

VANSANT MEWSHAW

REGISTERED INVESTMENT ADVISOR

2019

Annual Market Review

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2019

This report features world capital market performance and a timeline of events for the past 12 months. 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 impact of globally diversified portfolios and features our annual message.

Year Ahead Planning: A reminder; now is a good time to review your portfolio and re-focus on your investment objective and strategy. One of the most common reasons for a portfolio to fail to meet its stated goal is miscommunication between the client and Investment Counsellor. If you have not done so please call to schedule a portfolio review.

Reminder Capital Gain and Loss Reported on 1099-B. The Capital Gain and Loss Statement is not included with the quarterly/annual VSM statements, your 1099-B from Charles Schwab will be the official reporting document.

Required by the SEC
Rule (204-3)(a) of the Investment Advisor Act requires all Investment Advisors to offer, annually, a copy of their Form ADV, Part II to all of their clients. Please consider this as our offer to deliver our most recent Form ADV, Part II. To request a copy call 410-825-8844 or visit the VSM website at vs-m.com.

Overview:

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Required by the SEC

Rule (206-3)(6) of the Investment Advisor Act requires all Investment Advisors to make available, to their clients, a copy of their Proxy Voting Policies and Procedures and a copy of the firms' Code of Ethical Conduct. Please consider this our offer to provide, upon request, a copy of our proxy voting policies and procedures and code of ethical conduct.

Our Philosophy of Advice

It will be worth reiterating, in the context of the beginning of a new year, the nature of our philosophy of advice.

Generally speaking, our experience has been that successful investing is goal-focused and planning-driven, while most of the failed investing we've observed was market-focused and performance-driven. Another way of making the same point is to tell you that the really successful investors we have known were acting continuously on a plan, tuning out the fads and fears of the moment, while the failing investors we have encountered were continually and randomly reacting to economic and market "news". Most of our clients are working on multi-decade and even multigenerational plans, for such great goals as education, retirement and legacy. Current events in the economy and the markets are in that sense distractions of one sort or another. For this reason, we make no attempt to infer an investment policy from today's or tomorrow's headlines, but rather align clients' portfolios with their most cherished long-term-goals.

We don't forecast the economy; we make no attempt to time markets; and we cannot, nor can anyone else consistently predict future relative performance of specific investments based on past performance. We hold that our highest-value services are planning and behavioral counseling. That is to say helping our clients avoid overreacting to market events, both negative and positive.

Our essential core beliefs in pursuit of our clients' most important goals are fivefold.

- (1) Wealth management should be goal-focused and planning-driven.
- (2) Investment decisions should be based on the science of capital markets and its application.
- (3) Your advisor should have the obligation to put your interest first and act out of fiduciary duty.
- (4) Your advisor should always have the courage to tell you the truth, even when you don't especially wish to hear it.

- (5) We believe these principles and practices are most families best chance to achieve and preserve wealth.

Once we have put a long-term plan in place for our client and implement that plan with a portfolio that is best suited to achieve their desired outcome, we very rarely recommend changing the portfolio beyond its regular annual rebalancing. In brief, if your goals haven't changed, don't change the portfolio. Our observation has been the more often people change their portfolios, the worse their results become. We are in agreement with the Nobel Prize-winning behavioral economist Daniel Kahneman, when he said "All of us would be better investors if we just made fewer decisions."

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Our Philosophy of Advice

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Going back to 1980, the average annual intra-year decline in the S&P 500 has exceeded fourteen percent. Yet even without counting dividends, annual returns have been positive in 30 of these 40 years. That is to say; the market has delivered positive returns seventy-five percent of the time during this period. We believe the great lessons to be drawn from this data are that historically, at least, temporary market declines have been very different from permanent loss of capital and the most effective antidote to volatility has simply been the passage of time.

The nature of successful investing, as we see it, is the practice of rationality under uncertainty. We will never have all the information we want, in terms of what's about to happen, because we invest in and for an essentially unknowable future. Therefore, we practice the principles of long-term investing that have most reliably yielded favorable long-term results over time: effective planning, a rational optimism based on experience, patience and discipline. These will continue to be the fundamental building blocks of our investment advice in 2020 and beyond.







Wishing all of our clients and readers a prosperous 2020, enveloped with good health and long-term peace of mind.



Chris Alex Bob Pam Sara Bryan

Quarterly Market Summary

Index Returns

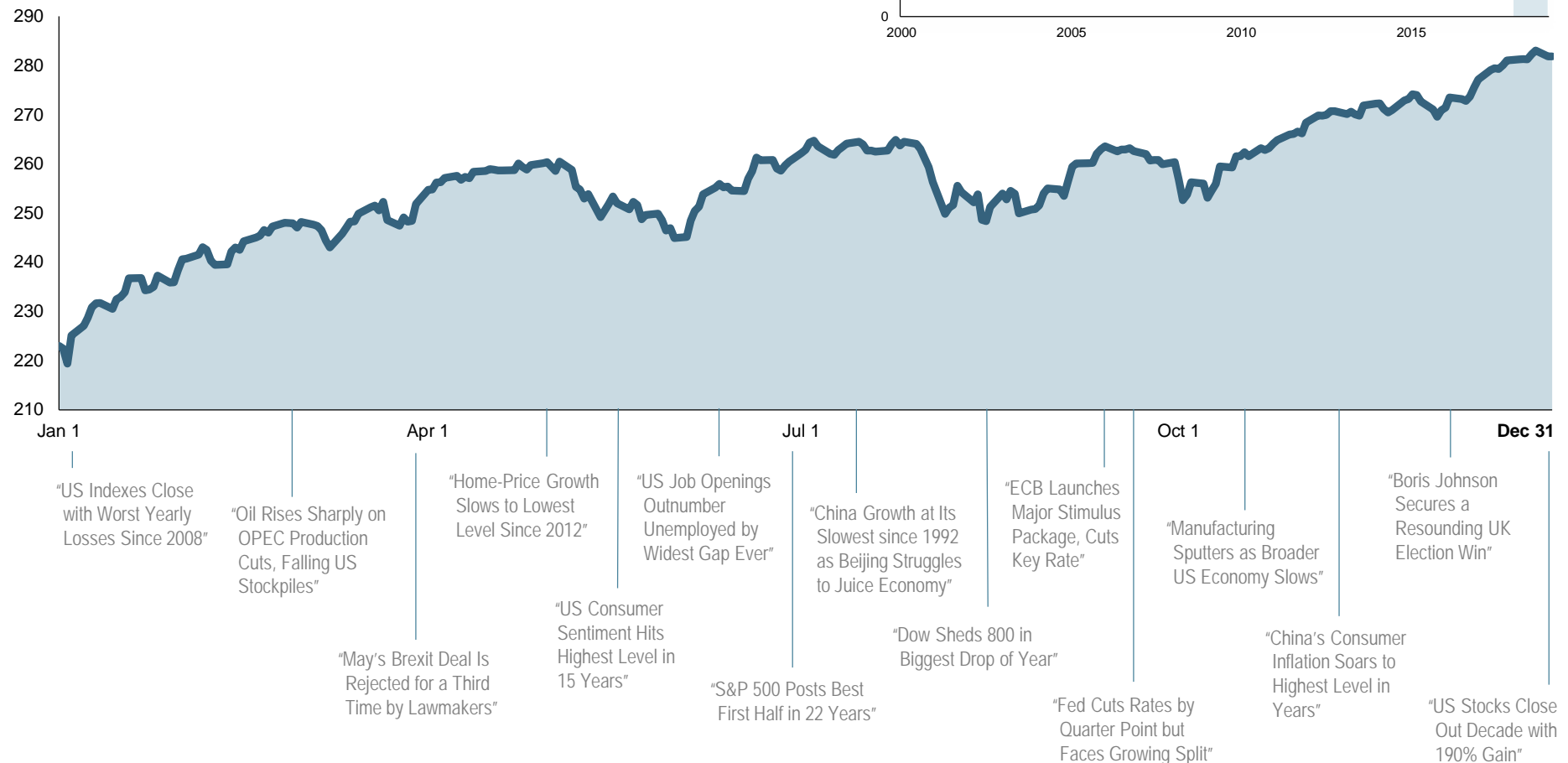
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
4Q 2019	STOCKS				BONDS	
	9.10% 	7.86% 	11.84% 	0.80% 	0.18% 	-1.11% 
Since Jan. 2001						
Avg. Quarterly Return	2.1%	1.5%	2.9%	2.6%	1.2%	1.1%
Best Quarter	16.8%	25.9%	34.7%	32.3%	4.6%	4.6%
	2009 Q2	2009 Q2	2009 Q2	2009 Q3	2001 Q3	2008 Q4
Worst Quarter	-22.8%	-21.1%	-27.6%	-36.1%	-3.0%	-2.7%
	2008 Q4	2008 Q4	2008 Q4	2008 Q4	2016 Q4	2015 Q2

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 [net div.]), US Bond Market (Bloomberg Barclays US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Barclays Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2020 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2020, all rights reserved. Bloomberg Barclays data provided by Bloomberg.

World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months

SHORT TERM (Q1 2019–Q4 2019)



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

Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2020, 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.

Impact of Diversification

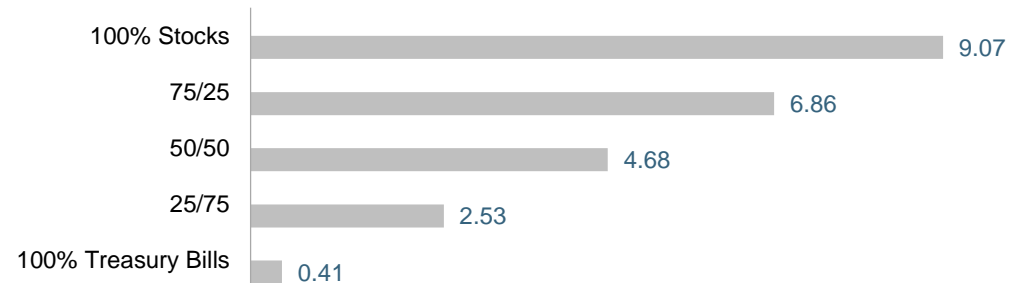
Fourth Quarter 2019

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 have higher expected returns over time.

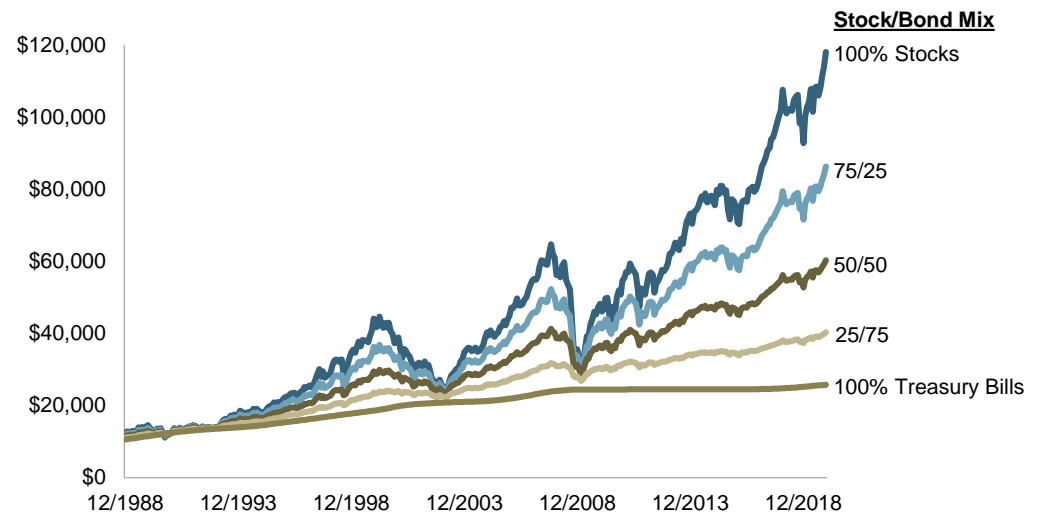
Period Returns (%)

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*	* Annualized
						10-Year STDEV ¹
100% Stocks	9.07	27.30	13.05	9.00	9.37	13.18
75/25	6.86	20.69	10.21	7.08	7.27	9.89
50/50	4.68	14.29	7.35	5.10	5.09	6.59
25/75	2.53	8.11	4.47	3.07	2.83	3.30
100% Treasury Bills	0.41	2.14	1.58	0.99	0.52	0.22

Ranked Returns (%)





Growth of Wealth: The Relationship between Risk and Return



1. STDEV (standard deviation) is a measure of the variation or dispersion of a set of data points. Standard deviations are often used to quantify the historical return volatility of a security or portfolio. Diversification does not eliminate the risk of market loss. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect expenses associated with the management of an actual portfolio. Asset allocations and the hypothetical index portfolio returns are for illustrative purposes only and do not represent actual performance. Global Stocks represented by MSCI All Country World Index (gross div.) and Treasury Bills represented by US One-Month Treasury Bills. Globally diversified allocations rebalanced monthly, no withdrawals. Data © MSCI 2020, all rights reserved. Treasury bills © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).

Randomness Of Market Returns

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Highest Return   Lowest Return	US REIT 28.07%	US Bonds 7.84%	Large Cap US 14.60%	Small Cap US 36.99%	US REIT 27.40%	US REIT 0.80%	Commodity 9.86%	Emerging Markets 34.35%	US Bonds 0.01%	Large Cap US 28.88%
	Small Cap US 26.86%	US REIT 5.50%	Global Allocation 13.05%	Large Cap US 29.60%	Large Cap US 11.40%	US Bonds 0.55%	US REIT 8.90%	International Developed 25.03%	Large Cap US -6.20%	US REIT 25.84%
	Emerging Markets 16.36%	Large Cap US 0.00%	Small Cap US 13.00%	International Developed 22.77%	US Bonds 5.97%	Large Cap US -0.73%	US Bonds 5.31%	Large Cap US 19.40%	Global Allocation -6.41%	Small Cap US 23.72%
	Large Cap US 15.06%	Commodity -1.18%	US REIT 11.60%	Global Allocation 15.97%	Global Allocation 3.71%	International Developed -0.81%	Emerging Markets 5.03%	Global Allocation 14.04%	US REIT -8.00%	International Developed 18.44%
	Global Allocation 13.74%	Global Allocation -2.16%	International Developed 10.08%	Commodity -1.22%	Small Cap US 3.50%	Global Allocation -1.74%	Global Allocation 9.16%	Small Cap US 13.10%	Small Cap US -12.20%	Global Allocation 18.17%
	Commodity 9.03%	Small Cap US -5.45%	Emerging Markets 9.41%	US Bonds -2.02%	Emerging Markets -4.63%	Small Cap US -5.70%	Large Cap US 2.70%	Commodity 5.77%	International Developed -13.79%	Commodity 17.63%
	International Developed 7.75%	International Developed -12.14%	US Bonds 3.99%	US REIT -2.30%	International Developed -4.90%	Emerging Markets -16.96%	Small Cap US 1.40%	US Bonds 3.54%	Commodity -13.82%	Emerging Markets 15.42%
	US Bonds 6.54%	Emerging Markets -20.41%	Commodity 3.47%	Emerging Markets -5.03%	Commodity -33.06%	Commodity -32.86%	International Developed -4.42%	US REIT -0.10%	Emerging Markets -16.64%	US Bonds 8.72%

Large Cap US is defined as the S&P 500 Index, Small Cap US is defined as the Russel I 2000 Index, US Reit is defined as the Dow Jones US Select REIT Index, International Developed is defined as MSCI EAFE Index, Emerging Markets is defined as the MSCI Emerging Index, Commodity is defined as the S&P GSCI and US Bonds are Defined as the BarCap US Agg Bond Index. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. Global Allocation is defined as the DFA 60/40 Global Allocation Fund Institutional Shares.