

Investment Group

Steps we'll take together to arrive at your portfolio content and construction and your final 'Investment Group'

Risk profiling is a process for finding the optimal level of investment risk for you by balancing your risk required, risk capacity and your individual risk tolerance.

There is often a mismatch between risk required, capacity and tolerance.

The **FinaMetrica** software helps us to identify mismatches and resolve them with you.



Risk Tolerance is the level of financial risk you are emotionally comfortable with.

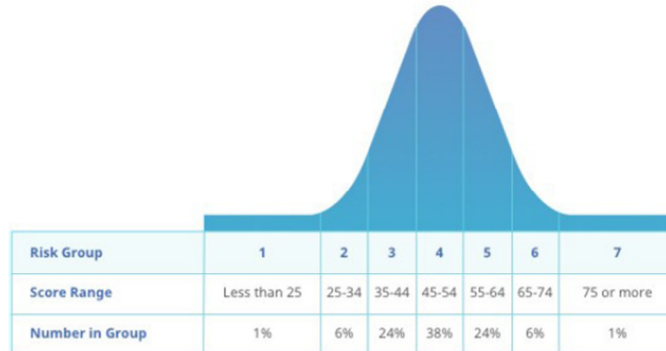
Risk Required is the risk associated with the return required to achieve the your goals from the financial resources available.

Risk Capacity is the level of financial risk you can afford to take.

The FinaMetrica Risk Tolerance Toolkit measure risk tolerance on a scale of 0 to 100. Scores are Normally distributed with a Mean of 50 and a Standard Deviation of 10.

To make the scores and reports more meaningful, the scale has been divided into seven segments. The middle segment is the Mean \pm half a Standard Deviation, i.e. from 45 to 54. Segments either side are then a Standard Deviation higher or lower, with the end segments covering the balance of the high and low 'tails' of the distribution.

Each of the segments is referred to as a Risk Group.



The Risk Group descriptions have been developed by analysing how those whose scores fall into a particular group typically answer the questionnaire. Seventeen of the twenty five questions have been considered in the analysis. These were selected on the basis of their utility in providing a general understanding of the Risk Groups.

After you've completed the Finametrica, we have your Risk Group (RG)

We consider your actual result, the result you estimated you'd be and we look at the 'Differences' page, so we can consider any outliers or anomalies.

		RISK GROUP						
		1	2	3	4	5	6	7
Making Financial Decisions								
Q3	Meaning of "Risk"						✓	
Q10	Current Risk-Taking						✓	
Q12	Confidence In Decisions						✓	
Q7	Feel After Decisions							✗
Q6	Losses v Gains						✓	
Q5	Job Security v Pay Increase						✓	
Financial Disappointments								
Q2	Adaptability					✗		
Financial Past								
Q9	Risk Taking?						✓	
Q11	Borrow to Invest						✓	
Q4	Thrill Investing						✓	
Investment								
Q18	Face vs Real Value						✓	
Q14	Downside Comfort						✓	
Q19	Risk Changes?						✓	
Q21	10-year Returns						✓	
Q16	Preferred Portfolio						✓	
Borrowing								
Q23	Fixed v Variable Interest				✗			
Government Benefits and Tax Advantages								
Q22	Take a Risk?						✓	

After the Risk Group, we ask you to consider which of four descriptions do you feel best describes your investment **knowledge and experience?** (K&E)

Then, we ask you to please let us know if you would like us to consider 'green', 'ethical' & 'socially responsible' content as part of your portfolio?

Next is to check if there are any other considerations to take into account.

Now we consider downsides and their magnitude and effect that might have. No one prefers to see the value of an investment go down. But it is a reality. Many investments show single digit swings either up or down, over any given day, week, month or quarter. Some can show 10-20% gains or losses over 6 months to a year. Some even more, either way.

We ask you to consider which of five descriptions you feel best describes your investment **capacity for loss?** (CfL)

Having gathered all this information before we meet, we now have an excellent conversation piece. We'll consider how the outputs from the above fit your situation and aims. This is the importance of targeting your investments and portfolio to your goals rather than external indexes or benchmarks.

Finally, consideration is given to historical data – not to try to predict future performance – but to consider the highs and lows and relative performance of different asset classes as well as looking to see if any long term trends exist.

After all of the above, we now have what we call your Investment Group (IG)

The IG scale runs from (IG1), low volatility, to (IG7) high volatility.

An (e) after the number signifies ethical content where appropriate.

For example, IG4e, would be in the middle, with around half the content in shares, and the remainder in fixed interest, property and other lower volatility asset classes, with ethical content where appropriate

IG7 would be all shares, or nearly all shares, with high volatility and more niche areas of investment, but would be aiming for higher growth over time.

Your final IG will be confirmed and shown on one page, in context, alongside the different ways to define your attitude to investment volatility, growth, loss and risk descriptions and with examples.

If your circumstances change, or you'd like to re-appraise your Investment Group at any time, please let us know.