Davenport Watts & Drake
INVESTMENT ADVISORS, LLC

Investments • Financial Plans • 401(k) Plans

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Financial Peace of Mind

Davenport Watts & Drake uses several base model portfolios for constructing investment accounts. Each targets a different level of downside risk and potential reward. These base models are then tailored to the individual client desires and needs. For example, funds that we think would be inappropriate for taxable investors are flagged, and tax-efficient alternatives are suggested.

Here is a description of our base portfolio types:
Conservative Balanced: Our default allocation to equities in this model is 40%, with 60% in fixed-income. This portfolio is most appropriate for investors who are uncomfortable with higher short-term risk and who value short-term capital preservation over higher long-term returns.
Balanced: This portfolio is appropriate for investors who want to participate in the equity markets but are somewhat uncomfortable with short-term risk. The higher downside risk threshold allows us to have more equity exposure than in our conservative balanced portfolio (a 60% default allocation to equities), while remaining relatively conservative.
Equity-Tilted Balanced: This portfolio has a more aggressive 75% default allocation to equities, and is appropriate for investors who are willing to accept higher short-term risk in exchange for the likelihood of higher long-term returns than what are available from our more conservative portfolios.
Equity: This portfolio is, as a rule, a fully invested, global stock portfolio. Consequently the ups and downs of the portfolio's returns will be as wide as that of the equity market. Along with higher risk, we expect higher long-term returns than are available from our other, less aggressive models. This portfolio is appropriate for investors with a long time horizon and no concerns about short-term risk.

All of the model portfolios are divided further. Within the bond allocation, investment grade, absolute return-oriented, floating rate, and emerging markets bonds are considered. Within the equities allocation, domestic and international companies are considered in addition to companies of various sizes and business models.

Over time, the portfolio will move away from the target allocations as fund performance diverges. We don't believe it is necessary to keep your percentage allocations exactly equal to our model portfolios, but periodically review allocations and rebalance the portfolio in a manner that reflects an investor's target.

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Focusing on your future...

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Investing Perspectives:

Most successful investors consistently apply an investment discipline. The consistent application of a specific decision-making process reduces the chances of getting whipsawed or making mental errors. Many investors make the mistake of chasing hot funds. Others become increasingly aggressive after periods of high returns, then panic after absorbing the losses of a market decline. Professional investors make these mistakes too, but good investors minimize these mistakes by sticking to a well-defined discipline. Our model portfolios are based on a disciplined investment process. Success in our view requires that you have a strategy based on solid research and that you stick with it consistently, despite volatility in the market and the accompanying individual investor worries and euphoria.

Some key concepts are helpful for consistently applying an investment discipline. Some of these concepts are basic, others are more complicated, but they're all important.

- Start with reasonable return expectations that are compatible with your risk tolerance.
- Think of your whole portfolio, rather than its individual pieces. It's hard not to focus on the poorer performing funds in your portfolio, but if you are broadly diversified, there will always be some fluctuations in your portfolio returns over the shorter term.
- Extend your time horizon as far as possible. The longer your time horizon, the easier asset allocation is. High-return assets, though they are risky over the short-term, are much less risky over longer periods (as measured by the variability of their returns).
- Remember that the probability that stock returns will exceed bond returns is high over longer time periods. This has been true for most of this century despite a wide array of economic environments, crises, and global changes.

There are always positive and negative data points and potential risks at every stage of an economic and market cycle. Rather than trying to predict what each new set of economic data will show—an exercise in futility in our opinion—we instead try to assess what the financial markets are currently discounting. By applying these concepts, it is easier to maintain a successful investment discipline.

About Our Firm:

Davenport Watts & Drake is a fee-only financial services firm offering asset management and financial consulting services to businesses, families and individuals. Our desire is to work with a select group of these businesses, families and individuals as a part of their financial team, helping them with the many decisions throughout their lives which will affect the financial future of themselves and their families. The team has a common vision of a client-centered financial consulting firm that treats our clients as we would want to be treated.

Core Strategies:

- Asset Allocation
- Asset Diversification
- Periodic Rebalancing
- Long-term Perspective
- Minimize Income Taxes

Investment Services:

- Portfolio Management
- Individual Retirement Accounts
- Company Retirement Plans
- Personal Financial Plans

Investment Custodians:

- Fidelity Investments
- John Hancock

> "Sound investing is simple but not necessarily easy to do."
>
> — Warren Buffett

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