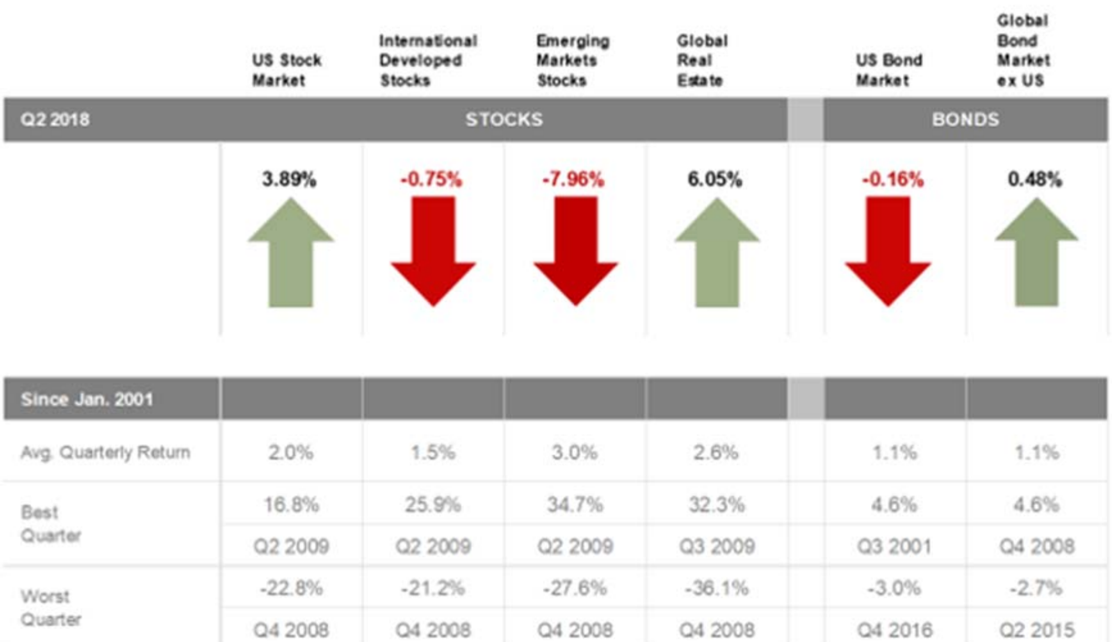
# Quarterly Market Review: 2018-Q2

## For ClearLogic Financial

**2018 Quarter 2 Market Performance**

As shown in the chart below, the second quarter of 2018 saw positive returns from the US stock and global real estate markets. Both international developed and emerging market stocks were down, while bonds remained mostly flat. This is another good reminder that US and international stocks do not always move together, making a long-term, globally diversified approach a worthwhile one.



| Q2 2018 | US Stock Market | International Developed Stocks | Emerging Markets Stocks | Global Real Estate | US Bond Market | Global Bond Market ex US |
|---|---|---|---|---|---|---|
| | STOCKS | | | | BONDS | |
| | 3.89% | -0.75% | -7.96% | 6.05% | -0.16% | 0.48% |
| **Since Jan. 2001** | | | | | | |
| Avg. Quarterly Return | 2.0% | 1.5% | 3.0% | 2.6% | 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 |

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**An Enduring Investment Philosophy**

**Investing is a long-term endeavor**. Most people spend decades pursuing their financial goals, but being an investor can be complicated, challenging, frustrating, and sometimes frightening. This is exactly why, as David Booth says, it is important to have an investment philosophy you can stick with, one that can help you stay the course.

*"The important thing about an investment philosophy is that you have one you can stick with."*

David Booth, DFA Founder and Executive Chairman

This simple idea highlights an important question: How can we, as investors, maintain discipline through bull markets, bear markets, political strife, economic instability, or whatever headline or crisis appears to threaten progress toward our investment goals?

**We, as investors, face many decisions, prompted by events that are both within and outside our control**. Without an enduring philosophy to inform our choices, we can potentially suffer unnecessary anxiety, leading to poor decisions and outcomes that are damaging to our long-term financial well-being.

Some people suggest that among the characteristics that separate highly successful people from the rest of us is a focus on influencing outcomes by controlling one's reactions to events, rather than the events themselves. This relationship can be described in the following formula:

**Event + Response = Outcome**

Simply put, this means an outcome—either positive or negative—is the result of how you respond to an event, not just the result of the event itself. Of course, events are important and influence outcomes, but not exclusively. If this were the case, everyone would have the same outcome regardless of their response.

Let's think about this concept in a hypothetical investment context. Say a major political surprise, such as Brexit, causes a market to fall (**event**). In a panicked response, potentially fueled by gloomy media speculation of the resulting uncertainty, an investor sells some or all of his or her investment (**response**). Lacking a long-term perspective and reacting to the short-term news, our investor misses out on the subsequent market recovery and suffers anxiety about when, or if, to get back in, leading to suboptimal investment returns (**outcome**).

To see the same hypothetical example from a different perspective, a surprise event causes markets to fall suddenly (**event**). Based on his or her understanding of the long-term nature of returns and the short-term nature of volatility spikes around news events, an investor is able to control his or her emotions (**response**) and maintain investment discipline, leading to a higher chance of long-term success (**outcome**).

This example reveals why having an investment philosophy is so important. By understanding how markets work and maintaining a long-term perspective on past events, investors can focus on ensuring that their responses to events are consistent with their long-term plan.

## The Foundation of an Enduring Philosophy

**An enduring investment philosophy is built on solid principles backed by decades of empirical academic evidence.** Examples of such principles include: trusting that prices are set to provide a fair expected return; recognizing the difference between investing and speculating; relying on the power of diversification to manage risk and increase the reliability of outcomes; and benchmarking your progress against your own realistic long-term investment goals.

**Combined, these principles can help us react better to market events**, even when those events are globally significant or when, as some might suggest, a paradigm shift has occurred, leading to claims that "it's different this time." Adhering to these principles can also help investors resist the siren calls of new investment fads or worse, outright scams.

## The Guiding Hand of a Trusted Advisor

Our goal is to provide you with the necessary foundation for a successful investment experience and serve as a trusted counselor when responding to events. **We trust in the power of markets** to deliver reliable returns over time and focus our efforts on helping you benefit from as much of the return of the market as possible. **Dimensional has an enduring investment philosophy, which we share**, and is the foundation for how we view the world of investing.

We know that investing will always be both alluring and scary at times but sticking to this investment philosophy can help you stay the course through challenging times. **We work with you to provide an objective view**, help separate emotions from investment decisions, educate, communicate, set realistic financial goals, and help you successfully deal with your responses even to the most extreme market events.

In the spirit of the **Event + Response = Outcome** formula, good advice, driven by a sound philosophy, can help increase the probability of having a successful financial outcome.