

Fund objectives for mutual fund and annuity portfolio offerings



Sammons Retirement Solutions® works with a nationwide network of broker/dealers and banks to provide retirement solutions that meet the needs of financial professionals and their clients. These solutions include mutual fund IRA accounts and annuities.

Within the index-linked variable annuity, variable annuity, and mutual fund IRA accounts, one primary way these needs can be met is through the proper selection of portfolio investment choices that are appropriate for a broad range of risk profiles. In order to achieve this, we actively monitor our offerings of fund portfolios and fund companies to assure that each investment choice is consistent with the goals and objectives of that fund.

Our investment methodology is based upon upholding our firm's traditional values of honesty, integrity, respect, and fair dealing. We employ both qualitative and quantitative measures when reviewing fund companies for platforms and products, looking to partner with the most respected fund firms in the industry.

From a qualitative perspective, we first look to a company's brand strength and uniqueness of offerings. It is important to us that the organization has a stable history and a strong name. We also look at important factors such as management expertise, financial professional demand, and fund company support (including value-add for the field and overall field/wholesaler strength).

Qualitative-based review

We use subjective judgment based on non-quantifiable information to help guide our decision making.

- **Strength of brand equity**—Fund company reputation and familiarity are important considerations when striving to provide the best fund choices for a given investor.
- **Management expertise**—The fund companies must have significant research capabilities to properly analyze the investment they will place in the portfolio.
- **Portfolio concentration**—The total offerings within the individual portfolio should sufficiently cover the investment spectrum to meet a broad range of needs.
- **Uniqueness of offerings**—Unique fund stories and alternative investment strategies can take an important role within our offerings, as the investment landscape continues to be volatile.
- **Perceived investor interest based on ratings**—Morningstar® and Lipper ratings are factors that can help in gauging fund performance and manager strength.
- **Financial professional demand**—The fund company should have at least \$1 billion in assets under management and reasonable fund flows. The fund portfolio offerings should be such that both mutual fund IRA accounts and annuities offer investment options from the same money manager when possible.
- **Fund Company Support**—Sufficient marketing and administration support will be provided at the cost of the fund manager that will allow Sammons Retirement Solutions' field force and home office staff to obtain timely and accurate information on new fund offerings.
- **Value-Add Support**—This includes additional educational programs and materials for financial professionals to learn more about relevant topics in the industry. These programs generally include pieces the financial professional can pass along to their clients if they think this material would be helpful to their conversations.

From a compliance and regulatory perspective, we have many screens/filters that we use for initial and ongoing review. Most of these screens are from a quantitative approach and include Modern Portfolio Theory (MPT) statistics, such as standard deviation and beta (as compared to the peer group and indexes), returns versus peer group and indexes, and alpha-generated (risk-adjusted performance) in addition to overall pricing.

We also review expense ratios, up/down capture, style analysis, fund holdings, significance levels, among other factors, on an ongoing basis to ensure the fund is keeping up with expectations.

Our due diligence process also demands that every investment choice we offer aligns with its prospectus and is in compliance with regulatory agencies. We look at criteria that include regulatory oversight, stability of the organization, fees, manager track records, and more, to help ensure these funds are being managed according to our objectives and investment strategy. We want to ensure we're providing an investment lineup that financial professionals have trust in and can use to build portfolios to help the needs of their clients.

Quantitative-based review

We use statistical methods to evaluate new and ongoing opportunities.

- **Risk and return statistics**—Each fund is screened to show an adequate level of diversification. The screening process includes:
 - Performance analysis using Morningstar® Direct
 - Analyzed weighted performance statistics (various MPT stats) over rolling 1-, 3- and 5-year periods and assessed correlations to benchmark
 - Screened funds based on product assets, manager tenures, product capacity, and interest levels
 - Interviews conducted with prospective investment managers in each investment category to understand basic investment objective, approach, process, and constraints
- **Peer group comparison**—Funds will be compared directly to other funds in their peer group, as well as their indexes.
- **Performance consistency**—Funds are reviewed to ensure that performance is consistent over a long period of time.
- **Investor interest (Fund Family Flows)**—Industry trends and assets flowing in and out of a given fund play a part in the consideration of bringing that fund to our investment lineup.
- **Manager tenure**—Review team composition and turnover, decision making, collaboration, integration of risk management, and more.
- **Expense ratios**—We prefer that current total expense ratios do not exceed 2% on an annual basis for the funds.

Investing in mutual funds and variable annuities involves risk, including potential loss of investment. You and your client should consider the investment objectives, risks, charges, and expenses of the mutual fund or variable annuity and its underlying investment options carefully before investing. The prospectus and/or summary prospectus contain this and other information. You or your client can visit srslivewell.com/prospectus or call 866-747-3421 to obtain a current prospectus for the mutual fund or the variable annuity and its underlying investment options. Inform investors to carefully read the prospectus before investing.

Indexed-linked variable annuity products are complex insurance and investment vehicles. Please reference the prospectus for information about the levels of protection available and other important product information.

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