

The SIENA INVESTOR

A QUARTERLY PUBLICATION OF SIENA WEALTH ADVISORS

The Importance of Education

It is our desire and intent to educate clients about how capital markets work and to provide them with the information necessary for their financial well-being.

The advice to follow an evidence-based approach to investing is significantly different from most of the advice heard on Wall Street and in the financial media. It also is different from the strategy followed by the typical individual investor. Therefore, we believe it is extremely important to be aware of the academic research demonstrating that markets are generally highly efficient.

A large number of studies (see image on back) have shown that it is highly unlikely investors will be able to exploit market inefficiencies after accounting for the expenses of the effort. It is essential to know how a well-diversified portfolio can help manage risk, a message that often bears repeating as asset classes come in and out of favor over time. The same sentiment applies to understanding how attempts to time the market — either in terms



Video Archive — The Evolution of Finance

Professor Eugene Fama, who was named the 2013 Nobel Laureate in Economic Sciences, revisits some of his landmark work and discusses the evolution of finance in this video from the Dimensional Fund Advisors website.

Link: <http://us.dimensionalfund.com/library/articles/eugene-fama-named-2013-nobel-laureate-in-economic-sciences.aspx>

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of individual securities or asset classes — typically lead to realizing lower returns than those available from a buy, hold and rebalance strategy.

Because our investment approach is different from the average investment advisor, it is crucial for you to understand why we recommend it. Put simply, knowledge is the key to discipline. For example, in the late 1990s, when the growth asset class outperformed the value asset class, it became tempting to pour everything into that single asset class. Those who do not possess a basic understanding of evidence-based investing are more likely to quickly become dissatisfied when their portfolio underperforms the latest hot asset class.

What is the basic knowledge needed to remain a disciplined evidence-based investor? See “**The Five Point Plan**” below for five concepts that can help you form a strong foundation from which to build.

The Five-Point Plan

Point 1: Markets Are Efficient

Public information is of little fundamental value. New information is so quickly incorporated into asset prices that use of this knowledge cannot be expected to consistently yield superior risk-adjusted returns.

Point 2: Risk and Expected Reward Are Related

Investors who expect or need to achieve higher returns must accept the associated risk. Equity-like returns do not come without commensurate risks. There is no promise of high returns without high risk.

Point 3: Diversification Works

Global diversification across a variety of imperfectly correlated asset classes is the most effective way to reduce

risk. Diversification is always working, whether we are pleased with the immediate results. Diversification should be thought of as the equivalent of buying insurance against having all of one’s investment eggs in the wrong basket.

Point 4: Markets Are Unpredictable in the Short Run and Even in the Long Run

In the long run, we expect that equity markets will rise more than fall. Individuals who correctly predict short-term market movements should likely attribute their results to luck rather than skill.

Point 5: Discipline Is Key to Successful Investing

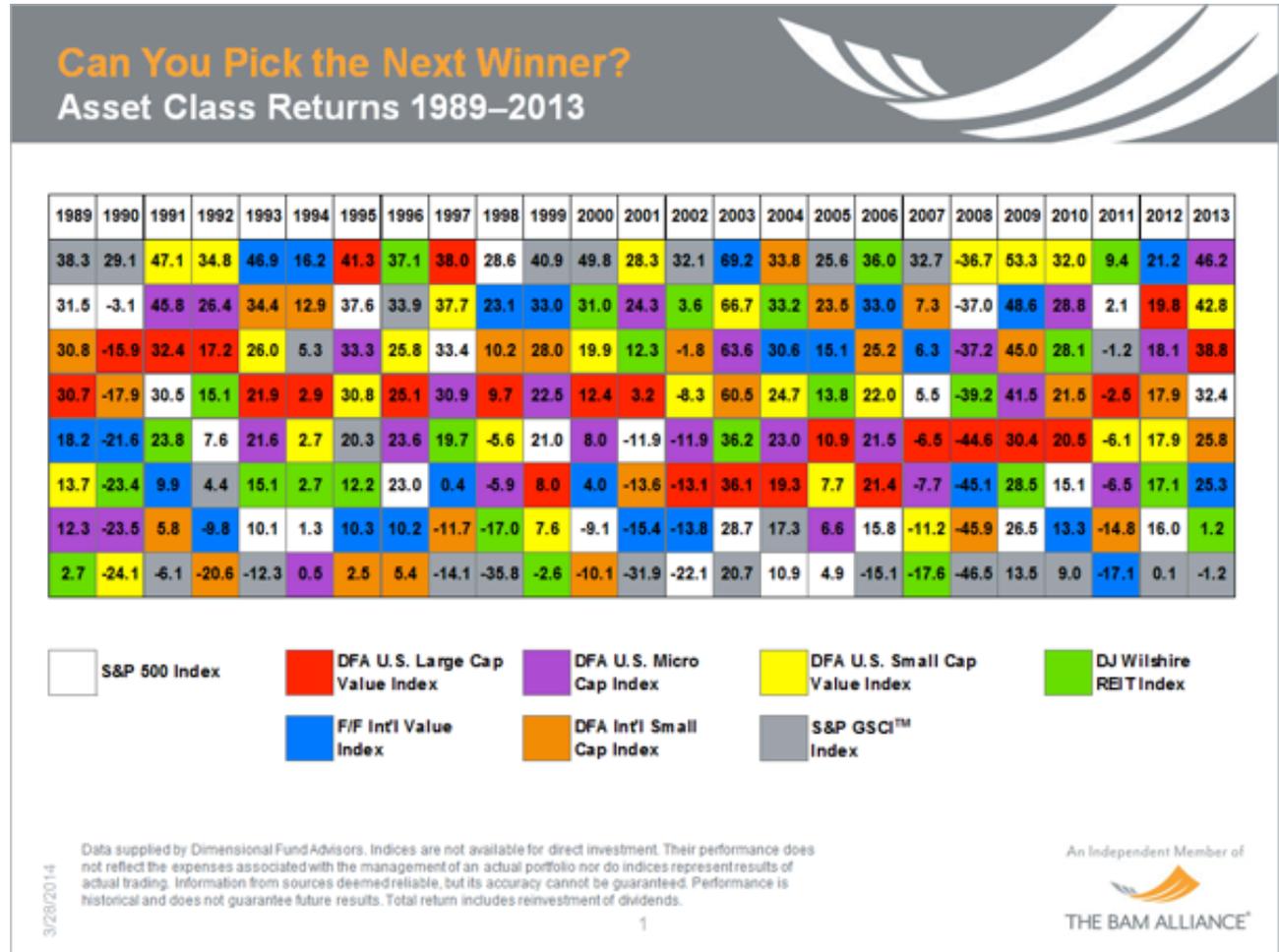
For far too many investors, the variable that ultimately determines the results of their

portfolio is not investment returns but investor behavior. Emotions can lead investors to make poor decisions at the wrong times. It is easy to remain disciplined during bull markets. However, it is far more important to do so in bear markets and avoid the far-too-human propensity to sell at market bottoms.

Summary

No matter where your plan goes, we will continue to place importance on evaluating risk tolerance, building a globally diversified portfolio and implementing regular, disciplined rebalancing techniques. Having such knowledge changes the way you approach investing.

The "Quilt Slide" ... Can You Pick the Next Winner?



This slide, known as the "Quilt Slide," looks at the up-and-down year-to-year returns of various asset classes over the past 25 years.

Siena Wealth Advisors moving to new office June 1

Siena Wealth Advisors, along with its affiliated companies, will be moving its corporate headquarters on June 1, 2014. The move gives our firms space for future growth in a more modern setting.

You will find us at:

11973 Sweetwater Drive

Suite A-1

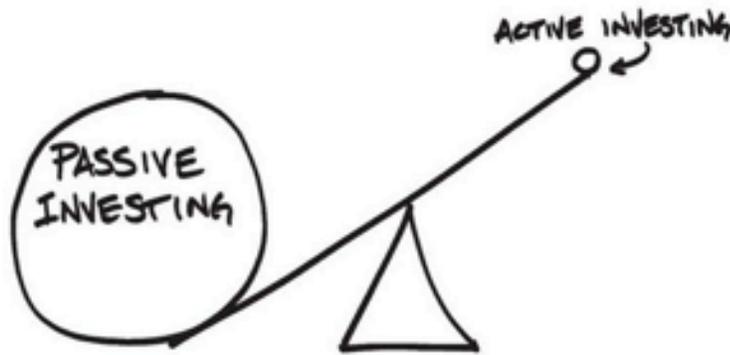
Grand Ledge, MI 48837



All of our phone numbers will remain the same.

Q22014

THE WEIGHT OF EVIDENCE⁰⁰



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A BERANTON GAP PROJECT

For A Full View of this image

<http://www.bamadvisorsservices.com/img/CarlRichardsWeightOfEvidence.jpg>

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