# Morningstar Risk Profiler: Risk Tolerance Results

## About Risk Tolerance

People usually cannot immediately describe their attitudes to risk, because it is not something that they generally think about. This profile helps to draw out those experiences, feelings and attitudes and guide you and your financial professional in your financial decision making.

Risk tolerance is a personal trait—partly down to genetics and partly down to life experiences. It is a "stable" part of our personality, which means that over time we tend to stay who we are.

Typically, risk tolerance does decrease slowly with age and may be changed by major life events, good or bad. This means that your risk tolerance should be retested every two or three years and also after any major life event.

Your risk tolerance test employs the FinaMetrica methodology, which is built using 'psychometrics,' a combination of psychology and statistics. The science of creating psychometric questionnaires is very complex, which is why it took many years of academic work to create and road-test this questionnaire. But the results are simple—you will get a clear and accurate 'picture' of exactly who you are and where you 'fit' on that scale of very conservative to high risk taker.

## Using Your Risk Tolerance Profile With Your Financial Professional

Your risk tolerance profile compares your answers to those given by a very large sample of the adult population and calculates a risk tolerance score and risk group for you.

Answers that differ from other people in your risk group should be discussed with your financial professional. Notes of this discussion, including modifications of, or expansions on, particular aspects of your report, should be signed-off by both you and your financial professional, to ensure you both have the same understanding of your risk tolerance.

Your financial professional will use your results to:

- Explain the risks that come with your financial decisions.
- Explore with you trade-offs that you might need to make between risk and return in order to help you achieve your financial goals.
- Help choose investments that are suitable for you.

To support you and your financial professional in selecting suitable investments, your risk score is adjusted based on the time horizon for your investment objective(s) and other available factors. The resulting Suitability Score is then mapped to a suitable investment profile. Ultimately, you and/or your financial professional have the final decision in determining your risk and investment profiles.

While we fully support the profile itself, we cannot endorse or support any specific decision you may make because we are not privy to all the other information that effective financial decision making requires. Think of your risk tolerance profile as the financial services equivalent of your blood pressure reading. While an accurate blood pressure reading does not, by itself, determine a diagnosis or treatment, it does provide critically important information. For more information about risk, risk tolerance and the FinaMetrica test, see the Risk Tolerance Disclosure Statement and Footnotes at the end of this report.

# Morningstar Risk Profiler: Risk Tolerance Results

## Here's how you scored compared to other investors.

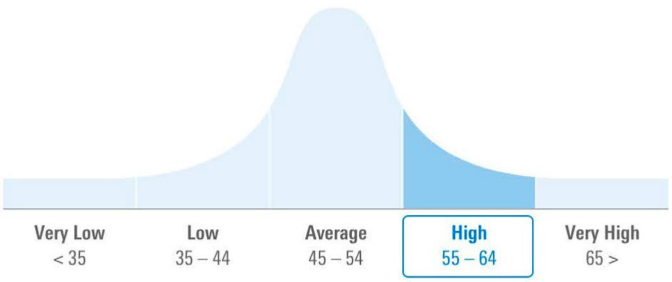
**Calculated Score**

58

As of Apr 20, 2020

**Risk Group**

High




Your score is 58 out of 100, which is higher-than-average and higher than 77% of all scores.

When scores are graphed they form a bell-curve. To make the scores more meaningful, the 0 to 100 scale has been divided into five risk groups. Your score places you in the High risk group.

**Agreed Score**

You and your financial professional agree that the score below accurately reflects your risk tolerance.

| | |
|---|---|
| ○ Calculated Score: | 58 |
| ◉ Suggested Score:<br>Based on how some of your answers differed from other in your risk group. | 59 |
| ○ Custom Score: | N/A<br>No additional comments entered. |

### About Your Risk Group

Investors in the High risk group are only prepared to take a medium degree of risk with their financial decisions.

When faced with a major financial decision most are usually more concerned about the possible gains while some are usually more concerned about the possible losses. It is somewhat to much more important that the value of their investments retains its purchasing power than that it does not fall. For some, a fall of 20% in the total value of their investments would make them feel uncomfortable but for others it would take a fall of 33%. Given the portfolios here, they prefer Portfolio 4 or 5, more likely Portfolio 4.

**Mix of Investments in Portfolio**

| | High Risk/ Return % | Medium Risk/ Return % | Low Risk/ Return % |
|---|---|---|---|
| Portfolio 1 | 0 | 0 | 100 |
| Portfolio 2 | 0 | 30 | 70 |
| Portfolio 3 | 10 | 40 | 50 |
| Portfolio 4 | 30 | 40 | 30 |
| Portfolio 5 | 50 | 40 | 10 |
| Portfolio 6 | 70 | 30 | 0 |
| Portfolio 7 | 100 | 0 | 0 |

### Your Differences

It is not uncommon for some of the answers given in the risk tolerance questionnaire to differ from those typically given by people with similar risk tolerance. Sometimes the difference indicates more risk tolerance and sometimes less.

| | | Very Low | Low | Average | High | Very High |
|---|---|---|---|---|---|---|
| Q1 | **Self-Rating**<br>Compared to others, how do you rate your willingness to take financial risks?<br><br>Extremely low risk taker.<br>Very low risk taker.<br>**Low risk taker.**<br>Average risk taker.<br>High risk taker.<br>Very high risk taker.<br>Extremely high risk taker. | | | | ● | |



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# Morningstar Risk Profiler: Risk Tolerance Results

## Here's how you scored compared to other investors.

Very Low | Low | Average | High | Very High

**Q2 Adaptability**

How easily do you adapt when things go wrong financially?

- Very uneasily.
- Somewhat uneasily.
- **Somewhat easily.**
- Very easily.

**Q3 Meaning of Risk**

When you think of the word "risk" in a financial context, which of the following words comes to mind first?

- Danger.
- Uncertainty.
- **Opportunity.**
- Thrill.

**Q4 Losses vs. Gains**

When faced with a major financial decision, are you more concerned about the possible losses or the possible gains?

- **Always the possible losses.**
- Usually the possible losses.
- Usually the possible gains.
- Always the possible gains.

Your answer was actually less risky than the least risky answer typically given in the Very Low risk group.

**Q5 Current Risk-Taking**

What degree of risk are you currently prepared to take with your financial decisions?

- Very small.
- Small.
- **Medium.**
- Large.
- Very large.

**Q6 Reinvest**

Suppose that 5 years ago you bought stock in a highly regarded company. That same year the company experienced a severe decline in sales due to poor management. The price of the stock dropped drastically and you sold at a substantial loss.

The company has been restructured under new management and most experts now expect it to produce better than average returns. Given your bad past experience with this company, would you buy stock now?

- Definitely not.
- Probably not.
- Not sure.
- **Probably.**
- Definitely.

# Morningstar Risk Profiler: Risk Tolerance Results

## Here's how you scored compared to other investors.

| | | Very Low | Low | Average | High | Very High |
|---|---|---|---|---|---|---|
| Q7 | Downside Comfort | | | | ● | |
| Q8 | Preferred Portfolio | | | ● | | |
| Q9 | Face vs. Real Value | | | | ● | |

**Q7 Downside Comfort**

Investments can go up or down in value and experts often say you should be prepared to weather a downturn. By how much could the total value of all your investments go down before you would begin to feel uncomfortable?

- Any fall would make me feel uncomfortable.
- 10%.
- **20%.**
- 33%.
- 50%.
- More than 50%.

**Q8 Preferred Portfolio**

Most investment portfolios have a mix of investments—some of the investments may have high expected returns but with high risk, some may have medium expected returns and medium risk, and some may be low-risk/low-return. (For example, stocks and real estate would be high-risk/high-return whereas cash and CDs (certificates of deposit) would be low-risk/low-return.)

Which mix of investments do you find most appealing? Would you prefer all low-risk/low-return, all high-risk/high-return, or somewhere in between?

**Mix of Investments in Portfolio**

| | High Risk/ Return % | Medium Risk/ Return % | Low Risk/ Return % |
|---|---|---|---|
| Portfolio 1 | 0 | 0 | 100 |
| Portfolio 2 | 0 | 30 | 70 |
| **Portfolio 3** | **10** | **40** | **50** |
| Portfolio 4 | 30 | 40 | 30 |
| Portfolio 5 | 50 | 40 | 10 |
| Portfolio 6 | 70 | 30 | 0 |
| Portfolio 7 | 0 | 100 | 0 |

**Q9 Face vs. Real Value**

With some types of investment, such as cash and CDs (certificates of deposit), the value of the investment is fixed. However, inflation will cause the purchasing power of this value to decrease.

With other types of investment, such as stocks and real estate, the value is not fixed. It will vary. In the short term it may even fall below the purchase price. However, over the long term, the value of the stocks and real estate should certainly increase by more than the rate of inflation.

With this in mind, which is more important to you—that the value of your investments does not fall or that it retains its purchasing power?

- Much more important that the value does not fall.
- Somewhat more important that the value does not fall.
- **Somewhat more important that the value retains its purchasing power.**
- Much more important that the value retains its purchasing power.

# Morningstar Risk Profiler: Risk Tolerance Results

## Here's how you scored compared to other investors.

| | | Very Low | Low | Average | High | Very High |
|---|---|---|---|---|---|---|
| Q10 | **Downside Comfort**<br>Investments can go up or down in value and experts often say you should be prepared to weather a downturn. By how much could the total value of all your investments go down before you would begin to feel uncomfortable?<br>▸ Any fall would make me feel uncomfortable.<br>▸ 10%.<br>▸ **20%.**<br>▸ 33%.<br>▸ 50%.<br>▸ More than 50%. | | | | ● | |

# Portfolio Suitability

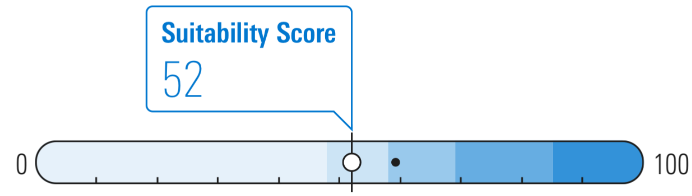
This is the Suitability Score, Investment Profile and target asset allocation that you and your financial professional have agreed to implement for you.

**Suggested Investment Profile**

Moderately Conservative

**Time Horizon**

4 Year




Given your Time Horizon and personal risk tolerance, we've calculated a Suitability Score to help recommend the most appropriate portfolio for your objective.

Although your risk tolerance score is 59, we suggest a Suitability Score limit of 52 due to your 4-year time horizon. Generally, a shorter time horizon suggests you should limit risk even if you'd be comfortable taking more.

- Conservative
- Moderately Conservative
- Moderate
- Moderately Aggressive
- Aggressive
- • Risk Tolerance

**Ultra Conservative** 0-25

An all-cash portfolio may be appropriate for those who demonstrate very low to no tolerance for risk or have very short time horizons. Such a portfolio, which may include CDs, savings, or money market accounts, may pay a small rate of return or interest rate, and is generally not expected to lose nominal value. However, particularly for time periods greater than five years, these returns may underperform the returns achievable from a higher-risk approach and may not keep up with inflation.

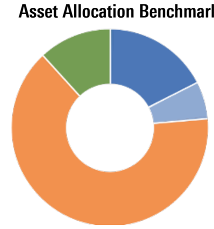
**Asset Allocation Benchmark**

| Asset Class | % |
|---|---|
| US Stocks | 0.00 |
| Non-US Stocks | 0.00 |
| Bonds | 0.00 |
| Cash | 100.00 |
| Other | 0.00 |
| **Total** | **100.00** |

**Conservative** 26-41

The typical conservative portfolio is heavily invested in the risk-averse areas such as cash and fixed-income securities. This approach seeks to offer a high degree of stability and should minimize the chances of substantial short-term volatility. The overall return, while not guaranteed, should fall within a narrow range of possibilities. However, particularly for time periods greater than five years, these returns may underperform the returns achievable from a higher-risk approach.

**Asset Allocation Benchmark**

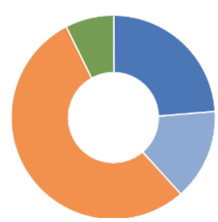


| Asset Class | % |
|---|---|
| US Stocks | 17.00 |
| Non-US Stocks | 5.50 |
| Bonds | 69.00 |
| Cash | 8.50 |
| Other | 0.00 |
| **Total** | **100.00** |

**Moderately Conservative** 42-53

The typical moderately conservative portfolio is invested primarily in risk-averse areas such as cash and fixed-income securities with less exposure to equities. This approach concentrates on stability rather than maximizing return and should limit the chances of substantial short-term volatility. The overall return, while not guaranteed, should fall within a relatively narrow range of possibilities. However, particularly for time periods greater than five years, these returns may underperform the returns achievable from a higher-risk approach.

**Asset Allocation Benchmark**



| Asset Class | % |
|---|---|
| US Stocks | 28.50 |
| Non-US Stocks | 11.50 |
| Bonds | 54.00 |
| Cash | 6.00 |
| Other | 0.00 |
| **Total** | **100.00** |

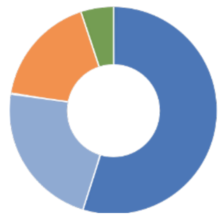
**Moderate** 54-64
The typical moderate portfolio includes investment in equities, balanced by exposure to more risk-averse areas of the market such as cash and fixed-income securities. This approach aims to achieve a balance between stability and return but is likely to involve at least some short-term volatility. The overall return is not guaranteed, although the range of possible outcomes should not be extreme. In most circumstances, particularly for time periods greater than five years, these returns should outperform the returns achievable from a more conservative approach but may underperform the returns achievable from a higher-risk approach.

**Asset Allocation Benchmark**

| Asset Class | % |
|---|---|
| US Stocks | 47.50 |
| Non-US Stocks | 12.50 |
| Bonds | 34.50 |
| Cash | 5.50 |
| Other | 0.00 |
| **Total** | **100.00** |

**Moderately Aggressive** 65-76
The typical moderately aggressive portfolio is invested primarily in equities. This approach concentrates on achieving a good overall return on the investment while avoiding excessive exposure to the most speculative areas of the market. Significant short-term fluctuations in value can be expected. The eventual return for the time period over which the money is invested could fall within a relatively wide range of possibilities. In most circumstances, particularly for time periods greater than five years, these returns should outperform the returns achievable from a more conservative approach.

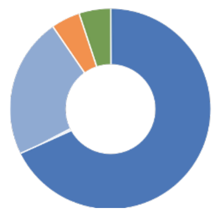
**Asset Allocation Benchmark**



| Asset Class | % |
|---|---|
| US Stocks | 56.00 |
| Non-US Stocks | 21.50 |
| Bonds | 18.00 |
| Cash | 4.50 |
| Other | 0.00 |
| **Total** | **100.00** |

**Aggressive** 77-100
The typical aggressive portfolio is invested almost entirely in equities and will include exposure to more speculative areas of the market. The aim is to maximize return while accepting the possibility of large short-term fluctuations in value and even the possibility of longer-term losses. The eventual return for the time period over which the money is invested could fall within a wide range of possibilities. In most circumstances, particularly for time periods greater than 10 years, the return should outperform the returns achievable from a more conservative approach.

**Asset Allocation Benchmark**



| Asset Class | % |
|---|---|
| US Stocks | 69.00 |
| Non-US Stocks | 23.50 |
| Bonds | 3.50 |
| Cash | 4.50 |
| Other | 0.00 |
| **Total** | **100.00** |

# Risk Tolerance Disclosure Statement

The accompanying Risk Tolerance report confirms the responses that you gaveto the Morningstar Profiler Risk Tolerance Questionnaire that was administered by your financial professional, and summarizes the result of your responses. Your financial professional or their associated financial institution has the ability to override the result to present you with a more appropriate result thataccounts for additional information or considerations not accounted for in the risk tolerance assessment.

Although the scoring is objective, subjectivity cannot be completely eliminated using such planning tools. There is no guarantee that the risk assessment tool orits scoring accurately assessed your tolerance to risk. In addition, although the financial professional may have directly or indirectly used the results of this questionnaire to determine a suggested asset allocation, there is no guarantee that the asset mix appropriately reflects your ability to withstand investment risk or will result in an appropriate allocation for your specific situation. There is no guarantee that an asset allocation benchmark is appropriate for your specific situation, or will be an effective means of achieving your financial goals. There is no guarantee that a particular return or dollar amount will be achieved.

An "asset allocation" is the decision of how much to invest in each investment category, or "asset class." Examples of broad asset classes include U.S. stocks, non-U.S. stocks, bonds, and cash:

U.S. Stocks: Common equity shares of companies domiciled in the U.S.

Non-U.S. Stocks: Common equity shares of companies domiciled outside of the United States.

Bonds: Fixed-income securities issued by companies and governments.

Cash: Cash and fixed-income securities with maturities of less than a year.

**Asset Allocation Benchmarks**

The asset allocation benchmarks in this report reflect the broad asset class exposure of Morningstar's Target Allocation Index family and are examples shown for informational purposes only. In determining your personal asset allocation, you should consider your ability to handle market volatility--financially and/or emotionally, your financial needs and goals, the expected market behavior of the various asset classes, and other factors.

The asset allocation benchmarks include allocations to several different asset classes. While allocations to multiple asset classes can reduce risk, risk cannot be completely eliminated with diversification. There is no guarantee that the identified mix of asset classes will eliminate risk, reduce your current exposure to risk, or manage your exposure to risk in a way that is tolerable for you.

Investors should note that security implementation decisions that must be made in implementing a particular asset allocation may have a significant effect on the actual risk and return results for a portfolio of securities.

Prior to investing in a specific fund or variable annuity or variable life subaccount, you must be provided a current prospectus. Morningstar is not a FINRA member firm.

**Limitations**

The accuracy of any analysis is contingent upon the appropriateness and accuracy of the assumptions. Not all potentially relevant details about your personal or financial situation were collected or considered in the analysis. Unexpected changes in your situation and in market conditions may change actual results. Security implementation decisions may result in significantly different outcomes.

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**Risk Tolerance Footnotes**

**Risk, Risk Tolerance and Psychological Testing**

Risk means different things to different people - danger, uncertainty, opportunity, thrill. In reality, though, there is risk in any situation where there is more than one possible outcome and the outcomes have differing values for you.

We are all aware that, when it comes to taking risks, we each have our own comfort zone. We also know our friends, family members and colleagues oftenhave different comfort zones from our own.

Studies have identified five different categories of risk: financial, physical, social, health and ethical. Most people behave consistently within a categorybut not necessarily between categories, e.g. a sky-diver Is more likely to be amountain climber but may or may not be a comfortable public speaker or financial risk-taker.

People react differently to risk. Some are habitually inclined to reject it, others to accept it. Risk tolerance is best defined as the extent to which a person chooses to risk experiencing a less favorable outcome in the pursuit of a morefavorable outcome. It should be thought of as a continuum, with people ranging from risk- avoiders to risk-seekers. Your risk tolerance is not a particular point on that continuum but rather a range of risk levels with which you would be comfortable.

The whole issue of financial risk is a difficult one. On the one hand, low risk tolerance prevents many people from doing as well as they could financially. On the other, some of life's most unpleasant financial surprises arise because people were exposed to a level of risk beyond their comfort zone, i.e. beyond their risk tolerance. So, while we tend to focus on the dangers of taking too much risk, it is possible to have too little risk, which results in missed opportunities.

Unlike, say, height or weight, there is no unit of measurement for risk tolerance. A person's risk tolerance can only be measured relative to others on an artificial scale (in much the same way as IQ is measured.) Someone may know what risks they are, or are not, prepared to take. But they are unlikely to know how this compares to others.

Studies confirm that people generally do not accurately estimate their own risk tolerance (and, not surprisingly, given the difficulties in any communication about an intangible, that their financial professionals' estimates are less accurate than their own.) While the pattern of estimates is scattered, there is aslight overall tendency to under-estimate. A possible explanation for this is thatthe majority of the population is, in absolute terms, more risk-avoiding than it isrisk-seeking. Faced with a choice between a certain profit and an uncertain but probably larger profit, a sizeable majority chooses the certain (but probably smaller) profit. Someone who in absolute terms is slightly risk-averse may not realize that this is typical of the population as a whole.

An additional difficulty is that, even the meaning of "risk" can depend on the situation. When individuals talk about "risk" as they experience it in their personal financial affairs they are not talking about the same thing as investment researchers discussing the "risk" of an investment.

So, consumers (and their financial professionals) face a double challenge, firstly,in making an accurate and meaningful assessment of their tolerance of risk as they perceive it, and secondly, in expressing this assessment in such a way thatthe risk involved with their current arrangements, and in the decision alternatives now on offer to them, can be evaluated against their risk tolerance. All fields of human endeavor use measurement in some form, and each field has its own measuring tools measuring units and measuring disciplines. Risk tolerance is a psychological trait, as are other aspects of personality. A trait can be defined as any distinguishable, relatively enduring way in which one person varies from another.

Since the early 1900s, psychologists and statisticians have been developing techniques to measure and assess psychological traits. While this developmenthas not been free of controversy, there is now a widely accepted discipline, psychometrics, a blend of psychology and statistics, for psychological testing and assessment. The technical quality of any test can now be measured againstinternationally agreed psychometric standards. A 'good' test is one that is valid and reliable, i.e. it measures what it purports to measure and it does so consistently.

The Morningstar Profiler Risk Tolerance Test employs FinaMetrica's risk profiling methodology, which has been developed using the disciplines that apply to psychometric testing and the test itself exceeds international psychometric standards.

**Risk Tolerance Scoring Scale**

As with many other human attributes, risk tolerance is normally distributed.When graphed they follow its familiar bell curve.

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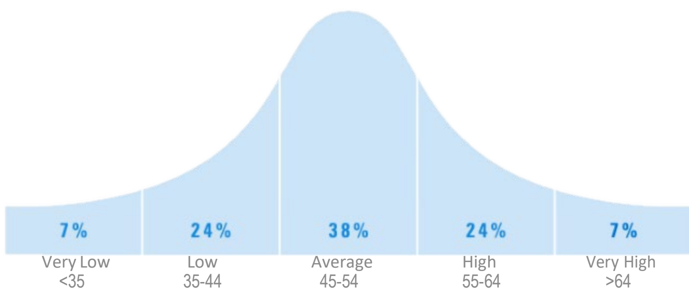


Because the mathematics of a Normal distribution are well defined, the interpretation of individual scores is greatly simplified. For example, it is possible to state with confidence the proportion of scores that will fall above or below a particular score, and also the proportion that will fall within a particular range of scores.

In order to aid understanding and interpretation, the ‘raw’ scores from the questionnaire have been ‘standardized’ to the FinaMetrica risk tolerance scale which has a Mean of 50 and a Standard Deviation of 10.

To further aid understanding and interpretation, the 0 - 100 scale has been divided into five segments - Very Low, Low, Average, High and Very High. The middle segment is the mean ± half a standard deviation, i.e. from 45 to 54. The segments either side are then a standard deviation higher or lower, with the end segments covering the balance of the high and low ‘tails’ of the distribution.

**Risk Group Descriptions & Differences**

A person’s risk group description, fine-tuned by any reported differences, provides the basis for comparing the risk involved with their current arrangements, and in any financial decisions being considered, against their risk tolerance.

The group descriptions allow you (and your financial professionals) to build a picture of what is typical for your group. The risk groups can be thought of as the equivalent of the standard clothing sizes where Average is Medium, High is Large, Low is Small, and so on. The risk group descriptions have been developed by analyzing how members of that group typically answer the questionnaire.

Of course, few people in a group will fit the group description precisely. Where a person gives a different answer, that answer is reported. Usually, someone will give about five different answers and so have five reported differences. The reported differences can be thought of as the equivalent of the tailoring adjustments needed to have one of the standard clothing sizes fit you precisely.

**The Development of the FinaMetrica System**

The FinaMetrica test had its beginnings with The Survey of Financial Risk Tolerance (SOFRT) authored by Dr. Michael J. Roszkowski, Associate Professor of Psychology at The American College, Bryn Mawr, PA. Dr. Roszkowski is an acknowledged expert in the relationships between psychological and financial variables, and continues to consult to FinaMetrica. The SOFRT was PC-based and used a 57-question questionnaire which took 30 minutes to complete.

FinaMetrica’s first development phase was a pre-licensing evaluation of the SOFRT system, completed late 1997, which involved, Australianizing the language of the SOFRT, inventing the seven-segment Risk Tolerance Scale and the risk group/differences reporting system, conducting usability and ‘norming’ trials, and establishing the Australian database.

The evaluation was successful in confirming Australian validity and reliability. But financial professionals and clients reported that the SOFRT system was too cumbersome and time-consuming to warrant the effort involved.

However, FinaMetrica could see how to overcome the shortcomings of the SOFRT. The second development phase, completed October 1998, became the creation of a new test and testing system which involved, developing questions with more perceived relevance and/or more usefulness in reporting and reduce the number of questions while maintaining psychometric integrity, the invention of a new, more precise scoring algorithm which allowed reliability/accuracy to be improved and the number of questions to be reduced from 57 to 25, the conducting of three further trials, and the establishment of the system on our website.

Psychological testing expertise was provided by Chandler & Macleod Consultants during the first phase and by Drs. Austin Adams and Jim Bright of the Applied Psychology Unit at the University of New South Wales during the second phase.

FinaMetrica has ongoing research relationships with academic institutions in Australia and elsewhere. The qualities of our test are monitored continuously. In 2011/12 our database of ~500,000 completed tests was analyzed in detail and the test was fine- tuned. In 2016/17 our test was fine-tuned again as our database grows. The test continues to exceed psychometric standards for tests of this type. During the most recent analysis, psychometric expertise was provided by Dr Myrsini Katsikatsou, Research Fellow at the London School of Economics, Department of Statistics.

The 10 question version of our test was developed from the 25 question version using standard psychometric techniques.

**Investment Risks**

International/Emerging Market Equities: Investing in international securities involve special additional risks. These risks include, but are not limited to, currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

Sector Strategies: Portfolios that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risks.

Non-Diversified Strategies: Portfolios that invest a significant percentage of assets in a single issuer involve additional risks, including share price fluctuations, because of the increased concentration of investments.

Small Cap Equities: Portfolios that invest in stocks of small companies involve additional risks. Smaller companies typically have a higher risk of failure, and are not as well established as larger blue-chip companies. Historically, smaller-company stocks have experienced a greater degree of market volatility that the overall market average.

Mid Cap Equities: Portfolios that invest in companies with market capitalization below $10 billion involve additional risks. The securities of these companies may be more volatile and less liquid than the securities of larger companies.

High-Yield Bonds: Portfolios that invest in lower-rated debt securities (commonly referred as junk bonds) involve additional risks because of the lower credit quality of the securities in the portfolio. The investor should be aware of the possible higher level of volatility, and increased risk of default.

Tax-Free Municipal Bonds: The investor should note that the income from tax-free municipal bond funds may be subject to state and local taxation and the Alternative Minimum Tax.

Bonds: Bonds are subject to interest rate risk. As the prevailing level of bond interest rates rise, the value of bonds already held in a portfolio decline. Portfolios that hold bonds are subject to declines and increases in value due to general changes in interest rates.

HOLDRs: The investor should note that these are narrow industry-focused products that, if the industry is hit by hard times, will lack diversification and possible loss of investment would be likely. These securities can trade at a discount to market price, ownership is of a fractional share interest, the underlying investments may not be representative of the particular industry, the HOLDR might be delisted from the AMEX if the number of underlying companies drops below nine, and the investor may experience trading halts.

Hedge Funds: The investor should note that hedge fund investing involves specialized risks that are dependent upon the type of strategies undertaken by the manager. This can include distressed or event-driven strategies, long/short strategies, using arbitrage (exploiting price inefficiencies), international investing, and use of leverage, options and/or derivatives. Although the goal of hedge fund managers may be to reduce volatility and produce positive absolute return under a variety of market conditions, hedge funds may involve a high degree of risk and are suitable only for investors of substantial financial means who could bear the entire loss of their investment.

Bank Loan/Senior Debt: Bank loans and senior loans are impacted by the risks associated with fixed income in general, including interest rate risk and default risk. They are often non-investment grade; therefore, the risk of default is high.

These securities are also relatively illiquid. Managed products that invest in bank loans/senior debt are often highly leveraged, producing a high risk of return volatility.

Short Positions: When a short position moves in an unfavorable way, the losses are theoretically unlimited. The broker may demand more collateral and a manager might have to close out a short position at an inopportune time to limit further losses.

Long-Short: Due to the strategies used by long-short funds, which may include but are not limited to leverage, short selling, short-term trading, and investing in derivatives, these funds may have greater risk, volatility, and expenses than those focusing on traditional investment strategies.

Liquidity Risk: Closed-end fund, ETF, and HOLDR trading may be halted due to market conditions, impacting an investor’s ability to sell a fund.

Market Price Risk: The market price of ETFs, HOLDRs, and closed-end funds traded on the secondary market is subject to the forces of supply and demand and thus independent of the NAV. This can result in the market price trading at a premium or discount to the NAV which will affect an investor’s value.

Market Risk: The market prices of ETF’s and HOLDRs can fluctuate as a result of several factors, such as security-specific factors or general investor sentiment. Therefore, investors should be aware of the prospect of market fluctuations and the impact it may have on the market price.

Target-Date Funds: Target-date funds typically invest in other mutual funds and are designed for investors who are planning to retire during the target date year. The fund's target date is the approximate date of when investors expect to begin withdrawing their money. Target-date fund's investment objective/strategy typically becomes more conservative over time primarily by reducing its allocation to equity mutual funds and increasing its allocations in fixed-income mutual funds. An investor's principal value in a target-date fund is not guaranteed at any time, including at the fund's target date.

High double- and triple-digit returns were the result of extremely favorable market conditions, which may not continue to be the case. High returns for short time periods must not be a major factor when making investment decisions.