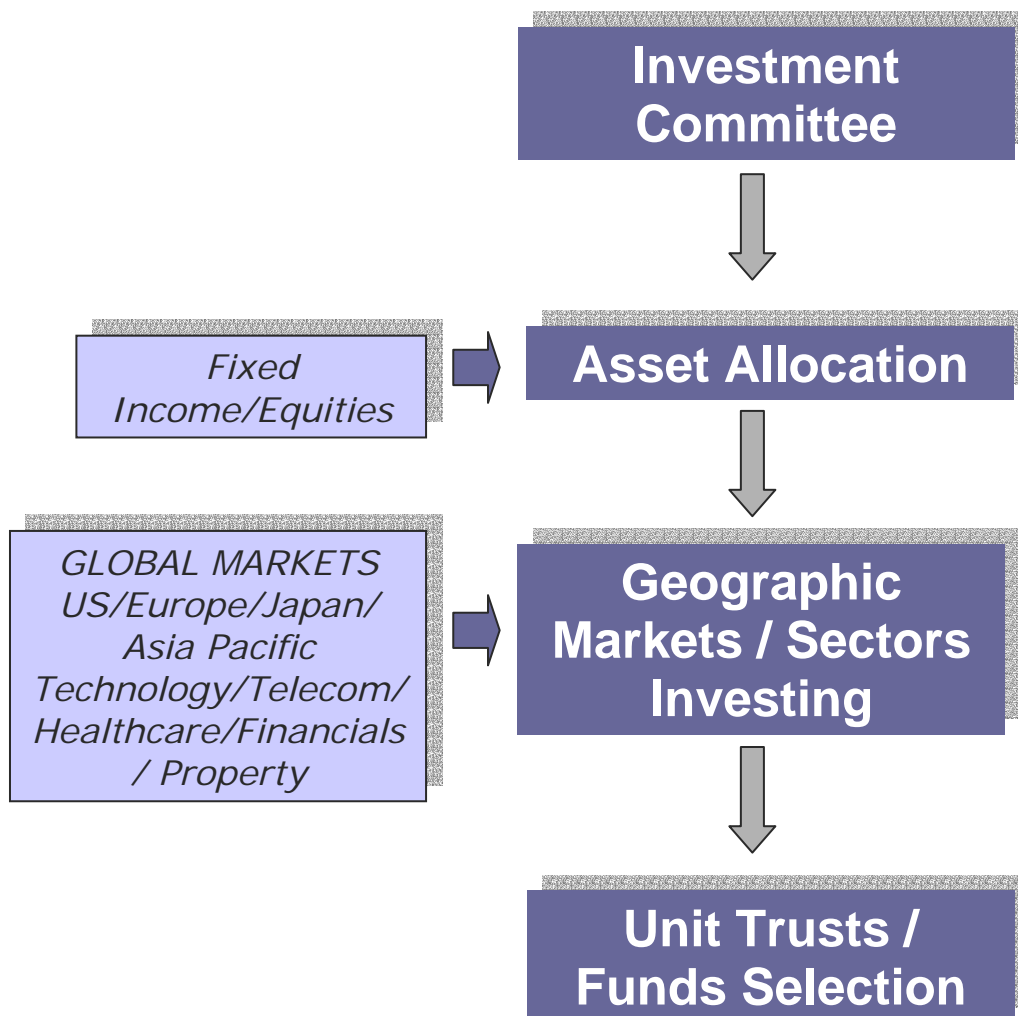


## INVESTMENT APPROACH

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 in-depth 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:

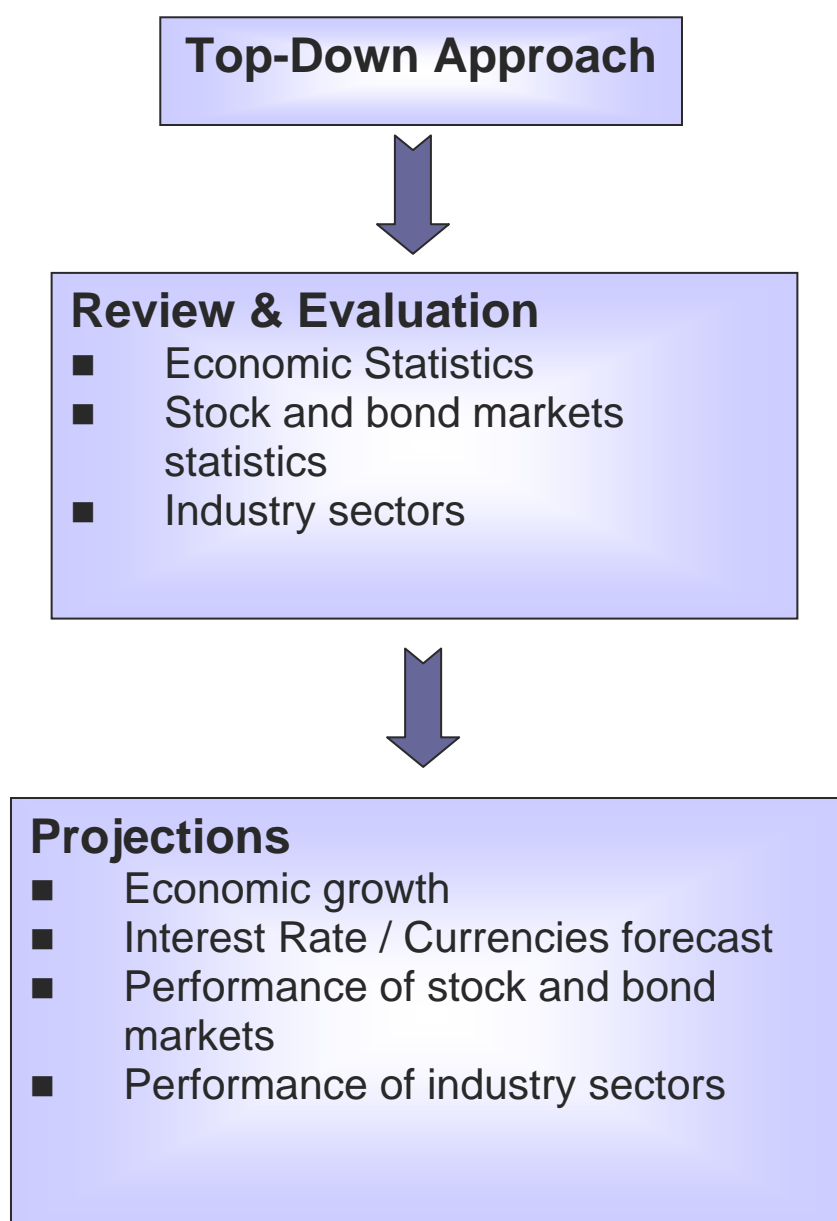
- ☑ GDP growth
- ☑ Current account surplus/deficit
- ☑ Budget surplus/deficit
- ☑ Foreign reserves
- ☑ Unemployment rate
- ☑ Consumer spending/ Retail sales
- ☑ Housing starts
- ☑ Capital spending
- ☑ Inventory level
- ☑ Capacity utilisation
- ☑ Consumer Price Index (CPI)
- ☑ Interest rate
- ☑ Productivity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



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 risk-adjusted returns on 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