

Market Equilibrium

- I. What's Your Guess?
- II. Markets Integrate the Combined Knowledge of All Participants
- III. People Trust Market Pricing Every Day
- IV. What Affects a Stock's Current Price?
- V. Markets React to Events
- VI. Stock Prices Adjust Quickly
- VII. Picking the Fastest Lane Is a Stressful Guessing Game
- VIII. Few Mutual Funds Survive and Beat Their Benchmarks
- IX. Let the Market Work for You

Together, We Know More Than We Do Alone



Participants were asked to estimate the number of jelly beans in a jar.

Range: 409-5,365

Average: 1,653

Actual: 1,670

Markets Integrate the Combined Knowledge of All Participants

The market effectively enables competition among many market participants who voluntarily agree to transact.

This trading aggregates a vast amount of dispersed information and drives it into security prices.

World Equity Trading in 2016

	Number of Trades	Dollar Volume
Daily Average	82.7 million	\$346.4 billion

In US dollars.

Source: World Federation of Exchanges members, affiliates, correspondents and non-members. Trade data from the global electronic order book. Daily averages were computed using year-to-date totals as of December 31, 2016, divided by 250 as an approximate number of annual trading days.

People Trust Market Pricing Every Day

The daily price of fish may vary based on buyer and seller expectations of market forces. We accept the price as an accurate estimate of current value and make decisions accordingly.

The same is true of a stock price, which reflects all known information about a company.



What Affects a Stock's Current Price?



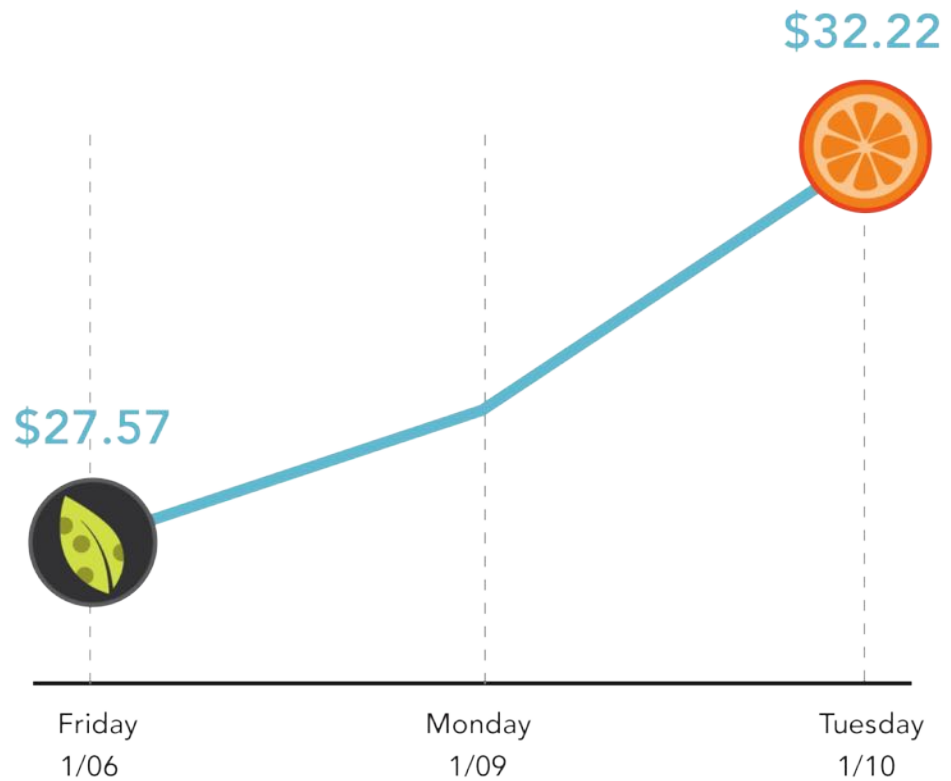
Given all information, a stock's current price reflects aggregate expectations about risk and return.

Markets React to Events

“Orange juice futures surge to record on fungicide fears”

–Reuters, January 10, 2012

Prices adjust when unexpected events alter the market’s view of the future.



In US dollars.

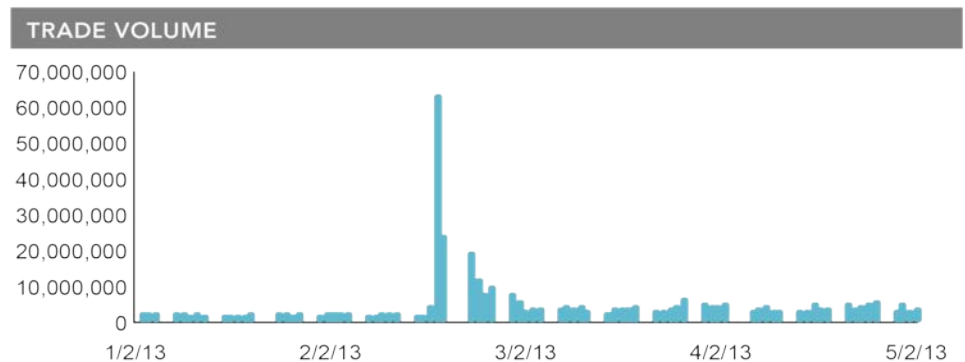
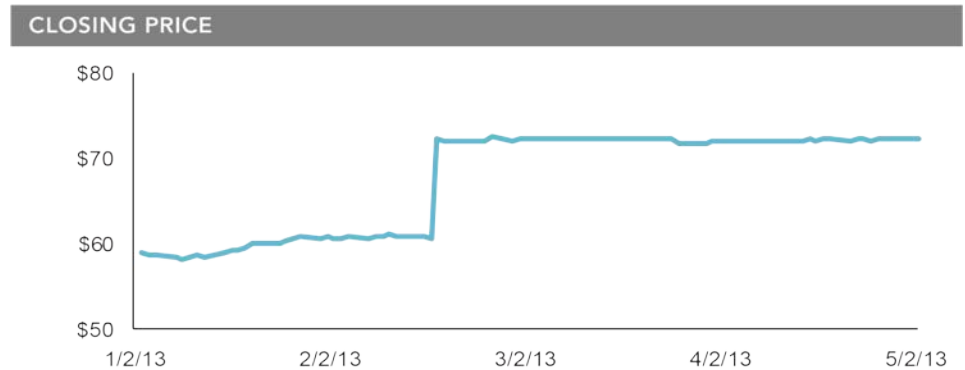
Source: Dow Jones-UBS Orange Juice Subindex. Dow Jones data copyright 2018 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

Stock Prices Adjust Quickly

Heinz, 2/14/2013

**“Heinz agrees to buyout by
Berkshire Hathaway, 3G”**
–*USA Today*, February 14, 2013

News travels quickly, and prices
can adjust in an instant.



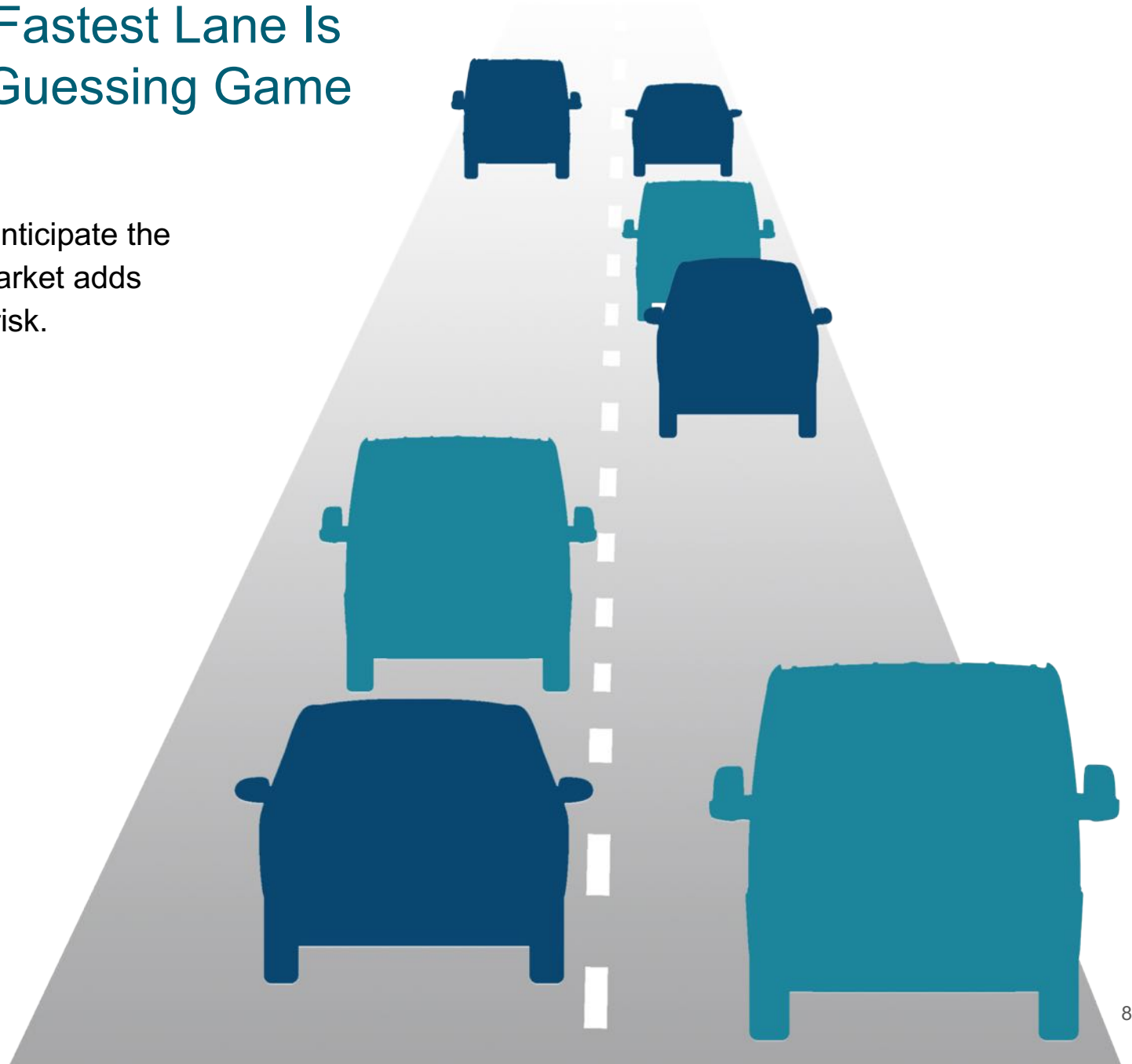
In USD.

Source: Bloomberg

The security identified is shown for illustrative purposes only to demonstrate the investment philosophy described herein. These materials are not, and should not be construed as, a recommendation to purchase or sell the security identified or any other securities. Actual holdings will vary for each client, and there is no guarantee that any client will hold the security identified.

Picking the Fastest Lane Is a Stressful Guessing Game

Likewise, trying to anticipate the movement of the market adds anxiety and undue risk.

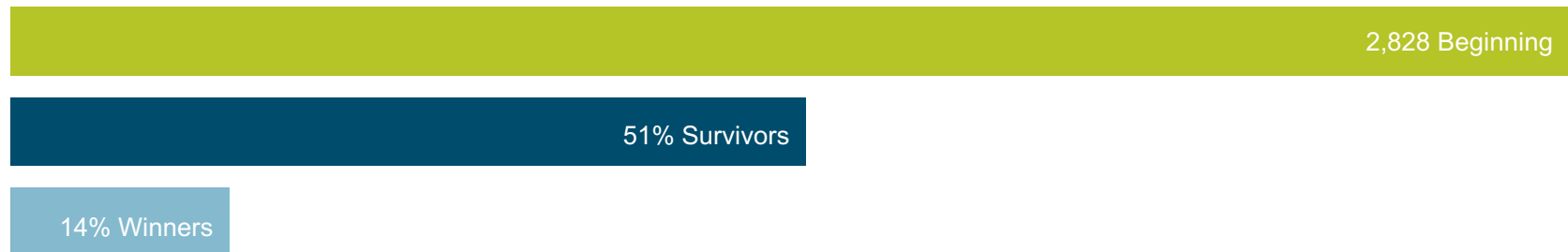


Outsmarting other investors is tough

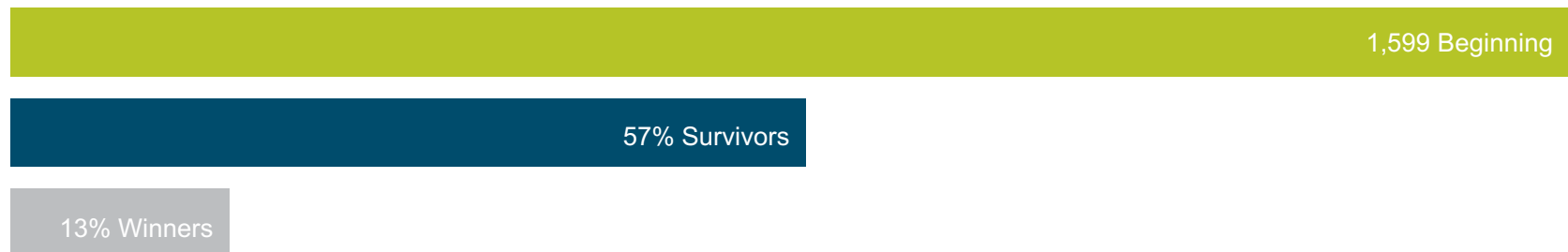
Few mutual funds survive and beat their benchmarks

15-year performance period ending December 31, 2017

EQUITY FUNDS



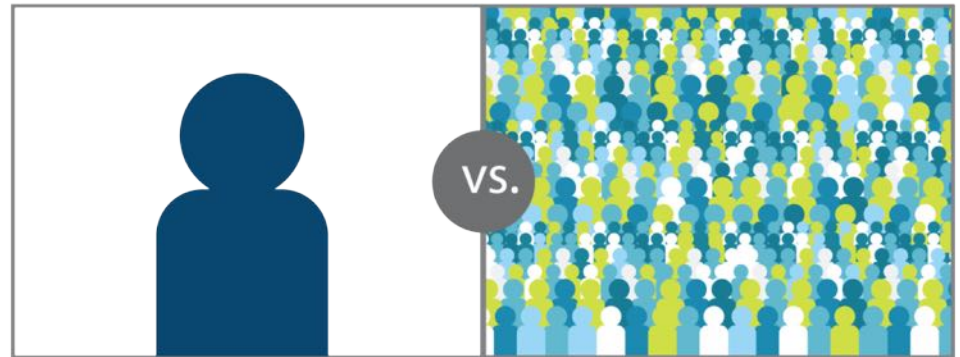
FIXED INCOME FUNDS



In US dollars. The sample includes funds at the beginning of the 15-year periods ending December 31, 2017. Survivors are funds that had returns for every month in the sample period. Winners are funds that survived and outperformed their respective Morningstar category benchmark over the period. US-domiciled open-end mutual fund data is from Morningstar and Center for Research in Security Prices (CRSP) from the University of Chicago. **See Data Appendix for more information. Past performance is no guarantee of future results.**

Let the Market Work for You

When you try to outwit the market, you compete with the collective knowledge of all investors.



By harnessing the market's power, you put their knowledge to work in your portfolio.

