Award-Winning Investment Management

infinity

TILNEY

Introduction

- Founded in 2004
- 6 offices across South East Asia
- Approximately $250 Million in Assets Under Management
- Totally independent
- Exclusive asset management solution with our multi award-winning partner Tilney

Our Services

- Holistic financial planning
- Investment management
- General insurance
- Medical insurance
- Trusts and offshore companies

Financial Planning

- Goals & objectives
- Retirement planning
- Savings
- Investments
- Insurance & protection
- Estate planning

Introducing Tilney

A successful and long established provider of investment management services to global private investors

- Employs over 1200 staff in 20+ locations. Main hubs are London, Edinburgh, Glasgow, Liverpool and Birmingham
- Current assets under management in excess of $ 26 billion
- Key focus on international clients through the launch of global $ mandates
- US desk specialising in running money for US citizens
- Core investment proposition is based on independent research expertise across individual equities, bonds, unit trusts and ETFs

infinity*

Tilney Awards

WINNER
STOCKBROKER OF
THE YEAR 2015

WINNER
STOCKBROKER OF
THE YEAR 2014

SHORTLISTED BEST
OVERALL LARGE
FIRM

2016 WINNER
INVESTMENT PERFORMANCE:
CAUTIOUS PORTFOLIOS

DEFAQTO 5 STAR RATED

BEST ADVISORY SERVICE 2015 & 2016

LIFE UNDER A TRUMP PRESIDENCY

Wayne Ellis, Investment Director

TILNEY
FOR PROFESSIONALS

The Trump Presidency

A few key facts about American wealth

- US citizens have a total net wealth of $63 trn or 42% of the worlds total net wealth
- The next nine richest nations in total account for around 40%
- So the claim that Trump needs to make America wealthy again is absurd
- The issue lies not in the level of wealth, but its distribution
- Initial policy announcements do not suggest he will pursue re-distibutative policies
- So raising living standards will need to be addressed through growth
- But with world productivity low, and indebtedness high this growth will have to come at the expense of others

"….we've made other countries rich while the wealth, strength and confidence of our country has disappeared over the horizon.

One by one the factories shuttered and left our shores….for many decades we have enriched foreign industry at the expense of American industry

Together we will make America strong again

Together we will make America wealthy again…"

President Trump Jan 2017

Economic growth

Will Trump be the missing link between policy and economic growth ?

- **While markets have focused on the positive implications of:**

  -Greater fiscal spend

  -Cuts in both corporate and personal taxes

- **Other potential policy measures (if delivered) are seen as less beneficial**

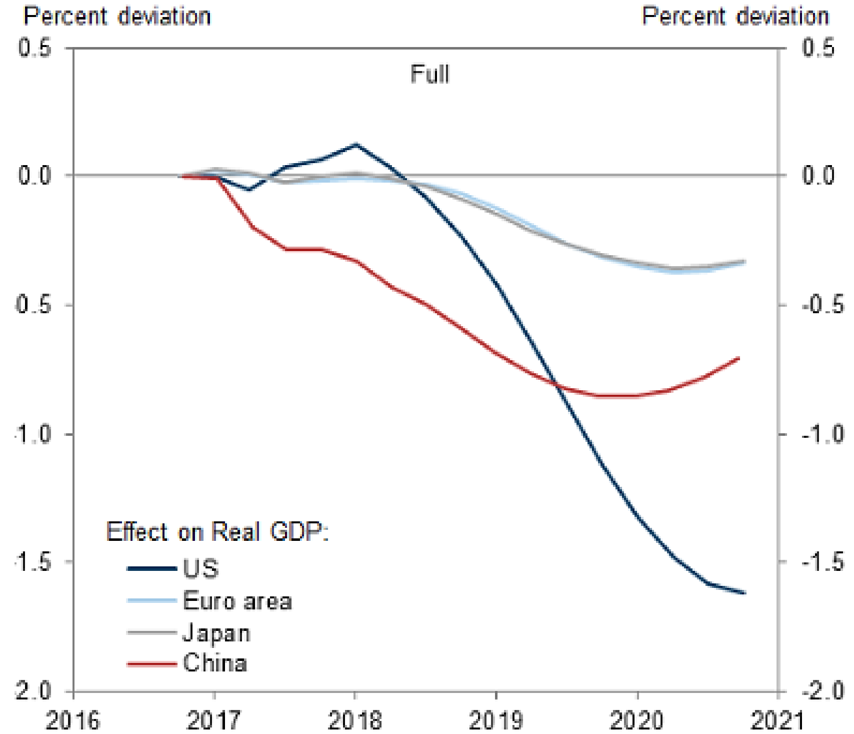
  -Tighter monetary conditions are likely to follow fiscal expansion

  -Tariffs on trade could give rise to an increasing use of economic barriers to entry with negative consequences

  -More restrictive immigration polices

- **Market has been quick to discount improved growth and higher inflation**

Goldman Sachs estimates of the impact of Trumps proposed economic reforms



Other impacts of Trump

So if the economic impacts of Trump are unclear, why the equity rally ?

- Seems largely predicated on the following rumoured policies:
  - Proposal to reduce tax rates aggressively
  - Promise to loosen corporate regulation, particularly in banking
  - Allow the repatriation of overseas US$ at advantageous tax rates.

- Of the three it's the rumoured change in corporate tax rates that appears to be the major driver.

  "the markets are really, really betting very heavily that tax reform succeeds" James Lucier MD Capital Alpha Partners

- Why the excitement?
  - Current rate of US corporate tax is 35 % - the highest in the world. The US corporate tax system is also one of the leakiest in the world.
  - Most developed world corporate rates are around 20% a target set by Republican leader of the House Paul Ryan.
  - Trump has proposed cutting this rate to 15%

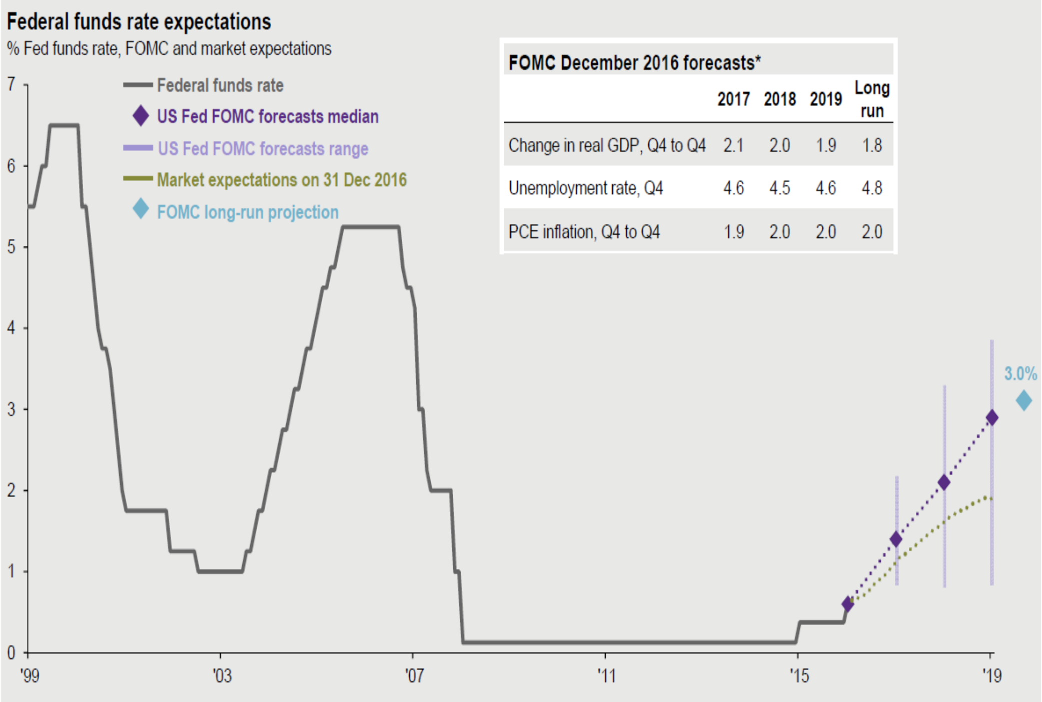
- Corporate earnings estimates have responded
  - Consensus earnings are +11.6% for 17, the highest rate since 2011 , with some more bullish analysts expecting 20% growth should the tax change become law

So the Fed has started to raise rates

The path to normalisation will be shallow……. or so investors hope

“ ..given how close we are to meeting our statutory goals ….the process of scaling back accommodation will not be as slow as it was in 2015 and 2016” Janet Yellen March 2017

- **Fed policy shift in 2016 can be attributed to three factors:**
  - The FOMCs estimate of the long term productive capacity of the US economy
  - A reduction in its estimate of natural employment rate
  - A very large drop in its estimate of the natural rate of interest
- **However, the Fed are becoming increasingly hawkish as data continues to improve**
- **Almost certain rates will rise again in March – two more increases to follow ?**



FOMC December 2016 forecasts*

	2017	2018	2019	Long run
Change in real GDP, Q4 to Q4	2.1	2.0	1.9	1.8
Unemployment rate, Q4	4.6	4.5	4.6	4.8
PCE inflation, Q4 to Q4	1.9	2.0	2.0	2.0

Source: Bloomberg, Federal Reserve Bank of New York, US Federal Reserve, J.P. Morgan Asset Management. *Forecasts of 17 Federal Open Market Committee (FOMC) participants, midpoints of central tendency except for Federal funds rate, which is a median estimate. *Guide to the Markets - UK.* Data as of 31 December 2016.

And bond yields have risen

Modestly tightening US monetary conditions

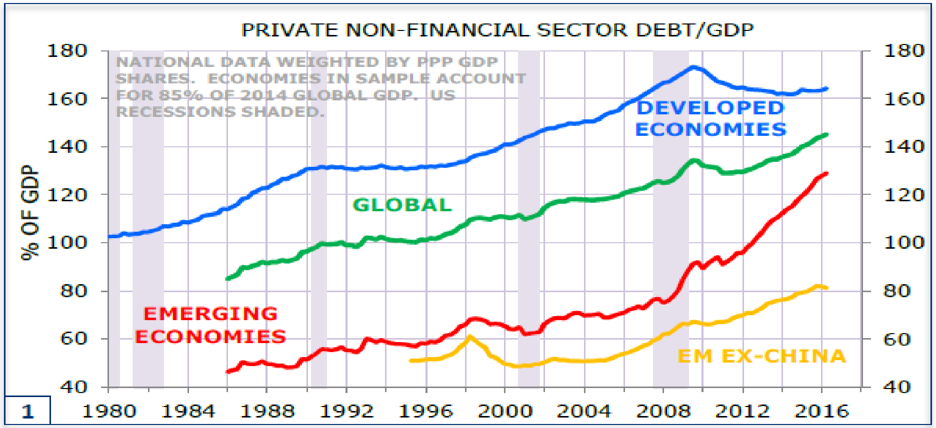
- **Current tightening of monetary conditions is mild and manageable**
- **Major uncertainty over the extent conditions will tighten further:**
  - Fed increasingly hawkish
  - Talk of balance sheet reduction for the first time
  - But Trump administration giving conflicting messages on strong $
  - Dollar bullishness is a consensus view
- **Much of the outcome for 17 will depend upon how this plays out**

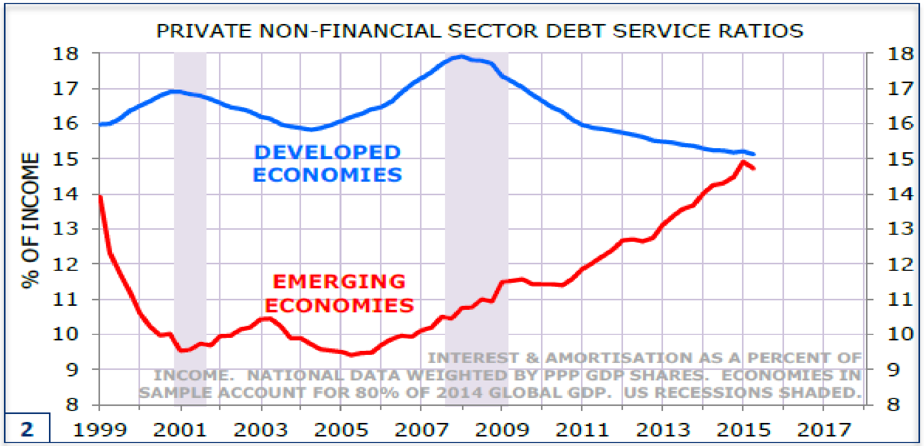
Data through year-end 2016.
Source: Investment Strategy Group, Goldman Sachs Global Investment Research.

$ strength could become a concern for EM and Asia

The global increase in indebtedness has been led by EM, Asia and China

- Significant increase in debt funded investment leaves many EM and Asian economies exposed to rising rates
- Increase in hard currency debt issuance creates mismatch between earnings and liabilities if $ continues to strengthen
- In China over 80% of new debt is used to refinance existing liabilities.
- If bank lending contracts or bond markets shut to new issuance defaults will rise



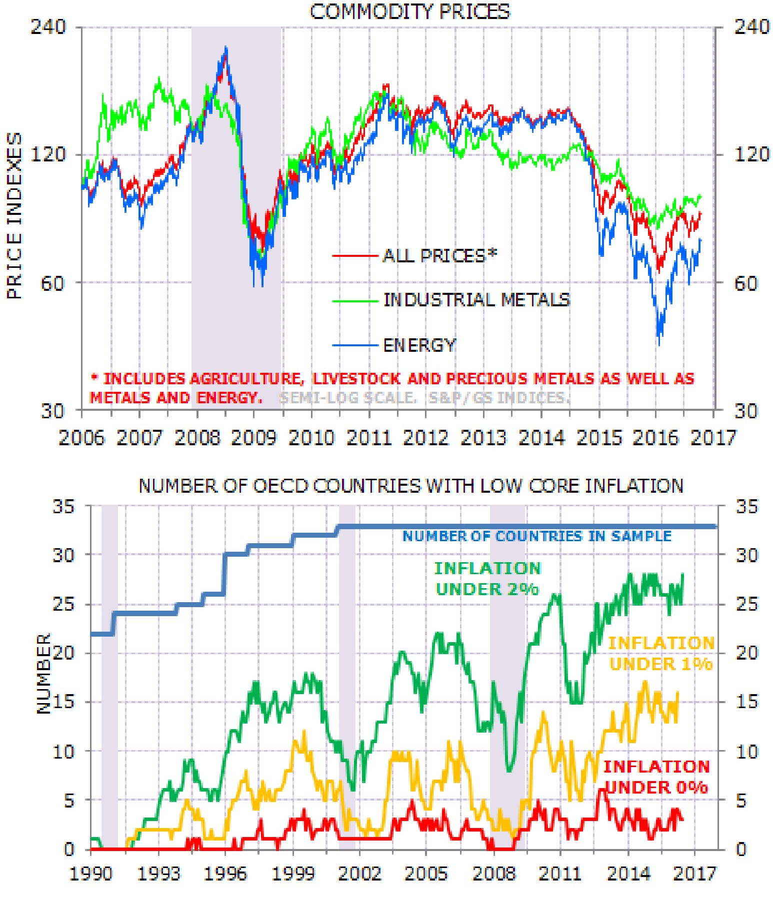


Source : Yardeni

Inflation may rise but structural forces will keep it in check

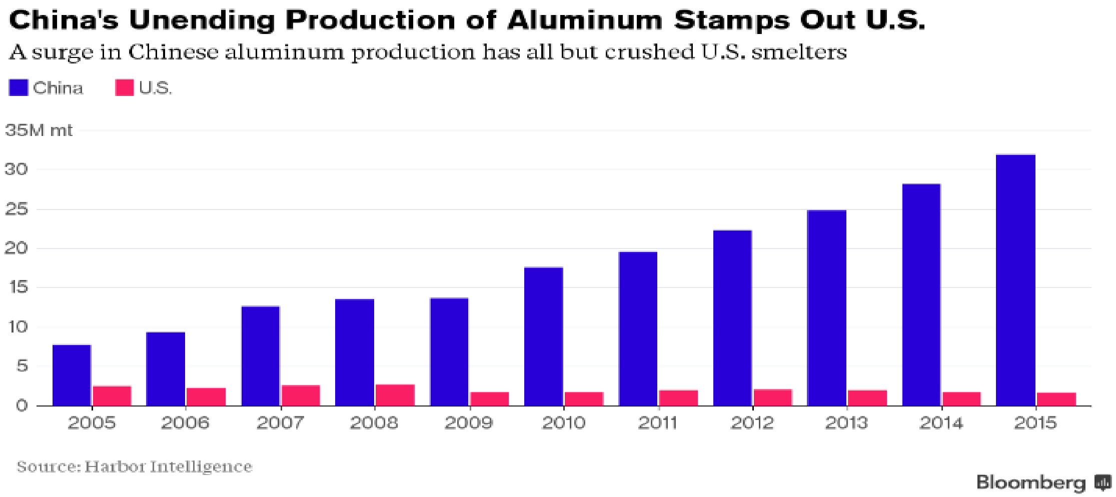
Central banks will look through data to structural drivers

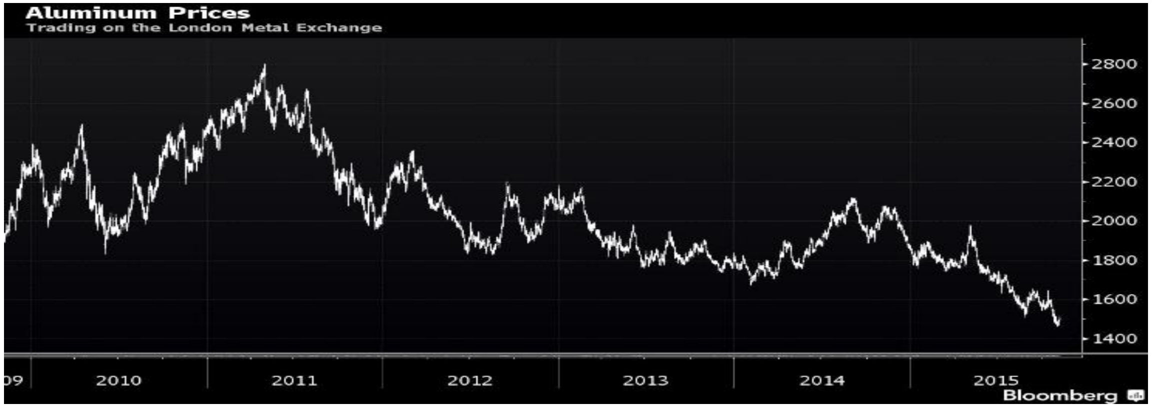
- This increase in inflation will be welcomed by most central banks
- However this increase is not in response to central bank action suggesting current monetary policy remains ineffectual
- Just because inflation rises for temporary reasons does not mean the secular stagnation story is wrong, but it will confound those investors buying negative yielding bonds
- The longer term forces of disinflation will override this temporary increase, but with secular stagnation priced into bond markets we can expect to see an increase in long bond yields



Source : Yardeni

China will remain a source of deflation





As demand in one country falls, capacity in another country becomes obsolete. However the need to service outstanding debt means that rather than closing capacity, companies are discounting prices and being run for cash flow

Suggesting further Yuan devaluation

Chinese capital misallocation requires default, but first will come further currency devaluation

- At the end of 2015 China faced three significant issues:
  - The economy was making a loss on its cost of capital
  - Banking sector solvency was deteriorating rapidly
  - The economy was experiencing severe capital flight

- To overcome these issues the Government:
  - Initiated a debt for equity swap programme
  - Allowed banks to reclassify NPLs as off balance sheet Wealth Management Products
  - Swapped impaired local Government loans for government debt

- This helped accelerate bank lending, temporarily reflating the economy

- However unlike the last Chinese banking crisis (1994) these new loans are not going into productive activities

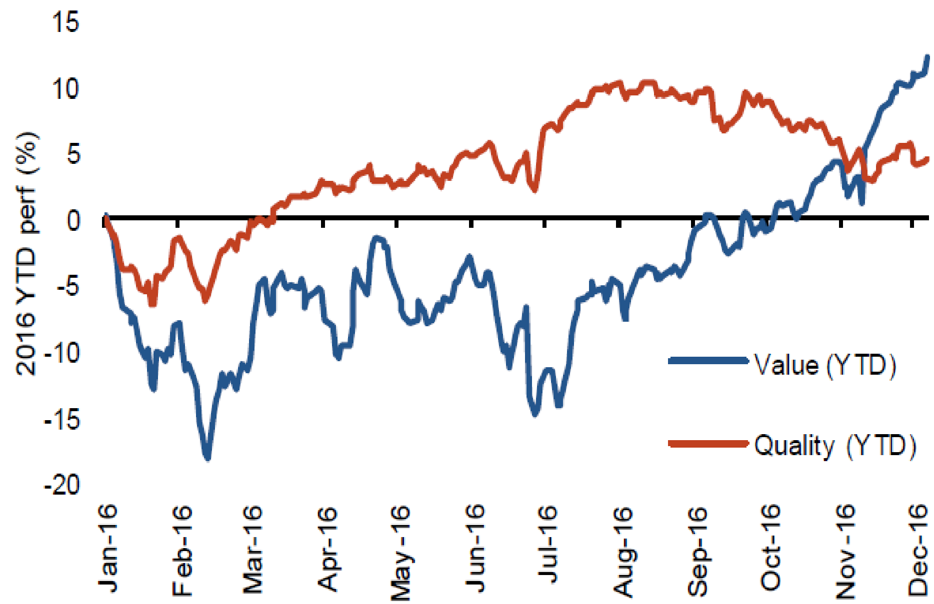
- Chinese economy needs QE and further currency devaluation

Equities : sector rotation represents an opportunity

Trump rally has been characterised by rapid sector rotation

- Global rally in value stocks the second most powerful since 1989
- Partly reflects rebound in global activity and expectations of the Trumpenomics, but also extreme market positioning going into H2
- Extreme valuation gap has narrowed but is still significant
- Suggests trade can continue while market is in bullish mood
- Will create quality opportunities for fundamental investors

Global Quality and Value 2016 performance (long only, %)



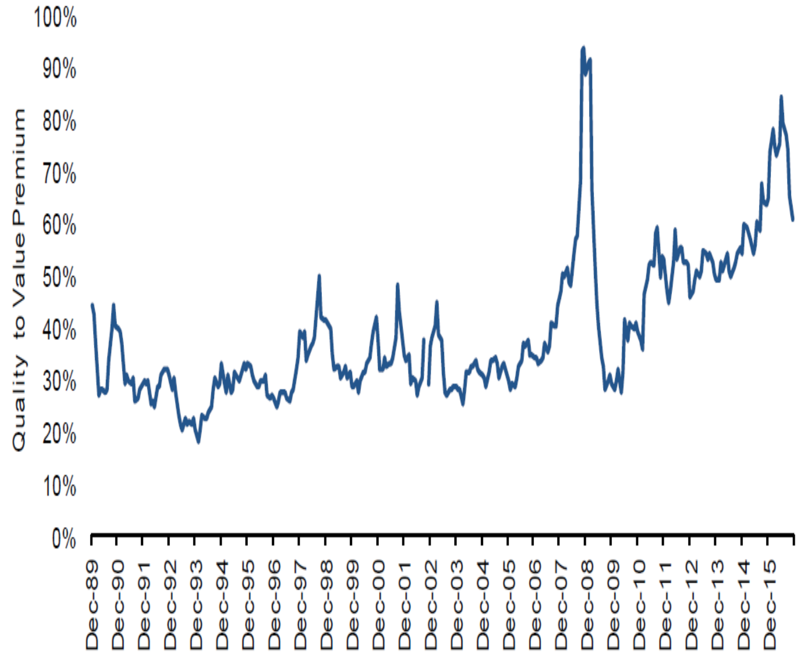
Source: SG Cross Asset Research/Equity Quant, FTSE, IBES, Factset

Valuation premium of quality stocks has declined

Represents an opportunity for long-term investors

- Rally in cyclical stocks looks overdone
- Led by commodity and mining plays the rally is reliant upon further Chinese stimulus AND increased US fiscal spend
- Case for bank stocks looks less clear cut
- Rising US rates and a steepening yield curve are clear positives.
- Balance sheet issues across China and Eurozone suggest exposure should be very selective
- Long term investors should stick to quality

Global Quality to Value stock valuation premium

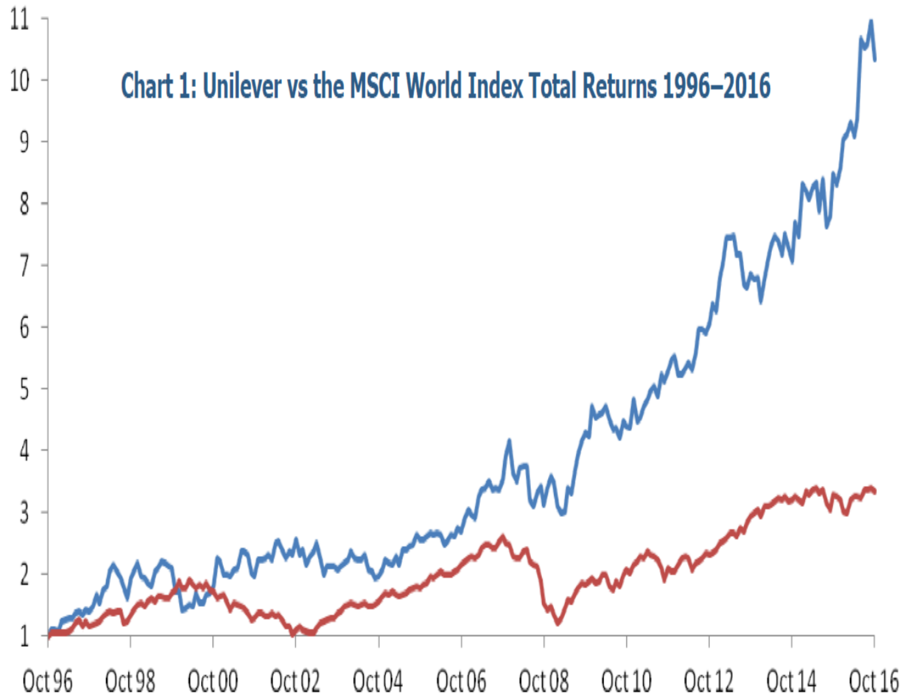


Source: SG Cross Asset Research/Equity Quant, FTSE, IBES, Factset

Quality growth – a study in long term returns

Compounding dividends and cash flows is the key to long term equity returns

- Over the 20 year period Unilever has a produced a total return of over 1000%
- Of this 385% has come from capital growth
- In Oct 96 Unilever traded on 17x earnings, to day it trades on 22x
- So on an annualised basis the increased rating accounts for less than account 1.5% of its return
- The outperformance is explained by a Unilever's starting dividend of 2.5% which has compounded at 8.8% p a



Total nominal returns generated by Unilever's shares (blue line) over the past 20 years, plotted against those of the MSCI World index (red line), both rebased to 1. Source Bloomberg & Lindsell Train.

Conclusions

Change in the political climate represents the first significant shift in the post GFC policy debate

- While the efficacy of current fiscal plans are unproven, investors will view this as a move to a pro growth, pro inflationary environment
- This could help support the financials/cyclical led equity rally , but valuation decline of quality growth is the real opportunity
- The Fed is likely to be emboldened to deliver higher interest rates opening up the debate on prospective balance sheet reduction
- Higher bond yields and a stronger $ are likely short-term consequence – which could cause stress as US$ money supply contracts and re-financing costs rise
- May create the first real test for US high yield given poor earnings cover AND suggests DM will outperform EM
- UK bank lending suggest a reversal of recent BOE policy – Sterling to be a strong currency in 2017 - gilt yields to converge with Treasuries
- And finally :

Don't ignore the forces of secular stagnation: deteriorating demographics, high levels of debt to GDP, and declining productivity are the real long term drivers of the global economy.

THE PROBLEMS AND SOLUTIONS FOR U.S. CITIZENS

Wayne Ellis, Investment Director

TILNEY
FOR PROFESSIONALS

Who is an American Citizen

- **Birth**
  Anyone born in the USA

- **Blood Line**
  Anyone born to an American parent (exclusions apply)

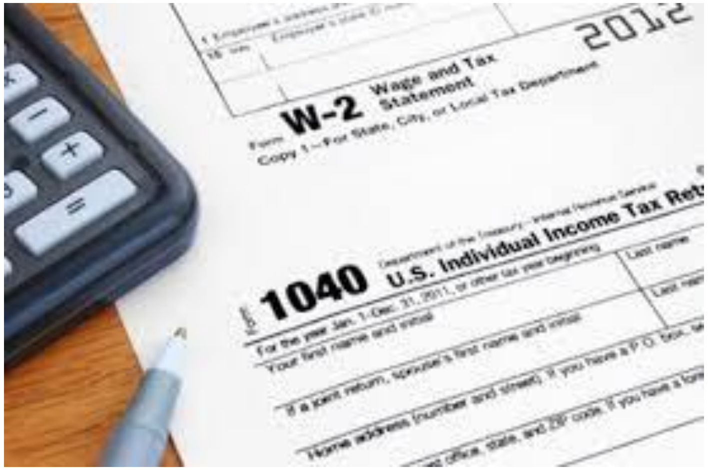
- **Residency**
  Anyone living in the USA will fall under US tax law regardless of their citizenship

- **Green Card**
  Long term green card holders have to pay US tax wherever they live, unless it has been formally revoked

U.S. Citizens and the U.S. Internal Revenue Service

- US citizens have to file US tax returns and are subject to US tax regardless of where they are living in the world

- US Citizens living abroad have numerous other filing obligations
  - *Income Tax Returns*
  - *Information Returns*
  - *Passive Foreign Investment Company - Form 8621*
  - *Foreign Partnership Reporting - Form 8865*
  - *Foreign Disregarded Entity - Form 8858*
  - *Foreign Corporation Reporting - Form 5471/926*
  - *Foreign Trust Reporting - Form 3520-A/3520*
  - *Foreign Financial Asset Reporting - Form 8938*
  - *Foreign Bank Reporting - Form TD F 90-22.1*



Taxation Treaties

Many countries have cross-border taxation treaties with the US

- Any US citizen living outside of the US will first pay income and capital gains tax in their country of residency. After this they will be liable to pay US tax on the difference between the local rate and the US tax rate.

- If the US tax rate is lower than than the local tax rate they will receive a US tax credit to offset against future US tax.

- For US citizens living outside the United States, these tax credits can be used in pensions planning or when they repatriate, but they must be used within 10 years.

Tax & Reporting – What if I don't file?

- You'll be found - IRS actively searching
  - Passport renewals
  - Foreign Account Tax Compliance Act (FATCA)
  - Data mining

- Voluntary Disclosure programs – encouraging compliance
  - Streamlined Foreign Offshore Procedures
  - The Offshore Voluntary Disclosure Program (OVDP) is a programme designed for those who have wilfully failed to pay tax on foreign assets

FLORIDA MAN FINED $2.24 MILLION

FOR FAILURE TO FILE FBAR

An 87-year old Florida man has been fined more than $2million for wilfully failing to file his Report of Foreign Bank and Financial Accounts (FBAR) over three years – with the penalty amounting to 150% of the value of this Swiss bank account.

A Miami jury las week found Carl Zwerner guilty of failing to file his FBAR in 2004, 2005 and 2006 and as a result the civil courts have ordered him to pay a 50% penalty on the annual value of the account for each year – a total of $2.24 million.

The lawyers of Zwerner have claimed that this is the largest penalty of its kind by percentage on record.

By Joni Trulock

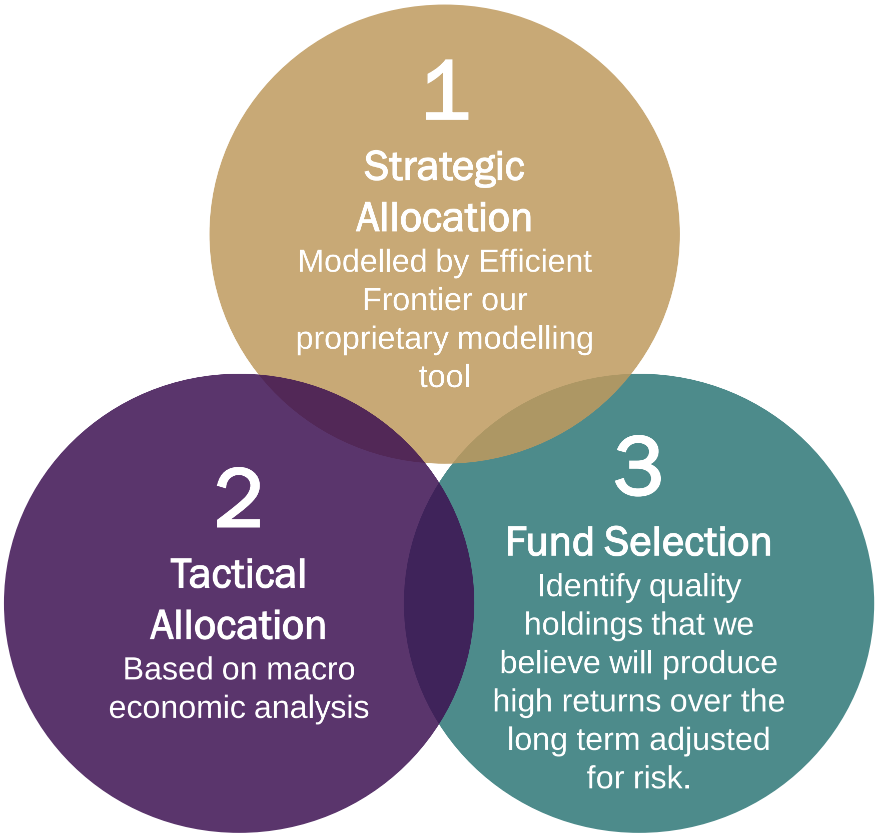
03 June 2014

Our Service for U.S. Citizens

- Custody
- Tax Reporting
- Investment Management
- SEC Registered
- Access to our network of US tax advisors

Three Stage Investment Process

We believe consistent investment performance requires a structured and disciplined process



- We are top down asset allocators
- We believe in the benefits of diversification
- We believe in the power of independent research

Our Investment Philosophy

Preserve and Grow the Real value of clients' capital through Time

PRESERVE

- **Endeavour to avoid permanent loss of capital**
- **Business risk not price risk**
- **Valuation**
- **Volatility**

GROW

- **Equities** the main drivers of returns
- **Seek the best risk adjusted returns**
- **Long term increase in profits** and dividends
- **Non-equity investments** dampen volatility

REAL

- **Management fees**
- **Dealing costs**
- **Taxation**
- **Inflation**

All of these should be taken into account when selecting investments.

TIME

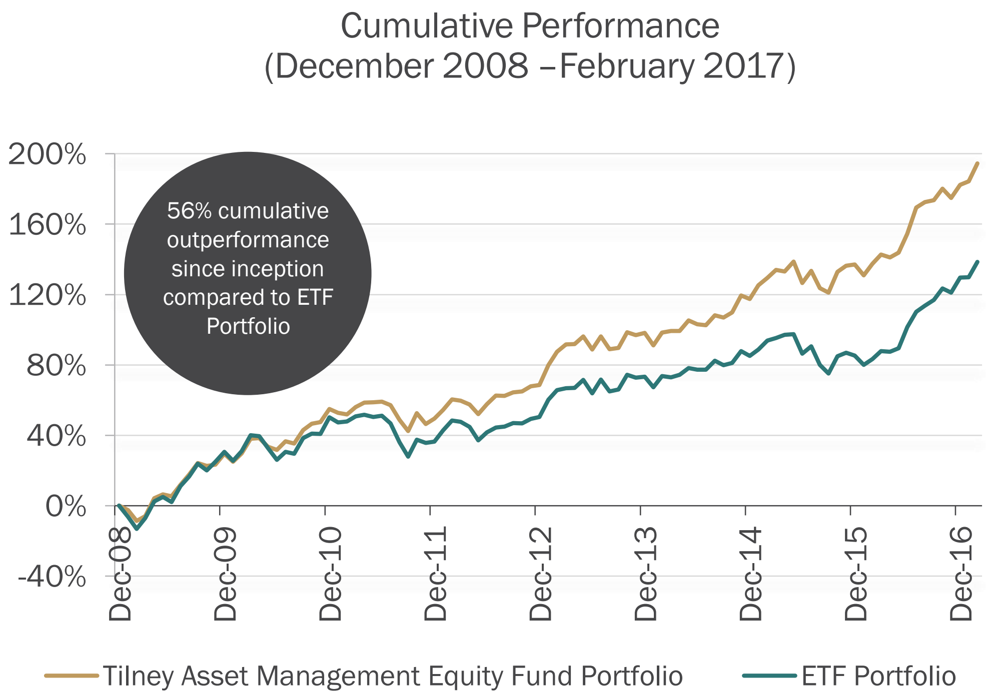
- **Patience** - ignore "market noise"
- **Short term returns** - impossible to consistently forecast
- **Long terms returns** - possible to forecast.
- **Compounding of returns**

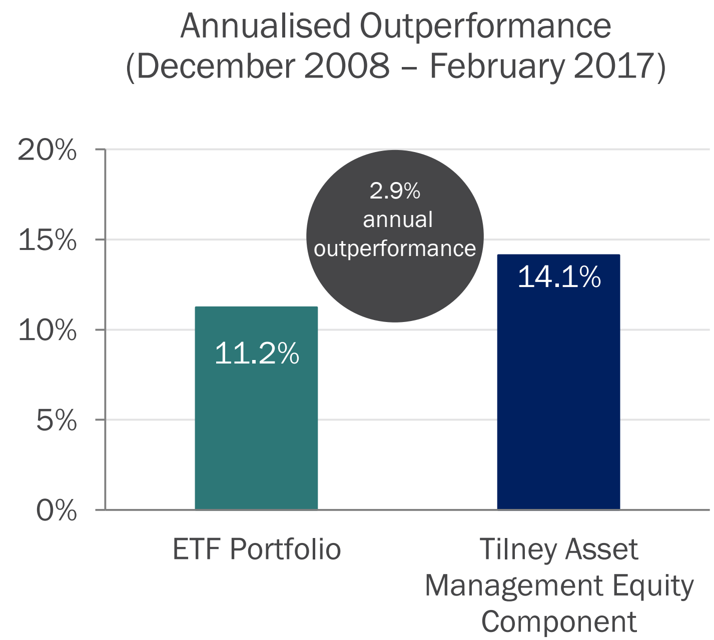
Over the last 20 years stock market has generated positive returns in 98% of 10 year rolling periods. *

*FTAS – Source: Morningstar

Why we use active Investment Management

Historic Performance





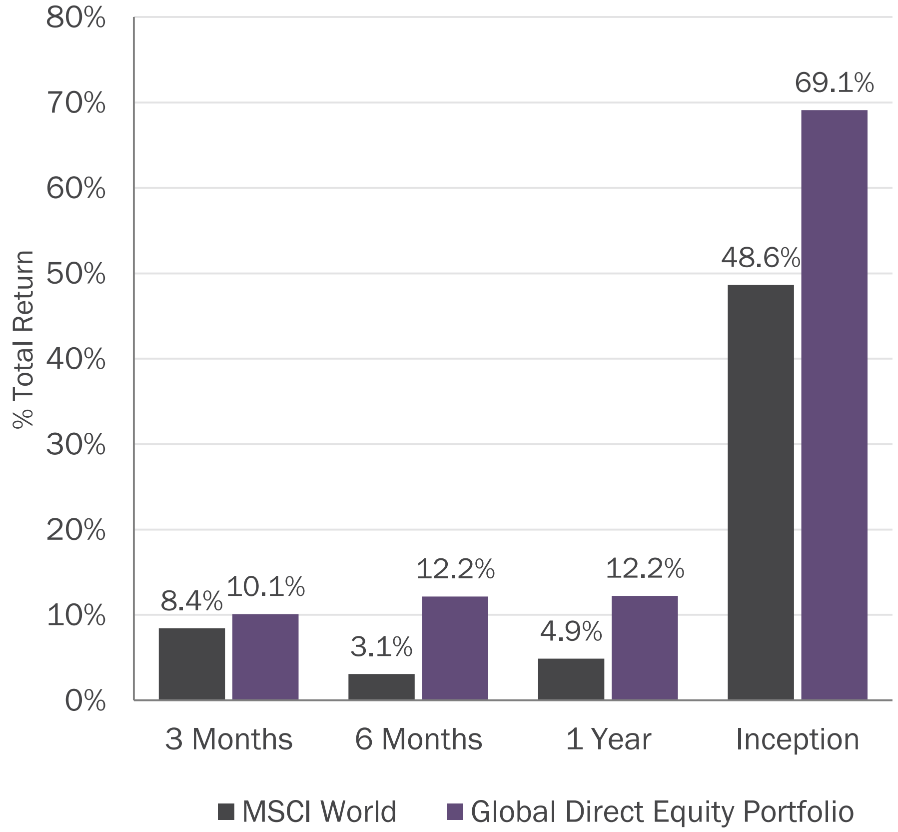
- Carve out of performance of funds held in the equity allocation of the TAM Growth Model
- We compare this to a portfolio of passive funds invested with the same regional allocation
- The 58% cumulative outperformance demonstrates the benefit of TAM equity selection

The charts shown above compare the historic performance of our global equity portfolio compared to a benchmark composed of the equity component of the Tilney Growth Strategy to a benchmark composed of ETFs with the same equity allocation. Performance figures have been calculated monthly net of all fund and ETF fees, but gross of our investment management fees
[Source: Tilney Asset Management].

Stock selection

Our stock selection process

- Our stock selection process is designed to identify a small number of top quality, resilient global businesses whose shares can be held over the long term.
- Firms that satisfy our investment criteria must have high sustainable return on investment capital, predictable and robust cash flows, strong balance sheets and a consistent dividend record.
- When allocating capital we seek to identify an attractive entry price relative to the market in absolute terms which should ensure a profitable long term investment, however we are not traders.



Source: Tilney, Morningstar
Performance has been calculated in sterling terms and is gross of our investment management fees. Inception since Jan 2013.

Performance and Risk

	Cautious	Balanced	Growth
Annualised Return since Inception (June 2004)	5.4%	6.9%	8.9%
Annualised Return over benchmark, CPI + X%*	2.1%	2.6%	3.6%
Volatility**	5.5%	7.8%	9.9%
Return per unit of risk taken***	1.0	0.9	0.9
Historic probability of a positive month	70.2%	69.5%	66.9%
Max drawdown	-20.6%	-27.7%	-33.7%

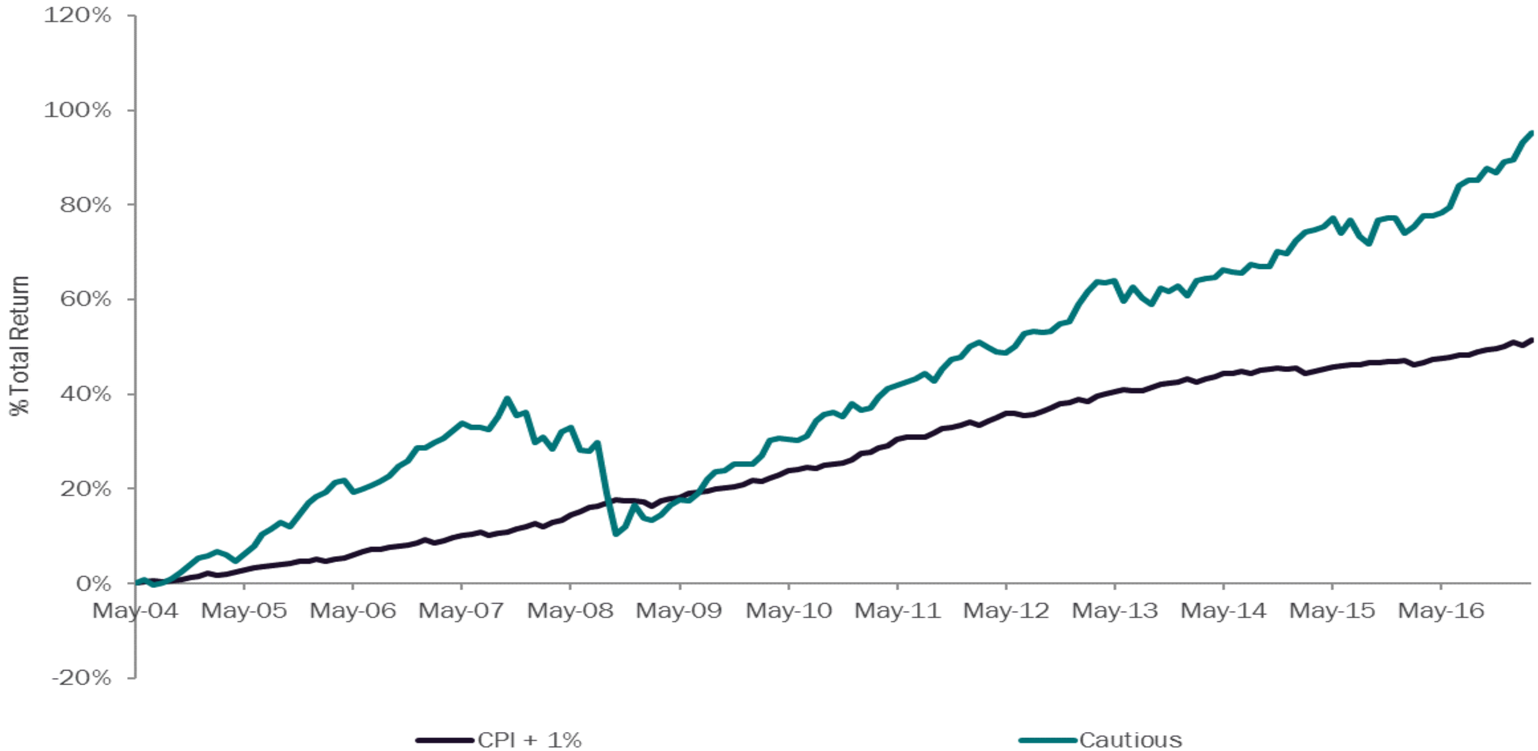
Source: Tilney, Morningstar

- It's important to note that the risk/return trade-off is generally not a linear relationship in the marketplace. This is due to the dynamic behaviour of asset classes over time.
- As shown in the table above, the return produced per unit of risk is very similar across the strategies. This shows that we can generate extra returns without taking on an excessive level of risk as we move up the risk spectrum.

* The benchmarks for our strategies are CPI+1%, CPI+2%, CPI+3% for our Cautious, Balanced, Growth strategies respectively (net of all fees and costs)
** Volatility is calculated as the annualised standard deviation of monthly returns since inception.
*** Annualised return since inception (Jan 2013) over volatility

Performance

Tilney Cautious Strategy

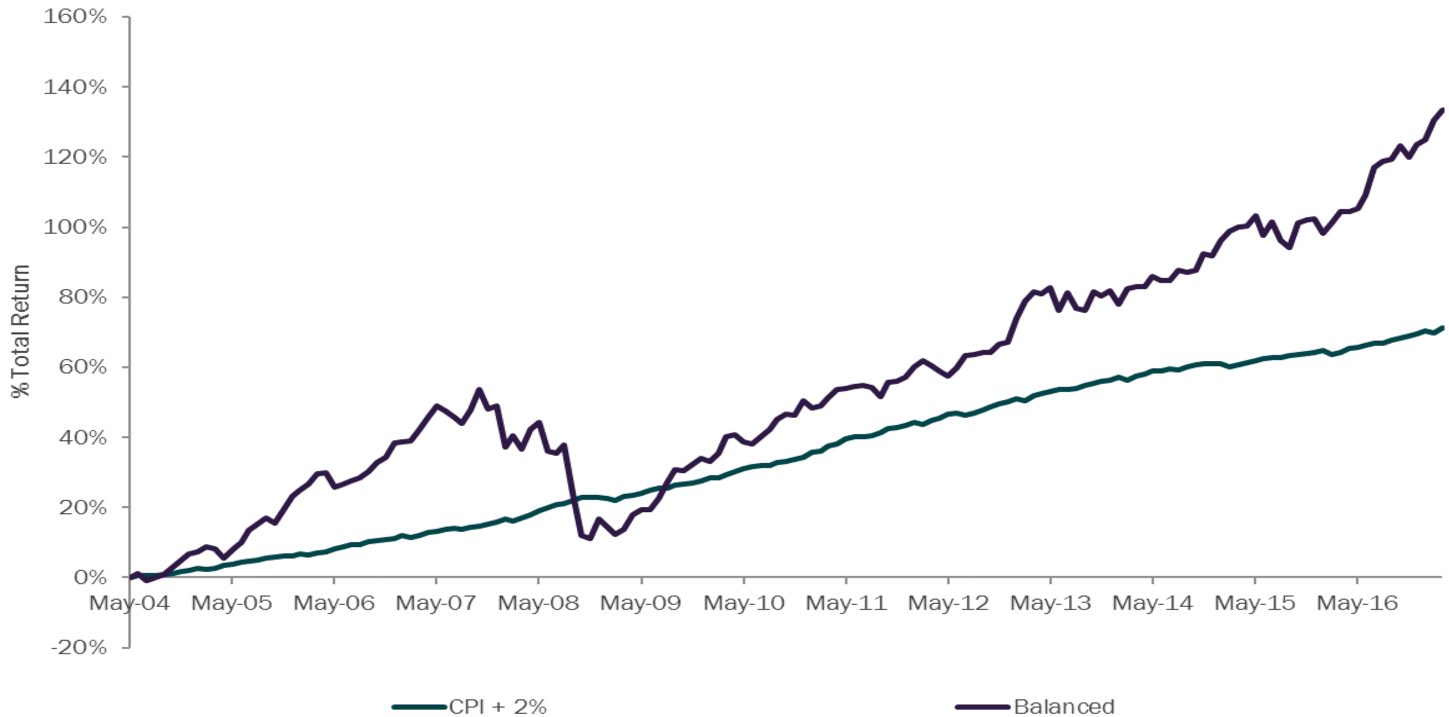


Source: Tilney, Morningstar

Performance is calculated in sterling terms, total return basis (dividends reinvested), gross of investment management fees and net of underlying fund costs. The inception date for each strategy is June 2004, giving us just under 13 years of performance data. Performance is based on the models created by Ingenious Asset Management, now run by Tilney, and forms the basis of our client portfolios.

Performance

Tilney Balanced Strategy



Source: Tilney, Morningstar

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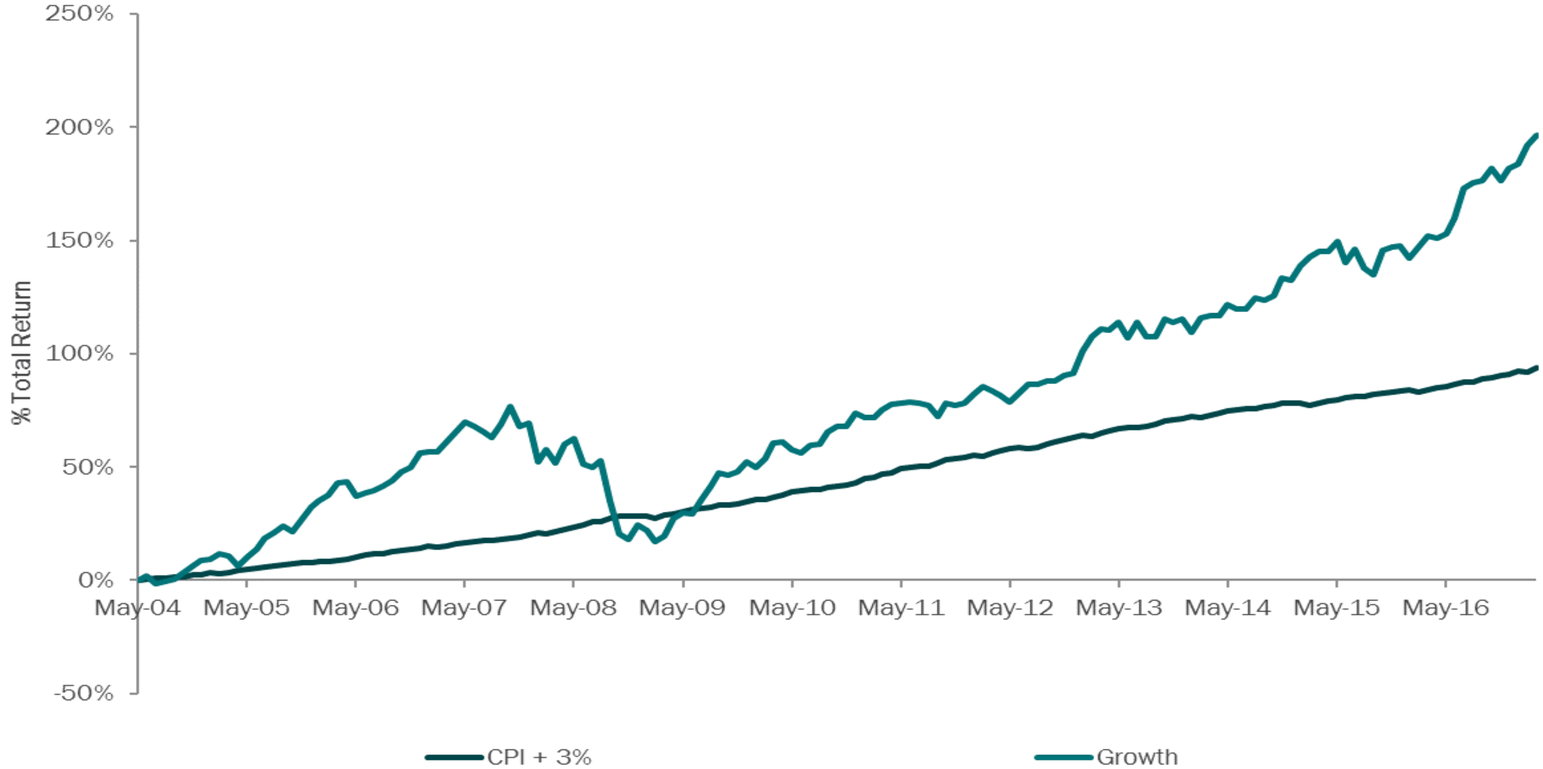
Performance

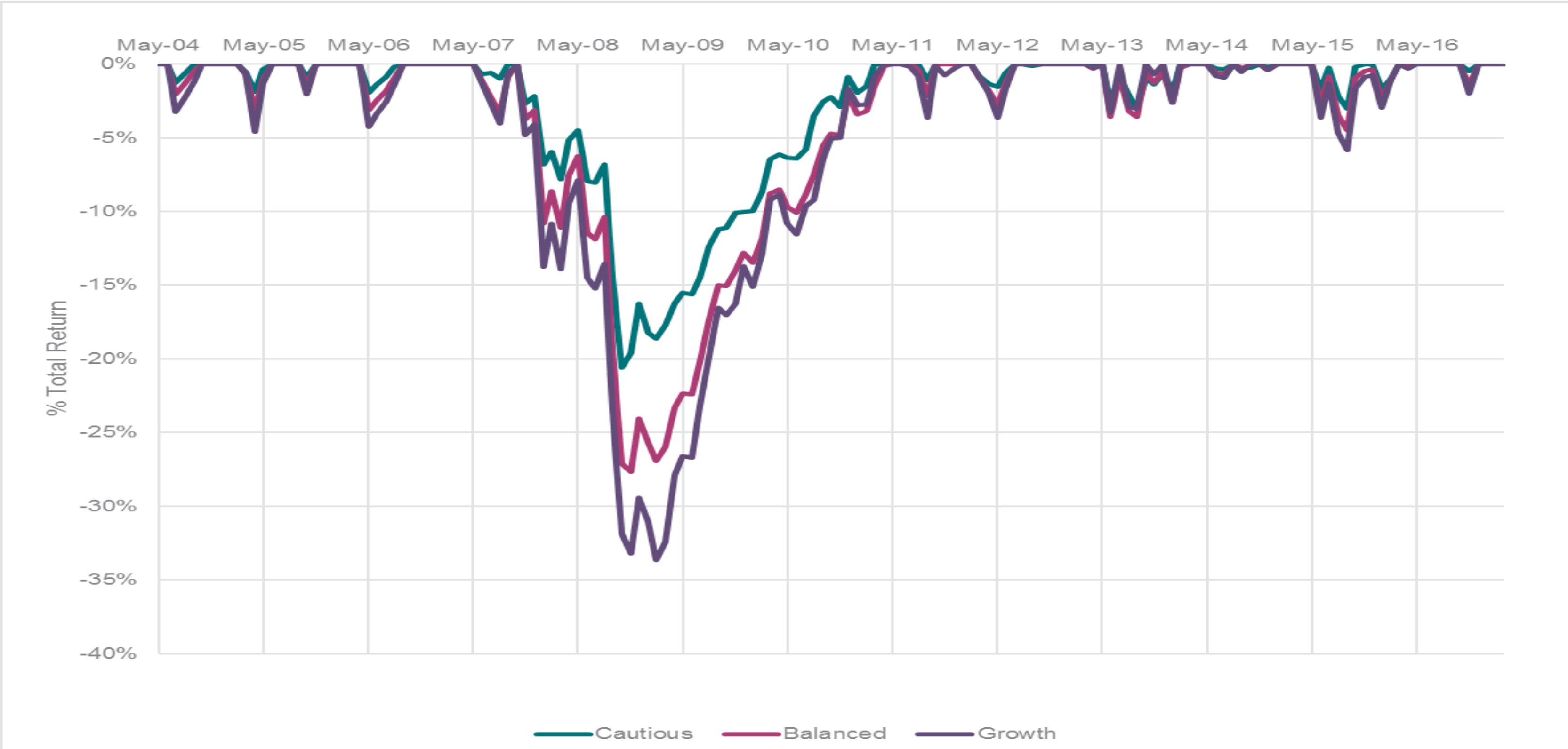
Tilney Growth Strategy



Source: Tilney, Morningstar

Performance is calculated in sterling terms, total return basis (dividends reinvested), gross of investment management fees and net of underlying fund costs. The inception date for each strategy is June 2004, giving us just under 13 years of performance data. Performance is based on the models created by Ingenious Asset Management, now run by Tilney, and forms the basis of our client portfolios.

Drawdown



Source: Tilney, Morningstar

This chart is perhaps the most useful in viewing how the strategies differ. It indicates the peak-to-trough declines in our strategies since inception and highlights that you would need to tolerate a greater decline in value for the higher risk strategies.

Performance is calculated in sterling terms, total return basis (dividends reinvested), gross of investment management fees and net of underlying fund costs. The inception date for each strategy is June 2004, giving us just under 13 years of performance data. Performance is based on the models created by Ingenious Asset Management, now run by Tilney, and forms the basis of our client portfolios.

Fees and costs

- Our fees are deducted on a quarterly basis.

- The management fees are calculated as one quarter of the annual rate on the value of the assets managed at each quarter end (31 March, 30 June, 30 September and 31 December).

Fee Schedule	
1.5%	up to £1,000,000
1.4%	£1,000,000 - £1,500,000
1.3%	£1,500,000 - £2,000,000
1.2%	£2,000,000 - £3,000,000
1.1%	£3,000,000 - £5,000,000
1%	£5,000,000 +

Final Thoughts

In Conclusion:

- Managing money for US connected clients is a specialist area
- We have performed well ahead of benchmarks and peers
- We have the administrative solutions and investment expertise to be able to help US clients

A Winning Combination

Tailored Financial Planning infinity*

\+ +

Expert Asset Management TILNEY

Q&A

- We will now open the floor for questions.
- Opportunity to speak to us personally over refreshments. Please join us for a drink!

Important Information

The information contained in these slides should not be considered either as a personal recommendation to invest or confirmation of the suitability of any investment for your personal circumstances. If you are unsure about any investment please speak to your financial adviser.

The value of your investment and the income derived from it can go down as well as up and you can get back less than you originally invested. Past performance is not a guide to the future. Prevailing tax rates and reliefs are dependent on your individual circumstances and are subject to change.

Different funds carry varying levels of risk depending on the geographical region and industry sector in which they invest. You should make yourself aware of these specific risks prior to investing. **Advice is offered on a restricted basis.**

Smaller companies shares can be more volatile and less liquid than larger company shares, so smaller companies funds can carry more risk. Due to their nature, specialist funds can be subject to specific sector risks. In particular, gold, technology and other focused funds can suffer as the underlying stocks can be more volatile and less liquid. Funds may carry different levels of risk depending on the industry sector(s) in which they invest.

Underlying investments in emerging markets are generally less well-regulated than the UK. There is an increased chance of political and economic instability with less reliable custody, dealing and settlement arrangements. The market(s) can be less liquid. If a fund investing in markets is affected by currency exchange rates, the investment could either increase or decrease. These investments therefore carry more risk.

Targeted Absolute Return funds do not guarantee a positive return and you could get back less than you invested, as with any other investment. Additionally, the underlying assets of these funds generally use complex hedging techniques through the use of derivative products, which can carry additional risks which may not be immediately apparent.

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