



# PORTFOLIO MODEL FAQs

## Q: What types of accounts does FIDERE manage?

FIDERE manages assets related to client financial plans. The types of accounts depend upon each client engagement, but may include corporate accounts, trusts, IRAs, non-IRAs, qualified retirement plans, investable annuity/life insurance subaccounts, or other accounts where investable assets are held.

## Q: Does FIDERE manage all accounts the same way?

FIDERE manages client accounts according to 5 optimized model portfolios, called the *Signature Five*<sup>™</sup>. The models are managed from conservative to aggressive, with no one model consisting of either 100% fixed income or 100% equities. All models are invested in the same 15 global asset classes, which are then compared to highly-correlated, blended benchmarks. The 15 asset classes are highly liquid and can be sold within three business days or transferred at any time.

## Q: What is inside the *Signature Five*<sup>™</sup> portfolios?

The original 5 model portfolios began in February, 2006, and were invested completely in actively-managed, open-end mutual funds, in 10 asset classes. In 2010, 1 Exchange-traded Fund (GLD) replaced an open-ended, precious metals fund, and emerging markets equity became the 13<sup>th</sup> asset class for each model. In 2022, two liquid alternative funds were added – one equity, and one fixed income. Across asset classes, an overall client portfolio has experienced a replacement of one mutual fund per year, on average. Since 2015, passively-invested models using 100% Exchange-traded Funds (ETFs) are also available for investors seeking to avoid active management or achieve greater tax efficiency.

## Q: Are the *Signature Five*<sup>™</sup> portfolios mutual funds? Are they proprietary?

FIDERE is an independent wealth management firm, organized separately from product manufacturing, and without contract or ownership by a bank, brokerage firm, or insurance company. The *Signature Five*<sup>™</sup> portfolio models are not invested in any proprietary holdings. Client assets are invested in holdings chosen from independent research across the universe of investment options for investors seeking consistency of results. The only proprietary aspect of the portfolio modeling system managed by FIDERE is its formula for Mean Variance Analysis (MVA), developed in 2012 for measuring the risk/reward efficiency of aggregate portfolio results. The MVA Score first became available for public use in 2014.

## Q: Are risk/reward data shown actual results?

It is not possible to invest directly in a model. Therefore, data presented are representations of the investor's experience, and are not considered GIPS compliant. Trading patterns, holdings, and actual results may vary. All data viewed and/or downloaded is incomplete without complete disclosures. For complete Portfolio Advisory disclosures and benchmark methodology, visit [www.fidereadvice.com/models](http://www.fidereadvice.com/models).

## Q: What are Asset Classes? Why use 15 Asset Classes?

Asset classes are areas of the securities marketplace. FIDERE does not manage client assets in select asset classes as a direct portfolio manager. Instead, FIDERE provides overlay management services designed to improve investor



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outcomes for planning purposes. With the exception of precious metals, all asset classes are managed by an established, recognizable money management firm that specializes in that area of the marketplace. As such, asset classes are chosen based upon their: 1) availability of the asset classes themselves and to quality management for those asset classes, 2) their degree of correlation to other available asset classes (with low/no/negative correlation being desirable), 3) and their contribution to the efficiency of the MVO Score.

## **Q: What is MVA? Why create an MVA Score?**

Mean Variance Analysis (MVA) refers to the process of determining the ideal balance between the return received and the risk taken by an investor. An MVA score is a measure of portfolio efficiency that can be applied to any aggregated portfolio, which tells the investor whether or not the portfolio is efficient in terms of historical, mean returns and risk taken (as measured by standard deviation). In general, MVA allows the investor to better understand the strength the overall allocation.

## **Q: What is the difference between asset aggregation, asset allocation, and asset location?**

Asset Aggregation refers to the process of combining holdings and accounts, to arrive at an overall portfolio. Asset allocation refers to the spreading of assets across asset classes (areas of the marketplace), usually to achieve diversification. Asset location refers to a tax planning technique whereby certain types of holdings are located inside of certain types of accounts, to mitigate the impact of income taxes on investor results. *For example:* bond holdings generating taxable, ordinary income from interest payments, may be held in a tax-deferred account, while dividend-paying stocks or funds might be located in a taxable account.

## **Q: What can I expect of my overall portfolio with FIDERE?**

FIDERE is a discretionary asset manager. It does not broker any securities for clients. With its discretion, FIDERE will aggregate client assets across accounts, examine opportunities, then allocate according to the model best-suited for the investor(s). Due to time weighting and variation in available investment choices across custodians and accounts, no client experiences risk or reward identical to the model, or to another client. FIDERE's value proposition as an asset manager is its ability to achieve realistic, historical return averages, with as little overall risk as possible – for the aggregate portfolio. This aggregate optimization is essential to a planning process driven by the consistency of returns, versus a targeted average.

## **Q: Who is Charles Schwab & Co.?**

FIDERE has identified Charles Schwab & Co. as a primary operations agent to provide an investment platform, technology and operational capacity. Through its relationship with Charles Schwab & Co., FIDERE holds discretionary client accounts and processes securities transactions on behalf of its clients. Charles Schwab & Co. custodies \$3.2 trillion on behalf of approximately 10,000 RIAs including ones still doing business on the free-standing TD Ameritrade system. Charles Schwab & Co. is a member of the NYSE, FINRA and SIPC. FIDERE clientele are not required to work with Charles Schwab & Co. or any particular brokerage platform. FIDERE does not receive any soft fees or revenue sharing payments from Charles Schwab & Co. or any other operational or asset management entities with which it conducts business on behalf of clients.



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## Q: Can anyone become a client? What are the requirements?

FIDERE accepts both individual and institutional (accredited) clients. Although each client engagement is different, the current fee schedule is separated between individual and accredited investors, based upon the divergent needs of these two groups. The minimum annual fee is \$1,250 for non-accredited clients, and \$12,500 for accredited clients. FIDERE manages most client assets according to the following schedule, also found in its registration brochure (Form ADV2A):

<i>Asset Value</i>	<i>Quarterly Fee</i>	<i>Annual Fee</i>
\$100,000 - \$999,999	0.3125%	1.25%
\$1MM - \$1,999,999	0.25%	1.00%
\$2MM and above	0.1875%	0.75%

Fees paid are for aggregation, optimization and allocation services designed to add efficiency to the overall portfolio through the reduction of risk, improvement of returns, or a combination of both. FIDERE cannot guarantee results, but closely tracks each client portfolio compared to optimized models, and reviews results regularly with clients, including the impact of fees. FIDERE receives no commissions and maintains no revenue sharing agreements with any of the holdings in client accounts. FIDERE will seek the lowest-cost share class available for any client holding, but cannot control nor influence the fee structure of each holding. Clients are subject to both holding-level fees and advisory fees assessed by FIDERE. NOF model data are shown net of all fees.

## Q: How do I engage FIDERE?

FIDERE offers an initial, complimentary “discovery meeting” billed at \$0 for the first 60-minutes. All prospective clients receive our Form ADV2A and ADV2B, prior to or during a discovery meeting. If a client/advisor relationship is established, FIDERE requires a completed advisory services agreement and investor risk tolerance assessment.

To request an initial meeting please call (833) 2-FIDERE or email [team@fidereadv.com](mailto:team@fidereadv.com).