

M I M S

*M a s o n I n v e s t m e n t M a n a g e m e n t S e r v i c e*

THE MASON COMPANIES

# OUR DEFINING BELIEFS

*A Message From William N. Mason III, Chairman, The Mason Companies*

The Mason Companies is a group of companies that are devoted to servicing the personal financial planning and investment needs of the individual. Mason Investment Advisory Services, Inc. (MIAS), one of the Mason Companies, is our registered investment advisory company focused on investment asset management. We call this service MIMS (Mason Investment Management Service).

≈ We understand that it takes time to get to know a client well enough to determine which of many directions will best reflect their unique needs and preferences. So, when we take you on as a client, we begin with you, not with your assets. We take the time to get to



know you as a person, so that we can build a continuing relationship in which the investment planning process will flourish.

≈ If you are neither anxious to entrust your hard-won savings to a small firm with limited resources and experience, nor willing to become one of thousands of clients of a large institution, The Mason Companies is ideally suited to your needs. We have all of the services

and capabilities of a large firm, combined with a small-firm atmosphere.

≈ The staff of The Mason Companies is composed of a diverse group of professionals, which allows us to take a multidisciplinary approach to the formulation of ideas and recommendations. Members of our professional staff include those with credentials such as Certified Public Accountant (CPA) and Certified Financial Planner (CFP), as well as graduate degrees in business, finance, and law. Functioning as a team acts as a safeguard against trendy, impulsive, or speculative advice. We are committed to objectivity, which keeps our focus where it should be – on you.

# M E T H O D O L O G Y

*A s s e s s m e n t   S t r a t e g y   I m p l e m e n t a t i o n   M a n a g e m e n t*

**M**ason Investment Management Service (MIMS) provides investors with comprehensive investment asset management. There are four equally important steps to the process. The first step involves an assessment of the investor's current situation including current holdings, risk exposure, and projected cash flow events. The second step is the design of a personal investment philosophy – the guidelines, goals, risk tolerance, and performance measures that will shape investment strategy. It also includes the development of an appropriate asset allocation strategy to accommodate the unique financial circumstances and investment objectives of each investor. The third step is implementation, or the selection and acquisition of the actual investment vehicles to be used in the portfolio. The fourth step includes account



monitoring, managing and reporting, and, over time, rebalancing and adjusting the portfolio when the investor's situation warrants.

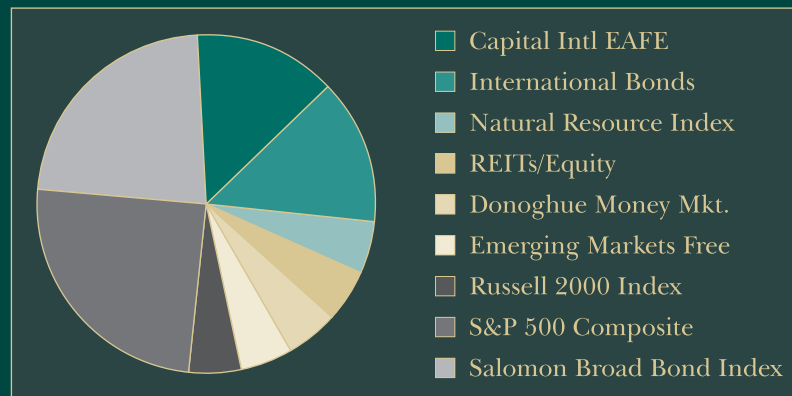
≈ Our methodology is based on the belief that an important determinant of investment success is proper asset allocation. We will not try to time the market or follow short-term trends. As time passes, we will rebalance the portfolio whenever needed, which fosters the discipline of “buy low and sell high.”

≈ A thorough, professional research process is crucial to the implementation

phase. If the allocation is not implemented as accurately as possible, the results will be much different than anticipated. The Mason Companies is privately owned. We are not part of a large public financial services company and we do not design or promote our own (“proprietary”) mutual funds or investment products. This leaves us free to search the world for what we feel are the best managers to fit the asset allocation strategies.

≈ Account management is important both during and after the initial implementation. Investment transactions are handled primarily through our affiliate, Mason Securities, Inc., a registered, full-service investment brokerage firm. This allows us to control transaction costs, to the benefit of the client. Our automated systems allow us to monitor your account and accurately report investment results to you on a periodic basis.

## ASSET DIVERSIFICATION



The information displayed above is an example of some of the asset classes used in portfolios. This pie chart does not represent an actual portfolio, nor do the indices illustrated represent actual investments used in portfolios.

# ASSET ALLOCATION

## *Reducing Risk Through Diversification*

Asset allocation is the comprehensive, all-inclusive aspect of diversification. Economists might refer to this as the macro phase of portfolio diversification. We classify investment assets into broad asset categories, each having several subcategories. The object of diversification is to assemble a portfolio of investments that perform differently in response to different economic circumstances. Through diversification, investors can attempt to reduce the volatility of a portfolio as circumstances change from economic prosperity to recession and



back again. Or, as another example, from low inflation (and perhaps deflation) to high inflation. Because many of these situations can not be predicted, and become clear only in retrospect, we have found that broad asset diversification is the best strategy even for an aggressive investor.

≈ With proper asset allocation, a portfolio holds asset classes that do not correlate (move together in the same direction, at the same time, or at the same magnitude). For example, low inflation, or deflation, is a very positive influence on bonds, but is usually a negative influence on real estate and energy. If inflation takes over, the opposite effect is usually felt. Economic prosperity is a positive influence on stocks, but if that prosperity brings inflation, there is a negative impact on bonds.

# ASSET ALLOCATION (continued)

## *Reducing Risk Through Diversification*

≈ Investment risk takes different forms. Investments in debt issues (bonds and money markets) are subject to purchasing power risk (inflation), interest rate risk, and credit risk (risk that an issuer will default and not pay you back). Investments in equity issues (stocks) are subject to business risks, economic risks, and general stock market risks. And, as we all know, the stock market can be very volatile.

≈ Each of the asset classes is subject to risk. Even Treasury Securities are subject to risks, such as the loss of purchasing power. If the rate of inflation and the investor's tax rate are subtracted from the interest rates received, there have



been extended periods of time when this asset class has delivered a negative real rate of return (gross return – sometimes called “nominal” return – minus inflation, minus taxes, equals a negative percent).

≈ True risk is the permanent loss of capital. Because of the different forms that risk can take, many investors experience loss of capital but do not

recognize the fact until several years have passed. Other times, the loss is immediately recognized, such as during times of severe market corrections, but may be temporary. Asset class diversification can often help to minimize both permanent and temporary losses, when the portfolio is measured in total.

≈ Risk, performance, and the correlation of asset classes to one another can only be judged from an historical perspective. Past results cannot predict the future. However, by using past results as a guide and diligently watching current performance, we attempt to reduce risk. There is, of course, no guarantee that we will be able to do so.

# FUND MANAGERS

## *Selecting Managers Who Fit The Objectives*

For an asset allocation strategy to be effective, professional guidance in the implementation phase is crucial. Unless each asset class is represented accurately by using a manager or vehicle that will best represent the class objective, the results will be much different than anticipated. This is particularly true during times of adversity or crisis.

≈ In most instances The Mason Companies will use money managers and mutual funds that have established track records of at least five years. We prefer a ten-year track record, if possible. Professional management must be in place, with few major changes, for the period being evaluated. We decide which managers and funds to use based upon their particular contribution to the portfolio. This often results in having more than one manager for the



same asset class, each with a different bias and approach.

≈ To identify managers who fit our implementation objectives, we use a rigorous in-house research process. The research process involves both a quantitative and qualitative review. The quantitative analysis attempts to distill a large universe of managers into a small group of strong performers. Managers who pass this phase of our research process have a history of delivering above-average returns with below-average risk, as measured against their

peers who fit the same asset class. We are not chasing returns, but looking for consistent, long-term track records of at least five and preferably ten years.

≈ The qualitative analysis involves an in-depth review of the management company and its history. Several years of annual reports are reviewed for consistency of management style and stability of professional staff. As professional analysts, we are able to review historical portfolios for clues about the true style and risk posture of the manager over time. Personal interviews and on-site office visits are made, wherever possible.

≈ Funds and managers are continuously monitored, and we are constantly reviewing new managers in our attempt to find what we feel are the best managers possible for use in our clients' portfolios.

# PORTFOLIO MONITORING

*Assuring Your Portfolio Reflects Your Desires*

After your portfolio is established, changes are infrequent. However, we continually stand ready to make changes as needed to assure that the asset allocation strategy remains constant. Occasionally, adjustments must be made as certain asset classes outpace others. This is called rebalancing. Also, the allocation strategy may evolve and change over time to accommodate changes in your objectives and circumstances.

≈ In addition to monitoring the asset allocation, we also conduct ongoing research of the investment managers. Mutual funds and private managers are regularly evaluated to assure that they continue to meet the requirements of



the asset allocation. We watch closely for professional turnover, as well as changes in management style and portfolio composition that may be inconsistent with your objectives. Changes may be made if a manager no longer meets our strict asset allocation and due-diligence requirements.

≈ With the aid of our state-of-the-art, in-house computer system, The Mason Companies is able to provide accurate

and timely performance reports. These reports help us in our efforts to provide meaningful interpretations of results as they relate to each individual investor's unique objectives and risk tolerance.

≈ In addition to client reporting, our automated system facilitates the continuous monitoring of accounts. Your asset allocation targets and objectives are compared to current values. When changes are indicated, a more thorough review of tax effect and other considerations is made before an adjustment is recommended. No amount of automation can take the place of our experience and judgment.

# WHY CLIENTS SELECT US

## *Methodology For Managing Large Portfolios*

Mason Investment Advisory Services, Inc. and Mason Securities, Inc. have been in business for more than 20 years. Five of our key senior professionals have been with these companies for at least ten years. During this time, we have developed a methodology for managing large investment portfolios.

≈ Our group of companies is neither a subsidiary of, nor owned by, a large financial services firm. Consequently, we are under no directive or incentive to sell a particular investment product or use a particular investment manager. Also, we have no so-called proprietary products. We intend to remain nonbiased because this is what best serves the needs of all of our clients. This independence allows us to take a step back and review



your portfolio from an asset allocation viewpoint. We search extensively to find managers and mutual funds that have the potential to accomplish your investment goals.

≈ Our roots are based in the discipline of comprehensive financial planning. This colors everything we do. Portfolios are designed to accommodate all parts of an investor's financial life. Asset allocations are designed with a view toward compensating for other assets that are immovable or simply not part

of the investment account. Consequently, each client's asset allocation is unique.

≈ We offer each client the benefit of an ongoing, one-on-one relationship with an experienced, proven financial advisor. We also work to establish inter-generational ties to ensure continuing relationships with the families.

≈ Successful executives, professionals, business owners, and retirees typically have little time for financial management. The drive to achieve business success or to enjoy life's rewards can conflict with the time and concentration required for skillful investment planning. A trusted financial counselor is an invaluable asset in preserving and enhancing life's hard-won gains. Mason Investment Advisory Services, Inc. is that counselor.

