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THE HISTORICAL PERFORMANCE OF MUTUAL FUNDS BENCHMARKED TO THE INFLATION-ADJUSTED (REAL) RATES OF RETURN OF THE U. S. STOCK MARKET FROM JANUARY 1, 1971 TO DECEMBER 31, 2013*

Covering 166 times as many stocks as the 30-stock *Dow Jones Industrial Average*, and 10 times as many stocks as the *Standard & Poor's 500 Composite*, the *Wilshire 5000 Total Market Index* is regarded as the most comprehensive index measuring the performance of the entire U. S. stock market. The equally-weighted, rather than the capitalization-weighted, version of the index also provides a more realistic portfolio performance benchmark, in that the size of security positions in actively managed portfolios are rarely, if ever, equated to their capitalization positions in the U. S. economy; and, for individual portfolios, prudent diversification generally dictates approximately equally-weighted positions. This benchmark, then, should indicate the expected performance of randomly selected, broadly diversified, unmanaged portfolios of U. S. stocks, with just as many such portfolios outperforming the benchmark as underperforming it. The inception date of this index is December 31, 1970.

It appears that the following conclusions may be legitimately inferred from the ten tables on the reverse side of this page†:

1. 50%, or more, of the "real" total returns historically available in the stock market may be sacrificed by having mutual funds as intermediaries. Over the past fifteen years, in fact, this sacrifice has averaged over 75%.

2. Whereas, the underperformance of mutual funds had been in single digits for most of the past half century, these shortfalls have risen into double digits over the past five years.

3. In most of the periods tabulated, to the extent that mutual funds were invested in non-U. S. stocks, they significantly underperformed those mutual funds invested exclusively in U. S. stocks.

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* Sources: www.wilshire.com and *Thomson-Reuters Investment View*.
† The views and opinions expressed herein are those of Clifford Dow, Sr. Past performance and trends are not necessarily indicative or predictive of future results.

AVERAGE ANNUAL RATES OF TOTAL RETURN OVER THE 43-YEAR PERIOD 1971-2013

Index	Nominal	Real	Shortfall	As % of Benchmark
Consumer Price Index	4.70%	-	-	-
Wilshire 5000 Equal Weight Index	18.01%	13.31%*	-	-
All Equity Mutual Funds	10.03%	5.33%	-7.98%*	-60%*
All US Equity Mutual Funds	10.30%	5.60%	-7.71%	-58%
All Non-US Equity Mutual Funds	9.57%	4.87%	-8.44%	-63%
All Global Equity Mutual Funds	9.90%	5.20%	-8.11%	-61%

AVERAGE ANNUAL RATES OF TOTAL RETURN OVER THE 30-YEAR PERIOD 1984-2013

Index	Nominal	Real	Shortfall	As % of Benchmark
Consumer Price Index	2.82%	-	-	-
Wilshire 5000 Equal Weight Index	16.73%	13.91%	-	-
All Equity Mutual Funds	9.25%	6.43%	-7.48%	-54%
All US Equity Mutual Funds	9.64%	6.82%	-7.09%	-51%
All Non-US Equity Mutual Funds	8.62%	5.80%	-8.11%	-58%
All Global Equity Mutual Funds	8.90%	6.08%	-7.83%	-56%

AVERAGE ANNUAL RATES OF TOTAL RETURN OVER THE 25-YEAR PERIOD 1989-2013

Index	Nominal	Real	Shortfall	As % of Benchmark
Consumer Price Index	2.67%	-	-	-
Wilshire 5000 Equal Weight Index	16.00%	13.33%	-	-
All Equity Mutual Funds	8.62%	5.95%	-7.38%	-55%
All US Equity Mutual Funds	9.23%	6.56%	-6.77%	-51%
All Non-US Equity Mutual Funds	6.65%	3.98%	-9.35%	-70%
All Global Equity Mutual Funds	7.73%	5.06%	-8.27%	-62%

AVERAGE ANNUAL RATES OF TOTAL RETURN OVER THE 20-YEAR PERIOD 1994-2013

Index	Nominal	Real	Shortfall	As % of Benchmark
Consumer Price Index	2.37%	-	-	-
Wilshire 5000 Equal Weight Index	14.65%	12.28%	-	-
All Equity Mutual Funds	7.18%	4.81%	-7.47%	-61%
All US Equity Mutual Funds	7.87%	5.50%	-6.78%	-55%
All Non-US Equity Mutual Funds	5.43%	3.06%	-9.22%	-75%
All Global Equity Mutual Funds	6.60%	4.23%	-8.05%	-66%

AVERAGE ANNUAL RATES OF TOTAL RETURN OVER THE 15-YEAR PERIOD 1999 -2013

Index	Nominal	Real	Shortfall	As % of Benchmark
Consumer Price Index	2.37%	-	-	-
Wilshire 5000 Equal Weight Index	14.77%	12.40%	-	-
All Equity Mutual Funds	5.30%	2.93%	-9.47%	-76%
All US Equity Mutual Funds	5.27%	2.90%	-9.50%	-77%
All Non-US Equity Mutual Funds	5.75%	3.38%	-9.02%	-73%
All Global Equity Mutual Funds	5.05%	2.68%	-9.72%	-78%

AVERAGE ANNUAL RATES OF TOTAL RETURN OVER THE 10-YEAR PERIOD 2004-2013

Index	Nominal	Real	Shortfall	As % of Benchmark
Consumer Price Index	2.38%	-	-	-
Wilshire 5000 Equal Weight Index	10.76%	8.38%	-	-
All Equity Mutual Funds	6.85%	4.47%	-3.91%	-47%
All US Equity Mutual Funds	6.89%	4.51%	-3.87%	-46%
All Non-US Equity Mutual Funds	7.30%	4.92%	-3.46%	-41%
All Global Equity Mutual Funds	7.06%	4.68%	-3.70%	-44%

AVERAGE ANNUAL RATES OF TOTAL RETURN OVER THE 5-YEAR PERIOD 2009-2013

Index	Nominal	Real	Shortfall	As % of Benchmark
Consumer Price Index	2.08%	-	-	-
Wilshire 5000 Equal Weight Index	27.32%	25.24%	-	-
All Equity Mutual Funds	15.87%	13.79%	-11.45%	-45%
All US Equity Mutual Funds	16.80%	14.72%	-10.52%	-42%
All Non-US Equity Mutual Funds	13.29%	11.21%	-14.03%	-56%
All Global Equity Mutual Funds	14.32%	12.24%	-13.00%	-52%

AVERAGE ANNUAL RATES OF TOTAL RETURN OVER THE 3-YEAR PERIOD 2011-2013

Index	Nominal	Real	Shortfall	As % of Benchmark
Consumer Price Index	2.07%	-	-	-
Wilshire 5000 Equal Weight Index	17.43%	15.36%	-	-
All Equity Mutual Funds	10.39%	8.32%	-7.04%	-46%
All US Equity Mutual Funds	12.00%	9.93%	-5.43%	-35%
All Non-US Equity Mutual Funds	6.06%	3.99%	-11.37%	-74%
All Global Equity Mutual Funds	9.14%	7.07%	-8.29%	-54%

AVERAGE ANNUAL RATES OF TOTAL RETURN OVER THE 2-YEAR PERIOD 2012-2013

Index	Nominal	Real	Shortfall	As % of Benchmark
Consumer Price Index	1.63%	-	-	-
Wilshire 5000 Equal Weight Index	30.35%	28.72%	-	-
All Equity Mutual Funds	19.20%	17.57%	-11.15%	-39%
All US Equity Mutual Funds	20.16%	18.53%	-10.19%	-35%
All Non-US Equity Mutual Funds	16.66%	15.03%	-13.69%	-48%
All Global Equity Mutual Funds	17.99%	16.36%	-12.36%	-43%

AVERAGE ANNUAL RATES OF TOTAL RETURN OVER THE 1-YEAR PERIOD 2013

Index	Nominal	Real	Shortfall	As % of Benchmark
Consumer Price Index	1.51%	-	-	-
Wilshire 5000 Equal Weight Index	42.81%	41.30%	-	-
All Equity Mutual Funds	24.02%	22.51%	-18.79%	-45%
All US Equity Mutual Funds	26.94%	25.43%	-15.87%	-38%
All Non-US Equity Mutual Funds	16.72%	15.21%	-26.09%	-63%
All Global Equity Mutual Funds	21.91%	20.40%	-20.90%	-51%

*Examples of Calculations in Last 3 Columns of Table #1: 18.01% - 4.70% = 13.31% 10.03% - 18.01% = 5.33% - 13.31% = -7.98% -7.98% ÷ 13.31% = -60%