# Managing Risk in the SVS Cornelian Funds

## Expected Volatility

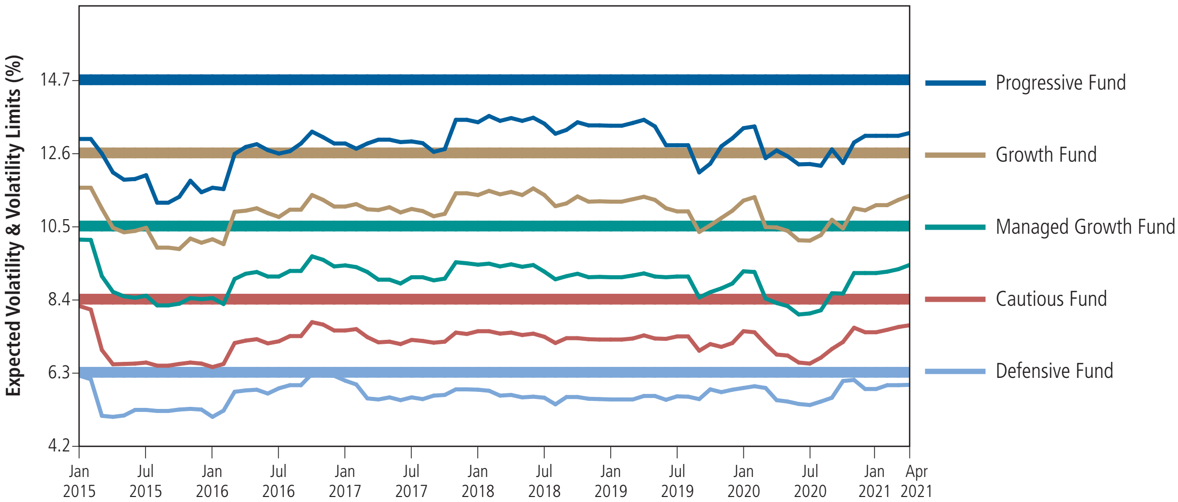
The volatility of each fund is expressed as a range of returns which may be expected from each portfolio under normal market conditions. The wider the range of likely returns, the higher the level of expected volatility. In the past, assets such as cash and fixed income have exhibited relatively low levels of volatility, whilst equities have exhibited a higher level of volatility. Overall expected volatility is calculated based upon the weights of each type of asset held in each fund.

## Assessing Expected Volatility

The expected volatility of each asset class in which the funds invest is based upon Distribution Technology's 'Capital Market Assumptions' which incorporate the long term historic performance of each asset class and the correlations exhibited between asset classes. We input the asset allocation weights of each fund into Distribution Technology's Dynamic Planner in order to determine expected volatility and return projections. This data is kept up to date and allows us to undertake a robust and repeatable review of the expected volatility of each portfolio.

The risk analysis is run at least once a month and also prior to any asset allocation change that would increase the level of expected volatility. We would only implement the suggested change in asset allocation when we know the result will produce an asset allocation for which the expected volatility of the fund is below its stated maximum volatility limit.

**Expected Volatility & Volatility Limits**




*Fluctuating line denotes expected volatility. Horizontal line denotes maximum volatility limit.*
*Source: DT, Cornelian, 31 March 2021.*

Please note that the expected volatility measure is not the same as a fund's actual (or historic) unit price volatility. These funds are constructed to ensure that the calculated expected volatility remains below the maximum level ascribed. Past performance is not a reliable indicator of future results.

The Cornelian investment team actively manage each fund below an upper expected risk limit, whilst also aiming to outperform the Retail Price Index (RPI). In order to reflect the fact that greater risk must be taken for potentially greater returns, the RPI outperformance aims also increase with the greater ability to take higher levels of risk as shown in the table below.

| SVS Cornelian Fund | Retail Price Index – outperformance aim per annum (net of fees) |
|---|---|
| Defensive | RPI + 1.0% |
| Cautious | RPI + 1.5% |
| Managed Income | RPI + 2.0% |

| SVS Cornelian Fund | Retail Price Index – outperformance aim per annum (net of fees) |
|---|---|
| Managed Growth | RPI + 2.0% |
| Growth | RPI + 2.5% |
| Progressive | RPI + 3.0% |

# Estimated potential gains and losses

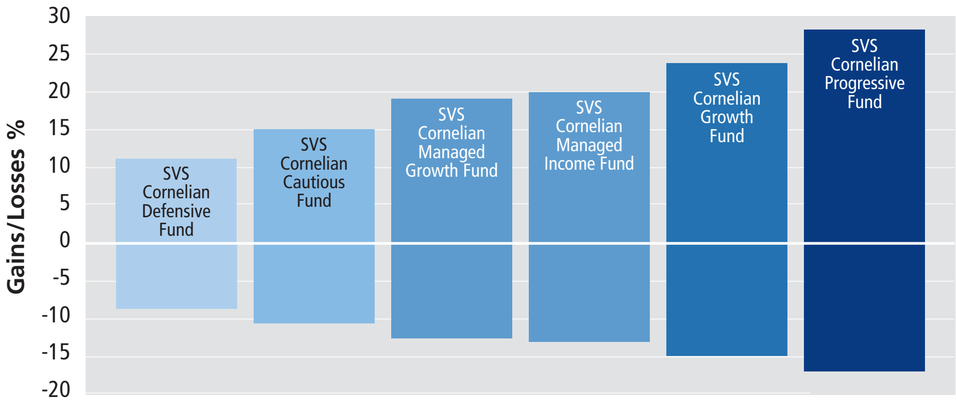
The six SVS Cornelian Risk Managed funds offer a multi-asset, diversified investment solution and are each actively managed below an expected risk limit. Within each Risk Managed fund the asset classes that we select and the weightings given to each asset class produce an expected level of volatility. For example, although equities may offer the best returns over the longer term, they can prove to be more volatile in the shorter term than fixed interest assets which can protect the portfolio when equity markets are falling.

The potential return from a fund with a larger proportion of investments in higher risk assets is theoretically greater, however potential losses are also higher. The SVS Cornelian Risk Managed funds are risk graded, with the SVS Cornelian Defensive fund having the lowest expected risk, whilst the SVS Cornelian Progressive fund has the highest expected risk.

We have used Distribution Technology's Dynamic Planner system to generate an estimate of the likely range of future returns over a one year time horizon based upon a typical asset allocation for each of our multi-asset funds.

As shown in the chart below, the respective potential gains and losses increase as the level of risk increases.

**Potential Gains & Losses**




The graph shows forecasts of potential 5th percentile and 95th percentile returns and there is, therefore, a 1 in 20 chance that actual returns could be higher or lower than these estimates. Figures in the chart above have been calculated as at 31 March 2021 and are for illustrative purposes only. Please contact us for the latest figures. Forecasts are not a reliable indicator of future results.

*Source: Distribution Technology/Cornelian*

**Important Information**

All data provided by Cornelian Asset Managers Limited accessed as at 31/3/2021 unless otherwise stated. Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact, nor should reliance be placed on these views when making investment decisions. The price of your investments and the income from them can go down as well as up and neither is guaranteed. Investors may not get back the amount invested. Past performance is not a reliable indicator of future results. Changes in rates of exchange may have an adverse effect on the value, price or income of an investment. The value of your investment may be impacted if the issuers of underlying fixed interest holdings default, or market perception of their credit risk changes. There are additional risks associated with investments in emerging or developing markets.

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