

Advisory News Brief

For the past several years, most of the investing public's attention has been consumed by the ups and downs of the stock market. However, we at Roof Advisory Group have consistently held that properly utilizing fixed income investments, most notably bonds, as part of a balanced portfolio strategy can effectively reduce overall risk and help stabilize return.

Our philosophy is that the purpose of fixed income management is to provide a steady stream of predictable income and/or enhance portfolio stability by tempering equity volatility. Period.

We feel this is best accomplished by tightly controlling the quality, maturity, duration, and cash flow of fixed income investments. We favor individual bonds when fixed income portfolio size is sufficient. Our perspective can be further defined by what we *do not* do in managing fixed income assets for our clients. We do not:

- Compromise on investment grade quality.
- Make significant interest rate bets.
- Trade bonds for appreciation.
- Believe long-term maturities are worth the risk.
- Chase yield through high risk junk bonds.

Any investment involves some sort of risk. But we've consistently cautioned our clientele, and readers, that the fixed income portion of a portfolio should not be designed to add risk because the reward is rarely worth it.

Several recent articles in the Wall Street Journal (see attached) illustrate what can happen to investors when managers choose not to adhere the same high standards of fixed income management we employ. The unpleasant surprises outlined in the articles are similar to ones we've too often observed over our nearly twenty years in the business when managers, and their investors, lose sight of their primary objectives. For many, it unfortunately seems that the only thing learned from history is that they've really learned nothing at all.

Our approach to fixed income management remains unwavering. Disciplined, focused, consistent. To learn more about how this can be of benefit in your situation, give us a call.