LVMcapital
MANAGEMENT LTD
Stewardship | Stability | Success

Personal Investment Policy Statement

John and Jane Sample

February 2023

Prepared by:

Mr. Charles A. Prudhomme, CFP®

TABLE OF CONTENTS

PERSONAL INVESTMENT POLICY DISCUSSION

What Is a Personal Investment Policy Statement?

A personal investment policy outlines and prescribes a prudent and acceptable investment philosophy and defines the investment management procedures and long-term goals for the Investor.

The Need for a Written Policy

The development of a personal investment policy follows the basic approach underlying financial planning: assessing your financial condition, setting goals, developing a strategy to meet the goals, implementing the strategy, regularly reviewing the results and adjusting the strategy or the implementation as circumstances dictate. Having and making use of a personal investment policy encourages you to become more disciplined and more systematic, thus improving the probability of satisfying your investment goals.

The net effort of the written policy is to increase the likelihood that the Portfolio will be able to meet the financial needs of the Investor.

Steps to Take to Establish a Personal Investment Policy Statement

1. Assess your financial situation by identifying and listing your goals and needs including your standard of living, monetary obligations to family, and retirement comfort level.

2. Determine your risk tolerance and appropriate investment time horizon for each account in your overall Portfolio.

3. Set specific, measurable long-term investment objectives.

4. Identify the asset classes that will be used in your Portfolio and specify the appropriate allocation to achieve your investment objectives at the proper level of risk.

5. Identify any restrictions on the Portfolio and its assets based on risk tolerance, personal preferences, tax obligations and liquidity needs.

6. Understand the investment philosophy and methodology your portfolio manager will use in the Portfolio construction, issue selections, rebalancing, and buy-sell disciplines.

7. Establish the timing and frequency of reviews and reporting.

INTRODUCTION

The purpose of this Personal Investment Policy Statement (PIPS) is to establish a clear understanding between **John Sample** (the Investor) and **LVM Capital Management Ltd.** ("Advisor") as to the investment goals and objectives and management policies applicable to the Investors' investment Portfolio ("Portfolio").

This Personal Investment Policy Statement will:

- Establish reasonable expectations, objectives and guidelines in the investment of the Portfolio's assets
- Create the framework for a well-diversified asset mix that can be expected to generate acceptable long-term returns at a level of risk suitable to the Investor, including:
    - Describing an appropriate risk posture for the investment of the Investors' Portfolio;
    - Specifying the target asset allocation policy;
    - Establishing investment guidelines regarding the selection of permissible securities and diversification of assets;
    - Specifying the criteria for evaluating the performance of the Portfolio's assets
- Define the responsibilities of the Investor and the Advisor
- Encourage effective communication between the Advisor and the Investor

This PIPS is not a contract. No legal counsel has reviewed this investment policy and the Advisor and Investor use it at their own discretion. This PIPS is intended to be a summary of an investment philosophy and the procedures that provide guidance for the Investor and the Advisor. The investment policies described in this PIPS should be dynamic. These policies should reflect the Investors' current status and philosophy regarding the investment of the Portfolio. These policies will be reviewed and revised periodically to ensure they adequately reflect any changes related to the Investors' goals, objectives or circumstances, to the Portfolio, or to the capital markets.

It is understood that there can be no guarantee about the attainment of the goals or investment objectives outlined herein.

INVESTOR BACKGROUND

John and Jane Sample are Michigan residents. They are retired and have a second home in Naples, Florida where they spend the winter months. They have two children, Anne and William and one granddaughter, Melissa. Prior to retirement, John was the CEO and part owner of Company One and Jane was an accountant. The Sample's have done extensive estate planning with their attorney. They have a long history as investors and are very familiar with the potential returns and associated volatility of the capital markets. Their net worth is approximately $12 million comprised of $7.5 million in managed Portfolios, $3 million in real estate (2 residences), and $500,000 in personal property. In addition, John and Jane have a $1,000,000 Charitable Remainder Trust and an Irrevocable Life Insurance Trust.

ACCOUNT INFORMATION

Investment Account	**John Sample**
Account Number	
Investment Account	**Jane Sample**
Account Number	
Combined Account Value (2-16-23)	**$ ___________________**
Custodian:	
Investment Advisor:	**LVM Capital Management Ltd.**
Wealth Managers	**Charles A. Prudhomme, CFP®**
CPA	**Mrs. J. Accountant**

These accounts will be managed by the Advisor as a single Portfolio

TIME HORIZON

The investment time horizon for this Portfolio is, at a minimum, the lifetime of John and Jane Sample. Given their desire to pass assets to their heirs, the more realistic time horizon is the lifetimes of their two children. Given their children's current ages, the time horizon for the Portfolio is quite long.

The certainty of returns for an asset class increases dramatically with time. For example, the average rolling 12 month return for the Standard & Poor's 500 stock index from 1950 through 2022 was 12.6%. However, this average is virtually meaningless since the returns ranged from -43.3% to 61.2%. Stock price returns in a period as short as one year are essentially random and unknowable. As the time period increases, however, the range of returns shrinks. For the same time period, if we look at annual rates of return over rolling 10-year periods, the average return is 10.7% but the range of returns is now reduced to -3.4% to 19.5%. The table below shows how the uncertainty of return is reduced as the time frame lengthens even as the *average* return for all times periods is fairly consistent.

S&P 500 Index Annualized Returns 1950 – 2022
Rolling Time Periods

	1 Yr.	3 Yr.	5 Yr.	10 Yr.	15 Yr.	20 Yr.
Highest	61.2%	33.3%	29.6%	19.5%	19.7%	18.3%
Average	12.6%	11.5%	11.2%	10.7%	10.4%	10.4%
Lowest	-43.3%	-16.1%	- 6.6%	-3.4%	3.8%	4.8%

If the true investment time horizon is very long term as in this case, an informed investor can commit to assets that appear very risky in the short run but that become more predictable and offer higher returns over time.

Capital values do fluctuate over short periods and the Investor should recognize that the possibility of capital loss does exist. However, historical asset class return data suggest that the risk of principal loss over a holding period of at least five years can be minimized with proper risk control measures.

LIQUIDITY

The assets in this Portfolio represent a substantial portion of the Sample' net worth and 100% of their financial assets. There are minimal liquidity requirements for this account as the Sample have income and cash flow from other sources. No regular withdrawals are anticipated from the trusts. There is no minimum required level of income as the primary goal is based on the after-tax total return (income plus appreciation).

TAX CONSIDERATIONS

These are Revocable Trusts and as such, all taxable activity is passed through to the Sample personal tax return. The account is subject to income tax and capital gains tax. The Sample are currently, and for the foreseeable future, subject to the Alternative Minimum Tax. Thus, the Sample' marginal federal tax rate is 28% for both income and capital gains. The state of Michigan income tax rate is 4.25%. These assets will be managed in a tax efficient manner. While Advisor believes that tax-efficient management of taxable assets is a key to successful long-term wealth management, the Investor(s) recognizes that the use of a covered call or cash-collateralized put writing strategy is generally tax-inefficient in taxable portfolios. Option writing cash flow varies depending on portfolio positions, option premiums received, individual stock price volatility, and general stock market volatility. Positions covered by call options may be called away, creating realized capital gains or losses in taxable portfolios and may cause differing tax treatment of common stock dividends. Positions in puts may require the holder to purchase stock and require cash security as well as a margin account. Cash flow from option writing is not guaranteed over any period. The Advisor incorporates the Investor's account structures when assessing tax-efficient wealth management.

RISK TOLERANCE

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level or risk assumed and the level of return that can be expected in an investment program. In general, higher risk (e.g. volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Portfolio is the determination of an appropriate risk tolerance. There are two primary factors that affect the Investors' risk tolerance:

- Financial ability to accept risk within the investment program (objective factors), and;
- Willingness to accept return volatility (subjective factors).

Taking these two factors into account, the Investor has determined their risk tolerance as **aggressive** regarding asset management of this Portfolio. This is appropriate given the Sample' ages, the account time horizon, the minimal liquidity requirements, minimal income needs, and their tax situation. The Investor recognizes that higher returns involve some volatility and has indicated a willingness to tolerate declines in the value of this Portfolio of between 0% and 5% in any given five-year rolling time period. Investor(s) recognizes that option writing cash flow will vary depending on Portfolio positions, option premiums received, individual stock price volatility, and general stock market volatility. Investor(s) recognizes that positions covered by call options may be called away, creating realized capital gains or losses in taxable portfolios. Investor(s) recognize that writing cash-collateralized put options may cause the purchase of a security at then above market prices. Investor(s) recognize that option writing cash flow is not guaranteed over any period and considers these option writing factors as acceptable risks.

INVESTMENT OBJECTIVES

The primary investment objective of this Portfolio is **preservation of purchasing power** on a consistent and long-term basis. Secondly, these assets will be managed to **provide growth of capital**.

INVESTMENT GOAL

Based upon the objectives stated above, the primary long-term goal for the Portfolio is for an annualized after-tax investment return (income plus appreciation) above the underlying inflation rate as measured by the Consumer Price Index (CPI) and, for the equity portion of the account, above the broad stock market over a full market cycle. These results will be achieved over a 5-to-10-year time period. The Investor understands that due to the uncertain nature of the capital markets, that the Portfolio may earn substantially less (more) than this target including the possibility of a negative return in a given one-year period, but over the full time period, the Portfolio is expected to average an investment return equal to or greater than the target rate.

ASSET ALLOCATION

Academic research suggests that the decision to allocate total assets among various asset classes will outweigh security selection and other decisions that impact Portfolio performance. No guarantees can be given about future performance, and this Personal Investment Policy Statement shall not be construed as offering such a guarantee.

Given the Investors' goals, objectives, risk tolerance, and time horizon, **the target asset allocation for this account will be 80% - 90% stocks** with any balance invested in bonds or cash equivalents. Deviations from the target may be made at any time at the Advisors discretion, but the rationale for any such deviations will be explained to the Investor. As an indication of historic market risk and return, the returns under various market conditions over long time periods of an asset mix of 90% investment in the Standard & Poors 500 Index, 0% Intermediate Treasury Bonds and 10% in the 90-day Treasury Bills (cash equivalents) are shown below.

Asset Allocation Historical Returns

Asset Mix			Rolling One-Year Returns			Rolling Five-Year Returns		
% Stocks	% Bonds	% Cash	Average	Worst	% Positive	Average	Worst	% Positive
90	0	10	11.7	-38.9	79	10.5	-5.7	94
80	10	10	11.0	-34.0	80	10.0	-4.5	95
70	20	10	10.3	-29.2	82	9.4	-3.4	98
60	30	10	9.6	-24.3	84	8.9	-2.3	99+
50	40	10	8.9	-19.5	87	8.3	-1.1	99+

The table above indicates that the target asset allocation has generally provided positive 5 year returns although there have been prolonged periods of time when the nominal rate of return failed to keep pace with inflation. The returns and volatility of the Investors' Portfolio may differ based upon the Portfolio's actual asset allocation and the individual securities selected.

Exchange-traded funds that short or shorting an individual security will produce results generally opposite that of the index or security being shorted.

Updated Allocations

From time to time, it may be desirable to amend the basic allocation policy or calculations. When such changes are made, updates will be attached to this Personal Investment Policy Statement as an *Appendix* and will be considered part of this Personal Investment Policy Statement.

MARKETABILITY OF ASSETS

All securities in the Portfolio will be comprised of liquid securities with a daily ascertainable market value.

PERMISSIBLE ASSETS AND RESTRICTIONS

A portfolio of individual securities will be used to achieve the account objectives. These securities will be selected by the portfolio managers/research analysts of LVM Capital Management using LVM's investment philosophy as described below. Investment of the Investors' funds shall be limited to individual marketable securities or packaged products (including, but not limited to, exchange traded funds) in the following categories:

Permitted Asset Classes

1. Cash and cash equivalents
2. Fixed Income–Domestic Bonds
   (Government, Corporate, convertibles, municipals)
3. Fixed Income–Non-U.S. Bonds
4. Equities–U.S. (Common, and convertible preferred, including ETFs some of which are short a market index)
5. Equities–Non-U.S. (including American Depository Receipts and ETFs some of which are short a market index)
6. Stock and Index Options
7. Commodities
8. Other asset classes deemed appropriate by Advisor and not specifically restricted

Restricted Asset Classes and Specific Companies

1. Futures
2. Commodities for physical delivery

Proper diversification with respect to individual securities within the stock asset category will be maintained by having investments in a majority of the following sixteen sectors that comprise the stock market:

Healthcare	Telecommunications	Consumer Non-Cyclical	Real Estate
Energy/Power	Consumer Cyclical	Finance	Basic Industries
Capital Goods	Business Development	Transportation	Commodities
Utilities	Technology	Emerging Markets	Foreign

LVM Capital Management Investment Philosophy

The key to our investment success has been **an investment philosophy developed and refined over three decades and implemented conscientiously by highly skilled individuals with a passion for serving our clients.** Stability and continuity of the professional staff and the investment process are critical to long-term success. Our portfolio management team has applied our investment philosophy through many market cycles over several decades. Portfolios are managed on a team basis with investment managers combining the roles of analyst and portfolio manager and sharing all ideas.

A critical element is to focus on long term goals and objectives. Many investors become fearful during periods of market volatility and sell when prices have declined significantly. Their confidence is restored only following a period of strong market performance enticing them to buy when prices are high. Long term investors understand that markets will be volatile; they take advantage of that volatility by investing at bargain prices and taking profits when value is scarce. An investor with a long-term focus is successful because she benefits from the long term characteristics of the various asset classes. Our experienced team, who has worked together for many years, and an established investment process gives us the confidence to take a long-term view on our investments.

The most important facet of portfolio management is risk control. To control risk you must first define it. Equities offer the potential for higher long-term investment returns than cash or fixed income investments. Equities also have greater price volatility. An investor seeking higher returns will generally need to accept greater variability in shorter term returns including occasional declines in value. While many practitioners attempt to define risk as variability and measure it quantitatively, risk is a multifaceted concept. Rather than try to reduce it to a single figure, we believe it is more qualitative and fundamental. Benjamin Graham spoke of risk as "the danger of a loss of quality and earnings power through economic changes or deterioration in management". In our view, risk means investing in poorly managed companies, those with weak financials, or alternatively, paying too much for a good company. Risk means more things can happen than will happen. It is this sense that the future events are highly variable and unknowable that gives us the best sense for risk. Risk control is, therefore, inherently part of our research process and helps us avoid what we believe are poor quality and/or overpriced value-destroying companies. We are owners of companies rather than buyers of stocks; we know what we own and why we own it. We spread risk at the portfolio level by investing in a diversified range of different businesses. As high-conviction investors, we trust our proprietary analysis to take decisive positions. **LVM Capital management seeks to control overall portfolio risk through asset allocation, portfolio diversification, fixed income management and security selection.**

In researching equities, **we focus on stock selection using both qualitative and quantitative factors** to identify superior companies whose stock price is low relative to the company's intrinsic value. A superior company is one with sustainable high returns on assets, free cash flow and a strong balance sheet. Superior returns are delivered to investors in the form of dividends, stock buybacks, and accretive growth. We want to buy those companies when the stock price is cheap relative to financial metrics such as earnings, cash flow, dividends, hard assets and enterprise value. Buying something for less than its longer-term fundamental value is the most dependable way for an investor to make money. **Value, low leverage, high returns and free cash flow provide key margins of safety.**

Determining the underlying quality of the enterprise requires that we understand what a business is and how it functions as a conceptual, capitalistic construct. Our fundamental analysis is geared toward understanding the company's economic model - the way it interacts with customers, suppliers, and distributors as part of its daily operations.

Dividends are a very important part of total return for an equity investor. Dividends also have strong informational content. A company that pays a dividend and consistently increases it year over year for decades without straining its dividend payout ratio must have a business model that can consistently produce higher and higher free cash flow. Such a business becomes more valuable over time, and the appreciation potential is as attractive as the income yield.

Fixed income securities are used to dampen the volatility in the Portfolio. History shows intermediate-term securities provide superior risk/return characteristics over a market cycle. More important, perhaps, is the fact that they offset the volatility of stocks more effectively.

LVM Capital's approach to fixed income investing starts with the duration decision (duration is a measure of the Portfolio's price sensitivity to changes in interest rates). LVM's investment team analyzes the business cycle, fiscal policy and monetary policy to assess the general trend in interest rates. This assessment will help to determine a desired duration in the fixed income Portfolio. Individual issues are chosen based on the financial strength of the issuers, the maturity structure, sector (Government, Industrial, Financial, etc.) analysis and quality spread (Treasury, Agency, AAA, AA, A) analysis and valuation considerations. Changes in the business environment, fiscal policies, monetary policies, sector relationships or quality spread relationships may lead to changes in the fixed income Portfolio.

Cash is an important class which possesses characteristics different from both equities and fixed income. Cash has no principal volatility (in nominal terms) but highly variable income returns. Because cash is negatively correlated to stocks, it can provide important diversification in a balanced portfolio.

DUTIES AND RESPONSIBILITIES

The Investor

Investor shall be responsible for:

1. Defining the appropriate time horizon, liquidity needs, risk tolerance, investment objectives and policies of the Portfolio.
2. Providing input and feedback at Portfolio review meetings.
3. Communicating to the portfolio manager and financial planner significant issues that could impact the philosophy of wealth management as described in this document.

The Wealth Management Advisor: Portfolio Management and Planning

LVM Capital Management, Ltd. is expected to manage the Portfolio in a manner consistent with this Personal Investment Policy Statement and in accordance with State and Federal law and the Uniform Prudent Investor Act. LVM Capital Management, Ltd. is a Registered Investment Advisor and shall act as the Investment Advisor and fiduciary to the Investor.

LVM Capital Management, Ltd. shall be responsible for:

1. Continually reviewing the suitability of the investments for the Investor.
2. Designing, recommending and implementing an appropriate asset allocation plan consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.
3. Selecting the individual issues for the Portfolio.
4. Monitoring the Portfolio to ensure compliance to stated investment strategies and adherence to stated Investor account restrictions, if any.
5. Preparing and presenting appropriate reports.
6. Meeting with Investor on a regular basis, and being available at such other times within reason at the Investors' request.
7. If applicable, updating the financial and estate plans for the Investor annually or as significant events occur.
8. Coordinate with other professional Advisors (Trustee, CPA, Attorney) on issues related to the Investors' tax status and philanthropic intent as directed by Investor.

Investment Monitoring and Control Procedures

Reports

1. LVM Capital Management, Ltd. shall regularly provide the Investor with a report that lists all assets held in the account, values for each asset, their cost basis and income yield.
2. Investor shall receive no less frequently than annually:
   a) Portfolio performance results over relevant time periods
   b) Performance results of comparative benchmarks for the same periods
   c) Any recommendations for changes of the above

Meetings and Communication between Investor and Advisor

As a matter of course, LVM Capital Management, Ltd. shall keep the Investor apprised of any material changes in the capital markets, recommended investment policy, and tactics. In addition, the primary wealth manager shall meet with the Investor on a regular basis to review and explain the Portfolio's investment results, composition and any related issues as well as discuss pertinent financial planning issues. LVM Capital Management, Ltd. shall also be available for telephone communication when needed. The Investor may initiate communication with the Advisor at any time during normal business hours by phone, email, written communication or personal visits.

Adoption

Adopted by the below signed:

Date: ___________________, 2023 ____

John Sample

Date: ___________________, 2023 ____

Jane Sample

Date: ___________________, 2023 ____

LVM Capital Management, Ltd