Porter, White & Company

Investment Philosophy

White Paper, September 2009, Number IM 1.3

Our investment philosophy is based on a few guiding principles.

- *Risk and Return are Related* - Markets are relatively efficient; to achieve higher returns, one must take more risk.

- *Risk as a Focus* - Choice of investments should be based on ability to bear risk through good markets and bad, not just on desired return. Spending policy, time horizon and liquidity needs should drive decisions.

- *Asset Allocation* - Selection of asset classes (treasury bills, small cap stocks, value stocks, etc.) is the most important determinant of performance and level of risk of a portfolio. Market timing and security selection seldom lead to superior risk adjusted returns.

- *Asset Diversification* - Markets only compensate for risk that cannot be diversified so investments should include a range of fixed income, domestic and international equity securities and diversification within each asset class.

- *Costs Hurt Performance* - Trading costs, fees paid to active managers, market impact costs, taxes and other expenses can substantially undercut investment performance.

- *Comprehensive Investment Policies* - Every investor needs a plan to follow which should be reviewed annually and revised as circumstances change. The plan should identify and take into account expected income, required distributions for consumption, and individual risk preferences.

- *Performance Reports* - You cannot manage what you do not measure, and brokerage or custody account statements provide insufficient performance information. Comprehensive performance reporting is required to monitor investment portfolios.

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