LifeGuide InSight Portfolios & Investment Management Principles

LifeGuide
FINANCIAL ADVISORS

At LifeGuide Financial Advisors, we believe that if you want to be a good investor, you study good investors and you do what they do. We have constructed LifeGuide InSight Portfolios by implementing principles that have been practiced by highly successful investors and have produced superior results over extended periods of time. These principles have been developed through careful observation and interpretation of the behavior of financial markets, investment vehicles, investors and the world in general. Additionally, these principles reflect the teachings written about thousands of years ago in Ecclesiastes, Chapter 11 verses 1-6. LifeGuide InSight Portfolios are implemented and managed based on the following principles.

1. Match investments with clearly defined goals
2. Create and maintain meaningful diversity
3. Be contrarian
4. Employ active management only where it is likely to add value
5. Keep expenses low, but focus on value
6. Embrace illiquidity, when appropriate
7. Don't pay more tax than you are required to
8. Have realistic expectations
9. Base your faith and contentment in something other than investment accounts

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1. Match investments with clearly defined goals and values

Successful investors start with clearly defined goals and then select appropriate strategies and investments to help them achieve those goals. The objective of the core LifeGuide InSight Portfolio is to provide long term growth with moderate volatility. We have also developed a suite of portfolio variations to address different time horizons, growth objectives and risk profiles.

Does it matter from where investment returns are derived? What types of companies are held in the portfolio? Are the investments acceptable if they are attempting to earn money from activities that are not consistent with an investor's beliefs? Investors should have the option to invest in ways that are consistent with their values and address these questions. We have constructed versions of the LifeGuide InSight Portfolios that screen out companies involved with various social and environmental issues.

2. Create and maintain meaningful diversity

It is a common saying "Don't put all your eggs in one basket." Ecclesiastes 11:2 says it this way: "Invest in seven ventures, yes, in eight; you do not know what disaster may come upon the land." and again in verse 6: "For you do not know which will succeed, whether this or that, or whether both will do equally well." This wisdom is just as true today. We have analyzed large institutional investors, such as the Yale endowment, which have performed exceptionally well over the past 25 years. We have found that their successful investment methodology remains consistent with this principle. Many portfolios consist primarily of U.S. stocks and bonds, leaving them devoid of true diversity. For example, both stocks and bonds can be similarly affected by the same economic factors (such as US monetary policy and interest rates). In order to truly reap the benefits of diversification, the Yale endowment managers first determine what opportunities they are trying to benefit from, and what risks they are trying to avoid. Investments are then selected to meet those specific objectives. For example, one particular investment may be held for the purpose of growth and another for the purpose of reducing inflation risk. See the chart below for more examples. LifeGuide InSight Portfolios broaden the traditional asset class exposure and

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employ an atypical allocation to provide more meaningful diversification.

Asset Class	Reason for allocation
Domestic Equity	Wealth creation from our economy
Foreign Developed Equity	Wealth creation from other developed economies
Emerging Market Equity	Wealth creation from emerging economies
Real Estate	Diversify source of returns - Inflation protected real return
U.S. Treasury Bonds	Protect against deflation
U.S. TIPS/Natural resources	Protect against inflation
cash	Protect against deflation

Diversification neither guarantees a profit nor protects against loss. While the above are goals for asset allocation models, all investments involve risk, including the potential loss of principal.

3. Be contrarian

Ecclesiastes 11:4 says "Whoever watches the wind will not plant; whoever looks at the clouds will not reap." We could translate that to say "whoever watches the news will not invest; whoever looks at the stock market will not reap a return." Throughout history, people have been concerned about the uncertainty of the future but in order to have an opportunity to reap market returns, they have had to step out in faith and "plant" anyway. In fact, investors with the discipline to go against popular opinion and sell investments after they go up (high) and buy investments when they are at a discount (low) tend to win over the long term. LifeGuide InSight Portfolios aim to systematically sell investments that have gone up and buy investments that have gone down on regular intervals.

4. Employ active management only where it is likely to add value

Many studies have shown that it is difficult to find a money manager who consistently delivers risk and fee adjusted returns that are superior to the market over the long term. This becomes especially difficult in efficient markets where there aren't many bargains to be found. Usually, "buying the market" through a passively managed fund delivers a better result.
However, in inefficient markets, it can pay to use active managers to take advantage of market conditions and find undervalued investment opportunities. LifeGuide InSight Portfolios seek to utilize the strengths of both active and passive management. Investors only pay for active management where it tends to be helpful.

5. Keep expenses low, but focus on value

Fees directly reduce the amount of return that is kept. LifeGuide InSight Portfolios utilize low cost investments in an effort to minimize the amount fees paid. In instances where active management is utilized careful scrutiny and analysis is regularly performed to make sure that managers earn their keep.

6. Embrace illiquidity, when appropriate

David Swensen, Yale Endowment's Chief Investment Officer, writes, "In embracing less liquid assets, investors often identify opportunities to establish positions at meaningful discounts to fair value." (Page 83: *Pioneering Portfolio Management: An Unconventional Approach to Institutional Investment, Fully Revised and Updated*.) Investors often pay a premium for the ability to be able to quickly convert their in-vestments to cash. Conversely, investors that are willing (and able) to purchase investments that require time (illiquid assets) can benefit from potentially higher returns. For example, consider the discount a home seller may have to offer in order to sell their house quickly or during an undesir-able time of the year. Conversely, consider the opportunity for profit that the seller could reap if they are not pressured to sell and can wait for just the right buyer to come along or for the overall home market to improve.

7. Don't pay more tax than you are required to

What is paid in taxes reduces the amount of return that is kept. "Turnover" or the amount of buying and selling in an account can increase the amount of capital gains tax that is due. This can be a downside of some actively managed accounts. We have a developed a tax sensitive LifeGuide InSight Portfolio that reduces turnover, potentially increasing real return in taxable accounts. Our approach also allows us to purposefully "harvest" gains or losses depending on a client's specific tax situation. If appropriate, we design a global allocation which selectively places different types of investments in tax qualified vs. non- tax qualified accounts in order to provide the most favorable overall tax treatment.

8. Have realistic expectations

Realistic expectations are an important element of sticking with a long-term strategy. LifeGuide InSight Portfolios are invested in many different asset classes. Their returns will be a weighted average of those asset classes. LifeGuide InSight Portfolios will often benefit from their best performing asset class but will not beat it. In the same way, they will often be affected negatively by their worst performing asset class but should not perform as poorly. The portfolios have a bias toward stock investments, which are not guaranteed investments and will be subject to market ups and downs (volatility). The amount of volatility will vary by the asset allocation of the specific LifeGuide InSight Portfolio model selected. LifeGuide InSight Portfolios do not attempt to predict or time the market by making short term changes to asset allocations. It stays the course through market volatility. Said another way, LifeGuide's InSight Portfolios incorporate the body of wisdom that discourages short-term market timing when seeking long term results as articulated in Ecclesiastes 11:6: "For you do not know which will succeed, whether this or that, or whether both will do equally well."

9. Base your faith and contentment in something other than investment accounts

The best investors have a sense of confidence that goes beyond how successful they have been or will be as investors. Charlie Munger and Warren Buffet are good examples of this. The more loosely an investor holds on to their wealth and perceived success, the better investor they can be. Munger's and Buffet's ability to place their trust outside of their current portfolio balances (and in something greater), is perhaps one of the greatest contributors to their success. Investors of this caliber can see things for what they truly are, which enables them to sidestep the multitude of traps set by greed and fear. As your advisor for life, it is your LifeGuide Financial Team's goal to help you stay focused on things that truly matter. We believe that this will not only make you a better investor, but also help to enable you to live a more fulfilled and purposeful life!

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About LifeGuide

At LifeGuide Financial Advisors, we are passionate about helping individuals, families and organizations discover and fully live out their God-given purpose by providing holistic financial advice.

Our team is committed to providing our clients with financial wisdom and guidance that are firmly rooted in a biblical worldview. We are members of Kingdom Advisors and are Dave Ramsey SmartVestor Pros. The LifeGuide culture is one of personal service, long-term relationships, continual learning, and purposeful focus. We contin-ually strive to have every aspect of LifeGuide reflect the character of Christ.

We believe that every person deserves the best of our efforts, experience and attention. LifeGuide's business approach is the following:

1. Invite those intentional about their finances to engage us to provide guidance for their journey
2. Serve our clients with an unwavering focus on their success, absolute integrity and an uncommon level of excellence
3. Entrust our personal and corporate success to Him whom we ultimately serve

We believe that we are truly a different kind of financial advisory firm. It is our experience that an exciting synergy occurs when purpose, principle and practice are in alignment. Our clients are making a dramatically positive and lasting difference in their families, businesses and the world around them.