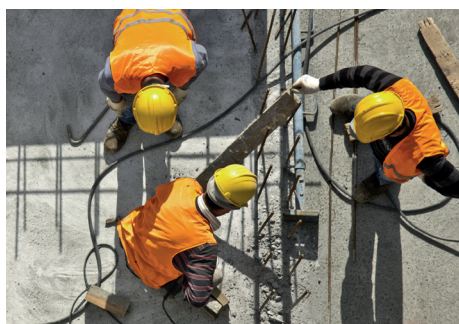




**Optimised Portfolio
Service
Investment Process**



Contents



Contents

The GHC Investment Process for the Optimised Portfolio Service	03
Key Benefits of Optimised Portfolio Management	06
GHC Investment Desk – Team	07



The GHC Investment Process for the Optimised Portfolio Service

The GHC Optimised Portfolio Service (OPS) provides a range of discretionary managed portfolios which are designed for those who wish to have their investments managed by a dedicated professional client executive utilising collective investment vehicles or by investing directly into domestic equities or fixed interest.

INVESTMENT STYLE

OPS provides a range of risk graded variable weight portfolios to suit your individual requirements. This means that the asset classes within your portfolio will have pre-set collar and cap (maximum and minimum) percentages allocated to them.

ASSET ALLOCATION

Your investments will be divided among various types of asset classes that are appropriate for possible inclusion within your portfolio. The appropriate proportion, or weighting, invested in the different asset classes will depend on the risk graded portfolio model which is selected.

RISK MANAGED

GHC operates a system of risk grades from 1 to 8, where 1 is the lowest risk and 8 is the highest. The system of investment risk grades is designed to provide you with the most appropriate service based on your attitude to investment risk.

WHOLE OF MARKET

Your portfolio is constructed from a range of investments available throughout the whole of the relevant market and although it will concentrate mainly on collective investment schemes the option to include direct investments in domestic equities or fixed interest is available. Collective investment vehicles such as Open Ended Investment Companies (OEICs), Unit Trusts, Investment Trusts and Exchange Traded Products (ETPs) are used within your portfolio because they offer a variety of excellent opportunities to gain access to worldwide financial markets and asset classes without taking unnecessary or excessive risks to an individual company or issuer.

TOTAL RETURN

Your portfolio will be managed with the intension of producing a positive return over the long term through the active management of a diversified range of assets.

INVESTMENT SELECTION

GHC holds formal monthly investment strategy meetings that are made up of senior investment managers and analysts. The primary purpose of this committee is to review forecasts and formulate a medium and short term strategy for the portfolios. Within the meetings issues are debated that may affect markets in the short term, with the potential for reward as well as risk being examined.

GHC conducts its own research on a variety of assets and has access to other top rated research from many of the City's leading investment analysts.

PORTFOLIO CONSTRUCTION

Within any portfolio we use a blended approach to take into account factors such as industrial sectors, geography, credit ratings and market capitalisation. The primary aim is to obtain sufficient diversification to ensure both adherence to your objectives as well as maximising risk control. Investment styles tend to be relatively cyclical and our on-going monitoring of your portfolio and regular in house strategy meetings enable us to optimise style combinations, as well as providing us with the flexibility to adjust these combinations in response to the changing economic environment.



Control of portfolio risk comes not simply from the individual investments held, but the balance of risk of one investment offset against the risk of another.

ACTIVE MANAGEMENT

We seek to add value to your portfolios through a combination of asset allocation followed by investment selection within a range of risk graded portfolios.

Because your portfolio will be actively managed there may be occasions where trading activity will be high, and although infrequent, it will normally be due to volatile market conditions.

Active management is either driven by stock selection, known as bottom up approach, or asset allocation, known as top down. GHC adopts a top down investment strategy, with the asset allocation process being driven by our own rigorous macro-economic analysis with an emphasis on the medium term (12 to 24 months).

Our basic premise is that over time the main influences on the behaviour of financial markets are economic ones and as such the key drivers for performance will be the asset allocation. That is not to say that other non-economic factors are not important in the interim, however eventually these tend to dissipate, pushing markets back towards 'fundamental value'. This is because over time investor expectations move into line with economic reality. It follows that as long as we can forecast economic trends correctly, we will be right on the markets as well.

DYNAMIC STRATEGIC ASSET ALLOCATION (DSAA)

Our process begins with 12 month forecasts for asset classes, bond yields, exchange rates, corporate profits, dividend growth, earnings and dividend yields. This independent macroeconomic research is conducted in house or is provided to us by Capital Economics whom we work closely with. This is the key difference between GHC and most other investment managers who have to rely on 'off the peg' research from large City institutions, which, since it originates from the 'sell side' of the business can be insufficiently objective to properly inform investment decision making.

Forecasts are compiled on a quarterly basis and give us a view as to how asset classes are expected to perform over the next 12 months, forecasts are updated every three months in January, April, July and October and are reviewed in a formal quarterly meeting of our investment strategy committee which is chaired by Tim Harris Chartered FCSI.

Once we have reviewed all forecasts we use a system called BITA Star in order to determine what blend of assets will provide the optimised best return for your particular attitude to risk. In BITA Star risk measures are calculated using either a covariance matrix or principal component risk model depending on the asset universe size, which provides ex-ante risk measures. The model computes the volatility and covariance of each asset class or holding based upon its time series of monthly returns. Volatility is defined as the annualised standard deviation of the relevant monthly returns over the risk model period.

Both risk models are based on 96 months history with an exponential decay function giving more weight to more recent return values which smooths returns. Where models have a short data series these are effectively back filled with peer group data which is defined by country, asset type and asset classification. BITA Star risk calculations are calculated at the asset allocation level and take into account portfolio and sector risk (volatility), active risk (tracking error), drawdown (peak to trough), best/worst periods, scenario results, percentage negative months, value at risk and 12 month rolling return distribution.

GHC uses both modern portfolio theory or mean-variance analysis and efficient frontier in order to construct our portfolios and attempts to obtain the best possible return for the given level of risk which can be accepted. Once our forecasts have been optimised we can create our 12 month DSAA which forms the basis of your portfolio.



TACTICAL ASSET ALLOCATION (TAA)

As soon as the DSAA has been agreed by all members of the investment strategy committee we look to apply a limited short term tactical overlay which will enable your portfolio to benefit from or avoid any immediate upcoming issues which may concern us. Examples of this could be negotiations surrounding Greek Debt, the EU referendum or the US presidential election. This TAA is then reviewed on a monthly basis in formal meetings with the option for additional meetings should they be required at any time.

FUND SELECTION

The completion of our TAA then means that the asset allocation for your portfolio is complete and we can then begin choosing the correct funds to give you exposure to selected asset classes. We believe it is impossible for anyone to identify all of the consistently out performing funds before they outperform and therefore we look to blend consistent, long term performing funds with the best funds for a particular investment style (for example Growth, Value and Momentum).

GHC uses a Proprietary Quantitative Scoring System which we designed ourselves over 10 years ago and have been using ever since to great success. This system determines the amount of risk a fund manager is taking to achieve a fund's performance.

The first step is to separate all the funds into their Investment Association (IA, the trade body which represents UK investment managers) sectors which eliminates any geographical, cap size, credit quality or asset class bias and ensures that we are comparing like with like. The scoring system looks at the following measures:

- **Total Return** – capital growth plus income.
- **Standard Deviation** – the volatility of a fund's returns in comparison to its group's average.
- **Treynor Ratio** – the average return of the portfolio against the average return of the risk free rate (a theoretical rate of return if an investor takes no risk).
- **Information Ratio** – The fund's returns in excess of its benchmark.
- **Sharpe Ratio** – The average return of a fund earned in excess of the risk free rate per unit of volatility or total risk.

We are then able to determine an overall score for a fund by calculating the sum of the individual scores weighted by allocation to each measure. Scores are calculated over 1, 3 & 5 years and updated on a monthly basis. The scoring system is between 1 and 10 with ten being the highest and best score, we tend to start paying attention to a fund when it scores consistently over 7 and this allows us to whittle down an enormous universe of funds into just the very best few which we will then start to look into in more depth.

We then look at the fund's alpha (performance in comparison to its benchmark), beta (volatility in comparison to the market), consistency of returns in different market conditions and how the fund correlates with others. We then meet with or speak to the fund manager, perform our due diligence on the manager, fund and management company which looks at investment philosophy, fund manager remuneration, risk controls and investment constraints among other things. We also conduct a fund selection committee meeting each month to review the funds we hold and discuss new funds we may be looking into.

Between the members of the asset allocation/stock selection committees (which there are currently seven) we conduct over 300 fund manager meetings per year and have always prided ourselves on our fantastic relationships with fund management groups which we have been dealing with for over 20 years now. Each member of the investment strategy committee has a specialist area of research.

We also look to forge new relationships with newer fund groups and also those which are just being introduced to the UK market as it is important to us that we know who to contact should we need a meeting, conference call or require any information on a fund which we could potentially invest in.



Key Benefits of Optimised Portfolio Management

DIVERSIFICATION

Your core investment is spread across a range of funds which the investment managers believe are likely to perform in line with their objectives.

ACTIVELY MANAGED

The managers continually research the industry and assess the investment environment on your behalf. This kind of research and fund selection requires a great deal of time and expertise which is not available to most individual investors.

BALANCE/RISK MANAGEMENT

By investing in a range of funds, you can spread your investment risk, meaning that your portfolio is not dependent on just one fund, asset class or geographical region.

CONSOLIDATION TOOL

Over time you may have accumulated a portfolio of individual funds that are no longer meeting your investment goals, or may simply be underperforming. If this is the case, consolidating your existing investments into a managed portfolio can bring balance, focus and performance potential back into your investment.



GHC Investment Desk – Team

TIM HARRIS CHARTERED FCSI – CHAIR OF ASSET ALLOCATION COMMITTEE

Tim Harris accepted the position of Chair of the Investment Strategy Committee in March 2015, he had previously retired from Lloyds Banking Group in December 2013 in order to concentrate on studying for a PhD in Finance at the Queen Mary University of London.

Tim has been manager of research and strategy teams for 17 years, and has been a wealth CIO since 2003. He has a strong knowledge of macroeconomics, investment fundamentals and portfolio construction, using both traditional and alternative assets.

He has 6 years' experience as a global equities strategist, working within both the delta-one and equity derivatives divisions of JPMorgan, and 14 years as an equity markets sector analyst on the sell-side of the UK and European equity markets.

RICHARD HARPER CHARTERED FCSI, CHARTERED WEALTH MANAGER – INVESTMENT MANAGER

Richard joined the industry in 1982 and has since worked in the UK, Guernsey, Dubai and Hong Kong. Richard has a wide knowledge of the industry and has been a private banker, stockbroker, and fund manager. He joined GHC at the beginning of 2005 as an investment manager managing bespoke portfolios and is also the lead investment manager for the LF Resilient MM Balanced OEIC.

RICHARD DZIEWULSKI CHARTERED FCSI, CHARTERED WEALTH MANAGER – INVESTMENT MANAGER

Richard is an Investment Manager in the Asset Management team with 18 years' experience in the industry having originally joined GHC in 2001. Richard specialises in managing global multi-asset portfolios on a discretionary basis and also acts as head of department.

ANTHONY PLATTS CHARTERED FCSI, CHARTERED WEALTH MANAGER – INVESTMENT MANAGER

Anthony started his career as a clerk at Barclay's Bank in Knightsbridge back in 1987. Anthony has latterly been a Divisional Director for Brewin Dolphin in Teesside, where he had responsibility for discretionary and advisory portfolios. Anthony joined GHC in September 2015.

KATHY JOINER – PERFORMANCE AND DATA ANALYST

Kathy graduated from Loughborough University with a first in Mathematics and has been supporting the investment team as a quantitative analyst since joining GHC in 2007.



GHC Capital Markets Limited
22-30 Horsefair Street
Leicester LE1 5BD

T 0116 204 5500
E customerservices@ghcl.co.uk
W www.ghccapitalmarkets.co.uk

The information given is of the opinion of GHC Capital Markets Limited, the opinions constitute our judgment which are subject to change.

This document is for the information of clients and prospective clients and is not intended as an offer or solicitation to buy or sell securities. The information given is believed to be correct but cannot be guaranteed and opinions constitute our judgment, which is subject to change. Certain investments carry a higher degree of risk than others, are less marketable and therefore may not be suitable for all clients who should always consult their investment adviser before dealing. The value of stocks, shares and units and the income from them may fall as well as rise and this also applies to interest rates and the Sterling value of overseas investments. Past performance is not necessarily a guide to future returns and investors may not get back the amount they invested. Any anticipated tax benefits depend upon an individual's circumstances and are subject to changes in legislation and regulation, which cannot be foreseen. Directors, employees and other clients of GHC Capital Markets Limited may have an interest in securities mentioned by the firm but all officers operate a policy of independence which requires them to disregard any such interest when making recommendations. Note that telephone calls may be recorded. COPYRIGHT: © GHC Capital Markets Limited, 2019. All rights reserved. No part of this publication may be reproduced, transmitted, transcribed, stored in a retrieval system, or translated into any language in any form by any means without the written permission of GHC Capital Markets Limited.

Registered in England number 05099827
Registered office: 22-30 Horsefair Street Leicester LE1 5BD
Authorised and regulated by the Financial Conduct Authority
A Member of the London Stock Exchange
© GHC Capital Markets Limited 2019

GHCCMIPV1_10/19