rebalance *A Record of Results*

OVER $1.8 Billion of client investments*

Investment Committee Bringing the "endowment model" to everyone

Leader in RIA pro-consumer efforts

As of October 2025

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American Association of Individual Investors

Rebalance Investment Committee

THE ARENA FOR ACCOUNTABLE PREDICTIONS

A LONG BET:

BET 829   DURATION: 10 YEARS (02020–02030)

"Over a ten-year period commencing on July 1, 2020, and ending on June 30, 2030, a portfolio of index funds invested broadly in US and International equities will outperform a portfolio managed by a sophisticated individual investor selecting stocks and funds."

PREDICTOR   **CHALLENGER**
Mitch Tuchman - Rebalance, LLC   Jeff S. Heller

STAKES: $10,000

will go to *Pitt Hopkins Research Foundation* if Tuchman - Rebalance, LLC wins,
or *Harmony Project* if Heller wins.

The $20,000 Experiment:
A Public Bet Between Two Strategies

Jeff Heller Approach

- Carefully selected, high-quality dividend stocks

- Dividends automatically reinvested

Rebalance Approach

- Diversified index funds across U.S. and international equities

- Portfolios rebalanced automatically twice yearly

Index Funds Are Leading

Jeff Heller followed a disciplined, research-based approach, selecting high-quality dividend stocks and reinvesting the income.
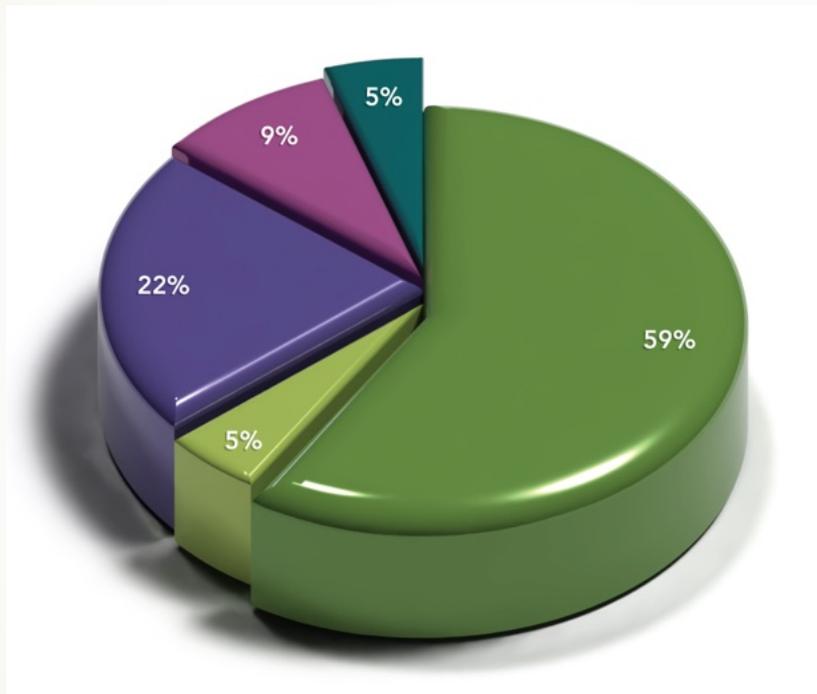
Over time, however, the Rebalance diversified index strategy has delivered stronger results with less complexity.

The $20,000 Bet: Performance Comparison (July 2020-October 2025)
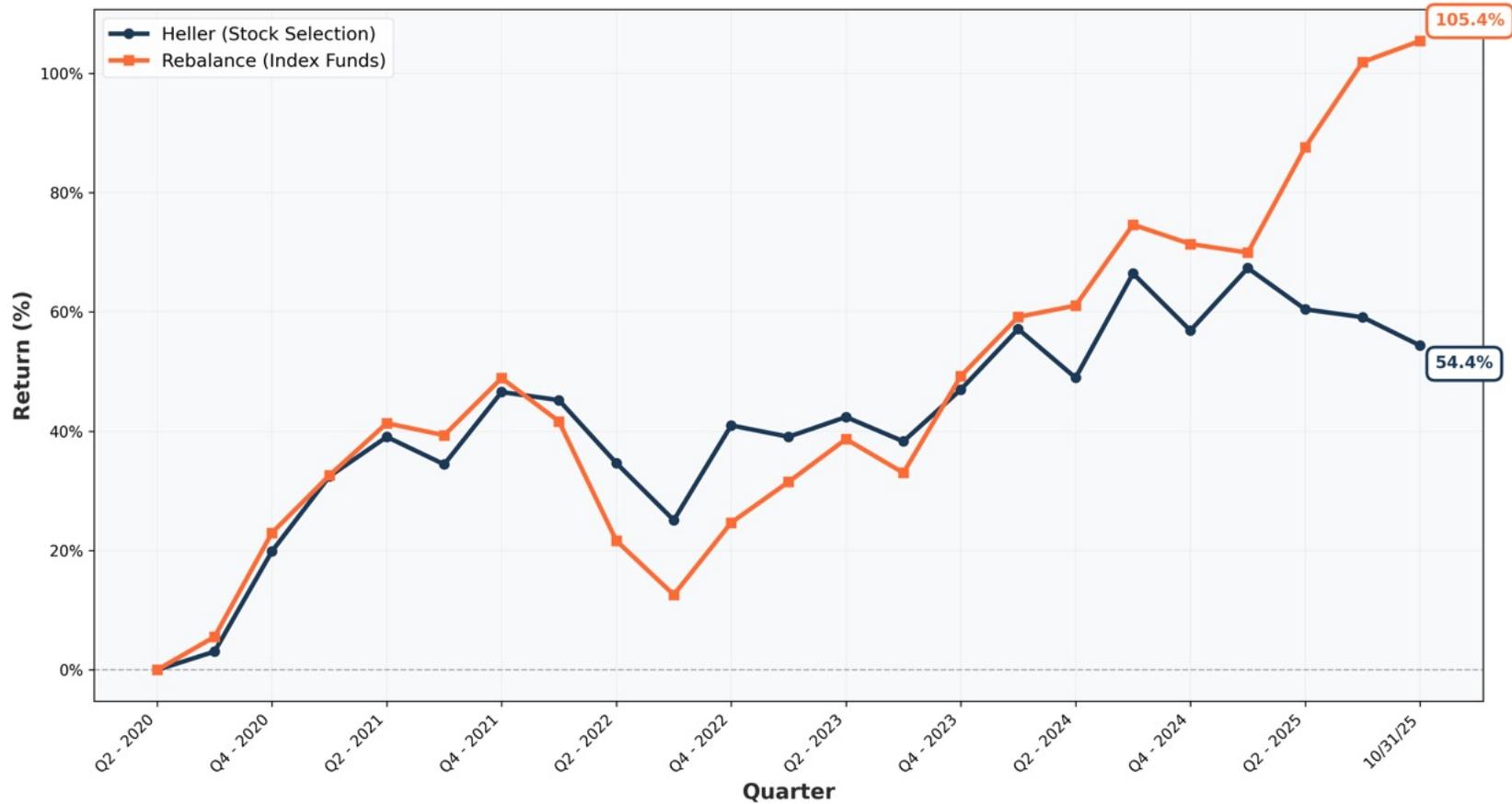
The Rebalance Growth Portfolio

Funds	# Securities	The Fund Contains:
U.S. Stocks	3,522	Nearly all publicly traded U.S. companies, weighted toward the largest, such as Microsoft, Apple, Amazon, NVIDIA, and Meta Platforms.
U.S. Stocks – Small	602	Small U.S. companies, such as Brinker International, Mr. Cooper Group, Jackson Financial, Celanese, and BorgWarner.
European & Asian Stocks	3,905	All major public companies in Europe and Asia, the UK, and Canada, such as SAP, Novo Nordisk, Roche, Samsung, Toyota, Shell, and HSBC.
Emerging Market Stocks	4,851	All major public companies in countries such as China, Taiwan, Hong Kong, India, and Brazil, including Tencent, Alibaba, Infosys, and Taiwan Semiconductor Manufacturing.
U.S. Stocks – Real Estate	157	Real estate investment trusts (REITs) that purchase retail malls, apartments, offices, hotels, and warehouses, such as American Tower, Public Storage, Prologis, Equinix, and CBRE.

Positions: ETFs as of October 31, 2025

Symbol	Description	Market Value	Cost Basis	Unrealized Gain
IJR	ISHARES CORE S&P SMALL	$1,976.90	$1,308.27	$668.63
SCHE	SCHWAB EMERGING MARKETS	$3,716.47	$2,567.21	$1,149.26
SCHF	SCHWAB INTERNATIONAL	$8,630.32	$5,592.82	$3,037.50
SCHB	SCHWAB US BROAD MARKET	$24,876.27	$13,890.05	$10,986.22
VNQ	VANGUARD REAL ESTATE	$1,672.55	$1,416.56	$255.99
		$40,872.52	**$24,774.91**	**$16,097.60**

1. Held the same portfolio since July 1, 2020

2. Rebalanced each April and October

3. Made slight strategic allocation changes based on ACWI

# It Is Nearly Impossible to Consistently Beat the Stock Market

The Evidence: SPIVA® Scorecards

S&P Indices Versus Active – Over 20 Years of Data

- Majority (70-90%) of actively managed funds underperform their benchmarks

- Underperformance rates increase with longer time horizons

- Very few funds consistently stay at the top

- Results are consistent across countries and regions worldwide

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The Power Curve:
The Value of $100,000 Based on Time and Rate of Return
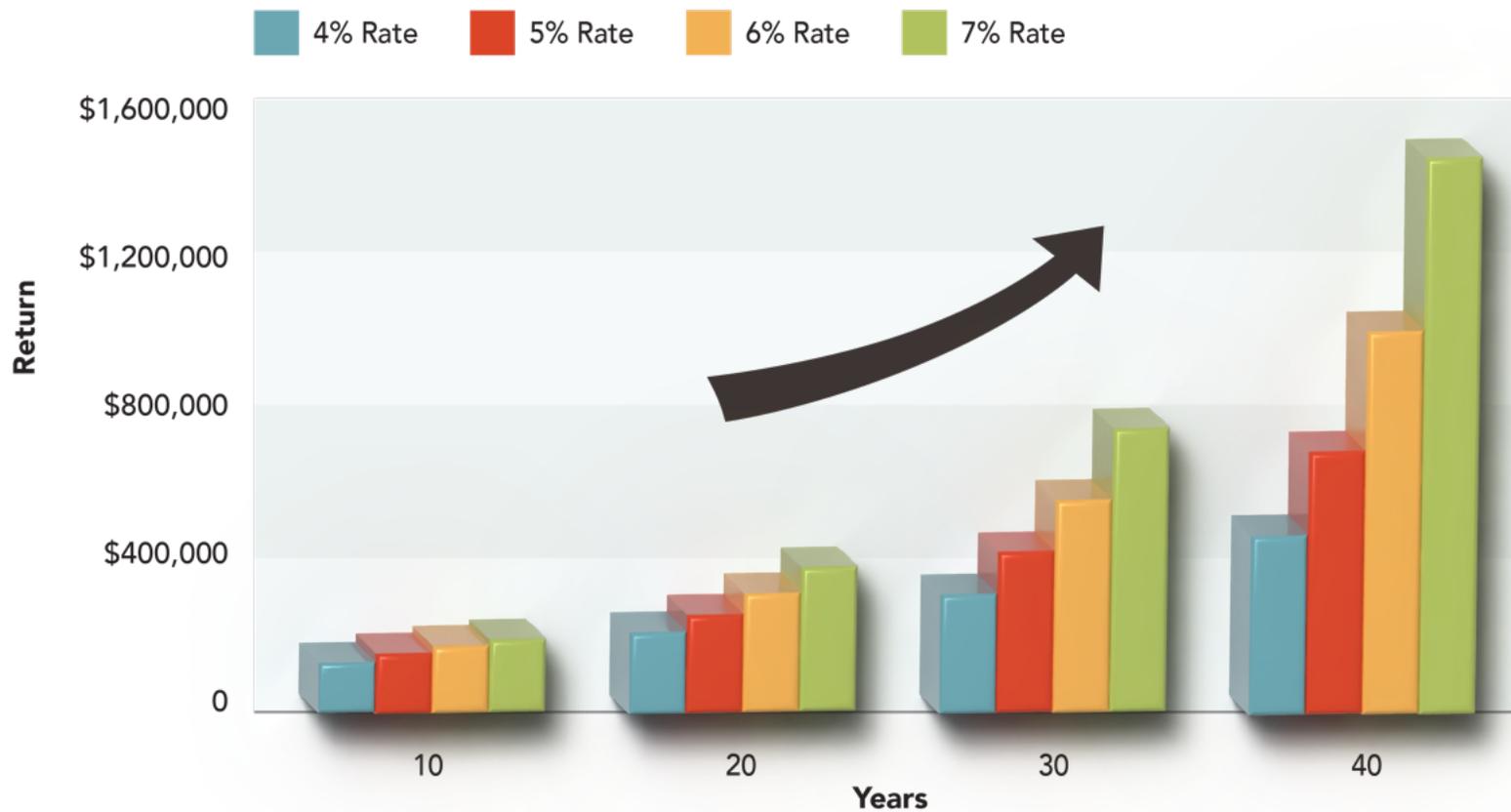
Charles Ellis:
"Winning The Loser's Game"

- Founded Greenwich Associates and is a long-time advisor to major institutions

- Observed that professional investors increasingly compete against each other, not amateurs

- Argued that winning now depends more on avoiding mistakes than making brilliant plays

- Advocated for index investing as the rational, disciplined choice

"Investing had transformed from a winner's game to a loser's game"

13
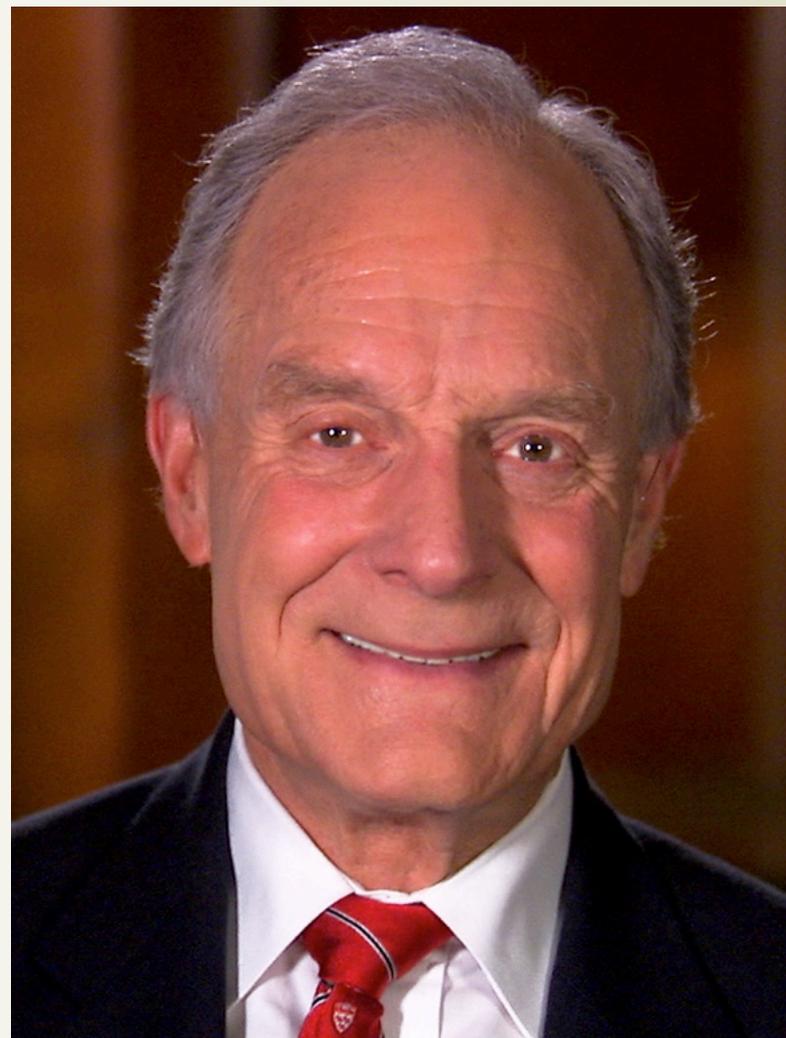
Charley Ellis's Key Factors

1 Professional Dominance

2 Talent Explosion

3 Technology Revolution

4 Information Equality

5 The Ironic Twist

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Individual
Investors

Professional Dominance

The 1960s: 90% of trading was by individuals

Today: 98% is institutions and algorithms

Satoshi Kambayashi

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Talent Explosion

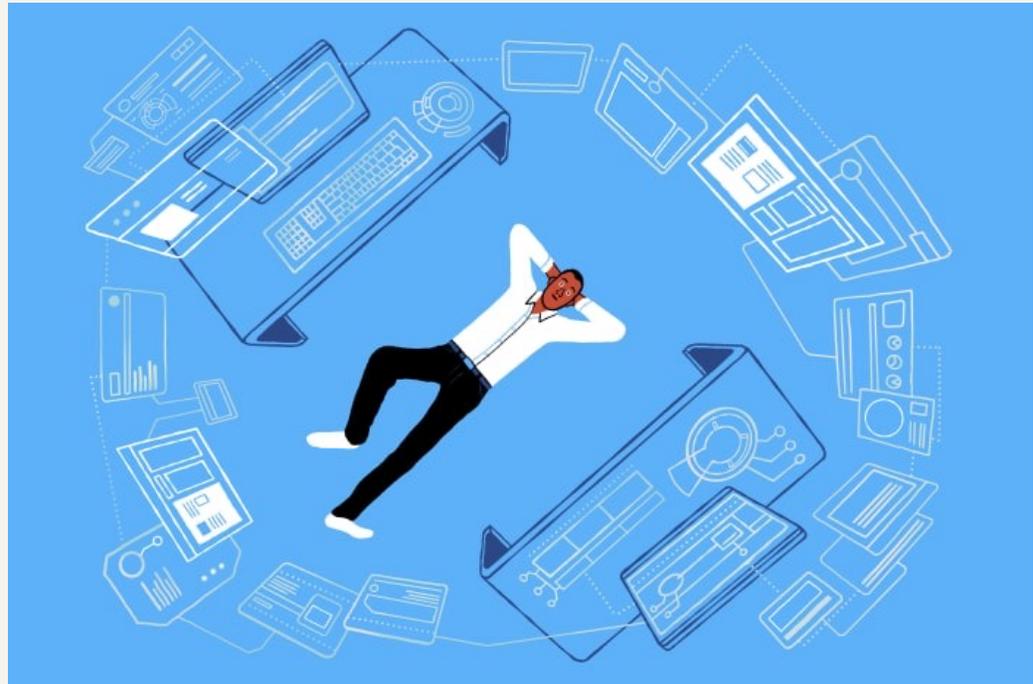**1987:** 15,500 CFA charter holders

Today: 110,000+ worldwide

Technology Revolution

320,000+ Bloomberg terminals worldwide feeding markets real-time data, 24 hours a day.

Algorithmic trading now dominates volume
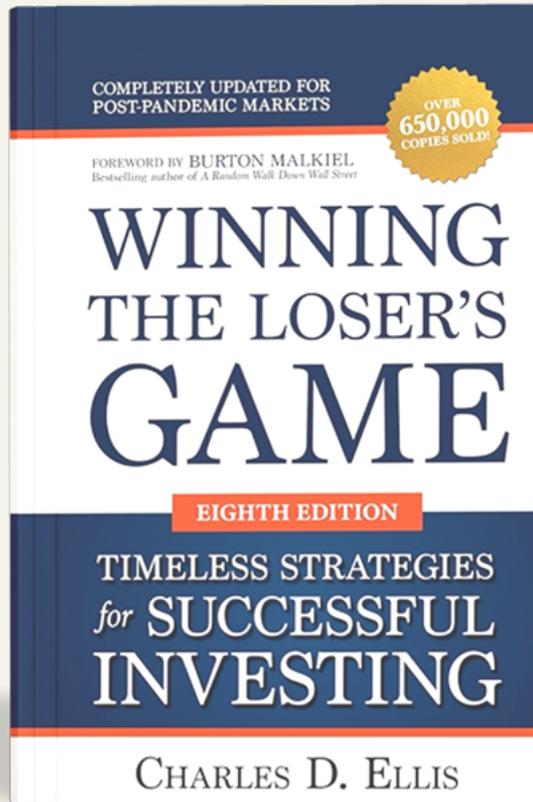
Decisions made in microseconds, not minutes

Information Equality

Regulation Fair Disclosure (2000)
Created a level playing field — no more selective release of material information

The Ironic Twist

The more brilliant, motivated professionals trying to "beat the market"…

**…the harder they make it for anyone — even themselves.**

Additional Charley Ellis Factors

1. **Trading Volume Explosion**

2. **Zero-Sum Game**

3. **Costs and Fees**

4. **Increasing Market Efficiency**

5. **Time Commitment**

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Association of
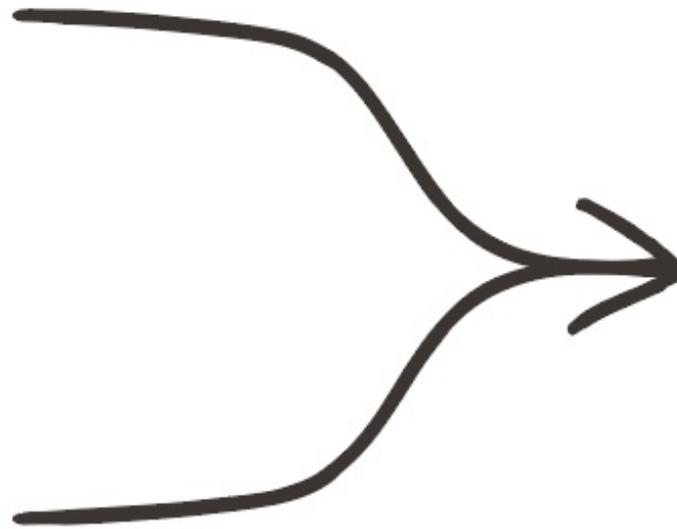Individual
Investors

The Next Challenge: Behavior

Even if you overcome the market's structural challenges…you still have to overcome yourself.
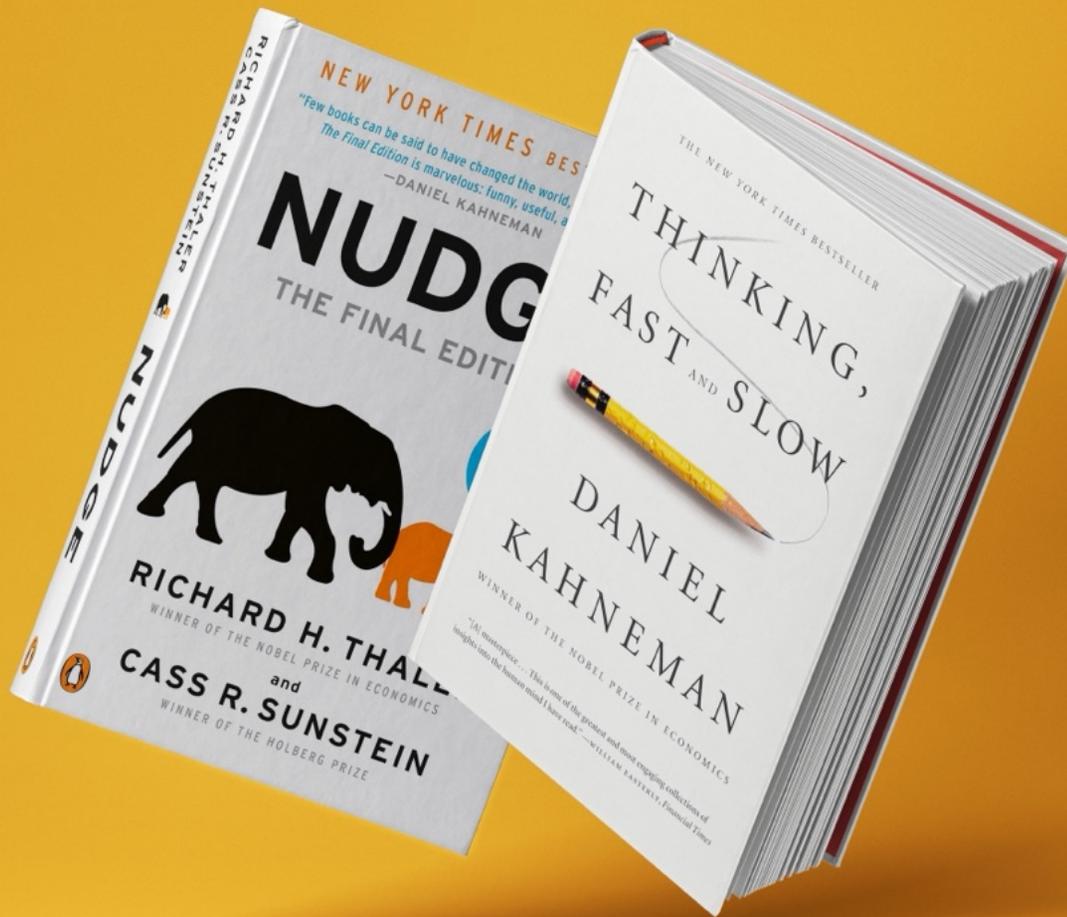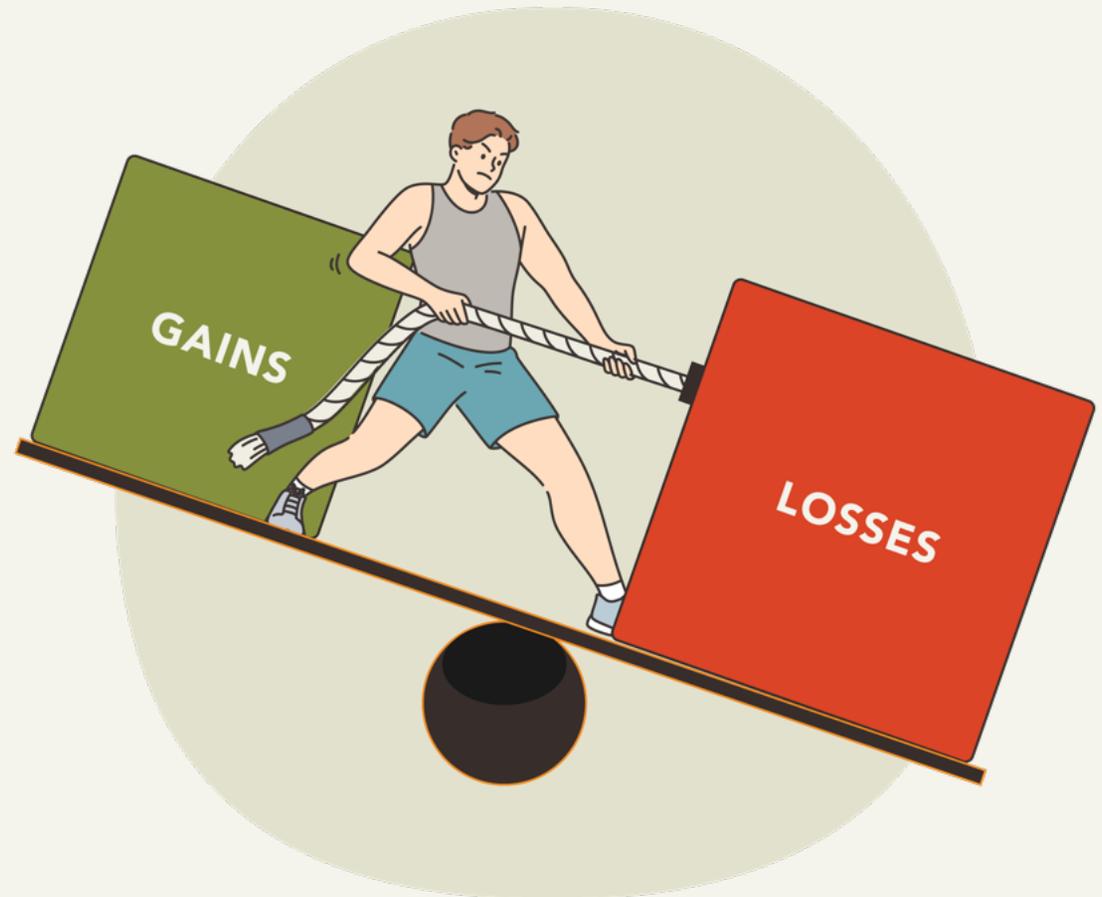
2002 nobel prize in economics
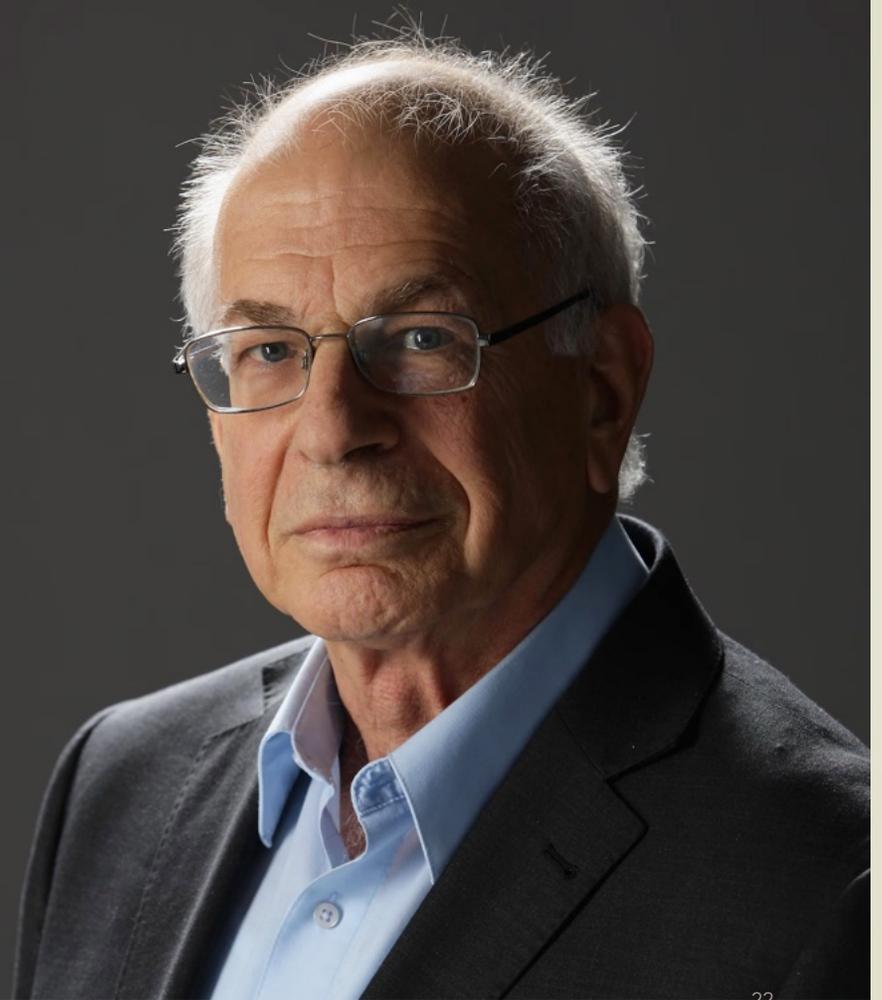
Economics

Psychology

Behavioral Economics

Loss Aversion

Feel the pain of a loss more strongly than the pleasure of an equivalent gain.

Confirmation Bias

We tend to seek out information that confirms our existing beliefs and ignore information that contradicts them.
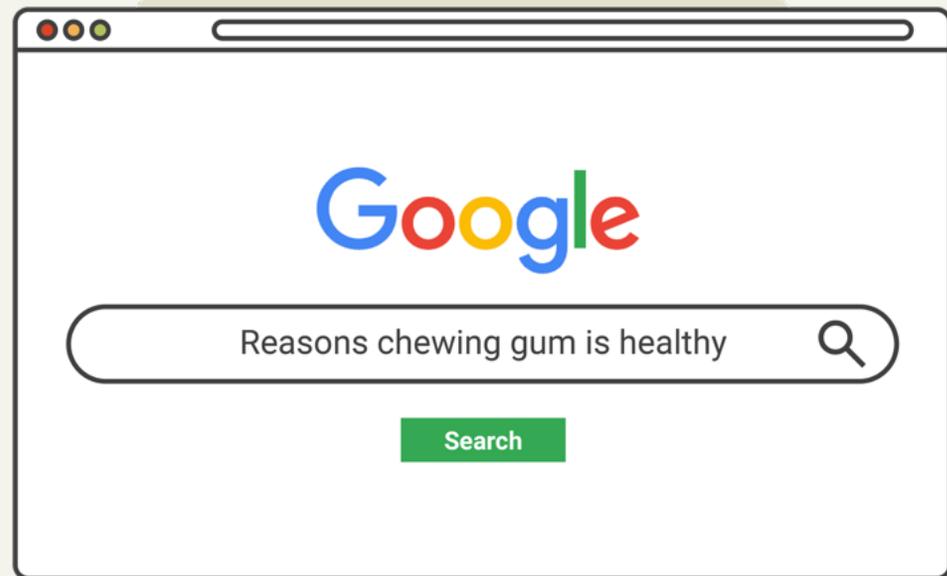
Hindsight Bias

After an event has occurred, we tend to overestimate how predictable it was.

Availability Bias

We overestimate the likelihood of events that are easily recalled, often because they are vivid or recent.

Framing Effect

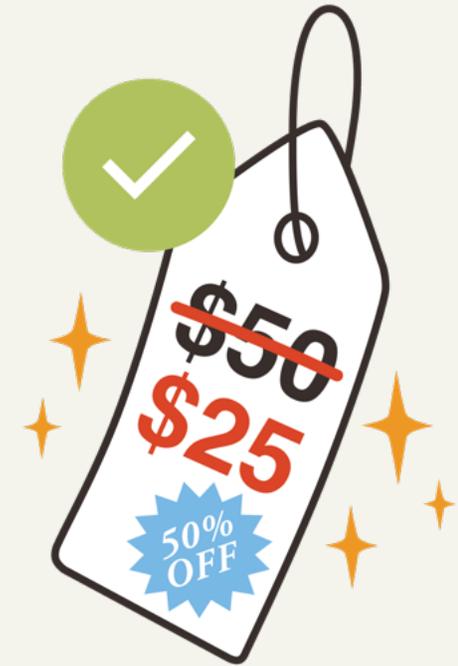The way information is presented (or "framed") can significantly influence our choices.

Anchoring Bias

We tend to rely too heavily on the first piece of information we receive (the "anchor") even if it's irrelevant.
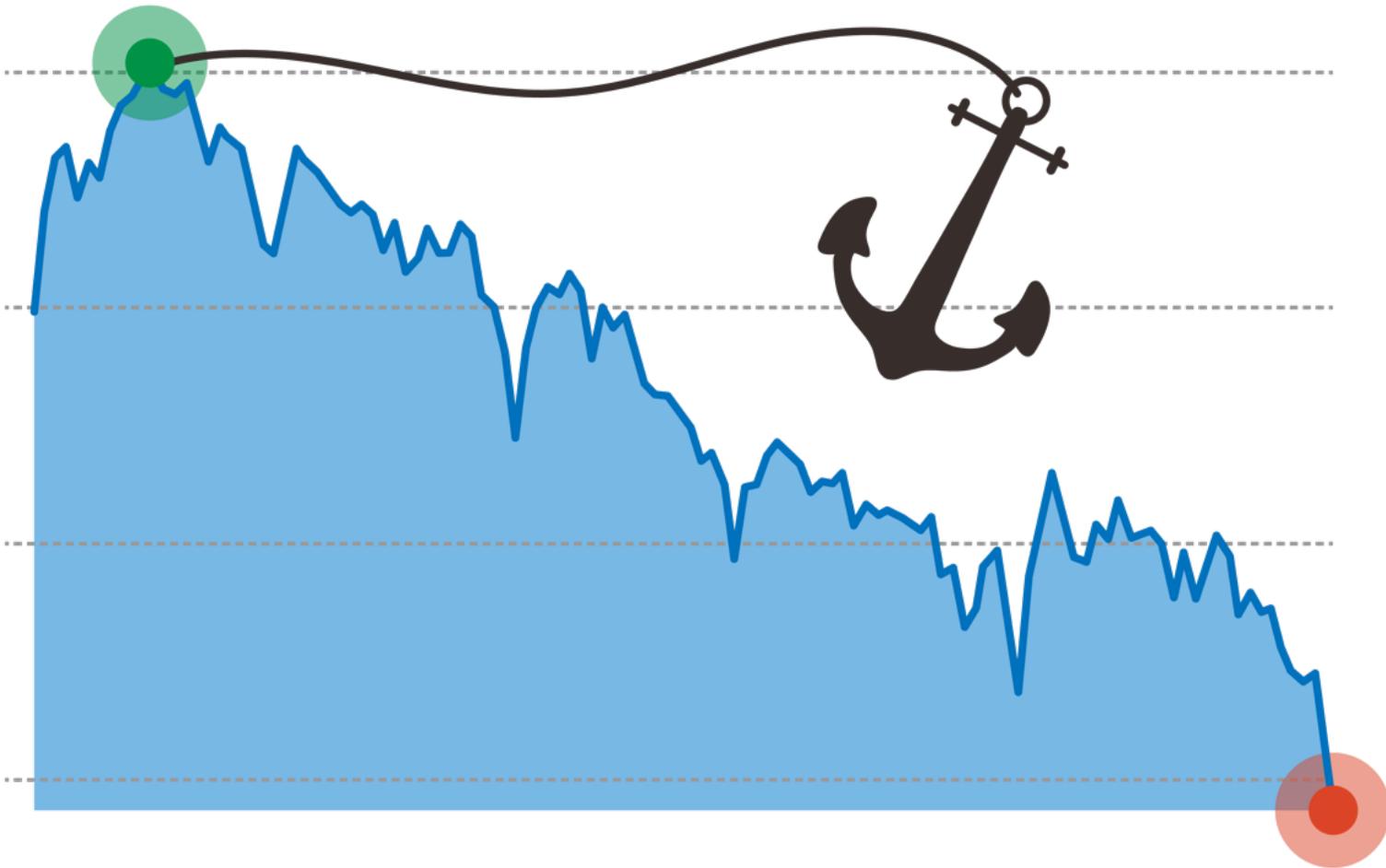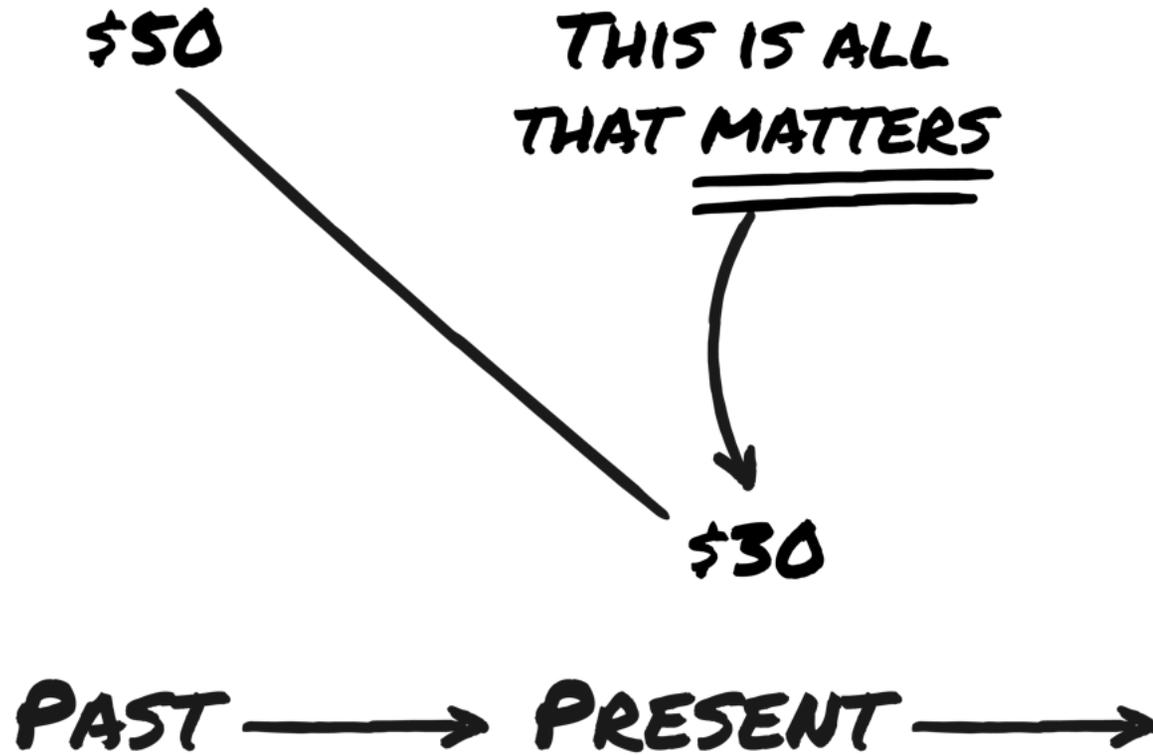
Over-confidence Bias

We tend to overestimate our abilities and knowledge.

Power of Inertia

We tend to stick with the status quo, avoiding change even when a better option exists.

20%

90%

ORGAN
DONOR
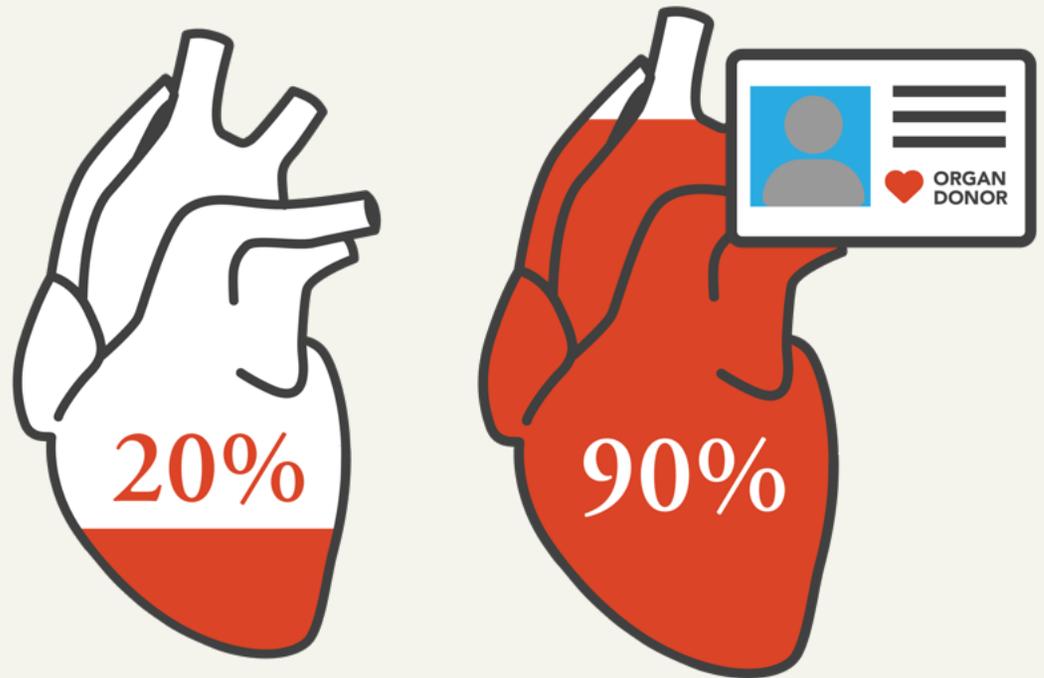
Your Double Challenge

Two powerful headwinds:

- Ellis's structural challenges — professional competition, algorithms, information parity

- Behavioral traps — fear, overconfidence, bias, and emotion

Even smart AAII members face
nearly insurmountable odds

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The Bottom Line

Key Takeaways:

- The market has fundamentally changed, it is now dominated by professionals and algorithms

- Even if you overcome structural challenges, behavioral biases work against you

- Simple index strategies consistently outperform active management

"In a loser's game, the way to win is to make fewer mistakes." - Charles Ellis

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Are You Investing or Engaging In Expensive Entertainment?

Getting an Accurate Picture of Performance

- Simplify — consolidate accounts to what's necessary (401(k)s, IRAs, trusts, and bank accounts)
- Keep all investment accounts at one custodian for transparency
- Adjust for timing and cash flows ("ins and outs")
- Assign the right benchmark to each allocation
- Track each benchmark consistently over time

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Benchmarking in Practice: Vanguard LifeStrategy Growth Fund (VASGX)

Allocation to underlying funds

as of 09/30/2025

49.00%
Vanguard Total Stock Market Index Fund

Funds	LifeStrategy Growth Fund
Vanguard Total Stock Market Index Fund	49.00%
Vanguard Total International Stock Index Fund	33.00%
Vanguard Total Bond Market II Index Fund [9]	12.70%
Vanguard Total International Bond II Index Fund	5.30%

You're outclassed from the start and don't even realize it. You probably won't be able to play the game well. You will not be able to decide how to move in and out of things.

In order to be successful in the market, it's *more difficult than getting a gold medal in the Olympics.* You wouldn't think about competing in the Olympics, but everybody thinks they can compete in the markets.

The problem is that there's much more money competing in those trades than you realize. Hundreds of millions of dollars coming and going from these same stocks,

The worst thing you can do is think you can *time all these movements. I guarantee it's a tough game to time.* Even experienced investors will get confused and do the opposite of what they should — and that quickly gets dangerous.

The greatest mistake of all investors is to think that what has done well lately is a better investment rather than more expensive. And what has done worse lately is the worst investment — get me out of it! — rather 'than it's cheap. Unless you know how to deal with the differences of those, which most people don't, you are going to be in trouble.

– Ray Dalio
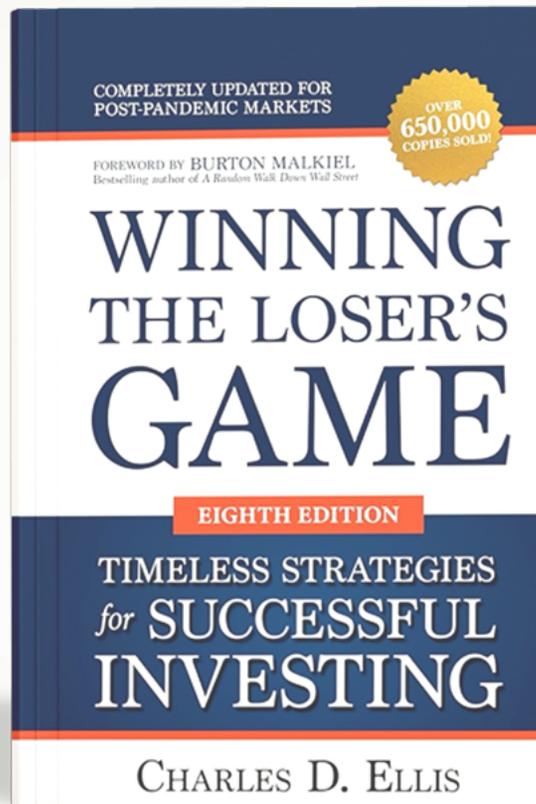*Bridgewater Associates, May 2020*

Q&A

How to Keep Learning:

For further questions, reach out to:

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DMavraides@Rebalance360.com

(650) 509-5610

COMPLETELY UPDATED FOR POST-PANDEMIC MARKETS

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FOREWORD BY BURTON MALKIEL
Bestselling author of *A Random Walk Down Wall Street*

WINNING THE LOSER'S GAME

EIGHTH EDITION

TIMELESS STRATEGIES *for* SUCCESSFUL INVESTING

CHARLES D. ELLIS

Read the Book!

When you sign up for your complimentary consultation you will receive a free copy of Dr. Charley Ellis's ground breaking book, *Winning the Loser's Game.*
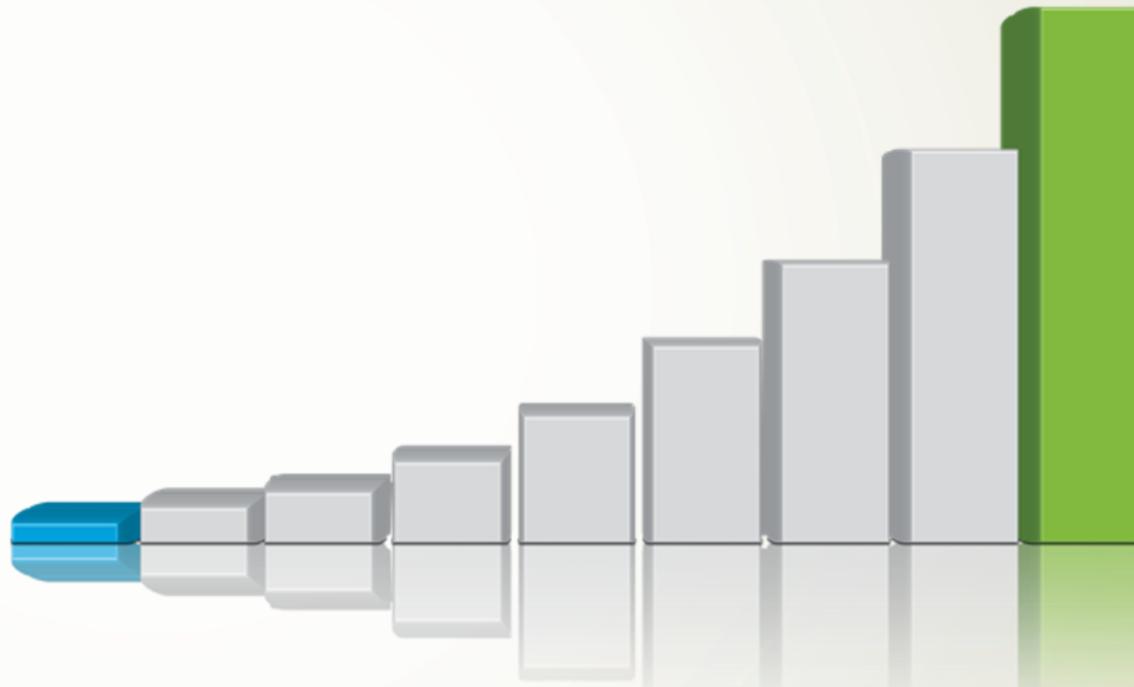
Asset Class Performance Varies from Year to Year
Asset Class Annual Returns Ranked In Order of Best-to-Worst Performance

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
US REAL ESTATE 2.4%	SM US STOCKS 26.6%	EM STOCKS 31.5%	US BONDS 0.1%	US STOCKS 30.7%	US STOCKS 21%	US REAL ESTATE 40.5%	HI YIELD BONDS -11.2%	US STOCKS 26%	US STOCKS 23.8%
CORP BONDS 0.9%	HI YIELD BONDS 17.5%	EUR-ASIA STOCKS 26.4%	TIPS -1.4%	US REAL ESTATE 28.9%	EM STOCKS 15.2%	SM US STOCKS 26.5%	TIPS -12.3%	EUR-ASIA STOCKS 17.8%	EM STOCKS 11.0%
US BONDS 0.5%	US STOCKS 12.8%	US STOCKS 21.2%	CORP BONDS -1.7%	SM US STOCKS 22.8%	SM US STOCKS 11.3%	US STOCKS 25.7%	US BONDS -13.0%	SM US STOCKS 16%	SM US STOCKS 8.6%
US STOCKS 0.4%	EM STOCKS 12.2%	SM US STOCKS 13.2%	HI YIELD BONDS -2.4%	EUR-ASIA STOCKS 22.6%	TIPS 10.8%	EUR-ASIA STOCKS 11.6%	CORP BONDS -14.0%	HI YIELD BONDS 13.5%	HI YIELD BONDS 8.3%
EUR-ASIA STOCKS -0.4%	US REAL ESTATE 8.6%	HI YIELD BONDS 7.2%	US STOCKS -5.2%	EM STOCKS 20.8%	EUR-ASIA STOCKS 9.7%	TIPS 8.3%	EUR-ASIA STOCKS -15.3%	US REAL ESTATE 11.7%	US REAL ESTATE 4.9%
TIPS -1.8%	CORP BONDS 5.3%	CORP BONDS 5.3%	US REAL ESTATE -6%	HI YIELD BONDS 14.2%	CORP BONDS 9.5%	HI YIELD BONDS 5.0%	SM US STOCKS -16.2%	EM STOCKS 9.2%	CORP BONDS 3.3%
SM US STOCKS -2.1%	TIPS 4.7%	US REAL ESTATE 4.9%	SM US STOCKS -8.5%	CORP BONDS 14.1%	US BONDS 7.5%	EM STOCKS 1.2%	EM STOCKS -18.0%	CORP BONDS 8.9%	EUR-ASIA STOCKS 3.1%
HI YIELD BONDS -4.6%	EUR-ASIA STOCKS 2.7%	US BONDS 3.6%	EUR-ASIA STOCKS -14.8%	US BONDS 8.5%	HI YIELD BONDS 6.2%	CORP BONDS -1.8%	US STOCKS -19.5%	US BONDS 5.6%	TIPS 2.0%
EM STOCKS -15.8%	US BONDS 2.4%	TIPS 2.9%	EM STOCKS -14.8%	TIPS 8.3%	US REAL ESTATE -4.7%	US BONDS -1.8%	US REAL ESTATE -26.3%	TIPS 3.7%	US BONDS 1.4%

HIGHEST RETURN

LOWEST RETURN