

CAF MANAGED PORTFOLIO SERVICE

Investment solutions for charities
and not-for-profit organisations

As a charity, Charities Aid Foundation (CAF) wants to ensure that charities and trustees have access to financial services that can help them build their resources and support their mission. Therefore CAF's wholly owned subsidiary company, CAF Financial Solutions Limited (CFSL), can offer access to an investment service for charities, trustees and other not-for-profit organisations. CFSL works with a number of different fund management houses to provide funds and services that are specifically designed to meet the needs of the sector.

Due to our reputation and reach in the charitable sector, we are also able to negotiate fees and charges that may not be available to our charitable investors directly.

As part of this, the CAF Managed Portfolio Service is an investment solution developed specifically for CAF by Octopus Investments for charities and not-for-profit organisations. It aims to provide a bespoke offering, giving you a wide range of investments capable of delivering consistent returns on a total return basis, all within a professionally managed, single portfolio structure.

With access to an award winning team of investment experts, the service offers a range of 'Investment profiles' offering different levels of risk and ongoing portfolio management with the aim of ensuring your investment continues to match the profile your trustees select.

It is important that you read and fully understand the risks involved with the CAF Managed Portfolio Service so that you can decide whether it is right for you. The key risks are outlined on page 16 of this brochure. The value of an investment in the CAF Managed Portfolio Service may fall as well as rise. The funds shown are only available to 'eligible investors'. Information on eligibility is found on the back of this brochure. Please note that all the information provided within this document is correct as at November 2017.

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Welcome to the CAF Managed Portfolio Service

A tailored investment solution designed with charities and not-for-profit organisations in mind.

CAF knows that you need to ensure the money you safeguard on behalf of your beneficiaries is managed wisely. We believe you require an investment solution that reflects these aims, and helps you to meet your objectives over the longer term.

The CAF Managed Portfolio Service provided by Octopus is an innovative investment offering designed to meet the specific needs of the charitable sector. It offers access to a wide range of investments capable of delivering consistent returns, all within a professionally managed, single portfolio structure.

How it works

The service provides a range of *Investment profiles*, each of which has a different level of risk associated with it and therefore a different targeted return. The profiles are formed from a different combination of funds, designed to create the right blend for the risk profile. Once you have selected the profile that best meets your organisation's needs, Octopus will create a portfolio for you to match that profile.

The *Investment profiles* are reviewed by the Octopus team on a frequent basis and 'rebalanced' as necessary, by altering the combination of underlying funds. This aims to keep the risk level of each profile consistent and keep you invested in funds which offer an appropriate potential for returns for your investment objectives.

We've worked hard to ensure this investment offering is designed with Charity Commission guidance, CC14, in mind. CC14 outlines existing and new requirements for Trustees, regarding any investments that they make on behalf of a charity. Meeting these requirements is essential if you are considering investment options or renewals.

Why Octopus

CAF wants to provide access to a fund manager that can design, develop and deliver a managed portfolio service specifically for charitable investors. After careful consideration, we are delighted to work with Octopus to deliver this.

Allied to their core skills as an investment manager, Octopus is committed to helping build investment resources for the charitable sector.

Octopus Investments

The Octopus approach

Octopus is an investment company with a difference. It provides tailored investment solutions to meet the needs of a diverse range of clients and has a reputation for quality, innovative products and a level of service that aims to delight its customers.

Octopus strives to make all written communications clear and easy to understand. So whether on the phone or in writing, it offers clients clear explanations about what's happening with their investments.

It doesn't use call centres or automated answering systems. Furthermore, the Octopus Multi Manager team are happy to talk directly to investors.

Credentials

Since it was established in 2000, Octopus has won numerous awards for its products, and for the last 3 years in a row advisers have awarded us five stars for service. Octopus currently has over £6 billion* in assets under management.

Octopus has twice been voted one of the best 100 small and medium-size enterprises to work for by the Sunday Times.

Please remember that past performance is not a reliable indicator of future results.

* Source: Octopus Investments, as at November 2017

The Octopus Multi Manager team

The FP CAF Funds and Investment profiles are managed by the Octopus Multi Manager team, a respected and well-established team with a wealth of investment management experience.

Over the last few years the team has built a strong track record of delivering consistent returns for investors.

Members of the Octopus Multi Manager team have investment experience gained with institutions including Barclays Wealth, Fidelity, Schroders, Mercer, AXA IM and ipac (Australia) Morley and Henderson.

The team is supported by fund analysts and researchers who help to assess the many funds available in the market and identify those which are suitable for the CAF Managed Portfolio Service. The team also has access to the wider investment resource at Octopus, which includes over 50 dedicated investment professionals.

Built around charities

The investment objectives and organisational structures of charities are distinct and can be diverse. Identifying your investment needs, and deciding how to invest, is just the beginning. Octopus keeps your investments in shape and also regularly informs you about performance.

The funding stream for charities can be uncertain from year to year. Moreover, many charities find their tolerance for investment risk changes over time. The CAF Managed Portfolio Service has therefore been designed to be flexible, allowing you to select an *Investment profile* suitable for your current needs, but also with the ability to adjust your selection as those needs evolve.

Selecting the right Investment profile

Your trustees can select the *Investment profile* that most closely matches their needs from the range offered within the CAF Managed Portfolio Service. For more on the *Investment profiles*, please see page 8-9.

Confirming suitability

When you submit your application for the CAF Managed Portfolio Service, you will also be asked to complete a Trustee Questionnaire. This enables Octopus to assess the suitability of the CAF Managed Portfolio Service for your organisation.

Please note that this assessment is not a substitute for, nor constitutes investment advice and we recommend that you seek professional advice before making any investment decision.

Ongoing management

Without careful management, an investment that once matched the needs of your charity can quickly become unsuitable. However, keeping abreast of where the money is actually invested, and whether the overall portfolio continues to meet your charity's *Investment profile*, can be a complex business.

Octopus provides active fund selection, ongoing portfolio management and rebalancing (adjusting the spread of investments within each *Investment profile*).

The service offers a level of active investment management that helps to keep your investment portfolio in line with the *Investment profile* you selected.

Building an Investment profile

The four FP CAF Funds form the flexible building blocks of each Investment profile. They can be blended to create a portfolio of diversified investments. The Funds of the FP CAF Investment Fund are referred to within this document as the 'FP CAF Funds'.

The FP CAF Funds focus on investments within four distinct asset classes:

FP CAF Fixed Interest: funds that invest in bonds and other investments that pay a fixed rate of interest over a specified time period.

FP CAF Alternative Strategies: accessing alternative types of investment strategies, beyond the more traditional asset classes of equities and bonds.

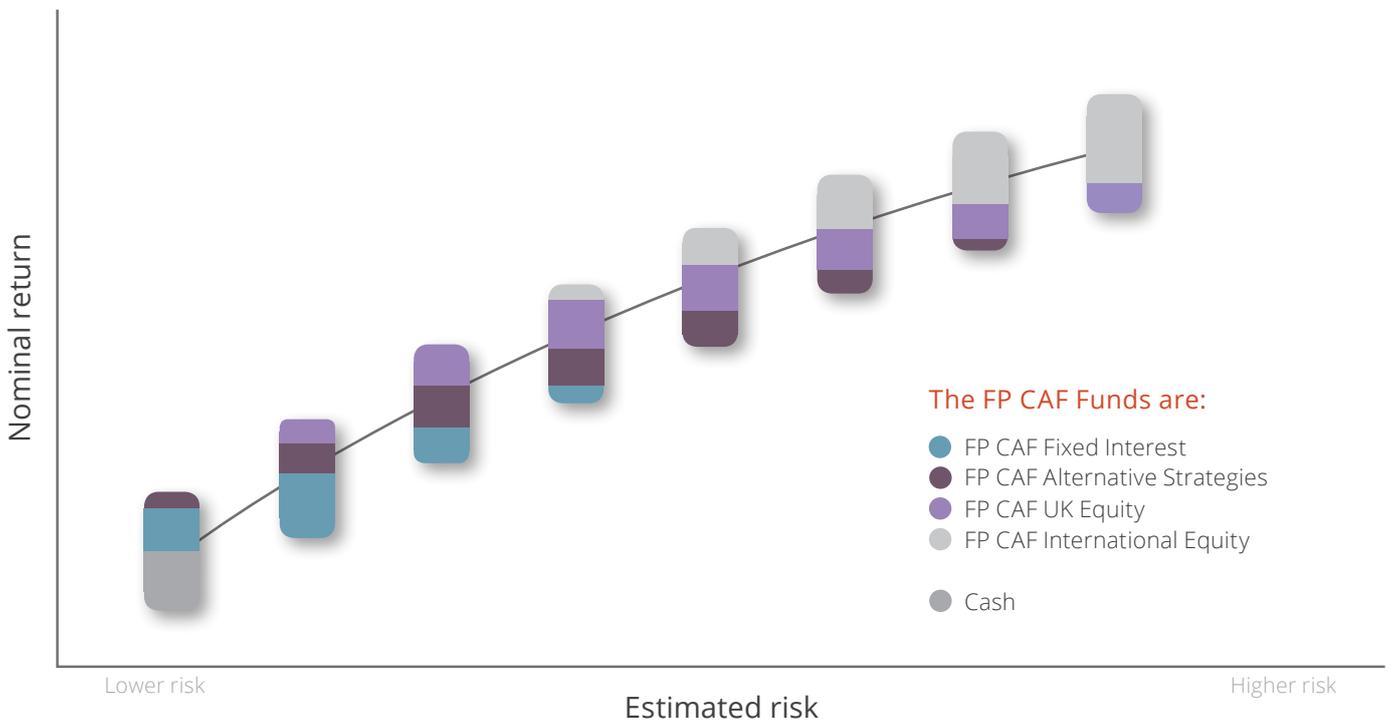
FP CAF UK Equity: funds that invest in companies listed on the UK stock exchange.

FP CAF International Equity: funds that invest in companies listed on stock exchanges around the world.

Each FP CAF Fund also has its own distinct level of risk/return. For example, a 'fixed interest' asset class is considered less risky than an 'international equity' asset class, but it offers a lower potential return. Lower risk *Investment profiles* will therefore generally have a greater fixed interest proportion compared to higher risk/return *Investment profiles*, which will generally have a larger international equities component.

By blending the four FP CAF Funds, you get a diversified portfolio of investments that aims to match your organisation's investment objectives. This means you have the potential to optimise the returns for your risk profile.

Blending the FP CAF Funds to form different Investment profiles



Source: Octopus Investments. Please note that charities requiring a higher risk/return profile may not find the CAF Managed Portfolio Service suitable for all their investment needs.

For illustration purposes only. Returns are based on losses or gains on the investment, fluctuations will apply in practice.

Understanding the CAF Managed Portfolio Service

The CAF Managed Portfolio Service has sound investment principles at the heart of a sophisticated solution. But that doesn't mean it's complicated.

Multi-manager funds explained

The four FP CAF Funds are 'multi-manager' funds. Each is managed by the Octopus Multi Manager team and is made up of a collection of underlying funds (known as single manager funds). Single manager funds offer specialist expertise in specific areas of investment, directly accessing stocks, shares or bonds in particular geographic regions or asset groups. For example, the FP CAF UK Equity Fund invests in a number of other funds, themselves investing in the UK equity asset class.

Whilst single manager funds can be competitively priced, reliance on any single fund alone has its drawbacks. Aside from the sheer number of funds available and the difficulties in determining which are better, there are complexities in terms of how they might contribute to a wider investment portfolio. Also, they rely upon the ability of a single fund manager, a particular investment approach, or type of investment to perform at any given time.

In contrast, the combination of a number of different funds within one portfolio means your investment is spread across a variety of funds and fund managers – this provides diversification, spreading risk across many different funds.

Diversification

Diversification, a tool used by asset managers, is an effective way to control risk, as it reduces the likelihood of having too much money invested in one particular market or sector. It is also an important factor when discussing attitudes to risk and setting investment objectives and income requirements. The best performing asset groups and fund managers are subject to change each year. Therefore improved returns can be more easily achieved by blending different asset groups and by using a wide selection of fund managers.

By combining a number of different funds that are specific to certain asset classes, it is possible to gain broad diversification within a simple portfolio structure.

Global reach

The Octopus Multi Manager team selects investment managers from the UK and around the world in each asset group with the aim of achieving a superior risk and return outcome for each FP CAF Fund. A multi-manager approach also ensures that there is constant monitoring of the managers to make sure they keep performing in line with expectations. Those who are not, are replaced.

Flexibility of approach

The FP CAF Funds make use of both 'passive' and 'active' funds. Passive funds typically track a market or index, with little managerial involvement to keep costs low. In active funds, the fund manager tries to outperform the market, but this brings with it the extra cost of paying for that manager's activity. Octopus believes that a balance of both active and passive management is likely to be the most successful in providing flexibility and the potential for good performance, whilst ensuring that the costs do not erode the returns.

Understanding performance

Through constant monitoring, regular meetings and assessment of fund managers' past and present performance, the Octopus Multi Manager team is able to develop an insight into each individual manager's investment processes. The team then uses this information to select and combine different managers, who will each perform well in different market conditions, and adjust the amount they invest with them, depending on the current market environment.

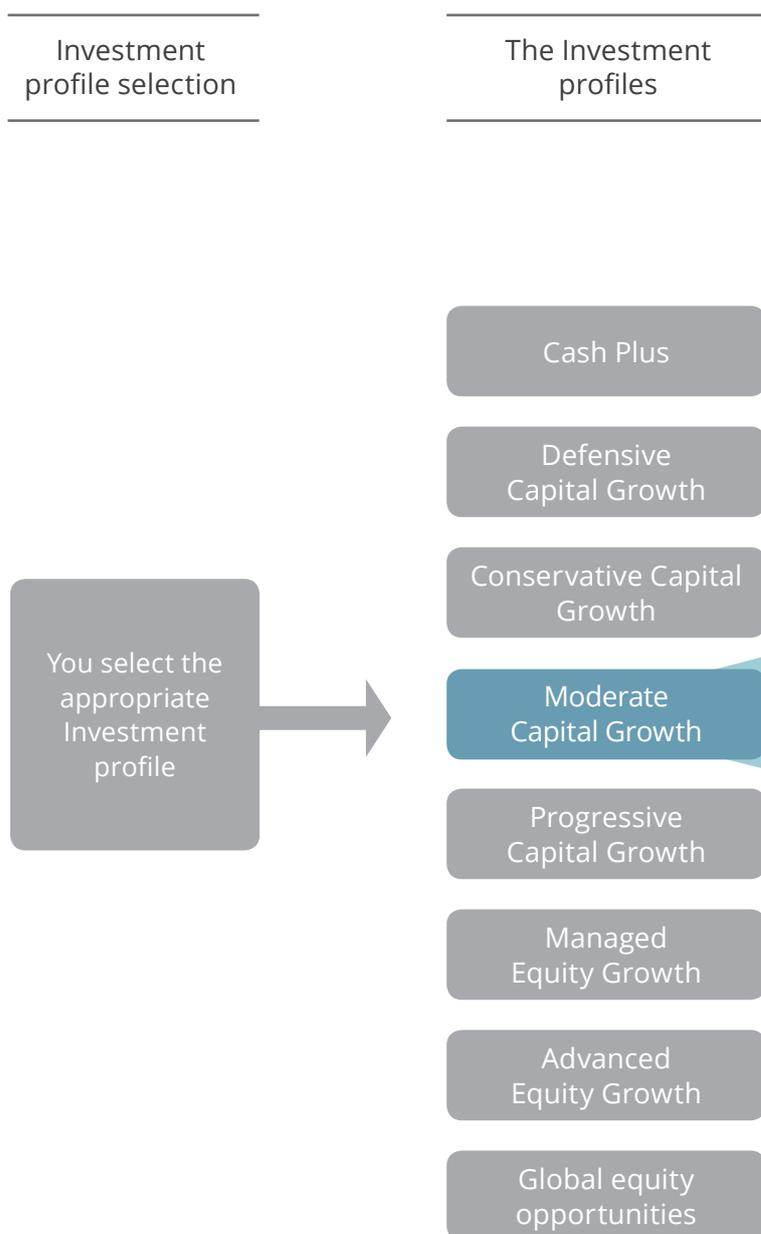
This allows the team to tilt the fund towards whichever manager is likely to perform best at any one time, with a view to producing more consistent returns.

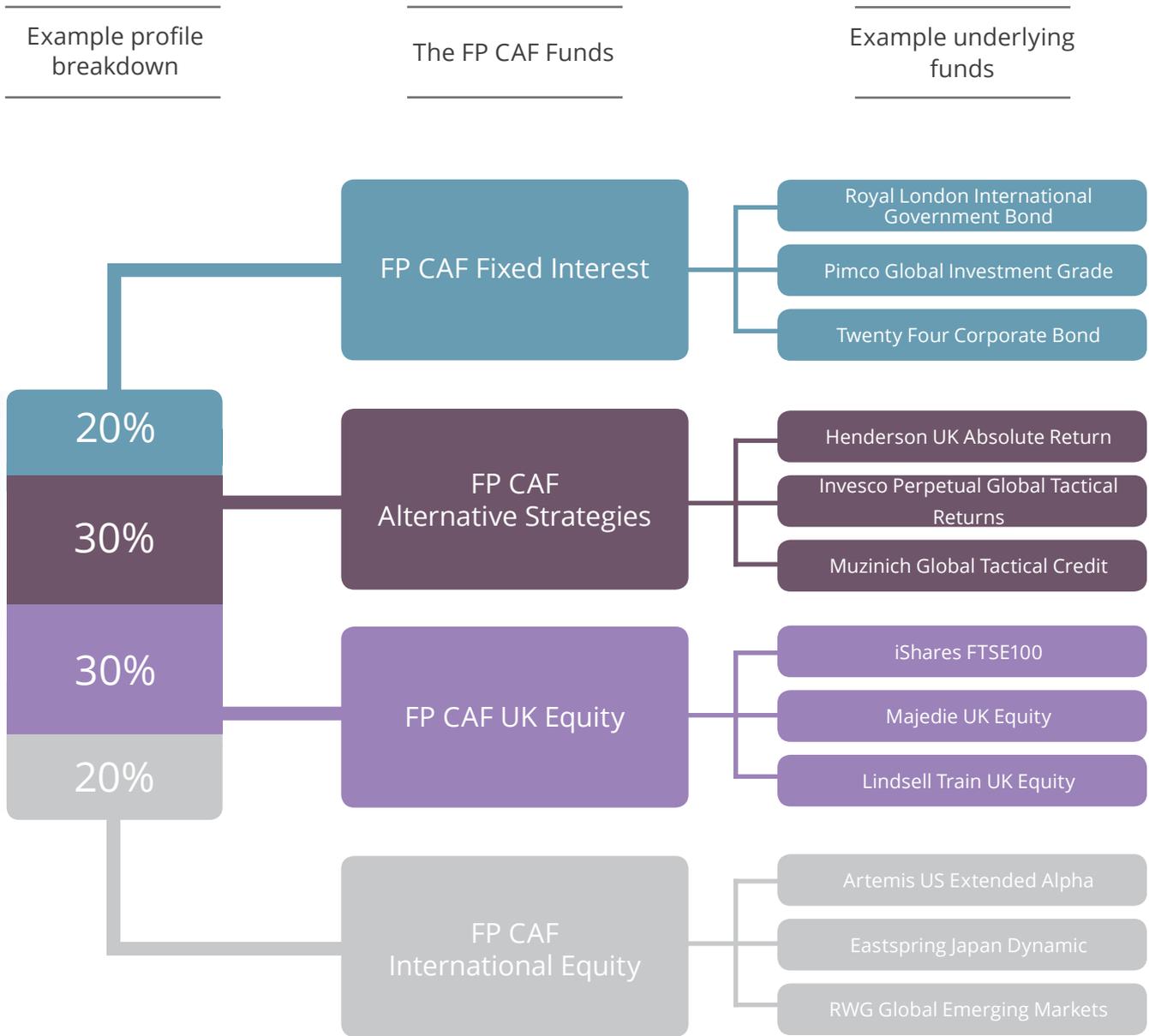
Selecting the underlying funds

The component mix for each of the FP CAF Funds will vary according to a number of factors that are constantly monitored by Octopus' experienced fund management team. Before including a fund, a rigorous due diligence process is undertaken to ensure that only the most suitable funds and fund managers in Octopus' opinion are selected.

How the process works

Each Investment profile is made up of a blend of the four FP CAF Funds. Your portfolio will be regularly rebalanced by Octopus with the aim that it remains true to the objectives and risk considerations relevant to your selected Investment profile, as in the example below..





Please note, this breakdown is provided for illustrative purposes only, and may not be consistent with the latest asset breakdown or holdings for this *Investment profile*. Each FP CAF Fund will contain many more than three underlying funds.

Investment flexibility

The Investment profile you select should match your objectives. But what happens when those objectives change?

Moving between Investment profiles

You may find that your investment objectives or attitudes towards risk change over time. The CAF Managed Portfolio Service has been designed with the flexibility to allow you to tell Octopus that your needs have changed. Because of the way the investment portfolios are constructed, Octopus can adjust the proportion of your investment held in each of the FP CAF Funds quickly and easily.

This provides a much more cost-effective approach when compared to traditional investment portfolio structures.

Making capital withdrawals

The flexibility described also means that capital can be raised quickly if you need it, without disturbing the balance of the portfolio.

Octopus can arrange capital withdrawals for you when the need arises. Please remember that any withdrawal will erode the value of the capital invested.

Generating a sustainable cash flow

Reliable cashflow is vital for your sustainability and peace of mind. The CAF Managed Portfolio Service can be used to create a cashflow stream that is reliable, predictable, and flexible, as long as you have the funds within your portfolio to support this.

You can arrange with Octopus to have regular withdrawals paid in the way that best suits you, either monthly, quarterly, half yearly or on an annual basis. Please remember that any withdrawal will erode the value of the capital invested.

Detailed reporting

You'll be kept updated on how your money is invested.

Regular updates

You will get regular updates on your investments in the CAF Managed Portfolio Service, so you can easily follow their progress. Octopus will keep you updated through regular communications, such as quarterly portfolio valuations and transaction statements, and other supporting materials including monthly investment commentaries.

What is in the valuation reports?

Octopus provides investors with comprehensive valuation reports each quarter, containing key information including:

- a review of the period from the Octopus Multi Manager team
- fund activity over the period
- portfolio valuations
- a breakdown of all holdings within your investment
- cash and trading statements.

Understanding the risks and charges

Investments should always involve the management of risk.

As with any investment, there are risks associated with investing in the CAF Managed Portfolio Service. We've explained some key points to consider below, but you can speak to Octopus for more information. Further information can be found in the CAF Managed Portfolio Service Terms and Conditions document.

Market fluctuations

Markets do fluctuate, therefore Octopus cannot guarantee the level of capital growth or income that will be generated through your CAF Managed Portfolio Service investment.

The value of investments and the income you derive from them may go down as well as up, your capital is at risk and you should be prepared that there is a chance you may not get back the full amount that you invested. Market fluctuations also mean that Octopus cannot guarantee that the investment objective of the *Investment profiles* or the funds on which they are based will be achieved, but the Octopus fund management teams are focused on meeting these objectives for investors.

Any investment in the CAF Managed Portfolio Service should be considered a medium to long term investment, and suggested minimum holding periods are given in the separate *Investment profile* factsheets.

The FP CAF Funds

The FP CAF Funds focus on different asset classes and their investment objectives are listed in the Simplified Prospectus for the FP CAF Investment Fund. For full details of all the risks please refer to the Simplified Prospectus for the funds.

Risk control

The *Investment profiles* available through the CAF Managed Portfolio Service have each been designed to balance varying levels of risk and return. With this in mind, Octopus undertakes regular rebalancing with the aim of ensuring that the *Investment profiles* reflect the asset types associated with their established risk profile. These changes are then reflected in the underlying investment portfolio. It is up to you to notify Octopus when your investment needs change. The amount of risk you are prepared to accept will determine the level of returns you can reasonably expect to receive over the recommended timeframe of the investment.

Charges

For details of the fees and charges, please see our separate Fees and Charges document at www.cafonline.org/investments

Fees and charges will impact the investment performance of your portfolio.

What are the next steps?

It is important to make an investment decision, based on clear and comprehensive information. You need to feel comfortable and well-informed before you choose to invest in the CAF Managed Portfolio Service.

CFSL client relationship managers are available to answer any queries you may have about the CAF Managed Portfolio Service.

They are always there to help and always happy to hear from you. You can email clientrelations@cafonline.org or call 03000 123 444.

Lines are open Monday to Friday 9am to 5pm (excluding English bank holidays).

Important information

This document is directed at UK retail clients. It has been issued by CAF Financial Solutions Limited, and approved by Octopus Investments Ltd. CAF Managed Portfolio Service is provided by Octopus Investments.

Octopus Investments is authorised and regulated by the Financial Conduct Authority, FRN 194779. All information is correct as at April 2015.

The funds shown in this brochure are only available to 'eligible investors', those classed as either:

- Charitable organisations
- Community investment companies (CICs)
- Community land trusts.

Your capital is at risk and you may not get back the full amount invested. Past performance is not a reliable indicator of future results and any forecast is not a reliable indicator of future performance. This promotion does not offer investment or tax advice and as this product is not suitable for everyone we recommend you seek independent investment and tax advice before investing in our products.

If you are in any doubt about whether you are an eligible investor please call us on **03000 123 444**.

Fund manager details

Octopus Investments Limited is the appointed investment manager of the FP CAF Investment Fund.

Authorised Corporate Director details

FundRock Partners Limited (formerly Fund Partners Limited) is the Authorised Corporate Director of the FP CAF Investment Fund and is authorised and regulated by the Financial Conduct Authority. FRN 469278. Registered Office: 8-9 Lovat Lane, London EC3R 8DW.

Please contact us on 03000 123 444
or email us at clientrelations@cafonline.org

CAF Financial Solutions Limited (CFSL) is authorised and regulated by the Financial Conduct Authority under registration number 189450. Authorisation can be checked on the financial services register at www.fca.org.uk
CFSL Registered office is 25 Kings Hill Avenue, Kings Hill, West Malling, Kent ME19 4TA. Registered under number 2771873.

CFSL is a subsidiary of Charities Aid Foundation (registered charity number 268369).

Telephone calls may be monitored or recorded to comply with relevant legislation and for training purposes.
Lines are open Monday to Friday 9am - 5pm (excluding English bank holidays).

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