

# Annual Market Review

2021

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 portfolio and re-focus on your investment objective and strategy. One of the most common reasons for a portfolio 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 portfolio 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: Why I'll Always Be Optimistic About the Market

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Randomness Of Market Returns

### 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. Enclosed is a copy of our Form CRS. 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.

# Why I'll Always Be Optimistic About the Market

- David Booth, Executive Chairman and Founder of Dimensional Funds

It's hard to believe we're approaching the end of the second year of this global pandemic. Despite the pain and loss endured by so many all over the world, I hope some positive changes have come from the shock we've all been forced to experience. As we look forward to 2022, despite continued uncertainty, I'm feeling a sense of educated optimism that's stronger than ever before. Why? Because over the past two years, my beliefs have been tested more than ever. And they've held up.

At the start of 2020, before we knew the extent of the global pandemic we were headed toward, I reminded investors that the market has no memory and encouraged them to avoid making forecasts and timing markets based on predictions of the future.

A few months later, I thought that human ingenuity would lead our way through the crisis. It has. I didn't know when a vaccine would be available or who would make it,

but I never doubted the power of so many great minds focusing on one huge problem.

When we were in the midst of March 2020 and the S&P 500 was down 20%, it was scary. I wrote then that we can't control crises, but we can control our response to them. Those who could stay in the market were rewarded. Over the next 12 months, the S&P went up 56%. When you're entrusted with investors' hard-earned money, as we are at Dimensional, it's gratifying to see that the choices you make can lead to good outcomes.

So now we find ourselves at the doorstep of 2022, and we've just seen the S&P 500 hit record highs—again. But not all investors perceive this as good news. Record highs make many people nervous, because they think that what goes up must come down. When markets are working as they should, reaching record highs with some frequency is exactly the

outcome we would expect. That makes intuitive sense, because if stocks didn't have a positive expected return, no one would invest in them.

This brings me to why I'm always optimistic about the power of markets, and why I always bet with them rather than against them: Markets represent people coming together. We can't predict the nature or timing of a crisis, but we can bank on human ingenuity finding a path through it. Markets are forward-looking and reflect this optimism—an optimism that I believe is innate to humanity. And your optimism only increases when you begin to understand how markets work.

*(continues on page 4)*

# Why I'll Always Be Optimistic About the Market

- David Booth, Executive Chairman and Founder of Dimensional Funds

How we deal with uncertainty is the central challenge of human existence. We are defined by the choices we make, but we never have all the information we want. So, what do we do?

It pays to have a philosophy to guide our choices, in investing, and in life. In conversations with investors over the years, I've explained my philosophy about markets in different ways, but what all these descriptions have in common is choosing to side with human ingenuity rather than against it. Betting against the market is exhausting, and we believe that it doesn't pay.

So, at the end of every year, we look back and forward. What do we think the next year will bring? I don't know. No one does. Think about it: No one does. After these last two years, this lesson should be obvious to all of us.

But for the past 50 years, I have

held a long-term faith in the power of markets. When they go up or down, I see them simply responding to new information. The market always wants buyers and sellers to make a deal. Transactions only happen if people agree on a price that seems fair to both sides.

In 2022, new challenges await. New businesses will grow. Old ones will adapt. Some will fail, while others flourish. Rather than having to guess what will happen to whom and when, I choose a different path. I invest in the market. It is a unique human invention. From it flows our modern life. Most of us live in a world where we go to the store or pick up our phones and see choices I could not have imagined as a boy. So, of course, I am optimistic.







And, of course, there is more work to be done. The problems we face as humans are daunting. That has always been true. I was born at the

end of World War II and before a vaccine for polio. I wake up every morning believing the market will go up a little but prepared for if it drops. And you should too.

Markets will go up and down, but you should expect them to be positive, and that is what history has also shown. If you can hold this in your heart, you can be optimistic and resilient, you can manage the central challenge of human existence. It's hard to do. But it's worth it

# Quarterly Market Summary

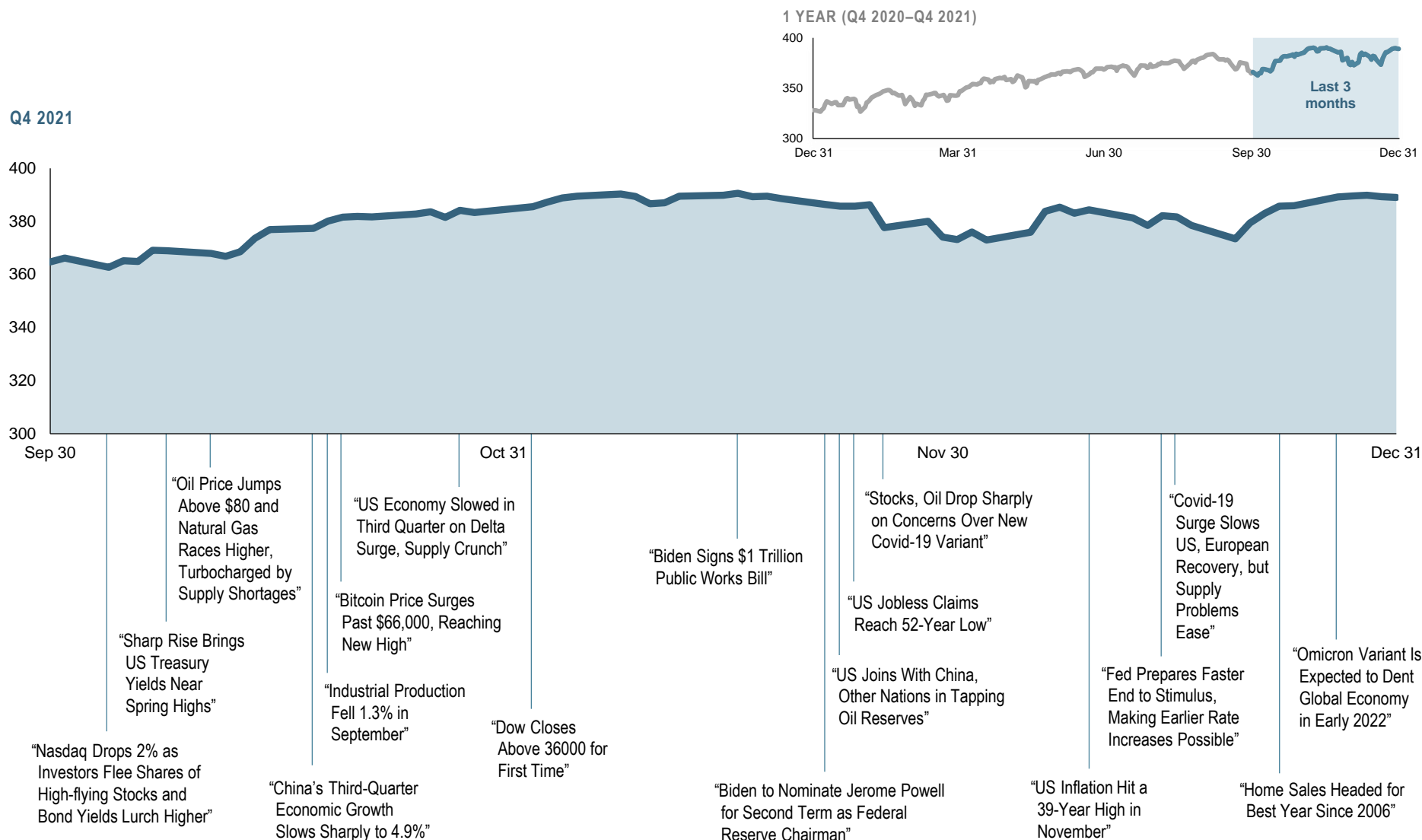
## Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
<b>4Q 2021</b>	<b>STOCKS</b>				<b>BONDS</b>	
	<b>9.28%</b>	<b>3.14%</b>	<b>-1.31%</b>	<b>12.35%</b>	<b>0.01%</b>	<b>0.07%</b>
						
<b>Since Jan. 2001</b>						
Average Quarterly Return	2.5%	1.7%	2.9%	2.7%	1.1%	1.1%
Best Quarter	22.0%	25.9%	34.7%	32.3%	4.6%	4.6%
	<b>2020 Q2</b>	<b>2009 Q2</b>	<b>2009 Q2</b>	<b>2009 Q3</b>	<b>2001 Q3</b>	<b>2008 Q4</b>
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%	-3.4%	-2.7%
	<b>2008 Q4</b>	<b>2020 Q1</b>	<b>2008 Q4</b>	<b>2008 Q4</b>	<b>2021 Q1</b>	<b>2015 Q2</b>

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 © 2022 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 2022, all rights reserved. Bloomberg data provided by Bloomberg.

# World Stock Market Performance

MSCI All Country World Index with selected headlines from 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.**

# Impact of Diversification

As of November 30, 2021

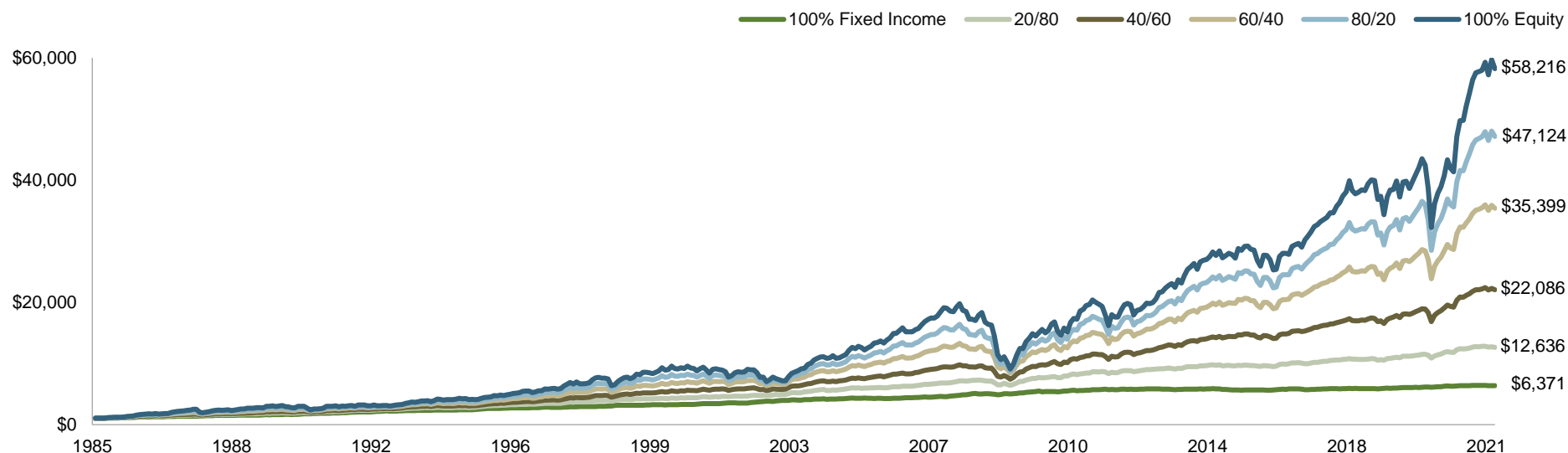
These indices illustrate the performance of different global stock/bond mixes and highlight the benefits of diversification. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

## Period Returns (%)

\* Annualized

Dimensional Core Plus Wealth Index Model	3 Month	1 Year	3 Years*	5 Years*	10 Years*	10-Year STDEV <sup>1</sup>
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

## Growth of Wealth: The Relationship Between Risk and Return



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.

# Randomness Of Market Returns

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Highest Return	Large Cap US 14.60%	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%
	Global Allocation 13.05%	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%
	Small Cap US 13.00%	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 REIT 11.60%	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 10.08%	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%
	Emerging Markets 9.41%	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%
	US Bonds 3.99%	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%
Lowest Return	Commodity 3.47%	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%

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.