

Asset Class Returns

August 31, 2014

	YTD 2014	2013	2012	2011	Past 10 yrs.*
Bonds (%)					
One-Year	0.3	0.3	0.9	0.6	2.2
Five-Year	2.3	-0.4	4.8	4.5	3.6
Intermediate	4.0	-3.5	3.7	9.4	4.7
Long-Term	15.6	-11.4	3.3	28.2	6.1
U.S. stocks (%)					
Large Market	9.8	32.3	15.8	2.1	7.4
Large Value	9.9	40.3	22.1	-3.1	8.9
Small Market	1.5	42.2	18.4	-3.2	10.2
Small Micro	-0.1	45.1	18.2	-3.3	9.3
Small Value	4.2	42.4	21.7	-7.6	10.0
Real Estate	21.6	1.4	17.5	9.0	8.2
International stocks (%)					
Large Market	3.4	20.7	17.8	-12.3	7.0
Large Value	2.8	23.1	16.6	-16.9	8.1
Small Market	4.2	27.4	18.9	-15.4	10.3
Small Value	5.1	32.4	22.3	-17.5	10.9
Emerg. Mkts.	11.1	-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 fund
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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Past performance is not a guarantee of future results.

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September 2014



Capitalizing Body and Mind

Phil Jonckheer, Equius Partners

"I give more time to exercise of the body than of the mind, believing it wholesome to both."

—Thomas Jefferson

Thomas Jefferson lived 83 healthy years, over twice the average life span in the 1800s. At age 76 he helped found the University of Virginia. His close friend John Adams lived to be 90 and loved to "walk every fair day sometimes 3 to 4 miles." Adams spent over 25 years in retirement and believed that "old minds are like old horses: you must exercise them if you wish to keep them in working order." Their correspondence, which lasted until a month before their deaths, offers priceless insights into the minds of two presidents and revolutionary thinkers. They died within hours of each other on July 4, 1826. Their thoughts and actions laid the foundation for this *Asset Class* article.

This is the final chapter in a series exploring how your authentic worth is defined by your outer, materialistic wealth (your financial capital) and by an inner wisdom that creates a pyramid of health (your social, emotional, human, and intellectual capitals). Our definitions of these wealth components are not what you'll find in common literature. We consider these life capitals the foundation for the unique investment plan we build for you, our client. You have complete control over how you manage these capitals. Your challenge is allocating and rebalancing your time and energy to them to create outcomes aligned with what's important to you, despite whatever transitions you face.

Last November we began this series by introducing the concept of how your life capitals promote your abundance. In February we reviewed research that indicates social capital can extend the quality and length of your life. In July we spoke about how emotional capital promotes deeper awareness of the feelings that course through you as you navigate your transitions. This month we examine how developing your human and intellectual capitals also can improve and extend your life. Your human capital is affected by how you care for your body; your intellectual capital is built through your schooling and the education gained through all that you experience.

More Walks, More Years

We want you to live a long, meaningful, and healthy life. Research from the Harvard-affiliated Brigham and Women's Hospital and the National Cancer Institute indicates that exercise increases longevity:

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Seven and a half hours of walks each week (the kind John Adams loved) can add four and a half years to one's life. Professors at the University of Arizona have postulated that exercise may even compensate for the negative genetic risk factor of Alzheimer's (which 25% of Americans carry) and vascular disease. However, studies also indicate that too much intense and lengthy exercise can be detrimental to longevity. Jefferson intuited that centuries ago: "There is no habit you will value so much as that of walking far without fatigue."

Desire and persistence keep people in healthy exercise patterns. I swim with sexagenarians who perform almost as well in their sixties as they did in their twenties. Equius's other managing director, Jeff Troutner, just helped celebrate the 70th birthday of a fellow mountain biker who regularly conquers trails most 30-year-olds would find difficult to walk up.

They all look great. Their secret: exercising, eating, and sleeping well. In conversations with these models of health, I'm struck by how they are more prone to mindfully investing in their long-term health rather than satisfying impulsive cravings through mindless consumption.

More Rest, More Brain

Another crucial component of caring for our human capital is slowing down and, ideally, meditating. Researchers at UCLA have found that meditation promotes more positive emotions, cultivates better emotional control, reduces stress levels, and bolsters immune systems. I resisted meditation for a long time, but I've learned that it's simply a way to rest my mind and direct my thoughts. This is a good thing because there's evidence that meditation can arrest, if not reverse, the tendency of our brain's hippocampus (responsible for learning, memory, and positive moods) to atrophy over time and shrink with stress. Autopsies of retired Catholic nuns who lived into their nineties revealed Alzheimer's lesions, yet symptoms of the disease were not observed as they led lives of meditation, study, socializing, and low-fat diets. I have no plans to lead a life with a Roman collar, but I will continue meditating and join companies such as Google, eBay, Ford, and Facebook that have institutionalized meditation to improve employee performance.

The University of Chicago's Wisdom Research Group has found that by retraining attention skills and decreasing general stress, meditation can lead to thoughtful decision making by promoting greater compassion, altruism, and insight. They define wisdom as a deeper understanding of

interpersonal and intrapersonal dynamics and suggest that meditation cultivates humility, empathy, and rationality—wisdom's byproducts.

More Wisdom, More Worth

The fourth dimension of your pyramid of health that informs your inner wealth is your intellectual capital. This represents the knowledge you acquired in school and the wisdom gained through your external and internal experiences.

Concerning education, Jefferson observed, "A book is not an article of mere consumption but fairly of capital, and often in the case of professional men setting out in life, it is their only capital." Concerning wisdom, he believed, "He who knows best knows how little he knows." Studies show that the mentally fit are wise enough to maintain healthy doses of caution when confronted with complex decisions or risky investments. How can you keep mentally fit and gain the wisdom that comes with knowing what you don't know? By continuing to expand your mind through lifelong learning and meditation.

There are a growing number of continuing education programs targeting to mature learners at universities throughout the world and at nationwide organizations like the Osher Lifelong Learning Institute. Researchers at the University of Wisconsin have concluded that such programs foster "rich, pleasant, kind, and long" lives through the communities they create.

Healthy Transitions

We're always working (even while meditating!) and constantly dealing with transitions. As influential poet Ralph Waldo Emerson said, "Not in his goals but in his transitions man is great." Three stages mark a transition: an ending, a period of confusion, and (finally) a new beginning. To accomplish work that is meaningful to you and to those affected by your actions, those stages need to be optimized. That's done by rebalancing the time and energy allocated to your financial, social, emotional, human, and intellectual capitals to meet the demands of each transition.

We look forward to continuing to work with you through your transitions to achieve what's important to you and to promote all aspects of your authentic worth.