

VANSANT MEWSHAW

REGISTERED INVESTMENT ADVISOR

Q3

Quarterly Market Review

Third Quarter 2018

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This report features world capital market performance and a timeline of events for the third 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.

Required Minimum Distributions: If you are required to take a minimum distribution from your IRA for tax year 2018 you will be receiving correspondence from our office in the near future.

IMPORTANT! IMPORTANT! IMPORTANT!

Please notify our office if you are over 70 1/2 and have other qualified or IRA assets held outside of VSM purview. This will allow us to calculate the correct distribution. Account holders that have reached the age of 70 1/2 in 2018 must take an RMD by April 1, 2019. After an account holder takes the initial RMD, all future RMDs must be taken by December 31. If you have any questions call Sara Bowser.

Enclosed in client quarterly statements is a copy of our **Client Information Privacy Principles**.

Overview:

Quarterly Topic: The Tao of Wealth Management

Market Summary

World Stock Market Performance

World Stock Market Performance 12 Months

Impact of Diversification

Randomness Of Market Returns

The Tao of Wealth Management

Third Quarter 2018

The path to success in many areas of life is paved with continual hard work, intense activity, and a day-to-day focus on results. However, for many investors who adopt this approach to managing their wealth, that can be turned upside down.

The Chinese philosophy of Taoism has a phrase for this: “*wei wu-wei*.” In English, this translates as “do without doing.” It means that in some areas of life, such as investing, greater activity does not necessarily translate into better results.

In Taoism, students are taught to let go of things they cannot control. To use an analogy, when you plant a tree, you choose a sunny spot with good soil and water. Apart from regular pruning, you let the tree grow.

This doesn’t mean that we should always do nothing. In fact, insights from financial science suggest you should direct your investment efforts to the things you can control. These include taking account of your own preferences and sensitivities when choosing investment strategies, diversifying your allocation to moderate the ups and downs, being mindful of the impact of fees, and exercising discipline when emotions threaten to blow you off course.

Successful investing requires taking actions that can have a positive impact on the outcome. For instance, to maintain their desired asset allocation, investors should regularly rebalance their portfolio by reallocating money away from strongly performing assets.

But rebalancing is a disciplined, premeditated activity based on each person’s circumstances. It contrasts with the “busyness” of reflexively following investment trends and chasing past returns promoted through financial media. Look at the person who fitfully watches business TV or

who sits up at night researching stock tips. That sort of activity is likely counter-productive and can add cost without any associated benefit. With investing, constantly tinkering with an allocation does not perfectly correlate with success.

Now, while that makes sense, many people struggle to apply those principles because the media tends to look at investing through a different lens, focusing on today’s news, which is already priced in, or on speculating about tomorrow. Guesswork can surely be interesting. But is it relevant to your long-term plan? Probably not.







People caught up in the day-to-day may constantly switch money managers based on past performance, or attempt tactical changes in their allocation, or respond in a knee-jerk way to news events that turn out to be noise.

Again, the assumption underlying these approaches is that if you put more effort into the external factors and adjust your position constantly, you will get better results. Unfortunately, people may end up earning poorer long-term returns from trading too much, chasing past performers, or attempting to time the market. Ultimately, that’s just another reminder of the potential benefits available to disciplined investors who stay focused on what they can control.

As the ancient Chinese proverb says: “By letting it go, it all gets done. The world is won by those who let it go. But when you try and try, the world is beyond the winning.”

Market Summary

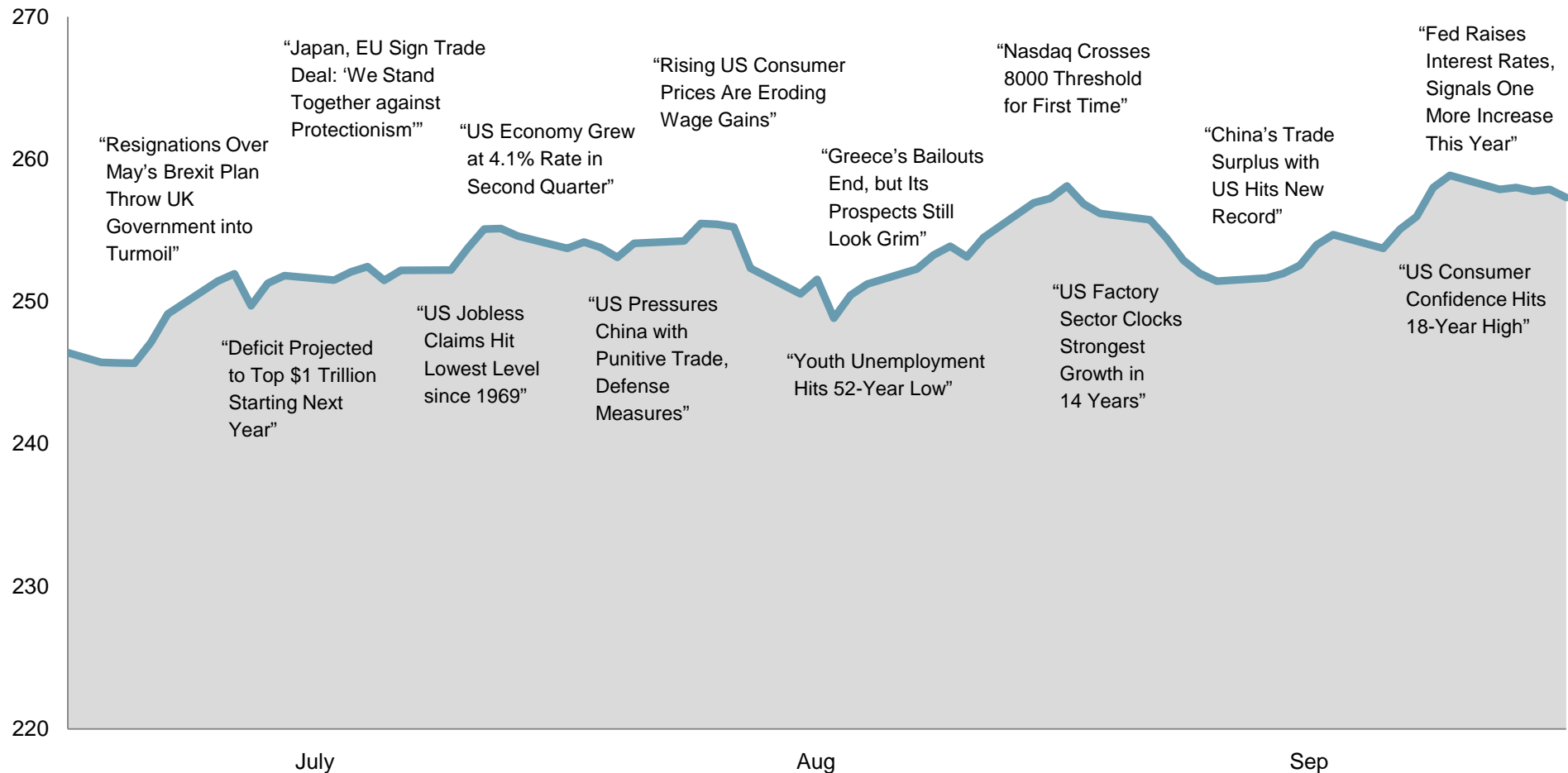
Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate		US Bond Market	Global Bond Market ex US
Q3 2018	STOCKS					BONDS	
	7.12% 	1.31% 	-1.09% 	-0.03% 		0.02% 	-0.17% 
Since Jan. 2001							
Avg. Quarterly Return	2.0%	1.5%	2.9%	2.6%		1.1%	1.1%
Best Quarter	16.8%	25.9%	34.7%	32.3%		4.6%	4.6%
	2009 Q2	2009 Q2	2009 Q2	2009 Q3		2001 Q3	2008 Q4
Worst Quarter	-22.8%	-21.2%	-27.6%	-36.1%		-3.0%	-2.7%
	2008 Q4	2008 Q4	2008 Q4	2008 Q4		2016 Q4	2015 Q2

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 Market ex US (Bloomberg Barclays Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 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 Q3 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.

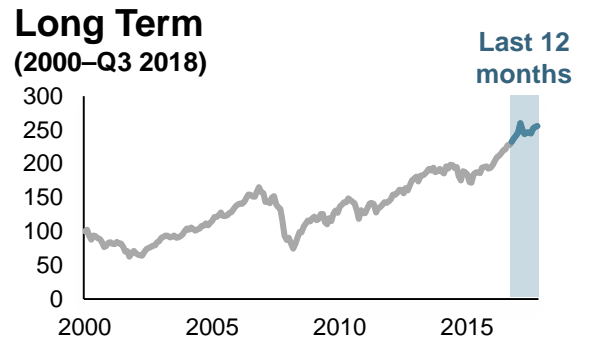
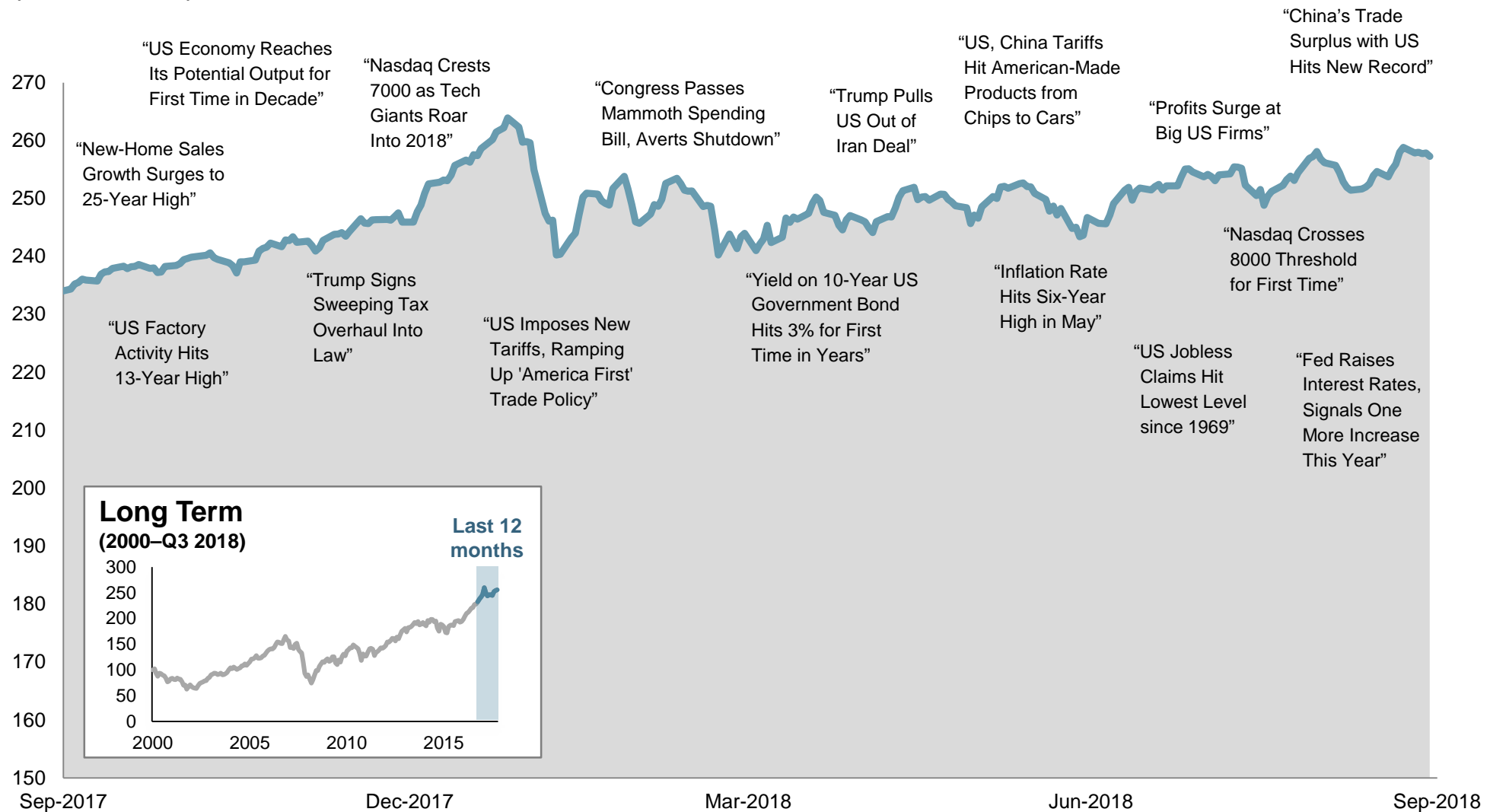
Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2018, all rights reserved.

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 (Q4 2017–Q3 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.

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Impact of Diversification

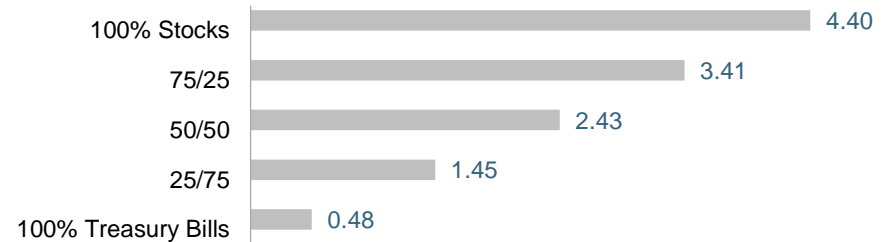
Third Quarter 2018 Index Returns

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.

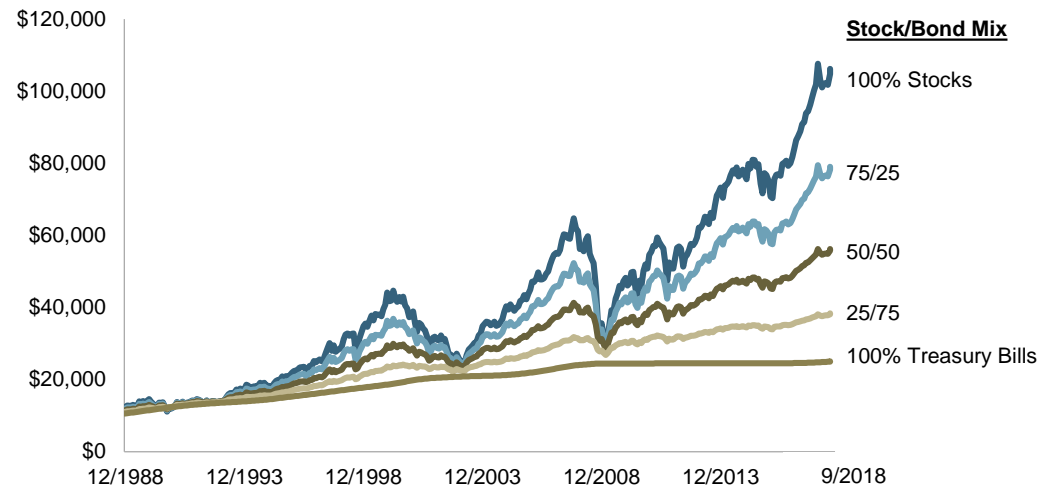
Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*	* Annualized
						10-Year STDEV ¹
100% Stocks	4.26	10.35	14.02	9.25	8.77	15.83
75/25	3.56	8.14	10.64	7.08	6.85	11.87
50/50	2.82	5.93	7.31	4.89	4.78	7.91
25/75	2.05	3.71	4.01	2.68	2.58	3.95
100% Treasury Bills	1.24	1.50	0.75	0.45	0.27	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
Highest Return	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 11.84%
	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%	Small Cap US 10.50%
	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%	Large Cap US 9.00%
	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 2.44%
	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 9.16%	Small Cap US 13.10%	US REIT -0.40%
	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%	International Developed -1.43%
	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%	US Bonds -1.60%
Lowest Return	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%	Emerging Markets -9.54%

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.