

# **PRISM**

**A Service of Lipper and Digital Ventures, LLC**

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This brochure provides information about the qualifications and business practices of Prism, a service offered by Lipper and Digital Ventures, LLC ("Prism"). If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer, Marina Kaganovich, at [marina.kaganovich@thomsonreuters.com](mailto:marina.kaganovich@thomsonreuters.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. Prism is registered with the SEC as an investment adviser; however, please note that such registration does not imply a certain level of skill or training.

Additional information about Prism is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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\* A NOTE ABOUT THE FORMAT OF THIS BROCHURE: The SEC requires all investment advisers to organize their disclosure documents according to specific categories, some of which may not pertain to a particular adviser's business. Where a required category is not relevant to our business, we list the category and state that it does not apply.

## **A.    *ADVISORY BUSINESS***

### **1. Background**

Founded in 2010, Prism is an online investment advisory service. Part of the Thomson Reuters family of companies, its ultimate indirect owner is Thomson Reuters Corporation, a public company.

### **2. Services Provided**

Prism provides personalized goal and account analysis to a retail client base, exclusively through an interactive website. Prism does not exercise discretion over client accounts, nor does it make specific buy/sell recommendations. The service has three main features.

#### **○ *Financial Goal Analysis***

This feature allows clients to identify one or more financial goals, (e.g., retirement) and to upload information relating to the bank and/or brokerage accounts used to fund these goals. Prism analyzes this information and advises clients whether they are projected to meet their goals. Where goals are not likely to be met or clients are likely to generate a surplus, Prism recommends corrective action. Such action can include making a bulk payment, changing monthly contributions or changing goal dates. Prism also provides financial analysis of the accounts linked to a goal. This includes total value (balance), asset allocation and investment style. Prism also will display the rate of return being used to calculate the client's goal projections. The rate of return is determined by a client's investment style, which in turn, is determined by the client's asset allocation. For more information on "investment style" and the methodology used to analyze clients' financial goals, please see Section E below.

#### **○ *Aggregate Account Analysis***

This feature displays total value (balance) and asset allocation information regarding all of the bank and brokerage accounts a client uploads to the service. If those accounts include Lipper-rated mutual funds, Prism will display Lipper Leader for Consistent Return\*\* rating for the accounts as well.

#### **○ *Single Account Analysis***

For single investment accounts, Prism provides total value (balance), asset

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\*\* More information on Lipper Leader for Consistent Return ratings can be found in Section E. below.

allocation, and specific holdings information, including ticker/name, number of shares, market value and percentage of the account attributable to the holding. As is the case with the Aggregate Account Analysis, Prism will supply Lipper Leader for Consistent Return ratings where applicable.

***B. FEES AND COMPENSATION***

There is no direct charge to clients for using the Prism website. Prism's revenues are derived exclusively from advertising on the site.

Clients are responsible for all fees related to the maintenance and investment of their accounts. These may include brokerage commissions or other transaction costs, mutual fund expenses, custodian fees, and/or investment management fees.

***C. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT***

This item does not apply to our business.

***D. TYPES OF CLIENTS***

Prism's interactive, informational website is designed for use by individual clients. There are no minimum account size requirements.

***E. METHODS OF ANALYSIS AND RISK OF LOSS***

As noted in Section A above, Prism's investment advisory service consists exclusively of different types of account analysis. This section describes how Prism performs that analysis.

Please note that investing in securities involves a risk of loss that clients should be prepared to bear. The value of an account may decline, among other reasons, because of a general weakness in the stock market or because of factors that affect particular companies or industries. Fixed-income investments (*i.e.* bonds) entail "interest rate risk," which is the risk that the price of a bond will fall as interest rates rise. These investments also entail "credit risk," which is the risk that the issuer of a debt security will fail to make scheduled principal or interest payments. Depending on the nature of the account, other risks may also apply. Prism does not guarantee that the advice it renders will produce any particular result for a client's investments.

## ○ *Financial Goal Analysis*

### **1. How does Prism calculate my goal projections?**

Prism calculates an estimated value of your accounts by your goal's target date based on your monthly contribution and our estimated annual rate of return of your accounts.

### **2. How does Prism calculate an estimated annual rate of return for the accounts funding my goal?**

Your estimated annual rate of return is calculated using your investment style – which is based on the current asset allocation of your combined accounts—and the historic average annual returns of the equity, fixed income and money markets over the past 20 years. When calculating this average, Prism gives a higher weight to market returns of the most recent years, and takes into account the time horizon of your goals. (The time horizon is the time period from the present to the target date of your goal.) We have chosen the 20-year historic time period for estimating average returns because this period includes both the difficult markets of the most recent years, as well as the previous bull markets.

For example, if you hold 80% in equities, 10% in fixed income and 10% in cash, your investment style, based on this asset allocation, is “Aggressive.” As explained in question 5 below, “Aggressive” is defined as the investment style with less than 40% in fixed income and cash, and the rest in equities and other assets. The estimated annual rate of return for an Aggressive investment style average portfolio is then used to estimate the return of your accounts. In this example, the return will be heavily based on the historic average annual return of equities, with annual returns of the most recent years having a higher impact.

Please note that this estimated return is that of an average asset allocation portfolio within your investment style category, and is in no way a forecast of your own portfolio's future returns.

To sum up, the estimated annual rate of return for the accounts funding your goal depends on the investment style classification of your combined accounts. The investment style is, in turn, based on the asset allocation of your combined accounts.

### **3. How does Prism calculate and represent graphically the change in value of my accounts?**

Prism calculates the total value of your accounts, combining the individual balances of your accounts. This is represented in a chart displaying both the change in dollar value of your accounts as well as the percentage change in value over time.

### **4. How does Prism determine the asset allocation of the accounts that fund my goal?**

When you add your accounts to Prism, we group the assets held in your accounts (which are priced and identified by your banks) into equities, fixed income, cash or other. Any funds you own are broken down into their underlying asset types to be properly categorized in your allocation. We sum up the total value of each asset type (equities, fixed income, etc.) and calculate the percentage of each asset type relative to the total value of the accounts.

### **5. How does Prism determine the investment style of the accounts that fund my goal?**

The total percentage of fixed income and cash in the asset allocation of your accounts determines the investment style:

*Conservative* - You have more than 75% invested in cash and fixed income;

*Moderate* - You have 60 to 75% invested in cash and fixed income;

*Balanced* - You have 40 to 60% invested in cash and fixed income;

*Aggressive* - You have less than 40% invested in cash and fixed income;

*Long/Short* - This is a more complex investment strategy, based on short and long positions. You have both long and short positions, with the short positions greater than or equal to 10% of your long positions.

A “long” position is a number of shares or units of an asset (stock, bond, etc.) that you bought and hold, or one of your funds has in its holdings, expecting it to increase in value or to outperform some of the short positions. A “short” position is a stock that you, or any funds you hold, has sold short (shorted) because you or the fund expects the stock to go down or to underperform some long positions.

These investment styles are categories in which accounts are being categorized based on their asset allocation. It is not a classification or

categorization of your personal investment behavior and should not be interpreted as such.

○ *Aggregate and Single Account Analyses*

**1. How does Prism calculate and represent graphically the change in value of my accounts?**

Prism calculates the total value of your accounts, combining the individual balances of your accounts. This is represented in a chart displaying both the change in dollar value of your accounts as well as the percentage change in value over time.

**2. How does Prism determine the asset allocation of my accounts?**

When you add your accounts to Prism, we classify the assets held in your accounts into equities, fixed income, cash or other. Any funds you own are broken down into their underlying asset types, which are also grouped into equities, fixed income, cash and other. The total value of all assets in each type divided by the total value of the accounts results in the asset allocation percentage for that asset type in your accounts.

**3. What is Lipper and the Lipper Leader Consistent Return average score for my accounts?**

Lipper is a Thomson Reuters company that specializes in fund research. The Lipper Leader Consistent Return average score for your accounts is a weighted average of the Lipper Leader Consistent Return rating of the mutual funds and ETFs in your accounts, based on the amount you invested in each relative to the overall amount invested in funds. Each fund is ranked by Lipper based on its risk-adjusted performance and, unlike many other fund research companies, the consistency of performance in time over 3, 5 and 10 years. The Lipper Leader Consistent Return average score ranges from 5, the best, to 1, the worst.

Please note that the Lipper Leader Consistent Return average score measures only the quality of the funds in your accounts. It does not measure the performance of your overall portfolios or the fund portion thereof.

## ○ Terminology

### Asset Allocation

This means the distribution of assets across major asset types, and is the age-old heart of investing. Prism sorts the assets in your accounts into four categories: equities, fixed income, cash and other, which includes investments like real estate, commodities, *etc.* We do the same for any funds you hold. If we can identify your fund's holdings, the asset mix of your fund is factored into the asset allocation of your accounts. Knowing how your assets are allocated allows you to determine if the existing composition is right for you and your goals. Generally, your ideal allocation should take into account when you'll need the money and your personal tolerance for risk.

### Fixed Income

The most common fixed-income assets are bonds. Bonds are linked to debt, typically of a country, local government or company. But a fixed-income asset can be any asset that generates a stream of income paid at fixed moments in time.

## ***F. DISCIPLINARY INFORMATION***

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

## ***G. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS***

Prism is part of the Thomson Reuters global family of companies. As such, its affiliates include registered broker-dealers and another registered investment adviser. Prism does not have any material arrangements with these companies, but affiliates, Lipper and Reuters.com provide certain data services to Prism. We do not believe this arrangement poses any conflict between our interests and the interests of our clients.

## ***H. CODE OF ETHICS AND PERSONAL TRADING***

Prism's Code of Ethics, which has been structured to comply with Rule 204A-1 under the Investment Advisers Act of 1940, describes certain standards of conduct required of the firm's supervised persons and focuses particular attention on the need to safeguard the information clients upload about their investment accounts. The Code of Ethics also obligates persons acting on behalf of the company to perform their duties solely in the best interests of clients and free from all compromising



influences and loyalties. In addition, the Code imposes certain restrictions on supervised persons' ability to buy and sell securities for their own accounts.

A copy of Prism's Code of Ethics is available to clients and prospective clients upon request.

#### ***I. BROKERAGE PRACTICES***

This item does not apply to our business. Securities cannot be traded through the Prism platform, and Prism does not select or recommend broker-dealers for clients.

#### ***J. REVIEW OF ACCOUNTS***

As described in Section A above, Prism's sole advisory service consists of various types of portfolio analyses. In order to perform these analyses, Prism automatically retrieves user account balances and positions on a daily basis. Analyses are automatically updated (*i.e.*, updated without human intervention) and are available online whenever clients log into the site.

Prism does not conduct any additional types of account reviews or supply any additional types of reports to clients.

#### ***K. CLIENT REFERRALS AND OTHER COMPENSATION***

As noted above, Prism is compensated by businesses that advertise on the Prism website. Some of these advertisers may provide services to clients. Because Prism's advisory services do not include recommendations of other service providers, Prism does not believe its receipt of advertising revenue poses a conflict of interest between it and its clients.

#### ***L. CUSTODY***

This item does not apply to our business.

#### ***M. INVESTMENT DISCRETION***

This item does not apply to our business.

#### ***N. VOTING CLIENT SECURITIES***

This item does not apply to our business.

***O. FINANCIAL INFORMATION***

This item does not apply to our business.