

T I M O N I E R

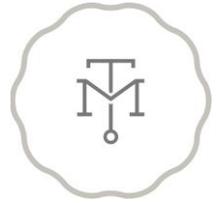
Wealth Beyond Financial™

# **From the Engine Room**

**2nd Quarter 2015**

# Quarterly Market Review

Second Quarter 2015



This report features world capital market performance and a timeline of events for the past quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

The report also illustrates the performance of globally diversified portfolios and features a quarterly topic.

*"The best way to predict the future...is to create it!"*

## Overview:

Adopting Change Through Raising Awareness...or Pain?

Market Summary

World Stock Market Performance

World Asset Classes

US Stocks

International Developed Stocks

Emerging Markets Stocks

Select Country Performance

Real Estate Investment Trusts (REITs)

Commodities

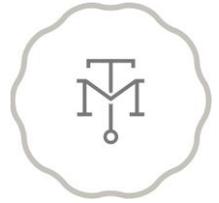
Fixed Income

Global Diversification

Keeping Pace

Quarterly Topic: The Seven Roles of an Advisor

## Adopting Change Through *Raising Awareness...or Pain?*



*“Teach me how to trust my heart, my mind, my intuition, my inner knowing, the senses of my body, the blessings of my spirit. Teach me to trust these things so that I may enter my Sacred Space\* and love beyond my fear, and thus Walk in Balance with the passing of each glorious Sun.”*

Lakota Prayer

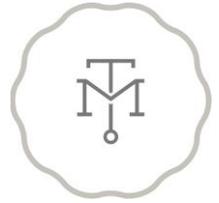
**A**ll too often human kind requires tragedy to evolve to the next level. Our neighbors in Charleston, South Carolina found themselves in one such epic heartbreak just a few weeks before Independence Day, when a disturbed 21 year old white youth gunned down nine peace loving black citizens during a Bible study at their Emmanuel AME Church. A Bible study to which he was warmly welcomed. There were three survivors, but only one was an intentional survivor. She survived because the gunman wanted it known that he killed them due to racial hatred. No one could imagine what the response to such violence would be from the community at large. Would it reveal the centuries of frustration of an enslaved heritage through reactionary violence or would it respond to the namesake of Charleston, The Holy City? In the scope of possibilities, it seemed logical to the world outside of Charleston that retribution whether violent or through extreme protest was at hand. And, that is because the world doesn't have the soul of Charleston. Through utter amazement, within hours of losing precious human life, each family made statements of forgiveness and love to the murderer during his arraignment. The mantra became, **“hate won't win!”**

I was in Charleston for a week just days following the massacre. It was and still is a sad period in history that humans kill other humans out of their own ignorance and fears. There was an outpouring of compassion, love, and support from the entire community. All races of local ties blended together to hold each other up. Interestingly, there were calls of strong protests and threatened violence, but they were from parties beyond South Carolina borders. The Charlestonians were one and did not allow for their unity to be broken.

You may be aware, that the state of South Carolina has flown a Confederate battle flag once atop the capital building and later at a prominent location in front of the capital on Gervais Street. It has been a controversial statement with the proponents siding with an argument of southern heritage and the opponents arguing it as a symbol of racism and division. The facts are that the flag isn't even a part of South Carolina's heritage. It is a northern Virginia confederate battle flag and it hasn't always been flown over the capital. It was first placed atop of the state capital dome as a statement of opposition to the civil rights acts that were being passed in 1962. As part of the human race, for the life of me, I don't know how this could have ever been an issue...but it was. A lot of unconscious politicians let their egos get in the way of progress. The killer of the Emmanuel AME Church used the flag publicly to promote his agenda. And...only at the cost of life, has the state of South Carolina now taken the flag down. Lives should not have been lost to effect change for the greater good.

Be patient. I will somehow tie these lessons of life in the pages ahead...

May the sun bring you new energy by day, may the moon softly restore you by night, may the rain wash away your worries, may the breeze blow new strength in into your being.  
Apache Blessings



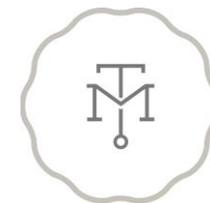
## Our Way...

I've worked with some of you for almost my entire career. A career that began in February of 1981...when the federal funds rate was 19.54%. Money market yields were 21%...and today they are **ZERO!** Having started out as an underwriter in the life insurance industry and later entrained as a financial planner, I completed my pre-Timonier training as an investment broker with Legg Mason Wood Walker, a regional member of the New York Stock Exchange based in Baltimore. Eighteen years ago, I left the brokerage industry to form what is now Timonier, because I wanted to provide my clients with a far different experience from that of our country's commission based financial establishment. A firm that is client centric and not focused on the sales goals of the company. Over time, Timonier has grown through referrals only. We have always spent our time, energies, and resources on providing services that would enhance our current client experience and not on the acquisition of new clients through advertising, seminars, or other sales pitch practices. We have built processes and systems that promote transparency, trust, and in a conflict-free environment. We are a federally registered investment advisor regulated by the Securities and Exchange Commission. That means we are acting as **your fiduciary** in advising you on the matters of your wealth affairs. We are required by law to hold your interest ahead of ours and act as your advocate...your protector.

Early in the development of Timonier, having survived the period of time that former colleagues had predicted our failure...I began to envision a collaborative group of multi-disciplinary advisors that would transcend the financial services system ingrained in our cultural DNA. The system that I navigated for 16 years was...and still is, a system of self-interest. It is a delivery system to sell manufactured products of Wall Street and Insurance Street which profit on the greed and fears of its prey. The regulators which are in place to protect the public...wind up protecting the manufacturers instead. The fox is still guarding the hen house. Hidden fees and commissions are only part of a very bad game of deception, and **profit** is "the client" to the financial services salesman. Terminology is used to confuse the consumer and myths of financial concepts are perpetuated keeping alive the logic to churn and burn a family's assets away. And the government which could step in and assist....doesn't. In fact, the government is assisting in the gaming of Wall Street through the blessing of Target Date Funds as a *safe harbor* method of saving for retirement. This strategy is just setting the American investor up to make the retirement dilemma a reality. And finally, the delivery system of advice is decades antiquated. Through all of my 34 years of my career, I can count on one hand the number of collaborative calls I received from CPA's, attorneys, and insurance agents. And I never once got a call from the family psychiatrist...lol! Quite simply, wealth advisors don't play well together. And this spells problems for the client.

The model that I envisioned for delivering financial advice would make transparent the methods of compensation, expose the engine that was behind the product offerings, develop impeccable words to accurately describe investment conditions and processes, and bring clarity to the possibilities of achieving life's goals. Further, it would enable us to coach our clients in shedding those aspects of life that no longer serve

*“Through consciousness, our minds have the power to change our planet and ourselves. It is time we heed the wisdom of the ancient indigenous people and channel our consciousness and spirit to tend the garden and not destroy it.”*  
Bruce Lipton, scientist and author



their family's greater good and harness all of their available resources to effectively and joyfully live that one great life that we have in front of us. This model requires that Timonier withhold judgement and opinion of clients' histories and unique desires, create an atmosphere of security and trust, communicate the unvarnished truth, and hold sacred the privacy of our clients. And...finally, we would ask our clients to reciprocate.

“Our way” has been working...and working beyond my expectations. Part of the credit goes to my incredibly unique, talented, and dedicated partners. The other part goes to all of you that have adopted our holistic methods. We are better advisors because you have given us the vital information to be better. We are able to more quickly analyze and make prudent recommendations because we know the total picture painted by your family tree, your financial capital, and your deepest desires. Our unique setting of multidisciplinary advisors enable us to be philosophically aligned with your goals while retaining collegial debates among our niche disciplines to discern the optimal course of action.

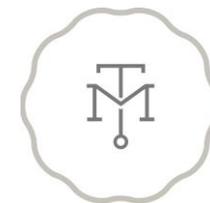
I believe there other intangibles that makes this engine run the way it does. We are a privately owned firm...and the owners are the staff that serves you. At Timonier we all have an owner's level of interest in your experience and well-being. And finally, every client has access to the entire staff. And, while each of us have our niche role with you, we can attend to your needs in a most expeditious manner.

But...I have to admit there is one component on that model of “our way” that has been missing. Jimmy Eggers and I have spent almost two years researching the compliance and regulatory structures that would enable us to have an in-house attorney to share their perspectives with our clients on matters of business entities, charitable giving strategies, asset protection, and family wealth transfer matters. While we meditated with the best intentions we felt resigned to work with outside counsel. It seemed the universe had put us in an eternal holding pattern at O'Hare airport. Until now...

With this quarterly letter, we are excited to introduce to you our in-house attorney, Robert J. Lack, JD. Some of you know of Robert already and a few have recently worked with him to develop your estate plan at his former firm, ML Dana in Charlotte, NC.

Like our other members at Timonier, we feel like we've known of Robert forever. He is a Kernersville native whose family we have known and worked with for many years. Robert spent the bulk of his career with Culp, Elliott, & Carpenter PLLC, a Charlotte, NC based law firm. One of the principals of that firm, Curtis Elliott, just happened to be a fellow member of the golf team at the University of South Carolina. I remember talking to him several years ago, recognizing that Robert worked in a niche area of law that we wanted as a part of our practice, and thinking jeeze...how could I get this guy! He comes to us with qualities and attributes like all before him...younger and smarter than me! A key ingredient to a sustainable and vibrant multi-generational planning practice.

*“When the power of love overcomes the love of power, the world will know peace.”*  
Jimi Hendrix



Specifically, Robert has worked with high net worth clients in the area of innovative succession plans which maximize income, estate and gift tax benefits that are in alignment with multi-generational wealth planning and transfer strategies. He has expertise in the areas of federal and state income tax planning with emphasis on tax and asset protection issues relevant to Partnerships and Subchapter S corporations. His work has also tackled a host of issues confronted by business owners before and after an exit or succession event.

Robert graduated Magna Cum Laude from Wofford College with a BS in Finance and earned the annual award given to the student with the highest GPA in major courses. While a substantial part of his prior experience has been in Estate Planning, he has formulated his strategies in a holistic manner with the broader considerations of a family's long-term wealth goals, by virtue of his training in Finance.

Robert will participate in our annual financial planning meetings with our clients for his perspectives on account titling, family business structures, beneficiary designations, wealth transfer options, asset protection considerations, charitable giving strategies, and much more. **There will be no additional billing for his oversight and counsel involvement during our meetings.**

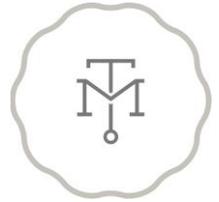
There will be times when our clients will want to implement legal strategies after working with us. And if our client so chooses, Robert will be able to facilitate in a compliant manner their requests for legal services. He is also the proprietor of Robert J. Lack Law Office, PLLC, a law firm which can be engaged for legal advice and document drafting, neither of which can be offered by Timonier under rules established by the North Carolina Bar Association. In alignment with Timonier's philosophy of transparency, Robert will offer his legal services on a fully disclosed fixed fee quote arrangement. Having this close relationship with Robert and his law firm will finally allow for the collaborative environment I envisioned years ago when starting Timonier.

In addition to his undergraduate degree from Wofford, Robert holds a JD degree from the University of South Carolina School of Law, magna cum laude. While currently a member in good standing with the North Carolina Bar Association he will also be looking to add the state of South Carolina to his credentials in 2016. Currently, Robert and his wife Emily and their two amazing children reside in Charlotte, NC. In his down time he is an avid reader, and currently is working on taking the Timonier Open Golf Championship title from Jimmy Eggers.

I know that you will enjoy meeting and knowing Robert. He can be reached at our offices at 336.725.5010 and/or through email at [Robert@Timonier.com](mailto:Robert@Timonier.com). I hope that you will see the benefits of this unique approach in a collaborative wealth management experience.

*"No one is born hating another person because of the color of his skin, or his background, or his religion. People must learn to hate, and if they can learn to hate, they can be taught to love, for love comes more naturally to the human heart than its opposite."*

~Nelson Mandela



## Special Announcement...

It is our calling to provide professional advice in our niche areas of expertise. We are most effective in working as a team. But it takes you, the co-creator of your *Master Plan* to engage your team with your inspired dreams. And while the power is in the human intellect of your collaborative team, good data and honest desires are key to executing a plan in which all parties involved have the utmost confidence. One of the most critical ingredients in developing a plan with confidence is knowing the expense needs at retirement. Jimmy, Janice, and I have recognized through the years that this is the single biggest unknown to our clients. It's unknown because the vast majority of our clients don't know what they are spending NOW! We have become overly vigilant to get a handle on this information. And now we have an easy way for you to, as Tom Cruise said in the movie *Jerry McGuire*, "help us...help you."

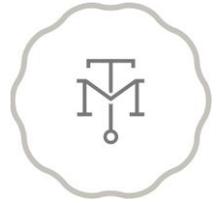
We are launching a new Client Portal to those who request to be early adopters. I believe it will take up to a year to have a full transition of all of our clients. One of the many new features that this portal will achieve is the aggregation of all of your accounts which will include the cash management and debt side of your balance sheet. You will be able to link your checking / operating accounts into your Wealth Portal and automatically track your spending and create budgets. You will be able to see your whole balance sheet in motion from one portal and through any device securely.

It has been a long wait for this technology to come our way, but now it's here and I look forward to working with you to harness all of your valuable resources. Just let me know if you'd like to launch your site before our next meeting.

## Now let's see if I can tie this together...

Rewiring the subconscious conditioning and the changing human habits most often requires heroic efforts even when the change is for our own personal good and even *survival!* Most often bad things have to occur for most of us to even consider change. Healthy diets and work out regimens come at the expense of heart attacks and severe obesity. Personality and other human developments and improvements come at the expense of lost jobs, failed relationships, and trouble with the societal laws. Human life is often lost before we respect other peoples right to pursue life, liberty, and the claim to happiness. The sad thing is...there is no need to wait for bankruptcy to appear in order to adopt a more conscious financial life and lifestyle. Pain management and tragedy is not a requirement for change. *Simply raise your awareness.*

*"Forgiveness does not change the past but it does enlarge the future. It is a gift you give yourself."*  
Paul Boese, author



New client centric methods have been developed to replace antiquated systems that no longer serve us. At Timonier, we have created "Our Way" to facilitate the most effective way to get from point A to point B in the management of your wealth and well being journey. **We will convince no one that it's the only way...It's just Our Way.** The path of life is always in *your* choices!

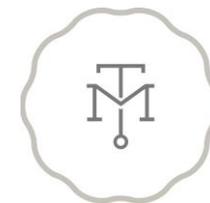
We are in gratitude to all those who embrace it with us. Please contact us any time, if we haven't contacted you first.

Namaste'...Ubuntu...Many Blessings,

Tim L. Baker, CIMA, GFS

## 12 Symptoms of a Spiritual Awakening

1. An increased tendency to let things happen rather than make them happen.
2. Frequent attacks of smiling.
3. Feelings of being connected with others and nature.
4. Frequent overwhelming episodes of appreciation.
5. A tendency to think and act spontaneously rather than from fears based on past experience.
6. An unmistakable ability to enjoy each moment.
7. A loss of ability to worry.
8. A loss of interest in conflict.
9. A loss of interest in interpreting the actions of others.
10. A loss of interest in judging others.
11. A loss of interest in judging self.
12. Gaining the ability to love without expecting anything in return.



# Market Summary

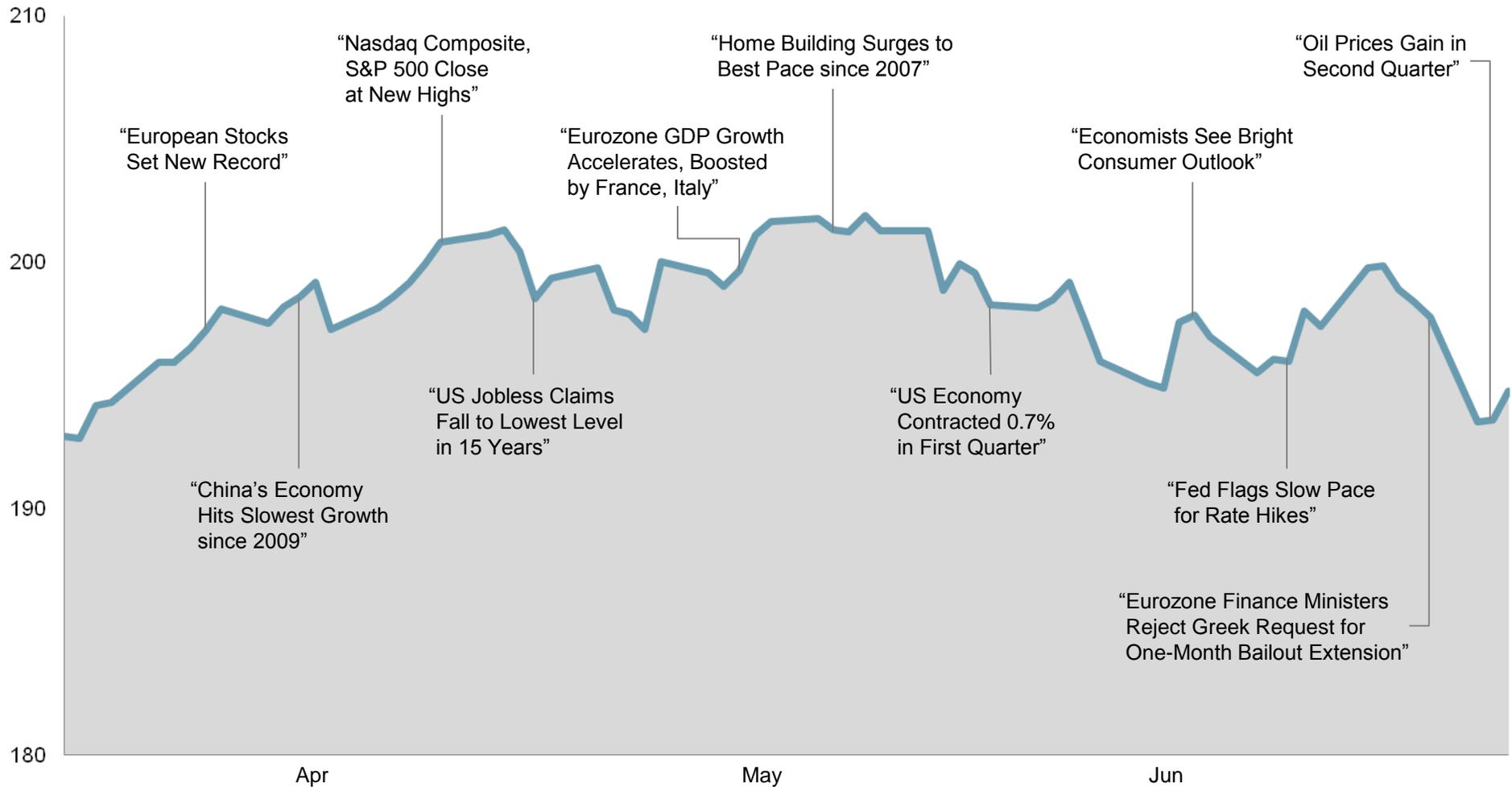
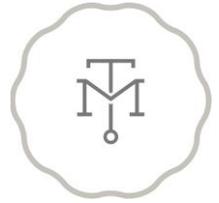
Second Quarter 2015 Index Returns



**Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.** Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index), US Bond Market (Barclays US Aggregate Bond Index), and Global Bond ex US Market (Citigroup WGBI ex USA 1-30 Years [Hedged to USD]). The S&P data are provided by Standard & Poor's Index Services Group. Russell data © Russell Investment Group 1995-2015, all rights reserved. MSCI data © MSCI 2015, all rights reserved. Barclays data provided by Barclays Bank PLC. Citigroup bond indices © 2014 by Citigroup.

# World Stock Market Performance

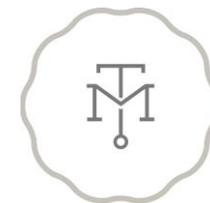
MSCI All Country World Index with selected headlines from Q2 2015



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index. MSCI data © MSCI 2015, all rights reserved.

It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

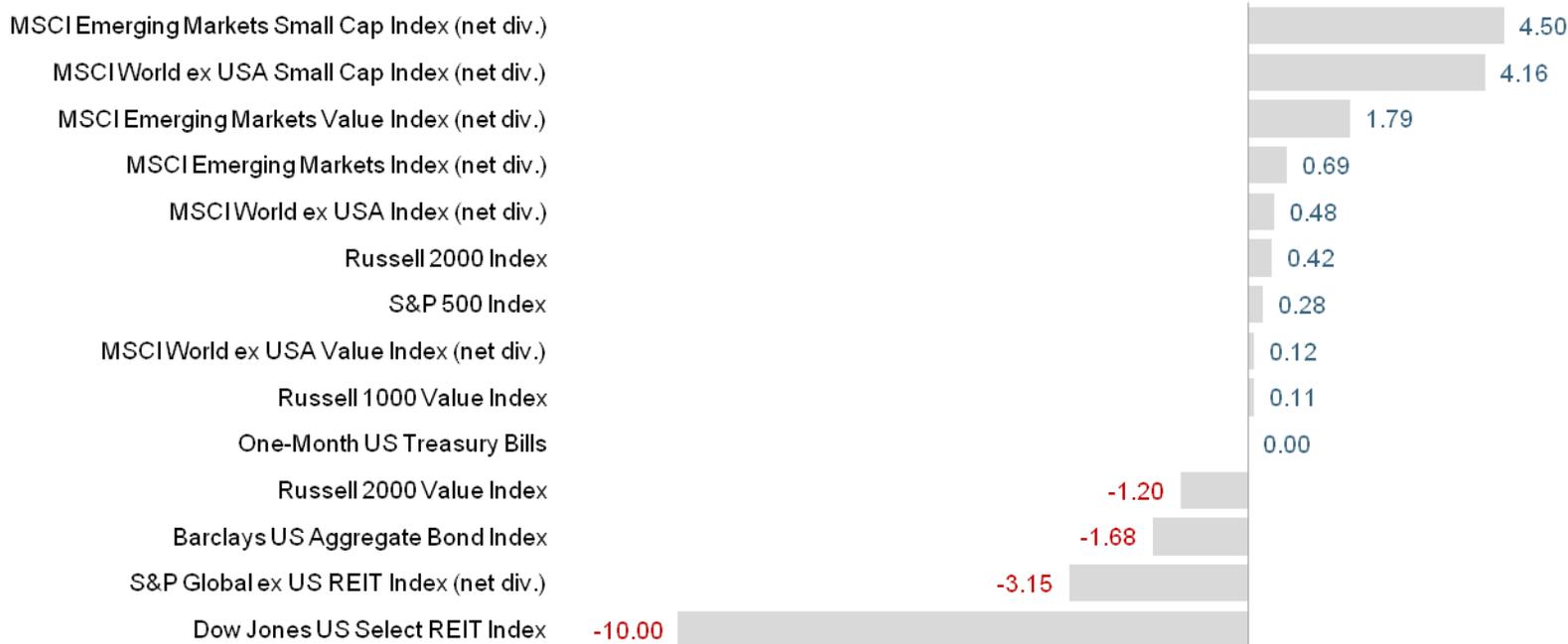


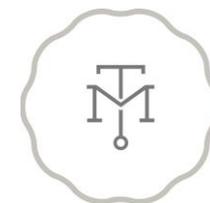
# World Asset Classes

## Second Quarter 2015 Index Returns

Looking at broad market indices, emerging markets outperformed both the US and developed ex US markets in US dollars during the quarter. REITs recorded the lowest performance in developed markets, including the US.

The value effect was positive in emerging markets but negative in developed markets, including the US. Small caps outperformed large caps in the US, non-US developed markets, and emerging markets. The US dollar had mixed performance during the quarter.





# US Stocks

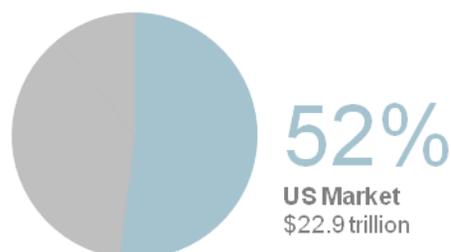
## Second Quarter 2015 Index Returns

The US equity market recorded slightly positive performance for the quarter.

Small caps outperformed large caps, helped by the strong performance of micro cap stocks. Mid caps recorded the lowest return across the size ranges.

Value underperformed growth marketwide. Large value and large growth recorded similar performance, while the mid cap value and small cap value indices underperformed their growth counterparts.

### World Market Capitalization—US



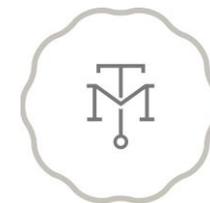
### Ranked Returns for the Quarter (%)



### Period Returns (%)

Asset Class	* Annualized				
	YTD	1 Year	3 Years*	5 Years*	10 Years*
Marketwide	1.94	7.29	17.73	17.54	8.15
Large Cap	1.23	7.42	17.31	17.34	7.89
Large Cap Value	-0.61	4.13	17.34	16.50	7.05
Large Cap Growth	3.96	10.56	17.99	18.59	9.10
Small Cap	4.75	6.49	17.81	17.08	8.40
Small Cap Value	0.76	0.78	15.50	14.81	6.87
Small Cap Growth	8.74	12.34	20.11	19.33	9.86

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (S&P 500 Index), Large Cap Value (Russell 1000 Value Index), Large Cap Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Cap Value (Russell 2000 Value Index), and Small Cap Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Russell data © Russell Investment Group 1995–2015, all rights reserved. The S&P data are provided by Standard & Poor's Index Services Group.



# International Developed Stocks

## Second Quarter 2015 Index Returns

Developed markets outside the US outperformed the US equity market but underperformed emerging markets indices in US dollar terms.

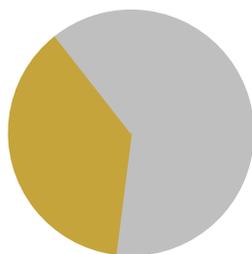
Small caps significantly outperformed large caps.

Value underperformed growth indices across all size ranges, and particularly in small caps.

### World Market Capitalization—International Developed

**37%**

International  
Developed  
Market  
\$16.5 trillion



### Ranked Returns (%)

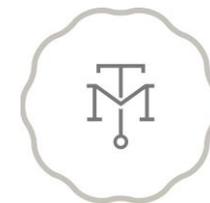


### Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	4.34	-5.28	11.15	8.97	5.16
Small Cap	8.36	-3.96	13.60	11.10	6.30
Value	2.74	-8.66	10.82	8.42	4.49
Growth	5.90	-1.87	11.43	9.47	5.76

\* Annualized

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Large Cap (MSCI World ex USA Index), Small Cap (MSCI World ex USA Small Cap Index), Value (MSCI World ex USA Value Index), and Growth (MSCI World ex USA Growth). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI World ex USA IMI Index used as the proxy for the International Developed market. MSCI data © MSCI 2015, all rights reserved.



# Emerging Markets Stocks

## Second Quarter 2015 Index Returns

Emerging markets indices outperformed developed markets indices, including the US, in US dollar terms during the quarter.

Small cap indices significantly outperformed large cap indices for the quarter.

Value outperformed growth marketwide, influenced by the strong performance of large caps. Value indices underperformed growth indices in both mid caps and small caps.

### World Market Capitalization—Emerging Markets

**11%**

Emerging Markets  
\$4.7 trillion



### Ranked Returns (%)

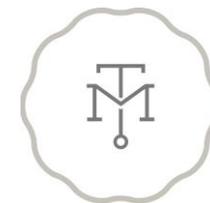


### Period Returns (%)

Asset Class	YTD	1 Year	* Annualized		
			3 Years*	5 Years*	10 Years*
Large Cap	2.95	-5.12	3.71	3.68	8.11
Small Cap	8.25	0.34	7.98	5.04	9.96
Value	2.18	-7.67	1.44	2.14	8.16
Growth	3.66	-2.64	5.92	5.17	8.01

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

Market segment (index representation) as follows: Large Cap (MSCI Emerging Markets Index), Small Cap (MSCI Emerging Markets Small Cap Index), Value (MSCI Emerging Markets Value Index), and Growth (MSCI Emerging Markets Growth Index). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI Emerging Markets IMI Index used as the proxy for the emerging market portion of the market. MSCI data © MSCI 2015, all rights reserved.

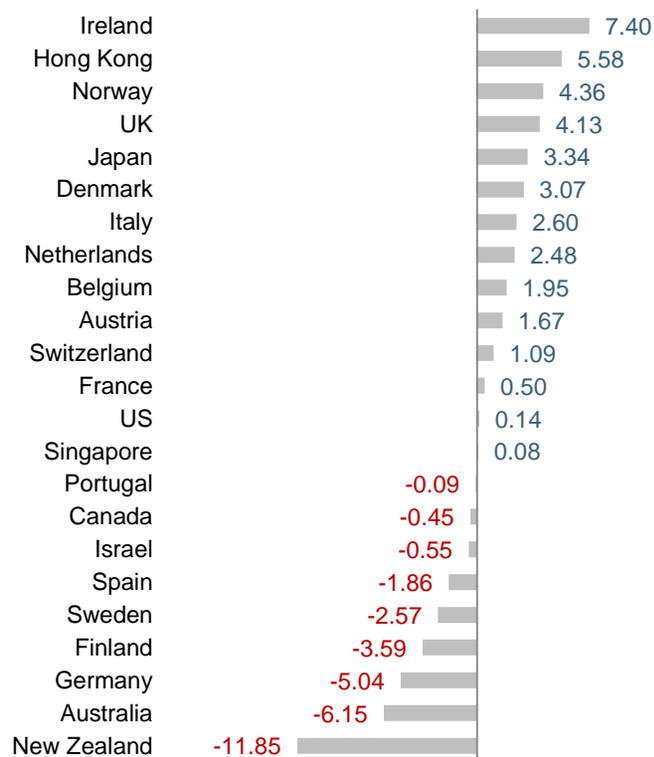


# Select Country Performance

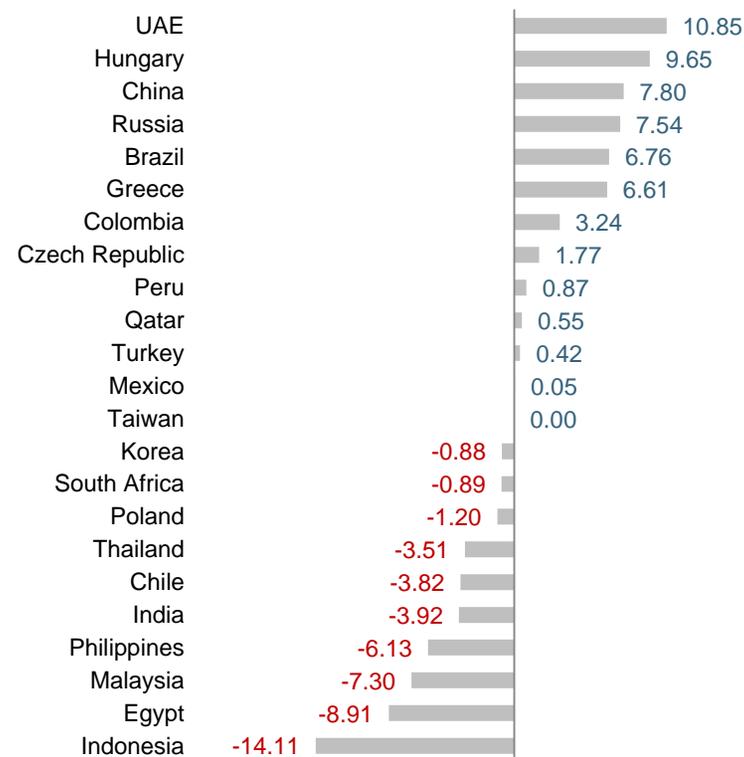
## Second Quarter 2015 Index Returns

Smaller countries recorded the highest performance for the quarter, with Ireland and Hong Kong leading the way in developed markets and the UAE and Hungary in emerging markets. Currency played a role for each of the countries that recorded the lowest performance in developed and emerging markets, as the New Zealand dollar and the Indonesian rupiah depreciated vs. the US dollar.

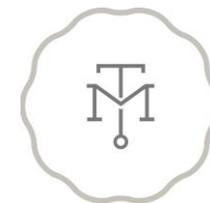
### Ranked Developed Markets Returns (%)



### Ranked Emerging Markets Returns (%)



Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Country performance based on respective indices in the MSCI World ex US IMI Index (for developed markets), Russell 3000 Index (for US), and MSCI Emerging Markets IMI Index. All returns in USD and net of withholding tax on dividends. MSCI data © MSCI 2015, all rights reserved. Russell data © Russell Investment Group 1995–2015, all rights reserved. UAE and Qatar have been reclassified as emerging markets by MSCI, effective May 2014.

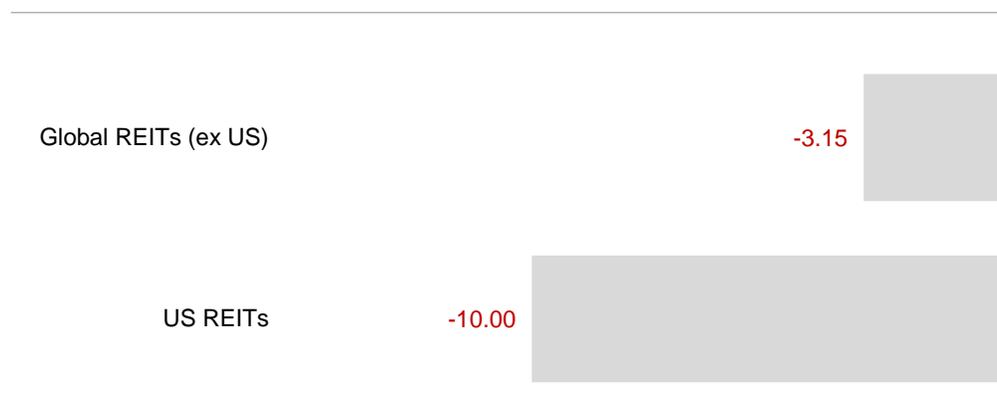


# Real Estate Investment Trusts (REITs)

## Second Quarter 2015 Index Returns

REITs both in the US and non-US markets significantly underperformed the broad equity markets during the quarter.

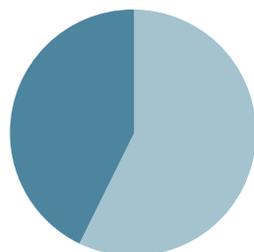
### Ranked Returns (%)



### Total Value of REIT Stocks

**43%**

**World ex US**  
\$409 billion  
236 REITs  
(22 other countries)



**57%**

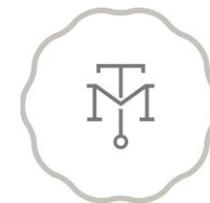
**US**  
\$549 billion  
92 REITs

### Period Returns (%)

\* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
US REITs	-5.75	5.21	8.67	14.43	6.78
Global REITs (ex US)	-1.05	-3.21	9.24	11.93	4.01

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones US Select REIT Index data provided by Dow Jones ©. S&P Global ex US REIT Index data provided by Standard and Poor's Index Services Group © 2014.



# Commodities

## Second Quarter 2015 Index Returns

Commodities were broadly positive during the second quarter. The Bloomberg Commodity Index Total Return gained 4.66%. The energy complex led the period with unleaded gas returning 17.99% and WTI crude oil returning 17.50%.

Grains also posted positive returns; Chicago wheat added 19.26%, while soybean meal added 11.44%.

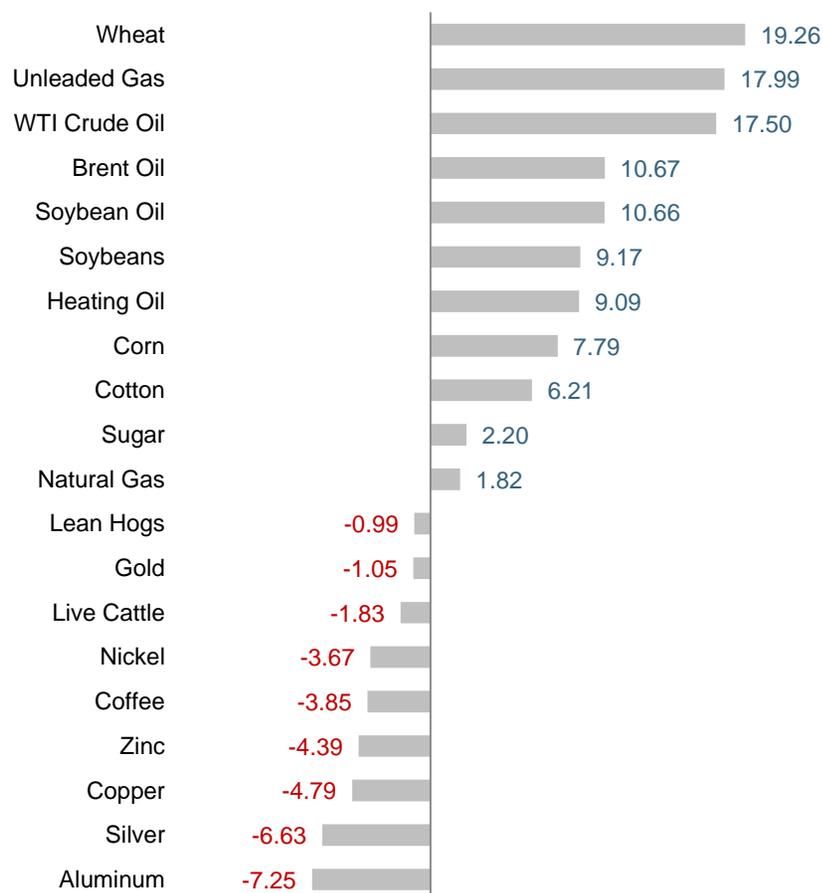
Metals were negative; aluminum declined 7.25% and silver dropped 6.63%.

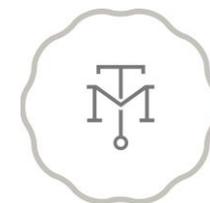
### Period Returns (%)

\* Annualized

Asset Class	YTD	Q2	1 Year	3 Years*	5 Years*	10 Years*
Commodities	-1.56	4.66	-23.71	-8.76	-3.91	-2.62

### Ranked Returns for Individual Commodities (%)





# Fixed Income

## Second Quarter 2015 Index Returns

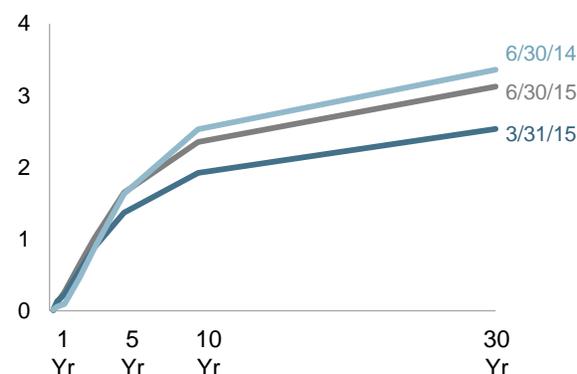
Interest rates across the US fixed income markets generally increased during the second quarter. The 5-year Treasury note added 25 basis points to end the period yielding 1.63%. The 10-year Treasury note increased 42 basis points to end the quarter at 2.35%. The 30-year Treasury bond added 56 basis points to finish with a yield of 3.10%.

On the short end of the curve, the 2-year Treasury note added 8 basis points to finish at 0.64%. Yields on securities within one year to maturity were generally lower by 2 basis points.

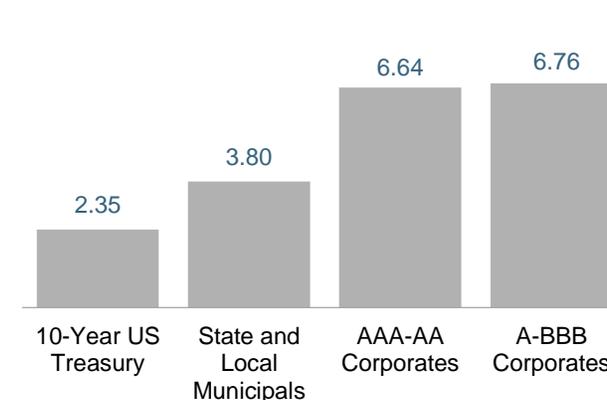
Short-term corporate bonds gained 0.06%, while intermediate-term corporate bonds lost 1.09%.

Short-term municipal bonds were relatively unchanged, but intermediate municipal bonds declined 0.89%. Municipal general obligation and revenue bonds experienced similar returns.

### US Treasury Yield Curve



### Bond Yields across Issuers

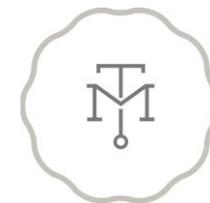


### Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
BofA Merrill Lynch Three-Month US Treasury Bill Index	0.01	0.02	0.06	0.08	1.42
BofA Merrill Lynch 1-Year US Treasury Note Index	0.21	0.24	0.28	0.36	1.92
Citigroup WGBI 1-5 Years (hedged to USD)	0.51	1.27	1.40	1.54	2.93
Barclays Long US Government Bond Index	-4.52	6.20	1.25	6.23	6.12
Barclays US Aggregate Bond Index	-0.10	1.86	1.83	3.35	4.44
Barclays US Corporate High Yield Index	2.53	-0.40	6.81	8.61	7.89
Barclays Municipal Bond Index	0.11	3.00	3.10	4.50	4.45
Barclays US TIPS Index	0.34	-1.73	-0.76	3.29	4.14

\* Annualized

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds are from the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality. AAA-AA Corporates represent the Bank of America Merrill Lynch US Corporates, AA-AAA rated. A-BBB Corporates represent the Bank of America Merrill Lynch US Corporates, BBB-A rated. Barclays data provided by Barclays Bank PLC. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). Citigroup bond indices © 2014 by Citigroup. The BofA Merrill Lynch Indices are used with permission; © 2014 Merrill Lynch, Pierce, Fenner & Smith Incorporated; all rights reserved. Merrill Lynch, Pierce, Fenner & Smith Incorporated is a wholly owned subsidiary of Bank of America Corporation.



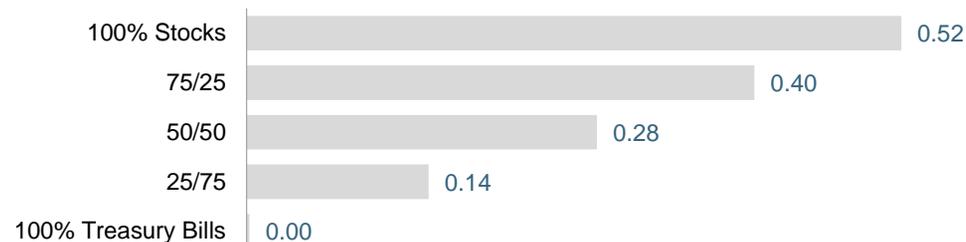
# Global Diversification

## Second Quarter 2015 Index Returns

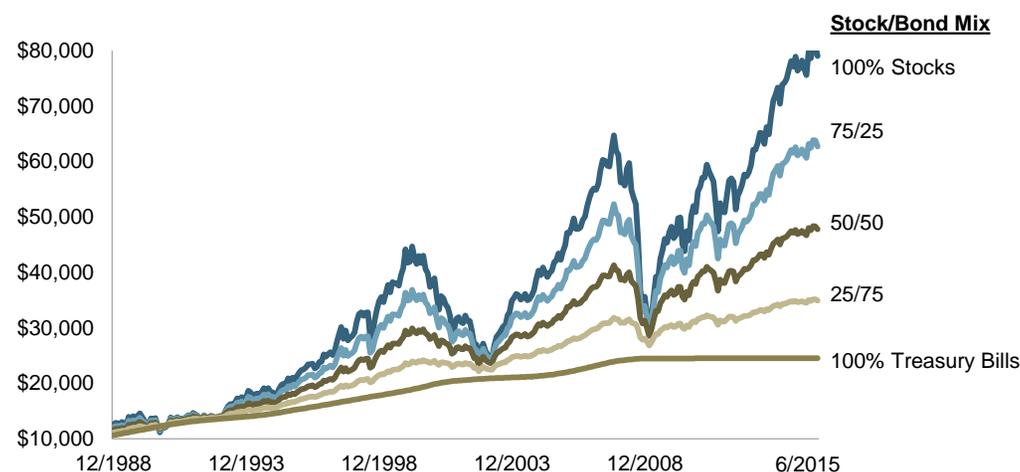
These portfolios illustrate the performance of different global stock/bond mixes and highlight the benefits of diversification. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

Period Returns (%)		* Annualized				
Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*	
100% Stocks	2.97	1.23	13.61	12.52	6.97	
75/25	2.27	0.99	10.14	9.46	5.81	
50/50	1.54	0.71	6.72	6.35	4.47	
25/75	0.78	0.38	3.35	3.21	2.96	
100% Treasury Bills	0.01	0.01	0.03	0.04	1.30	

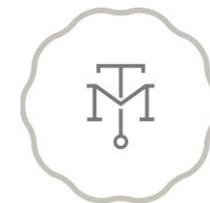
### Ranked Returns (%)



### Growth of Wealth: The Relationship between Risk and Return



Diversification does not eliminate the risk of market loss. **Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect expenses associated with the management of an actual portfolio.** Asset allocations and the hypothetical index portfolio returns are for illustrative purposes only and do not represent actual performance. Global Stocks represented by MSCI All Country World Index (gross div.) and Treasury Bills represented by US One-Month Treasury Bills. Globally diversified allocations rebalanced monthly, no withdrawals. Data © MSCI 2015, all rights reserved. Treasury bills © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).



# So...Are We Keeping Pace with the Indices?

Our financial forecasts developed in our *MasterPlan* reports are predicated on achieving investment returns as illustrated by globally diversified indices. Below are the primary equity asset class structures that we use to design our investment portfolios. Their returns are compared to the benchmark of stocks that they have a high degree of correlation with (as noted by R<sup>2</sup>). In order for our forecasts to have validity we need to at least match the indices returns *in aggregate*. **So far so good!** The results are illustrated for the past 5 and 10 years and since inception. By example, the US Micro Cap Portfolio has outperformed the Russell Microcap and Russell 2000 Index by 164 basis points per year since 1982. 164 basis points is equal to 1.64% of outperformance on average per year.

## Performance against Conventional Benchmarks

As of June 30, 2015

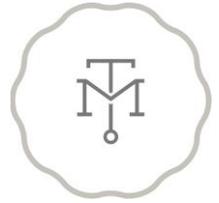
Annualized difference (100 bps equals 1.0%)

Dimensional Structured Stock Portfolio	Inception	Conventional Benchmark Indices	Last 5 Years	Last 10 Years	Since Inception	R <sup>2</sup>
US Micro Cap Portfolio	1982	Russell Microcap and 2000 Index	80	145	164	0.93
US Small Cap Portfolio	1992	Russell 2000 Index	136	103	138	0.98
US Small Cap Value Portfolio	1993	Russell 2000 Value Index	302	131	202	0.94
US Targeted Value Portfolio	2000	Russell 2000 Value Index	264	167	237	0.95
US Large Cap Value Portfolio	1993	Russell 1000 Value Index	183	87	53	0.93
International Small Company Portfolio	1996	MSCI World ex USA Small Cap Index	49	99	93	0.96
International Small Cap Value Portfolio	1995	MSCI World ex USA Small Cap Index	175	127	198	0.93
International Value Portfolio	1994	MSCI World ex USA Index	-42	23	150	0.92
Emerging Markets Small Cap Portfolio	1998	MSCI Emerging Markets Index	261	288	480	0.89
Emerging Markets Value Portfolio	1998	MSCI Emerging Markets Index	-215	41	379	0.92
Emerging Markets Portfolio	1994	MSCI Emerging Markets Index	41	12	137	0.93

\* Long-term outperformance of popular benchmarks with reasonable tracking (as noted by R<sup>2</sup>)

# The Seven Roles of an Advisor

Second Quarter 2015



What is a financial advisor for? One view is that advisors have unique insights into market direction that give their clients an advantage. But of the many roles a professional advisor should play, soothsayer is not one of them.

The truth is that no one knows what will happen next in investment markets. And if anyone really did have a working crystal ball, it is unlikely they would be plying their trade as an advisor, broker, analyst, or financial journalist.

Some folks may still think an advisor's role is to deliver market-beating returns year after year. Generally, those are the same people who believe good advice equates to making accurate forecasts.

But in reality, the value a professional advisor brings is not dependent on the state of markets. Indeed, their value can be even more evident when volatility and emotions are running high.

The best of this new breed play multiple and nuanced roles with their clients. None of these roles involve making forecasts about markets or economies. Indeed, there are at least seven hats an advisor can wear to help clients without ever once having to look into a crystal ball:

**1. The Expert:** Investors need advisors who can provide client-centered expertise in assessing the state of their finances and developing risk-aware strategies to help them meet their goals.

**2. The Independent Voice:** The global financial turmoil of recent years demonstrated the value of an independent and objective voice in a world full of product pushers and salespeople.

**3. The Listener:** A good advisor will listen to clients' fears, tease out the issues driving those feelings, and provide practical, long-term answers.

**4. The Teacher:** Getting beyond the fear-and-flight phase often is just a matter of teaching investors about risk and return, diversification, the role of asset allocation, and the virtue of discipline.

**5. The Architect:** Once these lessons are understood, the advisor becomes an architect, building a long-term wealth management strategy that matches each person's risk appetites and lifetime goals.

**6. The Coach:** Even when the strategy is in place, doubts and fears inevitably arise. At this point, the advisor becomes a coach, reinforcing first principles and keeping the client on track.

**7. The Guardian:** Beyond these experiences is a long-term role for the advisor as a kind of lighthouse keeper, scanning the horizon for issues that may affect the client and keeping them informed.

These are just seven valuable roles an advisor can play in understanding and responding to clients' whole-of-life needs, which are a world away from the old notions of selling product off the shelf or making forecasts.

Knowing the advisor is independent—and not plugging product—can lead the client to trust the advisor as a listener or sounding board. From this point, the listener can become the teacher, architect, coach, and, ultimately, the guardian. Just as people's needs and circumstances change over time, the nature of the advice service evolves.

However you characterize these various roles, good financial advice ultimately is defined by the patient building of a long-term relationship founded on the values of trust and independence and knowledge of each individual.

Now, how can you put a price on that?