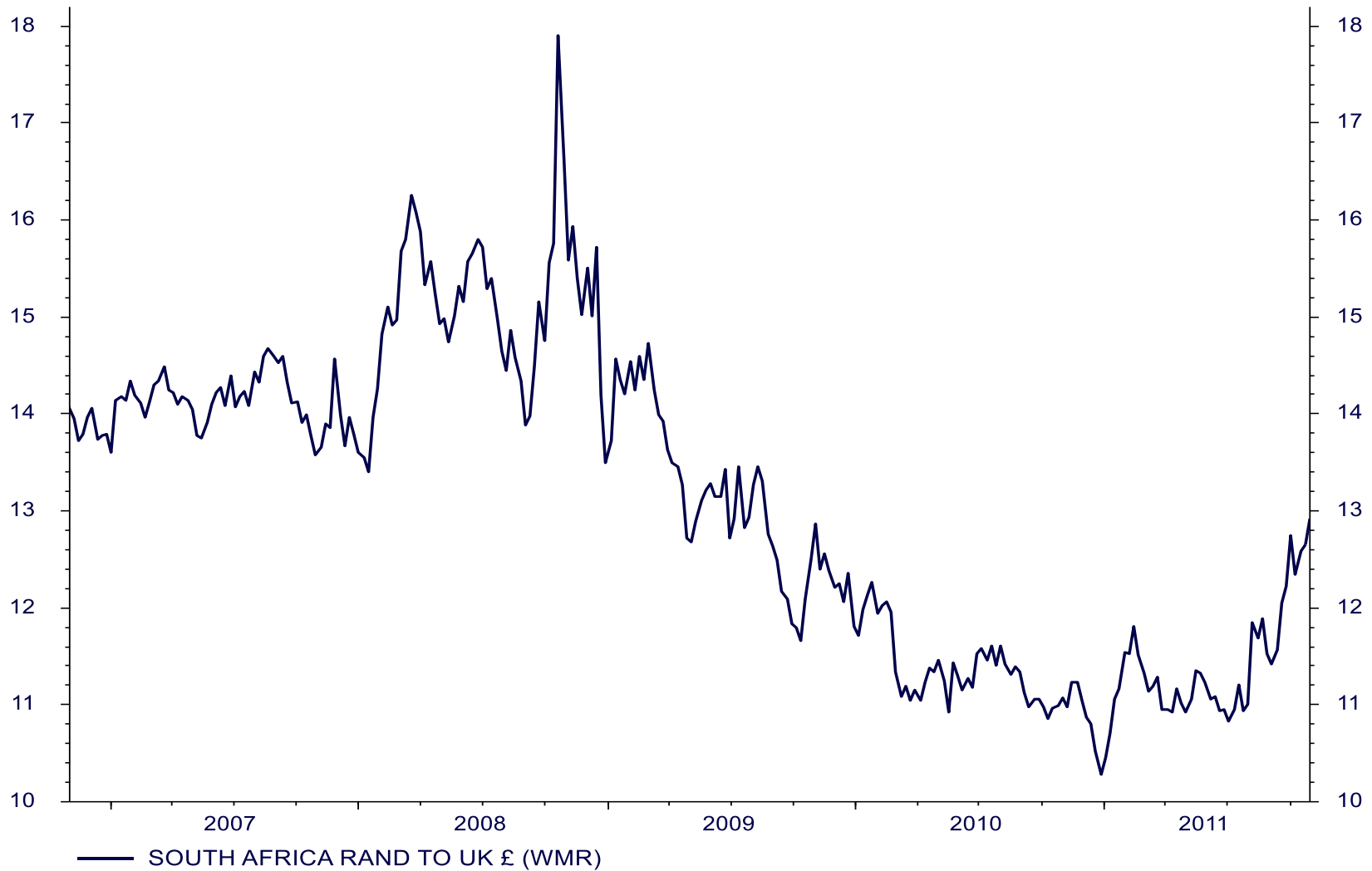


Investment Risk management

Risk

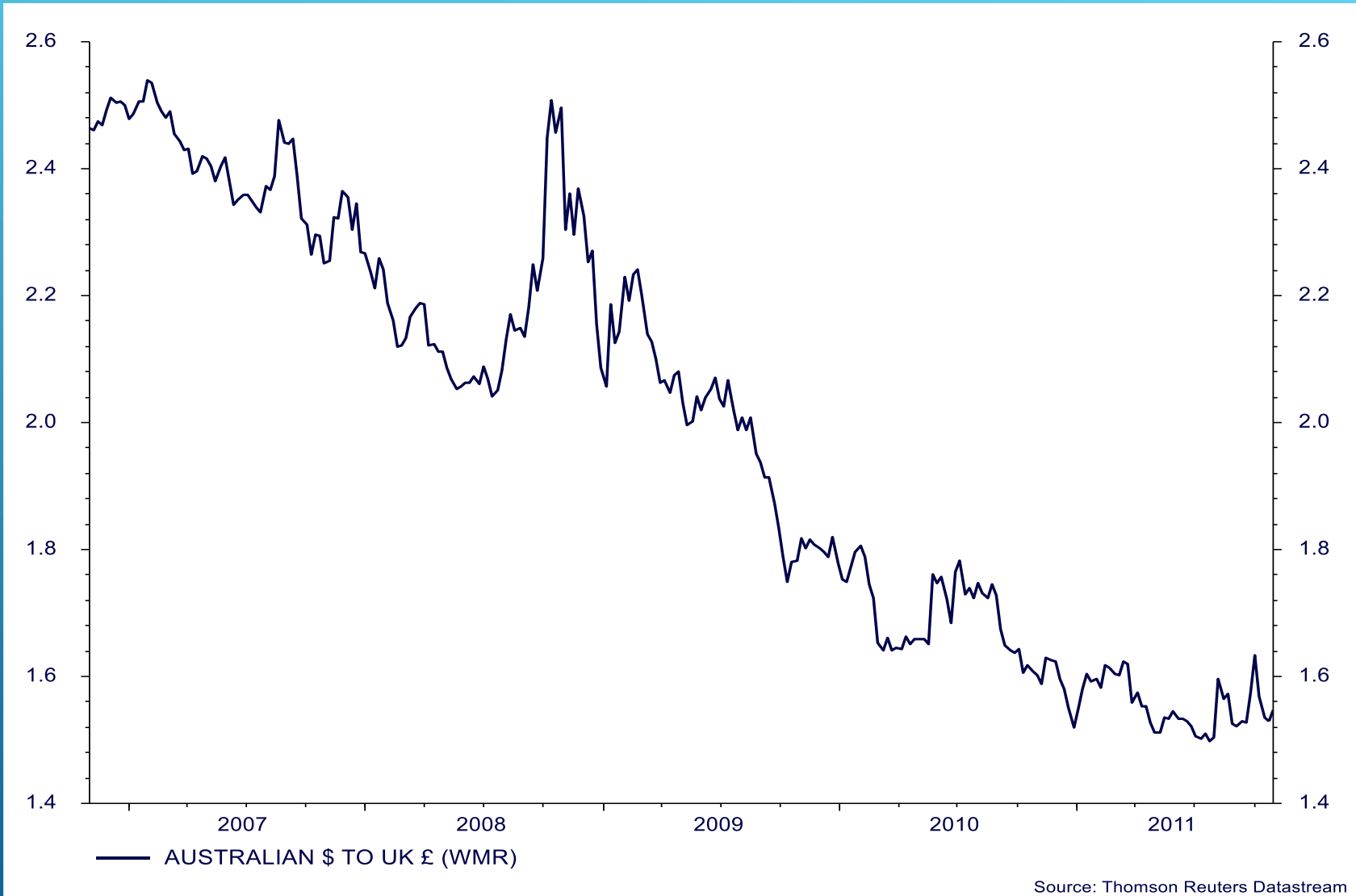
Currency Risk

SA Rand v Sterling - Over last 5 years



Source: Thomson Reuters Datastream

Australian Dollar v Sterling - Over last 5 years



Swiss Franc v Euro - Over last 5 years



RISK

Currency Risk?

When investments made in overseas quoted investments by a UK based

investor, there is the risk that the currency will move adversely.

Risk also applies to all UK quoted companies with large overseas interests

such as GlaxoSmithKline (approximately 90% of turnover outside UK) but

not to United Utilities (100% turnover in UK).

Risk

Liquidity & Access Risk?

When is this likely to occur?

In times of uncertainty.

LIQUIDITY & ACCESS RISK

Particularly relates to smaller companies or unit trusts with assets that are not easy to trade. Market makers protect themselves by reducing the number of shares they will trade to the minimum stipulated by the Stock Exchange in that particular company. Might be 1000 shares at 25p each!

Asset classes such as commercial property companies and private equity (for example 3i) can also be vulnerable.

On a wider basis, residential property can go from being reasonably liquid to illiquid in a very short space of time. Thus access to liquidity can prove difficult.

RISK

Event Risk

Examples?

- 9/11
- Earthquake in Japan
- Industrial Accident (B.P.)

In B.P.'s case, it was unable to pay its full dividend due to an unexpected event but it could happen as a result of a natural disaster, a corporate change or a regulatory one (i.e. Hargreaves Lansdown having to adjust its business model as a result of FSA ruling).