


DART CAPITAL

Dart Capital Investment Management





Our investment proposition	2
The early stages	3
Our investment approach	4
House style	7
Service	8
Reporting	9

Our investment proposition



We firmly believe that active management will produce the best long term returns. What the last few years has reminded us however, is that over short periods there are likely to be periods of volatility. This leaves many clients asking themselves “Do I have the risk budget for the journey?”

They face the eternal dilemma of wishing to both capture rising markets and preserve value when markets are in decline. A successful investment relationship helps to ensure that the exposure to risk of their portfolio is both reasonable and appropriate.

Many investors have therefore become increasingly sensitive to the fluctuation in the values of their portfolios. The consequence of this “emotional roller-coaster” is that many have actually chosen to sacrifice upside potential in order to reduce the volatility and thus allow us to more actively control their downside risk.

We are confident that due to the clear understanding that we have of our clients’ requirements, we can produce risk adjusted returns that meet their aspirations. We achieve this by investing across all asset classes and by applying a disciplined asset allocation process. By investing in an actively managed portfolio of equities, bonds, and less correlated assets in the shape of alternatives, we believe that we can achieve competitive returns whilst keeping the inherent risk of a portfolio at sensible and agreed levels.

The early stages




When forging a relationship with a new client, it is critical that we truly understand their financial goals. By discussing their current circumstances and future objectives, it is possible to start agreeing the parameters under which the future strategy will operate. The time that is invested in these early stages, will help to ensure that their strategy is both appropriate from a risk perspective and also likely to achieve the agreed return objectives over the medium term.

We believe that by actively managing the asset allocation of a client's portfolio, it is possible to benefit from the prevailing conditions without significantly increasing the overall risk profile of the portfolio. It will always be the case however; that positive investment returns can only be achieved by accepting some degree of inherent risk.

A Client Risk Assessment (CRA) is undertaken with every new client, to determine the risk structure of their own bespoke portfolio. The criteria considered include, their investment timescale, what degree of fluctuation can they tolerate, what annual return is required to meet their expectations, what combination of assets will best meet their needs and how much (if any) income is required? This analysis in turn leads to a CRA rating between one and five, with one being a very cautious portfolio and five being adventurous. Each rating then corresponds to a target asset allocation for the portfolio.

The CRA rating system provides a useful framework to allow us to ensure that the risk profile of our clients' portfolios continues to reflect their own personal circumstances.

Our investment approach



History clearly shows us that the majority of investment returns are generated not from picking stock A over stock B, but from being invested in the correct sector or asset class. This means that we place much of our energy in researching the macro-economic situation and is often referred to as a “top down” approach. Our process therefore starts with our Investment Strategy Committee:

Investment Strategy Committee (ISC)

This committee takes account of the “bigger picture issues” and draws upon research from a number of sources. These include:

- Bank of England
- Leading fund research
- City economists
- Qualitative investment research
- Respected independent agencies

The Committee meets on a monthly basis, to discuss and agree the strategic target asset allocation for our clients' portfolios. It also makes short term tactical asset allocation decisions based on market conditions.

The asset allocation policy reflects the current and future market conditions for the various asset classes that are available to us. More importantly however, it allows us to commit our clients' funds to the particular areas of the market which we believe are likely to drive returns.

Given that our investment approach is designed to perform over the medium to long term, it is quite possible that there will be periods where we do not wish to be fully exposed to a certain asset class. We simply feel that the potential offered by owning that asset, does not justify the inherent risk. This may manifest itself in short periods of under performance but provides for far greater protection against volatility in the long term.

Having arrived at a suitable asset allocation for each CRA risk profile, the responsibility then passes to the next stage of our investment process

Our investment approach



The Manager Selection Committee (MSC)

The Manager Selection Committee (MSC) then meets, to consider the investment options that are available to us. This meeting includes a review of the existing holdings and also a consideration of where acquisitions or disposals would add further value to the portfolios. Clearly with such a large number of investments to choose from, it is critical that we understand the nuances of each fund and more importantly how do they differ from their peer group. This integral knowledge that we have acquired over a number of years, helps us to both add value and monitor the overall balance of risk within the portfolios.

To allow us to select and retain the most suitable investments, we utilise both qualitative and quantitative research. This will often include independent ratings agencies that monitor and review the funds on an ongoing basis. In addition and perhaps of greatest value is the ability that we have to meet the fund managers on a regular basis. This allows us to understand where they are adding particular value in the process and critically whether they are operating within levels of volatility that

we deem acceptable. The fund managers and their respective performance are kept under constant scrutiny by our in-house specialists, to ensure their continuing suitability. It is critical that we understand why our funds are performing in a particular way so that we can ensure the associated risk justifies the returns we are achieving. Any manager demonstrating levels of volatility outside of a stringent set of parameters will be replaced. This ensures that downside risk is minimised, whilst still aiming to achieve competitive rates of return.

Our clients therefore continue to benefit from an active, ongoing and relevant assessment of the risk premium involved with owning specific investments. For example, by simply preserving capital values in a falling market, we are able to purchase more assets at a lower price when the opportunity arises.



House style



There are a number of key principles that we adhere to when managing portfolios and together they combine into our “house style”.

Diversification

Diversification of asset class and individual holdings. This means that a portfolio will never be disproportionately invested in one holding or asset class and is an essential way of both mitigating and managing downside risk.

Taking profits

We believe in crystallising gains when they reach an acceptable level and not expecting an investment to continue to rise indefinitely. By capturing the gain, we can choose to either take risk off the table or commit to a new idea at a more attractive stage. This may also mean that at times, we choose to remain in cash if no suitable opportunity is available.

Taking losses

We are not afraid to take losses, if we believe that these funds can be more productively utilised elsewhere. Too many managers simply choose to sit and suffer in the hope that eventually an investment will recover, without

any real understanding of why. History clearly demonstrates that the amount of capital lost on the way down, is in fact no way correlated to the amount by which it will recover when the market turns. An added benefit of realising and registering losses is that these can at least be offset against future gains and thus minimise capital gains tax liabilities.

Minimise costs

We believe in minimising dealing costs. This may seem an obvious point to make, but any cost incurred by our client has to be recovered before any actual profit is made.

Rebate commissions

We rebate all trail commissions to our clients, this may be up to 0.5% per annum on any one fund.

Evolution not revolution

We believe that constantly evolving changes of emphasis, rather than big strategy shifts will both produce better results and minimise volatility. It also reduces the need to chase the next “fashion driven” investment idea.

Service



At the heart of our entire proposition, are our clients' portfolios. We operate a system that ensures the clients are receiving the level of service that they expect within a cost structure that is fair and competitive.

Every client is looked after by their Asset Manager who is able to discuss and advise on all aspects of their portfolio and financial planning needs. In addition every portfolio is reviewed on a monthly basis by a dedicated Portfolio Manager to ensure its continuing suitability. Any proposed changes are agreed between the Asset Manager and Portfolio Manager prior to implementation.

These monthly reviews ensure that the portfolio remains appropriate and that we are able to provide a pro-active service based around a clear knowledge of our clients' aspirations. A regular dialogue is encouraged, to allow feedback on the performance of the portfolio and the opportunity to inform us of any changes that may affect the decision making process.

Discretionary Investment Management

Due to the speed at which the markets now move, many clients are unable to make timely investment decisions. As a result, they choose to cede to us the day to day decision making, whilst remaining involved with the overall investment strategy.

Clients, if they so wish, can be regularly informed of the rationale behind the individual decisions and we are delighted to discuss any particular change. Given that clients can access their portfolios on line and that we operate within strictly agreed parameters, this option really does allow the best of both worlds.

Reporting

Communication is the foundation of any successful long term relationship. We have therefore invested in high quality paper

reports which are produced and issued to our clients on a quarterly basis. The summary page from this report is shown below.

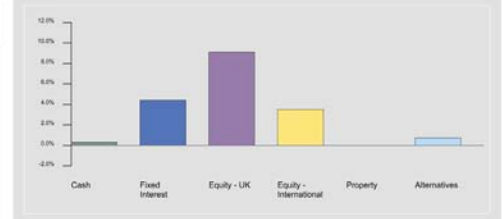
DART CAPITAL

Performance Summary - 1 Apr 2009 to 30 Sep 2009

Your Portfolio	
Value of Portfolio on 30 Sep 2009	£871,120
Value of Portfolio on 1 Apr 2009	£739,249
Net Investment in Period	-£2,667
Change in Value of Portfolio Over Period	£134,538
Time Weighted Return	17.0%
Money Weighted Return	18.0%

Attribution by Asset Class	Asset Class Return %	Contribution £	Contribution %
Cash	-0.1	3,378	0.3
Fixed Interest	16.9	32,230	4.4
Equity - UK	35.0	67,265	9.1
Equity - International	25.4	20,228	3.5
Property	0.0	13	0.0
Alternatives	6.7	5,424	0.7
Total		134,538	18.0

Asset Class	Benchmarks	%
Cash	B O E Base Rate	0.3
Fixed Interest	FTSE UK Gilts	-1.0
Equity - UK	FTSE UK All-Share	31.5
Equity - International	FTSE World Index(ex-Uk)	25.3
Property	FTSE UK Commercial Property	-4.9
Alternatives	B O E Base Rate	0.3





In addition we have developed an online reporting service which allows you, via a secure login, to view your portfolio valuation

along with live cash account statements and transaction summaries. A screen shot from this system is also shown below.

DART CAPITAL Model ACCOUNT:

Portfolio **Portfolio Valuation**

[Account Summary](#) All prices are as at previous close of business.

[Portfolio Valuation](#)

[Transaction History](#) **Portfolio - Certificated Client (0069326)**

Cash

[Statement Details](#)

Market Information

[Charts](#)

Stock Information	ISIN	Stock	Quantity	Book cost (GBP)	Price	Value (GBP)	Change (%)
Stock A-Z	GB0006572464	ARTEMIS FD MNGRS INCOME INC	80,489.9	100,000.00	1.52 GBP	122,322.29	+22.32
News	GB0002192267	ARTEMIS FD MNGRS UK SPECIAL SITUATIONS ACC	45,124.3	100,000.00	3.05 GBP	137,658.45	+37.66
Company Information	GB0006017825	BAILLIE GIFFORD EMERG MARKETS GTH A NAV ACC	56,529.1	100,000.00	3.54 GBP	200,113.01	+100.11
Contact Us	GB0033874214	FIRST STATE INV ASIA PACIFIC LEADERS A NAV	57,710	100,000.00	2.81 GBP	161,990.43	+61.98
Terms & Conditions	GB0032437948	GARTMORE FUND MGRS EURP SEL OPFS RET A NAV	17,832.6	100,000.00	7.94 GBP	141,624.73	+41.62
	IE0030819050	HSBC GLOBAL LIQUID LIQUIDITY C GBP	79,182.8	100,000.00	1.36 GBP	107,601.51	+7.60
	IE0031442068	ISHARES S&P 500 NAV	18,018	100,000.00	6.48 GBP	116,801.68	+16.80
	IE0033009345	J O HAMBRO CAP MGT UK GROWTH GBP INST	82,101.8	100,000.00	1.93 GBP	158,456.47	+58.45
	GB0034155712	LEGAL & GENERAL UT ALL STKS IDX LKD GT IDX INC	166,002.7	100,000.00	0.64 GBP	107,005.34	-7.01
	GB0031285670	M&G SECURITIES LTD CORPORATE BD A INC NAV	359,712.2	100,000.00	0.33 GBP	117,805.75	+17.61

Portfolio Totals (GBP)

Total book cost	1,000,000.00
Change	(+37.14%) +371,369.66
Total value	1,371,369.66
Cash	0.00

Dart Capital Limited
4 Eastcheap
London
EC3M 1AE

Tel: 020 7283 1117

Fax: 020 7283 0891

Web: www.dartcapital.co.uk