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*Portfolio Models offered by TD Ameritrade Investment Management LLC
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Award-Winning Tools

Educational Resources

Straightforward Pricing

TD Ameritrade was evaluated against 16 others in the 2017 StockBrokers.com Online Broker Review, Feb 21, 2017. TD Ameritrade was ranked #1 overall out of 16 online brokers evaluated in the StockBrokers.com Online Broker Review 2017. We also rated #1 in several categories, including “Offering of Investments,” “Platform & Tools,” “Customer Service” “Education” “New Investors,” and “Mobile Trading.” Read Full Article: https://www.stockbrokers.com/annual-broker-review

TD Ameritrade was evaluated against 15 others in the 2017 Barron’s Online Broker Review, March 18, 2017. The firm was ranked 1st in the categories “Best for Long-Term Investing” “Best for Novices” and “Usability.” Read Full Article: http://www.barrons.com/articles/barrons-2017-best-online-broker-ranking-1489811850
The 3 D’s of Investing

1. Dynamics
   - Start investing early
   - Define your time horizon and prioritize your goals
   - Quantify your assets and determine what is available for investment
   - Measure your risk tolerance against your timeframe

2. Diversification
   - Divide your investments among equities, fixed income, & cash
   - Diversify across and within asset classes
   - Avoid concentrated exposure
   - Consider client-focused solutions or wealth management for specific financial needs

3. Discipline
   - Take a long-term approach
   - Base investment decisions on process rather than emotion
   - Consider costs and tax consequences
   - Review and rebalance regularly
Diversification: The Case for Asset Allocation

Factors in Long-Term Portfolio Returns

- Market Timing: 1.8%
- Other Factors: 2.1%
- Security Selection: 4.6%
- Asset Allocation: 91.5%

Over 90% of variability in a portfolio’s long-term returns is attributed to asset allocation.

### Asset Class Winners and Losers
#### 1/1/2005 – 12/31/2016

<table>
<thead>
<tr>
<th>Year</th>
<th>Small stocks</th>
<th>Large stocks</th>
<th>International stocks</th>
<th>Emerging stocks</th>
<th>Short-term bonds</th>
<th>Aggregate bonds</th>
<th>High yield bonds</th>
<th>Diversified portfolio</th>
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<td>8.3</td>
<td>4.9</td>
<td>4.6</td>
<td>2.7</td>
<td>1.8</td>
<td>1.4</td>
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<td>2006</td>
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<td>26.9</td>
<td>18.4</td>
<td>15.8</td>
<td>14.8</td>
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<td>9.6</td>
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<tr>
<td>2015</td>
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<td>0.9</td>
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<td>12.0</td>
<td>2.6</td>
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<tr>
<td>2016</td>
<td>21.3</td>
<td>17.1</td>
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<td>7.8</td>
<td>3.7</td>
<td>3.7</td>
<td>1.5</td>
<td>2.5</td>
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</tbody>
</table>

#### Entire Period
- **Highest Return**: 7.8%
- **Lowest Return**: 1.4%

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Investors frequently buy and sell at sub-optimal times.
- Rather than buying low and selling high, they tend to do the opposite.

The difference between Investment and Investor returns can be attributed to the poor decisions consistently made by investors.

*Represents average annually compounded returns of equity indices vs. equity mutual fund investors; based on the length of time shareholders actually remain invested in a fund and the historic performance of the fund’s appropriate index. Past performance is no guarantee of future results. Investors cannot invest directly in an index. Time period between 2001-2015 (most recent study findings published in 2016)
Past performance is no guarantee of future results. Risk and return are measured by standard deviation and arithmetic mean, respectively. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © Morningstar.
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The Cost of Market Timing
Risk of missing the best days in the market 1995–2016

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Adding a Bond Allocation to Diversify
1970–2016

**Original portfolio**
- Return: 9.7%
- Risk: 12.1%

**Lower risk portfolio**
- Return: 9.7%
- Risk: 9.9%

*Past performance is no guarantee of future results.* Risk is measured by standard deviation. Risk and return are based on annual data. Portfolios presented are based on modern portfolio theory. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © Morningstar. All Rights Reserved.
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