

QUARTERLY UPDATE NEWSLETTER



Diversification increases resiliency. There is not a more important concept for investors to understand and employ in their investment portfolios. Given all the adverse events that have the potential to create market volatility and risk today, there has never been a more important time to build resiliency into our investment portfolios and financial plans.

We all know that investment diversification is vital to long-term investment success, but sometimes looking at a familiar topic from a different direction can deepen our appreciation and understanding of its importance. For this purpose, I will turn to bananas and cheetahs to answer the question: what happens in the natural world when diversification is lacking?

I will never forget the first time I ate a banana that did not come from a grocery store. I was in a small village in Thailand and the banana was grown nearby. It was one of those little tiny bananas with thin skin and it was absolutely delicious. It was outrageously sweet, and I wondered: why can't I buy this kind of banana in American grocery stores?

That was 20 years ago, and I hadn't thought about that banana until my daughter chose genetics as the topic for her recent science project. Among the books and articles she gathered were some about the dangers of decreasing genetic diversity in the foods we eat.

Bananas are the prime example of the vulnerabilities created by a lack of genetic diversity. The banana that we all recognize as the standard grocery store banana, the Cavendish, is currently threatened with extinction at the

hands of a fungus called Panama Disease. The Cavendish was not always the standard. The last standard grocery store banana, the Gros Michel, was wiped out by Panama Disease in the 1960s.

The reason that bananas are so vulnerable to disease and extinction is that there is very little diversity in the banana gene pool. A single disease can wipe out the entire Cavendish variety and, given that it is the only currently viable commercial variety, the end of the Cavendish means the end of the banana for most American consumers.

Like bananas, cheetahs also suffer from a lack of genetic diversity due to a mass extinction event 12,000 years ago. This lack of diversity makes the entire cheetah species very vulnerable to a single adverse event. We are one communicable disease away from losing the wild cheetah forever.

The plight of the banana and the cheetah can provide a very important lesson for investors. The lesson is that diversity is the best way to achieve resilience against adverse events. If bananas enjoyed greater genetic diversity, a single disease like Panama Disease may wipe out some banana varieties, but it's likely that some varieties would be resistant and that resistance would be bred into future varieties. The same is true of cheetahs. This is essence of resilience.

Every investment portfolio we build is designed to be resilient against adverse events. Given the introduction to this article, it will come as no surprise that our primary tool for achieving resilience against adverse market events is diversification. Unlike bananas and cheetahs, we don't draw all our genes from one pool and we don't have all our eggs in one basket.

Our portfolios contain thousands of stocks and thousands of bonds. The stocks represent companies in every industry, in nearly every country with a well-regulated public stock market, and of every size. Our bond investments vary in

CONTINUED ON PAGE THREE

FALL 2017

HELPING YOU ACHIEVE YOUR LEGACY IN THE DIGITAL WORLD



My kids are constantly asking me questions that I don't have answers for. Why is the sky blue? Why does the timing of the tide change? Are we there yet? Actually, I do know the answer to that one. If you are like me, when this happens the first thing you tell them or do yourself is to "Google it!"

It's no secret that people today have instant access to more information than at any time in history. People are using technology and the internet to help them live their lives and figure things out literally all the time. But that doesn't mean the information they find on the internet is correct or a good solution for them. In fact, with regard to their finances, often it is not, especially as their situations become more complex.

Our process for financial planning is well suited to serve our clients in this digital world. The foundation for that is our formula of providing highly relevant advice, education and customized solutions primarily through our teams. This process helps each client achieve the goals that are most important to them over their lifetime to secure their own unique legacy.

We know that many of our current and prospective clients are using technology to do research on their own before meeting with us to get information and understanding. Our process meets them where they are by regularly posting locally written and highly valuable financial information to Facebook, LinkedIn, Twitter, and BakerBoyer.com.

Once people reach a point where they know they need help from a professional, the advising process starts with establishing the relationship through dialogue, providing education and building trust. This takes multiple conversations to understand each client at their core; where they have been, where they are and where they want to go. This helps us figure out each client's individual Life Journey.

The focus of these important and lengthy conversations is helping clients discover and articulate their hopes, dreams, and goals, both in the short-term and in the longer-term. In doing this, we are also able to help uncover any unspoken concerns or goals they may have. These elephants in the room are often the most important component of the process.

For these important conversations, client comfort is paramount. So, we try not to meet in an office across from a desk. Instead, we meet in one of our comfortable rooms on the top floor of our downtown Walla Walla building (where you also get the side benefit of taking in the amazing views) or at a place of their choosing in any of the markets we serve.

Based on their Life Journey, financial circumstances and goals, we put together a group of experts that is tailored to them based on their needs. We then give options for potential solutions that are customized to and arrived at in partnership with the client. These solutions range from the best investment portfolio to reach their retirement goals to helping them transition their business to the next generation, and often both simultaneously.

In today's impersonal world, our process stands out because it is all about partnership. We share meeting agendas in advance for client input and the agendas are driven by what's most important to each client. Our process is collaborative, so potential customized recommendations are shared then adjusted to arrive at final solutions together. This includes educating clients about why we are recommending particular solutions.

We take great care to provide clients advice that is not only relevant, but delivered in plain language as much as possible to make it clear. This helps to increase the likelihood the advice will be acted on.

From a technology standpoint, we are working hard to provide the tools our customers crave to access their financial information on their terms. Our financial planning system allows clients to enter their financial information on their own and lets them explore some of the possibilities. Once we have helped our clients organize their financial life, they have 24-hour access via the app and website.

We do so much more than just provide investment advice for our clients. Our experts offer assistance in a variety of areas including:

- Actively helping local entrepreneurs and families to optimize their businesses.
- Helping clients get their financial lives more organized. This may include life events like buying a home or advice on budgeting.
- Partnering with a client's attorney for help with estate planning.
- Helping with long-term education planning for young families.
- Partnering with a client's CPA for help with tax advice.
- Finally, helping with business succession planning for both family and non-family businesses.

Finally, as mentioned earlier, educating clients is a key part of our advising process. This includes providing informa-

tion via D.S. Baker University, where we educate clients and prospects in areas such as:

- How current national and world events will impact them
- The best ways to get started with a business
- How to grow their businesses
- How to achieve their life goals
- Attaining financial goals with financial planning and how to successfully transition their business to the next generation

We are excited about our ability to help our current and prospective clients in the digital world. We would love to talk more with you about the specifics of your situation and how we can help you create a financial plan to achieve your dreams and secure your unique legacy.

ROB BLETHEN

Vice President | Walla Walla Family Advisor Manager
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UPCOMING D.S. BAKER UNIVERSITY SESSIONS

September 14, 2017 | Yakima, WA

Investments & Financial Planning: Bringing It All Together

October 5, 2017 | Walla Walla, WA

Achieve Your Business Goals by Working with Your Lending Partner

October 18, 2017 | Walla Walla, WA

Financial Empowerment for Women

October 26, 2017 | Tri-Cities, WA

How to Grow Your Business

To register, please contact Victoria Hofmann at hofmannv@bakerboyer.com.

CONTINUED FROM PAGE ONE

time to maturity and are issued by creditworthy companies, municipalities, governments, and supranational organizations. We also invest in income-generating assets like real estate and these investments are also diversified across a broad spectrum of real estate types.

Because we cannot predict the future, we prepare appropriately for a range of market outcomes. While our assessment of the likelihood of those outcomes varies, our commitment to diversification does not. With the exception of aggressive growth stock portfolios that are designed for risk tolerant investors looking to maximize long-term returns, all of our portfolios contains assets that will very likely increase in value or be unaffected by adverse events during a given time period. Although we don't always know when, where, and how adverse events will occur, we can be certain that they will occur. This is why we take great care to build broadly diversified, balanced portfolios to be resilient against market reactions to global events.

If you find yourself concerned about potential conflict with an increasingly belligerent North Korea, talk of a border dispute between India and China, or softness in the economic expansion of large countries all over the world, rest assured that your Baker Boyer portfolio is built for exactly these kinds of events. Unlike the banana and the cheetah, resilience is built into the DNA of every one of our portfolios. If you have questions on this or any other topic, ask us. Answering these types of questions and talking about these concepts is our favorite part of our jobs.

JOHN CUNNISON

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Interim Chief Investment Officer
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FAMILY LEGACIES GROWN LOCALLY

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Banking products are provided by Baker Boyer, Member FDIC and an Equal Housing Lender.

D.S. Baker Advisors provides its clients access to a broad array of products and services, including FDIC insured banking products as well as non-FDIC insured trust and investment products.

Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
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