

Edward Jones Advisory Solutions®

# Investment selection and Model construction

With Edward Jones Advisory Solutions®, you can choose from a variety of professionally managed portfolios (“models”) based on your goals, risk tolerance and investing timeline. Following our firm’s investment philosophy and guidance, analysts in our headquarters use a rigorous process to select investments and combine them into models. These investments include mutual funds, exchange-traded funds (ETFs), index funds and separately managed accounts (SMAs), which consist of professionally managed individual stocks and bonds. We select investments based on our analysis of their specific characteristics, strategy, management and performance.

## We follow a fundamental research process

The process we use to select investments and build portfolios is an art and a science.

### The art

Evaluating qualitative factors is a core component of our process. This includes:

- Determining whether the fund managers’ investment process is sound and can add value over time
- Assessing the effectiveness of the fund’s risk management philosophy and processes
- Gauging continuity by determining whether we can form reasonable expectations for how a fund will be managed over time
- Weighing costs, including the expense ratio, trading costs and tax efficiency, to determine whether they provide a good value to investors.

## The science

This is where we analyze quantitative factors. We evaluate whether a fund has performed as we would have expected. We analyze a series of rolling time periods and evaluate risk-adjusted returns and performance attribution. This helps us understand how performance was generated and determine whether it makes sense given the fund’s stated investment strategy.

Meeting with portfolio managers and analysts is an essential part of the process, enabling us to answer such questions as:

- Does the firm have a culture of investment excellence?
- Are the investment team’s financial incentives aligned with your needs?
- How does the portfolio management team identify attractive investments? When do they sell investments?
- What tools and resources do they have to help implement the process?
- Can the team reconcile individual holdings and the fund’s overall characteristics with the investment philosophy and process?

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## Selecting the IMR Focus List investments

Our Investment Manager Research team is responsible for selecting investments for our Investment Manager Research (IMR) Focus List — the list of investments we use to build Advisory Solutions Models. This team is composed of experienced analysts who are required to earn the Chartered Financial Analyst® (CFA®) designation. Each analyst is responsible for evaluating a specific asset class or investment type. The goal is to select quality long-term investments that can work well together in a diversified portfolio.

This process includes:

Selecting what we believe are the most appropriate mutual funds from the more than 7,000 funds available

Considering a variety of asset classes and investment styles

Evaluating SMA strategies from leading asset management firms, expanding the number of available investments

Performing ongoing review, including a continuous assessment of each fund and SMA's ability to meet our criteria for inclusion

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## Continuous monitoring and review

After determining that an investment belongs on the IMR Focus List, we continuously analyze and review the above factors and meet regularly with the fund and SMA managers. We make changes as necessary, such as removing an investment from the IMR Focus List if it no longer meets our strict investment criteria.

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## Research Model construction and review

The investments on our IMR Focus List serve as the building blocks for our Research Models as well as our Custom Models. Following is our Research Model construction process:

► **Step 1: Determining allocations**

Edward Jones' Investment Policy Committee (IPC) determines how each Research Model portfolio should be allocated among different investment categories (aggressive, growth, growth and income, income, and cash).

► **Step 2: Establishing asset class targets**

Within each investment category, our IPC and team of analysts establish target allocations for specific asset classes, such as large-, mid- and small-cap U.S. equities, international equities and fixed-income investments.

► **Step 3: Portfolio construction**

Our team of analysts selects investments from the IMR Focus List to represent the asset classes and investment styles within each model. The result is a portfolio of investments that offers diversification across asset classes, investment styles and fund families.

► **Step 4: Continual review**

Our team of analysts performs continuous research and review of the IMR Focus List and Research Models. The team makes changes to the allocations and underlying investments as needed.

## What this means for you

When you invest in Advisory Solutions, your investments receive the benefit of professional model construction, ongoing asset allocation guidance and monitoring, and portfolio management by our team of analysts.

Please see Page 3 for important disclosures.

Edward Jones is a dually registered broker-dealer and investment adviser. Edward Jones Advisory Solutions® is a wrap fee program that provides investment advisory services. Depending on a client's minimum investment, a client can select Fund Models, which invest in affiliated mutual funds (if available), unaffiliated mutual funds and exchange-traded funds (ETFs), or UMA Models, which also include separately managed accounts (SMAs). Please review the applicable Edward Jones Advisory Solutions Brochure for more information.

*Many of the investments in Advisory Solutions are offered by prospectus. You should consider the investment objective, risks, and charges and expenses carefully before investing. The prospectus contains this and other information. Your Edward Jones financial advisor can provide a prospectus, which you should read carefully before investing.*

All investment strategies and investments involve risk, and the value of your account will fluctuate. As a result, your account may be worth more or less than the amount of money you invested in Advisory Solutions. Each Program Fund will also fluctuate in value and, when sold, may be worth more or less than the original cost to purchase.

*The initial minimum investment in Advisory Solutions is \$25,000. For UMA Models investing in a balanced growth & income, balanced toward growth, growth focus or all-equity focus portfolio objective, including Custom Models containing SMAs, the initial minimum investment amount is \$300,000, with additional options available at \$500,000 and \$1 million. For UMA Models investing in an income focus or balanced toward income portfolio objective, including Custom Models containing SMAs, the initial minimum investment amount is \$500,000, with additional options available at \$1 million.*