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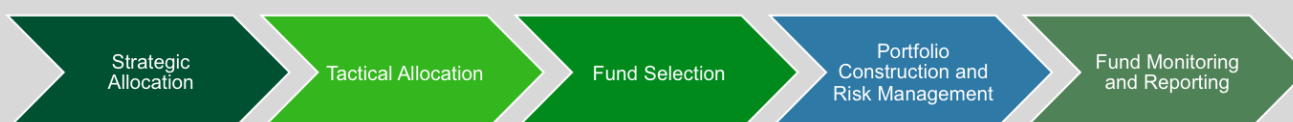
**NEDGROUP INVESTMENTS
MULTI-MANAGER
INVESTMENT PROCESS**

NEDGROUP INVESTMENTS INTERNATIONAL MULTI-MANAGER PROCESS

Nedgroup Investments International offers a range of global mixed asset multi-manager portfolios. This document aims to provide an overview of our multi-manager investment process and capability.

Our investment process comprises of various disciplines, including strategic and tactical asset allocation, fund research, portfolio construction, risk management and performance monitoring, as summarised in the diagram below:

OVERVIEW OF NEDGROUP INVESTMENTS INTERNATIONAL MULTI-MANAGER PROCESS



STRATEGIC ASSET ALLOCATION

The first stage of our process involves creating a strategic asset allocation framework for each portfolio. This work is done in consultation with clients, and aims to derive a normal (or neutral) portfolio asset allocation mix that most efficiently maps to their risk preferences. Through our understanding of potential asset class risks, returns, cross-correlations and liquidity, we seek to identify strategic frameworks most likely to deliver clients' required return targets, with the least amount of expected risk and volatility. Using forward looking assumptions derived from a combination of analysing history, as well as considering future trends, we use proprietary models to find these optimal strategic frameworks. Once agreed and set, these frameworks provide the basis around which tactical asset allocation initiatives are managed, and, as such, play an important role in defining the nature and extent of risks taken within each portfolio by the Investment Team.

TACTICAL ASSET ALLOCATION

As active managers, we vary the asset allocation of portfolios around their strategic frameworks to reflect the evolution of our views about potential returns and risks for different asset classes. This is called tactical asset allocation, and aims to emphasise exposure to those areas expected to do well, whilst minimising exposure to those where the outlook is less promising. The asset allocation process is led by the Nedgroup Investments International Strategy Committee, which meets on a monthly basis to examine fundamental macroeconomic trends, investment opportunities, market risks and asset class valuations. This forum is ultimately responsible for setting the house policy that guides tactical asset allocation within client portfolios. Membership of the Nedgroup Investments International Strategy Committee includes all the most senior and experienced investors at Nedgroup Investments.

INVESTMENT MANAGER RESEARCH

Manager research involves a blend of quantitative and qualitative assessment. In the first instance, quantitative screens are conducted at regular intervals across many sectors in order to rank thousands of different investment products based on their historic characteristics, paying particular attention to performance and consistency. To conduct these initial screens, the Investment Team uses various bought-in global databases, including Bloomberg and Morningstar Direct. From these sources, monthly fund return data is fed into our proprietary initial screening tool. The screens are used to narrow our focus onto a manageable shortlist of products that are of sufficient interest to take forward for further analysis by our research analysts.

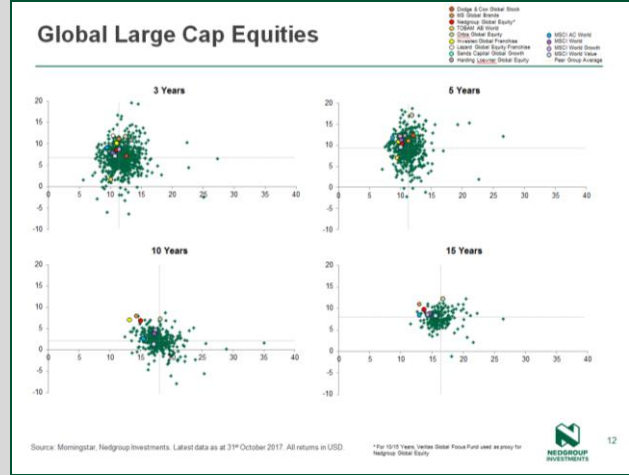
EXAMPLE OF OUTPUT OF INITIAL SCREENING TOOL

Global Large Cap Equities

3 Years			5 Years			10 Years			15 Years		
Fund	Ann. Returns	Ann. Volatility	Fund	Ann. Returns	Ann. Volatility	Fund	Ann. Returns	Ann. Volatility	Fund	Ann. Returns	Ann. Volatility
1	18.2%	12.4%	1	17.8%	12.1%	1	17.5%	11.9%	1	17.2%	11.8%
2	17.9%	12.5%	2	17.5%	12.2%	2	17.1%	12.0%	2	16.8%	11.9%
3	17.6%	12.6%	3	17.2%	12.3%	3	16.8%	12.1%	3	16.5%	12.0%
4	17.3%	12.7%	4	16.9%	12.4%	4	16.5%	12.2%	4	16.2%	12.1%
5	17.0%	12.8%	5	16.6%	12.5%	5	16.2%	12.3%	5	15.9%	12.2%
6	16.7%	12.9%	6	16.3%	12.6%	6	15.9%	12.4%	6	15.6%	12.3%
7	16.4%	13.0%	7	16.0%	12.7%	7	15.6%	12.5%	7	15.3%	12.4%
8	16.1%	13.1%	8	15.7%	12.8%	8	15.3%	12.6%	8	15.0%	12.5%
9	15.8%	13.2%	9	15.4%	12.9%	9	15.0%	12.7%	9	14.7%	12.6%
10	15.5%	13.3%	10	15.1%	13.0%	10	14.7%	12.8%	10	14.4%	12.7%
11	15.2%	13.4%	11	14.8%	13.1%	11	14.4%	12.9%	11	14.1%	12.8%
12	14.9%	13.5%	12	14.5%	13.2%	12	14.1%	13.0%	12	13.8%	12.9%
13	14.6%	13.6%	13	14.2%	13.3%	13	13.8%	13.1%	13	13.5%	13.0%
14	14.3%	13.7%	14	13.9%	13.4%	14	13.5%	13.2%	14	13.2%	13.1%
15	14.0%	13.8%	15	13.6%	13.5%	15	13.2%	13.3%	15	12.9%	13.2%
16	13.7%	13.9%	16	13.3%	13.6%	16	12.9%	13.4%	16	12.6%	13.3%
17	13.4%	14.0%	17	13.0%	13.7%	17	12.6%	13.5%	17	12.3%	13.4%
18	13.1%	14.1%	18	12.7%	13.8%	18	12.3%	13.6%	18	12.0%	13.5%
19	12.8%	14.2%	19	12.4%	13.9%	19	12.0%	13.7%	19	11.7%	13.6%
20	12.5%	14.3%	20	12.1%	14.0%	20	11.7%	13.8%	20	11.4%	13.7%
21	12.2%	14.4%	21	11.8%	14.1%	21	11.4%	13.9%	21	11.1%	13.8%
22	11.9%	14.5%	22	11.5%	14.2%	22	11.1%	14.0%	22	10.8%	13.9%
23	11.6%	14.6%	23	11.2%	14.3%	23	10.8%	14.1%	23	10.5%	14.0%
24	11.3%	14.7%	24	10.9%	14.4%	24	10.5%	14.2%	24	10.2%	14.1%
25	11.0%	14.8%	25	10.6%	14.5%	25	10.2%	14.3%	25	9.9%	14.2%
26	10.7%	14.9%	26	10.3%	14.6%	26	9.9%	14.4%	26	9.6%	14.3%
27	10.4%	15.0%	27	10.0%	14.7%	27	9.6%	14.5%	27	9.3%	14.4%
28	10.1%	15.1%	28	9.7%	14.8%	28	9.3%	14.6%	28	9.0%	14.5%
29	9.8%	15.2%	29	9.4%	14.9%	29	9.0%	14.7%	29	8.7%	14.6%
30	9.5%	15.3%	30	9.1%	15.0%	30	8.7%	14.8%	30	8.4%	14.7%
31	9.2%	15.4%	31	8.8%	15.1%	31	8.4%	14.9%	31	8.1%	14.8%
32	8.9%	15.5%	32	8.5%	15.2%	32	8.1%	15.0%	32	7.8%	14.9%
33	8.6%	15.6%	33	8.2%	15.3%	33	7.8%	15.1%	33	7.5%	15.0%
34	8.3%	15.7%	34	7.9%	15.4%	34	7.5%	15.2%	34	7.2%	15.1%
35	8.0%	15.8%	35	7.6%	15.5%	35	7.2%	15.3%	35	6.9%	15.2%
36	7.7%	15.9%	36	7.3%	15.6%	36	6.9%	15.4%	36	6.6%	15.3%
37	7.4%	16.0%	37	7.0%	15.7%	37	6.6%	15.5%	37	6.3%	15.4%
38	7.1%	16.1%	38	6.7%	15.8%	38	6.3%	15.6%	38	6.0%	15.5%
39	6.8%	16.2%	39	6.4%	15.9%	39	6.0%	15.7%	39	5.7%	15.6%
40	6.5%	16.3%	40	6.1%	16.0%	40	5.7%	15.8%	40	5.4%	15.7%
41	6.2%	16.4%	41	5.8%	16.1%	41	5.4%	15.9%	41	5.1%	15.8%
42	5.9%	16.5%	42	5.5%	16.2%	42	5.1%	16.0%	42	4.8%	15.9%
43	5.6%	16.6%	43	5.2%	16.3%	43	4.8%	16.1%	43	4.5%	16.0%
44	5.3%	16.7%	44	4.9%	16.4%	44	4.5%	16.2%	44	4.2%	16.1%
45	5.0%	16.8%	45	4.6%	16.5%	45	4.2%	16.3%	45	3.9%	16.2%
46	4.7%	16.9%	46	4.3%	16.6%	46	3.9%	16.4%	46	3.6%	16.3%
47	4.4%	17.0%	47	4.0%	16.7%	47	3.6%	16.5%	47	3.3%	16.4%
48	4.1%	17.1%	48	3.7%	16.8%	48	3.3%	16.6%	48	3.0%	16.5%
49	3.8%	17.2%	49	3.4%	16.9%	49	3.0%	16.7%	49	2.7%	16.6%
50	3.5%	17.3%	50	3.1%	17.0%	50	2.7%	16.8%	50	2.4%	16.7%
51	3.2%	17.4%	51	2.8%	17.1%	51	2.4%	16.9%	51	2.1%	16.8%
52	2.9%	17.5%	52	2.5%	17.2%	52	2.1%	17.0%	52	1.8%	16.9%
53	2.6%	17.6%	53	2.2%	17.3%	53	1.8%	17.1%	53	1.5%	17.0%
54	2.3%	17.7%	54	1.9%	17.4%	54	1.5%	17.2%	54	1.2%	17.1%
55	2.0%	17.8%	55	1.6%	17.5%	55	1.2%	17.3%	55	0.9%	17.2%
56	1.7%	17.9%	56	1.3%	17.6%	56	0.9%	17.4%	56	0.6%	17.3%
57	1.4%	18.0%	57	1.0%	17.7%	57	0.6%	17.5%	57	0.3%	17.4%
58	1.1%	18.1%	58	0.7%	17.8%	58	0.3%	17.6%	58	0.0%	17.5%
59	0.8%	18.2%	59	0.4%	17.9%	59	0.0%	17.7%	59	-0.3%	17.6%
60	0.5%	18.3%	60	0.1%	18.0%	60	-0.3%	17.8%	60	-0.6%	17.7%
61	0.2%	18.4%	61	-0.2%	18.1%	61	-0.6%	17.9%	61	-0.9%	17.8%
62	-0.1%	18.5%	62	-0.5%	18.2%	62	-0.9%	18.0%	62	-1.2%	17.9%
63	-0.4%	18.6%	63	-0.8%	18.3%	63	-1.2%	18.1%	63	-1.5%	18.0%
64	-0.7%	18.7%	64	-1.1%	18.4%	64	-1.5%	18.2%	64	-1.8%	18.1%
65	-1.0%	18.8%	65	-1.4%	18.5%	65	-1.8%	18.3%	65	-2.1%	18.2%
66	-1.3%	18.9%	66	-1.7%	18.6%	66	-2.1%	18.4%	66	-2.4%	18.3%
67	-1.6%	19.0%	67	-2.0%	18.7%	67	-2.4%	18.5%	67	-2.7%	18.4%
68	-1.9%	19.1%	68	-2.3%	18.8%	68	-2.7%	18.6%	68	-3.0%	18.5%
69	-2.2%	19.2%	69	-2.6%	18.9%	69	-3.0%	18.7%	69	-3.3%	18.6%
70	-2.5%	19.3%	70	-2.9%	19.0%	70	-3.3%	18.8%	70	-3.6%	18.7%
71	-2.8%	19.4%	71	-3.2%	19.1%	71	-3.6%	18.9%	71	-3.9%	18.8%
72	-3.1%	19.5%	72	-3.5%	19.2%	72	-3.9%	19.0%	72	-4.2%	18.9%
73	-3.4%	19.6%	73	-3.8%	19.3%	73	-4.2%	19.1%	73	-4.5%	19.0%
74	-3.7%	19.7%	74	-4.1%	19.4%	74	-4.5%	19.2%	74	-4.8%	19.1%
75	-4.0%	19.8%	75	-4.4%	19.5%	75	-4.8%	19.3%	75	-5.1%	19.2%
76	-4.3%	19.9%	76	-4.7%	19.6%	76	-5.1%	19.4%	76	-5.4%	19.3%
77	-4.6%	20.0%	77	-5.0%	19.7%	77	-5.4%	19.5%	77	-5.7%	19.4%
78	-4.9%	20.1%	78	-5.3%	19.8%	78	-5.7%	19.6%	78	-6.0%	19.5%
79	-5.2%	20.2%	79	-5.6%	19.9%	79	-6.0%	19.7%	79	-6.3%	19.6%
80	-5.5%	20.3%	80	-5.9%	20.0%	80	-6.3%	19.8%	80	-6.6%	19.7%
81	-5.8%	20.4%	81	-6.2%	20.1%	81	-6.6%	19.9%	81	-6.9%	19.8%
82	-6.1%	20.5%	82	-6.5%	20.2%	82	-6.9%	20.0%	82	-7.2%	19.9%
83	-6.4%	20.6%	83	-6.8%	20.3%	83	-7.2%	20.1%	83	-7.5%	20.0%
84	-6.7%	20.7%	84	-7.1%	20.4%	84	-7.5%	20.2%	84	-7.8%	20.1%
85	-7.0%	20.8%	85	-7.4%	20.5%	85	-7.8%	20.3%	85	-8.1%	20.2%
86	-7.3%	20.9%	86	-7.7%	20.6%	86	-8.1%	20.4%	86	-8.4%	20.3%
87	-7.6%	21.0%	87	-8.0%	20.7%	87	-8.4%	20.5%	87	-8.7%	20.4%
88	-7.9%	21.1%	88	-8.3%	20.8%	88	-8.7%	20.6%	88	-9.0%	20.5%
89	-8.2%	21.2%	89	-8.6%	20.9%	89	-9.0%	20.7%	89	-9.3%	20.6%
90	-8.5%	21.3%	90	-8.9%	21.0%	90	-9.3%	20.8%	90	-9.6%	20.7%
91	-8.8%	21.4%	91	-9.2%	21.1%	91	-9.6%	20.9%	91	-9.9%	20.8%
92	-9.1%	21.5%	92	-9.5%	21.2%	92	-9.9%	21.0%	92	-10.2%	20.9%
93	-9.4%	21.6%	93	-9.8%	21.3%	93	-10.2%	21.1%	93	-10.5%	21.0%
94	-9.7%	21.7%	94	-10.1%	21.4%	94	-10.5%	21.2%	94	-10.8%	21.1%
95	-10.0%	21.8%	95	-10.4%	21.5%	95	-10.8%	21.3%	95	-11.1%	21.2%
96	-10.3%	21.9%	96	-10.7%	21.6%	96	-11.1%	21.4%	96	-11.4%	21.3%
97	-10.6%	22.0%	97	-11.0%	21.7%	97	-11.4%	21.5%	97	-11.7%	21.4%
98	-10.9%	22.1%	98	-11.3%	21.8%	98	-11.7%	21.6%	98	-12.0%	21.5%
99	-11.2%	22.2%	99	-11.6%	21.9%	99	-12.0%	21.7%	99	-12.3%	21.6%
100	-11.5%	22.3%	100	-11.9%	22.0%	100	-12.3%	21.8%	100	-12.6%	21.7%

Peer Group Average: 3 Years (8.2%, 11.5%), 5 Years (9.5%, 11.2%), 10 Years (2.2%, 17.8%), 15 Years (7.7%, 16.2%)

Source: Morningstar, Riskgroup Investments. Latest data as at 31st October 2017. All returns in USD.



The second leg of quantitative work involves (1) a Holdings Based Risk Analysis, and (2) a Historic Returns Based Style Analysis.

1) The Holdings Based Risk Analysis is a detailed assessment of all types of portfolio risks and characteristics, using the latest holdings data. Equity managers under review are required to provide data on all their holdings, which our research analysts feed into a system called Style Research. Being a sophisticated risk analytics package, Style Research allows us to assess the characteristics of portfolios in great detail from a number of different angles, which helps us to form a view about the nature of the risks taken, and how the portfolio might behave in the future. Similarly, fixed income

EXAMPLE OF A FUND RESEARCH NOTE

Fund Research Note				
Fund Name: Kames Capital High Yield Fund				
Benchmark: NMA GBP High Yield Sector Median				
Meeting Attendees: Simon Watts, Philip Milburn (High Yield Investment Manager), Stephen Snowden (Investment Grade Investment Manager), Nayana Patel (Relationship Manager)				
Analyst Name: Simon Watts				
Meeting Date: 15 June 2012 (conference call)				
Purpose of Meeting: Review Kames Capital High Yield Fund				
Fund Type & Domicile: UK OEIC and Dublin UCITS				
Fund Size: GBP866m (UK fund) and USD125m (Dublin fund) as at end May 2012				
Performance	1yr	2yr	3yr	5yr
Strategy Composite	1.53%	17.68%	62.41%	33.03%
Benchmark	-2.14%	10.94%	43.15%	18.41%
<p><i>Commitment performance ratio of the UK domiciled fund (as at end May 2012)</i></p> <p>Strategy Description: The aim of the fund is to maximise total return (income plus capital) by investing in a portfolio of predominantly high yield bonds, selected investment grade bonds and cash. The fund may hold sterling and other currency denominated bonds hedged back to sterling. The fund's performance objective is to be upper second quartile over a rolling 12 month period and top quartile over a rolling 36 month period.</p> <p>Philosophy: Kames fixed income specialists are guided in their research and fund-management duties by a three-pronged philosophy. 1) Markets are inefficient. Kames try to exploit this through robust research and active management. 2) It is vital to identify, analyse and manage risk. 3) Investment strategies should be transparent and easily communicated. Kames firmly believe fixed income markets are inefficient and in particular they seek to exploit inefficiencies in rates (duration and yield curve) and credit markets (asset allocation, ratings selection, sector and stock preferences). Market inefficiencies will continue to exist due to the wide range of investors participating in the markets with conflicting beliefs, opinions, styles, time horizons and performance objectives. This means they believe that outperformance will always be achievable if a disciplined process is followed, based on foundations of rigorous research, robust risk analysis and discipline.</p> <p>Process: Bottom-up stock selection drives the significant majority of performance. However, their investment approach also includes the top-down analysis of credit spreads and their macroeconomic outlook. Their Quadrant Analysis Framework is the cornerstone of their investment process and forms the basis for their credit and rates research, providing a consistent approach. Their credit and interest rate specialists consider four key "quadrants" or factors in their analysis: fundamentals, valuations, technicals and sentiment. 1) Fundamentals - they consider top-down factors from macro-economic views through to industry related factors, in conjunction with bottom-up considerations connected to companies. 2) Valuations - the valuation element of their decision making process provides a quantitative confirmation or rebuttal of the fundamental assessment. They gain an understanding of what the market implies in its pricing and then take a view as to whether this is appropriate. 3) Technicals - this includes investor positioning and new issue supply factors. The technical analysis is a sense check of the conclusions reached by the fundamental and valuation assessments. The technicals rating can either drive or reinforce a buy/sell case. It also provides information that enables better-timed investment decisions. 4) Sentiment - this includes investor positioning and other factors affecting how the bonds and asset class are trading or could trade in the future. The same four quadrants are used to assess all bond opportunities, whether these are government or corporate bonds, sterling or overseas bonds, investment grade or high yield, etc, with each quadrant given a rating on a scale from -2 to +2 leading to an overall rating. As part of their monthly strategy process, their rates and credit specialists produce monthly templates summarising their Quadrant Analysis for their respective areas of the global bond markets. During their strategy meetings, each specialist presents their ratings including the reasons supporting their decisions and the risks to their recommended strategic position so that the entire Fixed Income team can challenge and test their view. The Fixed Income team's strategy is formally reviewed at weekly team meetings and when economic or market developments necessitate, ad-hoc on-desk or off-desk team meetings. With regard to individual positions, they have an active review discipline, where any portfolio position which has cost or made the fund 10 basis points is reviewed. In addition, they set profit targets and limits for key positions. The researchers are responsible for monitoring their recommendations whilst as fund managers they are ultimately responsible for their portfolios in aggregate and are able to exit or indeed add to any position where the fund's risk profile deems it appropriate.</p>				
<p>Resources & Key People: The Fund is co-managed by Phil Milburn and Melanie Mitchell. Phil has been managing the Fund since November 2003. Melanie joined Phil as co-manager in September 2011, having been support manager since 2009. Phil is an investment manager in the fixed income team with 15 years' experience. He joined Aegon (now Kames) in 1997 from the University of Edinburgh, where he earned a first class honours degree in Economics. After spells in UK and Latin American equities, Phil joined the fixed income team, where he now manages both strategic and high yield bond portfolios. Philip and Melanie are supported by 19 other fixed income professionals, whose industry experience averages 16 years.</p> <p>Continuity & Stability: All of Kames fixed income funds have two assigned fund managers, either as co-manager or with a lead and back-up manager. This ensures that in one manager's absence or following a departure, there is always someone able to assume full control of the fund in the short term as well as ensuring continuity of investment style and process. In terms of the firm, Kames Capital is a specialist investment management company with £48 billion under management and 242 employees. They manage fixed income, equity, property and multi-asset investments for individual and institutional investors in the UK, Europe and Asia. Kames Capital is wholly owned by its parent company AEGON. Prior to 2011, Kames Capital was called AEGON Asset Management UK, however, it was rebranded due to confusion between AEGON Asset Management UK and AEGON UK, which is principally focused on the life and pension market. Kames Capital's head office is in Edinburgh, where fixed income, equity and multi-asset teams are based together with the majority of the sales force and client servicing professionals and the support functions. The fixed income team shares research and opinions with AEGON's European and US fixed income teams, who are based in The Hague and Cedar Rapids, Iowa respectively.</p> <p>Focus & Motivation: They focus their capabilities on areas where they have experience and genuine expertise. They believe that their success relies on three key principles: 1. Employ the best people for each role, and consider all of the abilities they offer in addition to their education and experience. Their employees are actively encouraged to exhibit their flair, and to make a contribution to the business. 2. They are clear and straightforward in telling clients about the products they offer, and the investment needs that they are designed to meet. 3. Their investment process is robust and disciplined. They aim to outperform in all market conditions by taking advantage of the opportunities that occur throughout the business and market cycles.</p> <p>Risk Management and Governance: Kames Capital believe that their fund managers should be fully responsible and accountable for the risks taken within their funds, with an independent oversight framework to ensure appropriate risks are taken and compliance with regulatory requirements. There are three independent risk management functions: 1) Portfolio Risk Management, 2) Portfolio Risk Control and 3) Regulatory and Operational Risk. Portfolio Risk Management (PRM) are responsible for ensuring that all economic risk-taking and risk management decisions relating to risks stemming from investment portfolios are effective and in compliance with all risk management documents and policies. The PRM team also work with the fund managers to provide any help needed in the daily managing of risks in the portfolios. Portfolio Risk Control (PRC) are responsible for the daily monitoring and reporting on the risks of the funds and the escalation of any breaches that may arise. The PRC team are responsible for the monitoring of breaches, reporting those breaches to the appropriate control meeting and, where necessary, escalating breaches and problems. The functions executed by the PRM and PRC teams are subject to regular internal monitoring reviews conducted by the Regulatory & Operational Risk department.</p> <p>In terms of position limits, the Fund cannot hold more than 10% in a single non government issuer. All exposures over 5% cannot in aggregate exceed 40%. They typically seek to hold between 50 and 120 holdings in this Fund, but this target can be exceeded from time to time, particularly on the upside during periods when they believe increased diversification is appropriate. Practically, based on risk assessment, position sizes typically range between 0.5% and 2.0% of the Fund. The Fund is required to hold at least 60% in high yield rated bonds. Investment grade holdings are limited to 20% of the Fund and are limited to BBB rated only. There are no sector, country, duration or additional credit ratings limits. Importantly, the currency risk is predominantly hedged back into sterling.</p> <p>Key Current Beta / Risks (end-May 2012): Peripheral Europe is the obvious vulnerable area, economic growth outlook has improved elsewhere, corporate balance sheets are strong, better quality universe than previous cycle, refinancing needs continue to reduce, stock picking discipline paramount. Kames Capital forecast 3-4% global speculative grade default rate in 2012. They continue to prefer US high yield over European and are keeping the Fund defensively positioned. The fund has 8% in BBB, 35% in BB (48% in Barclays Global High Yield Index), 42% in B (46% in index) and 6% in CCC (12% in index). Pre-hedge the fund has 23% in GBP (3% in Barclays Global High Yield Index), 35% in EUR (14% in the index), 39% in USD (84% in the index) and 4% other (1% in the index).</p> <p>Conclusion: Kames have a consistent investment process, focussed primarily on stock selection. The fund can be relatively concentrated as they are not afraid of backing their convictions, and giving each holding the opportunity to contribute meaningfully to performance. Being part of the AEGON Group with significant fixed income assets under management give Kames a strong working relationships with bond issuing companies and market makers. However, they are also in the fortunate position that their actual high yield bond funds are a 'size (not too big) that allows them to fully exploit their credit investment ideas rather than being constrained by liquidity concerns. The fund is truly global, which is unusual, many other high yield managers focus on either Europe or the US; providing a much greater pool of potential stocks and increased diversification. They have also had a stable management team nearly nine years, with fund manager Philip Milburn having managed the fund since November 2003. All these factors have helped the fund provide consistent top quality returns. This fund should definitely be considered by clients looking for exposure to truly global high yield.</p>				

OPERATIONAL DUE DILIGENCE

In addition to the investment research, Nedgroup Investments also puts managers and their products through an operational due diligence process conducted by the Risk and Compliance Team, which is independent of the Investment Team. In this part of the process, the Risk and Compliance Team is tasked with ensuring that any proposed investment complies with all regulatory requirements and restrictions, and that it is not compromised by any potential risk factors, such as insufficient investor protection, or conflicts of interests.

INVESTMENT APPROVAL

Analysts present their research and recommendations to the Nedgroup Investments International Investment Committee, which meets on a weekly cycle. All members of the Multi-Manager Investment Team will normally be in attendance, along with representatives of the Risk and Compliance Team. This committee is responsible for reviewing, and either approving or rejecting, potential investments. Investments will only be approved when, after careful consideration, the Investment Committee is satisfied that they meet the required criteria from both the investment and compliance perspectives, as described above.

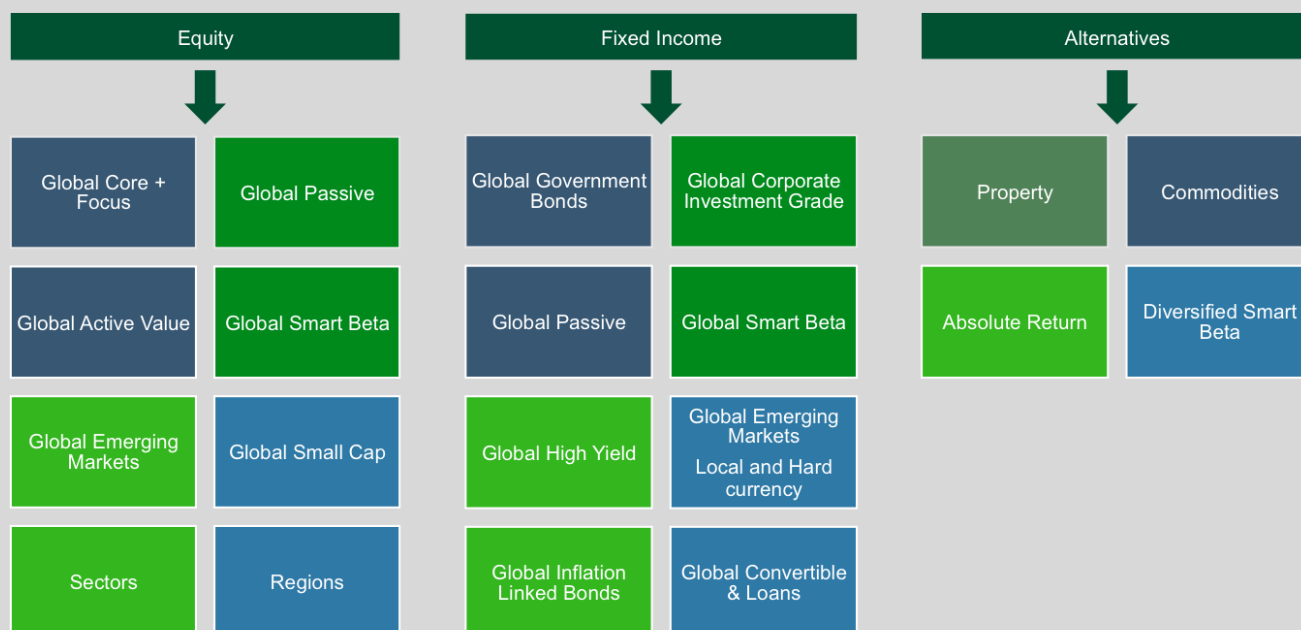
BUY DISCIPLINE

Without exception, our portfolio managers cannot make an investment with any new manager that has not received the full approval of the Investment Committee, having been through our full investment and operational due diligence process.

PORTFOLIO CONSTRUCTION

The aim of our portfolio construction process is to build and maintain a well diversified mix of exposures, which emphasises those risks that we expect to deliver positive rewards, and minimises those that we believe might detract value. Effective portfolio construction requires all managers to provide us with detailed underlying holdings data on at least a monthly basis, which is a mandatory condition for both initial and ongoing investment. This data is utilised within Style Research and our Fixed Income Risk Monitoring Tool to create aggregated risk reports for each of our portfolios. These reports provide detailed information on all the portfolio risk factors that we are interested in, such as style, industry, sector, country, duration, beta, credit quality, tracking error, currency etc., allowing us to fully assess the overall positioning of client funds on a regular basis. After careful analysis of the information in the risk reports, portfolios may be adjusted to ensure that they have the appropriate level of active risks to achieve client goals, but that these risks are consistent with our overall views, whilst not being overly concentrated on any single factor.

PORTFOLIO CONSTRUCTION – BUILDING BLOCKS



PORTFOLIO MONITORING

Portfolio monitoring is multi-faceted, and primarily involves (1) ongoing manager research, (2) regular holdings based risk assessments (as described above), (3) performance measurement and attribution (of both the underlying managers, as well as client portfolios) and (4) mandate position limits and regulatory checks.

- 1) Once an investment has been made, our analysts meet with the fund managers on an ongoing basis to monitor progress, and to ensure that our original investment rationale remains valid. Our analysts use these meetings to refresh in-house manager reports, which are shared with other members of the Investment Team, and reviewed by the Nedgroup Investments International Investment Committee.
- 2) We use Style Research and our Fixed Income Risk Monitoring Tool to produce regular risk reports, both at the manager and total portfolio levels. This allows us to understand the risks being taken at both levels, and if necessary, make adjustments to portfolios. All of these reports are archived, so as well as providing up to date risk “snapshots”, they can also be used to assess how key factors have changed through time.
- 3) Using Bloomberg and Morningstar Direct, we monitor performance progress for all of our underlying managers and client portfolios. These databases provide us with index and peer group benchmarking data, allowing us to conduct detailed performance attribution analysis for client portfolios.

- 4) All portfolios are subject to detailed and ongoing monitoring and review to ensure that they remain within their specific mandate limits and investment restrictions.

SELL DISCIPLINE

Sells can be triggered by a number of factors, but as a general rule, they usually occur because some kind of change has undermined the strength of the investment thesis supporting the original decision. By way of examples, the Nedgroup Investments Multi-Manager Team might consider selling a manager when it sees detrimental changes to the:

- 1) Key fund manager
- 2) Resource commitment
- 3) Portfolio characteristics/risk levels
- 4) Fund size (i.e. the fund has grown too big, or too small)
- 5) Risk controls/compliance
- 6) Performance
- 7) Transparency/disclosure

As well as being triggered by “manager specific” factors, sales can also occur as a result of events beyond the manager’s control, such as:

- 1) The identification of a more compelling alternative
- 2) Asset allocation changes

GOVERNANCE AND OVERSIGHT

Nedgroup Investments International comprises Nedgroup Investment Advisors (UK) Limited, which is authorised and regulated by the Financial Services Authority, and Nedgroup Investments (IOM) Limited, which is licensed by the Isle of Man Financial Supervision Commission.

The Nedgroup Investments International Multi-Manager process is subject to the oversight of various boards and management committees which are responsible for ensuring compliance with all legal and regulatory requirements, as well as the maintenance of best industry practice. The most important of these oversight committees are:

- 1) The Board of Nedgroup Investment Advisors (UK) Limited, which is largely made up of directors drawn from outside of the Nedgroup Investments Multi-Manager Team.
- 2) The Board of Nedgroup Investments (IOM) Limited, which includes non-executive director representation.
- 3) The Nedgroup Investments Asset Management MANCO, which is chaired by the Executive Head of the Nedgroup Investments globally, supported by some of the firm’s most senior investment professionals, the majority of whom are independent of the Nedgroup Investments Multi-Manager Team.

These forums work to ensure that Nedgroup Investments International Investments delivers the highest level of integrity and care in terms of its investment process, compliance and client service, whilst maintaining a strong capability which is backed by adequate resources and infrastructure.

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