Risk

Risk is a result or outcome which is other than what is / was expected.
Risk is the amount of money that an investor can afford to lose in the interim, in his quest for certain return on investments.
Risk is a state of uncertainty.
Risk Appetite Vs. Risk Tolerance

Risk Appetite

Risk appetite is a broad-based description of the desired level of risk that one will take in pursuit of one's investment goal.

Risk appetite refers to willingness of an individual to take risk

Risk Tolerance

Risk tolerance reflects the acceptable variation in outcome related to the investment

Risk tolerance implies ability of an individual to tolerate the level of downside risk
Determinants For Risk Appetite

• Age

• Past experiences

• Knowledge
Determinants For Risk Tolerance

• What is your current financial situation?
  • Income
  • Expenses
  • Assets
  • Liabilities
  • Financial responsibility you are shouldering

• Has a contingency fund been built?

• How close are you to your financial goals

• Is there enough life insurance cover?

• Is there enough health insurance cover?
Risk Profile

Risk Tolerance + Risk Appetite = Risk Profile
Why Recognising Risk Profile Is Important?

• It facilitates in prudent investment planning

• It facilitate in prudent asset allocation

• It can facilitate in optimising risk-return relationship for your investment portfolio.
Categories Of Risk Profile

Aggressive

Conservative

Moderate
## Indicative Asset Allocation

(Indicative Asset Allocation

<table>
<thead>
<tr>
<th>Category of Risk Profile</th>
<th>Indicative Asset Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Equities (%)</td>
</tr>
<tr>
<td>Aggressive</td>
<td>70</td>
</tr>
<tr>
<td>Moderate</td>
<td>50</td>
</tr>
<tr>
<td>Conservative</td>
<td>Upto 20%</td>
</tr>
</tbody>
</table>

(Note: The asset allocation given above is purely indicative and not conclusive.)
Some Key Take Away Points!

• **Remember**, return on your investment has risks associated with them
• **Do not rush** with investing
• Ask yourself, **can you afford** to take risk
• Know **where you stand** financially!
• Know the **financial responsibilities you are shouldering**
• Ideally, build a **contingency fund**
• Know **how close** to you are to your financial goals
Some Key Take Away Points!

- Have an **optimal health insurance cover**
- Know **your age**
- Gauge from **past experiences**
- Remember, **Risk tolerance** implies, ability to take risk
- **Risk appetite** refers to your willingness to take risk
- **Prudent risk profiling** can help in effective investment planning & right asset allocation
- Risk profiling can **optimise risk-return relationship**
we now invite you to test your learning by taking up this simple quiz
(and win exciting prizes!)
Quick Quiz

1) Risk is a result or outcome which is other than what was expected
   A. True
   B. False

2) Risk tolerance implies ability of an individual to ............
   A. Generate Return   B. Take Risk
   C. Make Investment   D. Identify Asset Class

3) Which of the following is not a category of risk profile?
   A. Conservative       B. Moderate
   C. Aggressive         D. High Net Worth
Quick Quiz

4) Risk Tolerance + Risk Appetite =
   A. Low Risk          B. Risk Profile
   C. High Risk         D. Medium Risk

5) Risk tolerance is done taking into account which of the following:
   A. Income            B. Expenses
   C. Nearness to financial goals  D. All of the above
Thank You For Participating!
Mutual Fund Investments Are Subject To Market Risks, Read All Scheme Related Documents Carefully.