"Improving your Investment Portfolio"

There are many ways to improve investment portfolios for higher potential returns. Most important is to identify the goal of each investment. By clearly identifying the goal, the timeline and the amount of volatility or risk that is acceptable and viable, an effective portfolio can be addressed or built.

In addition to addressing goals, objectives and risk tolerance, we recommend exploring 5 investment strategies designed to enhance potential returns and to attempt to minimize volatility or risk.

1. Through research, technology and tools we establish the **"Efficient Frontier".** This is based on Nobel Prize winner, Harry Markowitz and his research on combining various asset classes. This combination of asset classes creates an optimal blend called the "Efficient Frontier". This blend can be tailored for conservative through aggressive investors. The right balance of various asset classes is what provides an efficient amount of growth while minimizing risk. It uses the theory of combining "Low Correlation" asset classes. This provides a balance in the event one of the asset classes experiences a sudden correction. When this happens, the opposite asset class usually experiences a slight uplift and growth… thus, providing market appreciation while minimizing overall portfolio risk/volatility.
2. **Blend growth and value styles** of money managers and companies. Growth managers tend to select fast growing growth markets while value money managers tend to buy companies "on sale"… meaning companies that are traded at a discounted price relative to their overall value. The growth manager is attempting to buy companies that should continue their appreciation and growth due to their favorable market position and/or market sector. The value manager wants a particular company that is "out of favor" to rebound and receive appreciation in that event. The goal of investing is to "buy low and sell high". This blending of styles allows one to achieve growth when the market rallies and provides stable long term growth with fundamental investing through value managers and companies.
3. **Invest with an international perspective**. Globalizing your portfolio with the proper blend of international companies can actually reduce overall risk while potentially enhancing returns. This is done to diversify away from US currency risk and to allow participation in the global economy and developing areas of growth. Our economic environment is definitely a world market today. Many opportunities abound overseas. It is suggested that a small percentage of your portfolio be invested in the international marketplace based on your overall risk tolerance. (Please note that international investing involves additional risks such as currency fluctuations, differing financial accounting standards and possible political and economical instability.)
4. Continually **rebalance your portfolio** to your proper asset allocation. According to research and historical performance, overall portfolio returns will be most strongly influenced by your asset allocation. Once allocated, returning to your original or updated asset allocation is crucial. This means keeping the proper percentage of your overall portfolio in each respective asset class. Over the course of time, high growth areas may have a higher percentage of the portfolio allocated if they have

increased in value quicker than the rest of your portfolio. Rebalancing to the original allocation is a disciplined way to lock in its gains and keep your risk tolerance consistent with your actual portfolio allocation. We recommend rebalancing at least annually.

5. **Consider the impact of taxes**. Maximizing real returns is crucial to your portfolio. Real returns are measured by taking total returns and subtracting the impact of inflation and taxes. Making strategic moves in taking gains/losses becomes important to maximizing your overall long term return. Tax deferred investments can prove to be an excellent way to accumulate wealth. Consideration of income, potential social security and capital gain taxation are important elements to enhance your real rate of return.

The investment world can be complicated and difficult to manage. These strategies require careful planning and efficient utilization of good tools to analyze and provide research. With proper direction and implementation, investing effectively can be achieved in our turbulent market.

INVEST Financial Corporation does not provide tax advice. Please consult your tax advisor for guidance on your particular situation.

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