Investment Profile Guide

Purpose of this Guide

Before making investment recommendations, we need your input in determining an Investment Profile that is appropriate in helping you achieve your financial goals.

This guide aims to explain the key areas that determine your Investment Profile and explains the terminology that you may be confronted with over time. It will also explain the main asset sectors that you may later choose to invest in.

Your Investment Profile will give us an asset allocation guide for the investment of your funds. There are many areas that need to be considered to arrive at this result. This guide will also explain these areas.

Please take the time to read this guide carefully and if you have any questions, please discuss these with us.

Important Information

The content of this guide is general advice only and does not take into account your financial circumstances, needs and objectives. Before making any decision based on this guide, you should assess your own circumstances or seek advice from a financial planner and seek tax advice from a registered tax agent. Information contained herein is current at the date of issue and may change.

The information and references contained herein are taken from sources believed to be accurate and correct. To the extent permitted by Law, Lonsdale, its representatives, officers and employees accept no liability for any person that relies upon the information and references contained herein.

Diversification

"*Don't put all of your eggs in one basket*". We have all heard this saying, but what does it mean when investing?

Diversification is where you spread your available investment funds across a number of asset sectors, and sometimes within the same asset sector. You can spread your investments across different managers, industries, etc. Spreading your investments generally improves diversification, and reduces the overall volatility of a portfolio. Overall, the aim is to reduce volatility in the short term, and therefore achieve more consistent returns over the long term.

Different asset sectors and individual investments perform well at different times, and not necessarily all at the same time. Generally they perform 'out of sync' with one another and having a well-diversified portfolio may not stop you encountering investment risk and volatility but it will reduce your exposure overall.

Hypothetically, if you held 100% of your investments in an Investment Property worth $500,000 and relied on the income stream to supplement your cash flow needs, what would happen if you were unable to lease the property? What would you do if you were unable to sell the Investment Property quickly?

A diversified portfolio will mean that you are not solely reliant on the one investment or asset sector to perform well.

Volatility

Volatility refers to the unpredictable upward and downward movements in investment values over a period of time. The greater the volatility, the more frequent the movements. Over a long term, the greater the volatility, the higher the potential risk, but also the higher the likely returns may be and vice versa.

One way to explain volatility is in economic terms. Supply and demand can have a lot to do with volatility. When the supply of a (wanted) asset is limited or scarce, the price invariably goes up as there is demand for the asset. As demand and supply for an asset change, the movement of the assets value occurs and you experience volatility.

Another way to explain volatility is that volatility is not fixed. Volatility is calculated over a range of time periods, the risk of a given asset class and the investment time horizon. Therefore when volatility and risk is explained, it needs to be considered in line with the asset sectors respective time frame.

For example, shares are normally considered volatile over the short-term as prices change regularly, as they are measured frequently. But if the investor's time-frame is over 10 years, then shares can prove to be much less volatile over the 10 year time-frame than when being measured monthly or annually.

Investment Risk

Risk can mean many things. In a financial context, Investment Risk can mean:

- ∗ The level of volatility or fluctuation a person is prepared to accept in their investment returns
- ∗ The probability of an investment loss
- ∗ The potential risk that financial goals may not be achieved.

Investment risk is not the same for each asset sector as it is time dependent.

For example, if you have a time-frame of less than 2 years, then the investment risk you may experience for investing in growth assets* may seem much higher than those of defensive assets*****
because of the short-term volatility sometimes experienced with such assets.

You might ask why? This is because each asset sector has minimum (ideal) time-frames for investment. Shares are considered a long-term investment and when held for periods of less than five years, it may seem they are far more volatile than other asset sectors such as fixed interest or property.

Investment risk can be measured by the volatility of historical returns. This data can impact on the perception of investment risk at any given point in time. Whilst past performance is not an accurate indicator for future performance, as there are no guarantees, there is a lot to learn from the past.

The past can often give us a good indication of the level of confidence we could have for a future result. Historical data is a good indication of the past but the future will not necessarily mirror the past. Having said this, we can have high confidence that it will be similar.

***** *Defensive assets and Growth assets are explained later in this guide.*

Determining your Investment Profile

An Investment Profile measures the amount of volatility and risk tolerance a person could take in order to achieve their financial goals.

It provides a suitable benchmark for asset allocation to invest your available funds, based on your relative comfort during the investment time-frame.

Before you determine your Investment Profile, you should complete the following steps.

- Determine how much you have to invest, including any superannuation monies.
- Decide on your financial goals. Be realistic and specific. We can help you articulate your goals, but they should remain your own.
- Set time frames for achieving each of your financial goals. You will need to make sure the time frames are consistent with the Investment Profile.
- Prioritise your financial goals. Are there any you could compromise or change in place of achieving another goal?
- Set up/keep a cash reserve for emergencies. A cash reserve is important as it provides you with accessible funds to draw upon in the event of any unexpected or emergency expenditure needs.
- Be interested in your financial situation – keep learning. It is much easier to make confident and informed financial decisions when you understand and have an interest in them.
- Put a risk management strategy in place. This will protect the strategies you have put in place and your assets in the event something happens to you (like suffering a critical illness or permanent disablement) during your investment time-frame, which can otherwise significantly impact the achievement of your goals.
- Put a plan in place to review your financial position on a regular basis.
- Seek professional financial advice. We can help keep you informed and on-track with achieving your financial goals. We can also highlight gaps if and when they arise.

Together, we will determine what your Investment Profile is. Your Investment Profile will tell us how much tolerance for investment risk and volatility you would be comfortable with during your investment time frame.

The Investment Profile provides us with an asset allocation guide which can tell us the spread of investments across the main asset sectors that may be recommended to you.

Investment risk, range of returns (measure of volatility) and investment returns history for each Investment Profile are illustrated in tables later in this Guide. This data is obtained courtesy of Lonsec Limited.

Asset Sector Descriptions

It is important to keep in mind that not all asset sectors are relevant or suitable for everyone. Below is a brief description of the features for each asset sector to help you understand these areas further.

We will explain the asset sectors and their relevant advantages and disadvantages, as it relates to your circumstances, when we recommend an asset sector to you.

Defensive Assets

Defensive assets are those assets that have an income bias and offer little or no capital growth on the capital invested and provide reasonably stable capital base.

Cash-based investments

Cash-based investments are typically funds held with banking institutions (including building societies and credit unions), Australian Government bodies and companies. They pay an income that usually rises and falls over time in line with short-term interest rates and the cash rate. Cash is a very low risk investment and pays an income return in the form of interest.

Examples of Cash investments include:

- Cash in a bank account (cheque and savings)
- Cash Management Accounts/ Trusts
- Bank Bills
- Treasury Notes

Australian and Overseas Fixed Interest (or Bonds)

Fixed Interest investments have a fixed rate of interest payable.

Examples of Fixed Interest Investments include:

- Term deposits
- Commonwealth and semi government bonds and debentures
- Corporate bonds and debentures
- First and second mortgages

Fixed Interest investments tend to be low-moderate risk for Australian Fixed Interest and moderate-high risk for Overseas Fixed Interest (also known as Overseas Bonds).

Term deposits are deposits with a bank, building society or credit union with a fixed interest rate for a fixed period of time. This rate is known prior to the deposit being made. Term deposits can range from one month to five years in duration.

Bonds are issued by government and semi-government bodies in Australia and overseas. You can invest in a bond from one to thirty (30) years in duration and at maturity, the borrower will return the investment amount to the investor plus interest.

Managers who invest in mortgages are seeking to produce income for investors through lending this money on the security of first mortgages. Risk level can be higher than most other fixed interest investments but this is usually commensurate with the returns offered.

Growth Assets

Growth assets are assets that provide mostly capital growth and generate some income. These assets may also have higher tax advantages compared to 'defensive assets' (as outlined above).

Australian and Overseas Shares

When you own shares you become a part owner of a company, you are a 'shareholder'. As an owner you share in the success or failure of the company. Returns to shareholders can come through dividends from profits, or through the capital growth in the share price. Dividends from Australian companies often carry imputed tax credits (tax paid credits) that can be tax friendly.

Shares are generally medium-high risk investments in that you rely on the company to perform well. While the dividend payments from shares are generally regular and consistent, the capital value can rise and fall over the short to medium term. Accordingly, shares should be held for the long term (generally at least five years), in order to ride out any short term fluctuations in the share price.

Examples of Australian and Overseas Share types are:

- Australian Shares
- Australian Industrial Shares
- Australian Resource Shares
- Specific Overseas Regions
- Australian Imputation Shares
- Australian Emerging Companies
- Overseas Shares
- Specific Countries' Shares

When investing in shares through a managed fund, a portfolio may be weighted towards more or less speculative stocks, or may be designed for income rather than capital growth or vice versa.

The use of Australian Imputation stocks aims to produce tax effective income coupled with reasonable growth. Overseas managers may hedge (ie. insure against) the currency risk or may not. They may also invest around the globe or only in specific countries or regions.

Australian Property, Overseas Property and Direct Property

There are two ways you can invest in property. You can own it directly yourself or invest in listed or unlisted property trusts that own the property directly. The term 'listed' refers to being listed and available on a stock exchange.

Direct property normally includes investment in commercial, industrial and residential property.

Listed property trusts' units are listed on a stock exchange, in the same manner as Shares and are therefore subject to movement resulting from market sentiment. The underlying assets of the trusts are actual properties (ie. bricks and mortar) and they are generally less volatile than the rest of the listed market.

Listed trusts will normally produce good levels of income, which is reasonably tax effective, together with moderate levels of capital growth over time. A major benefit of being listed on a Stock Exchange is the immediate liquidity of the investment, as the units may be sold at any time.

Investment Managers who invest in listed funds can give investors the benefit of a spread of property throughout the market and this can be appropriate in a portfolio, especially for a smaller investor.

Unlisted property investments are subject to stringent rules, which in turn make them a relatively illiquid investment with normally long redemption (exit) periods. Provided this suits investors, it is usually a smaller part of a diversified portfolio. Investors need to be aware of the lack of liquidity before investing as you cannot sell separate parts of the property as with listed property trusts.

Infrastructure

Infrastructure investments are those where investment funds are used to finance expenditure on new construction and extension of existing infrastructure, including reconstruction, renewal and major repairs of infrastructure. Infrastructure normally includes land, buildings, bridges and tunnels (ie. motor ways and airports).

Infrastructure may be owned and managed by governments or by private companies, such as public utility or railway companies. Generally, most roads, major ports and airports, water distribution systems and sewage networks are publicly owned, whereas most energy and telecommunications networks are privately owned.

Gearing to buy assets

Whilst gearing itself is not an asset sector, it is important for potential investors to understand what gearing is, how gearing could be used by investors and the key features of a gearing strategy.

Gearing simply means borrowing money to invest, and this strategy aims to accelerate the accumulation of wealth. By using borrowed funds, a person is able to acquire more assets than if they had only used their own available funds. This has the potential to magnify investments profits, but will also magnify any losses if the value of the underlying investments falls.

Gearing should be a long term strategy. Anyone wanting to commence a gearing strategy should be prepared to invest for at least five years to allow time to overcome any short term market volatility, and allow the leveraging (borrowing) effects to work.

In order to achieve capital growth, the selection of the assets ideally needs to have a strong likelihood of increasing in value over time. These assets commonly include shares, property and most managed funds (and not fixed interest or cash type assets).

Margin Lending

Margin Lending also means borrowing to invest, thus it is a form of gearing. A margin loan is normally used to secure against shares and or property trusts listed on a stock exchange as well as unlisted managed funds. The lender provides a list of the specific financial products that it will accept as loan security, and will set a percentage of the market value for each asset that is the maximum amount that it will lend against that asset (ie. maximum borrowing of 65% against current value of XYZ shares).

It is crucial that any investor that decides to be involved in margin lending understands the way in which these loans operate, especially where margin calls are concerned. Margin calls are normally payable within 24 hours and all borrowers must be able to satisfy any margin call within this time.

For example, if a person wanted to borrow $100,000 to buy shares in XYZ Pty Ltd, the margin loan provider will use these shares as security (deposit) for the loan and set a maximum loan to value ratio (LVR) for those shares of 65%. Once the value of XYZ shares falls below $65,000, a margin call is made and immediate action to return the LVR to at least 65%.

Key Features of the major asset sectors

Table 1

Asset Class	Income	Growth	Time-frame	Tax-advantages	Volatility Indicator	Short term Risk	Example risks
Cash	Moderate	None	Any Usually up to 2 years	None	Nil	Very Low	• There may be no protection from inflation risks. • Returns are fully taxable.
Australian Fixed Interest	High	None - Low	1 month to 5 years	None	Nil	Low	• Interest rates can vary and may not keep pace with inflation levels. • You cannot cash the funds as quickly if urgently required.
Overseas Fixed Interest	High	None - Low	1 to 5 years	None	Nil	Low-Moderate	
Direct Property	Low-Moderate	Moderate-High	5+ years	Low-Moderate	Moderate	Moderate-High	• Investment is can be illiquid and may take lengthy period to cash in. • Asset cannot be divided easily. • Can easily be destroyed. • Large amount of capital concentrated in one asset class.
Infrastructure	Low-Moderate	Moderate-High	3+ years	Low-Moderate	Moderate-High	Moderate-High	
Australian Shares & Listed Property	Moderate	Moderate-High	7+ years	High	High	High	• Greater stock market volatility in the short term. • Market slumps can be prolonged. • The risk that the company/ trust can underperform or go out of business.
Overseas Shares	Low-Moderate	Very High	7+ years	Low	High	High	

Historical Returns – Major Asset Sectors

This table shows you the one year return results for each of the major asset sectors since 2003.

Table 2

YEAR TO 30 JUNE	CASH	AUST FIXED	GLOBAL FIXED	AUST EQUITIES	GLOBAL EQUITIES	AUST PROPERTY	GLOBAL PROPERTY	INFLATION
2003	5.0	9.8	12.5	-1.6	-18.5	12.2	5.6	2.6
2004	5.3	2.3	4.1	21.7	19.4	17.2	28.4	2.5
2005	5.6	7.8	11.6	26.0	0.1	18.4	31.8	2.5
2006	5.8	3.4	1.2	24.0	19.9	18.1	27.0	4.0
2007	6.4	4.0	5.7	29.2	7.8	26.3	24.6	2.1
2008	7.3	4.4	7.9	-13.7	-21.3	-37.7	-22.8	4.4
2009	5.5	10.8	10.0	-20.3	-16.2	-42.1	-38.1	1.4
2010	3.9	7.9	11.5	13.1	5.2	20.3	26.3	3.1
2011	5.0	5.5	6.9	11.9	2.7	5.9	28.3	3.5
2012	4.7	12.4	11.6	-7.0	-0.5	11.0	5.1	1.2
2013	3.3	2.8	4.6	21.9	33.1	24.0	19.9	2.4
2014	2.7	6.1	7.8	17.3	20.4	11.1	14.5	3.0
2015	2.6	5.6	5.6	5.6	25.2	20.2	9.1	1.5
2016	2.2	7.0	9.3	0.9	0.4	24.6	12.3	1.0
2017	1.8	0.2	0.5	13.8	14.7	-5.6	2.2	1.9
AVERAGE RETURN (% PA)	**4.5**	**6.0**	**7.4**	**9.5**	**6.1**	**8.2**	**11.6**	**2.5**
REAL RETURN (% PA)	**2.0**	**3.5**	**4.9**	**7.0**	**3.7**	**5.8**	**9.1**	**0.0**
RANK	**7**	**6**	**4**	**2**	**5**	**3**	**1**	**-**

Source: Bloomberg & FE / Currency: Australian Dollars

Important Note: *Past performance is not a reliable indicator for future performance.*

What you might expect from each Asset Sector

History will tell us that each asset sector will perform differently over time and that you cannot accurately determine the end annual result without a crystal ball. Having said this, each asset sector has embedded characteristics to tell you what to expect. Ultimately the end result is based on the current economic environment and how that asset sector performs relative to the other asset sectors.

Below is the Historical Characteristics for each asset sector, to 30 June 2017. Whilst this noted performance will not guarantee you the same future performance, it will tell you what you might expect had you invested in these asset sectors during this time, when compared to the relevant benchmark.

Table 3

	AUST EQUITIES	GLOBAL EQUITIES	EMERGING MARKETS	AUST LISTED PROP	GLOBAL LISTED PROP	DIRECT PROP	GLOBAL LISTED INFRST	AUST BOND	GLOBAL BOND	CASH
RETURN (% P.A.)										
1 YEAR	13.8	14.7	20.1	-5.6	2.2	12.0	10.9	0.2	0.5	1.8
2 YEARS	7.2	7.3	4.4	8.4	7.1	12.4	10.9	3.6	4.8	2.0
3 YEARS	6.6	13.0	8.3	12.2	7.8	11.6	11.2	4.3	5.1	2.2
5 YEARS	11.6	18.2	10.2	14.2	11.4	10.3	15.8	4.3	5.5	2.5
7 YEARS	8.8	13.1	5.3	12.5	12.7	10.0	14.5	5.6	6.6	3.2
10 YEARS	3.4	5.1	2.9	-0.1	3.4	7.1	7.2	6.2	7.5	3.9
15 YEARS	8.5	4.9	8.3	5.7	9.6	9.5	11.6	6.0	7.3	4.5
20 YEARS	8.3	5.3	5.4	7.2	9.6	9.7	9.1	6.2	7.4	4.7
RISK (STANDARD DEVIATION % P.A.)										
3 YEARS	12.5	10.8	10.3	13.6	11.6	2.3	8.5	2.9	2.8	0.1
5 YEARS	11.5	10.6	9.6	12.5	11.1	1.9	8.6	2.6	2.7	0.2
10 YEARS	14.4	12.0	13.9	19.0	19.9	3.5	12.0	3.0	2.8	0.5
15 YEARS	13.0	11.8	14.4	16.5	17.7	3.7	11.5	2.8	2.8	0.5
PROBABILITY OF A NEGATIVE 12-MONTH RETURN*										
PROBABILITY (%)	26.7	34.4	27.8	17.8	17.8	10.0	17.8	0.0	0.0	0.0
FREQUENCY OF A NEGATIVE 12-MONTH RETURN*										
1 YEAR IN ...	3.8	2.9	3.6	5.6	5.6	10.0	5.6	0.0	0.0	0.0
WORST, BEST AND AVERAGE 12-MONTH RETURN (%)*										
WORST	-40.5	-33.4	-41.2	-58.2	-58.3	-13.6	-35.7	0.2	0.5	1.8
BEST	45.1	48.0	67.0	42.6	75.6	21.3	37.0	15.2	14.0	7.8
AVERAGE	9.5	4.9	9.3	9.2	12.9	9.7	12.0	6.1	7.5	4.6
WORST, BEST AND AVERAGE 3-YEAR RETURN (% P.A.)*										
WORST	-8.3	-18.5	-16.5	-26.0	-23.5	-1.0	-8.7	3.9	4.9	2.2
BEST	27.6	29.5	38.3	26.8	34.7	17.9	31.8	9.0	10.8	6.8
AVERAGE	8.4	3.1	7.1	7.7	11.7	9.4	10.2	6.3	7.8	4.8
REAL 12-MONTH RETURNS (%)*										
AVERAGE	7.3	3.0	7.7	6.4	10.4	7.0	9.7	3.5	4.9	2.0

**Calculations based on 15 years of rolling performances*
Source: Bloomberg & FE / Currency: Australian Dollars

ASSET CLASS	RELATED MARKET BENCHMARK
AUSTRALIAN EQUITIES	S&P/ASX 300 TR INDEX AUD
GLOBAL EQUITIES	MSCI WORLD EX AUSTRALIA NR INDEX AUD (UNHEDGED)
EMERGING MARKETS	MSCI EMERGING MARKETS TR INDEX AUD (UNHEDGED)
AUSTRALIAN LISTED PROPERTY	S&P/ASX 300 A-REIT TR INDEX AUD
GLOBAL LISTED PROPERTY	FTSE EPRA/NAREIT DEVELOPED NR INDEX (AUD HEDGED) / UBS GLOBAL INVESTORS TR INDEX (AUD HEDGED) PRIOR TO APR-09
DIRECT PROPERTY	MERCER / IPD AUSTRALIAN POOLED PROPERTY FUND INDEX
GLOBAL LISTED INFRASTRUCTURE	FTSE GLOBAL CORE INFRASTRUCTURE 50/50 NR INDEX (AUD HEDGED) / UBS GLOBAL INFRASTRUCTURE & UTILITIES 50-50 NR INDEX (AUD HEDGED) PRIOR TO MAY-15
AUSTRALIAN BONDS	BLOOMBERG AUSBOND COMPOSITE BOND INDEX AUD
GLOBAL BONDS	BLOOMBERG BARCAP GLOBAL AGGREGATE TR INDEX (AUD HEDGED)
CASH	BLOOMBERG AUSBOND BANK BILL INDEX AUD

Client Investment Profile Descriptions

Table 4

	Type A 'Secure'	Type B 'Defensive'	Type C 'Conservative'	Type D 'Balanced'	Type E 'Growth'	Type F 'High Growth'
Portfolio Type	• Focuses on the preservation of capital • Return is likely to be low and consistent compared with other options • Restricted in its ability to reduce taxable income or tax effectiveness of income • Not appropriate for investors seeking capital growth • Minimum time-frame for investment is 0-2 years • Target above cash (the returns objective) is +0.00%	• Income focussed with small exposure to growth assets with some capital risk in order to achieve overall portfolio growth • Expected to have low fluctuation and low capital risk in short-term • Income generated may have small tax benefits • Suited to investors that seek high level of income • Minimum time-frame for investment is 2-3 years • Target above cash (the returns objective) is +0.80%	• Suitable for investors seeking an income stream with some capital growth • High exposure to fixed income securities but also some exposure to share and property markets • Suited to medium term investors seeking reasonable degree of capital security but want to protect assets from inflation effects • Some tax relief on income may be available • Minimum time-frame for investment is 3-4 years • Target above cash (the returns objective) is +1.60%	• Slightly higher exposure to growth assets than income/ defensive assets • Expected to have lower short term fluctuations than other growth based portfolios • Aims to produce capital growth over medium-long term • Balanced exposure to shares, property and fixed income • Income from portfolio may be partially tax effective • Minimum time-frame for investment is 5+ years • Target above cash (the returns objective) is +2.40%	• Growth oriented portfolio better suited for long-term investors who can accept some investment risk over the long run • Small income/ defensive exposure should slightly reduce the short term fluctuations in value • Income stream may be moderately tax effective • Portfolio has a high exposure to shares and property to provide long term capital growth • Minimum time-frame for investment is 6+ years • Target above cash (the returns objective) is +3.20%	• No exposure to income assets • Strong focus on maximising capital growth over the long term • Portfolio is likely to produce minimal income, which may be tax effective • Investors should expect high short term fluctuation in value and a higher chance in capital loss • Investors are prepared to accept this higher risk as trade off for achieving their long-term objectives • Minimum time-frame for investment is 7+ years • Target above cash (the returns objective) is +4.00%

Table 5

ASSET CLASS	SECURE	DEFENSIVE	CONSERVATIVE	BALANCED	GROWTH	HIGH GROWTH
TOTAL RETURN TARGET ABOVE CASH (%)	+0.0	+0.8	+1.6	+2.4	+3.2	+4.0
ABSOLUTE RETURN (%)	3.5	4.3	5.1	5.9	6.7	7.5
EQUITIES		**16**	**34**	**49**	**68**	**88**
AUSTRALIAN EQUITIES		8	17	23	32	41
GLOBAL EQUITIES (UNHEDGED)		8	17	24	30	38
EMERGING MARKETS (UNHEDGED)				2	6	9
PROPERTY & INFRASTRUCTURE		**4**	**6**	**11**	**12**	**12**
AUSTRALIAN LISTED PROPERTY		2	3	3	4	4
GLOBAL LISTED PROPERTY (HEDGED)				2	2	2
DIRECT PROPERTY		2	3	3	3	3
GLOBAL LISTED INFRASTRUCTURE (HEDGED)				3	3	3
BONDS		**55**	**50**	**35**	**18**	
AUSTRALIAN FIXED INTEREST		22	21	15	8	
GLOBAL FIXED INTEREST (HEDGED)		19	18	12	6	
DIVERSIFIED INCOME		14	11	8	4	
CASH	**100**	**25**	**10**	**5**	**2**	
TOTAL GROWTH ASSETS	**0**	**20**	**40**	**60**	**80**	**100**
TOTAL INCOME ASSETS	**100**	**80**	**60**	**40**	**20**	**0**

Information current as at June 2017

Source: Lonsec Research

Important Note: *Strategic Allocations are indicative and may be subject to change depending on your circumstances and market conditions*

Client Investment Profile Descriptions– Historical characteristics

Table 6

	SECURE	DEFENSIVE	CONSERVATIVE	BALANCED	GROWTH	HIGH GROWTH
RETURN (% P.A.)						
1 YEAR	1.8	3.5	5.7	8.1	10.8	13.7
2 YEARS	2.0	4.3	5.4	6.3	6.9	7.5
3 YEARS	2.2	5.0	6.6	7.8	8.9	9.9
5 YEARS	2.5	6.1	8.5	10.6	12.4	14.4
7 YEARS	3.2	6.2	7.7	9.0	9.9	10.8
10 YEARS	3.9	5.4	5.5	5.3	4.9	4.4
15 YEARS	4.5	6.1	6.6	7.0	7.3	7.4
RISK (STANDARD DEVIATION % P.A.)						
3 YEARS	0.1	2.3	4.0	5.6	7.4	9.2
5 YEARS	0.2	2.1	3.6	5.0	6.6	8.2
10 YEARS	0.5	2.3	4.3	6.5	8.8	11.1
15 YEARS	0.5	2.1	4.0	6.0	8.2	10.5
PROBABILITY OF A NEGATIVE 12-MONTH RETURN*						
PROBABILITY (%)	0.0	5.8	16.7	20.0	27.5	30.8
FREQUENCY OF A NEGATIVE 12-MONTH RETURN*						
1 YEAR IN …	0.0	17.1	6.0	5.0	3.6	3.2
WORST, BEST AND AVERAGE 12-MONTH RETURN (%)*						
WORST	1.8	-1.0	-9.1	-17.9	-26.3	-33.7
BEST	7.8	9.8	13.9	19.3	24.6	30.3
AVERAGE	4.1	5.6	5.8	5.9	5.9	5.9
WORST, BEST AND AVERAGE 3-YEAR RETURN (% P.A.)*						
WORST	2.2	3.1	-0.2	-3.6	-6.8	-9.9
BEST	6.8	8.3	11.7	14.6	17.7	21.0
AVERAGE	4.5	5.9	6.2	6.4	6.3	6.2
REAL 12-MONTH RETURNS (%)*						
AVERAGE	1.7	3.2	3.5	3.7	3.7	3.8

Information current as at June 2017

** Calculations are based on 10 years of rolling performances to 30 June 2017.*
Source: Bloomberg & FE / Currency: Australian Dollars

What happens next?

Now that you have read this guide, you are ready to determine your Investment Profile.

Remember, investment risk is a measure of how much risk and volatility you could be comfortable with before you put your financial goals at risk (ie. your comfort level). Based on this, the selected Investment Profile is then used to match strategies and investments suited to your comfort level.

When an Investment Profile is decided, you need to understand the various features and the risk and return characteristics associated with that Investment Profile. If it is not a close match to your tolerance for investment risk and volatility, then you risk your financial goals not being met or you not sleeping at night (the "Sleep Test").

If your Investment Profile matches your financial goals, and provided you remain invested for the relevant time period, your financial goals should be achieved.

Your financial goals may not be met if the any of the following occurs:

- Your financial resources are not adequate
- Your financial goals are set too high (initially)
- Your level of tolerance for investment risk and volatility (your Investment Profile) is too conservative
- Your income and financial circumstances change (negatively)
- You or a family member are affected or suffer from an accident, prolonged sickness, trauma, total and permanent disablement or death without adequate risk management strategies in place
- You fail to plan and review your plan.

Always seek assistance from us when you are faced with making a decision that possibly compromises your financial goals or to discuss investment risk and volatility further.

Ways you can handle volatility

- Stick to your original plan – Don't sell good investments unless it is necessary.
- Diversify your portfolio – A well-diversified portfolio will limit the overall volatility you will experience.
- Check your investment time-frame – If you still have some time before you meet your financial goals, then you could ride out the volatility.
- Have realistic expectations and be positive – Don't set out to achieve goals that are not possible given your current financial resources or your tolerance for investment risk and volatility.
- Ensure you understand what is happening with your investments – Keep yourself informed and ensure your portfolio is regularly reviewed.
- Consult regularly with us – Over time, your Investment Profile may change. We will seek to review this during our relationship to ensure it remains appropriate.

You are now ready to complete the Client Investment Profile Questionnaire.