

## Your Risk Profile

We have recently introduced a more formal and robust way of assessing an investor's appetite for risk. This document is designed to explain the risk profiles allocated to investors by Emery Little Cresswell Cadenhead LLP. It is meant as a general guide only and if you have any queries please ensure that you raise them with us.

Within any portfolio a range of assets are likely to be included to introduce diversity, and these will in turn carry varying degrees of risk. We have set out overleaf the fund risk ratings which we use. Our aim as your Adviser is to create a diverse portfolio for you, which overall fits within your risk profile.

### **Safety First Investor**

A Safety First investor is looking for an investment where the probability of any fall, and the size of any fall, in the value of their capital over a relatively short time period is low or non-existent. The return is likely to be similar to that available from a high street deposit account and as a result, over the long term, the Safety First Investor runs the risk that inflation may reduce its real value.

### **Cautious Investor**

A Cautious investor is looking for an investment where the return should be slightly better than that available from a high street deposit account and accept that the value of the investment could fall as well as rise. They would feel uncomfortable however if their investments were to rise and fall in value very rapidly.

### **Balanced Investor**

A Balanced investor is looking for a balance of risk and reward, seeking higher returns than those available from a high street deposit account and willing to accept a certain amount of fluctuation in the value of their investments as a result. However, they would feel uncomfortable if their investments were to fall in value significantly in one year.

### **Motivated Investor**

A Motivated investor is willing to accept a higher level of risk on their investment, in return for, higher returns in the long run. They are willing to accept a good amount of fluctuation in the value of their investments as a result. They would feel comfortable if their investments fell in value more than one quarter in one year and would see this as a time to ride out the storm rather than a time to purchase more.

### **Acquisitive Investor**

An Acquisitive investor is willing to accept a much higher level of risk on their investment in return for higher returns in the long run. They are willing to accept a good amount of short-term fluctuation in the value of their investments as a result. They would feel comfortable if their investments were to fall in value more than one quarter in one year and may well see this as an ideal time to purchase investments because of their cheaper asset values.

## Fund Risk Ratings

In broad terms, the risk of a given investment is related to its potential volatility, although other factors are obviously considered. The most significant factor in allocating a risk rating is asset class, although management style, diversity of a given fund, and other factors, such as a particular geographic or industry sector focus will also come into play. In order to assist you in understanding the risk of a particular fund within the context of your overall portfolio and individual risk profile, we use the following ratings:

<b>Risk Level 1 – Low Risk</b>	<b>Examples</b>
Investments in this category carry minimal risk to your capital. However, interest returns from such investments can fluctuate, sometimes quite suddenly and therefore there is no security of income.	Cash deposit, National Savings, Premium Bonds
<b>Risk Level 2 – Below Average Risk</b>	<b>Examples</b>
Investments in this category are likely to exhibit a limited degree of fluctuation in their capital value, however, they should show improved medium to long term returns over Deposits and other Low Risk investments.	With Profits Funds, Gilts, Corporate Bonds
<b>Risk Level 3 – Average Risk</b>	<b>Examples</b>
Investments in this category are likely to exhibit a higher degree of fluctuation in the capital value but with the expectation of good medium to long-term rewards.	Managed funds, Equity funds in Major Stockmarkets
<b>Risk Level 4 – Above Average Risk</b>	<b>Examples</b>
As with Average Risk Investments, funds in this category carry the expectation of a higher degree of fluctuation in capital values. Investments in Risk Level 4 funds are likely to be in areas which carry the potential for higher volatility and hopefully higher returns.	Specialist and More Aggressively run funds
<b>Risk Level 5 – High Risk</b>	<b>Examples</b>
Performance of Investments in this category may be highly volatile. Additionally certain high risk investments may not be readily realisable, as there may not be a ready market for the sale of such investments and access to reliable data for valuing such investments may be restricted	Individual Company Shares, Venture Capital Trusts

We have increasingly found that with more investments available to us, there is a wide range of funds which can legitimately be allocated to a given risk rating. As such, we additionally use either “+” or “-” in the rating of many funds, classifying a given fund as a 3+ or a 4- for example.

When considering the risk rating of a recommended fund, bear in mind that an additional “+” rating will put an investment towards the top end of its allocated rating, and a “-” puts an investment at the lower end.