



# FinaMetrica

Risk Tolerance Profiling

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Descriptions & Summary Table

UK s1.0

## Overview

The FinaMetrica risk profiling system measure risk tolerance on a scale of 0 to 100. Scores are Normally distributed with a Mean of 50 and a Standard Deviation of 10.

To make the scores and reports more meaningful, the scale has been divided into five segments. The middle segment is the Mean  $\pm$  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.

Each of the segments is referred to as a Risk Group.



The Risk Group descriptions have been developed by analysing how those whose scores fall into a particular group typically answer the questionnaire. Five of the twelve questions have been considered in the analysis. These were selected on the basis of their utility in providing a general understanding of the Risk Groups.

## Very Low Risk Group

Investors in the Very Low risk group are prepared to take only a very small to small degree of risk with their financial decisions, more likely very small. When faced with a major financial decision they are usually, if not always, more concerned about the possible losses than the possible gains. It is somewhat to much more important that the value of their investments does not fall than that it retains its purchasing power. For most, any fall in the total value of their investments would make them feel uncomfortable but for some it would take a 10% fall. Given the portfolio choices below, they prefer Portfolio 1 or 2, more likely Portfolio 2.

### Mix of Investment in Portfolio

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

## Low Risk Group

Investors in the Low risk group are prepared to take a small degree of risk with their financial decisions. When faced with a major financial decision they are usually more concerned about the possible losses than the possible gains. For some it is somewhat more important that the value of their investments does not fall than that it retains its purchasing power but for most retaining purchasing power is the more important of the two. For some, any fall in the total value of their investments would make them feel uncomfortable but for most it would take a fall of 10% or 20%, most likely 10%. Given the portfolio choices below, they prefer Portfolio 2 or 3, more likely Portfolio 3.

### Mix of Investment in Portfolio

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

## Average Risk Group

Investors in the Average risk group are prepared to take a small to medium degree of risk with their financial decisions, more likely medium. When faced with a major financial decision some are usually more concerned about the possible losses while others are usually more concerned about the possible gains. For some it is somewhat more important that the value of their investments does not fall than that it retains its purchasing power but for most retaining purchasing power is the more important of the two. For some, a fall of 10% in the total value of their investments would make them feel uncomfortable but for most it would take a fall of 20% or 33%, most likely 20%. Given the portfolio choices below, they prefer Portfolio 3 or 4, more likely Portfolio 4.

### Mix of Investment in Portfolio

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

## High Risk Group

Investors in the High risk group are only prepared to take a medium degree of risk with their financial decisions. When faced with a major financial decision they are usually more concerned about the possible gains than the possible losses. It is somewhat to much more important that the value of their investments retains its purchasing power than that it does not fall. For some, a fall of 20% in the total value of their investments would make them feel uncomfortable but for most it would take a fall of 33%. Given the portfolio choices below, they prefer Portfolio 4 or 5, more likely Portfolio 4.

### Mix of Investment in Portfolio

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

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## Very High Risk Group

Investors in the Very High risk group are prepared to take a medium to large degree of risk with their financial decisions, more likely large. When faced with a major financial decision they are usually, if not always, more concerned about the possible gains than the possible losses. It is somewhat to much more important that the value of their investments retains its purchasing power than that it does not fall. For some, a fall of 20% in the total value of their investments would make them feel uncomfortable but for most it would take a fall of 33% or 50%, most likely 33%. Given the portfolio choices below, they prefer Portfolio 5 or 6, more likely Portfolio 5.

### **Mix of Investment in Portfolio**

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



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