TRIEVEREST
WEALTH MANAGEMENT

ESMA Fund risk categories*

* European Securities Markets Authority

Very Low Risk

- Very low risk funds focus on preservation of capital above all else
- They involve very little risk to investors' capital
- They are only designed as short-term holdings
- Over the medium to long term, the return on these funds may be less than inflation and may not be enough to cover product charges

Low Risk

- Low risk aim to provide a return in line with, or slightly better than, deposits
- They involve very little risk to investors' capital, provided certain conditions are met such as remaining invested for a specific period of time
- Typically investments in this category will promise a specified return at some point in the future, e.g. a minimum of 100% capital back in 5 years' time

Low to Medium Risk

- Low to medium risk funds offer the potential for returns in excess of deposits but do not promise a minimum return at any time
- They tend to invest in a range of assets, normally focusing on lower risk assets such as governments bonds and investments grade corporate bonds
- However they also typically invest in higher risk assets such as equities, property and alternatives (e.g. commodities). At times these investment may be a significant proportion of the fund
- Investors' capital is less exposed to market fluctuations than with higher risk investments but investors may get back less than they originally invested

Medium Risk

- Medium risk funds offer the potential for returns in excess of deposits but do not promise a minimum return at any time
- They tend to invest in a range of assets, including lower risk assets such as government bonds and investment grade corporate bonds, but are more focused on higher risk assets such as equities, property and alternatives (e.g. commodities)
- Investors' capital is less exposed to market fluctuations than with higher risk investments but investors may get back less than they originally invested

Medium and High Risk

- Medium to high risk funds aim to generate a return higher than deposits and inflation
- They typically invest significant proportions in assets such as equities, property and alternatives (e.g. commodities). They usually hold smaller amounts in lower risk assets such as government bonds and investments grade corporate bonds
- Within these asset classes risk can be reduced by investing across sectors and geographic regions
- Investors' capital is not secure and can fluctuate, sometimes significantly, investors may get back less than they originally invested

High Risk

- The potential return from high risk investments is much higher than deposits or inflation
- The focus is on maximising the potential return to investors, rather than minimising risks
- Some high risk funds may consist almost entirely of one asset class or be concentrated in one geographic region or sector
- Investors' capital is not secure and can fluctuate significantly. Investors may get back substantially less than they originally invested

Very High Risk

- Very high risk funds aim to generate exceptional returns for investors, but involve a significant level of risk
- Very high risk funds may borrow to finance the purchase of assets and while this offers the potential for higher returns, any losses incurred by the fund will be magnified as a result of borrowings
- In a worst case scenario, investors in a very high risk fund could lose all of their original investment

The above definitions provide a guide to help understand investment risk.
This does not constitute financial advice.