



TDC
INVESTMENT ADVISORY



COMPARING THE DIFFERENT INVESTMENT APPROACHES

	ACTIVE	INDEX	EVIDENCE-BASED INVESTING
ASSET CLASS DESIGN The goal is for the best representation of every asset class to be present for a fully diversified portfolio	<ul style="list-style-type: none"> Relies on forecasting, security selection, and market timing while attempting to identify mispricing in securities Style drift within asset class is common 	<ul style="list-style-type: none"> Attempts to closely track a commercial index or benchmark Asset class overlap is common Style drift can occur as securities change 	<ul style="list-style-type: none"> Uses academic research to structure portfolios around dimensions of expected returns Fully able to represent an asset class without worry of drift or overlap
REBALANCE Assuming asset allocation drives returns, we want precise asset class exposure throughout the year	<ul style="list-style-type: none"> Occurs whenever the manager thinks the timing is right Choosing and timing can lead to poor diversification and higher risk 	<ul style="list-style-type: none"> Only rebalanced on the reconstitution date(s) Sells the same securities at the same time as all other funds tracking the index leads to price spikes 	<ul style="list-style-type: none"> Dynamically rebalanced via daily cash flows and patient buy and sell ranges for securities that fit the asset class dimension
TRADING	<ul style="list-style-type: none"> Managers, analysts, research subscriptions, 12b-1 fees, and mix of securities might lead to high expenses Inconsistency and frequency of trading can lead to high turnover and taxes 	<ul style="list-style-type: none"> Price is the competitive advantage for index investing. Low turnover and trading helps keep costs down Advantage can be offset by urgency of reconstitution cost Securities lending is inconsistent 	<ul style="list-style-type: none"> Institutional pricing, patient trading, and aggressive securities lending keep costs low
AVERAGE EXPENSE RATIO	<ul style="list-style-type: none"> Industry average is 1.1%* According to Morningstar, a 60% global stock and 40% bond fund portfolio has an average combined expense ratio of 1.1% per year. 	<ul style="list-style-type: none"> Industry average is .20%* According to Morningstar, a 60% global stock and 40% bond fund portfolio has an average combined expense ratio of 0.2% per year. 	<ul style="list-style-type: none"> TDC average is .28%* Actual average of expense ratios multiplied by the weighting of each fund in TDC's 60/40 taxable portfolio as of 6.30.2016.

*Source: Forbes article "The Heavy Toll of Investment Fees," May 2013 and Morningstar Advisory services provided by TFO-TDC, LLC. All investment strategies have the potential for profit or loss. Changes in investment strategies, contributions or withdrawals, and economic conditions, may materially alter the performance of your portfolio. There are no assurances that a portfolio will match or outperform any particular benchmark. Asset allocation and diversification do not assure or guarantee better performance and cannot eliminate the risk of investment losses. Past performance is not a guarantee of future investment success. The above expense analysis does not include investment advisory fees.

