

# RISK ASSESSMENT PROCESS

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# Risk Assessment Process

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When you make an investment, it is difficult to say with any certainty what you'll get back when you finally cash it in. This lack of certainty is caused by something called investment risk (IR)

You can't plan financially without understanding what investment risk is and how this can impact on your own attitude to risk. We associate investment risk with uncertainty and unpredictability.

Your own attitude to risk will be determined by a number of factors including your age, personal circumstances and your goals

There are other risks such as interest rates, exchange rates and inflation is a risk too. Just concentrating on capital risk and ignoring these other risks can mean you take too cautious an approach.

## **General statements**

- The higher return you want, the more risk you'll usually have to take.
- If you're saving over the short-term you should take less risk.
- If you are investing for the long-term you can afford to take more risk.
- Investing in share-based assets has proved to be the best way for providing growth that outstrips inflation. There is a risk attached but, when you invest over the long-term, there is more time to recover your losses after a fall in the stock market.

# Risk Assessment Process

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In explaining and determining your approach to risk we split this into two parts:

## 1) Your ability to take risks

**We look at a number of key areas which include;**

Your personal circumstances

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Your knowledge & experience of financial markets and investments

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What your goals and objectives are

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What might happen if your investments fell in the short term  
(we describe this as your capacity for loss)

## 2) Your willingness to take risks

**This is more of a mental approach, how you feel, can you sleep at night if your investments are falling?**

Although every client is unique; it is possible to categorise people's attitude to risk using proven psychometric profiling techniques. Psychometric profiling identifies characteristics such as: tolerance for ambiguity, desire for profit and investment experience.

We use a risk profile exercise that has been designed with the assistance of academics from Oxford University

Having worked with you on the first two parts, the final stage is to explain whether we think your goals are achievable (part 1 above) given your desired level of risk (part 2 above). It may be that they match. However in our experience there is often a compromise that you have to make. This could be that in order to achieve your goals you will have to accept a higher level of risk or alternatively continue with the desired level of risk and accept that you may not achieve your objectives.

Either way we are committed to assisting you through the process. We will ensure that you are provided with sufficient education to enable you to assist in the portfolio construction and that you clearly understand the choices you have made. All of which will be reviewed on a regular basis and any adjustments made.