



**Item 1 – Cover Page**

**Form ADV Part 2A Appendix 1  
Wrap Fee Program Brochure**

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This Wrap Fee Program Brochure provides information about the qualifications and business practices of FolioMetrix, LLC. If you have any questions about the contents of this brochure, please contact Julie Koethe at 402-495-0010 or [juliekoethe@foliomx.com](mailto:juliekoethe@foliomx.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about FolioMetrix is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for FolioMetrix, LLC or our firm's CRD number 150084.

\*Registration as an investment adviser does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

This Form ADV Part 2A Appendix 1 Wrap Fee Program Disclosure Brochure dated May 2013 is the first Wrap Fee Program Disclosure Brochure document prepared by FolioMetrix, LLC. In the future, this Item 2 will discuss only specific material changes that are made to this Wrap Fee Program Disclosure Brochure and will provide a summary of such changes. We will also reference the date of the last annual update of the Wrap Fee Program Disclosure Brochure.

We will ensure that you receive a summary of any material changes to this and subsequent Wrap Fee Program Disclosure Brochures within 120 days after our firm's fiscal year ends. Our firm's fiscal year ends on December 31, so you will receive the summary of material changes no later than April 30 each year. At that time we will also offer or provide a copy of the most current Wrap Fee Program Disclosure Brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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#### Item 4 – Services, Fees and Compensation

FolioMetrix, LLC (hereafter referred to as “FolioMetrix”, “FMx”, “the firm”, or “we”) is an investment advisor registered with the United States Securities and Exchange Commission (“SEC”) and is a Limited Liability Company (“LLC”) formed under the laws of the State of Oregon. FolioMetrix was formed in February 2009 and has been registered as an investment advisor with the SEC since July 2009.

FolioMetrix, LLC is a wholly owned operating subsidiary of Uprade Research Associates, LLC.

##### Wrap Fee Management Program Services

FolioMetrix offers investment management services through a wrap fee management program, which is referred to as the Wrap Fee Management Program. In a wrap fee management program, the advisory fee charged to clients includes both the investment management fee and execution costs, including transaction ticket charges. Whenever a fee is charged for the Wrap Fee Management Program services described in this Wrap Fee Program Brochure, FolioMetrix will receive all or a portion of the fee charged.

When making the determination of whether one of the advisory programs available through FolioMetrix is appropriate for the client’s needs, the client should bear in mind that fee-based accounts, when compared with commission-based accounts, often result in lower costs during periods when trading activity is heavier, such as the year an account is established. However, during periods when trading activity is lower, the fee-based account arrangements may result in a higher annual cost for transactions. Thus, depending on a number of factors, the total cost for transactions under a fee-based account versus a commission-based account can vary significantly. Factors which affect the total cost include account size, amount of turnover, type and quantities of securities purchased or sold, commission rates and the client’s tax situation.

Each client should discuss the advantages and disadvantages of fee-based and commission-based accounts with the client’s adviser representative and should read this Wrap Fee Disclosure Brochure carefully as it explains, in detail, our investment management services offered through the Wrap Fee Management Program.

Through the Wrap Fee Management Program, FolioMetrix offers investment management services, which involves FolioMetrix providing the client with continuous and ongoing supervision over the client’s accounts. The investment management services offered by FolioMetrix through the Wrap Fee Program are typically provided after an unaffiliated solicitor introduces a client to the Wrap Fee Management Program. In order to participate in the Wrap Fee Management Program, a client will appoint FolioMetrix as investment adviser of record to provide investment management services to the client.

**For the Wrap Fee Management Program, FolioMetrix provides discretionary investment management services primarily utilizing the RiskX Funds, which are managed solely by FolioMetrix.** FolioMetrix will provide each client with current prospectuses of the RiskX Funds, a written description of fees, and notice of changes in fees for the RiskX Funds.

The client's assets that are designated to receive investment management services via the Wrap Fee Management Program will hereafter be referred to as "Designated Assets". The Designated Assets will consist only of separate account(s) held by qualified custodian(s) under the name of each client. FolioMetrix will establish a custodial account for the benefit of each client and will use TD Ameritrade ("TD Ameritrade" or "Custodian") as the qualified custodian for each client's Designated Assets. FolioMetrix does not act as a qualified custodian and does not have direct access to any client's funds and securities except to have advisory fees deducted from the Designated Assets with the client's prior written authorization. TD Ameritrade will maintain physical custody of the Designated Assets and the client will retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of Designated Assets.

FolioMetrix will provide continuous investment management to and for the Designated Assets based on the investment strategy that is most appropriately suited to each client's investment needs. FolioMetrix will be responsible for placing orders to execute securities transactions for such Designated Assets on a discretionary basis. FolioMetrix will not be required to seek prior approval from the solicitor or the client when executing transactions. The solicitor and its investment adviser representatives will not have any authority to place orders to execute securities transactions for Designated Assets. FolioMetrix's investment management responsibilities will pertain solely to Designated Assets, and under no circumstances will FolioMetrix's responsibilities extend to assets held by a client that are not designated for management by FolioMetrix. Moreover, FolioMetrix will not be responsible for investment management or advice for Client's Designated Assets prior to FolioMetrix's acceptance in writing of Client's Designated Assets for investment management.

Clients who participate in the Wrap Fee Management Program will authorize FolioMetrix and/or Custodian to invest approximately 2% of the client's Designated Assets in a non-FDIC-insured money market account, including that of the Custodian, to cover management fees or miscellaneous administrative fees, if any, and if applicable, an additional percentage of the client's Designated Assets determined by the client and the solicitor and communicated to FolioMetrix, for periodic distributions to the client. FolioMetrix will have discretion to invest up to 100% of Designated Assets in temporary defensive instruments in an effort to enhance liquidity or preserve capital. Temporary defensive instruments generally include cash and cash equivalents such as money market instruments. A portfolio could also hold defensive instruments pending the investment of proceeds from the sale of fund shares due to a trade rotation, to meet distribution requests, or when account documents have not been received in good order. Designated Assets may be invested in temporary defensive instruments for undetermined periods of time, depending on market or economic conditions. To the extent Designated Assets are invested defensively, the portfolio may not achieve its investment objective.

FolioMetrix's investment strategy does not seek tax efficiencies and, as a result, clients participating in the Wrap Fee Management Program may incur tax liabilities. Clients are responsible for all tax liabilities incurred for the client's Designated Assets.

Solicitor and its investment adviser representatives will be responsible for all communications with clients regarding Designated Assets. Solicitor or its investment adviser representatives will promptly contact a client regarding any notifications from FolioMetrix or a third-party custodian, product sponsor or security issuer as it relates to a client's Designated Assets. Investment adviser representatives of the solicitor will be reasonably available to consult with each client that participates in the Wrap Fee Management Program. At a minimum, an investment adviser representative of the solicitor will meet with each client on an annual basis, and during such meeting, will inquire as to whether the client's financial situation or

investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions upon the management of the client's Designated Assets.

At the request of a client or the solicitor, FolioMetrix is reasonably available to participate in a joint consultation with the client and the solicitor regarding administration of the Designated Assets and the individual client's financial situation and investments. Clients are responsible for providing prompt written notification to the solicitor of any instructions, restrictions or changes or modifications to the financial situation, investment objectives and preferences of the client.

On an ongoing basis, the solicitor will review and monitor FolioMetrix's investment management services for each client's Designated Assets to ensure that FolioMetrix's investment management services continue to be suitable and appropriate for a client's financial circumstances, objectives, preferences and restrictions. If the solicitor is concerned that such investment strategy or tactics are no longer authorized, suitable or appropriate for a client's Designated Assets, the solicitor will notify the client of such concern and recommend a change.

#### *Wrap Fee Management Program Fees*

The advisory fee charged to clients who participate in the Wrap Fee Management Program is for the services of both FolioMetrix and the solicitor who introduces the client to the Wrap Fee Management Program. For participation in the Wrap Fee Management Program, there is a minimum account size of \$25,000. Lower account sizes may be accepted if the client has other household accounts that receive advisory services from FolioMetrix. *See Item 5 for more details.* Clients are charged an annual investment advisory fee which is split between FolioMetrix and the solicitor who has introduced the client to the Wrap Fee Management Program.

The advisory fee is based upon a percentage of the value of a client's Designated Assets. The investment advisory fee is billed in arrears (at the end of the billing period) on a quarterly calendar basis and calculated based on the average daily balance of the Designated Assets during the billing period. Fees are prorated based on the number of days service is provided during each billing period. If the Wrap Fee Management Program services are commenced in the middle of the billing period, then the prorated fee for that billing period will be billed in arrears at the end of that billing period.

FolioMetrix is responsible for calculating the total investment advisory fee, which is comprised of both the portion to the solicitor and the portion to FolioMetrix. Also, FolioMetrix is responsible for instructing the Custodian to deduct the fee and pay both the solicitor and FolioMetrix in accordance with the Client Agreement (that is executed by the client, the solicitor and FolioMetrix) and in accordance with the Solicitor Agreement between FolioMetrix and the solicitor.

FolioMetrix will begin calculating the advisory fee when assets are deposited into the client's account. The Custodian will pay the applicable proportion of the investment advisory fee to FolioMetrix and to the solicitor. At least quarterly, the client will receive an account statement from the qualified custodian(s) of the client's Designated Assets. The account statement will detail the formula used to calculate the fee, the assets under management and the time period covered. Clients are instructed to review the account statements received from the Custodian and to verify that appropriate investment advisory fees are being deducted as the Custodian will not verify the accuracy of the investment advisory fees deducted.

Since FolioMetrix is also the investment adviser to the RiskX Funds, the RiskX Funds pay investment management fees to FolioMetrix. Such investment management fees are for managing the investments within the RiskX Funds and are indirect expenses of the clients' Designated Assets. The prospectus of

each RiskX Fund in which Designated Assets may be invested describes the fees and expenses paid by such RiskX Fund to FolioMetrix.

The Gross Annual Investment Advisory Fee is the fee that a client has agreed to pay for investment management services. The amount of the Gross Annual Investment Advisory Fee is provided in the chart below and also in the Client Agreement. The stated amount of the Gross Annual Investment Advisory Fee includes both (1) the full amount of the annual investment management fees retained by FolioMetrix and charged to a client as an expense of the RiskX Funds; and (2) the full amount of the annual investment advisory fee charged to a client pursuant to Client Agreement executed by the FolioMetrix, the solicitor, and the client. **The Gross Annual Investment Advisory Fee will be offset by 0.50%, which is the maximum fee that is charged to a client as an expense of the RiskX Fund(s) and paid by the RiskX Fund to FolioMetrix for FolioMetrix's investment management services provided to the RiskX Funds.**

The annual investment management fees charged to a client as an expense of the RiskX Funds can be split between FolioMetrix, and one or more sub-advisors or signal providers to the RiskX Funds. Clients should refer to the particular RiskX Fund prospectus for details about investment management fees and other expenses of each RiskX Fund.

**The Net Annual Investment Advisory Fee is calculated by subtracting the amount of the annual investment management fees that is retained by FolioMetrix and charged to a client as an expense of the RiskX Funds from the Gross Annual Investment Advisory Fee. The Net Annual Investment Advisory Fee is the fee that will be paid directly by a client for the services provided by FolioMetrix and the solicitor pursuant to Client Agreement.** The Net Annual Investment Advisory Fee is negotiable based on the complexity of the client's situation, the potential for additional account deposits from the client, and the total amount of assets under management for the client. The table below provides information about the annual fees incurred by a client.

	<b>Gross Annual Investment Advisory Fees</b>	<b>Offset for Investment Management Fees Retained by FolioMetrix from RiskX Funds</b>	<b>Net Annual Investment Advisory Fees</b>
<b>Account Value</b>	<b>Maximum</b>	<b>Maximum</b>	<b>Maximum</b>
<b>First \$250,000</b>	2.25%	0.50%	1.75%
<b>Next \$500,000</b>	2.00%	0.50%	1.50%
<b>Next \$250,000</b>	1.75%	0.50%	1.25%
<b>More than \$1 million</b>	Negotiable	Negotiable	Negotiable

The solicitor will receive between 50% and 75% of the Net Annual Investment Advisory Fee. The percentage of the Net Annual Investment Advisory Fee to be paid to each FolioMetrix and the solicitor will be stated in the Client Agreement and in the separate Solicitor Disclosure Statement provided to the client.

The Net Annual Investment Advisory Fee will not be based on the capital gains or the capital appreciation of a client's account(s).

FolioMetrix and Solicitor believe the investment advisory fee is reasonable in relation to: (1) the advisory services provided under this Agreement; and (2) the fees charged by other investment advisers offering similar services/programs. It should also be noted that lower fees for comparable services may be available from other sources.

As described above, since this is a wrap fee program, the client is not separately charged for transaction ticket charges associated with trade execution. All transaction ticket fees charged by the Custodian will be included in the Net Annual Investment Advisory Fee charged by FolioMetrix and the solicitor. Transaction ticket charges are billed directly to FolioMetrix by the Custodian and FolioMetrix will not receive any portion of such transaction ticket charges.

Clients may incur certain charges imposed by third parties other than FolioMetrix and the solicitor in conjunction with investments in the client's account(s), including but not limited to mutual fund sales loads, 12b-1 distribution fees and surrender charges on previously purchased mutual funds. Client should review all applicable prospectuses or disclosures for further details on commission charges, sales loads, 12b-1 distribution fees, internal expenses and surrender charges.

The services provided through the Wrap Fee Management Program continue in effect until terminated. A client may terminate the services upon providing FolioMetrix and the solicitor with written notice of termination. FolioMetrix or the solicitor may terminate the services upon providing the other parties with written notice of termination effective at least 30 days after the other parties receive such notice. Upon termination, all securities will be liquidated unless otherwise requested in writing and signed by the client. Upon termination of any account(s) holding Designated Assets, the client will be responsible for any exchange, redemption, or other fees assessed by mutual fund companies, the Custodian, and for any change in account value due to market fluctuation. Net Annual Investment Advisory Fees will be collected until FolioMetrix receives written notice from the client to terminate the investment management services to the Designated Assets and has a reasonable amount of time to act on the instructions. Should the value of the Designated Assets drop to a level that FolioMetrix is not able to manage efficiently, FolioMetrix may notify the client in writing to deposit funds within 30 days. If there is no deposit to the Designated Assets within the specified timeframe, FolioMetrix may liquidate and close the client's account(s) holding the Designated Assets and the account proceeds will be mailed to the client's address of record and the client will be responsible for any tax liabilities incurred.

### **Block Trading**

FolioMetrix may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used when we believe such aggregation may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

FolioMetrix uses the average price allocation method for transaction allocation. Under this procedure, transactions will be averaged as to price and will be allocated among the client portfolios in proportion to the purchase and sale orders placed for each client account on any given day. When FolioMetrix determines to aggregate orders for the purchase or sale of securities, including securities in which FolioMetrix or its associated persons may invest, FolioMetrix will do so in accordance with the parameters set forth in the SEC No-Action Letter, SMC Capital, Inc. It should be noted, FolioMetrix does not receive any additional compensation or remuneration as a result of aggregation.



## **Item 5 – Account Requirements and Types of Clients**

### **Minimum Account Size**

FolioMetrix requires a minimum of \$25,000 for participation in the Wrap Fee Management Program. Lower account sizes may be accepted if the client has other household accounts that receive advisory services from FolioMetrix.

### **Types of Clients**

For the Wrap Fee Management Program, FolioMetrix generally provides investment advice to the following types of clients:

- Individuals, including high net worth individuals, and plan participants holding assets in a qualified retirement plan account
- Corporations and other business entities

Clients are required to execute a written agreement, which is a tri-party agreement for FolioMetrix, the solicitor, and the client in order to participate in the Wrap Fee Management Program.

## **Item 6 – Portfolio Manager Selection and Evaluation**

FolioMetrix and its Investment Adviser Representatives act as the portfolio manager(s) for accounts receiving services through the Wrap Fee Management Program. The Wrap Fee Management Program does not allow the use of portfolio managers that are not associated with FolioMetrix. In other words, the only portfolio managers selected for providing investment management services through the Wrap Fee Management Program are Investment Adviser Representatives of FolioMetrix. Consequently, certain conflicts of interest that are present in other wrap fee programs that make available both affiliated and unaffiliated portfolio managers are not present in our wrap fee program. Since the Wrap Fee Management Program does not provide for outside portfolio managers, FolioMetrix does not have procedures that are designed to select unaffiliated portfolio managers.

### **Participation in Wrap Fee Programs**

FolioMetrix offers investment management services through the Wrap Fee Management Program and outside of the Wrap Fee Management Program. As described above, a wrap fee management program is a program that bundles (or “wraps”) into a single fee the fees charged for investment management services and the execution costs, such as transaction ticket charges. A “traditional” or non-wrap fee program is a program that charges a fee for investment management services that is separate from the charges incurred by the client execution costs, which execution costs are typically charged directly to the client's account by the custodian.

From a management perspective, there is not a fundamental difference in the way FolioMetrix provides investment management services that is based upon whether the client has elected a bundled wrap fee payment option versus a traditional payment option as the only significant difference is the way in which transaction costs are paid. However, it should be noted that FolioMetrix's offer of discretionary investment management services outside of the Wrap Fee Management Program is limited to the discretionary services provided via the Investment Management Outsourcing (IMO) service. The focus of the IMO service is to provide research, analysis and investment recommendations to other investment

advisors and most of the clients who have contracted for the IMO service are receiving non-discretionary services. However, for certain clients receiving the IMO services, FolioMetrix has discretion to retain and terminate investment managers and to buy and sell assets held in registered funds (e.g., mutual funds, ETFs).

### *General Description of Other Advisory Services*

In addition to offering investment management services through the Wrap Fee Management Program, FolioMetrix provides portfolio design, construction and workflow management solutions primarily to investment advisor groups, portfolio modeling services for 401K Plans and Plan Participants, and investment companies. Other than the Wrap Fee Management Program, FolioMetrix offers the following advisory services: Investment Management Outsourcing (IMO) on a Nondiscretionary and Discretionary basis; Retirement Plan Consulting Services; and Investment Company Management Services. A more detailed description of each of these advisory services is provided in FolioMetrix's Form ADV Part 2A Disclosure Brochure. A written agreement, which details the exact terms of the advisory service, must be signed by the client and FolioMetrix for the provision of any of these advisory services.

### *Specialization*

#### ***RiskX Portfolios***

FolioMetrix is client centric, meaning that we believe clients do not want to lose money and we strive to help the investment advisors meet that objective. FolioMetrix understands that most institutions are benchmark centric which is disconnected with the client objective. FolioMetrix delivers a series of de-risked portfolios when market conditions deteriorate while capturing relative upside in normal or bullish conditions.

FMx Progressive Portfolio Theory™ optimization views normal market conditions independently from times of market stress. It assumes that extreme market events can impact the effectiveness of traditional mean-variance optimization (MVO). Progressive Portfolio Theory™ MVO emphasizes managing the estimated downside risk in a portfolio and allocates among asset classes to maximize returns while minimizing the probability of breaching a set loss threshold. Optimization is completed at two levels while building the portfolio. Mean variance optimization is implemented at the strategy level. Then, those optimized strategies are combined into portfolios that are optimized using a full scale Monte-Carlo process.

Target risk levels are based upon a threshold for losses. Each Portfolio is optimized to avoid breaching this threshold with the highest statistical probability achievable given the underlying Strategy Models.

The FMx Progressive Portfolio Theory™ optimization process manages a suite of 18 Portfolios to meet client objectives, risk levels, and investment policy statement constraints. Three client objectives (Accumulation, Income, and Tax-Management) are further divided into six target risk levels that are measured by a threshold for loss within a time horizon.

#### ***Accumulation***

The Accumulation Portfolios have the objective of total return over a long time horizon with differing degrees of portfolio risk. Because we are building portfolios for a range of investors, we use a ten year time horizon which we consider to be an appropriate period for total return. As with any total return objective, we accept negative deviations with the understanding that managed volatility over the long-

term has historically helped to increase total returns. However, we recognize that certain amounts of losses can be damaging to a total return strategy. For this reason, we measure risk as the calculated probability of breaching a certain loss threshold based on our expected return, variance, and correlations of assets in the portfolio.

#### *Income*

The Income Portfolios have the objective of generating sustainable income over a long time horizon with differing degrees of portfolio risk. The level of income and potential for appreciation are directly associated with the amount of measured risk in the Portfolio. The most aggressive portfolios will incorporate some degree of volatility and potential losses in exchange for higher current income and greater total return potential. To a certain threshold, we accept negative deviations with the understanding that managed volatility over the long-term has historically helped to increase total returns. However, we recognize that certain amounts of losses can be damaging to any strategy, particularly an income producing portfolio. For this reason, we measure risk as the calculated probability of breaching a certain loss threshold based on our expected return, variance, and correlation of assets in the portfolio. Further, the optimization process includes distributions of 5% of the total portfolio value annually.

#### *Tax Managed*

The Tax Managed Portfolios have the objective of generating tax free income and tax managed appreciation over a long time horizon with differing degrees of portfolio risk. The potential for appreciation is directly associated with the amount of measured risk in the Portfolio. The most aggressive portfolios will incorporate some degree of volatility and potential losses in exchange for greater total return potential. The more conservative portfolios replace appreciation potential with higher levels of tax free income. At least 75% of the Portfolio will be comprised of Investment Strategy Models that are considered to be tax-efficient. This places limits on the inclusion of Strategy Models with high turnover, high yield, and favors passive and tax-free Strategy Models. To a certain threshold, we accept negative deviations with the understanding that managed volatility over the long-term has historically helped to increase total returns. However, we recognize that certain amounts of losses can be damaging to any strategy. For this reason, we measure risk as the calculated probability of breaching a certain loss threshold based on our expected return, variance, and correlation of assets in the portfolio.

For each of the Portfolio objective, we create six levels of risk: Aggressive, Moderately Aggressive, Moderate, Moderately Conservative, Conservative, and Protective. Each Portfolio consists of weightings to our Strategy Models to create the optimal, risk-managed portfolio.

#### ***Strategy Models***

##### *Dividend Income*

The Dividend Income Strategy Model uses Forward Management as a sub-advisor. Forward Management's investment philosophy for its International Dividend and U.S. Dividend strategies is that by emphasizing higher-yielding stocks, the portfolio attempts to participate in stock market advances and protect capital better than competing strategies during stock market declines. Both strategies are structured with a defensive bias and target 20% lower volatility than their respective benchmarks, as measured by standard deviation and beta. The MSCI EAFE Index is the benchmark for the International Dividend strategy, and the S&P 500 Index is the benchmark for the U.S. Dividend strategy.

### *Dynamic Total Return*

The Dynamic *Total Return* Strategy Model seeks capital appreciation without regard to current income. The strategy primarily uses no-load institutional and exchange-traded funds with a similar investment objective. The portfolio is divided into 3 segments. Each is designed to find the best opportunities for good returns based on the current market environment: 1. Opportunistic segment is an aggressive allocation that includes funds in either high-yield, emerging-markets or bank-loan Morningstar categories. These categories are the most volatile but also offer the greatest potential for absolute return. Because of its risk, the Opportunistic segment has the smallest overall allocation of the three segments. 2. Global All Cap segment is a moderately aggressive allocation of either multi-sector or non-traditional bond Morningstar fixed income categories. 3. Core segment consists of higher quality fixed income funds that fall into the short, ultra-short, intermediate or long-term corporate and government debt. It also includes inflation-protected bonds and world bonds. These funds are selected by adding a component to the scoring process that favors less volatile investments. The Core segment also includes a much more static allocation towards premier fixed income mutual funds in which the managers of the fund have demonstrated their ability to provide positive alpha over a full market cycle. This part of the Core segment usually will consist of no more than 1 or 2 funds.

### *Dynamic Growth*

The Dynamic Growth Strategy Model seeks capital appreciation without regard to current income. The strategy primarily uses no-load institutional and exchange-traded funds that have a similar investment objective or are otherwise permitted under the applicable investment policies. The portfolio is divided into 4 distinct segments: Opportunistic, Global All Cap, Core and Cash. Each is designed to take advantage of those sectors and areas of the market that offer the best opportunities for good returns based on the current market environment.

### *High Income*

The High Income Strategy Model is designed to provide income at a rate of at least 5 percentage points, (net of underlying fund fees) above the short-term interest rate as measured by the yield of the 3-month U.S. Treasury bill. The risk and return of the strategy will be compared to the Barclays Global High Yield Total Return index, with a goal of exceeding the total return of that benchmark index. The primary objective of the strategy is high current income, and the secondary objective is long-term appreciation of principal. The strategy will incorporate the concept of risk-adjusted yield across all global income producing sectors. The Strategy Model follows a sector rotation strategy but will generally be concentrated in the sector that appears most favorable to meeting the strategy objectives. Thus, while generating high current income, the fund will also be exposed to volatility similar to the index. The sector rotation strategy seeks to generate the maximum amount of income for any given level of estimated risk in the portfolio. The application of FolioGuard™ seeks to minimize the effects of market declines.

### *Non Traditional*

The Non Traditional Strategy Model seeks to provide a low correlation with the global equity markets as measured by the S&P Global Broad Market Index. Combined in a portfolio with traditional strategies, the Non Traditional strategy is intended to reduce measured overall portfolio risk and/or increase expected returns in an equity-based portfolio. This strategy is expected to provide reasonable positive returns relative to the index during normal market conditions and outperform the index during times of extreme volatility. The strategy is built around managers who have consistently provided positive returns while maintaining a low correlation to broad equity markets. Of particular focus is performance in exceedingly volatile times. Manager evaluation is based upon historical alpha, correlation, drawdown and consistency. The Non Traditional strategy emphasizes limiting manager risk. Since many non-traditional strategies are

based upon a proprietary model, we rely on the organizational structure of the management team, verified historical statistics, and the risk management policies in place for a manager's portfolio.

#### *Premier Managers*

The Premier Managers Strategy Model identifies outstanding global investment managers with a proven performance record of at least 5 years. Each firm selected must have a proven risk management strategy. The strategy is composed of open-end mutual funds and is designed to hold these market leaders on a long-term basis and produce positive alpha. Volatility has historically been lower than that of the broad market. The benchmark used to measure performance is the S&P 500 Global Broad Market Index.

#### *Tactical Rotation*

The Tactical Rotation Strategy Model is a quantitative process sub-advised by F-Squared Investments, Inc. It is designed to provide positive alpha through analysis of domestic industry sectors and both international and emerging-market indexes. Proprietary quantitative analysis determines sector and international weightings. The strategy can move to cash if sector indicators turn negative. Because it is a tactical strategy, turnover and costs will be higher. The strategy will be evaluated versus the long-term risk and returns of the S&P Global Broad Market Index.

#### *Tax Advantaged*

The Tax Advantaged Strategy Model is designed to provide tax-free income with less volatility than the S&P National Municipal Index. The strategy is designed to create a diversified municipal bond portfolio that incorporates the full spectrum of credit quality, maturity, type of obligation, volatility, average duration, and yield for the municipal bond fixed-income sector. Of particular concern is drawdown during credit market turmoil. While there will be temporary fluctuations in the portfolio value, the strategy is designed to limit risk by allocating among those underlying investments that have the most favorable ratio of yield to volatility.

#### *Traditional Equity*

The Traditional Equity Strategy Model is designed to have volatility equal to or less than the S&P Global BMI Total Return Index while achieving similar returns. It is a low-cost, low-turnover, tax-efficient exchange-traded fund (ETF) strategy. The strategy's allocation is determined annually using our Progressive Portfolio Theory™ Optimization Process. The FolioGuard™ Cash Allocation Strategy seeks to tactically allocate between equities and cash to produce an overlay that can be combined with other equity strategies. That combination is designed to decrease volatility and increase return, particularly in down periods.

#### *Traditional Fixed Income*

The Traditional Fixed Income Strategy Model seeks capital appreciation with a moderate yield and an emphasis on being low-cost and relatively tax efficient. Because it is strategic, rather than tactical, it has very little turnover. It currently has 10 exchange-traded fund (ETF) holdings that represent a global fixed income portfolio, which are all held at any given point in time with minimum and maximum limits in each sector. The strategy also includes a short-term U.S. Treasury ETF to serve as a cash proxy. All of the ETFs in this strategy are classified as fixed income ETFs, as this is a 100% fixed income strategy. The strategy seeks to replicate the long-term total returns of the Barclays Global Aggregate Index while reducing volatility, as measured by standard deviation of the strategy relative to the index. The objective is to reduce drawdown to the extent possible without a tactical overlay.

### Limits Advice to Certain Types of Investments

For the Wrap Fee Management Program, FolioMetrix generally limits its investment advice to the mutual funds, and in particular to the RiskX Mutual Funds. However, FolioMetrix may offer clients advice on any investment product.

### Tailor Advisory Services to Individual Needs of Clients

The solicitor, through its investment adviser representatives, will be responsible for interviewing clients in order to ascertain each client's financial position, investment goals and objectives, risk tolerance, investment limitations and reasonable restrictions. Clients will complete and sign the FolioMetrix Personal Investment Plan containing the Investor Questionnaire. Clients will acknowledge that in providing its investment management services, FolioMetrix will rely upon the signed Investor Questionnaire and other information provided by the client to the solicitor and investment adviser representatives of the solicitor.

FolioMetrix will manage Designated Assets in light of the particular investment objective, requirements and other information set forth in the client's account paperwork furnished to FolioMetrix by the solicitor. Based upon a client's investment objectives, requirements and preferences, FolioMetrix will render individualized investment advice using one or more of its proprietary investment management strategies.

FolioMetrix will not enter into an investment adviser relationship with a prospective client whose investment objectives are be considered incompatible with FolioMetrix's investment philosophy or strategies or if the prospective client seeks to impose unduly restrictive investment guidelines.

### Performance-Based Fees and Side-By-Side Management

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. FolioMetrix **does not charge or accept performance-based fees.**

### Methods of Analysis

This subsection provides a summary of FolioMetrix's methods of analysis.

Each FolioMetrix portfolio is optimized under the FMx Progressive Portfolio Theory™, an evolution of the Markowitz Modern Portfolio Theory mean-variance optimization (MVO) model. The FMx Progressive Portfolio Theory™ optimization views normal market conditions independently from times of market stress. It assumes that extreme market events can impact the effectiveness of traditional mean-variance optimization. Progressive Portfolio Theory™ MVO emphasizes managing the estimated downside risk in a portfolio and allocates among asset classes to maximize returns while minimizing the probability of breaching a set loss threshold. Optimization is completed at two levels while building the portfolio. Mean variance optimization is implemented at the strategy level. Those optimized strategies are then combined into portfolios that are optimized with a Monte Carlo based full-scale utility maximization function.

### *Strategy-Level Optimization*

Prior to creating the allocation within the Strategy Models, each individual strategy is created in conjunction with an optimization process, where applicable. In this stage, traditional mean-variance optimization is used to create an appropriate portfolio to maximize expected return per unit of risk. Since there is a potential for a shortfall in the time period of historical information available, the return of an index (which usually has a longer return history) for a holding may be substituted. This gives more validity to the dataset through a longer sample period. To create the mean-variance optimal allocation, statistical data is separated for volatile and normal time periods and creates the statistically optimal blend of investments. Ten alternative portfolios generally form an efficient frontier of risk levels.

### *Portfolio Optimization*

At the portfolio level, the optimization changes from MVO to full-scale optimization (FSO). This essentially changes the objective from maximizing the return per unit of risk to setting a threshold for loss that should be avoided based on past return characteristics of Strategy Models. The firm's portfolio optimization process is initially capable of using all Strategy Models by default (currently 10). A minimum or maximum bound is set on the weightings to each individual Strategy Model or to groups of Strategy Models, depending on the objectives and underlying risk levels of the portfolios. Some Strategy Models have tactical risk management overlays that change the distributions of returns. For full-scale optimization, returns for the Strategy Model are used without the risk management overlay. FSO uses a Monte-Carlo simulation process to evaluate allocations with a lower bound for the maximum loss that can be tolerated. This lower bound, called the threshold, differs between each risk level. Essentially, a maximum loss level is set for the portfolio to avoid. The full-scale optimization model implies that any losses beyond the threshold result in increasing negative utility (dissatisfaction) and that at a certain point increasing gains have diminishing marginal utility. This is measured with an S-shaped utility function. FSO creates the optimal portfolio with the highest return-to-risk ratio and the lowest probability of breaching the loss threshold. FSO minimizes the probability of both end-of-horizon and the within-horizon risk. For all of the portfolios, 10 years is used as the default time horizon and compares the end-of-horizon and the within-horizon risk to the Morningstar Target Risk indices.

For each of the investment objectives (Accumulation, Income and Tax-Managed), six levels of risk are created: Aggressive, Moderately Aggressive, Moderate, Moderately Conservative, Conservative and Protective. The Protective portfolios have a slightly different curve for utility and loss threshold. Each protective portfolio sets the threshold at +1% returns, but there is only a slight slope to the marginal utility of returns above this level and a very steep slope for investor utility below this level. For each threshold, the Full-scale optimization uses a Monte Carlo analysis to simulate up to 10,000 potential outcomes given our inputs for risk, return, constraints, and the built-in co-variances. At different confidence intervals, the analysis shows the probability of breaching the threshold and adjusts the potential weightings to minimize that risk both within and at the end of the horizon. The FSO output shows the optimal allocation of Strategy Models for a given risk threshold, the probability of breaching that level both within and at the end of the horizon. The Monte Carlo output is the basis for the calculation of value at risk in volatile and normal time periods and the probability of achieving certain wealth and income levels for different confidence intervals.

### *Investment Strategies*

This subsection provides a summary of the investment strategies used by FolioMetrix when managing assets that participate in the Wrap Fee Management Program.

The equity based Strategy Models cover the spectrum of passive indexing strategies to focused, actively managed strategies. In aggregate, the equity Strategy Models diversify across geography, sector, style, size, and a number of other classifications. The underlying managers and holdings represent the global spectrum of investable equity and each individual strategy has a particular focus including: Dynamic Growth; Traditional Equity; Tactical Rotation; Premier Managers; Dividend Income.

The fixed income based Strategy Models cover the spectrum of passive indexing strategies to focused, actively managed strategies. In aggregate, the fixed income Strategy Models diversifies across geography, sector, style, size, credit, duration, and a number of other classifications. The underlying managers and holdings represent the global spectrum of investable fixed income and derivative products of fixed income and each individual strategy has a particular focus including: Dynamic Total Return; Traditional Fixed Income; High Income; and Tax Advantaged.

The Non Traditional Strategy Model is designed to have a diversifying effect for equity and fixed income portfolios. This Strategy Model contains alternative strategies that are expected to maintain a low correlation to equity and fixed income returns.

Some Strategy Models include a tactical risk management overlay that is either proprietary to FolioMetrix, LLC or to a subadvisor for an underlying strategy.

### **Risk of Loss**

The FolioMetrix, LLC constructed portfolios – Model Portfolios – have been developed based on historical performance of an asset allocation neutral portfolio (consisting of no-load and exchange traded funds). Since these are Model Portfolios (hypothetical), there can be no assurance that a client would have achieved similar rates of return over the time frame. In addition, since the time period in question is a historical one, there can be no assurance that future results achieved by clients will in any way resemble those represented by the Model Portfolios.

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients (including you) should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our investment management program.

**Market risk.** Market risk refers to the possibility that the value of securities held by the Fund may decline due to daily fluctuations in the securities markets. Stock prices change daily as a result of many factors, including developments affecting the condition of both individual companies and the market in general. The price of a stock may even be affected by factors unrelated to the value or condition of its issuer, such as changes in interest rates, national and international economic and/or political conditions and general equity market conditions. In a declining stock market, prices for all companies (including those in the



Fund's portfolio) may decline regardless of their long-term prospects. The Fund's performance per share will change daily in response to such factors.

**Risks related to "Fund of Funds" structure.** The Fund is a "fund of funds." The term "fund of funds" is typically used to describe investment companies, such as the Fund, whose primary investment strategy involves investing in other investment companies, such as mutual funds and ETFs. Investments in other investment companies subject the Fund to additional operating and management fees and expenses. For example, investors in the Fund will indirectly bear fees and expenses charged by the mutual funds and ETFs in which the Fund invests, in addition to the Fund's direct fees and expenses. Furthermore, the use of a fund of funds structure could affect the timing, amount, and character of distributions and therefore may increase the amount of taxes payable by you. Under the Investment Company Act of 1940, the Fund may not acquire shares of another investment company if, immediately after acquisition, the Fund and their affiliated persons will hold more than 3% of the investment company's outstanding shares unless the Fund or the investment company have received an order for exemptive relief from the 3% limitation from the SEC and the Fund and the investment company take appropriate steps to comply with the conditions in such order. Consequently, the 3% limitation may prevent the Fund from allocating their investments in the manner the Advisor considers optimal.

**Control of Portfolio Funds Risk.** Although the Fund and the Advisor will evaluate regularly each Portfolio Fund to determine whether its investment program is consistent with the Fund's investment objective, the Advisor will not have any control over the investments made by a Portfolio Fund. The investment advisor to each Portfolio Fund may change aspects of its investment strategies at any time. The Advisor will not have the ability to control or otherwise influence the composition of the investment portfolio of a Portfolio Fund.

**Derivative Risk.** Some Portfolio Funds may use derivative instruments which derive their value from the value of an underlying asset, currency, or index. The value of derivatives may rise or fall more capital than other investments and it is possible to lose more than the initial amount invested.

**Leverage Risk.** Some Portfolio Funds may borrow money for leveraging and will incur interest expenses. The NAV per share of a Portfolio Fund will increase more when its portfolio securities increase in value and to decrease more when its portfolio assets decrease in value than would otherwise be the case if it did not borrow funds.

**Short Sales Risk.** The Portfolio Funds may engage in short sales, which could cause a Portfolio Fund's investment performance to suffer if it is required to close out a short position earlier than it had intended. This could cause the Fund's performance to suffer to the extent that it invests in such a Portfolio Fund.

**Sector Risk.** Sector risk is the possibility that securities within the same group of industries will decline in price due to sector-specific market or economic developments. If the Portfolio Funds invest more heavily in a particular sector, the value of its shares may be especially sensitive to factors and economic risks that specifically affect that sector. As a result, the Portfolio Fund's share price may fluctuate more widely than the value of shares of a mutual fund that invests in a broader range of industries. Additionally, some sectors could be subject to greater government regulation than other sectors. Therefore, changes in regulatory policies for those sectors may have a material effect on the value of securities issued by companies in those sectors.

**Portfolio Turnover Risk.** The Advisor will sell portfolio securities when it is in the interests of the Fund and its shareholders to do so without regard to the length of time they have been held. As portfolio

turnover may involve paying brokerage commissions and other transaction costs, there could be additional expenses for the Fund. High rates of portfolio turnover may also result in the realization of short-term capital gains and losses. Any distributions resulting from such gains will be considered ordinary income for federal income tax purposes.

**Management Style Risk.** Different types of securities tend to shift into and out of favor with investors depending on market and economic conditions. The returns from the types of Portfolio Funds purchased by the Fund (large-cap, mid-cap, growth, value, etc.) may at times be better or worse than the returns from other types of funds. Each type of investment tends to go through cycles of performing better or worse than the stock market in general. The performance of the Fund may thus be better or worse than the performance of stock funds that focus on other types of investments, or that have a broader investment style.

**Investment Advisor Risk.** The Advisor's ability to choose suitable investments has a significant impact on the ability of the Fund to achieve its investment objectives. The Advisor was formed in 2009 and is registered as an investment adviser with the SEC.

However, the Advisor does not have previous experience managing an investment company registered under the Investment Company Act of 1940. Accordingly, investors in the Fund bear the risk that the Advisor's inexperience managing registered investment company may limit its effectiveness. The experience of the portfolio managers is discussed in "Management of the Fund – Investment Advisor."

**Operating Risk.** The Administrator and Advisor have entered into an Operating Plan that facilitates the Administrator's assumption of the Fund's regular operating expenses under the Fund Accounting and Administration Agreement. The Operating Plan obligates the Advisor to pay certain expenses of the Fund in order to help limit its annual operating expenses. If the Advisor, however, does not have sufficient revenue to support those expenses, the Advisor may be compelled to either resign or become insolvent. In addition, if the Fund incurs expenses in excess of those that the Administrator has agreed to pay and the Advisor is not able or willing to pay the excess costs, those excess costs will increase the Fund's expenses.

**New Fund Risk.** The Fund was formed in 2009. Accordingly, investors in the Fund bear the risk that the Fund may not be successful in implementing its investment strategy, may not employ a successful investment strategy, or may fail to attract sufficient assets under management to realize economies of scale, any of which could result in the Fund being liquidated at any time without shareholder approval and at a time that may not be favorable for all shareholders. Such a liquidation could have negative tax consequences for shareholders and will cause shareholders to incur expenses of liquidation.

**Interest Rate and Credit Risk.** Interest rates may rise resulting in a decrease in the value of the fixed income securities held by the Portfolio Funds or may fall resulting in an increase in the value of such securities. Fixed income securities with longer maturities generally involve greater risk than those with shorter maturities. Issuers of fixed income securities might be unable to make principal and interest payments when due.

**High-Yield Risk.** Portfolio Funds may invest in fixed income securities that are rated below investment grade, such as "junk bonds". Securities in this rating category are speculative. Changes in economic conditions or other circumstances may have a greater effect on the ability of issuers of these securities to make principal and interest payments than they do on issuers of higher grade securities. The additional risks of these types of investments include an increased possibility of default, illiquidity of the security and

changes in value based on public perception of the issuer. Additionally, these instruments are generally unsecured and may be subordinated to other creditor's claims.

**Inflation Risk.** Fixed income securities are subject to inflation risk. Because inflation reduces the purchasing power of income produced by existing fixed income securities, the prices at which fixed income securities trade will be reduced to compensate for the fact that the income they produce is worth less. This potential decrease in market value of fixed income securities would result in a loss in the value of the Fund's portfolio.

**Risks of Investing in Corporate Debt Securities.** Portfolio Funds may invest in corporate debt securities. Corporate debt securities are fixed income securities issued by businesses. Notes, bonds, debentures, and commercial paper are the most prevalent types of corporate debt securities. The credit risks of corporate debt securities vary widely among issuers. In addition, the credit risk of an issuer's debt security may vary based on its priority for repayment. For example, higher ranking (senior) debt securities have a higher priority than lower ranking (subordinated) securities. This means that the issuer might not make payments on subordinated securities while continuing to make payments on senior securities. In addition, in the event of bankruptcy, holders of senior securities may receive amounts otherwise payable to the holders of subordinated securities. Some subordinated securities, such as trust preferred and capital securities notes, also permit the issuer to defer payments under certain circumstances. For example, insurance companies issue securities known as surplus notes that permit the insurance company to defer any payment that would reduce its capital below regulatory requirements.

**Risks of Investing in Convertible Securities.** Convertible securities are fixed income securities that a Portfolio Fund has the option to exchange for equity securities at a specified conversion price. The option allows the Portfolio Fund to realize additional returns if the market price of the equity securities exceeds the conversion price. For example, the Portfolio Fund may hold fixed income securities that are convertible into shares of common stock at a conversion price of \$10 per share. If the market value of the shares of common stock reached \$12, the Portfolio Fund could realize an additional \$2 per share by converting its fixed income securities. Convertible securities have lower yields than comparable fixed income securities. In addition, at the time a convertible security is issued the conversion price exceeds the market value of the underlying equity securities. Thus, convertible securities may provide lower returns than non-convertible fixed income securities or equity securities depending upon changes in the price of the underlying equity securities. However, convertible securities permit the Portfolio Fund to realize some of the potential appreciation of the underlying equity securities with less risk of losing its initial investment.

**Risks of Investing in TIPS.** The Fund is subject to certain risks to the extent that the Portfolio Funds invest in Treasury Inflation-Protected Securities (TIPS). TIPS are special types of treasury bonds that were created in order to offer bond investors protection from inflation. The values of TIPS are automatically adjusted to the inflation rate as measured by the Consumer Price Index (CPI). With inflation (a rise in the CPI), the principal increases; with a deflation (a drop in the CPI), the principal decreases. When TIPS mature, you are paid the adjusted principal or original principal, whichever is greater. TIPS decline in value when real interest rates rise. However, in certain interest rate environments, such as when real interest rates are rising faster than nominal interest rates, TIPS may experience greater losses than other fixed income securities with similar duration.

**Futures Risk.** Use of futures contracts by the Fund or the Portfolio Funds may cause the value of the Fund's shares to be more volatile. Futures contracts expose the Fund to leverage and tracking risks

because a small investment in futures contracts may produce large losses and futures contracts may not accurately track the underlying securities.

**Risks from Purchasing Options.** If a call or put option purchased by the Fund or a Portfolio Fund is not sold when it has remaining value and if the market price of the underlying security, in the case of a call, remains less than or equal to the exercise price, or, in the case of a put, remains equal to or greater than the exercise price, the entire investment in the option will be lost. There is no assurance that a liquid market will exist when the Fund or a Portfolio Fund seeks to close out an option position. Where a position in a purchased option is used as a hedge against price movements in a related position, the price of the option may move more or less than the price of the related position.

**Risks from Writing Options.** The Fund, as well as the Portfolio Funds in which it invests, may sell, or “write,” option contracts. Writing option contracts can result in losses that exceed the initial investment and may lead to additional turnover and higher tax liability. The risk involved in writing a call option is that there could be an increase in the market value of the security. If this occurred, the option could be exercised and the underlying security would then be sold by the Fund or Portfolio Fund at a lower price than its current market value. Similarly, while writing call options can reduce the risk of owning stocks, such a strategy limits the opportunity of the Fund or Portfolio Fund to profit from an increase in the market value of stocks in exchange for up-front cash at the time of selling the call option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying security. If this occurred, the option could be exercised and the underlying security would then be sold to the Fund or Portfolio Fund at a higher price than its current market value. There is no assurance that a liquid market will exist when the Fund or Portfolio Fund seeks to close out an option position. Where a position in a written option is used as a hedge against price movements in a related position, the price of the option may move more or less than the price of the related position.

**Large-Cap Securities Risk.** Stocks of large companies as a group can fall out of favor with the market, causing the Fund to underperform investments that have a greater focus on mid-cap or small-cap stocks. Larger, more established companies may be slow to respond to challenges and may grow more slowly than smaller companies.

**Small-Cap and Mid-Cap Securities Risk.** The Portfolio Funds may invest in securities of small-cap and mid-cap companies, which involves greater volatility than investing in larger and more established companies. Small-cap and mid-cap companies can be subject to more abrupt or erratic share price changes than larger, more established companies. Securities of these types of companies have limited market liquidity, and their prices may be more volatile. You should expect that the value of the Fund’s shares will be more volatile than a fund that invests exclusively in large-capitalization companies.

**Foreign Securities and Emerging Markets Risk.** The Portfolio Funds may have significant investments in foreign securities, which have investment risks different from those associated with domestic securities. The value of foreign investments may be affected by the value of the local currency relative to the U.S. dollar, changes in exchange control regulations, application of foreign tax laws, changes in governmental economic or monetary policy, or changed circumstances in dealings between nations. There may be less government supervision of foreign markets, resulting in non-uniform accounting practices and less publicly available information about issuers of foreign securities. In addition, foreign brokerage commissions, custody fees, and other costs of investing in foreign securities are often higher than in the United States. Investments in foreign issues could be affected by other factors not present in the United States, including expropriation, armed conflict, confiscatory taxation, and potential difficulties in enforcing contractual obligations. In addition to the risks of foreign securities in general, countries in emerging markets are more volatile and can have relatively unstable governments, social and legal systems that do

not protect shareholders, economies based on only a few industries, and securities markets that trade a small number of issues which could reduce liquidity.

**Common Stocks.** The Fund's investments in common stocks may fluctuate in value response to many factors, including, but not limited to, the activities of the individual companies whose securities the Fund owns, general market and economic conditions, interest rates, and specific industry changes. Such price fluctuations subject the Fund to potential losses. During temporary or extended bear markets, the value of common stocks will decline, which could also result in losses for the Fund.

**Other Equity Securities Risk.** In addition to shares of common stock, the equity securities held by the Portfolio Funds may include preferred stocks, convertible preferred stocks, convertible bonds, and warrants. Like shares of common stock, the value of these equity securities may fluctuate in response to many factors, including the activities of the issuer, general market and economic conditions, interest rates, and specific industry changes. Also, regardless of any one company's particular prospects, a declining stock market may produce a decline in prices for all equity securities, which could also result in losses for the Fund.

**Fixed Income Risk.** While the Fund will not invest directly in fixed income securities, the Fund the Fund will be subject to the risks associated with such investments since the Portfolio Funds may invest in fixed income securities. The prices of these securities respond to economic developments, particularly interest rate changes, as well as to perceptions about the creditworthiness of individual issuers. Fixed income securities tend to decrease in value if interest rates rise and vice versa, and the volatility of lower-rated securities is even greater than that of higher-rated securities. Also, longer-term securities are more volatile, so the average maturity or duration of these securities affects risk. Credit risk is the possibility that an issuer will fail to make timely payments of interest or principal or go bankrupt. The lower the rating of a debt security, the greater its risks.

**Commodities Risk.** The Portfolio Funds held by the Fund may have exposure to the commodities markets, subjecting the Fund to risks not associated with investments in traditional securities. The value of commodities related investments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, including drought, floods, weather, livestock disease, embargoes, and tariffs. The prices of industrial metals, precious metals, agriculture, and livestock commodities may fluctuate widely due to changes in value, supply and demand, and governmental regulatory policies.

**Mortgage- and Asset-Backed Securities Risk.** The Portfolio Funds may invest in mortgage- and asset-backed securities. Mortgage-related securities represent ownership in pools of mortgage loans. Asset-backed securities are structured like mortgage-backed securities, but the underlying assets may include such items as installment loan contracts, property leases, and credit card agreements. As with other interest-bearing securities, the prices of such securities are affected by changes in interest rates. Prices are also affected by changes in the rate of prepayment of principal, which affects the average maturity of the securities and makes it difficult to accurately predict returns. The trading market for mortgage- and asset-backed securities, while ordinarily liquid, may become restricted in times of financial stress.

**Municipal Securities Risk.** The yields of municipal securities may move differently and adversely compared to the yields of the overall debt securities markets. There could be changes in applicable tax laws or tax treatments that reduce or eliminate the current federal income tax exemption on municipal securities or otherwise adversely affect the current federal or state tax status of municipal securities.

**Quantitative Model Risk.** Portfolio Funds or other investments selected using quantitative methods may perform differently from the market as a whole for many reasons, including the factors used in building the quantitative analytical framework, the weights placed on each factor, and changing sources of market returns, among others. There can be no assurance that these methodologies will enable the Fund to achieve its objective.

**Real Estate Risk.** The Portfolio Funds held by the Fund may invest in securities of issuers engaged in or related to the real estate industry. Real estate related investments are subject to risks related to possible declines in the value of real estate; general and local economic conditions; possible lack of availability of mortgage funds; overbuilding; extended vacancies of properties; increases in competition, property taxes, and operating expenses; changes in zoning laws; costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental problems; casualty or condemnation losses; uninsured damages from floods, earthquakes, or other natural disasters; limitations on and variations in rents; and changes in interest rates.

**Corporate Debt Securities Risk.** Portfolio Funds may invest in corporate debt securities. Corporate debt securities are fixed income securities issued by businesses. Notes, bonds, debentures, and commercial paper are the most prevalent types of corporate debt securities. The credit risks of corporate debt securities vary widely among issuers. In addition, the credit risk of an issuer's debt security may vary based on its priority for repayment, meaning that issuers might not make payments on subordinated securities while continuing to make payments on senior securities or, in the event of bankruptcy, holders of senior securities may receive amounts otherwise payable to the holders of subordinated securities.

#### **Voting Client Securities**

FolioMetrix will not vote proxies issued for the investment holdings of a client's Designated Assets. Each client is instructed to read through the information provided with any proxy voting documents received and make a determination based on the information provided. If requested by a client, FolioMetrix may provide the client with limited clarifications of the issues presented in the proxy voting materials. However, the client will have the ultimate responsibility for making proxy voting decisions for the investment holdings of the client's Designated Assets. Clients should note that in its separate capacity as the investment adviser providing investment management services to the RiskX Funds, FolioMetrix is responsible for voting proxies for the investments **held in** the RiskX Funds; however, each client will have the responsibility for voting any proxies **issued by** the RiskX Funds.

#### **Item 7 – Client Information Provided to Portfolio Managers**

Only Investment Adviser Representatives of FolioMetrix serve as portfolio managers for the Wrap Fee Management Program. Our associated Investment Adviser Representatives are responsible for gathering all information provided by the client. As described above, the solicitor is responsible for working with clients to gather all information needed relative to the client's investment objectives and needs in order for FolioMetrix to provide investment management services through the Wrap Fee Management Program. The client is responsible for promptly contacting the Investment Adviser Representative of the Solicitor of any changes to the client's financial situation that will impact or materially influence the way that FolioMetrix manages the client's Designated Assets. Since FolioMetrix does not use outside portfolio managers for the Wrap Fee Management Program, there is no need to and FolioMetrix does not share client information with outside portfolio managers. It should be noted that in its separate role as the investment adviser to the RiskX Funds, to the extent necessary FolioMetrix may

share client information with sub-advisors and/or signal providers that provide services to the RiskX Funds.

#### **Item 8 - Client Contact with Portfolio Managers**

Only Investment Adviser Representatives of FolioMetrix serve as portfolio managers for the Wrap Fee Management Program. There are no restrictions placed on a client's ability to contact and consult with their portfolio managers who are Investment Adviser Representatives of FolioMetrix. It is the policy of FolioMetrix to provide for open communications between the Investment Adviser Representatives and clients. Clients are encouraged to contact their Investment Adviser Representative whenever the client has questions about the management of the client's Designated Assets.

#### **Item 9 - Additional Information**

##### **Disciplinary Information**

FolioMetrix has no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or the integrity of our management.

##### **Other Financial Industry Activities and Affiliations**

FolioMetrix is **not** and does **not** have a related person that is a broker/dealer, municipal securities dealer, government securities dealer or broker, an investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), another investment adviser or financial planner, a futures commission merchant, commodity pool operator, or commodity trading advisor, a banking or thrift institution, an accountant or accounting firm, a lawyer or law firm, an insurance company or agency, a pension consultant, a real estate broker or dealer, and a sponsor or syndicator of limited partnerships.

FolioMetrix is an independent registered investment registered adviser and only provides investment advisory services. FolioMetrix is not engaged in any other business activities and offers no other services except those services described in this Form ADV Part 2A Appendix 1 Wrap Fee Program Brochure and in the Form ADV Part 2A Disclosure Brochure. However, while we do not sell products or services other than investment advice, our representatives may sell other products or provide services outside of their role as investment adviser representatives with FolioMetrix.

##### **Interest in Client Transactions and Code of Ethics Summary**

FolioMetrix has adopted a Code of Ethics for all employees of the firm describing our high standards of business conduct, fiduciary duty to our clients, and rules surrounding personal securities trading by our employees.

The Code of Ethics also includes guidelines related to gifts and to the reporting of personal securities holdings and trading activity. All FolioMetrix employees must accept in writing the terms of the Code of Ethics upon employment, annually, or as amended.

A copy of the FolioMetrix Code of Ethics may be requested by contacting the firm's Chief Compliance Officer, Mrs. Julie Koethe, at 888-952-4807.

### *Affiliate and Employee Personal Securities Transactions Disclosure*

FolioMetrix, LLC or its associated persons may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a potential conflict of interest. It is the express policy of FolioMetrix, LLC that all persons associated in any manner with the firm must place the interests of our clients ahead of their own when implementing personal investments. FolioMetrix, LLC and its associated persons shall not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of his/her employment unless the information is also available to the investing public upon reasonable inquiry. In order to minimize this conflict of interest, securities recommended by FolioMetrix, LLC are widely held and publicly traded.

### *Account Reviews*

Managed accounts that participate in the Wrap Fee Management Program are reviewed at least quarterly. While the calendar is the main triggering factor, reviews can also be conducted at a client's request or at the request of the solicitor. Account reviews will include a review of the investment strategy and objectives. Reviews are conducted by the FolioMetrix investment operations staff, with reviews performed in accordance with the client's investment goals and objectives as indicated in the completed Investor Questionnaire.

### *Account Statements and Reports*

For the Wrap Fee Management Program services, clients are provided with transaction confirmation notices and regular quarterly account statements directly from the qualified custodian (TD Ameritrade). Additionally, FolioMetrix will provide quarterly performance reports.

Clients are encouraged to always compare any reports provided by FolioMetrix against the account statements delivered from the qualified custodian. Questions about account statement should be directed to the solicitor or the solicitor's Investment Adviser Representative or to the qualified custodian preparing the statement. Any inconsistencies between the reports provided by FolioMetrix and the account statements provided from the qualified custodian should be immediately reported to FolioMetrix and the qualified custodian.

### *Client Referrals and Other Compensation*

FolioMetrix has entered into an agreement with multiple unaffiliated solicitors to refer clients to FolioMetrix. If a referred client does elect to participate in the Wrap Fee Management Program, the client will execute a tri-party agreement with FolioMetrix and the solicitor and compensation is paid to the solicitor, which is based upon a percentage of the client advisory fees that are charged. The referral agreements between any solicitor and FolioMetrix do not result in any charges to clients in addition to the normal level of advisory fees charged.

When a client is referred to FolioMetrix by a solicitor, the solicitor provides the client with a copy of the FolioMetrix applicable disclosure documents, including the 2A Appendix 1 Wrap Fee Brochure and as applicable, the 2A Disclosure Brochure, as required by the *Investment Advisers Act of 1940*. The client also will complete a Solicitor Disclosure Statement document. If the solicitor is an unaffiliated registered investment adviser firm, then the client will also receive a copy of the solicitor's Form ADV Part 2A



Disclosure Brochure. Also, as required, clients will be provided with Form ADV Part 2B Brochure Supplements for the individual investment advisory representatives who provide advisory services to the client. The referral agreements between FolioMetrix and solicitors are in compliance with state and federal securities rules regarding paid solicitor arrangements.

FolioMetrix participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. FolioMetrix receives some benefits from TD Ameritrade through its participation in the Program.

FolioMetrix may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between FolioMetrix's participation in the Program and the investment advice it gives to its clients, although FolioMetrix receives economic benefits that are typically not available to TD Ameritrade retail investors through our participation in the Program. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving our participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to FolioMetrix by third-party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our related persons. Some of the products and services made available by TD Ameritrade through the Program may benefit FolioMetrix but may not benefit client accounts. These products or services may assist FolioMetrix in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help FolioMetrix manage and further develop its business enterprise. The benefits received by FolioMetrix or our personnel through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, FolioMetrix endeavors at all times to put clients' interests first. Clients should be aware, however, that the receipt of economic benefits by FolioMetrix or our related persons in and of itself creates a potential conflict of interest and may indirectly influence FolioMetrix's choice of TD Ameritrade for custody and brokerage services.

### **Financial Information**

FolioMetrix does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, FolioMetrix has not been the subject of a bankruptcy petition at any time.

## **Item 10 - Customer Privacy Policy Notice**

This notice describes the privacy practices followed by FolioMetrix, LLC. Your privacy is our top priority. Our policy is to respect the privacy of current and former clients and to protect personal information entrusted to us. We do not share any nonpublic personal information of clients or former clients with any

nonaffiliated third parties, except as permitted by law or as authorized by our clients. In the course of providing products and services to you, we collect nonpublic personal information about you from various sources such as account applications or agreements, other account forms, transactions in your account, and from information captured on our websites, including any information captured through our use of "cookies." Such information may include your name, address, account or tax identification number, the types and amounts of investments, and bank account information.

In the normal course of serving clients, information we collect may be shared with companies that perform various services such as custodians, broker-dealers and marketing service firms, as well as with other financial institutions with whom we have joint marketing agreements. We may share information in connection with servicing accounts or to inform clients of products and services that we believe may be of interest to them. The organizations that receive client information will use that information only for the services required and as allowed by applicable law or regulation, and are not permitted to share or use this information for any other purpose.

Access to customers' nonpublic personal information is restricted to employees who need to access that information. We use industry standard physical, electronic, and procedural safeguards to protect client information. A client's right to privacy extends to all forms of contact with us, including telephone, written correspondence, and electronic media, such as the Internet.