INVESTMENTS

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Whether you are an experienced investor or a beginner, how you structure and manage your investments can be assessed against a number of concepts illustrated in this information flyer.

BENEFITS

An understanding of your investment goals, investment time frame and your tolerance for risk can assist you in ascertaining which investments are appropriate for your financial situation.

You can discuss with your financial planner whether your investment strategy is still appropriate for you.

INVESTMENT APPROACH

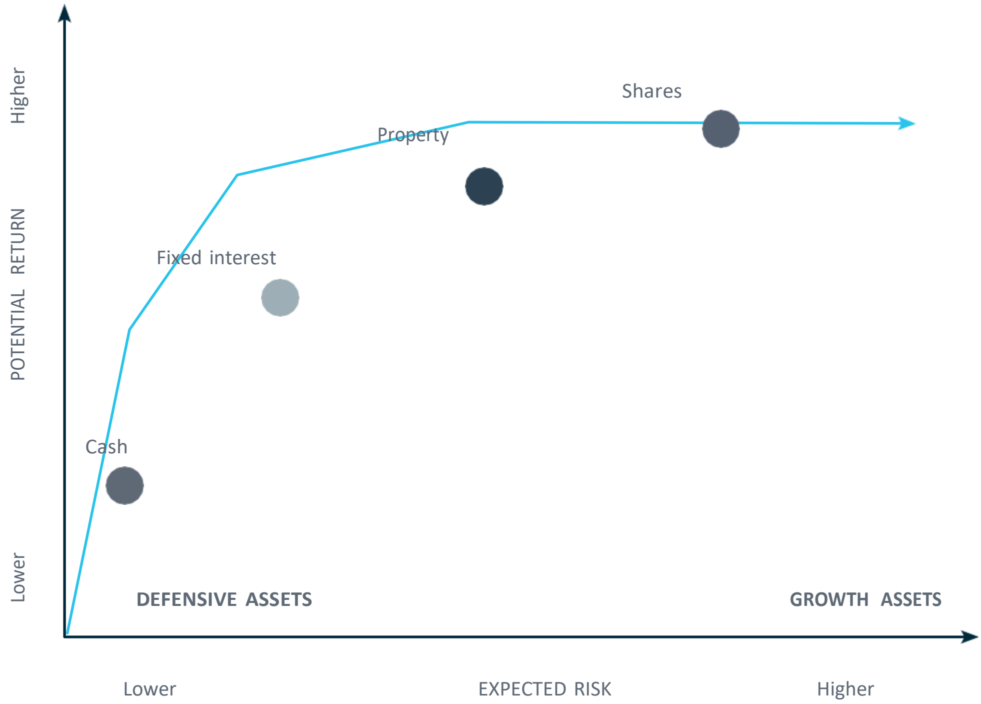
Your attitude to investment risk and your investment time frame are crucial factors in determining an appropriate investment strategy.

Investor types span a broad range of attitudes towards investment risk and return.

All investments carry some degree of risk that the value of the invested amount may fluctuate and each asset class will have good years and bad years.

The difference between investor types is the proportion of defensive and growth assets that investors within each investor type are comfortable having within their investment portfolios.

- Defensive Assets include cash, such as term deposits and bank accounts, and fixed interest, such as government and business borrowing (bonds). These assets are income focused, often linked to interest rates, and historically these assets have rewarded the investor with relatively low short-term volatility; the value of investment does not fluctuate significantly so in the long term, defensive assets have relatively low long-term returns, which may not exceed inflation.
- Growth Assets include Shares (Australian and International) and Property (Direct or Listed Residential and Commercial) and infrastructure. These assets can provide an income return, such as dividend income (shares) or rent (property) or road tolls (infrastructure, but they can also provide growth in the underlying value of the capital invested over time. These assets have higher risk, as there is an increased probability of the investment value fluctuating during the investment time period, but in the long term, growth assets have a higher potential return than defensive assets.



Each asset class has a different risk and return profile, with past performance not necessarily guaranteeing future performance. A top performing asset class in one time period can become a worst performer in another time period.

It is important that you consider your investment time frame. The longer the investment time frame, the greater the investment risk that you may be able to accept.

Asset Class			Risk	Minimum Time Frame
Defensive	Cash	Highly liquid Short term bank deposits, bills, treasury notes, term deposits	Low	No minimum
	Fixed Interest	Government and Corporate Borrowing	Low	1-3 years
Growth	Shares	Part ownership in a company. International Shares are also subject to currency fluctuation	High	7+ years
	Property	Direct and Listed Property, including residential, commercial Real Estate Investment Trusts. Can fluctuate with stock market movements.	Medium to High	7+ years
	Infrastructure	Part ownership in an infrastructure asset (e.g. road toll or airport) These assets can fluctuate in value based on demand and economic conditions.	Medium to High	7+ years

THE POWER OF DIVERSIFICATION

As each asset class (cash, fixed interest, shares and property) can respond differently to changes in the economy, each will have different good years and bad years. It is difficult to pick a winner.

Diversifying your investments allows you to have both ‘winners’ and ‘losers’ which reduces your risk for capital loss. A better performing asset class can negate an underperforming asset class.

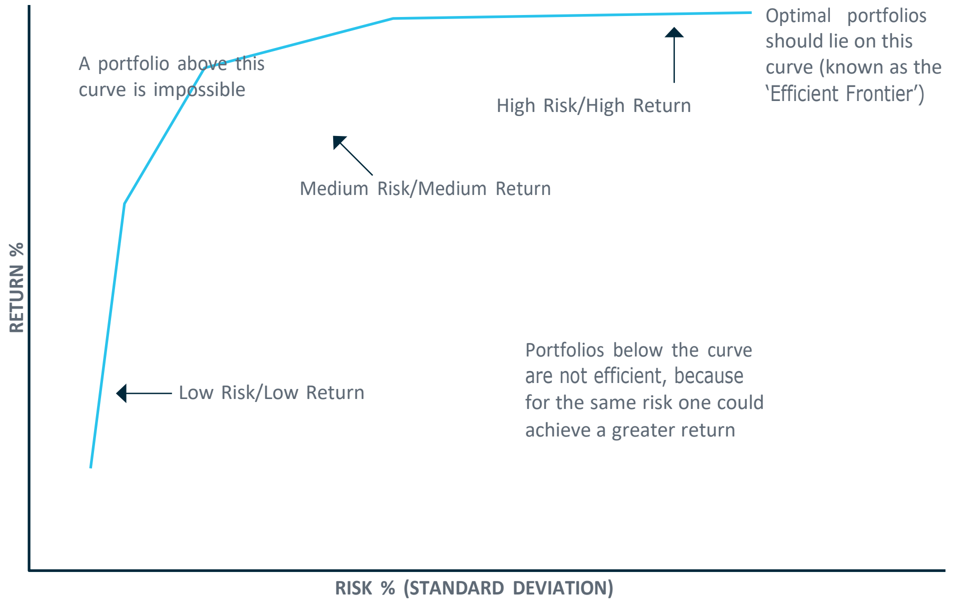
Diversification also reduces the probability that your entire “basket” of investments will fall in value, as a current underperformer will only affect a proportion of your portfolio.

You can further diversify within an asset class by choosing different investments, such as different share sector types, different fund managers or different property such as residential and commercial.

BALANCING RISK/REWARD

Ideally, an investor will seek to achieve a “basket”, or portfolio, of investments that will achieve the highest return for the lowest risk possible, or conversely, the lowest risk possible for the return that the investor wishes to achieve. Otherwise, an investor would be accepting more volatility in capital investment than he/she needed to, for the low returns achieved,

As each investor is different, a number of different portfolios can be constructed via diversification across the different asset classes, as illustrated below:



Your goals, timing and risk ‘comfort factor’ will determine which portfolio would best suit you. For some, the probability of a high long term return will not be worth the stress of worrying whether a financial downturn will occur.

It is important to ensure that you are comfortable with the level of risk taken so that it can help you achieve your financial goals but still allow you to sleep at night without worrying about the impact of a financial downturn.

THE POWER OF TIME-COMPOUND RETURNS

Regular investment, whether small or large instalments, can allow investment returns to compound over time. By regularly investing and reinvesting, you receive the returns on your initial investment as well as the prior return on your investment, significantly growing your wealth over time. The longer the time period, the greater the compound effect will be.

DOLLAR COST AVERAGING

Ongoing regular investment also allows you to ‘average out’ the purchase cost of your investment as the purchase price of shares, managed funds and unit trusts can fluctuate with stock market movements. By regularly investing a set amount, an investor can purchase less units at a higher price, and more units at lower prices, reducing their average investment cost.

WHAT YOU NEED TO CONSIDER

- Understanding your risk tolerance and investment time frame needs to be carefully considered to ensure that your investment strategy is appropriate for your needs. You should seek advice from your financial planner, if your financial situation has changed or you are not comfortable with your current investment risk
- Each Asset Class is subject to investment risk and performance may vary over your investment time frame. Cash generally retains capital, but may not exceed inflation.
- Selling down at a time of poor performance will crystallise investment losses.
- Fees may be charged on investments. You should check the details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your selected investment.
- Tax may apply on your investment dependent on your marginal tax rate.

REFERENCES

You may wish to refer to the following websites for further information about investments.

- www.ato.gov.au
- www.moneysmart.gov.au

The information in this document is of a general nature and does not take into account your own financial objectives, circumstances or needs. You should consider your own personal situation and requirements before making a decision.

Hindsight Group Pty Ltd ABN 88 168 442 528 AFSL No. 534466
Level 4, 33 Remora Road, Hamilton QLD 4007
t 07 3852 3025
e hello@hindsightwealth.com
w www.hindsightwealth.com