

### **Ten Compelling Reasons To Consider A Portfolio Of Individual Securities**

For many investors, Mutual Funds are not an ideal choice as an investment vehicle. Frequently investors feel they have no other legitimate choice. However, it makes a great deal of sense to the Humane and Environmentally concerned investors to consider a portfolio of individual securities. At RMHI, portfolios of individual securities are the fastest growing investment option for our clients. We still utilize mutual funds for our clients that need them, however our role is to bring choice to the Socially Responsible Investor, hence the option of Mutual Funds or Individual Securities Portfolio's.

Below are ten compelling reasons to consider a portfolio of individual securities, hopefully enough to bring you closer to an ideal investment decision.

- 1. ERISA Investment Policy Compliance** - Individually managed portfolios can be fine tuned to your specific written investment policy, crucial for non-profit organizations.
- 2. Your Personal Ethical Preferences** - Mutual funds do not allow a personalized reflection of your ethical likes or dislikes in the portfolio content. Individually managed portfolios allow the investor to screen and disallow any potential negative investments. Plus, you'll never have to fear finding a stock you dislike purchased by the fund after your investment, a common occurrence.
- 3. Tax Liabilities** - When buying a mutual fund, you accept the existing tax liability; this penalizes taxable investors heavily in the latter half of the year. As a current mutual fund shareholder, you'll pay the tax on someone else's past capital gains. This does not happen with individually managed portfolios.
- 4. Individually Tailored Investment Selection** - Securities are selected for your proper time horizon, risk profile and investment objectives (growth or income). Individual security portfolios also allow for the combination of investment options not available to mutual fund owners, such as combination of equities and Spiders (Standard and Poor's Depository shares, Technology and Finance), which we utilize in Timberline.
- 5. Year End Tax Planning** - Individually managed portfolios allow the investment manager to take capital gains or losses based upon your specific tax planning needs. Impossible to accomplish with a mutual fund.
- 6. Flexible Asset Allocation** - The brokerage and mutual fund industry are not designed to have objective opinions as to whether stocks, bonds or cash have more attractive relative risk/reward. Generally their compensation is based upon being fully invested at all times. Surely, 2000-01 has proven that to be fully invested 100% of the time in stocks can be hazardous. At RMHI we continually monitor and adjust our mix of stocks and bonds versus monetary policy and valuations when appropriate. If you would like a more extensive explanation of this extremely important issue, please contact us directly.

- 7. Written Investment Policy Compliance** - An investment manager reads and complies with your written investment policy. If you do not have one, RMHI will assist in creating one for you. This policy contains your risk tolerance, time horizon, objectives, ethical screening concerns, taxes and more.
- 8. Greater Ethical Investment Screening** - Even the best socially responsible funds contain several offenders to most ethical investors. Individually managed portfolios allow greater precision in investment selection and screening - a must for publicly visible non-profits.
- 9. Fee Structure** - It is a fallacy to believe that individually managed portfolios are more expensive. Every mutual fund has a different fee structure that can change from year to year. When the mutual fund expense ratio and trading costs are added together, costs can potentially exceed the expense of the individually managed portfolio with a similar investing style. In addition, individually managed account fees can be tax deductible whereas mutual fund expense ratios are not.
- 10. Sophisticated Investment Monitoring** - Investment managers have the responsibility of comparing the returns of their client portfolios with comparable benchmarks. There should never be any confusion about your investment returns. Many of our new clients were those that were left in the dark concerning their mutual fund returns and were told to hold unproductive funds in the hope of a potential performance turnaround that never materialized to their satisfaction. A fee-based investment manager has a built-in incentive to see that your portfolio is a success.

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