

# 1 Embrace Market Pricing

The market is an effective information-processing machine. Millions of participants buy and sell securities in the world markets every day, and the real-time information they bring helps set prices.

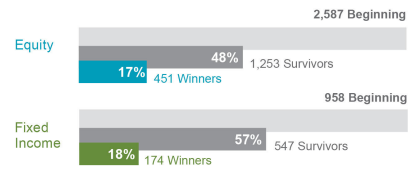
World Equity Trading in 2016 (daily average)

Number of Trades **82.7** MILLION      Dollar Volume **\$346.4** BILLION

# 2 Don't Try to Outguess the Market

The market's pricing power works against mutual fund managers who try to outperform through stock picking or market timing. As evidence, only 17% of US equity mutual funds and 18% of fixed income funds have survived and outperformed their benchmarks over the past 15 years.

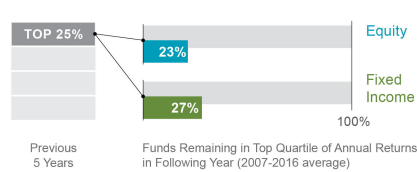
US-Based Mutual Fund Performance, 2002–2016



# 3 Resist Chasing Past Performance

Some investors select mutual funds based on past returns. However, research shows that most funds in the top quartile (25%) of previous five-year returns did not maintain a top-quartile ranking for one-year returns in the following year. Past performance offers little insight into a fund's future returns.

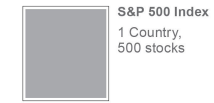
Percentage of Top-Ranked Funds That Stayed on Top



# 6 Practice Smart Diversification

Diversification helps reduce risks that have no expected return, but diversifying within your home market is not enough. Global diversification can broaden your investment universe.

Home Market Index Portfolio



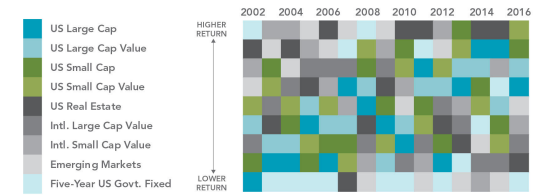
Global Market Index Portfolio



# 7 Avoid Market Timing

You never know which market segments will outperform from year to year. By holding a globally diversified portfolio, investors are well positioned to seek returns wherever they occur.

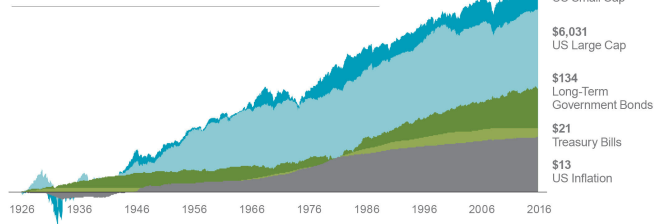
Annual Returns by Market Index



# 4 Let Markets Work for You

The financial markets have rewarded long-term investors. People expect a positive return on the capital they supply, and historically, the equity and bond markets have provided growth of wealth that has more than offset inflation.

Growth of a Dollar, 1926–2016 (compounded monthly)



# 5 Consider the Drivers of Returns

Academic research has identified these equity and fixed income dimensions, which point to differences in expected returns. Investors can pursue higher expected returns by structuring their portfolio around these dimensions.

Dimensions of Expected Returns

EQUITIES

- Market (Equity premium—stocks vs. bonds)
- Company Size (Small cap premium—small vs. large companies)
- Relative Price (Value premium—value vs. growth companies)
- Profitability (Profitability premium—high vs. low profitability companies)

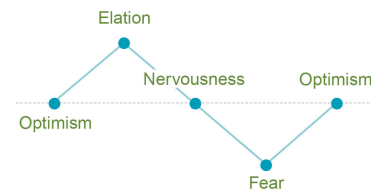
FIXED INCOME

- Term (Term premium—longer vs. shorter maturity bonds)
- Credit (Credit premium—lower vs. higher credit quality bonds)

# 8 Manage Your Emotions

Many people struggle to separate their emotions from investing. Markets go up and down. Reacting to current market conditions may lead to making poor investment decisions.

Avoid Reactive Investing



# 9 Look Beyond the Headlines

Daily market news and commentary can challenge your investment discipline. Some messages stir anxiety about the future, while others tempt you to chase the latest investment fad. When headlines unsettle you, consider the source and maintain a long-term perspective.

- RETIRE RICH
- SELL STOCKS NOW!
- THE LOOMING RECESSION
- THE TOP 10 FUNDS TO OWN
- MARKET HITS RECORD HIGH!
- HOUSING MARKET BOOM!

# 10 Focus on What You Can Control

A financial advisor can offer expertise and guidance to help you focus on actions that add value. This can lead to a better investment experience.

- Create an investment plan to fit your needs and risk tolerance
- Structure a portfolio along the dimensions of expected returns
- Diversify globally
- Manage expenses, turnover, and taxes
- Stay disciplined through market dips and swings

Past performance is no guarantee of future results. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

Diversification does not eliminate the risk of market loss. There is no guarantee investment strategies will be successful. This information is for illustrative purposes only. See back page for additional exhibit information and important disclosures.