

Investment products and diversification

A consumer (or class of consumer) may intend to hold a product as part of a diversified portfolio (typically with an intended product use of satellite/small allocation or core component). In such circumstances, the product should be assessed against the consumer's attributes for the relevant portion of the portfolio, rather than the consumer's portfolio as a whole.

For example, a consumer may seek to construct a conservative portfolio with a satellite/small allocation to growth assets. In this case, it may be likely that a product with a High or Very High risk/return profile is consistent with the consumer's objectives for that allocation notwithstanding that the risk/return profile of the consumer as a whole is Low or Medium. In making this assessment, distributors should consider all features of a product (including its key attributes).

Intended product use

'Intended product use' represents the portion of the consumer's total **investable assets** that the consumer intends to allocate towards the product in this dealing.

Investable assets are those assets that the investor has available for investment, excluding the residential home.

For more information, see the definitions section of the TMD.

Assessing significance

In assessing significance, you should have regard to:

- the nature and risk profile of the product
- the actual or potential harm to a consumer, and
- the nature and extent of the inconsistency of distribution with the TMD

