

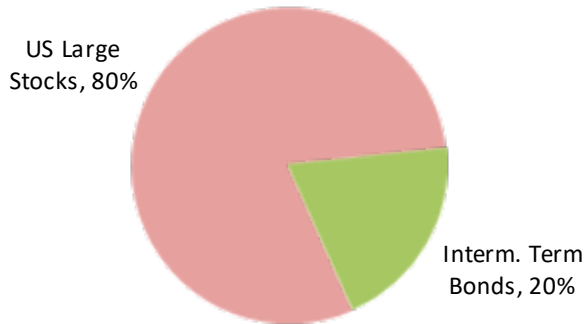
THE BENEFITS OF DIVERSIFICATION

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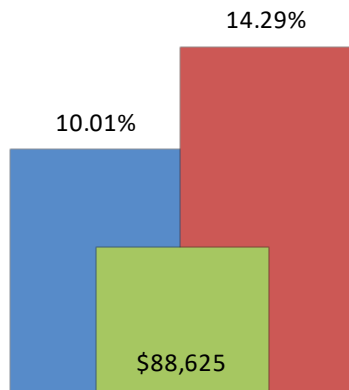
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Allocation #1: Building an 80/20 Equity/Fixed-Income Portfolio

Allocation #1

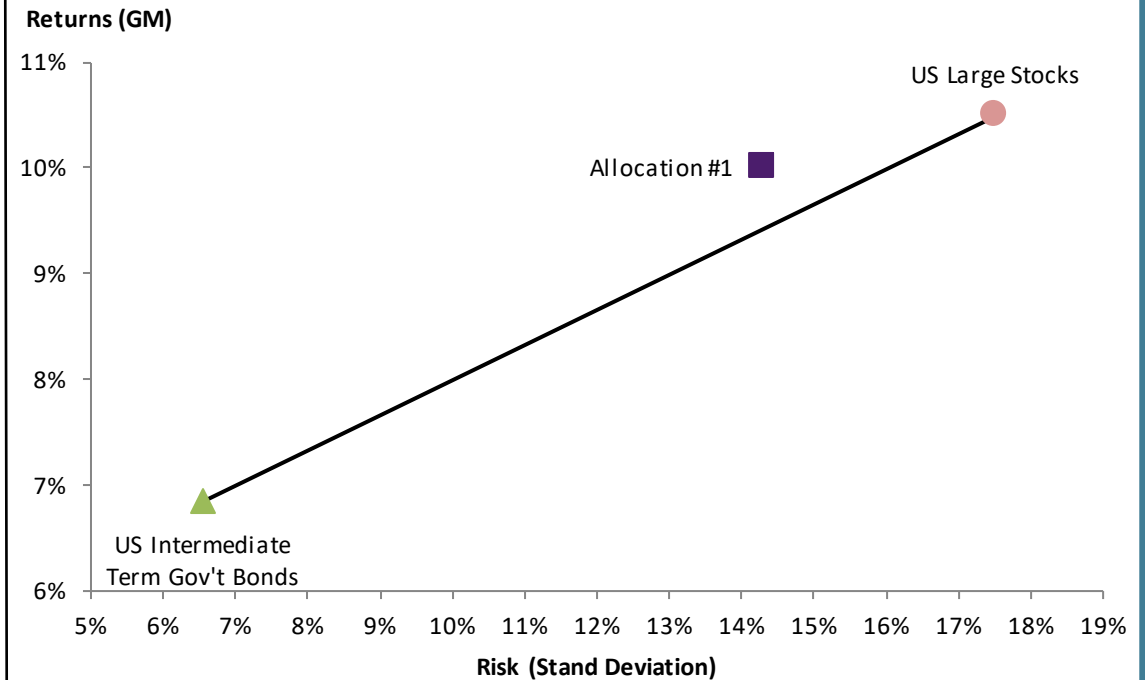


Allocation #1 Statistics



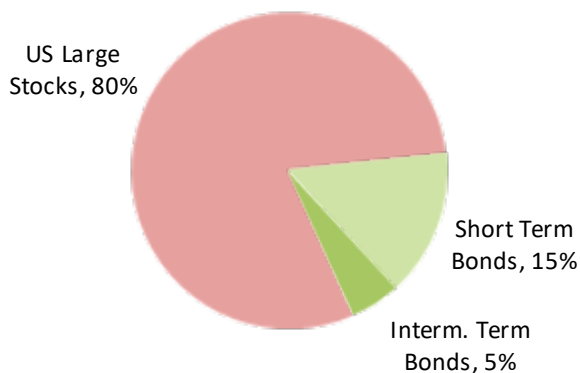
- Compound Return
- Standard Deviation
- Growth of \$1,000 Invested on 1/1/73

Fixed Income Maturity and the Risk/Reward Tradeoff (Based on Data from, 1973 to 2019)

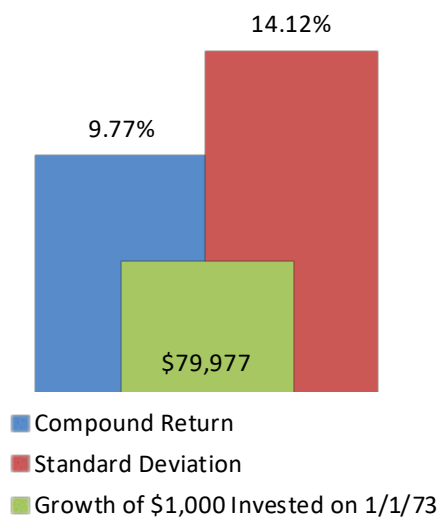


Allocation #2: Shortening Fixed Income Duration

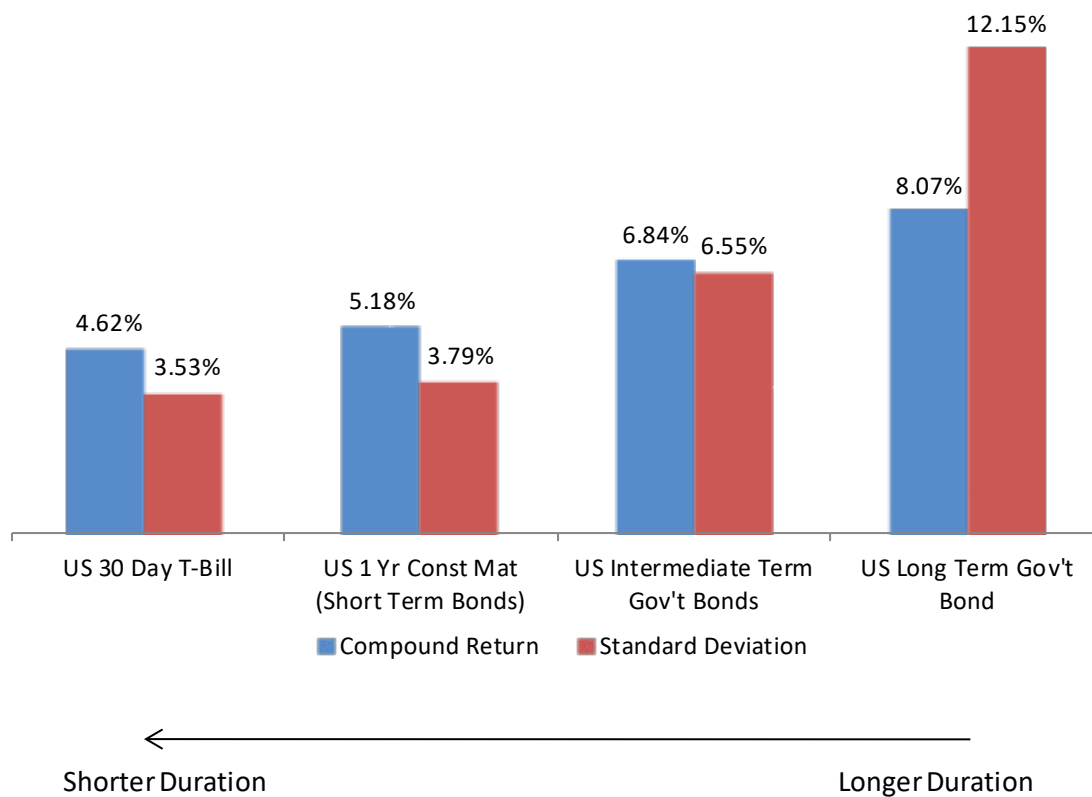
Allocation #2



Allocation #2 Statistics

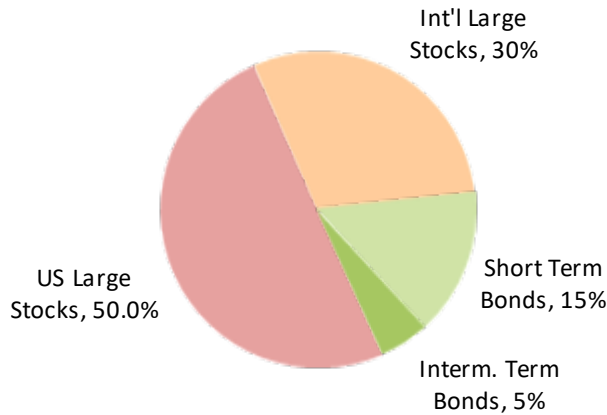


Fixed Income Maturity and the Risk/Reward Tradeoff
(Based on Data from, 1973 to 2019)

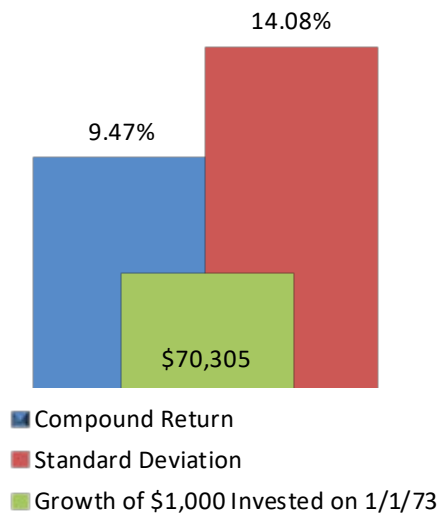


Allocation #3: Adding International Stocks

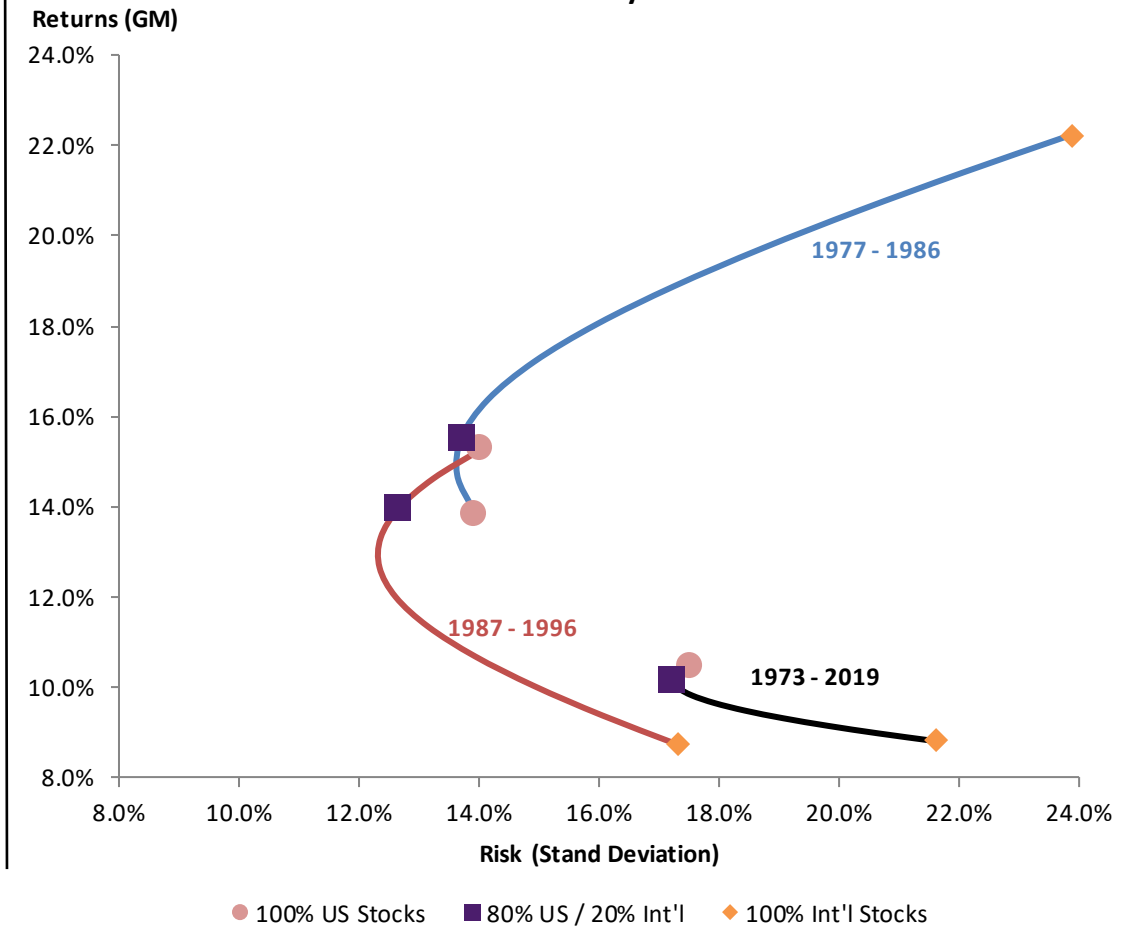
Allocation #3



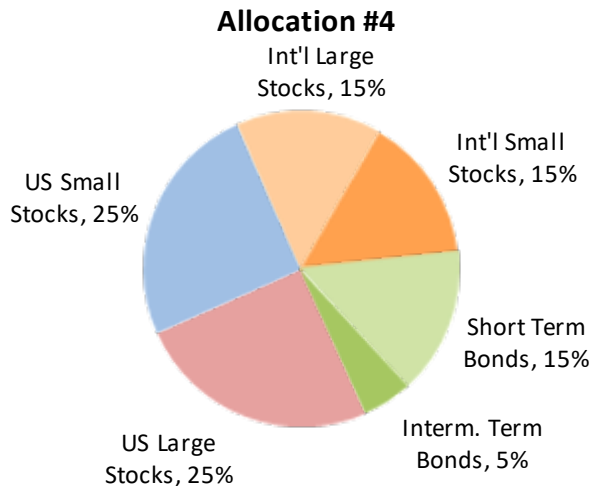
Allocation #3 Statistics



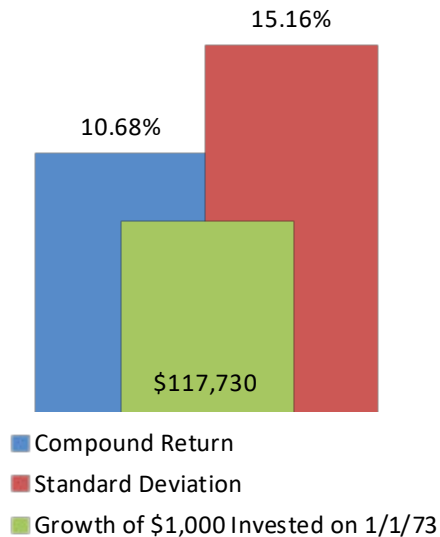
Risk & Return of Internationally Diversified Portfolios



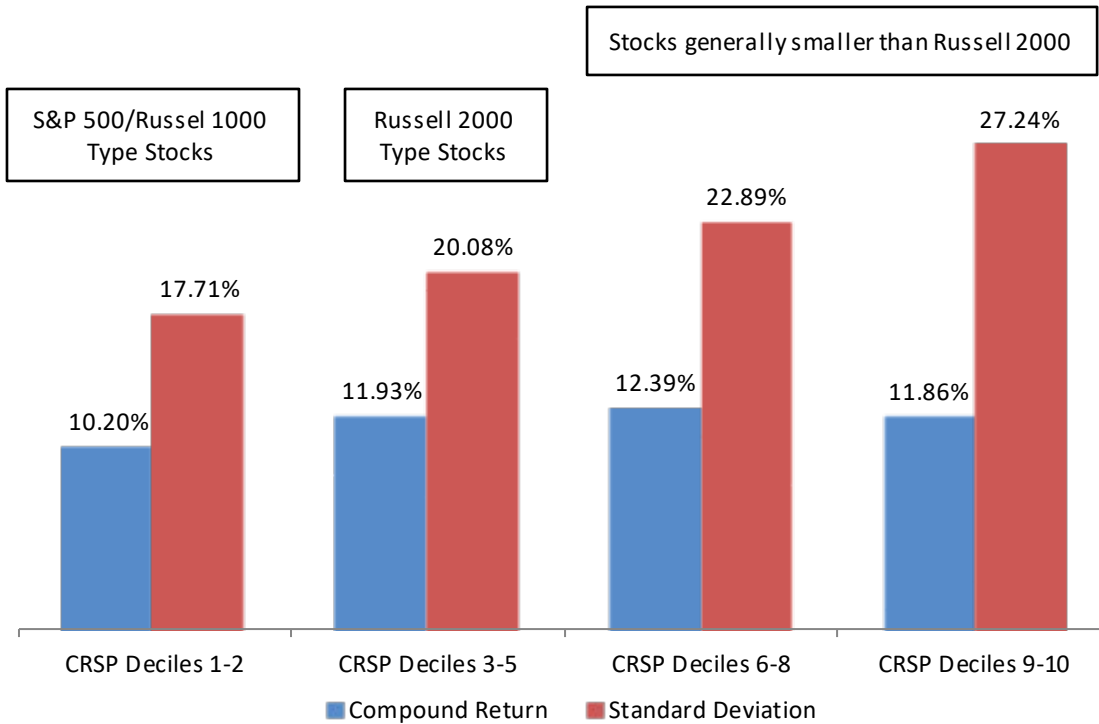
Allocation #4: Using the Small Company Effect



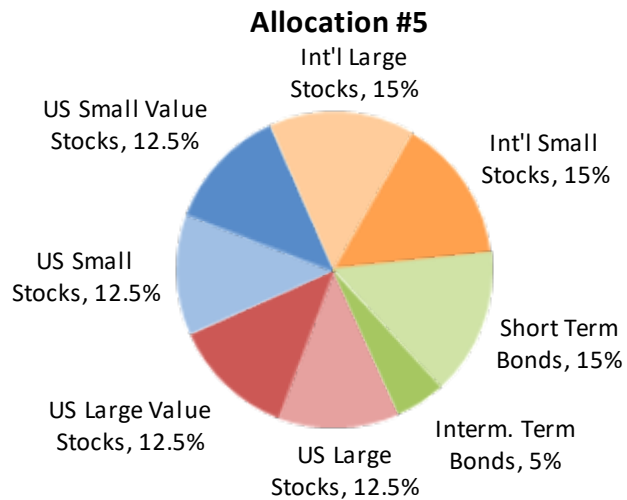
Allocation #4 Statistics



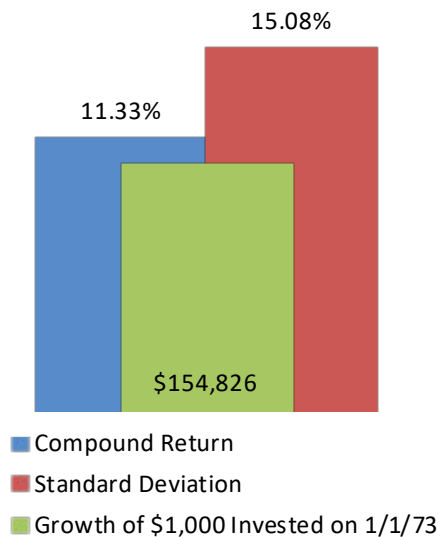
Risk and Return for Different Segments of the US Stock Market (1973 to 2019)



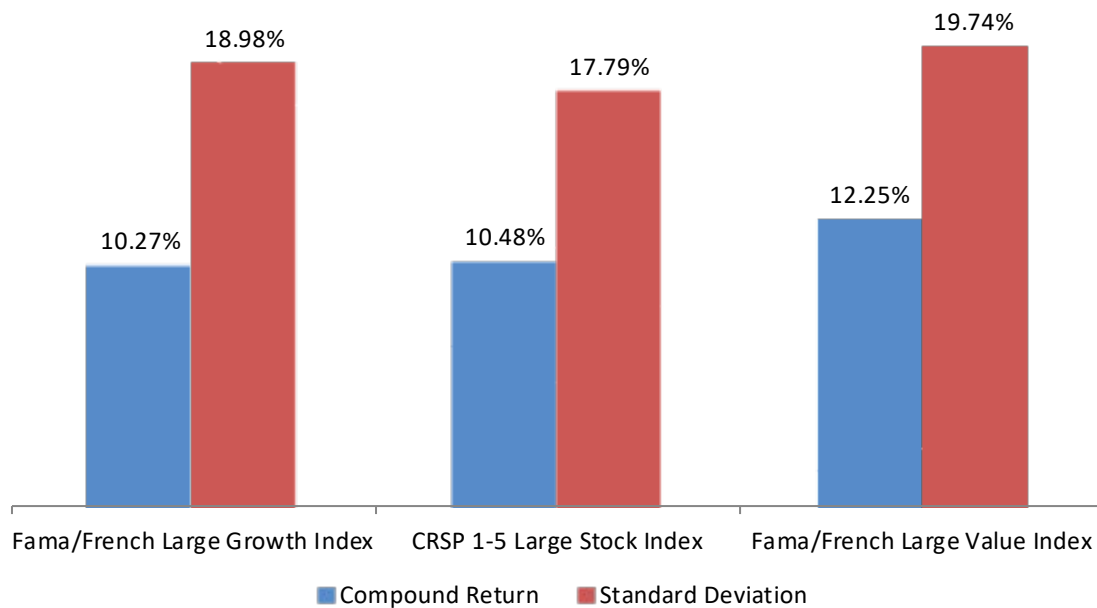
Allocation #5: Exploiting the Value Effect



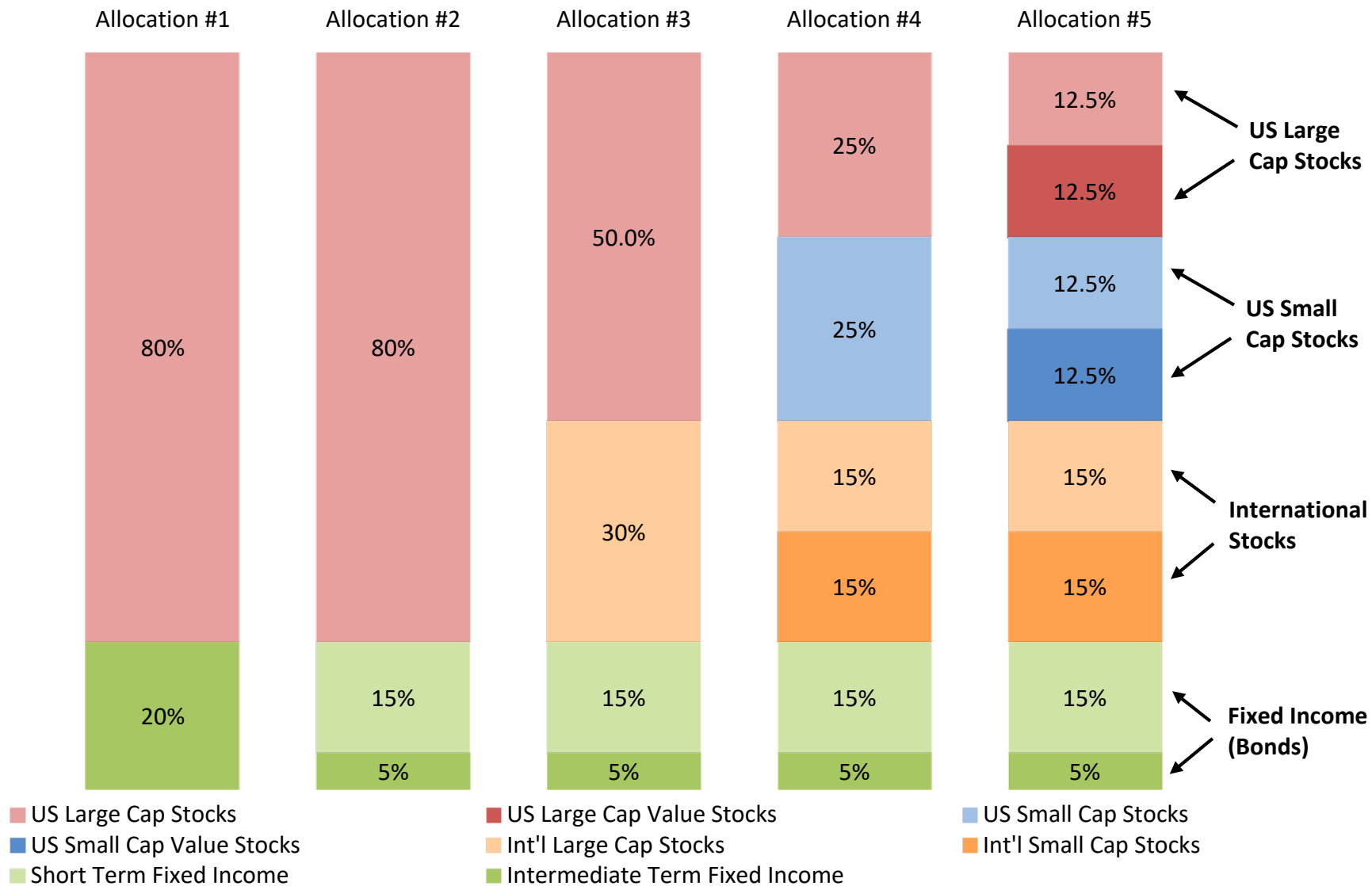
Allocation #5 Statistics



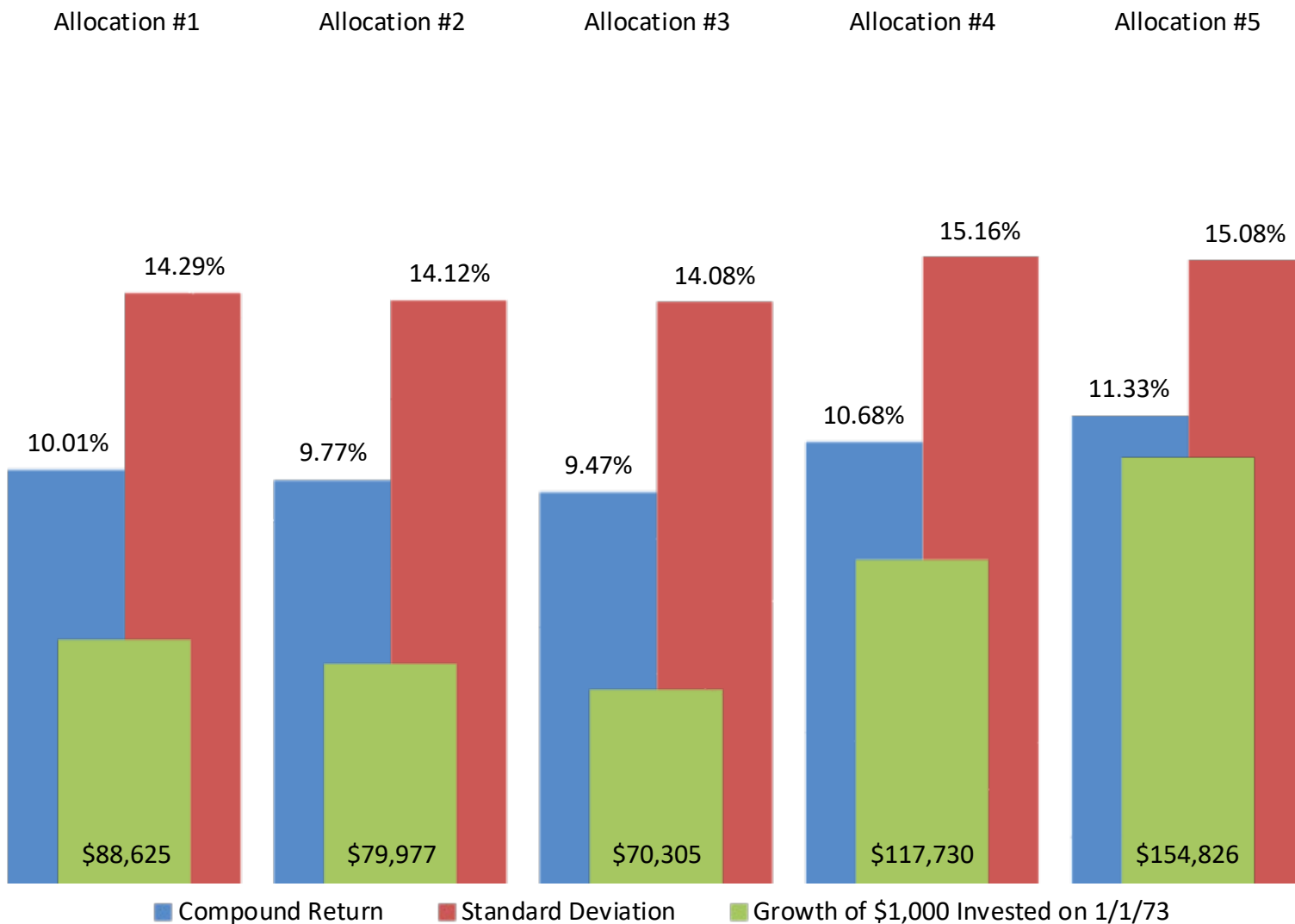
Style Effects and the Risk/Return Tradeoff (Based on Data from 1973 to 2019)



Summary of the Asset Allocation for the Five Diversification Strategies



Impact of the Five Strategies for an 80/20 Portfolio: (1973 - 2019)

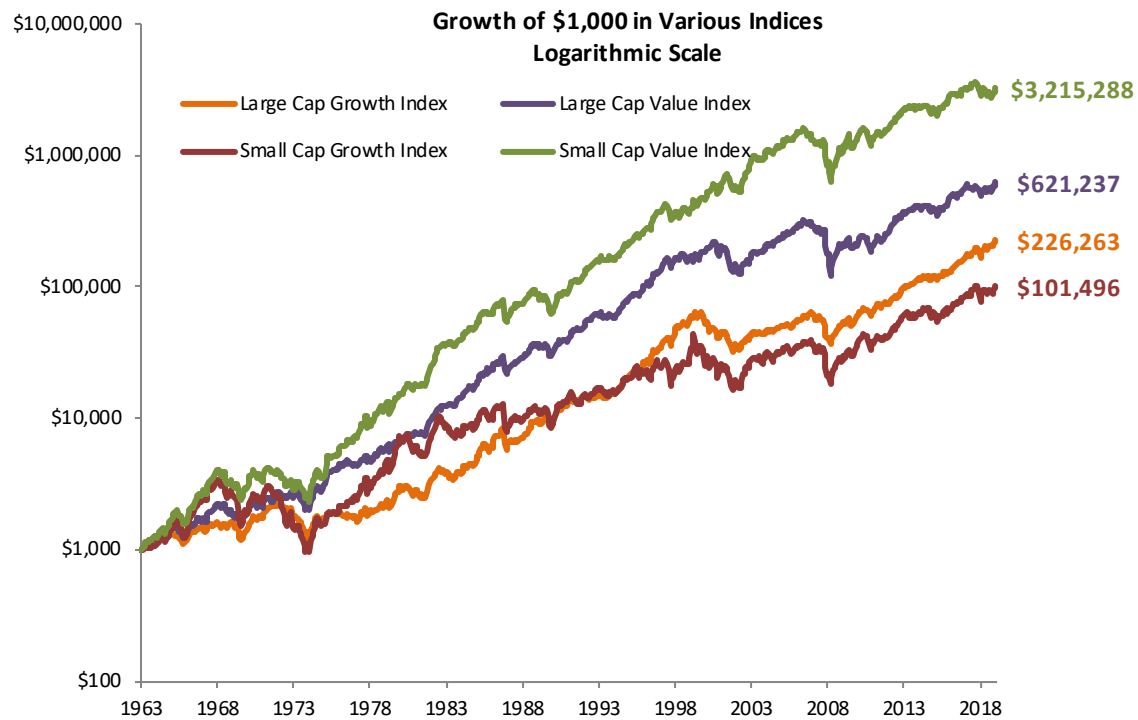


THE BENEFITS OF DIVERSIFICATION

Returns for Rolling 10 Year Periods
(Period from 1980 through 2019)

10-Year Ending	Large Cap Growth Index	Large Cap Value Index	Small Cap Growth Index	Small Cap Value Index
1980	7.22%	12.85%	12.87%	16.80%
1981	4.05%	12.81%	8.99%	17.14%
1982	4.08%	13.67%	10.87%	20.37%
1983	8.19%	16.94%	19.89%	29.29%
1984	11.94%	21.92%	22.79%	33.07%
1985	11.79%	19.88%	20.09%	30.77%
1986	11.54%	17.85%	16.54%	26.47%
1987	13.44%	17.45%	12.94%	22.98%
1988	14.02%	19.78%	12.62%	23.83%
1989	15.86%	20.48%	10.07%	21.55%
1990	12.51%	16.99%	3.35%	15.97%
1991	17.53%	18.28%	9.14%	18.06%
1992	15.94%	17.96%	7.71%	17.60%
1993	14.46%	17.47%	6.85%	15.77%
1994	14.78%	14.89%	7.72%	14.95%
1995	15.18%	15.84%	7.73%	15.00%
1996	15.93%	15.77%	8.54%	15.93%
1997	18.34%	19.61%	10.99%	20.74%
1998	20.90%	19.24%	9.21%	17.19%
1999	20.10%	16.37%	11.53%	16.38%
2000	18.27%	19.88%	10.64%	22.23%
2001	12.33%	17.21%	6.07%	20.66%
2002	8.74%	10.52%	1.62%	15.96%
2003	11.28%	11.03%	5.07%	18.97%
2004	11.90%	13.83%	7.35%	21.09%
2005	8.91%	11.09%	4.63%	18.62%
2006	7.85%	11.36%	4.49%	18.63%
2007	6.14%	8.01%	4.19%	13.36%
2008	-1.50%	0.66%	-0.78%	9.26%
2009	-1.18%	2.25%	-1.45%	11.32%
2010	1.70%	1.44%	4.07%	11.52%
2011	3.72%	0.21%	3.37%	8.21%
2012	7.99%	6.72%	8.92%	11.25%
2013	8.56%	7.70%	8.28%	9.66%
2014	9.11%	6.97%	7.28%	8.08%
2015	9.14%	4.90%	6.96%	6.06%
2016	8.91%	5.09%	6.86%	7.05%
2017	10.50%	6.88%	8.73%	9.31%
2018	15.16%	10.71%	13.50%	12.23%
2019	15.37%	11.36%	12.96%	10.69%

Performance of the Size and Value Risk Factors: 1973 to 2019



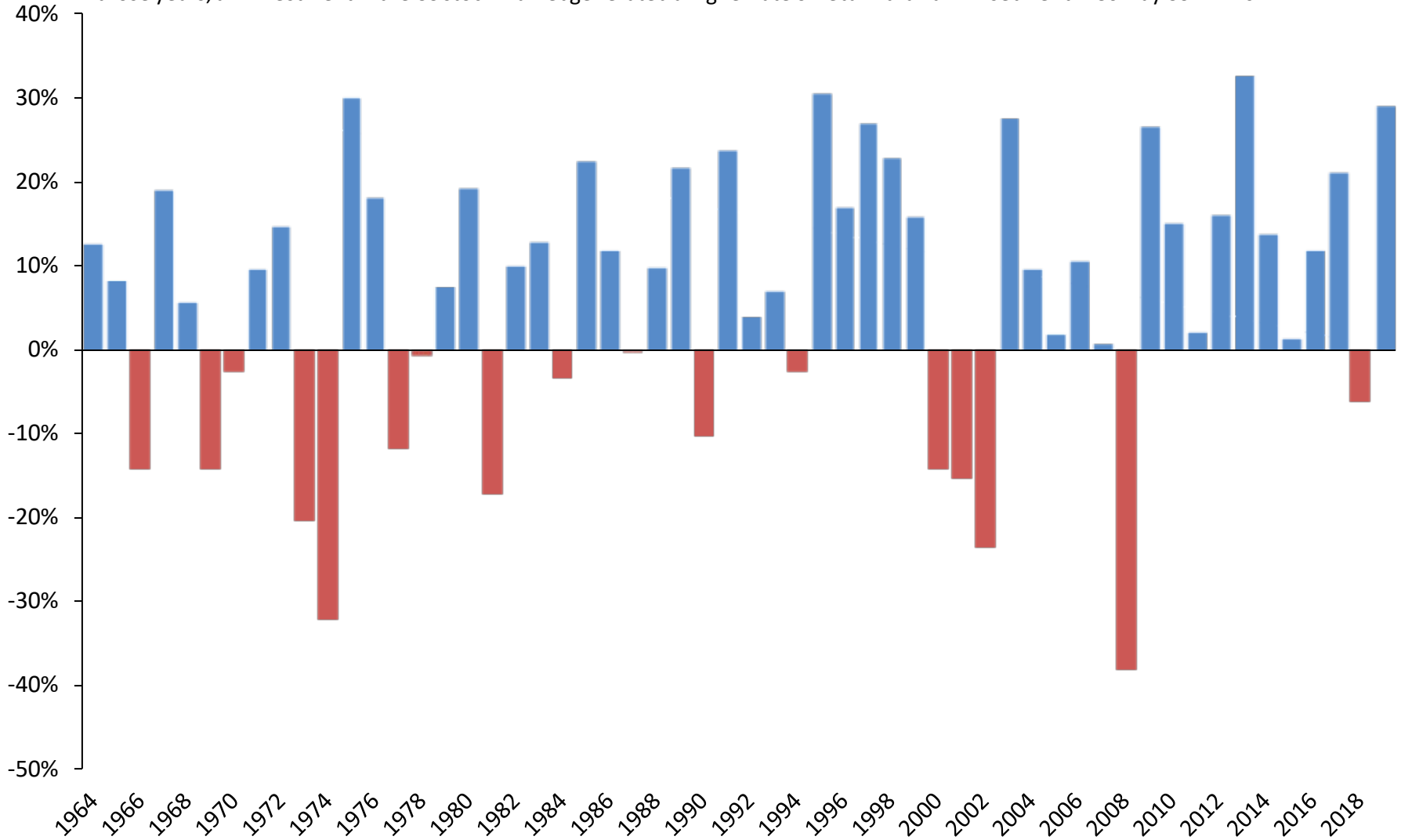
Domestic Index Returns
(56 Year Period from 1964 through 2019)

	Large Cap Growth Index	Large Cap Value Index	Small Cap Growth Index	Small Cap Value Index
Compound Return	10.17%	12.17%	8.60%	15.51%
Standard Deviation	18.15%	19.10%	27.08%	23.84%
Growth of \$1,000 Invested on 1/1/73	\$226,263	\$621,237	\$101,496	\$3,215,288

← Red indicates a 10 year period of relative underperformance by value stocks, not necessarily a negative return.

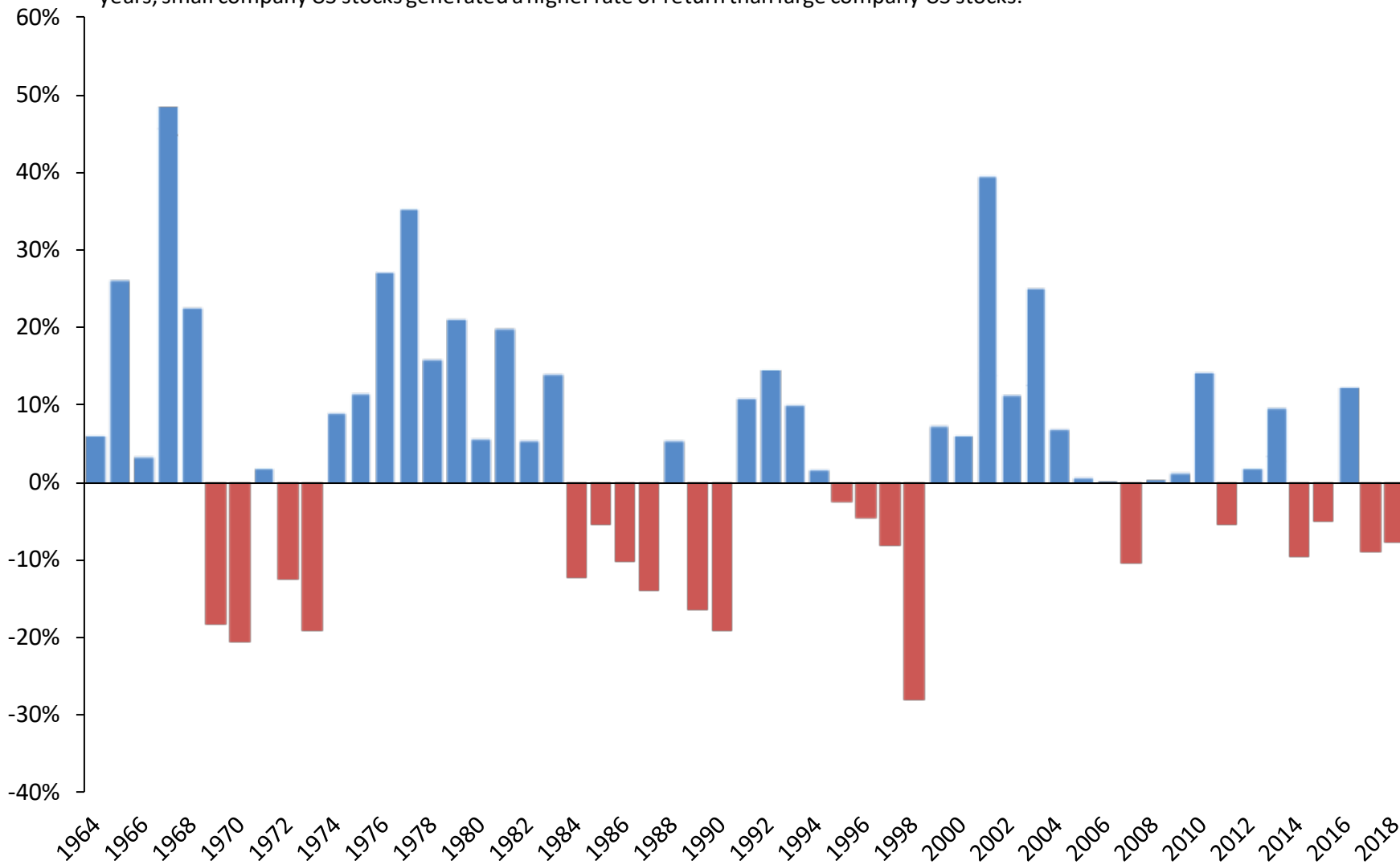
The Market Premium

The S&P 500 outperformed a risk-free investment (30-Day US T-Bill) by 5.29% per year from 1964 through 2019. In 39 of 56 of those years, an investment in the US stock market generated a higher rate of return than an investment in 30-Day US T-Bills.



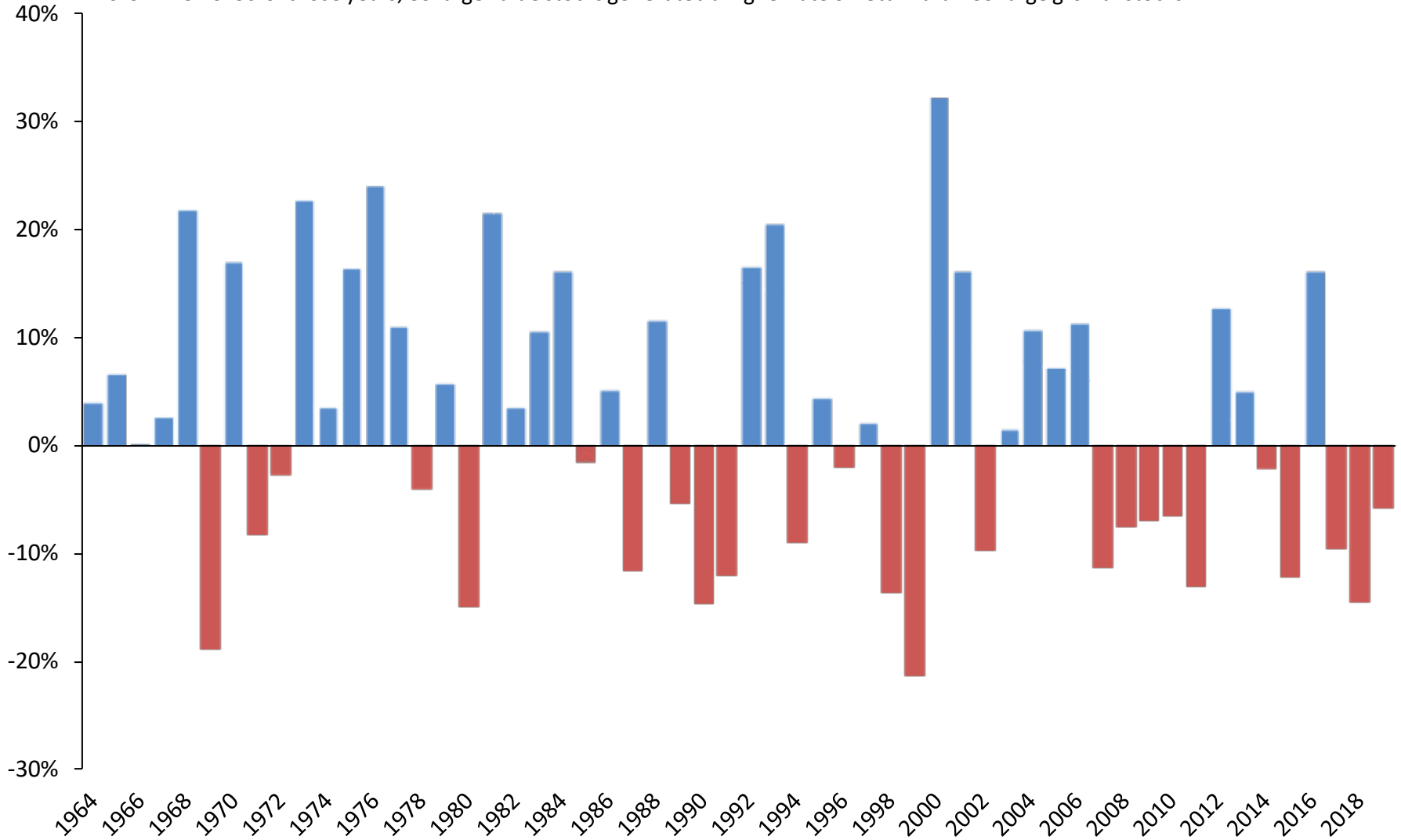
The Size Premium

Small company US stocks outperformed large company US stocks by 2.58% per year from 1964 through 2019. In 35 of 56 of those years, small company US stocks generated a higher rate of return than large company US stocks.



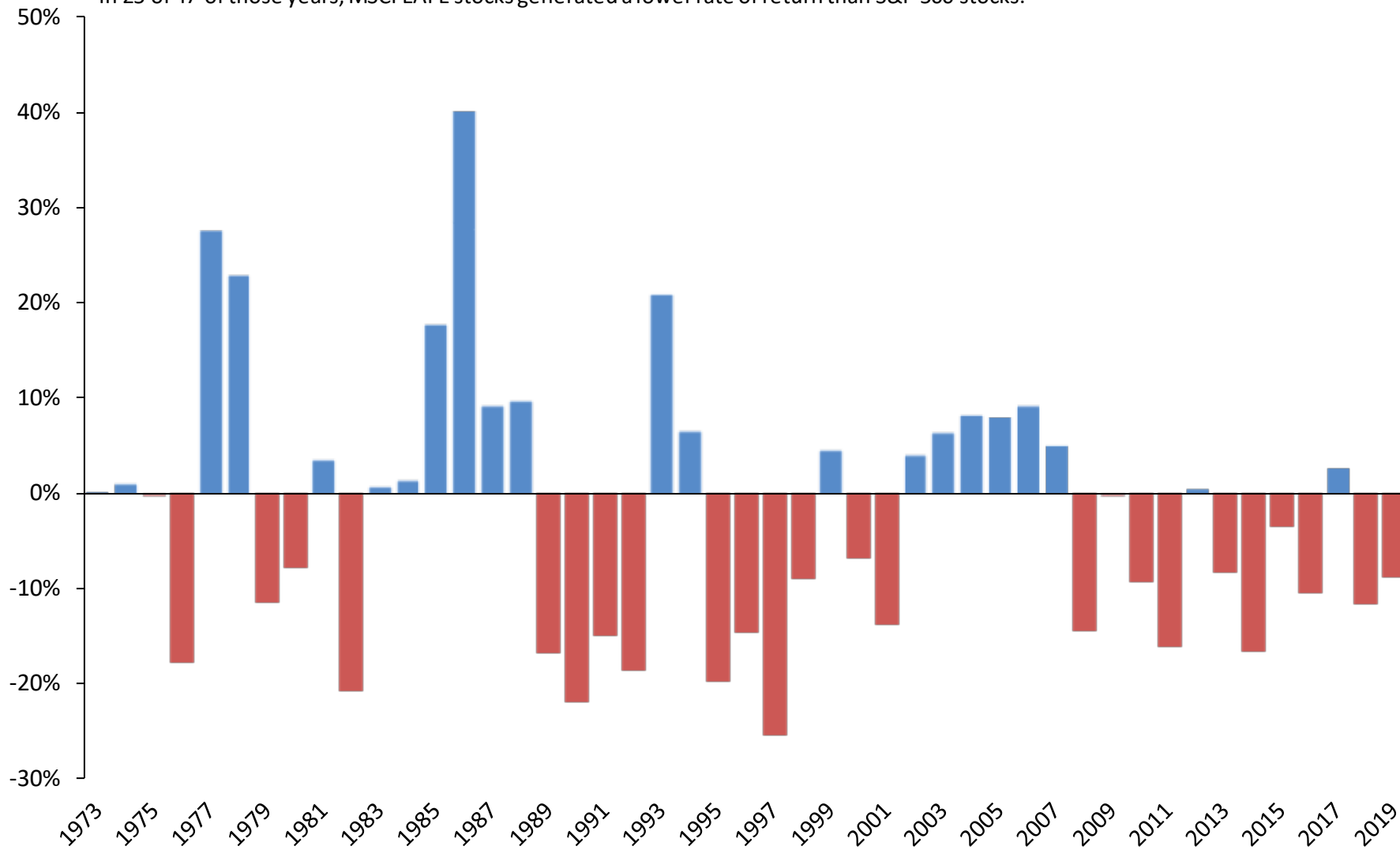
The Value Premium

US large value stocks outperformed US large growth stocks by an annual compounded return of 1.41% per year from 1964 through 2019. In 31 of 56 of those years, US large value stocks generated a higher rate of return than US large growth stocks.



International Stocks vs US Stocks

MSCI EAFE stocks underperformed S&P 500 stocks by an annual compounded return of 3.22% per year from 1973 through 2019. In 25 of 47 of those years, MSCI EAFE stocks generated a lower rate of return than S&P 500 stocks.



THE RISK/RETURN CONTINUUM

Data Sources

Asset Class	Data Source
S&P 500 Index	S&P 500 Index total return index
US Large Cap Value Stocks	Fama-French US Large Value Index
US Small Cap Stocks	Center for Research in Security Prices (CRSP) 6-8 Index
US Small Cap Value Stocks	Fama-French US Small Cap Value Index
International Large Cap Stocks	MSCI EAFE (Europe, Australasia & Far East) Index
International Small Cap Stocks	DFA (Dimensional Fund Advisors) International Small Company Index
BarCap Gov't/Corp Bond Index	Bloomberg Barclays Government/Corporate Bond Index. Barclays Capital Indices were formerly Lehman Brothers Indices.
One Year Fixed Income	One Year Constant Maturity US T-Bills
Intermediate Term Fixed Income	Bloomberg Barclays Intermediate Term Government/Corporate Bond Index

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