

VSMI
VANSANT MEWSHAW

REGISTERED INVESTMENT ADVISOR

Q1
Quarterly Market Review
First Quarter 2018

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This report features world capital market performance and a timeline of events for the past quarter and past 12 months. 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 impact of globally diversified portfolios and features a quarterly topic.

VSM has added a new two-minute video to our website. This video, from Dimensional Fund Advisors (DFA), demonstrates the roll we play as advisors helping our clients stay disciplined and committed to their investment plan when markets are volatile.

“Tuning Out the Noise” takes viewers on a journey through the “lost decade,” featuring the media’s amplified coverage of headline events and pointing to the positive outcome that a disciplined investor could have experienced in the recovery.

Access this video by visiting vs-m.com and click on ‘Our Philosophy’ and then “Video and Presentations”.

Overview:

Quarterly Topic: Sailing with the Tides

Market Summary

World Stock Market Performance

Impact of Diversification

Randomness Of Market Returns

Sailing with the Tides

First Quarter 2018

Embarking on a financial plan is like sailing around the world. The voyage won't always go to plan, and there'll be rough seas. But the odds of reaching your destination increase greatly if you are prepared, flexible, patient, and well-advised.

A mistake many inexperienced sailors make is not having a plan at all. They embark without a clear sense of their destination. And once they do decide, they often find themselves lost at sea in the wrong boat with inadequate provisions.

Likewise, in planning an investment journey, you need to decide on your goal. A first step might be to consider whether the goal is realistic and achievable. For instance, while you may long to retire in the south of France, you may not be prepared to sacrifice your needs today to satisfy that distant desire.

Once you are set on a realistic destination, you need to ensure you have the right portfolio to get you there. Have you planned for multiple contingencies? What degree of "bad weather" can your plan withstand along the way?

Key to a successful voyage is a good navigator. A trusted advisor is like that, regularly taking coordinates and making adjustments, if necessary. If your circumstances change, the advisor may suggest you replot your course.

As with the weather at sea, markets can be unpredictable. A sudden squall can whip up waves of volatility, tides can shift, and strong currents can threaten to blow you off course. Like a seasoned sailor, an experienced advisor will work with the conditions.

Once the storm passes, you can pick up speed again. Just as a sturdy vessel will help you withstand most conditions at sea, a well-diversified

portfolio can act as a bulwark against the sometimes tempestuous conditions in markets.

Circumnavigating the globe is not exciting every day. Patience is required with local customs and paperwork as you pull into different ports. Likewise, a lack of attention to costs and taxes is the enemy of many a long-term financial plan.

Distractions can also send investors, like sailors, off course. In the face of "hot" investment trends, it takes discipline not to veer from your chosen plan. Like the sirens of Greek mythology, media pundits can also be diverting, tempting you to change tack and act on news that is already priced in to markets.

A lack of flexibility is another impediment to a successful investment journey. If it doesn't look as though you'll make your destination in time, you may have to extend your voyage, take a different route to get there, or even moderate your goal.

The important point is that you become comfortable with the idea that uncertainty is inherent to the investment journey, just as it is with any sea voyage. That is why preparation and planning are so critical. While you can't control every outcome, you can be prepared for the range of possibilities and understand that you have clear choices if things don't go according to plan.







If you can't live with the volatility, you can change your plan. If the goal looks unachievable, you can lower your sights. If it doesn't look as if you'll arrive on time, you can extend your journey.

Of course, not everyone's journey is the same. Neither is everyone's destination. We take different routes to different places, and we meet a range of challenges and opportunities along the way.

But for all of us, it's critical that we are prepared for our journeys in the right vessel, keep our destinations in mind, stick with the plans, and have a trusted navigator to chart our courses and keep us on target.

Market Summary

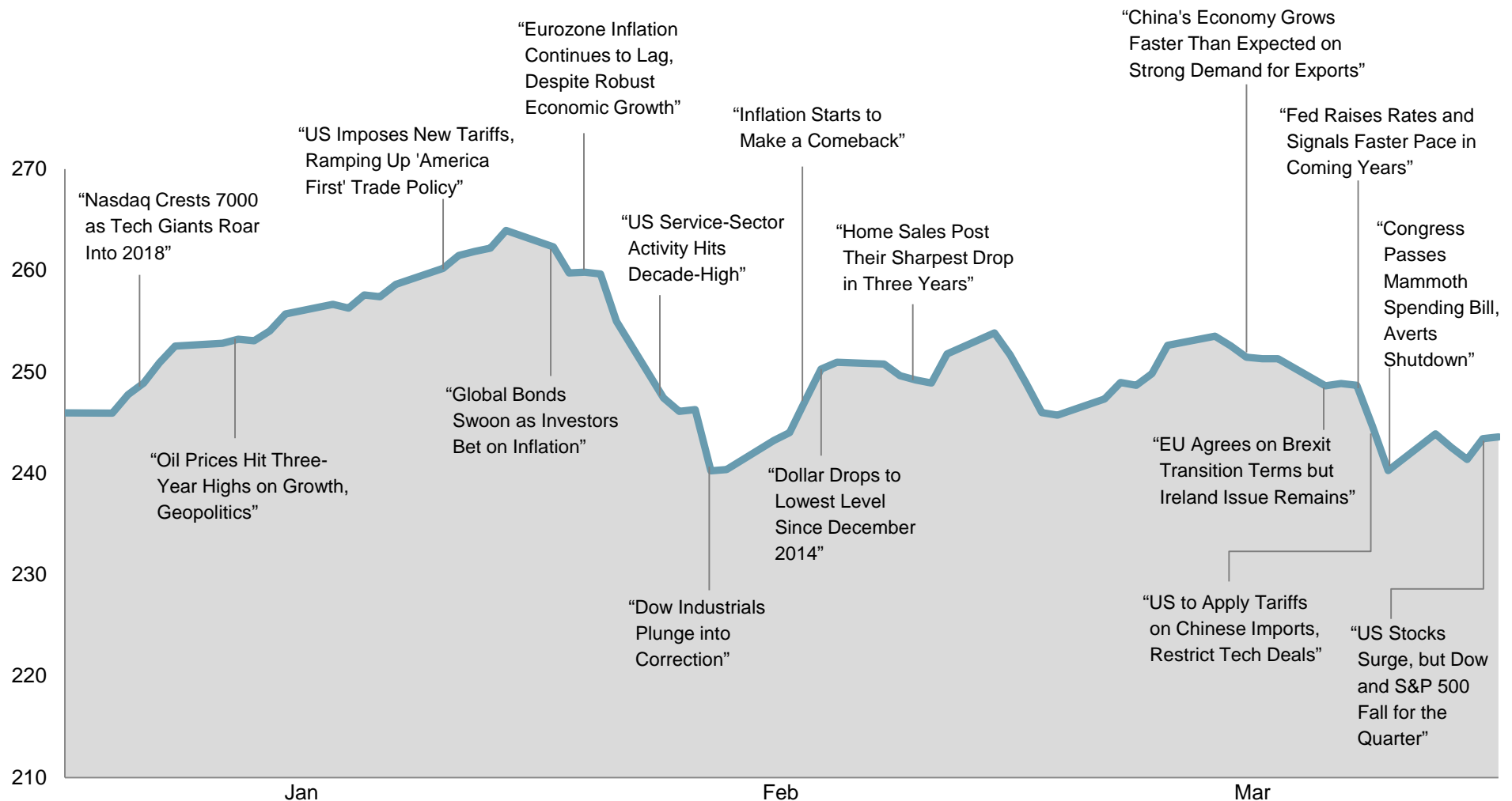
Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate		US Bond Market	Global Bond Market ex US
Q1 2018	STOCKS					BONDS	
	-0.64% 	-2.04% 	1.42% 	-5.79% 		-1.46% 	0.94% 
Since Jan. 2001							
Avg. Quarterly Return	1.9%	1.5%	3.2%	2.5%		1.1%	1.1%
Best Quarter	16.8%	25.9%	34.7%	32.3%		4.6%	4.6%
	Q2 2009	Q2 2009	Q2 2009	Q3 2009		Q3 2001	Q4 2008
Worst Quarter	-22.8%	-21.2%	-27.6%	-36.1%		-3.0%	-2.7%
	Q4 2008	Q4 2008	Q4 2008	Q4 2008		Q4 2016	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 [net div.]), US Bond Market (Bloomberg Barclays US Aggregate Bond Index), and Global Bond ex US Market (FTSE WGBI ex USA 1-30 Years [hedged to USD]). S&P data copyright 2018 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2018, all rights reserved. Bloomberg Barclays data provided by Bloomberg. FTSE fixed income © 2018 FTSE Fixed Income LLC, all rights reserved.

World Stock Market Performance

MSCI All Country World Index with selected headlines from Q1 2018



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.

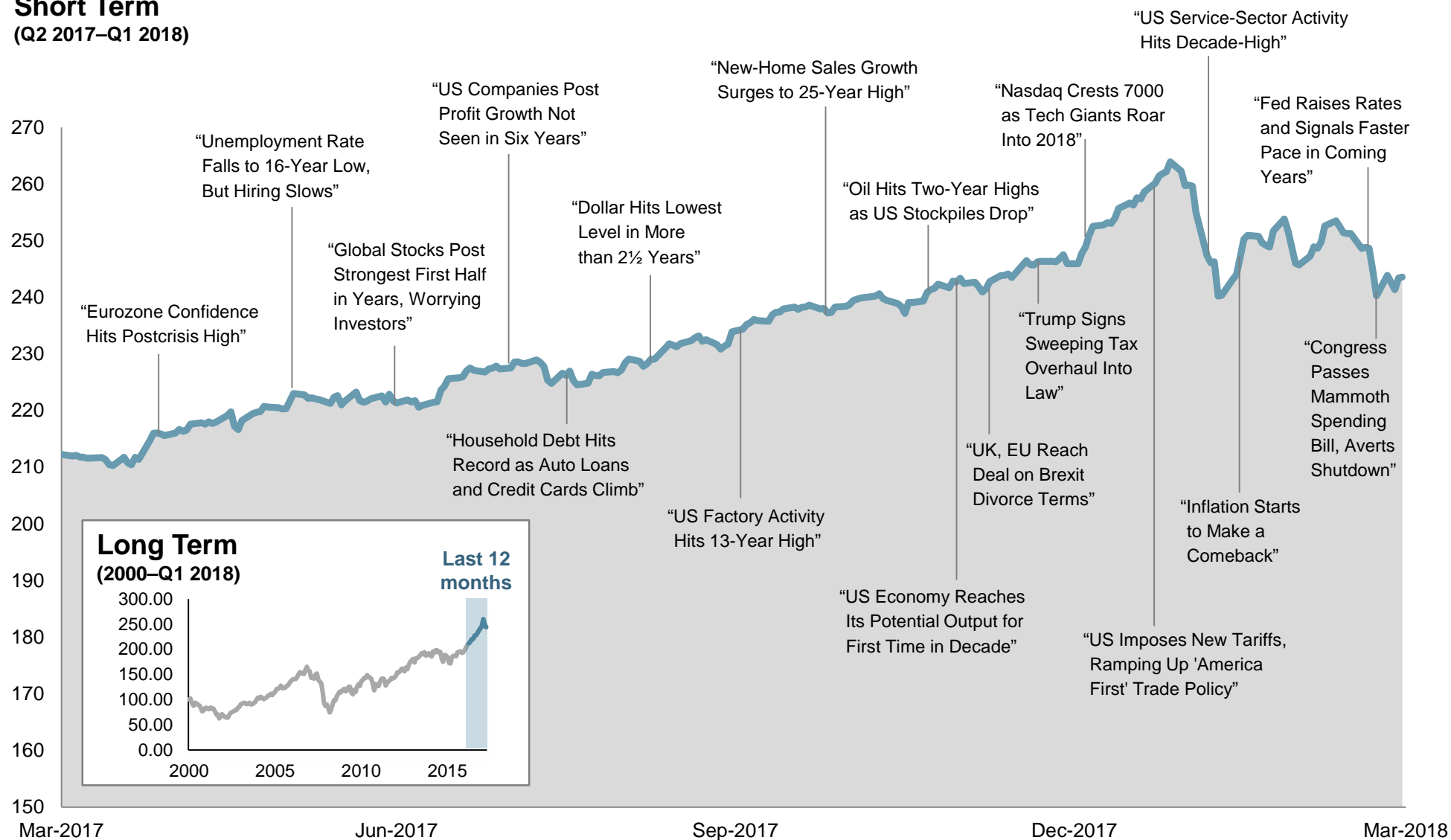
Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2018, all rights reserved.

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 Stock Market Performance

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

Short Term (Q2 2017–Q1 2018)



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 [net div.]. MSCI data © MSCI 2018, 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.

Impact of Diversification

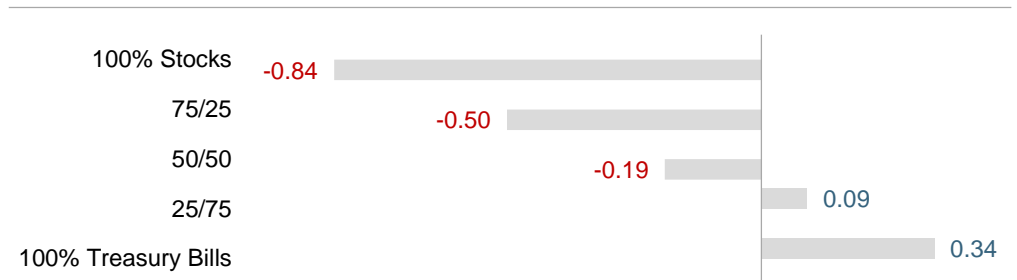
First Quarter 2018 Index Returns

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

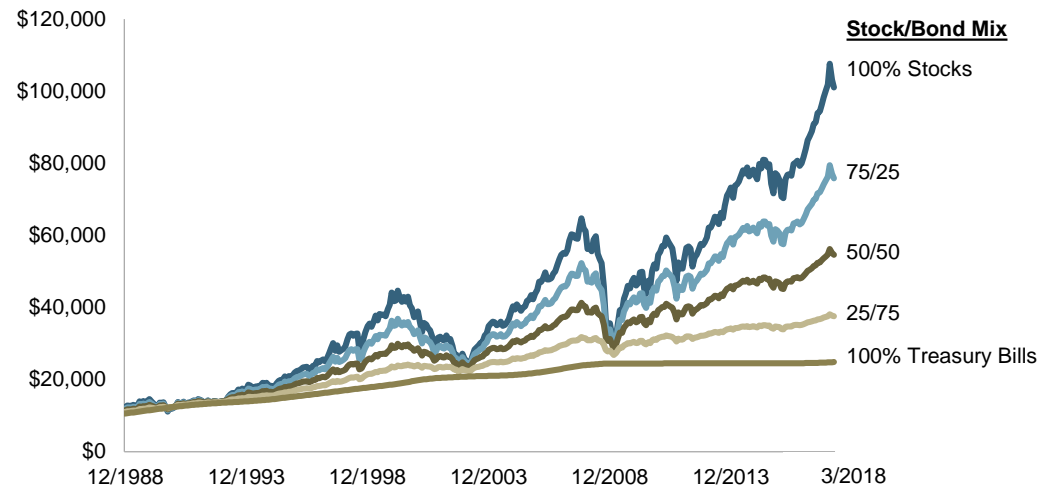
Period Returns (%)

Asset Class	* Annualized					10-Year STDEV ¹
	1 Year	3 Years*	5 Years*	10 Years*		
100% Stocks	15.44	8.71	9.79	6.15	16.72	
75/25	11.74	6.70	7.44	4.94	12.54	
50/50	8.11	4.65	5.07	3.55	8.35	
25/75	4.54	2.57	2.68	1.99	4.16	
100% Treasury Bills	1.03	0.45	0.28	0.28	0.14	

Ranked Returns (%)





Growth of Wealth: The Relationship between Risk and Return



1. STDEV (standard deviation) is a measure of the variation or dispersion of a set of data points. Standard deviations are often used to quantify the historical return volatility of a security or portfolio. 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 2018, 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).

Randomness Of Market Returns

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<p>Highest Return</p>   <p>Lowest Return</p>	Emerging Markets 74.50%	US REIT 28.07%	US Bonds 7.84%	Large Cap US 14.60%	Small Cap US 36.99%	US REIT 27.40%	US REIT 0.80%	Commodity 9.86%	Emerging Markets 34.35%	Commodity 2.19%
	International Developed 31.78%	Small Cap US 26.86%	US REIT 5.50%	Global Allocation 13.05%	Large Cap US 29.60%	Large Cap US 11.40%	US Bonds 0.55%	US REIT 8.90%	International Developed 25.03%	Emerging Markets 1.07%
	US REIT 28.46%	Emerging Markets 16.36%	Large Cap US 0.00%	Small Cap US 13.00%	International Developed 22.77%	US Bonds 5.97%	Large Cap US -0.73%	US Bonds 5.31%	Large Cap US 19.40%	Small Cap US -0.40%
	Small Cap US 27.17%	Large Cap US 15.06%	Commodity -1.18%	US REIT 11.60%	Global Allocation 15.97%	Global Allocation 3.71%	International Developed -0.81%	Emerging Markets 5.03%	Global Allocation 14.04%	Global Allocation -0.69%
	Large Cap US 26.46%	Global Allocation 13.74%	Global Allocation -2.16%	International Developed 10.08%	Commodity -1.22%	Small Cap US 3.50%	Global Allocation -1.74%	Global Allocation 3.66%	Small Cap US 13.10%	Large Cap US -1.20%
	Global Allocation 25.53%	Commodity 9.03%	Small Cap US -5.45%	Emerging Markets 9.41%	US Bonds -2.02%	Emerging Markets -4.63%	Small Cap US -5.70%	Large Cap US 2.70%	Commodity 5.77%	US Bonds -1.46%
	Commodity 13.49%	International Developed 7.75%	International Developed -12.14%	US Bonds 3.99%	US REIT -2.30%	International Developed -4.90%	Emerging Markets -16.96%	Small Cap US 1.40%	US Bonds 3.54%	International Developed -1.53%
	US Bonds 5.93%	US Bonds 6.54%	Emerging Markets -20.41%	Commodity 3.47%	Emerging Markets -5.03%	Commodity -33.06%	Commodity -32.86%	International Developed -4.42%	US REIT -0.10%	US REIT -8.40%

Large Cap US is defined as the S&P 500 Index, Small Cap US is defined as the Russel I 2000 Index, US Reit is defined as the Dow Jones US Select REIT Index, International Developed is defined as MSCI EAFE Index, Emerging Markets is defined as the MSCI Emerging Index, Commodity is defined as the S&P GSCI and US Bonds are Defined as the BarCap US Agg Bond Index. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. Global Allocation is defined as the DFA 60/40 Global Allocation Fund Institutional Shares.