

ATRQ SYSTEM

Measuring investor risk tolerance in financial planning

The ATRQ System is used in the financial planning process to measure risk tolerance and is the core product suite of A2Risk Ltd, the investor behaviour company.

The ATRQ System provides a rigorous measurement of how much investment risk investors are willing and able to take. It's backed by rigorous research into investor risk profiles, validated in academic journals and designed by the leading researchers in this field, Alistair Byrne and David Blake.

Embedded in the major financial planning systems offered by Capita Financial Services, Defaqto, FNZ and Moody's Analytics and among others, ATRQ risk profiles are used to assist thousands of investor decisions every year to help meet FCA suitability standards.

**"ATRQ RISK PROFILES
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EVERY YEAR."**

ATRQ SYSTEM FEATURES

Robust

- ▶ Investor profiles validated through academic publication process
- ▶ Designed by the UK's leading Byrne & Blake retirement researchers
- ▶ Rigorously tested and updated every two years

Compliant

- ▶ Designed for the FCA's Suitability regime
- ▶ Numerical scoring generates audit trail
- ▶ Multi-dimensional approach to risk measurement
- ▶ Recognises investors are not 'one-size fits all' and offers multiple profile categories

Benchmark standard

- ▶ Widely used in UK financial planning industry
- ▶ Thousands of tests conducted every years
- ▶ Used by Moody's Analytics, Vanguard, Royal London, Wealth Wizards

Ergonomic

- ▶ Easy to conduct with 12, plain English statements and simple scoring
- ▶ Provides financial adviser 'alpha' by revealing client 'need' to take risk
- ▶ Easy to implement in robo-advice and financial planning software
- ▶ Offers specific tools to support 'pensions freedom' decisions

Easy to integrate

- ▶ Compatible with the common asset allocation and distribution systems, including Distribution Technologies, Moody's Analytics and Defaqto ratings
- ▶ Cost-effective to tailor to existing systems using standardised update and survey methodology

HOW THE ATRQ SYSTEM WORKS

The robustness and wide usage of the ATRQ System is due to the fact that it measures multiple dimensions of risk. The system also recognises that certain groups of investors, such as those decumulating assets or those who are wealthier than the general population have distinct risk profiles which must be measured separately.

Three dimensions of risk

A2Risk measures two elements of risk tolerance which are evaluated alongside need to take risk, which is the third element of risk in a financial plan.



1 Attitude to risk

- ▶ *'Investor innate psychological preference for risk'*
- ▶ ATRQ System Attitude to Risk Questionnaire

2 Capacity to take risk

- ▶ *'Investor ability to bear risk and cope with adverse outcomes'*
- ▶ ATRQ System Capacity for Loss Questionnaire

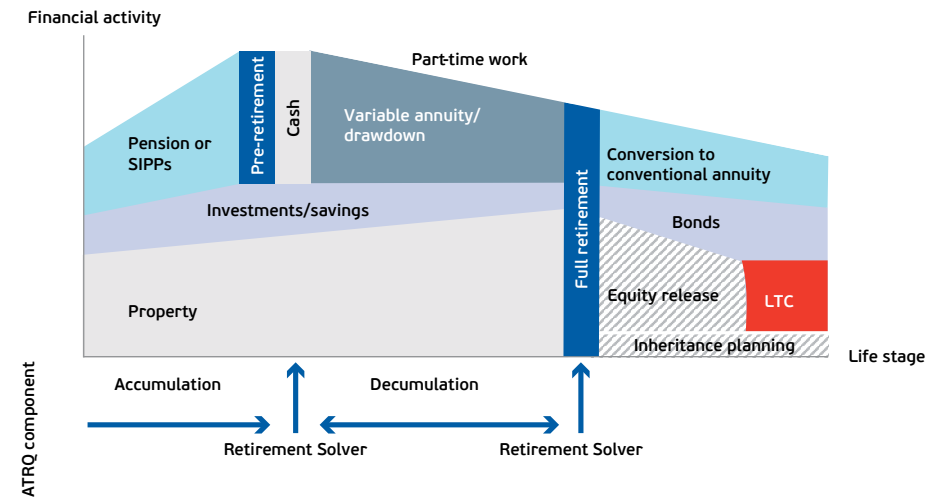
3 Need to take risk

- ▶ *'Investor investment goals and time horizon'*
- ▶ Financial planner discussion using ATRQ System results against investor goals

Differing risk profiles: Pensions freedom

Investor circumstances and risk profile may change as investors move from a period of saving and accumulating assets to drawing down and decumulation.

Uniquely among risk profilers, the ATRQ System recognises that decumulation is a different context for investors and requires its own tools. .



Source: McKinsey, A2Risk

Accumulation investor

- ▶ Investor is accumulating assets
- ▶ ATRQ System Accumulation Version

Decumulation investor

- ▶ Investor is making investment decision while decumulating assets
- ▶ ATRQ System Decumulation Version

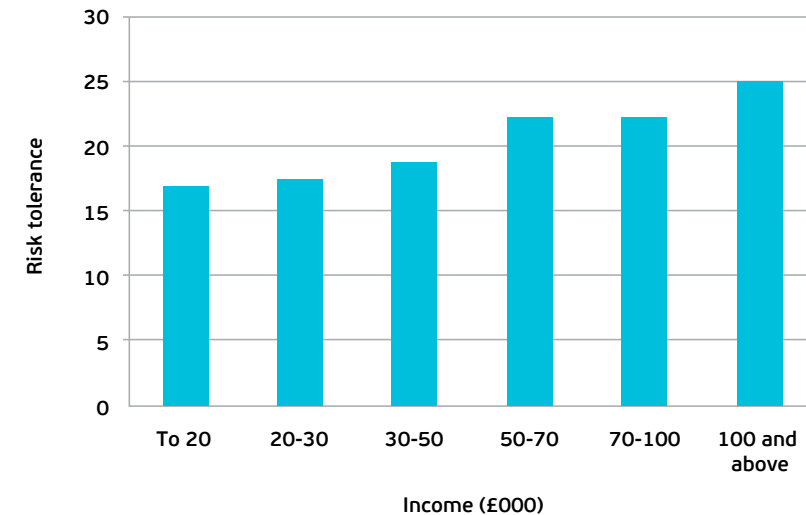
Annuity choice investor

- ▶ 'Determine investor preference on retirement for drawdown or income'
- ▶ ATRQ System Retirement Solver

Differing risk profiles: Wealthier investors

Wealthier investors tend to have more tolerance for risk than the average population of UK investors.

The ATRQ System High Income version takes this into account by offering a separate scoring system for wealthier investors based on research into the preference of these investors in the UK.



Source: A2Risk

WHO IS THE ATRQ SYSTEM FOR?

A2Risk develops the ATRQ System as a series of standalone questionnaires suitable for delivery as paper based questionnaires or full integration into financial planning software systems, pensions administration, robo-advice solutions and D2C digital distribution.

Our clients include asset managers, pension providers, software development companies, enterprise risk consultancies and robo-advice firms. Intrinsic Investment Management, Octopus Investments, Royal London, Vanguard Investment Management and Wealth Wizards all use ATRQ in their D2C or intermediary channels.

Integration into leading financial planning systems in the UK such as Capital Financial Services, FNZ, and Moody's Analytics mean the ATRQ System is used to help thousands of investors make financial plans in the UK every year by dozens of wealth management and financial advisory firms.

**"OUR CLIENTS INCLUDE
ASSET MANAGERS, PENSION
PROVIDERS, SOFTWARE
DEVELOPMENT COMPANIES,
ENTERPRISE RISK
CONSULTANCIES AND
ROBO-ADVICE FIRMS."**

ATRQ SYSTEM: OUTSIDE THE UK

"ICH FÜHLE MICH SICHER BEI ANLAGEN AUF DEM AKTIENMARKT."

A2Risk develops other language versions of the ATRQ System, tailored to meet the unique investor population profile of those markets. The company also develops alternative English versions to reflect the differing investor population profiles in other Anglophone markets.

ATRQ SYSTEM OVERVIEW

Attitude to Risk Questionnaire	▶ Measures the clients innate psychological preference for risk (12 questions)
Accumulation version	▶ Used when the client is accumulating assets
Decumulation version	▶ Used when the client is decumulating assets
High income version	▶ Used for wealthier investors. Modifies scoring system
Capacity for Loss Questionnaire	▶ Measures the financial capacity of clients to invest and to accept financial losses (5 questions)
Retirement Income Solver	▶ Determines investor preference for annuity or flexible draw down when making 'pension pot' decision (7 questions)

About A2Risk Ltd

A2Risk began life in 2006 as the original ATRQ System Attitude to Risk Questionnaire developed by Dr Alistair Byrne and Professor David Blake.

Today, the company provides risk profiling and personality tools for a wide range of financial services and technology firms. The company's market leading attitude to risk profiler is used in major UK retirement planning platforms as part of the Moody's Analytics Barrie & Hibbert brand.

Based on the original Byrne & Blake questionnaire and regularly updated and enhanced, A2Risk products help investors choose appropriate investment strategies based on personal risk tolerances.

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Dr Alistair Byrne, CFA

A2Risk's founding director, Alistair has a background in investment management, consulting and academia (universities of Edinburgh and Strathclyde).



Professor David Blake

A2Risk's Scientific Adviser is Professor of Pension Economics at Cass Business School, City University London, and Director of the Pensions Institute.



Alistair Haig, CFA

A Director of A2Risk, a specialist in investment risk and a research fellow at the University of Edinburgh Business School.

