

*Quarterly Booklet*  
**SPRING 2019**



*Renault FT-17 Battle Tank, Ca. 1918*

ONE DAY  
IN JULY

## A Note from our Founder

I spend more time than the average American thinking about the Renault FT-17 tank, which you can see on the cover.

For those of you rusty on your World War I armored vehicles, a refresher: the Renault was an early, 2 person tank manufactured in France. Louis Renault simplified tank design, giving up people and functions to accomplish a few things well.

That was the key. It was a focused design. It was small, quick, and inexpensive. It was tough for German guns to hit. And it helped with the war.

On the contrary, Britain's Mark IV, shown on the facing page, tried to be all things to all people. It ended up slow, expensive, and unreliable. An easy target for the Germans, and a failure.

Doing a few things well matters. Keep that in mind in investing and life.

~ Dan Cunnigham





# A Thought on Bonds.

Think about the bonds you own as a behavioral protection system. Over the long term, the returns on stocks and real estate have dwarfed those of bonds. But bonds have less volatility, a welcome characteristic when markets turn stormy.

The percentage of bonds that you should own should be that percentage which prevents you from changing your behavior in an extreme down market.

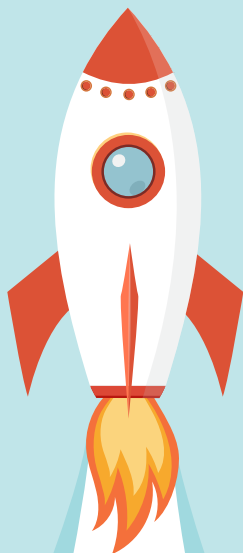


# Out like a Rocket.

The S&P 500 had its strongest first quarter returns in 21 years, returning 13.1% in 89 days.

Not everyone should be happy. If you are a buyer of the index, it was better to have the price lower. Now buyers get to pay 13.1% more for approximately the same product.

*Source: Barron's March 29, 2019*



# Asset Class Returns.

Past performance does not guarantee future returns. The historical performance shows changes in market trends across several asset classes over the past fifteen years. Returns represent total annual returns (reinvestment of all distributions) and does not include fees and expenses. The investments you choose should reflect your financial goals and risk tolerance. All data are as of 12/31/18.

Chart source: [www.novelinvestor.com](http://www.novelinvestor.com), 12/31/18

2004	2005	2006	2007	2008	2009	2010	2011
REIT 31.6%	EM 34.5%	REIT 35.1%	EM 39.8%	HG Bnd 5.2%	EM 79.0%	REIT 28.0%	REIT 8.3%
EM 26.0%	Int'l Stk 14.0%	EM 32.6%	Int'l Stk 11.6%	Cash 1.4%	HY Bnd 57.5%	Sm Cap 26.9%	HG Bnd 7.8%
Int'l Stk 20.7%	REIT 12.2%	Int'l Stk 26.9%	HG Bnd 7.0%	HY Bnd -26.4%	Int'l Stk 32.5%	EM 19.2%	HY Bnd 4.4%
Sm Cap 18.3%	Lg Cap 4.9%	Sm Cap 18.4%	Lg Cap 5.5%	Sm Cap -33.8%	REIT 28.0%	HY Bnd 15.2%	Lg Cap 2.1%
Lg Cap 10.9%	Sm Cap 4.6%	Lg Cap 15.8%	Cash 4.4%	Lg Cap -37.0%	Sm Cap 27.2%	Lg Cap 15.1%	Cash 0.1%
HY Bnd 10.9%	Cash 3.2%	HY Bnd 11.8%	HY Bnd 2.2%	REIT -37.7%	Lg Cap 26.5%	Int'l Stk 8.2%	Sm Cap -4.2%
HG Bnd 4.3%	HY Bnd 2.7%	Cash 4.7%	Sm Cap -1.6%	Int'l Stk -43.1%	HG Bnd 5.9%	HG Bnd 6.5%	Int'l Stk -11.7%
Cash 1.4%	HG Bnd 2.4%	HG Bnd 4.3%	REIT -15.7%	EM -53.2%	Cash 0.2%	Cash 0.2%	EM -18.2%

Abbr.	Asset Class - Index	Annual	Best	Worst
Lr Cap	Large Cap Stocks - S&P 500	7.77%	32.4%	-37.0%
Sm Cap	Small Cap Stocks - Russell 2000	7.49%	38.8%	-33.8%
Int'l Stk	International Stocks - MSCI EAFE	5.22%	32.5%	-43.1%
EM	Emerging Market Stocks - MSCI	8.26%	79.0%	-53.2%
REIT	REITs - FTSE NAREIT All Equity	8.52%	35.1%	-37.7%
HG Bnd	High Grade Bonds - Barclay's	3.87%	7.84%	-2.0%
HY Bnd	High Yield Bonds - BofAML	7.13%	57.5%	-26.4%
Cash	Cash - 3 month Treasury Bill Rate	1.25%	4.7%	0%

2011	2012	2013	2014	2015	2016	2017	2018
REIT 8.3%	REIT 19.7%	Sm Cap 38.8%	REIT 28.0%	REIT 2.8%	Sm Cap 21.3%	EM 37.8%	Cash 2.0%
HG Bnd 7.8%	EM 18.6%	Lg Cap 32.4%	Lg Cap 13.7%	Lg Cap 1.4%	HY Bnd 17.5%	Int'l Stk 25.6%	HG Bnd 0.0%
HY Bnd 4.4%	Int'l Stk 17.9%	Int'l Stk 23.3%	HG Bnd 6.0%	HG Bnd 0.6%	Lg Cap 12.0%	Lg Cap 21.8%	HY Bnd -2.3%
Lg Cap 2.1%	Sm Cap 16.4%	HY Bnd 7.4%	Sm Cap 4.9%	Cash 0.1%	EM 11.6%	Sm Cap 14.7%	REIT -4.0%
Cash 0.1%	Lg Cap 16.0%	REIT 2.9%	HY Bnd 2.5%	Int'l Stk -0.4%	REIT 8.6%	REIT 8.7%	Lg Cap -4.4%
Sm Cap 4.2%	HY Bnd 15.6%	Cash 0.1%	Cash 0.0%	Sm Cap -4.4%	HG Bnd 2.7%	HY Bnd 7.5%	Sm Cap -11.0%
Int'l Stk 11.7%	HG Bnd 4.2%	HG Bnd -2.0%	EM -1.8%	HY Bnd -4.6%	Int'l Stk 1.5%	HG Bnd 3.5%	Int'l Stk -13.4%
EM 18.2%	Cash 0.1%	EM -2.3%	Int'l Stk -4.5%	EM -14.6%	Cash 0.3%	Cash 1.0%	EM -14.3%

# Nudge.

Nobel Prize-winning behavioral economist Richard Thaler wrote the book Nudge with Cass Sunstein to encourage people to make small changes toward beneficial behaviors. Instead of forcing alterations, nudges are optional.

One of the most powerful nudges is the default. As life gets busy, the default behavior often ends up happening.

This is one of the reasons we work with clients to set up default savings transfers into investment accounts, as that continuous behavior has wonderful effects over time.

**“First, never underestimate the power of inertia. Second, that power can be harnessed.”**

Richard Thaler & Cass Sunstein



# Sludge.

An emerging term in the investment world is “financial sludge.” It’s the opposite of “nudge.” Richard Thaler, of nudge fame, has popularized its usage.

When concocting sludge a financial firm, generally a large one, signs clients up for products they don’t need, and then makes it difficult to reclaim what is rightfully theirs. It is nudging used to people’s detriment.

We see it all the time at One Day In July as we try to extricate clients from investment products and firms. The firms “sludge” the client, using paperwork and complexity in the hopes that the client will give up the transfer.



# Quorum Health.

If you own the Vanguard U.S. small capitalization value stock index, you own a tiny piece of Quorum Health. Quorum is the smallest firm of 445 in the index. It is an operator of acute care hospitals, largely in the South. It trades on the New York Stock Exchange, and has a market value below \$50M. This is not the first stock most people consider buying when they invest, but a small cap value index picks up exposure to it.

*Source: Vanguard.com, 4/9/19*



## Parting thought.

"A man with a watch knows what time it is. A man with two watches is never sure."

Segal's Law

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ONE DAY  
IN JULY

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*"There are more things, Lucilius, that  
frighten us than injure us, and we suffer  
more in imagination than in reality."*

Seneca the Younger, Rome



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