

• Issued: March 2021

The logo for affinia, consisting of the word "affinia" in a white, lowercase, sans-serif font, centered within a solid blue circle.

RISK TOLERANCE QUESTIONNAIRE

CLIENT 1 NAME :

CLIENT 2 NAME :

DATE :

ADVISER NAME :

PRACTICE NAME :

E D U C A T E | D I S C O V E R | C O N F I R M

RISK TOLERANCE QUESTIONNAIRE

This questionnaire is designed to measure your risk tolerance.

Risk tolerance is a measure of your attitudes and perceptions towards uncertainties associated with investing.

- a. A risk averse investor is less willing to accept the risk of loss, and is therefore comfortable with lower returns on their investment; and conversely
- b. A risk tolerant investor is willing to accept a greater risk of loss, in exchange for potentially higher investment returns

The Affinia Risk Tolerance Questionnaire has been developed to assist our clients in understanding:

1. How tolerant they are to investment risk;
2. How they deal with investment risk from a psychological or human behavioural perspective;
3. What level of investment experience and knowledge of investment markets they possess; and,
4. To determine the least level of risk required to achieve their stated financial objectives.

Risk tolerance is only one part of the broader financial planning process. Your financial planner will determine the most appropriate portfolio based on your ability to take risk (i.e. risk capacity), financial objectives, financial situation and particular financial needs, while taking the outputs from this questionnaire into account.

1. EDUCATE

YOUR FINANCIAL KNOWLEDGE

The following questions are in relation to your current financial knowledge and experience.

1. HOW WOULD YOU RATE YOUR KNOWLEDGE OF SHARES, MANAGED FUNDS, PROPERTY AND INVESTMENTS?

(please tick one number which best applies to you)

	NOTHING		MINIMAL		MODERATE		STRONG		SOPHISTICATED		
C1	<input type="checkbox"/> 0	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 6	<input type="checkbox"/> 7	<input type="checkbox"/> 8	<input type="checkbox"/> 9	<input type="checkbox"/> 10
C2	<input type="checkbox"/> 0	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 6	<input type="checkbox"/> 7	<input type="checkbox"/> 8	<input type="checkbox"/> 9	<input type="checkbox"/> 10

2. HOW COMFORTABLE ARE YOU IN MAKING INVESTMENT DECISIONS?

(please tick the relevant boxes. A, B or C)

	C1	C2
A. I do not feel comfortable making any investment decisions without professional assistance	<input type="checkbox"/>	<input type="checkbox"/>
B. I feel comfortable making minor/day to day investment decisions without professional assistance	<input type="checkbox"/>	<input type="checkbox"/>
C. I am comfortable making some major investment decisions without professional assistance	<input type="checkbox"/>	<input type="checkbox"/>

WHAT ARE THE MAIN TYPES OF INVESTMENTS?

Asset classes are groups of similar types of investments. Each asset class has different risk and return characteristics.

Risk is the possibility that you might lose some or all of your original investment, or that the investment may not perform as expected.

Return is the increase or decrease in value of your investment, consisting of income and capital gains/losses.

The following table illustrates the risk and return characteristics of the main asset classes:

	Asset Class	Characteristics	Risk	Return
Defensive Assets	Cash <ul style="list-style-type: none"> Bank deposit Cash Management Trust Term deposit 	<ul style="list-style-type: none"> Generates regular interest. No opportunity for capital growth. Investment value may not keep pace with inflation. 	Low	Low
	Fixed Interest <ul style="list-style-type: none"> Government Bonds Corporate & Hybrid Bonds 	<ul style="list-style-type: none"> Generally pays higher rates of interest than cash. Some potential for capital growth, but also the potential for capital loss. Investment value may not keep pace with inflation 	Low/ Moderate	Moderate
Growth Assets	Shares <ul style="list-style-type: none"> Direct shares Managed funds Exchange traded funds (ETFs) 	<ul style="list-style-type: none"> Has historically achieved the highest returns on average over long periods of time. Offers potential for income via dividends. Offers potential for capital growth if share prices rise, but also the potential for capital loss if share prices decline. 	High	High
	Property <ul style="list-style-type: none"> Residential Industrial Commercial Property trusts (REITs) 	<ul style="list-style-type: none"> Offers potential for income from rent or trust distributions. Offers potential for capital growth if property values rise, but also the potential for capital loss if prices decline. 	High	High
	Infrastructure <ul style="list-style-type: none"> Global Listed Infrastructure securities (Toll roads, airports, rail facilities & utility facilities) 	<ul style="list-style-type: none"> Provides regular income distributions. Has a low correlation to bonds and equities, assisting with portfolio diversification. 	High	High
	Alternatives <ul style="list-style-type: none"> Hedge funds Managed futures Commodities 	<ul style="list-style-type: none"> Often performs differently to the traditional asset classes (Cash, Shares & Property), which helps with diversification. Involves a high level of risk. 	Higher	Higher

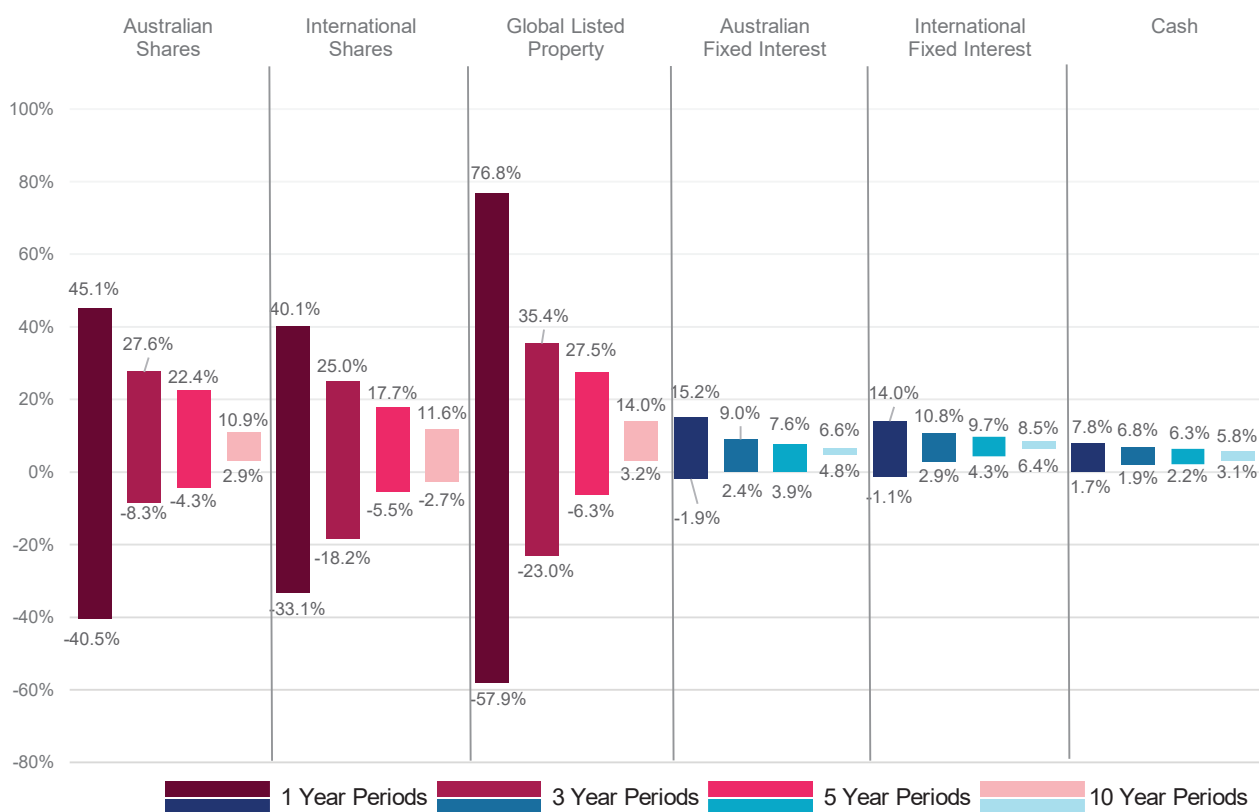
TIME REDUCES RISK ACROSS ASSET CLASSES*

The longer the time period you invest for, the more predictable the return outcomes will become.

The chart below illustrates the range of returns for each asset class. Each bar illustrates the difference between the best returns and the worst returns over different time frames (1, 3, 5 & 10 years).

Looking at Australian, International shares, and Emerging Markets Shares, there can be a wide range of outcomes over 1 year. However, looking at the 10 year returns, the range of outcomes is much smaller. The level of volatility has reduces over time. In comparison, while Cash and Fixed Interest have smaller range of outcomes, their returns are also lower.

This outlines the trade-off between risk and return, as well as the value of longer term investing.



Source: Thompson Reuters, Mercer

*The range of performance is calculated on a monthly basis. Returns are annualised and compounded over different holding periods between 31/12/2000 and 31/12/2020. Returns are calculated using benchmark indices. Past performance is not a reliable indicator of future performance.

PICKING WINNERS ISN'T EASY*

The table below shows the best-performing asset class each year in dark blue, and the worst-performing asset class in sky blue. As illustrated below, there are no consistent winners or losers.

Growth assets classes (Australian & International shares, Property and Infrastructure) are more likely to provide the highest, but also the lowest, returns in any given year.

Defensive asset classes (Cash and Fixed Interest) are rarely the best performers, but also rarely produce negative returns in any one year.

Year	Australian Shares	Developed Global Shares	Global Listed Property	Australian Fixed Interest	International Fixed Interest	Cash
2001	10.5%	-12.3%	9.1%	5.4%	8.3%	5.2%
2002	-8.6%	-25.3%	6.2%	8.8%	11.6%	4.8%
2003	15.0%	13.1%	30.9%	3.0%	6.6%	4.9%
2004	27.9%	12.6%	34.5%	7.0%	8.9%	5.6%
2005	22.5%	17.8%	22.8%	5.8%	6.6%	5.7%
2006	24.5%	14.6%	40.0%	3.1%	4.4%	6.0%
2007	16.2%	1.8%	-9.2%	3.5%	6.6%	6.7%
2008	-38.9%	-32.0%	-48.1%	14.9%	9.2%	7.6%
2009	37.6%	12.7%	33.0%	1.7%	8.0%	3.5%
2010	1.9%	5.5%	19.6%	6.0%	9.3%	4.7%
2011	-11.0%	-3.5%	-3.5%	11.4%	10.5%	5.0%
2012	19.7%	16.5%	32.0%	4.4%	9.7%	4.0%
2013	19.7%	40.1%	9.9%	2.0%	2.3%	2.9%
2014	5.3%	13.9%	23.3%	9.8%	10.4%	2.7%
2015	2.8%	7.8%	5.2%	2.6%	3.3%	2.3%
2016	11.8%	9.2%	6.9%	2.9%	5.2%	2.1%
2017	11.9%	16.7%	9.2%	3.7%	3.7%	1.7%
2018	-3.1%	-3.1%	-3.0%	4.5%	1.6%	1.9%
2019	23.8%	27.4%	22.3%	7.3%	7.2%	1.5%
2020	1.7%	8.4%	-12.9%	4.5%	5.1%	0.4%
Average	9.6%	7.1%	11.4%	5.6%	6.9%	4.0%
Best	37.6%	40.1%	40.0%	14.9%	11.6%	7.6%
Worst	-38.9%	-32.0%	-48.1%	-1.7%	1.6%	0.4%

Source: Thompson Reuters, Mercer

Market Indices:

Australian Shares - S&P/ASX 300 Index

Developed Global Shares - 50%/50% MSCI World ex Australia (H) & (UH) Indices

Emerging Markets Shares - MSCI Emerging Markets Index (UH)

Global Listed Property - FTSE EPRA/NAREIT Global Index (H)

Australian Fixed Interest - Ausbond Bloomberg Composite Bond Index

International Fixed Interest - Barclays Capital Global Aggregate (H)

Absolute Return Bonds - 50%/50% Bloomberg AusBond 0-3 Yr & Bank Bill Indices

Cash - AusBond Bloomberg Bank Bill

CASH VS SHARES*

While investing in cash provides reliable returns with low risk, the returns are low. Investing in cash alone will not deliver any capital growth which you may require to achieve your goals, which is a risk in itself.

This chart below illustrates the performance of Cash vs Australian Shares over the last 20 years.

As you can see, while cash never goes backwards, it also never increases at a rapid rate. In comparison, the performance of shares, even with the GFC factored in, the long-term result is significantly in favour of Australian shares.



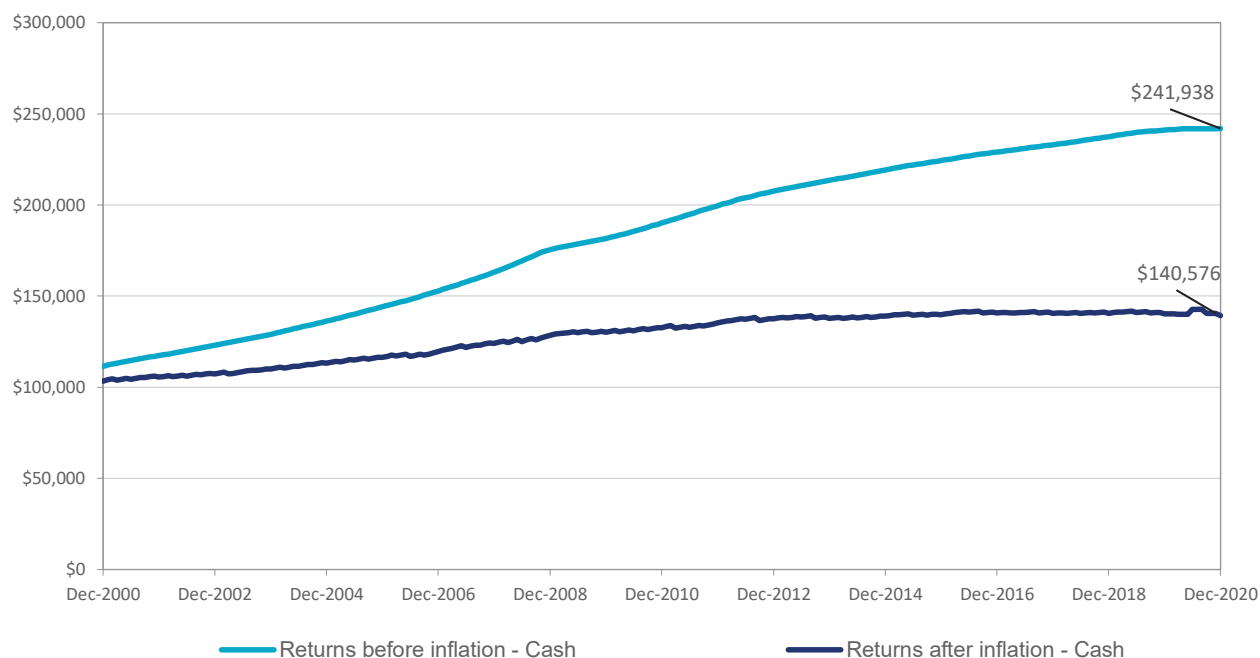
*Returns on benchmark indices with an initial investment of \$100,000. Past performance is not a reliable indicator of future performance.

REAL RETURNS - FACTORING IN INFLATION*

To have an opportunity to grow your wealth, your money needs to grow at a faster rate than inflation.

Assuming an inflation rate of 2% per annum, a \$1.00 purchase made today would cost \$1.22 in 10 years' time. If the after-tax return on your investments is less than the rate of inflation, the real value of your money will decline.

The chart below illustrates the inflation-adjusted returns from cash over the last 20 years, and illustrates the risk of only investing in cash or term deposits. While cash provides a reliable source of income, there is no opportunity for capital growth.



*Returns on benchmark indices, after inflation, with an initial investment of \$100,000. Past performance is not a reliable indicator of future performance.

CHOOSING YOUR RISK PROFILE

Choosing your Risk Profile is one of the most important investment decisions you will make, as it will determine how your investments will behave.

Some considerations to help determine your risk profile include:

- How long do you have to invest?
- What returns do you want to achieve?
- How much risk are you prepared to accept?

These considerations all go together and trade-offs are often required, as you don't get high returns without taking some risks.



2. DISCOVER

YOUR ATTITUDE TO RISK

Investment risk is the chance that your investment outcome will be different from what you expected. It might exceed your expectations or it might fall short.

Determining how you feel about risk (your risk profile) is a critical step in designing an investment strategy for your needs. Answering the following questions will help your adviser decide on the risk profile that suits you.

Please tick the box (A,B,C, or D) to select one answer for each question below:

	C1	C2	Indicative score
1. HOW LONG DO YOU EXPECT TO INVEST THE MAJORITY OF YOUR FUNDS FOR?			
A. Less than 3 years	<input type="checkbox"/>	<input type="checkbox"/>	5
B. 3 – 5 years	<input type="checkbox"/>	<input type="checkbox"/>	6
C. 5 – 7 years	<input type="checkbox"/>	<input type="checkbox"/>	7
D. More than 7 years	<input type="checkbox"/>	<input type="checkbox"/>	8
2. HOW WOULD YOU DESCRIBE YOURSELF WHEN IT COMES TO INVESTMENT RISK?			
A. Risk Avoider - I'm very conservative and am not willing to take on any level of risk	<input type="checkbox"/>	<input type="checkbox"/>	1
B. Cautious - I'm fairly conservative, but am willing to take on a low level of risk	<input type="checkbox"/>	<input type="checkbox"/>	2
C. Prudent - I'm willing to take on a medium level of risk	<input type="checkbox"/>	<input type="checkbox"/>	3
D. Risk Taker - I'm willing to take on a high level of risk	<input type="checkbox"/>	<input type="checkbox"/>	4
3. IF A LONG TERM INVESTMENT THAT YOU HELD STARTED TO DROP SIGNIFICANTLY IN VALUE OVER A SHORT PERIOD OF TIME, YOU WOULD BE MOST LIKELY TO:			
A. Panic - Sell the whole investment, I wouldn't want to lose any more money	<input type="checkbox"/>	<input type="checkbox"/>	5
B. Nervous - Sell part of the remaining investment, it could go back up but I don't want to risk everything just in case it doesn't	<input type="checkbox"/>	<input type="checkbox"/>	6
C. Patient - Hold onto the investment, it's likely it will increase in value again soon	<input type="checkbox"/>	<input type="checkbox"/>	7
D. Positive - Hold the remaining investment and buy more while the value is low – it would go back up and improve the overall value of my investment	<input type="checkbox"/>	<input type="checkbox"/>	8

Please tick the box to select one answer for each question below:

	C1	C2	Indicative score
4. WHICH OF THE FOLLOWING BEST DESCRIBES WHAT YOU WOULD LIKE TO ACHIEVE THROUGH YOUR INVESTMENTS?			
A. Regular income - I want a regular source of income. I'm not worried if the investment doesn't increase in value over time.	<input type="checkbox"/>	<input type="checkbox"/>	5
B. Income with some growth - Generating an income would be my priority, but I would also like to see some increase in the value of my investment over time.	<input type="checkbox"/>	<input type="checkbox"/>	6
C. Growth with some income - I want the investment to grow in value overall. I would like some income from it, but this is less important to me than investment growth.	<input type="checkbox"/>	<input type="checkbox"/>	7
D. Solid growth - I want solid growth of the investment. I'm not interested in getting an income from the investment.	<input type="checkbox"/>	<input type="checkbox"/>	8
5. WHICH OF THE FOLLOWING BEST DESCRIBES HOW YOU VIEW AN INVESTMENT IN OVERSEAS SHARES?			
A. None - I wouldn't invest in overseas shares as I consider it too risky.	<input type="checkbox"/>	<input type="checkbox"/>	1
B. Consider - I don't know much about it, but I may consider investing in overseas shares if I had more information.	<input type="checkbox"/>	<input type="checkbox"/>	2
C. Some - Overseas shares are a good way to diversify risk; however, I would only invest some of my funds into overseas shares.	<input type="checkbox"/>	<input type="checkbox"/>	3
D. Willing - I consider them a vital part of a long term portfolio, and would be willing to invest a significant amount of my money in overseas shares.	<input type="checkbox"/>	<input type="checkbox"/>	4
6. IN TERMS OF INVESTING, WHICH OF THE FOLLOWING ARE YOU MOST COMFORTABLE WITH?			
A. Lower returns with a low probability of losing money at any stage	<input type="checkbox"/>	<input type="checkbox"/>	1
B. Average returns with a medium probability of losing money over a medium time period	<input type="checkbox"/>	<input type="checkbox"/>	2
C. Higher returns over a longer period with a medium probability of losing money at some stage	<input type="checkbox"/>	<input type="checkbox"/>	3
D. High returns over a shorter time period with a high probability of short term losses	<input type="checkbox"/>	<input type="checkbox"/>	4
7. SOME INVESTMENTS CAN FLUCTUATE, SOMETIMES QUITE SIGNIFICANTLY, OVER VERY SHORT PERIODS OF TIME. HOW WOULD YOU FEEL IF THE VALUE OF YOUR INVESTMENT VARIED SIGNIFICANTLY, SAY DOWN BY ONE THIRD (33%) OR MORE, OVER A YEAR OR LESS?			
A. Very uncomfortable - I would feel very uncomfortable about these fluctuations and would monitor my investments on a daily basis	<input type="checkbox"/>	<input type="checkbox"/>	5
B. Quite uncomfortable - I would feel quite uncomfortable about these fluctuations and would monitor my investments once a week	<input type="checkbox"/>	<input type="checkbox"/>	6
C. Little uncomfortable - I would feel a little uncomfortable but wouldn't spend too much time worrying about it	<input type="checkbox"/>	<input type="checkbox"/>	7
D. Not concerned - I wouldn't be concerned by short-term fluctuations at all	<input type="checkbox"/>	<input type="checkbox"/>	8

Please tick the box to select one answer for each question below:

C1

C2

Indicative
score

8. HOW IMPORTANT IS IT TO YOU THAT YOUR INVESTMENTS KEEP PACE WITH INFLATION?

- | | | | |
|---|--------------------------|--------------------------|---|
| A. Not important - I would rather protect the capital | <input type="checkbox"/> | <input type="checkbox"/> | 1 |
| B. A little important - But I'm not prepared to take unnecessary risks | <input type="checkbox"/> | <input type="checkbox"/> | 2 |
| C. Fairly important - I know that I'll need to take some risk to ensure my returns beat inflation | <input type="checkbox"/> | <input type="checkbox"/> | 3 |
| D. Very important - The priority is for these funds to grow substantially above inflation | <input type="checkbox"/> | <input type="checkbox"/> | 4 |

9. WHAT LEVEL OF RETURN DO YOU EXPECT YOUR INVESTMENT TO ACHIEVE?

- | | | | |
|---|--------------------------|--------------------------|---|
| A. A steady return without losing any of my capital value | <input type="checkbox"/> | <input type="checkbox"/> | 5 |
| B. 1-2% above inflation | <input type="checkbox"/> | <input type="checkbox"/> | 6 |
| C. 3-4% above inflation | <input type="checkbox"/> | <input type="checkbox"/> | 7 |
| D. 5% or more above inflation | <input type="checkbox"/> | <input type="checkbox"/> | 8 |

C1

C2

Total score from Risk Profile Questions		
Indicative Risk Profile, resulting from Risk Profile Score: (Refer to table below)		
Which Profile do you identify with most:		
Agreed Risk Profile:		

Indicative Risk Profile

Conservative	Moderate	Balanced	Growth	Aggressive
29 - 34	35 - 40	41 - 45	46 - 50	51 - 56

Comments

Custom Risk Profile

C1






C2

Defensive Assets	Cash	%	%
	Australian fixed interest	%	%
	Global fixed interest	%	%
	Total Defensive Assets	%	%
Growth Assets	Australian shares	%	%
	International shares	%	%
	Property and infrastructure	%	%
	Alternatives	%	%
	Total Growth Assets	%	%

Reasons for Custom Risk Profile

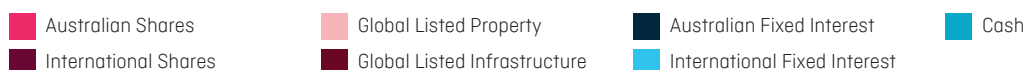
RISK PROFILES

The following table illustrates the attributes for the five risk profiles:

Risk Profile	Asset Allocation	Weight %	Allowable Ranges	Suitable for investors looking for	Expected Return (pre-tax) ¹	Expected Risk ²	No. of negative years in 10	Minimum Suggested Investment Timeframe
Conservative 	Australian Shares	7.5%	0.0% - 17.5%	Preservation of capital is a high priority, in return for low potential investment returns	2.7%	3.7%	2.2	3 years
	International Shares	7.5%	0.0% - 17.5%					
	Global Listed Property	0.0%	0.0% - 10.0%					
	Global Listed Infrastructure	0.0%	0.0% - 10.0%					
	Total Growth	15.0%	5.0% - 25.0%					
	Australian Fixed Interest	25.0%	0.0% - 95.0%					
	International Fixed Interest	25.0%	0.0% - 95.0%					
	Cash	35.0%	0.0% - 95.0%					
Total Defensive	85.0%	75.0% - 95.0%						
Moderate 	Australian Shares	13.0%	3.0% - 23.0%	Relatively stable range of returns over the short to medium term, with potential for modest long term growth	3.4%	5.7%	2.3	4 years
	International Shares	13.0%	3.0% - 23.0%					
	Global Listed Property	0.0%	0.0% - 10.0%					
	Global Listed Infrastructure	4.0%	0.0% - 14.0%					
	Total Growth	30.0%	20.0% - 40.0%					
	Australian Fixed Interest	20.0%	0.0% - 80.0%					
	International Fixed Interest	20.0%	0.0% - 80.0%					
	Cash	30.0%	0.0% - 80.0%					
Total Defensive	70.0%	60.0% - 80.0%						
Balanced 	Australian Shares	22.0%	7.0% - 37.0%	Steadier range of returns over time, with some opportunity for growth alongside moderate volatility	4.4%	8.8%	2.4	5 years
	International Shares	22.0%	7.0% - 37.0%					
	Global Listed Property	3.0%	0.0% - 18.0%					
	Global Listed Infrastructure	3.0%	0.0% - 18.0%					
	Total Growth	50.0%	40.0% - 60.0%					
	Australian Fixed Interest	15.0%	0.0% - 60.0%					
	International Fixed Interest	15.0%	0.0% - 60.0%					
	Cash	20.0%	0.0% - 60.0%					
Total Defensive	50.0%	40.0% - 60.0%						
Growth 	Australian Shares	32.0%	17.0% - 47.0%	Higher levels of growth, with a moderate level of income, and can tolerate higher levels of short term volatility	5.5%	12.7%	2.6	7 years
	International Shares	33.0%	18.0% - 48.0%					
	Global Listed Property	5.0%	0.0% - 20.0%					
	Global Listed Infrastructure	5.0%	0.0% - 20.0%					
	Total Growth	75.0%	65.0% - 85.0%					
	Australian Fixed Interest	8.0%	0.0% - 35.0%					
	International Fixed Interest	8.0%	0.0% - 35.0%					
	Cash	9.0%	0.0% - 35.0%					
Total Defensive	25.0%	15.0% - 35.0%						
Aggressive 	Australian Shares	39.0%	24.0% - 54.0%	Very high levels of capital growth with moderate levels of income, and can tolerate higher levels of short term volatility	6.0%	14.9%	2.7	9 years
	International Shares	39.0%	24.0% - 54.0%					
	Global Listed Property	6.0%	0.0% - 21.0%					
	Global Listed Infrastructure	6.0%	0.0% - 21.0%					
	Total Growth	90.0%	80.0% - 100.0%					
	Australian Fixed Interest	5.0%	0.0% - 20.0%					
	International Fixed Interest	0.0%	0.0% - 20.0%					
	Cash	5.0%	0.0% - 20.0%					
Total Defensive	10.0%	0.0% - 20.0%						

¹The expected return per annum is estimated based on Capital Market Assumptions making no allowance for active manager alpha, tax or franking credits.

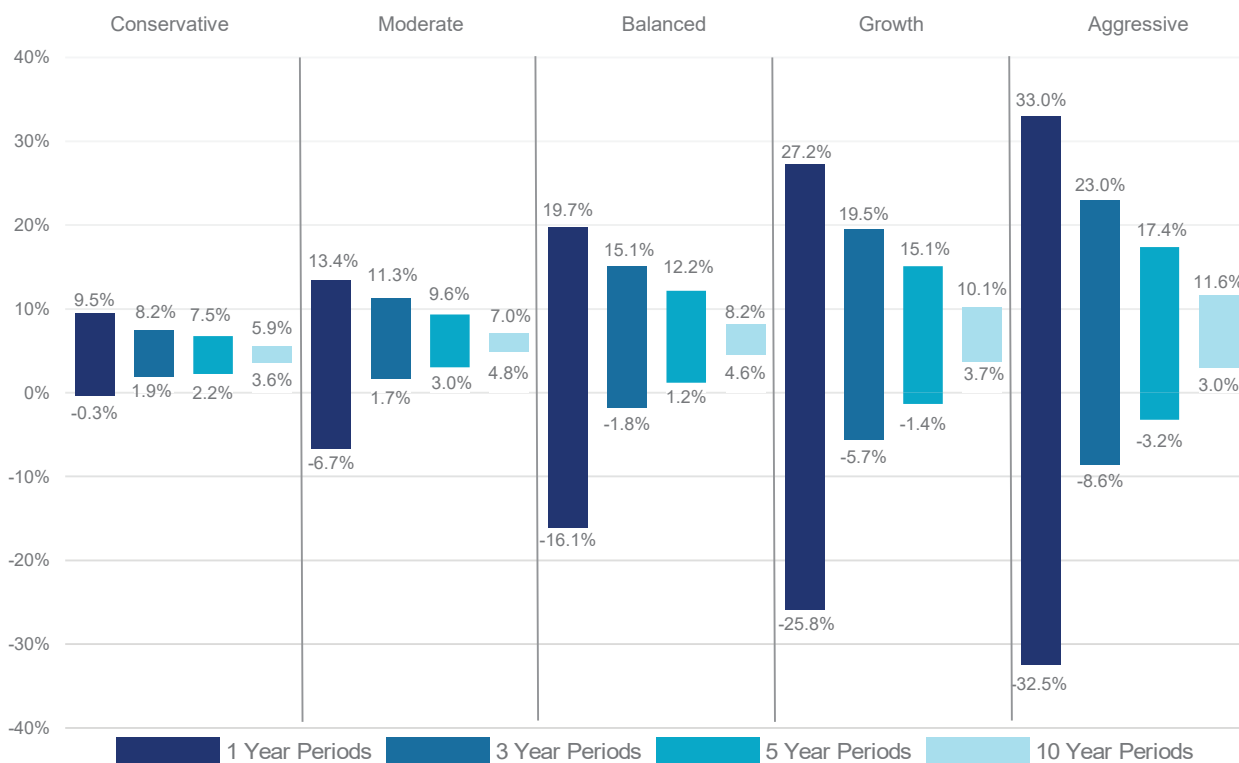
²The expected risk is based on volatility (annualised) derived from Capital Market Assumptions. The figure is the interval around the annual expected returns with an estimated probability about 68%.



3. CONFIRM

VALIDATE YOUR RISK PROFILE

You have selected a risk profile that matches your attitude to risk. Assume your funds were invested in accordance with your risk profile, please consider the range of outcomes, as detailed in the following chart:



Validation: Looking at the range of best case and worst-case returns over one, three, five, and ten years, how do you feel about the range of potential outcomes with respect to your financial goal (e.g. retirement)?

Comments

	C1	C2
Agreed Risk Profile:		
Validation supports Agreed Risk Profile?		

CLIENT ACKNOWLEDGEMENT AND DECLARATION

I/we acknowledge the suggested risk profile noted above has been generated from the answers I/we provided to questions asked in the risk tolerance questionnaire.

I/we declare that the answers provided are true and accurate to the best of my/our knowledge.

I/we acknowledge that this questionnaire does not consider my/our risk capacity, financial objectives, financial situation or particular financial needs and the suggested risk profile is itself insufficient information to determine the most appropriate portfolio for my/our financial objectives, financial situation and particular financial needs

I/we declare that I/we am/are comfortable with the risk profile(s) that I/we have been assigned and I/we understand that this will be used to assist in determining appropriate financial strategy for me/us.

Client 1 Signature

Client 2 Signature

Date of completion

Date of completion

ADVISER ACKNOWLEDGEMENT AND DECLARATION

I declare that the suggested risk profile noted above has been determined by me based on the answers provided by the client to this risk tolerance questionnaire plus a further risk discussion and that any recommended custom risk profile meets Affinia's guidelines.

Adviser Signature

Date of completion