



INVESTMENT PHILOSOPHY

Our Investment Philosophy is based on the general body of knowledge called “Modern Portfolio Theory” and other research from the academic disciplines of economics and finance. The underlying concepts of our Investment Philosophy include:

Risk and return are related. The only acceptable risk is that which is adequately compensated by potential portfolio returns.

Markets work. Capital markets do a good job of fairly pricing all available information and investor expectations about publicly traded securities. “Mispricings” do occur but not in predictable patterns that can lead to consistent outperformance. It is virtually impossible to anticipate the future direction of the market as a whole or of any individual security. It is, therefore unlikely that any portfolio will succeed in consistently “beating the market.”

Portfolio structure explains performance. The design of the portfolio as a whole is more important than the selection of any particular security within the portfolio. The appropriate allocation among asset classes (stocks, bonds, cash, etc.) will have far more influence on long-term portfolio results than the selection of individual securities.

Diversification is key. Diversification helps reduce investment volatility. The proportional mix of asset classes determines the long-term risk and return characteristics of the portfolio as a whole.

Minimizing investment costs is important to long-term success. The use of passively managed index funds, mutual funds and exchange traded funds (ETFs) tend to reduce management fees and trading costs compared to actively managed strategies. Actively managed strategies cannot consistently add value through security selection and market timing to compensate for their additional fees and tend to increase capital gain taxation.

INVESTMENT PROCESS

Our investing process centers around the following six steps:

1. Assess your goals and circumstances. The investment plan process begins during the Discovery Meeting with a discussion of your financial values and goals, as well as your key relationships, existing assets, other professional advisors, preferred process and important interests.

While everyone's situation is unique, certain factors matter in creating any investment plan. These factors include the purpose of the investment, its size, the sources and planned uses of the funds, and the amount of uncertainty you are comfortable having. By reviewing your goals and circumstances, we build the foundation of an investment plan that best matches your needs and the realities of the financial markets.

2. Set your investment objectives. Taking into account the long-term nature of successful investing, we set objectives for your portfolio that are appropriate for your willingness, ability and need to take risk, and the investment horizon(s) you identify.

3. Plan your asset allocation. Asset allocation is the process of deciding how much of your portfolio to invest in each of the different investment types, or asset classes—stocks, bonds and short-term investments (both domestic and foreign), as well as hard assets such as real estate. The goal is to optimize the risk-return relationship appropriate to meet your needs and goals.

4. Select Your Investment Approach. The basis for the principles of your investment plan is a collection of the best evidence from the academic disciplines of economics and finance.

5. Develop your Investment Policy Statement (IPS) - Your IPS is a written investment plan that guides investment decisions and clarifies what the investment objectives are, how they are going to be met, and how investments are to be managed.

6. Build your portfolio. Building on the first five steps, we construct a portfolio suited to your needs, goals, investment horizon and risk attitude. The building blocks for the portfolio are largely passive vehicles, including index funds, mutual funds, and exchange traded funds (ETFs). It is our belief that these provide the best investment option based on diversification, low cost, tax efficiency.