



Our Investment Philosophy

1) Financial markets, including U.S. and international stock and bond markets, tend to work fairly efficiently. Historically, common stocks have delivered higher long-term returns and higher volatility than other asset classes such as bonds. As a result, common stocks are typically a focal point for investors seeking long-term growth (a.k.a. capital appreciation) and are most suitable when saving for long-term goals such as retirement. Bonds and other fixed-interest investments, on the other hand, are better suited to investors seeking income from their investments, investors with shorter time horizons and/or investors who prefer steadier, less-volatile returns. We believe firmly in the risk-reward trade off between stocks and bonds, and that understanding this trade off is essential to successful investment planning. The percentage of stocks versus bonds in ones portfolio, or asset allocation, will be the largest single factor in determining the long-term returns and volatility experienced by an investor over time. As such, this decision is extremely important.

2) With regard to investing in stocks, we favor a fundamental, value-oriented investing strategy. We feel that this investment style is well-suited to clients saving and investing for longer-term goals. In contrast to strategies that are focused on the short-term, rely on attempts to "time the market", employ frequent trading and/or speculate on near-term movements in stock prices, "value investing" involves evaluating and purchasing the common stocks of companies when we believe they are selling for less than the intrinsic value of the business. This strategy often identifies businesses whose stocks are "cheap" relative to the companies' book value, earnings, sales, etc. This strategy specifically looks to capitalize on company-specific setbacks, general market declines and any other factors that cause declines in stock prices. Rather than looking at stock price declines with fear, value investors are patient, long-term focused and look at market and stock price declines as opportunities to eventually profit. Value investors attempt to truly "buy low" and "sell high" and are often seen as contrarians.

Fundamental, value-based strategies are characterized by less frequent trading and longer holding periods for stocks purchased, and though they are perceived by some as old-fashioned and stodgy compared to newer, technology-dependent and quick-trading strategies, numerous academic studies can attest to the past long-term success of value investing. Though it is no guarantee of future success, value investing is practiced in some form by many successful long-term investors and money managers.

3) There are several investment vehicles in which individuals can invest their money. With respect to stocks, we favor directly investing in shares of common stocks for our clients. When appropriate, we also invest in actively-managed mutual funds with managers that follow a similar, value-based investing philosophy. With respect to bonds, we use actively-managed mutual funds along with passively-managed mutual funds.