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OUR INVESTMENT PHILOSOPHY

We base our investment strategy on **empirical market research**. The science behind the numbers tells us that a well-constructed portfolio of **diversified passive index investments** has the **highest probability of long-term success**. This is why we build and manage our portfolios this way, and why we believe in our investment philosophy to produce **consistent long-term results** for our clients.

Element #1: Research indicates that a portfolio's strategic asset allocation explains roughly 90% of long-term portfolio performance.

Element #2: Historic performance data reveals that passive investing provides consistently stronger returns over long investment horizons versus actively managed mutual funds or stock picking strategies. Reasons include:

- Greater than 80% of actively managed mutual funds are outperformed by benchmarks over a 3 to 5 year period.
- Actively managed mutual funds have low levels of persistence over long periods of time, meaning strong fund managers in one period are statistically likely to underperform in the following period.



CHAIRMAN'S
COUNCIL

Brad Hummel is a recipient of CIBC Wood Gundy's Chairman's Council Award - 2017

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OUR PROCESS

At Hummel Financial Group we approach the implementation of our investing strategies very scientifically. We are exacting in how we construct portfolios and rigorous in our re-balancing processes. We follow a four-stage process in managing clients' money:

Stage 1: Financial Planning

In this phase we formulate a long-term financial plan and continually track your annual progress to this plan, making necessary adjustments along the way.

- Identification of financial goals and objectives
- Retirement income projections
- Tax, insurance, and estate planning
- Annual financial plan reviews and tracking

Stage 2: Portfolio Construction

This is the initial creation of diversified portfolios suited to clients' needs, built on a disciplined asset allocation strategy.

- Asset allocation decision based on clients' tailored financial plan
- Risk tolerance and growth objectives in-line with the financial plan
- Tax-efficient asset allocation



Stage 4: Portfolio Management

In this phase we re-balance the portfolio, trimming overweight assets and re-allocating to underweight assets. This provides a steady, un-emotional approach to "buying low and selling high".

- Disciplined re-balancing methodology
- Management and analysis of individual stock holdings
- Management of registered accounts

Stage 3: Security Selection and Market Research

This stage is where we carefully select the securities of the portfolio that will stand up against the test of time.

- Careful analysis of ETFs
- High quality ETF providers
- Quality/value tilt
- Targeted stock purchases based on favourable entry point, strong historic results, and defensive characteristics
- Market and economic outlook





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Sources:

1. Ibbotson, Roger G., & Kaplan, Paul D. (2000). "Does Asset Allocation Policy Explain 40, 90, or 100 Percent of Performance?". *Financial Analysts Journal*, vol 56, no. 1 (January):26-33
2. S&P Dow Jones Indices LLC, a part of S&P global. (2018). SPIVA U.S. Scorecard. Retrieved from S&P Dow Jones Indices (<https://us.spindices.com/resource-center/thought-leadership/spiva/>)
3. S&P Dow Jones Indices LLC, a part of S&P global. (2018). Persistence Scorecard: March 2018. Retrieved from S&P Dow Jones Indices (<https://us.spindices.com/resource-center/thought-leadership/spiva/>)

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Brad Hummel is an Investment Advisor with CIBC Wood Gundy in Edmonton. The views of Brad Hummel do not necessarily reflect those of CIBC World Markets Inc.

If you are currently a CIBC Wood Gundy client, please contact your Investment Advisor.



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