

# Investment Management Process



We are patient, long-term investors. Our job is to manage risk, not chase returns.

While our investment process is disciplined, we are not dogmatic. We believe participation in the market requires a healthy balance between caution and optimism. Above all, we are passionate about portfolio management and eager to share our expertise with clients.

## OUR INVESTMENT MANAGEMENT PROCESS

- Portfolios are individually constructed and tailored to the unique objectives, constraints, time horizon and risk tolerance of each client
- Individual securities (stocks and bonds) serve as the core foundation for client portfolios. Legacy stock and bond positions are incorporated into the investment management process
- Our Investment Committee utilizes a team approach to investment research, security selection and portfolio construction
- Exchange traded funds (ETFs) and mutual funds are used as appropriate for diversification around core portfolio positions, as well as for clients who prefer owning funds
- Alternative asset classes like commodities and real estate may be selected for additional diversification, income and returns that are not correlated to equity returns over time
- Our investment management process is directly tied to comprehensive financial planning services. Strategies may include:
  - Maximizing efficiencies between taxable, tax-deferred, and tax-exempt accounts
  - Tax-loss harvesting
  - Capital gains management
  - Addressing savings rates and withdrawal needs
- Client assets are held at a third party custodian
- Each client portfolio is guided by a written Investment Policy Statement (IPS) unique to the client's objectives, constraints, time horizon and risk tolerance

# Individual Security Selection

## STOCKS

Stocks represent ownership in an underlying business. Our Investment Committee selects individual stocks for purchase through a rigorous fundamental screening, including both quantitative and qualitative analysis.

Our individual stock model is designed to diversify risk by owning a variety of outstanding companies with stable cash flows across a wide range of industries. In general, we use a contrarian, or “out-of-favor,” approach that seeks to take advantage of short-term fluctuations in the stock market for your long-term gain. Our objective is to build you a portfolio of high-quality businesses at attractive prices.

### Our fundamental stock analysis focuses on:

Owner’s earnings / free cash flow

Debt ratios

Operating margins

Dividend history

Growth rates

Industry position / competitive moat

Return on equity

Price point and valuation multiples

Return on capital

Discounted cash flow analysis

## BONDS

Individual government, agency, corporate or municipal fixed income securities (bonds) or certificates of deposit (CDs) may also be utilized as part of client portfolios. When purchasing bonds, portfolio managers typically select:

- High Quality
- Intermediate Maturity – generally 12 years to maturity or less
- Diversified bonds by issuer, economic sector and geographic area