Understanding Risk.
What is Investment Risk?

Successful investment management is about effective risk management.

When we invest, we are exposed to different types of risk. Often, we may think only about the level of equities vs bonds we have in our portfolio.

While this is one way of measuring risk, there are numerous other risk factors that will weigh at different stages.

Here we explain the different types of risk and how these might affect your investments.

At Church House Investment Management, we only make recommendations from our range of investment portfolio services and associated accounts.

Full details of the nature of our services can be found at www.ch-investments.co.uk/important-information.

Please note the value of investments and the income you could get from them may fall as well as rise and there is no certainty that you will get back the amount of your original investment. You should also be aware that past performance may not be a reliable guide to future performance.

Church House Investment Management is a trading name of Church House Investments Limited, which is authorised and regulated by the Financial Conduct Authority.

CH Church House Investment Management

1

Inflation Risk

The risk you lose purchasing power if your investment returns do not keep up with inflation (the rise in the cost of goods and services).

2

Credit Risk

The risk of default on the bond issued by a company or the government. The issuer of the bond may face financial difficulties and consequently default on income payments or return of capital.

3

Business Risk

The risk concerning the overall uncertainty of a business's operations, i.e. the risk of them becoming unsustainable and unprofitable.

4

Concentration Risk

The risk of loss because your money is concentrated in one type of investment. Diversifying your investments can help spread risk.

5

Longevity Risk

The risk of outliving your savings especially if you are retired, or nearing retirement.

6

Interest Rate Risk

The risk of losing money due to interest rate fluctuations. Typically, when interest rates rise, values fall. This is especially true with certain types of bonds.

7

Liquidity Risk

The risk of being unable to sell your investment at a fair price and get your money out when you want to.

You may need to accept a lower price and in some cases, it may not be possible to sell the investment at all.

8

Country Risk

The risk when a country fails to honour its financial commitments. This can affect stocks, bonds, mutual funds and options as well as other countries who trade with them.

9

Market Risk

The risk that the value of your investment returns will fluctuate based on macro-economic factors, such as recessions, politics, currencies and overall economic impact.

A good way of avoiding market risk is to invest your money gradually and/or invest for at least five years. You can also reduce market risk by investing in a variety of stock markets around the world.