



A unique opportunity to achieve additional returns

 **FoundationsProgram**

Welcome to a fund that allows
you to use the collateral of
your existing portfolio to participate
in a second investment Program

Our approach

At Foundations our aim is to provide financial products that allow the discerning investor to enhance returns whilst controlling investment risk. We understand that our success is dependent upon adding real value to an investment portfolio.

The Foundations Program combines two methods for enhancing your return from an existing investment portfolio:

Peace of mind

The Program is an Isle of Man based Experienced Investor Fund. Client assets are held by a licensed Custodian. All transactions are effected by a licensed Administrator who also ensures compliance with the Program's rules. Only the best and most reputable parties are involved in the Program.*



- A series of investment strategies and asset classes, specially selected to maximise returns over rolling 5-year periods.
- A unique means of accessing the investment Program by using the collateral of an existing portfolio to make the investment rather than having to inject new cash.

The result is a new way of increasing your return from an existing portfolio without the usual levels of additional risk.* The Program employs leveraging but with a range of measures that make its use much less risky than in normal application. In some instances, use of the Program will reduce a portfolio's overall risk. In all cases, its aim is to supplement the return from your investment without interfering with your chosen investment strategy.

We believe that the strategies and risk management model employed by Foundations Program PLC adds significant value. For example a return of 6-9% p.a. from your existing portfolio could escalate to an overall return of 10-15% p.a. over a 5-year term when the Program's additional return is applied.

* Please see our key features for more details.

Minimum criteria

The Program accepts policies from life offices with an acceptable credit rating. The following product types are currently accepted: Portfolio Bonds, Single Premium Bonds, With Profits, Guaranteed Products and Regular Savings Plans. The Program can be accessed using other marketable financial assets that are capable of independent valuation.



The Program employs a range of techniques to counter the adverse effects of short term volatility and increased borrowing costs

Any potential applicant wishing to contribute an asset of a different class to the Program should contact us for guidance as to whether the asset would be acceptable. The applicant may be required to meet specific costs and expenses connected with these arrangements.

All major currencies are accepted but the portfolio must have a minimum current realisable value of US\$65,000 or equivalent. The investor should have a minimum of a 5-year view although investors can exit the Program in any quarter.*



Investment process – The Program Portfolio

The investment Program is designed to produce a return exceeding the prevailing US Dollar bank return by between 4-6% per annum on average over a rolling 5-year term.

We do this by combining the following techniques:

- An appropriate series of diversified investment strategies and independently selected management.

The effectiveness of these techniques is maximised by selecting the best investment manager for the relevant strategy and asset class. We incorporate a range of growth (including alternative strategy funds), absolute return funds (including hedge funds), defensive funds and best cash returns.

Therefore as a Program participant your investment benefits in the following ways:



- Exploiting phased investment where new funds are gradually fed in over consecutive months thereby reducing risk.
- Investments are selected to exploit short-term volatility and dollar cost averaging opportunities.
- The Fund is run as a series of discrete quarterly accounting periods. Profits made are taken regularly and transferred to conservative absolute return strategies. Net profits are paid on final exit from the Program.
- Diversification
- Retention of flexibility in managing your portfolio
- Dollar cost averaging
- Crystallisation of profits to create a reserve
- A profit accumulation plan managed over rolling 5-year periods.

Method of participation

Rather than applying cash directly to the investment Program, we take assignment of an existing portfolio and use its collateral value to participate in the investment Program. Hence, no new cash is required; rather the Program “bolts onto” an existing investment.

The borrowing Program is like a mortgage in that you access the collateral of one asset to free up funds.



Lending and investment is balanced to generate an optimum return over 5 years

Unlike a house mortgage, the matching loan is taken out gradually in stages over 26 months and is capped. Furthermore, your loan exposure (or participation) will be adjusted each month end as your portfolio value, or its risk level rises or falls. In effect, this leveraging model provides the following benefits:

- Ability to weather short term volatility
- Institutional borrowing techniques and management
- Monthly re-setting of loan participation in response to price movements

No other leveraging mechanism provides clients with this flexibility in responding to changing investment circumstances and levels of risk.



Why is the Program structured this way?

The drip feed and other features that improve the risk management of the borrowing also complement the investment strategy. As such, there is a mutual benefit in the way that borrowing and investment interact. This is a vast improvement on most existing leveraging strategies.

As we utilise the collateral value of the investment and adjust your participation monthly, it has minimal impact on

The quarterly periods drive the crystallising of profits. This, coupled with the absence of market benchmarks, helps ensure that the investment management stays true to the model of covering Program costs and producing the return.

Management and processing takes place at Fund level on behalf of all clients, which provides economies of scale and scope for bulk discounts.



your asset selection and the investment strategy of your original portfolio.

The investment Program benefits from certain features in order to be fully effective. Principally, the collectivising and drip-feed of monthly new monies allows management to be extremely responsive when growth opportunities are identified.

The use of discrete quarterly accounting periods focuses management - the client's return will be the net sum of these quarterly returns over the term. This provides the required short-term focus but at the same time the scope to invest in order to maximise risk return over the 5 years.

By collectivising the collateral, the Fund can use institutional techniques to lower the costs of borrowing that would not be available to the individual investor. For example, cautious cross currency positions can be taken to reduce interest costs and currency options are written to provide premium income.

There are early exit penalties but these are benign when compared to other products and should be offset by net accumulated profit at time of exit. Furthermore, when an investor leaves early their residual net accumulated profit is retained for the benefit of clients who remain in for more than 5 years.

Operation - what happens to my portfolio?

You submit your existing investment to the Administrator of the Foundations Program PLC, a fund based in the Isle of Man. We arrange for it to be assigned. We value and risk rate it to set a collateral value for participation in the Program Portfolio. You will then receive a contract note advising the initial risk write down value for participation in the first month.



Client participation is based on their individual investment profile

The Program is then designed to work in the “background” whilst you continue to manage and monitor your original portfolio. If you effect any switches or changes of funds these should be notified to the Program’s administrator. Annual Program statements are issued but your authorised adviser will be able to give more frequent updates.

As you progress through the Program, some profits will be allocated to your Program investment account with us and held in cash. After completion of at least 60 months, all net accumulated profits will be paid out when you exit the Program.



Assessing suitability

The Foundations approach to optimising investment return is based on an investment fundamental. “Over the medium to long-term, equities, bonds and other investment opportunities will produce a greater return than cash.” This is not guaranteed but accepted as the reason for investing rather than leaving your money on deposit. It is also recognised that the higher the risk taken in the investment selection and strategy, the greater the chance of exceptional return but also of losses. Most accept that over the medium to long term there is a high degree of confidence that a modest return over the return from cash can be achieved. Higher returns than this require a marked increase in the amount of risk that needs to be taken on, and therefore likelihood of loss. We maintain that the best risk return is achieved by maximising capital exposure to strategies and investments that fall into the risk zone just above cash return but avoiding higher risk exposure.

The Foundations Program aims to exploit the “cash plus” return zone by placing more of your capital into this lower risk zone by conservative leveraging.

The risk

Whilst the medium or long-term rationale is compelling, gearing structures can give the investor unwanted and unexpected outcomes. This includes exaggerating short term drops in value. The Program has been designed to reduce these risks and exploit the benefits of a collectivised investment Program.

The decision

The decision to invest needs to be taken in conjunction with your overall financial requirements and plans, and a skilled financial planner can assist in this regard. There are some well-known ground rules concerning the level of gear in a person's affairs. For example, it is virtually always appropriate to pay off credit card debts out of one's existing wealth due to the high interest cost. It may however, often be appropriate to retain a house mortgage whilst concurrently saving and investing - or contributing to a pension – as it is better to service the loan or mortgage as

the investment return should exceed the borrowing costs. Key factors are the cost of borrowing and that the investment strategy has the flexibility and time span to run its intended course.

The Program is designed to manage down the costs of borrowing whilst giving the investment strategy time and scope to work.



Contact us

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