



July 10<sup>th</sup>, 2014

## Quarterly Report

John Ferguson, Principal

*“Be less curious about people and more curious about ideas.”*

-Marie Curie

I trust you had an enjoyable Fourth of July. In twelve years, I am hopeful that The United States of America will have one heck of a 250 year anniversary celebration. That is, if the next two or three Presidents and our elected officials are able and willing and committed to the task of governing!

How might the stock markets of the world perform over these coming 12 years? At a 6% compounded annual rate of return the markets double and at 9.6% they triple. The markets long-term returns have exceeded both of those rates. No one knows what the returns will be, but thinking long-term has historically had its merits and meaningful rewards.

### Returns

The DFA Global Allocation 60/40 Portfolio for the 2<sup>nd</sup> quarter of 2014 had a return of 3.3%. There are some surprises for year to date returns. The Dimensional US Real Estate Fund is up 18.16% and the Dimensional Emerging Markets Small Cap Fund is up 10.53% for the year so far.

Some of the key funds we utilize in your portfolios performed, for the quarter, as follows:

US Core Equity II	+4.5%	International Equity Core	+3.9%
US Small Cap Value	+3.3%	Emerging Markets Core	+6.7%
US Large Cap Value	+4.2%	Selectively Hedged Global Fixed	+1.2%
Real Estate Portfolio	+7.2%	Investment Grade Portfolio	+2.1% <sup>1</sup>

There are over 8,600 stocks traded in the US and over 5,000 US mutual funds. The biggest growth in fund numbers has come from the international asset classes. It can be a daunting, if not impossible, task to pick top performing stocks or funds year after year. Mergers, acquisitions, and technology change the individual security landscape and past performance is no indication of future results. Remember Sears?

<sup>1</sup>All performance data; Source: Dimensional Fund Advisors as of 6/30/14.

Mutual Fund survivorship is something you rarely see mentioned in the financial news. It isn't anything to write home about. Yes, for the first year in business 94% of mutual funds survive and stay in business even though only 49% beat their respective benchmarks. Funds that began 5 years ago only have a 68% survival rate and only 25% outperformed their benchmarks. The bad news continues when we look at funds that started 10 years ago. Only slightly more than half of those are still in business and a pitiful 19% is all that beat the benchmark with which they compare themselves<sup>2</sup>. The engineered Dimensional type of index funds we employ for you have served us all very well.

## **Big News**

As many of you may already know, it is a very exciting summer for our firm. As of June 10<sup>th</sup>, we have officially changed our name to Ferguson-Johnson Wealth Management. Derek has been with me for 14 years and as of July 1<sup>st</sup>, it is my privilege to welcome him to his expanded role as the principal owner of our firm. But, don't think for a second that I'm stepping away. I will continue to serve our clients with the same level of attention and care to which each of you is accustomed.

On top of all this, Derek is set to be married several days from now! I only hope that he'll come back after his honeymoon.

In addition to these developments, next month we will be relocating offices! We will be moving into a beautiful new office in Rockville Town Center. For your records, our new address will be 51 Monroe Street, Suite PE 25, Rockville, MD 20850. Our phone and email lines will be unchanged.

With the changes I've noted above, we have updated our SEC disclosure brochure. Our disclosure brochure is available upon request or viewable online through the SEC's website.

We wish that the rest of your summer will be a most pleasant and enjoyable one.

Best regards,

John, Derek, Jon & Christina

Investment advisory services offered through Ferguson-Johnson Wealth Management, a registered investment adviser.

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<sup>2</sup>Source: Dimensional Fund Advisors