

UMAFS Investment Philosophy

This investment philosophy describes our current beliefs about investing. We intend to review these beliefs occasionally and may modify this document as is appropriate or necessary. It generally applies to all our client relationships and describes our approach to markets, asset classes and the advice process. It is intended to be a guideline from which we may find suitable investment products, processes or even vendors thereof that closely match these principles. There may be instances where these doctrines may not be followed on behalf of an investor as their individual circumstances may require that a different investment approach be considered.

We believe that financial markets reward knowledgeable, disciplined investors. Capitalizing on extensive understanding of markets, managers and investors, we recommend portfolios aimed at delivering above-average, consistent long-term results, while managing the chances of substantial short-term disappointment. Our knowledge and commitment to a disciplined investment process are reflected in every portfolio we manage.

1) Diversification is the first rule of investing. The future is uncertain, and forecasting market or product returns is difficult.

- Diversification at the asset class level will help create a return stream that is driven by multiple markets rather than by a single market return.
- Diversification at the investment process level will help to ensure that the incremental return from active management is driven by multiple uncorrelated styles of investing. This will help ensure a superior risk-adjusted return.
- Diversification at the manager level will help mitigate risks associated with particular business models and investment teams.

2) Asset classes with higher returns are more risky. Financial markets generally offer higher returns to investors willing to accept higher levels of risk. However, these “payments of risk” may be minimal, or even nonexistent, over short periods of time. We believe that investors who adopt a long-term strategy are more likely to reap the rewards for their exposures to risk. Financial markets also offer a variety of return-for-risk combinations. We believe that investors who recognize these market opportunities are more likely to hold portfolios appropriate to their personal preferences and circumstance.

- In the long run, equities out-perform bonds and bonds out-perform cash. These capital markets principals can be observed in markets around the world.
- The incremental return from riskier assets (known as a risk premium) comes with greater uncertainty of outcome in any given time period.
- The optimum combination of asset classes depends, among other things, on the risk appetite of the investor.

3) Markets are inefficient. There are many reasons and a great deal of evidence to indicate that markets do not instantly and correctly price in all available information. These insights and experiences underpin our supportive belief in active management.

- Prices are far more volatile than underlying economic or market fundamentals, meaning that sentiment can be a major driver of short term returns.
- Not all investors are equally well informed, similarly motivated or skilled. There is opportunity when research can identify superior investment minds or processes.
- Investors are subject to behavioral biases that can result in sub-optimal decision making.
- Markets are likely to be imperfectly defined by indexes.

4) Skilled investors / managers can identify and exploit mis-priced assets. The quality of investors and processes varies significantly from firm to firm and market to market.

- The spread in manager excess returns is typically large relative to market movements and some managers post consistently good returns.
- Success requires the ability to identify those managers who have the consistent ability to capture price anomalies at a rate and a cost that creates net value for investors.

5) No single investor or investment strategy will out-perform all of the time. A manager's beliefs are typically revealed as style or factor biases in a portfolio and they will move in and out of favor over time.

- In the short term, luck will dominate skill and good managers can experience bad outcomes.
- Managers that perform consistently well are not necessarily skilful – in large samples of managers, some will evidence remarkable performance through chance alone.

6) Intensive manager research can identify the most skilful investors and the most successful investment strategies. We seek to leverage the highest quality, objective research to identify these managers for clients. We also believe that no single style of investing consistently dominates over the long-term, and that all approaches are vulnerable to periods of underperformance. Our disciplined investment process is aimed at avoiding reaction to short-term investment style or market moves that can cost clients real wealth.

- Past performance is an inadequate basis for the identification of successful investment managers. Research must be forward looking.
- Detailed and continuous qualitative and quantitative research is key to successful manager selection.
- Successful investors and strategies can be found in many different kinds of investment management firms.
- No one investment strategy consistently out performs all others.

7) Carefully constructed combinations of the best managers and strategies should out-perform the average investor over the long run.

Our portfolios also reflect significant knowledge of investment managers. A rigorous manager evaluation process seeks to identify managers with the best prospects for outperforming their peers and benchmarks. We construct portfolios intended to preserve the return potential, while managing the possibilities of serious underperformance.

- The excess return of a multi manager portfolio is the weighted sum of the excess returns of the underlying managers. Each manager selected is expected to out perform, and therefore, so should the mix of managers.
- Exposure to a number of investment managers/strategies that exhibit low correlation of returns leads directly to a lower level of residual risk.

8) Efficient implementation is essential to protect value created by manager selection and portfolio construction. All portfolio management activity incurs costs which need to be minimized in order to protect portfolio performance.

- A combination of segregated portfolios (managers) rather than a fund-of-funds will often give greater control over the aggregate portfolio and minimize costs.
- Expert transition management can reduce the drag on performance associated with the cost of changing managers.

9) We strive to know our investors and we understand the applicability of each product and portfolio for different clients. Each of our investment portfolios contributes to some specific objective.

- Not all portfolios and products are appropriate for all investors.
- Our understanding of asset allocation and the benefits of diversification are represented in each of our investment products.
- By implication we will only offer investment product portfolios that are consistent with our basic philosophy and for which we possess sufficient knowledge of the product's market, managers and investor objectives.

10) Our advice and actions will always be guided by the best interests of our clients.