Investment risks.

Strategy Information Flyer

When deciding on an investment, it is important to understand the expected risk and likely returns from the investment and determine how this fits with your personal situation and financial needs.

Understanding risk and return.

Risk refers to the uncertainty of returns and the possibility that an investment may deliver outcomes that differ from expectations, including the risk of loss of capital and income.

While some people may be more comfortable with accepting low levels of risk, the potential consequence may be that the returns achieved are insufficient to meet their financial objectives. All investments are subject to some risk. The type of investment determines the associated risk.

Risk types.

Credit risk

The risk the issuer of a debt investment may not be able to repay the capital at the end of the investment term or that they are unable to make interest payments.

Currency risk

The risk that currency movements will reduce your investment returns.

Economic risk

The risk that economic or government policies may reduce your investment returns.

Financial risk

The risk that borrowing (gearing) amplifies investment losses as well as gains.

Inflationary risk

The risk that your investment returns will be less than the inflation rate and therefore, the net return received by you will be negative.

Information risk

The risk that investment decisions are made using incomplete, inaccurate or misunderstood information.

Legislative risk

The risk associated with governments changing policies and rules. This can impact the success of investments, particularly where, for example, the tax status of those investments is affected.

Interest rate risk

The risk that changes to interest rates will negatively impact the performance of your investments.

Market risk

The risk that investment values fall due to movements in financial markets.

Concentration risk

The risk of significant loss from lack of diversification.

Manager risk

The risk that an investment manager underperforms or fails to meet objectives.

Liquidity risk

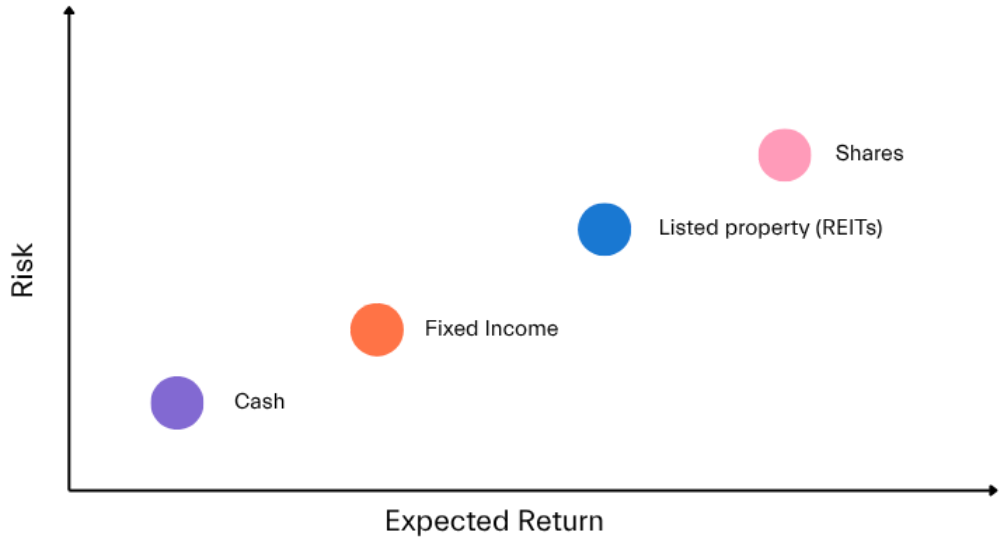
The risk of not being able to sell investments quickly. Investments that may be difficult or slow to sell, or have limited secondary markets, are called illiquid investments.

Timing risk

The risk of investing at the wrong time is commonly referred to as buying high and selling low. In general, investments with higher expected returns tend to involve higher levels of risk, although this relationship is not guaranteed.

The relationship between risk and return is demonstrated in the graph below. By investing in higher-risk investments, investors want to be compensated for this risk. As such, they require a higher rate of return.

Generally, the more stable the return each year, the lower the risk of a negative return. This will result in a lower return. The longer an investment is held, the greater the likelihood that volatile returns will smooth out over time.



Source: AMP Capital

Opportunity cost.

Opportunity cost refers to the potential benefit that is lost when one investment option is chosen over another. When you commit your funds to a particular asset or strategy, you may miss out on returns that could have been earned elsewhere if a different investment was selected. While not a direct investment risk in itself, opportunity cost is an important consideration, as it can impact your overall financial outcomes—particularly where alternative investments perform better over the same period.

Diversification.

With investing, it is important to not put all your money into one investment or type of investment (concentrating investments in a single asset or asset class). All investments are subject to some level of risk. By placing your money into different types and categories of investments, you reduce the overall risk and smooth out returns.

No single type of security; asset class or investment manager provides the best performance over all time periods. So, a range of investments should reduce the risk of each of the investments within a portfolio experiencing drops in performance at the same time. This is simply because one asset class or manager may perform well to counter the poor performance of another.

This document was prepared by Enzumo Pty Ltd. It contains general information about the benefits, costs and risks associated with certain product classes and strategies. It is designed for use in conjunction with a Statement of Advice that takes into account the circumstances and objectives of an individual. Before committing to purchase or sell a financial product, you should ensure that you have obtained an individual Statement of Advice. As legislation may change, you should ensure you have the most recent version of this document.

Version: 27 October 2026