

Beaufort Securitisation Holding LLC

Institutional Asset Management Solutions

A comprehensive analysis of investment solutions for sophisticated institutional investors within the International Finance Bank ecosystem.

September 2023



Executive Summary

Five board-level reasons to appoint Beaufort now

1

Integrated Solution

Seamless coordination between asset management, custody, treasury and compliance through the established IFB infrastructure, reducing operational friction and counterparty complexity.

2

Risk-Adjusted Returns

Demonstrable edge in factor-aware public markets, securitised credit, and private market access with robust risk management and governance framework validated through multiple market cycles.

3

Institutional Governance

Three-lines-of-defence model with documented investment committee process, model approval policies, and breach management protocols exceeding regulatory requirements.

4

Fee Transparency

Cost-effective implementation with tiered fee structures, fulcrum options, and HWM protections that align manager incentives with client outcomes across all mandate types.

5

Operational Resilience

Enterprise-grade technology stack with documented BCPs, cyber protocols, and data governance that withstand institutional due diligence and provide continuity assurance.

Client Problem Framing

What sophisticated asset owners need that generic solutions miss

Today's institutional investors face unprecedented challenges managing portfolios through market volatility, regulatory complexity, and evolving stakeholder demands.

Generic investment solutions often fail to address:

- **Liquidity mismatches** between investment structures and underlying assets
- **Governance gaps** in oversight, valuation and conflict management
- **Tax inefficiencies** across booking centres and vehicle structures
- **Reporting fragmentation** across asset classes and managers
- **Incomplete risk views** lacking cross-portfolio exposure analysis



Our research with IFB clients identified these primary pain points:



Risk Management

Cite inadequate risk visibility across complex multi-asset portfolios



Governance

Report insufficient oversight mechanisms for private market investments



Reporting

Express dissatisfaction with fragmented performance reporting

Client Segments and Their Primary Objectives

UHNW Principals & Family Offices

- Wealth preservation with inflation protection
- Intergenerational transfer efficiency
- Privacy and reputational safeguards
- Flexible liquidity profiles with private market access
- Coordinated global booking structure

Foundations & Endowments

- Sustainable spending support (4-5% rule)
- Long-term real return targets (CPI+3-5%)
- Mission alignment and impact measurement
- Grant planning predictability
- Transparent governance for stakeholders

Corporate Treasurers & Bank Treasury

- Precise liquidity planning horizons
- Balance sheet optimisation
- Regulatory capital efficiency
- Counterparty risk management
- Audit and compliance transparency

Insurance CIOs

- ALM-driven portfolio construction
- Solvency II/regulatory capital optimisation
- Yield enhancement within risk parameters
- Look-through reporting for regulators
- Climate risk integration

Each segment's objectives translate to distinct portfolio requirements and governance frameworks that Beaufort addresses through tailored mandate structures while maintaining institutional-grade implementation standards across all client types.

Architecture of a Beaufort Mandate

Account structure, roles, and decision rights

Custody & Safekeeping

IFB provides global custody services with segregated client accounts, asset safekeeping, corporate actions processing, and income collection, ensuring legal separation of client assets.

Asset Management

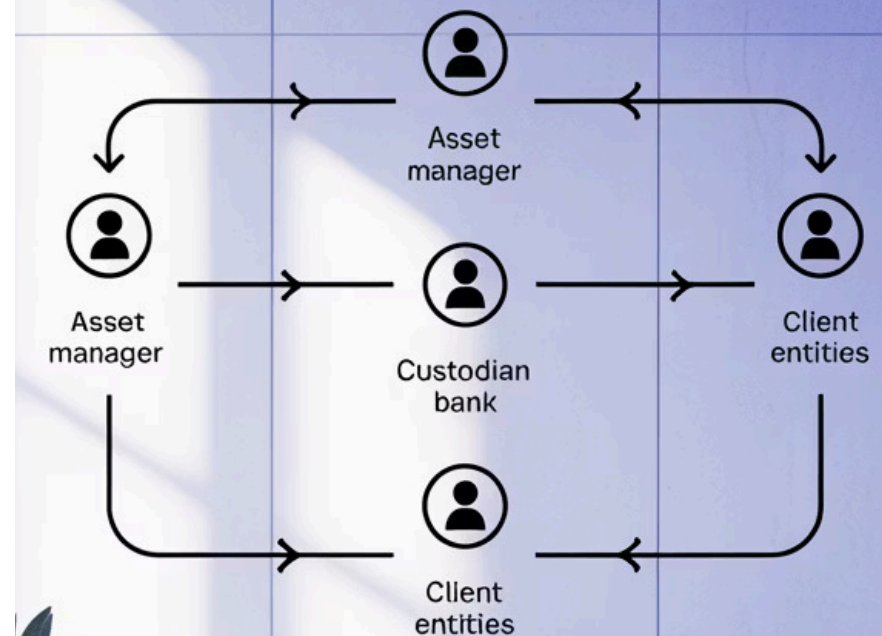
Beaufort delivers investment management services under clearly defined mandates (discretionary, advisory or hybrid), with documented decision rights, investment parameters and risk limits.

Treasury & Banking

IFB handles cash management, FX execution, collateral management and financing facilities, providing essential banking infrastructure for the investment programme.

Compliance & Oversight

Joint oversight structure between Beaufort and IFB ensures pre/post-trade compliance monitoring, investment restriction validation, and regulatory reporting according to client domicile.



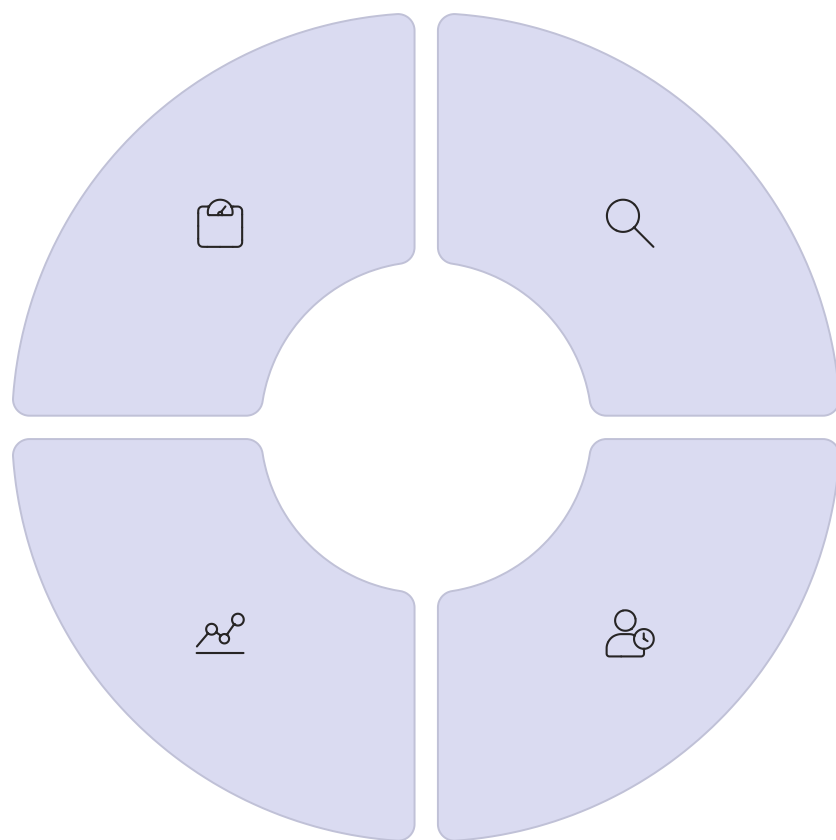
Mandate Comparison Matrix

Features	Discretionary Mandate	Advisory Mandate	Segregated Managed Account	Fund-of-One
Decision rights	Full delegation to Beaufort	Client retains approval rights	Beaufort manages specific sleeve	Full delegation within vehicle
Customisation	High	Very high	Medium (asset class specific)	High with limitations
Asset ownership	Direct client ownership	Direct client ownership	Direct client ownership	Fund interest ownership
Governance	IC, quarterly review	IC + client approval	Asset class specific IC	Fund board + IC
Liquidity	As per underlying assets	As per underlying assets	Asset class dependent	Vehicle terms (typically quarterly)
Implementation time	30-45 days	15-30 days	20-40 days	60-90 days
Reporting	Consolidated + look-through	Consolidated + look-through	Sleeve-specific + aggregation	Fund NAV + look-through
Min. investment	£10 million	£20 million	£5 million per sleeve	£25 million

Beaufort can implement hybrid approaches that combine elements of different mandate types to address specific client requirements. All structures benefit from the integrated IFB custody and banking infrastructure.

Investment Philosophy

Evidence, process, and edge



Risk premia capture

Systematic exposure to proven risk factors with disciplined implementation and cost control



Structural inefficiencies

Targeting market segments with information asymmetries and structural constraints



Time horizon advantage

Exploiting long-term investment capacity and liquidity provision opportunities



Network intelligence

Leveraging institutional relationships for private market access and co-investment opportunities

Beaufort's investment philosophy is grounded in empirical evidence and academic research, focusing on sustainable sources of return that can be systematically captured through disciplined processes.

Our approach combines:

- **Factor-aware public market investing** targeting proven risk premia across asset classes
- **Structural alpha opportunities** in securitised and private credit markets
- **Liquidity provision** in dislocated markets with appropriate compensation
- **Operational edge** in complex asset classes requiring specialised expertise

We maintain investment discipline through documented processes, systematic decision frameworks, and robust risk management protocols that withstand institutional scrutiny.

Objectives to Constraints Map

From targets to risk budgets and liquidity buckets

Objective Profile	Target Return	Risk Budget (Vol)	Max Drawdown	Liquidity Profile	Suitable Mandates
Capital Preservation	Cash+1-2%	2-4%	-5%	90% within 30 days	Conservative Multi-Asset
Income Generation	Cash+3-4%	5-8%	-10%	75% within 90 days	Income-Focused, Securitised Credit
Balanced Growth	CPI+3-4%	8-12%	-15%	60% within 90 days	Balanced Multi-Asset, Core-Satellite
Long-Term Growth	CPI+4-5%	12-15%	-20%	50% within 180 days	Growth Multi-Asset, Private Markets Sleeve
Endowment Model	CPI+5%+	15%+	-25%	40% within 180 days	Endowment-Style, Private Markets

Each objective profile is mapped to specific portfolio construction parameters, creating a consistent framework for translating client goals into implementable investment strategies. Risk and liquidity parameters can be further customised based on specific client constraints and time horizons.

Public Markets Programme

Equity, fixed income, securitised credit, overlays

Equity Strategies

- **Global Factor Equity:** Systematic exposure to value, quality, momentum and low volatility premia with regional tilting capability
- **Sustainable Equity:** Paris-aligned portfolios with measurable climate and ESG characteristics
- **Concentrated Alpha:** High-conviction portfolio of 30-50 stocks with quality and valuation discipline

Fixed Income Strategies

- **Global Aggregate:** Core fixed income exposure with duration, credit and currency management
- **Credit Barbell:** Liquidity core plus targeted high-yield and EM allocations
- **Liability-Aware:** Customised duration matching for insurance and pension mandates

Securitised Credit

- **Structured Income:** Diversified ABS, CMBS, CLO portfolio with liquidity tiering
- **Specialty Finance:** Trade finance, consumer credit, and specialty lending exposures
- **Risk Transfer:** Bank balance sheet transactions and insurance-linked securities

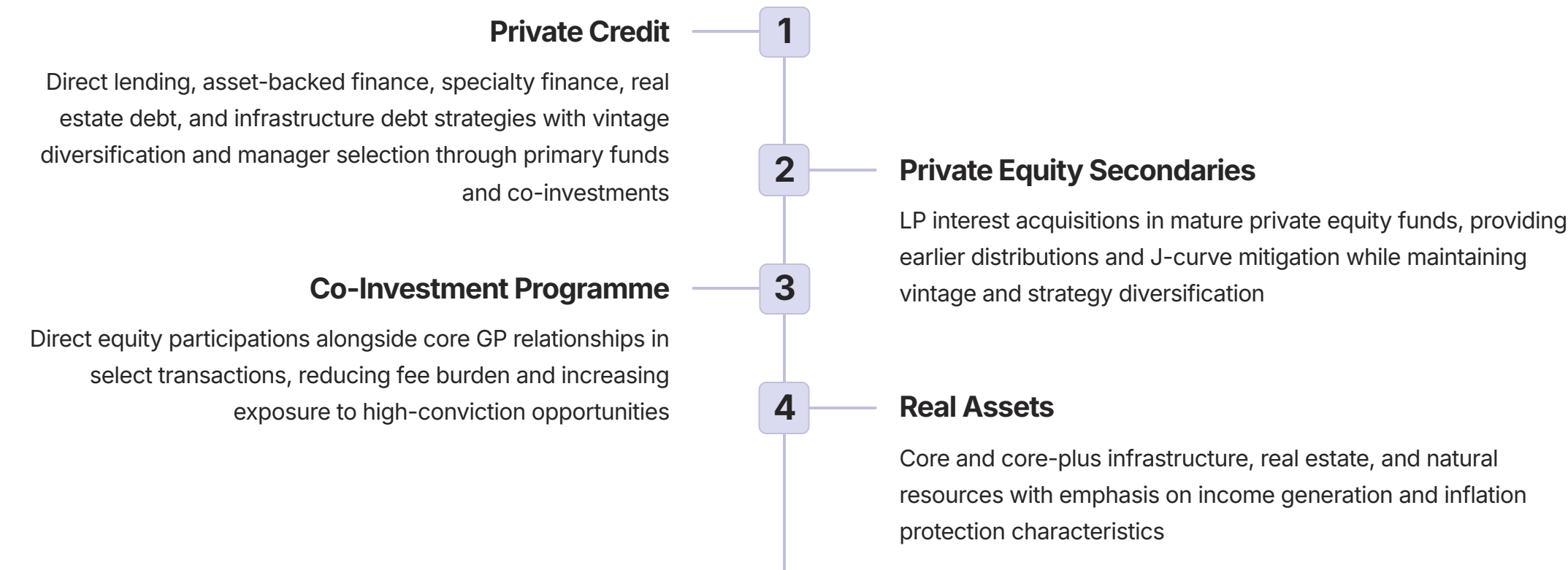
Overlay Programmes

- **Tail Risk Protection:** Systematic volatility and correlation protection strategies
- **Currency Management:** Passive hedging and active currency allocation models
- **Tactical Asset Allocation:** Systematic and discretionary allocation shifts based on valuation and macro signals



Private Markets Programme

Private credit, secondaries, co-investments, pacing



Strategic Pacing Model

Beaufort implements a disciplined commitment pacing model that:

- Maintains target private markets allocation through vintage diversification
- Manages J-curve impact through secondaries and credit components
- Balances fund commitments with co-investments to optimise fee burden
- Incorporates liquidity modelling to prevent forced selling of public assets



Securitised Solutions

Income and risk-transfer notes, collateral policy, governance

Beaufort's securitisation expertise provides IFB clients with bespoke structured solutions that address specific yield, risk transfer, and regulatory capital objectives.

Income-Focused Note Structures

Yield-enhanced exposure to diversified credit portfolios through tranching note structures with customisable risk-return profiles and term lengths

Balance Sheet Optimisation

Regulatory capital-efficient structures for financial institutions, facilitating risk transfer while maintaining economic exposure to core lending books

Multi-Asset Wrappers

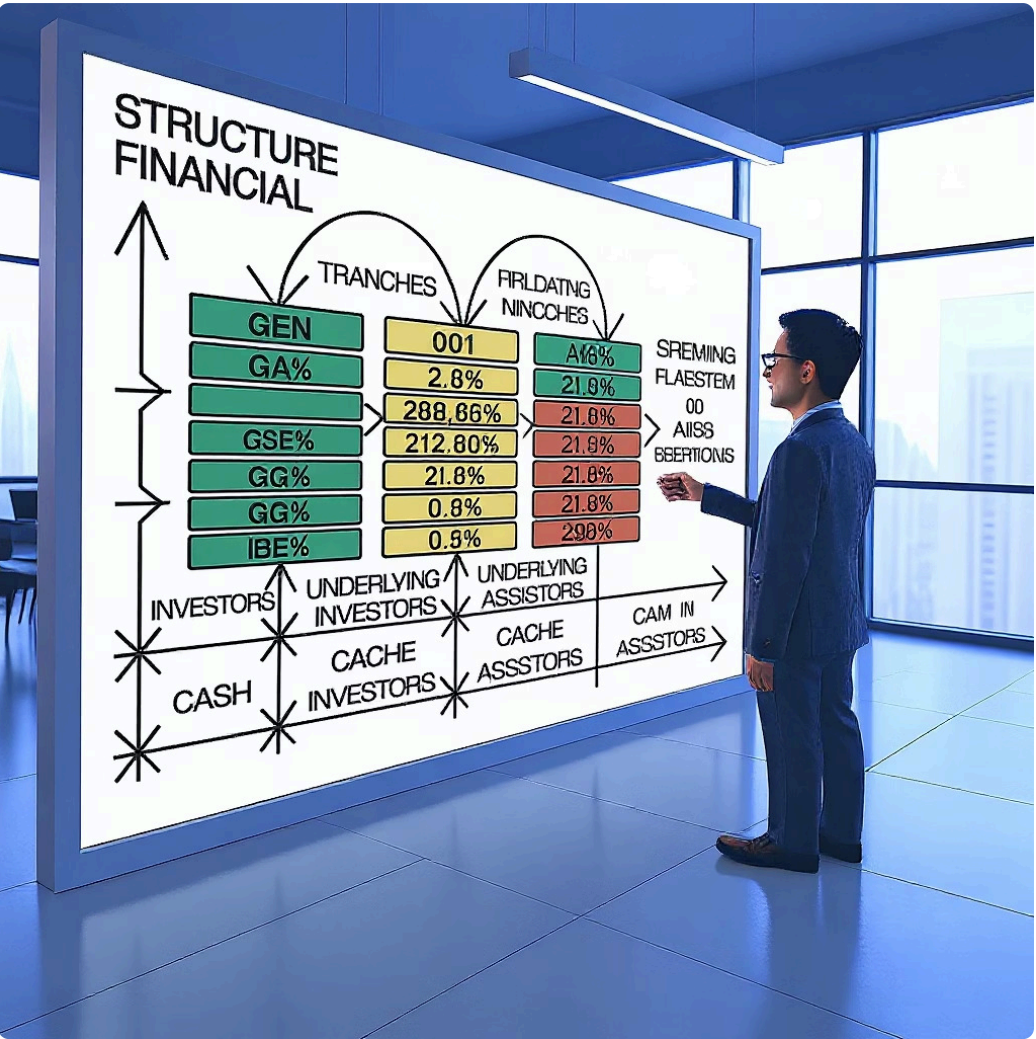
Consolidated investment programmes delivered through note format to simplify operational footprint and gain efficient exposure to diversified strategies

Structural Safeguards

- **Segregated collateral accounts** with independent trustees
- **Third-party valuation agents** for complex and illiquid assets
- **Documented waterfall structures** with clearly defined priority of claims
- **Rating agency methodologies** applied to relevant structures
- **Stress testing and scenario analysis** for all securitised exposures

Governance Framework

- **Dedicated Structured Solutions Committee** with legal, tax, and risk representation
- **Independent model validation** for pricing and risk models
- **Quarterly valuation review** and governance process
- **Conflicts clearance procedure** for all structured transactions



Liquidity Design

Laddering, rebalancing, collateral and margin, cash policy

Liquidity Bucket Framework

Assets categorised into tiered liquidity buckets with defined maximum allocations:

- **Tier 1:** Cash, T-bills, highly liquid sovereigns (T+1-2 settlement)
- **Tier 2:** Liquid public markets (T+2-5 settlement)
- **Tier 3:** Less liquid public assets, structured credit (T+5-30)
- **Tier 4:** Quarterly/semi-annual liquidity vehicles
- **Tier 5:** Locked capital (private markets, >1 year)

Rebalancing Policy

Systematic approach to maintaining strategic allocation and liquidity:

- Strategic ranges with $\pm 3-5\%$ tolerance bands
- Tactical positioning within approved ranges
- Liquidity-aware rebalancing to minimise transaction costs
- Cash flow management leveraging natural inflows/outflows
- Systematic monitoring with monthly formal review

Collateral & Margin Management

Centralised approach to optimise collateral usage:

- Consolidated view across counterparties
- Collateral optimisation algorithm
- Automated margin call processing
- Stress testing of margin requirements
- Liquidity reserve policy for margin calls

Cash Management Policy

Disciplined approach to frictional and strategic cash:

- Tiered cash strategy based on time horizons
- Counterparty diversification requirements
- Yield enhancement within risk parameters
- Currency exposure management
- Integration with IFB treasury operations

Risk Framework

Limits, stress, scenario matrix, breach workflow

Three Lines of Defence Model

Beaufort implements a robust three-lines model for risk governance:

1. **First Line:** Portfolio management teams with embedded risk analytics and pre-trade compliance
2. **Second Line:** Independent Risk Management function with oversight, limit monitoring, and challenge responsibilities
3. **Third Line:** Internal Audit with periodic reviews of risk framework effectiveness and control environment

Risk Limit Framework

Comprehensive limit structure applied to all mandates:

- **Market Risk:** VaR limits, stress loss limits, factor exposures
- **Credit Risk:** Rating constraints, sector limits, issuer concentration
- **Liquidity Risk:** Bucket allocation limits, time-to-liquidation parameters
- **Counterparty Risk:** Exposure limits, minimum rating requirements
- **Operational Risk:** Transaction limits, approval thresholds

Stress Testing Regime

Historical Scenarios

2008 GFC, 2020 COVID shock, 2022 inflation surge with position-level impact analysis

Hypothetical Scenarios

Stagflation, liquidity crisis, geopolitical shocks with cross-asset correlation adjustments

Sensitivity Analysis

Parallel and non-parallel yield curve shifts, credit spread widening, FX shocks

Reverse Stress Testing

Identifying scenarios that would breach key risk parameters or liquidity thresholds



Risk Limits Dashboard

Risk Category	Metric	Limit	Current	Status	Trend
Total Portfolio	95% 1M VaR	8.5%	6.2%	Within limits	Stable
Equity Risk	Beta to MSCI World	0.8-1.2	0.95	Within limits	Decreasing
Interest Rate Risk	Duration	3-7 years	5.3 years	Within limits	Increasing
Credit Risk	Avg Credit Quality	Min BBB-	A-	Within limits	Stable
Concentration	Single Issuer	Max 5%	3.8%	Within limits	Increasing
Liquidity	30-day bucket	Min 40%	56%	Within limits	Stable
Counterparty	Single Bank Exp.	Max 10%	7.2%	Within limits	Decreasing

This dashboard is tailored for each client mandate, with customisable risk limits based on investment objectives and constraints. Limits are reviewed quarterly and can be adjusted with client approval to reflect changing market conditions or client requirements.

Scenario-Stress Table

Shocks, expected drawdowns, recovery horizons

Scenario	Conservative	Balanced	Growth	Endowment	Recovery
Equity Market -30%	-6% to -8%	-12% to -15%	-18% to -22%	-20% to -25%	9-15 months
Rates +200bps	-5% to -7%	-7% to -9%	-6% to -8%	-5% to -7%	6-12 months
Credit Spreads +400bps	-7% to -9%	-9% to -12%	-10% to -13%	-8% to -12%	12-18 months
Liquidity Crisis	-4% to -6%	-8% to -12%	-12% to -18%	-15% to -22%	18-24 months
Stagflation	-8% to -12%	-12% to -16%	-15% to -20%	-18% to -24%	24-36 months
2008 GFC Replay	-12% to -15%	-22% to -27%	-30% to -35%	-35% to -40%	36-48 months

Stress Testing Methodology

- Position-level analysis using full revaluation where possible
- Factor-based approximation for complex or illiquid instruments
- Correlation adjustments during stress periods
- Liquidity impact modeling and fire-sale dynamics

Applications in Portfolio Management

- Pre-trade impact analysis for significant allocation changes
- Portfolio construction constraints based on downside scenarios
- Liquidity reserve sizing based on margin call simulations
- Regular reporting to Investment Committee and clients

Breach Workflow and Exception Management

Breach Classification

- **Active Breaches:** Resulting from investment decisions that violate policy limits or guidelines
- **Passive Breaches:** Resulting from market movements, corporate actions, or third-party changes
- **Technical Breaches:** Resulting from data, system or calculation issues without actual policy violations

Response Protocols

- **Active Breaches:** Immediate remediation required with root cause analysis
- **Passive Breaches:** Remediation within defined timeframe (typically 30 days) with documented rationale
- **Technical Breaches:** Documentation of issue and resolution of underlying cause

Escalation Procedure

1. Initial identification and classification by Risk Management
2. Notification to Portfolio Manager and Head of Investments
3. Remediation plan development with timeline
4. Risk Committee review for material or recurring breaches
5. Client notification for material active breaches
6. Board escalation for severe or systemic issues

Exception Management

Temporary exceptions to policy limits may be granted under specific circumstances:

- Documented business rationale required
- Time-bound approval with specific expiration
- Additional monitoring and controls
- Appropriate approval based on materiality

Performance Measurement

GIPS alignment, factor attribution, PME, benchmarks

Performance Measurement Framework

Beaufort provides institutional-quality performance measurement aligned with Global Investment Performance Standards (GIPS®) across all mandate types:

- Time-weighted returns for liquid strategies
- Money-weighted returns for private market investments
- Gross and net performance reporting
- Custom benchmark construction for complex mandates
- Peer group comparisons where appropriate

Attribution Analysis

- **Public Markets:** Multi-factor attribution identifying sources of return from asset allocation, security selection, and factor exposures
- **Fixed Income:** Yield curve, spread, and duration attribution
- **Currency:** Isolation of currency effects from underlying asset returns

Private Markets Evaluation

- **Public Market Equivalent (PME)** analysis comparing private market returns to public market indices
- **Vintage year comparisons** against appropriate peer universes
- **J-curve analysis** with projections based on commitment pacing
- **DPI, RVPI, TVPI and IRR** metrics with benchmark comparisons

Benchmark Philosophy

Our approach to benchmarking emphasises:

- Investable indices where possible
- Transparency in construction methodology
- Appropriate risk characteristics
- Consistency with investment objectives
- Stability in constituent methodology



Reporting Specimen

Core Reporting Package

Each client receives comprehensive reporting tailored to their mandate type and governance requirements:

- **Monthly Flash Report:** High-level performance, asset allocation, and key risk metrics
- **Quarterly Investment Review:** Detailed performance attribution, market commentary, and portfolio positioning
- **Annual Performance Report:** Comprehensive review with long-term performance analysis and forward outlook

Specialised Reporting Modules

- **ESG Dashboard:** Sustainability metrics, climate analytics, and impact reporting
- **Risk Analytics:** Detailed risk decomposition, stress testing, and scenario analysis
- **Private Markets:** Commitment tracking, cash flow projections, and detailed fund analytics

Reporting Technology

Beaufort leverages advanced reporting technology to deliver:

- **Interactive Digital Portal:** On-demand access to portfolio data with customisable views
- **Exposure Heat Maps:** Visual representation of portfolio exposures across multiple dimensions
- **Look-Through Analytics:** Transparency into underlying holdings for fund investments
- **API Access:** Data feeds for integration with client systems (available for institutional mandates)

Governance Reporting

- **Investment Policy Compliance:** Systematic monitoring of mandate guidelines and constraints
- **Breach Reports:** Documentation of any guideline violations with remediation status
- **Meeting Materials:** Comprehensive board or investment committee presentation materials

ESG and Impact Options

Policy menu, stewardship stance, measurement standards



ESG Integration

Systematic incorporation of material environmental, social and governance factors into investment analysis and decision-making across all strategies



Climate Risk Management

Portfolio-level analysis of transition and physical climate risks with carbon footprinting, scenario analysis and climate value-at-risk metrics



Exclusion Framework

Customisable exclusion criteria based on norms, sectors, activities or controversies with transparent monitoring and reporting



Impact Investing

Dedicated strategies targeting measurable positive environmental and social outcomes alongside financial returns, aligned with SDG framework

Stewardship Approach

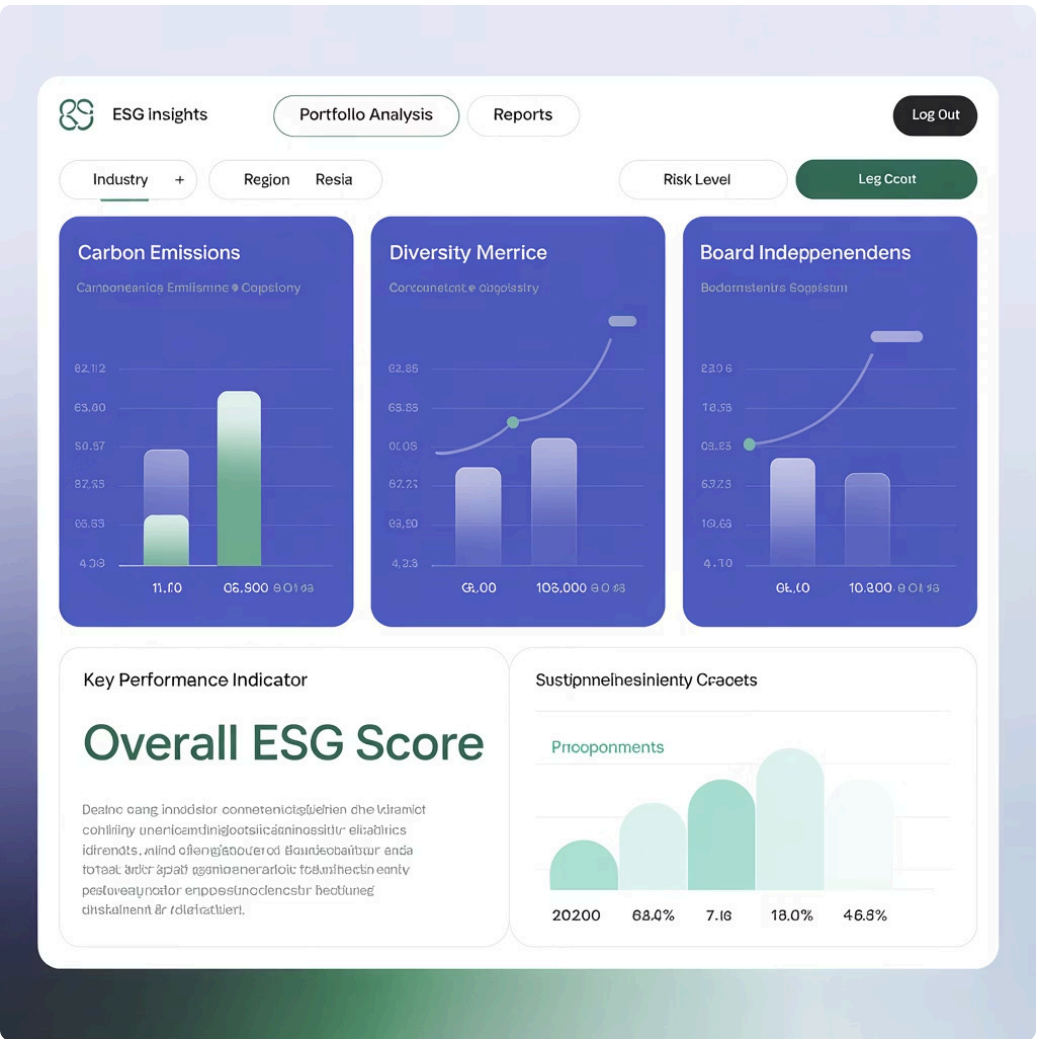
Active ownership practices aligned with client priorities:

- **Proxy Voting:** Systematic process with ESG integration and client-directed options
- **Engagement:** Direct and collaborative dialogue with portfolio companies on material ESG issues
- **Escalation:** Structured approach to escalating concerns when engagement is unsuccessful
- **Transparency:** Regular reporting on voting and engagement activities

Measurement & Reporting

Robust analytics and disclosure aligned with leading standards:

- **TCFD:** Climate risk reporting aligned with Task Force recommendations
- **EU SFDR:** Disclosures aligned with Sustainable Finance Disclosure Regulation
- **SDG Alignment:** Measurement of portfolio contribution to Sustainable Development Goals
- **Impact Metrics:** Quantifiable outcomes reporting for impact strategies



Counterparty Architecture

Custody, brokers, administrators, valuation agents

Global Custody

IFB provides comprehensive custody services including:

- Asset safekeeping and segregation
- Trade settlement and reconciliation
- Corporate actions processing
- Income collection and tax reclamation
- Cash management and FX services

Broker Panel

Beaufort maintains a vetted broker panel with:

- Tier 1 global investment banks
- Specialist electronic trading platforms
- Regional market specialists
- Fixed income and credit specialists
- Systematic review and scoring process

Fund Administration

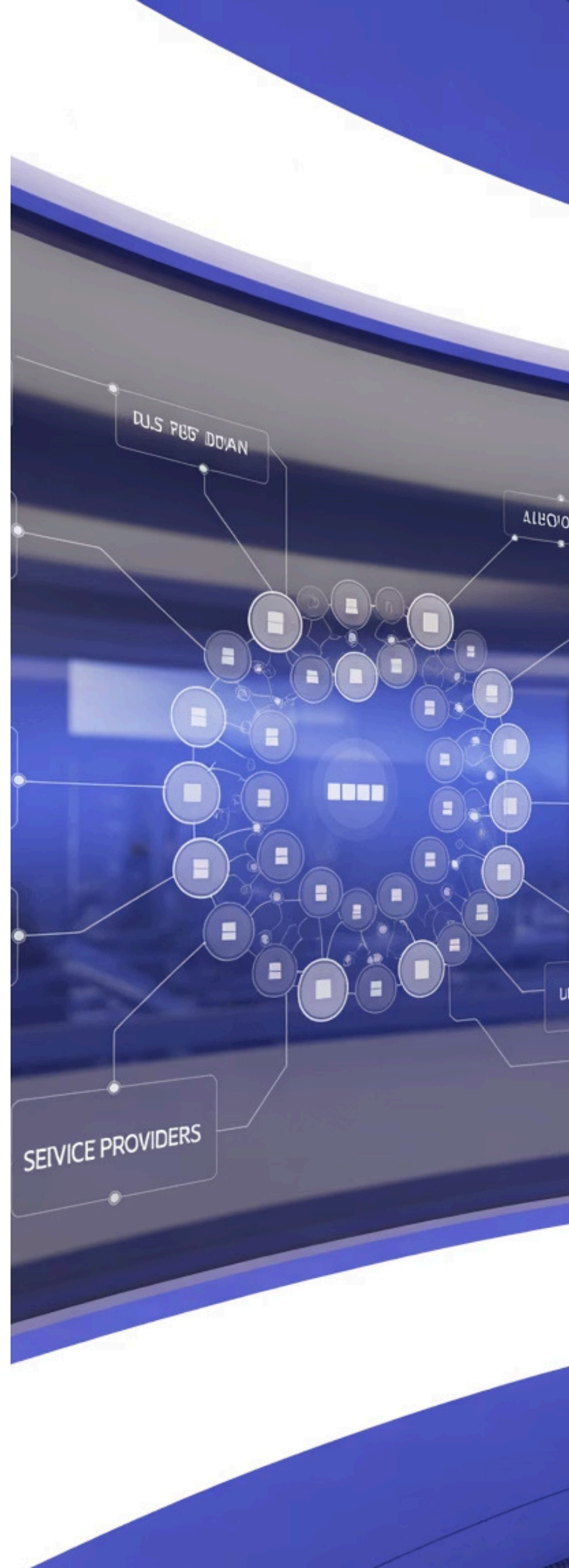
Independent administration for fund structures:

- NAV calculation and unit pricing
- Investor servicing and reporting
- Financial statement preparation
- Regulatory reporting support
- Transfer agency services

Valuation Specialists

Independent valuation for complex assets:

- OTC derivatives pricing
- Illiquid credit valuation
- Private asset fair value assessment
- Model validation services
- Valuation policy governance



Counterparty Map

Custody, brokers, admins, valuation, with due-diligence status

Service Provider	Role	Coverage	DD Status	Last Review
International Finance Bank	Global Custody	All mandates	Full DD - Annual	Q2 2023
Global Securities Services	Sub-custody Network	Emerging Markets	Full DD - Annual	Q1 2023
Alpha Prime Services	Prime Broker	Equity strategies	Full DD - Annual	Q3 2022
Beta Securities Ltd	Fixed Income Broker	Credit strategies	Full DD - Annual	Q4 2022
Gamma Fund Services	Fund Administrator	Fund structures	Full DD - Annual	Q1 2023
Delta Valuation Partners	Independent Valuer	Complex assets	Full DD - Annual	Q2 2023
Epsilon Trustees Limited	Trustee Services	Securitised notes	Full DD - Annual	Q3 2022

Due Diligence Process

Beaufort maintains a rigorous counterparty due diligence framework:

- Comprehensive initial due diligence with onsite visits
- Annual review cycle with documented assessment
- Quarterly monitoring of key risk indicators
- Independent Operational Risk review
- Contingency planning for critical service providers

Selection Criteria

Key factors in counterparty selection and retention:

- Financial strength and stability
- Operational capabilities and resilience
- Service quality and client references
- Technology and automation capabilities
- Regulatory standing and compliance history
- Pricing competitiveness and transparency

Technology and Data

PMS, OMS, risk, data warehouse, client portal, cyber



Portfolio Management System

Enterprise-grade PMS providing position management, performance analytics, and multi-asset class support with full transaction history and audit trails



Order Management System

Integrated OMS/EMS platform supporting multi-asset trading with pre-trade compliance, broker connectivity, and best execution analytics



Risk Analytics Platform

Comprehensive market and credit risk system providing VaR, stress testing, factor analysis, and liquidity risk metrics with customisable dashboards



Data Warehouse

Centralised data repository with golden source architecture, ensuring consistent data across all systems with full lineage and reconciliation



Client Portal

Secure online platform providing clients with portfolio transparency, interactive reporting, document access, and relationship management tools



Cybersecurity Framework

Comprehensive security controls aligned with NIST standards, including encryption, access management, threat monitoring, and incident response protocols

Operational Resilience

BCP, DR, cyber posture, incident response

Business Continuity Programme

Beaufort maintains a comprehensive business continuity programme designed to ensure operational resilience:

- **Dual site operations** with geographically dispersed primary and backup locations
- **Remote working capability** for all critical functions with secure access infrastructure
- **Annual BCP testing** including full simulation exercises and system failovers
- **Critical vendor assessment** with contingency planning for key service providers
- **Recovery time objectives (RTOs)** defined for all critical processes

Disaster Recovery

- **Redundant infrastructure** with active-active configuration for critical systems
- **Regular DR testing** with documented results and remediation tracking
- **Data replication** with near real-time synchronisation to backup facilities
- **Backup power and connectivity** at all operational locations

Cybersecurity Posture

- **Defence-in-depth strategy** with multiple security layers
- **24/7 security monitoring** with advanced threat detection
- **Regular penetration testing** by independent specialists
- **Employee security training** with phishing simulation
- **Vendor security assessment** for all third-party providers

Incident Response

- **Documented incident response plan** with clearly defined roles
- **Crisis management team** with executive representation
- **Regular incident simulation exercises** to test readiness
- **Client communication protocols** for material incidents
- **Post-incident review process** to capture lessons learned



Fees and Value

Fee models, HWMs, fulcrums, cost-to-value analysis

Mandate Type	Management Fee Range	Performance Fee	HWM	All-in Cost Est.	Min. Size
Conservative Multi-Asset	0.30% - 0.50%	None	N/A	0.45% - 0.65%	£10m
Balanced Multi-Asset	0.40% - 0.60%	Optional 10% over hurdle	Perpetual	0.55% - 0.80%	£10m
Growth Multi-Asset	0.50% - 0.70%	Optional 15% over hurdle	Perpetual	0.65% - 0.95%	£10m
Securitised Credit	0.50% - 0.75%	Optional 15% over hurdle	Perpetual	0.60% - 0.90%	£15m
Private Markets Sleeve	0.75% - 1.00%	10% over 8% hurdle	Vintage-based	1.25% - 1.75%	£25m
Advisory Mandate	0.20% - 0.40%	None	N/A	0.30% - 0.50%	£20m

Fee Principles

Beaufort's fee philosophy is built on:

- **Alignment of interests** through performance-linked components
- **Transparency** with no hidden charges or retrocessions
- **Scale efficiency** with tiered fee schedules for larger mandates
- **Customisation** to reflect specific mandate complexity and servicing requirements

High Water Mark Policy

Performance fees subject to strict HWM provisions:

- Perpetual HWM with no reset provisions
- Clear crystallisation schedule (typically annual)
- Pro-rata calculation for contributions/withdrawals
- Transparent reporting of HWM levels

Optional Fulcrum Structure

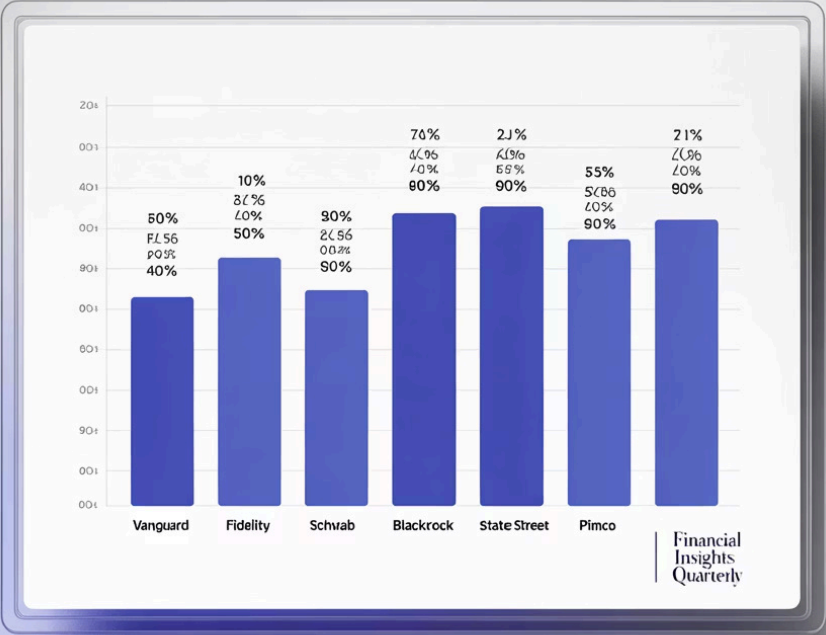
Available for larger mandates (£50m+):

- Base fee set at median with symmetric adjustment
- Fee increases/decreases based on performance vs benchmark
- Capped upside and downside adjustments
- Multi-year measurement period to encourage long-term focus

All-in Cost Transparency

Comprehensive cost disclosure including:

- Management and performance fees
- Custody and administration costs
- Trading and transaction expenses
- Underlying fund fees for fund-of-fund components
- Tax and regulatory expenses



Financial
Insights
Quarterly

Fee Impact Analysis

Long-term effect of fee structures on portfolio value

10-Year Impact of Fee Differentials

Fee Scenario	Portfolio Value	Difference
0.50% All-in (Beaufort Balanced)	£17.91m	-
0.75% All-in (Industry Average)	£17.26m	-£650k
1.25% All-in (Private Bank)	£16.04m	-£1.87m
2.00% All-in (Retail Fund-of-Funds)	£14.36m	-£3.55m

Assumptions: £10m initial investment, 6% gross annual return, no additional contributions or withdrawals. Illustrative purposes only.

Value-for-Fee Analysis

When evaluating the impact of fees, clients should consider the comprehensive value delivered:

- **Alpha generation potential** net of all fees
- **Risk management effectiveness** in preserving capital during downturns
- **Breadth of capabilities** across asset classes and strategies
- **Operational robustness** and infrastructure quality
- **Reporting depth** and analytical insights
- **Service quality** and relationship management

Beaufort's fee model is designed to deliver institutional-quality investment management at a competitive price point that preserves more of your returns while providing comprehensive service and expertise.

Comparative Assessment

Beaufort vs private bank vs MFO vs DIY

Feature	Beaufort	Private Bank	Multi-Family Office	DIY with Consultants
Alignment	Pure fiduciary model with optional performance fees	Potential conflicts with proprietary products	Generally aligned but variable fee transparency	Manager selection conflicts possible
Cost Structure	Transparent, institutional-level fees	Higher all-in costs with embedded margins	Variable, typically with multiple fee layers	Direct costs plus oversight burden
Execution Quality	Institutional trading desk with best execution focus	Variable quality, potential internal crosses	Often relies on third-party execution	Depends on selected execution venues
Risk Management	Institutional-grade with three lines model	Bank framework but potential gaps in look-through	Variable sophistication by firm	Fragmented across managers
Private Markets	Institutional access with co-investment rights	Often limited to bank-affiliated funds	Network-dependent access quality	Difficult to access quality managers
Reporting	Comprehensive with full look-through	Often siloed by product type	Aggregation quality varies widely	Requires manual consolidation

Conflicts and Independence

Inducements, best execution, broker list governance

Conflicts Management Framework

Beaufort maintains a robust conflicts management programme:

- **Conflicts register** with identification, mitigation and monitoring
- **Annual conflicts review** by Compliance and Board
- **Detailed conflicts disclosure** to clients
- **Employee code of ethics** with personal account dealing restrictions
- **Gifts and entertainment policy** with strict limits and approval

Independence Safeguards

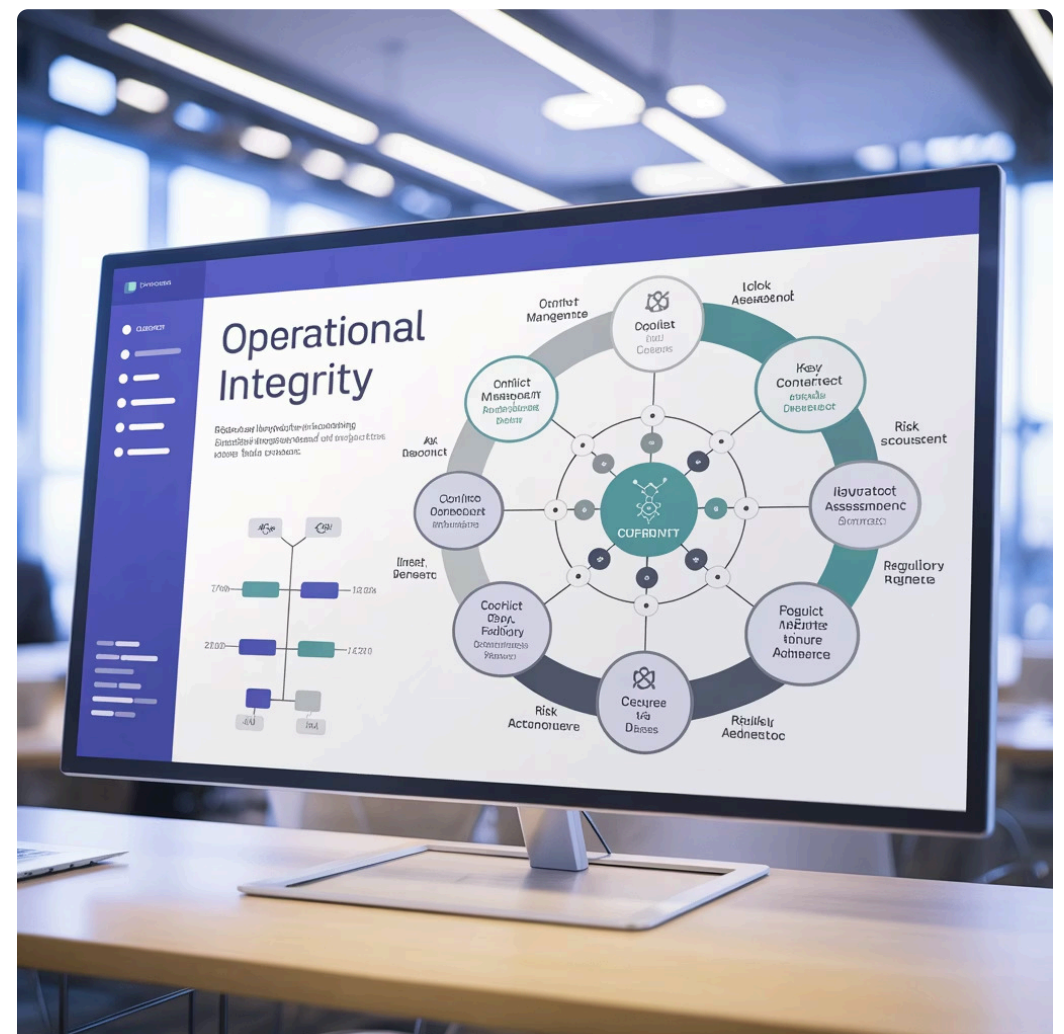
- **No proprietary trading** that could conflict with client interests
- **No principal trading** with client portfolios
- **No payment for order flow** from brokers or execution venues
- **No retrocessions** from third-party fund providers
- **Clear segregation of duties** between portfolio management and operations

Best Execution Framework

- **Documented execution policy** with clear methodology
- **Multiple execution venues** to ensure competitive pricing
- **Systematic TCA (Transaction Cost Analysis)** with regular review
- **Best execution committee** with independent oversight
- **Annual best execution disclosure** to clients

Broker Selection and Governance

- **Formal approval process** for all counterparties
- **Documented selection criteria** based on execution quality
- **Quarterly broker review** with scoring across multiple factors
- **Commission allocation policy** tied to execution quality
- **Research unbundling** with separate payment mechanisms



Legal Framework

IMA essentials, side letters, SLAs, service-credit regime

Investment Management Agreement

Core legal document establishing the relationship with key provisions:

- Appointment and authority scope
- Investment guidelines and restrictions
- Performance benchmarks and objectives
- Fee structure and calculation methodology
- Reporting requirements and frequency
- Termination provisions and notice periods

Side Letter Provisions

Supplementary agreements addressing specific client requirements:

- Custom reporting and service arrangements
- Fee concessions and tiering structures
- Specific investment restrictions or ESG requirements
- Key person provisions and notification rights
- Most favoured nation clauses where applicable

Service Level Agreement

Detailed operational parameters and service standards:

- Defined service requirements and deliverables
- Performance metrics and measurement criteria
- Response time commitments for client queries
- Escalation procedures for service issues
- Regular service review meetings

Service Credit Regime

Accountability framework for service delivery:

- Defined service failures with severity classification
- Financial credits for material service breaches
- Remediation requirements and timelines
- Reporting process for service incidents
- Continuous improvement mechanism

All legal documentation is developed in consultation with the client's legal advisors and can be customised to address specific jurisdictional requirements, internal governance needs, and operational preferences while maintaining regulatory compliance.

SLA and KPI Schedule

Ticket turnaround, reconciliation cycles, incident SLAs

Service Category	Service Metric	Target	Service Credit
Trade Execution & Settlement	Trade execution confirmation	T+1 by 12:00	Tier 3
	Settlement notification	SD+1 by 12:00	Tier 3
	Failed trade resolution	3 business days	Tier 2
Reporting & Valuations	Monthly reporting delivery	M+5 business days	Tier 2
	Quarterly reporting delivery	Q+10 business days	Tier 1
	Daily valuation accuracy	99.5% accuracy	Tier 2
Client Service	Email response time	1 business day	Tier 3
	Query resolution time	3 business days	Tier 2
	Meeting request fulfillment	5 business days	Tier 3
Incident Management	Critical incident notification	2 hours	Tier 1
	Major incident notification	4 hours	Tier 2
	Incident resolution plan	1 business day	Tier 2

Service Credit Tiers

- **Tier 1:** 10 basis points of quarterly management fee
- **Tier 2:** 5 basis points of quarterly management fee
- **Tier 3:** 2.5 basis points of quarterly management fee

Service credits are calculated quarterly and applied to the subsequent quarter's management fee. The maximum service credit in any quarter is capped at 25 basis points of the quarterly management fee.

Service Review Process

- **Monthly:** Operational review meeting with service metrics report
- **Quarterly:** Formal service review with senior management
- **Annual:** Comprehensive SLA review and adjustment

Service metrics are tracked systematically and reported to clients through a dedicated dashboard. Continuous improvement initiatives are implemented based on service data analysis and client feedback.

Tax and Domicile Coordination

Booking centres, withholding, treaty access

Booking Centre Optimisation

Beaufort works with IFB to implement tax-efficient booking structures:

- **Jurisdictional analysis** to identify optimal booking locations
- **Entity structure review** to align with tax and regulatory objectives
- **Multiple booking options** through IFB's global network
- **Coordination with client tax advisors** to ensure alignment with overall tax strategy

Withholding Tax Management

- **Relief at source** where treaty arrangements permit
- **Reclaim processes** for eligible withholding taxes
- **Documentation management** for tax certifications
- **Ongoing monitoring** of changing withholding tax rules
- **Quarterly withholding tax reporting** with reclaim status

Treaty Access Facilitation

- **Treaty eligibility assessment** for different investment structures
- **Documentation preparation** for treaty claims
- **Beneficial ownership certification** where required
- **FATCA and CRS compliance** to ensure treaty access

Tax Reporting Support

- **Comprehensive tax package** with capital gains, income, and expense information
- **FATCA and CRS reporting** coordination
- **Specialised reporting** for different tax regimes (UK reporting funds, German tax transparency, etc.)
- **Coordination with client tax advisors** for optimal reporting



Onboarding

KYC, AML, sanctions, source-of-wealth, data room

Onboarding Process

Beaufort and IFB implement a streamlined yet thorough onboarding process:

1. **Initial Due Diligence:** KYC, AML, sanctions screening, and source of wealth verification
2. **Documentation:** IMA negotiation, investment guidelines development, and service agreements
3. **Account Establishment:** Custody account setup, trading authorities, and banking arrangements
4. **Technology Setup:** Reporting configuration, client portal access, and data feeds
5. **Investment Implementation:** Initial portfolio construction, transition management, and legacy asset integration

Typical Timeline

Standard discretionary mandate: 30-45 days from documentation to implementation

Complex structures (fund-of-one, private markets): 60-90 days

Client Data Room

Secure environment for efficient information exchange:

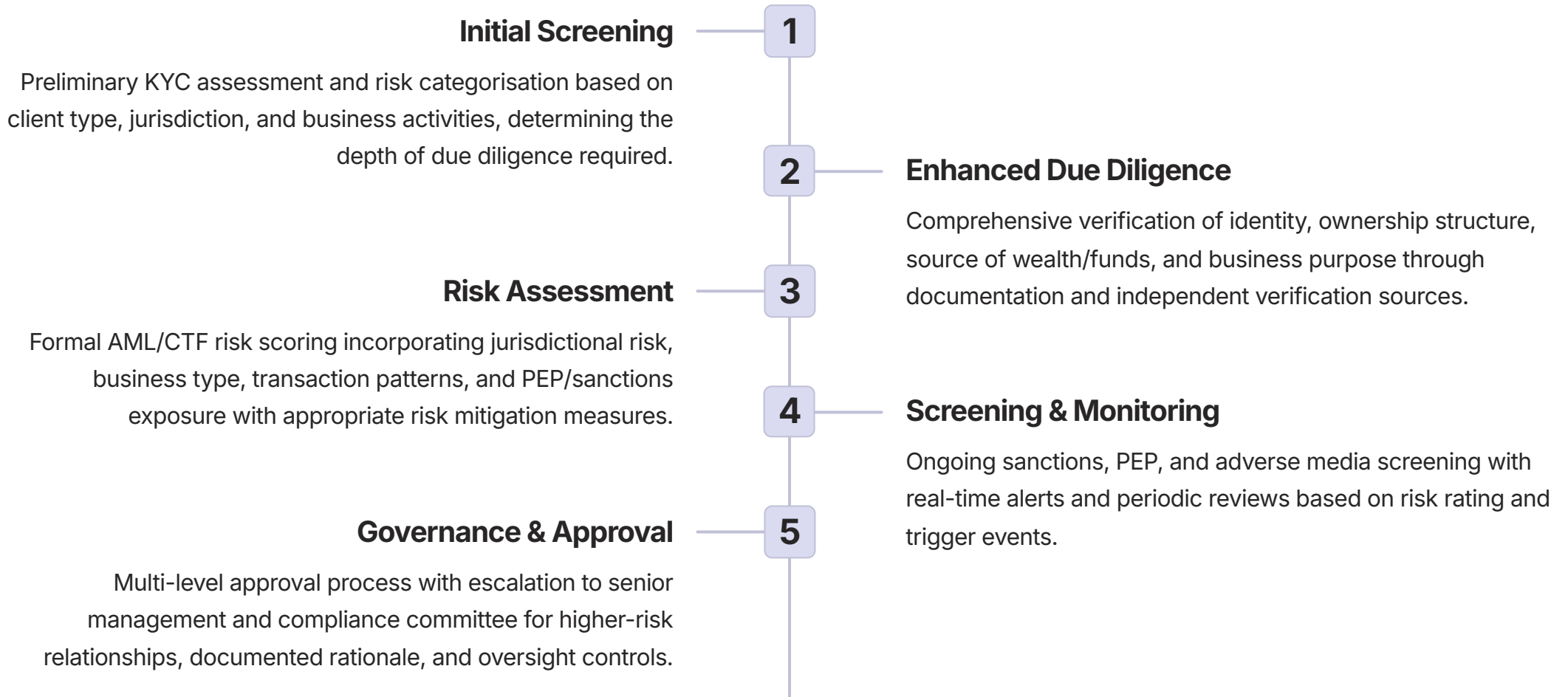
- **Due Diligence Documentation:** Central repository for KYC and AML information
- **Legal Documentation:** IMAs, side letters, and service agreements
- **Investment Policy:** Guidelines, restrictions, and benchmarks
- **Reporting Templates:** Customised reporting specifications
- **Service Configuration:** Portal setup, user access, and preferences

Dedicated Onboarding Team

- **Client Relationship Manager:** Primary point of contact
- **Onboarding Specialist:** Process coordination and tracking
- **Legal Counsel:** Documentation review and negotiation
- **Compliance Officer:** KYC and regulatory requirements
- **Portfolio Manager:** Investment strategy implementation

Compliance Workflow Swimlane

KYC, AML, sanctions, PEP, adverse media, approvals



Governance Cadence

IC calendar, board reporting, policy reviews

Investment Committee Governance

Beaufort maintains a structured investment governance framework:

- **Weekly Investment Committee:** Tactical positioning, market review, trade approvals
- **Monthly Strategy Committee:** Asset allocation, factor positioning, thematic views
- **Quarterly Risk Committee:** Comprehensive risk review, stress testing, limit assessment
- **Annual Strategic Review:** Long-term asset allocation, capital market assumptions

Client Governance Integration

- **Quarterly Portfolio Review:** Performance, positioning, risk, and outlook
- **Annual Strategy Meeting:** Comprehensive review and forward planning
- **Investment Policy Review:** Annual assessment of guidelines and objectives
- **Ad-hoc Strategy Sessions:** Available for specific topics or market events

Board and Executive Oversight

- **Monthly Executive Committee:** Business overview, client developments, strategic initiatives
- **Quarterly Board Meeting:** Governance, financial review, risk oversight
- **Annual Compliance Review:** Regulatory assessment, policy review, control testing
- **Biannual Policy Review Cycle:** Systematic update of all policies and procedures

Documentation and Records

- **Formal Minutes:** Documented decisions with rationale
- **Action Tracking:** Systematic follow-up on commitments
- **Policy Repository:** Centralised, version-controlled documentation
- **Audit Trail:** Complete record of governance activities



Compliance Posture

Suitability, appropriateness, cross-border, disclosures

Suitability Framework

Ensuring investment solutions match client needs:

- Comprehensive client assessment process
- Documented investment objectives and constraints
- Risk profile validation with scenario testing
- Regular suitability reviews and updates
- Clear suitability documentation and rationale

Appropriateness Assessment

Validating client understanding of investment complexity:

- Client knowledge and experience verification
- Product complexity classification system
- Tiered approach based on sophistication level
- Enhanced disclosures for complex products
- Appropriateness override governance

Cross-Border Controls

Managing multi-jurisdictional compliance:

- Country-by-country permission matrix
- Jurisdictional mapping of client touchpoints
- Reverse solicitation documentation
- Chaperoning procedures where required
- Local regulatory registration tracking

Disclosure Regime

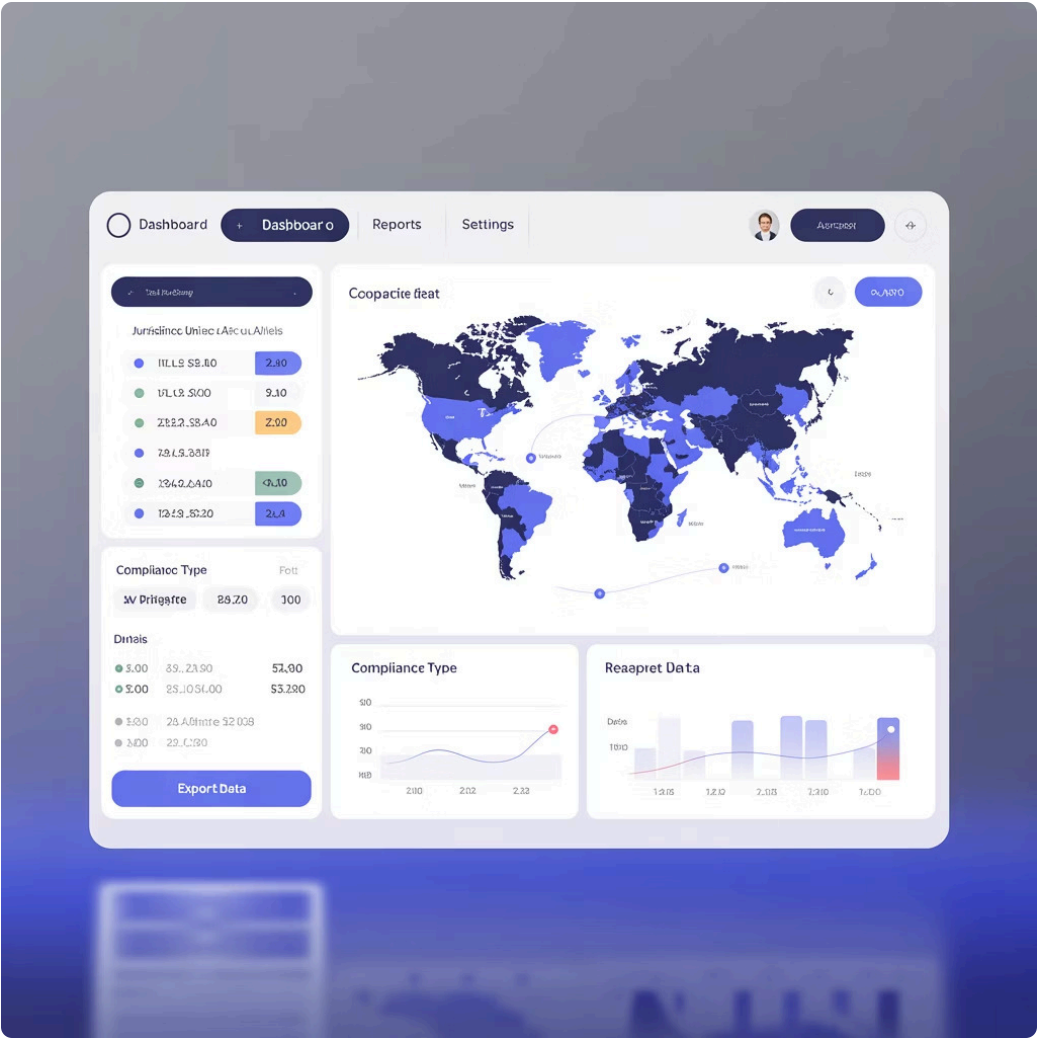
Transparent client communications:

- Pre-contractual disclosure package
- Cost and charges transparency
- Risk and performance scenario reporting
- Conflicts of interest disclosure
- Regulatory status and investor protection

Regulatory Change Management

Beaufort maintains a systematic approach to regulatory developments:

- Dedicated regulatory change function
- Horizon scanning across relevant jurisdictions
- Impact assessment and implementation planning
- Policy and procedure updates
- Staff training on regulatory requirements



Case Study: UHNW Family Office

Multi-generational wealth with global presence

Client Profile

- Multi-generational European family with global business interests
- £750 million investment portfolio across multiple structures
- Complex tax considerations across five jurisdictions
- Need for centralised oversight with tailored reporting
- Wealth preservation with controlled growth objectives

Key Challenges

- Fragmented portfolio across multiple providers
- Inconsistent risk management approaches
- Lack of private markets access and expertise
- Inefficient tax structure creating drag on returns
- Governance gaps in oversight and decision-making

Beaufort Solution

- Consolidated discretionary mandate with satellite advisory sleeves
- Coordinated booking structure across optimal jurisdictions
- Strategic private credit allocation with co-investment rights
- Family governance framework with next-generation education
- Bespoke reporting aligned with family constitution

Outcomes (24-month assessment)

- 15% reduction in overall fee burden
- Estimated 120bps tax efficiency improvement
- Risk-adjusted returns exceeding benchmark by 85bps
- Successful navigation of 2022 market volatility
- Implementation of formal family investment committee



Case Study: UK Foundation

Endowment model with spending rule discipline

Client Profile

- Established UK charitable foundation with £250 million endowment
- 5% annual spending requirement for grant programmes
- Long-term investment horizon (perpetual)
- Strong ESG alignment requirements
- Governance through trustee investment committee

Key Challenges

- Balancing income needs with long-term growth
- Limited private markets exposure due to governance concerns
- Inadequate inflation protection in existing portfolio
- Fragmented ESG approach across managers
- Board education needs on alternative investments

Beaufort Solution

- Endowment-style portfolio with 30% private markets allocation
- Structured liquidity tiers aligned with spending forecasts
- Inflation-sensitive real assets allocation
- Integrated ESG framework with impact measurement
- Enhanced governance structure with education programme

Outcomes (36-month assessment)

- CPI+4.2% annualised return against CPI+4% target
- Sustainable 5% spending rate maintained
- 30% reduction in carbon intensity vs benchmark
- Successful navigation of 2022 inflation surge
- Trustee confidence to increase alternatives allocation



Case Study: Insurance Portfolio

Solvency II optimisation with yield enhancement

Client Profile

- Mid-sized European life insurer with £4 billion AUM
- Solvency II regulated with capital efficiency focus
- Liability-driven investment approach
- Need for yield enhancement in low-rate environment
- Quarterly board and regulatory reporting requirements

Key Challenges

- Compressed yields in traditional fixed income
- Capital intensity of certain asset classes
- Limited resources for private market origination
- Complex look-through reporting requirements
- Need for precise ALM (Asset-Liability Management)

Beaufort Solution

- Capital-efficient securitised credit portfolio
- Solvency II-optimised private debt allocation
- Liability-matched cashflow portfolio
- Regulatory-compliant risk transfer structures
- Comprehensive Solvency II reporting suite

Outcomes (30-month assessment)

- 45bps yield enhancement with minimal SCR impact
- 15% improvement in capital efficiency ratio
- Successful ALM matching within 2% tolerance
- Streamlined quarterly regulatory reporting
- Risk-adjusted return 65bps above benchmark



Objections and Responses



"Limited Track Record"

While Beaufort as an entity is newly established within IFB, our investment team averages 18+ years of experience across multiple market cycles, with verifiable track records at previous institutions. We've implemented a rigorous GIPS-aligned performance measurement framework to establish clear attribution and accountability.



"Key Person Risk"

We've established a team-based investment approach with documented processes, systematic decision frameworks, and overlapping expertise to mitigate concentration risk. Our governance structure includes succession planning, deep bench strength, and appropriate notice periods, supported by competitive retention arrangements.



"Scale and Resources"

As an IFB-integrated manager, we combine the agility and focus of a boutique with the infrastructure and resources of a global financial institution. Our technology, operations, and risk management leverage IFB's enterprise platforms while maintaining investment autonomy and client-centricity.



"Fee Structure"

Our fee model is designed for transparency and alignment, with institutional-level pricing that reflects our value proposition. We welcome detailed cost-to-value analysis against alternatives and offer flexible structures including performance-based components to demonstrate our confidence in delivering results.

Objection Handling Crib

Objection	Response
Preference for multiple specialist managers vs. single solution	Beaufort offers a best-of-both approach: centralised governance and risk management with specialist expertise across asset classes. Our open architecture allows integration of external specialists where advantageous, while maintaining consolidated oversight and reporting.
Concerns about IFB affiliation limiting independence	Our relationship with IFB provides operational benefits without compromising investment autonomy. We maintain an independent investment committee, rigorous conflicts management framework, and documented best execution policy to ensure client interests remain paramount.
Private markets access compared to established alternatives	Our private markets platform leverages IFB's institutional relationships and co-investment rights, providing access comparable to larger players. We focus on areas of structural advantage like middle-market credit and secondaries, avoiding over-competed large-cap segments.
Implementation complexity and transition management	We provide comprehensive transition management with clear planning, tax considerations, and phased implementation to minimise disruption and cost. Our dedicated onboarding team handles all operational aspects with a detailed project plan and regular client updates.
Concern about true alpha generation vs. market beta	Our performance reporting provides transparent factor decomposition, distinguishing between market beta, factor exposures, and idiosyncratic alpha. We welcome detailed attribution analysis and are confident in demonstrating our value-add beyond passive alternatives.

Risk Register

Legal, tax, operational, market, liquidity, reputational

Risk Category	Risk Description	Impact	Probability	Mitigation
Legal & Regulatory	Regulatory change affecting mandate structure or implementation	High	Probable (65-85%)	Regulatory horizon scanning, adaptable mandate structures, compliance reserves
Tax	Tax rule changes impacting structure efficiency	Medium	Probable (65-85%)	Diversified booking structure, tax counsel review, scenario planning
Operational	Critical system failure or data breach	High	Guarded (15-35%)	Robust BCP/DR, cybersecurity controls, regular testing, insurance
Market	Severe market dislocation beyond stress scenarios	High	Guarded (15-35%)	Diversification, tail hedging, liquidity buffers, scenario analysis
Liquidity	Private market capital calls during public market stress	Medium	Even (35-65%)	Commitment pacing, liquidity reserve policy, credit facilities
Counterparty	Failure of critical service provider	Medium	Low (5-15%)	Counterparty diversification, contingency providers, ongoing monitoring
Reputational	ESG controversy in portfolio holding	Medium	Even (35-65%)	ESG screening, engagement policy, incident response protocol

Risk Governance

Beaufort maintains a comprehensive risk management framework:

- Quarterly Risk Committee review of risk register
- Regular stress testing and scenario analysis
- Independent risk function reporting to Board
- Documented escalation protocols for emerging risks

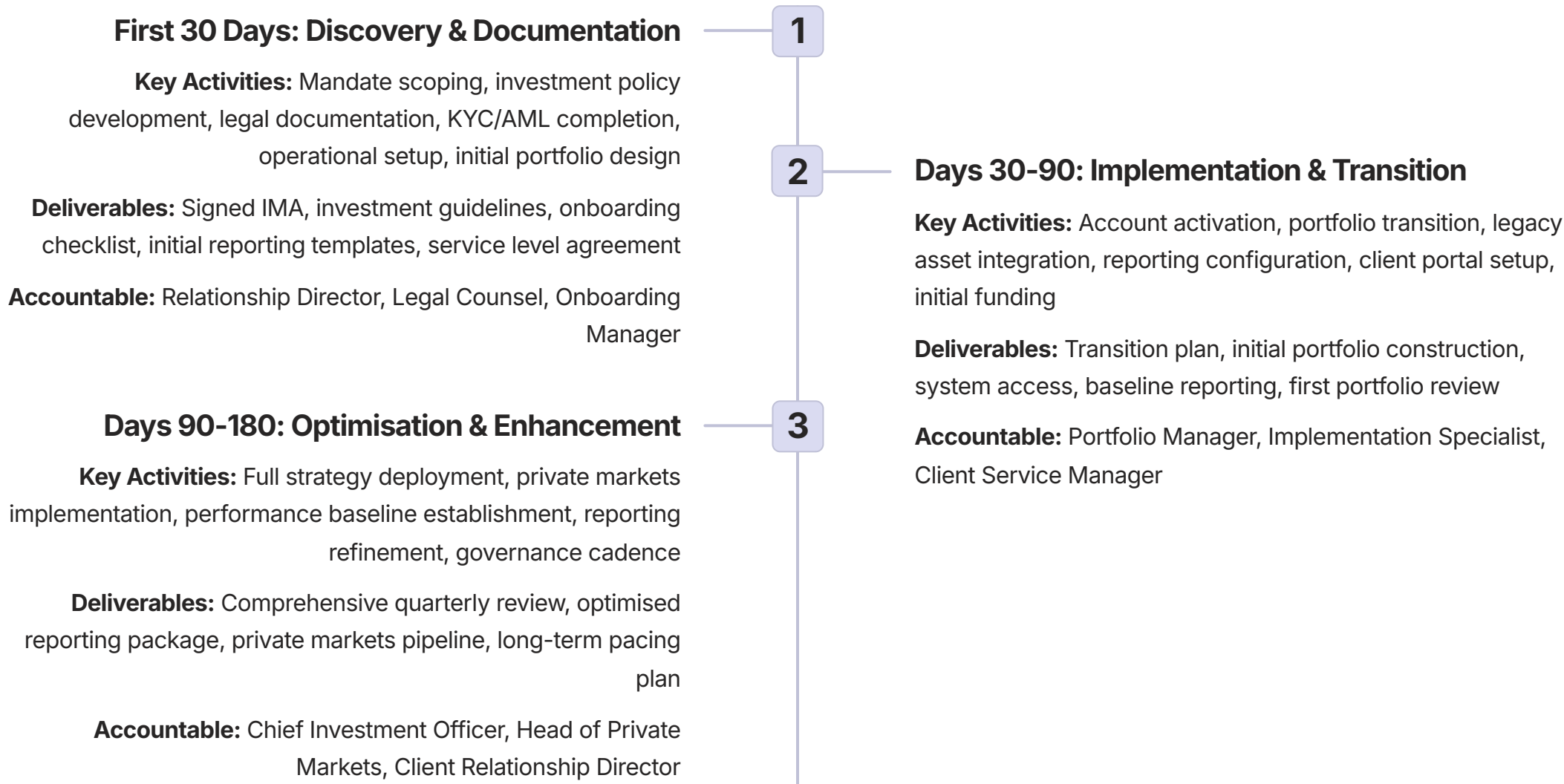
Client Risk Integration

Risk management is integrated with client portfolios through:

- Client-specific risk appetite assessment
- Customised risk limits and parameters
- Regular risk reporting and review
- Transparent risk communication

Implementation Plan

30-90-180 day timeline, artefacts, accountable owners



Closing Proposition

Mandate options, fee proposal, next steps

Recommended Mandate Structure

Based on our understanding of sophisticated institutional investor needs, we propose:

1. **Discretionary Multi-Asset Core:** Comprehensive portfolio with full asset allocation authority, public and private market implementation, and integrated risk management
2. **Optional Advisory Overlay:** Additional guidance on specific asset classes or strategy components where client teams maintain execution control
3. **Specialised Sleeves:** Targeted mandates for securitised credit, private markets, or sustainable investing based on specific requirements

Indicative Fee Proposal

- **Standard Fee Schedule:** Tiered management fee starting at 0.50% with breakpoints at £50m, £100m, and £250m
- **Performance Fee Option:** Reduced base fee (0.30%) with 15% performance fee over agreed benchmark with perpetual HWM
- **Fulcrum Structure:** Base fee at 0.40% with $\pm 0.20\%$ adjustment based on 3-year rolling performance vs benchmark

Next Steps

1. **Discovery Workshop:** Deep-dive session to understand detailed requirements, constraints, and objectives
2. **Investment Policy Development:** Collaborative drafting of investment guidelines and risk parameters
3. **Proposal Refinement:** Customised mandate structure and fee proposal based on specific needs
4. **Due Diligence:** Access to data room and key team members for thorough evaluation
5. **Legal Review:** IMA negotiation and documentation with legal teams
6. **Implementation Planning:** Detailed transition and onboarding timeline

We welcome the opportunity to engage in a detailed discussion about how Beaufort can deliver institutional-quality investment management tailored to your specific requirements, with the operational advantages of the IFB ecosystem.



Deep Dive: Investment Process

From capital market assumptions to portfolio implementation

Capital Market Assumptions

Systematic development of forward-looking return, volatility, and correlation forecasts across asset classes, incorporating valuation metrics, macroeconomic variables, and structural factors with both quantitative models and qualitative overlay.

Strategic Asset Allocation

Long-term portfolio construction optimised for client objectives and constraints using mean-variance analysis, Monte Carlo simulations, and scenario testing to develop robust allocations across primary and alternative asset classes.

Tactical Asset Allocation

Disciplined approach to shorter-term positioning within strategic ranges, based on valuation metrics, momentum signals, and macroeconomic indicators with clearly defined governance and implementation protocols.

Security Selection

Bottom-up analysis within each asset class using a combination of factor models, fundamental research, and quantitative screening to identify optimal implementation vehicles and specific securities for portfolio inclusion.

Portfolio Construction

Integration of top-down allocation with bottom-up selection, optimised for risk efficiency, implementation cost, and tax considerations with systematic risk monitoring and rebalancing discipline.

Deep Dive: ESG Integration Methodology

ESG Research Framework

Beaufort employs a comprehensive approach to ESG analysis:

- **Multiple data sources** with proprietary aggregation methodology
- **Materiality mapping** by sector and geography
- **Forward-looking assessment** beyond historical metrics
- **Integrated financial impact** analysis on valuation models
- **Qualitative overlay** from sector specialists

Implementation Approaches

- **Integration:** ESG factors incorporated in all investment decisions
- **Screening:** Negative and positive criteria based on client preferences
- **Thematic:** Targeted exposure to sustainability themes and trends
- **Impact:** Measurable positive outcomes aligned with SDGs

Climate Risk Management

- **Physical risk assessment** using location-based analysis
- **Transition risk modelling** across policy scenarios
- **Carbon footprint measurement** across scopes 1-3
- **Net zero alignment assessment** using SBTi methodology
- **Climate value-at-risk** calculation for portfolios



Reporting and Transparency

- **Portfolio-level ESG metrics** with benchmark comparison
- **Carbon intensity measurement** and tracking
- **Engagement activity** and outcomes documentation
- **SDG alignment** and impact reporting
- **TCFD-aligned** climate risk disclosure

Deep Dive: Risk-Adjusted Performance Analysis

Performance Metrics

Metric	Conservative	Balanced	Growth
Annualised Return (3Y)	4.6%	6.9%	9.2%
Volatility (3Y)	3.8%	8.2%	12.5%
Sharpe Ratio (3Y)	0.92	0.71	0.65
Max Drawdown (3Y)	-5.7%	-13.5%	-18.9%
Information Ratio (3Y)	0.43	0.52	0.47
Alpha vs Benchmark (3Y)	0.65%	0.85%	0.76%

Note: Representative composite performance for illustrative purposes. Past performance is not indicative of future results. GIPS-aligned methodology.

Attribution Analysis

Key drivers of relative performance in Balanced strategy (3Y):



Asset Allocation

Strategic and tactical allocation decisions



Security Selection

Bottom-up selection within asset classes



Factor Exposures

Systematic risk premia positioning



Other Effects

Currency, cash management, etc.

Performance characteristics demonstrate the effectiveness of Beaufort's investment approach in delivering risk-adjusted returns across different mandate types, with consistent alpha generation and downside protection relative to benchmarks.

Deep Dive: Private Market Secondaries Strategy

Secondaries Strategy Overview

Beaufort's private equity secondaries programme focuses on acquiring LP interests in mature funds to deliver several key advantages:

- **J-curve mitigation** through exposure to seasoned portfolios
- **Earlier distributions** from more mature companies
- **Potential valuation discounts** to NAV depending on market conditions
- **Enhanced diversification** across vintage years, geographies, and sectors
- **Greater visibility** into underlying portfolio companies and performance

Strategic Approach

- **Targeted fund types:** Mid-market buyout, growth equity, select venture
- **Vintage focus:** Funds 3-7 years into investment period
- **Size range:** £5-30 million per secondary acquisition
- **GP relationships:** Leverage IFB network for proprietary flow
- **Concentrated positions:** Preference for funds with clear winners identified

Execution Advantages

- **Proprietary deal flow** through IFB's global banking relationships
- **In-house valuation expertise** for complex portfolio assessment
- **Streamlined approval process** for time-sensitive opportunities
- **Structuring capabilities** for complex transactions
- **Dedicated legal resources** for transfer documentation



Track Record Highlights

Over the past three years, the secondaries programme has achieved:

- 1.8x average TVPI on seasoned transactions
- 22% IRR on realised investments
- Average 12% discount to NAV at acquisition
- Average holding period of 2.8 years

Deep Dive: Fixed Income Attribution

Decomposing returns across fixed income strategies

Attribution Methodology

Beaufort employs a comprehensive fixed income attribution framework that isolates the contribution from:

- **Duration Management:** Overall interest rate sensitivity positioning
- **Yield Curve Positioning:** Exposure to curve steepening/flattening
- **Sector Allocation:** Weighting across sovereigns, credit, securitised, etc.
- **Credit Quality:** Positioning across rating categories
- **Security Selection:** Individual issue selection within sectors
- **Currency Effects:** Impact of FX movements on non-base returns
- **Carry and Roll-down:** Income and yield curve effects

Key Return Drivers (Trailing 12 Months)

Return Component	Core Fixed	Credit Focus	Structured
Duration Management	0.42%	0.25%	0.18%
Yield Curve Positioning	0.35%	0.21%	0.15%
Sector Allocation	0.53%	0.68%	0.92%
Credit Quality/Spread	0.27%	0.75%	0.85%
Security Selection	0.18%	0.45%	0.78%
Carry and Roll-down	1.85%	2.35%	2.95%
Total Excess Return	0.76%	0.92%	1.35%

Note: Illustrative attribution for representative strategies vs relevant benchmarks. Past performance is not indicative of future results.

Deep Dive: Liquidity Risk Management

Liquidity Risk Framework

Beaufort implements a comprehensive approach to liquidity management:

- **Asset classification system** with tiered liquidity categories
- **Position-level time-to-liquidation analysis** under normal and stressed conditions
- **Contingency funding planning** for potential cash needs
- **Regular liquidity stress testing** with historical and hypothetical scenarios
- **Cash flow forecasting** for known and potential obligations

Liquidity Tiering Methodology

Assets are classified into five liquidity tiers:

1. **Tier 1:** Cash and cash equivalents (0-1 days)
2. **Tier 2:** Highly liquid public securities (1-5 days)
3. **Tier 3:** Moderately liquid investments (5-30 days)
4. **Tier 4:** Less liquid investments (30-90 days)
5. **Tier 5:** Illiquid investments (90+ days)



Liquidity Management Applications

- **Portfolio construction:** Ensuring appropriate liquidity alignment with investment horizon and cash needs
- **Rebalancing strategy:** Incorporating liquidity considerations into execution
- **Stress preparedness:** Maintaining sufficient liquid assets to meet obligations during market dislocations
- **Collateral management:** Ensuring adequate liquid assets for potential margin calls
- **Opportunistic deployment:** Maintaining dry powder for dislocated markets

Each client mandate includes a customised liquidity policy with specific parameters based on their unique requirements, cash flow needs, and risk tolerance.

Deep Dive: Securitised Credit Expertise

Structural advantages in complex fixed income markets

Securitised Market Focus

Beaufort maintains a dedicated securitised credit team focused on:

- **Asset-Backed Securities (ABS):** Consumer loans, auto loans, credit cards, equipment leases
- **Residential Mortgage-Backed Securities (RMBS):** Prime, non-conforming, and specialist mortgage pools
- **Commercial Mortgage-Backed Securities (CMBS):** Diversified and single-asset commercial property loans
- **Collateralised Loan Obligations (CLOs):** Managed portfolios of leveraged loans
- **Specialty Finance:** Trade receivables, litigation finance, royalties, infrastructure debt

Edge in Securitised Markets

- **Analytical advantage** through proprietary loan-level analysis
- **Structural complexity premium** in less efficient market segments
- **Rating agency arbitrage** opportunities from methodological gaps
- **Regulatory capital constraints** creating forced sellers
- **Primary market access** through IFB's banking relationships



Risk Management Approach

Comprehensive framework for managing securitised exposures:

- **Loan-level analysis** with proprietary default and prepayment models
- **Structural review** of documentation, triggers, and waterfall mechanics
- **Stress testing** across multiple macroeconomic scenarios
- **Servicer and originator due diligence** with regular monitoring
- **Liquidity assessment** with conservative trading assumptions
- **ESG integration** including social considerations in lending practices

This specialised expertise allows Beaufort to identify mispriced securities, access unique opportunities, and construct diversified portfolios with attractive risk-adjusted returns relative to traditional corporate credit.

Alternative Solutions: Income Stability

Comparing approaches for reliable income generation

Securitised Credit SMA

Approach: Dedicated separately managed account focused on securitised credit assets including ABS, RMBS, CMBS, and CLOs with active management of credit, structure, and prepayment risks.



Benefits

- Higher yield than traditional fixed income (typically +150-250bps)
- Reduced correlation to corporate credit markets
- Structural protections through credit enhancement
- Customisable risk profile through tranche selection



Trade-offs

- Higher complexity requiring specialised expertise
- Less liquidity than traditional bonds
- Potential headline risk during market stress
- Higher operational requirements

Probability of meeting objectives: 75-85% (Probable)

Implementation complexity: Moderate to High

Ethical/Reputational Note: Securitised credit requires diligent originator assessment to ensure responsible lending practices, particularly for consumer-facing assets where predatory lending concerns may arise.

Multi-Asset Income Fund Sleeve

Approach: Diversified portfolio across income-generating assets including dividend equities, corporate bonds, emerging market debt, infrastructure, and REITs with dynamic asset allocation.



Benefits

- Broader diversification across asset classes
- Potential for capital appreciation alongside income
- More straightforward governance and oversight
- Greater liquidity in most market conditions



Trade-offs

- Higher correlation to broad market risk factors
- Greater equity market sensitivity
- Potentially lower yield than dedicated credit
- Less customisation potential

Probability of meeting objectives: 65-75% (Probable)

Implementation complexity: Low to Moderate

Alternative Solutions: Capital Growth with Drawdown Guardrails

Factor-Balanced Equity Plus Option Overlays

Approach: Systematic equity portfolio diversified across proven risk factors (value, quality, momentum, low volatility) with tailored option strategies to limit downside risk during market dislocations.



Benefits

- Explicit downside protection with defined risk limits
- Reduced volatility without sacrificing long-term returns
- Customisable protection levels based on risk tolerance
- Transparent implementation with clear performance attribution



Trade-offs

- Cost of protection impacts returns in rising markets
- Requires active management of overlay positions
- Potential for basis risk between portfolio and hedges
- Higher complexity in governance and monitoring

Probability of meeting objectives: 70-80% (Probable)

Implementation complexity: Moderate

Ethical/Reputational Note: Option overlay strategies use regulated exchange-traded instruments with robust price discovery, avoiding potential conflicts in OTC markets. Alternative manager selection requires thorough operational due diligence to mitigate governance risks.

Diversified Alternatives Sleeve

Approach: Allocation to diversifying alternative strategies including absolute return, market neutral, global macro, and multi-strategy hedge funds with low correlation to traditional markets.



Benefits

- Reduced correlation to traditional equity markets
- Access to differentiated return sources
- Potential for positive returns in varying market environments
- Structural diversification beyond traditional assets



Trade-offs

- Higher fee burden from underlying managers
- Less transparency into underlying positions
- Liquidity constraints from fund structures
- Manager selection risk is significant

Probability of meeting objectives: 60-70% (Even to Probable)

Implementation complexity: High

Alternative Solutions: Liquidity-Sensitive Endowments

Barbell with T-bills and Private Credit Secondaries

Approach: Bifurcated strategy allocating to highly liquid short-term treasuries for liquidity needs alongside opportunistic private credit secondaries for enhanced yield, with dynamic allocation based on liquidity forecasting.



Benefits

- Clear liquidity segmentation for spending needs
- Attractive entry points in secondary markets
- J-curve mitigation through seasoned credits
- Potential for higher risk-adjusted returns



Trade-offs

- Limited risk factor diversification
- Execution dependent on secondary market opportunities
- Potential for "cash drag" in liquid allocation
- Less continuous exposure to private markets

Probability of meeting objectives: 65-75% (Probable)

Implementation complexity: Moderate to High

Ethical/Reputational Note: Secondary private credit markets require careful due diligence on underlying loan origination practices and borrower treatment, particularly in distressed situations where restructuring may impact stakeholders.

Diversified Semi-Liquid Interval Structure

Approach: Investment through interval fund structure providing quarterly limited liquidity, investing across a spectrum of alternative credit, structured products, and less liquid traded strategies.



Benefits

- More diversified exposure across alternative strategies
- Regular, though limited, liquidity windows
- Professional management of complex assets
- Simplified operational implementation



Trade-offs

- Less customisation of underlying exposures
- Potential gates on redemptions during stress
- Higher all-in fee structure
- Less transparency into underlying positions

Probability of meeting objectives: 60-70% (Even to Probable)

Implementation complexity: Low to Moderate

Alternative Solutions: Governance Simplicity

Single Discretionary Multi-Asset Mandate

Approach: Comprehensive portfolio managed under a single investment management agreement with full delegation of day-to-day investment decisions within clearly defined parameters and constraints.



Benefits

- Simplified governance with single point of accountability
- Integrated risk management across all portfolio components
- Coordinated implementation of investment strategy
- Consolidated reporting and oversight



Trade-offs

- Reliance on single manager's capabilities across asset classes
- Potential lack of specialist expertise in certain niches
- Less ability to benchmark performance by component
- Higher switching costs if manager change required

Probability of meeting objectives: 75-85% (Probable)

Implementation complexity: Low

Ethical/Reputational Note: Advisory models require robust conflicts management to ensure objectivity in manager selection and fee transparency to demonstrate value for advisory services relative to direct implementation.

Advisory Architecture with Manager Platform

Approach: Client retains decision authority with Beaufort providing advisory services, due diligence, manager selection, and portfolio construction recommendations through a curated platform of specialist managers.



Benefits

- Access to specialist expertise across asset classes
- Greater control and flexibility for the client
- Ability to benchmark individual components
- Easier to replace underperforming managers



Trade-offs

- Higher governance burden requiring more client resources
- Potentially less coordinated implementation
- More complex operational footprint
- Risk of decision paralysis during market stress

Probability of meeting objectives: 60-70% (Even to Probable)

Implementation complexity: Moderate to High

Alternative Solutions: Cost Discipline

Low-Cost Core Beta Plus Targeted High-Conviction Satellites

Approach: Hybrid portfolio combining passive index exposure for broad market beta with selective active management in inefficient market segments offering potential alpha opportunities.



Benefits

- Lower overall fee burden through passive core
- Focused active management where it adds most value
- Transparent performance attribution
- Customisable active/passive split based on conviction



Trade-offs

- Full market exposure in down markets
- Tracking error against conventional benchmarks
- Potential for style drift in satellite components
- More complex governance than pure passive

Probability of meeting objectives: 70-80% (Probable)

Implementation complexity: Moderate

Ethical/Reputational Note: Cost-focused strategies require transparent performance reporting that clearly demonstrates value for fees paid, with particular attention to hidden costs in passive implementation such as index rebalancing and securities lending practices.

Fully Active Core

Approach: Comprehensive active management approach across the entire portfolio, focusing on risk-adjusted returns net of fees rather than absolute fee minimisation.



Benefits

- Potential for outperformance in all market segments
- Risk management flexibility during market dislocations
- Integrated approach to portfolio construction
- Adaptability to changing market conditions



Trade-offs

- Higher overall fee burden
- Greater manager selection risk
- Potential underperformance in strongly trending markets
- Higher governance requirements

Probability of meeting objectives: 55-65% (Even)

Implementation complexity: Moderate to High

Standard Legal Disclaimer

General Disclaimers

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Beaufort Securitisation Holding LLC is registered with [Relevant Regulatory Authority] and is a wholly owned subsidiary of International Finance Bank. International Finance Bank is regulated by [Relevant Banking Authority].



Document Checklist: Onboarding

1

Client Due Diligence

- Client Entity Documentation (Articles, Bylaws, Trust Deed, etc.)
- Ownership Structure Chart with Ultimate Beneficial Owners
- Corporate Authorisation for Investment Management
- Authorised Signatory List with Specimen Signatures
- Source of Wealth/Source of Funds Declaration
- Tax Domicile Certification and Relevant Forms (W-8BEN, CRS, etc.)

2

Investment Policy Documentation

- Investment Policy Statement
- Investment Objectives and Constraints
- Risk Tolerance Assessment
- ESG Requirements and Exclusions
- Liquidity Requirements and Cash Flow Projections
- Existing Portfolio Holdings and Transaction History

3

Legal Agreements

- Investment Management Agreement
- Custody Agreement (if separate from IFB banking relationship)
- Service Level Agreement
- Side Letter (if applicable)
- ISDA/CSA Documentation (if derivatives required)
- Limited Power of Attorney for Trading Authority

4

Operational Setup

- Account Opening Forms
- Banking Instructions and Standing Settlement Instructions
- Reporting Specifications and Requirements
- Client Portal Access Forms
- Authorised Contacts for Different Service Areas
- Meeting Cadence and Governance Structure

All documentation is subject to legal review and may require customisation based on specific client circumstances, jurisdictional requirements, and the nature of the mandate. Beaufort's onboarding team will provide guidance on the specific requirements for your situation.

One-Page Executive Handout

Five Key Decisions and Next Steps

Key Decisions for Consideration

- 1. **Mandate Structure:** Determine the optimal governance model balancing control and delegation (discretionary, advisory, or hybrid)
- 2. **Investment Strategy:** Align portfolio construction with specific objectives, risk tolerance, and time horizon
- 3. **Asset Class Mix:** Define the appropriate balance between public markets, private markets, and alternative strategies
- 4. **Fee Model:** Select preferred approach to fee structure (management fee, performance fee, or fulcrum model)
- 5. **Operational Integration:** Determine level of integration with existing systems, reporting, and governance

Recommended Implementation Timeline

- Weeks 1-4:** Discovery, documentation, and mandate design
- Weeks 5-8:** Legal review, operational setup, and transition planning
- Weeks 9-12:** Portfolio implementation and initial funding

Immediate Next Steps

- 1. **Discovery Workshop:** Schedule in-depth session to explore requirements and constraints in detail
- 2. **Due Diligence Materials:** Provide access to Beaufort's data room for comprehensive review
- 3. **Investment Policy Review:** Analyse existing investment policy to identify enhancement opportunities
- 4. **Proposal Development:** Prepare tailored mandate proposal based on discovery findings
- 5. **Key Team Introductions:** Arrange meetings with portfolio management, risk, and operational teams

Your Beaufort Contacts

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Glossary of Key Terms

Investment Management Terms

- Alpha:** Excess return of an investment relative to the return of a benchmark index representing "the market"
- Beta:** Measure of the volatility, or systematic risk, of a security or portfolio compared to the market as a whole
- Discretionary Mandate:** Investment arrangement where the manager has authority to make investment decisions without prior client approval
- Advisory Mandate:** Investment arrangement where the manager provides recommendations but the client retains decision authority
- Segregated Managed Account (SMA):** Customised portfolio managed for a single client with direct ownership of securities
- Factor Investing:** Strategy focusing on characteristics (factors) that explain differences in stock returns, such as value, size, momentum, quality
- GIPS:** Global Investment Performance Standards, a set of standardised, industry-wide ethical principles for calculating and presenting investment performance
- High Water Mark (HWM):** Level that a fund or account value must exceed before a performance fee can be charged

Private Markets & Alternative Terms

- J-Curve:** Pattern where private equity investments typically show negative returns in early years before generating positive returns
- Secondary Transaction:** Purchase of existing investor commitments to private market funds
- Co-Investment:** Direct investment alongside a private equity fund in a specific company
- Commitment Pacing:** Strategic plan for timing and sizing of private market fund commitments
- DPI:** Distributed to Paid-In capital, a private equity metric measuring cash returned relative to capital invested
- TVPI:** Total Value to Paid-In capital, measuring the current value of investments plus distributions relative to capital invested

Risk Management & Operational Terms

- Value at Risk (VaR):** Statistical technique used to measure and quantify the level of financial risk within a portfolio over a specific time frame
- Drawdown:** The peak-to-trough decline during a specific period for an investment or fund
- Sharpe Ratio:** Measure of risk-adjusted return that compares an investment's excess return to its standard deviation of returns
- Three Lines of Defence:** Risk management framework with business units as first line, risk function as second line, and internal audit as third line
- Investment Management Agreement (IMA):** Legal contract between a client and investment manager defining the relationship
- Service Level Agreement (SLA):** Contract defining the level of service expected from a service provider
- Pre-Trade Compliance:** Process of checking trades before execution to ensure they comply with investment restrictions
- Look-Through:** Analysis that examines underlying holdings within pooled funds to understand total exposures
- Securitisation & Credit Terms**
 - Securitisation:** Process of transforming illiquid assets into tradable securities
 - Tranche:** Segment of a securitised instrument with specific risk and return characteristics
 - Credit Enhancement:** Techniques to improve the credit quality of financial assets
 - Waterfall:** Priority of payments structure defining how cash flows are distributed to different tranches
 - Risk Transfer:** Transaction where credit risk is transferred from one party to another
 - Special Purpose Vehicle (SPV):** Legal entity created for a specific, limited purpose in a securitisation

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