HAWKSMOOR
INVESTMENT MANAGEMENT

DISCRETIONARY PORTFOLIO
MANAGEMENT SERVICE

EXPLAINING YOUR PORTFOLIO

A description of how we construct and manage our clients' investment portfolios

INNOVATION BUILT ON TRADITION

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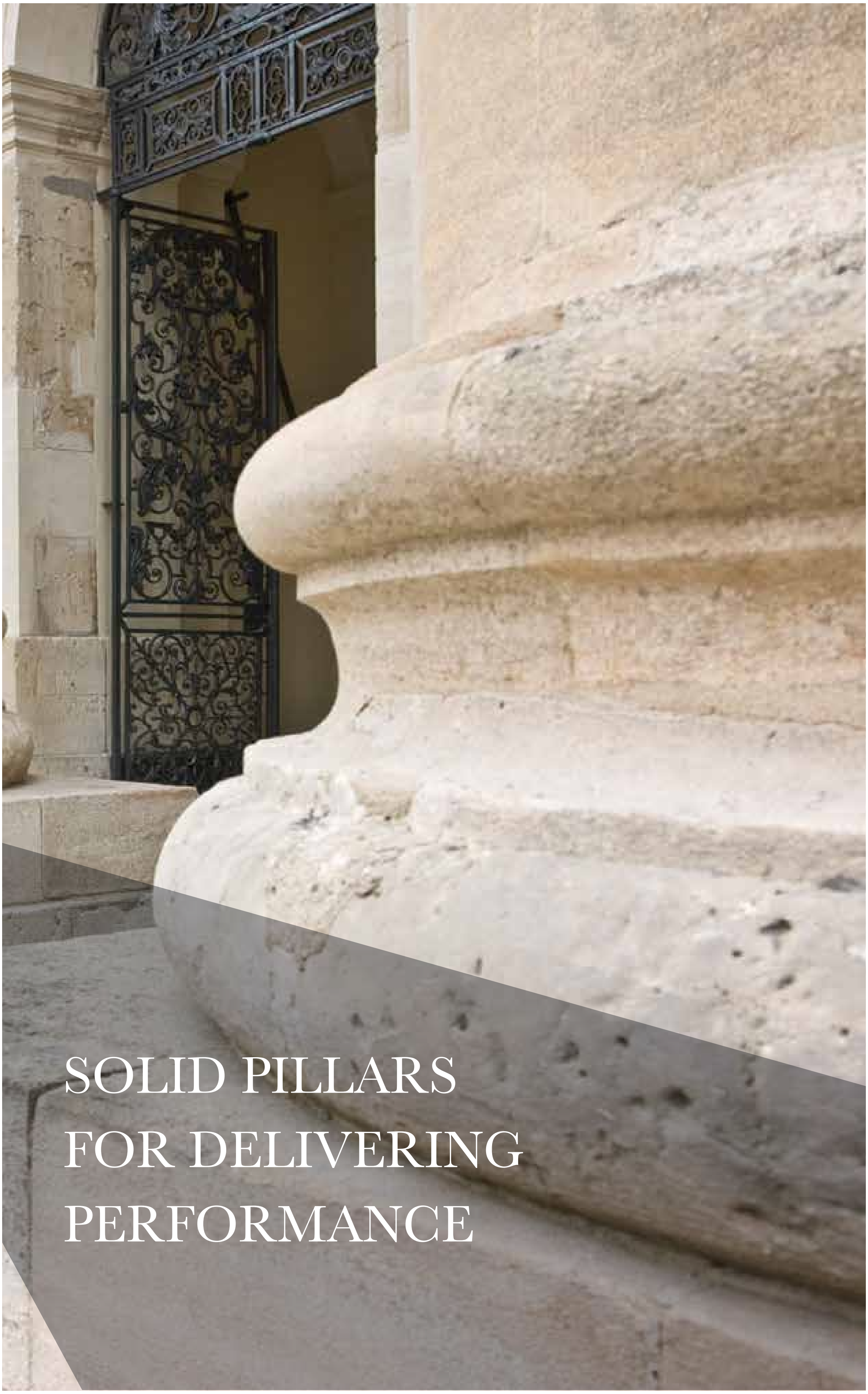
The images in this document are of buildings designed by Nicholas Hawksmoor (1661-1736), after whom Hawksmoor Investment Management is named.

Pages 4, 10 & 14: Clarendon Building, Bodleian Library, Oxford
Page 7: Christ Church, Spitalfields



SOLID PILLARS FOR DELIVERING PERFORMANCE

EXPLAINING YOUR PORTFOLIO

The responsible management of the wealth entrusted to our care is the heart of what Hawksmoor does. We never forget that you have chosen us to look after part of your wealth and you rightly expect us to manage it responsibly. It is very important that you should understand exactly what this means and what we will do with your money.

This document explains how we work and how your portfolio of investments will be managed. While we pride ourselves on the application of experience and common sense, it is important that you understand the disciplines we use to ensure that your portfolio is, and will continue to be, appropriate to you. Underlying our entire process is the philosophy that we believe is the ultimate aim of all investment, namely that all our clients should receive a net (after tax) return in excess of inflation over the longer term.

To create and manage your investment portfolio we need to understand you, your objectives and expectations, the risks you can afford to take and those that you can't. Every client's investment portfolio under our management combines their investment objective with an agreed and defined level of risk. We offer a simple range of three investment objectives, which cover what most people need their money to do for them:

Capital Growth
Income
Balance of Capital Growth and Income

Whichever objective you choose, how much of each is achievable will primarily depend on how much risk you are prepared to and can afford to take. It is most important that you understand that these are not necessarily the same thing: the former is defined as your 'attitude to risk', the latter your 'capacity for loss'. How we construct your individual portfolio depends on a combination of both to give a single 'Risk Level'.

Consistent with our belief in keeping things simple, we offer five of these Risk Levels for your portfolio:

Lower Risk
Lower/Moderate Risk
Moderate Risk
Moderate/Higher Risk
Higher Risk

In determining which Risk Level is appropriate for you, it is important that you understand what we mean by 'risk'. It is a complex equation that defies mathematical definition. Its most common usage refers to the chances of the market prices of your investments rising or falling over the shorter term, or 'volatility'. This can lead to actual losses if you are forced to or decide to sell your investments at a time when market prices have fallen.

Risk however is more complex than being simply an expectation of volatility. Other factors that we have to take into consideration in our assessment of which investments are suitable for you include:

- liquidity – will it be possible to sell your investments if and when needed and, if so, at a sensible price?
- timescale – how long do you wish to invest for? The shorter the period, the greater the chances of volatility.
- transparency – is it really possible to look under the bonnet of the investment?
- diversification – typically, the less the diversification in a portfolio, the greater the risk.
- creditworthiness of counterparties (ie the entity, often a bank, guaranteeing the payment of the return on an investment product) – usually the safer the counterparty, the lower the available return.

Each of our five Risk Levels represents a number of broader characteristics that you should expect:

Lower Risk
These portfolios are intended to offer a small premium over the returns available from cash in exchange for taking a degree of risk. It is important to understand that these are not 'no risk' portfolios. These portfolios will typically have no or minimal exposure to equities.

Lower/Moderate Risk
These portfolios are intended for those for whom a degree of equity risk is appropriate through an investment cycle, but where the preservation of capital is of primary importance.

Moderate Risk
These portfolios are intended for those seeking a slightly higher return, typically via a higher equity exposure, but not to the exclusion of safety. The portfolio values will tend to rise and fall with equity markets, but to a lesser degree.

Moderate/Higher Risk
These portfolios are intended to match or exceed the longer term return from global equity markets and are likely to show significant shorter-term volatility from time to time.

Higher Risk
These portfolios are placed entirely in the hands of your investment manager, who is not constrained by in-house guidance.

We will work with you (and, where one is involved, your Financial Adviser) to determine exactly which level of portfolio risk is right for you and how we will meet your investment objectives.

As a client of Hawksmoor you will have a dedicated investment manager. It is crucial that we know you and your particular circumstances and requirements, but also that you know and trust the individuals who will actually be managing your investments.

MANAGING YOUR PORTFOLIO'S RISKS

Your portfolio will be comprised of a number of different types of investments, or asset classes. Each of these has its own set of risk characteristics, including likely returns, timescale, volatility and liquidity.

We assign a 'risk score' to every asset in your portfolio. As we explain on page 6, this is a complex process including the past and expected behaviour of each, but also taking account of liquidity, transparency and many other factors. These risk scores range from 1 – 10, with 1 being where there is the least risk of losses and 10 being where there is the most and where the asset could even lose all its value.

It is important to add that this is not a one-size-fits-all exercise. While we may give, for example, larger UK equities a risk score of 5, there will be individual equities or funds that merit a higher (or lower) score than this because of the nature of their business, their level of borrowing, or the liquidity of the market for their shares.

By blending the risk scores of each of your assets we arrive at a Risk Rating for your overall portfolio. It is this Risk Rating that primarily determines how you should expect your portfolio to behave, in terms of both risk and performance.

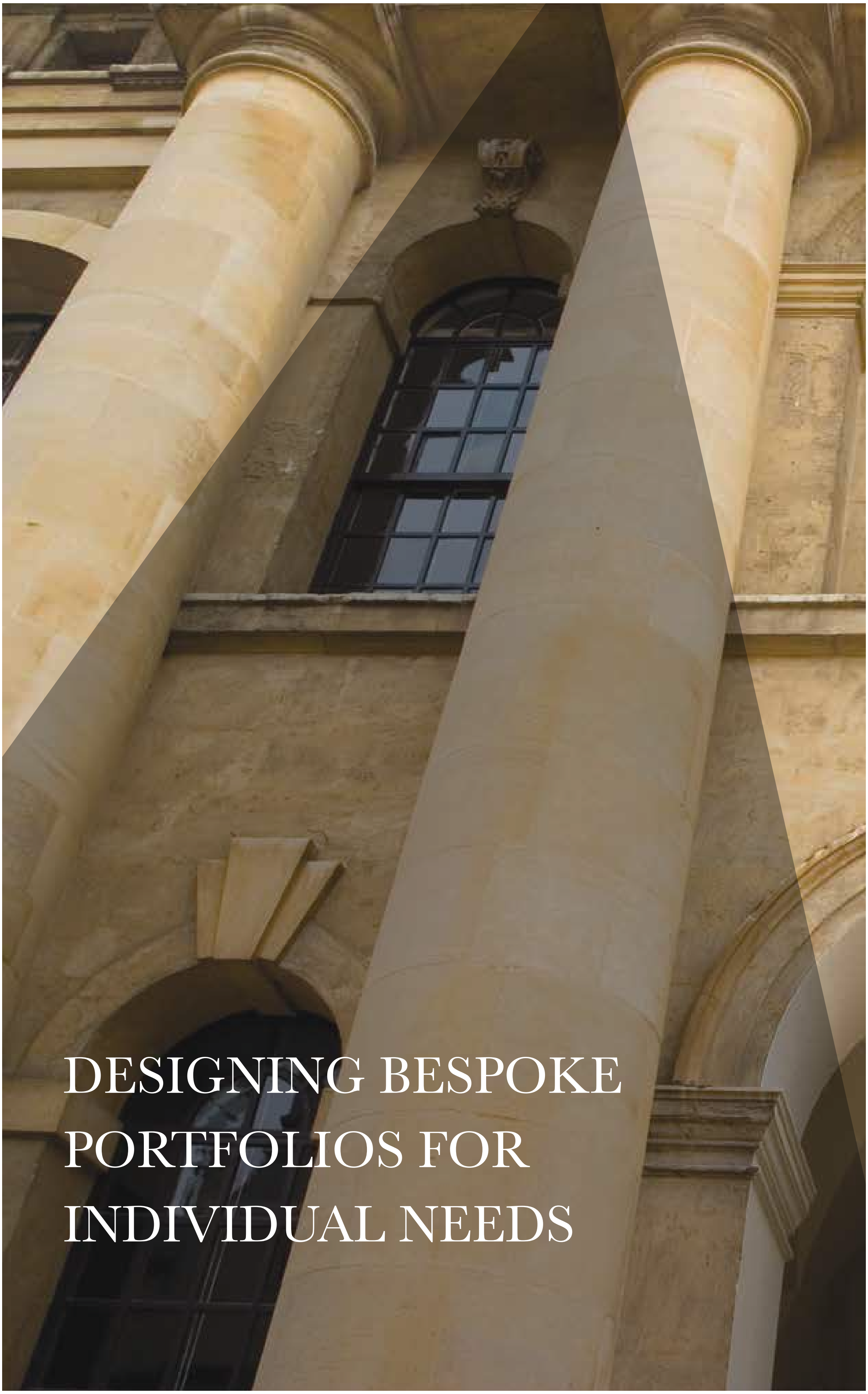
An illustrative summary of our asset risk scoring is shown overleaf:

Risk	Asset Class/Fund Type	Risk Score
LOWER	Cash	1
	National Savings Products	1
	Money Market Funds	1
	UK Gilts	2
	AAA-rated Corporate Bonds	2
LOWER/MODERATE	Investment Grade Corporate Bonds	3
	Selected 100% Guaranteed Structured Products	3
	Overseas Government Bonds	3
	Absolute Return Funds	3
	Strategic Bond Funds	3
	Cautious Managed Funds	3.5
	Gold Bullion	3.5
	Distribution Funds	4.5
MODERATE	Non-Investment Grade Corporate Bond Funds	5
	FTSE 350 Equities	5
	US and European Blue Chip Equities	5
	Commercial Property Funds	5
	Other Structured Products	5
	Infrastructure	5
MODERATE/HIGHER	UK Smaller Company Funds	6
	Major Overseas Markets Smaller Company Funds	6
	Asian Equities	6
	Private Equity Funds	6
	Emerging Market Equities	7
	Direct UK Smaller Companies and AIM	7
HIGHER	Frontier Market Funds	8
	Derivatives, Options, Warrants	10

As well as managing the overall risk of your portfolio we believe that each individual component should also be appropriate to your portfolio's required level of risk. To achieve this, we maintain a maximum risk score for each individual holding: while this maximum is higher than the average risk score for the relevant mandate, this discipline ensures that your portfolio will not include investments that are likely to be too risky to be compatible with your needs and circumstances.

The parameters that we apply to each portfolio risk level are as follows:

Risk Level	Weighted average risk score ('Risk Rating')	Maximum individual risk score
LOWER RISK	1-2	5
LOWER/MODERATE RISK	2-4	5
MODERATE RISK	3-5	7
MODERATE/HIGHER RISK	4-6	8
HIGHER RISK	n/a	10



DESIGNING BESPOKE PORTFOLIOS FOR INDIVIDUAL NEEDS

INVESTMENT OBJECTIVES – INCOME, GROWTH OR A BALANCE OF BOTH

In addition to the Risk Level, the other vital element guiding your portfolio's manager is how you would like the portfolio's return to be achieved.

The portfolio's return can come in two ways: income or capital growth. You can choose how you would like that return to be achieved for your portfolio as follows:

- a **Growth** portfolio will aim to deliver its return by way of capital growth rather than income, though it may still produce at least some income.

- an **Income** portfolio will aim to deliver its return by way of income, though it may still produce at least some capital growth.

- a **Balanced** portfolio will aim to deliver its return by way of a sensible balance between capital growth and income.

A variety of factors will determine your choice of objective such as your income tax rate, the amount of income you receive from other sources, planned capital withdrawals for future events such as school fees, and your intended future expenditure.

ASSET ALLOCATION

Your portfolio will be split across a number of different types of investment. These are commonly referred to as asset classes and the division between these is known as asset allocation. Together with your Risk Score, the asset allocation determines how you should expect your portfolio to behave.

Your portfolio's asset allocation at any given time will be determined by your investment manager, but within parameters provided by our Asset Allocation Committee. For each of the major asset classes (as explained below), we set a minimum and maximum level dependent upon your investment objective and level of risk.

These levels are set to ensure that the management of your portfolio remains disciplined at all times and does not become subject to the emotions of the market. Sentiment can be a powerful and dangerous motivation, beguiling investors to buy when prices have risen and to sell after they have fallen. By maintaining maximum and minimum weightings we ensure that we cannot over-allocate at the top of markets, nor sell out at the bottom.

The prices of different asset classes will tend to rise and fall at different times through economic and investment cycles, and by differing degrees. Although we strive to hold only investments where the price is rising, long experience has taught us that this is an elusive goal. A myriad of factors affects asset prices in the short-term and having all one's eggs in a single basket is fraught with danger. For these reasons the efficient diversification of your portfolio across a range of assets lies at the core of our investment philosophy. The assets that comprise your portfolio fall into four broad categories:

Fixed Income/Bonds
These are typically towards the lower end of the risk scale and include UK Government Stocks (gilts), corporate bonds, index-linked bonds, overseas government bonds and riskier, high yielding bonds. Volatility is usually lower than for many other assets, but correspondingly so are the potential returns and (with the exception of index-linked bonds) the capital values are prone to erosion in real terms by inflation.

Equities
Equities, or individual company shares, can provide higher returns in the longer term, but almost invariably at the cost of higher short term volatility than for safer and lower returning assets. Where equities are appropriate, your portfolio will usually be divided between the UK and the major overseas stockmarkets. We may also invest into emerging and other smaller markets when risk constraints allow.

Alternative Investments
This category represents a variety of assets not included in Fixed Income or Equities, such as commercial property, precious metals (including gold), commodities, hedge funds and absolute return funds. We will use these assets to seek to diversify your portfolio and/or to provide additional sources of income.

Cash
We will typically hold some direct cash on your portfolio. This may be pending the reinvestment of sale proceeds, to meet regular distributions to you, to cover fees and, on occasion, as an investment in its own right. We may also hold cash funds, which may include fixed income stocks with very short maturities of typically less than one year. Returns should be expected to be the most reliable of any of the asset classes (though still not guaranteed), but will rarely match inflation. We would expect the majority of your cash deposits and other liquid investments to be held outside your portfolio with Hawksmoor.

We believe that the asset allocation within your portfolio should be flexible and adapted to the prevailing market conditions at any given time, rather than based on any rigid benchmark. With our investment process relentlessly focused on valuation, quality and opportunity, we like to buy low and sell high. However, we use a number of additional controls to ensure that your portfolio should act and perform as you expect. The following is an illustration of how the asset allocation of a typical portfolio might look within each Risk Level. Your investment manager will typically keep the allocation to each asset with an absolute 20% of each of these. For example, the allocation to equities in a Moderate Risk portfolio will range between 30% and 70%. For the same portfolio, the allocation to cash will be between 0% and 20%.

Risk Level	Cash	Bonds	Equities	Alternatives
LOWER	10	80	0	10
LOWER/MODERATE	0	70	20	10
MODERATE	0	40	50	10
MODERATE/HIGHER	0	20	75	5
HIGHER	n/a	n/a	n/a	n/a

CLIENT DEFINED MANDATE

We realise that not everybody will necessarily need one of our usual risk and objective-based mandates. There will be times when you may ask us to manage to your own specific requirements, when these are outside the constraints of our usual process. We refer to this as a 'Client Defined Mandate'.

We will be delighted to follow your instructions so long as we are satisfied that they are consistent with all your other financial circumstances and needs. Common examples of this kind of mandate are portfolios comprising only equities or only bonds.

We are sometimes also asked to exclude certain types of investment from a portfolio, such as tobacco or armaments. Whenever possible we will accommodate these requests, but you should be aware that we cannot guarantee this, especially when your portfolio contains third party funds where the underlying stock selection is carried out by an external fund manager.

BENCHMARKS AND PERFORMANCE MEASUREMENT

We use market and industry indices or benchmarks for performance measurement. These do not guide our asset allocation.

Your portfolio valuation will refer to a benchmark appropriate to your portfolio. This will vary dependent upon your portfolio risk level and investment objective. Your benchmark may contain the following:

Asset Risk Consultants (ARC) Private Client Indices (PCI): The ARC PCIs reflect actual returns generated by investment managers across the industry, based on real performance data. There are four sterling-based indices: Cautious, Balanced Asset, Steady Growth and Equity Risk. These benchmarks are likely to be accurate representations of how the average investment manager will have performed in each category.

MSCI World: this is a widely used and recognized index of the global equity markets provided by Morgan Stanley Capital International.

WMA Private Investor Indices: The WMA Indices are provided by the Wealth Management Association, the trade body for the investment management industry. There are five indices that reflect a range of differing investment objectives: Conservative, Income, Growth, Balanced and Global Growth. The indices are published daily and are based on asset allocations provided by member firms on a quarterly basis.

Inflation: if (as we believe) the ultimate purpose of investment is to provide an after-tax return ahead of inflation, a measure of this is arguably the main indicator that an investment manager should be looking to beat consistently over time. This may be either the Retail Prices Index or the Consumer Prices Index.

Cash: this is usually expressed as LIBOR, London Interbank Offered Rate (the borrowing rate used between the major banks, usually similar to the prevailing bank rate).

FACTSHEETS

LOWER RISK PORTFOLIOS

Summary
These portfolios are intended to offer a small premium over the returns available from cash in exchange for taking on at least a degree of risk. It is important to understand that these are not 'no risk' portfolios. These portfolios will typically have no or a minimal exposure to equities.

Risks
The weighted average risk score for the portfolio will be 1 or 2. The maximum allowable risk score for any individual asset is 5, equivalent to large UK equities. The equity content of the portfolio is capped at 10%. The typically high bond weighting will mean that the portfolio value is relatively susceptible to changes in expectations for inflation and interest rates.

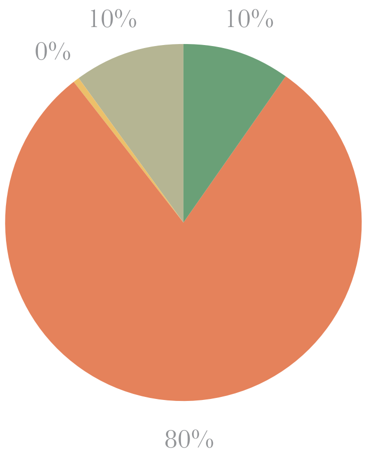
Timescale
You should be looking to invest for at least three years.

Diversification
Your portfolio will be comprised of at least 10 holdings, which will typically be collective funds.

Concentration
No individual holding will comprise more than 15% of the total portfolio.

Performance Benchmark
The performance of Lower Risk portfolios will typically be benchmarked against UK bank rate or LIBOR (the London Interbank Offered Rate).

LOWER RISK
ILLUSTRATIVE ASSET ALLOCATION



Cash	Bonds	Equities	Alternatives
10%	80%	0%	10%

LOWER/MODERATE RISK PORTFOLIOS

Summary
These portfolios are intended for those for whom a degree of equity risk is appropriate through an investment cycle, but where the longer-term preservation of capital is of primary importance.

Risks
The weighted average risk score for the portfolio will be 2, 3 or 4. The maximum allowable risk score for any individual asset is 5, equivalent to large UK equities. The equity content of the portfolio is capped at 30% and the portfolio will typically hold a minimum of 10% in equities. The typically high bond weighting will mean that the portfolio value is relatively susceptible to changes in expectations for inflation and interest rates.

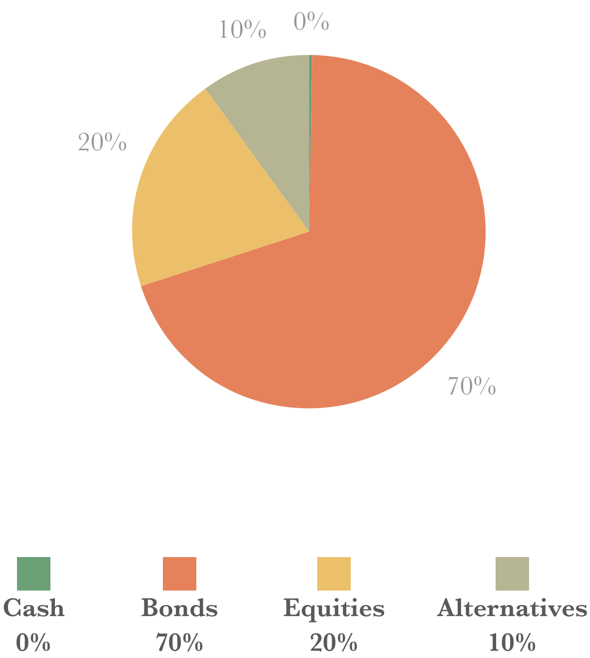
Timescale
You should be looking to invest for at least three years.

Diversification
Your portfolio will be comprised of at least 10 holdings, which will typically be collective funds.

Concentration
No individual holding will comprise more than 15% of the total portfolio.

Performance Benchmark
The performance of Lower/Moderate risk portfolios will typically be benchmarked against the UK Retail Prices Index.

LOWER/MODERATE RISK
ILLUSTRATIVE ASSET ALLOCATION



MODERATE RISK PORTFOLIOS

Summary
These portfolios are intended for those seeking a return in excess of inflation, typically via a higher equity exposure though not to the exclusion of the longer-term preservation of capital. The portfolio values will tend to rise and fall with equity markets, but to a lesser degree. The portfolio will also be sensitive to changes in expectations for inflation and interest rates.

Risks
The weighted average risk score for the portfolio will be 3, 4 or 5. The maximum allowable risk score for any individual asset is 7, equivalent to emerging market equities. The equity content of the portfolio is capped at 70% and the portfolio will typically hold a minimum of 30% in equities. The bond weighting will mean that the portfolio value is susceptible to changes in expectations for inflation and interest rates.

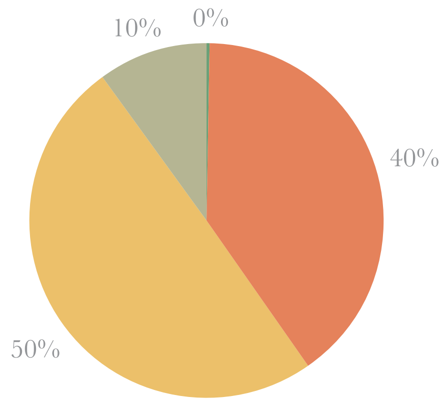
Timescale
You should be looking to invest for at least five years.

Diversification
Your portfolio will be comprised of at least 10 holdings. Where portfolios hold direct equities as well as collective funds, a minimum of 10 of these will be held.

Concentration
No individual holding will comprise more than 15% of the total portfolio.

Performance Benchmark
The performance of Moderate risk portfolios will typically be benchmarked against an industry standard index, such as the appropriate ARC Private Client Index (please see page 15).

MODERATE RISK
ILLUSTRATIVE ASSET ALLOCATION



Cash	Bonds	Equities	Alternatives
0%	40%	50%	10%

MODERATE/HIGHER RISK PORTFOLIOS

Summary
These portfolios are intended for those seeking a return similar to global equity markets, though not to the complete exclusion of the preservation of capital. The portfolio values will tend to rise and fall with equity markets.

Risks
The weighted average risk score for the portfolio will be 4, 5 or 6. The maximum allowable risk score for any individual asset is 8, excluding only the riskiest investments. The equity content of the portfolio is capped at 95% and the portfolio will typically hold a minimum of 55% in equities.

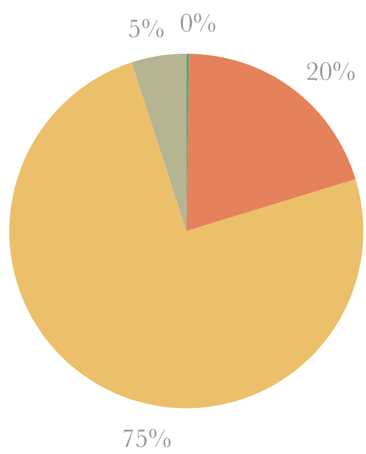
Timescale
You should be looking to invest for at least seven years.

Diversification
Your portfolio will be comprised of at least 10 holdings. Where portfolios hold direct equities as well as collective funds, a minimum of 10 of these will be held.

Concentration
No individual holding will comprise more than 15% of the total portfolio.

Performance Benchmark
The performance of Moderate/Higher risk portfolios will typically be benchmarked against an industry standard index, such as the appropriate ARC Private Client Index (please see page 15).

MODERATE/HIGHER RISK
ILLUSTRATIVE ASSET ALLOCATION



Cash	Bonds	Equities	Alternatives
0%	20%	75%	5%

HIGHER RISK PORTFOLIOS

Summary
These portfolios are intended for those wishing to allow their investment manager absolute discretion in the management of the portfolio. The portfolios are not subject to asset allocation constraints and performance characteristics may vary considerably. These are typically for clients who are happy with the most active style, wishing their manager to try to time market cycles and to take the greatest risk.

Risks
The weighted average risk score for the portfolio is unconstrained and may vary from 1 to 10. The maximum allowable risk score for any individual asset is 10, equivalent to the riskiest investments. The equity content of the portfolio is not capped.

Timescale
You should be looking to invest for at least seven years.

Diversification
Your portfolio will be comprised of at least 10 holdings. Where portfolios hold direct equities as well as collective funds, a minimum of 10 of these will be held.

Concentration
No individual holding will comprise more than 15% of the total portfolio.

Performance Benchmark
The performance of Higher risk portfolios will typically be benchmarked against an industry standard index, such as the appropriate ARC Private Client Index or against a global equity index such as MSCI World (please see page 15).

LEGAL MATTERS

It is important that you read and understand our terms & conditions, which are contained in the Hawksmoor Client Account Guide.

This document is issued by Hawksmoor Investment Management Limited (Hawksmoor), a company authorised and regulated by the Financial Conduct Authority. The Registered Number of Hawksmoor is 6307442 and its Registered Office is at 2nd Floor, Stratus House, Emperors Way, Exeter Business Park, Exeter EX1 3QS.

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Past performance is not a guide to future performance. The value of an investment and any income from it can fall as well as rise as a result of market and currency fluctuations. You may not get back the amount you originally invested. Changes in exchange rates will also affect performance. Please read the prospectus and Key Investor Information Documents (KIID) of any funds mentioned before making an investment.

The information provided in this document does not constitute advice or a personal recommendation for which the duty of suitability would be owed by Hawksmoor, and you should seek your own advice as to the suitability of any investment matter mentioned in this document.

HAWKSMOOR
INVESTMENT MANAGEMENT

For further information on any of our services, or to arrange a meeting with an investment manager, please call one of our offices.

You can also find more information on Hawksmoor, our services and full contact details on our website at www.hawksmoorim.co.uk

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Hawksmoor Investment Management Limited is authorised and regulated by the Financial Conduct Authority

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Whatever is goode in its kinde ought to be preserv'd in respect for antiquity, as well as our present advantage, for destruction can be profitable to none but such as live by it.

Nicholas Hawksmoor
on the rebuilding of All Souls College, Oxford, 17 February 1715

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