

Risk Assessment Questionnaire

The Risk Assessment Questionnaire helps to determine the best asset mix for an investment, based on the answers given to the questions below.

Client Name

.....
First name

.....
Surname

Capacity for Loss

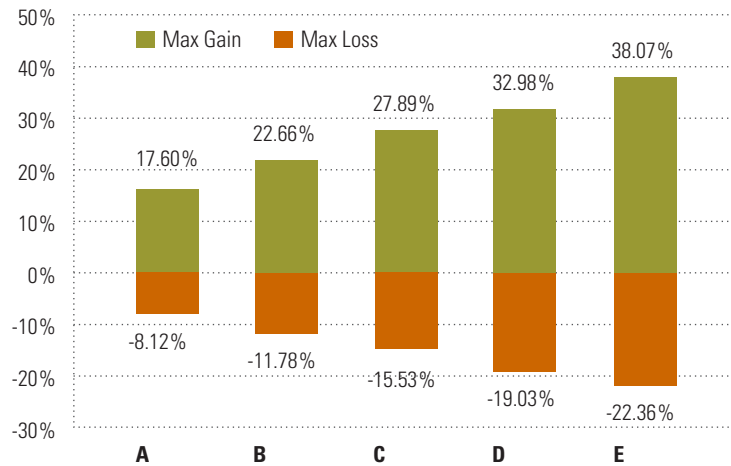
- 1 In an effort to grow your wealth, can you afford to lose any money over the next two years?
- Yes
 - No

Time Horizon

- 2 When do you expect to start withdrawing money from your investment?
- Less than 2 years
 - 2 to 5 years
 - 6 to 10 years
 - 11 years or more
- 3 Once you begin withdrawing money from your investment, how long do you expect to continue withdrawing funds?
- I plan to make a one off withdrawal
 - 2 to 5 years
 - 6 to 10 years
 - 11 years or more

Risk Aversion

- 4 The following graph shows the results of five example portfolios over a one-year period. The best potential gains and worst potential losses are displayed. Note: the portfolio with the best potential gain also has the largest potential loss.



Which of these portfolios would you prefer to hold?

- Portfolio A
- Portfolio B
- Portfolio C
- Portfolio D
- Portfolio E

- 5 The table below displays the worst case losses, expected gains, and best case gains of an investment of £10,000 in five sample portfolios over a one-year period.

	Potential Best Case Gains	Expected Gain	Potential Worst Case Losses
Portfolio 1	£ 1,760	£ 638	£ -812
Portfolio 2	£ 2,266	£ 738	£ -1,178
Portfolio 3	£ 2,789	£ 829	£ -1,553
Portfolio 4	£ 3,298	£ 913	£ -1,902
Portfolio 5	£ 3,807	£ 993	£ -2,236

Which portfolio would you prefer to hold?

- Portfolio 1 Portfolio 2 Portfolio 3 Portfolio 4 Portfolio 5
- 6 You have made an investment of £10,000 and its value falls by 20% to £8,000. Assuming you still have 10 years until you begin withdrawals, how would you react?
- I would not change my portfolio.
- I would wait at least one year before changing to options that are more stable.
- I would wait at least three months before changing to options that are more stable.
- I would immediately change to options that are more stable.
- 7 For many investors, the possibility of losing money is a main concern. How do you feel about investment losses?
- I check the value of my investments quite often so I can sell quickly if they begin to lose money.
- Daily losses in the value of my investments make me uncomfortable, but not uncomfortable enough to sell. If losses occur over several months, I would probably sell.
- Short-term losses in the value of my investments do not bother me. I would wait an entire year before making changes.
- I understand that investments can have occasional negative annual returns. However, I have a higher chance of reaching my investment goals if I stick with my portfolio over the long term. I would not make changes.

- 8 Choose the answer that best describes your response to the following statement:
I am comfortable with investments that may frequently experience large losses in value if there is a potential for higher returns.

Does this describe you?

- Strongly disagree
- Disagree
- Somewhat agree
- Agree
- Strongly agree
- 9 Most investments fluctuate year-to-year. Suppose you invested £10,000 in a portfolio with the intention of holding it for ten years. If this investment lost value during the first year, at what value of your initial £10,000 investment would you sell and move to a more stable investment?
- £9,500 (5% loss)
- £9,000 (10% loss)
- £8,500 (15% loss)
- £8,000 or less (20%+ loss)
- I would not sell

10 Investing involves a trade-off between risk and returns. Historically, investments with higher returns have been associated with greater risk and chance for loss. Alternatively, cautious investments that have had a lower chance for loss, also have yielded lower returns.

Based on this description of investments characteristics, which of the following statements best describes your attitude to risk?

- I am most concerned with risk. I am willing to accept the lower returns in order to limit my chance of loss.
- I am willing to bear some risk and chance for loss in an effort to achieve higher returns, but prefer a significant portion of my portfolio to be invested cautious assets.
- I am willing to accept moderate risk in order to achieve higher returns. Minimizing risk and maximizing return are of equal importance to me.
- I wish to achieve high returns on my investments. I am willing to accept high risk and chance of loss.
- I am primarily concerned with maximising the returns of my investments. I am willing to accept significant fluctuations in the value of my portfolio and substantial chance of loss.

11 Over a long period, risky investments usually generate greater wealth than less risky investments do. The table below lists the possible values at the end of a 20-year investment of £10,000 in 5 different portfolios. Note that in any given year, risky investments might experience a decline in value that significantly surpasses a decline in the value of less risky portfolios. The table below also displays the potential number of years, in which the investment realises negative returns.

	Potential Ending Portfolio Value of £10,000 After 20 Yrs	Potential Number of Negative Yrs Over the 20 Yrs
Portfolio 1	£ 33,100	3
Portfolio 2	£ 38,800	4
Portfolio 3	£ 44,100	5
Portfolio 4	£ 49,100	6
Portfolio 5	£ 53,800	7

Which portfolios would you prefer to hold?

- Portfolio 1
- Portfolio 2
- Portfolio 3
- Portfolio 4
- Portfolio 5

Investment Objective

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Client Signature

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Signature Date