

Cambrian WRAP Strategy

Each developed index is broken into bands which roughly correlate to 10% (every 500 points for the FTSE 100, 1000 points for the Dow Jones, 100 points for Eurofirst 300 and 150 points for FTSE EPRA/NAREIT Global Property). Should a barrier be breached in a falling market for 3 consecutive days, the funds would default into a cautious fund (e.g. Absolute Return Low risk option).

Should the index bounce back up, the reinvestment point would be approximately the same as the disinvestment point (see Frequently Asked Questions). If it fell to a lower band (in the case of the FTSE 100, an additional 500 points) then the reinvestment point would be lower.

In practice, using the FTSE 100 as a working example, this would work as follows;

1. Should the FTSE 100 be at 5900 points and fall to 5550, no action would be taken.
2. Should the FTSE 100 be at 5900 points and fall below 5500 (a trigger point), all UK funds would be disinvested at this point. Should the FTSE 100 bounce upwards, the reinvestment point would be from 5400 points. The funds that would be defaulted to would be a cautious asset class, such as Absolute Return funds.
3. Should the FTSE 100 be at 5900 points and fall to below 5000 points (a further trigger point) before bouncing upwards, the reinvestment point would be from 4900 points.

This process would therefore achieve the following;

1. Indexes managed and investment decisions would be based on statistical criterion with no decisions impacted by sentiment.
2. A more robust early warning system where an index begins to fall.
3. Where an index is disinvested from, the reinvestment point would either be the same point or 10% lower. (Re-entry at a lower point would therefore give the opportunity for units to be purchased at a cheaper value).
4. Any index that is disinvested from is due to the performance of that index alone. This will therefore mean that an investment decision impacting European equities will have no bearing on any action taken in any other index, such as US equities.
5. Correspondence will be limited to the quarterly review dates, which will be announced at the start of the year, and issues of being unable to access emails, due to holidays etc, will have no bearing on investment decisions made within the portfolio. In the quarterly review document, authorisation will be sought for the following 3 months with all previous transactions detailed.

The point(s) that monitoring begins for disinvestment to a low risk option is detailed in the table below. Disinvestment to a low risk option would occur if the Index in question has not recovered above the monitoring point for 3 working days. The last reinvestment point will be used if the disinvestment point is not hit.

Index	Disinvestment Point
FTSE 100	4000, 4500, 5000, 5500, 6000, 6500, 7000, 7500, 8000
Dow Jones Industrial Average	6000, 7000, 8000, 9000, 10000, 11000, 12000, 13000, 14000, 15000, 16000, 17000, 18000, 19000, 20000, 21000, 22000, 23000, 24000, 25000
Eurofirst 300	700, 800, 900, 1000, 1100, 1200, 1300, 1400, 1500, 1600, 1700, 1800
FTSE EPRA/NAREIT Global Property	1100, 1250, 1400, 1550, 1700, 1850, 2000, 2150, 2300

The point(s) that monitoring begins for reinvestment to the original fund is detailed in the table below. Reinvestment to the original fund(s) would occur if the Index in question has remained above the monitoring point after 3 working days.

Index	Reinvestment Point
FTSE 100	3900, 4400, 4900, 5400, 5900, 6400, 6900, 7400
Dow Jones Industrial Average	2800, 3800, 4800, 5800, 6800, 7800, 8800, 9800, 10800, 11800, 12800, 13800, 14800, 15800, 16800, 17800, 18800, 19800, 20800, 21800
Eurofirst 300	680, 780, 880, 980, 1080, 1180, 1280, 1380, 1480, 1580, 1680, 1780
FTSE EPRA/NAREIT Global Property	1080, 1230, 1380, 1530, 1680, 1830, 1980, 2130, 2280

The funds that would be switched from and to from are detailed in the table below.

Sector	Current Funds	Low Risk Option
UK	TB Evenlode Income Liontrust Special Situations CF Lindsell Train UK Equity	Henderson UK Absolute Return
Europe	Man GLG Continental European Growth Jupiter European	Blackrock Absolute Return Bond
US	Baillie Gifford American Investec American Franchise	SVS Church House Tenax Absolute Return Strategies
Global Property	iShares Global Property Securities Equity Index	BNY Mellon Global Dynamic Bond

The performance statistics detailed in the table below are the current funds and low risk options on a percentage basis.

Fund	Crown Rating	AGR 5 yrs	2018	2017	2016	2015	2014
Fundsmith Equity	★★★★★	26.14	2.30	22.09	28.29	15.82	23.46
Blackrock Emerging Markets	★★★★★	13.36	-5.24	30.20	31.36	-14.35	4.48
Man GLG Continental European Growth	★★★★★	14.60	-11.09	18.74	16.52	30.9	6.5
Jupiter European	★★★★★	20.21	-0.34	27.71	5.19	22.90	5.93
Invesco Asian	★★★★★	16.39	-12.02	36.46	37.98	-2.39	11.41
Liontrust Special Situations	★★★★★	10.7	-2.12	16.76	15.77	13.89	1.88
Barings Global Agriculture	★★★★★	9.25	-7.49	10.45	30.01	-8.75	7.48
L&G UK Property Feeder	-	9.04	4.65	8.82	1.93	10.60	13.47
Kames Property Income Feeder	-	-	-3.34	6.18	3.04	8.42	-
TB - Evenlode Income	★★★★★	11.82	0.39	15.18	17.06	8.44	8.23
Baillie Gifford American	★★★★	27.59	13.34	23.60	27.33	13.52	17.58
Investec American Franchise	★★★★★	20.05	7.92	9.84	44.39	1.87	19.29
iShares Global Property Securities Equity Index	★★★★	14.30	0.07	1.58	23.80	4.36	22.84
Newton Multi-Asset Diversified Return	★★★	5.24	-3.45	9.65	11.40	0.63	6.39
Royal London Sterling Extra Yield Bond	★★★★★	8.38	1.25	14.18	10.48	2.31	8.14
Baillie Gifford Strategic Bond	★★★★★	5.76	-1.67	8.12	10.15	-0.82	10.19
Sarasin Food & Agriculture Opps	★★★★★	12.39	-0.83	14.58	34.00	-2.18	8.15
Lindsell Train LF Lindsell UK Equity	★★★★★	11.78	-1.09	20.66	11.31	11.5	7.3
Royal London Corporate Bond	★★★★★	5.91	-2.05	7.06	9.54	0.17	12.39
AXA Framlington Biotech	★	12.28	-6.42	9.66	-4.95	12.29	46.94
Janus Henderson UK Absolute Return	★★★★★	3.09	-2.71	3.29	1.58	7.68	5.15
Blackrock Absolute Return Bond	★★★★	0.69	-1.61	2.66	1.49	1.03	-0.3
Newton Global Dynamic Bond	★★★★	1.23	-0.83	1.64	3.57	-0.61	2.34
SVS Church House Tenax Absolute Return Strategies	★★★★★	3.69	-1.31	2.89	7.91	1.77	6.13

AGR = Average Growth Rate over 5 years

★ ★★ ★★★ ★★★★ ★★★★★

Frequently Asked Questions:

Q. Will the increased number of fund switches incur any additional costs?

- A. There is no charge for fund switching, and we have a policy of only using funds on the WRAP platform with a 0% Bid/Offer spread. The Bid/Offer spread relates to the cost of selling a fund, i.e. transaction costs. A 0% Bid/Offer spread, otherwise known as a frictionless asset, allows transfer in and out at no cost and with no dealing charge.

Whilst almost all funds have an initial charge if set up directly, all funds used by Cambrian on the WRAP platform waive the initial charge.

Q. Does the research demonstrate that this is a justifiable strategy?

- A. Yes. The performance of a cautious, a medium and a high risk portfolio versus the existing strategy and an FE Analytics risk targeted benchmark over the last 5 years are detailed in the tables below with an allowance for charges. The data is provided by Financial Express.

Cautious Portfolio (2/5)

Year	FE risk <30 UK Risk Targeted Multi Asset band 1	Park & Hold – top Funds within each asset class	Applying Cambrian WRAP disinvest/reinvest strategy
01.01.2011 – 31.12.2011	-0.16%	10.91%	12.5%
01.01.2012 – 31.12.2012	4.28%	1.72%	3.16%
01.01.2013 – 31.12.2013	2.17%	11.18%	8.62%
01.01.2014 - 31.12.2014	3.34%	3.46%	0.88%
01.01.2015 – 31.12.2015	-1.15%	0.71%	0.78%
01.01.2016 – 31.12.2016	6.14%	3.72%	3.35%
01.01.2017 – 31.12.2017	2.55%	7.69%	7.27%
01.01.2018 – 31.12.2018	-3.62%	-3.96%	-3.46%

	5 year cumulative performance %
Benchmark – FE risk <30 UK RTMA 1	6.10%
Park & Hold	14.31%
Disinvest/reinvest strategy	10.56%

Balanced Portfolio (3/5)

Year	FE risk <30-50 UK Risk Targeted Multi Asset band 2	Park & Hold – top Funds within each asset class	Applying Cambrian WRAP disinvest/reinvest strategy
01.01.2010 – 31.12.2010	7.49%	19.2%	17.60%
01.01.2011 – 31.12.2011	-3.34%	-4.36%	4.12%
01.01.2012 – 31.12.2012	6.62%	7.12%	7.36%
01.01.2013 – 31.12.2013	5.89%	12.57%	8.72%
01.01.2014 - 31.12.2014	3.84%	5.04%	0.23%
01.01.2015 – 31.12.2015	0.24%	1.05%	1.11%
01.01.2016 – 31.12.2016	8.02%	7.46%	7.44%
01.01.2017 – 31.12.2017	4.58%	11.61%	10.58%
01.01.2018 – 31.12.2018	-3.85%	-5.85%	-3.69%

	5 year Cumulative Performance %
Benchmark – FE risk <30-50 UK RTMA 2	11.28%
Park & Hold	23.04%
Disinvest/reinvest strategy	18.60%

Adventurous Portfolio (5/5)

Year	FE risk <50-70 UK Risk Targeted Multi Asset band 3	Park & Hold – top Funds within each asset class	Applying Cambrian WRAP disinvest/reinvest strategy
01.01.2010 – 31.12.2010	10.70%	25.65%	26.94%
01.01.2011 – 31.12.2011	-6.64%	-13.64%	-11.15%
01.01.2012 – 31.12.2012	8.10%	9.16%	8.43%
01.01.2013 – 31.12.2013	9.81%	11.71%	7.28%
01.01.2014 - 31.12.2014	4.19%	5.18%	-0.31%
01.01.2015 – 31.12.2015	0.71%	1.50%	2.10%
01.01.2016 – 31.12.2016	14.12%	16.29%	14.75%
01.01.2017 – 31.12.2017	8.01%	15.74%	14.84%
01.01.2018 – 31.12.2018	-5.22%	-7.04%	-5.86%

	5 year cumulative performance %
Benchmark – FE risk <50-70 UK RTMA 3	16.61%
Park & Hold	37.79%
Disinvest/reinvest strategy	31.30%

Q. Is this therefore a capital protected investment?

A. No this is categorically not a method of avoiding losses. There will be periods where the value of a portfolio falls. This is merely a method of ensuring that there is a more robust early warning system in place for both falls and rises within financial markets and that all investment decisions are made absolutely free from sentiment. It should be noted that this method is not applied to emerging markets and commodities due to the volatility of the asset classes.

Q. Will the point of reinvestment be exactly the same as disinvestment?

A. We aim to reinvest as close to the disinvestment point as possible, but it would be most unlikely that it would be exactly the same point.

Q. Will any of the fund switches/disinvestments increase my risk profile?

A. No. When we switch from one index to another it is always into a less volatile asset class.

Q. If I have disinvested, how long will I be disinvested for?

A. Once defaulted, reinvestment will occur when either the index returns to the point of disinvestment or having fallen, when it rises past a lower monitoring point (which will be approximate bands of 10%). This period could be a matter of days or a number of months. 2008 would have seen most of the year defaulted to cautious funds.

Q. Will any fund switches be affected without my explicit authority?

A. No. We will obtain your prior consent on a quarterly basis for all fund switches and will report quarterly with a summary of the fund switches that have been affected.

Q. Will you continue to monitor the funds against the normal strict criteria for any funds that we move into following your advice to use the new method?

A. Yes all funds in all cases will be chosen using our normal criteria, ensuring that each fund is ranked top quartile within its asset class over, 1,3, 5 and 10 years (assuming there are 10 year performance statistics). Whilst funds will always be flagged up for replacement after two consecutive quarters of failing the 1 year performance figure where there are top quartile funds available we will always aim to select from a short list identified by the research. However the Investment Committee looks at more than just past performance and considers the future prospects of a fund. In some situations we will not seek to replace a fund for failing to be top quartile where the Investment Committee is satisfied that the fund has a reasonable prospect of recovery. Reasons for this might be fund manager opinion, change in prevailing investment styles e.g. value versus cyclical, lower volatility in expected turbulent markets, charges, income yield and single stock picking errors which may not impact the fund going forwards.

Q. Do I have an alternative?

A. Yes, we will email you each quarter with any fund switches that we are recommending that have been prompted by funds failing to meet our strict criteria.

Q. Should I rely on past fund performance to make a decision?

A. No. Past performance is no guarantee of future results.