TIMONIER

Wealth Beyond Financial™

From the Engine Room

1st Quarter 2016

Quarterly Market Review

First Quarter 2016

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:

Eliminate Conflicts of Interest to Find the Truth

"Simplicity is a great virtue, but requires hard work to achieve it and education to appreciate it. And to make matters worse: complexity sells better!"

Edsger W. Dijkstra, Dutch computer scientist

As I sat in my office the first week of January reviewing the prior years results and trends of the world economies and the measuring sticks that price them, I felt that 2016 would be one of positive development. The two big stories of 2015 were an unprecedented rise in the US dollar against all foreign currencies and a price drop in oil which devastated the earnings of the energy sector. These two economic developments alone put a major drag on earnings for companies trading in the US stock market. Going forward however, I could see that these headwinds would subside and economic expansion, albeit slow, would continue on its rise in every part of the globe. The monthly economic metrics were continuing to show plus ticks, still climbing ever so steadily from the ashes of the 2008 great financial collapse. And then…my emails and news headlines went on panic alert.

The first cannon fire came from client emails who copied and pasted an article being published from newspapers across the UK with the headlines reading: "Royal Bank of Scotland cries 'sell everything' as deflationary crisis nears." The media outlets reported that RBS had advised clients to brace for a "cataclysmic year" and a global deflationary crisis, warning that major stock markets could fall by a fifth and that oil could plummet to $16 a barrel.

The headlines and TV outlets then rolled over to the United States. Citibank strategist, Jonathan Stubbs warned, "The global economy seems trapped in a 'death spiral' that could lead to further weakness in oil prices, recession and a serious equity bear market. Not to be left out, JP Morgan and Wells Fargo chimed in by covering all the bases. One of JP Morgan's economists, Jesse Edgerton, was calling for a 50% chance of a recession in the next two years, while their Chief Global Strategist, Dr. David Kelly, is forecasting a 2016 growth in earnings of 16.7%…with the largest gains in growth coming in the third and fourth quarters. The double talk continued when I received an email from Bloomberg on January 27th that read, "Wells Fargo & Co. says this year's selloff in stocks is unlikely to halt the seven-year bull market. Wells Fargo & Co. also says the Standard & Poor's 500 Index will probably tumble 26 percent from its May high." *Folks, I can't make this stuff up!* I've often said that having access to information doesn't equal the wisdom to know what to do with it. And, the world continues to validate this perspective. You can imagine a few years from now, both Wells Fargo and Citibank will be able to tout that they had an economic strategist that made the correct forecast! They'll just conveniently leave out the fact that they each had one that totally got it wrong. That's how the big lie lives on!

I wouldn't want to leave out a sound bite on politics in an election year. If your candidate doesn't seem to be the one in the lead, it always gives rise to added stress about your future and the future results of your investments. Again, Wells Fargo provided this headline in ***InvestmentNews*** magazine: "Wells Fargo sees U.S. election year hurting equities." Sub-headline read: "Domestic large-cap stock returns tend to be much lower in open election years." No wonder the public attaches a need for action with their

investments to political events. Wall Street and the banks activate their fear gland with every opportunity. **You know this is true.** How would you feel if the headlines read, "Hey folks, there is a nasty political campaign going on for president, but sit tight, your investment portfolio will weather the storm." How much business activity would that create for them?

So, as you may surmise from this reading so far, the first quarter brought much consternation to the economic table. With no further knowledge of how events unfolded, you would probably think that global stock portfolios have experienced a horrible decline. And, you are partially correct. Stock prices did decline and declined more than 11% in the US. **It was the worst start to any year in the American equity market since Columbus brought the first wave of immigrants over.** Then they recovered…with the S&P 500 stock index finishing up +1.3% by quarters end! Imagine, had you turned off the news outlets for the past few months and happenstance into your distraught neighbor rolled up into a financial fetal position with this rollercoaster story of world collapse, you would have thought it was some kind of April Fools joke!

This quarter marked the 35th anniversary for my career in the wealth advisory world. And if you've known me for any length of time or have read any of my musings through the years, I think you already know how I consumed this quarters theatrics. I've seen this drama before. I started this journey in 1981, with money market yields at 21%...now they are zero%. Thirty year fixed home mortgage rates were 18%...now they are 3.65%. On average, it took 38% of the household income to make a mortgage payment…now it's 12%. Inflation was 8.9%...now it's 2.2%. Unemployment was coming off it's high of 12%...now we have 5% unemployment. The top marginal federal income tax rate was 67%...now it's 39.6%. A family could transfer $350,000 of assets to their heirs before estate taxes kicked in, topping out at 70%...now a family can pass $10,900,000 without estate taxation with proper filings. And finally, in 1981 there were 4.5 billion people on our planet earth and today there are approximately 7.3 billion. This January, China called an end to the one baby per family policy that has been in place for the last thirty seven years and it is projected that there will be almost 10 billion inhabitants in the next 40 years. Since 1981, I've experienced as an investor and as an advisor six (6) US stock market declines of 20% or more. ***On average, our US stock market declines 14.4% from intra year peak to the intra year low…every year!*** The number of times the stock market backs up 5% or more, seems infinite. And through all of the quarterly acts of climbing this Wall of Worry, the S&P 500 stock Index has grown in value from 122.55 January 1, 1981 to the closing value on March 31, 2016 of 2,060. This represents an 11.1% average annual return before inflation.

Our firm didn't react to the emails and noise presented this quarter. We never react, but we do respond to our environment by a predetermined Rule Book. We are guided by a family's goals-based plan which sets the required asset allocation (weightings to stocks, bonds, cash, and real estate) of the investment portfolio in order to accomplish these goals. We are time horizon-focused, buy and hold investment stewards that will rebalance the sub-components when they move out of our desired target

ranges. We will consistently move money while rebalancing into to areas that the herd (mostly your friends, colleagues, neighbors, and voices of the media) is moving away from. We are reallocating, with our rebalancing mandates, into asset classes that have underperformed relative to the ones that have enjoyed greater gains. The pricing shifts in global markets this January and February gave us this opportunity for such a shift in most of our clients IRA accounts and in our corporate client 401k plan models that we manage. Like a professional golfer who has a swing routine no matter what course situations are presented or tournament pressures arise, we have a Process that we follow.

Our firm relies on Evidence Based Investment strategies to manage our clients portfolios. This gives us the very best opportunity to capture the full market returns and provide continuity of results. We focus on those aspects of life that we can control and stress test those variables of life that we cannot control. **We are NOT market forecasters!** We observe market forces, market information…but we do not react to it. This is especially helpful in a world fraught with conflicts of interest. Banks, Wall Street, Insurance Street may want you to make money…BUT they want to make their money first! You see, the more you move your assets around, the more money they make. If YOU make money, it's just a bonus in the equation of earnings needed to make their shareholders happy.

As I conclude, I believe RBS was desperate in their aforementioned forecasts. A recommendation to SELL EVERYTHING, provides trading profits with every product offering they have. While trading puts profits in the coffers of banks and brokers, it quite typically erodes investor values due to poor market timing, trading costs, and tax costs. But RBS was focused on creating corporate profits…and not concerned about customer results. An organization without moral constitution finds it difficult to create value no matter what attempts at profit are made. **It was announced by Bloomberg in February that RBS reported a net loss of $2.77 billion, *its eight annual loss in a row!*** The bank, in which the U.K. government has a majority stake, said that it expected income to decline at its investment bank unit in 2016. Chairman of the bank, Howard Davies, said that his firm is not pursuing highly paid investment bankers anymore as the securities unit shrinks. The banks shares traded down 12% on this announcement…a day in which the London FTSE stock index gained 1.1%. Was their call to *sell everything* in your interests or theirs? Conflicts of interest sooner or later come to light! I have no compassion for their fate.

I highly encourage you to read in the back of this report an article written by **Morgan Housel** of the *Motley Fool*. In a world that cries, "just do something!" when chaos strikes, normally we find it best to just be. We may tweak portfolios by rebalancing, but it is rare that we make major shifts in the overall asset allocation. What perhaps clients and investors don't realize, is that underneath the hood of our mutual fund structured accounts there are thousands of companies with CEO's at the helm

harnessing the efforts of tens of millions of employees to make course corrections from the unexpected shifts in the capital markets and world economy. To not fully participate in their opportunities that have been created through life's' un-forecasted problems, just makes no sense. People just can't see all this activity at the portfolio level. But it is happening just the same.

Be the change you want to see in the world!

I am **in gratitude** each day of you allowing Timonier to be a part of this journey with you. **Remain focused on your goals…and not the passing storms and detours that arise from time to time.** Know that we are accountable as your fiduciaries. And our collaborative team of advisors look forward to assisting you in making conscious choices for this one great life you deserve to live. Please contact us any time, if we haven't contacted you first. And in the meantime, *put on the media blinders as a portfolio meditation technique!*

Namaste',

Tim L. Baker, CIMA, GFS

Market Summary

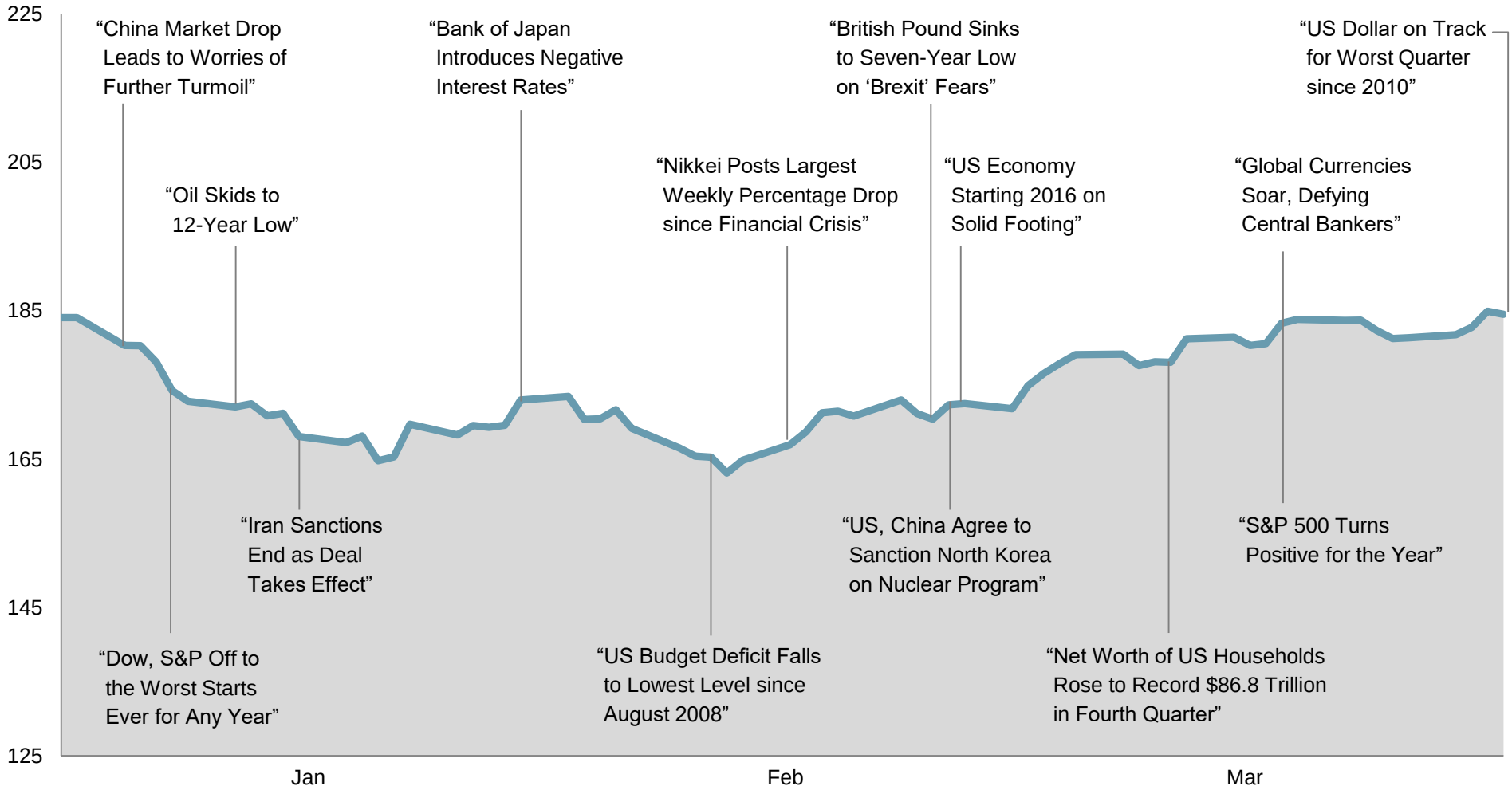
Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1Q 2016	**STOCKS**				**BONDS**	
	0.97%	**-1.95%**	**5.71%**	**6.94%**	**3.03%**	**4.16%**
Since Jan. 2001						
Avg. Quarterly Return	1.7%	1.3%	2.9%	2.9%	1.3%	1.2%
Best Quarter	16.8% **Q2 2009**	25.9% **Q2 2009**	34.7% **Q2 2009**	32.3% **Q3 2009**	4.6% **Q3 2001**	5.5% **Q4 2008**
Worst Quarter	-22.8% **Q4 2008**	-21.2% **Q4 2008**	-27.6% **Q4 2008**	-36.1% **Q4 2008**	-2.4% **Q2 2004**	-3.2% **Q2 2015**

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.

World Stock Market Performance

MSCI All Country World Index with selected headlines from Q1 2016

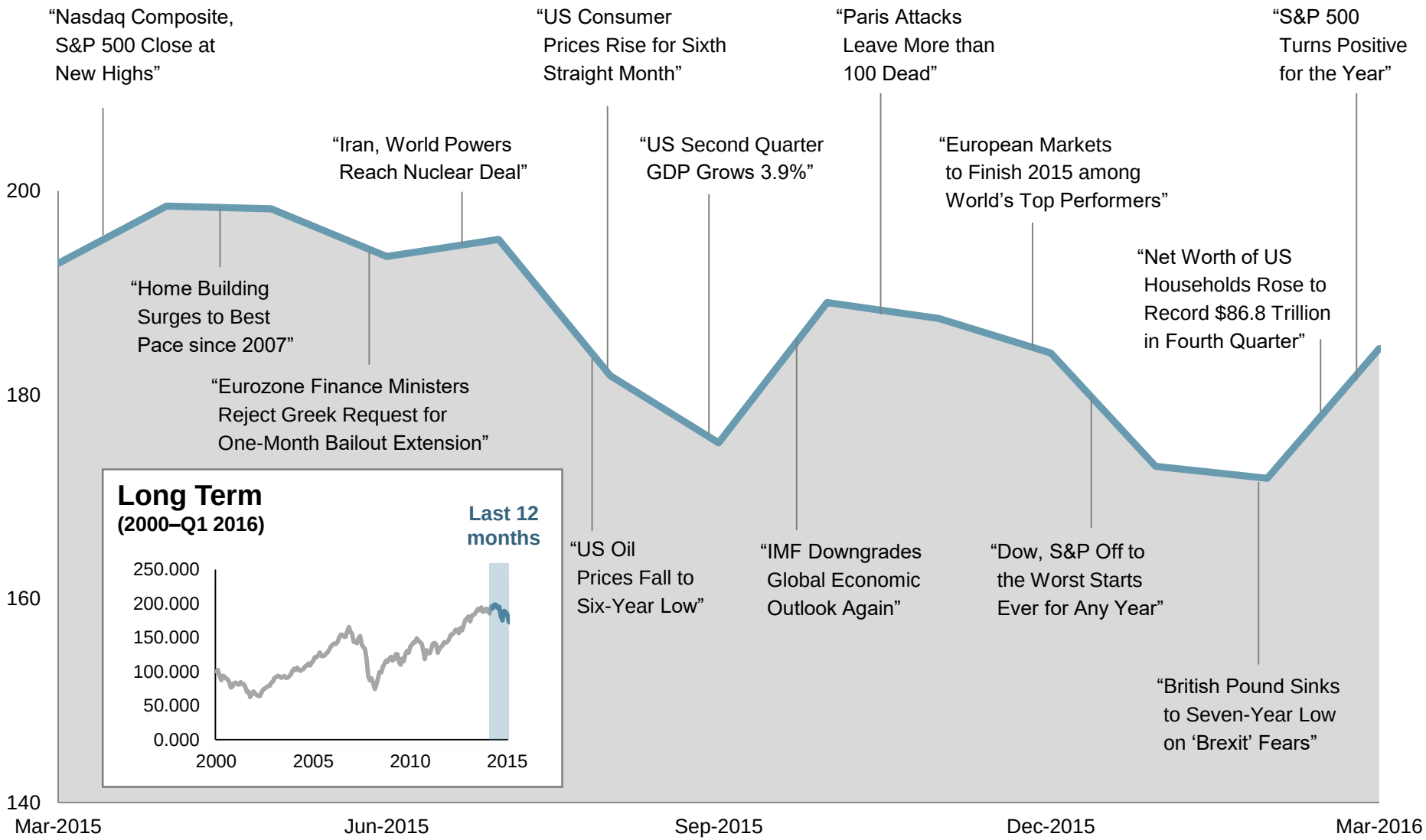


These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index.
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 Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months



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Graph Source: MSCI ACWI Index.
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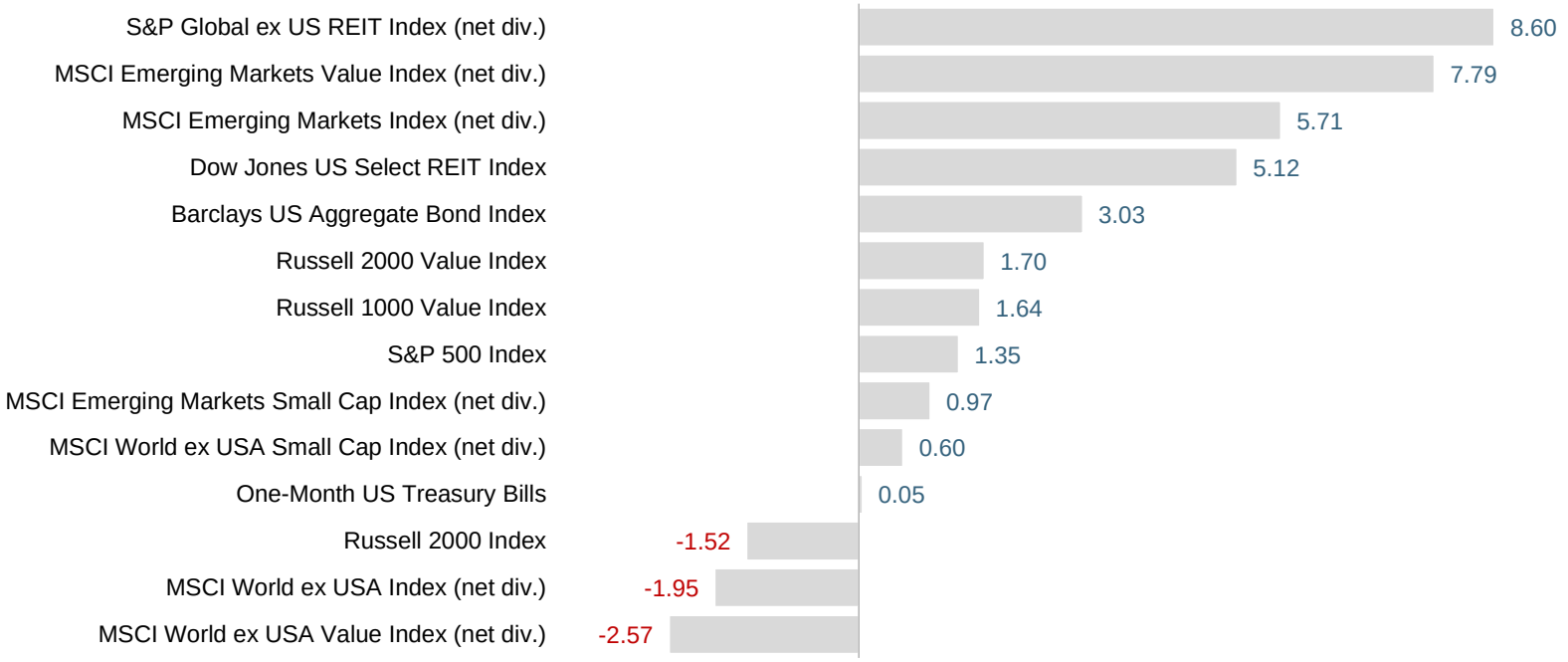
World Asset Classes

First Quarter 2016 Index Returns (%)

Looking at broad market indices, emerging markets outperformed developed markets, including the US. Developed markets REITs recorded the highest returns.

The value effect was positive in the US and emerging markets but negative in developed markets outside the US. Small caps outperformed large caps in the non-US markets but underperformed in the US and emerging markets.



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US Stocks

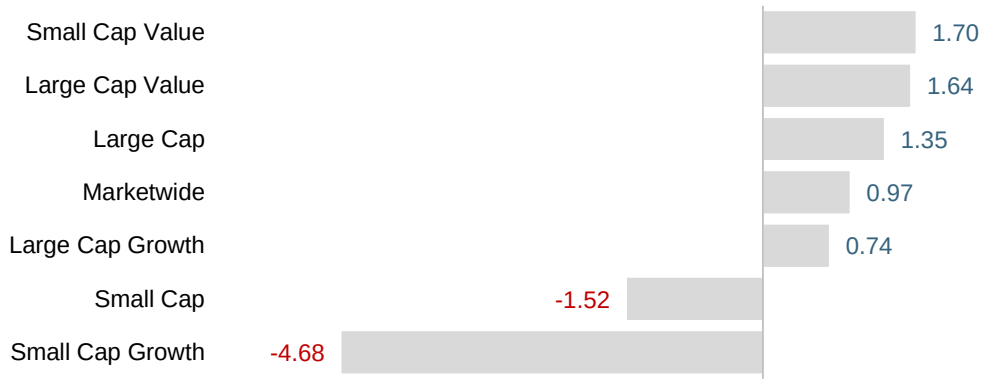
First Quarter 2016 Index Returns

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

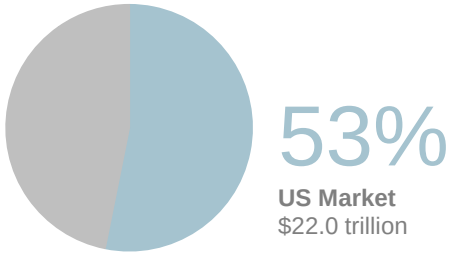
Value indices outperformed growth indices across all size ranges.

Small caps underperformed large caps.

Ranked Returns for the Quarter (%)



World Market Capitalization—US



Period Returns (%)

** Annualized*

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Marketwide	0.97	-0.34	11.15	11.01	6.90
Large Cap	1.35	1.78	11.82	11.58	7.01
Large Cap Value	1.64	-1.54	9.38	10.25	5.72
Large Cap Growth	0.74	2.52	13.61	12.38	8.28
Small Cap	-1.52	-9.76	6.84	7.20	5.26
Small Cap Value	1.70	-7.72	5.73	6.67	4.42
Small Cap Growth	-4.68	-11.84	7.91	7.70	6.00

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. The S&P data are provided by Standard & Poor's Index Services Group.

International Developed Stocks

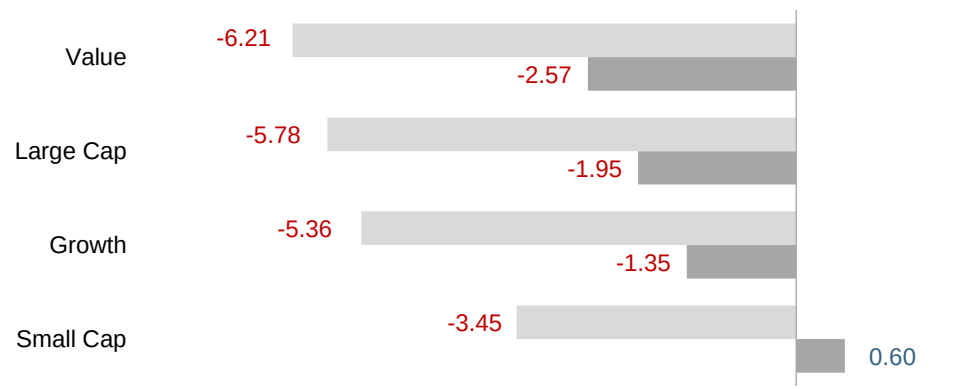
First Quarter 2016 Index Returns

In US dollar terms, developed markets outside the US lagged both the US equity market and emerging markets indices during the quarter.

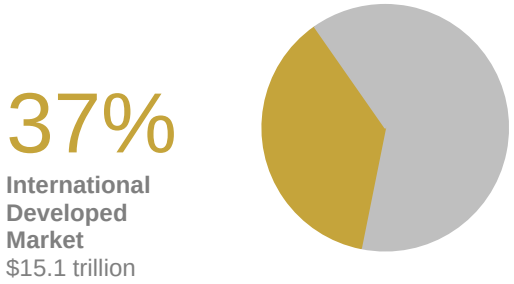
Small caps outperformed large caps in non-US developed markets.

The value effect was negative in non-US developed markets using broad market indices. Large cap value indices underperformed large cap growth indices. The opposite was true in small caps; small cap value indices outperformed small cap growth indices.

Ranked Returns (%)



World Market Capitalization—International Developed



Period Returns (%)

** Annualized*

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	-1.95	-8.44	1.69	1.62	1.80
Small Cap	0.60	1.99	5.54	3.84	3.09
Value	-2.57	-12.34	0.07	0.37	0.76
Growth	-1.35	-4.52	3.24	2.81	2.77

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Emerging Markets Stocks

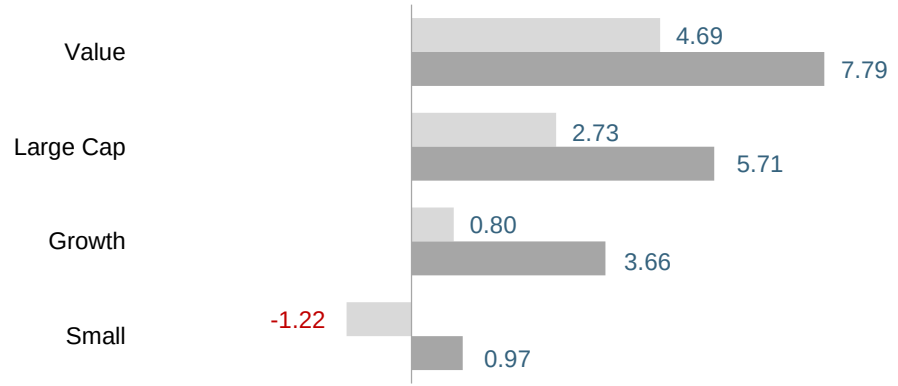
First Quarter 2016 Index Returns

In US dollar terms, emerging markets indices outperformed developed markets, including the US.

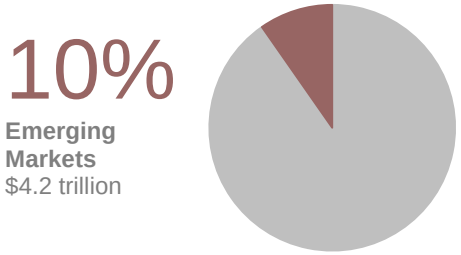
Value outperformed growth across all size ranges.

Small cap indices underperformed large cap indices.

Ranked Returns (%)



World Market Capitalization—Emerging Markets



Period Returns (%)

** Annualized*

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	5.71	-12.03	-4.50	-4.13	3.02
Small Cap	0.97	-9.20	-2.69	-2.56	5.08
Value	7.79	-12.56	-6.46	-5.86	2.96
Growth	3.66	-11.60	-2.66	-2.48	2.99

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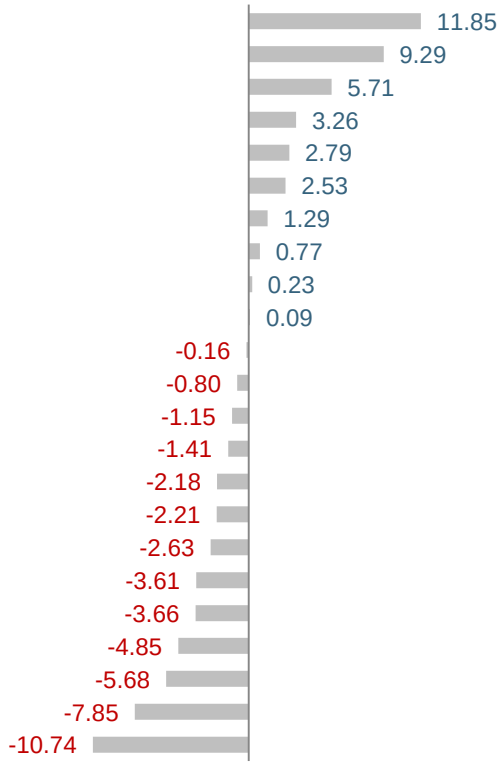
Select Country Performance

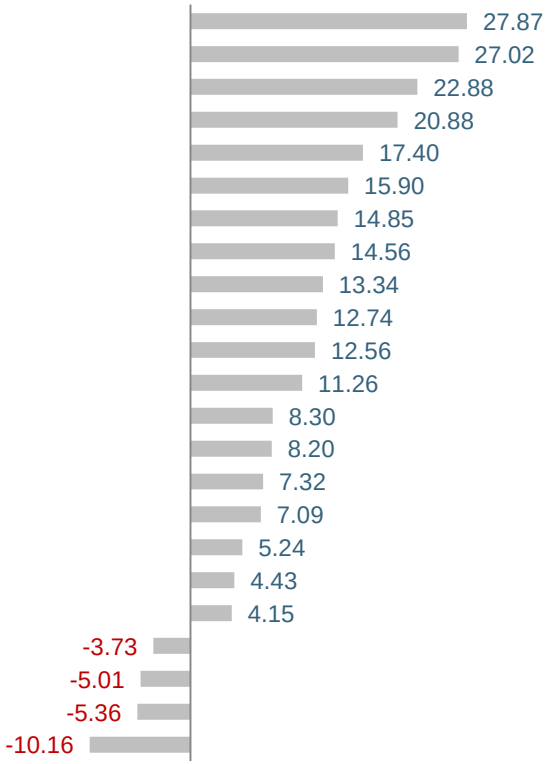
First Quarter 2016 Index Returns

Canada recorded the highest country performance in developed markets, while Israel and Italy posted the lowest returns for the quarter. In emerging markets, Brazil and Peru recorded the highest country returns, while China and Greece recording the lowest.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)



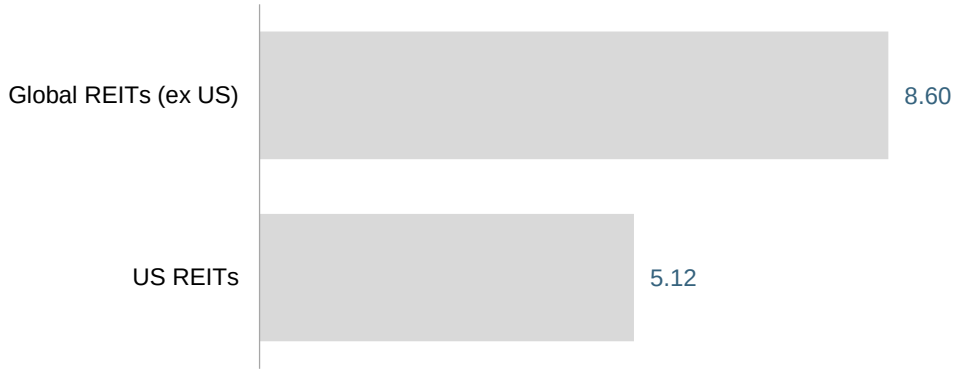
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Country performance based on respective indices in the MSCI World ex US IMI Index (for developed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

Real Estate Investment Trusts (REITs)

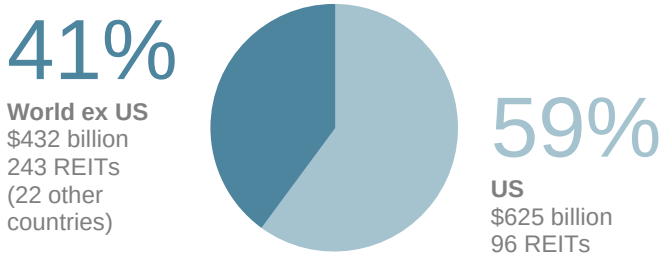
First Quarter 2016 Index Returns

REITs in developed markets posted very strong performance for the quarter. US REITs outperformed broad market US equity indices.

Ranked Returns (%)



Total Value of REIT Stocks



Period Returns (%)

** Annualized*

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
US REITs	5.12	4.88	11.09	11.99	6.17
Global REITs (ex US)	8.60	2.53	3.46	6.58	3.49

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 © 2016.

Commodities

First Quarter 2016 Index Returns

Commodities were mixed during the first quarter. The Bloomberg Commodity Index Total Return gained 0.42%. Precious metals led the index with gold returning 16.40% and silver returning 11.87%.

Energy was the worst-performing complex. Natural gas fell 21.81%, while unleaded gas declined 11.81%. WTI crude oil was down 11.58%.

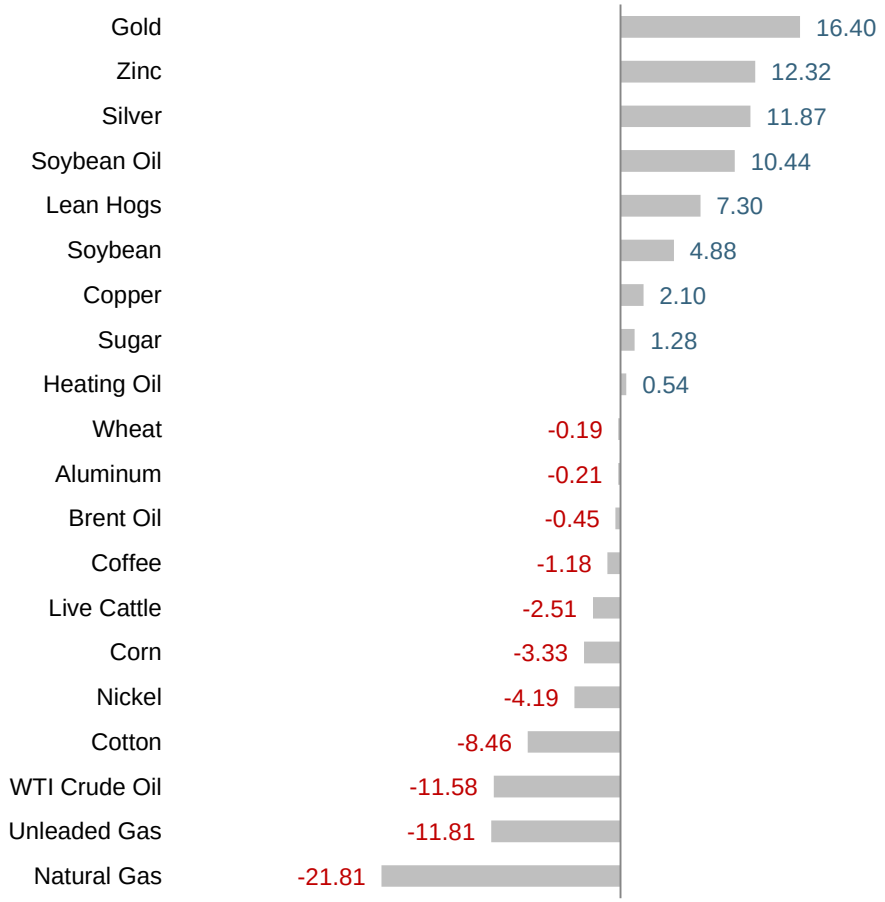
Grains were slightly positive. Soybean oil gained 10.44%, but corn fell 3.33%. Livestock was mixed. Lean hogs gained 7.30%, while live cattle fell 2.51%.

Period Returns (%)

** Annualized*

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Commodities	0.42	-19.56	-16.87	-14.15	-6.16

Ranked Returns for Individual Commodities (%)



Past performance is not a guarantee of future results. Index is not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.
All index returns are net of withholding tax on dividends. Securities and commodities data provided by Bloomberg.

Fixed Income

First Quarter 2016 Index Returns

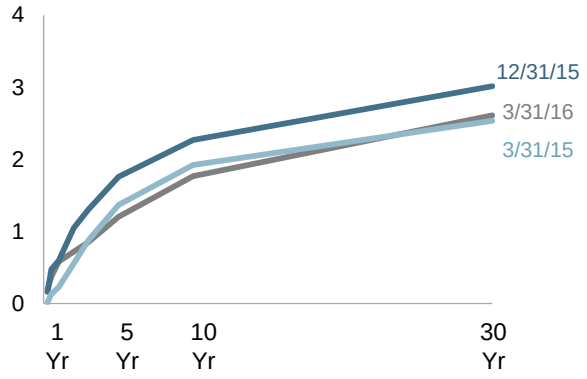
Interest rates across the US fixed income markets generally decreased during the quarter. The yield on the 5-year Treasury note fell 55 basis points (bps) to 1.21%. The yield on the 10-year Treasury note declined 49 bps to 1.78%. The 30-year Treasury bond declined 40 bps to finish at 2.61%.

The yield on the 1-year Treasury bill dipped 6 bps to 0.59%, and the 2-year Treasury note declined 33 bps to 0.73%. The 3-month T-bill increased 5 bps to yield 0.21%, while the 6-month T-bill decreased 10 bps to 0.39%.

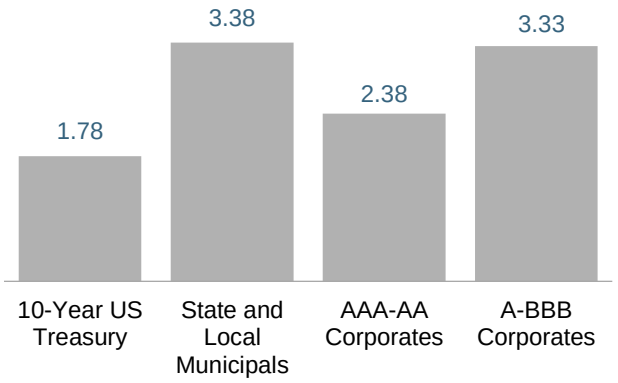
Short-term corporate bonds gained 1.16%, intermediate-term corporate bonds returned 2.76%, and long-term corporate bonds returned 6.83%.[1]

Short-term municipal bonds returned 0.71% while intermediate-term munis gained 1.55%. Revenue bonds slightly outperformed general obligation bonds for the quarter.[2]

US Treasury Yield Curve (%)



Bond Yields across Issuers (%)



Period Returns (%)

** Annualized*

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
BofA Merrill Lynch Three-Month US Treasury Bill Index	0.07	0.12	0.07	0.08	1.15
BofA Merrill Lynch 1-Year US Treasury Note Index	0.36	0.40	0.29	0.32	1.74
Citigroup WGBI 1-5 Years (hedged to USD)	1.14	1.52	1.47	1.86	3.00
Barclays Long US Government Bond Index	8.06	2.80	6.04	9.52	7.88
Barclays US Aggregate Bond Index	3.03	1.96	2.50	3.78	4.90
Barclays US Corporate High Yield Index	3.35	-3.69	1.84	4.93	7.01
Barclays Municipal Bond Index	1.67	3.98	3.63	5.59	4.86
Barclays US TIPS Index	4.46	1.51	-0.71	3.02	4.63

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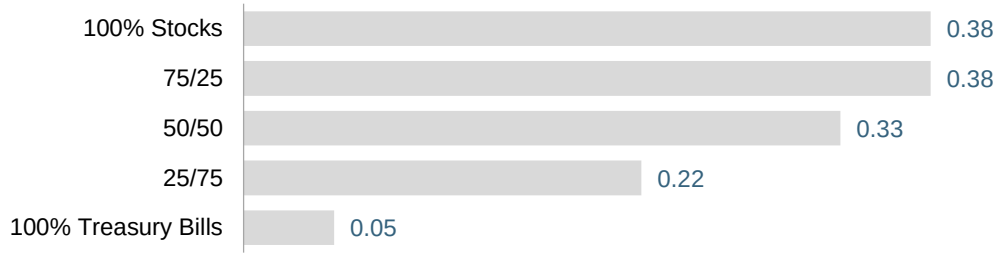
1. Barclays US Corporate Bond Index. 2. Barclays Municipal Bond Index. Yield curve data from Federal Reserve. State and local bonds are from the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality. AAA-AA Corporates represent the Bank of America Merrill Lynch US Corporates, AA-AAA 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 (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefield). Citigroup bond indices © 2016 by Citigroup. The BofA Merrill Lynch Indices are used with permission; © 2016 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

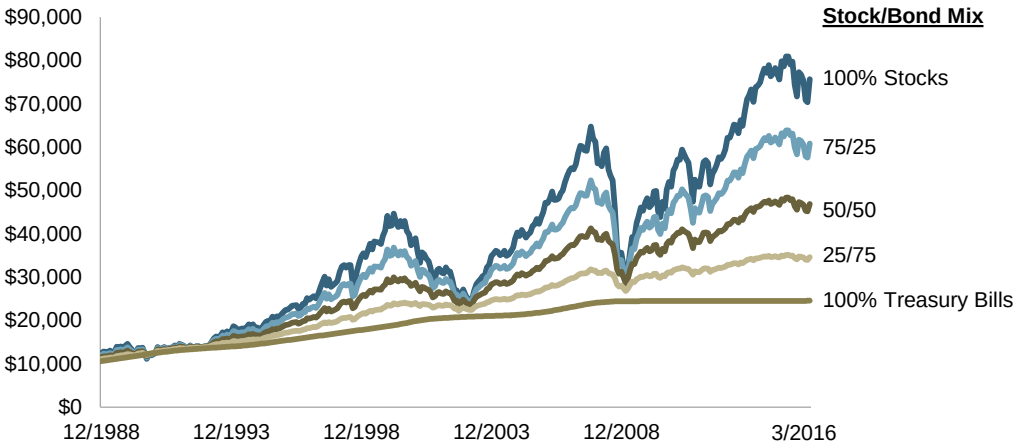
First Quarter 2016 Index Returns

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.

Ranked Returns (%)



Growth of Wealth: The Relationship between Risk and Return



Period Returns (%)

** Annualized*

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
100% Stocks	0.38	-3.81	6.10	5.80	4.63
75/25	0.38	-2.64	4.69	4.51	4.01
50/50	0.33	-1.61	3.20	3.12	3.20
25/75	0.22	-0.71	1.65	1.62	2.20
100% Treasury Bills	0.05	0.06	0.03	0.04	1.03

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 2016, all rights reserved. Treasury bills © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefield).

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^2). 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 / Russell 2000 Index by 172 basis points per year since 1982. 172 basis points is equal to 1.72% of outperformance on average per year.

Performance against Conventional Benchmarks

As of March 31, 2016

Annualized difference (100 bps equals 1.0%)

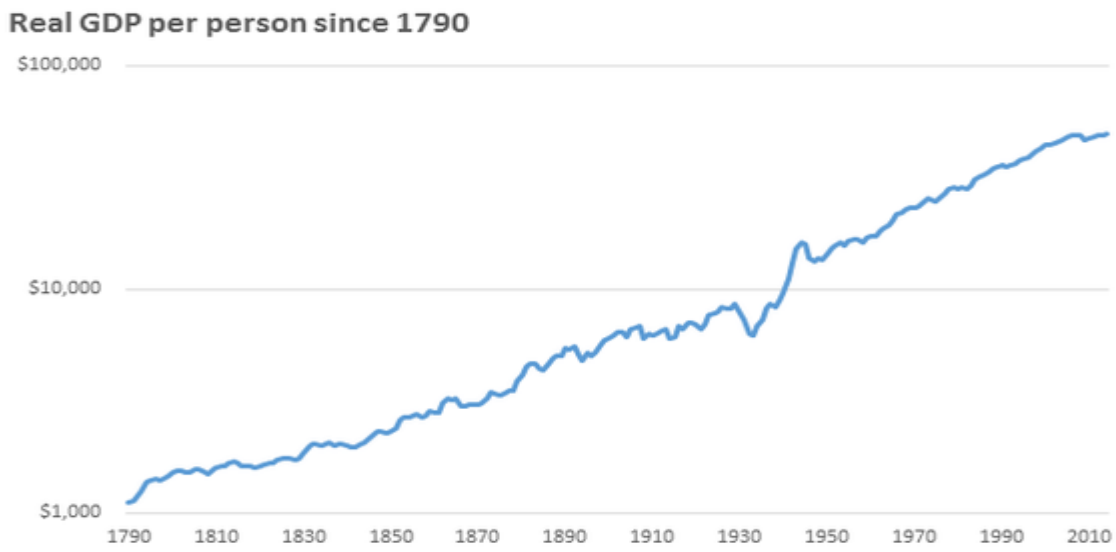
Dimensional Structured Stock Portfolio	Inception	Conventional Benchmark Indices	Last 5 Years	Last 10 Years	Since Inception	R^2
US Micro Cap Portfolio	1982	Russell Microcap / 2000 Index	176	20	172	0.93
US Small Cap Portfolio	1992	Russell 2000 Index	185	136	156	0.98
US Small Cap Value Portfolio	1993	Russell 2000 Value Index	82	57	186	0.94
US Targeted Value Portfolio	2000	Russell 2000 Value Index	129	144	221	0.95
US Large Cap Value Portfolio	1993	Russell 1000 Value Index	-19	33	37	0.93
International Small Company Portfolio	1996	MSCI World ex USA Small Cap Index	33	103	86	0.96
International Small Cap Value Portfolio	1995	MSCI World ex USA Small Cap Index	55	88	168	0.93
International Value Portfolio	1994	MSCI World ex USA Index	-257	-96	107	0.92
Emerging Markets Small Cap Portfolio	1998	MSCI Emerging Markets Index	326	341	480	0.90
Emerging Markets Value Portfolio	1998	MSCI Emerging Markets Index	-231	25	358	0.92
Emerging Markets Portfolio	1994	MSCI Emerging Markets Index	54	65	143	0.94

* Long-term outperformance of popular benchmarks with reasonable tracking (as noted by R^2)

Why Does Pessimism Sound So Smart?

Especially when things are so good…

This article was written by and is provided with permission from **Morgan Housel** of the *Motley Fool*



Real GDP per capita:

Real GDP divided by Population. This is the "average" output of the economy **per person** measured in a base year prices. This ratio is often used as a measure of standard of living in comparisons over time of one country, or between different countries when measured in the same currency.

Measuring Worth - Glossary

"For reasons I have never understood, people like to hear that the world is going to hell," historian Deirdre N. McCloskey told the *New York Times* this week.

It's hard to argue. Despite the record of ***things getting better for most people most of the time***, pessimism isn't just more common than optimism, it also sounds smarter. It's intellectually captivating, and paid more attention to than the optimist who is often viewed as an oblivious sucker.

It's always been this way. John Stuart Mill wrote 150 years ago: "I have observed that not the man who hopes when others despair,

but the man who despairs when others hope, is admired by a large class of persons as a sage." Matt Ridley wrote in his book *The Rational Optimist*:

If you say the world has been getting better you may get away with being called naïve and insensitive. If you say the world is going to go on getting better, you are considered embarrassingly mad. If, on the other hand, you say catastrophe is imminent, you may expect a McArthur genius award or even the Nobel Peace Prize.

In investing, a bull sounds like a reckless cheerleader, while a bear sounds like a sharp mind who has dug past the headlines – despite the record of the S&P 500 rising 18,000-fold over the last century. Wharton Professor Jeremy Siegel is often chided as a perma-stock-bull, blindly cheering for a higher market every time he goes on TV. But he's done it since the early 1980s, a period in which the market increased in value 40 times over. Alas, few care about past results when someone else is warning about The Next Great Depression.

This goes beyond investing. Harvard professor Teresa Amabile shows that those publishing negative book reviews are seen as smarter and more competent than those giving positive reviews of the same book. "Only pessimism sounds profound. Optimism sounds superficial," she wrote.

Why?

There's clearly more at stake with pessimism. Daniel Kahneman won the Nobel Prize for showing that people respond stronger to loss than gain. It's an evolutionary shield: "Organisms that treat threats as more urgent than opportunities have a better chance to survive and reproduce," Kahneman once wrote.

Here are a few other reasons I've observed for why pessimism gets so much attention.

1. Optimism appears oblivious to risks, so by default pessimism looks more intelligent. But that's a wrong way to view optimists. Most optimists will tell you things will get ugly, that we'll have recessions, bear markets, wars, panics, and pandemics. But they remain optimistic because they set themselves up in portfolio, career, and disposition to endure those downsides. To the pessimist a bad event is the end of the story. To the optimist it's a slow chapter in an otherwise excellent book. The difference between an optimist and a pessimist often comes down to endurance and time frame.

2. Pessimism shows that not everything is moving in the right direction, which helps you rationalize the personal shortcomings we all have. Misery loves company, as they say. Realizing that things outside your control could be the cause of your own problems is a comforting feeling, so we're attracted to it.

3. Pessimism requires action, whereas optimism means staying the course. Pessimism is "SELL, GET OUT, RUN," which grabs your attention because it's an action you need to take right now. You don't want to read the article later or skim over the details, because you might get hurt. Optimism is mostly, "Don't worry, stay the course, we'll be alright," which is easy to ignore since it doesn't require doing anything.

4. Optimism sounds like a sales pitch, while pessimism sounds like someone trying to help you. And that's often the truth. But in general, most of the time, optimism is the correct default setting, and pessimism can be as big a sales pitch as anything – especially if it's around emotional topics like money and politics.

5. Pessimists extrapolate present trends without accounting for how reliably markets adapt. That's important, because pessimistic views often start with a foundation of rational analysis, so the warning appears as reasonable as it is scary.

In 2008, environmentalist Lester Brown wrote: "By 2030 China would need 98 million barrels of oil a day. The world is currently producing 85 million barrels a day and may never produce much more than that. There go the world's oil reserves."

He's right; We'll run out of oil in that scenario. But that's not how markets work. A shortage pushed up oil prices, high prices incentivized producers to come up with new drilling techniques, and now we have more oil than we know what to do with. World oil production last year was 96 million barrels -- already way above what he thought was the high mark. Failing to account for markets' ability to adapt is the cause of death of most pessimist forecasts.

Should you ever listen to pessimists? Of course. They're the best indication of what's unsustainable, and thus probably about to change, and thus the soil of what's to be optimistic about.