Investor Types

What type of *investor* are you? The Sentinel defines three investor types based on risk tolerance. The types are easy to remember since they follow the first three letters of the alphabet and decrease in risk tolerance the higher in the alphabetical progression. The investors noted are not “traders” who are very active participants. Traders often make their own decisions or may use a proprietary system to develop investment positions. The frequently in and out of investment positions and may execute their trades. Investors, for the most part, are content with letting someone else do their thinking and have an arm’s length approach towards day-to-day transactional activity.

> **<u>Type A</u>** – This investor is **<u>A</u>**ggressive with a high degree of risk tolerance. The higher tolerance opens a broad array of investment opportunities not otherwise recommended for others. A Type A is comfortable investing in managed funds (commodity or hedge) with higher risk profiles. Managed funds have explicit requirements surrounding minimum individual net worth. Type A investors are not necessarily traders and may be more actively involved in managing their portfolio.
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> **<u>Type B</u>** – This investor is **<u>B</u>**alanced. They are comfortable with offerings made to a Type A and a Type C (noted below). Alternately, a Type B is open to the idea of a professional managing their portfolio in higher risk investments but not necessarily those with minimum net worth requirements.
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> **<u>Type C</u>** – A Type C investor is **<u>C</u>**onservative. They seek little risk. We are careful not to use the term “no risk” since any investment, even doing nothing, is subject to risk. This investor class wants to make an investment decision and only follow its progress periodically.

The above categorization presents a simple, yet well-defined approach to investor profiles. Moving further in the alphabet defines less risk tolerance and a more detached approach to investing. While higher risk tolerance “A” investors fully engage in the investment process, a “C” investor wants low risk and detachment. Your age may define your investment type. The older you are, the more likely you are to take a conservative approach, particularly if you have a nest egg that needs protection. In recent years, macroeconomic tinkering by the Wizards has unwittingly moved investors towards more risk due to paltry returns in what were historically conservative investments.