



DAVENPORT WATTS & DRAKE

INVESTMENT ADVISORS, LLC



Investments • Financial Plans • 401(k) Plans

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FINANCIAL PEACE OF MIND

The primary responsibility of Davenport Watts and Drake (DWD) is to create and maintain investment portfolios for the benefit of our clients, friends, and family. We appreciate you giving us this opportunity. We want to share with you and better explain the systems and structures that guide our decisions as we manage your investment portfolios.

The strategic alliances we have formed allow us to remain a client-centered firm despite the challenges of creating and maintaining your investment portfolios. We've written about these alliances in previous newsletters. We described our relationship with Fidelity Investments and how Fidelity is the custodian for the individual investment accounts we manage. We explained our relationship with Litman Gregory Analytics, the research company that we use in the construction of our base asset allocations and investment platforms. And, the individual team members of DWD were highlighted. (If you missed these newsletters and would like a copy, let us know or visit our website.)

As a client-centered firm, the DWD team focuses our collective expertise and experiences to provide clients with a comprehensive financial plan. The structure and systems of the DWD teamwork approach is what allows this to be most effective. In charge of the work for each client is a Client Services Partner (or CSP). The CSP is responsible for over-seeing the client relationship. Often the CSP helps the client determine their risk tolerance and creates the investment portfolio with the client. The Client Services Manager (or CSM) is responsible for maintaining the investment portfolio. The CSM reports to the CSP. The Client Services Representative (or CSR) maintains the investment portfolio by updating the rebalancing spreadsheets and maintaining rebalancing schedules.

Once a week, the DWD team formally meets as a whole. The CSM presents a portfolio review to the rest of the team. Concerns are discussed and the collective expertise is consulted. Clients are contacted concerning decisions made and suggested changes to the portfolio. Some clients want details of the advice and suggested transactions, and others do not.

Our business structure allows us to create and maintain individual investment portfolios for our clients, friends, and family. By sharing our systems with you, we hope that they give you confidence and financial peace of mind.

Focusing on your future...

INVESTING PERSPECTIVES

The investment team at Davenport Watts & Drake (DWD) creates and maintains investment portfolios using mutual funds for asset allocation and diversification. Our first goal is to protect our clients' assets, and the second is to obtain a reasonable return. Over the long-term, we believe this strategy will provide satisfactory results with less risk than other strategies.

The rules according to Warren Buffet often come to mind. Buffet states:

Rule #1: Never lose money.

Rule #2: Never forget rule # 1.

The "Oracle of Omaha" is one of the most successful investors in the world due in part to these rules that we follow at DWD.

Recently, a good friend said that the DWD investment strategy would rarely hit a homerun. The friend is right. We don't swing for the fences because we don't want to strike out. We'd rather win the game than simply hit the homerun.

The parable of the tortoise and the hare comes to mind. When faced with the same goal of reaching the finish line first, the rabbit was fast but could not stick to his plan. The turtle methodically plodded along and eventually won the race. We are convinced that slow-and-steady will win in investing too.

For the period from 1991-2010, the average equity mutual fund returned 9.9%. The average stock fund investor earned only 3.8%.¹ Why? Like the rabbit, the average investor darted from one strategy to the next, chasing returns or trying to time the market. While doing this, the investor missed the big runs.

We believe that investment strategies must reflect a disciplined approach with a structured methodology. We also believe that it is more important to manage against losing money than it is to reach for extra returns. In other words, market conditions will change, but investment practices must not. Positive long-term performance lies in the ability to avoid lower lows, not necessarily achieving the highest highs. Constructing and maintaining an investment portfolio with proper asset allocation and diversification are the best strategies for winning the race and the game... and for following rule #1.

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¹ Source: *Qualitative Analysis of Investor Behavior* by Dalbar, Inc. (March 2011)

ABOUT OUR FIRM:

Davenport Watts & Drake is a fee-only financial services firm offering asset management and financial consulting services to businesses, families and individuals. Our desire is to work with a select group of these businesses, families and individuals as a part of their financial team, helping them with the many decisions throughout their lives which will affect the financial future of themselves and their families. The team has a common vision of a client-centered financial consulting firm that treats our clients as we would want to be treated.

CORE STRATEGIES:

- Asset Allocation
- Asset Diversification
- Periodic Rebalancing
- Long-term Perspective
- Minimize Income Taxes

INVESTMENT SERVICES:

- Portfolio Management
- Individual Retirement Accounts
- Company Retirement Plans
- Personal Financial Plans

INVESTMENT CUSTODIANS:

- Fidelity Investments
- John Hancock

“Sound investing is simple but not necessarily easy to do.”

— Warren Buffett

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