
August 2023 Market Update

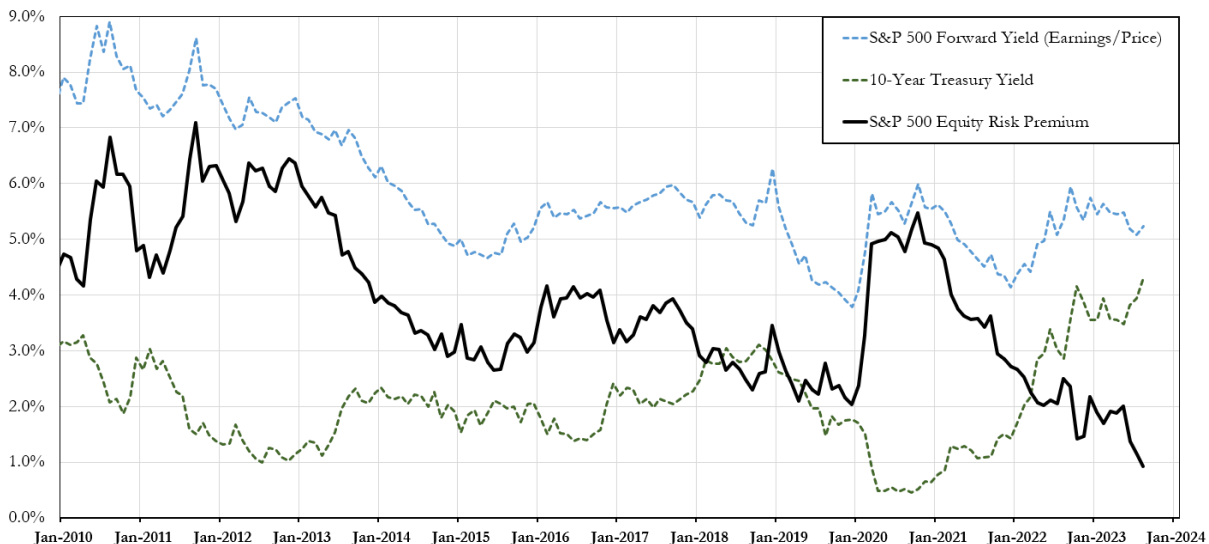
Markets took a breather in August. U.S. equities lost 1.9%, international equities lost 4.4% and real estate dropped 3.4%. U.S. equities extended their leadership, now up 18.1% year-to-date vs. international stocks up 9.1% and real estate up a measly 2.0%.

Bond total returns were off 0.6% in August. Short and intermediate bond yields were largely unchanged but longer Treasury yields rose. The 10-year Treasury rose from 3.97% to 4.09%. All Treasury maturities now yield over 4.0%.

The difference between the earnings yield on stocks and the yield on U.S. Treasuries is an expression of the “equity risk premium”. See Chart 1 below. The equity risk premium represents the incremental return received for taking risk in the stock market. Since 2010 this premium has generally ranged between 3.0% and 6.0% but it now stands at 1.0%, an exceptionally low level. This means that bonds are currently attractive investments compared to stocks and investors should consider allocating more to bonds and less to stocks.

We have been working with clients to re-examine their stock-bond allocations and have been increasing bond allocations for select clients. Within equities, our allocations remain close to long-term strategic targets with a small over-allocation to growth equities.

Chart 1: Implied Forward Equity Risk Premium Since 2010



Benchmark Performance Summary

Asset Class Benchmark Returns

Asset Class	1 Mo	YTD	2022	5 Yr
Global Equities	-2.8%	14.5%	-18.0%	7.4%
U.S. Equities	-1.9%	18.1%	-19.5%	10.2%
U.S. Large Cap Equities	-1.6%	19.3%	-19.9%	11.0%
U.S. Large Cap Growth	-1.1%	36.2%	-33.2%	13.4%
U.S. Large Cap Value	-2.4%	3.6%	-2.1%	8.1%
U.S. Small Cap Equities	-3.7%	10.4%	-17.5%	5.5%
U.S. Small Cap Growth	-4.2%	14.8%	-28.4%	4.4%
U.S. Small Cap Value	-3.4%	7.3%	-9.4%	5.6%
Ex-U.S. Equities	-4.4%	9.1%	-16.1%	3.6%
Developed Market Equities	-3.9%	10.4%	-15.4%	4.2%
Developed Market Growth	-4.7%	10.9%	-23.1%	4.3%
Developed Market Value	-3.2%	10.7%	-5.2%	3.4%
Emerging Market Equities	-5.9%	4.6%	-18.0%	2.2%
Fixed Income	-0.6%	1.6%	-13.0%	0.5%
Ultrashort	0.5%	3.2%	1.5%	1.7%
Short Term	0.5%	1.8%	-3.9%	1.0%
Inflation Protected	-0.8%	1.3%	-12.0%	2.3%
U.S. Aggregate Bond	-0.6%	1.6%	-13.0%	0.5%
Real Estate	-3.4%	2.0%	-26.2%	3.4%
Cash	0.5%	3.2%	1.5%	1.7%

Portfolio Benchmarks

Portfolio	1 Mo	YTD	2022	5 Yr
Vanguard Total World Stock ETF	-2.8%	14.5%	-18.0%	7.4%
Vanguard Total U.S. Stock ETF	-1.9%	18.1%	-19.5%	10.2%
Vanguard Lifestrategy Growth Fund 80/20	-2.5%	11.7%	-17.1%	6.2%
Vanguard Lifestrategy Mod Growth Fund 60/40	-1.9%	9.3%	-16.0%	4.9%
Vanguard Lifestrategy Cons Growth Fund 40/60	-1.5%	6.9%	-15.0%	3.5%
Vanguard Lifestrategy Income Fund 20/80	-0.9%	4.6%	-13.9%	2.0%
Vanguard Total U.S. Bond Market ETF	-0.7%	1.6%	-13.1%	0.5%