

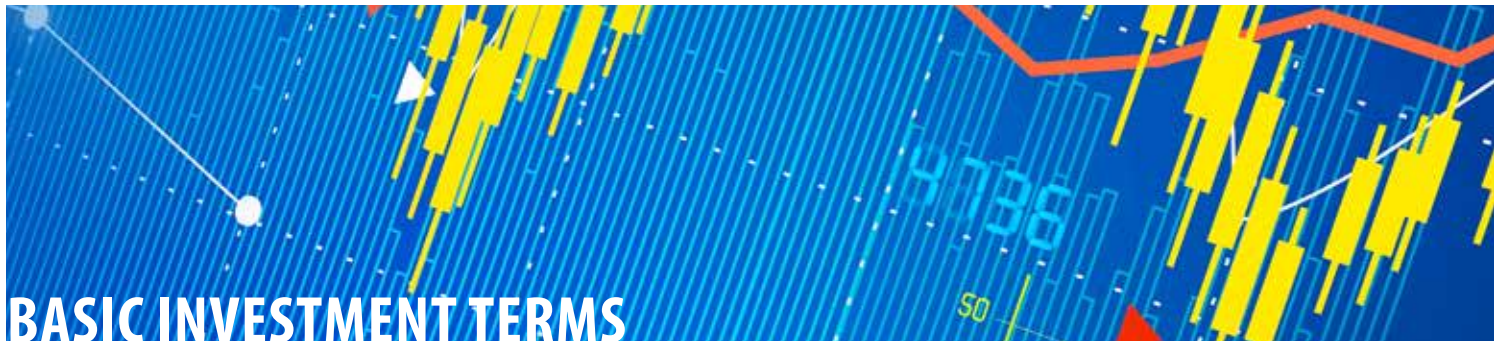


BENJAMIN F. EDWARDS®
INVESTMENTS *for* GENERATIONS®

Investor's Handbook

An Introduction to Investing
Prepared for Clients
of
Benjamin F. Edwards

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BASIC INVESTMENT TERMS

Asset Allocation

The distribution of a portfolio among asset classes.

Bond

A bond is a fixed-income instrument that represents a loan made by an investor to a borrower (typically corporate or governmental). A bond could be thought of as an I.O.U. between the lender and borrower that includes the details of the loan and its payments.

Capital Market Assumptions

The expected returns, standard deviations, and correlation estimates that represent the long-term risk/return forecasts for various asset classes.

Derivative

A financial instrument whose value depends on the value of some underlying asset or factor (e.g., a stock price, an interest rate, or exchange rate).

Diversification

Refers to the distribution of assets among a variety of asset classes/ investments; for example, geographic regions, instruments, investment styles, strategies and sectors to reduce the risk characteristics of a portfolio.

Dividend

A distribution paid to shareholders based on the number of shares owned.

Fixed Income

A type of investment in which the borrower makes periodic payments in regular intervals at a reasonably predictable level. Typically, these securities are bonds.

Liquidity

The ability to purchase or sell an asset quickly and easily at a price close to fair market value. The ability to meet short-term obligations using assets that are the most readily converted into cash. The ability to trade without delay at relatively low cost and in relatively large quantities.

Portfolio

A collection of assets, such as stocks, bonds, and cash. Portfolios are held by the investor and often managed by an advisor or portfolio manager.

Stock

A type of security that indicates ownership in a company; also known as "equity". Represents a claim on the company's earnings and assets.

Macro Economic Factors

Events that affect the global economy. Examples of macro factors are inflation, interest rates, GDP, and government policy.

Micro Economic Factors

Events that affect individuals, firms, and markets. Examples of micro factors are supply and demand, taxes, regulations, and cost of production.

Portfolio Manager

Selects and oversees a group of investments that meet long- and short-term objectives. Portfolio managers also take into account the risk tolerance of the client and the firm.

Financial Advisor

Licensed investment professional who provides guidance and financial advice, including investment management, tax, and estate planning.

Forward Contract

Contract between two parties to buy or sell an asset at a specified price on a future date. The contract is privately negotiated and comes with a degree of default risk since the counterparty is responsible for remitting payment. Forward contracts are not available to retail investors and are traded over the counter. An International Swaps and Derivative Association ("ISDA") Master Agreement is required and effectively details the legal framework, regulations, and derivative structure between the two parties.

Futures Contract

A variation of a derivative that has standardized structure and a leverage multiplier, such as a clearinghouse guarantee against credit losses, a daily market-to-market settlement of gains and losses, and an organized electronic or physical floor trading.

Put Option

An option that gives the holder the right to sell an underlying asset to another party at a fixed price over a specific period of time.

Call Option

An option that gives the holder the right to buy an underlying asset from another party at a fixed price over a specific period of time.

Benchmark

A standard or point of reference for evaluating the performance of an investment strategy.

Bear Market

A market condition in which stock prices are falling.

Bull Market

A market condition in which stock prices are rising.



What Is Risk?

Risk is an investor’s exposure to uncertainty. In other words, the chance of a loss or adverse outcome as a result of an action, inaction, or external event.

The relationship between risk and return is a fundamental idea of investing. The greater amount of risk the investor takes on, the greater potential for return. Investors can base their investment strategy according to their specific risk tolerance.

How to Measure Risk?

Standard Deviation

One of the most common statistical measures of investment risk. Standard deviation describes how much an investments’ price has fluctuated around its average price in the past. Hence, a lower standard deviation would generally be regarded as a less risky investment.

Types of Investment Risk

Interest Rate Risk

The risk that investment prices will decrease due to an interest rate increase.

Credit Risk

The risk that a company will not be able to pay its debts.

Inflation Risk

The possibility that interest paid on investments will be lower than the inflation rate. Decreasing purchasing power.

Market Risk

The possibility that the value of an investment, when sold, might be less than the purchase price.

Volatility Risk

The uncertainty in the size of the changes in a security’s value.

Business Risk

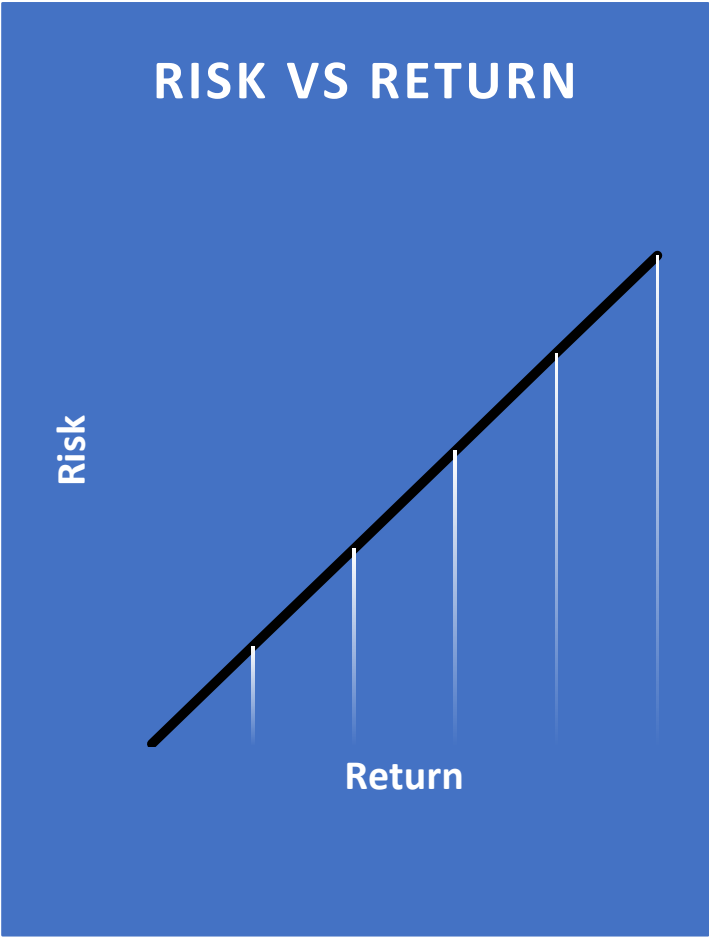
The chance that a specific company’s stock will fall because of issues affecting the company.

Industry Risk

The chance that a set of factors particular to an industry group will adversely affect stock prices within the industry.

Currency Risk

The possibility that an investment denominated in one currency could decline if the value of that currency declines in its exchange rate with the U.S. dollar (associated with international investing).





RETURN

INVESTMENT VEHICLES

What Is Return on Investment?

There are two basic types of return on investment: income and capital appreciation.

Return on Investment

$(\text{Current value} - \text{Beginning value}) / \text{Beginning value}$

Interest Income

Earnings generated from investments, such as dividends, coupon payments or interest paid on money. Interest income is taxed at a different rate than earned income.

Capital Appreciation

The increase in price or value of the asset over time. Capital appreciation isn't taxed until the investment is sold.

Rate of Return

A measure of performance, indicating a net gain or loss of an investment over a specified time period.

Gross Rate of Return

The rate of return before the deduction of investment fees.

Net Rate of Return

The rate of return after the deduction of investment fees.

Capital Gain/Loss

When an investor sells an asset for more/less than they bought it for.

Unrealized Gain/Loss

Increase/decrease in the value of a security that has not yet been sold.

Annualized Return

A measure of how much an investment has earned on average each year, over a specific time period.

Geometric Return

Formula used to measure the average rate of return on an investment that is compounded over multiple periods.

Exchange-Traded Fund (ETF)

Hybrid investment products with many features of mutual funds combined with the trading features of common stocks or bonds. Essentially, ETFs are typically portfolios of stocks or bonds or commodities that trade throughout the day like common stocks.

Mutual Fund (Open-End Fund)

A professionally managed investment pool in which investors in the fund typically each have a pro-rata claim on the income and value of the fund. Mutual funds may charge annual fees, expense ratios or commissions, which may affect overall return.

Closed-End Fund

A fund raises capital by issuing a fixed number of shares in an initial public offering (IPO). New investors buy existing shares, and investors in the fund liquidate by selling their shares to other investors. New shares are not created or redeemed by the fund to meet demand.

Hedge Fund

Private investment vehicles that typically use leverage, derivatives, and long and short investment strategies.

Interval Fund

A type of closed-end fund with shares that do not trade on the secondary market. Interval funds can provide investors with access to less liquid strategies such as private funds, structured credit or commercial real estate debt. Due to the limited liquidity structure, interval funds should be utilized by long term investor.

Money Market Fund

Pooled investments of very short-term debt products, such as overnight reserves or commercial paper.

Private Equity Fund

Pooled investment vehicles that generally invest in highly illiquid assets; includes venture capital funds and buyout funds.



EQUITIES

Common Stock

A security that represents ownership in a corporation. Common stockholders are owners of the company and elect a board of directors. Common stockholders are the last to receive funds in an event of liquidation.

Preferred Stock

A stock that has priority over common stock. Preferred stock gets paid higher dividends and has a higher claim to a firm's assets in an event of liquidation. Preferred stockholders have limited and often no voting rights.

Convertible Notes and Bonds

Notes or bonds that may be converted into a predetermined amount of a company's equity at a certain time throughout its life.

REITs

Real Estate Investment Trusts own and operate, and/or selectively develop income-producing real estate.

American Depositary Receipts (ADRs)

A U.S. dollar-denominated security of an international company that trades like a common share on U.S. exchanges.

Convertible Preferred Stock

A type of equity security that entitles shareholders to convert their shares into a specified number of common shares.

DIVIDEND STOCKS

Stocks may distribute a portion of their earnings to shareholders. When declaring a dividend they declare the amount per share, and the date the payment will be made. Ordinary dividends are paid on a quarterly basis, while special dividends are paid sporadically.

Announcement Date

The date the dividend is approved by the board, detailing the dividend amount and the date of record.

Ex-dividend Date

The first date that a share trades without (i.e., "ex") the right to receive the declared dividend for the period. The stock's value per share will adjust before it opens for trading by the amount of the dividend payment (e.g., \$0.25 dividend per share will lower a \$50 stock to \$49.75)

Holder-of-Record Date

The date that a shareholder listed on the corporation's books will be deemed to have ownership of the shares in order to receive an upcoming dividend.

Payment Date

The day that the company electronically transfers a dividend payment.



EQUITY INVESTING

Market Capitalization

The market value of a company’s outstanding shares. Market capitalization is derived by multiplying a company’s current market price per share by the total outstanding shares.

Large Cap

Companies that have a value of over \$10 billion.

Mid Cap

Companies that have a market capitalization between \$2 billion and \$10 billion.

Small Cap

Companies with a market capitalization of under \$2 billion.

Value vs. Growth

Value Stocks

Companies that are relatively undervalued by the market.

Value stocks typically have a slower growth in earnings, and their financial performance is typically consistent. These are mature businesses that generally have a higher dividend yield. Dividend stocks are highly sensitive to their dividend payouts.

Growth Stocks

Stocks that are expected to grow at a rate that exceeds the average growth of the market.

Growth stocks have higher sales and income, and their financial performance is more volatile. These companies are often considered “disruptive” as they are IT heavy.

Growth stocks are highly sensitive to changes in interest rates and generally do not pay dividends.

Equity Sectors

Typical Growth Sectors

Technology, Consumer Cyclical, Health Care, Communication Services, Real Estate

Typical Value Sectors

Utilities, Industrials, Basic Materials, Financial Services, Energy, Consumer Defensive

Cyclical	 Basic Materials
	 Consumer Cyclical
	 Financial Services
	 Real Estate
Sensitive	 Communication Services
	 Energy
	 Industrials
	 Technology
Defensive	 Consumer Defensive
	 Healthcare
	 Utilities

Equity “Style Box” and Applicable Index

	Domestic		
	Value	Core	Growth
Large Cap	Russell 1000 Value	Russell 1000	Russell 1000 Growth
Mid Cap	Russell Mid Cap Value	Russell Mid Cap	Russell Mid Cap Growth
Small Cap	Russell 2000 Value	Russell 2000	Russell 2000 Growth



STYLE AND FACTOR-BASED INVESTING

Style

The approach utilized by the investor, fund manager or advisor to make selections for a portfolio. The style of your portfolio is a useful label for classifying your basket of stocks and bonds.

Style can be a useful tool to weigh opportunities and risks. It also helps determine investment objective and label the goals the investor is trying to achieve.

When evaluating equities, there are two determining factors the investor is looking for to understand the stocks' style: The company's size and whether the company is considered growth, value or blend. Additionally, international stocks are labeled as either developed or emerging markets. The factors most utilized in determining the style of a bond are quality and maturity.

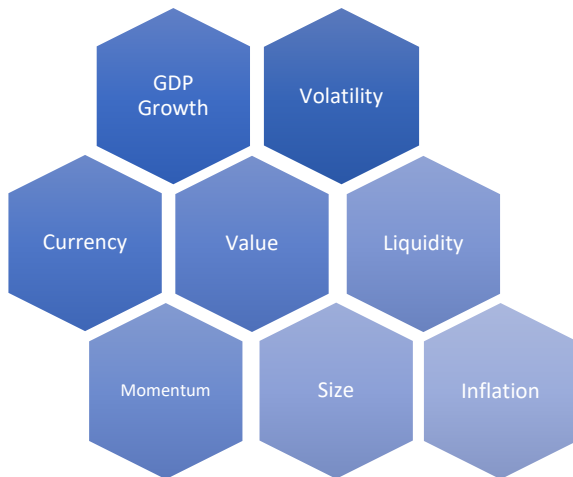
Factor Investing

Target-specific drivers of return across asset classes. Different factors can be used to explain the difference in the stock and predict returns. Factor investing assigns key drivers of investments to obtain the optimal risk tolerance and improve diversification.

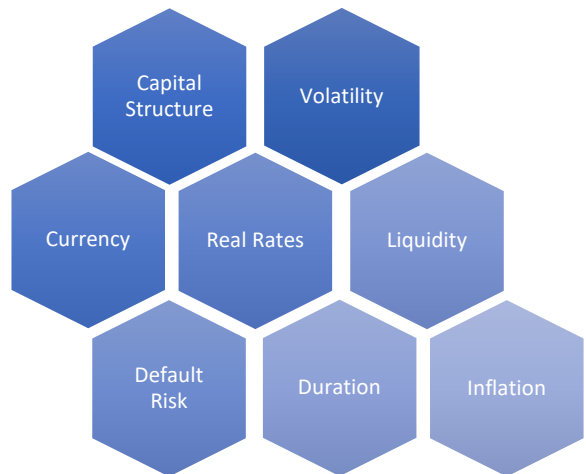
The first step is identifying what factors are statistically significant for analysis. After that, Investors can determine their specific risk tolerance to that factor.

Factor-Based Investing

U.S. Equity



U.S. Corporate Bonds





EQUITY INDEXES

Russell

The Russell indexes are derived from a group of 3,000 stocks. The stocks are categorized as value growth or blend. The indexes are weighted based on the stocks' market capitalization and are reweighted once a year.

Russell 3000

The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies. This index also represents 96% of the investable U.S. equity market. This index is designed to reflect the U.S. equity market.

Russell 1000

The Russell 1000 index is the large capitalization index. It is made up of the largest 1000 stocks in the Russell 3,000.

Russell 2000

The Russell 2000 index are the smallest remaining 2,000 stocks from the Russell 3000.

Russell 2500

The Russell is made up of the smallest 2,500 companies covered in the Russell 3000.

S&P 500

A stock market index that tracks 500 large-cap companies in the United States Investors use the index as a benchmark of the U.S. stock market.

It is a capitalization-weighted index calculated on a total return basis with dividends reinvested. The larger the company, the larger the weight in the index.

Standard and Poor's also publishes the S&P 500 Equal Weight Index. The companies in the index are equally weighted across the entire index. Standard and Poor's offers a wide variety such as the S&P Mid Cap 400, S&P Small Cap 600 and the S&P 1500, which combines all of them into one index.

Dow Jones Industrial Average

A stock market index that tracks 30 large-cap companies in the U.S. The Dow is used as a benchmark for the U.S. economy and is reevaluated on a regular basis. The Dow Jones is a price-weighted index, meaning its value is derived from the price per share for each common stock.

MEGA CAP	Russell 3000	Russell 1000 90% of the Russell 3000	Russell Top 200 62% of the Russell 3000	Russell Top 50 37% of the Russell 3000
LARGE CAP				
MID CAP			Russell Midcap 28% of the Russell 3000	Russell 2500 20% of the Russell 3000
SMALL CAP		Russell 2000 10% of the Russell 3000		



INDEXES

Global Indices

Morgan Stanley Capital International All Country World Free Index excluding the United States (MSCI ACWIXUS)

A market-capitalization weighted index composed of companies representative of the market of 48 developed and emerging market countries in the Americas, Europe/Middle East and Asia/Pacific Regions.

The index is calculated without dividends or with gross dividends reinvested, in both U.S. dollar and local currencies. The MSCI ACWIXUS Free Index excludes closed markets and those shares in otherwise free markets, which are not purchasable by foreigners.

MSCI EAFE (Morgan Stanley Capital International Europe, Australasia and Far East)

An arithmetic, market value-weighted average of the performance of over 900 securities listed on stock exchanges in Europe, Australasia and the Far East.

MSCI Emerging Markets

The Emerging Markets Index is a float-adjusted market-capitalization index. It consists of index in 26 emerging economies.

Fixed Income Indicator

Bloomberg Government/Credit Bond

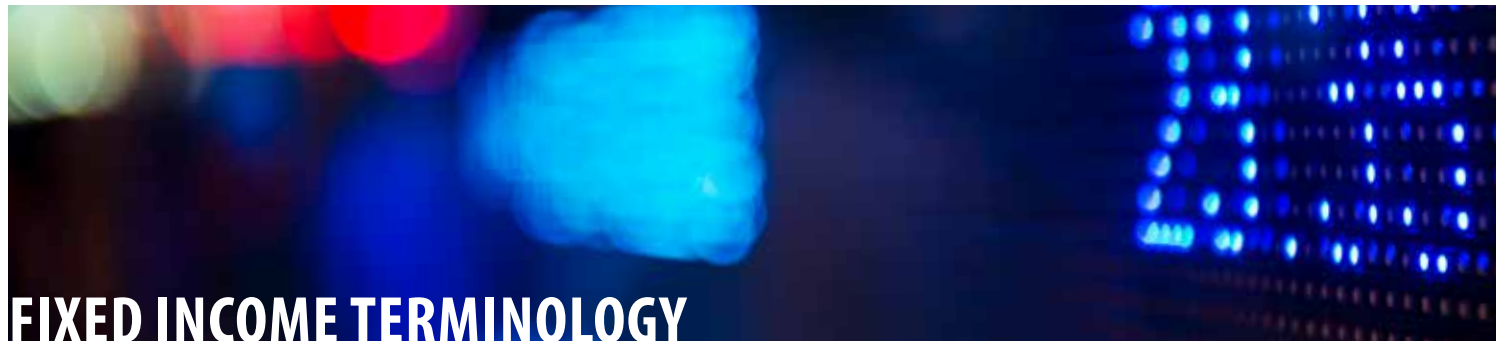
Composed of all publicly issued, fixed-rate, non-convertible domestic debt. There are three classifications: Industry, utility and financial.

All issues have at least one year to maturity or an outstanding par value of \$100 million for government and \$50 million for Corporate.

Bloomberg Aggregate Bond Index

A market-capitalization weighted index that tracks the U.S. investment-grade bonds. The index is a common benchmark for U.S. bond investors.

The Bloomberg Aggregate Bond Index includes government Treasury securities, corporate bonds, mortgage-backed securities (MBS), asset-backed securities (ABS) and municipal bonds.



FIXED INCOME TERMINOLOGY

Bonds

The most common type of fixed income, but there are other types of fixed-income investments, such as money market securities.

Fixed Income

Investment that pays an investor a fixed amount of income on a fixed schedule.

Par Value

The original or face value of the bond stated when purchasing the bond. Usually, \$1,000.

Duration

Fundamental characteristic of fixed income, used to measure the price volatility or sensitivity of a fixed-income security relative to changes in interest rates. The greater the duration, the greater the potential reward/risk for bonds.

Maturity

The date in which the issuer of a fixed-income security is required to pay the par value.

Principal

Amount that an issuer agrees to repay the debt holders on the maturity date.

Bond Quality

A rating given that measure the creditworthiness of the bond issuer and specific issuance. These ratings are typically assigned with a letter grade by one or all of the three primary rating agencies; Standard and Poor's, Moody's, and Fitch.

Coupon Rate

The coupon payment divided by par value.

Premium

In the case of bonds, premium refers to the amount by which a bond is priced above its face (par) value.

Discount

A discount to par value is due to interest rates being higher than the coupon rate or credit spread expansion.

Required Rate of Return

The minimum rate of return required by an investor to invest in an asset, given the asset's riskiness.

S&P's Bond Rating Scale			
AAA	●	} Prime	Investment Grade
AA+	●		
AA	●		
AA-	●	} High grade	
A+	●		
A	●		
A-	●	} Upper medium grade	
BBB+	●		
BBB	●		
BBB-	●	} Lower medium grade	
BB+	●		
BB	●		
BB-	●	} Speculative	Non - Investment Grade
B+	●		
B	●		
B-	●	} Very speculative	
CCC+	●		
CCC	●		
CCC-	●	} Extremely speculative	
CC	●		
C	●		
D	●	} Default imminent	
		} In default	



Time To Maturity

The amount of time until the principal amount of a bond is repaid, or the end of life for an investment.

Bond Laddering

An investment strategy that involves buying multiple bonds with staggered maturity dates. This allows investors to be better protected from reinvestment risk.

Barbell Strategy

An investment that combines long-term and short-term bonds. The strategy's goal is to take advantage of short-term interest rates while benefiting from higher yields on long-term bonds.

Bullet Strategy

Buying non-callable bonds with a targeted maturity date.

Green Bond

Bonds issued to finance projects with an environmental or climate impact.

Rolling Down The Yield Curve Strategy

A maturity trading strategy that involves buying bonds with a maturity longer than the intended investment horizon. Also called riding the yield curve.

Passive Strategy

A portfolio of bonds that is well diversified and held until maturity.

Active Strategy

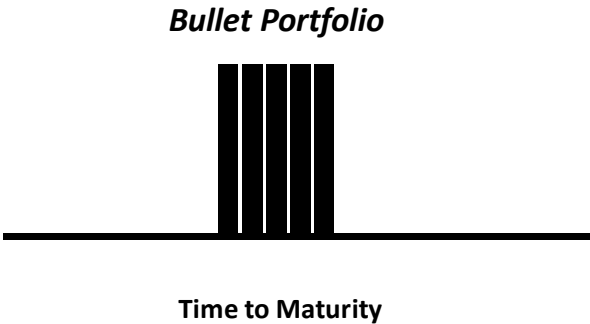
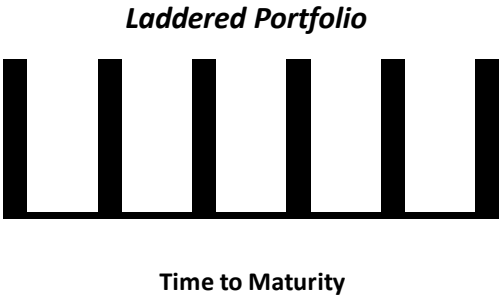
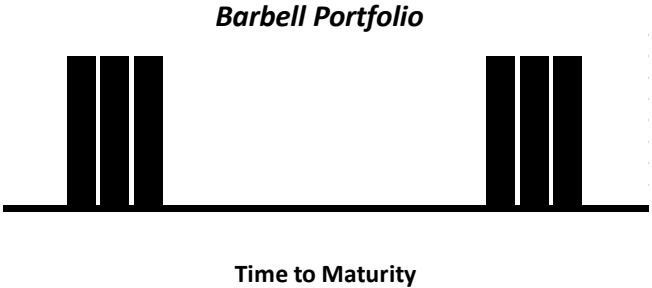
Trading bonds with the goal of maximizing total return. The active strategy is based on an investor's expectations of the future and typically not held until maturity.

Roll Down Return Method

Strategy that maximizes a bond's overall yield by exploiting the yield curve. This involves selling a bond as it is getting close to its maturity date when the initial higher interest rate of the long-term bond has declined.

Maturity Matching Strategy

Investing in bonds that have the opportunity of generating payments at a time when future expenses are expected. This strategy could involve bond laddering and/or liability matching.





FIXED INCOME SECURITIES

Corporate Bond

A debt security issued by a company to raise capital. An investor who buys a corporate bond is effectively lending money to the company in return for a series of interest payments.

Fixed-Rate Capital Securities

Hybrid securities that combine features of both corporate bonds and preferred stock. Typically, they have a lower par value than a bond and offer a steady stream on dividend income.

Private Placements

Selling securities to a pre-selected number of investors rather than publicly on the open market. It can be accomplished directly between the issuer and the investor(s) or through an investment bank.

Structured Notes

A variation of a floating-rate note that has some type of unusual characteristic, such as a leverage factor or where the rate moves opposite to interest rates.

Municipal Bond

A type of non-sovereign bond issued by a state or local government in the United States. It very often (but not always) offers income tax exemptions.

Mortgage-Backed Securities

Asset-backed securitized debt obligations that represent rights to receive cash flows from portfolios of mortgage loans.

Collateralized Mortgage Obligation (CMO)

A security created through the securitization of a pool of mortgage-related products (mortgage pass-through securities or pools of loans).

Asset Backed Securities (ABS)

A investment that is collateralized by an underlying pool of assets, usually ones that generate cash flow from debt, such as loans, leases, credit card balances or receivables.



FIXED INCOME SECURITIES

Short-Term Securities

Cash Investments

Short-term investments, usually for 90 days or less, that earn interest and can be readily sold. Usually, these investments are made to protect against inflation.

Certificates of Deposit (CDs)

An instrument that represents a specified amount of funds on deposit with a bank for a specified maturity and interest rate. It is issued in small or large denominations and can be negotiable or non-negotiable.

Banker's Acceptances

Credit investment created by a non-financial firm and guaranteed by a bank.

Commercial Paper

A short-term, negotiable, unsecured promissory note that represents a debt obligation of the issuer.

Asset-backed Commercial Paper

Form of commercial paper that is backed by physical assets.

Money Market Funds

Funds that invest in Treasury fixed-income securities with maturities of one year or less.

Short-Term Investment Fund

Funds with short-term, low-risk investments that protect capital and provide modest returns.

Repurchase Agreement

A form of collateralized loan involving the sale of a security with a simultaneous agreement by the seller to buy the same security back from the purchaser at an agreed-on price and future date. The party who sells the security at the inception of the repurchase agreement and buys it back at maturity is the borrower, and the security sold and repurchased represents the collateral. Also known as a repo.

U.S. Government Securities

U.S. Treasury Bills

U.S. government securities with the shortest maturities, from four weeks to one year. The interest paid on U.S. Treasury bills is taxed on the federal level but is exempt at the state and local levels. Treasury bills can be used to manage inflation risk of a portfolio.

U.S. Treasury Note

Highly liquid U.S. government debt security with a fixed interest rate and a maturity between one and 10 years. The Treasury notes make semi annual payments and may be bought directly through the U.S. government or a bank.

U.S. Treasury Bonds

Marketable U.S. Government debt security with a fixed interest rate with the maturity of more than 10 years. These bonds mature in 20 to 30 years and typically offer the highest interest payments semi annually. These are considered very safe investments due to the U.S. government's backing.

Treasury Inflation-Protected Securities

A type of Treasury note that offers protection from inflation. The goal of investing in TIPS is to protect your purchasing power. As inflation rises, TIPS adjust the principal amount to maintain their value, rather than allowing the yield to increase.





	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Highest	Barclays Agg 5.24%	MSCI EME 79.02%	REITS 27.95%	REITS 8.28%	REITS 19.70%	Russell 2000 38.82%	REITS 28.03%	REITS 2.83%	Russell 2000 21.31%	MSCI EME 37.75%	Barclays Agg 0.01%	S&P 500 31.49%	Russell 3000 20.89%	REITS 41.30%	Blmbrg Cmdty 16.09%	S&P 500 26.29%
	EM Debt -5.22%	High Yield 58.21%	Russell 2000 26.85%	Barclays Agg 7.84%	MSCI EME 18.63%	Russell 3000 33.55%	S&P 500 13.69%	S&P 500 1.38%	High Yield 17.13%	MSCI EAFE 25.62%	High Yield -2.08%	Russell 3000 31.02%	Russell 2000 19.96%	S&P 500 28.71%	Equity Hedge -10.13%	Russell 3000 25.96%
	AA Portfolio -23.17%	MSCI EAFE 32.46%	MSCI EME 19.20%	High Yield 4.98%	MSCI EAFE 17.90%	S&P 500 32.39%	Russell 3000 12.56%	Barclays Agg 0.55%	Russell 3000 12.74%	S&P 500 21.83%	REITS -4.04%	REITS 28.66%	MSCI EME 18.69%	Blmbrg Cmdty 27.11%	High Yield -11.19%	MSCI EAFE 18.85%
	High Yield -26.16%	Russell 3000 28.34%	Russell 3000 16.93%	S&P 500 2.11%	EM Debt 16.76%	MSCI EAFE 23.29%	Barclays Agg 5.97%	Russell 3000 0.48%	S&P 500 11.96%	Russell 3000 21.13%	S&P 500 -4.38%	Russell 2000 25.52%	S&P 500 18.40%	Russell 3000 25.66%	EM Debt -11.69%	Russell 2000 16.93%
	Equity Hedge -26.65%	REITS 27.99%	Blmbrg Cmdty 16.83%	Russell 3000 1.03%	Russell 3000 16.42%	Equity Hedge 14.28%	AA Portfolio 5.64%	MSCI EAFE -0.39%	Blmbrg Cmdty 11.77%	AA Portfolio 15.22%	Russell 3000 -5.24%	MSCI EAFE 22.66%	Equity Hedge 17.90%	Russell 2000 14.82%	Barclays Agg -13.01%	AA Portfolio 14.29%
	Russell 2000 -33.79%	Russell 2000 27.17%	EM Debt 15.68%	AA Portfolio -0.76%	AA Portfolio 16.35%	AA Portfolio 14.19%	Russell 2000 4.89%	Equity Hedge -0.96%	MSCI EME 11.60%	EM Debt 15.21%	AA Portfolio -5.85%	AA Portfolio 19.34%	AA Portfolio 11.76%	Equity Hedge 11.67%	MSCI EAFE -14.01%	High Yield 13.45%
	Blmbrg Cmdty -35.65%	S&P 500 26.46%	High Yield 15.12%	EM Debt -1.75%	S&P 500 16.00%	High Yield 7.44%	High Yield 2.45%	AA Portfolio -1.43%	EM Debt 9.94%	Russell 2000 14.65%	EM Debt -6.21%	MSCI EAFE 18.90%	MSCI EAFE 8.28%	MSCI EAFE 11.78%	AA Portfolio -15.50%	EM Debt 12.71%
	S&P 500 -37.00%	Equity Hedge 24.57%	S&P 500 15.06%	Russell 2000 -4.18%	High Yield 15.81%	REITS 2.86%	Equity Hedge 1.81%	Russell 2000 -4.41%	REITS 8.63%	Equity Hedge 13.29%	Equity Hedge -7.13%	High Yield 14.32%	Barclays Agg 7.51%	AA Portfolio 11.38%	S&P 500 -18.11%	REITS 11.36%
	Russell 3000 -37.31%	AA Portfolio 23.56%	AA Portfolio 12.96%	Equity Hedge -8.38%	AA Portfolio 12.28%	Barclays Agg -2.02%	MSCI EME -1.82%	High Yield -4.47%	AA Portfolio 7.51%	REITS 8.67%	Russell 2000 -11.01%	Equity Hedge 13.69%	High Yield 7.11%	High Yield 5.28%	Russell 3000 -19.21%	Equity Hedge 10.44%
	REITS -37.73%	EM Debt 21.98%	Equity Hedge 10.45%	MSCI EAFE -11.73%	Equity Hedge 7.41%	MSCI EME -2.27%	MSCI EAFE -4.48%	MSCI EME -14.60%	Equity Hedge 5.47%	High Yield 7.50%	Blmbrg Cmdty -11.25%	EM Debt 13.47%	EM Debt 2.69%	Barclays Agg -1.54%	MSCI EME -19.74%	MSCI EME 10.27%
	MSCI EAFE -43.06%	Blmbrg Cmdty 18.91%	MSCI EAFE 8.21%	Blmbrg Cmdty -13.32%	Barclays Agg 4.21%	EM Debt -8.98%	EM Debt -5.72%	EM Debt -14.92%	Barclays Agg 2.65%	Barclays Agg 3.54%	MSCI EAFE -13.36%	Barclays Agg 8.72%	Blmbrg Cmdty -3.12%	MSCI EME -2.22%	Russell 2000 -20.44%	Barclays Agg 5.53%
Lowest	MSCI EME -53.18%	Barclays Agg 5.93%	Barclays Agg 6.54%	MSCI EME -18.17%	Blmbrg Cmdty -1.06%	Blmbrg Cmdty -9.52%	Blmbrg Cmdty -17.01%	Blmbrg Cmdty -24.66%	MSCI EAFE 1.51%	Blmbrg Cmdty 1.70%	MSCI EME -14.25%	Blmbrg Cmdty 7.69%	REITS -5.12%	EM Debt -8.75%	REITS -24.95%	Blmbrg Cmdty -7.91%

- EM Debt = JP Morgan GBI EM Global Diversified Unhedged TR

- REITS = FTSE/NAREIT All Equity REITS

- Equity Hedge = HFRI Equity Hedge

- AA Portfolio = 21% S&P, 9% R2000, 15% EAFE, 5% EM, 30% Agg, 10% HFRI EH, 5% EMD, 5% REITS

Source: Conway Investment Research, Morningstar, MSCI, HFRI

- High Yield = Barclays Capital US Corporate High Yield

- Blmbrg Cmdty = Bloomberg Commodity TR

- MSCI EAFE = MSCI EAFE GD

- MSCI EME = MSCI EM Equity GD



PORTFOLIO ANALYSIS

Alpha

A measure of the difference between a portfolio's actual returns and its expected performance, given its level of risk measured by beta. A positive alpha figure indicates the portfolio performed better than its beta would predict. In contrast, a negative alpha indicates the portfolio's underperformance, given the beta.

Beta

Beta is a measure of systematic risk with respect to a benchmark. Systematic risk is the tendency of the value of the fund and the value of benchmark to move together. Beta measures the sensitivity of the fund's excess return (total return minus the risk-free return) with respect to the benchmark's excess return that results from their systematic co-movement.

Standard Deviation

Statistical measurement of dispersion about an average, which, for a mutual fund, depicts how widely the returns varied over a certain period. Investors use the standard deviation of historical performance to try to predict the range of returns that are most likely for a given fund. When a fund has a high standard deviation, the predicted range of performance is wide, implying greater volatility.

Downside deviation

This measures only deviations below a specified benchmark.

Maximum & Average Drawdown

The peak-to-trough decline during a specific record period of an investment or fund. It is usually quoted as the percentage between the peak to the trough. Average drawdown is the average of yearly maximum drawdown measures. For example, in this case, maximum drawdown measures are calculated for the first 12 months, the next 12 months, and the subsequent 12 months, and the average drawdown is the average of these three maximum drawdown numbers.

Mutual Fund Expense Ratio

Annual fee that is charged by the mutual fund manager to the investor for employee pay and operational expenditure. The fee will be deducted from the fund Net Asset Values.

Mutual Fund Break Points

The dollar amount threshold that qualifies the investor for a reduced sales charge. Can be gained through funds in the same fund family.

Information Ratio

Information ratio is a risk-adjusted performance measure. The information ratio is a special version of the Sharpe Ratio in that the benchmark doesn't have to be the risk-free rate. It measures and compares the active return of an investment compared to a benchmark index relative to the active volatility.

R-squared

Reflects the percentage of a portfolio's movements that can be explained by movements in its benchmark. The R-squared statistic is a number between 0 and 1, or, 0% and 100%, that quantifies the variance explained in a statistical model.

Sharpe Ratio

Calculated by dividing return minus risk-free rate by standard deviation. The higher the Sharpe Ratio, the better the fund's historical risk-adjusted performance.

Sortino Ratio

The Sortino Ratio is similar to Sharpe Ratio except it uses downside risk (downside deviation) in the denominator. Since upside variability is not necessarily a bad thing, Sortino Ratio is often more preferable than Sharpe Ratio.

Tracking Error

Tracking error is a measure of the volatility of excess returns relative to a benchmark. In other words, it is a measure of the risk in an investment portfolio that is due to active management decisions made by the portfolio manager; it indicates how closely a portfolio follows the index to which it is benchmarked.

Upside Capture Ratio

Upside capture ratio measures a manager's performance in up markets relative to the benchmark. The performance measure is calculated by taking the security's upside capture return and dividing it by the benchmark's upside capture return. The higher the better.

Downside Capture Ratio

Downside capture ratio measures a manager's performance in down markets. In essence, it tells you what percentage of the down-market was captured by the manager. For example, if the ratio is 110%, the manager has captured 110% of the down-market and therefore underperformed the market on the downside. The lower the better.



Price-To-Book Ratio

Used to compare a stock’s market value to its net asset value, or book value. The ratio gives the investor insight on the price of the stocks relative to the companies’ underlying assets.

$$\text{P/B} = \frac{\text{Stock Price}}{\text{Total Assets} - \text{Intangible Assets} - \text{Liabilities}}$$

Price-To-Earnings Ratio

A ratio used to value a company by comparing its current price to its relative earning-per-share multiple. Companies that have no earnings will not have a meaningful P/E ratio. The key analysis gained from the P/E ratio is understanding if a stock is under-valued or overvalued relative to comparable companies within the same subsector.

$$\text{P/E} = \frac{\text{Stock Price}}{\text{Earnings per Share}}$$

Current Ratio

A liquidity ratio that measures a company’s ability to meet its short-term debt obligations with short-term assets. If the ratio measures less than 1.0, this indicates the company might not have the current assets available to pay off its current debt payables.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Quick Ratio

A stringent measure of liquidity that indicates a company’s ability to satisfy current liabilities with its most liquid assets.

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$



MODERN PORTFOLIO THEORY

Modern Portfolio Theory

Aims to maximize expected return for a specific amount of deviation using a combination of non-risky assets (y-intercept) and risky assets (linear line) to diversify away non-systematic risk, or idiosyncratic risk.

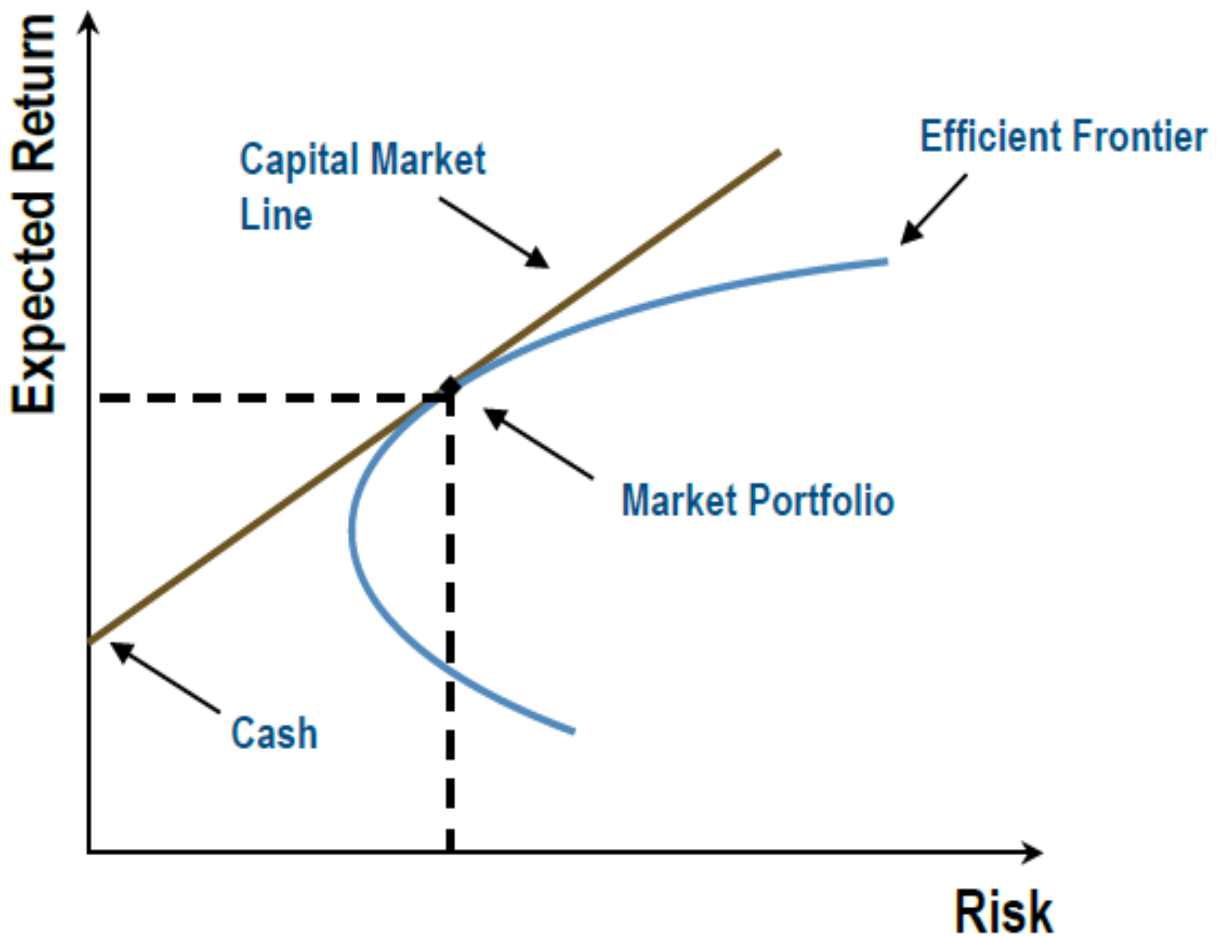
Modern Portfolio Theory recognizes two risks:

Systematic Risk

Risk that affects the entire market or economy; it cannot be avoided and is inherent in the overall market. Systematic risk is also known as non-diversifiable or market risk.

Non-Systematic Risk

The risk that is unique to a specific company, industry or asset class. In the context of an investment portfolio, non-systematic risk can be reduced through proper diversification.





The information here is for general informational purposes only and should not be considered an individual recommendation or personalized investment advice. The investment strategies and securities mentioned here may not be suitable for everyone. Each investor needs to review an investment strategy for his or her own particular situation before making any investment decision. Examples are provided for illustrative purposes only.

Investing involves risk including the potential loss of principal. No investment strategy, including asset allocation and diversification, can guarantee a profit or protect against loss in periods of declining values. Past performance is no guarantee of future results. Indexes are unmanaged and investors are not able to invest directly into any index. Note that individual situations can vary. Therefore, the information presented here should only be relied upon when coordinated with individual professional advice.

Cash Alternatives: This category includes short term, liquid, interest-bearing investments having maturities of less than one year. It is usually used for temporary investment purposes pending a distribution or other transaction. Money market accounts and Treasury bills are considered cash equivalents. Money market funds charge fees; cash returns are estimated net of typical fees.

Equity investments refer to buying stocks of United States companies as well as companies outside of the United States. The market capitalization of U.S. companies is used to group large, medium (mid) and small companies. The investment return to the owner of stock (shareholder) is in the form of dividends and/or capital appreciation. The market capitalization of companies is used to group large, medium (mid) and small companies. Shareholders share in both the upside potential and the downside risk. Dividends are not guaranteed and are subject to change or elimination.

Bonds are promissory notes of a United States corporation or federal government entity (taxable bonds) or a state or local government entity (tax-exempt or municipal bonds). Bonds usually make a series of interest payments followed by a return of principal at maturity. If sold prior to maturity, the price that can be obtained for a bond may be more or less than face value, depending on interest rates at the time the bond is sold and the remaining term of the bond. Investing in fixed-income securities involves certain risks such as market risk if sold prior to maturity and credit risk, especially if investing in high-yield bonds, which have lower ratings and are subject to greater volatility. All fixed-income investments may be worth less than original cost upon redemption or maturity. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline of the value of your investment. Fixed income securities include Treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year), government-related issues (i.e., agency, sovereign, supranational and local authority debt) and corporate bonds.

Trading in futures and options on futures is not appropriate for all persons as the risk of loss is substantial. Before engaging in the purchase or sale of options, potential clients should understand the nature of and extent of their rights and obligations and be aware of the risks involved, including, without limitation, the risks pertaining to the business and financial condition of the issuer of the underlying security or instrument. Options investing, like other forms of investing, involves tax considerations, transaction costs and margin requirements that can significantly affect the profit and loss of buying and writing options. The transaction costs of options investing consist primarily of commissions (which are imposed in opening, closing, exercise and assignment transactions), but may also include margin and interest costs in particular transactions. If you are considering options as part of your investment plan, your Benjamin F. Edwards Financial Advisor is required to provide you with the "Characteristics and Risks of Standardized Options" booklet from the Options Clearing Corporation. Clients should not enter into standardized options transactions until they have read and understood the Options Disclosure Document (ODD), as options are not suitable for everyone, and discuss transaction costs with their Financial Advisor. Please ask your Financial Advisor for a copy of the Characteristics and Risks of Standardized Options booklet.

Exchange Traded Funds and mutual funds are sold by prospectus only. Please consider the investment objectives, risk, charges and expenses carefully before investing. The prospectuses, which contain this and other information, can be obtained from your financial consultant. Read the prospectus carefully before investing.

Please note that all indices are unmanaged and do not take into account any fees or expenses of investing in the individual securities they track, and that individuals cannot invest directly in an index.

Distinct from traditional fixed income is the alternative income category, which includes high-yield debt, emerging markets debt and REITs. Such investments offer greater income potential but also higher levels of risk than traditional forms of debt.



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