



**Fountain Strategies, LLC**  
Registered Investment Advisor

## **2007 INVESTMENT POLICY STATEMENT**

**for**

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Post Office Box 845  
Carmel Valley, CA 93924-0845

## POLICY STATEMENT

### INTRODUCTION

\_\_\_\_\_ (“Investor”) engage Fountain Strategies, LLC (“Advisor”) to design, assemble, and monitor an appropriate investment Portfolio.

The purpose of this Investment Policy Statement (“IPS”) is to establish reasonable performance expectations concerning the investment Portfolio.

The Portfolio reflects a passive approach to investing as an investment philosophy, and this IPS acknowledges Investor’s risk and return objectives, identifies the specific investments that will be used, and describes the role and responsibilities of both Advisor and Investor.

### INVESTMENT OBJECTIVES

These are the main investment objectives

- Long term appreciation striving for a Return (before inflation) of **8.5%** or better and Standard Deviation of **8.6%** or lower. Long term in this case means five years or longer.
- Diversification among **thirteen or more** asset classes
- Internal costs averaging less than **0.50%**, and annual retainer fee at **1.0%** or less, of portfolio valuation.

### TIME HORIZON

For planning purposes the time horizon of the Portfolio is five years or longer. Investor recognizes the possibility of capital loss due to market fluctuation over shorter periods of time. Historic data for asset class performance suggest that a holding period of at least five years can minimize the risk of capital loss.

### RISK TOLERANCE

Comprehension of Investor’s willingness to tolerate the volatility inherent in the investment markets is critical to the Portfolio design. (See following “Risk Tolerance Questionnaire.”) Using volatility as a measure for risk in the market, Investor accepts the **Normal Balanced** portfolio range of Standard Deviation as appropriate among the several models on display in the Target Portfolio section of his personal MoneyGuidePro ([www.moneyguidepro.com](http://www.moneyguidepro.com)) financial planning program.

## Risk Tolerance Questionnaire

Answer the following questions to determine your Risk Tolerance.

1. How important is capital preservation?

Not at all Moderately important Very important  
 1  2  3  4  5  6  7  8  9

2. How important is growth?

Not at all Moderately important Very important  
 1  2  3  4  5  6  7  8  9

3. How important is low volatility?

Not at all Moderately important Very important  
 1  2  3  4  5  6  7  8  9

4. How important is inflation protection?

Not at all Moderately important Very important  
 1  2  3  4  5  6  7  8  9

5. How important is current cash flow?

Not at all Moderately important Very important  
 1  2  3  4  5  6  7  8  9

6. How much risk are you willing to take to achieve a higher return?

None at all A moderate amount A lot  
 1  2  3  4  5  6  7  8  9

## THE PORTFOLIO

The Portfolio reflects \$XXX,XXX of assets arranged to conform to the Fountain Strategies Normal Balanced allocation model based on 60% equities, 40% fixed income assets.

Current	Risk Based	Target	Name	% Stock	Projected Retu...		Standard Deviation
					Total	Real	
			<a href="#">Fountain Fixed</a>	0%	5.62%	2.12%	3.83%
			<a href="#">Fountain Conservative Balanced</a>	20%	6.58%	3.08%	3.54%
			<a href="#">Fountain Moderate Balanced</a>	40%	7.53%	4.03%	5.69%
	→	→	<a href="#">Fountain Normal Balanced</a>	60%	8.49%	4.99%	8.63%
→			Current	57%	8.62%	5.12%	7.78%
			<a href="#">Fountain Bold Balanced</a>	69%	8.95%	5.45%	10.12%
			<a href="#">Fountain Aggressive Balanced</a>	80%	9.43%	5.93%	11.83%
			<a href="#">Fountain Equity</a>	100%	10.44%	6.94%	15.10%

## Asset Allocation Targets

Asset Class	Rate of Return	% of Total Assets
Cash Equivalent	3.75%	10%
US Short Term Bonds	5.92%	10%
US Intermediate Term Bonds	6.70%	10%
International Short Term Bonds	6.13%	10%
US Large Cap Growth Stocks	8.95%	8%
US Large Cap Value Stocks	10.11%	9%
US Micro Cap Stocks	11.46%	4%
US Small Cap Value Stocks	12.37%	4%
US Small Cap Stocks	10.20%	0%
REIT	11.27%	5%
International Large Cap Stocks	8.73%	10%
International Large Cap Value Stocks	10.35%	10%
International Small Cap Stocks	12.08%	5%
Int'l Small Cap Value	11.87%	5%
Emerg Mkts Large Cap Stocks	12.75%	0%
Emerg Mkts Value Stocks	17.25%	0%
Emerg Mkts Small Cap Stocks	17.25%	0%
Unclassified**	0.00%	0%
<b>Total :</b>		<b>100%</b>

### ANTICIPATED PERFORMANCE

The long-term anticipated annual rate of return identified as an Investment Objective is based on the historic returns for each asset class and its percentage weighting in the Portfolio. Actual performance will vary with market fluctuation, and the stated Portfolio return will be affected by the deduction of retainer and transaction fees.

The Return and Standard Deviation values identified as Investment Objectives imply that of an infinite number of future possibilities, 67% of them will fall within a range of performance between **-0.1%** and **+17.1%** for any given year.

### ASSET ALLOCATION

A review of long-term risk and market performance characteristics for various asset classes indicates that the asset allocations within the **Normal Balanced** Portfolio most closely match Investor's objectives. There are no guarantees of future performance, and this IPS does not offer any.

## **REBALANCING PROCEDURES**

Advisor will review each asset class in the Portfolio regularly and will rebalance asset amounts to conform to the portfolio model target percentages when any asset class drifts by 3% or more (e.g. a 10% target allocation has dropped to 7% or increased to 13%).

## **INVESTMENT MONITORING AND CONTROL PROCEDURES**

### **Reports**

Monthly, the Custodian (Fidelity Investments) sends Investor a report listing all account assets, values, and transactions within the Portfolio.

Within 30 days of the end of each quarter, Advisor sends Investor an Investment Management Report covering

- Portfolio performance over the last quarter, year, 3 years and 5 years
- Performance results of comparative benchmarks for the same periods
- End of quarter status regarding asset allocation – current vs. model

### **Duties and Responsibilities**

#### *Advisor*

Advisor is a Registered Investment Advisor and will act as the Investment Advisor to Investor until either party decides to terminate the advisory relationship.

Advisor is responsible for

- assisting the Investor in making an appropriate asset allocation decision based on the Investor's risk tolerance profile, financial goals, investment objectives, cash flow needs, and time horizon.
- identifying specific assets and investment managers within each asset category, and for providing Investor a current prospectus for each proposed investment
- monitoring the performance of all selected assets
- recommending changes to any of the above
- periodically reviewing the suitability of the investments for the Investor
- meeting or contacting the Investor at least once each quarter
- preparing and delivering appropriate reports

**Advisor will not take title to any assets nor will the Advisor exercise discretionary control over any of Investor's assets. Advisor will be responsible only to make recommendations to the Investor and to implement decisions as directed by the Investor.**

*Investor*

Investor will provide the Advisor with all relevant information concerning his risk tolerance, financial condition, and net worth; and he will notify the Advisor promptly of any changes to this information. Investor should read and understand the information contained in the prospectus for each investment in the Portfolio.

**INVESTMENT MANAGEMENT**

Investment products used to implement the investment program must be registered, offer sufficient historic performance data, exhibit timely compliant periodic performance, provide necessary details about the firm (personnel, clients, fees, etc) and adhere to a clearly articulated investment philosophy.

Investment products used in the Portfolio will include asset-class-specific index and investment funds managed by Dimensional Fund Advisors of Santa Monica, California.

**SIGNATURES**

By their signatures below, Investor and Advisor attest that the terms of this Investment Policy Statement, including any exceptions or amendments set forth below, are agreeable to them.

\_\_\_\_\_  
( ) Date ( ) Date

\_\_\_\_\_  
Fountain Strategies, LLC Date