



Independent Investment Advisers

## **Investment Philosophy**

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## Summary

The goal of this operations manual statement is to simply explain how we perform our service – investment management. While all clients' investment goals are different in their own right, they all require a basic framework to invest successfully. This framework is made up of four steps that are enlightening in their own right and even more meaningful when tooled together.

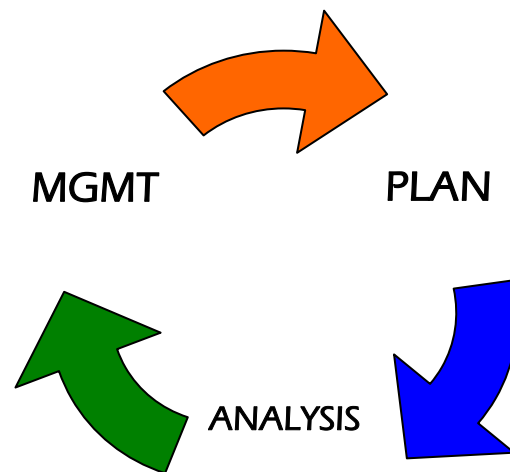
We start our process with **knowledge**. Investing is based on facts. We base our decision making on investment facts and it is important for our clients to recognize these facts or at the very least clearly realize the strength of our investment philosophy. History does repeat itself and understanding what has come before us will go a long way as we plan our future.

**Investment planning** is the key to ascertaining what its going to take to achieve investment success. It is at this point one must set goals. Without goals, how would you know if you achieved success? Goals need to be simple, specific, realistic and complete. Once a goal is set, clarity sets in as we can then build a complete plan to achieve your goal(s).

**Investment selection**, for many, is where an investment manager makes his money. Once a plan is in place, making the investments that will meet the required rate of return to achieve the plan goal is critical. We accomplish this through our 15+ year old investment philosophy that hinges on buying first rate investments when we feel the risk/reward ratio is in our favor and poised to provide returns that will exceed our requirements over the long term.

Pulling together multiple investment selections results in a **diversified portfolio** that is the end result of the previous steps discussed above. While it would be great to do this once and be done, nothing could be further from reality. **Investing management is a process** with the goal of always having a diversified portfolio that continues to perform to meet a client's goal.

After reading this document, we hope you have a firm understanding of how and why we perform these steps to meet your investment goals. While we can't construct this document specific to each client, our hope is for you to envision how it applies to you. As always, we are more than happy to meet and further expound on this material with you.



## Knowledge

"If a man empties his purse into his head, no one can take it away from him. An investment in knowledge always pays the best interest." - Benjamin Franklin

Our investment knowledge will continue to grow as we practice investment management. New instruments, laws, requirements, etc. will be introduced that requires us to learn more. That being said, we are certain the core beliefs of our investment management service will remain the same because it is rooted in fact. Understanding these facts goes a long way in painting a picture of why we manage investments the way we do.

The facts are:

**Volatility is alive in any investing market.** Whether you invest in the stock market, the real estate market or even a savings account, there is going to be volatility. One needs to recognize this and be prepared to weather downside as much as they appreciate the upside. Warren Buffet states it best when he said: "You should not invest in the stock market unless you can accept seeing your investment account down 40% at any one time."

**Investing with a long-term time horizon proves to be the best investment philosophy.** Investing occurs via a market where many participates buy and sell their investments. In regards to the stock market, it comes with great volatility that smoothes out over time. Driving this point home is the fact that over the past 70+ years the stock market, as measured by the S&P 500 Index, has returned an annual average 10.5%. And during this time, the market has never returned its average. Due to this, investors need to realize there will be up and down years and to ensure you do not get stuck in the down year it is paramount to have a long-term horizon.

Regardless of your investment philosophy there is one fact you cannot get around – **the risk versus return ratio**. Typically, the greater an investment's return potential the greater the risk. Over time, this ratio will always be in balance, but it is the goal of investors to take advantage of the times when the market's volatility throws this ratio out of balance and presents compelling risk/return opportunities.

These facts are general market and economic realities. They are present today, have been in the past and will be in the future. One last core fact is based on our experience – **Investors must have a defined investment strategy/philosophy** (Discussed in more detail in "Investment Selection" section). This essentially is your playbook. During the tough times you look to this strategy to tell you what to do.

A solid fact based investment process, including how you plan and make your investments will keep emotions at bay and allow you to make sound investment decisions. This is critical to successful investment management thus why we rely are the facts to drive our investment policy.

## Investment Planning

"Plan ahead: It wasn't raining when Noah built the ark." - Richard Cushing

A Plan is defined as "a scheme, program, or method worked out beforehand for the accomplishment of an objective." This objective for our purposes is a goal. Without this, most investors are moving blindly through their financial life hoping to get to the point of not necessarily reaching a goal, but to have the finances to do whatever it is they needed money to do.

"Retirement" or "child's education" is not a financial goal. These are more or less "wants" that will be achieved by meeting a goal. The finances required for one person's retirement are not the same for someone else. There is not a standard amount you can shoot for and say that is your goal so you can retire. To that, we place an emphasis on **setting your goal(s)**.

Developing a goal is part thought and part fact. An individual needs to give the proper attention to what they want to achieve. Whether its retirement at age 50 on a boat in the Bahamas or retirement at age 65 in the same house you live in now, the objective is yours. This part, an advisor can help you think it thru, but it is up to you to decide what it is you ultimately want.

After an individual's deliberation we use the "facts of life" to round out your goal so it is simply stated, specific, complete and most importantly **realistic**. There is no use in shooting for something that only exists in Anaheim, CA and Orlando, FL.

Once a goal is set, we work on the plan that will get you there. Depending on the time frame most of an investment plan is **driven by historical facts**. The longer the investing period the more confident we are that history will dictate your future. With a shorter period an individual may succumb to periodic highs or lows introducing a higher level of risk that is addressed in a plan.

Through the use of financial models, we apply the needed variables while addressing your risk tolerance; we develop multiple scenarios to determine the likelihood of achieving your investment goal(s). These scenarios are driven by the input so once again the importance of the data (goals & variables) we use is visible.

Our initial plan is based on your current situation. This gives you a glimpse on if you are on the right path or how far off the path you may be. From here, we develop "**what if**" scenarios working to make realistic assumptions that will improve the plan to reach your goal. The outcome is multiple scenarios that take better advantage of your assets ultimately reaching your goal(s).

While we all wish to know exactly what we want at a young age, this is far from reality. This planning phase of our framework is a **repeated process**. As a young person, your plan will be very "loose" as there are many pieces that need to fall into place before you really know where your life is headed. As the years pass and you get closer to retirement your plan becomes more concrete, showing you exactly what you can expect in the near future.

## Investment Selection

*"It is not enough to aim, you must hit." – Unknown*

Our investment selection process is anchored by our investment philosophy (as it should be for any investment professional). We call our philosophy the **Index-Plus strategy** where we invest a certain percentage of a portfolio in index funds and the rest of the portfolio in individual securities. Through this strategy our goal is to not only meet our clients' goals but also outperform the stock market with less relative risk.

The investment process begins with a review of your existing holdings to determine if they will fit within our strategy as well as if they will assist in achieving your goal(s). This includes analyzing the financial instruments you hold (i.e., stocks, mutual funds, bonds, etc.) and the specific companies within these investments. Much of this work started within our planning stage as we reviewed your investments to determine your success at achieving your goal under your current scenario.

From here, we apply our investment composite to your portfolio. A composite is our investment portfolio that includes our core holdings. Typically, our core holdings include stocks, index funds, and electronically traded funds (ETF's). Prior to investing your funds into our core holdings, we analyze how it will improve your current position as well as what impact the suggested changes will have (i.e., tax considerations).

This is just a primer on how we go about getting you invested, more so than how we actually select investments. To read more in-depth about our investment philosophy, see the addendum at the end of this manual. Here we discuss everything that drives why we make the investments we do.

## Implementation – Diversification

*"Thinking well is wise; planning well wiser; doing well wisest and best of all." - Unknown*

The final component of our process is to ensure all of the knowledge, goal setting, and planning is implemented efficiently. From initial consultation to annually updating your plan/investments, we assist you in "staying on the right track" to a successful retirement.

Prior to implementing our investment strategy for you we examine the specifics of each account. Meaning, we look at the balance in each account, the investments in each account, account types (taxable or tax-deferred), and your future plans for funding these accounts. This way we can make the proper investments in each account.

For example, you may have three accounts, an IRA (tax deferred account), a 401k (tax deferred account) and a regular brokerage account (taxable) with different amounts of assets in each and all of your future deposits going to your 401k account. We would address this situation to ensure our initial implementation takes into account these specifics.

After determining the account layout, we then implement the initial investments. Typically, we accomplish this over a period of three to four months in effort to not invest at a market top. In the case of a severely depressed market, we may invest at a faster clip in order to take

advantage of the low prices. Again, we would not invest all at once, but maybe over a few months rather than three to four.

Following the initial implementation we continue to manage your portfolio on a daily basis. "Managing" your investments does not mean we are making trades on a daily basis. It means we are continuously monitoring not only your portfolio but also the entire investment landscape we operate in.

Specific to your portfolio, we are completing the following tasks on a timely or as needed basis:

- Reviewing the portfolio performance,
- Ensuring expected transactions transpire (i.e., deposits into account),
- Completing buy/sell actions, and
- Addressing the portfolio's impact on financial goal(s).

In regards to our practice in general, we are completing the following tasks on a timely or as needed basis:

- Investment research/analysis,
- Macroeconomic reading/analysis,
- Market watch, and
- Staying up to date on current events affecting our investments.

Needless to say, implementing an investment strategy is an ongoing process. Much of it is driven by facts and mathematics and the rest is focused on our ability to use these facts to make sure we achieve your investment goals.

## **Last Point**

Managing one's investments is a process that essentially does not end. Gaining knowledge, applying it in your investment planning, making selections based on this plan, and thus putting it into action through implementation will continue as long as you are investing.

Through proper investment management, it is our belief you can attain all of your goals because of the assets you bring with you. While the ability to save money is key to investing, we are all armed with the greatest asset of all – *time*. Using your time wisely, a person can achieve great investment success.

With these assets, money and time, it is our goal to take people to the next level. Anyone can be rich through earning a good paycheck (In fact most working Americans are considered rich). Maximizing your earnings by investing well is how you become wealthy. It is our goal (as it should be yours) to make you wealthy through the continued application of our investment management.

## Addendum I

### Investment Philosophy

Our investment philosophy is rooted in facts that have been proven successful through historical performance of some of the top investment minds ever to grace this planet as well as our own seventeen years of investing. Learning from the best as well as our own experience has led to an investment strategy that we can lean on to guide us in any type of market, bull or bear.

We call our philosophy the **Index-Plus (Index+)** strategy. It is a combination of investing in the efficiencies of the passively managed stock market indices with the construction of a focused portfolio of fundamentally solid companies. These two pieces of the strategy are the two best ways to not only receive generous returns but the best ways to **outperform** the broader market with an acceptable level of risk.

Choosing **passive** market indices is due to the results of the past 30+ years. Over this period, the number of actively managed funds that **outperform** their benchmark (an index fund) is nominal. In any one year, it could be anywhere from **5 – 10%**. A **focused portfolio (25 or less holdings)** gives you the best opportunity to outperform the index, but the majority of actively managed funds have greater than 100 holdings. This is why the Index+ exists.

Performance is only one piece of the investing equation. Many would say the **risk** you need to accept to achieve your performance is even more important. You won't find any disagreement here. The Index+ strategy inherently matches the risk of the market indices we invest in and then it is our goal to lower this risk with proper individual stock investment selection. A lower risk level while outperforming the market as a whole is paramount to successful investing.

Our investment research entails many of the same tenets legends such as Warren Buffet, Benjamin Graham and Peter Lynch have used for over 80 years and still use today. We believe the **financial fundamentals** of a company drive the market valuation of a company over time. Our job is 1) to find these companies that can sustain solid financials over an extended period of time, and 2) invest in these companies at the right price (when they trade below the price we think they are worth).

Using these two instruments, index funds and individual stocks, gives us a nice one two punch in achieving any investment manager's goal – outperforming the market. Armed with selected investments we apply it to each portfolio per the individual's needs. Properly diversifying an individual's portfolio is the last piece to our investment philosophy. It does no one any good to have great investments to make only to then poorly implement them.

There are numerous investment philosophies implemented by investment managers, individuals, and computer programs. This is what makes the equity markets go around – there is always a buyer and a seller for an investment. We recognize this and there is truly more than one way to skin a cat. The key is to have an investment philosophy that you **believe in** and can stand on in the toughest of times. For us, the Index Plus meets these keys with flying colors.

## The index+ Strategy Explained

### Defined

The Index-Plus strategy (Index+) was borne out of fact and necessity as we strive to outperform the broader stock market over a period of time. We define it as allocating a percentage of assets to the market by investing in the passive indices that represent the majority of the market and investing the remaining assets into individual securities that are priced at a level that will result in greater gains than the market over the same timeframe.

An index is a collection of stocks that represent a certain segment of the market. The most well-known indices are the Dow Jones Industrials Average (DJIA) and the Standard & Poor's 500 Index (S&P 500). The DJIA includes 30 stocks that represent the broader United States economy. The S&P 500 is generally the largest 500 stocks that trade on US stock exchanges measured by market capitalization. The DJIA is equally weighted amongst its 30 stocks and the S&P 500 is weighted by market capitalization (i.e., Price movement in Microsoft as one of the largest companies in the index will have a bigger impact on the price of the index than price movement in a smaller stock).

The prices of these indices, as well as many others, are driven by the stocks within them. These stocks only change once a quarter (at the most) and typically only a few stocks are added and removed at this time. This results in very little change in the holdings of the index giving the index the **passive** fund description. Today there are many funds and electronic traded funds (ETFs) that exist to track many different types of indices.

The second part of the Index+ is individual stock selection. Here, we apply our investment philosophy honed over the past 17 years selecting up to as many as 25 different stocks. These stocks together result in a diversified portfolio of stocks we feel are undervalued and poised to outperform the broader market.

Combining the Index portion of the strategy along with the individual securities portion results in a well diversified portfolio that has meaning and based on past performance has a tremendous opportunity to provide outstanding returns over time with an acceptable level of risk.

### Logic

Since 1989, the year we started investing, we continue to learn through readings and more importantly experience, that the best way to outperform the broader stock market is to invest in a focused portfolio numbering no more than 25 stocks. To further improve your chances of investment success, continue to dollar cost averaging into these stocks over a period of time.

Unfortunately, due to a number of reasons, most individuals investing for retirement do not have the ability to invest all their retirement dollars into 25 stocks. Knowing this, the next logical step is to invest in mutual funds. This is true, but the question is, which mutual funds do you choose – actively managed funds or passive index funds?

The facts are staggering. Actively managed mutual funds where a manager is buying and selling stocks throughout the year typically underperforms the S&P 500 over time. Everyone has their excuses for this shortfall. For us, they are quite simple. The first reason, these type of funds invest in too many stocks (generally 100 or more) resulting in over diversification that does not allow your top selections to make up a great enough percentage of the fund to drive better performance. Secondly, many times, constant trading results in expenses (mainly taxes) that

decrease returns. Lastly, the fees for an active fund are much greater than the index fund management fees that further erode performance.

Not all actively managed funds are terrible. But, since the majority of active funds do not incorporate some of the most common traits to successful investing we stay away from about 95% of these funds. This leaves us with index funds. Not a bad choice, as they have over many decades produced average returns of 10%. This return is as good as it gets for most. Performance greater than this over a period of time is and would be fantastic!

The majority of investors require the use of some mutual funds for two primary reasons: 1) Their risk tolerance level will not accommodate a focused portfolio alone and 2) Many of their assets are invested in accounts, such as a 401k account, that do not allow for stock investments. Working within these parameters we make investments in a collection of index funds representing different parts of the stock market. These funds set the core holdings of the portfolio.

Off of these core holdings we then turn our attention to the individual security portion. With a buy and hold strategy this type of stock portfolio is the best opportunity to outperform the stock market. This strategy still comes with risk, at times at a level some investors cannot accept. The combination of the relative low risk of index funds with higher risk of stock selection results in an acceptable market risk level for the majority of our investors.

This risk level combined with the opportunity for market out performance is the underlying theory behind the Index+. When the stock market goes up, the Index+ portfolio should out perform. When the stock market goes down, the Index+ portfolio may also go down, but won't drastically under perform the market due to our index investment. The Index+ is a fact based strategy that is needed by many investors and most importantly – proven.

## **The index Piece Analysis**

The selection of the index funds we buy is based on a number of factors – some we have control over and some we have to accept making the best out of what is made available to us. Through careful analysis and a complete understanding of these funds we are able to pull together core holdings via the index fund(s).

Our analysis begins with our best case scenario core index holdings. While there are always new index funds on the horizon we have a handful that are tried and tested. The best index funds share the following main traits:

- Low Expense Ratios – The less expensive an index fund the better the after tax/after expense return. Even a difference of .50% in an annual expense ratio can make a huge difference over an investor's multi-year savings plan.
- Accessibility – The ease to trade an index fund is important. As the investment markets become more sophisticated the instruments tracking market indices are becoming simpler and more transparent. Today, ETF's are the best way to invest in an index. We search for this product first and then move to funds.
- Firm Reputation – We make sure we invest with firms we can trust. This is for peace of mind but also these firms are generally the best at what they do.

The index funds at the top of our list track the biggest indices and are offered by the best firms. To that, our first choice is to invest in index funds that track the following:

- S&P 500 Index – Typically, a collection of the 500 largest companies, measured by market capitalization, trading on the U.S. stock exchanges.
- Russell 2000 Index – A collection of 2000 small capitalization stocks trading in the U.S.
- NASDAQ 100 Index – Top 100 companies trading on the NASDAQ exchange that is heavily weighted in technology, healthcare, and biotechnology companies.
- Dow 30 Index – The 30 stocks that encapsulate the Dow Jones Industrial Average.

Our preference is to invest in these funds offered by the following firms: Vanguard, Fidelity, and Barclays. When these funds by these firms are not available, we work to find the funds that meet the traits reviewed above.

In addition to these index funds, at times we also utilize more specific funds that track specific industries or geographic regions. Much like our individual stock selection, we make these investments when we see a particular industry or region that is drastically undervalued. These include funds that track the Healthcare and Financial industries as well as regions such as Emerging Markets, European Nations or specifically Asia.

Being passive investments, index funds are simplistic in nature. They experience changes on an infrequent basis giving investors a level of comfort in knowing what they originally buy is what they will have in the future. To this, we keep our eye on the core traits we look for and continue to analysis our preferred index funds as well as new index funds to ensure we are taking full advantage of the strengths index funds offer.

## The Equity Piece Analysis

Our selection of individual stocks is based on our fundamental company analysis. As value investors, we believe the intrinsic value (basically cash) a company creates today and in the future drives the market value (stock price) of the company. Capitalizing on our experience, teachings, and many tools at our disposal, we seek to invest in great companies when their intrinsic value trades at a discount to its market value. Below is the process of how we accomplish this goal:

- **Identify Potential Investments** – There are number of ways for a company to get on our radar as a potential investment. This includes:
  - Top 100 List - Be on our general list of companies we would like to invest in if the price was right. This includes your top companies that are in a league of their own in regards to competition as well as the cash they create. This list hovers around 100 companies that include the likes of Microsoft, Paychex, Home Depot – companies that dominate their industries.
  - Weekly Searches – Based on an investment idea, we perform periodic searches to unearth undervalued companies measured by specific criteria. Through the use of paid databases (i.e., Morningstar) we have access to a tremendous

amount of data to search. For example, if we are interested in investing in stocks paying high dividends that produce a certain amount of cash flow annually, searching our databases will create a list of companies we can then analyze individually. A very efficient way to achieve a list of potential investments.

- Periodicals – Daily, we read newspapers, magazines, web blogs, web sites to stay up on current events and develop new investment ideas.
- IPO/Spin Off Lists – We pay close attention to new listings via initial public offerings and spin offs. Many times, these new listings go unnoticed at the outset giving investors an opportunity to make early investments.

There are many ways to find potential investments. Above are the main exercises we continue to perform on an ongoing basis in search of great investments.

- **Company Analysis** – Once a company or a list of companies has been identified as a potential investment, we perform a thorough analysis of each individual company. Ten years ago we completed the analysis on our own, but today with the power of the Internet, we leverage a number of resources to complete our analysis. This analysis focuses on the following:
  - Company Understanding – Through company filings (Annual reports, 10k's, 10q's), we get to know the company. Reading to ensure we understand what they do, how they do it, and why this business exists. It is essential we completely understand what a company does before we even consider an investment.
  - Business Valuation – Determine the company's value and its competitive advantages that will help it maintain and grow its value.
  - Risk/Return Potential – Compare the company's valuation versus its current market valuation identifying how undervalued or overvalued the company is. This relationship determines the risk versus return potential. A company that is drastically undervalued that maintains a defensible competitive advantage most likely has very little downside risk while still having big upside return potential.
  - Financial Analysis – A review of the company's financial statements. While much of the financial analysis is completed when we determine the business' valuation we complete our analysis of the financials by looking at other non-cash items (i.e., revenue growth, valuation ratios, etc.)
  - Financial Management – A cursory of management's actions in regards to creating shareholder value. A company's first job is to create income; its second job is to correctly distribute that income to its owners (shareholders). So outside of re-investing in the company, what are they doing with the company's excess cash?
  - Technical Analysis – As long term investors, we do not actually use technical analysis in the sense of making trades based on a stock's chart pattern. We do look at near term stock price movement and a stock's current price in relation to its historical prices.

- Stock Ownership – While we have been investing for almost 20 years, there are other fundamental investors who have done it longer. We review the stock ownership of each company to see a) Who is investing in these stocks, and b) When have they invested in these stocks. In addition and maybe more important we look to see what the insider action is on the stock. Company insiders do not buy their own stock if they think it is going down.
- Review The Opportunity – Once we complete our analysis, we take a step back and ensure we understand why this opportunity exists. Sometimes the general market may miss an opportunity but many times they create the opportunity. For example, a stock may be sold off because they missed a quarterly earnings estimate. This is short term to us and we may use it as a buying opportunity. Events such as this create many of chances you get to invest in undervalued companies. Whether right our wrong, most time a stock drops in value for some underlying reason. We need to understand this.

Completing all the steps above gives us a sound understanding of the company analyzed. Many times, we do not make it through all the steps of the analysis if a company doesn't meet certain requirements (i.e., if a company is drastically overvalued there is no reason to continue to analyze it until it comes down in price or the valuation increases). Through the use of technology and numerous databases our company analysis process is as efficient as it's ever been. Rather than compiling the data and then completing the analysis as we did many years ago, we now have the data at our fingertips leaving us to focus on the analysis.

- **Building a Portfolio** – Cobbling together our stock selections builds our investment portfolio. Since our portfolio is constructed to outperform over the long term we do not look to diversify across specific industries. We look to invest in up to 25 stocks at any one time knowing that in the short term we may lag the market but over the long term we will out perform the market with this focused portfolio.

The equity portion of our investment strategy is based on our ability to continue to find and buy great companies when they are undervalued. We believe we can do this over the long term using the valuable tools at our disposal and leaning on our experience. History does repeat itself in equity investing and we will continue to find, analyze and add companies to our portfolio taking advantage of the history of the stock market – over the longer term, stocks go up.

**Note:** In addition to individual securities, we invest in mutual funds where management invests in the same type of companies we look to invest in. These typically include long term focused funds investing in less than 50 securities and having a multi-year holding period for each security. Many times, these funds are referred to as Buffet-like funds.

## Implementation

Implementation of the Index+ strategy is the investment management piece of our service. It is a continuous process that begins with a core allocation of the indices and stocks but is then modified to best meet each individual investor's need(s). The Index+ gives us the flexibility to not

only set it to meet an individual's current needs but also change it over time to address any changes in an individual's investment profile.

Depending on an individual's needs (all of the information we learn during our planning stage) we typically set up a portfolio with a percentage of index funds and a percentage of stocks. The allocations take into account the following metrics:

- Time – How long can this money be invested,
- Capital Base – What amount we starting with,
- Capital Contributions – How much cash will be invested on an ongoing basis,
- Risk Tolerance – What type of market turbulence can an individual withstand, and
- Available Investments – What investments are available within one's account(s).

With this metrics in mind, for a typical client we invest from 45% - 70% in index funds and up to 55% in individual stocks. This is an individual who has all of their retirement assets managed by us across a number of accounts and with the majority of their new contributions being made to their 401k account.

As time passes and market valuations change, we adjust our allocations to prosper over the long term. At times, valuations of stocks are not undervalued enough for us to invest so we will allocate more capital to the index funds driving the total percentage to 70%. At other times, more individual stocks look attractive and we then lower the index fund allocation to closer to 45%. Using these two investment types (index funds and stocks) gives us the flexibility to manage risk while position for long term out performance.

In addition to the above metrics, we practice dollar cost averaging (DCA) within our strategy. DCA is the process of continuously investing in the same investments. With DCA an investor will never buy at the high or the low and this will average out their cost basis so over time they should experience positive performance. It actually works phenomenally as the market goes down as an investor continues to buy the same investment at a lower price. Upon the upturn in the investment, the investor will have a greater gain as he/she now owns more shares and at a lower price.

Managing one's investment portfolio is the culmination of all the prior work:

- Knowledge – Understanding the facts of investing and the individual investor,
- Planning – Setting goals, and
- Investment Selection – Investment analysis.

Armed with the above information, we easily apply this to the individual investor's portfolio. Continuously performing the above tasks we can then manage the portfolio with a great degree of confidence as we continue to address the ongoing changes of the stock market presenting investment opportunities.