The Wadsworth Group
Your Financial Independence & Exit Planning Specialist
704.895.3535/866.748.1226
ed@wadsworthgroup.net

Suitability Profile

Investment Policy & Objective-Setting Questionnaire

Choosing The Right Investment Objective

Empirical evidence shows that over 90% of the variation in returns experienced by a portfolio is a function of the portfolio's asset allocation.* In other words, choosing the right objective means establishing the percentage of investable assets to be allocated to equities, fixed income and cash. Within these broad asset classes, further diversification is required to optimize the risk/return relationship. Equity allocations may include large-cap domestic, mid- and small-cap domestic and foreign stocks. Fixed income allocations may include taxable and tax-free bonds.

*Source: Brinson, Singer, and Beebower (1991) – Financial Analysts Journal, May/June 1991.

Asset Class Returns & Risk

The following table provides useful perspective on asset class return and risk (volatility):

Asset Class	Annual Return	Annualized Risk	Annual Downside Exposure
Large-Cap Domestic Equities	7 to 9%	15 to 17%	-37%
Mid/Small-Cap Domestic Equities	8 to 10%	20%	-40%
International Equities	8 to 10%	22%	-46%
Dividend and Income Equities	8%	15%	-30%
Intermediate Corp. Bonds	6%	8%	-5%
U.S. Treasury Bills	4%	0%	0%

Asset class returns and risk are derived from market performance as measured by Ibbotson Associates Inc., MSCI EAFE Index, and Barclay's Capital Fixed Income Research. Annualized risk is defined as an annual standard deviation of return or a degree of uncertainty of annual return estimated over a long-term period. Downside Exposure represents the longest continuous decline in an asset class extending one or more years. Large-Cap and Mid/Small-Cap reflect the characteristics of growth and value styles.

Worst Downside Periods (1975-2008)	
Large-Cap Equities	2008
Mid/Small-Cap Equities	2008
International Equities	2008
Intermediate Corp Bonds	1994
U.S. Treasury Bills	2003

For illustrative purposes only. Past performance is not indicative of future performance.

Section 1 – Facts About Your Investment Portfolio

1. What is the initial size of your portfolio? _____

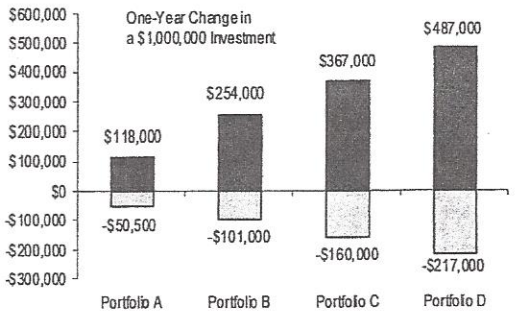
2. Describe the annual contributions and withdrawals you anticipate making to/from this portfolio in the following time periods.

Expected Annual Contributions			Expected Annual Withdrawals		
First Year	$ _____	per year	First Year	$ _____	per year
Second - Fifth Years	$ _____	per year	Second - Fifth Years	$ _____	per year
Sixth - Tenth Years	$ _____	per year	Sixth - Tenth Years	$ _____	per year

Check here if no contributions or withdrawals are anticipated ☐

Section 2 – Risk Profile (Please choose one response for each question)

1. This graph shows the range of potential gains or losses of a $1,000,000 investment in four hypothetical portfolios at the end of a 1-year period. The number above each bar shows the best potential gain for that portfolio, while the number below each bar shows the worst potential loss. Given that this is the only information that you have on these four hypothetical portfolios, in which one would you choose to invest?

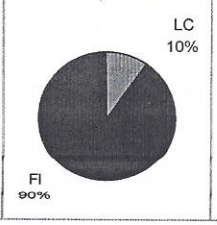
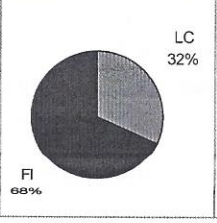
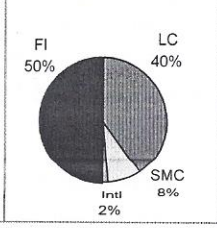
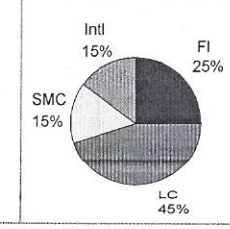
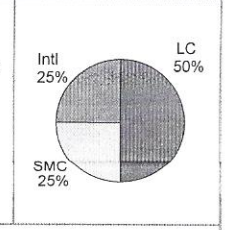


Response: ☐ (1) Portfolio A ☐ (2) Portfolio B ☐ (3) Portfolio C ☐ (4) Portfolio D

2. Each asset class (large company domestic stocks, small company domestic stocks, international stocks, fixed income) has a different potential price fluctuation. To be adequately diversified, your portfolio requires several asset classes. If in any given year, one of your asset classes were to decline by 40% (in line with the asset class benchmark), while the other asset classes increased, you would:

Response:
☐ (1) Sell the asset class that declined 40%.
☐ (2) Add more to the asset class that declined 40%.
☐ (3) Do nothing as it relates to the asset class that declined 40%.

7. Please select the investment objective you believe best represents your comfort level, based solely on historical downside exposure. (Values are based on historical asset class index returns from 1975 through 2008).

Objective	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive
Sample Asset Allocation					
Historical Cumulative Return – Worst downside over holding period					
1 Year	-4.26%	-11.53%	-19.76%	-33.31%	-45.46%
3 Years	7.50%	0.2%	-11.03%	-25.68%	-39.43%
5 Years	15.37%	7.62%	-0.50%	-10.80%	-22.10%
10 Years	61.50%	38.89%	26.89%	10.57%	-4.89%

Response:
- ☐ (1) Conservative
- ☐ (2) Moderately Conservative
- ☐ (3) Moderate
- ☐ (4) Moderately Aggressive
- ☐ (5) Aggressive

8. How willing are you to expect and accept a negative return in your account 1 out of 4 years?

Response:
- ☐ (1) Avoid at all cost.
- ☐ (2) Permissible, but only for a portion of my portfolio.
- ☐ (3) I have an understanding that it is necessary to experience the negative periods, and stay invested during them, in order to have my long-term returns achieved. I definitely would not change my investment strategy.

9. Are you willing to expect and accept wide fluctuations in specific asset classes of your portfolio, for example in mid and small-cap or international equities, which historically have been more volatile than large-cap equities and bonds?

Response:
- ☐ (1) Avoid at all cost.
- ☐ (2) Permissible for some asset classes in my portfolio.
- ☐ (3) Acceptable across all asset classes in my portfolio.

10. How willing are you to accept a high degree of fluctuation in your portfolio value over a market cycle (usually 3 to 5 years)?

Response:
- ☐ (1) Avoid at all cost.
- ☐ (2) I would prefer a moderate degree of fluctuation instead.
- ☐ (3) Acceptable in order to achieve my expected returns.

15. Which of the following risk profiles best describes the investment objective you would like for your portfolio?

Response:

☐ **Conservative**
Designed for the investor with a low risk tolerance and/or a short time horizon. Through fixed income and cash equivalent instruments, this investor seeks stability and liquidity. The main objective is to preserve capital while providing income. Fluctuations in the value of these portfolios are generally minor relative to equity investments.

☐ **Moderately Conservative**
Designed for the investor who seeks a modest capital appreciation through equities and income through a larger allocation to bonds. This investor will have short-to-intermediate time horizon and a slightly higher risk tolerance than the conservative investor. While designed to preserve the investor's capital, fluctuations in value may occur from year-to-year.

☐ **Moderate**
Designed for the investor who seeks a balance of growth and income through a more equal allocation between equities and fixed income. This investor will have a higher tolerance for risk and a longer time horizon than either of the previous investors. The main objective of this portfolio is to provide steady growth while limiting fluctuation to less than the overall stock market.

☐ **Moderately Aggressive**
Designed for the investor with a high tolerance for risk and a longer time horizon. This investor has little need for current income and seeks above-average growth predominantly from equity investments. The main objective of this portfolio is capital appreciation, and the investor should be able to tolerate equity market fluctuations in his/her portfolio.

☐ **Aggressive**
Designed for the investor with both a high tolerance for risk and a long investment time horizon. The main objective of this portfolio is to provide high growth from equity investments that have high risk and high return potential, including mid/small-cap domestic and international stocks.

Section 3 – Client Signatures

Signature: Account Holder / Trustee / Custodian / Executor Date (mm/dd/yyyy)

Signature: Account Holder / Trustee / Custodian / Executor Date (mm/dd/yyyy)

Signature: Account Holder / Trustee / Custodian / Executor Date (mm/dd/yyyy)

Note: This Investment Policy and Objective-Setting Questionnaire should accompany your Investment Advisory Agreement.