

Investment Risk management

Sentiment

RISK

SENTIMENT

***'Look at market fluctuations as your friend rather than your enemy;
profit from folly rather than participate in it'***

Warren Buffet

Not a factor to be ignored but impossible to quantify

Investors who believed gold, commodities, property, technology,
shares,

antiques, fine art or even tulip bulbs could only
have

been responsible for many crashes over the cen



Interest Rate Risk

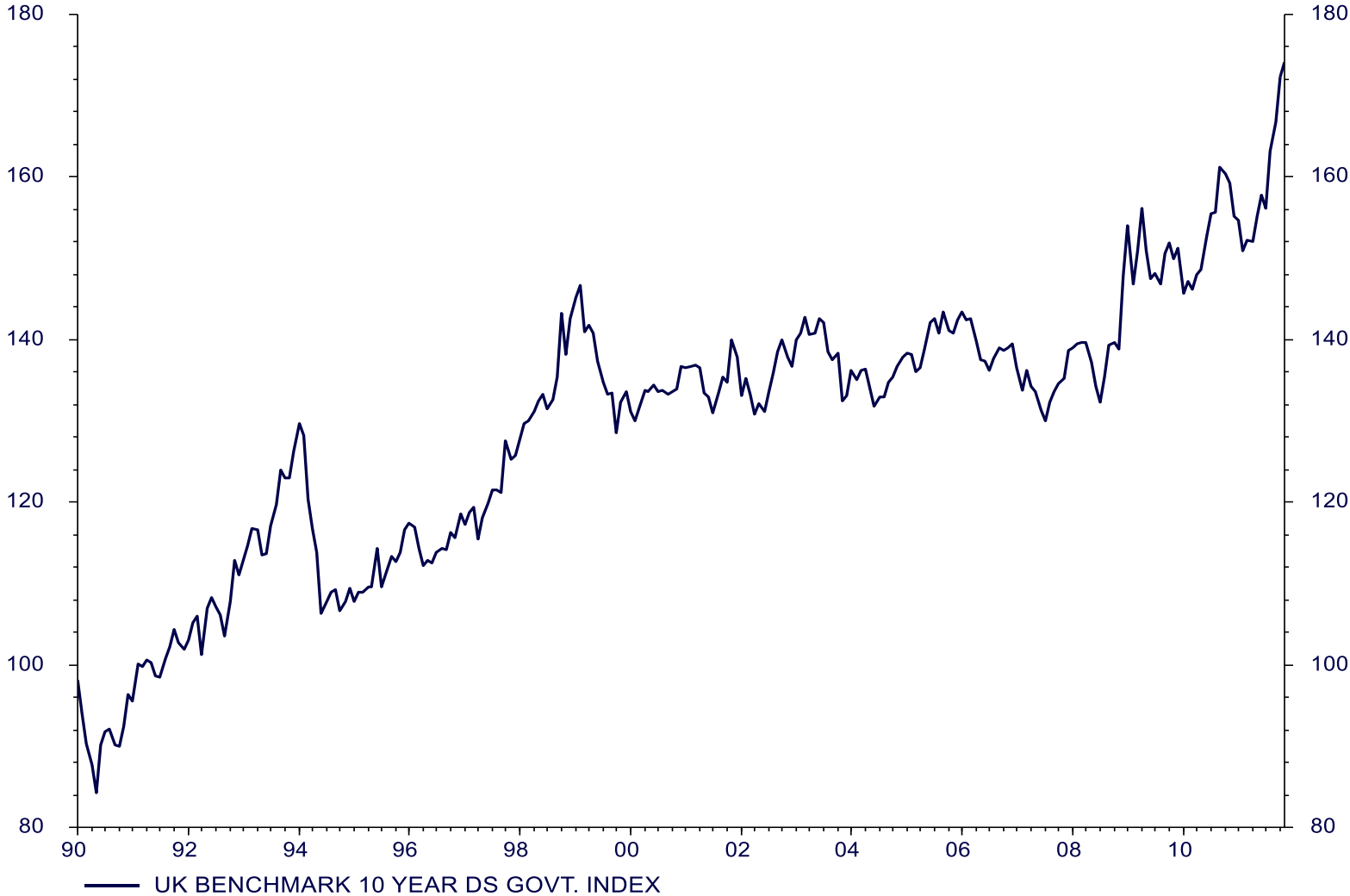
RISK

INTEREST RATE RISK

What investments are put at greatest risk by a movement in interest rates?

- Fixed Interest investments
- Gold?
- Others?

10 YEAR UK GOVERNMENT BOND INDEX SINCE 1990



Source: Thomson Reuters Datastream

RISK

Key factors in interest rate moves

- The Economic Cycle
- Government Fiscal Policy
- Inflation Expectations
- Preference for liquid investments

Risk

Credit Risk

Standard & Poors	Moody's	Fitch
AAA	Aaa	AAA
AA+	Aa1	AA+
AA	Aa2	AA
AA-	Aa3	AA-
A+	A1	A+
A	A2	A
A-	A3	A-
BBB+	Baa1	BBB+
BBB	Baa2	BBB
BBB-	Baa3	BBB-
BB+	Ba1	BB+
BB	Ba2	BB
BB-	Ba3	BB-
B+	B1	B+
B	B2	B
B-	B3	B-
CCC	Caa	CCC
CC	Ca	CCC
C	C	CCC
D		DDD
		DD
		D

Investment grade bonds

Non-investment grade / high yielding/ junk bonds

CREDIT RISK

Three types of credit risk?

- Risk of default
- Downgrade risk(US recently by one agency)
- Credit spread risk