Risk Illustrations - Report Content
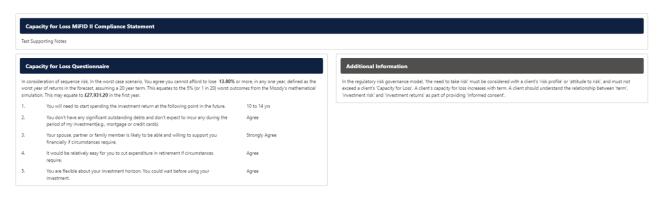
The **Report Content** tab allows you to amend the **Capacity for Loss Supporting Statement**, enter a **Recommendation Summary** and **Target Portfolio Summary.**

They will pull through to the **Report**:

Capacity for Loss Supporting Statement:

Recommendation Summary

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

Test recommendation summary