PERFORMANCE FEE CALCULATION

Individual Asset Management offers qualifying clients an optional performance bonus arrangement that results in a lower assets-under-management fee and a bonus if earned. We believe this fee structure best serves our clients' interests because it results in a compensation scheme that rewards IAM for delivering superior investment performance while still being mindful of our clients' risk tolerance.

The bonus is calculated and assessed on a yearly basis in conjunction with the yearly performance review submitted to each client.

The bonus is 20% of the performance above that of a benchmark agreed to at the beginning of each year in the client's Investment Policy Statement. Below are sample calculations to clarify how the bonus is calculated.

Sample calculation

- Assume an account value of $1,000,000 at the beginning of the year.
- Assume for simplicity that the agreed upon benchmark for the client's portfolio will be the S&P 500 index (in actual fact, the benchmark would reflect the asset allocation of the client's portfolio).
- Assume the S&P 500 index returns +10% for the year; therefore the dollar gain attributable to benchmark performance is: $1,000,000 x 10% = $100,000

Example 1 - outperformance
- Assume client's portfolio returns +15% and therefore outperforms the benchmark by 5%.

  Portfolio dollar gain = $1,000,000 x 15% = $150,000

  Outperformance = $150,000 - $100,000 = $50,000

  IAM incentive fee = $50,000 x 20% = $10,000

- Client has made an extra $40,000 (4%) after bonus is paid as a result of IAM's superior portfolio management.

Example 2 – underperformance
- Assume client's portfolio returns +5% and therefore underperforms benchmark by 5%.

  Portfolio dollar gain = $1,000,000 x 5% = $50,000

  Underperformance = $100,000 - $50,000 = $50,000

  IAM incentive fee = $0 and the client pays only the discounted assets-under-management fee.

- $50,000 underperformance must be recouped before any performance fee is paid in the future.