

# Risk disclosure document

Munnypot is a trading name of Munnypot Limited which is an Appointed Representative of Resolution Compliance Limited which is authorised and regulated by the Financial Conduct Authority FRN 574048. Munnypot's registered address: The Courtyard, Shoreham Road, Upper Beeding, Steyning, West Sussex, BN44 3TN. Registered in England and Wales, No. 09822431.



## Table of Contents

01 What do we mean by risk? .....	2
02 Why would anybody take a risk with their money? .....	2
03 So, you could make money, but you could also lose it? .....	2
04 What is the difference between long-term and short-term investing? .....	2
05 Can't we just look at past performance? .....	3
06 So, what sort of risk might affect your investment?.....	3
07 Is Munnypot for me? .....	4

## 01 What do we mean by risk?

Risk can broadly be defined as “a situation involving exposure to danger.” When it comes to investing the danger is that you could get back less than you originally put in. In other words, there is a risk that you could lose money.

## 02 Why would anybody take a risk with their money?

Good question. Why not just put your money in a good old savings account – that’s risk-free, right? Well, not quite. Whilst it’s true that some ways of looking after your money are safer than others, you can’t really rely on any single form of asset class to produce consistent, safe returns.

For example, when you place money in a savings account, you know what you're getting. You put it in and, when you feel like it, you take it out again. And maybe it'll have earned a little bit of interest in the meantime. Your savings will also be guaranteed by the Financial Services Compensation Scheme up to the value of £85,000 (per bank or building society group) if your account is with a reputable bank or building society. However, there is a risk that inflation will reduce the real value of your money. For example, if you earn 1.5% interest on your savings after tax, but inflation is at 2%, then the real value of your money is reduced.

People that choose to invest do so because there is an opportunity for positive returns – to make money. Many invest in the stock market, which can be volatile. However, the stock market usually performs better than cash long-term, providing an opportunity for greater returns on long-term investments.

## 03 So, you could make money, but you could also lose it?

Correct. You may have heard people talk about the link between risk and reward when it comes to investing. Generally speaking, the potential returns an investor can achieve are linked to the level of risk they are willing to accept.

To maximise the potential profits from your investment usually means exposing it to higher levels of risk. The higher the risk, the higher the chance of getting back less than you originally put in.

## 04 What is the difference between long-term and short-term investing?

Short-term investing tends to carry more risk than long-term investing. For this reason, investing should really be viewed as a long-term commitment. This allows your investments more time to recover from any shorter-term fluctuations in the market that could potentially see you make a loss on your money.

## 05 Can't we just look at past performance?

Unfortunately not. Companies, sectors, asset classes and even countries that perform well at one point in time, won't necessarily continue to do so. For this reason, you can never rely on past performance to predict future performance.

## 06 So, what sort of risk might affect your investment?

There are all sorts of risks that can affect investments. They range from changes caused by high-level socio-economic factors (such as war or political unrest) to more individual risks (such as a company running into financial difficulty or a fall in share prices). This document covers some of the risks that may affect your investment, but it is not exhaustive.

At Munnypot, we use investment funds from Vanguard that contain bonds and equities from around the world. Investing in multiple assets across different geographic regions like this is known as diversification, and it's a good way of spreading out your risk and maximising potential growth.

However, investment in any fund involves a degree of risk and there can be no guarantee that any particular fund will achieve its investment objective. The funds we use may face the following risks:

- **Currency:** where the value of an investment held in a foreign currency falls as a result of a change in the exchange rate. This could mean that any increase in the value of an investment is not realised, or there may even be a loss, when exchange rate changes are taken into account.
- **Interest rate:** where the rate of interest may either harm the value of your investments or may not provide the same rate of return as other investments.
- **Investment style:** this is the chance that the types of stocks in which you invest yield lower returns or carry higher risks than other types of stocks. Some types of stocks also go through cycles of doing better – or worse – than the stock market in general.
- **Social, environmental and political:** where changes in government, government policy, law, the taxation regime and wider economic, environmental, political and social issues have the potential to significantly affect the value of your investment.
- **Stock market:** investments are subject to normal market fluctuations. Funds that invest in stocks are subject to stock market risk which is the chance that stock prices overall will decline.

Each of our funds has a different level of potential risk and return. We select the appropriate fund for you by determining your attitude to risk. If your circumstances change and you decide you would like to take on more or less risk with your investment, then just let us know by logging in to your account and selecting the most appropriate level of risk. We will then move you to the appropriate fund for the level of risk that you have selected.

## 07 Is Munnypot for me?

We want to help you make an informed decision about whether or not to invest with us. Our Help page is full of information on what we do and what we don't do.

If you're still in any doubt about whether Munnypot is for you, please contact us or seek independent financial advice.