



Quarterly Update October 2005

Brattleboro ♦ Burlington ♦ Rutland ♦ St. Albans ♦ Stowe

The TCV Investment Approach

Steve Singiser, Principal & Founder



In a recent Wall Street Journal article an individual who oversees a multi-billion dollar endowment was interviewed. He stated that the typical individual investor is not able to achieve reasonable returns by investing in actively managed mutual funds. His thesis is that they are run by for-profit companies leading to investment practices that work against consistent above average performance. For example, larger mutual funds are more profitable to manage than smaller funds but are also more difficult to manage successfully. They tend to be over-diversified and may under-perform for this reason. High turnover of investments adds to the tax burden of many funds, negatively affecting net returns in taxable accounts. Finally, excessive management fees, extra sales charges, and 12b-1 marketing fees hinder returns to the investor.

He recommends that individual investors consider well-structured index funds and exchange traded index funds as an alternative. This is not a novel idea, but does have merit in addressing the issues stated above. To structure a balanced portfolio of mutual funds, however, it is important that research is done and consideration be given as to what funds are selected.

At Trust Company of Vermont we believe our investment approach also addresses the performance questions raised in this article and provides a more attractive alternative to index mutual fund investing. Although we use a select number of no-load mutual and exchange traded funds for special situations, an overwhelming percentage of our accounts are invested in individual stocks and bonds.

Does our approach to investment management guarantee above average returns for all our customers? Not necessarily. There are many factors affecting performance over which we have no control. However, those factors we can control will help us provide the

greatest opportunity for success in achieving your investment goals. When you succeed, we succeed.

At a recent meeting of our investment managers we discussed several factors that may contribute to a higher level of inflation at some point in the next six to twelve months. Among the obvious factors are the potential large federal deficit, the expense of our Middle East involvement, the expense of repairing damage done by Katrina to homes, businesses and people's lives in the Gulf States, and the broad impact of rapidly rising energy costs. We will be working on an investment strategy to at least partially accommodate a higher inflationary environment. This strategy would include avoiding longer-term bonds, investing in stocks that have pricing flexibility, and holding cash in reserve for future buying opportunities.

- ♦ Each account is invested individually to meet its unique investment objectives. Account size does not impact its performance.
- ♦ We do not over-diversify. At any given time our 'Buy List' consists of about fifty high quality stocks from which an individual account portfolio of approximately 15 to 30 names may be selected.
- ♦ We do not have a high turnover of investments. In taxable accounts we are aware of tax considerations that may compromise account performance. We try to invest for the longer term and avoid making investment decisions based on near term events.
- ♦ Our account management fee is among the lowest in our industry. We do not charge add-on fees such as set up, termination, or tax reporting fees.

Colleague Profile



Jeanne Gilbert

Try this. List your three favorite living creatures in order of preference, and describe why you like them. Done? Well now we can do an analysis of your personality. Your first choice is how you want other people to see you. Your second choice how you see yourself, and your third choice is how you really are.

It's a fun exercise and a whole lot easier to do than a Myers-Briggs. You can be the judge of its accuracy and, we suspect that much depends on the third choice. Those who chose the eagle tend to like the test. One person chose a coyote, and he seems to have reservations. One popular choice is the horse. Chinese astrology incorporates the characteristic of different types of animals and describes the horse as follows:



"People born in the year of the Horse often turn out to be completely devoted to their work. They are always willing to do the very best they can. Even if they are tired and face many obstacles, they are intent on completing the day's work. This quality emerges from the strength and persistence of the Horse energy and it makes them great members of any work force. They are strong and dependable, honest and loyal. If they make a promise they will do their best to keep it. They will rarely let you down and they will hardly ever give up."

For Jeanne Gilbert, it's right on. Her third choice was the horse, and the above characteristics capture her.

Although Jeanne was born in Rhode Island, she came to Vermont at age 6 when her father relocated to work for the Howe Richardson Scale Company. One of five children, Jeanne grew up in Proctor. A member of the National Honor society for the Proctor High class of 1973, she began work immediately after graduation in the bookkeeping department of the Proctor Bank. Jeanne enjoyed working with numbers and was attracted to the business field. She married in 1975, worked five years before



starting a family, briefly worked in Boston, and settled into raising her daughter Amanda while working for Vermont banks. In 1979, tired of commuting, she took a job at Vermont National Bank as a floating teller. It was this career decision that led her to us.

In 1988, she was promoted to Branch Manager of the Rutland Mall office. By 1990 she grew restless, and interviewed with Steve Singiser who managed the Rutland office of Vermont National's Trust Department. Although lacking in trust experience, she was drawn to the work, took the position, attended many courses and programs too numerous to list, flourished, and by 1999, after a series of promotions, became an Assistant Vice President. That's the year when Steve left to co-found the Trust Company of Vermont. Less than a year later she followed him and joined us in April of 2000.

In addition to her responsibilities as a trust administrator for the accounts in the Rutland region, Jeanne is our IRA specialist (she is a Certified IRA Services Professional) and handles the administration of IRA accounts state-wide.

She likes to babysit for her grandson, travel, read, play tennis, and dance. When we asked about her softball and volleyball teams, she informed us that she had recently given up both sports and returned to one of her earlier loves, horseback riding. When we asked about her favorite book, she informed us that it had not changed over the years. It was still Marguerite Henry's "Misty of Chincoteague," a classic for lovers of horses.

Congress Liberalizes Charitable Tax Deductions Through Year-End

The Katrina Relief Bill has several interesting tax incentives to encourage charitable gifts before year-end. For example, you can now make "qualified" cash contributions to public charities and deduct up to 100% of your "contribution base" through the end of 2005, with any excess deduction carried over up to five succeeding tax years subject to the standard 50% limitation. It is important to note the bill does NOT limit gifts from individuals to organizations or uses associated with Hurricane Katrina relief. If interested in the changes, contact your tax advisor or your administrator.