Risk Illustrations - Report

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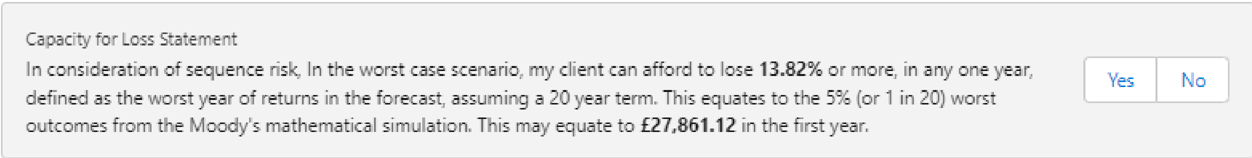
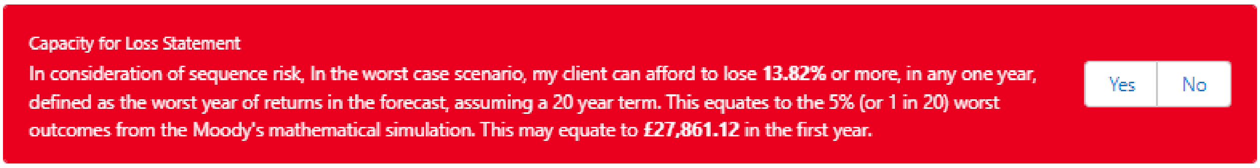
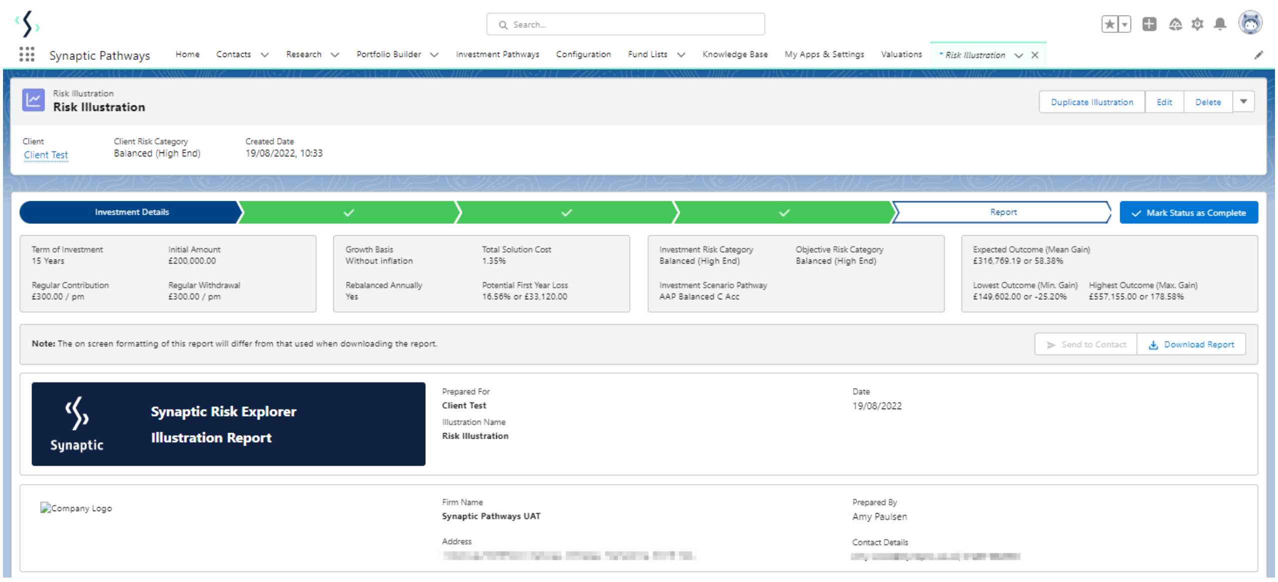
If you have edited any details within the Advanced Options screen, you will need to select 'Yes' or 'No' to the Capacity for Loss statement before continuing to the next step:



If you have no answered the Capacity for Loss statement, you will need to answer before continuing to the next step.



The report screen shows a summary of the Illustration before you can download the report:



About the Synaptic Risk Explorer Illustration Report

The role of research and suitability

This research report is based on a client's specific circumstances and is part of a professional, goals-orientated, financial planning exercise.

In order to establish the suitability of a recommendation, an accurate illustration of the investment outcome must be shared with the client so that 'informed consent' can be given.

The principle purpose of this report is to offer proof of suitability by using accurate data and sophisticated forecasts to show the role of risk in meeting the client's goals and quantifying possible losses.

Stochastic modelling using Moody's Analytics industry leading Economic Scenario Generator

The forecasts in this report are generated using the Moody's stochastic engine, the Economic Scenario Generator, ascribing probability to a full range of viable investment outcomes.

This approach demonstrates an accuracy proven over many market cycles over many years.

It is the same methodology that is relied on extensively by many institutions in the management of investment risk and the optimisation of portfolios.

Alignment of client's objectives to an appropriate investment risk category and asset allocation

This report details every aspect of risk relevant to a recommendation, including the client's risk profile (attitude to risk) and correct alignment to an investment strategy represented by a strategic asset allocation.

Risk categories are mapped to the scoring of the attitude to risk questionnaire.

Clients can therefore rely on the correct alignment of their investment objective to the recommended investment strategy.

The role of risk in compliance

The report is structured around the classic risk governance model demonstrating:

- The client's 'need to take risk'
- The client's 'risk profile' based on their attitude to risk revealed through use of the psychometric attitude to risk questionnaire
- Extent of losses expected on the investment journey, required to assess the client's 'capacity for loss'.

Quantifying the risk that a client is 'willing and able to take' is a regulatory requirement in MiFID II and FCA COBS.

Capacity for Loss

Tailoring investment risk according to a client's 'need to take risk' and their 'risk profile' is dependent on their 'capacity for loss', an expert determination made by the adviser.

The analysis in this report shows expected returns and expected losses over relevant investment horizons.

Sequence risk is acknowledged in this methodology as expected losses in the 'worst year' of the term are quantified (on a 1 in 20 years basis).

Recorded as the 'min gain', this represents one of the main calculations provided by the stochastic forecast, a 'value at risk' measure (over 12 months), representing the extent of losses expected for given risk category.

Unlike more common volatility-based measures, 'value at risk' recognises the trend of the investment.

The basis of effective client engagement and ongoing advice

Providing a full, accurate and meaningful illustration of an investment outcome is the correct basis for building a financial plan and building trust with a client.

A client who understands the risks around their investment is more likely to commit to a strategy which they are comfortable with and remain invested for the duration of the term.

The successful attainment of a client's goals will depend on the initial recommendation, ongoing reviews performed by the adviser and the implementation of the firm's investment strategy, as evidenced in the following report.

Illustration Research Summary

Illustration Investment Details

About You	Client Test, DoB Invalid date
Your Risk Profile	NA
Illustration Inputs	
Risk Category	6 - Balanced (High End)
Investment Term	10 Years
Investment Amount	£200,000.00
Regular Contribution	£200.00 Monthly
Contribution Indexation Rate	RPI 8.20%
Regular Withdrawal	£200.00 Quarterly
Withdrawal Indexation Rate	RPI 8.20%
Include the Impact of Inflation	No
Rebalanced Annually	Yes
Adviser Fees	
Initial Fee	0%
Regular Fee Per Annum	0%
One off Fee for Advice	£0.00
Total Solution Cost	
Reduction In Yield (RIY)	1.2%
Recommended Portfolio	
Investment Portfolio	Amy's IHDFM
Portfolio Risk Rating	5 of 10 Balanced (Low End)
Headline Charge for Portfolio	0

Illustration Objective

Test Description

Client Risk Category

Risk Category for Illustration

Balanced (High End)

Balanced Investors have an attitude to risk in the middle 50% of the investing population and are neither very risk averse nor inclined to seek riskier investments. They often have some experience and understanding of investments. They can usually make investment decisions without too much hesitation or anxiety. They may find more comfort in banks accounts and lower risk investments than stocks, shares and investment funds, but understand that investment risk may be required to meet their investment goals.

Forecast Summary Based on Investment Scenario

Summary	
Contributions During Term	£235,099.70
Withdrawals During Term	£11,699.90
Total Invested During Term	£223,399.80
Expected Outcome (Mean Gain)	**£267,623.51 or 13.83%**
Lowest Outcome (Min. Gain 5% Chance)	£162,828.00 or -30.74%
Highest Outcome (Max. Gain 5% Chance)	£405,684.00 or 72.56%
Portfolio Charges	
Total Portfolio Charges Anticipated	£14,984.64 or 5.6%
Adviser Fees	
Initial Fee	£0.00
Regular Fee Total Over Term	£0.00 or 0%
One off Fee for Advice	£0.00
Total Solution Cost	
Reduction In Yield (RIY)	1.2%

Additional Information

The risk profile of the investment scenario is determined by mapping the 'min. gain value' (Lowest Outcome), or 'Value at Risk' metric to the investment strategy.

Growth of the investment is (stochastically) projected in the forecast to assist with financial planning.

Loss metrics (min. gain value) are included in the assessment of the Clients 'Capacity for Loss'.

Disclosure of costs and showing the impact of costs is mandatory (MiFID II), but also helps build trust and appreciation of value for money with the client.

Include analysis of the impact of inflation on the Clients financial plans. The stochastic methodology is comprehensive and includes every viable value for inflation across the term, with results reflecting all viable investment outcomes and sequences.

Illustrations showing the impact of inflation can be alarming. Show the Client the impact of inflation on funds if not invested. Countering the impact of inflation is an important role.

Forecast Projection Based on Investment Scenario

Fig. 1 Outcome Projection Forecast by Year of the Investment Term

Additional Information

Forecast Outcome Projection

The output shows the forecasted return based on the criteria provided for the illustration and the overall suitability of the illustrations plan to meet the objective. The graph shows the mean gain in each of the years in the investment and accounts for contributions and withdrawals made during the term.

The minimum and maximum gain values for each year are shown to provide an indication of the potentially loss that could be incurred and the potential gain. The purpose of the illustration is to show that investment returns are variable and should be balanced with overall risk and term.

Forecast by Year Based on Investment Scenario

Year	Net Money In	Contributions	Withdrawals	Mean Projection	Net Growth
1	£201,600.00	£2,400.00	£800.00	£205,127.67	£3,527.67
2	£203,331.20	£2,596.80	£865.60	£210,205.95	£6,874.75
3	£205,204.36	£2,809.74	£936.58	£216,084.29	£10,879.94
4	£207,231.12	£3,040.14	£1,013.38	£221,687.11	£14,456.00
5	£209,424.07	£3,289.43	£1,096.48	£227,376.25	£17,952.18
6	£211,796.84	£3,559.16	£1,186.39	£233,872.15	£22,075.31
7	£214,364.18	£3,851.01	£1,283.67	£240,726.78	£26,362.60
8	£217,142.04	£4,166.79	£1,388.93	£249,169.73	£32,027.68
9	£220,147.69	£4,508.47	£1,502.82	£257,270.94	£37,123.25
10	£223,399.80	£4,878.17	£1,626.06	£267,623.51	£44,223.71

Table 1. Investment Return Forecast by Year

Additional Information

Table of Returns

The table of returns shows the likely returns for each year of the investment, including the contributions, the withdrawals and the anticipated net gain based on the mean or average gain in each year.

Efficient Frontier Position

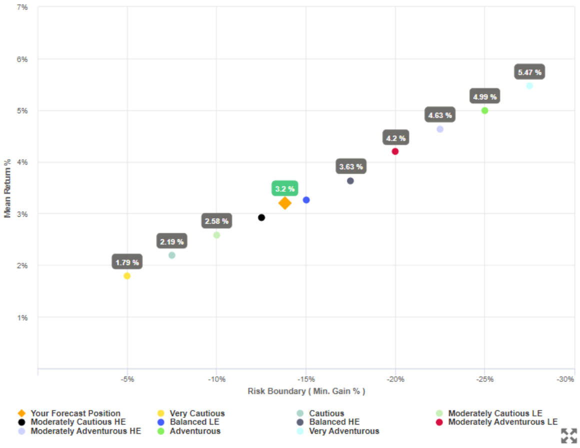


Fig. 2 Relative Position on the Efficient Frontier

Additional Information

Efficient Frontier

The output shown here is the efficient frontier, which displays your target Portfolios Asset Allocation in relationship to the optimised and active Synaptic Strategic Asset Class based Portfolios that are designed and updated on a quarterly basis to ensure their minimum gain hits the fixed risk boundaries.

If the mean return % is to the right of the curve then you may be taking more risk than required to achieve the return, if the mean return is too low then you may need to consider taking more risk by adjusting or changing the target portfolio

Suitability is assessed on the basis of whether the investment is likely to deliver on the objectives of the financial plan, and whether there is alignment between the components of the risk governance model relating to the Client investment goals: - The need to take risk; - the Clients risk profile; - the Clients capacity for loss.

Use the efficient frontier and investment plot to demonstrate that a portfolio or fund is aligned for risk and return.

Portfolio Summary

Portfolio details for Investment Scenario	
Recommended Portfolio	Amy's IHDFM
Risk Rating	5 of 10 Balanced (Low End)
Portfolio Breakdown	**Allocation %**
Fidelity Global Property W Acc	33.33%
Royal London UK All Share Tracker Z Acc	33.33%
Aviva Inv Multi Strategy Target Return 2	33.34%

Portfolio Asset Allocation for Investment Scenario

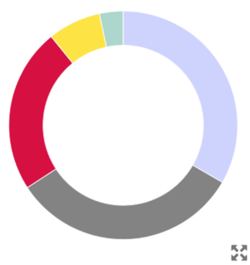


Fig. 3 Asset Class Investment Distribution in Portfolio

Asset class weightings for the portfolio as a percentage

- 33.33% - UK Equities
- 32.50% - Global Property
- 23.34% - Property
- 7.50% - Cash
- 3.33% - UK Corporate Bonds

Capacity for Loss MiFID II Compliance Statement

Capacity for Loss Questionnaire

In consideration of sequence risk, In the worst case scenario, You agree you can afford to lose **13.82%** or more, in any one year, defined as the worst year of returns in the forecast, assuming a 20 year term. This equates to the 5% (or 1 in 20) worst outcomes from the Moody's mathematical simulation. This may equate to **£27,861.12** in the first year.

1.	You will need to start spending the investment return at the following point in the future.	10 to 14 yrs
2.	You don't have any significant outstanding debts and don't expect to incur any during the period of my investment(e.g., mortgage or credit cards).	Agree
3.	Your spouse, partner or family member is likely to be able and willing to support you financially if circumstances require.	Strongly Agree
4.	It would be relatively easy for you to cut expenditure in retirement if circumstances require.	Agree
5.	You are flexible about your investment horizon. You could wait before using your investment.	Agree

Additional Information

In the regulatory risk governance model, 'the need to take risk' must be considered with a client's 'risk profile' or 'attitude to risk', and must not exceed a client's 'Capacity for Loss'. A client's capacity for loss increases with term. A client should understand the relationship between 'term', 'investment risk' and 'investment returns' as part of providing 'informed consent'.

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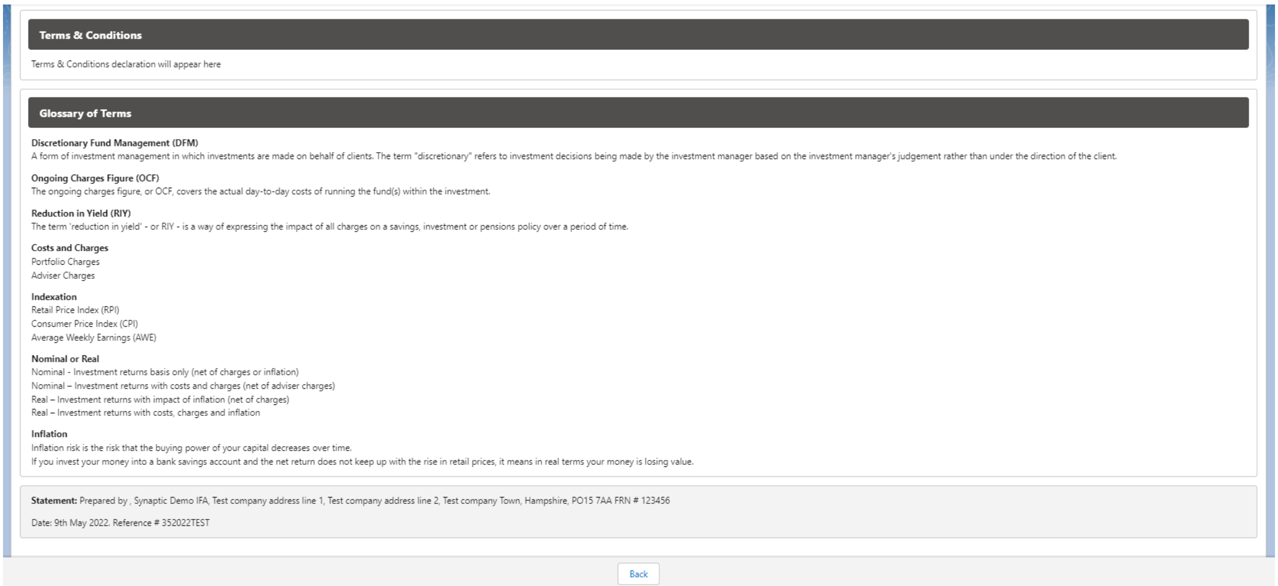

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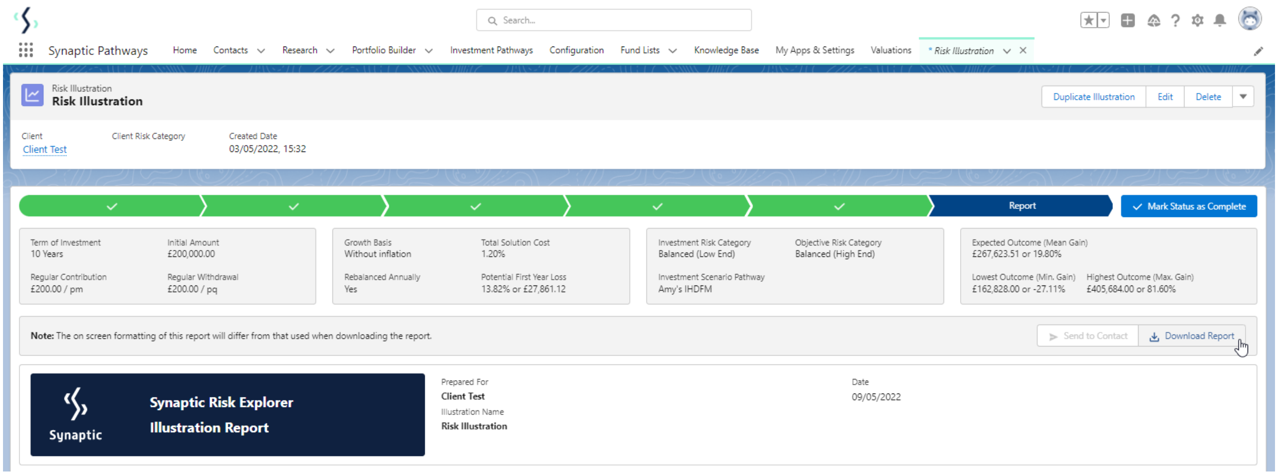

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