

Model LT Portfolios – Equity

LT Equity / Passive ---

Objectives ---

- LT philosophy with low turnover, low trading costs, and low tax impacts
- Broad diversification of equities through stock index fund

Parameters ---

- Simple one fund approach
 - o Domestic total US stock index fund (100% in VTSAX)

LT Equity / Active ---

Parameters ---

- 5 year + time horizon, with 20% or less annual turnover
- Periodic re-balancing to maintain allocations within a range

- On selection of individual equities
 - o Businesses selected for expected LT outperformance and / or lower volatility compared to total US equity index fund

- On selection of individual equities
 - o Select for expected total return out-performance LT
 - o Focus on:
 - “moats” and strong industry positions
 - Strong balance sheets & financial position
 - Reasonable to low price to value indicators
 - Lower volatility than benchmark

- No momentum or ST trading styles used

Achieve Objectives by ---

- Selecting individual equities with characteristics of expected LT out-performance
- Constraint: reasonable to low volatility compared to active portfolio
- Constraint: 20% or less turnover of buys or sales of assets in portfolio
- Constraint: Active portfolio limited to 100 equities (can vary weights of each equity inside the portfolio)