WHITE•HOUSE
FINANCIAL & INVESTMENT SOLUTIONS, LLC

COMPREHENSIVE – CLIENT FOCUSED – FINANCIAL ADVICE

How we select and monitor our clients' investments.

We use a peer percentile ranking of an investment against a set of quantitative due diligence criteria selected to reflect prudent fiduciary management born out of Practice 3.1 in the *Prudent Practices for Investment Fiduciaries* handbook series put out by the Foundation for Fiduciary Studies. The criteria include total returns, risk-adjusted returns, expenses, and other portfolio statistics. Investments are ranked according to their ability to meet due diligence criteria every calendar quarter.

The metrics we use to determine whether the investment makes and stays on our recommended list are:

• ***Regulatory oversight****:* The investment should be managed by: (a) a bank, (b) an insurance company, (c) a registered investment company (mutual fund), or (d) a registered investment adviser. Unregistered products are excluded from our calculations.

• ***Minimum track record*****:** The investment should have at least three years of history so that performance statistics can be properly calculated.

• ***Stability of the organization:*** The same portfolio management team should be in place for at least two years. In a management team setting, the most senior manager's tenure should be at least two years.

• ***Assets in the investment*****:** The investment should have at least $75 million under management (across all share classes.)

• ***Composition consistent with asset class:*** At least 80% of the investment's underlying securities should be consistent with the broad asset class. For example, a Large-Cap Growth product should not hold more than 20% in cash, fixed income and/or international securities

• ***Style consistency:*** The product must be highly correlated to the asset class of the investment option. This means the Morningstar Style Box™ for the current quarter must match the peer group of the investment.

• ***Expense ratios/fees relative to peers:*** The product's fees should not be in the bottom quartile (most expensive) of their peer group. The Prospectus Net Expense Ratio is used for the evaluation of mutual funds and ETFs. It includes all fund management costs, 12b-1 fees, administrative fees, and all other asset-based costs incurred by the fund, except brokerage costs. If the product is purchased within a group annuity product, any recordkeeping fees added to the underlying fund expense ratios by the group annuity provider are not included in this ratio. It is the maximum percentage deducted from an investment's average net assets to pay an advisor or sub-advisor.

• ***Risk-adjusted performance relative to peers:*** The product's risk-adjusted performance (Alpha and Sharpe Ratio – see definitions below) should be above the peer group median manager's risk-adjusted performance.

• ***Performance relative to peers:*** The product's performance should be above the peer group's median manager return for 3- and 5-year cumulative periods.

Alpha: This statistic measures a portfolio's return in excess of the market return adjusted for risk. It is a measure of the manager's contribution to performance with reference to security selection. A positive alpha indicates that a portfolio was positively rewarded for the residual risk, which was taken for that level of market exposure.

Sharpe Ratio: This statistic is a commonly used measure of risk-adjusted return. It is calculated by subtracting the Risk-Free Return (usually 3-Month Treasury Bill) from the portfolio return and dividing the resulting "excess return" by the portfolio's total risk level (standard deviation). The result is a measure of return gained per unit of total risk taken. The Sharpe Ratio can be used to compare the relative performance of managers. If two managers have the same level of risk but different levels of excess return, the manager with the higher Sharpe Ratio would be preferable. The Sharpe Ratio is most helpful when comparing managers with both different returns and different levels of risk. In this case, the Sharpe Ratio provides a per-unit measure.

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