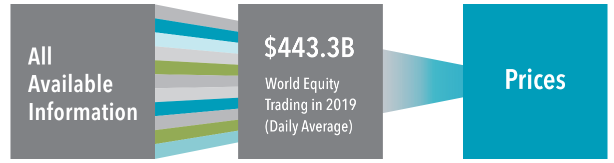
1

Embrace Market Pricing

The market is an effective information-processing machine. Each day, the world equity markets process billions of dollars in trades between buyers and sellers—and the real-time information they bring helps set prices.

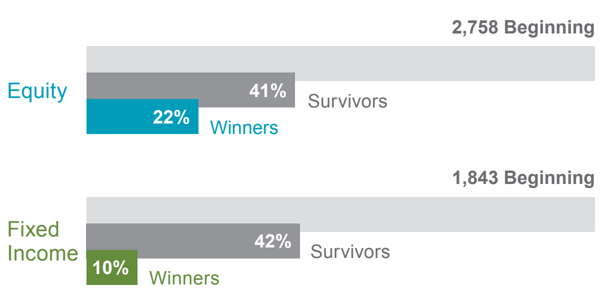


2

Don't Try to Outguess the Market

The market's pricing power works against mutual fund managers who try to outperform through stock picking or market timing. As evidence, only 22% of US equity mutual funds and 10% of fixed income funds have survived and outperformed their benchmarks over the past 20 years.

US-Based Mutual Fund Performance, 2000–2019

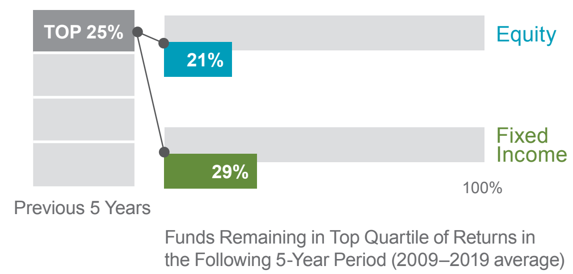


3

Resist Chasing Past Performance

Some investors select mutual funds based on their past returns. Yet, past performance offers little insight into a fund's future returns. For example, most funds in the top quartile of previous five-year returns did not maintain a top-quartile ranking in the following five years.

Percentage of Top-Ranked Funds That Stayed on Top

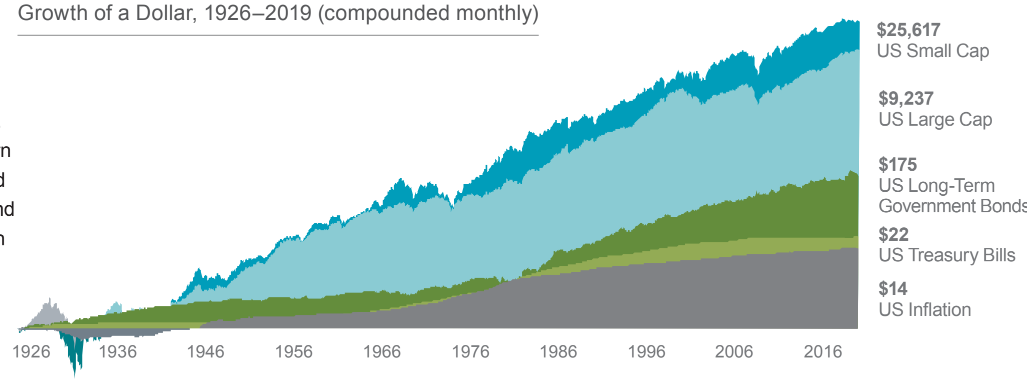


4

Let Markets Work for You

The financial markets have rewarded long-term investors. People expect a positive return on the capital they supply, and historically, the equity and bond markets have provided growth of wealth that has more than offset inflation.

Growth of a Dollar, 1926–2019 (compounded monthly)



5

Consider the Drivers of Returns

There is a wealth of academic research into what drives returns. Expected returns depend on current market prices and expected future cash flows. Investors can use this information to pursue higher expected returns in their portfolios.

Dimensions of Expected Returns

Equities

- **Company Size** (Market Capitalization)
- **Relative Price** (Price/Book Equity)
- **Profitability** (Operating Profits/Book Equity)

Fixed Income

- **Term** (Sensitive to Interest Rates)
- **Credit** (Credit Quality of Issuer)
- **Currency** (Currency of Issuance)

6

Practice Smart Diversification

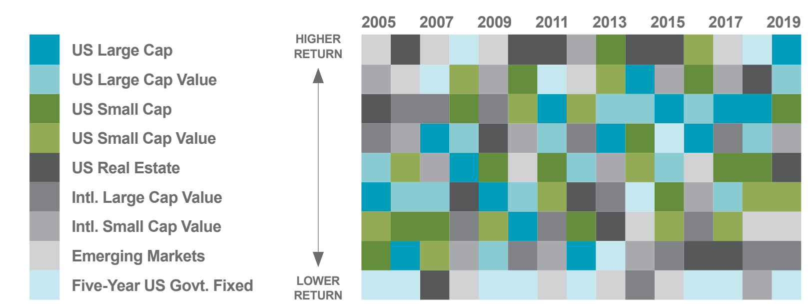
Holding securities across many market segments can help manage overall risk. But diversifying within your home market may not be enough. Global diversification can broaden your investment universe.

7

Avoid Market Timing

You never know which market segments will outperform from year to year. By holding a globally diversified portfolio, investors are well positioned to seek returns wherever they occur.

Annual Returns by Market Index

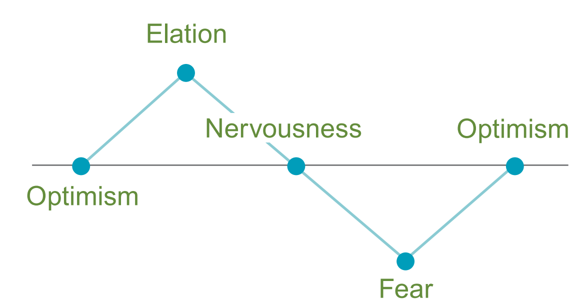


8

Manage Your Emotions

Many people struggle to separate their emotions from investing. Markets go up and down. Reacting to current market conditions may lead to making poor investment decisions.

Avoid Reactive Investing



9

Look Beyond the Headlines

Daily market news and commentary can challenge your investment discipline. Some messages stir anxiety about the future, while others tempt you to chase the latest investment fad. When headlines unsettle you, consider the source and maintain a long-term perspective.

10

Focus on What You Can Control

A financial advisor can offer expertise and guidance to help you focus on actions that add value. This can lead to a better investment experience.

- Create an investment plan to fit your needs and risk tolerance.
- Structure a portfolio along the dimensions of expected returns.
- Diversify globally.
- Manage expenses, turnover, and taxes.
- Stay disciplined through market dips and swings.