A Smart Investor…

- Understands that all investments involve risk and knows that higher returns are usually associated with higher risk.
- Understands their own attitude to risk and how much risk they can tolerate.
- Will consider currency risk when investments are not in the currency of their home country.
- Recognises the importance of having a diversified portfolio.

All investment involves risk. When an investor of whatever type makes an investment there is a risk that that investment will lose money, or make less profit than a feasible alternative investment.

A smart investor will understand which investments are riskier than others. They will also know that higher investment returns are normally associated with higher risk investments. When making an investment decision, the smart investor will carefully balance the potential returns from the investment against the risks associated with that investment. Some people are more comfortable in taking risks than others in order to potentially receive a higher return on their investments. For others security is more important, seeking to protect the underlying capital they have. Understanding your attitude to risk is important if you want to be a smart investor.

The prices of investments fluctuate, they can go up and down. Currencies also fluctuate. When you make an investment in a currency that is not your home currency you take on two risks: the risk of the investment and the currency risk. A smart investor will understand these risks.

A smart investor knows that they can reduce their risks if they invest smaller amounts in a range of different types of investments rather than making one large single investment. This is known as diversifying investment risk, smart investors will always have a diversified portfolio.

Funds, collective or pooled investments allow ordinary investors to pool their investment capital and participate in buying the shares of many different companies under the management of a financial professional. The investment manager can spread the money invested across a range of different company shares. Pooled investments are generally considered lower risk than direct investment because of this ability to diversify (spread) the risk.

Disclaimer: *The information set out above is not all encompassing and is not any form of, and must not be relied upon on any basis whatsoever as, legal or other advice, but rather is for general informational purposes only.*

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