

Types of Investment Risk



Inflation Risk

The possibility that the purchasing power of your money may not keep pace with inflation (eg. by not investing at all or not investing sufficiently in growth products). This risk is a poor **real return** on funds invested.

Risk of not diversifying

The possibility that if you put all your investment capital into one basket (eg. the share market) a fall in that market will adversely affect all of your capital. Diversification is a deliberate strategy aimed at reducing the impact that volatility in one asset class, sector or market will have on your overall portfolio of assets.

Market risk

The possibility that movements in a market can cause an investment to decrease (as well as increase) in value.

Re-investment risk

The possibility that if you invest in fixed rate investments (eg. bonds) you may have to re-invest maturing money at a lower rate of interest if rates generally decline during the life of that investment.

Liquidity risk

The possibility that you may not be able to readily access your funds when you want or need them most because they are invested in illiquid assets (e.g. real estate).

Credit risk

The possibility that an institution holding your capital (eg. a debenture issuer) may fail to pay interest or return your capital.

Regulatory risk

The possibility of government policy changes negatively affecting your financial strategy (eg. superannuation and retirement incomes policy).

Timing Risk

The possibility that a strategy of trying to time entry and exit from markets will expose you to greater short-term volatility.

Value risk

The possibility you will pay too much for a particular product or that you will sell it too cheaply.

Manager risk

The possibility that you will invest with a fund manager based primarily on their recent past performance without regard to their fundamental ability to cater to your particular needs or performance expectations over the time frame you have in mind.

General Advice Warning

Any advice in this publication is of a general nature only and has not been tailored to your personal circumstances. Please seek personal advice prior to acting on this information. The information in this document reflects our understanding of existing legislation, proposed legislation, rulings etc as at the date of issue. In some cases the information has been provided to us by third parties. While it is believed the information is accurate and reliable, this is not guaranteed in any way. Opinions constitute our judgement at the time of issue and are subject to change. Neither, the Licensee or any of the National Australia group of companies, nor their employees or directors give any warranty of accuracy, nor accept any responsibility for errors or omissions in this document. Mark McNeany, Chris Steiger and Vertex Group Pty Ltd are Authorised Representative of GWM Adviser Services Ltd.