INVESTMENT PRINCIPLES

December 2015

Overview

Our investment service is founded on a set of nine Investment principles. These principles inform our organisational structure and ensure that our focus is on delivering financial security for each of our clients before and after retirement. They also provide context for our advice, reflect our values and acknowledge our responsibilities.

Principle 1

A client-centric approach is the key guarantor of success

- Investors are individuals
- A durable process of investment must be built on an analysis of investor objectives, preferences and constraints (see table)
- We recognise that those variables are not always easily reconciled and that they change over time

OBJECTIVES	PREFERENCES	CONSTRAINTS
General goal Return target Income requirement	Risk budget Priorities Investment biases	Capacity for loss Timescale Available capital Liabilities Contingencies

Principle 2

Liabilities must be accounted for

- Contingencies must be met with sufficient reserve cash
- Short-term obligations must be matched with cash reserves and/or government-backed investments
- Exposure to illiquid assets (those assets that cannot always be sold quickly and easily), where appropriate, will be managed to ensure sufficient cash is generated to meet medium- and long-term obligations as they become due
- Assets that generate cash and assets that tend to hedge inflation should, in the first instance, be considered equally important

Principle 3

A long-term approach affords great advantage

- We define the short-term to be less than 5 years in duration, the medium-term to be between 5 and 10 years and the long-term to be in excess of 10 years
- We look beyond regular economic cycles and short-term trends, favouring strategies that create sustainable value over the longer term
- A long-term approach pairs courage with patience; allowing investors to reap the rewards associated with asset price volatility

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Principle 4

Accountability is promoted by clearly stated performance goals and performance measurement

- Performance should be assessed with reference to clearly stated return targets and associated risk budgets
- Active risks should be measured alongside a 'reference portfolio' of passive funds
- The minutes of our quarterly Investment Committee meetings are available, in full, for our clients to view

Principle 5

Strategic asset allocation is the dominant determinant of portfolio risk and return

- Our process of strategic asset allocation converts targeted rates of return to market exposures across a considered set of asset classes
- We diversify our portfolios across distinct risk factors and return drivers; including economic conditions defined by (1) high growth / disinflation (2) high inflation / low growth (3) high growth / high inflation and (4) low growth / disinflation
- We seek to add value with a disciplined process of 'tactical' asset allocation
- We consider investment strategies if they have the potential to materially impact on portfolio risk and return

Principle 6

Embrace risks only where there are sufficient rewards

- Efforts must be taken to maximise return in the face of risk
- Markets are not perfectly efficient, but inefficiencies are difficult to exploit once costs are accounted for
- We use index-tracking strategies where we lack a conviction that active management can add value

Principle 7

Costs matter

- We balance risk, return and cost when choosing and evaluating investment strategies and managers
- We require our business partners to be transparent of their costs
- We do not charge performance fees
- Complexity is a hiding place for high charges; we seek to keep costs low by avoiding complex strategies and securities

Principle 8

There is more to risk than asset price volatility

- We use a broad set of risk measures and maintain a clear process for managing and mitigating risks
- We are conscious that portfolio risks in pre-retirement phase are different to those in post-retirement phase
- We communicate risks in unambiguous language

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Principle 9

Be aware that we will, occasionally, make mistakes

- Necessarily, we make various financial forecasts and these, like long-term weather forecasts, are prone to error
- We seek to mitigate the effects of such errors by thinking in terms of multiple scenarios; where many views of the future are considered rather than one

Important information

Sacre Associates LLP is authorised and regulated by the Financial Conduct Authority.

The price of the funds within a portfolio may go up or down and investors may not get back the amount invested. Portfolio income is not fixed and may fluctuate. Past performance is not a reliable indicator of future results. The value of the funds involving exposure to foreign currencies can be affected by exchange rate movements. Your portfolio may contain funds that are more risky and less risky than your risk tolerance but in combination, taking the portfolio as a whole, it is correctly set to provide the appropriate level of risk for your particular circumstances. Certain investments, such as Exchange Traded Funds or Investment Trusts do not necessarily benefit from FSCS protection.

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