

Glossary

BENCHMARKS

2X US Treasury Bill-3 Month

This benchmark reflects the 3-Month U.S. Treasury Bill monthly return doubled (multiplied by 2).

3X US Treasury Bill-3 Month

This benchmark reflects the 3-Month U.S. Treasury Bill monthly return tripled (multiplied by 3).

Barclays 1-3 Yr US Govt Index

The Barclays 1-3 Year Government Index (formerly Lehman 1-3 Yr Govt Index) is an unmanaged representing securities that are U.S. domestic, taxable, and dollar denominated. Securities included in the index are U.S. Government securities (U.S. Treasury and Agency securities) with a maturity from 1 year up to (but not including) 3 years that must have at least one year to final maturity regardless of call features.

Barclays 1-3 Yr Credit Index

The Barclays 1-3 Year Credit Index (formerly Lehman 1-3 Yr Credit Index) is an unmanaged representing securities that are U.S. domestic, taxable, and dollar denominated. Securities included in the index are U.S. Corporate securities with a maturity from 1 year up to (but not including) 3 years that must have at least one year to final maturity regardless of call features.

Barclays 5yr Muni Index

The Barclays 5 Year Municipal Bond Index (formerly Lehman 5yr Muni Index) includes investment-grade, tax-exempt, and fixed-rate bonds having approximately a five year remaining term to maturity selected from issues larger than \$50 million.

Barclays Agg Bond Index

The Barclays Aggregate Bond Index (formerly Lehman Agg Bond Index) represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. To qualify for inclusion in the index, generally a security must have at least one year to final maturity, it must have at least \$150 million par amount outstanding, it must be rated investment grade (except for U.S. government or agency securities, which are generally not formally rated), it must be fixed rate (although it can carry a variable coupon), it must be dollar denominated and nonconvertible, and it must be publicly issued (although 144A securities with registration rights are also included).

Barclays Global Agg Index

The Barclays Global Aggregate Bond Index (formerly Lehman Global Agg Index) covers the most liquid portion of the global investment grade fixed-rate bond market, including government, credit and collateralized securities.

Barclays Govt/Credit Index

The Barclays Government/Credit Bond Index (formerly Lehman Govt/Credit Index) is an unmanaged index which includes non-convertible bonds publicly issued by the U.S. government or its agencies; corporate bonds guaranteed by the U.S. government and quasi-federal corporations; and publicly issued, fixed rate, non-convertible domestic bonds of companies in industry, public utilities, and finance.

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Barclays Hi-Yld Credit Index

The Barclays High Credit Yield Index (formerly Lehman Hi-Yld Credit Index) covers the universe of fixed rate, non-investment grade debt. Pay-in-kind (PIK) bonds, Eurobonds, and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-emerging countries are included. Original issue zeros, step-up coupon structures, and 144-As are also included. The index includes both corporate and non-corporate sectors. The corporate sectors are Industrial, Utility, and Finance, which include both U.S. and non-U.S. corporations. The Yankee sector has been discontinued as of July 1, 2000. The bonds in the former Yankee sector have not been removed from the index, but have been reclassified into other sectors.

Barclays Int Govt/Credit Index

The Barclays Intermediate Government/Credit Bond Index (formerly Lehman Int Govt/Credit Index) is a total return index consisting of investment grade corporate debt issues as well as debt issues of U.S. government agencies and the U.S. Treasury. The debt issues all maintain maturities within a range of one to ten years.

Barclays Mtg Backed Securities

The Barclays Fixed Rate Mortgage Backed Securities Index (formerly Lehman Mtg Backed Securities) includes 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal Home Loan Mortgage Corporation (FHLMC), and Federal National Mortgage Association (FNMA).

Consumer Price Index

The Consumer Price Index - All Urban Consumers (CPI) is the most widely used measure of inflation and is sometimes viewed as an indicator of the effectiveness of government economic policy. It provides information about price changes in the economy, government, business, labor, and private citizens and is used by them as a guide to making economic decisions. The all urban consumers group represents about 87% of the total U.S. population. It is based on the expenditures of almost all residents of urban or metropolitan areas, including professionals, the self-employed, the poor, the unemployed and retired persons as well as urban wage earners and clerical workers. Not included in the index are the spending patterns of persons living in rural non-metropolitan areas, farm families, persons in the Armed Forces, and those in institutions, such as prisons and mental hospitals.

CSFB-Tremont Lg-Shrt Eqty Index

The CSFB-Tremont Long-Short Equity Hedge Fund Index is a directional strategy involving equity-oriented investing on both the long and short sides of the market. The objective is not to be market neutral. Managers have the ability to shift from value to growth, from small to medium to large capitalization stocks, and from a net long position to a net short position. Managers may use futures and options to hedge. The focus may be regional, such as long/short US or European equity, or sector specific, such as long and short technology or healthcare stocks. Long/short Equity Hedge Funds tend to build and hold portfolios that are substantially more concentrated than those of traditional stock Hedge Funds. Funds are drawn from the Credit Suisse/Tremont database, which tracks more than 4000 funds worldwide, including funds that are closed to new investment, but excluding fund of funds. Funds included in the index must have timely and accurate monthly NAV reporting, a minimum of US \$50 million under management, current audited financial statements and at least a 12-month track record. The index is asset weighted, calculated and rebalanced monthly, and returns are net of all fees.

CSFB-Tremont Mgd Futures Index

The CSFB-Tremont Managed Futures Index invests in listed financial and commodity futures markets and currency markets around the world. The managers are usually referred to as Commodity Trading Advisors, or CTAs. Trading disciplines are generally systematic or discretionary. Systematic traders tend to use price and market specific information (often technical) to make trading decisions, while discretionary managers use a judgmental approach. Funds are drawn from the Credit Suisse/Tremont database, which tracks more than 4000 funds worldwide, including funds that are closed to new investment, but excluding fund of funds. Funds included in the index must have timely and accurate monthly NAV reporting, a minimum of US \$50 million under management, current audited financial statements and at least a 12-month track record. The index is asset weighted, calculated and rebalanced monthly, and returns are net of all fees.

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Dow Jones Oil & Gas Total Return Index

The Dow Jones Oil & Gas Total Return Index measures the rate of return for all stocks traded on the major U.S. stock exchanges, minus any noncommon issues and illiquid stocks, which are classified by the ICB (Industry Classification Benchmark) as Oil & Gas. The index assumes reinvested dividends for all of these securities.

DJ US Select REIT Index

The Dow Jones US Select REIT Index (formerly the Wilshire REIT Index) measures the performance of publicly traded REIT and REIT-like securities. The index consists of securities that reflect both an equity owner and operator of commercial and/or residential real estate. Securities included in this index must be both an equity owner and operator of commercial and/or residential real estate. Securities excluded from this index include: mortgage REITs, net-lease REITs, real estate finance companies, mortgage brokers and bankers, commercial and residential real estate brokers and estate agents, home builders, large land owners and subdividers of unimproved land, hybrid REITs, and timber REITs, as well as companies that have more than 25% of their assets in direct mortgage investments. Health Care REITs are eligible for inclusion as of September 21, 2007. The security must have a minimum total market capitalization of at least \$200 million at the time of its inclusion.

DJ Wilshire 5000

The Dow Jones Wilshire 5000 is designed to represent all publicly traded U.S. equity securities that have readily available prices. To be included in the Dow Jones Wilshire 5000, an issue must be a company's primary equity issue: a common stock, REIT or limited partnership, the security of a U.S. company. For companies with multiple share classes, the primary issue for index valuation is determined based on market capitalization, trading volume, institutional holdings, and conversion rules. U.S. company definition is based on several factors, primarily the country of the company's headquarters and primary market listing, which typically also match its country of incorporation. In cases where headquarters and primary market listing don't match, such as where there is no readily accessible home-equity market or where a company is domiciled in one country solely for tax or regulatory purposes, the companies will be analyzed on a case-by-case basis.

Eagle MLP Index

The Eagle MLP Index is a total return index of all limited partnership units (limited partnerships are owned and traded in units rather than shares) that have a market capitalization greater than \$100 million and traded on the NYSE, AMEX, or NASDAQ since 1986. The index is weighted by float capitalization which is equal to: market capitalization less closely held units. Cash flows are re-invested and the index weightings are rebalanced monthly. The index constituents are involved in energy, real estate, finance, and other industries, with energy companies comprising approximately 75% of the index. The Eagle MLP Index is an unmanaged index created by Eagle Global Advisors for the sole purpose of providing a benchmark for investment performance comparison.

HFRI FOF Conservative Index

The HFRI Fund of Funds Conservative Index is a subset of the HFRI Fund of Funds Composite Index, fund of funds classified as "Conservative" seek consistent returns by primarily investing in funds that generally engage in more "conservative" strategies (e.g., Equity Market Neutral, Fixed Income Arbitrage and Convertible Arbitrage) and/or exhibit a lower historical annual standard deviation than the HFRI Fund of Funds Composite Index. A fund of funds in the HFRI FOF: Conservative Index shows generally consistent performance regardless of market conditions. The HFRI Fund of Funds Composite Index is published by Hedge Fund Research, Inc. and is fund weighted (equal weighted). To be included in the index a fund must report returns, net of all fees, as well as assets under management, on a monthly basis. There is no minimum asset size or length of time a fund must be actively trading in order to be included in the index. If a fund liquidates or closes, that fund's performance will be included in the index as of that fund's last reported performance update. Fund of funds included in the index are those that invest their assets with a diversified set of managers through funds or managed accounts with the objective of significantly lowering the risk (volatility) of investing with an individual manager. Each fund of funds manager has the discretion to choose in which strategies to invest, and may allocate funds to numerous managers within a single strategy, or with numerous managers in multiple strategies.

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HFRI Event-Driven (Total) Index

The HFRI Event Driven Index is the rollup of seven different hedge fund strategy index classifications. The index tracks hedge funds that maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event Driven exposure includes a combination of sensitivities to equity markets, credit markets and idiosyncratic, company specific developments. Investment theses are typically predicated on fundamental characteristics (as opposed to quantitative), with the realization of the thesis predicated on a specific development exogenous to the existing capital structure.

ML 1-3yr Muni Bond Index

The Merrill Lynch Municipal Securities Index (MLSI) tracks the performance of the investment grade US tax-exempt bond market. The *Merrill Lynch 1-3 Year Municipal Securities Index* is a subset of the MLSI, reflecting securities having at least one year and less than three years remaining term to maturity. Qualifying bonds must have at least one year remaining term to maturity, a fixed coupon schedule, a minimum original maturity amount outstanding of \$50 million and an investment grade rating from Moody's. In addition, securities must be within five years of their original issue date. The index is re-balanced on the last calendar day of the month. Issues that meet the qualifying criteria are included in the index for the following month. Issues that no longer meet the criteria during the course of the month remain in the index until the next month-end re-balancing at which point they are dropped from the index. The inception date of the Index is December 31, 1988.

ML 3-7yr Muni Bond Index

The Merrill Lynch Municipal Securities Index (MLSI) tracks the performance of the investment grade US tax-exempt bond market. The *Merrill Lynch 3-7 Year Municipal Securities Index* is a subset of the MLSI, reflecting securities having at least three years and less than seven years remaining term to maturity. Qualifying bonds must have at least one year remaining term to maturity, a fixed coupon schedule, a minimum original maturity amount outstanding of \$50 million and an investment grade rating from Moody's. In addition, securities must be within five years of their original issue date. The index is re-balanced on the last calendar day of the month. Issues that meet the qualifying criteria are included in the index for the following month. Issues that no longer meet the criteria during the course of the month remain in the index until the next month-end re-balancing at which point they are dropped from the index. The inception date of the Index is December 31, 1988.

ML Municipal Securities Index

The Merrill Lynch Municipal Securities Index (MLSI) tracks the performance of the investment grade US tax-exempt bond market. Qualifying bonds must have at least one year remaining term to maturity, a fixed coupon schedule, a minimum original maturity amount outstanding of \$50 million and an investment grade rating from Moody's. In addition, securities must be within five years of their original issue date. The index is re-balanced on the last calendar day of the month. Issues that meet the qualifying criteria are included in the index for the following month. Issues that no longer meet the criteria during the course of the month remain in the index until the next month-end re-balancing at which point they are dropped from the index. The inception date of the Index is December 31, 1988.

MSCI EAFE Index

The MSCI EAFE® Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. As of May 2005 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

MSCI Emerging Mkts Index

The MSCI Emerging Markets IndexSM is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of May 2005 the MSCI Emerging Markets Index consisted of the following 26 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, Turkey and Venezuela.

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MSCI World Index

The MSCI World IndexSM is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance. As of May 2005 the MSCI World Index consisted of the following 23 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States.

NASDAQ 100 Index

The NASDAQ-100 Index is comprised of 100 of NASDAQ's largest non-financial companies based on their market capitalization.

Russell 1000 Index

The Russell 1000® Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index.

Russell 1000 Growth Index

Russell 1000® Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index

Russell 1000® Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Index

The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

Russell 2000 Growth Index

The Russell 2000® Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000 Value Index

The Russell 2000® Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2500 Index

The Russell 2500™ Index measures the performance of the 2,500 smallest companies in the Russell 3000 Index, which represents approximately 16% of the total market capitalization of the Russell 3000 Index.

Russell 3000 Index

The Russell 3000® Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

Russell Midcap Index

The Russell Midcap® Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell Midcap Growth Index

The Russell Midcap® Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

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Russell Midcap Value Index

The Russell Midcap® Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

SP Midcap 400 Index

Started in 1991, the S&P MidCap 400 Index tracks a diverse basket of medium-sized U.S. firms. A mid-cap stock is broadly defined as a company with a market capitalization ranging from about \$2 billion to \$10 billion. As the name suggests, the index consists of 400 equities, which are chosen based on market capitalization, liquidity and industry representation. The index contains firms that are situated in size between the S&P 500 Index and the S&P Smallcap 600 Index. It is a market-weighted index, meaning that larger firms have more influence on the index's performance than smaller ones. The average size of a firm in this index is between \$1 and \$4 billion. When taken together, the 400 components of the S&P MidCap 400 Index represent about 7% of the total market value of U.S. equities.

SP500 Index

The Standard & Poor's 500 Index is recognized as a gauge of the U.S. equities market and includes a representative sample of 500 leading companies in leading industries of the U.S. economy weighted according to their market capitalization. Although the S&P 500 focuses on the large-cap segment of the market, with over 80% coverage of U.S. equities, it may also be considered a proxy for the total U.S. equity market. S&P 500 is maintained by the S&P Index Committee, a team of Standard & Poor's economists and index analysts, who meet on a regular basis. The goal of the Index Committee is to ensure that the S&P 500 remains a leading indicator of U.S. equities, reflecting the risk and return characteristics of the broader large cap universe on an on-going basis. The Index Committee also monitors constituent liquidity to ensure efficient portfolio trading while keeping index turnover to a minimum.

SP500 Equal Wtd Index

The Standard & Poor's Equal Weighted Index (EWI) has the same constituents as the capitalization weighted S&P 500, but each company in the S&P EWI is allocated a fixed weight of 0.20%, rebalanced quarterly. The S&P EWI is a size neutral version of the S&P 500, and subsequently has different properties. S&P EWI offers a higher exposure to smaller cap companies, lower exposure to large-cap companies, higher turnover, due to quarterly rebalancing.

SP500 Div Aristocrats Index

The S&P 500 Dividend Aristocrats Index is designed to measure the performance of S&P 500 index constituents that have followed a policy of consistently increasing dividends every year for at least 25 consecutive years. Stocks are equally weighted, with constituents re-weighted each quarter. Index membership is reviewed annually in December. Members may be deleted during the December rebalance if calendar-year dividends did not increase from the previous year, or intra-year if the stock is removed from the underlying S&P 500 index.

SP Global 100 Index

The S&P Global 100 Index measures the performance of 100 multi-national companies. This index includes 100 large cap companies from the S&P Global 1200 whose businesses are global in nature and that derive a substantial portion of their operating income from multiple countries.

US Treasury Bill-3 Month

The U.S. Treasury Bill-3-Month reflects the average discount rate applied to 91-day U.S. Treasury Bills issued during each month. Treasury Bills are issued in terms of one year or less. Treasury Bills are sold at a discount from face value and don't pay interest before maturity. The discount rate is the difference between the purchase price of the bill and the amount that is paid to you either at maturity (this amount is the face value) or when you sell the bill prior to maturity.

Vanguard Pacific Stock ETF

The Vanguard Pacific Stock ETF seeks to replicate performance of the MSCI Pacific index, a market-capitalization weighted index of more than 400 stocks in Australia, Japan, Hong Kong, New Zealand, and Singapore, through portfolio optimization, a statistical sampling technique. Its policy is to remain fully invested in common stocks.

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Wilshire REIT Index

The Wilshire REIT Index measures U.S. publicly traded Real Estate Investment Trusts. This index is a subset of the Wilshire Real Estate Securities Index (WRESI). The beginning date, January 1, 1978, was selected because it coincides with the Russell/NCREIF Property Index start date. To be included in the index, a company must be an equity owner and operator of commercial (or residential) real estate. Security types excluded from the index include: mortgage REITs, healthcare REITs, net-lease REITs, real estate finance companies, home builders, large landowners and sub-dividers, and hybrid REITs. Companies that have more than 25% of their assets in direct mortgage investments will not be included in the indexes. A company must have a minimum total market capitalization of at least \$200 million at the time of its inclusion, and at least 75% of the company's total revenue must be derived from the ownership and operation of real estate assets. The liquidity of the company's stock must be commensurate with that of other institutionally held real estate securities. The index is weighted by both full market capitalization and float-adjusted market capitalization.

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PERFORMANCE STATISTICS/TERMS

Alpha

Alpha measures the difference between an investment's actual returns and its expected performance, given its level of risk (as measured by its beta). A positive alpha figure indicates the investment has performed better than its beta would predict. In contrast, a negative alpha indicates an investment has underperformed. Many investors view alpha as a measurement of the value added or subtracted by an investment manager.

Aggregate

An aggregate is a combination of individual accounts, typically grouped by client or entity. The market value of an aggregate is the sum of the market values of the underlying accounts. Rates of return calculated for aggregates are calculated using the Beginning Market Value plus External Flows methodology, as identified in the CFA Institute's Global Investment Performance Standards.

Asset Weighted Benchmark

An asset weighted benchmark is calculated using the Beginning Market Value plus External Flows methodology, as identified in the CFA Institute's Global Investment Performance Standards. This is the same methodology used to calculate rates of return for aggregates. This calculation minimizes possible bias by using the weighting of the portfolio before the managers investment strategy has been put to work for the calendar month. The allocation of benchmarks is not influenced by market events.

$$\text{Asset Weighted Benchmark} = (\text{ABMV for Manager/Style A} \times \text{Benchmark Return assigned to Manager/Style A}) + (\text{ABMV for Manager/Style B} \times \text{Benchmark Return assigned to Manager/Style B}) + \dots$$

where

ABMV is the adjusted beginning market value as calculated using the Beginning Market Value plus External Flows methodology

Beginning Market Value plus External Flows

The Beginning Market Value plus External Flows calculation is the market value at the beginning of the calendar month combined with the positive and negative flows that occurred using the following:

$$\text{ABMV} = \text{BMV} + \text{BA} + (\text{PF} \times \text{P}) + (\text{NF} \times \text{N})$$

where

ABMV is the adjusted beginning market value

BMV is the beginning market value.

BA is the beginning accrual amount.

PF is the time weighting factor for positive flows.

P is the positive flows (contributions, income, transfers into the portfolio, etc...)

NF is the time weighting factor for negative flows.

N is the negative flows (withdrawals, transfers out of the portfolio, etc...)

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Beta

Beta is the slope of a regression line. Beta measures the risk of a particular investment relative to the selected benchmark (the “selected benchmark” can be any index or investment you specify). It describes the sensitivity of the investment to the benchmark. For example, an investment which has a beta of .5 to a benchmark will tend to move in the same direction as the benchmark, but only half as much as the benchmark.

Market Capitalization

An estimation of the aggregate value of a business that is obtained by multiplying the number of shares outstanding by the current price of a share.

Modified Dietz Rate of Return Calculation

The calculation methodology used to calculate rates of return for accounts and aggregates is the Modified Dietz Rate of Return Calculation, as identified in the CFA Institute’s Global Investment Performance Standards. The calculation is derived as follows:

$$r_{\text{Dietz}} = \frac{EMV + EA + I - [(1 - PF)P + (1 - NF)N]}{BMV + BA + (PF)P + (NF)N}$$

where

EMV is the ending market value	P is the positive flows
EA is the ending accrual amount	NF is the negative factor
I is the income amount	N is the negative flows
PF is the positive factor	

R-Squared

R-Squared is used to show how much the variability of an investment’s (or your account(s)’) return can be accounted for by the index against which it is compared. For example, if a portfolio’s R-Squared is 0.79 when measured against the S&P 500, then 79% of the portfolio’s variability in performance is due to the returns of the S&P 500. As R-Squared approaches 1.0, the portfolio is more closely correlated to the applicable index.

Return

Return is an indication of the performance of your account, and measures the percentage increase (decrease) in the value of your account resulting from income (loss) and appreciation (depreciation) over a specified time period.

Risk/Return Analysis

The analysis of risk versus return depicted on the graph entitled “Risk/Return Analysis” plots your account versus a benchmark(s). It compares risk (as measured by standard deviation) versus reward (as measured by return), in each case utilizing monthly performance data since the inception of the account. The two red lines intersect at the point which measures account’s benchmark. Any value above the horizontal red line has a higher return than the benchmark, while any value below, a lower return. Similarly, values to the left of the vertical red line have experienced less volatile performance, and therefore less risk, than the benchmark, while values to the right have more volatility and risk.

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Sharpe Ratio

A return/risk measure developed by William Sharpe. Return (numerator) is defined as the incremental average return of an investment over the risk free rate (note that the historical return of the 3-Month U.S. Treasury Bill has been used as a proxy for the risk-free rate). Risk (denominator) is defined as the standard deviation of the applicable investment's returns. A high Sharpe Ratio indicates that the portfolio is benefiting from taking risk.

Standard Deviation

Standard deviation measures the dispersal or uncertainty in a random variable (in this case, investment returns). It measures the degree of variation of returns around the mean (average) return. The higher the volatility of investment returns, the higher the standard deviation will be. For this reason, standard deviation is often used as a measure of investment risk. A low standard deviation would imply a portfolio with less volatile returns and therefore less inherent risk.

Time Weighting Factor

Time Weighting Factors are calculated to weight the impact of positive and negative flows on performance for a given period; the closer the flow occurred to the end of the time period, the closer the factor will be to zero. Factors are calculated separately for positive and negative flows. When calculating the factor for negative flows, the application uses the absolute value of the flow.

The calculation of factors is as follows:

Sample Calculation for 31 day month

Step One:

(Day of Flow * Flow Amount)

Sample	Sample	Sample
Day of Flow	Flow Amount	Calculated Flow
3	\$ 500	\$ 1,500
4	\$ 100	\$ 400
31	<u>\$ 900</u>	<u>\$ 27,900</u>
	\$ 1500	\$ 29,800

Step Two:

Calculate Average Day of Flow: (Total Calculated Flow / Total Flow)

$\$29,800 / \$1500 = 19.86667$

Step Three:

(Days in Month - Average Day + 1) / Days in Month

$(31 - 19.86667 + 1) / 31 = 0.391398$

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Account information entitled “Total Net of Fees” reflects the deduction of fees and expenses, while account information entitled “Total Fund” is “gross of fees”. The deduction of such fees will reduce your returns, and since fees are deducted monthly or quarterly, the compounding effect will be to increase the impact of fees by an amount directly related to the gross account performance.

Benchmarks

Benchmarks are provided for illustrative purposes only. The indices depicted herein have been selected based upon our subjective determination by Sendero of the appropriate benchmark for the applicable account based upon our understanding of the style of investment being pursued by yourself or the manager of your account(s). Comparisons to other benchmarks may reflect poorly on the performance of your account(s) in that the performance of you account(s) may lag the performance of such other benchmarks. Comparisons to benchmarks have limitations because benchmarks have volatility and other material characteristics that may differ from the investments depicted herein. Because of these differences, benchmarks should not be relied upon as an accurate measure of comparison. See the “Glossary” available at www.sendero.com for a description of the indices contained in this report.

The benchmarks depicted herein are broad-based indices that are used for comparative purposes only and have been selected because they are well known and are easily recognizable by investors. However, the investment activities and performance of your portfolio may be considerably more volatile than the performance of any of the referenced indices. Unlike your portfolio, the indices presented herein are unmanaged and, as a result, management fees, transaction costs and other expenses associated with the active management of your portfolio are not reflected. Furthermore, each index is limited in that it does not necessarily reflect the universe of investments it professes to represent, the method in which return information is calculated may not be the same as that used to calculate the same information for other indices or your portfolio, your portfolio may be invested in substantially fewer securities than the number of securities comprising an index, and index returns may be subject to certain biases, including (in the case of certain indices) survivorship bias (i.e., the possibility that the returns could be biased because successful funds might close to new investors and stop reporting and unsuccessful funds might cease operations and stop reporting) and selection bias (i.e., the possibility that only successful funds will elect to report into the index or that they will do so only during the years they have good performance).

Many factors affect investment performance, including changes in market conditions and interest rates, and in response to other economic, political or financial developments.

Investments are subject to market risks and past performance is not a guide to or indicative of future results.

To see a “Glossary” of terms and benchmarks used in this presentation, or to review the Sendero Privacy Policy, Business Continuity Plan, Form ADV “Schedule H” or Business Code of Ethics, please visit www.sendero.com.

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