May 24, 2022

UNDERSTANDING THE MARKET TURBULENCE

We've had conversations recently with clients who have expressed apprehension about the economy and market decline. We know these thoughts are common and very much understand your concerns. What you're feeling is very natural and you're in good company. The market can play with ***all*** of our emotions – in the short run, market prices are dictated by the feelings of greed and fear.

That's why it is so important to focus on history and data – so we can minimize the emotional component and remain focused on achieving the returns that we discussed in our financial plan with you.

Taking a step back, let's see where we've come from, even with the recent sell-off. From the beginning of 2019, the total returns have been:[1]

S&P 500:	64.9%
Dow Jones:	44.2%
Nasdaq:	77.0%
Aggregate Bond Index:	3.9%

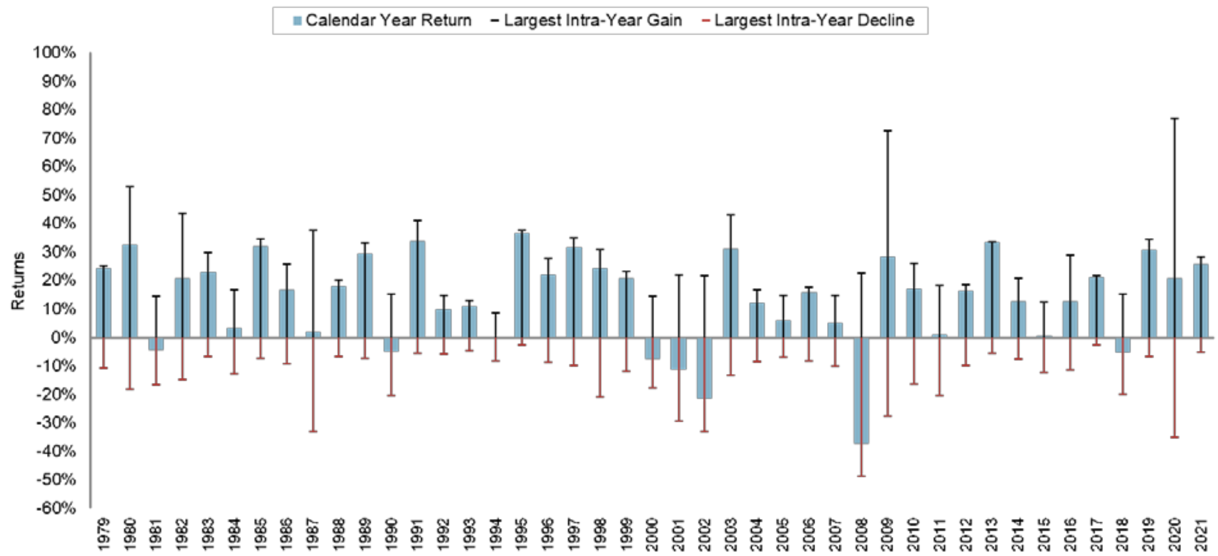
It's helpful to share how common what we're experiencing is and why we believe it's far more important to stay invested, while continuing to take advantage of what's being provided by the market.

- When you see what's going on in the market, remember that the market in the short term is driven by investors with very different objectives than what you have. It's driven by hedge funds and traders who have very short-term goals and often use leverage, which means they can be forced to sell their positions to meet margins calls, which makes the market look worse.
- Don't think the market reflects those who have financial plans.
- Over time the market aligns with the long-term cash flows of the economy.

Looking back over the last 40+ years, **we have 10%+ selloffs *roughly every other year***. You can see from the following chart that typically in those years, we have huge rallies too. So, despite having about 20 years where there's been a 10% sell-off, we've only had 7 down years over the 40 years.

- In other words, 2/3rds of the time during large selloffs, the market rallies in that year to be up on the year.

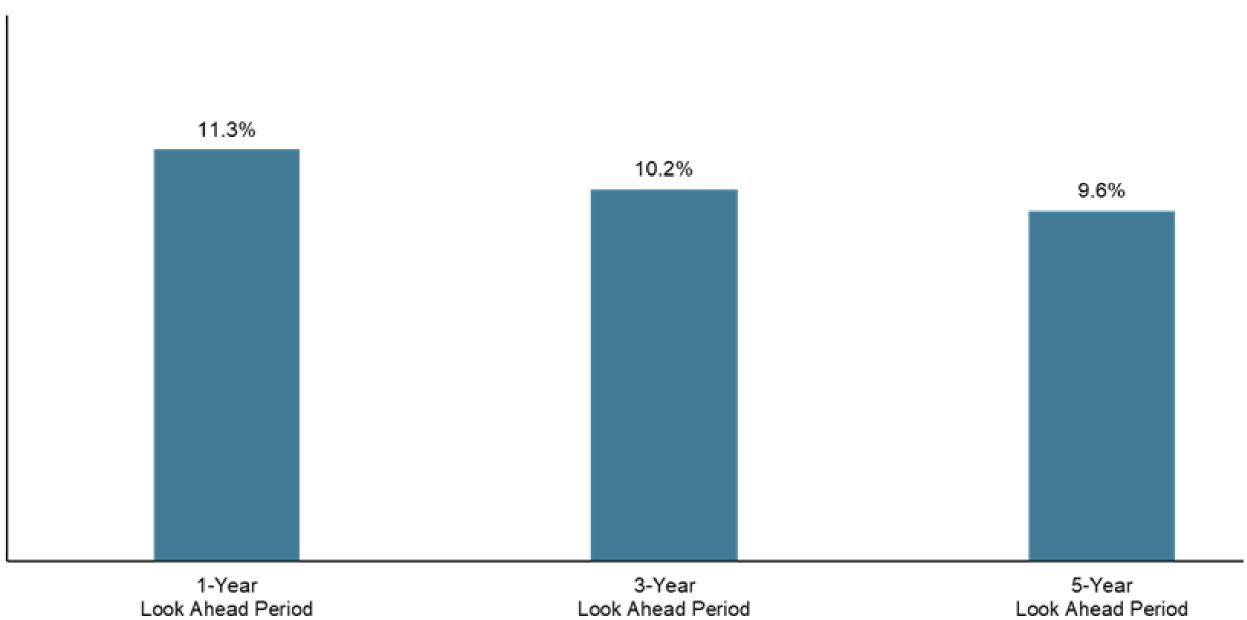
[1] Total returns from 12/31/2018 – 5/19/22. *Source: Bloomberg*



Source: Dimensional Fund Advisors

Even with downturns and concerns about recessions, returns still stay strong looking at nearly 100 years of data (including recessions)

Average Annualized Returns After Market Decline of More than 10% - S&P 500
January 1926 – December 2020



Source: Dimensional Fund Advisors

The challenge is that ***no one knows when the market will turn***. And the **cost of not being in the market can be massive** when you compound the difference of being in and out of the market.

Reacting Can Hurt Performance

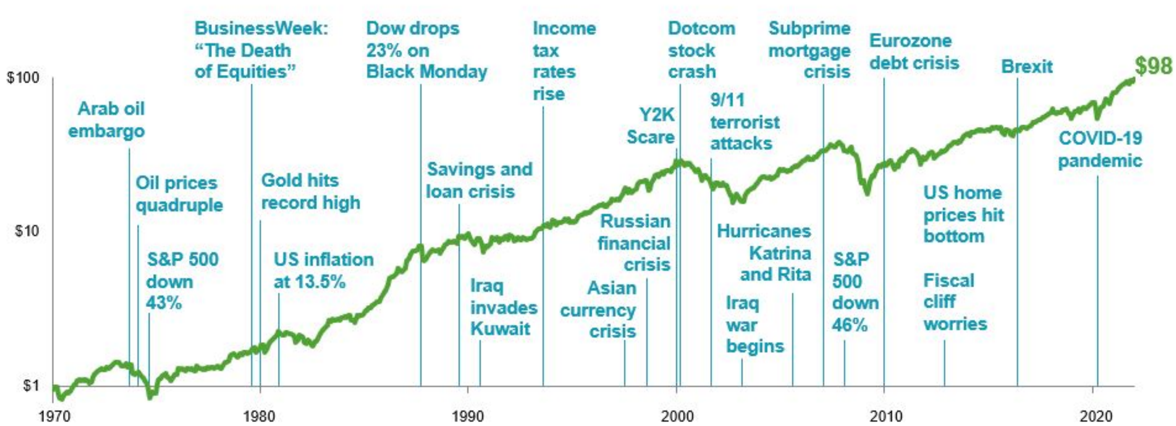
Performance of the S&P 500 Index, 1990–2020

Source: Dimensional Fund Advisors

The market has generated **very strong long term returns including having gone through geopolitical crises and economic downturns/recessions**. An investor can take any of the reasons to have sold over the last 50 years and would have missed out on potentially 100x their money.

Markets Have Rewarded Discipline

Growth of a dollar—MSCI World Index (net dividends), 1970–2021



Source: Dimensional Fund Advisors

Again, we take your concerns very strongly. We want you to remember that the market is unknowable and unpredictable in the short run because it is driven by the sentiment of investors who have very different incentives and goals than you.

Our investment approach, which is customized for clients like you, takes these moments of volatility into account, keeps portfolios focused on the long term while taking advantage of shorter-term opportunities where selloffs may be greater than warranted. We use a very data-driven approach to minimize the emotions that we all feel, and our model incorporates periods of selloffs. It's difficult to see the impact of the decisions we're making in real time because these can take time to payoff.

If it's helpful to you, we can walk through the model we use so that you can get comfort in our approach.

Sincerely,

Simeon Wallis, CFA
Chief Investment Officer

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