

ROY A. HAMRICK, CFA

## WHAT WE DO

**A**t a party not long ago, a friend asked me: “I’ve heard that portfolio managers often underperform the stock market averages. If that’s true, why should someone work with an investment advisor?”

It’s a reasonable question. Obviously performance is an important part of investment management. We care as much about portfolio returns as do our clients. But I also find the question misleading. I think people are pushed into thinking that performance is the overriding factor with regard to investing. I believe it reflects a misunderstanding of what investment management is all about.

For many investors I suspect that performance – particularly relative to market averages – will always be the focus. The media constantly bombards us to look at investing in this fashion. I accept that fact, and I’m willing to work with it. Nevertheless, I’d like to give my perspective of what we do as professional investment advisors.

**1. Investment Plan.** Perhaps the most valuable service we provide is to take a careful look at the full profile of the investor and develop a suitable investment plan. What are the investor’s objectives? What level of risk is appropriate? What’s the investment time frame? An aggressive growth stock portfolio might

be appropriate for a young individual just starting a retirement account.

On the other hand, an organization that holds funds pending a near-term building project should perhaps avoid growth stocks altogether. A well-defined, written investment policy is a key tool for investing successfully.

**2. In-Depth Research.** In implementing and maintaining the plan for an investor, we seek to do so in the context of current market conditions. We look as broadly and deeply as we can into the current climate. What is the global political environment? What’s the outlook for the domestic economy? What’s going on with interest rates? Inflation? Foreign exchange rates? We regularly read an array of investment journals and other publications, such as Federal Reserve Board bulletins. We also take a careful look at the characteristics of individual investments: What are the expenses associated with a specific fund? What’s the management tenure? How well is the fund diversified? In looking at individual stocks: what’s the industry outlook? How strong is the company’s competitive position? How does the company’s stock price look in relation to its financial position and earnings? We seek to have a clear view of the big picture backdrop in which we are investing, as well as a thorough understanding of the particulars of each security in which we invest our clients’ money.

### 3. Ongoing Monitoring of Markets, Portfolios and Client Situations.

Regular, periodic reviews of the markets, client situations, and their portfolios are important steps in a good investment program. Often we meet with people who enjoy investing and may be good at it. But they don't have the time to conduct the research, monitor the markets, and take the steps necessary to make sure their portfolios remain appropriate for them. Beyond accomplishing these tasks for our clients, we provide investment discipline. In the context of markets that are always volatile, and at times chaotic, investors may get swept up in emotions and transitory events, and become overly optimistic or pessimistic to their detriment. We have the ability to stay clear-eyed and help investors pursue their longer term investment objectives.

**4. Details.** There are a host of other issues we attend to as investment advisers that may be fairly mundane, yet are significant. For example, we provide clear reports that enable investors to evaluate their portfolios. We maintain good records for tax and accounting purposes, including security cost basis and date of purchase. We handle proxy voting and reorganization issues, such as mergers and spin-offs. We are also able to address the unique needs and interests of particular investors, such as special tax considerations or concern about socially responsible aspects of their investments. Even simple tasks, such as setting up accounts and transferring securities, are chores that we can take care of for our clients and thereby add value.

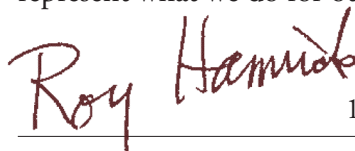
**5. Performance.** I can hear my friend saying: "Yes – I understand all that. But it still comes down to the bottom line.

How's the portfolio doing?" When one starts to get into it, measuring investment performance is fairly complicated. I suspect many investors don't even know what the performance of their portfolio really is. One of the benefits of professional management is that we provide good reports on performance. We can also provide guidance on interpreting that performance and develop appropriate benchmarks to evaluate it. For example, if an investor holds a balanced portfolio, performance relative to a particular stock market index may not be relevant.

At Hamrick Investment Counsel, we take an active approach in managing portfolios for our clients. Within the context of their investment policies and carefully diversified portfolios, we seek to maximize their returns. Based on our economic outlook, we take strategic positions. We target specific sectors or securities to buy or to sell. We are proud of our investment results and don't hesitate to provide information on performance.

In all honesty, however, it is the investments that generate the returns. Sometimes, when clients congratulate us on a good quarter, I'm pleased – but I feel like the weatherman being congratulated on a sunny day. We seek to position our client portfolios to take advantage of fair weather – but also to anticipate less favorable conditions and prepare them for all seasons, regardless of the outlook.

For the record, from my perspective, it is the full range of services listed above that represent what we do for our clients.



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