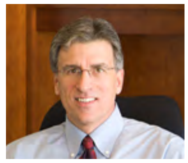
EQUIUS PARTNERS
Adding Balance to Wealth[SM]

ASSET CLASS[SM]

An update of performance, trends, research, & topics for long-term investors

February 2009



Past Declines & Their Recoveries

Jeff Troutner, Equius Partners

After suffering through a 45% decline in U.S. stock prices over the past 15 months and witnessing the rebirth of historically unsuccessful Keynesian economic policies within the new administration, investors are understandably concerned about the future growth of their investment portfolios. We don't know what the next three, five, or ten years might bring in terms of absolute returns on stocks and bonds, but we can look back at similar market declines over the past 80 years and gain some perspective that might help us going forward.

Every financial crisis we've experienced in this country has varied by duration, magnitude, causes, and "cures," so perfect parallels to today's crisis cannot be drawn precisely. But we know how difficult past crises were—either from personal experience or through reading history—and we know how markets recovered from them. So let's review the past and see what we find.

Using data from Dimensional Fund Advisors (DFA), The Center for Research in Securities Prices (CRSP) at the University of Chicago, and Professors Eugene Fama and Ken French, we reviewed the performance of the S&P 500 stock index and a combination of DFA indexes since 1926 ("Equius Mix"). What we found were five periods when stock prices declined 40% or more.

Table 1: Major Market Declines	S&P 500 Index	Key Characteristics
Sept. 1929 - June 1932	-83.4%	Collapse of banking system, trade protectionism, monetary contraction.
March 1937 - March 1938	-50.0%	High unemployment, massive strikes, government hostility toward business.
Jan. 1973 - Sept. 1974	-42.6%	Quadrupling of oil prices, stagflation.
April 2000 - Sept. 2002	-43.8%	"Dot-com" bubble, accounting scandals, 9/11 terrorist attacks
Nov. 2007 - present	-45.1%	Collapse of housing markets, banks, and credit.

Continued on page 2

Asset Class Returns

January 31, 2009 (YTD)

	2006	2007	2008	Last 10 yrs.*	YTD 2009
Bonds (%)					
One-year	4.8	5.2	4.0	4.0	0.1
Five-Year	3.9	5.2	4.0	4.7	-0.2
Intermediate	3.6	9.5	12.9	6.6	-2.4
Long-term	1.7	9.2	22.5	6.7	-8.5
U.S. stocks (%)					
Large Market	15.7	5.4	-37.0	-1.5	-8.4
Large Value	20.2	-2.8	-40.8	2.2	-11.9
Small Market	16.6	-3.1	-36.0	4.8	-11.1
Small Micro	16.2	-5.2	-36.7	6.4	-11.9
Small Value	21.5	-10.8	-36.8	7.3	-14.3
Real Estate	35.3	-18.7	-37.4	7.6	-17.8
International stocks (%)					
Large Market	24.9	12.5	-41.4	1.3	-11.2
Large Value	34.1	10.2	-46.3	4.8	-13.8
Small Market	24.9	5.6	-43.9	7.0	-7.9
Small Value	28.4	3.0	-41.7	9.5	-8.4
Emerg. Mkts.	29.2	36.0	-49.2	9.5	-7.7

Descriptions of Indexes

Short-term 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	Vanguard Long-term U.S.Treas.
U.S. Large Market	DFA US Large Co. fund
U.S. Large Value	DFA Large Cap Value fund
U.S. Small Micro	DFA US Micro Cap fund
U.S. Small Market	DFA US Small 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

"Last 10 yrs." returns are ended 12/31/08.

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We then compared these declines with the subsequent 1, 5, 10, and 15-year periods. The three periods illustrated graphically on Page 3 all show substantial recoveries from bear market lows over time. And, as evidenced by the 1-year post-decline returns, recoveries are very much front-end loaded. The more recent 2000-2002 post decline returns are shown below in Table 2. The Equius Mix is 30% S&P 500 Index, 30% DFA U.S. Large Value Stock Index, 20% DFA U.S. Small Cap Stock Index, and 20% DFA U.S. Small Value Index.

Table 2: 2000-2002	Decline	1 Yr. Post	5 Year (Annual) Post
S&P 500	-43.8%	24.4%	105% (15.5%)
Equius Mix	-23.0%	35.9%	144% (19.5%)

Flushing Out the Weak

In all three of the illustrated periods and the 2000-2002 period, the market gods torture the market timers *and* challenge long-term investors by slamming stock prices over the last few months of the decline and then sending stocks skyward almost immediately.

Table 3: Blowouts are Common	Bust & Boom
Sept. 1929 to June 1932	March 1932: -11.6% April 1932: -20.0% May 1932: -22.0% July 1932: +38.2% August 1932: +38.7%
March 1937 to March 1938	March 1938: -24.9% April 1938: +14.5% June 1938: +25.0%
Jan. 1973 to Sept. 1974	Sept. 1974: -11.7% October 1974: +16.6%
April 2000 to Sept. 2002	Sept. 2002: -10.9% October 2002: +8.8% November 2002: +5.9%

As with all past market data we use to emphasize the risk and return characteristics of asset classes, it's important that investors **not** concentrate on absolute numbers or try to discern exploitable short-term trends in the data.

We do not know the extent or the duration of the current market decline or of its recovery. But it seems rational to us that investors *should expect* the market to recover—since the foundation of our economic system appears to be intact—and they should expect it to begin when conditions seem particularly dire.

Balance Is Good

The differences in the S&P 500 returns and the Equius Mix returns during these periods also illustrates the potential of a more balanced asset class portfolio. Adding small company and value stocks can cost investors during declines but more than make-up for the additional risk during recoveries.

Don't Dwell on the Recent Past

Anyone who has studied financial economics should conclude that expected returns on a broadly diversified basket of stocks is higher today—much higher than the expected return on high quality bonds. But in order to realize whatever return stocks offer over the next 5, 10, or 15 years, investors must be willing to accept the much higher risk in stocks today.

This is an important point to consider when reading those pessimistic "peak-to-peak" articles that suggest that it will take X years to get back to previous market highs. These articles are usually written as criticisms of "buy-and-hold" strategies—by or about advisors (never academics or anyone trained in statistics and probabilities) who claim to have successful market timing systems.

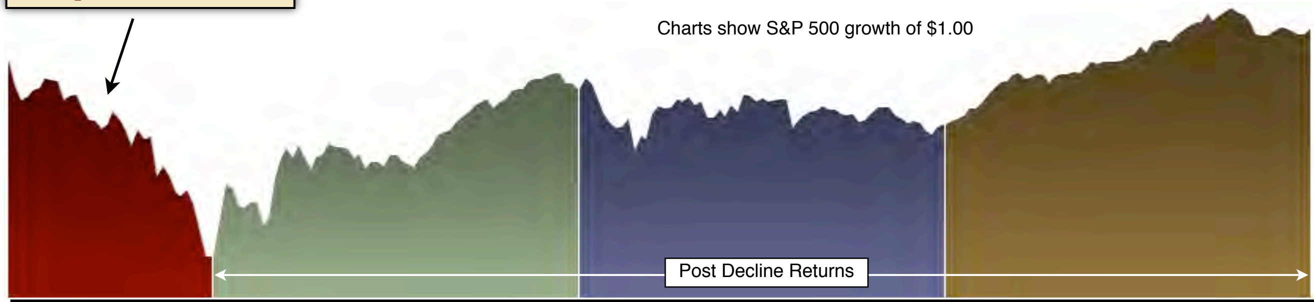
It's safe to say, *based on solid academic research* that these advisors were simply lucky. Most investors either suffer through these declines or bail out near bottoms when pessimism is highest. Therefore, *the recent past is irrelevant*! What's important are expectations *going forward*.

Investors now have a choice to either lock in really low expected returns in CDs or Treasury securities for the rest of their investment time horizon; resort to the thoroughly discredited strategy of market timing; or hold an appropriately balanced portfolio that includes stocks at higher expected returns going forward.

There is an old saying, variously attributed to J.P. Morgan and other legendary investors such as Warren Buffett, that states: "In bear markets, stocks return to their rightful owners." This is a pithy way of saying that only knowledgeable, confident, and disciplined long-term investors should own stocks. We believe these attributes define Equius and our clients.

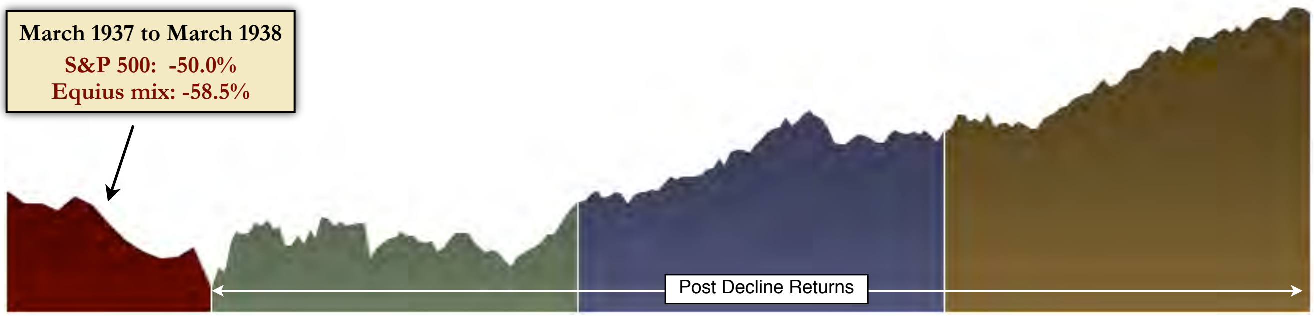
For more perspective on bear markets in the U.S. and foreign countries, please visit our web site and click the "Blog" tab at www.equiuspartners.com.

Sept. 1929 to June 1932
S&P 500: -83.4%
Equius mix: -87.5%



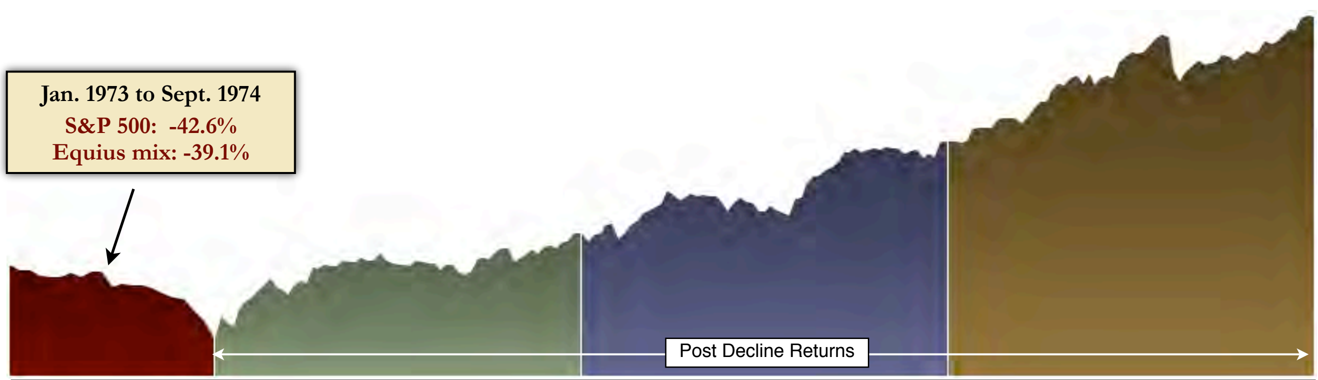
Index Return	1 Yr.	5 Year (Annual)	10 Year (Annual)	15 Year (Annual)
S&P 500	162.9%	345% (34.8%)	226% (12.5%)	664% (14.5%)
Equius Mix	255.0%	519% (44.0%)	328% (15.7%)	1,258% (19.0%)

March 1937 to March 1938
S&P 500: -50.0%
Equius mix: -58.5%



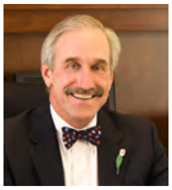
Index Return	1 Yr.	5 Year (Annual)	10 Year (Annual)	15 Year (Annual)
S&P 500	35.2%	85% (13.0%)	207% (11.9%)	619% (14.1%)
Equius Mix	31.2%	134% (18.5%)	393% (17.3%)	993% (17.3%)

Jan. 1973 to Sept. 1974
S&P 500: -42.6%
Equius mix: -39.1%



Index Return	1 Yr.	5 Year (Annual)	10 Year (Annual)	15 Year (Annual)
S&P 500	38.1%	118% (16.8%)	326% (15.6%)	975% (11.2%)
Equius Mix	42.6%	235% (27.3%)	704% (23.2%)	1,758% (21.5%)

Please Note**: Each chart is compiled independently, so they will vary proportionately. The “Equius Mix” is 30% S&P 500 Index, 30% DFA U.S. Large Value Stock Index, 20% DFA U.S. Small Cap Stock Index, and 20% DFA U.S. Small Value Index.* ***Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. Not to be construed as investment advice. Returns of model portfolios are based on back-tested model allocation mixes designed with the benefit of hindsight and do not represent actual investment performance.



More “Equi” and More “Us”

Phil Jonckheer, Equius Partners

Over the past twelve months, Equius Partners has been working through a transformation that has resulted in us growing even truer to our name. More than ever before, members of the Equius team are fully dedicated and deeply passionate about our investment and life philosophies— “Equi” speaking to both the equilibrium and balance we promote in our approach to asset-class investing and how we choose to lead our lives.

Of equal importance is our renewed commitment to teamwork and partnership with our clients and each other (the “us” in Equius). Although the work that needed to be done through this process was difficult at times, we now are in an even stronger position to manifest our vision and implement the strategies that have and will continue to benefit our clients and our company through time. The following highlights the significant events during the last twelve months:

Last month Eric Nelson joined us as a Principal. Eric’s professional career began with Paine Webber in 1998 after he graduated from Hobart College with a BA in Economics (where he attained All-American status in basketball). In 2000 he joined M&T Bank as a consultant.

By the time Eric joined Charles Schwab & Co. in Oklahoma City in 2002, he had already had began corresponding regularly with Jeff Troutner on asset-class investing. During his tenure at Schwab as a Financial Consultant, Eric analyzed hundreds of investment options and dozens of advisors in order to align his clients with investment services that met their financial and personal objectives.

Eric’s work experience and his association with Jeff, both of which helped him appreciate the futility of active management techniques, led him to become a passionate proponent of the science of financial economics. In large part due to his focus on asset-class investing, he developed into one of the leaders in production nationwide among all financial consultants. By 2006 he had earned his Chartered Financial Analyst (CFA) designation.

In the short time that Eric has been with us he already has added to the depth of our research and effectively articulated nuances of our investment strategy to prospective clients. It is crystal clear to us that Eric’s combination of intelligence and compassion will carry forward Equius’ commitment to adding balance to wealth as he serves our clients.

T.J. Troutner, who in December was promoted to Director of Business Development, will be working closely with Eric. In his prior role as Operations Manager, T.J. developed an extremely efficient and well-organized client-servicing infrastructure. Thanks to our strong financial position we have been able to make additional investments in technology that have further improved our operating system.

T.J. is now devoted to developing relationships with clients as well as working with Eric to bolster our presence in the Schwab Advisor Network program through which Schwab financial consultants refer selected clients to our firm. In order to ensure a smooth transition into his new role, T.J. attended Dimensional Fund Advisor’s Financial Advisor Conference in November, attained his Series 65 license last month, and is currently in the process of completing a Master’s Degree in Finance. His studies allow T.J. to fully immerse himself in the academic wisdom that informs Equius’ investment strategy.

Completing our client-servicing team are Jason Zahorenko and Katie Calagui.

Jason, as our Chief Compliance Officer and Director of Operations, addresses our sensitivity to the increasing regulatory demands of our industry while also handling many of the administrative needs of our clients. His familiarity with all things Schwab allows us to provide the most appropriate answers to client questions and requests in a timely fashion.

Katie is our Director of Corporate Strategies and ensures that our firm continues to grow in line with our vision. She also works closely with Jeff and Phil on some of our larger and more complex relationships. Her background in project management has proven to be indispensable as our business and client needs have grown.

We are confident that the team we have developed will uphold our company’s values: a passionate dedication to our asset class strategy and your investment plans and our commitment to partnership and cooperation with you and with each other.

We look forward to re-connecting with you soon.