INVESTMENT MANAGEMENT

Henderson Rowe, Berkeley Square House, London, W1J 6BR
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HENDERSON ROWE

2017

"Our services are fully bespoke and your investment objective is always aligned with ours."

OUR INVESTMENT OFFERING

We are an independent, owner managed investment firm. We cater for High Net Worth, long-term private investors and mid-sized institutional clients with a range of portfolio investment solutions. We focus on investing in assets that are most likely to increase in value over time, and avoiding large permanent losses along the way.

Fundamental analysis is at the heart of everything we do. All our decisions are made by an investment team with years of experience in valuing and managing financial assets. We don't have bloated marketing departments pushing in-house products. All of our investment ideas are researched and developed in-house and are always aligned with our clients' investment goals.

Our services are fully bespoke and your investment objective is always aligned with ours. All our investment managers are fully qualified and will not only keep you informed about your portfolio's progress, but will ensure we are managing your money correctly by talking to you about your situation.

Your investment manager will be happy to work closely with your other professional advisers, such as accountants and lawyers, to make sure your overall objectives are aligned with how your money is being managed.

We do not pool clients' money into a single fund; instead, we use separate accounts that enable our clients to achieve more control over holdings, allowing for specific restrictions and tax implications.

Your portfolio will consist of a mix of four basic asset classes: bonds, equities, commodities and property. The most important aspect of your portfolio is its asset allocation. This determines the kinds of risks you are taking, and the kinds of returns you are likely to experience.

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THE SERVICE

Each of our portfolio strategies is available in three geographic options:

- Domestic – Entirely UK stocks and bonds
- Semi-international – 50% UK and 50% international, weighted by region GDP
- Global – Entirely international, GDP-weighted, so the UK is about 10%

And in two types of implementation:

- Active
- 50% active, 50% passive

Where we differ from most of our competitors is in our direct approach to active investment. We tend not to use expensive active funds. We do our own research and invest directly into stocks and bonds. For passive portfolios, we only use physically backed ETFs and we always make sure we know what they hold.

For our more aggressive clients, we can supply high-conviction portfolios offering direct ownership of the opportunities deemed most attractive by our investment team.

On the active side, we prefer to invest in businesses we understand, have researched, and that have shares traded on stock exchanges on which it is easy to deal. We avoid financial products with high charges that expose you to counterparty risk with a highly leveraged bank, or which lock you in for months or years with limited exit opportunities. We take mouth-watering promises in marketing materials with a pinch of salt.

We never target or promise specific returns or chase yield with disregard to risk, and we are very sceptical of those who do. We have a robust stock picking methodology backed by a successful 12-year stock picking track record. For more information on our stock picking methodology and stock-only portfolios, please refer to our Guide to Picking Stocks document.

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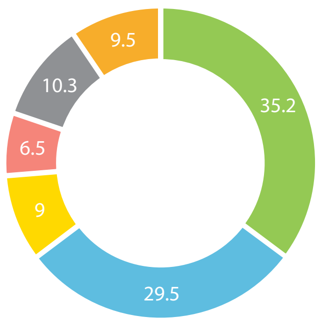
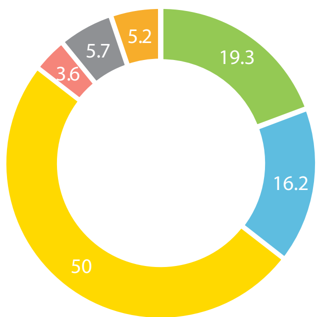
International



Semi-International



NORTH AMERICA
EUROPE EX-UK
UK
JAPAN
ASIA PAC DEV
EMERGING

Source: Henderson Rowe

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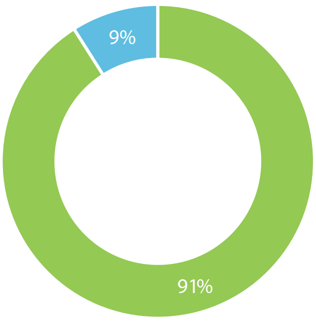
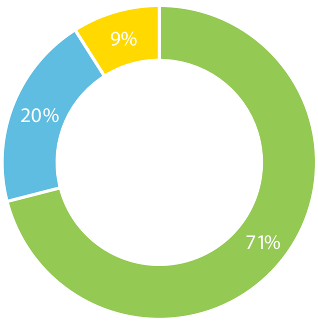
ASSET ALLOCATION STRATEGIES

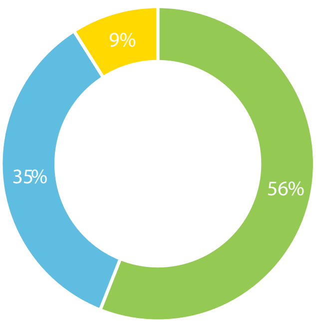
Higher Risk



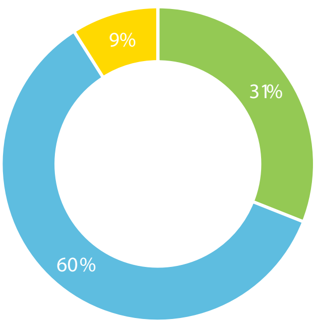
Henderson Rowe Aggressive Asset Allocation
Objectives: To provide significant capital growth above inflation. This strategy has the highest risk level, which means that the value of the investment will fluctuate in the medium term, and capital returns may be negative over short- to medium-term horizons. This strategy may not be suitable for investors who have a time horizon of eight years or less.



Henderson Rowe Growth Asset Allocation
Objectives: To significantly increase the capital value of your investment in real terms. The risk level associated with this strategy is high, which means that the value of the investment will fluctuate in the medium term, and capital returns may be negative over short- to medium-term horizons. This strategy may not be suitable for investors who have a time horizon of six years or less.



Henderson Rowe Balanced Asset Allocation
Objectives: To balance generating real returns and maintaining a relatively low risk exposure. This strategy aims to achieve a medium level of risk, which means that the value of the investment will fluctuate in the medium term, and capital returns may be negative over the short term. A balanced strategy may not be suitable for investors who have a time horizon of five years or less.



Henderson Rowe Conservative Asset Allocation
Objectives: To provide stable returns and minimise the investment's exposure to risk. This strategy aims to achieve a low level of risk, which means the value of the investment will fluctuate in the short term, and is unlikely to show significant capital gains above inflation. This strategy may not be suitable for investors who have a time horizon of three years or less.

Lower Risk

Source: Henderson Rowe

EQUITY
FIXED INCOME
REAL ASSETS

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"Never overpay for any asset."

THE 10 COMMANDMENTS OF INVESTING

Here are some time-tested rules for successful investing that we follow when looking after your money.

1. **Do not put all your eggs in one basket:** Always diversify and understand what drives the returns for stocks, bonds and commodities.

2. **Take the long-term approach:** Investing is about minimising the number of mistakes over the long term. Know the difference between investing and trading. That is how you will outperform.

3. **Never target specific returns or chase yield:** Both of these depend on the environment and always have to be looked at in relation to risk. Trying to keep pace in all environments promotes poor decision making.

4. **Beware of Wall Street and City fads:** Steer clear of investments based on popular themes, or new and complex 'products' pushed by big or small companies. Long-term investment success is based on simplicity.

5. **Don't be afraid to take a loss:** If you know you made a mistake, get out quickly.

6. **Stay away from people who claim to have the ability to predict macro trends**, commodity prices, exchange rates or political trends: Beware of recommendations from the media or so-called experts who have never worked in the industry, or have never managed actual money. The only thing they have to lose is their viewers or readers.

7. **Never overpay for any asset:** Follow the value investing approach and take advantage of 'regression to the mean', which is the only sure thing in investing.

8. **Be sceptical of following benchmarks: Do not follow benchmarks without knowing their constituents.** These usually give a false sense of security and promote market bubbles.

9. **Do not let your tax considerations drive your investment strategy.**

10. **Market corrections are usually good news for long-term investors.** Don't panic about them.

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FREQUENTLY ASKED QUESTIONS

1. Is my money safe?
All client money is held in nominee accounts with our custodian, Platform Securities. Henderson Rowe or its creditors do not have recourse to your funds.

2. How will you establish my risk tolerance?
While we categorise our clients' risk appetite according to our internal scorecard, we also put a lot of emphasis on face-to-face conversation, and we always make sure you agree with the risk we take in your portfolios.

3. Are there any hidden exit or setup fees?
All our charges are shown on our SOFAC document. We do not charge any hidden setup or exit fees.

4. Can you help me with my financial planning, tax or offshore investments?
Yes, we certainly can. While we do not provide these services in-house, we have a network of trusted advisers and professional services providers with whom we have developed strong relationships. To avoid any conflicts of interest, we prefer to focus solely on managing your investments, letting the specialists do their job independently.

5. What is the average percentage of portfolio value/number of stocks changed each year?
This varies according to market circumstances, investment strategies and clients' specific requests. Annual portfolio turnover can range between 15% (for very passive, low-risk accounts) and 75% (for aggressive strategies with significant client input). Our average holding period for individual stocks is 470 days, with a current maximum of 3,000 days.

6. How are decisions made regarding asset allocation and stock selection?
Our asset allocation strategy is reviewed on a quarterly basis by our investment committee. After being reviewed by our economic consultants, changes in strategic and tactical asset allocation are implemented across all portfolios. Exposures to asset classes in each strategy operate within specific ranges. Before every tactical asset allocation shift, we apply a cost–benefit analysis to minimise portfolio turnover. For more detailed information, please refer to our Asset Allocation document. Our stock selection process is divided into three parts: screening, research and valuation. Our

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proprietary quantitative screen – called RAID (Ranked Active Investment Decisions) – helps us to narrow the investible universe by identifying stocks with desirable characteristics. Shortlisted stocks are then put through a robust valuation template to enable stress testing and comparison with market estimates, and to underpin discussions with company management. For more detailed information, please refer to our Stock Investing Strategy document.

7. What level of consistency is applied to portfolios in terms of stock selection and asset allocation?

Both asset allocation and stock selection processes are centrally managed. Every discretionary mandate is built on specific asset allocation/a model portfolio in relation to the risk and return profile. Passive instruments (index trackers) in our portfolios are uniform across all of the strategies. Individual stock selection is based on the stocks in the buy range, which is derived from our central research process.

8. What is your policy on the minimum and maximum number of stocks held in a portfolio?

Depending on the active/passive mix, our position size will vary between 2% and 4%. This translates to an average of 25 individual stocks (excluding ETFs).

9. What risk do you actively manage in a portfolio and what risks are monitored?

Risk is managed at a strategic level by blending passive index funds (ETFs and UCITS) with individual securities (both equities and bonds). On the individual instrument level, we constantly monitor the underlying fundamentals of our investments and are disciplined with position sizing. Downside and upside review points help us to continually assess and incorporate new fundamental information about our investments in the context of market fluctuations. We avoid concentration in specific sectors and we apply disciplined monitoring of position size. We have a centralised portfolio monitoring system and dedicated staff to make sure all portfolios are in line with our asset allocation models. We do not use leverage.

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OUR TEAM

INVESTMENT & RESEARCH
CEO and CIO: Giles Rowe
Artur Baluszynski

INVESTMENT COMMITTEE
Giles Rowe
Artur Baluszynski
Dr Graham Foster
Andrew Gibbs

INVESTMENT MANAGERS
Charles Astor
Neil Cockerill
Stefan Cooksammy
Patrick Donovan
Dr Graham Foster
Andrew Gibbs
Adam Hayek
Finlay Maclennan
John Whick
Dominic Wright

ACCOUNT EXECUTIVES
Thomas Fawcett

COMPLIANCE DIRECTOR & MLRO
Michael Harden

OPERATIONS MANAGER
Ana Diaz

NON-EXECUTIVE DIRECTOR
Charles Aram

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Any reference to the past investment performance of any investment referred to in the promotion should not be read as implying any guarantee about future performance. Any indications of future performance in this research note are not based on and do not refer to simulated past performance and are based on reasonable assumptions supported by objective data. However, please note that any such forecasts are not a reliable indicator of future performance. Some investments are not readily realisable, or may become so, and investors may have difficulty in selling or realising the investment or obtaining reliable information on the value or risks associated with the investment.

Changes in exchange rates may also have an adverse effect on the value of the security, independent of the performance of the company. International businesses can have complex currency exposures.

It is not possible to list every potential risk, especially in brief notes like this. Indeed, it is often difficult to specify relevant risk factors, as the example of BP's Macondo well disaster illustrates. All the stocks, bonds and funds in this note should be regarded as containing security-specific risks. This means they are likely to be inherently volatile, and, on their own, substantially more volatile than the market as a whole, or a diversified basket of stocks. They are recommendations for inclusion in Henderson Rowe's clients' portfolios and may not be suitable for you. This is not a CFD or derivatives recommendation. If in any doubt, please consult your Henderson Rowe adviser or manager.

We invest in and advise on actively selected stocks, as well as passive and, to a lesser extent, actively managed funds, as we believe these offer a transparent and effective way of investing. However, we do not look at a number of other products that may be suitable for you, and, therefore, classify ourselves as restricted under FCA guidelines.

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