MISSION
FINANCIAL GROUP

Investment Philosophy

Our investment philosophy is simple and effective. When portfolio construction is approached with a defined structure and research-based discipline, wealth can be accumulated through the power of compound growth over longer time horizons. These are the five principles of our investment strategy.

1. Establish a Core Portfolio

- Identify a range of acceptable investment outcomes (risk number).
- Maximize risk/return metrics (GPA).
- Screen for net after fee performance for individual securities.
- Respect the research. Professional money managers rarely outperform their index benchmarks.
- We will only employ active portfolio management when historical performance demonstrates long term value net after fees.

2. Diversify Broadly

- The power of diversification is based on the incorporation of multiple asset classes to reduce volatility and increase risk-adjusted return. The result is a smoother and more consistent outcome.
- Proper diversification engages multiple asset classes (US stocks, international stocks, bonds, alternatives) and geographies.
- Some investors make big bets into single stocks representing a significant portion of their portfolio. The results of these concentrated positions can be more extreme than is appropriate for serious money.

3. Enhance with Satellite Strategies

- Structured products may outperform stocks over longer periods of time because risks can be mitigated through options strategies.
- Commercial real estate trusts may offer stability and outperform bonds over long periods of time.

4. Rebalance Systematically

- Rebalancing is a systematic method for selling high and buying low.
- There is an optimal frequency for rebalancing. If done too often, market cycles are cut short. If not rebalanced often enough, market cycles are allowed to run too long.

5. Cost Matters

- Wall Street has done a great job of convincing investors they can predict the future and consistently pick the winners and losers.
- In reality, overwhelming evidence suggests that a low cost passive strategy often outperforms expensive money managers after fees.
- Saving costs by minimizing “Expense Ratios” has a positive compound effect on the growth of a portfolio over long periods of time.