

Periodic Chart of Returns

Chart 1 shows the yearly returns for a select group of asset classes (and a core mix) for the period 2000-2013. As we've outlined many times in *Asset Class* articles, this 14-year period threw everything at stock investors, including the proverbial kitchen sink.

When we rank each asset class's performance from *highest to lowest* each year, we arrive at the mosaic effect of Chart 2. This simple visual representation shows very clearly the *randomness* of asset class returns year to year and the utter futility of market timing.

Equius clients and longtime readers of *Asset Class* will recall our "Tortoise & Hare" presentation slides from the early and mid-2000 period. Chart 2 offers a different take on the same message. The return for the asset class mix ("EP100") was never the highest or the lowest in any given year over this period and tended to rank just above average most of the time (4th, 5th, 6th, or 7th out of 16 returns). Yet the mix finished the full 14-year period as the third-highest return (behind U.S. and international small value stocks).

Description of Indexes

CPI	US Consumer Price Index
TB	One-Month Treasury Bills
LTGB	Long-Term Treasury Bonds
5YT	Five-Year Treasury Notes
USM	DFA US Market
USLG	DFA US Large Cap High Price-Book
USLV	DFA US Large Cap Value
USSG	DFA US Small Cap High Price-Book
USSV	DFA US Small Cap Value
IM	DFA International Market
ILG	DFA Int'l Large Cap Growth
ILV	DFA Int'l Large Value
ISG	DFA Int'l Small Cap Growth
ISV	DFA Int'l Small Cap Value
EM	DFA Emerging Markets
EP100	Equius Partners 100% Stock Mix Example: 21% USM, 21% USLV, 28% USSV, 18% ILV, and 12% ISV

Chart 1: Yearly Returns By Asset Class (%)

Asset Class	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
CPI	3.4	1.6	2.4	1.9	3.3	3.4	2.5	4.1	0.1	2.7	1.5	3.0	1.7	1.5
TB	5.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LTGB	21.5	3.7	17.8	1.4	8.5	7.8	1.2	9.9	25.9	-14.9	10.1	28.2	3.3	-11.4
5YT	12.6	7.6	12.9	2.4	2.3	1.4	3.1	10.1	13.1	-2.4	7.1	9.5	2.1	-1.1
USM	-8.4	-10.8	-21.5	31.4	11.9	6.2	15.4	6.0	-36.6	29.0	17.3	0.8	16.4	34.9
USLG	-38.0	-41.7	-25.0	18.6	7.5	3.5	7.1	16.7	-40.4	42.3	18.3	5.4	17.4	29.0
USLV	12.4	3.2	-13.1	36.1	19.3	10.9	21.4	-6.5	-44.6	30.4	20.5	-2.5	19.8	38.8
USSG	-33.4	-13.0	-32.6	49.5	11.4	3.8	8.8	5.0	-44.5	35.0	28.4	-3.0	14.2	46.8
USSV	19.9	28.3	-8.3	66.7	24.7	7.7	22.0	-11.2	-36.7	53.3	32.0	-6.1	17.9	42.8
IM	-16.7	-21.7	-12.2	43.3	22.7	16.8	25.3	12.6	-42.7	33.4	11.5	-12.7	17.2	22.7
ILG	-25.8	-24.8	-11.5	36.4	18.8	14.8	22.5	16.3	-40.0	29.7	12.6	-7.6	17.2	23.1
ILV	0.9	-15.6	-10.2	54.9	26.6	17.0	29.7	8.3	-46.9	47.2	12.4	-16.4	19.5	23.9
ISG	-18.6	-23.7	-6.3	55.6	31.8	23.9	21.6	8.8	-48.1	46.3	26.0	-12.9	19.1	29.8
ISV	-2.3	-3.0	3.9	68.1	38.7	24.4	30.0	6.1	-45.2	53.7	20.1	-16.9	19.8	29.5
EM	-30.8	-0.6	-6.4	59.4	29.6	31.8	35.1	44.2	-51.7	83.9	22.6	-19.1	19.2	-0.6
EP100	6.0	2.0	-11.0	50.0	23.0	12.0	23.0	-1.0	-41.0	43.0	22.0	-7.0	19.0	35.0

Chart 2: Yearly Returns Ranked Highest to Lowest

Asset Class	Annual Return	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
USSV	14.8%														
ISV	12.4%														
EP100	9.8%														
EM	9.5%														4
USLV	7.9%	5						5				5			
LTGB	7.4%		6		6	6					6			6	
ILV	7.3%						7								
ISG	6.8%														
5YT	5.6%									9					
USM	4.5%			10									10		
IM	4.2%														
ILG	3.1%														
CPI	2.4%														
TB	2.0%								14						
USSG	1.4%														
USLG	-2.4%														

Asset Class Returns

March 31, 2014

	YTD 2014	2013	2012	2011	Past 10 yrs.*
Bonds (%)					
One-Year	0.1	0.3	0.9	0.6	2.2
Five-Year	0.8	-0.4	4.8	4.5	3.6
Intermediate	1.7	-3.5	3.7	9.4	4.7
Long-Term	6.2	-11.4	3.3	28.2	6.1
U.S. stocks (%)					
Large Market	1.8	32.3	15.8	2.1	7.4
Large Value	1.6	40.3	22.1	-3.1	8.9
Small Market	0.8	42.2	18.4	-3.2	10.2
Small Micro	0.6	45.1	18.2	-3.3	9.3
Small Value	1.2	42.4	21.7	-7.6	10.0
Real Estate	10.2	1.4	17.5	9.0	8.2
International stocks (%)					
Large Market	0.9	20.7	17.8	-12.3	7.0
Large Value	1.1	23.1	16.6	-16.9	8.1
Small Market	4.2	27.4	18.9	-15.4	10.3
Small Value	6.1	32.4	22.3	-17.5	10.9
Emerg. Mkts.	-0.3	-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
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.

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Stock Market Centerfold

Jeff Troutner, Equius Partners

Inspired by Dimensional Fund Advisors' very popular *Matrix Book*, we present over the next two pages a visual history of 86 years of U.S. "total stock market" returns.

Granted it's not Marilyn Monroe, but we hope investors find it sufficiently stimulating to either adopt or stay with an asset class investing strategy for the long haul. To avoid overstimulation and potential marital problems, we decided not to feature the obscene return history for U.S. small value stocks—a core component of Equius client portfolios.

The annualized returns are presented in a "heat map" format to more easily differentiate between up (green shades) and down (red shades) periods. Those who possess sufficiently good hand-eye coordination can find the annual compounded return for U.S. stocks from, say, 1956 to 1975 using this single returns matrix. A digital interactive version of the matrix makes this process much easier (see below).

By presenting the data in this way, investors are able to perceive more easily the importance of patience and discipline to a long-term investment strategy. Down periods will occur—some like those in the early 1930s, 1970s, 2000s, and 2008 can be severe—but over time stock returns tend to regress back to their long-term averages.

A different electronic version of the heat map with many more indexes, including those decadent small value stocks, is available as an iPad app called the "Index Matrix." The app is undergoing a complete upgrade of the user interface as we speak and will include more Dimensional (as well as Russell) indexes in the near future. The app can be downloaded from the Apple App Store. An Android version should be available in the future.

Staying with the visual theme of this month's newsletter, I've also included a "Periodic Chart" of returns for the period 2000-2013 on page 4. Callan Associates has been publishing a similar chart for many years in an effort to visually communicate the case for asset class diversification and *against* market timing.

1928	382	1929	9.6	-13.1	1930	-5.1	-21.4	-28.9	1931	-16.8	-29.8	-36.9	-43.9	1932	-15.2	-24.9	-28.5	-28.2	-8.2	1933	-6.0	-13.0	-13.0	-6.9	20.0	56.7	1934	-4.7	-10.4	-9.9	-4.4	14.2	27.3	3.5	1935	0.4	-4.1	-2.5	3.9	21.2	32.9	22.4	44.7	1936	3.5	-0.1	1.9	8.2	23.4	32.8	25.7	38.5	32.5	1937	-1.1	-4.7	-3.6	0.7	11.0	15.3	6.8	7.9	-6.8	-34.5	1938	1.3	-1.8	-0.5	3.8	13.3	17.4	10.8	12.7	3.6	-8.4	28.2	1939	1.4	-1.4	-0.2	3.7	11.9	15.1	9.4	10.6	3.4	-4.8	14.8	2.8	1940	0.7	-1.9	-0.8	2.5	9.6	12.1	6.9	7.4	1.2	-5.4	7.0	-2.3	-7.1	1941	-0.1	-2.6	-1.6	1.3	7.5	9.4	4.5	4.7	-0.8	-6.4	2.4	-5.1	-8.7	-10.4	1942	0.9	-1.3	-0.4	2.5	8.2	10.0	5.8	6.1	1.5	-2.9	5.0	-0.1	-1.0	2.2	16.5	1943	2.4	0.4	1.5	4.3	9.8	11.6	7.9	8.4	4.5	1.0	8.6	5.1	5.6	10.3	22.3	28.4	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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86 Years of U.S. Stock Market History

Dimensional US Market Index



Adding Balance to WealthSM

An interactive version of the matrix can be downloaded on the Apple iPad using the App Store app and searching for "Index Matrix."
The Equius Partners "Asset Class" app is also available for download to the iPad.

How to use the matrix (e.g., 1961-1965):

- 1 Locate column for first year in range.
- 2 Locate row for last year in range.
- 3 Return is found at the intersection.

