

GLOSSARY

Average Volatility – For an investor’s **Personal Risk Budget** or proposed portfolio, the standard deviation, adjusted based on the volatility of the S&P 500 over the prior 30-years. For an Index, the average of the standard deviations over the prior 30-years.

Beta (Approx.) - The measure of relative volatility of a security in relation to the market (for example, the S&P 500 index), over a given period of time. For example, if a security has a beta of 2, it is expected to move twice as much (up or down) as the S&P 500, over a given period of time. If the beta is -2, then the corresponding security is expected to move by a factor of 2 in the opposite direction of the S&P 500.

Current Volatility - The one year observed volatility expressed in the standard deviation of daily portfolio returns, updated monthly.

Current Portfolio Tolerance; Portfolio Tolerance - The current **Risk Tolerance** of an investor’s existing or proposed portfolio.

Estimated Maximum Tactical Portfolio Tolerance - An estimate of the maximum **Risk Tolerance** of an investor’s existing or proposed portfolio that includes a **Tactical Investment Strategy**.

Personal Risk Budget – The **Risk Tolerance** of the investor – that is, an estimate of the maximum investment gain or loss, in dollars and as a percentage of the investor’s portfolio, over a forward-looking twelve-month period, which is consistent with the investor’s level of comfort with investment risk. Personal Risk Budget is used to determine an investor’s **Risk Tolerance Range**, where Range is used as a measure of the investor’s level of comfort with investment risk over a twelve-month period.

Risk Distribution – A measure of the percentage of **Current Volatility** of a portfolio attributable to each position within the portfolio.

Risk Tolerance – An estimate of the maximum investment gain or loss of a portfolio (or of a security), over a forward-looking 12-month period of time, within a reasonable statistical probability. There is no guarantee that a portfolio will not exceed the estimated Risk Tolerance.

Risk Tolerance Range (Risk Profile) –Risk Tolerance Range is the range of maximum investment gain or loss, as a percentage of an investor’s portfolio, over a forward looking twelve-month period, also described as a Risk Profile. For example, a Moderate Risk Profile may have an annual Risk Tolerance Range of between 17.68% - 26.51%, and any investor comfortable with a portfolio with an annual Risk Tolerance within that range would be considered to have a Moderate Risk Profile. In some instances, Risk Tolerance Range is used as a measure of the range of the investor’s level of comfort with investment risk, over a forward looking twelve-month period.

Tactical Investment Strategy - An investment strategy where the investment manager has the flexibility to take a greater or lesser risk position in an investment portfolio, based on the manager’s view of market conditions.

Target Volatility (Avg.) - The level of **Average Volatility** targeted when constructing a portfolio. The Target Volatility is utilized by RiskPro in calculating an investor’s **Personal Risk Budget**.



Unmanaged Assets - An Unmanaged Asset is an asset that is not managed by the Advisor but that the investor instructs the Advisor to include in the investor's portfolio.

Benchmark Indexes

Index: An Index is an unmanaged statistical composite intended to represent the broader market(s) or segments of a market. Index returns do not reflect payment of any management, brokerage, or custodial fees that an investor would pay to purchase the securities in the Index. It is not possible to invest directly in an Index. In most all instances, the securities included within a proposed portfolio will differ significantly from the securities that comprise the Index. For example, a proposed Portfolio will be significantly more concentrated, and more volatile, than the Index.

Barclays Capital U.S. Aggregate Bond Index - A market capitalization-weighted index representing U.S. traded investment grade bonds. The index includes Treasury securities, Government agency bonds, Mortgage-backed bonds, Corporate bonds, and a small amount of foreign bonds traded in U.S.

MSCI EAFE® (Europe, Australasia, Far East) Index - A free float-adjusted market capitalization weighted index designed to represent the performance of large- and mid-cap securities across 21 developed markets in Europe, Australasia, and the Far East (excludes US and Canada).

The Standard & Poor's 500 Index ("S&P 500") - An unmanaged stock market index based on the market capitalizations of the 500 largest companies that trade on the New York Stock Exchange. The long term average volatility of the S&P 500 is approximately 16.