

## RISK TOLERANCE PROFILE



The table below defines the investment strategies into five broad categories, from Conservative to Aggressive. As can be seen by the table, the further that you move away from the Conservative portfolio, the higher the long term returns will be. However, this also increases short term volatility and the frequency of negative returns.

The following table shows the “Bucket breakdown” if you were to invest based on a selected risk profile only, rather than on consumption.

|                                  | Conservative    | Cautious        | Prudent           | Assertive         | Aggressive        |
|----------------------------------|-----------------|-----------------|-------------------|-------------------|-------------------|
| % in growth assets (shares)      | 0% - 10%        | 11% - 30%       | 31% - 60%         | 61% - 85%         | 86%+              |
| Likely long term return          | CPI less 1%     | CPI             | CPI + 2%          | CPI + 3%          | CPI + 5%          |
| Frequency of negative return     | 1 year in 10    | 1 year in 7     | 1 year in 5       | 1 year in 4       | 1 year in 3       |
| Potential variability of returns | From -2% to +2% | From -5% to +5% | From -10% to +15% | From -20% to +35% | From -50% to +60% |
| Recommended investment timeframe | 1 – 3 years     | 1 – 4 years     | 5 – 8 years       | 5 – 8 years       | 9+ years          |

| Bucket       | % based on Conservative tolerance | % based on Cautious tolerance | % based on Prudent tolerance | % based on Assertive tolerance | % based on Aggressive tolerance |
|--------------|-----------------------------------|-------------------------------|------------------------------|--------------------------------|---------------------------------|
| 1            | 90%                               | 70%                           | 40%                          | 20%                            | 5%                              |
| 2            | 10%                               | 20%                           | 30%                          | 25%                            | 5%                              |
| 3            | 0%                                | 10%                           | 30%                          | 55%                            | 90%                             |
| <b>Total</b> | <b>100%</b>                       | <b>100%</b>                   | <b>100%</b>                  | <b>100%</b>                    | <b>100%</b>                     |

### Companion documents:

#### *Using the BL&A 'Bucket Approach' to Investing*

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