YourStake + First Affirmative FINANCIAL NETWORK

Guide to Client Conversations about VADIS

Introduction

Congratulations on choosing VADIS (Values-Aligned Direct Index Solution) for your practice!

This powerful tool will enable you to offer truly personalized, values-aligned investing to your clients. As you prepare to integrate VADIS into your client conversations and portfolio management process, this guide will help you navigate the key features and benefits of the solution.

VADIS: ALIGN INVESTMENTS WITH VALUES - SCALE PERSONALIZATION, GROW YOUR PRACTICE

Highlights of VADIS

- **Flexible Implementation:** From 7 pre-built persona portfolios to building bespoke customized portfolios leveraging over 150 metrics, VADIS offers solutions for clients of across the values belief spectrum and account sizes all backed with rigorous, transparent NoScore data and the expertise of First Affirmative Financial Network.
- **Transparent, NoScore Data:** YourStake was founded in 2019 with a belief that ESG Ratings were a broken system. NoScore Data is a transparent way to bring comparable and non-biased into the analysis and reporting process.
- **Active Ownership:** Proxy voting and shareholder advocacy aligned with client values, amplifying investment impact.
- **Optimized Tax Management:** Tax-loss harvesting and efficient transitioning of taxable accounts, optimizing after-tax returns.

Positioning VADIS to Clients: "With VADIS, we can create a portfolio that's as unique as you are. It allows us to align your investments with your values while still pursuing your financial goals. Think of it as a portfolio that reflects what matters most to you."

How VADIS Enhances Your Practice

- **Differentiation through Client Engagement:** Stand out in a competitive market by offering truly personalized, values-aligned investing leading to more engaging client conversations about their financial and personal goals.
- **Streamlined Work-Flow:** Leverage powerful technology and support to efficiently manage personalized portfolios at scale and build interactive reports ready for client meetings.
- **Expanded Offerings:** Add Direct Indexing capabilities to your roster of solutions that can deliver on the unique needs of every client.

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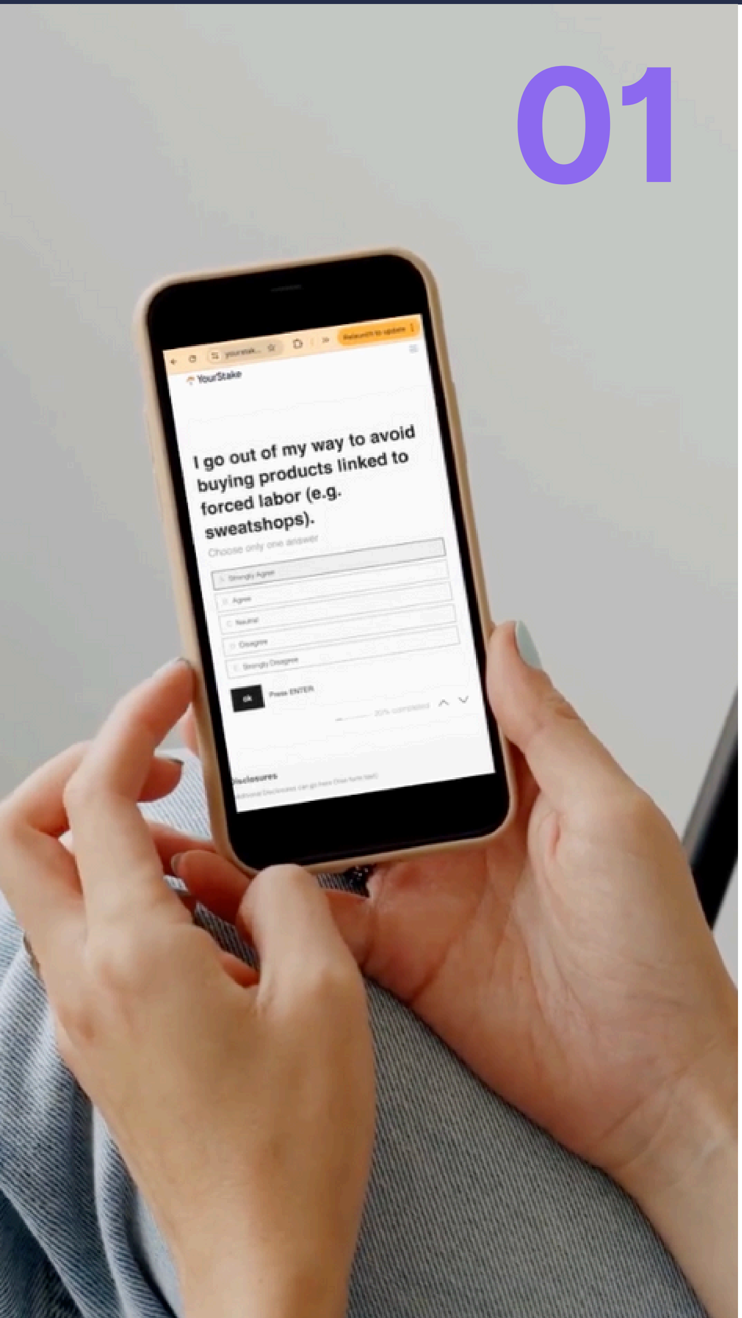

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Discover Client Values

Begin by using the 16-question Behavioral Values Questionnaire to start the conversation, discover the initial persona alignments then expand the conversation with your client from there.

Some examples of questions to ask would be:

“What issues matter most to you?”
“Are there specific industries or companies you want to avoid?
“Who or what do you want to support in your investments?“

From there, input any specific inclusions or exclusions for the final VADIS Portfolio and decide which path might make the most sense to implement VADIS: **Persona Portfolios**, **Firm Values**, or **Bespoke Customization.**

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3 Ways to Implement VADIS

Persona Portfolios

Offer tailored solutions for efficient implementation without sacrificing personalization

Firm Values

Align portfolios with your firm's ethos to streamline implementation across your practice with further customization possible

Bespoke Customization

Create deeply customized portfolios leveraging over 150 metrics across 5 key issue areas

Explain VADIS Capabilities

VADIS combines the power of **YourStake's** data and technology with **First Affirmative's** investment management expertise. This unique combination allows for unprecedented customization and impact in client portfolios while maintaining professional management and optimization.

Unparalleled Customization, backed with transparent NoScore Data

VADIS utilizes over 150 ESG metrics across 5 key issue areas, allowing for precise alignment with client values. This level of granularity means we can create portfolios that truly reflect each client's unique priorities, whether they're focused on environmental issues, social justice, corporate governance, or any combination of concerns.

Comprehensive Reporting

Build and deliver quarterly impact reports for clients demonstrating how their portfolios align with their values. These reports provide tangible metrics, such as reduced carbon emissions or increased board diversity, compared to benchmark indexes.

Tax-Efficient Management

For taxable accounts, VADIS offers tax-loss harvesting and efficient transitioning of existing portfolios. This helps optimize after-tax returns while aligning investments with values.

Active Ownership

VADIS goes beyond stock selection. We engage in proxy voting and shareholder advocacy aligned with client values. This means your clients' investments have a voice in corporate boardrooms, pushing for positive change on issues that matter to them.

Address Performance and Risk

Many clients worry that aligning their investments with their values might mean sacrificing returns. This step is crucial for explaining how VADIS aims to balance values alignment with financial performance and risk management.

Benchmark Tracking

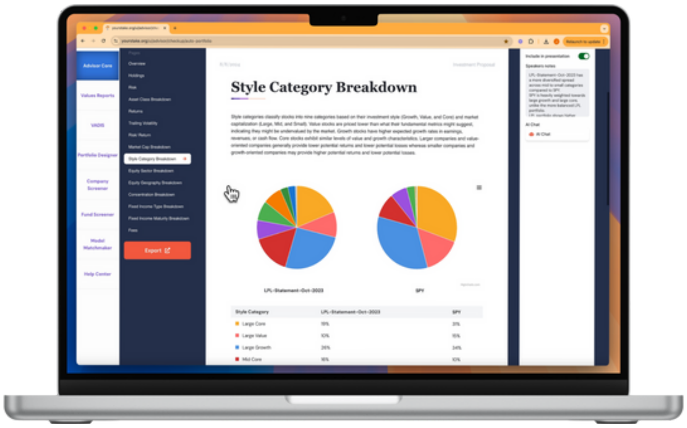
VADIS portfolios are optimized to closely track chosen benchmarks, typically aiming for a tracking error[1] between 1% and 2%. This means the portfolio's performance should closely mirror the benchmark over the long term, even with values-based exclusions or tilts.

Diversification

VADIS portfolios typically hold around 230 securities. This helps manage risk and ensures the portfolio isn't overly dependent on the performance of a small number of companies.

Advisor Core Portfolio Analysis

Easily output regular performance reports through Advisor Core that compare their VADIS portfolio to their relevant benchmark. This allows for a transparent evaluation of how values alignment and financial goals are progressing.



1: Tracking error quantifies how much a fund's performance deviates from its benchmark over time. A lower tracking error indicates that the fund is closely following its benchmark, while a higher tracking error suggests more deviation.

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Key Questions to Ask:

“What's your comfort level with a portfolio that may differ slightly from broad market indexes?”

“Are there any specific risk factors or sectors you're particularly concerned about?“

“Are you looking for additional performance and impact reports more than quarterly?”

“Are there specific metrics or issues you'd like to track in your impact reports?”

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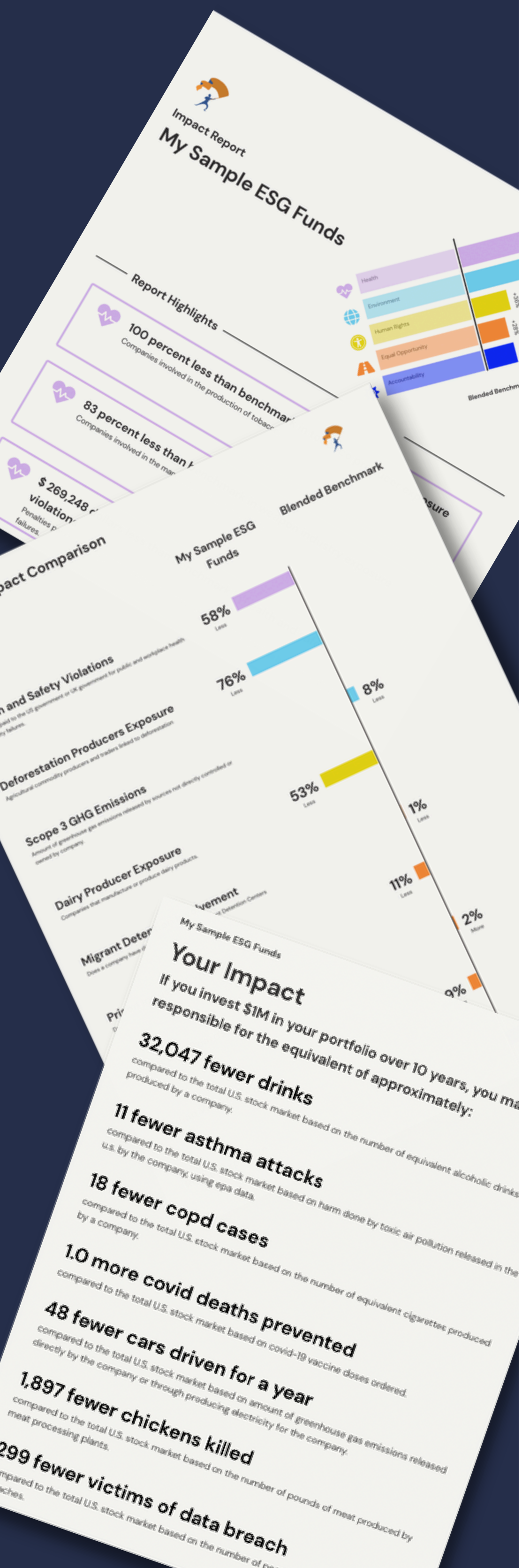
Showcase tangible, transparent impact



Discuss Implementation and Reporting

Clients often want to know what to expect once they decide to move forward with VADIS. This step outlines the practical aspects of setting up and managing their portfolio, including the types of ongoing reporting they'll receive.

Portfolio Construction Process

Explain the steps involved in creating a VADIS portfolio:
1. Finalizing the client's values profile
2. Selecting the appropriate benchmark
3. Optimizing the portfolio based on values and risk parameters
4. Reviewing and approving the proposed portfolio
5. Implementing the portfolio in the client's account

Impact and Investment Performance Reporting

VADIS provides separate performance and impact reporting, offering clients a comprehensive view of their portfolio:

- **Interactive Portfolio Analysis Reporting with Advisor Core:**
  - Regular performance updates that you can run anytime through YourStake
  - Comparisons to relevant benchmarks or existing portfolios
  - Click through functionality, brand to your colors and fonts, and able to export as .ppt file
- **Impact Reporting:**
  - Produce annual impact reports showing portfolio alignment with client values
  - Comparisons to benchmark indexes to demonstrate impact
  - Customization: Reports can highlight metrics most relevant to each client's specific values and priorities

VADIS Decision Tree

Welcome to the VADIS Decision Tree – your roadmap for guiding client conversations about values-aligned investing. This flowchart distills our comprehensive guide into actionable steps, helping you navigate key decision points from introduction to implementation. Use it to confidently present VADIS and transform your practice, regardless of client account size or custodian.

Client interested in values-aligned investing?

Yes

Introduce VADIS: 150+ metrics, active ownership, $25k min (Apex), $250k (Schwab)

No

Explore values: Discuss alignment, share trends, offer education

Ready for VADIS Proposal?

Yes

Create proposal: Use Advisor Core, schedule review, discuss fees (36 bps)

No

Address concerns: Identify reservations, provide case studies, schedule follow-up

Ready to implement the portfolio?

Yes

Implement: Values Questionnaire, sub-advisory agreement, account opening

No

Address concerns, schedule follow-up

Bring VADIS to Life in Your Practice

VADIS is more than a product, it’s a personalized approach to investing

As we've explored throughout this guide, VADIS is more than just a tool – it's a gateway to deeper client relationships and a more impactful investment approach. By integrating VADIS into your practice, you're not just offering a product; you're providing a personalized journey that aligns your clients' investments with their values and financial goals. This final section will help you bring VADIS to life in your client interactions and day-to-day operations.

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You've explored VADIS's key features and benefits.

Now it's time to integrate this powerful tool into your client conversations. From clients looking for some customization, to larger and more sophisticated investors, VADIS offers the ability to offer a portfolio as unique as them.

VADIS: Key Takeaways

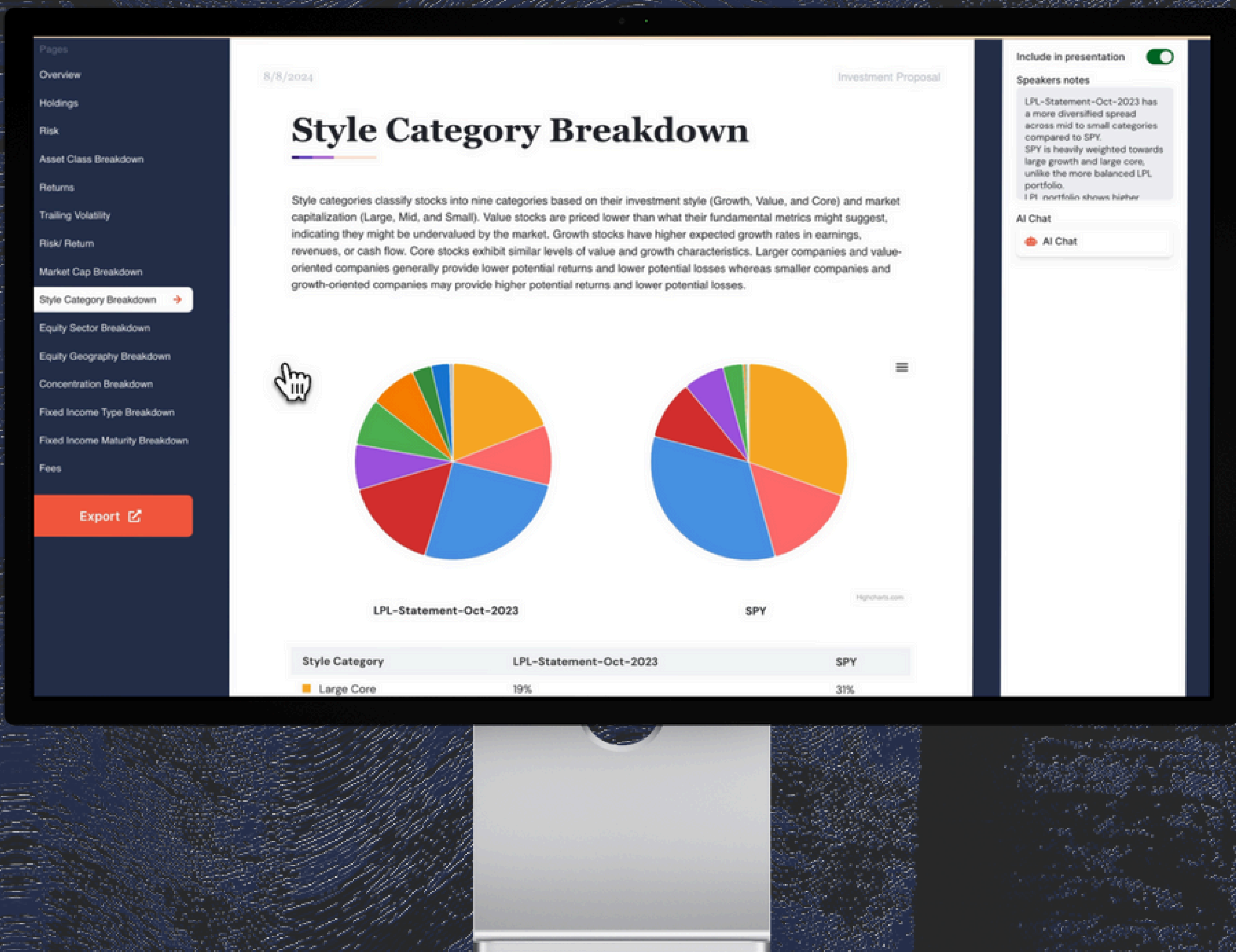
1. Flexibility is key: Use pre-built personas, firm value sets, or deep customization to meet diverse client needs.
2. Storytelling matters: Leverage conversation starters and reporting tools to craft compelling impact narratives
3. Address performance proactively: Highlight VADIS's benchmark tracking and diversification capabilities.
4. Optimized Tax Management: Tax-loss harvesting and efficient transitioning for taxable accounts, optimizing after-tax returns.

Next Steps

1. Review the VADIS Decision Tree for client conversation flow
2. Practice with the Behavioral Values Questionnaire
3. Explore Advisor Core's analysis and reporting tools
4. Identify potential VADIS candidates in your client base
5. Schedule a follow-up VADIS training session below

Schedule Your VADIS Training Session

Accelerate Growth With Comprehensive AI-Powered Efficiency



Advisor Core streamlines your prospect conversion workflow from statement to proposal. Leveraging AI to extract, analyze, generate insights, and create customized reports in minutes.

Schedule Demo

FINALIST FOR

ALM | THINK ADVISOR LUMINARIES AWARDS 2024

Artificial Intelligence Firm Award - Innovation

[Download this Case Study]

Disclosures

First Affirmative Financial Network, LLC is an independent Registered Investment Advisor (SEC File #801-56587) and Certified B Corporation.

First Affirmative is a pioneer in the Values-Based advisory space. For over 30 years, we've been helping advisors grow their practices leveraging sustainable, responsible, and impact (SRI) investing principles. We are proud to serve our advisors and their clients with the highest fiduciary standards as we help them create investment solutions designed to meet both financial and impact goals.

First Affirmative receives a soft dollar benefit for accounts using Apex Clearing as Custodian of client assets. First Affirmative has agreements with several custodians with different functionality and costs. Advisors and Clients decide which custodian to use based on services they need and not on any monetary benefit to the firm. For more information, please see our ADV Brochure available on our website.

Past performance is no guarantee of future results. All investment programs entail investment risk. Any investment portfolio is subject to fluctuation in market value and when redeemed, may be worth more or less than the original Investment.