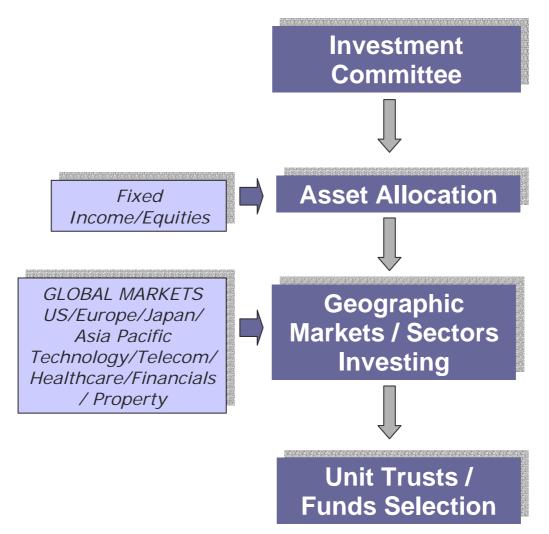


INVESTMENT APPROACH

The **Investment Committee** at FPA Financial will ensure an independent working policy when formulating our investment strategy and setting the asset allocation policy.

The **asset allocation policy** is to allocate the weighting for fixed income and equities suitable for the various model portfolios. This is decided after an indepth study of the economic and corporate data of various **geographical markets** and the statistics of **industry sectors**. Once the markets and sectors have been identified, we will use both quantitative and qualitative studies to make our **funds selection** and assign the appropriate weightings.

The process is summarized in the following flow chart:



Our **top down approach** encompasses the review and evaluation of the economic statistics, stock and bond market data. Some of these statistics will include the following:

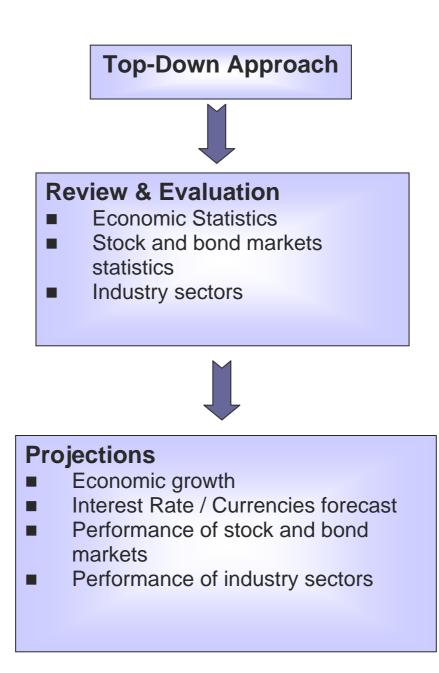
- ☑ GDP growth
- ☑ Current account surplus/deficit
- ☑ Budget surplus/deficit
- ☑ Foreign reserves
- Unemployment rate
- ☑ Consumer spending/ Retail sales
- ☑ Housing starts
- ☑ Capital spending
- ☑ Inventory level
- ☑ Capacity utilisation
- ☑ Consumer Price Index (CPI)
- ☑ Interest rate
- ☑ Productivity
- ☑ Funds flows
- ☑ Valuation
- ☑ Dividend yields
- ☑ Price earnings multiple

Similarly for the determination for sector or thematic investing, various sector and industry analysis will be done. Some of these studies include:

- > Industry forecasts
- > Mergers & Acquisition activities
- > Quarterly profit increases
- Market share
- > Product Development

After the **review and evaluation**, the **projections** of economic growth and expected performance of the asset classes, markets, and sectors will be made.

The process is summarised in the following flow chart:



FPA Financial Investment Approach It is FPA Financial's firm belief that **unit trust investing** provides clients with the most cost and time efficient access to the recommended asset classes, markets and sectors. **Portfolio construction** is made easy by investing in a portfolio of unit trust holdings which is tailored to suit individual risk profile and investment horizon. Global investing allows clients to achieve optimal riskadjusted returns or their portfolio through diversification.

Our in house ranking and rating systems of the unit trusts will take into account:

- (i) **Qualitative** discussion within the investment committee
- (ii) **Quantitative** analysis of the funds selection criteria

Some of our unit trusts / funds selection criteria include:

✓ Fund size
✓ Inception date
✓ Management Fee
✓ Expense Ratio
✓ Standard deviation (Volatility)
✓ Returns over 6-month, 1-year, 3-year
✓ Risk adjusted returns
✓ Sharpe ratio
✓ Beta
✓ Portfolio turnover
✓ Top 20 holdings
✓ Sector/Country allocation
✓ Investment style