

STEWARD

SEPTEMBER 2013

A QUARTERLY PUBLICATION OF ALLODIUM INVESTMENT CONSULTANTS ■ VOLUME 6, ISSUE 3

Wall Street spends a lot of energy trying to convince investors that they can beat the market with their proprietary investment strategies. At the same time, we know that the vast majority of active investment managers have not been able to beat the benchmarks for their asset class over longer periods. Experienced investors have learned that it is wiser to not waste time trying to beat the market, but rather to develop an investment strategy that harnesses the growth of the capital markets over the long term with the least amount of investment risk and cost. Investment benchmarks are a critical component in the development of a disciplined investment strategy, because they are what we use to measure and evaluate the performance of investment managers.

Benchmarks are important because they help determine how well investment managers are doing over time relative to a pre-determined standard. Generally, investors establish goals for active investment managers to meet or exceed their benchmarks, while passive fund managers and index funds are expected to move with the index but not beat the index performance.

Three ways benchmarking can help you become a better investor:

1. Choose an appropriate investment benchmark for every major asset class included in your asset allocation strategy. Select a benchmark that most closely matches the performance of the asset class in which you are choosing to invest. Measuring your entire portfolio to a simple “blended index” or the S&P 500 does not provide enough information to

make good investment decisions. When you go to the doctor for an annual physical, he or she doesn’t just look at you and say everything is fine. The doctor performs tests to see how well specific parts of your body are working. One small area that is not working properly can affect your entire body. The same is true with your investment portfolio: one poorly performing investment manager in a certain sector can significantly detract from the overall performance of your investment portfolio.

2. Define and document the benchmarks for your portfolio when drafting your investment policy statement. Your investment policy statement should also include a description of the process that you are using to select and modify your investment benchmarks. This documentation will help determine that you, along with your investment management consultant and investment managers, take prudent and careful action when selecting your benchmarks and managing the benchmark modification process. It is a best practice to review your benchmarks annually to ensure that they are still providing you with the best information to monitor and evaluate the performance of your investment managers.

3. Expect consistent and comprehensive reporting for your portfolio. Monthly statements from your custodian and simple one-page performance summaries do not provide the information that you need to adequately monitor your investment managers. Your investment consultant should provide you with quarterly reports showing the performance of the investment managers in your portfolio relative to the selected benchmarks over numerous time periods. Use these reports on a quarterly basis to measure the performance of each investment manager in your investment portfolio relative to the appropriate benchmark. If your investment manager in a specific sector is consistently underperforming, you should strongly consider taking action to replace the manager.

Utilize a sound strategy to establish appropriate benchmarks. Consistently reviewing the investment managers in your portfolio relative to these benchmarks will help you better monitor your investments and may lead to stronger investment decisions. Please feel free to contact us if you are interested in developing a disciplined investment strategy that incorporates investment benchmarks with state of the art performance reports for your portfolio.

David Bromelkamp
President and CEO

“Most people think they can find managers who can outperform, but most people are wrong. I will say that 85 to 90 percent of managers fail to match their benchmarks.”

Jack R. Meyer; former President of Harvard Management Company

Mark Your Calendars

As a client and community service, we welcome opportunities to share investment and fiduciary best practices with individuals, families and organizations. To this end, Allodium will host the following upcoming event:

Tuesday, September 24, 2013

Educational workshop designed for both individuals and foundation and endowment leaders. The topic of the event is "Fiduciary Investment Management for Trusts".

Please contact Tyler Chapman at 612-230-3705 or tchapman@aicria.com to be added to our invitation list for future events and workshops.



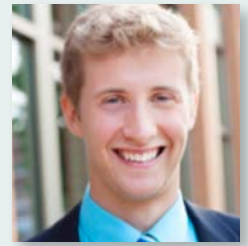
We Appreciate Your Introductions

To maximize our objectivity and avoid conflicts of interest, we are a fee-only registered investment advisor that is completely independent from banks, brokerage firms and other financial product providers, and we do not receive commissions for the investment options that we recommend.

If you know someone who may be looking this type of objective investment advice, please contact Dave Bromelkamp at 612-230-3702 or dbromelkamp@aicria.com to arrange a friendly, no-obligation introduction.

Allodium is Growing

We are happy to introduce Tyler Chapman as our newest team member. He will help with our marketing efforts and assist in the day to day operations of our firm. Get to know Tyler by reading his profile below:



Role at Allodium:	Marketing & Operations Associate
Joined firm on:	August 5, 2013
Hometown:	Jackson, MN
University attended:	Amherst College – BA in Psychology and Music
Favorite book(s):	To Kill A Mockingbird and Cat's Cradle
Favorite movie:	Forrest Gump
Favorite TV show:	The West Wing
Favorite food(s):	Fresh veggies from the garden or Tator Tot Hotdish (depending on which is in season)
Favorite news source:	Why not all of them? I use Google News reinforced with Google Alerts
Favorite gadget:	My brand new phone (Galaxy S4), but I also have a great appreciation for my alarm clock
Favorite activity:	Making music and hiking in nature's beauty
Person I admire most:	My mother, for being my family's foundation
What I'm most thankful for:	All the wonderful people in my life

Headlines

- Dave was quoted in the August 2013 Financial Planning Association of Minnesota newsletter regarding the benefits of acting as an investment fiduciary for clients.
- In the July 2013 issue of *Financial Advisor Magazine*, Allodium was listed as the 11th largest Registered Investment Advisory firm in Minnesota & 399th in the nation based on total assets under management.
- Dave will be presenting at the 2013 Minnesota Planned Giving Conference on September 26th. The topic will be "Fiduciary Investment Management for Gift Planners".
- Allodium was pleased to welcome two new clients in the second quarter of 2013.
- Congratulations to Rachel Halverson on passing the Registered Paraplanner Exam and on her new role as a paraplanner at Allodium. She will work closely with Anne and Bryan to provide financial planning services for Allodium clients.
- Our office will be closed on November 28-29 for the Thanksgiving Holiday

Steward is published quarterly by Allodium Investment Consultants. Please contact Tyler Chapman at 612-230-3705 or tchapman@aicria.com if you have any comments about this publication or would like to be added to or removed from our mailing list.



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