



Guide to Atkins Bland's Fund Specific Risk Classifications

Our fund specific risk classification system uses numbers instead of the words-based approach we use for overall portfolio risk.

The process is structured so “1” is very low risk and “9” is very high risk, which makes “5” average or medium risk.

These risk classifications are determined on the basis that each asset is held for the minimum recommended holding period of five years.

If the holding period is longer than five years, the risk score might be lower. Conversely, a shorter holding period might mean a higher risk score.

The numerical risk classifications we use are specific to that investment in isolation and the overall risk strategy of a portfolio cannot be accurately assessed by simply looking at the proportion in each category. This is because the way a portfolio is spread by geographic region and sector will have a significant impact on investment risk, particularly where some elements of a portfolio have little or no correlation with other elements.

As an example, an investment of someone's entire capital in a single fund classified as below average risk (say 4) might well amount to a high-risk strategy due to the lack of spread, while a well-diversified portfolio of different investments can achieve a below average risk approach even if some are classified individually as 7 or 8, so above average or higher risk.

This means that, while our fund specific risk scores provide guidance on what to expect from each component part of the portfolio, an arithmetic average of the numbers will not generate an overall risk classification for the portfolio, even if using a weighted average.

Instead, this is achieved by including an analysis of the diversification of the portfolio and the correlation of the constituent parts.

To explain this further, a portfolio of four funds all in the UK Equity Income sector, all of which are classified as 5, might not give an “average” risk portfolio despite the average score being 5, since the lack of global and sector diversification adds to the risk.

In contrast, a portfolio of 20 funds all classified as 7, but spready amongst different categories, might produce an average overall risk, despite their average score being 7.

Important notes

This document is intended as a supplement to full independent advice and not as a replacement for it and should be read in conjunction with any personalised recommendations provided by Atkins Bland Ltd and with any product brochures supplied.

The value of investments will fall as well as rise, as can any income produced.

Past investment performance is not a reliable guide to the future.

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**The value of most investments will fall as well as rise, as can any income generated.
An investor may, therefore, get back less than invested.**

Atkins Bland Ltd is authorised and regulated by the Financial Conduct Authority.

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