

# Risk Illustrations - Suitability

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The Suitability tab includes a Suitability Statement & an Efficient Frontier graph:



The Suitability Statement includes the minimum appropriate term for the investment horizon, term & risk category:

**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 investment recommendation, **Amy Test Portfolio**, produces a 'Value at Risk' (VAR) measure (over 12 months) or min 'Min gain' value of **-13.80%**.

This recommendation sits within the boundaries of the **Balanced (Low End)** risk category which has a 'Min Gain' of **-15.00%**.

To confirm alignment of the investment recommendation with the Moody's investment strategy, the investment recommendations min gain value should not exceed the risk threshold, or upper boundary, for the relevant risk category.

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 '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.

The Efficient Frontier shows how the portfolio/fund you have selected performs against the efficient frontier:

## Efficient Frontier

