



## Investment policy statement

Date: \_\_\_\_\_

Trust /Company name: \_\_\_\_\_

Reference currency: \_\_\_\_\_

### Assets

Cash: \_\_\_\_\_

Stocks / Equity funds: \_\_\_\_\_

Bonds/ Bond funds: \_\_\_\_\_

Alternative investments: \_\_\_\_\_

Property: \_\_\_\_\_

Other: \_\_\_\_\_

### Liabilities

Loans: \_\_\_\_\_

Mortgage: \_\_\_\_\_

Other: \_\_\_\_\_

### Contributions / Withdrawal (If any)

\_\_\_\_\_  
\_\_\_\_\_

### Investment preference

Please check any asset class or investment vehicle you are comfortable investing in.

- Stocks
- Investment funds
- Derivatives
- Commodities
- Bonds
- Hedge funds
- Private equity
- Other, please specify \_\_\_\_\_

### Investment objectives

Which of the following objectives are most suitable to you?

- Retirement provision
- Provision of income for current lifestyle
- Capital preservation (Net of inflation)
- Long-term capital growth

Please put down any additional comments relating to your investment objectives:

\_\_\_\_\_  
\_\_\_\_\_

What is your long-term return target given your risk appetite? (Refer to question 9 for guidance) \_\_\_\_\_ %

## Risk tolerance profile

Understanding your tolerance for investment risk relative to your return expectations is an important step in designing a suitable portfolio. The answers you select will indicate your level of comfort with investment risk and your ability to withstand it.

1. What is the length of time you are able to commit to investing these assets without liquidating a substantial portion? Historically, the longer one's time horizon, the more predictable the overall return becomes since short-term market fluctuations tend to smooth over time.

- a) 0 to 2 years
- b) 2 to 5 years
- c) 5 to 10 years
- d) More than 10 years
- e) No, it is not my intention to withdraw capital from the portfolio

2. Should you require withdrawals from the portfolio, over what period of time would you expect them to continue?

- a) 1-2 years
- b) 3-5 years
- c) 6-10 years
- d) More than 10 years
- e) Lump sum withdrawal
- f) Not applicable

3. In the next 5 years, your income requirement from the portfolio will probably:

- a) Increase significantly
- b) Increase modestly
- c) Stay about the same
- d) Decrease
- e) Do not require any income from the portfolio

4. What is your long-term (e.g. 10 year) target average return?

- a) 2 to 4%
- b) 4 to 6%
- c) 6 to 8%
- d) 8 to 10%
- e) 10 to 12%

5. In general, what type of investor are you?

- a) Very comfortable with risk – willing to take more risk over longer periods of time to maximize growth within the portfolio
- b) Comfortable with risk and have time to ride out the ups and downs in the markets to help grow the portfolio value over time
- c) Not comfortable with risk but realize that some is required to potentially increase the portfolio value over time
- d) Very uncomfortable with risk

6. Which of the following best describes your attitude to risk? A basic principal of investing: The higher the return you desire, the more risk you must assume.

- a) Select riskier investments that offer greater potential for higher returns
- b) Select a mix of investments – a small percentage of lower risk investments and a large percentage of investments with higher risk that may yield greater returns
- c) Select a balanced mix of investments – an equal amount of lower and higher risk
- d) Select a mix of investments with lower risk but that may yield greater returns than money market and saving accounts
- e) Select investments with no risk (e.g. money market products)

7. If your investment loses 10% after one month, and that is consistent with the overall market, you would sell portions of your riskier assets and put the money into safer assets.

- a) Strongly agree
- b) Agree
- c) Somewhat agree
- d) Disagree
- e) Strongly disagree

8. Investment portfolios may fluctuate in value over time, which of the hypothetical portfolios below would you feel most comfortable with?

	Initial investment	Year 1	Year 2	Year 3	Year 4	Year 5	Average annual return	Volatility
A.	1,000,000	1,035,000	1,070,000	1,105,000	1,140,000	1,175,000	3.3%	Very stable
B.	1,000,000	1,050,000	1,100,000	1,150,000	1,200,000	1,250,000	4.6%	Stable
C.	1,000,000	950,000	1,050,000	1,150,000	1,230,000	1,280,000	5.2%	Somewhat stable
D.	1,000,000	1,082,000	980,000	1,200,000	1,300,000	1,430,000	7.9%	Volatile
E.	1,000,000	1,200,000	920,000	1,310,000	1,800,000	1,700,000	14.2%	Very volatile

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

9. The following table shows the best and the worst-case scenario of investing \$1,000,000 over a three-year period. Which portfolio below do you feel more comfortable with?

Portfolio	Worst case value	Most likely value
A	\$1,050,000 (1.64% p.a)	\$1,150,000 (4.77% p.a.)
B	\$1,100,000 (3.23% p.a.)	\$1,200,000 (6.27% p.a.)
C	\$970,000 (-1.01% p.a.)	\$1,300,000 (9.14% p.a.)
D	\$870,000 (-4.53% p.a.)	\$1,350,000 (10.52%p.a.)
E	\$750,000 (-9.14% p.a.)	\$1,450,000 (13.19%p.a.)

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

10. Assume your portfolio had a very consistent positive return (average of 10% p.a.) in the past 10 years. If the portfolio suffers significant losses this year (-22%), you will want to sell off some of your riskier investments and transfer the proceeds to the more conservative investments.

- a) Strongly agree
- b) Agree
- c) Somewhat agree
- d) Disagree
- e) Strongly disagree

**Risk questionnaire scoring system**

The score system separates into two parts.

**Time horizon score**

Question 1 and 3 determines your time horizon.

<u>Question 1</u>	<u>Question 2</u>	<u>Question 3</u>
A. 0	A. 2	A. 0
B. 4	B. 5	B. 2
C. 7	C. 8	C. 5
D. 10	D. 10	D. 8
E. 12	E. 0	E. 10
	F. 15	

Total time horizon score: \_\_\_\_\_

**Risk aversion score**

Question 4 to 10 determine your risk tolerance level.

<u>Question 4</u>	<u>Question 5</u>	<u>Question 6</u>	<u>Question 7</u>	<u>Question 8</u>	<u>Question 9</u>	<u>Question 10</u>
A. 0	A. 15	A. 15	A. 0	A. 0	A. 0	A. 0
B. 4	B. 8	B. 10	B. 4	B. 4	B. 4	B. 4
C. 7	C. 4	C. 7	C. 7	C. 7	C. 7	C. 7
D. 10	D. 0	D. 4	D. 10	D. 10	D. 10	D. 10
E. 15		E. 0	E. 15	E. 15	E. 15	E. 15

Total risk aversion score: \_\_\_\_\_

**Risk profile**

The summary-scoring grid below facilitates the risk profile by combining the time horizon and risk aversion scores. To use the scoring grid, find the time horizon score on the top (horizontal) axis and the risk aversion score on the left (vertical) axis. The intersection of these two points is the suggested risk level. Please refer to the second table for the suggested risk profile.

		Time horizon				
Risk averse score		0 - 2	3- 4	5 - 7	8 - 10	>10
	0 - 10	1	1	2	2	2
	11 - 28	1	1	2	2	3
	29 - 49	1	1	3	3	3
	50 - 64	1	1	3	4	4
	65 - 79	1	1	3	4	5
	80 - 90	1	1	3	5	6

Risk level	1	2	3	4	5	6
<b>Suggested risk profile</b>	Cash	Fixed income or absolute return	Capital preservation	Balanced	Capital growth	Aggressive growth

The suggested risk profile is: \_\_\_\_\_

The agreed profile is: \_\_\_\_\_

**Benchmark**

It is important to continually monitor your portfolio(s). Selecting an appropriate benchmark is the first step as it is important to compare like with like. We are able to use a customized benchmark to measure your portfolio. Please discuss this with your representative at Equity Trust.

The agreed benchmark is:

Equity \_\_\_\_\_ %  
 Fixed income \_\_\_\_\_ %  
 Alternative investment \_\_\_\_\_ %  
 Cash \_\_\_\_\_ %

**Client signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_