



# PERSPECTIVES

Special Edition, January 2011

A newsletter for the clients and friends of Mercer Advisors

MERCER  
ADVISORS™

A special Perspectives highlight from the *Asset Optimization® 2010 Annual Report* scheduled for delivery in mid-February.

## 2010: Strong Perceptions and Contrasting Reality

In the face of what many predicted to be a difficult investment year, 2010 defied widespread pessimism by responding with significant recovery. This is a far cry from many investors' fears of a double-dip recession only a year ago.

A Bloomberg poll conducted in October 2010 revealed two out of three likely voters in the November mid-terms said that taxes rose, the economy shrunk, and the billions lent to banks as part of the TARP bailout would never be recovered.

The truth is the S&P 500 returned 15% (approximately 50% higher than its historical long-term returns of 10%). Greece did not fail due to the help of its neighbors. Bonds were given a surprise stimulus in December, reducing the risk of bursting the Fixed Income Bubble. Congress and the Obama administration cut \$240 billion in taxes since 2009. The Treasury expects a \$16 billion profit on the TARP bailout plan. Real estate rose by 29%. The American stock market grew by 20% in the final four months and the economy is expected to continue rising another 4% in 2011.

Still, despite the overwhelming amount of positive returns in 2010, there is a lack of optimism about the U.S. economy as a whole.

Much of the negative perception is fueled by the continued high unemployment rate and depressed housing market. Neither of these recovered as rapidly as many would like to see. This created a tremendous impact on the individual investor's perception of the economy as a whole.

## Solid Positive Performance in 2010

For Mercer Advisors' clients, positive returns continue to prove that the market corrects itself and that a long-term quantitative investment strategy outperforms emotional and reactive investing.

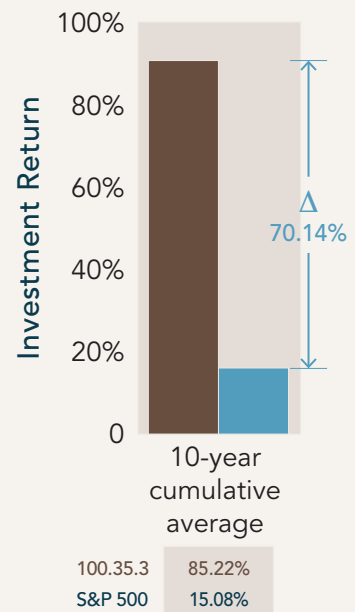
In 2010, the Mercer Advisors' 100.35.3 portfolio – our largest asset base – returned gains of 17.6%, outperforming the S&P 500 by 2.6% after fees. As a long-term strategy, the 100.35.3 portfolio returned cumulative gains of 85% over the past 10 years, outperforming the S&P 500 by 70% after fees.

*Note: The recent addition of the leading-edge academically tested investment strategy, Momentum Investing, contributed to this positive performance. If Momentum Investing is not in your portfolio, contact your Strategic Advisor to discuss implementing this latest enhancement to our investment offering.*

## A Commitment to Staying the Course

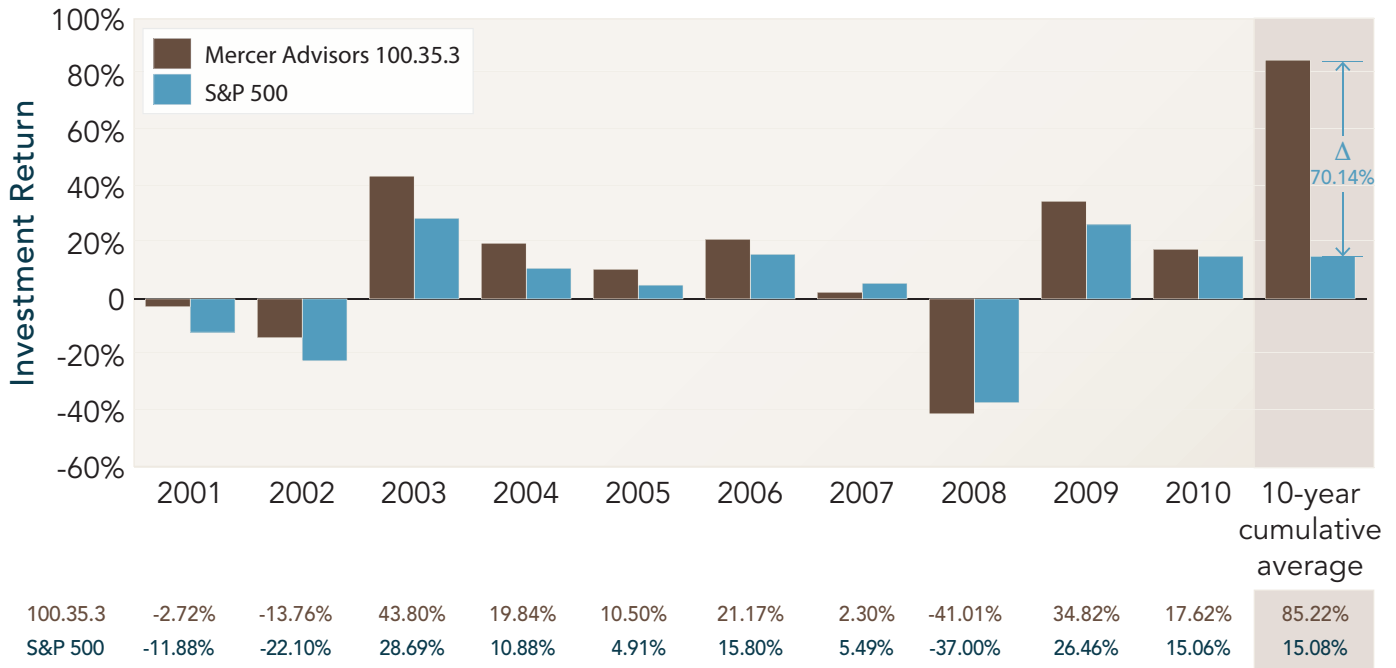
In 2010, many individual investors who made emotional or reactive decisions lost out on the stock market's recent recovery. Investors waiting to invest after the market recovers held onto their cash and lost out on, for example, 17.6% gains if they were invested in our 100.35.3 portfolio. Investors who fled stocks for the security of bonds also missed the significant opportunities for gains in the stock market.

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100.35.3<sup>†</sup> VS S&P 500  
01/01/2001 – 12/31/2010



## MERCER ADVISORS 100.35.3<sup>†</sup> VS S&P 500<sup>‡</sup>

January 2001 – December 2010



After 2008, despite overwhelming negative perceptions and predictions, we continued to stay the course. In 2009, as a perception of a double-dip recession permeated the industry, we did not alter our course. We firmly believe that our academically validated quantitative investment strategies will continue to reign in long-term growth opportunities as we have seen in 2010.

Tomorrow, a new wave of negative perceptions may flood the market and we will continue to stay the course. As a Mercer Advisors' client, you can be confident that your wealth is invested in scientifically founded investment strategies designed for positive returns over the long-term.

Mercer Global Advisors Inc. is registered with the Securities and Exchange Commission and delivers all investment-related services. Mercer Advisors Inc. is the parent company of Mercer Global Advisors Inc. and is not involved with investment services.

<sup>†</sup>From 09/2010 to 12/2010 – 17.5% AMOMX, 5.5% BTIIX, 17.5% DFUVX, 9.0% ASMOX, 9.0% DFFVX, 7.5% AIMOX, 2.5% BTAEX, 7.5% DFVIX, 4.0% DFISX, 4.0% DISVX, 2.0% SSEMX, 2.0% DEMSX, 2.0% DFEVX, and 10% AQMIX. Prior to 09/2010 –19.5% BTIIX 01/1993-09/2010, DFCLX 01/91-12/92, S&P 500 Index net of 0.10% annual estimated management fee, 19.5% DFUVX 03/1995-09/2010, DFLVX 04/1993-02/1995, Fama/French US Large Value Index (ex. Utilities) net of 0.19% annual estimated management fee 01/1990-03/1993, 13.0% DFSTX 04/1992 – 09/2010, CRSP 6-10 Index net of 0.41% annual estimated management fee 01/1990 – 03/1992, 13.0% DFFVX 01/2008-09/2010, DFSVX 04/1993 – 12/2007, Fama French Small Value Index (ex. Util) net of 0.56% annual estimated management fee 01/1990 – 03/1993, 8.5% BTAEX 02/1996 – 09/2010, MSCI EAFE Index net of 0.40% estimated annual management fee 01/1990 – 01/1996, 8.5% DFVIX 03/1995-09/2010, DFIVX 07/1993 – 02/1995, Fama/French Int'l Value Index net of 0.35% estimated annual management fee 09/2010 – 06/1993, 5.5% DFISX 10/1996 – 09/2010, DFA International Small Company Index net of 0.71% estimated management fee 01/1990 – 09/1996, 5.5% DISVX 01/1995 – 09/2010, DFA International Small Company Index, net of 0.83% estimated annual management fee 01/1990 – 12/1994, 1.0% SSEMX 03/1994 – 09/2010 – MSCI Emerging Markets Free (gross) index net of 1.25% estimated management fee 01/1990 to 02/1994, 2.5% DEMSX 04/1998 – 09/2010, Dimensional Emerging Markets Small Cap Index net of 1.20% estimated annual management fee 01/1994 – 03/1998, Fama/French Emerging Markets Small Cap Index net of 1.20% estimated annual management fee 01/1990 – 12/1993, 3.5% DFEVX 04/1998 to 09/2010, Dimensional Emerging Markets Value Index net of 0.85% estimated annual management fee 01/1990 – 03/1997. Source: Bloomberg, Fama/French, MSCI, Standard & Poor's, Dimensional.

<sup>‡</sup>S&P 500 historical data 1926–2010.