Customized Report for:

Bruce McBride

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The following Portfolio Observations have been created by OAS's Analysis and Recommendations Team with client provided statements and/ or other data. This report has been created specifically for the client(s) named above and is confidential.

Optivise Advisory Services, LLC
911 Cypress Waters Blvd Suite 140
Dallas, TX 75019
(855)378-1806

Bruce McBride Portfolio Observations

Executive Summary:

- ***The current allocation is approximately 85% Equity/15% Fixed Income – a Growth/Aggressive Profile.***
- ***The 3-year beta of the total portfolio is .88, meaning the account is taking 88% of risk comparatively of the S&P 500.***
- ***The overall allocation is Growth/Aggressive. If this is an appropriate risk tolerance, the current portfolio diversification could be improved to enhance return and mitigate risk.***
- ***One of the underlying accounts has too much allocated to large cap growth.***
- ***There is a concentrated position that creates single investment risk.***
- ***One of the underlying accounts has a sector overweight.***
- ***Some of the fixed income is below investment grade or unrated, a potential credit risk.***
- ***The underlying expenses of the portfolio are .28%.***

The development of a fiduciary relationship would benefit the prospect by providing professionally managed accounts specific to his risk profile.

Risk: One of the most important considerations when selecting an investment option is the amount of risk the client is willing to tolerate in order to receive a desired return. One measure of risk is volatility, and the beta of a security or portfolio indicates how much risk the investment has in relation to the selected index. A portfolio that has a Beta of 1 would be expected to move perfectly up and down with the index. A Beta great than 1 indicates higher volatility while a Beta less than 1 indicates a lower expected level of volatility, when compared against the selected index.

Volatility can also be assessed with the best/worst returns over three-month, one year, and three-year time periods. The historical performance in both bull and bear markets provides the client with actual "what if" scenarios to gauge risk/reward tolerance over various time periods.

Drawdown is the peak to trough decline in a portfolio over a given period of time.

The 3-year beta of the total portfolio benchmarked against the S&P 500 is .88. The total portfolio had a drawdown of -37.83% (2008 subprime crisis). This drawdown was less than that of the S&P 500 during the same time period.

Investments: Some portfolios may include concentrated or limited investment selections. Diversification is often referred to “not putting all of your eggs in 1 basket”.. It really means that by having multiple different investments, risk is spread through the entire portfolio. If a position represents a large portion of a portfolio, the client doesn't benefit from diversification, and is exposed to single investment risk.

In addition, many mutual fund and ETFs may hold the same positions, causing overlapping and more concentration certain positions.

Diversification should also be looked at from a sector or industry perspective. A portfolio holding many consumer cyclical or industrial positions may not be well diversified because the portfolio is still exposed to a high level of risk due to a sector or industry concentration. Diversification should also be looked at from a country or regional perspective. Many countries and regions are subject to unique risks and a large concentration in a specific country or region could lead to additional portfolio risk.

A review of the total portfolio indicates an overall allocation of about 85% equities and 15% fixed income/cash (a Growth/Aggressive portfolio).

Compared to the S&P 500, the total portfolio has a +13% overweight to the Industrials sector.

Northrup is 13% of the portfolio, a single investment risk.

88% of the fixed income in the total account is below investment grade or unrated, a credit risk.

The underlying accounts have varying allocations and noteworthy details:

Fidelity Account

The account indicates an overall allocation of about 85% equities and 15% fixed income/cash (Growth/Aggressive).

The account holds 13% in large-cap value compared to 20% in large-cap growth.

Compared to the S&P 500, the account has a 25% overweight to the Industrials sector.

Northrup is 24% of the account.

89% of the fixed income is below investment grade or unrated.

Fidelity Rollover IRA Account

The account indicates an overall allocation of about 90% equities and 10% fixed income/cash (Aggressive).

88% of the fixed income is below investment grade or unrated.

Fees/Loads: Mutual funds may have a sales "load", which is a charge levied upon the customer to purchase fund shares. These loads may be as much as 5.75%. Loaded shares can be easily observed by looking at the letter designation also known as a share class.

- Class "A" shares have a front-end load, meaning the customer pays a sales charge upon the purchase of shares. The average front end load for stock fund is 5.4%.
- Class "C" are constant (or level) load. There is usually a 1% load to purchase and depending on holding period, there may be a charge to sell. This share class usually has the highest internal expense ratios of any share class

12B-1 Fees: In addition to the front, back end, and level load charges, some retail mutual funds charge a 12B-1 fee, which is a fee levied upon existing shareholders to pay for advertising to attract new shareholders to the fund. These fees range from .25% to 1.00%. While these fees may be charged to any retail share class, they are the highest for "C" shares – usually 1.00%.

Fund Expenses: In addition to sales charges and 12B-1 fees, all funds have operating expenses, and may also have management and administrative expenses. The average asset-weighted expense ratio for a U.S. equity fund is 0.45%[i] ETFs also include internal fees and expenses, normally expressed as an expense ratio. The average ETF expense ratio is 0.44%[ii]

The overall underlying average expense ratio of the portfolio is .28%. The expense ratio is moderate.

Fiduciary Advantage: Brokers are paid a commission to buy or sell an asset or a product. Investment advisers are paid a flat fee or a percentage of assets under management to advise clients on securities and/or manage portfolios. While both are legally prohibited from giving advice that conflicts with a clients' needs only a fiduciary is required to put the clients' needs ahead of their own and recommend the best option to their clients as opposed to only recommending suitable options[iii] [iv].

Investment advisory services offered through Optivise Advisory Services, LLC., a SEC registered investment advisor. Registration with the SEC does not denote a certain skill level or guarantee the success of an investment strategy. All investing involves varying degrees of risk. Before investing you should carefully review the ADV of any investment advisory selected, including sub-advisors and third-party money managers, and the prospectus of the securities contained within a recommended portfolio before making an investment decision.

This preliminary review is based on information provided to Optivise by the client/prospect and is relied on by Optivise to be factual. The review should be viewed as informational in nature and does should not be viewed as a recommendation to buy or sell a specific security, adopt a specific investment strategy, or as establishing an advisory relationship between the recipient and Optivise. An advisory relationship is only established by the execution on an Investment Advisory Agreement or a Financial Planning Agreement.

[ii] https://finance.zacks.com/average-mutual-fund-sales-charges-5130.html
[ii] https://www.morningstar.com/blog/2018/05/11/fund-fee-study.html
[ii] https://guides.wsj.com/personal-finance/investing/how-to-choose-an-exchange-traded-fund-etf/
[ii] https://www.investopedia.com/articles/investing/071515/investment-advisor-versus-broker-how-they-compare.asp
[ii] https://www.investopedia.com/articles/professionaleducation/11/suitability-fiduciary-standards.asp