

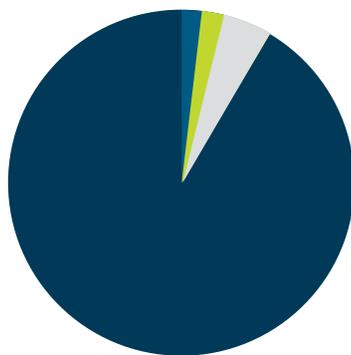
ENGINEERING MATTERS

Engineering when it comes to your portfolio, means how much of each type of investment is in your portfolio and in what percentages.

Many in the financial industry would have you believe that if you can get access to decent investment vehicles for as small a fee as possible, that's all you need to have a successful investing experience. The reality is that while those things are important and must be considered, they are not the major determinants of portfolio performance.

You should know that how a portfolio is engineered is a critical component for success. What goes into the portfolio and in what specific percentages has a profound impact on a portfolio's likelihood of long-term success. Studies show that 91.5% of a portfolio's performance is determined by the allocation of the portfolio (not stock selection, market timing, or any other active management factors).

DETERMINANTS OF PORTFOLIO PERFORMANCE



- 1.8% MARKET TIMING
- 2.1% OTHER FACTORS
- 4.6% STOCK SELECTION
- 91.5% ASSET ALLOCATION

It's difficult, sometimes even for professionals, to discern the difference between an efficiently engineered portfolio and one that is inferior because pie charts can often look similar.

In order to eliminate speculating and gambling from the investing process, at Matson Money we base our strategies in validated academic principles. Each one brings another layer of structure and guidance to portfolio design.

Efficient Market Hypothesis

Essentially states that free markets work, and the price of any individual security is the right price for that moment in time.

Modern Portfolio Theory

Is a method to build portfolios and maximize expected return for any given level of risk through diversification.

The Three-Factor Model

Explains the premiums for different segments of stock investing due to increased risk factors.

By combining these academic principles we can design portfolios that eliminate gambling with your investments while maximizing long-term expected return for a given level of risk.