

Q1

Quarterly Market Review
First Quarter 2014

MEET WITH YOUR ADVISOR

A lot can change in a year's time. Tax, economic and personal changes can affect investment goals and strategies. For that reason, your advisor would like to review your current portfolio with you if you haven't done so recently. This review process helps us confirm or adjust your portfolio as necessary. It also provides us the opportunity to discuss a variety of issues such as taxes, estate planning, insurance and other items that may be of interest or concern to you. If you are interested in scheduling an appointment, please contact your Client Relationship Associate or your advisor to schedule a time that is convenient for you. We look forward to meeting with you and helping you stay on course. As always, thank you for your business.

Not Rocket Science

First Quarter 2014



When the media raises the subject of beating the market through astute stock picking, the name Warren Buffett is often cited. But what does this legendary investor actually say about the smart way to invest?

What does he think about the Federal Reserve taper? What could be the implications for emerging markets of a Russian military advance into Ukraine? What does an economic slowdown in China mean for developed markets?

Buffett has a neat way of parrying these questions from journalists and analysts. Instead of offering instant opinions about the crisis of the day, he recounts in his most recent annual letter a folksy story about a farm he has owned for nearly 30 years.¹

Has he laid awake at night worrying about fluctuations in the farm's market price? No, says Buffett, he has focused on its long-term value. And he counsels investors to take the same sanguine, relaxed approach to stocks as they do to the value of their family home.

"Those people who can sit quietly for decades when they own a farm or apartment house too often become frenetic when they are exposed to a stream of stock quotations," Buffett wrote. "For these investors, liquidity is transformed from the unqualified benefit it should be to a curse."

While many individuals hold out Buffett as an example of analyzing individual companies in order to beat the market, he advocates that the right approach for most people is to let the market do the work for them.

As to all the predictions out there about interest rates, emerging markets, or geopolitics, there will always be a range of opinions, he says. But we are under no obligation to listen to the media, however boisterous they may become.

"Owners of stocks...too often let the capricious and irrational behavior of their fellow owners cause them to behave irrationally," Buffett wrote. "Because there is so much chatter about markets, the economy, interest rates, price behavior of stocks, etc., some investors believe it is important to listen to pundits—and, worse yet, important to consider acting upon their comments."

The Buffett prescription isn't rocket science, as one might expect from a plainspoken man from Nebraska. He rightly points out that an advanced intellect and success in long-term investment do not necessarily go together.

"You don't need to be a rocket scientist," he has said. "Investing is not a game where the guy with the 160 IQ beats the guy with 130 IQ."²

1. Berkshire Hathaway Inc. shareholder letter, 2013, www.berkshirehathaway.com/letters/2013ltr.pdf.

2. "The wit and wisdom of Warren Buffett," *Fortune*, November 19, 2012, management.fortune.cnn.com/2012/11/19/warren-buffett-wit-wisdom/.

Adapted from "Not Rocket Science" by Jim Parker, Outside the Flags column on Dimensional's website, March 2014. Diversification neither assures a profit nor guarantees against loss in a declining market. Investing involves risks including potential loss of principal and fluctuating value. All expressions of opinion are subject to change. This article is distributed for informational purposes, and it is not to be construed as an offer, solicitation, recommendation, or endorsement of any particular security, products or services. Dimensional Fund Advisors LP ("Dimensional") is an investment advisor registered with the Securities and Exchange Commission. All expressions of opinion are subject to change without notice in reaction to shifting market conditions. This content is provided for informational purposes, and it is not to be construed as an offer, solicitation, recommendation or endorsement of any particular security, products, or services.

Quarterly Market Review

First Quarter 2014



This report features world capital market performance and a timeline of events for the last 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 topic of the quarter.

Quarterly Topic: Not Rocket Science

Overview:

Market Summary

Timeline of Events

World Asset Classes

US Stocks

International Developed Stocks

Emerging Markets Stocks

Select Country Performance

Real Estate Investment Trusts (REITs)

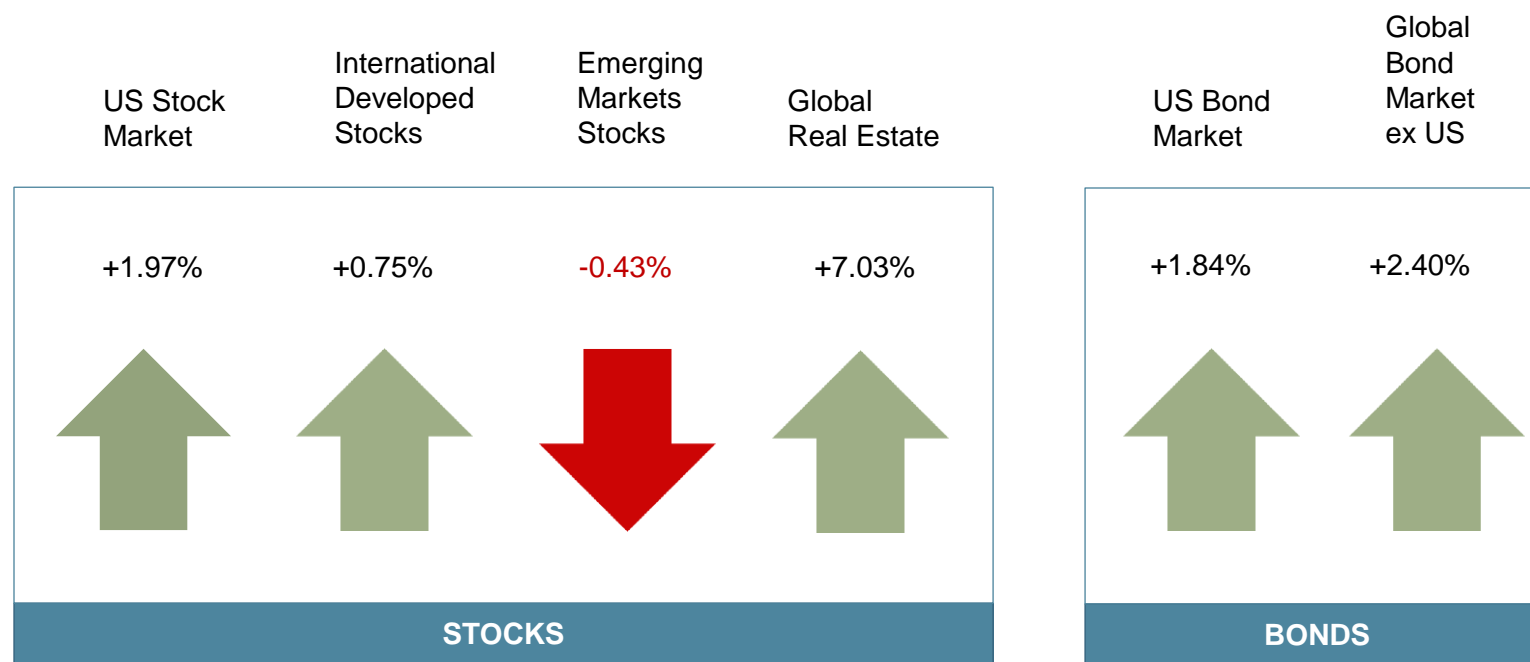
Commodities

Fixed Income

Global Diversification

Market Summary

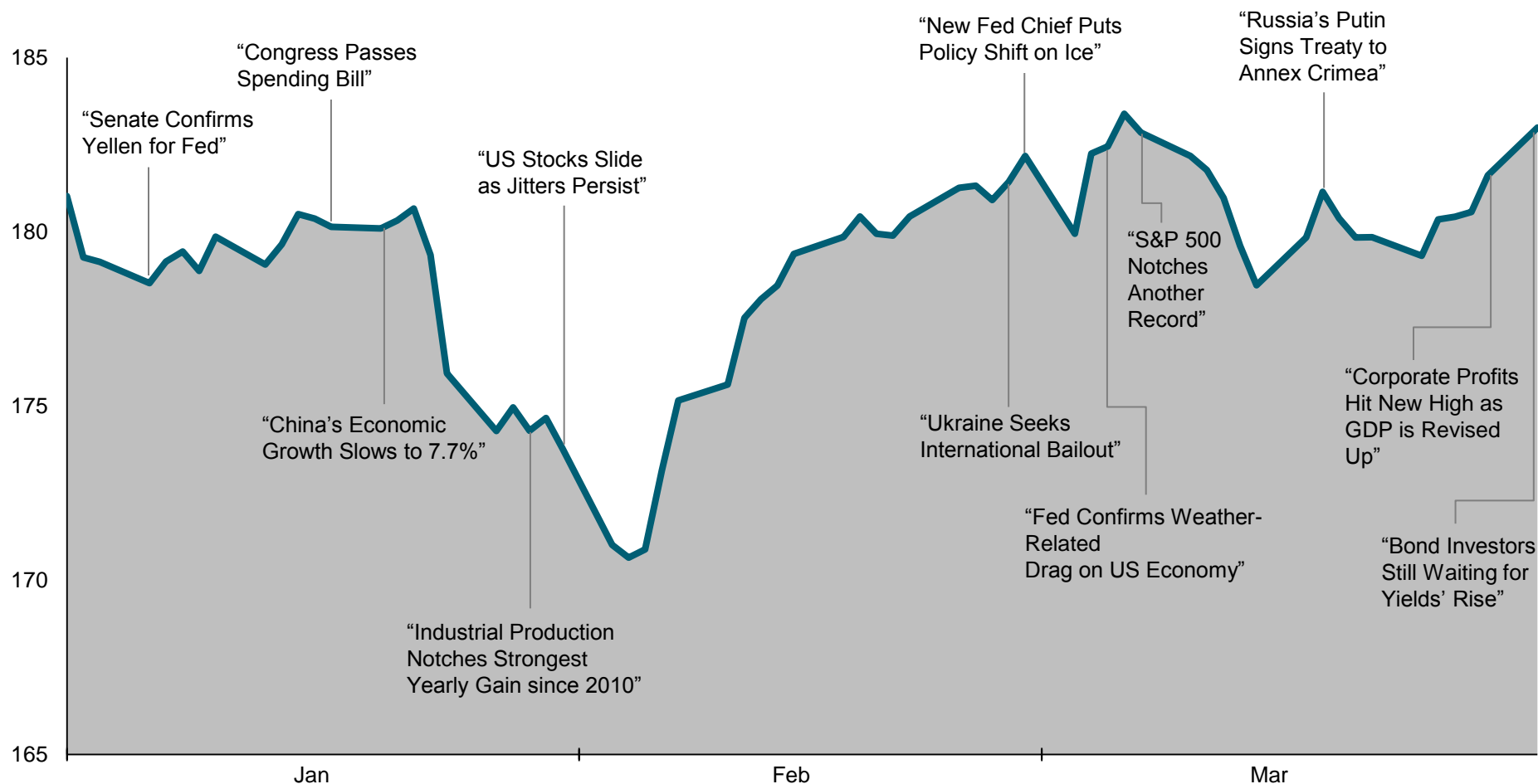
First Quarter 2014 Index Returns



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 1995-2013, all rights reserved. MSCI data © MSCI 2013, all rights reserved. Barclays data provided by Barclays Bank PLC. Citigroup bond indices © 2013 by Citigroup. US long-term bonds, bills, and inflation data © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).

World Stock Market Performance

MSCI All Country World Index with selected headlines from Q1 2014



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

Graph Source: MSCI ACWI Index. MSCI data © MSCI 2014, all rights reserved.

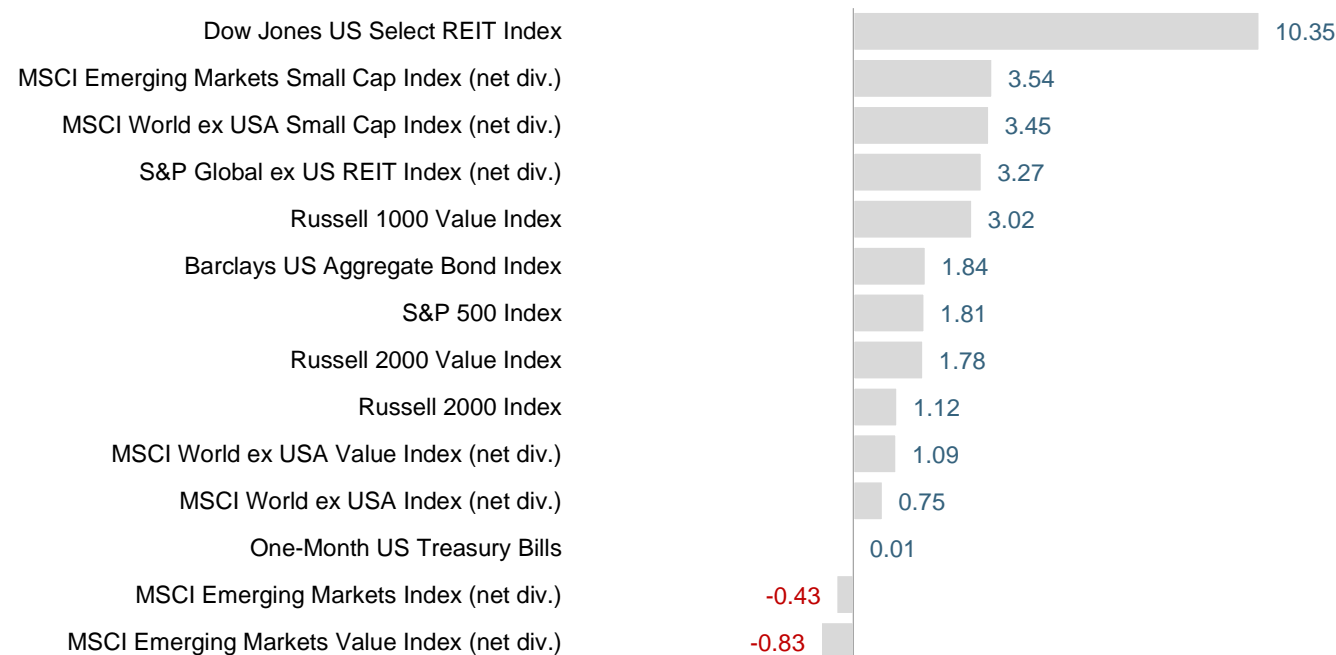
It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

World Asset Classes

First Quarter 2014 Index Returns



US REITs rebounded in the first quarter after declining in Q4 2013. Equity returns were mostly positive but lower than they were during much of 2013. While large caps in emerging markets lagged other equity asset classes, small caps in emerging markets were the top performers.



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Market segment (index representation) as follows: US Large Cap (S&P 500 Index); US Small Cap (Russell 2000 Index); US Small Cap Value (Russell 2000 Value Index); US Value (Russell 1000 Value Index); US Real Estate (Dow Jones US Select REIT Index); Global Real Estate (S&P Global ex US REIT Index); International Developed Large, Small, and Value (MSCI World ex USA, ex USA Small, and ex USA Value Indexes [net div.]); Emerging Markets Large, Small, and Value (MSCI Emerging Markets, Emerging Markets Small, and Emerging Markets Value Indexes); US Bond Market (Barclays US Aggregate Bond Index); and Treasury (One-Month US Treasury Bills). The S&P data are provided by Standard & Poor's Index Services Group. Russell data © Russell Investment Group 1995–2013, all rights reserved. MSCI data © MSCI 2013, all rights reserved. Dow Jones data (formerly Dow Jones Wilshire) provided by Dow Jones Indexes. Barclays data provided by Barclays Bank PLC. US long-term bonds, bills, and inflation data © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).

US Stocks

First Quarter 2014 Index Returns

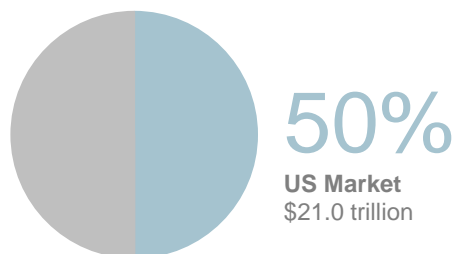


Following strong performance during 2013, the US equity market delivered modest positive returns in the first quarter.

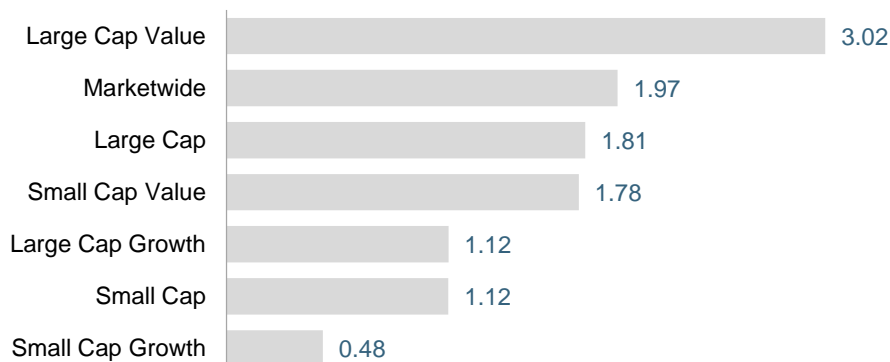
Value indices generally outperformed growth indices across all size categories.

Across the size dimension, large caps outperformed small caps.

World Market Capitalization—US



Ranked Returns for the Quarter (%)



Period Returns (%)

* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Marketwide	1.97	22.61	14.61	21.93	7.86
Large Cap	1.81	21.86	14.66	21.16	7.42
Large Cap Value	3.02	21.57	14.80	21.75	7.58
Large Cap Growth	1.12	23.22	14.62	21.68	7.86
Small Cap	1.12	24.90	13.18	24.31	8.53
Small Cap Value	1.78	22.65	12.74	23.33	8.07
Small Cap Growth	0.48	27.19	13.61	25.24	8.87

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: Russell 3000 Index is used as the proxy for the US market. Russell data

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International Developed Stocks

First Quarter 2014 Index Returns

During the first quarter, international developed markets continued to post positive performance. Small caps outperformed large caps.

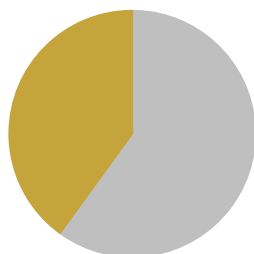
Value indices outperformed growth indices across all size segments.

The US dollar depreciated relative to many of the major international developed currencies.

World Market Capitalization—International Developed

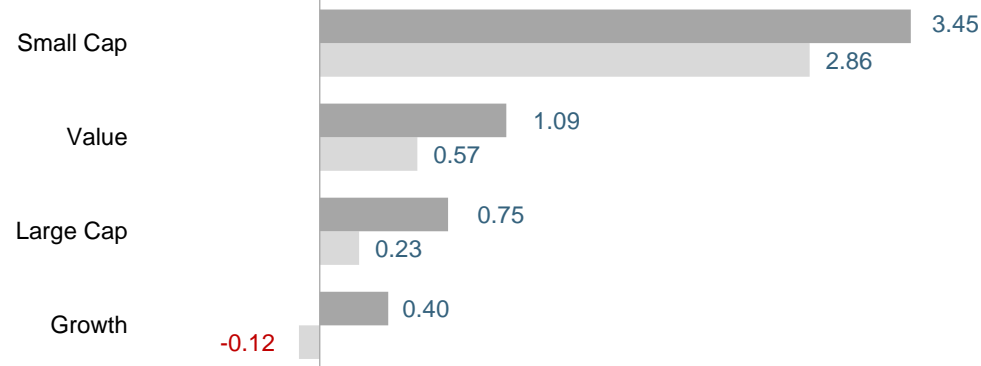
40%

International
Developed
Market
\$16.7 trillion



Ranked Returns for the Quarter (%)

■ US currency ■ Local currency



Period Returns (%)

* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	0.75	16.46	6.27	15.88	6.71
Small Cap	3.45	21.12	7.54	21.51	8.41
Value	1.09	19.08	6.57	16.39	6.71
Growth	0.40	13.88	5.94	15.33	6.63

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Emerging Markets Stocks

First Quarter 2014 Index Returns

Emerging markets generally lagged the US and non-US broad market indices during the first quarter.

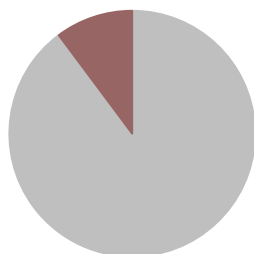
Small caps significantly outperformed large caps, and value underperformed growth across all size ranges.

Emerging markets currencies were mixed vs. the US dollar, with some of the major currencies seeing wide differences against the dollar.

World Market Capitalization—Emerging Markets

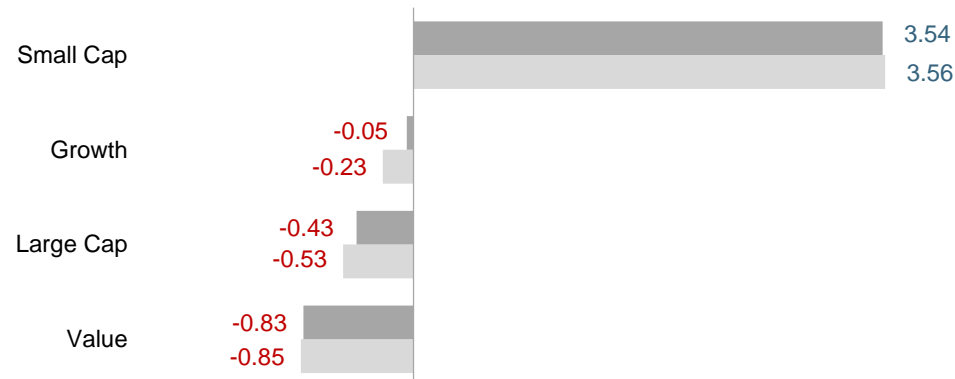
10%

Emerging
Markets
\$4.3 trillion



Ranked Returns for the Quarter (%)

■ US Currency ■ Local currency



Period Returns (%)

* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	-0.43	-1.43	-2.86	14.48	10.11
Small Cap	3.54	0.40	-1.45	19.70	11.50
Value	-0.83	-3.60	-4.51	13.76	10.82
Growth	-0.05	0.66	-1.26	15.15	9.35

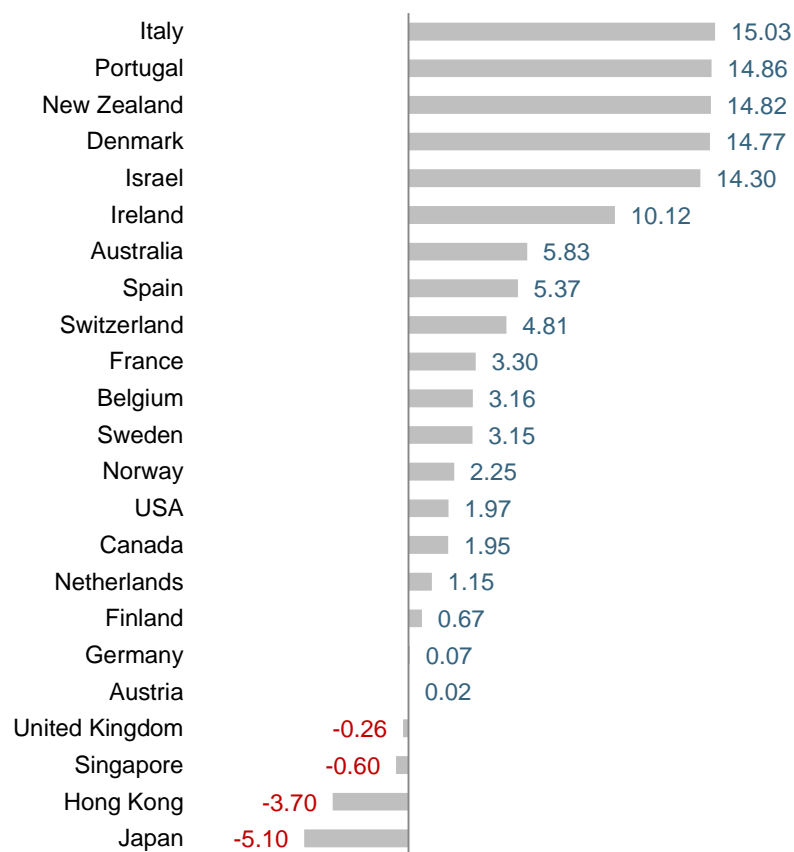
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Large Cap (MSCI Emerging Markets Index), Small 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: Emerging markets proxies are the respective emerging country portions of the MSCI All Country World IMI ex USA Index. MSCI data copyright MSCI 2013, all rights reserved.

Select Country Performance

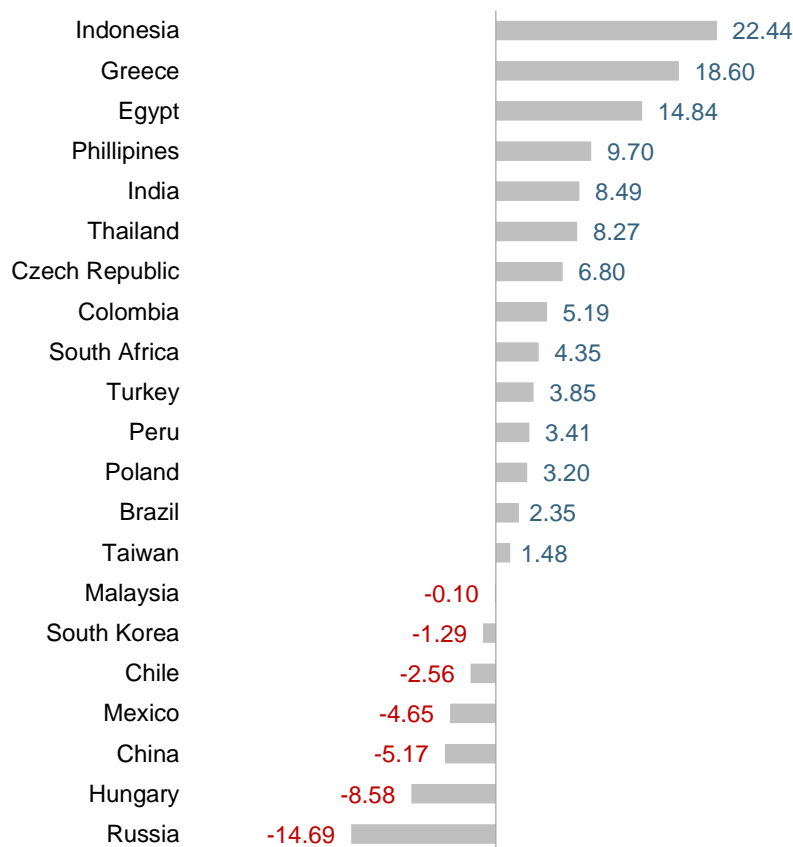
First Quarter 2014 Index Returns

Italy and Greece continued to record strong returns for the quarter; Italy was the best-performing developed market. Indonesia was the best-performing emerging market. With Russia's recent military action and political unrest dominating news headlines, the Russian equity market recorded the lowest return in US dollar terms.

Developed Markets (% Returns)



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 copyright MSCI 2013, all rights reserved. Russell data © Russell Investment Group 1995–2013, all rights reserved. Greece has recently been reclassified as an emerging markets country by MSCI, effective November 2013.

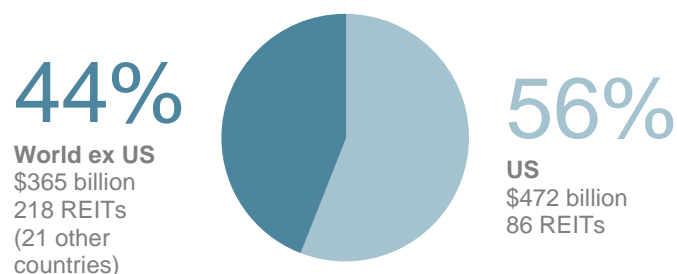
Real Estate Investment Trusts (REITs)

First Quarter 2014 Index Returns

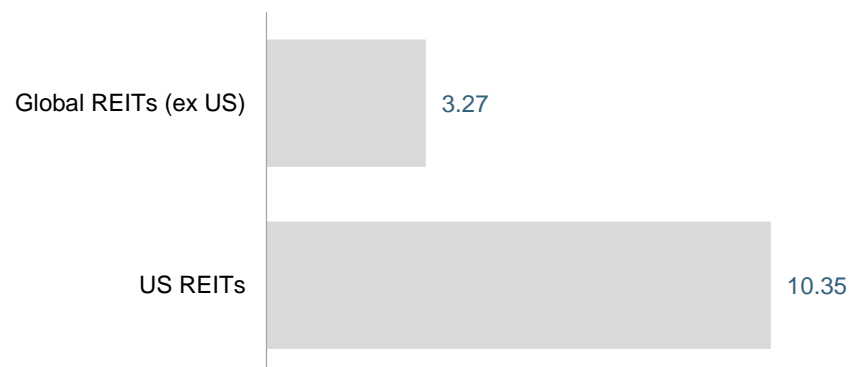
In a turnaround from 2013, REITs performed strongly during the quarter, particularly in the US.

Large cap REITs in the UK and Australia helped the performance of REIT securities outside the US.

Total Value of REIT Stocks



Ranked Returns for the Quarter (%)



Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
US REITs	10.35	4.35	10.27	28.92	8.05
Global REITs (ex US)	3.27	-1.59	6.91	19.82	5.98

* 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. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. 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 © 2013.

Commodities

First Quarter 2014 Index Returns

Commodities regained ground during the first quarter. The DJ-UBS Commodity Index rose approximately 7%.

Coffee, the biggest gainer in the index, returned just over 58%, which helped soft commodities generate significant positive returns as a group.

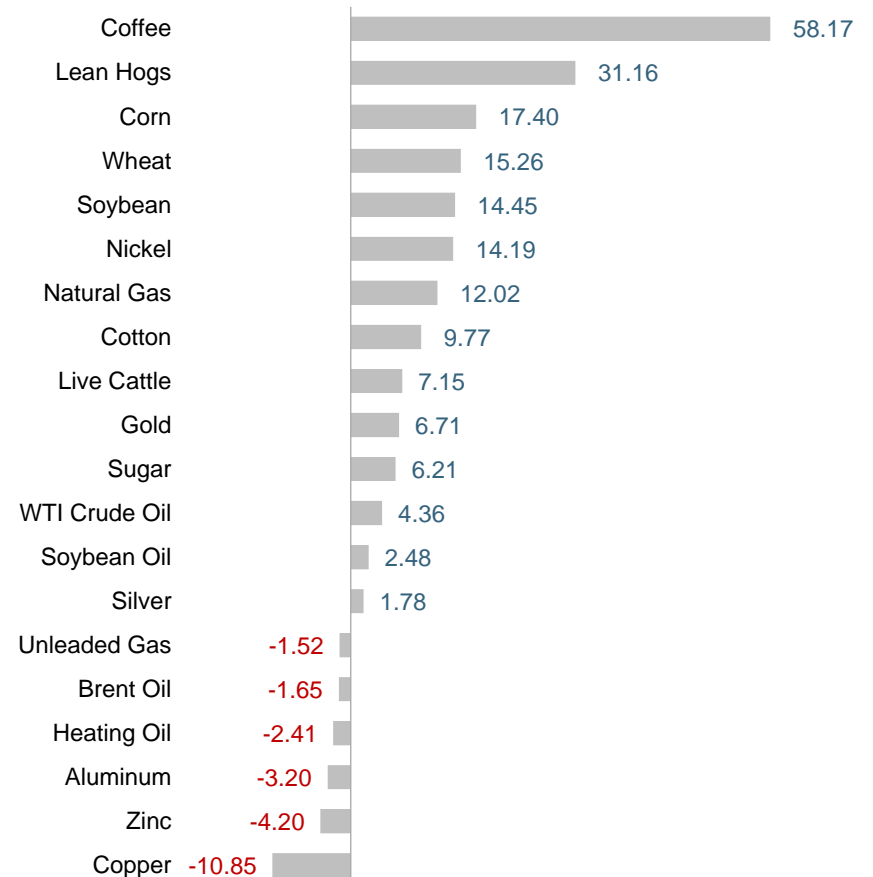
The energy complex produced mixed results. Gains in natural gas were somewhat offset by declines in gasoline and heating oil prices.

Period Returns (%)

* Annualized

Asset Class	YTD	Q1	1 Year	3 Years*	5 Years*	10 Years*
Commodities	6.99	6.99	-2.10	-7.37	4.24	0.43

Individual Commodity (% Returns)



Fixed Income

First Quarter 2014 Index Returns

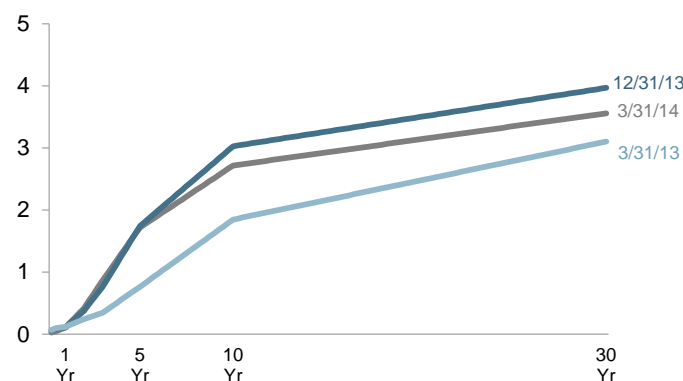


In her first meeting as chair of the Federal Reserve, Janet Yellen announced that the Federal Open Market Committee (FOMC) will taper its monthly asset purchases from \$65 billion to \$55 billion. The Fed continued to maintain an accommodative stance through monetary policy, holding the federal funds target rate range at 0.00–0.25%. US interest rates generally fell during the quarter.

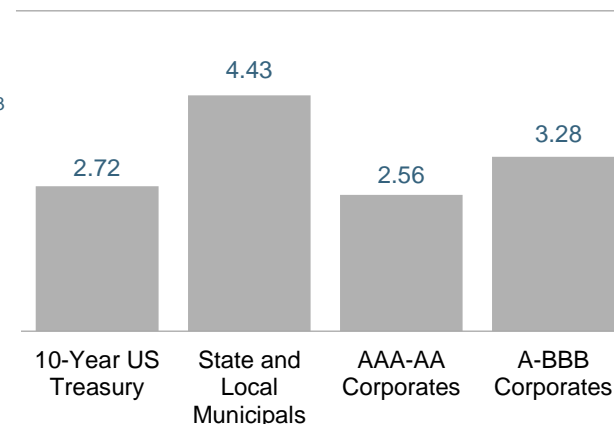
Broad US bond market returns were positive. The Barclays US Aggregate Bond Index advanced 1.8% during the quarter. Spread sectors, including corporate bonds, performed well, generating solid excess returns over Treasuries. Lower-quality bonds outperformed their higher-quality counterparts.

TIPS recovered somewhat from their 2013 decline. Municipal bonds generated solid returns.

US Treasury Yield Curve



Bond Yields across Different 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	0.07	0.08	0.12	1.65
BofA Merrill Lynch 1-Year US Treasury Note Index	0.08	0.26	0.33	0.56	2.03
Citigroup WGBI 1–5 Years (hedged to USD)	0.55	0.93	1.94	1.82	3.12
Long-Term Government Bonds	5.30	-4.49	7.66	4.29	6.03
Barclays US Aggregate Bond Index	1.84	-0.10	3.75	4.80	4.46
Barclays US Corporate High Yield Index	2.98	7.54	9.00	18.25	8.68
Barclays Municipal Bond Index	3.32	0.39	5.79	5.71	4.45
Barclays US TIPS Index	1.95	-6.49	3.50	4.91	4.53

* Annualized

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Global Diversification

First Quarter 2014 Index Returns

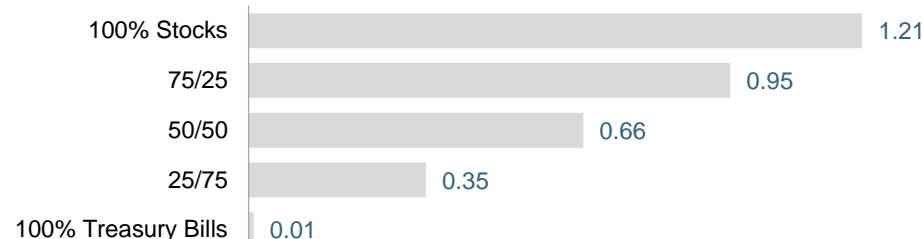
These portfolios illustrate the performance of different global stock/bond mixes and highlight the benefits of diversification. Mixes with larger allocations to stocks are considered riskier but also have higher expected returns over time.

Period Returns (%)

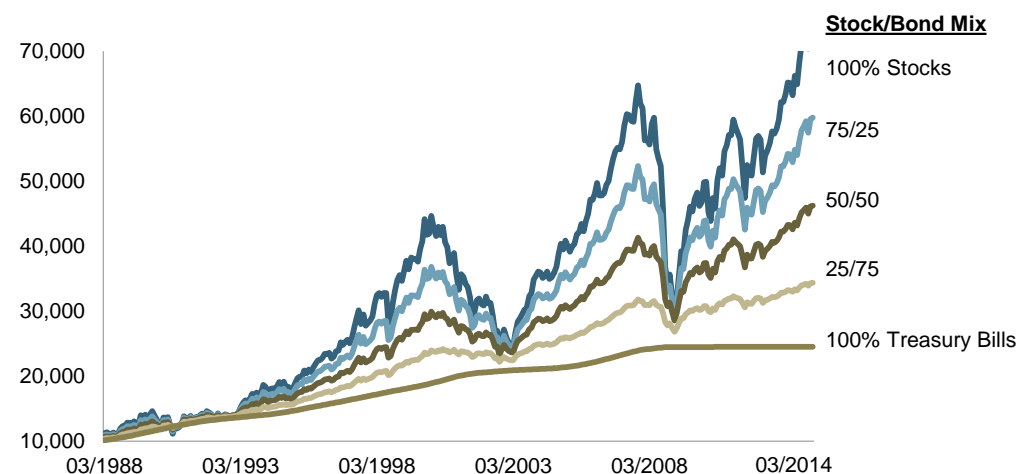
Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
100% Stocks	1.21	17.17	9.14	18.43	7.53
75/25	0.95	12.76	7.01	13.84	6.28
50/50	0.66	8.43	4.77	9.24	4.86
25/75	0.35	4.19	2.44	4.64	3.27
100% Treasury Bills	0.01	0.03	0.04	0.06	1.52

* Annualized

Ranked Returns for the Quarter (%)



Growth of Wealth: The Relationship between Risk and Return



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