How Did We Calculate This?

We have used the information you provided, combined with assumptions made by LOM, to illustrate whether the funds you are prepared to invest will help you achieve your financial goals.

It's important to note that the figures shown are indicative only and do not guarantee maximum or minimum amounts your investment could achieve. The projected future performance illustrated here is not a guarantee of actual results.

Monte Carlo Simulation

This investment calculator employs the Monte Carlo simulation technique to provide hypothetical portfolio allocation recommendations based on your inputs. The Monte Carlo method uses mathematical modeling to simulate potential outcomes of portfolio performance over time, based on assumptions about asset returns, volatility, and correlations. While this tool offers insights into a range of potential outcomes, please consider the following:

1. **Simulation and Hypothetical Results:** The results generated by this calculator are based on simulated performance scenarios and do not guarantee future performance. The projections are hypothetical in nature and are designed to illustrate potential outcomes under a wide variety of market conditions. Past performance is not indicative of future results.
2. **Inputs and Assumptions:** The accuracy of the simulation results depends heavily on the accuracy and completeness of the data and assumptions provided by you. This includes expected returns, risk tolerance, investment horizon, and other variables. Changes in market conditions, unexpected events, or changes in personal circumstances may result in outcomes that differ significantly from the projections provided by this tool.
3. **Limitations of Monte Carlo Simulations:** While Monte Carlo simulations can model thousands of potential market scenarios, they are based on assumptions about market behaviour, asset volatility, and correlations between asset classes. These assumptions may not hold true in real-world situations, particularly during periods of extreme market stress or unusual economic conditions. The model does not account for every possible risk factor, and actual portfolio performance could fall outside the range of simulated outcomes.
4. **Investment Risk:** All investments carry risk, including the potential loss of principal. The portfolio recommendations provided by this tool should not be construed as personalized investment advice, nor should they be viewed as an endorsement of any specific strategy or asset allocation. Consider seeking advice from a licensed financial advisor before making any investment decisions.
5. **No Fiduciary Relationship:** The use of this tool does not create a fiduciary relationship between you and the tool provider. The results provided are for educational and informational purposes only and should not be interpreted as specific recommendations for investment action.
6. **Regular Review and Monitoring:** Financial markets and personal circumstances can change over time. It is essential to review your portfolio regularly and adjust your investment strategy as necessary. The calculator's recommendations are based on the information you provide at the time of use and may not remain optimal as market conditions, or your personal situation evolve.

By using this calculator, you acknowledge that the outputs are based on theoretical models and should be used as one of many tools in your decision-making process. Always conduct your own research and consider consulting with a qualified financial professional before making significant investment decisions.

Our Assumptions

Risk and Return

Your chosen risk level in this calculator directly influences your portfolio's allocation and position on the efficient frontier, which represents the optimal balance of risk and return.

1. **Risk Tolerance and Volatility:** Higher risk tolerance results in portfolios with higher standard deviation (volatility), offering the potential for greater returns but with more fluctuation. Lower risk tolerance reduces volatility but also lowers

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expected returns.

2. **Asset Allocation:** A higher risk level allocates more to growth assets like stocks, while lower risk focuses on conservative assets like bonds. This balance aligns with your risk tolerance.
3. **Efficient Frontier Placement:** Higher-risk portfolios are placed on the right of the efficient frontier, with higher expected returns and volatility, while lower-risk portfolios are on the left, with lower returns and less volatility.
4. **Real-World Considerations:** While the efficient frontier helps guide portfolio allocation, real-world results may differ due to unpredictable market conditions. Personal circumstances should also be factored into your risk choice.

Based on your chosen risk tolerance, the calculator assigns a risk category rating from 1 to 5. LOM designates a standard deviation for each rating, reflecting the level of risk associated with that category. The standard deviation is calculated using the historical pricing data of LOM funds over a 10-year period. Periodic returns are determined from changes in Net Asset Value (NAV), which are used to calculate the variance and standard deviation of each fund. This standard deviation (risk) is utilized in calculating your portfolio's potential outcomes.

Risk Level Definitions

1. **Lowest Risk:** You are generally comfortable with achieving minimal return potential on your investment, coupled with a very low risk of loss. The capital value of suitable products may fluctuate and can fall below your original investment. In normal market conditions, these fluctuations are expected to be low, but this is not guaranteed. This applies to investment products with a risk rating of 1.
2. **Low Risk:** You are generally comfortable with achieving a modest return potential on your investment, coupled with a low risk of loss. The capital value of suitable products may fluctuate and can fall below your original investment. In normal market conditions, these fluctuations are expected to be low, but this is not guaranteed. This applies to investment products with a risk rating of 2.
3. **Moderate Risk:** You are generally comfortable with achieving a moderate return potential on your investment, coupled with a moderate risk of loss. The capital value of suitable products may fluctuate and can fall below your original investment. Fluctuations are expected to be higher than for lower risk products but lower than for higher risk products. This applies to investment products with a risk rating of 3.
4. **High Risk:** You are generally comfortable with achieving a high return potential on your investment, coupled with a high risk of loss. The capital value of suitable products may fluctuate significantly and can fall substantially below your original investment. You understand the relationship between investment risk and reward and are comfortable with this level of fluctuation. This applies to investment products with a risk rating of 4.
5. **Very High Risk:** You are generally comfortable with aiming for maximum return potential on your investment, coupled with a very high risk of loss. The capital value of suitable products may fluctuate widely and can fall significantly below your original investment. You understand the relationship between investment risk and reward and are comfortable with this level of fluctuation. This applies to investment products with a risk rating of 5.

Salary Growth

For this illustration, we have assumed a 0% salary growth rate, meaning your monthly contributions are projected to remain constant throughout the investment period. Please note that this assumption may result in more conservative end values and returns. Should your contributions grow over time due to salary increases or other factors, the actual end values and returns could potentially be higher than those produced by the calculator.

Inflation

We have assumed a 0% inflation rate, meaning the purchasing power of your future returns and contributions is not adjusted for inflation. This assumption may result in either an overestimation of nominal returns or an underestimation of the potential impact of inflation on real returns, depending on actual inflation rates

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