Interactive Brokers

in conjunction with

IB Asset Management

present:

Ask the CIO about Smart Beta

Sanjoy Ghosh

Chief Investment Officer

webinars@interactivebrokers.com

www.ibkr.com/webinars

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Webinar begins @ 10:00 am ET

InteractiveBrokers

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Interactive Brokers LLC is registered with HKSFC and is a participant of the Sydney Futures Exchange (SFE)

The webinar will begin shortly

CONTACT US
866-825-3005
SUPPORT@IBRKAM.COM

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Ask the CIO

Smart Beta Q&A

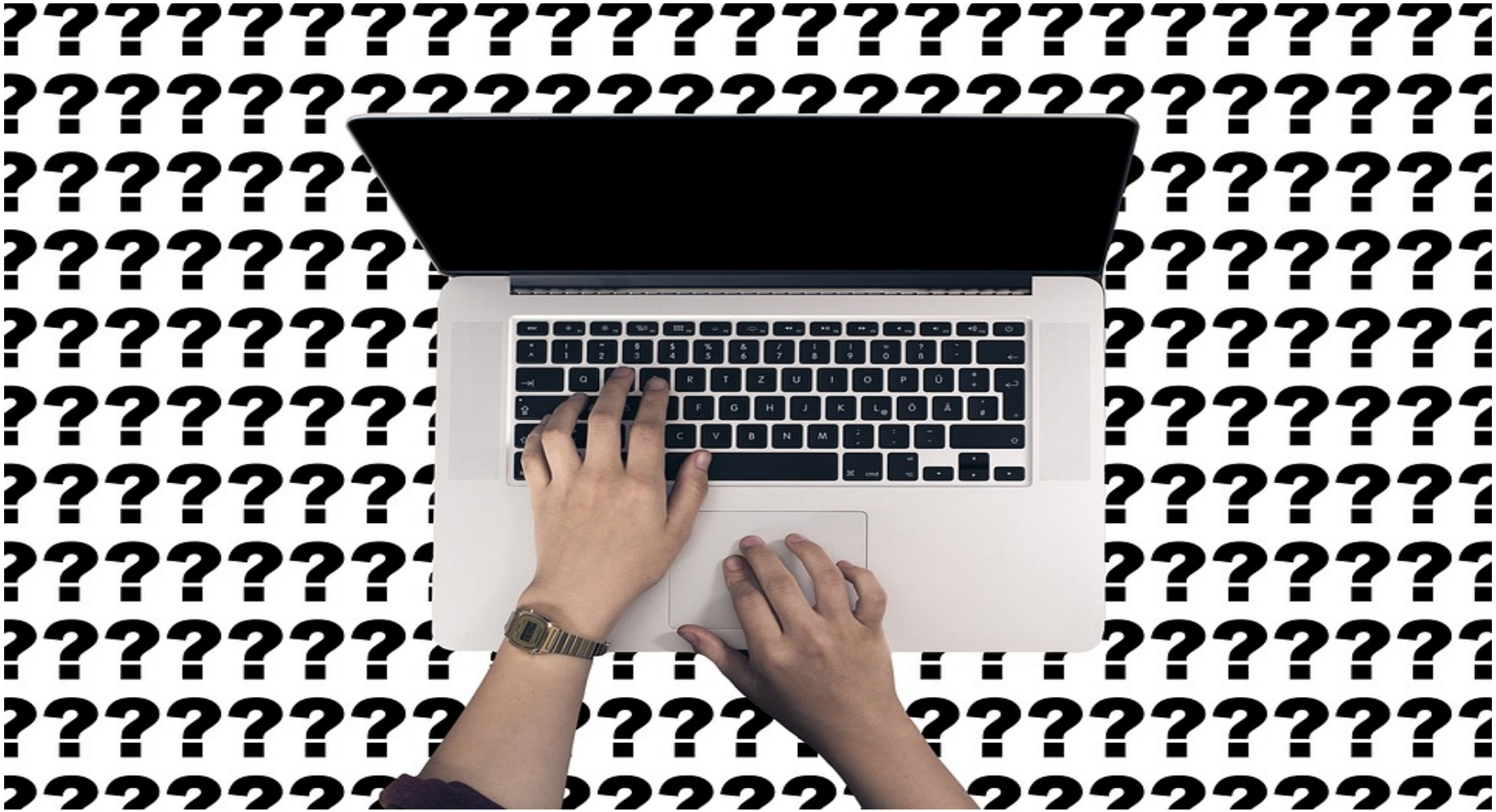
CIO Sanjoy Ghosh answers Smart Beta questions

Client Services Director John Dahlstrom moderates

Ask the CIO

- Sanjoy Ghosh
- Portfolio construction expert
- Veteran of Putnam Investments
- Former Director of Investments for PanAgora
- PhD – U. Penn's Wharton School of Business

WHAT IS BETA?



WHAT IS BETA?

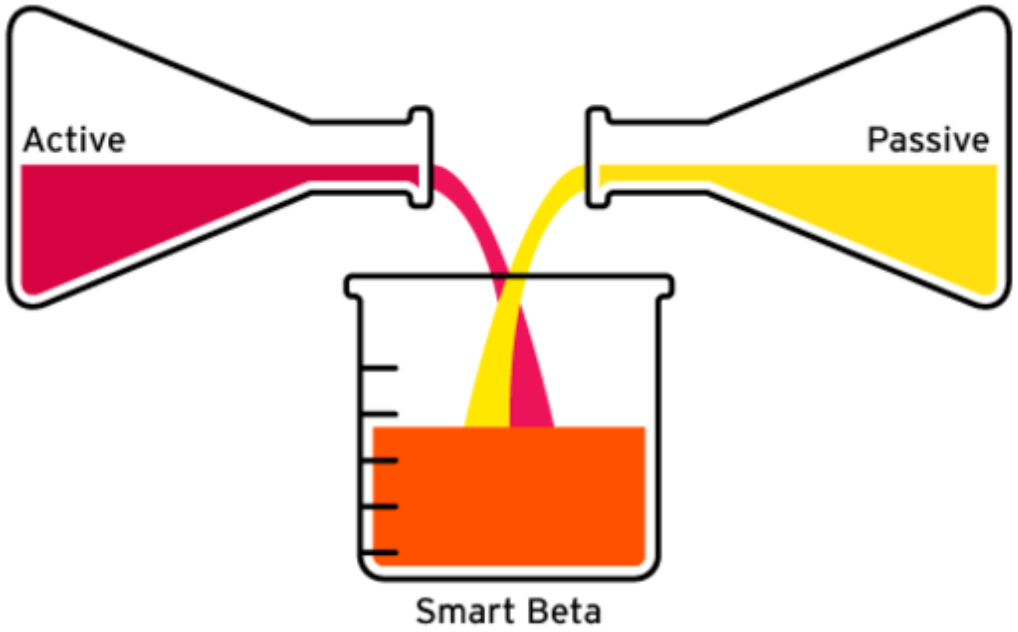
WHAT IS SMART BETA?

What is Smart Beta

AKA

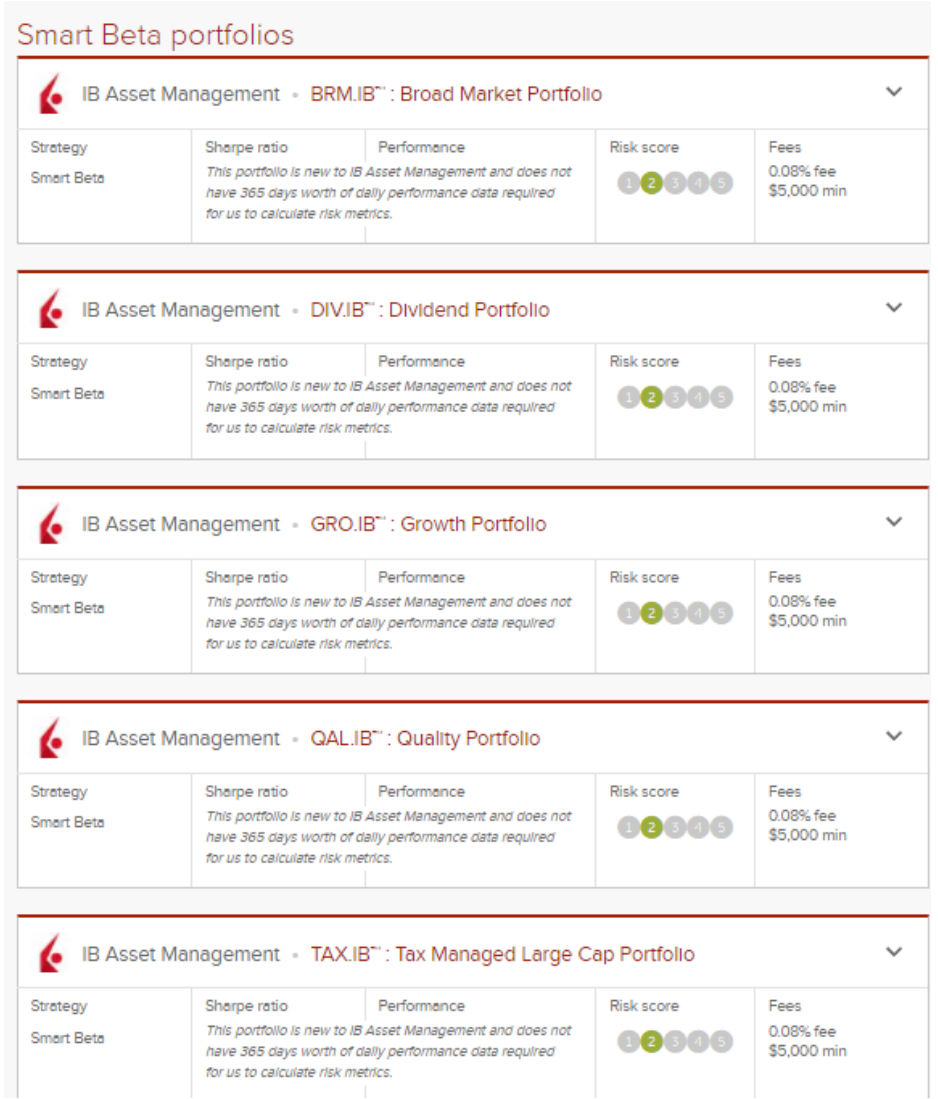
- Factor investing
- Enhanced beta
- Alternative beta
- Strategic beta

Beta vs Smart Beta



WHY CHOOSE SMART BETA OVER BETA?

Broad market
Dividend
Growth
Value
Tax managed



Q & A

SMART BETA
PORTFOLIOS
YOUR PORTFOLIO
ONLY SMARTER

Benefits

Low fees

Industry low 0.08% management fee

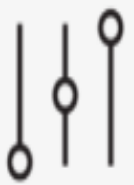
Transparent

See positions and trades online at any time

Fractional shares

Diversification at low investment minimums

Ease of buying



Buy and sell easily online and by phone

Rebalanced for you

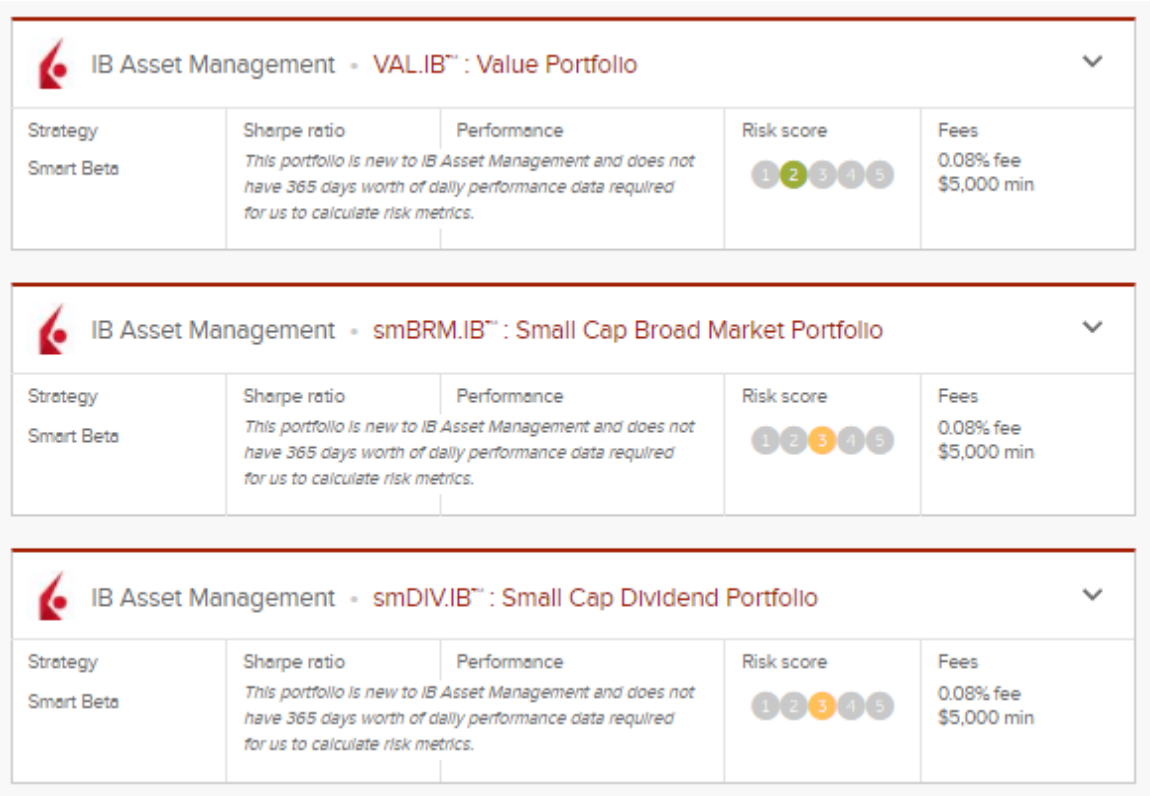
Auto rebalancing your account every quarter

Transparent

See positions and trades online, anytime

Inside look

Just click to get the stats



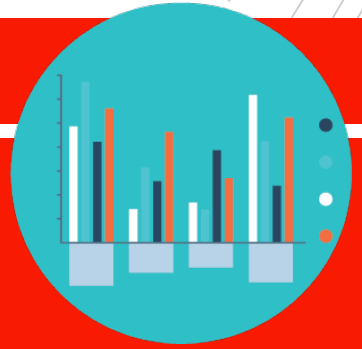
Fractional Shares

Exposure to
300 - 1,000 stocks

Q & A

SMART BETA
PORTFOLIOS
YOUR PORTFOLIO
ONLY SMARTER

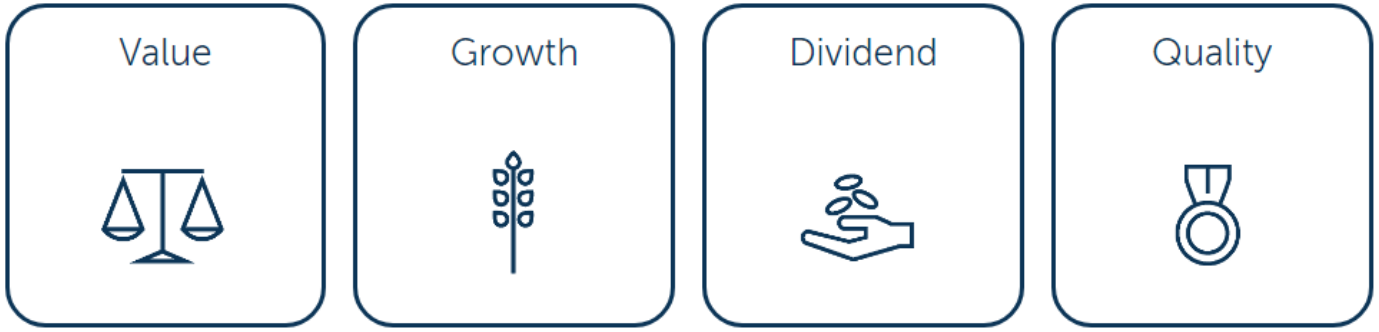
Building Smart Beta portfolios



Carefully constructed

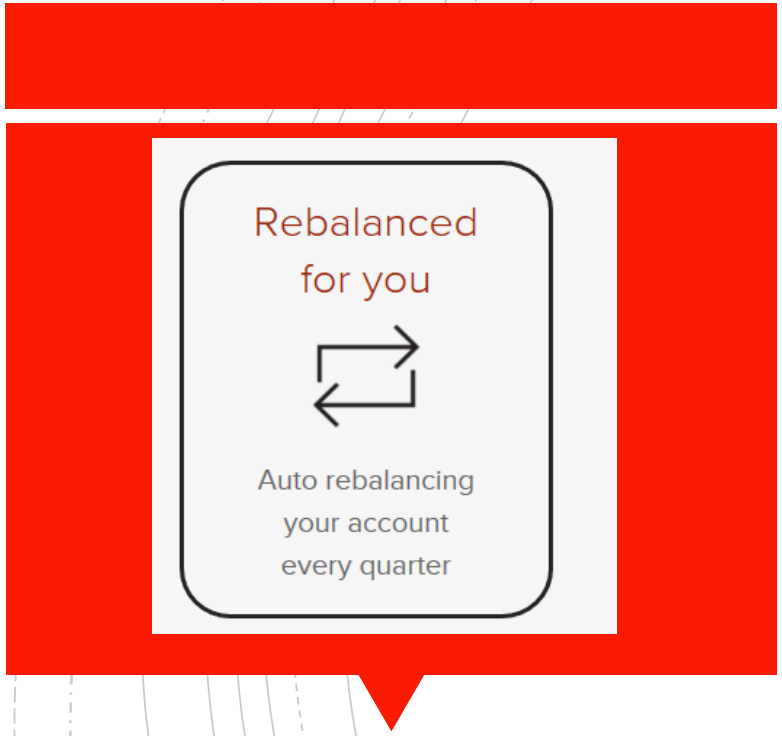
Small and mid/large cap

4 factors



Q & A

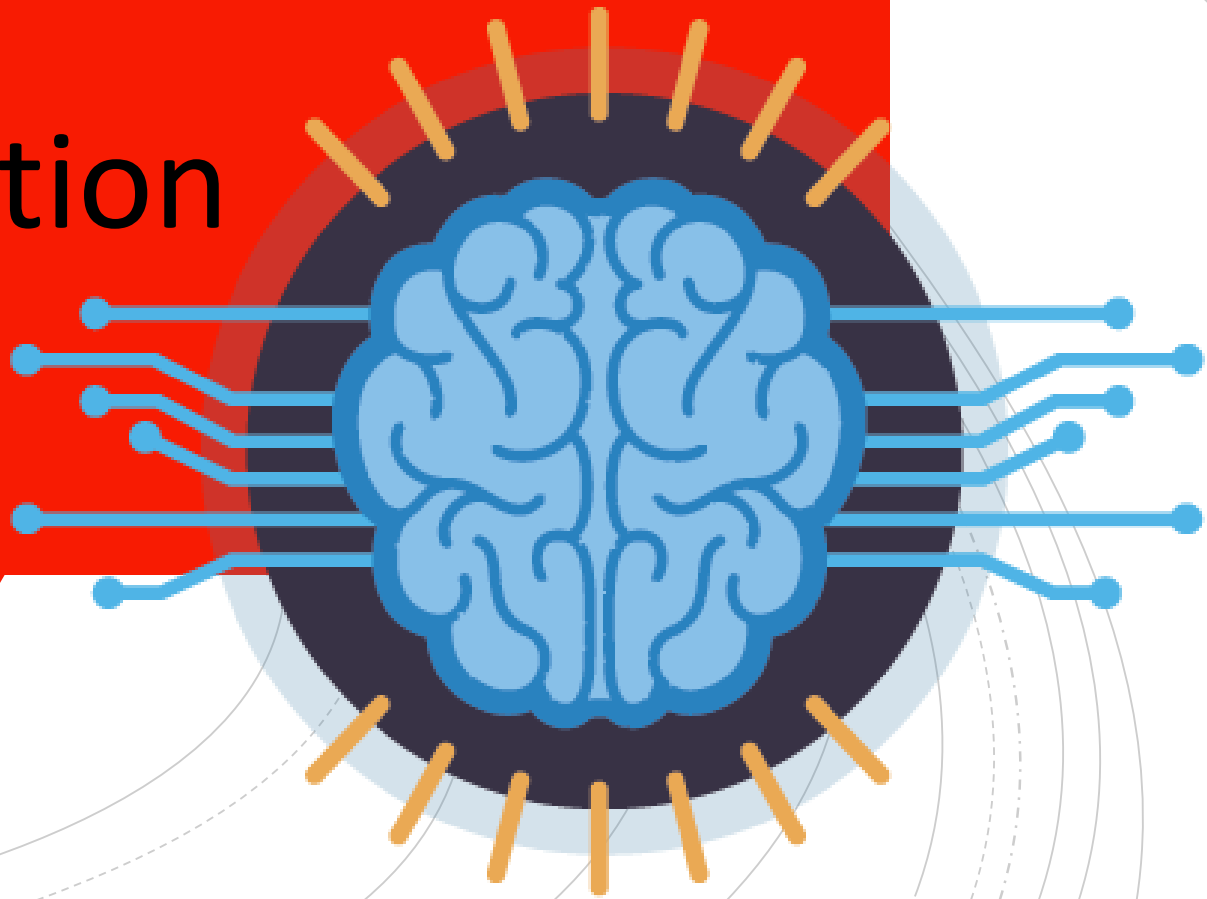
BALANCE



Rebalanced quarterly

- We keep an eye on investments
- We rebalance the portfolios quarterly
- We use a disciplined rebalancing process
- Automatic quarterly rebalancings are one of the benefits of our Smart Beta portfolios
- But note commissions and taxation implications of these quarterly rebalancing trades

Question



Filter results

Reset all

Investment objectives

- 1 Cautious
- 2 Growth
- 3 Growth plus
- 4 Aggressive
- 5 Speculative

Account type

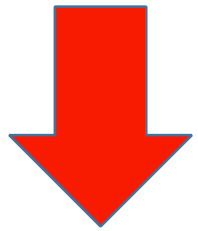
Retirement

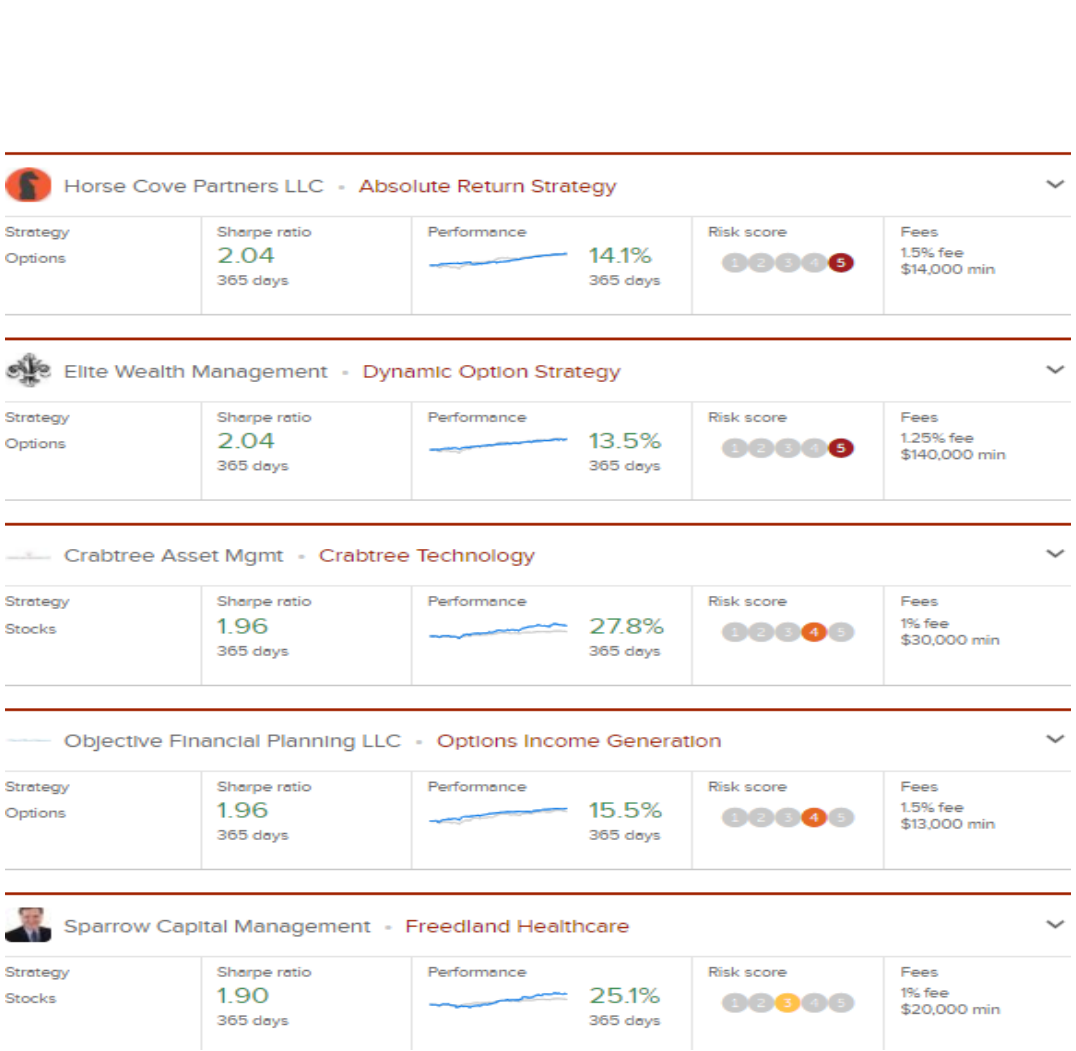
Investment minimum

>$250,000

Fees

Strategy





GRO.IB™ : Growth Portfolio

Managed by IB Asset Management

3.7%	4.0%	-	-	-
Last 30 days	Last 90 days	Last 365 days	Sharpe Ratio	Max Drawdown

Risk score	2
Strategy	Smart Beta
AUM fee	0.08%

Requirements

- Investment minimum: **$5,000**

LOGIN

or Sign up to invest

The Growth portfolio is a portfolio designed to systematically deliver return and risk characteristics of large and mid cap growth stocks within the US equity market. The portfolio is implemented using a rules-based approach and offered at a relatively low cost. Stocks are compared against their sector peers, and those with attractive growth ratios receive higher allocations.

Research

A factor-based approach to portfolio construction is grounded in academic research. The goal is to achieve an alternative risk-return profile, which is more attractive than a simple capitalization-weighted index such as the S&P 500. IB Asset Management has undertaken research and back-testing to decide on the fundamental factors and rules used to construct this portfolio.

Approach

The portfolio is constructed using a rules-based algorithm to determine position allocations. The portfolio is rebalanced quarterly and stocks exhibiting attractive growth characteristics have a greater chance of being included.

Allocation discipline

The portfolio will target an allocation of 300 long positions. Stocks with attractive growth ratios receive higher allocations, and both trailing and forward earnings growth measures are considered when determining allocations. Even if a company reports better than expected past results, analyst forward estimates are also important in determining attractiveness of the stock. As a form of risk control, the portfolio construction process is designed to penalize high volatility in stocks and avoid excessive concentration in single sectors of the market.

Sell discipline

Sell decisions will be based only upon the quarterly rebalance criteria: stocks sold are replaced by stocks with more attractive growth characteristics.

Exceptions

Positions in stocks undergoing corporate actions may be sold or adjusted.

Performance | Commentary

All performan… page is based on the performance of the Portfolio Manager's account. Client performance may differ. This info…

Daily retu…

Time period: 30 days 90 days Since Inception

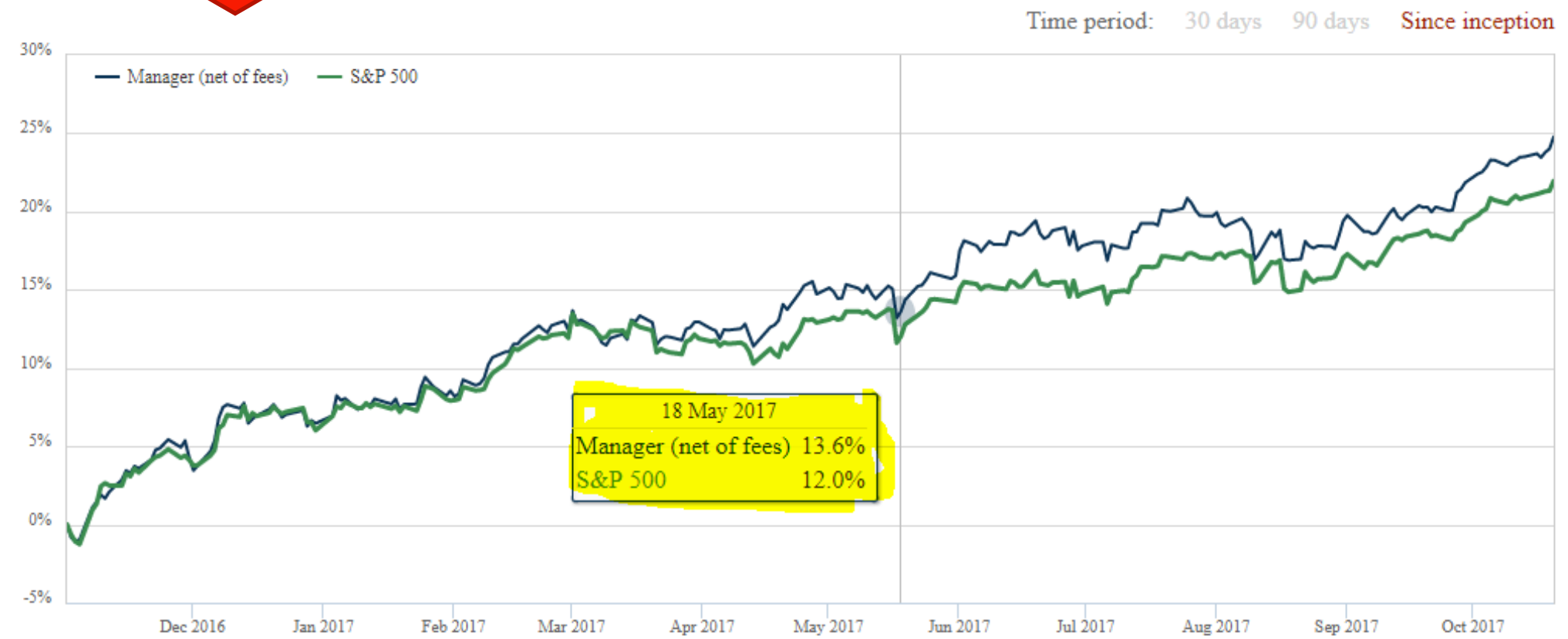
Performance

	Manager (net of fees)	S&P 500
Last 30 days	3.7%	2.7%
Last 90 days	4.0%	4.2%
Last 365 Days	-	20.3%
Since Inception	24.8%	21.9%
2017 (YTD)	17.2%	15.0%

erformance | Commentary

All performa page is based on the performance of the Portfolio Manager's account. Client performance may differ. This information was calcu

Daily returns



SMART BETA BENEFITS

IB Asset Management Smart Beta 0.08%

Expense ratio data is as of 10/26/17 according to http://eftdb.com and http://mutualfunds.com

INDEX ETFs

IWD 0.2%
IWF 0.2%

SMART ETFs

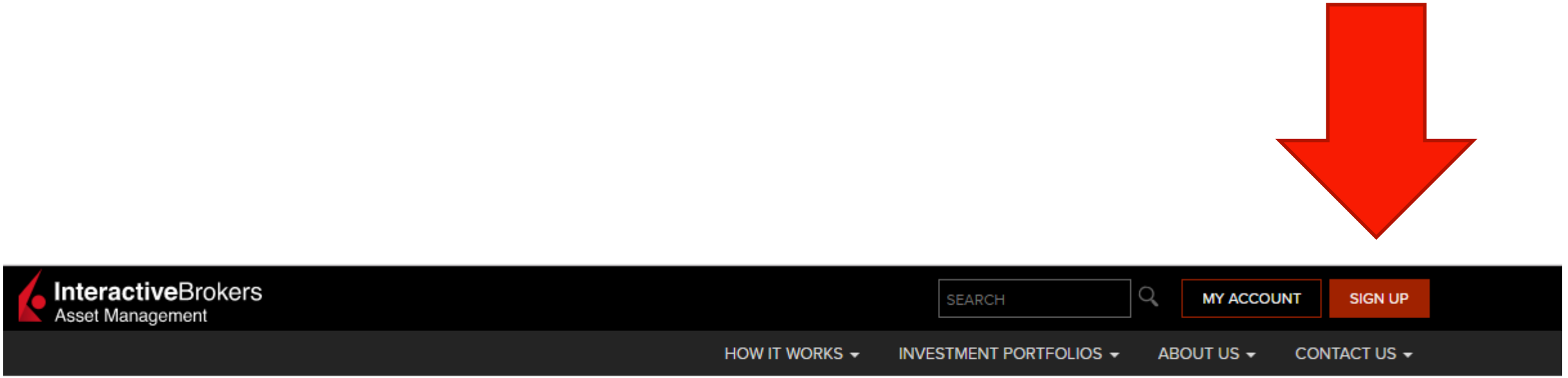
RSP 0.2%
PRF 0.39%
SDY 0.35%
SPLV 0.25%

ACTIVE MUTUAL FUNDS

VDIGX 0.31%
VQNPX 0.34%

IWD: iShares Russell 1000 Value ETF
IWF: iShares Russell 1000 Growth ETF
RSP: Guggenheim S&P 500 Equal Weight ETF
PRF: PowerShares FTSE RAFI US 1000 Portfolio
SDY: SPDR S&P Dividend ETF
SPLV: PowerShares S&P 500 Low Volatility Portfolio
VDIGX: Vanguard Dividend Growth Investment
VQNPX: Vanguard Growth and Income Investment

Steps to invest



Easy to buy & sell all holdings – including fractional shares

with exception of a few timing restrictions to comply with regulations

TIME TO INVEST

IB Asset Management

866.825.3005

john@ibkram.com

Disclosures

IB Asset Management's Smart Beta Portfolios mainly invest in stocks, bear the risks of the general stock market, and may not be suitable for all investors. You may lose all or part of your investment in these portfolios, and their past performance is no guarantee of their future results. To manage these portfolios, IB Asset Management trades its own capital and then mirrors this trading in the accounts of clients investing in each portfolio.

IB Asset Management rebalances the portfolios on a randomly selected date each quarter. Given the high number of stocks composing each portfolio, investors will have a lot of trades in their accounts, some or all of which may need to be reported in tax filings. IB Asset Management cannot provide tax advice or prepare tax documents for investors in these portfolios. Investors will also incur transaction costs, such as commissions payable to Interactive Brokers LLC ("IB") (our affiliated broker-dealer) whenever IB Asset Management buys and sells securities in any of these portfolios, which is a conflict of interest. Three trading days prior to any rebalance, new, additional, or recurring client investments in one of the Smart Beta portfolios will be placed on hold and sent for execution one trading day after the rebalance is complete.

Brokerage services are provided to IB Asset Management clients by IB, an SEC-registered broker-dealer and member NYSE/FINRA/SIPC and an IB Asset Management affiliate. IB requires certain types of brokerage accounts to generate a minimum level of commissions each month. As a result, whenever the overall monthly commissions paid by all IB Asset Management client accounts do not amount to at least $10 in commissions per account per month, IB will collectively charge IB Asset Management clients the difference between the actual commissions charged and the overall $10 minimum due for all IB Asset Management clients, determined on a pro rata basis.

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