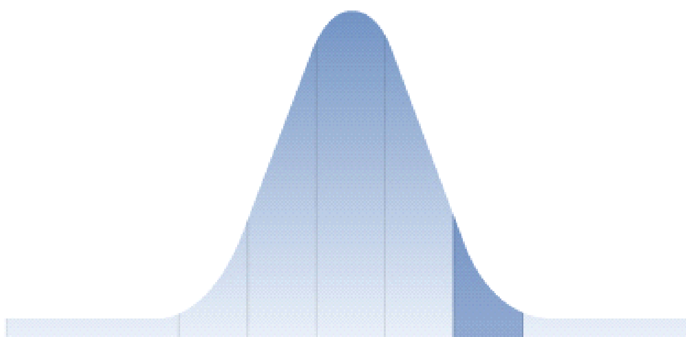
Personal Financial Risk Tolerance Report

Prepared for **Bekhzod Kayumov** from the questionnaire completed on **15 January 2016**

Your Risk Tolerance Score

Your Risk Tolerance Score enables you to compare yourself to a representative sample of the adult population. Your score is 66. This is a very high score, higher than 94% of all scores.

When scores are graphed they form a bell-curve as shown below. To make the scores more meaningful, the 0 to 100 scale has been divided into seven Risk Groups. Your score places you in Risk Group 6.



Risk Group	1	2	3	4	5	6	7
Score Range	Less than 25	25-34	35-44	45-54	55-64	65-74	75 or more
Number in Group	1%	6%	24%	38%	24%	6%	1%

In answer to the last question, you estimated your score would be 60. Most people under-estimate their score by a few points. Yours was a slightly bigger under-estimate. When compared to others you are somewhat more risk tolerant than you thought you were.

Your Risk Group

The description of Risk Group 6 which follows provides a summary of the typical attitudes, values, preferences and experiences of those in your group. It summarizes how those in your Risk Group usually answer the risk tolerance questionnaire. Three of your answers differed from this description. They are shown in italics below the relevant part and in the Summary section that follows. These differences fine-tune the description to you personally.

Making Financial Decisions

They think of "risk" as "opportunity" and are prepared to take a medium to large degree of risk with their financial decisions, more likely large (Q3 & 10). Most have a great deal of confidence in their ability to make good financial decisions but some have only a reasonable amount (Q12). They usually feel somewhat or very optimistic about their major decisions after they make them (Q7).

When faced with a major financial decision they are usually more concerned about the possible gains (Q6). Most would probably choose less job security with a big pay increase rather than more job security with a small pay increase and others would definitely make that choice (Q5).

You think of "risk" as "uncertainty".

Financial Disappointments

When things go wrong financially they adapt somewhat easily (Q2).

Financial Past

They have taken a medium to large degree of risk with their past financial decisions, more likely large, and half have borrowed money to make an investment (Q9 & 11). Most have invested a large sum of money in a risky investment mainly for the "thrill" of seeing whether it went up or down in value, but not very frequently (Q4).

Investment

It is somewhat to much more important that the value of their investments retains its purchasing power than that it does not fall, more likely much more important (Q18). For most a fall of 33% in the total value of their investments would make them feel uncomfortable but for some it would take a 50% fall (Q14). In recent years, their personal investment changes have mostly been towards higher risk (Q19). Over ten years they expect an investment portfolio to earn, on average, at least three times the rate from CDs (certificates of deposit), more likely more than three times (Q21).

Given the portfolio choices below, they would prefer Portfolios 5 or 6, more likely Portfolio 6 (Q16).

	Expected Return and Risk		
	High	Medium	Low
Portfolio 1	0 %	0 %	100 %
Portfolio 2	0 %	30 %	70 %
Portfolio 3	10 %	40 %	50 %
Portfolio 4	30 %	40 %	30 %
Portfolio 5	50 %	40 %	10 %
Portfolio 6	70 %	30 %	0 %
Portfolio 7	100 %	0 %	0 %

If the total value of all your investments went down by as little as 20% you would begin to feel uncomfortable.

With these portfolio choices, you would choose Portfolio 4.

Borrowing

If they were borrowing a large sum of money at a time when it was not clear which way interest rates were going to move and when the fixed interest rate was 1% more than the variable rate, most would choose to have 50% of the loan at variable interest but some would choose 75% or 100% (Q23).

Government Benefits and Tax Advantages

Most would take a risk in arranging their affairs to qualify for a government benefit or obtain a tax advantage if there was a better than 50% chance they could finish up better off than if they had done nothing. However some would only take a risk if there was only a small chance of finishing up worse off (Q22).

Summary

	Risk Group						
	1 0-24	2 25-34	3 35-44	4 45-54	5 55-64	6 66	7 75-100
	Making Financial Decisions						
Meaning of "Risk" Q3					✓		
Current Risk-Taking Q10						✓	
Confidence In Decisions Q12						✓	
Feel After Decisions Q7						✓	
Losses v Gains Q6						✓	
Job Security v Pay Increase Q5						✓	
	Financial Disappointments						
Adaptability Q2						✓	
	Financial Past						
Risk Taking? Q9						✓	
Borrow to Invest Q11						✓	
Thrill Investing Q4						✓	
	Investment						
Face vs Real Value Q18						✓	
Downside Comfort Q14					✓		
Risk Changes? Q19						✓	
10-Year Returns Q21						✓	
Preferred Portfolio Q16					✓		
	Borrowing						
Fixed v Variable Interest Q23						✓	
	Government Benefits and Tax Advantages						
Take a Risk? Q22						✓	

How to Use This Report

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Your Personal Financial Risk Tolerance Report has been prepared from information provided by you and is, of course, only relevant to you.

If, for example, you are one of a couple who make joint decisions, your partner should also do a risk tolerance test. Both sets of test results then need to be considered when joint decisions are being made. Similarly, where you are acting on behalf of someone else, e.g. under a power of attorney or as trustee, your own risk tolerance remains relevant but must be considered in the context of your responsibilities.

Risk tolerance, as with other aspects of personality, is determined by genetics and life experiences. Essentially, it is settled by early adulthood. Typically it does decrease slowly with age and, as with other aspects of personality, may be changed by major life events, good or bad.

Accordingly, your risk tolerance should be retested every two or three years and also after any major life event.

Your Personal Financial Risk Tolerance Report compares your answers to those given by a very large sample of the adult population. If you use a financial advisor, the report, particularly any of your answers identified as differing from those normally given by others in your Risk Group, should be discussed with your financial advisor. Notes of this discussion should be made. These notes may include modifications of, or expansions on, particular aspects of your report.

Because it is critical that you and your advisor have the same understanding of your risk tolerance, you both should sign-off on your report, including any changes made as a result of discussion.

It is important to have confidence in any person with whom you discuss your risk tolerance. They must have the experience, skill and capacity to incorporate it into a decision-making process with you.

You can rely on your Personal Financial Risk Tolerance Report to assist you in your financial decision-making. However, we cannot endorse or support any specific decision you may make because, while we fully support the report itself, we are not privy to all the other information that effective financial decision making requires.

Our risk tolerance testing system is the financial services equivalent of the first blood pressure machine. While an accurate blood pressure reading does not, by itself, determine a diagnosis or treatment, it does provide critically important information. As the use of scientific testing becomes widespread, better 'diagnoses' will be made, more appropriate 'treatments' will be prescribed, the incidence of unpleasant 'side-effects' will be reduced and 'health' outcomes will improve.

For more information about Risk, Risk Tolerance and the FinaMetrica system see the Footnotes below.

Footnotes

1. Risk, Risk Tolerance and Psychological Testing
2. FinaMetrica's Risk Tolerance Scoring Scale
3. FinaMetrica's Risk Group Descriptions and Differences
4. The Development of the FinaMetrica System

1.Risk, Risk Tolerance and Psychological Testing

Risk means different things to different people - danger, uncertainty, opportunity, thrill. In reality, though, there is risk in any situation where there is more than one possible outcome and the outcomes have differing values for you.

We are all aware that when it comes to taking risks, we each have our own comfort zone. We also know our friends, family members and colleagues often have different comfort zones from our own.

Studies have identified five different categories of risk: financial, physical, social, health and ethical. Most people behave consistently within a category but not necessarily between categories, e.g. a sky-diver Is more likely to be a mountain climber but may or may not be a comfortable public speaker or financial risk-taker.

People react differently to risk. Some are habitually inclined to reject it, others to accept it. Risk tolerance is the level of risk a person prefers to take. It should be thought of as a continuum, with people ranging from risk-avoiders to risk-seekers. Your risk tolerance is not a particular point on that continuum but rather a range of risk levels with which you would be comfortable.

The whole issue of financial risk is a difficult one. On the one hand, low risk tolerance prevents many people from doing as well as they could financially. On the other, some of life's most unpleasant financial surprises arise because people were exposed to a level of risk beyond their comfort zone, i.e. beyond their risk tolerance. So, while we tend to focus on the dangers of taking too much risk, it is possible to have too little risk, which results in missed opportunities.

Unlike, say, height or weight, there is no unit of measurement for risk tolerance. A person's risk tolerance can only be measured relative to others on a constructed scale (in much the same way as IQ is measured.) Someone may know what risks they are, or are not, prepared to take. But they are unlikely to know how this compares to others.

Studies confirm that people generally do not accurately estimate their own risk tolerance (and, not surprisingly, given the difficulties in any communication about an intangible, that their advisors' estimates are less accurate than their own.) While the pattern of estimates is scattered, there is a slight overall tendency to under-estimate. A possible explanation for this is that the majority of the population is, in absolute terms, more risk-avoiding than it is risk-seeking. Faced with a choice between a certain profit and an uncertain but probably larger profit, a sizeable majority chooses the certain (but probably smaller) profit. Someone who in absolute terms is slightly risk-averse may not realise that this is typical of the population as a whole.

An additional difficulty is that, even the meaning of "risk" can depend on the situation. When individuals talk about "risk" as they experience it in their personal financial affairs they are not talking about the same thing as investment researchers discussing the "risk" of an investment.

So, consumers (and their financial advisors) face a double challenge,

- firstly, in making an accurate and meaningful assessment of their tolerance of risk as they perceive it, and
- secondly, in expressing this assessment in such a way that the risk involved with their current arrangements, and in the decision alternatives now on offer to them, can be evaluated against their risk tolerance.

All fields of human endeavour use measurement in some form, and each field has its own measuring tools measuring units and measuring disciplines.

Risk tolerance is a psychological trait, as are other aspects of personality. A trait can be defined as any distinguishable, relatively enduring way in which one person varies from another.

Since the early 1900s, psychologists and statisticians have been developing techniques to measure and assess psychological traits. While this development has not been free of controversy, there is now a widely accepted discipline, psychometrics, for psychological testing and assessment. The technical quality of any test can now be measured against internationally agreed psychometric standards. A 'good' test is one that is ***valid*** and ***reliable***, i.e. it measures what it purports to measure and it does so consistently.

FinaMetrica's Risk Profiling system has been developed using the disciplines that apply to psychological testing and the test itself exceeds international psychometric standards.

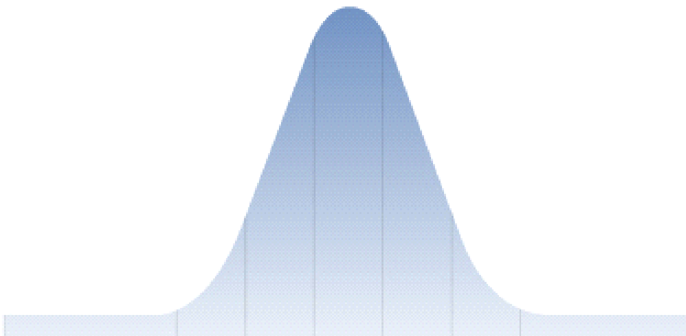
Back to Footnotes Index

2.FinaMetrica's Risk Tolerance Scoring Scale

As with many other human attributes, risk tolerance is Normally distributed. When risk tolerance scores are analysed statistically, they are found to fit the pattern of a Normal distribution. When graphed they follow its familiar bell-curve.

Because the mathematics of a Normal distribution are well defined, the interpretation of individual scores is greatly simplified. For example, it is possible to state with confidence the proportion of scores that will fall above or below a particular score, and also the proportion that will fall within a particular range of scores.

In order to aid understanding and interpretation, the 'raw' scores from the questionnaire have been 'standardised' to the FinaMetrica risk tolerance scale which has a Mean of 50 and a Standard Deviation of 10.



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To further aid understanding and interpretation, the 0 - 100 scale has been divided into seven segments. The middle segment is the mean ± half a standard deviation, i.e. from 45 to 54. Segments either side are then a standard deviation higher or lower, with the end segments covering the balance of the high and low 'tails' of the distribution.

Seven segments are needed to provide sufficient differentiation of those with extremely low or extremely high risk tolerance - one person in 100 in both cases. In IQ terms, this is the equivalent of those with IQs below 75 or above 125.

Back to Footnotes Index

3.FinaMetrica's Risk Group Descriptions & Differences

A person's Risk Group description, fine-tuned by any reported differences, provides the basis for comparing the risk involved with their current arrangements, and in any financial decisions being considered, against their risk tolerance.

The group descriptions allow you (and your financial advisors) to build a picture of what is typical for your group. The Risk Groups can be thought of as the equivalent of the standard clothing sizes where Group 4 is Medium, Group 5 is Large, Group 3 is Small, and so on.

The Risk Group descriptions have been developed by analysing how members of that group typically answer the questionnaire. For example, in answering Question 3 more than 80% of Risk Group 4 choose "uncertainty" and so the group description says, "They usually think of risk as uncertainty."

Of course, few people in a group will fit the group description precisely. Where a person gives a different answer, that answer is reported. Usually, someone will give about five different answers and so have five reported differences. The reported differences can be thought of as the equivalent of the tailoring adjustments needed to have one of the standard clothing sizes fit you precisely.

Back to Footnotes Index

4.The Development of the FinaMetrica System

The FinaMetrica system had its beginnings with The Survey of Financial Risk Tolerance (SOFRT) authored by Dr. Michael J. Roszkowski, Associate Professor of Psychology at The American College, Bryn Mawr, PA. Dr. Roszkowski is an acknowledged expert in the relationships between psychological and financial variables, and continues to consult to FinaMetrica. The SOFRT was PC-based and used a 57-question questionnaire which took 30 minutes to complete.

FinaMetrica's first development phase was a pre-licensing evaluation of the SOFRT system, completed late 1997, which involved,

- Australianising the language of the SOFRT,
- inventing the seven-segment Risk Tolerance Scale and the Risk Group/Differences reporting system,
- conducting useability and 'norming' trials, and
- establishing the Australian database.

The evaluation was successful in confirming Australian validity and reliability. But advisors and clients reported that the SOFRT system was too cumbersome and time-consuming to warrant the effort involved.

However, FinaMetrica could see how to overcome the shortcomings of the SOFRT. The second development phase, completed October 1998, became the creation of a new test and testing system which involved,

- developing questions with more perceived relevance and/or more usefulness in reporting and reduce the number of questions while maintaining psychometric integrity,
- the invention of a new, more precise scoring algorithm which allowed reliability/accuracy to be improved and the number of questions to be reduced from 57 to 25,
- the conducting of three further trials, and
- the establishment of the system on our website.

Psychological testing expertise was provided by Chandler & Macleod Consultants during the first phase and by Drs. Austin Adams and Jim Bright of the Applied Psychology Unit at the University of New South Wales during the second phase.

FinaMetrica has ongoing research relationships with academic institutions in Australia and elsewhere. The qualities of our test are monitored continuously. In 2011/12 our database of ~500,000 completed tests was analysed in detail and the test was fine-tuned through small adjustments to the scales and scoring algorithms. The test continues to exceed psychometric standards for tests of this type. During this most recent analysis, psychological testing expertise was provided by Dr Joanne Earl, School of Psychology, University of New South Wales.

Back to Footnotes Index