

Annual Market Review

2022

This report features world capital market performance and a timeline of events for the past 12 months. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

The report also illustrates the impact of globally diversified portfolios.

Year Ahead Planning: A reminder; now is a good time to review your planning and re-focus on your investment objective and strategy. One of the most common reasons for a plan to fail to meet its stated goal is miscommunication between the client and Investment Counsellor. If you have not done so, please call to schedule a review.

Reminder Capital Gain and Loss Reported on 1099-B. The Capital Gain and Loss Statement is not included with the quarterly/annual VSM statements, your 1099-B from Charles Schwab will be the official reporting document.

Required by the SEC
Rule (204-3)(a) of the Investment Advisor Act requires all Investment Advisors to offer, annually, a copy of their Form ADV, Part II to all of their clients. Please consider this as our offer to deliver our most recent Form ADV, Part II. To request a copy, call 410-825-8844 or visit the VSM website at vs-m.com.

Overview:

Quarterly Topic: This Has Been a Test: Developing a Financial Plan You Can Stick With

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Required by the SEC

SEC adopted the Client Relationship Summary (Form CRS) and requires all registered investment advisors and broker-dealers to prepare and deliver the Form CRS to clients and prospective clients. Form CRS is intended to provide transparency and full disclosure. The CRS along with Form ADV Part II can be found on the VSM website at vs-m.com.

Required by the SEC

Rule (206-3)(6) of the Investment Advisor Act requires all Investment Advisors to make available, to their clients, a copy of their Proxy Voting Policies and Procedures and a copy of the firms' Code of Ethical Conduct. Please consider this our offer to provide, upon request, a copy of our proxy voting policies and procedures and code of ethical conduct.

This Has Been a Test: Developing a Financial Plan You Can Stick With

Fourth quarter 2022

David Booth, Executive Chairman and Founder, Dimensional Fund Advisors

Think back to December 2019. The economy was humming. Unemployment, interest rates, and inflation were at historically low levels. But then what happened?

- A global pandemic hit. By the end of March, the S&P 500 had dropped nearly 20% in value.¹
- Later in the year, scientists announced that they'd developed a vaccine, and markets roared back.
- FAANG stocks soared ... before giving up a lot of gains.²
- Meme stocks shot way up ... and fell back down.
- Bitcoin and other cryptocurrencies reached record highs ... and then crashed.
- Inflation spiked to the highest levels most of us have ever experienced.³
- And Russia invaded Ukraine, sparking a humanitarian crisis and geopolitical uncertainty.

I don't know anyone who predicted all of that back in December 2019. But what if someone had? What would you have done?

Next question: What if that person told you that, despite all that news, the Russell 3000 would average a return of 10% a year over the next three years?⁴ Would you have believed them? Would you have stayed in the market?

Because that's what happened. A yearly return of 10%! That's pretty darn close to the stock market's historical average over the past century.⁵

The conclusion I hope you reach is that it's unrealistic to think you can outguess markets. You're probably better off expecting that markets do their job of capturing the human ingenuity taking place every day across thousands of publicly traded companies around the world.

What do I mean by markets doing their job? When news of the pandemic hit, markets adjusted and prices went down. In other words, when uncertainty peaked around March 2020, investors demanded a higher return to jump into the market. Then, when news of a vaccine spread, the market adjusted its expectations accordingly. In the short term, there are often wild swings up or down. Making a change during either can be dangerous.

This Has Been a Test: Developing a Financial Plan You Can Stick With

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The past three years were a good test of whether or not you had an investment plan that was sensible to stick with. So take a moment to think about why you did what you did, and prepare for next time. Because the next three years may be just as uncertain.

First, make sure your investment plan is sensible and based on financial science. Second, make sure it's realistic for you and your own unique situation. Even the greatest plan is no good if you can't stick with it during tough times. Invest in markets in whatever asset mix is right for you. If you're not sure, talk with a financial advisor who can help you.

What has stayed constant throughout my life is the power of people to make progress in the face of challenges.

I don't make predictions, but I do believe in the power of human ingenuity to fix problems big and small, innovating the whole way. What has stayed constant throughout my life is the power of people to make progress in the face of challenges.

We've seen it in the fight against COVID-19, where vaccines developed at lightning speed are now being administered around the world. We've seen it in the continued progress of gene therapy, which is revolutionizing the treatment of multiple diseases. So as we start 2023, let's remember the lessons of the past three years. Let's develop—and stick to—plans that take us through the short-term ups and downs of market fluctuations so we can capture the long-term benefits of human ingenuity.

¹ S&P data © 2022 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Indices are not available for direct investment. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. Decrease of 19.6% was from Jan. 1, 2020–March 31, 2020.

² Facebook-parent Meta, Amazon, Apple, Netflix, and Google-parent Alphabet.





³ Gwynn Guilford, "U.S. Inflation Hit 7% in December, Fastest Pace Since 1982," *Wall Street Journal*, January 12, 2022.

⁴ In US dollars. Russell 3000 Index annual returns December 2019–November 2022. Copyright © FTSE Russell. All rights reserved.

⁵ In US dollars. S&P 500 Index annual returns 1926–2021. S&P data © 2022 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio.

Quarterly Market Summary



















Index returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
Q4 2022	STOCKS				BONDS	
	7.18%	16.18%	9.70%	6.88%	1.87%	0.18%
						
Since Jan. 2001						
Average Quarterly Return	2.1%	1.5%	2.5%	2.2%	0.9%	0.9%
Best Quarter	22.0%	25.9%	34.7%	32.3%	4.6%	4.6%
	2020 Q2	2009 Q2	2009 Q2	2009 Q3	2001 Q3	2008 Q4
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%	-5.9%	-4.1%
	2008 Q4	2020 Q1	2008 Q4	2008 Q4	2022 Q1	2022 Q1

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2023 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2023, all rights reserved. Bloomberg data provided by Bloomberg.

Long-Term Market Summary

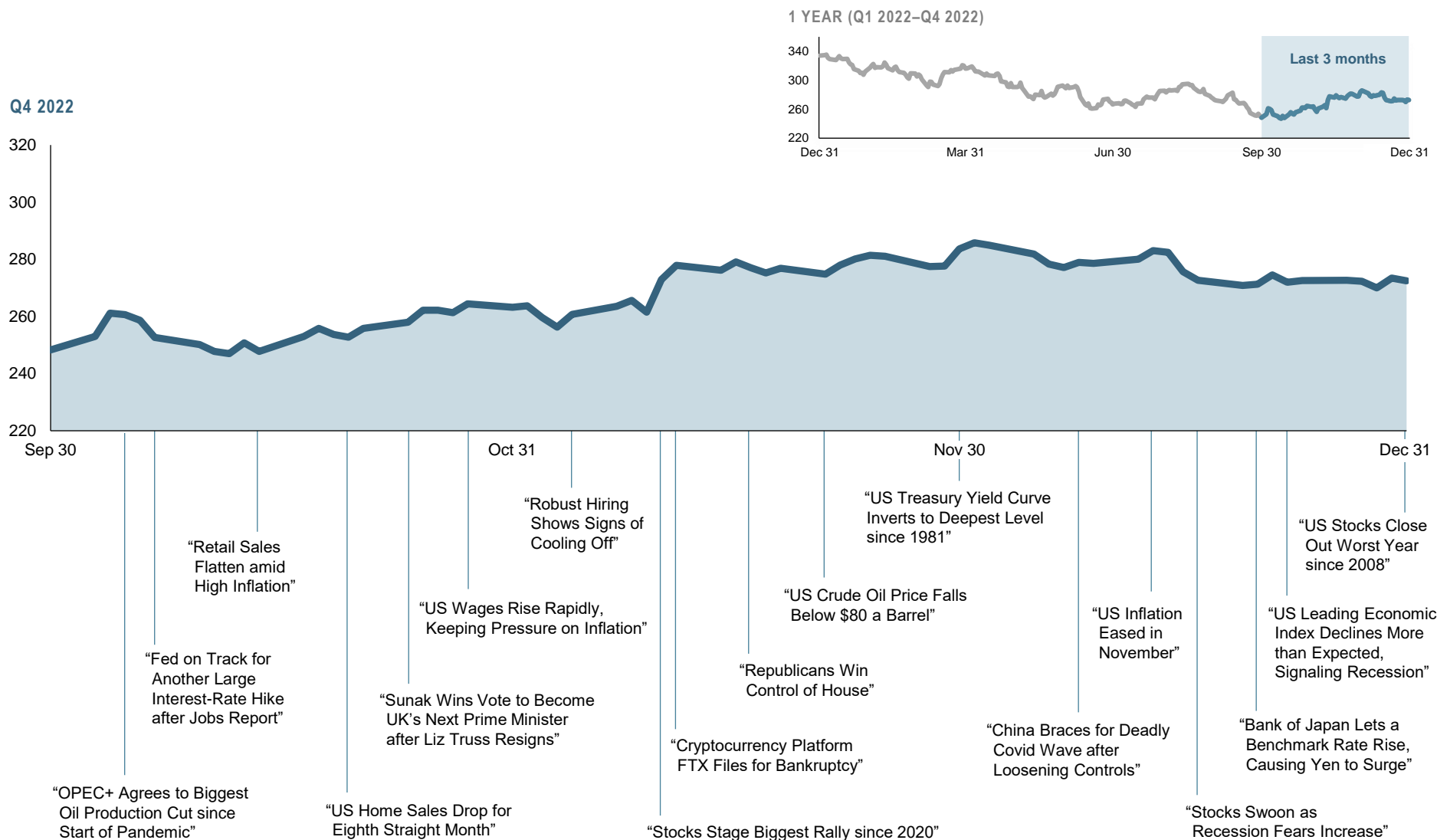
Index returns as of December 31, 2022

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	STOCKS				BONDS	
	-19.21%	-14.29%	-20.09%	-24.36%	-13.01%	-9.76%
						
5 Years						
	8.79%	1.79%	-1.40%	0.92%	0.02%	0.52%
						
10 Years						
	12.13%	4.59%	1.44%	3.88%	1.06%	2.10%
						

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World Stock Market Performance

MSCI All Country World Index with selected headlines from Q4 2022





These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2023, all rights reserved. Index level based at 100 starting January 2001.

It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. **Past performance is not a guarantee of future results.**

Randomness Of Market Returns

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Highest Return   Lowest Return	Small Cap US 36.99%	US REIT 27.40%	US REIT 0.80%	Commodity 9.86%	Emerging Markets 34.35%	US Bonds 0.01%	Large Cap US 28.88%	Large Cap US 18.40%	Commodity 40.35%	Commodity 25.99%
	Large Cap US 29.60%	Large Cap US 11.40%	US Bonds 0.55%	US REIT 8.90%	International Developed 25.03%	Large Cap US -6.20%	US REIT 25.84%	Small Cap US 18.36%	US REIT 35.55%	Global Allocation -12.08%
	International Developed 22.77%	US Bonds 5.97%	Large Cap US -0.73%	US Bonds 5.31%	Large Cap US 19.40%	Global Allocation -6.41%	Small Cap US 23.72%	Emerging Markets 15.84%	Large Cap US 28.71%	US Bonds -13.01%
	Global Allocation 15.97%	Global Allocation 3.71%	International Developed -0.81%	Emerging Markets 5.03%	Global Allocation 14.04%	US REIT -8.00%	International Developed 18.44%	Global Allocation 10.12%	Small Cap US 13.70%	International Developed -16.79%
	Commodity -1.22%	Small Cap US 3.50%	Global Allocation -1.74%	Global Allocation 9.16%	Small Cap US 13.10%	Small Cap US -12.20%	Global Allocation 18.17%	US Bonds 7.51%	Global Allocation 13.52%	Large Cap US -18.11%
	US Bonds -2.02%	Emerging Markets -4.63%	Small Cap US -5.70%	Large Cap US 2.70%	Commodity 5.77%	International Developed -13.79%	Commodity 17.63%	International Developed 5.43%	International Developed 8.78%	Small Cap US -21.56%
	US REIT -2.30%	International Developed -4.90%	Emerging Markets -16.96%	Small Cap US 1.40%	US Bonds 3.54%	Commodity -13.82%	Emerging Markets 15.42%	US REIT -9.32%	US Bonds -1.54%	Emerging Markets -22.37%
	Emerging Markets -5.03%	Commodity -33.06%	Commodity -32.86%	International Developed -4.42%	US REIT -0.10%	Emerging Markets -16.64%	US Bonds 8.72%	Commodity -23.72%	Emerging Markets -4.59%	US REIT -27.89%

Large Cap US is defined as the S&P 500 Index, Small Cap US is defined as the Russel I 2000 Index, US Reit is defined as the Dow Jones US Select REIT Index, International Developed is defined as MSCI EAFE Index, Emerging Markets is defined as the MSCI Emerging Index, Commodity is defined as the S&P GSCI and US Bonds are Defined as the BarCap US Agg Bond Index. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. Global Allocation is defined as the DFA 60/40 Global Allocation Fund Institutional Shares.