

# Synaptic Risk Rating Service



Fact  
Sheet



Pru

part of M&G plc

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## Using the Risk Rating Service

It is the responsibility of the adviser to ensure that the level of risk that their client is exposed to is appropriate for their circumstances. The online Synaptic Attitude to Risk Questionnaire can assist in performing and saving a client risk appraisal, and the Risk analysis provided in these Fact Sheets can assist in identifying a suitable investment:

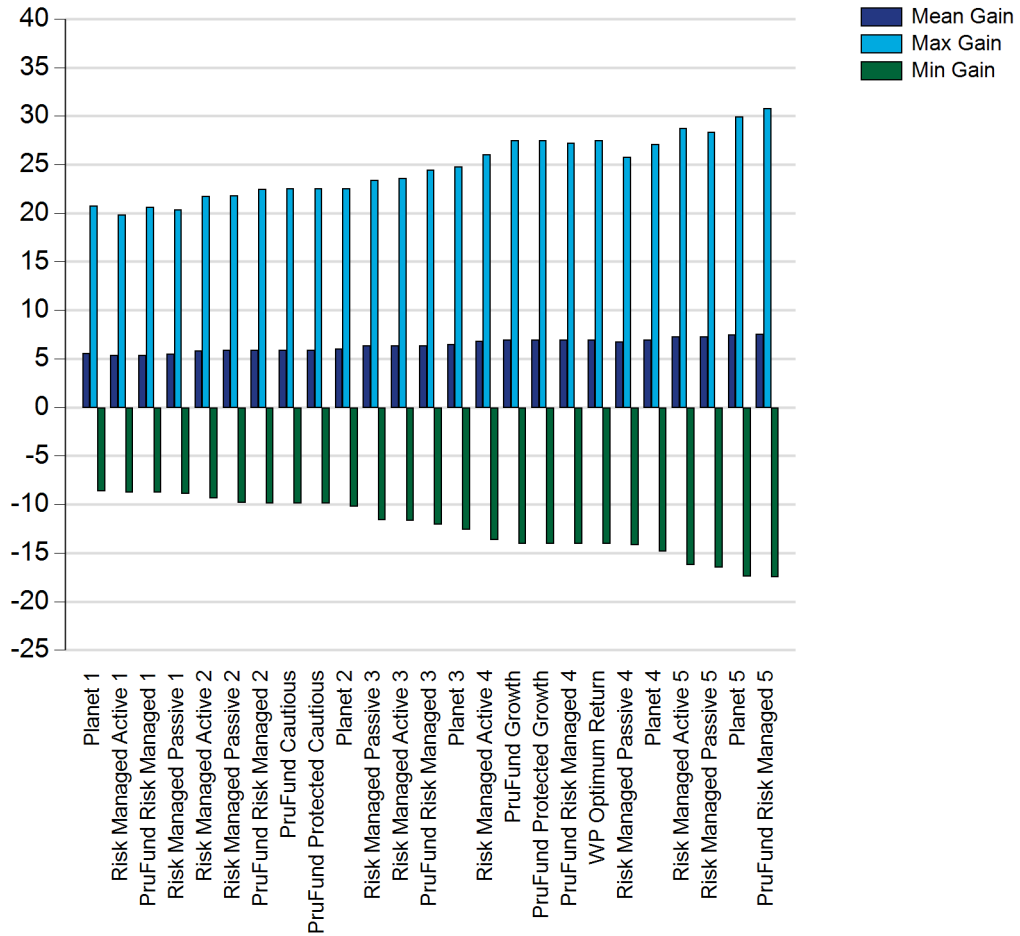
- Establish with the client how much they can afford to lose (tolerance for loss)
- Establish with the client how much they are prepared to lose in relation to the investment objective under consideration
- Use the Synaptic Risk Rating Service, or Synaptic Modeller tool to establish the 'minimum gain', or 'Capacity for Loss' quotient
- Compare the numbers to see if there is alignment. Due to the subjective nature of risk, there is a reliance on the skill and experience of the adviser to ensure that 'informed consent' has been achieved, on the basis that the client understands and agrees to the risk proposition.

## The Capacity for Loss Quotient

The Synaptic Risk Rating Service is derived from the risk framework provided by Moody's Analytic's Stochastic engine. It has been created to provide advisers with more robust, quantitative measures for risk than is generally available, and provide the opportunity for them to move away from Volatility based ratings. Projections are asset allocation of the underlying investments. The multiple scenarios modelled by the stochastic engine aim to capture the likelihood of a range of investment outcomes:

- The Minimum gain figure represents the possible loss to be sustained 5% (or 1 in 20 year event), in any one year. I.E. 'dear client, you have a 1 in 20 chance of losing 20% of your portfolio in any one year, in search of the higher returns you seek'.
- The Maximum gain figure represents the 5% of best possible outcomes returned by the model, and the Mean is the average annual growth calculated by the model.

Graph showing spread of risk using Minimum, Mean and Maximum gain figures derived from the Moody's Analytic's stochastic outputs, as applied to the Strategic asset allocation

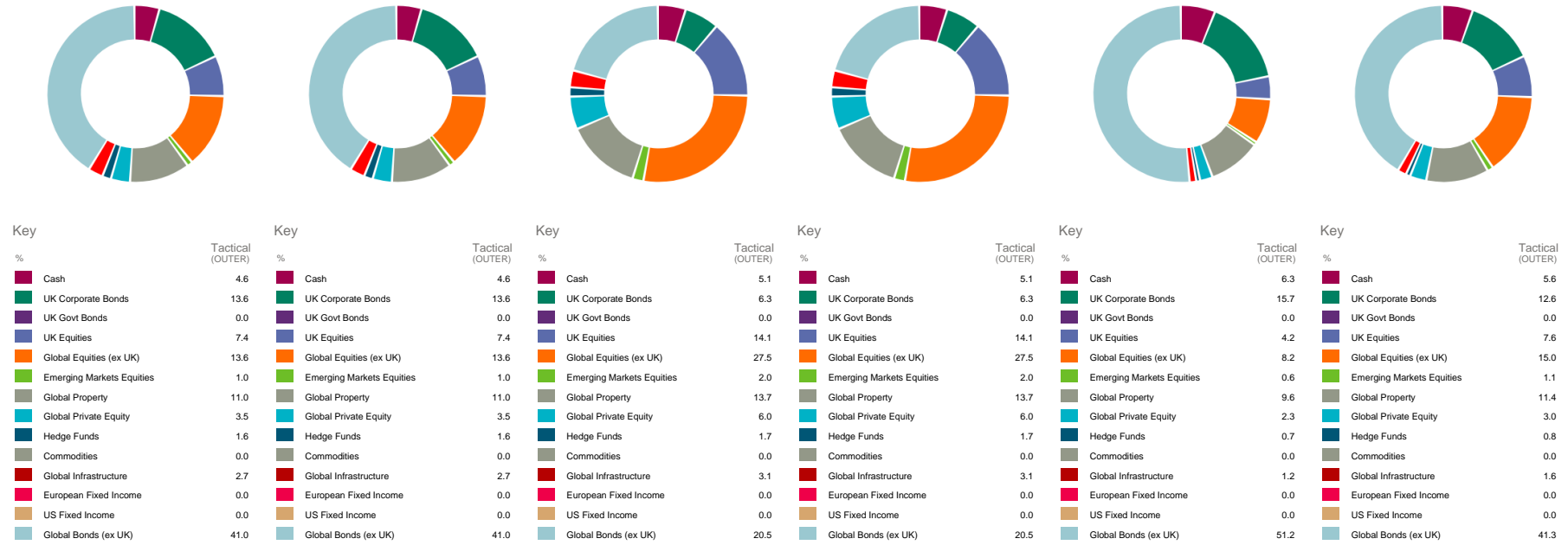




Tactical Asset Allocation

Product	Synaptic Risk Rating	Target	Max gain	Ave gain	Min gain
PruFund Cautious	4	Moderately Cautious (High End)	22.57%	5.90%	-9.87%
PruFund Protected Cautious	4	Moderately Cautious (High End)	22.57%	5.90%	-9.87%
PruFund Growth	5	Balanced (Low End)	27.50%	6.99%	-13.99%
PruFund Protected Growth	5	Balanced (Low End)	27.50%	6.99%	-13.99%
PruFund Risk Managed 1	3	Moderately Cautious (Low End)	20.62%	5.38%	-8.73%
PruFund Risk Managed 2	4	Moderately Cautious (High End)	22.52%	5.89%	-9.83%

Asset Allocation breakdown





Tactical Asset Allocation

Portfolio	Synaptic Risk Rating	Max gain	Ave gain	Min gain
Balanced (Low End)	5 (1-10)	24.48%	6.41%	-12.04%
Balanced (Low End)	5 (1-10)	27.24%	6.96%	-13.99%
Moderately Adventurous (Low End)	7 (1-10)	30.81%	7.59%	-17.42%
Balanced (Low End)	5 (1-10)	27.50%	6.99%	-13.99%
Moderately Cautious (Low End)	3 (1-10)	20.80%	5.61%	-8.62%
Moderately Cautious (High End)	4 (1-10)	22.58%	6.06%	-10.20%

Asset Allocation breakdown



Key	Tactical (OUTER)	Key	Tactical (OUTER)	Key	Tactical (OUTER)	Key	Tactical (OUTER)	Key	Tactical (OUTER)	Key	Tactical (OUTER)
Cash	5.1	Cash	4.8	Cash	4.3	Cash	5.1	Cash	5.6	Cash	4.7
UK Corporate Bonds	9.5	UK Corporate Bonds	6.2	UK Corporate Bonds	2.6	UK Corporate Bonds	6.3	UK Corporate Bonds	19.0	UK Corporate Bonds	15.1
UK Govt Bonds	0.0	UK Govt Bonds	0.0	UK Govt Bonds	0.0	UK Govt Bonds	0.0	UK Govt Bonds	0.0	UK Govt Bonds	0.0
UK Equities	11.0	UK Equities	14.7	UK Equities	18.9	UK Equities	14.1	UK Equities	3.9	UK Equities	6.9
Global Equities (ex UK)	22.0	Global Equities (ex UK)	29.4	Global Equities (ex UK)	37.9	Global Equities (ex UK)	27.5	Global Equities (ex UK)	7.8	Global Equities (ex UK)	13.7
Emerging Markets Equities	1.6	Emerging Markets Equities	2.1	Emerging Markets Equities	2.7	Emerging Markets Equities	2.0	Emerging Markets Equities	1.2	Emerging Markets Equities	2.2
Global Property	13.1	Global Property	14.0	Global Property	15.1	Global Property	13.7	Global Property	8.2	Global Property	10.6
Global Private Equity	3.7	Global Private Equity	4.5	Global Private Equity	5.5	Global Private Equity	6.0	Global Private Equity	2.9	Global Private Equity	3.1
Hedge Funds	1.0	Hedge Funds	1.3	Hedge Funds	1.6	Hedge Funds	1.7	Hedge Funds	0.0	Hedge Funds	0.0
Commodities	0.0	Commodities	0.0	Commodities	0.0	Commodities	0.0	Commodities	0.0	Commodities	0.0
Global Infrastructure	1.9	Global Infrastructure	2.4	Global Infrastructure	2.9	Global Infrastructure	3.1	Global Infrastructure	6.9	Global Infrastructure	7.4
European Fixed Income	0.0	European Fixed Income	0.0	European Fixed Income	0.0	European Fixed Income	0.0	European Fixed Income	0.0	European Fixed Income	0.0
US Fixed Income	0.0	US Fixed Income	0.0	US Fixed Income	0.0	US Fixed Income	0.0	US Fixed Income	0.0	US Fixed Income	0.0
Global Bonds (ex UK)	31.1	Global Bonds (ex UK)	20.6	Global Bonds (ex UK)	8.5	Global Bonds (ex UK)	20.5	Global Bonds (ex UK)	44.5	Global Bonds (ex UK)	36.3



Tactical Asset Allocation

Planet 3	Planet 4	Planet 5	Risk Managed Active 1	Risk Managed Active 2	Risk Managed Active 3
<b>Synaptic Risk Rating 5</b> 1-10	<b>Synaptic Risk Rating 6</b> 1-10	<b>Synaptic Risk Rating 7</b> 1-10	<b>Synaptic Risk Rating 3</b> 1-10	<b>Synaptic Risk Rating 4</b> 1-10	<b>Synaptic Risk Rating 5</b> 1-10
Balanced (Low End)	Balanced (High End)	Moderately Adventurous (Low End)	Moderately Cautious (Low End)	Moderately Cautious (High End)	Balanced (Low End)
Max gain: 24.79%	Max gain: 27.12%	Max gain: 29.98%	Max gain: 19.88%	Max gain: 21.76%	Max gain: 23.61%
Ave gain: 6.53%	Ave gain: 6.98%	Ave gain: 7.48%	Ave gain: 5.36%	Ave gain: 5.85%	Ave gain: 6.36%
Min gain: -12.54%	Min gain: -14.78%	Min gain: -17.38%	Min gain: -8.72%	Min gain: -9.33%	Min gain: -11.64%

Asset Allocation breakdown



Planet 3	Planet 4	Planet 5	Risk Managed Active 1	Risk Managed Active 2	Risk Managed Active 3
<b>Key</b>	<b>Key</b>	<b>Key</b>	<b>Key</b>	<b>Key</b>	<b>Key</b>
%	Tactical (OUTER)	%	Tactical (OUTER)	%	Tactical (OUTER)
Cash	4.3	Cash	4.0	Cash	4.2
UK Corporate Bonds	11.3	UK Corporate Bonds	6.9	UK Corporate Bonds	25.7
UK Govt Bonds	0.0	UK Govt Bonds	0.0	UK Govt Bonds	3.0
UK Equities	10.0	UK Equities	13.1	UK Equities	7.3
Global Equities (ex UK)	20.5	Global Equities (ex UK)	26.0	Global Equities (ex UK)	17.1
Emerging Markets Equities	3.2	Emerging Markets Equities	4.2	Emerging Markets Equities	0.8
Global Property	12.4	Global Property	15.7	Global Property	4.7
Global Private Equity	3.3	Global Private Equity	3.7	Global Private Equity	0.3
Hedge Funds	0.0	Hedge Funds	0.0	Hedge Funds	0.3
Commodities	0.0	Commodities	0.0	Commodities	0.0
Global Infrastructure	7.5	Global Infrastructure	8.2	Global Infrastructure	2.1
European Fixed Income	0.0	European Fixed Income	0.0	European Fixed Income	0.0
US Fixed Income	0.0	US Fixed Income	0.0	US Fixed Income	0.0
Global Bonds (ex UK)	27.5	Global Bonds (ex UK)	18.2	Global Bonds (ex UK)	33.2



Tactical Asset Allocation

Strategy	Risk Rating	Max gain	Ave gain	Min gain
Balanced (Low End)	5	26.04%	6.83%	-13.61%
Balanced (High End)	6	28.78%	7.29%	-16.21%
Moderately Cautious (Low End)	3	20.35%	5.52%	-8.86%
Moderately Cautious (High End)	4	21.83%	5.94%	-9.80%
Balanced (Low End)	5	23.40%	6.39%	-11.56%
Balanced (High End)	6	25.81%	6.81%	-14.18%

Asset Allocation breakdown



Asset Class	Strategy 1	Strategy 2	Strategy 3	Strategy 4	Strategy 5	Strategy 6
Cash	1.1	2.6	1.5	1.0	1.0	2.0
UK Corporate Bonds	9.4	33.6	28.9	23.5	14.7	17.8
UK Govt Bonds	1.4	3.6	3.2	2.6	2.0	2.1
UK Equities	18.3	5.5	8.7	12.2	14.7	15.8
Global Equities (ex UK)	39.2	12.8	19.2	26.1	32.1	32.7
Emerging Markets Equities	2.6	1.4	2.1	2.8	2.2	3.5
Global Property	9.8	1.6	2.3	3.0	8.4	3.3
Global Private Equity	0.7	0.0	0.0	0.0	0.7	0.0
Hedge Funds	0.6	0.0	0.0	0.0	0.6	0.0
Commodities	0.0	0.0	0.0	0.0	0.0	0.0
Global Infrastructure	3.9	1.2	1.7	2.2	3.3	2.7
European Fixed Income	0.0	0.0	0.0	0.0	0.0	0.0
US Fixed Income	0.0	0.0	0.0	0.0	0.0	0.0
Global Bonds (ex UK)	13.1	37.8	32.5	26.7	20.4	20.2

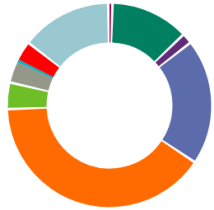
**Tactical Asset Allocation**



Balanced (High End)

Max gain	28.34%
Ave gain	7.30%
Min gain	-16.45%

**Asset Allocation breakdown**



Key

%	Tactical (OUTER)
Cash	0.7
UK Corporate Bonds	12.4
UK Govt Bonds	1.7
UK Equities	19.9
Global Equities (ex UK)	40.1
Emerging Markets Equities	4.2
Global Property	3.6
Global Private Equity	0.0
Hedge Funds	0.0
Commodities	0.0
Global Infrastructure	3.2
European Fixed Income	0.0
US Fixed Income	0.0
Global Bonds (ex UK)	14.3