



# VECTORS & VIEWPOINTS®

VECTOR: SMALL CHANGES MAKE A BIG DIFFERENCE



## EMBRACE UNCERTAINTY!

*Kent Kramer, CFP®, AIF®, Chief Investment Officer*



READ TIME  
3 minutes

*“...but in this world nothing can be said to be certain, except death and taxes.”*

*-Benjamin Franklin*

You and I may not enjoy uncertainty, but it is our reality in virtually every area of life. Whether we are considering our personal health, projecting winners and losers in elections and sporting events, forecasting weather patterns, anticipating travel delays, or predicting the performance of financial markets, there are no 100% reliable indicators of what will happen today, tomorrow, next year, or in the next twenty years.

*We know this to be true, but we still wish we could predict the future just a little bit better.*

Academics who study human behavior, from psychologists to economists, agree that the human brain is a prediction machine. Over thousands of generations, humans have learned to recognize physical threats and take precautions to ensure survival. Our fight or flight reflexes are what has kept us alive as a species. We predict which threats put us in mortal danger, and we choose between two options: Do we run, or do we stay and fight?

If you watch and/or read the news, you could understandably be very worried that recession or something worse is right around the corner, that the stock market is poised for a big fall, and that

government tax and fiscal policy (regardless of which party you prefer in 2020) is about to run our country into a deep hole of our own making. Yet, if all this danger is so obviously right around the corner, why are stock markets in the US at all-time highs and economic indicators like unemployment rates, corporate earnings, and wage growth all trending positively? There are two competing stories out there. One is that the economy is doing well. The other is that the global economic recovery is past its prime, and the recent yield curve inversion means recession is certain.

*So, what is your prediction machine telling you to do?*

Top chess players have moved away from a strategy referred to as “combination chess” to one called “positional chess.” In a purely combinational approach, the player tries to envision as many future combinations of moves by his opponent as possible, predict which ones are most likely, and then move in anticipation of those combinations.

Positional chess acknowledges that anticipating every possible move or combination of moves is a vain effort. The potential number of combinations is too large and too unpredictable. I don’t know with enough

*Continued on next page*

# EMBRACE UNCERTAINTY! CONTINUED

---

certainty what my opponent is going to do. So, the positional player sets up his or her board and moves their pieces with a strategy that allows them to respond effectively to the opponent's moves as they become known. Positional players prepare so that they can play offense when opportunities present themselves and play defense if things go against them in a series. The positional player is embracing uncertainty.

Good, long term financial plans and investment strategies are akin to playing positional chess.

We hear the "news," which is full of stories and guesses as to what combination of events will happen. But rather than choosing one prediction to act on, we prepare our plans and portfolios to play defense when circumstances turn negative, as well as being in position to take advantage of opportunities when they present themselves.

We may not like uncertainty, but we need to understand and embrace it to keep ourselves positioned for both survival and success.



## BAIRD AS NEW BOND MANAGER

*Matt Moglestad, CFP®, CIMA®, AIF®, MBA, Lead Advisor*



In July of 2019, Foster Group's Investment Committee approved the addition of a new bond fund manager, Baird Advisors. Baird is based out of Milwaukee, Wisconsin, and has more than \$73 billion of assets under management. The specific mutual fund being added to client retirement accounts and institutional accounts is Baird Core Plus Fixed Income (BCOIX).

The decision to add Baird was a result of our due diligence process that includes reviewing past results (quantitative criteria) and obtaining a deep understanding of the process, people, and values of the firm (qualitative criteria). Here are a few things that stood out to us about the Baird team and their fund:

- They have a straightforward, consistent approach to investing in high quality bonds.
- They use no derivatives, no leverage, and do not try to market time interest rates.
- In early 2019, we met with the Baird team in person at their office in Milwaukee. During that time, we were able to experience and validate their strong culture firsthand.
- Their approach has provided consistent results over time, leading their fund to score in the top quartile of its Morningstar category over the last 1, 3, 5, 10, and 15 year trailing time periods as of 11/30/19.
- Baird is employee owned and has a team-based, collaborative culture.

We have been incorporating Baird Core Plus Fixed Income to client accounts since Investment Committee approval. If you have any questions, please don't hesitate to contact us.

*A list of all specific recommendations made by the firm for the past year is available upon written request. All investment strategies have the potential for profit or loss. There are no assurances that any investment or strategy will match or outperform any particular benchmark. Content should not be construed as an offer to buy or sell, or a solicitation of any offer to buy or sell the security discussed.*



Beth with her three adopted dogs Maysa, Porsche, and Pedro

# IN THE COMMUNITY

Beth Stokes, CPA, Portfolio Analyst



## 1. What is your connection to AHeinz57?

AHeinz is an animal rescue organization committed to finding homes for pets. My family has fostered 30 dogs as they wait to find the perfect home and get adopted.

## 2. Why did you decide to volunteer with AHeinz57?

I love dogs! I heard about AHeinz57 from my niece and wanted to learn more about it. When I attended their informational meeting, I heard about fostering and knew it was what I wanted to try! Outside of AHeinz57, I have helped transport dogs from shelters in Oklahoma, Kansas, and Missouri to rescue centers in Iowa and Minnesota.

## 3. What do you like best about this volunteering opportunity?

Fostering requires love, training, and a safe environment for dogs who typically have not received this in the past. It can be frustrating and heartbreaking. When some dogs come to our home, they are terrified and don't even want to be touched. Watching a dog move from isolation and fear to trust, from cowering to wagging their tails when you walk through the door, is very satisfying. And, when one of our foster dogs finds his or her forever home, it's very fulfilling.

## RECENT CERTIFICATIONS AND AWARDS



### CEFEX CERTIFICATION

Foster Group has been certified by CEFEX (Centre for Fiduciary Excellence), an independent global assessment and certification organization, for the 12th year in a row. CEFEX provides independent recognition of a fiduciary's conformity to a defined Standard of Practice, implying that a fiduciary can demonstrate adherence to the industry's best practices, and is positioned to earn the public's trust. This registration serves investors who require assurance that their investments are being managed according to commonly accepted best practices. Foster Group is the only Iowa and Nebraska firm to be CEFEX certified since 2007.\*



### 2019 DES MOINES REGISTER TOP WORKPLACE

Foster Group was recognized as a 2019 Top Workplace, an honor presented by The Des Moines Register. The Des Moines Register recognized 135 companies and organizations in Iowa as Top Workplaces for 2019.

Inclusion in the Top Workplace list is based on the results of an employee feedback survey. Several aspects of workplace culture were measured, including alignment, execution, and connection.



6601 Westown Parkway, Suite 100  
West Des Moines, IA 50266

## VECTOR: SMALL CHANGES MAKE A BIG DIFFERENCE

ISSUE FOUR 2019 | FOSTERGRP.COM

### NEW POSITIONS



EMILY APPELGATE, FPQP™

Emily Appelgate has been serving as a Client Service Specialist at Foster Group since 2015. She will now serve as an Associate Advisor at Foster Group's Omaha office. In this role, she will assist with the delivery and implementation of financial plans and meeting client service needs.

*\*The Centre for Fiduciary Excellence, LLC is an independent certification organization. CEFEX works closely with industry experts to provide comprehensive assessment programs to improve the fiduciary practices of investment stewards, advisors, and managers. CEFEX certifications help determine the trustworthiness of investment fiduciaries. Foster Group obtained its CEFEX certification in August 2007, and has renewed each year since. In order to achieve certification, Foster Group pays an annual assessment fee of approximately \$5,000. These fees are a requirement for certification and cover the cost of the independent audit. The fees paid do not have any bearing on the outcome of the assessment. For more information on CEFEX, please visit the CEFEX website (<http://www.cefex.org/advisor/Index.shtml>).*

# VECTORS & VIEWPOINTS®

## In This Issue:

- Embrace Uncertainty! - Page 1
- Baird as New Bond Manager - Page 2
- In the Community - Page 3
- Recent Certifications and Awards - Page 3

More under the Insights tab at [fostergrp.com](http://fostergrp.com)

West Des Moines Office  
6601 Westown Parkway, Suite 100  
West Des Moines, IA 50266  
515.226.9000

Omaha Office  
8901 Indian Hills Drive, Suite 300A  
Omaha, NE 68114  
800.798.1012

PLEASE NOTE LIMITATIONS: Please see Important Information & Advertising Disclosure Information and the limitations of any ranking/recognition, at <https://www.fostergrp.com/info-ad-disclosure/>. A copy of our current written disclosure statement as set forth on Part 2A of Form ADV is available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Foster Group is registered as an investment adviser with the SEC and only transacts business in states where it is properly registered, or is excluded or exempted from registration requirements. SEC registration does not constitute an endorsement of the firm by the Commission nor does it indicate that the adviser has attained a particular level of skill or ability. ©2019 Foster Group, Inc. All Rights Reserved.