



SOLARI  
FINANCIAL PLANNING

# Pursuing a Better Investment Experience



# 1. Embrace Market Pricing

## World Equity Trading in 2016

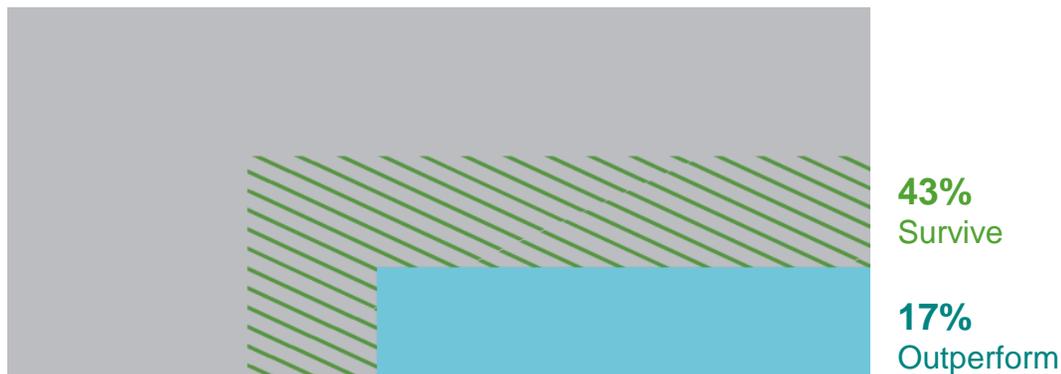
	Number of Trades	Dollar Volume
Daily Average	82.7 million	\$346.4 billion

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.



## 2. Don't Try to Outguess the Market

### US Equity Mutual Fund Performance



**15 Years**  
2,758 funds at beginning

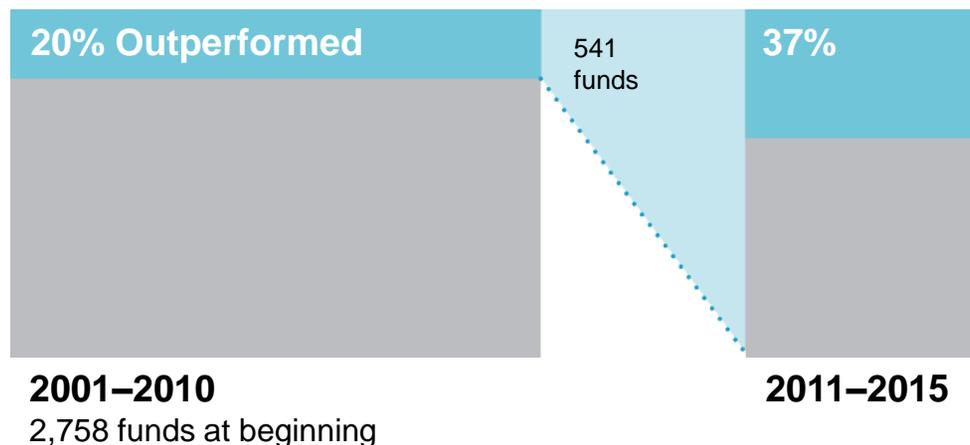
The market's pricing power makes it difficult for investors who try to outsmart other participants through stock picking or market timing.

As evidence, only 17% of US equity mutual funds have survived and outperformed their benchmarks over the past 15 years.



### 3. Resist Chasing Past Performance

#### Do Outperforming US Equity Mutual Funds Persist?



Some investors select mutual funds based on past returns. However, funds that have outperformed in the past do not always persist as winners.

Past performance alone provides little insight into a fund's ability to outperform in the future.

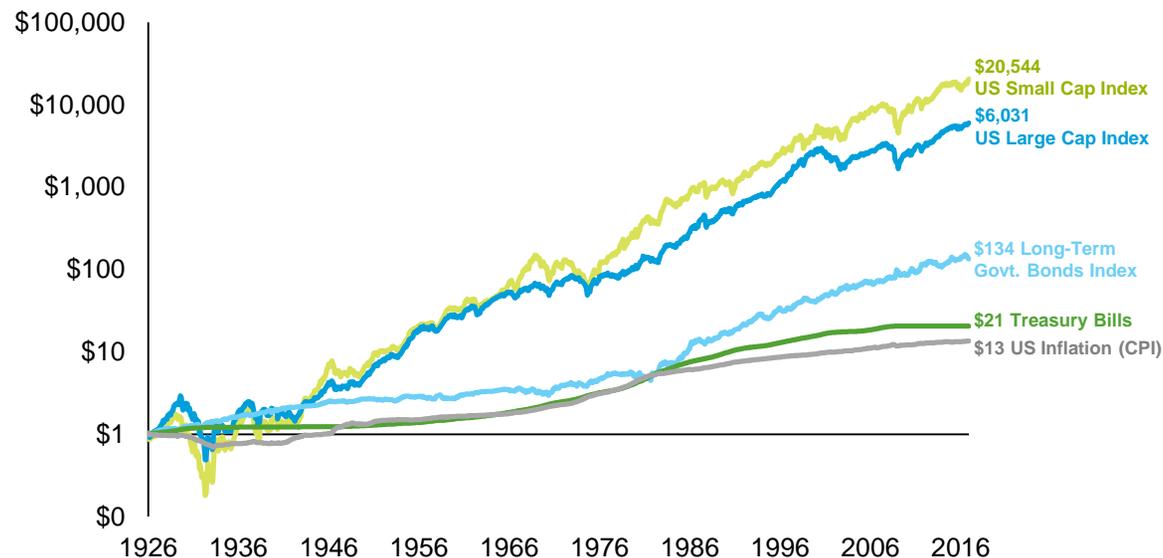
The graph shows the proportion of US equity mutual funds that outperformed and underperformed their respective benchmarks (i.e., winners and losers) during the initial 10-year period ending December 31, 2010. Winning funds were re-evaluated in the subsequent five-year period from 2011 through 2015, with the graph showing winners (outperformers) and losers (underperformers). Fund count and percentages may not correspond due to rounding. **Past performance is no guarantee of future results.** Data Source: Analysis conducted by Dimensional Fund Advisors using data on US-domiciled mutual funds obtained from the CRSP Survivor-Bias-Free US Mutual Fund Database, provided by the Center for Research in Security Prices, University of Chicago. Sample excludes index funds. Benchmark data provided by MSCI, Russell, and S&P. MSCI data © MSCI 2016, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. The S&P data is provided by Standard & Poor's Index Services Group. **Benchmark indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Mutual fund investment values will fluctuate, and shares, when redeemed, may be worth more or less than their original cost. Diversification neither assures a profit nor guarantees against a loss in a declining market.**



## 4. Let Markets Work for You

### Growth of a Dollar, 1926–2016

(Compounded monthly)



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.



## 5. Consider the Drivers of Returns

### Dimensions of Expected Returns



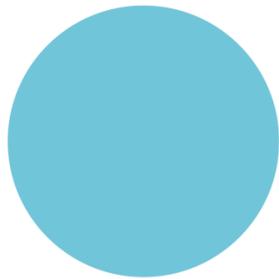
Academic research has identified these equity and fixed income dimensions, which point to differences in expected returns.

These dimensions are pervasive, persistent, and robust and can be pursued in cost-effective portfolios.



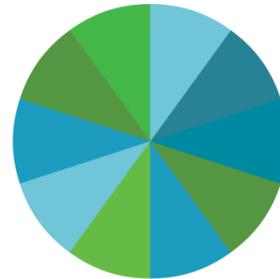
## 6. Practice Smart Diversification

### Home Market Index Portfolio



S&P 500 Index  
1 country, 500 stocks

### Global Market Index Portfolio



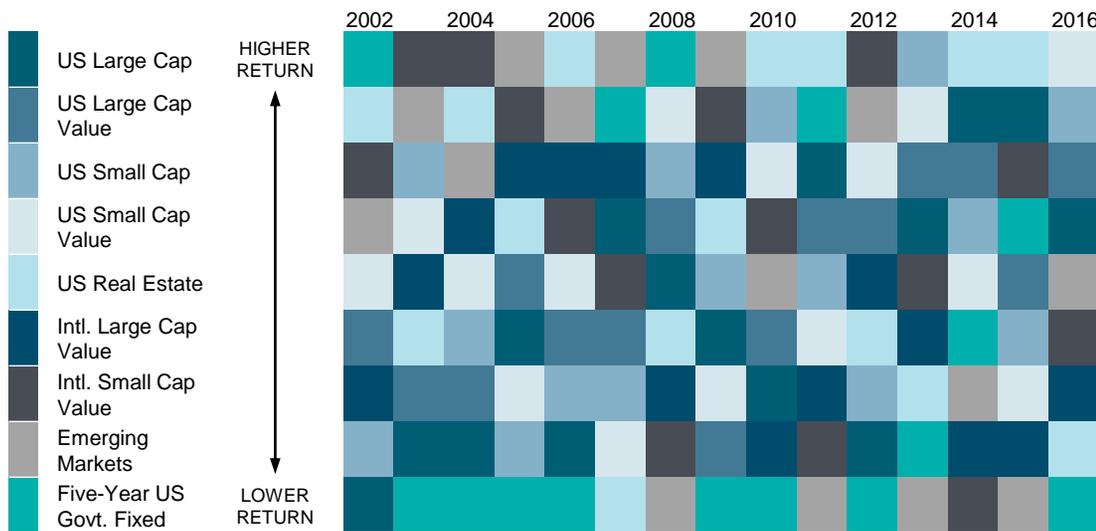
MSCI ACWI  
Investable Market Index (IMI)  
46 countries, 8,628 stocks

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.



# 7. Avoid Market Timing

## Annual Returns by Market Index



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.

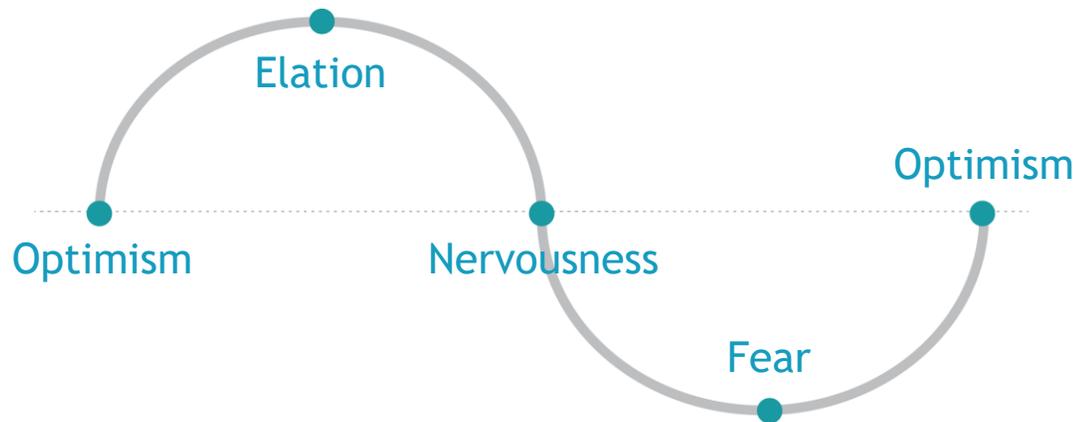
In US dollars. Chart is for illustrative purposes only.

US Large Cap is the S&P 500 Index, provided by Standard & Poor's Index Services Group. US Large Cap Value is the Russell 1000 Value Index. US Small Cap is the Russell 2000 Index. US Small Cap Value is the Russell 2000 Value Index. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. US Real Estate is the Dow Jones US Select REIT Index, provided by Dow Jones Indices. International Large Cap Value is the MSCI World ex USA Value Index (net dividends). International Small Cap Value is the MSCI World ex USA Small Cap Value Index (net dividends). Emerging Markets is the MSCI Emerging Markets Index (net dividends). MSCI data © MSCI 2017, all rights reserved. Five-Year US Government Fixed is the Bloomberg Barclays US Treasury Bond Index 1-5 Years. Bloomberg Barclays data provided by Bloomberg. 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.**



## 8. Manage Your Emotions

### Avoid Reactive Investing



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 at the worst times.



## 9. Look beyond the Headlines

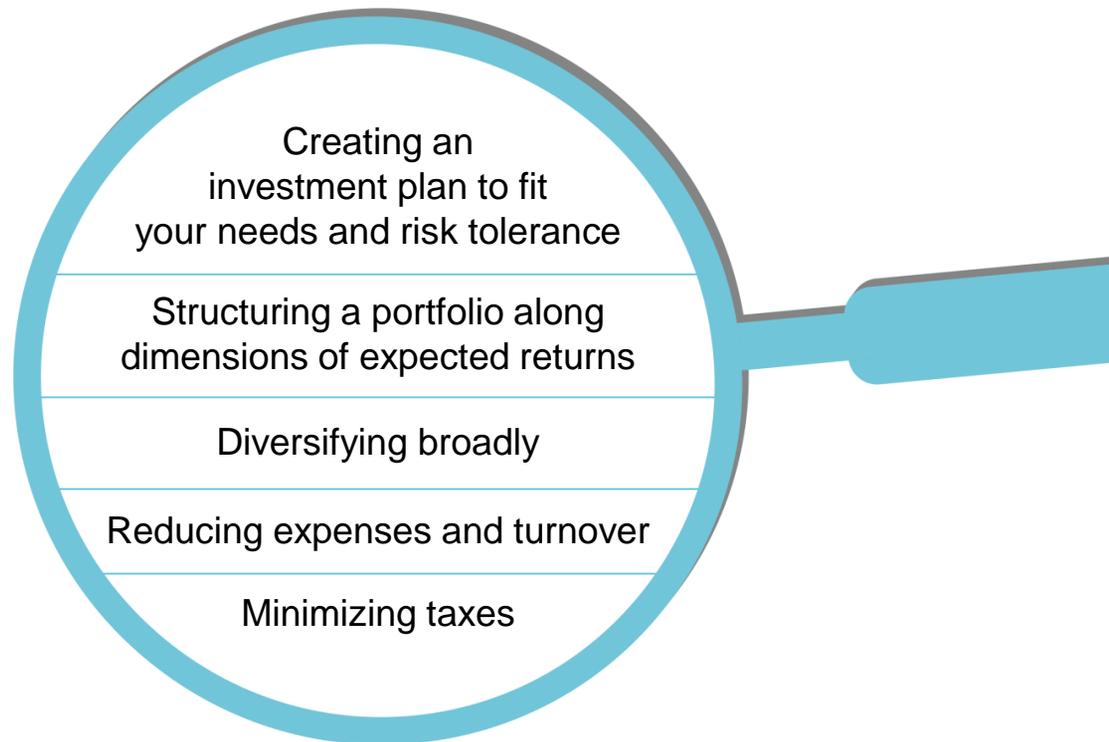


Daily market news and commentary can challenge your investment discipline. Some messages stir anxiety about the future while others tempt you to chase the latest investment fad.

When tested, consider the source and maintain a long-term perspective.



## 10. Focus on What You Can Control



A financial advisor can create a plan tailored to your personal financial needs while helping you focus on actions that add value.

This can lead to a better investment experience.