



# The Compass™

Appleton Group Wealth Management, LLC  
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Appleton Group Wealth Management LLC is an independent, Registered Investment Advisor (RIA) located in Downtown Appleton Wisconsin. We solely provide wealth management services for investors, using time-tested asset management strategies that prepare for cooperative and uncooperative markets. Since our founding in 2002, our firm has been recognized both locally and nationally as a leader in the wealth management community.

Appleton Group Wealth Management currently manages \$87 million\*, serving advisors, private individuals, families, corporations, institutions, endowments, foundations, trusts and company sponsored retirement plans.

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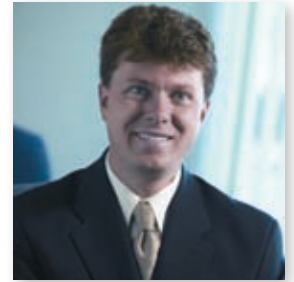
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## The Excellent Investment Advisor

Over the years, no individual has had a more profound influence on my professional life than Nick Murray. As the author of *The Excellent Investment Advisor*, Nick has long advocated the importance of truly knowing your client, always speaking the absolute unvarnished truth, and the importance of careful and deliberate management of wealth. He is a leader in every sense of the word, having taken many of the great minds of the investment community from the commission-based world of transactions to the fee-based world of relationships. The true measure of greatness, I believe, lies as much in what one does as in what one knows. In this sense, Nick Murray is a man among men.

One of Nick's great gifts is his ability to reduce complicated topics to simple ones, for he understands that to be understood requires clarity and efficiency. He recently whittled down all of the noise of investing to six simple variables that every investor (individuals and professionals alike) must embrace to be successful. The first three are values, and the next three are behaviors.

Those of you who know me might suspect that I'm terrifically skeptical of "six steps" to anything, but Nick GETS it, and I think you will too! I've listed below Murray's six variables, and how each variable is either embraced or applied here at Appleton Group Wealth Management...



**Mark C. Scheffler**  
Senior Portfolio Manager,  
Founder

### 1. Faith

Faith is the cornerstone to a successful long-term investment program, not because it requires the investor to see the world through the eyes of an eternal optimist, but because the power

*continued on page 3...*

## Appleton Group Wealth Management Receives Prestigious Award

Appleton Group Wealth Management was one of thirteen finalists in the prestigious 2007 Torch Awards for Business Ethics and Integrity from the Better Business Bureau of Wisconsin.

The businesses were judged on their demonstrated excellence in ethical practices, service excellence, reputation, honest advertising, peer recognition, management practices and employee training in ethical behavior.

"These companies have fostered an environment of ethics and integrity with their customers, employees, vendors, industry and

community, which in turn has led to their long-term success," says Randall Hoth, president/CEO of the BBB. "We're proud - through our statewide ethics award - to shine the spotlight on them and give them the recognition they deserve."

Appleton Group Wealth Management received an



honorable mention in category 1 (1-10 employees). "It was an honor just to be nominated," said Mark Scheffler. "I think it is terrific that the Wisconsin Better Business Bureau is recognizing businesses for ethics. We have taken an oath that we will always put our clients' interests first. I established Appleton Group Wealth Management as an independent, objective wealth management firm free from the conflicts of interest that are associated with so many other firms."

-CW

## Retirement Plan Corner - A Bit of Role Playing

Happy New Year! As we venture forward into 2008, we are excited to continue to expand our services to the 401(k), 403(b), and other employer-sponsored retirement plan markets. We reaffirm our commitment to helping both employers and employees experience a more efficient and enjoyable retirement plan experience. It all starts with understanding the various roles Appleton Group Wealth Management can perform.

There are really only four distinct roles that need to be performed in any company sponsored retirement plan: 1) Plan Advisor, 2) Investment Manager, 3) Participant Advisor and 4) Administrator / Recordkeeper / Trustee. Generally speaking, it is a good idea to have different firms performing most of these roles to avoid a potential conflict of interest, although there can be some overlap.

So, here's what each role is responsible for:

### 1) Plan Advisor:

This individual or firm is responsible for advising the employer regarding many of the key aspects of the plan, including investment selection, overall structure, and which firms will perform the other roles needed by the plan. In essence, the

Plan Advisor is the quarterback, working to ensure that the plan runs efficiently, that investments are selected prudently, and that a well-crafted investment policy statement is followed. The plan advisor is often responsible for creating an asset allocation model for the plan (the more efficient the better), and for ensuring that all performance measurement standards are followed. The Plan Advisor must act in the best interest of the plan at all times; however, this firm or any related entities may also serve as the Investment Manager and/or Participant Advisor, but should not also serve as the Administrator / Recordkeeper / Trustee.

*Performed by Appleton Group Wealth Management? YES*

### 2) Investment Manager:

This individual manages the specific investments inside the plan, and almost always involves multiple firms and multiple managers. This might be a specific mutual fund manager, separate account manager, or a manager of some other investment pool. The best practice is to utilize managers from multiple firms (avoiding "bundled" structures that use only one fund family). Often, investment managers will specialize in a particular part of the market (such as growth stocks,

international, asset allocation, bonds, etc.).

*Performed by Appleton Group Wealth Management? YES*

### 3) Participant Advisor:

This is a relatively new role, thanks to the Pension Protection Act of 2006. Just like the name would imply, the Participant Advisor serves the needs of plan participants, helping them to select appropriate investments from the list of approved Investment Managers, selecting between regular and Roth 401(k) options, and basic financial planning services. The best practice is to utilize the services of a Certified Fiduciary Advisor, which is an individual or firm that is independently certified to offer specific services for participants.

*Performed by Appleton Group Wealth Management? YES*

### 4) Administrator / Recordkeeper / Trustee:

These combined roles are often performed by one firm. From accepting employee deferrals to providing quarterly statements to making sure that plan assets are not misappropriated, this role is critical. For reasons of security and objectivity we always recommend that the firm performing the role of the Administrator / Recordkeeper /



**Wendy Hoeft**

Director - Retirement Plan Relations

Trustee not be related to those firms or individuals performing any of the other services. This structure can help to ensure that the needs of the plan sponsor and the needs of the plan participants are never in conflict with those of the plan administrator.

*Performed by Appleton Group Wealth Management? NO*

It is often believed that one firm should provide all of these roles, but the most successful company sponsored retirement plans are arguably those that have coordinated but independent providers. Some overlap is natural and can occasionally be advantageous, but it is incorrect to assume that just because a firm can provide all of these services, they should.

-WH



For a brief overview of our Retirement Plan Services, please see chart on page 4.

## The Excellent Investment Advisor... continued from page 1

of humanity to problem-solve is great. Faith in a consistently better and sustainable future for us, for our kids, for humanity requires that we address long-term problems with creativity and with passion. Unexpected issues will arise along the way (always have, always will), which require that they be addressed proactively, with prudence, and with discipline. Faith in the future is always rewarded with time, just as markets always benefit the prudent. Having faith in an efficient, well-thought-out and consistently applied investment discipline (and executing that discipline through thick and thin) can trump any amount of fear mongering you might encounter!

### 2. Patience

My grandfather lived well into his 90s, and my wife Karen's grandmothers are 88 and 93. Today's society seems evermore concerned with the here and now, with instant gratification and with seeing which raindrop will win the race to the bottom of the window. There is a real possibility that Karen and I will live for over 30 years in retirement, and that requires a very long investment horizon. So we're really not concerned so much with what our portfolio is doing from day-to-day, week-to-week, month-to-month or realistically from year-to-year. We know that it has to remain efficient, that it cannot expose us to higher losses than what are reasonable and normal (no matter what the market is doing), and that over a full market cycle (5 years or more) it needs to achieve a certain minimum required return or more. We need our portfolio to grow and to remain efficient not only today but also in 2012, in 2020, in 2038 and in 2057. We also know that the key to certain

failure along this journey is to lose patience, to give in to temptation, and to travel the well-beaten path of short-sightedness.

### 3. Discipline

Discipline is simply the ability to embrace an efficient, well-thought-out approach to investing and to execute that approach without bias through all market environments. This sounds easy, but seeing it on paper is quite a bit different than executing the discipline when the market isn't cooperative. Investing really is a two-party process: it is the responsibility of the account holder to fund the account, and it is the responsibility of the wealth manager to simultaneously grow and protect it. Executing the discipline can be

*"The true measure of greatness, I believe, lies as much in what one does as in what one knows."*

made substantially easier through the use of an efficient investment process – it's all about avoiding the "I can't stand it anymore" point. But without discipline, any other values and behaviors (including faith, patience, etc.) become increasingly impossible to embrace, much like so many New Year's resolutions!

### 4. Asset Allocation

Asset allocation is an investment technique that answers two important questions: "What should I invest in?" and "How much should I own?" Balancing these two questions into a single portfolio while having enough flexibility to adjust to changing market conditions is the hallmark of The Appleton Group Wealth Management Discipline™, and

we believe there is no more efficient way to engineer an all-weather portfolio. Over time, having controlled and disciplined exposure to equities can help an investor experience a rich, meaningful and dignified life. On the other hand, having excessive exposure to bonds at this point in history can offer very little, as yields are simply too low to do much good. Getting out of balance, being inflexible and chasing the next "hot dot" can all get in the way of the great goals of our lives!

### 5. Diversification

Murray says it best: "Second only to asset allocation, diversification is the next critical portfolio behavior. Getting

diversified and staying diversified keeps you from betting the ranch on a fad at a market top, and from hiding out in cash at a bottom. It is the personification, in our world, of Aesop's tortoise: it's slow, it's steady...and it can help us win the race. Diversification is the conscious decision never to be able to make a killing, in return for the priceless blessing of never getting killed."

While many portfolios consider themselves to be diversified because of WHAT they own, we diversify in a way that makes more sense: by HOW we own it. Diversifying a portfolio by wealth management style (having a passive side and an active side) can help to achieve better returns through good markets and bad

while adding a significant amount of comfort along the way. It's what we do, and we think it makes a whole lot of sense!

### 6. Rebalancing

Properly rebalancing a portfolio is the one behavior that goes against the human heart, because to be done correctly it requires that we sell a portion of those investments that have outperformed and that we buy more of those that have underperformed. In essence, we are rewarding managers that may have let us down, not by anything that they've done wrong but because their particular style has recently been out of favor. Seeing value in an underperforming style and buying more is shrewd; chasing an outperforming style by adding to it at the top is, well, something else entirely. In a very easy and real way, we have a regular and predictable way of "buying low, and selling high."

Murray considers these values and behaviors to be the "six cylinders" of your investment life. Add a bit of fuel, and we're well on our way on our journey together!

Here's to a prosperous, rich and rewarding 2008!

-MCS



## Appleton Group Wealth Management Completes Third-Party Verification

During the recently completed calendar quarter, Appleton Group Wealth Management engaged an independent public accounting firm, to perform the following:

**GIPS® Period (2006-present):** The Appleton Group’s investment performance has been reviewed by an independent accounting firm for compliance with Global Investment Performance Standards (GIPS®).

This review, which will be performed on an annual basis, is intended to offer all current and prospective clients an independent, objective and thorough report.

**Model Portfolio (2000-2005):** The report was subjected to verification procedures similar to GIPS® by an independent

accounting firm and no exceptions were noted.

The verification process of our model portfolio period is especially useful as it validates our procedures during the formative years of The Appleton Group Wealth Management Discipline™. “Comparing the historic performance of our proactive wealth management discipline to other asset allocation strategies is now simple,” said Mark Scheffler.

While not required by any regulatory agency, this rigorous process places Appleton Group Wealth Management among a growing number of firms that is committed to complete transparency, accuracy and fairness. “Voluntarily submitting ourselves to the annual process means that

we are once again going above and beyond the standards set by our industry,” said Mark Scheffler, Senior Portfolio Manager and Founder of Appleton Group Wealth Management. “We’ve also taken this step to compete on a level playing field with firms that are much larger than we are. With this process complete, it gives our investors the confidence to know that our performance calculations meet the highest standards in our industry, and we believe it gives our firm a significant competitive advantage over our peers.”

Copies of our third-party verification reports are available on request.

-MCS



## Retirement Plan Services Overview

Appleton Group Wealth Management can provide any of the following services either together or in any combination that meets the needs of the plan sponsor:

Features	Investment Manager	Plan Advisor/Co-Fiduciary	Participant Advisor
Serving the Plan Sponsor		√	
Serving the Participant			Certified Fiduciary Adviser
Co-Fiduciary Status		√	√
The Appleton Group Wealth Management Discipline™	√	Optional	Optional
Retiree Transition Services			√
Investment Line-Up		Oversee and monitor line-up, Investment Policy Statement, and provide fund due diligence. Recommend changes when needed. Provide supporting documentation.	Review line-up. Input to investment advisor if Appleton Group Wealth Management is not acting as Plan Consultant.

If you are a Plan Sponsor and would like a free, independent detailed analysis of your company’s 401(k) plan, please contact Wendy Hoeft, Director of Retirement Plan Relations toll-free at 866.993.7727 or [whoeft@appletongrouponline.com](mailto:whoeft@appletongrouponline.com).