

## **INVESTMENT PHILOSOPHY:**

We believe that each client should have an investment portfolio specifically designed to meet his or her needs and goals, to optimize the risk-reward ratio and to minimize the associated costs.

To accomplish our objective, we assess each client's goals, investment temperament, expectations, time horizon and general attitudes towards investing. With this information, we are able to customize a strategy which will allow each client to achieve his or her goals with peace of mind.

The basic concepts which we use to manage client portfolios were derived from Modern Portfolio Theory, as recognized by the 1990 Nobel Prize Winner. This theory influences how our portfolios are structured and how subsequent decisions are made. The underlying concepts of **Modern Portfolio Theory** include:

- Clients are generally loss-averse. The only acceptable risk is that which adequately compensated by potential returns.
- Markets are generally efficient. Accordingly, we do not believe in "market timing". The deterrent to being successful at market timing is not so much knowing when to sell near a peak, but knowing when to get back in the market. Over the past 70 years, there have been as few as 30 days when the overall market sharply advanced. For those not fully invested on those 30 days, the overall return of the portfolio was dramatically reduced. It is virtually impossible to predict when short-term changes in the market will occur. Therefore, we do not attempt to "time the market". Instead, we encourage our clients to have a patient, long term perspective when investing.
- The portfolio as a whole is more important than any individual security. The appropriate allocation of capital among asset classes will have far more impact on long-term portfolio results than the selection of individual securities.
- Portfolio risk can be decreased by maintaining a portfolio of well diversified, low correlated assets (Correlation is the statistical term for the extent to which two asset classes move in tandem or in opposition to one another).
- Investing globally helps to minimize overall portfolio risk due to the imperfect correlation between economies of the world.
- We select individual stocks, bonds, mutual funds, exchange-traded funds, and other investment vehicles from different asset classes to achieve an optimum portfolio for the individual client. The investment selections within the asset classes are based on the following criteria:
  - Past performance relative to other securities having the same investment objective. Consideration will be given to both performance rankings over various time frames and consistency of performance
  - Costs, relative to other securities with expected objectives and investment performance
  - The historical volatility and downside risk of the security
  - How well the security compliments other assets in the portfolio
  - Basic metrics such as Price to Earnings, Price to Book, Earnings per Share, and other factors are taken into account
  - The likelihood of expected returns, relative to other opportunities and relative to the current economic environment

We adjust the portfolio as necessary in order to maintain our target asset allocation model. Portfolio Re-balancing occurs on a periodic basis at the discretion of the financial advisor. When we sell securities to adjust the account, we net gains against losses to avoid adverse tax consequences. We invest profits or new savings in under-weighted areas to maintain portfolio diversification and the proper portfolio allocation.

We believe a "comprehensive" or multi-disciplinary approach to financial and wealth management offers the client the best framework within which to operate. This framework ensures that each client's financial planning, estate planning and asset management needs and goals are clearly identified and met.