





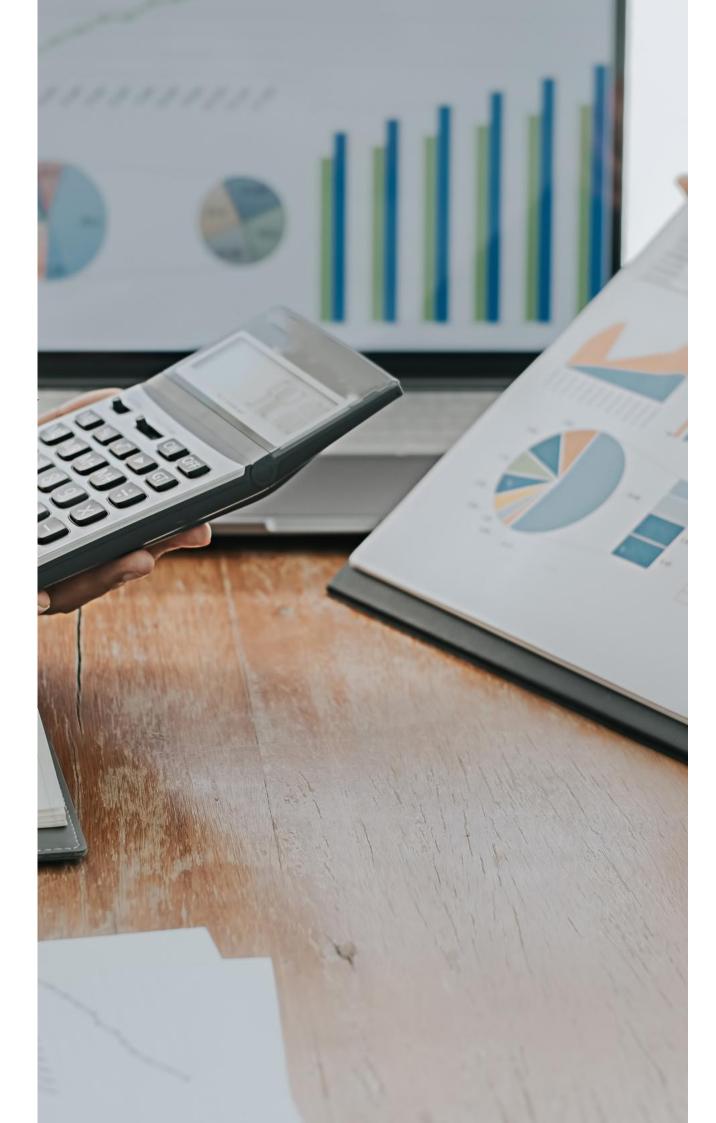




## INVESTMENT RISKS

There are a myriad of influences that affect the value of capital growth and rental yields in property investments. There is no guarantee that targeted returns will be met. A prudent investor would consider the following non-exhaustive list of factors that could affect the financial performance of the investment property. The non-exhaustive list of factors that may affect the value of the investment property includes:

- >> Changes in legislation or government policy such as stamp duty, grants, and general taxes, with respect to property may result in the investor incurring unforeseen expenses, which in turn may affect rental returns and capital growth prospects;
- >> Natural disasters, events causing global unrest such as war or terrorism, other hostilities, civil unrest and other major catastrophic events can adversely affect Australian and International markets and economies;
- >> New developments in the vicinity providing competition/ alterations in demand- a sharp increase in the number of sites under construction within close proximity of the subject site may have an adverse effect, resulting in an oversupply from comparable properties, which in turn could have a negative impact on the ability of Investors to divest or sell their investment property at an acceptable price;



- >> Interest rate movement investors should be aware that the performance of any investment property can be affected by the conditions of the economy (or economies) in which it operates. Factors such as interest rates, inflation, inflationary expectations, changes in demand and supply and other economic and political conditions may affect the investment property's capital growth, value and/or rental yield;
- Potential investors should be aware that general economic conditions including inflation and unemployment can impact the value of the investment property and the ability of Investors to divest or sell their investment property at an acceptable price;
- >> Tenant risk, there is the risk of tenants defaulting on their obligations and costs to be incurred in enforcement proceedings and often costs in releasing the tenancy;
- Insurance Risk where feasible, damage from fire, storm, malicious damage etc. can be covered by insurance. However, the full extent of coverage is subject to the specific terms and conditions of the insurance policy entered into by the body corporate manager on behalf of the investor;
- Vacancy risk, there is no guarantee a tenant will be readily found at settlement or that a tenant will renew their tenancy;
- >> Timing Risk, market conditions change, if at the time of selling the investment, the market is depressed, and the investor may realise a loss. Professional advice should be sought from your accountant, financial adviser, lawyer or other professional adviser before deciding whether to invest. Kandeal (and its associated entities, employees and representatives) do not provide financial advice.