DICKMEYERBOYCE
FINANCIAL MANAGEMENT, INC.

Investment School of Thought

DBFM views investing as a long term proposition, it is not a process of frequent trading in and out of investment positions or the market as a whole. History shows us that attempting to time the investment market is fruitless. One cannot account for all the factors influencing the pricing of various investment options. History also shows us that the value of investments rise over the long term in spite of near term economic or geopolitical catastrophes. DBFM believes this long term direction on investment growth is simply due to population growth and man's success at doing things more efficiently over time. These two factors make the investment marketplace an instrument of success for disciplined and long term investors.

In the process of building your investment portfolio, DBFM seeks to maintain a high level of diversification across assets classes as well as within each asset class. Diversification is not often discussed in the investment world, but when the investment market experiences rough patches, diversification becomes a key line of defense.

DBFM seeks to emphasize reducing risk over maximizing rate of return. The approach we take with your investments would certainly be classified as conservative and fact based.

Fact based in that we take great care to understand and document your personal financial situation and lifetime goals. This information is modeled and analyzed with the assistance of sophisticated and powerful computer software.

Fact based in that we all are most fortunate to have investment market data going back to 1926 from which we may base our understanding of the behavior of various investment asset classes (and segments of asset classes) from the aspect of investment rate of return and risk levels, as well as correlation between asset classes.

For instance, we know that Value stocks exhibit greater levels of return and lower levels of risk over the medium to long term than Growth stocks. We also know that smaller companies tend to exhibit greater levels of return than larger companies. However, smaller companies also exhibit much higher levels of risk than larger companies.

Bonds and other fixed income investments are used to produce income and to counter-balance the stock or equity portion of your portfolio. Over the medium to long term, bonds produce a lower level of total return than stocks. But they also offer a significantly lower level of risk than stocks. Bonds offer a counter-balance to stocks in that their performance has a low level of correlation (or at times negative correlation) to the performance of stocks. Although, we occasionally utilize lower quality rated bonds (high yield), we limit allocations to this portion of your bond portfolio. Overall, we seek to include a preponderance of the higher end of the bond quality spectrum in your investment portfolio.

Armed with the facts regarding your personal situation and goals as well as investment asset class behavior, we are able to run various iterations of asset class weighting in our modeling software and determine your optimal investment allocation between stocks and bonds. This information is used to build your customized investment portfolio within a framework that takes advantage of factors affecting asset class behavior.