

# Quarterly Market Review

Second Quarter 2023

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 and features our quarterly topic.

## **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. The CRS along with Form ADV Part II can be found on the VSM website at [vs-m.com](http://vs-m.com).

## Overview:

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# Mid-Year Letter

Second Quarter 2023

Dear Friends and Valued Clients

We are more gratified than usual to report to you at midyear on the events of the last six months, and on the further progress of your long-term plans. But first, a brief recitation of our core investment principles.

## The Beliefs That Guide Us

- We are long-term, goal-focused, planning-driven investors, owners of broadly diversified portfolios of enduringly successful companies. As such, we act continuously on your plan, as opposed to reacting episodically to current events and conditions.
- We're convinced that the economy cannot be consistently forecast, nor the market consistently timed. We infer from this that our best chance to capture something close to the full long-term return of equities is to ride out their frequent, sometimes significant, but historically always temporary declines.
- These will continue to be the bedrock convictions that form our investment policy, as we pursue your most cherished financial goals together.

## Our Current Observations

- After declining sharply for most of 2022, the S&P 500 ended the year at 3,840.
- As the year turned, it seemed as if the economy might well be in a no-win situation. Either the Federal Reserve would tighten credit conditions enough to stamp out inflation, thereby plunging us into recession. Or it would relent, avoiding recession but permitting inflation to burn on. In either case, we were assured that corporate earnings must be about to decline significantly, boding ill for “the stock market.”
- To this apparently intractable situation, the first half of 2023 added three new and potentially critical uncertainties: the specter of U.S. sovereign default, a wave of bank failures that seemed to threaten the banking system itself, and a renewed outbreak of fear surrounding the dollar's status as the world's reserve currency.
- Yet after enduring that relentless onslaught of crises real and imagined, the S&P 500 closed out the first half of 2023 at 4450, up 16%. We are almost tempted to leave it at that and leave you to draw your own conclusions. Instead, we'll just repeat Peter Lynch's timeless maxim: “The real key to making money in stocks is not to get scared out of them.”
- In that sense, these six months represent for us, and we devoutly hope for you, a successful investing career in microcosm. You did all that can be asked of you: amid universal pessimism, you didn't get scared out.

# Mid-Year Letter

Second Quarter 2023

- Rather, we stayed focused on your goals and on your long-term plan, with confidence that the managements of the companies we own were husbanding our capital with diligence, while they sought out new and potentially greater opportunities amid the adversity.

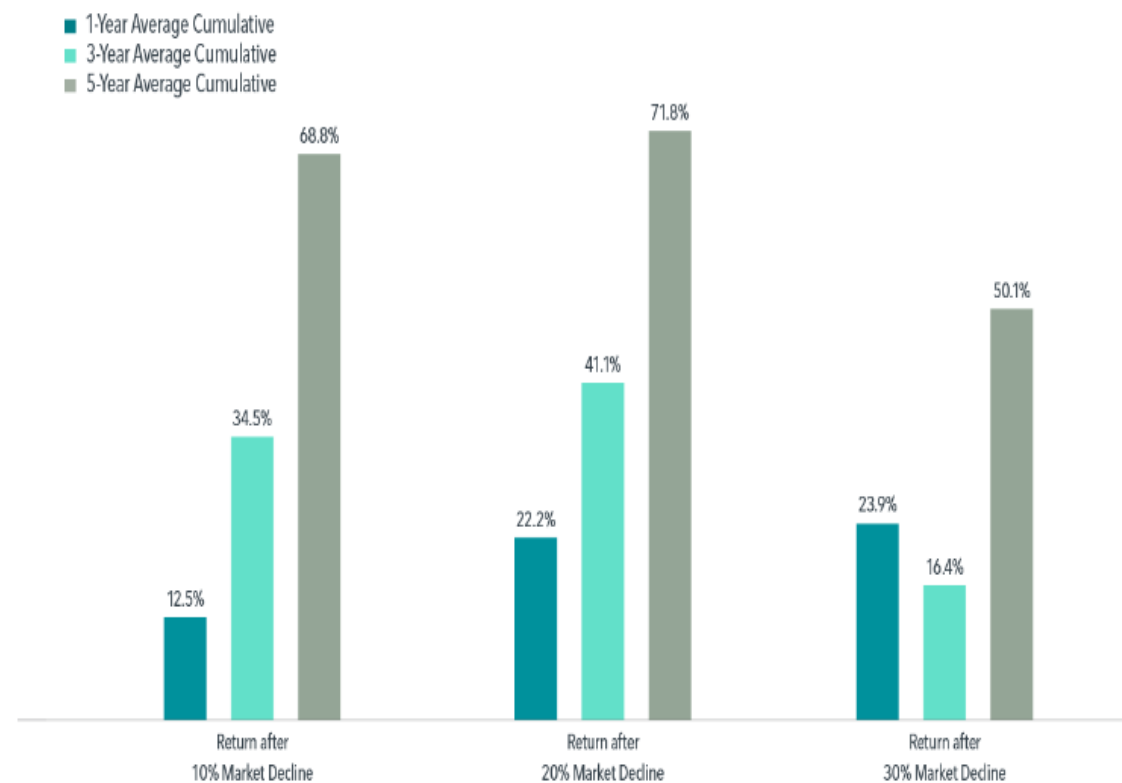
In summary, everything that happened (and didn't happen) in the first half of 2023 turned out not to matter much. *What mattered was that together we chose not to react.* Is it possible that a lifetime of patient, disciplined investment success is just that simple? We certainly believe it can be, and we sincerely hope you do too.

Thank you for choosing us as your Advisor. We are greatly appreciative of the confidence and trust you have placed in us. It is a privilege to serve you.

With every good wish

## After the Fall

*Fama/French Total US Market Research Index returns, July 1926–December 2022*



# 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
Q2 2023	STOCKS				BONDS	
	8.39%	3.03%	0.90%	0.71%	-0.84%	0.73%
						
Since Jan. 2001						
Average Quarterly Return	2.3%	1.5%	2.5%	2.2%	0.9%	0.9%
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%	-5.9%	-4.1%
	<b>2008 Q4</b>	<b>2020 Q1</b>	<b>2008 Q4</b>	<b>2008 Q4</b>	<b>2022 Q1</b>	<b>2022 Q1</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

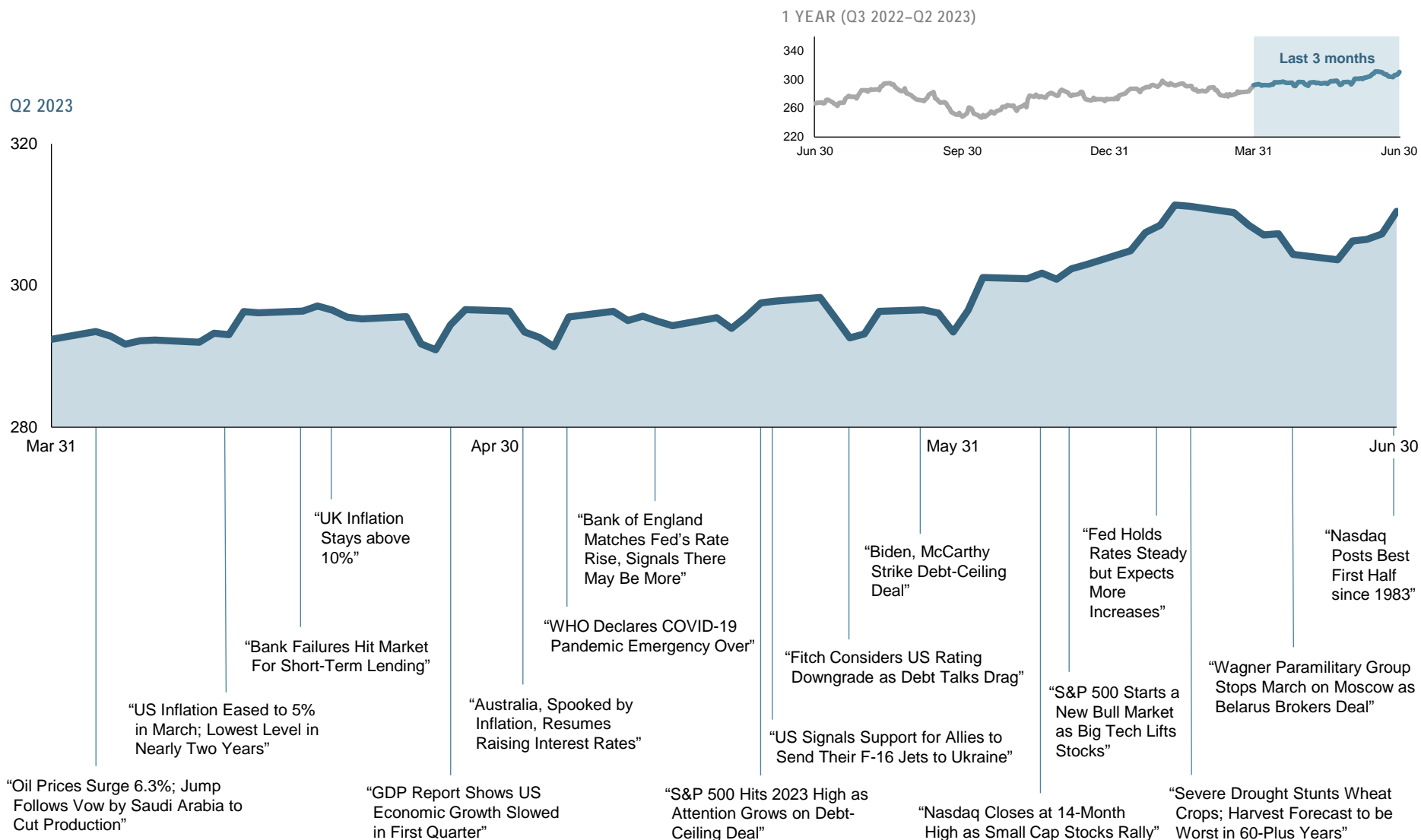
Index returns as of June 30, 2023

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	STOCKS				BONDS	
	18.95%	17.41%	1.75%	-3.02%	-0.94%	1.51%
						
5 Years						
	11.39%	4.58%	0.93%	1.35%	0.77%	0.95%
						
10 Years						
	12.34%	5.40%	2.95%	3.80%	1.52%	2.48%
						

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# World Stock Market Performance

MSCI All Country World Index with selected headlines from Q2 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.

# Randomness Of Market Returns

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<p>Highest Return</p>  <p>Lowest Return</p> 	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%	Commodity 25.99%	Large Cap US 16.89%
	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%	Global Allocation -12.08%	International Developed 9.66%
	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 Bonds -13.01%	Small Cap US 7.24%
	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 -16.79%	Global Allocation 6.26%
	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%	Large Cap US -18.11%	Emerging Markets 3.46%
	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%	Small Cap US -21.56%	US Bonds 2.09%
	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%	Emerging Markets -22.37%	US REIT .84%
	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%	US REIT -27.89%	Commodity -7.54%

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.