IMPACTfolio

PLANET | PEOPLE | PROFIT

Our investment beliefs are set out below. Our beliefs are a key driver of our investment decisions.

1. **Fees matter**
    - *Internal Cost of Funds* – Many studies show that generating active returns that surpass a manager's benchmark is very rare. Therefore, we primarily use passive, low-cost Exchange-Traded Funds (ETFs) and individual stocks to build our client portfolios. The average internal cost of our ETF portfolios is 0.2%-0.4%.
    - *Trade Execution* – We utilize liquid investments that can be easily purchased or sold without incurring wide price swings in executing the trades. Most of our trades are block trades to ensure consistent buy/sell pricing for all clients. We also use limit orders and the TD Ameritrade trade desk for large orders to receive best execution pricing from the major market makers.
    - *Advisor Fee Structure* – We do not charge our advisory fee as a percentage of assets under management. We do not believe a fee should be based on the arbitrary value of a client's investment portfolio. We know from our collective 55+ years of experience that there is not a significant difference in the work required to serve a client with $1,000,000 in assets vs $4,000,000 in assets. Why should one client pay tens of thousands of dollars more each year in fees? Our fee is a flat retainer fee, which includes both financial planning and investment advisory services.

2. **Environmental, Social & Governance (ESG) factors matter**
    - *Cash Flow* – High ESG-rated companies are more competitive and can generate abnormal returns, leading to higher profitability and dividend payments.
    - *Risk* – High ESG-rated companies are better at managing company-specific business and operational risks. Therefore, they have a lower probability of suffering incidents that can impact the share price. Consequently, their stock prices display lower idiosyncratic tail risks.
    - *Valuation* – High ESG-rated companies tend to have lower exposure to systematic risk factors. Therefore, their expected cost of capital is lower. This in turn can lead to higher valuations.

3. **Taxes matter**
    - Tax-efficient investing allows our clients to keep more of their wealth that is generated from their portfolio. We accomplish this goal through utilizing tax-efficient Exchange-Traded Funds, harvesting tax-losses, locking in long-term capital gains vs. short-term capital gains, using municipal bonds in taxable accounts, and placing any tax-inefficient strategies in retirement accounts.

4. **Emotions matter**
    - All our investment strategies are rules-based. Using emotions to dictate investment decisions will generally lead to buying high and selling low. The additional benefit of rules-based strategies is consistency. We are not reliant on the investment picking skillset of any individual.