

Synaptic Risk Rating Service



Fact Sheet



Q1 2018

Using the Risk Rating Service

It is the responsibility of the adviser to ensure that the level of risk that their client is exposed to is appropriate for their circumstances. The online Synaptic Attitude to Risk Questionnaire can assist in performing and saving a client risk appraisal, and the Risk analysis provided in these Fact Sheets can assist in identifying a suitable investment:

- Establish with the client how much they can afford to lose (tolerance for loss)
- Establish with the client how much they are prepared to lose in relation to the investment objective under consideration
- Use the Synaptic Risk Rating Service, or Synaptic Modeller tool to establish the 'minimum gain', or 'Capacity for Loss' quotient
- Compare the numbers to see if there is alignment. Due to the subjective nature of risk, there is a reliance on the skill and experience of the adviser to ensure that 'informed consent' has been achieved, on the basis that the client understands and agrees to the risk proposition.

The Capacity for Loss Quotient

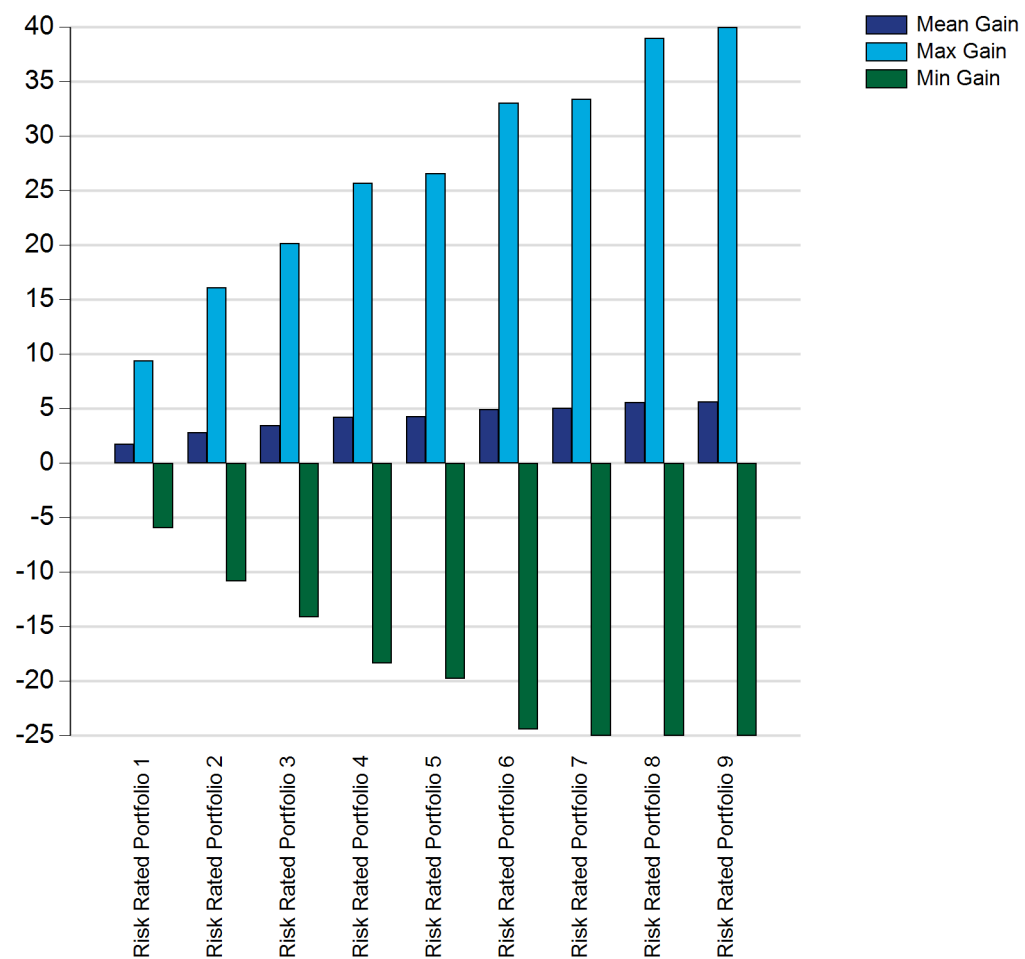
The Synaptic Risk Rating Service is derived from the risk framework provided by Moody's Analytic's Stochastic engine. It has been created to provide advisers with more robust, quantitative measures for risk than is generally available, and provide the opportunity for them to move away from Volatility based ratings. Projections are asset allocation of the underlying investments. The multiple scenarios modelled by the stochastic engine aim to capture the likelihood of a range of investment outcomes:

- The Minimum gain figure represents the possible loss to be sustained 5% (or 1 in 20 year event), in any one year. I.E. 'dear client, you have a 1 in 20 chance of losing 20% of your portfolio in any one year, in search of the higher returns you seek'.
- The Maximum gain figure represents the 5% of best possible outcomes returned by the model, and the Mean is the average annual growth calculated by the model.

More information is available from the dedicated website
synaptic-risk.synaptic.co.uk



Graph showing spread of risk using Minimum, Mean and Maximum gain figures derived from the Moody's Analytic's stochastic outputs, as applied to the Strategic asset allocation

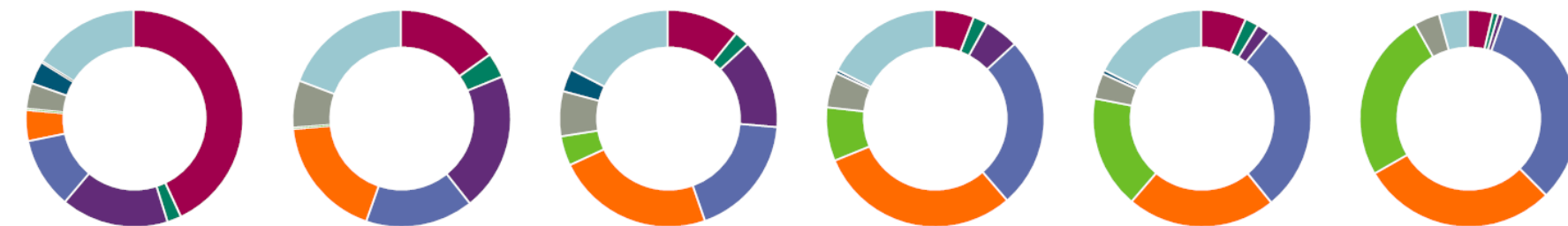


Tactical Asset Allocation

SYNAPTIC RISK RATING 2		SYNAPTIC RISK RATING 3		SYNAPTIC RISK RATING 4		SYNAPTIC RISK RATING 6		SYNAPTIC RISK RATING 7		SYNAPTIC RISK RATING 9	
Cautious		Moderately Cautious (Low End)		Moderately Cautious (High End)		Balanced (High End)		Moderately Adventurous (Low End)		Adventurous	
Max gain	9.40%	Max gain	16.14%	Max gain	20.15%	Max gain	25.70%	Max gain	26.59%	Max gain	33.02%
Ave gain	1.75%	Ave gain	2.84%	Ave gain	3.45%	Ave gain	4.25%	Ave gain	4.29%	Ave gain	4.96%
Min gain	-5.95%	Min gain	-10.82%	Min gain	-14.12%	Min gain	-18.32%	Min gain	-19.77%	Min gain	-24.42%



Asset Allocation breakdown



Key

%	Tactical (OUTER)
Cash	43.1
UK Corporate Bonds	2.1
UK Govt Bonds	16.0
UK Equities	10.6
Global Equities (ex UK)	4.6
Emerging Markets Equities	0.2
Global Property	3.8
Global Private Equity	0.0
Hedge Funds	3.4
Commodities	0.2
Global Infrastructure	0.0
European Fixed Income	0.0
US Fixed Income	0.0
Global Bonds (ex UK)	16.0

Key

%	Tactical (OUTER)
Cash	15.1
UK Corporate Bonds	3.7
UK Govt Bonds	20.6
UK Equities	16.0
Global Equities (ex UK)	18.2
Emerging Markets Equities	0.2
Global Property	7.0
Global Private Equity	0.0
Hedge Funds	0.0
Commodities	0.0
Global Infrastructure	0.0
European Fixed Income	0.0
US Fixed Income	0.0
Global Bonds (ex UK)	19.2

Key

%	Tactical (OUTER)
Cash	10.8
UK Corporate Bonds	2.3
UK Govt Bonds	13.3
UK Equities	18.3
Global Equities (ex UK)	23.4
Emerging Markets Equities	4.4
Global Property	6.7
Global Private Equity	0.0
Hedge Funds	3.4
Commodities	0.0
Global Infrastructure	0.0
European Fixed Income	0.0
US Fixed Income	0.0
Global Bonds (ex UK)	17.4

Key

%	Tactical (OUTER)
Cash	5.9
UK Corporate Bonds	2.1
UK Govt Bonds	5.1
UK Equities	25.6
Global Equities (ex UK)	30.1
Emerging Markets Equities	8.0
Global Property	5.2
Global Private Equity	0.0
Hedge Funds	0.5
Commodities	0.0
Global Infrastructure	0.0
European Fixed Income	0.0
US Fixed Income	0.0
Global Bonds (ex UK)	17.5

Key

%	Tactical (OUTER)
Cash	6.7
UK Corporate Bonds	2.0
UK Govt Bonds	2.0
UK Equities	28.5
Global Equities (ex UK)	22.1
Emerging Markets Equities	16.8
Global Property	3.8
Global Private Equity	0.0
Hedge Funds	0.6
Commodities	0.0
Global Infrastructure	0.0
European Fixed Income	0.0
US Fixed Income	0.0
Global Bonds (ex UK)	17.5

Key

%	Tactical (OUTER)
Cash	3.7
UK Corporate Bonds	0.8
UK Govt Bonds	0.8
UK Equities	32.3
Global Equities (ex UK)	29.1
Emerging Markets Equities	25.2
Global Property	3.8
Global Private Equity	0.0
Hedge Funds	0.0
Commodities	0.0
Global Infrastructure	0.0
European Fixed Income	0.0
US Fixed Income	0.0
Global Bonds (ex UK)	4.3



Tactical Asset Allocation

Risk Rated Portfolio 7		Risk Rated Portfolio 8		Risk Rated Portfolio 9	
SYNAPTIC RISK RATING 10		SYNAPTIC RISK RATING 10		SYNAPTIC RISK RATING 10	
Very Adventurous		Very Adventurous		Very Adventurous	
Max gain	33.43%	Max gain	38.99%	Max gain	43.05%
Ave gain	5.05%	Ave gain	5.58%	Ave gain	5.66%
Min gain	-26.73%	Min gain	-32.24%	Min gain	-36.23%

Asset Allocation breakdown



Key

%	Tactical (OUTER)
Cash	3.6
UK Corporate Bonds	1.3
UK Govt Bonds	1.3
UK Equities	18.5
Global Equities (ex UK)	23.0
Emerging Markets Equities	42.6
Global Property	3.8
Global Private Equity	0.0
Hedge Funds	0.0
Commodities	0.0
Global Infrastructure	0.0
European Fixed Income	0.0
US Fixed Income	0.0
Global Bonds (ex UK)	5.9

Key

%	Tactical (OUTER)
Cash	0.0
UK Corporate Bonds	0.0
UK Govt Bonds	0.0
UK Equities	14.8
Global Equities (ex UK)	29.6
Emerging Markets Equities	53.0
Global Property	0.0
Global Private Equity	0.0
Hedge Funds	0.0
Commodities	0.0
Global Infrastructure	0.0
European Fixed Income	0.0
US Fixed Income	0.0
Global Bonds (ex UK)	0.0

Key

%	Tactical (OUTER)
Cash	2.8
UK Corporate Bonds	0.0
UK Govt Bonds	0.0
UK Equities	5.4
Global Equities (ex UK)	21.5
Emerging Markets Equities	70.2
Global Property	0.0
Global Private Equity	0.0
Hedge Funds	0.1
Commodities	0.0
Global Infrastructure	0.0
European Fixed Income	0.0
US Fixed Income	0.0
Global Bonds (ex UK)	0.0