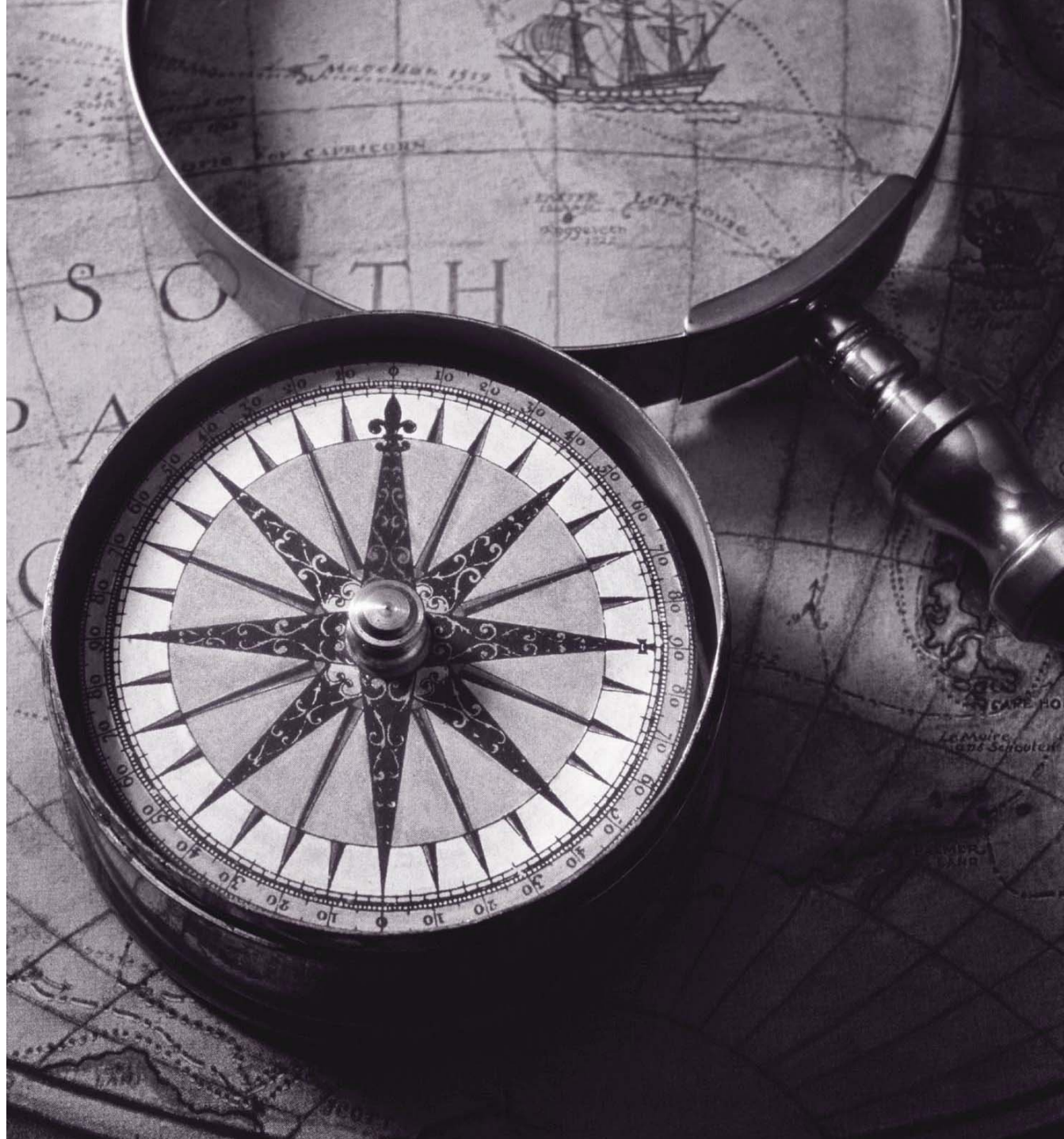


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ASSET MANAGEMENT

TMI believes that successful Asset Management is founded on a professional, experienced approach to:

- **Risk Management-**
The formulation of an investment policy that reflects the underlying investment risk objective
- **Investment Management-**
The development of appropriate strategies intended to deliver superior returns adjusted for risk

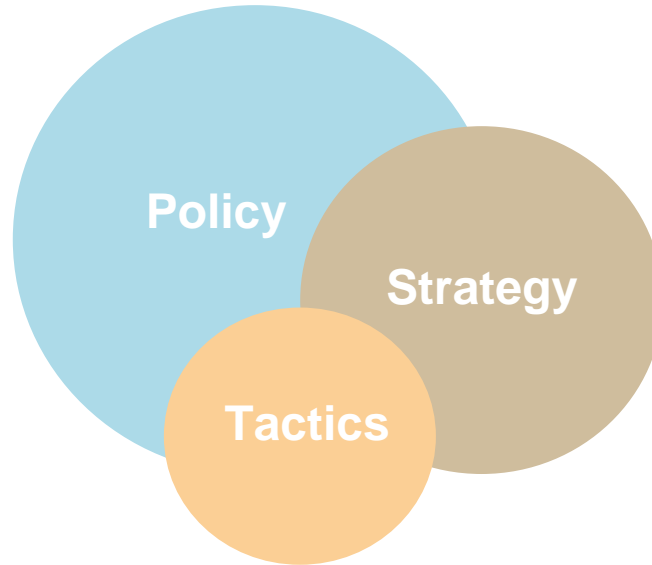
A PARTNERSHIP OF COOPERATION

Trustee's Responsibility

Investment Policy

Investment
Management Oversight

Custody Arrangements



TMI's Responsibility

Investment Policy Advice

Investment Strategy
Formulation

Portfolio Construction

Portfolio Management

Risk Monitoring

Specialist Manager
Selection

Performance
measurement

Client reporting

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RISK MANAGEMENT

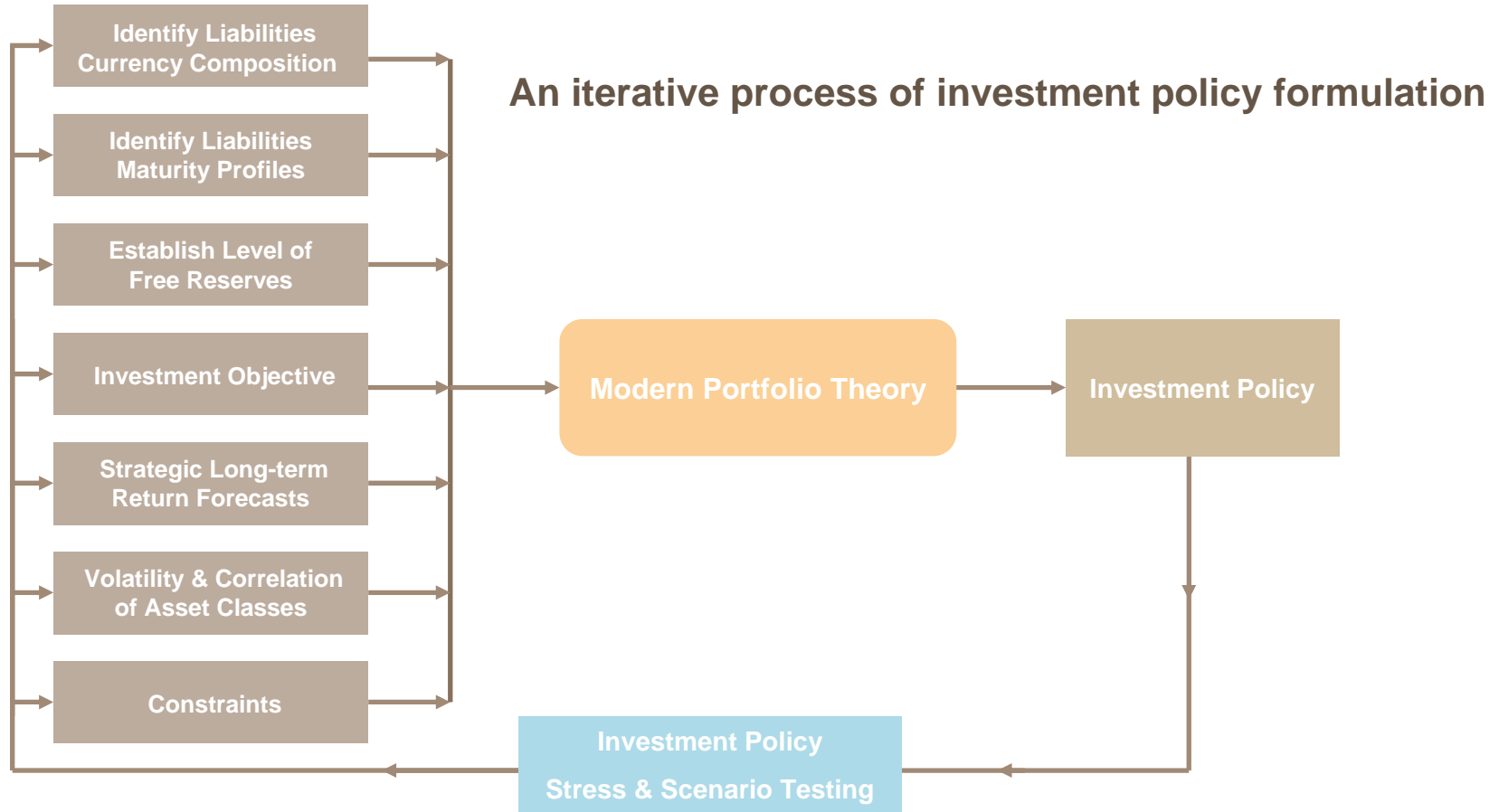
TMI considers the formulation of an investment policy to be an iterative process that involves:

- **A detailed understanding of business trends, liabilities and reserves**
- **A review of the business plan projections and objectives**
- **The identification of the investment objective**
- **The recognition of regulatory or prudential restrictions**
- **A detailed risk-based analysis of asset class returns, their volatility and correlation**
- **The development of a portfolio whose characteristics closely represent the desired objective and risk profile**
- **The identification of appropriate minimum and maximum levels for asset classes**

CONSTRUCT THE INVESTMENT POLICY AND PERFORMANCE BENCHMARK

- **Agree asset classes to be used**
- **Agree minimum and maximum ranges for each asset class and currency**
- **Agree restrictions**
- **Model the impact on solvency of various disaster scenarios using the agreed benchmark and other possible portfolios (min. and max included)**
- **Establish a review procedure**

RISK MANAGEMENT



INVESTMENT MANAGEMENT

TMI believes that successful investment management requires:

- **The formulation of successful investment strategies**
- **Control through portfolio risk management**
- **Accurate performance measurement**
- **Safe custody of assets**
- **Timely and accurate client reporting**

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ASSET ALLOCATION

Fixed Income

- **TMI believes that an active approach to fixed income fund management, involving decisions on duration, yield curve preferences and credit exposure, adds value**
- **TMI has an experienced team with proven ability of active management of domestic and global fixed income portfolios**

ASSET ALLOCATION

Equities

TMI Believes that a combination of passive and active equity management is the most efficient and rewarding approach to equities

- **Passive management for the broader more efficient markets**
- **Active asset allocation of funds between regions**
- **Active management for specific sectors, themes and inefficient markets**
- **Active management for private equity investment**

TMI has a rigorous approach to the selection of elite specialist managers

ASSET ALLOCATION

Foreign Exchange

- **TMI recognises that price movements in currencies are often chaotic, however, medium and longer term trends may be discerned from detailed macro economic analysis**
- **TMI believes that its process allows the identification of those trends and can add value through active management**

ASSET ALLOCATION

Absolute Return Funds

- TMI takes a conservative approach to investment in absolute funds and has an established team with proven track record of identifying experienced fund of funds' managers with robust investment processes and excellent risk adjusted returns
- The allocation to fund of funds is consistent with TMI's investment strategy
- TMI maintains a high level of vigilance over the funds invested through detailed monthly analysis of each fund's activities, including returns and their volatility and correlation

ASSET ALLOCATION

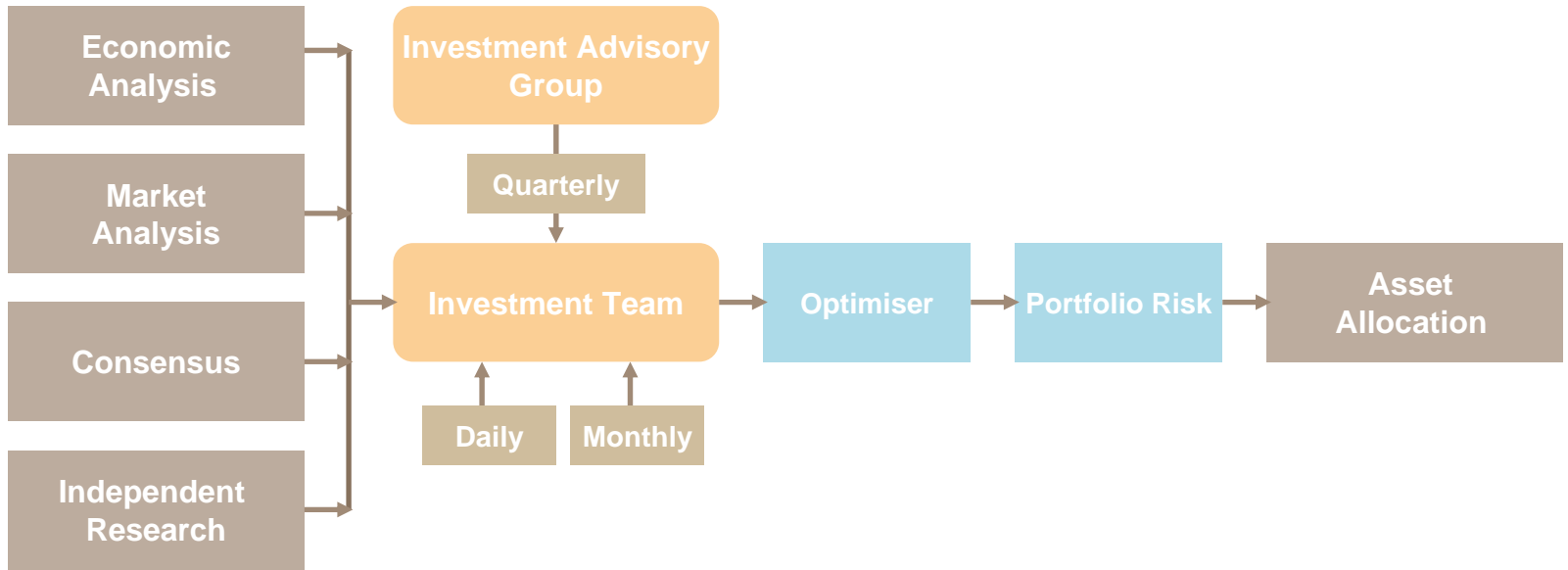
Property

- **TMI has established a universe of property fund managers, which includes both the traditional and non-traditional approaches to property investment**
- **The universe includes managers with experience in managing global as well as domestic investments**
- **The asset class requires a long term commitment and may not be suitable for some clients**

THE FORMULATION OF INVESTMENT STRATEGY

- **TMI formulates investment strategy at its monthly meetings through fundamental economic analysis**
- **Regional teams are responsible for economic and financial market forecasts, supported by specialist advisers**
- **Consistency of forecasting is achieved through a scoring system, which is applied to each region and asset class**
- **Strategies developed are consistently applied across all client portfolios, usually involving decisions on:**
 - **Fixed income**
 - **Equities**
 - **Absolute Return Funds**
 - **Foreign Exchange Exposure**
 - **Property**
- **An optimiser is used to assist in portfolio efficiency**

FORMULATION OF INVESTMENT STRATEGY



INVESTMENT ADVISORY GROUP

Comprises of the senior members of the investment team and external advisers

Meets quarterly to review long-term investment themes

- **China and its place in the World**
- **Demographic changes and their impact on financial asset prices**

INVESTMENT ADVISORY GROUP

- **Team approach to regional economic analysis, asset allocation and fund manager management**
- **Scoring system for countries for the economies and asset classes (Balanced Scorecard)**
- **Within the fixed income portfolio seek to add value through country selection, yield curve analysis, credit analysis, currency positioning and absolute return funds**
- **Add value to equities through regional, style and sector allocation**
- **Monthly strategy meetings supplemented by daily review**

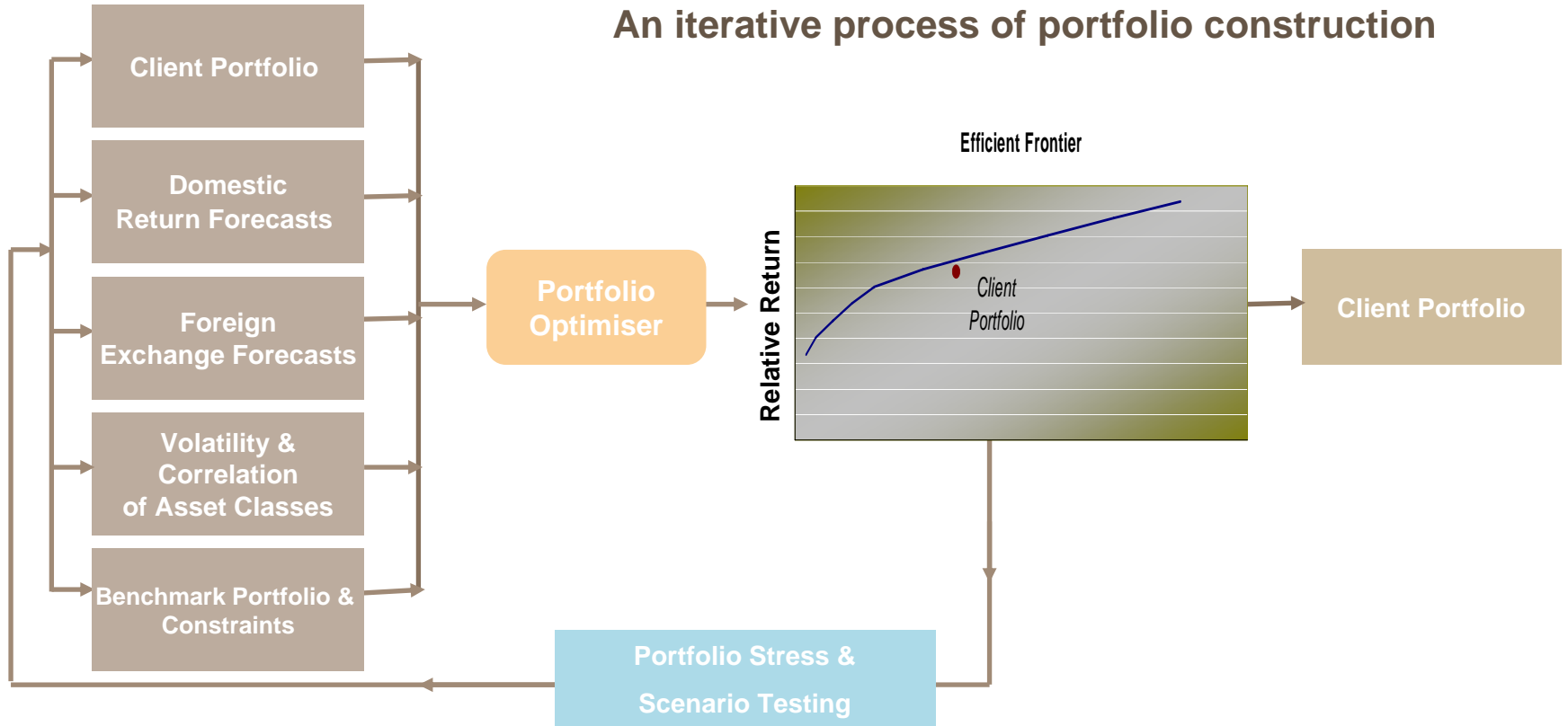
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PORTFOLIO OPTIMISATION

- **TMI uses portfolio optimisation to reduce volatility whilst enhancing returns**
- **The model**
 - **Is based on the application of Modern Portfolio Theory, a standard tool for portfolio risk analysis**
 - **Recognises the constraints contained within the client investment policies**
 - **Uses for each asset class the expected returns derived from the formulation of strategy, historical volatility of returns and their correlations to identify the appropriate mix of assets for each portfolio**

Portfolio Optimisation is used to reduce volatility whilst enhancing returns

An iterative process of portfolio construction



PORTFOLIO OPTIMISATION

- **TMI believes that risk should be managed throughout the investment processes and achieves this through a proprietary, quantitative model**
- **Portfolio Risk Management**
 - **Controls portfolio risk**
 - **Ensures that the strategies formulated are applied consistently across portfolios with different characteristics**
- **Achieved by**
 - **Agreeing minimum and maximum levels for each asset class**
 - **Linking the desired strategy weighting for each asset class proportionately with the guidelines for the asset class contained within the client's investment policy**
 - **Close monitoring to ensure the desired strategy remains in place despite market price and cash flow movements**

PORTFOLIO RISK CONTROLS

- **Minimum and Maximum limits contained in investment policies are set intentionally wide to allow the investment managers flexibility**
- **The minimum and maximum limits will only be used if asset classes are expected to move outside historical levels of volatility or values move very strongly in one direction**
- **Strategy limits are placed on each asset class and currency linked to the asset allocation matrix**
- **This approach ensures consistency across funds with very different investment policies**

INVESTMENT ADMINISTRATION

- **All transactions executed and settled by Thomas Miller Investment (Isle of Man) Ltd**
- **Transactions subject to trade order management process**
- **Transactions entered into LISA the investment administration software package**
- **Daily trading reports sent to CIO**
- **Client portfolios monitored daily**
- **Counterparty trade confirmations reconciled daily**
- **Bank balances reconciled daily**
- **Prices downloaded daily**
- **Custodian records reconciled with LISA monthly**

CUSTODY AND ADMINISTRATION

- **Arrangements have been put in place with a leading custodian to administer the assets under Thomas Miller Investment's management**
- **Client holdings monitored daily and reconciled monthly with the custodian's records**

CLIENT REPORTING AND SERVICE

TMI has a commitment to the delivery of a high level of service, which is achieved through:

- **Reports tailored to meet the Client's needs**
- **The allocation of a team, comprising senior investment director and administrator**
- **Attendance at board and manager meetings**
- **Annual review of investment policy**

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