



MANAGER FOCUS

Quartet Capital Partners LLP

TELL US A BIT ABOUT YOU...

Quartet was established in late 2009 by a group of experienced investment professionals to provide discretionary investment management services to both on and offshore high net worth clients.

We are structured as an independent partnership where all clients deal with the firm's owners and decision makers.

All clients are treated as individuals and investment

DESCRIBE YOUR INVESTMENT PHILOSOPHY

Our core belief is that major equity and bond markets are broadly efficient over a market cycle, and it is therefore difficult for active fund managers to try and outperform their respective market or add "Alpha". Therefore in order to generate superior returns for clients the focus should be on areas where we perceive a competitive advantage is possible, and this primarily revolves around asset allocation.

Several independent studies over the last 20 years have clearly demonstrated that asset allocation is the main driver behind investment performance.

As a consequence, we focus on deriving the appropriate strategic asset allocation at the outset for clients and then managing this on a tactical basis.

However this is not as easy as it sounds. At Quartet our belief is that we have the resources and research capabilities to make well informed, considered judgments on global economic factors, and ultimately these will drive the overall asset allocation for our clients.

The portfolios are then populated with the most appropriate and best whole of market investments, at the lowest possible total expense to our clients.

WHAT INVESTMENT VEHICLES DO YOU USE IN PORTFOLIOS

Passive Investments

Once the asset allocation is decided, our preference is to gain direct exposure to asset classes via passive investments (index trackers & ETFs - Exchange Traded Funds). Given their dynamic and liquid nature, between 40-60% of portfolios are generally invested in passive investments. Whilst described as "passive" investments, this is actually likely to be the most actively managed part of the portfolio. Our preference is to use 'trackers' that hold physical assets as opposed to derivative structures.

Alpha Investments

The passive investments are then complemented by a select few active fund managers (30-50% of portfolios). Analysed regularly by our research team, we currently have an approved list of 13 managers who we believe have an impeccable record for adding alpha (i.e. outperform their benchmark on a risk adjusted basis) over a market cycle.

Special Situations

Finally we may also add special situations to client portfolios from time to time. These investments should be relatively low risk, and provide the potential for strong returns. Given they are the "holy grail" of investing, opportunities will be few and far between and may not be appropriate for every investor. These may include positions in secondary market structured products and direct shareholdings.

solutions are tailored to meet their specific requirements; we do not shoehorn clients into predetermined solutions.

Partners and their families are also amongst the firm's biggest clients so we share the same investment outcomes and align our personal interests with those of our clients. We also pay the same fees!

A WORD FROM COLIN MCINNES, MANAGING PARTNER

Colin has 17 years of private banking, sales and asset management experience. He began his investment career at Heritage Capital where he was involved in the management of alternative investment funds for high net worth offshore investors.

Colin is a founding Partner of Quartet Capital Partners LLP and its Managing Partner. He graduated from the University of Bristol with a BSc (Hons) in Economics and Accounting and holds the UK SIP's Investment Management Certificate (IMC) and Chartered Institute of Securities & Investment Diploma (Chartered FCSI).

Our clients are the focal point of the business and we spend a great deal of time understanding their goals and maintaining dialogue with them.

Each client's circumstances are unique.

All portfolios are tailored to achieve the clients' objectives.

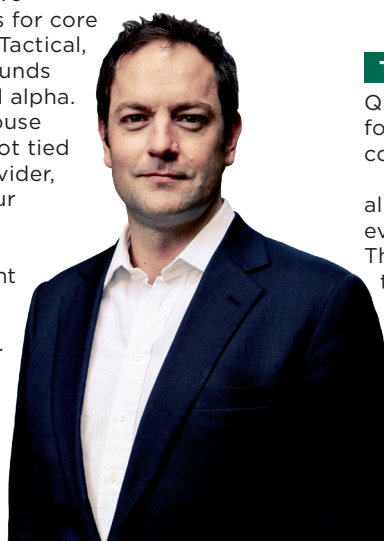
We believe, and studies have shown, that asset allocation is by far the biggest driver behind investment performance. We do not believe in "buy & hold" strategies and instead focus on actively managing the tactical asset allocation within clients' portfolios. This is where we believe we add value.

In our experience very few fund managers consistently beat their respective index and they also tend to have high fees and costs. We therefore use passive

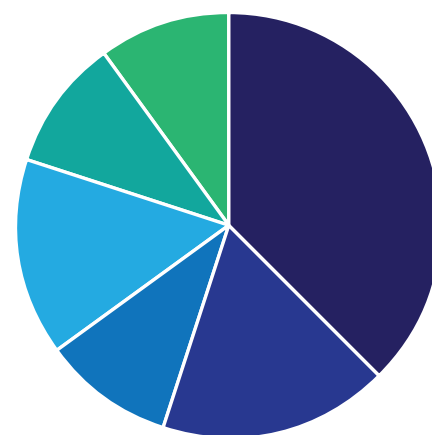
investment vehicles for core portfolio holdings. Tactical, actively managed funds are included to add alpha.

We have no in-house products and are not tied to any product provider, thus maintaining our independence and objectivity.

So whether a client is an individual, family, company or trustee we will tailor our investment offering to suit their requirements.



TYPICAL BALANCED ASSET ALLOCATION



Equity **37.5%**
Bond **17.5%**
Cash **10.0%**
Hedge **15.0%**
Commodity **10.0%**
Absolute Return **10.0%**

As at 30 September 2013

AT A GLANCE

TOTAL AUM	£75 MILLION
Split of assets by investor group	
Private Client	57%
Institutional	31%
Offshore	11%
Charity	1%

As at September 2013

THE ARC VIEW

Quartet are a traditional boutique with a single focus on managing money for their clients in a consistent and understandable manner.

Quartet subscribe to the view that asset allocation is the main driver of excess returns, as evidenced in their top down investment style. They prefer not to restrict themselves to only traditional asset classes and adopt a multi-asset class approach.

The experienced team led by Colin McInnes has a broad base of experience in the industry with an average of 16 years tenure. A redeeming feature for Quartet is their strong alignment of interests with their clients in that they coinvest and pay identical fees.

ARC STYLE ASSESSMENT

Asset Class Blend	Traditional							Alternative
Portfolio Manager Discretion	Significant							Minimal
Points of Reference	Contrarian							Benchmark Aware
Investment Approach	Bottom-Up							Top-Down
Investment Diversity	Concentrated							Diversified
Decision Making Input	Judgemental							Quantitative

Matching client's requirements to manager's capabilities is a key factor in precluding disappointment, both in performance terms and service levels. When considering selection of a discretionary investment manager, a potential investor should ask two questions, 1) Is the manager right for me? and 2) Are they any good? The second question can be partially answered by looking at the performance history and previous experience with the firm if applicable. The first question is more difficult to answer and requires a greater depth of thought. With this in mind, ARC utilises six different style spectrums to identify and match the desirable characteristics a potential investor would want in an investment manager. Alternatively, the style metrics could be used to filter out the characteristics an investor would not want in their manager.