HUB24 Private Invest

Risks Guide for HUB24 Private Invest

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1. Risks

1.1 Risks associated with the Service

HUB24 Private Invest has prepared a guide to the key risks associated with the Service. It is not an exhaustive list of all the risks of investing through the Service.

Service risk	What it means
Advice risk	This is the risk that advice you receive from your adviser (if you have one) may recommend a strategy or investment that's not appropriate for you or provide delayed or inaccurate instructions to us. You may also decide to leave your adviser, or your adviser may cease to be authorised by their licensee or move to another licensee. In these circumstances, the fees and other costs that apply to your account may (but will not necessarily) increase.
Cyber risk	This is the risk of financial or data loss, business disruption or damage to the Administrator's reputation as a result of a cyber attack breaching its information technology systems. A cyber attack could result in financial information or personal data stored within its information technology systems being accessed or disclosed to unauthorised persons or, the encryption of business critical files by ransomware, and online fraud. The Administrator mitigates this risk through our cybersecurity framework which includes, but is not limited to, security monitoring, active detection, access controls, system security, vulnerability management, data encryption, firewalls and anti-malware protection. Cyber risk cannot, however, be entirely eliminated. The Administrator and their related bodies corporate disclaim any liability arising from cyber risks to the maximum extent permitted by law. If you believe that your personal or financial information may have been compromised, please notify the Administrator as soon as reasonably possible so that action can be taken.
External fraud (including identity theft)	This is the risk that someone may fraudulently obtain you or your adviser's personal and financial information or data and impersonate you or your adviser and provide fraudulent instructions to the Administrator that may cause you to lose some or all of your investment. The Administrator has compliance measures in place to address this risk and takes steps to verify the information provided. Where trades are processed through your adviser there are several procedures in place to prevent fraud of this type. However, these measures cannot eliminate the risk of external fraud. If you believe that your personal information may have been compromised, please notify us as soon as reasonably possible so that we can take appropriate action.
Insurance risk	Before applying for insurance cover under an insurance policy, you should carefully read the product disclosure document applicable to the individual insurance policy. The product disclosure document sets out important information about the insured benefits provided, the terms and conditions of those benefits, and the exclusions and restrictions on the payment of those benefits. We do not guarantee the suitability or performance of any available individual insurance policy or insurer.
Legal and regulatory risk	Changes to taxation or other laws in Australia and internationally may impact the tax-effectiveness of your investment and/or the returns generated by your investment.
Operational risk	The operation of the Service relies on our and our service provider's technology and operational processes. A failure in our or their systems or processes may have an impact on your account, such as a delay in processing investment transactions.
Portfolio risk	Your adviser (where you have appointed one) and managers of managed portfolios may be unsuccessful in meeting the investment objectives of investments and portfolios that they maintain for you. The Administrator does not and cannot supervise the advice provided to you by your adviser (where you have appointed one) and whether it is appropriate for you.

1. Risks (continued)

Service risk	What it means
Third party risk	Service providers or certain persons appointed by you or the Administrator, including sub-custodians (or their appointed sub- custodians) and investment managers, or your broker, or any providers of longevity products may default on their obligations, which could potentially result in losses to the value of your investment. We will appoint counterparties and service providers who we consider have a low risk of defaulting, however these risks cannot be eliminated entirely. There is also a risk that the Administrator may not accept a transaction executed by your broker if it does not meet the terms of the agreement between the Administrator and your broker. For example, if there's not enough money in your Scheme cash account or the security is suspended or placed in a trading halt.
Timing risk	There can be delays in the purchase or redemption of investments within your Account, for example, because of minimum holding requirements or because of systems processing requirements or delays. We are neither responsible nor liable for any loss you incur because of a delay in executing your investment instructions, provided we have acted appropriately.

1.2 Risks associated with investments

This summary sets out key risks associated with investments accessed through the Service. You should consult the product disclosure statement or disclosure document for the specific investment for any specific risks related to that investment.

Investment risk	What it means
Concentration risk	This is the risk that a concentration of investment in a small number of securities may be subject to greater volatility, due to its exposure to a limited number of industries, sectors or countries, than investing in a larger number and/or more diverse array of securities.
Country risk	Country risk is a general term that refers to the collection of risks associated with investing in a foreign country. It includes specific types of risk such as, but not limited to: **Political** – the risk of political instability in a country; **Foreign exchange** – refer to the 'Foreign exchange risk' section below for more information; **Sovereign** – the risk of a foreign government intervention in an entity, asset or market, resulting in losses; and **Transfer** – the risk of a foreign government or regulator restricting transfers of assets. Other more general consequences that you may need to consider when investing outside your country may include such things as differing laws and regulatory environments (offering less protection to investors), differing standards of information provided to you in terms of quality and timeliness, and time differences which could lead to delays in the transmission of information which in turn could restrict your and/or your adviser's ability to react to events.
Credit risk	Your capital and/or the interest earned on that capital may not be paid due to the underlying bank or deposit-taking institution or corporation defaulting.
Derivatives and sophisticated investment products risk	The use of sophisticated financial products such as derivatives has the potential to cause losses that are large in relation to the amount invested. Some managed funds use derivatives, and this may imply some embedded leverage that could, under some circumstances, magnify losses. The cost of using this type of financial product may also reduce returns. There is also a risk of a counterparty to a derivative defaulting on their obligations.

1. Risks (continued)

Investment risk	What it means
Diversification risk	Lack of diversification across asset classes over your entire portfolio of investments may cause your portfolio's return to fluctuate more than expected. For example, if you invest entirely in shares rather than spreading your investment funds across other asset classes (such as property, cash and fixed interest), share market movements could significantly affect your investment.
Emerging market risk	Due to the nature of emerging markets, there is an increased risk that the political and/or legal frameworks in those markets may change and adversely impact investments you hold with exposure to those markets. This could include the ability to sell assets. Underlying managed funds in a managed portfolio that invests in global markets may have exposure to emerging markets. Investment in emerging markets may involve a higher risk than investment in more developed markets. Investors should consider whether or not investment in emerging markets should constitute a substantial part of their investment exposure. Companies in emerging markets may not be subject to: • accounting, auditing and financial reporting standards, practices, and disclosure requirements comparable to those applicable to companies in major markets; or • the same level of government supervision and regulation of stock exchanges as countries with more advanced securities markets. Accordingly, certain emerging markets may not afford the same level of investor protection as would apply in more developed jurisdictions. There are also risks that, while existing in all countries, may be increased in emerging markets due to the legal, political, business, and social frameworks being less developed than those in more established economies. Examples of increased risks include: • political or social instability (including recession or war); • institutional manipulation of currency or capital flows; • deflation, inflation, or loss in value of currency; and • greater sensitivity to interest rates and commodity prices. As a result, investment returns of investments with exposure to emerging markets are usually more volatile than those in developed markets. This means that there may be large movements in investment value over short or long periods of time.
Fixed income risk	Fixed income investments are subject to default risk. This is where the credit issuer fails to meet interest payments or repay the principal of your capital or both. By investing in a fixed income investment there is a risk that if you terminate your investment before the maturity date, you could be subject to costs or reduced interest.
Foreign exchange risk	If parts of your investment are priced in a foreign currency, or you hold foreign currency, international factors such as exchange rate fluctuations and movements in international stock markets may affect the value of your investment. These investments may also not be hedged (protected) effectively, or at all, against exchange rate fluctuations.
Inflation risk	Your investments may not keep pace with inflation, so over time your money may have less purchasing power.
Interest rate risk	Changes in interest rates may affect the value of interest bearing securities and shares in some companies.

1. Risks (continued)

Investment risk	What it means
Investment objective risk	There is a risk that at a point in the investment/economic cycle the performance of your investments may not align with the investment's stated investment objective and/or benchmark. This is particularly the case where the investment may have absolute return objectives (e.g., RBA plus or inflation plus objectives, which could give rise to expectations of positive returns) in a falling market environment, or where there are strong performance differentials within markets favouring/disadvantaging particular investment processes, strategies or styles.
Investment option risk	The investment options you select may change or cease to be offered through the Service, which may affect the investment composition in your account, your risk profile and your investment strategy.
Investment variance risk	The actual investment performance you experience may vary from a portfolio managers' managed portfolio (standard managed portfolio) due to a number of factors, including, but not limited to the timing of your investments into and withdrawals from the managed portfolio, if you invest below the minimum suggested initial investment amount for the managed portfolio, the timing of rebalances, minimum trade requirements, the managers' use of progressive portfolio implementation and any investment preferences (for example investment exclusions and substitutions) you establish. Any applicable managed portfolio investment performance fees paid to the portfolio manager are calculated based on the performance of the standard managed portfolio which may differ to your actual investment performance due to the factors described above. This means the actual dollar amounts you pay in investment performance fees may be higher or lower than if the calculation of the investment performance fees was based on the performance of your managed portfolio.
Listed securities risk	For an investment in listed securities there is a risk that the prices of your selected investments may fall in price or lose all of their value. Listed securities are typically exposed to market risk. In addition to market risk, the value of a specific company's share price can rise or fall depending on, among other matters, the market's perception of the company's internal operations, management, financial position, or business environment. Share prices can be volatile, which means the value of your investment can increase or decrease frequently.
Liquidity risk	In difficult market conditions, some normally liquid assets may become illiquid. This could restrict the ability to sell them or to make withdrawal payments from managed funds and managed portfolios or process investment switches in a timely manner. For example, we might not be able to sell listed securities that are rarely traded, or that are restricted or suspended from trading. Another example might be a property trust where the underlying property (e.g. a shopping centre) takes a long time to be sold. Term deposits are generally an illiquid investment as they may not be redeemable before their maturity date, as early redemption usually results in reduced returns or early withdrawal costs.
Longevity risk	If you invest in longevity products, you may have restrictions on withdrawals from the product. Longevity products are designed to assist investors to fund their retirement by continuing to pay income after the deposit value has been exhausted. The income paid is dependent on the product's features and the options selected as well as the premium amounts paid. The income received may not meet all of your income needs and/or may not cover increased costs of living due to inflation.

1. Risks (continued)

Investment risk	What it means
Manager risk	Underlying investment managers for managed funds or portfolio managers for managed portfolios may not anticipate market movements or execute investment strategies effectively. Changes in their staff may also have an impact on the performance of the chosen investment.
Margin lending risk	Investment losses will be magnified by the use of borrowing (i.e. margin loans), resulting in greater potential losses to investors. Margin loans will also be subject to borrowing costs (which may reduce returns) and to margin calls by margin lenders. If the value of your investments continues to fall and you are unable to meet margin calls, this could result in significant losses. The margin lender may also sell the assets in the geared account to repay any margin calls and/or the margin loan, potentially resulting in losses through the forced sale of part or all of the investments in the geared account. A margin lending facility may also be subject to additional risks not set out in this Guide. You should consider this in detail before considering taking a margin loan. You may also be subject to the margin lender's solvency and stability. For example, in recent years, providers of funds to certain margin lenders have repossessed or sold the client assets of defaulting margin lenders to recoup repayments.
Market risk	Movements in a market sector due to, for example, interest rate movements, economic factors, pandemics, political, military, pandemics or social events may have a negative impact on your investment and/or on the returns your investment generates. Market values can change rapidly, and it is possible to lose some or all of your initial investment.
Privacy risk (with international investments held through the Non-Custodial Service)	For international investments held through the Non-Custodial Service the Administrator may provide to persons located in overseas jurisdictions such personal information as may be reasonably required in relation to the buying, selling or holding international securities/assets on your behalf. Where you consent to this disclosure Australian Privacy Principle 8.1 will not apply to such disclosure, meaning we are not required to take reasonable steps to ensure that such overseas recipients do not breach the Australian Privacy Principles in relation to the disclosed information. If the overseas recipient breaches the Australian Privacy Principles in respect of the disclosed information, we will not be accountable under the Privacy Act and you will not be able to seek redress under the Privacy Act.
Sector risk	There are risks associated with a particular industry's specific products or services due to, for example, changes in consumer demand or commodity prices.
Specific asset risk	There are risks associated with specific assets, for example, certain managed funds may use leverage (i.e. borrowing to invest), undertake short selling (i.e. selling shares they don't actually own) or invest in sophisticated financial products such as futures, foreign exchange contracts, options and other derivatives. Use of these methods could cause large losses in proportion to the money invested in them. Before selecting these types of assets as part of your investment strategy, you must read the relevant product disclosure statement or disclosure document.

1. Risks (continued)

Investment risk	What it means
Short selling risk	Some portfolio managers of underlying managed funds may use short selling. Short selling means the underlying managed fund sells a security it does not own to try and profit from a decrease in the value of the security. This is generally done by borrowing the security from another party to make the sale. The short sale of a security can greatly increase the risk of loss, as losses on a short position are not limited to the purchase value of the security. Short selling strategies involve additional risks such as: **Liquidity risk** – Particular securities or investments may be difficult to purchase or sell, or difficult to rebalance within a timely period and at a fair price. As a result, withdrawal requests may not be able to be fully met when they are received. Liquidity risk may potentially be amplified where a managed account investment is made in listed interest rate securities and unlisted managed funds due to the illiquid nature of these assets. **Leverage risk** – It is also possible for an underlying managed fund's long positions and short positions to both lose money at the same time. **Prime broker risk** – When short selling is employed, the assets of the relevant underlying managed fund are generally held by a prime broker (which provides broking, stock lending and other services). As part of this arrangement, assets may be used by or transferred to the prime broker, and there is a risk that the prime broker does not return equivalent assets or value to the option (for example, because of insolvency). This would have a substantial negative impact on the value of the underlying managed fund.
Tax risk	Taxation law is complex and its impact on the Service may vary according to your individual circumstances. Over time, tax law and practices may change and may become retrospective in their application. You should seek your own professional taxation advice in relation to the Service.
Timing risk	The processing of transactions for particular assets may be delayed by us or our default broker(s) in order for bulk trades to be made in those assets in order to minimise brokerage. By delaying transactions in order to avoid incurring additional brokerage, investors in the relevant asset classes are exposed to movements in the value of listed securities and foreign currency.
Valuation risk	The Administrator will utilise third parties to provide market values for holdings within each account as at the relevant redemption value or prior trading day's close price. However, there may be times where a security's or holding's price is not current. This could occur for a number of reasons such as (but not limited to) the infrequent pricing of the holding (for example managed funds that are only priced monthly) or where a security is under a temporary trading halt or is no longer trading due to being under external administration. In these circumstances your account value may appear greater than the true value of your investments. In the case of securities suspended from trading you may have beneficial ownership of a security that cannot be sold. This can also have an impact on the fees you pay.

Want to learn more?

Call our team on **1300 854 994**
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