D.S. BAKER ADVISORS
FOUNDATIONAL INVESTMENT PRINCIPLES

We believe the following:

- Every client is entitled to caring, objective investment and planning advice that is in their best interest. This is a mainstay of our role as a fiduciary.
- There is a tradeoff between risk and return. Put simply, investment risks should be compensated over the longer-term.
- Investment characteristics are more important than investment vehicles. Any vehicle which exhibits characteristics that can satisfy our clients' long-term goals and objectives should be considered, subject to our investment selection process (FACTORS).
- Part of a prudent investment approach is to control what we can control. This means that designing portfolios with the following in mind is important: (1) tax exposures, (2) costs and fees, (3) asset correlations, and (4) diversification.
- All else equal, a straightforward approach is better than a complex approach.
- Our job as advisors is to provide evidence-based, personalized advice to increase the likelihood that our clients will achieve their life goals.

Being evidence-based means:

- We are driven to continual, proactive improvement. If the evidence changes, we will evolve with the evidence.
- We must thoroughly understand a manager's process and portfolio before approving it for use in our portfolios. Processes must be clear and repeatable.

The evidence shows that:

- Lower investment costs are in our clients' best interest.
- Lower turnover reduces transaction costs and therefore tax consequences.
- Markets are efficient enough to make stock picking and frequent trading suboptimal strategies. Thus, higher-cost, higher-turnover strategies bear a meaningfully higher burden of proof to be approved for use in our portfolios.
- Diversification increases risk-adjusted returns.
- The majority of market returns come from known sources.
  - For stocks: lower relative prices, smaller companies, higher profit companies and strategies incorporating momentum tend to perform better over long time periods.
  - For bonds: credit and term risks are observable and should be compensated over time.