Benchmark

Guide to Risk

Fusion Wealth Platform

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Contents

Introduction

This document is intended to help you understand the key risks associated with investing in financial products, so that you are able to make an informed decision about whether or not our service is right for you.

Fusion Wealth does not offer investment, legal or tax advice. It is important that you seek independent financial advice before choosing to invest on the Fusion Wealth Platform.

What do we mean by risk?

Risk is defined in financial terms as the chance that the actual outcome or return on an investment will be different from the expected outcome or return.

All investments carry a certain degree of risk. Even 'low risk' investments involve an element of uncertainty. Investments will rise and fall in value, and the types of risks that might apply will depend on various factors. Different products, services and investments involve different levels of exposure to risk.

Higher risk investments may offer the potential for higher returns, while lower risk investments offer potential lower but more stable returns. All asset types, even cash, may be affected by the different risks set out in this guide, to differing degrees.

How much risk is right?

Your appetite for risk is personal, and will depend on a number of factors including your personal and financial circumstances. Your adviser will work with you to understand how much risk you are happy to accept. This is just a guide to understanding some of the risks involved. It doesn't cover everything, and it can't account for your personal circumstances.

Different risk factors may occur simultaneously and may compound each other, resulting in an unpredictable effect on the value of any investment.

Ways to invest on the Fusion Wealth Platform

There are different ways to invest on the Fusion Wealth platform, depending on whether you delegate the decision-making to an investment manager, or whether you want to make decisions about what to buy and sell with your adviser.

Each of these approaches will carry their own risks, and you should speak to your adviser to ensure that you understand these risks and are comfortable with your chosen approach. For more information about investment management, please refer to our FAQs.

Discretionary investment management

Where you and your adviser agree to appoint a portfolio manager, or discretionary fund manager (DFM), to manage your investments on your behalf this is referred to as discretionary investment management. This means that you will agree your overall investment objectives and strategy with your adviser, and that investments may be bought and sold in line with that agreed strategy without needing your consent for individual sales and purchases. This is most commonly done through the use of model portfolios.

Where you chose to invest through a discretionary investment service you may not have prior knowledge of the specific investments bought or sold within your account (all holdings and transactions will be shown on your quarterly valuation statement).

Advisory

Where your account is managed on an advisory basis, this means that you and your adviser will make investment decisions together. Your adviser will provide you with financial advice, but will require your agreement and consent before instructing us to buy sell any investments on your behalf.

You should be aware that where your account is managed on an advisory basis, it will be up to you and your adviser to monitor and manage your investments.

Key types of risk

Fusion Wealth does not offer investment, legal or tax advice. It is important that you seek independent financial advice before choosing to invest on the Fusion Wealth Platform.

The list below is not intended to be comprehensive, and not all risks apply to all investments, but it is intended to cover the principal risks involved in investing through the Fusion Wealth Platform.

Investment risk

Investment risk refers to the uncertainty involved in investing generally. All investments carry the risk that you will receive a lower return than you expect, or lose some, or even all, of your initial investment. Higher risk investments may offer the potential for higher returns, while lower risk investments offer potential lower but more stable returns. It is important to understand that no investment is risk-free.

Market risk

Market risk refers to potential fluctuation in the price of an investment resulting from movements in the wider financial markets, such as market supply and demand, investor perception and the prices of any underlying investments. Investments in emerging markets may be particularly exposed to significant economic, political and regulatory factors. This may affect the liquidity and value of investments.

Liquidity risk

Liquidity refers to how easy it is to convert an investment back into readily available cash. Liquidity may be affected by various factors including the nature of the asset itself or external factors such as disruption to markets. It may be difficult to sell some investments (or sell them without making a loss) due to an insufficient number of buyers in the market, or if trading in certain investments or markets is suspended.

Credit risk

Credit risk is the risk that a borrower or counterparty fails to repay a debt or to meet contractual obligations such as interest payments, which may result in an interruption in interest or repayment against the debt.

Currency risk

Where you hold investments that are not denominated in UK Pound Sterling (£) then fluctuations in exchange rates will impact the value of your investments.

Interest rate risk

Interest rates can rise as well as fall which may impact the value of investments you hold, and depending on the nature of those investments you hold this may work to your advantage or disadvantage.

For assets investing in fixed income, changes in interest rates are likely to affect the fund’s value. In general, as interest rates rise the price of a fixed income bond will fall and vice versa.

Property risk

Investment in property funds involves a number of risks particular to this class of asset, including liquidity risk. Under certain circumstances, the property fund may have the ability to suspend trading making it impossible to sell units. Property values can also be very volatile.

Regulatory/legal risk

Regulatory or legal risk is the risk that a change in regulations or legislation, such as changes to laws, tax regimes, tariffs or trade policies, or the laws and regulations in other countries may affect an investment you hold, by making them illegal or by impacting their profitability.

Operational risk

This is risk of breakdown or failure of essential processes, systems or controls, such as IT systems impacting investments or interrupting services. Fusion Wealth, as part of the Benchmark, has detailed plans in place to prepare for and manage the risks of disaster or other events that might affect our ability to operate, which covers internal and external dependencies such as our reliance on systems, departments and third parties.