STEWARDSHIP FINANCIAL

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GRP
GLOBAL RETIREMENT PARTNERS

WEALTH MANAGEMENT – INVESTMENT APPROACH

Know Thyself - The client is the cornerstone of any investment. One must first understand their personal investment objectives, time horizon, risk tolerance and capacity. Financial goals are achieved over time, and portfolios should be designed to endure various market environments.

Markets Are Efficient - Security prices reflect the cumulative wisdom of millions of participants. Some research suggests that the consolidated knowledge of investors may be superior, in aggregate over time, to the individual. Thus, we believe in markets and our portfolios remain fully invested, rather than attempt to "time the market", or select outperforming securities.

Extended Asset Classes - Investors may benefit by gaining broad based exposure to asset classes beyond US large-cap common stocks and investment grade bonds. To increase diversification and the potential for enhanced returns, portfolios may include small and mid-cap stocks, international securities and multi-sector fixed income strategies.

Diversification is Critical - Diversification reduces non-systematic risk, within and across asset classes. Diversified portfolios can reduce volatility, allowing the investor to be fully compensated for the risks in the portfolio. A broad range of asset classes are considered based on your objectives. Most client portfolios contain thousands of securities across various asset classes and sectors.

Long Term Investing - Construct durable portfolios. Positions should be held for the long term, and in taxable accounts, optimally until death to leverage stepped-up basis. It is challenging to hold individual securities for such long periods since the criteria to buy, may eventually result in the criteria to sell. Strategic investing builds wealth, while tactical trading creates more taxable events.

Rebalancing, Mean Regression - Mean regression and the need to retain target allocations requires periodic rebalancing. When rebalancing, the impact of trading costs and taxes should be considered. Hence, rebalancing can best be achieved through periodic cash flows, or in tax deferred accounts.

Use of Funds - Broad diversification can be most effectively achieved through funds. Over time, the performance of the total stock market is generally higher than the returns of most stocks, so by seeking to own all publically traded stocks, we gain de-facto exposure to the top performing securities. To reduce fees I seek to deploy low cost funds and share classes that are free of 12b-1 or sub-transfer agent (sub-TA) fees.

Compound Growth, Strategic Focus - $1,000 per month investment for 40 years equals $480,000 in contributions. A 7% rate of return creates a future value of $2,624,813*. Therefore, compound growth is very powerful.

Performance, Cost and Taxes Matter - Investments performance, costs, and taxes have a substantial impact on the future value of a portfolio over an investor's lifetime. Given the above example, if returns were reduced by 2% (net 5%), the future value would be $1,526,020*. This 2% drag reduces the future value by $1,098,793 (42%).

Evidence-Based Investing - This approach to asset management is referred to as "Evidence-Based Investing" (EBI). It combines academic data derived from the past, with the humility about an unknowable future. EBI leverages empirical research and dimensions of returns considered to be logical, durable and across markets. By identifying a clear and structured investment process, we are liberated to practice a holistic approach to wealth management.

* These examples are for demonstrative purposes only and do not reflect actual investments