Comparison & Ex-Ante Report

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financial markets, which historically have provided returns to diversified investors.

Compliance - allow firms to meet the highest possible standards of proof of suitability and disclosure in formats that are aligned to the compliance responsibilities of firms under COBS, MiFID II and PROD. The report includes objective analysis of risk including quantification of potential losses. The report supports the classic risk governance model requires analysis to reflect 'the need to take risk', consideration of the client's 'risk profile' and their 'capacity for loss'. The integrated workflows avoid the issues of non-alignment of tools highlighted as risks by the FCA.

Improved practice management - the Synaptic system has access to a wide range of data that reduces the requirement for re-keying and reference to multiple sources. This reduces errors and streamlines the advice process, reducing the administration burden for firms, turning hours spent on research and reports into minutes.

The role of research and suitability

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 forecasts in this report are generated using the Moody's stochastic engine, the Wealth Scenario Generator, ascribing probability to the full range of viable investment outcomes, including outcome s of unlikely possibility and representing the most severely stressed or volatile market conditions.

This approach demonstrates an accuracy proven over many market cycles over many years and is the same methodology that is relied on extensively by many institutions in the management of investment risk and the optimisation of portfolios.

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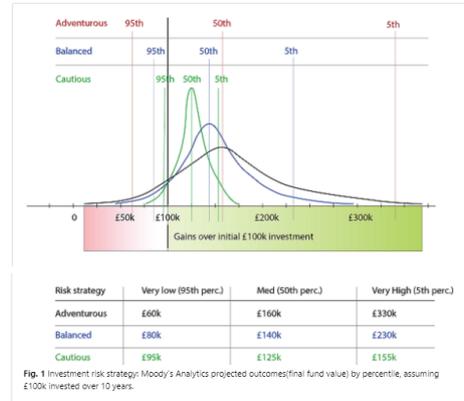
Recorded as the 'min gain', this represents one of the main calculations provided by the stochastic forecast, a 'value at risk' measure (over 12 months), representing the extent of losses expected for given risk category.

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

Figure 1. Represents results from running representative strategic asset allocations from Moody's through the Moody's stochastic engine, a mathematical simulation, designed to attribute probability to the full range of viable outcomes for any given investment scenario. Thousands of scenarios are run.

The relative position of the 5th, 50th and 95th percentiles for each strategy indicates the relationship between different risk strategies and their expected returns.

The 95th percentile in the table of results is particularly relevant to advisers as this represents the extent of losses expected in a bad year, defined as 5% (or 1 in 20), equivalent to the worst year returns in a 20 year term. Capacity for Loss can therefore be quantified and determined using a relevant metric. We refer to this measure as a 'Value at risk' metric, or shorthand, 'VAR @ 95th %'.

Risk strategy	Very low (95th perc.)	Med (50th perc.)	Very High (5th perc.)
Adventurous	£60k	£160k	£330k
Balanced	£80k	£140k	£230k
Cautious	£95k	£125k	£155k

Fig. 1 Investment risk strategy: Moody's Analytics projected outcomes(final fund value) by percentile, assuming £100k invested over 10 years.

Illustration Research Summary - Test Client, Test Illustration Nov21.

Investment Portfolio	Term of calculation
Royal London UK All Share Tracker Z Acc	**10**

Summary of Investment, Contributions and Withdrawals

Initial Investment (inc. Transfer In)	Contributions over the Period	Withdrawals over the Period
£10,000.00	£18,000.00	£0.00

Risk Overview

	Min. Gain (VAR @ 95%)	Expected Return	Max. Gain (VAR @5th)	Risk Category
Strategic (Moody's)	-12.50%	2.89%	16.95%	Moderately Cautious (High End)
Investment Scenario	-26.74%	4.14%	32.23%	Very Adventurous

Expected Investment Return

	Lowest (<5% Probability)	Medium Low (<20% Probability)	Expected (Average Gain)	Medium High (<20% Probability)
Investment Scenario	£16,414.00	£40,851.00	£29,886.00	£22,075.00

Best (<5% Probability)
£51,939.00

Summary Costs on Expected (Mean) Return

	Expected Return without Costs(A)	Expected Return with Costs(B)	Cumulative Impact of Costs(A-B)	
Investment Scenario	£37,105.21	£31,737.82	£5,367.40	
Value of Advice and Impact of Inflation	Expected Return with Costs(B) £31,737.82	Expected Return with Costs and Inflation(C) £23,128.99	No Investment (Includes RPI and Inflation Indexation)(D) £21,888.44	Value of Advice (Inflation Adjusted)(C-D) £1,240.55

Client Information

Name
Test Client
Address
-
Telephone
01111111111
Date of Birth
16/10/1980
Client Risk Profile
Moderately Cautious (High End)
Description of Risk Category

Moderately Cautious Investors have fairly limited experience and understanding of investments. They often take a long time to make investment decisions and tend to be anxious about any investment decisions they have made. They are inclined to associate risk with potential loss rather than opportunity. They may prefer bank accounts or lower risk investments to higher returning but riskier investments (such as stocks, shares and investment funds). However, they may be willing to take some risk, once the relationship between risk and higher returns has been explained to them. Moderately Cautious Investors are more risk averse than about 70% of the investing population (i.e. compared to 7 people out of 10).

Investment Objective

Name
Test Illustration Nov21.
Description
Test ISA Objective Description

Investment Objective Risk Category

Risk Category for Objective
Moderately Cautious (High End)

Investment Details

Initial Amount
£10,000.00
Transfer In Amount
£0.00
Total Initial Amount
£10,000.00
Contributions During Term
£18,000.00
Withdrawals During Term
£0.00
Net Investment During Term
£28,000.00
Platform / Provider Selected
James Hay Modular iPlan
Product Selected
Modular Stocks & Shares ISA
Wrapper Selected
Individual Savings Accounts
Portfolio Selected
Royal London UK All Share Tracker Z Acc

Adviser Fees

Initial & One-off Fees
£111.90
Ongoing Fee Over the Term
£1,682.34
Special Deal Applied
NO
Assets Under Management (AUM) Discount Applied
NO

Central Investment Proposition

Advised in line with firm's Central Investment Proposition
NO
Advised using Whole of Market Option
NO
Name of Segment
-
Description of Segment
-

MiFID II Target Market Information

Investor Type
-
Objective & Needs
Growth
Knowledge & Experience
-
Client Ability to Bear Loss
No Capital Guarantee

Stochastic Projections

Forecast based on strategic asset allocation – no costs	Forecast based on investment scenario – with costs
Asset Allocation	Asset Allocation

Emerging Markets Equities 4.16%
Global Property 6.20%
Global Equities (ex UK) 21.17%
UK Equities 11.91%
UK Govt Bonds 20.19%
Cash 13.00%
UK Corporate Bonds 17.24%

UK Equities 100.00%
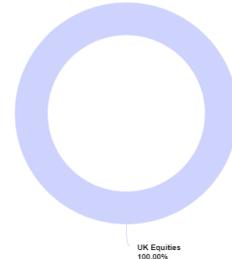
Min. Gain	Mean Gain	Max. Gain	Min. Gain	Mean Gain	Max. Gain
-12.50%	2.89%	16.95%	-26.74%	4.14%	32.23%

Probability Projection	Probability Projection

20% chance of final investment value of £38,499.00 or more
50% chance of final investment value of £33,669.00 or more
80% chance of final investment value of £29,301.00 or more

20% chance of final investment value of £40,851.00 or more
50% chance of final investment value of £29,686.00 or more
80% chance of final investment value of £22,075.00 or more
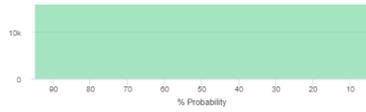
20% Probability	50% Probability	80% Probability
£38,499.00	£33,642.00	£29,301.00

20% Probability	50% Probability	80% Probability
£40,851.00	£29,886.00	£22,075.00

Risk Illustration

Risk Illustration
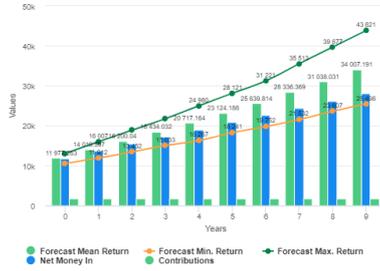
Lowest Outcome (5% Chance)	Expected Outcome	Best Outcome (5% Chance)
£25,498.00 or -8.94%	£34,007.19 or 21.45%	£43,621.00 or 56.50%

Lowest Outcome (5% Chance)	Expected Outcome	Best Outcome (5% Chance)
£16,414.00 or -41.38%	£31,737.82 or 13.35%	£51,939.00 or 85.50%

Forecast based on strategic asset allocation - With Costs & Inflation

Forecast based on investment scenario - With Costs & Inflation

Risk Illustration

Risk Illustration
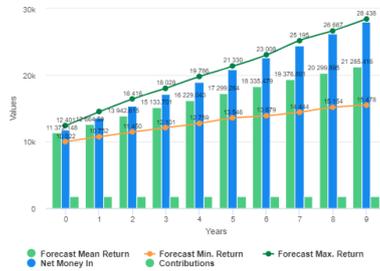
Lowest Outcome (5% Chance)	Expected Outcome	Best Outcome (5% Chance)
£15,478.00 or -44.72%	£21,285.42 or -23.98%	£28,438.00 or 1.56%
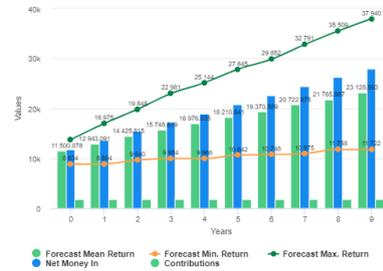
Lowest Outcome (5% Chance)	Expected Outcome	Best Outcome (5% Chance)
£11,722.00 or -58.14%	£23,128.99 or -17.40%	£37,940.00 or 35.50%

Portfolio Summary

Portfolio Name
Royal London UK All Share Tracker Z Acc

Fund Name	Allocation %
Royal London UK All Share Tracker Z Acc	100.00%

Stochastic Forecast of Probable Growth of Investment (With Costs & Inflation)

Year	In	Out	Total In	Min. Gain	Max Gain	Net Growth
1	£11,800.00	£0.00	£11,800.00	£9,141.00	£14,276.00	£77.49
2	£13,600.00	£0.00	£13,600.00	£9,599.00	£18,062.00	£204.58
3	£15,400.00	£0.00	£15,400.00	£10,795.00	£21,708.00	£487.42
4	£17,200.00	£0.00	£17,200.00	£11,416.00	£25,699.00	£700.53
5	£19,000.00	£0.00	£19,000.00	£11,960.00	£29,128.00	£941.45
6	£20,800.00	£0.00	£20,800.00	£13,005.00	£33,285.00	£1,267.06
7	£22,600.00	£0.00	£22,600.00	£13,640.00	£37,215.00	£1,624.54
8	£24,400.00	£0.00	£24,400.00	£14,440.00	£42,289.00	£2,427.40
9	£26,200.00	£0.00	£26,200.00	£15,671.00	£46,879.00	£2,761.99
10	£28,000.00	£0.00	£28,000.00	£16,414.00	£51,939.00	£3,757.82

Suitability Statement

Efficient Frontier Position
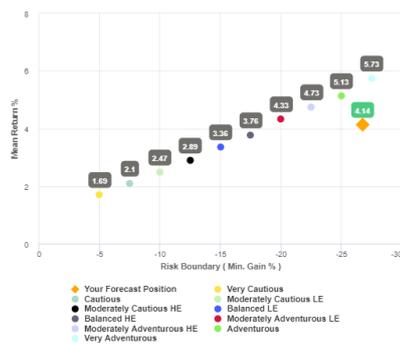
This confirms alignment of the investment recommendation with the Moody's investment strategy, where the min gain value does not exceed the risk threshold, or upper boundary for the relevant risk category.

The 'min gain' indicates the expected loss for an investment in the 'worst year', assuming a 20 year term. It is equivalent to the 5% worst outcomes (or 1 in 20) from the stochastic simulation whose data underpins the calculations made using this tool, and should be used for determining the client's Capacity for Loss in respect of the investment proposal.

Efficient Frontier and Suitability

The output shown here is the efficient frontier, which displays your Portfolio's Asset Allocation in relationship to the optimised and active Moody's Analytics Strategic Asset Class based Portfolios that are reviewed and rebalanced quarterly.

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.

Suitability Statement

From the previously completed Capacity for Loss questionnaire, the minimum appropriate term for the investment horizon is 10 to 14 yrs. The term used for the research is 10 years.

The proposed investment, Test Client Test Illustration Nov21., produces a 'Value at Risk' (VAR) measure (over 12 months) or 'Min gain' value of 26.74%.

This portfolio sits between the boundaries of the Moderately Adventurous (High End) Risk Category whose min gain value is 26.74%.

This approach demonstrates an accuracy proven over many market cycles over many years and is the same methodology that is relied on extensively by many institutions in the management of investment risk and the optimisation of portfolios.

Capacity for Loss Questionnaire

The model indicates the mathematical possibility of losing up to or in excess of 26.74% (min gain) of the portfolio in a bad year. The min gain value represents the 5% (1 in 20) worst returns from the stochastic modelling using the Moody's model. When the losses may occur is unknown, but because of the benefits of compounding growth, it is known that the impact on the final fund value is greater if the poor returns are early in the term (sequence risk).

Historically, significant losses in the short term have been followed by recovery and subsequent growth. It is important that investors commit to an appropriate term in order to recoup losses and build gains and can afford any short term losses that may occur in search of higher returns.

Capacity for Loss questions and answers

1. My client will need to start spending the investment return at the following point in the future. **10 to 14 yrs**

2. My client doesn't have any significant outstanding debts and don't expect to incur any during the period of their investment (e.g., mortgage or credit cards). **Agree**

3. My client's spouse, partner or family member is likely to be able and willing to support my client financially if circumstances require. **Strongly Agree**

4. It would be relatively easy for my client to cut expenditure in retirement if circumstances require. **Agree**

5. My client is flexible about their investment horizon. My client could wait before using your investment. **Agree**

6. **Risk suitability statement.** My Client can afford to lose 26.74% in any one year, as a worst case scenario this could equate to £13,888.49 loss in the final year of the 10 year term proposed. **Yes**

Supporting notes to meet MiFID Compliance - Capacity for Loss statement

Forecast Showing the Impact of Costs - Full MIFID II / Ex-ante Compliant Disclosure of Costs and Charges

The FCA (COBS 13) acknowledges the value of both deterministic and stochastically calculated investment forecasts. The linear characteristic of the former, makes it easier to understand the impact of costs. The stochastic forecasts elsewhere in the report represent a deeper and more reliable methodology for forecasting and should be prefered for any other requirement. Deterministic calculations are presented here for their clear and consistent representation of cost, including Reduction in Yield (R.I.Y.) values that are very effective in understanding the impact of ongoing and initial costs and the cumulative impact of costs.

Description	Cost of Ownership	Fund Weighting	Initial Year % Cost as % of Weighted Investment	Cost as Weighted Amount £	Subsequent Years % Weighted % of Investment
Product					
Modular Stocks & Shares ISA					
Costs			0.78%		4.26%
Funds					
Cash Allocation					
Royal London UK All Share Tracker Z Acc		100.00%			
One off Costs			0.00%		
Ongoing costs excl. Transaction	0.15%		4.02%	£440.68	2.27%
Transaction costs	0.00%		0.00%	£0.00	0.00%
Adviser Charges					
Initial charge			0.00%	£111.90	0.00%
Ongoing charges			0.70%	£86.73	4.26%
Aggregated Costs & Charges					
Grand total first year			0.00%	£449.08	0.00%
Grand total as % of first year investment total			4.10%	£0.00	2.28%

Deterministic Forecast - Summary Costs over the Full Investment Term

Calculations returned by the deterministic and stochastic methods may be different due to different methodologies including different growth rates. The deterministic calculation assumes broad based actuarial growth rates, whereas stochastic calculations are based on Moody's forecasts for growth across asset allocation.

Headline Reduction in Yield Value
2.28%
Total Solution Cost
£7,573.49
Final Value
£33,758.50

Platform Charges

Item	Fund Weighting	Growth %	Final Value £	Total Fees £	R.I.Y %
Modular Stocks & Shares ISA					
Royal London UK All Share Tracker Z Acc	100.00%	3.69%	£36,074.88	£3,446.59	1.31%

Deterministic Forecast

Suitability Checklist

Prepared For

Test Client

Illustration Name
Test Illustration Nov21.
Risk Profile
Moderately Cautious (High End)

Declaration of Tolerance for Loss

Assessment of Capacity for Loss

Confirmation of Target Market

Investor Type	-
Retail / Professional	
Objective & Needs	**Growth**
Preservation / Growth / Income / Hedged / Leveraged Return	
Knowledge & Experience	-
Basic Investor / Informed Investor / Advanced Investor	
Client Ability to Bear Loss	**No Capital Guarantee**
Limited Capital Loss, No Capital Guarantee / Loss Beyond Capital	
Investment Horizon	
10 to 14 yrs	

Supporting notes to meet MiFID Compliance - Capacity for Loss statement

Statement: Prepared by User User, FRN #
Date: 10th November 2021. Reference #20211110CLIENT

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Research Ex-Ante Report

Synaptic Ex-Ante Illustration Report - NOT FINAL

Synaptic Ex-Ante
Illustration Report

Prepared For
Test Client
Report Date
10th November 2021
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Test Illustration Nov21.
Firm Name
Address
FRN
Contact Number