Behaviorally SMART™ Decisions:
Behavioral Finance Made Practical

Financial DNA®

Behavioral Management is the Foundation

People React Differently to the Same Market Events

Managing the Emotional Roller Coaster of Markets and Life Events

Why do some investors repeatedly lose wealth and others accumulate it?

Everyone has patterns of behavior that they naturally revert to, particularly when under pressure, which can negatively impact performance.

For investors to be financially successful, they need to be able to manage their "emotional reflex system" when events happen.

Emotions drive how people act in uncertainty.

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Managing the Emotional Roller Coaster of Markets and Life Events

Investors can't control the markets but they can develop their "Financial EQ" through behavioral awareness.

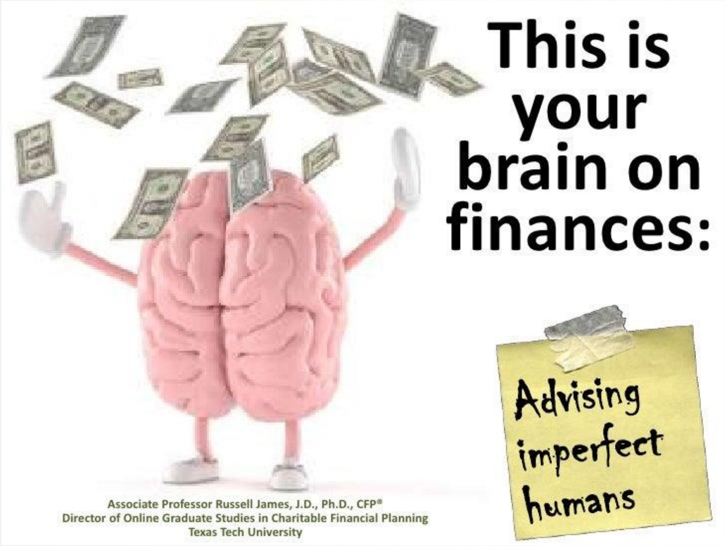
Having objective behavioral insights will enable investors to manage how they react to events and close the Investment Performance Gap

Achieving results is about how you firstly predict and then consciously manage your behavior.

We recommend:

"Check yourself before your wreck yourself"

Behavioral Finance
Recognition Investors Are Inherently Imperfect



Behavioral finance seeks to combine behavioral and cognitive psychological theory which recognizes people are imperfect with conventional economics and finance that assumes people are rational beings.

Its objective: to provide explanations for why people repeatedly make irrational financial decisions in investing, spending, saving and borrowing money leading to an inherent **"Investment Performance Gap".**

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Behaviorally SMART Decisions
Re-Thinking What Investment Portfolios Are

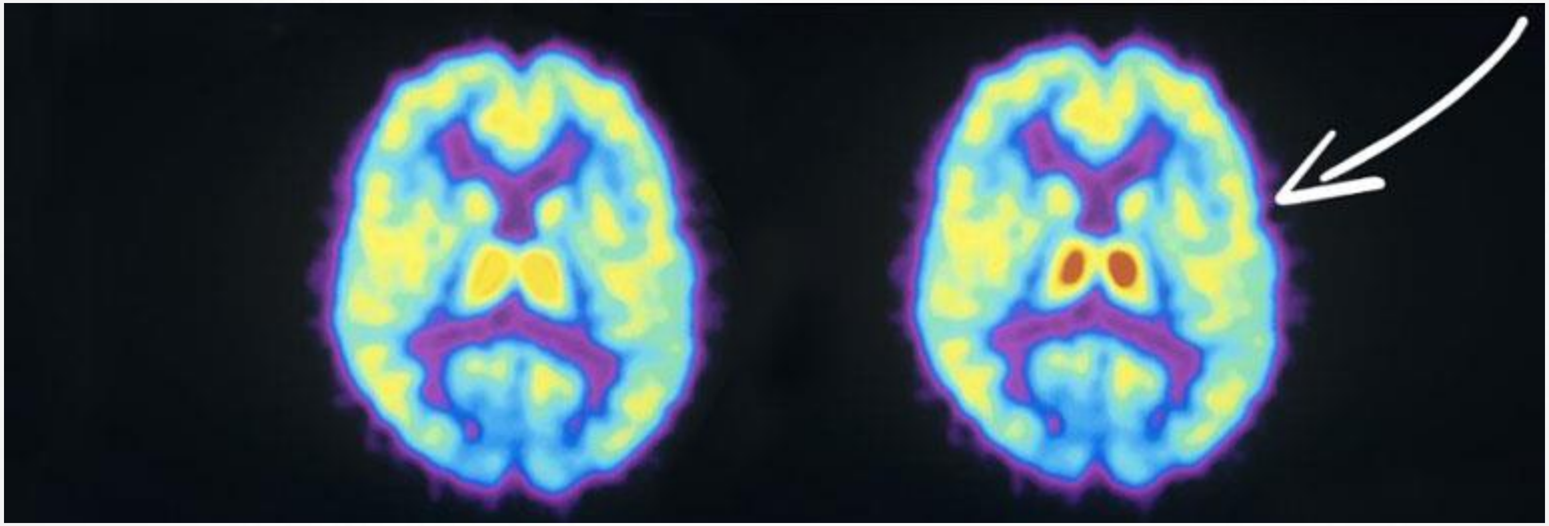
Investing is a portfolio of decisions rather than positions, which are 95% driven by the unconscious mind.

What is the combination of "hard-wired" behavioral biases and emotions driving your investment decision-making?

Financial DNA

The Phrenology of Investors
How Your Brain Is Wired

Your Investing Brain is Powered by the Amygdala
The Driver of Level 1 Instinctive Decision-Making

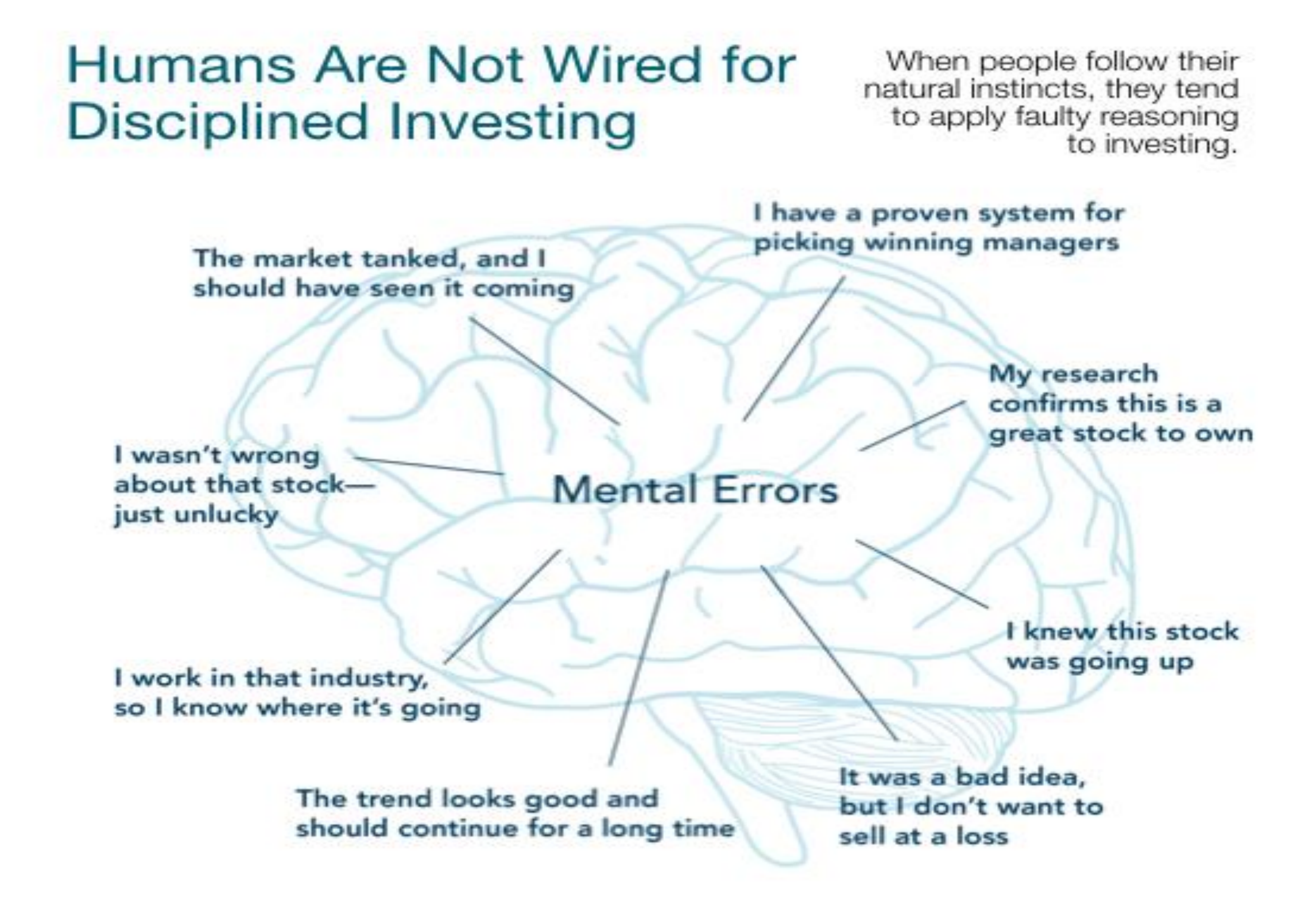


The investment performance gap is caused by unconsciously following your instincts without thinking. Your unconscious brain works 8 seconds faster than the conscious brain.

Financial DNA

Investors Naturally Make Investing Errors

Is Disciplined Investing Possible?



Financial DNA

Every Person has a Unique Mix of Imperfection

What is Your Unique Mindset in Making Decisions?

Opportunist/Excitement/Anger

Aggressive

Greedy

Trades

Independent Mind

Follows Others

Fails to Analyze

Sporadic

Results

Feelings

Paralysis by analysis

Misses opportunities

Sells winners early

Holds winners too long

Does not sell losers

Cautious/Fearful/Anxiety

Exercise: Reviewing Your Past Decisions
What is Your Consistent Pattern of Decision-Making?

1. What are your 5 best and 5 worst investment decisions?
2. What is the common pattern in these decisions?

Financial DNA

Behaviorally Smart Decisions:
Behavioral Bias Review for Behavioral Management of Clients

Financial DNA®

Financial Personality Influences on Decision-Making
Proactive Behavioral Bias Management

Risk of Not Achieving Goals

Can Over-Influence Caution

Disposition Effect
Mental Accounting
Loss Aversion
Pattern Bias
Fear of Regret
Status Quo Basis
Risk Aversion
Benchmark Focus

Need to Increase Decision-Making Confidence

Can Increase Risk - Taking

Consolidated View
Herd Follower
Over Trading
Instinctive
Controlling
Optimism Bias
Over Confidence
Newness Bias

Need to Manage Expectations Down

Behavioral Finance Principles

Financial DNA Behavioral Factors Connected to Biases

1. Every person has a different level of each behavioral bias naturally ingrained ("hard-wired") in them which is predictable. Therefore, each bias is capable of being measured by the Financial DNA Natural Behavior Discovery Process.
2. The Financial DNA Natural Behavior reporting reflects the predominant or combination of behavioral factors which are applicable in measuring each behavioral bias.
3. The extent to which each bias prevails in decision-making will be determined by the strength of the person's behavior in one or more factors. Further, some behavioral factors may apply at some level to more than one bias.
4. However, each behavioral bias can be learned or modified through experiences, values and education.
5. Further, each behavioral bias whether natural or learned can be overcome with behavioral management.

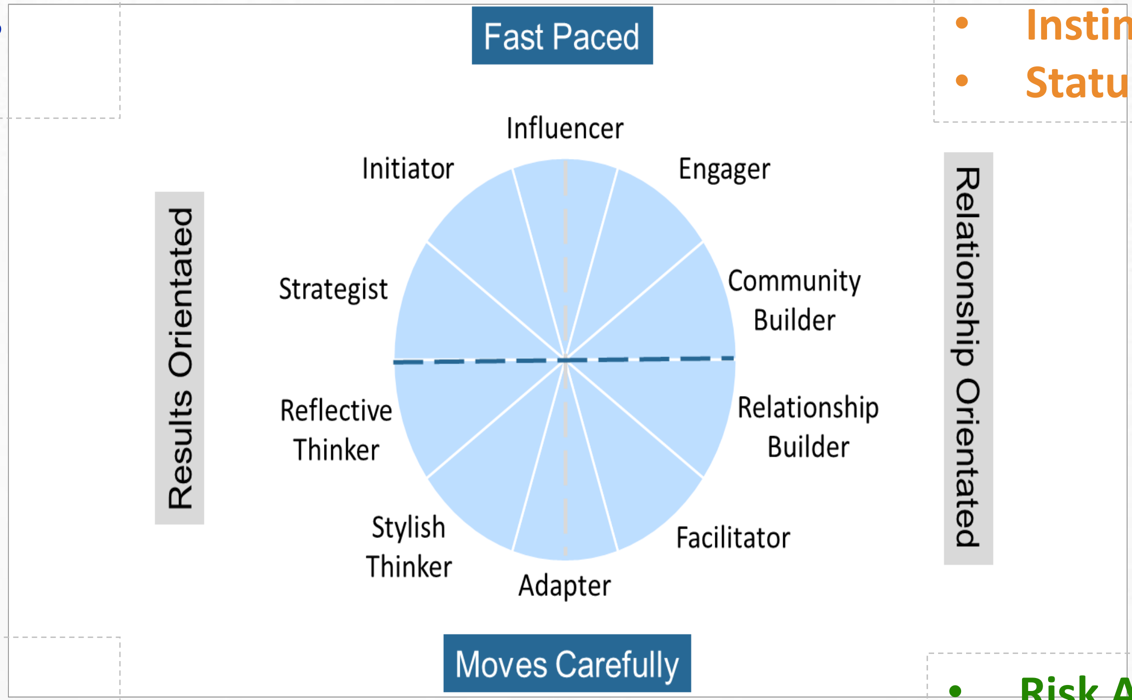
Financial DNA Natural Behavior Unique Style Matrix
Including Behavioral Biases and Re-Framing Communications

Fast Paced

- **Consolidated View**
- **Over Trading**
- **Optimism Bias**
- **Risk Taker**

- **Spender**
- **Herd Follower**
- **Instinctive**
- **Status Quo**

Results Orientated



Relationship Orientated

- **Saver**
- **Mental Accounting**
- **Pattern Bias**
- **Benchmark Focus**

- **Risk Aversion**
- **Loss Aversion**
- **Fear of Regret**
- **Disposition Effect**

Moves Carefully

The Need for Financial Personality Awareness

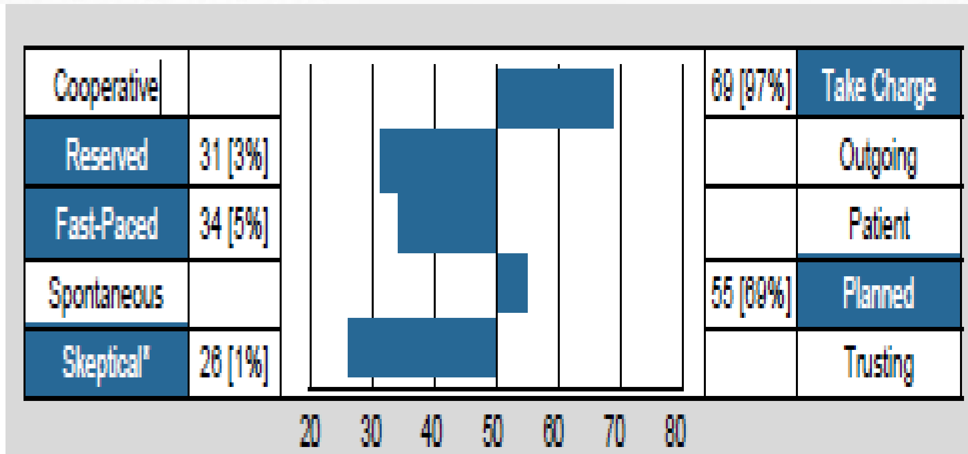
Every Person Has Investing Strengths and Struggles

DNA Behavioral Factor	Financial Performance Strength	Behavioral Challenge Under Pressure	Financial Performance Risk	Behavioral Finance Biases
Take Charge	Visionary	Does not listen	Over extends	Consolidated view
Cooperative	Compliant	Hesitant	Holds losses	Disposition effect
Outgoing	People connector	Becomes emotional	Sabotages self	Herd follower
Reserved	Reflector	Hoards	Fear of not enough	Mental accounting
Patient	Stabilizer	Procrastinates	Expects guarantees	Loss aversion
Fast Paced	Realist	Impatient for returns	Sells at wrong time	Over trading
Planned	Analyzer	Paralysis	Misses opportunities	Pattern bias
Spontaneous	Intuitive	Impulsive	Makes judgment errors	Instinctive
Trusting	Believer	Too receptive	Taken advantage of	Fear of regret
Skeptical	Questioner	Does not delegate	Misses market timing	Controlling
Pioneer	Goal driver	Over focused on success	Fails to change plans	Optimism bias
Content	Balancer	Stays in comfort zone	Lacks commitment	Status quo bias
Risk Taker	Venturesome	Takes poor chances	Low portfolio balance	Over confidence
Cautious	Conservative	Too calculated	Under performs	Risk aversion
Creative	Idea connector	Easily bored	Loses financial direction	Newness bias
Anchored	Implementer	Fixed on existing ways	Fails to adjust	Benchmark focus

Connecting Financial DNA Natural Behavior Factors to Behavioral Finance Biases

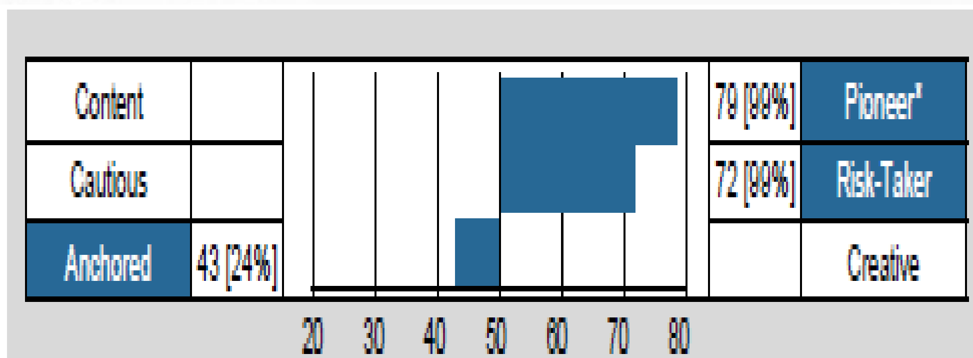
Chris Coddington

Disposition effect
Mental accounting
Over trading
Instinctive
Controlling



Consolidated View
Herd follower
Loss aversion
Pattern bias
Fear of regret

Status quo bias
Risk aversion
Benchmark focus



Optimism bias
Over confidence
Newness bias

Specific Measurement of Each Behavioral Bias

Insights for Behaviorally Managing Client Decisions

1.3 Influences of Behavioral Biases on the Client's Financial Decision-Making

The behavioral biases highlighted below are all patterns of behavior which if not managed can cause a client to make irrational decisions on a regular basis, increasing the risk of not achieving their goals. Discuss the strongest behavioral biases with the client and agree a strategy for managing them.

Optimism Bias Exhilarated by playing a big game even if they know it is difficult to win. Action: Consider the potential sacr ifice	99%
Over Confidence Can think they are more successful at investing than they really are. Action: Evaluate the dangers better	98%
Consolidated View Prefers to look at the aggregate portfolio rather than individual positions. Action: Monitor individual transactions	97%
Mental Accounting Likes to put money into separate buckets for specific purposes. Action: Adopt a more flexible approach	97%
Over Trading Tends to be impatient to get results and may sell at the wrong time. Action: Adopt a longer term approach	95%
Controlling Tends to control decisionmaking and take action without advice. Action: Seek others input	93%
Benchmark Focus Can be fixed on keeping in line with established benchmarks. Action: Consider alternative strategies	76%
Pattern Bias Desires order in the face of chaos by looking for predictable patterns in markets. Action: Be more flexible with strategy	69%
Instinctive In adversity tends to make decisions quickly and emotionally based on instinct. Action: Slow down and evaluate	42%
Newness Bias Likely to give more weight to recent information and ideas. Action: Adopt a structured approach	24%
Disposition Effect May sell winners and hang on to losers for too long. Action: Follow investment policies	3%
Herd Follower Tends to stampede into investments in exuberance and out in fear. Action: Make more educated decisions	3%
Risk Aversion Overly hesitant to take the necessary risks to make the required returns. Action: Learn calculated risk-taking	2%
Loss Aversion May not realize losses to avoid pain even though values may fall further. Action: Be more rational with decisions	1%
Fear of Regret Hesitant in case will miss out on a potential gain from the next best thing. Action: Set decision-making boundaries	1%
Status Quo Bias Likely to take notice of information which will keep their world the same. Action: Appreciate growth opportunities	1%

0% 25% 50% 75% 100%

Page 3 14-Mar-12 Chris Coddington - Strategist DNA Customized Behavioral Management Guide ID#26380

Financial DNA

The Need for Financial Personality Awareness

Summary of the Different Behavioral Finance Biases

DNA Behavioral Factor	Behavioral Finance Biases
Take Charge	Consolidated View: Prefers to look at the aggregate portfolio rather than individual positions
Cooperative	Disposition Effect: May sell winners and hang on to losers for too long
Outgoing	Herd Follower: Tends to stampede into investments in exuberance and out in fear
Reserved	Mental Accounting: Likes to put money into separate buckets for specific purposes
Patient	Loss Aversion: May not realize losses to avoid pain even though values may fall further
Fast Paced	Over Trading: Tends to be impatient to get results and may sell at the wrong time
Planned	Pattern Bias: Desires order in the face of chaos by looking for predictable patterns in markets
Spontaneous	Instinctive: In adversity tends to make decisions quickly and emotionally based on instinct
Trusting	Fear of Regret: Hesitant in case will miss out on a potential gain from the next best thing
Skeptical	Controlling: Tends to control decision-making and take action by yourself without help
Pioneer	Optimism Bias: Exhilarated by playing a big game even if you know it is difficult to win
Content	Status Quo Bias: Likely to take notice of information which will keep your world the same
Risk Taker	Over Confidence: Can think you are more successful at investing than you really are
Cautious	Risk Aversion: Overly hesitant to take the necessary risks to make the required returns
Creative	Newness Bias: Likely to give more weight to recent information and ideas

Financial DNA

The Need for Financial Personality Awareness

Managing Behavioral Biases in Volatile Markets

Behavioral Finance Bias	Communication in Up and Down Markets	Action in Up Market	Action in Down Market
Consolidated view	Provide options on recommended strategies	Review rational for holding each individual position	With overall result in mind address performance of individual positions
Disposition effect	Create relaxed environment and get feedback	Show impact of netting gains and losses	Provide investment policies on buying and selling boundaries
Herd follower	Let them know what other key people are doing	Set boundaries to manage over excitement	Show decisions that will protect their lifestyle
Mental accounting	Allow reflection time	Encourage them to revisit savings allocations	Demonstrate how they will have enough money in the end
Loss aversion	Express feelings and emotions	Show gains that may be lost by not taking losses	Present information that shows they will be safe if losses are realized
Over trading	Speak at a quick pace	Show the costs of trading strong performing positions	Show long term performance opportunities by not selling early
Pattern bias	Provide specific facts, data	Demonstrate potential missed opportunities from not being opportunistic	Show market patterns and long term impact of down turn on their plan
Instinctive	Provide broad facts and stories	Set clearly defined boundaries	Prevent them from being impulsive
Fear of regret	Allow open dialogue	Encourage small steps forward to build confidence	Keep them focused on taking some next steps in the present
Controlling	Quickly provide logical explanations	Provide well researched information and minimize surprises	Give them choices so they make the final decision
Optimism bias	Address progress to their goals	Monitor they are not unnecessarily over extending their finances	Positively present a plan revision and action steps
Status quo bias	Keep the conversation easy going	Present how they can safely come out of their comfort zone	Show how life balance and stability will be maintained
Over confidence	Present risk and return	Ensure they do not take a big risk without proper evaluation	Ensure they keep their portfolio balance reasonable
Risk aversion	Focus on certainties and minimize the risks	Show strategies for protecting downside	Show outcomes of reasonable calculated risks
Newness bias	Brainstorm different solutions with them	Review merits of new ideas against the plan	Do not let recent events distract from their financial direction
Benchmark focus	Keep the conversation tangible and logical	Show how another proven path may improve performance	Show where their performance is against the benchmark

Exercise:
Incorporating Behavioral Biases into Client Meeting

Step 1. The facilitator will allocate you 2 case studies with different mixes of stronger behavioral biases out of the 16 (total).

Step 2. Prepare for an interview with the investor case study person. You should:

- Determine how you would begin the initial conversation.
- Design 3 to 5 questions to help the investor client gain deeper self-awareness of how their style could cause under performance in the investment portfolio.
- Know how to adapt your communication style for this client to get them to listen and take action for change

Step 3. Pair up with another participant and share how you would conduct the interviews for your 2 case studies.

Financial DNA

Client: Don Spring

Top 5 Influences of Behavioral Biases

Disposition Effect May sell winners and hang on to losers for too long. Action: Follow investment policies	93%
Risk Aversion Overly hesitant to take the necessary risks to make the required returns. Action: Learn calculated risk-taking	92%
Pattern Bias Desires order in the face of chaos by looking for predictable patterns in markets. Action: Be more flexible with strategy	79%
Loss Aversion May not realize losses to avoid pain even though values may fall further. Action: Be more rational with decisions	73%
Herd Follower Tends to stampede into investments in exuberance and out in fear. Action: Make more educated decisions	69%

Client: Max Speed

Top 5 Influences of Behavioral Biases

Over Confidence	Can think they are more successful at investing than they really are. Action: Evaluate the dangers better	98%
Over Trading	Tends to be impatient to get results and may sell at the wrong time. Action: Adopt a longer term approach	98%
Optimism Bias	Exhilarated by playing a big game even if they know it is difficult to win. Action: Consider the potential sacr ifice	96%
Controlling	Tends to control decisionmaking and take action without advice. Action: Seek others input	95%
Consolidated View	Prefers to look at the aggregate portfolio rather than individual positions. Action: Monitor individual transactions	95%

Client: Mike Tudor

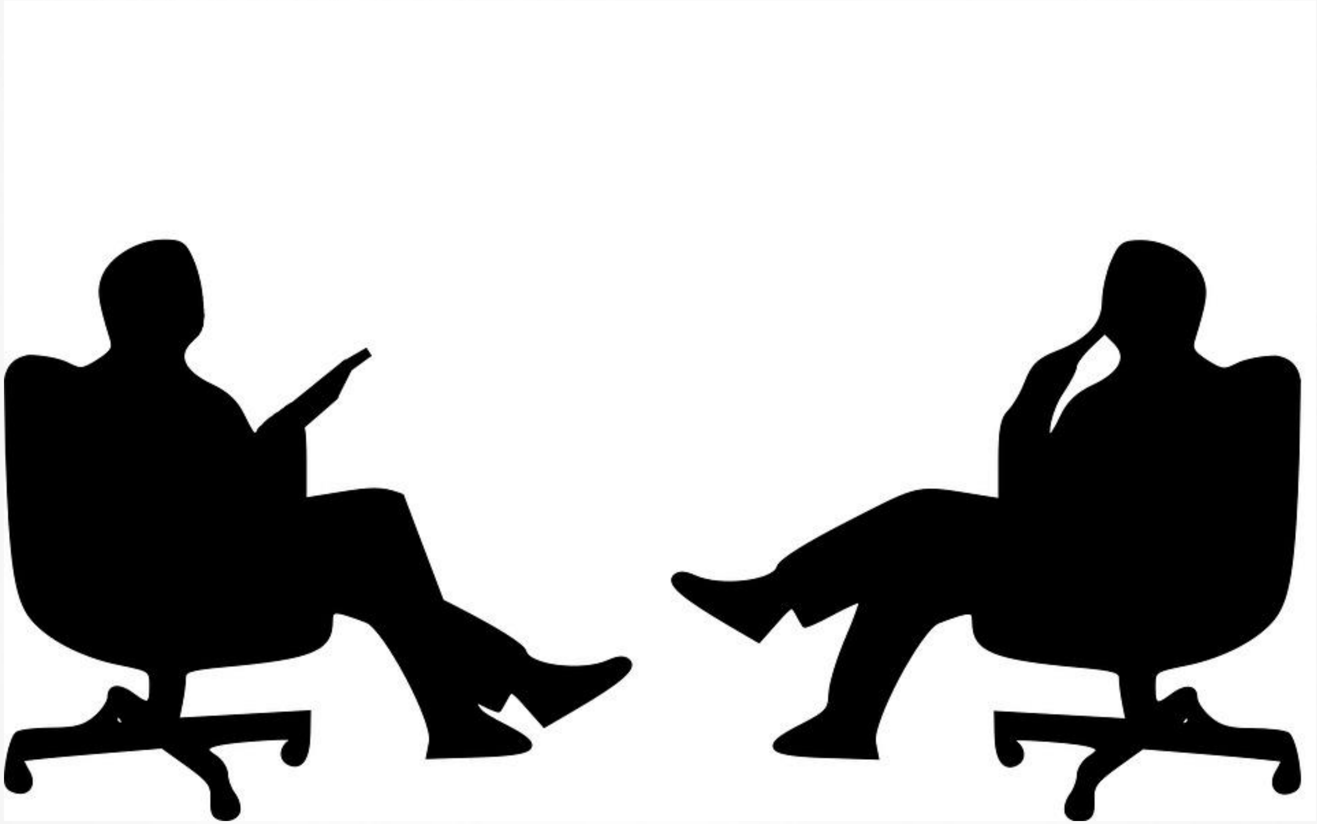
Top 5 Influences of Behavioral Biases

Over Confidence Can think they are more successful at investing than they really are. Action: Evaluate the dangers better	96%
Instinctive In adversity tends to make decisions quickly and emotionally based on instinct. Action: Slow down and evaluate	95%
Over Trading Tends to be impatient to get results and may sell at the wrong time. Action: Adopt a longer term approach	90%
Optimism Bias Exhilarated by playing a big game even if they know it is difficult to win. Action: Consider the potential sacr ifice	90%
Consolidated View Prefers to look at the aggregate portfolio rather than individual positions. Action: Monitor individual transactions	82%

Client: Penny Martin
Top 5 Influences of Behavioral Biases

Risk Aversion Overly hesitant to take the necessary risks to make the required returns. Action: Learn calculated risk-taking	96%
Herd Follower Tends to stampede into investments in exuberance and out in fear. Action: Make more educated decisions	76%
Disposition Effect May sell winners and hang on to losers for too long. Action: Follow investment policies	73%
Pattern Bias Desires order in the face of chaos by looking for predictable patterns in markets. Action: Be more flexible with strategy	73%
Status Quo Bias Likely to take notice of information which will keep their world the same. Action: Appreciate growth opportunities	69%

Wealth Mentoring Conversation Exercise



Exercise:
De-Brief Participant Reports on Decision-making Style

Swap your Financial DNA Natural Behavior Summary Report with another participant and de-brief each other on your financial and investment decision-making style using the information in the reports. Focus on their:

1. Behavioral style and biases
2. Risk profile and portfolio grouping
3. Performance strengths, struggles and environment keys

Repeat this exercise 2 times:

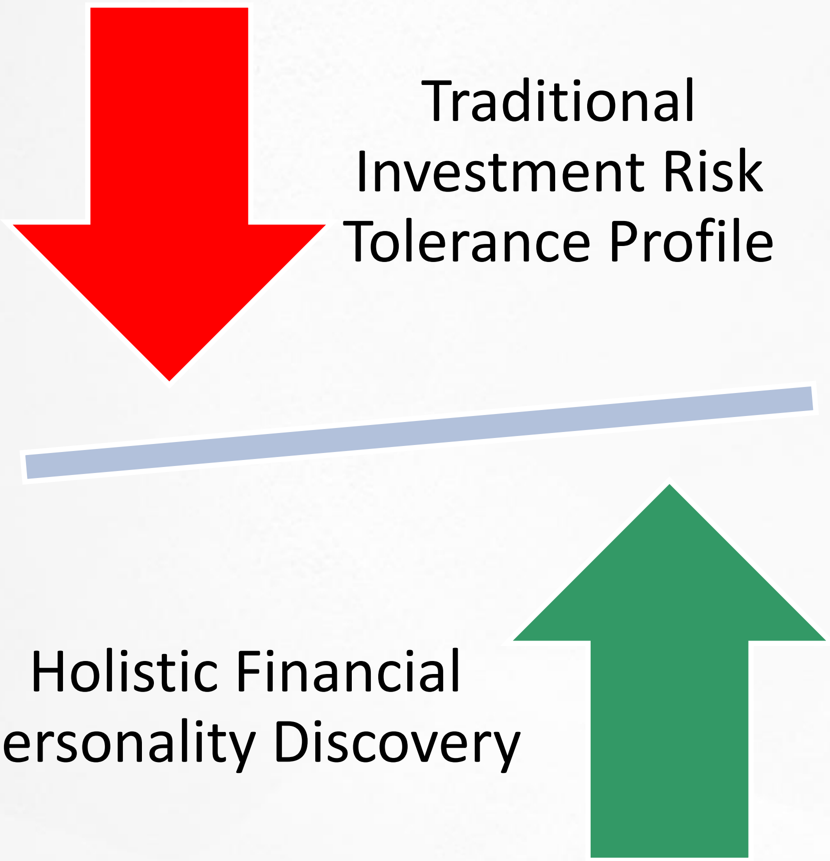
1. With a person similar in style to you, and
2. With a person opposite in style to you.

Behaviorally SMART™ Decisions:
Building a Behavioral Portfolio Based on the Client Risk Profile

Financial DNA®

The Traditional Approach to Risk Discovery is Outdated

"Wrong Data In Means Wrong Data Out"



1. Investment Risk Tolerance Profiles only provide a singular measurement.
2. They are situational in nature and not reliable in changing circumstances.

3. Financial Personality Discovery more objectively and reliably measures every dimension of who the client is, including the risk profile, biases and communication style.
4. All behaviors cause risk to achieving goals if not managed, and therefore must be known.

Compliant KYC Discovery Process
Incorporating Financial DNA Measurement

Traditional – Objective Factors

- Wealth (Net worth)
- Annual Income,
- Tax Status
- Employment Stability
- Time horizon, Liquidity
- Spending Patterns
- Demographic Factors -age
- Financial Goal Needs/Objectives
- Financial Capacity
- Investment Experience, Knowledge
- Education, work experience

Financial DNA – Subjective Factors

- Communication and Learning Style
- Purpose Based Goals (Needs and Wants)
- Risk Profile (including Risk Propensity, Tolerance, Loss Aversion, Preference, Composure) Style
- 16 Behavioral Biases influencing decision-making style

Goals Based Planning

- In-depth client inquiry and interactive discussions
- Structure for advisor to make professional judgement
- Risk Profile development based on objective and subjective factors
- Allocation of risk profile to different goal buckets
- IPS to guide decisions

Changing the Know Your Client Paradigm with a Behavioral Finance Platform Using Financial DNA

Traditional Paradigm	Financial DNA Holistic Approach	New Generation of Financial Personality Discovery and Performance Measurement
Big Data and Artifical Intelligence (Current Observed Behaviors Based on Assumptions and Some Actions)		Completion of a Validated Discovery Process by each participating individual to measure stable long-term behaviors and preferences
Singular Risk Tolerance Profiling Questionnaire (Highly Subjective)		Holistic Financial Personality Discovery firstly measuring Natural Instinctive DNA Behavior (Higher Objectivity) and then Learned Situational Behavior
		Measurement of Risk Propensity, Tolerance, Loss Aversion, Risk Preference, Risk Profile, 16 Behavioral Biases, Portfolio Grouping 1 to 7
Static Reports		Risk Composure: Market Mood Dashboard for Real Time Behavioral Management to Markets
N/A		IPS and Behavioral Portfolio Models
N/A		Customized Communication Keys and Action Steps
N/A		Quality Life Insights for Goals- Based Planning
N/A		Advisor Client Group Reporting
Situational Questions and Intelligence, Experience Bias		Validated Psychometric Analysis using Non-Situational Forced Choice Questions and Fit for Purpose Situational Risk Profiling Questions
Basic Stand-Alone Platform		API Integration with Custom Reporting and Branding

The Power of Implementing Financial DNA

From 40% Advisor Accuracy to 99.75% Investor Suitability

Completion by Each Advisor + Team

Reduced Subjective Advisor Judgement

91% Reliability from Financial DNA Measurement

+

8.75% Enhancement from Financial Planning Processes

=

99.75% Investor Suitability Performance Guarantee

Completion by Each Client

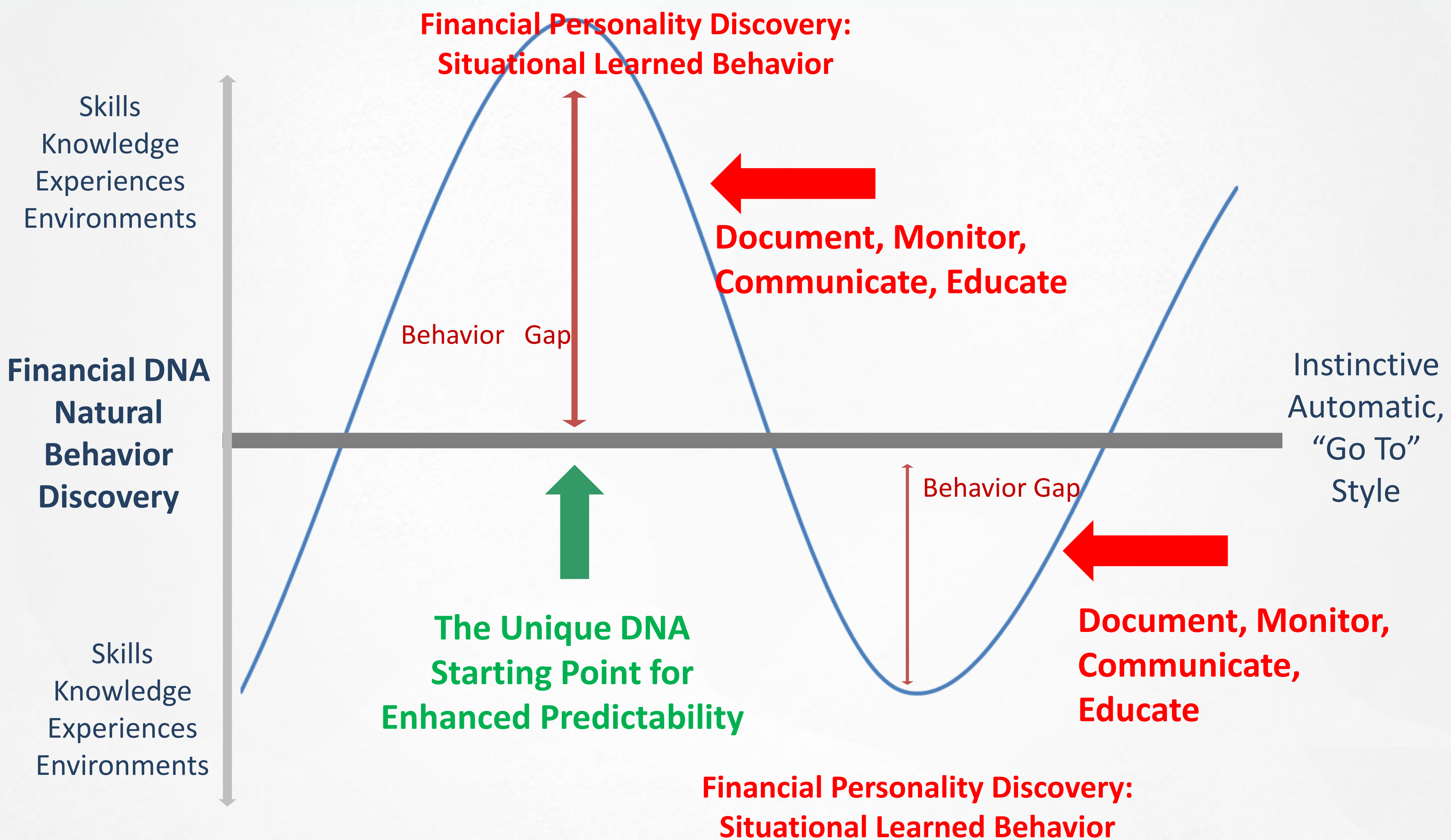
Minimized Advisor + Client Emotions

The Definition of Financial DNA®
The 2 Levels of a Person's Financial Personality

Every person inherently has a unique Financial DNA® code representing their financial personality. The financial personality influences every life and financial decision a person makes, and has 2 levels which are integrated:

1. The natural born DNA behavioral style that remains stable over time and will drive how they consistently respond to different events; and
2. Their current learned behavioral style which is consistently shaped by their environment, life experiences, values and education.

Re-Positioning the Discovery Starting Point to Natural DNA Hard Wired Behavior



Financial DNA

Risk Profile Construction Utilizing the Right Data

Operational Best Practices

Upfront + One Time: Financial DNA Natural Behavior Discovery (Level 1 – Nature)

Identifies long-term perspective and emotional commitment for risk/reward trade-off

Makes subjective discovery of risk profile more objective

91% reliability

Reversion "go to" emotional point in pressure event situations

Annual: Financial Personality Discovery (Level 2 - Nurture

Identifies short-term changing influences of current environment, experience, education on taking risk

Identifies preferences and potential rational thinking

Indicates short term decision-making

Alignment +Aggregation

Gap analysis of natural and learned risk profile styles

Identify attitudinal and perception shifts

Align behavior to objective factors influencing portfolio – including spending

Document and adjust IPS

Suitability Requires Consideration of Many Risk Factors

The Key Elements of Financial DNA Risk Profile Discovery

Key Investment Risk Elements Individually Measured	Terminology Definitions	FDNA Natural Behavior Discovery (Level 1 – Automatic, Instinctive, Hard-Wired)	FDNA Financial Personality Discovery (Level 2 – Learned Situational Behavior Based on Experiences, Education, Environment)
Risk Need	Risk required to meet financial goals	FDNA IPS +Financial Planning Software	FDNA IPS +Financial Planning Software
Risk Capacity	Financial ability to endure the risks of portfolio losses	FDNA IPS +Financial Planning Software	FDNA IPS +Financial Planning Software
Risk Propensity	Willingness to take risk	Yes	Yes
Risk Tolerance	Willingness to live with losses	Yes	Yes
Loss Aversion	Likelihood to maintain investments in down markets and not crystalize losses - Extent upset/emotional losing money more than making it	Yes	Yes
Risk Composure	How client will behave in a crisis	FDNA Market Mood	Yes - Financial EQ
Risk Perception/ Product Perception	Judgement about severity of risk in current climate	Inherently not measured as client gut feel	Inherently not measured as client gut feel
Risk Preferences	Personal evaluation of risk preference	No	Yes
Risk Profile	Aggregate of the above factors for	FDNA IPS + Client	FDNA IPS + Client Conversation

Financial Planning Insights
Key Behaviors to Navigate in the Planning Process

Financial Planning Insights

Based on combinations of your behavioral factors, your natural talents in the financial planning is set out in the table below.

Insight	L/M/H	Population% (0-100%)
Sets the Agenda for the Planning Process	HIGH	96%
Patiently Builds Long Term Relationships	LOW	1%
Focus on Bottom Line Results	HIGH	98%
Risk Propensity for Taking Chances	HIGH	98%
Risk Tolerance for Living With Losses	HIGH	99%
Sets Goals for Ambitious Plans	HIGH	99%
Pursues Goals to Stay Focused on the Plan	HIGH	96%
Comfort to Deal With Change and Make Decisions	HIGH	90%
New Idea Driven for Investing in Solutions and Products	HIGH	82%
Financially Organized and Follows Budgets	MEDIUM	69%
Need for Information, Research and Analysis	HIGH	95%
Spending Desire on Lifestyle Items	LOW	8%
Need for Control Over Financial Planning Decisions	HIGH	93%

High Scores= 70% and over

Medium Scores= 31% to 69%

Low Scores= 30% and under

Risk Behavior

Client's Natural Behavior Portfolio Risk Group Based on Risk Propensity and Risk Tolerance

Risk Propensity for Taking Chances	HIGH	98%
Risk Tolerance for Living With Losses	HIGH	99%

For those who should take no risk and be in cash

Natural Behavior Investment Portfolio Parameters

	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7
Pop. % in this category	<2%	2-18%	19-30%	31-69%	70-81%	82-98%	>98%
Portfolio Structure	Capital Protection	Ultra-Conservative	Conservative	Balanced	Accumulation	Growth	Aggressive

Financial DNA

Risk Propensity vs Risk Tolerance
The Advisors Nightmare

Risk Propensity 20% greater than Risk Tolerance (Loss Aversion) in + 20% of Cases

Risk Propensity for Taking Chances	HIGH	73%
Risk Tolerance for Living With Losses	MEDIUM	50%

Risk Behavior Gap –
High Emotions

	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7
Pop. % in this category	<2%	2-18%	19-30%	31-69%	70-81%	82-98%	>98%
Portfolio Structure	Capital Protection	Ultra-Conservative	Conservative	Balanced	Accumulation	Growth	Aggressive

Natural Risk Tolerance

Natural Risk Propensity

Invest Down - Manage
Expectation Gap

Financial DNA

Building the Financial Plan and IPS

Aligning the Risk Profile to Goals, Capacity, and Financial DNA

Your Assessment of the Client's **Current** Portfolio **Risk Profile** Group

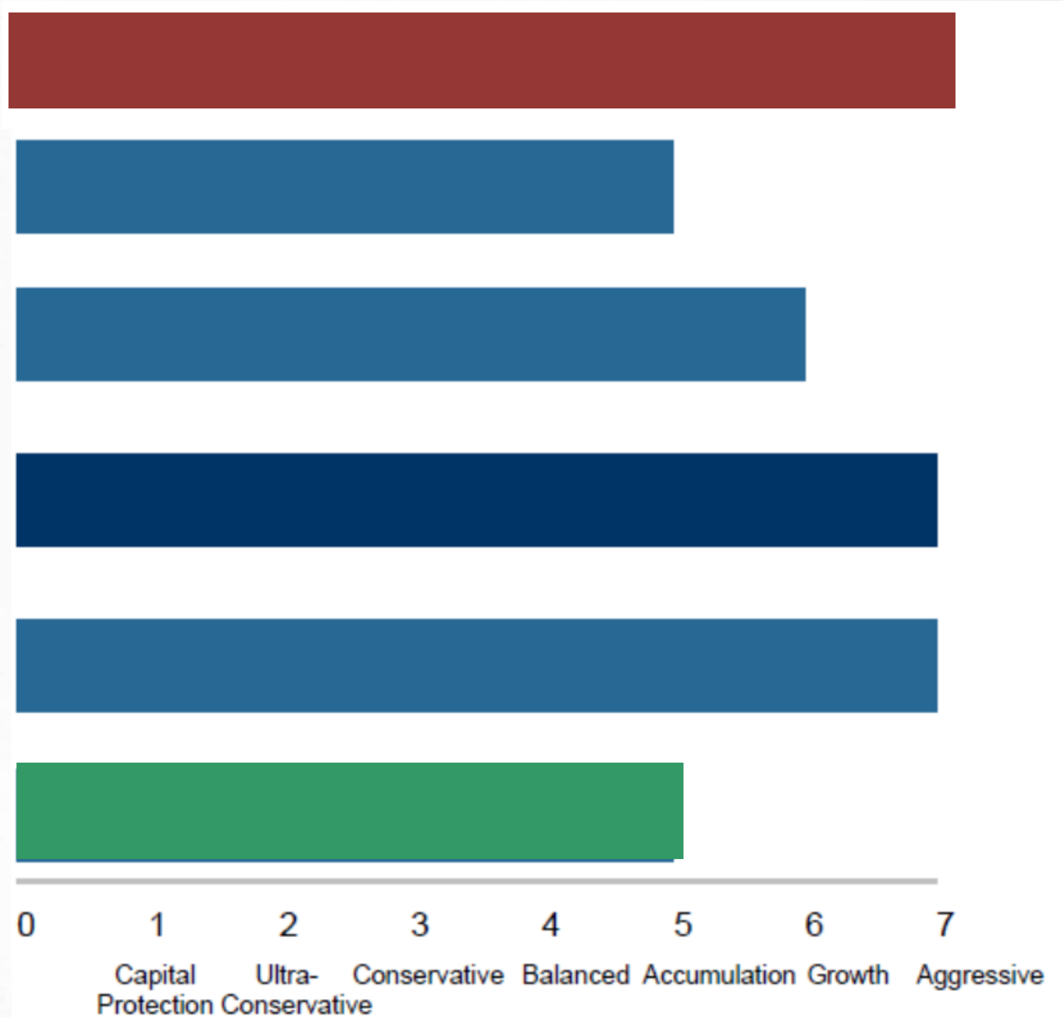
Your Assessment of the Client's Portfolio **Risk Need** Group to Achieve Goals

Your Assessment of the Client's Portfolio Risk Group based on Current Financial **Risk Capacity**

Financial DNA **Natural Behavior Portfolio Risk Group (based on Risk Propensity and Tolerance**)

Financial DNA **Learned Behavior Portfolio Risk Group** (From Financial Personality Discovery or Advisor's Assessment of the client)

Overall Selected Portfolio **Risk Profile** Group (Selected by Advisor and Client based on discussion of the aggregate of all scores)



Financial DNA

Building a Behavior Centered Portfolio With the Client

Mutually Agreeing the Overall Risk Profile

Approach: 1. Do not set the Risk Profile higher than the Risk Need (to achieve the goals).

2. Build the portfolio within +/- 1 Grouping of the Natural Behavior Portfolio Risk Profile Group as it reflects the long term “go to” default behavior. Subject to:
(i)Review the client’s Risk Need (to achieve goals) and Risk Capacity (financial ability)
(ii)The client’s Learned Risk Behavior Motivations (experiences, education, environment)

One Portfolio Risk Grouping

	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7
Pop. % in this category	<2%	2-18%	19-30%	**31-69%**	70-81%	82-98%	>98%
Portfolio Structure	Capital Protection	Ultra-Conservative	Conservative	**Balanced**	Accumulation	Growth	Aggressive

Acceptable Conservative Portfolio

Acceptable Aggressive Portfolio

Financial DNA

Investment Portfolio Risk Reward Analysis
The Risk Need Group Level to Achieve Client's Goals

Portfolio Risk Group	1. Capital Protection	2. Ultra-Conservative	3. Conservative	4. Balanced	5. Accumulation	6. Growth	7. Aggressive
1. Investment Portfolio Rate of Return Aim to Achieve Goals (Without Borrowing)	In Line with Cash Deposits	In Line with or slightly better than cash deposits	Excess of deposits and possibly beats inflation	Average returns higher than deposit rates and inflation	Above average returns and higher than deposits or inflation	Significantly higher than deposits and inflation with high return potential over the long term	The highest return potential over the longer term

Source: ESMA Regulations

Investment Portfolio Risk Reward Analysis
Risk Capacity Group Level Aligned to Financial Ability

Portfolio Risk Group	1. Capital Protection	2 . Ultra-Conservative	3. Conservative	4. Balanced	5. Accumulation	6. Growth	7. Aggressive
2. Average Portfolio Fluctuation Based on 5 Year Data of Monthly Pricing	0% to ±0.5%	±0.5% to ±2%	±2% to ±5%	±5% to ±10%	±10% to ±15%	±15% to ±25%	±25% or greater
3. Potential Short Term Portfolio Loss (Based on Outer Limits)	-1%	-4%	-10%	-20%	-30%	-50%	Far greater than -50%
4. Risk of Expected Loss	Very Low Risk	Low Risk	Low to Medium Risk	Medium Risk	Medium to High Risk	High Risk	Very High Risk

Source: ESMA Regulations

Potential Learned Risk Behavior Motivations
Factors Influencing Client's Risk Profile Level

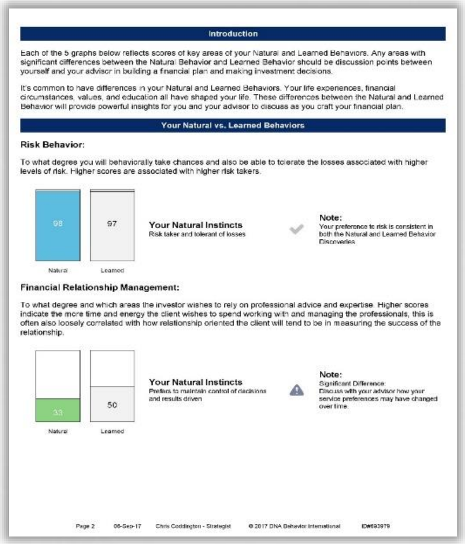
Potential Motivations Influencing Client Investment Decisions	Client Maybe Motivated to Invest Higher Than their Natural Risk Behavior	Client Maybe Motivated to Invest Lower Than their Natural Risk Behavior
1.Market Perception	Bullish	Bearish
2.Goal Setting Attitude	Ambitious	Conservative
3. Financial Decision-Making Confidence	High	Low
4.Age	Retirement in 10+ Years	Close to Retirement
5.Financial Experiences	Good – "Rags to Riches"	Poor – "Riches to Rags"
6.Life Experiences	Positive Feeling	Negative Mood
7. Values and Beliefs	Belief in taking risk builds wealth	Belief that investments are for life security
8.Financial Education	High Investment Knowledge	Low Investment Knowledge

Optional: Learned Behavior Discovery Annually

Aligning Natural and Learned Behavior

Financial Performance
with
Financial DNA Learned Behavior Discovery for revealing situational learned financial behaviors and preferences at a deeper level to build and review Financial Plans and Investment Policy Statements – 15 questions taking 10 to 15 minutes

Financial Personality Analysis comparing the Natural DNA Risk Taking Behavior which remains stable over time and Learned Risk Taking Behavior which changes situationally.



Introduction

Each of the 5 graphs below reflects scores of key areas of your Natural and Learned Behaviors. Any areas with significant differences between the Natural Behavior and Learned Behavior should be discussion points between yourself and your advisor in building a financial plan and making investment decisions.

It's common to have differences in your Natural and Learned Behaviors. Your life experiences, financial circumstances, values, and education all have shaped your life. These differences between the Natural and Learned Behavior will provide powerful insights for you and your advisor to discuss as you craft your financial plan.

Your Natural vs. Learned Behaviors

Risk Behavior:

To what degree you will behaviorally take chances and also be able to tolerate the losses associated with higher levels of risk. Higher scores are associated with higher risk takers.

98 | 97
Natural | Learned

Your Natural Instincts
Risk taker and tolerant of losses

Note:
Your preference to risk is consistent in both the Natural and Learned Behavior Discoveries

Financial Relationship Management:

To what degree and which areas the investor wishes to rely on professional advice and expertise. Higher scores indicate the more time and energy the client wishes to spend working with and managing the professionals, this is often also loosely correlated with how relationship oriented the client will tend to be in measuring the success of the relationship.

33 | 50
Natural | Learned

Your Natural Instincts
Prefers to maintain control of decisions and results driven

Note:
Significant Difference:
Discuss with your advisor how your service preferences may have changed over time.

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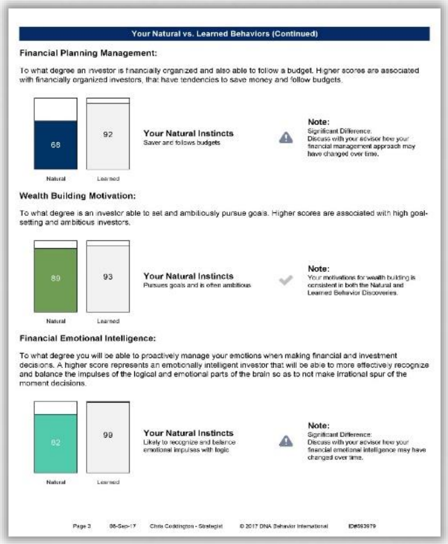

Your Natural vs. Learned Behaviors (Continued)

Financial Planning Management:

To what degree an investor is financially organized and also able to follow a budget. Higher scores are associated with financially organized investors, that have tendencies to save money and follow budgets.

68 | 92
Natural | Learned

Your Natural Instincts
Saver and follows budgets

Note:
Significant Difference:
Discuss with your advisor how your financial management approach may have changed over time.

Wealth Building Motivation:

To what degree is an investor able to set and ambitiously pursue goals. Higher scores are associated with high goal-setting and ambitious investors.

89 | 93
Natural | Learned

Your Natural Instincts
Pursues goals and is often ambitious

Note:
Your motivations for wealth building is consistent in both the Natural and Learned Behavior Discoveries.

Financial Emotional Intelligence:

To what degree you will be able to proactively manage your emotions when making financial and investment decisions. A higher score represents an emotionally intelligent investor that will be able to more effectively recognize and balance the impulses of the logical and emotional parts of the brain so as to not make irrational spur of the moment decisions.

82 | 99
Natural | Learned

Your Natural Instincts
Likely to recognize and balance emotional impulses with logic

Note:
Significant Difference:
Discuss with your advisor how your financial emotional intelligence may have changed over time.

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Financial DNA

The 5 Key Financial Performance Areas
Application for Decision-Making Improvement

Financial Performance Area	Definition	Financial Performance Goal	Financial Performance Struggle
Risk Behavior	Emotional capacity to make financial and investment decisions which lead to higher returns	Set appropriate boundaries for making committed decisions	Over or under confidence
Relationship Management	Preference for how you wish to be related to and managed in the financial planning process	Building trust for open discussion	Lack of open communication
Financial Planning Management	Preference for managing the financial planning process and making decisions	Follow a structured planning and review process	Lack of a written plan which is followed
Wealth Building	Motivation to build wealth through investments	Build an investment portfolio that you understand and are comfortable with	Not having a clear investment strategy to meet your goals
Financial Emotional Intelligence	Ability to proactively manage emotions in making decisions	Maintaining emotional balance	Over-reacting to market events

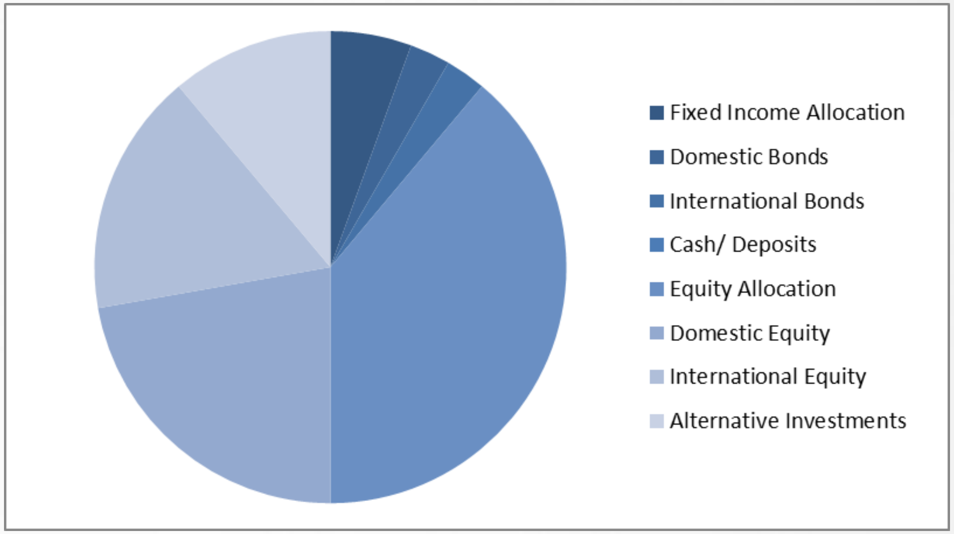
Asset Allocation Determined by Firm Based on Country, Client Goals, Capacity, Risk Profile, Policies

Indicative Standard USA Investment Portfolio Attributes for All Groups (Defined by Firm not DNA Behavior)

Portfolio Risk Group	**Group 1**	**Group 2**	**Group 3**	**Group 4**	**Group 5**	**Group 6**	**Group 7**
Capital Appreciation Portfolio:	**Capital Protection**	**Ultra-Conservative**	**Conservative**	**Balanced**	**Accumulation**	**Growth**	**Aggressive**
Defensive (Cash and Bonds)	90%	80%	60%	50%	40%	20%	10%
Growth (Equities)	10%	20%	40%	50%	60%	80%	90%
Fixed Income Allocation	**90%**	**80%**	**60%**	**50%**	**40%**	**20%**	**10%**
Domestic Bonds	45%	40%	25%	20%	15%	10%	5%
International Bonds	0%	10%	10%	10%	10%	5%	5%
Cash/ Deposits	45%	30%	25%	20%	15%	5%	0%
Equity Allocation	**10%**	**20%**	**40%**	**50%**	**60%**	**80%**	**90%**
Domestic Equity	10%	20%	30%	35%	40%	50%	55%
International Equity	0%	0%	10%	15%	20%	30%	35%
Strategic Portfolio: Alternative Investments	**0%**	**0%**	**0%**	**0%**	**5%**	**15%**	**25%**
Operating Portfolio: (Cash, Short Term Bonds)	**100%**						
Investment Style: Passive vs Active	**100% Passive**	**100% Passive**	**100% Passive**	**100% Passive**	**75% Passive**	**65% Passive**	**50% Passive**

Behavioral Investment Portfolio
Based on Overall Risk Profile Group 7

Fixed Income Allocation	**10%**
Domestic Bonds	5%
International Bonds	5%
Cash/ Deposits	0%
Equity Allocation	**70%**
Domestic Equity	40%
International Equity	30%
Alternative Investments	**20%**
Total Asset Allocation	**100%**



The Behavioral Investment Portfolio is an indicative model only, and will be varied by each firm globally based on their markets and investment policies

Goals Based Behavioral Portfolio Design
A Strategic Approach Based on Needs and Wants

1. Strategy Allocation

- 3 Portfolio Buckets with $$$ based on goals (needs and wants), financial ability and Risk Profile
- Different Portfolio Risk Profile Grouping for each Bucket

2. Asset Allocation

- Asset Allocation determined for each Portfolio Bucket
- Passive vs Active Investing Style varies for each Bucket depending on Portfolio Risk Grouping and Capacity

Goals-Based Behavioral Portfolio Design

Strategy Allocation

3 Portfolio Buckets

A "Mental Accounting" Approach

Operating Portfolio ("Preservation")	Capital Appreciation ("Accumulation")	Strategic Portfolio ("Speculative")
Preserve principal, generate income and minimize volatility.	Manage volatility but focus on appreciation to generate future purchasing power for building retirement capital (long term needs).	Designed to meet special objectives, generate high returns or cash flow and are less liquid.
Amount: Min 6 to 12 months cash for daily activities (short term needs and wants), up to 3 to 5 years cash for Retired Person.	Amount: 5 to 10 year horizon.	Amount: Long-term horizon and can be lost without retirement damage (long term wants).
(Risk Portfolio Grouping 1)	(Risk Portfolio Grouping 2 to 7)	(Risk Portfolio Grouping 5 to 7).

Subject to level of capital and investment experience, education

Financial DNA

Exercise:
Building the Risk Profile

Using the graphs from the Financial DNA Natural Behavior Summary Report and the DNA Financial Performance Report of the client imagine you are finalizing their financial plan and IPS.

1. Identify how you would predict the client's risk taking over the longer term based on their natural behavior.
2. Identify the client's risk taking in the current circumstances based on their current learned behavior.
3. What do you believe may be influencing their current financial and investment decision-making mind-set?
4. How would you guide the client to address the differences between their predicted natural behavior and the their current learned financial behavior?
5. What "Risk Profile" would you recommend to the client for their investment portfolio – **update the last line item on the IPS Table from the DNA Behavioral Management Guide report**?

Don Spring:
Risk Behavior Gap

Risk Behavior Gap

	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7
Pop. % in this category	<2%	2-18%	**19-30%**	31-69%	70-81%	82-98%	>98%
Portfolio Structure	Capital Protection	Ultra-Conservative	**Conservative**	Balanced	Accumulation	Growth	Aggressive

Natural Risk Behavior

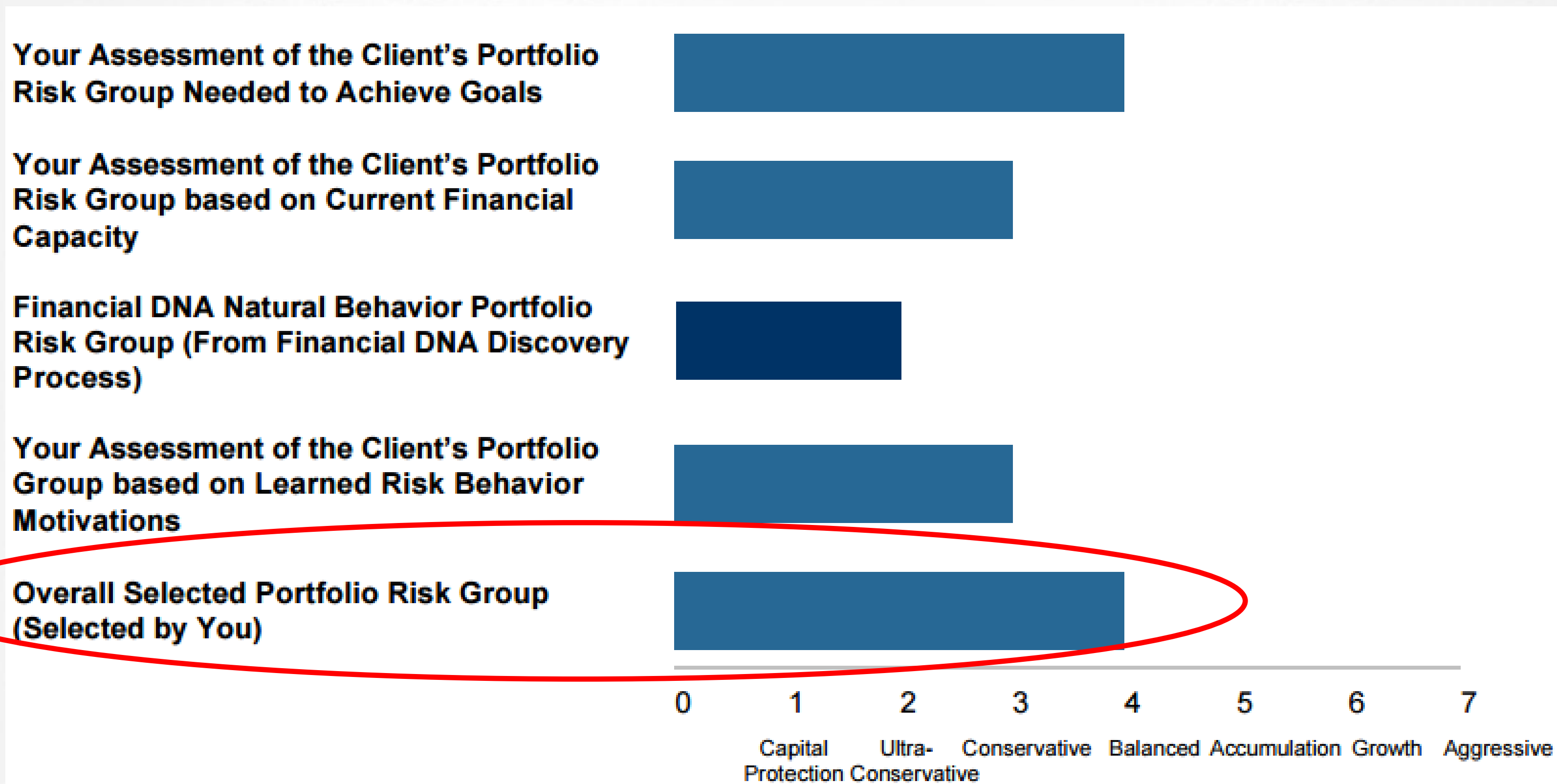
Learned Risk Behavior

Difference caused by:
Desire to achieve financial goals
Motivation for planned giving

Financial DNA

Client: Don Spring

IPS Table - DNA Behavioral Management Guide



Max Speed:
Risk Behavior Gap

Risk Behavior Gap

	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7
Pop. % in this category	<2%	2-18%	19-30%	31-69%	70-81%	**82-98%**	>98%
Portfolio Structure	Capital Protection	Ultra-Conservative	Conservative	Balanced	Accumulation	**Growth**	Aggressive

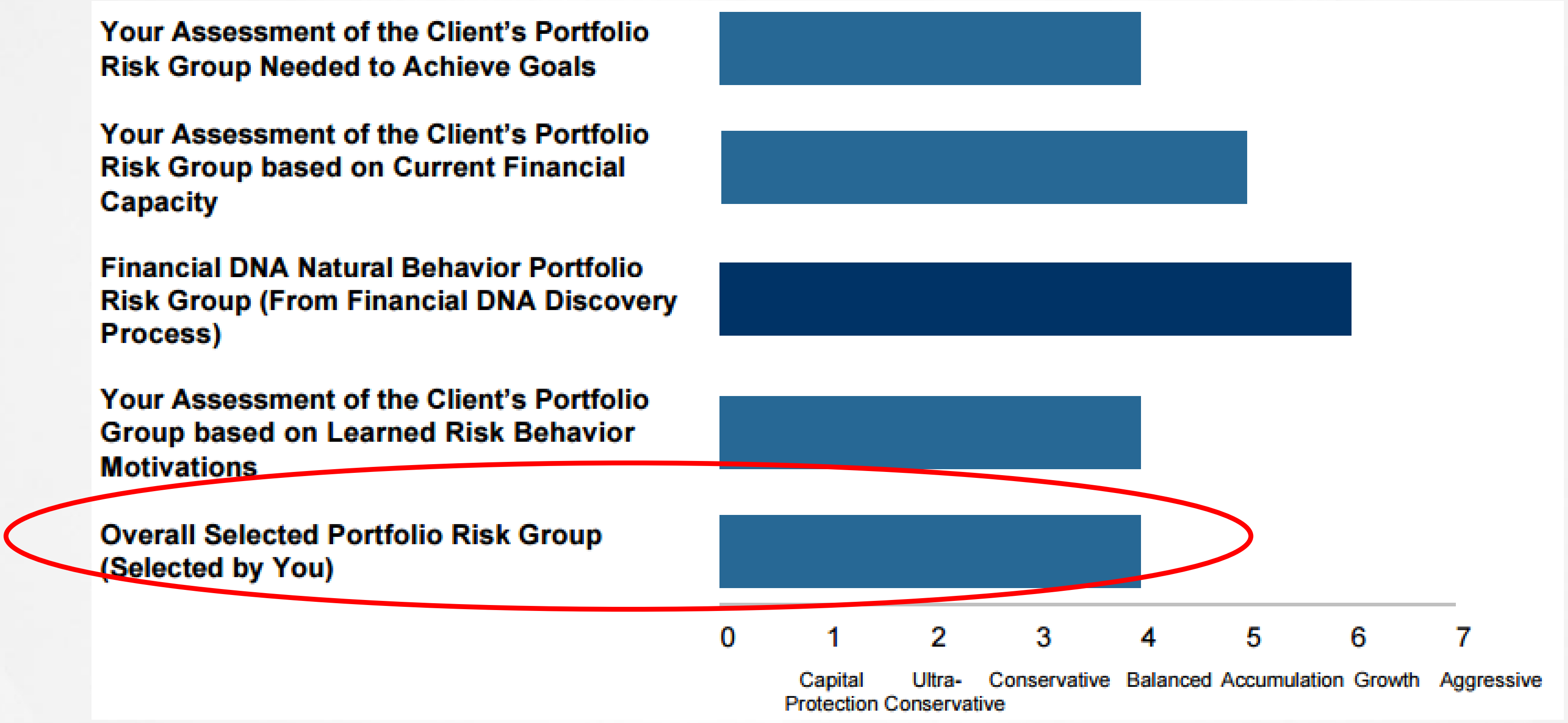
Learned Risk Behavior

Natural Risk Behavior

Difference caused by:
Lack of confidence in financial markets
Fear of not having enough cash due to early career poor decisions

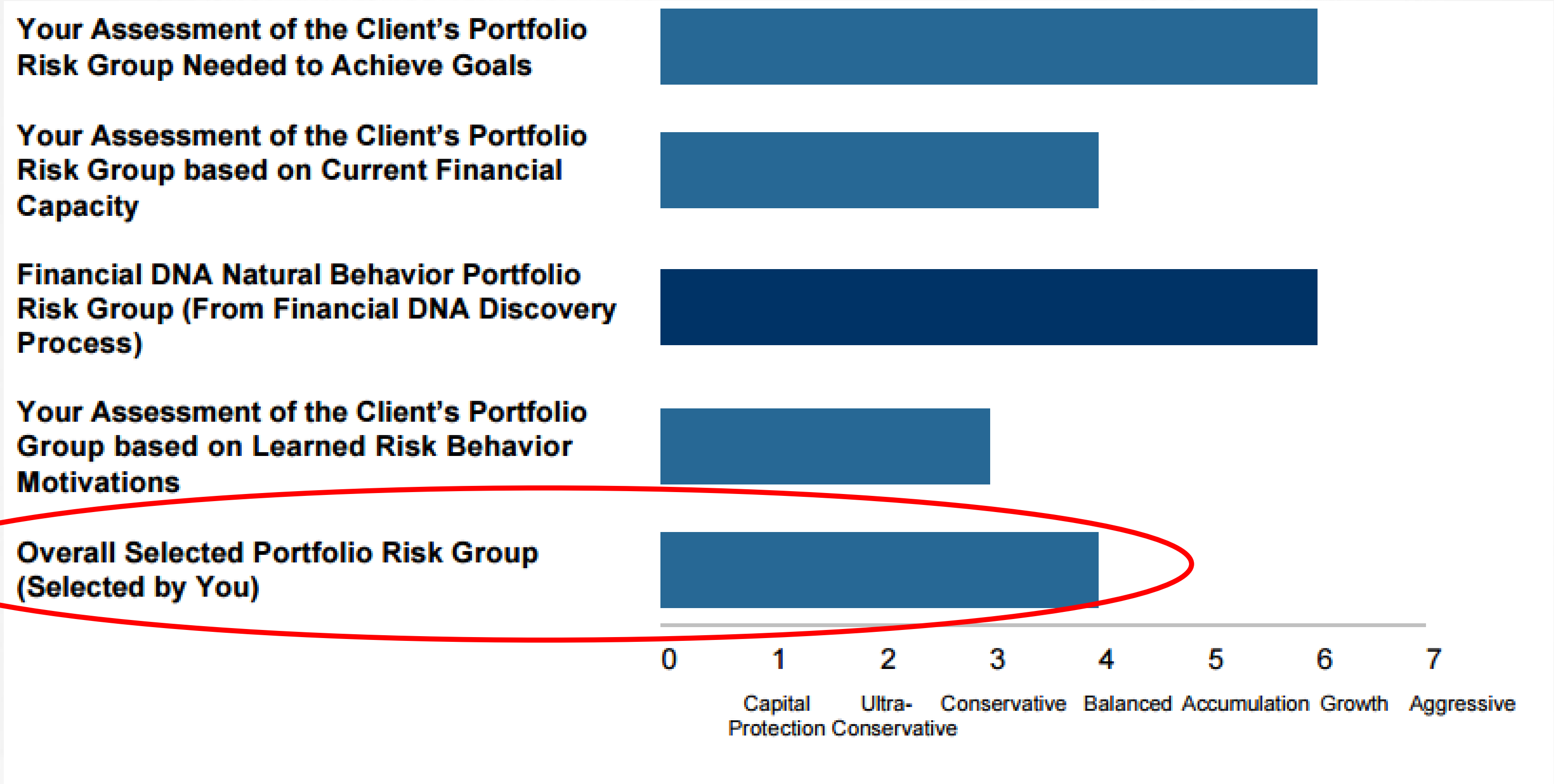
Client: Max Speed

IPS Table - DNA Behavioral Management Chart



Financial DNA

Client: Mike Tudor
IPS Table - DNA Behavioral Management Chart



Financial DNA

Penny Martin:
Risk Behavior Gap

Risk Behavior Gap

	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7
Pop. % in this category	<2%	2-18%	19-30%	31-69%	70-81%	82-98%	>98%
Portfolio Structure	Capital Protection	Ultra-Conservative	Conservative	Balanced	Accumulation	Growth	Aggressive

Natural Risk Behavior

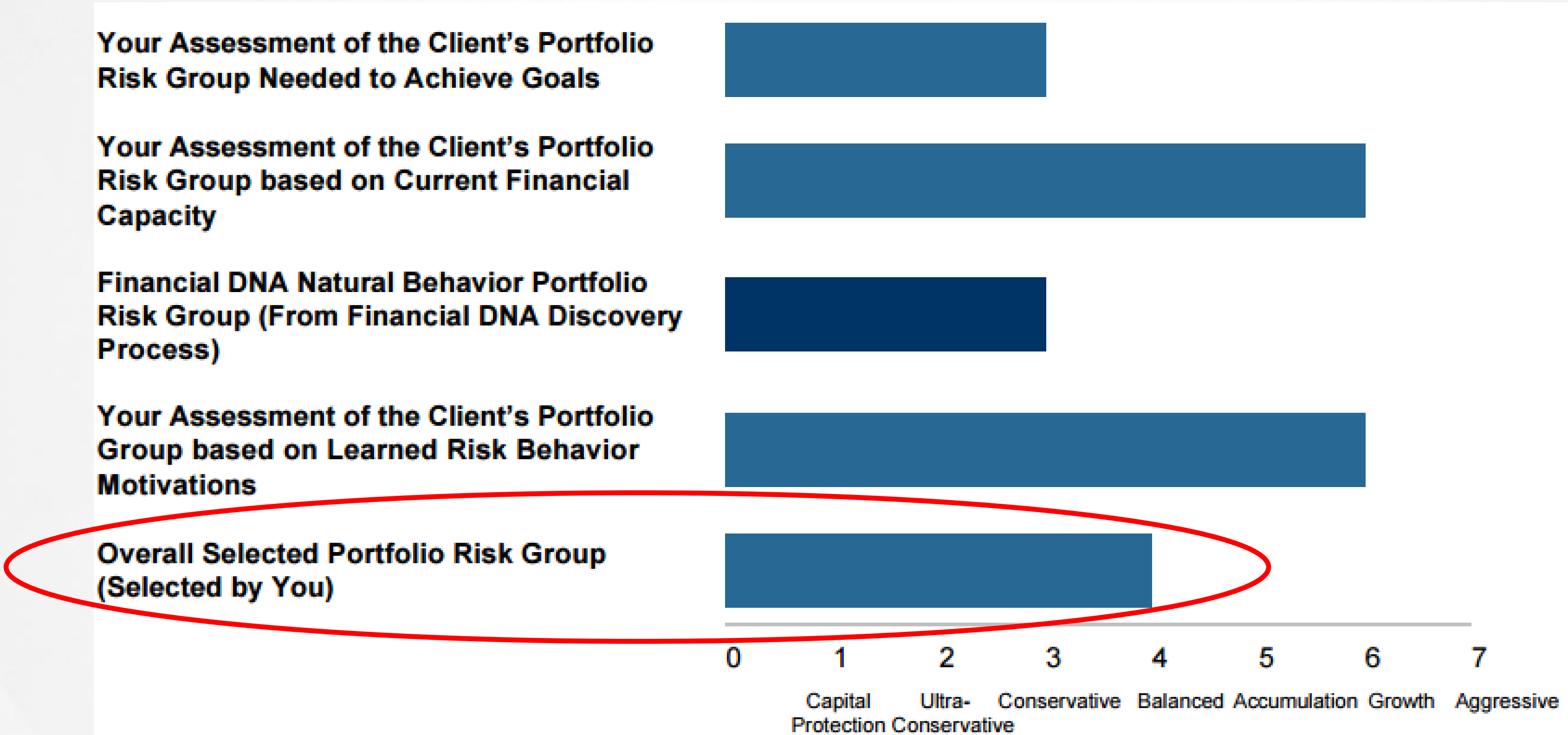
Learned Risk Behavior

Difference caused by:
Desire to carry on her husband's wealth creation plan's
Belief inherited wealth can be risked to create more

Financial DNA

Client: Penny Martin

IPS Table - DNA Behavioral Management Chart



Financial DNA

Exercise: Clients in Pre-Retirement Planning

Demonstrating Different Risk Profiles

Key Investment Risk Elements Individually Measured	Don Spring (Community Builder)	Max Speed (Initiator)	Mike Tudor (Influencer)	Peter Madden (Strategist Style – Do-It Yourself Investor)
Advisor Assessment **of Current Portfolio Risk Group**	6	7	7	7
Client Assessment of **Current Risk Preference**	5	5	5	5
Risk Need to Achieve Goals	4	4	6	3
Risk Capacity to endure the risks of portfolio losses	3	5	4	6
Natural Behavior Portfolio Risk Group (Propensity and Tolerance)	2	6	6	3
Loss Aversion likelihood to maintain investments in down markets and not crystalize losses	3	6	7	4
Learned Behavior Portfolio Risk Group (Environment, Experiences, Education)	3	4	3	6
Overall Risk Profile based on aggregate of the above factors for achieving goals	4	4	4	4
Risk Profile to Risk Need Difference Gap	0	0	-2	+1

Behaviorally SMART™ Decisions:

Investment Management

Financial DNA®

Investment Management Tactics
Manage the Buying and Selling“ Tug of War”

1. Investors make or lose most of their performance on selling rather than buying.
2. How are your unique set of behavioral traits and skills oriented to buying and selling?

- Buying is more rational – based on objective and rigorous analysis looking forward – driven by information advantage
- Selling is more susceptible to behavioral influences – 81% of decisions based on judgement looking backwards.

Financial DNA

Top Selling Shortcomings to Manage

Which Biases Have Caused You to Lose Performance Alpha?

4. Regret Aversion – Not adding to winners when they take-off

3. Disposition Effect – Holding losers for too long

2. Risk Aversion – Selling young winners too early

1. Loss Aversion (Endowment Effect) – Holding winners too long

Under Performance

Portfolio Management Style
Passive vs Active

Passive – Market based ETF/index funds

Active – Specific trading strategies to outperform market relying on manager judgement and governance

Smart Beta Primer – Hybrid between Passive and Active

Financial DNA

Passive vs Active Investing
What is the Optimal Approach?

83% of Actively Managed Funds Under Perform

1. Active investing inherently carries more market, tax and emotional risk.
2. The market risk is increased with strategies designed to shoot for long-term winners.
3. Many of the funds are: (i)too large in AUM, (ii) have too many positions, (iii) over-traded, (iv) anchored to a benchmark and, (v) have style drift.
4. The success of picking of winners is submerged with bad positions by 3:1.
5. However, recognize the stock market produces positive returns in 60% of markets.

Behavioral Portfolio Management Solution:

Pure Passive Portfolio, or

Behavioral Portfolio Management using algorithms to master human and emotions

Behavioral Portfolio Management Strategy
Eliminate Emotions

100% Emotion Elimination

Pure Passive

Active Funds Management Based on Style Grids

Pure Active

No Bias- ETF/ Index Funds Achieving Market Performance

Human Emotions Driving Price Distortion and Variable Performance
- Hedge Funds
- Long/Short
- Smart Beta Primer

No Bias - Algorithm Driven Funds Capitalizing on Emotion Driven Price Distortions (Objective: 4% to 6% > market)

Active Behavioral Portfolio Management
For Enhanced Performance and Risk Mitigation

Eliminate Investment Style Drift – Consistency to strategy:

Consistent Pursuit - using systematic rules based approach

Narrow Strategy – exceptional investing ideas (quality ideas) at fair market value

High Conviction - more aggressive in times of fear, and caution in exuberance

Invest in highest return asset classes

Balanced fund management teams

Portfolio simplicity

91% Diversified: 10 positions in highest return asset classes

Dividend yield eg 4%

Set a PE Yield eg <15, 20

Strong bank debt servicing; high credit rating

Buy when underpriced but there is some momentum

Use dollar cost averaging

No emotional attachment to brand, management names, price paid

Avoid highly leveraged products

Be patient with short term losses

Behaviorally SMART™ Decisions:
Client Behavioral Management

Financial DNA®

Behaviorally SMART™ Investing

Recognize Behavior Drives Investment Returns

Investor and Advisor Behavioral (Emotional) Management + Market Returns = Investor Performance

The Problem for Investors is Themselves

Measuring the Investment Performance Gap

Warren Buffet's life-time returns are only on average 2.4% over the S&P 500

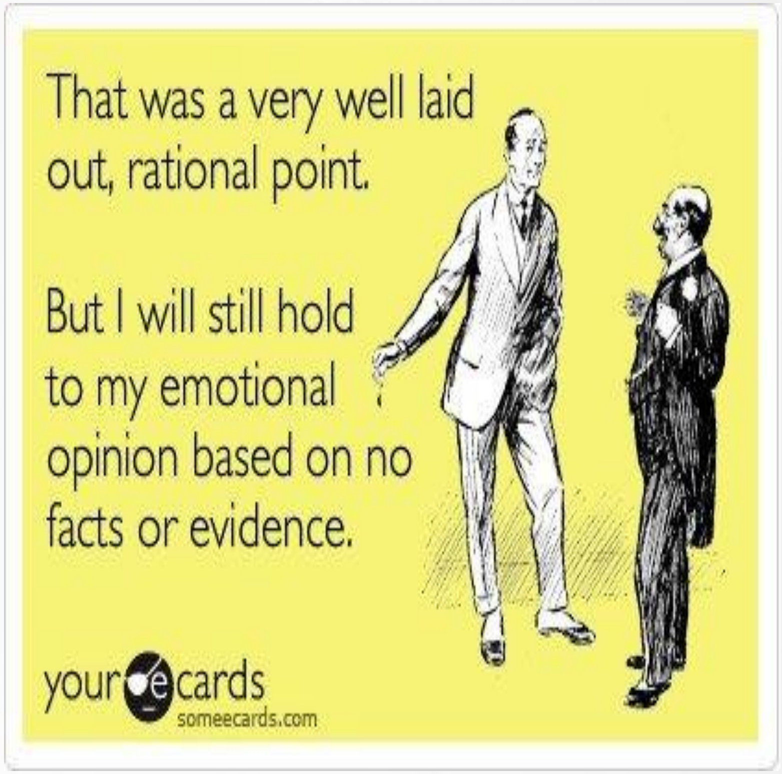
1. Human behavior causes an inherent **"Investment Performance Gap"** between market and actual investor performance.
2. 2014 DALBAR Research shows the average cost of Investor behavior is 7.45% over 30 years.
3. For professional investment managers the cost is 1% to 3% a year.

Financial DNA

The Role of Financial Advisors

Preventing Clients Getting In Their Own Way

1. Help the client build a customized plan to achieve their life and financial goals for living a Quality Life.
2. Close the Investment Performance Gap of 7.45% per annum (Dalbar) by stopping clients selling at market bottom
3. Use "baked-in" processes to "nudge" the client toward their goals; less emphasis on changing them with education.
4. Keep the client reminded of the plan and provide confidence throughout the journey.
5. Manage client in-the-moment reactions and prevent them from returning to long-held beliefs that may hurt achieving their goals.



Financial DNA

Clients Want a Trusted Advisor
Delivering a Customized Experience

Clients want a unique experience based on their:

1. Financial Personality, including their risk attitudes, biases and emotions
2. Complex circumstances and objectives being understood
3. Stage of life – wealth accumulation or preservation
4. Taxation position
5. Level of desire to be actively involved in decision-making
6. Communication and information flow needs

Financial DNA

Behavioral Management of Investors (and Self)
Understand Financial Personality Drivers

1. Firstly, understand the influence of your own biases and emotions on client decision-making.

2. Understand the behavioral biases and emotions driving the irrational responses of your clients to:

- Match the client's style to the investment solutions offered.
- Re-frame information in a way that will increase the likelihood that the client will stick with their plans.
- Better speak to the client's feelings to get change – communicate on the clients terms.
- Provide real time behavioral coaching to keep the client comfortable.

Financial DNA

Specific Communication Tactics With Investors

Re-Framing the Message

1. Discuss portfolio performance during annual reviews rather than in times of volatility.

2. To have higher impact with the client, re-frame the losses discussion to:

How would you feel if you lost $XX, rather than %YY of your portfolio?

3. Keep the client focused on their personalized goals rather than distracting benchmarks:

If we helped you achieve your goals but made returns below the S&P 500, would you be satisfied?

If we made returns above the S&P500, but did not achieve your goals, would you be satisfied?

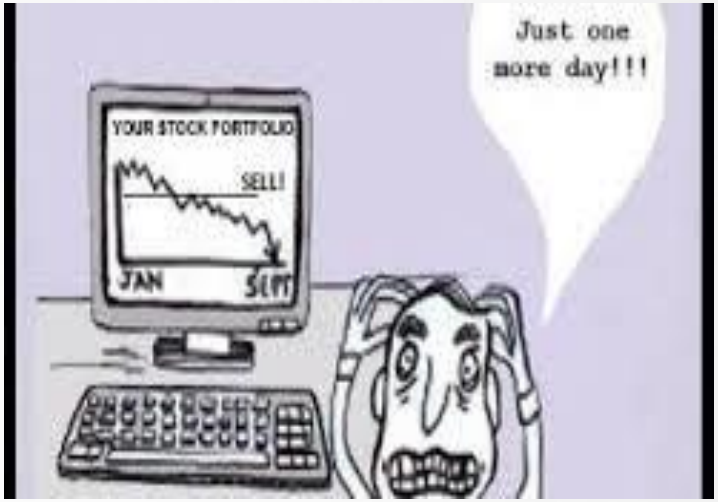
Managing Investor Imperfect Decision-Making

Biases to Monitor

1. **Spontaneity** needs to be managed - stay disciplined, think through things before investing
2. **Newness** – there can be no difference between staying with tried and tested investments versus the latest trend
3. **Over trading** has the potential to sell and buy at the wrong time, and increase costs; Trading generates up to 7.45% less returns than buy-hold strategies.
4. Volatility can deliver opportunities if managed without **over confidence**
5. Setting **benchmarks** can blinker decision-making
6. Fear is a trap and over reacting to negative information leads to **loss aversion**

Behavior Screws the Numbers
Key Points for Your Clients to Remember

1. Everyone's brain unconsciously interprets and perceives data that is particular to them.
2. Most people recall their recent experiences and respond emotionally. Generally, they will want more safety.
3. High spending will get in the way of achieving your goals and will require more portfolio risk.
4. More money is made from selling than buying assets
5. 95% of decision-making is automatically based on instincts. **Check yourself before you wreck yourself** using financial personality discovery.
6. Identify which pattern of motivations and intuitions consistently push you to success and comfort as they are to be followed. The decision- patterns that lead to losses are behavioral and they need to be managed.



Financial DNA

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