

# Investment Management

Benefit from a great portfolio



## Wealth of knowledge

The lessons of the recent past have taught most investors that relying only on diversification, indexing or substituting a buy-and-hold strategy for active management may not achieve a productive portfolio. Yet few people have the time, knowledge or inclination to follow the investment markets and manage their wealth as closely as they should. That is why many people have chosen StanCorp Investment Advisers, Inc. to manage their investments. We have a rigorous process, a team of highly skilled and experienced professionals to help you plan and manage your wealth and substantial back-office resources typically only found at much larger firms.

## Our firm

StanCorp Investment Advisers is a Registered Investment Advisor with the Securities and Exchange Commission. We have been an active member of the Ann Arbor business community, as Tisch Investment Advisory, since 1983, and manage hundreds of millions of dollars of individual, corporate and trust assets. We provide investment management services to individuals and institutions with a variety of investment goals.

StanCorp Investment Advisers offers you the following advantages:

- A fee-only advisor compensated solely by client fees
- Advanced risk management strategies
- A repeatable investment methodology
- Professionally accredited, experienced investment team
- Excellent analytical and systems resources
- A proven history of success
- A commitment to outstanding personal service
- Transparent and reasonable fees

## A repeatable investment methodology

We measure our performance so that we can assess the effectiveness of our methods and calculate attribution to each component of our decision-making process. By knowing these important facts, we are able to continuously improve. Here is a description of our investment process and how we tailor it to meet your risk and return requirements.

## Creating your portfolio

- **Understanding your investment objectives:** The first steps in creating your portfolio are clearly defining your investment objectives and understanding your resources. For some, this may involve a comprehensive wealth management plan. For others it might result in a financial model that charts the path to achieving a specific goal, such as the desired level of retirement income.
- **Establishing your portfolio's Minimum Acceptable Return:** Once your goal is defined, we determine the Minimum Acceptable Return (MAR) of your portfolio—the performance needed to achieve your objectives in light of many variables, including your tolerance for investment risk. We start by estimating the lowest risk/return relationship among asset classes that is most likely to attain your goals. We call the return component of this model your MAR.

To determine your MAR, we use an analytical, statistical model to estimate the effect of investment risk. The model helps us create a database of the possible financial outcomes of key variables such as inflation, risk, investment return, Social Security, pension, and continuing contributions to your portfolio. Once we find the appropriate risk/return relationship, we begin the process of developing a portfolio using mean-variance optimization, an algorithm for combining types of investments to produce a portfolio with the greatest probability of success at the lowest risk.

- **Establishing your portfolio's Minimum Required Capital:** Your Minimum Required Capital (MRC) is the sum of money necessary to fund your lifetime income needs. It is a basic piece of information needed to develop a risk profile and knowing it will help guide all subsequent spending, gifting, estate planning and investment decisions. Your MRC changes as you age and is dependent upon the performance of your investments. It is something we recalculate often.

## Selecting and managing investments

Once the models are run and your unique numbers calculated, we create your portfolio, then select and manage your investments. First, we create a strategic portfolio as a baseline and then we implement tactical changes.

- **Strategic portfolio:** The strategic, or basic, portfolio is intended to set the fixed income and equity weighting, as well as the allocation of money to each major sector, investment style, market capitalization segment, and international allocation.
- **Tactical or implementation portfolio:** Our next step is to substitute actual investments for the generic asset classes in the strategic portfolio. We invest in stocks, bonds, EFTs (Exchange Traded Funds), mutual funds and real-estate-related securities. Each requires a different evaluation methodology, but in all cases our process follows these steps:
  - Top-Down Economic Analysis
  - Modified Sector-Neutral Allocation Strategy
  - Bottom-Up Security Selection
  - Mutual Fund Selection

## Advanced risk management strategies

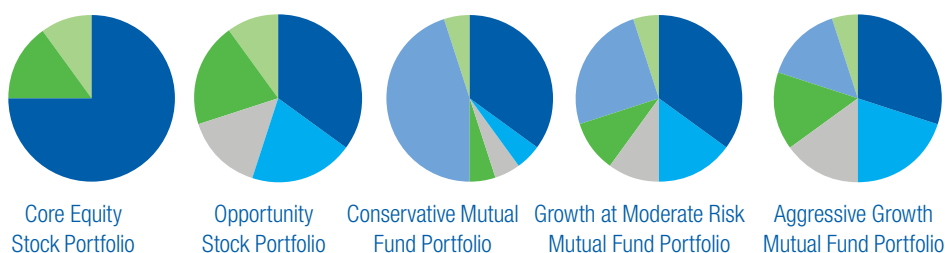
Effective risk management is an integral part of our portfolio management. Risk management should not only focus on what has happened in the past, but also what could happen in the future. Diversification alone will not prevent losses during a substantial market decline since in the past, most asset classes have moved downward together. For this reason, we employ six strategies to help protect your portfolio while building it.

1. **Active portfolio management**
2. **Active stop-loss limit** (optional on all of our portfolios)
3. **Screening for corporate malfeasance**
4. **Minimum Required Capital (MRC)**
5. **Mean-Variance Optimization (MVO)**
6. **Minimum Acceptable Return (MAR)**

## Representative portfolios illustrated

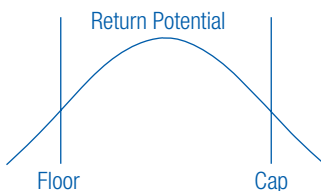
Here are five representative portfolios illustrating investment strategies, each matched to client objectives and risk tolerance.

### Key



**A core equity stock portfolio** is focused on capital appreciation and income. The portfolio normally invests in approximately 35 stocks or ETFs based on our proprietary value strategy. The allocation is based on expected earnings and proportioned similarly to the S&P 500 Index. The portfolio is internationally diversified. Holdings are typically large and well-known companies. For taxable portfolios, we offer a tax-efficient strategy.

**An opportunity stock portfolio** is focused on capital appreciation. The portfolio normally invests in approximately 30 small, mid, and large cap stocks based on our proprietary value strategy. The portfolio contains U.S. and foreign stocks, as well as ETFs. For taxable portfolios, we offer a tax-efficient strategy.

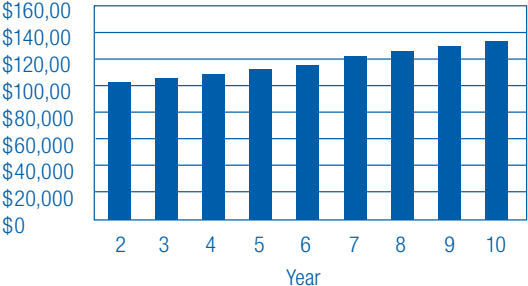


**A collared stock portfolio** is intended to provide equity market exposure with limited downside risk. The portfolio utilizes a collar strategy (buy puts and sell calls) to insure the portfolio against unacceptable losses.

**A conservative mutual fund portfolio** is focused on producing income and preserving capital. It holds mutual funds and ETFs that invest in domestic and foreign stocks with an emphasis on dividend paying issues, with the remaining assets invested in fixed-income mutual funds. Equities are allocated similarly to The Standard & Poor’s ten-sector model and rebalanced based on expected earnings.

**A growth at moderate risk mutual fund portfolio** is focused on a balance between capital appreciation and income. It holds mutual funds and ETFs that invest in domestic and foreign stocks with the balance allocated to fixed-income mutual funds. Equities are allocated similarly to The Standard & Poor’s ten-sector model and rebalanced based on expected earnings.

**An aggressive growth mutual fund portfolio** is focused on capital appreciation. It holds mutual funds and ETFs that invest in domestic and foreign stocks with the balance allocated to fixed-income mutual funds. Equities are allocated similarly to The Standard & Poor’s ten-sector model and rebalanced based on expected earnings.



**A laddered bond portfolio** is intended to provide stable income. It matches bond maturities and risk characteristics with client liquidity needs. For example, in the context of a retirement portfolio, ten bonds are selected with one bond maturing in each of the

next ten years. All ten bonds are earning income, which is used to purchase a bond maturing in the eleventh year, so as to perpetually assure ten years of future income without concern of equity market volatility.

## Why choose StanCorp Investment Advisers?

### Objectivity

Our team relies on a broad, interdisciplinary perspective that combines economics, securities analysis, tax expertise, investment management and financial planning. We do not sell products or earn commissions and we have no incentive to recommend or select one investment over another.

### Experience

Each of our advisors has earned post-graduate degrees and/or professional certifications in investment management and financial planning. The result is excellence in wealth management. A full array of analysts support the advisors.

### Personal service

We put extensive, behind-the-scenes resources to work for you and as a result, our advisors are free to focus solely on you. In addition to personal reviews, each quarter you will receive a performance report and our appraisal

of the markets. We also periodically hold seminars about the economy and our investment strategy and we regularly provide informative market commentary and important financial updates.

### **Repeatable investment methodology**

As fiduciaries managing millions of dollars in assets, it is our responsibility and privilege to always act in the best interest of our clients.

### **Transparent, reasonable fees**

We are paid a fee by you based on the percentage of assets under management. We do not accept compensation from any source other than our clients. We make every effort to keep your transaction and other costs low. Our fee-only approach is fundamental to our objectivity. This kind of transparency builds trust.

### **Implementation**

**Discretionary management agreement:** If you retain our services, our agreement with you provides us limited discretionary authority to manage your assets within the context of your Investment Policy Statement, without requiring your authorization for each trade.

**Investment policy statement:** The Investment Policy Statement (IPS) sets the investment policy we will follow to manage your investments. The IPS describes the strategic portfolio in generic terms, and authorizes us to alter this portfolio within approved variances to meet changing economic conditions. It also establishes the performance benchmark.

**Portfolio rebalancing:** Personal circumstances and economic climates change. As a result, all portfolios tend to drift. We monitor and rebalance portfolios as required to keep your portfolio on course. We constantly review and evaluate fund performance and the performance of fund managers.

**Employer retirement plan:** Your employer's retirement plan options can be confusing, but we can help. We will collect information about the options available and create an allocation in a manner similar to the process described previously.

**Minimum account size:** The minimum account size to engage our services is \$250,000.

**Custody of assets:** We do not act as a custodian. Instead, we establish accounts with low-cost brokerage firms and are given limited power of attorney by you to trade your account. We have no ability to access your account or to remove money from it beyond the collection of our fee. Once the custodial account is established, existing assets are transferred to it and we manage those assets in accordance with your Investment Policy Statement.

**Performance reporting:** A summary of your account holdings and performance will be sent to you quarterly. Every investment dollar is accounted for, including money market holdings, and assets that you may have selected but asked us to hold. Our performance is time- and dollar-weighted and reflects all costs.

**Initial consultation:** There is no charge for an initial consultation. The introductory meeting includes a discussion of your objectives and our service, data gathering and a portfolio review.





## Thank you for considering our services

StanCorp Investment Advisers provides financial and wealth planning and discretionary investment management services to individuals. We are a Registered Investment Advisor with the U.S. Securities and Exchange Commission, authorized to do business in 50 states. We do not accept compensation from any source other than our clients.

Please call us at 734.994.1188 to arrange a complimentary consultation.

StanCorp Investment Advisers  
216 East Washington Street  
Ann Arbor, MI 48104

[www.stancorpadvisers.com](http://www.stancorpadvisers.com)