INVESTMENT INTELLIGENCE

INVESTING FOR SUCCESS

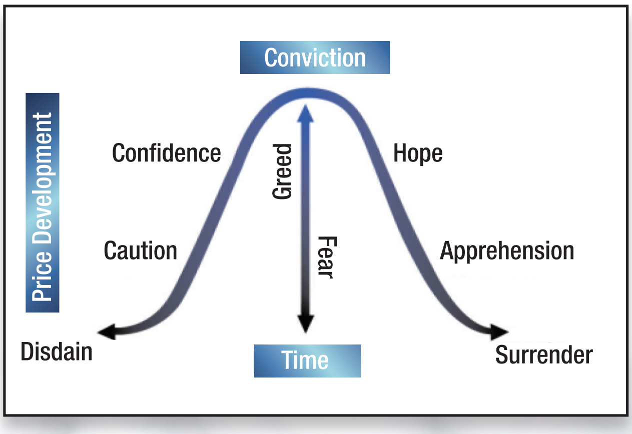
At Investment Intelligence we have researched the Academic World and the Real world to determine what factors can result in 'successful investing' (investments that behave within acceptable parameters as set by the investor)

OUR APPROACH TO INVESTING FOR SUCCESS

- Seek to avoid typical Investment errors (See page 2)
- Accept that Risk and Returns are inextricably linked
- Examine and understand your risk tolerance, your risk capacity, your investment preferences and any planned income requirements
- Clearly define and document your goals
- Base your decisions on a sound ***Investment Philosophy*** (See page 3)
- Follow a disciplined ***Investment Advice Process*** (See page 4)
- Asset Allocation should be your main focus - Build a mix of investments (a Portfolio) that matches your risk profile and your investment objectives
- Execute in a cost effective way - excessive costs are a drag on returns
- Review your asset class mix regularly (annually) and adjust as necessary
- Employ tactical alterations in asset allocation at times of extreme market movements
- Be patient - sound investing can at times seem boring. Compound returns are powerful over time
- Always act to preserve Capital - Large short-term losses can be very damaging to your long-term goals

TYPICAL INVESTMENT ERRORS

Most investment errors are a result of excessive emotions such as 'fear' and 'desire' often compounded by factors such as complacency, third party vested interests and lack of risk awareness.



In our opinion, the following are the most common investment errors:

1) Granting 'Product Sellers' (Asset Gatherers) influence over your investment decisions or permitting 'Product Sellers' to give you advice.

2) Bringing your emotions and biases into the decision making process. Successful investing is part science and part art and successful investing should include both quantitative and qualitative elements. Decisions led by emotion can bring disappointing and sometimes disastrous results, just as decisions made purely from a mathematical program won't suit all investors.

3) The absence of a disciplined investment process leads to poorly controlled investment risks and haphazard asset allocation decisions.

4) Failure to make tactical decisions to adjust your investment portfolio for extreme positions in the market cycle.

5) Taking too much investment risk / unaware of risks / complacency.

6) Trying to achieve too much return - leads to incorrect asset allocation - Investors should only take the amount of risk necessary to achieve their investment objectives and no more.

7) Over emphasis on past returns
Example 1 – Being lured into 'Vogue' investments. Product sellers often use periods of high returns to sell products.
Example 2 - Investing near market peaks.
Example 3 - Failure to divest, take profits, re-balance.
Example 4 - Leaping into cash after sharp market decline.

OUR INVESTMENT PHILOSOPHY

An effective investment process must be disciplined and based on a clear investment philosophy/set of beliefs. While the investment process itself may alter through time, the investment philosophy should remain constant. Our investment philosophy and our disciplined advice process are founded on a set of core beliefs.

Remove emotion
Human emotion leads to poor investment decisions and errors resulting in the destruction of wealth and missed opportunities. Emotion should be removed, in so far as is possible, from the investment decision process.

Follow a disciplined investment process
The best way to achieve desired investment results is to follow a disciplined investment process.

Diversity using investment funds
Diversification across asset classes and within each asset class is the foundation of any robust investment process. The use of funds to achieve diversification is an effective and convenient method of investing.

Personalise your asset allocation
Personalised portfolios should be constructed to match each individual's risk profile and investment objectives so the investments behave within tolerable limits during extreme market events.
It is important to differentiate between 'risk tolerance' and 'risk capacity' when constructing individual risk profiles.
We believe any investor may have two risk profiles depending on whether an investment is 'accumulated wealth' (Capital sum investing) or 'accumulating wealth' (saving / pension investing) and that all risk profiles are dynamic and alter through time. It is also important to only take the amount of risk necessary to achieve your investment objective and no more.

Optimise costs
Both entry and ongoing costs are a significant factor affecting returns. However, an over emphasis on costs can also contribute to poor investment returns. Costs should be optimised so that good advice and quality investments are being accessed at a competitive price point.

Re-balance intelligently & employ tactical switching
Tactical or opportunistic fund switches near the early and advanced stages of a market cycle can be a very effective method of optimising returns.
However, it is important to maintain an overall disciplined approach so as to keep the long term investment objectives in focus at all times. Regular (e.g. yearly) re-balancing of a portfolio, in line with the target asset class mix is important.

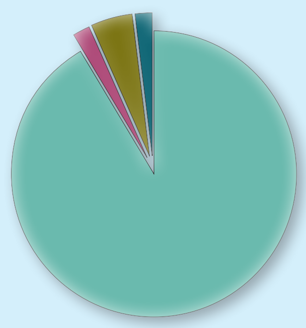
Don't try to "Time the Market"
Investors should not try to 'beat the market' or 'time the market' as both are generally unachievable aspirations.

Exploit the power of compounding over time
Compounding is a powerful 'snowball effect' where growth is received, not only on the original investment amount, but also on growth already achieved in previous years (interest on interest).

Preserve capital (avoid losses)
Once Capital has been created it should be protected. Loss aversion should be a paramount investment objective over and above the pursuit of high investment returns.

Employ unbiased and continuous guidance and advice
Objective research and advice simply cannot be provided by Product Sellers. Investing is not a once-off event, it is a continuous process. We believe, for any advice process to be successful, it must be founded on an ongoing relationship between client and advisor.

Importance of Asset Allocation



Asset Allocation	91.5%
Other	2.1%
Stock Selection	4.6%
Market timing	1.8%

Source: Brinson, Beebower, Singer 1991

OUR INVESTMENT ADVICE PROCESS

At Investment Intelligence we have developed a unique and disciplined investment advice process which is designed to control investment risk and optimise investment returns while being flexible and easy to understand. We believe we deliver a 'Best in Class' service with transparent fees and charges.

Step 1 Understand

- Understand your investment goals
- Assess your risk tolerance
- Assess your capacity for losses
- Understand your investment preferences and income requirements
- Agree investment objectives & constraints with you

Step 2 Research/Plan

- Analyse suitable products/funds for you
- Formulate a client plan against your objectives & constraints
- Agree portfolio target asset class mix with you
- Build a portfolio for you using suitable funds
- Produce written recommendation report / review schedule

Step 3 Implement

- Discuss recommendation / review schedule with you
- Discuss portfolio characteristics
- Adjust and agree as necessary
- Complete documentation
- Implement agreed strategy

Step 4 Review

- Produce regular review report
- Meet with you to discuss
- Incorporate changes in your lifestyle/financial goals to your portfolio
- Execute fund switches to adjust/ rebalance risk and asset class mix
- Suggest tactical switches at appropriate points in the market cycle

Disciplined Investment Process

We can advise on portfolios that maintain European Securities and Markets Authority (ESMA) risk ratings or we can design a personalised portfolio to match your own risk / return preferences.

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