advocate advisory

Investor Risk Profile Questionnaire

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Your personal investment style

The amount of risk an investor is willing to accept is known as their 'risk profile'. Assessing a client's tolerance to investment risk is a key aspect of portfolio construction and is critical to determining appropriate asset allocation, the recommended investments and expected returns.

The following questions are designed to help us determine your risk profile. Investigating your financial needs, circumstances and objectives will assist us in developing an investment strategy and recommendations to suit your specific requirements.

Your liquidity requirements, ie having access to your funds

1: Apart from any short-term and ongoing needs for access to cash, how long do you envisage it will be before you require access to most of your funds?	Client 1 (Please circle your answer)	Client 2 (Please circle your answer)
1 year or less.	1	1
2 to 3 years.	2	2
3 to 5 years.	3	3
5 years or more.	4	4

Your investment experience

2: How familiar are you with investment markets?	Client 1	Client 2
I have no experience at all.	1	1
I have a basic understanding of investment markets.	2	2
I have a strong understanding of investment markets.	3	3
I am an experienced investor.	4	4

Your attitude to risk

3: How comfortable are you with putting your initial investment at risk to achieve a higher level of return?	Client 1	Client 2
I am not prepared to accept any loss of my initial investment.	1	1
I am prepared to accept minor losses to my initial investment.	2	2
I understand that in seeking higher returns I may have to accept some loss of my initial investment.	3	3
In seeking a higher return, I am prepared to accept a moderate loss of my initial investment.	4	4

Your investment objectives

4: What do you want to achieve from your investments?	Client 1	Client 2
I want a source of income. I am not particularly concerned about my initial investment growing in value.	1	1
My priority is to generate income. However, I would like to see my initial investment grow over time.	2	2
My priority is the capital growth of my initial investment. However, I would like to generate some income.	3	3
My focus is on investment growth. I do not require any income.	4	4

Your concerns about inflation

5: How important is it to you that the value of your initial investment keeps pace with or exceeds the rate of inflation over your investment time frame?	Client 1	Client 2
Not important.	1	1
Important.	2	2
Extremely important.	3	3

Your concerns about taxation

6: When investing, how important is it for you to minimise your income tax? Bear in mind that tax-minimisation strategies may involve taking some risk with your initial investment.	Client 1	Client 2
Not at all.	1	1
Slightly important.	2	2
Important.	3	3
Very important.	4	4

Your attitude to capital loss

7: How would you react if the value of your portfolio fell by more than 20% in any year?	Client 1	Client 2
I would consider redeeming all my assets and transferring them to cash.	1	1
I would be concerned and consider changing my investment strategy.	2	2
I would be confident that my strategy remains appropriate for my time horizon and would make no changes.	3	3
I would consider investing more to take advantage of the lower entry prices.	4	4

Your investment preferences

8: Which one of the following best describes your attitude to market volatility when choosing an investment?	Client 1	Client 2
I prefer investments that are not affected by market volatility so the value of my capital will not fluctuate.	1	1
I prefer investments with a low risk of volatility; however, I am happy to have a small portion of my portfolio invested in assets with potentially higher levels of short-term capital fluctuation.	2	2
I prefer to spread my investments across the different asset classes and accept that some capital fluctuation will occur as a result.	3	3
I am comfortable including investments with a higher degree of capital fluctuation in my portfolio, but like to maintain a small amount of stable investments to smooth returns over time.	4	4
I am comfortable investing the majority of my portfolio in assets with higher levels of capital fluctuation.	5	5

Your attitude to gearing – please tick the appropriate box

9 :Gearing strategies can magnify your gains, but also your losses. Would you be prepared to borrow to invest?	Client 1	Client 2
I would not consider borrowing to invest.	☐	☐
I would be prepared to borrow up to 25% of my total investment.	☐	☐
I would be prepared to borrow up to 50% of my total investment.	☐	☐
I would be prepared to borrow up to 70% of my total investment.	☐	☐

Add up the scores to these questions and write the total into the appropriate box below. (Exclude Q9)

Final score	Client 1	Client 2

Refer to the client risk profiles below and write the corresponding risk profile into the appropriate box below.

Risk profile	Client 1	Client 2

Client risk profiles

Defensive (less than 12)

Your investment style suggests you do not wish to take on any investment risk. Your main priority is safeguarding your investment capital, and you are prepared to sacrifice higher returns for peace of mind. Generally, the most appropriate strategy for someone with a defensive risk profile is to invest 100% in income and 0% in growth assets.

A defensive approach is usually appropriate for investment terms of one to two years.

Conservative (12 to 15)

Your investment style suggests you are prepared to accept a small amount of risk; however, your priority remains preserving your capital over the medium to long term. Generally, the most appropriate strategy for someone with a conservative risk profile is to invest 80% in income and 20% in growth assets. Conservative investors should be prepared to accept negative returns approximately one year in every 30. A conservative approach is usually appropriate for investment terms of two to three years.

Moderate (16 to 21)

Your investment style suggests you have some understanding of investment markets and their behavior, and are prepared to take short-term risks to gain long-term capital growth. Generally, the most appropriate strategy for someone with a moderate risk profile is to invest 60% in income and 40% in growth assets. Moderate investors should be prepared to accept negative returns approximately one year in every 10. A moderate approach is usually appropriate for investment terms of three to four years.

Balanced (22 to 26)

Your investment style suggests you are seeking a greater growth component in your investment portfolio, with some income to smooth volatility in your returns. Although you remain cautious of taking on extreme levels of risk, your general understanding of investment markets enables you to feel comfortable with short-term risk. Generally, the most appropriate strategy for someone with a balanced risk profile is to invest 40% in income and 60% in growth assets.

Balanced investors should be prepared to accept negative returns approximately one year in every six. A balanced approach is usually appropriate for investment terms of four to five years.

Growth (27 to 30)

Your investment style suggests you are prepared to sacrifice short-term safety to maximise the value of your investments through long-term capital growth. However, you do not wish to make unbalanced investment decisions.

Generally, the most appropriate strategy for someone with an growth risk profile is to invest 20% in income and 80% in growth assets. Growth investors should be prepared to accept negative returns approximately one year in every five. A growth approach is usually appropriate for investment terms of five to seven years.

High Growth (31 to 34)

The recommendation for high growth investors is to invest 100% in growth assets, typically a larger exposure to Australian and international shares. As high growth portfolios are likely to experience more volatility than other portfolios, high growth investors should be prepared to accept negative returns approximately one year in every five. A high growth approach is usually appropriate for a term of investment of more than seven years.

Asset classes

Each investment risk profile is supported by asset allocation guidelines designed to match your investment experience and risk tolerance with your expectations for investment returns.

The asset allocation for each risk profile is shown in the table below.

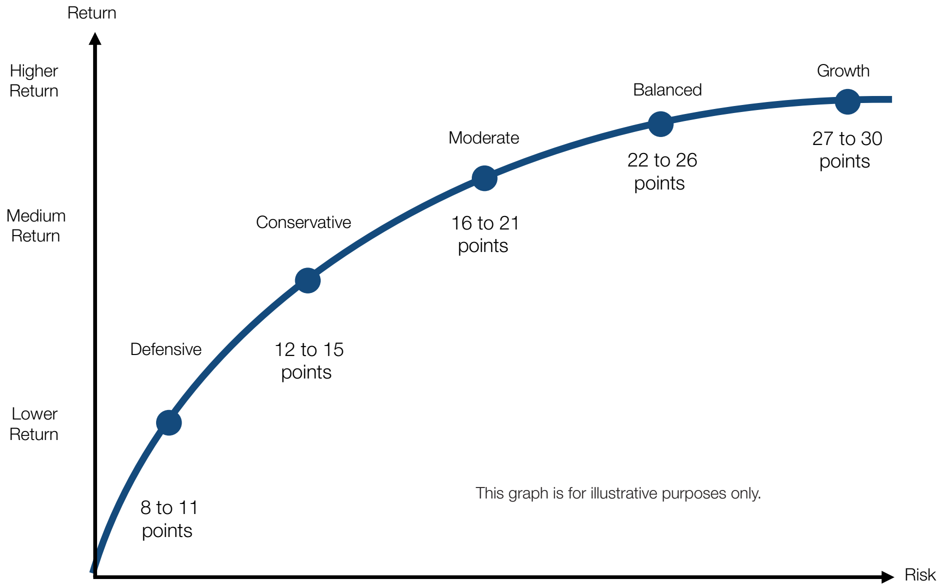
	Strategic asset allocation					
Asset class	**Defensive (100/0)**	**Conservative (80/20)**	**Moderate (60/40)**	**Balanced (40/60)**	**Growth (20/80)**	**High Growth (0/100)**
Income						
Cash	30%	10%	8%	5%	2%	0%
Fixed interest	70%	70%	52%	35%	18%	0%
Growth						
Australian shares & Listed Property	0%	5%	17%	26%	36%	46%
International shares & Listed Property	0%	10%	17%	26%	36%	46%
Income and growth						
Alternatives	0%	5%	6%	8%	8%	8%
Total	100%	100%	100%	100%	100%	100%

As client circumstances differ, and portfolio values vary over time, an acceptable portfolio recommendation must remain within ten points of the strategic asset allocation for each asset class. For example, if the target asset allocation for Australian shares is 30%, the recommended allocation should be between 20% and 40%. In addition, the portfolio must remain within ten points of the strategic asset allocation benchmark (ie the growth to income ratio).

Minor variations in your asset allocation will occur from time to time and, if appropriately managed, will not generally have a material effect on the long-term performance of your investment portfolio. Significant variations from these benchmarks may also occur for a variety of reasons, and will be addressed in your Statement of Advice or other documentation.

Risk profile

The relationship between risk and return.



Client 1 name (print) ____________________________

Signature ____________________________

Date ____ / ____ / ____

Client 2 name (print) ____________________________

Signature ____________________________

Date ____ / ____ / ____