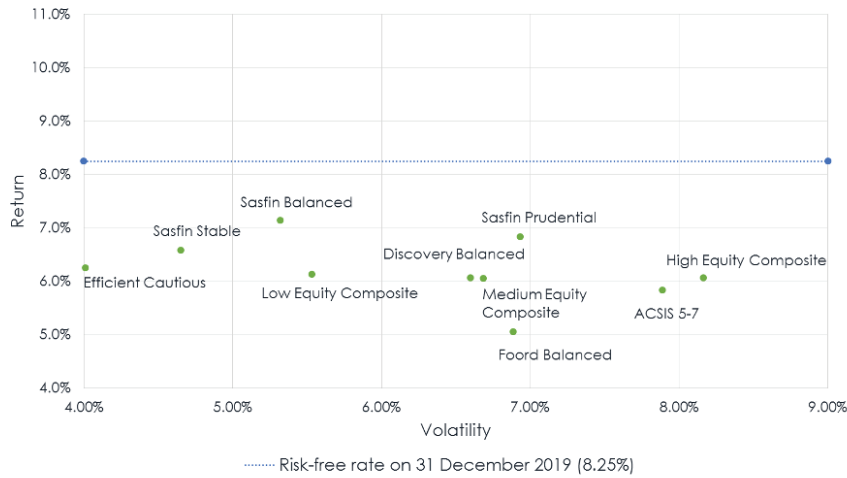




ACRAVEST®

FINANCIAL MARKETS: UNDERSTANDING INVESTMENT VS VOLATILITY

Risk / Return Graph 5 Years Example



Financial Markets

Platforms where institutions that need capital meet investors. Investors compete in an auction-like fashion for opportunities

Return & Risk



Investors seek investments at a price which will provide the best growth. Growth is only one facet of an investment - one should also consider risk

Types of Investment

Institutions seeking capital decide on the type of investment they would like to attract



Equities

Share in ownership of the company

Risk: Investor carries the ultimate risk as this is an investment in the company's shares



Loans

Government/companies borrowing money

Risk: Lower risk profile than buying shares in a company as the investor would normally look at credit credentials and be protected by the balance sheet of the institution



Properties

Investment in property infrastructure

Risk: Relates to the income stream (rent) the property earns (normally spread across multiple tenants)



Pricing of Investment opportunities

An investment portfolio includes **different types of investments**. Different variables (from the broad economic and political environment as well as the investment opportunity) influence valuation of investments. Different investors bid for an investment with different price levels in mind based on their models. Different assumptions and movement in variables introduces **volatility** (movement in market prices).

Decision Making



The risk-return graph reflects a comparison between different investment portfolios. The **more risk** is taken (horizontal axis) the **more return** is expected (vertical axis). Higher risk investments need a longer time horizon to realize expected returns.

In comparing different investments one should compare growth and risk.



Reporting

The risk return graph provides a powerful **comparison between different investment solutions**, incorporating the impact of the factors discussed above.