Equity Philosophy

We firmly believe that a carefully constructed portfolio of individual equities is the best risk-adjusted way to grow and accumulate wealth over time and is a vital component of a successful investor's overall asset allocation strategy. We are strong proponents of investment approaches that are simple, transparent, and focused. We discourage the increasingly popular methods that emphasize market timing, short-term trading, absolute return strategies, embrace leverage, or the expanded use of derivatives. Such aggressive, more "dynamic" tactics may seem to work for periods of time, but as the old adage goes, they work right up until they don't. We do not "model" our clients' portfolios. We construct customized portfolios that are broadly diversified with complete transparency, one stock and one bond at a time. We do it the old fashioned way, we endeavor to buy low, hold, and gradually reduce or sell those positions as they become overvalued.

For us, the analytical basis around which investing revolves begins and ends with value. The "future" does not end next quarter or next year so by definition value is a long-term proposition. In the short-term, there will always be extremes in the marketplace but in our opinion they are temporary, as historically prices long term returned back toward the net present value of business's future free cash flows. For us, the key to risk management is an accurate calculation of value and an understanding of normalized earnings power for a company, in relation to what we have to pay for it today. We are impartial and unbiased in our search for value as it concerns the sector, industry, or size of a company. We research and analyze individual businesses, looking for quality companies exhibiting solid long-term fundamental strengths, whose share prices have fallen temporarily out of favor representing discounted historical valuation levels. Unlike more aggressive investors, we will not overpay for a stock no matter how much we like the company. Even the best companies can be poor investments if one pays too high a price for them. This stance frequently puts us in a contrarian position relative to the broad consensus view held by Wall Street. We invest in companies at valuations that we believe, will protect against real permanent erosion of our client's principal and will deliver capital appreciation over the long-term. We are above all, and always, most circumspect on our entry points as the cost of any investment is the key ingredient of its value, risk, and potential return, and we do so systematically, with discipline and diversification over issues and time. We will gradually reduce or sell those positions as they become overvalued.

Fixed Income Philosophy

The equity portion of a balanced portfolio contributes to both the long-term growth and income of the portfolio. The bond portion is designed to provide potential income and reduce the volatility of the overall portfolio. Should bonds be kept in actively managed funds or purchased as individual securities and held to their maturity dates? The former receives far more attention, as managers compete in a performance-driven marketplace. But we believe investing in fixed income, especially for retirement, shouldn't be driven by maximizing returns when the consequence of giving up maturity values puts principle at risk. When laddered individual bonds are held to maturity, cash flows are known and there is no interest-rate risk. A client's lifetime spending needs and goals represent a stream of liabilities that need to be funded with a retirement income strategy. Our focus as it relates to the fixed income portion of our clients' portfolios is on securing and providing for those needs.