

# PART 2 - Investment risk profile for

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Meeting Details	
Date	
Location	
Attended by	
Notes	

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## About your RISK PROFILE ...

This section aims to uncover your attitude to investing, your understanding of financial markets and how you may react during certain investment market and economic conditions. Financial planning is a long-term process and many of the investments that can be used to help achieve long-term financial goals are also long-term in nature. However, while long-term growth is generally achieved, it may come with periods of negative returns. To ensure your financial goals are reached, generally you must remain invested true to your financial plan during these periods.

The following questions help us to understand your tolerance for financial risk. The information gives us an overall understanding of your investment profile and helps us to understand what investment mix and products will be appropriate, or inappropriate, in helping to achieve your financial goals.

*Please circle your answer under Client 1/Client 2.*

**Question 1: What is your major investment objective?**

Client 1	Client 2	
A	A	Avoid any fluctuation in the value of my investments
B	B	Maintain the security of my investments with regular income on which to live
C	C	Maintain regular income with some exposure to capital growth.
D	D	Maximise the growth of my investments.

**Question 2: How would you react if your investments were to decline in value by 20% over a one-year period?**

Client 1	Client 2	
A	A	Withdraw all my funds immediately and move them to bank deposits.
B	B	Withdraw part of my money and move it to an alternative strategy.
C	C	Wait until I recovered the 20% loss and then consider alternative strategies.
D	D	Remain invested and follow the recommended strategy.
E	E	Increase the amount invested if possible because the market has become cheaper.

**Question 3: An investment portfolio with high exposure to growth assets tends to generate higher returns, albeit with some volatility. To what extent are you willing to experience volatility to generate higher returns?**

Client 1	Client 2	
A	A	I'm very comfortable. I understand that to generate higher returns there is risk of fluctuation of my investments in the short-term. However, over the long term, there is a low risk of capital loss.
B	B	I'm somewhat comfortable, assuming there is a limit to the volatility.
C	C	I'm a little uncomfortable seeing my investments fluctuate.
D	D	I'm much more comfortable with investments that have minimal volatility.

**Question 4: Which of the following best describes your attitude towards investment losses?**

Client 1	Client 2	
A	A	I would check the value of my investments at least several times a month and feel very uneasy if I began to lose money.
B	B	Daily losses make me uncomfortable, but are not cause for alarm. I would, however, start to feel very uneasy if I made a loss on my investments over a 12-month period.
C	C	I take substantial day-to-day changes in my stride. However, I would start to feel very uneasy if I didn't recover any significant losses within a 1 to 2-year time frame.
D	D	If my investment suffered significant losses over a two-year period and I still believed in my long-term strategy, I would remain fully confident of a recovery in performance.

**Question 5: My preferred strategy for managing investment risk is ...**

Client 1	Client 2	
A	A	To have a diversified investment portfolio across a range of asset classes to minimise risk.
B	B	I don't want to reduce it as investment risk leads to higher returns over the long-term.
C	C	To invest mainly in capital stable investments.
D	D	I don't understand the definition of 'investment risk'. I rely on my financial adviser to achieve this.

**Question 6: In the past, how would you describe your overall investment decisions?**

Client 1	Client 2	
A	A	Not applicable. I'm a first-time investor or have only ever invested via my superannuation fund
B	B	Good, I have stuck to stable and safe investments.
C	C	Good, I have been rewarded for making investments that can fluctuate in value.
D	D	Fair, however I would like to improve my returns.
E	E	I've had some losses, but am willing to give it another go.
F	F	I've had some losses and am reluctant to invest in anything that fluctuates in value.

**Question 7: Which of the following best describes your understanding of the investment market?**

Client 1	Client 2	
A	A	I am an experienced investor and constantly keep up to date with the investment market. I've had exposure to various asset classes and am fully aware of the risks involved to gain high returns.
B	B	My awareness of the financial market is limited to information passed on by my broker or financial adviser. I rely on the professionals to keep me updated.
C	C	I have little awareness of the investment market. However, I have a desire to build my knowledge and understanding.
D	D	I'm not familiar with investments or financial markets.

**Question 8: What is your willingness to risk shorter-term losses for the prospect of higher longer-term returns?**

Client 1	Client 2	
A	A	High
B	B	Moderate
C	C	Not Sure.
D	D	Low

**Question 9: Have you ever borrowed money to make an investment other than your own home eg. Investment property, holiday home, share portfolio, margin loan, etc.?**

Client 1	Client 2	
A	A	No
B	B	Yes
C	C	No, but I'm willing to consider it now
D	D	Yes, but I'm not prepared to borrow at the moment to invest

## Scoring Matrix

	1	2	3	4	5	6	7	8	9
A	0	10	40	10	30	20	40	40	0
B	10	20	30	20	40	10	30	30	30
C	20	20	20	30	10	40	20	20	20
D	40	30	10	40	0	20	10	10	10
E		40				30			
F						0			

## Answer Summary

Questions	1	2	3	4	5	6	7	8	9	Total Score	Investment Risk Profile
<b>Client 1</b>											
Score											
<b>Client 2</b>											
Score											

## Risk Benchmarks

Questionnaire Score	Investment Risk Profile
NA	Short Duration (100% Cash)
50 - 110	Conservative (25% Growth)
111 - 160	Cautious (40% Growth)
161 - 210	Moderately Conservative (55% Growth)
211 - 260	Balanced (70% Growth)
261 - 310	Moderately Aggressive (85% Growth)
311 - 350	Aggressive (100% Growth)

## Investor Risk Profile Summary

Your attitude to investment risk is a crucial factor in determining an appropriate investment strategy to meet your needs. Investing is considered risky because there is uncertainty about how the investment will perform over the short and long term. Different types of investments experience different levels of volatility. Negative returns can happen at any time, so during periods of poor performance remaining invested for the minimum investment term will provide an opportunity for your portfolio to recover. The main approaches to investing (called investment risk profiles) are as follows:

<b>Short Duration (100% Cash)</b>	<b>(Score NA)</b>
Protection of capital or certainty of income is your only objective. You do not wish to attain higher returns if your capital is at risk. This is suitable for investors with an investment term of less than two years.	
<b>Conservative (25% Growth)</b>	<b>(Score 50 - 110)</b>
You are a defensive investor. You are willing to consider less risky assets; mainly cash only and some fixed interest investments. You are prepared to accept lower returns to protect the value of your capital. The recommended minimum investment term is two years.	
<b>Cautious (40% Growth)</b>	<b>(Score 111 - 160)</b>
You are a cautious investor seeking a combination of income and growth, but risk must continue to be low. Therefore, you will maintain a greater weighting to defensive assets within your portfolio, but, will consider the inclusion of some of the less aggressive growth investments. Generally, you are willing to chase improved short-term returns while accepting some, limited short-term volatility. The recommended minimum investment term is three years.	
<b>Moderately Conservative (55% Growth)</b>	<b>(Score 161 - 210)</b>
You are an investor seeking a combination of income and growth from your investment portfolio. Generally, you are willing to pursue medium to long-term goals while accepting the risk of short to medium term negative returns. Your investment mix is likely to have a marginal bias to growth assets such as equities and property. The recommended minimum investment term is four years.	
<b>Balanced (70% Growth)</b>	<b>(Score 211 - 260)</b>
You are a Growth investor. You are willing to consider assets with higher volatility in the short-term (such as equities and property) to achieve capital growth over the medium to longer term. Your investment mix will comprise a greater share of growth assets. The recommended minimum investment term is five years.	
<b>Moderately Aggressive (85% Growth)</b>	<b>(Score 261 - 310)</b>
You are a Growth investor. Prepared to accept higher volatility in the short to medium term, your primary concern is to accumulate growth assets over the long term. Your investment mix will spread across all asset sectors but will mainly consist of more aggressive investments. The minimum investment term is 7 years.	
<b>Aggressive (100% Growth)</b>	<b>(Score 311 - 350)</b>
Your primary objective is capital growth. You are an aggressive growth investor and are prepared to compromise your portfolio balance to pursue greater long- term returns. You are willing to accept higher levels of risk. Fluctuation in capital is acceptable in the short-medium term for the greater potential for wealth accumulation. With the exception of a minimal level of cash for liquidity purposes, your investment mix will only consist of growth assets such as international and domestic equities. The minimum investment term is 7 years.	

### Your Priorities and Lifestyle Needs

In addition to understanding your tolerance to investment risks, you and your financial adviser should also consider your lifestyle needs and priorities in creating your investment portfolio. To help you achieve your financial needs and goals, your response to the following questions will be used to determine a suitable overall asset allocation for your investment portfolio.

	Client 1	Client 2
Do you require regular income from your investment portfolio? If “yes”, we may be required to invest partly in income producing assets?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
For how long do you expect most of your money to be invested before you would need to access it? Assuming suitable plans will be made to meet your short-term financial objectives and any emergencies that may arise.	<input type="checkbox"/> Less than 2 years <input type="checkbox"/> Between 2 - 3 years <input type="checkbox"/> Between 3 - 5 years <input type="checkbox"/> Between 5 - 7 years <input type="checkbox"/> Longer than 7 years	<input type="checkbox"/> Less than 2 years <input type="checkbox"/> Between 2 - 3 years <input type="checkbox"/> Between 3 - 5 years <input type="checkbox"/> Between 5 - 7 years <input type="checkbox"/> Longer than 7 years
Do you wish to invest mainly for capital growth?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

### Additional considerations and comments

### Your acknowledgment:

Based on the result of the Risk Profile Questionnaire and the above responses to my priorities and lifestyle needs, I/we am/are comfortable with investing in line with the Investment Risk Profile below:

Client 1      \_\_\_\_\_% Growth Portfolio      Signature      \_\_\_\_\_

Client 2      \_\_\_\_\_% Growth Portfolio      Signature      \_\_\_\_\_