Hypothetical Performance

During the normal course of business with an investment adviser representative ("IAR") from Kestra Advisory Services, LLC or Kestra Private Wealth Services, LLC, ("Kestra") you may be presented with marketing materials that describe an investment's performance, the performance of a proposed portfolio of securities or the performance of an investment adviser. Performance information can be presented in many different ways and **past performance <u>does not</u> predict future results**. Hypothetical performance is one type of performance and refers broadly to backward looking or future looking return information that is not the actual returns of client accounts. Before making any investment decision, including selecting an investment adviser, you should understand how any performance representation is calculated and presented.

Effective November 4, 2022, The U.S. Securities and Exchange Commission ("SEC") prohibits investment advisers from showing hypothetical performance unless it is relevant to your likely financial situation and investment objectives, provides sufficient information to enable you to understand the criteria used and assumptions made when calculating such hypothetical performance, and provides sufficient information to you to understand the risks and limitations of using such hypothetical performance in making investment decisions. Further, investment advisers must ensure that when receiving hypothetical performance materials, you have access to the resources necessary to independently analyze hypothetical performance information through your IAR or otherwise and you have the financial expertise to understand the risks and limitations of hypothetical performance presentations.

The purpose of this document is to define several types of hypothetical performance and discuss the risks associated with hypothetical performance presentations so that you understand the limitations of this type of information. Kestra makes additional resources available concerning performance information on our public website at https://www.kestrafinancial.com/disclosures. After reviewing this document, the resources Kestra makes available on our public website, and speaking with your IAR, we ask that you confirm your understanding of the risks and limitations of hypothetical performance presentations by signing below. ***You will not be provided hypothetical performance information unless you have signed this form***.

Model performance represents the results of a model investment portfolio, and includes performance results generated by a model portfolio managed with the same investment philosophy used by the adviser for actual client accounts and consisting of the same securities recommended by the adviser to clients during the same time period, with variances in specific client objectives being addressed via the asset allocation process (*i.e*., the relative weighting of stocks, bonds, and cash equivalents in each account). This type of performance is hypothetical because although the model consists of the same securities held in client accounts, the asset allocation process results in performance results that were not actually achieved by any client. Models are often designed to represent the appropriate balance of securities for a client's portfolio based on defined investment objectives and risk tolerance.

Backtested performance represents results created by applying a strategy to market data from a prior time period when the strategy was not actually used during the prior time period. These presentations aim to show returns that theoretically would have been achieved if the strategy had been used during the time period shown and is often used when no actual track record exists or when actual results are only available for less than five years. Backtested results are constructed with the benefit of hindsight. As a result, an adviser can tweak a strategy to obtain favorable performance results. There is no assurance that the backtested results could, or would, have been achieved had actual client accounts been managed during the time presented. Likewise, there is no guarantee that the same allocations underlying for the strategy would have been selected if actual client accounts were managed during the period presented. The strategy underlying the backtested results may be changed at any time with the benefit of hindsight in order to obtain and show more favorable performance results and the allocations may continue to be tested and adjusted in the future.

Targeted performance presentations reflect aspirational performance goals. Similarly, projected performance reflects an estimated return, which is often based on historical data and assumptions.

Hypothetical performance can be misleading if not properly presented or kept in proper perspective. Please consider the following when evaluating any hypothetical performance and remember that your IAR is available to answer all of your questions regarding any of this information:

- The description of the model or strategy, assumptions, inputs and quantitative parameters necessary to interpret the theoretical results (e.g. all securities shown were available for the full time period; model assumes markets were sufficiently liquid to accommodate the model's trades etc.). This information is typically included in the advertisement itself, within the body of the communication or disclosed through footnotes;
- The results are theoretical and do not reflect the performance of actual client accounts;
- Whether advisory fees, trading costs, or other fees were deducted from the performance figures;
- Any material changes to the model, assumptions, inputs or any other factors impacting results over the reflected time period;
- Any actual performance with respect to the client portfolios managed during the period of time pursuant to the model or strategy;
- Assumptions regarding cash balances and external cash flows;
- The treatment of reinvestment of income, capital gains, and withholding taxes;
- The possibility of loss;
- The dates over which the theoretical performance applies;
- Whether backtested data covers reasonable time periods and varying market conditions (both good and bad);
- Targets and projections are hypothetical in nature and should not raise unrealistic performance expectations;
- The hypothetical performance results do not represent the impact that material economic and market factors might have on the adviser's s decision making process if the adviser were actually managing client money;
- Backtested hypothetical returns are dependent on the market and economic conditions that existed during the backtested period;
- Future market or economic conditions can adversely affect the returns; and

- Hypothetical backtested characteristics related to positions (e.g., volatility and cost), position sizes and sector weights might differ materially from actual client portfolio(s).
- No client of the investment adviser had the performance shown.

When Kestra or your IAR displays hypothetical model portfolio results, the performance shown is based on various assumptions that rest on how asset classes and securities behaved in relation to each other in the past. Many of these assumptions will not hold true in the future or rest on hypotheses that do not exist in the real world. And in the case of backtested performance, Kestra or your IAR had the ability (with the benefit of hindsight) to change the model to obtain favorable performance results and the allocations may continue to be tested and adjusted in the future. Accordingly, the results do not represent the impact that material economic and market factors might have had on Kestra's or your IAR's decision making process in connection with the management of actual accounts during the time shown. There is no assurance that the hypothetical results could, or would, have been achieved by Kestra or your IAR in connection with their management of actual client accounts during the time presented. Likewise, there is no guarantee that Kestra or your IAR would have selected the same allocations or securities in connection with their management of actual client accounts during the period presented. ***It is important to consider the foregoing limitations with hypothetical performance when reviewing such results.***

<u>Written Confirmation Required to Receive Hypothetical Performance Information</u>

Hypothetical performance is relevant to my financial situation and investment objectives, I have access to the resources necessary to independently analyze hypothetical performance information through my IAR or otherwise and I have the financial expertise to understand the risks and limitations of hypothetical performance presentations.

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Client/prospect name (please print)	Client/prospect signature	Date

Hypothetical performance is relevant to the likely financial situation and investment objectives of this client or prospective client and this client or prospective client has the financial expertise to understand the risks and limitations of these types of presentations.

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Financial professional name	Financial professional signature	Date