

Two days in the Life of an Asset Manager

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&

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Disclaimer: nothing that follows is a recommendation or solicitation to buy, hold, or sell any security or investment.

Meet our client

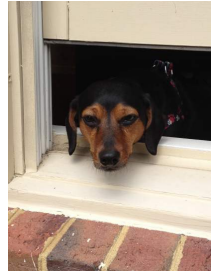
Maggie... “Margaret”

- 55 years old, CFO of local organic grocery business
- Widow, one son (lives overseas)
- Wants to retire at 65, plans to draw income from investment portfolio
- Desires reasonably stable growth
- Socially conscious
- \$500,000 to invest
 - Cash currently in checking account
 - Accumulated over many years of hard work and penny-pinching



This is a hypothetical client and in no way is indicative of an actual person or case.

What we heard



- Wants to retire at 65, plans to draw income from investment portfolio
 - Desires reasonably stable growth
 - Socially conscious
 - \$500,000 to invest
 - Cash currently in checking account
 - Accumulated over many years of hard work and penny-pinching
 - Widow, one son (lives overseas)
- *Time Horizon: 10 years*
 - *Risk tolerance: moderate*
 - *Growth + income*
 - *May not want to own “sin” stocks*
 - *Tobacco, alcohol, gambling*
 - *Sounds like a “Saver”*
 - *Taxable (non-qualified) account*
 - *Might also benefit from long-term care planning*

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Recall the Saver

- seeks abundance and security by accumulating more financial assets
- saves more than 20% of net income each year
- spends and gives away less than 3% of financial net worth each year
- net worth grows more than 5% annually



Gifts	Pitfalls	Mitigate?
Self-sufficiency	Hoarding \$\$	“Fun” fund
Abundance of assets	Penny-pinching	

Each individual’s risk tolerance and financial archetype is different.

Recall the types of accounts

- Transactional or Retail accounts
 - Accounts that are not tax-advantaged
 - Taxes are paid annually on interest earned, dividends received and any short or long-term gains that are realized
 - Examples include checking accounts, savings accounts, investment brokerage accounts, etc.
- Retirement Accounts
 - Tax deductible accounts or Roth accounts
 - Include IRAs, 401k plans, 403b plans, 457 plans, etc.
 - For funds that will not be needed until at least age 59 ½



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Recall the Morningstar models

Asset Class	Very Conserv.	Consv.	Moderate	Mod. Agg.	Aggressive
US Stock	12%	26%	36%	46%	56%
Intl. Stock	5%	11%	15%	19%	22%
Bonds	65%	50%	35%	25%	10%
Alternatives	3%	3%	9%	10%	12%
Cash	15%	10%	5%	0%	0%
Avg. Return	4.26%	5.68%	7.17%	8.18%	9.07%
Avg. Risk	6.03%	8.37%	11.26%	13.49%	15.78%

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Building “the pie” – the process

- Stocks
 - US stock analysis
 - International stock analysis
 - Mutual funds and ETFs
- Bonds
 - Corporate, High-Yield, Municipal
 - Mutual funds and ETFs
- Alternative strategies
 - Very quickly
- Final portfolio results & monitoring
- Additional considerations – long-term care review

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What is a



?

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What are Stocks?

- A stock is a piece of an ownership in a company.
 - Share of profits (dividends)
 - Voting rights – Board of Directors
- Used to issue certificates, all electronic now
- Traded on exchanges (there are several) and the company is often referred to by its ticker
 - Starbucks = SBUX
 - Harley Davidson = HOG
 - Dominion = D

What are Stocks?

- Stocks are also often referred to as equities
- Types of stock:
 - Common, Preferred
 - Common stock is the most prevalent and is the type most issued by companies for the public to purchase
- Attributes of stocks
 - Market Capitalization (Size) – Changes everyday
 - Large-cap, \$2.5+ billion
 - Mid-cap, \$0.5 – \$2.5 billion
 - Small-cap, below \$500mm
 - Classification
 - Growth, Value
 - Cyclical, Defensive, Blue-Chip
 - Classification can change with time as a company matures (Microsoft, MSFT) or reinvents itself (Apple, APPL)
 - Domestic and International

Where do you find the data?

- Free services
 - Google Finance
 - Yahoo Finance
 - CNBC
 - SEC Filings – 10K, 10Q
 - Annual Reports
 - Mutual fund/ETF company websites
- Pay-to-play (local library may have subscription)
 - Morningstar
 - Value Line
 - AAI
 - Bespoke
 - Bloomberg

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General Electric Company (NYSE:GE)

Add to portfolio

30.33 +0.39 (1.30%)

Mar 11 - Close
NYSE real-time data - Disclaimer
Currency in USD

Range	30.14 - 30.58	Div/yield	0.23/3.03
52 week	19.37 - 31.49	EPS	0.14
Open	30.14	Shares	9.38B
Vol / Avg.	32.16M/39.53M	Beta	1.18
Mkt cap	286.78B	Inst. own	57%
P/E	214.38		

G+1 525

Screenshot from Google Finance



Advertisement

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More On GE

QUOTES

Summary

- Order Book
- Options
- Historical Prices

CHARTS

- Interactive

NEWS & INFO

- Headlines
- Press Releases
- Company Events
- Message Boards
- Market Pulse

COMPANY

- Profile
- Key Statistics
- SEC Filings
- Competitors
- Industry
- Components

ANALYST COVERAGE

- Analyst Opinion
- Analyst Estimates

OWNERSHIP

- Major Holders
- Insider Transactions
- Insider Roster

FINANCIALS

- Income Statement
- Balance Sheet
- Cash Flow

Screenshot from Yahoo Finance

General Electric Company (GE) - NYSE ★ Watchlist



30.34 ↑ 0.40 (1.34%) Mar 11, 4:00PM EST

After Hours : 30.31 ↓ 0.03 (0.10%) Mar 11, 7:59PM EST

Prev Close:	29.94	Day's Range:	30.14 - 30.58
Open:	30.16	52wk Range:	19.37 - 31.49
Bid:	30.33 x 300	Volume:	32,159,602
Ask:	30.34 x 3400	Avg Vol (3m):	47,534,900
1y Target Est:	32.54	Market Cap:	286.34B
Beta:	1.21574	P/E (ttm):	N/A
Next Earnings Date:	22-Apr-16	EPS (ttm):	-0.62
		Div & Yield:	0.92 (3.06%)

General Electric Company Common



Quotes delayed, except where indicated otherwise. Currency in USD.

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Equity Market Structure

Morningstar Model

MEGA: > \$100bn

		Style				
		Value	Blend	Growth		
Capitalization	Large				> \$2.1B	Value: Price to Projected Earnings P/B, P/S, P/CF, Dividend Yield
	Mid				< \$2.1B & > \$571M	Growth: LT Projected Earnings, Historical Earnings Growth, Sales Growth, CF Growth, BV Growth
	Small				< \$571M	

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**Market Cap = How many shares outstanding x
Current price of one share of stock**
**Example: McDonald's (MCD): 902mm shares x
\$121/share = ~\$111 billion market cap**

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Stock Classifications

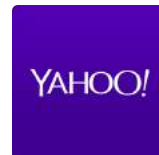
growth

A growth stock is a company with incredible growth potential because of its market, product, segment or situation. For example, technology companies manufacturing specific chips/components may be considered growth stocks. Growth stocks are usually riskier because their competitive advantage could be eliminated at any time



value

Refers to a stock that is undervalued in terms of its trading price v. intrinsic value. Such a stock has typically fallen out of favor with the market for a variety of reasons, but still has attractive underlying fundamentals which may signal a good buying opportunity



income

Income stocks are (boring) companies with a reliable track record of paying out dividends on a regular basis. Income stocks are very popular with retirees or investors who want a steady inflow of income



Stock Classifications

cyclical

Typically, cyclical stocks are companies whose earnings tend to follow the business cycle. Cyclical stocks are often more risky than stocks in companies that are less subject to changes in the business cycle. Highly cyclical industries include industrial equipment, steel, and housing.



defensive

Prices of these stocks tend to remain stable or perhaps rise during periods of economic downturn. During economic upturns, they tend to show poorer results relative to other companies. Defensive stocks produce goods or services that are generally still in demand during an economic downturn, such as food, beverages, and tobacco products.



blue-chip

Refers to a company with a well established reputation that has a long record of financial stability. Usually these companies pay out dividends. "Blue-chip" designation is debatable.



Stock Exchanges

- Stock Market vs. Stock Exchange
 - An “Exchange” is where you buy or sell stocks
 - The “Market” is ALL stocks traded on exchanges
- U.S. and Global Stock Exchanges
 - Major U.S.
 - o New York Stock Exchange (NYSE) - Stocks traded on the NYSE have tickers with 1-3 letters. Ex. Ford (F), Coca-Cola (KO), McDonalds (MCD)
 - o National Association of Securities Dealers Automated Quotations (NASDAQ) – Just known as NASDAQ. Stocks traded on the NASDAQ have tickers with 4 letters. Ex. Microsoft (MSFT) and Starbucks (SBUX). The NASDAQ used to be primarily technology or smaller companies, as the NYSE was the main exchange. This is becoming less of the case.
 - Regional U.S. (Boston, Philadelphia)
 - Asia (Nikkei / Japan, Hang Sang / Hong Kong, etc.)
 - Europe (London, Frankfurt, Milan, Paris, etc.)
- Many small companies trade Over the Counter (OTC), directly between buyers and sellers

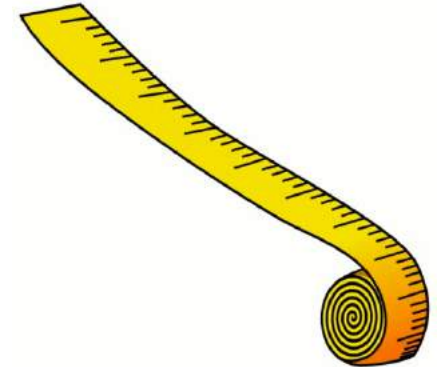


Stock Index

- A stock index is a grouping of stocks constructed to measure past performance and trends
- An index can be used for a proxy for how the “market” is performing in point and percentage terms (benchmark)
- Indices are constructed of various firms
 - Dow Jones– Dow Jones Industrial Average (DJIA) – This is 30 of the large companies in the US
 - Standard and Poor’s (S&P 500) – This is 500 of large, actively traded companies
 - Russell Co. (Russell 2000) – Comprised of 2000 small companies
 - S&P 400– Comprised of 400 mid-sized companies
- Companies can be (and often are) in multiple indexes

Determining a benchmark

- “Yardstick” to measure our performance
- Indexes are frequently used
 - S&P 500, DJIA, Russell 1/2/3000 for US equities
 - FTSE 100 for British equities
 - Stoxx 600 for European equities
- MSCI has created many indexes for regional markets
- Since we are investing globally...
 - MSCI All-Cap World Index (ACWI)
- Bonds also have benchmarks... next week



Why own so many types of stocks?

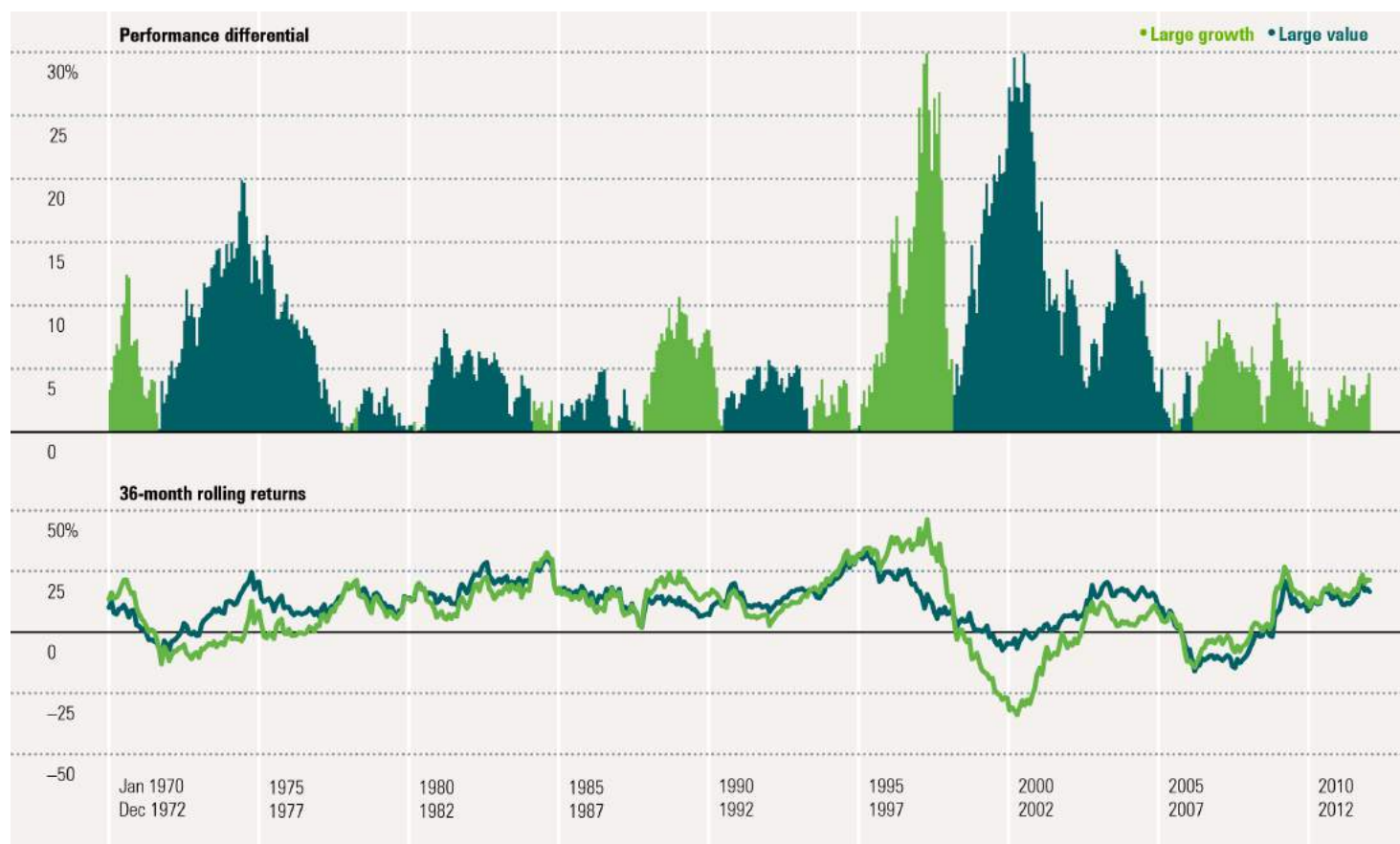
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Growth and Value Investing 1970–2014



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Three-Year Growth and Value Cycles 1970–2014



•Past performance is no guarantee of future results. Performance differential measures the outperformance of each asset class over one another on a 36-month rolling basis. Each 36-month rolling return represents the annualized return over the prior 36 months. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2015 Morningstar. All Rights Reserved.

Style Winners and Losers 2005–2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Highest returns	16.3 MG	25.8 LV	19.7 MG	-31.7 SV	44.4 LG	31.3 SG	2.2 LV	18.3 SV	42.2 MV	14.4 LG
	11.5 MV	20.0 SV	12.3 LG	-35.9 MV	42.0 MG	27.7 MG	1.6 LG	18.0 LG	41.9 SG	11.5 MV
	8.2 DP	18.8 MV	11.1 SG	-36.1 LV	40.3 SV	26.0 SV	-0.7 DP	17.6 MV	35.9 DP	10.0 SV
	7.0 LV	15.0 DP	4.8 DP	-38.6 DP	36.0 MV	22.2 DP	-1.0 SG	16.2 DP	35.7 SV	9.8 MG
	5.8 SG	10.0 SG	-0.4 LV	-39.9 SG	34.5 DP	20.6 MV	-1.8 SV	15.8 MG	34.1 MG	9.6 DP
	5.1 SV	9.6 MG	-5.5 MV	-41.9 LG	33.0 SG	14.7 LV	-2.3 MG	14.5 SG	32.5 LG	9.2 LV
Lowest returns	3.4 LG	5.7 LG	-8.1 SV	-46.3 MG	11.4 LV	12.9 LG	-2.6 MV	12.9 LV	28.9 LV	2.5 SG

• Large growth (LG)
• Large value (LV)
• Mid growth (MG)
• Mid value (MV)
• Small growth (SG)
• Small value (SV)
• Diversified portfolio (DP)

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Blending Growth and Value

- ▶ Balance growth investments with those that produce income
- ▶ Invest in both large and small companies, as well as a mix of well established and new companies
- ▶ Consider investments that are currently out of favor but have potential to increase in value
- ▶ Blending effectively may cushion against the many ups and downs in the market

Which stocks to buy?

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Evaluating Growth Stocks

- Typical industry:
 - Technology
 - Biotech/pharma
 - “Bleeding edge” innovation
- Tend to be “younger” businesses
- Pay little or no dividends (reinvest earnings back into the company)
- High P/E – investors willing to pay a premium now for reward later
- May not have positive earnings
- Can evaluate using P/S or PEG ratios
 - P/S = price to sales (revenues, top line)
 - PEG = P/E ratio ÷ annual EPS growth



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Evaluating Growth Stocks

Name	Ticker	Industry	Last Close	Market Cap (mil) (Daily) USD	Equity Style Box (Long)	Dividend Yield % TTM	P/E Ratio (TTM) (Long)	EPS TTM	PEG Ratio	Revenue (mil) TTM USD	Rev Growth % 10 Yr (FY 1)	P/S Ratio Current
Benchmark:Morningstar US Market TR USD	!MSTART		8,016.90		☐		17.90					
Company A		Oil & Gas E&P	46.29	23,535.63	☐	1.86		(13.18)		8,698.00	2.05	2.70
Company B		Specialty Retail	272.21	26,455.93	☐		28.38	9.17	1.45	7,966.67	14.56	3.47
Company C		Restaurants	34.58	1,253.53	☐			(0.32)		174.30		0.24
Company D		Biotechnology	139.27	31,376.32	☐		210.57	0.67	0.91	2,604.05	111.38	11.55
Company E		Consumer Electronics	102.26	566,989.06	☐	2.03	10.30	9.39	1.07	234,988.00	32.58	2.49

All data from Morningstar as of March 2016

- Only 2 co.'s pay dividends (both are low)
- Only 3 co.'s have positive earnings and P/E ratios
 - Companies B and D have high P/E ratios
 - Company E has a low P/E ratio
- Company D has highest revenue growth
 - B and E are also high
- PEG and P/S ratios are comparatively low... D still very high
- A, C, and E probably not "growth" company... but B and D might be

Evaluating Value Stocks

- Typical industry:
 - Industrials
 - Consumer staples
 - Utilities
 - “Boring” sectors
- Tend to be established, older companies
- Tend to pay higher dividends
- Lower P/E – investors are either 1) not interested in the company, or 2) think the company is faltering
- Can use P/E, P/B to evaluate
 - P/B = price versus book value of assets the company owns
 - Low P/E + low P/B could indicate attractive value proposition
- Beware the “value trap”!
 - Company might be cheap for a good reason!



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Evaluating Value Stocks

Name	Ticker	Industry	Last Close	Market Cap (mil) (Daily) USD	Equity Style Box (Long)	Dividend Yield % TTM	P/E Ratio Current	EPS TTM	PEG Ratio	Revenue (mil) TTM USD	Rev Growth % 10 Yr (FY 1)	P/B Ratio Current
Benchmark:Morningstar US Market TR USD	!MSTART		8,016.90		☐							
Company A		Auto Manufacturers	207.50	27,401.69	☐			(6.93)	0.94	4,046.03		25.16
Company B		Telecom Services	38.36	235,960.37	☐	4.93	16.23	2.37	5.45	146,801.00	12.84	1.92
Company C		Utilities - Regulated E	49.79	45,450.65	☐	4.36	19.23	2.59	5.22	17,489.00	2.58	2.07
Company D		Internet Content & In	33.81	32,011.70	☐			(4.64)		4,968.30	(0.56)	1.10
Company E		Farm & Construction	72.80	42,393.03	☐	4.13	20.83	3.50	6.83	47,011.00	2.61	2.86

All data from Morningstar as of March 2016

- Companies B, C, and E all pay a good dividend (4%+)
- P/E ratios are much lower
 - A and D don't have positive earnings
- PEG ratios are much higher – growth trajectory is flatter
- P/B ratios are low (except Co. A)
- Co. A probably not value... but B, C, and E probably are
 - Co. D could be a value trap

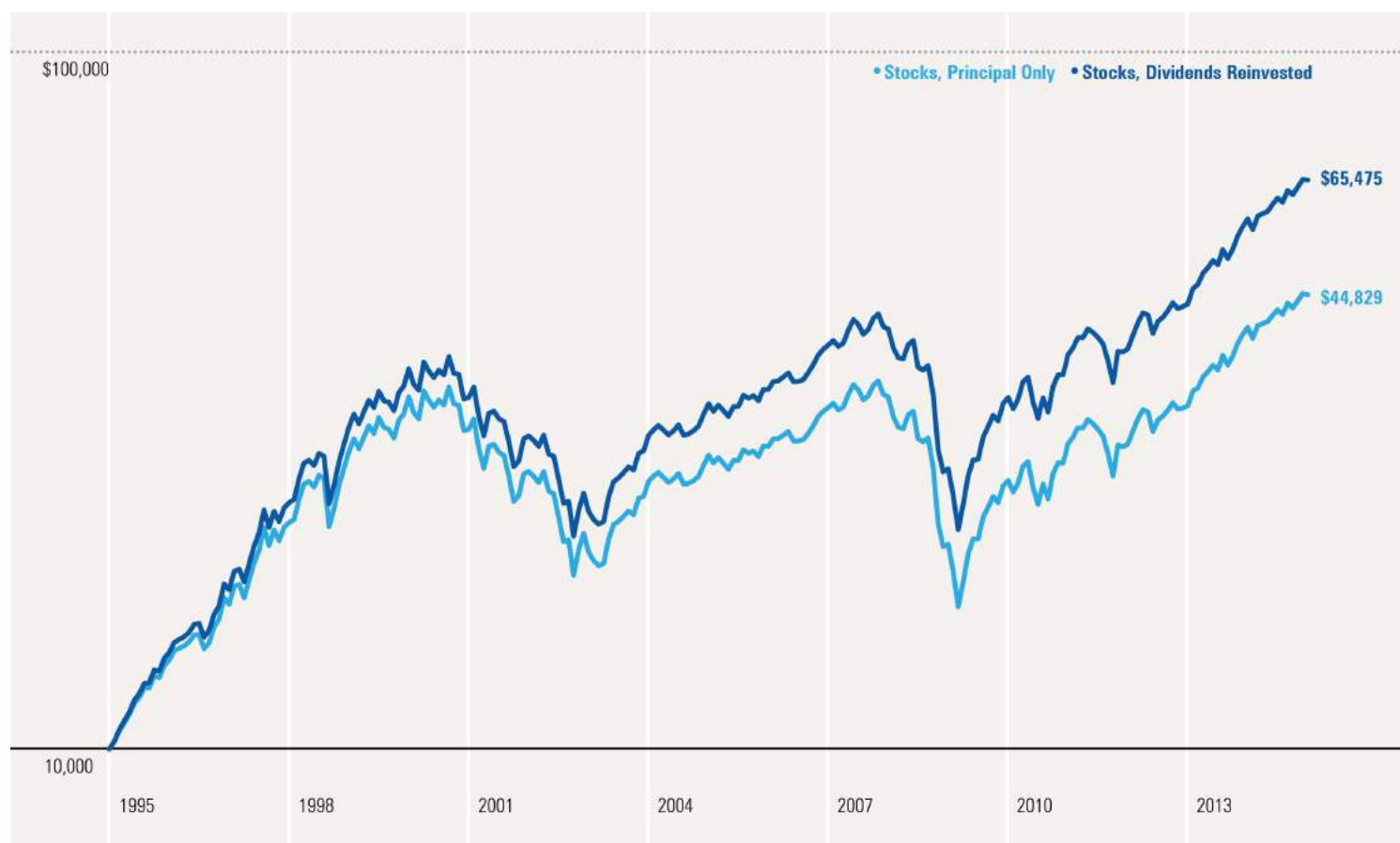
Why Invest in Dividend-Paying Stocks?

- ▶ Investors are experiencing a decline in income levels of many asset classes amid low interest rates and low government bond yields.
 - ▶ Current yields on 10-year Treasuries are at 1.91% as of March, 2016, significantly lower than where they were 22 years ago (7.81% as of December 1994).
 - ▶ Average rates on a 6-month Certificate of Deposit (CD) were around 0.25% as of December 2014 (6.21% as of December 1994).
 - ▶ In 1994, a \$100,000 investment in a 6-month CD for a period of one year would return about \$6,210 whereas today that same investment yields about \$250.
- ▶ Fixed-income instruments such as Treasuries, cash, and cash equivalents may not provide income growth to stay ahead of inflation.
- ▶ Dividend-paying stocks may provide current income and the potential to participate in capital appreciation.

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Impact of Dividend Reinvestment Over Time

Growth of \$10,000: Principal versus Reinvested Distributions



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Evaluating Dividend Stocks

- Could be growth or value
 - Growth co. may be trying to shift its image
- Dividend growth rate
- Dividends as percentage of sales
 - How has company increased dividend payout compared to growth of revenues?



Evaluating Dividend Stocks

Name	Ticker	Industry	Last Close	Market Cap (mil) (Daily) USD	Dividend Yield % TTM	Div Growth % 5 Yr (FY 1)	Div Growth % 10 Yr (FY 1)	P/E Ratio Current	P/B Ratio Current	PEG Ratio
Benchmark:Morningstar US Market TR USD	IMSTART		8,126.14							
Company A		Credit Services	73.78	161,139.63	0.70	30.88		26.92	5.47	1.72
Company B		Oil & Gas Integrated	84.20	349,662.11	3.47	10.60	9.71	21.88	2.05	2.26
Company C		Internet Content & Informati	737.60	507,704.66				32.29	4.22	1.45
Company D		Consumer Electronics	105.92	587,282.23	1.96			11.28	4.58	1.11
Company E		Tobacco	50.69	72,351.93	2.91	8.60	10.23	19.72	3.96	1.87

All data from Morningstar as of March 2016

- Co. C pays no dividend
- Co. D has only 3 years of dividend payment
- Co. A has high growth, but low dividend
- Co. B and Co. E have good dividends, long history of steady growth
- BUT... both might be “sin” stocks (oil and tobacco)

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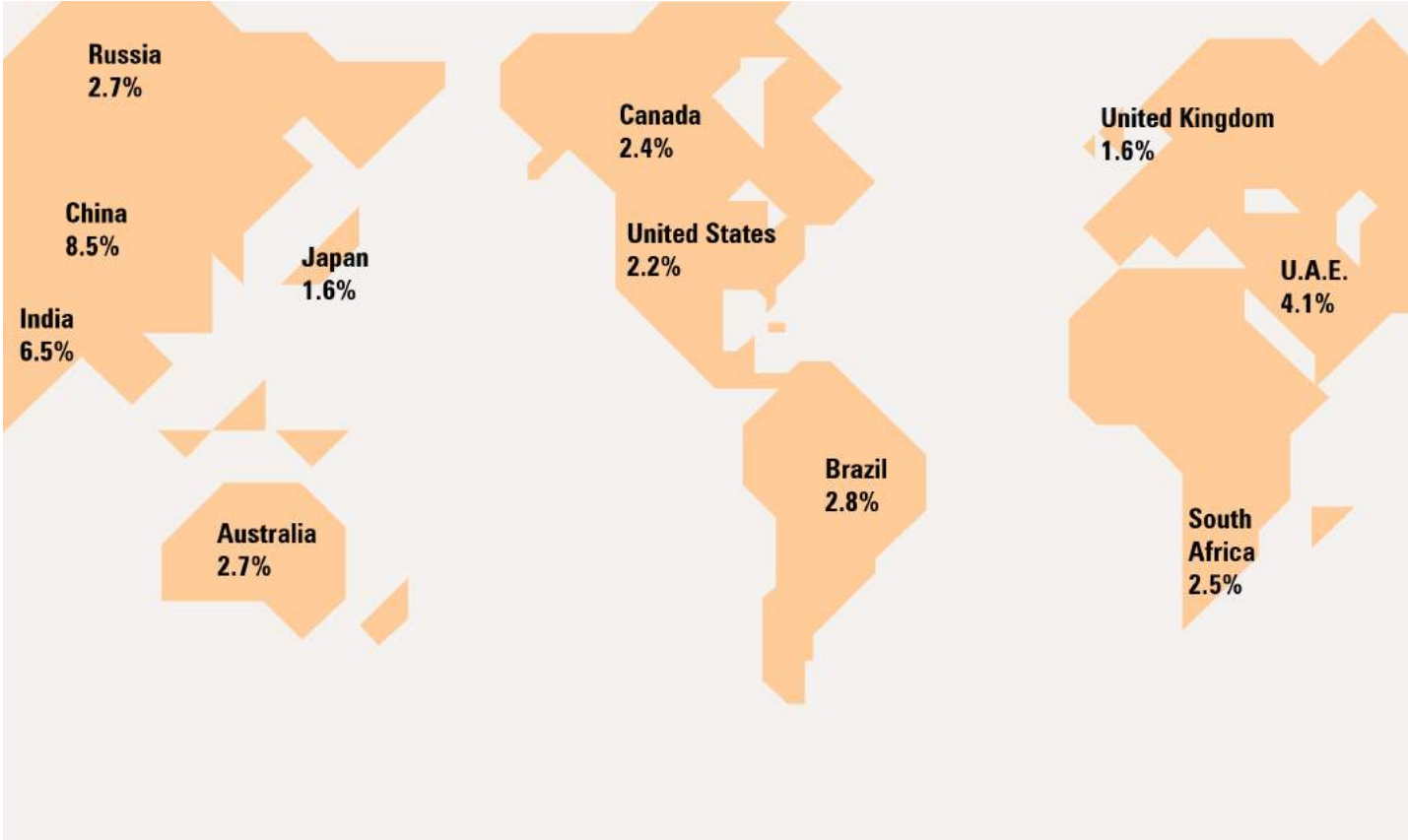
International Stocks



- Same fundamental process, but additional risk factors
 - Currency, geopolitical strife, et cetera
- Developed markets
 - ▶ Established and stable economies with strong consumption activities and ample resources.
 - ▶ Ex. Australia, Canada, Japan, Germany, U.K., U.S.
- Emerging markets
 - ▶ Countries that are starting to participate globally by implementing reform programs and undergoing economic improvement.
 - ▶ Ex. Brazil, China, Mexico, Thailand, Russia, India

GDP Growth by Region

Five-year average annual percentage change 2010–2014



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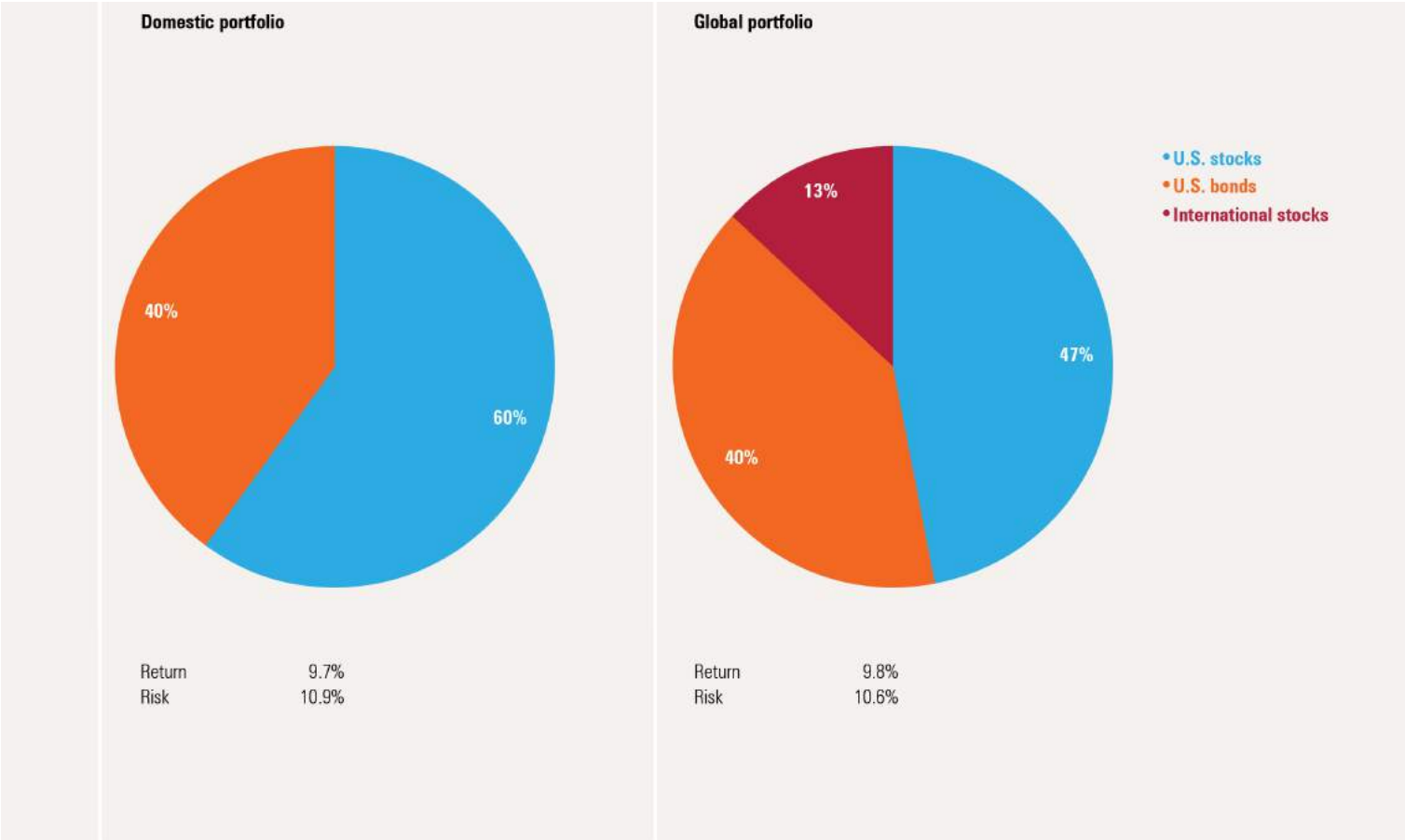
Growth Through Global Investing

Annual returns of top-performing developed global stock markets



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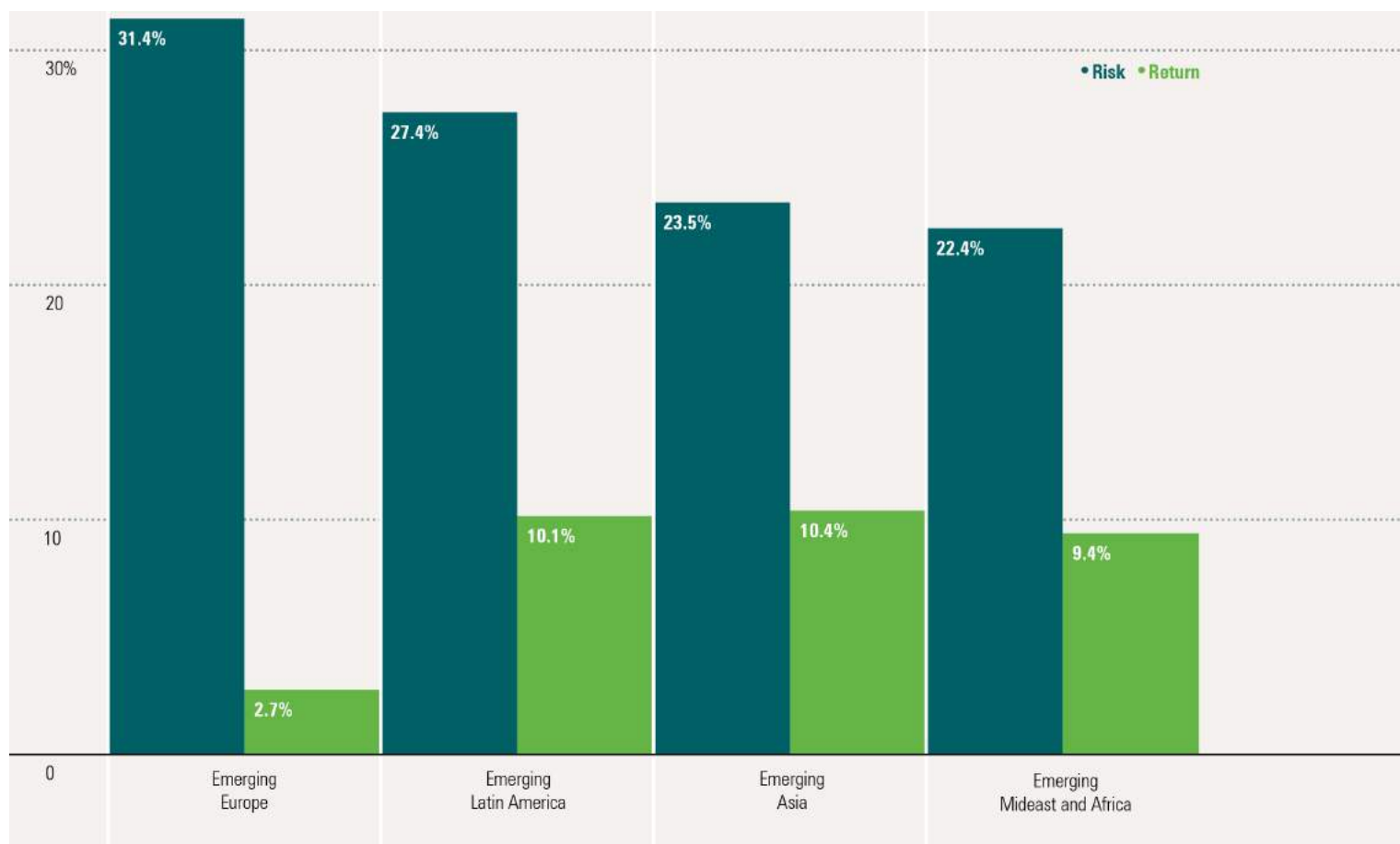
Domestic Versus Global 1970–2014



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Emerging Market Performance

Risk and return 2005–2014



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Mutual Funds & ETFs

Mutual Funds			
	Actively Managed	Passively Managed - Index	ETFs
Ownership	<ul style="list-style-type: none"> ➤ Purchased directly from the fund 	<ul style="list-style-type: none"> ➤ Purchased directly from the fund 	<ul style="list-style-type: none"> ➤ Purchased on the exchange
Management Style	<ul style="list-style-type: none"> ➤ Actively Managed 	<ul style="list-style-type: none"> ➤ Passively Managed 	<ul style="list-style-type: none"> ➤ Mostly Passive, Actively Managed are becoming more available
Pricing	<ul style="list-style-type: none"> ➤ Once per Day after Market Close ➤ May require a minimum initial purchase 	<ul style="list-style-type: none"> ➤ Once per Day after Market Close ➤ May require a minimum initial purchase 	<ul style="list-style-type: none"> ➤ Traded throughout the trading day
Cost	<ul style="list-style-type: none"> ➤ Ongoing management fees & 12b-1 fees ➤ Possible sales charges and redemption fees 	<ul style="list-style-type: none"> ➤ Lower ongoing management fees & 12b-1 fees ➤ Possible sales charges and redemption fees 	<ul style="list-style-type: none"> ➤ Ongoing management fees ➤ Brokerage and trading costs
Transparency	<ul style="list-style-type: none"> ➤ Holdings generally disclosed monthly or quarterly 	<ul style="list-style-type: none"> ➤ Holdings generally disclosed monthly or quarterly 	<ul style="list-style-type: none"> ➤ Underlying holdings disclosed daily
Taxes	<ul style="list-style-type: none"> ➤ May face taxes if the fund distributes dividends or interest, or disburses a capital gain (can be large) 	<ul style="list-style-type: none"> ➤ May face taxes if the fund distributes dividends or interest, or disburses a capital gain (can be large) 	<ul style="list-style-type: none"> ➤ May face taxes if fund distributes dividends or interest

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Evaluating Mutual Funds

Criteria	What's the question?	Indicator
Parent Co.	Who "owns" the fund?	FYI
Expense	How much does the fund charge?	Lower = better
Manager Tenure	How long has the manager run the fund?	Longer = better
Management Structure	Individual or team?	FYI
Manager Investment	Does the manager have \$\$ invested in his own fund?	Yes = good
Historical Performance	How has the fund performed over the past X years?	Better = better
Holdings	Are the holdings consistent with the fund's objective?	Yes = good
Average holding period	How long does the fund tend to hold investments?	Longer = more patient style
Share Class	What share class are you purchasing?	Share class is appropriate
Dividend yield	What is the dividend yield of the fund?	FYI

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Evaluating Mutual Funds

Fund Name	Fund Co.	Yield	Manager	Ownership	Tenure	Expense	10 Yr Return*
International Stock	Company A	0	Indiv.	\$0	0.92	0.67	49th
International Growth	Company B	0.76	Indiv.	\$1mm +	8.33	0.98	N/A (8yrs)
EuroPacific Growth	Company C	2.25	Team	\$1mm +	11.81	0.53	21st
International Growth	Company D	1.21	Team	\$0	12.75	1.01	85th

* Compared to peers

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Company C Fund Holdings

Holdings	% Portfolio Weight	Shares Owned	Shares Change	Sector	Style	First Bought	Market Value	Country
	4.87	97,113,991	-128,000	+	⊞	06/30/2009	5,582,149,494	Denmark
	2.28	30,484,832	425,000	+	⊞	09/30/2003	2,605,739,628	Switzerland
	2.05	46,554,000	-4,815,600	+	⊞	06/30/2005	2,346,058,498	Japan
	2.02	103,553,984	8,982,000	+	⊞	12/31/2008	2,318,356,992	United Kingdom
	1.93	11,682,269	200,195	+	—	06/30/2012	2,208,416,132	China
	1.84	650,394,039	-48,216,630	+	⊞	06/30/2009	2,105,116,771	United Kingdom
	1.73	333,484,600	43,512,400	+	⊞	03/31/2011	1,986,753,882	Hong Kong
	1.72	40,015,838	80,000	+	⊞	12/31/2014	1,969,706,668	United Kingdom
	1.70	97,275,033	20,274	+	⊞	06/30/2006	1,944,393,772	India
	1.62	14,758,566	-282,000	+	⊞	09/30/2009	1,851,629,133	Germany

- Healthcare/pharma, technology, banks
 - Typical “growth” industries
- All co.’s hq’ed overseas
- Reasonably long holding periods
 - They do their homework and are patient

Company B Fund Holdings

Holdings	% Portfolio Weight	Shares Owned	Shares Change	Sector	Style	First Bought	Market Value	Country
	4.41	885,106	72,896	+	⊞	12/31/2007	65,207,907	Switzerland
	3.68	209,973	8,006	+	⊞	12/31/2007	54,388,111	Switzerland
	3.40	400,391	9,700	+	⊞	12/31/2007	50,355,776	Belgium
	3.37	643,183	16,000	+	⊞	05/31/2013	49,829,606	Switzerland
	3.02	502,245	26,000	+	⊞	12/31/2007	44,670,216	United Kingdom
	2.78	735,900	17,800	+	⊞	12/31/2007	41,114,733	Denmark
	2.78	551,253	13,334	+	⊞	12/31/2007	41,062,321	Australia
	2.60	1,814,283	43,800	+	⊞	05/31/2012	38,453,980	Sweden
	2.59	1,162,701	28,123	+	⊞	12/31/2007	38,263,605	Spain
	2.14	425,000	-28,800	+	⊞	03/31/2008	31,658,250	United States
	2.07	343,100	8,300	+	⊞	05/31/2011	30,546,193	United States

- Healthcare/pharma, consumer
- Several US based firms
 - May not be following objective
- Shorter holding periods
 - Higher turnover?

Evaluating Exchange-Traded Funds (ETFs)

Criteria	What's the question?	Indicator
Parent Co.	Who owns the ETF?	Bigger co.'s = better
Inception Date	When was the fund first started?	Older = better
Assets Under Management	How many dollars are invested in the ETF?	More = better
Average Volume	How many shares trade daily (avg)?	More = better
Expense	How much does the fund charge?	Lower = probably better



Evaluating ETFs

Name	Inception Date	AUM	Volume	Expense	Yield
Company A	2003	\$21bn	75mm shares	0.69	2.65
Company B	2005	\$34bn	14mm shares	0.15	3.48
Company C	2006	\$72mm	2,900 shares	0.64	2.17

Not a recommendation to buy, hold, or sell any investment or security.

Wrap Up

- Data used in analysis:
 - Market capitalization
 - Valuation (price, earnings, earnings growth, book value)
 - Dividend/yield, dividend growth
 - Industry/sector
- Equity allocation in portfolio:
 - Domestic: 35% (7% in each stock)
 - International: 15%
 - 10% in developed (Mutual Fund)
 - 5% in emerging markets (ETF)

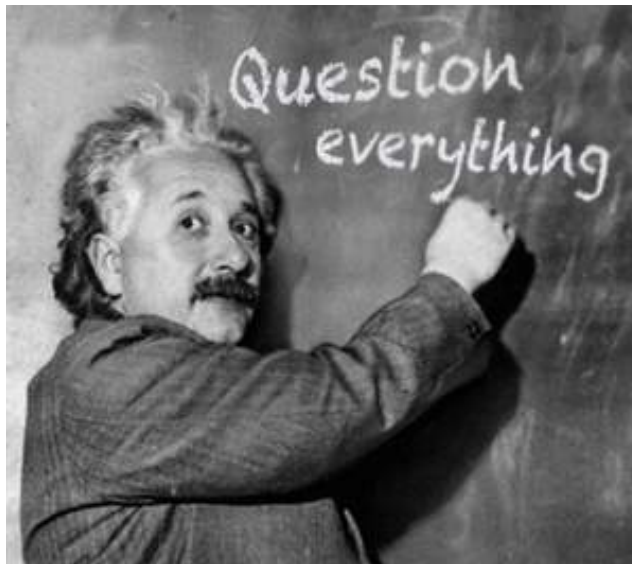


Next Week

- Bonds
- Final portfolio results
- Long-term care review



Not a recommendation to buy, hold, or sell any investment or security.



Not a recommendation to buy, hold, or sell any investment or security. Albert Einstein probably would have been a great asset manager.

- Research a stock or equity mutual fund that you own using Google/Yahoo/Morningstar
- **For a stock:**
 - Market cap
 - P/E
 - Dividend
 - 1 or 2 competitors
 - Country of domicile
- Determine:
 - What is its purpose in the portfolio? Growth? Value? Dividend/income?
 - How does your company compare to its competitors (cap, P/E, dividend)?
- **For a mutual fund:**
 - Expense ratio
 - Manager tenure
 - Fund objective (growth, value, small cap, etc.)
 - 3 top holdings
- Craft two questions you would ask the manager or management team about his/her/their fund
- Risk tolerance worksheet (if you haven't done it)



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