

Quarterly Markets Review

Q4

FOURTH QUARTER 2023

Markets Update: A Quarter in Review

FOURTH QUARTER 2023

ECONOMY

U.S. economic growth was surprisingly strong given the Fed's efforts to cool the economy and inflation with higher interest rates and continuing reduction of their balance sheet. In addition, we experienced a banking crisis and large-scale failures, geopolitical conflicts internationally, and the ongoing normalization from the global pandemic. The trend rate of inflation continued to moderate toward the Fed's 2% long-run target. The labor market also remained stronger than anticipated with this backdrop, and wage growth outpaced inflation, supporting consumers' ability to spend and leading many economists and investment strategists to remove their recession forecasts and replace with "soft landing" expectations coming into 2024. While higher for longer was the Q3 mantra of the Fed, their "pivot" with expectations for no more interest rate increases, and even rate cuts forecasted in 2024, led to a strong showing for risk assets in the final two months of 2023. The reason for those potential future rate cuts will be a key driver for market returns this year. If because the Fed achieves wringing inflation out of the system with higher interest rates without a spike in unemployment and negative GDP growth, and are normalizing policy rates, stocks and bonds should do well absent an exogenous shock. If, however, they're cutting aggressively because the lagged effects of tighter monetary policy are seeping into the economy and causing disruptions, a recession could unfold with higher unemployment level and reduced consumer spending. This would be a negative outcome for stocks, though bonds should provide more ballast given higher starting yields than in the start of 2022. If inflation were to re-emerge and move materially higher, then yields would likely rise, and bond and stock prices would be expected to fall in the short to medium term. We are watching closely and are prepared to navigate portfolios through any of these potential scenarios.

STOCKS

Equity markets bottomed in late October and then went on a tear. Total returns for equities across the globe closed out the year with quite surprising upside returns of ~22% in 2023. In the fourth quarter alone, the US equity market returned ~12%, outperforming both international developed stock markets ~11%, and emerging markets stocks ~8%. With a lackluster year for earnings growth, prices for U.S. stocks appear to be reflecting the optimism of a soft landing, continued disinflation, and the avoidance of a deep economic recession. Earnings growth and valuations look relatively attractive in foreign stock markets, especially emerging markets. Our positioning reflects this fundamental backdrop while remaining broadly diversified by geography, company size, sectors, and risk factors.

BONDS

In a sharp reversal from the previous quarter, interest rates generally fell across all bond maturities in the US Treasury market for the quarter. Given that yields and prices move inversely with one another, lower rates meant higher prices for the quarter. Total return for the broad U.S. bond market was ~7% during Q4 alone, pulling up the full-year return to ~6%. The broad municipal bond market also returned ~6% in 2023 (~8% in Q4). Attractive returns from bonds were a welcomed result given the shock bond investors experienced the prior year, and the generally muted returns when interest rates were artificially low since the global financial crisis.

Markets Update: A Quarter in Review Continued

FOURTH QUARTER 2023

REAL ESTATE

In another example of why staying the course is often rewarded, real estate provided attractive returns in 2023 in the face of many headwinds (high vacancies in office, shift to ecommerce for retail, higher interest rates for financing, rent decreases, etc.) Global real estate was up ~15% for the quarter, outperforming both stocks and bonds. On a full-year basis, global real estate returned ~10%. US real estate investment trusts outperformed non-US REITs during the quarter and for the full year. There is a significant amount of commercial property loans maturing this year, with increased levels occurring through 2027. How borrowers and lenders (predominantly regional banks, non-bank financial institutions, and private credit investors) navigate this period remains to be seen and is a significant known risk that's already generally been priced into markets with global real estate returning only ~3% annually over the past 3 years, well below its historical average of ~7% since 2001.

DISCLOSURE

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. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income. For a description of indices: www.waypointwp.com/index-descriptions

Market segment (index representation) as follows: Global stocks (MSCI All-Country World Index, [net dividends]), US stocks (Russell 3000 Index), International developed stocks (MSCI World ex USA Index [net dividends]), Emerging market stocks (MSCI Emerging Markets Index [net dividends]), US bonds (Bloomberg US Aggregate Bond Index), Global bonds ex-US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]), Municipal bonds (Bloomberg Municipal Bond Index), TIPS (Bloomberg US TIPS Index), US REITs (Dow Jones US Select REIT Index), Non-US REITs (S&P Global ex-US REIT Index) and Global Real Estate (S&P Global REIT Index [net dividends]). 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.

World Stock Market Performance: A Quarter in Review

FOURTH QUARTER 2023

MSCI All Country World Index with selected headlines from Q4 2023

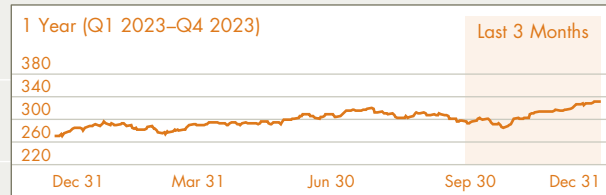
360

340

320

300

280



Sep 30

Oct 31

Nov 30

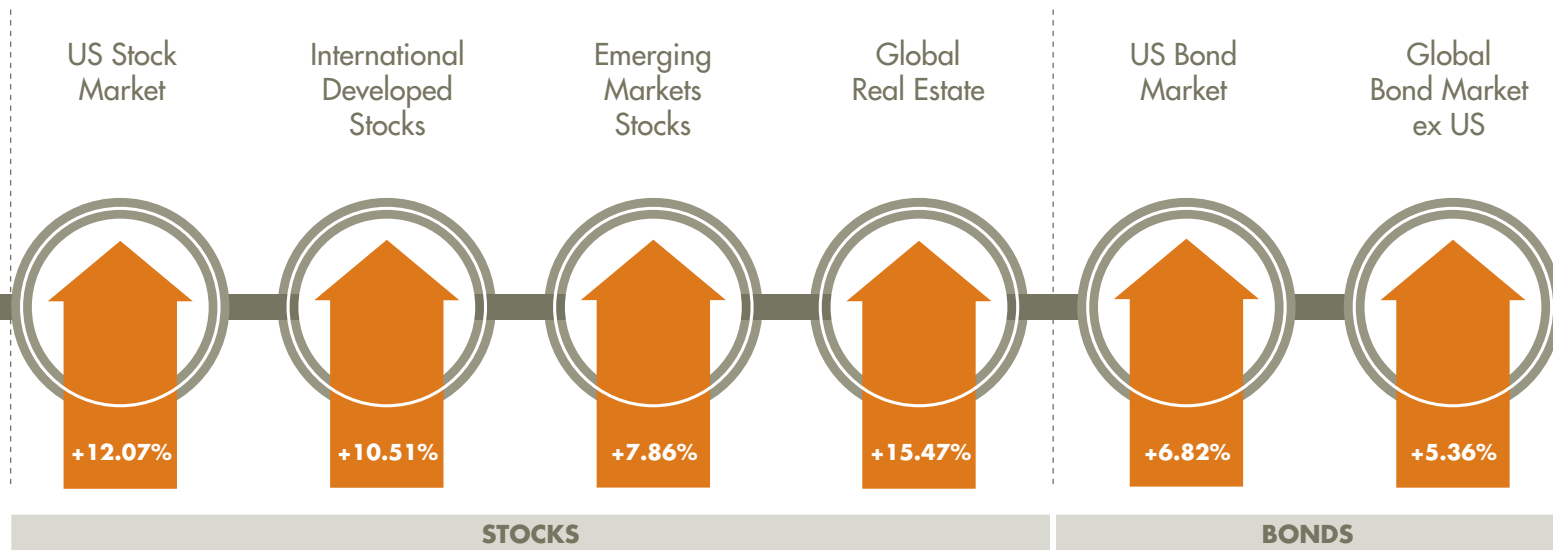
Dec 31



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 2000. 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. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income. For a description of indices: www.waypointwp.com/index-descriptions

Markets Summary: Fourth Quarter 2023 Index Returns

FOURTH QUARTER 2023



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Beyond the Quarter: Survey of Long Term Performance

AS OF DECEMBER 31, 2023

INDEX	5 Years %	10 Years %	20 Years %	Since Inception %	Inception Date
Global Stocks					
MSCI All Country World Index (gross div.)	12.27%	8.48%	8.10%	8.11%	JANUARY 1988
US Stocks					
Russell 3000 Index	15.16%	11.48%	9.67 %	11.89%	JANUARY 1979
International Stocks					
MSCI World ex USA Index (gross div.)	9.02%	4.85%	6.20%	9.08%	JANUARY 1970
MSCI Emerging Markets Index (gross div.)	4.07%	3.05%	7.20%	9.52%	JANUARY 1988
Global Real Estate Investment Trust Stocks					
S&P Global REIT Index (gross div.)	5.25%	5.84%	6.86%	8.04%	JULY 1989
Bonds					
Bloomberg Barclays U.S. Aggregate Bond Index	1.10%	1.81%	3.17%	6.61%	JANUARY 1976
Bloomberg Barclays Global Aggregate Bond Index (hedged to USD)	1.40%	2.41%	3.42%	5.20%	JANUARY 1990
Inflation					
US Consumer Price Index*	4.03%	2.80%	2.58%	2.95%	JANUARY 1926

*As of November 30, 2023.

Source: Dimensional Fund Advisors. 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. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income. For a description of indices: www.waypointwp.com/index-descriptions.

Magnificent 7 Outperformance May Not Continue

FOURTH QUARTER 2023

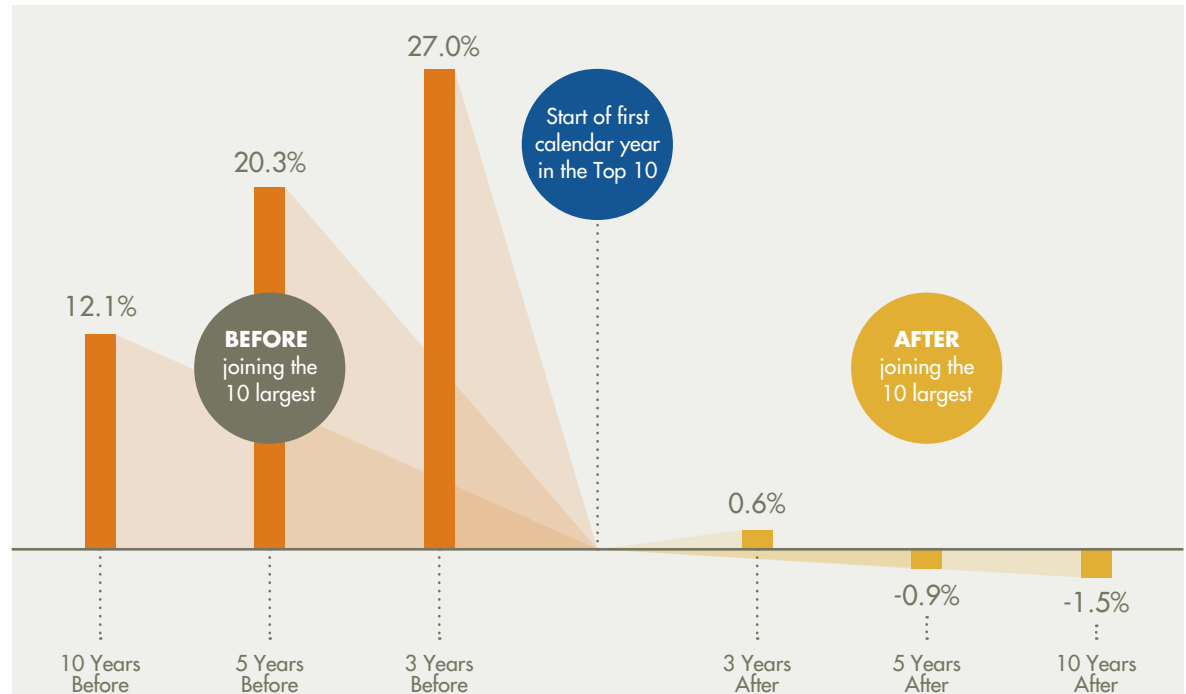
The Magnificent 7 stocks¹ continue to capture the focus of investors as these large growth names have outpaced the bulk of global equities. Their outperformance is notable because eye-popping returns for top stocks tend to occur before they reach the top of the market. Once there, subsequent returns tend to lag the market.

This is a cautionary tale for investors expecting continued outperformance from the Magnificent 7. In fact, rather than seeking additional exposure to these mega cap stocks, investors should ensure their portfolios are broadly diversified to capture the returns of whatever companies ascend to the top in the future.

1. The Magnificent 7 stocks include Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla. Named securities may be held in accounts managed by Dimensional.

EXHIBIT 1: VIEW FROM THE TOP

Annualized returns in excess of the US market before and after joining the top 10 largest US stocks, January 1927–December 2022



Past performance is no guarantee of future results. In USD. Data from CRSP and Compustat. Companies are sorted every January by beginning-of-month market capitalization to identify first-time entrants into the top 10.

CONTINUED OVER ►

Magnificent 7 Outperformance May Not Continue (CONTINUED)

FOURTH QUARTER 2023

Article by Wes Crill, PhD, Dimensional Fund Advisors

Past performance is no guarantee of future results.

In USD. Data from CRSP and Compustat. Companies are sorted every January by beginning-of-month market capitalization to identify first-time entrants into the top 10.

The market is defined as the Fama/French Total US Market Research Index. The Fama/French indices represent academic concepts that may be used in portfolio construction and are not available for direct investment or for use as a benchmark. Eugene Fama and Ken French are members of the Board of Directors of the general partner of, and provide consulting services to, Dimensional Fund Advisors LP. See “Index Description” for a description of the Fama/French index data.

Indices are not available for direct investment. The index has been included for comparative purposes only.

Fama/French Total US Market Index: Fama/French Total US Market Research Factor + One-Month US Treasury Bills. Source: Ken French’s data library: https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html

Results shown during periods prior to the index inception date do not represent actual returns of the index. Other periods selected may have different results, including losses. Backtested index performance is hypothetical and is provided for informational purposes only to indicate historical performance had the index been calculated over the relevant time periods. Backtested performance results assume the reinvestment of dividends and capital gains.

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FOURTH QUARTER 2023

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