WALLSTONE
THE FINANCIAL PLANNING COMPANY

INVESTMENT
PROCESS & PORTFOLIOS

A WELL DEFINED PHILOSOPHY WITH A DISCIPLINED APPROACH...

"An investment in knowledge pays the best interest"
Benjamin Franklin

OUR INVESTMENT PHILOSOPHY

1 DIVERSIFICATION IS KEY

Diversification is a technique that can be summed up by the timeless adage "don't put all your eggs in one basket". By selecting the right investments, this can help limit the level of investment losses and reduce the fluctuations of investment returns without sacrificing too much potential gain.

2 INVESTMENT RISK AND RETURN ARE RELATED

The statement that Investment Risk and Return are related may sound obvious but it's something that many of us as investors have ignored at our peril in the past. All investments carry some degree of risk, even cash. At Wallstone, one of our goals is to educate clients on the different types of risk that exist when it comes to investing and thus hopefully avoid mistakes of the past.

3 CAPITAL MARKETS WORK

When it comes to investing, it's easy to follow the crowd but rare to outperform by chasing trends. We are committed to long-term investing and remaining invested even in times of market stress.........investment markets throughout the world have a history of rewarding investors who stay the course. When it comes to building investment portfolios, that's why it's so important to have a well-defined, methodical approach to making investment decisions. If investors follow a structured and disciplined approach to investing, they will avoid many of the biases which cause them to act in irrational ways. Our role as investment advisors is to guide you through this process.

4 COSTS MATTER

We know that costs can have a significant impact on a portfolio's long term performance.....that's why at Wallstone, we implement a combination of active and passive strategies in our portfolios to ensure our clients are getting the best value possible for the chosen level of risk and return. Based on statistical information, two out of every three active managers will underperform the market, so why have a purely active portfolio? Evidence suggests that active managers can add value in small, mid cap and emerging markets while passive strategies have proven more effective in developed markets such as the US and Europe.

"The four most costly words in investment are....this time is different."

Sir John Templeton

OUR APPROACH & PROCESS...

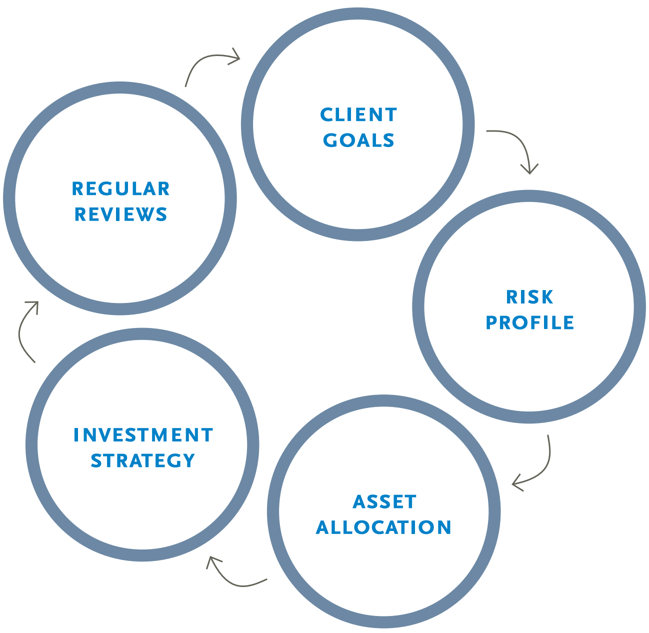
"The investors' chief problem and even his worst enemy is likely to be himself"
Benjamin Graham

GETTING TO KNOW YOU

The Investment Process begins during our discovery meeting with a discussion of your financial values and goals as well as your key relationships, existing assets, other professional advisers and main objectives. Our discussion with you is wide-ranging to ensure that the advice you receive is appropriate to you.

SETTING THE OBJECTIVES

Key objectives for many people might include wealth accumulation and income generation and at Wallstone, we acknowledge that each individual is unique. We analyse your situation and attempt to quantify the level of investment return that you need to meet your objectives. We consider all options ensuring that any recommendation we make is as tax-efficient as possible.



DISCUSSING AND UNDERSTANDING RISK

Risk is a very subjective term and can mean different things to different people. In our experience, investors are more loss averse than risk averse. That's why at Wallstone, we ask each client or prospective client to complete our Investment Risk Profiling questionnaire. We use the subsequent report to have a sensible discussion about risk and how different risks can impact on you achieving your goals. There are different types of risk including;

- Your attitude to investment risk – this can alter dramatically depending on what's happening in the world around you;
- Your capacity to take investment risk – the impact that a major investment loss might have on you achieving your long term goals and well-being;
- Your requirement to take risk - this might include your need to accept some level of investment risk to meet a stated goal or indeed might be the opposite whereby no investment risk is required based on your circumstances.

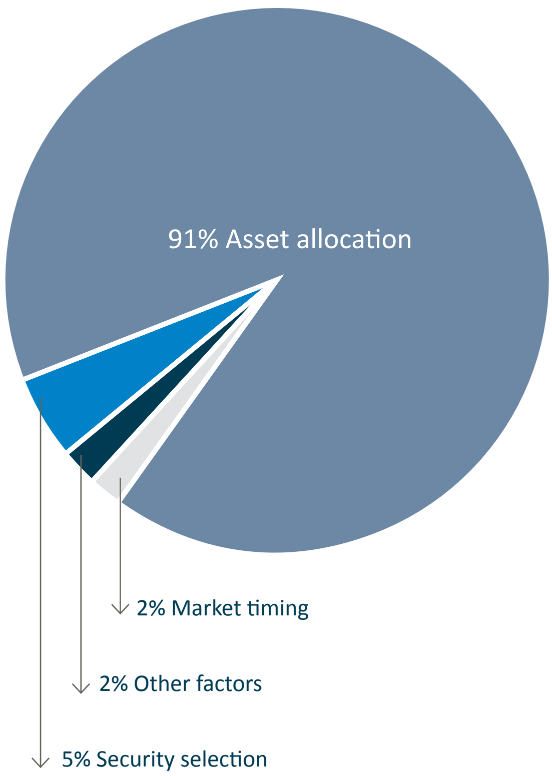
While these are the main areas to be discussed, other risks to be considered on a case by case basis include liquidity risk, inflation rate risk, interest rate risk, credit risk and legislative risk.

ASSET ALLOCATION

"Asset Allocation should be your first investment decision as it is arguably the most important"

ASSET ALLOCATION IS THE PROCESS OF DECIDING HOW MUCH OF YOUR PORTFOLIO TO INVEST IN EACH OF THE DIFFERENT ASSET CLASSES SUCH AS CASH, SHARES, BONDS, PROPERTY OR COMMODITIES.

Numerous studies have demonstrated that asset allocation determines most of the performance in a diversified portfolio and investors can benefit hugely by combining different asset classes in a structured portfolio.



The Wallstone Portfolios maintain an active asset allocation strategy as distinct from a tactical asset allocation strategy. Each portfolio starts out with a strategic allocation to a selection of diverse asset classes. No assessment is made about the likely short term performance of any of these asset classes and no short term changes (tactical) to the asset allocation will be made in an effort to add value. However each portfolio will take advantage of the inevitable swings of capital markets to regularly rebalance - see section on Rebalancing, page 10.

PORTFOLIO CONSTRUCTION

IN CONJUNCTION WITH A COMMON EUROPEAN STANDARD, WE HAVE CONSTRUCTED PORTFOLIOS WHICH EMBRACE THE ESMA (EUROPEAN SECURITIES & MARKETS AUTHORITY) RISK RATINGS.

This methodology uses a consistent measure of risk and reward. The volatility of the fund is assigned into risk classes 1-7 as shown below. Therefore, for example, if a fund has volatility calculated between 0.5% and 2%, it falls into Risk Class 2.

VOLATILITY INTERVALS

Risk Class	Equal or Above	Below
1	0%	0.5%
2	0.5%	2%
3	2%	5%
4	5%	10%
5	10%	15%
6	15%	25%
7	25%	

Whilst our approach to asset allocation embraces the ESMA standard detailed above, we do so only to illustrate to investors where the model portfolios sit in terms of industry adopted risk standards. It's important to be aware that the ESMA models are based purely on historical performance and volatility samples over a previous five year period.

The error of applying historical average market returns as a proxy for future results has been well documented and that's why at Wallstone, the basis for the construction of our portfolios is a proprietary model using data supplied by JP Morgan for expected asset class returns, correlations and volatility, and not past returns, correlations and volatility.

The importance of forward-looking assumptions cannot be understated and the magnitude of difference between historical and the actual results reinforces the old adage that past performance is not necessarily a reliable guide to future returns! J.P. Morgan have for 18 years been generating the Long-Term Capital Market Return Assumptions on an annual basis. It has tested its forecasts against subsequent actual results and it has an impressive track record which can be made available on request.

FUND SELECTION PROCESS

ON A QUARTERLY BASIS, THE WALLSTONE INVESTMENT COMMITTEE IN CONJUNCTION WITH ICUBED, ACCESS A COMPREHENSIVE REPORT ON ALL FUNDS WHICH PROVIDES A QUANTITATIVE ASSESSMENT OF THE BEST FUNDS ACROSS EACH OF THE ASSET CLASS CATEGORIES.

Wallstone in conjunction with iCubed and AllFunds Bank (see below) carry out extensive due diligence on fund managers to identify investment funds most likely to deliver consistent investment performance. An extensive quantitative and qualitative assessment process feeds into a regular meeting of the Wallstone Investment Committee. From this, we compile a short list of funds from which our portfolios are constructed. Our portfolios are made up of both actively and passively managed funds. The Wallstone Investment Committee in conjunction with iCubed re-balance each portfolio annually to ensure it remains within its expected volatility range as set out under the ESMA scale referred to above.

ABOUT ICUBED

iCubed is an investment consulting, training and research firm, providing unbiased analysis on investment funds and markets. At Wallstone, we recognise the complexities of investment markets and the requirement for high quality, unbiased investment research which iCubed provides. The services that iCubed provide supports the robust and disciplined Investment Process that we apply at Wallstone.

ABOUT ALLFUNDS BANK

Allfunds Bank has more than €94 billion of assets under administration. The Investment Research team at Allfunds Bank is divided into 4 main areas, with specific accountability and expertise broken down as follows:

- Global Investing & Multi Assets Strategies
- Fixed Income Strategies
- Equity Strategies
- Alternative Strategies

Every analyst has a specific responsibility across the broad range of asset classes available in the Allfunds Bank Universe. They filter this universe and produce a conviction list of funds. The Wallstone Portfolios include many of the active managers from this conviction list.

WALLSTONE PORTFOLIOS

AT WALLSTONE, WE PROVIDE A RANGE OF DIVERSIFIED PORTFOLIOS. EACH PORTFOLIO OFFERS DIVERSIFICATION BY INVESTMENT MANAGER, FUND AND ASSET CLASS. EACH PORTFOLIO HAS BEEN CONSTRUCTED TO MATCH A SPECIFIC RISK PROFILE. THERE ARE FIVE PORTFOLIOS TO SELECT FROM.

WALLSTONE CAUTIOUS

The Wallstone Cautious Portfolio is a low risk portfolio with almost 80% in defensive asset classes. It offers the potential for returns in excess of deposits but does not promise a minimum return at any time. The Cautious Portfolio does not provide a capital guarantee. This portfolio may suit you if:

- You are conservative with your investments.
- You are prepared to take a small amount of risk to potentially achieve a return in excess of deposits.

WALLSTONE DEFENSIVE

The Wallstone Defensive Portfolio is a low to medium risk portfolio. It offers the potential for returns in excess of deposits but does not promise a minimum return at any time. It invests across a broad range of assets including government and corporate bonds but with a greater percentage in equities than the Cautious Portfolio. The Defensive Portfolio does not provide a capital guarantee. This portfolio may suit you if;

- You are relatively cautious with your investments.
- You want to try and achieve a cash plus return and you are prepared to accept some risk in doing so.

WALLSTONE BALANCED

The Wallstone Balanced Portfolio is a medium risk portfolio with approximately 45% in defensive asset classes such as cash and government bonds and 55% in growth asset classes such as equities and property. It offers the potential for returns in excess of deposits but does not promise a minimum return at any time. The Balanced Portfolio does not provide a capital guarantee. This portfolio may suit you if:

- You are prepared to accept fluctuations in the value of your investments to try and achieve better long-term returns.
- You are willing to remain invested in times of market stress.

WALLSTONE ADVANCE

The Wallstone Advance Portfolio is a high risk portfolio. It invests across the range of predominantly growth assets with a significant exposure to equities. It aims to maximise returns but uses some exposure to growth assets uncorrelated to equities to help manage volatility. This portfolio may suit you if:

- You are comfortable with investment risk.
- You aim for high long term investment returns and do not worry about sustained periods of poor stock market performance.

WALLSTONE AGGRESSIVE

The Wallstone Aggressive Portfolio is a very high risk portfolio. The portfolio aims to maximise long term returns. It maintains a significant exposure to equities and within that, a significant exposure to emerging markets. The value of this portfolio may fluctuate significantly in line with global equity markets. This may suit you if:

- You are very comfortable with investment risk.
- You aim for significant long term investment returns and do not worry about sustained periods of poor stock market performance.

Wallstone Portfolios	Cautious %	Defensive %	Balanced %	Advance %	Aggressive %
Equity	10	25	51	86	100
Bond	31	33	27		
Property	0	3	6	5	
Absolute Return	8	8	12	9	
Cash	51	31	4		
Expected 10 Year Return p.a.	2.5	3.4	5	6.4	7.3
Expected Volatility p.a.	1.8	3.9	7.4	11.8	14.5

Return Statistics*	Cautious %	Defensive %	Balanced %	Advance %	Agressive %
Best 3 Month Return	10	13.7	19.8	25.3	29.2
Worst 3 Month Return	-3.9	-7.8	-14.5	-21.2	-25.7
Largest Drawdown	-7.8	-17.6	-34.7	-53.1	-60.3
Frequency of 5 Year Loss	0.00	0.40	9.52	22.22	23.81

* Based on indices data from January 1990- December 2015

PORTFOLIO TOTAL EXPENSE RATIOS*

Wallstone Portfolios	Cautious %	Defensive %	Balanced %	Advance %	Aggressive %
Equity	10	25	51	86	100
Bond	31	33	27	5	
Property	0	3	6	0	
Absolute Return	8	8	12	9	
Cash	51	31	4	0	
Total Expense Ratio	0.21	0.30	0.47	0.47	0.48
Platform Charge	0.9	0.9	0.9	0.9	0.9

*Includes all expenses including the annual management charge and any trading expenses within the portfolio.

WARNING: Past performance is not a reliable guide to future performance. The value of your investments may go down as well as up. Returns on investments may increase or decrease as a result of currency fluctuations.

WARNING: There are no guarantees attached to the Wallstone Portfolios.
You could lose some or all of your money by investing in these portfolios.

WARNING: Wallstone does not underwrite any fund manager. Wallstone will not be liable in the event that any third party fails to meet their obligations to investors.

PORTFOLIO MONITORING & RE-BALANCING

THE SO-CALLED FREE LUNCH THAT DIVERSIFICATION PROVIDES GOES HAND IN HAND WITH REBALANCING. WITHOUT REBALANCING, THE TOTAL RETURN WILL SIMPLY BE THE WEIGHTED AVERAGE OF THE LONG TERM RETURNS PROVIDING NO DIVERSIFICATION BENEFIT.

Rebalancing benefits rise as volatility rises so the greatest benefits arise during periods like 2008/2009 when there were significant movements in markets. Clearly, diversification does not assure a profit or protect against a loss, but it limits the damage inflicted by large downside events.

"Part of our role at Wallstone is to use our experience of investor behaviour to coach our clients in achieving better results than they would without a professional adviser."

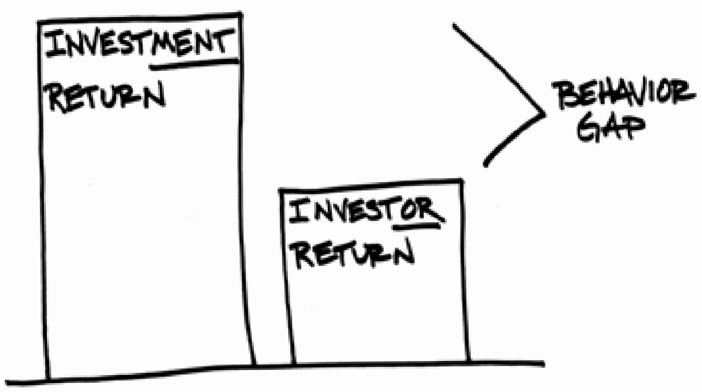
The benefits of rebalancing can only be achieved by actually implementing a rebalancing strategy. To remain consistent with the asset allocation guidelines established by the Wallstone Model Portfolios, each constituent of the respective portfolios will be reviewed on a yearly basis and rebalanced back to the normal weighting. A re-balancing meeting for the funds should not, apart from exceptional circumstances, take place more frequently than once a year to avoid obsessing over short term fund performance.

INVESTOR BEHAVIOUR & DISCIPLINE

INVESTMENT DECISION MAKING IS INVARIABLY AN EMOTIONAL PROCESS. LEARNING TO MASTER ONE'S EMOTIONS IS A VALUABLE EXERCISE WHEN IT COMES TO INVESTING.

Part of our role at Wallstone is to use our experience of investor behaviour to coach our clients in achieving better results than they would without a professional adviser. Referred to as the behavioural gap, investors often make choices that impair their returns and jeopardise their ability to fund their long term objectives. Many are influenced by market performance.

This is often evident in market cash flows mirroring what appears to be an emotional response – fear or greed – rather than a rational one. Investors also can be moved to act by fund advertisements that feature recent outperformance – as if the investor could somehow inherit those historical returns despite disclaimers stating that past performance is no guarantee of future returns. This performance-chasing behaviour can seriously harm a client's long-term returns.



One approach to encourage restraint is to have a formal written Investment Policy Statement setting out what the client is trying to achieve and the agreed strategy. An Investment Policy Statement helps investors commit to a disciplined investment plan so that their decisions are less likely to be swayed by emotion. We draft an individual Investment Policy Statement for each client of the firm.

DISCIPLINED APPROACH

What you can control

- Costs.
- Diversification.
- Minimisation of taxes.
- Discipline.

What you can't control

- Picking winning stocks.
- Picking superior investment.
- Market Movements.
- Financial Press and noise.

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