

## INSTRUCTIONS FOR NAVIGATING THE DIVERSIFICATION ANALYZER *and* OPTIMIZER EXECUTIVE OVERVIEW

The Analyzer-Optimizer System is a 4-part system.

MEASURE-MANAGE-MONITOR-REPEAT AS NECESSARY

**Part I – Analyzer Function** is an analysis and reporting by the system of a single portfolio's quantitative risk factors and the amount of the uncompensated risk present in that portfolio over the trailing 1-year time period. Risk assets only at this point; no fixed income until Part IV because ninety per cent of Uncompensated Risk is from "risk" assets.

**Part II – Analyzer & Optimizer Functions** analyze the Part I portfolio's qualitative risk factors as well and compare the single portfolio's risk/return profile and risk factors to those of six system suggested portfolios. Using the Part I portfolio, the system constructs six simulated [10% at-a-time-give-away- portfolios] that would have achieved better diversification and more uncompensated risk reduction than the original portfolio. The original portfolio's asset allocation is maintained within a declining percentage of each portfolio's total value. The reciprocal percentage is automatically filled with recommendations made by the systems forward looking algorithm selected from a list of 61 pre-defined sectors. (*Note: The Institute's algorithm makes its allocation based on data known at the beginning of the period studied with no knowledge of what happened during the period.*) The member-driven system accepts member-modification of any portfolio by changing percentages, adding and removing constituents (without limits to the 61 proxy sectors used by the algorithm), and customizing and interpolating between suggested portfolios to achieve specific goals.

**Part III – Organizes the Part I & II analyses** so that the member can quickly and confidently build and implement his/her own customized risk return tradeoff solution for each client's portfolio, while documenting the prudent procedural process that was followed.

**Part IV – Is where the fixed income/cash component is added back** to build the entire portfolio having various mixes of compensated risk (e.g. 60% risk/40% cash-fixed income, 70%/30%, etc.). Expect no large benefit from reducing uncompensated risk since these mixed portfolios are usually for cash flow purposes and/or a method of replacing some of the compensated risk from equities through fixed income vehicles (with other risks, perhaps). "Giveaways" do allocate to Fixed Income as well.

**NOTE ABOUT PRIVACY:** *When a member logs off all information is erased on the Institute's Server. This is offset by the ability to download all information to excel worksheets allowing members to make off-line changes and automatically load them when they log-in for further optimization. We also encourage members to code their client's files so there is no ability to decipher the owner of a portfolio.*

ALSO, THERE ARE

NO COOKIES! – NO ADVERTISING! – NO MEMBER INFO SHARED!

**ALL WE HAVE DONE AND PLAN TO DO IS  
DRIVEN BY OUR MISSION STATEMENT  
and  
WE NEED YOUR INPUTS TO SUCCEED**

**The Institute's Mission Is to Provide Artificial Intelligence** capable of facilitating the procedural process necessary to manage the benefits of diversification through the reduction in Uncompensated Risk (UCR). The benefits of diversification are readily achievable using our Affordable-Member-Driven Artificial Intelligence developed by The Institute especially for small, medium, and larger firms -- financial-accounting-legal firms, trustees, fiduciaries, profit and non-profit boards, consultants, regulators, investors, consumers. It is the policy of the Institute to provide individual members the same powerful advantages as Enterprise Licenses.

**SO, HERE ARE SOME ITEMS ON THE BACKBURNER AUGMENTED BY MEMBER INPUTS:**

1. A few minor functions are currently inoperable and will be correct shortly.
2. We will be moving the platform to a Super Server with a system that cuts the time to accommodate millions of calculations by a factor of ten (20-30 sec. vs. 5 min.).
3. We will add a table that can be downloaded in excel that compares side-by-side the asset allocations for all six of the simulated 'give-away' portfolios. This will give members a picture of how the algorithm recalculates to optimize resulting in the opportunity of an increased Sharpe Ratio.
4. Allow the member to specifically dial in the amount of the portfolio to 'give-away' for optimization. e.g. The member likes the ROR simulation for the 20% 'give-away' but wants to settle between 10-20% so decides on 16 ½% 'give-away' and puts that number in to get the results and go on from there.
5. Allow the member to put in the actual dollar size of the portfolio which then adjusts the fiduciary score and gauge to reflect the representative color for that size portfolio. It doesn't change the actual score only the gauge color levels of inadequacy and adequacy.
6. Allow the member to customize a portfolio by putting in minimum & maximum constraints for each proxy or actual security added by the member. This allows the algorithm to re-optimize which may or may not improve results and may or may not be acceptable by the member for reasons so noted for the record.
7. Add forward-looking assumptions developed by the Institute for members to see what asset allocations are being recommended as compared to the beginning-of-the-period allocations. These differences could be substantial if there were significant events, trends, etc. during the period. Human understanding could be important if it changes significantly. Remember the platform is USER-DRIVEN.
8. Expand ability of platform to utilize all the 275 super-sectors shown in Item #4 on the optimizer page.
9. Allow the member to partially or completely alter the proxies with their own choices. This could be helpful when members are favoring utilizing one or several ETF or mutual fund families or when evaluating the many securities within a sector, etc. etc.
10. Include data availability from all major international security exchanges.

**WE ARE EXCITED TO BE EMBRACING CHANGE AND WE LOOK FORWARD TO YOUR  
SUGGESTIONS FOR ENHANCEMENTS**

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