

iIP - INVESTMENT RISK PROFILES

0. VERY CAUTIOUS

You have no tolerance to investment risk.

You do not want to lose any money and are not prepared to accept even a short-term loss. You should consider paying off any debts that you may have. Your investments should be linked to bank or building society deposits or other investments where the value cannot go down.

IIP Proposed Benchmark for return – ***90 Day deposit Account***

1. DEFENSIVE

“Low tolerance to investment risk, seeking returns greater than general interest rates”

You would accept a small amount of investment risk to achieve the return you require, but only if this can be achieved with low price volatility. Funds in this category generally offer reasonable medium term (3-5 yrs+) return and can produce income, but with limited additional growth.

Defensive Managed portfolios include a high proportion of ‘non-equity’ investments - fixed interest such as company and government bonds, typically up to 65%; considered to be a more secure investment than shares, although their value can also go down as well as up; alongside investment in company shares (typical max. 35%). You are happy with equity exposure to achieve diversification of investment and to enhance the overall return, but appreciate that a defensive approach may allow inflation to reduce the purchasing power of your savings.

Even limited risk gives the chance of receiving less than invested, particularly over the short term.

IIP Proposed Benchmark for return – ***Defensive Managed sector average***

2. MODERATELY CAUTIOUS

“Some investment risk is inevitable to achieve reasonably attractive real returns, interest + RPI”

You accept some risk to get the potential of returns above inflation over the medium term. Cautious Managed portfolios include fixed interest, property based and equity investments, with the emphasis on low overall volatility, typically Equities are capped at 60% of the portfolio value. The precise split between asset classes is likely to change in line with general economic conditions. The nature of stock markets means there is greater risk than the Defensive sector.

Equity exposure is likely to be limited to larger companies, predominantly in the UK; typically at least 50% of fund assets are UK based, which limits the currency risk.

You might get back less than you put in, particularly over the short term.

IIP Proposed Benchmarks for return – ***Cautious Managed sector average***
UK Equity Income sector average

3. BALANCED

“Investment risk is acceptable to seek longer term returns - interest rates plus inflation + 1-3% ”

You are broadly happy with equity based investment, but want to limit the amount of your money in more risky investments. Balanced portfolios invest in a worldwide mix of company shares - generally up to 85%, with typically at least 50% of the portfolio value being in the UK. Fixed interest investments, property and cash may also be used.

Investments in this category usually offer attractive growth potential in the mid-long term (5yrs+). Although risk is reduced through diversification across markets, Fund Managers can use this wide choice of assets to adjust exposures according to specific market conditions. You should note that these funds are subject to market movements and currency risk.

You accept the risk of potential loss, particularly over the short term.

IIP Proposed Benchmarks for return – ***Balanced Managed Sector average***
UK Equity Income sector average

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4. MODERATELY ADVENTUROUS

“A willingness to accept high investment risk and volatility, seeking high returns ”

You understand the value of your investment can go up and down sharply, and accept this to get the potential of greater returns over the longer term. This enables you to include a wide range of equity assets with good long-term growth prospects. You probably seek returns from your portfolio over a term in excess of at least 5 years and are likely to commit funds to any Moderately Adventurous funds for 5-10 years

Asset class diversification will be compromised in an effort to achieve higher real returns as Moderately Adventurous portfolios include a high proportion of worldwide shares, up to 100% of the portfolio; however Fund Managers can use both UK and overseas equities to react to specific market conditions. These funds are subject to market movements and currency risk.

There is a greater chance you might get back less than invested, particularly over the short term.

***IIP Proposed Benchmarks for return – Active Managed Sector average
Composite benchmark as agreed***

5. ADVENTUROUS

“very high tolerance to investment risk and volatility, seeking speculative returns”

You aim for the highest possible returns and accept higher levels of risk to get them, recognising that the value of your investment may go down as well as up significantly. It is likely that you are looking to invest over the long-term, probably at least 5-10 years.

Adventurous Portfolios are, typically, fully invested in worldwide company shares. This will allow you access to a wide range of funds, which will target specific assets with potential for high growth. Investing through adventurous portfolios is a way of benefiting from the performance of worldwide stock markets in all sectors including various ‘themed’ sectors such as commodities, technology, energy, etc. as well as ‘Smaller Companies’ or ‘Emerging Markets’. These funds can offer a high level of real return in the longer term.

Due to the nature of this investment approach ‘Adventurous’ profiled investments also carry a greater risk; they focus on asset types or specific markets that undergo a high degree of price change. They can, and often do, experience greater than average volatility. Diversification will usually be compromised in an effort to achieve higher real returns and there will be a significant chance that the value of your assets may fall and could take several years to recover their original value.

These funds are subject to market movements and currency risk.

You could get back significantly less than you put in and, particularly over the short term, there can be sharp falls as well as rises in the value of your investment.

***IIP Proposed Benchmark for return – Emerging Markets Sector average
Composite benchmark as agreed***