

# SP Wealth Management



## NEEDS AND RISK PROFILING QUESTIONNAIRE

### Note:

*This Risk profiling questionnaire is not product specific, i.e. it does not relate specifically to any product, but is to be used as a mechanism to profile the entire portfolio of the client.*

### Introduction

The key to achieving your overall investment objectives is appropriate asset allocation – the process of selecting investments from a variety of asset classes. This, in turn, provides a diversification strategy that can maximize returns within the context of an acceptable level of risk. Risk relates to your ability to tolerate volatile performance within the individual asset classes.

Understanding your investment profile enables us to construct investment portfolios and provide investment advice that is appropriate to your unique circumstances. Our challenge is to achieve the highest possible return on your investments within the constraints imposed by your level of risk tolerance.

South Africans, like their international counterparts, can no longer view their investment objectives solely within a domestic framework. The value of investing internationally, providing a hedge against an inherently weak currency such as the exchange controls has allowed individuals to invest a proportion of their assets abroad and, thus, it is imperative that you supply us with the necessary information to manage this part of your portfolio.

### Questionnaire

**Please complete the questionnaire by placing a tick in the most appropriate box.  
Openness and honesty is of great importance and all information provided will be regarded as strictly private and confidential.**

#### Regulatory environment:

- 1 This represents unencumbered capital I have available to invest
- And / or
2. These funds form part of regulated pension/provident plan (Preservation fund)

#### Income requirements:

1. I require regular withdrawals from my investment portfolio. If yes, how much gross annual income (i.e. before tax) do you require?
2. These funds form part of my retirement planning
3. These funds are completely discretionary

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## International requirements

- |  |                          |
|--|--------------------------|
| 1. I have made alternative arrangements for my international investments                                     | <input type="checkbox"/> |
| 3. I would invest as much of my portfolio offshore as possible   | <input type="checkbox"/> |
| 4. International investing should be governed by the same principles   | <input type="checkbox"/> |
| 5. I believe that international investing represents an opportunity to hedge against domestic uncertainties. | <input type="checkbox"/> |
| 6. All my investment requirements are catered for within the domestic markets                                | <input type="checkbox"/> |

## Risk profile:

### *Time Horizon*

- | 1. What is the time frame for you to achieve your financial goals? | <u>Domestic</u>          | <u>International</u>     |
|--|--------------------------|--------------------------|
| (a) 10 years and longer  | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) 5 – 10 years   | <input type="checkbox"/> | <input type="checkbox"/> |
| (c) 3 – 5 years  | <input type="checkbox"/> | <input type="checkbox"/> |
| (d) 0 – 5 years  | <input type="checkbox"/> | <input type="checkbox"/> |

### *Risk tolerance*

- | 2. How do you believe that you would react if your portfolio suddenly declined by 15%?                      | <u>Domestic</u>          | <u>International</u>     |
|---|--------------------------|--------------------------|
| (a) I would be very concerned because I cannot accept volatility, and fluctuations leave me feeling uneasy  | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) Whilst I invest for the long term, I feel uneasy about short term declines.                             | <input type="checkbox"/> | <input type="checkbox"/> |
| (c) Income is my priority, and as long as this unaffected I am unperturbed by the volatility of my capital. | <input type="checkbox"/> | <input type="checkbox"/> |
| (d) Market fluctuations are an inevitability in maximizing investment potential.                            | <input type="checkbox"/> | <input type="checkbox"/> |

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3 Which answer below describes your attitude to investment risk?

	<u>Domestic</u>	<u>International</u>
a) I would only select investments that have a low degree of investment risk associated with them i.e. it is unlikely I would lose money.	<input type="checkbox"/>	<input type="checkbox"/>
b) I favour a mix of investments that have greater weighting towards lower risk investments and a small exposure to those that have a higher degree of risk. I am aware that my investment returns will therefore, possibly, be lower	<input type="checkbox"/>	<input type="checkbox"/>
c) I prefer a balanced mix of investments i.e. some that have a low degree of risk and others that have a higher risk and return potential	<input type="checkbox"/>	<input type="checkbox"/>
d) I favour investments with a higher return potential and am prepared to accept a higher degree of risk to achieve this	<input type="checkbox"/>	<input type="checkbox"/>

4 Considering the table below, which range of possible investment outcomes would be most acceptable to you as an investor:

	<u>Best case</u>	<u>Worst case</u>	<u>Domestic</u>	<u>International</u>
A	22% p.a	-11% p.a	<input type="checkbox"/>	<input type="checkbox"/>
B	16% p.a	-6% p.a	<input type="checkbox"/>	<input type="checkbox"/>
C	12% p.a	0% p.a	<input type="checkbox"/>	<input type="checkbox"/>
D	8% p.a	4% p.a	<input type="checkbox"/>	<input type="checkbox"/>

5 I choose to insure my car as follows:

	<u>Domestic</u>	<u>International</u>
a) The lowest excess, so that the maximum amount loss will be covered even though this is the more expensive route	<input type="checkbox"/>	<input type="checkbox"/>
b) Reduce the premium by carrying a higher excess	<input type="checkbox"/>	<input type="checkbox"/>
c) A high excess in order to pay a low premium, even though certain losses may not be covered – I consider self-funding	<input type="checkbox"/>	<input type="checkbox"/>
d) Do not carry insurance	<input type="checkbox"/>	<input type="checkbox"/>

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6 How much of your net wealth is represented by these assets?

Domestic/International

- |   |                      |                      |
|---|----------------------|----------------------|
| (a) This represents a modest part of my discretionary wealth and I am using multiple invest avenues.  | <input type="text"/> | <input type="text"/> |
| (b) This represents the bulk of my discretionary wealth and my retirement is planned for. I have little debt.   | <input type="text"/> | <input type="text"/> |
| (c) This represents the part of my wealth needed to improve my retirement plan. I carry a moderate amount of debt (Which is adequately covered by ongoing earnings),                              | <input type="text"/> | <input type="text"/> |
| (d) I carry substantial debt (which is adequately covered by ongoing earnings), my retirement is underfunded, and this represents the bulk of my wealth needed to improve my retirement prospects | <input type="text"/> | <input type="text"/> |

7 Which statement best describes the attitude you would like investment manager to have?

Domestic International

- |  |                      |                      |
|--|----------------------|----------------------|
| (a) Superior returns will only be generated if my investment manager avoids following the crowd.   | <input type="text"/> | <input type="text"/> |
| (b) Whilst my investment manager searches for opportunities to improve performance, he avoids taking higher risks than the industry  | <input type="text"/> | <input type="text"/> |
| (c) My investment manager attempts to generate market-related returns utilizing assets with lower risk profiles (and therefore lower returns)  | <input type="text"/> | <input type="text"/> |
| (d) Limiting downside risk and, therefore, downside performance, is the key to generating solid, if unspectacular, returns. Beating inflation (i.e. generating real returns) year after year is more important than beating the competitors. | <input type="text"/> | <input type="text"/> |

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## Interpretation of Risk Profiling

1. The first three questions (Regulatory environment, Income requirements and International Requirements) are designed to assist the financial adviser in assessing how much of the client's monies are available to invest in the suite of products i.e. Structured Funds (or equivalent), Hedge funds, International funds, Guaranteed funds, preference shares etc.
2. The risk profiling is designed to identify which combination of the products above and which sub-category e.g. the High Growth or Balanced Portfolio is most suited to the client.
3. Scoring is as follows:

(i) Domestic scores

Question	A	B	C	D
1. Term of investment	12	9	6	3
2. Portfolio decline	2	4	6	8
3. Investment risk attitude	2	4	6	8
4. Range of returns (domestic)	8	4	6	2
5. Car insurance	1	2	3	4
6. Net wealth representation	12	9	6	3
7. Investment manager attitude	8	6	4	2

High growth mandate: 49 – 60  
Growth mandate: 37 – 48  
Balanced mandate: 26 – 36 (managed in accordance with prudential guidelines)  
Protector mandate: 15 – 25

(ii) International scores

Question	A	B	C	D
1. Term of investment	12	9	6	3
2. Portfolio decline	2	4	6	8
3. Investment risk attitude	2	4	6	8
4. Range of returns (international)	8	6	4	2
5. Net wealth representation	12	9	6	3
6. Investment manager attitude	8	6	4	2

Aggressive mandate: 46 – 56  
Balanced mandate: 35 – 45  
Conservative mandate: 24 – 34  
Prudential mandate: 14 – 23

NAME:  
DATE:  
SIGNATURE:

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