

BOSTON INVESTMENT ADVISERS, INC.

Remarks at the Roycroft Inn East Aurora, NY March 28, 2007

Brad Williams:

I'm Brad Williams, Vice President and Director of Investment Research at Boston Investment Advisers. Let me first welcome you and thank you for coming tonight to learn more about BIA. Jerry and I recently hosted a similar event in New York celebrating the firm's ten-year anniversary. Before our prepared remarks, I was asked by one of the attendees whether or not I was originally a Bostonian. I answered that I would introduce them to a new term, "Buffalonian." I think that I have the right to use that since my father's family has been in the Buffalo area since the 1850s.

As most of you know, I grew up right here in East Aurora and graduated from East Aurora High in 1989 near the top of my class. Along the way I attended the University of Buffalo's Gifted Math Program, was President of the National Honor Society, became an Eagle Scout, was varsity captain of the soccer team and coached for six years in the Aurora Arsenal soccer program.

I then went off to Middlebury College where I graduated, cum laude, in 1993 with a joint degree in Economics and Environmental Studies. After my undergraduate studies, I moved to Boston and subsequently earned an M.B.A. from Northeastern University. After business school, I set about turning one of my avocations into my vocation. I joined an independently-owned investment management firm in the Boston area. When I left in late 2005, they managed over \$500 million for individuals, families, small business and non-profit organizations.

In January 2006, Jerry Anderson and I came together, and together we are Boston Investment Advisers. Before I let Jerry introduce himself and give you the history of our firm, let me tell you in a little more detail what we do.

Now I think that everyone understands that we are an investment adviser and manage money. We like to think of ourselves as an expert in the investment area of a client's financial life and occupy one seat at their table alongside other professionals such as attorneys and accountants.

It is crucial that you understand that we are an investment adviser, not a broker. We act as our client's agent and not as a principal. We do not sell securities to our clients; we buy securities for them. We do not charge commissions, and we owe our clients the highest fiduciary standard and much higher than any broker. We operate in a way that eliminates all conflicts of interest between us and our clients.

Our approach as an independent investment adviser is not very common in Western New York. The Buffalo area is dominated by the large brokerage houses, such as a Merrill Lynch or Smith Barney, and large insurance firms. Increasingly, even accounting firms are advertising their newly-found investment management skills.

Let me give you a better idea of how we operate. Often when we start working with a new client, their existing portfolio often looks like an archaeological dig. What do I mean? I mean that their portfolio consists of different investments that have been made over time without ever constructing an overall portfolio in which each investment plays an identifiable role in relation to the others, and without ever rebalancing. One of the most important things we do for clients is to take that kind of portfolio approach to the management of their capital.

Broadly speaking, we operate in much the same manner as large institutional investors. We take a top-down view of the investment universe and, more importantly, the current opportunity set. We decide what asset classes and sectors we want to be invested in and then hire outstanding managers in these areas. Who are these outstanding managers? They are the managers of institutional mutual funds that we purchase for our clients.

A point often overlooked is that many of the best mutual funds are simply not available to most investors. These funds may have chosen to work only with financial advisers or they only make their lowest expense shares, institutional shares, available through large custodians. By using a large custodian and our buying power as a firm, we have access to many of the best managers at the lowest expense that otherwise are unavailable to most investors.

Now I would like to take the opportunity to introduce Jerry Anderson to all of you, the president and Chief Investment Officer at BIA.

Jerry Anderson:

I'm Jerry Anderson, founder and head of Boston Investment Advisers. Let me tell you a little about my professional history. I was educated at Stanford and came east to practice law now more than 37 years ago. I started my career downtown at Sullivan & Cromwell in New York doing corporate and securities law. Then in 1973 I was recruited by The Ford Foundation as house counsel for its endowment. Over the next eight years—four as house counsel and four as the assistant to the chief investment officer—I was fortunate to participate in some very innovative initiatives in investment management. It was sort of an on-the-job MBA.

It may seem counterintuitive that a charity would be doing cutting-edge things in investment management, but so we were—things that didn't really become the norm at other endowments, like Yale and Harvard, much less large pension funds, for a long time. I should say that this effort proceeded from a new body of learning that emerged from the academy in the '60s and '70s now known as Portfolio Theory. It emphasized a top-down asset allocation approach and therefore wide diversification. As a result, The Ford Foundation was among the very first institutions to invest in such revolutionary fields as

foreign equities, venture capital and commercial real estate. For our peers, by contrast, diversification was more likely to mean simply owning stocks from every principal sector or industry in the U.S. economy, leaving the debate simply a matter of choosing between Coke and Pepsi, GM and Ford, as we used to say.

After a further decade at another big institutional investment firm, Citicorp, in New York and London, I decided in 1991 to hang out my own shingle in New York to serve individuals and, more importantly, to use the same strategic approach that by then had become more commonplace at large institutions. My new firm employed the same top-down approach emphasizing asset allocation and cost control. Yet instead of hiring specialized investment advisers to manage separate accounts in each relevant asset class and sector, which for small accounts wouldn't have been practicable, we used those dowdy old investment vehicles, mutual funds.

In managing money for people like you, our goal was not to blow the lights out in terms of performance but do as well or better than the markets over, say, a market cycle yet with much less risk or variability of returns, otherwise known as volatility. In this business, risk, in a way, is more important than return in the sense that you never want to lose big because it's just so hard to regain lost ground. We're the tortoise, not the hare.

Then personal history intervened when a decade ago my new wife Priscilla announced that we were going to move back to her ancestral Yankee seat, Boston. Knowing that the secret to a successful marriage consists of two words, "Yes, dear," I agreed, and so it was that Boston Investment Advisers was organized in late 1996.

1996 was a significant year in the stock market. Do you remember when Chairman Greenspan uttered the memorable phrase "irrational exuberance," in characterizing what he saw as the disturbing tone of the market? Just how irrational it took the next four years to show us.

How has BIA done over the last decade? Quite well, thank you very much. A typical all-equity account has slightly outperformed the market over the decade, but with drastically less volatility. Never have we heard a client ask, "How could I have lost 25% last year?" And yes, no one has ever said, "Gee, thanks for making 25% last year." That is because we never would use the kind of techniques that might produce a blow-out year like 25%-- or risk a blow-up loss of 25%. Again, we seek market-like returns for less than market risk, and then we let time and the power of compounding do the heavy lifting. At this point, let me turn it back to Brad.

Brad Williams

Thank you for those remarks, Jerry. I think one of the most important things we offer our clients is the lack of conflicts of interest and the fact that our interests are aligned with the interests of our clients. This extends to how we pick mutual fund managers and to why Jerry and I knew we would be a good fit to work together.

For both of us, the best mutual funds with any given category exhibit most of these characteristics: 1) the manager has a solid long-term record within different investment environments, 2) the manager views their shareholders' interests as their main priority – this often leads us to managers who are equity owners in their fund management company, 3) the manager often has considerable sums of their own money invested alongside their shareholders, and 4) lastly, but certainly not least, they are funds that have low expenses and low portfolio turnover (itself a kind of cost) and have shown a willingness to lower expenses as their assets under management increase.

At this point, I would like to draw your attention to the last page of our brochure. We have created “Our Pledge to Clients” that is very unusual within our industry and certainly not anything your friendly insurance or annuity salesman will ever point you to. And, of course, Jerry and I have our assets invested in the same manner as our clients.

I'll also mention several additional details that might be interesting to some of you. We currently utilize Schwab Institutional as our independent custodian for client accounts. Schwab is a great fit for our clients due to their wide selection of investment vehicles and low expenses. We are also now an authorized adviser for those of you who may have TIAA-CREF accounts. TIAA-CREF has come around to the idea of having advisers work with their participants and clients slowly, but we always knew that this would make sense due to the large number of our clients who have also had TIAA-CREF accounts along the way.

Since the Pension Protection Act of 2006 was passed last summer, registered investment advisers like BIA can also now advise retirement plan sponsors and their participants. Congress realized that the existing structure for retirement plan participants was not working. Some participants were too conservative and did not save enough for retirement while others were too aggressive or bought high and sold low in their retirement funds. In the past, only commission-based brokers could service retirement plans. As a registered investment adviser, we can now be a co-fiduciary with the plan sponsor and help them meet their fiduciary responsibilities while also providing more individualized advice to plan participants.

I want to wrap this up by saying that we are making a commitment to the greater Western New York area. Not only do we offer a high-quality solution for those seeking an investment adviser, but additionally we offer a type of investment management that is not widely available in the area. We already have clients across the country that we keep in touch with through email, fax, phone and periodic face-to-face meetings. I enjoy coming back to Buffalo and hope to do so much more often. Thank you for coming tonight. We have time for questions.