RISK PROFILE WORKBOOK

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In order for any advisor, Iridium Financial Services, or the Advisory Panel to make a recommendation, they must have reasonable grounds for making that recommendation. This means that an appropriate investigation must be undertaken as to the financial situation and particular needs of the individual(s) concerned. The information requested in this Risk Profile Workbook or fact find is necessary to enable recommendations to be made on a reasonable basis. This is a requirement under s954A of the Corporations Act 2001. It is therefore your responsibility to provide accurate and appropriate information to allow any advisor, Iridium Financial Services reasonable grounds for any recommendations. Failing to provide relevant or accurate information requested by your advisor, or any representative of Iridium Financial Services may result in your commitment to a strategy, or at some later stage a product, that may not be appropriate to your individual needs and circumstances.

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MANAGING INVESTMENT RISK

Our investment philosophy is centred around providing investment returns commensurate with the level of risk which is appropriate for you.

We will manage your investment risk by:

- diversifying investments both across and within asset classes.
- ensuring investments are approved investments unless specified otherwise by you.
- maintaining a disciplined asset allocation process with regular reviews and rebalancing.
- demonstrating the level of risk associated with the chosen strategy.

We study the risk and return characteristics of a variety of types of investments. We then examine likely outcomes of different combinations using our forecasts of investment returns and an analysis of risk. This blending, or asset allocation, is designed to provide you with the highest return while controlling the risk of a loss of purchasing power of your portfolio.

The appropriate balance between risk and reward depends on your needs.

Generally, the longer your time horizon, the better able you are to withstand short-term fluctuations in value. Many long-term investors would be advised to hold a high proportion of growth assets and possibly no cash. In contrast, if your money is being invested for a short time, say less than three years, and you require a high degree of stability, then it may be appropriate to modify the risk of your investment portfolio by holding some funds in cash or an equivalent.

FREQUENTLY ASKED QUESTIONS

What is Risk?

Risk can generally be described as the volatility of the value of your returns. Investment risk can be defined as the variability or volatility in the level of investment returns. Other forms of risk include:

Inflation Risk

Inflation risk is the risk that the purchasing power of the investment will fall.

Concentration Risk

Concentration risk is where all investments are placed in one asset class or sector or one investment manager. The investment should be diversified to mitigate concentration risk.

Market Risk

Market risk refers to the volatility or the extent to which the market value of an investment will fluctuate. The share market is influenced by investors' changing expectations of the economy and of individual companies.

Re-investment Risk

Re-investment risk is the risk that the re-investment price or interest rate of the investment may be higher/lower than the current price or rate.

Liquidity Risk

Liquidity risk is the risk that you may not be able to liquefy the investment readily without incurring high costs or a reduction in price.

Credit Risk

Credit risk is the risk that the issuer may not be able to meet its commitment to pay all promised interest and principal amounts in full and on time.

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Regulatory Risk

Regulatory risk or legislative risk is the risk that current laws may change. Most people invest money on the basis of current laws, for example current tax laws and superannuation laws which may later change.

Timing Risk

Market timing is where investors attempt to 'time the market', that is invest before the asset prices rise and hold on to the investment while the boom is on then sell out before the prices fall. Generally, investments should be held for a longer term to enjoy expected appreciation in values, rather than to time the purchase of the investment assets.

Manager Risk

There is a risk if an investor places all their investments with one investment manager. The risk is that the investment manager could perform poorly therefore to mitigate risk, investments must be spread over many asset classes and sectors as well as investment managers.

Currency Risk.

There is a currency risk where the portfolio includes overseas shares, the risk is that the value of the Australian dollar may change in value and affect the return of the asset in Australian dollar terms.

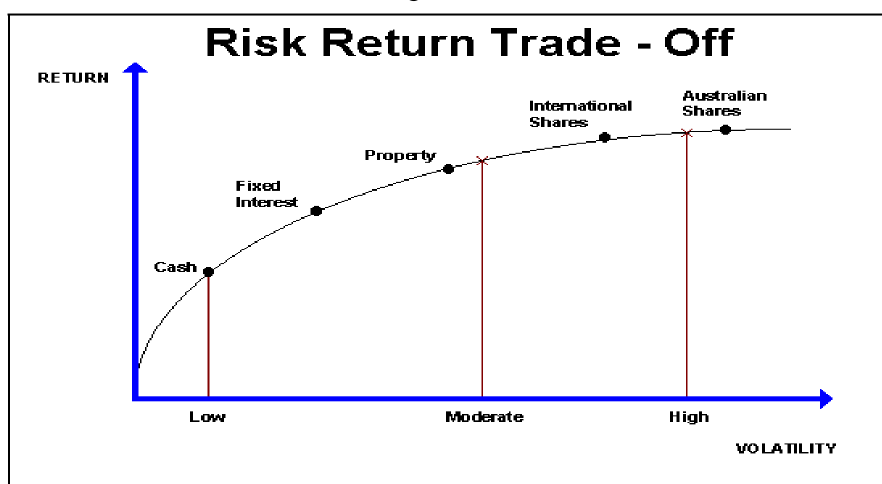
It is important to understand the risks associated with the investments that are chosen to form part of your portfolio. Generally, cash is regarded as a low risk investment as capital does not fluctuate and investment returns are relatively stable. Shares and property are considered to have higher risk because the returns vary to a much greater extent and investors are less certain of the returns they will receive.

What is the Risk Return Trade Off?

It is important to understand the risks associated with the investments that are chosen to form part of your portfolio.

Risk and return are closely related. That is, the higher the risk associated with an investment, the higher the return required by investors, if they are to accept the risk. Low risk investments such as cash, offer relatively low returns as a reflection of their greater security. This is known as the risk return trade off.

One of the most effective means of reducing risk and volatility within a portfolio is by introducing diversification across asset classes and fund managers.



Diversification

Diversification means spreading your investment dollars over many asset classes or sectors and investment managers to minimize risk. Put simply, not putting all your investment eggs into one basket. A diversified portfolio is an integral part of building wealth successfully as it enhances the security of a portfolio and

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the consistency of long term performance without unduly reducing overall returns, and in some cases actually significantly enhancing overall returns.

Diversification should take place in two ways:

1. Diversification across asset classes:

The primary asset classes are cash, fixed interest, shares and property. Within these asset classes there are many sectors which allow further diversification to take place. Such sectors include Government, semi-Government, bank and corporate securities; international investments; industrial, small, medium and large companies and resource shares, and property investments. Managed investments often use derivatives to achieve goals.

2. Diversification across investment managers:

Investment managers use different styles and techniques to select the fund investments that perform differently in varying market conditions. Spreading investments over many investment managers reduces the risk of the investment portfolio performing poorly and increases the chances of achieving more consistent returns.

In our recommendations we endeavour to ensure your portfolio is diversified in accordance with your objectives and investment preferences, investment time frame, liquidity requirements and tolerance to volatility.

What are Investment Cycles?

Investment sectors (ie cash, fixed interest or bonds, shares, property, etc.) move in cycles. In order to reduce volatility and risk in your portfolio, it is necessary to diversify across the different asset classes or sectors. The weighting to each sector should be determined in accordance with your 'risk profile' or tolerance for a benchmark asset allocation that will hold a certain percentage of your assets in the 'growth' asset classes.

Volatility

Volatility in an investment means the extent to which the price of the investment rises and falls over time. Investments such as cash may have no capital volatility – the value of your initial capital never changes, although the income return might vary.

Investments such as shares have high price volatility because the share price changes on a daily basis – experiencing many rises and falls – and the income will also vary.

The important requirement for investment success is that over longer time periods, the general trend of the price is upward, despite short term volatility.

Blending funds together reduces volatility, and reducing volatility is worthwhile for two reasons. Firstly, it makes it more likely that a portfolio will meet its return objectives over the shorter to medium term. The lower the volatility, the lower the chance of a major deviation from expected returns at some time in the future. The second reason is one can avoid having to pick winners. Investment is prospective and it is difficult to know which fund will be the best performer over a realistic timeframe. Constantly chasing performance can lead to disappointing results for investors. Blending has the advantage of taking the focus off immediate performance and back onto whether a manager fits into a portfolio structure.

HOW TO COMPLETE THE RISK TOLERANCE EVALUATION

In order to determine your Risk Profile, we have prepared a Risk Tolerance Evaluation system. This system will assist us in understanding what type of investor you are and how much risk you can tolerate. This will enable us to recommend a personalized asset allocation tailored to your needs.

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Please read and answer the following 11 questions [starting next page] by ticking the most appropriate answer. Once you have completed all the questions, add up all the numbers that correspond to your answers to obtain a total. Match this total number with the series of Risk Profiles on Page 10.

Don't forget to sign the Client Acknowledgement on Page 14.

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RISK TOLERANCE EVALUATION

	Client 1	Client 2
1. Which of the following best describes your current stage in life?		
• Single with few financial burdens. Keen to accumulate wealth for the future. Some funds must be available for lifestyle.	☐	☐
• A couple without children. Preparing for the future. A high purchase rate of consumer goods.	☐	☐
• Young family. At home purchasing stage/mortgage. Maintain only small cash balances. Dissatisfied with financial position and rate of savings.	☐	☐
• Mature family. In peak earning years. Children are less dependant or have left home. Thinking about retirement, although still a few years away. Debt under control	☐	☐
• Preparing for retirement. Own your home and have little or no debt. Want to ensure you have a comfortable retirement.	☐	☐
• Retired. You rely on existing funds and investments to maintain your lifestyle. You may be on a pension.	☐	☐
2. How important is receiving an income from your investments?		
• Necessary and must be a consistent amount each month	☐	☐
• Necessary but I am willing to accept some fluctuation in the amount	☐	☐
• Important, but growing capital is also an important factor	☐	☐
• Not important, capital growth is the primary goal	☐	☐
3. How important is the growth of capital in your investments?		
• Necessary and should be as much as possible	☐	☐
• Necessary but some measures should be taken to control risk	☐	☐
• Important, but income is also an important factor	☐	☐
• Not important, receiving an income is the primary goal	☐	☐
4. How concerned are you that the earnings on your investment will exceed the rate of inflation?		
• Highly concerned	☐	☐
• Moderately concerned	☐	☐
• Slightly concerned	☐	☐
• Not concerned at all	☐	☐

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	Client 1	Client 2
5. If you didn't need your investment funds for more than 10 years, how long would you be prepared to see your investment performing poorly before you cashed it in?		
• As soon as there was any loss in value	☐	☐
• Up to 3-6 months	☐	☐
• Up to 6-12 months	☐	☐
• More than a year	☐	☐
6. Tax savings are generally obtained from more volatile investments. Which balance would you feel most comfortable with?		
• Preferred guaranteed returns, before tax savings.	☐	☐
• Stable, reliable returns, minimal tax savings	☐	☐
• Some variability in returns, some tax savings.	☐	☐
• Moderate variability in returns, reasonable tax savings	☐	☐
• Unstable, but potentially higher returns, maximising tax savings.	☐	☐
7. Assuming funds were allocated for future planned expenditure, how long would you expect to invest most of your money before you would need to access it?		
• Less than 12 months	☐	☐
• Up to 3 years	☐	☐
• 3 to 5 years	☐	☐
• More than 5 years	☐	☐
8. How familiar are you with investment markets??		
• Very little understanding or interest	☐	☐
• Not very familiar	☐	☐
• Understand the importance of diversification when investing	☐	☐
• Some understanding of markets – that they tend to fluctuate; and that different market sectors offer different income, growth and taxation characteristics.	☐	☐
• Experienced with all investment sectors and understand the various factors that influence performance	☐	☐

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	Client 1	Client 2
9. What would your reaction be if six months after placing your investments, you discover that, in line with the market generally, your portfolio has decreased by 20%?		
• You would not have invested if you thought it had the risk of failing like this	☐	☐
• You would cut your losses and transfer your funds into less volatile investment sectors.	☐	☐
• You would be concerned but wait to see if the investment improves.	☐	☐
• It was a calculated risk and you would leave the investment in place, expecting a cyclical improvement in performance.	☐	☐
• You would invest more funds to lower your average cost of investment [Dollar Cost Averaging], expecting future growth.	☐	☐
10. Which one of the following best describes your reason for investing?		
• Investment horizon beyond 5 years. You understand investment markets and mainly invest to accumulate long-term wealth.	☐	☐
• You have surplus funds to invest and are aiming to accumulate long-term wealth from a balanced portfolio.	☐	☐
• You have a lump sum [e.g. inheritance, insurance payout] to invest but are uncertain about the investment options available.	☐	☐
• You have some specific short term objectives within the next 5 years for which you want to accumulate sufficient funds.	☐	☐
• You want a regular income stream and/or totally protect the value of your accumulated capital	☐	☐
11. Which one of the following best describes your feelings towards choosing an investment?		
• I would only select high-growth investments so that I can earn higher long-term returns. I am happy to accept short term negative return.	☐	☐
• I prefer to diversify my investment with an emphasis on those investments that have higher returns, but still include a small amount of low risk investments.	☐	☐
• I prefer to diversify with a mix of investments that have an emphasis on low risk. I am happy to have a small portion invested in assets that have a higher degree of risk to achieve a slightly higher return.	☐	☐
• I would select investment that have a low degree of risk	☐	☐

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12. Please rate how comfortable you would feel investing in the following types of assets:
[1 = very uncomfortable; 3 = reasonably comfortable; 5 = very comfortable]

CLIENT 1	1	2	3	4	5
Residential Property	☐	☐	☐	☐	☐
Commercial Property	☐	☐	☐	☐	☐
Direct Australian Shares	☐	☐	☐	☐	☐
Direct International Shares	☐	☐	☐	☐	☐
Managed Equity Funds	☐	☐	☐	☐	☐
Managed Property Funds	☐	☐	☐	☐	☐
Other Managed Funds	☐	☐	☐	☐	☐
Fixed Rate Investments	☐	☐	☐	☐	☐
Speculative Investments	☐	☐	☐	☐	☐

CLIENT 2	1	2	3	4	5
Residential Property	☐	☐	☐	☐	☐
Commercial Property	☐	☐	☐	☐	☐
Direct Australian Shares	☐	☐	☐	☐	☐
Direct International Shares	☐	☐	☐	☐	☐
Managed Equity Funds	☐	☐	☐	☐	☐
Managed Property Funds	☐	☐	☐	☐	☐
Other Managed Funds	☐	☐	☐	☐	☐
Fixed Rate Investments	☐	☐	☐	☐	☐
Speculative Investments	☐	☐	☐	☐	☐

13. Investment Time Frame

% INVESTED	<10	10-20	20-60	60-80	80-100
< 1 Year	☐	☐	☐	☐	☐
1-5 Years	☐	☐	☐	☐	☐
>5 Years	☐	☐	☐	☐	☐

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14. Retirement Plans

YEARS TO RETIREMENT	RETIRED	<5	5-10	10-20	>20
Client 1	☐	☐	☐	☐	☐
Client 2	☐	☐	☐	☐	☐

15. Using the descriptions on Page 11-13 of this document, how would you describe yourself as an investor?

16. How comfortable are you with debt?

17. How comfortable are you in borrowing to finance investments?

18. What is/would be the main purpose of your investments?

PLEASE REMEMBER TO SIGN THE CLIENT ACKNOWLEDGEMENT ON PAGE 14

We will review your score and the answers to the above questions and from there determine your most appropriate Risk Profile. We will discuss the results with you at our next meeting.

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COMMON RISK PROFILES

The following is a list and description of the main risk profiles for investors based on Van Eyk's analysis. You can use these descriptions to answer question H4.

These description s are general in nature. Your Adviser will take into consideration your personal circumstances when providing advice and may advise on a different asset mix as they see fit.

Whilst property does not form part of the Van Eyk's asset mix, property is inherently conservative with the appropriate strategy considered.

Ultra Conservative - Cash Management

As an Ultra C onservative investor, your risk t olerance is extremel y low and you have a short time-frame for investment. You are not comfortable with growth assets and the only appropriate investment for you is cash-based investment such as bank accounts, cash management trusts and term deposits.

Conservative

As a Conservative investor, you are n ot in fa vour of risk and find it difficult t o cope with l osses. You feel more co mfortable ma intaining what yo u already ha ve. You are more conten ted to ac cept lower retur ns rather than taking up t oo mu ch risk for h igher returns.Based on your risk pr ofile, your preferr ed investment mix would generally be in defensive assets, such as b onds, cash, term de posits and fixed interests funds, and a small portion in growth assets, such as shares and property investments.

Below is Van Eyk'sasset mix for a Conservative investor:

ASSET CATEGORY	ASSET TYPE	% ALLOCATION
Defensive [65%]	Cash	25%
Fi	xed Interest	40%
Growth [35%]	Australian Equities	15%
Internation	al Equities	10%
	REITs and Infrastructure	5%
Alternat	ives	5%

Moderately Conservative

As a Moder ately Con servative investor, you t olerate low levels of variab ility in returns an d prefer n ot to have large fl uctuations in short te rm performance. Although increasing your wealth is not paramount and that you may have some nervou sness about inve sting, you are prepa red t o ac cept some ri sks t o y our capital for th e chance of moderate growth.Based on your risk profile, you generally prefer a balance mix of defensive assets, such as bonds, cash, term deposi ts and fixed interests funds, and growth assets, such as shares and property investments.

Below is Van Eyk's asset mix for a Moderately Conservative investor:

ASSET CATEGORY	ASSET TYPE	% ALLOCATION
Defensive [44%]	Cash	15%
Fi	xed Interest	29%

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ASSET CATEGORY	ASSET TYPE	% ALLOCATION
Growth [56%]	Australian Equities	21.5%
I	nternational Equities	13.5%
	REITs and Infrastructure	8.5%
Alternat	ives	12.5%

Balanced

As a Balanced investor, you look to achieve modest growth in your capital and at the same time aim to protect the wealth you already have. You understand that you will experience short term fluctuations in performance in order to potentially gain higher returns over the long term. Based on your risk profile, you are comfortable to invest more towards growth assets such as shares and property.

Below is Van Eyk's asset mix for a Balanced investor:

ASSET CATEGORY	ASSET TYPE	% ALLOCATION
Defensive [23%]	Cash	5%
Fi	xed Interest	18%
Growth [77%]	Australian Equities	28%
Internation	al Equities	17%
	REITs and Infrastructure	12%
Alternat	ives	20%

Growth

As a Growth investor, you seek for a high return for a greater growth potential. You are prepared to accept high levels of volatility in your portfolio to create substantial returns for extra wealth over the longer term. Based on your risk profile, you are comfortable to invest most of your assets into growth investments, such as shares and property, and a small percentage towards defensive assets, such as bonds, cash, term deposits and fixed interests funds.

Below is Van Eyk's asset mix for a Growth investor:

ASSET CATEGORY	ASSET TYPE	% ALLOCATION
Defensive [11.5%]	Cash	2.5%
Fi	xed Interest	9%
Growth [88.5%]	Australian Equities	34%
I	nternational Equities	23.5%
	REITs and Infrastructure	13.5%
Alternat	ives	17.5%

High Growth

As a High Growth investor, you are looking for wealth creation and are prepared to trade-off portfolio balance in pursuit of potential long term gains. You are comfortable with a portfolio that includes a substantial proportion of high risk investments and are prepared to accept short term fluctuations in performance. Based on your risk profile, you generally prefer a portfolio that only focuses on growth assets such as shares and property.

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Below is Van Eyk's asset mix for a High Growth investor:

ASSET CATEGORY	ASSET TYPE	% ALLOCATION
Defensive [0%]	Cash	0%
Fi	xed Interest	0%
Growth [100%]	Australian Equities	40%
Internation	al Equities	30%
	REITs and Infrastructure	15%
Alternat	ives	15%

A WORD OF WARNING ON RISK

All investments have risks. "Risk" means the value of an investment may fall, or even disappear.

Dover assumes its clients are conservative, cautious or balanced investors unless the client specifically states otherwise. If a client states otherwise the statement will only be accepted if a reasonable financial planner would assess the client as being otherwise, having regard to income, wealth, age, work experience or academic training.

Dover adopts this conservative assumption to reduce your risk.

Dover does not recommend investments that have significant internal gearing, or that clients borrow significant amounts to acquire investments. This is unless the client understands that these significantly increase the risk that their net equity will fall, or even disappear, if the value of the investment falls.

Clients should not acquire investments other than those suited to conservative, cautious or balanced investors unless they understand and accept the risk that their equity will fall, or even disappear, if the value of the investment falls.

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CLIENT ACKNOWLEDGEMENT

I/We confirm that the details provided in this questionnaire / workbook are correct and reflect my/our true financial position and Investor Risk Profile.

[Signature]	[Signature]
[Name]	[Name]
[Date]	[Date]
[Risk Profile]	[Risk Profile]

DISCLAIMER

Please note that your Investor Risk Profile and asset allocation recommendations are based on information provided by you and on our knowledge of existing legislation and investments. As no one can accurately predict the future corporate, legislative, and economic factors, you should regard these recommendations as a guide only.

In particular, you should note that no guarantee is expressed or implied in relation to any income, growth asset projections, or performance of any assets in the recommendations.

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APPENDIX

Asset Allocation

Cash offers certainty you know you will get your money back. That certainty comes at a cost, namely a lower return than investments over the longer term.

A well-diversified investment portfolio consisting of shares, bonds, property and international investments can be engineered to generate a high return relative to risk. In blending assets, we look for opportunities to reduce the overall risk by combining investments that move out of sync. For example, when shares are suffering declines, the returns on bonds may be relatively good and vice versa.

Nonetheless, any investment portfolio will contain risk. If you want to reduce the risk and maintain some of the higher returns, one way of doing that is to hold some of your money in cash management trusts and invest the rest in a diversified portfolio. For example, if you want some stability in the short term, you could invest 20% in cash and 80% in a diversified portfolio that includes a wide range of domestic and international investments.

Cash

Cash is recommended to provide your portfolio with liquidity and stability. An asset that can readily be converted into cash is called a liquid asset. It enables you to quickly and easily meet unexpected lump sum expenses and supplement income needs.

A liquid asset is usually money at call, or investments in short term deposits and securities such as bank bills (90 days or 180 days). A bank deposit is an example of a variable interest-bearing investment because the interest rate and term are not fixed. Fixed deposits are at a pre-determined rate of interest for a specified period of time and usually carry a higher rate of interest than bank deposits.

Managed investments for example, that do not invest primarily in cash assets, may hold a small proportion of their money in liquid assets such as cash, bank bills, and fixed deposits in order to pay investors and meet day to day running expenses.

Over the long-term, excessive holdings of cash will detract from the overall performance of your portfolio and will generally under-perform the other major asset classes of fixed interest, shares and property. This is particularly evident when returns are adjusted for inflation and taxation.

It is therefore prudent not to hold a greater exposure to cash than your recommended benchmark (as per your investor risk profile) over the long-term. Market volatility and other specific influences may result in the investor holding an over-weight position in cash for short-term asset allocation reasons.

Fixed Interest/Bonds

Fixed interest is recommended to provide a regular and reliable income stream from relatively low risk income producing investments. As a result, fixed interest can reduce overall volatility by providing a means of diversifying your portfolio between Conservative and growth assets. The main risk associated with investing in fixed interest investments is the risk of "locking funds" into an interest rate and rates subsequently rise, ie. the value of one's capital drops as less capital is required to receive the same return.

Fixed Interest investments include loans to governments, banks and other large companies. More liquid cash assets tend to have a lower interest rate than those fixed for a longer time. The longer the term, the higher the return needed to compensate for the lack of liquidity and increased uncertainty of interest rates over the term of the loan.

Bonds normally pay a fixed amount of interest, though they can be traded in the market place prior to their maturity date. If interest rates rise then the market price of bonds will fall. This occurs as buyers

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will not pay as much for the lower 'coupon rate' of interest payable at maturity of the bond compared with the higher yields available on new securities.

Shares

Shares are investments in Australian and International companies. They are issued to raise money and generally entitle the investor to a 'share' of company profits called dividends.

Share prices can be volatile however are recommended to provide your portfolio with exposure to a growing income stream and capital base that should provide a hedge against inflation over the long-term.

Share values and profits are able to grow, however not all profits are distributed to shareholders, instead they are proportionally re-invested back into the company. This increases the company's productive asset base and its ability to generate greater profits. Future profits will in turn be partly distributed and partly re-invested to further increase the company's productive assets and its ability to increase shareholder wealth over the long-term.

Over the short-term there are many factors that can affect share values (and the companies profitability), ranging from the cost of local wages, debt and general items to broader issues such as the level of US interest rates and the value of the US stock market affecting local investor sentiment. These may impose upward or downward pressure on current share prices resulting in price volatility. Volatility may be exploited over the short-term to establish longer-term investment opportunities for growth.

Australian Managed Equity Investments

Many managed investment funds hold some shares (otherwise known as "stocks" or equities) in their portfolios. Retirement funds, for example, are probably the biggest investors in the share market. Historically, the total returns from shares including income (dividends) and growth (capital appreciation) have been higher than for other asset classes. The volatility of the returns from year to year is also higher than for other asset classes. However, generally shares meet most of the investment criteria of investment managers who assess investments in terms of returns for risk, liquidity, diversification and tax effectiveness.

Reasons managed investments funds may hold shares:

- Shares provide income in the form of dividends, which can be reinvested to maximise the compounding effects.
- Shares are tax effective because many dividends are "franked" ie. the company has paid tax on the profits before distributing the dividends. The resulting "franking credits" may be used by investors to offset other tax commitments.
- Shares are highly liquid in that they can easily be converted to cash if necessary.
- Diversity can be obtained across a range of shares in different market sectors such as mining, industrial, banks, and media. Further diversification can be achieved by investing in overseas shares.

International Managed Equity Investments

Local investment managers may invest some of their funds in international assets – usually equities and bonds. The main case for investing offshore is the small size of the Australian market compared with the world at large. The Australian share market represents less than 2% of the world market and, because of its size, higher proportion of resources stocks and other factors, is one of the more volatile markets in the world.

Investing overseas can improve returns and reduce volatility in a portfolio through access to a much larger, diverse and liquid market.

This allows a greater spread of investments across countries, economies, industries, economic cycles, currencies and asset classes. International shares generally emphasise capital growth rather than income, over the longer-term.

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The case against investing overseas is usually framed in 'national interest' terms – that is, it is not in the interests of the Australian economy for sizeable amounts of the nation's savings to flow offshore. It can also be argued that there are extra risks, especially related to currency, in investing overseas. Currency risk is the risk whereby investments may fall or rise in value due to corresponding rise or fall in currency.

Listed Property Securities

Property or real estate, like shares, is an investment involving ownership (or equity). This is in contrast to debt-type securities which attract interest and which have contractual obligations for the capital to be repaid at some agreed date. The return from property includes income in the form of rent and capital gains from appreciation of the property over time. This potential for capital gains makes real estate, like shares, a growth asset.

Investment in property can be either direct through the purchase of real estate or indirect by buying property securities. These are shares in property companies or units in property trusts that are listed on the Stock Exchange.

The risk /return characteristics of property are different from other asset classes. The addition of property to a balanced portfolio provides diversification with the potential to reduce overall risk and volatility of the portfolio without significantly reducing returns. This is because the cyclical pressures are different from those of the stock market (ie. the cyclical peaks and troughs during the business cycle will usually not coincide). Thus, the returns from property may be high when the stock market is not performing very well, and vice-versa. The combined returns over a period of time will be more stable (less risky) than holding a portfolio of just shares or just property.

Managed Versus Direct Investments

In constructing an appropriate investment portfolio, we have a choice between direct investments and managed funds. We will create an investment mix of direct and managed funds that suits your specific financial objectives and risk profile.

Direct Investments offer the following advantages:

- Control – As the direct owner of the security, you control which asset is to be sold at a particular time. This can assist where a capital gains tax position needs to be carefully managed.
- Liquidity – Direct investors can usually access all or part of their funds within 5 days (excluding direct property).

Managed Funds offer these advantages:

- Diversification – The large pool of funds available enables fund managers to diversify the spread of investments across all asset classes as well as providing access to investments which may not be readily available to individual investors (such as large retail property complexes and international shares).
- Cost Efficiency – The buy and sell price, transaction fees and stamp duty charges of a professionally managed, direct share portfolio may exceed the total costs of an average equity trust. Similarly, with property, the total costs to buy, sell, hold and manage may exceed total unit trust costs.
- Professional Management and Expertise – Fund managers have the expertise to monitor and research investment opportunities and apply their investment experience in managing investment portfolios across all asset classes.
- Regular Reporting and Information – Managed funds can take care of the administrative hassles and expenses that would normally accompany direct ownership of investments. Fund managers also provide regular information to investors regarding investment performance and year end tax summaries.

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