



Navigating Uncertain Markets

For Educational Purposes

July 21, 2018

Plancorp, LLC



PLANCORP[®]

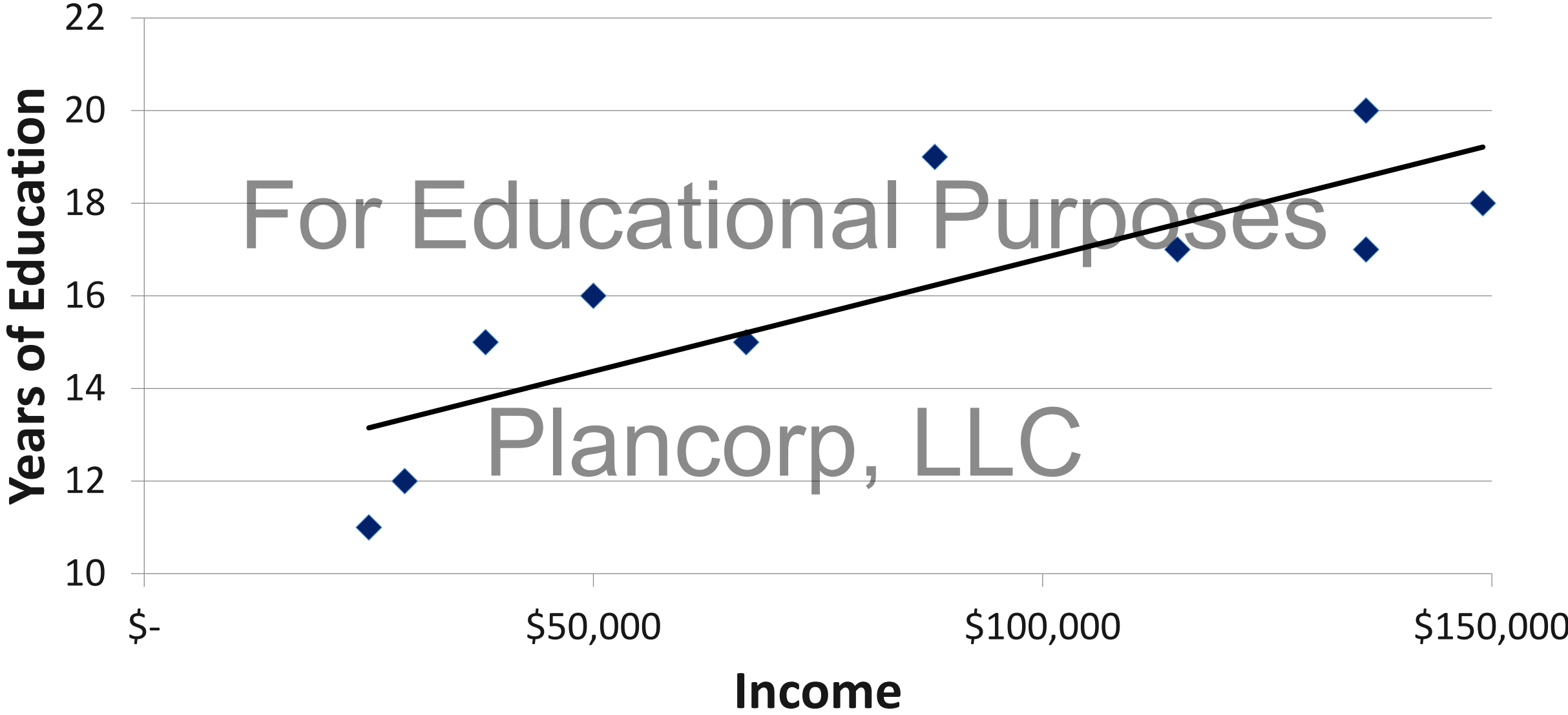
Your Financial Life Advocate.



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Correlation: Education and Income

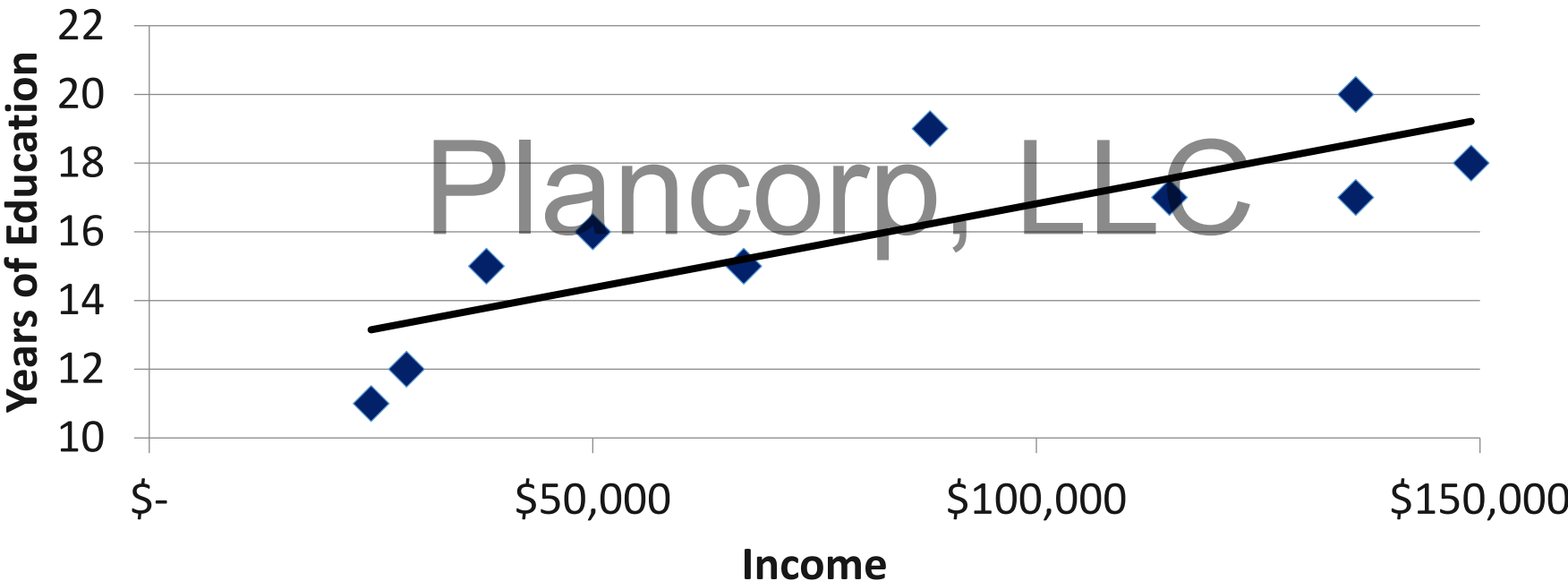


Source: Plancorp. Data is hypothetical and for illustrative purposes only.

Correlation: Key Points

- 1. **Correlation is the relationship between two or more variables.**
- 2. Correlation ranges between 1.0 and -1.0.
- 3. The lower the correlation, the greater the diversification benefit

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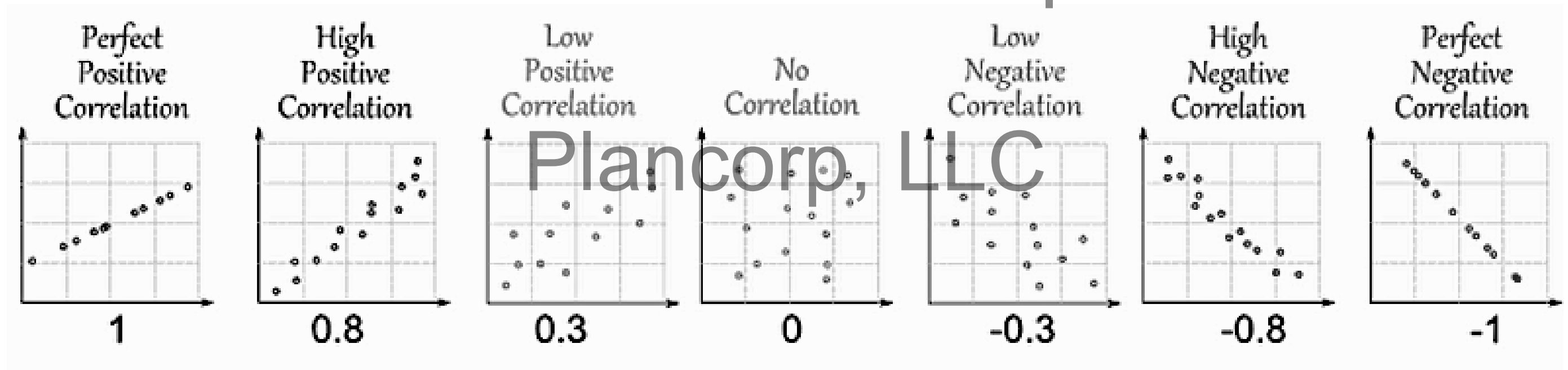


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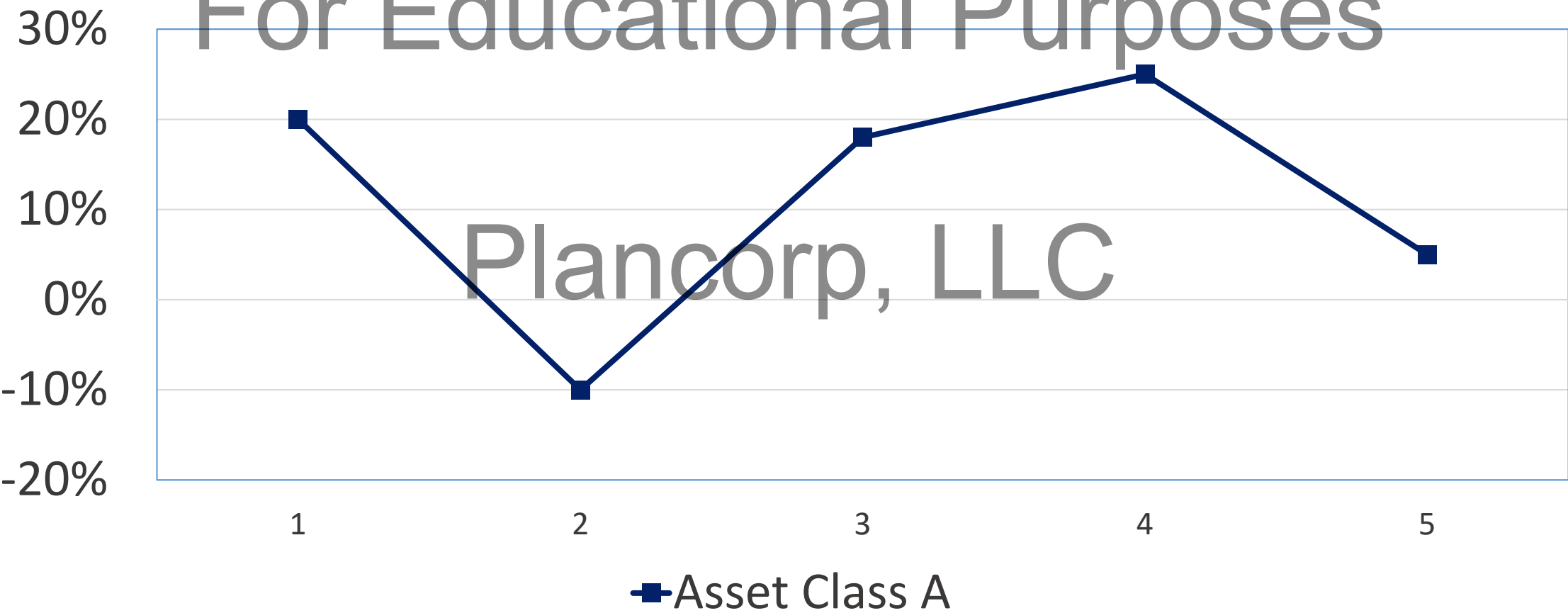
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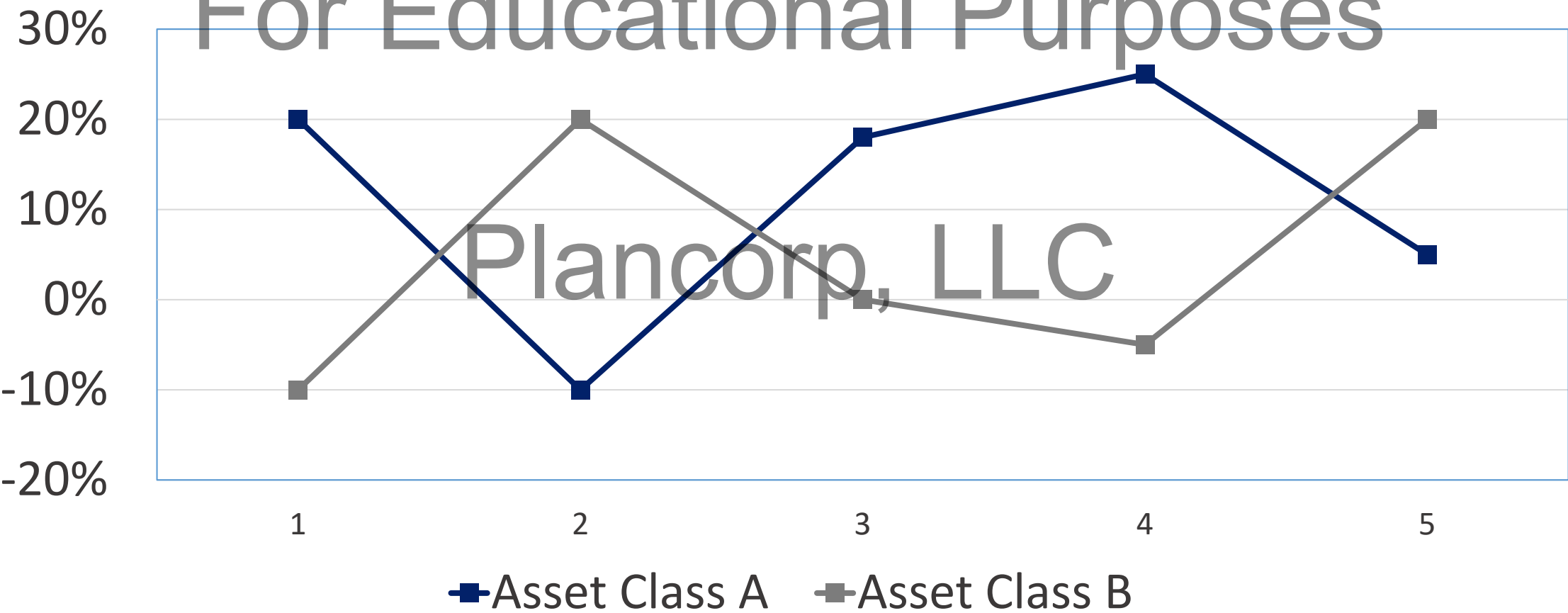
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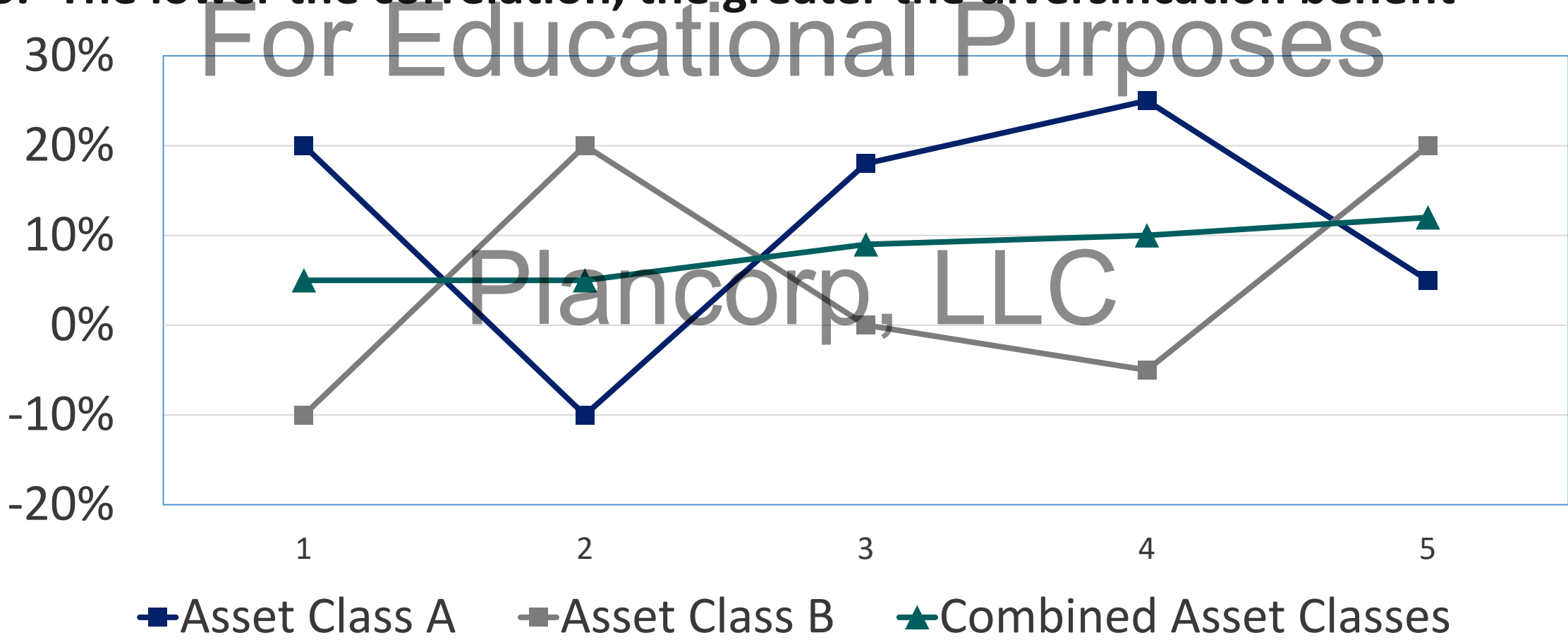
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	Low Volatility Portfolio		High Volatility Portfolio	
Year	Growth of \$100,000	Annual Return	Growth of \$100,000	Annual Return
1	\$110,000	10.0%	\$134,000	34.0%
2	\$115,500	5.0%	\$121,940	-9.0%
3	\$131,670	14.0%	\$153,644	26.0%
4	\$143,520	9.0%	\$129,061	-16.0%
5	\$162,178	13.0%	\$169,070	31.0%
6	\$165,421	2.0%	\$167,380	-1.0%
7	\$185,272	12.0%	\$197,508	18.0%
8	\$214,916	16.0%	\$173,807	-12.0%
9	\$227,811	6.0%	\$210,306	21.0%
10	\$257,426	13.0%	\$227,313	8.0%

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Average Return		10.0%		10.0%

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Average Return		10.0%		10.0%
Standard Deviation		4.5%		18.6%

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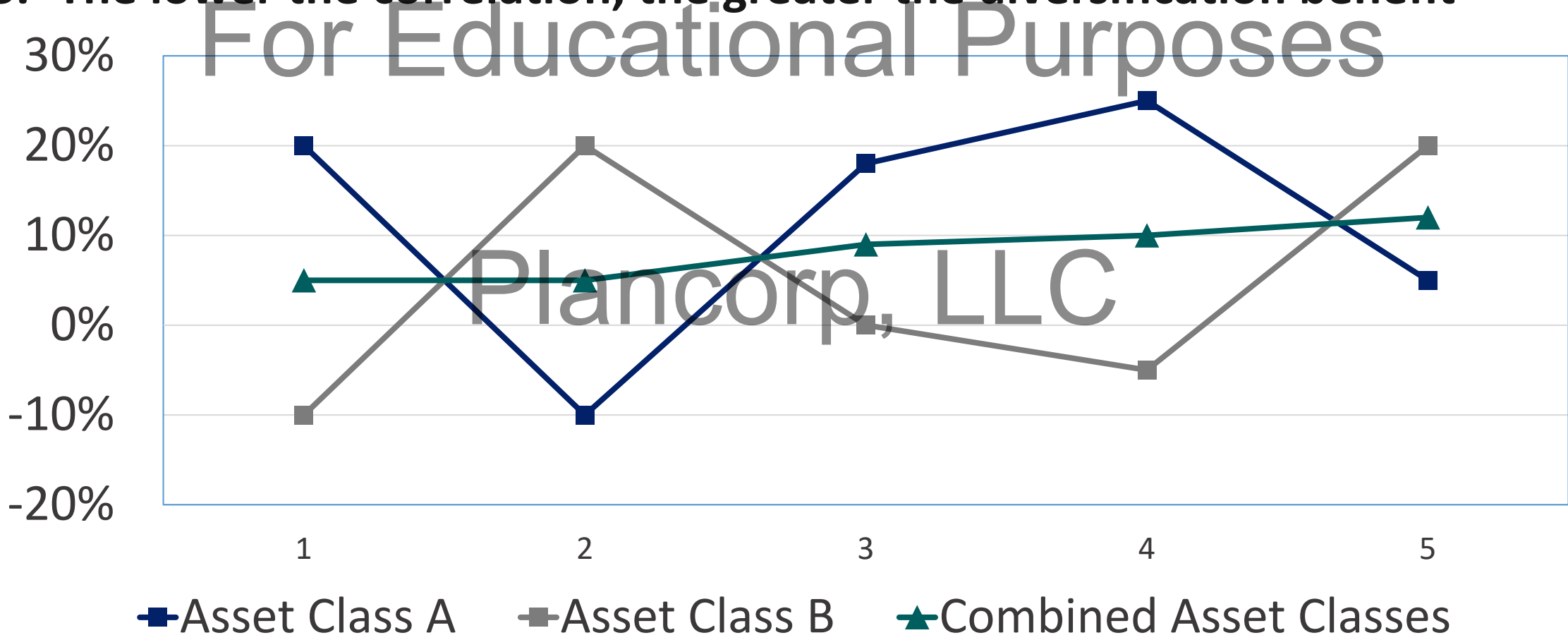
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Compound Return		9.9%		8.5%

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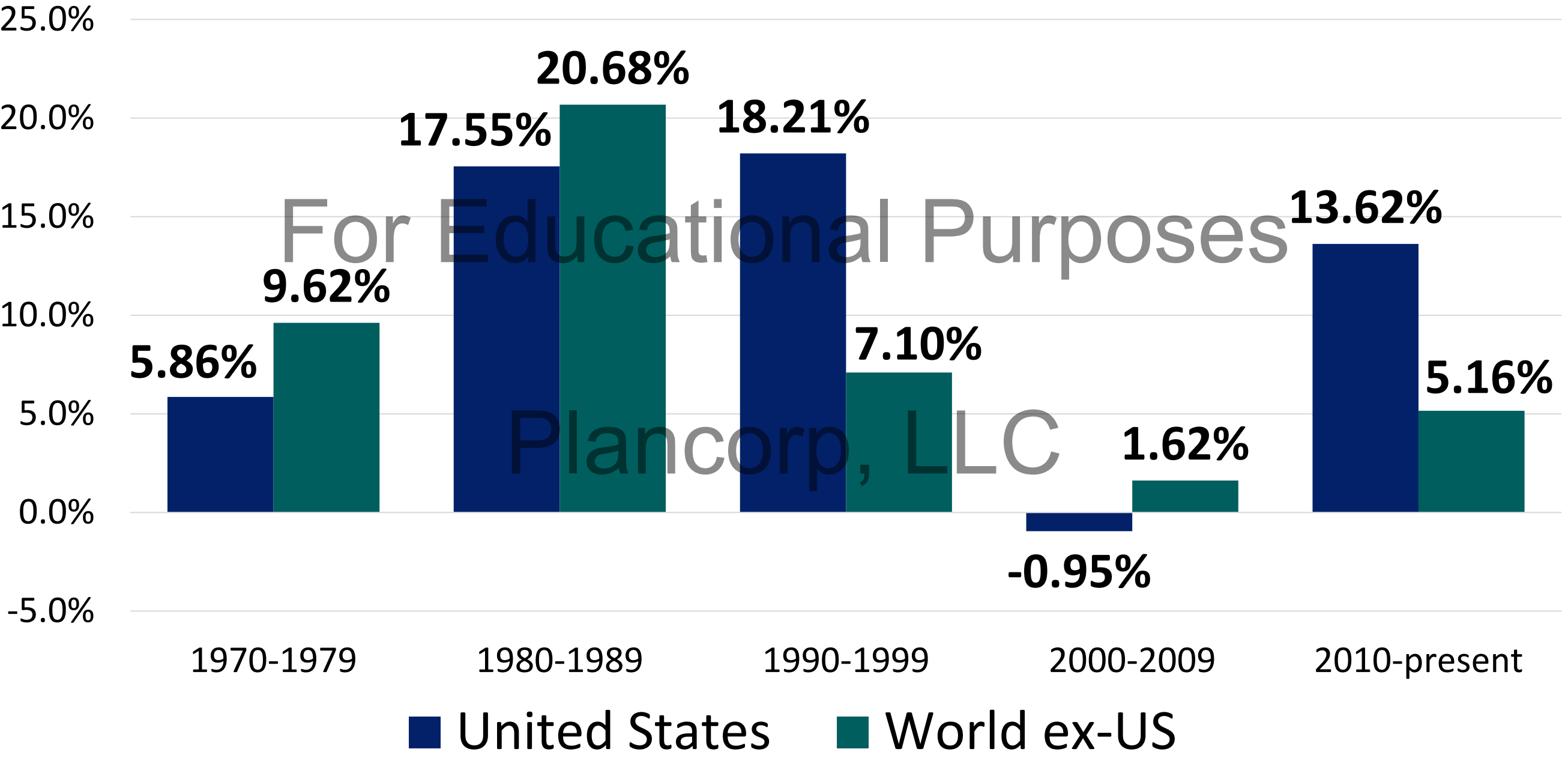
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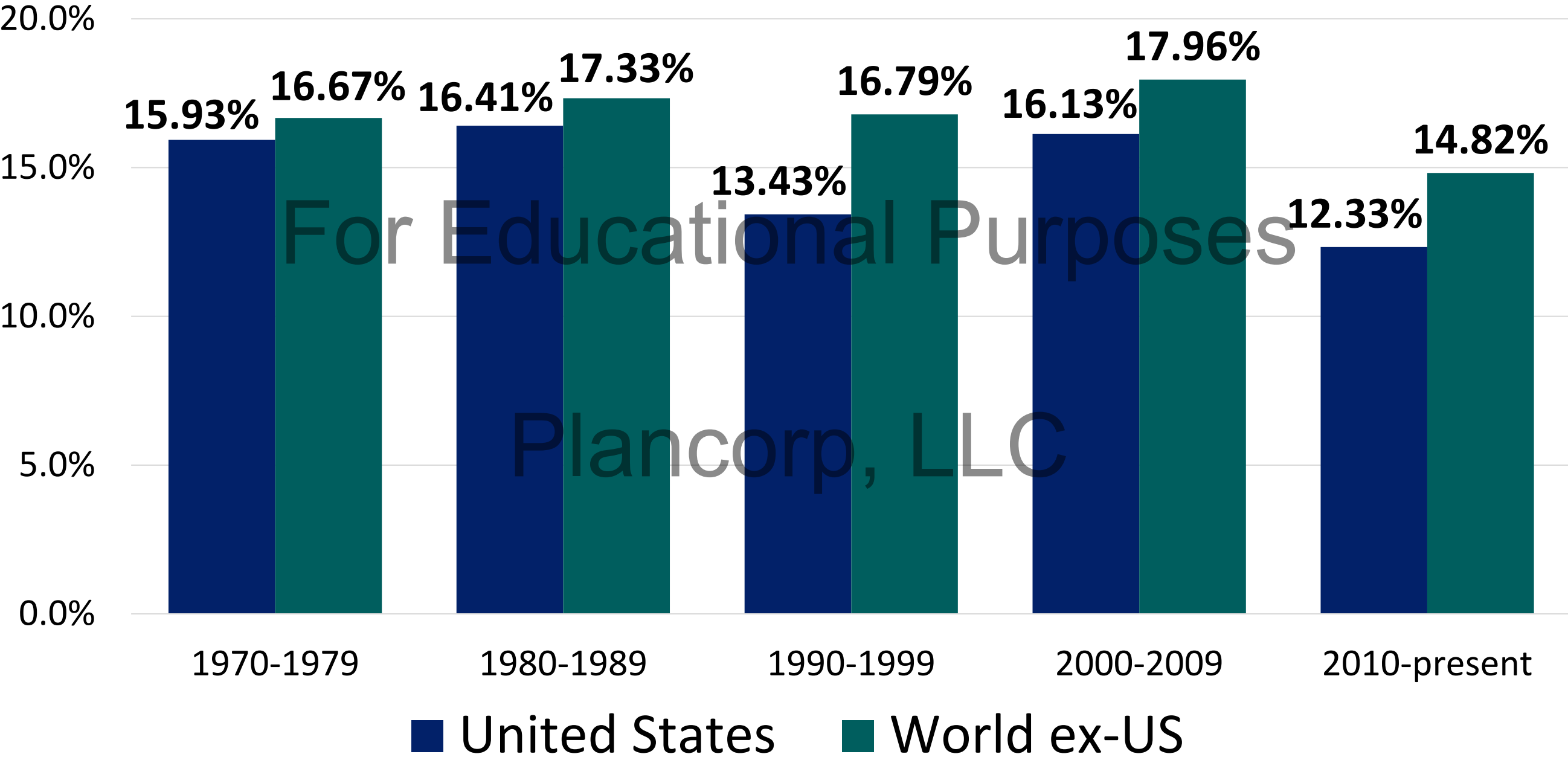


US vs. World: Annualized Return by Decade



Source: Data from Returns 2.0. U.S. Stocks represented by CRSP 1-10 Total Stock Market. World Stocks represented by MSCI World ex-U.S. Index. Data through 5/31/2018.

US vs. World: Annualized Standard Deviation



Source: Data from Returns 2.0. U.S. Stocks represented by CRSP 1-10 Total Stock Market. World Stocks represented by MSCI World ex-U.S. Index. Data through 5/31/2018.

Average Monthly Return in US Down Market

Annualized Total Return and Standard Deviation (1970-2017)

	United States	World ex-US	Diversified Portfolio
Annualized Return	10.63%		
Standard Deviation	Plancorp, LLC		

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Average Monthly Return in US Down Market

Annualized Total Return and Standard Deviation (1970-2017)

	United States	World ex-US	Diversified Portfolio
Annualized Return	10.63%		
Standard Deviation	15.50%		

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Average Monthly Return in US Down Market

Annualized Total Return and Standard Deviation (1970-2017)

	United States	World ex-US	Diversified Portfolio
Annualized Return	10.63%	9.03%	
Standard Deviation	15.50%	16.84%	

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Average Monthly Return in US Down Market

Annualized Total Return and Standard Deviation (1970-2017)

	United States	World ex-US	Diversified Portfolio
Annualized Return	10.63%	9.03%	10.35%
Standard Deviation	15.50%	16.84%	14.67%

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Average Monthly Return in US Down Market

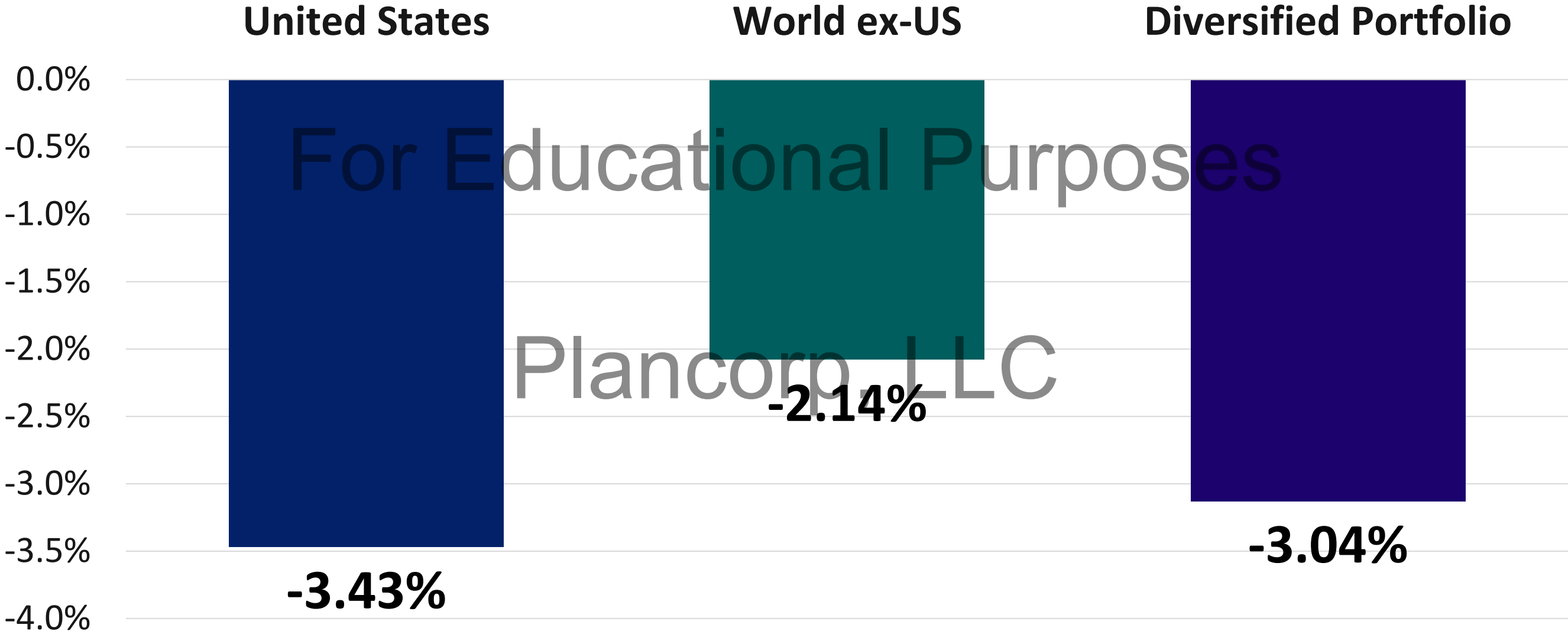
Annualized Total Return and Standard Deviation (1970-present)

	United States	World ex-US	Diversified Portfolio
Annualized Return	10.63%	9.03%	10.35%
Standard Deviation	15.50%	16.84%	14.67%
Sharpe Ratio	0.56	0.42	0.57

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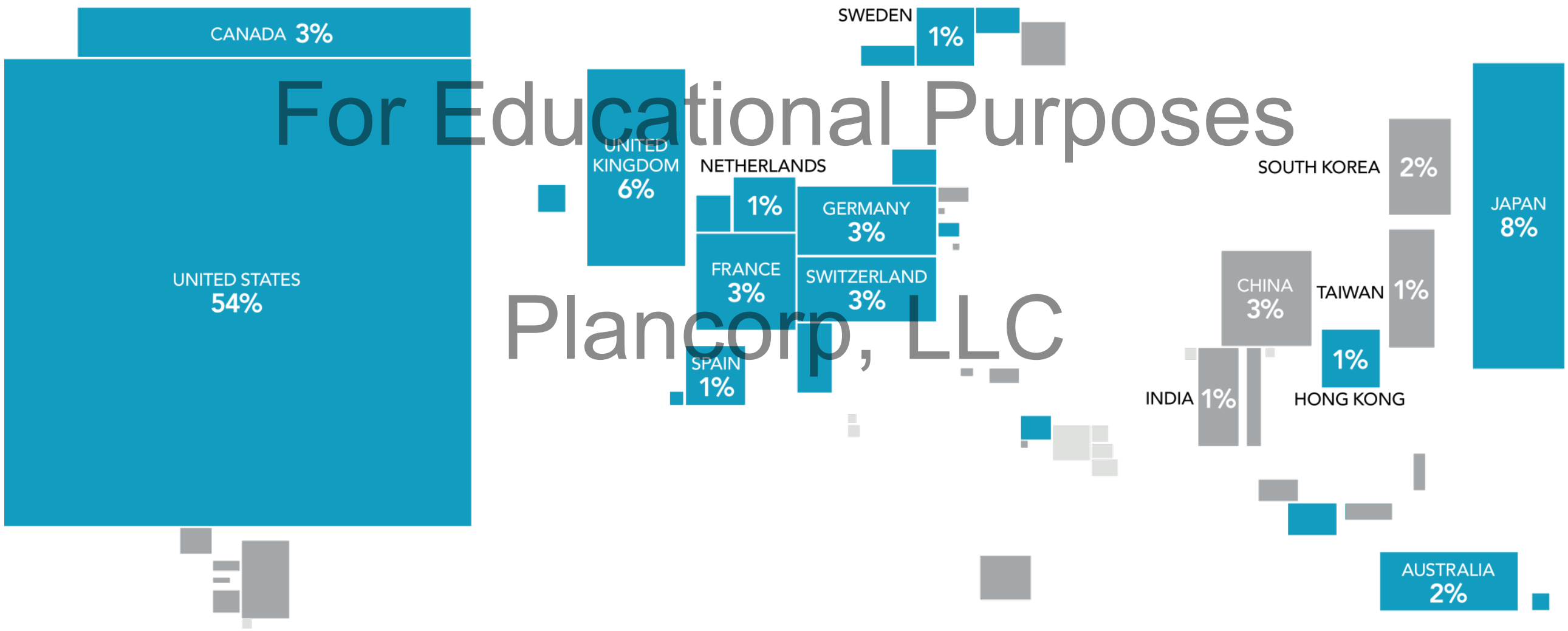
Average Monthly Return in US Down Market



Source: Data from Returns 2.0. U.S. Stocks represented by CRSP 1-10 Total Stock Market. World Stocks represented by MSCI World ex-U.S. Index. Data through 12/31/2017.

Global Diversification vs Home Bias

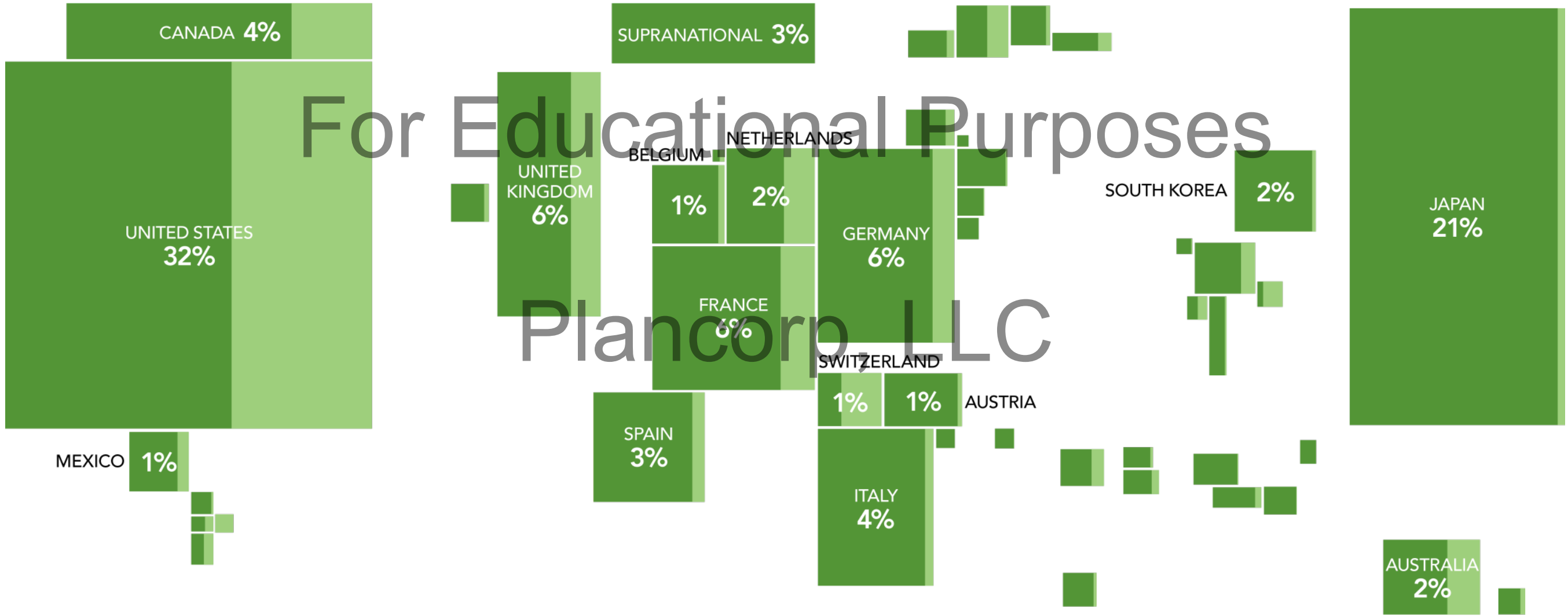
■ DEVELOPED MARKETS ■ EMERGING MARKETS ■ FRONTIER MARKETS



Source: Dimensional Fund Advisors. Data provided by Bloomberg. Market cap data is free-float adjusted and meets minimum liquidity and listing requirements. Many nations not displayed. Totals may not equal 100% due to rounding. For educational purposes; should not be used as investment advice. China market capitalization excludes A-shares, which are generally only available to mainland China investors.

A World of Opportunity in Fixed Income

■ GOVERNMENT ■ CORPORATE

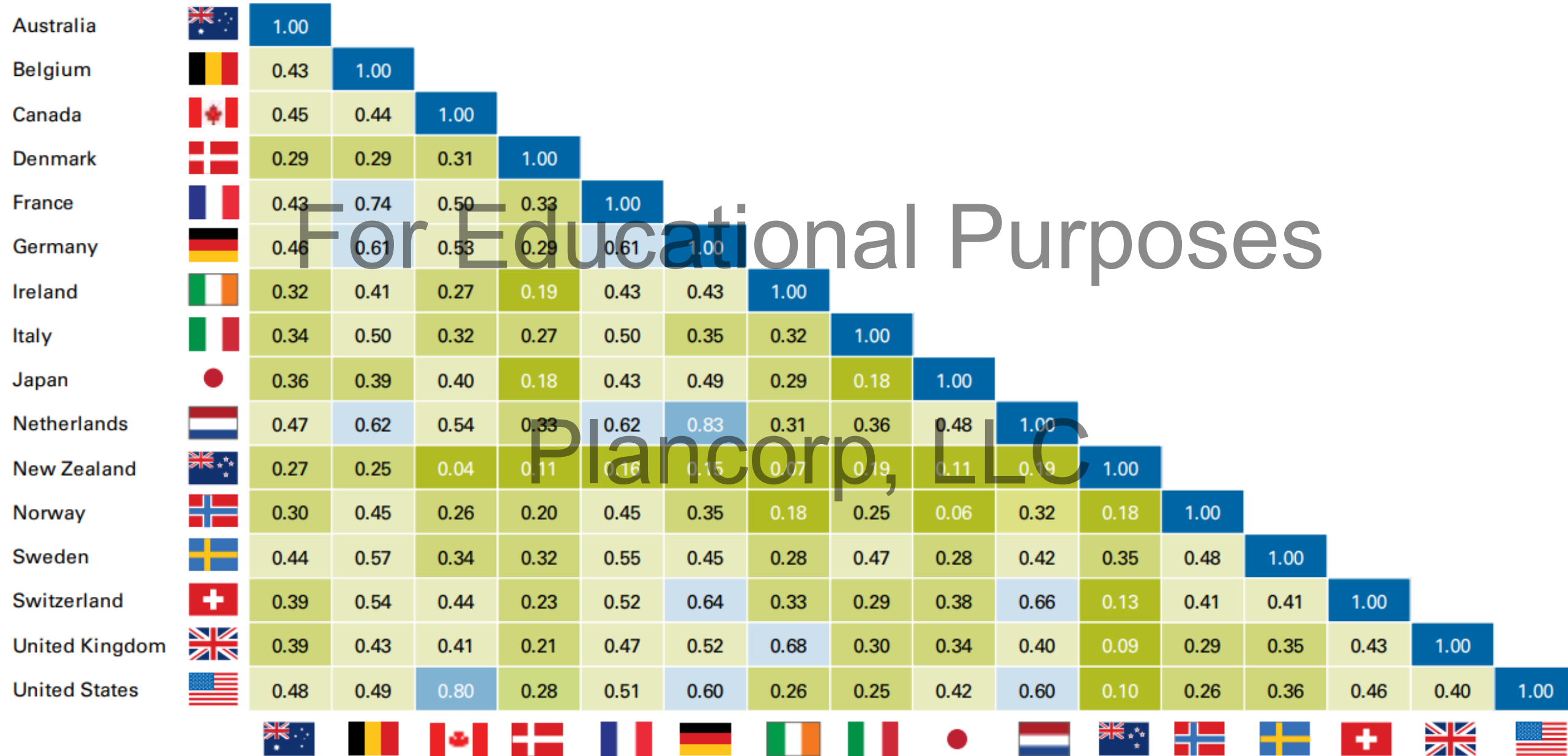


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Source: Dimensional Fund Advisors. Data is from Bloomberg Barclays Global Aggregate Ex-Securitized Bond Index. Index excludes non-investment grade securities, bonds with less than one year to maturity, tax-exempt municipal securities, inflation-linked bonds, floating rate issues, and securitized bonds. Many nations not displayed. Totals may not equal 100% due to rounding. For educational purposes; should not be used as investment advice. Data provided by Bloomberg.

Interest Rate Diversification of a Global Bond Allocation



Source: Vanguard, using data from International Monetary Fund. Data covers January 1, 1970 to June 30, 2017. Each cell displays the average correlation of quarterly changes in the long-term government bond yield of one country relative to the yield of each other country. The cells are shaded according to the magnitude of the correlation. The countries shown reflect the largest government bond markets of developed countries with monthly historical yield data available since 1970.

Global Bonds Reduce Volatility

US Bonds vs Global Bonds (1990-2017)

	US Bonds	Global Bonds
Annualized Return	6.03%	6.03%
Standard Deviation	3.60%	2.99%
Reduction in Volatility		20.40%

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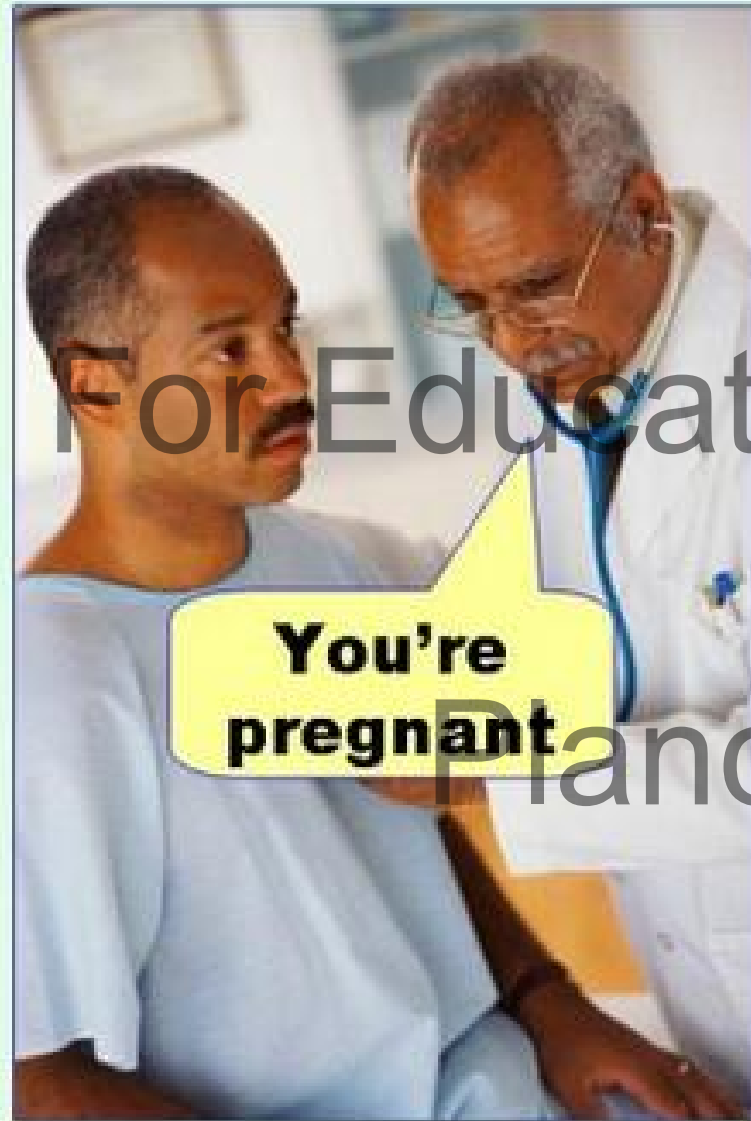
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Source: Data from Returns 2.0. U.S. Bonds represented by Barclays Aggregate Bond Index. Global Bonds represented by the currency hedged Barclays Global Aggregate Bond Index

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To Add Or Not To Add?

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Type I error
(false positive)



Type II error
(false negative)

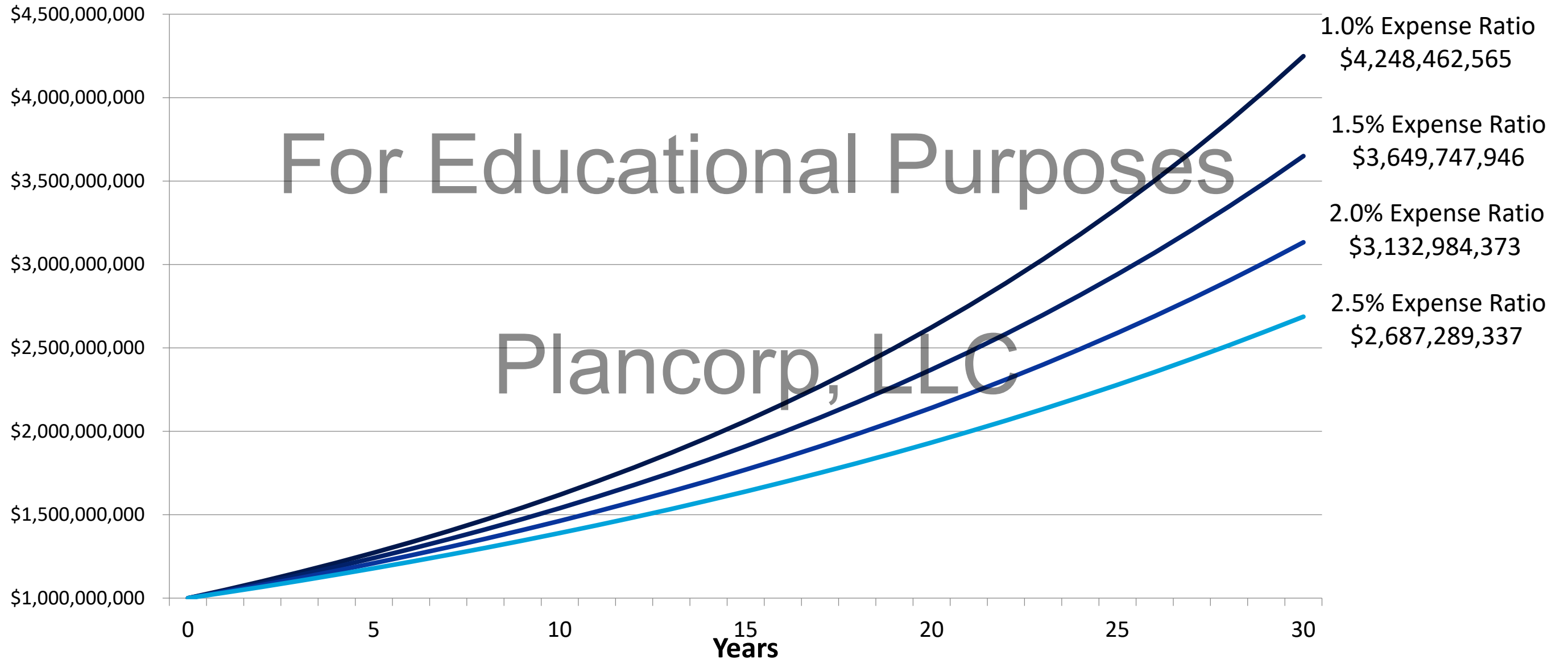


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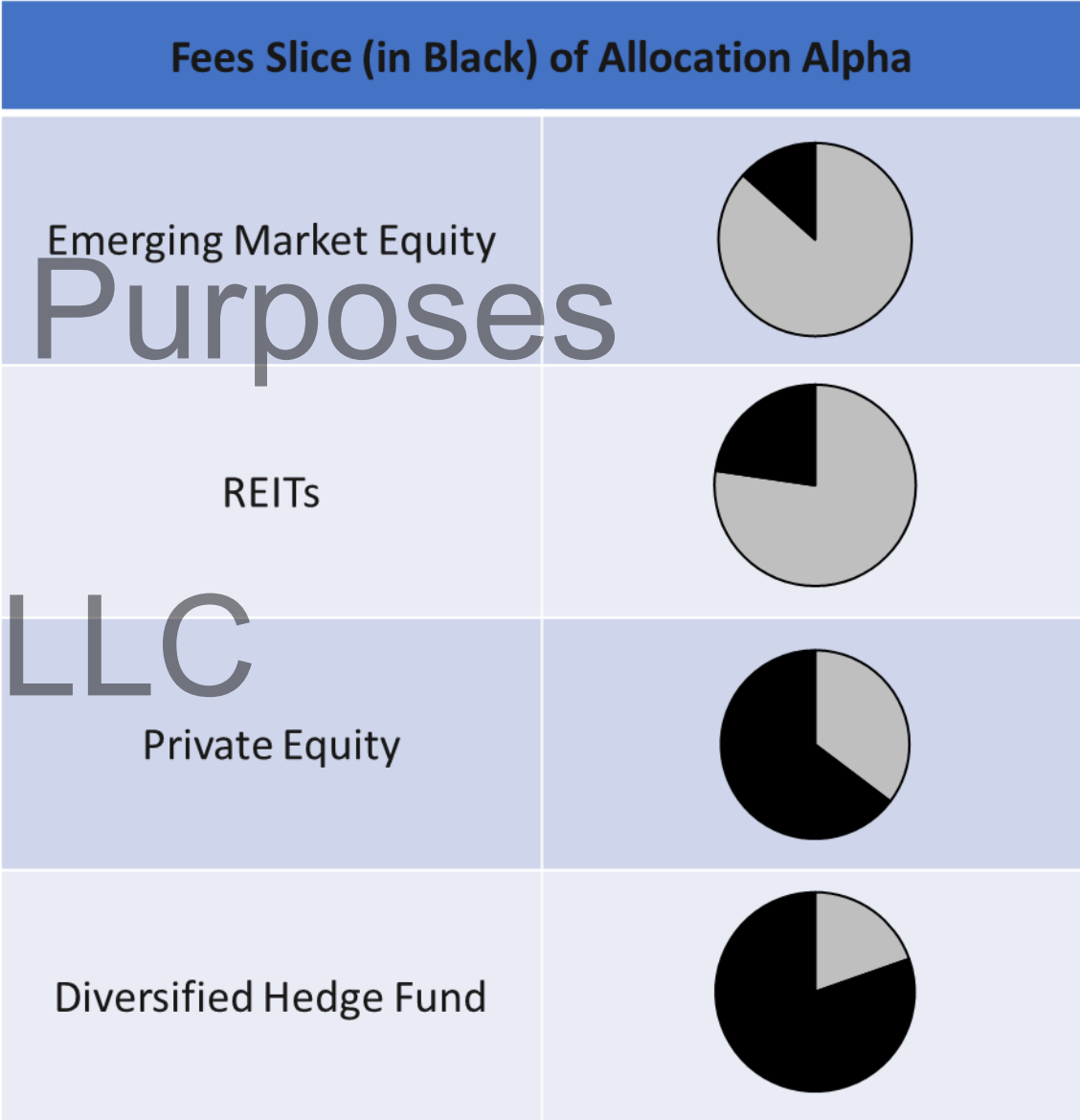
Fees Matter

Impact of Expense Ratio on 6% Annualized Return Over 30 Years

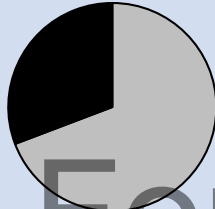
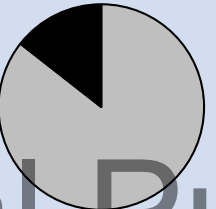
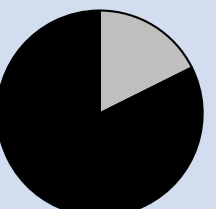
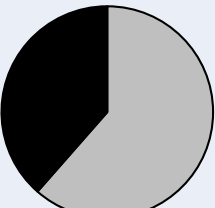
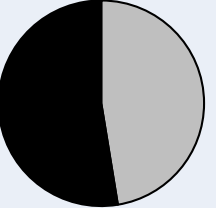
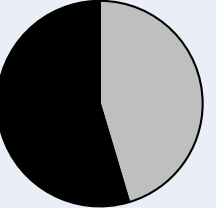
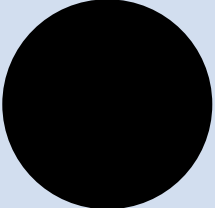
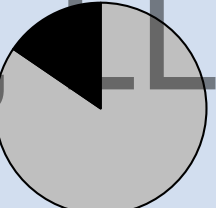
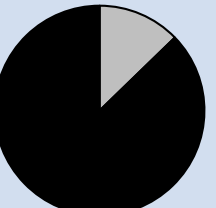
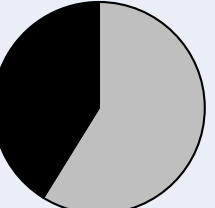
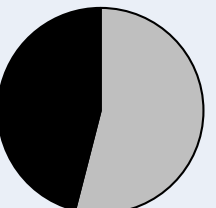
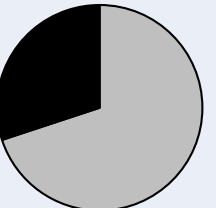


Share of Allocation Benefits Absorbed By Costs

- Fees eat up a significant portion of the diversification benefit.
- Fees consuming more than 50% of the benefit make it difficult to justify inclusion in a portfolio.
- Only 22 of the 45 major asset classes have a positive allocation alpha and fees that are below 50% of the alpha.



Share of Allocation Benefits Absorbed By Costs

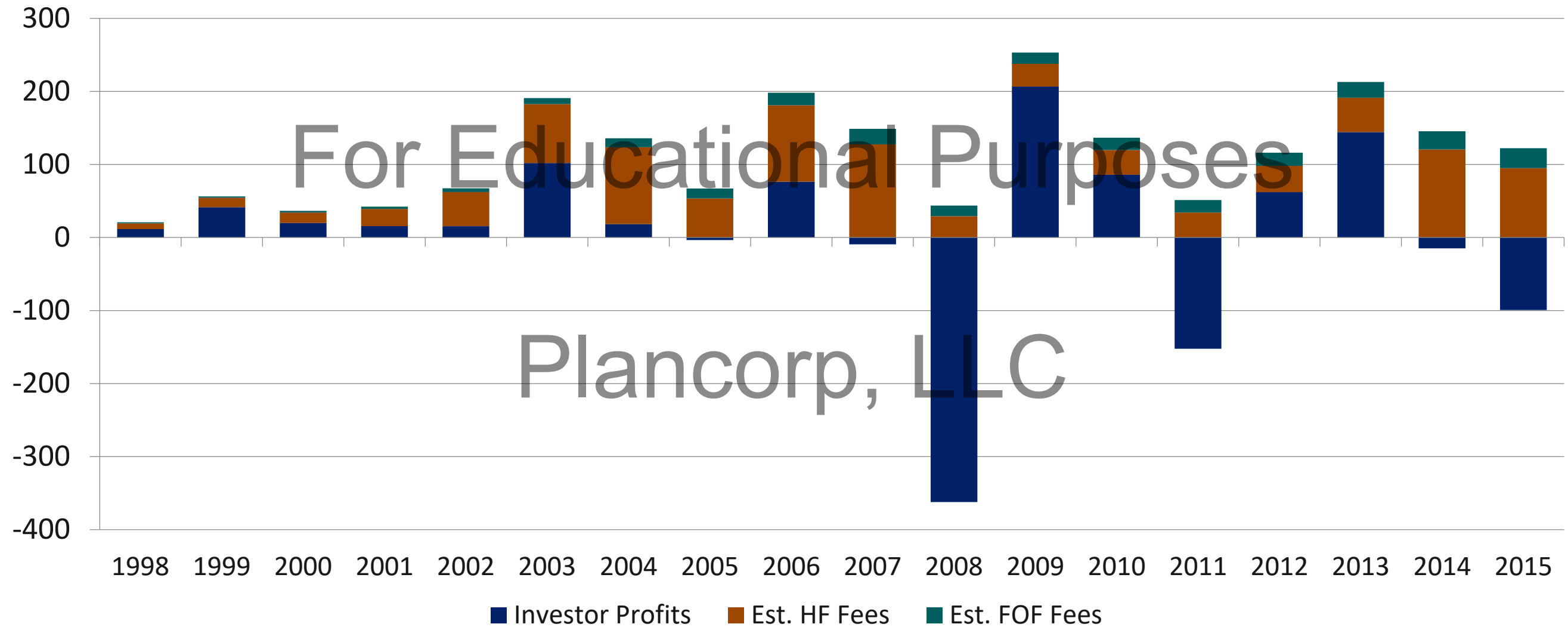
Fees Slice (in Black) of Allocation Alpha		Fees Slice (in Black) of Allocation Alpha		Fees Slice (in Black) of Allocation Alpha	
U.S. TIPS		Emerging Market Equity		Private Equity	
U.S. High Yield		REITs		Diversified Hedge Funds	
Emerging Market Government Bonds		Real Estate		Event-Driven Hedge Funds	
U.S. Small Cap		Global Bonds		Macro Hedge Funds	

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Hedge Funds: What Are They Good For?

Investors' Real Profits vs Estimated Hedge Fund and Fund-of-Fund Fees in Billions of \$



Creator of “The Endowment Model” on Alternatives...

“Talking heads prattle about the attractions of alternative asset classes. Wall Street pushes vehicles that allow investors to access inefficient markets. Investors require unusual self-confidence to ignore the widely hyped non-core investments and to embrace the quietly effective core investments.”

- David Swenson, Unconventional Success

The State of Endowment Investing

- NACUBO-Commonfund Study of Endowments (NCSE)
- 805 US Endowments
- Average Size = \$649.9 million
- Average Allocation to Alternatives = 53%

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Institutions & Benchmarks	1 Year	3 Years	5 Years	10 Years
Average	-1.9%	5.2%	5.4%	5.0%
Top 25%	-0.7%	6.1%	6.2%	5.6%
US Stocks	2.1%	11.1%	11.6%	7.4%
International Stocks	-9.8%	1.9%	1.2%	1.6%
Bonds	6.0%	4.1%	3.8%	5.1%
Blended 60/40	1.5%	6.6%	6.6%	5.4%

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The State of Endowment Investing

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Who Should Be Using The Endowment Model?

“If I didn’t have a team like I have here scouring the world doing 800 meetings a year, looking for the best talent, I would index most of it...I would argue there might only be 50 or 60 investors in the world who really can do this model well.”

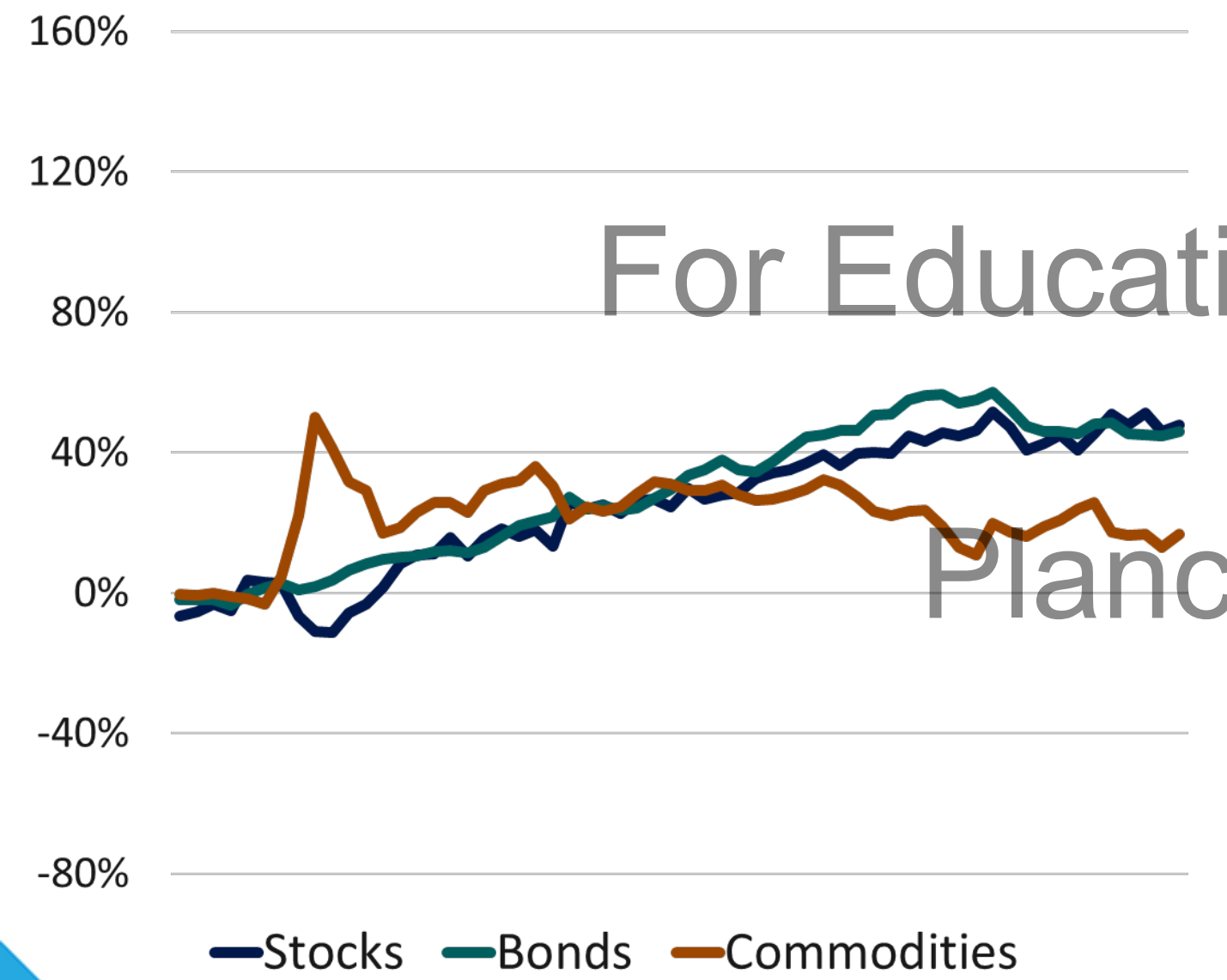
- Scott Malpass, CIO Notre Dame University

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Let's Play a Game

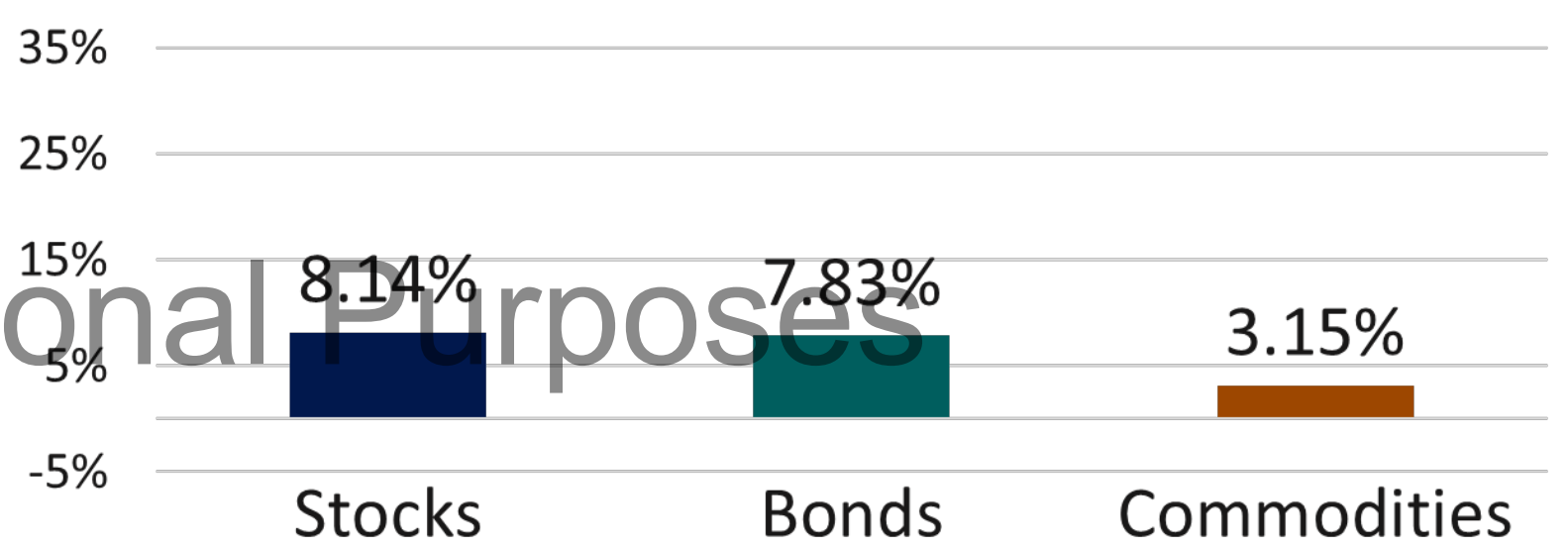
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Round 1: Equity Valuations Are a Bit Rich, Inflation Subdued, and Yields High

Most Recent 5-Year Cumulative Performance



Most Recent 5-Year Annualized Performance

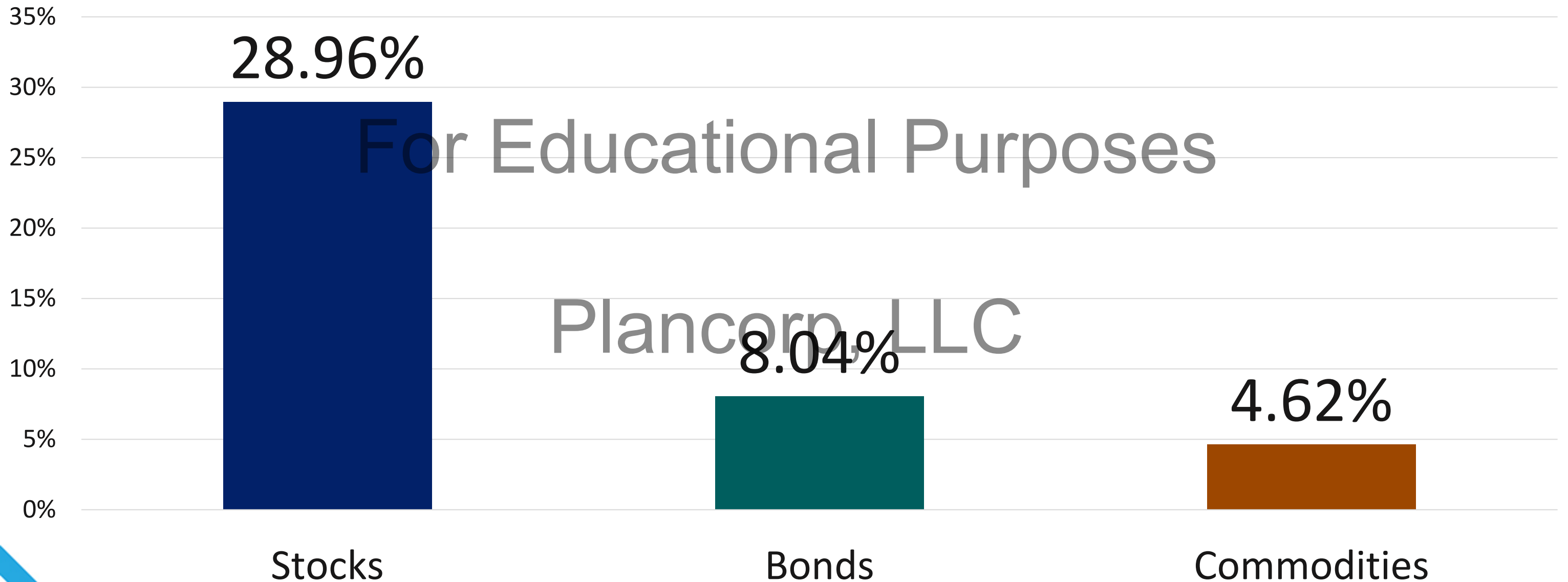


Valuation Data			
	1 Yr P/E	10-Yr Treasury Yield	CPI YoY
Current	16.8	7.8%	2.7%
Historical Avg	13.8	4.9%	4.3%

Source: Plancorp, Bloomberg, AQR. Equities represented by MSCI U.S. Total Return Index. Bonds represented by the U.S. 10-Year Treasury. Commodities represented by S&P GSCI Total Return Index

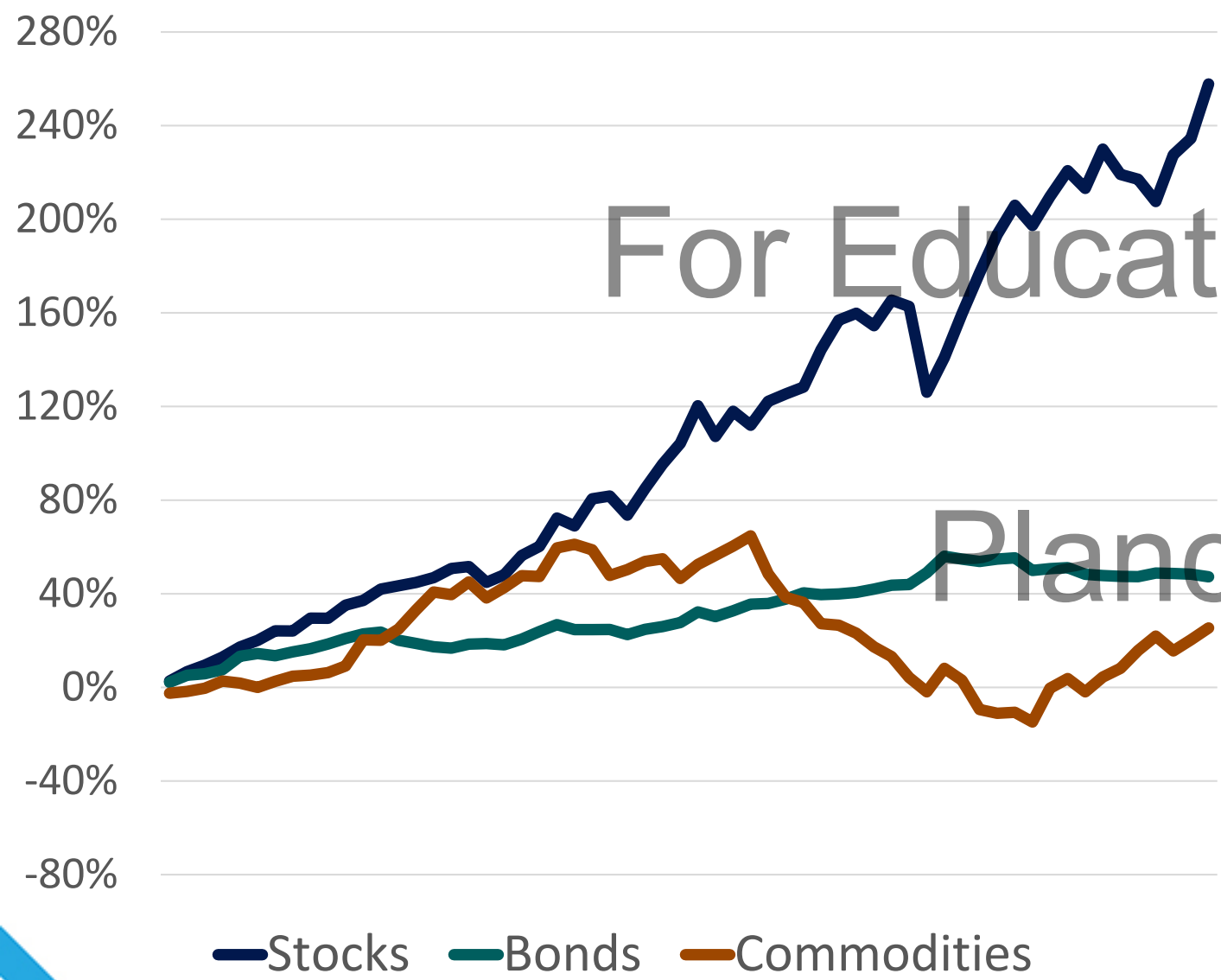
Round 1: Results

Following 5-Year Annualized Performance

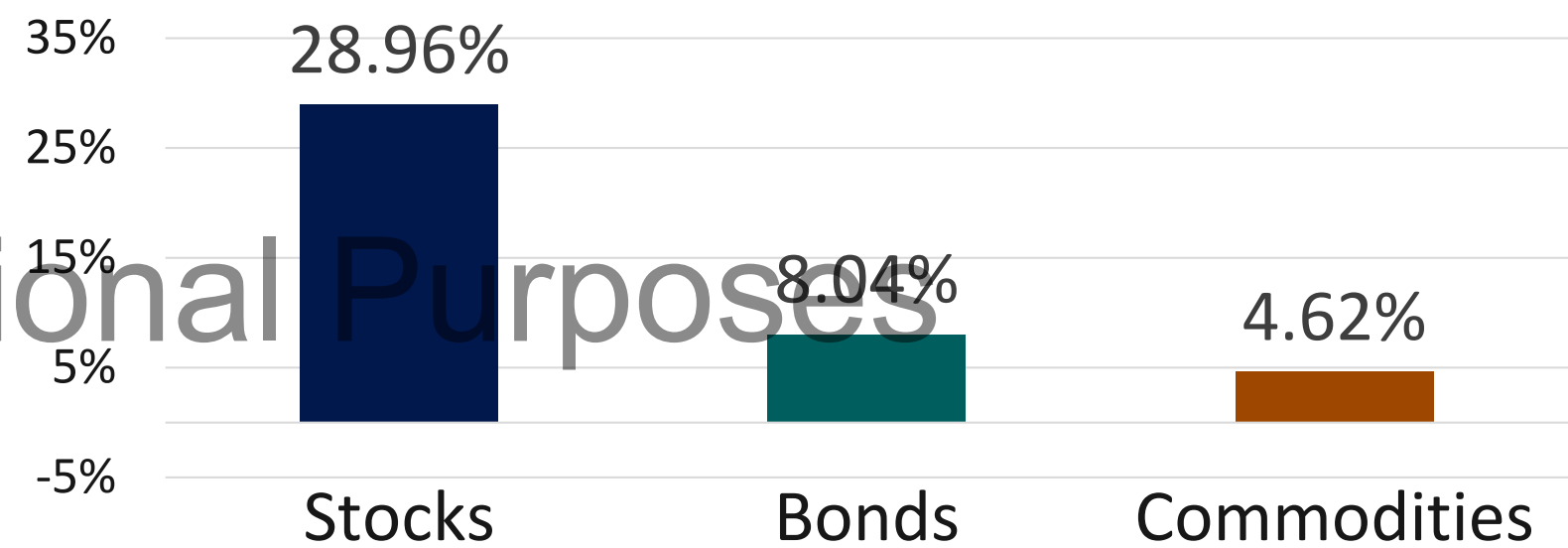


Round 2: Equities Expensive, Bonds Flat-Lining, and Inflation Modest

Most Recent 5-Year Cumulative Performance



Most Recent 5-Year Annualized Performance



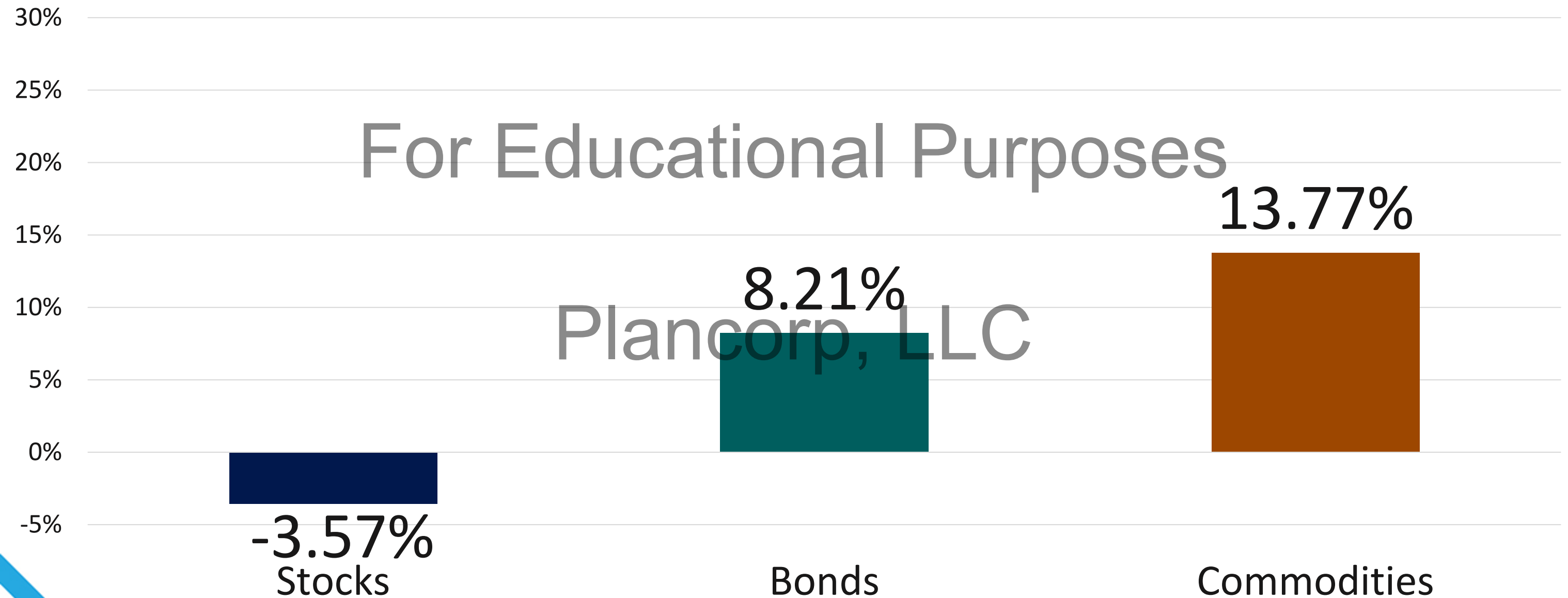
Valuation Data

	1 Yr P/E	10-Yr Treasury Yield	CPI YoY
Current	33.3	6.4%	2.7%
Historical Avg	13.8	4.9%	4.3%

Round 2: Results

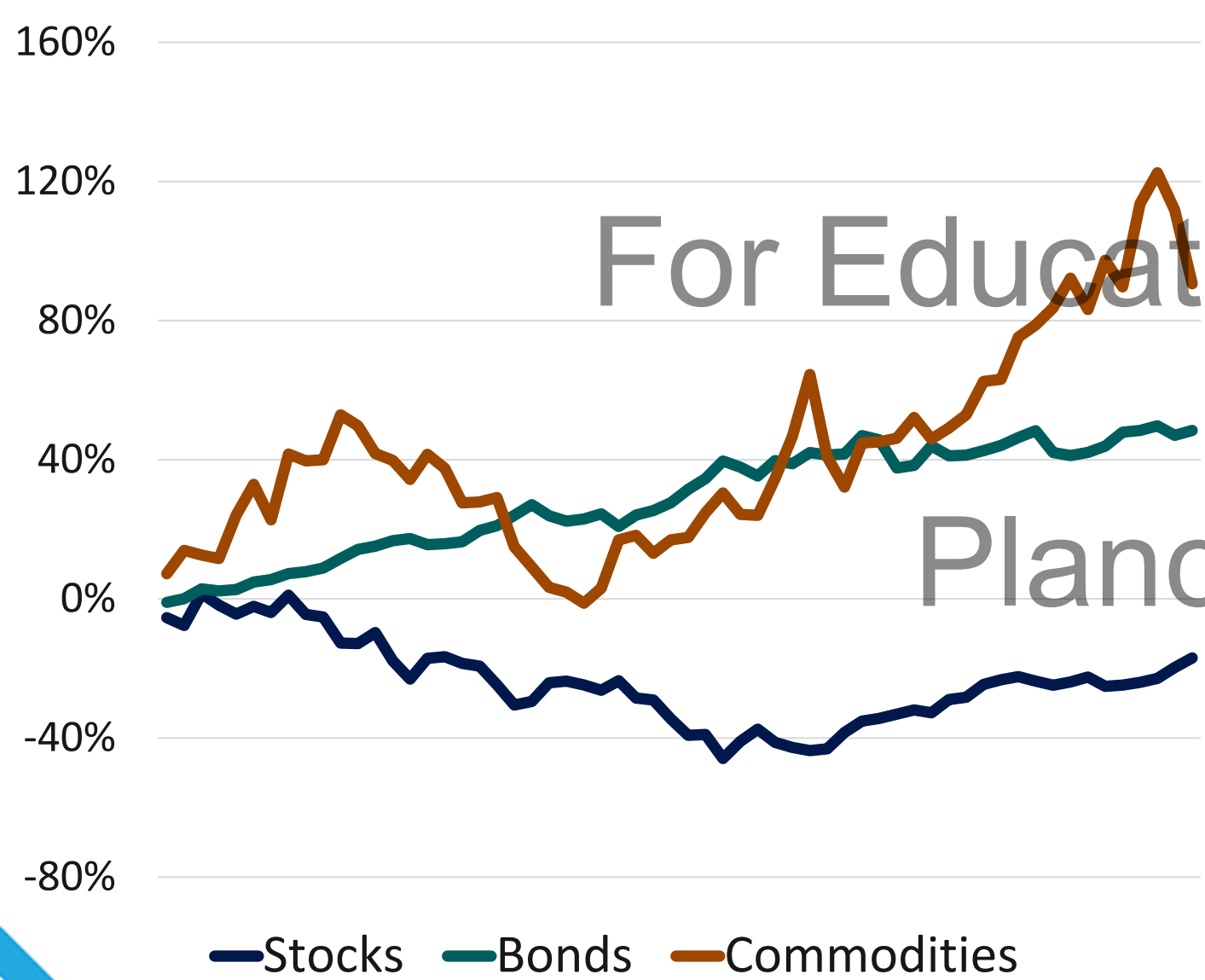
Following 5-Year Annualized Performance

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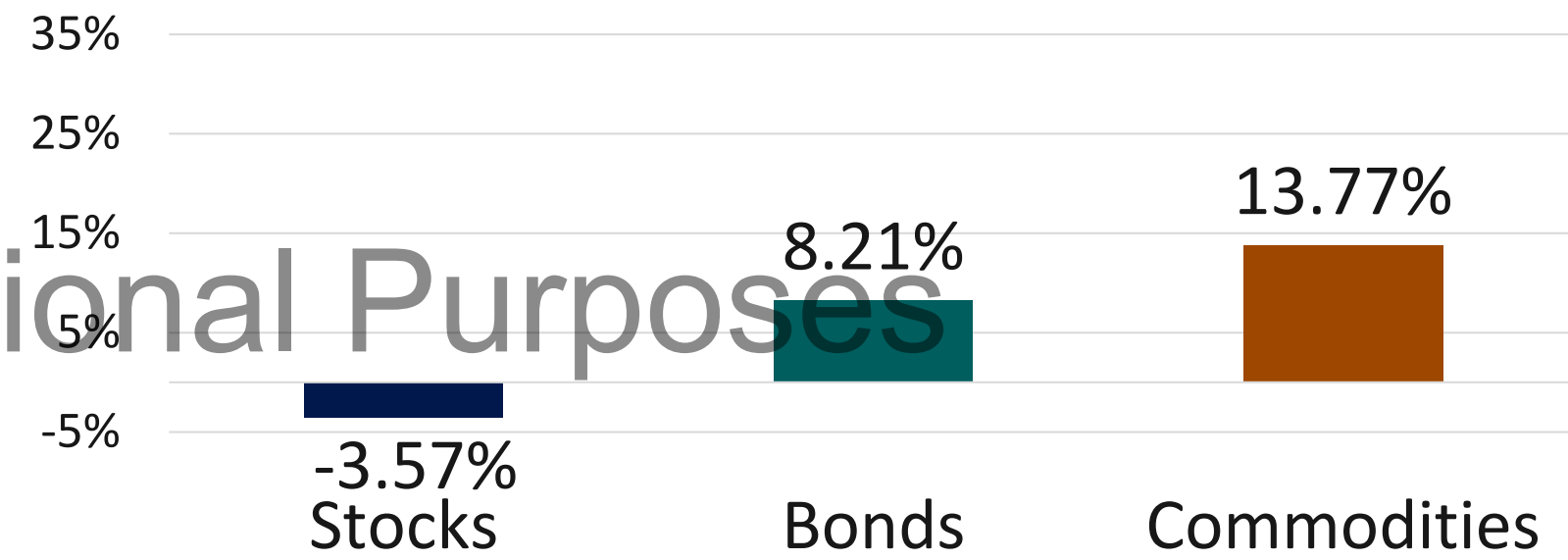


Round 3: Stocks Less Expensive This Time, Bond Yields Below Average

Most Recent 5-Year Cumulative Performance



Most Recent 5-Year Annualized Performance



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Valuation Data

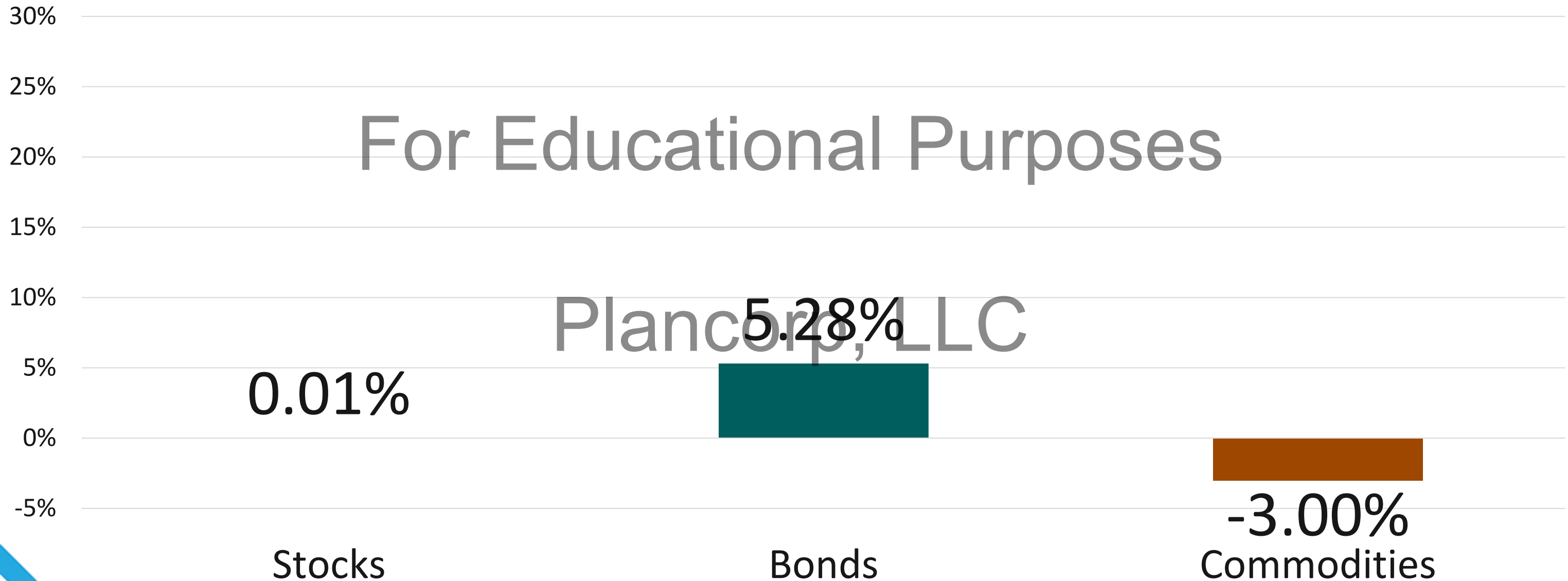
	1 Yr P/E	10-Yr Treasury Yield	CPI YoY
Current	20.9	4.2%	3.3%
Historical Avg	13.8	4.9%	4.3%

Source: Plancorp, Bloomberg, AQR. Equities represented by MSCI U.S. Total Return Index. Bonds represented by the U.S. 10-Year Treasury. Commodities represented by S&P GSCI Total Return Index

Round 3: Results

Following 5-Year Annualized Performance

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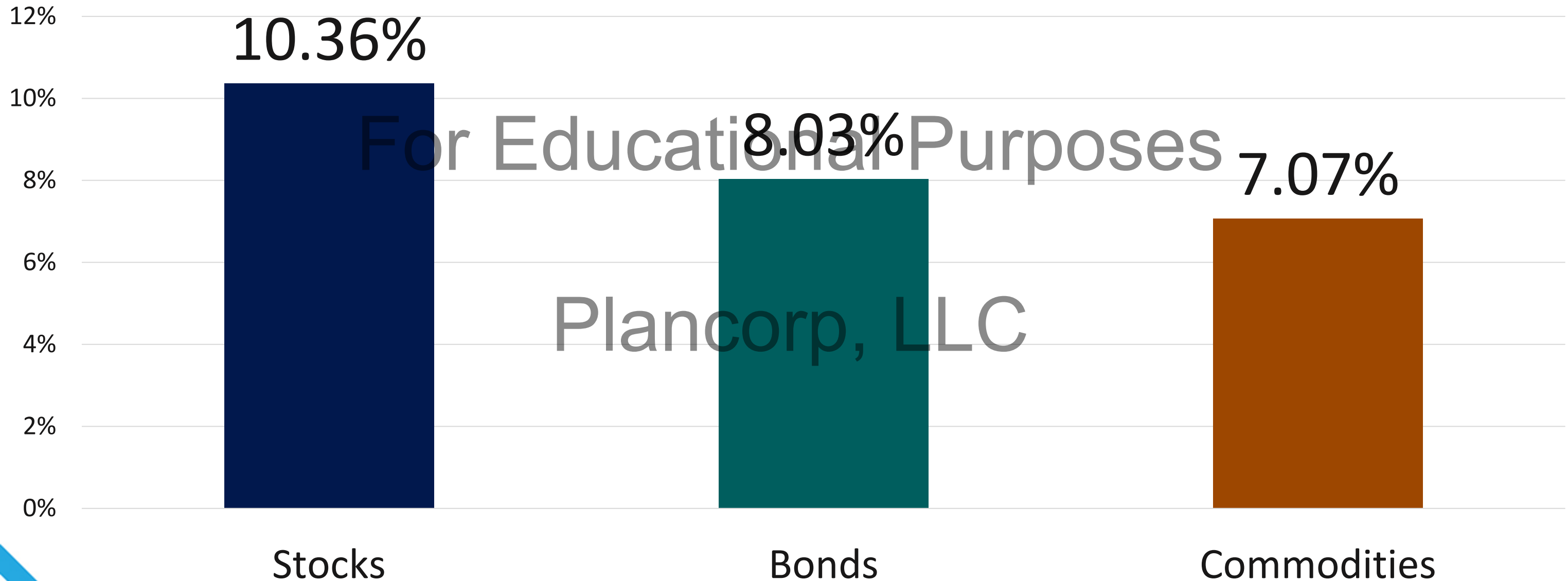
BONUS ROUND:

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How Many Companies are in the S&P 500?

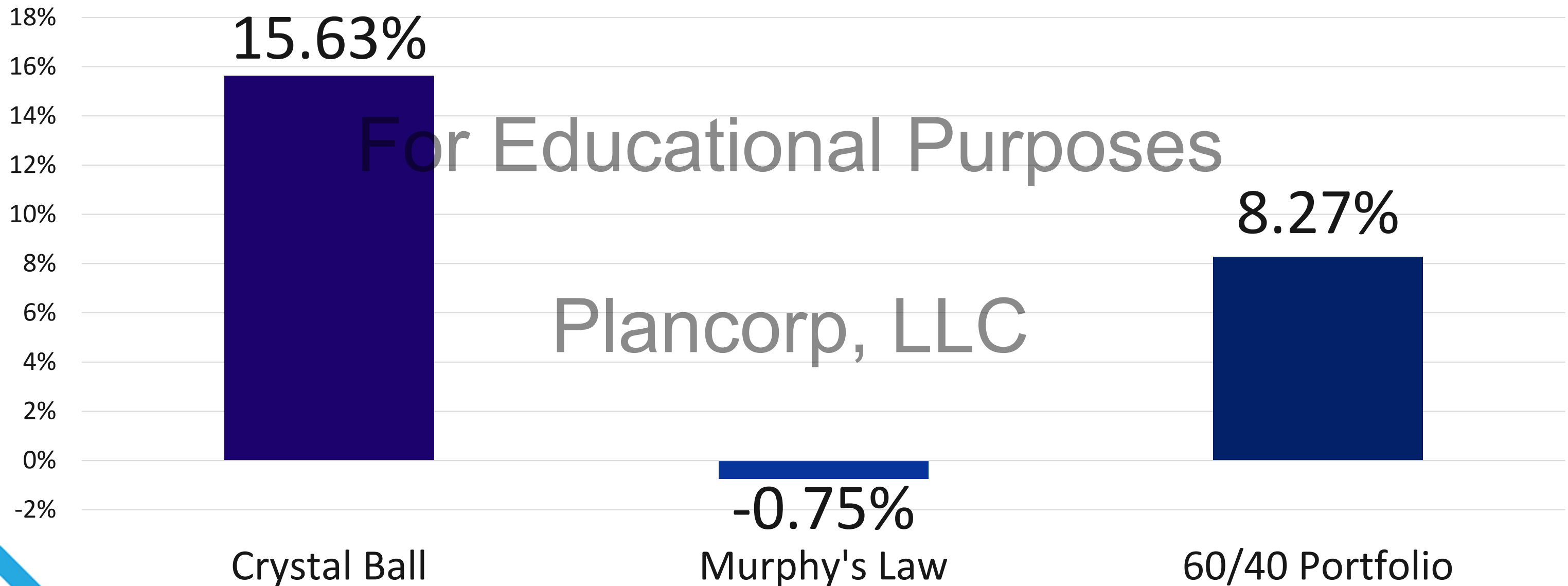
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Full Period: Asset Class Results

Lots of Up and Down, But Longer Period Has Been Good to Investors



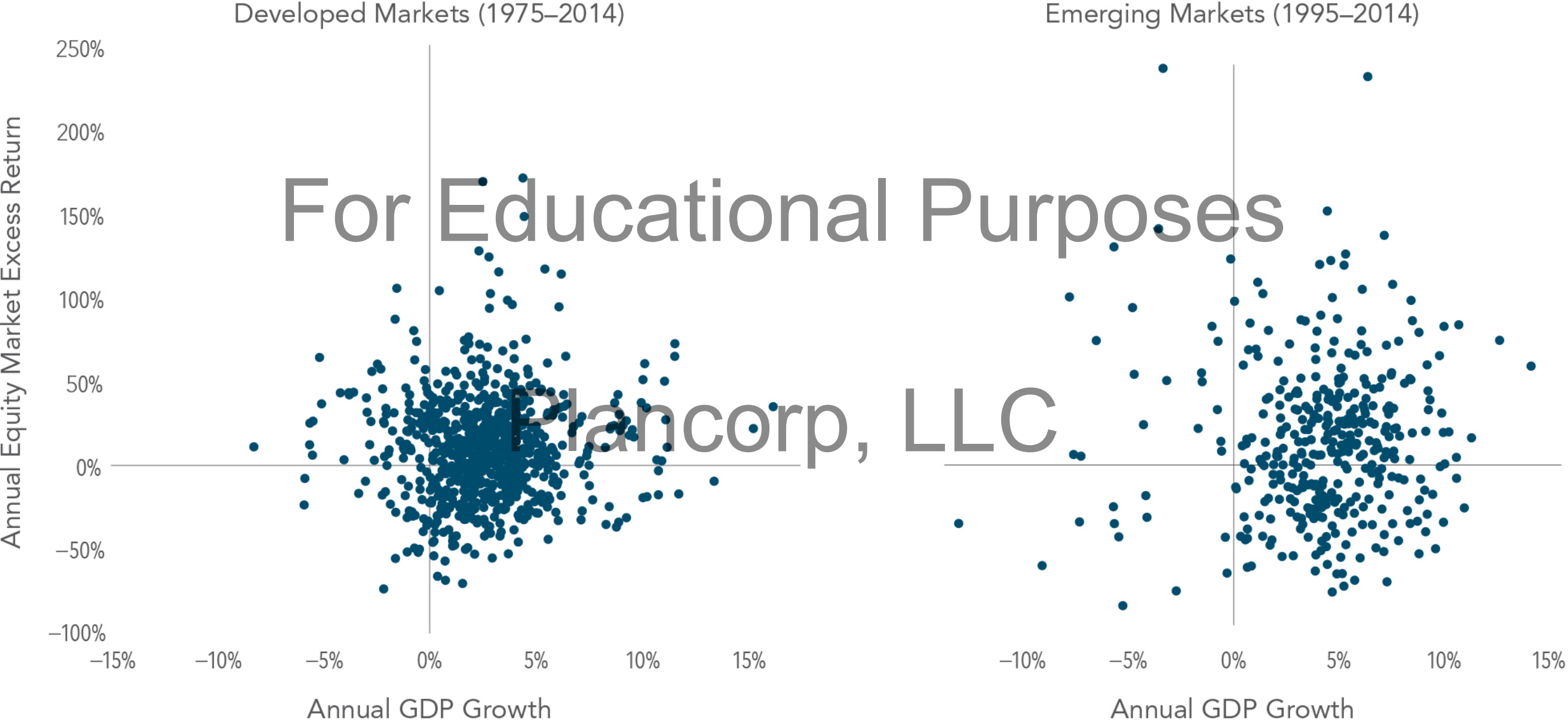
Full Period: Asset Class Results



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What Else Can Correlation Do?

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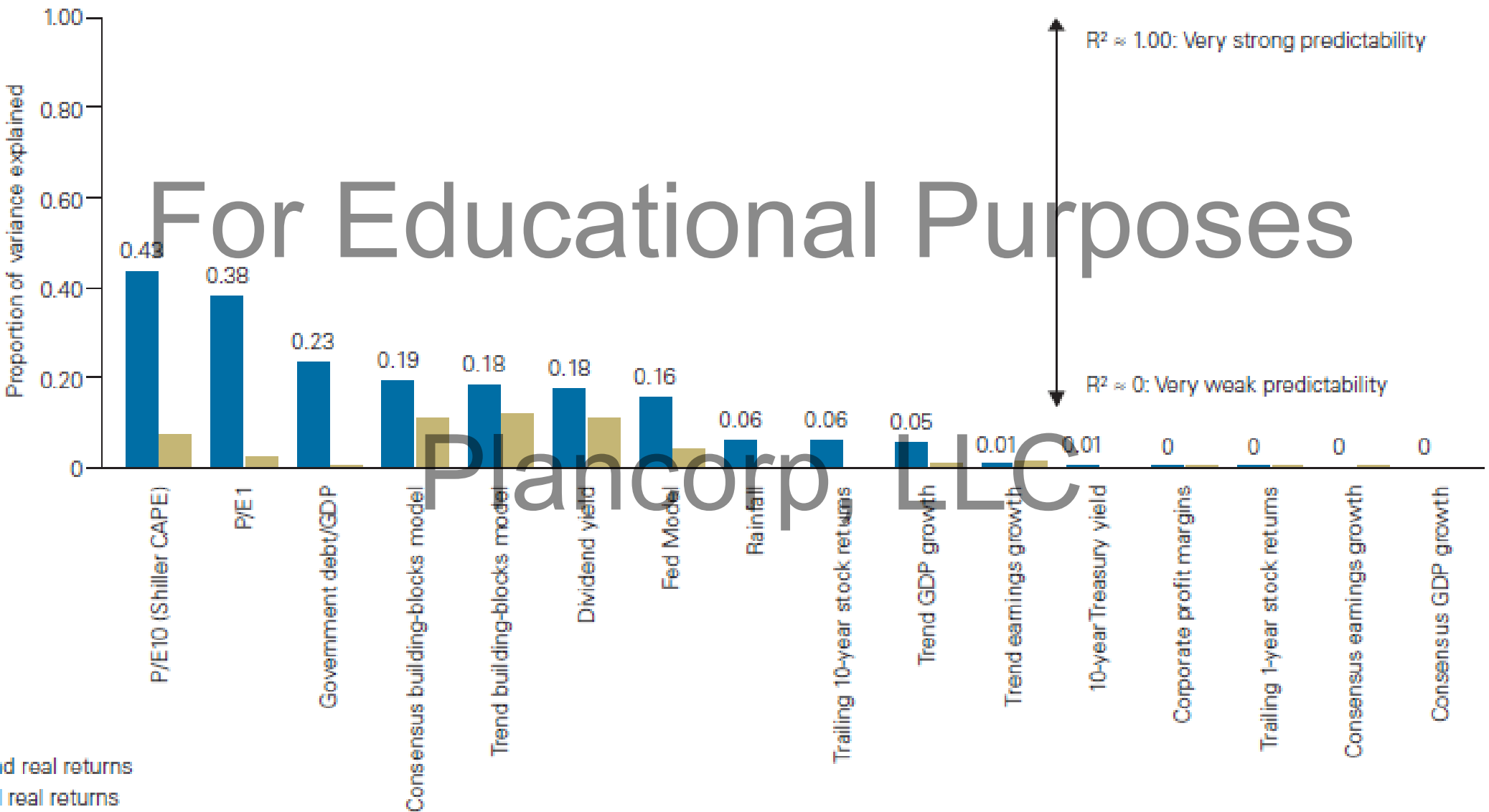
Correlation: What Predicts Future Returns?



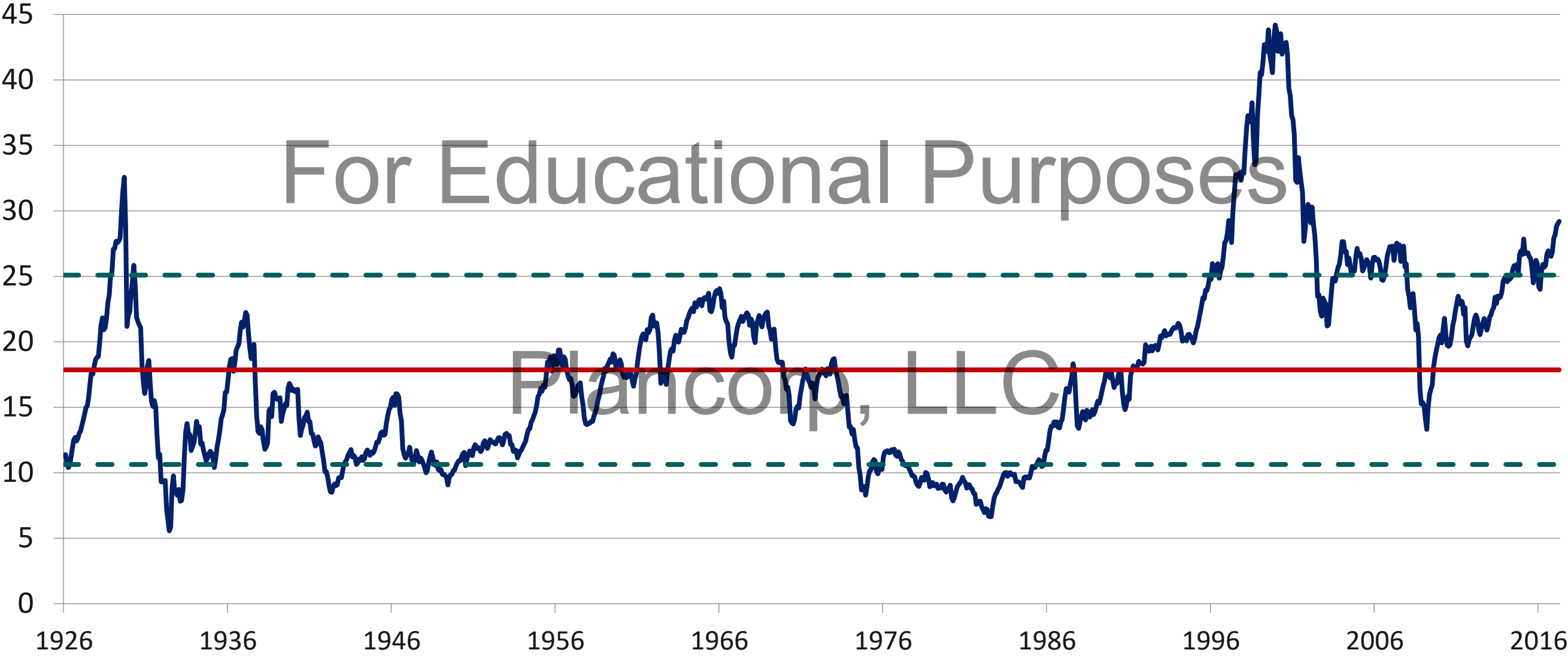
Source: Dimensional Fund Advisors, World Bank, MSCI, Morningstar. Shorter time periods shown for some countries due to data availability. Past performance is no guarantee of future results.

Correlation: What Predicts Future Returns?

Proportion of variance of future real stock returns that is explained by various metrics, 1926–2011



Valuation Relative to Historical Average



Valuation and Returns

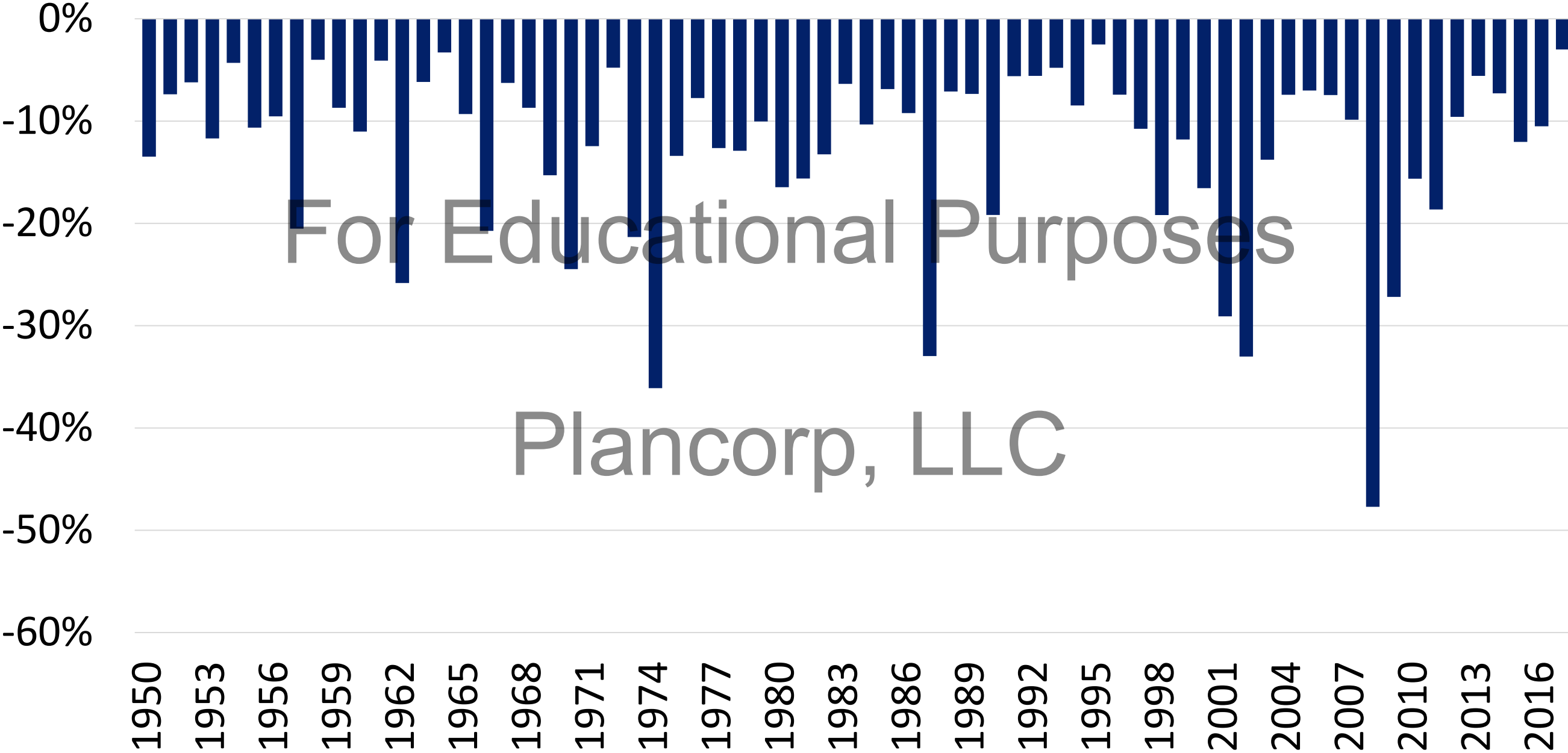
S&P 500 Returns Following CAPE Over 25 (1926-2017)

	1 Year	3 Years	5 Years	10 Years
Average	5.39%	0.38%	0.71%	4.02%
High	52.14%	29.69%	18.67%	9.28%
Low	-38.09	-42.35%	-17.36%	-4.95%

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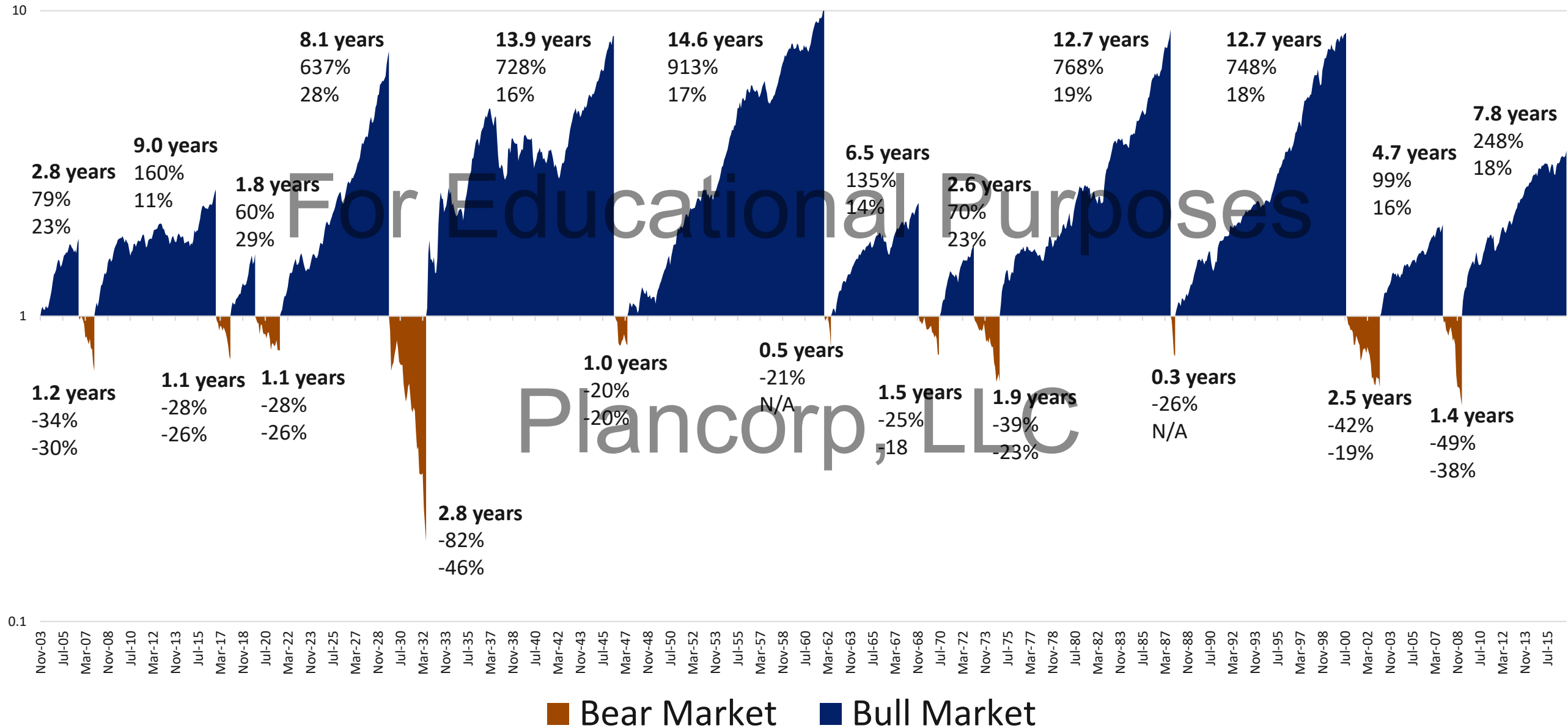
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S&P 500 Worst Drawdowns: 1950 - 2017



Source: Bloomberg, Returns 2.0

US Bull and Bear Markets: 1903 - 2016



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What Should Investors Do?

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Many of the Greatest Advancements in Finance Have Come From Academia

1952
Diversification and Portfolio Risk

HARRY MARKOWITZ
Nobel Prize in Economics, 1990

1966
Efficient Markets Hypothesis

EUGENE FAMA
Nobel Prize in Economics, 2013

1984
Term Structure of Interest Rates

EUGENE FAMA

2012
Profitability

ROBERT NOVY-MARX
EUGENE FAMA
KENNETH FRENCH

1964
Single-Factor Asset Pricing Risk/Return Model

WILLIAM SHARPE
Nobel Prize in Economics, 1990

1981
The Size Effect

ROLF BANZ

1992-1993
Value Effect and Multifactor Asset Pricing Model

EUGENE FAMA
KENNETH FRENCH

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How Much Does This Cow Weigh?



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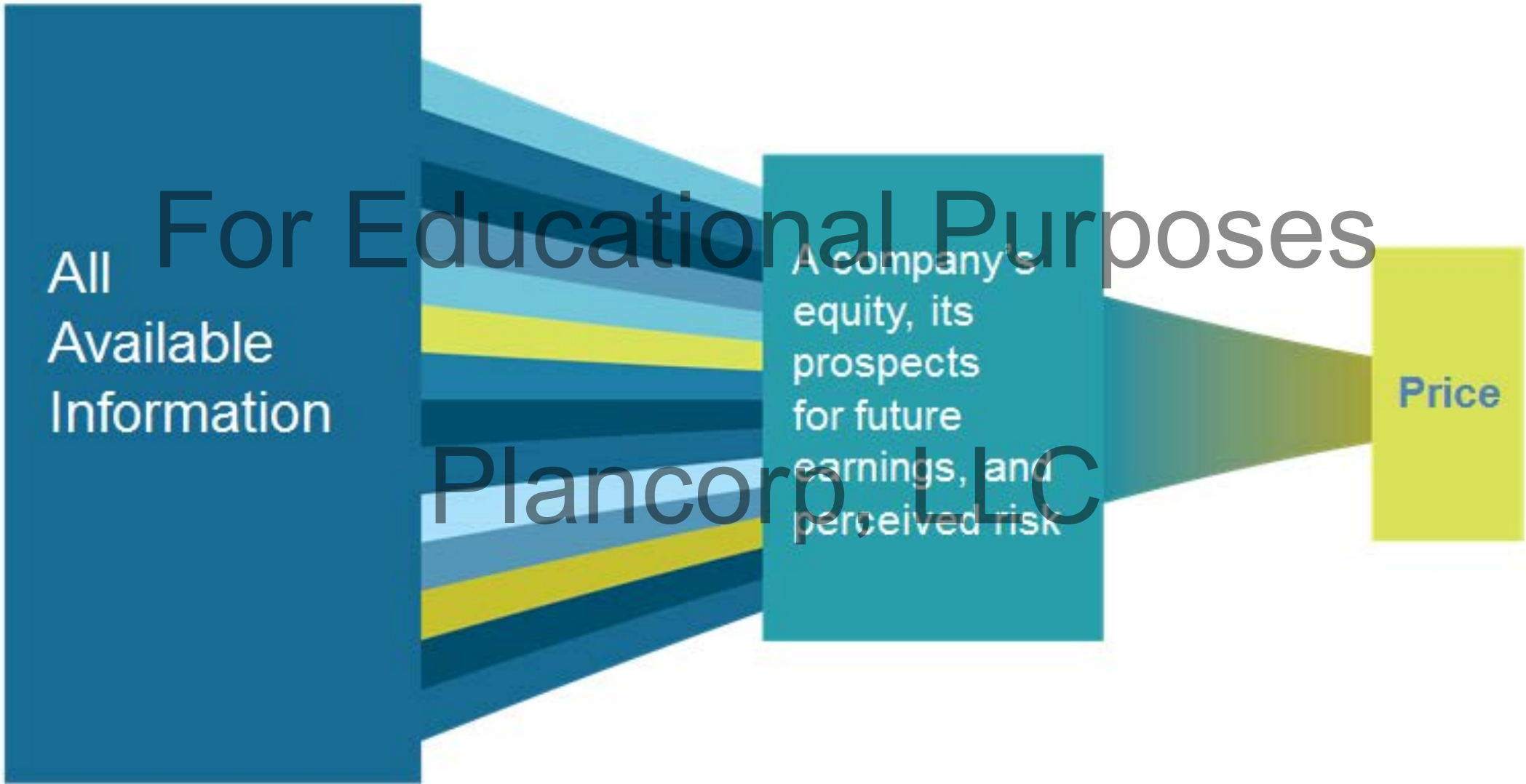
Markets Integrate Combined Knowledge of All Participants

World Equity Trading in 2017

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	Number of Trades	Daily Volume
Daily Average	76.5 million	\$441 billion

What Affects a Stock's Current Price?

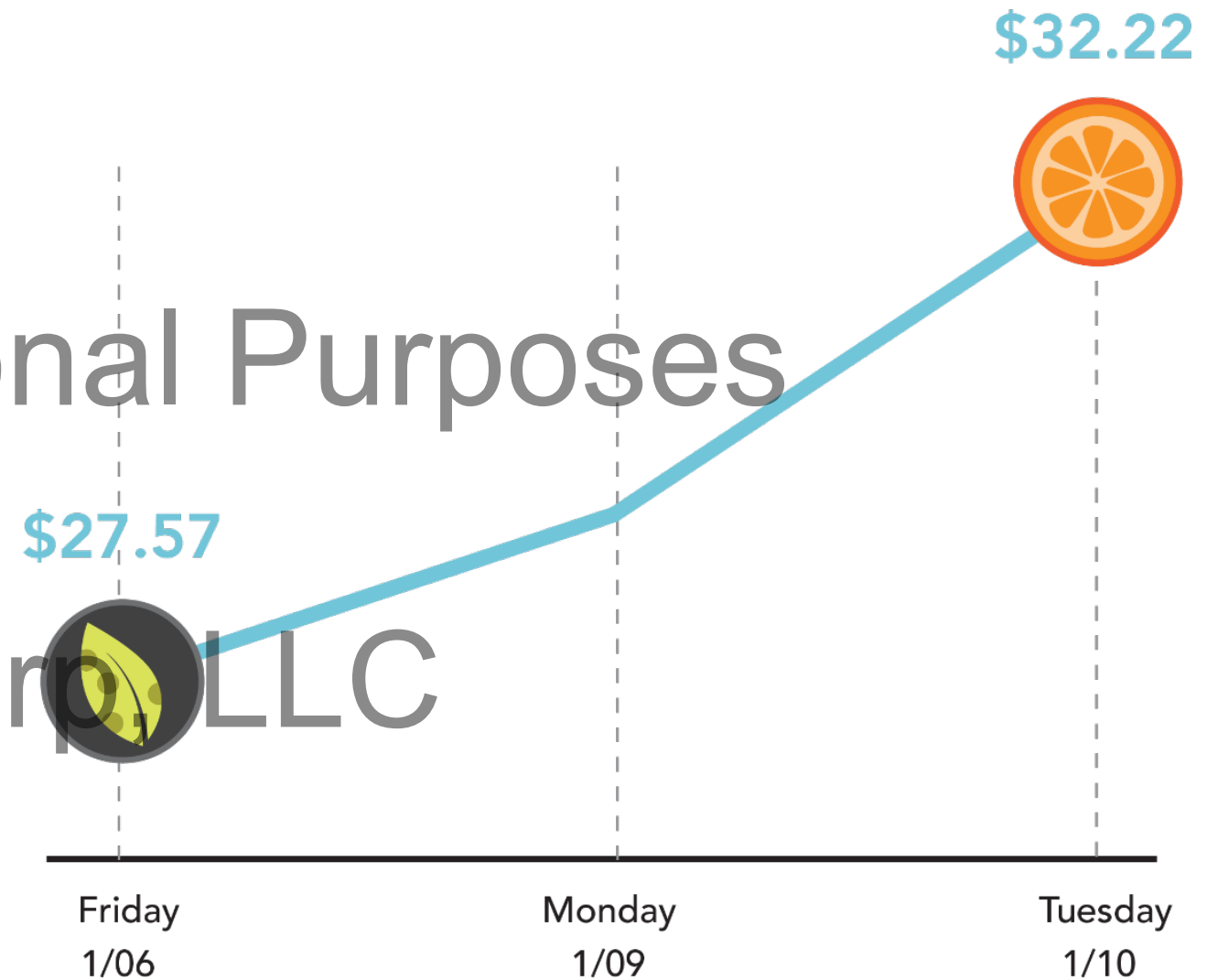


Markets React to Events

“Orange juice futures surge to record on fungicide fears”

– *Reuters*, January 10, 2012

Prices adjust when unexpected events alter the market’s view of the future.



Markets React to Events

“Heinz agrees to buyout by Berkshire Hathaway, 3G”

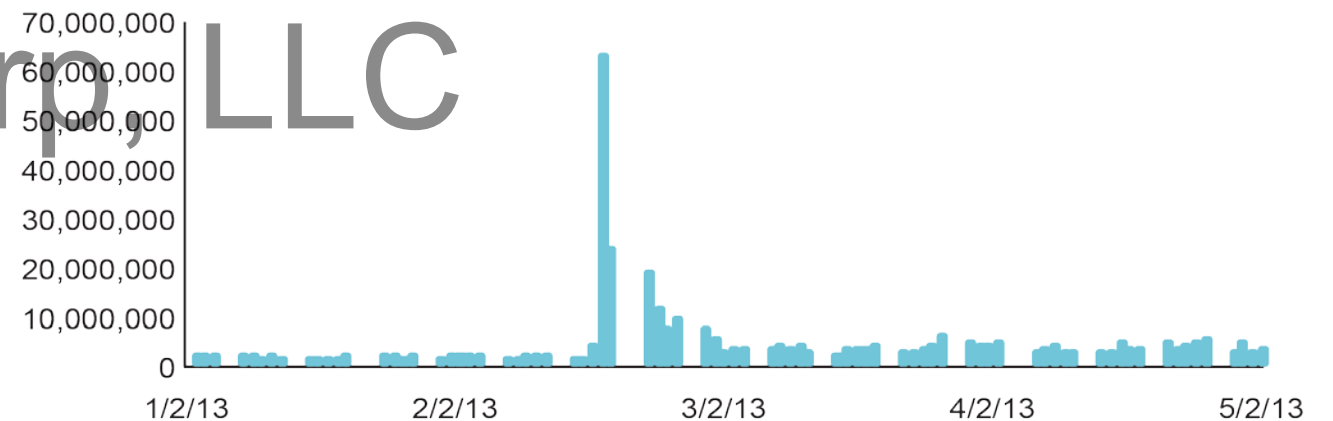
– *USA Today*, February 14, 2013

News travels quickly, and prices can adjust in an instant.

CLOSING PRICE



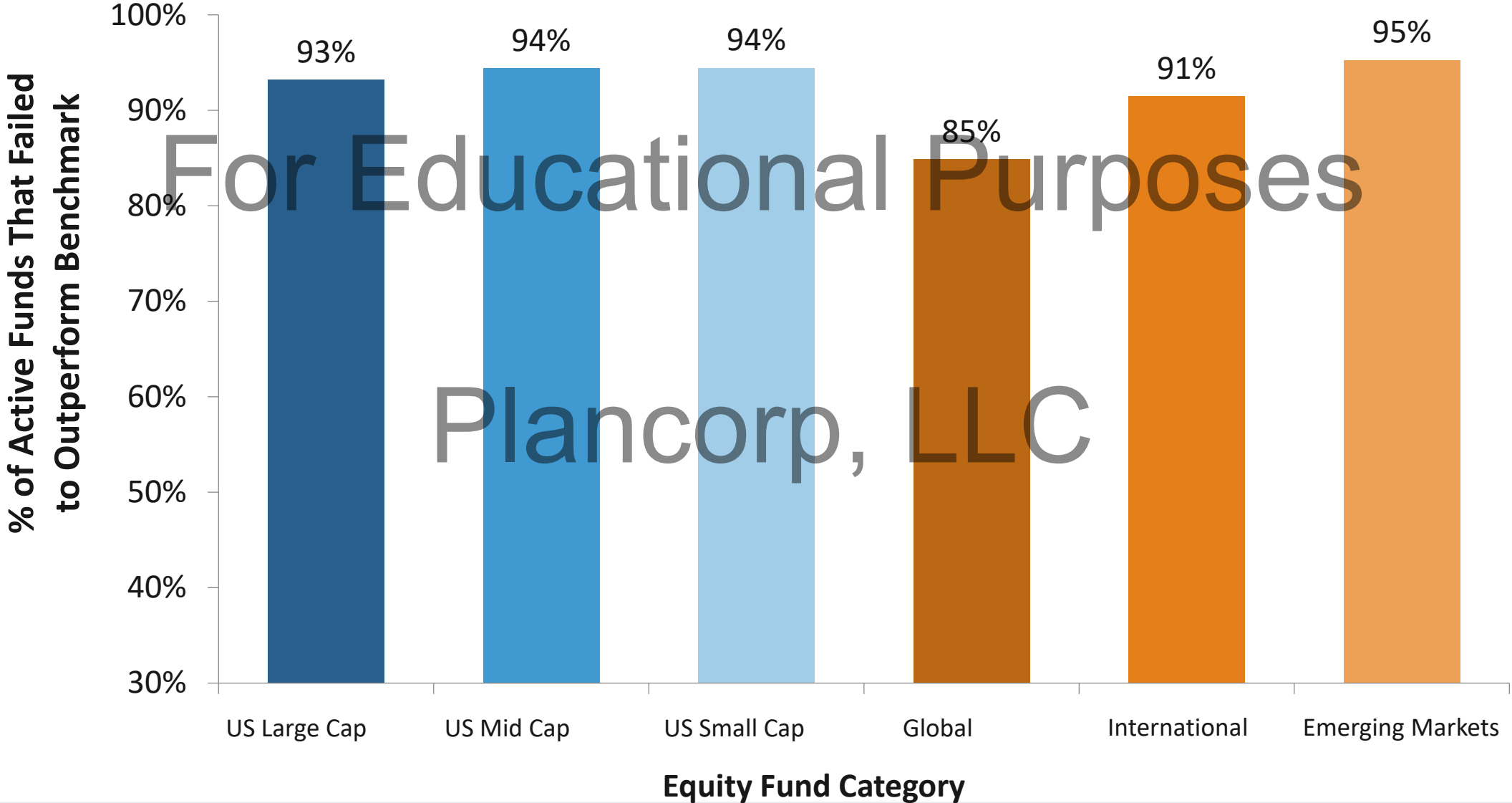
TRADE VOLUME



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The Failure of Active Management

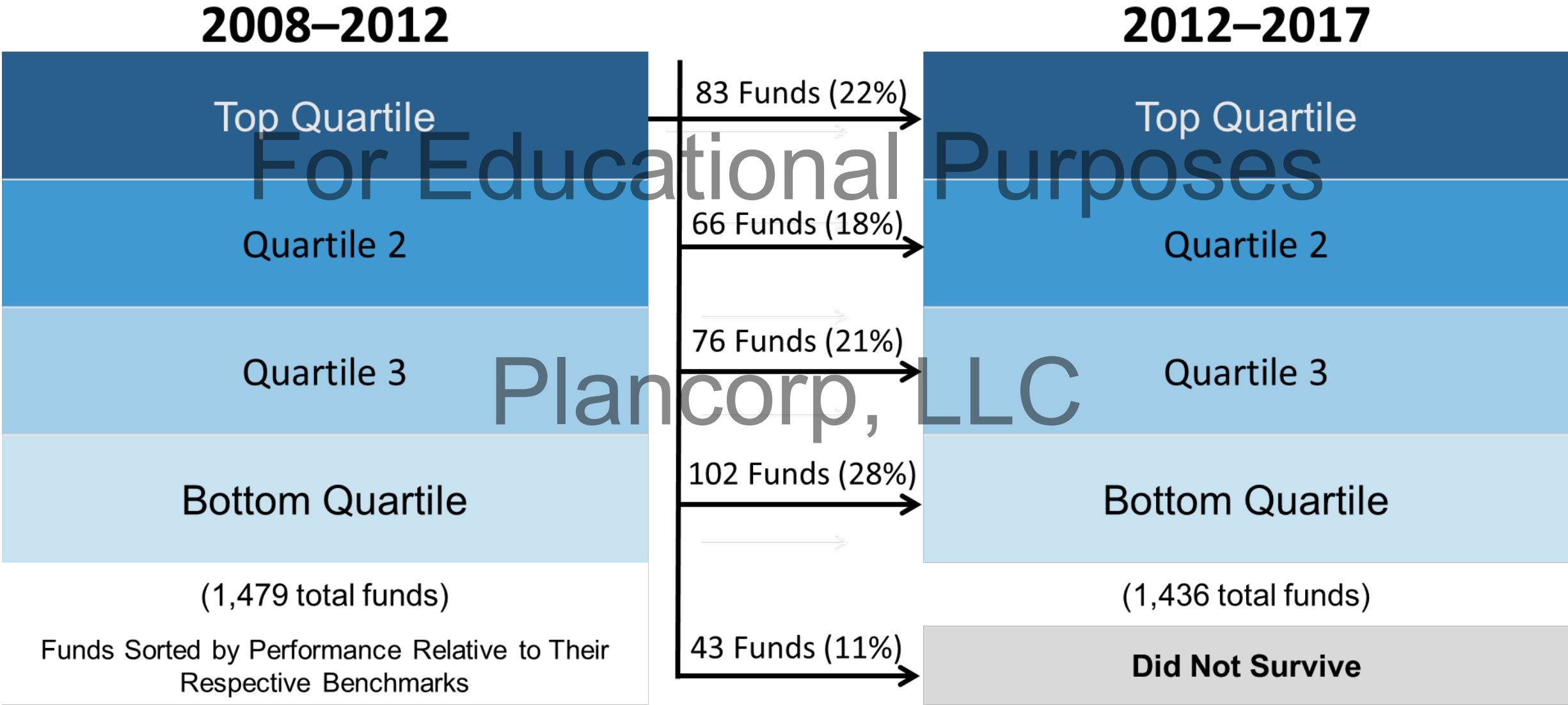
Active Public Equity Funds That Failed to Beat the Index (15 Years as of 6/30/17)



Source: Standard & Poor's Indices Versus Active Funds Scorecard, June 2017. Index used for comparison: US Large Cap—S&P 500 Index; US Mid Cap—S&P MidCap 400 Index; US Small Cap—S&P SmallCap 600 Index; Global Funds—S&P Global 1200 Index; International—S&P 700 Index; Emerging Markets—S&P IFCI Composite. Data for the SPIVA study is from the CRSP Survivor-Bias-Free US Mutual Fund Database.

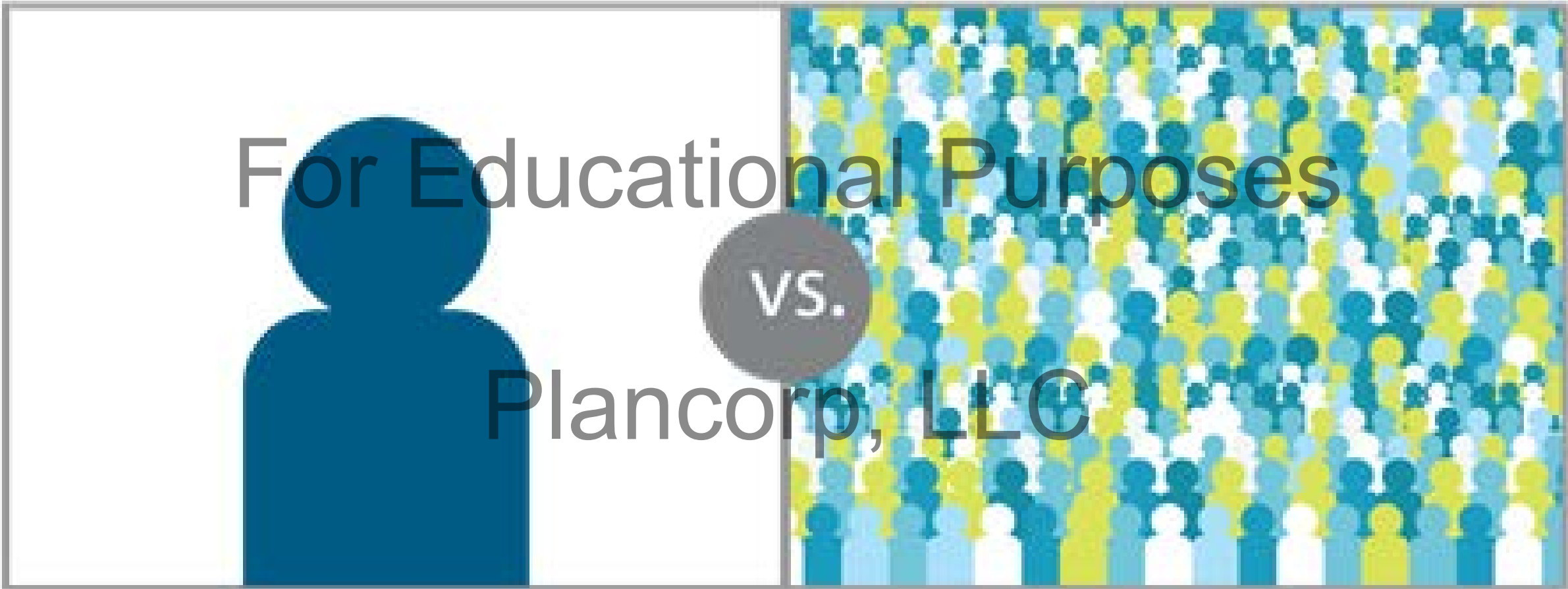
The Failure of Active Management

Subsequent Performance of Top 25% of US Equity Funds (as of 6/30/2017)



Source: Standard & Persistence Scorecard, June 2017. The left column represents all US equity funds in the CRSP Mutual Fund Database with a complete return history for 2008–2012. The funds are sorted by performance relative to their benchmarks. Funds in the top quartile are then tracked and directed to their subsequent performance quartiles in the following 5-year period (2012–2017), or to the “Did Not Survive” category. Quartiles in the following period reflect all funds with a complete return history. Percentages may not total 100% due to rounding. Source: CRSP Survivor-Bias-Free US Mutual Fund Database.

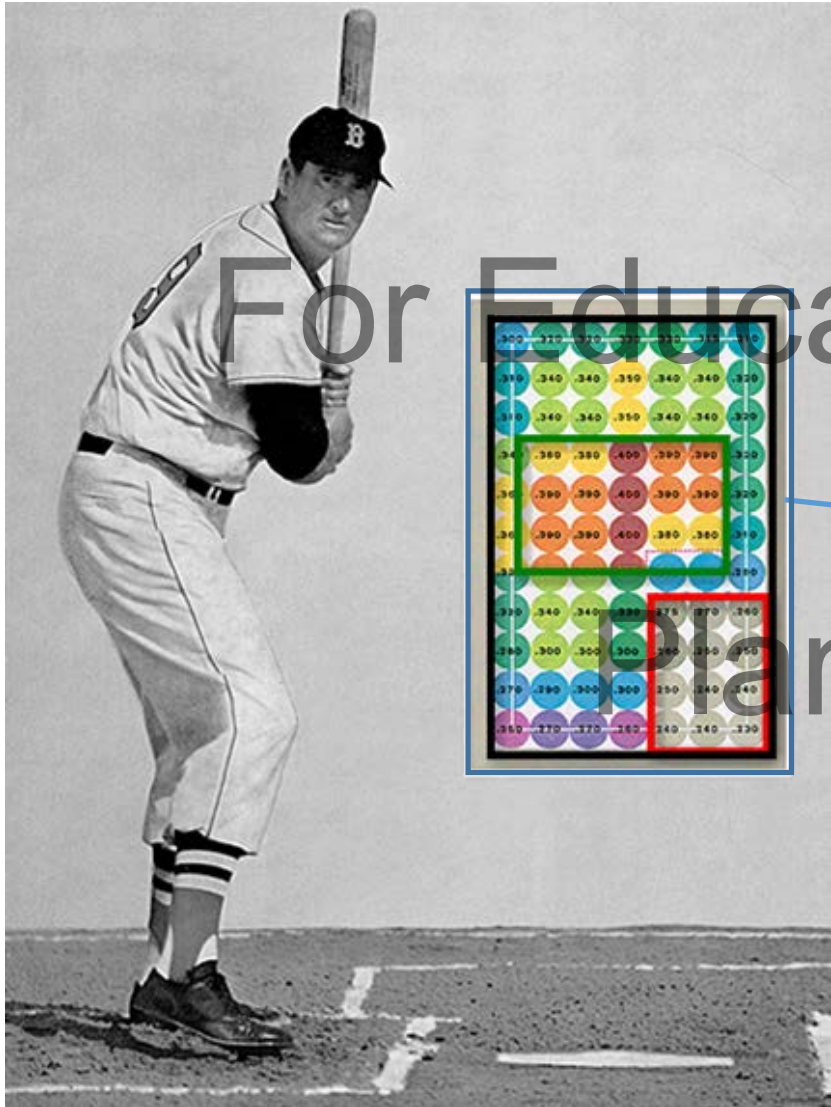
Rather Than Compete With the Market...



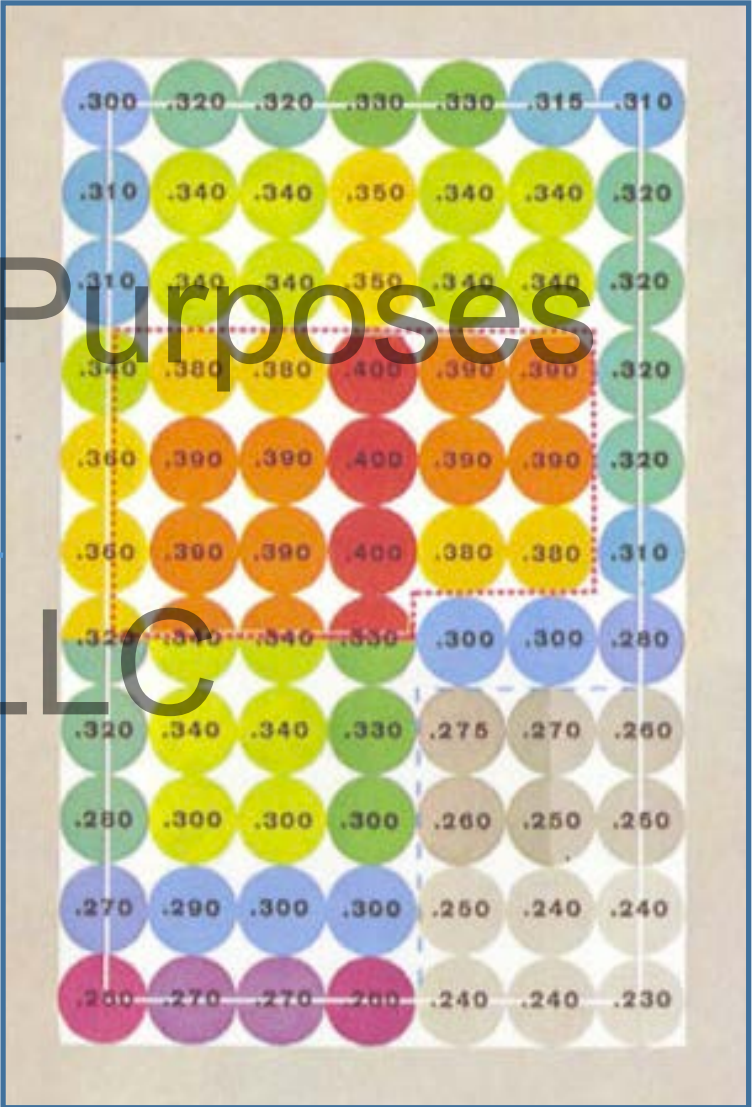
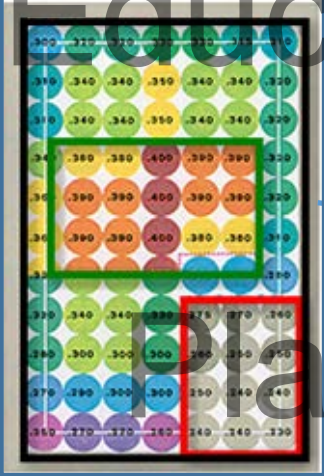
Rather Than Compete With the Market...



The Science of Hitting



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The Science of Investing

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● Company

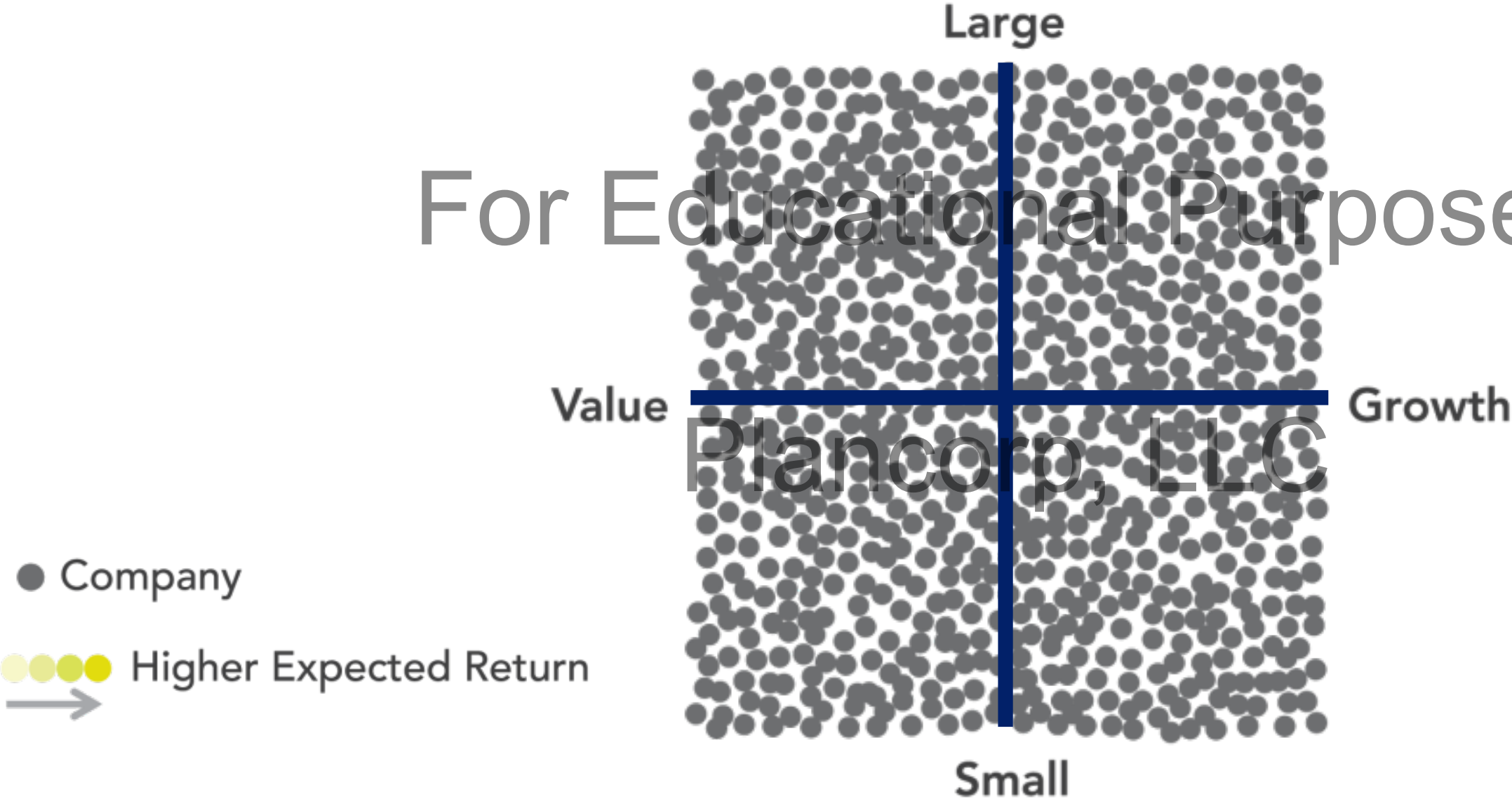
●●●● Higher Expected Return
→



1. Beta: A quantitative measure of the co-movement of a given stock, mutual fund, or portfolio with the overall market.
2. Price-to-Book Ratio: A company's capitalization divided by its book value. It compares the market's valuation of a company to the value of that company as indicated on its financial statements.
3. Direct Profitability: A measure of a company's current profits. We define this as operating income before depreciation and amortization minus interest expense, scaled by book equity.

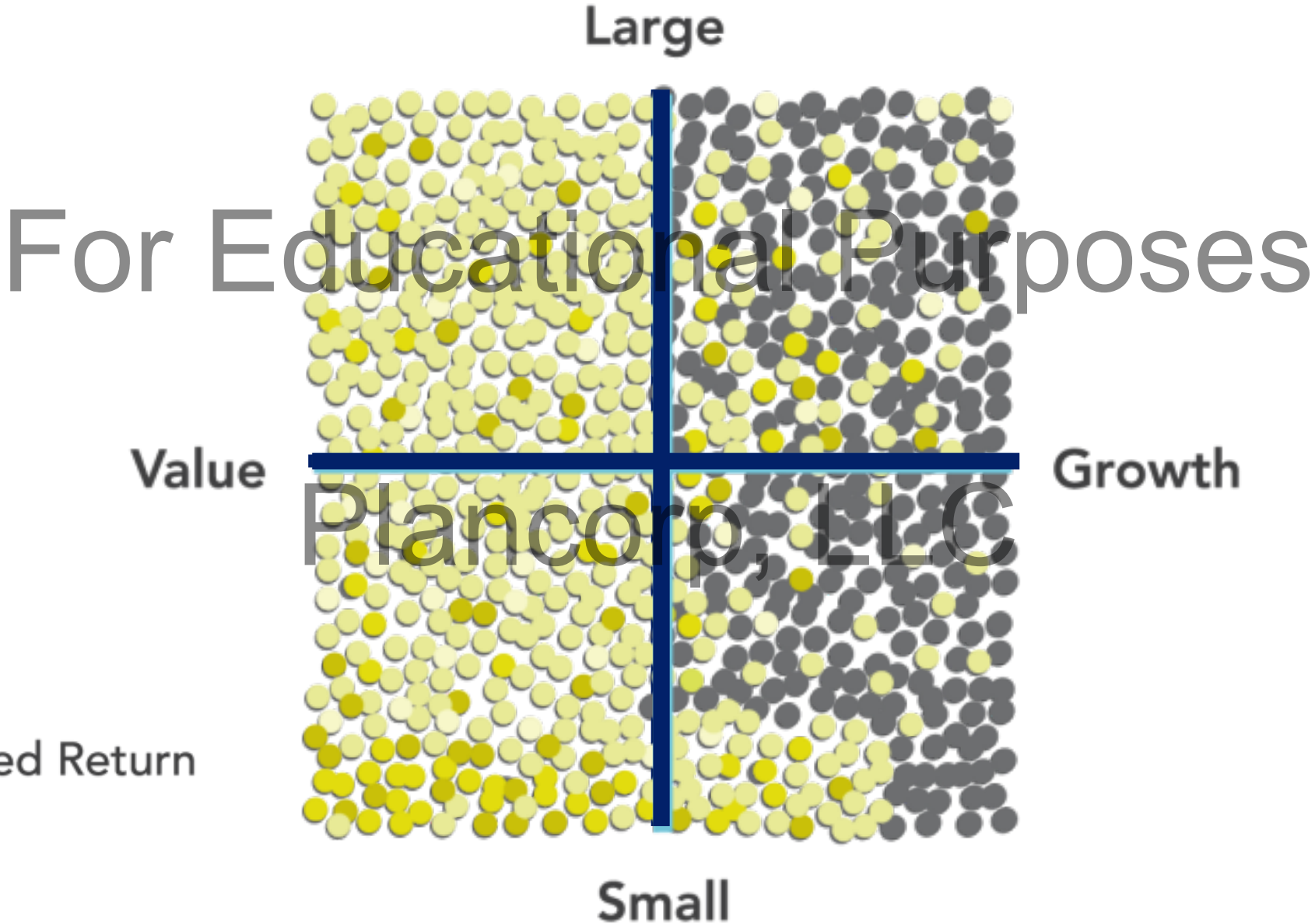
The Science of Investing

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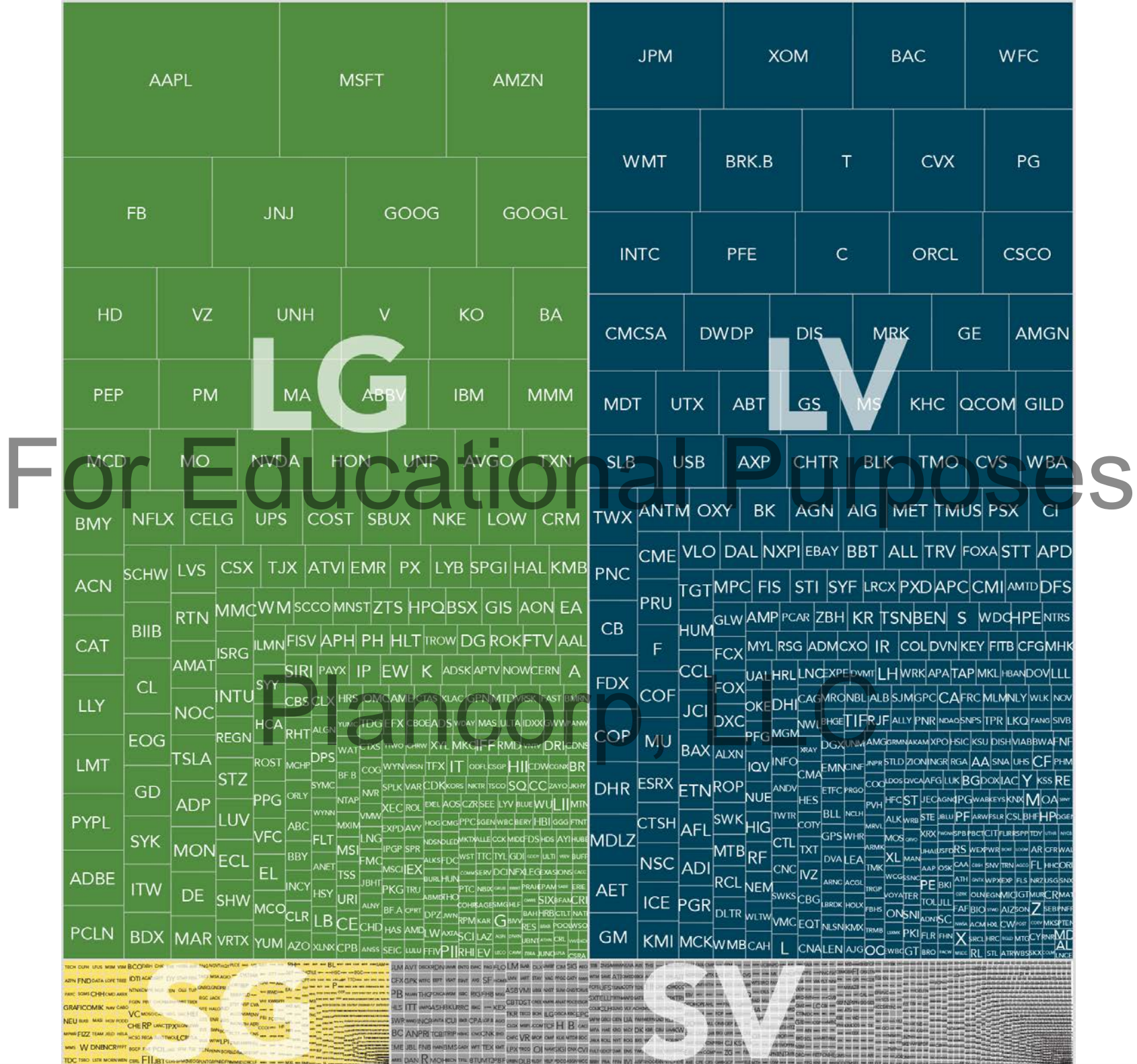


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The Science of Investing



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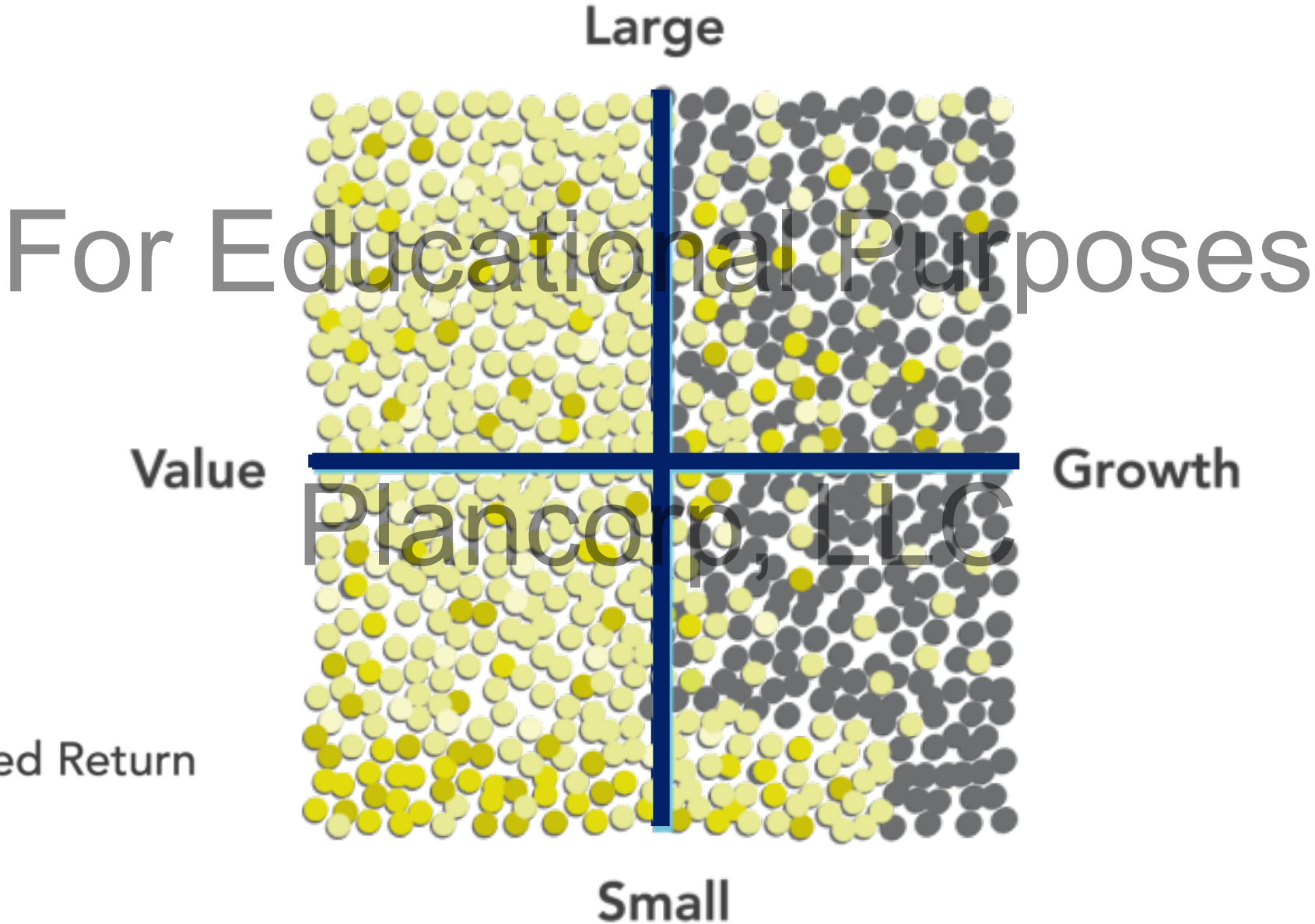
Source: Dimensional Fund Advisors. For illustrative purposes only. Illustration includes constituents of the Russell 3000 Index as of December 31, 2017, on a market-cap weighted basis segmented into Large Value, Large Growth, Small Value, and Small Growth. Large cap is defined as the top 90% of market cap (small cap is the bottom 10%), while value is defined as the 50% of market cap of the lowest relative price stocks (growth is the 50% of market cap of the highest relative price stocks). For educational and informational purposes only and does not constitute a recommendation of any security. The determinations of Large Value, Large Growth, Small Value, and Small Growth do not represent any determinations Dimensional may make in assessing any of the securities shown. Source: Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

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Small Cap Plan Sponsor, LLC

Source: Dimensional Fund Advisors. For illustrative purposes only. Illustrations includes the constituents of the Russell 3000 Index as of December 31, 2017 on an equal-weighted basis segmented into Large Value, Large Growth, Small Value, and Small Growth. Large cap is defined as the top 90% of market cap (small cap is the bottom 10%), while value is defined as the 50% of market cap of the lowest relative price stocks (growth is the 50% of market cap of the highest relative price stocks). For educational and informational purposes only and does not consist of a recommendation of any security. The determinations of Large Value, Large Growth, Small Value, and Small Growth do not represent any determinations Dimensional may make in assessing any of the securities shown. Source: Frank Russell Company is the author and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

The Science of Investing



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Viewing the Market in a Different Dimension

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Portfolios Can Be Structured Using Expected Returns

Higher
Expected Return
←

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Portfolios Can Be Structured Using Expected Returns

Higher
Expected Return
←

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Dimensions of Expected Returns

US PREMIUMS (Arithmetic Average of Annual Premiums)

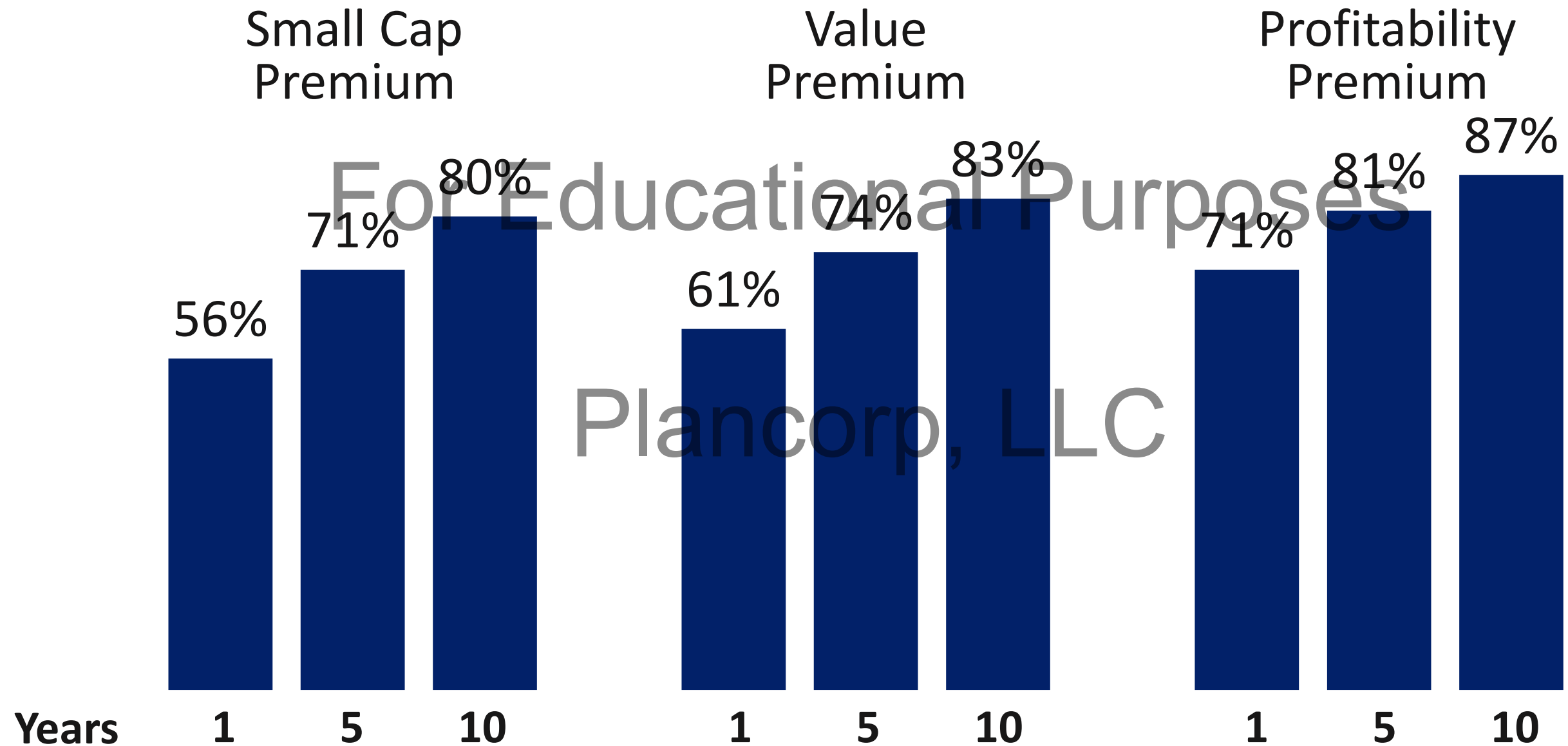
		US PREMIUMS (Arithmetic Average of Annual Premiums)	
EQUITIES	Market Equity premium—stocks vs. bonds	8.12% 1928-2016	
	Company Size Small cap premium—small vs. large companies	4.23% 1928-2016	
	Relative Price Value premium—value vs. growth companies	5.13% 1928-2016	
	Profitability Profitability premium—high vs. low profitability companies	3.78% 1964-2016	
FIXED INCOME	Credit Credit premium—lower vs. higher credit quality bonds	2.49% 1928-2016	
	Term Term premium—longer vs. shorter maturity bonds	1.18% 1973-2016	

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Source: Dimensional Fund Advisors. Asset class filters were applied to data retroactively and with the benefit of hindsight. Actual returns may vary. Equity premium is the arithmetic average of the annual Fama/French Total US Market Index returns minus the annual one-month US Treasury Bills returns. Size premium is the arithmetic average of the annual Dimensional US Small Cap Index returns minus the annual S&P 500 Index returns. Relative price premium is the arithmetic average of the annual Fama/French US Value Index returns minus the annual Fama/French US Growth Index returns. Profitability premium is the arithmetic average of the annual Dimensional US High Profitability Index returns minus the annual Dimensional US Low Profitability Index returns. Dimensional indices use CRSP and Compustat data. Fama/French indices provided by Ken French. The S&P data are provided by Standard & Poor's Index Services Group. Maturity premium is the arithmetic annual average of annual Long-Term Government Bonds returns minus annual one-month US Treasury Bills returns. 1-Month Treasury Bills is the IA SBBI US 30 Day TBILL TR USD and Long-Term Government Bonds is the IA SBBI US LT Govt TR USD, both provided by Ibbotson Associates via Morningstar Direct. Credit premium is calculated as the average annual return of Bloomberg Barclays U.S. Intermediate Credit A Index returns and Bloomberg Barclays U.S. Intermediate Credit Baa Index minus the average annual return of Bloomberg Barclays U.S. Government Bond Index Intermediate returns. Credit premium data provided by Bloomberg. Index descriptions available upon request. Eugene Fama and Ken French are members of the Board of Directors for and provide consulting services to Dimensional Fund Advisors LP. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is no guarantee of future results.

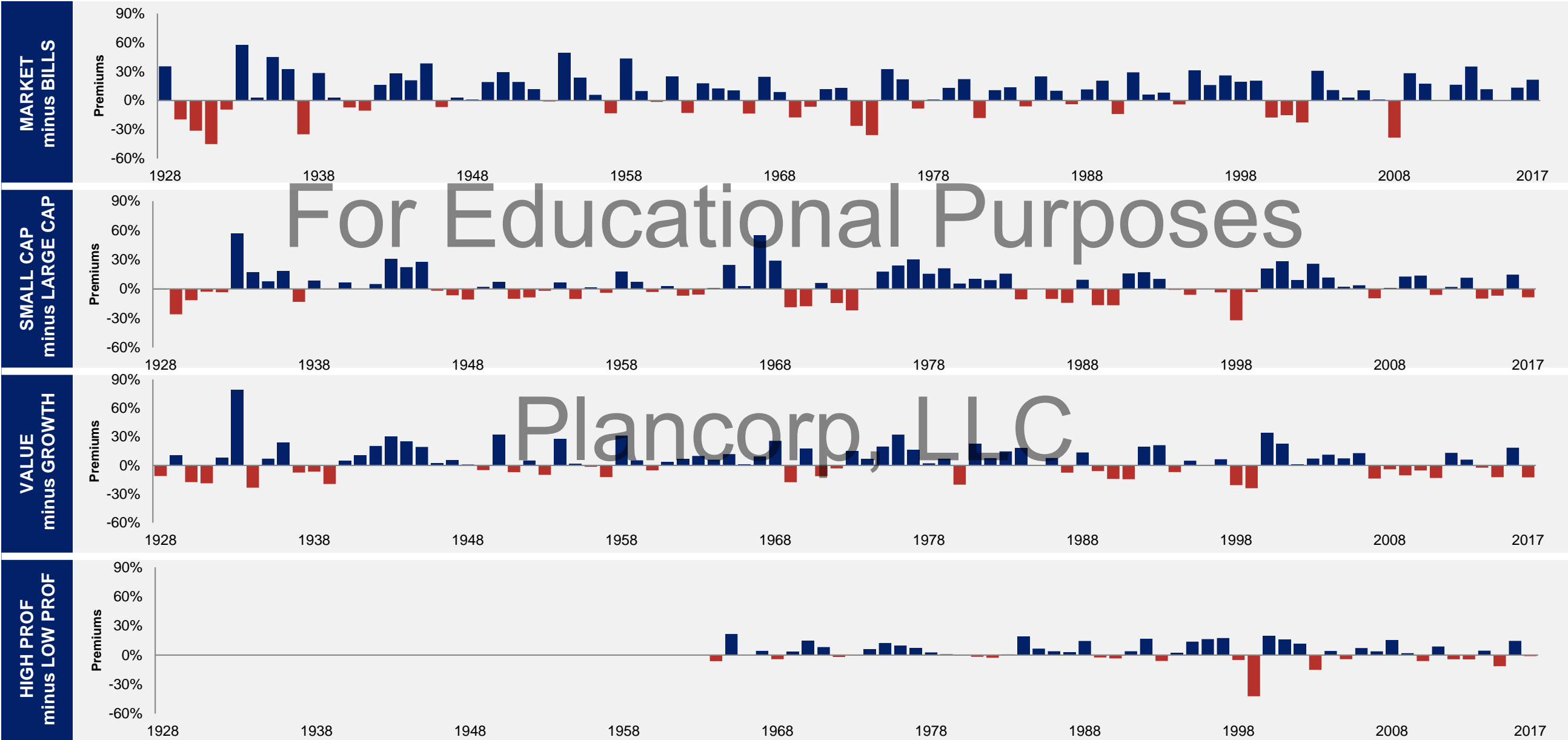
Estimated Probability of a Positive Premium



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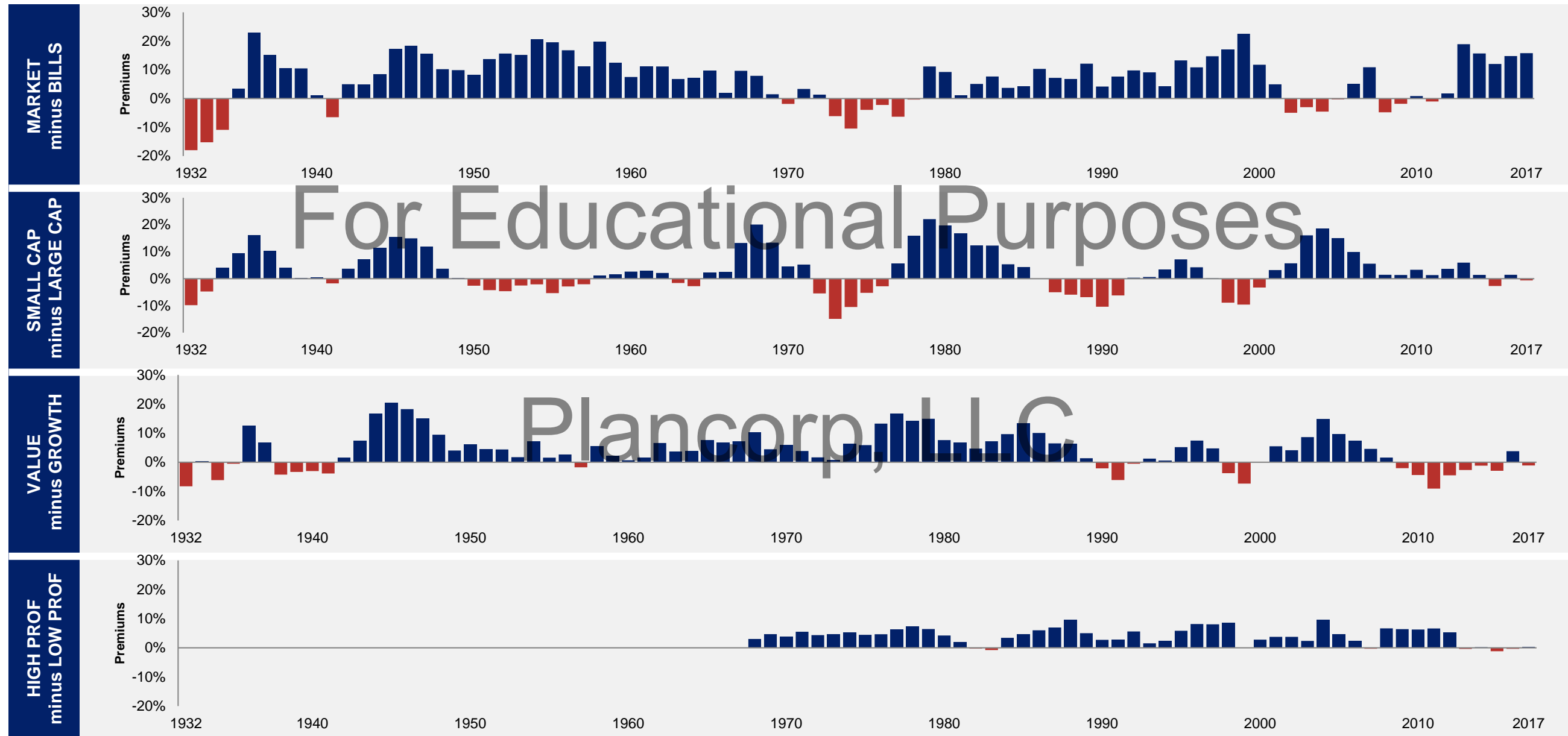
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Yearly Observations of Premiums: U.S. Markets



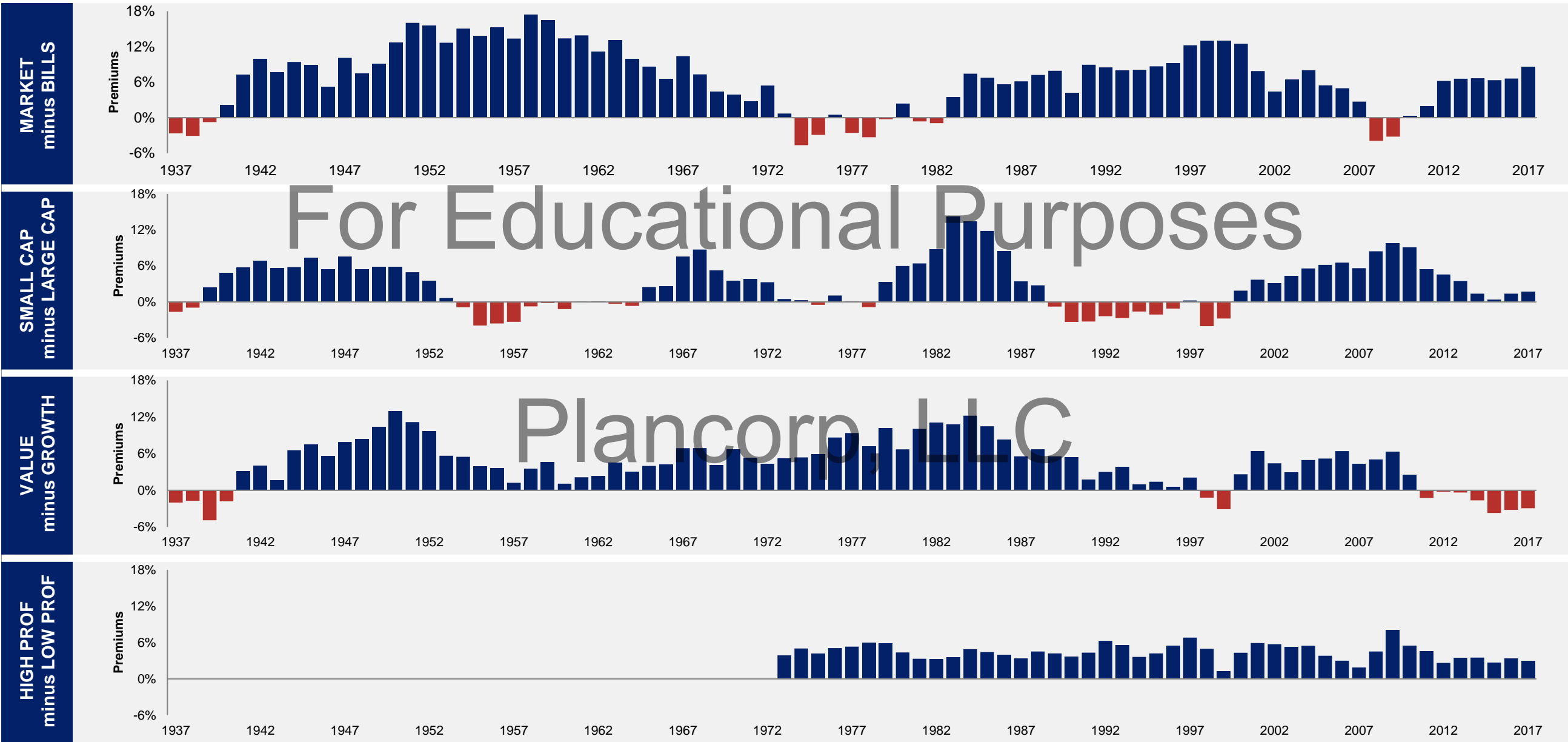
Source: Dimensional Fund Advisors. In US dollars. Equity premium: Fama/French Total US Market Index minus one-month US Treasury Bills. Size premium: Dimensional US Small Cap Index minus the S&P 500 Index. Relative price premium: Fama/French US Value Research Index minus the Fama/French US Growth Research Index. Profitability premium: Dimensional US High Profitability Index minus the Dimensional US Low Profitability Index. Profitability is measured as operating income before depreciation and amortization minus interest expense, scaled by book. Dimensional indices use CRSP and Compustat data. One-Month Treasury Bills is the IA SBBI US 30 Day TBILL TR USD, provided by Ibbotson Associates via Morningstar Direct. Fama/French indices provided by Ken French. S&P data copyright 2018 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. The information shown here is derived from such indices. Index descriptions available upon request. Eugene Fama and Ken French are members of the Board of Directors of the general partner of, and provide consulting services to, Dimensional Fund Advisors LP. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is no guarantee of future results.

Five-Year Observations of Premiums: U.S. Markets



Source: Dimensional Fund Advisors. In US dollars. Five-year rolling equity premium is computed as the five-year annualized compound return on the Fama/French Total US Market Index minus the five-year annualized compound return of the one-month US Treasury Bill. Five-year rolling size premium is computed as the five-year annualized compound return on the Dimensional US Small Cap Index minus the five-year annualized compound return on the S&P 500 Index. Five-year rolling relative price premium is computed as the five-year annualized compound return on the Fama/French US Value Research Index minus the five-year annualized compound return on the Fama/French US Growth Research Index. The five-year rolling profitability premium is computed as the five-year annualized compound return on the Dimensional US High Profitability Index minus the five-year annualized compound return on the Dimensional US Low Profitability Index. Profitability is measured as operating income before depreciation and amortization minus interest expense, scaled by book. One-Month Treasury Bills is the IA SBBI US 30 Day TBILL TR USD, provided by Ibbotson Associates via Morningstar Direct. Fama/French indices provided by Ken French. S&P data copyright 2018 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Dimensional indices use CRSP and Compustat data. Index descriptions available upon request. Eugene Fama and Ken French are members of the Board of Directors of the general partner of, and provide consulting services to, Dimensional Fund Advisors LP. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is no guarantee of future results.

Ten-Year Observations of Premiums: U.S. Markets



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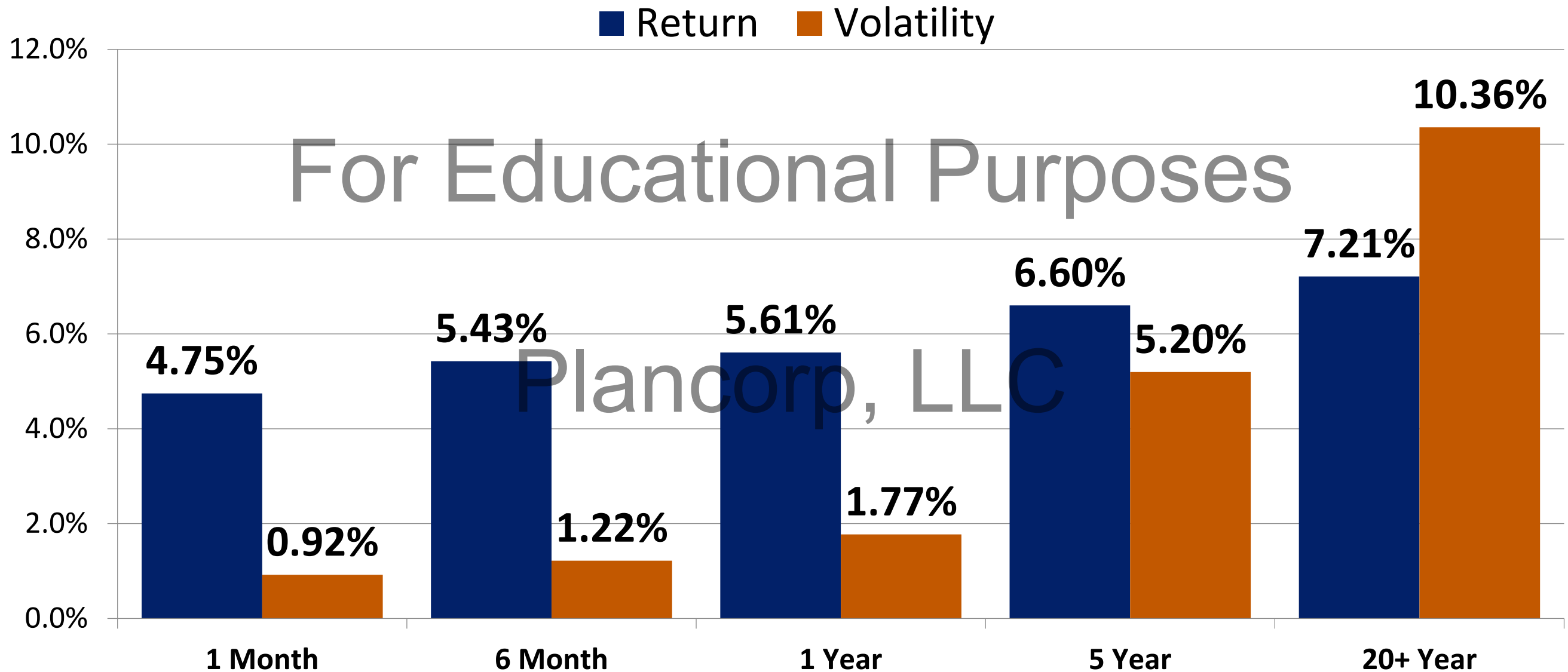
Source: Dimensional Fund Advisors. In US dollars. Five-year rolling equity premium is computed as the five-year annualized compound return on the Fama/French Total US Market Index minus the five-year annualized compound return of the one-month US Treasury Bill. Five-year rolling size premium is computed as the five-year annualized compound return on the Dimensional US Small Cap Index minus the five-year annualized compound return on the S&P 500 Index. Five-year rolling relative price premium is computed as the five-year annualized compound return on the Fama/French US Value Research Index minus the five-year annualized compound return on the Fama/French US Growth Research Index. The five-year rolling profitability premium is computed as the five-year annualized compound return on the Dimensional US High Profitability Index minus the five-year annualized compound return on the Dimensional US Low Profitability Index. Profitability is measured as operating income before depreciation and amortization minus interest expense, scaled by book. One-Month Treasury Bills is the IA SBBI US 30 Day TBILL TR USD, provided by Ibbotson Associates via Morningstar Direct. Fama/French indices provided by Ken French. S&P data copyright 2018 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Dimensional indices use CRSP and Compustat data. Index descriptions available upon request. Eugene Fama and Ken French are members of the Board of Directors of the general partner of, and provide consulting services to, Dimensional Fund Advisors LP. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is no guarantee of future results.

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Fixed Income Strategy

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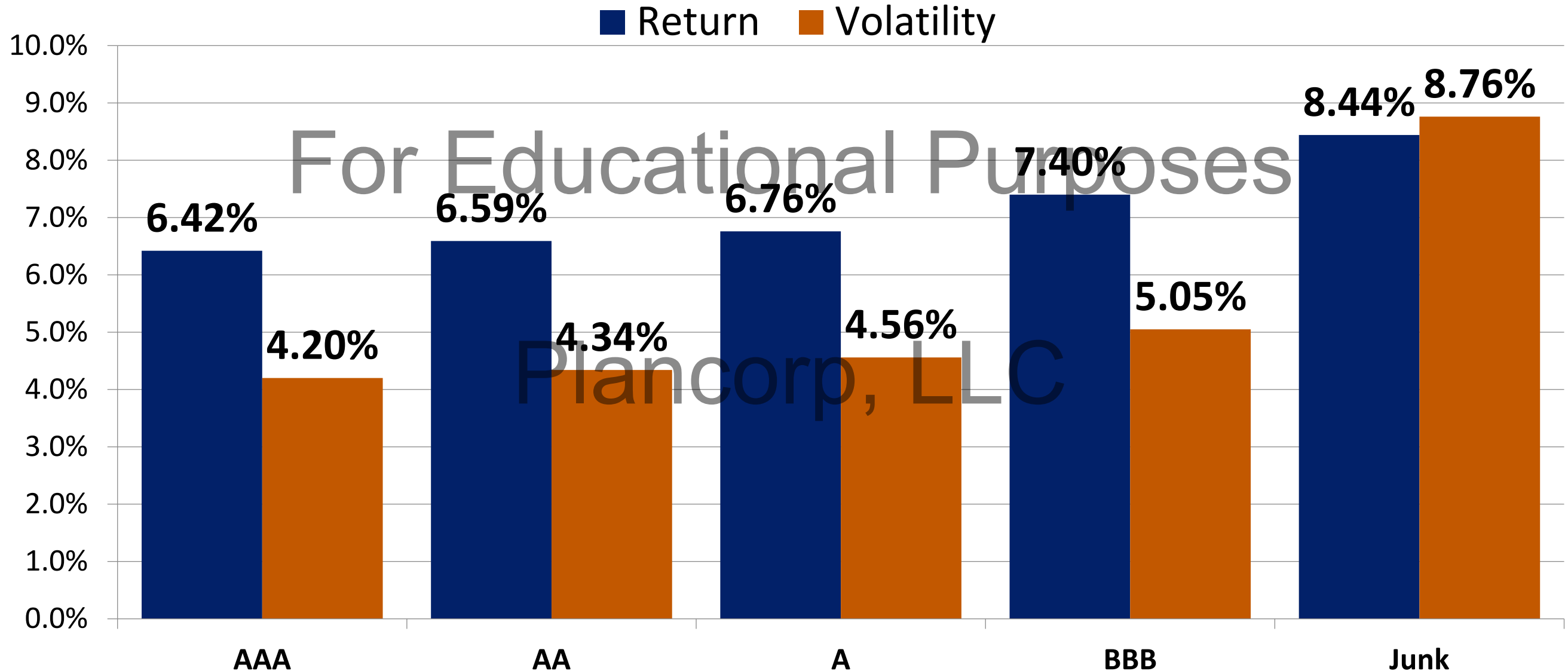
Bond Allocation: Primary Role is Reduce Volatility

Fixed Income Term Risk & Return (1964-2017)



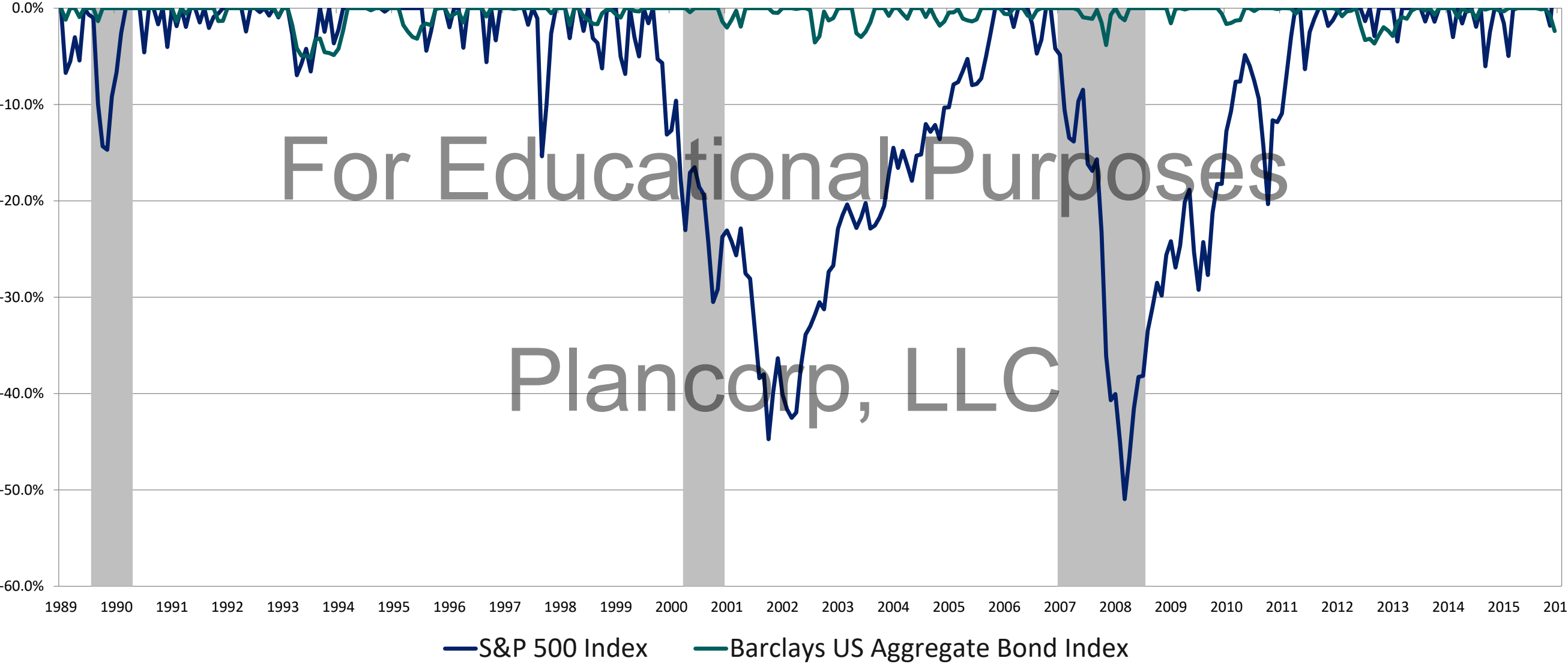
Bond Allocation: Primary Role is Reduce Volatility

Fixed Income Credit Risk & Return (1988-2017)



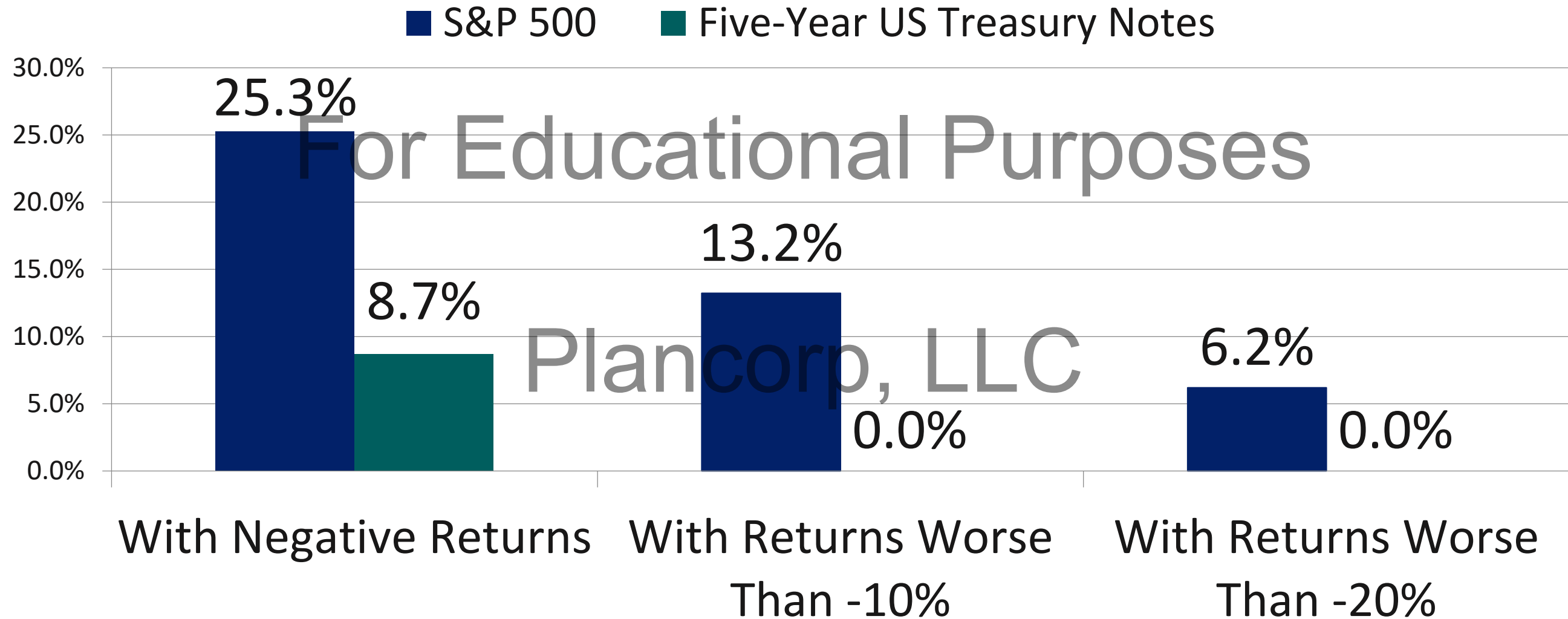
Bond Allocation: Primary Role is Reduce Volatility

US Stock and Bond Downturns (1990-2017)



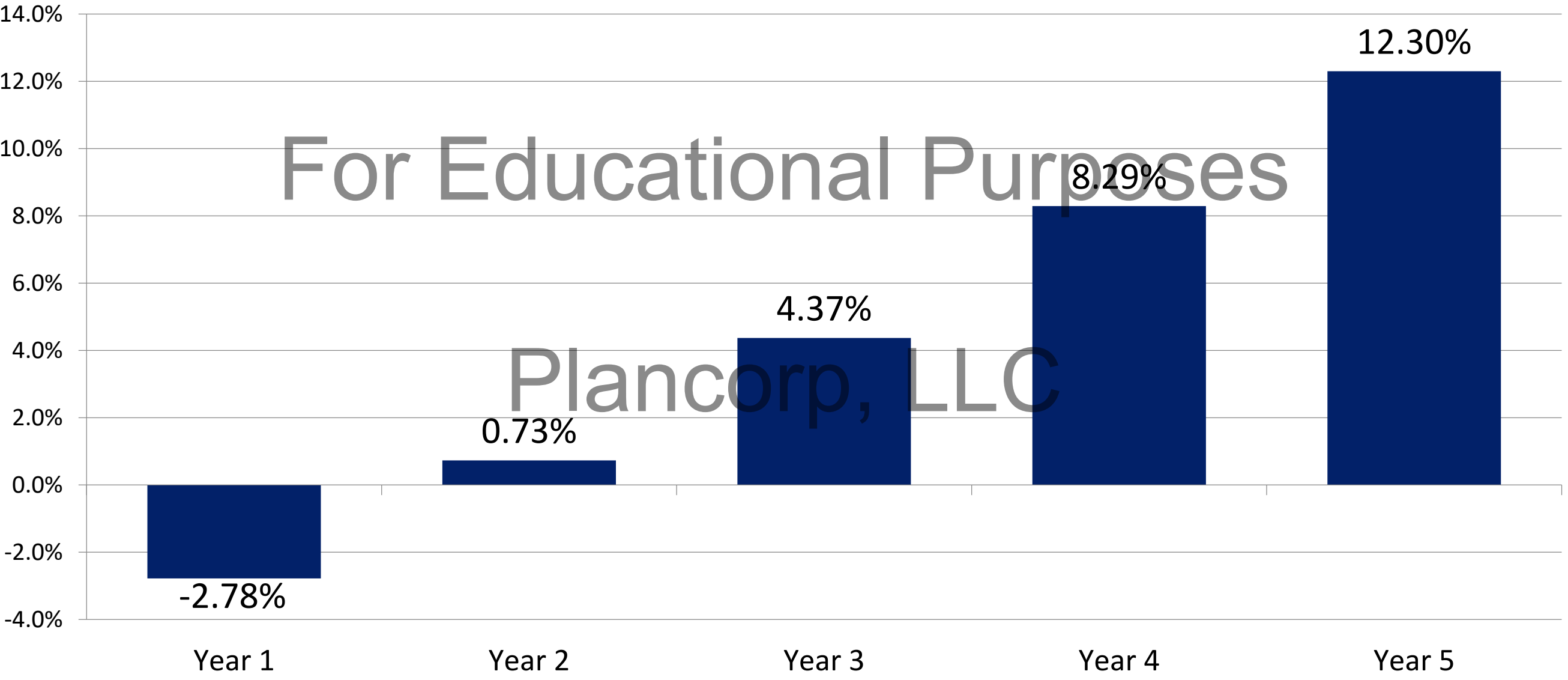
Bond Allocation: Primary Role is Reduce Volatility

Percentage of 12-Month Periods With Negative Returns (1926-2017)



Rising Rates Are Good For Long-Term Investors

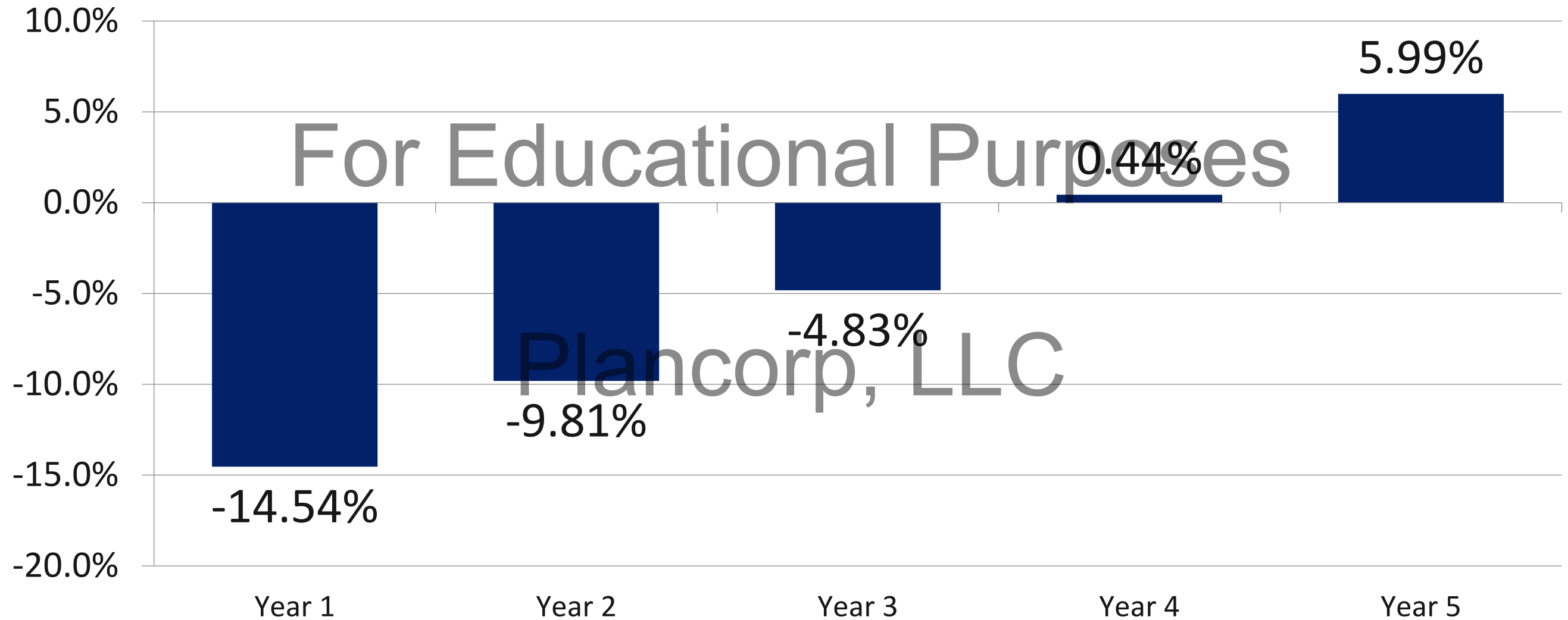
Cumulative Bond Returns Following One Percentage Point Increase in Interest Rates



Source: Plancorp. This hypothetical scenario was created by Plancorp. Using the yield and duration on the Barclays U.S. Aggregate Bond Index as of 12/31/17, the analysis assumes a one-time parallel shift in yields of one percentage point and then no further fluctuation in interest rates. Cumulative returns assume all income received is reinvested.

Bond Allocation: Primary Role is Reduce Volatility

Cumulative Bond Returns Following Three Percentage Point Increase in Interest Rates



Bond Funds are Superior to Individual Bond Portfolios

Most individual bonds are part of a bond portfolio that never matures as investors usually reinvest the proceeds of maturing bonds into new bonds. In other words, a portfolio of individual bonds is actually a form of a bond fund with four distinct disadvantages:

- Higher cost
- Cash drag
- Lack of diversification
- No global exposure

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The Importance of Simplification

“Simple can be harder than complex: You have to work hard to get your thinking clean to make it simple. But it’s worth it in the end because once you get there, you can move mountains.” - Steve Jobs

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“The business schools reward difficult complex behavior more than simple behavior, but simple behavior is more effective.” - Warren Buffett

“The five ascending levels of intelligence: smart, intelligent, brilliant, genius, simple.” - Albert Einstein

“It is remarkable how much long-term advantage people like us have gotten by trying to be consistently not stupid, instead of trying to be very intelligent.”
Charlie Munger

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How Can We Simplify the Game?

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Take Back Your Advantage

- Minimize trading and reduce the number of decisions you make.
- Keep costs low. Don't pay more than 0.30% for a diversified portfolio and be mindful of taxes.
- Develop a thoughtful asset allocation that matches your risk tolerance and stick to it for multiple decades.
- Define asset classes more broadly and hold fewer funds across fewer accounts.
- Don't worry about having the most interesting investments.
- Set financial planning goals and evaluate those more frequently than your portfolio.

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Questions?

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Disclosures

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Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is no guarantee of future results.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS. Investing involves risk. It should not be assumed that recommendations made in the future will be profitable or will equal the performance shown. Investment returns and principal value of an investment will fluctuate and losses may occur. Diversification does not ensure a profit or guarantee against a loss.

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