etc.
EFFICIENCY	▶ Institutional pricing and structure for lower fund charges and no “hot money”. ▶ Maximising securities lending revenue whilst minimising counterparty and reinvestment risk.

Summary of Understanding & Declaration

1. As an investor, I understand that there are many kinds of investment risk including but not restricted to:
    - The systematic risk of markets
    - The unsystematic risks of securities
    - Liquidity risk
    - Capital risk
    - Income risk
    - Inflation risk
    - Currency and Exchange Rate risk
    - Default risk
2. I understand that there is no such thing as an investment which will give me above average returns without the acceptance of above average risk and that above average risk does not guarantee higher returns.
3. I understand that my investments may go down in value as well as up and that past performance is not a reliable guide to future performance. I also understand that I may not recover from a non-Cash investment the whole of the sum originally invested.

Data Protection Act 1998

Information supplied may be stored on computer records and may be used for marketing and statistical purposes by Polestar. Details may be passed to our regulatory authorities for the purposes of compliance.

Declaration

I confirm that I have read this report and accept the above terms.

Client Signature:	Adviser Signature:
Date:	