

## Asset Class Returns

July 31, 2015

	YTD 2015	2014	2013	2012	Past 10 yrs.*
<b>Bonds (%)</b>					
One-Year	0.4	0.3	0.3	0.9	2.1
Five-Year	1.3	2.9	-0.4	4.8	3.6
Intermediate	1.7	5.2	-3.5	3.7	4.8
Long-Term	-1.2	23.9	-11.4	3.3	7.5
<b>U.S. stocks (%)</b>					
Large Market	3.3	13.5	32.3	15.8	7.7
Large Value	1.0	10.1	40.3	22.1	8.1
Small Market	3.1	4.4	42.2	18.4	8.8
Small Micro	1.6	2.9	45.1	18.2	7.8
Small Value	-1.3	3.5	42.4	21.7	7.9
Real Estate	-0.6	31.1	1.4	17.5	8.1
<b>International stocks (%)</b>					
Large Market	6.3	-5.2	20.7	17.8	4.6
Large Value	5.7	-7.0	23.1	16.6	4.6
Small Market	8.6	-6.3	27.4	18.9	6.7
Small Value	8.8	-5.0	32.4	22.3	7.1
Emerg. Mkts.	-5.2	-1.7	-3.1	19.2	8.6

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
Intermediate bonds	DFA Intermed. Gov't Bond fund
Long-Term bonds	Long-Term Gov't Bond Index
U.S. Large Market	DFA US Large Company fund
U.S. Large Value	DFA US Large Cap Value fund
U.S. Small Market	DFA US Small Cap fund
U.S. Small Micro	DFA US Micro Cap fund
U.S. Small Value	DFA US 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 12/31/14.

Equius Partners is an investment advisor registered with the Securities and Exchange Commission. Consider the investment objectives, risks, and charges and expenses of any mutual fund and read the prospectus carefully before investing. Indexes are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio.

**Past performance is not a guarantee of future results.**

Equius Partners, Inc.  
3 Hamilton Landing, Suite 130  
Novato, CA 94949  
Phone: 415-382-2500  
© 2015 Equius Partners, Inc.

August 2015



## Purpose and Value

*Jeff Troutner, Equius Partners*

As I outlined in my July article, "Gray Hair Not Required," Equius is in the midst of a generational transition, both within our firm and among our clients. Phil and I aren't going anywhere soon, but we've recognized the need to hire and mentor the next leaders of the firm, while also passing along the history, principles, purpose, and values that have defined Equius for almost 25 years now.

So we're reflecting—a lot—on all of these things and more as we continue to face the day-to-day challenges posed by the underperforming U.S. and global economies, volatile financial markets, new competition, and our own internal growth.

We're not alone in this process. I had the opportunity to attend a CEO Forum sponsored by Dimensional Fund Advisors last month that included sixteen of Dimensional's largest advisory clients. We're all going through the same transition, including Dimensional.

Topics of the forum included "Purpose and Value" (presented by former U.S. Senator Bill Bradley), "How Philosophy Drives Business Success," "Cultivating Ideal Client Experiences," "Cultivating Ideal Employee Experiences," and "Purpose-Driven Success" (presented by David Booth, co-CEO of Dimensional, and John "Mac" McQuown, a director and co-founder of Dimensional and a true legend in the modern investment industry).

The forum was a remarkable experience and reconfirmed that the alignment of our purpose and values with Dimensional's is why Equius is so closely associated with such an exceptional firm. During David and Mac's presentation, which was more of a casual conversation about personal and professional histories that guided us all to this place in our careers, Mac described his first meeting with Eugene Fama at the University of Chicago. It literally brought tears to his eyes.

I'm sure it's hard for anyone who has not been immersed in the modern investing world for the last 25 years to understand Mac's emotion. It could be assumed that it comes from a purely pragmatic reflection on how well he's done financially as a result of his association with Dimensional and, before that, as a founder of Wells Fargo Investment Advisors (now BlackRock).

It doesn't. It comes from a very rich understanding of what Wall Street was and eventually became and how that contrasts in so many ways with the world we (Equius, Dimensional, and Mac) inhabit now.

*Continued on page 2*

We rightfully are proud of Equius's status as a pioneer in providing consistent asset class investing solutions to individual investors, corporate retirement plans, nonprofits, and trusts. But we could not have done it so well—or at all—if not for the leadership, inspiration, and outstanding financial tools provided by Dimensional.

Dimensional itself might not have existed if not for Mac's hiring of David Booth at Wells Fargo in the early '70s. And Mac might not have had such an enormous influence on Wells Fargo, David Booth, and our industry in general if not for that fateful meeting with Eugene Fama.

Mac's view of investing took its modern shape during this first meeting with Professor Fama. Since then, Mac has helped alter the course of the investment advisory business in favor of the *consumers* of financial advice. This shift took a while, and it was agonizingly incremental, but in retrospect, the effect of this shift is nothing short of monumental.

See, Mac knows from whence we come. He learned over 40 years ago how Wall Street had changed—as a result of modern advancements in technology (ultimately unavoidable) and the industry's reaction to them (unethically and completely avoidable)—and how those changes persuaded some of us to seek a dramatically different course for our careers.

While working on one of his first projects at Wells Fargo, Mac used one of the newest, most powerful IBM computers (which now pales in comparison to an iPhone) to study and quantify the failure of active management. Once the results of the project were released within the bank and more broadly, Mac saw the reaction of the old-school money managers as their jobs were threatened and their expertise discredited. From this project came the world's first index fund.<sup>1</sup>

We at Equius certainly understand why Mac was emotional. Equius, Mac, the early visionaries at Wells Fargo, and the founders of Dimensional all recognized at some point in our careers that something was badly broken in this industry—a recognition that so many of our peers chose simply to ignore in order to protect incomes they no longer deserved.

Equius hasn't altered the course of our industry, but we have the satisfaction of knowing that we have provided our clients with a much better investing experience as a result of decisions we made two decades ago. For those of us who care deeply about the client experience and have the luxury of looking back over 25 years or more of history, such a realization can be quite emotional.

That's not to say that money did not stir up at least a little emotion in Mac that day. In 2010 he donated \$25 million to the University of Chicago Booth School of Business in appreciation of Eugene Fama and the late Merton Miller (both Nobel Prize winners closely associated with Dimensional). The man he hired at Wells Fargo, David Booth, donated \$300 million to the school (which was renamed as a result) in 2008.

On a personal note, I first learned of Mac's history with Dimensional in reading Peter Bernstein's book *Capital Ideas: The Improbable Origins of Modern Wall Street*. Years later, Dimensional's Dan Wheeler introduced me to Mac so I could pitch him an idea for a new 401(k) platform, built around asset class investing, for investment advisors and their clients.<sup>2</sup> Fortunately (or not), my business partner at the time flaked on me right before Mac could decide to invest in the business. Given our brief history, hearing Mac tell his story and speaking with him again at the CEO Forum was very gratifying. I now look forward to more Mac in whatever forum, including a visit to his winery, Stone Edge Farm, in the future.

I'll end with some thoughts on Senator Bradley. It's clear that David Booth and the senator have become good friends over the years, though I'm not sure of the genesis of the relationship. Perhaps a passion for basketball spurred their friendship, given that David purchased James Naismith's original rules of basketball for the University of Kansas and Senator Bradley was a basketball star (NCAA Player of the Year at Princeton and NBA champion with the New York Knicks).

It is likelier that Senator Bradley's values attracted David. The senator's book *We Can All Do Better* was a New York Times Best Seller. To say that he was qualified to speak to us at the Dimensional forum on "Purpose and Value" is an understatement.

I had the privilege of speaking with Senator Bradley about my efforts to communicate the principles of asset class investing to a broader (and younger) audience through creative imaging and different messaging. His interest in the topic is inspirational and I look forward to discussing it more with him in the future.

---

<sup>1</sup>["The Origin of the First Index Fund."](#) The University of Chicago Booth School of Business.

<sup>2</sup>This has finally come to fruition, without my involvement, with the recent introduction of the Dimensional Retirement Plan Services.

Also: ["Meet the 80-Year-Old Whiz Kid Reinventing the Corporate Bond,"](#) Bloomberg.