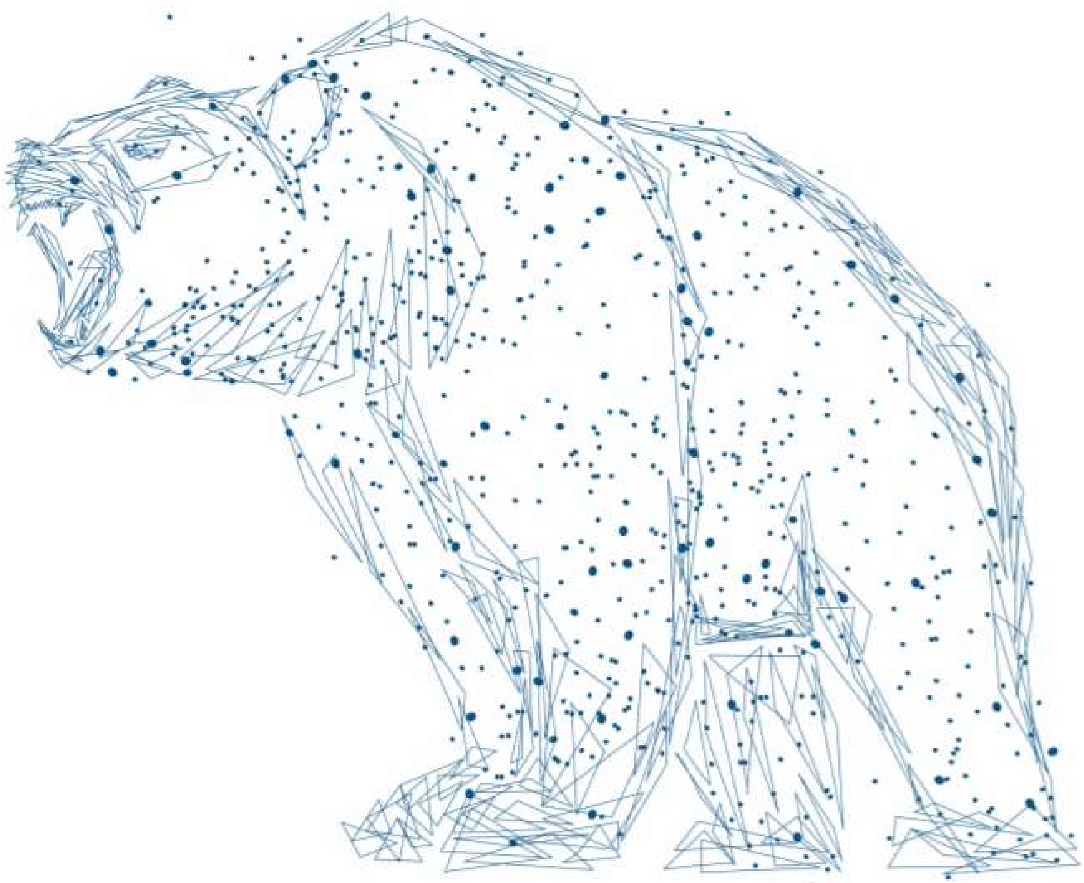


Where money meets intelligence

CROSSING POINT

TACTICAL INVESTORS

Fund Selection Criteria

The Crossing Point Portfolio Management Service is only available to investors who use the ongoing services of a financial adviser. For information purposes only, please contact your personal financial adviser for further information.

Fund Selection

Fund Management Rating Agencies

Although asset allocation is the established main driver of overall investment return, we also ensure our fund selection process is rigorous and successful.

There are several companies that perform detailed due diligence on investment funds and their managers. These rating agencies have significant resources and high-level access to investment groups. They therefore provide a reliable resource to identify well managed funds, using their depth of experience and knowledge through extensive research to continuously monitor new and existing funds. The quality of fund manager will have significant influence upon likely future returns.

We first filter the entire listings of UK retail index tracking funds, ETFs and investment trusts by preferring funds that are rated **Gold, Silver** or **Bronze** by Morningstar Analyst Ratings and are **Rated** by Rayner Spencer Mills Research.

Rayner Spencer Mills Research

Rayner Spencer Mills operate both quantitative and qualitative measures in order to rate an investment fund. After initial screening for acceptable risk and performance characteristics, Rayner Spencer Mills judge funds on:

- Acceptable risk and reward parameters
- Robust fund management process
- A strong management team
- Ongoing charges figure (OCF)
- Fund size
- Fund management background
- Fund managers philosophy
- Fund manager’s process and resources
- Overall risk control

Successful funds are awarded a **Rated** status. This rating is reviewed every three months.

Source: Rayner Spencer Mills website and publications

Morningstar Analyst Ratings ™

The Morningstar Analyst Ratings for investment funds is the summary expression of a forward-looking analysis of the fund. Morningstar Analyst Ratings are assigned to funds on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver and Bronze all indicate that the analysts think highly of the fund. The differences between them correspond to the level of analyst conviction in the funds ability to outperform its benchmark and its peers within the context of the level of risk taken.

The five pillars of success that funds are judged against are:

• The quality of the investment team

• Investment processes and performance objectives

• Parent organisation

• Performance

• Price

Gold Rating – These funds are the highest conviction recommendations and stand out as best in breed for their investment mandate. To earn a Gold Rating a fund must distinguish itself across all the five pillars of success that are the basis of the analysis.

Silver Rating – Funds that fall into this category are high conviction recommendation. They have notable advantages across several but perhaps not all of the five pillars.

Bronze Pillar – These funds have advantages that clearly outweigh any disadvantages across the pillars, providing a conviction to award a positive rating.

Source: Morningstar website and publications

Financial Express Crown Fund Ratings

The FE Crown Fund Rating™ enables investors to distinguish between funds that are consistently outperforming their respective benchmarks.

The ratings take into account three key measures that influence overall performances:

• Stockpicking

• Risk control

• Consistent outperforming of relevant benchmarks

The methodology does not simply identify the best performers but those who achieve their results in a solid and intrinsically valuable way.

5 Star Top 10% of funds in sector

4 Star Top 76-90% of funds in sector

3 Star Next 51-75% of funds in sector

2 Star Bottom 26-50% of funds in sector

1 Star Bottom 25% of funds in sector

Risk Assessments

Risk Measures

Measuring a portfolios risk-adjusted return is key to a well-managed portfolio. We consider the following risk factors.

Volatility

We measure the three year volatility of a fund to help determine the relative risk. Volatility is the degree to which fund prices move. A price which fluctuates wildly has a high amount of volatility while a fund that remains relatively stable has low volatility.

Beta Ratio

The beta ratio is a measurement of a fund's price sensitivity relative to market movement. A fund's beta compares the volatility of a fund to that of the market's as a whole. The higher the beta, the greater the risk taken as compared to the market.

Alpha Ratio

The alpha ratio measures the performance of a fund on a risk adjusted basis by gauging its performance against a market index. The excess return of the fund compared to the market index is the fund's alpha ratio. The alpha is considered the added value that active investment management brings to the overall returns above and beyond that which the market in general provides.

Sharpe Ratio

The Sharpe ratio is used to help understand the return of an investment compared to its risk by measuring the excess portfolio return over the risk-free rate relative to its standard deviation. The Sharpe ratio can calculate expected future performance by using expected return and the expected risk-free rate of return.

Sortino Ratio

The Sortino ratio is similar to the Sharpe ratio as it calculates risk-adjusted return, but it only considers a portfolio's downside volatility in its risk calculation and excludes any upside volatility.

The Sortino ratio is seen as a better measure for risk-adjusted return as upside volatility is desired so by excluding this aspect the portfolio is not penalised for positive volatility and only downside risk is included in the volatility calculation.

Maximum Drawdown (MDD)

Maximum drawdown measures the largest peak-to-trough decline in the value of a portfolio before a new peak is achieved. However, it is important to note that it only measures the size of the largest loss, without taking into consideration the frequency of those losses. Because it measures only the largest drawdown, MDD does not indicate how long it took an investor to recover from the loss, or if the investment recovered at all.

Maximum drawdown (MDD) is an indicator used to assess the relative riskiness of a single stock or a portfolio of investments as it focuses on capital preservation which is a key concern for most investors.

A low maximum drawdown is preferable as this indicates that losses from an investment were small. If an investment did not lose money, the maximum drawdown would be zero. The worst possible maximum drawdown would be 100%, meaning the investment is completely worthless.

MDD is used to compare the riskiness of portfolios and can be a very useful measure when considering an income generating portfolio in order to minimise realised losses from sequence of returns risk associated with income withdrawal.

FE Risk Scores

FE Risk Scores define risk as a measure of volatility relative to the UK leading 100 shares which has a risk rating of 100. Instruments more volatile than the UK leading 100 shares have a score above 100 and vice versa giving a reliable indication of relative risk. Most volatility measures are based on absolute risk.

Because the absolute levels of risk in markets naturally ebb and flow, risk levels can appear to change without there being significant changes to the fundamentals. Relative risk is not affected in the same way and is likely to provide a clearer indicator of important risk changes. Scores are recalculated weekly on a rolling three-year total returns basis. Most funds would fall between 1 and 150 with direct equities scoring above 100 and pure cash being zero.

The scoring system uses a minimum of 18 months and a maximum of 3 years of weekly total returns to measure the volatility of an instrument relative to the UK leading 100 shares. All values are rebased to sterling for UK risk scores. Less weight is given to older returns, so the score is more sensitive to recent events. FE Risk Scores are designed to be a simple and intuitive tool enabling investors and advisers to measure the relative risk of an entire portfolio.

Performance Measures

Performance Measures

Measuring a portfolios relative return is key to a well-managed portfolio. We consider the following performance factors.

Income Yield

The yield is the income returned to investors from the fund. The yield can be made up of dividends from shares, rent from property, or bond interest payments. For income seeking investors dividend and bond yields are important distributions. Investment Trusts have the ability to withhold up to 15% of their income which can be used to supplement future year's income for more consistent returns.

Past Performance

Consistent performance figures do not lie and quality fund management will express itself in above average returns. We therefore review performance over differing durations such as 1 – 5 years and 10 years. Actual average growth rates to reward longer term consistent performance.

Fund Costs and Charges

A key part of our fund selection criteria for index-tracking funds, exchange-traded funds and investment trusts is identifying the full cost of investment. We research total costs including, transactional costs, one-off costs, incidental costs and on-going charges in order to identify the least expensive funds that match our criteria. The culture of Crossing Point is to provide low cost investment.

Guardian Portfolios

Guardian Portfolios

A low cost decumulation portfolio service, designed to grow and protect pension assets by smoothing long-term returns.

Index Tracking Funds

An index tracker fund is one that seeks to replicate the performance of a designated index such as the FTSE 100 index or S&P 500 Index. Tracker funds are designed to offer investors exposure to an entire index reducing stock-specific risk. Since these funds track the composition and performance of the underlying index, there are lower levels of management required and therefore lower ongoing charges.

Tracking Error

Tracking error indicates a funds consistency versus the underlying index over a given period of time. Tracking error is reported as a standard deviation percentage difference between the performance of the fund and its underlying index. Tracking error can occur due to differences in tracking an index but also due to the time of day in which the fund is compared. We aim to use index trackers with low tracking error but also understand that tracking error may be due to a number of factors.

Synthetics

A synthetic tracker is an investment that mimics the behaviour of an index, engineered to simulate other instruments while altering key characteristics. Instead of holding the underlying securities or assets, they use financial engineering to achieve the desired results. Synthetic ETF's use derivatives such as swaps to track the underlying index.

We do not use synthetic investment vehicles as a result of a preference to own the actual underlying funds we invest in and in order to reduce 3rd party risk.

Green Path Portfolios

Green Path Portfolios

A low cost actively managed portfolio service dedicated to the use of Environmental, Social and Governance investment criteria.

Ethical and Sustainable Investment

We all know investments affect the world around us and that as a society we are becoming more interested than ever in the environmental, social and governance (ESG) standards of the companies in which we invest.

In the past, ethical investing was thought of as a lower-return strategy, investing for people who wanted to put morals above profits. Evidence now suggests that the opposite is true. For example, companies which embrace low-carbon technology are more likely to be future proofed while companies which treat their employees fairly are more likely to have consistent cash flows.

What is ESG ?

ESG spans a range of issues, including measures of company carbon emissions, labour and human rights policies, and corporate governance structures. Investors can now put their money where their values are. Our fund selection criteria is focused on promoting sustainable business practices and products centring on our core ESG factors.

Sources: Blackrock Website and Fidelity website

Green Path portfolios focus on a number of key factors

- Climate change is becoming a reality.
- Good corporate governance is important to achieve a sustainable business.
- A transformation is occurring in energy sources with a rapid rise in renewable energy.
- Technology is changing what we demand and what we consume. Only adaptable companies will survive.
- Investors can be quick to punish companies found to be using child labour or damaging the environment.
- Information on ESG policies of companies is more widely available.
- Regulation is forcing companies to adopt ESG compliant strategies.

Fund Selection Criteria

Green Path portfolios use well-regarded ethical mutual funds and exchange traded funds (ETFs), giving you a balance of shares, bonds and some thematic investments, such as green energy. Some of the fund providers we use are UBS, Vanguard, Stewart Investors, Blackrock iShares, Royal London, Liontrust, and PIMCO.

They have been selected for their exemplary governance and ethical stance, and each employ rigorous screening processes to ensure appropriate ethical credentials for the relevant funds.

All of the ethical fund providers we use are signatories of the Principles of Responsible Investing (PRI), the world's leading proponent of responsible investing. The PRI is an independent body acting in the long-term interests of its signatories, of the financial markets and economies in which they operate, and ultimately of the environment and society as a whole.

More information: https://www.unpri.org/about-the-pri

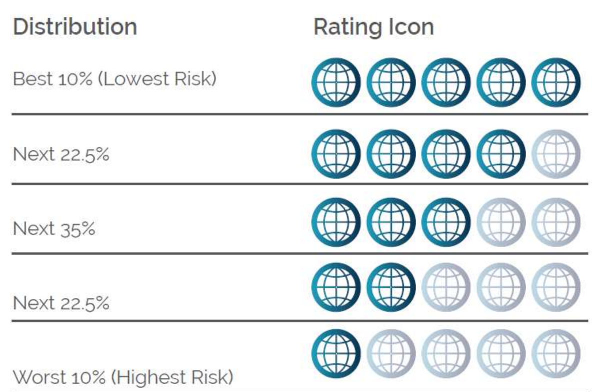
Fund providers will typically use one or both of the following types of screening:

Negative screening: aiming to exclude companies involved in activities that are at odds with ethical and socially responsible values. This typically means 'sin stocks' such as gambling, tobacco, adult entertainment and weapons, although many funds screen other activities such as involvement in coal mining.

Positive screening: actively seeking and investing in companies that demonstrate excellent environmental, social and governance (ESG) practices. Fund providers will employ a scoring system to each company, rating it against a set of predefined criteria, such as energy efficiency, equality agenda and the quality of its corporate governance, looking at, for example, whether it has been fined in the past for regulatory violations. These all add up to an ESG rating, which determines whether a company should be considered for investment.

Morningstar Sustainability Ratings:
We also utilise the Morningstar Sustainability Rating to assess the environmental, social and governance (ESG) risks of a fund or ETF. The Morningstar Sustainability Rating is a measure of the financially material ESG risks in a portfolio relative to a portfolio's peer group. The rating is an historical holdings-based calculation using the company-level ESG Risk Rating from Sustainalytics, a leading provider of ESG research. It is calculated for managed products and indexes globally using Morningstar's portfolio holdings database.

The Morningstar Sustainability Rating is created using a three step process. First, a Portfolio Sustainability Score is calculated for every portfolio reported within the trailing 12 months. Second, these scores are used to calculate a portfolio's Morningstar Historical Portfolio Sustainability Score. Third, a Morningstar Sustainability Rating is assigned for a portfolio based on its Morningstar Historical Portfolio Sustainability Score relative to its Morningstar Global Category. This rating is made up of up to 5 globes as follows:



Source: Morningstar, Inc.

Most of the funds/ETFs we use in Green Path portfolios have a Morningstar Sustainability rating of 3 globes or higher. Note that a small number of funds/ETFs utilised in Green Path portfolios are currently unrated by Morningstar because for a fund to receive sustainability data, the fund needs Sustainalytics ESG research on at least 67% of assets. This problem mainly applies to new green bond funds that do not yet have enough sustainability data but are clearly highly sustainable investments. This is an evolving area that we monitor on a regular basis.

More information on the Morningstar Sustainability rating methodology can be found here: https://www.morningstar.com/content/dam/marketing/shared/Company/Trends/Sustainability/Detail/Documents/SustainabilityRatingMethodology2019.pdf

MSCI ESG Fund Ratings

In addition to the Morningstar Sustainability ratings, we utilise MSCI ESG fund ratings to provide more diversity in the information we use to select funds for Green Path portfolios. MSCI ESG ratings are constructed using a different methodology to that of Morningstar and so provide complementary information to help with the selection process.

At the time of writing there are about 53,000 funds covered by MSCI ESG Fund ratings. MSCI ESG Fund Ratings' holdings data is sourced from Lipper. To be included in MSCI Fund Ratings, a fund must meet a number of criteria including that at least 65% of the underlying securities have an ESG rating from MSCI and the fund must have at least 10 securities.

The MSCI Fund Ratings are designed to assess the resilience of a fund's aggregate holdings to long term ESG risks and opportunities. The rating is based first on the weighted average score of the holdings of the fund or ETF. Second, a momentum assessment is undertaken to see if there is a positive or negative trend. Finally, ESG tail risk is assessed. This gives a letter rating to the fund. There are 6 ratings used by MSCI ranging from AAA to CCC.

ESG leaders (AAA and AA).
The companies that the fund invests in tend to show strong and/or improving management of financially relevant environmental, social and governance issues. The companies may be more resilient to disruptions arising from ESG events.

Average (A, BBB and BB).
These funds invest in companies that tend to show average management of ESG issues, or in a mix of companies with both above-average and below-average ESG risk management.

ESG laggards (B and CCC).
These funds are mostly exposed to companies that do not demonstrate adequate management of the ESG risks that they face or show worsening management of these issues. These companies may be more vulnerable to disruptions arising from ESG events.

Where available we use funds with ratings of BBB or above in our Green Path Portfolios.

Heritage Portfolios

Heritage Portfolios

A low cost actively managed portfolio service dedicated to the use of investment trusts.

Investment Trusts

Investment Trust Companies are closed-ended funds and are one of the oldest and most unique investment vehicles available to UK investors. Investment trusts are publicly listed companies and as a result they get all the benefits afforded to corporations such as the ability to borrow money to aid investment returns as well as the "closed-ended" advantage that allows the fund manager to be fully invested without having to keep cash in reserve to pay for redemptions as is the case with OEIC's.

Discount

One unique opportunity that close-ended funds offer investors is that a fund's price could be discounted from the value of the underlying stock. This allows funds to be bought at a lower price than their assets are worth. The market price of a closed-ended fund is based on investor demand and not as a calculation of net asset value. When selecting an investment trust, we do not wish to buy a fund with more than a 15% discount or a 10% premium. Over -15% can be a cause for concern over the demand for the assets while over +10% is expensive.

Gearing

Another feature that investment trusts have available is 'gearing' or the ability to borrow capital against the trust's assets. This will increase returns to investors in a rising market – but can increase losses in a falling market. We ensure only the selection of investment trusts that have 20% or less gearing.

IMPORTANT INFORMATION

The Crossing Point Portfolio Management Service is only available to investors who use the ongoing services of a financial adviser. For information purposes only, please contact a personal financial adviser for further information.

Independent financial advisers take no responsibility for the underlying investment strategy, the investment process and the choice of funds will be based purely on Crossing Point Discretionary Fund Managers' experience within the market. By the nature of tactical trading, holdings will be regularly bought and sold, but the investment manager will not seek your permission to do this. Investment decisions will be the responsibility of the Discretionary Fund Manager.

Guardian portfolios show actual performance data from September 2019 onwards. Before September 2019, the performance of the underlying funds is shown by applying the decisions made based on the rules-based trend-following signals that would have been applied over the period. The performance data is substantially the same as what would have been achieved if the portfolios had been 'live'.

Heritage portfolios show actual performance data from December 2019 onwards. Before December 2019, the performance of the underlying funds is shown. The performance data is substantially the same as what would have been achieved if the portfolios had been 'live'.

Performance Calculation: Performance is shown inclusive of ongoing fund charges but gross of transaction and incidental fund charges as well as Crossing Point's investment management charge. Deductions for these charges will have the result of reducing the illustrated performance. Platform and IFA charges are applicable. Please refer to your investment adviser for details. Performance is quoted on an annualised basis and calculated through FE Analytics direct and provided for illustrative purposes only and should not be viewed as the performance of a specific client account.

Past performance is not a guide to future performance. The value of investments and any income from them can fall and you may get back less than you invested. If you invest in currencies other than your own, fluctuations in currency value will mean that the value of your investment will move independently of the underlying asset. The information contained in this documentation has been taken from sources stated and is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness. Tax concession are not guaranteed and may be charged at any time, their value will depend on individual circumstances.

The information provided by Financial Express Analytics (FE) is used at your own risk. FE takes care to ensure that the information provided is correct. Neither FE or Crossing Point Investment Management warrants or guarantee the content of the information, nor do we accept any responsibility for error, Inaccuracies. omissions or any inconsistencies herein.

Detail of the nature of the investments, the commitment required, and the specific risk warnings are described in the Crossing Point Investment Management Terms of Business with a financial adviser. Reference to any particular fund or portfolio does not constitute a recommendation for investment purposes. Indices are used for comparative purposes only. Persons who do not have professional experience in matters relating to investments should speak with a financial adviser before making an investment decision.

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