

Investment Risk management

'Risk comes from not knowing what you're doing'

Warren Buffet

- Liquidity & Access
- Income & Capital Growth including shortfall
- Short term volatility
- Long Term performance
- Gearing
- Currency
- Interest Rates
- Systematic & Non-Systematic Risk, including fraud and counterparty, institutional, market timing

HEADLINE TOPICS

WHAT ARE THE MAIN CATEGORIES OF RISK WE SHOULD BE CONCERNED ABOUT WHEN MAKING ANY FINANCIAL INVESTMENT?

- Systematic & Unsystematic risk
- Inflation risk
- Sentiment risk
- Interest Rate risk
- Credit risk
- Currency risk
- Liquidity risk
- Event risk
- Political risk
- Operational risk
- Relative risk
- Gearing risk
- Non-diversification risk

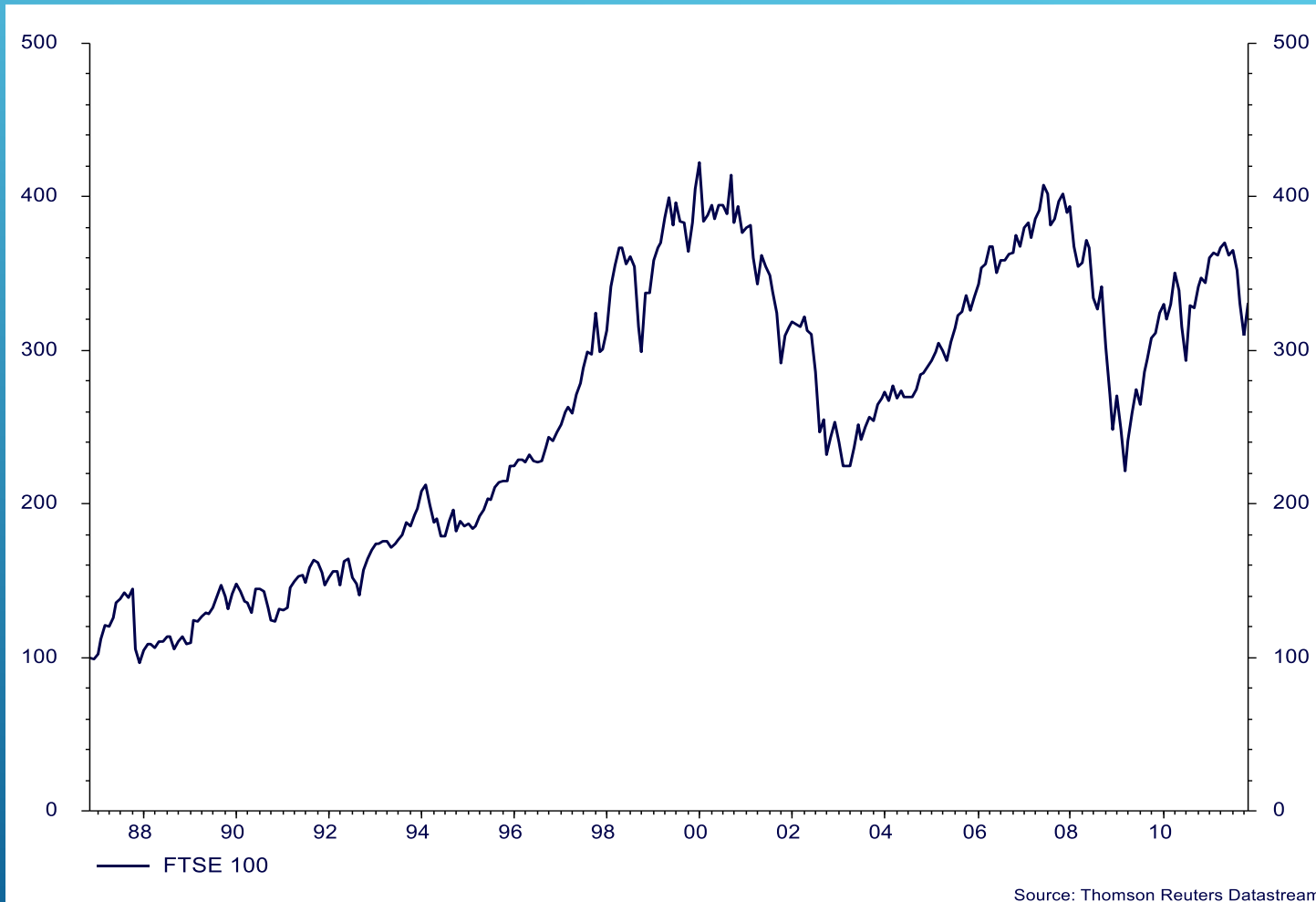
Is there a truly risk free investment?

- Cash
- National Savings Certificates
- Post Office?
- UK Government Stock

RISK

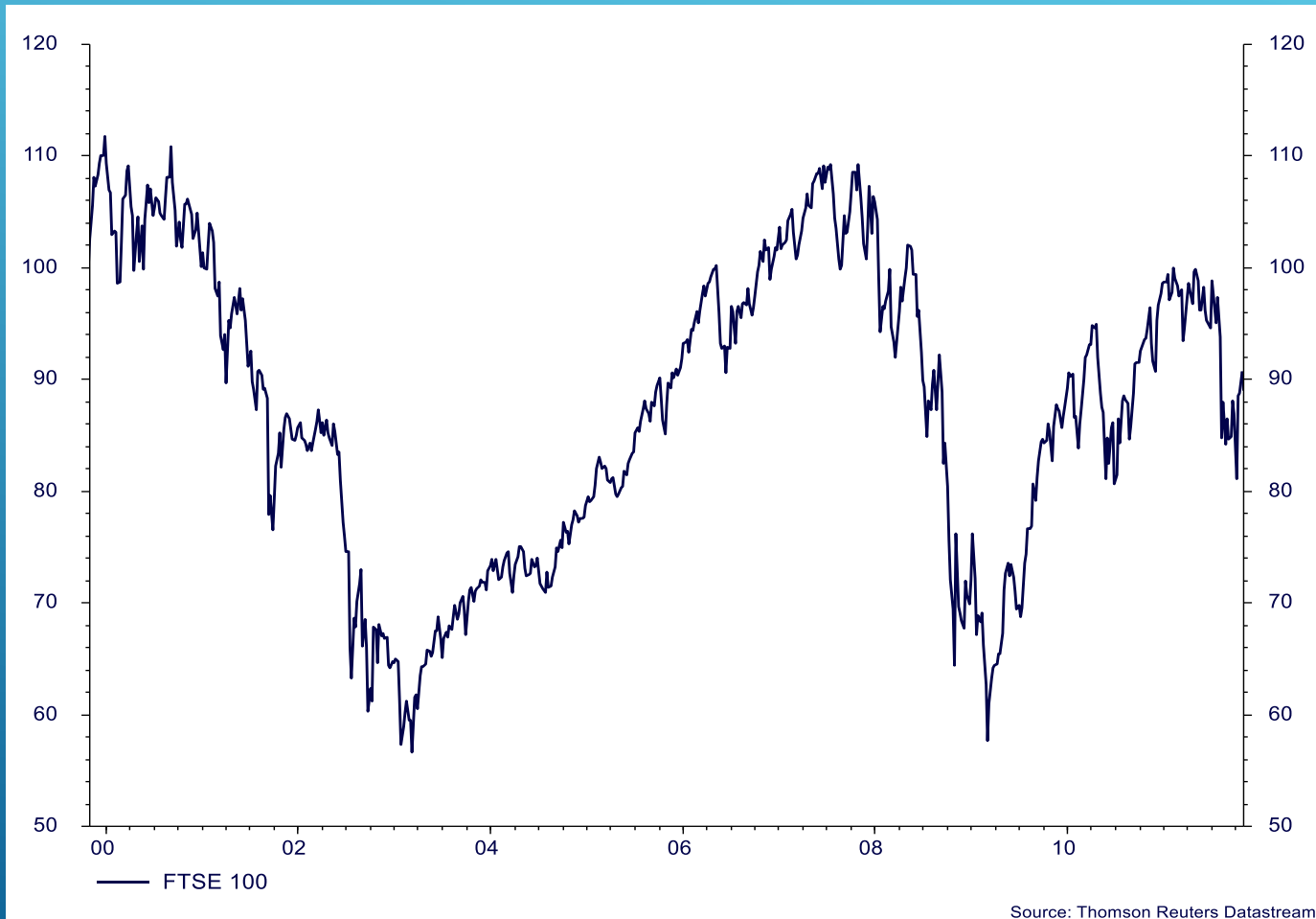
LONG TERM PERFORMANCE OK BUT....

FTSE 100 Index over last 25 years



How long is long term?

FTSE 100 share Index over 12 years



EXAMPLE OF SHORT TERM VOLATILITY

FTSE 100 share Index from 1st - 12th August 2011



Source: Thomson Reuters Datastream

Risk

WHO SHOULD AND SHOULD NOT BE INVESTING IN THESE MARKETS?

What do we mean by risk and what does a client mean by risk?

Do they correlate?