



ASSET ALLOCATION & RESEARCH

MODEL PORTFOLIO BROCHURE

ABOUT US

Asset Allocation & Research LLC is a Discretionary Fund Management Advisory service, which is a wholly owned subsidiary of Castlestone Management LLC and part of the Castlestone Management group of companies which was originally founded in 1996.

Asset Allocation & Research LLC aims to remove the typical risk of a Discretionary Fund Manager by providing you with research that can be used, at your discretion, to truly diversify your client's portfolio's based on your knowledge of their risk level and investments goals, while leaving you in control of their portfolios.

At Asset Allocation & Research LLC we believe that one of the greatest risks to an investment portfolio is lack of diversification; in other words, concentrating all your investments with one fund manager or investment vehicle. While outsourcing the investment management of you clients' investments may free you from the day-to-day involvement, it means you are losing control of your client's money and putting all your client's money in "one basket" with one Fund Manager. This is the very risk we all wish to avoid.

Throughout its years of experience in asset and portfolio management the Castlestone Management group has always had an intrepid view of markets and has been a pioneer in investment foresight. Asset Allocation & Research LLC believes that in today's economic environment traditional portfolio management is a thing of the past. In today's investment landscape, traditional "safe" investments can see levels of volatility normally assumed by riskier assets. Likewise, riskier assets can also see much lower levels of volatility and lower levels of growth.

Taking into consideration the new normal of investment management, Asset Allocation & Research LLC places an emphasis on longer term investment trends underpinned by lower levels of global growth, lower levels of inflation and relatively lower interest rate levels. Low interest rates and unprecedented levels of interference by global central banks to stimulate economic and financial market growth has created an imbalance between risk and return across what used to be the traditional underlying risk parameters: Conservative Risk, Moderate Risk and High Risk. In response, Asset Allocation & Research LLC have developed four base risk tolerance portfolios – Cautious, Balanced, Adventurous and Equity Only. Due to a shifting investing landscape, we believe in investment strategies that place an emphasis on equity market exposure across all portfolios. Liquidity of the underlying securities in addition to the overall liquidity of the portfolios is paramount. These are diversified portfolios focused on growth and income, covering a range of objectives and time horizons.

As a wholly owned subsidiary, Asset Allocation & Research LLC will work closely with Castlestone Management, making full use of their years of experience in investment management. In this regard, Asset Allocation & Research LLC can, within certain model portfolios, allocate up to 20% into Funds managed by Castlestone. This will only be for the Non-FSC regulated lump sum portfolios.

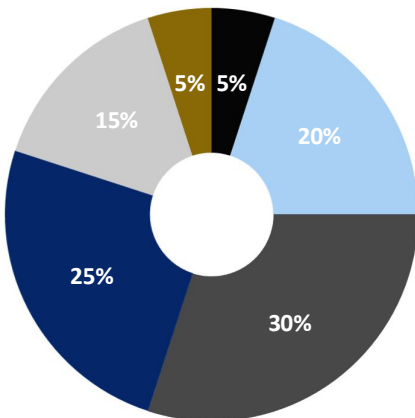
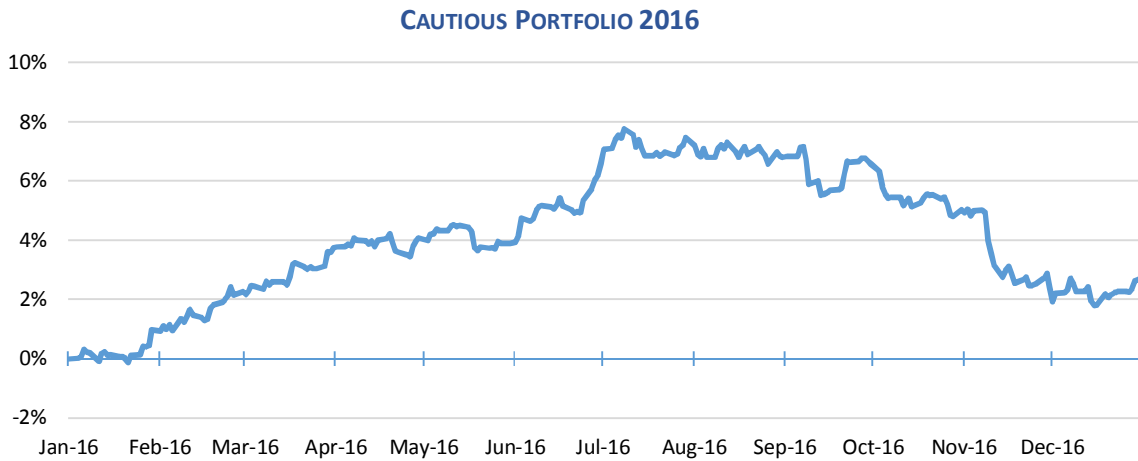
As a valued client with Asset Allocation & Research LLC you can expect the following:

- ✓ Online access to the Model Portfolios.
- ✓ Monthly market commentary on current market conditions and market outlook.
- ✓ Quarterly reviews, detailing performance of the Model Portfolios from the previous quarter and also since inception.
- ✓ Quarterly rebalancing in line with risk profiles and changing market conditions.

ASSET ALLOCATION OVERVIEW

At Asset Allocation & Research LLC we have developed four model portfolios – Cautious, Balanced, Adventurous and Equity Only. Due to a shifting investing landscape we believe in investment strategies that place an emphasis on equity market exposure across all portfolios. Liquidity of the underlying securities in addition to the overall liquidity of the portfolios is paramount. The model portfolios outlined below are for illustrative purposes only. Actual portfolio allocations and performance may differ.

CAUTIOUS MODEL PORTFOLIO



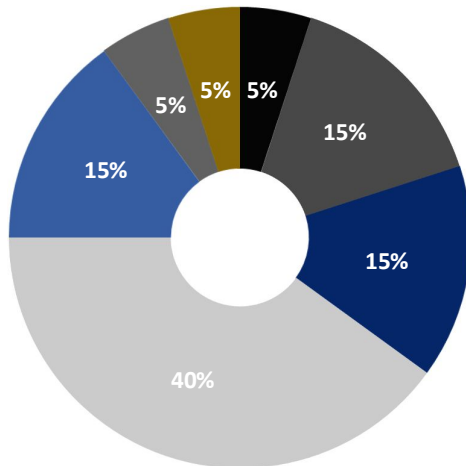
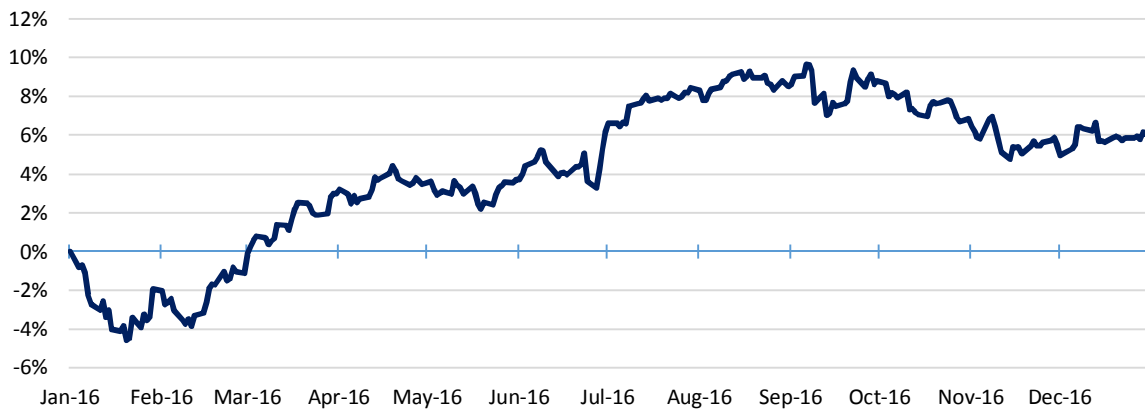
- Cash 5%
- Money Market 20%
- Government Bonds 30%
- Corporate Bonds 25%
- Developed Market Equities 15%
- Gold 5%

The Cautious Model Portfolio would be considered the least risky of the four. Focusing on secure developed market debt instruments with a significant allocation to Cash and Money Markets holdings. The Portfolio is designed for the investor seeking moderate yield with a low levels of risk and volatility. The Portfolio also has a high weighting towards corporate and government Bonds.

We would expect this Model Portfolio to hold up best in volatile or bear market conditions. The exposure to bond markets may underperform the broader market during periods of higher inflation.

BALANCED MODEL PORTFOLIO

BALANCED PORTFOLIO 2016

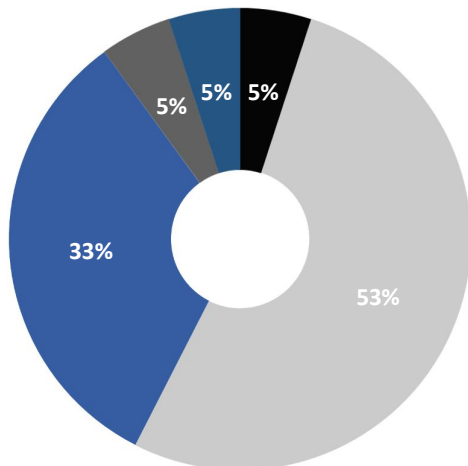
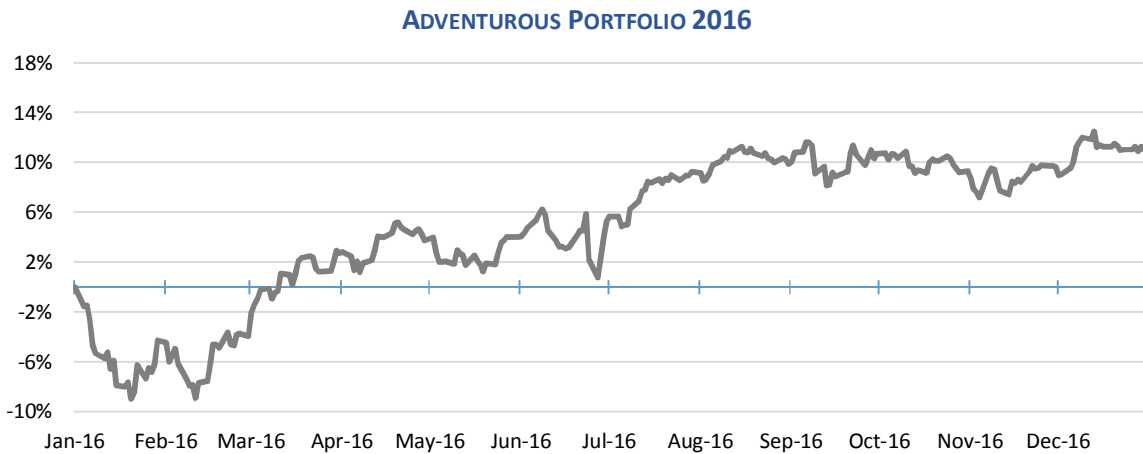


- Cash 5%
- Government Bonds 15%
- Corporate Bonds 15%
- Developed Market Equities 40%
- Emerging Market Equities 15%
- Emerging Market Debt 5%
- Gold & Precious Metals 5%

The Balanced Model Portfolio would be placed towards the middle of the risk spectrum, aiming to provide investors with relatively low levels of risk but with moderate yield and growth potential. The Balanced Model Portfolio places a higher weighting in developed and emerging market equities with no money market holdings, however still allocates a small amount of the portfolio to cash. The Balanced Portfolio continues to have exposure to corporate and government bonds. This portfolio would offer limited exposure to emerging market debt and precious metals.

We would expect this Model Portfolio to hold up best in higher growth market conditions approaching a bull market or rising equity markets.

ADVENTUROUS MODEL PORTFOLIO



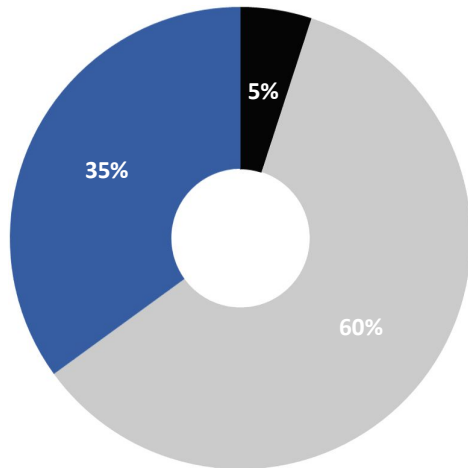
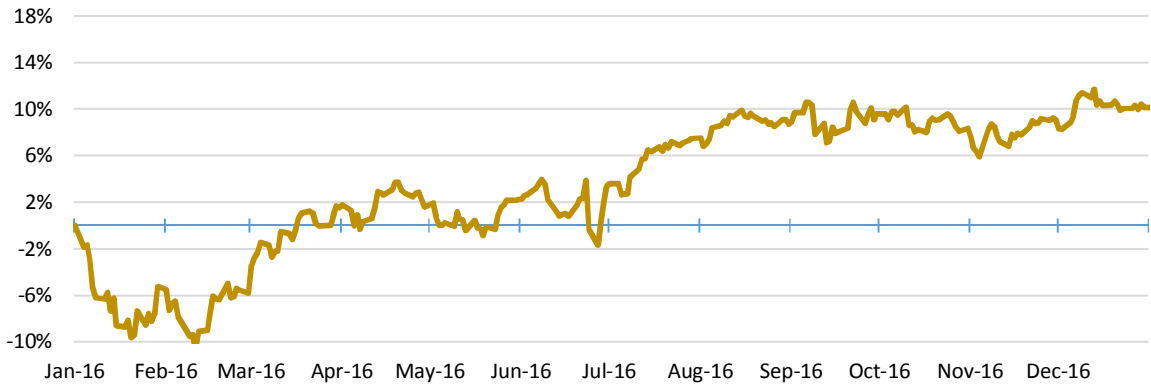
- Cash 5%
- Developed Market Equities 52.5%
- Emerging Market Equities 32.5%
- Emerging Market Debt 5%
- HY Bonds 5%

The Adventurous Model Portfolio would be considered a higher risk portfolio aimed at investors seeking higher yield and levels of growth, but who have a greater risk tolerance. The Adventurous Model Portfolio places the majority of its holdings in developed and emerging market equities with no money market, corporate bonds, government bonds, or precious metals holdings and only a small allocation to cash. This portfolio would offer limited exposure to emerging market debt.

We would expect this Model Portfolio to hold up best in high growth market conditions usually experienced during periods of higher inflation and strong economic growth.

EQUITY ONLY MODEL PORTFOLIO

EQUITY ONLY PORTFOLIO 2016



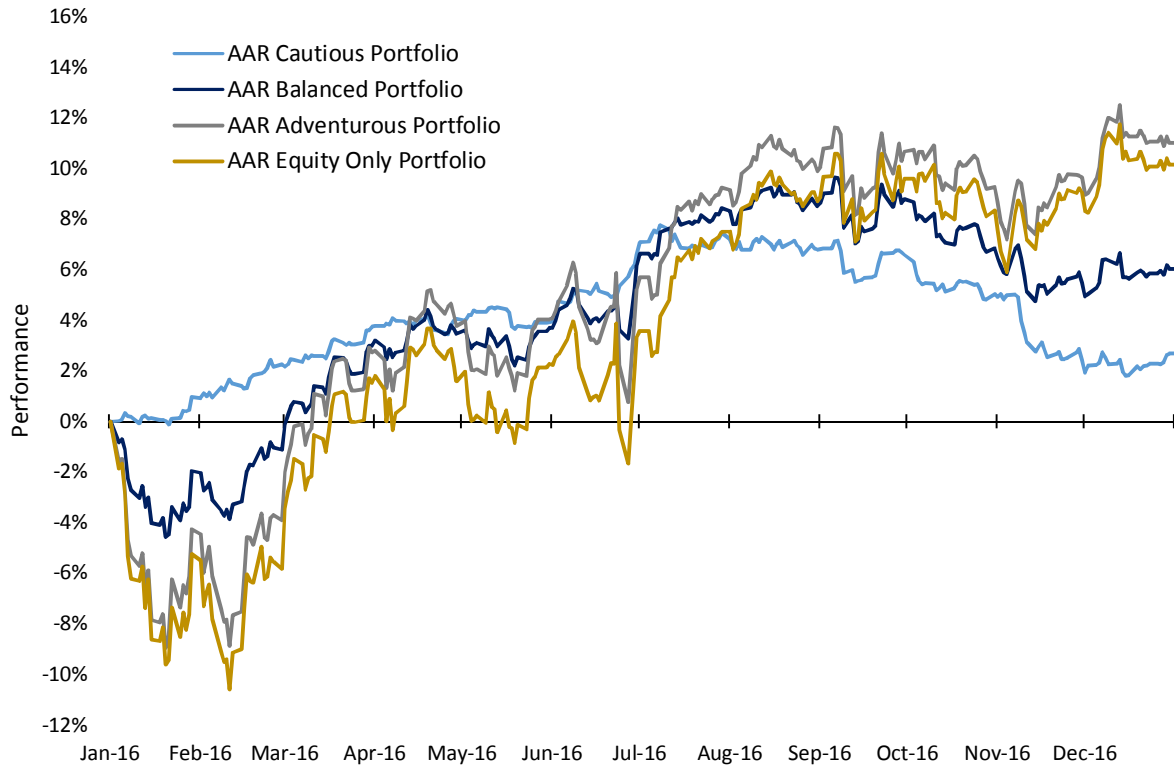
- Cash 5%
- Developed Market Equities 60%
- Emerging Market Equities 35%

The Equity Only Model portfolio focuses on developed market and emerging market equities, with a higher concentration of United States equities. This portfolio would be considered higher risk due to its greater exposure to equity markets and as such would be affected by market volatility. This portfolio is designed for investors who wish to increase their exposure to equity markets.

We would expect this Model Portfolio to hold up best in bull markets with higher levels of inflation.

ASSET ALLOCATION & RESEARCH MODEL PORTFOLIO SIMULATED PERFORMANCE

The below graph shows the performance of the four Asset Allocation & Research Model Portfolios over 2016. The Cautious Portfolio, although underperforming the others over the longer term, did not fall into negative territory at the beginning of 2016. The volatility of this model portfolio is also shown to be lower than the Balanced, Adventurous and Equity Only Portfolios. The performance of the Cautious and Balanced Portfolios moved lower from June 2016 when bond prices fell as interest rate expectations increased. This was due to the higher allocation to corporate and government bonds in these model Portfolios.

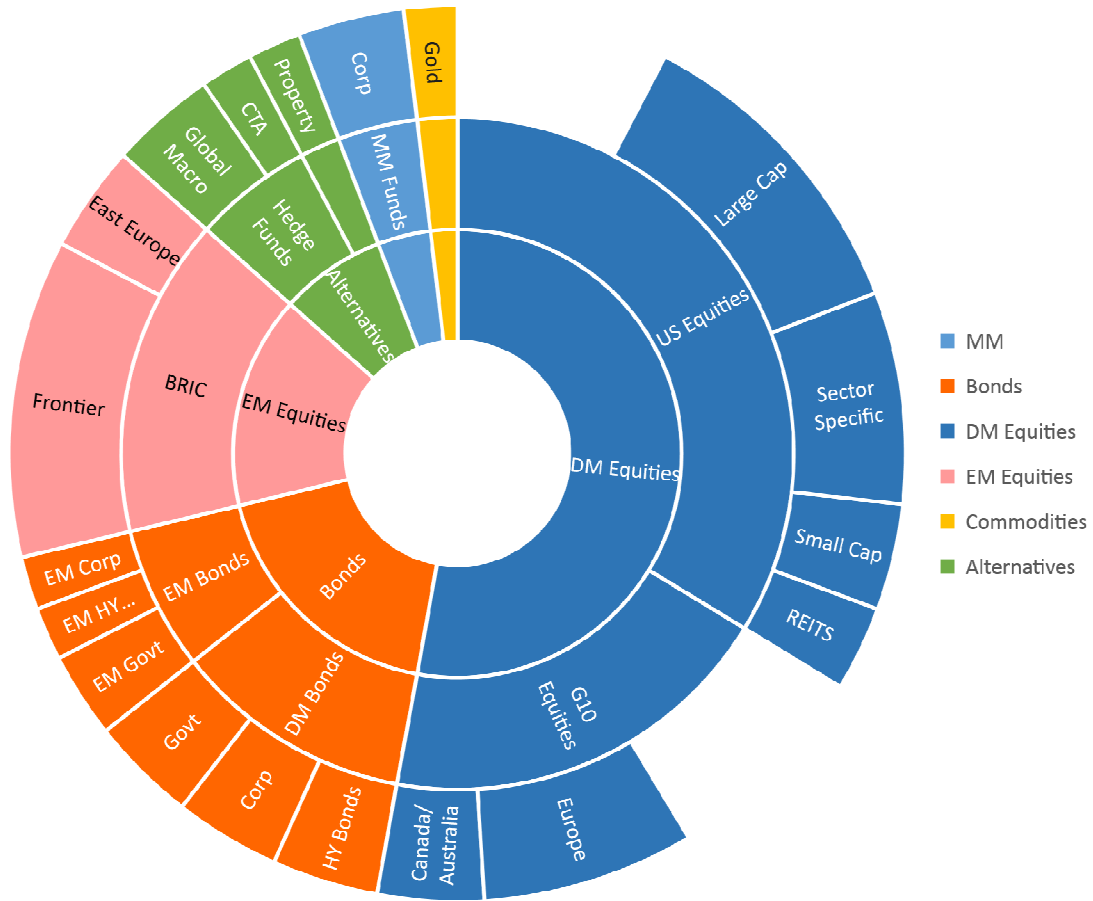


Portfolio	Performance 2016
AAR Cautious Model Portfolio:	+2.68%
AAR Balanced Model Portfolio:	+6.03%
AAR Adventurous Model Portfolio:	+11.01%
AAR Equity Only Model Portfolio:	+10.15%
S&P 500 TR Index:	+11.96%

TRADITIONAL ASSET ALLOCATION – DIVERSIFIED BESPOKE PORTFOLIO

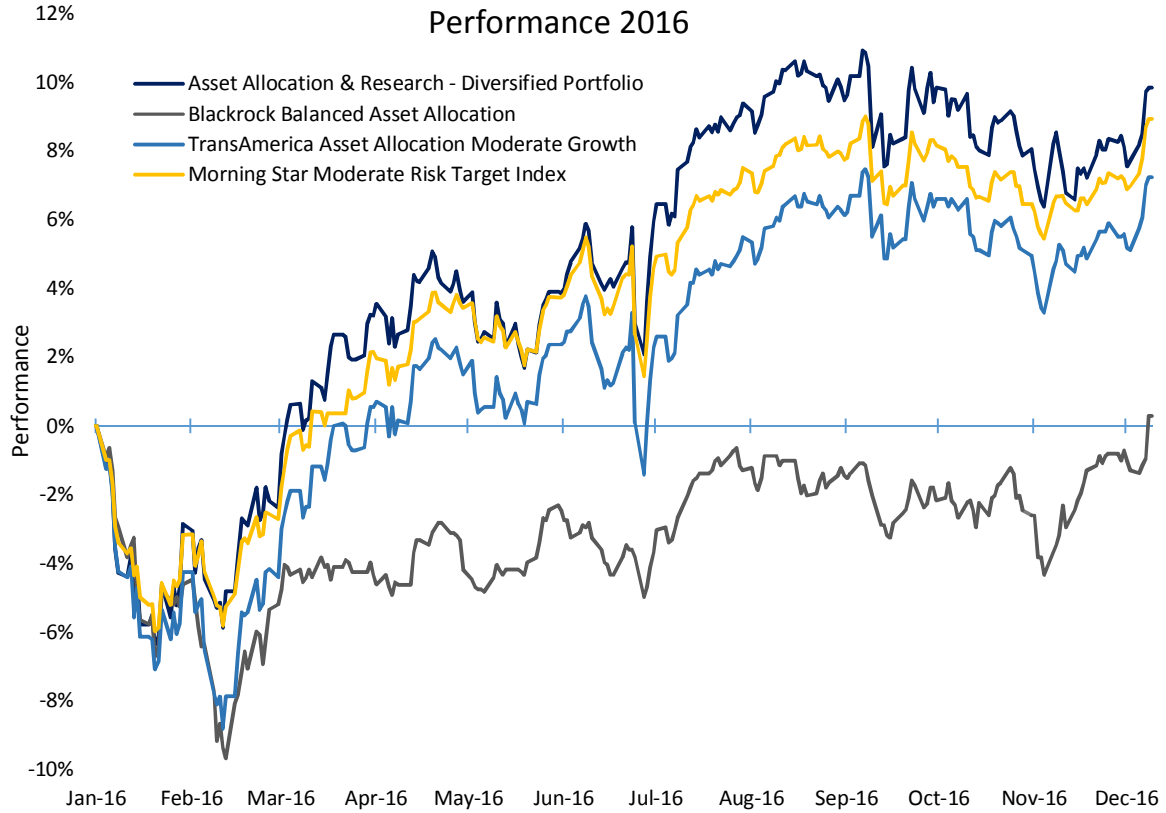
The below infographic shows a combination portfolio taking into consideration bespoke risk weightings with an emphasis on developed market and emerging market equities. This allocation also has a small weighting towards alternatives and a higher allocation towards bond markets.

Equity Focused Portfolio



COMPARING ASSET ALLOCATION & RESEARCH'S DIVERSIFIED BESPOKE PORTFOLIO

The below chart shows the performance of a bespoke equity focused portfolio with a risk profile that would sit in-between the AAR Balanced and AAR Adventurous Portfolios.



CURRENCY

Asset Allocation & Research is capable of constructing portfolios that have a base currency in USD, GBP or EUR with the portfolios only holding underlying assets of the same currency as the portfolio. All of the AAR portfolios shown in this brochure are denominated in USD.

It is important to remember that if you choose to invest in portfolios that contain a mix of different currencies, the currency risk can alter performance either negatively or positively. Currency risks can be actively managed and/or mitigated.

DISCLAIMER

This document is intended for and directed at investment professionals and is not intended for retail customer use. Persons who do not have professional experience in matters relating to investments should not rely on it.

Note: Please be aware that hypothetical or simulated performance results have certain limitations. Unlike an actual performance record, simulated results do not represent actual trading. Past performance cannot be relied on as a guide to future performance.

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