

Risk Methodology Transition FAQs

Q. What is Changing?

A. Three things are changing:

1. **Our client risk assessment:** the risk assessment will be simplified for greater clarity, using seven questions that determine the willingness and ability of an investor to assume risk.

[Click here](#) to see the new risk assessment

2. **Our methodology for calculating investment risk (strategies/assets):** our investment risk methodology is changing to become simpler, as well as more nimble—or responsive to the changing market landscape. New scores are expressed as a percentage of risk of an Equity Baseline Portfolio—our baseline diversified equity portfolio, comprised of a blend of domestic and international market index benchmarks. In practical terms, an investment with a risk score of 50 would assume half of the total stock market (global) risk.

In addition to creating a more robust, clear, and risk-aligned investment process, the methodology change brings consistency to the Orion family of brands—all affiliated Orion companies now adhere to one risk scoring standard.

[Click here](#) to download a complete overview of the new risk methodology

3. **Our risk categories:** our risk categories are being renamed to better reflect the characteristics of associated investments. Changes reflected below

Former Category	New Category
Growth	Aggressive Growth
Balanced Growth	Growth
Balanced	Growth & Income
Balanced Income	Income & Growth
Capital Preservation	Conservative Income

Q. Will the Strategies I Use Increase, or Decrease in Risk?

A. Changes vary across strategies. Please note that our risk scoring parameters are no longer 0 - 100. Some assets/strategies exude greater risk than the global stock market. In those instances, a risk score of more than 100 will be assigned.

[Click here](#) to review a comprehensive list, which outlines the changes across our third-party strategist program.

Q. Why is a Greater Focus Being Placed on International Equities?

- A. Global risk benchmarks are being used that are more representative of the total stock market opportunity set for investors—where international represents just under 50% of the global market capitalization¹.

Additionally, studies have shown that an international allocation of 40%—50% may be optimal for long-term risk reduction². The use of global benchmarks as a point of reference for portfolio risk may be more appropriate for well-diversified investment portfolios.

¹ Global Stock Markets by Country - Statista, 2018

² Global equity investing: The benefits of diversification and sizing your allocation - Vanguard, February 2019

Q. What Will Happen to My Portfolios?

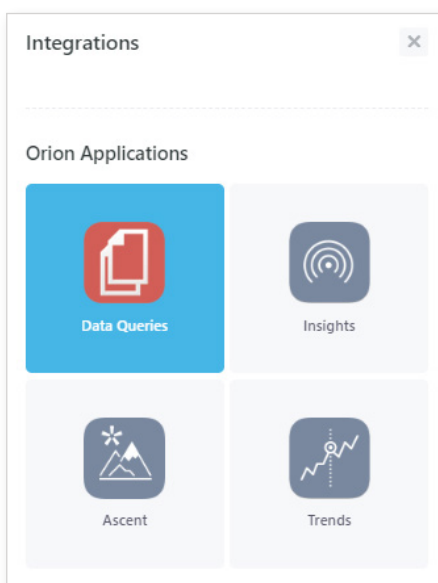
- A. Your portfolios will be unaltered through the change. The investments you've chosen will remain in place, and in the same allocations that you've chosen. However, the risk score associated with each portfolio will change as each underlying strategy/asset receives a new risk score, under the new methodology.

We recommend that you meet with your clients on your normal review cycle and offer them the opportunity to update both their risk score, and if necessary, their portfolio holdings to match their personal risk score. Orion Portfolio Solutions will not manually adjust any portfolios without advisor direction.


Q. How Can I Review Portfolio Risk and Make Adjustments, As Needed?

A. Review Registration Risk Changes

Prior to the risk transition, or to gather a complete view of how your portfolios are impacted by the risk methodology transition, you can run a new report in the new advisor portal experience (accessible via the top banner in your advisor portal). The report will show legacy and new portfolio risk scores for all of your registrations. However, please note that risk scores will not return for self-directed sleeves. The risk shown for a registration with a self-directed sleeve will not represent that portion of the portfolio.



To run the report:

1. Navigate to the new advisor portal experience
2. Open the integrations menu, expandable with the  icon in the top right hand corner of your screen
3. Select the "Data Queries" application, which will take you to the queries dashboard
4. Search "Registration Risk Score Changes Legacy vs New"
5. Run and download the report

Adjust Portfolio Allocations to Align Risk

After the methodology change is implemented, you'll be able to adjust current portfolios through your Household Overview dashboard. Follow these steps:

- 1. Navigate to the Household Overview dashboard for each client**, where you can review the aggregate risk score for each registration, as well as the risk score for each model. This is also where you can review model mandate classifications.
- 2. Select the newly available "Sleeve Maintenance" button (made available with the methodology change)** to adjust an account, which will take you directly into the Sleeve Maintenance dashboard.
- 3. Adjust underlying allocation percentages**, or add/remove models as needed. The aggregate risk score will update, in real time, to show you how changes will affect model risk before they are implemented.
- 4. Select "Process"** to execute desired changes.

[Click here](#) for a quick tutorial on adjusting portfolio risk.

Q. What Will My Clients See?

- A.** Your clients will not experience any changes. Portfolio risk is not delivered to end-investors through their portal or any standard documents, distributed by Orion Portfolio Solutions (i.e. statements).

Q. When Will the Changes Go Into Effect?

- A.** The risk methodology changes will go into effect on July 27th, 2020.

Q. Who Do I Contact With Questions About Risk?

- A.** For more information about the risk changes, please reach out to your Orion Portfolio Solutions Regional Sales Team at 800-379-2513, option 1.

For technical assistance (trading accounts), please reach out to your Orion Portfolio Solutions Service Team at 800-379-2513, option 2.

For a comprehensive overview of these changes and complete library of resources, please visit our [enhancements resource center](#).

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Questions about Risk?



Please reach out to your Orion Portfolio Solutions Regional Sales Team at 800-379-2513, option 1