

**APPROACH TO INVESTMENT AND ATTITUDE TO INVESTMENT RISK  
QUESTIONNAIRE**

Client Name (1).....

Client Name (2).....

**INVESTMENT RISK ATTITUDE**

In order that we can assess your investment risk profile, this questionnaire enables you to best indicate and describe your attitude to investment risk.

**You should read the following information prior to completing the investment risk questionnaire.**

**Investment Risk Definitions**

The following definitions offer you a guide to categories of investment risk. At any point in time, it may be that your investment product provider will not have a product which meets your needs in all categories.

The categories are **Low / Low to Medium / Medium / Medium to High/ High**

Understanding your personal risk profile is important, in terms of the type of product we recommend and will be essential when you come to decide into which investment/pension fund or funds you direct your contributions.

You may decide after reading this guide that one category covers your attitude to investment risk or that maybe a combination of two or more categories best describes your overall attitude. Indeed, you may have a different attitude to investment risk for your different needs. For example, you may be willing to speculate more with a monthly pension contribution than with a single premium pension contribution. Also diversification can help to reduce volatility and risk e.g. a general Property fund as a single asset would be medium risk but as part of a balanced portfolio could be low to medium.

1. **Low (1)** You are a very cautious investor and are not willing to take any stock market risk. You are prepared to take the inflationary risk this implies e.g. Cash Deposit.
2. **Low (2)** Although a cautious investor, you are prepared to accept low levels of risk for the prospect of slightly higher returns. You are not likely to want to invest in equities. E.g. Fixed Interest, Index Linked, Gilts.
3. **Low/Medium (3/4)** You will accept below average risk to achieve more attractive potential returns and would expect to invest in a balanced portfolio of assets such as equities, property and fixed interest e.g. With Profits, Cautious Managed
4. **Medium (5/6)** You prefer a balanced approach to investment and are willing to accept average risk in the hope of higher returns e.g. Managed, Property Fund.
5. **Medium/High (7/8)** You will accept above average risk for the prospect of high returns. You are not concerned with short term volatility. You would expect the majority of your funds to be invested in equities and may invest in funds within a specific geographical area e.g. UK Equity, Overseas Equity, North American Equity, European Equity
6. **High (9/10)** This category is reserved for those investors who are prepared to take very high risks in order to obtain the potential for very substantial returns, although substantial falls in value may be equally as likely. Investment vehicles that fall within this category are likely to be available only through specialist investment houses and will normally require a considerable financial commitment from the investor e.g. Technology, Health, Emerging Markets.

**1. How much investment experience  
Do you have?**

	<u>Client 1</u>		<u>Client 2</u>
- Very little knowledge and experience	<input type="checkbox"/>		<input type="checkbox"/>
- Some investment knowledge and understanding	<input type="checkbox"/>		<input type="checkbox"/>
- Experienced private investor with good investment knowledge	<input type="checkbox"/>	<b>(Please tick 1 answer only)</b>	<input type="checkbox"/>
- Business Investor	<input type="checkbox"/>		<input type="checkbox"/>
- Professional Investor	<input type="checkbox"/>		<input type="checkbox"/>

**2. If the stock market declined by 20%, would you -**

- Sell immediately to avoid further worry	<input type="checkbox"/>		<input type="checkbox"/>
- Do nothing and wait for investment returns to improve	<input type="checkbox"/>	<b>(Please tick 1 answer only)</b>	<input type="checkbox"/>
- Buy to take advantage of lower share prices in anticipation of future gains	<input type="checkbox"/>		<input type="checkbox"/>

**3. Which of the following features do you require from your investment portfolio?  
Please enter a priority for each from 1 to 5 (1 being the most important)**

- Growth	<input type="checkbox"/>		<input type="checkbox"/>
- Income	<input type="checkbox"/>		<input type="checkbox"/>
- Tax efficiency	<input type="checkbox"/>		<input type="checkbox"/>
- Access	<input type="checkbox"/>		<input type="checkbox"/>
- Guarantees	<input type="checkbox"/>		<input type="checkbox"/>
- If income is required, how much	.....pm/pa		.....pm/pa

**4. Do you have any strong moral views on where your money should be invested?**

**Client 1**.....

**Client 2**.....

**INVESTMENT RISK ATTITUDE, CONTINUED**

**5. What level of risk are you prepared to take to achieve your financial objectives?  
(Please indicate %)**

Risk Profile	Low 1/2	Low/ Medium 3/4	Medium 5/6	Medium/ High 7/8	High 9/10
Possible investment split as a %	Deposit / Fixed interest	With Profits/ Cautious Managed	Managed/ Property	UK Equity/ Overseas Equity	Specialist Equity Funds/ Specific Investment Markets
Client 1					
Client 2					

**6. How speculative are you prepared to be when considering investments?  
(Please tick)**

		Little Risk ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ Very Speculative									
		1	2	3	4	5	6	7	8	9	10
Mortgages	Client 1										
Mortgages	Client 2										
Pensions	Client 1										
Pensions	Client 2										
Short Term Savings (less 5 yrs)	Client 1										
Short Term Savings	Client 2										
Medium Term Savings (5 yrs)	Client 1										
Medium Term Savings	Client 2										
Long Term Savings (10 yrs +)	Client 1										
Long Term Savings	Client 2										
Investments – Lump Sums	Client 1										
Investments – Lump Sums	Client 2										

**INVESTMENT RISK ATTITUDE, CONTINUED**

	<b><u>Client 1</u></b>	<b><u>Client 2</u></b>
<b>7. Are you happy to invest in asset-backed investments whereby the unit price can go down as well as up</b>	YES/NO	YES/NO

Notes regarding the client's understanding of investment risk attitude:

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**CAPITAL INVESTMENTS**

**8. When would you require access to the lump sum being invested? (Please tick)**

	<b><u>Client 1</u></b>	<b><u>Client 2</u></b>
a. 1 to 2 years	.....	.....
b. 2 to 3 years	.....	.....
c. 3 to 4 years	.....	.....
d. 4 to 6 years	.....	.....
e. 6 to 8 years	.....	.....
f. 8 years or more	.....	.....

**9. Do you require a bias towards any one particular asset allocation? (Please indicate %)**

	<b><u>Client 1</u></b>	<b><u>Client 2</u></b>
a. Cash	.....	.....
b. Fixed Interest/Gilts/Corporate Bonds	.....	.....
c. Commercial Property	.....	.....
d. Equities	.....	.....
e. Residential Property including "Buy to Let" and Foreign Property	.....	.....

**INVESTMENT RISK ATTITUDE, CONTINUED**

**10. Do you require a bias towards any one particular stock market? (please indicate %)**

	<b><u>Client 1</u></b>	<b><u>Client 2</u></b>
a. UK	.....	.....
b. America	.....	.....
c. Europe	.....	.....
d. Latin America	.....	.....
e. Far East	.....	.....
f. Pacific	.....	.....
g. Japan	.....	.....
h. Australasia	.....	.....
i. Emerging Markets	.....	.....
j. Other (Please specify)	.....	.....

**TIME HORIZON**

Different investors have different risk tolerance. Much of the difference stems from time horizon. That is, someone with a short investment time horizon is less able to withstand losses. The remainder of the difference is attributable to the individual's appetite for risk. Volatility can be nerve-wracking for many people and they are more comfortable when they can avoid it. Risk and return are related, however, and investors need to recognise the trade-off. The following questionnaire is designed to measure time horizon and tolerance for risk.

**11. When do you expect to begin withdrawing money from your investment account? (Please tick)**

	<b><u>Client 1</u></b>	<b><u>Client 2</u></b>
a. Less than 1 year	.....	.....
b. 1 to 3 years	.....	.....
c. 4 to 7 years	.....	.....
d. 8 to 11 years	.....	.....
e. 12 years or more	.....	.....

**12. Once you begin withdrawing money from your investment account, how long do you require the withdrawals to last? (Please tick)**

a. I plan to take a lump sum distribution	.....	.....
b. 1 to 3 years	.....	.....
c. 4 to 7 years	.....	.....
d. 8 to 11 years	.....	.....
e. 12 years or more	.....	.....

**RISK TOLERANCE (Please circle your answer)**

Inflation is the rise in prices over time. Long-term investors should be aware that, if portfolio returns are less than inflation, the ability to purchase goods and services in the future might actually decline. Portfolios with long-term returns that significantly exceed inflation, however, are associated with a higher degree of short-term risk.

**13. Which of the following portfolios is most consistent with your investment philosophy?**

- a. Portfolio 1 will most likely exceed long-term inflation by a significant margin and has a high degree of short-term risk.
- b. Portfolio 2 will most likely exceed long-term inflation by a moderate margin and has a high to moderate degree of short-term risk.
- c. Portfolio 3 will most likely exceed long-term inflation by a small margin and has a moderate degree of short-term risk.
- d. Portfolio 4 will most likely match long-term inflation and has a low to moderate degree of short-term risk.
- e. Portfolio 5 will most likely not match long term inflation and has virtually no degree of short term risk.

**Client 1 a b c d e**

**(Please circle)**

**Client 2 a b c d e**

**14. Portfolios with the highest average returns also tend to have the highest chance of losing money. The portfolios below provide the average return for an investment of £100,000 and the possibility of losing money (ending value of less than £100,000) over a one-year holding period. Please select the portfolio with which you are most comfortable.**

**Probabilities After 1 Year**

	Possible Average Return	Chance of Losing Money
a. Portfolio A	£114,000	25%
b. Portfolio B	£111,000	22%
c. Portfolio C	£109,000	18%
d. Portfolio D	£107,000	14%
e. Portfolio E	£105,000	2%

**Client 1 a b c d e**

**(Please circle)**

**Client 2 a b c d e**

**RISK TOLERANCE, CONTINUED**

**15. Investing involves a trade-off between risk and return. Historically, investors who have received high long-term average returns have experienced greater price fluctuations and higher potential for loss than investors in more conservative investments. Considering the above, which statement best describes your investment goals?**

- a. Protect the value of my account. In order to minimise the chance for loss, I am willing to accept lower long-term returns provided by conservative investments.
- b. Keep risk to a minimum while trying to achieve slightly higher returns than provided by more conservative investments.
- c. Balance moderate levels of risk with moderate levels of returns.
- d. Maximise long-term investment returns. Therefore, I am willing to accept large and sometimes dramatic fluctuations in the value of my investments.

**Client 1 a b c d**

**(Please circle)**

**Client 2 a b c d**

**16. Historically, markets have experienced periods of substantial short-term price swings (volatility) as well as prolonged down markets. Suppose you owned a well-diversified portfolio that fell by 20% over a short period. Assuming you still have ten years until you begin withdrawals, how would you react?**

- a. I would not change my portfolio.
- b. I would wait at least a year before changing to more conservative options.
- c. I would wait at least three months before changing to more conservative options.
- d. I would immediately change to more conservative options.

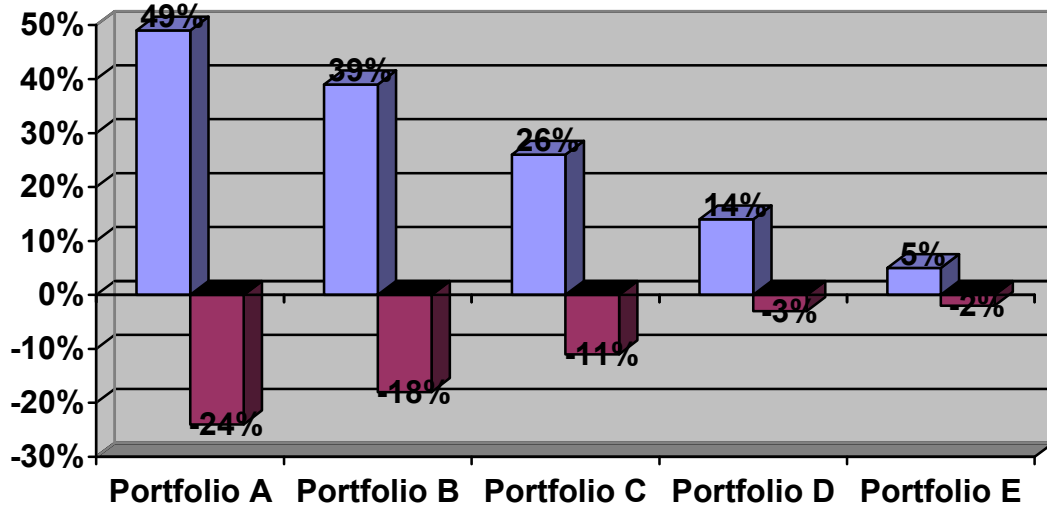
**Client 1 a b c d**

**(Please circle)**

**Client 2 a b c d**

**RISK TOLERANCE, CONTINUED**

The following graph shows the hypothetical results of four sample portfolios over a one-year holding period. The best potential and worst potential gains and losses are presented. Note that the portfolio with the best potential gain also has the largest potential loss.



**17. Which of the above portfolios would you prefer to hold?**

- a. Portfolio A
- b. Portfolio B
- c. Portfolio C
- d. Portfolio D
- e. Portfolio E

**Client 1** a b c d e

**(Please circle)**

**Client 2** a b c d e

**18. Investments with higher short-term risk are more likely to have a greater chance of meeting long-term investment goals. Conversely, investments likely to provide stable returns and minimal short-term losses are less likely to meet long-term investment goals. With this in mind, which of the following statements is most consistent with your investment attitudes?**

- a. I am willing to endure short-term losses to maximise the chance of meeting my long-term investment goals.
- b. I am equally concerned with avoiding short-term losses and meeting my long-term investment goals.
- c. Avoiding short-term losses is more important to me than meeting my long-term investment goals.

**Client 1** a b c

**(Please circle)**

**Client 2** a b c

**Client 1 Signature..... Date.....**

**Client 2 Signature..... Date.....**