

# STEWARD

*A Quarterly Publication of Alodium Investment Consultants*

**“Many receive advice, few profit by it.” ~ Publius Syrus (42BC)**

After being burned by recent financial market volatility and bombarded by frequent news stories about unscrupulous investment advisors like Bernie Madoff, some investors are understandably wondering if they're getting good investment advice that they can trust. Perhaps you're wondering the same thing.

In our view, the best investment advice has four key attributes:

- 1) An investment advisor obligated to look after your best interests.
- 2) An investment program modeled after best practices used by large institutional investors.
- 3) Appropriate separation of duties.
- 4) Clearly defined high-level investment policy to guide investment management.

Let's take a closer look at each of these.

**1) Investment advisor obligated to look after your best interests:** The best investment advice is fully aligned with investors' best interests and not compromised by extraneous financial and other conflicts of interest that are still common in the investment industry. For example, financial advisors who receive commissions on the investment products they recommend may have financial incentives that conflict with investors' best interests.

Therefore, we believe it is best to select an advisor who has a regulatory obligation to always act in their clients' best interests - as registered investment advisors (RIAs) do.

**2) Investment program modeled after best practices used by large institutional investors:** Large institutional investors like college endowment funds and large foundations have a fiduciary responsibility to manage their investments prudently. Therefore, many institutional investors employ investment best practices, including...

- Formulation of an appropriate investment policy, as discussed below.
- Prudent diversification and risk management via appropriate asset allocation.
- Rigorous due diligence research to select appropriate investment options.
- Disciplined investment portfolio construction and implementation.
- Ongoing investment portfolio monitoring and rebalancing.

Therefore, we believe it is best to select an investment advisor who employs these best practices for both individual and institutional investors.

**3) Appropriate separation of duties:** Bernie Madoff was able to pull off his massive ponzi scheme due in large part to a lack of appropriate separation of duties between the investment advisor, custodian, broker/dealer and money managers. This created a lack of checks and balances and transparency that enabled his ponzi scheme to go undetected for many years, ultimately costing investors tens of billions of dollars in losses.

Therefore, we believe it is best to select an independent investment advisor who is solely focused on your best interests and is not affiliated with a custodian, broker/dealer or money manager.

**4) Clearly defined high-level investment policy to guide investment management:** An appropriate investment strategy and portfolio begins with a deep understanding of essential information about the client's situation - like...

- Purpose for the money.
- Investment time horizon.
- Risk tolerance.
- Investor values and other goals that will influence the investment portfolio.
- Roles and decision authority of all parties involved in the investment program.
- Etc.

Only after this and other important information is clearly defined and anchored in an investment policy statement can an appropriate investment strategy and portfolio be recommended.

Therefore, it's best to select an investment advisor who is very experienced at asking the many questions required to document a quality investment policy statement to guide an appropriate investment program for your unique situation.

To help investors select an optimal investment advisor, we have created...

- A one-page worksheet listing important factors to consider.
- A one-page illustration showing an optimal separation of duties between the investment advisor, custodian, broker/dealer and money managers.

Please contact me if you'd like to receive these reference tools. I'm also happy to talk with you about your current client/advisor relationship and point out any potential conflicts of interest that could work against you.

*David Bromelkamp*  
President and CEO

## HEADLINES

- Allodium was pleased to welcome two new clients during the fourth quarter of 2009.
- We are proud to announce that our President & CEO - Dave Bromelkamp - and our Director of Financial Planning - Jeremy Graff - have each been named Five Star Wealth Managers<sup>SM</sup> for 2010. Dave and Jeremy were selected for this honor by an independent third-party research firm and local panel of financial services industry experts based on nominations submitted by local consumers and financial service professionals. You can see Dave, Jeremy and the other local honorees in a special section within the January 2010 issues of *Mpls.St.Paul Magazine* and *Twin Cities Business*. This is the third consecutive year that Jeremy has received this honor.
- On November 16, Dave Bromelkamp spoke at the 55<sup>th</sup> Annual Minnesota Society of CPAs (MNCPA) Tax Conference about How to Avoid Investment Scams by Adopting the Global Fiduciary Standards of Excellence.
- FYI - our office will be closed for the following upcoming holidays: Friday, December 25 (Christmas), Friday, January 1 (New Year's) and Monday, January 18 (Martin Luther King Jr. day).

UPCOMING EVENTS:

Allodium will sponsor the following free educational lunch workshops for foundation and endowment leaders during the first half of 2010:

- Wednesday, March 10, 2010 - How to Draft an Investment Policy Statement
- Wednesday, June 9, 2010 - How to Monitor Your Investment Managers

Please contact Cristy Leaf at 612-230-3706 or cleaf@aicria.com to RSVP or to be added to our invitation list for future workshops.

As a community service, Dave welcomes and enjoys all opportunities to share investment management and fiduciary best practices with individual investors and foundation and endowment leaders.

ALLODIUM TEAM PROFILE:  
JEREMY GRAFF

**Role At Allodium:** Director of Financial Planning



**Joined Firm In:** 2005

**Hometown:**  
Minneapolis, MN

**Favorite TV Show:**  
Whatever my kids  
are watching

**Favorite Movie:**  
Saving Private Ryan

**Favorite Vacation Spot:** Italy

**Favorite Hobby:** Bandy

**If I won the lottery I'd...** Give it to charity and keep  
doing what I'm doing now.

Click [here](#) to see more about Jeremy on our website.

**We Appreciate Your Introductions:**

We launched Allodium to provide unbiased, objective investment advice and personal service to a limited number of individual and institutional investors. We embrace our responsibility to always act in our clients' best interests. To avoid any hint of real or perceived conflicts of interest, we are a fee-only registered investment advisor that is completely independent from banks and brokerage firms, and we do not receive commissions for the investment options that we recommend. If you know of a friend or associate who may be looking for this type of objective investment advice, please contact David Bromelkamp at 612-230-3702 or dbromelkamp@aicria.com to arrange a friendly, no-obligation introduction.

**Steward**

Published quarterly by  
Allodium Investment Consultants.

Please contact Cristy Leaf at 612-230-3706  
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