



# Pursuing a Better Investment Experience



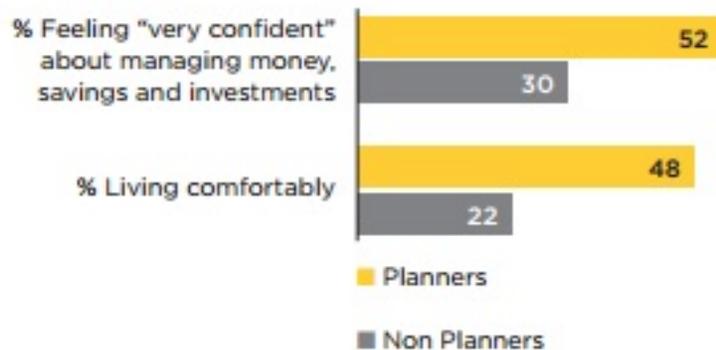
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Last updated: February 2016

# 1. Have a Financial Plan

**Those who have prepared a personal financial plan are more likely to feel on pace to meet all of their financial goals.**

**Planners feel more confident about managing money, savings and investments than non-planners, across all incomes, and are more likely to describe themselves as living comfortably.**

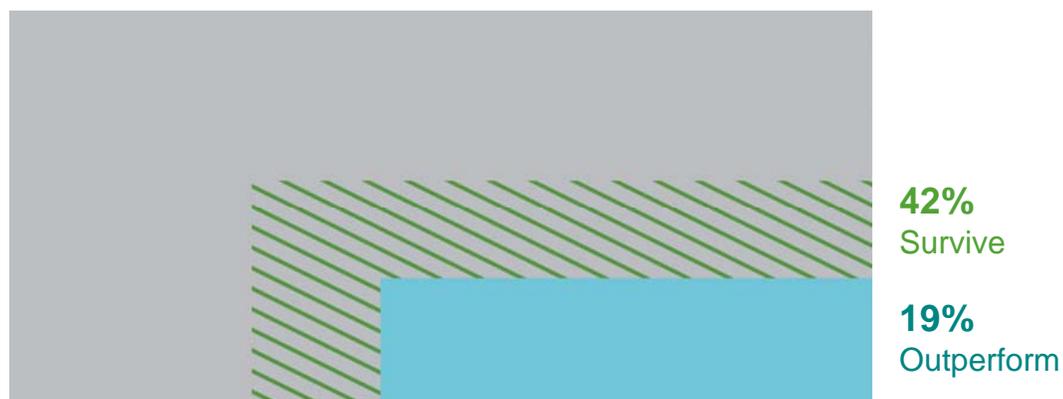


Whether you are thinking to buy a home, grow or wind down your small business, change jobs, save for your kids education or prepare for retirement it always pays to start with a well thought out financial plan. Once you've got a good plan together and created an implementation and maintenance schedule managing your investments falls naturally into place.

CFA and CFP Board developed the survey instrument with Princeton Survey Research Associates International, which administered the survey to a representative sample of 1,508 financial decision makers nationwide via landline or cell phones. Interviews were conducted from May 7-20, 2012. The margin of sampling error for results based on total sample at the 95 percent level of confidence is +/- 3 percentage points.

## 2. Don't Try to Outguess the Market

### US Equity Mutual Fund Performance



**15 Years**  
2,711 funds at beginning

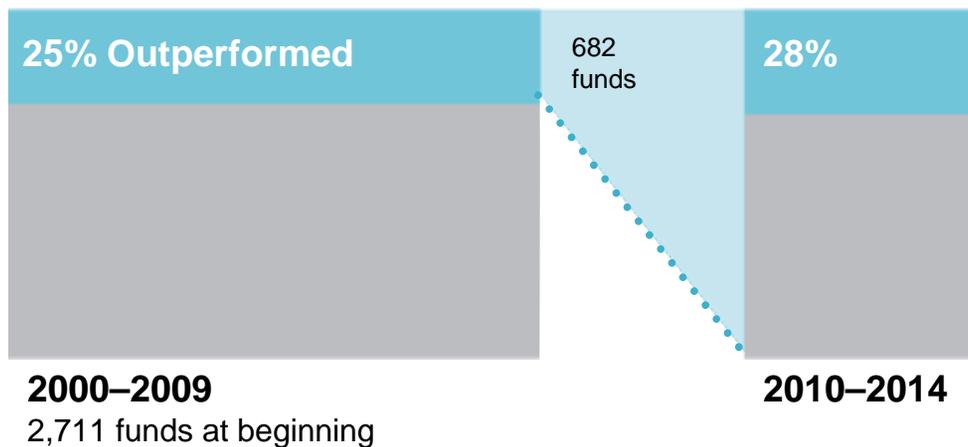
The market's pricing power makes it difficult for investors who try to outsmart other participants through stock picking or market timing.

As evidence, only 19% of US equity mutual funds have survived and outperformed their benchmarks over the past 15 years.

Beginning sample includes US equity mutual funds as of the beginning of the 15-year period ending December 31, 2014. Survivors are funds that were still in existence as of December 31, 2014. Non-survivors include funds that were either liquidated or merged. Outperformers are funds that survived and beat their respective benchmarks over the period. **Past performance is no guarantee of future results.** Data Source: The US Mutual Fund Landscape 2015, Dimensional Fund Advisors. US-domiciled mutual fund data is from the CRSP Survivor-Bias-Free US Mutual Fund Database, provided by the Center for Research in Security Prices, University of Chicago. Benchmark data provided by MSCI, Russell, and S&P. MSCI data © MSCI 2015, all rights reserved. Russell data © Russell Investment Group 1995-2015, all rights reserved. The S&P data are provided by Standard & Poor's Index Services Group. Benchmark indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Mutual fund investment values will fluctuate, and shares, when redeemed, may be worth more or less than their original cost. Diversification neither assures a profit nor guarantees against a loss in a declining market.

### 3. Resist Chasing Past Performance

#### Do Outperforming US Equity Mutual Funds persist?



Some investors select mutual funds based on past returns. However, funds that have outperformed in the past do not always persist as winners.

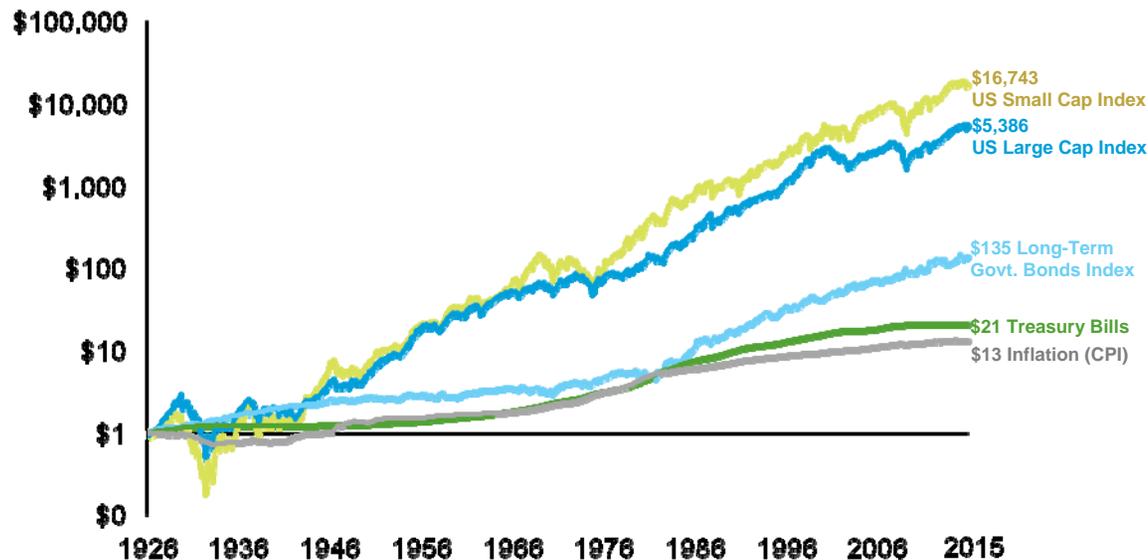
Past performance alone provides little insight into a fund's ability to outperform in the future.

The graph shows the proportion of US equity mutual funds that outperformed and underperformed their respective benchmarks (i.e., winners and losers) during the initial 10-year period ending December 31, 2009. Winning funds were re-evaluated in the subsequent five-year period from 2010 through 2014, with the graph showing winners (outperformers) and losers (underperformers). Fund count and percentages may not correspond due to rounding. **Past performance is no guarantee of future results.** Data Source: The US Mutual Fund Landscape 2015, Dimensional Fund Advisors. US-domiciled mutual fund data is from the CRSP Survivor-Bias-Free US Mutual Fund Database, provided by the Center for Research in Security Prices, University of Chicago. Benchmark data provided by MSCI, Russell, and S&P. MSCI data © MSCI 2015, all rights reserved. Russell data © Russell Investment Group 1995-2015, all rights reserved. The S&P data are provided by Standard & Poor's Index Services Group. Benchmark indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Mutual fund investment values will fluctuate, and shares, when redeemed, may be worth more or less than their original cost. Diversification neither assures a profit nor guarantees against a loss in a declining market.

## 4. Let Markets Work for You

### Growth of a Dollar, 1926–2015

(Compounded monthly)



The financial markets have rewarded long-term investors. People expect a positive return on the capital they supply, and, historically, the equity and bond markets have provided growth of wealth that has more than offset inflation.

In US dollars. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. US Small Cap Index is the Fama/French US Small Cap Index; US Large Cap Index is the Fama/French US Large Cap Index; Long-Term Government Bonds Index is 20-year US Government Bonds; Treasury Bills are One-Month US Treasury bills; Inflation is the Consumer Price Index. Fama/French Data provided by Fama/French. Eugene Fama and Ken French are members of the Board of Directors for and provide consulting services to Dimensional Fund Advisors LP. Bonds, T-bills, and inflation data © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). Past performance is no guarantee of future results.

# 5. Consider the Drivers of Returns

## Dimensions of Expected Returns



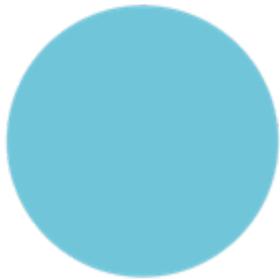
Academic research has identified these equity and fixed income dimensions, which point to differences in expected returns.

These dimensions are pervasive, persistent, and robust and can be pursued in cost-effective portfolios.

Diversification does not eliminate the risk of market loss. Relative price as measured by the price-to-book ratio; value stocks are those with lower price-to-book ratios. Profitability is a measure of current profitability, based on information from individual companies' income statements.

## 6. Practice Smart Diversification

### Home Market Index Portfolio



S&P 500  
1 country, 500 stocks

### Global Market Index Portfolio



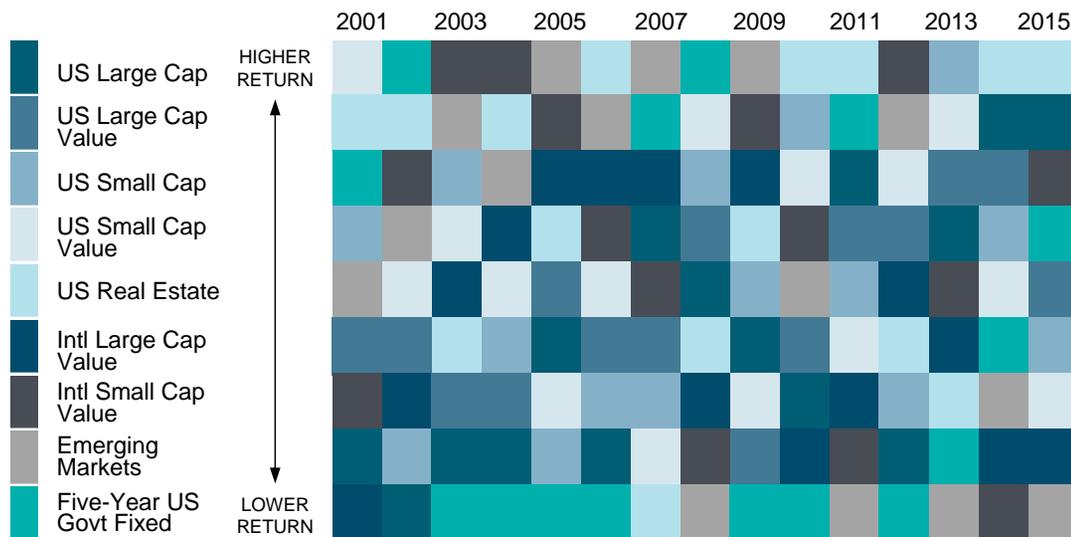
MSCI All Country  
World Index (IMI)  
46 countries, 8,716 stocks

Diversification helps reduce risks that have no expected return, but diversifying within your home market is not enough. Global diversification can broaden your investment universe.

Number of holdings for the S&P 500 and MSCI All Country World Index—Investable Market Index (MSCI ACWI IMI) as of December 31, 2015. Indices are not available for direct investment and their performance does not reflect the expenses associated with the management of an actual portfolio. International investing involves special risks such as currency fluctuation and political instability. Investing in emerging markets may accentuate these risks. Past performance is not a guarantee of future results. Diversification neither ensures a profit nor guarantees against loss in a declining market. The S&P data are provided by Standard & Poor's Index Services Group. MSCI data © MSCI 2016, all rights reserved.

# 7. Avoid Market Timing

## Annual Returns by Market Index



You never know which market segments will outperform from year to year. By holding a globally diversified portfolio, investors are well positioned to capture returns wherever they occur.

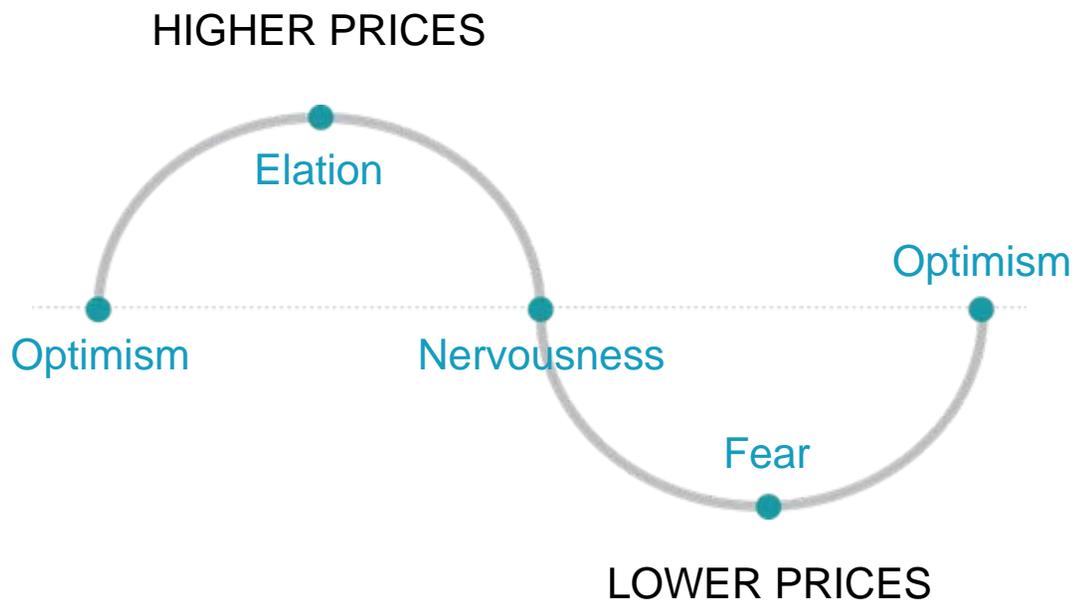
In US dollars. Chart is for illustrative purposes only.

US Large Cap is the S&P 500 Index, provided by Standard & Poor's Index Services Group. US Large Cap Value is the Russell 1000 Value Index. US Small Cap is the Russell 2000 Index. US Small Cap Value is the Russell 2000 Value Index. Russell data copyright © Russell Investment Group 1995-2016, all rights reserved. US Real Estate is the Dow Jones US Select REIT Index, provided by Dow Jones Indexes. International Large Cap Value is the MSCI World ex USA Value Index (net dividends). International Small Cap Value is the MSCI World ex USA Small Cap Value Index (net dividends). Emerging Markets is the MSCI Emerging Markets Index (net dividends). MSCI data copyright MSCI 2016, all rights reserved. Five-Year US Government Fixed is the Barclays Capital Treasury Bond Index 1-5 Years, formerly Lehman Brothers, provided by Barclays 2016. 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 not a guarantee of future results.



## 8. Manage Your Emotions

### Reactive Investing in a Market Cycle



Many people struggle to separate their emotions from investing. Markets go up and down. Reacting to current market conditions may lead to making poor investment decisions at the worst times.

For illustrative purposes only.

## 9. Look beyond the Headlines

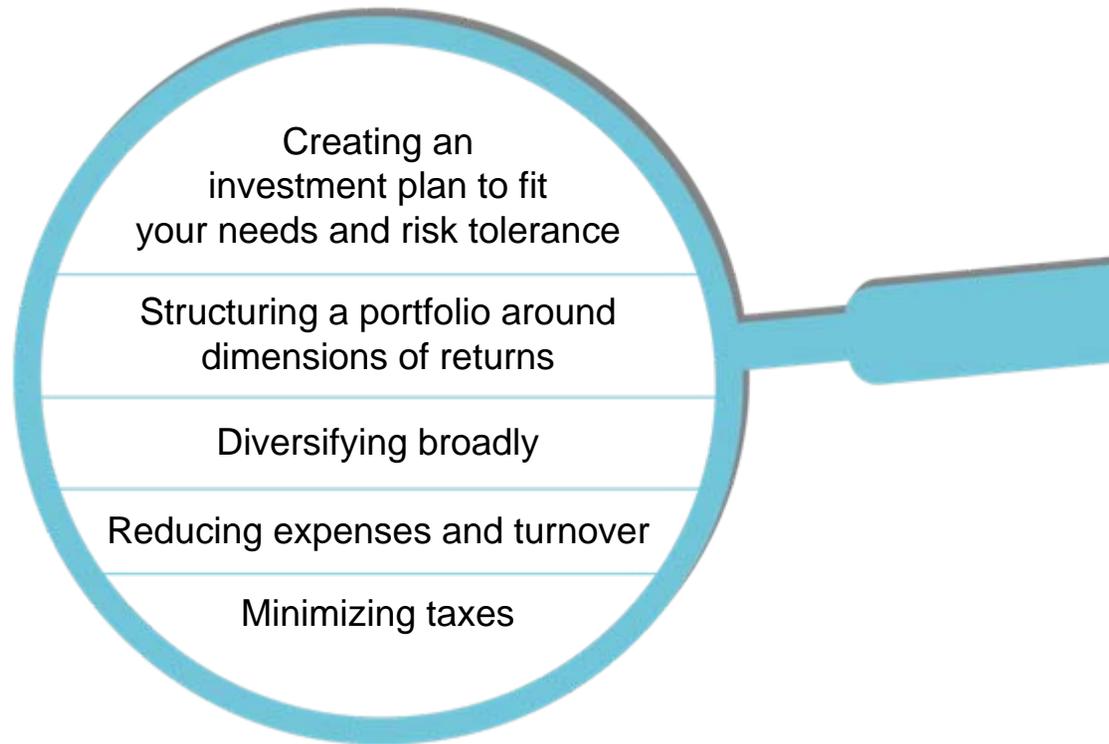


Daily market news and commentary can challenge your investment discipline. Some messages stir anxiety about the future while others tempt you to chase the latest investment fad.

When tested, consider the source and maintain a long-term perspective.

For illustrative purposes only.

## 10. Focus On What You Can Control



A financial advisor can create a plan tailored to your personal financial needs while helping you focus on actions that add value.

This can lead to a better investment experience.

Diversification does not eliminate the risk of market loss. There is no guarantee investment strategies will be successful. For illustrative purposes only.



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- **Independent Advice** (no hidden or veiled affiliations)
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