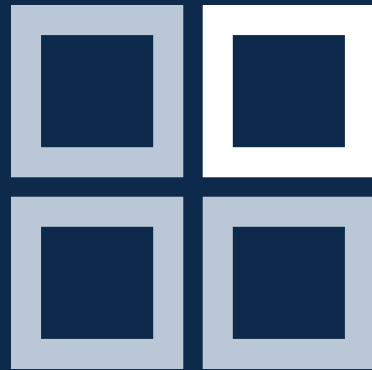




Understanding Investment Risk.

Understanding Investment Risk.

At Hewison Private Wealth, our role is to help you build, protect, and preserve wealth with clarity and confidence. Central to this is understanding investment risk.

Risk is not something to fear; it is something to be understood, managed, and aligned with your objectives. By recognising the difference between volatility and permanent loss, and by applying discipline and diversification, we can design strategies that deliver outcomes for today and for generations to come.

What Do We Mean by Risk?

In its simplest form, risk is the possibility of an outcome different from what you expect whether that be positive or negative. In investment terms, it often refers to the chance of losing money, or the uncertainty attached to returns.

Volatility describes short-term market ups and downs and is often confused with risk. But volatility is temporary. The real risk lies in permanent capital loss.

The trade-off is straightforward: the potential for higher returns usually comes with higher uncertainty. Understanding your comfort with this balance is key to building a portfolio that suits both your goals and your peace of mind.



Applying Common Sense to Risk.

Every investment involves some level of risk.

CASH AND TERM DEPOSIT

Appear safe but carry the risk of eroding value through inflation or changes in interest rates.

PROPERTY

Perceived as reliable, but history shows values can fluctuate dramatically, and it requires a long-term horizon.

SHARES

Often seen as “high risk” due to visible daily price movements, yet in the long run they can deliver strong growth and reliable income when the underlying businesses are sound.

Speculation is about pursuing short-term gains based on sentiment. Disciplined investing, by contrast, is about recognising the underlying worth of assets and building sustainable income and growth over time.



Types of Risk.

When understanding risk, it’s more than just the possibility of a bad investment. Many other factors need to be taken into account.

This table provides a summary of the types of risk you may encounter.

R I S K T Y P E	W H A T I T M E A N S
M I S M A T C H R I S K	Investments don’t align with your objectives or timeframe.
I N F L A T I O N R I S K	Rising costs erode the purchasing power of your money.
I N T E R E S T R A T E R I S K	Changes in interest rates reduce returns or capital values.
M A R K E T R I S K	Broader economic or market movements affect investment values.
D I V E R S I F I C A T I O N R I S K	Overexposure to a single asset or market.
C U R R E N C Y R I S K	Currency fluctuations impact overseas investments.
L I Q U I D I T Y R I S K	Inability to access funds when you need them.
C R E D I T R I S K	Institutions you invest with may fail to meet obligations.
L E G I S L A T I V E R I S K	Changes to laws or regulations affect strategy.
G E A R I N G R I S K	Borrowing to invest magnifies both gains and losses.

Aligning Objectives, Timeframes & Investments.

The best way to reduce mismatch risk is to align your investment strategy with your objectives and timeframe.

OBJECTIVE	TIME FRAME	INVESTMENT
Short term: e.g. Immediate income, capital expenditure, holiday	12-14 months: Ongoing income	Access to cash and fixed interest for immediate needs such as holidays or capital expenses.
Medium term: e.g. home deposit, capital expenditure new car	At least 3 years	A balance of income and growth assets for goals like a home deposit or school fees.
Long term: e.g. School fees, retirement	More than 5 years	Growth-focused assets such as property and shares, which provide inflation protection and wealth accumulation over time.

Estate planning and multi-generational wealth transfer may introduce a dual objective: reliable income today and long-term growth for beneficiaries. Both require careful balance and strategic design.

INFLATION: THE SILENT RISK

Inflation erodes purchasing power. At 3% inflation, \$100 today will only buy \$74 in 10 years’ time. For retirees relying on fixed income, this can have a devastating impact.

Consider Jane, who retired with \$2.5 million in term deposits at 6% interest. Five years later, inflation had lifted her living costs by nearly 16%, while interest rates fell to 4%. Her income no longer met her needs, and her capital began to erode.

CASE STUDY: JANE (RETIREE)

TABLE COMPARING 2020 VS 2025:

YEAR	COST OF LIVING	TERM DEPOSIT RATE	ANNUAL INCOME	SHORTFALL	CAPITAL REMAINING
2020	\$150,000	6%	\$150,000	—	\$2,500,000
2025	\$173,891	4%	\$100,000	(\$73,891)	\$2,090,932

Growth investments such as shares and property are essential for countering inflation by providing both income and capital appreciation.

Market Risk and Investor Behaviour.

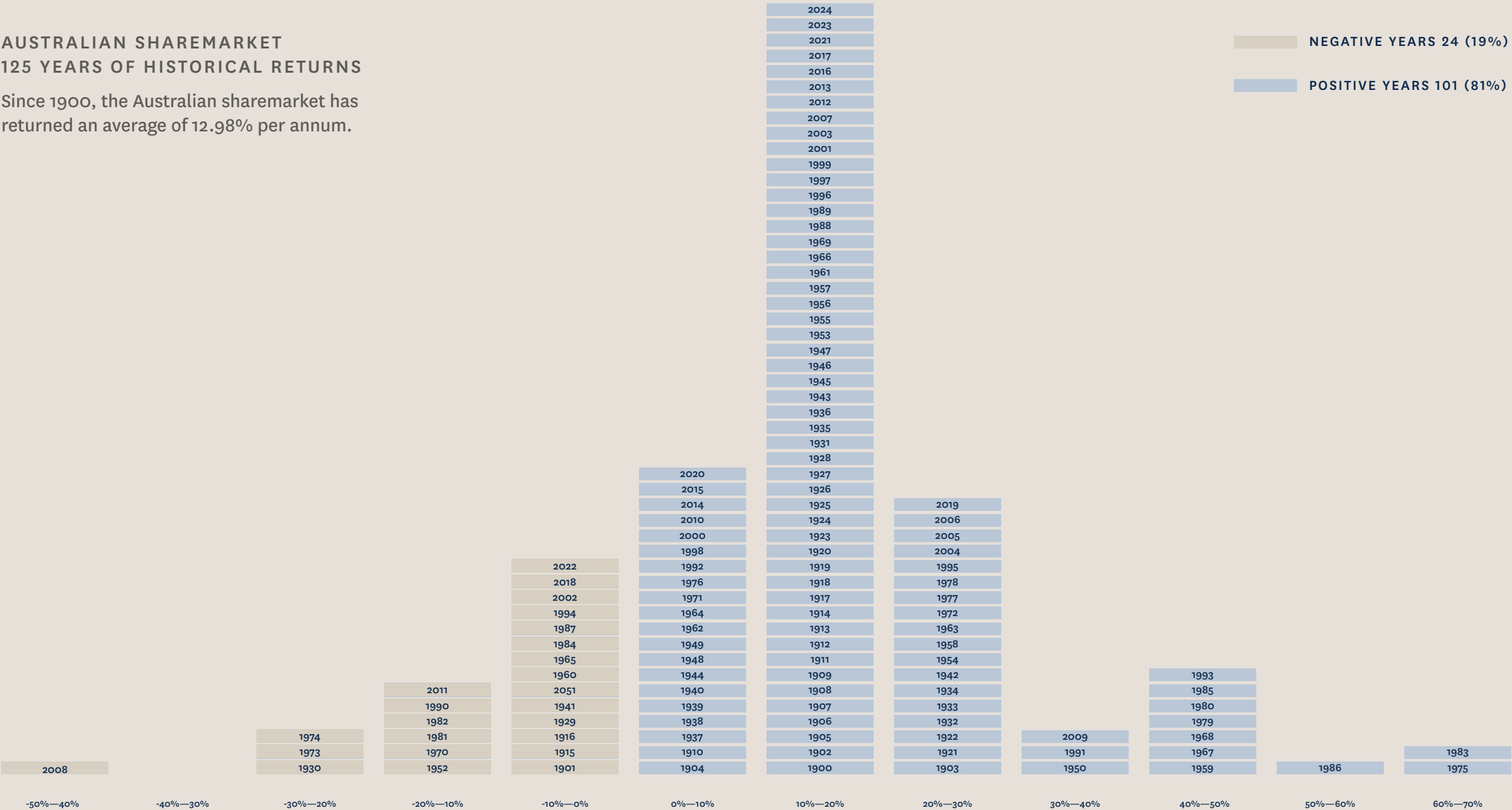
Markets are influenced by cycles and events whether that be economic slowdowns, global conflicts, pandemics, or policy shifts. These cause volatility, but not necessarily permanent loss.

The greatest risk often comes from investor behaviour. Fear drives panic-selling when markets fall, while greed drives overconfidence when markets rise. Discipline, patience, and objectivity are the antidotes.



AUSTRALIAN SHAREMARKET
125 YEARS OF HISTORICAL RETURNS

Since 1900, the Australian sharemarket has returned an average of 12.98% per annum.



“TIMING THE MARKET” VS “TIME IN THE MARKET”.

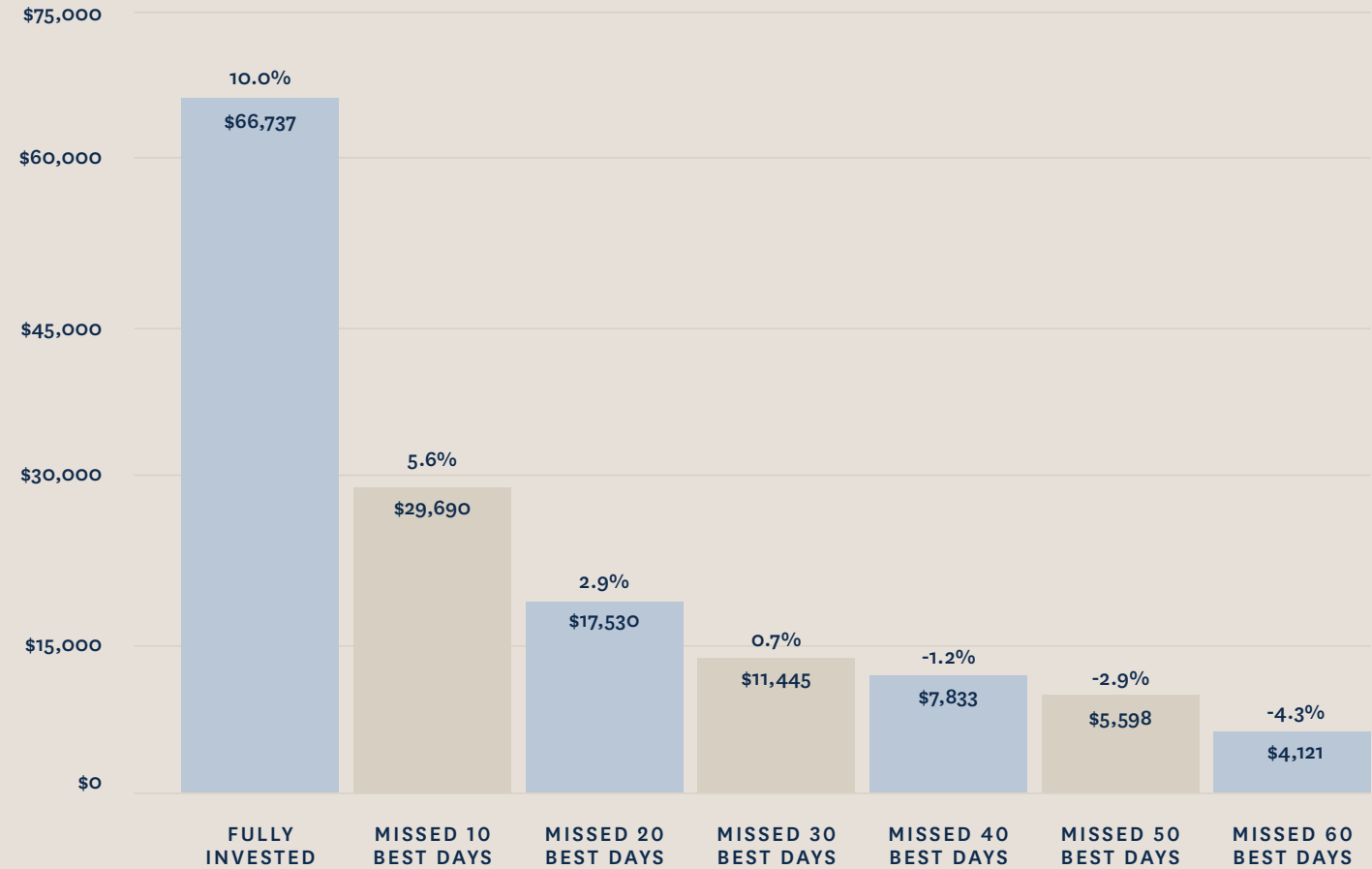
Trying to “time the market” by selling at the top and buying back at the bottom is virtually impossible. History has shown that “time in the market” by owning quality assets for the long term will consistently outperform short-term speculation.

Over the past 20 years, investors who stayed invested achieved far stronger outcomes than those who missed just a handful of the market’s best days. Missing the top 10 days alone can cut long-term returns by half.

Patience and discipline are key.

MISSING THE BEST DAYS ERODES RETURNS.

Looking back over the 20-year period from July 1, 2005, to June 30, 2025, if you missed the top 10 best days in the stock market, your overall return was cut in half. J.P. Morgan Asset Management’s 2025 Retirement Guide shows the impact that pulling out of the market has on a portfolio.



If you were fully invested in the S&P 500, your annualised total return was 10% during that time. But if you missed the 10 best days in the market, it dropped to 5.6%.

**Period for July 1 2005 – June 30 2025. Past performance is not a reliable indicator of future performance.*

Diversification: The Power of Balance.

The old adage “don’t put all your eggs in one basket” still holds true. Different asset classes perform differently at different times in the cycle. Diversification reduces volatility and balances risk.

But diversification is not about spreading investments for its own sake. It’s about constructing a portfolio deliberately aligned with your objectives, ensuring the right mix of growth, income, and liquidity.

Diversification is not about spreading widely but balancing wisely. It ensures your portfolio is resilient, whatever the cycle.

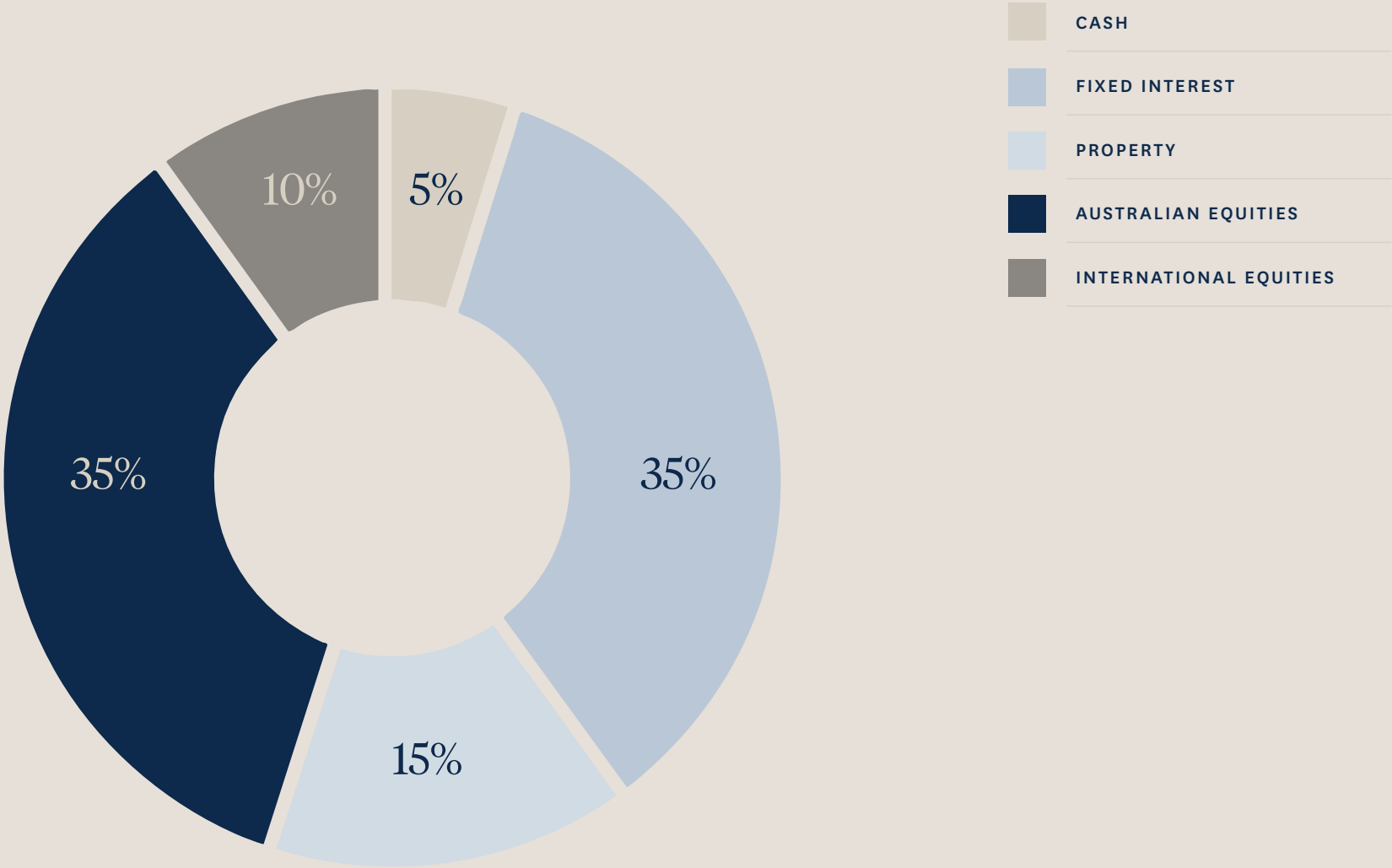
OBJECTIVE BASED ASSET ALLOCATION STRATEGY

Rather than classifying clients by risk profiles alone, we believe asset allocation should be driven by objectives. Each asset class brings different characteristics, and it is the right combination, not a generic “profile” that achieves outcomes.

Disciplined portfolio rebalancing is essential. It maintains alignment to objectives, preserves balance between growth and income, and manages exposure as markets shift.



ASSET ALLOCATION EXAMPLE



Asset allocation is not about labels like ‘balanced’ or ‘growth.’ It’s about aligning your wealth with your objectives and maintaining that alignment over time.

Understanding Asset Classes.

CASH	
INCOME	Reliable but low
GROWTH POTENTIAL	Nil
SECURITY	High
VOLATILITY	Low

These are “defensive” assets, valuable for stability and liquidity but vulnerable to inflation over time.

FIXED & VARIABLE INTEREST	
INCOME	Reliable
GROWTH POTENTIAL	Nil
SECURITY	Generally high
VOLATILITY	Low

Defensive asset, valuable for high income, usually capital sability however vulnerable to inflation over time.

AUSTRALIAN SHARES	
INCOME	Reliable, often franked dividends
GROWTH POTENTIAL	Strong
SECURITY	Varies by company
VOLATILITY	High

A powerful long-term wealth builder, providing both income and growth, while hedging against inflation.

INTERNATIONAL SHARES	
INCOME	Low
GROWTH POTENTIAL	Strong
SECURITY	Generally good, varies by company/market
VOLATILITY	High

These broaden opportunities and diversification, usually accessed via managed funds or ETFs.

PROPERTY	
INCOME	Low to moderate
GROWTH POTENTIAL	Good
SECURITY	Solid when carefully chosen
VOLATILITY	Moderate

A long-term growth asset, though costs such as stamp duty and maintenance must be considered.

Currency, Legislative & Gearing Risks.

CURRENCY

Offshore investments carry exchange rate risk. This can be managed through hedging strategies, though these come with costs.

LEGISLATIVE

Superannuation and tax rules change. Flexibility is vital.

GEARING

Borrowing magnifies gains and losses. It can be effective in disciplined strategies, but cash flow and downside protection must be carefully managed.



The Hewison Difference.

At Hewison Private Wealth, we believe risk is not about fear, it is about clarity. Our independence allows us to design portfolios free from external influence, built purely around your objectives.

Through discipline, diversification, and active rebalancing, we manage volatility while keeping sight of what matters most: protecting and growing wealth to support your lifestyle, your family, and your legacy.

If You're Seeking Independence.

At Hewison Private Wealth, we see risk differently:
Not as something to avoid, but as something to
understand and manage.





Hewison & Associates Pty Ltd
(trading as Hewison Private Wealth)
ABN 51 006 082 257 AFSL 227185

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