ARIA CAPITAL MANAGEMENT

ALL TERRAIN PORTFOLIO STRATEGY

ARIA
CAPITAL MANAGEMENT

A COMMON SENSE APPROACH TO INVESTING

THE CENTRAL TENET OF OUR PHILOSOPHY IS OUR BELIEF IN CAPITAL PRESERVATION. TO PUT IT BLUNTLY, THE BEST WAY OF MAKING MONEY IS NOT TO LOSE IT IN THE FIRST PLACE. ACCORDINGLY, WE WILL NOT INVEST OUR CLIENTS' ASSETS IN ANY STOCK, SECTOR, COUNTRY OR ASSET CLASS IF WE BELIEVE DOING SO CARRIES AN UNACCEPTABLE RISK OF LOSING MONEY.

'ARIA' and 'ARIA Capital Management' are trading names of Absolute Return Investment Advisers (ARIA) Limited
ARIA is a Limited Company. Registered in England and Wales No: 7091239
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E-mail: info@ariacm.com, For details visit www.ariacm.com
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WHY ARIA?

WE TARGET ABSOLUTE RETURNS

VERY SIMPLY, OUR APPROACH IS BASED ON COMMON SENSE PRINCIPLES:

▪ ALL TERRAIN INVESTMENT MANAGEMENT – capital preservation when investment climates are less favourable is key to long-term out performance.

▪ COMMON SENSE INVESTING – our approach is to measure our performance relative to cash deposits.

▪ PEACE OF MIND IN TURBULENT TIMES – by diversifying across the widest possible range of asset classes, we seek to smooth out investment returns through multi asset class investing.

▪ ACTIVE MANAGEMENT, DYNAMIC ASSET ALLOCATION AND KEEPING COSTS LOW – Academic studies demonstrate how asset allocation is the primary determinant of a portfolio's return. Moreover, today's financial climate is characterised by volatility, and therefore we need to be able to act quickly in changing asset allocations, perhaps to preserve capital or take profits. We construct portfolios in such a way that we can do that within our 'building block' investments, which allows us to adopt a more active approach by changing exposures inside the fund with lower transaction costs that would be incurred at portfolio level.

▪ THEMATIC INVESTING - Our approach is not just limited to drawing on more asset classes and dynamically managing the asset allocation. We try to go the extra mile. By using a thematic approach, we hope to further improve returns by selecting investments which benefit from broader, enduring themes which impact our everyday lives.

▪ ALTERNATIVE INVESTMENTS – our portfolios incorporate alternative investments which are generally uncorrelated to stockmarkets, improving the quality of the diversification profile. We are able to access investments which are typically only available to institutional investors.

▪ DISCIPLINED RISK MANAGEMENT – investing in a broadly diversified portfolio across all asset classes improves the risk return profile of the portfolio.

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BUY AND HOLD DEBUNKED

LIES, DAMN LIES AND STATISTICS

A CHILLING REALITY OF JANUARY 09 WAS THAT IN REAL TERMS (I.E. ACCOUNTING FOR INFLATION) THE MSCI WORLD STOCK INDEX SAT AT 1973 LEVELS.

A LOST DECADE: The 1998-2008 return from UK equities was just 1.05%. And that's in nominal terms; inflation adjusted, the real return was negative, at -1.5% (Barclays Equity Gilt study.)

On a total return basis, during 2009 Ibbotson data shows that the S&P 500 has underperformed long-term Treasury bonds for the last five-year, 10-year, and 25-year periods, and by substantial amounts. Just how long is the long run?

Academic studies reveal that stock markets grow at almost 10% a year, hence why asset allocations emphasize equity exposure in longer term portfolios.

- INDEXES INCLUDE DIVIDENDS - which averaged almost 5% per annum over the long term.
- THE EFFECTS OF INFLATION - which is good for a few percentage points.
- SURVIVORSHIP BIAS INFLATES RETURN FIGURES - Surprisingly, indexes do not reflect the actual results of the companies. If you measures the Dow, S&P or FTSE 100 by the companies that were in them in 1950, for example, the returns would have been less significant. The components of the indices are changed, adding faster growing companies and removing the underperformers.

CAPITAL PRESERVATION

"IT'S *TIME* IN THE MARKET, NOT *TIMING* THE MARKET." REALLY?

BUY AND HOLD INVESTING IS TYPICALLY JUSTIFIED BY STATEMENTS SUCH AS; 'IF YOU MISSED THE 10 BEST STOCK MARKET DAYS OF THE YEAR, IT DRASTICALLY REDUCES YOUR RETURNS.'

The reality is that whilst over the past 81 years (1928-2009) in the US stock market, if you missed the 10 best sessions a $1 dollar investment grows to only $15, while staying fully invested returns a little more than $45 on that same invested dollar.

This is to tell half the story - by protecting the downside, and missing the 10 worst sessions that same dollar grows to $143.47

The management of "risks" is more important than the management of "returns". The best way to make money is not to lose in the first place.

Source: Jeff Saut, Raymond James, 2010, 'The Game of Risk'
http://www.stockmarketsreview.com/extras/the_game_of_risk_20100317_3546/

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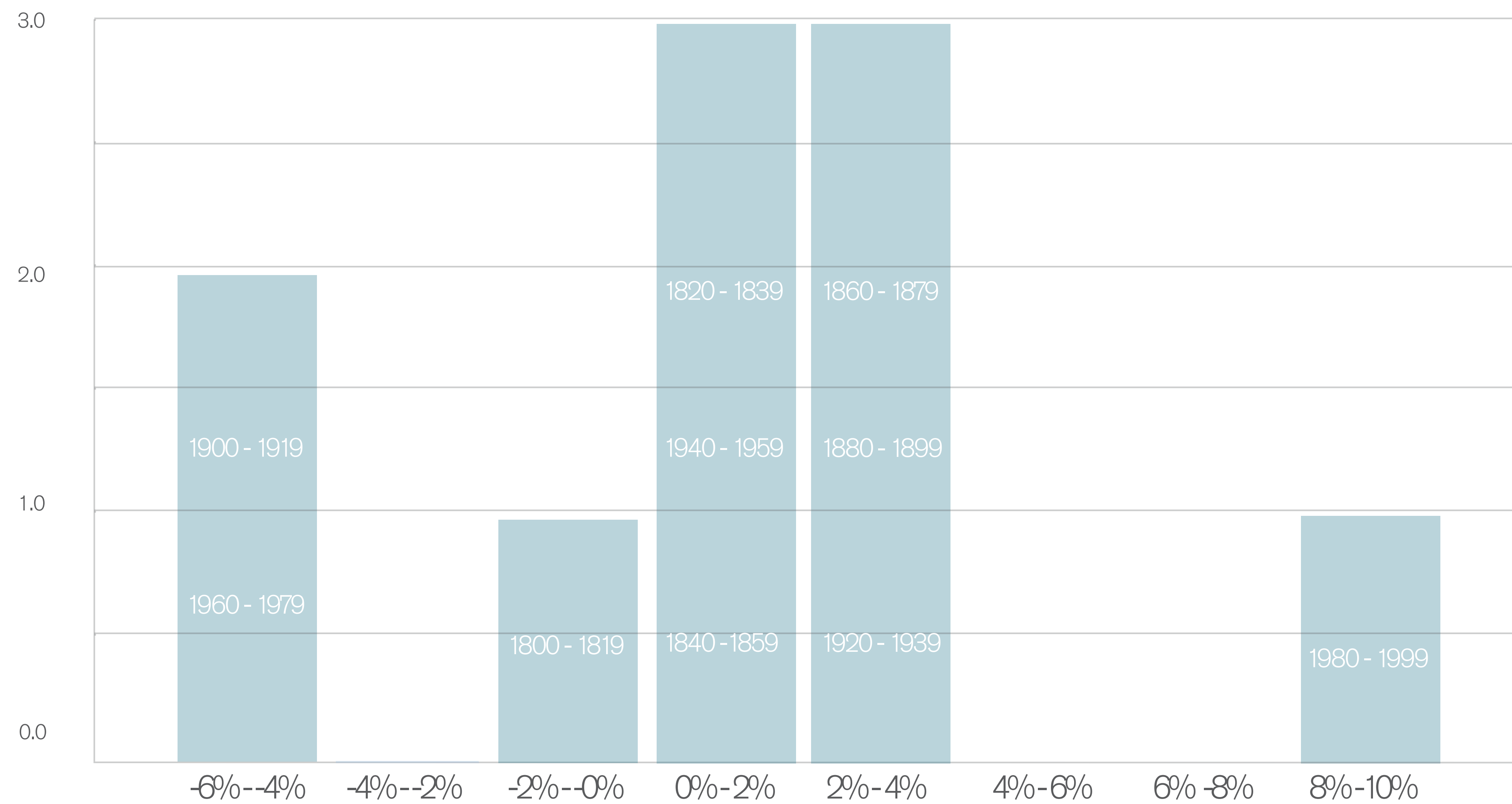
SHOCKS FOR THE LONG RUN

20-YEAR REAL ANNUAL EQUITY CAPITAL RETURNS SINCE 1800

Seven of the ten periods gave average annual capital returns of between -2% and 4% and the average annual return for the whole period also fell into this range.

THE HIGH EQUITY RETURNS OF 1980 – 1999 FOLLOWED THE DEPRESSED PERIOD OF 1960 – 1979 AND TO SOME EXTENT REPRESENTED A REVALUATION OF SHARES FROM DEPRESSED LEVELS.

The chart shows that the 1980 –1999 period was exceptional by historical standards: Despite this, most investment funds ended the millennium with their highest-ever exposure to equities, and suffered in the bear market that followed. It may be human nature to project recent experience into the future, but in practice this means that, as a group, investors are not always good at spotting reversals in trend.



Annual Equity Capital Returns
Source: UBS (Global Finance Data, Datastream. Not independently referenced).

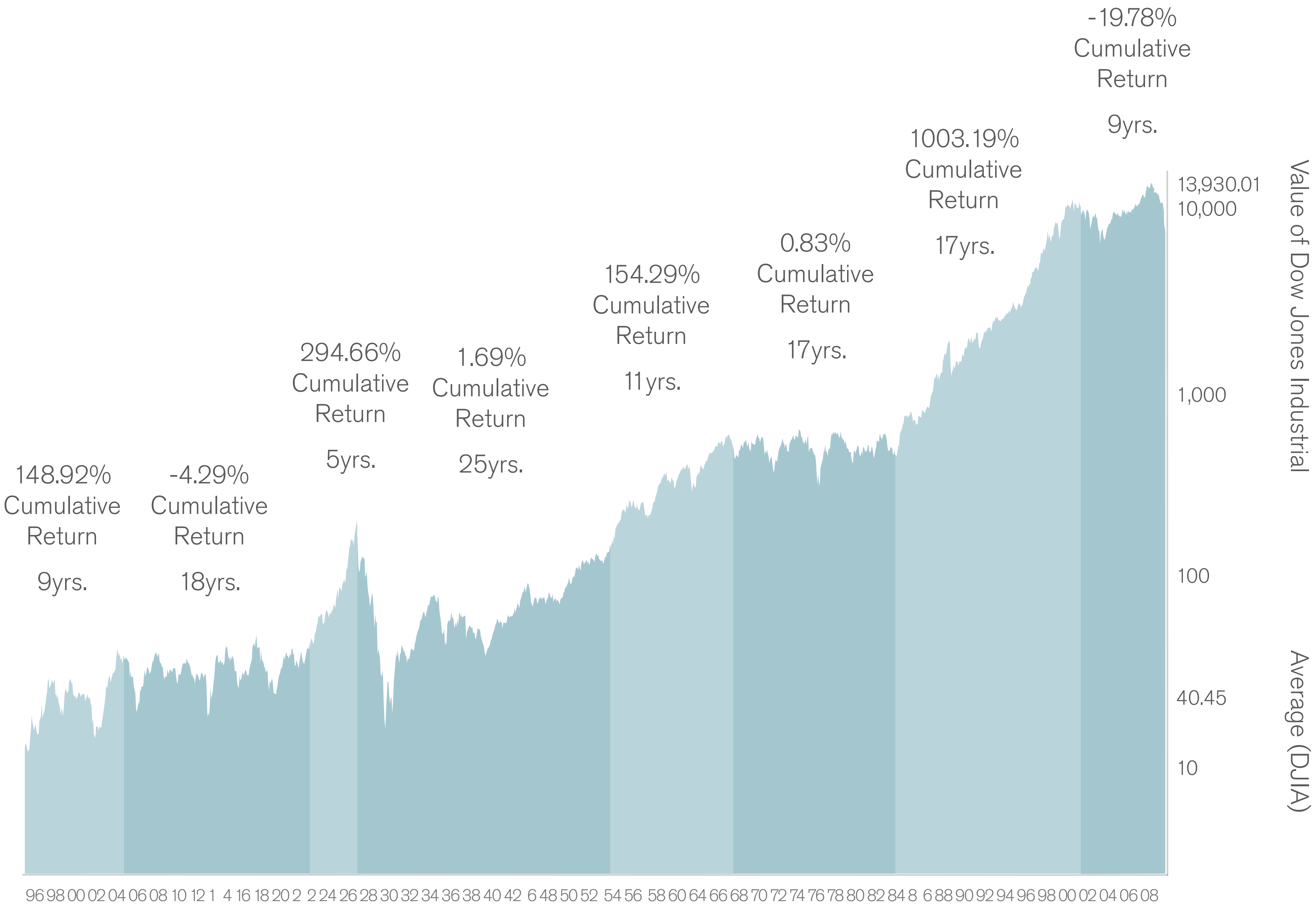
THE BIGGER PICTURE

LONG-TERM SECULAR BEAR MARKETS

The following is a long-term chart of bull and bear markets.

NOTE – BEAR MARKETS LAST A LONG TIME. WITH THE MARKET EXPENSIVELY PRICED, LOW INTEREST RATES WITH THE RISK OF THEM MOVING HIGHER, GLOBAL STRUCTURAL PROBLEMS, AND DELEVERAGING, IT APPEARS TO ME WE MAY BE ONLY HALF WAY THROUGH THIS CURRENT LONG-TERM SECULAR BEAR.

This chart helps give a historical perspective.



Logarithmic graph of the Dow Jones Industrial Average from 12/1886 - 12/2008

Source: Data from www.dowjones.com 1/2009

ABSOLUTE RETURN vs INVESTING

ABSOLUTE RETURN BENCHMARKS vs RELATIVE RETURN BENCHMARKS

	Relative Return Approach	Absolute Return Approach
Return objective	Relative to benchmark. Performance dependent on that of the stockmarket.	Absolute, positive return. Performance dependent on exploiting investment opportunities in any asset class.
Risk management	Relative to benchmark (tracking risk). The risk of underperforming the benchmark.	Total risk. Risk of losing money/preserve capital.
Investment strategy	Relative to benchmark (tracking risk). Investments held in fund because they belong to the benchmark they are measured against.	Complete flexibility. Investments chosen on their own merit. Free to move into asset classes with most favourable investment potential.

We believe that investors may have become disillusioned with the investment management industry which focuses on measuring investment performance relative to a stock market index. Our view is those who have or have made money, should be concentrating on holding onto it. Measuring our performance against stock markets is not our approach. We are absolute return and active fund managers. This means that the portfolios we manage are not constrained by any requirement to match or mimic stock market indices and we will not buy a particular investment or other holding because it is a prominent constituent of an index. Each investment is made on the basis of merit alone: we must genuinely believe that it's value is likely to increase and be comfortable that the potential reward justifies any exposure to risk. Importantly, as well, an investment needs to fit with the rest of the portfolio. We simply do not have any conviction in the idea that a 'buy and hold' relative return approach is the pinnacle of investment wisdom. Our aim is to protect and grow the wealth of all our clients by generating a return that is attractive in absolute terms.

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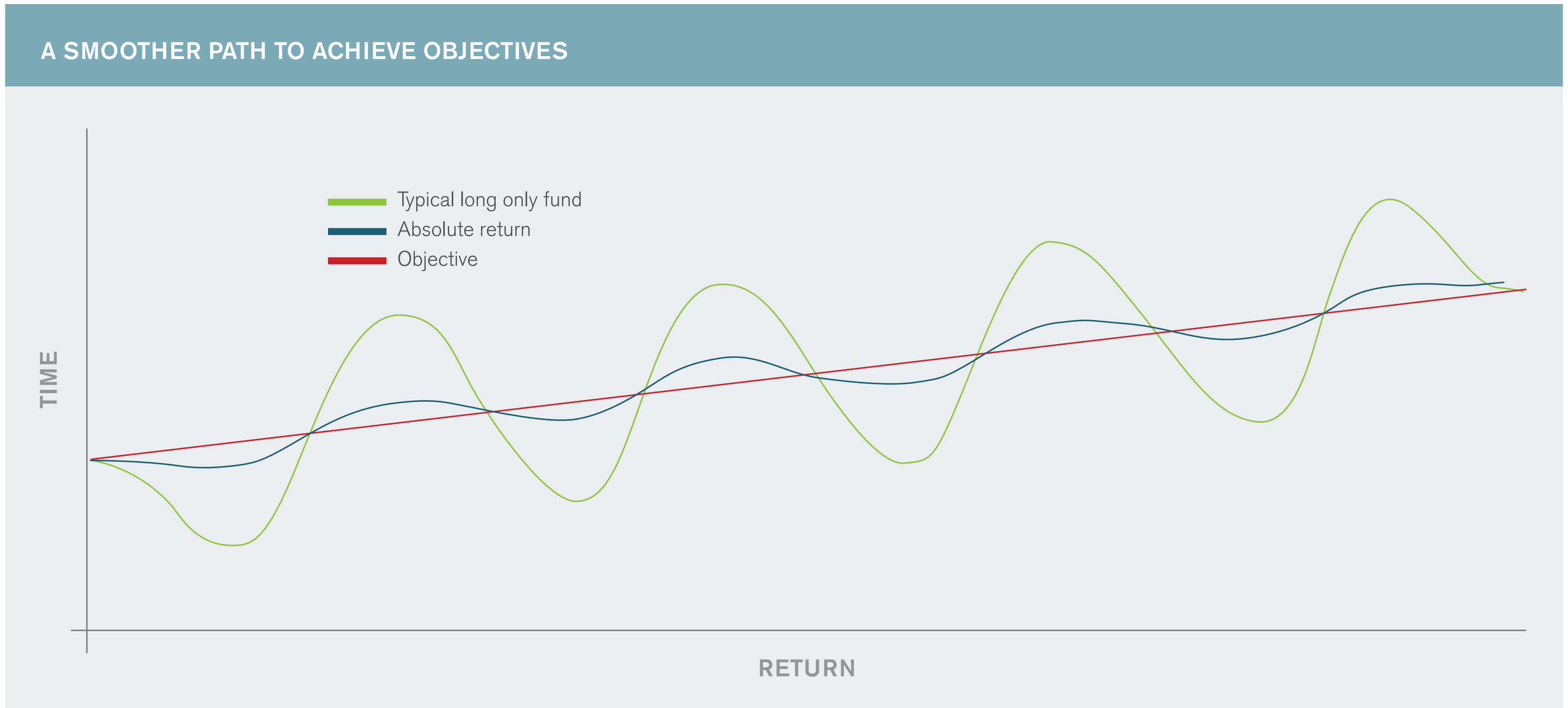
REDUCING MARKET RISK



For illustration purposes only.

- ADAPTING TO CHANGING MARKETS
- AIMING FOR GREATER CONSISTENCY THAN TRADITIONAL MARKETS
- INCLUDING ALTERNATIVE ASSET CLASSES
- HEDGING RISK WITH MODERN INVESTMENT TOOLS

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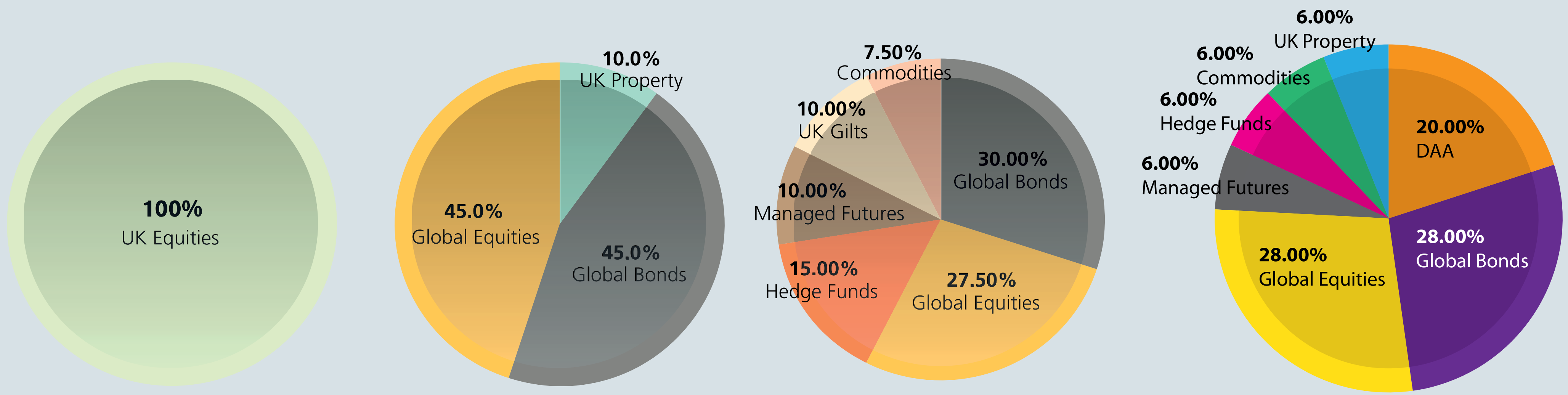
THE CASE FOR ALTERNATIVE INVESTMENTS

PROVIDING GENUINE DIVERSIFICATION



	PORTFOLIO ONE	PORTFOLIO TWO	PORTFOLIO THREE	PORTFOLIO FOUR
Annualised Return	2.26%	4.29%	5.29%	8.05%
Volatility	15.06%	11.81%	9.07%	8.66%
Maximum Loss	-42.90%	-15.77%	-12.13%	-12.66%

The Only Free Lunch In Investment Management

Increasing diversification or moving toward the U.S 'Endowment' model from a traditional share and bond portfolio improves risk adjusted returns. That is to say including more lowly correlated asset classes, the quality of returns improve, which means higher returns with lower volatility. The super endowments of Yale and Harvard are pioneers of this investment approach.

Source: ARIA, Bloomberg. Historical portfolio simulations are rebalanced semi annually at calendar year from February 2005

Portfolio data as follows: UK Equities equals FTSE 100 capital return only: UK Gilts equals the FTSE Actuaries Government Securties UK Gilts TR 5-15 year: UK Property equals UK IPD Capital Growth All Property: Global Equities equals MSCI World Index Capital Growth: Global Bonds equals JPMorgan EMBI Global Total Return Index: Commodities equals S&P GSCI Total Return Index: Hedge Funds equals HFRI Fund Weighted Composite Index: Managed Futures equals Barclays US Industry BTOP 50. Portfolio 4 uses the the performance data from ARIA's Diversity balanced model portfolio strategy from February 2005 until December 2010. From January 2011 actual performance data for the FA AR Diversified Alternative Assets Fund is used. Please note that from August 2011 the onshore version was launched and now forms one of the ATP onshore building block funds. Investing in alternative investments may not be suitable for all investors and involves special risks such as risk associated with short sales, leveraging the investment, potential adverse market forces, regulatory changes, and potential illiquidity. Investing in alternative strategies presents the opportunity for significant losses. There is no assurance that the investment object will be attained.

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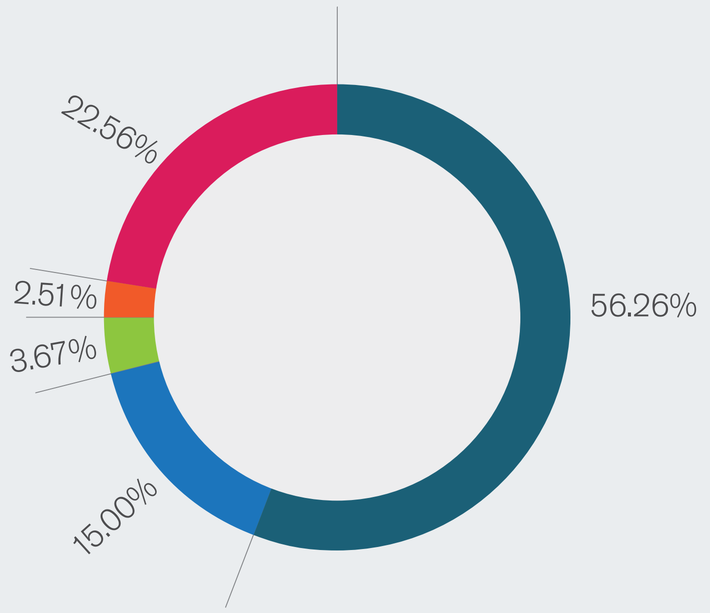
WHAT IS MULTI ASSET CLASS INVESTING?

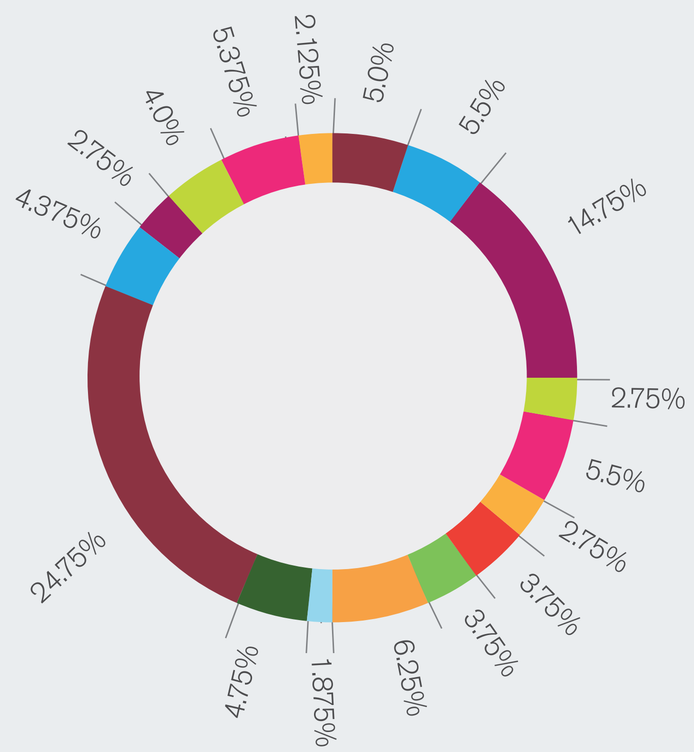
A COMPARISON OF HOW A MULTI ASSET CLASS APPROACH INCLUDING ALTERNATIVE ASSETS AND ABSOLUTE RETURN INVESTMENTS MAY BRING GREATER EXPOSURE TO MORE ASSET CLASSES THAN A MORE TRADITIONAL APPROACH.

EXAMPLE ASSET ALLOCATION FOR A MORE TRADITIONAL PORTFOLIO



- UK Equities (56.26%)
- Fixed Income (15.00%)
- Property (3.67%)
- Cash (2.51%)
- International Equities (22.56%)

INDICATIVE ASSET CLASS EXPOSURES FOR AN ARIA ATP STRATEGY BALANCED PROFILE



- Money Market (5%)
- Government Bonds (5.5%)
- Corporate Bonds (14.75%)
- Convertibles (2.75%)
- Emerging Market Debt (5.5%)
- Inflation Linked Bonds (2.75%)
- Market Neutral (3.75%)
- Equity Long/Short (3.75%)
- Global High Income (6.25%)
- Real Estate Investment Trusts (1.875%)
- Domestic Equity (4.75%)
- International Equity (24.75%)
- Emerging Market Equities (4.375%)
- Listed Fund of Hedge Funds (2.75%)
- Precious Metals (4%)
- Commodities (5.375%)
- Currencies (2.125%)

* Please note that these building blocks funds and asset class exposure may change at our discretion as other building blocks funds become available, or as other fund's and asset classes are deemed to be more suitable are included in asset allocations. This data is provided for information purposes only.

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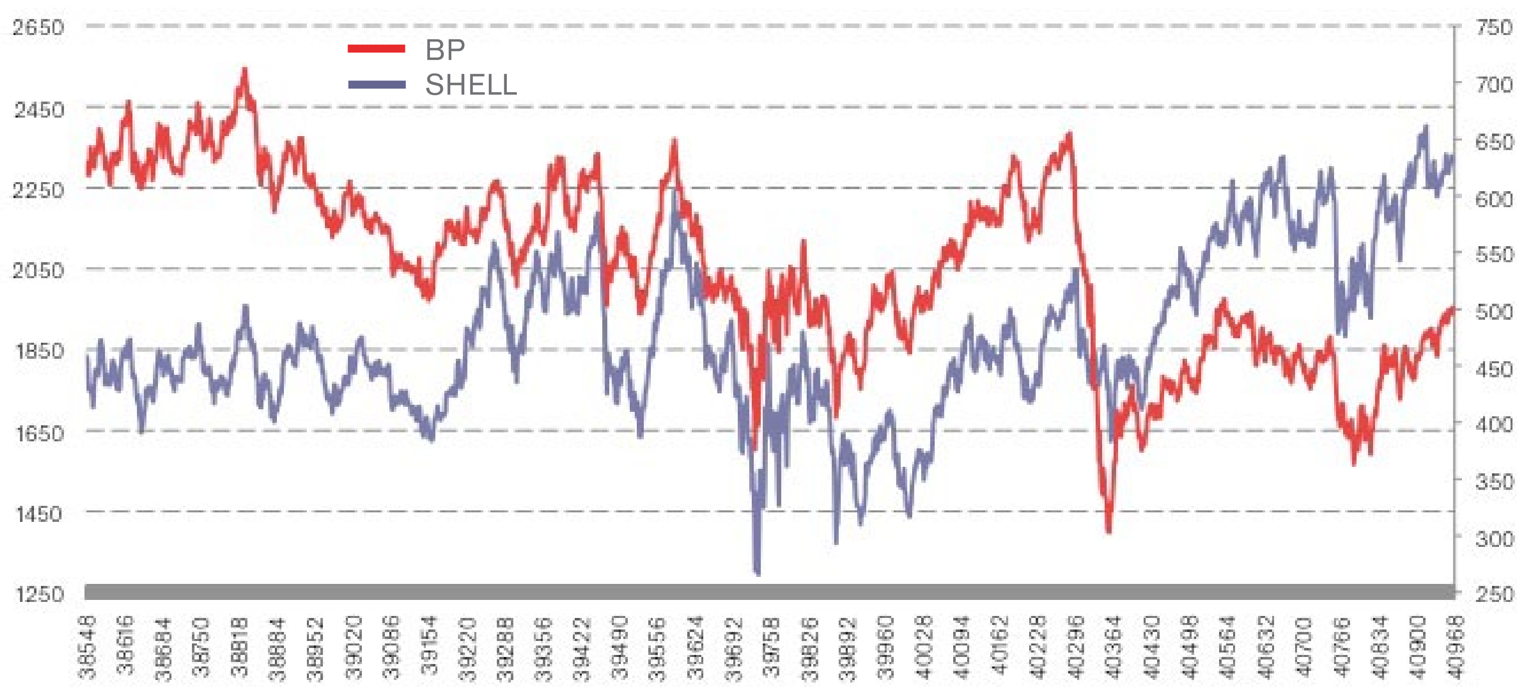
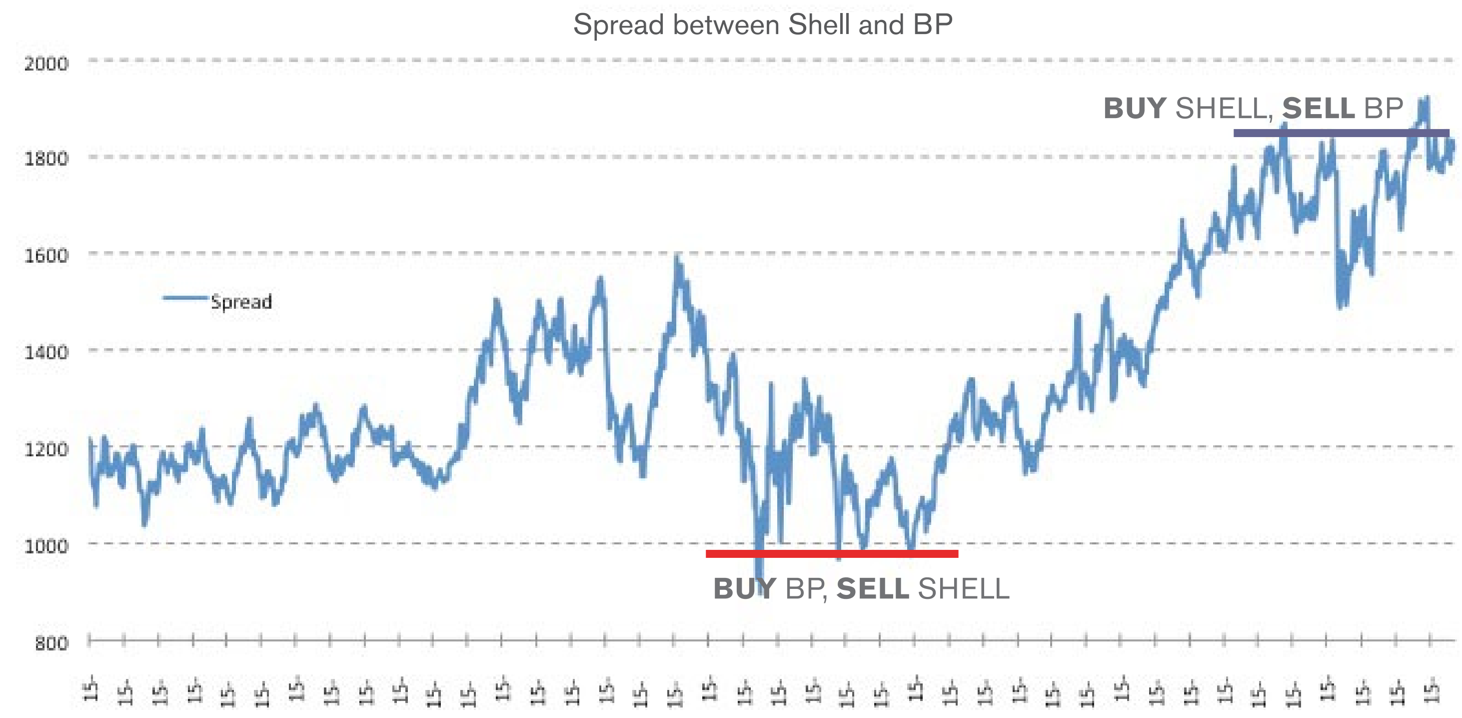
FUND FOCUS: VEXUS MULTI STRATEGY - PAIRS TRADING



SOURCE: ARIA CAPITAL MANAGEMENT



SOURCE: ARIA CAPITAL MANAGEMENT

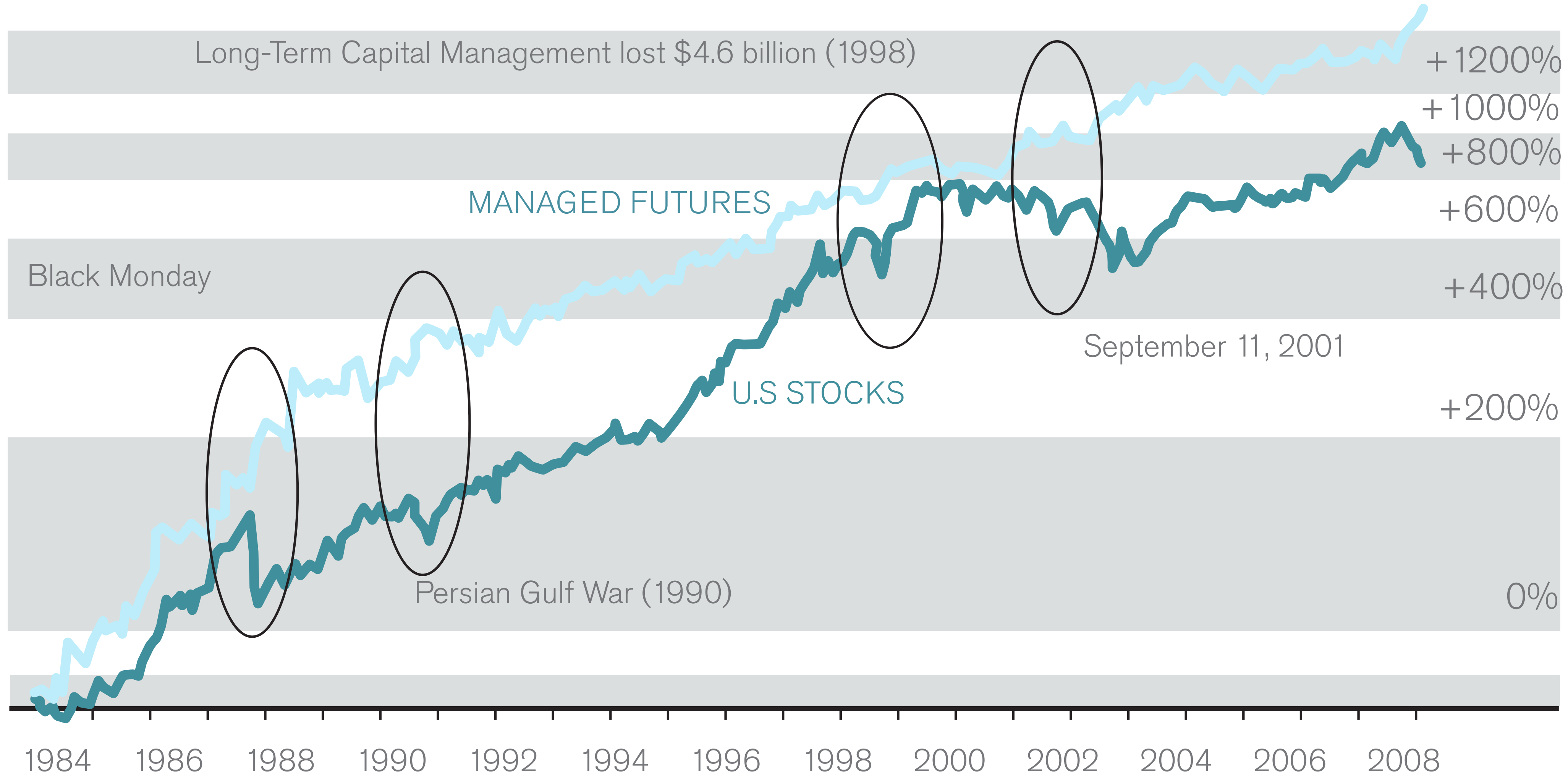
THE PAIRS TRADE OR PAIR TRADING IS A MARKET NEUTRAL TRADING STRATEGY ENABLING TRADERS TO POTENTIALLY PROFIT FROM VIRTUALLY ANY MARKET CONDITIONS: UPTREND, DOWNTREND, OR SIDEWAYS MOVEMENT

▪ THE PAIRS TRADE HELPS TO HEDGE A SECTOR - AND MARKET-RISK. For example, if the whole market crashes, and the two stocks plummet along with it, the trade should result in a gain on the short position and a negating loss on the long position, leaving the profit close to zero in spite of the large move.

▪ PAIRS TRADE IS A MEAN-REVERTING STRATEGY, BETTING THAT THE PRICES WILL EVENTUALLY REVERT TO THEIR HISTORICAL TRENDS.

FUND FOCUS: GLOBAL SYSTEMATIC ALPHA - MANAGED FUTURES

WHEN CRITICAL EVENTS OCCUR (01/1984 - 02/2008)



Managed futures: CASAM CISDM CTA Equal Weighted; Stocks; Dow Jones Index; Logarithmic Scale
Source: Bloomberg. Past Performance is not a guide to Future Returns.

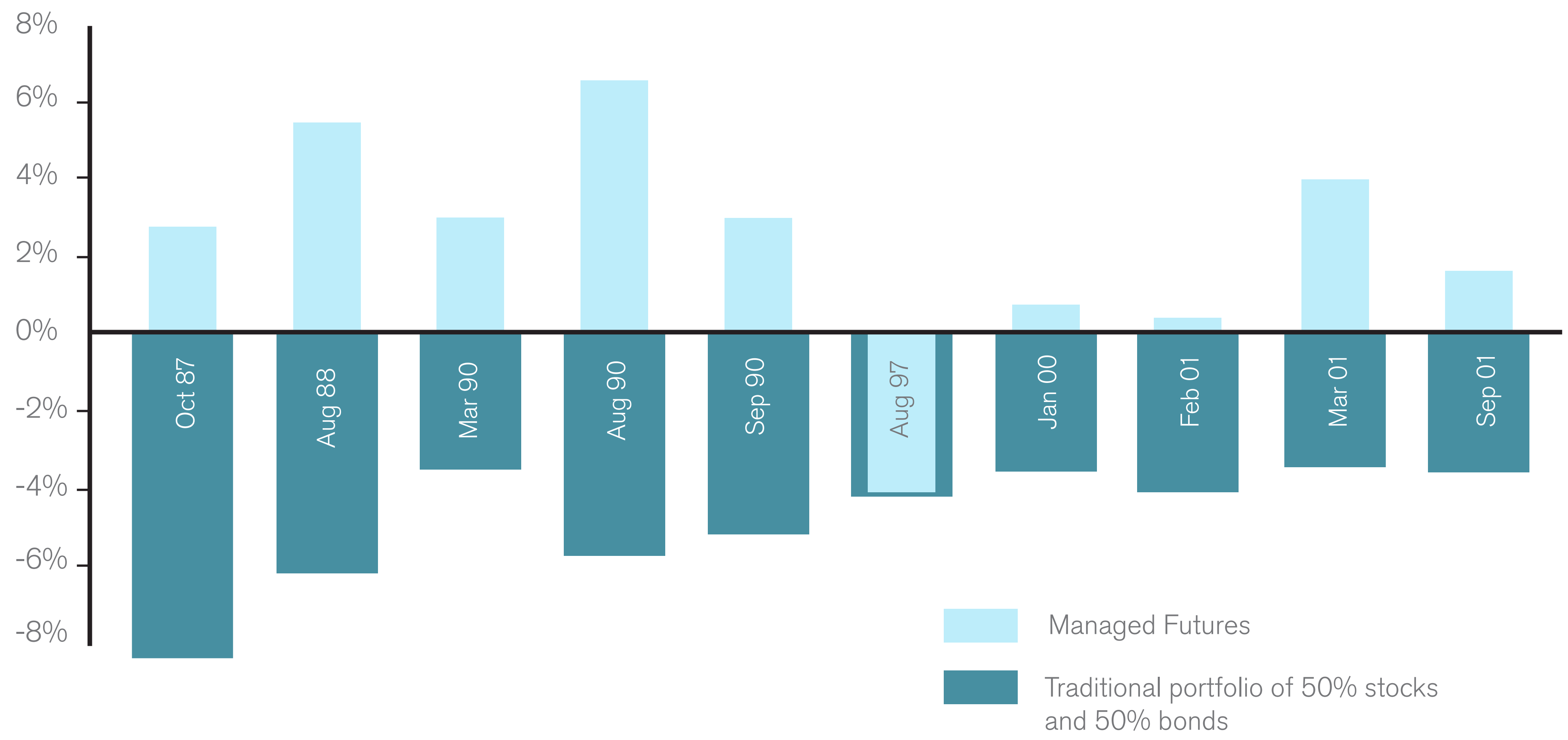
As the above chart shows, during the stock market crash in 1987, panic hit the stock markets following the largest one-day loss in history. Managed futures reported above 20 percent returns. Similarly after the terrorist attacks of 9/11, the stock market plummeted 16.3 percent. In contrast, managed futures gained 8.3 percent in the same period.

FUND FOCUS: GLOBAL SYSTEMATIC ALPHA - MANAGED FUTURES

MANAGED FUTURES VS TRADITIONAL PORTFOLIO

Managed futures funds can generate profit in both increasing or decreasing markets due to the their ability to go long (buy) futures positions in anticipation of rising markets or go short (sell) futures positions in anticipation of falling markets. Moreover, such a strategy is able to go long or short with equal ease.

This ability, coupled with their virtual non-correlation with most traditional asset classes, have resulted in managed futures funds performing well relative to traditional asset classes during adverse conditions for stocks and bonds.



Managed futures: CASAM CISDM CTA Equal Weighted; Stocks; MCSI World; Bonds: JP Morgan Government Bond Globals;
Time scale: 01/1987 - 01/2008

VOLATILITY PROFILED PORTFOLIO STRATEGIES

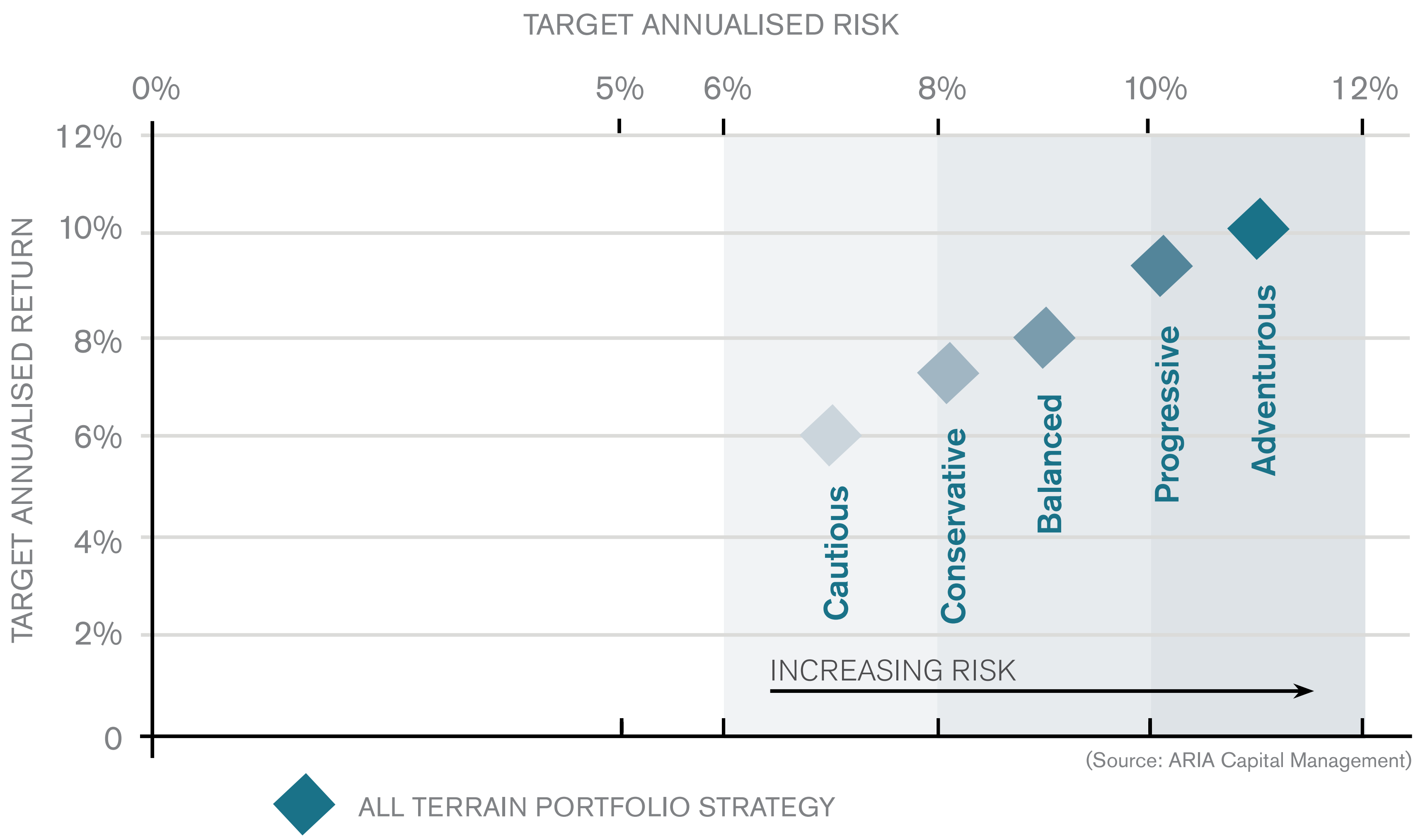
All types of investment, including our portfolio strategies, carry some risk of making a loss. The important thing is to be comfortable that your investments represent, as closely as possible, a level of risk acceptable to you, and continues to do so.

The most common measure of risk is the extent to which the value of the assets in an investment moves up and down over a given period, relative to their long term average value. This is often referred to as volatility. Investments with higher volatility are considered to be riskier than those with lower volatility. Although their potential for upward swings is greater, so is their equivalent potential for downward movement, and we set out 'target volatilities' for each portfolio strategy, in order to assist in matching your 'comfort level' for loss to a particular asset allocation.

Furthermore, knowing your time horizon is extremely important when it comes to determining a suitable investment strategy. All things being equal, an investor can afford to be more aggressive with a longer time horizon.

As the model portfolios move from lower risk to higher risk, on a 'look through' basis, your portfolio is increasingly concentrated in higher risk assets such as international equities and commodities.

	Benchmark	Target Volatility	Concentration Risk	Suggested Minimum Investment Time Horizon
CAUTIOUS	1M LIBOR + 1%	Global Corporate Bond Index less 2%	Lower	5 years
CONSERVATIVE	1M LIBOR + 2%	Global Corporate Bond Index less 1%	Low - Medium	5 years
BALANCED	1M LIBOR + 3%	Global Corporate Bond Index	Medium	5 years
PROGRESSIVE	1M LIBOR + 3.5%	Global Corporate Bond Index plus 1%	Medium - High	6 years
ADVENTUROUS	1M LIBOR + 4%	Global Corporate Bond Index plus 2%	High	7 years



UNDERSTANDING HOW YOUR ALL TERRAIN PORTFOLIO STRATEGY IS CONSTRUCTED

DETERMINING YOUR INVESTMENT PROFILE

The first step in the process is for you and your adviser to determine your investment profile. This ensures that your money is invested with a portfolio construction designed to meet your investment objectives, but most importantly taking into account your appetite for investment risk.

Your adviser will assess your attitude to risk and establish your objectives and investment time horizon. This will allow them to determine your investment profile.

ARIA then works with your adviser to ensure the way that they assess your investment profile is accurately matched to our understanding of risk profiles for your portfolio.

INTERMEDIARY CLIENT ASSESSMENT

INVESTMENT OBJECTIVES AND RISK PROFILING

ALL TERRAIN DISCRETIONARY PORTFOLIO STRATEGY

STRATEGIC ASSET ALLOCATION

	Cash	Defensive Assets	Absolute Return Investments	Traditional Assets	Growth Strategies
BENCHMARK RETURN*:	Base Rates	2%	2%	3%	4%
TARGET VOLATILITY		6%	8%	10%	12%
ARIA'S 'BUILDING BLOCK' FUNDS	Liquid Assets	EFA AR Multi Asset Income	EFA AR Diversity Portfolio Strategy	CF AR Cautious Multi Asset Fund	CF Richmond Core
TYPICAL ASSET CLASS EXPOSURES	Money Market ETF	Government Bonds	NEWCITS: Market Neutral	THEMATIC EQUITY: Defensives	International Equity
	Government Bonds	Corporate Bonds	NEWCITS: Equity Long/Short	Listed Fund of Hedge Funds	Commodities
		Convertibles	Global Bonds	Listed Property	Currency
		Emerging Market Debt	High Income	Precious Metals	
		Inflation Linked Bonds	Real Estate Investment Trusts		

Tactical Asset Allocation Changes within the Funds

*BENCHMARK RETURNS ARE TARGETED RETURNS ABOVE THE BENCHMARK WHICH IS EITHER 1MTH LIBOR OR UK BASE RATES +. Please see individual perspectives for which is relevant. Please note the CF Richmond Core Fund does not has a specific cash benchmark. And Building Block funds may be subject to change.

PORTFOLIO SERVICE SPECIFICS

INVESTMENT OBJECTIVES

▪ ABSOLUTE RETURN, MULTI ASSET CLASS DISCRETIONARY PORTFOLIOS: actively managed and employing alternative investment strategies.

▪ 'HOLISTIC INVESTMENT SOLUTION': asset allocation can be constructed across pension, ISA and offshore bond wrappers. It is a 'wrap' solution.

▪ CONSOLIDATE CLIENT'S INVESTMENTS: all on one platform and benefit from online valuations, monthly client updates and asset allocation change communications.

▪ INSTITUTIONAL QUALITY INVESTMENTS: we can bring access to funds which normally have very high minimums (above the levels most clients can meet) as a result of being able to aggregate client assets. Strong manager relationships result in spending years researching and sourcing the very best investments (absolute return) type funds. We have vast experience in alternative investments.

▪ REDUCED COSTS: through economies of scale or 'bulk buying' we are able to negotiate lower costs for clients than they otherwise would be expected to pay.

▪ TAX AND TIME ADVANTAGES: given the discretionary mandate we can make changes to asset allocations, without needing to secure your clients' permissions thus saving valuable time. When gains are made within building block funds, there are no CGT implications until profits are realised.

▪ FACILITATES ADVISERS TO GAIN EXPOSURE TO ALTERNATIVE INVESTMENTS STRATEGIES: without the complication of sourcing and analysing complex individual funds or strategies.

▪ COST EFFECTIVE: utilises institutionally priced funds and ETFs to minimize portfolio TER's.

▪ TRANSPARENT ASSET ALLOCATION MODEL: with strict risk management disciplines to keep portfolio volatility low.

Suitable for professional investors, SIPPs, SASSs and Offshore Bonds.

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BUILDING BLOCKS

INVESTMENT OBJECTIVES

- **EFA AR MULTI ASSET INCOME FUND:**
  INVESTMENT STRATEGY: Fixed Income and Credit Fund
  VOLATILITY: Low
  FUND DESCRIPTION: a multi strategy credit fund which looks to invest into various fixed income assets, which provide attractive risk adjusted yields including global bonds, convertibles, real estate investment trusts, government bonds, index linked bonds and senior loans.

- **EFA AR DIVERSITY STRATEGY PORTFOLIO*:**
  INVESTMENT STRATEGY: Fund of Alternative Investment Strategy Funds
  VOLATILITY: Low to Medium
  FUND DESCRIPTION: A fund of funds investing into absolute return strategies such as long/short equity, commodities, precious metals, global high income etc.

- **EFA AR VEXUS MULTI STRATEGY*:**
  INVESTMENT STRATEGY: Market Neutral
  VOLATILITY: Medium
  FUND DESCRIPTION: Tries to exploit relative mis-pricings of assets, rather than take a view on market direction. An example, might be that Shell is too cheap relative to BP, so we buy Shell, simultaneously selling BP hoping to then profit when the valuation 'gap' closes. There is also some currency and option trading.

- **CF AR CAUTIOUS MULTI ASSET:**
  INVESTMENT STRATEGY: Global Multi Asset Class
  VOLATILITY: Medium to High
  FUND DESCRIPTION: investing into more traditional assets; global equities, some listed hedge funds and private, equity, commercial property and commodities. Active hedging policy to preserve capital in more difficult markets.

- **EFA AR GLOBAL SYSTEMATIC ALPHA*:**
  INVESTMENT STRATEGY: Fund of Systematic Investment Funds
  VOLATILITY: High
  FUND DESCRIPTION: A fund of funds which invests into trend following or quantitative investment strategies, often referred to as managed futures or 'systematic' funds. Historically such funds have a de-correlated return profile from equity markets.

* To be launched shortly.

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APPENDIX 1: SUITABILITY

PILLARS OF SUITABILITY

1	2	3	4	5
RISK PROFILING	RISK DESCRIPTIONS	OTHER FACTORS (E.G.) INVESTMENT TERM, CAPACITY FOR LOSS ETC.	ASSET ALLOCATION	INVESTMENT SELECTION

The FSA believes that for a regulated firm to demonstrate suitability the above pillars need to be considered, within an effective suitability process, and when combined together will ensure that retail clients do not suffer any detriment through discretionary managed portfolios .

The ARIA Capital Management Harbour suitability process uses the above approach to provide a suitability solution for its IFA partners, which provides a basis for discussion with mutual clients.

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PILLAR 1 RISK PROFILING

REGULATED FIRMS SHOULD ENSURE :

- **QUESTIONS AND ANSWERS ARE WORDED IN A CLEAR MANNER**
  Harbour is an online tool which uses easy to understand multiple choice questions to assist the financial adviser in completing the questionnaire. The use of multiple choice questions reduces the possibility of ambiguous answers.

- **INACCURATE WORDING AND SCORING**
  Consistency analysis and exception reporting and comment.

- **FINANCIAL ADVISERS UNDERSTAND HOW THE TOOL WORKS**
  ARIA has produced Harbour guidance notes which clearly explain how the tool is to be used and the manner in which answers are generated.

- **OVER RELIANCE ON PROFILING TOOLS**
  Harbour is not the final answer. It provides a platform for discussion between the financial adviser and the Client.

- **NO SCOPE FOR PROVIDING FURTHER INFORMATION**
  The ARIA Harbour suitability process allows for discussion between the IFA and ARIA to ensure that the most suitable model portfolio is available to Clients.

PILLAR 2 RISK DESCRIPTIONS

REGULATED FIRMS SHOULD ENSURE :

- **CLEAR RISK DESCRIPTIONS REGARDING A PORTFOLIO ARE PROVIDED**
  The Harbour online suitability tool, on completion of the questionnaire provides a Harbour suitability assessment report which details the answers provided and the score generated. The report uses the answers to provide generates a suggested portfolio for discussion. In suggesting a particular portfolio the assessment details the risks relating to the suggested portfolio.

- **CLIENTS ARE MADE AWARE OF THE TYPE OF INVESTMENTS WITHIN A PORTFOLIO**
  The suitability assessment also provided an indicative asset allocation which details exposure to underlying assets. The risk descriptions detailed cover the type of assets the suggested portfolio may be exposed to.

- **THE FINANCIAL ADVISERS VIEW OF THE RISK WITHIN A PORTFOLIO IS NOT DIFFERENT FROM THE DISCRETIONARY FUND MANAGERS VIEW**
  By using Harbour as its suitability tool we ensure that there is minimal risk of there being any incompatible with the risk profile of a portfolio. The Harbour suitability assessment clearly details the risks within the suggested portfolio, and the type of assets the portfolio may be exposed to. ARIA portfolios are managed in accordance with this information.

PILLAR 3 OTHER FACTORS

REGULATED FIRMS SHOULD ENSURE :

- **APPROPRIATE KYC IS COLLECTED**
  As part of the suitability process a financial adviser is required to provide certain client information such as financial means, objectives etc. By providing this information to us it ensures that the appropriate information is collected.

- **EFFICIENT USE OF CLIENT KYC**
  Within the Harbour suitability process the client information collected is tested to provide a suggested portfolio. Ambiguity's and inconsistencies between answers are challenged and responses are required. By highlighting and discussing such answers a financial adviser is able to demonstrate efficient use of the KYC collected.

PILLAR 4 ASSET ALLOCATION

REGULATED FIRMS SHOULD ENSURE :

- **ADHERENCE TO AGREED ASSET ALLOCATIONS**
  In using the SEI system ARIA is able to ensure and demonstrate adherence to agreed asset allocations. As part of the system investment compliance rules can be hard coded into a portfolios characteristics to ensure that portfolios are unable to deviate from agreed allocations.

- **THAT MODEL ALLOCATIONS ARE CONSISTENT WITH COMMUNICATED ASSET ALLOCATIONS**
  In setting the above investment compliance rules we refer to the Harbour suitability assessment report which details allocations within a suggested portfolio.

- **THERE IS NO OVER RELIANCE ON MODEL PORTFOLIOS**
  While the Harbour suitability assessment highlights the indicative asset allocation within a suggested portfolio and the use of the SEI system ensures these are adhered to, portfolio must be able to deviate in accordance with market conditions to ensure that the overall risk profile of a model portfolio is appropriate. The risk profile of the model portfolios is monitored on a regular basis and any significant deviations are considered by the Investment Committee and only implemented on approval.

  Moreover, volatility targeting means asset allocation has to be dynamic so that the model itself is very actively managed given our capital preservation priorities. We will not blindly stick to ‘strategic asset allocations’ and equity exposures for example in adverse environments.

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PILLAR 5 INVESTMENT SELECTION

REGULATED FIRMS SHOULD ENSURE :

- **THAT THE OVERALL RISK PROFILE OF A MODEL PORTFOLIO IS CONSIDERED**
  Blending appropriate risk assets – e.g. Managed futures may be considered higher risk but when added to a portfolio (in appropriate fund structure), the decorrelation benefits may lower portfolio volatility.

- **THERE IS SUFFICIENT UNDERSTANDING OF THE RISK ASSOCIATED WITH A PRODUCT OR AN UNDERLYING ASSET**
  The ARIA Investment Committee possess a number of years experience across spectrum of asset classes and absolute return investment strategies.

- **VOLATILITY IS NOT THE ONLY PROXY OF RISK USED**
  In managing the risk within a model portfolio volatility is considered in addition to Value at Risk (VAR), correlation, concentration, sector exposure, country exposure, counterparty exposure and the liquidity profile of a portfolio. UCITS 3 – synthetics, total return swaps etc, etc

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WEALTH WARNING

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