ViewPoint

TRUSTPOINT
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Keep Calm and Invest On

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Ever since the credit crisis of 2008-2009, public distrust of big financial institutions has run deep. The latest fiasco at Wells Fargo is yet another example. After pushing employees to meet sales goals that called for every customer to have eight products with the bank, Wells Fargo now finds itself in the middle of a scandal over millions of unauthorized accounts opened without the consent or knowledge of its customers.

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At Trust Point, we are different. We are deeply committed to exceeding your expectations and delivering personalized advice that puts your mind at ease. You should feel confident in knowing that your advisory team is serving as your advocate.

About Trust Point

Trusts, individuals, families, and 401(k) plans all benefit from Trust Point's unique investment proposition. That proposition is free of conflicts of interest, and is based on the philosophy that, in doing what is best for our clients, we will be doing what is best for Trust Point.

1) We do not sell proprietary investment funds or products.
2) We do not sell insurance or annuities.
3) We do not accept any form of compensation or collect revenue sharing of any sort from the investment firms we use or recommend to our clients.
4) We reduce the cost of investing by combining top-quality institutional-share classes of mutual funds, index funds, and exchange-traded funds.
5) We offer a "relationship fee" structure that covers all of our services and provides full access to our multi-disciplinary professionals.

Recent Investment Portfolio Changes

Over the last two years, volatility has been high but market returns have not, especially for equity investors. Thankfully, challenging and volatile times bring opportunities.

We have made a number of changes during the past 6 to 12 months to take advantage of opportunities and improve the risk/return trade-offs of our clients' portfolios. Here are the five most important changes:

1) Increased Exposure to Passive Investments

Passive investments are low-cost, tax-efficient vehicles. The changing market and regulatory environment has taken away some of the historical advantages enjoyed by mutual fund managers. We have conducted extensive research on the pros and cons of both active and passive management. We have concluded that a hybrid strategy combining both approaches provides the best outcome for our clients.

2) Reduced Exposure to Overvalued Sectors of the Equity Market

A continuous decline in interest rates has forced investors to search for yields. That search has pushed the valuations of four sectors of the equity markets into bubble territory. Those sectors—REITs, Utilities, Telecom, and Staples—have attracted investors because they offer low volatility and pay high dividends. Since they have swollen to bubble size, these four are now the most underweighted sectors in our clients' portfolios.

3) Introduced New Money Market/Cash Sweep Vehicles

New SEC regulations intended to stabilize money-market funds in times of stress have affected three key features of the money-market world: stability, liquidity, and yield. In order to continue to provide our clients with a cash-sweep vehicle that offers a stable NAV, an attractive yield, and daily liquidity, we adopted changes based on the type of account and specific account mandates.

4) Adjusted Bond Allocations to Reduce the Negative Impact of Potentially Rising Interest Rates

Interventions by global central banks in fixed-income markets have caused yields to collapse below fair value, providing no cushion to investors should interest rates rise. We believe that the risk/return outlook for domestic and international government bonds is poor. We have positioned portfolios accordingly.

5) Introduced a Covered-Calls Strategy

At this point in the cycle, our expectations for the years ahead are for lower U.S. equity returns and higher volatility. Our covered-calls strategy is specifically designed to enhance returns above and beyond the S&P 500 in this type of environment.

Performance Has Gained Traction

Twenty-four hours a day, investors get bombarded by forecasts, news, ideas and tips. Most of it is "noise," information that confuses or misrepresents genuine underlying trends.

Our job is to separate the "noise" from the real long-term trends. Real long-term trends create real long-term opportunities and that is what we are interested in. At times, these long-term opportunities can take time to develop or be fully appreciated by the marketplace. At times, the "noise" dominates trading activities and portfolio performance may suffer as a result.

Although we dislike bringing attention to short-term performance numbers, we are pleased to report that our portfolios' performance over the last six months has exceeded benchmarks and peers. We view this as a sign that the long-term opportunities discussed above are paying off.

We are committed to achieving competitive returns that match your level of risk tolerance. Clients who have been with Trust Point for several years know that we have an outstanding long-term track record of performance versus industry benchmarks and peers.

After all, good investing is like a good diet: It only works if it is sensible and if you are able to stick with it.

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