

2022



ZRC WEALTH MANAGEMENT

Annual Market Review

December 31, 2022

2022 Annual Market Review



ZRC WEALTH MANAGEMENT

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

Overview:

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

Quarterly Topic: Time the Market at Your Peril

Quarterly Market Summary

Index returns



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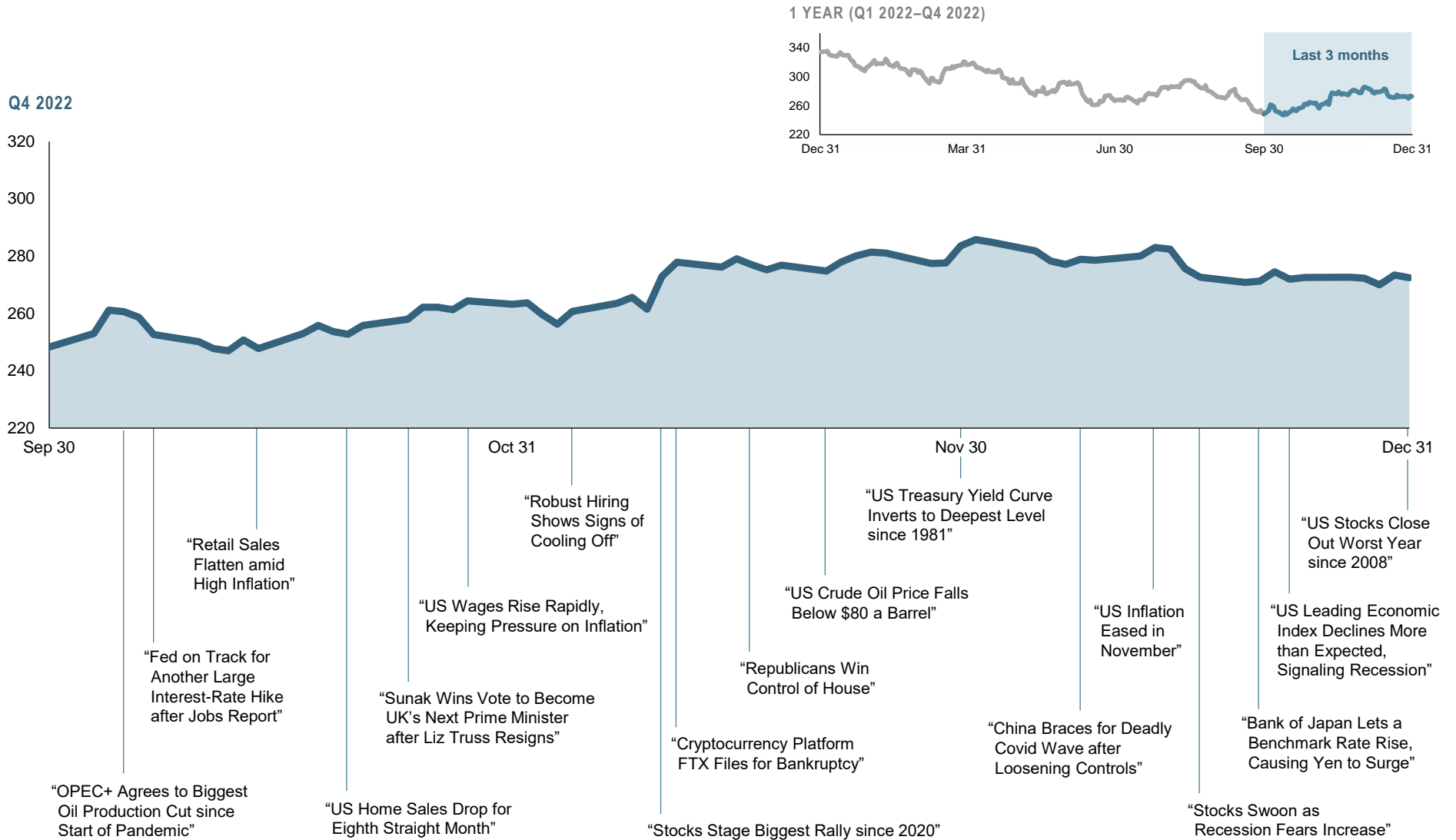
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
Q4 2022	STOCKS				BONDS	
	7.18%	16.18%	9.70%	6.88%	1.87%	0.18%
Since Jan. 2001						
Average Quarterly Return	2.1%	1.5%	2.5%	2.2%	0.9%	0.9%
Best Quarter	22.0%	25.9%	34.7%	32.3%	4.6%	4.6%
	2020 Q2	2009 Q2	2009 Q2	2009 Q3	2001 Q3	2008 Q4
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%	-5.9%	-4.1%
	2008 Q4	2020 Q1	2008 Q4	2008 Q4	2022 Q1	2022 Q1

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.



World Stock Market Performance

MSCI All Country World Index with selected headlines from Q4 2022



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 2001.

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.**



Long-Term Market Summary

Index returns as of December 31, 2022

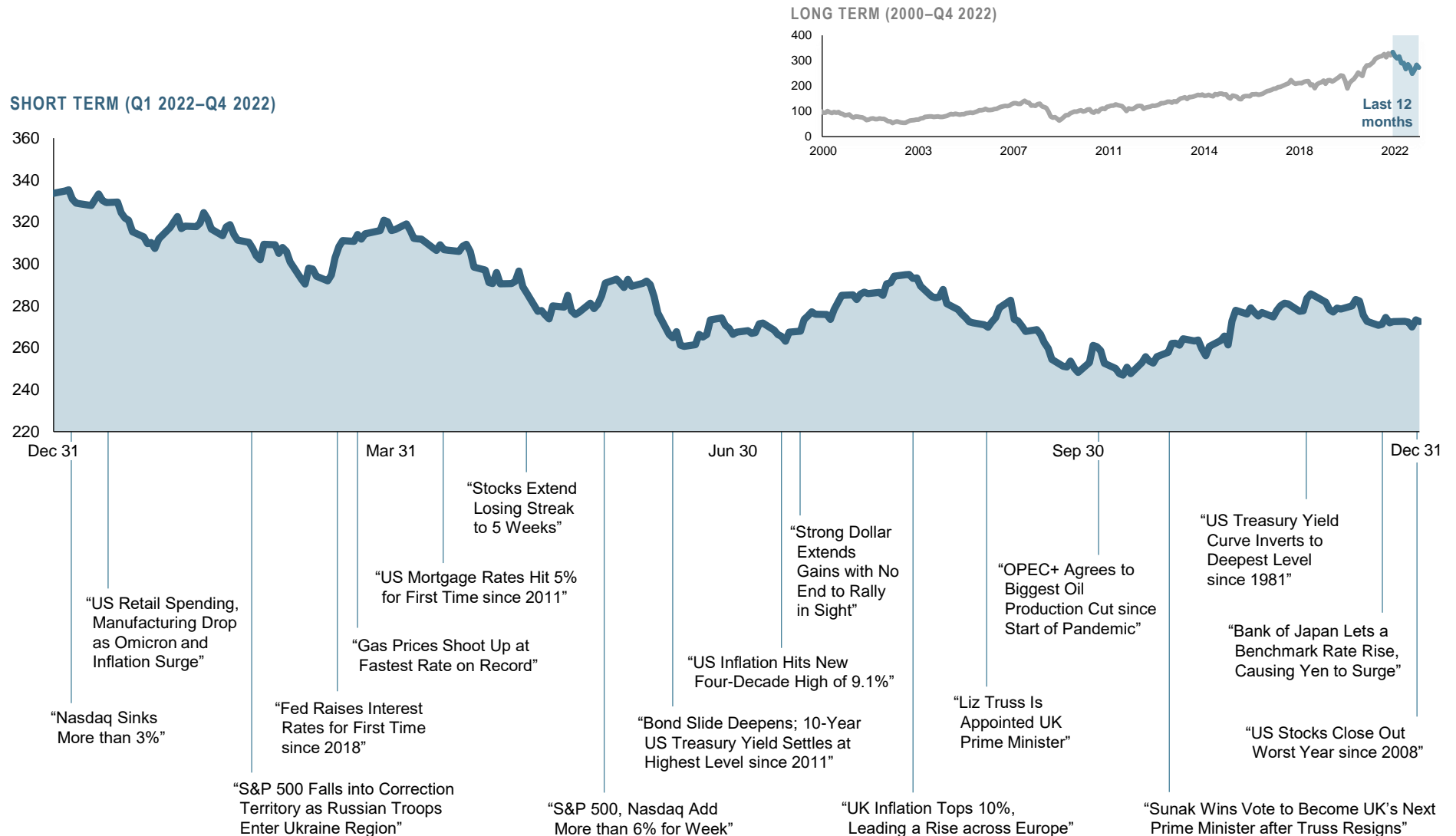
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	STOCKS				BONDS	
	-19.21%	-14.29%	-20.09%	-24.36%	-13.01%	-9.76%
5 Years						
	8.79%	1.79%	-1.40%	0.92%	0.02%	0.52%
10 Years						
	12.13%	4.59%	1.44%	3.88%	1.06%	2.10%

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World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months



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 2001.

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2022 Annual Market Review



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This report features world capital market performance for the past year.

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Commodities







Fixed Income

Global Fixed Income



Market Summary

Index returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
2022	STOCKS				BONDS	
	-19.21%	-14.29%	-20.09%	-24.36%	-13.01%	-9.76%
						
Since Jan. 2001						
Average Yearly Return	8.9%	6.1%	11.4%	9.2%	3.8%	3.6%
Best Year	33.6%	39.4%	78.5%	37.4%	10.3%	8.8%
	2013	2003	2009	2006	2002	2014
Worst Year	-37.3%	-43.6%	-53.3%	-45.7%	-13.0%	-9.8%
	2008	2008	2008	2008	2022	2022

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US Stocks

2022 index returns

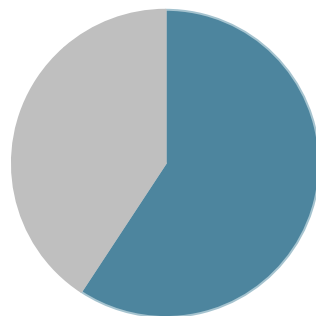
The US equity market posted negative returns for the year and underperformed non-US developed markets, but outperformed emerging markets.

Value outperformed growth.

Small caps underperformed large caps.

REIT indices underperformed equity market indices.

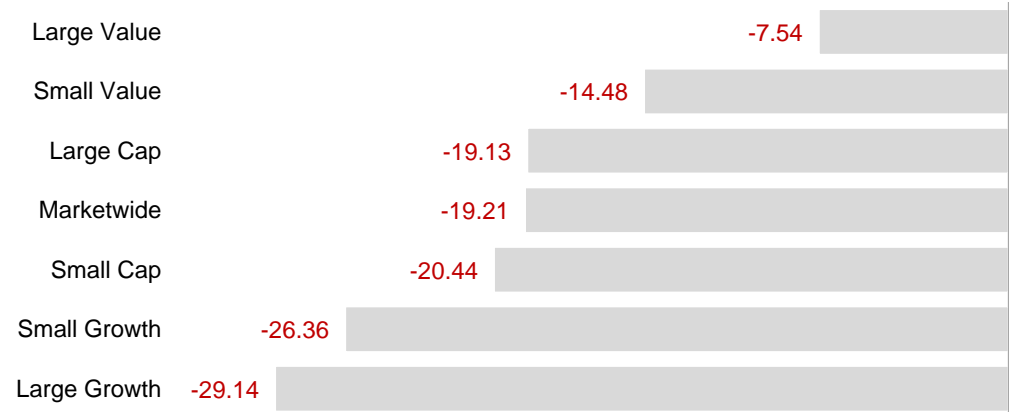
World Market Capitalization—US



59%

US Market
\$37.7 trillion

Ranked Returns (%)



Period Returns (%)

Asset Class	1 Year	Annualized		
		3 Years	5 Years	10 Years
Large Value	-7.54	5.96	6.67	10.29
Small Value	-14.48	4.70	4.13	8.48
Large Cap	-19.13	7.35	9.13	12.37
Marketwide	-19.21	7.07	8.79	12.13
Small Cap	-20.44	3.10	4.13	9.01
Small Growth	-26.36	0.65	3.51	9.20
Large Growth	-29.14	7.79	10.96	14.10

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: 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. 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.



International Developed Stocks

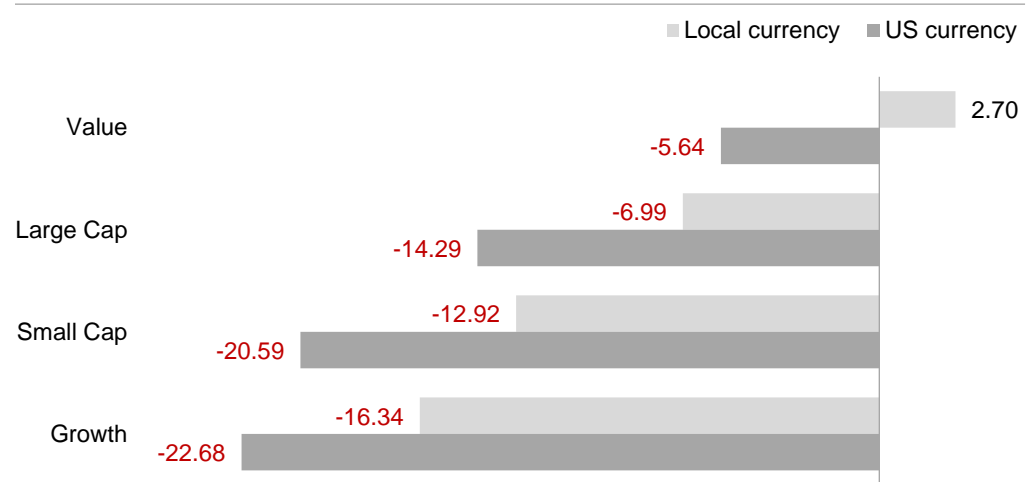
2022 index returns

Developed markets outside of the US posted negative returns for the year and outperformed both US and emerging markets.

Value outperformed growth.

Small caps underperformed large caps.

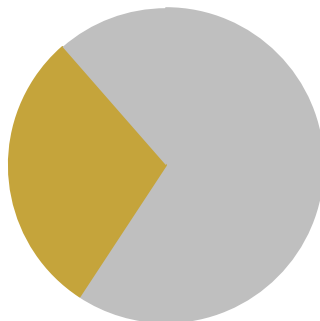
Ranked Returns (%)



World Market Capitalization—International Developed

29%

International Developed Market
\$18.6 trillion



Period Returns (%)

Asset Class	1 Year	3 Years	Annualized	
			5 Years	10 Years
Value	-5.64	1.13	0.56	3.55
Large Cap	-14.29	1.27	1.79	4.59
Small Cap	-20.59	-0.15	0.45	5.77
Growth	-22.68	0.71	2.56	5.35

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Emerging Markets Stocks

2022 index returns

Emerging markets posted negative returns for the year and underperformed both US and non-US developed markets.

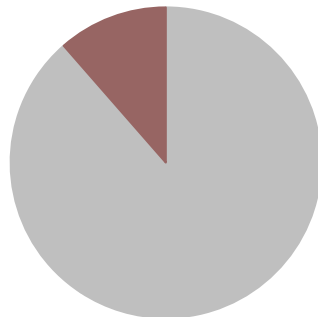
Value outperformed growth.

Small caps outperformed large caps.

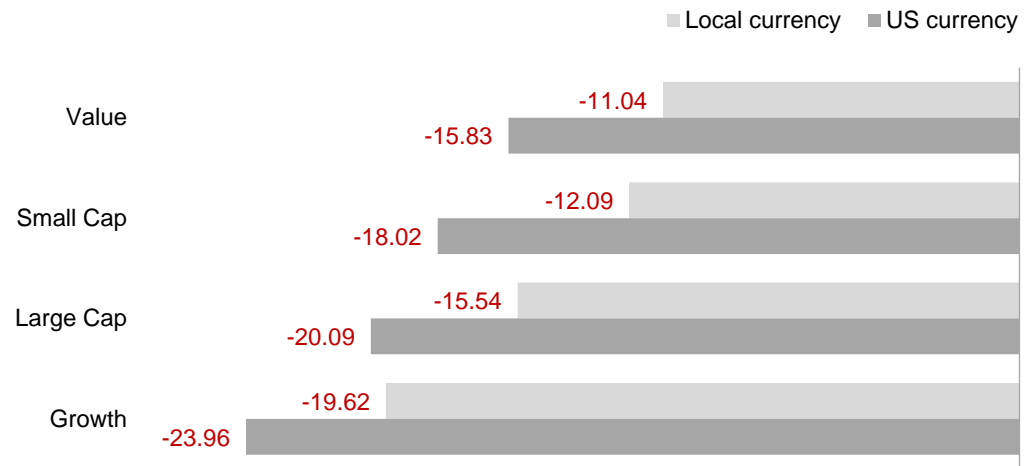
World Market Capitalization—Emerging Markets

11%

Emerging Markets
\$7.3 trillion



Ranked Returns (%)



Period Returns (%)

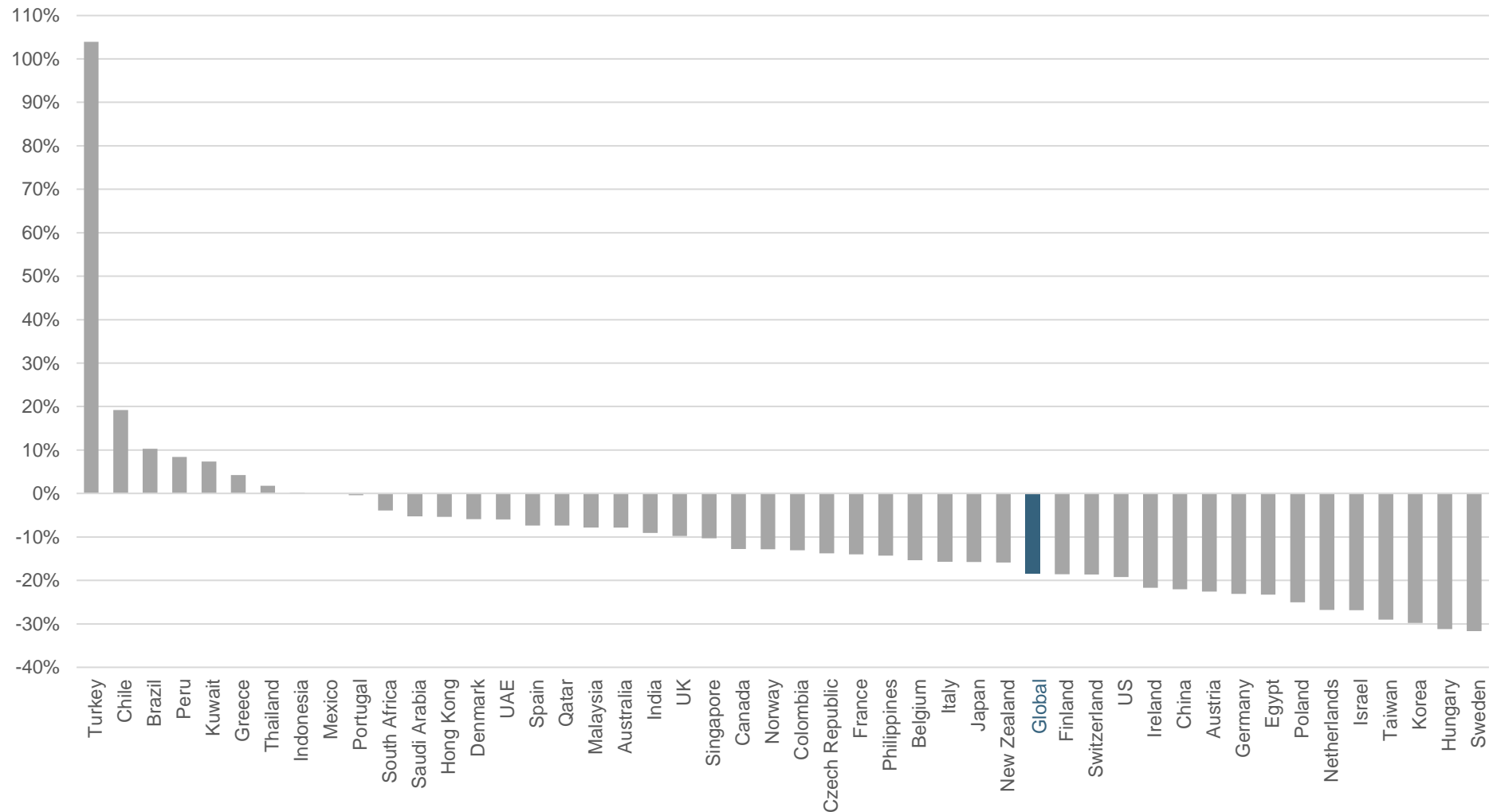
Asset Class	Annualized			
	1 Year	3 Years	5 Years	10 Years
Value	-15.83	-2.62	-1.59	0.06
Small Cap	-18.02	5.11	1.06	3.21
Large Cap	-20.09	-2.69	-1.40	1.44
Growth	-23.96	-2.93	-1.33	2.68

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Country Returns

2022 index returns



Past performance is no guarantee of future results.

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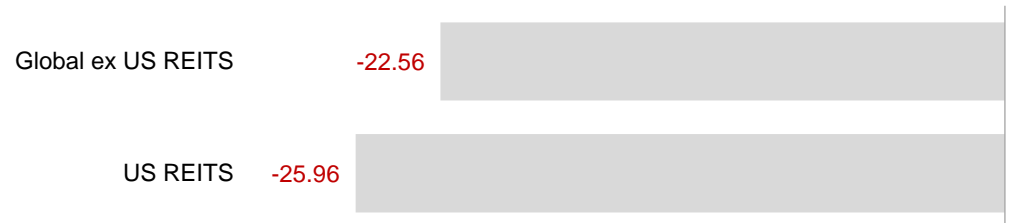


Real Estate Investment Trusts (REITs)

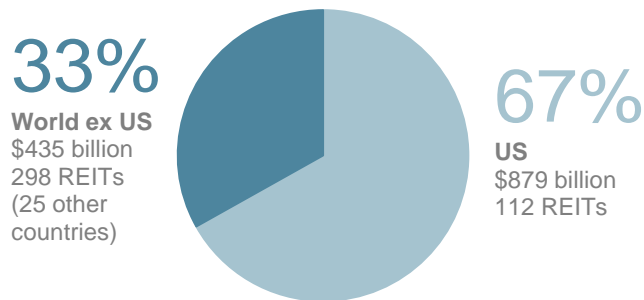
2022 index returns

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

Ranked Returns (%)



Total Value of REIT Stocks



Period Returns (%)

Asset Class	Annualized			
	1 Year	3 Years	5 Years	10 Years
Global ex US REITS	-22.56	-7.77	-2.13	1.61
US REITS	-25.96	-1.37	2.50	5.74

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. 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

2022 index returns

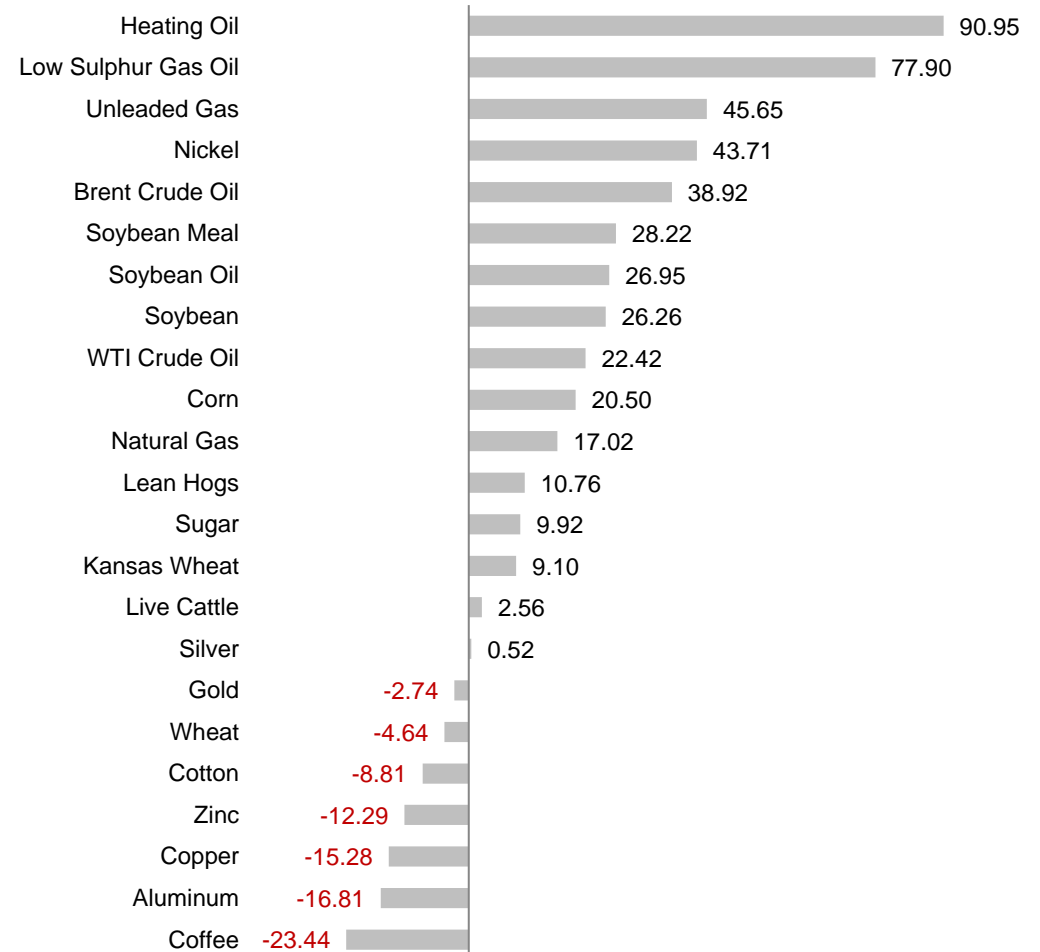
The Bloomberg Commodity Total Return Index returned +16.09% for the year.

Heating Oil and Low Sulphur Gas Oil were the best performers, returning +90.95% and +77.90% during the year, respectively. Coffee and Aluminum were the worst performers, returning -23.44% and -16.81% during the year, respectively.

Period Returns (%)

Asset Class	Annualized			
	1 Year	3 Years	5 Years	10 Years
Commodities	16.09	12.65	6.44	-1.28

Ranked Returns for Individual Commodities (%)





Fixed Income

2022 index returns

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

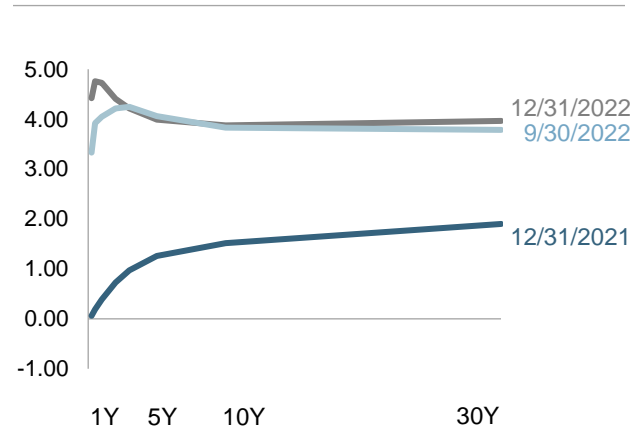
On the short end of the yield curve, the 1-Month US Treasury Bill yield increased 406 basis points (bps) to 4.12%, while the 1-Year US Treasury Bill yield increased 434 bps to 4.73%. The yield on the 2-Year US Treasury Note increased 368 bps to 4.41%.

The yield on the 5-Year US Treasury Note increased 273 bps to 3.99%. The yield on the 10-Year US Treasury Note increased 236 bps to 3.88%. The yield on the 30-Year US Treasury Bond increased 207 bps to 3.97%.

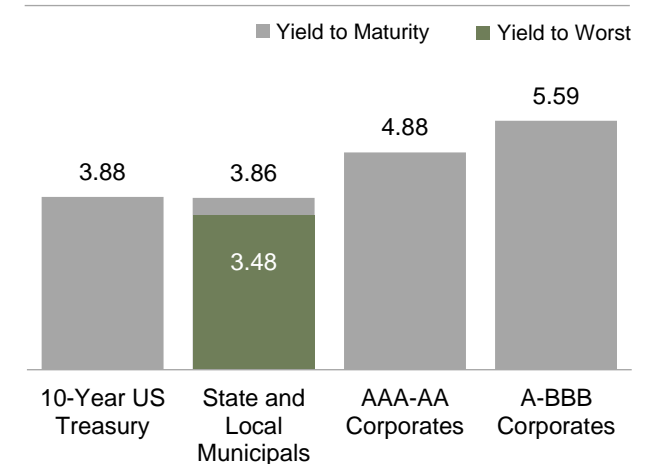
In terms of total returns, short-term US treasury bonds returned -5.47% while intermediate-term US treasury bonds returned -7.77%. Short-term corporate bonds returned -5.62% and intermediate-term corporate bonds returned -9.40%.¹

The total return for short-term municipal bonds was -3.17% and -6.01% for intermediate-term municipal bonds. Within the municipal fixed income market, general obligation bonds outperformed revenue bonds, returning -7.74% vs -9.29, respectively.²

US Treasury Yield Curve (%)



Bond Yield Across Issuers (%)



Period Returns (%)

Asset Class	1 Year	Annualized		
		3 Years	5 Years	10 Years
ICE BofA US 3-Month Treasury Bill Index	1.46	0.72	1.26	0.76
ICE BofA 1-Year US Treasury Note Index	-1.02	0.23	1.09	0.74
FTSE World Government Bond Index 1-5 Years (hedged to USD)	-4.49	-0.75	0.73	0.98
Bloomberg Municipal Bond Index	-8.53	-0.77	1.25	2.13
FTSE World Government Bond Index 1-5 Years	-8.73	-2.44	-1.15	-1.20
Bloomberg U.S. High Yield Corporate Bond Index	-11.19	0.05	2.31	4.03
Bloomberg U.S. TIPS Index	-11.85	1.21	2.11	1.12
Bloomberg U.S. Aggregate Bond Index	-13.01	-2.71	0.02	1.06
Bloomberg U.S. Government Bond Index Long	-29.19	-7.39	-2.19	0.61

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 (S&BI) 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.



Global Fixed Income

2022 yield curves

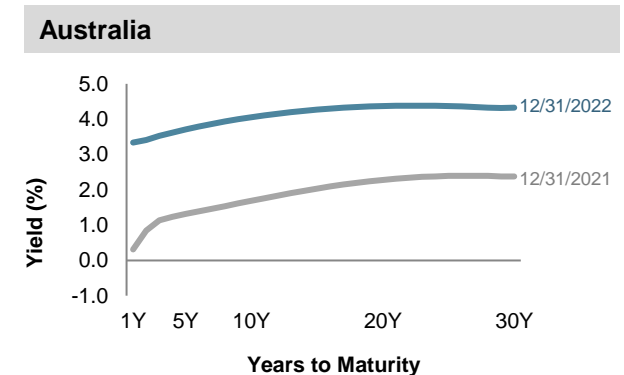
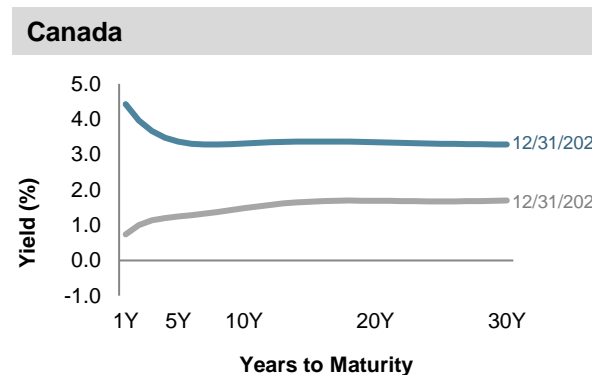
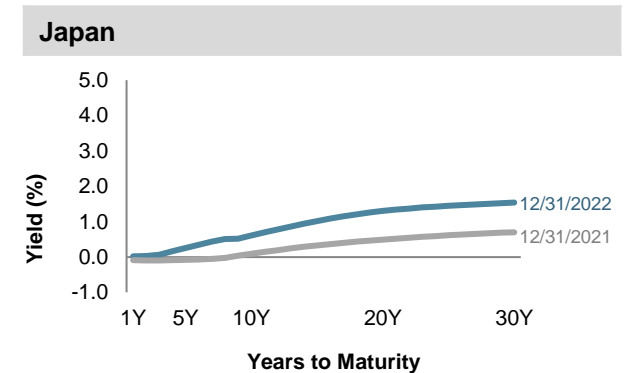
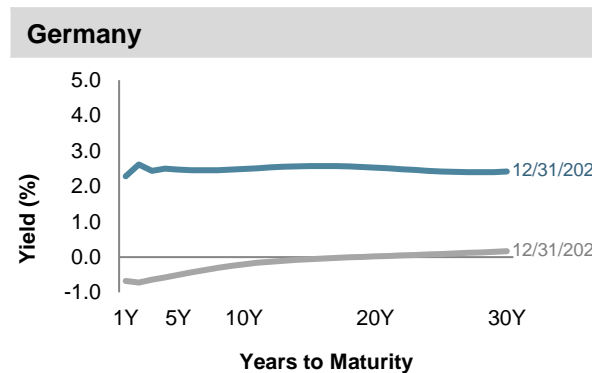
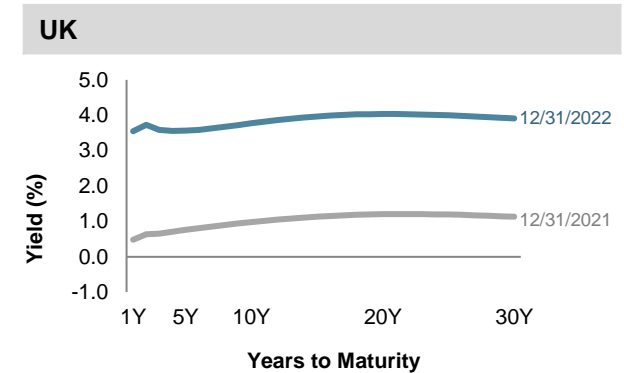
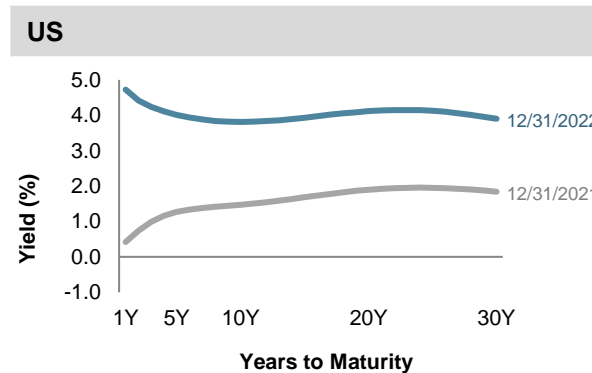
Interest rates generally increased within global developed markets for the year.

Realized term premiums were negative within global developed markets.

In Japan, except for ultra-short term interest rates, interest rates were positive. In Canada, the ultra-short-term segment of the yield curve inverted.

Changes in Yields (bps) since 12/31/2021

	1Y	5Y	10Y	20Y	30Y
US	430.2	274.3	233.8	221.9	205.8
UK	306.6	280.5	279.6	283.4	278.4
Germany	295.5	297.9	269.3	250.9	225.3
Japan	10.6	34.0	52.1	80.9	84.3
Canada	368.7	211.6	183.2	165.5	158.6
Australia	302.0	239.2	236.4	208.8	194.6





Time the Market at Your Peril

Fourth quarter 2022

David Booth, Executive Chairman and Founder, Dimensional Fund Advisors

Technology enables immediate access to everything wherever and whenever we want it. In many cases, such as staying in touch with friends and family, or learning about world events, that's a good thing. However, when it comes to investing and money management, my fear is that faster and easier ways of investing will allow people to lose more money faster and easier.

As access to investing expands, it becomes even more important to adopt an investment plan that doesn't try to actively pick stocks or time the market. The purpose of having an investment plan is so you can relax. So you don't look at the market every day, stressing out and asking, "How'm I doing? How'm I doing?" Investors actively trading are not just potentially missing out on the expected return of the market—they're stressed out, worrying about how the news alert they just received will impact their long-term financial health, and whether they can or should do anything about it.

I don't blame people for this. The financial services industry has not done a good enough job educating investors that the best approach for their long-term financial well-being is to make a plan, implement it, and stick with it.

But it has done a great job selling index funds. Over the past decade, the percentage of the stock market that is passively held has grown considerably, with equity index funds representing 52% of the US equity fund market at the end of 2021.¹ And yet some investors appear to be

using index funds to pursue an active investment approach. For example, the largest S&P 500 ETF had the highest average daily trade volume of US-listed securities in 2021, at \$31 billion.² So instead of picking individual stocks, people seem to be acting like stock pickers when buying and selling index funds and ETFs.

Despite the overwhelming evidence and compelling story to the contrary. When economist Michael Jensen published his landmark 1968 paper, which showed that active stock pickers added no consistent value, other academics soon confirmed his insights. More than five decades and 50 years of data later, the theory still holds up. There are some stock pickers who experience success, but we don't know how to identify them before the fact. We can't separate skill from luck. Picking stocks is more like gambling than investing.

This academic research inspired the invention of the index fund, which allowed investors not only to buy the broad stock market, but also to track the performance of the manager and compare costs. I worked on one of the first index funds. When I co-founded Dimensional, we built strategies that were informed by indices but weren't limited by the same mechanical constraints. So I accepted this research early on and built a company based on it. I still believe it 50 years later. My colleagues and I weren't sure at the beginning that it would appeal to a lot of people, but it did.

1. Data sourced from Morningstar; funds of funds are excluded.

2. US dollars.

Time the Market at Your Peril

(continued from page 15)



ZRC WEALTH MANAGEMENT

I'm proud of the fact that we have always viewed marketing as a way to educate financial professionals and investors. In fact, we started by working with institutions and only expanded to individual investors by working with financial advisors who could help teach their clients how to think about the market and invest for the long term. We wanted to prevent people from making the mistake I still see too many people making.

But I fear it will only get worse. ETFs make it easier to trade. So do free platforms that allow people to trade on their phones. There seem to be as many ETFs as there are stocks that make up those ETFs. I really like ETFs. They are another chapter in this 50-year story of creating safer and better financial products for investors. Our firm has been using them to give financial professionals and investors more choice in how they access Dimensional Investing. But they are tools, and they have to be used effectively.

Which is why you may need an advisor more than ever—to help keep you from jumping from one thing to another. Our approach is to get you out of the game of worrying and guessing by having a plan that can provide peace of mind. It's a sensible approach you can live with. Trust the financial advisor who trusts the market.

The financial industry has made great strides improving the investment options available, but we have more work to do helping investors with those options. There are great solutions right in front of people. As an industry, we need to do a better job of educating current and potential clients. How the bulk of our society lives out their later years depends on it.

Investments involve risks. The investment return and principal value of an investment may fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original value. Past performance is not a guarantee of future results. There is no guarantee strategies will be successful. Diversification does not eliminate the risk of market loss.

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- Founded in 1999
- Serve 180 families and companies across the United States
- Fee-only Registered Investment Advisor (registered with the SEC) and a Fiduciary
- Offices in Walnut Creek, Santa Rosa and Petaluma

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