Risk Disclosures

Moneyfarm powered by AllianzGI wants to help you to make informed investment decisions, bearing in mind that investing is typically a long term decision. The concept of risk and how it affects the value of investments is one of the most important aspects any potential investor needs to understand. Please read this document, and any other information we hereby give you, carefully.

Investment risk

Investments are exposed to different kinds and degrees of risk. Moneyfarm powered by AllianzGI wants to help you understand the complex subject of investment risk and how we seek to manage this when you receive our Advisory Service or Discretionary Management Service. This document describes the types of risks that are relevant to the investments used by Moneyfarm powered by AllianzGI, but it cannot be an exhaustive list. Unless otherwise stated, the information provided below applies to both our Advisory Service and our Discretionary Management Service. If you are in any doubt about the risks involved in investing, the services we provide or whether to invest with Moneyfarm powered by AllianzGI, ask us or seek independent financial advice.

The value of your investments can go down as well as up, so you may get less than your initial investment

When investing, there is always the risk that your investment could fall in value as well as rise. If you save cash in an account with a reputable bank or building society, your savings are normally guaranteed by the Financial Services Compensation Scheme up to the value of £75,000 per institution. This means that if the bank were to fail, you will get back up to £75,000 of your money; if the bank remains solvent, there is no danger that you will get back less than you put in. Although this seems a relatively ‘safe’ option, there is the risk that the real values of your savings are reduced by the effects of inflation. The interest rate you earn on your savings account must at least equal the prevailing rate of inflation, or you will lose money in real terms. When investing in things that are not cash, there are no guarantees. Share prices fall as well as rise. Companies can run into financial difficulty, although in this sense, the Financial Services Compensation Scheme also protects eligible investors for up to £50,000. Even governments sometimes struggle to repay their loans. Property can also be subject to large fluctuations in value. Everyone looking to make an investment does so for the opportunity to make positive returns but in doing so, they must accept the possibility that they may end up with less money than they originally put in.

Risk vs. Return

The potential returns from an investment are, to some degree, linked to the risk an individual investor is willing to accept. In general, the higher the risk, the higher the potential return you (as investor) could potentially receive, but this is not always the case. Unfortunately, by taking on more risk in the hope of achieving a greater return, the chance of losing money increases as well. None of the investments provided by Moneyfarm powered by AllianzGI are risk-free, and you may therefore get back less than you initially invest. While our objective is to select investments with the potential to achieve the optimum level of return for your accepted level of risk, there can be no guarantees that the investment strategy will succeed.

What are the Risks?

There are many risks affecting the type of investments Moneyfarm powered by AllianzGI provides. They range from high level socio-economic concerns such as war or political turmoil to more company specific risks like bankruptcy, or effects caused by the actions of a rogue trader.

Social/Political Risk

Government policy and wider political, social and environmental issues have the potential to significantly affect the value of investments. For example, regulation can constrict industry, just as favourable tax breaks can benefit it. Political decisions, instability and changes to public sentiment create uncertainties for business and therefore represent a risk to the profitability of investments.

Interest Rate Risk

This is the risk that the prevailing interest rates can harm the value of your investments. Rising interest rates can cause the value of fixed interest investments to fall as the fixed interest rate they offer is no longer competitive compared to, for example, bank deposits.

Currency risk

This is the risk that the value of an investment held in a foreign currency falls as a result of a change in the exchange rate. For example, the value of shares in an American company held by a UK investor may grow in dollar terms but if the Dollar/UK sterling exchange rate moves adversely, the value of that investment in UK sterling could fall overall. If your Moneyfarm investments' underlying holdings are in a currency which is different to the denominated currency of your Moneyfarm account, you will face currency risk.

Liquidity risk

This is the risk that the value of an investment cannot be realised quickly because there are insufficient buyers in the market. This can be caused by a number of factors, including but not limited to insolvency, market conditions or selling restrictions. Losses may be substantial in a falling market, as an investor is unable to sell quickly without accepting a much reduced price. Although relevant to all investments, liquidity risk may typically be higher with investments in property or in shares of unlisted companies, because these assets do not have the high volumes of trading activity that FTSE 100 companies might have.

Investment Manager Risks

This is the risk of insolvency or poor performance of Moneyfarm in the management of your portfolio (Discretionary Management Service) or the investment advice given (Advisory Service).

Collective Investment Schemes (or "funds")

A fund is a term that covers different types of structure, such as Open Ended Investment Companies (OEICs) or Unit Trusts (UTs). Each fund will typically already have its own preferred structure, so you will not normally be given a choice. Most funds can be held in tax-efficient wrappers, such as ISAs and pensions. Funds allow investors to pool their money in order to gain access to professional fund managers. Funds typically hold investment assets including gilts, bonds and quoted equities. Depending on the scheme, they may hold 'riskier' assets such as property, derivatives, unquoted securities or other complex products. The value of the fund (and the income derived from it) can go up as well as down (and you may get back less than you invested). Funds bear investment management risks, insolvency risks and liquidity risks, as well as sector/asset specific risks (see above).

Investment Trusts

Investment trusts are similar to funds in that they are a means of investors pooling money. Investment trusts are publicly listed companies, whose shares are traded on the London Stock Exchange. The prices of shares in an investment trust will depend on market fluctuations and also the value of their underlying assets. The value of the investment trust (and the income derived from it) can go up as well as down (and you may get back less than you invested). They will be subject to a combination of the risks associated with shares, bonds and funds in which they are invested.

Managing Risk

Some of these risks can be anticipated and will occur regularly. Other risks are completely unpredictable. Unprecedented world events occur all the time and it is impossible to predict them. It may not be possible to predict what is going to happen but it is possible to manage exposure to potential problems. Past performance is not a guide to future performance. Our objective is to design portfolios that can withstand unexpected shocks, while at the same time offering the opportunity for growth, whatever your individual risk appetite. Nevertheless, the risk factors set out in this document will apply to investments recommended to you by Moneyfarm powered by AllianzGI on your behalf.

Where you select the Advisory Service, Moneyfarm powered by AllianzGI will build a portfolio and recommend investments for you. We will take reasonable steps to ensure that the investments we recommend are suitable for you, taking into account your knowledge and experience in the relevant investment field, your financial situation and your investment and risk objectives. If the information which you provide to Moneyfarm powered by AllianzGI is incomplete or inaccurate then this may impair our ability to assess the suitability of a transaction for you. When you select the Discretionary Management Service, Moneyfarm powered by AllianzGI will build a portfolio that meets your stated investment and risk objectives, achieving this in a number of ways – from appropriate asset allocation to ensuring adequate diversification in your portfolio.

For both the Advisory Service and Discretionary Management Service, risk is managed because different classes of assets are affected to different degrees by the risks detailed above. By changing the allocation to different kinds of assets, the risk profile of a portfolio can be adjusted. Striking the right balance across all these different asset classes and ensuring that this investment mix is right for you is what good investment management is all about.

Risk and our Services

For our Advisory and Discretionary Services, Moneyfarm powered by AllianzGI runs a series of different model portfolios which are kept within the defined risk parameters at all times. Moneyfarm powered by AllianzGI will then either suggest investments to you that match these portfolios (Advisory Service) or create a portfolio for you (Discretionary Service). Each portfolio is run with set risk-focused strategy ranging from very cautious through to very adventurous.

The level of risk each portfolio is exposed to is designed to be kept constant at all times. This means that Moneyfarm powered by AllianzGI will not materially change the exposure to risk assets just because they happen to be doing well at a certain point in time. Through this commitment to fundamentals Moneyfarm powered by AllianzGI can manage the level of risk you, as an investor, are exposed to. If you decide that your circumstances have changed and you would like to take on more or less risk with your investments, then you can simply let us know and we will link your holdings to a more or less adventurous strategy. We will not however do this without your prior consent.

Investing is not a short-term option

We want to help you to fully understand the risks involved in investing with Moneyfarm powered by AllianzGI. However, investing may not be for everyone and you should seek independent financial advice if you are unsure.