

## Our Investment Philosophy

Our job is to understand a client's personal goals then pair them with a financial and investment plan specifically designed to achieve them. Clients take comfort knowing we are a fee-only firm guided by the high professional standards of our registered investment advisor, Novem Group, with whom we maintain a strategic partnership to support our advisory services. We adhere to the fiduciary code of ethics established by the Certified Financial Planner Board of Standards and Financial Planning Association. We always place the interests of our clients before our own.

We believe there are differences that distinguish our practice from others:

- Our belief that management fees can impair performance and it is our commitment to keep them as low as possible.
- Disciplined *rules-based investing (RBI)* that guides portfolio composition which is presented in plain language.
- Our premise that wealth accumulation is achieved through efficient asset allocation, informed expectations, holistic financial planning, and the evaluation of progress.
- We provide fee disclosure, comprehensive performance reporting, and market commentary at the close of each quarter.
- We employ the basic tenets of the Uniform Prudent Investor Act (amended 1992) and its integrated approach to investment practices.
- Our clients benefit from a collaborative advisor team approach that brings together our respective professional skills, knowledge, and experience.
- Our business growth is dependent on client referrals.

## Our investment philosophy and approach to portfolio management

We follow a specific methodology of portfolio design supported by our core investment beliefs:

- We believe capital markets are efficient, investors behave irrationally, and stocks are a productive means to create inflation-adjusted wealth over long-term time horizons.
- Our foundational framework to portfolio composition (based upon the research of Harry M. Markowitz and his theoretical construction of Modern Portfolio Theory) is instrumental managing risk, which in turn, may produce better long-term results. Supporting academic research includes works by Treynor, Sharpe, Ferri, Fama and French, Gibson, Ibbotson, Swenson, Bengen, Kitces, and Pfau. Together they collectively influence our planning concepts, portfolio design, ongoing investment management, and methodical assessment.
- We think it is rare for active investment managers to consistently predict market direction or outperform a benchmark.

Our standard portfolios are comprised of either 100% stock or a mixture of stocks and bonds. Historically, stocks (equities) are the asset class that offer the greatest possibility for long-term reward, but they also reflect the greatest potential to deviate from an expected return. This deviation becomes particularly evident in periods of extreme market volatility. The appropriate inclusion of stock is the project of thorough discussion; however, we strongly recommend the development of a comprehensive financial plan to support any recommendation, which is included in your fee.

Our rules-based philosophy purposefully restricts each asset class to a minimum/maximum holding range designed to avoid adverse consequences of misguided market forecasting and advisor bias. Our portfolios are broadly diversified with range bound allocations to small, mid-sized, and large U.S. companies. We also maintain controlled exposure to international companies. When constructing portfolios, we believe investment style is an important consideration. Beyond the size of a company, style refers to a belief that the stocks held within an exchange traded fund (ETF), mutual fund, or closed end fund are selected because of their high future earnings potential (known as growth stocks) or their comparatively low prices (known as value stocks).

There are several reasons we allocate capital to bonds: they can earn interest, are less volatile than stocks, and may be a source of liquidity when stocks are in decline. Thus, the greater the exposure to bonds, the less likely a portfolio is expected to deviate from an anticipated return. We monitor comments made by the Federal Reserve, movements in interest rates, and global economic conditions to help determine bond quality, maturity, duration, and sector analysis.

Portfolios are continuously analyzed for any change in risk and return characteristics, overlapping stock positions, leverage, geographic exposure, concentrated sector concerns, and historical performance in various market conditions. Our decisions are guided by a wide array of research providers, professional organizations, publications, and analytical software. We rely on a variety of sources for investing ideas and current financial planning perspectives. Our sources include Open AI, YCharts, Morningstar, the American Association of Independent Investors, Schwab, Argus, Fact Set, Kitces, CFRA, Thomson Reuters, Barrons, and the Wall Street Journal. We continuously review information and white paper research made available to us by the Vanguard Group, Fidelity, Blackrock, PIMCO, State Street Global Advisors, Cliffwater Private Capital, First Eagle, American Funds, and Franklin Templeton.

Financial technology continues to expand the breadth of investment selection. Our portfolios are primarily constructed of low-cost ETFs, which are traded like individual stocks and provide diversification that is central to our investment philosophy. Simply investing in mimicked indices (such as the S&P 500 index) is known as a passive approach to investing. However, ETFs also offer a broad selection of market exposure and methodologies that select stocks through various screening metrics. ETFs require ongoing evaluation of operating expenses, stock selection methods, stock intersection, trade execution and awareness of trade volume. We go through the same selection process when considering the inclusion of a mutual fund. Our research demonstrates that stock selection in certain asset classes such as international or small companies may justify the expense of a mutual fund's active management.

Our research is represented in four standard model portfolios entitled Preservation, Conservative, Moderate, and Growth. Preservation is considered in the context of having enough stock exposure necessary to "preserve" purchasing power over time in the presence of inflation. Growth portfolios remain fully invested in 100% equities with ETFs and mutual funds throughout all phases of market and economic cycles. For moderate, conservative, and preservation portfolios, exposure to stocks will range 10% above or below their neutral weighting. For example, if a client's financial plan, along with their tolerance and capacity for risk identifies a 65% weight to equities (our moderate portfolio), then exposure to stock could not drop below 58% of the portfolio, nor exceed 71%. Determining the weighting of stocks is our discretion but remains governed by our limited capacity to do so.

Custom portfolios are created for suitable investors who have the capacity for risk and an appropriate investment long term time horizon necessary to commit capital. They may include allocations to individual stocks, cryptocurrencies, corporate and municipal bonds, closed end funds, and liquidity constrained alternative assets such as private credit, private equity, and venture capital. Our process and tools for selecting individual stocks are described in greater detail in our stock selection methodology. If deemed an appropriate investment, any exposure to cryptocurrencies is limited to 4% of a household's total assets invested with our firm.

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Client Signature/Date

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