

# RISKPRO<sup>®</sup> PROVES PANDEMIC PROOF

## Validation Amid a Crisis.

The outbreak the COVID-19 virus rocked the global economy and financial markets. Understandably, fear and panic spread among millions of investors. Through it all, RiskPro<sup>®</sup> performed impeccably.

From the time that RiskPro was originally envisioned and designed, Nick Scalzo was committed to aligning and collaborating with the best minds in the industry. He formed the unique ProTools, LLC team that was then comprised of his firm partners, financial advisors, CFAs, and econometricians.

The team worked diligently at creating a software system to calibrate an investment risk profiling questionnaire to a volatility scale that could match an investor's ability and willingness to tolerate risk by accurately pinpointing their gain/loss threshold over any 12-month period interval. To align a portfolio to their threshold, we used data sets consisting of historical daily returns over both 12-month and 30-year time frames. The math behind the algorithm was based on revealing possible outcomes for an investor in an extreme "2008-type market condition". The algorithm was first developed by Josh Emanuel, CFA<sup>®</sup> who is currently CIO and Managing Director of Wilshire Associates, and then tested and validated by mathematicians led by the Professor and Chair of the Department of Mathematics, California State University Fullerton, Dr. Alfonzo Agnew. This third-party independent review used historical statistical analysis, together with a theoretical normal distribution model. The historical study resulted in RiskPro showing a 98.4% level of accuracy. Even more promising, the study found that the forward-looking, theoretical likelihood of a RiskPro generated portfolio not exceeding its loss threshold in any 12-month given period had a 98.6% accuracy rate.

All the hard work put into RiskPro's development, set its users up for great success in the biggest test that was yet to come following a 10-year bull market run in the U.S. financial markets. The unforeseen global pandemic scenario, still unfolding before us, is the real-life test currently presenting itself.

We used this extreme market volatility to do a deep dive and evaluate the maximum stated risk tolerances of 78 institutional strategist model portfolios available on the RiskPro platform. Over the 12-month period ending March 23, 2020 (Q1 market bottom), only three of the 78 models breached their stated threshold, and this was only by an average of a 1.33%. These findings served as additional validation of RiskPro's cutting-edge technology, both expected, and exciting for the ProTools Team. Firms utilizing the system have improved investor confidence and suitability, as well as advisor/client experiences for stronger and more successful investment and business relationships.



**Nick Scalzo, ChFC, CLU**  
Co-Chief Executive Officer

**“Under the intense pressure of a global pandemic affecting the financial markets and investor behavior, I felt it was time to take a critical look at RiskPro's performance and release results.”**

When investment professionals utilize RiskPro, they can document and display investment portfolio account values for any given, forward looking, 12-month interval in the market (existing and proposed client accounts). This allows advisors to build and propose suitable model portfolios with projected results shown in not just percentages, but in simple dollar terms that any investor can easily understand.

We regularly reach out to financial advisors and firms across the nation incorporating RiskPro into their daily practice for feedback (seen below as advisor case studies). This is important as we share their experiences with our development team for continuous user experience updates and advisor insight for partner integrations.

**Advisor Case #1:** Advisor Doug incorporates RiskPro into every new client intake and review. One of his clients was retiring last year, so together, they reviewed the Personal Risk Budget™. In doing so, the client decided to reduce risk. When Doug spoke with the client in mid-March as the market was melting down due to COVID-19, the account was down in market value, but still well within the client's original stated tolerance range. The client thanked Doug for reaching out and helping him understand the portfolio risk. He then surprised Doug by asking him to invest an additional \$100k.

**Advisor Case #2:** Advisor Brian was speaking with an acquaintance that had a million-dollar account with another advisor. This gentleman told Brian that he was perfectly satisfied with his existing advisor. Brian asked about the risk of the portfolio. The gentleman assured Brian that it was relatively conservative (although he was not able to quantify the risk). Brian suggested a quick risk analysis using RiskPro. When Brian illustrated the risk revealed and pinpointed by RiskPro, the prospective client was stunned and immediately asked Brian to become his financial advisor. In Brian's words - "That's all I had to do to win the business!"

Hearing success stories never gets old to our team at ProTools, as they affirm what we already know to be true; advisors are growing their business with RiskPro. Additionally, when underlying risk is revealed, clearly displayed, and monitored on an ongoing basis, Perpetual Suitability™ happens organically.

RiskPro's Perpetual Suitability provides a documented methodology for regulators, along with an overall better relationship experience for firm back offices, compliance departments, portfolio managers, advisors, and most importantly . . . the investor.



2077 West Coast Highway, Suite A  
Newport Beach, CA 92663  
Office: 866-583-8734

**Disclosure:** RiskPro® is an investment risk profiling and portfolio construction software as a service platform developed by ProTools, LLC ("ProTools"). ProTools is a technology company headquartered in Newport Beach, CA. RiskPro is a risk analysis tool that provides information only and not intended to provide investment advice. Wilshire Associates and subsidiaries are not affiliated with ProTools. For more information, visit [www.riskproadvisor.com](http://www.riskproadvisor.com)

CID.TPFG.1049



**On the web:**

[www.riskproadvisor.com](http://www.riskproadvisor.com)