Temple Bar

Independent Financial Advice Ltd.

Risk profile questionnaire

For retirement

This document is for use with Towers Watson Asset Allocation used in accordance with Modern Portfolio Theory.

By now your Temple Bar adviser should have completed a full fact-find, to help identify your investment goals and priorities. They should have established that you are prepared to take some degree of investment risk to achieve your goals. **If you do not wish to expose your capital to *any* risk, then you should consult your financial adviser regarding alternative savings opportunities such as Cash Deposits and National Savings.**

The next important step is to understand your attitude to investment risk. While there are a number of different risks that your adviser will account for, most people understand investment risk as the likelihood and extent of a fall in the value of their investment.

The tendency for investments to rise or fall in value is known as 'volatility'. Volatility is the opposite of stability. The more volatile an investment, the more extreme the rises and falls in its value. This means there is more chance of extreme losses, but also potentially higher gains. Lower volatility means greater stability and less chance of an extreme fall in price, but also less chance of higher gains. However, the longer you hold an investment, the lower the impact of that volatility. Helping you find a portfolio that reflects a comfortable balance between potential gains and falls in value, requires finding your risk 'benchmark'. Your adviser will discuss this in detail with you in relation to your specific goals; for example how would you *feel* if your goal was not achieved?

To help ascertain your risk 'benchmark', please complete this questionnaire, ensuring all questions are answered. Remember that when considering different investment goals (eg school fees versus saving for retirement), you might answer the questions differently so please ensure that your answers relate to the particular investment in question only.

The resulting benchmark risk score will be between 1 and 10, with 1 being the most stable and 10 being the most volatile. A risk score of 1 will result in a portfolio consisting mostly of cash, while a risk score of 10 will indicate a portfolio very heavily weighted in shares. Scores between 1 and 10 will feature a broader mix of asset types.

The risk profile assessment is *simply a guide* based on information provided. Your financial adviser will explain what your risk benchmark score means in terms of potential gains and losses and help you decide whether to maintain, increase or decrease the risk level in the light of your particular investment goals and your full personal circumstances.

1 Personal details

Title

○ Mr ○ Mrs ○ Miss ○ Other ▶ *please specify* ______

Surname

______

Full forename(s)

______

Date of birth ▶ *dd mm yyyy*

☐☐ / ☐☐ / ☐☐☐☐

Postcode

______

2 Risk profile questions

1. How long before you expect to start taking retirement income?

▶ *Enter a number of years from 3 to 30. This time period is very important in the risk assessment process.*

2. Do you have an emergency fund to provide for unexpected expenses, to avoid needing to draw on medium- to long-term savings to meet immediate needs? (You should allow the equivalent of at least three months net income for emergencies.) ▶ *Please tick (✓)*

- No
- Yes – but less than three months' salary
- Less than six months' salary
- Around one year's salary
- More than two years' salary

3. What is your expectation of your future earnings up to retirement? ▶ *Please tick (✓)*

- I expect my earnings to decrease
- I expect my earnings to keep pace with inflation
- I expect my earnings to increase somewhat ahead of inflation
- I expect my earnings to fluctuate
- I expect to retire shortly

4. What percentage of your total assets, (excluding your home) are you proposing to invest now? ▶ *Please tick (✓)*

- Less than 25%
- 25% to less than 50%
- 50% to less than 75%
- 75% or more

5. Which statement most closely reflects your current financial situation? ▶ *Please tick (✓)*

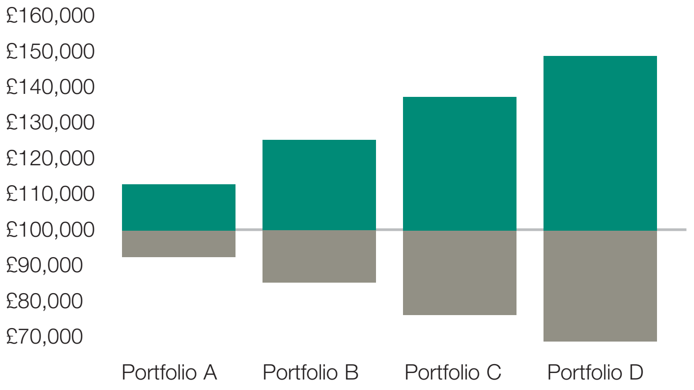
- I am completely debt free
- I have no mortgage but have a few other obligations like credit card payments
- I have a mortgage but no other debts that concern me
- I have a mortgage and some short-term obligations
- I have a lot of long-term obligations

6. Which statement best describes your objectives for this investment? ▶ *Please tick (✓)*

- Stability is more important than higher returns
- I want to achieve higher long-term returns than cash. I could cope with infrequent periods where my investments might fall in value
- I want to achieve higher medium-term returns than inflation. I understand there may be occasional extended periods where my investments might fall in value
- I want the best long-term returns I can get. I fully expect periods where the value of my investments might suffer extended falls

7. At the beginning of the year you have £100,000 invested. The chart and options below show the performance of four possible investments. Each bar gives a range of possible values at the end of the same year. Which investment would you prefer? ▶ *Please tick (✓)*

Potential best and worst case end values



This chart is for illustrative purposes only and does not reflect the performance of a specific index or fund.

- Portfolio A: It could be worth anywhere between £93,000 and £113,000
- Portfolio B: It could be worth anywhere between £85,000 and £125,000
- Portfolio C: It could be worth anywhere between £77,000 and £137,000
- Portfolio D: It could be worth anywhere between £69,000 and £149,000

continued

2 Risk profile questions *(continued)*

8. What level of fall in the value of this portfolio over a one-year period would concern you, bearing in mind that investment in shares requires a long-term view? ▶ *Please tick (✓)*

- ◯ More than 5%
- ◯ More than 10%
- ◯ More than 15%
- ◯ More than 20%
- ◯ I am not concerned about falls in value as I expect to recover any falls by the time I need to sell my portfolio

9. Suppose one year ago you invested £100,000 in a portfolio. Today you've checked its value and find it is now worth £87,000. How would you feel?: ▶ *Please tick (✓)*

- ◯ Panic – I'd want my adviser to sell, and invest the proceeds in Cash
- ◯ Nervous – I'd want my adviser to sell part of the portfolio, and invest the proceeds in a less volatile investment
- ◯ Patient – I'd sit tight, expecting the portfolio to recover
- ◯ Positive – If I had any more money I'd invest it in the same portfolio

10. You are more concerned that your investments grow faster than inflation, than you are about returns over any one-year period. ▶ *Please tick (✓)*

- ◯ Strongly agree
- ◯ Agree
- ◯ Disagree
- ◯ Strongly disagree

11. If you were advised that your current fund and future savings are not sufficient to meet your retirement goals, what action would you take? ▶ *Please tick (✓)*

- ◯ Take more risk with all of the money to try to improve returns
- ◯ Take more risk with half of the money and increase your savings
- ◯ Increase savings sufficiently to achieve your goals
- ◯ Amend your goals and make no change to the investment risk or savings levels

12. What is your attitude towards purchasing an annuity* to provide income in your retirement? ▶ *Please tick (✓)*

- ◯ My preferred option to any other form of retirement income
- ◯ I would only buy an annuity if the terms were attractive compared with other options
- ◯ I would not consider an annuity unless forced by circumstances at the time

13. Which of the following statements best describes your other retirement provisions? ▶ *Please tick (✓)*

- ◯ I expect to receive state pension benefits
- ◯ In addition to the state pension, I have a personal/company pension but together they are unlikely to satisfy my basic retirement needs
- ◯ In addition to the state pension, I have a personal/company pension and together they will cover my basic retirement needs
- ◯ I have sufficient pension and other savings to provide an income equivalent to two-thirds of my anticipated pre-retirement salary

** Annuity – This is the contract you purchase from an annuity provider using a lump sum of money (eg proceeds of your pension fund) to guarantee you an annual income for life or a period of time.*

3 Your investment objectives

Is there a target amount you wish to achieve? If so, what is it? ▶ *This is the total amount at retirement required to provide an income and any tax-free cash. In deciding upon your target, please allow for the effects of inflation, investment risk and your tax position* £

What is your expected retirement age?

4 Signature

Your financial adviser will input your answers on the Risk Profiler, which will compute a suggested risk score and asset allocation. The risk score gives an indication of the level of risk you may be prepared to take with this investment on a range from 1 (low risk) to 10 (high risk).

As mentioned earlier, the risk score is only a guide, and you can decide, with the help of your financial adviser, to invest more conservatively or more aggressively.

Selecting investments is a regulated activity. Investors should consult their financial adviser on the merits of any particular investment.

Signature

Date questionnaire completed

Date ▶ *dd mm yyyy* ☐☐ / ☐☐ / 2 0 ☐☐

Reset Form

Risks & Models

Towers Watson 1-10

Risk Profiles

1 Very Cautious
You are not prepared to take investment risk and it is very important that your capital is protected. This means you are prepared to accept lower long term returns to meet your risk criteria. A typical Very Cautious investor would invest mainly in cash and fixed interest investments, but could include small elements of equity or property for longer term investment objectives.

2 Cautious
You are prepared to take only a small amount of investment risk and capital protection is important. This means that your portfolio will contain a small amount of riskier assets in order to increase the chance of obtaining better long term returns. A typical Cautious investor will be invested in fixed interest and cash and will also include an element of equities and property. The range of assets provides diversification benefits to reduce the overall risk.

3 Cautious to Low Moderate
You are comfortable in taking a small amount of investment risk and capital protection is fairly important. This means that your portfolio will contain a relatively small amount of riskier assets in order to increase the chance of obtaining better long term returns. A typical Cautious to Low Moderate investor will be invested in fixed interest and cash and will also include an element of equities and property. The range of assets provides diversification benefits to reduce the overall risk.

4 Cautious to Moderate
You are prepared to take some investment risk in order to increase the chances of achieving a reasonable return but would still like to ensure that capital protection is still considered. A typical Cautious to Moderate investor will be invested in a moderate amount of fixed interest, but with a greater proportion in equities and property. At the shorter terms there may also be some cash.

5 Low Moderate
You are comfortable in taking some investment risk in order to increase the chances of achieving a reasonable return but would still like to ensure that capital protection is still considered. A typical Low Moderate investor will be invested in a moderate amount of fixed interest, but with a greater proportion in equities and property. At the shorter terms there may also be some cash.

6 Moderate
You are prepared to take a reasonable amount of investment risk in order to increase the chance of achieving a better return. Capital protection is less important to you than the return on the investment. A typical Moderate investor will usually invest in a variety of assets to obtain diversification. There would be a higher proportion of equities compared to fixed interest and cash, and the range of assets provides diversification benefits.

7 Moderate to Low Adventurous
You are comfortable in taking a reasonable amount of investment risk in order to increase the chance of achieving a better return. Capital protection is less important to you than the return on the investment. A typical Moderate to Low Adventurous investor will usually invest in a variety of assets to obtain diversification. There would be a higher proportion of equities compared to fixed interest and cash, and the range of assets provides diversification benefits.

8 Moderate to Adventurous
You are prepared to take some risk with your investment in return for the prospect of the improving longer term investment performance as short term capital protection is not important. A typical Moderate to Adventurous investor will be invested mainly is equities but with some other assets included to provide for diversification.

9 Low Adventurous
You are comfortable in taking some risk with your investment in return for the prospect of the improving longer term investment performance as short term capital protection is not important. A typical Low Adventurous investor will be invested mainly in equities but with other assets included to provide some diversification. There may be a small amount of specialised equity within the portfolio.

10 Adventurous
You are prepared to take greater risks with your investment in return for the prospect of the highest longer term investment performance. You appreciate that over some periods of time there can be significant falls, as well as rises, in the value of your investment and you may get back less than you invest.This strategy holds significant risk in the shorter term. A typical Adventurous investor will be invested fully in equities, both in the UK and overseas. There may be a significant proportion of the investment in specialised equities.

How Temple Bar Approach your investments

MODERN PORTFOLIO THEORY:

Modern Portfolio Theory – building a portfolio unique to your circumstances. The Temple Bar IFA Ltd approach to investments is based on research that has shown that by far the dominant contributor to total portfolio returns is the asset allocation (that is the proportion held in shares, property, bonds and cash) of that investment portfolio. Furthermore asset allocation, on average, accounted for 91.5% of the variation of portfolio returns over time.

RISK PROFILE & ASSET ALLOCATION:

Temple Bar uses Risk Profiling software - a scientifically validated tool for assessing clients' personal financial risk tolerance. An ideal asset allocation differs from investor to investor and is based on the level of risk each investor is prepared to accept. Temple Bar therefore provides investment portfolio construction tools that use an investor's investment risk profile and an asset allocation that, in theory, will provide maximum returns for that level of risk. For any combination of assets there is a given maximum return available for each level of risk. The riskier the investment, the higher our expected return will be.

FORSYTH FUND RATING:

We Rank Funds based on Forsyth-OBSR Fund Ratings. These ratings are determined on the premise that the fund selection process should, whilst taking past performance into consideration, ascribe greater weight to identifying the factors, which will affect future performance. This process demands a much stronger emphasis on a qualitative examination of funds. Temple Bar will use AAA rated funds where possible.

WE USE CITYWIRE RATINGS:

City Wire Ratings track the individual fund managers, the people, rather than the funds. Citywire look at how they perform compared with the benchmark index of the markets that they invest in over a period of 36-month risk records. Of the hundreds of active fund managers less than 20% receive a rating. AAA = top 5%, AA = top 6-13%, A =14-20%. Where possible Temple Bar will use AAA ranked funds.

WE USE CROWN RATINGS:

Financial Express is an authority on performance measurement, providing data, advice and consultation to fund management professionals and financial advisers. Financial Express also uses this knowledge and expertise to publish sector and constituent performance, Crown Ratings and the Adviser Fund Index. The Financial Express Crown Ratings are a quant-based ratings system designed to highlight funds that have had superior, consistent performance in relation to risk, relative to their peer groups, the fund sectors as defined by the IMA and the ABI. Crown Ratings are compiled using three key measurements of a fund's performance - alpha, volatility and consistency.

QUARTILE RANKING:

Quartile ranking is a rating based on performance on a scal of 1;4, where 1 is the best and 4 is the worst. The entire performance rank is divided into 4, with each quartile rank corresponding to 25% of the range. Where possible Temple Bar will only use 1st quartile ranked funds.

TOTAL EXPENSE RATIO (T.E.R.):

The T.E.R. represents the true cost of running a fund. It includes the fund annual management charge as well as the depository and custodial charges and audit, registration and compliance fees.

IS MODERN PORTFOLIO THEORY WIDELY ACCEPTED?

Myners 2001 & Sandler 2002 , are the two major regulatory reviews into institutional investment. These clearly drew much of their research from Modern Portfolio Theory. The Myners Report of March 2001 into institutional investment in the UK, highlighted the importance of asset allocation AND CONCLUDED that the attention devoted to asset allocation decisions should fully reflect the contribution they can make to achieving the fund's investment objective. Myners recognised the importance of the asset allocation to investment outcomes, and stated that strategic asset allocation decisions should receive a level of attention (and, where relevant, advisory or management fees) that fully reflect the contribution they can make towards achieving the fund's investment objective.