

Basis of Illustration - Suitability

Last Modified on 26/05/2022 10:38 am BST

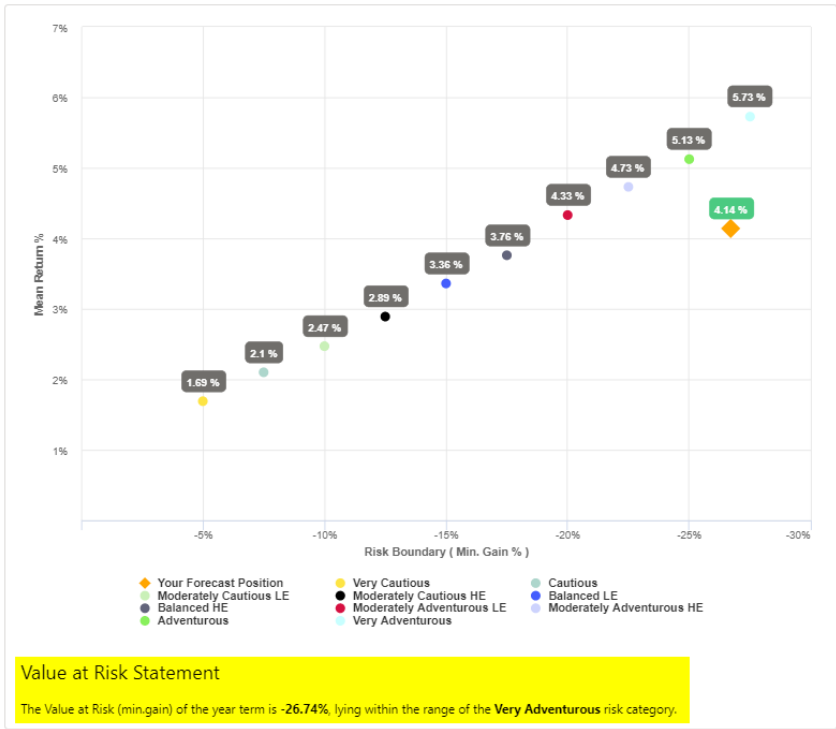
The **Suitability** tab will display an **Efficient Frontier** graph:

The screenshot displays the 'Test Illustration Apr22' interface in the Synaptic Pathways application. The 'Review' tab is active, showing a 'Review' section with instructions to select a wrapper and complete the capacity for loss statement. Below this, there are two investment products: 'Individual Savings Accounts' (7IM Platform, ISA (Stocks and Shares), R.L.Y. 0.46%, Final Value £61,734.86) and 'Self Invested Personal Pension' (7IM SIPP, R.L.Y. 0.06%, Final Value £359,942.28). The main area features an 'Efficient Frontier' graph plotting Mean Return (%) on the y-axis (1% to 7%) against Risk Boundary (Min. Gain %) on the x-axis (-5% to -30%). The graph shows a series of data points representing different risk levels, with the 'Your Forecast Position' marked at approximately -26.67% risk and 4.56% return. A legend below the graph identifies risk categories: Very Cautious (yellow), Moderately Cautious LE (green), Balanced HE (blue), Very Adventurous (red), Moderately Cautious HE (orange), Moderately Adventurous LE (purple), Cautious (light blue), Balanced LE (dark blue), and Moderately Adventurous HE (pink). To the right of the graph is an 'Efficient Frontier' text box explaining the output and suitability assessment. Below the graph is a 'Value at Risk Statement' indicating a value at risk of -26.67% within the 'Very Adventurous' risk category. The interface includes a navigation bar at the top with 'Research', 'Review', 'Client Check-in', and 'Report' tabs, and a 'Convert to Holding' button in the top right.

Risk Boundary (Min. Gain %)	Mean Return %	Risk Category
-5%	4.75%	Very Cautious
-7.5%	2.49%	Moderately Cautious LE
-10%	2.58%	Balanced HE
-12.5%	2.92%	Very Adventurous
-15%	3.26%	Moderately Cautious HE
-17.5%	3.63%	Moderately Adventurous LE
-20%	4.2%	Cautious
-22.5%	4.63%	Balanced LE
-25%	4.98%	Moderately Adventurous HE
-26.67%	4.56%	Your Forecast Position
-27.5%	5.47%	Moderately Cautious HE

Value at Risk Statement
The Value at Risk (min.gain) of the year term is -26.67%, lying within the range of the **Very Adventurous** risk category.

Included in this screen is a **Value at Risk Statement** at the bottom of the graph:



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.

Next tab to review is the **Ex-Ante Statement**. See article [Basis of Illustration - Ex-Ante Statement](#).