

FUND SPECIFIC RISKS



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BEFORE YOU BEGIN

This document provides a brief guide to the most common fund associated risks. It does not cover every possible risk that may apply.

For an investor, fund-specific risk means (depending on the nature of the investment) the type of risk will vary.

High risk investments may have the potential for greater returns, but also carry the possibility of greater losses.

Different funds have different levels of risk, which broadly depend on the type of assets the fund invests in. The asset type can affect the performance of the fund in any given period. For example, funds investing in equities are likely to do well when an economy is in a growth period. However, funds investing in fixed interest stock tend to outperform equity funds in a recession. In addition, the type of market that an asset is linked to will have an effect on the performance

of that asset. In particular, all stock market linked investments involve risk as their value can go down as well as up. For example, funds investing in emerging markets may experience greater volatility than funds investing in those that are more developed.

Details of the terms and conditions of any fund, together with the specific risks associated with it, can be obtained from the relevant fund manager.

WHAT DOES RISK MEAN TO YOU?

In assessing the level of risk you might be prepared to take when making an investment into your chosen funds, you may wish to consider the following:

› **YOUR PERSONAL FINANCIAL SITUATION:**
How much risk can you afford to take?

› **YOUR INVESTMENT GOALS:**
What level of potential return would you like from your investment and are you happy with the level of risk needed to get there?

› **YOUR TIMESCALE:**
How long do you want to invest your money for? Our products are designed for medium to long term investment (meaning five to ten years or longer).

› **THE PURPOSE OF YOUR INVESTMENT:**
You may want to take more risk with some of your investments than with others.

› **YOUR FINANCIAL DEADLINE:**
As investments can fluctuate in value, you should remember that at the time your investment needs to be surrendered, its value could be at a low point. Some investors like to move their investments into less risky assets as their financial deadline approaches.



You should remember that the value of an investment can go up or down at any time. You could get back less than you invest.

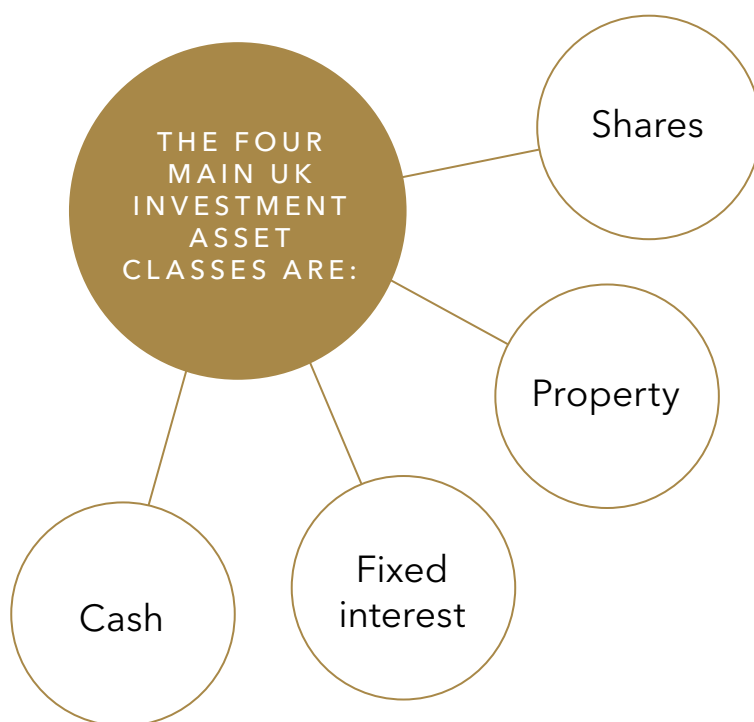
A discussion with your financial adviser will help you understand which risks may apply to your circumstances.

ASSETS

An asset is anything that you own that has value. For example, this could include your home or a piece of jewellery.

Investment assets are assets which investors may hold to generate income and/or achieve capital growth.

An 'asset class' is the name of a group of investment assets which have similar characteristics.



FUNDS

A fund is a way of pooling investors' money for the purposes of investing into certain assets such as equities, bonds, cash instruments or similar assets. Pooling the money has some advantages, as a fund manager may be able to better diversify the investment and/or provide access to assets that may not be available otherwise.

Such investment vehicles are normally managed and operated by the fund manager, who invests the fund's capital and attempts to produce a

pre-determined strategy of capital growth or income for the fund's investors. Fund managers have to inform customers how they aim to run the fund and where money will be invested. They must be clear about the types of assets they are investing in and what the fund aims to achieve. For example, funds may be designed for growth or simply aim to protect the original value of investor's money.

THE DIFFERENT TYPES OF RISK

There are risks that are general to most types of funds and there are also risks that are specific to individual types of funds. It would not be possible to highlight all risks associated with investments in this document, but we have highlighted some of the main risks that should be considered.

GENERAL RISKS

CURRENCY

If a fund holds assets in a different currency to the currency in which the fund is denominated, then there is a risk that exchange rate fluctuations may affect the value of the fund, irrespective of underlying asset performance. Similarly, the value of the bond may fluctuate where it holds funds denominated in a currency different from the bond's currency.

FUND SUSPENSION

A fund manager may need to delay, in whole or in part:

- › a valuation
- › calculation of unit price
- › allocation, cancellation or exchange of units, and/or
- › any payment of fund holdings

for such indefinite periods required to complete the necessary sale or valuation of the assets comprising the fund. This may be due to issues such as property sale or fund suspension due to political, economic, military or monetary events or any circumstances outside the control, responsibility and power of the fund manager.

INCOME

The purpose of an income fund is to provide income from investments. One risk is that a fund manager's annual management charge may be charged against the capital instead of the income of the fund, as this might increase the income and quoted yield but may constrain capital growth and reduce the value of your underlying investment.

INVESTMENT-SPECIFIC RISK

The risk that circumstances affecting a particular company or industry might result in a reduction in the expected investment return.

INTEREST RATE RISK

The risk that a change in the interest rate could negatively impact your investment. Different investments are affected by rises and falls in interest rates in different ways.

INFLATION RISK

The risk that the real value of an investment can fall if inflation rates rise higher than the return being received from it. The effect would mean that the purchasing power of any income, or capital, received would be eroded.

LIQUIDITY RISK

The risk that an investment may be difficult to sell or encash.

MARKET RISK

This term refers to the risk that changes in the bond, property, cash and stock markets could cause the fund to fall in value.

FUND RISKS

BOND FUNDS

Companies issue corporate bonds in order to raise capital, so effectively investors in corporate bonds are lending the company money. The more financially secure a company issuing the bond is, the more likely it is that it will be able to repay the loan. Less financially secure companies have a higher risk of default on the loan. These higher risk bonds are sometimes referred to as 'junk' or 'sub-investment grade' bonds if their credit rating is of a certain level. Funds that invest into less financially secure company bonds will have an increased risk. This is due to a greater risk of default of the issuer company. This means that the capital value and the income generated by the fund are more likely to be adversely affected.

CASH DEPOSITS

This is the term we use to refer to deposits placed directly with banks and building societies. These deposits may offer different levels of access or liquidity and may require notice to be given to access any money invested. Their returns may be based on fixed interest rates set at outset for a specified period or on a variable rate which may be subject to change at any time. For cash deposits with fixed terms, it may not be possible to break or redeem the deposit before the end of the fixed term. Where early closure of a deposit is permitted, there will often be a potential loss of interest and/or breakage fee which may mean you get back less than your original investment.

Be aware that if your bond is linked to a cash deposit then, as the assets to which the value of the bond is linked are held in the name of Utmost International Isle of Man Limited or Utmost PanEurope dac, you are not covered by any depositor compensation scheme. Speak to your financial adviser for more information.

CAPITAL PROTECTED STRUCTURED PRODUCTS

The return on Capital Protected Structured Products is based on a stock market index or a basket of published indices and is based on holding the investment for its full term. For these products there may be a significant reduction in the value if the investment is cashed in early, very often with the loss of any capital protection. Where the capital protection is provided by a third party, the protection is dependent on the third party meeting their obligations to us (for example, meeting any guaranteed returns).

CASH FUNDS

These are funds which invest into cash assets such as bank deposits. Investors should note that they are not invested directly into the underlying deposits but through the fund manager.

EMERGING MARKETS

The 'Emerging Market' label is used to identify developing countries with potentially superior growth prospects. However, developing countries may also be vulnerable to political and economic instability and are in the process of building their industrial and commercial infrastructures. Any investment in Emerging Market funds should be considered to carry a higher level of risk than investing in more established markets.

HEDGE FUNDS

These are complex funds that often use sophisticated investment strategies. Consequently their performance may be more volatile than that experienced by other funds. There may be delays in making investments into, or withdrawing monies from, such funds. They may also employ high levels of borrowings, so increasing their risk.

PROPERTY FUNDS

Property is often an illiquid asset that can not always be sold immediately. As a result, the withdrawal of monies from funds investing in property may be deferred to allow for the property sale. The value of the property in a fund might be a matter of a valuer's opinion rather than fact.

PROTECTION FUNDS

This type of fund aims to provide you with the potential for growth, as well as providing an element of protection for your investment (the level of protection will vary according to the particular fund selected). Protection may, for example, be provided as a percentage of the highest ever unit price. There is usually an extra cost for the provision of this protection, which will reduce the overall performance of the fund. If the underlying investments held by the fund experience a significant fall in value, then the fund may have to hold a greater proportion of cash, or other low risk assets, in order to provide the required protection. This could result in a fund not being able to benefit quickly should there be a recovery in the value of the investments held. This may restrict the potential for future investment growth and, in extreme circumstances, could lead to the fund manager closing the fund and offering investors an alternative fund. The protection is normally provided through a contract with a third party. In the event of the third party being unable to honour the contract the protection will almost certainly be lost and you could get back less than the protected amount.

UTMOST MIRROR FUNDS

Some of our products can be linked to Utmost mirror funds. Our mirror funds invest into externally managed funds. The value of the mirror fund will be dependent on the value of the external fund and the risks associated with investing in the mirror fund are the same as if investing in the external fund, e.g. if the external fund becomes illiquid or suspends trading, the mirror fund will also be illiquid and may suspend trading.

UTMOST INTERNATIONAL ISLE OF MAN LIMITED UNIT-LINKED WITH PROFITS FUNDS

Our Utmost International Isle of Man Limited Unit-Linked With Profits funds are currently invested 100% into the Aviva FLAS With-Profits Sub-Fund via a reinsurance agreement. The assets of this Sub-Fund are managed by third parties including Aviva Investors Global Services Limited. Under the reinsurance arrangement, the third parties are responsible for paying any claims that are made in respect of Utmost International Isle of Man Limited Unit-Linked With Profits investments by policyholders. A governance process is in place to monitor their ability to pay claims on an ongoing basis. However, in the event where third parties are unable to cover liabilities under reinsurance agreements, this risk falls upon the policyholder and not Utmost International Isle of Man Limited.

SPECIALIST SECTOR FUNDS

Specialist sector funds, such as technology or healthcare, are considered to be higher risk, owing to their concentrated exposure to specific specialised market sectors. Such funds can offer the potential for greater returns over the long-term but usually with higher volatility.

UNREGULATED/LIGHTLY REGULATED FUNDS

Certain fund structures, their managers and/or other service providers, may be subject to little or no regulatory supervision in some jurisdictions and this makes these funds high risk. Investors should have an appropriate level of investment experience and understand the risk of investing in such funds before requesting any investment in such funds by Utmost International Isle of Man Limited or Utmost PanEurope dac. There may be significant differences in the governance of the fund itself, the investor protection, and other laws to which it may be subject (e.g. there may be different audit requirements and there may be no requirement for the fund to have an independent trustee or custodian, or indeed any custodian at all).



For some funds, we require the completion of an **Investor Declaration Form** before we will make an investment. You can contact your financial adviser, or our Customer Support team on +44 (0)1624 643 345.


A discussion with your financial adviser will help you understand which risks may apply to your circumstances.

FURTHER INFORMATION


Speak to your financial adviser for further information. You can also get access to information on available funds by registering on our website or direct from the fund manager.

CONTACT US


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