BFM Bourbon Financial Management

Best of BFM Newsletters

Founder's Words

I would like to wish everyone lots of happiness and good health for the New Year!

As we begin a new cycle, the media may be pessimistic but we know that many people are optimistic about 2012 (U.S. Markets up close to 100% since March 2009; up 8 of the last 9 calendar years…). While optimism is certainly in the air, it's also more important than ever to keep a level head about your investments.

That's where our Best of BFM Newsletters comes in. Over the past two years we've carefully assembled practical tips you can use to help you make better, more informed financial decisions.

For example, did you know that your vision can literally "trick" you whenever it can? That human attention is limited and that we can't analyze all the information we receive?

We, at BFM, want to sincerely thank all of our clients in the U.S., Europe, and Asia. Thank you for your loyal support and business throughout the past three years. We truly enjoy working with every single one of you. Thank you for letting us be a small part of your life.

January 2012

Patrick Bourbon, CFA

Table of Contents

Understanding Behavioral Finance - Rationality & Decision Making 5

Humans Can’t Analyze All the Information Received 5

Challenges in Financial Advising From the Scope of Behavioral Finance 7

Investment Decision Making 7

Countries and Culture in Behavioral Finance 7

Human Brain and Decision Making 8

Train Your Brain to Win Big 9

Be Aware of your Emotions: Step Away from Yourself - The Flaws of our Financial Memory 9

So That's Why Investors Can't Think for Themselves 10

How to Pick Better Mutual Funds? 11

Trading May Lower your Returns 13

Let's Put Things in Perspective 14

Appendix 17

“ Our greatest glory is not in never failing, but in rising every time we fall. ”

Confucius

Introduction

I agree with Claude Rosenberg that investing money has never been a more demanding or sophisticated challenge. Wildly fluctuating markets, damaging conflicts of interest, compensation linked to commissions and account activity, lack of fiduciary duty, and a huge number of new investment products have dramatically changed the character of the investing game, and made the aid of a financial planner a necessity. At the same time, governments have failed to make sure advisers behave responsibly. Many possess little or no investment sophistication or credentials. The sad fact is that many times you can't even believe the information you've received. You are left in the uncomfortable position of taking a salesperson's word to evaluate his or her firm's past record. Blind use of performance numbers can lead to erroneous conclusions and poor decisions. With higher taxes, higher costs of healthcare and education, higher market volatility, and higher employment risks, the demand for capital growth has led to greater need for reliable, independent and unbiased investment advice.

BFM, as a fiduciary who always acts in your best interest, offers you peace of mind and investment strategies. We are your personal CFO and help you properly analyze some of the promotional tactics used-and abused-by investment managers so that you are less likely of being misled. We have no claims that we will enable you to make money easily, but we will give you numerous practical, profit-oriented tips, and a wealth of helpful guidelines to help you reach your personalized goals as well as a comfortable retirement.

Managing the accounts of more than 60,000 individuals qualifies me to guide you through this investment jungle. Our goal is to show you how to avoid some common pitfalls that threaten you, and to provide you with the practical steps you can take to improve your own investment results. A mutual fund that is superior for someone else may not be the fund that is superior for you!

The knowledge we give you about investing cycles and styles, about fighting herd instincts, about the emotional side of investing, about developing sensitivities and certain protections against people who sell investment "products" should prove valuable in all types of decisions. One important way to mitigate surprise is to understand before investing how you are likely to react to the very human but inhibiting reactions of fear, envy, greed, anger, worry, and remorse. After all, one obstacle to clients' success is often the client himself!

To start the New Year, we offer you a summary of some of our past newsletters. Our target audience includes taxable investors, brokers, investment managers and consultants.

As always, we thank you for your support and welcome your comments.

Patrick Bourbon, CFA

Market Update

	Annualized Total Return				
Index	**2011**	**3 Year 2009-2011**	**5 Year 2007-2011**	**10 Year 2002-2011**	**15 Year 1997-2011**
DJ Industrial Average - US Large Stocks	8.38	14.89	1.87	4.57	6.68
S&P 500 - US Large Stocks	2.11	14.11	-0.42	2.92	5.45
Russell 2000 - US Small Stocks	-4.18	15.63	0.09	5.62	6.25
MSCI World	-7.61	8.72	-4.01	1.66	2.47
MSCI EAFE - International Stocks	-14.82	4.51	-6.42	2.03	1.17
MSCI Europe	-19.19	-2.26	-9.08	-0.36	NA
MSCI Emerging Markets	-20.41	17.35	1.82	11.19	4.46
BarCap Aggregate Bond Treasury	9.81	3.88	6.67	5.71	6.25

Source: Standard & Poor's, First Call, Compustat, FactSet, J.P. Morgan Asset Management.

Since Market Low (March 2009)

	Value	Blend	Growth
Large	100.6%	97.2%	99.4%
Mid	137.0%	129.3%	122.8%
Small	121.3%	124.3%	126.8%

Since Market Peak (October 2007)

	Value	Blend	Growth
Large	-19.6%	-11.8%	-2.2%
Mid	-7.2%	-5.0%	-3.6%
Small	-10.5%	-7.0%	-3.9%

Source: Morningstar

Understanding Behavioral Finance - Rationality & Decision Making

Behavioral Economics explains how the process of decision making functions among common people. It elaborates on the role of emotions and vision.

We use vision more in the day than we do anything else, so we are good at it. But the truth is that **our vision tricks us**. If we have these repeatable mistakes in vision which we are good at, what are the chances we don't make more mistakes in that we are not good at, for example financial decision making?

Do you want to know how powerfully illusive our vision is and how it dominates our decisions?

See the entire Newsletter at:
Newsletter, January 2011

If you want to learn more about behavioral finance and the role of Psychology, here is a popular video (viewed more than 59,000 times!) of a class of Robert Shiller, Professor of Economics at Yale University.

Behavioral Finance: The Role of Psychology

Refer to "We are all Predictability Irrational - Dan Ariely" on YouTube link:

We are All Predictably Irrational

Humans Can't Analyze all the Information Received

Video: Selective Attention Test

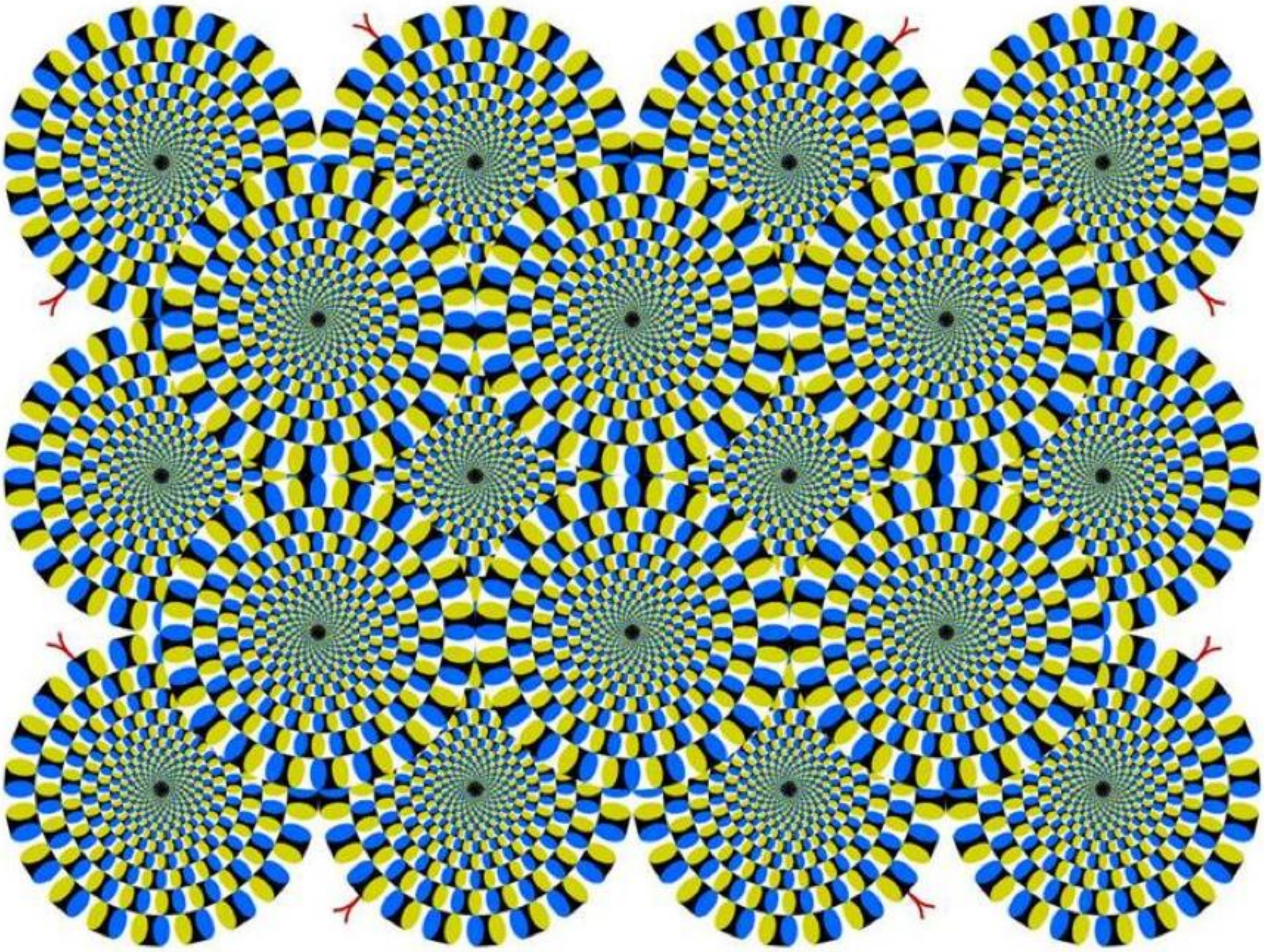
This video shows that human attention is limited and that we can't analyze all the information we receive.

We tend to pick the information that we need to prove that our thinking is correct. If we are bullish and long the financial market, we tend to read bullish reports. Individuals have a tendency to simplify decisions (good company → good investment). Furthermore, investors believe their information is correct and they are good at interpreting information and making decisions (overconfidence). **We have an inability to fully incorporate new information into risk and return forecasts.** The failure to recognize the true risk of an investment makes us trade more frequently than can be justified by the information. Also, **we tend to remember only the good decisions so our memories don't disagree with our opinion on our abilities.**

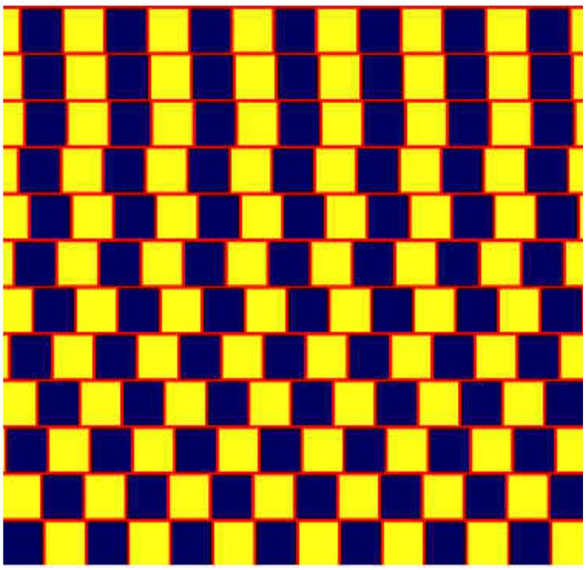
"The investor's chief problem – and even his worst enemy – is likely to be himself."

Benjamin Graham

If something's rotating, you may need a break!



... parallel or not?



See More at:
The Human Brain Tricks Us Whenever It Can! Newsletter, August 2010

Challenges in Financial Advising From the Scope of Behavioral Finance

In today's world, especially after the recent financial meltdown, understanding the human emotions and sentiments before investing money is capturing the interests of researchers and advisers. We too continue our long love with Behavioral Finance and present you some interesting findings by researchers in this area.

Please see the Newsletter to learn more about: Newsletter, July 2011

- Intuitive and Reflective Minds
- Investor Paralysis
- Lack of Investor Discipline
- Regaining and Maintaining Trust
- Overcoming Loss Aversion
- Overcoming Procrastination
- The Ulysses Strategy

Investment Decision - Making

Since many of you like Behavioral Finance research to help you improve your decision making process.

Please find the Newsletter « Investment Decision Making » at: Newsletter, May 2011

You will find some information about:

- Asset Allocation
- Information Overload
- The Effect of Myopia and Loss Aversion on Risk Taking
- Making Intelligent Decisions
- The practices that an investor should try to follow
- Some things that an investor should try not to engage in

Countries and Culture in Behavioral Finance

Have you analyzed why Chinese exhibit higher risk tolerance than Americans? And did you know a country's corruption level has an impact on its own diplomats?

Asians, Americans, Europeans, Africans, Australians… The world is a mix of people from these continents with different ideologies and cultures. But what is fascinating is that there is something which is common between these diverse cultures. Guess what? **It is MONEY!**

Find all the answers at: Newsletter, June 2011

We can summarize some of the practices that should be followed:

- Financial advisers need to probe their clients more about their culture. It is also important to know the client's obligations towards others. Individualistic and collectivistic groups have different styles of thinking. This is reflected in their investment decisions.
- Continuously strive to learn more about investing.
- Understand the complexities in investing. The adviser will have to do more research and be sure that he does not fail his fiduciary duty.
- Saving rates depend a lot on culture. It is important to understand your culture before you make investment decisions. Higher saving rates cultures are more risk tolerant than low saving rate cultures.
- Many investors exhibit different abilities and willingness towards risk. Always honor the willingness to risk because the investor feels comfortable if his risk level is under his/her control.

Human Brain and Decision - Making

We can point to some general practices that can help investors improve their investment decision making:

- Thinking more analytically when making important financial decisions.
- Being proactive, curious and non-assumptive at all times and spending time evaluating investments, possible risks and benefits.
- Continuously striving towards improving self-control and avoiding hastiness.
- Avoiding making any important investment decision while being in a passive state of mind.
- Creating a balance between being patient and being dynamic about investment choices.

Let's see the August 2011 Newsletter:
« Human Brain and Decision-Making »
for more information

Train Your Brain to Win Big

When playing the investing game, it's easy to let your impulse make all the wrong moves. Learning to trick yourself can help.

Why do smart people do such stupid things with their money? The answer often lies in neuroeconomics, a hybrid of neuroscience, economics, and psychology that drills down to the biological bedrock of decision-making.

Even when we think we are being rational, we are often driven by impetuous emotions of which we are barely conscious. Therefore, the keys to investing success, whether it's for retirement or just for fun, are strategies and tricks to prevent the heat of the moment from melting your better judgment.

Ten Tricks for Better Investing:

T ake the Global View
H ope for the Best-But Expect the Worst
I nvestigate Then Invest
N ever Say Always
K now What you Don't Know

T he Past Is Not a Prologue
W eigh What They Say
I f it Sounds Too Good to Be True, It Probably Is
C osts are Killers
E ggs Go Splat

The article: Train your Brain to Win, December 2010

Be Aware of your Emotions: Step Away from Yourself - The Flaws of our Financial Memory

See the entire Newsletter at: Newsletter, November 2011

- Be aware of your own emotions and cognitive traps to make smarter decisions.
- Step away from yourselves to be more rational.
- Remember that we unconsciously make decisions based on positive memories.
- Learn about financial history to reduce the number of mistakes. Do not extrapolate recent past.
- Keep a well-diversified portfolio and an investment diary.
- Have a Financial Plan.

"When we're feeling good, complex decisions involving multiple options… demand our best thinking. Yet those very decisions seem to induce in us emotional reactions that impair our ability to do just the kind of thinking that is necessary."

Barry Schwartz

So That's Why Investors Can't Think for Themselves

What accounts for these sudden moves? Why do investors so often seem to resemble a school of fish, all changing direction together?

Sometimes the most interesting answers to financial questions come from scientific labs. A study published in the journal Current Biology found that the **value you place on something is likely to go up when other people tell you it is worth more than you thought**, and down when others say it is worth less. More strikingly, if your evaluation agrees with what others tell you, then a part of your brain that specializes in processing rewards kicks into high gear.

> *"When someone influences you, it happens very quickly, in under a second,"*
>
> Daniel Campbell-Meiklejohn

In other words, **investors often go along with the crowd because—at the most basic biological level—conformity feels good**. Moving in herds doesn't just give investors a sense of "safety in numbers." It also gives them pleasure.

That may help explain why market sentiment can change so swiftly, why true contrarians are so hard to find and why investors care so much about the "consensus view" on Wall Street.

"If someone agrees with your choice, it's intrinsically rewarding in the same way food or money is rewarding," says one of the experimenters, Chris Frith of University College London.

Why might other people's estimates of what something is worth lead you to change your own? Their appraisal could make you unsure that yours is correct. You might become more popular once you agree with others, or joining the experts may make you feel like one yourself. "We are very social creatures," says Prof. Frith, "and **we are desperately keen to be part of the group."**

The experiment also showed that learning that the experts agree with one another—regardless of whether you agree with them—triggers activity in the insula, a brain region associated with pain and heightened body awareness. This suggests that **the agreement of others may have a special ability to grab our mental attention**. No wonder a consensus opinion is almost impossible for many investors to ignore.

Benjamin Graham, the founder of value investing, wrote that "the market is not a weighing machine, on which the value of each issue is recorded by an exact and impersonal mechanism, in accordance with its specific qualities." Rather, he added, "**the market is a voting machine, whereon countless individuals register choices which are the product partly of reason and partly of emotion."** Herding, Graham understood, is part of the human condition.

Then run your own weighing machine, studying the company's financial statements, products and competitors to determine the value of its business—while ignoring the current price of its stock. And **make a permanent record that thoroughly details your rationale for making the investment.** That way, you set in stone exactly where you stood before the herd began trying to sweep you away. (Source: WSJ-06/21/10)

How to Pick Better Mutual Funds?

See the entire Newsletter at:
Newsletter, October 2011

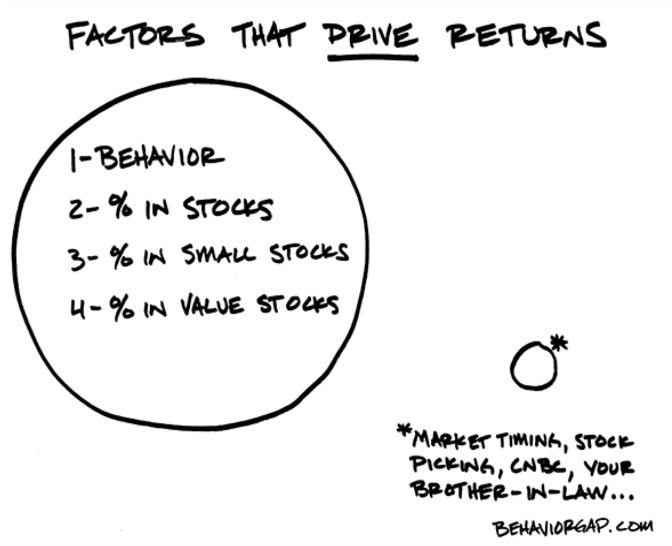
PEOPLE + PROCESS + PHILOSOPHY = PERFORMANCE

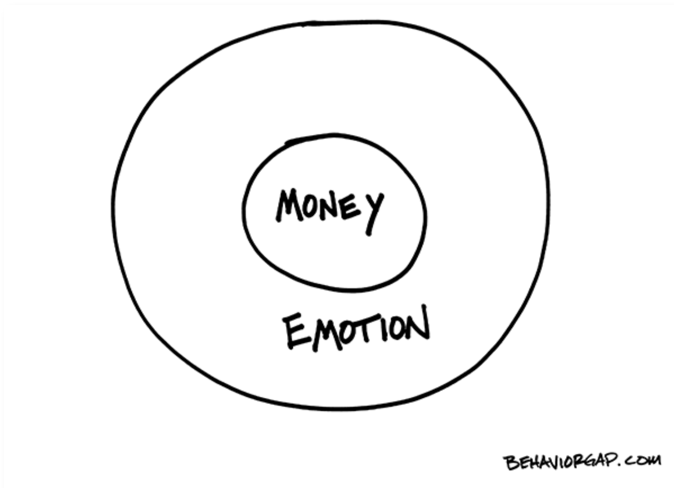
At BFM, we are very analytical and we believe that **asset allocation is more important** than stocks or mutual fund selection…but many of you have asked us to share **our disciplined due diligence process** to selecting investment managers and mutual funds.

You should not be over-confident in pursuing activities beyond your expertise. For example, practicing skydiving without a professional skydiver or dancing Ballet without a ballerina's guidance can harm your body. Investing your wealth, just like skydiving and ballet dancing, is science but also an art. **Investing without knowledge is like jumping into a valley without a parachute.**

Selecting a good mutual fund is extremely difficult. Only 20% of funds may outperform their benchmarks over the long run. 40% of funds that were in business 10 years ago are now gone. A fund can be at the top one period and be at the bottom the next one.

As you can see, mutual fund returns can be very different. Thus, effective organized financial planning is important.





Good financial decisions require more than a spreadsheet. They also require that we understand our own behaviors and the emotions we have around money.

What traits and factors do we look for, review carefully, and monitor constantly?

Qualitative factors:

1. **People**: education, qualifications, experience, depth, stability, diversity, quality and diligence of the investment team (portfolio managers, analysts, traders, auditors…)

2. **Investment philosophy** that is consistent, clearly articulated and understandable

3. **Investment process** and style based on meritocracy that is transparent, repeatable, consistent, and definable with good buy and sell discipline and risk management procedures

4. **Stewardship**: a corporate culture of excellence, with clean regulatory history, board integrity, independence, ownership and compensation which will put your interests first

5. Firm **ownership structure**

6. Manager **compensation and incentives** structure (salary, bonus, stocks, shares…) that reward individual contributions

7. High conviction approach that is distinct and with potential to outperform

8. What percentage of research is generated internally (vs. sell-side research from Wall Street)?

Such data may not be available by directly looking into sources like Bloomberg and Morningstar. This requires contacting every fund and requesting them to provide the data.

We also review the portfolio composition, size (small or large cap) and style of the funds, manager concentration, and if a manager has closed a fund to new investors in the past and ask how they decide to close it in the future.

Quantitative factors:

1. **Fees** / Total Expense ratio: Funds in the cheapest quintile were more than twice as likely to beat the average for their categories as the most expensive quintile

2. **Tenure** / Experience / Track Record of the Portfolio Managers and Analysts. The average tenure maybe close to 6 years only…

3. **Fund ownership** by the portfolio management team

4. **5 and 10-year Information Ratio** (IR) and peer ranking. The IR measures the risk-adjusted return for assessing the performance of active portfolio managers

5. Long-term **after tax return/performance**: GMO Emerging Country Debt had a 10-year annual return was 14.54% ($10,000 became $38,880) but after tax, the post-tax return was 9.80% ($10,000 became $25,468 or 35% less)

6. Consistency of portfolio returns with the investment process (attribution reports)

7. Funds concentration

8. Tracking Error and Active Share: these numbers represent how much the fund returns deviate from the benchmark

9. Beta and Correlation with the fund's true Benchmark (R square)

10. Inflows/Outflows and total assets in the fund today and 5 years ago

11. Up/Down capture ratio and maximum drawdown

12. Sortino Ratio which measures the risk-adjusted return

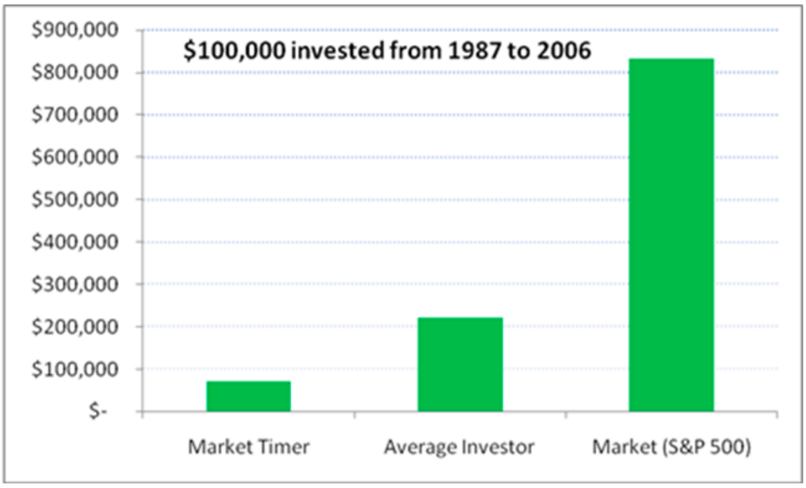
13. Volatility

14. Turnover which measures the number of times securities/shares are replaced/traded

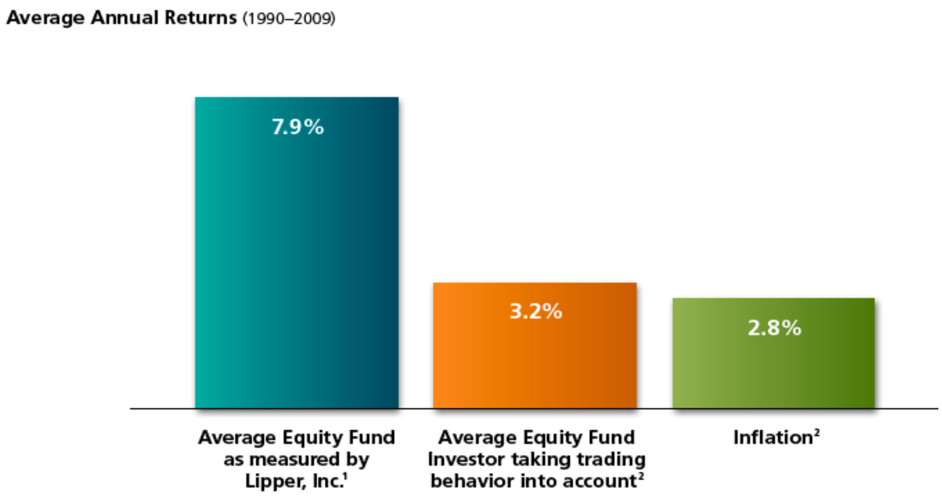
Trading May Lower your Returns

1. Dalbar Research Institute shows that **investor's performance does not equal investment performance**. They found the following annualized returns for investors from 1987 to 2006 (similar results are found for different time periods):

- The average equity-fund investor realized an annualized return of 4.30% ($100,000 became $222,536).
- The market timer equity fund investor realized an annualized return of -1.80% ($100,000 became $70,814).
- The market (S&P 500) realized an annualized return of 11.80% ($100,000 became $832,519).



2. Using another research report from Lipper and Dalbar, we can see, in the chart below, that chasing performance may lower your returns. This research shows how mutual fund investors' behavior affects the returns they actually earn.



Source: Lipper and DALBAR

Let's Put Things in Perspective

We decided this time to send you some charts to help you put things in perspective since the U.S. stock market went down 8% in July and August. Note that the market is still up 5% in the last 12 months and up 70% since March 2009 (as of 09/2011).

The charts attached may help you draw your own conclusions without being manipulated by the media, friends…

In Summary:

- This summer's (2011) stock decline was nothing exceptional
- The economy doesn't look that bad
- Stocks are not expensive
- Stocks perform well over the long-term, sometimes right after a major correction and/or spike in volatility

We still think that the chance of another recession may be 20% - 50% before 2014 but the charts should help you to put in perspective what happened this summer.

A huge part of successful investing is just avoiding common errors like panicking. The goal is not to be error-free; it is to be right more than wrong over time. Humans are intuitive creatures, but markets are inherently counterintuitive. **Investing, like medicine and many fields of science, is a probabilities game**, not a certainties game. Investing requires faith that Capitalism is not perfect in the near term but eventually gets very close longer term.

Sometimes, doing nothing is the best strategy... and it is not easy... When you are tempted to go with your gut, remember that your stone age brain may be good with physical risk, but it is the same one that governs your investment gut - it is not a good investment manager.

As you know, we take a long-term, academic and disciplined approach to investing and we try not to react emotionally to market swings, unlike many individual investors who tend to sell equities and lock in losses during down-turns. The portfolios we recommend are always customized and well-diversified. Markets volatility and declines give opportunity to rebalance the portfolios.

See more at:
Newsletter, September 2011

Details

- U.S. Stocks have been going up in the long run and outperformed bonds most of the time over any 5-year periods
- Historically stock market declines have been much worse: down 86% in 1929-32, 49% in 2001, 57% in 2007-09…
- Other asset classes have seen much worse decline:

-Long U.S. Treasury Bond real return was negative 67% between 1941 and 1981.

-Gold was down 62% between 1980 and 1986

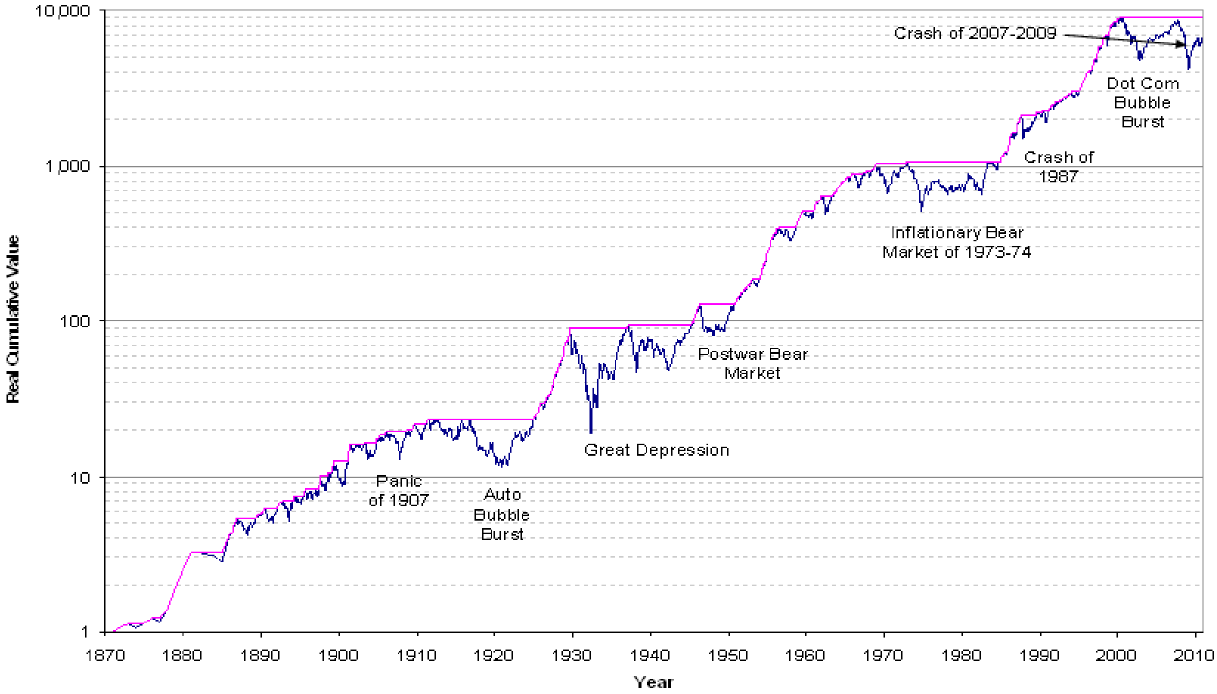
-Japan Stocks were down 82% between 1990 and 2009

-Most declines have been followed by 5 years of gains

- Nearly every significant up year for the markets had also a significant intra-year decline

- When volatility is high, markets often rise
- U.S. companies are in much better shape (profits, cash holdings, dividend payouts) than in 2000
- The yield curve is usually (in normal conditions) flat before recessions. It is far from flat now
- When consumer sentiment bottoms, the following 12 months tend to be good for stocks. Extreme pessimism in consumer confidence may be a bullish sign for the market
- Moderate GDP Growth (2%-3%) has not been bad for stocks historically. But can we keep a 2%+ growth?
- DIVERSIFICATION BY ASSET CLASS WORKS!

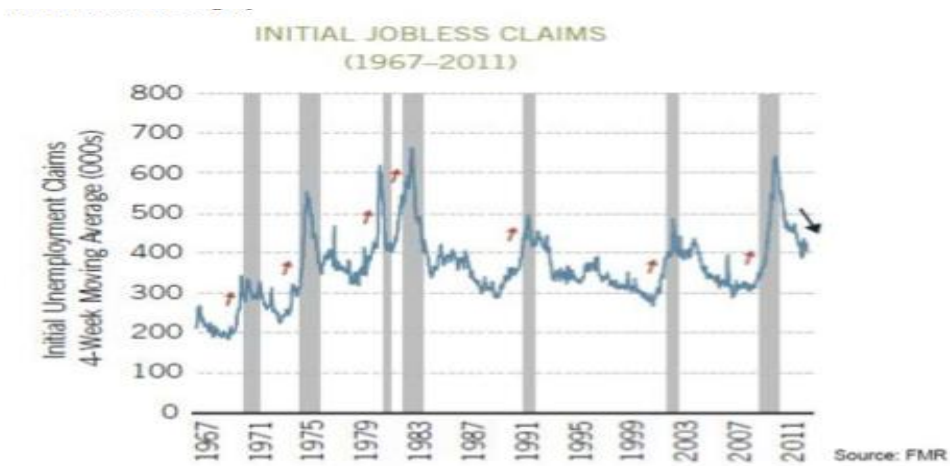
U.S. Stock Market History, 1871 – April 2011



Source: 2011 *Ibbotson Stocks, Bonds, Bills, and Inflation (SBBI) Classic Yearbook*, Morningstar, Inc. Morningstar EnCorr. Goetzmann, William N., Roger G. Ibbotson, and Liang Peng, "A New Historical Database for the NYSE 1815 to 1925: Performance and Predictability," *Journal of Financial Markets*, December 2000. Pierce, Phyllis S., ed., *The Dow Jones Averages, 1885—1980*, Homewood, IL: Dow Jones Irwin, 1982. www.econ.yale.edu/~shiller/data.htm.

Initial Job Claims Is Down: Usually, it is Up Before Recession

(Recessions are in grey)



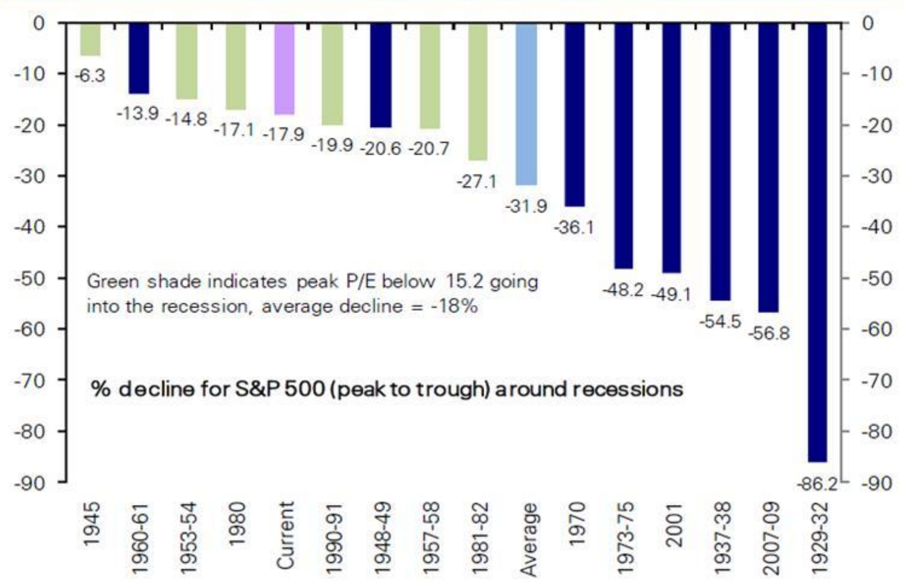
Stocks Outperformed Bonds Most of 5-Year Periods

Source of chart data: Bloomberg, 6/30/11. Chart is for illustrative purposes only and is not intended to predict or depict financial market performance. The Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks representing all major industries. 5-Year AAA-rated bonds are represented by the Moody's Corporation 5-Year AAA Index until 12/31/78. From 12/31/78 to present, 5-Year AAA-rated bonds are represented by the Barclays Capital AAA Rated Corporate Index. Both are widely used indicators of AAA 5-year bond performance. **Past performance does not guarantee future results.**

Historical Markets Declines: We Have Seen Much Worse

Sell-off reached levels associated with recession

Figure 9: For those recessions in which the initial multiple was at or below 15.2x, the average sell down is 18%; the recent sell-off puts us near there



Source: Haver, Deutsche Bank

BFM Slideshow

You will find investment strategies to help you reach financial security, grow your assets, and achieve a comfortable retirement.

Appendix

Year-End Financial Planning Tips

(sent in November 2010)

With the end of the year approaching, here are some important tax and financial planning measure you can take to reduce your taxes and improve your financial position.

1. Sell some stocks, bonds, or mutual funds before the increase in capital and income tax rates: Look at carryovers of past tax losses and whether any potential losses on depreciated securities would be more valuable in 2010 or in future years. If you end up with a loss, either short or long term, $3,000 of that loss can be used to offset ordinary income. A $3,000 loss will save you approximately $840 in taxes, assuming you are in the 28% bracket. Short-term capital gains (one year holding or less) are taxed at ordinary income tax rates up to 35% in 2010. Long-term capital gains (more than one year holding) are taxed at 15%, for taxpayers in the 25% tax brackets or above. Tax rates are likely to increase in 2011.

2. Contribute to your IRA and other company retirement accounts: IRA - 401 (k) - 403 (b) accounts provide tax-deferred growth. Since January 2010, high-income investors also have the opportunity to convert assets from a Traditional IRA or employer-sponsored retirement plan to a Roth IRA. A Roth IRA offers tax-free income in retirement.

3. Make Donations: In 2010 you can gift up to $13,000 ($26,000 for a married couple) free of gift tax.

4. Think about Estate Planning: Look into how various trusts, such as a bypass trust or grantor retained annuity trust, might help you reduce your estate tax liability.

5. Accelerate or Defer Deductions: Have your tax advisor determine now if you have any Alternative Minimum Tax (AMT) liability for 2010. If so, you may consider deferring taxable income to 2011 or accelerating or deferring deductions in 2010 to minimize AMT.

6. Spend all your money in your FSA: Use any balance in your employer's Flexible Spending Account (FSA) for qualified medical expenses by year-end 2010. When estimating your contributions for next year, consider the increasing costs of uncovered medical expenses and changes in your company's medical insurance plan.

7. Take your Required Minimum Distribution (RMD) once you turn 70.5 years old (or you can be subject to a 50% tax penalty!)

8. Fund your 529 higher education savings plan ($13,000 per person, per beneficiary).

9. Other Deductions: In 2010, did you buy a new car or first house, upgrade your existing home to be more energy efficient, or pay for a dependent's higher education expenses? You may meet the requirements for claiming a tax credit or deduction. You could also pay your property taxes by year end if you are a home owner.

Web Resources

Why BFM is Bullish on Real Estate
bourbonfm.com/file/BFM_Newsletter_03_2012_A Bullish View of US Real Estate.pdf

Let's Go Global!
bourbonfm.com/file/BFM_Newsletter_07_2012_LetsGoGlobal.pdf

Understanding Behavioral Finance - Rationality & Decision Making
bourbonfm.com/file/BFM_Newsletter_01_2011_Understanding_BehavioralFinance.pdf

Behavioral Finance: The Role Psychology Behavioral Finance
www.youtube.com/watch?v=0ZLNbxWH8Lc

We are All predictably Irrational
www.youtube.com/watch?v=JhjUJTw2i1M&feature=related

Selective Attention Test
viscog.beckman.illinois.edu/flashmovie/15.php

The Human Brain Tricks Us Whenever It Can!
bourbonfm.com/file/BFM_Newsletter_08_2010_The_Human_Brain_Tricks_You.pps

Challenges in Financial Advising From the Scope of Behavioral Finance
bourbonfm.com/file/BFM_Newsletter_07_2011_BehavioralFinance.pdf

Investment Decision Making
bourbonfm.com/file/BFM_Newsletter_05_2011_Decision_Making.pdf

Countries and Culture in Behavioral Finance
bourbonfm.com/file/BFM_Newsletter_06_2011_Culture.pdf

Human Brain and Decision-Making
bourbonfm.com/file/BFM_Newsletter_08_2011_Brain_Decision_Making.pdf

Train Your Brain to Win Big
bourbonfm.com/file/BFM_Newsletter_08_2010_TrainBrain.pdf

Be Aware of your Emotions - Step Away from Yourself - The Flaws of our Financial Memory
bourbonfm.com/file/BFM_Newsletter_11_2011_Be_Aware_Emotions.pdf

How to Pick Better Mutual Funds?
bourbonfm.com/file/BFM_Newsletter_10_2011_HowToPick_MutualFunds.pdf

Let's Put Things in Perspective
bourbonfm.com/file/BFM_Newsletter_09_2011_Perspective.pdf

The First BFM Video
www.youtube.com/watch?v=FSU4Qqlt0q0&feature=player_embedded#!

About Bourbon Financial Management, LLC

Bourbon Financial Management was formed to provide you with effective and comprehensive solutions for managing your global wealth. Our disciplined and rigorous approach comes from our collective knowledge in serving large institutional clients over many years.

Our core investment belief is that asset allocation (equities, fixed income, cash, real estate…) is the single most important determinant of success in any investment plan. The dominant amount of risk and return comes not from your choice of individual investments but from your asset class mix. Bourbon Financial Management focuses our resources on risk management and asset allocation.

PLEASE SHARE OUR NEWSLETTER: Our newsletter readership is not limited to our clients. Please tell those you feel may be interested that they can subscribe to their own free copy of the newsletter at info@bourbonfm.com. Thank you.

Bourbon Financial Management

Excellence ~ Experience ~ Ethics

616 W. Fulton St., Suite 411, Chicago, IL 60661

(+1) 312 - 909 - 6539 ~ www.bourbonfm.com

Member of the Financial Planning Association and Academic Affiliate of the National Association of Personal Financial Advisors

Disclosures

- This material was prepared by BFM, Copyright by Bourbon Financial Management, LLC. All rights reserved. BFM is a trademark of Bourbon Financial Management, LLC. No part of this publication may be copied or distributed, transmitted, transcribed, stored in a retrieval system, transferred in any form or any means-electronic, mechanical, magnetic, manual, or otherwise-or disclose to third parties without the express written permission of Bourbon Financial Management, LLC, 616 W. Fulton #411, Chicago IL 60661. The information contained in this presentation is not written or intended as tax or legal advice, and it may not be relied on for the purpose of avoiding any federal tax penalties. You are encouraged to seek advice from your own tax or legal counsel. The content is derived from sources believed to be accurate. Neither the information presented nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. BFM assumes no responsibility for statements made in this publication including, but not limited to, typographical errors or omissions, or statements regarding legal, tax, securities, and financial matters. Qualified legal, tax, securities, and financial advisors should always be consulted before acting on any information concerning these fields.

- Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. The views expressed in this presentation are not intended to be a forecast of future events, a guarantee of future results or investment advice. Forecasts and predictions are inherently limited and should not be construed as a solicitation or recommendation or be used as the sole basis for any investment decision. All investments are subject to risk including the loss of principal.

- The information provided here is for general informational purposes only and should not be considered an individualized recommendation or personalized investment advice. The investment strategies mentioned here may not be suitable for everyone. Each investor needs to review an investment strategy for his or her own particular situation before making any investment decision. We believe the information obtained from third-party sources to be reliable, but neither Bourbon Financial Management, LLC nor its affiliates guarantee its accuracy, timeliness, or completeness. The views, opinions and estimates herein are as of the date of the material and are subject to change without notice at any time in reaction to shifting market conditions. Past performance is no guarantee of future results and the opinions presented cannot be viewed as an indicator of future performance. Examples provided are for illustrative purposes only and not intended to be reflective of results you should expect to attain.