RISK AND REWARD

An illustration of financial risk and reward.

BALANCING RISK AND REWARD

To be comfortable making important investment choices, it is vital you understand investment principles and the concept of risk and return.

Asset Allocation

A typical multi-asset portfolio will contain a blend of defensive assets and growth assets. The allocation to each will depend upon the amount of risk an investor is willing to take.

Defensive assets consist of more stable investments with steadier returns, such as cash and bonds. Because they usually carry lower risk levels, defensive assets are more likely to generate lower levels of return over the long term.

Growth assets offer higher return potential, but they are seen as higher risk investments because of their volatility, especially over shorter time periods. Growth assets include shares in a company, or alternative assets such as commercial property or commodites.

The charts show the typical allocation of these assets although these are illustrative and the actual asset allocations may vary.

You can choose from five risk levels, moving from lower risk to higher risk.

Cautious

Designed for conservative investors who prefer to take a small amount of risk to achieve relatively stable returns.

Cautious to Moderate

Designed for relatively cautious investors who want to achieve a reasonable return and are prepared to accept risk in doing so.

Moderate

Designed for investors with a balanced approach to risk who are prepared to accept fluctuations in the value of their investments to achieve better long-term returns.

Moderate to Adventurous

Designed for investors who are relatively comfortable with risk in order to aim for higher long-term returns and understand this can mean some periods of poor performance.

Adventurous

Designed for investors who are very comfortable with risk in order to aim for high long-term investment returns and understand this can mean some periods of prolonged poor performance.

Your financial adviser will assess your attitude to risk by considering:

- your willingness to take risk.
- your need to balance risk with potential returns to meet a specific objective.
- your ability to accept the risk of incurring losses.
- your investment time horizon.
- your knowledge and experience of investing.

ILLUSTRATIVE RETURNS

Our investment portfolios aim to strike the right balance between the risk you are willing to take and the rewards you receive in return when investing for the long term.

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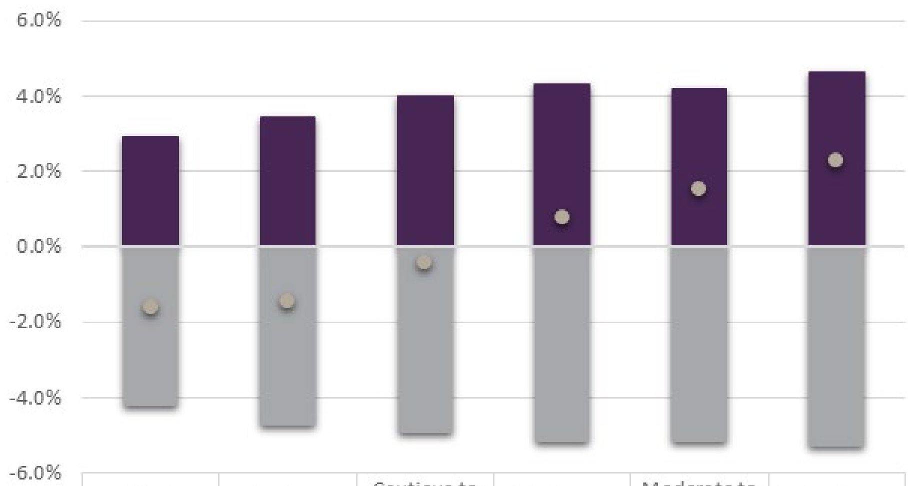
To show you how this could work in practice, we have created these charts which illustrate the historical behaviours of risk profiled portfolios in line with our risk profiles.

The charts show that the more risk you were willing to take (moving from Cash to Adventurous portfolios), the greater the reward you would have achieved. However, there was also the possibility of greater losses.

However, it is important to remember that these are historic returns and not guaranteed to be repeated in the future. The actual returns you would receive might be lower or higher and past performance is not a guide to the future. The returns also do not take account of custody charges or the cost of advice.



	Cash	Cautious	Cautious to Moderate	Moderate	Moderate to Adventurous	Adventurous
Maximum Gain	2.9%	3.5%	4.0%	4.3%	4.2%	4.7%
Max Drawdown	-4.2%	-4.8%	-5.0%	-5.2%	-5.2%	-5.3%
Annualised Return	-1.6%	-1.5%	-0.4%	0.8%	1.5%	2.3%

Source: FE Analytics August 2023, based on the UK Risk Targeted Multi-Asset Solution sectors

HOW IS YOUR MONEY INVESTED?

Investment markets move quickly and best results are usually had by outsourcing day-to-day investment decisions to investment professionals.

Risk Targeted Multi Asset Funds
A single fund investing in a range of different assets to form a portfolio with a specific objective and risk profile.

Managed Portfolio Services
A range of investment funds blended to form a portfolio with a specific objective and risk profile, managed by a Discretionary Investment Manager.

Discretionary Investment Management
A bespoke service, tailored to your objectives, preferences and risk profile, with access to a dedicated investment professional.

Active Management
A strategy which aims to outperform a market or benchmark through active management of the underlying portfolio and asset allocation.

Passive Management
A strategy designed to track an investment market at lower cost than active funds. Whilst the underlying instruments will be passive, the manager will often employ an active asset allocation strategy when used in a multi-asset solution.

ESG Investing
A strategy which invests in companies with strong environmental credentials, seeking to make a positive contribution to society and demonstrating strong corporate governance.

Past performance is not a guide to future performance.

All investments carry some degree of risk - but it is risk with the aim of growing the value of your money. The value of investments can fall as well as rise and may be worth less than you originally invested. This material is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy.

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