VERITY
FINANCIAL CONSULTANTS

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Understanding Risk

The purpose of this document is to inform you and to help you understand some of the different types of risk, and different levels of risk when investing. This document is not specific to any fund, investment manager, provider, financial broker, or client. This generic document is not a recommendation, and is simply to inform you.

When you invest, it's essential that you're comfortable with the choices you make. It's important that you understand the level of risk you are taking with your money not just its potential for return. Capital risk, i.e. how much money could you lose if you invest in any fund, is the most common risk many investors are aware of. While capital risk is important, there are also other risks you need to consider when investing your money.

No investment is risk free, for example a low risk cash fund may be subject to shortfall risk, counterparty risk and inflation risk.

Risk ratings are based on the ESMA risk scale of 1 to 7 with 1 being the lowest risk and 7 the highest risk. As a general rule, the higher the rating the more risk that is taken with your investment to achieve a greater potential reward, however the risk of loss of your investment will also increase.

These ratings are not guaranteed and may change over time. The risk rating shown for any fund and may be different from the risk rating of the underlying assets in the fund.

Rating	ESMA Volatility Bands *see below for explanation	Risk of Expected investment loss	Return Aim
1	0 – 0.5%	Very low Risk	In line with deposits
2	0.5 – 2%	Low Risk	In line with or slightly better than deposits
3	2 – 5%	Low to Medium Risk	Excess of deposits and possibly beats inflation
4	5 – 10%	Medium Risk	Average returns higher than deposit rates and inflation
5	10 – 15%	Medium to High Risk	Above average returns higher than deposits or inflation
6	15 – 25%	High Risk	Significantly higher than deposits and inflation with high return potential over the long-term
7	+25%	Very High Risk	The highest return potential over the long-term

Based on volatility

The risk rating system looks at an investment fund's volatility over the last 5 years and then categorises it according to volatility bands. Volatility refers to the potential ups and downs that a fund may experience over time.

In more detail, volatility is a measure of how the fund return is different from the average return of that fund over a period of time. Generally, the larger the difference from the average return (i.e. the higher the volatility), the riskier the fund. Investment markets cannot be accurately predicted as unexpected events occur, but volatility can give an indication of the potential ups and downs that a fund has experienced previously.

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Assumes investments are held for five years

The volatility scale generally assumes that investments are held for five years. If an investment is held for a shorter time horizon it typically may have a greater level of risk than the volatility scale shows. If the underlying investment strategy of a fund changes, the risk rating will be based on the historical volatility of the fund's new strategy.

How risk ratings are calculated

Risk ratings are calculated by investment managers and fund providers using the unit prices of the fund. The risk rating of the fund will only change if the fund is outside its ESMA Risk band for an extended period of time.

Where a fund does not have a five-year track record, the provider may derive the ratings from:

- the underlying fund manager where they calculate risk ratings using a similar methodology, or
- the risk target of the fund where the fund specifically targets a level of risk where the fund does not yet have a five year track record of performance
- internally, where they may blend the track record of the fund with a relevant benchmark to derive a five year track record

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Some of the different types of risk are as follows:

Market risk:

This refers to the threat of financial loss due to issues that affect the overall performance of the financial markets. These factors can include recessions, pandemics, natural disasters, political turmoil, changes in interest rates and terrorist attacks.
For example, equity markets in Ireland and most developed markets fell sharply in 2008 as international economic conditions deteriorated.

Inflation risk:

This refers to the threat of rising prices reducing the buying power of your investment. If beating inflation is important to you, you may want to speak with your advisor about investing in funds higher up the risk scale such as property, equities or Multi-Asset funds. These funds have historically provided growth that stays ahead of inflation over the long-term. However, taking on additional risk means you could also lose some or all of your investment.

Counterparty risk:

The value of a fund's investments may be affected if any of the institutions with which the fund transacts or invests in suffers insolvency or any other financial difficulties. The value of your units will reflect the value of the assets recovered from such insolvent institution. The provider will not use any of its assets to make up any shortfall.

Shortfall risk:

This means failing to meet your investment goal if the return made on your investment is too low. It's important to think about your investment goals and objectives before deciding what type of funds to invest in.

Here you can decide how much you'll actually need to provide your desired level of income at retirement, to fund your child's university education, or whatever your reason for investing is. Then you can work with your advisor to decide how much you'll need to invest, how long you need to invest and what types of funds you need to invest in to achieve the returns you need. It's important to remember that past performance is no

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guarantee of future returns, and just because an investment fund achieved a specific rate of growth in the past this does not mean it will achieve the same return in the future.

Sustainability risk:
A sustainability risk is an environmental, social, or governance event or condition that, if it were to occur, could cause a negative and material impact on the value of an investment. Detailed information about policies on the integration of sustainability risks in the provider's investment decision making process is available on request from the provider.

Liquidity risk:
Liquidity risk is the risk of not being able to access your money when you need it. In certain circumstances the provider may need to delay switches, withdrawals or transfers out of a fund, this particularly applies to property funds. The circumstances which could delay a switch, withdrawal or transfer can include but is not limited to the following:

- If a large number of customers want to take money out of the same fund at the same time.
- If there are practical problems selling the assets in which a fund is invested.
- If the fund manager insists on a delay.

Currency risk:
If your money is invested in assets which are not denominated in euro, you may face currency risk. If the foreign currency declines in value against the Euro, you'll experience a loss. You can aim to reduce currency risk by diversifying your fund across international markets. You can also reduce it by just focusing on funds that invest in the Eurozone, but then your investment has more exposure to the Eurozone.

Securities lending:
Funds may engage in securities lending. Securities lending is an activity whereby a security is transferred from a lender (in this case a unit-linked fund) to a borrower on a temporary basis. The lender receives collateral with a value equal to or in excess of the value of the securities on loan. In the event of a default, the lender can sell the assets provided as collateral and use the proceeds to purchase replacement securities. Securities lending is expected to increase the investment returns in the fund. Securities lending may also increase the level of risk in the fund.

Derivatives risk:
Where a fund makes use of derivatives and they do not perform as expected, the fund could suffer significant losses. Certain derivatives may add leverage and can cause large fluctuations in the fund's value. They can also result in the fund facing greater potential losses than the value of the initial investment. Leverage may also impair liquidity, forcing the fund manager to sell investments at a loss and causing the fund to fail to achieve its objectives.

Concentration risk:
The risk of loss arising from a large position of a fund invested in a single asset or market exposure.

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Warnings

You should be aware the risk indicator is based on historical data and may not be a reliable indication of the future risk profile of the fund.

The lowest category does not mean risk free.

The risk category shown is not guaranteed and may change over time. The suitability of an investment portfolio should be reviewed regularly to ensure that it remains appropriate to your attitude to risk and investment needs.

Important notes on investing

- From time to time, some of the funds may hold a proportion of their assets in cash.

- Investment values and unit prices are not guaranteed; they can fall as well as rise, and you may not get back the full amount invested.

- There may be circumstances where the number and/or amount of investor withdrawals from the fund leads to a need to sell a proportion of the underlying assets. In such circumstances, the provider reserves the right to adjust the unit price of the funds, to reflect the costs involved in selling the necessary assets. As a result, investors withdrawing money would bear the costs of realising all or part of their investment. For funds holding a significant proportion of property-related assets, given the costs associated with buying and selling properties, this adjustment can be significantly higher than that applying to funds invested in other asset classes.

- Property investments cannot be sold as easily or quickly as equities or bonds – so, in order to protect the interest of the remaining investors, in some circumstances, encashment of units from funds that invest directly or indirectly in property may be deferred for six months, or longer in exceptional circumstances if allowed under the terms of your policy conditions. For all other funds, encashment of units may be deferred for up to three months, or longer in exceptional circumstances if allowed under the terms of your policy conditions. Please see a copy of your policy conditions for further information.

- Withdrawals and switches from funds may be deferred. When a fund is expanding (i.e. experiencing positive cash flow) it would typically be priced on an acquisition (or offer) basis. In this case, the estimated costs involved in acquiring more assets are added to the value of the fund's assets. This aims to ensure fairness between those customers entering a fund and those already invested in a fund. When a fund is contracting (i.e. more money is being taken out of the fund than is being invested), the fund would tend to be priced on a disposal (or bid) basis. In this case, the estimated costs of selling assets would be deducted from the value of the fund's assets. This aims to ensure that those customers who decide to exit the fund are paying their fair share of the costs incurred in selling the assets within the fund.

- The provider reserves the right to change the fund charges and fees subject to any legislative limits. Should any increase in the fund charges occur you (or trustees, if written under trust) will be given 30 days' notice of such an increase. The fund charges apply to the value of the investments and are deducted daily from the fund and/or taken monthly by cancellation of units.

- The provider may close, split or replace any existing funds to set up new funds at any time. Where we replace or set up a new fund the annual management charge applying to the new funds may differ from the annual management charge applying to the existing funds in which you're invested.

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General Advice Disclaimer

The information in this document does not constitute investment advice.

It does not take into account the investment objectives, financial position or needs of any particular investor. Before making an investment decision, you should consult suitably qualified and independent investment, taxation and regulatory advisors to discuss your specific situation and investment objectives. The investment strategies and risk profiles outlined in this document may not be suitable for your specific investment needs.

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