



## 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 long term return and risk (volatility):

Asset Class	Annual Return	Annualized Risk	Annual Downside Exposure
Large-Cap Domestic Equities	9% to 10%	15 to 17%	-25% to -30%
Mid/Small-Cap Domestic Equities	11% to 12%	21%	-35% to -40%
International Equities	10% to 13%	21%	-30%
Dividend and Income Equities	8%	12%	-20%
Fixed Income (Bonds)	5%	5% to 7%	-10%
U.S. Treasury Bills	2%	0%	0%

Asset class returns and risk are derived from market performance as measured by Ibbotson Associates Inc., MSCI EAFE Index, and Lehman Brothers 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 (1975-2005)		
Large-Cap Equities	2001 & 2002	For illustrative purposes only. Past performance is not indicative of future performance.
Mid/Small-Cap Equities	2000 & 2001	
International Equities	2001 & 2002	
Intermediate Corp Bonds	1994	
U.S. Treasury Bills	2003	

## Client Profile Questions

### SECTION 1 – Personal Information

Mr.    Mrs.    Ms.    Dr.

\_\_\_\_\_ Name

Marital Status:    Single    Married    Divorced    Widowed

\_\_\_\_\_ Date of Birth (mm/dd/yyyy)

\_\_\_\_\_ Spouse's Name

\_\_\_\_\_ Spouse's Date of Birth (mm/dd/yyyy)

\_\_\_\_\_ Number of Dependents

### SECTION 2 – Advisor's Information

Dano W. LoPresti, CFP, ChFC

815-786-7851

\_\_\_\_\_ Advisor's Name

\_\_\_\_\_ Advisor's Telephone

\_\_\_\_\_ Date (mm/dd/yyyy)

### SECTION 3 – Income and Investment Information

Annual Income

- \$0 - \$50,000  
 \$50,000 - \$100,000  
 \$100,000 - \$300,000  
 \$300,000 and over

Total Household Income

- \$0 - \$50,000  
 \$50,000 - \$100,000  
 \$100,000 - \$300,000  
 \$300,000 and over

What is your investment objective for this account?\*

- Capital Preservation  
 Income  
 Growth and Income  
 Growth  
 Aggressive Growth

What is your investment time horizon for this account?

- Less than 1 year  
 1 to 3 years  
 3 to 5 years  
 5 to 10 years  
 10 years or more

How many years of investment experience do you have with:

Equities \_\_\_\_\_  
 Fixed Income / Bonds \_\_\_\_\_  
 Options \_\_\_\_\_  
Options account requires option agreement

On a scale of 1 to 5, how would you describe your tolerance for risk with regard to this Account?

Please circle one choice only.

Low	Medium	High
1	2	3
4	5	

\* Your actual investment objectives will be established by Triad Advisors' Investment Advisory Agreement after discussions with your Advisor.

## Risk Profile Questions

Your portfolio will be developed and managed based on the facts and preferences you provide here and in discussions with your Portfolio Manager.

### SECTION 1 – Facts About Your 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

First Year \$ \_\_\_\_\_ per year

Second - Fifth Years \$ \_\_\_\_\_ per year

Sixth - Tenth Years \$ \_\_\_\_\_ per year

Expected Annual Withdrawals

First Year \$ \_\_\_\_\_ per year

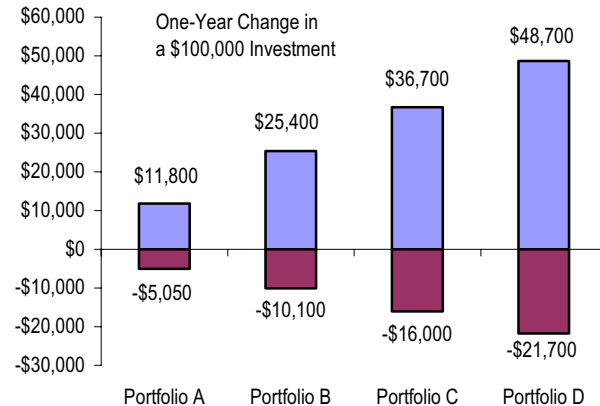
Second - Fifth Years \$ \_\_\_\_\_ per year

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 \$100,000 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%.

3. Suppose that a substantial portion of your investment portfolio is invested in stocks. If the stock market were to experience a prolonged down market, losing 45 percent of its value or more over an 18-month period, what would you do (assuming your stocks behaved in a similar fashion)?

- Response:
- (1) Sell all the stocks in your portfolio. You are afraid that the stock market is in a downturn and you cannot afford further decrease in value.
  - (2) Sell half of the stocks in your portfolio. You think that the market may rebound, but you are not willing to leave all of your investment exposed to further loss.
  - (3) Hold the stocks in your portfolio. You understand that your investment may be subject to short-term price swings and are comfortable "weathering the storm."
  - (4) Buy more stocks for your portfolio to take advantage of their low prices. You are comfortable with market fluctuations and assume that the stocks will regain their previous value or increase in value.

4. Once again, assume you have a substantial portion of your investment portfolio in stocks. If the stock market were to gradually decline at an average of 2 percent per month, eventually losing 24% of its value over a year, which of the following would you do?

- Response:
- (1) Invest more now because stocks are selling for approximately 24% less than they were 12 months ago. You believe that the stocks will regain their value or possibly appreciate even higher over the long term.
  - (2) Sell the stocks in your portfolio and realize the 24% loss. You wish to avoid the risk of further loss.
  - (3) Sell half of the stocks in your portfolio. You are not willing to leave all of your investment at risk for further loss.
  - (4) Do nothing. You will stay with your investment policy strategy and remain invested in the various asset classes comprising your portfolio.

5. Aggressive equity investments historically have provided higher returns while exhibiting greater short-term price fluctuations and potential for loss. How do you feel about the potential for loss in the value of your portfolio in order to achieve desired investment returns?

- Response:
- (1) I want to avoid the possibility of loss in the value of my portfolio. I understand that by holding investments that reduce the potential for short-term loss and price fluctuation, I am sacrificing higher long-term returns.
  - (2) I expect my portfolio to exhibit less than average fluctuation relative to the overall stock market.
  - (3) I can tolerate moderate losses in order to achieve potentially favorable returns.
  - (4) I can tolerate the risk of large losses in my portfolio in order to increase the potential of achieving high returns.

6. If your portfolio experienced wide changes in value, on a monthly or quarterly basis, due to a volatile stock market, you would:

- Response:
- (1) Probably not make any changes, despite having a feeling of anxiety.
  - (2) Probably wish you had taken action before experiencing these wide fluctuations, but definitely will take action once your portfolio recovers to a higher value.
  - (3) Probably not even notice that your portfolio was moving up or down a lot, since you don't read your portfolio statements except at year-end.
  - (4) Definitely take action to eliminate anxiety you may be experiencing.
  - (5) Do nothing because you don't experience any anxiety about your portfolio. You are invested for the long term.

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 2004).

Objective	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive
Sample Asset Allocation					
Historical Cumulative Return – Worst downside over holding period					
1 Year	-6.8%	-10.6%	-15.1%	-27.7%	-31.7%
3 Years	4.6%	-5.8%	-16.7%	-47.5%	-54.6%
5 Years	20.7%	13.0%	4.0%	-21.4%	-28.7%
10 Years	88.0%	101.7%	105.8%	108.4%	91.2%

- 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.

11. How do you feel about the following statement?

"My investment account should be managed for the long run, and the interim volatility is not important provided I achieve my long term goal for ending portfolio value."

- Response:
- (1) I disagree.
  - (2) I am willing to accept very limited variability during the interim and only modest loss of capital.
  - (3) I am willing to accept a reasonable amount of annual fluctuation and an occasional year of negative return, in the interest of building capital.
  - (4) I agree and will not allow my emotions to override a sound investment strategy.

12. Inflation (rising prices for goods and services) can have a significant effect on your investments by reducing their potential purchasing power over time. Equity investments have historically outpaced inflation over the long run, but have experienced more instances of short-term losses than have more conservative fixed income investments. How do you feel about inflation and its impact on your investments?

- Response:
- (1) I am satisfied with my investments growing at the same rate as inflation. My main goal is limiting the potential for short-term loss, and I am willing to sacrifice the potential for higher returns.
  - (2) I would like my investments to outpace inflation. I am willing to assume some potential for short-term loss in order to achieve my goal.
  - (3) I would like a balanced approach to generate portfolio returns that outpace inflation, yet do not cause the wide fluctuations associated with an all-equities portfolio.
  - (4) I prefer that my investments significantly outperform inflation. I am willing to assume a greater potential for short-term loss in order to achieve that goal.

13. Your portfolio may generate current income from the potential price appreciation and more stable income from dividends and interest. To meet your current cash flow needs, you are:

- Response:
- (1) Seeking complete assurance as to the level of interest and/or dividend income.
  - (2) Seeking some confidence as to the level of interest and/or dividend income.
  - (3) Not really concerned if there is a few-year period where your portfolio does not generate sufficient interest and/or dividends for your cash flow requirements.

14. Total return on your portfolio includes both capital appreciation and income from dividends and interest. What is your total return expectation on an average annual basis?

- Response:
- (1) 3 to 5%
  - (2) 5 to 7%
  - (3) 7 to 10%
  - (4) 10 to 12%
  - (5) Over 12%

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)