

The INVESTMENT LETTER

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Ownership Has Its Privileges

If any of the titans of industry, either past or present, asked you to partner with them in their businesses would you accept? Names such as John D. Rockefeller, Bill Gates, J. P. Morgan, and Steve Jobs have all made outsized contributions to their respective industries and the impact their companies have made on our daily lives continues to be felt now and will continue into the future.

Investing directly in stocks is like partnering with these industry leaders. Not only do you get to share proportionally in the profits of the companies, as an owner, but you can also shape the company's future direction by voting proxies on such issues as directorships.

Investing directly has many more benefits especially when considered relative to a pooled approach such as mutual funds or exchange traded funds (ETF's). The five main benefits of a customized, individual-stock approach are: Control, Cost, Customization, Access and Transparency.

Control: Directly investing in securities rather than funds allows control of capital gains and losses. This level of control is critical for clients interested in managing the amount and timing of taxes. Directly investing in securities instead of using funds can decrease overall tax liability.

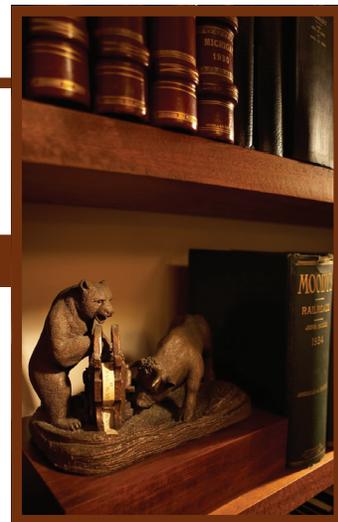
Cost: Mutual funds and ETF's are a great

way to buy a basket of securities but that comes at a price. Where we use these products we do so sparingly or to achieve proper diversification which could not be accomplished with individual securities. Generally, however, we steer clear of funds where possible to avoid the additional cost. Studies show that performance is improved when fees are minimized.

Customization: By working closely with you as we build and monitor your portfolio, we can avoid securities that would create undue or additional risk. For example buying IBM stock for an individual already employed by IBM would be imprudent. Furthermore, we can build portfolios with or without specific exposures, like green energy stocks for clients that are environmentally minded. This type of individualized portfolio creation decreases risk for many clients.

Access: Funds have an army of customer service representatives but neither they nor the inaccessible fund manager know each client's unique dreams, goals, fears and objectives. Our portfolio managers are available to answer any investment related questions and concerns. They know our client's unique circumstances and treat everyone as an individual, not an account number.

Transparency: Funds trade in and out of securities regularly. Some do so quite



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frequently, thus, statements only reflect the fund not the underlying securities in the fund. Using individual securities makes it perfectly transparent to you, the investor, what securities are held in your portfolio, in what quantities and if and when they were bought or sold.

There are multiple ways to invest. Strategies may vary depending on needs, preferences and other criteria like account size. Investment Counsel believes that for most of our clients, the most transparent, cost effective and customizable way to invest is through direct share purchases rather than going through an intermediary like a mutual fund. Investing directly a) offers more tax management opportunities, b) decreases cost, c) increases customization, d) offers access to the portfolio managers and e) has full transparency.

While our process is just one of the many ways to build and manage an investment portfolio, we would argue that our customized approach better serves client's needs than using generic, off-the-shelf investment products. Carefully selected funds can work well for many investors, but they still fall just a bit short for those looking for a customized approach that's specific to their needs.

Outlook for Stocks

Investment Counsel continues to be cautiously optimistic on stocks. Even though many stocks have been hitting new highs, we feel that the valuations are not only justified but have the potential for further growth. Many indicators like consumer confidence and spending point toward further gains in equity markets.

Outlook for Bonds

We expect interest rates to rise, which will decrease bond prices. While bonds are still

a critical component of most portfolios, providing invaluable diversification and risk management, some types of bonds are more sensitive to interest rate changes than others. Highly sensitive bonds should be adjusted accordingly to limit downside risk from rising rates.

We recently adjusted our bond holdings to limit the impact of rising interest rates. By shortening the average maturity, we were able to decrease interest rate sensitivity. Also, by accepting slightly lower credit quality, the overall yield on portfolios remained relatively unchanged with an overall lower expected level of volatility.

INVESTMENT COUNSEL NEWS

Inside the Office

Investment Counsel is building out our social media presence. Soon, you'll be able to connect with us on popular social media sites like Facebook and LinkedIn!



Outside the Office



Dorothy and her husband, Kirk, recently took their sand rail to Silver Lake Dunes to enjoy a weekend of off-roading in the sand!