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Q1

Global Market Review

First Quarter 2023

Global Market Review

First quarter 2023

This report features world capital market performance and a timeline of events for the past quarter. 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:

Commentary: *When Headlines Are Worrisome,
Bank on Informed Planning Strategy*

Market Summary: Quarterly & Long-Term

World Stock Market Performance:
Quarterly & Annual/Long Term

US Stocks

International Developed Stocks

Emerging Markets Stocks

Real Estate Investment Trusts (REITs)

Fixed Income

Global Fixed Income

Life Planning Stress Test Offer

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When Headlines Are Worrisome, Bank on Informed Planning Strategy

First quarter 2023

On Friday, March 10, regulators took control of Silicon Valley Bank as a run on the bank unfolded at astonishing internet speed. Two days later, regulators took control of a second lender, Signature Bank. They were the second and third largest bank failures in U.S. history. Many investors have anxiously eyed their portfolios for exposure to these and other regional banks holding discounted government bonds.

Recent government interventions will cover potential losses for almost all depositors. Still, rather than ever worry about the security of your portfolio when media headlines trouble you, recall once again the most certain investing principles from financial science that were the basis of planning your portfolio.

Clients of Professional Financial have portfolio strategies with a long-term horizon aligned around their expected future cash flow requirement for the goals they planned. Our portfolio designs integrate principles from modern financial science individualized for your risk preferences and return expectations. Staying focused on time-tested principles rather than fear-inspiring headlines that undermine your confidence will help you and your family avoid misguided and potentially costly choices.

1. Uncertainty Is Always Unavoidable

Remember that investing is inherently risky so that uncertainty is unavoidable. Consider unpredictable events of the past three years: a global lockdown, the Russian invasion of Ukraine, spiking inflation, and

ongoing recession fears. Each provided some reason for panic. Despite all of these occurring together, for the three years ending February 28th of this year, the Russell 3000 Index (a broad market-capitalization-weighted index of public US companies) returned an annualized 11.79%, slightly outpacing its average annualized returns of 11.65% since inception in January 1979. Such surprising returns support our recommendation to accept those market ups and downs and stick with your plan.

2. Market Timing Is Futile and Costly

Inevitably, when news is bleak and headlines announce disasters in many places, investors' thoughts turn reflexively to versions of market timing. The notion of selling to avoid near-term pain of loss is highly seductive. But research and practice keep showing that timing efforts usually lead to missing larger longer-term gains. The negative impact of miscalculating market turning points and selling can far outweigh the feeling of safety. Temporary relief is replaced with long-term regret of lost opportunity.

3. "Diversification Is Your Buddy"

Nobel laureate Merton Miller famously remarked, "Diversification is your buddy." Smart diversification is the closest thing you can have to a "free lunch" in investing. Thanks to financial innovations over the last century in different forms of mutual funds, and later ETFs, investors like you can access broadly diversified, sophisticated strategies at very low costs. While not all risks—including a systemic risk such as an economic recession—can be diversified away (see *Principle 1* above), diversification is still an incredibly effective planning tool, and mitigates concerns about the fate of individual companies.

When Headlines Are Worrisome, Bank on Informed Planning Strategy

(continued from page 3)

Diversification reduces the potential pain caused by poor performance or failure of a single company, industry, or country.¹ As of February 28, Silicon Valley Bank (SIVB) represented just 0.04% of the Russell 3000 of U.S. major stocks, while all regional banks combined represented only 1.70%.² For those with globally diversified portfolios, the portfolio impact of failure was miniscule: For instance, as of February 28, SIVB was just one of more than 9,000 companies in the MSCI All Country World IMI Index (MSCI ACWI IMI) and represented a mere 0.03% of the index. As of the same date, regional banks in total represented only 1.15% of the index, with the largest at 0.10%. Global diversification within an informed investment strategy drives more reliable outcomes despite occasional big bank failures.



1. Consider that a study of single stock performance in the US from 1927 to 2020 illustrated that the survival of any given stock is far from guaranteed. The study found that on average for 20-year rolling periods, about 18% of US stocks went through a “bad” delisting. The authors note that delisting events can be “good” or “bad” depending on the experience for investors. For example, a stock delisting due to a merger would be a good delist, as the shareholders of that stock would be compensated during the acquisition. On the other hand, a firm that delists due to its deteriorating financial condition would be a bad delist since it is an adverse outcome for investors. Given these results, there is a good case to avoid concentrated exposure to a single company. Source: “Singed Out: Historical Performance of Individual Stocks” (Dimensional Fund Advisors, 2022).

2. Regional banks weight reflects the weight of the “Regional Banks” GICS Sub-Industry. GICS was developed by and is the exclusive property of MSCI and S&P Dow Jones Indices LLC, a division of S&P Global.

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 neither assures a profit nor guarantees against loss in a declining market. Past performance is not a guarantee of future results. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio.

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The concept of globally structured diversification will not make any headlines. Yet like so many financial innovations over the last century, progressively integrated into informed mutual funds and ETFs, highly sophisticated investing that not even the wealthiest once could have, is accessible and affordable today.

Conclusion

A systematically structured strategy for your family portfolio—the money you will depend on for your lifestyle and your lifetime—will help you weather periods of uncertainty like headlined events of the past three years. Essential to having an informed investment management strategy, is a trusted advisor who can help you remain disciplined and stick with an informed plan through uncertain times and keep you from reacting to pundits’ predictions of gloom and doom and changes with unpredictable results.

Planning for what can happen is far more effective than trying to predict what will happen. Those who gained the best long-term outcomes from systematic structured investing, by staying disciplined through the uncertain market ups and downs, are often those who had stopped listening to all that media noise.

Global Market Summary



















Index returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate		US Bond Market	Global Bond Market ex US
Q1 2023	STOCKS					BONDS	
	7.18%	8.02%	3.96%	1.37%		2.96%	2.86%
							
Since Jan. 2001							
Average Quarterly Return	2.2%	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.

Long-Term Market Summary

Index returns as of March 31, 2023

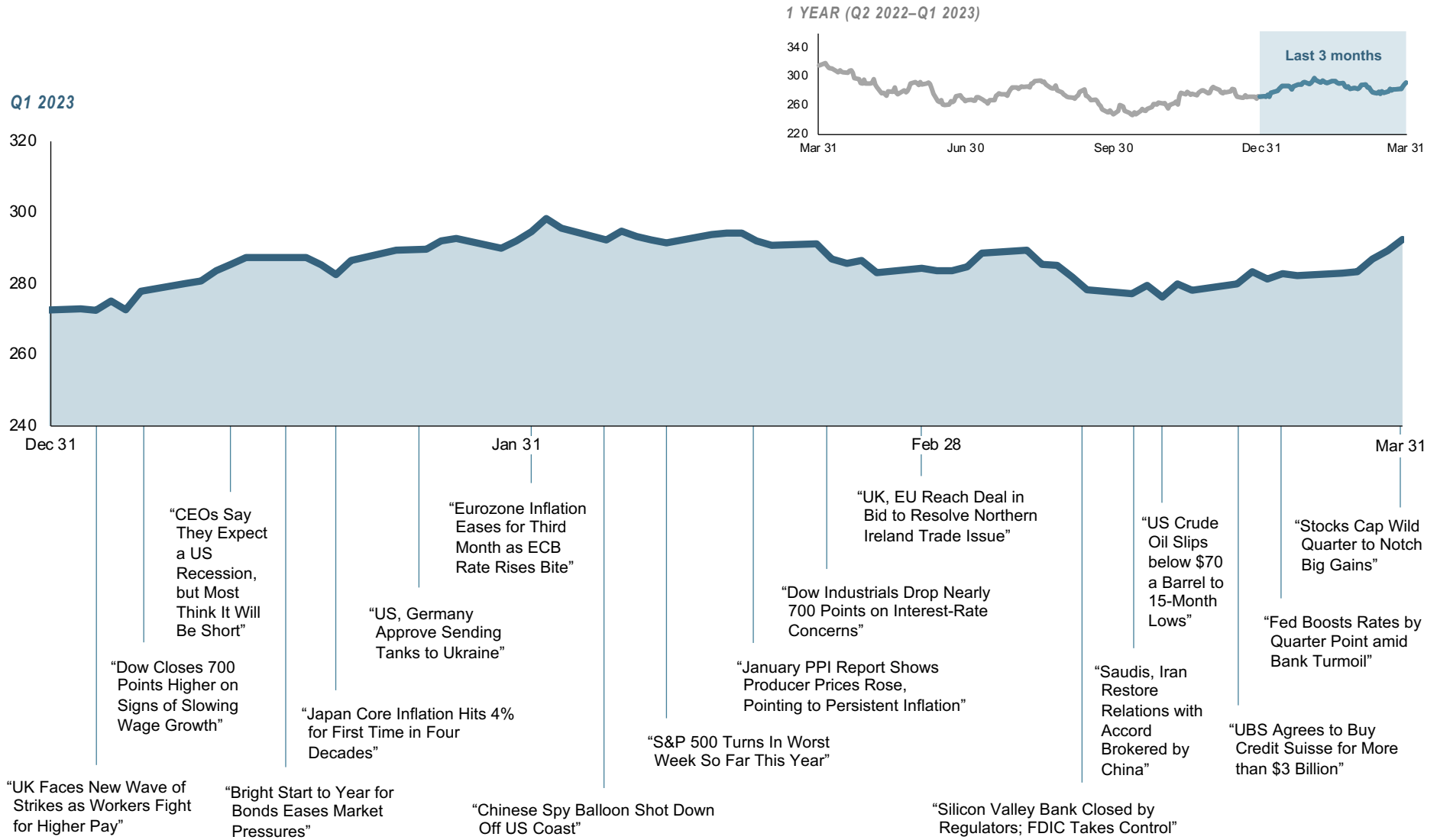
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate		US Bond Market	Global Bond Market ex US
1 Year	STOCKS					BONDS	
	-8.58%	-2.74%	-10.70%	-20.29%		-4.78%	-3.27%
							
5 Years							
	10.45%	3.80%	-0.91%	2.41%		0.91%	0.90%
							
10 Years							
	11.73%	4.91%	2.00%	3.26%		1.36%	2.28%
							

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 Q1 2023



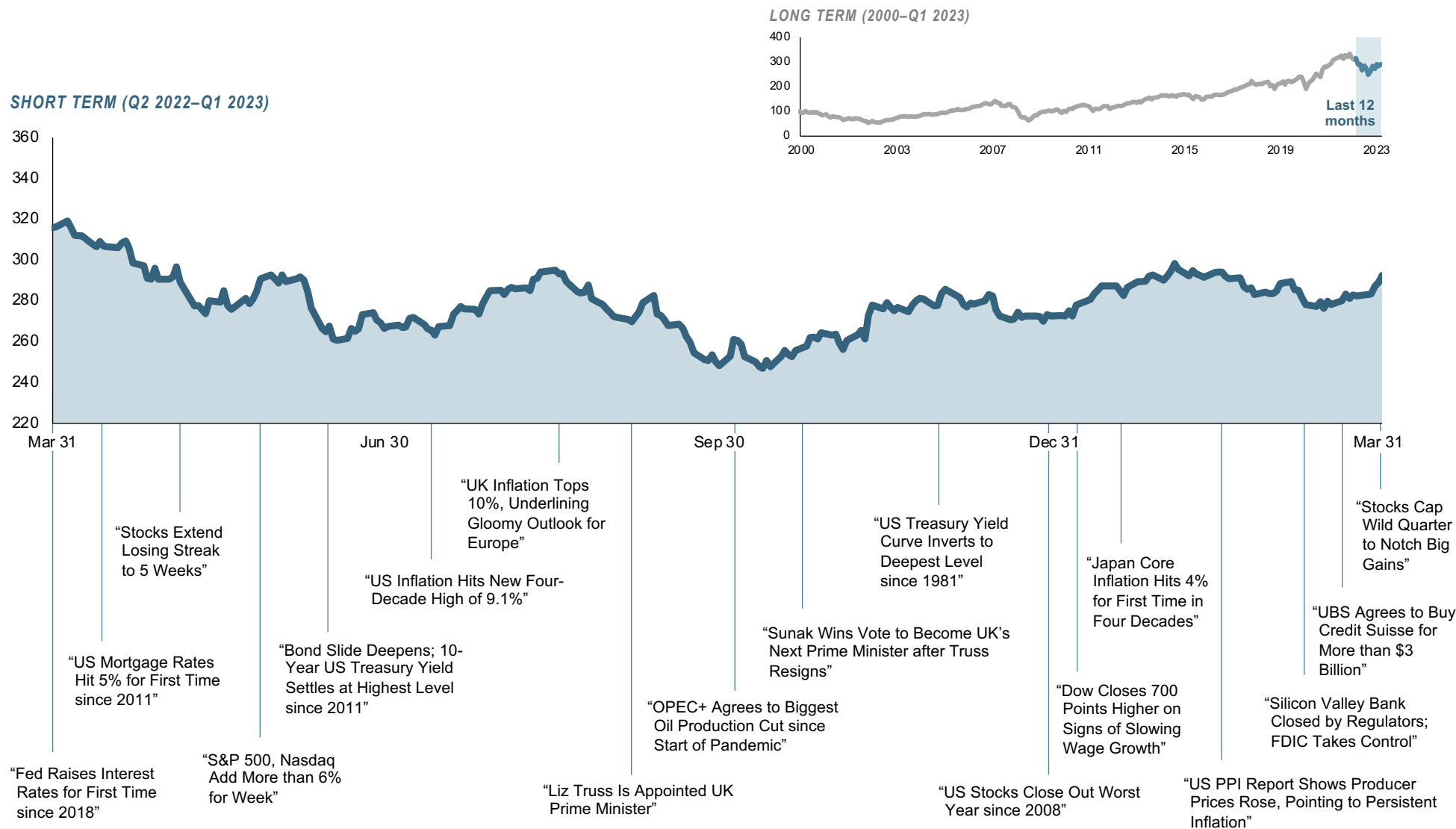
These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

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

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 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

First quarter 2023 index returns

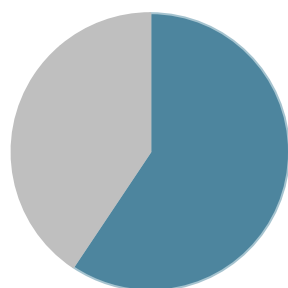
The US equity market posted positive returns for the quarter and underperformed non-US developed markets, but outperformed emerging markets.

Value underperformed growth.

Small caps underperformed large caps.

REIT indices underperformed equity market indices.

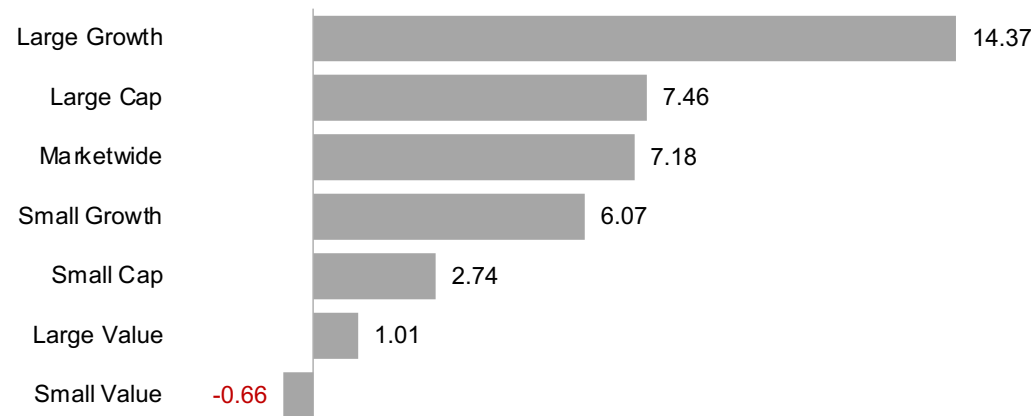
World Market Capitalization—US



59%

US Market
\$40.1 trillion

Ranked Returns (%)



Period Returns (%)

Asset Class	QTR	1 Year	Annualized		
			3 Years	5 Years	10 Years
Large Growth	14.4	-10.9	18.6	13.7	14.6
Large Cap	7.5	-8.4	18.6	10.9	12.0
Marketwide	7.2	-8.6	18.5	10.5	11.7
Small Growth	6.1	-10.6	13.4	4.3	8.5
Small Cap	2.7	-11.6	17.5	4.7	8.0
Large Value	1.0	-5.9	17.9	7.5	9.1
Small Value	-0.7	-13.0	21.0	4.6	7.2

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International Developed Stocks

First quarter 2023 index returns

Developed markets outside of the US posted positive returns for the quarter and outperformed both US and emerging markets.

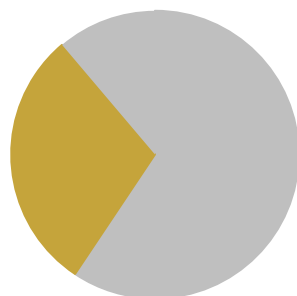
Value underperformed growth.

Small caps underperformed large caps.

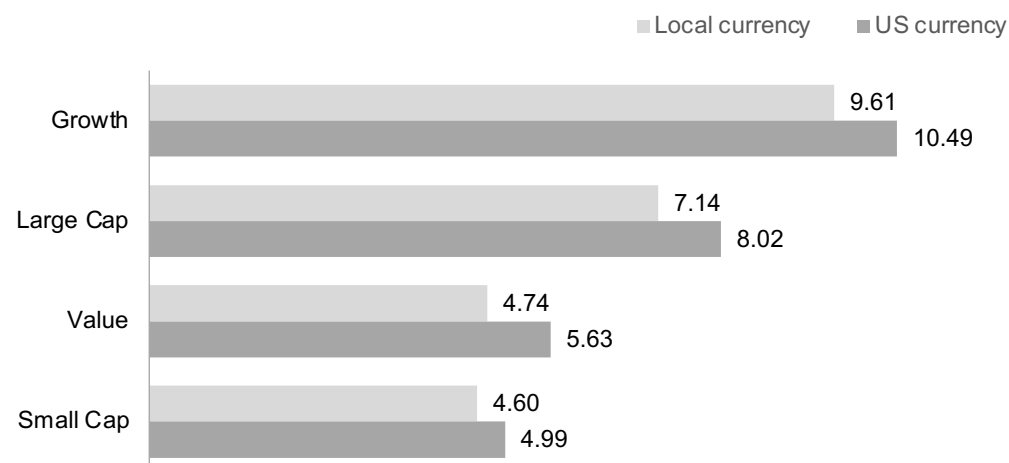
World Market Capitalization—International Developed

29%

International
Developed Market
\$19.9 trillion



Ranked Returns (%)



Period Returns (%)

Asset Class	QTR	1 Year	Annualized		
			3 Years	5 Years	10 Years
Growth	10.5	-4.0	11.2	5.0	5.8
Large Cap	8.0	-2.7	13.5	3.8	4.9
Value	5.6	-1.9	15.3	2.2	3.8
Small Cap	5.0	-10.1	13.4	1.5	5.5

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: 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

First quarter 2023 index returns

Emerging markets posted positive returns for the quarter and underperformed both US and non-US developed markets.

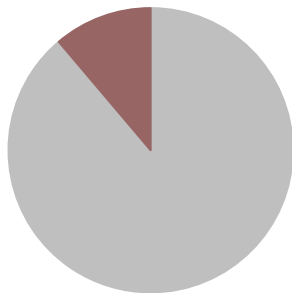
Value underperformed growth.

Small caps underperformed large caps.

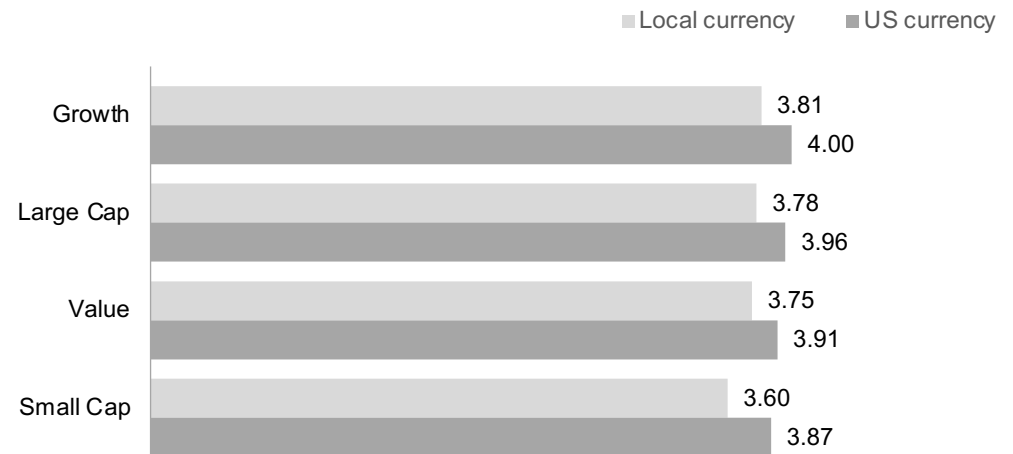
World Market Capitalization—Emerging Markets

11%

Emerging
Markets
\$7.6 trillion



Ranked Returns (%)



Period Returns (%)

Asset Class	QTR	1 Year	Annualized		
			3 Years	5 Years	10 Years
Growth	4.0	-11.9	5.7	-0.8	3.2
Large Cap	4.0	-10.7	7.8	-0.9	2.0
Value	3.9	-9.4	10.0	-1.2	0.7
Small Cap	3.9	-11.0	20.7	1.8	3.2

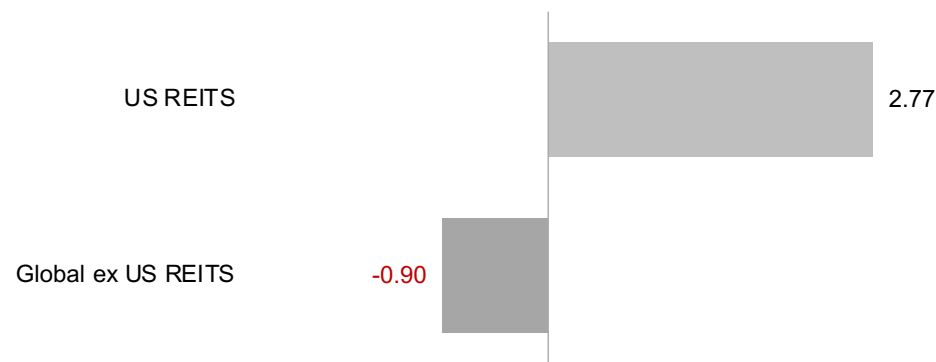
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Large Cap (MSCI Emerging Markets Index), Small 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.

Real Estate Investment Trusts (REITs)

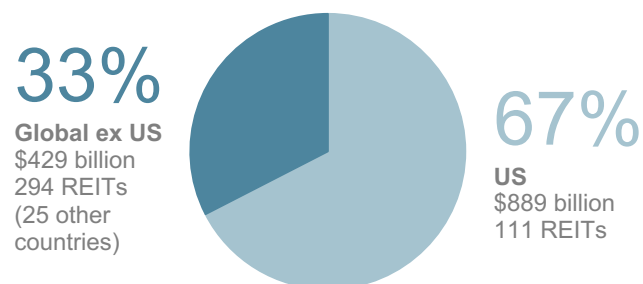
First quarter 2023 index returns

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

Ranked Returns (%)



Total Value of REIT Stocks



Period Returns (%)

Asset Class	QTR	1 Year	Annualized		
			3 Years	5 Years	10 Years
US REITS	2.8	-21.0	11.3	4.7	5.3
Global ex US REITS	-0.9	-20.9	4.8	-2.1	0.8

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.

Fixed Income

First quarter 2023 index returns

Within the US Treasury market during the first quarter of 2023, interest rates generally increased in the ultrashort-term segment and decreased in the short- to long-term segment.

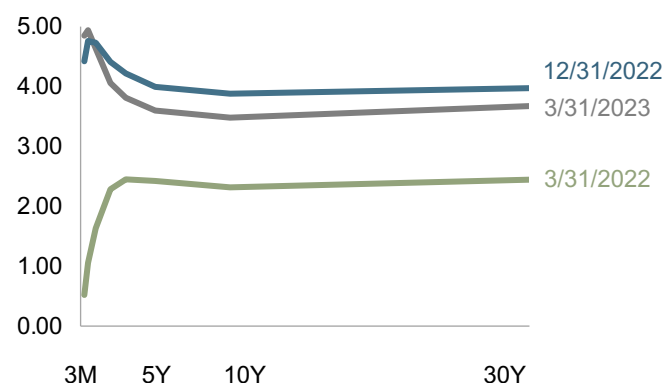
On the short end of the yield curve, the 1-Month US Treasury Bill yield increased 62 basis points (bps) to 4.74%, while the 1-Year US Treasury Bill yield decreased 9 bps to 4.64%. The yield on the 2-Year US Treasury Note decreased 35 bps to 4.06%.

The yield on the 5-Year US Treasury Note decreased 39 bps to 3.60%. The yield on the 10-Year US Treasury Note decreased 40 bps to 3.48%. The yield on the 30-Year US Treasury Bond decreased 30 bps to 3.67%.

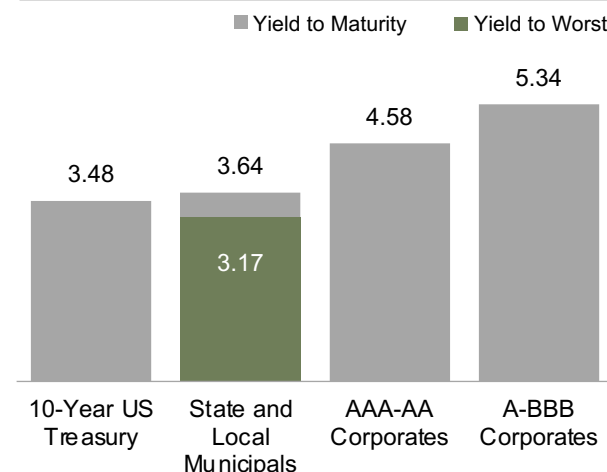
In terms of total returns, short-term US treasury bonds returned +1.87% while intermediate-term US treasury bonds returned +2.27%. Short-term corporate bonds returned +1.68% and intermediate-term corporate bonds returned +2.50%.¹

The total returns for short- and intermediate-term municipal bonds were +1.37% and +2.35%, respectively. Within the municipal fixed income market, general obligation bonds returned +2.59% while revenue bonds returned +2.96%.²

US Treasury Yield Curve (%)



Bond Yield Across Issuers (%)



Period Returns (%)

Asset Class	QTR	1 Year	Annualized			
			3 Years	5 Years	10 Years	
Bloomberg U.S. Government Bond Index Long	6.2	-15.9	-11.3	-0.4	1.4	
Bloomberg U.S. High Yield Corporate Bond Index	3.6	-3.3	5.9	3.2	4.1	
Bloomberg U.S. TIPS Index	3.3	-6.1	1.8	2.9	1.5	
Bloomberg U.S. Aggregate Bond Index	3.0	-4.8	-2.8	0.9	1.4	
Bloomberg Municipal Bond Index	2.8	0.3	0.4	2.0	2.4	
FTSE World Government Bond Index 1-5 Years	2.1	-3.4	-2.0	-1.1	-0.7	
FTSE World Government Bond Index 1-5 Years (hedged to USD)	1.8	-0.4	-0.9	1.1	1.1	
ICE BofA 1-Year US Treasury Note Index	1.3	1.0	0.1	1.3	0.9	
ICE BofA US 3-Month Treasury Bill Index	1.1	2.5	0.9	1.4	0.9	

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 (SBBBI) 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

First quarter 2023 yield curves

Except for ultrashort-term government bonds in the German and UK markets, interest rates generally decreased within global developed markets for the quarter.

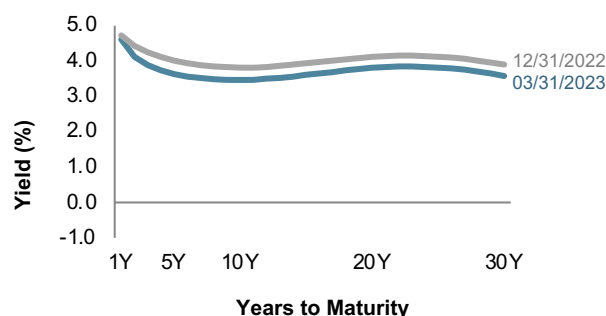
Realized term premiums were positive in global developed markets.

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

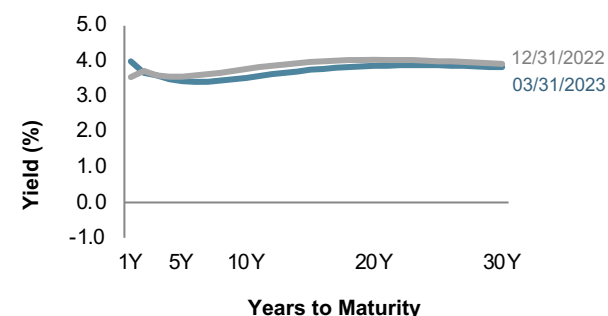
Changes in Yields (bps) since 12/31/2022

	1Y	5Y	10Y	20Y	30Y
US	-11.4	-37.9	-34.8	-31.3	-32.2
UK	44.6	-13.5	-24.6	-17.0	-8.8
Germany	56.9	-15.6	-19.5	-11.5	-8.0
Japan	-13.0	-15.9	-15.5	-25.7	-27.0
Canada	-20.3	-39.9	-38.8	-22.7	-22.5
Australia	-19.4	-65.3	-73.3	-61.7	-54.6

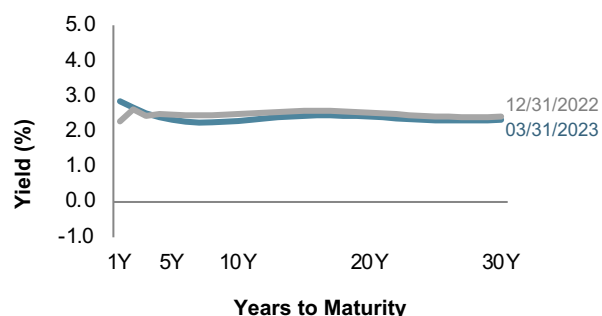
US



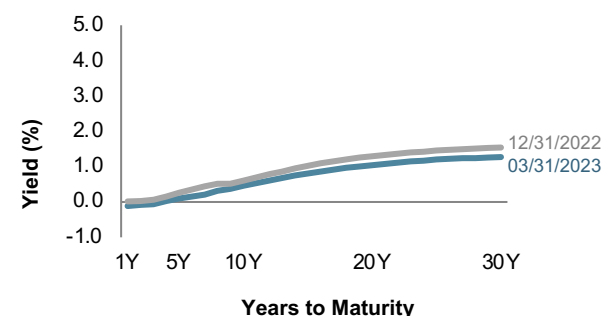
UK



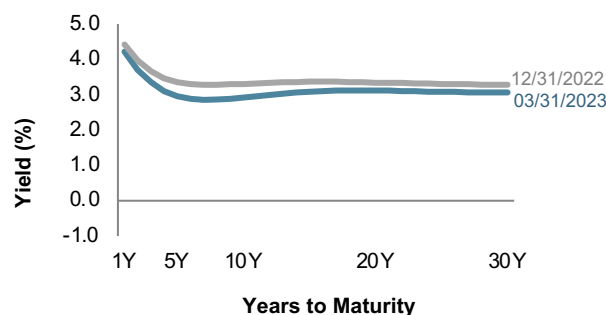
Germany



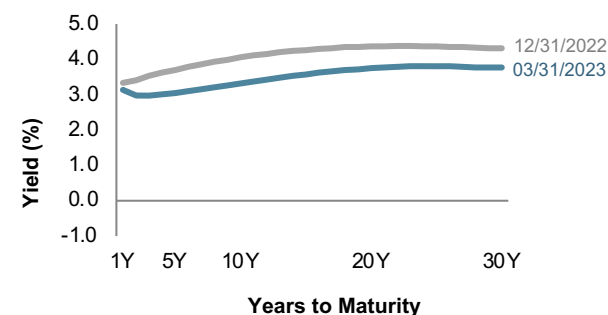
Japan



Canada



Australia



Life Planning Stress Test

In these uncertain times, you may know a friend, family member or colleague who may have a difficult situation, or who wonders whether they are getting the right advice, or simply needs sound professional advice but doesn't get it. That's not uncommon. Studies suggest that over 80 percent of "middle-class millionaires" would value a second opinion for planning.*

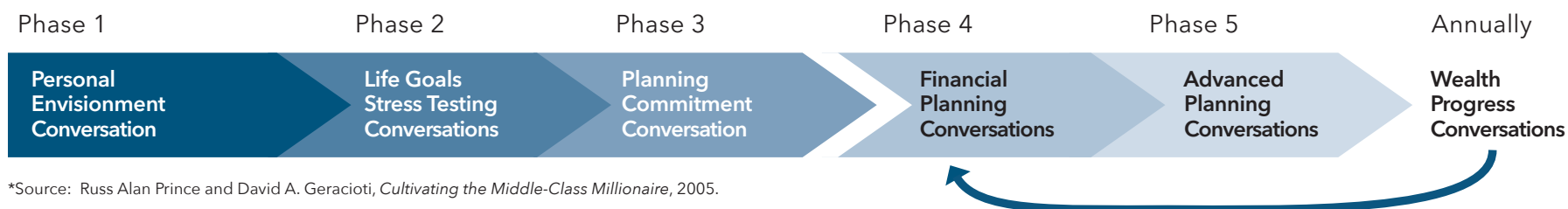
In order to help those you care about achieve their goals and dreams, we provide a complimentary **Life Planning Stress Test** for those people. We're pleased to offer your friends, family and colleagues the same guidance and expertise that you've experienced as a valued client of Professional Financial.

Paul Byron Hill, MBA, MFP, MSFS, ChFC®, RICP®, CFP® is a nationally recognized Wealth Management Certified Professional™ and Certified Financial Planner™ professional, written about in such publications as *Fortune*, *Forbes*, *Bloomberg Businessweek*, and *Money*. Paul is the co-author of *Retire Abundantly*. Reuters AdvisePoint recognized Mr. Hill as one of 500 "Top Advisers" in the U.S. and was featured him in an interview on their website.

Paul founded Professional Financial Strategies, Inc. in 1993 as one of the first life planning firms to specialize in retirement and wealth management for affluent and aspiring families. Paul is a personal chief financial officer acting in the best interest of his clients. He brings together a proven process and a network of specialists for making informed decisions for systematic structured strategies, lifetime income, mitigating taxes, protecting assets, and preserving wealth for family and purposeful causes.

Mr. Hill received a BA with distinction from the University of Rochester and later an MBA in finance from its Simon School of Business. He earned an MS in financial services from The American College along with his Chartered Financial Consultant and Retirement Income Certified Professional designations, and then received an MS in financial planning from the College for Financial Planning (now at the University of Phoenix). The College for Financial Planning appointed him as adjunct faculty, and he taught at St. John Fisher College. Who's Who presented Paul with the Albert Nelson Marquis Lifetime Achievement Award, and featured him with others in *The Wall Street Journal* and other publications.

INTRODUCTORY LIFE PLANNING PHASES



Life Planning Stress Test

Working with experts committed to professional wealth management process

Ask ten investors to define wealth management. Rather, ask ten financial advisors you meet to do so. You'll probably get ten different answers, and most replies will focus on investing or only products. As a client of Professional Financial, however, you benefit from a team of CFPs® with a network of experts for purposeful wealth management.

Our professional planning process

At Professional Financial we approach each engagement with a fiduciary collaborative process. We'll have conversations to learn about your values, goals and dreams for the future. This proven process enables us to custom tailor an individualized plan that helps you effectively progress toward your life goals. For valued clients, you'll recognize each of the six steps above. In our **Life Planning Second Opinion**, we offer a portion of our consultative service, complimentary, to your friends, family and colleagues.

What to expect from a life planning second opinion

We will meet with your friends and family in a conversation to explore their concerns about the future and opportunities to see where we can help. If there is a mutual fit, we will invite them back for a follow up conversation. We could confirm whether they are on the right track with their current financial advisors. Or if we are not the right fit, we will suggest another professional firm that may be more appropriate for them. Either way, they will receive constructive advice and recommendations regarding their planning situation—possibly a value of \$5,000 or more.

INTRODUCTORY LIFE PLANNING CONVERSATION

Phase 1

Phase 2

Personal
Envisionment
Conversation

Life Goals
Stress Testing
Conversation

PURPOSEFUL WEALTH MANAGEMENT

INVESTMENT MANAGEMENT

- Strategic planning
- Goal monitoring
- Performance evaluation
- Risk evaluation
- Portfolio structuring
- Manager due diligence

LIFE PLANNING

- Wealth enhancement, including tax minimization and liability restructuring

- Asset Protection
- Securitizing Heirs' Lifestyle
- Legacy Planning
- Charitable Impact

RELATIONSHIP CONSULTATIONS

- Regularly scheduled calls, emails, reviews and in-person meetings
- Professional network, including accounting, tax, legal, insurance, actuarial and benefits experts

Let us help those you care about. Contact us today.

Paul Byron Hill, MBA, MFP, MSFS, ChFC®, RICP®
CEO | Certified Financial Planner™
Wealth Management Certified Professional™

Kam-Lin K. Hill, MBA, ChFC®, CFP®
Chartered Global Management Accountant
Accredited Wealth Management Advisor™

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Disclosure: Professional Financial Strategies, Inc. ("Professional Financial") is an independent investment advisor registered with the Securities and Exchange Commission. CFP professionals are fiduciaries with a duty of loyalty and care to act in client best interest and individually licensed by the Certified Financial Planner Board of Standards.

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Please Remember: If you are a Professional Financial client, please contact us, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. Unless, and until, you notify us, in writing, to the contrary, we shall continue to provide services as done currently. **Be sure to advise us** if you have **not** been receiving account statements (at least quarterly) from account custodian(s).