Our Investment Philosophy

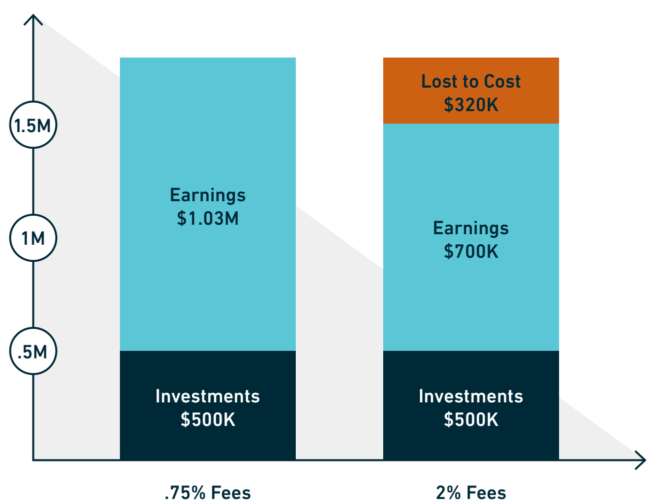
At Arbor we believe in long-term investment strategies that reward investors by eliminating the structural portfolio problems that have plagued investor returns for decades. We believe that only investments you intend to hold for longer than 5 years should be allocated to the stock market. The longer you can hold investments in the stock market, the more likely you are to eliminate timing risk and achieve favorable returns. **Our research and experience has taught us that there are two major reasons for poor long-term returns:**

- **Portfolio costs** which include the fees you pay for investments and the taxes you incur on those investments.
- **Investment strategies that include market timing or highly active management strategies.** Timing the market is elusive and not considered by most as sustainable. Besides behavioral risk and the risk of being wrong, active management means high turnover, which increases costs significantly and triggers taxes.

It's the Arbor philosophy that investors who reduce portfolio costs, employ tax-sensitive investment strategies, and avoid significant market timing transactions will improve their long-term risk-adjusted returns.

Impact of Costs Over 20 Years

Costs have a major impact on long-term portfolio returns. Every additional dollar lost is a dollar that is not compounding earnings each year. Compound interest principals magnify the impact of high costs and taxes within portfolio returns. **In this hypothetical example** $500,000 is invested for 20 years, earning a gross rate of return of 6.5% a year. **The portfolio that pays 2% in total costs will earn $320,000 less than the portfolio that pays .75% in total costs.**



Investment Objective

Our objective is to improve long-term investment returns by reducing costs with improved portfolio structures. These portfolio structures allow us to create a personalized indexing strategy appropriate to your risk tolerance, which are built to minimize the need for market timing. This allows you to feel confident that your portfolio will perform as expected relative to your risk-adjusted benchmark.

Portfolio Structure

Our portfolios are built with Exchange Traded Funds (ETFs), not expensive mutual funds or third-party alternatives. We strive to build portfolios with an average **expense ratio that is under 0.1%**. We screen and select the ETFs that have low turnover along with low tax-cost ratios. Our ETF selections allow us to diversify with precision. This minimizes the investment overlap in your portfolio, avoiding accidental concentration risk, and keeping your portfolio optimally efficient. Our success is tied to your success.

Portfolio Management

We strive to trade as infrequently as possible, but sometimes we have to correct portfolios when they drift outside their risk objectives.

Our clients define how much risk they are willing to take and each portfolio is stress tested through historical recessions and potential future market downturns. Our portfolio management process includes frequent and regular testing of portfolios through poor market conditions. If these tests reveal that a portfolio will lose more than the investor is willing to lose, the portfolio is promptly adjusted.

Our portfolio management also includes tax-sensitive investment allocation strategies, which may also improve returns without increasing risk.

Learn more at arborfirm.com