Our Asset Allocation Philosophy.

COMPASS

Our Asset Allocation Philosophies & Beliefs

- We have a clear Philosophy when advising our clients in relation to the Allocation of their Assets. We aim to clearly communicate this Philosophy to our Clients so that they understand their Investment Strategy and the roadmap ahead
- This Philosophy is understood by everybody in our business and ultimately dictates what recommendations we make to our clients
- Our Asset Allocation Philosophy helps us to put in place robust processes and reports
- We break this Asset Allocation Philosophy down into 7 clear & concise points

Note that this document is usually referred to as an Investment Philosophy. However, in Compass Capital Solutions. Ltd. we believe that this terminology implies that clients

Our 7 Asset Allocation Philosophies

1. Holistic Overview
   - Every investment decision needs to take account of the entirety of the Finances of You and Your Family including Pension funded
   - Asset Allocation decision should never be taken in isolation and the big picture should be considered at all times
   - Personal Cash Savings, while not an ‘investment’ as such, should be taken into account when understanding your Current and Target Asset Allocation
2. Risk-Appropriate
   - Your Investment or Pension Portfolio should be aligned to your:
     - Appetite to Risk
     - Capacity for Risk
     - Tolerance of Risk
   - The best way to decipher your risk level is by competing a detailed Risk Questionnaire form which is a quantitative way of assessing your Risk

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3. Diversification
   - We adopt a multi-asset approach to investing whereby we consider all investible Asset Classes in constructing a Portfolio
   - Diversification should be done to limit downside risk and not be too reliant on any one particular Investment Strategy
   - Portfolios can be split in terms of:
     - Asset Classes e.g. Equities, Bonds, Property, Cash, Multi-Asset, Absolute Return
     - Geographies. *Generally for Irish Investors, exposure to the Irish Economy via a Portfolio should be limited*
     - Management Styles e.g. Active v Passive
   - Portfolios should be constructed with Assets that have projected returns that are less correlated with each other will protect Capital in the downside

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4. Transparency
    - We want our clients to fully understand their overall portfolio, the percentage split of the Assets and the continutent holdings that comprise the Portfolio
    - We want our clients to fully understand the amount of risk that they are taking at any point in time
    - We focus heavily on clear and transparent Valuation Reports, which are produced at least every 6 months
    - We only advise on allocating capital to Regulated Investments that have daily or monthly pricing.
    - Furthermore, we need to be able to clearly articulate the intricacies of each investment security to our clients so that they can understand it
    - We work hard to remain in close contact with our clients to update them on the overall macro economic and investment market update at all times

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5. Long-Term Focus
    - When making investment decisions, our Philosophy is that it is “Time In the Markets”, not “Timing the markets” that matters
    - We believe that if you are looking to invest in the market and don’t have a long-term investment horizon, then you should consider whether it is appropriate to be investing in the first place
    - We recommend a minimum of a 5-Year Investment Time horizon. This enables investors to look through short-term volatility
6. Types of Investments
    - We don’t believe in investing in individual shares & bonds as we believe the company-specific risk is unjustified
    - We believe in a mix of Active Investments & Passive Investments. We do not believe that it is prudent to have 100% in one of those strategies
    - For Active Funds, Track Record is extremely important in choosing fundsd

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7. Fees & Taxes

- Unnecessary Fees and Avoidable Taxes should be kept minimal within an Investment Portfolio to reduce value erosion on an annual basis
- In this highly regulated investment environment, the total annual cost of running Portfolios has increased. However, we aim to reduce costs by:
  - Avoiding unnecessary ‘layers’ of fees when constructing Portfolios
  - Avoiding ‘commissions’ for fund switches or re-balancing
  - Ensuring service levels with 3rd party providers are appropriate through negotiation and service level agreements
  - Selecting funds & securities for our Portfolios with more attractive pricing
- We consider the Personal Tax implications of all Portfolio decisions:
  - Capital Gains Tax (CGT) losses should be utilised (if available)
  - We prioritise tax reliefs available when making Pension Contributions or Gifting €3,000 p.a. to children / grand-children as part of the Small Gift Exemption
  - When clients have a choice of Pension & non-Pension vehicles through which to invest, tax-inefficient securities should be bought within the Pension (which doesn’t have tax)