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WEALTH MANAGER

W·M

INVESTMENT PERFORMANCE AWARDS 2014

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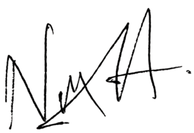
Welcome to the Citywire Wealth Manager Investment Performance Awards 2014.

These awards focus entirely on quantitative performance and recognise the most skilled investors in the discretionary investment management community. We have been able to draw on Asset Risk Consultants' unique insight into private client discretionary management and used their rigorous independent methodology to create the shortlist in four risk-rated categories.

Both shortlisted and winning firms in all categories are fine examples of the huge amount of talent we have in the UK serving private clients. I'm sure you will join me in congratulating them as we announce the winners later on this evening.

I hope you enjoy the evening and the rest of the conference.

Kind regards,



Natalie Fast
Channel Head,
Citywire Wealth Manager

WEALTH MANAGER W·M INVESTMENT PERFORMANCE AWARDS 2014

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WEALTH MANAGER W·M
INVESTMENT PERFORMANCE AWARDS 2014 WINNER
BEST OVERALL LARGE FIRM

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INVESTMENT PERFORMANCE AWARDS 2014 WINNER
BEST OVERALL MEDIUM FIRM

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INVESTMENT PERFORMANCE AWARDS 2014 WINNER
BEST OVERALL SMALL FIRM

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INVESTMENT PERFORMANCE AWARDS 2014 WINNER
AGGRESSIVE PORTFOLIO

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INVESTMENT PERFORMANCE AWARDS 2014 WINNER
BALANCED PORTFOLIO

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INVESTMENT PERFORMANCE AWARDS 2014 WINNER
CAUTIOUS PORTFOLIO

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INVESTMENT PERFORMANCE AWARDS 2014 WINNER
STEADY GROWTH PORTFOLIO

What are they?

- The Wealth Manager Investment Performance Awards are among the most prestigious prizes a wealth manager can win
- They are awarded to wealth managers who deliver consistently great performance for their clients
- They come in seven categories: four different types of portfolios (Aggressive, Steady Growth, Balanced and Cautious) and for three firm sizes (Small, Medium and Large)
- This is the fifth year they have been awarded
- This year there have been over 100 entries, covering more than £5 billion of assets

How are they awarded?

- It's not just about out-and-out performance
- Consistency is at the core of the awards
- The first cut of submitted portfolios looks at risk-adjusted performance over a three-year period
- The next criterion is consistency year-by-year over that period
- And finally, we look at how many clients, and how much money, the portfolio is applied to

Who chooses the winners?

- The award calculations are done by Asset Risk Consultants (ARC), a leading investment consulting practice
- ARC cleans up and crunches the data – more than 4,000 data points – to draw up the shortlists and eventual winners

Methodology

The Citywire Performance Awards are based on Asset Risk Consultants' (ARC) market-leading performance analysis and unparallelled insight into private client discretionary management.

The awards are adjudicated via a three-stage process:

1. First, ARC collates over **100** entries and independently calculates the volatility of the performance series submitted. The categorisation of the performance series is then validated against the specific performance award entrance criteria. Absolute performance is also sense checked against ARC's extensive database of actual portfolio results and the managers' corroborating asset allocation and investment style profile. The top tier of risk-adjusted performance over a three-year period is then used to create a long list of managers whose performance is analysed in greater detail.

2. A multi-dimensional performance audit of the long list is then undertaken. For instance, ARC breaks down the three-year period into discrete **12-month tranches** and the list order is amended on the basis of managers' rank consistency among the other entrants. Managers are also ranked on the basis of several risk/performance statistics alongside straight cumulative performance. The resultant weighted ranking decides the final shortlist.

3 It is this result that is reviewed in light of the quality of data submitted. The breadth of underlying portfolios incorporated within a submitted model, fund or portfolio composite (measured by the number of clients and assets under management, in both absolute terms and as a share of the firm's total) allows a '**believability**' index to be applied to the results. Less believable entrants are discounted.

Only those managers whose performance can stand up to scrutiny from all angles can win a Citywire Performance Award.

Categories

The award categories are intended to represent typical portfolio objectives of private clients and entrants must ensure that the models, GIPS numbers or funds that they put forward are typical of the solutions that would be offered to private clients. The awards are not intended to encompass single-strategy pooled vehicles but rather the performance a typical private client might expect to receive as a discretionary client of each entrant.

In order to qualify for the Best Overall award categories, entrants must have entered at least three of the performance categories. The statistical data from these is then averaged and ranked to see which firm has the best result.

- Entries are for UK sterling products only
- Entries must have at least three years' performance data
- Entries must have monthly performance data net of fees
- The same product may not be entered into multiple categories
- Only one product may be entered into each category

Category Definitions

Cautious

The definition of a Cautious portfolio is one where the historical variability of returns has been less than 40% of that recorded by world equities. The dominant asset classes tend to be cash, bonds and hedge funds.

Comparable ARC PCI = PCI Cautious GBP
Should have relative volatility to world equities of less than 40%

Balanced Asset

Balanced Asset portfolios are those where the historical variability of returns has been around 50% of that recorded by world equities. Balanced asset portfolios tend to encompass the widest range of asset classes. Managers often refer to multi-asset class strategies in this risk category as being absolute return-oriented.

Comparable ARC PCI = PCI Balanced Asset GBP
Should have relative volatility to world equities of between 40-60%

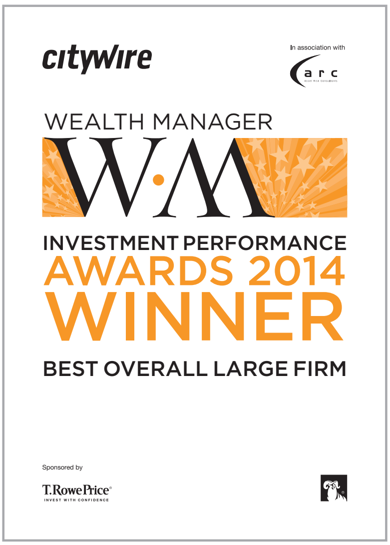
Steady Growth
Portfolios falling into the Steady Growth risk category have a risk profile of between 60-80% of world equity markets. They usually have a significant allocation to equities but also have exposure to a range of other asset classes. Traditionally, such portfolios would have been tagged as 'Balanced'.

Comparable ARC PCI = PCI Steady Growth GBP
Should have relative volatility to world equities of between 60-80%

Aggressive
The Aggressive category encompasses all portfolios with a risk profile similar to that of the equity markets. Traditionally, such portfolios would have been tagged as 'Growth'. Equities tend to be the dominant asset class.

Comparable ARC PCI = PCI Equity Risk GBP
Should have relative volatility to world equities of between 80-120%

INVESTMENT PERFORMANCE AWARDS 2014 SHORTLIST



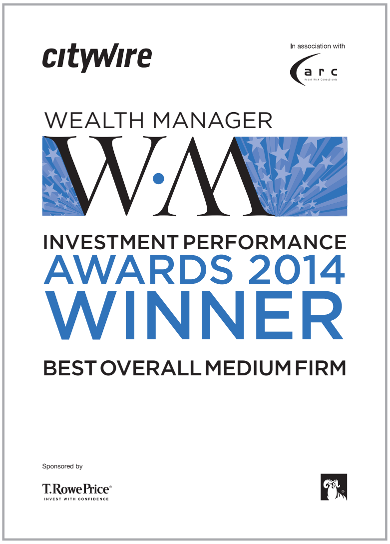
Best Overall Large Firm shortlist:

Brewin Dolphin

Investec Wealth & Investment

Smith & Williamson

Standard Life Wealth



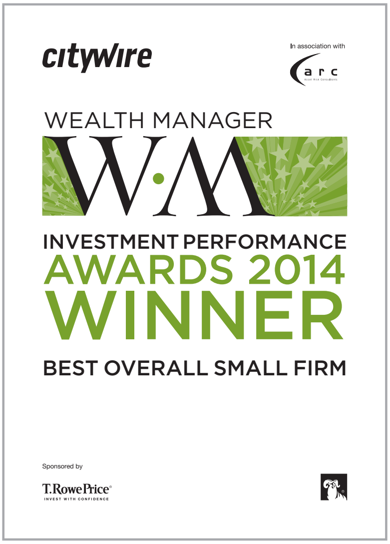
Best Overall Medium Firm shortlist:

Heartwood Investment Management

Ingenious

London & Capital

Thesis



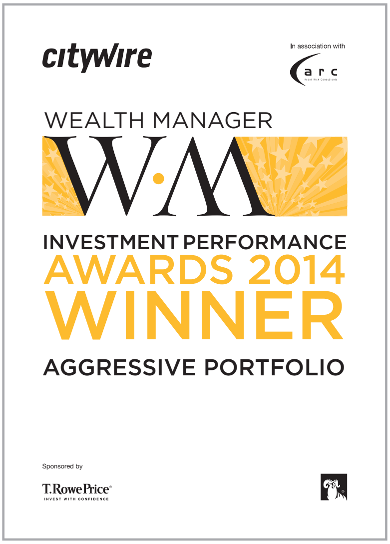
Best Overall Small Firm shortlist:

Adam & Company

Richmond House Group

Whitechurch Securities Limited

Wellian Investment Solutions



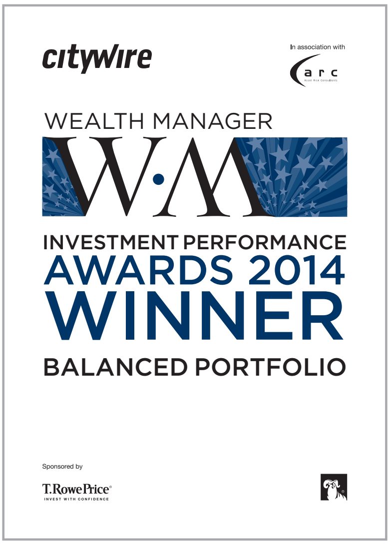
Aggressive Portfolio shortlist:

Adam & Co GBP Equity Risk PCI Index

Brewin Dolphin MFS Growth

Smith & Williamson GBP Equity Risk PCI Index

Thesis Asset Management Discretionary Mandate 5 of 7



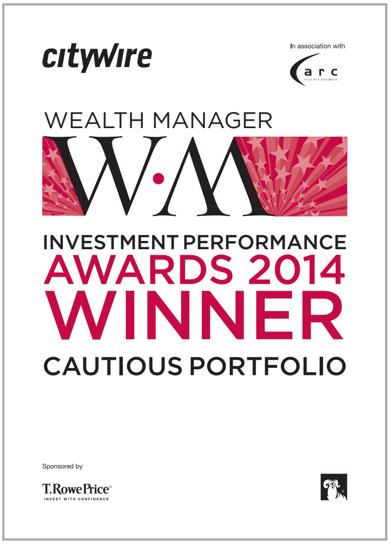
Balanced Portfolio shortlist:

Brewin Dolphin MFS Income

London & Capital Balanced/ Growth Portfolio

Richmond House Group (RHG) Income Model

Thames Valley Investments Higher Income Portfolio



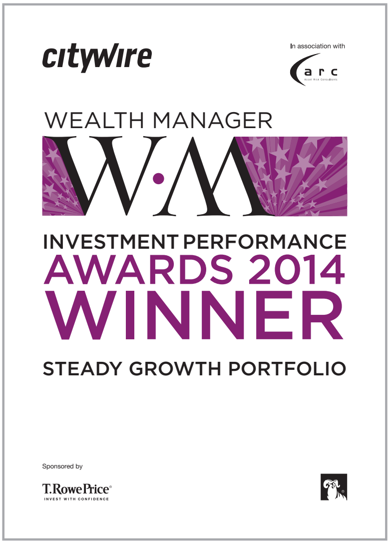
Cautious Portfolio shortlist:

Brewin Dolphin MFS Cautious

Heartwood Cautious Model

Richmond House Group (RHG) Cautious Model

Wellian Conservative



Steady Growth Portfolio shortlisted:

Ingenious Asset Management Income & Growth Model Portfolio

London & Capital Growth Portfolio

Standard Life Wealth PC Income Constrained Model

Whitechurch Prestige Income & Growth 5

Q&A

with Stephen McMahon

Managing Director, Asset Risk Consultants

ARC is an independent, privately owned consulting practice based in the Channel Islands. In existence since 1995, the company works for a global client base and has proven expertise in assessing and monitoring investment structures and performance across the full range of tradition and non-traditional asset classes.

Why is it important to recognise firms' performance in this manner?

Many clients know that they should be considering which manager to use on the basis of risk-adjusted, rather than out-and-out, performance. Professional advisors also appreciate that risk-adjusted measures acknowledge suitability and clients' attitudes to risk. To recognise managers' performance across a series of risk categories helps clients and their advisers by conducting a like-for-like comparison of the market that they would struggle to perform themselves.

They can rest assured that the winners and finalists have outperformed their peers over the period of review.

Portfolio performance is always the end goal for clients, but do you think it has become more important now the market is so competitive?

Funnily enough, I actually feel it is the opposite. Managers are competing across so many elements of their propositions, from performance to client servicing to reporting and more. Clients know that managers only have a certain amount of control over their relative performance, but they do expect a certain consistency in the experience. Managers that can deliver a consistently good rather than intermittently stellar performance, while also delivering across the other elements of the relationship, are typically the recipient of most client assets.

What's the most challenging part of the process for you and your team?

Unfortunately, it can still be difficult to collect and analyse performance in a consistent fashion: the maths can be complicated, but the real problem is the time-consuming nature of the task. Managers submit all sorts of differing types and formats of performance data, which must be manhandled into a shape before a consistent and robust analysis can be performed. The human angle should not be underestimated here; ARC has staff with decades of experience in dealing with performance data and its nuances. It is still surprisingly common to find errors in managers' performance data – people are still much better at identifying data issues than computers.

How many of you work on the analysis?

Although ARC's data collection comes to the fore during awards ceremonies and the like, it's actually a year-round effort building the banks of data and the analytical tools to power comparisons of managers' performance data. Often the context is as important as the individual performance series being considered. While my irrepressible colleague Charlotte Calder is responsible for the analysis that underpins the awards, it would not be an overstatement to say everyone working in the ARC Research team is integral to the process. That's over a dozen people split across three offices/ jurisdictions. We also confer with other colleagues within ARC to sense check the results in comparison to our client's actual experiences of managers. You could say that the full ARC contingent of 55 staff is involved in some way or another.

Key inputs

Over 4,000 data points
Entries covered more than £5 billion of assets
Three early starts and two late nights
Three packets of Hobnobs and several packs of McCoy's Flame Grilled Steak crisps