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Understanding Fund Risk Ratings & Personal Risk Ratings

Fund Risk Ratings: Investment funds are given a risk rating on a scale of 1 to 7, with 1 being the lowest risk fund and 7 being the highest risk fund.

The preferred method of measuring risk that has been adopted by fund managers and life assurance offices is in terms of volatility over the previous 5 years. There are other factors that can be used to measure risk, however volatility is the measure that is most widely used in the industry. Volatility refers to the ups and downs that a fund may experience over time. It gives a measure of how the fund return differs from the average return of that fund over a period of time. In general, the larger the difference from the average return, the higher the volatility and the riskier the fund. Volatility indicates the potential ups and downs that a fund has experienced in the past.

Personal Risk Ratings: When you complete a Risk Questionnaire it will generate a personal risk rating that indicates the amount of investment risk that you are willing to take. As with the fund risk ratings, your personal risk rating is also based on a scale of 1-7, with 1 being a very low risk investor and 7 being a very high risk investor.

Your personal risk rating will indicate the range of funds that you are aligned to. It is a helpful tool for indicating the types of funds that are suitable for you to invest in.

If you have not yet completed a Risk Questionnaire please contact us to request one. Additionally, if it has been some time since you last completed a Risk Questionnaire, it would be a good idea to request a new one from us for completion as your risk profile can change over time.

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