



## Locust Capital Management's Investment Process

### Goals and Objectives

As addressed in our last newsletter, the investment process is a key piece of our clients' wealth picture. In this newsletter we will discuss Locust Capital's approach to prioritizing the goals and objectives of our clients' portfolios.

Locust Capital began with the philosophy that the primary goal would be to manage clients' wealth in the way that we would like our own assets managed. Starting from this simple concept, Locust Capital created a process wherein our clients' money is managed in a secure, transparent, straightforward, cost-effective, and tax-efficient manner.

**Security:** Asset safety takes two forms: (1) asset risk and (2) investment risk. (1) In terms of asset risk, all assets managed by Locust Capital are custodied with a credit-worthy financial institution (i.e. Charles Schwab). Charles Schwab is a SIPC insured brokerage firm, which insures your account up to \$500,000 (Schwab also purchases excess SIPC insurance ensuring your accounts are fully insured from a failure of the brokerage firm no matter the value of the account). Client assets are not comingled with either firm or other clients' funds and are in individual accounts in our clients' names. This allows clients to have control of their assets at all times. The second risk (2), investment risk, relates to the structure of assets/mutual funds/ETF's approved by our Investment Committee. All mutual funds utilized by Locust Capital have reputable Portfolio Managers (PM) controlling the underlying investments in the fund. PM's cannot have prior SEC violations. Funds are required to have at least a 3 year track record, and have a minimum of \$100 million under management. All funds are liquid, which allows us to be able to convert them into cash within 5 business days.



**Straightforward:** Locust Capital's Investment Policy Statements (IPS) are written so that they can be easily understood by all parties, from those with extensive market knowledge to the most novice investor. Our portfolios do not contain any direct investment in derivatives, private equity, or hedge funds (with a few minor exceptions for a handful of clients). The asset allocations and investment ranges outlined in the IPS are clear. The firm monitors the IPS using both rebalancing technology and analyst rebalancing to assure that the IPS is being adhered to by the firm. Our quarterly performance reviews report all account activity and investment returns. The reviews show consolidated activity, asset allocation, and returns. They are designed to be easy to follow.

**Transparency:** Locust Capital is transparent with our clients in a variety of ways including the method in which your assets are invested and reported on, the amount and frequency of fees paid, the communication of trade recommendations along with any tax consequences potentially incurred, and full access to the client's electronic vault to view reports and activity. Additionally, all investment returns are reported net of fees and the quarterly performance reports provide up-to-date information on our clients' portfolios.

**Cost:** Locust Capital is a fee-only advisor. We do not accept commissions or other compensation from investment companies. All investment products recommended are low cost and never contain commission trails, 12b-1 fees, or other hidden fees. The quarterly fee charged by Locust Capital is typically withdrawn from an existing brokerage account and is noted on the brokerage statement. Included with Locust Capital's quarterly performance report is a separate invoice outlining our quarterly advisory fee.



**Tax-Efficiency:** All trade recommendations carefully consider tax consequences for the client. We understand that it is pointless to generate impressive returns if clients are required to pay back a large chunk of those gains in taxes. Investment vehicles used are tax efficient and assets are located within portfolios in ways that maximize tax efficiency (i.e. placing income producing assets such as dividend paying equities or Corporate Bonds into tax deferred IRA/ 401k accounts where the income produced and coupons received can avoid immediate taxation at the clients' marginal income tax rate).

At Locust Capital, we know our clients have worked hard to create wealth. It is our job to preserve and grow that wealth. We make every effort to avoid subjecting client portfolios to unnecessary risk that could potentially erode the wealth they have so carefully built.

We hope the information above helps you understand why Locust Capital and our clients' portfolios are carefully and thoughtfully constructed. In our next newsletter we will discuss proper asset allocations.

As always, we wish you a wonderful summer and hope you get the time to enjoy it with family and friends!

Sincerely,

Locust Capital Management, LLC