

Alitis Investment Management Process

It is important to understand Alitis' investment management process in order to understand how we make our investment decisions. It all starts with having detailed policies and procedures that are implemented by our highly experienced Investment Committee.

1. **Investment Committee** – The Investment Committee sets the overall direction and strategy of the Pools and is responsible for making all investment decisions. The committee meets formally on a quarterly basis and informally every other week to discuss market developments.
2. **Risk Controls** – Risk reduction is one of the primary objectives of Alitis. We are able to minimize and control risks by setting minimum and maximum weightings, including rebalancing guidelines, for each asset class. This ensures the portfolios stay diversified during all market environments. Risk is reduced even further by placing limits on liquidity and the size of any individual position. Additional risk controls are applied at each step of the process.
3. **Investment Analysis** – Before we purchase any investments for the Portfolios, a rigorous due diligence process is undertaken so we can understand the opportunities and risks that are present in each investment.
4. **Strategic Asset Allocation** – Each portfolio is built around its strategic asset allocation. The strategic asset allocation is the expected long term asset mix for the portfolios and is the main risk reducing aspect for each portfolio since more asset classes means better diversification and less risk. It also forms the benchmark for each Pool for performance comparisons.
5. **Tactical Asset Allocation** – Since short term market forces can have significant impact on investment results, significant time is spent assessing the current market environment. Short-term tactical changes are then made to our asset allocation in order to capture market opportunities and/or avoid unnecessary market risks.
6. **Portfolio Construction** – The final step is the actual buying and selling of investments within each Pool. By adjusting the individual holdings within each asset class, we can further refine the characteristics of the portfolios. Once constructed the Pools are actively monitored and rebalanced to stay within our desired targets.

The key point to understand is that the operation of the Pools is embedded within a carefully detailed process that is repeated over and over in order to address changing market environments. Our strategy is not designed to be the best performing investment over the short term as this goal would require a concentrated portfolio and perfect foresight – things that are impossible and risky. Actually, due to their broad diversification, there is little chance the Alitis Pools will ever be the best performing investment over shorter time frames. Rather, our goal is to provide solid returns over the longer term by minimizing the risk of large, unpleasant losses which can have a terrible impact on your long-term returns.