

# QUARTERLY MARKET REVIEW

Q3

THIRD QUARTER 2023

# WHEN VALUE DELIVERS

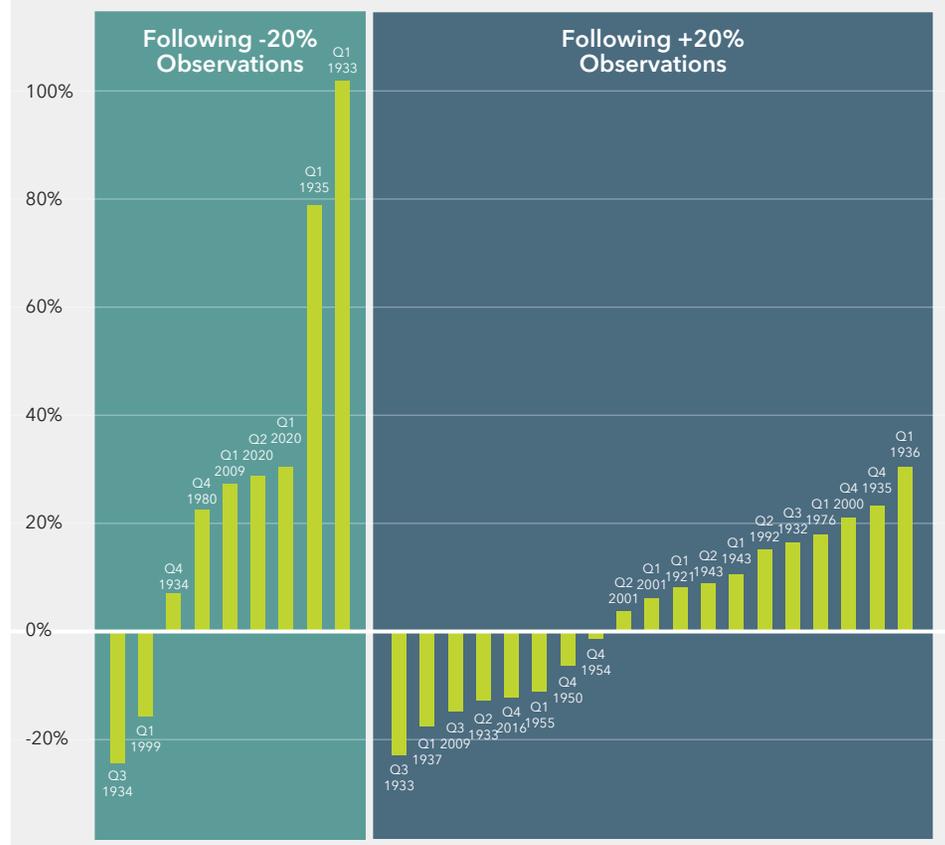
The first half of 2023 marks the tenth time since 1926 that value stocks have underperformed growth stocks by more than 20 percentage points over a two-quarter period. More often than not, value has responded like the hero in an action movie, beating growth over the following four quarters in seven of the nine previous instances and averaging a cumulative outperformance of nearly 29 percentage points.

The sample size may be small, but a positive average value premium following a large negative period is not too surprising. In fact, looking at the other side of the value performance distribution, there have been 19 two-quarter periods with the value premium exceeding positive 20%. In 11 of these, value outperformance continued over the next four quarters. The average premium across all 19 was 3.6%.

It's notoriously challenging to find an indicator that consistently predicts negative value premiums. Regardless of value's recent performance, investors should expect positive value premiums going forward. That's a strong incentive for investors to maintain a disciplined stance to asset allocation, so they can capture the outperformance when value stocks deliver.

## Comeback Kid

Cumulative return difference for value minus growth in US stocks over the four quarters following two-quarter periods during which value underperformed by -20% or outperformed by +20%.



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# WHEN VALUE DELIVERS CONTINUED

Article by Wes Crill, PhD, Senior Investment Director and Vice President, Dimensional Fund Advisors

**Past performance is no guarantee of future results.**

In USD. July 1926–June 2023. Quarterly returns for value and growth based on the Fama/French US Value Research Index and the Fama/French US Growth Research Index, respectively. Data provided by Fama/French. 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. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. See “Index Descriptions” for descriptions of the Fama/French index data.

**Index Descriptions**

Fama/French US Value Research Index: Provided by Fama/French from CRSP securities data. Includes the lower 30% in price-to-book of NYSE securities (plus NYSE Amex equivalents since July 1962 and Nasdaq equivalents since 1973). Fama/French US Growth Research Index: Provided by Fama/French from CRSP securities data. Includes the higher 30% in price-to-book of NYSE securities (plus NYSE Amex equivalents since July 1962 and Nasdaq equivalents since 1973).

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## QUARTERLY MARKET REVIEW OVERVIEW

Quarterly Topic: When Value Delivers

Quarterly Market Summary

Long-Term Market Summary

World Stock Market Performance

US Stocks

International Developed Stocks

Emerging Markets Stocks

Country Returns

Real Estate Investment Trusts (REITs)

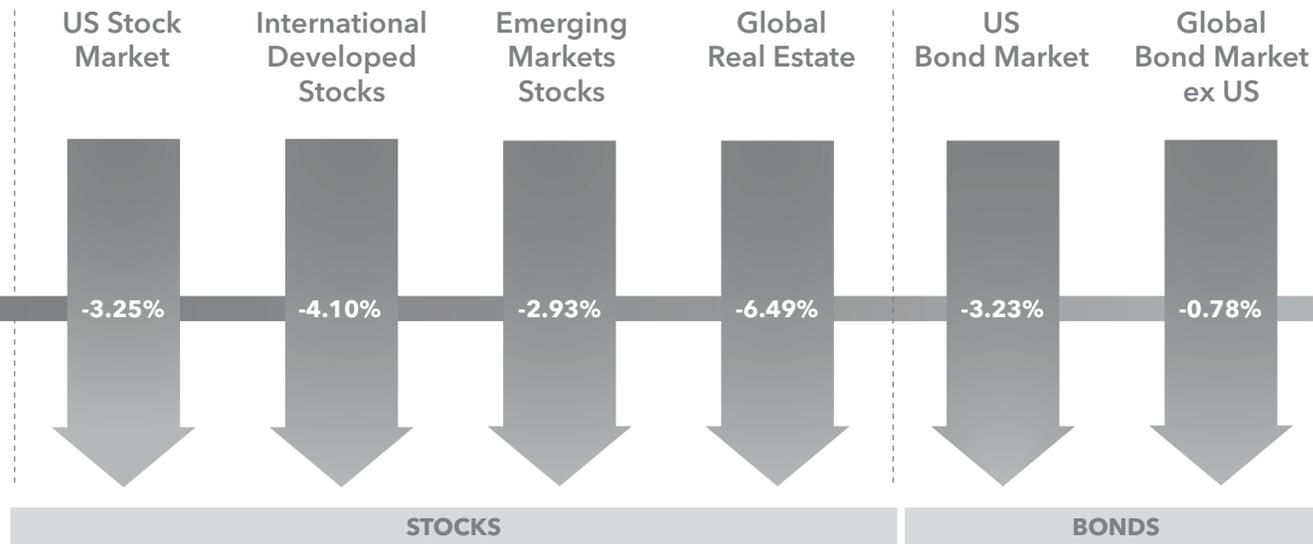
Commodities

Fixed Income

Global Fixed Income

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

# QUARTERLY MARKET SUMMARY: INDEX RETURNS



**Since Jan. 2001**

<b>Avg. Quarterly Return</b>	2.2%	1.5%	2.4%	2.1%	0.9%	0.9%
<b>Best Quarter</b>	22.0% <b>Q2 2020</b>	25.9% <b>Q2 2009</b>	34.7% <b>Q2 2009</b>	32.3% <b>Q3 2009</b>	4.6% <b>Q3 2001</b>	4.6% <b>Q4 2008</b>
<b>Worst Quarter</b>	-22.8% <b>Q4 2008</b>	-23.3% <b>Q1 2020</b>	-27.6% <b>Q4 2008</b>	-36.1% <b>Q4 2008</b>	-5.9% <b>Q1 2022</b>	-4.1% <b>Q1 2022</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 © 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

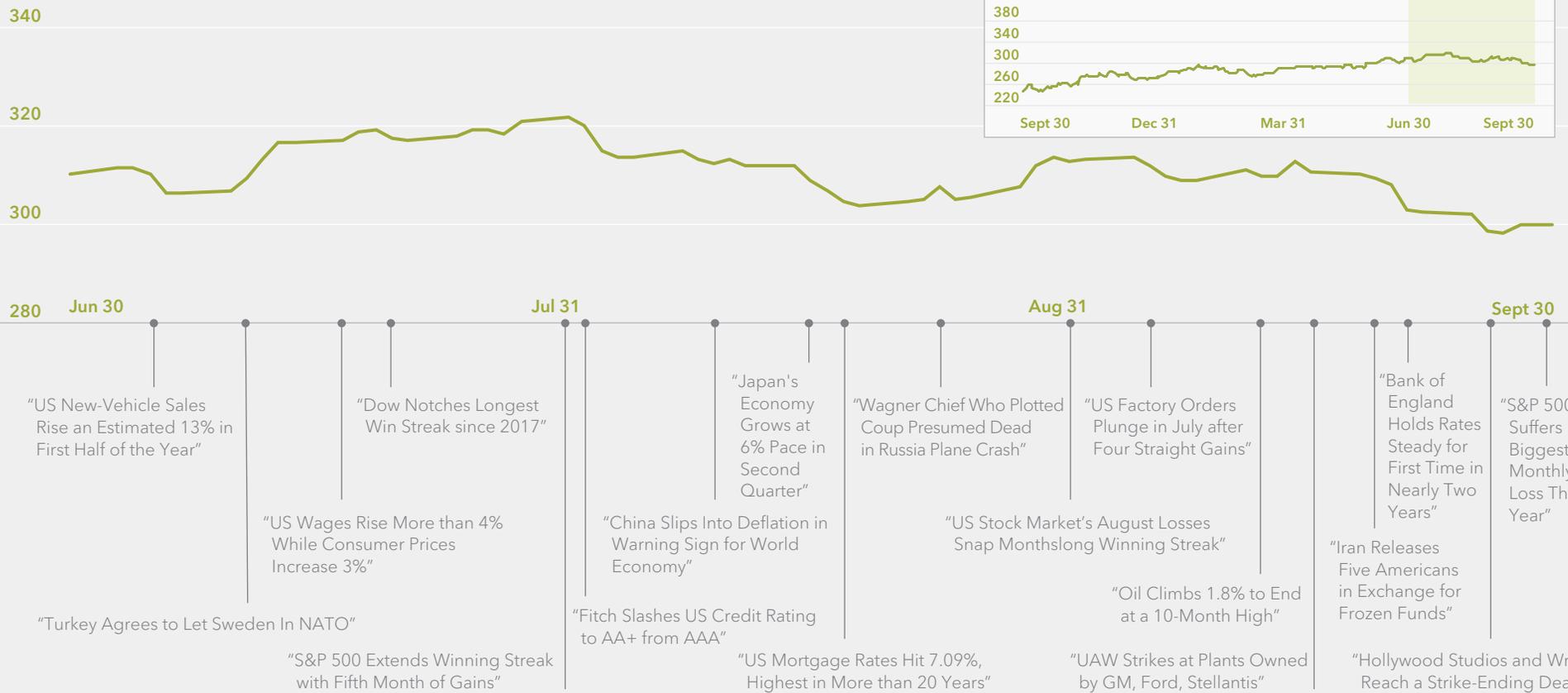


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# WORLD STOCK MARKET PERFORMANCE: SELECT HEADLINES

MSCI All Country World Index with selected headlines from Q3 2023



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. 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: SELECT HEADLINES

**Short Term (Q4 2022-Q3 2023)**  
MSCI All Country World Index With Selected Headlines From Past 12 Months  
360

340  
320  
300  
280  
260  
240

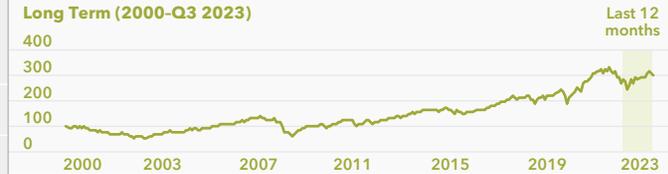
220 **Sept 30**

**Dec 31**

**Mar 31**

**Jun 30**

**Sept 30**



"OPEC+ Agrees to Biggest Oil Production Cut since Start of Pandemic"

"US Treasury Yield Curve Inverts to Deepest Level since 1981"

"Sunak Wins Vote to Become UK's Next Prime Minister after Truss Resigns"

"China Braces for Deadly Covid Wave after Loosening Controls"

"US Stocks Close Out Worst Year since 2008"

"US PPI Report Shows Producer Prices Rose, Pointing to Persistent Inflation"

"CEOs Say They Expect a US Recession, but Most Think It Will Be Short"

"Dow Closes 700 Points Higher on Signs of Slowing Wage Growth"

"Silicon Valley Bank Closed by Regulators; FDIC Takes Control"

"US Inflation Eased to 5% in March; Lowest Level in Nearly Two Years"

"US Signals Support for Allies to Send Their F-16 Jets to Ukraine"

"Fed Holds Rates Steady but Expects More Increases"

"S&P 500 Starts a New Bull Market as Big Tech Lifts Stocks"

"US New-Vehicle Sales Rise an Estimated 13% in First Half of the Year"

"China Slips Into Deflation in Warning Sign for World Economy"

"UAW Strikes at Plants Owned by GM, Ford, Stellantis"

"Wagner Chief Who Plotted Coup Presumed Dead in Russia Plane Crash"

"S&P 500 Suffers Biggest Monthly Loss This Year"

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*Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2023, all rights reserved. Index level based at 100 starting January 2000. 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: INDEX RETURNS

The US equity market posted negative returns for the quarter and outperformed non-US developed markets, but underperformed emerging markets.

Value underperformed growth within large caps and outperformed within small caps.

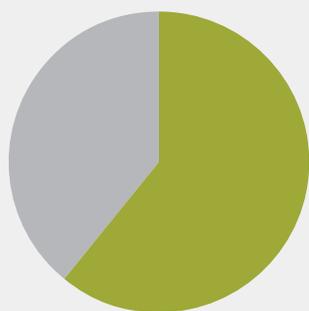
Small caps underperformed large caps.

REIT indices underperformed equity market indices.

## Ranked Returns for the Quarter (%)

Small Value	-2.96	
Large Growth	-3.13	
Large Cap	-3.15	
Large Value	-3.16	
Marketwide	-3.25	
Small Cap	5.13	
Small Growth	-7.32	

## World Market Capitalization—US



**61%**  
US Market  
\$41.8 trillion

## Period Returns (%)

Asset Class	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
Small Value	-2.96	-0.53	7.84	13.32	2.59	6.19
Large Growth	-3.13	24.98	27.72	7.97	12.42	14.48
Large Cap	-3.15	13.01	21.19	9.53	9.63	11.63
Large Value	-3.16	1.79	14.44	11.05	6.23	8.45
Marketwide	-3.25	12.39	20.46	9.38	9.14	11.28
Small Cap	-5.13	2.54	8.93	7.16	2.40	6.65
Small Growth	-7.32	5.24	9.59	1.09	1.55	6.72

\* Annualized

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Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Value (Russell 1000 Value Index), Large Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Value (Russell 2000 Value Index), and Small Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Dow Jones US Select REIT Index used as proxy for the US REIT market. MSCI data © MSCI 2023, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

# INTERNATIONAL DEVELOPED STOCKS: INDEX RETURNS

Developed markets outside of the US posted negative returns for the quarter and underperformed both US and emerging markets.

Value outperformed growth.

Small caps outperformed large caps.

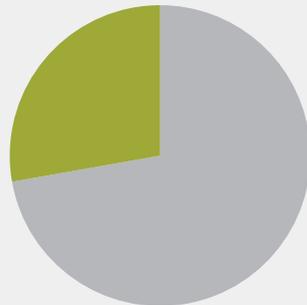
### Ranked Returns for the Quarter (%)



### World Market Capitalization—International Developed

28%

International Developed Market  
\$19.1 trillion



### Period Returns (%)

Asset Class	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
Value	0.19	9.13	28.89	11.64	3.05	3.05
Small Cap	-3.48	1.83	17.32	1.85	1.28	4.13
Large Cap	-4.10	6.73	24.00	6.07	3.44	3.84
Growth	-8.24	4.38	19.27	0.47	3.37	4.36

\* Annualized

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Market segment (index representation) as follows: Large Cap (MSCI World ex USA Index), Small Cap (MSCI World ex USA Small Cap Index), Value (MSCI World ex USA Value Index), and Growth (MSCI World ex USA Growth Index). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI World ex USA IMI Index is used as the proxy for the International Developed market. MSCI data © MSCI 2023, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

# EMERGING MARKETS STOCKS: INDEX RETURNS

Emerging markets posted negative returns for the quarter and outperformed both US and non-US developed markets.

Value outperformed growth.

Small caps outperformed large caps.

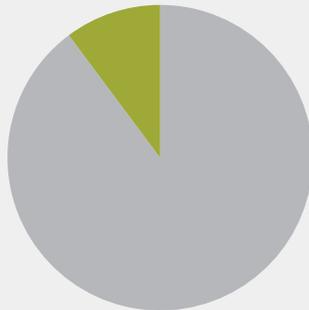
## Ranked Returns for the Quarter (%)



## World Market Capitalization—Emerging Markets

**11%**

Emerging Markets  
\$7.6 trillion



## Period Returns (%)

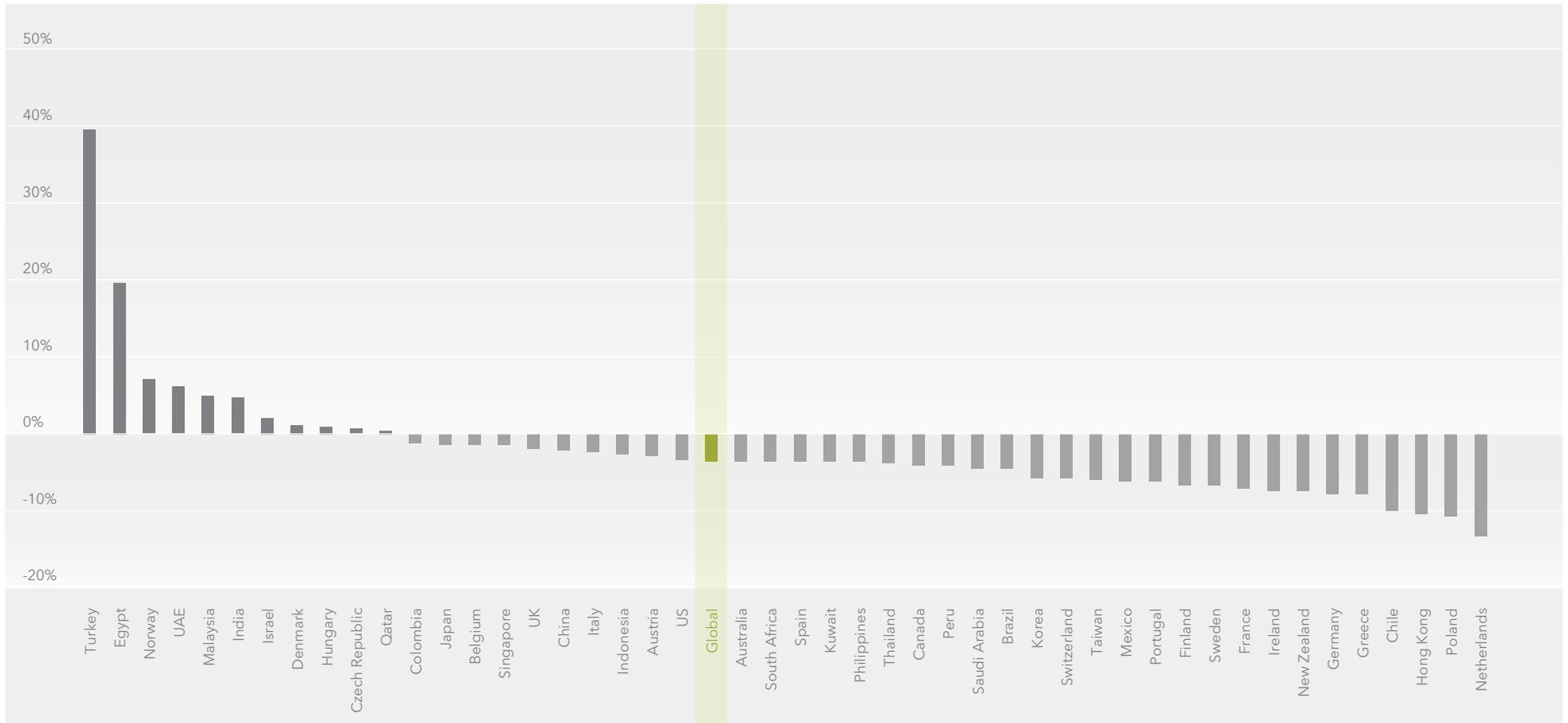
Asset Class	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
Small Cap	2.93	13.74	23.06	10.61	6.45	4.57
Value	-0.78	5.70	16.03	4.40	0.38	1.21
Large Cap	-2.93	1.82	11.70	-1.73	0.55	2.07
Growth	-4.92	-1.76	7.71	-7.19	0.63	2.83

\* Annualized

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Market segment (index representation) as follows: Large Cap (MSCI Emerging Markets Index), Small Cap (MSCI Emerging Markets Small Cap Index), Value (MSCI Emerging Markets Value Index), and Growth (MSCI Emerging Markets Growth Index). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI Emerging Markets IMI Index used as the proxy for the emerging market portion of the market. MSCI data © MSCI 2023, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

# COUNTRY RETURNS: INDEX RETURNS



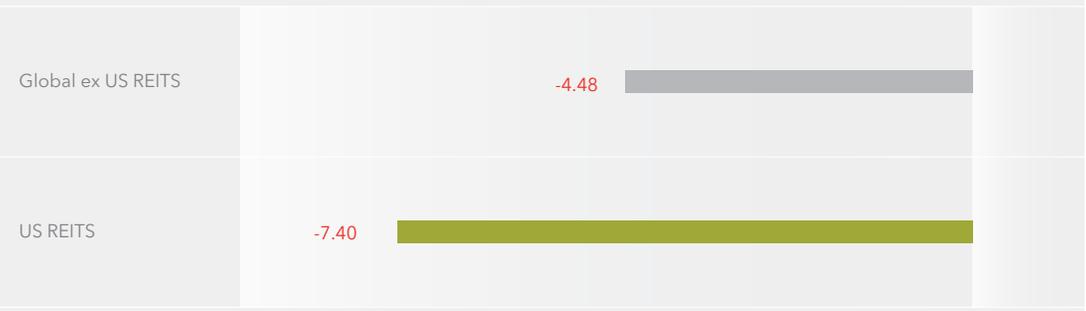
Past performance is no guarantee of future results.

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 2023, all rights reserved.

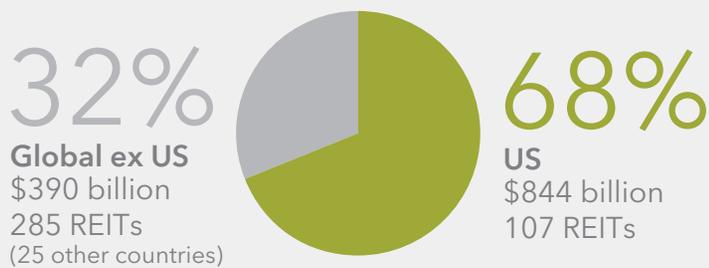
# REAL ESTATE INVESTMENT TRUSTS (REITs): INDEX RETURNS

US real estate investment trusts underperformed non-US REITs during the quarter.

### Ranked Returns for the Quarter (%)



### Total Value of REIT Stocks



### Period Returns (%)

Asset Class	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global ex US REITs	-4.48	-8.16	2.30	-2.67	-3.22	0.41
US REITs	-7.40	-2.05	2.61	6.12	1.56	5.28

\* Annualized

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Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones and S&P data © 2023 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

# COMMODITIES: INDEX RETURNS

The Bloomberg Commodity Total Return Index returned +4.71% for the third quarter of 2023.

Low Sulphur Gas Oil and Heating Oil were the best performers, returning +43.22% and +39.15% during the quarter, respectively. Wheat and Kansas Wheat were the worst performers, returning -20.02% and -18.32% during the quarter, respectively.

## Period Returns (%)

Asset Class	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
Commodities	4.71	-3.44	-1.30	16.23	6.13	-0.75

\* Annualized

## Ranked Returns for the Quarter (%)

Low Sulphur Gas Oil	43.22
Heating Oil	39.15
WTI Crude Oil	29.99
Brent Crude Oil	22.89
Sugar	15.07
Unleaded Gas	11.27
Zinc	10.78
Cotton	8.44
Aluminum	7.84
Lead	3.47
Live Cattle	1.90
Lean Hogs	-0.69
Copper	-1.42
Silver	-3.93
Soybean Meal	-4.05
Corn	-4.99
Soybean	-5.08
Gold	-5.16
Soybean Oil	-5.32
Coffee	-7.86
Nickel	-10.15
Natural Gas	-10.40
Kansas Wheat	-18.32
Wheat	-20.02

Past performance is not a guarantee of future results. Index is not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

Commodities returns represent the return of the Bloomberg Commodity Total Return Index. Individual commodities are sub-index values of the Bloomberg Commodity Total Return Index. Data provided by Bloomberg.

# FIXED INCOME: INDEX RETURNS

Interest rates increased across all bond maturities in the US Treasury market for the quarter.

On the short end of the yield curve, the 1-Month US Treasury Bill yield increased 31 basis points (bps) to 5.55%, while the 1-Year US Treasury Bill yield increased 6 bps to 5.46%. The yield on the 2-Year US Treasury Note increased 16 bps to 5.03%.

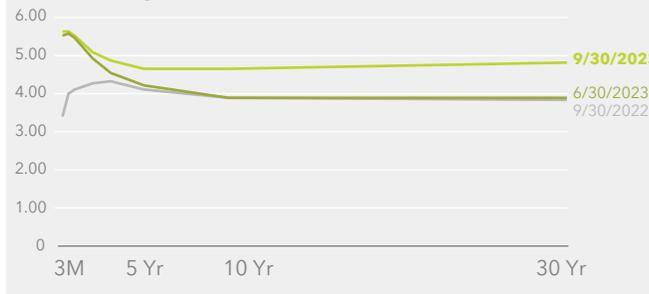
The yield on the 5-Year US Treasury Note increased 47 bps to 4.60%. The yield on the 10-Year US Treasury Note increased 78 bps to 4.59%. The yield on the 30-Year US Treasury Bond increased 88 bps to 4.73%.

In terms of total returns, short-term US treasury bonds returned +0.17% while intermediate-term US treasury bonds returned -0.81%. Short-term corporate bonds returned +0.25% and intermediate-term corporate bonds returned -0.96%.<sup>1</sup>

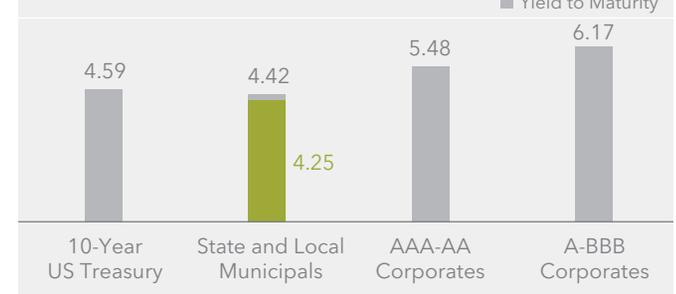
The total returns for short- and intermediate-term municipal bonds were -0.94% and -2.96%, respectively. Within the municipal fixed income market, general obligation bonds returned

-4.10% while revenue bonds returned -4.04%.<sup>2</sup>

**US Treasury Yield Curve (%)**



**Bond Yields Across Different Issuers (%)**



**Period Returns (%)**

Asset Class	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
ICE BofA US 3-Month Treasury Bill Index	1.31	3.60	4.47	1.70	1.72	1.11
ICE BofA 1-Year US Treasury Note Index	1.21	2.90	3.68	0.60	1.46	1.00
FTSE World Government Bond Index 1-5 Years (hedged to USD)	0.56	2.10	2.68	-1.05	1.03	1.15
Bloomberg U.S. High Yield Corporate Bond Index	0.46	5.86	10.28	1.76	2.96	4.24
FTSE World Government Bond Index 1-5 Years	-1.01	-0.15	3.68	-3.80	-0.84	-1.00
Bloomberg U.S. TIPS Index	-2.60	-0.78	1.25	-1.98	2.12	1.74
Bloomberg U.S. Aggregate Bond Index	-3.23	-1.21	0.64	-5.21	0.10	1.13
Bloomberg Municipal Bond Index	-3.95	-1.38	2.66	-2.30	1.05	2.29
Bloomberg U.S. Government Bond Index Long	-11.79	-8.50	-9.04	-15.66	-2.78	0.75

\* Annualized

1. Bloomberg US Treasury and US Corporate Bond Indices. 2. Bloomberg Municipal Bond Index.

One basis point (bps) equals 0.01%. 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.

Yield curve data from Federal Reserve. State and local bonds and the Yield to Worst are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA Corporates, BBB-A rated. Bloomberg data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). FTSE fixed income indices © 2023 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2023 ICE Data Indices, LLC. S&P data © 2023 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Bloomberg data provided by Bloomberg.

# GLOBAL FIXED INCOME: YIELD CURVES

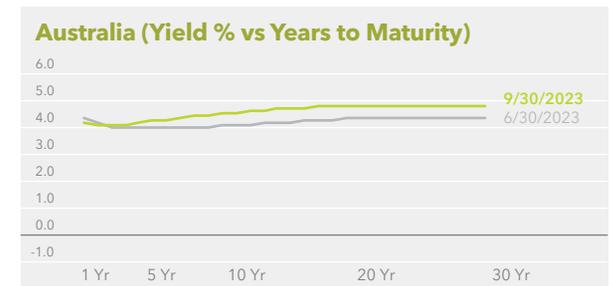
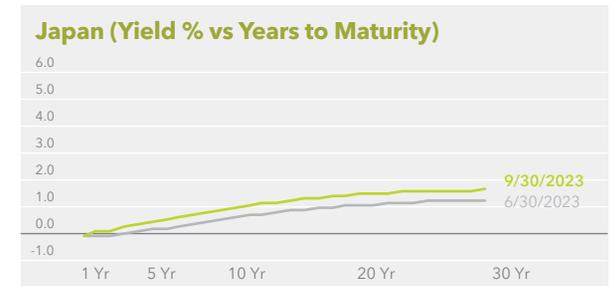
With the exception of the UK and Australia, interest rates generally increased across global developed markets for the quarter. In the UK, short- to intermediate-term rates decreased. In Australia, ultrashort-term rates decreased.

Realized term premiums were generally negative across global developed markets.

In Japan, ultrashort-term nominal interest rates were negative. In the UK, Germany, Canada, and Australia, the short-term segment of the yield curve was inverted.

## Changes in Yields (bps) Since 06/30/2023

	1Y	5Y	10Y	20Y	30Y
US	3.4	49.2	81.2	86.5	89.4
UK	-39.4	-36.3	1.7	31.2	43.4
Germany	14.7	18.7	42.1	54.6	60.4
Japan	6.0	26.1	36.2	41.9	36.3
Canada	15.6	61.8	76.7	75.2	73.7
Australia	-11.0	20.5	42.8	47.8	49.7



One basis point (bps) equals 0.01%. Source: ICE BofA government yield. ICE BofA index data © 2023 ICE Data Indices, LLC.

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Hemington Wealth Management provides high net worth individuals and families with a broad range of wealth management services including portfolio management. We are collaborative, accessible and responsive, making it easy for clients to work with our team.

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