

RiskPro®

Reinforcing the Advisor-Investor Relationship

The financial industry has long relied on an approach to identify and explain risk by using ambiguous terms like “moderate” or “aggressive”. While this method was thought to be simple and easy for investors to understand, it lacked the clarity of mathematical expression. The interpretation of the terms used to define risk remained subjective, creating confusion among all parties involved. RiskPro was developed to simultaneously translate and interpret investment risk across all parties. It is comparable to the United Nations approach, where multiple languages are transcribed into a common language for all to hear and understand, in real time.

RiskPro has come to understand that one of the biggest concerns for broker/dealers and RIAs today is the “Rep as Portfolio Manager” assets on their platforms. Allowing freedom for independent advisors while mitigating the liability the client portfolios they manage starts with solving for the SEC’s Reg BI Care Obligation. The obligation includes the requirement for all to understand potential risks and rewards associated with recommendations made to an investor. RiskPro’s proprietary analytical tool is embedded with advanced technology that quantifies the investor’s true tolerance for risk. Once this is complete, RiskPro gives the advisor specific metrics to build investment portfolios that align with their investor’s objectives and agreed-upon tolerance for risk. In addition, ongoing platform surveillance enables advisors and firms to monitor all investor accounts and recommend appropriate adjustments if needed, therefore achieving what RiskPro has trademarked, “Perpetual Suitability™.”

RiskPro acts as the communication link between investors, advisors, compliance/operation teams, and portfolio managers. This communication link displays a very clear investor Personal Risk Budget (PRB) that has been defined by the investor using the revolutionary risk profiling system. The concept of setting clear client expectations to form better client/advisor relationships came to fruition with the software launch, that included signable documentation for client accountability. Client accountability cannot be established until a full understanding of investment risk is in place. The advisor uses RiskPro to display this to investors in terms of the estimated maximum dollar gain/loss as well as percentage of the account value. If the investor is



not comfortable with the results of the risk profiling questionnaire, they may override and determine their own PRB in terms they completely understand. RiskPro then translates the investors PRB into portfolio metrics that make it easy for financial professional to build portfolios to coincide with the risk tolerance.

THE LOGICAL QUESTION HOWEVER IS: HOW?

The answer to this lies in RiskPro’s unique mathematical algorithm developed by an eminent financial analyst/chief investment officer and verified by leading econometricians before being developed into an advisor-facing desktop technology. The highly sophisticated, easy-to-use algorithm analyzes the volatility of both individual securities, and the overall portfolio to determine the risk tolerance level of that investment portfolio over any forward looking 12-month period of time with an estimated statistical probability of more than 98 percent.

RiskPro creates an extremely effective communication bridge between advisors and investors when discussing suitable investments, which also fulfills the SEC Reg BI Care Obligation

The company’s proprietary math delivers a more precise and accurate framework for risk determination and portfolio management. The technology enables advisors to construct portfolios that are mathematically aligned with each of their client’s PRBs and provides them with the distinct risk vs. reward expectation of their investment(s). In short, because expectations are communicated clearly, RiskPro gives advisors a sharp advantage at growing long-term relationships.

With Perpetual Suitability™ at its core, RiskPro also restores confidence in the investment decision making process. “RiskPro creates an extremely effective communication bridge between advisors and investors when discussing risk tolerance and suitable investments, which also fulfills SEC regulatory obligations,” says Jeff Olsen, President at RiskPro. According to Olsen, the company’s surveillance technology allows each enterprise to set specific risk parameters and then allows advisors and compliance teams to monitor all client portfolios every day. It even alerts advisors and compliance teams about any misalignment of the portfolio according to each clients’ PRB.

Another aspect that steers RiskPro ahead of its competitors is its strong association with reputed portfolio strategists, leading RIAs, and brokers/dealers who share the same vision. Working with such organizations helps RiskPro bring best-in-class technology and solutions for its clients and cost-effective integrations.

RiskPro takes a “batteries-included” approach and alleviates the burden of software and data integration from its clients’ shoulders.



“Our business integrations are simpler and can be delivered quickly using common industry files and APIs,” says Glen Schreitmueller, Chief Product Officer at RiskPro. Leveraging dependable platforms and data sources that clients already trust allows RiskPro to oversee and manage integrations on their behalf to deliver better results, faster. In addition, the company works with leading corporations like Envestnet, Albridge, Orion, and Broadridge to provide clients with standardized enterprise integrations.

To further elaborate on the way RiskPro’s solutions benefit clients, Olsen walked us through a case study wherein RiskPro helped Cantella & Co., Inc., an independent broker/dealer, create an asset management platform. Cantella wanted to provide their advisors with best-in-class technology to manage their accounts. RiskPro, along with FolioDynamix (since acquired by Envestnet) designed a state-of-the-art platform for Cantella that enabled their advisors to build their own portfolios for clients. In addition, RiskPro provided strategist portfolio models made available through their many mutual fund family partnerships that helped them grow their client base.

Orchestrating numerous such success stories and setting new standards for risk profiling, RiskPro is creating ripples in the financial realm. In the upcoming year, the company will launch a fully integrated solution with Envestnet that leverages their existing workflows and risk assessment with the addition of even greater transparency and monitoring. In addition, the company is also planning integrations with leading financial planning tools. In short, RiskPro is set to transform the financial paradigm in new and better ways for years to come. 