YOUR GUIDE TO HOW WE RISK RATE OUR FUNDS

Our approach to risk rating is broadly based on guidelines issued by the European Securities and Markets Authority (ESMA) but with some differences, which we explain later.

SUMMARY OF OUR RISK RATING APPROACH

- Funds are rated on a seven point scale, going from Very low risk to Very high risk.
- A fund's volatility over the previous five years (or a shorter period if a five-year performance track record isn't available) is calculated and a fund is then categorised into an appropriate risk rating scale.
- The table below shows the rating scale and the corresponding volatility band.
- We review the risk ratings of each of our funds yearly.

Scale	1	2	3	4	5	6	7
Volatility bands	0-0.5%	0.5-2%	2-5%	5-10%	10-15%	15-25%	25% +
Risk rating	Very low risk	Low risk	Low to medium risk	Medium risk	Medium to high risk	High risk	Very high risk
Return aim	In line with deposits	In line with or slightly better than deposits	Excess of deposits and possibly beats inflation	Average returns and higher than deposit rates or inflation	Above average returns and higher than deposits or inflation	Significantly higher than deposits and inflation with high return potential over the long term	The highest return potential over the long term

WHAT'S VOLATILITY?

Volatility is a measure of how much a fund's value fluctuates over time. A fund whose value has changed a lot would have a higher calculated volatility. The measure is often used to refer to how uncertain the return on a fund has been.

IMPORTANT FEATURES OF OUR RISK RATING APPROACH

Our risk rating is based only on historic data and future volatility could differ for a number of reasons. A fund's risk rating shouldn't be relied on to indicate whether a fund is suitable for you or not. Your risk appetite will also be affected by factors such as your savings needs, your financial circumstances and how long you have to save. For advice as to whether a fund is suitable for you, please speak to your financial adviser.

It's also important to note that a fund's risk rating can change over time. For example it can move between volatility bands as the calculated historic volatility will vary over time, and risk ratings will be updated if required, when a yearly review of risk ratings has been completed.

DIFFERENCES TO THE ESMA APPROACH

Our approach to risk rating is broadly based on the ESMA approach. The key differences include:

- The ESMA guidelines apply to Undertakings for Collective Investment in Transferable Securities (UCITs) funds which don't invest directly in property. We use our approach for all of our funds including those which invest directly in property.
- The ESMA guidelines don't rely solely on historic volatility for all funds, for example absolute return funds and funds which have objectives such as targeting a specific level of risk. We use our approach on all our funds including these types of funds.

Further detail on the ESMA guidelines is available by referring to the following document published by ESMA: https://www.esma.europa.eu/sites/default/files/library/2015/11/10_673.pdf

IMPORTANT NOTES

As with any type of investment, the value can fall as well as rise and isn't guaranteed. You could get back less than you invest and there's no guarantee that fund objectives will be met.

Where the regular pricing of the underlying investments of a fund was suspended for a period of time within the past 5 years, the risk rating may be a less reliable indicator for future volatility.

A fund could suspend trading which may result in a delay in your ability to withdraw your funds at the time you request them.

The risk ratings of our funds only reflect market conditions experienced over the past 5 years. Future volatility of returns could be higher than indicated by the risk rating should less frequent events (that did not materialize over the past 5 years) occur.

If you have any questions about the funds you're invested in, please speak to your financial adviser.

ATHORA