

Wealth Management Risk Profile Questionnaire

Confidential document

Office/Adviser use only

Client name: _____

Account number: _____

Adviser: _____

Date: _____

Important

Your Morgans adviser is required by law to make enquiries as to the level of service you are seeking, your investment objectives including your risk profile, financial situation and particular needs.

A key consideration is understanding your investment requirements and your attitude to and tolerance of risk.

The following questionnaire has been prepared to help you consider the various investment risks and to understand how they impact on your personal circumstances. The questions define your attitude to security and the level of risk you are prepared to accept for your investments.

Please take the time to answer these questions as they will assist your financial adviser to develop an appropriate investment strategy that will meet your financial and lifestyle objectives.

Please note that you may decline to provide the information requested, but Morgans recommendations and obligations will be limited accordingly and you will need to determine whether the advice provided suits your individual circumstances.

Identifying your risk tolerance

The general definition of risk tolerance is 'the amount of risk an investor is comfortable taking or the degree of variability in investment returns an individual is willing to withstand'. Risk tolerance is an important component in investing.

1. Which of the following best describes your current stage of life?

	Client 1	Client 2	
a. You have few financial burdens. You are ready to accumulate wealth for future short-term and long-term goals.	<input type="checkbox"/>	<input type="checkbox"/>	9 points
b. You are preparing for the future by establishing a home. You may or may not have children. You are expecting to have or already have a high purchase rate of household and consumer items.	<input type="checkbox"/>	<input type="checkbox"/>	3 points
c. You own your own home. You have a mortgage and potentially childcare or other regular costs and maintain only small cash balances.	<input type="checkbox"/>	<input type="checkbox"/>	1 point
d. You are in your peak earning years and your mortgage is under control. You work and you may or may not have children that are growing up or have left home. You may be ready to start thinking about your retirement years.	<input type="checkbox"/>	<input type="checkbox"/>	5 points
e. You are preparing for retirement. You own your home and have few financial burdens. You want to ensure you can afford a comfortable retirement.	<input type="checkbox"/>	<input type="checkbox"/>	3 points
f. You are retired. You rely on existing funds and investments to maintain your lifestyle in retirement. You may already be receiving a government pension and/or superannuation pension.	<input type="checkbox"/>	<input type="checkbox"/>	2 points

2. What is the primary reason you are investing your funds?

a. Long-term capital growth	<input type="checkbox"/>	<input type="checkbox"/>	7 points
b. To meet income needs	<input type="checkbox"/>	<input type="checkbox"/>	3 points
c. Long-term capital growth and income	<input type="checkbox"/>	<input type="checkbox"/>	5 points
d. For capital security	<input type="checkbox"/>	<input type="checkbox"/>	1 point

3. How secure is your current and future income from your salary, pensions or other investments?

a. Not secure	<input type="checkbox"/>	<input type="checkbox"/>	1 point
b. Somewhat secure	<input type="checkbox"/>	<input type="checkbox"/>	3 points
c. Fairly secure	<input type="checkbox"/>	<input type="checkbox"/>	5 points
d. Very secure	<input type="checkbox"/>	<input type="checkbox"/>	7 points

4. What would you estimate your net worth to be, that is total assets excluding the family home less liabilities?

	Client 1	Client 2	
a. Less than \$250,000	<input type="checkbox"/>	<input type="checkbox"/>	1 point
b. Between \$250,000 and \$500,000	<input type="checkbox"/>	<input type="checkbox"/>	3 points
c. Between \$500,000 and \$750,000	<input type="checkbox"/>	<input type="checkbox"/>	5 points
d. Between \$750,000 and \$1,000,000	<input type="checkbox"/>	<input type="checkbox"/>	7 points
e. Greater than \$1,000,000	<input type="checkbox"/>	<input type="checkbox"/>	9 points

5. How familiar are you with investment matters?

a. Not familiar at all with investments and feel uncomfortable with the complexity.	<input type="checkbox"/>	<input type="checkbox"/>	1 point
b. Not very familiar when it comes to investments.	<input type="checkbox"/>	<input type="checkbox"/>	2 points
c. Somewhat familiar. I don't fully understand investments, including the sharemarket.	<input type="checkbox"/>	<input type="checkbox"/>	3 points
d. Fairly familiar. I understand the various factors which influence investment performance.	<input type="checkbox"/>	<input type="checkbox"/>	5 points
e. Very familiar. I use research and other investment information to make investment decisions. I understand the various factors which influence investment performance.	<input type="checkbox"/>	<input type="checkbox"/>	7 points

6. In order to earn a return above the level of bank interest rates you may need to hold investments that go up and down in value (i.e. have volatility). How important is it to you to protect your investment and minimise the prospect of any fall in the value?

a. Very important. Protecting my existing investment is my main objective.	<input type="checkbox"/>	<input type="checkbox"/>	1 point
b. Important, but I'm comfortable for at least a small part of my portfolio to have volatility in order to improve returns over the longer term.	<input type="checkbox"/>	<input type="checkbox"/>	3 points
c. Somewhat important but I'm prepared to take on a reasonable amount of volatility in order to increase my chance of higher returns over the longer term.	<input type="checkbox"/>	<input type="checkbox"/>	7 points
d. Not particularly important as I'm comfortable that having exposure to volatility is the best way to maximise returns over the longer term.	<input type="checkbox"/>	<input type="checkbox"/>	9 point

7. What is your level of reliance on the income generated from the portfolio to meet your needs?

a. Nil. I have other income sources.	<input type="checkbox"/>	<input type="checkbox"/>	7 points
b. Minimal. I have other income sources but the income from the portfolio does help.	<input type="checkbox"/>	<input type="checkbox"/>	5 points
c. Reasonable. I rely somewhat on the income generated from the portfolio.	<input type="checkbox"/>	<input type="checkbox"/>	3 points
d. Considerable. I rely heavily on the income generated from the portfolio.	<input type="checkbox"/>	<input type="checkbox"/>	1 point

If you are reliant on the income, what do you anticipate the income amount would be per annum?

\$

8. How long are you looking at investing your capital before you think you would need to access it?
(Assuming you already have plans in place to meet short-term cashflow and/or emergencies.)

	Client 1	Client 2	
a. In 2 years or less	<input type="checkbox"/>	<input type="checkbox"/>	1 point
b. Within 3 - 5 years	<input type="checkbox"/>	<input type="checkbox"/>	3 points
c. Within 6 - 10 years	<input type="checkbox"/>	<input type="checkbox"/>	5 points
d. Not for 10+ years	<input type="checkbox"/>	<input type="checkbox"/>	7 points

9. When considering your investments and making investment decisions, do you think about the impact of possible losses or possible gains?

a. I am always concerned about possible losses.	<input type="checkbox"/>	<input type="checkbox"/>	1 point
b. I am somewhat concerned about possible losses.	<input type="checkbox"/>	<input type="checkbox"/>	3 points
c. I usually consider possible gains.	<input type="checkbox"/>	<input type="checkbox"/>	5 points
d. I always consider possible gains.	<input type="checkbox"/>	<input type="checkbox"/>	7 points

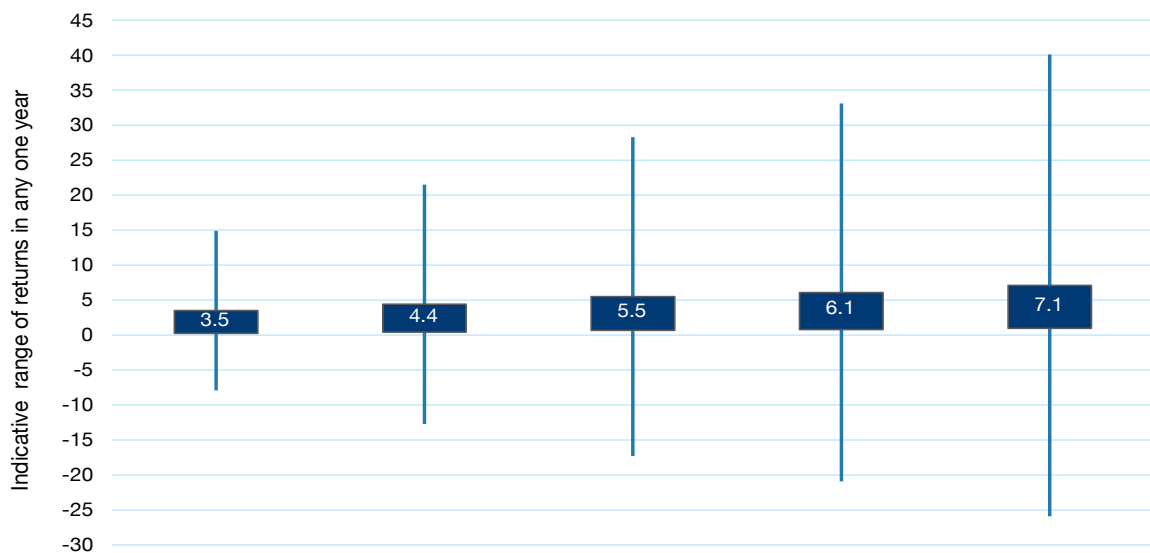
10. Assume you had an initial investment portfolio worth \$100,000. If, due to market conditions, your portfolio fell to \$85,000, would you:

(If your portfolio has experienced a drop like this, choose the answer that corresponds to your actual behaviour.)

a. Sell all of the investments? You do not intend to take risks.	<input type="checkbox"/>	<input type="checkbox"/>	1 point
b. Sell a portion of your portfolio to cut your losses and reinvest into more secure investment assets?	<input type="checkbox"/>	<input type="checkbox"/>	3 points
c. Hold the investment and sell nothing, expecting performance to improve?	<input type="checkbox"/>	<input type="checkbox"/>	5 points
d. Invest more funds to lower your average investment price?	<input type="checkbox"/>	<input type="checkbox"/>	7 points

11. Most portfolios suffer some volatility in returns. The level of volatility will depend on how exposed the portfolio is to growth assets. The greater the exposure is to growth assets, the greater the potential for returns but also the greater the potential for loss. Of the following portfolios which one would you be most comfortable with when it comes to the possibility of losses versus returns?

- | | Client 1 | Client 2 | |
|------------------------------------------------|--------------------------|--------------------------|----------|
| a. Portfolio 1 – 25% exposure to growth assets | <input type="checkbox"/> | <input type="checkbox"/> | 1 point |
| b. Portfolio 2 – 42% exposure to growth assets | <input type="checkbox"/> | <input type="checkbox"/> | 3 points |
| c. Portfolio 3 – 66% exposure to growth assets | <input type="checkbox"/> | <input type="checkbox"/> | 5 points |
| d. Portfolio 4 – 79% exposure to growth assets | <input type="checkbox"/> | <input type="checkbox"/> | 7 points |
| e. Portfolio 5 – 98% exposure to growth assets | <input type="checkbox"/> | <input type="checkbox"/> | 9 points |



	Portfolio 1	Portfolio 2	Portfolio 3	Portfolio 4	Portfolio 5
Growth allocation	0.25	0.42	0.66	0.79	0.98
Potential loss in one year	-7.9	-12.7	-17.3	-20.9	-25.9
Potential gain in one year	14.9	21.5	28.3	33.1	40.1
Average return	3.5	4.4	5.5	6.1	7.1

Source: Morgans

12. Thinking about your answer to the previous question, if you now think about your feelings towards choosing actual investments, which one of the following statements best describes you.

- | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|----------|
| a. I would prefer investments with little or no fluctuation in value that have a low degree of risk associated with them. I am willing to accept the lower return associated with these investments. | <input type="checkbox"/> | <input type="checkbox"/> | 1 point |
| b. I prefer to diversify with a mix of investments that have an emphasis on low risk. I am happy to have a small proportion of the portfolio invested in assets that have a higher degree of risk in order to achieve a slightly higher return. | <input type="checkbox"/> | <input type="checkbox"/> | 3 points |
| c. I prefer to have a spread of investments in a balanced portfolio. | <input type="checkbox"/> | <input type="checkbox"/> | 5 points |
| d. I prefer to diversify my investments with an emphasis on more investments that have higher returns, but still having a small amount of low risk investments. | <input type="checkbox"/> | <input type="checkbox"/> | 7 points |
| e. I would select investments that have a higher degree of investment price fluctuation so that I can earn higher long term returns. | <input type="checkbox"/> | <input type="checkbox"/> | 9 points |

Adviser notes

Are there any extenuating circumstances to consider e.g. divorce, widowed, caring for grandchildren etc.?

Your score

Add up the points you scored for each answer. Based on the total points, you can compare your score with the range of profiles described below.

Total points

Client 1

Client 2

Please remember that this questionnaire is designed to help you evaluate your risk profile and that given the answers to the above questions, your risk profile may be in the indicated sector.

If you feel comfortable with the analysis provided, then your Morgans adviser can use it to devise an appropriate investment portfolio. If you don't agree with the analysis, or want to ask more questions about it, please discuss it with your Morgans adviser.

Risk capacity/Sensitivity to volatility

Do you have any specific expectations of investment returns?
(i.e. index returns, returns above cash, set percentage figures)

Where risk tolerance considers investment risk, risk capacity considers the amount of risk an investor must take in order to reach his or her financial goals. This involves examining the rate of return for various investments and investment time frames. Risk capacity is just as important as risk tolerance in helping your adviser determine appropriate investment strategies and recommendations.

Risk profile	Defensive	Conservative	Balanced	Assertive	Aggressive
Minimum investing period	2 years	3 years	5 years	7 years	9 years
Portfolio characteristics %					
Growth assets	25	40	65	80	98
Income assets	75	60	35	20	2
Expected long-term returns %					
Total returns	3.5	4.4	5.5	6.1	7.1
Growth	0.8	1.5	2.4	2.9	3.8
Income (including franking credit)	2.7	2.8	3.1	3.2	3.3
Franking credit	0.1	0.2	0.3	0.3	0.4
Risk* (expected chance of a negative return)					
Expected negative year every x years	5.5	4.5	4.3	4.0	3.8
Magnitude of loss over one year % (3 Std Dev)	-7.9	-12.7	-17.3	-20.9	-25.9

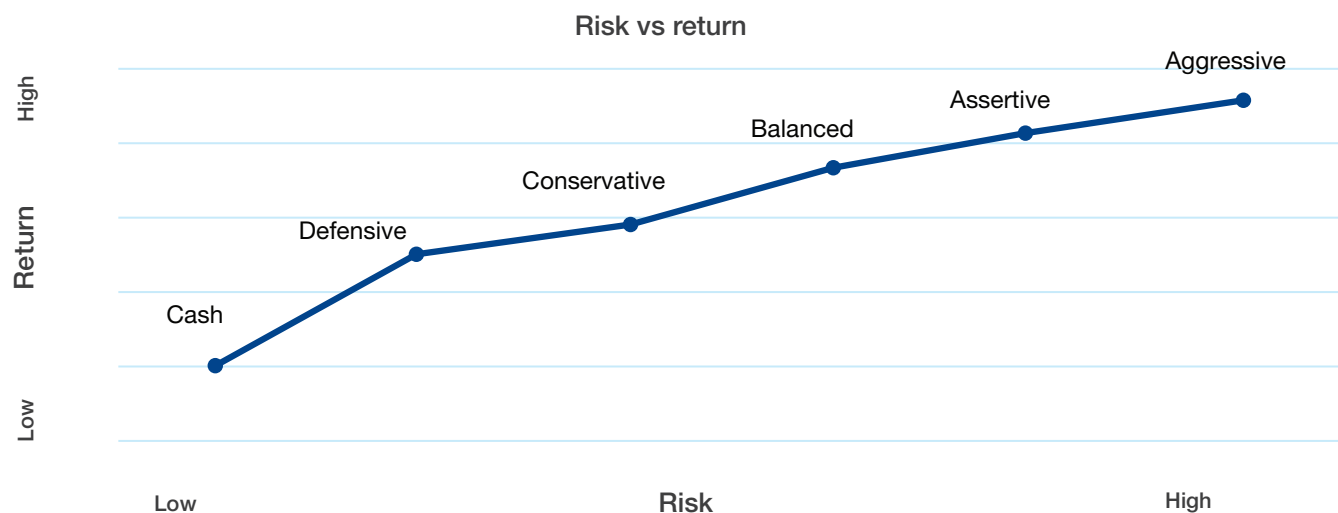
*Analytics are based on long-term assumptions and the normal distribution curve. Losses and gains may occur more often or fall outside the specified ranges more regularly than normal distribution modelling would imply.

Source: Morgans, BMIS

Client assessment

Based on the above portfolio characteristics and estimated risk vs return data, which profile on the following graph do you think best suits you and your investment goals?

Client 1 and Client 2 (if applicable), indicate separately on the following graph where you feel you would be comfortable with a level of risk vs return for your investments.



Source: Morgans

Behaviour of asset classes

The following table outlines how defensive assets such as cash and fixed interest can pay reasonable income (depending on the interest rate environment at the time), but have no growth and therefore are usually a lower risk investment. Shares on the other hand have a higher potential for capital growth and so the risk factor is also higher.

What this tells you is that risk and returns are inextricably linked. In other words, you cannot expect higher returns without having to take higher risk and you cannot expect safety without correspondingly low returns.

Asset class	Income	Capital growth	Tax effectiveness	Risk
Income assets				
Cash	Low	None	None	Low
Australian fixed interest*	Medium	None	None	Low/Medium*
International fixed interest	Low	None	None	Medium
Growth assets				
Australian shares	Medium	High	High	High
International shares	Low	High	Low	High
Property	Medium/High	Medium	Medium	High
Global infrastructure	Medium	Medium	Low	Medium

*Not all fixed interest assets are low risk and some may have the same high risk/return profile that shares do. We refer to listed fixed interest securities such as preference and hybrid securities. Your adviser will explain the characteristics of this particular type of investment as there are additional risk factors you need to be aware of if investing in them.

Source: Morgans

Notes

Risk analysis

Based on your total points from the risk tolerance section, your applicable risk profile would be:

Investor profile	Score	Description
Defensive	0 - 18 points	You are a defensive investor whose priority is the safeguarding of your current investment capital over the desire for increasing potential returns.
Conservative	19 - 39 points	You are a conservative investor primarily seeking income with some potential for capital growth. You prefer a low level of investment value volatility and therefore you are willing to accept lower potential investment returns.
Balanced	40 - 64 points	You are a balanced investor with some understanding of investment market behaviour. You prefer a balance between capital growth and capital security. You are prepared to accept some short-term risk in order to gain longer-term capital growth.
Assertive	65 - 88 points	You are an assertive investor who understands the movement of investment markets. You are most interested in maximising long-term capital growth, although you do not wish to make unbalanced investment decisions. You are happy to take calculated risks in order to maximise long-term capital growth.
Aggressive	89+ points	You are an aggressive investor with a strong bias towards investments with high growth potential due to your investment experience. You are willing to accept higher performance fluctuations in return for potentially higher long-term capital growth. You also have a greater focus on tax-advantaged investments and/or leverage of your assets to further improve capital growth potential.

Results

Risk tolerance

Client 1 Your calculated risk profile based on your answers to the risk tolerance questions is:

Client 2 Your calculated risk profile based on your answers to the risk tolerance questions is:

Risk capacity

Client 1

You identify yourself as a/an

investor according to your selection from the risk/return graph.

Is there a mismatch between risk profiles? Let's discuss.

Client 1

Client 2

You identify yourself as a/an

investor according to your selection from the risk/return graph.

Client 2

From our discussions we will base our advice on the following risk profile:

Client 1

Client 2

Client acknowledgment

I/We hereby acknowledge that the selected risk profile is consistent with my/our investment risk requirements and capacity. I/We have had the concept of investment risk and risk capacity explained to me/us and am/are happy to proceed on this basis. Is this profile to be applied across your multiple accounts (if any)? If yes, please list account names.

If no, please complete a separate risk profiling questionnaire for those relevant accounts.

Client 1

Signature

Name

Date

Client 2

Signature

Name

Date

Queensland

Brisbane +61 7 3334 4888
Stockbroking, Corporate Advice, Wealth Management

Brisbane Edward Street +61 7 3121 5677

Brisbane Tynan Partners +61 7 3152 0600

Brisbane North Quay +61 7 3245 5466

Bundaberg +61 7 4153 1050

Cairns +61 7 4222 0555

Gladstone +61 7 4972 8000

Gold Coast +61 7 5581 5777

Holland Park +61 7 3151 8300

Kedron +61 7 3350 9000

Mackay +61 7 4957 3033

Milton +61 7 3114 8600

Newstead +61 7 3151 4151

Noosa +61 7 5449 9511

Redcliffe +61 7 3897 3999

Rockhampton +61 7 4922 5855

Springfield-Ipswich +61 7 3202 3995

Spring Hill +61 7 3833 9333

Sunshine Coast +61 7 5479 2757

Toowoomba Chalk Capital +61 7 4639 1277

Townsville +61 7 4725 5787

Northern Territory

Darwin +61 8 8981 9555

New South Wales

Sydney +61 2 9043 7900
Stockbroking, Corporate Advice, Wealth Management

Sydney Margaret Street +61 2 8215 5000

Sydney Reynolds Securities +61 2 9373 4452

Sydney Currency House +61 2 8216 5111

Armidale +61 2 6770 3300

Ballina +61 2 6686 4144

Balmain +61 2 8755 3333

Bowral +61 2 4851 5555

Chatswood +61 2 8116 1700

Coffs Harbour +61 2 6651 5700

Cronulla +61 2 8215 5079

Gosford +61 2 4325 0884

Merimbula +61 2 6495 2869

Mona Vale +61 2 9998 4200

Neutral Bay +61 2 8969 7500

Newcastle +61 2 4926 4044

Orange +61 2 6361 9166

Port Macquarie +61 2 6583 1735

Scone +61 2 6544 3144

Wollongong +61 2 4227 3022

Australian Capital Territory

Canberra +61 2 6232 4999

Victoria

Melbourne +61 3 9947 4111
Stockbroking, Corporate Advice, Wealth Management

Brighton +61 3 9519 3555

Domain +61 3 9066 3200

Geelong +61 3 5222 5128

Hawthorn +61 1300 382 075

South Yarra +61 3 9006 9955

Southbank +61 3 9037 9444

Traralgon +61 3 5176 6055

Warrnambool +61 3 5559 1500

Western Australia

West Perth +61 8 6160 8700
Stockbroking, Corporate Advice, Wealth Management

Perth +61 8 6462 1999

South Australia

Adelaide +61 8 8464 5000
Stockbroking, Corporate Advice, Wealth Management

Exchange Place +61 8 7325 9200

Norwood +61 8 8461 2800

Unley +61 8 8155 4300

Tasmania

Hobart +61 3 6236 9000

1800 777 946
info@morgans.com.au

morgans.com.au