Pursuing a Better Investment Experience

10 STEPS TO PRACTICAL INVESTING

PARK+ELM
Investment Advisers

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Dear Reader,

Thank you for your interest in *Pursuing a Better Investment Experience*. This book represents the core of our investment philosophy, and our driven approach to put our clients in a position to capture market growth over time. The information in this book can guide you to a free way of thinking about investing in capital markets.

While the 10 components in this book can design your investment philosophy, it does not address your specific financial situation. Your personal goals play an important role on your path to a comfortable retirement.

We would welcome the opportunity to help you achieve your goals. We have a fiduciary commitment to our clients, and always invest with their best interest in mind. Feedback from a financial professional is a great first step, and we would be delighted to review your current investments with you.

Contact us today at 855-PARKELM or visit www.park-elm.com to schedule a free consultation. We hope you enjoy the book!

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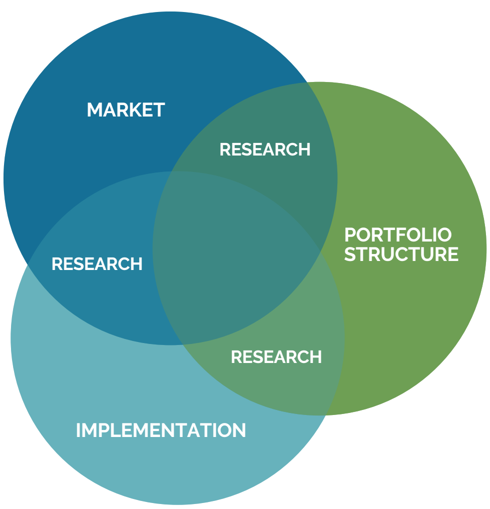
Embrace Market Pricing

Many investors believe that there may be a way to predict when to buy and sell securities, and it's possible that pricing errors occur in financial markets. But it's clear that investors have a very difficult time consistently exploiting these errors. Over the last five years...

1. About 60% of actively managed large cap US equity funds have failed to beat the S&P 500
2. 77% of mid cap funds have failed to beat the S&P 400
3. Two-thirds of the small cap manager universe have failed to outperform the S&P Small Cap 600 Index.
4. Across the thirteen fixed income fund categories, all but one experienced at least a 70% rate of underperformance over five years



...and the underperformance rate increases over longer periods of time. Most investors have investment time horizons much broader than five years, so trying to anticipate market movements over decades adds extreme anxiety and undue risk, while drastically increasing management expenses. Although the promise of above-market returns is alluring, investors must face the reality that as a group, US-based active managers do not consistently deliver on this promise, and they charge significantly higher fees for this underperformance.

WORLD EQUITY TRADING IN 2016		
	Number of Trades	Dollar Volume
DAILY AVERAGE	82.7 million	$346.4 billion

Consider the assumption that the price of a security reflects all available information, and the intense competition among market participants drives prices to fair value. This type of strong belief in markets frees us to think and act differently about investing. When you try to outwit the market, you compete with the collective knowledge of millions of investors. By harnessing the Market's power, you can put their knowledge to work in your portfolio.

Markets throughout the world have a history of rewarding investors for the capital they supply, and persistent differences in average portfolio returns are explained by differences in average risk. Attempting to time the market creates periods of time when investors are out of the market. This lack of participation can prove very costly to long-term returns. At Park and Elm, we embrace the market, and put investors in a position to capture returns from market growth over time, by pinpointing an acceptable level of risk, for an acceptable long-term return. There are periods of good and bad in the stock market, but it is by far the BEST investment option we have. Understanding that the price of a stock is driven to fair value by the intense competition of companies and investors, allows us to focus on controlling risk, lowering fees and diversifying into the broader markets.

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2

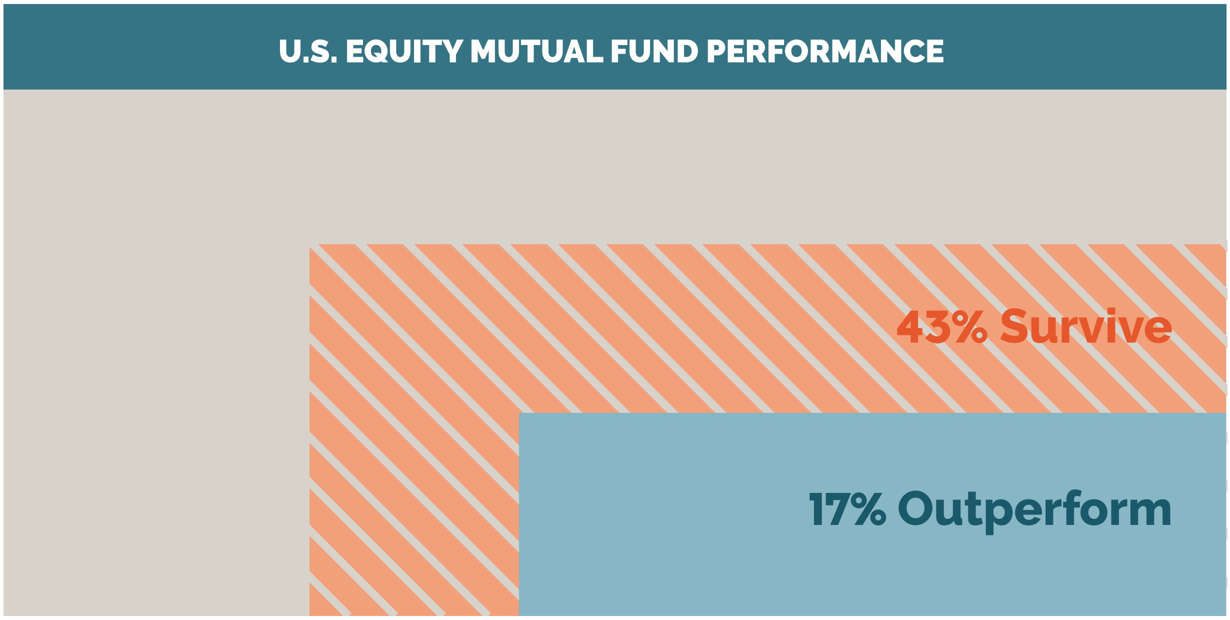
Don’t Try to Outguess the Market

The market’s pricing power works against mutual fund managers who try to outsmart other participants through stock picking or market timing. As evidence, only 17% of US equity mutual funds have survived and outperformed their benchmarks over the past 15 years. Even so, traditional investment approaches strive to beat the market by taking advantage of pricing “mistakes” and attempting to predict the future. Too often, these approaches prove costly and futile. Predictions go awry and managers may hold the wrong securities at the wrong time, missing the strong returns that markets can provide. Meanwhile, capital-based economies thrive—not because markets fail but because they succeed.

> **Trying to guess the most underpriced stocks is betting against 98.6 Million other investors *each day***

What if the typical investor decided not to bet their life savings on tips and hunches? We know from Chapter 1 that trying to guess the most underpriced stocks is betting against 98.6 Million other investors each day; and that equity prices are fair and efficient. We also know that markets throughout the world have a history of rewarding investors for supplied capital. Instead of guessing, we should lean on academics and science to guide the way to designing a portfolio that delivers what the markets offer. A financial plan based on the science of investing frees you to focus on what matters—diversification, lowering costs, and discipline.

Many of the greatest advancements in Finance have come from academia and research. Academic research has identified the sources of investment returns historically, and applying academic insights to practical strategies can help investors benefit from what the capital markets have to offer.



15 Years
2,758 funds at beginning

There is a different way to invest. We should think about why we invest, what we know from research, and apply proven scientific methods of expected returns to our portfolio design. We focus on gaining insights about markets and returns from academic research, reducing expenses, rebalancing, and taking on an acceptable amount of risk based on scientific dimensions of expected returns. Let markets work for you by taking advantage of sensible, well-diversified, low-cost portfolios backed by decades of research and practical experience.

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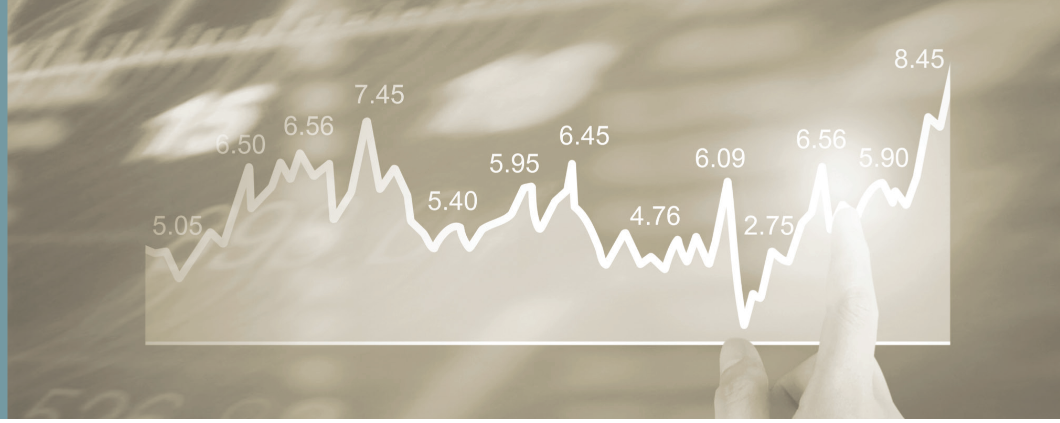
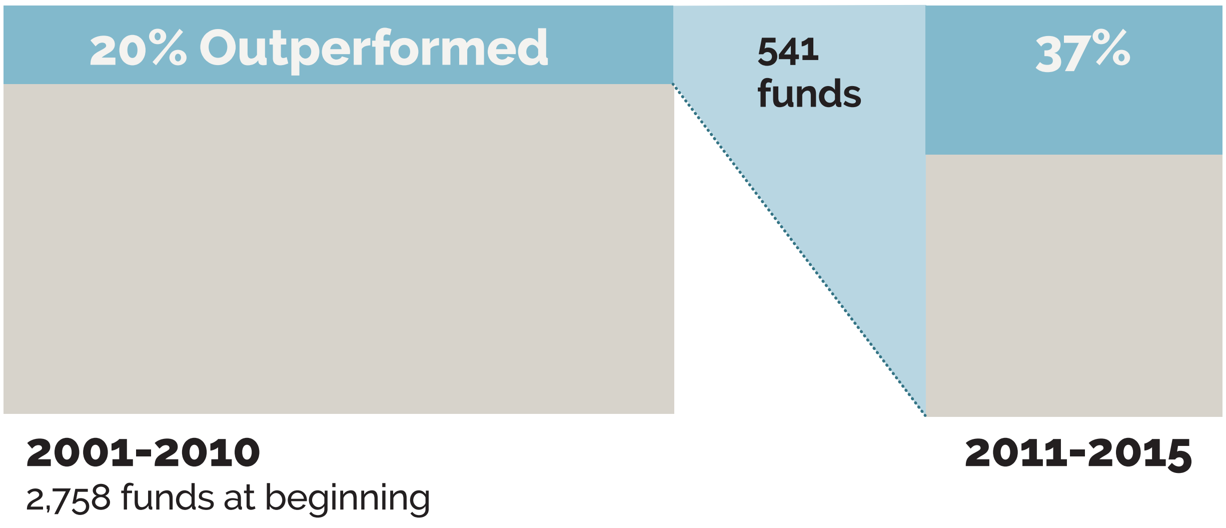


Resist Chasing Past Performance

(Research here shows only 20% of all active mutual funds beat their corresponding index over a 10 year time frame. And of those, only 37% continued over the next 5 years. That is only 205 of 2758 mutual funds that beat their index over a 15 year time frame. It's nearly impossible to pick the right ones)

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. The most important guideline to remember is: If a fund does not fit into your overall investment strategy, it's a dangerous choice no matter how it's performed in the recent past.

Investors have a tendency to weight recent events more heavily than history. It's nearly impossible for the typical investor to choose a fund that had negative returns in the previous year. Yet that fund, historically, may have proven to be an outperformer in its category. And the largest hurdle is that most investors don't even think they are chasing performance. Research shows, however, that nearly every mutual fund outperforms individual investors in the fund.

Instead of chasing performance, investors should follow these four rules:

1 Develop an investment strategy and COMMIT to it

Every investor should have a disciplined investing strategy and stick to it, through bull and bear markets. A relationship with a professional financial advisor is the first step to developing this strategy, and it ensures that you'll take the right actions at the right time.

2 Rebalance your portfolio

Rebalancing your portfolio will keep you from buying high and selling low. Investors who chase returns are adding to a piece of the investment pie that's already too big. If you rebalance your portfolio once a year, you'll be ensured that you're adding to the smaller piece of the pie, and inherently buying low and selling high.

3 Remain Invested

Don't be tempted to pull your investments from the market when it falls. These are the most opportune times to increase long-term returns through rebalancing.

4 Focus on your personal goals

Your personal goals should drive your investing strategy. Keep that in the front of your mind and it will be much easier to remain disciplined. Remember, past performance alone provides little insight into a fund's ability to outperform in the future. A more disciplined approach has proven to be the best way to increase long-term performance.

4

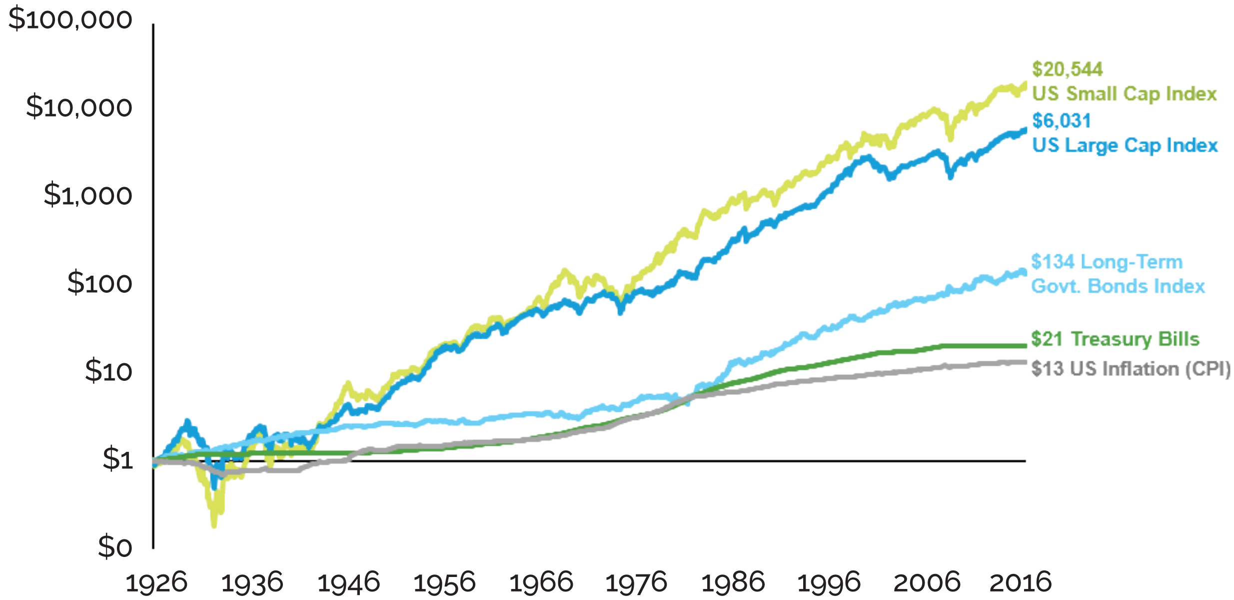
Let Markets Work for You

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 throughout the world have provided growth of wealth that has more than offset inflation. Companies compete with each other for investment capital, and millions of investors compete with each other to find the most attractive returns. This competition quickly drives prices to fair value, ensuring that no investor can expect greater returns without bearing greater risk. The chart below shows how the growth of $1 is affected by the level of risk an investor is willing to take. It also shows that any level of risk taken has historically outpaced inflation.

> People expect a positive return on their capital, and historically, the markets have provided **growth of wealth** that has ***more than offset inflation.***

Many investors and investment managers strive to beat the market by taking advantage of pricing "mistakes" and attempting to predict the future. Too often, this proves costly and futile, due to holding the wrong securities at the wrong time, meanwhile, markets are succeeding. Instead of allowing the media to sway you into making impulsive and reactive decisions about your investments, or gambling on hunches, why not let the markets work for you? When you try to outwit the market, you compete with the collective knowledge of all investors. By harnessing the market's power, you put their knowledge to work in your portfolio. Markets integrate the combined knowledge of all participants, and enables competition among those who voluntarily agree to transact. We believe that all of this powerful information drives security prices to fair value, and that differences

Growth of a Dollar, 1926–2016
(Compounded Monthly)



in performance are largely attributed to asset allocation decisions, and differences in average risk. We know that investing in the market means taking risks. We also know that not investing means taking risks, because your money today will buy less in the future. We want investors to incorporate the vast, complex network of information, expectations, and human behavior that we believe markets reflect, into their portfolio design. This powerful view of market equilibrium has profound investment implications.

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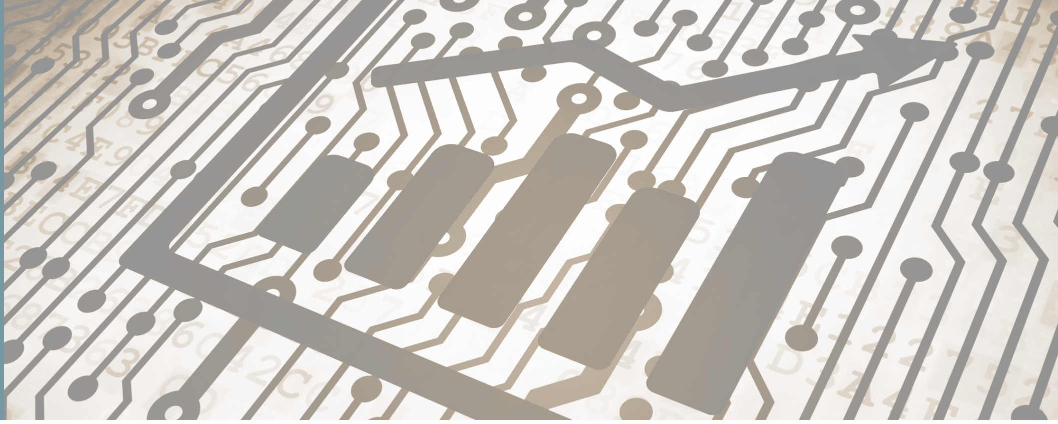


Consider the Drivers of Returns

Throughout history, many of the greatest advancements in finance have come from academia. Our investment philosophy has been shaped by decades of research by leading academics. We structure portfolios on the principles that markets are efficient; that returns are determined by asset allocation decisions, and that portfolios can be structured around dimensions of expected returns identified through academic research. It is through our strategic partnership with Dimensional Fund Advisors, a leading global investment firm that has been translating academic research into practical investment solutions since 1981, that we can pursue dimensions of higher expected returns through advanced portfolio design, management, and trading.

EQUITIES

Market
Equity Premium — Stocks vs. Bonds

Company Size
Small Cap Premium — Small vs. Large Companies

Relative Price
Value Premium — Value vs. Growth Companies

Profitability
Profitability Premium — High vs. Low Profability Companies

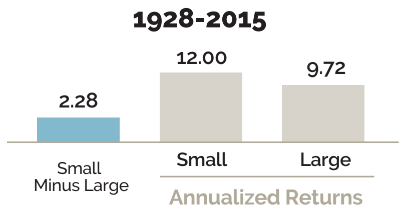
FIXED INCOME

Term
Term Premium — Longer vs. Shorter Maturity Bonds

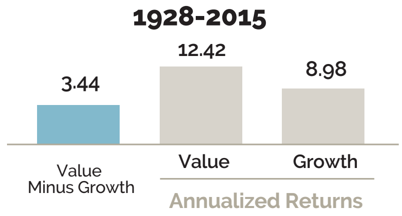
Credit
Credit Premium — Lower vs. Higher Credit Quality Bonds

Much of what we have learned about expected returns in the equity and fixed income markets can be summarized in these dimensions.

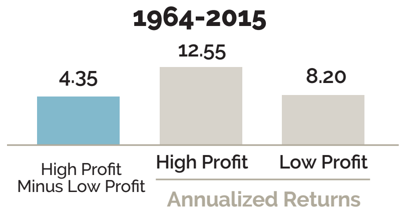
1 Stocks have higher expected returns than bonds – *it has been well documented over time that stocks outperform bonds, and that risk = reward*



2 Among stocks, expected return differences are largely driven by company size – *small companies have higher expected returns than large companies.*



3 Relative price – *low relative price "value" companies have higher expected returns than high relative price "growth companies.*



4 Profitability – companies with high profitability have higher expected returns than companies with low profitability.

Since 1981, Dimensional has incorporated rigorous academic research on the capital markets into the design, management, and trading of clients' portfolios. Some of the major milestones in academic research shown in the chart below have had a profound effect on our investment philosophy.

1952
Diversification and Portfolio Risk
HARRY MARKOWITZ
Nobel Prize in Economics, 1990

1966
Efficient Markets Hypothesis
EUGENE FAMA
Nobel Prize in Economics, 2013

1984
Term Structure of Interest Rates
EUGENE FAMA
Nobel Prize in Economics, 1990

2012
Profitability
ROBERT NOVY-MARX
EUGENE FAMA
KENNETH FRENCH

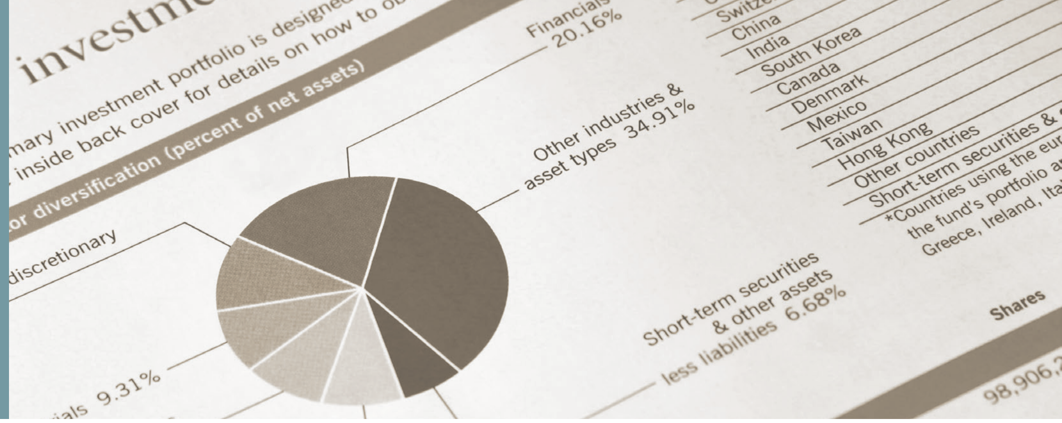
1964
Single-Factor Asset Pricing Risk/ Return Model
WILLIAM SHARPE
Nobel Prize in Economics, 1990

1981
The Size Effect
ROLF BANZ

1992-1993
Value Effect and Multifactor Asset Pricing Model
EUGENE FAMA
KENNETH FRENCH

Our enduring philosophy and deep working relationships with Dimensional and the academic community underpin our approach to investing. Over a long period of time, Academics have been able to identify dimensions of higher expected returns, and with Dimensional, we can structure portfolios around these dimensions in a very cost-effective manner.

6



Practice Smart Diversification

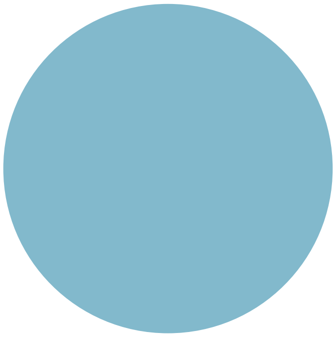
It's not enough to diversify by security. Deeper diversification involves geographic and asset class diversity. Holding a global portfolio helps to lower concentration in individual securities and increase diversification.

U.S. investors possess a "home bias" ... the majority of their portfolio is in U.S. companies, which leads to greater volatility and lower returns.

Over long periods of time, investors can benefit from consistent exposure in their portfolios to both U.S. and non-U.S. equities. While both asset classes offer the potential to earn positive expected returns in the long term, they may perform quite differently over shorter cycles. The performance of different countries and asset classes will vary over time, and there is no reliable evidence that performance can be predicted in advance. An approach to equity investing that uses the global opportunity set available to investors can provide both diversification benefits as well as potentially higher expected returns.

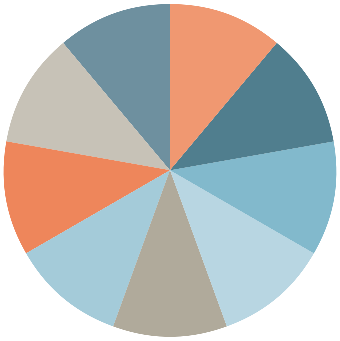
The global equity market is large and represents a world of investment opportunities. Nearly half of the investment opportunities in global equity markets lie outside the United States. Non U.S. stocks including developed and emerging markets, account for 47% of world market cap and represent more than 10,000 companies in over 40 countries. A portfolio investing solely within the U.S. would not be exposed to the performance of those markets. However, when Americans talk about the stock market, they're generally referring to the Standard & Poor's 500 index or the Dow Jones industrial average. But these indices represent only one part of the available investing universe. The total U.S. stock market makes up only about 53% of global market capitalization. Yet, on average, U.S. mutual fund investors possess a

Home Market Index Portfolio



S&P 500 Index
1 Country, 500 Stocks

Global Market Index Portfolio



MSCI ACWI
Investable Market Index (IMI)
46 Countries, 8,628 Stocks

home bias, with a disproportionate amount of their portfolio invested in the United States. If their portfolios were balanced according to world market capitalization, about half of their assets would reside in non-U.S. stocks. This "home bias" leads to less diversification, and as a result, greater volatility with lower returns.

It's well known that concentrating in one stock exposes you to unnecessary risks, and diversifying can reduce the impact of any one company's performance on your wealth. From year to year, you never know which markets will outperform, and attempting to identify future winners is a guessing game. Diversification improves the odds of holding the best performers, and by holding a globally diversified portfolio, investors are positioned to capture returns wherever they occur.

Put very simply,

DIVERSIFICATION:

- Helps you capture what global markets offer
- Reduces risks that have no expected return
- May prevent you from missing opportunity
- Smooths out some of the bumps
- Helps take the guesswork out of investing

There is no single perfect portfolio. There are an infinite number of possibilities for allocation based on the needs and risk profile of each individual. The most important question investors should ask...

"IS MY PORTFOLIO GLOBALLY DIVERSIFIED?"

7

Avoid Market Timing

You never know which market segments will outperform from year to year. By holding a globally diversified portfolio, investors are well positioned to seek returns wherever they occur. Trying to correctly time your entry point to the market is difficult, and unfortunately humans have an instinctive desire to take control and make a change when things aren't moving in the direction we want.

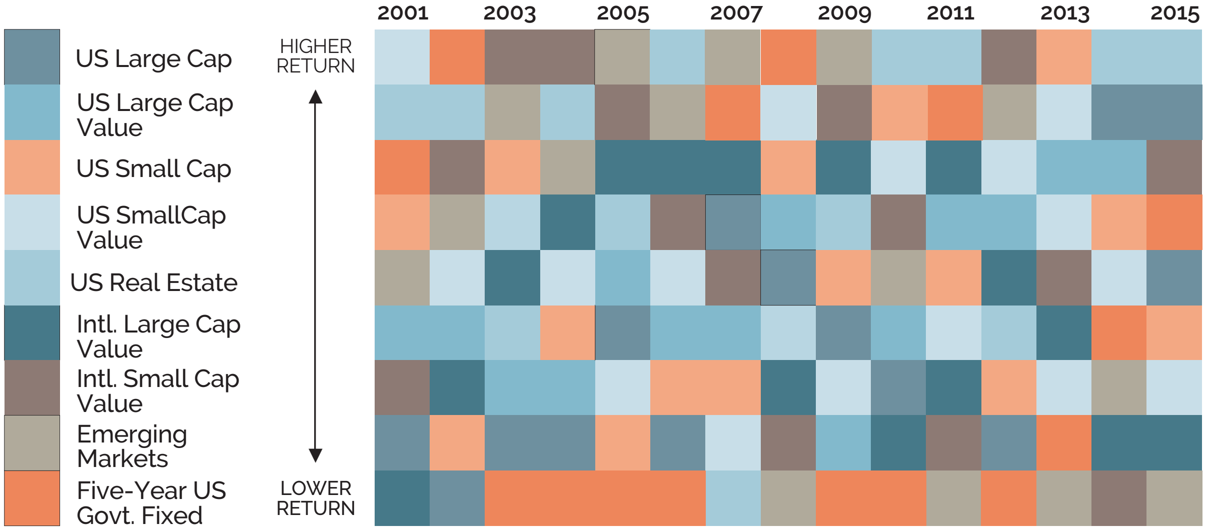
The problem is that what appears to be an intelligent alternative may actually be a distraction. Remember, hindsight is twenty-twenty. There are always short-term investments that do better than a balanced portfolio, but chasing returns is dangerous. What works is having a successful investment strategy and the discipline to stick with it.

Remember
HINDSIGHT
is
20/20

Market timing is a seductive strategy. If we could sell stocks prior to a substantial decline and hold cash instead, our long-run returns could be exponentially higher. But successful market timing is a two-step process: determining when to sell stocks and when to buy them back. I can think of a couple of recent examples where getting these two key things correct would have been extremely difficult and maybe even impossible.

First, leading up to the presidential election in 2016, everyone predicted that a victory for Donald Trump would send the stock market into a tailspin. Nearly every media outlet predicted a market crash if Trump won, and many investors took the advice and withdrew. Yet after some brief jitters following Trump's win, the stock market began marching skyward. By the time Trump clinched the presidency, the market rallied

Annual Returns by Market Index



and closed the trading day 256 points higher, and did not show any opportunity to re-enter efficiently. And let's not forget the Brexit news in the summer of 2016. Wasn't Britain's exit from the European Union finally the trigger of the next Stock Market crash? If you read the headlines and listened to the noise, you may have sold your stocks back in late June when the DJIA was just over 18,000. Four days after Brexit, the market stabilized and began its steady incline.

So how do we get our egos and emotions out of the investment process? One answer is to distance ourselves from the daily noise by appointing a financial advisor to help stop us from doing things against our own long-term interests. Investment advice is not about making predictions about the market. It's about education and diversification and designing strategies that meet the specific needs of each individual. Ultimately it's about saving investors from their own, very human, mistakes. What often stops investors from getting returns that are there for the taking are their very own actions—lack of diversification, compulsive trading, buying high, selling low, going by hunches and responding to media and market noise.

An advisor begins with the understanding that there are things we can't control (like the ups and downs in the markets), and things we can (like proper diversification, rebalancing, minimizing fees, and being mindful of tax consequences). Most of all, an advisor helps us all by encouraging the exercise of discipline—the secret weapon in building long-term wealth.

Working with markets, understanding risk and return, diversifying and portfolio structure—we've heard the lessons of sound investing over and over. But so often the most important factor between success and failure is ourselves. Do you have a plan for navigating the "media noise", and avoiding the temptation to time the market?

8

Do Emotions Affect Investment Returns?

Many people struggle to separate their emotions from investing. The chart on the following page shows the correlation between emotional cycles and market returns. Investors typically buy at "Elation" and sell at "Fear", inherently creating a dreaded "selling low, buying high" strategy.

A philosopher once said that nothing is as difficult for people as not deceiving themselves. But while most self-delusions are relatively costless, those relating to investment can come with a hefty price tag.

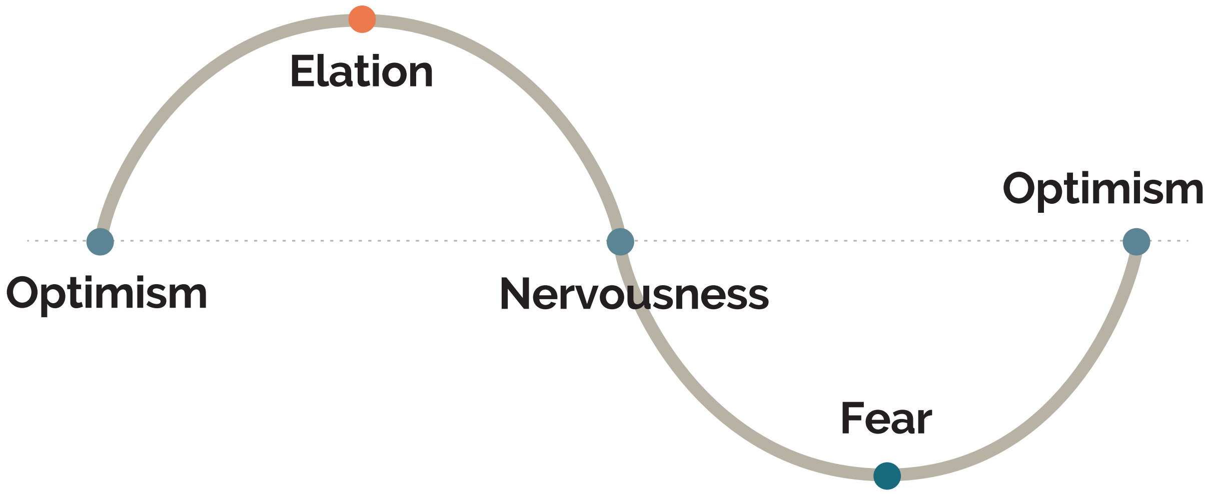
Market volatility in 2008 and 2009 took investors on a bumpy, emotional ride. Despite the market's strong performance after March of 2009, many investors were too exhausted to endure the ongoing stress of an uncertain economy and market. By making an emotional decision to avoid the stress, there are millions of investors who never recovered their losses and sacrificed the enormous gains that would follow.

On the contrary – prior to the tech bubble of the early 2000's, investors were pumping money into the dot coms because they saw their neighbor or co-worker getting rich. Driven by media and emotional investing, American's poured their savings into tech stocks, only to endure the bubble bursting in 2000.

Some media outlets claimed a similar bubble for tech stocks in '15 and '16. A Bing search on this claim literally pulled up the following article titles, one after another on page 1:

"Why this Tech Bubble is Worse than the Tech Bubble of 2000"

"Why this Tech Bubble is Less Scary than the Tech Bubble of 2000"



Magazines sell by appealing to the emotions of a reader. When it comes to investments, reacting to what you read or see on TV can be detrimental to your long-term retirement plan. Keep these tips in mind before making an emotional investment decision:

1. **Market timing is hard**
2. **Never forget the power of diversification**
3. **Markets and economies are different things**
4. **Discipline is rewarded**

Overcoming self-deception is not impossible. It just starts with recognizing that, as humans, we are not wired for disciplined investing. We will always find one way or another of rationalizing an emotional reaction to market events. But that's why even experienced investors engage advisors who know them, and who understand their circumstances, risk appetites, and long-term goals. The role of an advisor is to listen to and acknowledge our very human fears, while keeping us in the plans we committed to at our most lucid and logical moments. Can you say with confidence that your investment decisions are based on a long-term strategy, or are your current emotions playing a role?

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.

Why doesn't the media run more good news? Because bad news sells! It sells because fear is a more powerful emotion than greed. If people preferred good news, the media would supply it. Newspaper editors know it, which is why the front pages are often so depressing.

When the readers are investors, the danger can come when the emotions generated by bad news prompt them to make changes to their portfolios, unaware that the news is likely already built into market prices. For the individual investor seeking to make portfolio decisions based on news, this presents a real challenge. First, to profit from news you need to be ahead of the market. Second, you have to anticipate how the market will react. This does not sound like a particularly reliable investment strategy. Take, for instance, these headlines from November 2016:

Trump's win turns stock market into shock market, CBS News

A Trump win means recession, stock market crash, CNBC

Yet after some brief jitters following Donald Trump's win, the stock market has kept marching skyward. By the time Trump clinched the presidency, the market rallied and closed the trading day 256 points higher. Only five months after the election, the S&P 500 had gained nearly 10%.

Take also the summer of 2015, when Greece was on a fast track to bankruptcy. Media around the world described the financial crisis to come in Greece, yet the following year, Greece was the #1 performing stock market in the world. Conversely, what about those **EXTREME** jackpot prediction headlines:

Six Stocks to Kick Start Your Portfolio

Make Money in Any Market

12-Month Get Rich Plan

In early 2013, the Daily Mail in the UK carried the headline, "Gold Set to Shine Even More Brightly in 2013." The rationale was that with investors scouring the world for "safe havens," gold could reach as high as $2,500 an ounce by year end. As it turned out, gold suffered its biggest annual loss in three decades that year, with its spot price falling 28% in US dollar terms. From an all-time high of $1,920 in September 2011, gold fell to just over $1,200 by the end of 2013.

The notion that the path to long-term wealth lies in locating secret and previously undiscovered treasures in the global marketplace of securities is one regularly featured in media and market commentary. It's a haphazard approach, reliant on chance and requiring a lot of work that is unlikely to be rewarded. Worse, it means taking unnecessary risks by tying one's fortunes to a handful of securities or to one or two sectors.

A BETTER APPROACH

Luckily, there is better approach to investing. It involves working with the market and accepting that news is quickly built into prices. Those prices, which are forever changing, reflect the collective views of all market participants and reveal information about expected returns. So instead of trying to second-guess the market by predicting news, investors can use the information already reflected in prices to build diverse portfolios based on the dimensions that drive higher expected returns.

WHAT SHOULD YOU DO?

Sound investment boils down to a handful of principles — accepting that markets work, understanding that risk and return are related, diversifying, keeping costs low and maintaining a long-term perspective. You should turn off MSNBC and Mad Money and work with an Adviser to develop an investment strategy that fits **YOUR** financial goals.

10

Focus on What You Can Control

Financial science and experience show that our investment efforts are best directed toward areas where we can make a difference and away from things we can't control. We can't control movements in the market. We can't control news or financial headlines. No one can reliably forecast the market's direction or predict which stock or investment manager will outperform.

- **Creating an investment plan to fit your needs and risk tolerance**
- **Structuring a portfolio along dimensions of expected returns**
- **Diversifying broadly**
- **Reducing expenses and turnover**
- **Minimizing taxes**

But each of us can control how much risk we take. We can diversify those risks across different assets, companies, sectors, and countries. We do have a say in the fees we pay. We can influence transaction costs. And we can exercise discipline when our emotional impulses threaten to blow us off-course.

These principles are difficult for most people, because we are programmed to think that if we pay closer attention to the day-to-day noise, we will get better results. Ultimately, we are pushed toward fads that the financial marketing industry decides are sellable, which require us to constantly tinker with our portfolios. The financial media emphasis is often on the excitement induced by constant activity and chasing past returns, rather than on the desired end result.

So What Can We Control?

1 **RISK** – Identify an acceptable level of risk for an acceptable return. We use Riskalyze cutting-edge technology to identify risk tolerance and align your portfolio with your investment goals and expectations. Run stress tests and understand what your risk tolerance means for your portfolio over time.

2 **EXPENSES** – Every investor has a say in the fees they pay. Think of the costs as a percentage of your return that you give away. If you're invested in a fund that returns 5%, but charges a 1% expense ratio, then you lose 20% of your return to fees.

3 **DIVERSIFY YOUR PORTFOLIO** – Diversification improves the odds of holding the best performers, and by holding a globally diversified portfolio, investors are positioned to capture returns wherever they occur.

4 **MINIMIZE THE TAXES YOU PAY** – High turnover strategies can leave you with a big tax bill in the spring. Efficiency in investing is a controllable way to save tax dollars.

5 **DISCIPLINE** – It never feels good to watch the markets go down, but it's also part of being an investor. No one can accurately time the highs and lows. Avoid the temptation to make changes to your portfolio in response to ever-changing market conditions. A financial advisor can create a plan tailored to your personal financial needs while helping you focus on actions that add value. An evaluation of the risk and fees in your portfolio is a perfect first step toward a significantly better investment experience.

Contact us if you'd like a FREE ASSESSMENT of EXPENSES & RISK in your current portfolio.

1. Past performance is no guarantee of future results. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.
2. Diversification does not eliminate the risk of market loss. There is no guarantee investment strategies will be successful. This information is for illustrative purposes only. See inside back page for additional exhibit information and important disclosures.

DISCLOSURES

Exhibit 1: In US dollars. Source: World Federation of Exchanges members, affiliates, correspondents, and non-members. Trade data from the global electronic order book. Daily averages were computed using year-to-date totals as of December 31, 2016, divided by 250 as an approximate number of annual trading days.

Exhibit 2: The sample includes funds at the beginning of the 15-year period ending December 31, 2016. Each fund is evaluated relative to the Morningstar benchmark assigned to the fund's category at the start of the evaluation period. Surviving funds are those with return observations for every month of the sample period. Winner funds are those that survived and whose cumulative net return over the period exceeded that of their respective Morningstar category benchmark.

Exhibit 3: At the end of each year, funds are sorted within their category based on their five-year total return. Funds in the top quartile (25%) of returns are evaluated again in the following year based on one-year performance in order to determine the percentage of funds that maintained a top-quartile ranking. The analysis is repeated each year from 2007–2016. The chart shows average persistence of top-quartile funds during the 10-year period.

Source (Exhibits 2 and 3): US-domiciled open-end mutual fund data is from Morningstar and Center for Research in Security Prices (CRSP) from the University of Chicago. Index funds and fund-of-funds are excluded from the sample. Equity fund sample includes the Morningstar historical categories: Diversified Emerging Markets, Europe Stock, Foreign Large Blend, Foreign Large Growth, Foreign Large Value, Foreign Small/Mid Blend, Foreign Small/Mid Growth, Foreign Small/Mid Value, Japan Stock, Large Blend, Large Growth, Large Value, Mid-Cap Blend, Mid-Cap Value, Miscellaneous Region, Pacific/Asia ex-Japan Stock, Small Blend, Small Growth, Small Value, and World Stock. Fixed income fund sample includes the Morningstar historical categories: Corporate Bond, Inflation-Protected Bond, Intermediate Government, Intermediate-Term Bond, Muni California Intermediate, Muni National Intermediate, Muni National Short, Muni New York Intermediate, Muni Single State Short, Short Government, Short-Term Bond, Ultrashort Bond, and World Bond. Benchmark data provided by Bloomberg Barclays, MSCI, Russell, Citigroup, and S&P. Bloomberg Barclays data provided by Bloomberg. MSCI data © MSCI 2017, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Citi fixed income indices © 2017 by Citigroup. The S&P data is provided by Standard & Poor's Index Services Group.

Exhibit 4: In US dollars. US Small Cap is the CRSP 6–10 Index. US Large Cap is the S&P 500 Index. Long-Term Government Bonds is the IA SBBI US LT Govt TR USD. Treasury Bills is the IA SBBI US 30 Day TBill TR USD. US Inflation is measured as changes in the US Consumer Price Index. CRSP data is provided by the Center for Research in Security Prices, University of Chicago. The S&P data is provided by Standard & Poor's Index Services Group. Long-term government bonds and Treasury bills data provided by Ibbotson Associates via Morningstar Direct. US Consumer Price Index data is provided by the US Department of Labor Bureau of Labor Statistics.

Exhibit 5: Relative price is 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.

Exhibit 6: Number of holdings and countries for the S&P 500 Index and MSCI ACWI (All Country World Index) Investable Market Index (IMI) as of December 31, 2016. The S&P data is provided by Standard & Poor's Index Services Group. MSCI data © MSCI 2017, all rights reserved. International investing involves special risks such as currency fluctuation and political instability. Investing in emerging markets may accentuate these risks.

Exhibit 7: In US dollars. US Large Cap is the S&P 500 Index. 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. US Real Estate is the Dow Jones US Select REIT Index. 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). Five-Year US Government Fixed is the Bloomberg Barclays US TIPS Index 1–5 Years. The S&P data is provided by Standard & Poor's Index Services Group. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Dow Jones data provided by Dow Jones Indices. MSCI data © MSCI 2017, all rights reserved. Bloomberg Barclays data provided by Bloomberg. Chart is for illustrative purposes only.

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