Quantitative Equity and Fixed Income Portfolio Management

HIGH NET WORTH AND TRUSTS-ESTATES

INVESTOR’S GUIDE TO

MANAGE FINANCIAL ASSETS

2021

High Net Worth and Trusts-Estates

Investor's Guide to

Manage Your Financial Assets

This guide was written to help you achieve your fair share of the market returns, which is increasingly important in this difficult era of lower forecasted gains. Long-term global 50% stock and 50% bond balanced annual return estimates are 3.8% (2021 to 2060) vs. their 8.3% (1926 to 2020) historical average, and you should be aware of the two major obstacles to investment success, *high/needless fees and subjectivity.* Below is an outline that can help you to reach your goals in an efficient, economical, and simplified manner.

Unfair vs. Fair Fees

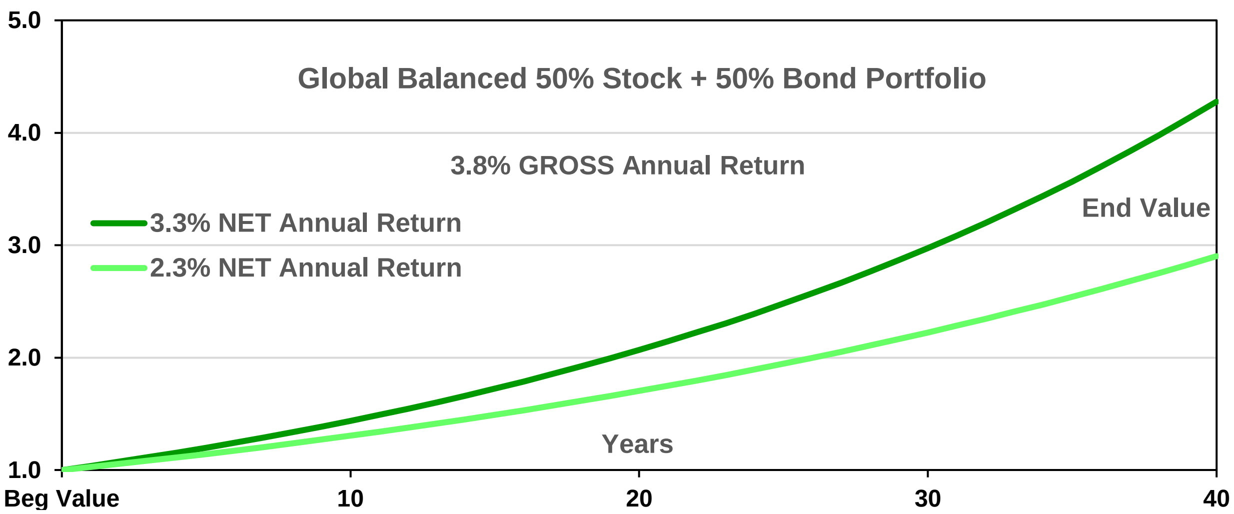
- **Have you ever stopped to think about the impact investment fees have on your financial well-being?** If like many people, probably not. However, once you see the actual long-term impact that unnecessary expenses have on your bottom line, it will probably be hard to stop thinking about it!

- **Direct plus indirect total annual portfolio management fees are still frequently 1.5% or more**. Although technology has greatly reduced the cost of investing, most managers are reluctant to pass along significant savings, let alone discuss their aggregate annual charges.

- **By converting the same portfolio to a 0.5% fee structure, you will immediately start increasing your returns and simultaneously decreasing your risk in both up and down markets.** In addition, your confidence and comfort levels should be notably higher. For example, over rolling ten-year periods, results should continue to be consistently higher with low fees.

In summary, to connect the dots with the above statements, let us assume that you have $1,000,000 in investable assets now and will need it in forty years. As the graph below shows, holding the low-fee portfolio, which makes sense since you are taking 100% of the risk, ultimately results in an additional $1,181,206.

GROWTH of $1 MILLION



3.30%	1.38	1.91	2.65	3.66
2.30%	1.25	1.57	1.98	2.48
Difference Mil S	**0.13**	**0.34**	**0.67**	**1.18**

Subjectivity vs. Objectivity

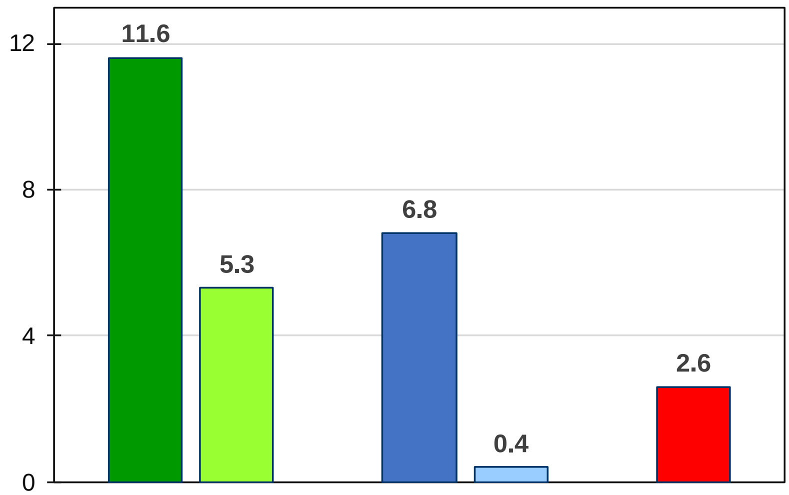
For several generations behavioral research suggested that, for the most part, good subjective decisions could intuitively be obtained. However, that has changed (for example, see our *Decision-Making Processes with Uncertainty* research). Viable studies now increasingly suggest that investors all-too-often make poor decisions based on subjective factors such as greed, fear, euphoria, hubris, personal relationships, questionable advertising, etc. For example, the results below compare investable indexes to demonstrate the dismal outcome of market and sector timing, and high fees.

INDEX VS. INVESTOR MUTUAL FUND RESULTS

% Annualized Returns 1985 to 2020
(36 years)

S&P 500 Index	**11.6**
Average Equity Fund Investor	**5.3**
BloombergBarclays Aggregate Bond Index	**6.8**
Average Fixed Income Investor	**0.4**
Inflation	**2.6**

Source: Dalbar, *Quantitative Analysis of Investor Behavior.* Calculations based on Dalbar methods. Contact us for details.



Past performance does not guarantee future success.

Additional Issues

- **You can manage your portfolio directly, but the benefits of a trustworthy, competent manager generally far outweigh the cost.** They can help to establish and refine your return goals, risk tolerances, adherence to strategies, and custodial selection. They can also select and diversify funds solely for your benefit, and oversee rebalancing. This is crucial as there are currently about 8,000 mutual funds and 2,000 exchange traded funds, and most were designed to sell rather than providing what is good for clients to buy. In addition, many managers also participate in the transaction revenue stream, an inherent conflict.

- **Hire managers that are fiduciaries, as they are legally required to place your interest first.** These standards are generally set by the Securities and Exchange Commission, Department of Labor, Certified Financial Planning Board, and Voluntary Fiduciary Standards. However, the standards are changing and weakening. Accordingly, your advisor's certification source along with allowable exceptions should be identified. In addition, fiduciaries should clearly understand current and proposed regulations and emerging investments than can profound effect on your financial future.

- **Passive (index) portfolios are generally best for those who have less than $3,000,000 in investable assets**. Finding consistent, meaningful net excess returns for smaller portfolios vs. investible indices is a difficult task.

- **Total portfolio management expenses for professionally managed portfolios should be 0.3% to 0.7% annually**. For a $1,000,000 account 0.5% or less is reasonable. Moreover, building tax-efficient portfolios with the current vast array of products is straightforward, and additional charges should be questioned.

- **If not previously provided, ask your manager for a written report regarding aggregate portfolio expenses, including transaction charges**. This will immediately quantify, in part, how much you are currently paying to reach for your goals.

CONCLUSION

Implementation of these recommendations will significantly increase your probability of success.

What Can Midwest Asset Do For You?

Midwest Asset is an independent registered investment advisor and financial fiduciary in Middleton, Wisconsin. In 1987 we started building time-tested, quantitative strategies to help you to achieve your goals in a highly efficient, economical, and simplified manner. In 2020 our platform was upgraded to further improve our capabilities. Only a handful of firms can/will offer our performance capabilities, especially in a price competitive environment as we can often reduce aggregate portfolio management fees by 50% or more. Lastly, with our new structure we can offer institutional quality research for accounts with just $200,000 in investable assets.

We would appreciate the opportunity to discuss your strategic plans, return goals, and risk tolerances. We can also provide a **confidential, complimentary consultation and expense analysis** of your current portfolio with our Fair Share Model^SM. **The "expense" factor is generally regarded as the best predictor of future relative returns, and it is increasingly important with current below-average stock and bond forecasts**.

We look forward to speaking with you soon.

THANK YOU

THE MIDWEST ASSET MANAGEMENT TEAM

Managing Your Portfolio is our Only Business^SM

IMPORTANT NOTES and DISCLAIMERS:

1. Midwest believes that all estimates, statements and calculations in this document have been prepared in an unbiased and accurate manner based on the data and methods used. However, their reliability cannot be assured. Please **contact us** for details regarding our sources or methods in any particular area.

2. Past performance does not guarantee future success.

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