

# **Discretionary Management Service Agreement**



true potential investor

This Discretionary Management Agreement (the "Agreement"), effective as of the date of the timestamped signature below is entered into by and between you, the undersigned client (the "Client"), and True Potential Investments LLP, on the terms set forth below.

## 1. About us

This Discretionary Management Service Agreement applies to the provision of Discretionary Management Services to you by True Potential Investments LLP.

True Potential Investments was launched in 2007 in the aim of revolutionising the way wealth management is delivered. We believe that by using technology to deliver financial services, we empower clients to take control of their financial futures.

To achieve this aim, True Potential Investments is a regulated platform operator, investment manager, pension operator and administrator and we own our own platform (True Potential Wealth Platform).

As an investment manager, we manage our own range of True Potential Wealth Strategy Funds and deliver Discretionary Investment Management through our True Potential Portfolios service available on the True Potential Investor website.

True Potential Investments LLP is a company incorporated and registered in England with the company number OC356027 whose registered office is Newburn House, Newburn Riverside, Newcastle upon Tyne, NE15 8NX and is authorised and regulated by the Financial Conduct Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS (our firm reference number 527444).

## 2. What is the purpose of this document?

The purpose of this document, and of those outlined below, is to enable you to understand the services that we offer and how we charge for these services. This document is limited to the terms of agreement for the discretionary management service and is not our full terms and conditions. As such, this document should be read in conjunction with the following documents:

- Key Features & Terms and Conditions
- Custodian Agreement
- Best Execution Policy

Together, these documents are designed to provide you with enough information to enable you to decide whether our Discretionary Managed Service is right for you.

For the purposes of this document "we" or "us" refers to True Potential Investments LLP.

This Discretionary Investment Management Agreement sets out the terms on which True Potential Investments may provide suitable discretionary investment management through our True Potential Portfolios service.

### 3. The scope of our service

True Potential Investments will set up an account for you and you authorise us to:

- a) assesses whether the discretionary True Potential Portfolios service is suitable for you and, the level of investment risk you are willing and able to take;
- b) Have discretion to manage the investments in your account in accordance with this agreement

To assess whether the service is suitable for you and to allow us to make informed and suitable decisions to trade on your behalf, we will gather information from you about your financial circumstances, including details of your income, assets and debts. This will help us ascertain your risk profile and whether the service is suitable for you.

**The service does not provide investment advice or give a personal recommendation** and therefore we will not advise you on any existing investments you may hold, your approach to paying off any debts, tax efficiency or whether any income-needs will be met. True Potential Investments does not provide you with any taxation, legal or accounting services.

Should you want or require advice on your personal financial circumstances, you should contact a financial adviser.

### 4. The Discretionary Investment Management Service

A discretionary investment management service allows you to delegate responsibility for the day-to-day management of your investments to a professional investment manager. The investment manager has complete discretion (often within agreed limits) to manage and invest your money without referring to you before it deals on your behalf. The True Potential Portfolios discretionary management service is designed to choose the right investments to help you meet your investment objectives.

Under this agreement True Potential Investments will make buying and selling decisions on your behalf that we deem suitable for your investment objectives and attitude to risk. You agree that we are authorised to buy, sell and vary the investment funds held within your True Potential Portfolio from time to time, at our absolute discretion, provided that we remain within the objectives of the Portfolio instructed by you.

True Potential Investor will keep your portfolio of investments under review and will make any necessary changes by buying and selling investments on your behalf. Please remember that decisions to buy or sell investments within your portfolio will be made by True Potential Investments and will not be referred to you for approval. Any changes to your discretionary portfolio will not take account of your personal tax position

When exercising discretion over the make-up of the clients Portfolio(s), True Potential Investments will ensure that the investments contained within the Portfolio(s) will only invest in non-complex products, therefore the scope of True Potentials Discretionary Investment Management Service will be limited to authorised or FCA recognised unit trusts, Open Ended Investment Companies (OEICs) and Exchange Traded Funds (ETFs). We will not invest in any other types of financial instrument.

We may invest your monies into a range of instruments with varying levels of risk. Higher risk and lower risk funds may be purchased for the Portfolio in a balance which meets your risk objective for the Portfolio.

True Potential Investments discretion to manage your portfolio of investments also includes exercising on your behalf any entitlements, rights or benefits arising in connection with the investments. Under this particular authority we may exercise or refrain from exercising any right conferred by a particular investment such as voting rights or a right to buy, sell, subscribe for, exchange or redeem an investment and we may exercise on your behalf any governance or ownership right conferred by a particular investment.

## 4. The Discretionary Investment Management Service (cont).

True Potential Portfolios may be compatible with the needs of a retail investor who has basic knowledge and understanding of investing who are seeking to grow their investment and are looking to invest for a minimum of three years as either their sole investment, the core of their investment portfolio, or as a component part of their investment portfolio.

The service is therefore not suitable for clients who;

- Are only planning to invest for three years or less;
- Are not confident that they have the knowledge or experience to make an informed investment decision regarding this product;
- Require preservation of capital; or
- Want to achieve a specified definite return by a specific date.

The True Potential Discretionary Investment Management Service invests exclusively in assets available on the True Potential Investments Wealth Platform and therefore you agree to have your investments held on the True Potential Investments Wealth Platform. Please see your Key Features & Terms and Conditions document for more information on the Wealth Platform and the charges section below for the costs associated with holding your investments on the Wealth Platform. The True Potential Discretionary Management Service is not available for the management of investments on any other Wealth Platform or with any other provider.

There are risks involved with investing and it is important that you read and ensure that you understand the associated risks.

More information about the risks associated with investing in funds can be found in the Key Investment Information Documents for each investment and, for ease of reference, are summarised in Appendix 1 of this document.

## 5. Information about you

To ensure that the discretionary service is right for you and to choose investments that match your investment objectives and attitude to risk, True Potential will be required both initially, and on an ongoing basis, to obtain information about your circumstances and to keep this information up to date.

We will collect information about investment objectives, your knowledge and experience and your financial circumstances. The reason for capturing this information is to assess the suitability of the service for you and to enable True Potential Investments to act in your best interests.

**True Potential Investor does not provide a personal recommendation** and simply assesses the suitability of the service for you, and the level of risk you are willing and able to accept when investing.

Having obtained this information, our experienced discretionary portfolio management team will use it to build, monitor and manage a portfolio of investments in line with your attitude to risk.

## 6. Client Categorisation

So that True Potential Investments can treat its clients according to their knowledge and experience of investments, the Financial Conduct Authority requires True Potential Investments to put its clients into one of the following three categories:

- Retail client;
- Professional client;
- Eligible counterparty.

Our policy is to treat all clients referred to us as Retail Clients in order that they receive the fullest regulatory protections and avenues of recourse available. If this status does not apply to you, you can inform us of your correct status in writing.

## 7. How we keep you informed

Transaction statements, valuation reports and other summary reports and any other reports that True Potential Investments choose to provide will be provided electronically to you by email to the address provided by you.

You may request that True Potential Investments sends you a paper copy of any documents delivered electronically by writing to True Potential Investments at True Potential Investor, Newburn House, Gateway West, Newburn Riverside, Newcastle upon Tyne, NE15 8NX. True Potential Investments may charge a reasonable fee for this service.

As part of the True Potential Investments Discretionary Management Service we will provide you with the following:

Accessible valuation of the investments in your portfolio

The investments contained within your portfolio are valued daily and the value of your investments are contained within your dedicated online client site, which will give you up to date information on the value of your investments

### Periodic statements

True Potential Investments will provide you with a statement every twelve months, which will show you, amongst other things, details of the investments that you hold within your portfolio, valuations of those investments, the value of your portfolio as a whole, and the total amount of fees and charges you have paid in during the period.

### Portfolio depreciation reporting

In addition to the above, should the overall value of your portfolio, as evaluated at the beginning of each reporting period, depreciate by 10% (and there after multiples of 10%) we will also notify you of any such depreciations.

## **7. How we keep you informed (cont).**

### **Discretionary Management**

True Potential Investments will take the Discretionary Investment Management decisions on your investments. However True Potential Investments may appoint any affiliate or person, delegate or agent of a third party to perform part or all of any of True Potentials obligations under this Discretionary Management Agreement, provided that in doing so True Potential Investments responsibility to you for these obligations shall not be reduced.

In performing its obligations to you, True Potential Investments may appoint or use the services of certain third-party service providers

### **Benchmarks against which performance can be compared**

The approach that True Potential Investments take when evaluating the Discretionary Investment Management portfolios is to compare them with an 'equally weighted basket of investments'. For example, if the Discretionary Investment Management portfolio had two investments contained within, the 'equally weighted basket each would make up 50% of the basket (whereas, for example, the Discretionary Investment management Portfolio(s) may hold these investments in different proportions - e.g. 60% and 40%).

The equally weighted basket of investments are then used as a point of comparison for the Discretionary Investment Management portfolios going forwards and the following criteria are used to evaluate the performance of the equally weighted basket of funds against the Discretionary Investment Management portfolio.

The criteria which the Discretionary Investment Management Portfolios are assessed against include:

- Risk
- Cost
- Long term expected return
- Risk- adjusted return

What are the management objectives of the Discretionary Investment Management Service? What level of risk to be reflected in the managers exercise of discretion? Are there any specific constraints on that discretion?

Following True Potential Investments assessment of your objectives and suitability information, we will recommend the risk rated discretionary investment management service we consider suitable for you. True Potential Investments will keep the asset allocation under review to ensure that it remains suitable for you and aligned to the suitability information that you have provided us. The asset allocation we invest in is made in relation to medium to longer term investment objectives and are aligned to your circumstances including investment objectives, investment time horizon and tolerance for investment risk.

## 8. Instructions from you

True Potential Investments, in its sole discretion, may refuse to act on an instruction given by you or an authorised representative of you, where:

- (a) it has reason to doubt the validity of the instructions
- (b) True Potential Investments are not capable of carrying out the instruction
- (c) The instruction is inconsistent with your suitability information and results in the need to reassess suitability

True Potential Investments will not be obliged to deal with any person to whom you may have disposed or otherwise assigned or transferred to or encumbered any funds, assets or other entitlements held in or under your Discretionary Investment Management portfolio.

**For details of how to withdraw funds from your investments please refer to your Key Features & Terms and Conditions document.**

## 9. Changes in your personal circumstances

True Potential Investor actively encourages you to share information with us. **If there are any changes to your personal circumstances please ensure that you contact us and make us aware of these changes.** Where this is the case we may need to gather sufficient information from you to undertake a new suitability assessment to ascertain whether the service remains suitable for you or whether there should be any amendments made to your risk profile and therefore the assets in to which we invest your money.

Should there be any changes in your personal circumstances, please contact us at:

**Email: [Support@tpinvestor.com](mailto:Support@tpinvestor.com)**

**Secure message: via your online account at [www.tpinvestor.com](http://www.tpinvestor.com)**

**IMPORTANT: If there are changes to your personal circumstances and you do not make True Potential Investments aware we will continue to rely on the information provided by you to True Potential Investments when taking decisions to trade in investments on your behalf.**

## 10. Refreshing your suitability information

At least annually, True Potential Investments will seek to refresh the suitability information we have gathered from you to ensure that the discretionary investment management service remains suitable for you and that we understand whether there have been changes to your attitude to risk, to ensure that we are making the right investment decisions for you.

Should we not receive either confirmation that the information retained by True Potential Investments continues to reflect your current circumstances, or that there have been changes to your circumstances, **then we will be unable to continue providing the discretionary investment service to you.**

## 11. Your obligations

It is your responsibility to ensure that the information or documentation provided to you by True Potential Investments is accurate, complete, up to date and not misleading in any respect and that you have notified True Potential Investments of any information which could be relevant to the performance of True Potential Investments duties under this Discretionary Investment Management service agreement.

You acknowledge that True Potential Investment rely upon the information and/or documents provided by you to True Potential Investments. You will promptly advise True Potential Investments of any material change in your financial circumstances that would affect the suitability of the Discretionary Investment Management Service for you. Unless True Potential Investments is notified of any changes, you confirm that True Potential Investment shall rely on the existing suitability information provided (please see section above on refreshing your information for ongoing suitability).

Should you wish to liquidate any existing investments and transfer them into a True Potential Portfolio, you may have to pay Capital Gains Tax if you have generated a profit. We are not responsible for any losses you incur or any tax liabilities which arise as a result of your investment in the True Potential Portfolios.

You will be responsible for all tax returns, filings and reports on any transactions undertaken pursuant to this Discretionary Investment Agreement and for the payment of all unpaid capital calls, taxes or other liabilities arising out of, or in connection with, the investments held in your discretionary investment management portfolio. Any changes to your discretionary portfolio will not take account of your personal tax position. The tax treatment depends on the individual circumstances of each client and may be subject to change in future. True Potential Investments will not provide you with any taxation advice.

You will provide to True Potential Investments any documents and information we require to comply with the requirements of relevant anti-money laundering rules.

You acknowledge that borrowing money to finance a contribution into your account involves the risk that the value of your capital investment will go down such that you will have insufficient funds to repay the capital of the loan. Any returns on your capital may be insufficient to meet the interest due on the loan. If you borrow money to contribute, it is your sole responsibility to repay the loan and pay any interest as required by the loans terms, which obligations will likely remain even if the value of the account declines. We strongly recommend against you borrowing to fund an investment with True Potential Investments.

When executing certain transactions on your behalf, we may be required to report information relating to you and your deal to the Financial Conduct Authority. If that is the case we will ask you for the information we require to report on you. You may not be able to place deals with us until we are satisfied that you have provided the information required.



## 12. Fees and charges

Before you sign up to the discretionary investment management service we will provide you with a Personalised Illustration which includes a Costs and Charges statement. However, for ease of reference, a summary of the costs and charges is provided here.

It is important that you know how much you're paying for your investments and exactly what you're getting for your money. That's why we've made our pricing completely clear and transparent. There's no sliding scale of investment charges, so it's easy to know how much you'll pay before you buy.

True Potential Investments **do not charge** a fee for the discretionary management of your investments.

The fees that you will pay are:

### 1. Wealth Platform Fee - 0.40% of the value of your investments per year.

This Fee Covers:

- Administration of your investments
- 24/7 access to your account
- Custodian services
- Safekeeping of your assets
- Live chat, Email and phone support

For more information, see your Key Features & Terms and Conditions document.

### 2. Underlying Investment Charges - Typically around 0.82% of the value of your investments per year.

When you invest with True Potential Investments Discretionary Investment Management service, we use your money to buy investments on your behalf. These Investments carry their own charges that impact your portfolios performance. Of course, we endeavour to keep the down and costs are always considered as part of our investment selection process.

Example of Costs and Charges:

For an investment of £10,000 into a True Potential Portfolio (assuming returns of 0% for the purposes of this example).

Charge Description	Charge (%)	Charge (£)
Discretionary Investment Management service charge	0.00%	£0.00
True Potential Investments Wealth Platform Charge	0.40%	£40
Underlying investment charges	0.82%	£82
<b>Total charges</b>	<b>1.22%</b>	<b>£122</b>

## 13. Conflicts of Interest

Conflicts may arise in the course of our services. Accordingly, True Potential Investments maintain and operate effective arrangements to enable True Potential Investments to take all reasonable steps to identify conflicts of interest between you and True Potential Investments, or between you and another client, to ensure fair treatment. In determining what steps are reasonable, True Potential Investments will take into consideration the level of risk that the conflict may constitute to your interest together with its nature and materiality. True Potential Investments will notify you of any such conflicts identified which may entail a material risk to your interests. A copy of our Conflicts of Interest policy is available upon request.

### What are conflicts of interest?

A conflict of interest arises when the interests of True Potential Investments (including its managers, employees and/or appointed representatives) or another client conflict with the interests of its clients to whom True Potential Investments provide its services.

Principle 8 of the Financial Conduct Authority's handbook requires True Potential Investments to manage conflicts of interest fairly, both between itself and its customers and between a customer and another client. True Potential is also subject to more specific requirements in SYSC 10 of the Financial Conduct Authority's Handbook. These requirements include:

(a) Identification of conflicts: True Potential Investments has appropriate controls to identify and record circumstances which constitute, or may give rise to, or may be perceived to be, a conflict of interest. These could arise or may arise in the course of certain investment and ancillary services or a combination thereof. Considered as part of this is True Potentials remuneration and other incentive structures. True Potential Investments has an ongoing management reporting process for potential and existing conflicts of interest.

The circumstances in which a conflict of interest may occur include where True Potential:

- may make a financial gain or avoid a financial loss, at the expense of the client
- has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome
- has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client
- receives or will receive from a person other than the client an inducement in relation to a service provided by True Potential Investments, in the form of monetary or non-monetary benefits

(b) Arrangements to Prevent or Manage Conflicts: True Potential Investments is required to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent a conflict of interest from constituting or giving rise to a material risk of damage to its clients, therefore in addition to the governance arrangements in place True Potential Investments also have:

- Conflicts of interest policy
- Remuneration policy
- Suitability policy
- Order Handling & Execution Policy
- Client communications policy
- Incidents, Breaches and Complaints policy and procedures
- Personal Account Dealing policy
- Inducements (including Gifts & Hospitality) policy

## 13. Conflicts of Interest (cont).

(c) Record of conflicts: True Potential Investments keeps, and regularly updates, its record of the types of services or activities it carries out and the circumstances which constitute, or may give rise to, or may be perceived to be, a conflict of interest.

(d) Disclosure of conflicts: Before providing services to a client, True Potential Investments is required to disclose to clients on a durable medium the nature and source of any conflict of interest that risks damage to the interests of the client and which are not avoided by True Potentials organisational and administrative arrangements. Should True Potential Investments not be assured that the controls in place ensure, with reasonable confidence, that risks of damage to the clients' interests will be prevented, True Potential Investments will disclose this fact to you together with a specific description of the conflicts of interest that arise in the provision of the relevant investment and/or ancillary services. The description will explain the general nature and sources of the conflict of interest, as well as the risks to the relevant client(s) that arise because of the conflict of interest and the steps undertaken to mitigate these risks, in sufficient detail to enable the client to take an informed decision with respect to the investment or ancillary service in the context of which the conflicts of interest arise.

## 14. Terminating this agreement

You may close your account, and in doing so terminate this Discretionary Management Service Agreement and redeem the funds you have invested at any time by instructing True Potential Investments to do so by sending us a secure message through your dedicated client website.

During the period from the date of the notice of closure and the date on which the final cash is returned or deposited in to your Nominated Account(s), your TPI account will be frozen. This means that our Discretionary Management Service will cease and your account will remain static unless we agree to expressly in writing.

True Potential may terminate this discretionary management service agreement and close your account on 30 days written notice to you. This written notice may be communicated to you by electronic mail. The asset allocation of the funds at the time of cancellation will remain static and we would no longer act with discretion on your behalf. The normal charges that apply to your investments will be payable and you will no longer benefit from any cap placed on fund charges.

If the agreement ends, this will not stop us from completing any outstanding transactions (such as settling any transactions and collecting payment of any charges and amounts due).

These terms may be terminated immediately on written notice by either you, or True Potential Investments, if the other commits a material breach of the discretionary management service agreement and if capable of remedy shall not have remedied the same within 30 days after service of notice requiring it to be remedied.

True Potential may suspend access to your Account without notice to you where:

- (i) we have reason to suspect fraud or that the security of the account has otherwise been breached
- (ii) we have reason to believe that the account is being used in a way that is contrary to financial services and markets regulations, for market abuse, or for the furtherance of a financial crime including money laundering
- (iii) You fail to provide us with information that in our opinion we need to satisfy our obligations under rules and regulations, whether relating to the prevention of financial crime or otherwise
- (iv) We have reason to suspect that the account is being used in a way that is contrary to sanctions related rules or regulations

## **14. Terminating this agreement (cont).**

Where your account is terminated, all outstanding transactions at the time of the notice of termination will be settled and the investment in the discretionary investment service will be sold, with the funds and proceeds remitted to your designated current account.

In the event of your death, disability or physical or mental incompetence, there will be no automatic termination or charge to this discretionary investment management service agreement. Your respective successors, executor, administrators, or guardians or controllers acting on your behalf, should contact us to determine the appropriate procedure for the ongoing administration or, if appropriate, termination of the discretionary management service agreement.

## **15. Complaints**

If you have a complaint, contact us at the following:

True Potential Investor  
Newburn Riverside  
Newcastle Upon Tyne  
NE15 8NX

**T: 0191 500 9172**

**E: [TPICompliance@tpllp.com](mailto:TPICompliance@tpllp.com)**

**Secure message: via your online account at [www.tpinvestor.com](http://www.tpinvestor.com)**

Your complaint will be handled in accordance with our internal procedure and the Financial Conduct Authority (FCA) rules governing complaints. We will respond to your complaint in writing within five business days.

A copy of our Complaints Management Procedure is available online at [www.tpinvestor.com/complaints/](http://www.tpinvestor.com/complaints/) or can be requested via any of the above channels and will be provided free of charge.

If your complaint is not dealt with to your satisfaction the matter may be referred to the Financial Ombudsman Service at Exchange Tower, London E14 9SR

**T: 0800 023 4567 or 020 7964 1000**

**E: [complaint.info@financial-ombudsman.org.uk](mailto:complaint.info@financial-ombudsman.org.uk)**

**W: [www.financial-ombudsman.org.uk/](http://www.financial-ombudsman.org.uk/)**

Any such action will not affect your right to take legal action.

## 16. The Financial Services Compensation Scheme (FSCS)?

Your cash and investments are held separately to our own accounts. As such, in the event that we or a depositor we use failed financially, your cash and assets would remain yours as they are segregated. As part of any wind down process, the administrator is obliged to return them to you.

In the event that we, a depositor or a fund manager are unable to meet the liabilities to you in full, you may be entitled to redress from the Financial Compensation Scheme (FSCS).

Further information is available from:

FSCS at 10th Floor  
Beaufort House  
15 St. Botolph Street  
London, EC3A 7QU.

**T: 0800 678 1100**

We ensure that any depositors used (e.g. banks) are covered by the Financial Services Compensation Scheme (FSCS). This means that you could be covered by the FSCS up to the prevailing rate for each separately authorised deposit taker – subject to eligibility for compensation.

Should one of our underlying Fund Managers fail financially, your investments will be covered at the relevant FSCS rates at the time – subject to eligibility for compensation. This information will be available in the Fund Prospectus.

For further information visit the FSCS **website: [www.fscs.org.uk](http://www.fscs.org.uk)**

## 17. Amendments to the Discretionary Management Service Agreement

True Potential may amend this Discretionary Management Service Agreement on 30 days written notice of changes to you, which may be given by electronic mail. If you do not close your account prior to the date on which you are notified that the changes will come into effect, you will be deemed to have agreed to the changes and they shall apply to the Discretionary Management Service we provide you from that point.

These changes will apply from the date given in the notice. For certain valid reasons, we may give you immediate notice of a change, so we can:

- rectify any significant changes in the regulations which apply;
- protect ourselves or you against fraud by any person;
- change our contact details;
- put right obvious mistakes in the agreement;
- deal with changes in tax rates;
- reflect other legitimate cost increases or reductions associated with providing our services to you;
- make the agreement more favourable to you.

## **17. Amendments to the Discretionary Management Service Agreement (cont).**

If you do not accept the change, you may end the agreement by giving us notice as outlined in Section 13 of this agreement. You will be bound by the amendment until you end the agreement.

The Discretionary Management Service agreement shall not be assignable by you without the express written consent of True Potential Investments.

True Potential Investments may on 30 days prior written notice (which may be via secure message system provided to you by True Potential Investments as part of your client site) assign its rights and/or obligations under this Discretionary Management Agreement to a third party selected by True Potential Investments, including by way of merger, consolidation or the acquisition of all or substantially all of True Potential Investments business and assets relating to the discretionary management service agreement, provided that; (i) doing so shall not adversely affect your rights or obligations under this Discretionary Management Agreement; and (ii) the assignee is to True Potential Investments reasonable satisfaction able to provide an equivalent level of service and regulatory and commercial assurance.

No change to the agreement will affect any legal rights or responsibilities that may have arisen.

## **18. Governing law**

This Discretionary Management Service agreement will be governed by and construed with English Law. You irrevocably submit for the benefit of True Potential Investments to the non-exclusive jurisdiction of the English courts to settle any disputes or claims which may arise of or relating to this Discretionary Management Service agreement.

## **19. Contacting us**

You can contact us at:

By Post:  
True Potential Investor  
Newburn Riverside  
Newcastle upon Tyne  
NE15 8NX

**Secure message: via your online account at [www.tpinvestor.com](http://www.tpinvestor.com)**

**E-mail: [Support@tpinvestor.com](mailto:Support@tpinvestor.com)**

**Telephone: 0800 046 8007**

# Appendix 1

## Risks

The following is a summary of some of the risks of investing. Please note that this list is not exhaustive and has been provided as an indication of the factors that can affect the value of your investments.

### 1. General Investment Risks

- With investing, your capital is at risk and investments can fluctuate in value and you may get back less than you invest
- Under this service TPI will make decisions which it deems suitable for you based on the information you have provided. If you do not notify us of a relevant change in your circumstances, TPI may not be able to make informed and suitable decisions to trade.
- When you withdraw from your investment, you may get back less than your goal because
  - your investments grow less than illustrated;
  - you have taken money out; and/or
  - you do not invest as planned
- If you cancel and your investments have fallen in value, you will not get back the full amount you invested or transferred

**2. Equity Risk:** Investors in equity securities may be exposed to a high level of risk because the prices of equity securities can rise and fall significantly in a short period of time. This could arise due to the fortunes of the companies that issue them or with general stock market or economic conditions.

**3. Exchange Traded Fund Risk:** Exchange-traded funds and mutual funds ("Funds") are securities that closely resemble index funds, but can be bought and sold like common stocks:

- Most Funds are not based in the UK and so you may not benefit from the UK's regulatory protection, including compensation from the Financial Services Compensation Scheme. However, in the unlikely event that the Fund provider closes, you would still have access to the Fund assets, which are ring-fenced and held by a third-party custodian;
- A Fund may fail to accurately track the market segment or index that underlies its investment objective, for example because the portfolio is not rebalanced often enough to keep up with changes in the index (possibly due to costs associated with trading), or because the Fund may use sampling methodology rather than replicating the entire portfolio of the index;
- the value of the Fund is exposed to the volatility of the market which the Fund tracks. In unfavourable market conditions (e.g. market correction or economic crisis) where the general level of stock, bond, or commodity prices decline, the value of Funds will decline accordingly.
- a Fund may not be "actively" managed. Such Funds would not necessarily sell a security because the security's issuer was in financial trouble, unless the security is removed from the applicable index being replicated. Nor will the Fund increase exposure to positions that it anticipates increasing in value. As a result, the performance of a Fund may be lower than the performance of an actively managed fund;
- some Funds employ leverage, which can magnify the risk of the underlying market segment or index;
- if the Fund does not physically hold the assets but replicates the performance of the index using swaps, futures or options, there is a risk that the counterparty could default which could result in a loss to the value of the Fund;
- the market price of a Fund units may trade at a discount to its net asset value; an active trading market for a Fund's units may not develop or be maintained; and
- there is no assurance that the requirements of the exchange necessary to maintain the listing of a Fund will continue to be met or remain unchanged.

# Appendix 1

## Risks (cont).

**4. Short Selling Risk:** Short selling strategies can provide an investor with an opportunity to manage volatility and enhance performance in declining or volatile markets. Short selling securities involves risk because there is no assurance that securities will sufficiently decline in value during the period of the short sale to offset the interest paid by the investor and make a profit for the investor. Securities sold short may instead increase in value. The investor may also experience difficulties repurchasing and returning the borrowed securities. The borrowing agent from whom the investor has borrowed securities may go bankrupt and the investor may lose the collateral it has deposited with the borrowing agent.

**5. Credit Risk:** A fixed income security, like a bond, is essentially a promise to pay interest and repay a specified amount at a later time. The probability that the issuer of the fixed income security will fail to honour that promise is called credit risk. Credit rating agencies give investors an idea of how much of a credit risk an issuer represents. If a company or government has a high credit rating, the credit risk tends to be low. A lower credit rating means more credit risk.

**6. Interest Rate Risk:** A change in general interest rates is one of the biggest factors affecting fixed-income securities. A bond for example, pays interest based on the level of interest rates prevailing when the bond is issued. Generally, if interest rates fall, the values of the bond rises. This is because the interest rate on the existing bond will be higher than the rate on newer bonds. On the other hand, when general interest rates rise, the price of existing bonds is expected to drop because they pay less than newer bonds.

**7. Inflation Risk:** This is the risk of decline in the purchasing power of your savings due to a general rise in prices.

**8. Foreign Currency Risk:** Investing in securities that are priced in foreign currencies involves foreign currency risk. Securities that are priced in foreign currencies can lose value when the Pound rises against the foreign currency. As well, foreign governments may impose currency exchange restrictions, which could limit the ability to buy and sell certain foreign investments and could reduce the value of the foreign securities that are held by investors.

**9. Foreign Market Risk:** Foreign investments involve additional risks because financial markets outside of the United Kingdom and the European Economic Area may be less liquid and companies may be less regulated and have lower standards of accounting and financial reporting. In some countries, an established stock market and legal system that adequately protects the rights of investors may be lacking. Foreign investments can also be affected by social, political, or economic instability. Foreign governments may impose investment restrictions.

**10. Liquidity Risk:** Liquidity refers to the speed and ease with which an asset can be sold and converted into cash. Most securities can be sold easily and at a fair price. In highly volatile markets, certain securities may become less liquid, which means they cannot be sold as quickly or easily. Some securities may be illiquid because of legal restrictions, the nature of the investment, or certain other features such as guarantees or a lack of buyers interested in the particular security or market. Difficulty in selling securities may result in a loss or reduced return for a Client.

**11. Borrowing Risk:** The use of leverage may not be suitable for all investors. Using borrowed money to finance the purchase of securities involves greater risk than using cash resources only. If an investor borrows money to purchase securities, the investor's responsibility to repay the loan and pay interest as required by the terms of the loan remains the same even if the value of the securities purchased declines.



# Appendix 1

## Risks (cont).

**12. Derivatives Risk:** A derivative is a type of investment whose value is derived from the performance of other investments or from the movement of interest rates, exchange rates or market indices. The Portfolio Manager will only recommend derivatives as permitted by securities regulations. The Portfolio Manager may recommend derivatives or investment funds that hold derivatives in their portfolio to help offset losses that other investments held by a portfolio might suffer because of changes in stock prices, commodity prices or interest or exchange rates. This is referred to as hedging. Some common risks of hedging with or investing in derivatives are:

- there is no guarantee that the derivative will be bought or sold at the right time to make a profit or limit a loss, nor that the other party to the contract will meet its obligations. Additionally, if the other party goes bankrupt, the investor could lose any deposits made or assets pledged in favour of the other party under the contract;
- there is no guarantee that a hedging strategy will always work, as the elements that determine the value of a derivative may change in a manner that is contrary to the intent of the hedge;
- hedging will not always offset a drop in the value of a security and hedging can prevent the portfolio from making a gain it otherwise may have made; and
- the portfolio may not be able to create an effective hedge against an expected change in a market if most other people expect the same change.



**true potential investor**

**Head Office: Gateway West, Newburn Riverside, Newcastle upon Tyne, NE15 8NX**

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