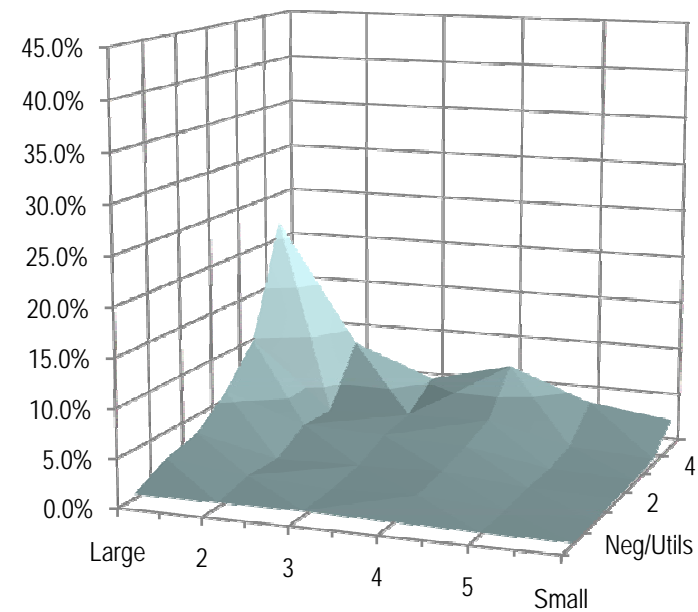




## The Science of Investing

### A Case Study for Global Market Investing

by Financial Innovations LLC

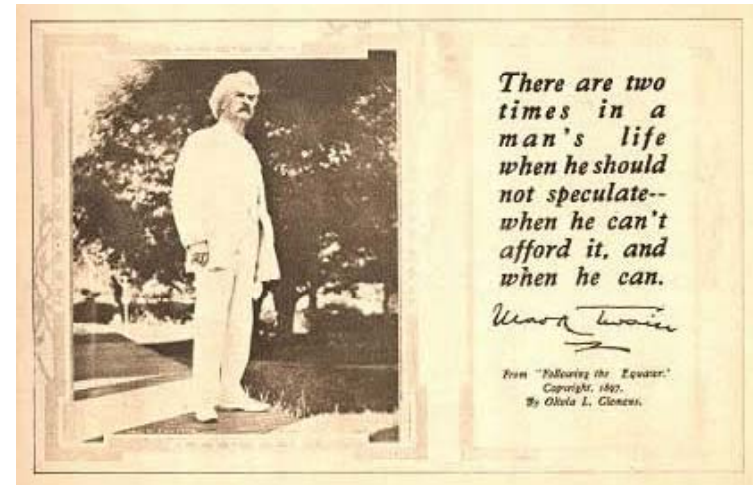


# Agenda:

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- ❖ Objectives/Expectations
- ❖ Investor Types
- ❖ Investment Theory
- ❖ Investor Results
- ❖ Investor Needs
- ❖ Financial Innovations LLC



# Investor Types: Speculators Vs. Investors

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## Speculators

- ✦ Pick stocks
- ✦ Hire a brokers to pick stocks
- ✦ Pick mutual funds
- ✦ Hire a broker to pick funds
- ✦ Pay commissions
- ✦ Do not earn market returns



# Investor Types: Speculators Vs. Investors

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## Investors

- ❖ Own the global market
- ❖ Own thousands of stocks
- ❖ Own diversified portfolios
- ❖ Rewarded by Capitalism





## Modern Portfolio Theory

- ✦ Risk & Return are related
- ✦ There is only one "free-lunch"
- ✦ Diversification works

## Efficient Market Hypothesis

- ✦ The "price is right"
- ✦ Prices adjust quickly to new information
- ✦ New information is unpredictable

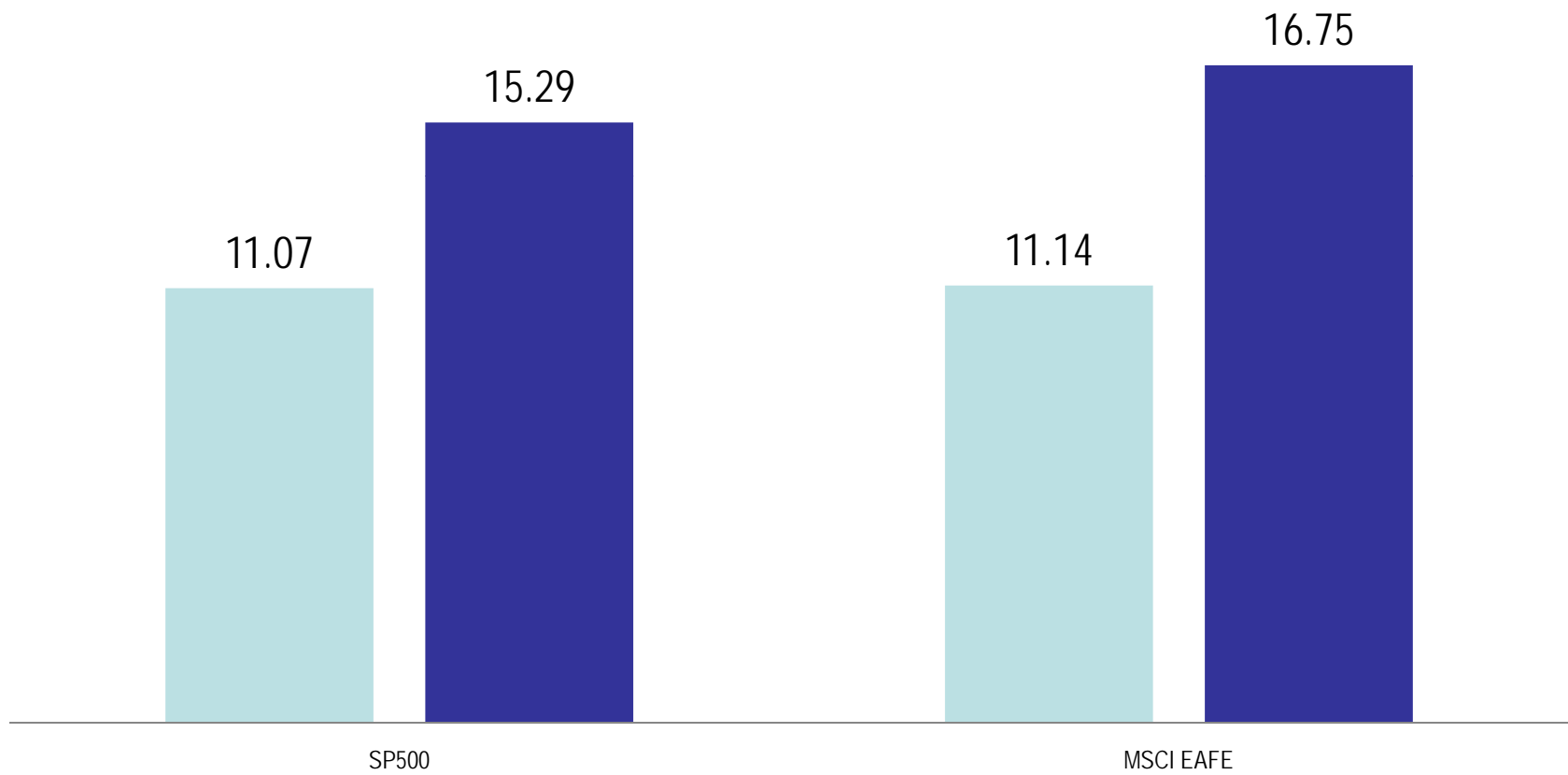
# Modern Portfolio Theory

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1973-2006

■ Annualized Return   ■ Standard Deviation



## Growth of Wealth

Monthly: 01/1969-12/2006



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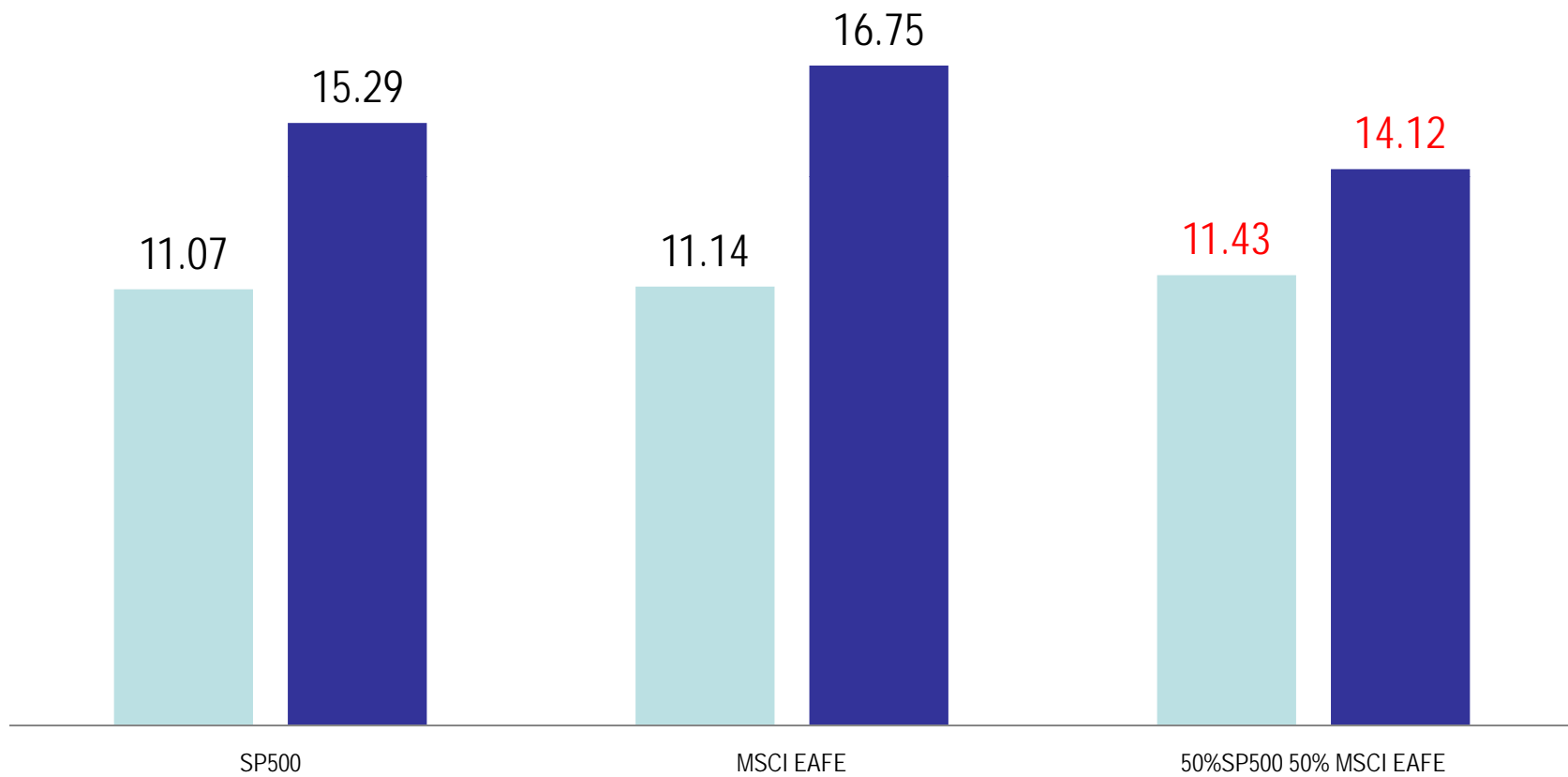
# Modern Portfolio Theory

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1973-2006

■ Annualized Return   ■ Standard Deviation



## Growth of Wealth

Monthly: 01/1969-12/2006

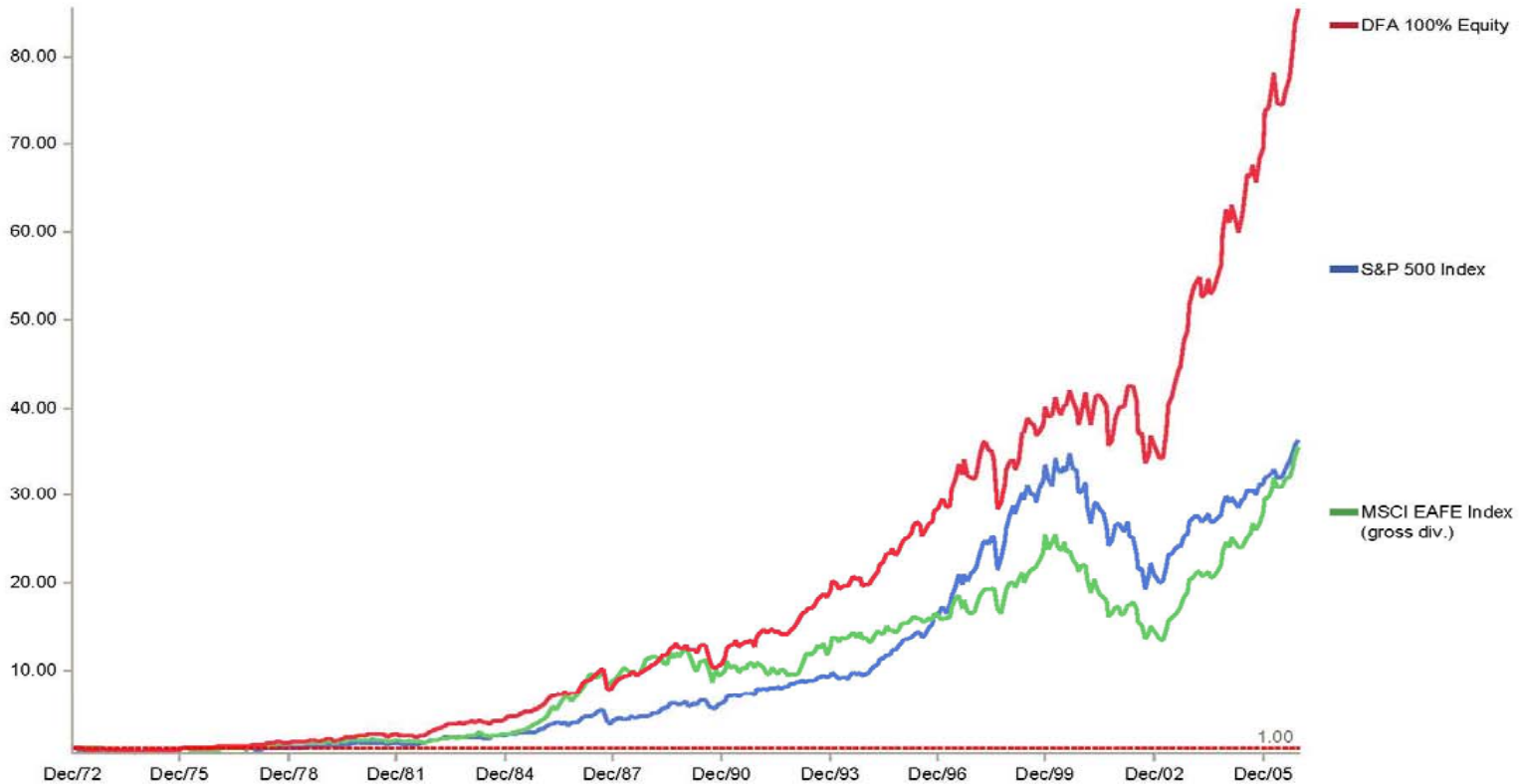


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# Modern Portfolio Theory – Multiple Asset Classes

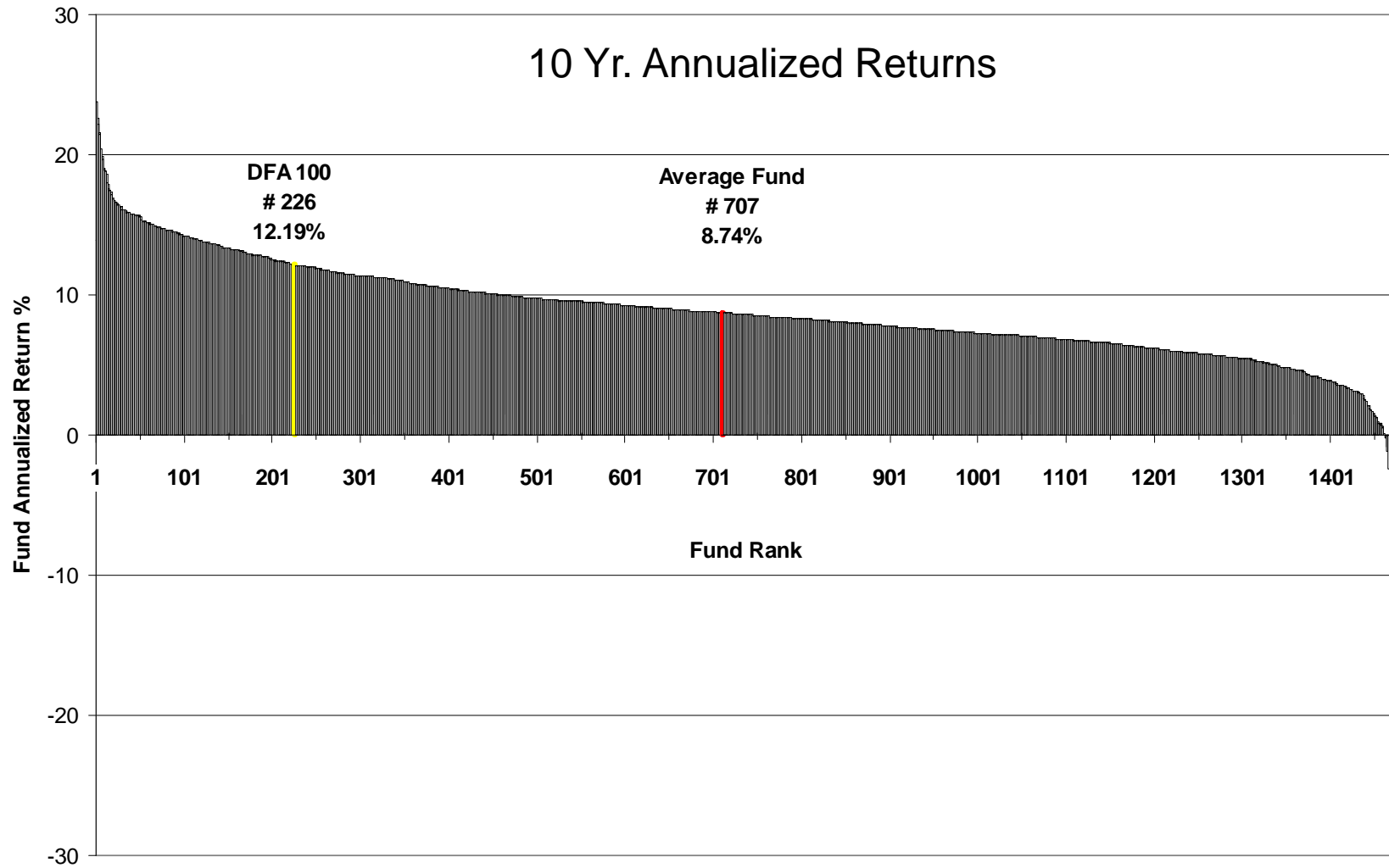
## Growth of Wealth

Monthly: 01/1973-12/2006



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# Investor Results



For Illustrative Purposes Only - Data represents deciles performance of mutual funds from 01.01.1996 – 12.31.2005. Data courtesy of Morningstar, Inc., Jan 2006; excludes front-end loads.

# Investors Need

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- ✦ To be compensated for risk
- ✦ Diversification
- ✦ Low Expenses
- ✦ Tax Management/Low Turnover
- ✦ Discipline
- ✦ Logical Approach
- ✦ A plan

# Financial Innovations LLC

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- ✦ Institutional Platform
- ✦ Globally Diversified Portfolio
- ✦ Assets organized – Investment Policy Statement
- ✦ Communication – On going advisor client relationship and reporting.
- ✦ Transparency – Client understand cost of investing.
- ✦ Liquidity – No loads (front or back).