

the value of quality

informed
investor

Informed Investor: Be One



We provide the information below as a guide to help you make solid decisions about your financial life and the people to whom you will entrust your money. We are always happy to speak personally with you about these and other investment issues. Please do not hesitate to contact us.

Managing your money: why you can't ignore it

You have a pretty good idea that this is an area of some significance to your life. Like everyone else, you'd like to retire some day. Or if you're already retired, you'd like to think that your money will outlast you.

It starts with saving, of course. You have to do it. But unless you are saving a small fortune each year, you have to grow the money you've saved. That's how wealth is accumulated in sufficient amounts to make retirement possible.

Investing can seem a mysterious and intimidating discipline

The moment you step into the world of investment, you are taking on twin burdens: decision-making and risk. What should you do and who can you trust to help you do it? And how much risk are you willing to take with the money you've saved?

Strategy, confidence, consistency : critical to success

These three elements, taken together, have significant impact on long-term performance of an investment portfolio. You begin with a well-conceived **strategy** in

which you have sufficient **confidence** that you are willing to apply it with **consistency**.

No strategy, no matter how brilliant, is going to outperform the market every day, or even every year, but if you abandon it at the first sign of trouble, you are guaranteeing that it will fail for you.

All three elements work together. In order to stick to a strategy, you need confidence. To have confidence, you need to believe that the strategy you've chosen is both well thought out—and well executed.

The options: from do-it-yourself to financial planners

What's the best way for you to achieve strategy, confidence and consistency? The answer will be different for everyone—it will depend on your risk tolerance, your interest in investing, your relationship with your financial professional.

It will also help to understand the options available in today's money management industry. Below, we've described the most widely available options, and described for each the personal considerations you should take into account.

A common question you'll want to ask about all of these choices is how each professional gets paid, and how that payment structure might impact that person's advice. Regardless of which option you choose, you will always pay trading commissions either directly or indirectly to the firm that executes the purchase and sale of investments for the manager of your portfolio or mutual fund. You may or may not see them on a statement but these commissions will range from less than 0.5% of your investments to 3% or more on an annual basis.

Two Point Capital Management

Contact us for an initial consultation

585.586.5529 | www.TwoPointCapital.com

Do-It-Yourself

Managing your own investments takes time, interest and expertise. If you have all three to spare, it's often the best choice.

Why? Assuming you have the time, interest and expertise to craft and execute a well-conceived strategy, doing it yourself virtually guarantees the level of confidence you'll need to stay the course. Who would you trust more than yourself?

But a word of caution: it really does take all three—time, interest, expertise.

Fees you can expect to pay include trading fees to the broker who executes your trading and custodial fees to the financial institution where your funds are held.

Investment Management Firms (Portfolio Management)

Assuming you choose not to manage your own funds, the next most direct path to the strategy, confidence and consistency required to achieve favorable long-term returns is to work directly with the person who will choose the stocks and/or bonds that will make up your investment portfolio.

Investment management firms offer individual portfolio management or mutual funds that they themselves have created and are managing.

This option puts you directly in contact with the investment expertise you're hiring—the expertise used to choose the specific stocks and/or bonds in your portfolio or fund.

An important advantage of working with an investment management firm is that you will have an opportunity to get to know the investment strategy or strategies used to manage your portfolio as well as create personal relationships with the people who are managing your savings. You will be working directly with the people making investment decisions for your portfolio—not resellers or repackagers of someone else's work.

It's important to understand enough about the strategy your manager uses that you have a high level of confidence in its ability to generate favorable long-term results. There are a variety of valid long-term strategies, each with its own strengths and weaknesses. When hiring an investment manager find one that utilizes a strategy that you are

comfortable with—that you can live with when it's working *and* when its weaknesses are more apparent.

Is the strategy growth, momentum, blue-chip, value, trading? Each manager should be happy to share with you the details of how his or her strategy works and provide audited, historical performance records—although past performance is not an indication of future results. Confidence in a long-term investment strategy will allow you to stick with it during those short-term periods when results appear weak. In this way you'll have the opportunity to achieve long-term results consistent with your long-term financial plan.

Another advantage of working directly with an investment manager is that many will provide you with an investment review that illustrates how the investment decisions made for your portfolio/fund are consistent with the strategy you hired them to provide. This should also increase your confidence that the strategy you were comfortable with when you hired the manager is being consistently executed in your portfolio or fund.

Aside from managing your own funds, this may be your best opportunity to gain the highest level of confidence in both the strategy and the people involved—confidence that will allow you to stay the course and improve the possibility that you'll achieve superior long-term performance.

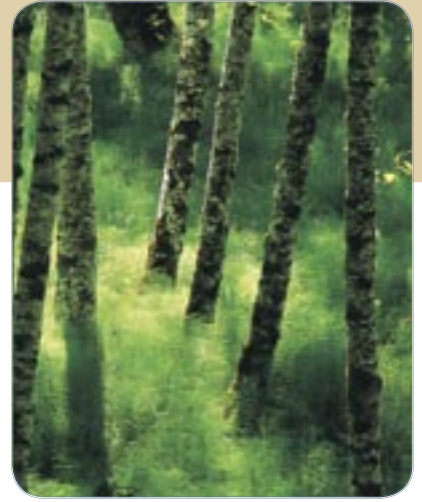
Portfolio managers are generally paid an annual fee based on a percentage of your assets under management. Investment management firms do not have actual physical possession of your funds, only the power which you assign them to manage the investments in your account(s). Your investments are kept in a custodial account with a separate firm—such as Fidelity or Merrill Lynch—which may charge an annual fee for custodial services. This fee is usually \$50 to \$200.

Trading costs are passed through and charged to your portfolio/fund. The manager pays these commissions to a trading broker and should not benefit from them. In fact, since these costs reduce investment performance, the manager is incented to minimize trading costs to only those necessary to effectively execute the strategy.

Minimum account sizes can range from \$100,000 to \$1,000,000, depending on the manager.



Informed Investor: Be One



Stockbrokers

Stockbrokers come in two varieties: full-service brokers (such as Merrill Lynch and Morgan Stanley) and discount brokers (such as Charles Schwab and Brown Co.).

Both act as custodians of your funds. Both are paid primarily by commissions on your trades, so there is a built-in incentive to encourage trading. A small (\$50 to \$200) custodial fee may also be charged.

Full-service stockbrokers have evolved over the years. Once they were primarily focused on recommending the purchase of individual stocks and fixed-income securities. They have added to this financial planning services and the reselling of mutual funds.

If you are a do-it-yourself investor looking to augment your own research, using a full-service broker to purchase individual equity and fixed income securities can be a good idea. You'll get access to the broker's analyst reports and the broker's knowledge. The broker will also execute your trades for a fee.

You need to know your broker—references, education, experience, certifications. You want your broker to be both trustworthy and good at the business of investing—one out of two isn't good enough.

To the extent that you're dealing with a broker for financial planning, you should also read the section below on financial planning. Those considerations also apply here.

If you are planning to purchase mutual funds through a stockbroker, you should read the section below on financial services companies. The same issues apply here.

Full-service brokers are paid by a combination of commissions on your trades and often an annual fee charged to your account. The commissions will be higher than you will pay with a discount broker, because full-service brokers provide additional services that often include access to analyst research and investment-specific information.

Discount brokers allow you to execute individual stock and bond trades at lower commissions, and often without an annual fee. For this low rate, you get little additional service beyond a web site with information that's widely available for free. Individual advice on specific investments is generally not offered.

Discount brokerage services are sometimes offered through financial services institutions. Some of them are available only online.

For the do-it-yourself investor who wants to minimize fees and doesn't mind the lack of supplementary research, discount brokers can be a good choice.

Two Point Capital Management

Contact us for an initial consultation

585.586.5529 | www.TwoPointCapital.com

Financial Planners

If you don't already have a financial roadmap, this is a good place to start. A good financial planner can provide you with solid, broad-brush advice on various investment vehicles and how they might be appropriate for you.

Financial planners are paid in a variety of ways. Fee-only means they are paid, only by you, for their advice—it's more expensive, but you don't have to worry that they're trying to sell you a specific product.

Fee-based means their fees are a blend of fees paid by you and commissions or incentives paid by companies whose products they sell.

Commission-based planners may offer a plan free of charge, but they have the greatest motivation to sell you specific product because selling that product is how they make all of their income.

If you believe you need a financial planner, we recommend that you find a good fee-only financial planner and pay them to work with you to create a long-term financial plan tailored to your situation and goals. Once you have a plan, then you need to decide how you're going to execute it.

If you implement your plan yourself—directly buying your own insurance, mutual funds or portfolio management services—then you'll pay management fees charged by each individual provider.

If you decide to use your financial planner to purchase those products on your behalf, be aware that he or she will add an additional layer of fees to your costs. Ask how much those fees will be. They could more than double your total costs. The additional expense may be worth it to you for the ease and convenience of one-stop shopping—or it may not.

Financial Service Companies

These include mutual fund companies, insurance companies, and banks. Two examples are Fidelity and Vanguard. These companies offer a wide array of stock and bond mutual fund choices. If you have a certain minimum amount to invest, they will sometimes offer you "free" financial planning services because they'll recover the costs in the commissions they charge.

Some of these companies offer products that they create themselves. Others are strictly resellers of other companies' products. Most fall in the middle, offering their own products as well as others.

In some instances, financial service companies will also act as custodians of your funds—actually keeping the money on deposit and moving funds as necessary to execute trades.

Given that there are more than 6,000 mutual funds to choose from, it's a challenge for anybody to choose wisely. A prospectus will tell you the investment strategy, the type of stocks the fund will or will not own, past performance, the top 10 holdings in the last quarter, and the fee structure.

What you won't get is a stock-by-stock report on how the fund's results aligned with the strategy they pledged to use. Nor will you get the opportunity to sit down face-to-face with the person who's managing your life savings.

As a result, it can be difficult to really know that the strategy you've chosen is the strategy that's being followed.

the value
of quality

TWO POINT



CAPITAL MANAGEMENT

4 South Main Street
Pittsford, New York 14534
phone: 585.586.5529
fax: 585.586.0091

TwoPointCapital.com



One inventive and inspired portfolio manager with a passion for performance



Jack McGowan has 20 years experience as a portfolio manager and equity analyst and is a Chartered Financial Analyst® (CFA®) who has worked for a number of investment management firms. He also worked for several years as a consultant to public companies, gaining invaluable knowledge about the considerations companies weigh as they present themselves to investors.

Jack served two years as President of the Rochester Society of Security Analysts (now CFA Society of Rochester), and an additional eight years as a board member. He is a member of CFA Institute (formerly Association for Investment Management Research or AIMR).

Jack has managed funds solely under the Two Point Capital Approach since 1999.

“You can’t outperform the market by doing what everyone else does. You have to think—and act—differently.” — Jack McGowan

Two Point Capital Performance

Two Point Capital Management, Inc. is an independent, registered investment advisor. Our most recent performance report is available upon request. Our performance is audited by an independent, certified public accounting firm.

Are We the Right Fit?

We look forward to an initial consultation about your financial goals. We invite your inquiry by phone or email. For more information, visit our web site at www.TwoPointCapital.com.

the value
of quality

TWO POINT



CAPITAL MANAGEMENT

4 South Main Street
Pittsford, New York 14534
phone: 585.586.5529
fax: 585.586.0091

TwoPointCapital.com