



Investment Philosophy

Basic Principles

1. Investors are generally risk averse and the only acceptable risk is that which is adequately compensated by potential portfolio returns.
2. Markets are reasonably efficient most of the time and it is very difficult, if not impossible, to consistently anticipate the future direction of the market as a whole or of any individual security in the short-term.
3. The division of an investor's assets among the different categories of investments such as stocks, bonds, cash, etc., will have far more influence on long-term portfolio results than the selection of any particular security within the portfolio.
4. For a given risk level, a combination of asset classes will maximize returns.
5. Portfolio risk can be decreased through diversification, the reduction of correlation between asset classes.
6. Investing globally helps to minimize overall portfolio risk due to the imperfect correlation between economies of the world and fluctuating exchange rates between currencies.
7. Equities offer the potential for higher long-term investment returns than cash or fixed income investments, but equities are also more volatile in their performance.

Our Methods of Analysis and Investment Strategies

Rather than trying to analyze and select individual securities for inclusion in client portfolios, we spend the majority of our time analyzing and studying the optimal allocation of a client's investment portfolio among the various asset classes. Asset classes considered include, but are not limited to, US equities, international equities, emerging market equities, real estate, commodities, US bonds, Foreign bonds and cash. We include those asset classes in a client's portfolio that we believe, when combined together, will offer the highest probability of a client achieving his or her goals at an appropriate risk level for that client.

We evaluate a wide variety of both current and historical performance, macro-economic trends, and valuation data of the various asset classes to set the portfolio policy as well as to make adjustments to the policy over time. Adjustments to the policy portfolio include overweighting, under weighting or in some circumstances avoiding a particular asset class based on our analysis of the potential risk reward profile.

In most instances, when executing a strategy for investing in a specific investment class, we employ a passive strategy believing that a client is best served by a low-cost, low income tax impact investment strategy. When we believe a manager can bring either additional return or added risk control to the return of an asset class, we will assess the managers which meet a set of quantitative criteria, including risk-adjusted returns in comparison with peer managers, low-cost structure, sensitivity to income tax impact when executing the strategy, and longevity of manager executing strategy, among other factors.

We adhere to the following basic asset management tenets when managing a client's portfolio:

- Diversify extensively across multiple asset classes for optimal risk-adjusted returns;
- Base the majority of recommendations on secular or long-term asset class fundamentals;
- Occasionally take advantage of short-term valuation divergences or unusual opportunities in the markets;
- Execute and follow written investment policy guidelines;
- Seek opportunities to globalize the portfolio holdings across all asset classes;
- Employ low-cost investment products when possible as a strategy for increasing returns;
- Manage the portfolio in a tax efficient manner;
- Rebalance the portfolio methodically within the investment policy asset allocation targets;
- Manage clients' decision-making behaviors for successful portfolio outcomes.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors.