

## What are the Expectations

Rather than focusing on an annualized historical risk-adjusted return, Redwood Investment Management utilizes a **RiskFirst®** process that uses Engineered Risk-Budgeted (ERB) Models with Riskalyze to set return expectations at 6 months (on a 95% confidence interval). This can help investors to stay on track to reach their financial goals.



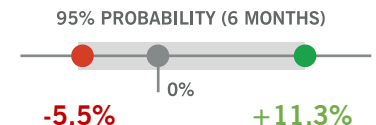
## Measuring Outcomes

Having applicable tools to measure success. The 95% Probability (6 Months) range is an estimation of the return of a portfolio at the end of 6 months. This is calculated by a risk analytic software called Riskalyze. When a portfolio is on its intended track, the expectation for any rolling time frame, for example, the next six months, should have a range of returns from negative to positive. Investors should recognize that this is normal and that risk-budgeted portfolios are engineered to operate within a range.



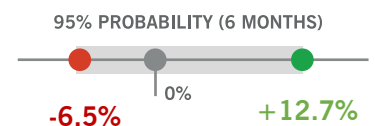
## Engineered Risk Budget: DT 5-8

5-8% Drawdown Target



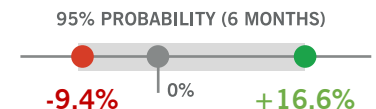
## Engineered Risk Budget: DT 8-12

8-12% Drawdown Target



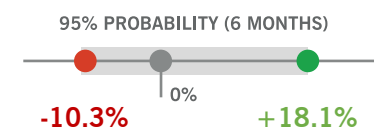
## Engineered Risk Budget: DT 12-17

12-17% Drawdown Target



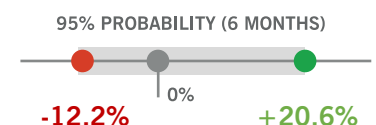
## Engineered Risk Budget: DT 17-25

17-25% Drawdown Target



## Engineered Risk Budget: DT 25-35

25-35% Drawdown Target

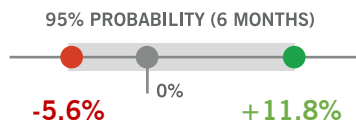


# Are you on Track?

Below are the 95% confidence range for the portfolios from 6 months earlier (as of July 31, 2021).

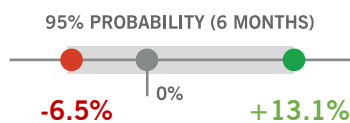
## ERB: DT 5-8

5-8% Drawdown Target



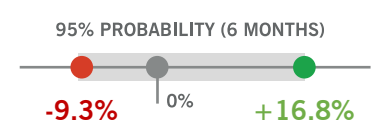
## ERB: DT 8-12

8-12% Drawdown Target



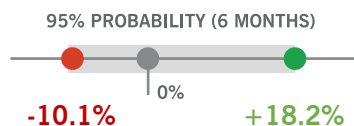
## ERB: DT 12-17

12-17% Drawdown Target



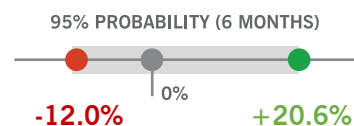
## ERB: DT 17-25

17-25% Drawdown Target



## ERB: DT 25-35

25-35% Drawdown Target



## Important Risk Information

The projections or other information generated by Riskalyze regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. These figures exclude commissions, sales charges, or fees which, if included, would have had a negative effect on the annual returns. Asset class representations for this portfolio exclude individual security allocations that result in net leveraged or shorted positions for a particular asset class. Hypothetical statistics do involve financial risk and does not take into account that material and market factors may have impacted the adviser's decision making if the adviser were actually managing client's money. Hypothetical statistics within this material include the reinvestment of dividends and other account earnings. The price of any investment may rise or fall due to changes in the broad markets or changes in a company's financial condition and may do so unpredictably. Also, investment strategies or objectives of the model portfolio may have changed over time and may change in the future. Holdings utilized for the backtesting of the strategy are positions at the point in time of calculation, which may no longer be available or are no longer recommended by the adviser. In fact, ongoing quantitative research can lead to changes in the parameters of the model in the adviser's sole discretion. Selection of securities is not static, may differ from account to account, and are subject to further change in the future.

**Disclaimer:** The Six Month 95% Probability Range (a.k.a., "Historical Range™") is a calculation of Value At Risk (VaR). The Historical Range is calculated from the standard deviation and the correlation matrix which gives Riskalyze the statistics needed to calculate the distance between the downside and upside returns in the 6-month range. Riskalyze's Historical Range™ is a calculation using a variety of statistical inputs, based on the price history (expense ratios, dividends, etc.) at the holding level. It is important to clarify that Historical Range™ does not use actual historical portfolio returns, but only of positions as of a certain date. Holdings may have changed during the period. There is no guarantee any investments would perform within the range. Riskalyze does not use any Monte Carlo or any other type of simulations. The underlying data is updated as of the previous day's market close price, and the results may vary with each use and over time. The investments considered were determined by the financial representative. There is a 5% of the risk Riskalyze can't quantify for you. Those are things like the global pandemic. The 2008 financial crisis. We call these 'Black Swans'. A black swan is an unpredictable event that is beyond what is normally expected of a situation and has potentially severe consequences. The information above contain opinions and should not be construed as facts. Redwood Investment Management is not affiliated with Riskalyze Inc. There is no guarantee that any portfolio will meet its objective. **RiskFirst®** is a registered trademark of Redwood Investment Management, LLC. Please see firm's Form ADV Part 2A (Brochure) for more information on risk and investment strategies. Contact an adviser for more information and before making any investment decision.