



Due Diligence Works Platform Frequently Asked Questions v.1

Let our independence ignite yours.™

1) What is Due Diligence Works?

A: Due Diligence Works, Inc. is an independent firm focused on product research which assists firms and its financial professionals with product due diligence. In particular, to further enhance and support our Regulation Best Interest obligations during the investment recommendation needs analysis process, the Due Diligence Works (DDW) platform is available to PCS financial professionals via single sign-on to view additional product details and potential risk assessments to help determine the best interest recommendation while easily comparing other similar products. To access DDW platform, go to the Advisor Resource Center www.pcsbd.net and click on the Due Diligence Works logo along the right of the screen.

2) What products are covered?

A: Private Client Services has contracted with Due Diligence Works to provide additional product information and comparison tools for the following product types offered through Private Client Services (PCS): Annuities (Variable and Fixed), Mutual Funds and ETFs.

3) Am I required to submit side by side comparison reports when submitting PCS Customer Account Form, PCS Purchase Form or the PCS Regulation Best Interest Recommendation Documentation Supplement?

A: There is no current requirement to attach separate product due diligence reports or product comparison reports from the DDW platform when submitting PCS Account Forms, however, from a best practice perspective you may attach product comparison reports for those specific product(s) reviewed in the DDW platform which correspond with the recommended product(s) listed on page 2 of the PCS Regulation Best Interest Recommendation Documentation Supplement Form (as shown below on pg 2 of these FAQs) and any other products that were considered as part of your review pursuant to page 3 of the PCS Regulation Best Interest

Recommendation Documentation Supplement Form (also shown below on pg 2 of these FAQs) when applicable.

In instances where you do conduct due diligence on Mutual Funds, Annuities and/or ETFs within the DDW platform or elsewhere for a specific client, it is a **best practice* to evidence those reviews by saving the due diligence report, 4-box analysis report, product comparison reports or similar reports in your working branch client files for future reference as well as to potentially evidence that enhanced review in the future to your Managing Principal, Compliance or any state or federal regulators that may seek further explanation as to why a particular product was chosen/recommended.

PCS Regulation Best Interest Recommendation Documentation Supplement Form

Recommendation Date	Product Type	Product Name

Other products reviewed/considered during recommendation decision:

1.	Presented to customer: <input type="checkbox"/> Yes <input type="checkbox"/> No
2.	Presented to customer: <input type="checkbox"/> Yes <input type="checkbox"/> No
3.	Presented to customer: <input type="checkbox"/> Yes <input type="checkbox"/> No
4.	Presented to customer: <input type="checkbox"/> Yes <input type="checkbox"/> No
5.	Presented to customer: <input type="checkbox"/> Yes <input type="checkbox"/> No

**Please note that even prior to Regulation Best-Interest becoming effective, existing PCS policy requires 2 sources of due diligence (i.e. research reports, other reputable industry sources, etc) be maintained by each representative or branch for all individual security (i.e. individual stocks and bonds) recommendations to clients in a “Due Diligence File”. This policy has not changed. Individual securities can have significantly more investment risk than a packaged product which invests over a wider array of underlying companies. These branch “Due Diligence Files” for individual securities are often examined as part of the branch examination program. For purposes of Due Diligence Works, financial professionals are strongly encouraged to maintain additional supporting documentation on more packaged-type products (i.e. ETF’s, Mutual Funds, and Annuities, etc) to further enhance Regulation Best Interest compliance.*

4) If I don’t see a specific Annuity, Mutual Fund or ETF I wish to potentially research and offer to my PCS client what do I do?

A: While the products covered on DDW are generally accepted as being available to offer from the PCS platform, there may be certain products that are prohibited or don’t meet certain criterion set forth by current PCS firm policies (i.e. Leverage/Inversed funds, etc) and thus would not be approved as a security available to be offered to PCS clients. However, there may be products not shown that potentially may be available and added to the DDW platform upon

completion of an internal review. There may also be some products (i.e. annuities) that your client has which aren't covered on DDW because it is a legacy product the provider no longer offers to new customers and only allows on a servicing only basis. **Questions as to whether a certain annuity, ETF or mutual fund is available to offer through PCS and thus could be added to the DDW platform should be directed to Kevin O'Bryan at clientrelations@pcsb.net.**

5) What is the difference between the products available on the DDW platform versus the mutual fund companies and annuity/insurance carriers listed on the selling agreement directories on the PCS Advisor Resource Center (within the Selling Agreements tab)?

A: The selling agreement directories listed on the ARC offer a quick glance of companies and carriers PCS has established selling agreements with historically. The products listed within DDW platform provide a more detailed view of specific products available some of which have either been specifically approved previously or others which may have not been used but are available on the PCS platform based on certain criterion set forth by PCS.

6) Since a product is available to review on the DDW platform does that mean that I can offer any of them to my clients?

A: Not necessarily. Just because PCS may have access to offer a particular product, that does not mean that it should be offered to all clients. Products must be suitable to the actual client based on a close understanding and review of the client's overall investment objective, risk tolerance, liquidity needs, time horizon notwithstanding other important financial profile considerations and needs analysis factors. Additionally, pursuant to Regulation BI, investment recommendations must be in the best-interest of your retail client. To further assist in that best-interest evaluation, the due diligence reports and comparison reports/client needs analysis tools available within the DDW platform can be utilized in conjunction with this comprehensive internal review in advance of making a recommendation.

7) May I provide the product due diligence reports, product comparison report, and the 4-box analysis reports to my clients?

A: No. The Due Diligence Works reports are intended to be used for internal professional use only in helping financial professionals evaluate and compare products based on your client's specific needs. Once a determination has been made as to a product(s) to recommend, the Product Provider's prospectuses and fact sheets and any applicable client-facing PCS account forms should be used as the materials presented to your client. Those materials provide specific disclosure details based on the product and account type as evident on the Forms and Transaction Checklist available on the online PCS Advisor Resource Center within the Forms Library tab www.pcsbd.net.

8) What methodology is used when evaluating the scoring of the Mutual Funds shown on DDW platform?

Mutual Funds & ETFs

Due Diligence Works, Inc. (DDW) reviews are performed at the product level, in context of the fund family, and considers the following objectives:

Product Criteria - Product Scoring (1-5, 1 being the best)

- Consistency – measures the volatility and risk adjusted returns of each fund relative to its peer group over a period of time.
- Expenses – measures the net expenses of each fund relative to its peer group over a period of time.
- Total Return – measures the total return of each fund relative to its peer group over a period of time.
- Downside Protection – measures the downside capture and volatility in down markets of each fund relative to its peer group over a period of time.

Flags

- Asset size of the firm (less than \$100MM)
- Tenure of the fund (less than 3 years)
- Asset flow increase / decrease (50% or more)

Additional Criteria Reviewed

- Funds family (relationship, exchanges, breakpoints, etc.)
- Sales Trends (firm and industry)

Using the above criteria, DDW reviews each fund with the context of fund family and also each asset class (Small, International, Fixed Income, etc.) and sub asset class (core bonds, high yield, etc.), then makes recommendations to the firm to add, remove, or watch certain I funds. The quantitative review is then coupled with a trend and fit review to provide the best recommendations for each client's platform. These reviews are continuous on an ongoing basis.

9) What methodology is used when evaluating the annuity carriers and the scoring of the actual annuities themselves shown on DDW platform?

Carrier Methodology

Due Diligence Works, Inc. (DDW) reviews each carrier (manufacturer) separate from its products. We review each carrier to ensure they are a strong partner, with a good credit rating, can service the Broker-Dealer and its clients, has a reasonable complaint and regulatory history, and has

appropriate people, systems, policies and procedures to maintain its standing.

Three primary tools used to review carriers are DDW's annual Due Diligence Questionnaire (DDQ), DDW's quarterly insurance carrier scoring, and an onsite visit (when deemed appropriate). The DDQ is a detailed questionnaire reviewing a company's specific information and the DDW score (for insurance carriers) scores each carrier on a service and stability perspective.

Once a carrier is reviewed, we then move to review each individual product as detailed in the sections below. These reviews are continuous on an ongoing basis.

Annuity Methodology

Due Diligence Works, Inc. (DDW) reviews are performed considering the following objectives on an ongoing basis: to identify gaps in the product suite and recommend products to add if necessary, to identify product redundancies, and to confirm those annuity products currently maintained that best meet the needs of the end clients.

DDW utilizes a due diligence process tailored to the client's needs and strategic direction and includes both quantitative and qualitative criteria in determining which products should potentially stay, be added, or removed from the product platform.

- Each product type is evaluated using a peer review to assess drivers and attributes
- Products are compared against industry benchmarks and current sales trends to assess market sustainability
- Products are considered with the strategic objectives, requirements, and restrictions of Broker-Dealer to determine fit.

Criteria used in review of Annuity products include:

Variable Annuities

1. Annuity Complexity
2. Rider Complexity
3. Subaccount Complexity
4. Income
5. Accumulation
6. Rider Variety
7. Expenses

Indexed Annuities

1. Index Risk
2. Crediting Method
3. Income
4. Accumulation

5. Rider Risk, if applicable

Fixed Annuities

1. Interest rates
2. Payout schedules
3. Surrender schedule and charges
4. Rate guarantee period
5. Return of premium options (i.e. MVA)

10) What does Complexity Level mean?

The Complexity Level uses a 1 to 3 scale (1 is simplest, 3 is more complex), products are assigned a complexity level based on complexity, transparency, and understandability from a client perspective.

11) How does Product Scoring work?

A: Products are scored across various dimensions. 1 is the best, cheapest, or simplest. 5 is the worst, expensive, or more complex/risk. Click on the 3 dots next to the column header for additional information on a particular category.

12) What is the default share class being shown on the Variable Annuities?

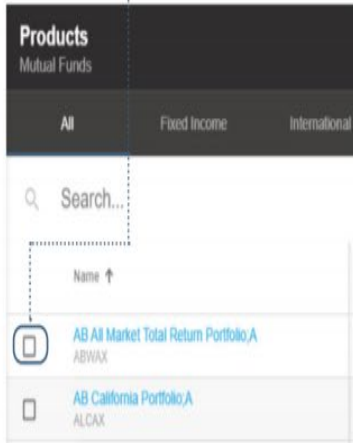
A: B-Shares

13) A sample preview of the Due Diligence Work's Product Portal

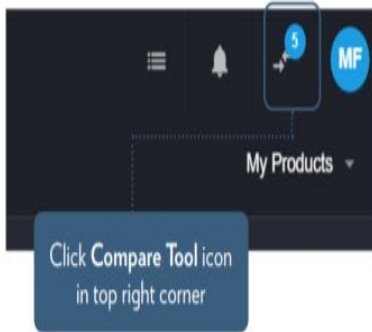
The screenshot displays the Due Diligence Work's Product Portal interface. At the top, there are several navigation buttons: "Search for products on your platform", "View by Asset Class", "Filtering and Tool Tips", "Risk Level (1 is simplest, 3 is most advanced)", "Product Scoring (1 is best, 5 is worst)", and "Trend (flows in or out of the funds year over year)". Below these is a search bar and a table of products. The table has columns for Name, Provider, Risk Level, Complexity, Expenses, Total Assets, Performance, Total Score, Trend, Watch, and Check. Callouts point to various features: "Click Name to see 4 Box Report and Due Diligence Report", "Check this box to add this product to the Compare Tool", "Fit (Check mark here means product is in 'Watch' status)", and "Hover over dots then click to see Investment Objectives, Fact Sheet and Summary Prospectus". Below the table, there are three preview cards: "4 Box Report", "Prospectus", and "Fact Sheet". At the bottom right, there is a footer: "DDW - Confidential. Professional Use Only. *Always check with provider before purchase. duediligenceworks.com".

14) A sample view of the product comparison tool:

Check this box to add this product to the Compare Tool



Top right corner of Portal



Product Comparison						
Product Type	Mutual Fund	ETF	Annuity	Annuity	Annuity	Annuity
Name	AB Core Opportunities Fund, A	SPDR Dow Jones Industrial Average ETF Trust	Structured Capital Strategies Plus	Shield Level Select	Elle Access II	Choice
Carrier / Provider	AllianceBernstein LP	PDR Services LLC	Equitable	Bighthouse Financial	Jackson National	Pacific Life
Category	Multi-Cap Core Funds	Large-Cap Core Funds	RRA	RRA	Variable	Variable
Company Rating (S&P/AM Best)	N/A	N/A	A+ / A	A+ / A	A / A	AA- / A+
Asset Class	Specialty	Large Cap	N/A	N/A	N/A	N/A
Client Need	N/A	N/A	Accumulation, Wealth Transfer	Accumulation	Accumulation, Wealth Transfer	Accumulation, Income Later, Wealth Transfer
Risk Exposure	N/A	N/A	Partial Protection, Wealth Transfer	Partial Protection	Market Exposure, Wealth Transfer	Market Exposure, Income Later, Wealth Transfer, Accumulation
Risk Level	Level 1	Level 1	Level 2	Level 1	Level 2	Level 2
Product Score	2.75	2.875	2.8	2.6	2.3	2.85
Consistency Score	3	4.5	N/A	N/A	N/A	N/A
Expenses Score	4	1	N/A	N/A	N/A	N/A
Total Return Score	3	3.5	N/A	N/A	N/A	N/A
Protection Score	1	2.5	N/A	N/A	N/A	N/A
IRA	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RV Allow	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
M&E Expense / Expense Ratio	1.11%	0.16%	1.15%	N/A	1.00%	0.95%
Rider Expenses	N/A	N/A	ROP 0.20%	N/A	ROP 0.20%	CoreIncome Advantage Select 1.35% Earnings Enhancement 0.25% Enhanced Income Select 1.35% Protected Investment Benefit - 10 Year 1.10% Protected Investment Benefit 5 Year 1.15% Stepped-up DB II 0.25%
Base / Cap Rate	N/A	N/A	6 Year 13.00% + 10% 13.00% + 10%	3 Year 0.50% + 10% 0.50% + 10%	N/A	N/A

Product comparison allows user to compare products within and across categories

Product name and carrier plus provider attributes

Understand and compare product strategies and client needs

Risk Level (1 is simplest, 3 is most advanced), and Product Scoring (1 is best, 5 is worst)

Expenses can be compared across products (sub accounts not included)

Additional riders may be the primary reason for product selection benefits

Rate-focused products are displayed here

15) A sample view of the Client Needs Matrix for Annuities.

CLIENT NEED MATRIX

Search among only your approved products

View by Product Category (RILA, FA, FIA, VA, DIA, SPIA)

Find product by Client Need (horizontal access) and Risk (vertical access)

Click to view 4 Box Report and Due Diligence Report

Hover over "R" to see rider name

Account Value	Income Benefit	Account Value
Accumulation	Income Now	Income Later
18 Matching Products	3 Matching Products	14 Matching Products
<ul style="list-style-type: none"> Aldene - MYO - MVA Aldene - MYO - ROP Delaware Life - Apex Delaware Life - Prisma Eagle Life - Guardian Focus Great American - Apex New York Life - Secure Term Choice II New York Life - Secure Term Choice II Symetra - Select RCP Eagle Life - Select Eagle Life - Select Focus Eagle Life - Select MVA Great American - Freedom Liberty Lincoln Financial - Protected Choice Pacific Life - Index Foundation Symetra - Edge Pacific Life - Choice Pacific Life - Choice 	<ul style="list-style-type: none"> AIO - American Pathway Immediate New York Life - Guaranteed Period Income II Symetra - Advantage Income 	<ul style="list-style-type: none"> CHINA Mutual - MEMBERS Future Income New York Life - Guaranteed Future Income II Pacific Life - Secure Income Symetra - Freedom Income Eagle Life - Select Eagle Life - Select Eagle Life - Select MVA Eagle Life - Select MVA Great American - Freedom Liberty New York Life - Guaranteed Lifetime Income II Pacific Life - Lifetime Income Provider Jackson National - Perspective II Pacific Life - Choice Pacific Life - Choice
7 Matching Products	5 Matching Products	8 Matching Products
<ul style="list-style-type: none"> New York Life - Secure Term Choice II New York Life - Secure Term Choice II Symetra - Edge Equitable - Structured Capital Strategies Plus Lincoln Financial - Level Advantage Design Jackson National - Elite Access II Jackson National - Perspective II 	<ul style="list-style-type: none"> Lincoln Financial - Level Advantage Design 	<ul style="list-style-type: none"> Great American - Freedom Liberty Lincoln Financial - Level Advantage Design Great American - Freedom Liberty Pacific Life - Index Foundation

PRODUCT VIEW

Filtering and Tool Tips

Adjust Duration (default is set to 5 yr.)

Quickview of Product Risk Levels (1 is simplest, 3 is most advanced)

Quickview of Product Score (1 is best, 5 is worst)

Income Ratings (5- and 10-Year Deferral)

Click to Add to Compare Tool

Name	Carrier	Riders	Risk Level	Product Risk	Subaccounts/Trades	Rider Variety	Expenses	Product Score	Highest 5-Yr Income	Highest 10-Yr Income	WT Allow	Fee Based	Client to Investors
Choice	Pacific Life	Continental Advantage Select Legacy Enhanced Global Income Smart	Level 2	3	4	3	2.00	2.88	6.75%	6.75%			
Choice/No Assurance	Lincoln Financial	Elite Select Income	Level 2	2	3	3	3.00	3.4	6.20%	7.50%			
Elite Access II	Jackson National	ELI	Level 2	2	4	2	2.00	2.3	---	---			
Perspective II	Jackson National	ELI ELI ELI ELI ELI and Hybrid Quarterly Annuities Enhanced ELI	Level 2	4	3	3	3.00	3.4	6.10%	7.80%			

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