LYKE Financial Inc.

Investing Insight

LYKE FINANCIAL, INC.

Investment Shock Absorbers

Ever ridden in a car with worn-out shock absorbers? Every bump is jarring, every corner stomach-churning, and every red light an excuse to assume the brace position. Owning an undiversified portfolio can trigger similar reactions.

You can drive a car with a broken suspension system, but it will be an extremely uncomfortable ride and the vehicle will be much harder to control, particularly in difficult conditions. Throw in the risk of a breakdown or running off the road altogether, and there’s a real chance you may not reach your destination.

In the world of investment, a similarly bumpy and unpredictable ride can await those with concentrated and undiversified portfolios or those who constantly tinker with their allocation.

Of course, everyone feels in control when the surface is straight and smooth, but it’s harder to stay on the road during sudden turns and ups and downs in the market. For that reason, the smart thing to do is to diversify, spreading your portfolio across different securities, sectors, and countries. That also means identifying the right mix of investments (e.g., stocks, bonds, real estate) that aligns with your risk tolerance.

Using this approach, your returns from year to year may not match the top performing portfolio, but neither are they likely to match the worst. More importantly, this is a ride you are likelier to stick with.

Here’s an example. Among developed markets, Denmark was number one in US dollar terms in 2015 with a return of more than 23%. But a big bet on that country the following year would have backfired, as Denmark slid to bottom of the table with a loss of early 16%.

It’s true, that the US stock market (by far the world’s biggest) has been a strong performer in recent years. But a decade before, in 2004 and 2006, it was the second worst-performing developed market in the world.

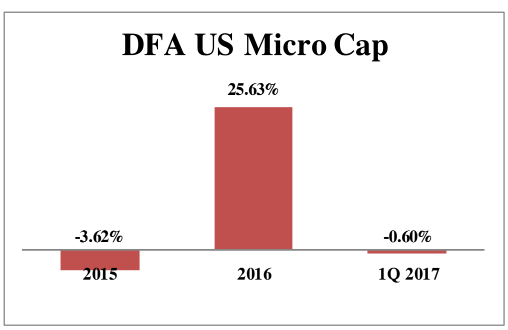
Predicting which part of a market will do best over a given period is tough. US small cap stocks were among the top performers in 2016 with a return of more than 21%. A year before, their results looked relatively disappointing with a loss of more than 4%. International small cap stocks had their turn in the sun in 2015, topping the performance tables with a return of just below 6%. But the year before that, they were the second worst with a loss of 5%.

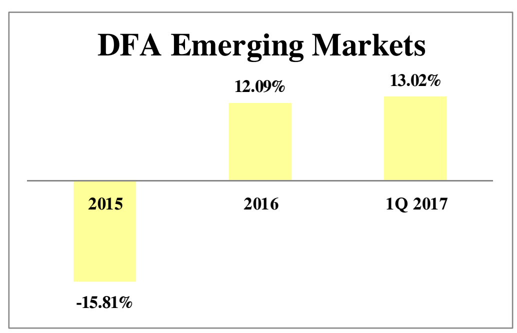
If you’ve ever taken a long road trip, you’ll know that conditions along the way can change quickly and unpredictably, which is why you need a vehicle that’s ready for the worst roads as well as the best. While diversification can never completely eliminate the impact of bumps along your particular investment road, it does help reduce the potential outsized impact that any individual investment can have on your journey.

With sufficient diversification, the jarring effects of performance extremes level out. That, in turn, helps you stay in your chosen lane and on the road to your investment destination.

Happy motoring and happy investing.

Dimensional Fund Advisors, Inc. Q1 Quarterly Market Review 2017



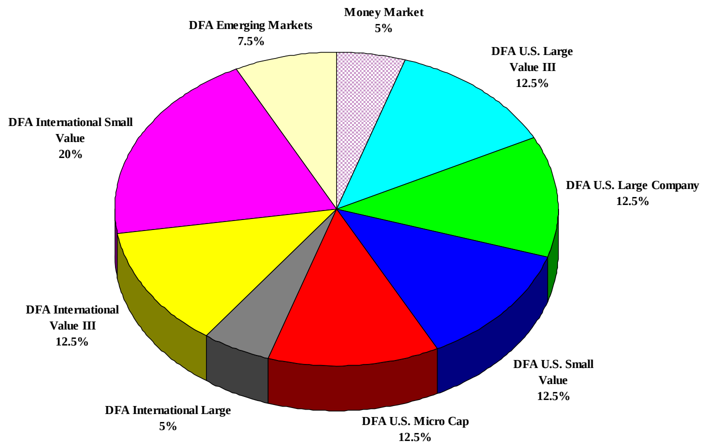


Inside this issue:

Portfolio Returns:
January 1, 2017—March 31, 2017*

AGGRESSIVE GROWTH

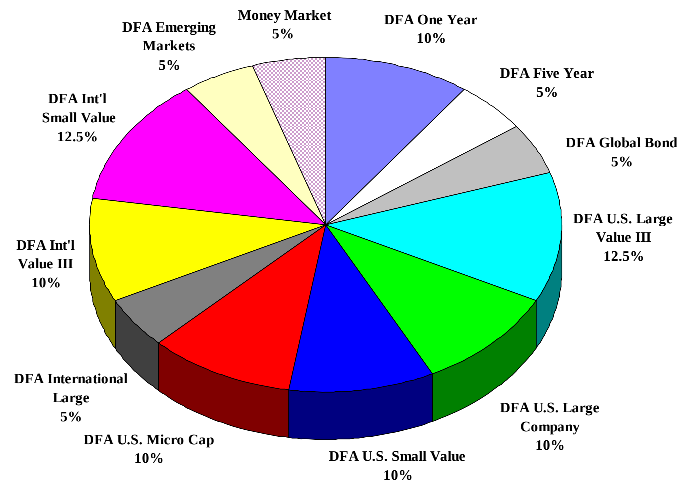
95% Equities/5% Fixed



Rate of Return 3.94%

LONG TERM GROWTH

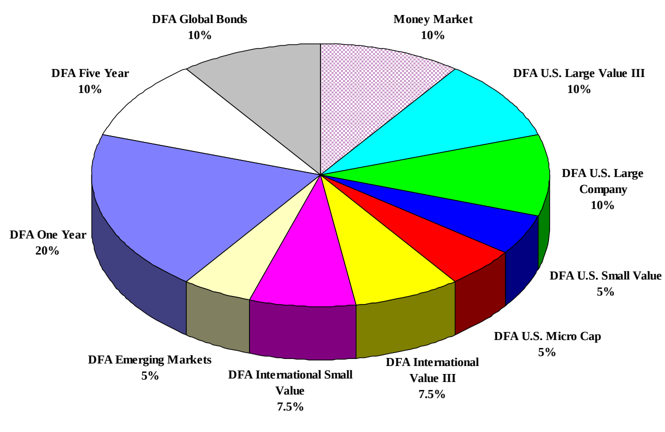
75% Equities/25% Fixed



Rate of Return 2.97%

BALANCED GROWTH

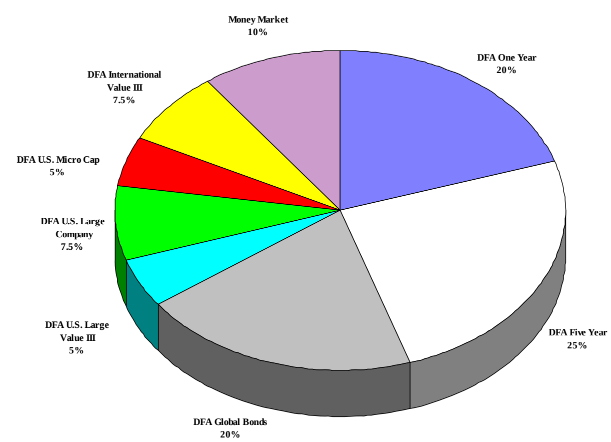
50% Equities/50% Fixed



Rate of Return 1.99%

INCOME & GROWTH

25% Equities/75% Fixed

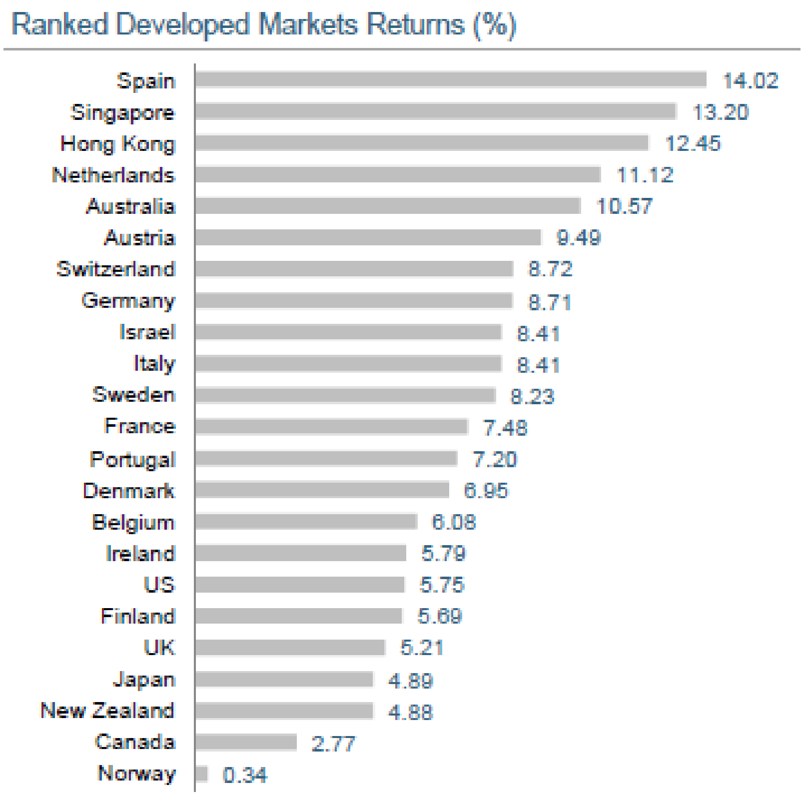


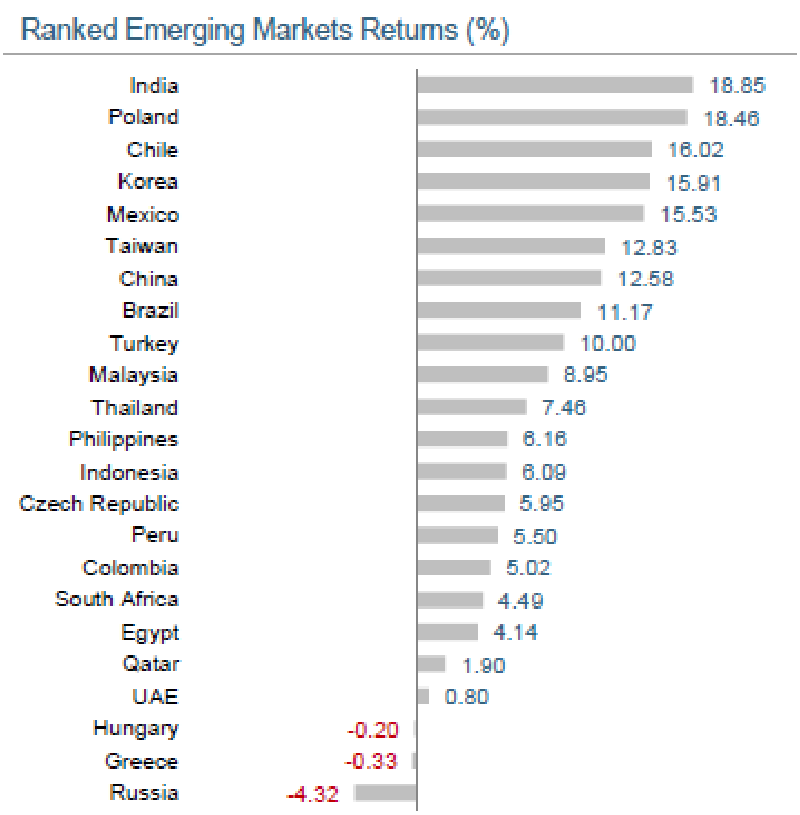
Rate of Return 0.92%

*Individual returns may vary slightly based upon assets, size and fees charged, performance shown is net of fees. Performance shown reflects the reinvestment of dividends and other earnings. The returns shown represent past performance and are not indicators of future results.

Select Country Performance

In US dollar terms, Spain and Singapore recorded the highest country performance in developed markets, while Canada and Norway returned the lowest performance for the quarter. In emerging markets, India and Poland posted the highest country returns, while Greece and Russia returned the lowest performance.





Meeting Expectations

All DFA portfolios are designed to deliver "market rates of return." DFA is not trying to "beat" the market by employing crystal ball type strategies, only working to achieve market returns, historically outpacing 90% of the active managers who attempt to beat the market.

To evaluate your portfolio, it is helpful to look at the various DFA funds and **compare them** to the specific markets in which they are invested:

	01/01/17 through 03/31/17 Return*
DFA U.S. Large Co.	**6.06%**
S&P 500 Index	6.07%
DFA U.S. Large Value	**3.53%**
S&P 500 Value	3.29%
DFA U.S. Micro Cap	**-0.60%**
Russell 2000	2.47%
DFA U.S. Small Value	**-1.35%**
Russell 2000 Value	-0.13%
DFA Emerging Markets	**13.02%**
MSCI Emerging Market Idx	11.45%
DFA Int'l Large Company	**7.45%**
MSCI EAFE Large Co Idx	7.25%
DFA Int'l Large Value	**5.87%**
MSCI EAFE Value	6.05%
DFA Int'l Small Value	**7.73%**
MSCI EAFE Sm Cap Index	7.42%
DFA One Yr. Gov't Bond	**0.32%**
BarCap 1-3 Yr. Gov't	0.28%
DFA Short-Term Gov't Bond	**0.45%**
BarCap 1-5 Yr. Gov't	0.39%
DFA 5 Yr. Global Bond	**0.76%**
Citi WGBI AA 1-5 Yr. USD	0.51%

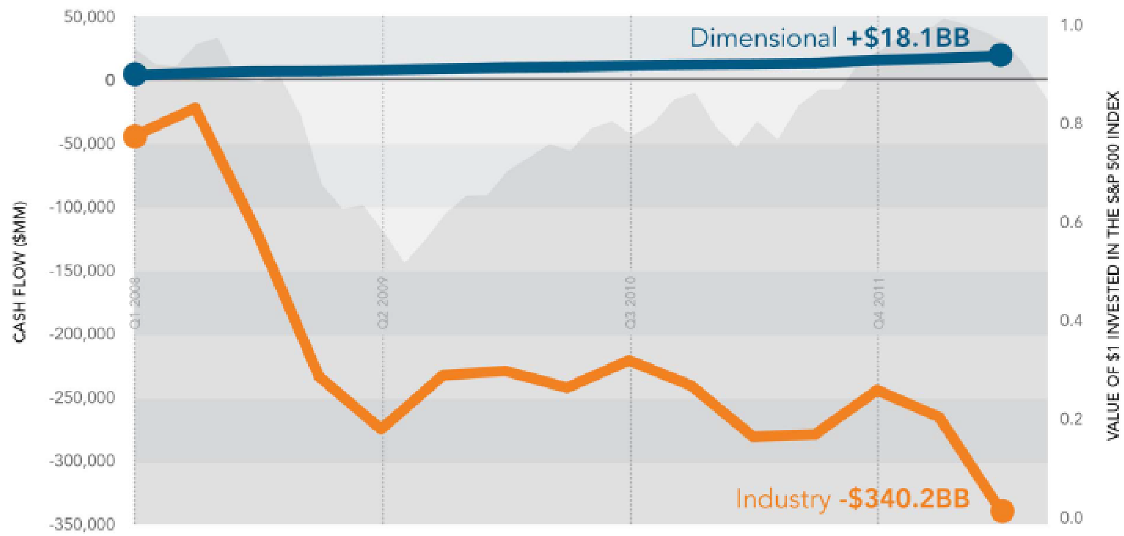
**Morningstar 03/31/17*

Lessons in Mutual Fund Flows

Since 2008, economic uncertainty and market volatility have tested the staying power of investors around the world. Many people fled equities during the worst months of the global financial crisis, while others waited for signs of a turnaround before investing more. Their emotional reactions may have exacted a large price on their wealth.

The graph below documents investor behavior during the stock market downturn in 2008 and subsequent market rebound. It offers a few key lessons about investing in turbulent markets.

Quarterly Equity Mutual Fund Flows
Industry vs. Dimensional Relative to S&P 500 Index Performance
January 2008–September 2011



Reading the Graph

First look at the shaded graph in the background, which plots the performance of the S&P 500 Index (measured by growth of a dollar) over this period. The market began falling in late 2008 and hit bottom in early March 2009. It then reversed sharply and began a long climb.

Now consider how mutual fund investors responded to the stock market's downturn and recovery. The orange line plots quarterly net cash equity flows for the US mutual fund industry over the same period. Equity fund flows were cumulatively negative over the period. Investors were redeeming more shares than they were buying, and on a net basis, capital was leaving mutual funds.

Note that these fund industry outflows followed the stock market downturn, and net flows stayed negative even after the market rebound. Investors were reacting to the falling stock market by either redeeming their fund shares or delaying the purchase of additional shares. When the stock market suddenly rebounded in March 2009, investors who had reduced their explore to equities missed a good part of the recovery.

Now consider the upward-sloping blue line, which plots quarterly net flows into equity strategies offered by Dimensional Fund Advisors. These flows were cumulatively positive throughout the entire period suggesting that shareholders in Dimensional's funds continue to purchase shares during the 2008-2009 market decline and after the March 2009 rebound.

As a group, these investors did not flee stocks en masse. In fact, they did the opposite by adding to their portfolios. Their discipline positioned them for the market rebound.

A mutual fund's net cash flows also may reveal the collective discipline—or lack of discipline—among its shareholders. In fact, the direction of net flows can impact portfolio management and performance, especially for funds invested in less liquid markets. Large net redemptions typically increase the direct and indirect costs of a mutual fund, which compromise fund returns. The assorted costs are not borne by redeeming shareholders but by the shareholders who remain in the fund. Therefore, consistently positive net cash flows are helpful to a fund's expenses, strategy and performance.

The large net cash outflows from US-based mutual funds since 2008 document investor reaction to market volatility, while Dimensional's stable and positive net fund flows suggest disciplined behavior. So why would shareholders in Dimensional's funds behave differently? One reason might be the education, encouragement, and discipline offered by their financial advisor at that difficult time, underscoring the value of sound investment advise.

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