



The Present and Future of Investing - Part 1:
Investment Returns Matter

The Team at Lear Investment Management (“LIM”) is focused on research, disciplined portfolio management and investment returns. The question we pose: Does anybody care about these areas of focus?

We ask the following for your consideration:

- Why are you investing?
- Do you know the investment return of your entire portfolio (after fees)?

Many investment firms have trained clients to ignore returns in the spirit of being a ‘long-term investor’. While the sentiment of a long-term view is sound, it is not an excuse to ignore your financial progress altogether. We believe the primary goal of investing should be growing your irreplaceable wealth. Remaining focused on this metric should be paramount. *Investing without measuring performance is akin to trying to lose weight, but never stepping on the scale.*

We understand there are many reasons to hire an investment manager and even more to remain with one. Friendship, not knowing where to go and fear of change are often the culprits. In other situations, having an innate ‘trust’ in a large organization or being intimidated by the investment process can lead one to passively accept the status quo. As a research and investment focused Company, we believe returns matter and *we are committed to being the option for those that care about growing wealth.*

“The secret of change is to focus all of your energy, not on fighting the old, but on building the new.”

— SOCRATES —

It has become industry standard to offer elaborate financial planning then use a collection of in-house funds (a fee source to the institution) and low engagement ETFs to execute the investment strategy. It is as if the



industry has raised the white flag and surrendered. These brokers are not willing to do the difficult work of understanding the financial markets and developing an investment thesis but are also not being asked to report their performance, so there is no repercussion.

Our approach of mindful investing is not for every investor, but we believe that a research-based investment process is the present and future of investing and have built a firm around the principal. To be clear, we will not always have greater returns than our benchmarks as we do now, but we can always assure you our firm is based on rigorous research, an understanding of risk and delivering the highest level of thought to the investments in your portfolio. And, we will ALWAYS have stringently audited and tracked returns to report...always.

As a tangible number to focus on - The difference between a 4% return and a 7% return on a \$2 million starting investment value over 10 years is \$1 million. In other words, the decision to accept a 3% less annual return can cost you 50% of your net worth. The investment world has changed - educated investors no longer have to accept lower returns and lower effort.

As we type on May 16, 2017, the Lear Investment Management Composite is up 9.0% for 2017 after all fees. The composite includes 40% in fixed income investments and cash. Please see page two for important disclosures.

IN THE NEXT NOTE WE WILL DISCUSS HOW TO MEASURE YOUR INVESTMENT RETURNS TO UNDERSTAND IF THEY ARE GOOD OR NOT.

LIM claims compliance with the Global Investment Performance Standards (GIPS®). LIM has not been independently verified.

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Composite Name	Year	Firm Assets Under Mgmt [^]	Composite Assets	% of Firm Assets	# of Accounts	Gross of Fees	Net of Fees	Benchmark	Dispersion
LIM Composite	2017*	\$90,454,861	\$82,232,314	90.9%	80	9.6%	9.0%	5.5%	
LIM Composite	2016	\$80,902,422	\$60,233,652	74.5%	32	8.4%	7.3%	4.5%	2.3%
LIM Composite	2015**	\$77,587,731	\$76,415,938	98.5%	52	-2.7%	-3.6%	-1.8%	1.4% ***

* Composite and benchmark performance are for the period 1/1/2017 through 5/15/2017

** Composite and benchmark performance are for the period 2/2/2015 through 12/31/2015

*** Dispersion was calculated using partial year data

[^] Total does not include assets under sub-advisory

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Firm Information: LIM is a Registered Investment Advisor based in Dallas, Texas and registered with the State of Texas. Registration does not imply a certain level of skills or training. LIM is a company with purpose, dedicated to creative and unique thinking. We focus on portfolio valuation and research, along with a superior client experience. We seek to identify investment opportunities by looking at economic factors, security valuation and human behavior. We start with the fundamentals of portfolio management and valuation. Then we build on these fundamentals with unique thinking and creative intelligence-gathering to form a viable investment thesis. We believe this approach leads to dynamic global portfolios with increased return and managed risk. LIM utilizes Charles Schwab & Co. Inc ("Schwab"), a FINRA-registered broker-dealer, member SIPC, as its custodian of assets. LIM is independently owned and operated and not affiliated with Schwab.

Composite Characteristics: The LIM Global Vigilance Composite is a collection of separate accounts managed by LIM. Currently the composite holds approximately 60% equities, 35% fixed income and 5% money market. The composite is tracked by Black Diamond (an Advent company). The composite is \$79 million dollars of total assets and made up of 72 accounts. These are actual clients of the firm and are all managed by the Lear Investment Management portfolio management team. The strategy is global (US and abroad) equities, fixed income, and cash - depending on market conditions. The composite reinvests dividends. Individual account performance will differ. Past performance is not indicative of future results. The composite was created on February 2, 2015. The composite includes accounts over \$100,000, one to three months after inception (depending on how the assets were received). The firm's list of composite descriptions is available upon request.

Calculation Methodology: Composite returns are calculated by asset-weighting the individual portfolio returns using beginning-of-period values. Composite returns are calculated on a daily basis and geometrically linked to calculate the monthly return. Cash flow timing method, contributions are recorded at the beginning of the day (AM) and distributions are recorded at the end of the day (PM). LIM may use leverage up to 150% of the portfolio net assets as part of investment strategy. Derivatives are not used. Depending on the conditions in the financial markets, the firm may utilize options to hedge entire portfolios or a specific security within a portfolio. LIM calculates the asset weighted standard deviation of the annual gross returns for composites that have six or more portfolios in the composite for the entire year using Black Diamond. LIM's policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The three-year annualized standard deviation is not presented for 2015 through 2017 due to less than 36 months of composite and benchmark data.

Benchmark: The customized Composite Benchmark is currently 50% Bloomberg Barclays Aggregate Bond Index & 50% FTSE Global Equity All-World, calculated monthly.

Net-of-fee Performance: Net-of-fee performance shown is calculated by Black Diamond (an Advent Company) and reflects the deduction of actual management fees charged by LIM and any applicable trade fees charged by Charles Schwab. Valuations and performance are computed in US dollars, and individual portfolios are revalued daily.

Fee Schedule: For Private Client: 1.00% on the first \$10 million of assets under management. 0.90% on assets from \$10 million to \$30 million and 0.80% on assets of \$30,000,001 or more. Institutional Clients' fee schedule may vary.