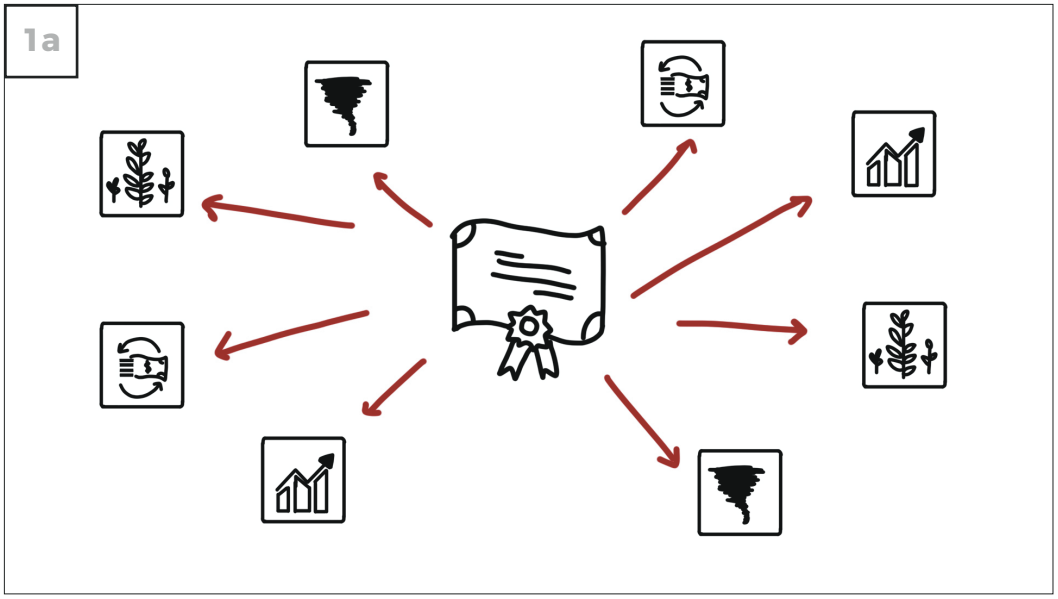
REGIS MEDIA

Independence ADVISORS, LLC

Project Storyboard
Independence Advisors - Jake DeKinder Series

Video 2
Dimensions of expected returns

1a



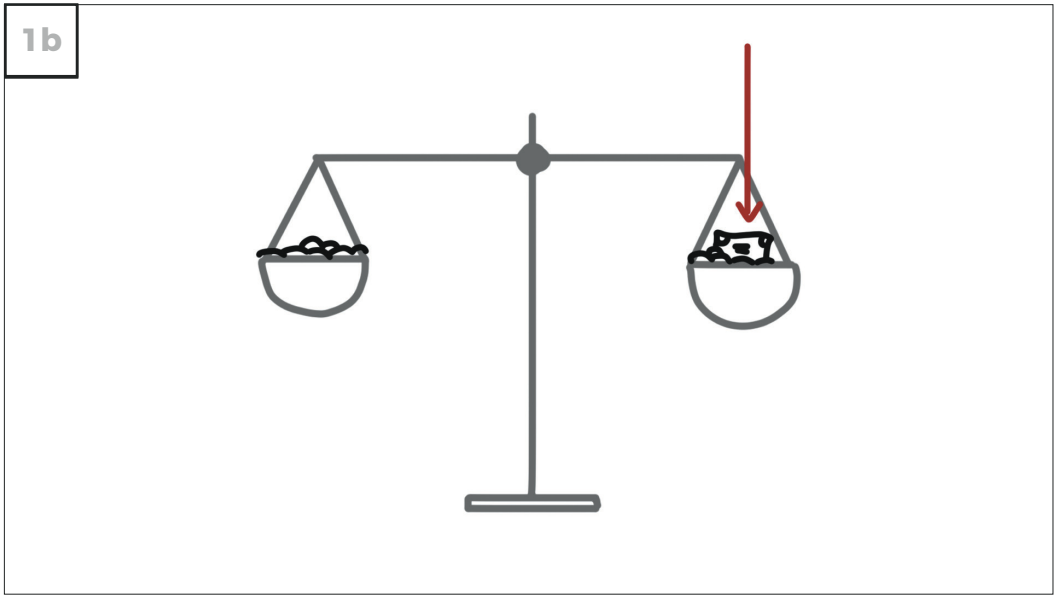
Script
Because markets are competitive, and because security prices reflect all known information at any one point in time, it's best to assume that prices are fair.

Scene description
A securities icon can be seen in the center of the screen. It pulsates and "information" icons appear around it.

They show differen scenarios that can have an impact on securities prices.

The information icons are now 'absorbed' back into the securities icon. At the same time, the securities icon moves towards the bottom of the screen.

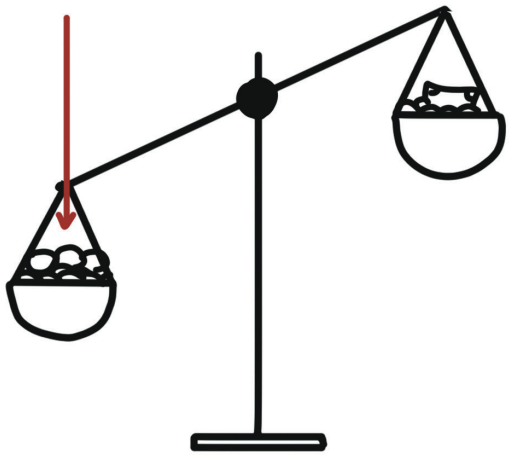
1b



Script
See panel 1.

Scene description
Continuing the movement from the previous panel, we can see the securities icon drop into a scale that now levels to show that prices are fair.

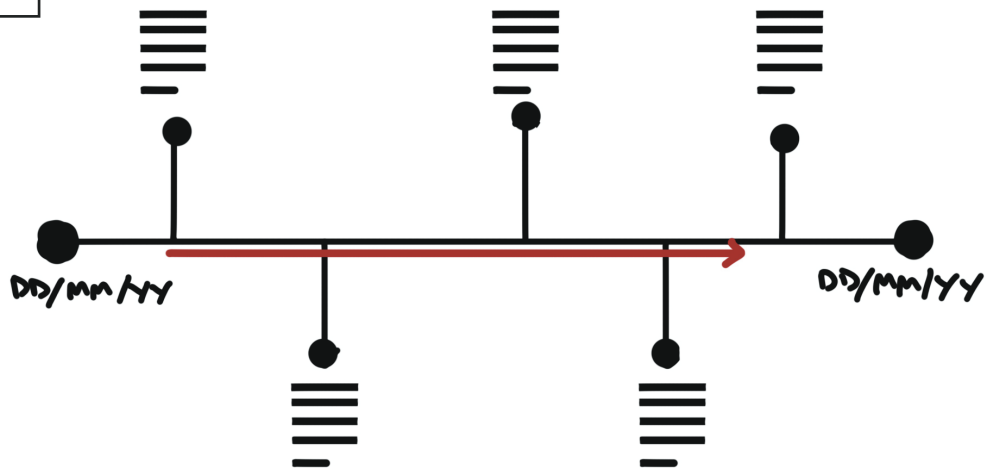
1c



Script
But that doesn't mean that all securities have the same expected return.

Scene description
Coins start to drop into the side of the scale without the securities icon and tips to that side to show that not all securities have the same expected return.

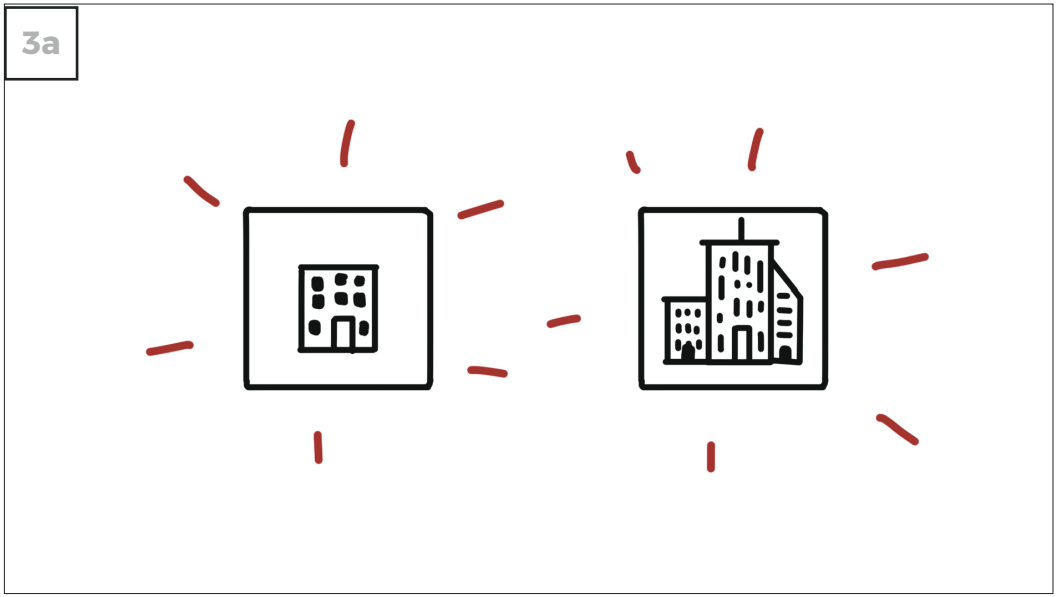
2



Script
Academics have spent several decades researching the different factors — or dimensions of risk — that drive investment returns. What they've discovered is that, over time, some types of stocks produce higher returns than others.

Scene description
A timeline appears, listing several milestones in the history of academic research into dimensions of risk.

3a

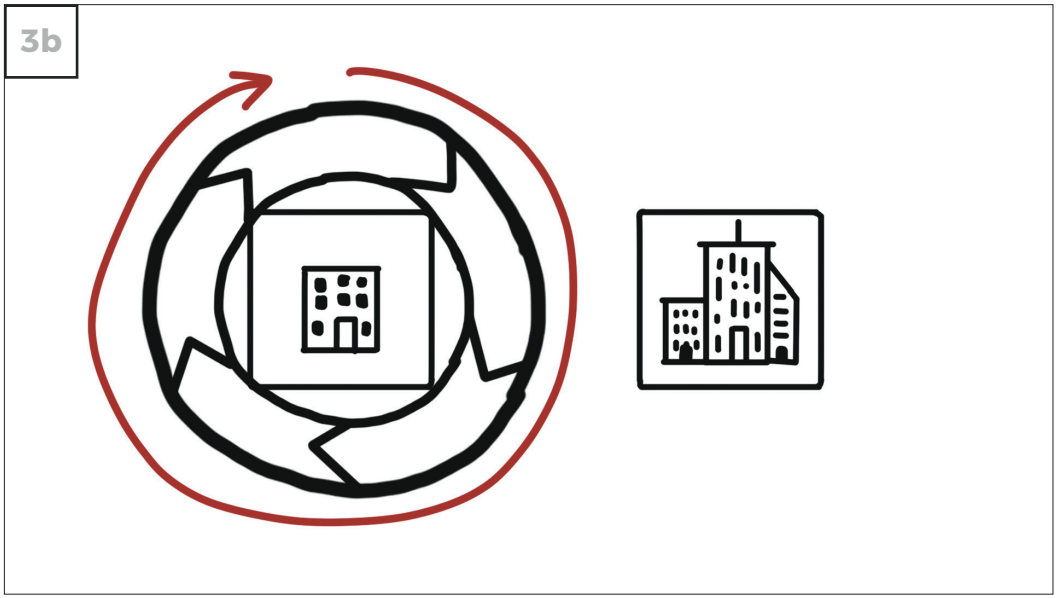


Script
First it was found that small cap stocks tend to outperform large cap stocks.

Scene description
A “small cap” icon and a “large cap” icon appear on screen.

Small caps are represented by a small business building, large caps by a bigger business building.

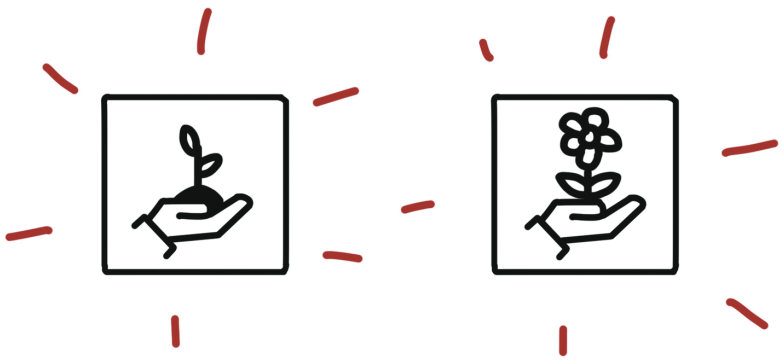
3b



Script
See panel #3a

Scene description
A circle made up of arrows in the IA colours starts spinninvg around the “small cap” icon.

4a

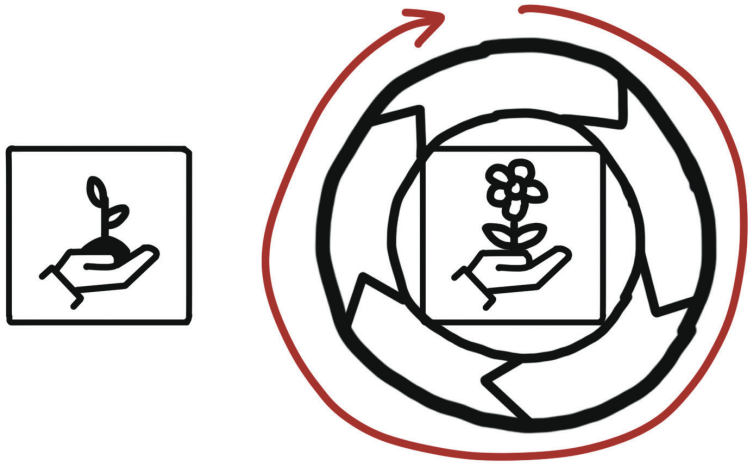


Script
Later research showed that value stocks produce higher returns than growth stocks.

Scene description
A new scene with two new icons representing “value stocks” and “growth stocks” appears.

Value stocks are represented by a full grown flower, growth stocks by a seedling.

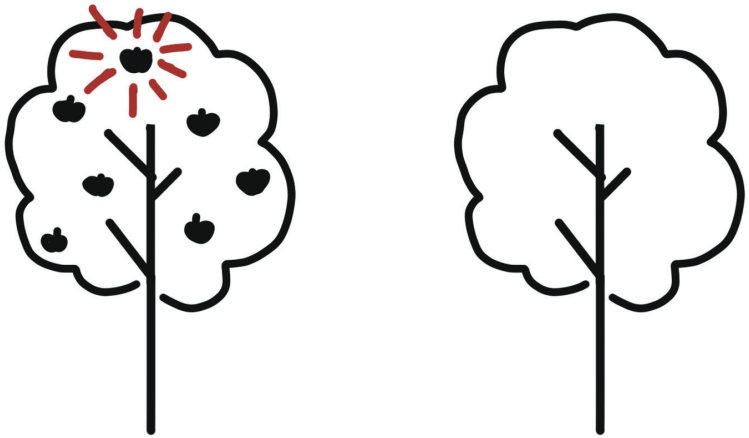
4b



Script
See panel #4a

Scene description
Again, a circle made up of arrows in the IA colours appears around the icon that has been found to drive higher returns. The “growth stock” icon.

5



Script
Then academics added another factor – profitability. In other words, stocks of highly profitable firms tend to outperform firms with low profitability.

Scene description
Again, we are introduced to another scene with two new icons, the “proftable” icon (tree with fruits) and the “low profitability” icon (tree without fruits).

Just like before, the one that has higher returns (the tree with fruits) is now “marked” with the IA arrow circle.

6a

Script
These factors have been shown to work over very long periods and in different parts of the world.

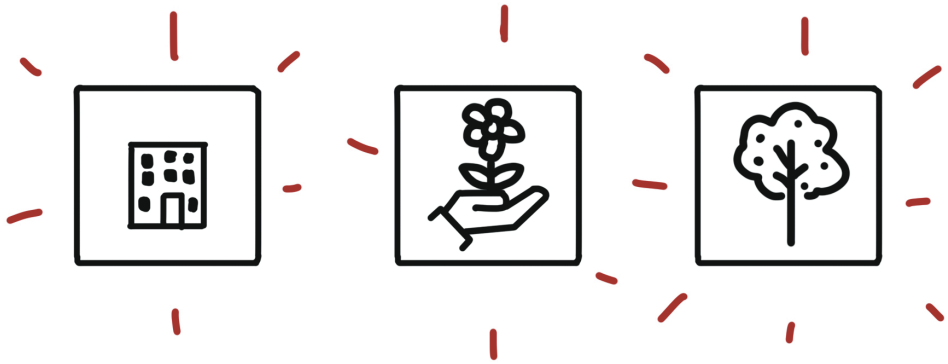
Scene description
We now only see the circular IA arrows on screen, which gradually morphs into a clock.

6b

Script
See panel #6a

Scene description
The clock now morphs into a globe.

7



Script
Although it's reasonable to expect that they will continue to work in the future, there's no guarantee. They certainly won't work all the time. There will be some years when small caps, value stocks and high-profitability stocks don't deliver a return premium at all.

Scene description
The globe vanishes and we can see our three core icons appear back on screen (small cap, value, profitability).

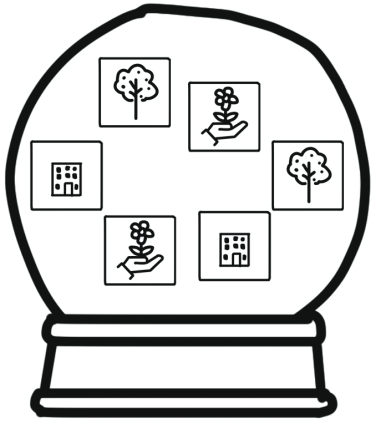
As soon as they reach full opacity, they immediately start to fade again until they are not visible anymore.

8

Script
But the longer your investment horizon, the more likely it is that you will see positive results.

Scene description
A winding path appears from left to right, a flag pops up at the end.

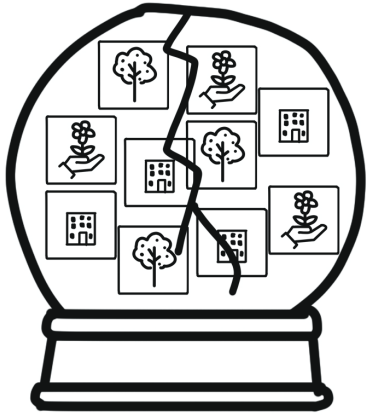
9a



Script
Is it possible to predict when one of these premiums is about to show up?

Scene description
We can see an empty crystal ball. Then, the three core icons (small cap, value, profitability) pop up in random order and frequency.

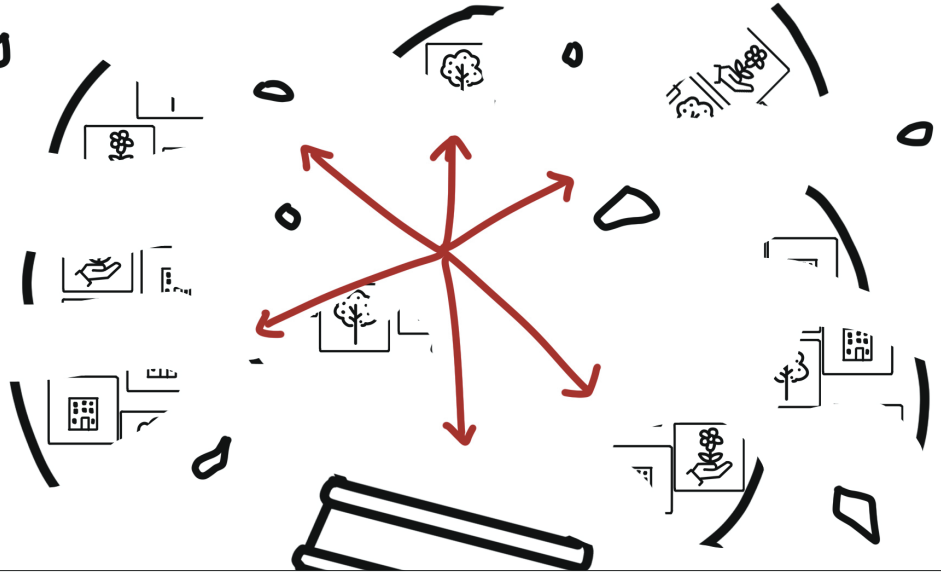
9b



Script
Unfortunately not. Outperformance comes in random bursts.

Scene description
More and more icons appear in random bursts, like pop-corn. The crystal ball starts to crack.

9c



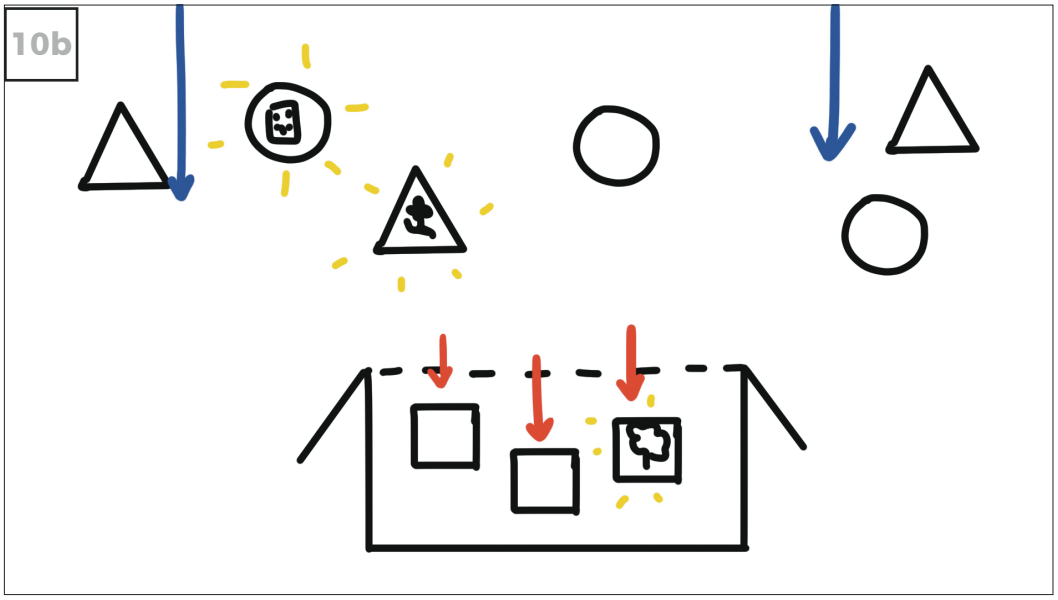
Script
Nor can we identify which specific stocks are going to perform best.

Scene description
Now the ball fully breaks under the pressure.

Script
One of the problems with stock picking is that the bulk of market returns are generally driven by a very small number of companies.

Scene description
After the dust of the crystal ball settles, we can see various shapes (triangles, squares and circles) in different colours (stocks).

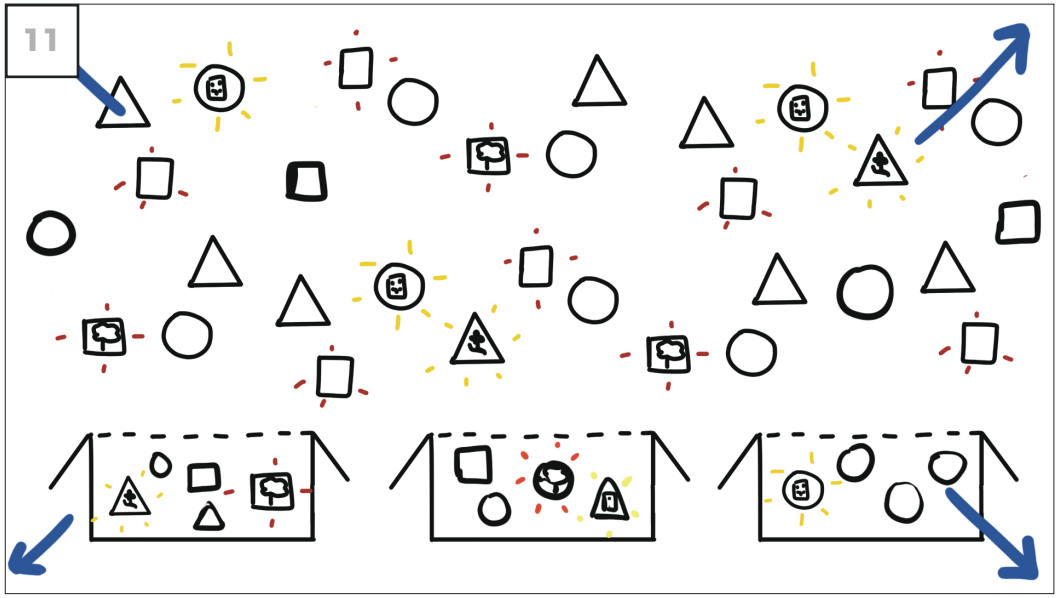
A small number of those shapes now start to glow.



Script
With a concentrated portfolio, there are bound to be some that you'll miss.

Scene description
The camera moves down to reveal a box (a portfolio) which fills up with square shapes, including a "glowing" one.

The box then moves out of shot.

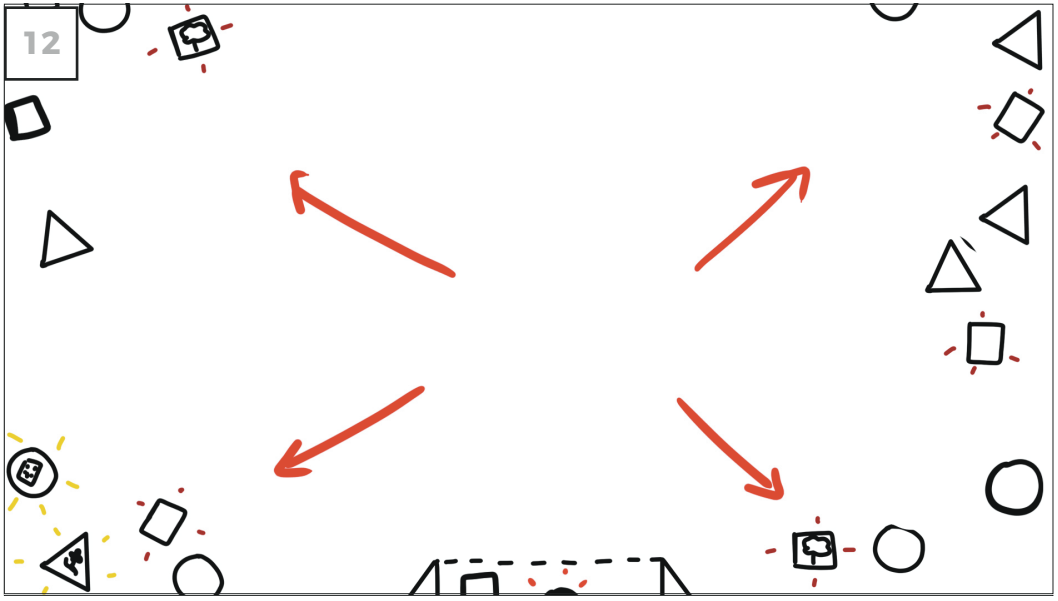


Script
Because most investments don't have targeted exposure to these risk premiums, they're not the answer either.

Scene description
The camera zooms out to reveal more shapes and boxes that are filled with various shapes.

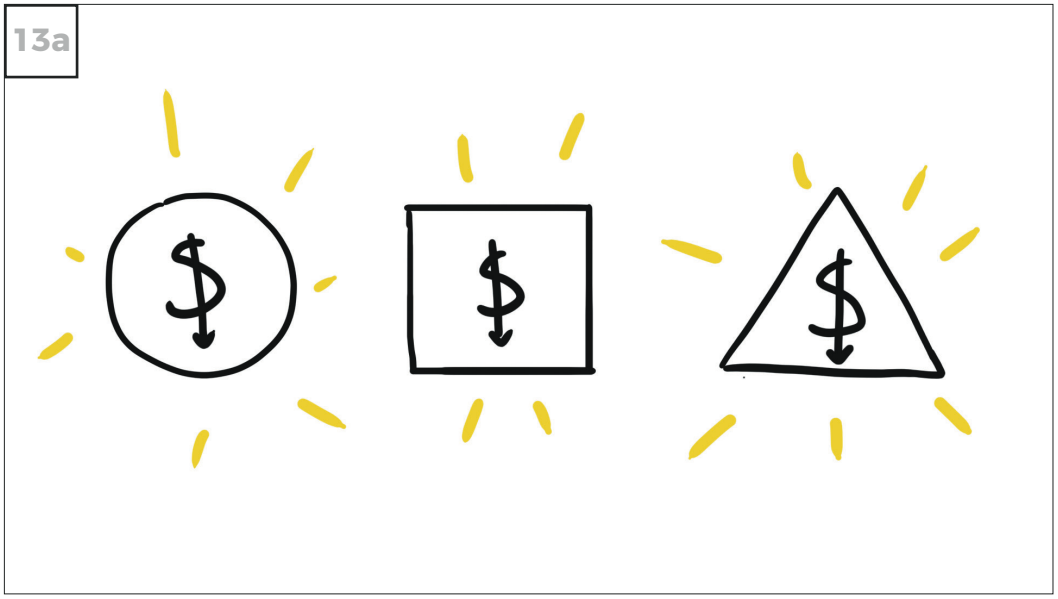
Two boxes have a mixture of different shapes, with a maxium of two glowing shapes (one of each shape) per box.

One box only contains one type of shape and only one glowing shape.



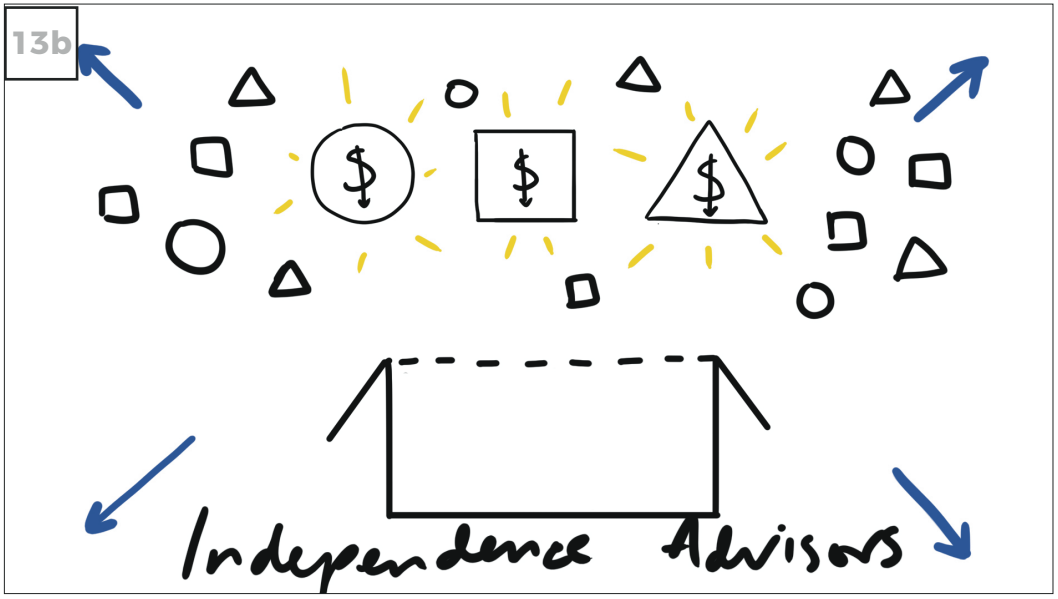
Script
So, what do we do?

Scene description
All the elements on screen are wiped out of shot.



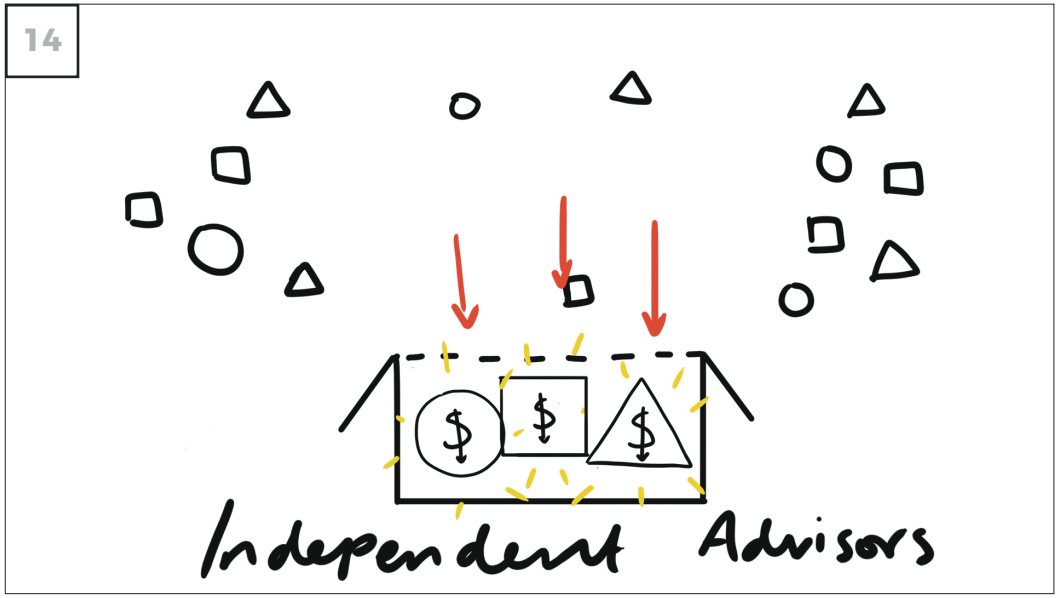
Script
We use investment solutions that offer broad, low cost exposure, to the factors that drive returns.

Scene description
Three new large shapes reveal with the ‘low cost’ symbol in the centre of each.



Script
See Panel 13a

Scene description
The camera zooms out to reveal more shapes as well as an empty box and ‘Independence Advisors’ logo underneath.



Script

That way, whenever a particular factor does produce a premium, a portfolio is structured to capture it.

Scene description

The glowing shapes go inside the box.