

# STONE WALL FINANCIAL GROUP LLC

## SHEP<sup>®</sup> MODEL AUDIT: Findings Report

AUGUST 20, 2024

STRICTLY PRIVATE & CONFIDENTIAL





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August 20, 2024

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## INTRODUCTION

This report is addressed to Stone Wall Financial Group LLC (“Client” or “Company”) in connection with the provision of professional services outlined in our Statement of Work dated April 16<sup>th</sup>, 2024.

This report has been prepared for the Client based on information provided and within a specific context, both of which are subject to change. BDO USA, P.C. accepts no liability of any kind from other party relying on the contents of this report.

We have completed a review of the SHEP® Model’s latest performance report exported from its proprietary trading platform (“SHEP®”). The SHEP® Model’s output consisted of a 10-year period, dated 7/31/2014 to 7/31/2024, of hypothetical buy-and-hold trade outcomes the SHEP® trading strategy produced by actively trading the SPDR S&P 500 ETF (“SPY”) security. Assessments of earlier SHEP® Model results reviewed are listed in **Appendix B**.

## SCOPE OF SERVICES

Our role was to review the integrity, consistency and arithmetical accuracy of the SHEP® Model for the by providing professional services as detailed in **Appendix A**.

We were not engaged to, and did not perform an audit, the objective of which would be an expression of an opinion on the specific elements, accounts, or items. Accordingly, we do not express such an opinion. Also, we express no opinion on the Company’s internal control systems over financial reporting or any part thereof.

## FINDINGS

Based on our review (as described in Introduction) of the SHEP® Model , we raised key observations and issues for all exceptions. Such observations were satisfied by the Client.

## CONCLUSION

We have reviewed and concluded that the SHEP® Model is logically constructed, internally consistent and is, in all material respects, arithmetically accurate in terms of its formulae, algorithms and calculations, all of which, are in line with the scope of work as presented in **Appendix A**.

Very truly yours,

*BDO USA, P.C.*

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# ASSUMPTIONS & LIMITATIONS ON OUR FINDINGS

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## LIMITED SCOPE

The data included in this report has been extracted from information provided to us by the Client. Except where otherwise stated, our procedures focused on information provided by the Client.

To the best of our knowledge and belief, the statements of facts contained in the deliverable(s), upon which the findings expressed will be based, are true and correct. Information, estimates and opinions furnished to us and contained in the deliverable(s) or utilized in the formation of our findings will be obtained from sources provided by the Client and will be considered reliable and believed to be true and correct. However, no representation, liability or warranty for the accuracy of such items/ information is assumed by or imposed on us, and is subject to corrections, errors, omissions and withdrawal without notice.

The reports may not be used in conjunction with any other appraisal or study. The findings stated in the deliverable(s) will be based on the program of utilization described in the deliverable(s) and may not be separated into parts. The findings will be prepared solely for the purpose, function and party identified.

No change of any item in any of the deliverable(s) shall be made by anyone other than BDO, and we shall have no responsibility for any such unauthorized change.

The work papers for this engagement are being retained in our files and are available for Client's reference. We would be available to support our findings should this be required. Those services would be performed for an additional fee.

Neither all nor any part of the contents of the deliverable(s) shall be disseminated or referred to the public through advertising, public relations, news or sales media, or any other public means of communication or referenced in any publication, (other than the permitted in private or public financing) including but not limited to those filed with Securities and Exchange Commission or other governmental agency, without the prior written consent and approval of and review by BDO.

We do not warrant any assumption or projections to materialize.

It should be noted that:

- it is not practicable to test a computer model to an extent whereby it can be guaranteed that all errors have been detected and, accordingly, we can only give assurance on the Model within the bounds of materiality and for defined scenarios;
- our work will not include any work in the nature of a financial audit and we do not verify any of the assets or liabilities of the companies involved in the Project; and
- we will make no comment on the validity of the assumptions and express no opinion as to how closely the results actually achieved will compare with the Model's projections.

We assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by and on behalf of the Client or any third-party related to the project including but not limited to, technical, legal, etc. Our work with respect to prospective financial information do not constitute an examination, compilation, or agreed upon procedures engagement of a financial forecast in accordance with standards established by the American Institute of Certified Public Accountants, and we do not express assurance of any kind on it. We are not required to give testimony or be in attendance at any court or administrative proceeding with reference to the business appraised unless additional compensation is agreed to, and prior arrangements have been made.

Our engagement is related to providing findings in the financial model prepared and presented by the Client or its advisors.

Unless otherwise indicated, dollar amounts in this report are in US dollars and in thousands, except for those with a decimal point (i.e., \$5.00) which are the actual amount.

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# ASSUMPTIONS & LIMITATIONS ON OUR FINDINGS

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## LIMITS ON REPORT DISTRIBUTION

This report was prepared exclusively for the Client's sole benefit and use pursuant to the terms of the Statement of Work ("SOW") dated April 16<sup>th</sup>, 2024, between BDO and the Client. This report is not to be referred to or quoted, in whole or in part, in any registration statement, prospectus, public filing, loan agreement, or other agreement or document, or in any other manner, without BDO's prior written approval.

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By obtaining and reading this report, the reader acknowledges and agrees to the following terms and restrictions; in addition to the terms and restrictions set forth in the required reliance letter with BDO:

- The reader of this report understands that the work performed by BDO was performed in accordance with instructions provided by Client and was performed exclusively for the Client's sole benefit and use.
- The reader of this report acknowledges that this report was prepared at the direction of Client and may not include all procedures deemed necessary for the purposes of the reader.
- The reader agrees that unless entered in the reliance letter, he/she does not acquire any rights as a result of such access and acknowledges that BDO does not assume any duties or obligations to the reader in connection with such access.
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# DEFINITIONS, ABBREVIATIONS AND GLOSSARY OF TERMS

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Abbreviation	Meaning
CAPM	Capital Asset Pricing Model
EMA	Exponential Moving Average
ERP	Equity Risk Premium
MACD	Moving Average Convergence Divergence
MM	Money Market
SPY	SPDR S&P 500 ETF Trust
RF	Risk Free
Model (Excel)	BDO-SPY Audit 2_20240731.xlsm (SHEP® Model)
We or BDO	BDO USA, P.C.

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# CONTENTS

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1	Overview	6
2	Appendices	9
	Appendix A: Scope of Work	10
	Appendix B: Model Versions	11



SECTION 1

# OVERVIEW

# OVERVIEW

## Model Audit Report & Findings

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- This Model Audit (as referenced in the SOW) produced a list of key observations and queries resulting from our review of the SHEP® Model, as presented to and satisfied by the Client.
- We have reviewed whether the SHEP® Model is logically constructed, internally consistent and is, in all material respects, arithmetically accurate in terms of its formulae, algorithms and calculations in line with the scope of work as presented in **Appendix A**.
- We have also reviewed the consistency of the SHEP® Model based on the sources of information provided. The information sources are listed below for reference:
  - SHEP® Model output file with the file name: BDO-SPY Audit 2\_20240731.xlsm
  - SPY Comparison - SHEP vs. Buy-Hold\_20240331.pdf
  - Phone calls and email correspondence with the Client
  - BDO analysis: where specified we have undertaken certain analytical activities on the underlying data provided to us
- For the avoidance of doubt, this report does not present the SHEP® Model's accounting and taxation calculations and assumptions for compliance with relevant accounting and tax legislation and accordingly we offer no comment thereon.
- Arising from our review to date we have detailed our observations. Where relevant, the points made have been classified according to the following grades:
  - Grade 1 - confirmation
  - Grade 2 - justification/supporting documentation
  - Grade 3 - query/explanation required
  - Grade 4 - potential adjustment
- Based on the observations raised, the Client has provided response to the observations and an updated SHEP® Model output file "BDO-SPY Audit 2\_20240731.xlsm" (as listed in **Appendix B**). The updated SHEP® Model meets the objectives set out in the scope of work as set out in **Appendix A**.



# OVERVIEW

## Model Objectives and Functionality

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### Primary Objectives

The SHEP® Model's primary objectives are:

The SHEP® Model and the Model Audit Report identify that:

- a. The SHEP® Model's logic and calculations are materially arithmetically correct and that the results are reliable, accurate, complete and consistent with the assumptions contained within the SHEP® Model;
  - b. The Initial Base Case SHEP® Model is free of material mechanical errors and has transparent calculations, in each case as evidenced by the SHEP® Model Audit Report;
- To accurately calculate required outputs required by the Client in their intended manner.
  - The formulae are consistent across all time periods and have no unresolved circularities.



SECTION 2

# APPENDICES

# APPENDIX A

## Scope of Work

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### Scope of SHEP® Model Audit Services

The scope of work includes performing an audit of the logical integrity of formulae and the mathematical configuration and internal consistency of the SHEP® model, to be performed:

- Validate the accuracy of data variables used for the SHEP® algorithm through the use of BDO data sources, Client source files, and/or Client formulated calculations of EMA and MACD momentum studies data variables, or by whatever means would evoke confidence with BDO of its accuracy.
- Review the input, confirming that factual, technical, financial and other information has been properly reflected and accurately populated into the data stream section of the SHEP® workbook.
- Review the logical integrity, internal consistency and arithmetical accuracy in the use of standard accounting and performance principles, and if required, recommend specific changes to bring the Client into compliance.
- Confirm that the trading prices, listed and key to SHEP®'s Buy, Stay Long, and Sell conclusions are validated for accuracy.
- Review and confirm the arithmetical accuracy of the Client's MPT analytics, annual performance results for 10, 5, 3 and 1-Year periods, and monthly summary performance tables the Client relies on and imports into Morningstar's Adviser-Defined Securities feature (a Morningstar Illustration will be provided as a calibration resource to BDO).
- Identify any inaccuracies or misalignment to arithmetical standards related to the calculations in the workbook provided by the Client, guide the Client to the solution to remediate the inaccuracies.
- Review the prescribed changes related adjusted calculations in the workbook for accuracy based on queries raised as part of the review.

# APPENDIX B

## SHEP® Models

<p><b>First Version</b> Name: SPY_Audit.xlsx Size: 6.52 MB Date and time received: April 23, 2024, at 6:53 PM ET (via email)</p>	<p><b>Second Version</b> Name: DAS SPY Final_20240724.xlsx Size: 1.26 MB Date and time received: July 24, 2024, at 6:58 PM ET (via email)</p>
<p><b>Third Version</b> Name: BDO-SPY Audit 2_20240731.xlsx Size: 717 KB Date and time received: August 2, 2024, at 1:49 PM ET (via email)</p>	

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