Client Risk Management by SafeMoneyMetrics™

Decision Making Guidelines

How to Use Benchmark Indicators to Support Decisions

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Focus and Summary

Benchmark indicators defined directly below are identical for your account and the multi-advisor investment. The only difference is time frame applications. Short, medium and long term time definitions vary with each analyst. My "belief" is that people should evaluate annual account profitability with a maximum downside of 18 months. Your decisions need to reflect your beliefs, not mine.

Experience has taught me to co-develop a maximum loss value in time and capital with each investment. For example:

#1. Maximum Loss - Close the Account:

Year1: Pre define a capital loss % and time relative to start date and initial funding level

Subsequent Years: Apply year 1 definition using only capital in the account as a starting value. Subsequent annual time begins 12 months from the previous start value.

Example: Year 1 starts on July 1, 2006 with $100,000. A maximum loss decision could be a capital loss of 25%, and/or no profitability for 12 months. Assume year one ends with a profit of $20% and 10% was distributed. Year two start value is $110,000 on July 1, 2007. Again, the maximum loss decision is a capital loss of 25% or 12 months with no profitability. Etc Etc as the years pass!

#2 Maximum Loss - Close the Account:

The account's minimum net ratio drops below the minimum funding level across all time frames and stays there for 30 days. The advisor's minimum net ratio drops below the minimum funding level ratio across all time frames and also stays there for 30 days: **Do Nothing** if your account's most recent net ratio starts to move above the funding level ratio, while the realized to volatility ratio is also more positive. Finally the RVR on your account (short term time) begins to rise - - the Advisor may be into a renewed profitability mode.

#1 Distribute Profits:

Distribute 50% to 100% of all profits whenever the advisor is paid an incentive fee; until your initial capital is returned. Then distribute 25% to 50% of all profits for the duration.

#2 Distribute Profits:

Your account's realized to volatility ratio is optimally wide (realized high - volatility low), while the RVR is topped out (stable or slow decline = increasing risk). Your account's net ratio is also higher than the funding level and equal to or better than the advisor's maximum net and funding level ratio position. The advisor's RVR is also topped out.

Profitability Trends Relative to Account Conditions

Increased Profitability with Lower Risk	Increased Risk with Lower Profitability
1. Latest Net Ratio Above the Funding Level	1. Latest Net Ratio Below Latest Funding Level Ratio
2. Recent Time Frames Net Above the Funding Level	2. Recent Time Frames Net Below Funding Level Ratio
3. Recent Time Frames Net and Funding Level Ratio are Above Their Respective Minimums	3. Recent Time Frames Net and Funding Level Ratio Below their Respective Minimums
4. Recent Time Frames Net and Funding Level are Above the Advisor's Respective Minimums	4. Recent Time Frames Net and Funding Level are Below the Advisor's Respective Minimums
5. Realized Ratio Moves Higher and Away From the Volatility Ratio	5. Realized Ratio Moves Lower and Into the Volatility Ratio
6. 51% Rule Trend Changes	6. 51% Rule Trend Changes
7. Reward to Variability Ratio (RVR) Moves Higher While Profits Increase or Remain the Same	7. Reward to Variability Ratio (RVR) Moves Lower While Profits Move Higher, Lower or Remain the Same
8. Account Profitability is Stable or Moves Higher, While Maximum Loss for the Time Frame Decreases	8. Account Profitability is Stable or Moves Lower, While Maximum Loss for the Time Frame Increases
9. Reward to Variability Ratio (RVR) Moves Higher and the Coefficient of Variation Moves Lower	9. Reward to Variability Ratio (RVR) Moves Lower and the Coefficient of Variation Moves Higher