LIFE INSURANCE

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Investment risk information

Risk is another word for uncertainty or unpredictability. Most investments carry an element of risk, as it can be difficult to predict what your returns will be.

The amount of risk that you are willing to take and the chosen period directly affect your potential returns. In general, the less risk your investment carries, the lower the potential return you can expect; whereas the higher the risk, the greater the potential return. However, this higher potential return carries the risk of greater fluctuations and potential losses.

Our investment philosophy revolves around providing the optimum investment performance for a given level of risk.

Your need to take risk

We believe that your financial situation, your life goals and your investment objectives should primarily inform your investment decision. Your personal goals will define the level of risk you will need to take in order to meet these objectives. Your investment strategy will include addressing your desired outcomes – in other words, what are you investing for, what goals and desires do you have for this money, and what are the time frames involved?

Although you may have the capacity and willingness to take on a high level of investment risk, your specific financial goals might dictate that you don't need to expose yourself to such levels of risk. Conversely, you might not be comfortable with taking any risk with your capital but there may be a need to take some risk in order to meet your objectives.

Being human we do understand that the volatility of the markets has an impact on investors' behaviour. Evidence confirms that investor behaviour impacts long-term investment outcomes more than the markets do. You need to consider whether you have the emotional discipline to stay committed to your selected investment strategy through the various cycles (up- and downswings) of the market.

Your investment objective – the three risk factors to consider

When designing an appropriate investment portfolio for you, it is important that you consider the implications of investment risk, your attitude towards investment and the potential exposure to risk. Then make an informed decision considering the following three risk factors:

- Your need to take investment risk
- Your capacity to take investment risk
- Your attitude towards investment risk (i.e. your risk tolerance)

These three factors will dictate your investment decisions and will drive the objectives and outcomes of your selected portfolio.

Risk tolerance

Some investors can tolerate risk more than others, remaining unperturbed when their investments move down, even to levels below their original value. Such investors are confident that their investments are likely to recover and will rise in value before they decide to liquidate them.

Other investors are more cautious, and would rather forego the prospect of higher returns in exchange for a lower risk of capital loss (although all investments carry some degree of risk of capital loss).

Below is a range of various investor 'risk tolerance' profiles for you to consider. Make sure that you carefully consider which profile most closely reflects your subjective approach and capacity to tolerate investment risk.

1. **LOW RISK:** A Low Risk investor values protecting capital over seeking appreciation. This investor is comfortable with accepting lower returns for a higher degree of liquidity and/or stability. Typically, a Low Risk investor primarily seeks to minimise risk and loss of capital.

2. **LOW-MEDIUM RISK:** A Low-Medium Risk investor values capital preservation, but is comfortable with accepting a small degree of risk and volatility in order to seek some degree of appreciation. This investor desires greater liquidity, is willing to accept lower returns, and is willing to accept minimal losses.

3. **MEDIUM RISK:** A Medium Risk investor values reducing risks and enhancing returns equally. This investor is willing to accept modest risk in order to seek higher long-term returns. A Medium Risk investor may endure a short-term loss of capital and a lower degree of liquidity in exchange for long-term appreciation.

4. **MEDIUM-HIGH RISK:** A Medium-High Risk investor values higher long-term returns and is willing to accept considerable risk. This investor is comfortable with short-term fluctuations in exchange for seeking long-term appreciation. The Medium-High Risk investor is willing to endure larger short-term losses of capital in exchange for the potential of higher long-term returns. Liquidity is a secondary concern to a Medium-High Risk investor.

5. **HIGH RISK:** A High Risk investor primarily values higher long-term returns and is willing to accept significant risk. This investor believes higher long-term returns are more important than protecting capital. A High Risk investor may endure large losses in favour of potentially higher long-term returns. Liquidity may not be a concern to a High Risk investor.

There are no guarantees that the objectives within each risk classification will be met.