Investment Principles

Introduction to investing

The world of investing can feel daunting, particularly if you're new to it.

This guide is designed to demystify some of the basics and give you a clearer understanding of how investing works.

We'll talk you through your options and introduce our four investment principles, helping you make more of your money.

Contents

The pack is split into four sections:

1. Setting investment goals

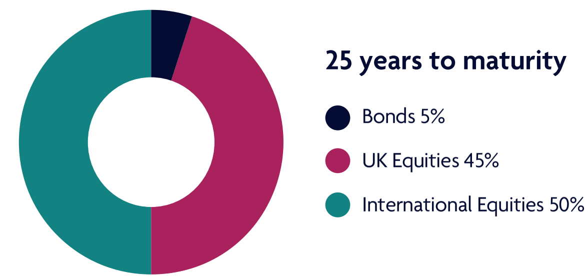
Setting investment goals

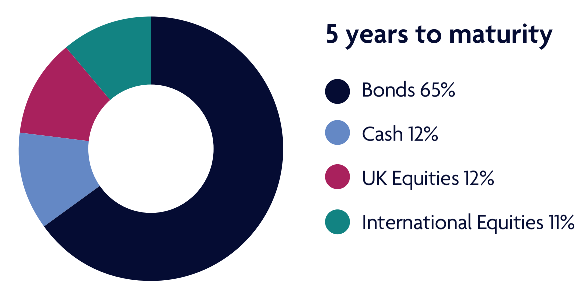
When creating an investment portfolio, it's important to understand how much risk you're comfortable taking, as well as your investment goals over the short, medium and long term. These factors help determine the most appropriate mix of assets in your portfolio and, in turn, the level of potential returns you can reasonably expect.

Your time horizon also plays a key role. For example, if you're saving for retirement, you may be comfortable taking more risk when that goal is some distance away. As you get closer to retirement, however, you're likely to want to reduce your exposure to risk. After all, most people wouldn't want their retirement savings fluctuating significantly just before they plan to use them.

The pie charts shown illustrate how the composition of a typical portfolio might evolve over the lifetime of an investment.

Over the following pages, we'll explore the key considerations involved in choosing a portfolio that's right for you.





2. Types of investment

Types of investment
Cash

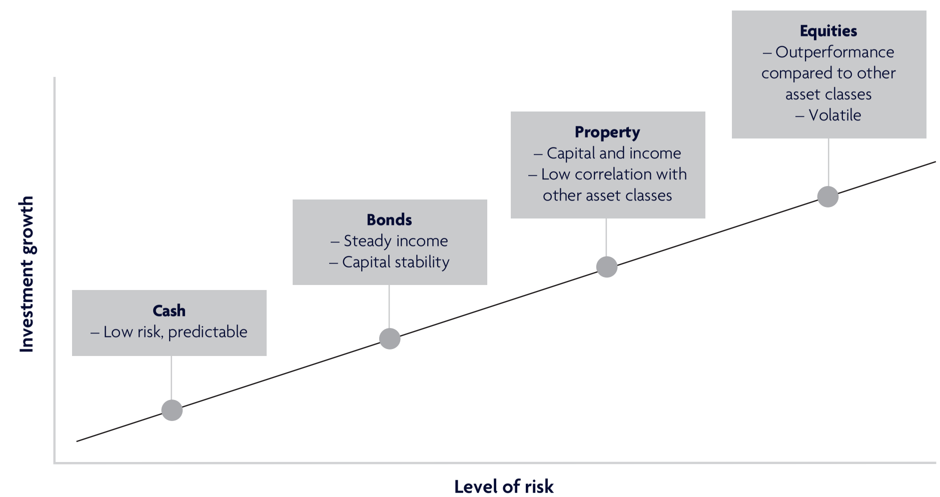
What are your choices when looking to beat inflation and achieve your long-term objectives?

While it's possible to invest in a wide variety of assets – including alternatives such as fine wines or antiques – most portfolios are built around four core types of investment, often referred to as 'asset classes'.

Cash

Cash is generally considered the lowest-risk asset class and can play a useful role within a diversified portfolio due to its stability and easy access. Cash can be held in a number of ways, including savings accounts with banks and building societies.

Although cash offers security and liquidity, it typically provides lower returns over the long term compared to other asset classes. As a result, its purchasing power can be eroded by inflation.



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Types of investment

Bonds

Cash Bonds Equities Alternatives Funds

Bonds are issued by companies or governments as a way of raising money. When you invest in a bond, you are effectively lending your money to the issuer. In return, you usually receive regular interest payments, with your original capital repaid at a set date in the future.

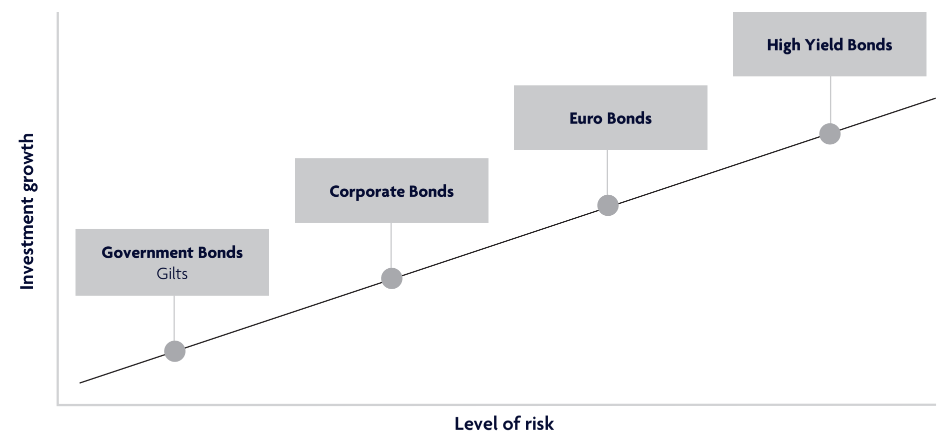
Because of these features, bonds are often an important component of a portfolio, particularly for more cautious-minded investors.

Bonds tend to fluctuate less in value than equities and are designed to repay your initial investment at the end of their fixed term. However, the potential for long-term growth is typically lower than that of equities. There is also a risk that the issuer may be unable to repay the loan, known as default risk.

The value of bonds can also be affected by changes in interest rates. Generally, when interest rates rise, bond prices fall, and when interest rates fall, bond prices tend to rise.

Although bonds are often described as medium-risk investments, the level of risk can vary significantly depending on who issues them. Bonds issued by the UK Government – known as Gilts – are generally considered very creditworthy. Corporate bonds, by contrast, carry varying levels of risk depending on the financial strength of the issuing company.

The income a bond pays reflects the level of risk involved. Issuers with a higher risk of default typically have to offer a higher yield to attract investors.



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Types of investment

Equities (or shares)

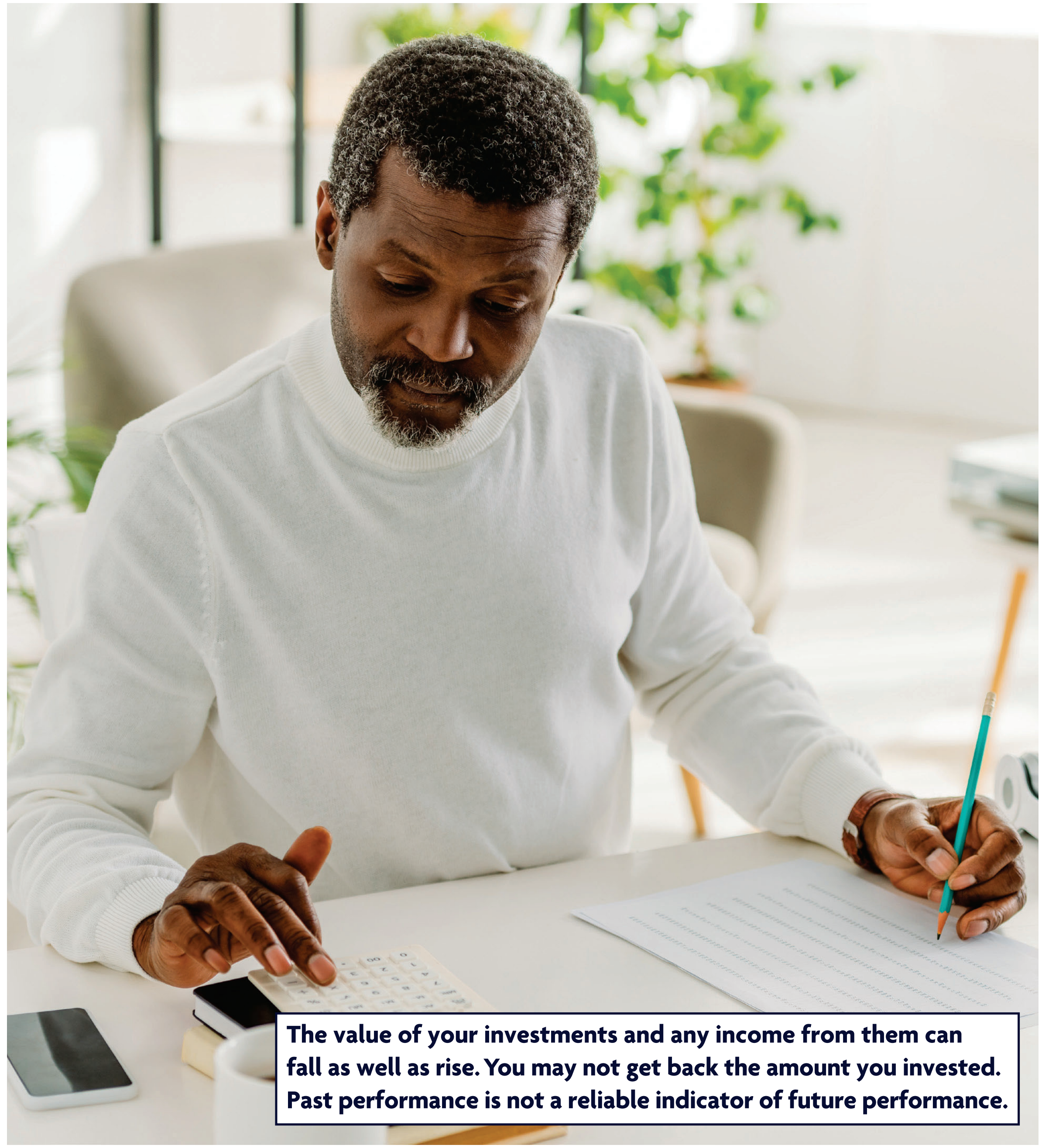
Cash | Bonds | **Equities** | Alternatives | Funds

Equities, often referred to as shares, are probably the most well-known asset class. When you invest in equities, you're buying an ownership stake in a company that is listed on a stock market.

Equities can be listed on a stock market index, such as the FTSE 100 in the UK, the S&P 500 in the US, the Nikkei 225 in Japan. Equities can also be grouped into global indices such as the MSCI World, which tracks large and mid-sized companies across developed markets worldwide.

People invest in equities in the expectation that their value will increase over time and, in some cases, to receive a regular income through dividend payments. While past performance should not be taken as a guide to the future, history shows that equities have tended to outperform other asset classes over the long term.

However, equities can be volatile, meaning their value can go up as well as down over shorter periods. Equity prices are influenced by many factors, including company performance, economic conditions and market confidence. As a result, you may not get back the full amount invested, and the performance of individual equities can vary significantly.



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Alternative investments

e.g. Property

Cash | Bonds | Equities | **Alternatives** | Funds

The range of investment opportunities available today is wider than ever before, with collective investment funds making it easier for private investors to access areas such as property, private equity, infrastructure and natural resources.

Your home is probably the most significant investment you will make. Property returns tend not to move in line with equities or bonds, which can make it a useful tool for diversification, offering the potential for both income and long-term growth. However, property values can rise and fall, and property is typically less liquid, meaning it can take longer to invest in and access your money.

Beyond residential property, commercial property funds allow investors to gain exposure to assets such as office buildings and shopping centres that would be difficult to own directly.

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Other alternative investments include infrastructure funds, which invest in large, high-cost projects linked to essential services such as transport, communications and power supply, often in partnership with governments or public bodies.

Natural resources investments provide exposure to companies involved in extracting materials such as oil, gas and metals, either directly or through investment funds.

Funds

Investing directly in individual shares, bonds and other assets can involve higher levels of risk and often requires substantial knowledge, ongoing monitoring and regular decision-making. For many investors, a collective investment approach can therefore offer a more practical and effective way to invest.

Investment funds are offered by professional investment management companies and provide access to a wide range of asset classes. When you invest in a fund, your money is pooled with that of other investors and invested on your behalf by professional fund managers.

These managers invest in a variety of underlying assets in line with the fund's objectives, helping to spread risk.

Pooling your money with other investors also means that even with a relatively small amount to invest, you can gain exposure to markets and assets that might otherwise be difficult to access on your own.

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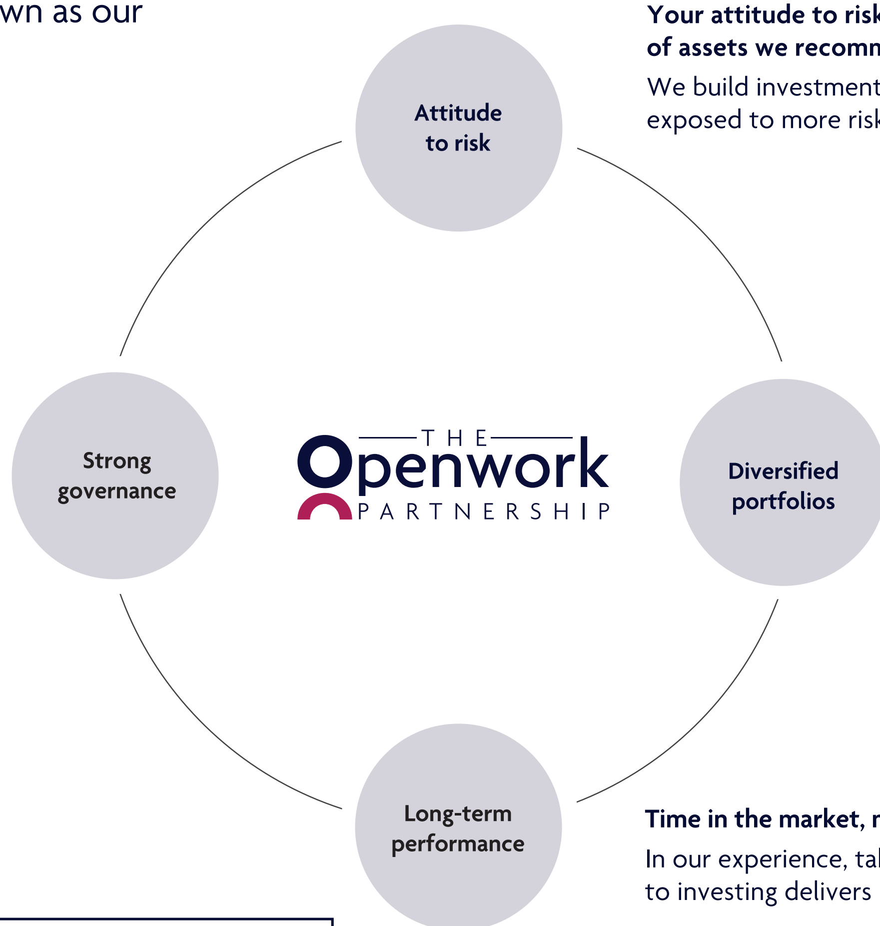
3. Investment principles

Investment principles

Having explored the different ways to access various asset classes, we now focus on the key principles we believe underpin successful long-term investing. These are known as our investment principles.

Your attitude to risk will determine the blend of assets we recommend that you invest in
We build investment solutions that ensure you are never exposed to more risk than you are comfortable with

Governance and process
We use our past experience and a robust governance process to monitor and control every investment decision made



When investing, it's important not to put all your eggs in one basket
We take a global, multi-asset view to building investment portfolios

Time in the market, not timing the market
In our experience, taking a longer-term approach to investing delivers better returns over time

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Understanding your attitude to risk

When deciding how and where to invest, it’s important to have a plan that reflects your goals, attitude to risk, and how much you feel comfortable investing.

Understanding your attitude to risk is central to this. How you feel about investment ups and downs, and your ability to cope with potential losses, is personal to you. What may feel like an exciting opportunity to one person could feel too risky to another.

Your time horizon also plays an important role. If you’re investing over the long term, you may be comfortable taking more risk to pursue higher potential returns. As you get closer to your goal, however, you’re likely to want to reduce risk, which may mean reviewing and adjusting your approach.

Life events can also have a significant impact on your finances. Circumstances such as receiving an inheritance, going through a divorce, or experiencing other changes in your personal situation may mean it’s important to revisit your plans and reassess your investments.

In some cases, small adjustments may not be enough, and a more thorough review can help ensure your finances stay aligned with your current situation and long-term plans.

Diversification is key

Holding a range of different investments is one of the foundations of successful investing. By not putting all your eggs in one basket, you can limit the impact of losses in any single area and create opportunities for investment returns from a variety of sources.

Get the balance right is important. Building the right mix of assets requires careful consideration of each asset's characteristics, behaviour and how they interact with one another. Achieving the right balance between different asset classes is key.

Some asset classes, such as cash and bonds, tend to have more defensive characteristics, while equities, which carry higher risk, can offer greater growth potential. Ultimately, a balanced approach aims to provide resilience and the potential for outperformance across a range of market conditions.

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Diversified portfolios

Effective diversification aims to deliver a higher expected return for a given level of expected risk. This is achieved by combining assets that are expected to behave differently over time, as illustrated by the pink performance line below.

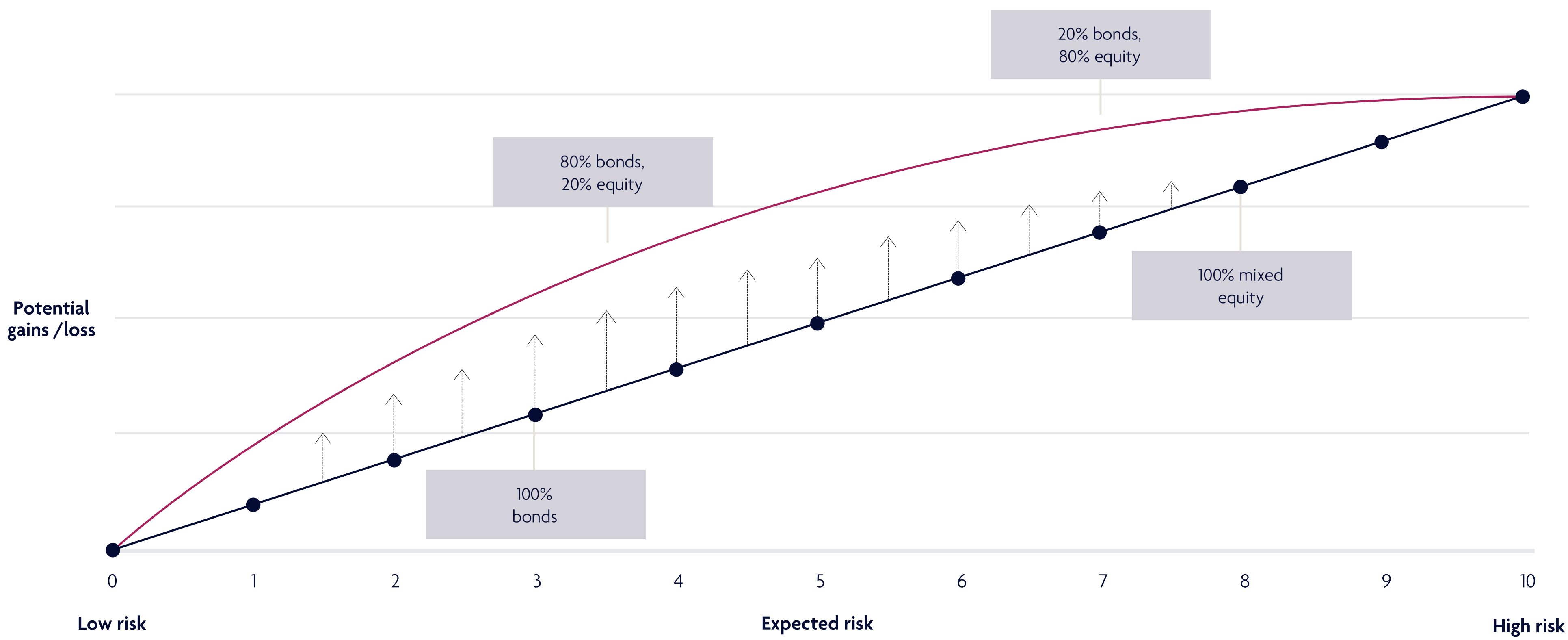

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Chart is figurative only.

Why a diversified investment strategy is important

The chart below shows how different asset classes can perform very differently from one year to the next.

Index	Asset Classes	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FTSE All-Share	UK Equities	40.3 US Smaller Cos.	25.8 EM Equities	5.1 Gl Bonds	26.4 US Equities	17.6 Asia Equities	27.6 US Equities	1.4 Cash	19.4 US Equities	26.7 US Equities	29.6 Asia Equities
Deutsche Numis Smaller Companies (Ex-ICs)	UK Smaller Companies	33.7 US Equities	20.3 Asia Equities	1.1 US Equities	25.2 UK Smaller Cos.	17.2 US Equities	21.9 UK Smaller Cos.	0.3 UK Equities	15.7 EU Equities	14.0 US Smaller Cos.	27.9 EU Equities
Russell 1000	US Equities	33.1 EM Equities	19.5 UK Smaller Cos.	0.6 Cash	22.8 US Smaller Cos.	16.3 US Smaller Cos.	19.3 US Smaller Cos.	-4.8 Japanese Equities	13.3 Japanese Equities	10.1 Japanese Equities	25.1 EM Equities
Russell 2500	US Smaller Companies	31.7 Asia Equities	17.5 EU Equities	0.5 Gilts	20.5 EU Equities	15.0 EM Equities	18.3 UK Equities	-5.3 Asia Equities	10.8 US Small Cos.	10.0 EM Equities	24.0 UK Equities
FTSE World Europe ex UK	European Equities	22.7 Japanese Equities	14.4 Japanese Equities	-0.1 Short-Dated Bonds	19.2 UK Equities	11.1 Japanese Equities	17.4 EU Equities	-6.4 Global Bonds	10.1 UK Smaller Cos.	9.5 UK Smaller Cos.	17.1 Japanese Equities
FTSE World Asia Pacific ex Japan	Asian (ex-Japan) Equities	21.9 Global Bonds	13.1 UK Equities	-2.3 Corp Bonds	15.6 Balanced Portfolio	9.3 Corp Bonds	9.2 Balanced Portfolio	-7.0 EU Equities	9.9 Corp Bonds	9.5 UK Equities	13.6 Balanced Portfolio
FTSE Japan	Japanese Equities	20.1 Balanced Portfolio	11.2 US Equities	-4.4 US Smaller Cos.	14.9 Asia Equities	8.8 Gilts	8.2 Asia Equities	-7.3 Short-Dated Bonds	9.0 Balanced Portfolio	9.3 Balanced Portfolio	12.7 UK Smaller Cos.
MSCI Emerging Markets	Emerging Market Equities	19.7 EU Equities	10.8 Balanced Portfolio	-4.4 Balanced Portfolio	14.8 Japanese Equities	8.6 EU Equities	2.5 Japanese Equities	-8.1 US Smaller Cos.	8.3 Asia Equities	7.8 Asia Equities	9.3 US Equities
ICE BofA UK Gilt	Gilts	16.8 UK Equities	6.7 US Smaller Cos.	-6.8 Asia Equities	14.3 EM Equities	5.6 Global Bonds	0.1 Cash	-8.3 Balanced Portfolio	7.9 UK Equities	5.1 Cash	7.0 Corp Bonds
ICE BofA Sterling Corporate	Corporate Bonds	11.9 Corp Bonds	5.2 Corp Bonds	-7.6 Japanese Equities	11.4 Corp Bonds	5.3 Balanced Portfolio	-1.0 Short-Dated Bonds	-8.9 US Equities	6.9 Short-Dated Bonds	4.1 Short-Dated Bonds	6.4 Short-Dated Bonds
ICE BofA 15 Year Sterling Non Gilt	Short-Dated Bonds	10.6 UK Smaller Cos.	1.9 Gilts	-8.9 EM Equities	7.3 Gilts	3.1 Short-Dated Bonds	-1.3 EM Equities	-9.6 EM Equities	4.6 Cash	3.0 EU Equities	5.0 Gilts
ICE BofA Global Broad Market	Global Bonds	10.6 Gilts	1.8 Short-Dated Bonds	-9.5 EU Equities	3.9 Short-Dated Bonds	0.2 Cash	-3.3 Corp Bonds	-17.9 UK Smaller Cos.	4.1 EM Equities	2.1 Corp Bonds	4.2 Cash
BoE Sterling Overnight Index Averge	Cash	4.2 Short-Dated Bonds	0.3 Cash	-9.5 UK Equities	2.8 Global Bonds	-4.3 UK Smaller Cos.	-4.4 Global Bonds	-19.9 Corp Bonds	3.7 Gilts	-0.3 Global Bonds	4.2 US Smaller Cos.
Blend of indices*	Balanced portfolio	0.4 Cash	-2.3 Global Bonds	-15.4 UK Smaller Cos.	0.7 Cash	-9.8 UK Equities	-5.3 Gilts	-25.1 Gilts	-0.4 Global Bonds	-4.1 Gilts	0.6 Global Bonds

Source: FE fundinfo. All returns as at 31/12/2025 in GBP.

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*Balanced Portfolio uses Openwork's Balanced Strategic Asset Allocation index equivalent as follows:

20.5% FTSE All-Share	12.5% MSCI Emerging Markets
1.5% Numis Smaller Companies ex Investment Companies	10.5% ICE BoA UK Gilts All Stocks
20.5% Russell 1000	6.5% ICE BoA Global Broad Market 2.75 (hedge)
3% Russell 2500	2.75% ICE BoA Global Broad Market Hedge
9.5% FTSE World Europe ex UK	5.25% ICE BoA Sterling Corporate
4% FTSE Japan	1.25% ICE BofA 1-5 Year Sterling Non-Gilt
2.25% FTSE World Asia Pacific ex Japan	*Portfolio is rebalanced every 6 months in February and August.*

The importance of dividends

Long-term performance

Reinvesting dividends is one of the most powerful tools available for boosting investment returns over time. Investors over the last 20 years would have seen a noticeable difference in the value of their investments by doing so.

The chart opposite shows how £100,000 invested in December 2004 would be valued based on the share price alone, compared with performance that takes into account dividend reinvestment, where the same £100,000 investment would be worth double the amount.

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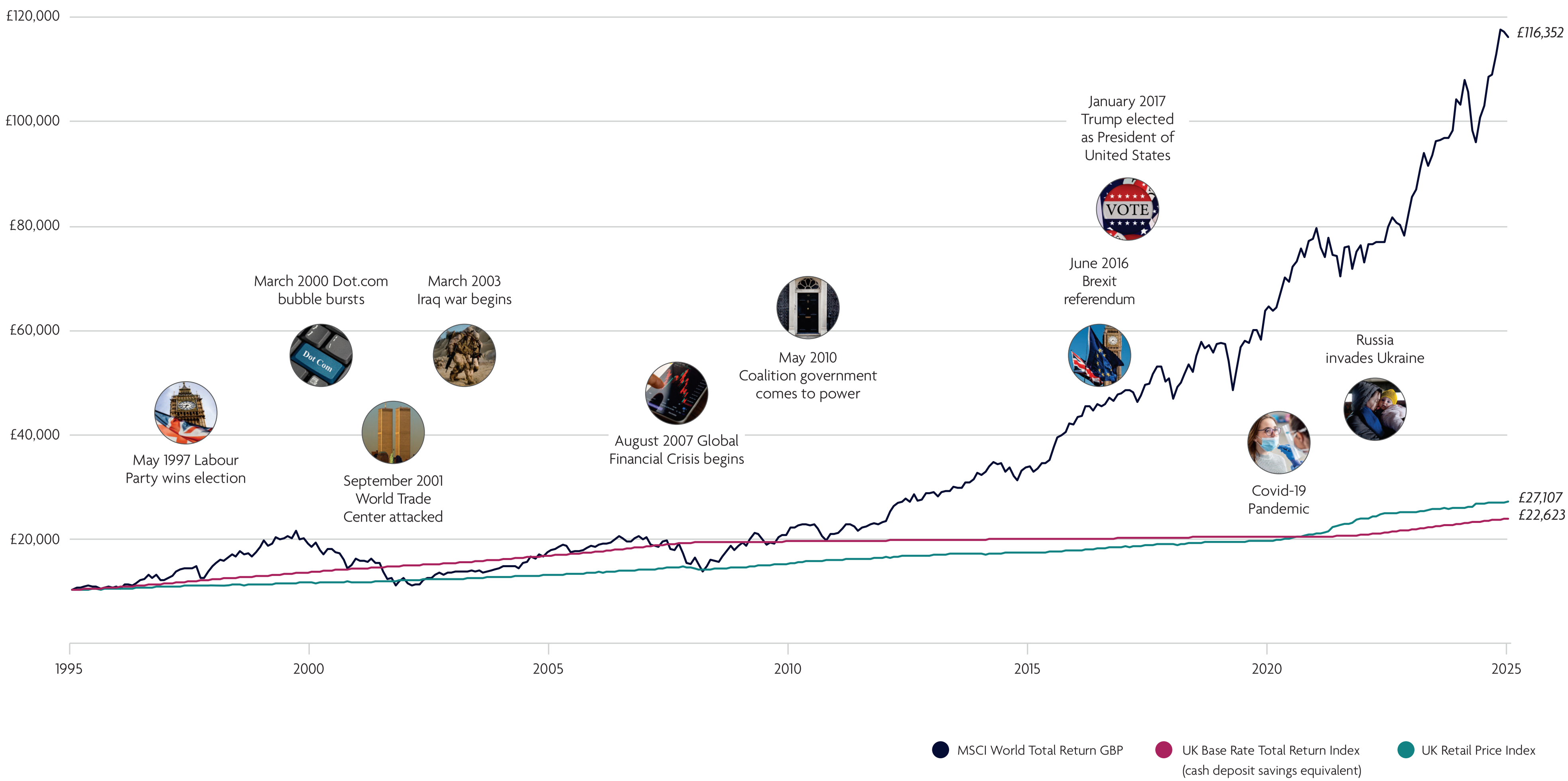
Source: Bloomberg as at 31/12/2025

Long-term performance
Equities vs cash

Despite well-publicised market crashes, history shows that investing in equities has, over the long term, significantly outperformed holding money in cash.

This chart compares the growth of £10,000 invested in global equities with leaving money in a cash deposit account over the past 30 years, as well as the impact of inflation. Despite a number of stock market crashes, equities have outperformed significantly over the long term.



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This graph shows performance from 31/12/1995 to 31/12/2025

Source: Bloomberg 31/12/2025

Time in, not timing

Staying invested

We've looked at a range of investment options – their strengths and weaknesses, and what each can contribute to your portfolio. Despite their differences, they all share one important characteristic: it can take time for them to realise their full potential.

In investing, it's time in the market, rather than timing the market, that really matters.

While the timing of buying and selling investments can play a role, short-term price movements tend to have less impact over the long term. Giving investments time can allow growth to smooth out periods of volatility.

The chart shows how an investment of £100,000 in the UK stock market would have grown to almost £300,000 over the past 15 years. That growth hasn't been completely smooth, however, with markets experiencing regular setbacks.

FTSE All-Share Index

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Source: Bloomberg 31/12/2025. Net income reinvested.

Time in, not timing (continued)

Staying invested

The fact that markets can experience sharp falls and periods of uncertainty means you should be willing to invest for a minimum of five years. But what if it were possible to time your investments to benefit from market ups and downs – selling at the peaks and buying at the lows?

As the table opposite shows, the average annual returns of some of the world's stock markets can be dramatically affected if just a small number of the best-performing days are missed.

Forecasting such events is extremely difficult and can be costly for those who invest just before a downturn. Fortunately, given enough time, financial markets have shown an ability to recover from short-term falls. While returns can vary significantly from year to year, the average annual return of the global stock market has been around 10%.

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Returns over 15 years – effect of missing best days...

Index	Stayed fully invested	Best 10 days missed	Best 20 days missed	Best 30 days missed
FTSE All-Share	194.79%	92.33%	41.97%	7.44%
S&P 500	225.13%	69.12%	15.50%	-14.92%
DAX 30	254.20%	96.62%	32.28%	-6.18%
Hang Seng	77.39%	-3.74%	-36.91%	-57.32%
MSCI World	397.25%	197.47%	120.40%	69.26%

The table above reflects the long-term growth of select global indices over 15 years. It also includes, by comparison, the growth of the same indices if you had missed the best 10, 20 and 30 days. All returns based in sterling.

Source: Bloomberg as at 31/12/2025

Can you time it for success?

Average annual returns over 15 years – effect of missing best days...

The fact that markets can have sharp dips and periods of uncertainty means you should really be willing to invest for a minimum of five years. While timing the market by buying at lows and selling at peaks may sound appealing, it is extremely difficult – even for professionals. Missing just a few of the best-performing days can significantly reduce returns, which is why staying invested in a well-diversified portfolio is a widely accepted investment principle.

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Source: Bloomberg 31/12/2025

Drip-feed your way to success

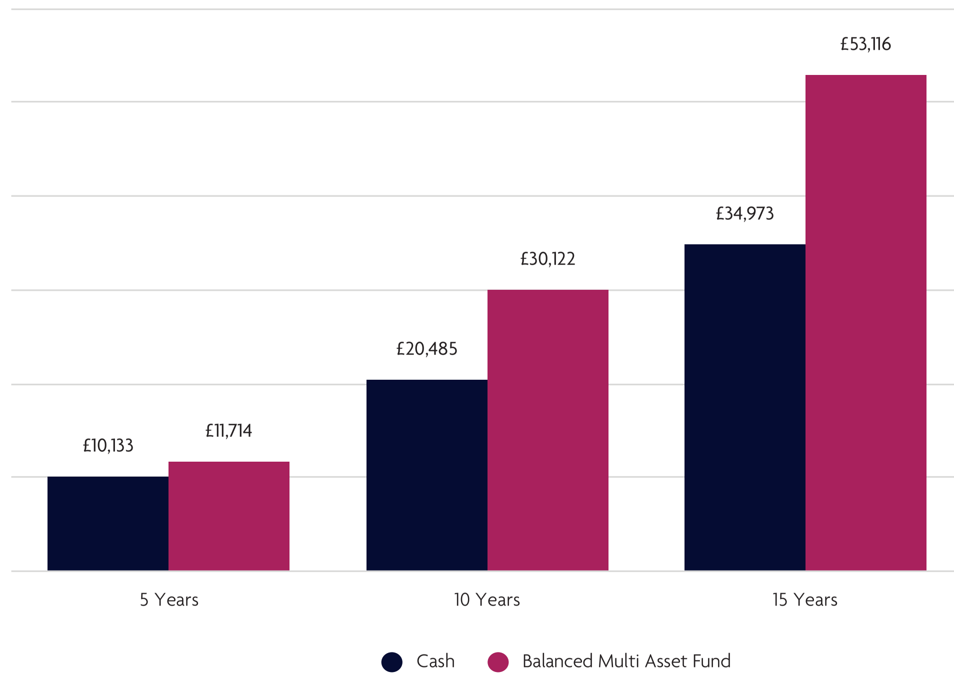
Pound-cost averaging

One way to limit your exposure to the impact of one-off events (and potentially benefit from the opportunities they create) is to invest smaller amounts on a regular basis. This approach is not only more affordable, but can also help smooth out the market's peaks and troughs, although there is no guarantee this will happen.

The chart opposite demonstrates the benefits of a regular savings approach by comparing the historic outcomes of investing in the stock market with those of a cash deposit account.

Whilst it should always be remembered that **the value of investments can go down as well as up and you may not get back the full amount invested**, the graph illustrates the potential benefits of regular saving (often referred to as 'drip-feeding') into the stock market over the long term.

The value of £500 per quarter invested in a balanced mixed asset investment fund v cash over 5, 10 and 15 years



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Source: FE Analytics as at 31/12/2025
Indices are Bank of England Base Rate TR and DFM Index Balanced.
The balanced asset mix refers to Omnis' balanced SAA.

Overcoming inflation

With inflation having the potential to erode the real value of your savings it makes sense to consider the other options that are available. In the meantime, a quick glance at perhaps the most obvious alternative – the stock market – highlights some of the potential those sticking with cash will be foregoing.

The chart on the right shows that a balanced mixed asset investment portfolio can deliver stronger returns over the long term, than cash, which can protect your investment further from the effects of inflation.

This higher potential isn't without its pitfalls and stock market investment involves a higher acceptance of risk and a realisation that **the value of your investment can go up as well as down and you may not get back the full amount invested**. And with the potential for short term fluctuations it is also necessary to invest with a longer-term timescale in mind. Over the long haul however, shares have proven to generate higher returns.

The value of £5,000 invested in a balanced mixed asset investment fund v cash over 5, 10 and 15 years

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Source: FE Analytics as at 31/12/2025
Indices are Bank of England base rate TR index and the DFM Index Balanced, which refers to Omnis' Balanced SAA portfolio detailed on page 18.

Omnis’ robust governance process – ensuring your portfolio stays on track

1. Omnis Investment Team
The Omnis Investment Team looks after your money and sits at the heart of our investment proposition.

2. Weekly Analyst Committee
The Analyst Committee meets weekly and is the Investment Team’s chance to discuss the allocations to the various Omnis funds and market activity, as well as upcoming economic events.

3. Monthly Sector Reviews
A Monthly Sector Review puts each of the investment classes that we include in our portfolios under constant scrutiny.

4. Quarterly Asset Allocation Reviews
The Quarterly Asset Allocation Review looks at all the investment classes in detail to assess their long-term prospects, with these views then translated into fund selection for our portfolios.

5. Investment and Proposition Committee
The Investment and Proposition Committee meets at least monthly and is responsible for setting our asset allocation policy. It is also responsible for forming our list of recommended funds. Membership is made up of senior management from Openwork & Omnis, as well as independent insight from a global leading investment consultant.

6. Investment Performance and Risk Committee
The Investment Performance and Risk Committee is responsible for selecting and monitoring the managers of our Omnis range of funds.

7. Investment Mandate Structure
The Investment Mandate Structure is the strict set of parameters within which the Investment Team can operate to ensure you are not exposed to excess or unnecessary risk.

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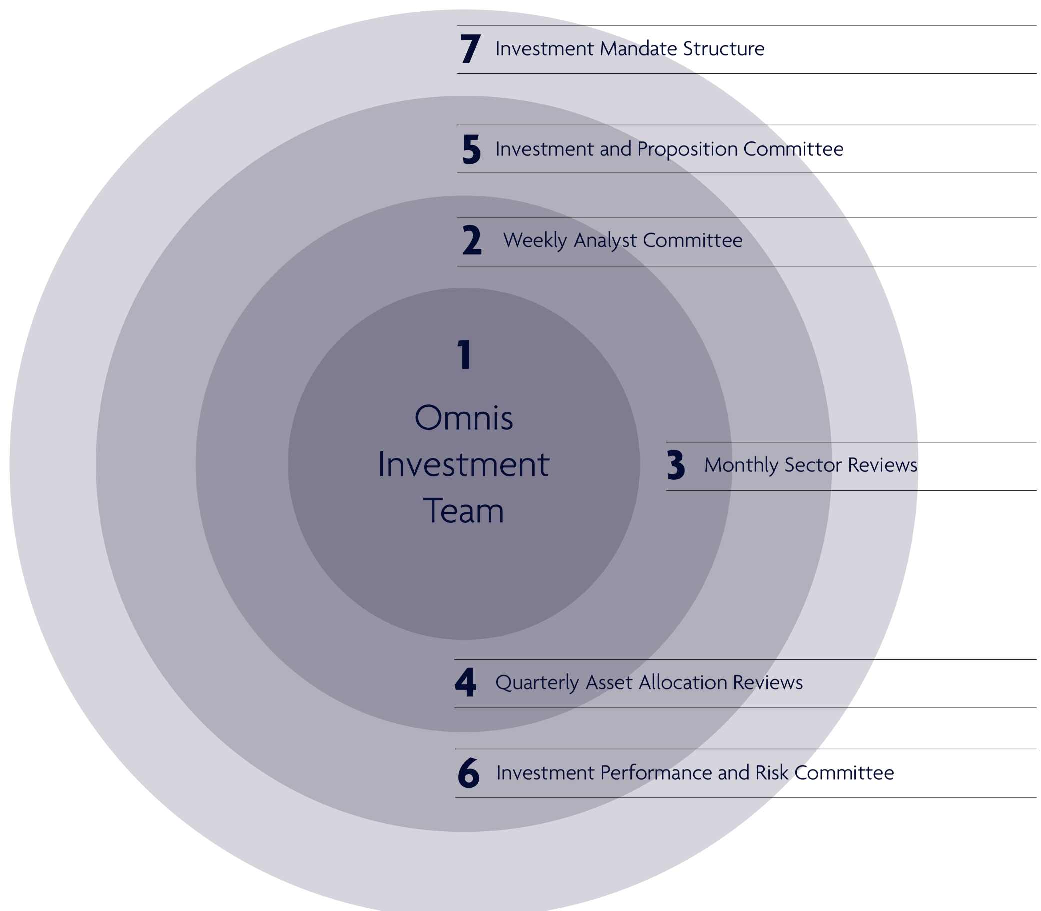

Your Openwork Partnership Adviser

Working in partnership with you, your adviser will gain a clear understanding of your current situation and future goals and establish your attitude to risk.

Taking these things into account, they will research an investment solution which they think is appropriate for you. Before proceeding, they'll discuss it in detail so that you understand and feel comfortable with it.

Your adviser will work with you to make sure you stay on track over the years ahead, and through regular catch ups you can discuss changes to your requirements or circumstances and review your investment choices.

Approved by The Openwork Partnership on 20/05/2026 | Expires 19/05/2027
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