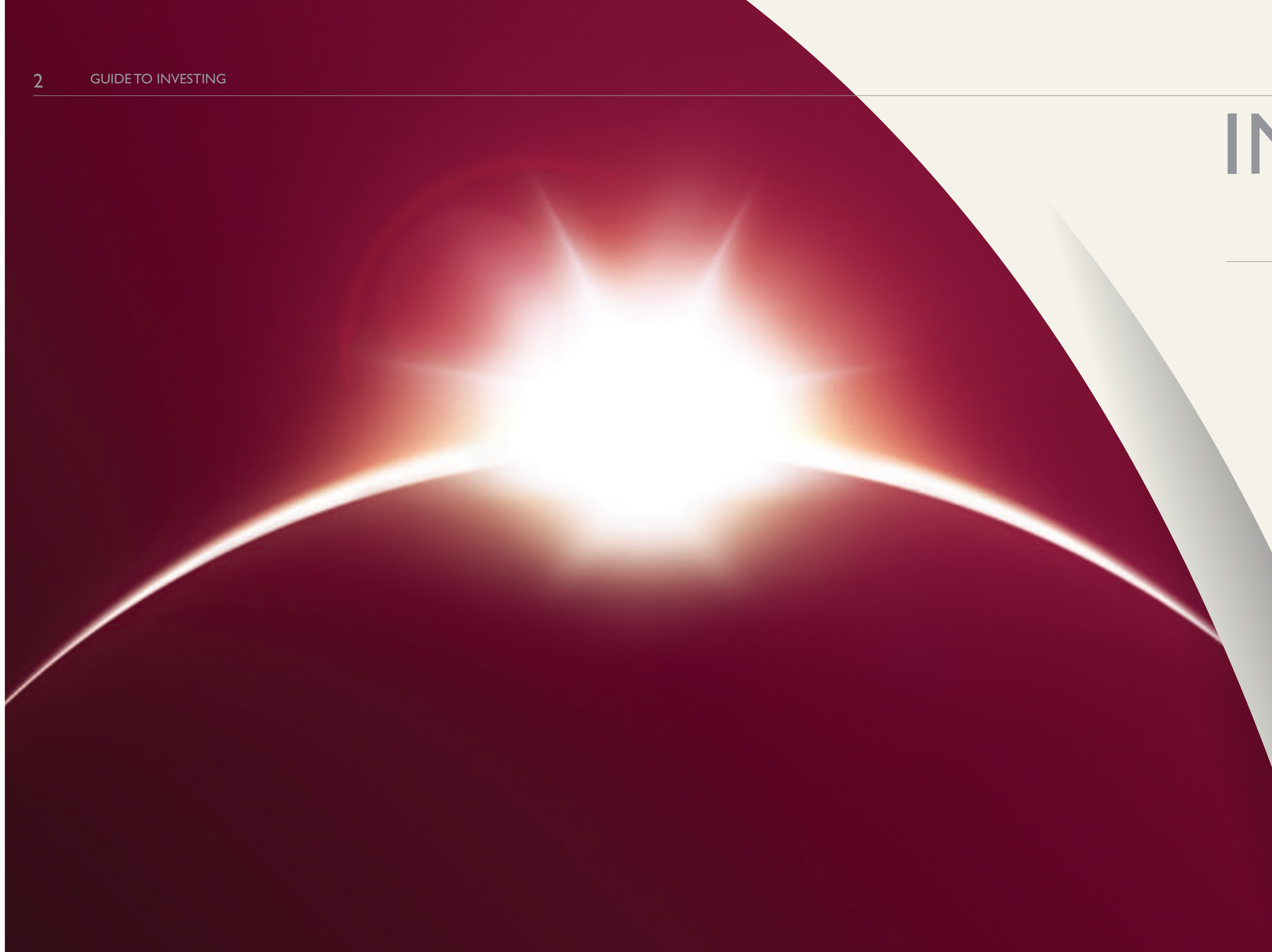
INTRINSIC

GUIDE TO INVESTING

At Intrinsic our approach to investment advice is based on clearly understanding your financial situation, your goals, and how much risk you are prepared to take with your money.



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INTRODUCTION

At Intrinsic our approach to investment advice is based on clearly understanding your financial situation, your goals, and how much risk you are prepared to take with your money.

The expert professional guidance your financial adviser will give you helps you through this process. This means we can make sure that our solutions are right for you and that you have all the information you need to make a clear decision.

We can introduce you to worldwide investment opportunities such as the Intrinsic Cirilium Multi Manager portfolios, managed for us by Henderson Global Investors. So wherever you decide to invest, you can be sure your money will be in professional hands.

In this Intrinsic guide to investing we will help you make an informed decision so ensuring, you make the right investment choice.

The value of the investment can go down as well as up and you may not get back as much as you put in.

WHAT DOES INVESTING MEAN?

Achieving a good return on our money is something we all aim for. So when we invest we do so with the expectation of generating income or capital growth.

For most styles of investing the returns will not be guaranteed and can be affected by market conditions.

Guaranteed returns are normally offered by investing in areas such as cash and are usually available from the Bank or Building Society.

Investing money to achieve a specific goal is normally considered to be a medium to long term strategy, e.g. planning for retirement. Depending on your circumstances this can be achieved by investing on a regular basis, usually monthly or annually or by investing a lump sum.

Why Invest?

We invest for a number of reasons:

- Saving for a specified purpose
- Building a pot of money for personal use at a later date
- To beat inflation to ensure that we maintain a good standard of living.

Before you Invest

Before you invest, we recommend that you have addressed four key areas:

- You have sorted out any debt
- You have adequate emergency funds
- You have adequate financial protection to cover common risks such as being off work due to sickness or accident
- You have considered your income needs in retirement

We will help you establish your needs and actions in the above areas and make recommendations to address these, in line with your investment requirements.

Investing money to achieve a specific goal is normally considered to be a medium to long term strategy.

UNDERSTANDING YOUR NEEDS AND REQUIREMENTS

Investing in what is best suited to you means we need to understand more about you. For instance, what are you investing for? Do you have a goal in mind? What is your investment experience?

We will take you through a fact find where we will ask you about your current financial situation, your investment goals and objectives. We will also ask about your feelings concerning your investment. How you feel about risk, and your expectations, are important parts of getting the right investment for you.

We will also consider your tax position to ensure you are maximising any tax free or tax allowance entitlements.

Here are some of the areas you should consider

- What am I investing for (growth, income or both)?
- What other investment products do I already have?
- What means do I have to enable me to invest?
- How long am I prepared to invest for?
- Do I need access to my money at anytime?
- What is my tax position, both now and when I want to take the benefits from my investment?
- What products can I invest in which will be most tax efficient?
- What degree of risk am I prepared to take?

Your financial adviser will help you through this process and provide tailored advice to suit your personal circumstances.

A key factor when investing is to determine the level of risk you are prepared to take with your investment. But what is risk and how does it affect how and where to invest?

How you feel about risk, and your expectations, are important parts of getting the right investment for you.

UNDERSTANDING RISK

We are all concerned about financial risk i.e. the risk associated with investing in certain investment types and the potential returns from those investments.

Investment returns are not usually guaranteed and any investment strategy brings with it the potential for loss. Each type of investment carries a different level of risk.

An example of this is investing money with your local bank/building society. Currently returns from these are low because the Bank of England base rate is at a record low. Inflation is currently higher. For example, if you are earning 0.5% p.a. interest on your bank account savings and inflation, which is the measure for the standard of living, is around 4% p.a., your capital invested is not keeping pace with inflation in real monetary terms. Even with a deposit account, the interest you receive may not keep pace with inflation.

Generally the amount of risk you take is linked to the reward, i.e. the more risk you take, the greater the potential for higher returns.

It is important to understand the level of risk you are prepared to take with your investment. To get your view on risk we will need to understand a number of key factors:

Generally the amount of risk you take is linked to the reward.

YOUR ATTITUDE TO RISK

To understand your Attitude to Risk, we will take you through Intrinsic's independent risk profiling tool in which we will ask you to respond to a series of 12 statements which help to understand your overall willingness to take risk.

You will be asked to respond to the statements with either:

- Strongly Agree
- Agree
- No strong opinion
- Disagree
- Strongly Disagree

The 12 statements are as follows

- People who know me would describe me as a cautious person
- I feel comfortable about investing in the stock market
- I generally look for the safest type of investment, even if that means lower returns
- Usually it takes me a long time to make up my mind on financial matters
- I associate the word "risk" with the idea of "opportunity"
- I prefer the safety of keeping my money on deposit
- I find investment and other financial matters easy to understand
- I am willing to take substantial financial risk to earn substantial returns
- I have little experience of investing in stocks and shares
- When it comes to investing, I'd rather be safe than sorry
- I'd rather take my chances with high risk / high return investments than have to increase the amount I am saving
- I am concerned by the uncertainty of stock market investment

The Profiler will place you in a risk category based on your answers. This risk category is the start point for you and your financial adviser to discuss and agree the correct risk category for your investment.

YOUR CAPACITY TO TAKE RISK

Your attitude to risk is only one factor in determining your risk profile and a suitable investment strategy. Potential loss must also be considered in relation to your financial objectives.

Your financial adviser will help you to understand what level of potential loss you could afford and feel comfortable with. This is known as capacity for loss. It is important that you understand the potential risk of any investment and the financial impact this may have on you.

Your attitude to risk and your capacity to take risk may differ. For example, you would like to invest in an adventurous way with your savings to maximise the potential growth, but your savings are your emergency fund and you cannot afford to lose any of their value.

On the other hand, you may be young and saving for your pension and can afford to take more risk as your investment has a longer time to recover from any down turn in the market.

YOUR NEED TO TAKE RISK

You may not be comfortable with taking any risk with your investment, but there may be a need to take some risk to meet your objectives. Your financial adviser will discuss and explain the implications.

Once we have established your attitude to risk, your capacity to take risk and need to take risk and how that fits with your investment objectives we will be able to agree your overall risk profile.

It is important that you understand the potential risk of any investment and the financial impact this may have on you.

THE RISK PROFILES

INCREASING RISK

1 RISK AVERSE

Risk Averse investors prefer knowing that their capital is safe rather than seeking higher returns. They are not comfortable with the thought of investing in the stockmarket and want to keep their money in the bank or other cash-based deposits.

Risk Averse investors typically have very limited knowledge of financial matters. They are unlikely to have experience of investment.

Risk Averse investors can take a long time to make up their mind on financial matters and will usually suffer from severe regret if their decisions turn out badly.

Risk Averse investors typically hold all of their money in cash deposits. Risk Averse investors need to be aware that their unwillingness to take any risk with their money may mean that the value of their savings does not keep pace with rises in the cost of living (inflation).

2 CONSERVATIVE

In general, Conservative investors prefer knowing that their capital is safe rather than seeking higher returns. They are not particularly comfortable with the thought of investing in the stockmarket and would rather keep most of their money in lower risk assets. However, Conservative investors do not believe that all of their money should be invested in lower risk assets such as Cash or Fixed Income.

Conservative investors typically have fairly limited knowledge of financial matters. They are unlikely to have much experience of investment.

Conservative investors can take a relatively long time to make up their mind on financial matters and will usually suffer from regret if their decisions turn out badly.

The Strategic Asset Allocation suitable for this type of investor is aimed at having a higher probability of achieving positive returns with 25% invested in higher risk assets such as Equity and Property funds. However, on occasion, this percentage of riskier assets may go slightly higher dependent on the fund manager's view of market conditions.

3 BALANCED

In general, Balanced investors prefer not to take too much risk with their investments, but will do so to an extent. They tend to prefer lower risk assets, but realise riskier investments are likely to give better longer term returns. As a result, they realise that by taking a balanced level of risk the opportunity for increased returns is higher.

Balanced investors typically have moderate levels of knowledge about financial matters. They may have some experience of investment in riskier assets.

Balanced investors can take some time to make up their mind on financial matters and can suffer from regret when decisions turn out badly.

The Strategic Asset Allocation suitable for this type of investor is aimed at having a higher probability of achieving positive returns with 50% invested in higher risk assets such as Equity and Property funds. However, on occasion, this percentage of riskier assets may go slightly higher dependent on the fund manager's view of market conditions.

4 MODERATE

In general, Moderate investors understand that they have to take investment risk in order to be able to meet their long-term goals. They are likely to be willing to take risk with a high proportion of their available assets.

Moderate investors typically have a good level of knowledge about financial matters. They usually have some experience of investment, including investing in products containing higher risk assets such as equities.

Moderate investors will usually be able to make up their minds on financial matters relatively quickly, but still suffer from some feelings of regret when their decisions turn out badly.

The Strategic Asset Allocation suitable for this type of investor is aimed at having a higher probability of achieving positive returns with 71% invested in higher risk assets such as Equity and Property funds. However, on occasion, this percentage of riskier assets may go slightly higher dependent on the fund manager's view of market conditions.

5 DYNAMIC

In general, Dynamic investors are happy to take investment risk and understand this is crucial in terms of generating long-term return. They are willing to take risk with most of their available assets.

Dynamic investors typically have significant levels of financial knowledge. They will usually be experienced investors, who have used a range of investment products in the past that have contained high levels of Equity.

Dynamic investors will usually be able to make up their minds on financial matters quite quickly. While they can suffer from regret when their decisions turn out badly, they are able to accept that occasional poor returns are a necessary part of long-term investment.

The Strategic Asset Allocation suitable for this type of investor is aimed at having a higher probability of achieving positive returns with 85% invested in higher risk assets such as Equity funds. However, on occasion, this percentage of riskier assets may go slightly higher dependent on the fund manager's view of market conditions.

6 ADVENTUROUS

In general, Adventurous investors are looking for a high return on their capital and are willing to take considerable amounts of risk to achieve this. They are usually willing to take risk with all of their available assets.

Adventurous investors typically have high levels of financial knowledge. They often have substantial amounts of investment experience and may have been active in managing their investment arrangements.

Adventurous investors typically will make up their minds on financial matters quickly. They do not suffer from regret to any great extent and can accept occasional poor returns without much difficulty.

The Strategic Asset Allocation suitable for this type of investor is aimed at having a higher probability of achieving positive returns with 100% invested in higher risk assets such as Equity funds.

DECREASING RISK

SPREADING THE RISK – DIVERSIFICATION

Having established your risk profile we need to establish the best way to invest.

Spreading risk is one of the most important principles of investing, not only between several different investment types (also known as asset classes) but also between different companies.

By taking this approach, even if a particular asset class or company goes through a bad patch, the rest of your investment need not be affected.

Deciding which asset classes to invest in to match the return you are looking for links to your chosen risk profile.

Different asset classes have varying degrees of risk and return. Examples of different asset classes are listed below:

INCREASING RISK

Commodities

Commodity investments are useful in creating a diversified portfolio, and these are sometimes known as Alternative Investments.

Equities (shares)

Investment in equities, both UK and global, has long been the cornerstone of most investment portfolios, providing long-term scope for growth of both capital and dividend income. Equity performance tends, however, to be volatile in the short term.

Hedge funds

Hedge funds are an asset that can provide returns uncorrelated to both bonds and equities. Many hedge funds are designed to capture market increases while at the same time offering protection against capital loss. These are sometimes known as Alternative Investments

Commercial property

Property is an asset class that has re-established its importance in the 21st century. It offers the potential for long-term income and capital growth and is normally uncorrelated to equity markets.

Fixed interest securities (bonds)

There is a wide range of fixed interest securities from low risk short-term government bonds to high-risk long-term corporate bonds. Bond investment can be a useful counter-balance for equities because the performance of these two asset classes tends to have a low correlation, i.e. they do not normally move in parallel.

Cash

Cash is often perceived as a risk-free investment but it is also a low-return investment. Historically, cash has given a return of close to zero once the impact of inflation is taken into account.

DECREASING RISK

Taken together these different asset classes are blended together to produce strategic asset allocations that then aim to match the risk profiles.*

The different strategic allocations are listed overleaf.

* See page 12

STRATEGIC ASSET ALLOCATIONS

At Intrinsic we have employed independent expertise to combine a solution that marries your risk profile with a clearly defined asset allocation. The asset allocations are then assessed to determine the sort of volatility and returns that can be reasonably expected. Instead of relying purely on historic investment returns of the asset classes, the forecasts are calculated using a stochastic investment model.

Stochastic models are generally considered more reliable than historic returns alone as they explicitly allow for:

- Economic drivers underlying investment returns, such as economic growth
- Day to day variability inherent in investment returns and equity market shocks

A stochastic model (supplied by Barrie & Hibbert) is used to generate thousands of possible future scenarios for each Strategic Asset Allocation and allows us to estimate the measures of risk and return for each profile as shown below:

DECREASING RISK

1 Risk Averse	
Cash	100%
UK Fixed Income	0%
Global Fixed Income	0%
UK Equities	0%
Global Equities (ex UK)	0%
UK Property	0%

2 Conservative	
Cash	12%
UK Fixed Income	51%
Global Fixed Income	12%
UK Equities	10%
Global Equities (ex UK)	5%
UK Property	10%

3 Balanced	
Cash	0%
UK Fixed Income	50%
Global Fixed Income	0%
UK Equities	12%
Global Equities (ex UK)	32%
UK Property	6%

4 Moderate	
Cash	0%
UK Fixed Income	29%
Global Fixed Income	0%
UK Equities	17%
Global Equities (ex UK)	52%
UK Property	2%

5 Dynamic	
Cash	0%
UK Fixed Income	15%
Global Fixed Income	0%
UK Equities	20%
Global Equities (ex UK)	65%
UK Property	0%

6 Adventurous	
Cash	0%
UK Fixed Income	0%
Global Fixed Income	0%
UK Equities	22%
Global Equities (ex UK)	78%
UK Property	0%

INCREASING RISK

A stochastic model is used to generate thousands of possible future scenarios for each Strategic Asset Allocation.

All these asset allocations are indicative only and may vary according to the individual fund manager's view of investment conditions at any given time. This may include varying the type of asset and also the percentages held in each asset.

INVESTMENT FUNDS

The value of the investment can go down as well as up and you may not get back as much as you put in.

Once you have determined your risk profile, and it's matching strategic asset allocation, you then need to decide on the type of funds you want to invest in, to achieve your financial goals.

These will depend on your risk profile.

For example someone who is "risk averse" and does not want any associated risk to their capital will have their money invested in low risk asset classes such as Cash and fixed interest type funds.

Someone who is an "Adventurous" risk profile is prepared to take a lot of risk for the potential of a greater level of anticipated return. An "Adventurous" investor will invest in "riskier" asset classes such as Equities, Commodities and Property to achieve an asset allocation which matches that profile.

Intrinsic Financial Services operates an Investment Committee, whose role is to review the process of fund selection and to ensure that they are appropriate for your financial adviser to recommend to you.

The Committee works closely with the independent investment analysts, Old Broad Street Research Ltd (OBSR) who arrive at recommendations based on a combination of the following factors:

- The fund objectives and aims
- Performance of the fund
- The fund volatility profile
- The strategic asset allocation
- The quality of the fund manager and the organisation's attitude to risk
- The experience, skills and strength of the investment team.

As a result, only the funds that the Investment Committee (with expert input from OBSR) considers likely to prove suitable for the majority of savers and investors are included in our fund matrix.

OBSR review funds on a regular basis and report their findings to the Investment Committee. This is to ensure that the funds remain appropriate for inclusion within the range when considered against the criteria listed opposite.

There are various styles of investment funds that you can invest in to achieve your risk profile and the range that we offer are listed overleaf with explanations of each fund type.

The more complex solutions do cost more and this should be something you take into consideration. You will be taking more risk for the potential of a greater return, and the associated cost for this is higher. Your financial adviser will take you through the different types of fund options.

Only the funds that the Investment Committee considers likely to prove suitable for the majority of savers and investors are included in our fund matrix.

INVESTMENT FUND TYPES

Cash and cash like funds

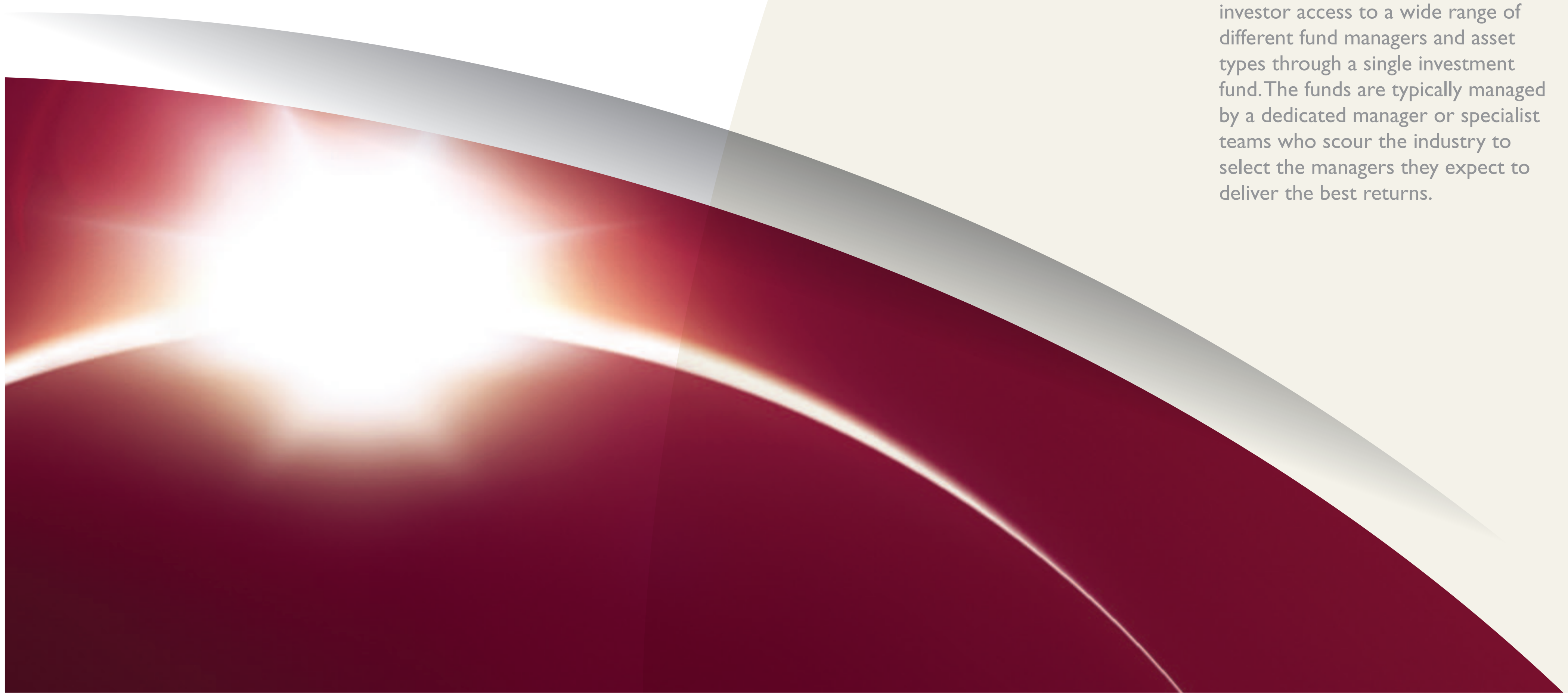
Funds that provide lower volatility than risk based funds, such as equities, with returns linked to bank and building society deposit rates. There is no guaranteed capital protection.

Multi asset Passive Management funds

These types of funds invest in multi asset classes which predominantly track a particular market or index (e.g. FTSE). The performance of these types of funds attempts to mirror the performance of the selected indices. These funds are essentially run through computer programmes and therefore do not include active fund management or processes.

Multi asset Single Manager funds

These fund types will invest in multi asset classes and/or funds from a single investment fund house only. These funds/asset classes may be managed by a different number of specialist managers within that single investment fund house or the individual single manager. The fund may either directly invest across different asset classes or be created through blending single managed funds from within that fund house. In each case the manager blends them to meet a specific risk profile and asset allocation. This manager is responsible for actively managing the asset allocation and achieving the performance expected.



Multi asset Multi Manager funds

A Multi Manager is a specialist individual that selects a blend of single managed funds from the whole of the market and blends them to meet a specific risk profile and asset allocation. This Multi Manager is responsible for actively managing the asset allocation and achieving the performance expected. This includes the use of other funds and other managers. The Multi Manager will switch between funds and sectors in response to market changes and research/analysis. This approach involves making decisions on the inclusion, and exclusion, of funds against risk profiles, with the aim of reducing volatility.

The aim of these funds is to give the investor access to a wide range of different fund managers and asset types through a single investment fund. The funds are typically managed by a dedicated manager or specialist teams who scour the industry to select the managers they expect to deliver the best returns.

Discretionary Fund Management

Discretionary Fund Management consists of a portfolio of investment vehicles rather than a "fund of funds" approach and is often considered more personal to the needs of the individual client. A Discretionary Fund Manager will construct a portfolio of varying assets and investment types based on the attitude to risk and an agreed investment strategy with a client. The Discretionary Fund Manager is responsible for switching between funds and sectors in response to market changes and own research and analysis. They will rebalance portfolio assets in line with the agreed strategy as and when deemed appropriate. There is normally a minimum overall investment value for this service of at least £100,000.

At Intrinsic we have a clear investment approach that we believe will be appropriate for the majority of our clients and this is encapsulated in the Intrinsic Investment philosophy.

INTRINSIC INVESTMENT PHILOSOPHY

The value of the investment can go down as well as up and you may not get back as much as you put in.

We believe that spreading your risk is the key to a successful investment approach:

- Intrinsic aim to achieve above average growth for below average risk and volatility for clients.
- Our core approach is multi asset class which aligns a portfolio to a client's attitude to risk using a blend of asset classes. Intrinsic believe that no single asset class can spread risk well enough.
- Intrinsic believe a rigorous asset allocation and fund selection process is required.
- Appropriate asset allocation, fund selection and rebalancing requires a high level of expertise which Intrinsic outsource for their own Cirilium Multi Manager Portfolios to a leading professional in this field (Henderson Global Investors).
- Portfolios should be rebalanced to the asset allocation model on a regular basis.
- Active management should only be accessed where there is evidence of added value through qualitative and quantative research, and the potential for outperformance using alternative investment strategies.
- The portfolio manager(s) should have discretionary powers to select funds within each portfolio based on clear fund mandates.
- Where our core approach is inappropriate for a client, other alternatives will be researched and offered.

Our Investment Philosophy is simple, Multi-Manager / Multi-Asset.

To achieve this we have our own Cirilium range of Multi Manager Portfolios. Each of the funds has its own risk profile that matches the individual attitude to risk profiles.

THE CIRILIUM MULTI-MANAGER PORTFOLIOS

Five risk-adjusted portfolios designed to deliver sound performance and mapped to your personal attitude to risk.

The Investment teams at Henderson Global Investors have developed for Intrinsic a range of Cirilium Multi-Manager Portfolios. Each portfolio targets a different type of investor, mapping across from the attitude to risk analysis tool that your financial adviser has discussed with you.*

* See page 10

Cirilium

About the Cirilium Multi-Manager Portfolios

Cirilium Conservative Fund

The conservative investor would rather keep most of their money in lower risk assets but also accepts that investment for long-term capital growth involves risk. The conservative portfolio reflects this profile with a broad diversification across asset classes and focuses on lower risk assets such as fixed interest securities and cash. The maximum exposure to higher risk assets is 30%.

Cirilium Balanced Fund

The balanced investor accepts that investment for long-term capital growth involves risk but wants to limit his or her exposure to that risk. An important feature of the balanced approach is broad diversification across the asset classes, with a maximum exposure to higher risk assets of 60% and at least 30% exposure to fixed interest securities and cash.

Cirilium Moderate Fund

The moderate investor is prepared to see a higher volatility of investment returns in exchange for greater potential long-term capital growth. The underlying investments of the moderate portfolio will still be well diversified. The maximum higher risk assets exposure is 80%, of which at least 10% will be in overseas equities.

Cirilium Dynamic Fund

The dynamic investor accepts a relatively high level of risk from a portfolio, which may have up to 90% exposure to higher risk assets. The dynamic portfolio could experience significant changes in asset allocation, despite the high risk asset ceiling, if market conditions change.

Cirilium Strategic Income Fund

The Cirilium Strategic Income Fund is a balanced fund aimed at producing a 5% income yield distributed in June and December of each year. It is for clients who have a balanced attitude to risk and want to be able to take a regular income. This fund has a broad diversification across the asset classes, with a maximum exposure to higher risk assets of 60% generating a yield and at least 30% exposure to fixed interest securities and cash.

As part of the arrangement with Henderson Global Investors, Intrinsic receive a small percentage share of the overall fund charges each year. This fee is part of the Annual Management Charge and is included in the total expense ratio (TER) of each fund and is no more than 0.5% each year. This is not an additional charge.

HERE TO HELP YOU

Managing your finances effectively can be a confusing business. The financial world is complex, and making the right decisions for your future can seem a daunting prospect.

At Intrinsic, we take pride in offering a personal service that takes into account your individual circumstances. Your financial situation is unique, so we work hard to understand your goals and aspirations, and make financial recommendations based on a comprehensive and detailed analysis of your needs.

Through our comprehensive offer, all Intrinsic advisers can provide you with advice on every aspect of financial planning:

- saving and investing for the future
- planning for your retirement
- estate and trust planning
- owning your own home
- protection against risk

All our services are backed by the Intrinsic Customer Promise:

We will always treat you fairly. You can expect in all our dealings with you that we will:

- Treat you as we ourselves would expect to be treated
- Never take advantage of you
- Be open and honest
- Quickly put right any mistake that we make.

When it comes to making the right Investment choice – you can count on Intrinsic…

INTRINSIC

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