

Powering personalization through Direct Indexing: The VADIS Solution

Learn how one Advisor won a client by helping to move two accounts into tax-efficient, personalized portfolios with The Values Aligned Direct Index Solution (VADIS) from First Affirmative

Powering personalization through Direct Indexing

During an initial consultation*, Alex Advisor learns that Pat Prospect wants to move two accounts to tax-efficient, personalized portfolios.

Alex Advisor has a selling agreement¹ with First Affirmative and suggests the Values-Aligned Direct Index Solution (VADIS) to Pat.

As part of the selling agreement with First Affirmative, Alex Advisor has a data access feed set up to Orion.

First, Alex Advisor has Pat Prospect take the Orion Risk Intelligence risk tolerance questionnaire and learns that Pat has a moderately aggressive risk tolerance, corresponding to a 77/23 Equity/Bond benchmark. Alex Advisor applies to the Rollover IRA account.

Pat Prospect tells Alex Advisor that the Trust account is inherited, and Pat wants it to be managed more conservatively (53/47 Equity/Bond benchmark).

Key Client Information

Name: Pat Prospect

Two Accounts:

- \$293,000 Rollover IRA with moderately aggressive risk parameters
- \$152,000 Trust Account with moderately conservative risk parameters

Values:

- 20 overall issues selected, including
 - Reduce Fossil Fuel Exposure
 - Invest in Clean Energy
 - Reduce Tobacco Exposure
 - Avoid Companies Linked to Discrimination

Key Portfolio Information

Rollover IRA:

- 229 holdings
- Tracking Error: 1.45%
- VADIS Management Fees: 36 bps
- 77% Equity, 20% Bond, 3% Cash

Trust Account:

- 229 holdings
- Tracking Error: 1.08%
- VADIS Management Fees: 36 bps
- 49% Equity, 46% Bond, 5% Cash

*Alex Advisor provides Pat Prospect with the First Affirmative Disclosure Brochures and other regulatory documents that provide detailed information about their services including applicable custody fees, transactions fees, and/or expense ratios.



The VADIS Solution

Next, Alex Advisor walks Pat Prospect through the YourStake Values Discovery questionnaire.

Pat Prospect selects 20 issues (see Appendix C for full list)³ to personalize the portfolios, with a key focus on reducing fossil fuel exposure, investing in clean energy, reducing tobacco exposure, and avoiding companies linked to discrimination.

Pat Prospect also specifically asks to remove META and include AAPL in the portfolios, which Alex Advisor enters into the VADIS workflow and applies to both accounts.

Alex Advisor then reviews Pat Prospect's responses, and submits them to First Affirmative, along with Pat Prospect's current portfolio, and the preferred custodian for implementation.

Custodian options include Schwab for accounts over \$250,000, and Apex for accounts as low as \$25,000. Alex Advisor selects Apex as the custodian for both accounts to keep things simple.

It is possible to align the portfolios with the social and environmental issues they care about while incorporating tax management.

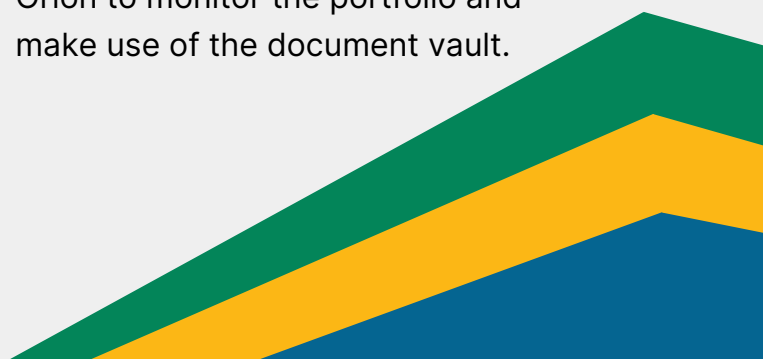
24 hours later, First Affirmative sends a proposed portfolio for each account to Alex Advisor, along with a Morningstar Report⁴, a Values Alignment Report⁵, and a Tax Transition Plan to Alex Advisor.

The equity portion of the portfolio is a direct index portfolio with 223 holdings. The fixed income portion is a mix of six bond mutual funds and ETFs selected based on their historic financial and impact performance.

Pat Prospect views the Morningstar and Values Alignment reports that show that it is possible to align the portfolios with the social and environmental issues they care about while incorporating tax management and tracking their chosen benchmark index over the long term.

The paperwork is signed and the portfolios begin trading the very next week.

First Affirmative then manages the portfolios with ongoing tax-loss harvesting, quarterly reporting, and annual re-optimization. Alex Advisor receives complimentary access to Orion to monitor the portfolio and make use of the document vault.



Align your clients' investments with their values

Introducing **VADIS** — the true, transparent, Values-Aligned Direct Index Solution, created in partnership with YourStake, Orion Technology Advisor, and Apex.

At a lower minimum investment.

With VADIS, First Affirmative intends to help advisors move their clients towards a better future, where every investment aligns their clients' financial objectives with the values and impact they want to see in the world.

Why VADIS?

1. Accommodate Individual Impact Preferences

Your clients can choose to implement specific screens – say, for climate change, alcohol, gambling, and animal welfare – to ensure their portfolio aligns with their environmental, social, and governance values.

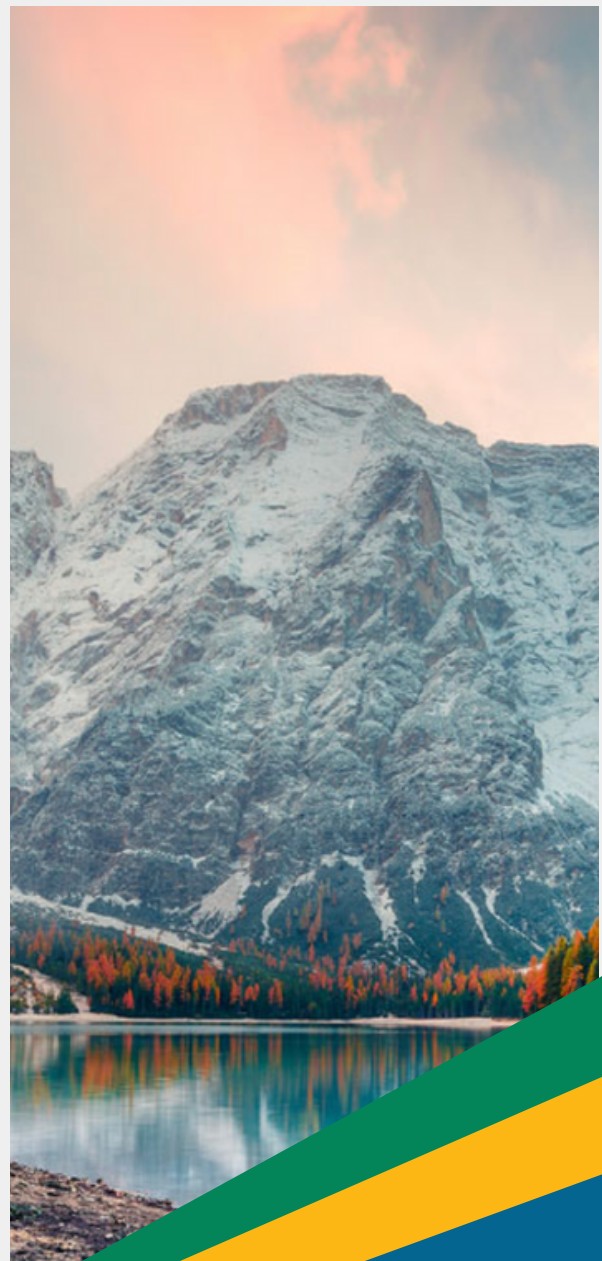
2. Leverage Security and Sector Restrictions

Not every stock perfectly matches each client's preferences, so you can exclude those that don't.

3. Integrate Legacy Holdings

In transitioning holdings into a new target strategy, we can incorporate some current holdings into the client's direct index portfolio to reduce unnecessary trades and expenses.

**[Learn more at
firstaffirmative.com](https://firstaffirmative.com)**



End Notes

- 1 First Affirmative Selling Agreement
- 2 Orion Risk Intelligence Questionnaire, *please use VADIS Case Study as the first name to submit.*
- 3 Appendix A: YourStake overview of Values preferences
- 4 Appendix B: Morningstar Report
- 5 Appendix C: YourStake Values Report

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 SRI 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.

Visit firstaffirmative.com



Appendix A

Pat Prospect's values preferences are derived from the values discovery process run by Alex Advisor.

<div><div>≡ Air Pollution Minority Communities Intensity</div><div></div><div><input type="range"/></div></div>	<div><div>≡ Anti-Forced Labor Score</div><div></div><div><input type="range"/></div></div>	<div><div>⊕ Best Workplaces For Women</div><div></div><div><input type="checkbox"/></div></div>	<div><div>≡ Bribery, Corruption, and Fraud Violations Intensity</div><div></div><div><input type="range"/></div></div>
<div><div>⊖ Fossil Fuel Industry Exposure</div><div></div><div><input type="checkbox"/></div></div>	<div><div>≡ Health and Safety Violations Intensity</div><div></div><div><input type="range"/></div></div>	<div><div>⊖ Migrant Detention Involvement</div><div></div><div><input type="checkbox"/></div></div>	<div><div>≡ Opioid Pills Produced</div><div></div><div><input type="range"/></div></div>
<div><div>⊖ Tobacco Producer Exposure</div><div></div><div><input type="checkbox"/></div></div>	<div><div>≡ Toxic Air Hazard Intensity</div><div></div><div><input type="range"/></div></div>	<div><div>≡ Wage and Hour Violations Intensity</div><div></div><div><input type="range"/></div></div>	<div><div>⊖ Weapon Industry Exposure</div><div></div><div><input type="checkbox"/></div></div>
<div><div>⊕ Clean Energy Companies</div><div></div><div><input type="checkbox"/></div></div>	<div><div>⊖ Deforestation Producers Exposure</div><div></div><div><input type="checkbox"/></div></div>	<div><div>≡ Discrimination Violations Intensity</div><div></div><div><input type="checkbox"/></div></div>	<div><div>≡ Environmental Violations Intensity</div><div></div><div><input type="range"/></div></div>
<div><div>⊖ Predatory Lending Exposure</div><div></div><div><input type="checkbox"/></div></div>	<div><div>⊖ Prison Labor Involvement</div><div></div><div><input type="checkbox"/></div></div>	<div><div>⊖ Prison Operators</div><div></div><div><input type="checkbox"/></div></div>	<div><div>⊖ Single Use Plastics Companies</div><div></div><div><input type="checkbox"/></div></div>

Appendix B

Pat Prospect's Morningstar Report for IRA and Trust Accounts.

Rollover IRA Account Morningstar Report

1A. Overview

BM: Moderately Aggressive 77-23

223 Securities
6 Bond Funds

St. Dev. in line with BM

US Stock – 56.76%
Non-US – 20.17%
Bond – 19.94%
Cash – 3.12%
Other – 0.01%

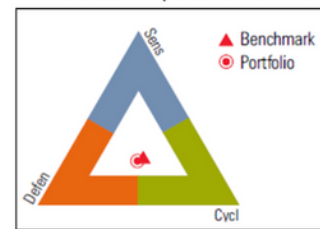
Large Cap – 64%
Mid Cap – 25%
Small Cap – 11%

Value – 24%
Core – 47%
Growth – 29%

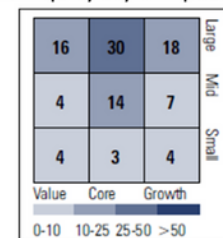
1B. Sector Exposure - Table

	Portfolio %	Bmark %
Defen	25.39	21.46
Cons Defensive	9.60	7.05
Healthcare	15.52	11.84
Utilities	0.26	2.57
Sens	43.95	45.71
Comm Svcs	8.34	7.58
Energy	0.00	4.93
Industrials	10.02	10.27
Technology	25.59	22.93
Cycl	30.67	32.84
Basic Matls	2.31	4.34
Cons Cyclical	7.36	11.16
Financial Svcs	16.83	14.95
Real Estate	4.17	2.38
Not Classified	0.00	0.00

1C. Sector Exposure - Chart



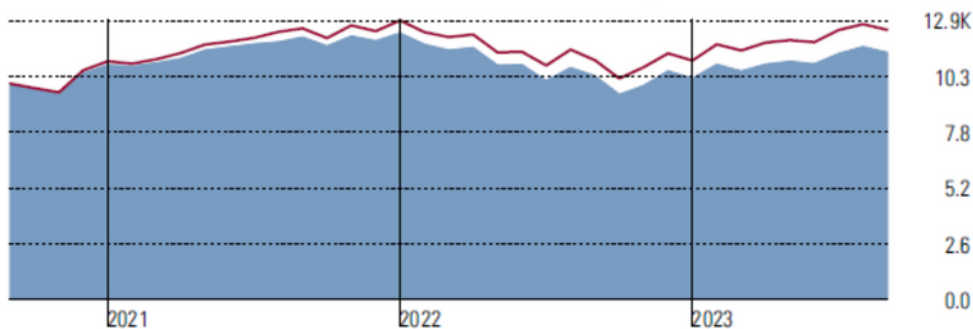
1D. Equity Style Exposure



1E. 3-Year Trailing Performance

Investment Growth Chart

— Portfolio Initial Mkt Value: 10,000.00
— Benchmark Final Mkt Value: 12,490.81



Trailing Returns	3 Mo	1 Yr	3 Yr	5 Yr	10 Yr
Portfolio Return	4.78	12.69	7.70	—	—
Benchmark Return	4.86	10.48	4.61	6.07	7.07
+/- Benchmark Return	-0.08	2.21	3.09	—	—

Time Period Return	Best %	Worst %
3 Months	13.84 (11/20-01/21)	-11.67 (04/22-06/22)
1 Year	32.36 (11/20-10/21)	-15.45 (10/21-09/22)
3 Years	7.70 (09/20-08/23)	7.70 (09/20-08/23)

Appendix B

Pat Prospect's Morningstar Report for IRA and Trust Accounts.

Trust Account Morningstar Report

2A. Overview

BM: Moderately Conservative 53-47

223 Securities
6 Bond Funds

St. Dev. in line with BM

US Stock – 36.58%
Non-US – 12.59%
Bond – 46.02%
Cash – 4.77%
Other – 0.05%

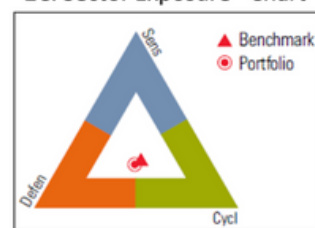
Large Cap – 63%
Mid Cap – 25%
Small Cap – 12%

Value – 25%
Core – 47%
Growth – 28%

2B. Sector Exposure - Table

	Portfolio %	Bmark %
Defen	26.23	21.46
Cons Defensive	9.69	7.05
Healthcare	16.13	11.84
Utilities	0.41	2.57
Sens	42.70	45.71
Comm Svcs	8.10	7.58
Energy	0.00	4.93
Industrials	9.24	10.27
Technology	25.36	22.93
Cycl	31.07	32.84
Basic Matls	2.79	4.34
Cons Cyclical	8.79	11.16
Financial Svcs	16.16	14.95
Real Estate	3.33	2.38
Not Classified	0.00	0.00

2C. Sector Exposure - Chart



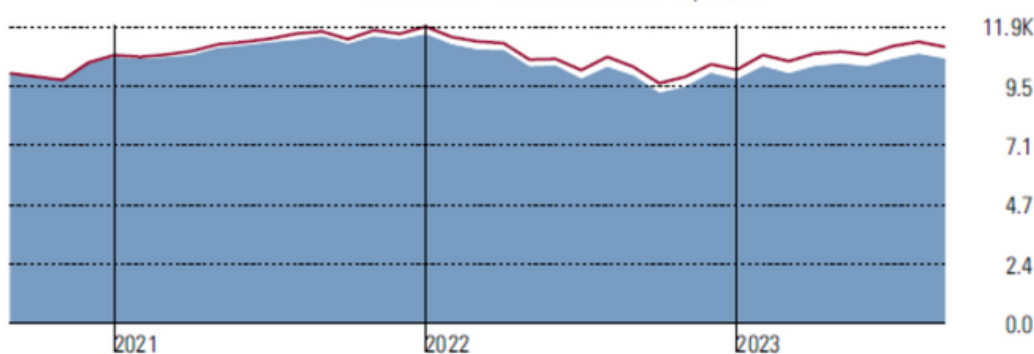
2D. Equity Style Exposure

16	31	16	Large
5	13	7	Mid
4	3	5	Small
Value	Core	Growth	
0-10	10-25	25-50	>50

2E. 3-Year Trailing Performance

Investment Growth Chart

Portfolio Initial Mkt Value: 10,000.00
Benchmark Final Mkt Value: 11,066.25



Trailing Returns

	3 Mo	1 Yr	3 Yr	5 Yr	10 Yr
Portfolio Return	2.93	7.78	3.43	—	—
Benchmark Return	3.03	6.83	1.83	4.48	5.42
+/- Benchmark Return	-0.10	0.92	1.60	—	—

Time Period Return

	Best %	Worst %
3 Months	9.51 (11/20-01/21)	-9.65 (04/22-06/22)
1 Year	20.48 (11/20-10/21)	-15.92 (11/21-10/22)
3 Years	3.43 (09/20-08/23)	3.43 (09/20-08/23)

Appendix C

The YourStake Values Report showcases impact data on corporations that is collected from more than 100 publicly available sources and grouped together into five main categories -- Environment, Human Rights, Equal Opportunity, Health, and Accountability. The particular "issue areas" for a client's report are filtered based on their impact objectives. Overall aggregations by issue area are compared to the selected benchmark or portfolio.

Highlights from the YourStake Values Report for Pat Prospect's IRA Account

Overall Comparison and Impact Objectives



a healthier public

Weapon Industry Exposure Tobacco Producer Exposure
Health and Safety Violations Intensity
Toxic Air Hazard Intensity Opioid Pills Produced



a cleaner environment

Clean Energy Companies Deforestation Producers Exposure
Fossil Fuel Industry Exposure
Environmental Violations Intensity
Single Use Plastics Companies



respect for human rights

Anti-Forced Labor Score Wage and Hour Violations Intensity



Appendix C

Highlights from the YourStake Values Report for Pat Prospect's IRA Account



Environment

Clean Energy Companies

Companies with the highest clean economy revenues, and pure-play clean energy companies.

15%

More

Deforestation Producers Exposure

Agricultural commodity producers and traders linked to deforestation

100%

Less

Fossil Fuel Industry Exposure

Companies operating in the fossil fuel industry, and utilities powered by fossil fuels

100%

Less

Environmental Violations Intensity

Penalties paid to the US government or UK government for harming the environment

98%

Less

Single Use Plastics Companies

Companies that produce plastic.

100%

Less



Human Rights

Anti-Forced Labor Score

How well do food, communications, and apparel companies disclose and prevent forced labor in their supply chains.

37%

More

Wage and Hour Violations Intensity

Penalties paid to the US government or UK government for exploiting wage laborers.

58%

Less



Equal Opportunity

Migrant Detention Involvement

Does a company have direct financial ties to US Migrant Detention Centers

100%

Less

Predatory Lending Exposure

Has a company received multiple complaints for predatory lending practices.

100%

Less

Best Workplaces For Women

Companies that are the best workplaces for women.

188%

More