

Value Stocks Lose Some Gains but Small Caps Are Rewarded

Global stocks finished the quarter lower after initial July gains, with the MSCI All Country World IMI Index returning -6.6% for the quarter. All eyes were on the Fed as rate hikes continued amid fears of continued high inflation.

The dollar continued its march upwards, hitting multi-decade highs against the British pound, Japanese yen, and euro with US stocks faring better than most global markets, outperforming non-US stocks by 5% for the quarter.

Small cap investors were rewarded in the US and across emerging markets. Small cap stocks generally underperformed in developed markets outside the US. Despite the positive size premium in the US market, small cap stocks with growth and low profitability and those with high asset growth outperformed other small caps.

After a strong comeback for value stocks during the first half of the year, the third quarter saw value stocks lag growth. In the US, low profitability growth stocks especially outperformed with names like Tesla and Netflix posting double digit gains while the broader US market declined.

GLOBAL ASSET CLASS RETURNS Q3 2022

STOCKS	US	-4.46%
	Developed ex US	-9.23%
	Emerging Markets	-10.79%
BONDS	US	-4.75%
	Global ex US	-2.21%

GLOBAL PREMIUM RETURNS Q3 2022

SIZE	Large	-6.5%
	Small	-6.1%
VALUE	Value	-7.2%
	Growth	-5.8%
PROF	High	-6.7%
	Low	-6.2%

GLOBAL SECTOR RETURNS Q3 2022

Energy	-0.8%
Consumer Discretionary	-3.1%
Financials	-5.4%
Industrials	-5.6%
Health Care	-6.5%
Consumer Staples	-6.6%
Global	-6.6%
Materials	-7.1%
Information Technology	-7.1%
Utilities	-7.9%
REITs	-11.6%
Communication Services	-13.7%
Real Estate	-14.2%

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Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), Developed ex US Stocks (MSCI World ex USA IMI Index [net div.]), Emerging Markets (MSCI Emerging Markets IMI Index [net div.]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]), Global Stock Market (MSCI All Country World IMI Index [net div.]). Sector returns are derived by Dimensional using constituent data from the MSCI All Country World IMI Index. Returns for specific securities are sourced from the MSCI All Country World IMI Index using daily security returns. Securities without a GICS sector are excluded. Sectors are classified according to GICS Industry code. GICS was developed by and is the exclusive property of MSCI and S&P Dow Jones Indices LLC, a division of S&P Global. S&P data © 2022 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 2022, all rights reserved. Bloomberg data provided by Bloomberg. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. References to specific company securities should not be construed as a recommendation or investment advice. Global Premium Returns are computed from MSCI All Country World IMI Index published security weights and Dimensional computed security returns and Dimensional classification of securities based on size, value, and profitability parameters. Within the US, Large Cap is defined as approximately the largest 90% of market capitalization in each country or region; Small Cap is approximately the smallest 10%. Within the non-US developed markets, Large Cap is defined as approximately the largest 87.5% of market capitalization in each country or region; Small Cap is approximately the smallest 12.5%. Within emerging markets, Large Cap is defined as approximately the largest 85% of market capitalization in each country or region; Small Cap is approximately the smallest 15%. Designations between value and growth are based on price-to-book ratios. Value is defined as the 50% of market cap with the lowest price-to-book ratios by size category and growth is the highest 50%. Profitability is measured as operating income before depreciation and amortization minus interest expense scaled by book. High profitability is defined as the 50% of market cap with the highest profitability by size category and low profitability is the lowest 50%. REITs and utilities, identified by GICS code, and stocks without size, relative price, or profitability metrics are excluded from this analysis. Countries not in the Dimensional investable universe are excluded from the analysis. Their performance does not reflect the expenses associated with the management of an actual portfolio. MSCI data © MSCI 2022, all rights reserved.