CaliforniaCapital MANAGEMENT
A REGISTERED INVESTMENT ADVISOR

Our Investment Philosophy

We adhere to these principles when investing on behalf of our clients. We developed these principles by studying professional and amateur investors since establishing our business over 27 years ago.

1. Focus more on exploiting volatility than trying to avoid it.
During times of volatility we seek to purchase investments at a discount. We may sell a security that is down in value to purchase a security that is lower in value. This allows for more growth opportunity.

2. Emotional competence is just as important as portfolio allocation.
We let logic and research dictate our investment decisions, not fear. The Great Recession caused many people to panic and liquidate holdings which would have recovered in value given time. Our clients with the most success weather volatility rather than emotionally react to it.

3. Long-term goals carry more weight than short-term concerns.
In times of severe economic distress, investment opportunities require us to set aside our short-term concerns and make decisions that might take three years or longer to materialize. We invest to grow money over time, not to avoid short-term losses. The biggest challenge to long-term success is staying invested through periods of volatility and uncertainty.

4. Think like an investor, not a trader.
We invest in companies we can own long-term to capitalize on trends. Rather than follow fads like short-term traders, we conduct research and form our own opinions on long-term trends and companies that reflect those trends. As business magnate Charlie Munger says, "It is far better to buy a wonderful business for a fair price than to buy a fair business for a wonderful price."

5. Bet on the upside of the U.S. even during times of uncertainty.
If the U.S. ever fails, most any investment will be near worthless. Therefore, we believe betting on the long-term success of the U.S. and U.S.-based companies makes more sense than allowing short-term economic problems both here and abroad to cloud our judgment.

6. Have a market downturn strategy and cash available to cushion any tumble.
Successful investors know exactly how they will respond to the next market downturn. They've considered a variety of options for their portfolio and have chosen their desired path. This gives them a non-emotional framework to follow during a significant market downturn.

7. When Wall Street rolls out its latest can't miss investment vehicles, be skeptical.
Many times the plain vanilla stock or mutual fund proves to perform better than the latest newfangled product.

8. Stay within your circle of competence.
We make sure to understand what we are buying and develop a thesis as to why it might succeed. Nothing replaces homework. Put simply, we never buy something we don't understand or can't explain.

9. Understand the true costs of investing and be wary of anything that seems too good to be true.
Professional management and planning are not free, and those who claim to provide such services for free are making their money elsewhere within a client's portfolio. We structure our portfolios to minimize internal investment costs and generate income to offset our management fee.

10. Take a big picture approach to investment management and financial planning.
From investing to tax planning to education planning, all areas of an investor's financial life are intertwined. Changes in one area can easily impact another area, and this must be taken into consideration when selecting, buying and selling investments.

4729 Lankershim Blvd. • North Hollywood, CA 91602 • 818.766.0660 Phone • www.CalCapMgt.com • service@calcapmgt.com