Assessment of Risk

GRS

Introduction

The difference between speculation risk and investment risk is that speculation risk is gambling and investment risk is the degree of which an investment plan will not perform as predicted.

We never advise on speculation but do on investment planning and attempt to match the degree of tolerance between the expectation and actual performance.

Regular reviews of your investment strategy are more likely to narrow the difference between expected and actual performance.

Risk

The three main constituents of risk are:-

1. Inflation risk
2. Systemic risk
3. Non-systemic risk

1. Inflation erodes the value of assets such as cash, deposits and some fixed interest securities, including UK gilt-edged securities.

2. Systemic risk is associated with the economic cycle and is likely to affect all financial markets in general.

3. Non-systemic risk is associated with a specific business or asset class and is minimised through diversification.

Risk Assessment

In order to advise you on a suitable and appropriate investment strategy we must have a clear understanding of your attitude to risk.

GRS employs a 2 stage assessment of your risk profile including both your attitude and capacity for risk. Firstly we complete a risk questionnaire together and discuss various graphical representations of how investments can perform over certain periods then secondly agree on a brief but accurate definition on how best to describe your approach to risk.

You may have different risk profiles depending on the investment being discussed. One would normally have a lower risk for a short term investment than perhaps a longer term investment such as a pension fund. This assessment relates only to that which is being discussed currently.

Questionnaire

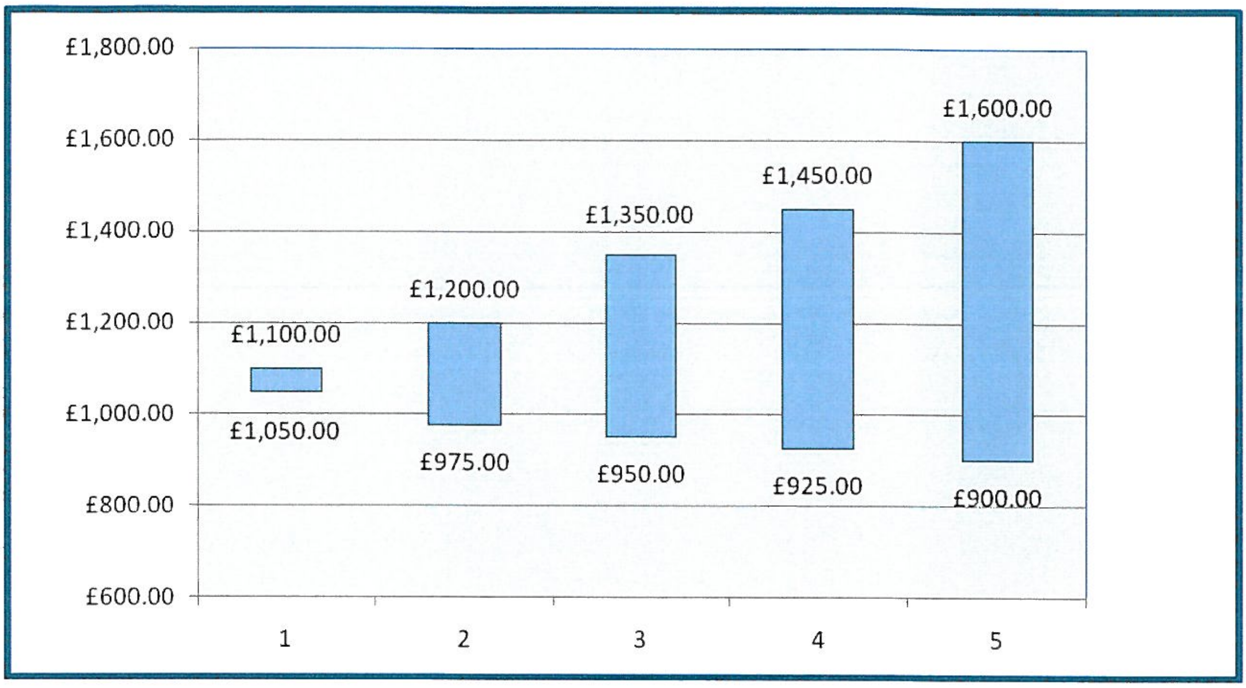
	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
My knowledge of financial terms is very limited	1	2	3	4	5
I am used to taking financial risk	5	4	3	2	1
I am interested in investing in foreign volatile countries	5	4	3	2	1
I am concerned about inflation and it's affect on my investments	5	4	3	2	1
I understand the difference between real and nominal returns	5	4	3	2	1
Short term falls in capital concern me more than long term growth	1	2	3	4	5

Total

Score between		Type	
6	7	Anxious investor	1
8	9	Apprehensive investor	2
10	12	Cautious investor	3
13	15	Cautious investor	4
16	18	Balanced investor	5
19	21	Balanced investor	6
22	24	Moderately aggressive investor	7
25	27	Moderately aggressive investor	8
28	29	Aggressive investor	9
	30	Very aggressive investor	10

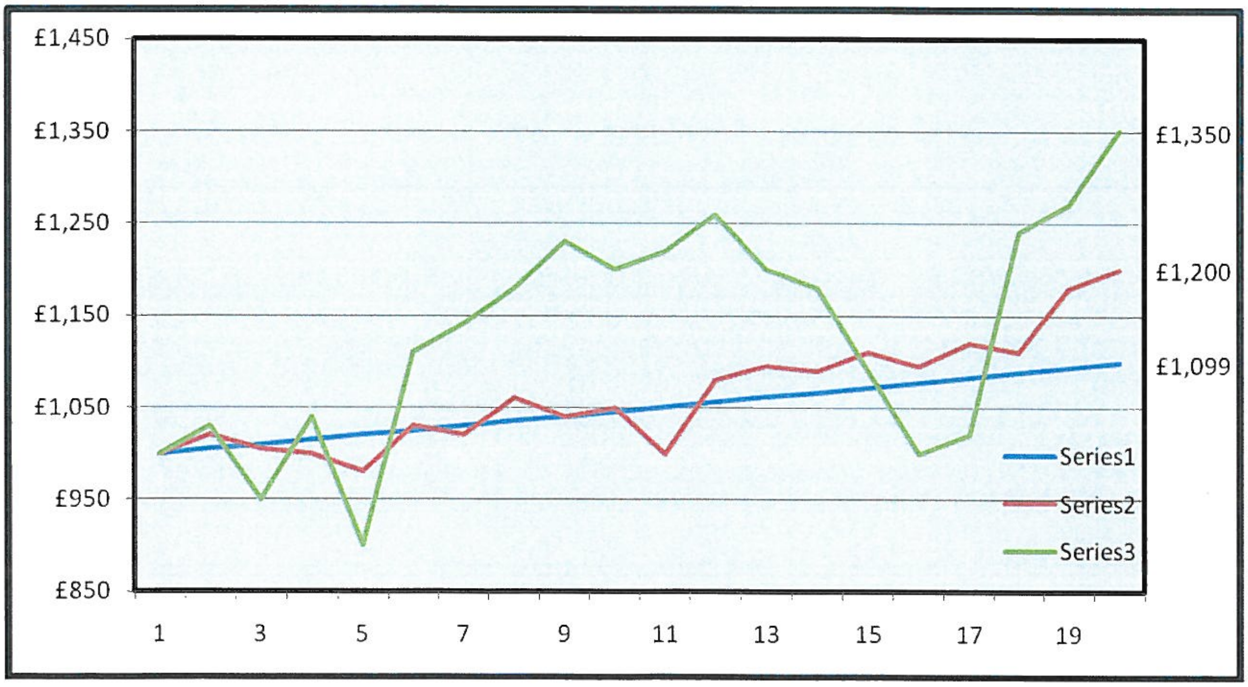
1. 5 Year Investment

Please circle the number which most represents your expectations.

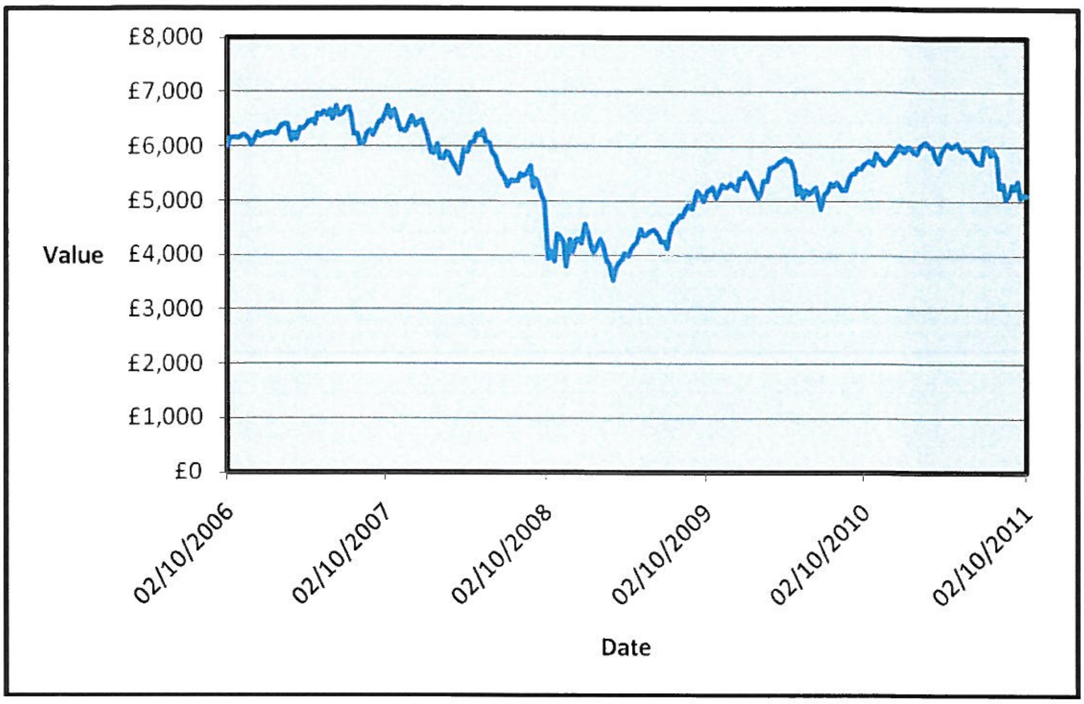


2. Risk Tolerance

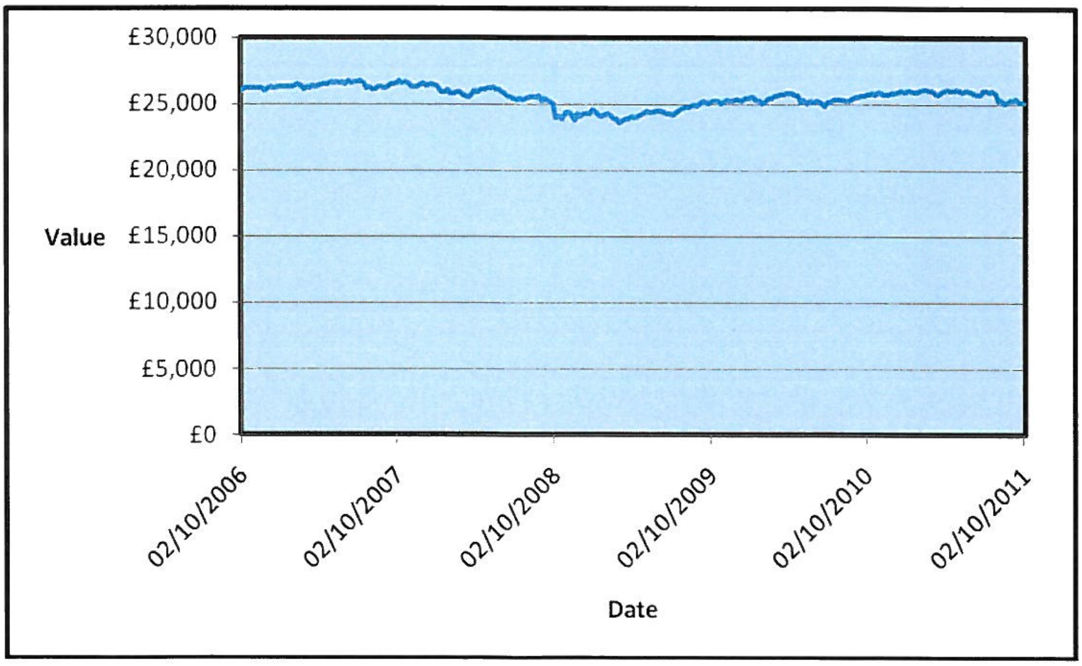
Please circle the series which most represents your acceptable changes in valuations.



3. Value of the FT100 price index



4. Value of 3 above plus £20,000



Please Sign .... Date ....

Selected risk level: 1 - Very Defensive Investor	
A Very Defensive Investor is looking for an investment where the capital will not fall in the short term. The return is likely to be the same as a high street deposit account and will not have exposure to any non-cash investments. Therefore the real value of the investment is at risk of being reduced by inflation over the long-term.	

Selected risk level: 2 - Defensive Investor	
A Defensive Investor is looking for an investment where returns are potentially higher than high street deposit accounts, and is therefore willing to accept a small amount of risk, but where the capital should not fall in the short term. The Defensive investor is aware that non-cash investments might fall in value as well as rise, and that the real value of cash investment is exposed to being reduced by inflation over the long-term.	

Selected risk level: 3 - Cautious Investor	
A Cautious Investor is looking for an investment where the return should be slightly better than a high street deposit account, accepting that the value of the investment could fall as well as rise. The Cautious Investor would feel uncomfortable however if the investments rose and fell in value very rapidly.	

Selected risk level: 4 - Cautious Investor	
A Cautious Investor is looking for an investment where the return should be slightly better than a high street deposit account, accepting that the value of the investment could fall as well as rise. The Cautious Investor would feel uncomfortable however if the investments rose and fell in value very rapidly.	

Selected risk level: 5 - Balanced Investor	
A Balanced Investor is seeking a higher return than is available from a high street deposit account and is willing to accept a certain amount of fluctuation in the value of the investments as a result. The Balanced Investor would feel uncomfortable however if the investments fell in value significantly in any one year.	

Selected risk level: 6 - Balanced Investor	
A Balanced Investor is seeking a higher return than is available from a high street deposit account and is willing to accept a certain amount of fluctuation in the value of the investments as a result. The Balanced Investor would feel uncomfortable however if the investments fell in value significantly in any one year.	

Selected risk level: 7 - Moderately Aggressive Investor
A Moderately Aggressive Investor is willing to accept a higher level of risk on their investments in return for higher returns in the long run. They are willing to accept fluctuation in the value of the investments as a result. They would feel comfortable if their investments fell in value in more than one quarter in any one year, and would see this as a time to ride out the storm rather than a time to purchase more.

Selected risk level: 8 - Moderately Aggressive Investor
A Moderately Aggressive Investor is willing to accept a higher level of risk on their investments in return for higher returns in the long run. They are willing to accept fluctuation in the value of the investments as a result. They would feel comfortable if their investments fell in value in more than one quarter in any one year, and would see this as a time to ride out the storm rather than a time to purchase more.

Selected risk level: 9 - Aggressive investor
An Aggressive Investor is willing to accept a much higher level of risk on their investments in return for higher returns in the long run. They are willing to accept what might be significant short term fluctuation in the value of their investments as a result. They would feel comfortable if their investments fell in value in more than one quarter in any one year, and might well see this as an ideal time to purchase further investments.

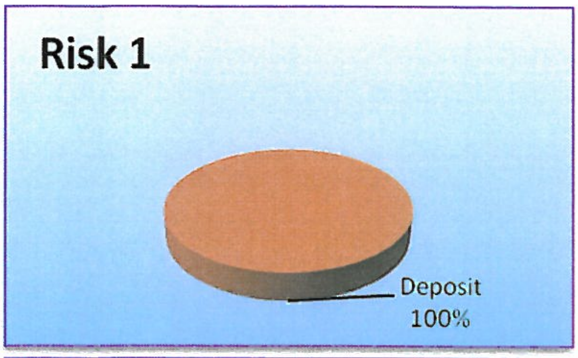
Selected risk level: 10 - Very Aggressive Investor
A Very Aggressive Investor is willing to accept a very high level of risk on their investments in return for potentially high returns in the long run. They are willing to accept what might be significant short term fluctuation in the value of their investments as a result, and will not seek to spread their risk through diversification across markets. They would feel comfortable if their investments fell in value in more than one quarter in any one year, and might well see this as an ideal time to purchase further investments.

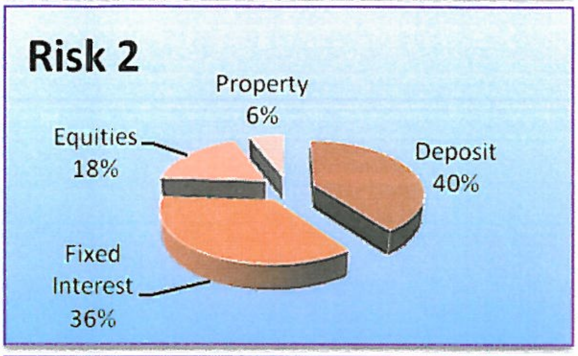
Asset Allocation

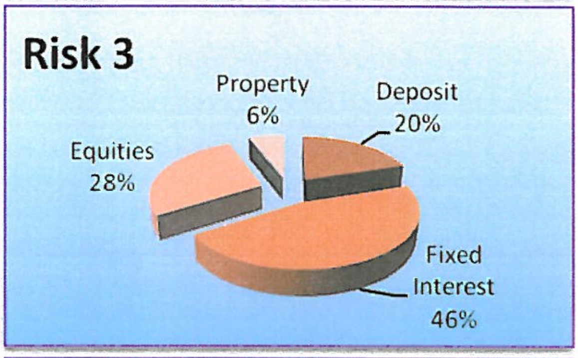
The following pie charts are typical examples of what type of percentage split of each major asset class should be expected in relation to the established risk level.

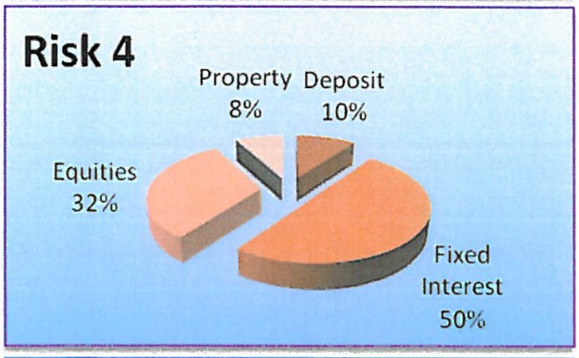
This is known as the target Strategic Assets Allocation. However variations to the percentage split are made to account for adjustments to the business (or investment) cycle and the prevailing economic backdrop. This is known as Tactical Asset Allocation.

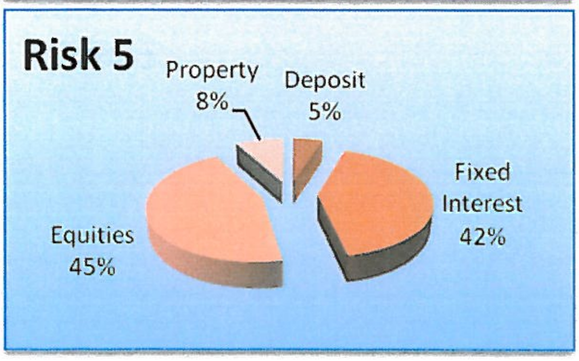
As such the portfolio will follow the general strategy but facilitates tactical decisions to account for any short term adjustments.

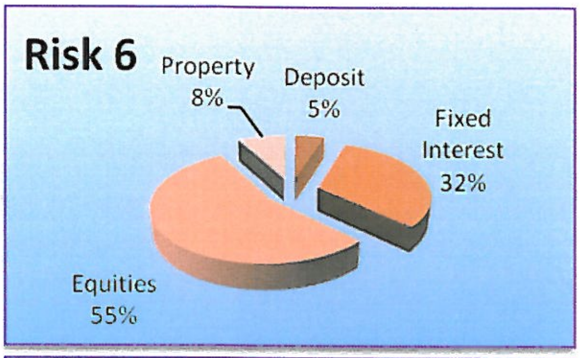

Risk 1
Deposit
100%

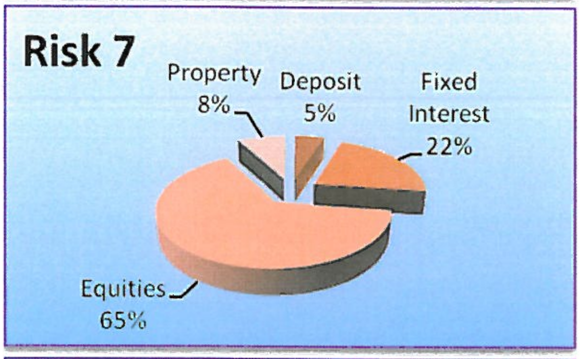

Risk 2
Property
6%
Equities
18%
Deposit
40%
Fixed
Interest
36%

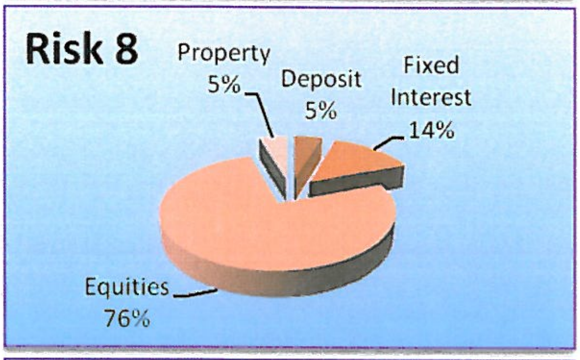

Risk 3
Property
6%
Deposit
20%
Equities
28%
Fixed
Interest
46%

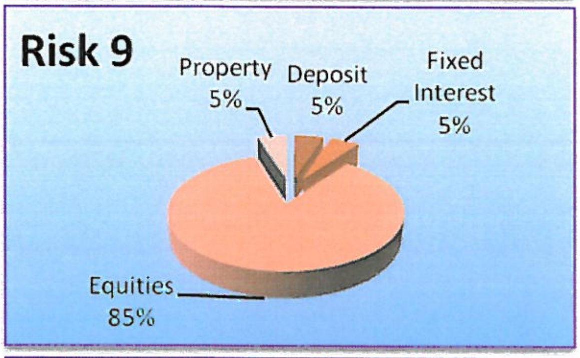

Risk 4
Property
8%
Deposit
10%
Equities
32%
Fixed
Interest
50%

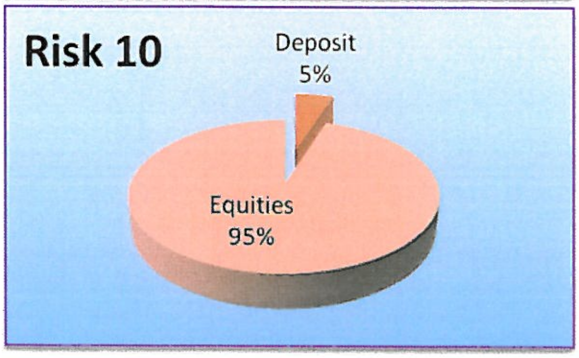

Risk 5
Property
8%
Deposit
5%
Fixed
Interest
42%
Equities
45%


Risk 6
Property
8%
Deposit
5%
Fixed
Interest
32%
Equities
55%


Risk 7
Property
8%
Deposit
5%
Fixed
Interest
22%
Equities
65%


Risk 8
Property
5%
Deposit
5%
Fixed
Interest
14%
Equities
76%


Risk 9
Property
5%
Deposit
5%
Fixed
Interest
5%
Equities
85%


Risk 10
Deposit
5%
Equities
95%