360INSIGHTS

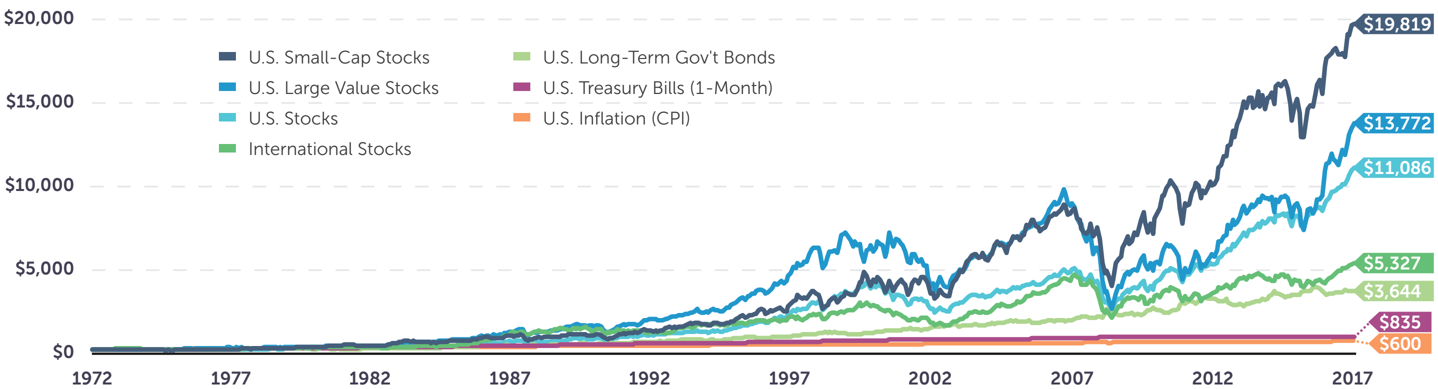
Summer 2018

The 4 Charts Every Investor Should Know

Sometimes a picture really can make things easier to understand. Many of the important ideas and concepts you need to know as a long-term investor don't require lengthy explanations. They can be as simple as the four charts in this newsletter. Together, these charts illustrate foundational principles of investing such as focusing on the long term, diversification, and not letting emotions compromise your portfolio.

THE LONG-TERM POWER OF MARKETS

Growth of $100 — 1972 to 2017



Hypothetical value of $100 invested at the beginning of 1972 and kept invested through December 31, 2017.Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. Total returns in U.S. dollars. Past performance is no guarantee of future results. Data source: Morningstar Direct and Dimensional's Returns 2.0. U.S. Stocks: Fama/French Total U.S. Market Index Portfolio. U.S. Large Value Stocks: Fama/French U.S. Large Value Index (ex utilities). U.S. Small-Cap Stocks: CRSP Deciles 6-10 Index. International Stocks: MSCI EAFE IndexNet. U.S. Long-Term Gov't Bonds: Long-Term Government Bonds. U.S. Treasury Bills (1-Month): One-Month U.S. Treasury Bills. U.S. Inflation (CPI): Consumer Price Index for All Urban Consumers (CPI-U). Indexes are unmanaged baskets of securities that investors cannot directly invest in. Index performance does not reflect the fees or expenses associated with the management of an actual portfolio.Risks associated with investing in stocks potentially include increased volatility (up and down movement in the value of your assets) and loss of principal. T Bills and government bonds are backed by the U. S. government and guaranteed as to the timely payment of principal and interest. T Bills and government bonds are subject to interest rate and inflation risk and their values will decline as interest rates rise.

Let Markets Work for You

What This Chart Means to You: Good things may come to those who wait — and to those who don't let short-term news events scare them out of staying invested. Every generation of investors has had its reasons to worry and pull out of the market: from the Great Depression, World War II, and Vietnam of earlier generations to the more recent Black Monday, dot com bubble, and Great Recession. But if you had invested $100 in the U.S. stock market back in 1972, and left it alone all those years, by the end of 2017 that $100 would have grown to $11,086. Decade after decade, markets around the world have been significant generators of long-term wealth for patient, diversified investors.

And depending on your appetite for risk, patience may be rewarded by owning riskier investments like small companies over large, and value companies over growth companies. Academic research finds that small and value companies have outperformed over the long term. As the chart illustrates, that same $100 invested in 1972 in small company stocks would have returned $19,819 at the end of 2017, and invested in large value stocks would have returned $13,772.

You can't get return without risk — that is the price of admission for being an investor. Your Advisor can help you determine how much risk is comfortable for you.

SMART DIVERSIFICATION CAN HELP YOU STAY ON TRACK

Asset Class Performance 2003-2017

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
62.3%	33.2%	33.0%	36.0%	42.2%	6.6%	79.1%	28.1%	9.4%	17.5%	38.8%	32.0%	5.5%	21.3%	31.0%
61.8%	30.7%	25.0%	32.0%	7.0%	4.7%	50.8%	26.9%	2.3%	17.5%	32.5%	13.7%	4.5%	17.3%	28.1%
47.3%	29.4%	14.5%	29.3%	6.9%	2.2%	36.8%	24.5%	2.1%	17.3%	32.4%	13.5%	1.4%	14.9%	21.8%
46.0%	24.5%	13.8%	22.2%	6.3%	-24.4%	28.5%	18.4%	1.6%	17.1%	25.6%	4.9%	1.0%	12.0%	21.0%
36.2%	18.3%	8.8%	19.5%	5.6%	-33.8%	27.2%	15.5%	0.4%	16.4%	21.5%	4.5%	0.7%	8.4%	14.7%
30.0%	16.5%	7.0%	18.4%	5.5%	-36.8%	26.5%	15.1%	0.1%	16.0%	16.7%	1.9%	0.1%	7.4%	13.7%
28.7%	14.1%	4.9%	16.5%	4.9%	-37.0%	23.3%	11.5%	-2.6%	15.9%	1.2%	0.8%	-1.8%	6.7%	13.1%
27.8%	10.9%	4.6%	15.8%	3.3%	-39.2%	19.7%	4.8%	-4.2%	11.5%	0.7%	0.0%	-3.8%	4.3%	3.8%
2.8%	2.7%	3.1%	4.8%	-0.2%	-44.3%	3.8%	2.8%	-11.7%	2.1%	0.6%	-4.1%	-4.4%	1.5%	1.1%
1.9%	1.3%	3.0%	4.3%	-1.6%	-48.0%	2.3%	2.0%	-15.8%	1.5%	0.1%	-5.4%	-7.7%	1.3%	0.9%
1.1%	1.2%	1.8%	4.1%	-17.6%	-50.3%	0.2%	0.2%	-17.9%	0.1%	-5.1%	-5.4%	-18.6%	0.3%	0.8%

Annualized Returns / Standard Deviations Since 2003

Emerging Markets Value	12.4%	21.7%
Int'l Small Neutral	11.8%	18.0%
U.S. Small Neutral	11.2%	18.2%
REITs	10.7%	23.2%
U.S. Large Neutral	9.9%	13.3%
U.S. Large Value	9.6%	14.0%
Int'l Large Value	8.3%	17.3%
65/35 Mix	8.1%	9.7%
Global Short Bonds	2.6%	1.2%
U.S. Short IG Bonds	2.4%	1.2%
Cash	1.3%	0.5%

Source: Morningstar Direct 2018. Cash (BofAML 3M U.S. Treasury Note TR U.S.D). Index representation as follows: U.S. Large Neutral (S&P 500 Index), U.S. Large Value (Russell 1000 Value TR Index), U.S. Small Neutral (Russell 2000 TR Index), REITs (Dow Jones U.S. Select REITs TR Index), International Large Value (MSCI World Ex U.S.A Value Index (net div.)), International Small Neutral (MSCI World Ex U.S.A Small Cap (net div.)), Emerging Markets Value (MSCI Emerging Markets Value Index (net div)), Global Short Bonds (Citi WGBI 1-5Yr Hdg U.S.D), U.S. Short Investment Grade Bonds (BofA ML Corp & Govt 1-3 Yr TR). 65/35 Index Mix: 2% Cash, 16% U.S. ST Bonds, 17% Global ST Bonds, 15% U.S. Large Neutral, 12% U.S. Value, 8% U.S. Small Neutral, 14% Int'l Large Value, 7% Int'l Small Neutral, 5% Emerging Markets Value, 4% REITs; rebalanced annually. Diversification does not guarantee profit or protect against loss in declining markets. Asset allocation does no assure or guarantee better performance and cannot eliminate the risk of investment losses. Indexes are unmanaged baskets of securities that are not available for direct investment by investors. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. All investments involve risk, including loss of principal. Foreign securities involve additional risks, including foreign currency changes, political risks, foreign taxes, and different methods of accounting and financial reporting. Fixed income investments are subject to interest rate and credit risk. Emerging markets involve additional risks, including, but not limited to, currency fluctuation, political instability, foreign taxes, and different methods of accounting and financial reporting. Real estate securities funds are subject to changes in economic conditions, credit risk and interest rate fluctuations.

Stay on Track with Diversification

What This Chart Means to You: Investing is not unlike a healthy diet. You don't eat the same thing every day for breakfast, lunch, and dinner (unless you're a toddler), so make sure you have variety—in this case, a number of asset classes, such as International, REITs, Short-Term Bonds, etc. As you can see, even though an asset class is on the top one year (like Emerging Markets Value in 2007) that same asset class may be at the bottom the next year (Emerging Markets in 2008). Rather than trying to predict the winners and losers, keep a balanced, globally-diversified portfolio (like the one shown in white) to help you stay on track toward your goals. You won't be the single best performer in any period, but you will also have fewer reasons to worry about poor returns from a single asset class. And that can help your portfolio get you where you want to go.

RANKING OF STOCK MARKET RETURNS AROUND THE WORLD

Based on Ten-Year Performance in U.S. Dollars Annualized Returns
Year Ending December 31, 2017

1. Thailand
2. USA
3. Philippines
4. Denmark Lego
5. Taiwan
6. Peru
7. Hong Kong
8. Indonesia
9. Switzerland
10. South Africa Miller Beer
11. New Zealand
12. Sweden Frigidaire
13. Korea Samsung
14. Singapore
15. Netherlands Shell
16. Colombia
17. Japan 7-Eleven
18. Chile
19. China
20. Australia
21. Malaysia
22. Qatar
23. Germany
24. United Kingdom
25. Canada
26. France Michelin
27. Belgium
28. Mexico
29. India
30. UAE Domestic
31. Israel
32. Hungary
33. Norway
34. Spain
35. Finland
36. Poland
37. Brazil
38. Turkey
39. Czech Republic
40. Italy Prada
41. Egypt
42. Austria Red Bull
43. Ireland
44. Russia
45. Portugal
46. Greece

Source: Morningstar Direct 2018. Countries represented by their respective MSCI IMI (net div.). Past performance is not indicative of future results. Securities listed are for illustrative purposes only and are not to be viewed as investment recommendations.

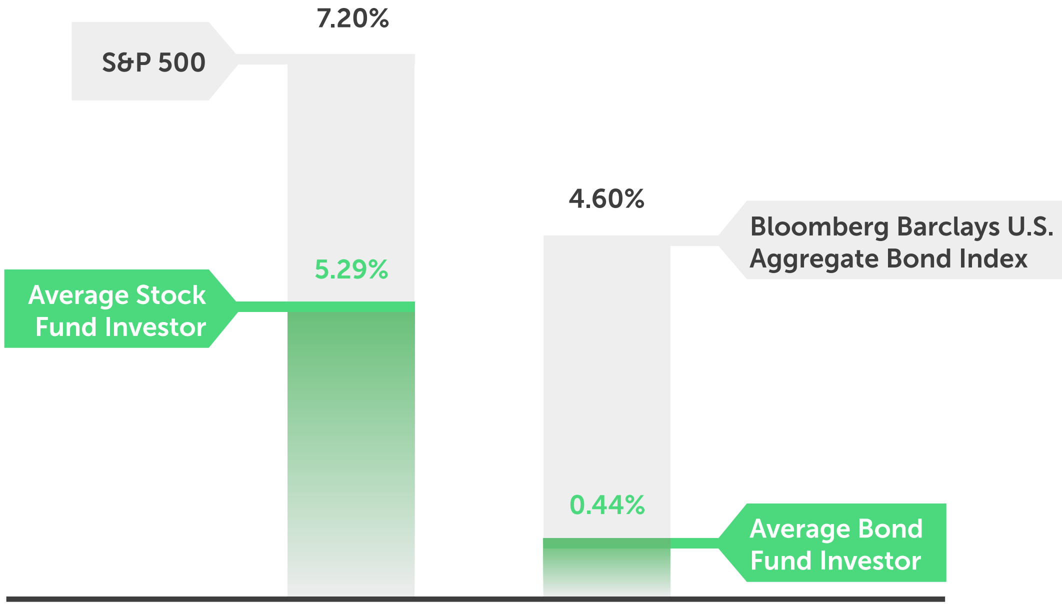
Own Great Companies Around the World

What This Chart Means to You: America may be #1 in our hearts, but there are many other countries with great companies to invest in. The average U.S. investor has a portfolio made up of about 75% U.S. stocks[1], which seems patriotic, but can mean missing out on a world of opportunity. You might be surprised by the number of familiar companies and household brands that are internationally owned, such as Lego, Miller Beer, Samsung, and even 7-Eleven. No one can predict which country will be the top performer, (and the U.S. has never been the top performer over any 10-year span of time), but if you own a lot of companies around the world you can worry less if any one company or even one country experiences losses.

[1]Morningstar, MSCI, as of 3/31/17. "Looking for Value Opportunities Outside the U.S.," Oppenheimer Funds.com, David Mazza, July 11, 2017

AVERAGE INVESTORS UNDERPERFORMED

Major Indices 1998 – 2017



Average stock investor and average bond investor performances were used from a DALBAR study, Quantitative Analysis of Investor Behavior (QAIB), 04/2018. QAIB calculates investor returns as the change in assets after excluding sales, redemptions, and exchanges. This method of calculation captures realized and unrealized capital gains, dividends, interest, trading costs, sales charges, fees, expenses, and any other costs. After calculating investor returns in dollar terms (above), two percentages are calculated: Total investor return rate for the period and annualized investor return rate. Total return rate is determined by calculating the investor return dollars as a percentage of the net of the sales, redemptions, and exchanges for the period.

The S&P 500 is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. The Bloomberg Barclays U.S. Aggregate Bond Index covers the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS sectors. Indexes are unmanaged baskets of securities that investors cannot directly invest in. Index returns do not take into consideration any fees.

Stop Changing Lanes

What This Chart Means to You: Don't try to time getting in and out of the market. It's like trying to go faster on a crowded freeway by constantly changing lanes, only to discover you are going slower than if you had just stayed in the lane you were in. Over the past 20 years, the S&P 500 returned an annual average of 7.20% but average U.S. stock investors earned just 5.29%, primarily because they tried to outsmart the market but kept getting in and out at the wrong times. Many investors think they know when to buy and sell. But this means they have to be right twice: picking the right time to buy and the right time to sell. Other investors might make emotional decisions, like pulling out of the market when stocks are losing.

This is where the experience and guidance of your financial advisor can make all the difference and help you stay "in your lane" and headed towards your goals.

The fact that buy-and-hold has been a successful strategy in the past does not guarantee that it will continue to be successful in the future. Equities, bonds, and other asset classes have different risk profiles, which should be considered when investing. Bonds are subject to market and interest rate risk. Bond values will decline as interest rates rise and/or issuer's creditworthiness declines, and are subject to availability and changes in price. Stock investing involves risks, including increased volatility (up and down movement in the value of your assets) and loss of principal.

Past performance is not indicative of future results. Diversification does not guarantee a profit or protect against a loss. Investors with time horizons of less than five years should consider minimizing or avoiding investing in common stocks.

The views expressed are those of Loring Ward and are not intended as investment advice, or a forecast or guarantee of future results. All investments involve risk, including the loss of principal and cannot be guaranteed against loss by a bank, custodian, or any other financial institution.