2018: A Year That Illustrates the Importance of “Brakes” in the 7Twelve® Portfolio
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Shown below are the 1-year returns for the 11 ETFs and 1 mutual fund (cash fund) in the 7Twelve Passive ETF Portfolio from January 1, 2018 to December 31, 2018. Also shown is the performance of the 7Twelve Passive ETF Portfolio itself. The best performers in 2018 were non-US bonds and cash. The two worst performers were natural resources and non-US emerging stock—both of which were among the best performers in 2017. The 7Twelve Passive ETF Portfolio produced a return of -5.88% in 2018 assuming annual rebalancing (-5.76% assuming monthly rebalancing). It is worth noting that the four “brakes” in the portfolio all had positive returns in 2018, whereas the eight “engines” suffered losses. A reminder of the value in having brakes and engines in a diversified portfolio.

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1999-2018
20-Year Annualized Performance: 7Twelve® Passive ETF Portfolio and Its 12 Ingredients

Shown below are the 20-year annualized returns for all 12 asset classes in the 7Twelve Passive ETF Portfolio and the 7Twelve Passive ETF Portfolio itself from January 1, 1999 to December 31, 2018. The best 20-year performer was real estate followed by midcap US stock and small cap US stock. The two worst performers were cash and non-US developed stock. The 20-year average annualized return of the 7Twelve Passive ETF Portfolio from 1999-2018 was 6.87% assuming annual rebalancing (or 6.66% with monthly rebalancing). The 7Twelve Portfolio demonstrates its value over time by providing consistent performance and avoiding large losses. It is worth noting that the 7Twelve Portfolio outperformed large US stock (S&P 500 Index) over the past 20 years.

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Standard deviation of return is a measure of the volatility of performance over time. **Lower standard deviation is better.** Over the past 20 years from 1999-2018 the performance of the 7Twelve Passive ETF Portfolio experienced substantially lower volatility (12.02%) than the eight “engine” asset classes (US and non-US stock, real estate, commodities, and natural resources). Equity-like returns with bond-like risk is the goal of a diversified portfolio. The figures below are the standard deviations of the annual returns over the 20-year period from 1999-2018.