

WEALTH MANAGEMENT NEWSLETTER

SPRING 2024

THE STORIES OF 2023

How could we sum up the market in a year like 2023? If given only a word, *resilient* might do.

The year began with many reasons that investors might doubt the market. There was anxiety over high inflation, rising interest rates, and widespread “hard landing” and recession forecasts. Later, we endured regional banking turmoil and witnessed the onset of war in the Middle East. Yet, despite it all, the market delivered big, with the S&P 500® Index returning over 26%.

For a more in-depth trip down memory lane, the graphic below captures as much as we could fit of the good and not-so-good news from 2023, presented against the cumulative return of the S&P 500. Market highs and lows are highlighted to illustrate further what a tremendous year it was (blue and red dots for highs and lows and green for new all-time highs). Amazingly, a dollar tracking the index beginning with the start of the year would have reached the low mark by January 5 and experienced 47 new highs by the end of 2023.

S&P 500 Index Return and Headlines in 2023



Data from 1/1/2023 – 12/29/2023. Source: FactSet, Avantis Investors. Past performance is no guarantee of future results.

If we stay focused on our long-term goals and the fact that our financial plan can account for the ups and downs, we will inevitably see in markets, we can be better prepared to tune out the noise in the short term (and maybe experience less stress about our portfolios along the way). Those who held that philosophy throughout 2023 were likely rewarded. We think that approach is just as important in 2024 and the future.

Investment return and principal value of security investments will fluctuate. The value at the time of redemption may be more or less than the original cost. Past performance is no guarantee of future results. The opinions expressed are those of the portfolio team and are no guarantee of the future performance of any Avantis fund. This information is for an educational purpose only and is not intended to serve as investment advice. References to specific securities are for illustrative purposes only and are not intended as recommendations to purchase or sell securities. Opinions and estimates offered constitute our judgment and, along with other portfolio data, are subject to change without notice. <https://www.avantisinvestors.com/avantis-insights/stories-of-2023/>

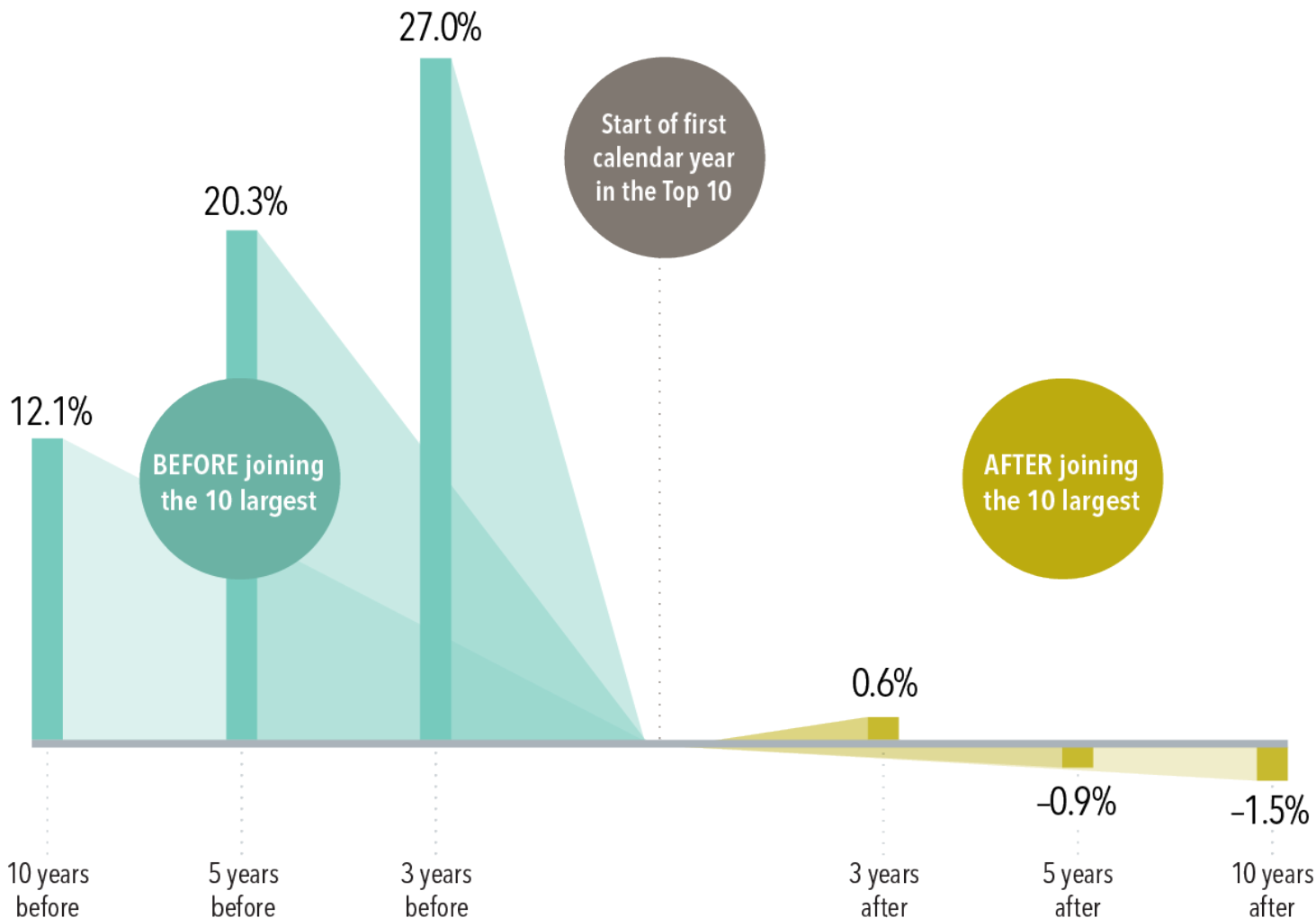
MAGNIFICENT 7 OUTPERFORMANCE MAY NOT CONTINUE

The Magnificent 7 stocks¹ continue to capture the focus of investors as these large growth names have outpaced the bulk of global equities. Their outperformance is notable because eye-popping returns for top stocks tend to occur before they reach the top of the market. Once there, subsequent returns tend to lag the market.

This is a cautionary tale for investors expecting continued outperformance from the Magnificent 7. In fact, rather than seeking additional exposure to these mega cap stocks, investors should ensure their portfolios are broadly diversified to capture the returns of whatever companies ascend to the top in the future.

View from the Top

Annualized returns in excess of the US market before and after joining the top 10 largest US stocks, January 1927–December 2022



Past performance is not a guarantee of future results.

In USD. Data from CRSP and Compustat. Companies are sorted every January by beginning-of-month market capitalization to identify first-time entrants into the top 10.

The market is defined as the Fama/French Total US Market Research Index. The Fama/French indices represent academic concepts that may be used in portfolio construction and are not available for direct investment or for use as a benchmark. Eugene Fama and Ken French are members of the Board of Directors of the general partner of, and provide consulting services to, Dimensional Fund Advisors LP. See "Index Description" for a description of the Fama/French index data. Indices are not available for direct investment. The index has been included for comparative purposes only.

Fama/French Total US Market Index: Fama/French Total US Market Research Factor + One-Month US Treasury Bills. Source: Ken French's data library: https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html

Results shown during periods prior to the index inception date do not represent actual returns of the index. Other periods selected may have different results, including losses. Backtested index performance is hypothetical and is provided for informational purposes only to indicate historical performance had the index been calculated over the relevant time periods. Backtested performance results assume the reinvestment of dividends and capital gains.

¹The Magnificent 7 stocks include Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla. Named securities may be held in accounts managed by Dimensional.

Written By: Wes Crill, PhD | Senior Investment Director and Vice President at Dimensional | December 07, 2023

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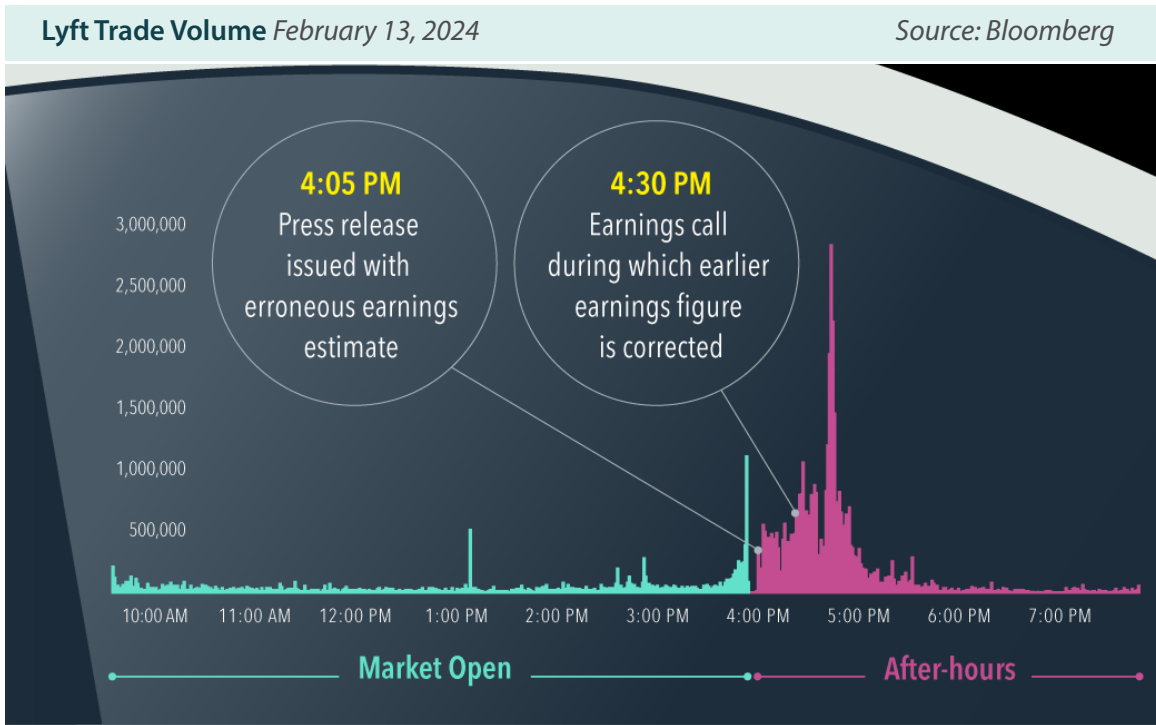
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LYFT OFF

I'm no stranger to fat-fingering a data entry, but in my case the consequences are usually no worse than getting 11 bunches of bananas in my grocery delivery. Lyft's recent earnings announcement gaffe, however, garnered a more dramatic reaction.

On February 13, Lyft issued a press release shortly after the US stock market's close that indicated a 500-basis-point (or 5%) increase in estimated gross profit margin. This attracted substantial after-hours trading activity—more than 340,000 shares changed hands at 4:05 pm, nearly eight times the average between open and close that day. But that was nothing compared to the market's response when, during an earnings call starting at 4:30 pm, Lyft announced a correction to their previous profit growth number—it was in fact 50 basis points, not 500. Traded volume in Lyft's shares briefly reached nearly 2.9 million.

This episode nicely demonstrates how quickly markets act on new information and reinforces the challenge in outguessing markets.



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A FAMILIAR LOOKING LEAP YEAR

Leap day this year has some interesting parallels to 2020. We're one week removed from a new high in the US stock market. Billie Eilish won Song of the Year at the Grammys. And the Kansas City Chiefs defeated the San Francisco 49ers in the Super Bowl. Amazingly, these same events unfolded before leap day four years ago.

Hopefully, not everything from the past four years repeats. I'd certainly prefer avoiding another pandemic, in particular. But it's worth noting how the stock market rewarded disciplined investors during a tumultuous period. In addition to the pandemic, we continue to face a contentious political environment, the Ukraine-Russia and Israel-Hamas conflicts, as well as regional banking and government debt concerns in the US. And yet, despite all these events, the global equity market rose by 57%.¹ Even if the next stretch between leap days echoes the last one, investors could still have a positive outcome from stocks.

Past performance, including hypothetical performance, is no 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. Data presented in the Growth of \$1 chart is hypothetical and assumes reinvestment of income and no transaction costs or taxes. The chart is for illustrative purposes only and is not indicative of any investment.
1. Based on the MSCI All Country World IMI Index (net div. USD) from March 1, 2020, to February 23, 2024.

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See page 2 for disclosures



Leaping Forward

Growth of \$1 for the MSCI All Country World IMI Index (net div., USD),
March 1, 2020–February 23, 2024



FOR EVERYTHING THERE IS A SEASON

This is the time of the year where you are assessing your tax situation and are more than likely completing the funding of your Traditional or Roth IRAs, or other retirement plans for the year 2023. Hopefully, you are able to make retirement contributions that maximize the limits allowed under the law. There may be some cases where you just cannot afford to utilize the maximum limits. Don't let that stop you from making a retirement plan contribution. When you are younger, you may not have a lot of extra money to invest, but it is one of the best times for you to do so. You have time on your side, and even smaller amounts invested now may result in a sizable nest egg when you reach retirement age. Also, making your contributions early for 2024 to your retirement accounts may be in your plans in an attempt to capitalize on any growth that might occur in 2024.

Since the groundhog told us this year that spring was just around the corner, many of us are more hopeful and probably planning for what we will be planting in our gardens this year or thinking about what landscaping we may add to our yards. Some of you may be planning your summer vacation. Spring brings us hope and enthusiasm for new beginnings, for enjoying the weather, and enjoying outings with family and friends. We wish you and yours a happy Easter and hope you have a wonderful spring!

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