If you attempt to simplify the liquid capital markets, an investor is faced with three competing investment philosophies: **Conventional Management**, **Indexing**, and **Evidence Based Investing** .

Conventional Management is sometimes referred to as active management and is the philosophy that markets and stock prices are inefficient. Managers attempt to exploit these inefficiencies through their stock or bond selections and/or by market timing. The managers try to navigate their decisions through an environment of randomly unpredictable stock prices and an uncertain economic, interest rate and political landscape. Unfortunately there is little long term empirical data that suggests the conventional money management style has actually added value relative to broad market indices consistently over the long term.

Indexing, rather than trying to outperform stock or bond markets attempts to replicate an index on a specific financial market by buying a broadly diversified basket of securities. This has been a low cost strategy, which contrary to original predictions, has gained traction in the investment world. Empirical data shows that over long periods of time indexing has outperformed conventional managers in the majority of time frames analyzed.

Evidence Based Investing was pioneered in the early 1980's and continues to be refined today. The genesis of this theory stems from some of the top financial academemians in the world including several economic Nobel Laureate winners. Their research surfaced various dimensions of the capital markets that if you apllied to a portfolio, could increase your probability of success. Several of their conclusions are as follows:

Markets Work – Evidence Based Investing determined that markets are efficient. Each minute when securities are traded there is new information being synthesized into the price of the security to create a fair value. A willing buyer and seller in the transaction create a natural check and balance for determining the value of a security at any point in time.

Diversification – There are certain risks that you can mitigate as an investor. Things like holding too few securities, acting on market predictions, or basing decisions on proposed interest rate movements are examples of what to avoid. Diversification is an essential countermeasure in order to participate in all areas of the world capital markets.

All Risks Aren't Created Equal – It's intuitive that the reward for absorbing some short term volatility is the potential to earn greater long term returns. Investors are rewarded for their willingness to take risk. Each asset class has its own risk characteristics and it is important that they work in a complimentary fashion within a diversified portfolio.

Dimensions of Returns – In any endeavor you are always trying to increase the probability of succeeding. It is no different when you are investing. Empirical research illustrates that you can put the odds in your favor over the long term by tilting a portfolio toward stocks with lower market cap (small vs. large), relative price (value vs. growth), and companies that are more profitable (high vs. low). We tailor this tilt to a client's risk profile and time horizon.

Cost Matters – Costs can come in many different forms including trading costs, internal expenses, and tax consequences to name a few. Our goal is always to minimize costs, while trying to optimize returns, which helps clients achieve their spending or gifting priorties.

Rebalancing – One of the biggest mistakes in investing is letting emotions take control of your decision making. By design, our asset class investing style will always own asset classes that are in favor and those that are out of favor. As humans, it is very difficult to trim positions that have gone up and redeploy those resources into asset classes that haven't performed as well. By structuring a rebalancing strategy, we take the human temptation out of the equation.