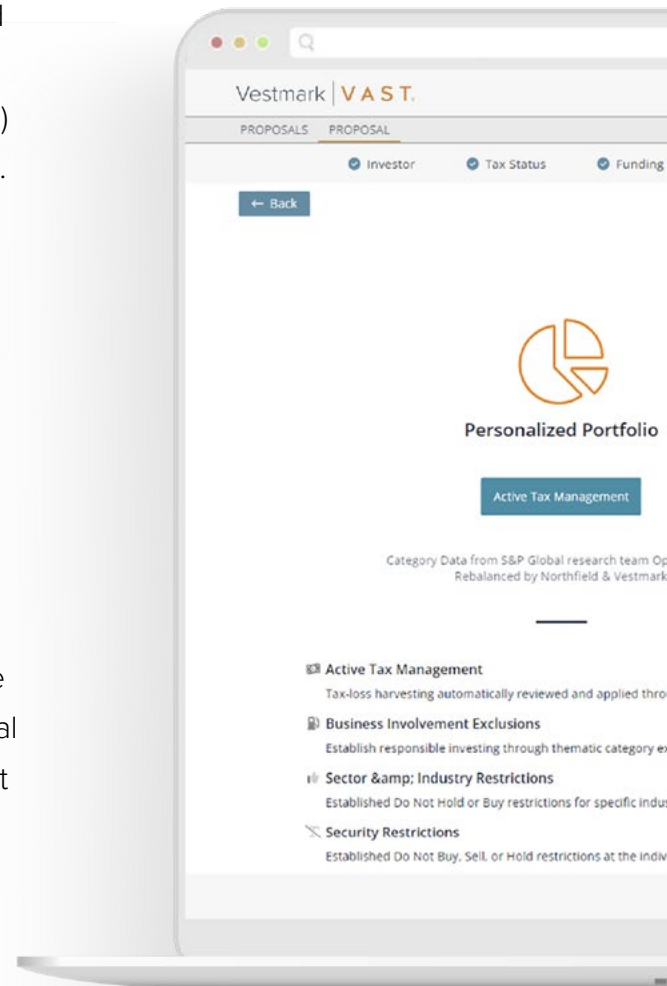


How to Use VAST in Your Practice

VAST is an entirely new way of bringing personalization and tax management to retail investors. VAST harnesses the unique capabilities of Separately Managed Accounts (SMAs) to enhance the investment experience of an entire portfolio. Unlike pooled investment vehicles, in which each investor's shares are identical to those of every other investor, the SMA structure allows for:

- Individual tax treatment,
- In-kind transfers into, out of, and even within the strategy,
- Customization of portfolio content to reflect personal beliefs, values or restrictions, and
- Tax-efficient diversification of concentrated positions.

Building around a Direct Index SMA core, VAST allows for the harmonious inclusion of actively managed SMAs, ETFs, mutual funds, and individual securities. VAST's portfolio management team can apply customization filters, tax management and optimization to the entire portfolio, not just to the index. And VAST does all of this at scale, leaving advisors more time to nurture their existing relationships and attract new clients.



How does VAST work?

The VAST experience begins with a simple web-based Advisor interface that enables easy position uploads, invites portfolio customizations, and applies investor preferences and tax settings to suggest different ways of transitioning existing holdings into a new target portfolio.

Advisors build target models themselves and then preview different paths towards that model.

For taxable accounts, VAST uses a sophisticated mathematical process called Optimization to find a balance between two competing objectives:

minimizing tax impact and minimizing unexpected returns (as measured by tracking error). VAST's portfolio management team then provides most taxable investors with several choices:

- a Low Tax Cost scenario that is more likely to experience returns that are different from the benchmark or model,
- a Low Tracking Error scenario that is designed to follow the benchmark or model closely, but will have a higher transition tax cost, and
- an Optimized scenario that suggests a balance between reducing tax and reducing tracking error.

For non-taxable accounts, optimization can suggest ways of aligning expected portfolio performance with the expected performance of a model or benchmark, while also accommodating portfolio restrictions and preferences.

After reviewing the scenarios, the Advisor makes a selection and VAST produces a detailed, personalized transition analysis to share with the Investor. When the investor agrees to the proposal, VAST implements the chosen scenario and manages the account on our trading engine through a secure connection to the custodian. VAST provides performance reporting and ongoing monitoring, while tax reporting comes from the custodian. VAST bills the advisor directly for these services, and the advisor chooses whether (and how) to recoup these low fees from clients.

Why would an advisor use VAST?

All financial advisory practices eventually face a seemingly impossible choice: protect client relationships through greater personalization, or sacrifice customization in the service of scale. VAST removes that enduring challenge by enabling personalized investing at scale®.

Choosing a VAST direct index SMA as the core allocation of a client's portfolio can facilitate the harvesting of valuable tax losses, enable tax-efficient transfer in kind (both into and out of the portfolio), and provide broad market beta around which various satellite investments (active SMAs, ETFs, mutual funds, or individual securities) can generate their own alpha. VAST does all of the rebalancing, tax-optimization and individual security selection so that advisors have more time to do the relationship work and client attraction only they can do.

Portfolio adjustments are easy, too, whether through the advisor interface or through the VAST service team. And VAST provides a rich resource library to help advisors engage with clients, explain the benefits of a VAST portfolio, and build a moat around their best relationships. VAST operates in the background, giving advisors more time in the foreground.

Why would an investor prefer a VAST portfolio?

Today's investors crave personalization in their investment management. They want to be heard and understood, and they want their portfolios to meet their unique needs. VAST portfolios do exactly that by tax-optimizing across multiple account sleeves, rebalancing intelligently, honoring restrictions as broadly as possible, and helping clients meet life objectives and liquidity needs in ways that help preserve their wealth.

Investors with individual securities, managed or otherwise, will appreciate the ability to align with advisor-defined objectives in a tax-efficient way, while tailoring the content of their portfolios to meet their unique needs and values. And the ability to preview the tax impact of a portfolio transition before making a decision makes that decision easier.

Here are a few examples of investors for which a VAST portfolio may be appropriate.

Investor 1: Individual with existing positions in taxable accounts

Imagine you are transferring a new client's assets from another firm, or a current client's assets from an old strategy to a new strategy. Those are both transitions in kind, and the main objection from a client with a taxable account will usually be that the transition will involve the sale of appreciated securities and the realization of taxable capital gains. Wouldn't it be easier to address this objection if you could offer the client several possible transition scenarios with different tax impacts and risk expectations?

A VAST transition analysis simplifies the transition conversation by showing clients several tax-aware ways of changing their portfolios. Our optimization engine considers each tax lot independently and as part of a whole to recommend position changes that minimize taxes while bringing the portfolio's performance expectations nearer to those of the target model. If an existing non-model position is sufficiently similar to a model position, it might be retained to avoid triggering capital gains tax. If a client holds more of a particular security than the model holds, the client's position is reduced in the most tax-efficient way.

Investor 2: Individual with cash to invest in a taxable account

Whether adding cash to an existing portfolio or funding a new account entirely with cash, VAST can invest that cash quickly into an SMA model or a more broadly diversified multi-asset portfolio, typically with no additional trading costs. Using SMAs as the foundation allows VAST portfolios to remain tax-efficient throughout their existence, as individual tax lots will have tax characteristics unique to each client. And VAST can handle future deposits, withdrawals and rebalancing events in the most tax-advantageous way possible for each client.

Investor 3: Individual with one or more highly appreciated, concentrated position(s) in a taxable account

VAST offers several ways to build broadly diversified portfolios around existing stock concentrations tax-efficiently. Clients can use their concentrated position to represent an entire sector or industry, and VAST will optimize around that position so that performance expectations align as closely as possible with the target model or benchmark. And VAST can gradually reduce a concentrated position by recommending tax-efficient sales, offsetting realized gains with realized losses from elsewhere in the portfolio, or even recommending highly appreciated shares with which to fund a charitable donation in kind.

Investor 4: Individual or entity with customization needs in a non-taxable account

While many investors with non-taxable accounts may be adequately served by pooled investments like ETFs and mutual funds, some may require the kind of customization only an SMA can offer. A client may want to exclude the stock of their employer from a retirement account, for example, or a non-taxable foundation might want to exclude a particular flavor of business involvement that runs counter to their stated mission. While tax considerations may be irrelevant for such clients, they may still expect the performance of their portfolio to align with that of an unrestricted model. VAST's optimization engine can replace excluded names with positions in allowable securities that are expected to perform like the excluded name(s).



How do I get started?

Visit our on-line resource library to find other insights that explain how VAST works. After signing a simple non-disclosure agreement, you can begin test-driving the advisor portal on your own. There's no fee and no obligation – you'll only pay for accounts that actually use VAST.

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