INVESTMENTS

Regardless of your level of investment experience, you can evaluate the way you organise and oversee your investments.

Affluens WEALTH

A Suite 3.02,
7-9 Irvine Place
Bella Vista NSW 2153
P 1300 038 746
E wealth@affluens360.com.au
W www.affluens360.com.au

Regardless of your level of investment experience, you can evaluate the way you organise and oversee your investments by referencing various concepts presented in this informational sheet.

Benefits

Having a grasp of your investment objectives, the timeframe for your investments, and your willingness to take risks can help you determine which investments align with your financial circumstances. It's advisable to engage in a conversation with your financial advisor to determine if your current investment strategy remains suitable for you.

Investment Approach

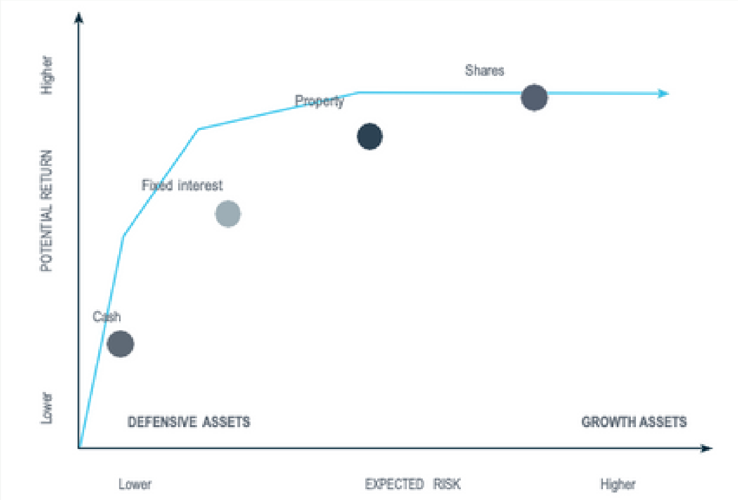
Your perspective on investment risk and your investment horizon are pivotal factors in determining a suitable investment strategy.

Investors encompass a wide spectrum of attitudes toward risk and potential returns. It's important to acknowledge that all investments carry some level of risk, causing the value of the invested capital to fluctuate. Additionally, each asset class experiences both prosperous and challenging periods.

The differentiation among investor types lies in the allocation of defensive and growth assets that individuals within each category are comfortable including in their investment portfolios:

Defensive Assets encompass holdings like cash (such as term deposits and bank accounts) and fixed-interest investments (e.g., government and corporate bonds). These assets primarily focus on generating income, often tied to prevailing interest rates. Historically, these assets have exhibited relatively low short-term volatility, resulting in minimal fluctuations in their value. However, over the long term, defensive assets tend to yield comparatively modest returns that may not outpace inflation.

Growth Assets encompass equities (both domestic and international), real estate (both direct and listed residential and commercial properties), and infrastructure. These assets can generate income through means like dividends (from stocks) or rental income (from properties), and in some cases, toll revenues (from infrastructure). Furthermore, they have the potential to appreciate in capital value over time. Nevertheless, it's crucial to recognize that growth assets come with higher risk, meaning there's an increased likelihood of investment value fluctuations during the investment horizon. Over the long term, however, growth assets typically offer the potential for higher returns compared to defensive assets.



Every asset class possesses a distinct risk and return characteristic, and it's important to note that previous performance does not ensure future outcomes. An asset class that excels in one time frame can potentially underperform in another.

Taking into account your investment horizon is crucial. A lengthier investment timeframe generally corresponds to a greater capacity to tolerate investment risk.

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

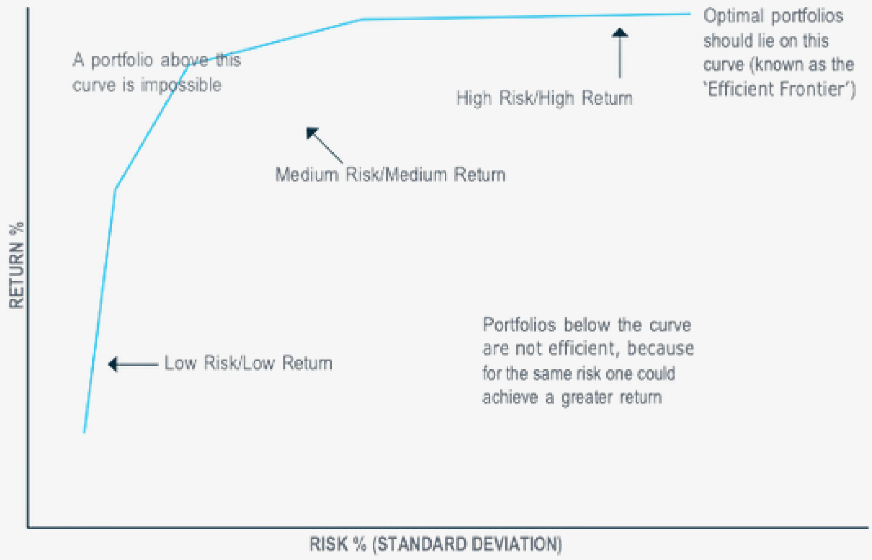
Unlocking the Benefits of Diversification

Since each asset class (including cash, fixed interest, shares, and property) reacts differently to economic shifts, they each experience varying periods of success and challenges. Predicting a consistent winner can be challenging. By diversifying your investments, you create a mix of both 'winners' and 'losers,' thereby reducing the risk of significant capital losses. A well-performing asset class can offset the underperformance of another.

Diversification also lessens the likelihood of your entire investment "basket" declining in value, as an underperforming asset will only impact a portion of your portfolio. Furthermore, you can enhance diversification within an asset class by selecting different investments, such as various types of shares, distinct fund managers, or different types of properties, including residential and commercial.

Balancing Risk and Reward Ideally, an investor aims to construct a diverse portfolio that maximises returns while minimising risk. Alternatively, they seek to minimise risk for a given level of return they wish to achieve. This approach ensures that investors don't accept unnecessary capital volatility in exchange for lower returns.

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



Your objectives, investment horizon, and your tolerance for risk will be the deciding factors in selecting the most suitable portfolio for you. Some individuals may find that the potential for a high long-term return isn't worth the stress and anxiety associated with concerns about a financial downturn. It's crucial to ensure that you are at ease with the level of risk you're taking so that it aligns with your financial objectives while also allowing you to rest peacefully without fretting over the repercussions of a financial downturn.

The power of time-compound returns

Consistent investment, whether in small or substantial increments, has the potential to facilitate the compounding of investment returns. Through regular investments and reinvesting, you not only earn returns on your initial investment but also on the previous returns, thereby substantially increasing your wealth over time. The more extended the investment horizon, the more pronounced the compounding effect becomes.

Dollar Cost Averaging

Consistent, ongoing investments also provide the advantage of "averaging out" the purchase cost of your investments, particularly when the prices of shares, managed funds, and unit trusts fluctuate due to stock market shifts. Through regular investments of a fixed amount, investors can acquire fewer units at higher prices and more units at lower prices, ultimately lowering their average investment cost.

Key Considerations

- It's essential to thoroughly assess your risk tolerance and investment horizon to ensure that your investment strategy aligns with your needs. If your financial situation has undergone changes or if you are uneasy with your current investment risk, seeking guidance from your financial advisor is advisable.
- Each Asset Class carries investment risk, and performance can vary throughout your investment timeframe. Cash typically preserves capital but might not outpace inflation.
- Liquidating investments during a period of poor performance will realize investment losses.
- Investments may entail fees, and it's important to review the fee details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your chosen investment.
- Tax implications may apply to your investments depending on your marginal tax rate.

References

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

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