

Redington Investment Principles

INVESTMENT STRATEGY

1 All investment strategy starts with the clear goals, objectives & constraints of the client, including a defined and agreed risk budget

2 The success of an investment strategy is judged by meeting client objectives, not in predicting the direction of the market

3 *Investment strategy should be as simple as possible but as complex as necessary to meet client objectives*

4 Investment strategy only works if it is implemented; a strategy can only be optimal if a client will execute it

5 Manager selection should not drive investment strategy; rather managers should be chosen to fulfil the strategic asset allocation

EXPECTED RETURNS

6 *For every return above the risk-free rate there is a risk; however some risks offer no or negative expected returns*

7 Our assumptions where possible are empirically based

8 Using prudent expected return assumptions incorporates a margin of safety leading to better outcomes

9 Going strategically net short a risk premia should be subject to a much higher hurdle than being long

10 Illiquidity always increases risk relative to a liquid comparable asset and so needs to offer a higher expected return to be a part of an asset allocation

RISK MANAGEMENT

11 Risk management needs to be put in place in the good times to have the most effect in the bad times

12 *Risks still exist if you don't measure them, but risks can only be controlled if you do measure them*

13 Risk management and asset allocation are not an exact science; you need both qualitative and quantitative judgement

14 We accept that making mistakes is inevitable; we commit to acknowledging, correcting and learning from them

15 Diversification adds value over the long term but cannot be relied upon to protect the portfolio in all adverse conditions

STRATEGY IMPLEMENTATION

16 We accept that our clients may have strong market views but we will encourage them to right-size the risk they take in expressing these views

17 Spend more time on things that will make a difference to goals and objectives and less time on those that won't

18 Implementation costs (both trading and fund management fees) should be as cheap as possible but not at the expense of compromising client objectives

19 Prioritise the "quick wins" first before worrying about how difficult the harder things are

20 *If you don't understand something, our advice is don't invest in it.*