

FinaMetrica Risk Tolerance Score Mappings

FinaMetrica has mapped its risk tolerance scores to AJ Bell MPS portfolios and VT AJ Bell Passive Funds as shown in the tables below, where

- ❖ the Best Fit ranges divide the FinaMetrica 0 to 100 risk tolerance scoring scale across the funds, showing, for this set of funds, which is most appropriate for a particular risk tolerance score, and
- ❖ the Too Much/Marginal/OK/Marginal/Too Little score ranges provide score ranges for each of the funds considered in isolation and are the primary guide to whether a particular fund is suitable from a risk tolerance perspective.

Risk Tolerance Score Ranges							
Risk Comfort/Discomfort Zones for Each Portfolio							
AJ Bell MPS Portfolio	Growth Assets	Best Fit	Too Much Risk	Marginal	OK Risk	Marginal	Too Little Risk
Portfolio 1	28%	26 - 45	< 26	26 - 33	34 - 46	47 - 52	> 52
Portfolio 2	43%	46 - 53	< 38	38 - 43	44 - 55	56 - 61	> 61
Portfolio 3	53%	54 - 59	< 44	44 - 49	50 - 61	62 - 68	> 68
Portfolio 4	62%	60 - 67	< 50	50 - 55	56 - 67	68 - 74	> 74
Portfolio 5	79%	68 - 100	< 60	60 - 65	66 - 81	82 - 100	n.a.

Risk Tolerance Score Ranges							
Risk Comfort/Discomfort Zones for Each Fund							
VT AJ Bell Passive Funds	Growth Assets	Best Fit	Too Much Risk	Marginal	OK Risk	Marginal	Too Little Risk
Cautious	28%	26 - 45	< 26	26 - 33	34 - 46	47 - 52	> 52
Moderately Cautious	43%	46 - 53	< 38	38 - 43	44 - 55	56 - 61	> 61
Balanced	53%	54 - 59	< 44	44 - 49	50 - 61	62 - 68	> 68
Moderately Adventurous	62%	60 - 67	< 50	50 - 55	56 - 67	68 - 74	> 74
Adventurous	79%	68 - 100	< 60	60 - 65	66 - 81	82 - 100	n.a.

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Selecting an investment strategy almost invariably involves your clients having to make trade-off decisions to resolve conflicts between their situation, aspirations and resources. A key trade-off decision commonly confronted is between risk tolerance and the risk required to achieve goals.

Effective trade-off decisions can only be made when the elements of the trade-off have been separated, and can be clearly understood and compared. A useful start to this process is to assess whether the portfolio consistent with your client's risk tolerance will meet their needs as they fall due. There is often a gap between the level of risk which your client would normally choose to take - their risk tolerance, and the risk associated with the return required to achieve their goals - their risk required.

To identify that such a gap exists, and then assist your client to resolve it, requires an apples-to-apples comparison between risk tolerance and investment risk.

The process of personal financial planning is based upon obtaining the client's properly informed commitment to a set of trade-offs between conflicting alternatives. The FinaMetrica risk profiling system provides advisors with the tools and procedures that lead to properly informed commitment.

For more information, including the methodology upon which the table is based, advisors should refer to the Asset Allocation Mappings calculator and its guide, which can be found under System Resources at www.finametrica.com and also at www.riskprofiling.com.



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