

Unrealistic expectations?

Well, the bubble burst and stocks got their comeuppance in 2022. After several years of stellar returns, notwithstanding the severe but temporary diversion due to the pandemic, equity markets tumbled last year. As with the bond markets, the pain was widespread. All US styles and capitalizations in addition to non-US equity market declined, most rather significantly. The severity of the 2022 decline may mean limited downside ahead despite the probability for a recession. We do expect a continuation of high volatility levels until progress against inflation is more certain and the length and severity of any economic downturn can be gauged. Of course, the market impact of global socio-political issues remains a wild card. With some luck, perhaps by third or fourth quarter, we could see a cyclical change to a bull market.

| | Performance % | |
|-------------------------|---------------|--------|
| | Q4 | 2022 |
| U.S. Equities | | |
| U.S. Market | 7.26 | -19.43 |
| Value | 14.68 | -0.72 |
| Growth | 0.15 | -36.70 |
| Dividend Composite | 13.69 | -3.88 |
| Wide Moat Composite | 8.26 | -21.63 |
| Global Equities | | |
| Developed Markets ex-US | 16.24 | -14.79 |
| Emerging Markets | 9.39 | -17.93 |

Source: Morningstar Direct, Morningstar Indexes. Data as of December 30, 2022.

| 2022 | | | |
|-------|-------|-------|--------|
| | Value | Blend | Growth |
| Large | 0.26 | -14.5 | -40.4 |
| Mid | -6.6 | -14.4 | -32.4 |
| Small | -2.4 | -14.4 | -33.31 |

Source: Morningstar Direct, Morningstar Indexes. Data as of December 30, 2022.