

# Model Portfolio Disclosure

## Model Performance – Important Information and Limitations

Model performance shown is hypothetical and is calculated based on the actual historical performance of the ETFs that form the Models offered by ShareBuilder Advisors (“we,” “us,” or “our”). The calculation is made by obtaining performance data for the ETFs from Bloomberg, an independent third-party, and then creating a single performance number for each time period based on the specific ETF allocation in effect during each period. We are not showing the performance of actual investors in the Models, nor are we showing the performance of any actual accounts maintained by us and reflecting trades effected in real-time in response to changes in the Models.

Returns shown are intended solely to illustrate the differences in performance experienced based on the relative allocations of the Models and to illustrate the relationship between risk and reward—namely, lower risk tends to result in lower reward over time, and higher risk tends to result in higher reward over time. **Past performance is not a guarantee of future results.** The use of Model allocations does not guarantee positive investment performance (or guarantee against loss) or that any investor will obtain the objectives sought by the Models.

Hypothetical performance presentations contain significant limitations and potential problems, including the possibility of changing allocations after the fact to get a better result, and the difficulties associated with trying to ignore the psychological and intellectual impact of creating performance figures while in possession of subsequent data and having access to the real-world results of “what-if” scenarios.

For example, if we are pricing the Models at the end of October 2008, we would know that the markets experienced significant declines during that month. It would be inappropriate and misleading to adjust our allocations after-the-fact and back-date them to obtain better performance. It is therefore critical that we implement careful controls and maintain careful records of investment allocation decisions and dates to minimize these issues. Some of the specific controls we have in place to prevent these problems include:

- Our Investment Committee (“IC”) determines all allocations. Minutes of the IC meetings are maintained and changes to the Models occur relatively infrequently (approximately 1-4 times per year).
- Changes to the Models are effective as of the month-end following the IC meeting in which Performance figures are reviewed, using the Model allocation in effect during the period.
- We do not use any market-sensitive algorithms or formulas to back-test performance. Model performance reflects the actual allocation determinations we made at specific points, based on information then currently available.

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## **Fees and Other Costs; Effect of Dividends and Capital Gains**

The performance figures shown reflect the deduction of a model advisory fee of 75 basis points (0.75%) annually. This is the highest fee charged by ShareBuilder Advisors; actual fees charged by ShareBuilder Advisors to a given Participant or Plan may be lower. If you are using the services of another investment advisor or broker-dealer, in addition to ShareBuilder Advisors, that firm may charge you up to an additional 50 basis points (0.50%). Those charges are not controlled or determined by us and are not reflected in the performance figures. If applicable, they would reduce overall performance of actual Participants or plans significantly.

The figures shown are calculated on a total return basis and therefore reflect the inclusion of dividends and capital gains. Performance does not include deductions for commissions or other trading costs as ShareBuilder Advisors absorbs these costs for trades managed via DriveWealth, LLC and NewEdge Securities, Inc. See our Brochure for more information on these arrangements.

## **Important Differences Between Model Performance and the Experience of Actual Investors**

Hypothetical rebalancing and pricing of the Models are completed using month-end closing prices. The method of rebalancing actual investors in the Model allocations differs from this materially and results of actual investors (“Participant”) will likely be different from figures shown. Significant differences between the methods are described below: Actual investors’ holdings are rebalanced quarterly if the model allocation has drifted by more than 1.5%, not monthly, assuming the Participant has not opted out of automatic rebalancing. Participants make new investments on variable schedules, typically as part of payroll deductions. The timing of investment therefore depends on the payroll schedule used by the Participant’s employer, the frequency of contributions, and the delay between the employer submitting the funds to the third-party administrator (“TPA”) and the investment of those funds. A delay of several days between the date the funds are deducted from payroll and the date they are invested is common. For trades managed via either DriveWealth, LLC or NewEdge Securities, Inc., participants will receive the prevailing market price for their investment at the time the TPA submits the order details and subsequently processed by either broker dealer. This means the prices obtained by Participants and the prices used in calculating Model performance will differ, in some cases significantly. These differences may either improve or harm the performance of the Models relative to the performance of actual Participants.

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## Material Events and Economic Conditions Affecting Performance of the Models During the Periods Shown

Economic events and market conditions will affect the performance of any portfolio and there are no assurances that performance will match or outperform any particular benchmark. Returns will vary and all investments involve risk, including loss of principal. As with any investment strategy there is a possibility of profit as well as loss. There is no assurance that the investing process will consistently lead to successful investments. Asset allocation and diversification do not eliminate the risk of experiencing investment losses. Past performance is not indicative and not a guarantee of future results.

The past 18 years (coinciding with the inception of the Models) has experienced significant economic and market events, including the Great Recession and the Covid-19 Pandemic. While each crisis has unique causes and characteristics, they typically disrupt financial markets in various and unexpected ways. Heightened volatility, liquidity concerns, yield suppression, economic recession and equity market declines are just a few of the disruptions investors may experience during a crisis.

The general level of interest rates in the US and other developed nations for the period 2010 - 2021 represents an historic anomaly. For most of this period, rates have remained near their historic lows and near zero for the fed funds rate set by the Federal Reserve. However, the post-Pandemic years, fueled by heavy economic stimulus and inflation, has experienced a return of higher interest rates and interest rate risk.

Types of Risk:

**Market Risk:** Investments are directly impacted by market conditions that are outside of ShareBuilder's control, such as economic and political conditions, changes and volatility in financial markets, volatility of particular investments, changes in markets in which such transactions are processed, interest rates, inflation rates, regulatory changes, and other broad political, social, and economic trends. These changes can arise suddenly and the full impact of market changes on investments can remain uncertain. Market risk includes:

- **Market Decline Risk:** Market declines, such as a recession or other prolonged downturns in investment markets, may adversely affect your investment performance. Significant downturns in general economic or political conditions may also cause clients to be reluctant to make additional investments.
- **Concentration Risk:** If a client has a high allocation to a particular asset class or classes, to the extent those asset classes underperform relative to other assets in the market, a client's overall performance may be adversely affected. Conversely, if a client has a low allocation to a particular asset class or classes that outperform the market over a particular period, a client's investments may underperform relative to the overall market.
- **Volatility Risk:** Volatility is a statistical measure of the dispersion of returns for a given security or market index. In most cases, the higher the volatility, the riskier the security. ShareBuilder's advisory services are based in part upon assumptions derived from historical returns, expected returns, and past price volatility. Past performance is no guarantee of future results, and any historical returns, expected returns, or probability projections may not reflect actual future performance.
- **Correlation Risk:** While ShareBuilder strives to construct diversified portfolio strategies, it is

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possible that different or unrelated asset classes may exhibit similar price changes in similar directions, which may adversely affect a client's account and may become more acute in times of market upheaval or heightened volatility.

- **Liquidity Risk:** Liquidity risk is a financial risk that for a certain period of time a given financial asset, security or commodity cannot be traded quickly enough in the market without impacting the market price. ShareBuilder implements strict liquidity requirements when evaluating funds for its lineup. All funds must exceed conservative benchmarks set by the Investment Committee to ensure large trades executed at the direction of ShareBuilder, typically due to the Committee's decision to swap one fund for another, do not materially impact the price of the fund.

**Exchange Traded Funds (ETFs):** Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance.

- **Precious Metal ETFs** (e.g., Gold, Silver, or Palladium Bullion backed "electronic shares" not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.
- **Tracking Errors:** The goal of an ETF index fund is to track a specific market index, often referred to as the fund's target index. The difference between the returns of the index fund and the target index is known as a fund's tracking error.
- **Commodity ETFs:** A commodity ETF is invested in physical commodities, such as agricultural goods, natural resources, and precious metals; instead of underlying securities like public stocks, commodity ETFs are comprised of futures or asset-backed contracts that track the performance of a particular commodity or group of commodities. When an investor purchases a commodity ETF, they normally do not own the physical asset but instead own a set of contracts backed by the commodity itself.

**Inflation, Currency, and Interest Rate Risk:** Asset prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to decline and may reduce the purchasing power of an investor's future earnings. Inflation also generally leads to higher interest rates, which may cause the value of many types of investments to decline.

**Investment Advice Risk:** ShareBuilder does not guarantee the results of any investment advice given to sponsors. All investing involves risk, and we make no assurance that the investment objectives of any offered portfolio strategy will be achieved. Although ShareBuilder offers diversified portfolio strategies, there is no guarantee that any particular asset allocation or mix of investments will provide a specified return or meet clients' investment objectives.

**Tax Risk:** Certain ETFs, such as a U.S. Stock Equity Index ETF, come with great tax efficiency, many other types do not. ETFs with international exposure can produce capital gains which are the responsibility investors and those utilizing derivatives within their structure, such as leveraged or inverse funds, will likely have more complex tax structures which can impact investment returns. Commodity ETFs have very different tax implications depending on how the fund is structured. All SBA

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accounts are in qualified retirement plans which have tax protections until withdrawn or moved to a non-retirement account type as defined by ERISA. However, Roth monies do not bear further tax risk. For all other retirement accounts if withdrawn or moved to a non-retirement account, taxes will impact monies.

**Cybersecurity Risk:** The Firm, its service providers and its counterparties rely on computer systems to conduct their businesses. There is a risk these systems might be compromised by cyberattacks despite the efforts of The Firm, its service providers and its counterparties to safeguard them. There is a risk that a breach may not be detected. Depending upon its scope, a successful cyberattack could impede these entities' ability to conduct their businesses.