

with a thorough **understanding** of our clients' needs,  
 our prudent **investment** strategies  
 deliver **success,** while  
**minimizing risk**

**Why is it so important to monitor and manage risk?**

If you could choose to invest in a stock or a bond and both would produce a 5% return, what investment would you pick? Most prudent investors would choose the bond because of the lower risk of principal loss. The example below illustrates the impact of volatility and why it is so important to manage.

Two investors invest their \$1,000,000 savings with two managers over a five year period. The first investor earns a consistent 8% each year, while the other investor earns 15%, loses 3%, earns 18%, loses 12% and gains 22% over the five years. Both of these investors have earned an average of 8% over the years but the first investor has a balance in his account that is \$56,159.00 more than the second investor - or a "real" return of 5.5% more than the second investor.

Investor A	Investor B
After Year 1 \$1,080,000 = +8%	\$1,150,000 = +15%
After Year 2 \$1,166,400 = +8%	\$1,115,500 = -3%
After Year 3 \$1,259,712 = +8%	\$1,316,290 = +18%
After Year 4 \$1,360,489 = +8%	\$1,158,335 = -12%
After Year 5 \$1,469,328 = +8%	\$1,413,169 = +22%
<b>Average return 8%</b>	<b>Ending +/- (\$56,159)</b>

Investors understand that yearly returns will not be consistent but this example shows how the variability of returns can affect your wealth and why managing volatility is critical to the long term success of your financial goals.