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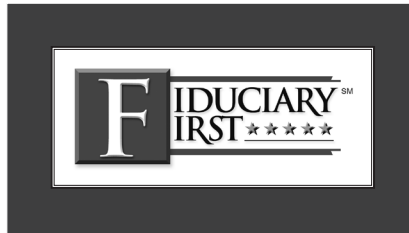
Zero Alpha Group



INVESTMENT FIDUCIARY DEFINED:

A person who is responsible for managing the assets of another person and stands in a special relationship of trust, confidence, and/or legal responsibility.

Source: The Center for Fiduciary Studies.



PURPOSE:

The purpose of this document is to set forth the minimum acceptable standards of practice pertaining to the discretionary management of an investment portfolio. Zero Alpha Group (ZAG) standards rise above those that typically govern the investment management industry in the United States¹. The limited existing Industry standards relate primarily to performance reporting. ZAG standards, in contrast, provide meaningful and cost effective solutions for the client's lifetime goals and objectives. All members of ZAG consider themselves to be fiduciaries with respect to client assets under management.

KEY COMPONENTS OF ZAG'S FIDUCIARY FIRSTSM STANDARDS





Executive Summary: Most consumers spend a lifetime developing career specialization by which they earn their living and provide for their families. Investing is a lifetime process. Because most consumers are unable to easily determine and analyze investment costs, efficacy, or efficiencies, they often rely on trusted relationships to guide their investment decisions. That is, they take what they are sold. In view of this, Zero Alpha Group (ZAG) members aspire to:

- Serve as a provider of quality investment solutions with real value;
- Build investment solutions that are efficient, low cost and risk measured;
- Allow investors to become rate of return “demanders” through the use of index funds and other similar asset class strategies;
- Disclose all relevant information;
- Serve as a client advocate;
- Be independent of all outside commercial or personal influences; and
- Subjugate all other goals to the needs of the client.

Investment Philosophy Overview: Each ZAG firm’s investment philosophy is guided by, though not limited by, the following general beliefs:

- Avoid conflicts of interest
- A financial plan is crucial
- Markets are efficient
- Past performance has little predictive value
- Risk and return are related
- Diversification is the key
- Academic research adds value
- Portfolios should be tax efficient
- Costs and taxes matter
- Personal wealth should support lifetime goals

ZAG FIDUCIARY FIRSTSM STANDARDS

¹ Two ZAG member firms operate in Australia and New Zealand, where different and arguably more stringent standards exist. Both of these member firms have been independently certified as adhering to the highest global standards of fiduciary investment standards by CEFEX. CEFEX is an independent global certification organization that provides independent assessments of conformity to fiduciary practices.



ZAG Planning & Assessment Standards:

- The starting point in the investment management process must be education from two perspectives. The advisor must understand the client's current circumstances as well as goals and objectives. The client, in turn, must be educated on historical capital market behavior, modern portfolio theory, strategic asset allocation, the benefits of broad, global diversification and the importance of controlling costs.
- Whenever feasible, ZAG firms avoid unnecessary conflicts of interest. When conflicts do arise, ZAG firms make best efforts to disclose fully the nature of such conflicts in a fair and timely manner.
- ZAG firms believe in maximizing after-tax returns and employing appropriate tax-management strategies when income taxation is relevant.
- ZAG firms consider cash flow and liquidity needs of the client when recommending an appropriate investment policy.
- ZAG firms will periodically review standard legal agreements and contracts with legal counsel
- ZAG firms pledge to maintain a privacy policy and strive to do everything possible to preserve the confidentiality of client data.

ZAG Written Investment Policy Statement:

- When deemed appropriate by the ZAG firm, ZAG firms prepare written investment policy statements ("IPS") for individual clients². ZAG IPS's contain the following key information
 - Client's time horizon
 - Investment philosophy
 - Target asset allocation for major asset classes
 - Investment selection criteria
 - Frequency of review
 - Sufficient detail to define, implement, and monitor investment strategy
- ZAG firms recognize and embrace their obligation to serve clients as a fiduciary.

ZAG FIDUCIARY FIRSTSM STANDARDS

² In Australia and New Zealand, legislation requires the firm and its Authorized Representatives to provide all personal financial advice in writing (Statements of Advice) and a Product Disclosure Statement (that describes the main features and benefits, costs and the risks that may be associated with in respect to any recommended financial product or service). The combination of these two documents fulfill the ZAG IPS standard above.



ZAG Investment Review & Evaluation Criteria Standards:

- ZAG firms employ disciplined, systematic, client-by-client portfolio solutions instead of opportunistic investment strategies that rely on predictions of market movement or individual stock performance.
- ZAG firms attempt to recommend custodians, supervised by U.S. based regulatory bodies³, that provide adequate safety (protected from theft and embezzlement), and access to institutional caliber investments with low cost structures.
- ZAG firms take into account both quantitative and qualitative criteria in selecting and reviewing investment recommendations.
- ZAG firms recognize the importance of controlling costs. ZAG firms focus on managing overall costs. Costs include (but are not limited to): annual fund expenses, transaction, and trading costs.
- ZAG firms utilize rebalancing strategies to help mitigate investment risk and potentially enhance long-term returns.
- Accountability is critical. ZAG firms report performance in accordance with industry standards
- ZAG firms implement internal reviews of investment funds and/or strategies recommended to clients no less than annually.
- Client investments are periodically compared to appropriate index, peer groups or to other due diligence criteria as determined by the ZAG firm.
- ZAG firms typically provide all clients the opportunity to review their financial situation, circumstances and discretionary investment portfolio no less than annually.

ZAG Client Service & Experience Standards:

- ZAG firms provide discretionary investment management services on a fee-only basis per a fully disclosed and transparent fee schedule that is documented via a formal fee schedule in a client contract.
- ZAG firms demonstrate the application of fiduciary responsibilities and duties.
- ZAG firms provide clients the opportunity to proactively communicate on an individualized basis regarding any changes in their financial situation that may affect their investment policy.
- ZAG firms maintain appropriate professional liability insurance coverage at levels they deem appropriate to protect firm and client interests.
- ZAG firms provide clients performance reports, on a regularly scheduled basis.
- ZAG firms treat clients and prospective clients with the utmost respect and professional courtesy.

ZAG FIDUCIARY FIRSTSM STANDARDS

³.ZAG members in Australia and New Zealand have entered into a Global Custody Agreement with JPMorgan Chase Bank. The rights of relevant persons under the Agreement are able to be determined by an Australian Court.

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Zero Alpha Group

A GLOBAL NETWORK OF INDEPENDENT WEALTH MANAGEMENT FIRMS

Founded in 1995, Zero Alpha Group (ZAG) is a global network of wealth management firms, serving clients in a fiduciary capacity. We are committed to providing objective, long-term private wealth management solutions, focusing on broad global diversification and a quantitative

approach to investing. We share a common philosophy about investing and client service - a commitment to structured, tax-managed investment strategies while providing independent fiduciary-based financial planning solutions.

THE (ZAG) NETWORK

