

***"There are the knowns.
There are the known unknowns.
And there are the unknown unknowns".***

Known Unknowns

Why are always surprised by surprises?

14 Jan 2017 -- Leigh Anderson leigh@houstoninvestors.com -- HIA

on the web at <http://bit.ly/hia1601>

Known unknowns in 2016:

Brexit will not pass.

Trump will not win.

OH MY GOD!!!!!!

Brexit passed! **SELL!!!** ... er.. never mind.

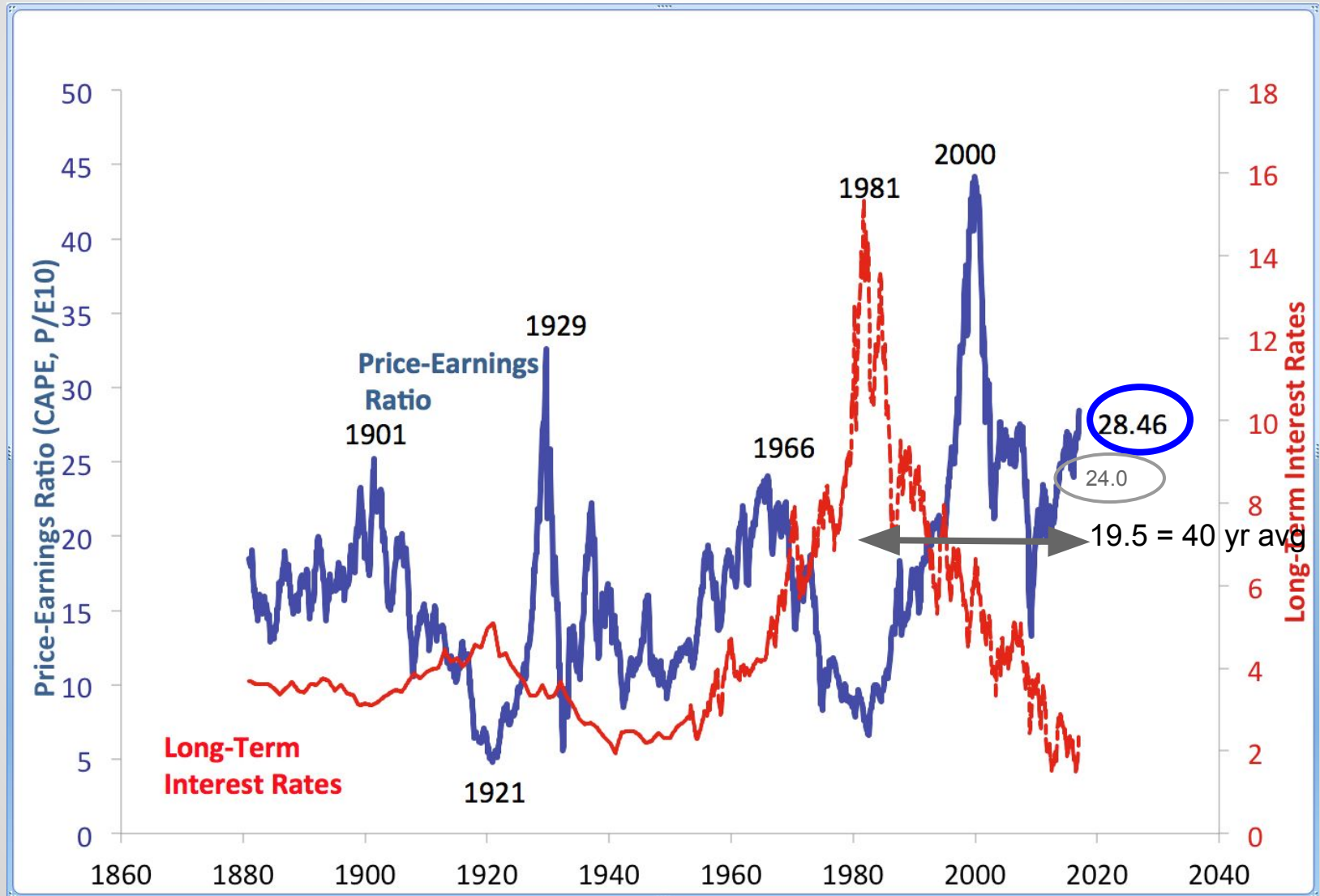
Trump won! **SELL!!!** ... er.. make that **BUY!!!**

**So now we will tell you
what will happen in 2017**

(but we will be surprised)

Shiller P/E10 or CAPE

<http://www.econ.yale.edu/~shiller/data.htm>



VIX Volatility Index - 12 months



Vanguard VTI (total market) 12 months

PerfChart of VTI

Vanguard Tot Market

30 December 2015 - 30 December 2016

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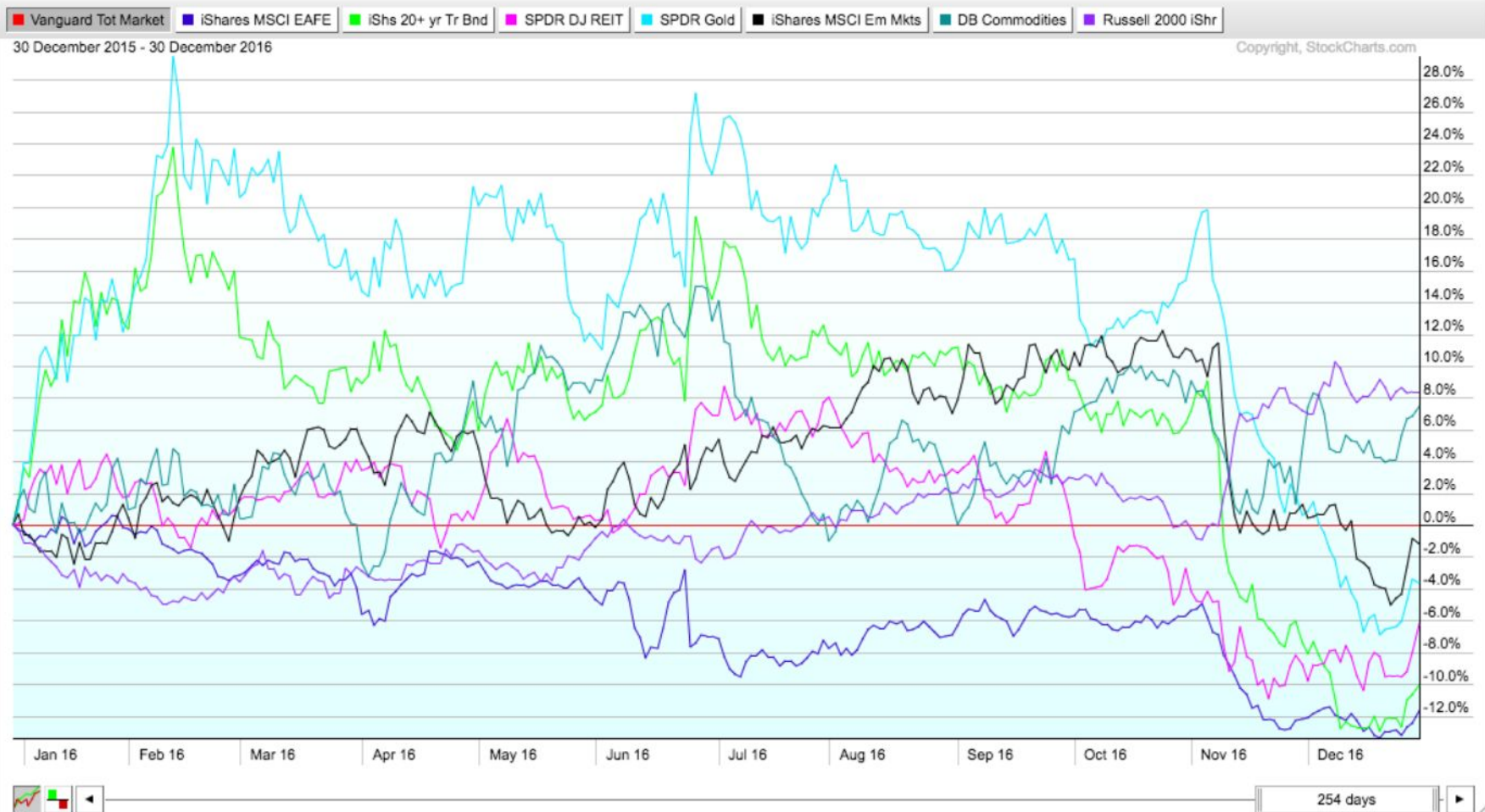
254 days

Average annual returns—updated monthly as of 12/31/2016

	1 Year	3 Year	5 Year	10 Year	Since Inception 05/24/2001
Total Stock Market ETF Market Price	12.74%	8.40%	14.64%	7.23%	6.32%

Asset classes relative to total market

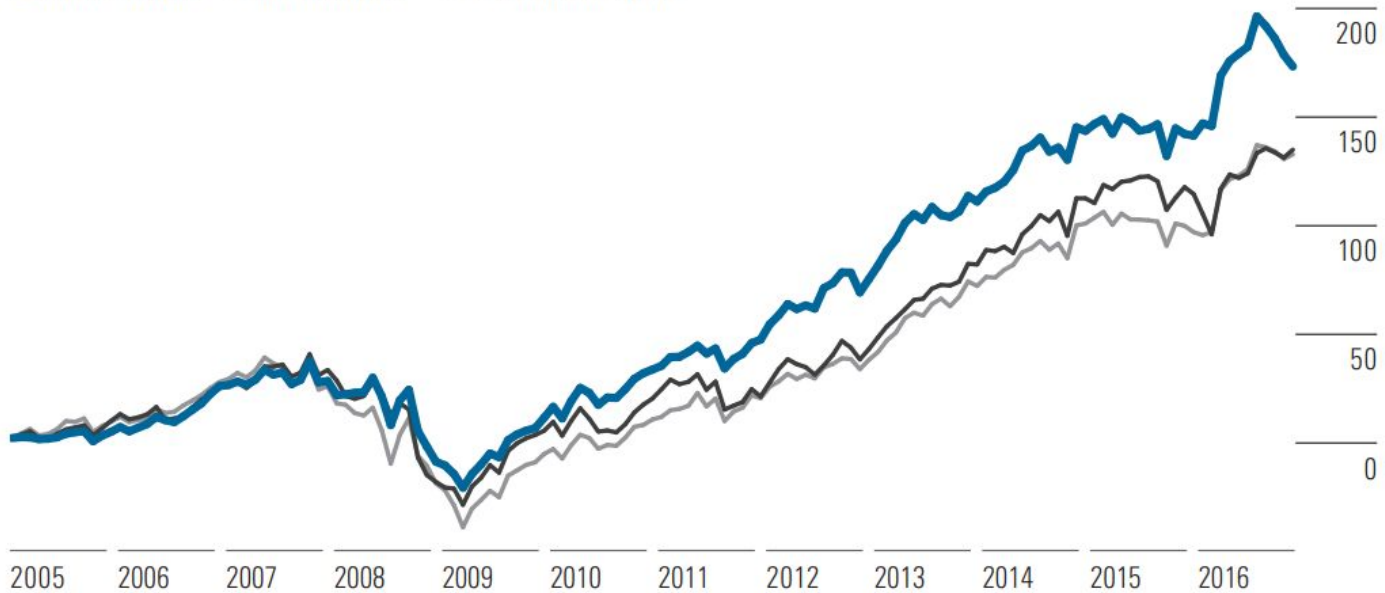
PerfChart of VTI, EFA, TLT, RWR, GLD, EEM, DBC, IWM



Dividend Yield Strategy

Dividend Select Portfolio: Cumulative Total Return (%)

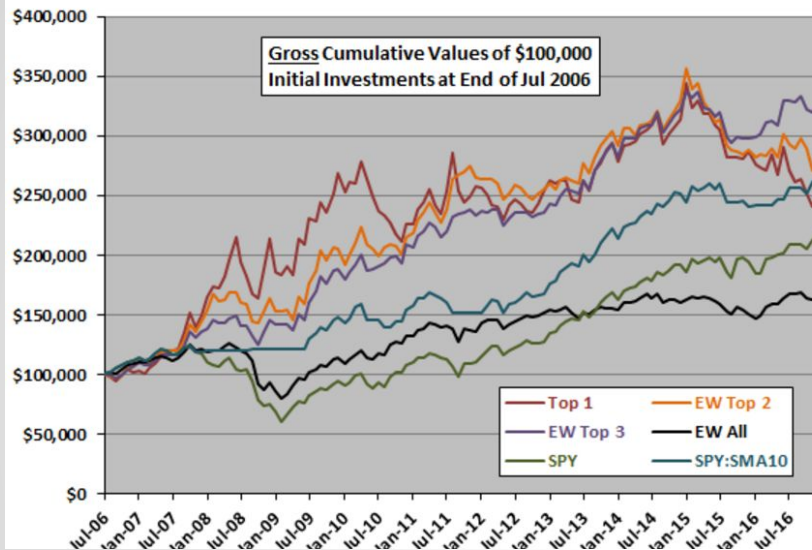
● Dividend Select ● S&P 500 Index ● DJ US Select Div Idx



Data through November 9, 2016.

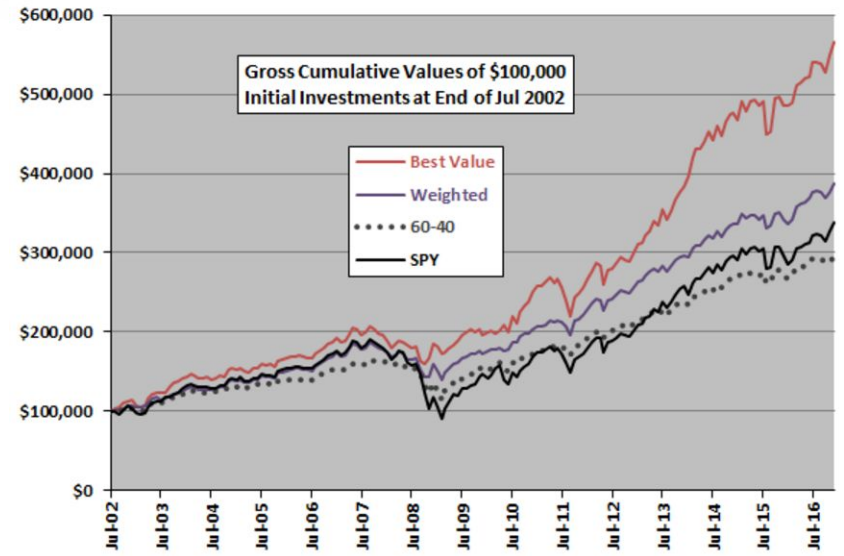
Total Return (%)	Last Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Dividend Select	-1.9	8.1	13.0	8.7	13.6	8.5	8.8
Div. Select Deferred	-1.5	—	—	—	—	—	-5.7
S&P 500	1.6	7.8	8.0	8.9	13.8	6.9	7.4

Momentum



Annual Gross Returns	Top 1	EW Top 2	EW Top 3	EW All	SPY	SPY:SMA10
1-Year	-13.6%	-3.6%	9.0%	9.5%	12.0%	10.6%
3-Year Annualized	-5.5%	-3.0%	3.4%	2.0%	8.8%	6.3%
5-Year Annualized	-0.7%	0.9%	6.9%	4.1%	14.6%	12.0%
10-Year Annualized	9.3%	10.0%	11.8%	4.3%	6.9%	9.1%
Since July 2006	9.1%	10.3%	12.0%	4.9%	7.7%	9.9%

Value



Annual Gross Returns	Best Value	Weighted	60-40	SPY
1-Year	16.4%	13.4%	8.9%	14.4%
3-Year Annualized	13.8%	9.3%	7.3%	9.4%
5-Year Annualized	17.1%	11.8%	9.5%	14.4%
10-Year Annualized	11.7%	8.6%	6.9%	7.0%
Since September 2002	12.8%	9.8%	7.8%	8.8%

Guru Predictions

Jeremy Grantham: stocks 60% above normal, but with little investor euphoria, stock prices are **unlikely to go pop**. Stock valuations will **deflate slowly and incompletely**. ([WSJ](#))

John Bogle: Div. yield 2.1% + earnings growth rate 5% - 1% (reversion to mean P/E) = **6% return over the next decade** (before inflation) ([CXO](#))

References



<http://mdi.morningstar.com/>
<http://tinyurl.com/lS9cdba>



<http://www.cxoadvisory.com/>

Momentum Strategy

<http://bit.ly/gla-hai-2015-03>

<http://youtu.be/EBfIMz9BDbo>

Value Strategy

<http://bit.ly/tayara150404>

<https://youtu.be/Fp9QKxcU4-Y>