

# Full Alpha Architect

## *Model portfolios*

As of 12/31/2023 unless otherwise indicated



## For investors seeking to *go all in*

We built Alpha Architect's Full Alpha Architect model portfolios for investors seeking to put our research-backed strategies into action.

In our view, this model may be suitable as a standalone model or as a component part of a larger asset allocation.

Whether you're an experienced investor or just starting out, you know that the right partner can be the difference-maker to achieving your goals.

Built on Alpha Architect's decades of rigorous academic research, our model portfolios aim to simplify portfolio management so you can spend less time tinkering with funds and **more time on what matters to you.**

To learn more about each fund, visit [etfsite.alphaarchitect.com](https://etfsite.alphaarchitect.com).

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# Construction *methodology*

## Equities

The equity portion of the model seeks to combine Alpha Architect's concentrated value and momentum factor ETFs with our innovative Value Momentum Trend strategy to produce a suite of portfolios featuring robust factor exposure at what we believe to be a reasonable cost.

- We seek to capture the value premium via the [Alpha Architect US Quantitative Value](#) (QVAL)<sup>1</sup> and [International Quantitative Value](#) (IVAL)<sup>1</sup> ETFs. These funds seek to build a portfolio of the 50-100 cheapest, highest quality stocks in their respective universes. Value determined using EBIT/TEV, an enterprise multiple. Quality determined by financial strength score.
- We seek to capture the momentum premium via the [Alpha Architect US Quantitative Momentum](#) (QMOM)<sup>1</sup> and [International Quantitative Momentum](#) (IMOM)<sup>1</sup> ETFs. These funds seek to build a portfolio of the 50-100 strongest momentum stocks in their respective universes. Momentum determined using 12-2 momentum score, an academic measure of momentum. Momentum "quality" measured using frog-in-the-pan, an academically-backed volatility measure.
- We seek to provide risk-managed exposure to the value and momentum premiums via the [Alpha Architect Value Momentum Trend](#) (VMOT)<sup>1</sup>. The Fund deploys our Robust Asset Allocation trend-following methodology to tilt the portfolio toward the factors (value or momentum) and geographies (US or developed international) exhibiting positive trends and seek to reduce risk through a short hedge sized based on changing market conditions.

<sup>1</sup>QVAL, IVAL, QMOM, IMOM and VMOT are affiliated funds in the EA Series Trust. Both affiliated and non-affiliated funds have been selected based on the criteria described above. Non-affiliated funds may be replaced with other affiliated funds at any time.

# Construction *methodology*

## Diversifiers

We built the diversifier sleeve to produce potentially positive returns in specific equity market conditions - specifically, periods of elevated volatility, short, sharp drawdowns, and prolonged drawdowns.

- The [Alpha Architect 1-3 Month Box ETF \(BOXX\)](#)<sup>1</sup> seeks to play the role of a stable cash allocation. BOXX seeks to have a similar risk profile as Treasury Bills with similar or potentially more tax-efficient returns.
- The [Alpha Architect High Inflation & Deflation ETF \(HIDE\)](#)<sup>1</sup> seeks to provide a source of uncorrelated returns whether inflation is rising or falling by dynamically allocating to US Treasury bonds, commodities, or REITs as market conditions change. While past performance does not guarantee future results, these assets have exhibited attractive returns throughout different inflation regimes, historically.
- The [Alpha Architect Tail Risk ETF \(CAOS\)](#)<sup>1</sup> seeks to provide positive total returns during short, sharp US equity drawdowns. Generally, these are periods when US stocks (as represented by a major index) decline by 20% or more from their peak equity within 60 days or less. During typical market conditions, when US stocks are often rising, CAOS seeks to provide a similar return profile as intermediate US Treasuries.

<sup>3</sup>BOXX, CAOS, and HIDE are affiliated funds in the EA Series Trust. Affiliated and non-affiliated funds have been selected based on the criteria described above. Non-affiliated funds may be replaced with other affiliated funds at any time.

Standardized returns *as of 12/31/2023*

	Ticker	Inception Date	YTD		1 Yr.		Annualized 3 Yr. Total Return		Annualized 5 Yr. Total Return		Annualized 10 Yr. Total Return		Annualized return since Inception	
			NAV	Mkt.	NAV	Mkt.	NAV	Mkt.	NAV	Mkt.	NAV	Mkt.	NAV	Mkt.
VALUE	QVAL <sup>3</sup>	10/21/2014	28.16%	28.37%	28.16%	28.37%	14.99%	15.02%	12.04%	12.20%	--	--	7.09%	7.11%
	IVAL <sup>3</sup>	12/16/2014	20.12	20.57	20.12	20.57	2.80	2.63	4.42	4.53	--	--	3.45	3.42
MOMENTUM	QMOM <sup>3</sup>	12/1/2015	9.45	9.50	9.45	9.50	-0.78	-0.77	15.15	15.23	--	--	9.35	9.37
	IMOM <sup>3</sup>	12/22/2015	9.16	9.10	9.16	9.10	-5.53	-5.46	5.05	5.13	--	--	2.53	2.52
EQUITY ALT.	VMOT <sup>3</sup>	5/3/2017	-0.30	-0.66	-0.30	-0.66	-1.39	-1.47	0.97	0.93	--	--	0.50	0.49
DIVERSIFIERS	BOXX <sup>3</sup>	12/28/2022	4.99	5.04	4.99	5.04	--	--	--	--	--	--	4.97	5.09
	CAOS <sup>3</sup>	8/14/2013	13.30	13.29	13.30	13.29	0.01	0.01	4.79	4.79	2.91	2.91	3.39	3.39
	HIDE <sup>3</sup>	11/16/2022	2.65	2.46	2.65	2.46	--	--	--	--	--	--	2.07	1.98

<sup>3</sup>Affiliated fund in the EA Series Trust. Source: Alpha Architect, YCharts. **Investing involves risk, including the potential for loss of principal. Past performance does not guarantee future results. Returns are annualized total returns, except for those periods of less than one year, which are cumulative. The performance data quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. For performance data current to the most recent month end, please call (215) 882-9983 or visit [www.alphaarchitect.com/funds](http://www.alphaarchitect.com/funds).** Market price returns are based upon the closing composite market price and do not represent the returns you would receive if you traded shares at other times. A fund's NAV is the sum of all assets less any liabilities, divided by the number of shares outstanding. Investing involves risk, including the loss of principal.

Target allocations *as of 12/31/2023*

	Ticker	Prospectus Expense Ratio	0/100	10/90	20/80	30/70	40/60	50/50	60/40	70/30	80/20	90/10	100/0
VALUE	QVAL <sup>3</sup>	0.29%	0.00%	2.60%	5.20%	7.80%	10.40%	13.00%	15.60%	18.20%	20.80%	23.40%	26.00%
	IVAL <sup>3</sup>	0.39%	0.00%	2.60%	5.20%	7.80%	10.40%	13.00%	15.60%	18.20%	20.80%	23.40%	26.00%
MOMENTUM	QMOM <sup>3</sup>	0.29%	0.00%	1.40%	2.80%	4.20%	5.60%	7.00%	8.40%	9.80%	11.20%	12.60%	14.00%
	IMOM <sup>3</sup>	0.39%	0.00%	1.40%	2.80%	4.20%	5.60%	7.00%	8.40%	9.80%	11.20%	12.60%	14.00%
EQUITY ALT.	VMOT <sup>3</sup>	1.38%	0.00%	2.00%	4.00%	6.00%	8.00%	10.00%	12.00%	14.00%	16.00%	18.00%	20.00%
DIVERSIFIERS	BOXX <sup>3</sup>	0.19%	5.00%	4.50%	4.00%	3.50%	3.00%	2.50%	2.00%	1.50%	1.00%	0.50%	0.00%
	CAOS <sup>3</sup>	0.63%	25.00%	22.50%	20.00%	17.50%	15.00%	12.50%	10.00%	7.50%	5.00%	2.50%	0.00%
	HIDE <sup>3</sup>	0.29%	70.00%	63.00%	56.00%	49.00%	42.00%	35.00%	28.00%	21.00%	14.00%	7.00%	0.00%
	Weighted expense ratio		0.37%	0.37%	0.38%	0.38%	0.39%	0.39%	0.39%	0.40%	0.40%	0.41%	0.41%

<sup>3</sup>Affiliated fund in the EA Series Trust. Source: Alpha Architect, YCharts. **Investing involves risk, including the potential for loss of principal. Past performance does not guarantee future results. Returns are annualized total returns, except for those periods of less than one year, which are cumulative. The performance data quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. For performance data current to the most recent month end, please call (215) 882-9983 or visit [www.alphaarchitect.com/funds](http://www.alphaarchitect.com/funds).** Market price returns are based upon the closing composite market price and do not represent the returns you would receive if you traded shares at other times. A fund's NAV is the sum of all assets less any liabilities, divided by the number of shares outstanding. Investing involves risk, including the loss of principal.

## Model returns *as of 12/31/2023*

Model	Common Incept. Date	1 Yr. Total Return	Annualized 3 Yr. Total Return	Annualized 5 Yr. Total Return	Total Return Since Common Incept.	Tracking Error %*	Weighted Avg. Expense Ratio
100/0	5/2/2017	13.81%	3.29%	9.39%	6.71%	7.66%	0.41%
90/10	12/27/2022	12.97%	--	--	12.97%	8.05%	0.41%
80/20	12/27/2022	12.14%	--	--	12.14%	7.35%	0.40%
70/30	12/27/2022	11.30%	--	--	11.30%	6.78%	0.40%
60/40	12/27/2022	10.46%	--	--	10.46%	6.35%	0.39%
50/50	12/27/2022	9.62%	--	--	9.62%	6.08%	0.39%
40/60	12/27/2022	8.78%	--	--	8.78%	6.00%	0.39%
30/70	12/27/2022	7.95%	--	--	7.95%	6.10%	0.38%
20/80	12/27/2022	7.11%	--	--	7.11%	6.36%	0.38%
10/90	12/27/2022	6.15%	--	--	6.15%	6.96%	0.37%
0/100	12/27/2022	5.43%	--	--	5.43%	7.29%	0.37%

Source: Alpha Architect, YCharts. Monthly returns. **Investing involves risk, including the potential for loss of principal. Past performance does not guarantee future results. Returns are annualized total returns, except for those periods of less than one year, which are cumulative. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted.** \*Tracking Error measures the degree that an investment's returns deviate from a given benchmark. Tracking error is frequently calculated as the standard deviation of the difference in the return of the security and the benchmark. Higher tracking error implies greater deviation. Each model's tracking error is calculated against a benchmark composed of the Global Large-Stock Blend category and the Intermediate Core Bond Category in the given percentage. For example, "60/40" benchmark is composed of 60% of the Global Large-Stock Blend category and 40% of the Intermediate Core Bond category. You cannot invest directly in a category average or index. Models are rebalanced annually in December.

## 100/0 model equity characteristics

As of 12/31/2023

FACTOR	CHARACTERISTIC	AA 100/0 Model	BENCHMARK*
Size	Market Cap	\$46,241	\$285,051
Value	P/E Ratio	9.40	15.36
Value	EBIT/TEV	17.42%	5.29%
Value	Book/Price	59.05%	39.09%
Value	EPS	12.02%	4.39%
Value	Cashflow/Price	17.39%	9.15%
Value	Dividend Yield	2.67%	2.09%
Value	Shareholder Yield	36.90%	17.91%
Quality	Return on Assets	10.38%	8.14%
Quality	Return on Equity	21.41%	12.37%
Momentum	Momentum Score 2-12	42.06%	21.44%
Volatility	Beta	1.07	--

Source: Alpha Architect, FactSet. Characteristics data as of 1/2/2024, effective 12/31/2023. **Investing involves risk, including the potential for loss of principal. Past performance does not guarantee future results.** Fundamental data is believed to be accurate but is not guaranteed. Portfolio holdings are subject to change. \*Benchmark represented by the Global Large-Stock Blend category, which is represented by portfolios that primarily invest in a variety of international stocks and typically skew towards large caps that are fairly representative of the global stock market in size, growth rates, and price. Categories determined by YCharts. You cannot directly invest in an index or category. Characteristic definitions available in the [disclosures section](#).



# Our mission is to empower investors *through education*

Founded in 2010 by Wesley R. Gray, Ph.D., Alpha Architect has established itself as an industry thought leader for research and insight into factor investing, systematic strategies, portfolio construction, and behavioral finance. The firm aims to deliver “Affordable Alpha” by turning rigorous academic research into highly differentiated investment products at lower costs, thereby giving sophisticated investors what we believe is a higher chance of winning, after of fees and taxes.

Alpha Architect offers exchange-traded funds (ETFs) and Separately Managed Accounts (SMAs) to investment advisers and sophisticated investors. Alpha Architect is a service-disabled and minority-owned firm based in a suburb of Philadelphia, PA.

*Let's work together.*

Click here to schedule your  
portfolio consultation.

## IMPORTANT INFORMATION

This material has been distributed for informational purposes only and should not be considered investment advice or a recommendation of any particular security, strategy, or investment product. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission.

**IMPORTANT RISK INFORMATION:** *Investors should carefully consider the investment objectives, risk, charges, and expenses of the funds. This and other important information is in the indicated fund's prospectus, which can be obtained by calling (215) 882-9983 or by visiting [www.AlphaArchitect.com/funds](http://www.AlphaArchitect.com/funds). Carefully consider the investment objectives, risk factors, charges, and expenses of funds within the model portfolios before investing. This and other information can be found in the funds' prospectuses or, if available, the summary prospectuses, which may be obtained by visiting each fund company's website, contacting your financial professional, or by visiting [www.sec.gov/edgar/search](http://www.sec.gov/edgar/search). For Alpha Architect Funds, please visit [www.etsite.alphaarchitect.com](http://www.etsite.alphaarchitect.com). Read the prospectuses carefully before investing. The Alpha Architect US Quantitative Value Fund (QVAL), Alpha Architect US Quantitative Momentum Fund (QMOM), Alpha Architect International Quantitative Value Fund (IVAL), Alpha Architect International Quantitative Momentum Fund (IMOM), Alpha Architect High Inflation and Deflation Fund (HIDE), Alpha Architect 1-3 Month Box (BOXX), and Tail Risk (CAOS) ETFs are distributed by Quasar Fund Distributors, LLC.*

**Investing involves risk, including possible loss of principal. Asset allocation and diversification may not protect against market risk, loss of principal, or volatility of returns. Investors should read and consider the information carefully before investing.**

**This information should not be solely relied upon as the basis for an investment decision. Only an investor and/or a financial professional know enough about their circumstances to make an investment decision.**

The Alpha Architect model portfolios are provided for illustrative and educational purposes only. The Alpha Architect model portfolios do not constitute research, are not personalized investment advice or an investment recommendation from Alpha Architect to any client of a third-party financial professional and are intended as a resource to help build a portfolio or as an input in the development of investment advice for its own clients. Such financial professionals are responsible for making their own independent judgments as to how to use the Alpha Architect model portfolios. Alpha Architect does not have investment discretion over, or place trade orders for, any portfolios or accounts derived from the Alpha Architect model portfolios. Alpha Architect is not responsible for determining the appropriateness or suitability of the Alpha Architect model portfolios or any of the securities included therein for any client of a financial professional. Information and other marketing materials provided by Alpha Architect concerning the Alpha Architect model portfolios – including holdings, performance, and other characteristics – may vary materially from any portfolios or accounts derived from the Alpha Architect model portfolios. There is no guarantee that any investment strategy or model portfolio will be successful or achieve any particular level of results. The Alpha Architect model portfolios, allocations, and data are subject to change. The Alpha Architect model portfolios themselves are not funds.

The Alpha Architect model portfolios include investments in shares of funds. Clients will indirectly bear fund expenses in respect of portfolio assets allocated to funds, in addition to any fees payable associated with any applicable advisory or wrap program.

Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities. Some investors may be subject to federal or state income taxes or the Alternative Minimum Tax (AMT). Capital gains distributions, if any, are taxable. An investment in a treasury Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency and its return and yield will fluctuate with market conditions.

International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments. These risks often are heightened for investments in emerging/developing markets and in concentrations of single countries. Funds that concentrate investments in specific industries, sectors, markets or asset classes may underperform or be more volatile than other industries, sectors, markets or asset classes and the general securities market.

## IMPORTANT INFORMATION

A fund's use of derivatives may reduce a fund's returns and/or increase volatility and subject the fund to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. A fund could suffer losses related to its derivative positions because of a possible lack of liquidity in the secondary market and as a result of unanticipated market movements, which losses are potentially unlimited. There can be no assurance that any fund's hedging transactions will be effective.

There can be no assurance that performance will be enhanced or risk will be reduced for funds that seek to provide exposure to certain quantitative investment characteristics ("factors"). Exposure to such investment factors may detract from performance in some market environments, perhaps for extended periods. In such circumstances, a fund may seek to maintain exposure to the targeted investment factors and not adjust to target different factors, which could result in losses.

Alternative investments present the opportunity for significant losses and some alternative investments have experienced periods of extreme volatility. Alternative investments may be less liquid than investments in traditional securities.

Commodities' prices may be highly volatile. Prices may be affected by various economic, financial, social and political factors, which may be unpredictable and may have a significant impact on the prices of precious metals.

Actively managed funds do not seek to replicate the performance of a specified index. Actively managed funds may have higher portfolio turnover than index funds.

Any information on funds not managed by Alpha Architect or securities not distributed by Alpha Architect is provided for illustration only and should not be construed as an offer or solicitation from Alpha Architect to buy or sell any securities.

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The information and opinions contained in this material are derived from proprietary and nonproprietary sources deemed by Alpha Architect to be reliable, but are not guaranteed as to accuracy.

Model performance results are hypothetical and may have inherent limitations, some of which are described in this brochure. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. There are numerous other factors related to the markets in general or to the implementation of any specific trading strategy which cannot be fully accounted for in the preparation of model performance results and all of which can adversely affect actual trading results.

Investing involves risk, including loss of principal.

**Investment risk.** When you sell your Shares of the Fund, they could be worth less than what you paid for them. The Fund could lose money due to short-term interest rate market movements and over longer periods during continued interest rate market movements. Therefore, you may lose money by investing in the Fund.

## IMPORTANT INFORMATION

**Quantitative security selection risk.** The Adviser uses a quantitative model, and its processes could be adversely affected if erroneous or outdated data is utilized. In addition, securities selected using a quantitative model could perform differently from the financial markets as a whole as a result of the characteristics used in the analysis, the weight placed on each characteristic and changes in the characteristic's historical trends.

**Small to mid-sized capitalization.** The Funds may invest in small to mid-sized capitalization companies or a particular sector making the Fund more sensitive to changing market conditions. Smaller capitalization companies may be more volatile and less liquid than those of more established companies. Investments in foreign securities involve political, economic and currency risks, greater volatility and differences in accounting methods.

**Fund-of-funds risks.** Because the Funds may invest in other funds, the Funds' investment performance largely depends on the underlying Alpha Architect ETFs. An investor will indirectly bear the principal risks and its share of the fees and expenses of the underlying funds. Some of the underlying funds may be concentrated in a particular sector or invest in smaller to mid-sized capitalization companies making the Fund more sensitive to changing market conditions. Investments in foreign securities involve political, economic and currency risks, greater volatility and differences in accounting methods.

**Momentum investing risk.** Momentum investing is investing in or having exposure to securities with positive momentum entails investing in securities that have had above-average recent returns. These securities may be more volatile than a broad cross-section of securities. Returns on securities that have previously exhibited momentum may be less than returns on other styles of investing or the overall stock market. Momentum can turn quickly and cause significant variation from other types of investments, and stocks that previously exhibited high momentum may not experience continued positive momentum. In addition, there may be periods when the momentum style is out of favor, during which the investment performance of the Fund using a momentum strategy may suffer.

**Value investing risk.** Value investing is subject to the risk that intrinsic values of investments may not be recognized by the broad market or their prices may decline. Investments utilizing quantitative methods may perform differently than the market as a result of the characteristics and data used and changes in trends. Periodic reallocation could cause the Fund's market exposure to be affected by significant market movement or lag market direction after a reconstitution.

**Hedging strategy risk.** Hedging strategies could limit the Fund's gains in rising markets and may expose the Fund to costs to which it would otherwise not have been exposed. The Fund's use of hedging strategies based on mathematical models may not produce the desired result or risk that the Adviser is unable to trade certain derivatives effectively or in a timely manner. The use of derivatives in connection with the Fund's hedging strategies may expose the Fund to losses (some of which may be sudden and could amplify volatility) due to unexpected changes in the market that it would not have otherwise been exposed to if it had only invested directly in equity securities. When the Fund sells futures contracts or other securities short, the Fund is exposed to the risks associated with short sales, which involve certain risks and special considerations. Theoretically, losses from short sales are potentially unlimited.

**Derivatives Risk.** Derivatives are instruments, such as futures contracts, whose value is derived from that of other assets, rates, or indices. The use of derivatives for non-hedging purposes may be considered to carry more risk than other types of investments.

**Commodity Risk.** Investing in physical commodities is speculative and can be extremely volatile.

**Real Estate Investment Risk.** Companies in the real estate sector include companies that invest in real estate, such as real estate investment trusts (REITs) and real estate management and development companies.

## IMPORTANT INFORMATION

**Non-Diversification Risk.** The Fund is non-diversified, meaning that it is permitted to invest a larger percentage of its assets in fewer issuers than diversified funds.

**Selling or Writing Options Risk.** Writing option contracts can result in losses that exceed the seller's 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 underlying or reference asset.

**Buying or Purchasing Options Risk.** If a call or put option is not sold when it has remaining value and if the market price of the underlying asset, in the case of a call option, remains less than or equal to the exercise price, or, in the case of a put option, remains equal to or greater than the exercise price, the buyer will lose its entire investment in the call or put option.

**Box Spread Risk.** A Box Spread is a synthetic bond created by combining different options trades that have offsetting spreads (e.g., purchases and sales on the same underlying instrument, such as an index or an ETF, but with different strike prices). If one or more of these individual option positions are modified or closed separately prior to the option contract's expiration, then the Box Spread may no longer effectively eliminate risk tied to the underlying asset's price movement.

**FLEX Options Risk.** FLEX Options are exchange-traded options contracts with uniquely customizable terms like exercise price, style, and expiration date. Due to their customization and potentially unique terms, FLEX Options may be less liquid than other securities, such as standard exchange listed options.

**Counterparty Risk.** Counterparty risk is the risk that a counterparty to a financial instrument held by the Fund or by a special purpose or structured vehicle invested in by the Fund may become insolvent or otherwise fail to perform its obligations, and the Fund may obtain no or limited recovery of its investment, and any recovery may be significantly delayed.

## DEFINITIONS

**Global Large-Stock Blend category** is represented by portfolios that primarily invest in a variety of international stocks and typically skew towards large caps that are fairly representative of the global stock market in size, growth rates, and price. The category average represented herein consists of ETFs with a minimum five-year track record.

**Intermediate Core Bond Category** is represented by portfolios that invest primarily in investment-grade U.S. fixed-income issues including government, corporate, and securitized debt, and hold less than 5% in below-investment-grade exposures. Their durations (a measure of interest-rate sensitivity) typically range between 75% and 125% of the three-year average of the effective duration of the core bond index. The category average represented herein consists of ETFs with a minimum five-year track record.

**Tracking Error** measures the degree that an investment's returns deviate from a given benchmark. Tracking error is frequently calculated as the standard deviation of the difference in the return of the security and the benchmark. Higher tracking error implies greater deviation.

**Market Cap** is a measurement of business value based on share price and number of shares outstanding. It generally represents the market's view of a company's stock value and can be a determining factor in stock valuation.

## DEFINITIONS

**P/E Ratio** measures how much an investor is willing to pay for one dollar of earnings. It is calculated by dividing the share price by the annual net income earned by the firm.

**EBIT/TEV** is a financial ratio that compares a company's earnings before interest and taxes (EBIT) to its total enterprise value. It is used to measure the operating profitability of a company relative to its total value, and can provide insight into how efficiently a company is using its assets to generate profits.

**Book/price** compares a company's market value (its current stock price) to its book value, which is calculated by total assets minus intangible assets and liabilities.

**Earnings/Share (EPS)** is a financial metric that represents the portion of a company's earnings that is allocated to each outstanding share of its common stock. EPS is calculated by dividing a company's net income (profit) by the number of outstanding shares of its common stock.

**Cash flow/yield** compares free cash flow and market cap. It is a representation of the income (free cash flow) created by an investment.

**Dividend/price** is the sum of a company's annual dividends per share, divided by the current price per share.

**Shareholder yield** is a financial metric that measures the return generated for shareholders through dividends and stock buybacks, indicating how much cash a company is returning to its shareholders relative to its market value.

**Return on Assets (ROA)** measures the rate of return (after tax) being earned on all of the firm's assets regardless of financing structure (debt vs. equity). It is a measure of how efficiently the company is using all stakeholders' assets to earn returns.

**Return on Equity (ROE)** measures the rate of return on the money invested by common stock owners and retained by the company thanks to previous profitable years.

**Momentum Score** is a system that scores companies based on their one-year total returns, excluding the last month of returns. Those that had the greatest returns will have the highest momentum scores, and those with the lowest returns will have the lowest momentum score. Momentum is a characteristic of the security's underlying holdings and should not be construed as performance.

**Beta** measures a given investment's sensitivity to the movement of a defined benchmark. In CAPM, it is used to represent systematic risk.

**Weighted average expense ratio** calculates the average cost of investing in a portfolio of securities. It accounts for the expenses associated with each individual investment within the portfolio, and the weight of each investment relative to the total portfolio.