



CAPSTONE

Building Wealth, Controlling Risk

THE BENEFITS OF A PRIVATELY MANAGED ACCOUNT

Most savvy investors want their investments to reflect their goals and objectives as closely as possible. The potential efficiencies of participating in a group or a pool pale when compared to the investment and service advantages of a privately managed account. Pooled investments simply cannot achieve the important level offered via private account management. Communications, tax considerations and investment selection are just a few reasons private accounts are so appealing.

It is no wonder that the separate account choice has grown by such extraordinary numbers. Separate accounts make affordable a level of professional assistance that was once only a luxury to the largest accounts. Selecting the services of a high-quality money manager whose style fits your needs, is the key to achieving successful results. The process of selecting a private money manager can be complicated and involved as there are many to choose from but only a handful that might be right for you. The selection involves comprehensive due diligence in order to separate superior managers from the ordinary managers. This is where your consultant can help. Not only can your consultant help you choose the

appropriate manager or mix of managers, but they can also take you to the next (very important) step: monitoring the progress of your investments.

All investments must be monitored and reviewed continuously. This does not mean that continual change is required, a long-term outlook will reward you. After your choice for investment managers is made, it is now most

important that you remain loyal to your decision for at least a market cycle (three to five years).

Managers have styles and processes, which ebb and flow with market conditions. The style you choose will not always be the top performer, but, over the long-term, your choice should perform according to the guidelines you and your advisor presented to your manager. If it does not, then you need to review your manager choice.

A SEPARATE ACCOUNT OFFERS COMPREHENSIVE INVESTMENT ADVANTAGES:

Portfolios created for you. Your assets are not pooled with the assets of other investors. The performance and expenses of your account are not affected by activities of other investors in the "pool."

Direct ownership. You have direct access to and ownership in the securities the manager has purchased for you as opposed to owning "shares of a fund."

Portfolio flexibility. The investment approach and/or your money manager can be changed as your needs change.

Customized approach. You can eliminate specific investments in industries or companies that you would rather avoid such as tobacco, gambling or weapons.

This is the benefit of having a consultant on your side. They can help to monitor your portfolio properly and apply their professional expertise to the progress of your account. They also ensure that the manager is doing exactly what you asked them to do. This team concept of you and your consultant, along with your manager, will help you to know if you are

receiving competitive returns on your assets.

A separate account offers a full range of services and individualized attention:

▶ Your portfolio is managed with an eye for your unique tax situation. Taxable investors often have excessive tax problems which impact the performance of their assets. Money managers can take your tax needs into consideration when establishing and trading your account. Taxable events such as gains and income can be minimized. This helps to control the amount of taxes you pay and the timing of those payments.

▶ One fee that reflects only your account's activity and needs. Private portfolios do not have any hidden fees. Your management fee is negotiated as part of the contract and does not involve the activities, assets or needs of other investors.

▶ Superior client service is another feature of a privately

managed account. Separate account investors have access to their money manager, and you can also schedule personal meetings. The service and communications

Despite extraordinary changes in the financial markets, the key to investment success still lies in building a foundation for charting long-term goals. All factors considered, a separate account offers the full range of services, which can be designed to meet your specific needs. A privately managed account is the best alternative for people who want serious money management.

you receive are tailored to meet your needs.

▶ Customized reporting: On a quarterly basis, (or more frequently) you can receive a

detailed statement from your manager or your consultant. It will reflect the account status during a certain reporting period including contributions, withdrawals, trading activity, performance, strategy and market discussion. The reporting content and timing is customized to meet your needs.

▶ Cost effective approach. You can set up an all fees inclusive "wrap" account, which means you pay one annual fee (paid quarterly). No matter how much activity your account experiences, you pay only one pre-established fee. This set-up can be more efficient than transactions-oriented accounts, especially for active traders. It can also include your consultants' fee and your custodial fee.

▶ The minimum amount to open a separate account varies according to each money manager. Capstone has various minimums appropriate for specific products. Please contact your consultant should you like to discuss a particular style portfolio and its minimum size and fees.



Capstone's Investment Team, (top) left to right Don McFadden, John Wolf, Gina Garcia, Paul Townsen, Lynnette Bross, Thomas Severson, (bottom) Dan Watson, Edward Jaroski & Howard Potter.

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