FINANCIAL SYMMETRY

General Investing Principles

1

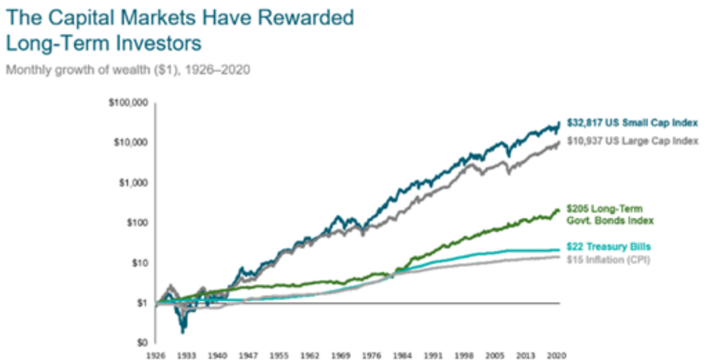
We are long-term, goal-focused, planning-driven investors. We've found that the best course for us is to formulate a financial plan—and to build portfolios—based not on a view of the economy or the markets, but on your most important lifetime financial goals.

2

For nearly a century, equities have provided compound returns exceeding three times the general rate of inflation (see graph below). They have thus been the greatest generator of real wealth – net of inflation-effortlessly available to ordinary people. We believe they will continue to do so.

3

We believe that ***acting continuously*** on a rational plan—as distinctly opposed to ***reacting*** to current events—offers us the best chance for long-term investment success. As a general statement, we've found that the more often investors change their portfolios (in response to the market fears or fads of the moment), the worse their long-term results.



4

We do not believe the economy can be consistently forecast, nor the markets consistently timed. We're therefore convinced that the most reliable way to capture the long-term return of equities is to ride out their frequent but historically always temporary declines.

5

Investors earn the long-term premium return of equities almost purely as a reward for patiently enduring their occasional declines. Historically, the S&P 500 has experienced an average annual decline from high to low around 16%. About one year in six, the average correction has turned into a bear market – a temporary decline of just over 30% (on average).

6

We are short-term pessimists and long-term optimists. That is, we believe money needed for spending in the next five to seven years should be invested in high-quality bonds. Money not needed in the next five to seven years should be invested for long-term growth (equities).

7

We believe that in an intelligently diversified portfolio, some component (or even components) will always be "underperforming". ***That's how you know you're really diversified.***

8

The only benchmark that you should care about is one that indicates whether you are on track to achieve your financial goals.

9

We assume that at least 90% of an investor's personal lifetime return will be driven by: (i) % of the portfolio invested in equities; (ii) behavior in response to some extreme market fad or fear; and
(iii) the quality of your investment plan.

Finally, learn more about our three-step investment process, five things to expect, and historical results **here**.