

Inflation risk

The risk that the real value (ie. the purchasing power) of your investment may not keep pace with inflation, which will occur if your investment is providing a net (after tax) return less than the prevailing inflation rate.

Re-investment risk

In a fixed interest investment, this is the risk that you may have to accept a lower rate of interest when re-investing for another fixed term because of changes in market interest rates.

Liquidity risk

The risk that you may not be able to readily cash in your investment when you need immediate access to your funds, in which case you may have to:

- redeem your investment at less than face value and make a loss, or
- agree to have the current interest rate adjusted because the investment was not retained to maturity, or
- wait until your investment matures, which could mean you miss out on other opportunities that may arise in the meantime.

Market risk

The risk that market movements will result in investment values falling. An example of this would be investing in the shares of a gold mining company at a certain share price. If the price of gold falls (for whatever reason), it is highly likely that the price of your shares in the gold company will also fall.

Credit risk

In a fixed interest investment, the risk that the issuer is unable to pay the income you have earned, or to repay your capital on maturity.

Regulatory risk

The risk of changes to government policy or legislative changes, which could impact on the effectiveness of your investment strategy.

Currency risk

Fluctuations in the value of currencies can affect the return from overseas investments. A rise in the Australian dollar relative to the currency in which the asset is held may result in a fall in the capital value of your overseas asset. It's possible (at a cost) to hedge against this risk by contracting to buy or sell a certain currency at a specific exchange rate at a future date.

Diversification risk

The risk of exposing a total investment portfolio to only one asset class, or even a single investment, such as a rental property or a solicitors mortgage. The performance and eventual repayment of your investment is very much dependent on the performance of this single investment. Many investment professionals recommend diversification, and may use the saying "Don't put all your eggs in the one basket".

Timing risk

The risk that in attempting to time market entry/exit you will be exposed to increased short term volatility, and may end up "buying in at the top, or selling out at the bottom". It is also very important for you to have an appropriate investment time frame in mind. Some people may invest in asset classes intended for the long term, with a view to making short term gains, only to be disappointed when markets fall if they have to redeem their investment at a loss, because their funds were already "earmarked " for another purpose. Most people cannot time the market successfully.

Pricing/value risk

The risk that the investment may be purchased at too high a unit cost, and will drop in value when the market re-assesses its worth. This is often evident when a boom market withstands a correction – those who bought in just before or when the market had reached its top will stand to lose the most.

Manager risk

The risk that an investment is made only on past performance, without considering staff, ownership, market, regulatory or strategy changes.

Strategy risk

The risk an investment strategy may no longer be appropriate for you because of the impact of legislative or policy changes on your financial circumstances or objectives. This is why you should review your portfolio regularly.

Need more information?

If there's anything else you need to know, please call your financial adviser, or our dedicated Customer Service team on 13 11 55 and ask for 'Super' between 8am and 6pm (Eastern Standard Time) Monday to Friday. We'll be happy to help.

Important note

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