



R|W INVESTMENT MANAGEMENT

Q4 Quarterly Market Review

[Fourth Quarter 2021]



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Quarterly Market Review

Fourth Quarter 2021



This report features world capital market performance and a timeline of events for the past quarter. 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 and features a quarterly topic.

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Quarterly Topic: All-Time-High Anxiety

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Quarterly Topic: All-Time-High Anxiety

Fourth Quarter 2021

Weston Wellington
Vice President



Investors are often conflicted about record-high stock prices. They are pleased to see their existing equity holdings gain in value but apprehensive that higher prices somehow foreshadow a dramatic downturn in the future. And they may be reluctant to make new purchases since the traditional “buy low, sell high” mantra suggests committing funds to stocks at an all-time high is a surefire recipe for disappointment.

Financial journalists periodically stoke investors’ record-high anxiety by suggesting the laws of physics apply to financial markets—that what goes up must come down. “Stocks Head Back to Earth,” read a headline in the Wall Street Journal in 2012.¹ “Weird Science: Wall Street Repeals Law of Gravity,” Barron’s put it in 2017.² And a Los Angeles Times reporter had a similar take last year, noting that low interest rates have “helped stock and bond markets defy gravity.”³

Those who find such observations alarming will likely shy away from purchasing stocks at record highs. But shares are not heavy objects kept aloft through strenuous effort. They are perpetual claim tickets on companies’ earnings and dividends. Thousands of business managers go to work every day seeking projects that appear to offer profitable returns on capital while providing goods and services people desire. Although some new ideas and the firms behind them end in failure, history offers abundant evidence that investors around the world can be rewarded for the capital they provide.

Whether at a new high or a new low, today’s share price reflects investors’ collective judgment of what tomorrow’s earnings and dividends are likely to be—and those of all the tomorrows to come. And every day, stocks must be priced to deliver a positive expected return for the buyer. Otherwise, no trade would take place. It’s difficult

to imagine a scenario where investors freely invest in stocks with the expectation of losing money.

Investors should treat record high prices with neither excitement nor alarm, but rather indifference. If stocks have a positive expected return, reaching record highs with some frequency is exactly the outcome we would expect. Using month-end data over the 94-year period ending in 2020, the S&P 500 Index produced a new high in ending wealth in more than 30% of those monthly observations. Moreover, purchasing shares at all-time records has, on average, generated similar returns over subsequent one-, three-, and five-year periods to those of a strategy that purchases stocks following a sharp decline, as Exhibit 1 shows.

Exhibit 1.

All Rise

Average annualized returns for S&P 500 Index after market highs and declines

	1 year later	3 years later	5 years later
After new market high	13.9%	10.5%	9.9%
After 20% market decline	11.6%	9.9%	9.6%

Past performance is no guarantee of future results.

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1. Jonathan Cheng and Christian Berthelsen, “Stocks Head Back to Earth,” Wall Street Journal, February 11, 2012.

2. Kopin Tan, “Weird Science: Wall Street Repeals Law of Gravity,” Barron’s, August 7, 2017.

3. Russ Mitchell, “Tesla’s Insane Stock Price Makes Sense in a Market Gone Mad,” Los Angeles Times, July 22, 2020.

Quarterly Topic: All-Time-High Anxiety

(continued from page 3)

Humans are conditioned to think that after the rise must come the fall, tempting us to fiddle with our portfolios. But the data suggest such signals only exist in our imagination and that our efforts to improve results will just as likely penalize them. Investors should take comfort knowing that share prices are not fighting the forces of gravity when they move higher and have confidence that record highs only tell us the system is working just as we would expect—nothing more.

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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
4Q 2021	STOCKS					BONDS	
	9.28%	3.14%	-1.31%	12.35%		0.01%	0.07%
Since Jan. 2001							
Avg. Quarterly Return	2.5%	1.7%	2.9%	2.7%		1.1%	1.1%
Best Quarter	22.0% 2020 Q2	25.9% 2009 Q2	34.7% 2009 Q2	32.3% 2009 Q3		4.6% 2001 Q3	4.6% 2008 Q4
Worst Quarter	-22.8% 2008 Q4	-23.3% 2020 Q1	-27.6% 2008 Q4	-36.1% 2008 Q4		-3.4% 2021 Q1	-2.7% 2015 Q2

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Long-Term Market Summary

Index Returns as of December 31, 2020



	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate		US Bond Market	Global Bond Market ex US
1 Year	STOCKS					BONDS	
	25.66%	12.62%	-2.54%	31.38%		-1.54%	-1.40%
5 Years							
	17.97%	9.63%	9.87%	8.25%		3.57%	3.11%
10 Years							
	16.30%	7.84%	5.49%	9.01%		2.90%	3.80%

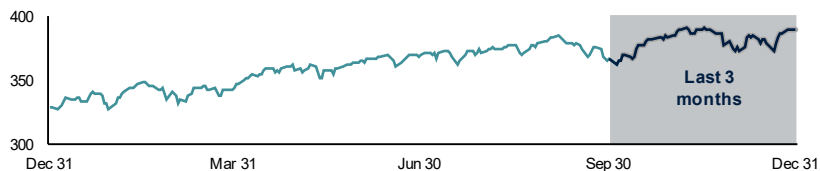
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World Stock Market Performance

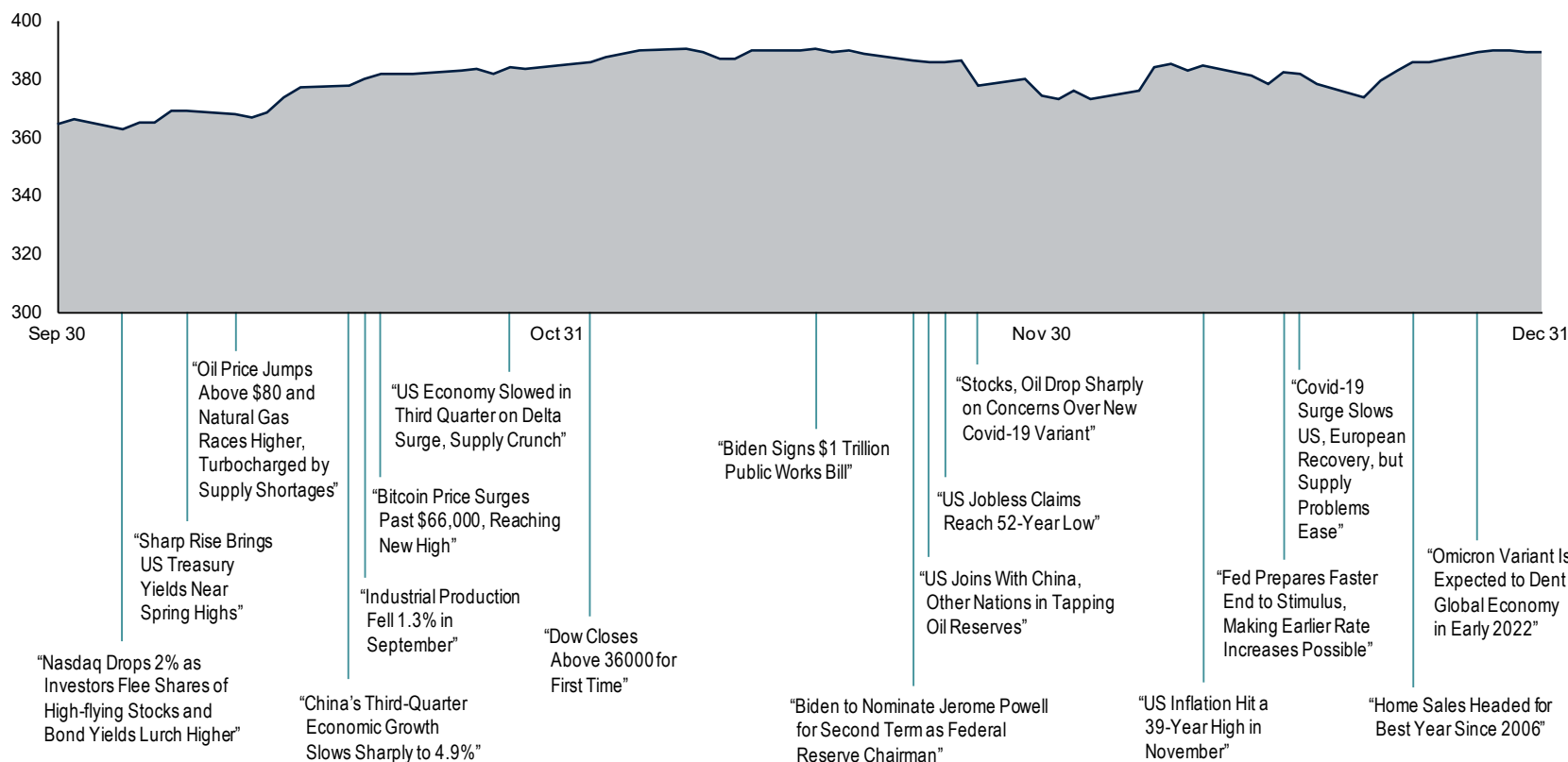


MSCI All Country World Index with selected headlines from Q4 2021

1 year (Q4 2020–Q4 2021)



Q4 2021



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 2022, all rights reserved.

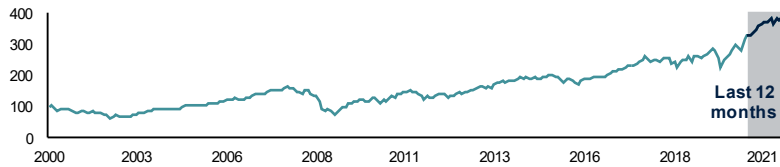
It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

World Stock Market Performance

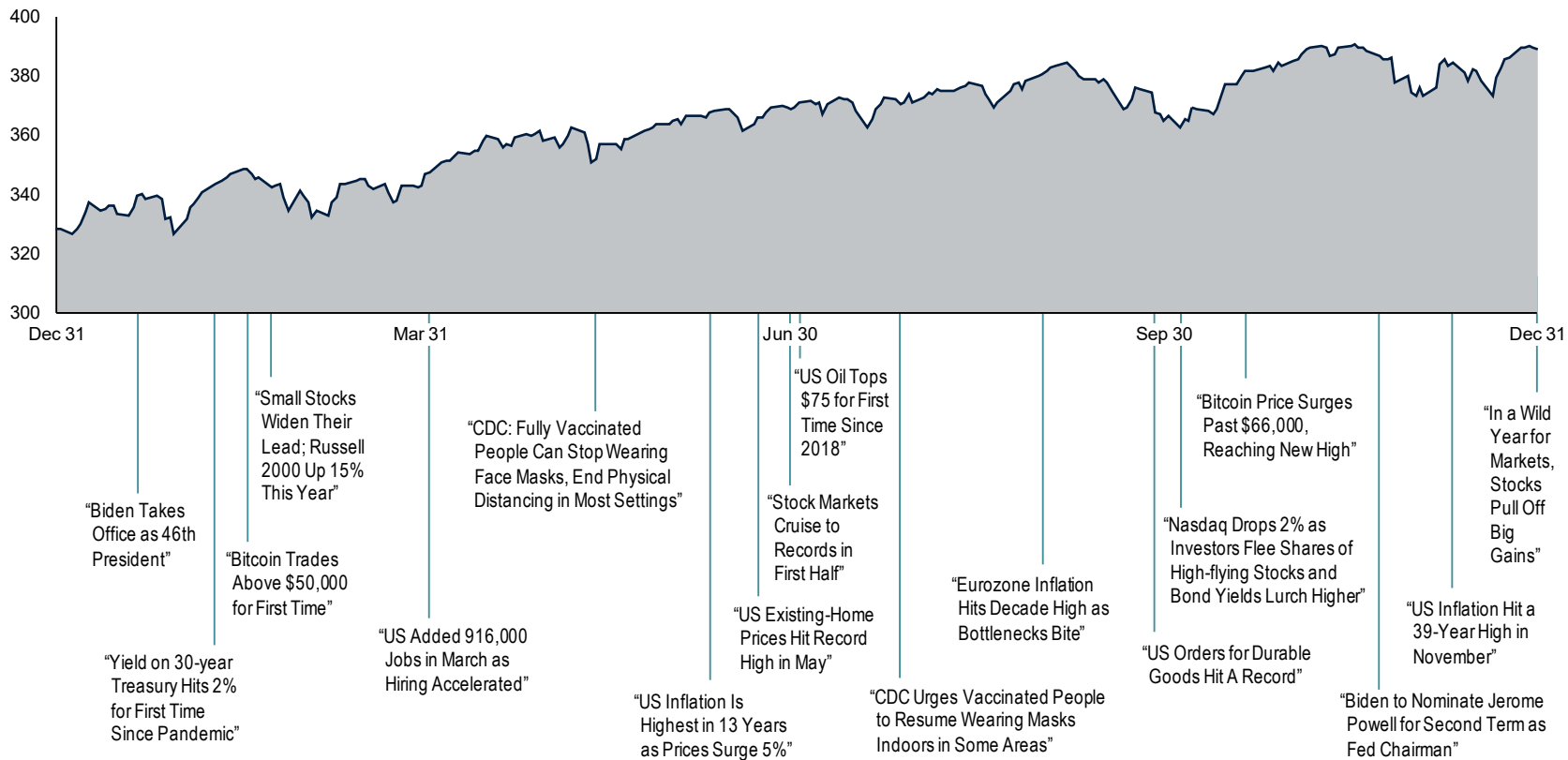


MSCI All Country World Index with selected headlines from past 12 months

Long Term (2000–Q4 2021)



Short Term (Q4 2020–Q4 2021)



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 2022, all rights reserved. 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.

US Stocks

Fourth Quarter 2021 Index Returns



The US equity market posted positive returns for the year and outperformed non-US developed and emerging markets.

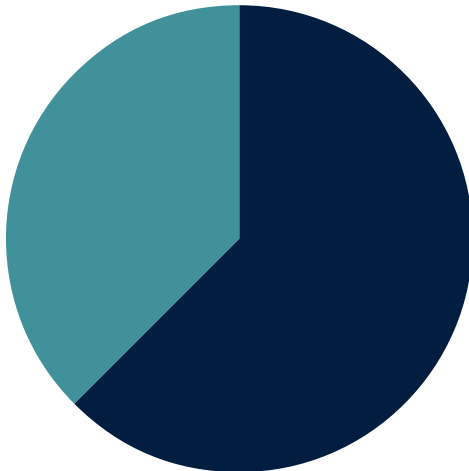
Value underperformed growth in large cap stocks but outperformed growth in small cap stocks. Small caps underperformed large caps.

REIT indices outperformed equity market indices.

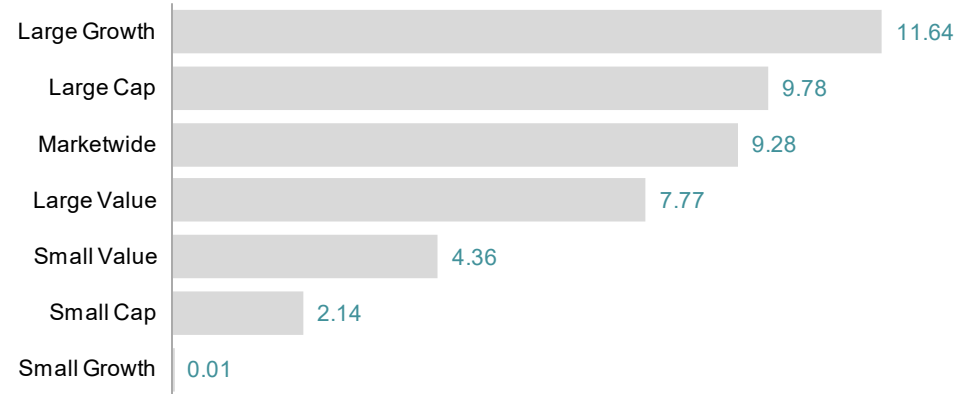
World Market Capitalization—US

60%

US Market
\$47.7 trillion



Ranked Returns (%)



Period Returns (%)

Asset Class	QTR	1 Year	* Annualized		
			3 Years*	5 Years*	10 Years*
Large Growth	11.64	27.60	34.08	25.32	19.79
Large Cap	9.78	26.45	26.21	18.43	16.54
Marketwide	9.28	25.66	25.79	17.97	16.30
Large Value	7.77	25.16	17.64	11.16	12.97
Small Value	4.36	28.27	17.99	9.07	12.03
Small Cap	2.14	14.82	20.02	12.02	13.23
Small Growth	0.01	2.83	21.17	14.53	14.14

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US Stocks

Fourth Quarter 2021 Index Returns



Developed markets outside the US posted positive returns for the year, underperforming US equities but outperforming emerging markets equities.

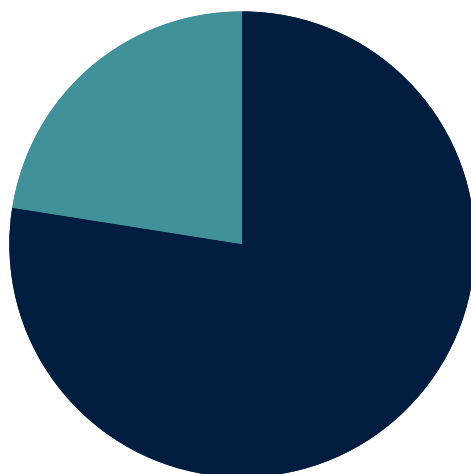
Value outperformed growth.

Small caps underperformed large caps.

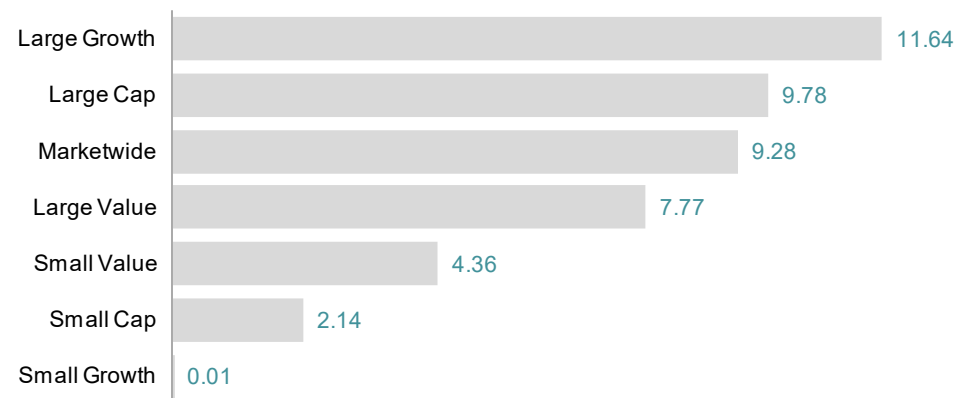
World Market Capitalization—International Developed

29%

International
Developed Market
\$22.8 trillion



Ranked Returns (%)



Period Returns (%)

Asset Class	QTR	1 Year	3 Years*	* Annualized	
				5 Years*	10 Years*
Large Growth	11.64	27.60	34.08	25.32	19.79
Large Cap	9.78	26.45	26.21	18.43	16.54
Marketwide	9.28	25.66	25.79	17.97	16.30
Large Value	7.77	25.16	17.64	11.16	12.97
Small Value	4.36	28.27	17.99	9.07	12.03
Small Cap	2.14	14.82	20.02	12.02	13.23
Small Growth	0.01	2.83	21.17	14.53	14.14

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US Stocks

Fourth Quarter 2021 Index Returns



Emerging markets fell 2.5% for the year, underperforming both US and non-US developed equity markets.

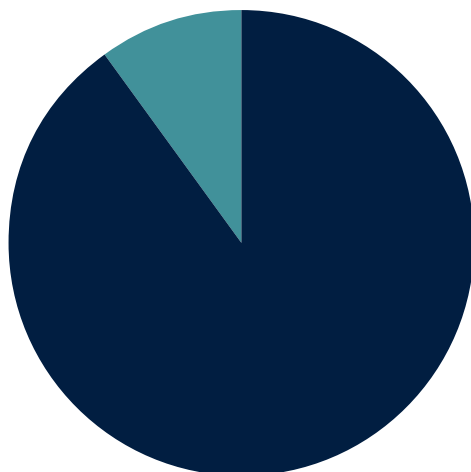
Value outperformed growth.

Small caps outperformed large caps.

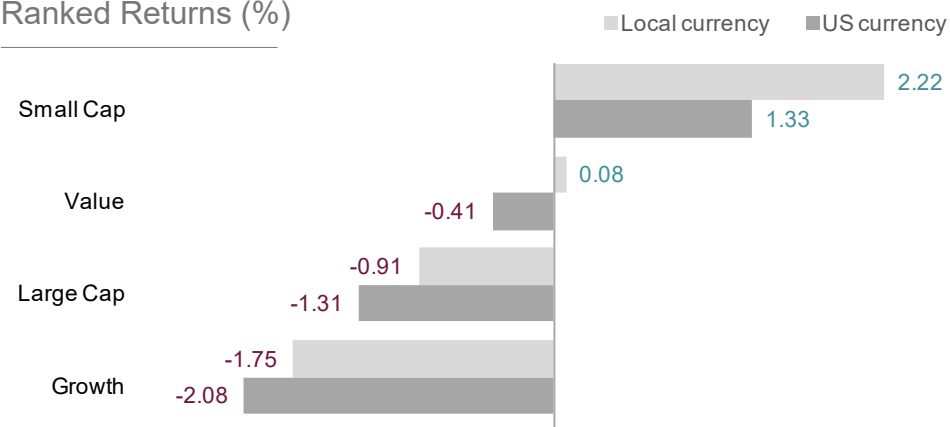
World Market Capitalization—Emerging Markets

11%

Emerging Market
\$9.0 trillion



Ranked Returns (%)



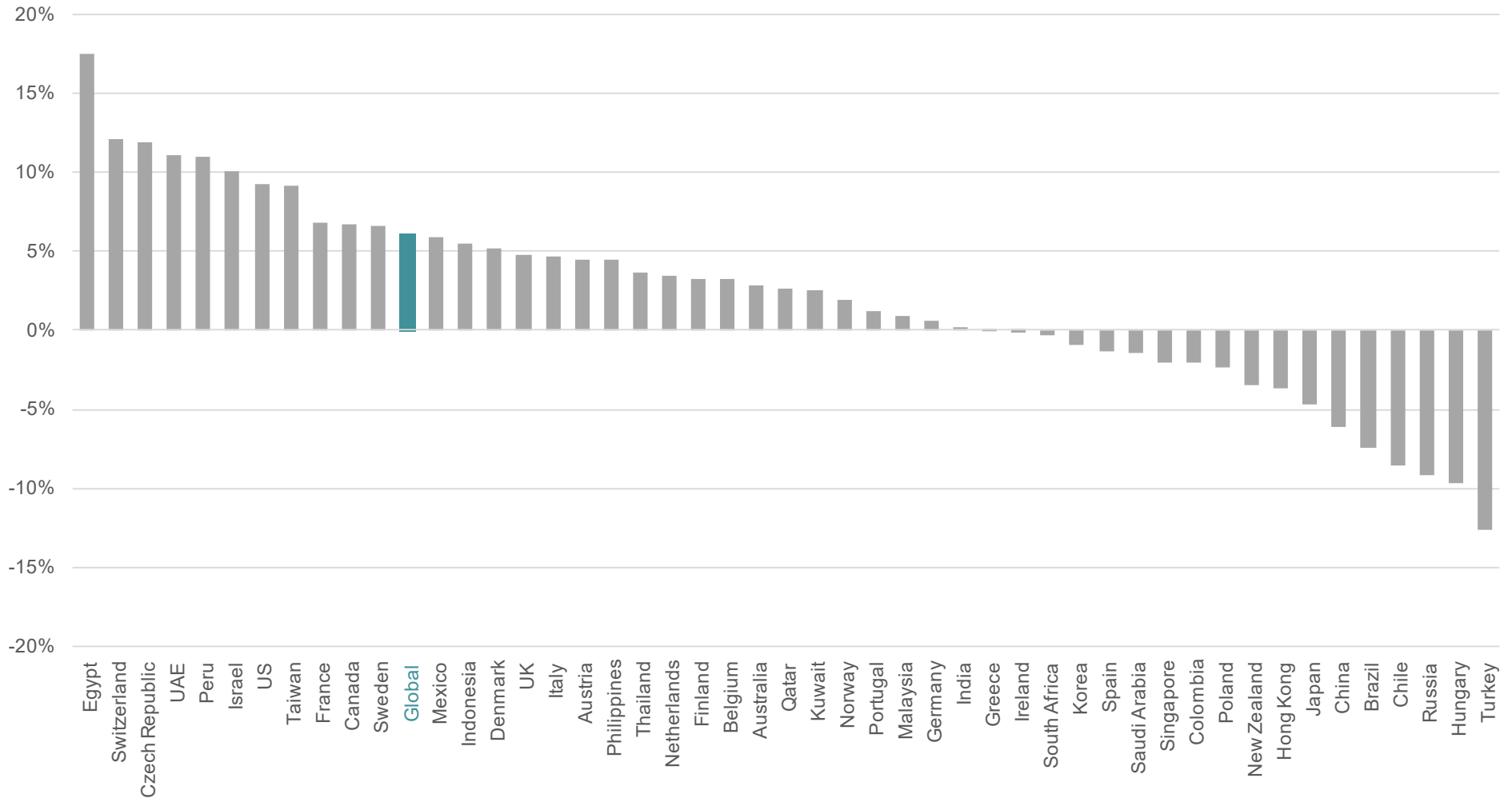
Period Returns (%)

Asset Class	QTR	1 Year	* Annualized		
			3 Years*	5 Years*	10 Years*
Small Cap	1.33	18.75	16.46	11.47	7.42
Value	-0.41	4.00	7.08	7.02	3.31
Large Cap	-1.31	-2.54	10.94	9.87	5.49
Growth	-2.08	-8.41	14.60	12.55	7.52

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Country Returns

Fourth Quarter 2021 Index Returns



Past performance is no guarantee of future results.

Country returns are the country component indices of the MSCI All Country World IMI Index for all countries except the United States, where the Russell 3000 Index is used instead. Global is the return of the MSCI All Country World IMI Index. MSCI index returns are net dividend. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. MSCI data © MSCI 2022, all rights reserved.

Real Estate Investment Trusts (REITs)

Fourth Quarter 2021 Index Returns

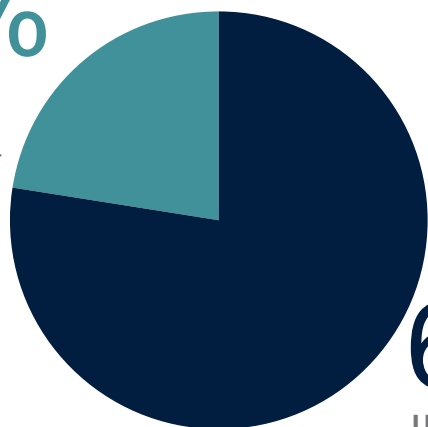


US real estate investment trusts outperformed non-US REITs during the year.

Total Value of REIT Stocks

33%

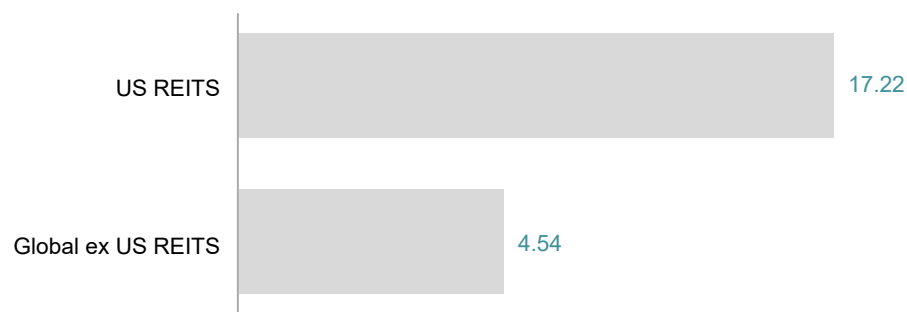
World ex US
\$574 billion 290
REITs (25 other
countries)



67%

US
\$1,139 billion
115 REITs

Ranked Returns (%)



Period Returns (%)

Asset Class	QTR	1 Year	* Annualized		
			3 Years*	5 Years*	10 Years*
US REITS	17.22	45.91	16.84	9.65	10.70
Global ex US REITS	4.54	12.70	7.79	6.04	7.17

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Commodities

Fourth Quarter 2021 Index Returns



The Bloomberg Commodity Index Total Return returned -1.56% for the fourth quarter of 2021.

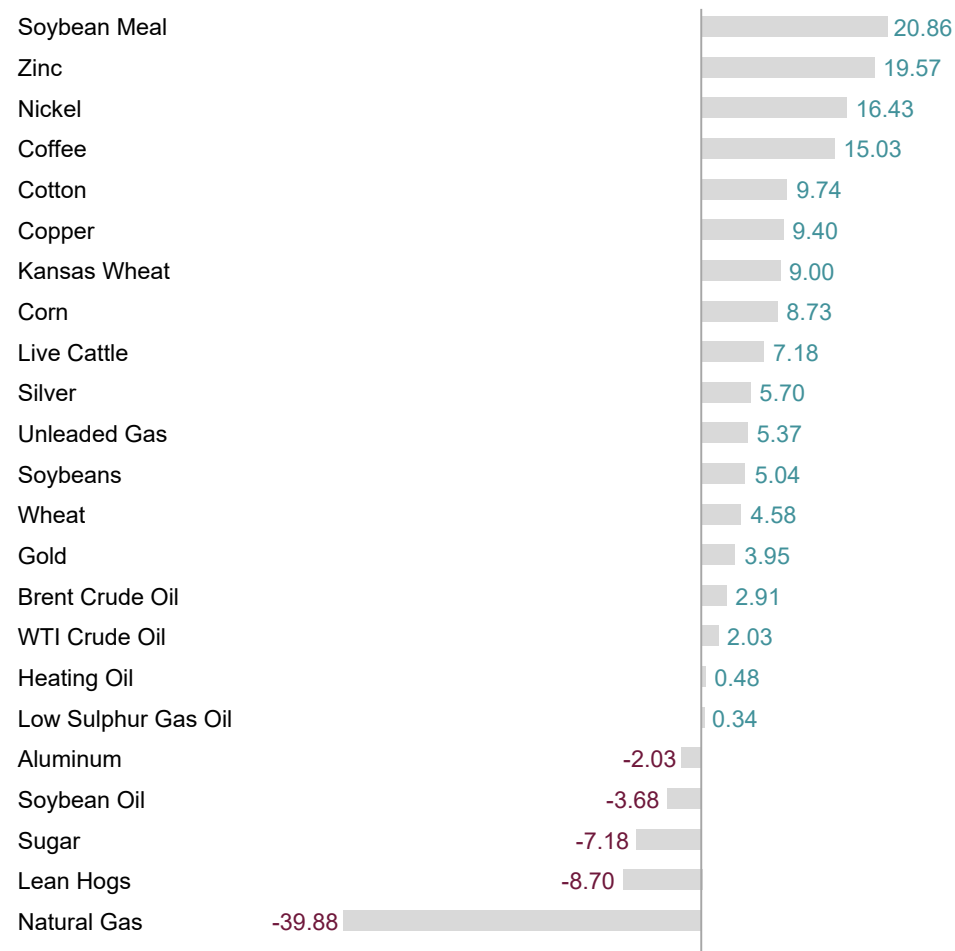
Soybean Meal and Zinc were the best performers, advancing 20.86% and 19.57%, respectively.

Natural Gas and Lean Hogs were the worst performers, declining 39.88% and 8.70%, respectively.

Period Returns (%)

Asset Class	QTR	1 Year	* Annualized		
			3 Years*	5 Years*	10 Years*
Asset Class	17.22	45.91	16.84	9.65	10.70
Global ex US REITS	4.54	12.70	7.79	6.04	7.17

Ranked Returns (%)



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Fixed Income

Fourth Quarter 2021 Index Returns



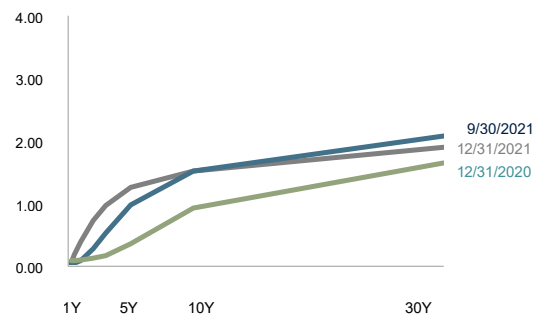
Interest rate movements in the US Treasury fixed income market were mixed during the fourth quarter. The yield on the 5-year US Treasury note increased 28 basis points (bps) to 1.26%. The yield on the 10-year US Treasury note remained unchanged at 1.52%. The 30-year US Treasury bond yield decreased 18 bps to 1.90%.

On the short end of the yield curve, the 1-month US Treasury bill yield decreased 1 basis point, ending at 0.06%, while the 1-year US Treasury bill yield increased 30 bps to 0.39%. The 2-year US Treasury note yield increased 45 bps to 0.73%.

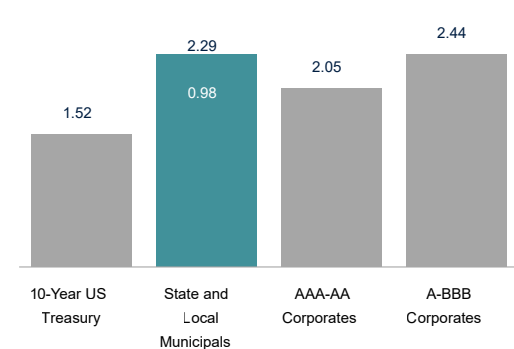
In terms of total returns, short-term corporate bonds lost 0.68%. Intermediate-term corporate bonds declined 0.56%.

The total return for short-term municipal bonds was -0.05%, while intermediate-term municipal bonds gained 0.27%. Revenue bonds performed in line with general obligation bonds.

US Treasury Yield Curve (%)



Bond Yield Across Issuers (%)



Period Returns (%)

Asset Class	QTR	1 Year	3 Years*	5 Years*	* Annualized
					10 Years*
Bloomberg US Government Bond Index Long	3.05	-4.57	8.78	6.53	4.53
Bloomberg US TIPS Index	2.36	5.96	8.44	5.34	3.09
Bloomberg Municipal Bond Index	0.72	1.52	4.73	4.17	3.72
Bloomberg US High Yield Corporate Bond Index	0.71	5.28	8.83	6.30	6.83
Bloomberg US Aggregate Bond Index	0.01	-1.54	4.79	3.57	2.90
ICE BofA US 3-Month Treasury Bill Index	0.01	0.05	0.99	1.14	0.63
ICE BofA 1-Year US Treasury Note Index	-0.18	-0.07	1.55	1.42	0.86
FTSE World Government Bond Index 1-5 Years (Hedged to USD)	-0.52	-0.80	2.07	1.89	1.66
FTSE World Government Bond Index 1-5 Years	-1.41	-4.43	1.38	1.79	-0.33

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Global Fixed Income

As of November 30, 2021



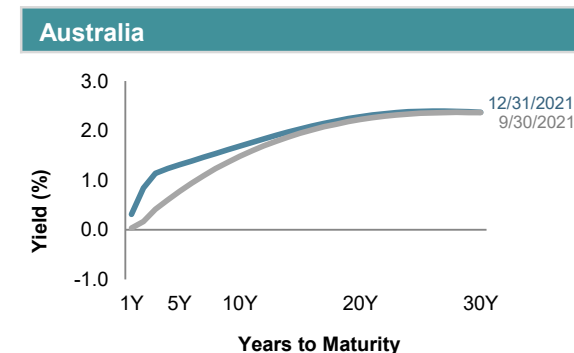
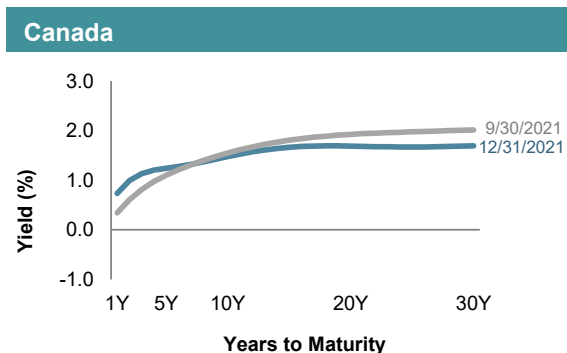
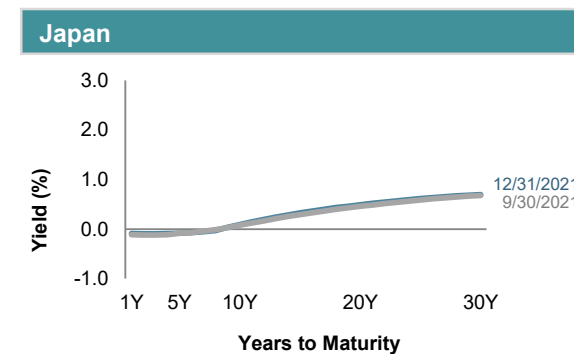
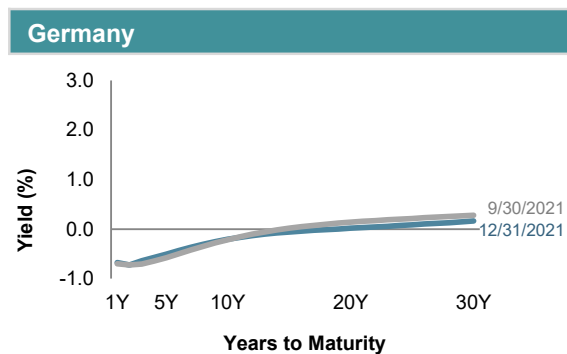
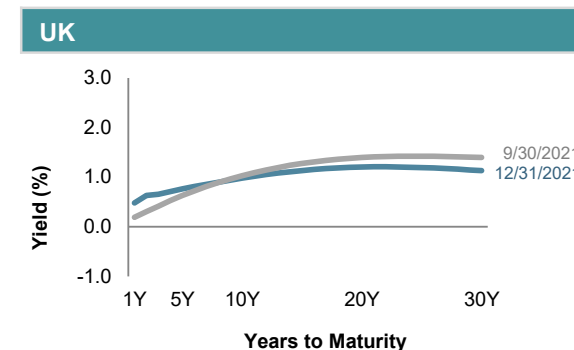
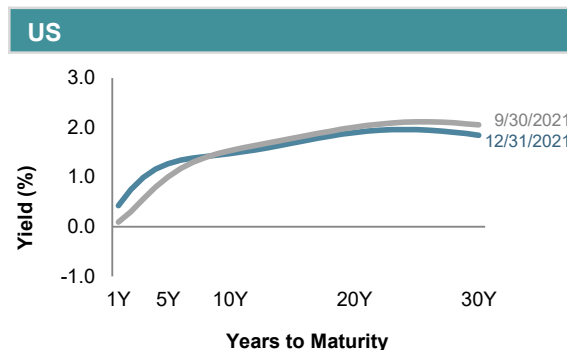
Government bond yield movements in the global developed markets were mixed for the quarter. Interest rates in many global developed markets increased along the shorter end but decreased along the longer end of their respective curves.

Term premiums were mixed in developed markets. Long-term bonds were generally the best performers, and intermediate-term bonds were generally the worst performers.

Short-and intermediate-term nominal interest rates were negative in Japan and Germany.

Changes in Yields (bps) since 9/30/2021

	1Y	5Y	10Y	20Y	30Y
US	33.3	26.5	-6.0	-10.8	-20.8
UK	28.9	13.3	-5.1	-19.2	-26.4
Germany	2.2	7.3	0.8	-12.1	-12.0
Japan	2.1	0.1	1.2	3.3	1.8
Canada	39.3	14.0	-7.4	-23.6	-32.0
Australia	28.3	53.6	20.6	5.7	1.0



Impact of Diversification

As of November 30, 2021

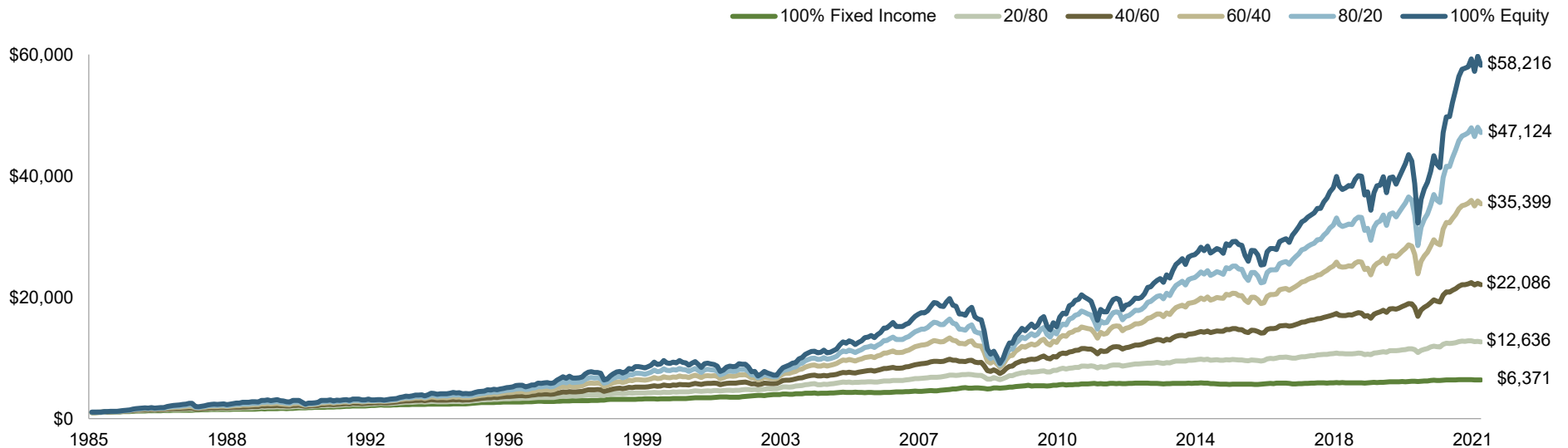


These indices illustrate the performance of different global stock/bond mixes and highlight the benefits of diversification. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

Period Returns (%)

Dimensional Core Plus Wealth Index Model	* Annualized					10-Year STDEV ¹
	3 Month	1 Year	3 Years*	5 Years*	10 Years*	
100% Equity	-1.78	23.54	15.92	14.01	12.71	14.06
80/20	-1.65	18.55	14.51	12.50	11.57	11.73
60/40	-1.54	13.35	12.61	10.53	9.76	9.04
40/60	-1.43	8.37	9.15	7.57	7.17	6.12
20/80	-1.67	3.23	5.98	4.87	4.05	3.71
100% Fixed Income	-1.02	0.33	2.65	2.08	1.04	1.72

Period Returns (%)



1. STDEV (standard deviation) is a measure of the variation or dispersion of a set of data points. Standard deviations are often used to quantify the historical return volatility of a security or portfolio. **Diversification does not eliminate the risk of market loss. For illustrative purposes only. Past performance is no guarantee of future results. The performance reflects the growth of a hypothetical \$1,000. Assumes all models have been rebalanced monthly. See appendix for allocation information. All performance results are based on performance of indexes with model/back-tested asset allocations; the performance was achieved with the benefit of hindsight; it does not represent actual investment strategies. The index models are unmanaged and the model's performance does not reflect advisory fees or other expenses associated with the management of an actual portfolio. In particular, Model performance may not reflect the impact that economic and market factors may have had on the advisor's decision making if the advisor were actually managing client money. The models are not recommendations for an actual allocation. Indices are not available for direct investment. Backtested performance results assume the reinvestment of dividends and capital gains. Sources: Dimensional Fund Advisors LP for Dimensional Indices. Copyright 2022 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.**