

# Risk Profiler

Risk Profiler

Date: .....

# Details

Prepared for:

-----

on

-----

by

-----

Client Initial:

# Questionnaire

**WARNING:**

Please complete the questions as applicable to the end beneficiaries of this investment.

**Investment Horizon:**

The Significance of your Investment Horizon

The size of the fluctuations in the value of an investment portfolio ('risk') are less likely to affect the eventual capital growth if the time period during which the investment is held is relatively long. This (historic) risk is actually reduced over time for every asset class and the probability of compensating for disappointing returns increases with the length of time the portfolio is maintained. In other words, meeting the investment objectives is more likely over a longer time period than over a short term.

1. In how many years do you expect to begin taking distributions or withdrawing income from your account?

- a. Less than 2 years
- b. 2-5 years
- c. 6-9 years
- d. 10-15 years
- e. More than 15 years

2. Once you begin withdrawals from your account, over how many years do you expect them to continue?

- a. Lump sum
- b. Less than 2 years
- c. 2-5 years
- d. 6-9 years
- e. 10-15 years
- f. More than 15 years

Client Initial:

## Questionnaire

3. The following are statements regarding the annual amount of money available for new investments over the next five years. Which statement closely corresponds to your own situation?

- a. We expect that the amount of money that we have available for new investments will decrease over the next five years.
- b. We expect that the amount of money that we have available for new investments will remain the same over the next five years.
- c. We expect that the amount of money that we have available for new investments will increase over the next five years.

Client Initial:

# Questionnaire

## Risk Tolerance

### The Significance of your Financial Risk Tolerance

The financial risk tolerance questions include criteria that can be quantified and/or measured objectively. These criteria would be sufficient to determine the optimal asset mix for a totally rational investor. Unfortunately, no investor is totally rational, which is why we also need to assess the emotional or mental risk tolerance of the investor.

### The Significance of your Emotional or Mental Risk Tolerance

The emotional or mental risk tolerance includes criteria of a more intuitive nature and consequently is less objective and less quantifiable. The importance of this emotional risk tolerance should, however, not be underestimated as individuals are regularly tempted to base their investment decisions on emotive grounds.

The aim of the risk tolerance assessment is to predict with a relatively high degree of accuracy an investor's expectations and future behaviour during different market environments.

### **Financial Risk Tolerance:**

4. Below are the statements of five investors regarding risk and return. Which most closely corresponds to your own perception?

- a. When investing it is most important not to lose any money. A lower return is acceptable if it implies greater safety. (This answer indicates a very conservative investment which implies a near cash deposit investment)
- b. The safety of our investments is slightly more important than the return of those investments.
- c. Both the safety of our investments and their return are of equal importance.
- d. The return of our investments is slightly more important than the safety of those investments.
- e. The return of our investments is most important. We are willing to tolerate large fluctuations in value in order to potentially receive greater returns.

Client Initial:

## Questionnaire

5. Inflation can greatly erode the return of an investment over time. For example, in a year with a 5% inflation rate, an investment with an 8% return before inflation would only produce an increase in purchasing power of 3%. Which of the following statements best correspond to your expectations?

- a. We aim to limit the volatility while keeping pace with inflation.
- b. We aim to moderately exceed inflation (approximately inflation +5% return) while accepting a moderate level of risk.
- c. We aim to significantly exceed inflation (approximately inflation +8% return) while accepting a significant level of risk.

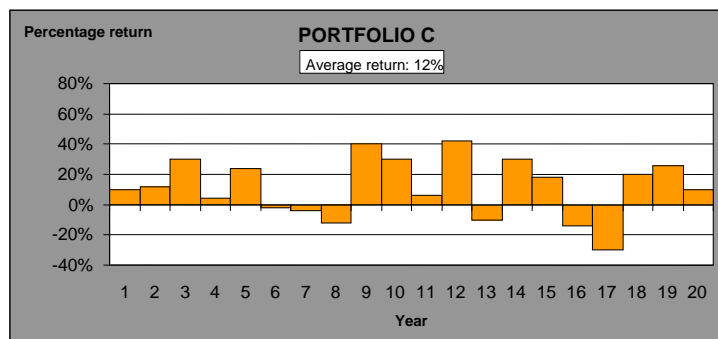
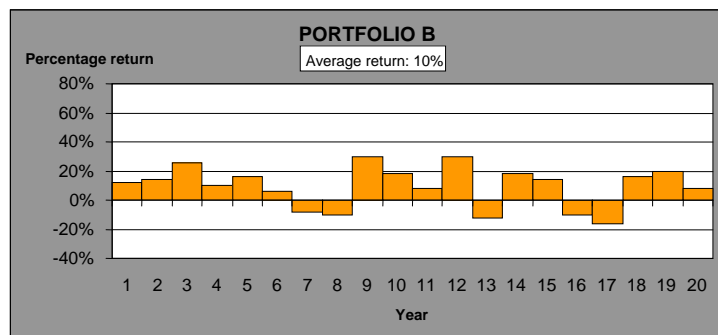
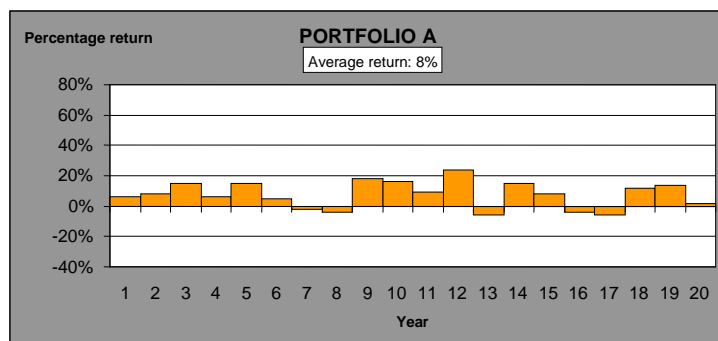
### **Emotional or Mental Risk Tolerance:**

6. Most investments fluctuate over the short term. Suppose you invest R300 000 in an investment account this year with the intention of holding it for ten years. If this investment lost value in the first year, at what value would you sell and move to a more stable investment?

- a. R280 000 ( - 7%)
- b. R265 000 ( - 12%)
- c. R250 000 ( - 17%)
- d. R225 000 or less ( loss of 25% or more )
- e. We would not sell

# Questionnaire

7. Investors must be comfortable with the potential volatility (rise and fall of investment value) incurred during short periods (i.e. one year), even if they have a long investment horizon. The following graphs show the potential volatility of three hypothetical portfolios over time. Which portfolio and its associated volatility would you tolerate?



- a. Portfolio A
- b. Portfolio B
- c. Portfolio C

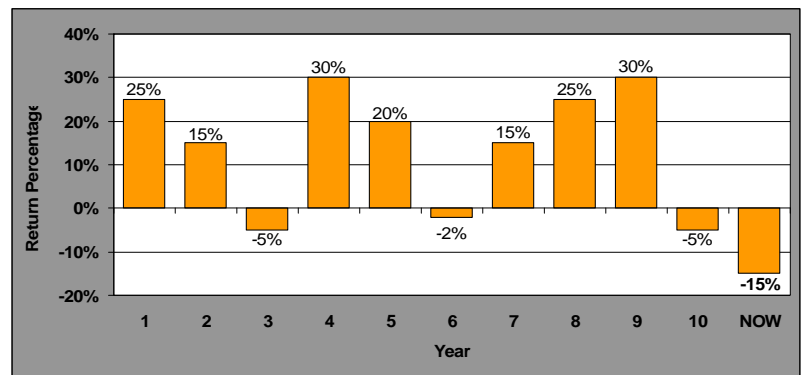
Client Initial:

## Questionnaire

8. Assuming a 3 year investment period, the table below shows the range of outcomes on 5 different portfolios, each having invested R 500,000 at the outset. Which portfolio would you be most comfortable owning?

Worst Case Value	Most Likely value
a. R 530 000 (2% annually)	R 630 000 (8% annually)
b. R 515 000 (1% annually)	R 665 000 (10% annually)
c. R 470 000 (-2% annually)	R 702 500 (12% annually)
d. R 442 500 (-4% annually)	R 740 000 (14% annually)
e. R 415 000 (-6% annually)	R 780 000 (16% annually)

9. The graph below depicts the investment performance of a hypothetical portfolio over a 10 year period. During year 1 to 10, the investor received an average annual return of 15%. In year 11 the portfolio lost 15%. If you were invested in this portfolio, what would you do?



- Do nothing at this time.
- Transfer part of the portfolio to more conservative investments.
- Transfer the entire portfolio to more conservative investments.

Client Initial:

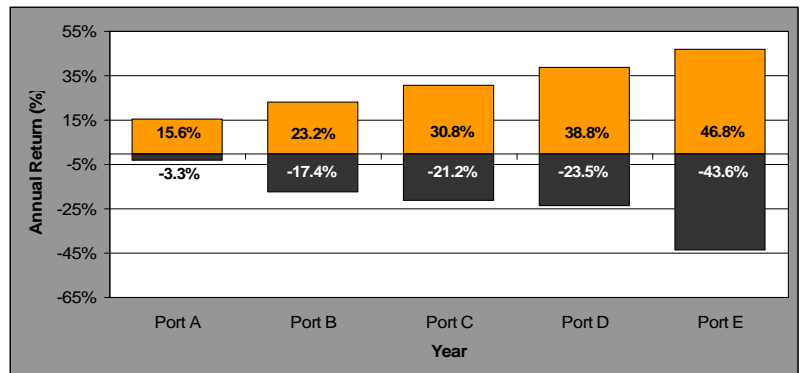
## Questionnaire

10. Investments with greater short-term risk historically have a greater chance of delivering high long-term capital appreciation. Conversely, investment with lower short-term risk historically has a greater chance of delivering stable but lower long-term capital appreciation. With this in mind, which of the following statements are most consistent with your approach towards your investments?

- a. We are willing to endure short-term losses to maximise the chance of experiencing higher long-term capital appreciation.
- b. We are equally concerned with avoiding short-term losses and experiencing long-term capital appreciation.
- c. Avoiding short-term losses is more important to us than achieving long-term capital appreciation.

## Questionnaire

11. The following graph depicts the hypothetical results of five sample portfolios over a one year holding period. The most optimistic gains and pessimistic losses for each are presented. Note that the portfolio with the best potential gain also has the largest potential loss. Which portfolio would you be most comfortable owning?



- a. Portfolio A
- b. Portfolio B
- c. Portfolio C
- d. Portfolio D
- e. Portfolio E

# Questionnaire

## **International investments**

Your portfolio can include or exclude exposure to international investments based on your requirements.

Do you want offshore exposure included in your optimal portfolio?

- a. Yes
- b. No

Client Initial:

# Questionnaire Scoring

**TIME HORIZON SCORE**

Question 1	Question 2	Question 3
A = 0	A = 0	A = 0
B = 4	B = 2	B = 0
C = 7	C = 4	C = 1
D = 10	D = 6	
E = 12	E = 9	
	F = 10	

**RISK AVERSION SCORE**

Question 4	Question 5	Question 6
A = 0	A = 0	A = 0
B = 4	B = 4	B = 4
C = 7	C = 11	C = 7
D = 8		D = 8
E = 14		E = 14

Question 7	Question 8	Question 9
A = 0	A = 0	A = 11
B = 5	B = 4	B = 4
C = 11	C = 7	C = 0
	D = 10	
	E = 14	

Question 10	Question 11
A = 11	A = 0
B = 5	B = 5
C = 0	C = 10
	D = 12
	E = 14

**TOTAL FOR TIME HORIZON:**

*Sum of scores for questions 1 – 3*

**TOTAL FOR RISK AVERSION:**

*Sum of scores for questions 4 – 11*

Client Initial:

# Recommended Portfolio

## RECOMMENDED PORTFOLIO

The summary scoring grid below combines the time horizon and risk aversion scores calculated above. Find the appropriate time horizon score on the top horizontal axis and the risk aversion on the left vertical axis. The intersection of these two points is the recommended portfolio.

RECOMMENDED PORTFOLIO MATRIX						
TIME HORIZON SCORE						
R I S K  A V E R S I O N  S C O R E		0 - 2	3 - 4	5 - 7	8 - 9	10 +
	0 - 7	Core Fixed Income	Core Fixed Income	Core Fixed Income	Core Fixed Income	Core Fixed Income
	8 - 22	Core Fixed Income	Fixed Income	Fixed Income	Fixed Income	Fixed Income
	23 - 42	Core Fixed Income	Fixed Income	Capital Preservation	Capital Preservation	Capital Preservation
	43 - 64	Core Fixed Income	Fixed Income	Capital Preservation	Balanced	Balanced
	65 - 88	Core Fixed Income	Fixed Income	Capital Preservation	Balanced	Capital Growth
	89 - 100	Core Fixed Income	Fixed Income	Capital Preservation	Capital Growth	Aggressive Growth or Core Aggressive Growth

The agreed profile is:

Core Fixed Income

Fixed Income

Capital Preservation

Balanced

Capital Growth

Aggressive Growth

Core Aggressive Growth

CLIENT 1 or Authorised Signatory:

CLIENT 2 or Authorised Signatory:

NAME: \_\_\_\_\_

NAME: \_\_\_\_\_

DATE: \_\_\_\_\_


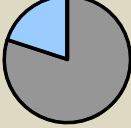
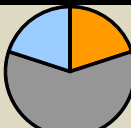
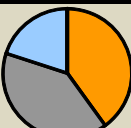
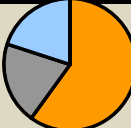
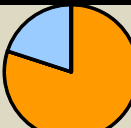

DATE: \_\_\_\_\_

SIGNED: \_\_\_\_\_

SIGNED: \_\_\_\_\_

# Asset Allocation Guidelines

**CLIENT INVESTMENT PROFILES including International exposure**

		Neutral	Min	Max	
<b>CORE FIXED INCOME</b>	Equity	0%	0%	0%	
	Fixed Income	90%	70%	100%	
	Alternatives	0%	0%	0%	
	Cash	10%	0%	30%	
<b>FIXED INCOME</b>	Equity	0%	0%	0%	
	Fixed Income	80%	70%	90%	
	Alternatives	20%	10%	30%	
	Cash	0%	0%	20%	
<b>CAPITAL PRESERVATION</b>	Equity	20%	5%	35%	
	Fixed Income	60%	50%	70%	
	Alternatives	20%	10%	30%	
	Cash	0%	0%	10%	
<b>BALANCED</b>	Equity	40%	25%	55%	
	Fixed Income	40%	30%	50%	
	Alternatives	20%	10%	30%	
	Cash	0%	0%	10%	
<b>CAPITAL GROWTH</b>	Equity	60%	45%	75%	
	Fixed Income	20%	10%	30%	
	Alternatives	20%	10%	30%	
	Cash	0%	0%	10%	
<b>AGGRESSIVE GROWTH</b>	Equity	80%	70%	90%	
	Fixed Income	0%	0%	30%	
	Alternatives	20%	10%	20%	
	Cash	0%	0%	0%	
<b>CORE AGGRESSIVE GROWTH</b>	Equity	90%	80%	100%	
	Fixed Income	0%	0%	0%	
	Alternatives	0%	0%	0%	
	Cash	10%	0%	20%	

Client Initial:

## Characteristics of assets

Your portfolio will be invested in various different instruments such as equities, fixed income instruments and different types of investment funds (also called unit trusts). These are grouped into four asset classes, namely Equities, Fixed income, Cash and Alternatives.

An investment fund is a separate legal entity which pools investments received from individual investors. The investment pool is then collectively managed on behalf of the investors by a professional investment manager.

An investment fund enables investors to access a wider range of investments than may be feasible for an individual investor and enables the investors to share the costs of doing so.

Investment funds have a wide range of investment aims either targeting specific geographic regions (eg Europe), specific investment instruments (eg equities or bonds) or specific investment themes or sectors (eg technology or property).

Although the risk profiles of investment funds will vary from fund to fund depending on the fund's investment aims, one of the main advantages of investment funds is the diversification of risk provided by investing in a range of instruments (as opposed to investing in just one instrument).

The principle characteristics of these instruments and asset classes are noted below.

Client Initial:

# Characteristics of assets

## **EQUITIES**

Equity instruments include, but are not limited to, direct investments or investment funds invested in equities<sup>1</sup>, exchange traded funds<sup>2</sup> ("ETF's"), depository receipts, convertible securities, preferred shares, equity linked notes (debt securities linked to the performance of an equity), real estate equity investments warrants and bonds convertible into common or preferred shares

1) Equities are shares issued by corporations and represent a share in the ownership of the corporation. Equities may or may not be listed on a stock exchange, and the value of the equities is determined by the performance of the corporation itself, as well as the general market conditions.

2) ETF's are open-ended investment companies that can be traded on a stock exchange at anytime during the course of the day. ETF's typically attempt to replicate a stock market index, a market sector, group of shares or a commodity. The value is dependent on the value of the underlying assets that comprise the fund.

Equity investment funds carry the same risk as investing directly in the equity markets, and as such generally carry a higher risk than investing in fixed income funds.

## **FIXED INCOME INSTRUMENTS**

Fixed income includes, but is not limited to, direct investments or investment funds invested in convertible and non-convertible debt securities, preferred shares, fixed and floating rate bonds, bond funds, zero-coupon and discount bonds, debentures, certificates of deposit, bankers acceptances, bills of exchange, commercial paper, treasury bills and cash deposits.

Investing in fixed income instruments is generally less risky than investing in equities.

## **CASH**

Cash includes, but is not limited to, direct investments or investment funds invested in bank accounts, deposits, marketable securities, government debt securities, bankers acceptances, treasury bills, certificates of deposits and floating rate notes.

# Characteristics of assets

## **ALTERNATIVE INVESTMENTS**

Alternative investments include, but are not limited to, investment funds or investment fund of funds<sup>1</sup>, listed or unlisted, often also called hedge funds<sup>2</sup>, and may also include real estate/property funds.

1) A fund of fund is an investment fund that invests in other investment funds. The risk characteristics of a fund of fund will depend on the type of funds that the fund invests in, however, due to the wide range of diversification of investments that a fund of fund provides, the risk of investing in this type of fund is generally less than investing in just one investment fund.

2) A hedge fund is a collective term for investment funds which use a variety of (often complex) investment strategies and instruments, such as short selling, entering into future, swap, and other derivative contracts, and leverage. Hedge funds often seek to generate returns that are not closely correlated to those of the broader financial markets by hedging their investments against adverse moves in those markets.

As hedge funds tend to be unregulated and as they make use of complex investment strategies and instruments, they are considered to carry more risk than the other funds mentioned above.

South African regulations currently restrict the use of hedge funds within collective investment schemes.

# Optimal portfolio

Below the optimal portfolio combinations of the Select Manager Fund range for the various Risk Profiles:

CORE FIXED INCOME	<b>Excluding Offshore</b>	
	100%	Select Manager Money Market
	0%	Select Manager Cautious Managed
	0%	Select Manager Prudential Active
	0%	Select Manager Flexible Growth
	0%	Select Manager Defensive Equity
	<b>Including Offshore</b> <i>Profile does not allow for offshore exposure risk</i>	
	0%	Select Manager Money Market
	0%	Select Manager Cautious Managed
	0%	Select Manager Prudential Active

FIXED INCOME	<b>Excluding Offshore</b> <i>Combine with some of the approved list funds</i>	
	80%	Select Manager Money Market
	0%	Select Manager Cautious Managed
	0%	Select Manager Prudential Active
	0%	Select Manager Flexible Growth
	0%	Select Manager Defensive Equity
	<b>Including Offshore</b> <i>Profile does not allow for offshore exposure risk</i>	
	0%	Select Manager Money Market
	0%	Select Manager Cautious Managed
	0%	Select Manager Prudential Active

CAPITAL PRESERVATION	<b>Excluding Offshore</b>	
	30%	Select Manager Money Market
	70%	Select Manager Cautious Managed
	0%	Select Manager Prudential Active
	0%	Select Manager Flexible Growth
	0%	Select Manager Defensive Equity
	<b>Including Offshore</b>	
	45%	Select Manager Money Market
	40%	Select Manager Cautious Managed
	0%	Select Manager Prudential Active

Client Initial:

# Optimal portfolio

<b>BALANCED</b>	<b>Excluding Offshore</b>	
	0%	Select Manager Money Market
	40%	Select Manager Cautious Managed
	60%	Select Manager Prudential Active
	0%	Select Manager Flexible Growth
	0%	Select Manager Defensive Equity
	<b>Including Offshore</b>	
	0%	Select Manager Money Market
	40%	Select Manager Cautious Managed
	45%	Select Manager Prudential Active
0%	Select Manager Flexible Growth	
0%	Select Manager Defensive Equity	
15%	Select Manager Global Growth	

<b>CAPITAL GROWTH</b>	<b>Excluding Offshore</b>	
	0%	Select Manager Money Market
	0%	Select Manager Cautious Managed
	40%	Select Manager Prudential Active
	60%	Select Manager Flexible Growth
	0%	Select Manager Defensive Equity
	<b>Including Offshore</b>	
	0%	Select Manager Money Market
	0%	Select Manager Cautious Managed
	40%	Select Manager Prudential Active
45%	Select Manager Flexible Growth	
0%	Select Manager Defensive Equity	
15%	Select Manager Global Growth	

<b>AGGRESSIVE GROWTH AND CORE AGGRESSIVE GROWTH</b>	<b>Excluding Offshore</b>	
	0%	Select Manager Money Market
	0%	Select Manager Cautious Managed
	0%	Select Manager Prudential Active
	30%	Select Manager Flexible Growth
	70%	Select Manager Defensive Equity
	<b>Including Offshore</b>	
	0%	Select Manager Money Market
	0%	Select Manager Cautious Managed
	0%	Select Manager Prudential Active
15%	Select Manager Flexible Growth	
70%	Select Manager Defensive Equity	
15%	Select Manager Global Growth	

Client Initial:

## Disclaimer

This document has been prepared by Insinger de Beaufort Investments (S.A.) (PTY) Ltd. on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated are accurate and the opinions are fair and reasonable, neither Insinger de Beaufort Asset Management N.V. nor Insinger de Beaufort Investments (S.A.) (PTY) Ltd, nor any director or employee, shall in any way be responsible for any reliance placed on its contents.

This does not constitute an offer to buy or sell securities. Applications for investment will only be considered by completing the appropriate application forms. Insinger de Beaufort Investments (S.A.) (Pty) Ltd makes no recommendation as to the suitability or otherwise of this investment to meet any investor's requirements. Past performance is not necessarily a guide to future performance. The value of investments and the income from them can fall as well as rise and is not guaranteed. You may not get back the amount you invested.

This document was prepared for sole use by Exceed Asset Management.

# Signature

I / WE the undersigned hereby declare that I / WE are aware of all the assumptions and risk disclosures as mentioned in this risk profiler. I / WE also declare that all the information provided is accurate.

**CLIENT 1 or Authorised Signatory:**

NAME: \_\_\_\_\_

ID NO: \_\_\_\_\_

DATE: \_\_\_\_\_

SIGNED: \_\_\_\_\_

**CLIENT 2 or Authorised Signatory:**

NAME: \_\_\_\_\_

ID NO: \_\_\_\_\_

DATE: \_\_\_\_\_

SIGNED: \_\_\_\_\_

**FINANCIAL SERVICES PROVIDER Signatory:**

NAME: \_\_\_\_\_

ID NO: \_\_\_\_\_

DATE: \_\_\_\_\_

SIGNED: \_\_\_\_\_