

# Porter, White & Company

## Investment Management: What Do We Do?

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People often wonder if we don't pick individual stocks or money managers that can beat the market, what do we do? We believe that there are a number of other things that are more important to managing investment accounts and realizing good performance.

- *Write Investment Policies.* Every client of our firm has an investment policy statement that summarizes the key factors relating to how the account should be managed. We continually monitor the client's situation as changes in the client's specific circumstances will drive changes in the investment strategy. We do not react to day-to-day fluctuations and encourage our clients to avoid doing so.
- *Implement Asset Allocation Policies.* The asset allocation policy results from the client's investment policy statement balancing risk and return. The level of equity exposure is the most important variable, but we also focus on the level of value and small-cap factor exposure both in the US and international markets. For individuals, the location of the assets amongst tax-deferred and taxable accounts must be considered. The inclusion of tax-exempt fixed income and tax-managed mutual funds are also assessed.
- *Performance Reporting.* We use industry standard record keeping software and download account transactions on a daily basis. Client reports are issued quarterly and include performance reports that are calculated consistent with industry standards. This performance is compared against benchmarks and market indexes to assess the risk adjusted performance of the account.
- *Monitor Fund Companies.* We monitor the funds themselves to make sure they deliver on their stated objectives and understand their day-to-day return fluctuations. While we currently invest in funds from only a few mutual fund companies, we are constantly looking for other investment options. We travel to conferences and other events necessary to keep informed about the investment companies we recommend to clients.
- *Account Rebalancing.* Accounts occasionally need to be rebalanced when the actual asset allocation deviates too far from the policy or when a distribution from the account is requested. We view rebalancing as a risk reducing discipline that is important for all clients. For individuals, we carefully consider the tax impact of any trades and pay special attention to individual lots to minimize the gains realized. We provide statements of realized gains for tax purposes to insure the most favorable tax treatment is achieved.

- *Advanced Analytical Analysis.* Many client accounts require advanced analytical analysis to answer questions that are dependent on random events. We use simulation analysis and pro-forma modeling to help clients evaluate the impact of spend-rates, the choice of different asset allocation policies, and the disposal of low-basis, higher risk assets. We stay up to date with the latest academic research to help clients make important decisions relating to their account.

Our goal is to provide clients the comfort that their investment assets are invested to achieve the maximum possible return for the risk they are willing to take and are monitored on a daily basis to insure appropriate actions can be taken. We expect to be in contact with our clients on a periodic basis and always when immediate action is needed.

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