

We Advocate a Proven Nobel Prize-Winning Approach For Managing Our Clients' Investment Portfolios

Most investors focus on finding the best stocks and/or mutual funds to buy and sell at the most opportunistic time. However, Nobel Prize-winning investment research and analysis has proven that this is not the most effective approach when structuring an investment portfolio.

A MUCH BETTER STRATEGY FOR INVESTMENT SUCCESS!

In today's global economy it's more beneficial to concentrate on structuring a diversified investment portfolio with a targeted array of low correlation asset classes across the world's most attractive markets. Practical application of this investment approach is based upon academic research by economists, Harry Markowitz and William Sharp. Their research produced what is known as Modern Portfolio Theory for which they were awarded the Nobel Prize for Economic Science in 1974.

The Modern Portfolio approach enables an investor to achieve more predictable investment performance in a way that reduces both risk and investment expenses. It serves as a guide for investment managers responsible for trillions of dollars in pension funds, endowment funds and other institutional portfolios around the world.

MODERN PORTFOLIO BASICS

Asset Allocation: Research studies show that the overwhelming determinant of investment performance is the asset allocation decision with market timing and security selection playing only a minor role in portfolio growth. Over 90% of total investment return is attributed to how much of an investment portfolio is allocated to various components of worldwide equity and bond markets. Accordingly, our primary focus is to individually structure portfolios by setting target percentages for an array of globally diversified asset classes, and then filling each of the asset classes with the very best selections in our thoroughly researched list of approved investments.

Security Selection: The individual investment selected has a negligible influence upon performance. Therefore, the decision about whether to buy General Electric stock or the Fidelity Magellan mutual fund is secondary to the decision of how much of the portfolio is divided between domestic and international markets, how much is allocated to equity and fixed income investments, and for equities what are the allocations between the growth and value styles of investment.

Market Timing: Market timing strategies have the least amount impact upon portfolio performance because they seldom ever work. About 70% of market timers (investors who use input such as recent past market fluctuations or the leading economic indicators to predict and profit from short term market performance) typically under perform the index averages. Long-term fully invested strategies work better.

MISSION

The Efficient Market Concept: In a totally efficient market where all investors have available the same research information at the same time, the value of the security would exactly equal the purchase price. However, even though available information about some securities such as international small company stocks is more “*inefficient*” than others such as government bonds, active management investors typically are not able to consistently outperform market indexes such as the S&P 500. Therefore, we advocate that target asset classes for a portfolio be filled by structuring a core through “indexing”, a technique that replicates the performance of multiple market indexes. For example, you can utilize a stock mutual fund that tracks the Standard & Poor's 500 Index, or a bond mutual fund that tracks the Lehman Brothers Aggregate Bond Index. This core is then surrounded by a very select group of actively managed funds, which our proprietary economic and investment research deems opportunistic.

Minimize Investment Risks: To minimize investment risk, a portfolio must be put together with asset classes that have a low correlation coefficient. This means using multiple asset classes that perform differently at various times so that when one is down, it is probable that another asset class in the portfolio will be up. For example, during year 2000 when the stock markets suffered declines, the bond markets’ positive returns served as a support to overall portfolio performance, and reduced downside risk. So a portfolio consisting of the right selection of multiple asset classes is designed to produce expected growth and income with less volatile performance overall.

Minimize Transaction Costs: Transaction costs, commissions and high management fees can have a significant adverse impact on portfolio performance. These costs should be kept low by minimizing trading activity, avoiding advisors who get paid by commissions for product sales, and choosing investment funds that have low operating expenses. Utilizing index mutual funds and exchange traded funds (ETFs) reduces higher costs associated with actively managed mutual funds, most of which do not consistently outperform the indexes.

***BEWARE OF “SOPHISTICATED” COMPUTER TECHNOLOGY
TO OPTIMIZE ASSET ALLOCATION!***

Individual “do it yourself” investors could try to manage their own portfolios by using computer “optimizers” that indicate the best way to allocate funds among asset classes. But it is very costly to maintain optimization effectiveness because “optimizers” require ongoing massive data updates in order for asset class selections to be based upon accurate information. Even more important than the cost factor is the professional knowledge required when using optimizers to assess the output information properly. Beware: “Garbage in, garbage out” can be very detrimental when it comes to making important investment decisions, and dangerous to your financial health.

YOU NEED TO FOCUS ON THE BIG PICTURE WHEN INVESTING!

Identify your personal financial situation: This includes your family situation, financial objectives, and expected investment rates of return. The target rate of return established and achieved for your entire investment portfolio will determine the timing of accomplishing your lifetime plans.

Determine your investment time horizon: Consider your intended uses of money, when the money will be needed, and for how long.

Know your risk tolerance level: What is the most amount of money you can afford to lose in the single worst year of your entire time horizon? A 6% to 8% decline in any single year is acceptable for most people. In most down markets, risking an amount in excess of 10% would be very aggressive, and probably is not necessary if the portfolio is properly structured.

Develop a written investment policy statement: This statement should provide specific guidelines for an investment advisor to utilize. The policy should specify the targeted rate of return, risk tolerance levels, anticipated withdrawals and/or contributions, emergency liquidity needs, desired time horizon for results, and which asset classes are to be utilized.

Select a registered investment advisor regulated by either the federal Securities and Exchange Commission or by the individual state securities commission: Be sure to obtain a copy of the advisor's registration required be filed with the appropriate regulatory authorities. Consider an advisor that is compensated by fee rather than commissions to avoid conflicts of interest. Advisors that work for commissions may recommend more frequent transactions for your portfolio than warranted, or investments with unnecessary sales charges and higher internal expenses, causing decreases in your overall portfolio returns.

Minimize transaction costs: Index funds can be utilized to build the core of an investment portfolio. For example, there are index funds for large company domestic stocks, small company domestic stocks, foreign stocks, technology stocks, corporate and government bonds, and so on. Use a reputable discount brokerage firm such as Charles Schwab to reduce the cost of purchase and sale transactions.

Use dollar cost averaging for accumulating investment assets: Because it is impossible to consistently predict short-term price trends, purchases of investments should be done on a dollar-cost-average basis, which means staggering purchases to take advantage of lower prices during market fluctuations.

Rebalance your portfolio periodically: This is especially warranted when significant changes in market conditions occur affecting the value of asset classes. Generally, if any asset class held in the portfolio differs by more than 5% from its original target allocation, then more should be bought or some sold until the target percentage is restored. A quarterly rebalancing is usually sufficient for portfolios of less than \$1 million. With portfolios valued at more than \$1 million, a monthly rebalancing might be warranted.

Measure your investment performance: This should be observed quarterly and given serious review after each three to five year investment cycle to make sure that every asset class has had a chance to "have their day in the sun." There are two different types of performance reports: time weighted and dollar weighted. To compare the investment performance of your portfolio with the performance of other investment managers, use time weighted rates of return. To determine whether your investments are growing adequately to achieve your financial objectives, make sure to use computer generated rates of return that are time and dollar weighted to accurately measure the performance of your specific portfolio.

YOUR FINANCIAL OBJECTIVES CAN BE ACHIEVED!

With the Modern Portfolio strategy that we utilize, investors will save brokerage commissions, save time talking to stock brokers looking to sell securities, avoid needless risks, and help achieve a targeted rate of return with greater peace of mind through global diversification.

We Advocate a Proven Nobel Prize-Winning Approach For Managing Our Clients' Investment Portfolios

Most investors focus on finding the best stocks and/or mutual funds to buy and sell at the most opportunistic time. However, Nobel Prize-winning investment research and analysis has proven that this is not the most effective approach when structuring an investment portfolio.

A MUCH BETTER STRATEGY FOR INVESTMENT SUCCESS!

In today's global economy it's more beneficial to concentrate on structuring a diversified investment portfolio with a targeted array of low correlation asset classes across the world's most attractive markets. Practical application of this investment approach is based upon academic research by economists, Harry Markowitz and William Sharp. Their research produced what is known as Modern Portfolio Theory for which they were awarded the Nobel Prize for Economic Science in 1974.

The Modern Portfolio approach enables an investor to achieve more predictable investment performance in a way that reduces both risk and investment expenses. It serves as a guide for investment managers responsible for trillions of dollars in pension funds, endowment funds and other institutional portfolios around the world.

MODERN PORTFOLIO BASICS

Asset Allocation: Research studies show that the overwhelming determinant of investment performance is the asset allocation decision with market timing and security selection playing only a minor role in portfolio growth. Over 90% of total investment return is attributed to how much of an investment portfolio is allocated to various components of worldwide equity and bond markets. Accordingly, our primary focus is to individually structure portfolios by setting target percentages for an array of globally diversified asset classes, and then filling each of the asset classes with the very best selections in our thoroughly researched list of approved investments.

Security Selection: The individual investment selected has a negligible influence upon performance. Therefore, the decision about whether to buy General Electric stock or the Fidelity Magellan mutual fund is secondary to the decision of how much of the portfolio is divided between domestic and international markets, how much is allocated to equity and fixed income investments, and for equities what are the allocations between the growth and value styles of investment.

Market Timing: Market timing strategies have the least amount impact upon portfolio performance because they seldom ever work. About 70% of market timers (investors who use input such as recent past market fluctuations or the leading economic indicators to predict and profit from short term market performance) typically under perform the index averages. Long-term fully invested strategies work better.

MISSION

The Efficient Market Concept: In a totally efficient market where all investors have available the same research information at the same time, the value of the security would exactly equal the purchase price. However, even though available information about some securities such as international small company stocks is more “*inefficient*” than others such as government bonds, active management investors typically are not able to consistently outperform market indexes such as the S&P 500. Therefore, we advocate that target asset classes for a portfolio be filled by structuring a core through “indexing”, a technique that replicates the performance of multiple market indexes. For example, you can utilize a stock mutual fund that tracks the Standard & Poor's 500 Index, or a bond mutual fund that tracks the Lehman Brothers Aggregate Bond Index. This core is then surrounded by a very select group of actively managed funds, which our proprietary economic and investment research deems opportunistic.

Minimize Investment Risks: To minimize investment risk, a portfolio must be put together with asset classes that have a low correlation coefficient. This means using multiple asset classes that perform differently at various times so that when one is down, it is probable that another asset class in the portfolio will be up. For example, during year 2000 when the stock markets suffered declines, the bond markets’ positive returns served as a support to overall portfolio performance, and reduced downside risk. So a portfolio consisting of the right selection of multiple asset classes is designed to produce expected growth and income with less volatile performance overall.

Minimize Transaction Costs: Transaction costs, commissions and high management fees can have a significant adverse impact on portfolio performance. These costs should be kept low by minimizing trading activity, avoiding advisors who get paid by commissions for product sales, and choosing investment funds that have low operating expenses. Utilizing index mutual funds and exchange traded funds (ETFs) reduces higher costs associated with actively managed mutual funds, most of which do not consistently outperform the indexes.

***BEWARE OF “SOPHISTICATED” COMPUTER TECHNOLOGY
TO OPTIMIZE ASSET ALLOCATION!***

Individual “do it yourself” investors could try to manage their own portfolios by using computer “optimizers” that indicate the best way to allocate funds among asset classes. But it is very costly to maintain optimization effectiveness because “optimizers” require ongoing massive data updates in order for asset class selections to be based upon accurate information. Even more important than the cost factor is the professional knowledge required when using optimizers to assess the output information properly. Beware: “Garbage in, garbage out” can be very detrimental when it comes to making important investment decisions, and dangerous to your financial health.

YOU NEED TO FOCUS ON THE BIG PICTURE WHEN INVESTING!

Identify your personal financial situation: This includes your family situation, financial objectives, and expected investment rates of return. The target rate of return established and achieved for your entire investment portfolio will determine the timing of accomplishing your lifetime plans.

Determine your investment time horizon: Consider your intended uses of money, when the money will be needed, and for how long.

Know your risk tolerance level: What is the most amount of money you can afford to lose in the single worst year of your entire time horizon? A 6% to 8% decline in any single year is acceptable for most people. In most down markets, risking an amount in excess of 10% would be very aggressive, and probably is not necessary if the portfolio is properly structured.

Develop a written investment policy statement: This statement should provide specific guidelines for an investment advisor to utilize. The policy should specify the targeted rate of return, risk tolerance levels, anticipated withdrawals and/or contributions, emergency liquidity needs, desired time horizon for results, and which asset classes are to be utilized.

Select a registered investment advisor regulated by either the federal Securities and Exchange Commission or by the individual state securities commission: Be sure to obtain a copy of the advisor's registration required be filed with the appropriate regulatory authorities. Consider an advisor that is compensated by fee rather than commissions to avoid conflicts of interest. Advisors that work for commissions may recommend more frequent transactions for your portfolio than warranted, or investments with unnecessary sales charges and higher internal expenses, causing decreases in your overall portfolio returns.

Minimize transaction costs: Index funds can be utilized to build the core of an investment portfolio. For example, there are index funds for large company domestic stocks, small company domestic stocks, foreign stocks, technology stocks, corporate and government bonds, and so on. Use a reputable discount brokerage firm such as Charles Schwab to reduce the cost of purchase and sale transactions.

Use dollar cost averaging for accumulating investment assets: Because it is impossible to consistently predict short-term price trends, purchases of investments should be done on a dollar-cost-average basis, which means staggering purchases to take advantage of lower prices during market fluctuations.

Rebalance your portfolio periodically: This is especially warranted when significant changes in market conditions occur affecting the value of asset classes. Generally, if any asset class held in the portfolio differs by more than 5% from its original target allocation, then more should be bought or some sold until the target percentage is restored. A quarterly rebalancing is usually sufficient for portfolios of less than \$1 million. With portfolios valued at more than \$1 million, a monthly rebalancing might be warranted.

Measure your investment performance: This should be observed quarterly and given serious review after each three to five year investment cycle to make sure that every asset class has had a chance to "have their day in the sun." There are two different types of performance reports: time weighted and dollar weighted. To compare the investment performance of your portfolio with the performance of other investment managers, use time weighted rates of return. To determine whether your investments are growing adequately to achieve your financial objectives, make sure to use computer generated rates of return that are time and dollar weighted to accurately measure the performance of your specific portfolio.

YOUR FINANCIAL OBJECTIVES CAN BE ACHIEVED!

With the Modern Portfolio strategy that we utilize, investors will save brokerage commissions, save time talking to stock brokers looking to sell securities, avoid needless risks, and help achieve a targeted rate of return with greater peace of mind through global diversification.

We Advocate a Proven Nobel Prize-Winning Approach For Managing Our Clients' Investment Portfolios

Most investors focus on finding the best stocks and/or mutual funds to buy and sell at the most opportunistic time. However, Nobel Prize-winning investment research and analysis has proven that this is not the most effective approach when structuring an investment portfolio.

A MUCH BETTER STRATEGY FOR INVESTMENT SUCCESS!

In today's global economy it's more beneficial to concentrate on structuring a diversified investment portfolio with a targeted array of low correlation asset classes across the world's most attractive markets. Practical application of this investment approach is based upon academic research by economists, Harry Marcowitz and William Sharp. Their research produced what is known as Modern Portfolio Theory for which they were awarded the Nobel Prize for Economic Science in 1974.

The Modern Portfolio approach enables an investor to achieve more predictable investment performance in a way that reduces both risk and investment expenses. It serves as a guide for investment managers responsible for trillions of dollars in pension funds, endowment funds and other institutional portfolios around the world.

MODERN PORTFOLIO BASICS

Asset Allocation: Research studies show that the overwhelming determinant of investment performance is the asset allocation decision with market timing and security selection playing only a minor role in portfolio growth. Over 90% of total investment return is attributed to how much of an investment portfolio is allocated to various components of worldwide equity and bond markets. Accordingly, our primary focus is to individually structure portfolios by setting target percentages for an array of globally diversified asset classes, and then filling each of the asset classes with the very best selections in our thoroughly researched list of approved investments.

Security Selection: The individual investment selected has a negligible influence upon performance. Therefore, the decision about whether to buy General Electric stock or the Fidelity Magellan mutual fund is secondary to the decision of how much of the portfolio is divided between domestic and international markets, how much is allocated to equity and fixed income investments, and for equities what are the allocations between the growth and value styles of investment.

Market Timing: Market timing strategies have the least amount impact upon portfolio performance because they seldom ever work. About 70% of market timers (investors who use input such as recent past market fluctuations or the leading economic indicators to predict and profit from short term market performance) typically under perform the index averages. Long-term fully invested strategies work better.

MISSION

The Efficient Market Concept: In a totally efficient market where all investors have available the same research information at the same time, the value of the security would exactly equal the purchase price. However, even though available information about some securities such as international small company stocks is more “*inefficient*” than others such as government bonds, active management investors typically are not able to consistently outperform market indexes such as the S&P 500. Therefore, we advocate that target asset classes for a portfolio be filled by structuring a core through “indexing”, a technique that replicates the performance of multiple market indexes. For example, you can utilize a stock mutual fund that tracks the Standard & Poor's 500 Index, or a bond mutual fund that tracks the Lehman Brothers Aggregate Bond Index. This core is then surrounded by a very select group of actively managed funds, which our proprietary economic and investment research deems opportunistic.

Minimize Investment Risks: To minimize investment risk, a portfolio must be put together with asset classes that have a low correlation coefficient. This means using multiple asset classes that perform differently at various times so that when one is down, it is probable that another asset class in the portfolio will be up. For example, during year 2000 when the stock markets suffered declines, the bond markets’ positive returns served as a support to overall portfolio performance, and reduced downside risk. So a portfolio consisting of the right selection of multiple asset classes is designed to produce expected growth and income with less volatile performance overall.

Minimize Transaction Costs: Transaction costs, commissions and high management fees can have a significant adverse impact on portfolio performance. These costs should be kept low by minimizing trading activity, avoiding advisors who get paid by commissions for product sales, and choosing investment funds that have low operating expenses. Utilizing index mutual funds and exchange traded funds (ETFs) reduces higher costs associated with actively managed mutual funds, most of which do not consistently outperform the indexes.

***BEWARE OF “SOPHISTICATED” COMPUTER TECHNOLOGY
TO OPTIMIZE ASSET ALLOCATION!***

Individual “do it yourself” investors could try to manage their own portfolios by using computer “optimizers” that indicate the best way to allocate funds among asset classes. But it is very costly to maintain optimization effectiveness because “optimizers” require ongoing massive data updates in order for asset class selections to be based upon accurate information. Even more important than the cost factor is the professional knowledge required when using optimizers to assess the output information properly. Beware: “Garbage in, garbage out” can be very detrimental when it comes to making important investment decisions, and dangerous to your financial health.

YOU NEED TO FOCUS ON THE BIG PICTURE WHEN INVESTING!

Identify your personal financial situation: This includes your family situation, financial objectives, and expected investment rates of return. The target rate of return established and achieved for your entire investment portfolio will determine the timing of accomplishing your lifetime plans.

Determine your investment time horizon: Consider your intended uses of money, when the money will be needed, and for how long.

Know your risk tolerance level: What is the most amount of money you can afford to lose in the single worst year of your entire time horizon? A 6% to 8% decline in any single year is acceptable for most people. In most down markets, risking an amount in excess of 10% would be very aggressive, and probably is not necessary if the portfolio is properly structured.

Develop a written investment policy statement: This statement should provide specific guidelines for an investment advisor to utilize. The policy should specify the targeted rate of return, risk tolerance levels, anticipated withdrawals and/or contributions, emergency liquidity needs, desired time horizon for results, and which asset classes are to be utilized.

Select a registered investment advisor regulated by either the federal Securities and Exchange Commission or by the individual state securities commission: Be sure to obtain a copy of the advisor's registration required be filed with the appropriate regulatory authorities. Consider an advisor that is compensated by fee rather than commissions to avoid conflicts of interest. Advisors that work for commissions may recommend more frequent transactions for your portfolio than warranted, or investments with unnecessary sales charges and higher internal expenses, causing decreases in your overall portfolio returns.

Minimize transaction costs: Index funds can be utilized to build the core of an investment portfolio. For example, there are index funds for large company domestic stocks, small company domestic stocks, foreign stocks, technology stocks, corporate and government bonds, and so on. Use a reputable discount brokerage firm such as Charles Schwab to reduce the cost of purchase and sale transactions.

Use dollar cost averaging for accumulating investment assets: Because it is impossible to consistently predict short-term price trends, purchases of investments should be done on a dollar-cost-average basis, which means staggering purchases to take advantage of lower prices during market fluctuations.

Rebalance your portfolio periodically: This is especially warranted when significant changes in market conditions occur affecting the value of asset classes. Generally, if any asset class held in the portfolio differs by more than 5% from its original target allocation, then more should be bought or some sold until the target percentage is restored. A quarterly rebalancing is usually sufficient for portfolios of less than \$1 million. With portfolios valued at more than \$1 million, a monthly rebalancing might be warranted.

Measure your investment performance: This should be observed quarterly and given serious review after each three to five year investment cycle to make sure that every asset class has had a chance to "have their day in the sun." There are two different types of performance reports: time weighted and dollar weighted. To compare the investment performance of your portfolio with the performance of other investment managers, use time weighted rates of return. To determine whether your investments are growing adequately to achieve your financial objectives, make sure to use computer generated rates of return that are time and dollar weighted to accurately measure the performance of your specific portfolio.

YOUR FINANCIAL OBJECTIVES CAN BE ACHIEVED!

With the Modern Portfolio strategy that we utilize, investors will save brokerage commissions, save time talking to stock brokers looking to sell securities, avoid needless risks, and help achieve a targeted rate of return with greater peace of mind through global diversification.

We Advocate a Proven Nobel Prize-Winning Approach For Managing Our Clients' Investment Portfolios

Most investors focus on finding the best stocks and/or mutual funds to buy and sell at the most opportunistic time. However, Nobel Prize-winning investment research and analysis has proven that this is not the most effective approach when structuring an investment portfolio.

A MUCH BETTER STRATEGY FOR INVESTMENT SUCCESS!

In today's global economy it's more beneficial to concentrate on structuring a diversified investment portfolio with a targeted array of low correlation asset classes across the world's most attractive markets. Practical application of this investment approach is based upon academic research by economists, Harry Markowitz and William Sharp. Their research produced what is known as Modern Portfolio Theory for which they were awarded the Nobel Prize for Economic Science in 1974.

The Modern Portfolio approach enables an investor to achieve more predictable investment performance in a way that reduces both risk and investment expenses. It serves as a guide for investment managers responsible for trillions of dollars in pension funds, endowment funds and other institutional portfolios around the world.

MODERN PORTFOLIO BASICS

Asset Allocation: Research studies show that the overwhelming determinant of investment performance is the asset allocation decision with market timing and security selection playing only a minor role in portfolio growth. Over 90% of total investment return is attributed to how much of an investment portfolio is allocated to various components of worldwide equity and bond markets. Accordingly, our primary focus is to individually structure portfolios by setting target percentages for an array of globally diversified asset classes, and then filling each of the asset classes with the very best selections in our thoroughly researched list of approved investments.

Security Selection: The individual investment selected has a negligible influence upon performance. Therefore, the decision about whether to buy General Electric stock or the Fidelity Magellan mutual fund is secondary to the decision of how much of the portfolio is divided between domestic and international markets, how much is allocated to equity and fixed income investments, and for equities what are the allocations between the growth and value styles of investment.

Market Timing: Market timing strategies have the least amount impact upon portfolio performance because they seldom ever work. About 70% of market timers (investors who use input such as recent past market fluctuations or the leading economic indicators to predict and profit from short term market performance) typically under perform the index averages. Long-term fully invested strategies work better.

MISSION

The Efficient Market Concept: In a totally efficient market where all investors have available the same research information at the same time, the value of the security would exactly equal the purchase price. However, even though available information about some securities such as international small company stocks is more “*inefficient*” than others such as government bonds, active management investors typically are not able to consistently outperform market indexes such as the S&P 500. Therefore, we advocate that target asset classes for a portfolio be filled by structuring a core through “indexing”, a technique that replicates the performance of multiple market indexes. For example, you can utilize a stock mutual fund that tracks the Standard & Poor's 500 Index, or a bond mutual fund that tracks the Lehman Brothers Aggregate Bond Index. This core is then surrounded by a very select group of actively managed funds, which our proprietary economic and investment research deems opportunistic.

Minimize Investment Risks: To minimize investment risk, a portfolio must be put together with asset classes that have a low correlation coefficient. This means using multiple asset classes that perform differently at various times so that when one is down, it is probable that another asset class in the portfolio will be up. For example, during year 2000 when the stock markets suffered declines, the bond markets’ positive returns served as a support to overall portfolio performance, and reduced downside risk. So a portfolio consisting of the right selection of multiple asset classes is designed to produce expected growth and income with less volatile performance overall.

Minimize Transaction Costs: Transaction costs, commissions and high management fees can have a significant adverse impact on portfolio performance. These costs should be kept low by minimizing trading activity, avoiding advisors who get paid by commissions for product sales, and choosing investment funds that have low operating expenses. Utilizing index mutual funds and exchange traded funds (ETFs) reduces higher costs associated with actively managed mutual funds, most of which do not consistently outperform the indexes.

***BEWARE OF “SOPHISTICATED” COMPUTER TECHNOLOGY
TO OPTIMIZE ASSET ALLOCATION!***

Individual “do it yourself” investors could try to manage their own portfolios by using computer “optimizers” that indicate the best way to allocate funds among asset classes. But it is very costly to maintain optimization effectiveness because “optimizers” require ongoing massive data updates in order for asset class selections to be based upon accurate information. Even more important than the cost factor is the professional knowledge required when using optimizers to assess the output information properly. Beware: “Garbage in, garbage out” can be very detrimental when it comes to making important investment decisions, and dangerous to your financial health.

YOU NEED TO FOCUS ON THE BIG PICTURE WHEN INVESTING!

Identify your personal financial situation: This includes your family situation, financial objectives, and expected investment rates of return. The target rate of return established and achieved for your entire investment portfolio will determine the timing of accomplishing your lifetime plans.

Determine your investment time horizon: Consider your intended uses of money, when the money will be needed, and for how long.

Know your risk tolerance level: What is the most amount of money you can afford to lose in the single worst year of your entire time horizon? A 6% to 8% decline in any single year is acceptable for most people. In most down markets, risking an amount in excess of 10% would be very aggressive, and probably is not necessary if the portfolio is properly structured.

Develop a written investment policy statement: This statement should provide specific guidelines for an investment advisor to utilize. The policy should specify the targeted rate of return, risk tolerance levels, anticipated withdrawals and/or contributions, emergency liquidity needs, desired time horizon for results, and which asset classes are to be utilized.

Select a registered investment advisor regulated by either the federal Securities and Exchange Commission or by the individual state securities commission: Be sure to obtain a copy of the advisor's registration required be filed with the appropriate regulatory authorities. Consider an advisor that is compensated by fee rather than commissions to avoid conflicts of interest. Advisors that work for commissions may recommend more frequent transactions for your portfolio than warranted, or investments with unnecessary sales charges and higher internal expenses, causing decreases in your overall portfolio returns.

Minimize transaction costs: Index funds can be utilized to build the core of an investment portfolio. For example, there are index funds for large company domestic stocks, small company domestic stocks, foreign stocks, technology stocks, corporate and government bonds, and so on. Use a reputable discount brokerage firm such as Charles Schwab to reduce the cost of purchase and sale transactions.

Use dollar cost averaging for accumulating investment assets: Because it is impossible to consistently predict short-term price trends, purchases of investments should be done on a dollar-cost-average basis, which means staggering purchases to take advantage of lower prices during market fluctuations.

Rebalance your portfolio periodically: This is especially warranted when significant changes in market conditions occur affecting the value of asset classes. Generally, if any asset class held in the portfolio differs by more than 5% from its original target allocation, then more should be bought or some sold until the target percentage is restored. A quarterly rebalancing is usually sufficient for portfolios of less than \$1 million. With portfolios valued at more than \$1 million, a monthly rebalancing might be warranted.

Measure your investment performance: This should be observed quarterly and given serious review after each three to five year investment cycle to make sure that every asset class has had a chance to "have their day in the sun." There are two different types of performance reports: time weighted and dollar weighted. To compare the investment performance of your portfolio with the performance of other investment managers, use time weighted rates of return. To determine whether your investments are growing adequately to achieve your financial objectives, make sure to use computer generated rates of return that are time and dollar weighted to accurately measure the performance of your specific portfolio.

YOUR FINANCIAL OBJECTIVES CAN BE ACHIEVED!

With the Modern Portfolio strategy that we utilize, investors will save brokerage commissions, save time talking to stock brokers looking to sell securities, avoid needless risks, and help achieve a targeted rate of return with greater peace of mind through global diversification.

We Advocate a Proven Nobel Prize-Winning Approach For Managing Our Clients' Investment Portfolios

Most investors focus on finding the best stocks and/or mutual funds to buy and sell at the most opportunistic time. However, Nobel Prize-winning investment research and analysis has proven that this is not the most effective approach when structuring an investment portfolio.

A MUCH BETTER STRATEGY FOR INVESTMENT SUCCESS!

In today's global economy it's more beneficial to concentrate on structuring a diversified investment portfolio with a targeted array of low correlation asset classes across the world's most attractive markets. Practical application of this investment approach is based upon academic research by economists, Harry Markowitz and William Sharp. Their research produced what is known as Modern Portfolio Theory for which they were awarded the Nobel Prize for Economic Science in 1974.

The Modern Portfolio approach enables an investor to achieve more predictable investment performance in a way that reduces both risk and investment expenses. It serves as a guide for investment managers responsible for trillions of dollars in pension funds, endowment funds and other institutional portfolios around the world.

MODERN PORTFOLIO BASICS

Asset Allocation: Research studies show that the overwhelming determinant of investment performance is the asset allocation decision with market timing and security selection playing only a minor role in portfolio growth. Over 90% of total investment return is attributed to how much of an investment portfolio is allocated to various components of worldwide equity and bond markets. Accordingly, our primary focus is to individually structure portfolios by setting target percentages for an array of globally diversified asset classes, and then filling each of the asset classes with the very best selections in our thoroughly researched list of approved investments.

Security Selection: The individual investment selected has a negligible influence upon performance. Therefore, the decision about whether to buy General Electric stock or the Fidelity Magellan mutual fund is secondary to the decision of how much of the portfolio is divided between domestic and international markets, how much is allocated to equity and fixed income investments, and for equities what are the allocations between the growth and value styles of investment.

Market Timing: Market timing strategies have the least amount impact upon portfolio performance because they seldom ever work. About 70% of market timers (investors who use input such as recent past market fluctuations or the leading economic indicators to predict and profit from short term market performance) typically under perform the index averages. Long-term fully invested strategies work better.

MISSION

The Efficient Market Concept: In a totally efficient market where all investors have available the same research information at the same time, the value of the security would exactly equal the purchase price. However, even though available information about some securities such as international small company stocks is more “*inefficient*” than others such as government bonds, active management investors typically are not able to consistently outperform market indexes such as the S&P 500. Therefore, we advocate that target asset classes for a portfolio be filled by structuring a core through “indexing”, a technique that replicates the performance of multiple market indexes. For example, you can utilize a stock mutual fund that tracks the Standard & Poor's 500 Index, or a bond mutual fund that tracks the Lehman Brothers Aggregate Bond Index. This core is then surrounded by a very select group of actively managed funds, which our proprietary economic and investment research deems opportunistic.

Minimize Investment Risks: To minimize investment risk, a portfolio must be put together with asset classes that have a low correlation coefficient. This means using multiple asset classes that perform differently at various times so that when one is down, it is probable that another asset class in the portfolio will be up. For example, during year 2000 when the stock markets suffered declines, the bond markets’ positive returns served as a support to overall portfolio performance, and reduced downside risk. So a portfolio consisting of the right selection of multiple asset classes is designed to produce expected growth and income with less volatile performance overall.

Minimize Transaction Costs: Transaction costs, commissions and high management fees can have a significant adverse impact on portfolio performance. These costs should be kept low by minimizing trading activity, avoiding advisors who get paid by commissions for product sales, and choosing investment funds that have low operating expenses. Utilizing index mutual funds and exchange traded funds (ETFs) reduces higher costs associated with actively managed mutual funds, most of which do not consistently outperform the indexes.

***BEWARE OF “SOPHISTICATED” COMPUTER TECHNOLOGY
TO OPTIMIZE ASSET ALLOCATION!***

Individual “do it yourself” investors could try to manage their own portfolios by using computer “optimizers” that indicate the best way to allocate funds among asset classes. But it is very costly to maintain optimization effectiveness because “optimizers” require ongoing massive data updates in order for asset class selections to be based upon accurate information. Even more important than the cost factor is the professional knowledge required when using optimizers to assess the output information properly. Beware: “Garbage in, garbage out” can be very detrimental when it comes to making important investment decisions, and dangerous to your financial health.

YOU NEED TO FOCUS ON THE BIG PICTURE WHEN INVESTING!

Identify your personal financial situation: This includes your family situation, financial objectives, and expected investment rates of return. The target rate of return established and achieved for your entire investment portfolio will determine the timing of accomplishing your lifetime plans.

Determine your investment time horizon: Consider your intended uses of money, when the money will be needed, and for how long.

Know your risk tolerance level: What is the most amount of money you can afford to lose in the single worst year of your entire time horizon? A 6% to 8% decline in any single year is acceptable for most people. In most down markets, risking an amount in excess of 10% would be very aggressive, and probably is not necessary if the portfolio is properly structured.

Develop a written investment policy statement: This statement should provide specific guidelines for an investment advisor to utilize. The policy should specify the targeted rate of return, risk tolerance levels, anticipated withdrawals and/or contributions, emergency liquidity needs, desired time horizon for results, and which asset classes are to be utilized.

Select a registered investment advisor regulated by either the federal Securities and Exchange Commission or by the individual state securities commission: Be sure to obtain a copy of the advisor's registration required be filed with the appropriate regulatory authorities. Consider an advisor that is compensated by fee rather than commissions to avoid conflicts of interest. Advisors that work for commissions may recommend more frequent transactions for your portfolio than warranted, or investments with unnecessary sales charges and higher internal expenses, causing decreases in your overall portfolio returns.

Minimize transaction costs: Index funds can be utilized to build the core of an investment portfolio. For example, there are index funds for large company domestic stocks, small company domestic stocks, foreign stocks, technology stocks, corporate and government bonds, and so on. Use a reputable discount brokerage firm such as Charles Schwab to reduce the cost of purchase and sale transactions.

Use dollar cost averaging for accumulating investment assets: Because it is impossible to consistently predict short-term price trends, purchases of investments should be done on a dollar-cost-average basis, which means staggering purchases to take advantage of lower prices during market fluctuations.

Rebalance your portfolio periodically: This is especially warranted when significant changes in market conditions occur affecting the value of asset classes. Generally, if any asset class held in the portfolio differs by more than 5% from its original target allocation, then more should be bought or some sold until the target percentage is restored. A quarterly rebalancing is usually sufficient for portfolios of less than \$1 million. With portfolios valued at more than \$1 million, a monthly rebalancing might be warranted.

Measure your investment performance: This should be observed quarterly and given serious review after each three to five year investment cycle to make sure that every asset class has had a chance to "have their day in the sun." There are two different types of performance reports: time weighted and dollar weighted. To compare the investment performance of your portfolio with the performance of other investment managers, use time weighted rates of return. To determine whether your investments are growing adequately to achieve your financial objectives, make sure to use computer generated rates of return that are time and dollar weighted to accurately measure the performance of your specific portfolio.

YOUR FINANCIAL OBJECTIVES CAN BE ACHIEVED!

With the Modern Portfolio strategy that we utilize, investors will save brokerage commissions, save time talking to stock brokers looking to sell securities, avoid needless risks, and help achieve a targeted rate of return with greater peace of mind through global diversification.