

## Thoughts on Madoff Investment Securities, LLC

- **Nvest Wealth Strategies has never used investments (funds or other investment vehicles) managed or associated with Madoff Investment Securities, LLC.**
- **Client accounts are held by a third-party custodian, Charles Schwab & Co.**
- **Due diligence, initial and ongoing, is thorough for your peace of mind.**

Trust. It is the foundation for which the entire world and capital markets function. It is the core of investment management business that takes years to build. Without trust, the capital markets would cease to function. Yet, every few years we hear of a new and unique situation of fraud or deceit where the foundation of trust is shaken.

In recent days, the world learned of the latest breach of trust. Madoff Investment Securities has defrauded a who's who list of clients of assets approaching \$50 billion. The news is shocking to many. How could one person fool so many people for such a long period of time?

Several clients are wondering if Nvest Wealth Strategies uses any funds managed by Madoff Investment Securities. The simple answer is no.

First, Nvest does not, and has never had any client money invested by Madoff Investment Securities, LLC. No fund used in client accounts utilizes Madoff either. Nvest uses no-load mutual funds and some individual securities to implement its investment strategies, all of which are subject to strict reporting and compliance requirements (unlike hedge funds or other alternative investments). Bottom line: no client account that we manage will sustain losses due directly to the fraud of Madoff.

Second, Nvest goes to great lengths to perform independent due diligence on each investment it makes on a client's behalf. We talk with mutual fund managers and understand not only their investment process, risk controls and discipline, but also their corporate governance structure; composition of management and fund company ownership; and custodian relationships. It is not uncommon that we would decide against a manager with a great track record if we believe there to be a conflict of interest, or insufficient investor protections in place within the fund company's management. Insufficient due diligence (both initially and on-going) is one answer for why so many fell victim to Madoff. As the Madoff facts unfold, we also hear reports about institutional investors steering clear of Madoff because of thorough due diligence efforts.

Further and very important, Nvest Wealth Strategies does not custody client assets. Madoff's scheme was possible because his firm was both the investment manager and the asset custodian for many of the client accounts. Madoff took deposits directly from investors to be invested, rather than placing them in a third party separately registered account for each client. Madoff's firm provided all client reporting, including holdings and trading activity. There were no checks and balances for clients. This gave Madoff the ability to report fictitious performance and asset statements to clients.

Nvest Wealth Strategies is different. Your investment accounts are held by a third party, Charles Schwab & Co. In addition to quarterly investment and performance reports you receive from Nvest, you also receive monthly reports directly from Schwab and also have access to your Schwab account via real-time online information on ([www.schwaballiance.com](http://www.schwaballiance.com)). We do not take custody of client money. Instead, we act as your investment advisor with Schwab serving as the custodian of your accounts and assets. It is a 3 party structure that provides high level security for your accounts.

Delivering financial  
peace of mind.

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## **MADOFF INVESTMENT SCANDAL (CONTINUED)**

As you know, we are unable to bring to a meeting a check from your account. Schwab only permits us to request money be sent to you directly in the form of a check or transfer money to one of your designated bank accounts. Every trade we instruct Schwab to make in your account has a Schwab prepared confirmation sent by them to you. We cannot close your account without your signature. We cannot update your address or other contact info without providing Schwab a signed letter from you.

In closing, there are many aspects which Nvest Wealth Strategies protects you and gives you financial peace of mind. We continue to work hard at earning your trust each and every day. After all, the money you have entrusted us, no matter its size (big or small) represents your life's effort compressed. We take our responsibility very seriously, as does Schwab.

Thank you for your continued support! Please call us if you have further questions.

**Nvest Wealth Strategies, Inc.** | *Delivering financial peace of mind.*

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