

How are the Risk Ratings calculated?

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The Synaptic Risk Ratings are derived directly from the output from the Moody's Analytics stochastic engine, the Economic Scenario Generator.

The metrics published are based on a quarterly updated mathematical simulation where thousands of scenarios are run, to identify likely investment outcomes based on the interaction of the underlying asset classes. The main advantage of this approach is that there are no exceptions, including severe market conditions, black swans or results ravaged by sequence risk where the 'bad years may occur early in the term, making a disproportionate impact.

All viable outcomes are included in the single simulation, meaning that everything an adviser needs to understand for the likely outcome and risk profile of the investment is present, including all possible variations on market inputs, interest rates and inflation.
