Canaccord Genuity Wealth Management

Risk profile 3

This short guide provides an overview of your investment risk level and what you might expect, based on past performance.

Our objective for this strategy is to achieve a return of inflation +2% over a rolling period of five years. We assume that UK Consumer Price Inflation over the long run will average 2.5% per annum.

You are prepared to accept some occasional and modest losses in order to generate slightly higher total returns.

You understand the strategy is designed to generate modest returns over time, but with relatively low volatility‡ and low potential for loss. A large proportion of the portfolio is likely to comprise fixed income assets‡. There are a number of ways that it is possible to create a similar client outcome (in terms of return, volatility‡ and drawdown‡). However, for our central process, we adopt the following approach:

The asset allocation of this strategy will fall within the following bands:		
Asset class	Minimum	Maximum
Fixed interest	45.0%	75.0%
Equities	5.0%	35.0%
Alternatives	0.0%	30.0%
Cash	0.0%	42.5%

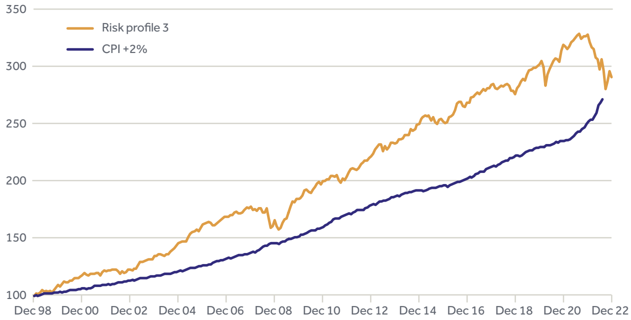
Other variants of this risk profile may have differing asset allocation bands, although the overall intended outcome should be broadly the same.

For illustrative purposes, we have created a risk profile 3 composite benchmark index to show its performance, drawdown‡ and volatility‡ since the end of 1998. The benchmark portfolio is made up of 20% in equities, 60% in fixed income assets‡, 15% in alternative investments and 5% in cash.

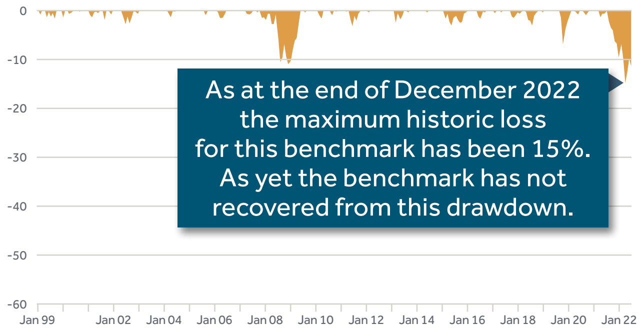
Perfectly tracking this index from 30 November 1998 to 31 December 2022 would have turned £100 into £290, the equivalent of a 4.55% compound annual growth rate‡.

Over the last 10 years the compound growth rate is 2.77%.

Performance rebased to 100



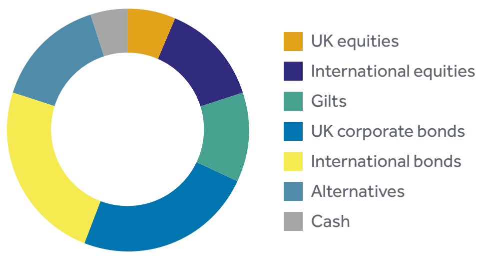
Drawdown‡ %



3-year annualised volatility‡ %

Volatility‡	
Minimum 3-year rolling volatility‡	2.70
Maximum 3-year rolling volatility‡	7.30
Last reading as at 31 December 2022	7.30

Benchmark allocation



‡See Glossary overleaf for more detail.

Source: Bloomberg and CGWM.

Past performance is simulated, although using actual data with no assumptions made. Past performance is not a reliable indicator of future returns.

‡Glossary

Compound annual growth rate: A compound annual growth rate (CAGR) represents the rate at which your investment would grow if it had a steady rate of growth i.e. it is an average annual growth rate to show you smoothed annualised returns. For example, an investment may increase in value by 8% in one year, decrease in value by 2% the following year and increase in value by 5% in the next. With this inconsistent annual growth, a CAGR of 3.6% may be used to give a broader picture of an investment's progress.

***Fixed income assets*:** When referring to fixed income assets we mean any type of investment in which real return rates or income are received at regular intervals and at reasonably predictable levels. The most common examples are bonds issued by governments and major corporations. UK government bonds are known as gilts.

Drawdown helps determine an investment's financial risk. A drawdown from an investment's high to its low is considered its 'drawdown amount'. It is usually recorded during a specific period and quoted as the percentage between the peak and the subsequent trough.

Drawdowns present a significant risk to investors when considering the uptick in investment value/price needed to overcome a drawdown. The greater the loss, the more needed to recover. For example, it may not seem like much if an investment loses 1%, as it only needs an increase of 1.01% to recover to its previously held position. However, a drawdown of 20% requires a 25% return, while a 50% drawdown – seen during the 2008 to 2009 Great Recession – requires a whopping 100% increase to recover the same position.

The ***maximum historic loss*** is the maximum loss from peak to trough in an investment's history.

Annualised volatility is a measure of how much the price or return of an investment fluctuates over a certain period. High volatility means the value of an investment is likely to change dramatically over a short time frame, while low volatility indicates an investment's value will be relatively stable.

***Volatility*:** Volatility is a measure of how far a range of values moves from its average value over a set period of time. We show a three-year period to calculate this since we believe this represents the most appropriate time scale over which to capture the characteristics of the indices used in this document. We use a rolling measure, calculated on a monthly basis, which means we use the previous 36 months of data at any given point in time. The greater the range of returns, the higher the volatility and thus the higher the potential risk of the strategy.

Important information

Investment involves risk. The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested. The investments described in this document may not be suitable for all investors. Investors should make their own investment decisions based upon their own financial objectives and financial resources and, if in any doubt, should seek advice from an investment adviser.

This document is for information only and is not to be construed as a solicitation or an offer to purchase or sell investments or related financial instruments. This has no regard for the specific investment objectives, financial situation or needs of any specific investor.

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