FUTURE GENERATIONS PORTFOLIO

TIA’s Outlook and Future Generations™ Analysis

Overview

Tiemann Investment Advisors, LLC (TIA) is an independent, private, owner-managed investment firm with offices in Menlo Park, California. The firm was co-founded in 2002 by Jonathan Tiemann, Ph.D and Valerie Gardner, JD, MBA.

Investing for the Long Term

TIA's investment approach is building portfolios for clients based on the idea that market growth drives investment returns. TIA’s standard portfolios are based upon customized, quantitatively implemented replications of the broader S&P market. Every client portfolio, while managed similarly, is completely unique as a function of prior holdings and supplemental investing by TIA based upon risk appetite, income exposure, tax management and cash needs, personal filters and preferences.

A Unique Market View

TIA does not integrate equity research and analysis into its investment processes. While remaining keenly aware of industry and global news, research has shown that the net result of the considerable equity analysis conducted by major investment firms is the near simultaneous pricing of such knowledge into market prices; essentially, better firms will command better prices. However, TIA does pay attention to key drivers of regional and global change, many of which can have significant and sudden impacts on investment returns. We remain alert to economic “bubbles” a result of widespread belief in unfounded market hype and the opposite, instances of market denial. At the present time, TIA believes that there is widespread market denial of the economic costs of the impacts of carbon emissions on climate, causing both climate warming and broad-based environmental degradation which pose huge costs on society as a whole.

A Response to Global Challenges

TIA has watched the lack of corporate, political and market response in the U.S. to strong scientific advisories relating to the need to reduce carbon emissions. The rest of the world, the Northeastern States, California and other groups are already beginning to price carbon as the best approach to limit carbon emissions. Thus, based upon these emerging trends, we now anticipate that the significant costs of carbon emssions are going to be factored into the costs of doing business in the coming years — a change that still has not been acknowledged in a broad way by the market.

Mitigation and adaptation costs can benefit investors

Climate change has already impacted insurers, farmers, fishermen, foresters, water managers, the military, health and fire workers, coastal municipalities and states, and increased the demand for international aide, where millions of people are already becoming climate change refugees. Additionally, the natural biological cycles of species from birds and bees to corn and trees is being disrupted by unprecedented warm temperatures, placing greater risk on human life support systems, not just industries.

The costs to governments of paying for recording breaking tornadoes, hurricanes, superstorms, droughts, forest fires, floods and storm surges has escalated by a factor of 3 from just a decade ago, even as the worst impacts are not thought to have hit yet. These changes pose great threat and increasing costs on society, making investments into new technologies to dramatically lessen our dependence on burning fossil fuels seem much more urgent and cost effective. The momentum and political will to fund these shifts using carbon fees is growing and California is leading the way with AB-32, whose Carbon Cap and Trade program began on January 1, 2012. We see this trend as continuing, despite political maneuvering by the fossil fuel industry, and we believe discerning investors can benefit from these shifts, rather than be negatively impacted by them. For these investors, TIA announces its Future Generations™ Portfolio.

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What is a “Future Generations” portfolio?

A Portfolio Filter

TIA does not use funds or third-party products to build its portfolios. All portfolios are comprised of stocks and bonds selected based upon an investment plan that represents the client’s needs and preferences, and which fulfills TIA’s investment principles (including diversification, structure, academic and ethical integrity and more). With standard portfolios, clients make choices for such normal filters as relative proportions of stock vs. bonds; domestic vs. international; percentages for small, medium or large cap stocks; value vs. growth-type businesses; dividend yielding securities or not; etc. For clients seeking to take action in their portfolio relative to the threat of climate change, TIA’s Future Generations filter enables our clients to elect another set of unique filter choices:

1) avoiding (or divestment) of those securities that would be hit hardest by a market that fully priced carbon. This includes the current top 200 list of Fossil Fuel (“FoFu”) asset-holding companies, as well as many other companies up and down the FoFu food chain.

2) preference for those securities that will do better than their peers in a carbon-priced market, based upon clear product, service, IP, or strategic differentiation, and

3) preference for those securities —many of which are now small and/or private—whose businesses and products will see greater demand in a fully-priced carbon cap schema.

TIA is able to implement a Future Generations filter in an existing or new portfolio in any combination of these three factors. For existing portfolios, the Future Generation adjustments would be phased in.

For more information about TIA or TIA’s Future Generations™ portfolios, please see our website at: www.tiemann.net.