

Asset Class Returns

February 29, 2016

	YTD 2016	2015	2014	2013	Past 10 yrs.*
Bonds (%)					
One-Year	0.3	0.3	0.3	0.3	1.9
Five-Year	1.5	1.5	2.9	-0.4	3.6
Intermediate	3.4	1.8	5.2	-3.5	4.8
Long-Term	7.8	-0.1	23.9	-11.4	6.7
U.S. stocks (%)					
Large Market	-5.1	1.4	13.5	32.3	7.3
Large Value	-6.7	-3.5	10.1	40.3	6.7
Small Market	-5.4	-3.3	4.4	42.2	7.8
Small Micro	-5.8	-3.6	2.9	45.1	6.8
Small Value	-6.1	-7.8	3.5	42.4	6.3
Real Estate	-3.7	3.2	31.1	1.4	7.2
International stocks (%)					
Large Market	-8.2	-2.9	-5.2	20.7	3.0
Large Value	-10.8	-6.3	-7.0	23.1	2.4
Small Market	-7.1	5.9	-6.3	27.4	5.2
Small Value	-8.2	4.0	-5.0	32.4	5.3
Emerg. Mkts.	-4.8	-15.8	-1.7	-3.1	4.0

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
Intermediate bonds	DFA Intermed. Gov't Bond fund
Long-Term bonds	Long-term Gov't Bond Index
U.S. Large Market	DFA US Large Company fund
U.S. Large Value	DFA US Large Cap Value fund
U.S. Small Market	DFA US Small Cap fund
U.S. Small Micro	DFA US Micro Cap fund
U.S. Small Value	DFA US 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 12/31/15.

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.

Equius Partners, Inc.
 3 Hamilton Landing, Suite 130
 Novato, CA 94949
 Phone: 415-382-2500
 © 2016 Equius Partners, Inc.



Free Throws

Dave Butler, Dimensional Fund Advisors

Dave leads Global Financial Advisor Services at Dimensional and was a star basketball player for the University of California Golden Bears.

"What do you regard as the most difficult period in the financial markets during your 25 years in the investment business?"

I am often asked this question, usually by people who already have a framework and opinion as a result of living through one or several market downturns. For example, many older advisors and their clients regard the 1973–1974 bear market as the toughest period in their investment lifetime.



Middle-aged investors may consider the tech boom and bust of the late 1990s and early 2000s to be the bellwether event for a generation of investors who assumed they could get rich on one great stock pick. Today, just about everyone remembers the 2008–2009 global financial crisis, having experienced the anxiety of declining investment accounts themselves or knowing someone who did.

The market decline in early 2016 has much of the same feel as past events. Times like these are never easy for clients or advisors, who must confront their concern that "things just might be different this time." When in the midst of a market decline, it is natural to sense that the volatility is lasting longer and is worse than anything before. As a result, advisors spend a lot of time talking to their clients in an effort to alleviate elevated concerns and fears.

How do we find the words that might help minimize the fear and anxiety advisors' clients feel about their investment portfolios and retirement security? As you know, no single word or story can ease their concerns—and certainly not overnight. The more effective course may be for advisors to steadily lead clients down a path from worry to calm through a conversational approach that emphasizes the importance of sticking with their plan.

Continued on page 2

Linking process to discipline

I had the opportunity a few weeks ago to speak at an advisor's client event in California. As I was driving to the event, I thought about how to make the presentation conversational and ensure the concepts of process and discipline resonate with the audience.

The audience was a sports-oriented crowd, and I had about 15 minutes to get across one important concept that might help them navigate the choppy markets. Then I remembered an article I read about world-class athletes and their approach to success. The author described how the greatest athletes, from Olympians to all-star professionals, focus on process rather than outcome when competing at the highest level. I thought about this in context of my own college athletic experience, which, although not at the Olympic level, involved the same need for calm and focus during high-pressure moments in a basketball game.

Imagine yourself playing in a championship basketball game. Your team is trailing by one point. You are fouled just as the game clock goes to zero. You have two free throws. Make both and you win. Miss them and you lose.

What do you do to contain the pressure and focus on the task? The great athletes look to process. While each process may be different, each one reflects a personal routine a player has performed thousands of times in practice. For instance, you start your routine as you approach the free throw line; you take a deep breath and imagine the ball going through the hoop; you step to the line and find the exact spot (usually a nail right behind the painted line) where your right foot will anchor; you look at the back (or front) of the rim and notice the paint peeling or the net missing a connecting loop—or anything else to help you concentrate and calm your mind; and you take the ball from the referee and continue your routine. You dribble twice and flip the ball in the air, take a couple of knee bends, find the grooves on the ball, and spread your fingers across it. You feel the texture of the ball, the rough orange leather and the smooth black rubber on the grooves, and finally time the motion so that your body, the release of the ball, and the follow-through of your hand are all in



perfect synch as the ball elevates and descends to the basket.

The effective athlete does not hope for an outcome or get nervous or scared as the moment approaches. He or she immediately falls back on the tried and tested routine performed countless times in a more serene environment (practice). Following the routine dulls the noise of the crowd and brings clarity of mind.

The same lessons apply to the seasoned investor. A chaotic market is akin to what the visiting team experiences in a gym, where opposing fans and players are doing everything possible to distract you. You stay focused on a routine burned into your nature through coaching and repetitive practice.

The components of the seasoned investor's routine are similar: the investment policy statement, the regular review of family goals and liquidity needs, and the regular calls an advisor makes during good and bad markets. These and other actions are all part of the process developed to summon that muscle memory needed in stressful times. Just as the great athlete navigates through the moments of pressure in any athletic event, the actions are part of the routine that allows the individual to navigate through a chaotic market like we have today.

I believe there are many stories and anecdotes that parallel the basic needs of an investor, but it is up to the advisor to find one that resonates with a particular client or audience. The example could involve a great violinist, a world-class chef, or even a gardener. In each case, there is a story of discipline behind the person who continually works to perfect the craft and a reminder of how a successful investor can do the same.

Statistics and data are the bedrock for the insights we gain about the capital markets, but it is often the conversational story that can help clients of advisors focus on the simplest and most important tenets of investment success. Regardless of the market or time period, advisors can encourage their clients to maintain the discipline needed to follow a process, which can lead to a great investment experience.