

Investment Philosophy

Navigating Your Investment Journey

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Your investments are an integral part of a broader financial journey. Portfolio strategies and investment decisions can have a significant impact on your long-term success. Using a disciplined investing approach can increase the probability of a successful journey.

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Investment Philosophy

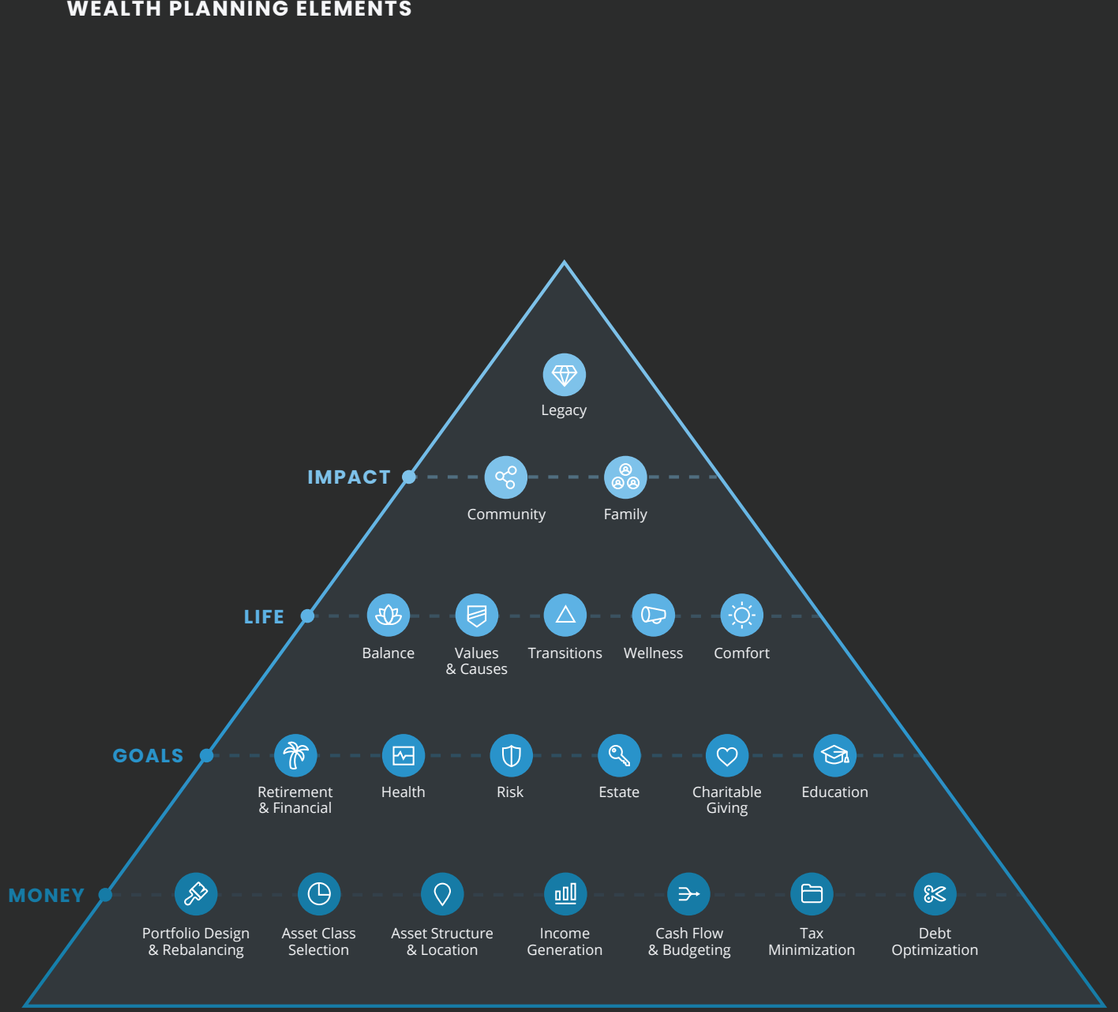
Portfolios are designed to help you achieve your financial goals. Risky practices like trying to time the market, anticipate trends, or identify mispriced investments may be unreliable ways to build wealth.

A disciplined investing approach believes that the best portfolio is one you can stick with for the long term.

Use a disciplined investing approach

Consider Five Factors When Building a Portfolio:

- **Markets are highly efficient.** Trillions of dollars are traded daily where buyers and sellers come together and agree on a price. Given so much competition, the current price often reflects both the latest news and the latest outlook for the investment and the economy. That's why the price is usually the best estimate of the current value.
- **Risk and expected return are related.** If you want the potential for more return, you'll need to accept more risk and likely greater fluctuations in value. Sometimes these risks pay off with more return, but sometimes they result in losses. Although adding more unique sources of risk and return can create a portfolio with steadier growth, you shouldn't take more risk than you're comfortable with.
- **Diversification is essential.** Diversification has been called the only free lunch in investing. This is because using a single stock, strategy, or investment type is riskier than mixing different types of investments. Holding multiple investments reduces the risk that any single investment will cause a drag on portfolio performance.
- **Pursue factors of returns.** Research and practice has shown that allocating more of your portfolio to companies that share certain characteristics can increase your potential for return. Although these characteristics may bring more risk, a disciplined approach builds portfolios to most efficiently allocate across multiple sources of risk—even if it means performing differently than headline indexes.
- **Focus on what you can control.** Focus on the areas within your control—such as setting a thoughtful investment strategy and following a disciplined review process. Staying disciplined and focusing on your time horizon will help see you through volatile market cycles.



Harmonizing Your Life and Financial Plan

Focus on What Matters

Although the portfolio is undoubtedly a key piece of your overall financial plan, it doesn't reside in isolation. Your money powers a broader set of objectives that ultimately help you live the life you aspire to—both today and in the future.

Through a truly comprehensive and integrated approach, your advisor will take a proactive look at your entire life picture, exploring your impact, money, and life goals, including financial considerations, resources, and existing strategies.

Life isn't linear. Your plan shouldn't be either.

Partnering with an advisor means having someone to guide you through both opportunities and challenges. You've worked hard to get where you are, and that should be celebrated. Now, as you look to the future, you can relax knowing that you have a comprehensive approach to navigate life's next adventure.

A comprehensive approach integrates your life and financial plan

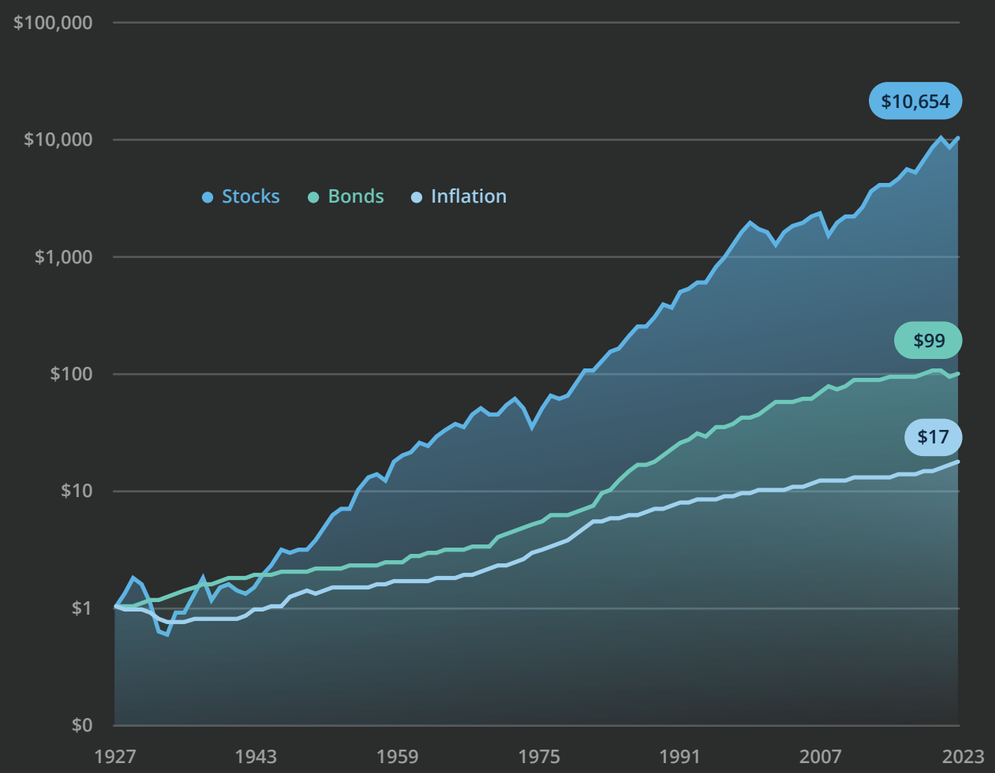
1. A process of personal discovery helps to uncover what's important to you, so that a plan can be designed and customized to balance your wants and needs. This plan serves as an ever-changing compass that will help navigate the journey ahead.

2. With research and financial science as the foundation, build your plan with distinct objectives and attainable action items. It's not a rigid, solitary plan; it is a fluid, ever-evolving process to help you stay on track to meet your goals.

3. Life happens. Inevitably there will be a number of factors, both personal and global, that impact your plan. Protecting your plan means providing insights and education to help you focus on those areas that can be controlled.

TIME HAS PROVEN THE VALUE OF INVESTING

Hypothetical Growth of $1 — 1927 to 2023



For illustrative purposes only and not indicative of an actual investment.
Source: Ken French Data Library, Dimensional. Hypothetical value of $1 invested at the end of 1927 and kept invested through Dec. 31, 2023. Assumes reinvestment of income and no transaction costs or taxes. Total returns in U.S. dollars. Past performance is no guarantee of future results. Stocks are represented by the Fama/French Total US Market Research Index Portfolio, which is an unmanaged index of stocks of all U.S. companies operating on the NYSE, AMEX, or NASDAQ. Bonds are represented by Five-Year U.S. Treasury bonds, from Dimensional. Inflation is represented by the Consumer Price Index (CPI). The CPI reflects monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services, not seasonally adjusted. The Fama/French Total U.S. Market Research Index Portfolio Index and the Five-Year Treasury Bond Index are unmanaged baskets of securities that investors cannot directly invest in. Index performance does not reflect the fees or expenses associated with the management of an actual portfolio. Risks associated with investing in stocks potentially include increased volatility (up and down movement in the value of your assets) and loss of principal. Treasury bonds are backed by the U.S. government and guaranteed as to the timely payment of principal and interest. Treasury bonds are subject to interest rate and inflation risk and their values will decline as interest rates rise. These charts illustrate a graphical representation of the hypothetical growth of a dollar invested in the indexes mentioned above. Time period chosen for comparison purposes only. Information from sources deemed reliable, but its accuracy cannot be guaranteed. This information should not be considered as a demonstration of actual performance results or actual trading using client assets and should not be interpreted as such. The results may not reflect the impact that material economic and market factors may have had on the advisor's decision-making in managing actual client accounts.

Fundamentals of Investing

The investment universe is bigger than you might expect, and you have quite a few choices when it comes to putting a financial and investment plan into action. In the end, saving and investing are the fundamental means towards achieving your financial goals—and freeing up your time to focus on the areas of life you value most.

The Foundation of Every Portfolio

Before building a portfolio to help you achieve your plan, you'll want to understand the choices you have. The basic levers in portfolio design are stocks and bonds. They are the two main investment options available to investors, as well as the primary methods through which public companies raise money to invest in their operations.

When buying shares of a company, you hope to capture a share of their future profits, but when buying bonds you're counting on being repaid the money loaned, with interest.

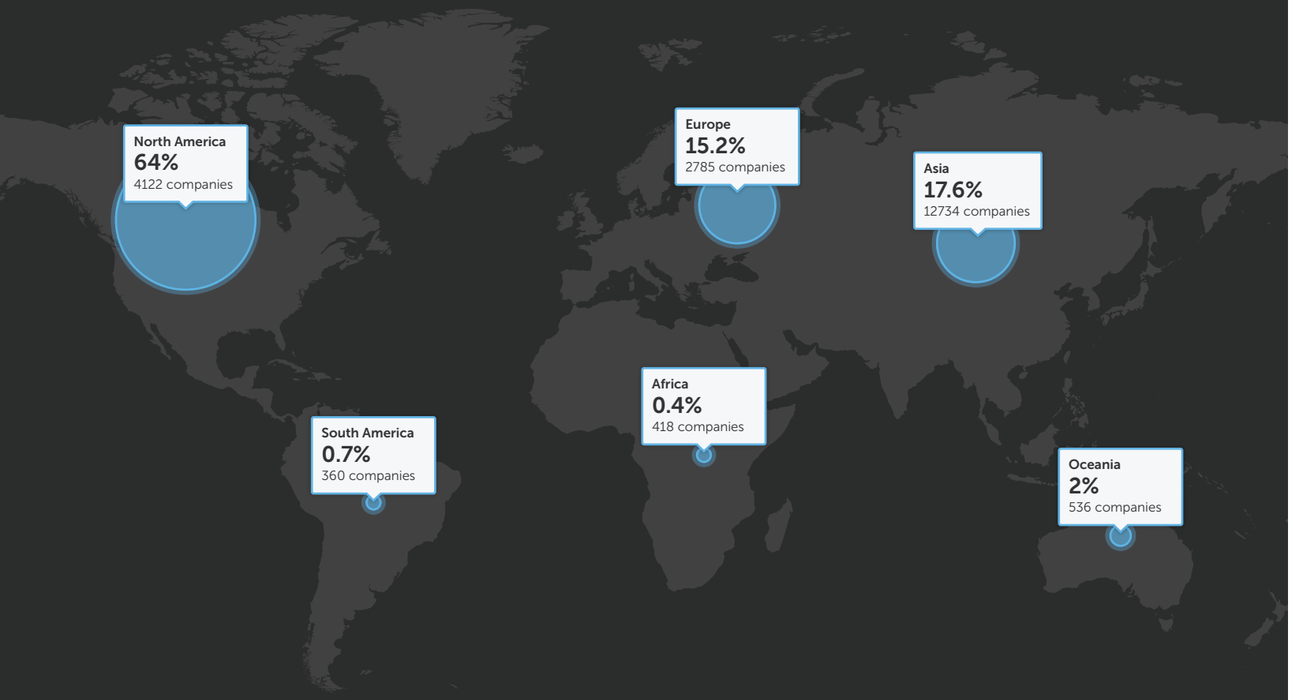
Stocks: Also referred to as equities, stocks are considered a purchase of ownership in, and in turn, a share of a company. Since future cash flows and profits are highly uncertain, stocks tend to be a riskier and potentially more lucrative investment option.

Bonds: Also called fixed income, bonds can be considered loans to governments or a company in exchange for interest payments or additional income. Since most bonds have defined cash flows, they tend to be less risky than many other investments.

Time Has Proven the Value of Investing

When investing, your primary goal is to grow your assets to fund your financial goals. Historically, both bond and stock investments have outpaced inflation. As you can see in the graph, given the higher level of risk, stocks delivered significantly more growth over the long term.*

*See disclosure under the graph on the previous page.





17,000 companies (outside of the U.S.) comprise **39%** of $81 trillion of the Global Stock Market

Source: Dimensional Fund Advisors, as of December 31, 2023.

Breaking Down the Indexes

When you see the financial news, they are typically reporting on the Dow Jones Industrial Average (DJIA), the S&P 500 or the NASDAQ—what does that really mean? These are key indexes, or proxies for the overall "market." The DJIA comprises only 30 stocks that are considered core to the U.S. market activity while the S&P 500 consists of the largest 500 companies in the U.S. The NASDAQ tends to focus on more technology-focused companies.

These well-known indexes generally only track larger companies. For example, the top five names in the S&P 500 account for nearly 25% of the overall index (as of December 31, 2023). Most of those large companies have done relatively well over recent periods meaning they're more expensive than other companies that you can buy. However, did you know that in addition to the roughly 500 top stocks, there are over 2,000 U.S. companies you can invest in? The characteristics by which you select your investments is a concept called investment style and is a key component in your overall strategy.

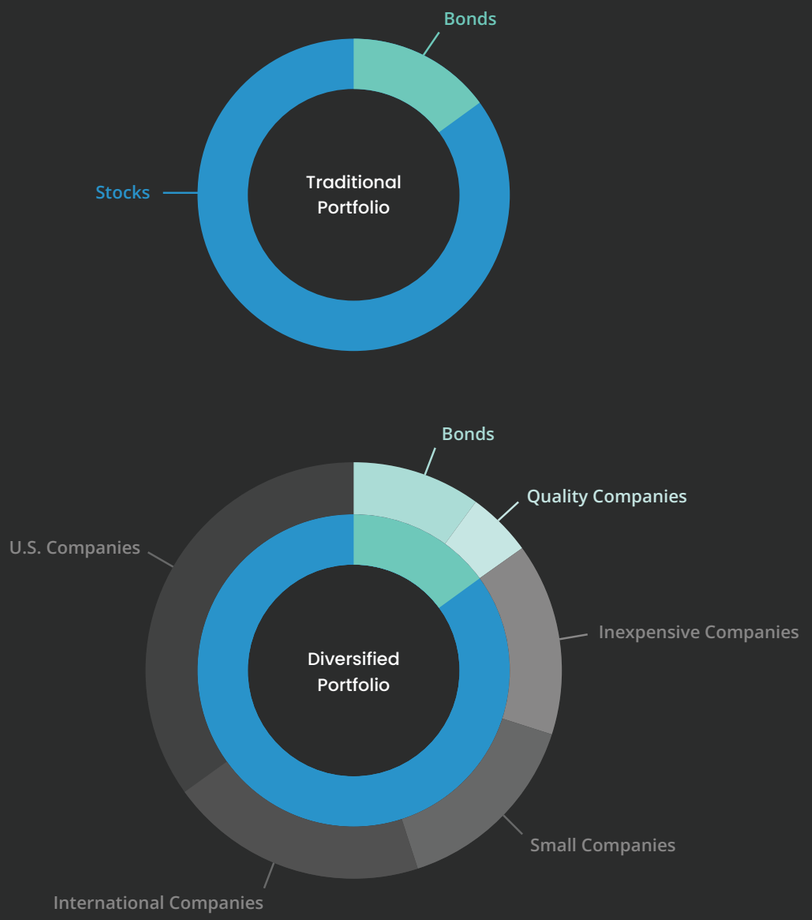
Seeing the Whole Investment World

While the U.S. boasts the largest stock market, overlooking other global markets may present missed opportunity. The graphic shows that 17,000 companies outside of the U.S. comprise 39% of the Global Stock Market. That's a world of opportunity beyond those large companies in the S&P 500. And it's hard to predict which types of stocks will have the best returns, especially over the next year.

A diversifying approach emphasizes owning companies throughout the world—beyond the S&P 500

WHAT DRIVES PORTFOLIO RETURNS

Traditional Portfolio vs. Diversified Portfolio



For illustrative purposes only.

Portfolio Strategy

Whether you need help growing your wealth or protecting it, a diversified portfolio ensures that each investment has unique characteristics and will react differently to economic, political, and societal influences. This is one way to use research over guesswork when designing your portfolio.

A Diversifying Approach

While many professionally designed portfolios will use a combination of stocks and bonds, financial research looks beyond asset classes to better understand both the risks that drive performance and how to effectively capture those risks — all with the goal of providing true diversification to help improve your investment journey.

Look beyond traditional investment approaches and design a portfolio with multiple sources of risk and return

- **Tilt stocks to improve your outcome.** Use stocks to grow the portfolio and invest in companies both big and small around the globe. Investing more in companies that share certain characteristics can change the risks of your portfolio, also increasing your potential for higher returns. We call this tilting the portfolio.
- **Emphasize bonds that offset stock market risk.** The main purpose of bonds is to protect the wealth you've worked hard to accumulate. This may be achieved by prioritizing the most secure and creditworthy bonds, like those backed by the U.S. government. Including bonds that will be repaid (or mature) within the next one to 10 years helps insulate the portfolio from the larger price swings that stocks often endure. The impact of including high-quality bonds in your portfolio can be significant, leading to a smoother ride and providing the cushion your portfolio needs to endure through poor stock market performance.
- **Add alternatives to improve your portfolio.** Alternatives are simply investments that have unique sets of risk compared to traditional stocks or bonds. Although these strategies may not be suitable for everyone, they can offer truly unique sources of risk and return. Adding alternatives can cushion the portfolio from stock market fluctuations while offering a greater chance for growth compared to high-quality bonds. Even a small allocation to alternatives can soften the portfolio from stock market declines.

Alternative investments involve a high level or risk and can have significant negative and positive changes in a short period of time. Past performance does not guarantee future results. Dependent on the investment, there can be restrictions for liquidation. Individuals should speak with a qualified financial professional based on their circumstances to determine if alternative investments can be utilized.

FILTERING YOUR INVESTMENT UNIVERSE



Step 1

Eliminate any funds with hidden loads or 12b-1 marketing fees.

Step 2

Focus on strategies that are broadly diversified across stock sectors and geographic regions.

Step 3

Look for funds that implement sound, intuitive investment strategies.

Step 4

Engage the fund managers in extensive conversations to develop a deep understanding of their teams, best practices, and processes.

Step 5

Look for funds that are most effective and consistent at capturing their targeted exposures relative to the costs they charge.

Step 6

Evaluate the tradability of the mutual fund or ETF to ensure resilience in volatile markets.

The Optimal Mix of Investments

Filtering Your Investment Universe

There are thousands of investment choices, yet you may be more likely to achieve your goals by investing in only a small fraction of funds available. The graphic shows how to select fund managers that you know and trust.

Bond Implementation: Efficient Access to Bonds

When approaching fixed income, high-quality, short-to-intermediate-term bonds may be used to preserve wealth and balance other risks in the portfolio. Where appropriate, this core can be complemented with high-yield bonds and other sectors. Implementing these selections carefully, using bond funds, ETFs, and custom bond portfolios can deliver the most cost-effective exposure.

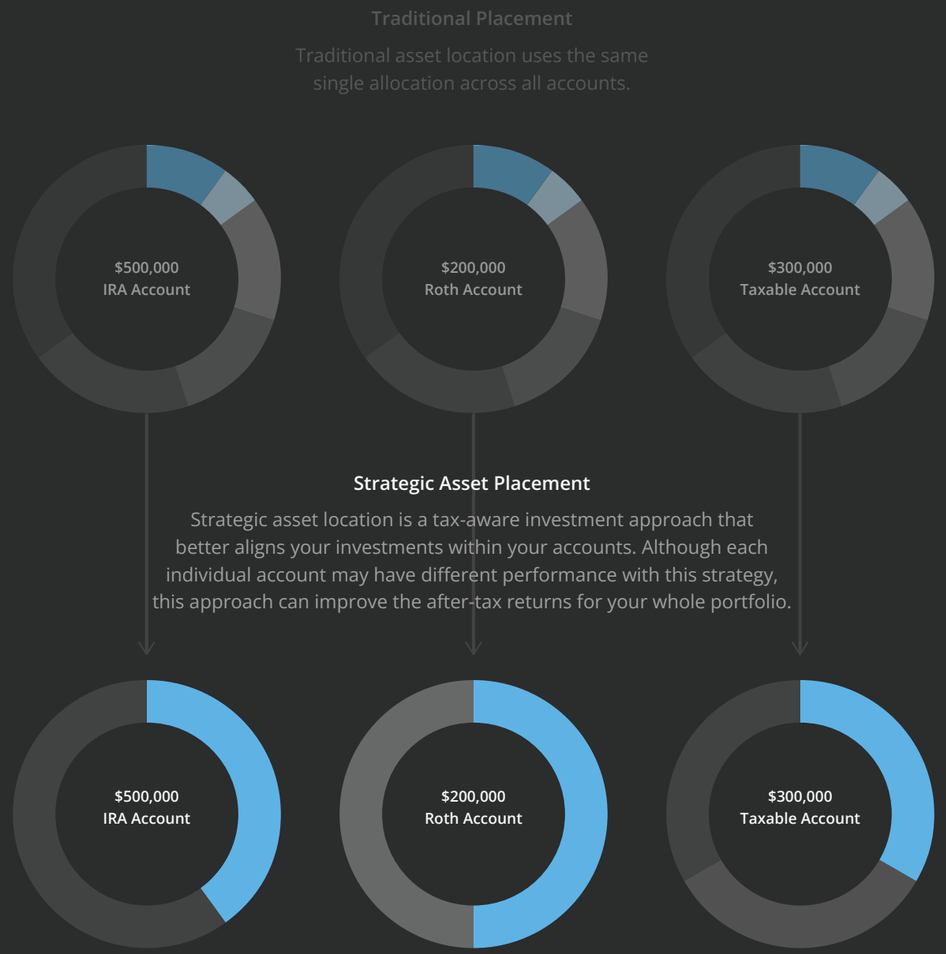
Implementing The Right Alternatives

With alternatives, a disciplined approach applies stringent sets of criteria, seeking strategies that are transparent, unique from other markets, and capture potentially better returns than high-quality bonds.

While alternative strategies may not be suitable for everyone, a few approaches—like real estate, private lending, reinsurance, and style premia—may benefit a well-constructed portfolio.

MANAGING TOMORROW'S TAXES TODAY

Implementing Asset Location to Better Manage Taxes



For illustrative purposes only.

Your Path to Personalization

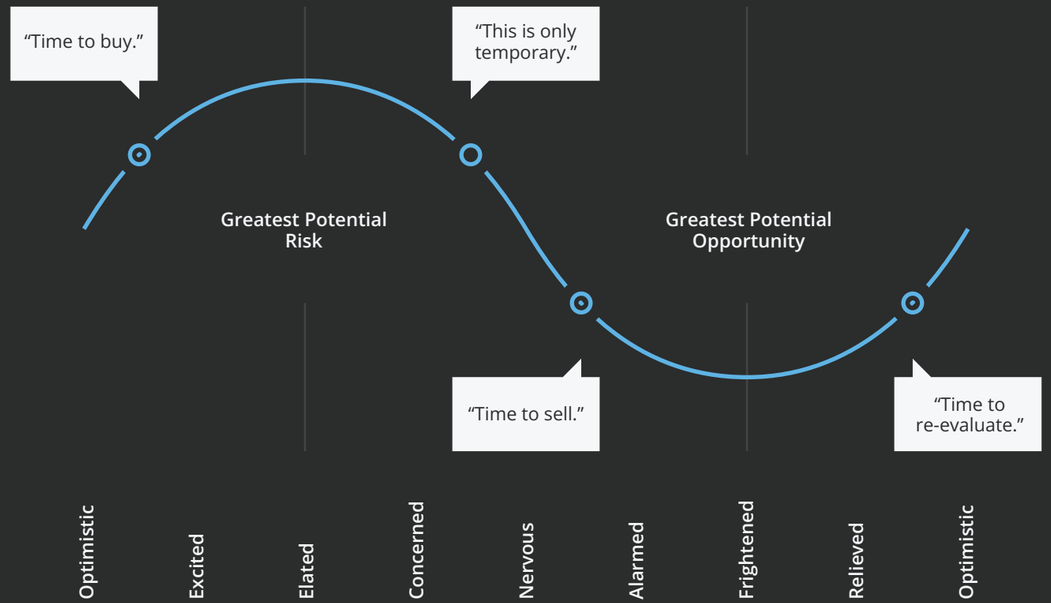
A Strategy That Begins with You

First, your advisor will consider your entire financial situation by identifying your objectives, income requirements, and existing investments and account types. The next step is to understand your ability, willingness, and need to take risks, in order to tailor your plan to your current and long-term needs.

Asset location can potentially reduce your tax burden

- **Existing Accounts.** Design a plan optimized around your existing account types including taxable, tax-deferred, tax-free, annuity, bank, 401(k), college savings, executive compensation, and RSUs/stock options.
- **Existing Holdings.** If you have concentrated stock, low tax-basis positions, or other holdings that cannot or should not be sold, a plan can be developed that complements those existing assets.
- **Income Sources.** For those approaching retirement, it's important to design a portfolio to account for income from other sources such as pension, rental property, and other income-producing assets.
- **Tilt.** Financial science suggests that tilting to companies with certain characteristics such as size, style, and quality may enhance returns. For those comfortable with a stock portfolio that performs differently from headline indexes, such as the S&P 500, increasing the amount invested in these companies may improve your potential for higher returns.
- **Alternatives.** Alternatives may add another source of risk and return to a portfolio. Although these strategies are accretive to the portfolio's steadiness and return, each strategy is subject to substantial declines and, in some cases, limits to how much and how often you can withdrawal your money.
- **Values.** Environmental, Social, and Governance (ESG) or faith-based investment approaches allow you to further tailor your portfolio design towards your personal values.
- **Investment Type.** Whether using mutual funds, ETFs, or separately managed accounts (SMAs), different investment vehicles can impact your taxes and strategy. An advisor can help you figure out which approach is most appropriate for your circumstances.
- **Asset Location.** Different investments have different tax treatments, and withdrawals from different investment accounts are taxed differently as well. By putting tax-inefficient investments, such as bonds and alternatives, into more tax-efficient accounts, such as an IRA, you may potentially reduce your tax burden.

THE ROLLER COASTER OF INVESTOR EMOTIONS



For illustrative purposes only.

Managing Your Portfolio

Managing Your Portfolio with Discipline

Some managers prefer to add flair by taking unnecessary risks such as making tactical speculative adjustments based on hunches—not research. Disciplined portfolio management is decidedly different. The process focuses on areas we can control such as rebalancing and tax management. Rather than guessing what investment implications may arise out of short-term news, a rules-based approach results in fewer surprises and potentially better outcomes.

Your advisor can help you through the emotional ups & downs in your investment journey

Managing the Emotions of Investing

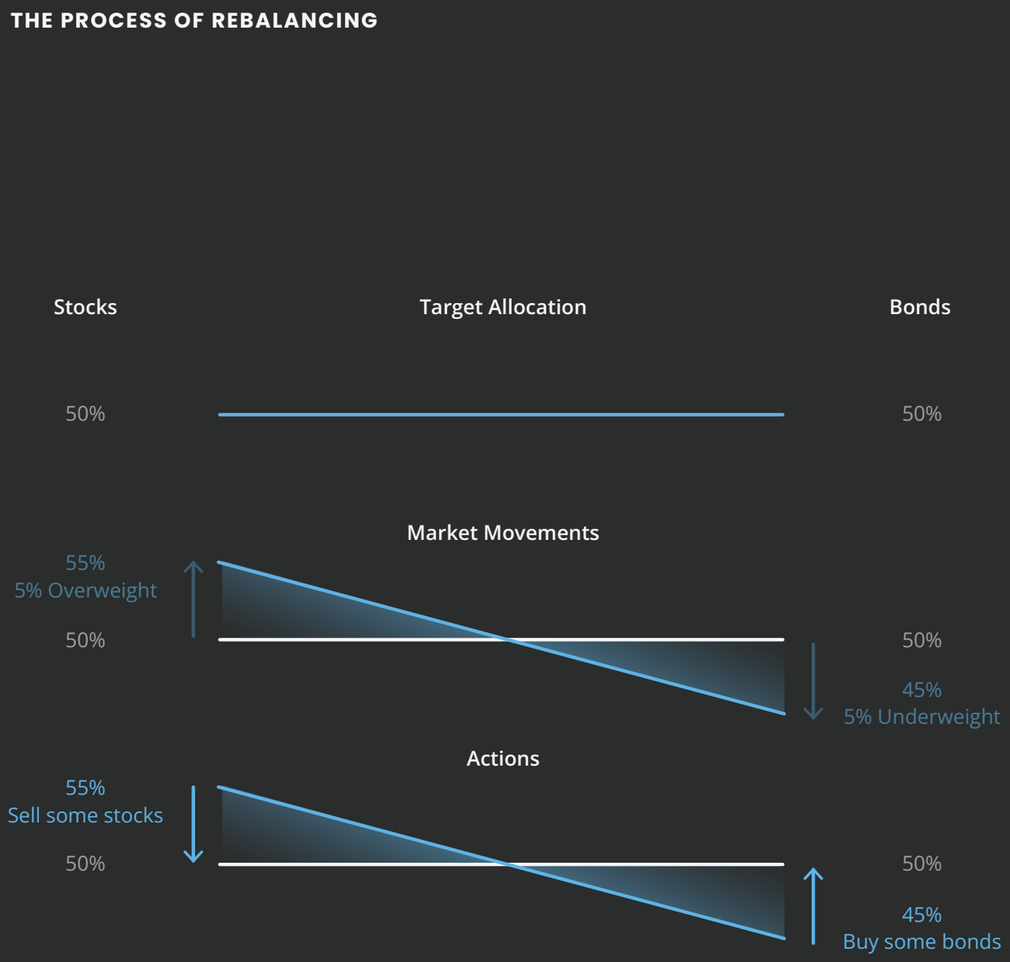
As you start your investment journey with your advisor, you'll likely feel excited for the future. As markets oscillate, however, many investors experience emotional cycles. Even the best investment strategy is moot without the discipline and conviction to stay invested through rough market patches. But positive investment outcomes come from marrying a good strategy with predictable behavior. This is done to anticipate some of the inherent emotions—from excitement to fear to relief—coming from market cycles that can otherwise affect better decisions.

Preparing for the Rough Patches

A good start to the investment journey may involve establishing an Investment Policy Statement that will guide how to respond to different market environments. Because, as history shows us, market declines are not uncommon. Despite the frequency of market hiccups, a long-term perspective highlights the potential benefit of staying invested. Plan for market declines, because on average:

- One in every three months, stock markets lose value.
- Stock markets will decline by 10 percent or more once every two years.
- Stock markets will decline by 20 percent or more once every four years.

Source: Ken French Data Library. Past performance is no guarantee of future results. Stocks are represented by the Fama/French Total US Market Research Index Portfolio, which is an unmanaged index of stocks of all U.S. companies operating on the NYSE, AMEX, or NASDAQ. Over the 97-year period from January 1927 through December 2023, U.S. stocks had an intra-year decline of 10% or more 65 times (roughly once every 1.5 years), and they had an intra-year decline of 20% or more 25 times, which is roughly once every 3.8 years. U.S. stocks were down 433 of the 1,164 months over that same period, or slightly more than once every 3 months.



For illustrative purposes only.

Keeping Your Portfolio in Balance—So You Can Focus on What Matters

Markets move every day—that's expected. Your advisor will monitor your portfolio to ensure it stays in line with your tolerance for risk. As your portfolio moves out of balance, your portfolio management team should sell some of what's done well and buy some of what's done poorly. This is called **rebalancing**, and it enforces a discipline of buying low and selling high.

Keep your portfolio in line with your tolerance for risk with rebalancing

Turning Losses into Tax Breaks

Sometimes investments go down in value. In fact, some may be worth less than what you bought them for. Yet, these can be used to help offset gains and better manage taxes. This is known as **tax-loss harvesting** and the benefits are key to an ongoing strategy that includes:

- Identifying and replacing assets that have gone down in value
- Locking in losses to offset taxable gains
- Keeping the portfolio in line with target allocation
- Reducing overall tax burden

Use tax-loss harvesting to offset gains and better manage taxes



Changing Your Portfolio as Your Life Changes

Life isn't linear. That's why a research-driven approach combines monitoring your portfolio with reviewing your plan and financial goals. Based on your circumstances, the likelihood you will be able to meet and exceed your goals may change. As a result, your advisor may recommend adjustments, such as saving and spending changes, to maintain a healthy probability of future success.

YOUR ADVISOR IS YOUR STEWARD. AND THEY'RE BACKED BY A TEAM OF LIKE-MINDED PROFESSIONALS



Your Advisory Team

Your advisor's focus is collaborating with you on designing a strategic plan, working with you during life's inevitable transitions, and educating you along the way. They are available to provide support and guidance along your journey.



The Focus Partners Community

A network of innovative specialists share investment and planning insights with your advisor so you always benefit from the latest knowledge.



Other Professionals

Your advisor may collaborate with other industry leaders and strategic partners to incorporate their insights into your plan. They may work closely with your other professional advisors, such as attorneys and CPAs, to ensure your tax, investment, and estate strategies are cohesive.

Your Financial Team

Your Success is a Team Effort

When you partner with an advisor, you gain the strength of a community of professionals with the support of a diverse team of financial planning leaders, tax professionals, investment researchers, and portfolio managers. Your advisor will orchestrate a bespoke plan, tailored to your situation.

This team of dedicated professionals is constantly exploring and assessing the ever-changing landscape of investments, tax code, markets, and planning strategies—with a singular focus on maintaining an investment approach that puts your interests first.

Your relationship with your advisor includes the strength of a nationwide community

A Community Empowers Your Advisor

The team working with your advisor is focused on learning and evolving through research and actively collaborating to solve complex problems for clients. These colleagues focus on a variety of investment areas, and you can be rest assured that your advisor is supported by a community of financial and investment professionals focused on supporting you on your investment journey.

SAMPLE LIST OF AREAS WE ARE CONTINUOUSLY EXPLORING

		Monetary Policy	Tax Policy
Financial Planning Strategies	New Asset Classes	Rebalancing Methodologies	Retirement Income
Optimizing Debt	Enhanced Cash Management	Income Guarantees	Cryptocurrency
Private Equity	Enhanced Personalization	ESG Strategies	

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Investing Strategies Are Continually Evolving

Our collaborative investment strategy combines strong convictions and a passion to progress.

An investment committee, in conjunction with your advisor, scours academic and other research in pursuit of better outcomes for clients. Recommendations are not based on the opinion of your advisor or any individual within their network. Rather, the recommendations are based on decades of academic and practitioner research and as the evidence evolves, so should the recommendations.

Relying on research to guide investment decisions might slow down the implementation of new strategies. But that is OK. Your financial well-being deserves a careful, thoughtful approach.

Your advisor partners with thought leaders committed to understanding how the latest academic and practitioner research can improve outcomes

How Your Advisor Can Add Value

The value of working with a professional team extends well beyond the returns you earn on your investments. According to a Vanguard study, professional support across implementation, rebalancing, behavioral coaching, tax management, and spending strategies has the potential to add about 3% in total net returns each year!

Typical Value Added for Client

0%*
Suitable asset allocation using broadly diversified funds/ETFs

0.30%
Cost-effective implementation (lower expenses)

0.14%
Rebalancing

0–2.00%
Behavioral coaching

0–0.60%
Asset location

0–1.20%
Spending strategy (withdrawal order)

>0%*
Total-return versus income investing

~3%
Total potential value added in net returns

*Value is significant but too unique to each investor to quantify.
Source: Vanguard, July 2022



Pursuing Better Outcomes

Unlike some in the financial industry, we approach your investment experience with care and dedication. Our partnership and your success is important to us. Working with an advisor means having a sage guide through both opportunities and challenges for years to come. Through our community and investment philosophy, we will work tirelessly to find ways of potentially improving the outcomes along your financial journey.

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