



# INVESTMENT MANAGEMENT

Preserving and Growing Your Wealth

**MOSS ADAMS**  
WEALTH ADVISORS





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## Not a Game Plan. A LIFE PLAN.

Paying for college. Securing your retirement. Setting aside philanthropic funds. Leaving a wealth legacy for loved ones.

As experienced wealth advisors, we recognize that while you may have short-term financial objectives, the chief reason you invest is to attain some of life's most important goals. That's why we take a holistic, long-term approach to helping you preserve and grow your wealth. It's more than just managing your portfolio. Recognizing that you're a sophisticated investor with unique needs, we craft a personalized, 360-degree strategy to help meet them.

We also provide you with the kind of independent, objective advice that's so critical to savvy investing. Your advisor has the flexibility, the freedom, and—most important—the incentive to do what's right for you and only you.

With Moss Adams Wealth Advisors, you'll work with a professional who can balance both the art and science of managing your investments effectively. He or she will fully commit to focusing on your financial success.

This brochure covers key ways you can preserve and grow your wealth. You'll learn about our investment management process as well as our investment philosophy. Our goal? To help you achieve yours.



## A Fiduciary Standard of Care: Why It Matters

As a Registered Investment Advisor (RIA), we adhere to a fiduciary standard of care. We follow strict rules and regulations to help ensure that you receive independent, objective investment guidance and clear disclosure of fees.

Your wealth advisor guides you through a disciplined investment process that typically includes:

- Determining an appropriate asset allocation and providing a sufficient choice of asset classes with different and distinct risk and return profiles to diversify your portfolio
- Managing the investment process and selecting and implementing investment options on your behalf
- Monitoring the progress of your investments and recommending changes to keep them balanced and on track
- Controlling your investment expenses

We then provide you with recommendations and access to trusted managers who can execute the right asset allocation based on the plan we create for you.

Our advisory fees are based on a percentage of your assets under our management. This means you can rest assured that the guidance you get will be independent, objective, and firmly rooted in helping you achieve your objectives.

## What Is Effective Investment Management?

You put a lot of faith into your wealth advisor. After all, you're trusting him or her to take good care of your money and help you build a more prosperous future for you and your family. So it's important for you to have a clear understanding of your advisor's process for managing your investments.

At Moss Adams Wealth Advisors, we believe effective investment management is based on four key principles:

- **Investing takes discipline.** A disciplined process is fundamental to the asset allocation and strategic implementation of your investments and to achieving your investing objectives.
- **Asset allocation is the key.** Having the right asset allocation in your portfolio influences your investment returns more than any other factor.
- **Long-term investments pay off.** Investing takes time, so we don't make decisions based on emotion or heightened sensitivity to market pressures. Instead of trying to time the market, we devise a more dependable asset allocation plan and stick to it over the long term.
- **Integrating your financial plan cultivates success.**

An investment plan that's well-integrated with an overall financial plan is far more likely to be effective than one conducted in a vacuum. Aligning your investment goals with the rest of your personal goals helps drive overall wealth creation and preservation.



# Investing Takes Discipline

Effective investing requires discipline. Adhering to Global Fiduciary Practice Standards as developed by the Foundation for Fiduciary Studies, we build discipline into each of the four steps of our investment management process:

**STEP 1: GET ORGANIZED.** The key to designing a sound strategy is establishing realistic goals and understanding the big picture. We work closely with you to:

- Review your current position, including your tax status, cash flow, and liquidity requirements, and the steps needed to achieve your goals
- Assess your investment objectives and translate those objectives into quantitative and qualitative risk and return goals
- Determine your time horizon and risk tolerance to help shape your portfolio's recommended asset allocation
- Review any investing concerns or special considerations you may have, such as a business or estate plan that could influence your financial success

**STEP 2: FORMALIZE YOUR INVESTMENT PLAN.** Your wealth advisor will work with you to:

- Determine an asset allocation model designed to achieve your return objectives while adhering to your tolerance for risk
- Set up rebalancing guidelines in advance so we can respond to natural market shifts in a disciplined fashion
- Determine the manager structure and platform, qualifying each manager before we make any recommendations to you
- Provide you with a detailed investment policy statement—a road map for your future investment decisions that also helps confirm a mutual understanding of the investment goals and management policies applicable to your portfolio

**STEP 3: IMPLEMENT YOUR INVESTMENT PLAN.**

With your investment policy statement complete, your wealth advisor will:

- Select appropriate platforms and investment options
- Review custody arrangements, negotiating fees and connecting to special service teams that have proved beneficial to our clients
- Complete the transfer process and forward any paperwork to the appropriate parties
- Select and commence trading activity for your investments so your plan is under way

**STEP 4: MONITOR YOUR PORTFOLIO'S PERFORMANCE.** Your wealth advisor will:

- Review investments to make sure they continue to meet your objectives under the asset allocation plan
- Monitor economic and market conditions that could impact your investments
- Monitor trading costs and pass on our institutional buying power to you by using institutional share classes and prime brokerage agreements
- Strive to reduce your tax liabilities by timing transactions based on dividend distributions, matching short- and long-term gains and losses, and implementing a structured workout of concentrated stock positions on a tax-efficient basis
- Implement rebalancing and refinements to your investments as needed
- Make adjustments to your portfolio to reflect potential changes in your circumstances, such as a birth, death, marriage, divorce, retirement, or the purchase or sale of a business





## Asset Allocation Is the Key

Which types of asset classes—stocks, bonds, cash, real estate, foreign securities, commodities—should you invest in? It's an important question. Studies show that asset allocation accounts for more than 90 percent of the variation in total portfolio returns.

Experienced investors know that diversifying one's investments can help reduce risk and exposure to market volatility. Wise asset allocation, as opposed to a narrow approach in which investments are selected individually or piecemeal, helps smooth out the long-term ride through market cycles and equips you with greater potential for generating consistent returns.

Indeed, deciding how to allocate your investment dollars is much more important than selecting which individual securities to buy or even when to buy

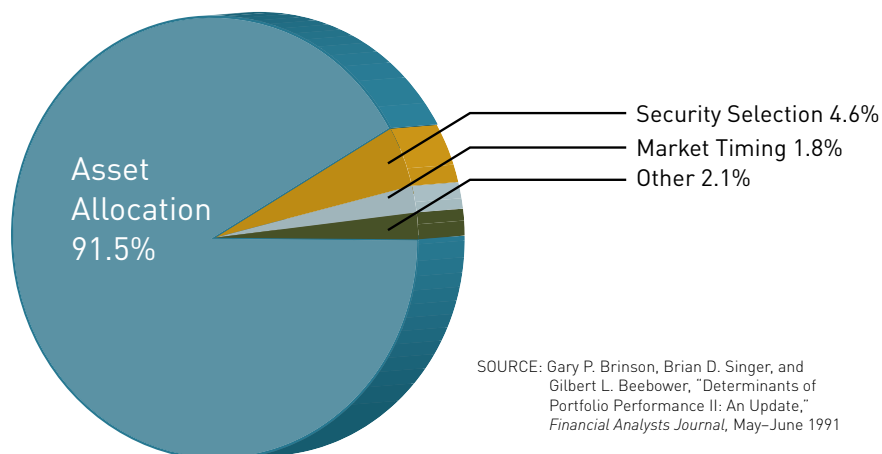
them. Accordingly, asset allocation—in accordance with your risk tolerance and time horizon—is the most important tool your wealth advisor will use in recommending investments to you.

We calculate your asset allocation model using annually updated economic data for each asset class. To the extent an asset class adds positive diversification—that is, higher returns and lower risk—it's included in the allocation model your wealth advisor develops and recommends for you.

To help you maintain your target allocation and keep your investment plans on track, your advisor will recommend rebalancing changes to your portfolio. Rebalancing can also help reduce the risk in your portfolio.

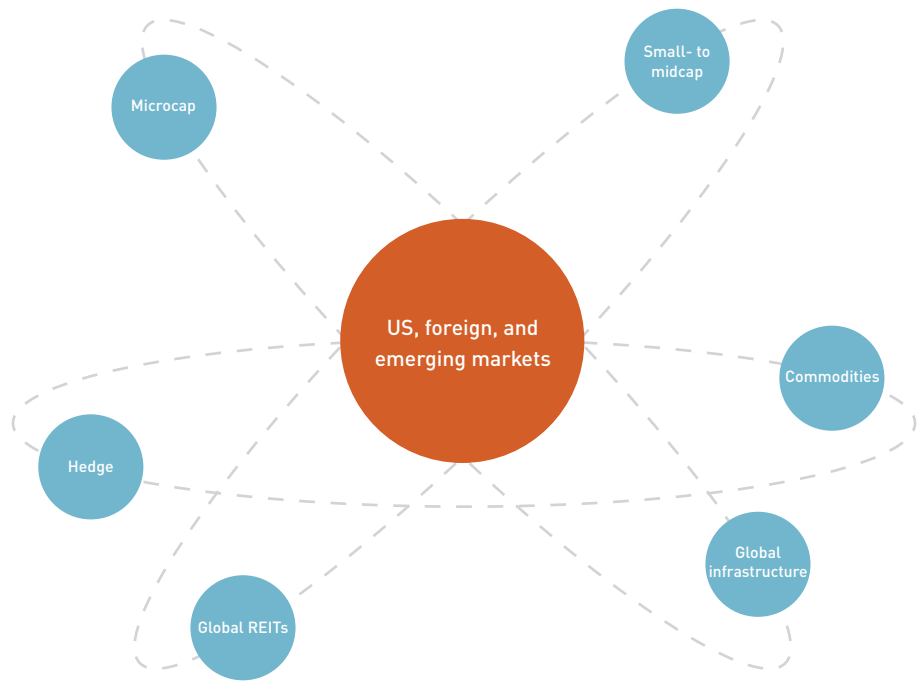
### How Large a Role Does Asset Allocation Play?

It has the biggest impact—by far—on your potential investment returns.



SOURCE: Gary P. Brinson, Brian D. Singer, and Gilbert L. Beebower, "Determinants of Portfolio Performance II: An Update," *Financial Analysts Journal*, May–June 1991

## Core and Satellite Investing



Efficient investment management strikes a balance between the science of managing risk and return (also known as modern portfolio theory), the art of insight from investment management experience, and the delicate reality of managing investor emotions.

Nowhere is this important balance more apparent than in the process of designing and executing an investment strategy, including the steps taken to create your asset allocation, the process of selecting and recommending your investments, and the considerations for tax-efficient and cost-effective rebalancing.

To achieve the right balance of investments in your portfolio, we use a core and satellite strategy, dividing your portfolio into two corresponding categories of investments.

**Core investments** aim to deliver a return in line with market performance (also known as beta return) and to provide broad, diversified exposure at a lower cost. Building a strong core for your investment portfolio, based on asset allocation, is essential, since it provides the central foundation for your overall investments. Core investments also tend to be relatively low in cost and tax-efficient.

Moss Adams Wealth Advisors uses passive management to build your core. This strategy seeks to match the return and risk characteristics of a market segment by being broadly diversified, giving you access to asset classes that accomplish two things: They broadly represent the market, and they help target

risk-adjusted returns without incurring the risk and volatility associated with active core management.

**Satellite investments** are typically more specialized investments that your wealth advisor believes will generate additional returns (referred to as alpha returns) beyond a manager's underlying benchmarks. A satellite manager can enhance the diversification in your portfolio by reducing portfolio correlation. Satellite investments tend to carry higher risk and higher costs. We primarily use active management—a strategy in which investment decisions are based on informed, independent investment judgment to make specific investments with the goal of outperforming the underlying benchmark—to fund your satellite asset classes.

With the core and satellite approach, you gain the following advantages:

- Access to a broader range of investment products to include in your portfolio
- The option to focus on certain kinds of investments and take advantage of the expertise of managers specific to those investment areas
- Lower costs, with the main benefit coming from cost-efficient investments in the core segment of your portfolio; when core and satellite investments are managed separately, the costs are also managed more efficiently
- An understanding of the specific risks and return targets for each investment

Your wealth advisor will work with you to determine the most efficient allocation of core and satellite investments.



## Long-Term Investments Pay Off

What we don't do in the course of providing investment management guidance to you is attempt to time the market.

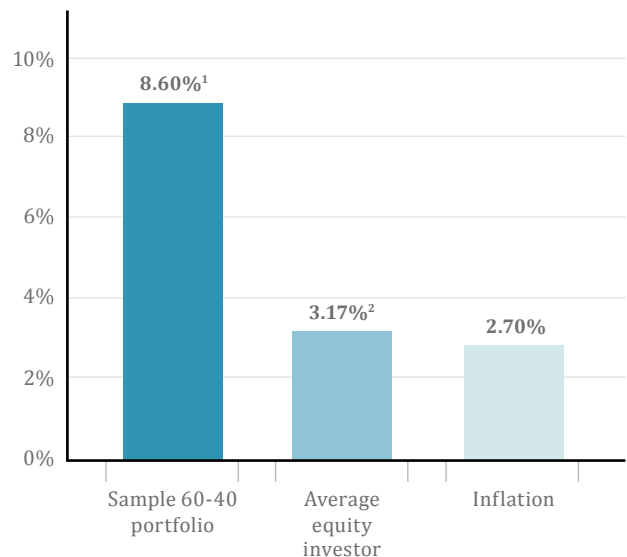
Historically, over the long term, disciplined investors have earned higher returns than those attempting to time the market. That's why we focus so heavily on developing an effective asset allocation model for you and why it's so important to stick to your asset allocation plan over the long run.

Still, many investors, in an attempt to time the market, tend to end up buying high and selling low, making their decisions based on emotion and a heightened sensitivity to market pressures. This makes investment returns more dependent on investor behavior than on actual portfolio performance.

The chart on this page compares average investor stock returns of 3.17 percent, inflation at 2.70 percent, and returns from a sample diversified portfolio (consisting of 60 percent equity and 40 percent fixed income) of 8.60 percent—all for the 20-year period ending in 2009. As you can see, average investor stock returns were much lower, thanks largely to the tendency of most investors to react emotionally to market pressure and try to time the market, resulting in poor investment choices.

By way of illustration, an average investor's \$1 million investment over 20 years may have yielded approximately \$1.8 million. In contrast, the same \$1 million investment in a sample 60-40 portfolio may have yielded approximately \$5.2 million.<sup>1</sup> This is why it's so important to work with an advisor who can help you navigate the complexities of asset allocation, helping you grow your investments over the long term.

### Benchmark Returns and Inflation for the 20 Years Ended December 31, 2009



1. This sample portfolio is no guarantee of future investment success. See full disclaimer on page 10.

2. SOURCE: 2010 QAIB, Quantitative Analysis of Investor Behavior, Adviser Edition, prepared by DALBAR Inc., Research & Communications Division, March 2010

# Exploring Historical Returns

Is wise asset allocation as simple as making sure you have a lot of different investments? For example, if you buy stock in a large auto company, a technology start-up, and a financial services firm, does that constitute a diversified portfolio?

No, because historically stocks (at least those of US companies) tend to perform similarly over time.

Instead, smart asset allocation involves investing in different types of vehicles—complementary (but not closely correlated) investments that, over the course of your time horizon, balance return and risk in a manner that meets your needs. These could include bonds, US and foreign stocks, real estate, and a wide range of other asset classes.

The advantage of diversification is plain to see in the sample chart below, which traces the performance of different asset classes over a 10-year period. As you'll

notice, the best-performing asset class in a given year can be the worst performer the next year. But a total portfolio consisting of 60 percent equity and 40 percent fixed income may have generated 10-year returns of 5.4 percent and more than \$6 million on the original \$10 million investment.<sup>1</sup>

This demonstrates that positive returns are possible even during what the media has termed a “lost decade,” at the end of which many investors came away empty-handed. For example, a poorly diversified portfolio—one consisting of S&P 500 holdings alone—would have generated negative returns of 0.9 percent over the same 10-year period.

This is why putting all your eggs in one basket is a poor investment strategy and why good asset allocation is so important. It also explains why our advisors place such a heavy emphasis on determining the most effective asset allocation for you.

## SAMPLE PORTFOLIO: 60 PERCENT EQUITY, 40 PERCENT FIXED INCOME<sup>1</sup> 10-Year Return Summary

Asset Class	Index	Percent Allocated	Index Returns										10-Year Return
			2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
<b>EQUITY</b>													
Large Cap	S&P 500	16.0%	(9.1)	(11.9)	(22.1)	28.7	10.9	4.9	15.8	5.5	(37.0)	26.5	(0.9)
Small Cap	Russell 2000	11.0%	(3.0)	2.5	(20.5)	47.3	18.3	4.6	18.4	(1.6)	(33.8)	27.2	3.5
Developed International	MSCI EAFE	12.0%	(14.0)	(21.2)	(15.7)	39.2	20.7	14.0	26.9	11.6	(43.1)	32.5	1.6
Emerging Markets	MSCI Emerging Markets	3.0%	(30.6)	(2.4)	(6.0)	56.3	26.0	34.5	32.6	39.8	(53.2)	79.0	10.1
Commodities	Dow Jones UBS Commodity TR	3.0%	31.8	(19.5)	25.9	23.9	9.1	21.4	2.1	16.2	(35.7)	18.9	7.1
Real Estate	FTSE NAREIT All-REITs	3.0%	25.9	15.5	5.2	38.5	30.4	8.3	34.4	(17.8)	(37.3)	27.4	10.2
Alternative Investments	HFRI Weighted Composite	12.0%	5.0	4.6	(1.4)	19.6	9.0	9.3	12.9	10.0	(19.0)	20.0	6.4
<b>FIXED INCOME</b>													
Inter-Term Bond	BarCap US Agg Bond	40.0%	11.6	8.4	10.3	4.1	4.3	2.4	4.3	7.0	5.2	5.9	6.3
<b>TOTAL</b>	<b>Total Portfolio</b>	<b>100.0%</b>	<b>2.6</b>	<b>(0.4)</b>	<b>(3.0)</b>	<b>22.0</b>	<b>11.0</b>	<b>7.0</b>	<b>13.1</b>	<b>7.2</b>	<b>(18.8)</b>	<b>19.7</b>	<b>5.4</b>

1. This sample portfolio is no guarantee of future investment success. See full disclaimer on page 10. In addition, indexes are not available for direct investment; their performance does not reflect the expenses associated with the management of an actual portfolio. Information is gathered from sources believed to be reliable; however, no representation is made as to, and no responsibility or liability is accepted for, the accuracy or completeness of the index information provided.

		10-Year Return	Growth of \$10 million
Performance Summary	<b>Total Portfolio</b>	5.4%	\$16.9 million

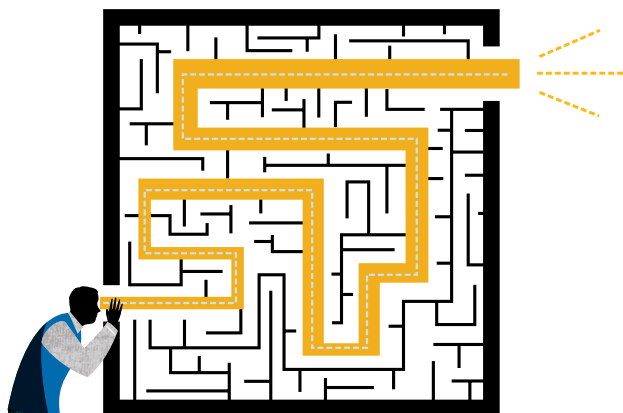


## Integrating Your Financial Plan Cultivates Success

Your investment strategy shouldn't exist in a vacuum. All investors, and particularly high net worth individuals, need an overall personal financial plan in which their investment strategy plays a significant—but certainly not the only—role.

Our advisors integrate your investments into a larger plan, allowing you to better monitor your progress toward your overarching goals, whether those include retirement, a new business venture, or wealth transfer to succeeding generations.

We work with you and your other advisors—accountants, attorneys, estate planners, and others—to coordinate activities and help your investment plan remain aligned with your long-term objectives.



## Making Your Tax Liability a Little Less Taxing

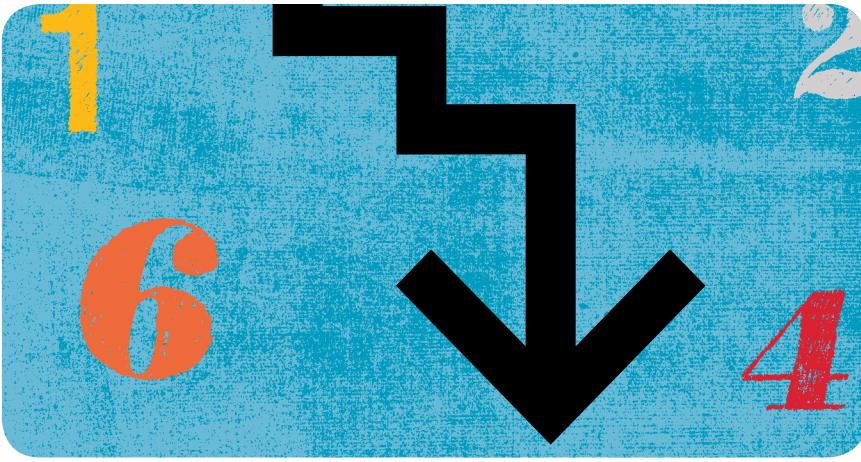
No one wants to pay more tax than one has to, yet many do—especially when it comes to their investments. For example, in any given year, they might realize a capital gain but fail to offset that gain by harvesting any losses in their portfolio. The result? A tax liability that in all likelihood could have been avoided.

Our wealth advisors pay close attention to your portfolio's tax position and work diligently to reduce your investment-related tax liability.

We start with tax-efficient portfolio design—making sure you avoid unnecessary transactions that could trigger tax, evaluating location-specific investments (such as municipal bonds) for their tax advantages or disadvantages, and employing other strategies to help reduce your taxable income and increase your after-tax gains.

Next we review the types of investment accounts you own, since they also play a significant role. Where it makes tax sense to do so, we select different investments to place in your taxable accounts than we would in your IRA or Roth IRA accounts. Employing this strategy can help take some of the tax sting out of high-income and high-appreciation investment vehicles.

Far from being an afterthought, tax strategy can play a critical role in helping you reach your overall financial goals. Moss Adams Wealth Advisors takes great care to position your portfolio accordingly.



## Bringing Your Costs Down

Transaction costs, management fees, fund fees—though often incremental, they add up and over time can erode your investment returns.

We use a wide range of approaches to help keep these expenses in check, including avoiding unnecessary transactions, working with managers to negotiate reduced fees and transaction costs, taking fees into account when evaluating investment types, and implementing other methods to prevent excess expenses from eating into your net worth.

Of course, adhering to a disciplined investment strategy—sticking with the asset allocation plan we outline for you and resisting the temptation to buy or sell as a result of short-term market pressures or emotion—also plays a big role in keeping your costs down.



## Keeping Your Successors in the Loop

We've seen it many times: A client is suddenly no longer able to manage his or her investments, and family members must step in to help make important financial decisions. If they don't have prior investment experience, it can be unfamiliar territory.

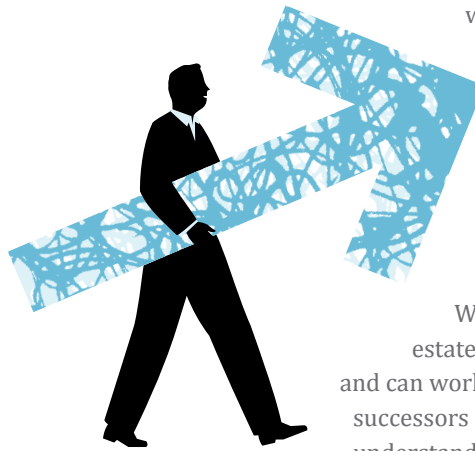
To help avoid this scenario, we encourage our clients to involve family members and successors early in the investment planning stages, making them aware of the choices they've made and the overall strategy they're

following. This can go a long way toward reducing

the anxiety surrounding the sudden responsibility of managing a significant amount of wealth.

We have a great deal of estate planning experience and can work with you and your successors to make sure everyone understands your investment management plan and can carry on

your strategy and wishes confidently.





## The Right Navigator

For more than 20 years, thoughtful individuals, families, businesses, and business owners have turned to Moss Adams Wealth Advisors for help building, managing, and preserving their wealth. We're a full-service wealth management firm, which means we take a broad spectrum of your personal financial needs into account. This gives us greater insight into your investment needs and allows us to better customize a strategy for you—one based on clear, disciplined guidance backed by a fiduciary standard of care.

With us, you'll always know that:

- Your portfolio risk is tightly managed, with your investments diversified across asset classes and fine-tuned to target risk-adjusted returns.
- Your investment costs are watched closely, with an eye toward lower expense ratios, lower transaction and turnover costs, and overall tax efficiency in your portfolio.
- You'll get full transparency, understanding what you own and the associated investment costs.
- A team of advisors is focused on achieving your unique investment goals and monitoring your asset allocation model and funds on an ongoing basis.
- Should you need it, you have access to the full tax and accounting resources of Moss Adams LLP, the 11th largest accounting and consulting firm in the nation and the largest headquartered in the West.
- The Moss Adams group of companies can help you build and preserve your wealth in every way, providing you with a wide range of services that go beyond investment management.

Discover how we can guide your investments in the right direction.

### ABOUT MOSS ADAMS

The Moss Adams group of companies provides valuable insight and expertise integral to your success.

**Moss Adams Wealth Advisors LLC** provides investment management, personal financial planning, and insurance strategies to help you build and preserve your wealth.

[WWW.MOSSADAMSWEALTHADVISORS.COM](http://WWW.MOSSADAMSWEALTHADVISORS.COM)

**Moss Adams LLP** is a leader in assurance, tax, consulting, risk management, transaction, and wealth services.

[WWW.MOSSADAMS.COM](http://WWW.MOSSADAMS.COM)

**Moss Adams Capital LLC** offers investment banking and strategic advisory services, helping you create greater value in your business.

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Discover how we make a difference.

**MOSS ADAMS**  
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Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments or investment strategies recommended or undertaken by Moss Adams Wealth Advisors) will be profitable. Benchmark and index returns do not reflect actual returns experienced by any Moss Adams Wealth Advisors client; do not reflect investment management fees, the deduction of which would decrease reflected results; do not reflect the results of actual trading using investor assets but were achieved by means of the retroactive application of each of the referenced portfolios, certain aspects of which may have been designed with the benefit of hindsight; and may not reflect the impact that any material market or economic factors might have had on an advisor's use of the hypothetical portfolio if the portfolio had been used during the period to actually manage investor assets. For various reasons, Moss Adams Wealth Advisors clients experienced investment results during the corresponding time period that were materially different from those reflected. A description of each comparative benchmark index is available upon request. A copy of the current written disclosure statement discussing our advisory services and fees is also available upon request.