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IN THIS ISSUE

Commodities in Context In the 1970s, a four-fold rise in the price of oil brought the world economy to its knees. ▶ Page 2

Unconventional Wisdom: Uniting Active and Passive Management While we consider our clients' portfolios to be actively-managed, it is not what most people consider "active management". ▶ Page 4

Aspiriant - In The News and Making News We are proud to share with our clients and friends some of the press we have been receiving over the last quarter. ▶ Page 6

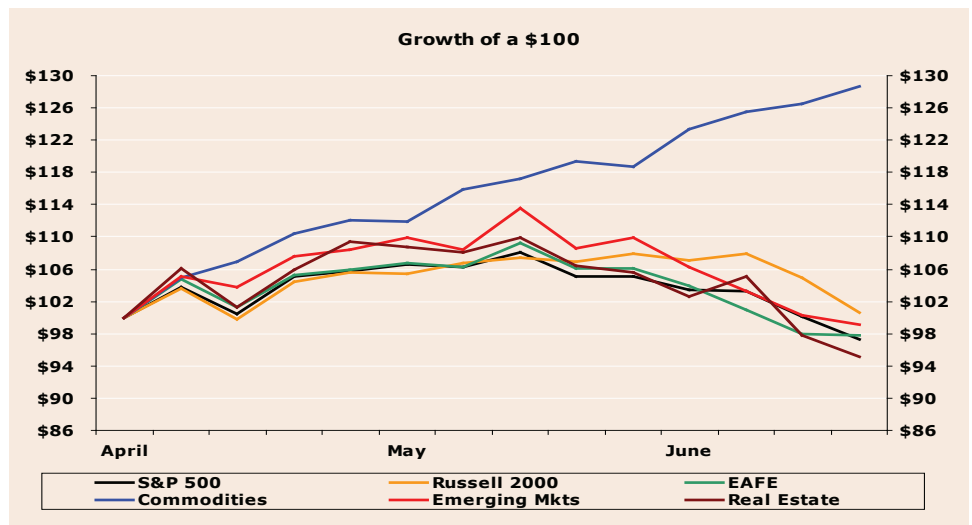
The "Family Mission Statement"... A Key to Effective Philanthropy Developing a "family mission statement" for your charitable activities should be one of your first priorities, along with matching the proper charitable structure to your charitable intent. ▶ Page 8

Save The Date: Thursday, September 18, 2008 On the evening of Thursday, September 18, in downtown San Francisco we are inviting Aspiriant clients to join political expert Greg Valliere as he discusses how the elections will affect the economy and individual investors. ▶ Page 8

Recession Worries

Whether the US economy is in a recession by technical definitions (the US 1st quarter GDP was recently revised upward, to a modest, but positive 1%), it certainly feels that way. And certain industries (autos, airlines, residential real estate sales and construction, and many areas of financial services beyond just mortgage lending) are in deep distress. With the exception only of some fixed income classes and commodities, investment markets around the world are reflecting a broad sense of gloom.

After what looked like a strong recovery in April and May, June, especially in its final days, delivered very deep one month declines in most asset classes to produce an overall loss this quarter for most client portfolios.



continued on page 2

This was in response to a combination of disturbing factors: a weak dollar, an unprecedented price for oil, increasing inflation pressures, and the still unresolved crises in mortgage and other debt. In addition, the Federal Reserve's recent decision to halt rate reductions frustrated both those investors looking for further economic stimulus and those hoping for rate increases to stem incipient inflation.

In our last two editions, we commented at length on the genesis and impacts of this debt crisis. We wish we could now say that it is behind us. We have no such assurances to offer. Some insightful commentators are suggesting that about half the loan defaults have yet to surface. The steep losses suffered in the market values of financial stocks reflect this concern but may have already discounted even more than the actual losses still to occur.

In an article to follow, Jason Thomas, our Chief Investment Officer, discusses the other giant story of the past months, oil. We explore whether we are in a commodities price bubble and what consequences we can expect for our clients. Those clients with small current commodities exposures (and those with substantial fixed income exposures) have enjoyed portfolio results generally a good deal better than the headline grabbing declines of major market indexes.

But even more important in producing respectable results in the face of market volatility and price erosion has been the broad and extensive asset class diversification of clients' portfolios. Greg Schick and Sam Lee share some thoughts below on how our initial coaching of clients toward that investment strategy and our ongoing discipline about maintaining that targeted diversified exposure is a crucial aspect of the management services we bring to our clients' portfolios. This is especially valuable in negative market environments such as we've experienced in recent quarters. That portfolio strategy discipline, even though sometimes difficult to maintain when market psychology turns sour, is essential in order to enjoy the market recoveries that always have, and fundamentally must, occur.

That recovery may not be far away. Markets anticipate recessions but also rebound before recessions come to an end. Current valuations are in a respectable range of multiple (15 to 20x forward earnings) to even reduced expectations of corporate earnings.

While, of course, we *cannot* foresee what the near term future holds for our clients' investments, we will continue to closely

watch world economic trends to best position our clients for long term success.

In the months ahead, our Investment Strategies & Research group will consider these trends when it conducts its regularly scheduled review of the capital market expectations which drive our asset allocation recommendations. Following that we will review all client portfolios and, where appropriate, continue the introduction of our best thinking and solutions for commodities, global real estate, private equity, public equity, fixed income, and other exposures.

And, as always, we will continue to do what we clearly *can* do: choose the best investment exposures we can identify, at lowest transactional and tax cost, with no conflict of interest.

Tim Kochis, Editor

As part of our effort to build the wealth management firm of the future, we've renamed our firm to Aspiriant and we've renamed this quarterly commentary for our clients and friends to *Insight*.

But all of this effort is much more than superficial changes of color and look and feel. We are committed to bring greater and more valuable service to our clients and to provide them with more insightful and timely intelligence to even better achieve their aspirations. We remain deeply grateful for the privilege of being in their service.

Commodities in Context

In the 1970s, a four-fold rise in the price of oil brought the world economy to its knees. The Arab oil embargo left a deep scar in the psyche of many countries and drove a broad-based response: significant investment in oil production capacity outside of the Middle East, fuel-efficiency standards, and nuclear power, to name a few. These responses, combined with inconsistent growth in the developing world, drove down the price of oil. In response to *that*, oil companies then found it un-economic to make further significant investments in productive capacity, particularly in a political context that was more sensitive to environmental concerns.

Oil prices have quadrupled again, to a peak of over \$142 a barrel as of this week. This time, stagnant oil output and

growing demand from developing economies have caused a slow motion crisis, offset for much of the past few years by the deflationary impact of improved global production and logistics costs and a swelling of global labor supply. The global economies are again responding by searching for new sources of oil (or reexamining known, more expensive sources), promoting fuel efficiency, and looking for alternate sources of energy. We disagree with the most extreme analysts of the current situation – that the price of oil will soon hit \$200 a barrel or, once speculators have been driven away, that the price will fall to \$50 – but continue to manage our clients' portfolios with the understanding that improbable does not mean impossible.

High oil prices are hurting economies around the globe but the American stagflation of the 1970s, which was due in part to the policy response at the time, has so far been avoided. But when combined with a credit crunch, falling home prices and costly food, high oil and gas prices are stretching middle- and low-income households in developed countries.

Who's to Blame?

As politicians and consumers look for scapegoats, a new villain has been presented: the speculators supposedly profiting from other people's hardship. An estimated \$260 billion is invested in commodity funds, including the \$100 million or so from Aspiriant's clients and staff. Surely all that capital, blindly buying oil regardless of price, is to blame, right? Of course not. As described in our prior *Commentary*, we choose to invest in an index of commodity futures, not the commodities themselves. Every barrel we buy in the futures market, we must sell back again before the contract matures. Our investment could theoretically drive up the price of oil for delivery in the future, but not of oil for delivery today.

It may be that rising futures prices creates an environment of greed and fear, where suppliers are emboldened to demand (and purchasers are driven to pay) higher prices than justified by current supply and demand. But that accusation doesn't stand up to much scrutiny either. The oil price is set in one of the most liquid, transparent and global markets. Which is not to say that it is a perfect market – it is rife with political intervention, taxes, tariffs, and environmental regulations. But it's hard to imagine a synchronized campaign to drive oil prices materially higher than they "should" be – even OPEC has been unable to accomplish that.

In our view, the reasons for rising oil prices are more straightforward. Finding and developing new oil fields is

expensive and time-consuming. It takes great courage to make huge investments when oil prices are low; and yet that is precisely when they are needed. Meanwhile the talent that might otherwise have studied petroleum engineering has been siphoned off toward more lucrative careers in investment banking, hedge fund management, or consulting.

When prices are low, oil-rich developing countries welcome the capital and technology of the large oil firms; when prices are high, neo-socialist governments kick them out again. Environmental regulations which limit drilling and investments in alternative energy (who wants a wind farm ruining their view?) may be designed to protect our quality of life, but it's no surprise that they come with a financial cost. Even the long standing practice of pricing oil in dollars, a source of stability in the past, has contributed to high prices as the value of the dollar has declined.

Nothing to fear but...

The prices of oil and gas have soared, but this is how a market economy is supposed to work. As (fallible) business managers throughout the economy go about their business, there will inevitably be an overproduction of some goods and an underproduction of others. How are these imbalances corrected? As anyone shopping for Christmas cards on December 26th can attest, short-run imbalances are corrected through prices. When production is very concentrated and the good in question very critical, there is the complication of market and political manipulation. Governments have a role rooting out fraud and collusion. But that's about all they can reliably do.

This oil shock will take time to resolve; but it, too, will pass. The 1970s showed how supply and demand, painfully inelastic in the short run, eventually give rise to conservation, new production, and substitution. When the new oil fields are on-line, when the SUVs are all hybrid and new technologies breathe life into abandoned oil projects, the other half of the cycle will begin. Similar responses will ease the current pain in agricultural markets.

In the meantime, we'll maintain (or introduce) a broadly diversified commodities exposure in client portfolios because the small commodities position hedges the much larger positions in global equities. Though the Goldman Sachs Commodities Index, up almost 80% in the last 12 months alone, may ultimately suffer a significant decline, that event would be wonderful news for most other capital markets because it would signal an easing of inflationary and

geopolitical pressures.

We'll have more to say on those related topics – inflation and geopolitical pressures – in another edition of *Insight*.

Jason Thomas, Ph.D., Chief Investment Officer

Unconventional Wisdom: Uniting Active and Passive Management

“Dow plunges over 300 points, leading to global market rout.”

“Bears prowl Wall Street; Global investors flee from equities.”

“Investment banks on the brink of collapse.”

Headlines like these are unnerving, to say the least. And after nearly a year of such reports, it's common, and entirely normal, to feel intense pressure to do something... *anything!*... to relieve the pressure. But resisting that instinct is key to generating solid long-term performance. Too many people give up too much long-run return in a (mostly futile) effort to avoid short-term volatility. As long as you believe, as we certainly do, that world-wide economic fundamentals will produce long-run value and that this value will be reflected in world equity markets, then you will participate in that appreciation and this bear market will eventually become a distant memory. Of course, the market may (or may not) decline further over the next several weeks and months, but for the committed long-term investor, these interim bumps in the road are of relatively little long-term consequence... and trying to avoid them is itself very risky indeed.

This logic is familiar to long-tenured clients, but even those accustomed to riding out the global equity markets' swings sometimes look at their portfolio and ask, “Shouldn't we be *doing* something?” Consequently, we think that the current difficult investment environment offers a good opportunity to remind clients of key elements of our investment approach. That strategy combines the best aspects of both “active” and “passive” management to create investment portfolios that:

- are low-cost,

- tax-efficient,
- reflect markets' general efficiency, and
- capitalize on broad changes in the capital markets and their narrow, but durable, inefficiencies.

Investing against the tide

While we consider our clients' portfolios to be actively-managed, it is not what most people consider “active management”... i.e., the process of identifying managers who, due to superior skill and insight, are likely to outperform a given index and other similar managers. Although we recognize this common definition of active management, we don't apply it to client portfolios since there are several serious problems with this approach:

Active risk. Investors earn returns by participating in economic activity and bearing risk as a result. The equity markets, in the aggregate, provide long term investors with a handsome return for just “showing up” and intelligently putting their capital at the risk of short-term loss. This risk is called “market risk.” If investors want to earn returns beyond what the market provides, in this sense, “free”, it requires taking additional risk, for example, by selecting some subset of securities or even an individual security that one believes is incorrectly priced and, therefore, will outperform the broader markets. This divergence from the market creates “active risk,” the risk that an investor will get it right and do much better than the benchmark...or get it wrong and suffer performance significantly less.

If an investor has a finite “risk budget,” (the total quantum of risk, of whatever kind, that the investor is willing to bear to pursue desired returns) then the more of that total budget spent on active risk, the less the investor has to spend on market risk. Looked at in the other direction, the less active risk we take, the more total risk we have to allocate to high expected return asset classes (more on this below).

Cost. The large majority of most active managers' returns are determined by the market, with active risk hopefully providing a little “alpha” above what the market provides for free. Unfortunately, investors typically pay a great deal for that alpha, as active management is generally characterized by high tax exposure, transaction costs, and management fees, which combine to create a substantial headwind that could otherwise be avoided by using a lower-cost approach.

Skill dilution. Managers who do have demonstrative skill frequently dilute it by allowing assets to balloon, leveraging

their fame to open new funds, and shifting their focus from portfolio management to marketing and managing large teams of analysts.

Lack of persistence. Some active managers will beat their benchmark in any given year; this *must* be the case since the benchmark is simply an average with some above and some below. But, it is so difficult to identify those winners beforehand that no one has shown the ability to consistently do it. Moreover, numerous studies have shown that excess active returns do not persist, and that the only consistent predictor of good future performance is the fee level (i.e., the lower the fees, the more likely the manager or fund is to perform well).

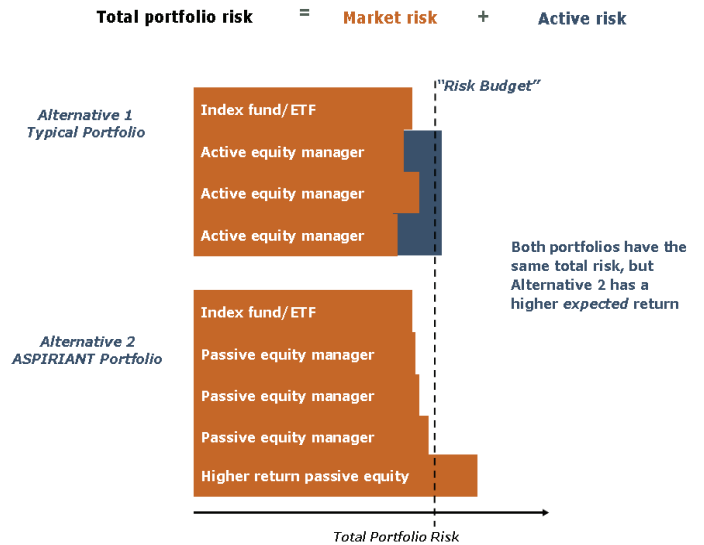
Believing markets work

Aspiriant believes that markets do work and are inherently (and, with globalization, increasingly) efficient; consequently, if an active manager, operating in the public markets (more on private markets below), manages to beat the market, it is likely to be by a small amount and for a short period of time... most of the time, any excess return over the market will be consumed by transaction costs, fees and taxes. Indeed, if you look at the aggregate performance of US equity managers, their mean pre-tax performance is about equal to that of the market, less the average of their management fees (and after-tax performance is even worse!). Logically, this *must* be the case because, collectively, they make up practically the entire market and so, *on average*, they cannot beat it.

Investors can always get higher *expected* investment returns by intelligently accepting more market risk – one doesn't need "active management" for that. An investor could increase allocation to equities or even borrow on margin to augment an investment portfolio. Our strategy is to reduce active risk in investment portfolios, allowing clients to deliberately take on more market risk, increasing the total return of the portfolio without increasing the *total* risk.

For example, if an investor hires an active manager to beat the S&P 500 index, a reasonable goal would be for the manager to outperform the index by 1-2% after fees. In fact, very few active managers have been able to do that over time. Aspiriant's approach, in contrast, is to use a low-cost, tax-efficient manager to replicate the S&P 500, but increase the portfolio's allocation to, say, emerging markets, which we expect to average about 2% more than the S&P 500 per year. We have a much higher degree of confidence that emerging markets (or small cap or value stocks for that matter) as a

whole will significantly outperform the S&P 500 over time than the ability of any particular manager to durably outperform that index. (The chart below illustrates these opposing approaches.)



Rather than investing with the headwind of taxes, fees, and market efficiency in our face, Aspiriant puts the efficiency of public equity markets to work for clients by implementing portfolios using a highly diversified, low-cost, tax-efficient, passive approach that systematically targets three key risk factors that drive returns --- exposure to the equity markets (vs. bonds), the size of companies you invest in (the "size effect"), and the relative valuation of companies (the "value effect"). Over a century of data on investment returns shows that these three factors drive investment returns in public equity markets – not revenue growth rate, or market share, or a host of other factors that occupy most investors' focus.

Active "passive management"

By designing portfolios of public equities that focus on inexpensively and efficiently capturing these three dimensions of public equity returns, we can focus our attention on adding value... above what the market provides for free... through truly value-added, but unconventional forms of "active" management. We actively manage clients' portfolios in five key ways:

Asset allocation. Research indicates that asset allocation accounts for nearly all of the difference in returns between any two portfolios, with all other factors (e.g., active trading,

Aspiriant – In The News...and Making News

We are proud to share with our clients and friends some of the press we have been receiving over the last quarter, some of which is a continuation of honors from years past and some new, reflecting the progress of our merger.

The *San Francisco Business Times* again ranked Aspiriant the Bay Area's #1 ranked independent wealth adviser. To view the article and listing, please go to www.aspiriant.com. Aspiriant is also one of four finalists to be considered for the "High-Net-Worth Leader of the Year" award, presented by Institutional Investor Awards and *Private Asset Management* in September, 2008.

Tim Kochis was interviewed for the "Meet the CEO" article in *Global CEO*, an international management magazine headquartered in India. Tim's interview, which can be read in entirety at www.aspiriant.com, spanned questions about his experience as a founder and CEO of our firm, the global wealth management industry, the US economy, and economic and social developments in India.

The announcement of our new name also generated a lot of attention within the industry and the communities where we work. From the *LA Times* and the *San Francisco Business Times* to *Investment News* and *Private Asset Management*, the industry was a buzz with the new name for your firm, "Aspiriant."

market timing) adding negligible value. Consequently, we focus much of our effort on developing portfolios that include substantial allocations to high-growth areas of the global market, including emerging markets and overseas small company stocks. Freed of the active risk that comes with active managers, Aspiriant tilts clients' portfolios toward these higher-return asset classes while staying within clients' total risk budgets.

Shifts in investment strategy are expensive, often triggering large tax liabilities, so we generally change clients' portfolio strategy only as our capital market expectations change or as new asset classes become more readily accessible. These changes are usually incremental "tweaks" but, over time, reflect the changing dynamics of the global investment markets.

A recent example of how changing capital markets impacts clients' portfolios is global public real estate. The commercial real estate markets in developed economies worldwide look

much like the US real estate market 30 years ago, before widespread use of the real estate investment trust (REIT). As late as the early 1980s, most US commercial real estate was closely held by individuals and small partnerships; consequently, many real estate assets were inefficiently managed because they were not subject to the competitive forces of the markets. REITs facilitated the efficient *public* ownership of real estate, which unlocked an immense amount of value. We expect a similar dynamic to play out in developed economies worldwide as commercial real estate, currently mostly privately-held and not put to its highest and best use, is transitioned to public ownership. As a result, we will continue to look for opportunities to invest in real estate outside the US.

Public vs. private investment. While we believe in the efficiency of the public capital markets, and are impressed with the talent at public companies, public markets do not capture all profitable investment activity. Profitable activity occurs in private markets for many reasons – a company's investment timeframe may be incompatible with the public market mindset, onerous regulations may discourage risk-taking by public companies (thus encouraging re-privatization or never going public in the first place), or local capital markets may be undeveloped.

In an effort to capitalize on the activity in these comparatively inefficient markets, where information and capital flow much more slowly than in public markets, Aspiriant clients have to gain exposure through active managers, partly because few passive options exist, but more importantly because many managers in these markets, unlike those operating in the public markets, have demonstrated the ability to consistently generate attractive risk-adjusted returns that justify their fees, liquidity restrictions and lack of transparency. This can result from the manager having a significant information advantage in a highly-specialized niche or being able to significantly influence the drivers of the investment outcome... capabilities that few public equity managers can claim.

For example, many Aspiriant clients invest capital with a manager that has reliably generated compound annual returns in the high-teens by exploiting pricing inefficiencies in Central European closed-end mutual funds, among other exotic markets. Real estate managers with specialties as varied as middle-class housing in Brazil or rent controlled apartments in New York have generated returns in the high-teens over time. And returns in the low 20 percent range have not been uncommon for top-tier managers in private equity markets... those with a manageable asset base and, typically, a clear

focus on an underappreciated part of the global economy.

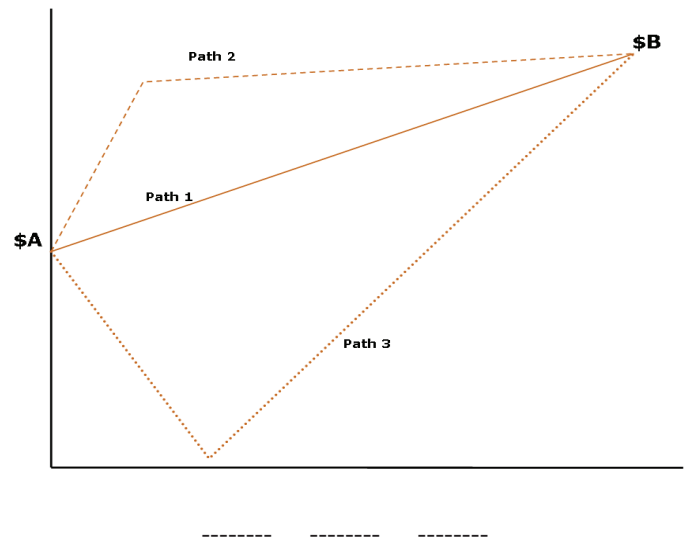
Financial innovation. The financial markets are constantly evolving, and it is important that our implementation of client portfolios keeps up with the state of the art. Several times over the last few years we have changed managers to take advantage of lower-cost, more tax-efficient alternatives. When we have seen attractive opportunities to enhance clients' returns or reduce costs with an entirely new vehicle, we have, on several occasions, promptly adopted that new vehicle or even facilitated its creation to benefit our clients.

A recent example is our close collaboration with Goldman Sachs in 2007 to create the "GS Connect S&P GSCI Enhanced Commodities Trust" more commonly known by its ticker symbol GSC. This fund solves a number of the structural deficiencies associated with the standard commodities index funds, resulting in materially higher expected returns, at much lower tax cost, all without losing the desirable low correlation benefits of commodities. You can read more about GSC in an article we wrote in our *Q2, 2007 Commentary*, and about financial innovation more generally in an article from our *Q3, 2007 Commentary*. This month, we will introduce two new fixed income solutions -- a commingled access vehicle and an expanded line-up of public vehicles -- intended to broaden clients' exposure to fixed income markets and take advantage of the continuing market dislocations.

Rebalancing. Once clients establish a target allocation, Aspiriant actively manages the portfolio to make sure that it stays consistent with client objectives, and within a pre-defined range around the target. Recent research indicates that disciplined rebalancing (i.e., selling high and buying low) can add 0.5% or more to returns annually. Aspiriant has been an industry leader in developing this research, and is among a handful of firms to have recently pioneered new software that enables us to efficiently rebalance portfolios more frequently.

While rebalancing activity is always important, it's particularly crucial in volatile markets, when there's likely to be a wide divergence in performance between the asset classes. Recently, for example, we have even pared back clients' already relatively small allocations to commodities, which have appreciated over 42% this year. A rebound in equities might well be accompanied by (indeed, might be caused by) a steep decline in energy and other commodity prices; consequently, maintaining discipline and focus on the well thought out long-term plan is critical to achieving investment success over time.

Tax management. As recent quarters have made you well aware, equity markets are inherently volatile and, while that can be painful at times, it presents us with a great opportunity to stockpile capital losses for use to offset future capital gains, all while ensuring that the portfolio is fully exposed to the equity markets. For newer clients, or those who have recently added to their portfolios, the recent market downdrafts can be particularly unnerving. However, if one expects, say, a 9% or 10% annualized portfolio return over one's entire investment timeframe then it's actually far better to experience negative returns early on in the timeframe. This might seem counter-intuitive and flies in the face of much conventional wisdom. But, if the end financial result at the culmination of the investment time frame would be the same, it is better to have losses (to capture for tax purposes) early to improve overall after-tax portfolio returns. In the diagram below, path 3 from the value of A to the value of B produces a better *after-tax* result than either path 1 or path 2, both of which would *feel* better to most investors.



Having said all of this, no amount of logic can completely offset the visceral reaction one feels when experiencing the market's sometimes jarring moves. Still, we hope that clients take comfort in knowing that their portfolios are structured to efficiently capture value creation worldwide, and that we're doing everything we can to take advantage of volatility to optimize returns.

Greg Schick and Sam Lee

The “Family Mission Statement”... A Key to Effective Philanthropy

Many of our clients feel passionately about contributing to society. For those that do, developing a “family mission statement” for your charitable activities should be one of your first priorities, along with matching the proper charitable structure to your charitable intent. Your family mission statement tells the world exactly what is important to you when making charitable gifts and reminds your family of its charitable purpose. A well thought out family mission statement will return direct long term benefits to your family in the areas of values, legacy, intra-family relationships, and the family’s relationships with the community at large.

You can begin the development of your family mission statement by asking the following questions:

- Are there any family goals that can be furthered through charitable activities or grant making?
- Are there specific charitable causes that have impacted the life of a family member so much that you want to support them now or in perpetuity?
- How much of your vision and values do you want to pass down from generation to generation?
- How involved do you want your children and your grandchildren to be in the actual charitable gift decisions?
- How *actively* do you and your family want to be involved in your charitable giving? Do you strictly want to be grant makers or do you want to make site visits and actively track the success of the projects you fund?
- How would you like to see your family’s vision respond to societal changes?
- Are there certain geographic areas that you’d specifically like to serve – local, regional, national, international?

Regardless of your specific answers to the foregoing questions, having conversations that involve these types of topics can contribute greatly to having a clear, consistent set of values that not only truly reflect who you are but also can be passed on to future generations. The charitable arena is a contained space in which children can watch how you make

Save The Date: Thursday, September 18, 2008

A View from Washington as the 2008 Elections Approach

This fall’s presidential and congressional elections are shaping up as among the most exciting ones in our lifetime, with many important implications for investors. On the evening of Thursday, September 18, in downtown San Francisco we are inviting Aspiriant clients to join political expert Greg Valliere as he discusses how the elections will affect the economy and individual investors. Topics he’ll discuss include the likelihood of tax changes, pending energy legislation, budget deficits, regulatory changes -- and the great wild card, geopolitics. The discussion will cover these and other key issues for investors, with plenty of time for a lively question-and-answer session.

Greg Valliere is the chief political strategist of the Washington Research Group, which has provided nonpartisan political, economic, and industry research to institutional investors for more than 30 years. Mr. Valliere coordinates political and economic research, focusing on how Congress and the White House shape fiscal policies and how those developments affect institutional and corporate investors. He is an exclusive commentator for CNBC and appears regularly on all of the network’s programs.

Further details about this event will be sent to clients in early August. In the meantime, we posed the following questions to Mr. Valliere:

Q -- This looks like one of the most exciting elections in recent memory. What’s your early take?

A -- Barack Obama is a phenomenon and the slight favorite, but the presidential election is too close to call and may stay that way for months to come. The one result that seems nearly certain is significant gains by the Democrats in the House and Senate, which will have major investment implications.

continued on page 10

decisions, see what you value and see whether and how you concern yourselves with society at large. Whether stated or not, children will learn the values you hold simply by watching your actions and seeing the choices that you make. Over time, children can begin to play a role in the evolution of the family mission statement and your charitable activities that eventually they themselves will help pass to their children and grandchildren. With the family fully engaged, the process should produce a family mission statement that all family

members have played a role in implementing and protecting, one that clearly reflects your values. The implementation of your family mission statement will leave future generations better situated to steward the wealth that they inherit from you.

The time spent as a family unit to develop a family mission statement and the process of coming together to develop it is a valuable by-product often overlooked. This process is a wonderful opportunity for a family to spend meaningful time together. Children will have the opportunity to express themselves and to know they are playing a real role in shaping their family's charitable objectives. After the family mission statement is complete and the focus shifts to implementing your family's charitable vision, family members will have the opportunity to remain involved, play a role in helping to make family giving decisions and assess performance of the charities the family chooses to fund. Through this involvement, family members will be exposed to, and have an opportunity to learn, many other valuable skills including business practices, board governance, and investment policies.

In past *Commentaries*, we have described the various vehicles through which families conduct charitable activities. It is important to match the proper structure of your charitable activities with the intent of your family mission. Two of the more common charitable vehicles chosen by families are the private foundation and donor advised fund.

A **private foundation** is a tax exempt entity (usually a corporation or a trust) that is created by an individual or family to fund charitable activities. A private foundation has a board of directors, or trustees, who run the foundation and who have responsibility for the assets that have been donated to the foundation. This charitable entity must be operated exclusively for religious, charitable, scientific, literary or educational purposes, or to foster amateur sports, or prevent cruelty to children or animals. Generally, the recipients of the private foundation's distributions are *public* charities who fall into one of these categories (unless the private foundation is formed as an operating private foundation, which entitles it to actually run charitable activities itself).

A **donor advised fund** is a pool of charitable assets that have been contributed by multiple donors to a third party charitable administrator. In addition, it is a lower cost, easy to establish alternative to the private foundation that also offers similar tax advantages. A donor can maintain a separate account in this pooled fund, put his or her name on that separate

account, and recommend that the donor advised fund make gifts of its assets to specific charitable recipients. The donor, however, cannot give binding direction. Also, unlike a private foundation that can make grants to individuals in certain circumstances, a donor advised fund cannot include direct grants to individuals in separate charitable activities.

With your family mission statement in mind, the following is a brief summary of a number of key differences between the two options that could affect your choice of entity:

Control of Purpose

A private foundation can be created with a purpose that is as restrictive or expansive as the donor desires. The controlling arrangements may strictly limit the charitable activities of the private foundation in perpetuity or may allow the board to change the foundation's charitable purpose for any reason. The only unavoidable restriction is that the beneficiaries of the private foundation's monies must be other purely charitable entities. In the case of a donor advised fund, each grant request is submitted to the donor advised fund and is processed as a request. Although the donor advised fund will generally honor the family's request, it is not bound to do so.

Control of Timing of Grants

The law requires that a private foundation distribute 5% of the net value of its assets annually. Because the assets in a donor advised fund are pooled, there is no requirement that a donor begin making donations from the assets they contributed within any certain timeframe. This works well when timing of the deduction is important but the donor has not yet specified the ultimate charitable recipient.

Memorial to Family

In the case of a private foundation, all grants made will bear the name of the private foundation. In the case of a donor advised fund, all grants will bear the name of the donor advised fund and may also indicate that the funds were distributed at the request of the specific donor if the donor so desires. Consequently, if a donor desires to make mostly anonymous charitable gifts, the donor advised fund provides a very simple and effective means to do so.

Buffer Between the Family and the Public

Both the private foundation and the donor advised fund can serve as a buffer between the family and the public at large. The structure of either entity provides an effective screen that the family can use to limit the access of grant seeking charities.

Save The Date: Thursday, September 18, 2008

continued from page 8

Q -- What's the biggest impact next year for investors?

A -- Taxes! They're going up in the next couple of years -- the issue isn't whether, it's when and by how much. Even if John McCain wins, he will face a Congress that will not extend the Bush tax cuts. Several key rates are likely to rise -- the top individual rate, capital gains, dividends, etc., and Congress will have to provide some clarity on the estate tax. Taxes are a huge issue, and I'll cover this subject in detail in September.

Q -- Will there be major effects in key industry sectors next year?

A -- That's very likely, as regulations are toughened in the wake of the subprime and housing crises. And Congress is likely to act in several areas -- energy, health care, defense, financial services, etc. There will be significant changes, and investors need to prepare.

Q -- What's the biggest wild card as the elections approach?

A -- Geopolitics, no question. The big risk is that either the US or Israel will launch an attack on Iranian military bases, or their nuclear facilities. There are many reasons why oil prices are high, and this concern is a major one.

Annual Administration

Annual tax filings are required of private foundations and in certain cases audited financial statements may be required as well. Once a donation is made to a donor advised fund, the donation is complete and the donor has no additional tax or state filing requirements. This is often one of the most important distinctions for families who are trying to keep their charitable giving cost-effective yet simple.

Opportunity to Educate Family Members

A private foundation provides a family with a more structured method of educating family members on philanthropic activities and on organizational functions including what it means to serve on a board of directors.

Ultimately, the decision to use a particular charitable structure, be it a private foundation or donor advised fund, depends on careful consideration of your family mission statement, a variety of tax and administrative considerations, and the actual amount of money a donor would like to irrevocably set aside for their charitable giving.

Please contact your Aspiriant client service team if you are interested in finding out more about the right charitable vehicle for your family and the various ways in which your family can develop your family mission statement.

Ginny King

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PERFORMANCE RESULTS

			2nd Quarter 2008	12 Months to 6/30/08	3 Years Annualized to 6/30/08
Fixed Income	<i>Intermediate</i>	Benchmark Index: Lehman Brothers Aggregate Bond	-1.0%	7.1%	4.1%
	<i>(Taxable)</i>	Benchmark Fund: iShares Lehman Aggregate Bond	-1.1%	7.1%	3.9%
	*	PIMCO Total Return Institutional	-1.3%	10.8%	5.0%
	<i>Intermediate</i>	Benchmark: Morningstar Muni CA Intermediate Category Avg.	0.1%	2.2%	2.2%
	<i>(Tax Free)</i>	Vanguard CA Insured Intermediate Tax-Exempt Adm	0.3%	2.9%	2.5%
Real Estate	<i>Global</i>	Benchmark Index: Dow Wilshire Global RESI	-7.5%	-20.5%	7.6%
		Benchmark Fund: 60% SPDR DJ Wilshire Intl RE/40% Vanguard REIT Index ETF	-8.8%	-21.1%	N/A
		DWS RREEF Global Real Estate Sec	-8.7%	-21.7%	N/A
	<i>US</i>	Benchmark Index: Dow Jones Wilshire US REIT Index	-5.4%	-15.3%	4.9%
		Benchmark Fund: iShares US Real Estate	-5.5%	-17.8%	2.6%
		DWS RREEF US Real Estate	-5.1%	-13.2%	5.8%
<i>Energy Infrastructure</i>	Benchmark Index: Citigroup MLP Index	1.5%	-13.8%	7.6%	
	Kayne Anderson MLP	-4.9%	-11.9%	7.4%	
Large Cap: Domestic	<i>Blend</i>	Benchmark Index: S&P 500	-2.7%	-13.1%	4.4%
		Benchmark Fund: iShares S&P 500	-2.7%	-13.1%	4.3%
		Schwab S&P 500 Institutional Select	-2.6%	-13.0%	4.4%
		Schwab 1000 Select	-1.8%	-12.2%	4.8%
	*	Tax Managed Index Separate Account (Aperio/Parametric)			<i>Return based on individual client's portfolio</i>
	<i>Value Style</i>	Benchmark Index: Russell 1000 Value	-5.3%	-18.8%	3.5%
		Benchmark Fund: iShares Russell 1000 Value	-5.3%	-18.8%	3.4%
		Berkshire Hathaway B	-10.3%	11.3%	13.0%
	*	DFA Large Cap Value	-3.1%	-20.1%	3.8%
*	DFA Tax Managed Marketwide Value	-4.0%	-21.1%	3.7%	
Large Cap: Developed Overseas	<i>Blend Style</i>	Benchmark Index: MSCI EAFE	-1.9%	-10.1%	13.3%
		Benchmark Fund: Vanguard FTSE All World ex US ETF	-2.1%	-6.6%	N/A
		Vanguard Total International Stock Fund	-2.2%	-8.1%	14.9%
	<i>Value Style</i>	Benchmark Index: MSCI EAFE Value	-4.1%	-16.0%	11.5%
		Benchmark Fund: iShares MSCI EAFE Value	-4.4%	-16.6%	N/A
	*	DFA International Value	-5.9%	-15.9%	14.2%
*	DFA Tax Managed International Value	-5.7%	-15.4%	14.3%	

* Preferential Access Through Aspiriant

Returns are stated net of manager's fees, but before Aspiriant fees. All fund returns above are stated including the reinvestment of dividends and capital gains. Figures in bold reflect performance equal to or better than benchmark fund or, in cases where the benchmark fund's performance is not available, performance equal to or better than benchmark index.

PERFORMANCE RESULTS

			2nd Quarter 2008	12 Months to 6/30/08	3 Years Annualized to 6/30/08
Small Cap: Domestic	<i>Blend Style</i>	Benchmark Index: Russell 2000	0.6%	-16.2%	3.8%
		Benchmark Fund: iShares Russell 2000	0.6%	-16.2%	3.8%
	*	DFA US Small Cap	-1.6%	-19.1%	2.6%
	*	DFA Tax Managed US Small Cap	-0.6%	-18.7%	3.4%
	*	DFA US Micro Cap	-3.5%	-22.6%	1.2%
	<i>Value Style</i>	Benchmark Index: Russell 2000 Value	-3.5%	-21.6%	1.4%
		Benchmark Fund: iShares Russell 2000 Value	-3.5%	-21.6%	1.2%
	*	DFA US Small Cap Value	-4.8%	-25.3%	1.5%
*	DFA Tax Managed US Targeted Value	-2.8%	-22.5%	2.3%	
Small Cap: Developed Overseas		Benchmark Index: MSCI EAFE Small Cap	-4.3%	-18.3%	9.7%
		Benchmark Fund: SPDR S&P International Small Cap ETF	-4.1%	-14.1%	N/A
	*	DFA International Small Company	-2.9%	-14.5%	12.8%
	*	DFA International Small Cap Value	-5.1%	-17.5%	12.2%
Emerging Markets		Benchmark Index: MSCI Emerging Markets	-0.8%	4.9%	27.5%
		Benchmark Fund: Vanguard Emerging Markets ETF	-1.4%	4.2%	25.9%
	*	DFA Emerging Markets Core Equity Portfolio (inception date 4/5/05)	-4.0%	-3.7%	24.1%
		Oppenheimer Developing Markets	-1.4%	1.5%	24.7%
		SSgA Emerging Markets	1.2%	5.2%	28.8%
		T Rowe Price Emerging Markets	-2.1%	4.3%	27.8%
Commodities		Benchmark Index: Goldman Sachs Commodity Index	28.7%	76.0%	19.7%
		Benchmark Fund: iShares GSCI Commodity-Indexed Trust	28.2%	73.7%	N/A
		GSCI Enhanced Commodity Total Return Strategy Index ETN	29.7%	76.7%	N/A
		iPath GSCI Total Return Index ETN	28.7%	75.6%	N/A
		Oppenheimer Real Asset Y	31.0%	74.6%	21.0%

* Preferential Access Through Aspiriant

Returns are stated net of manager's fees, but before Aspiriant fees. All fund returns above are stated including the reinvestment of dividends and capital gains. Figures in bold reflect performance equal to or better than benchmark fund or, in cases where the benchmark fund's performance is not available, performance equal to or better than benchmark index.

The indices and benchmark funds included herein have been selected to allow for comparison of an individual investor's performance to that of certain wellknown and widely recognized indices and funds. The inclusion of an index or benchmark fund should not be considered a representation by Aspiriant that it is an appropriate benchmark, in all client circumstances, for specific securities, or against overall portfolio performance, nor is it a guarantee of individual investor performance that is greater than the benchmark. The performance and volatility of an individual investor's portfolio may be materially different from those of the indices and benchmark funds. Further, an individual investor's holdings may differ significantly from the securities that comprise the indices and benchmark funds. An investor cannot invest directly in any of the above indices, but could potentially invest in the benchmark funds. In preparing this presentation, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information (including performance statistics) available from public sources. This document is provided solely for informational purposes and is not intended to be an offer or solicitation, or the basis for any contract to purchase or sell any security or other instrument, or for Aspiriant to enter into or arrange any type of transaction as a consequence of any information contained herein.