

Q4 2022

## WEALTH SOLUTIONS CAPITAL MARKETS REVIEW

INDEX		PERIOD ENDING DECEMBER 31, 2022				
U.S. Equity Markets	Qtr	YTD	1 Yr Return	3 Yr Return	5 Yr Return	10 Yr Return
S&P 500 TR USD	7.56	-18.11	-18.11	7.66	9.42	12.56
Russell 3000 TR USD	7.18	-19.21	-19.21	7.07	8.79	12.13
Russell 3000 Value TR USD	12.18	-7.98	-7.98	5.88	6.50	10.16
Russell 3000 Growth TR USD	2.31	-28.97	-28.97	7.32	10.45	13.75
Russell 1000 TR USD	7.24	-19.13	-19.13	7.35	9.13	12.37
Russell 2000 TR USD	6.23	-20.44	-20.44	3.10	4.13	9.01
Non-U.S. Equity Markets						
MSCI ACWI Ex USA NR USD	14.28	-16.00	-16.00	0.07	0.88	3.80
MSCI EM NR USD	9.70	-20.09	-20.09	-2.69	-1.40	1.44
Fixed Income						
Bloomberg US Agg Bond TR USD	1.87	-13.01	-13.01	-2.71	0.02	1.06
Bloomberg US Treasury US TIPS TR USD	2.04	-11.85	-11.85	1.21	2.11	1.12
Real Assets/Natural Resources						
DJ US Select REIT TR USD	4.76	-25.96	-25.96	-1.37	2.50	5.74
S&P North American Natural Resources TR	18.25	34.07	34.07	14.97	7.13	4.05

Past performance is not a guarantee of future results.



**GDP (LAGGING  
INDICATOR)**

**Q3 2022 (Third Estimate)**

Increased at annual rate  
of 3.2%



**EXISTING  
HOME SALES**

**Through November 2022**

Decreased by 7.7%



**UNEMPLOYMENT  
RATE**

**December 2022**

Decreased to 3.5%  
(seasonally adjusted)



**CONSUMER  
PRICE INDEX**

**November 2022**

Increased by 0.1%  
(seasonally adjusted)

## MARKET COMMENTARY

The U.S. equity market gained 7.2% during the quarter but ended the full-year down 19.2%. Stocks advanced in October as investors reacted positively to strong corporate earnings, primarily from energy companies. U.S. stocks continued to advance in November after comments made by Fed Chairman Jerome Powell seemed to indicate that future interest rate increases may be less aggressive. Those sentiments reversed course in December with weaker year-end equity performance.

Value stocks exceeded growth stocks by 9.9 percentage points in the quarter. Strong relative performance from the energy and financials sectors drove the segment's outperformance. For the 1-year period, value outperformed growth stocks by 21.0 percentage points. Energy was the best performing sector with favorable performance driven by top sector constituents Chevron and Exxon, with each recording strong quarterly earnings. For the second-straight year, the energy sector produced the largest return for the trailing 1-year period. Defensive sectors such as utilities, consumer staples, and health care fared better than economically sensitive sectors during the fourth quarter and calendar year.

International stocks gained 14.3% in the quarter. Developed market stocks outperformed emerging market stocks by 7.6 percentage points as falling oil and natural gas prices detracted from energy-producing emerging market economies. For U.S.-based investors, almost every country posted positive returns in the period, as the U.S. dollar weakened for the first time since June 2021. Despite two additional interest rate increases by the European Central Bank, developed Europe returned 19.3% return in the quarter. European stocks advanced as rising inflation appeared to show signs of weakening and unseasonably warm weather eased concerns of potential energy shortages during the winter. The UK posted a return of 17.0%, which was in line with the majority of non-U.S. developed market peers. Japanese (+13.2%) and Chinese (+13.5%) stocks both trailed the broader market. However, China outperformed most of its emerging market peers as

optimism grew that its government would loosen their strict zero Covid policies in response to growing domestic unrest.

Preliminary estimates from a subset of core equity real estate managers indicates a negative return of approximately 5% for the quarter. An increase in discount rates and moderating rent growth expectations, coupled with increased transaction activity which provides comparable sales to appraisers, contributed to property valuation declines. REITs rebounded with the stock market during the quarter but remained one of the year's worst performing sectors.

The U.S. fixed income market returned 1.9% in the quarter, concluding the year with a return of -13.0% — making it the worst recorded return in U.S. history. The Fed raised its target Fed Funds range from 4.25%

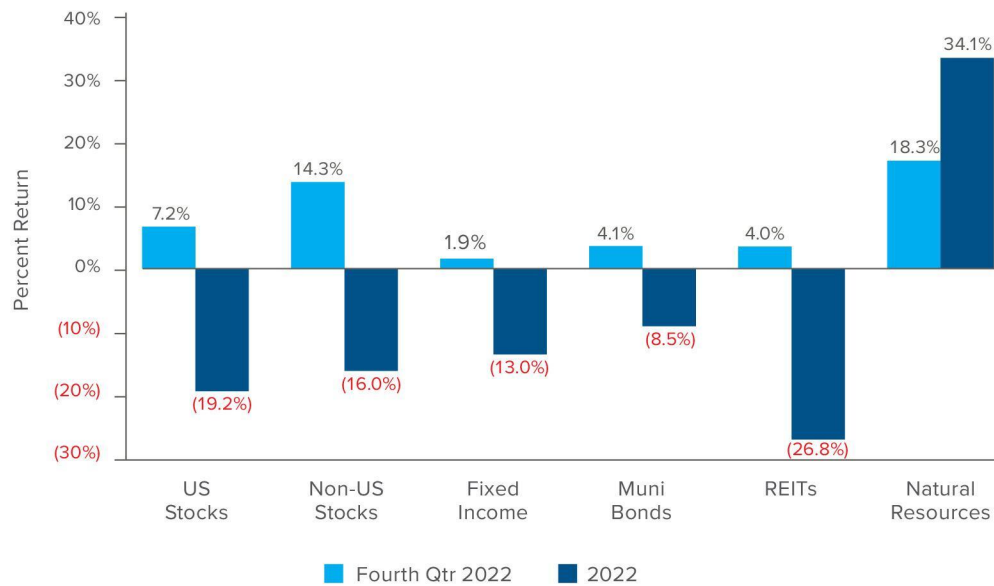
**“Far more money has been lost by investors trying to anticipate corrections, than lost in the corrections themselves.”**

*— Peter Lynch*

to 4.50% during two quarterly meetings. Fed officials expect additional rate increases at future meetings to further combat inflation but anticipate pausing rate hikes in 2023 after softening its economic projections. The 10-year treasury yield ended the quarter at 3.88%, representing an increase of 0.05 percentage points from the previous quarter and an increase of 2.36 percentage points for the year. Municipal bonds returned 4.1% as yields declined across the curve. TIPS advanced 2.0%, outperforming nominal treasuries. Inflation expectations increased as indicated by the 10-year breakeven inflation rate, ending the quarter at 2.30% versus 2.15% at the end of the prior quarter, but retreating from its highs earlier in the year. The realized annual Consumer Price Index was 7.1% through November 2022.

## MAJOR CAPITAL MARKET RETURNS

U.S. Stocks—Russell 3000, Non-U.S. Stocks—MSCI AC World ex U.S.,  
Fixed Income—Barclays Aggregate and U.S. Treasury Bills



## RISK/RETURN – TRAILING 10 YEARS





Source of statistics not otherwise specifically cited within this newsletter: Strategic Capital Investment Advisors.

Definitions of the indexes shown here can be found at

<https://mfinwealth.com/index-and-statistics-definitions>.

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The S&P 500 Total Return is a commonly used measure of common stock performance of 500 leading companies in leading industries of the U.S. economy.

The Russell 3000 index measures the performance of the largest 3000 US companies representing approximately 98% of the investable US equity market. It is market-capitalization weighted.

The Russell 3000 Value index measures the performance of the broad value segment of US equity value universe. It includes Russell 3000 index companies with lower price-to-book ratios and lower forecasted growth values. It is market-capitalization weighted.

The Russell 3000 Growth index measures the performance of the broad growth segment of the US equity universe. It includes Russell 3000 index companies with higher price-to-book ratios and higher forecasted growth values. It is market-capitalization weighted.

The Russell 2000 Index measures the performance of the small-cap segment of the US equity universe. It is a subset of the Russell 3000 and includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The Russell 1000 Index measures the performance of the large-cap segment of the US equity securities. It is a subset of the Russell 3000 index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership.

The MSCI ACWI Ex USA Index captures large and mid-cap securities exhibiting overall growth style characteristics across 22 of 23 Developed Markets countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

The MSCI Emerging Markets index measures the performance of the large and mid-cap segments of emerging market equity securities. It is free float-adjusted market-capitalization weighted.

The Barclays Aggregate Bond index measures the performance of investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS.

The Barclays US TIPS index measures the performance of rules-based, market value-weighted inflation-protected securities issued by the U.S. Treasury. It is a subset of the Global Inflation-Linked Index (Series-L).

The DJ US Select REIT index measures the performance of publicly traded real estate investment trusts (REITs) and REIT-like securities. The index is a subset of the Dow Jones US Select Real Estate Securities Index (RESI). The index is designed to serve as proxy for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate.

The S&P North American Natural Resources index measures the performance of US traded securities that are classified under the Global Industry Classification Standard (GICS) energy and materials (sector) excluding the chemicals (industry) and steel (sub-industry).

## SOURCES

### GDP

› <https://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>

### Existing

› <https://www.nar.realtor/research-and-statistics/housing-statistics/existing-home-sales>

### Unemployment

› <https://www.bls.gov/news.release/empstoc.htm>

### Consumer Price Index

› <https://www.bls.gov/news.release/cpi.toc.htm>

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M Financial Group | 1125 NW Couch Street, Suite 900 | Portland, OR 97209 | 503.238.1813 | fax 503.238.1815 | [mfin.com](http://mfin.com)