Facts versus feelings

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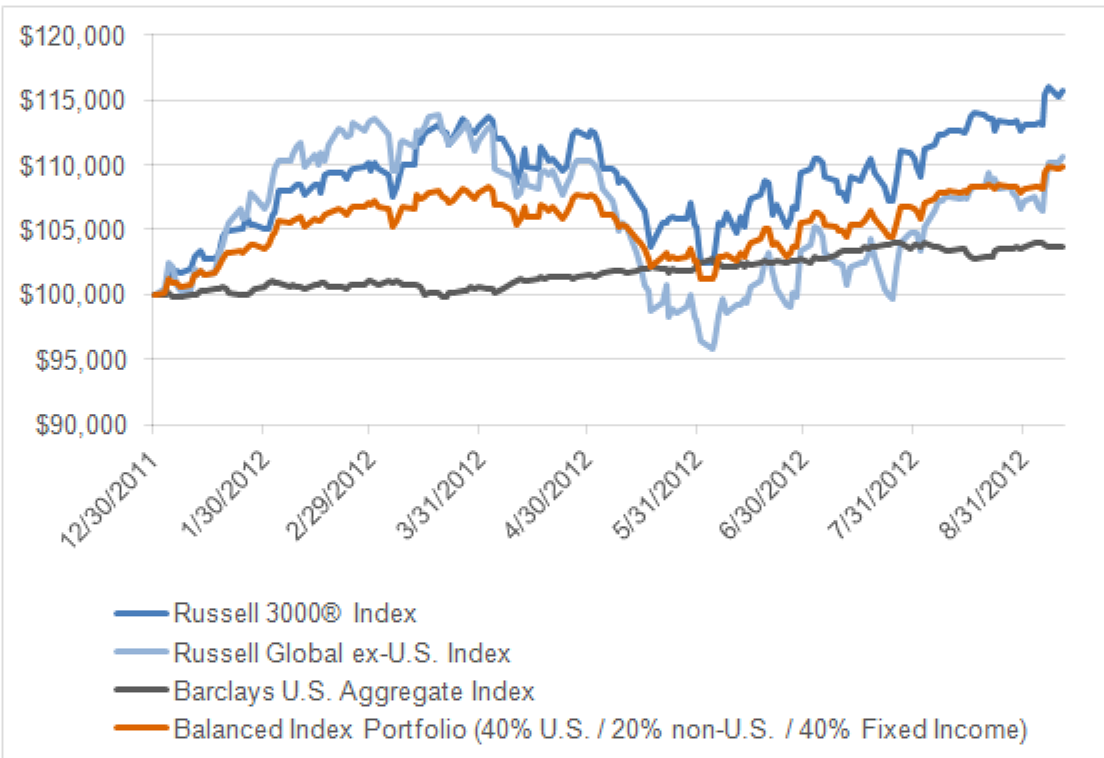
Natalie Miller, Consulting Director for PCS Consulting Services Group

I wonder how many of your clients would guess that the global equity markets are up double digits year-to-date through 9/11/2012. It certainly may not feel like it to them, as they've seen multiple years of volatile swings in the markets. **Their perception of portfolio results may be distorted by feelings rather than facts**.

The facts are:

- $100,000 invested in the U.S. equity markets (as shown by the Russell 3000 ® Index) on the first of January this year would be worth $115,661 as of 9/11/2012; a 15% return.
- Non-U.S. equity markets (Russell Global ex-U.S. Index) have returned about 10% during that same time period. What's more interesting about the non-U.S. market return is the quarter-to-date number. Non-U.S. markets are up a little over 7% from the end of June through September 11, 2012. U.S. markets are up nearly 6% for the same time period. Note the minimal difference of returns between U.S. and non-U.S. This minimal difference is more like what we would expect over the long term (not the exact percent difference, but the fact that the returns are much closer than they've been, unlike the last 12 months when the difference was in the double digits).
- Year to date, market volatility, as measured by the daily VIX (Chicago Board Options Exchange Volatility Index), has been in a range between 13% and 27% (certainly within typical historical range), and much lower than the elevated levels we experienced in late 2011.
- Fixed income markets (Barclays U.S. Aggregate Index) are also positive, up around 3.5% YTD.
- And what about a balanced portfolio? A balanced index portfolio (40% Russell 3000 Index, 20% Russell Global ex-U.S. Index, 40% Barclays U.S. Aggregate Index) is up year-to-date a little over 9%, with lower volatility. Yes, diversification still helps to smooth out the ride.

Growth of $100,000 - January 1, 2012 through September 11, 2012



Source: Russell Investments, Barclays

It's human nature to remember the highs and the lows more prominently than the averages, and we have certainly had more than our share of lows over the past few years. But don't let your clients be swayed by feelings when it comes to **decisions about their long-term investment portfolios**. Don't forget that you play a critical role in helping your clients bridge the gap between their **perception** about what is happening with their portfolios, and the **reality** of what is happening with their portfolios.

Indexes are unmanaged and cannot be invested in directly.

Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

CBOE VIX (Chicago Board Options Exchange Volatility Index) measures annualized implied volatility as conveyed by S&P 500 stock index option prices and is quoted in percentage points per annum. For instance, a VIX value of 15 represents an annualized implied volatility of 15% over the next 30 day period. The VIX measures implied volatility, which is a barometer of investor sentiment and market risk.

The Russell 3000® Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The Russell Global ex-U.S. Index measures the performance of the global equity market based on all investable equity securities, excluding companies assigned to the United States.

The Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS.

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Disclosures

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