EQUIUS PARTNERS
Adding Balance to Wealth℠

ASSET CLASS℠

An update of performance, trends, research & topics for long-term investors

Asset Class Returns

October 31, 2014

	YTD 2014	2013	2012	2011	Past 10 yrs.*
Bonds (%)					
One-Year	0.3	0.3	0.9	0.6	2.2
Five-Year	2.6	-0.4	4.8	4.5	3.6
Intermediate	4.3	-3.5	3.7	9.4	4.7
Long-Term	17.7	-11.4	3.3	28.2	6.1
U.S. stocks (%)					
Large Market	10.9	32.3	15.8	2.1	7.4
Large Value	8.0	40.3	22.1	-3.1	8.9
Small Market	1.7	42.2	18.4	-3.2	10.2
Small Micro	0.3	45.1	18.2	-3.3	9.3
Small Value	1.4	42.4	21.7	-7.6	10.0
Real Estate	26.1	1.4	17.5	9.0	8.2
International stocks (%)					
Large Market	-1.9	20.7	17.8	-12.3	7.0
Large Value	-3.4	23.1	16.6	-16.9	8.1
Small Market	-4.2	27.4	18.9	-15.4	10.3
Small Value	-3.2	32.4	22.3	-17.5	10.9
Emerg. Mkts.	4.0	-3.1	19.2	-17.4	11.6

All returns except "YTD" (Year to Date) are annualized.

Descriptions of Indexes

One-Year bonds	DFA One-Year Fixed Income fund
Five-Year bonds	DFA Five-Year Global Fixed fund
Intermediate bonds	DFA Intermed. Gov't Bond fund
Long-Term bonds	Long-term Gov't Bond Index
U.S. Large Market	DFA U.S. Large Co. fund
U.S. Large Value	DFA Large Cap Value fund
U.S. Small Market	DFA U.S. Small Cap fund
U.S. Small Micro	DFA U.S. Micro Cap fund
U.S. Small Value	DFA U.S. Small Value fund
Real Estate	DFA Real Estate Securities fund
Int'l Large Market	DFA Large Cap Int'l fund
Int'l Large Value	DFA Int'l Value fund
Int'l Small Market	DFA Int'l Small Company fund
Int'l Small Value	DFA Int'l Small Cap Value fund
Emerging Markets	DFA Emerging Markets fund

*"Past 10 yrs." returns are ended 12/31/13.

Equius Partners is an investment advisor registered with the Securities and Exchange Commission. Consider the investment objectives, risks, and charges and expenses of any mutual fund and read the prospectus carefully before investing. Indexes are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. **Past performance is not a guarantee of future results.**

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November 2014

The Value of Giving Thanks

Phil Jonckheer, Equius Partners

"Gratitude is the memory of the heart."

— Jean Baptiste Massieu

This is a great time of year when we celebrate Thanksgiving and are reminded of how rich we are, not because of the valuables we own or the gifts we receive, but because of the wealth we enjoy through what we experience and cherish.

The Thanksgiving season is a time ripe with reflection on gratitude's value. Research reveals what we all suspect: Grateful people more easily tune into their abundance, feel more joyful and optimistic, and are blessed with strong immune systems.

We look forward to our gatherings with you and extending our stewardship of your wealth by fully appreciating and supporting all that is important to you. As we begin to explore another year of opportunities with you, please know that our mission to create a much less stressful investing experience—built on timeless investing principles and thoughtful investment counseling—remains our focus. Thank you for continuing to trust us with that responsibility.

One of the more satisfying aspects of stewarding your wealth comes from engaging your precious legacies in purposeful conversations, whether they be with family members, friends or meaningful causes. We are honored and delighted to be advising second- and third-generation family members in perpetuating their family's legacy. It is deeply gratifying to observe the devotion of heirs to the shared values that constitute the bedrock of their family's constitution.

We at Equius wish you rich abundance from the cornucopia of simple and timeless pleasures that are offered to us throughout every season, and especially during this season of giving thanks.

Other Voices

Living with Volatility, Again

Jim Parker, Dimensional Fund Advisors

Volatility is back. Just as many people were starting to think markets only ever move in one direction, the pendulum has swung the other way. Anxiety is a completely natural response to these events. Acting on those emotions, though, can end up doing us more harm than good.

There are a number of interesting theories about why markets have become more volatile. Among the issues frequently splashed across newspaper front pages: global growth fears, policy uncertainty, geopolitical risk, and even the Ebola virus.

In many cases, these issues are not new. The US Federal Reserve gave notice last year it was contemplating its exit from quantitative easing (an unconventional monetary policy used by central banks to stimulate the economy when standard monetary policy has become ineffective). Much of Europe has been struggling with sluggish growth or recession for years, and there are always geopolitical tensions somewhere.

In some ways, the increase in volatility in recent weeks could be just as much a reflection of the fact that volatility has been very low for some time. Investors in aggregate were satisfied earlier this year with a low price on risk, but now they are applying a higher discount rate to risky assets.

So the increase in market volatility is an expression of uncertainty. Markets do not move in one direction. If they did, there would be no return from investing in stocks and bonds. And if volatility remained low forever, there would probably be more reason to worry.

As to what happens next, no one knows for sure. That is the nature of risk. In the meantime, investors can help manage their risk by diversifying broadly across and within asset classes. We have seen the benefit of that in recent weeks as bonds have rallied strongly.

For those still anxious, here are seven simple truths to help you live with volatility:

Don't make presumptions.
Remember that markets are unpredictable and do not always react the way the experts predict they will. When central banks relaxed monetary policy during the crisis of 2008-09, many analysts warned of an inflation breakout. If anything, the reverse has been the case with central banks fretting about deflation.

Someone is buying.
Quitting the equity market when prices are falling is like running away from a sale. While prices have been discounted to reflect higher risk, that's another way of saying expected returns are higher. And while the media headlines proclaim that "investors are dumping stocks," remember someone is buying them.

Market timing is hard.
Recoveries can come just as quickly and just as violently as the prior correction. For instance, in March 2009—when market sentiment was at its worst—the S&P 500 turned and put in seven consecutive months of gains totaling almost 80%. This is not to predict that a similarly vertically shaped recovery is in the cards, but it is a reminder of the dangers for long-term investors of turning paper losses into real ones and paying for the risk without waiting around for the recovery.

Never forget the power of diversification.
While equity markets have turned rocky again, highly rated government bonds have flourished. This helps limit the damage to balanced fund investors. So diversification spreads risk and can lessen the bumps in the road.

Markets and economies are different things.
The world economy is forever changing, and new forces are replacing old ones. This applies both between and within economies. For instance, falling oil prices can be bad for the energy sector but good for consumers. New economic forces are emerging as global measures of poverty, education, and health improve. A recent OECD study shows how far the world has come in the past 200 years.[1]

Nothing lasts forever.
Just as smart investors temper their enthusiasm in booms, they keep a reserve of optimism during busts. And just as loading up on risk when prices are high can leave you exposed to a correction, dumping risk altogether when prices are low means you can miss the turn when it comes. As always in life, moderation is a good policy.

Discipline is rewarded.
The market volatility is worrisome, no doubt. The feelings being generated are completely understandable and familiar to those who have seen this before. But through discipline, diversification, and understanding how markets work, the ride can be made bearable. At some point, value re-emerges, risk appetites reawaken, and for those who acknowledged their emotions without acting on them, relief replaces anxiety.

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[1] *How Was Life? Global Well-Being Since 1820*, OECD, Oct 2, 2014. http://www.oecd-ilibrary.org/economics/how-was-life_9789264214262-en.