

Attitude to Risk



This is a summary only. If you have any questions or would like advice on your personal situation, please contact us.

When you invest money, it is important that we agree your attitude to investment risk and invest in corresponding funds or portfolios. We use a scale of one to five, and the definitions of each risk level are:

Cautious 1/5

You are prepared to take only a small amount of investment risk and it is important to you that your capital is protected.

This means that your portfolio will concentrate on investments that provide low returns in the long term but present lower risk to your capital. Only a small amount of riskier assets will usually be included in your portfolio in order to increase the chance of obtaining better long-term returns.

A typical cautious investor will be invested mostly in fixed interest gilts and bonds as well as in cash, with a small element in equities and property that can boost longer term returns but are associated with more risk. Using a broad range of assets gives you a varied portfolio and that diversification helps to reduce the overall levels of risk.

Cautious to moderate 2/5

You are prepared to take limited investment risk in order to increase the chances of achieving a positive return, but you only want to risk a small part of your capital to achieve this. A typical cautious to moderate portfolio will usually have the larger part of the portfolio, invested in fixed interest gilts, bonds or cash that are low risk but offer only low returns. The remainder of the portfolio will usually be invested in equities and property which can boost longer term returns but are associated with more risk. Using a broad range of assets gives you a varied portfolio and that diversification helps to reduce the overall levels of risk.

Moderate 3/5

You are prepared to take a moderate amount of investment risk in order to increase the chance of achieving a positive return. Capital protection is less important to you than achieving a better return on the investment. A typical moderate investor will usually invest in a variety of assets to obtain diversification and therefore reduce risk. Equities and property, which can boost longer term returns but are associated with more risk, would often account for a higher proportion of assets than fixed interest gilts and bonds or cash. At shorter investment terms the proportion of higher risk assets is usually reduced. The range of asset types helps reduce the overall risks while increasing the chance of better returns.

Moderate to adventurous 4/5

You are prepared to take a medium degree of risk with your investment in return for the prospect of improving longer term investment performance. Short term capital protection is not important to you and you are willing to sacrifice some long term protection for the likelihood of greater returns. A typical moderate to adventurous investor will be invested mainly in equities but with other assets included to provide some diversification. There may be a small amount of specialised equity within the portfolio.

Adventurous 5/5

You are prepared to take a substantial degree of risk within your investment, in return for the prospect of higher possible long term investment performance. You appreciate that over some periods of time, there can be significant falls, as well as rises, in the value of your investment and you may get back less than you originally invested. This strategy holds significant risk in the shorter term.

An adventurous investor will be invested entirely in equities, both in the UK and overseas and there may be a significant proportion of the investment held in specialised equities.

Source: EV.

Important information



This document is for information only and is based on our understanding of current legislation, which may change in the future. It does not constitute individual financial planning advice. The value of investments can fall as well as rise and is not guaranteed.

If you have any questions or would like advice on your personal situation, please contact us on 01225 613444 or email info@baileycokfp.co.uk.

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