

How Safe is Your Money?

Placing your trust in Navigator means you like the way we take time on an ongoing basis to understand you and your goals and the way we propose to deliver your financial plan and investment management.

Navigator will never be a household name (although recent events have shown that big names do not always guarantee good management) and this document outlines the structures we have in place to give you peace of mind about the security of your investments.

In particular, we shall explain the roles of Navigator and our carefully selected investment partners (none of whom pay us a penny to use them), as well as the vulnerabilities of each.

The following organisations are involved in investing your assets:-

Role	Company
Adviser/Planner	Navigator Financial Planning Ltd
Administrator/Custodian	Integrated Financial Arrangements Ltd (Transact)
Fund Managers	Dimensional Fund Advisors Ltd Vanguard Investments UK Ltd iShares (Blackrock Advisors UK Ltd)

Navigator Financial Planning Ltd - Adviser

Navigator delivers totally impartial financial planning to its clients. Our prime responsibility is to understand you and your goals, dreams and concerns, and to help you align your money to match these as well as possible. Our principal professional body is the Institute of Financial Planning (IFP). We are an authorised representative of Financial Ltd, who oversee our compliance and are registered with and regulated by the Financial Services Authority (FSA), a government body set up to oversee companies involved in financial services.

Navigator will never hold any client assets; these are all registered in your name with our strategic investment partners listed above. Neither are we able to remove money from this group, other than to your nominated bank current account on your behalf.

If for any reason Navigator was no longer able to advise you, there would therefore be no immediate impact on your investments. Your money would remain fully invested with our strategic partners, awaiting the appointment of a new financial adviser of your choice.

In that event we recommend that you should appoint one of our colleagues in Segment7. This is an association of independent but like-minded firms, owned by very highly qualified financial planners (all members of the IFP, and qualified to at least Certified Financial Planner status) who share very similar outlooks on financial planning and investment management. We are in touch with each other on a daily basis, sharing investment research and best practice.

Going further, all Segment7 firms are in the process of aligning our investment and financial planning processes. For example in March 2010 we adopted common model investment portfolios – all using the three fund managers listed above – and we will continue to review these on a regular basis.

In the event of Navigator ceasing to trade for any reason, another member of Segment 7 would be able to continue advising you in the same way as we do, with minimum impact to you. It would need all the independent adviser firms in Segment7 to cease trading at the same time for you to have to consider changing strategy.

Moreover, we believe that small practitioner-owned businesses such as ours are more stable than big companies who may be continually engaged in mergers and takeovers, with new management teams imposing different targets and service structures upon their beleaguered staff and customers. In large organisations the resignation of your adviser can result in months of negotiations and legal posturing before a decision is made on who should advise you in future. An adviser who does not control his own business cannot always act in what he believes are his clients' best interests.

We aim to build long term relationships with our clients, working with them to help achieve their financial ambitions. Everything we do is in a fiduciary capacity – one which places their interests first.

Integrated Financial Arrangements Plc - Administrator & Custodian

We deliver our investment proposition through the Transact 'wrap account'. This is a service provided by Integrated Financial Arrangement Plc (often referred to as 'Integrafin'), which was incorporated in 1999 to provide investment platform services.

The Transact wrap service provides our administration platform, carrying out activities such as account opening, handling cash, asset transfers, trading systems, client reporting and custody of assets. They also provide compliance, supervision and FSA registration services. Integrafin has over £9.5bn of assets under custody from approximately 100,000 clients (as of Dec 2010).

Integrafin's two wholly-owned subsidiaries, Integra Life UK and Integra Life International provide the group's onshore and offshore life assurance products. The Integrafin group has been profitable for every month since June 2003 and has over £17m greater capital adequacy than is required by the FSA (as of Sep 2010).

The most important role provided is that of a custodian, which is to hold your investment assets in your name and carry out any transactions on these investments. Integrafin uses a wholly owned subsidiary called Transact Nominees Ltd to act as custodian, which has no other operations. The purpose of this is to clearly separate all client assets from those of Integrafin. There are a variety of safety measures in place to help ensure that, in the unlikely event of Integrafin's bankruptcy, your capital will not be put at risk.

Firstly, in accordance with Financial Services Authority (FSA) rules, all client assets are held on trust, in accounts segregated from Integrafin's own assets. In the event of Integrafin's bankruptcy, the assets would not be considered as belonging to Integrafin and could not be used to repay Integrafin's creditors. The assets are instead treated as belonging to the beneficial owner of the trust, i.e. the client, and would be allocated to them. In extremely rare circumstances, a court may permit the liquidator to meet the costs in delivering assets to the client, out of the clients' assets.

In the highly unlikely event that a.) Integrafin went bankrupt and b.) also failed to properly apply the above asset segregation rules, there is further protection. Integrafin accounts are covered by government protection, by way of the Financial Services Compensation Scheme (FSCS) for onshore business and the Isle of Man's Life Assurance Regulations for offshore business. A maximum of £50,000 per claim for investments is covered. This is increased to £85,000 for cash investments, such as cash ISAs and term deposits. For life assurance schemes through Integra Life UK and Integra Life International, the compensation is 90% of the claim, with no upper limit. Further to this, the Integrafin group also provides indemnity and fidelity insurance to protect investors' funds in the event of misconduct or fraud.

All client cash held on accounts is pooled together. This is then split between four UK based banks. In the event of one of these banks failing the FSCS would cover up to £85,000 per client per bank. The claim would be added to any other claims relating to that institution for the purpose of the £85,000 maximum i.e. any other bank accounts held with that bank.

Dimensional, Vanguard and iShares (Blackrock) - Fund Managers

The whole purpose of investing is to generate a return and it is the role of the investment managers to achieve this. The way we design portfolios and select fund managers is obviously crucial but is beyond the scope of this document. All three firms are very successful and stable. Dimensional manage over \$200bn* of assets worldwide, are owned primarily by employees and directors and exclusively manage assets for institutional investors and the clients of financial advisors. The Vanguard group launched the world's first index fund open to individual investors in 1976 and has become one of the largest mutual fund providers in the world, managing over \$1.8 trillion* of assets. iShares is a pioneer of Exchange Traded Funds (ETFs) and manages over 43% of the world's ETF assets (over \$500bn*), and is part of the Blackrock group, which is one of the largest asset management companies in the world. We may add other carefully-researched fund managers to our recommended portfolios from time to time; the same principles will apply to these also.

The protection against one of these fund managers ceasing to trade, or being unable to meet its liabilities, is similar to that considered above with regards to the custodian. Again, the most important factor is the asset segregation rules. Assets in the funds are held in trust, with an

independent trustee/registrar, for the benefit of the owners (investors). These assets do not belong to the fund management companies, and cannot be claimed by their creditors. Each of the funds has an independent depositary. Should the fund management company cease to trade, it is the depositary's job to return the assets of the funds to the owners. In the event of a fund management company ceasing to trade, investment performance may well be compromised, however your capital will not be at risk of being consumed in the liquidation/bankruptcy of the manager.

Again there is further protection provided by the FSCS (for UK based investments) in the highly unlikely event that a.) One of the managers went bankrupt and b.) Failed to apply the legally required asset segregation rules. The protection provided would be a maximum of £50,000 per investor per manager.

** As of 31st December 2010*

What about fraud?

Obviously no one likes to discuss this, but in general we believe that having multiple independent organisations involved in the money management process makes it far less likely that any individual, or group of individuals, would be able to misappropriate funds. Each organisation is watching what everyone else does, so in a sense the chain is as strong as its strongest link.

Investment Risk

This document takes no account of investment risk, which is a separate issue. Should a company in which one of our investment managers has bought shares go bankrupt, there is a risk to your capital. In order to minimise this risk, our portfolios invest in securities from over 10,000 different institutions. Accepting this risk is required in order to achieve a rate of return beyond that of cash deposits. This risk is explained in greater detail in the 'Navigator Guide to Investment Risk'.

Navigator Financial Planning Ltd is an appointed representative of Financial Ltd which is authorised & regulated by the Financial Services Authority. FSA number 436902.

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