Investment risk profiles

1 January 2020 (updated annually)

Exposure to risk is a central element of investment decisions. Knowing this, the next step is to work out your personal attitude to risk.

Investment risk profiles – which one are you?

By answering a series of questions about goals, time frames and attitudes during the fact finding process, you and your financial adviser will be able to determine your risk profile – which will help you make the right investment choices for your situation.

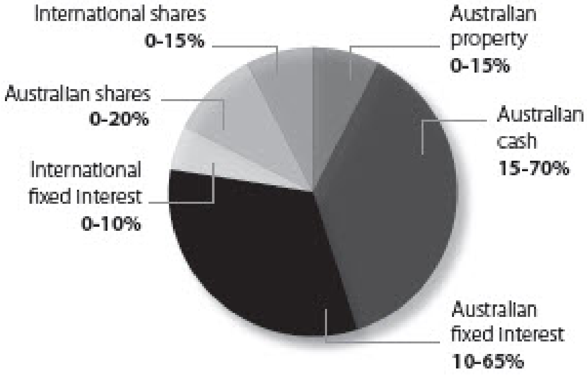
Asset allocation – getting it right

When it comes to deciding what to invest in, it all comes down to getting the right mix of assets. This varies from person to person and will usually be determined by your risk profile, your goals and personal circumstances. We have established six investment risk profiles; the key characteristics and the investment analysis for each of the risk profiles are detailed in the tables below:

Type A investor – conservative

Investment objective

- You seek to protect your capital and are somewhat concerned when this does not occur.
- You have a very basic understanding of the investment markets and their operations.
- When you think of the term risk, you think it means 'danger'.
- When you make a financial decision, you usually focus on the possible losses.
- You seek moderate returns and do not wish to take on more than a low level of risk.
- With your present investment monies, you would be comfortable taking very low risks and you are not very comfortable with the concept of risk.



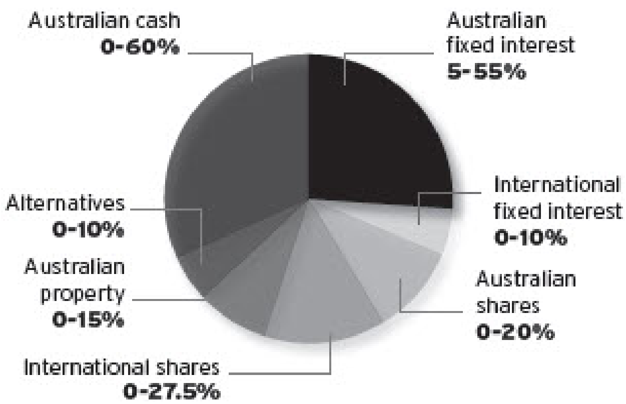
Investment strategy and timeframe

- Historically, the probability of a negative return in any one year is 4%.
- Recommended investment timeframe is from 3 to 5 years.
- Investment returns over the long-term aim to be better than the CPI.
- This investment portfolio is made up of around 85% defensive assets and 15% growth assets.

Type B investor – moderately conservative

Investment objective

- You are prepared to establish a diversified portfolio to partially protect you from inflation and tax.
- You have a general understanding of the investment markets, but would like to have a broader understanding in order to explore the possibilities.
- When you think of the term risk, you think it means 'uncertainty'.
- When you make a financial decision, you are more focused on the possible losses, but also keep in the mind the possible gains.
- You are prepared to accept a moderate level of risk (and therefore volatility) in the overall capital value of your investments.
- You are generally a low risk taker and are somewhat comfortable with the concept of risk.



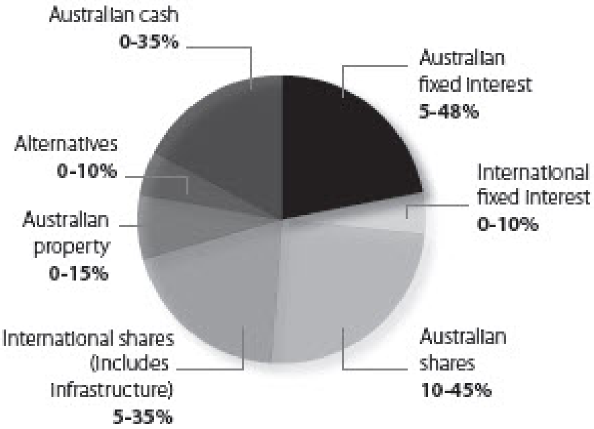
Investment strategy and timeframe

- Historically, the probability of a negative return in any one year is 17%.
- Recommended investment timeframe is from 3 to 5 years.
- Investment returns over the long-term aim to be CPI plus 2-3% pa.
- This investment portfolio is made up of around 70% defensive assets and 30% growth assets.

Type C investor – balanced

Investment objective

- You wish to adopt a diversified portfolio to somewhat protect you from inflation and tax.
- You have a reasonable understanding of the investment markets and their operation.
- When you think of the term risk, you think it means 'possibilities'.
- When you make a financial decision, you are more focussed on the possible gains, but also keep in mind the possible losses.
- You can accept that there will be some level of volatility in the value of your investments.
- You are a moderate risk taker and can accept some moderate levels of investment risk.



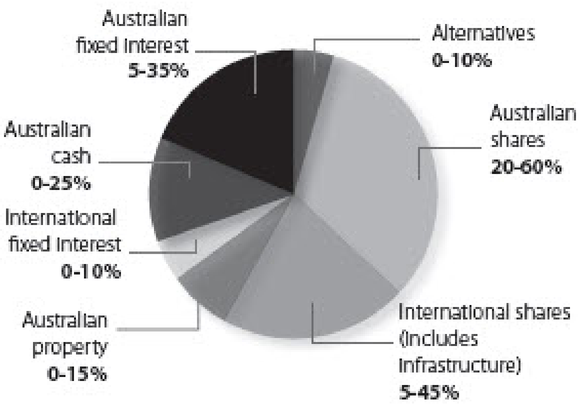
Investment strategy and timeframe

- Historically, the probability of a negative return in any one year is 22%.
- Recommended investment timeframe is from 5 to 7 years.
- Investment returns over the long-term aim to be CPI plus 3-4% pa.
- This investment portfolio is made up of around 50% defensive assets and 50% growth assets.

Type D investor – moderate growth

Investment objective

- You want to invest in a broad spread of quality investments, but predominantly in growth assets to achieve higher growth.
- You understand that investment markets can and will fluctuate and that different market sectors offer different levels of risks, income and growth.
- Your investment time horizon is for the long-term, 7 years or more.
- When you think of the term risk, you think it means 'opportunity'.
- When you make a financial decision, you usually focus on the possible gains.
- You are a high risk taker and can accept higher levels of investment risks.
- You are seeking to achieve a reasonably high rate of growth on the capital invested.



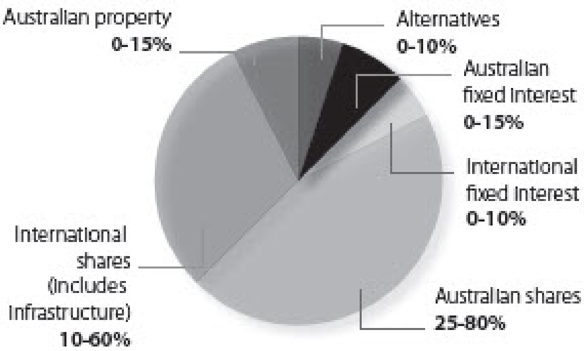
Investment strategy and timeframe

- Historically, the probability of a negative return in any one year is 25%.
- Recommended investment timeframe is 7 years plus.
- Investment returns over the long-term aim to be CPI plus 4-5% pa.
- This investment portfolio is made up of around 30% defensive assets and 70% growth assets.

Type E investor – growth

Investment objective

- You are interested in capital growth and accumulating wealth more quickly relative to your investment timeframe.
- You understand the cyclical nature of investments and accept that there will be a very high level of volatility in the value of your investments.
- You are experienced in all major investment markets and have a very good understanding of the investment markets. You are aware of the factors that may affect investment performance in investment markets.
- Your investment time horizon is for the long-term, 7 years or more.
- When you think of the term risk, you think it means 'thrill'.
- When you make a financial decision, you always focus on the possible gains.
- You can accept very high levels of variability in investment returns, as you understand that the higher the risks associated with investments, potentially the higher level of returns expected.

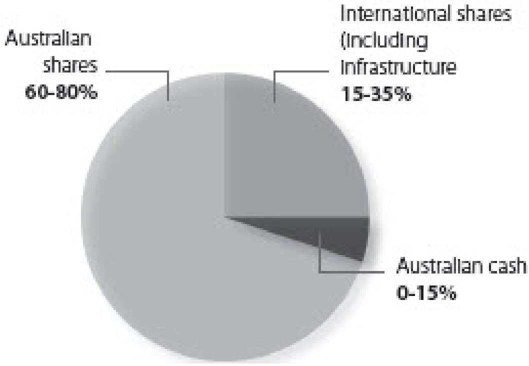


Investment strategy and timeframe

Historically, probability of a negative return in any one year is 25%.
Recommended investment timeframe is 7 years plus.
Investment returns over the long-term aim to be CPI plus 5% or more pa.
This investment portfolio is made up of around 0% defensive assets and 100% growth assets.

Type F investor – shares

- You are interested in capital growth and accumulating wealth more quickly relative to your investment timeframe.
- You understand the cyclical nature of investments and accept that there will be a very high level of volatility in the value of your investments.
- You are experienced in all major investment markets and have a very good understanding of the investment markets. You are aware of the factors that may affect investment performance in investment markets.
- Your investment time horizon is for the long-term, 7 years or more.
- When you think of the term risk, you think it means 'thrill'.
- When you make a financial decision, you always focus on the possible gains.
- You can accept very high levels of variability in investment returns, as you understand that the higher the risks associated with investments, potentially the higher level of returns expected.



Investment strategy and timeframe

- Historically, probability of a negative return in any one year is 25%.
- Recommended investment timeframe is 7 years plus.
- Investment returns over the long-term aim to be CPI plus 5% or more pa.
- This investment portfolio is made up of around 0% defensive assets and 100% growth assets.

Ask your Bridges financial planner for more information.