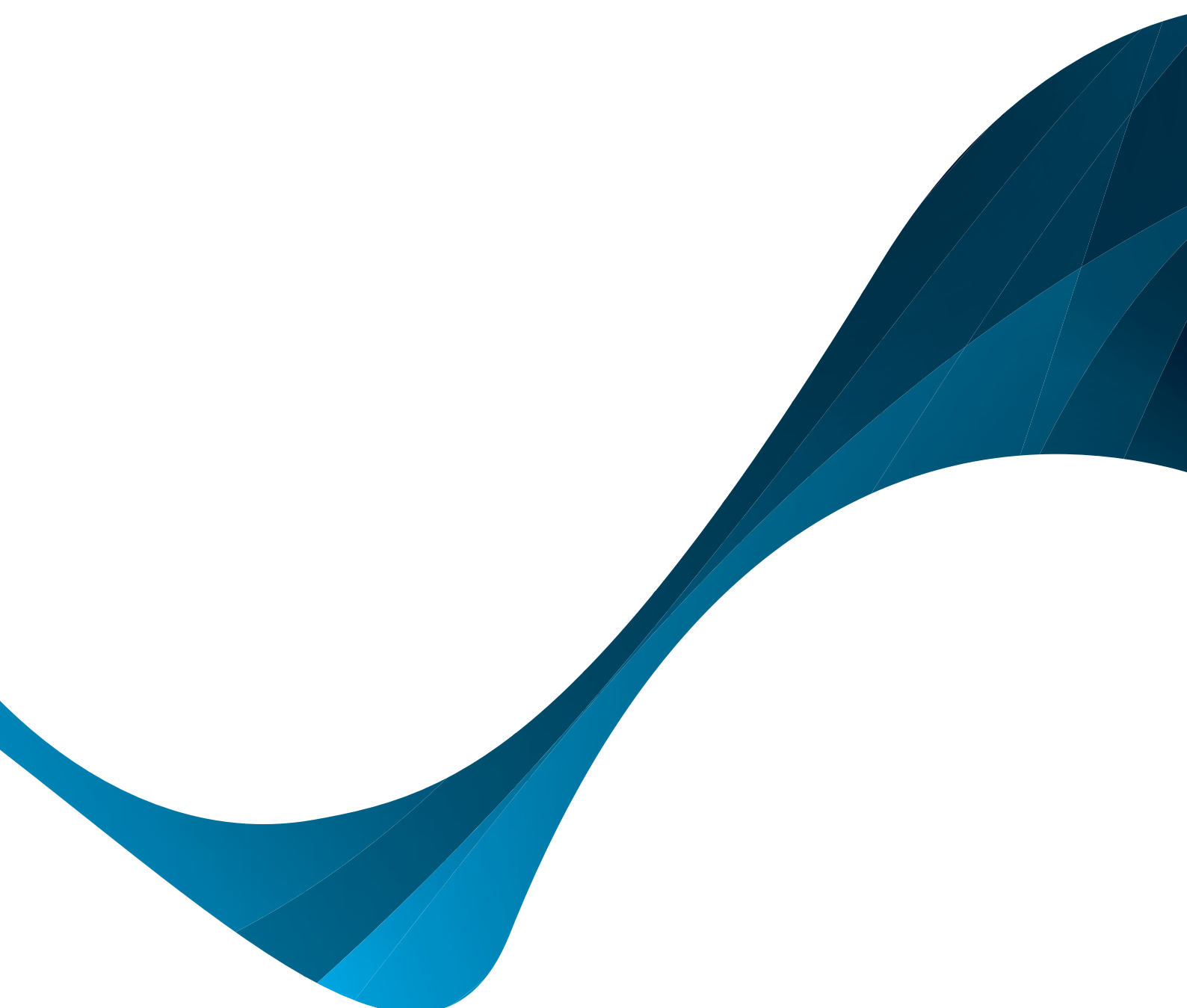


Guide to Investment Risk





Contents

Introduction	1
General considerations and target market	1
Financial instruments and their level of risk	2
Risks that may be common across different types of financial instrument	4
Sector specific risks	6

The risks when investing in financial instruments through a James Hay product

You can invest in a variety of products with James Hay, including our Modular iSIPP, ISA and General Investment Account (GIA), as well as a similar range of products through our Wrap service.

Through each of these products, you can invest in a wide range of underlying investments, often referred to as financial instruments.

All investments involve a degree of risk of some kind, but different investments have different levels of exposure to risks and to different combinations of risks. This guide explains some of the risks when investing in the different types of financial instruments available through our products.

For information on the James Hay products themselves, please refer to the Key Features Document and Terms and Conditions for the product, available within the literature section of our website www.jameshay.co.uk.

For information on what investments are permitted within a specific James Hay product, please refer to the relevant product's Permitted Investments List, also available under the literature section of our website.

General considerations and target market

This guide cannot disclose all the risks associated with the investments available to you through a James Hay product. You should not invest in any financial instrument unless you understand its nature and the extent of your exposure to risk. You should also be satisfied that it is suitable for you in the light of your personal circumstances and financial position.

Manufacturers of financial instruments will normally identify a target market for the investments they are offering. This will show the types of investor the investment is aimed at, and the types that it may not be appropriate for. You should include a review of this target market information when deciding whether the

investment is suitable for your personal circumstances and your attitude to risk. For funds available on our Investment Centre, we will provide you with the target market information on our website. For other investments not available on our Investment Centre, you will need to obtain this information directly from the investment provider.

Should you be in any doubt about the risks involved, or the suitability of a particular investment, you should seek financial advice from a regulated financial adviser. If you do not have a financial adviser, you can find a list of advisers local to your area at www.unbiased.co.uk or by calling 0800 023 6868.

Financial instruments and their level of risk

Cash

Holding money in a bank account with a UK regulated bank is generally seen as risk-free from an investment perspective because the amount you deposit (your capital) does not fall in value. However, the return on your money paid through an interest rate can change or, if a fixed rate, will normally only be fixed for a specified

period of time. The only risk to your capital is the financial strength of the bank. In the event that the bank fails (becomes insolvent) you will be covered by the Financial Services Compensation Scheme (FSCS), but only up to certain limits. Further information is available at www.fscs.org.uk.

Collective Investment Schemes (commonly known as 'funds')

A fund is a term that covers different types of structure, normally Open Ended Investment Companies (OEICs) or Unit Trusts. Funds are arrangements that enable a number of investors to 'pool' their money, in order to gain access to professional fund managers. Investments held by these funds may typically include gilts, bonds and quoted equities, but depending on the type of scheme, may hold higher risk instruments such as property, derivatives, unquoted securities and other complex products.

The value of a fund, and the income derived from it, can decrease as well as increase and you may not necessarily get back the amount you originally invested. In addition, funds bear investment management risks, insolvency risks and possibly liquidity risks. Some of the more common risk factors are detailed in the Common and Sector Specific Risk sections.

You should ensure that you understand the nature of any fund before you invest in it. You can do this by making sure you read the Key Information Document (KID) or Key Investor Information Document (KIID) (which is made available to you for each fund) for a summary of the main risks. For funds available on our Investment Centre, you can obtain the Key Investor Information Document from our website. For other funds not available on our Investment Centre, you will need to obtain this directly from the fund manager.

Investment trusts

Investment trusts are similar to funds in that they provide a means of pooling your money, but they are publicly listed companies whose shares are traded on the London Stock Exchange. The price of the shares will fluctuate according to investor demand and changes in the value of their underlying assets. They will be subject to a combination of the risks associated with shares,

bonds and funds in which they are invested. The value of investment trusts, or the income derived from them, can decrease as well as increase and you may not necessarily get back the amount you invested.

Shares

Shares carry varying risks brought about by the performance of world markets, interest rates, taxes on income and capital, foreign exchange rates, liquidity (the ease with which a security can be traded on the market) and the financial performance of the issuing companies. The value of, or income from, shares can go down as well as up and you may not get back the original amount you invested.

Shares purchased on the Alternative Investment (AIM) and PLUS markets carry a higher degree of risk of losing money than other UK shares. This is because the requirements on companies that are listed on AIM and PLUS markets are less stringent than those for companies with a full market listing. There is also usually a wider spread between the buying price and the selling price of these shares, and if they have to be sold immediately, you may get back less than you paid for them due to a lack of liquidity. The price of these shares may change quickly and may go down as well as up. It may also be difficult to obtain reliable information about their value or the extent of the risks to which they are exposed.

Exchange Traded Funds (ETFs)

ETFs are investment funds, traded like shares which hold assets such as shares, commodities or bonds. They normally closely track the performance of a financial index, and as such, their value can go down as well as up and you may get back less than you originally invested.

Some ETFs rely on complex investment techniques, or hold riskier underlying assets, to achieve their objectives and therefore you should always ensure you read the documentation provided to ensure you fully understand the risks you are taking on before you invest.

Bonds

Bonds are loans to a government or company. They are also known as debt investments, and cover the categories of Debt Securities and Fixed Income Investments. Generally, they will be more stable than share-based investments but in some circumstances (particularly when interest rates are changing) they can

be more volatile. Bonds issued by major governments and companies are generally more stable than those issued by emerging markets or corporate issuers, and in the event of an issuer experiencing financial difficulty there may be a risk to some or all of the capital invested.

Complex products

Some products (such as Hedge Funds, Structured Products, Warrants and Venture Capital Trusts) are defined as complex. There is no single definition for complex products, but products that fit into this category are generally those where:

- there is an actual or potential liability greater than the amount invested
- the product is a derivative or has derivatives embedded in it

- there are limited opportunities to sell; or
- adequate information is not generally available on the investment.

These types of investments carry additional risks to those described above for the other categories of investments. In some cases this category of investment may not be offered to some investors without undertaking further enquiries, or requiring the investor to have received financial advice.

Risks that may be common across different types of financial instrument

Foreign Exchange risk

If you hold investments denominated in overseas currencies, either directly or through an investment fund, you can see your returns reduced if those currencies

weaken in value against sterling. On the other hand, if currencies are strong against sterling, returns can increase when converted back into British pounds.

Inflation

Inflation is the trend for the price of goods and services to rise over time. If the return on an investment or savings deposit fails to keep pace with this cost of

living, your money will see its purchasing power, or 'real' value, decline.

Charges

Charges will affect investment growth and what you ultimately get back from your investments, so it is important to understand what their impact on investment

performance will be. You should also bear in mind that the charges may change over time.

Interest rates

Bonds which pay a fixed income, such as government gilts, are sensitive to changes in interest rates. If interest rates rise, bonds can see their market price fall because

their fixed income payment looks less valuable, which can create losses for investors who choose to sell. Similarly, if rates fall, the value of a bond can rise.

Credit quality

Bonds are also exposed to credit risk. If the creditworthiness of the issuing company or government

(and therefore its ability to meet the promised payments on a bond) deteriorates, the value of a bond can fall.

Fund manager and investment manager performance

This is the risk of loss, or lower returns than you were hoping for, due to the poor performance of the fund managers of the funds held in your product, or by any

investment manager you may have appointed to manage your investments.

Liquidity risk

There may be difficulty in selling an investment caused by a number of factors, including but not limited to:

- insolvency of the investment
- adverse stock market conditions; or
- selling restrictions placed on funds by their managers (such as suspension of redemptions).

In these circumstances you may not be able to sell such investments in a timely manner and the value of those investments may fall significantly.

Suspensions of trading

Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price

rises or falls in one trading session to such an extent that, under the rules of the relevant exchange, trading is suspended or restricted.

Insolvency and Investor Protection

A fund manager or investment manager's insolvency or default, or that of any other brokers involved with your transaction, may lead to you not getting back the full value of your investment. It is therefore important to consider whether your chosen investment is covered by the Financial Services Compensation Scheme (FSCS).

The FSCS is the UK's compensation fund for customers of authorised financial services firms. The FSCS may be able to pay compensation if a firm is unable, or likely to be unable, to pay claims against it. However, not all investments are covered by the FSCS. Further information is available at www.fscs.org.uk.

Sector specific risks

This section lists some common risk factors relating to the geographical area, industry and/or asset type applicable to a particular investment, particularly funds.

- Different funds carry varying levels of risk depending on the geographical region and industry sector in which they invest. You should make yourself aware of these specific risks prior to investing.
- Targeted Absolute Return funds do not guarantee a positive return and you could get back less than you invested, much like any other investment. Additionally, the underlying assets of these funds generally use complex hedging techniques through the use of derivative products.
- Smaller companies' shares can be more volatile and less liquid than larger company shares, so smaller companies' funds can carry more risk.
- Underlying investments in emerging markets are generally less well regulated than the UK. There is an increased chance of political and economic instability with less reliable custody, dealing and settlement arrangements. The market(s) can be less liquid. If a fund investing in markets is affected by currency exchange rates, the investment's value could either increase or decrease in response to changes in those exchange rates. These investments therefore carry more risk.
- Funds which invest in a specific sector may carry more risk than those spread across a number of different sectors.
- Due to their nature, specialist funds can be subject to specific sector risks. Investors should ensure they read all relevant information in order to understand the nature of such investments and the specific risks involved.
- Bonds issued by major governments and companies will be more stable than those issued by emerging markets or smaller corporate issuers. In the event of an issuer experiencing financial difficulty, there may be a risk to some or all of the capital invested. Any historical or current yields quoted should not be considered reliable indicators of future performance.
- The property market can be illiquid; consequently, there can be times when investors in property funds will be unable to sell their holdings. Property valuations are subjective and a matter of judgement.

We are able to provide literature in alternative formats. For a Braille, large print or audio version of this document call us on 03455 212 414 (or via the Typetalk service on 18001 03455 212 414).

James Hay Partnership is the trading name of James Hay Services Limited (JHS) (registered in Jersey number 77318); IPS Pensions Limited (IPS) (registered in England number 2601833); James Hay Administration Company Limited (JHAC) (registered in England number 4068398); James Hay Pension Trustees Limited (JHPT) (registered in England number 1435887); James Hay Wrap Managers Limited (JHWM) (registered in England number 4773695); James Hay Wrap Nominee Company Limited (JHWNC) (registered in England number 7259308); PAL Trustees Limited (PAL) (registered in England number 1666419); Santhouse Pensioner Trustee Company Limited (SPTCL) (registered in England number 1670940); Sarum Trustees Limited (SarumTL) (registered in England number 1003681); Sealgrove Trustees Limited (STL) (registered in England number 1444964); The IPS Partnership Plc (IPS Plc) (registered in England number 1458445); Union Pension Trustees Limited (UPT) (registered in England number 2634371) and Union Pensions Trustees (London) Limited (UPTL) (registered in England number 1739546). JHS has its registered office at 2nd Floor, Gaspé House, 66-72 Esplanade, St Helier, Jersey, JE1 1GH. IPS, JHAC, JHPT, JHWM, JHWNC, SPTCL, SarumTL, IPS Plc, PAL, STL, UPT and UPTL have their registered office at Dunn's House, St Paul's Road, Salisbury, SP2 7BF. JHAC, JHWM, IPS and IPS Plc are authorised and regulated by the Financial Conduct Authority. The provision of Small Self Administered Schemes (SSAS) and trustee and/or administration services for SSAS are not regulated by the FCA. Therefore, IPS and IPS Plc are not regulated by the FCA in relation to these schemes or services. (04/19)