GLOBAL
WEALTH ADVISORS LLC
Registered Investment Advisor

INSIGHTS

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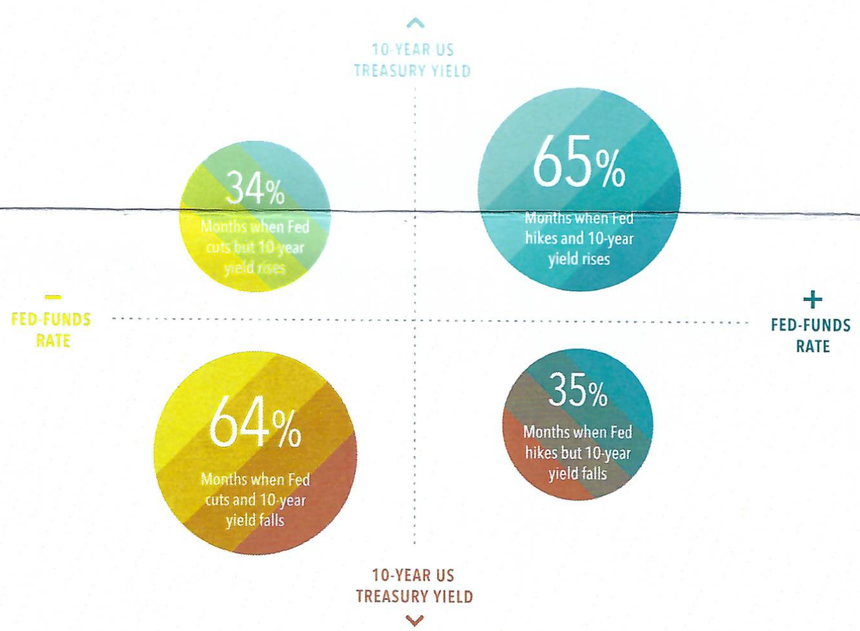
How Do the Fed's Moves Affect Market Interest Rates?

Investors may worry about the impact of interest rate changes by the Federal Reserve. But it's important to understand that the market and the Fed don't necessarily move in lockstep.

- Consider changes in the closely watched federal-funds rate, controlled by the Fed, and the yield on the 10-year Treasury note, a widely followed benchmark in the fixed income market.
- From January 31, 1983, to December 31, 2024, the Treasury yield moved in the same direction as the fed-funds rate nearly two-thirds of the time (bottom left, top right). But in roughly one-third of months when the Fed cut or raised rates, the yield on the 10-year moved in the opposite direction (top left, bottom right).
- The market is constantly pricing new information into bond yields, including anticipated changes by the Fed.

The federal-funds rate isn't a reliable predictor of how market interest rates will move in the future. ❍❍❍

FEDERAL-FUNDS RATE AND 10-YEAR TREASURY YIELD:
HOW OFTEN THEY MOVE IN SAME OR OPPOSITE DIRECTION
January 31, 1983–December 31, 2024



Past performance is no guarantee of future results. Investing risks include loss of principal and fluctuating value. There is no guarantee an investment strategy will be successful.

Increases (+) and decreases (—) in the federal-funds rate and 10-year Treasury yield refer to monthly changes.

Source: Federal Reserve Economic Data (FRED) from the Federal Reserve Bank of St. Louis. Data series used: Market Yield on US Treasury Securities at 10-Year Constant Maturity, Quoted on an Investment Basis, Percent, Daily, Not Seasonally Adjusted (DGS10); Federal Funds Target Rate (DISCONTINUED), Percent, Daily, Not Seasonally Adjusted (DFEDTAR); and Federal Funds Target Range - Upper Limit, Percent, Daily, Not Seasonally Adjusted (DFEDTARU). Circles corresponding to a rate cut do not sum to 100% due to monthly periods of no yield change for the 10-Year US Treasury note.

A Personal Note from Global Wealth Advisors

The year in review: 2025. The Fed lowered interest rates for the third time last month and the US equity markets had a strong year with double digit returns. The International and Emerging Markets also experienced strong returns as well. Additionally, inflation and unemployment numbers are still within a 'comfort zone' although the Fed would like to see the inflation rate come down a bit further to the target two percent.

Artificial Intelligence, or AI, had been the biggest driver of returns in large capitalization stocks in 2025. This has driven the stock valuations of some companies to over three trillion dollars, like Nvidia, Google and Microsoft, to name a few. AI is helping improve corporate efficiencies, advance research in medicine and science, and further opportunities in learning and education.

So how does 2026 look for the US economy and the bond and stock markets? Overall, the benefits included in the tax law passed in July 2025 and the lowering of interest rates bodes well for businesses and consumers alike. AI should continue to help in many areas as well. That doesn't mean we couldn't see a pull-back in stock prices along the way but as Yogi Berra said, "It's tough to make predictions, especially about the future." Stay invested, you will be glad you did. ❍❍❍

How Asset Allocation Impacts Risk and Return

LARGEST, SMALLEST, AND AVERAGE RETURNS BASED ON CALENDAR-YEAR PERFORMANCE
2000–2024

Asset allocation plays an important role in an investment portfolio. For example, the proportion of stocks versus bonds can have a big impact on risk and return.

- The average calendar-year gain on a portfolio with 100% stocks was +9.59% from 2000 to 2024, but the largest and smallest returns varied widely.
- Investors who opted for a portfolio with 100% bonds saw much less of a swing between the largest and smallest returns—but with less than half the average gain.
- As exposure to bonds increased and exposure to stocks declined, average gains and the range between largest and smallest outcomes both went down.

When choosing an asset allocation for your portfolio, it's important to understand how stock and bond exposure impacts risk and return. ❍❍❍

EQUITY	0%	20%	40%	60%	80%	100%
Dimensional US Core Equity Market Index	0.0	14.2	28.4	42.6	56.8	71.0
Dimensional International Core Equity Market Index	0.0	3.8	7.6	11.4	15.2	19.0
Dimensional Emerging Markets Core Equity Market Index	0.0	1.6	3.2	4.8	6.4	8.0
S&P Global REIT Index	0.0	0.4	0.8	1.2	1.6	2.0
FIXED INCOME	**100%**	**80%**	**60%**	**40%**	**20%**	**0%**
Bloomberg US TIPS Index	20.0	10.0	0.0	0.0	0.0	0.0
Dimensional US Ultra-Short Fixed Income Index	20.0	10.0	0.0	0.0	0.0	0.0
Dimensional Short-Term Extended Quality Index	60.0	50.0	40.0	25.0	10.0	0.0
Dimensional US Core Fixed Income Index	0.0	10.0	20.0	15.0	10.0	0.0

Past performance is no guarantee of future results.

In USD. Weights as of December 31, 2024. Rebalanced monthly. Totals may not equal 100% due to rounding. *Bloomberg data provided by Bloomberg.*

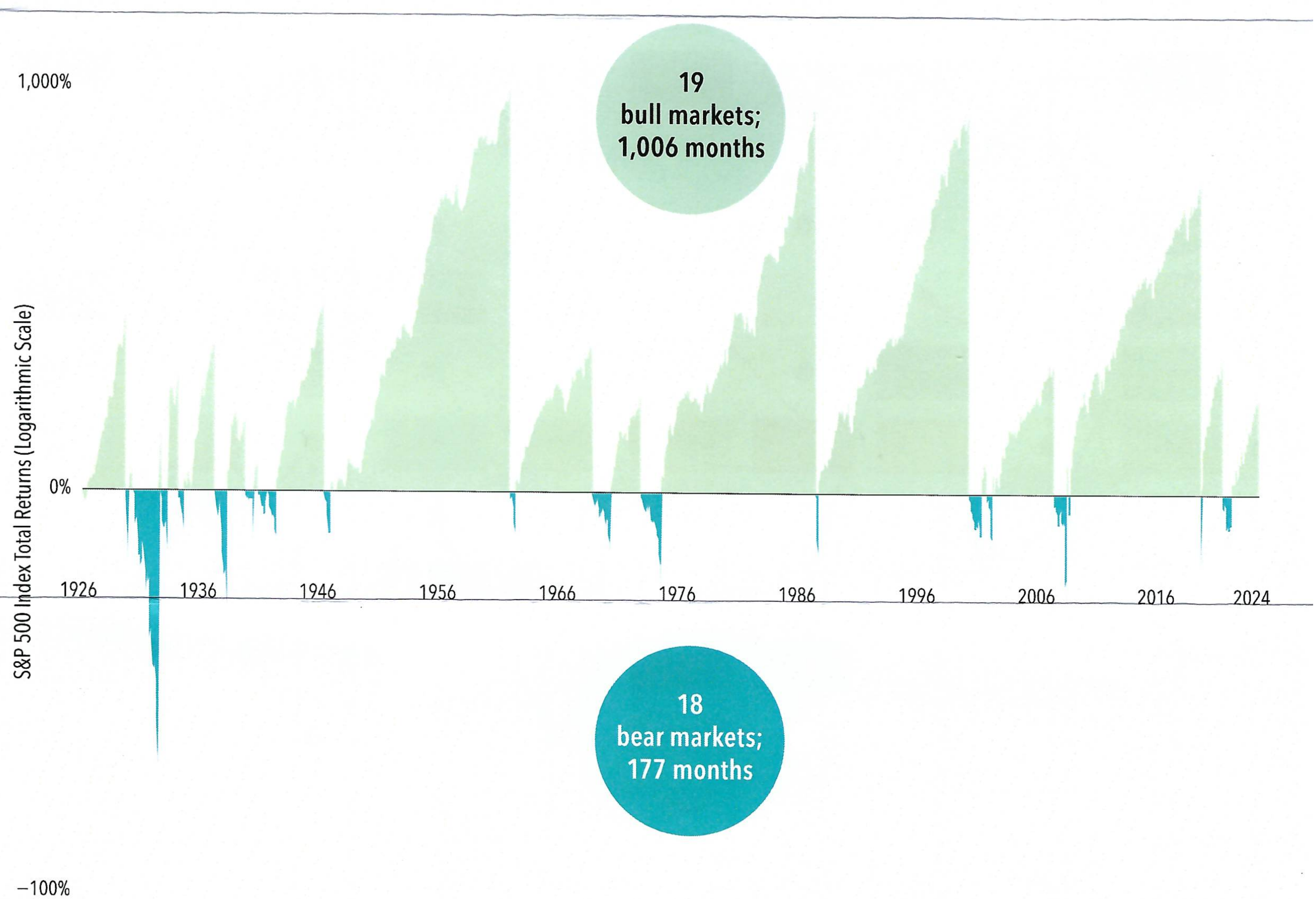
Bulls, Bears, and Long-Term Benefits of Stock Investing

Stock returns are volatile, but nearly a century of bull and bear markets shows that the good times have outshone the bad.

- From 1926 through 2024, the S&P 500 Index experienced 18 bear markets, or a fall of at least 20% from a previous peak, ranging from —21% to —80% across an average length of 10 months..
- On the upside, there were 19 bull markets, or gains of at least 20% from a previous trough. They averaged 53 months in length, and advances ranged from 21% to 936%.
- When bull and bear markets are viewed together, it's clear equities have rewarded disciplined investors.

The stock market's ups and downs are unpredictable, but history supports an expectation of positive returns over the long term. ❍❍❍

S&P 500 INDEX TOTAL RETURNS
1926–2024



Past 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.

In USD. Chart end date is December 31, 2024; the last trough-to-end-of-period return of 70% represents the return through December 2024. Due to availability of data, monthly returns are used from January 1926 through December 1989; daily returns are used from January 1990 through the present. Periods in which the cumulative return from peak is –20% or lower, and a recovery of 20% from trough has not yet occurred, are considered bear markets. Bull markets are subsequent rises following the bear market trough through the next recovery of at least 20%. The chart shows bear markets and bull markets, the number of months they lasted, and the associated cumulative performance for each market period. Results for different time periods could differ from the results shown. A logarithmic scale is a nonlinear scale in which the numbers shown are a set distance along the axis and the increments are a power, or logarithm, of a base number. This allows data over a wide range of values to be displayed in a condensed way.

Will the Magnificent 7 Stay on Top?

The Magnificent 7 entered 2025 among the Top 10 largest US stocks. But before making an outsize bet on gains from these technology giants, investors should consider a few lessons from market history.

❍ It's hard to stay on top. For example, only three of the 10 biggest companies from 1980 made the 2000 list—and none of them was in 2025's Top 10.

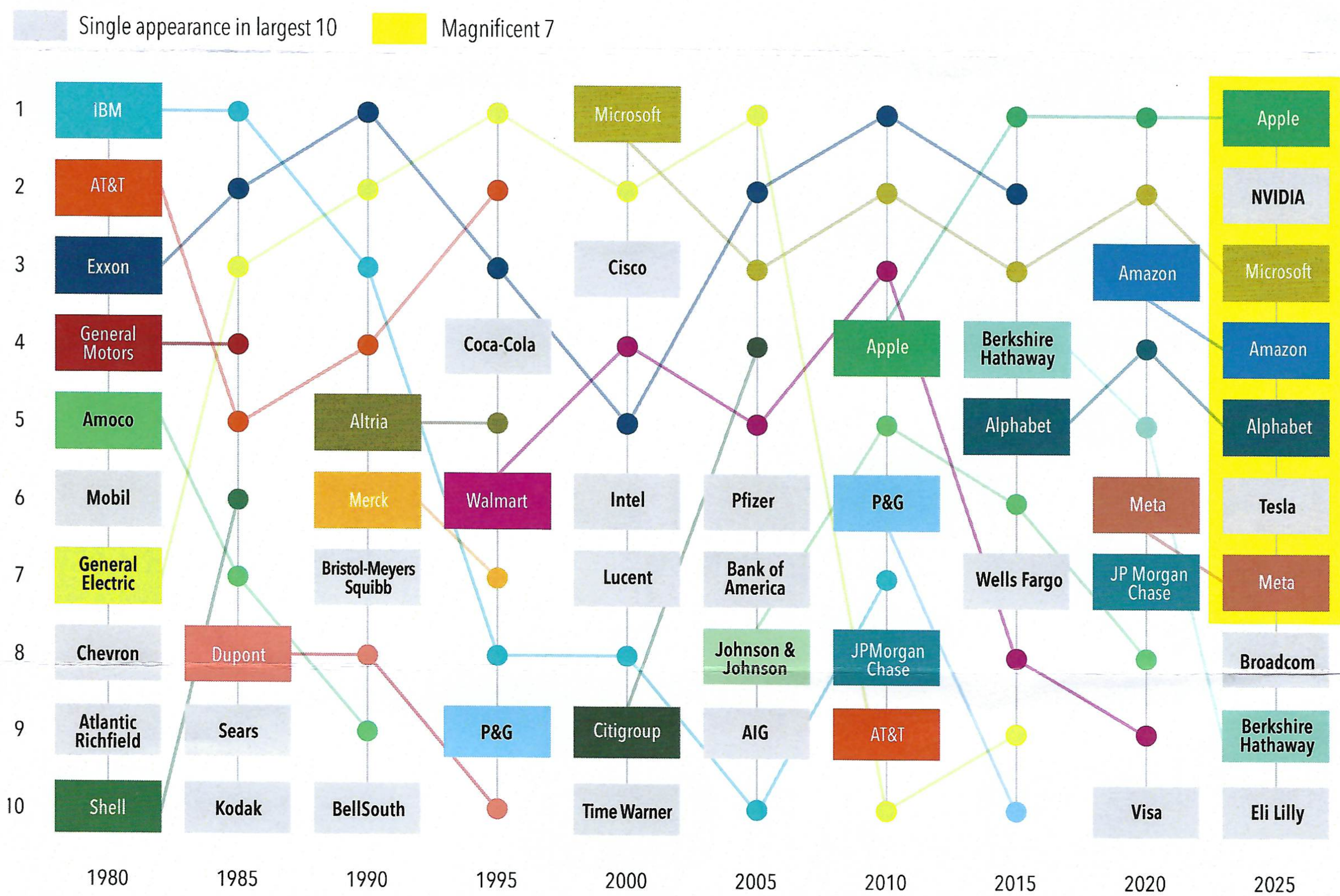
❍ Industries ebb and flow. Technology-focused firms currently dominate the list. But in 1980, six of the 10 largest companies were in the energy sector.

❍ New technology doesn't benefit only tech firms. Throughout history, companies across industries have used technology to innovate and grow.

Diversification enables investors to share in the success of today's top companies while staying positioned to benefit from tomorrow's market leaders. ❍❍❍

LARGEST 10 US STOCKS BY MARKET CAP

Rankings as of start of years shown, 1980–2025



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The Magnificent 7 stocks are Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla.

This information is intended for educational purposes and should not be considered a recommendation to buy or sell a particular security. Named securities may be held in accounts managed by Dimensional.

Source: Dimensional, using data from the Center for Research in Security Prices and Compustat. Includes all US common stocks. Largest stocks identified at the end of the calendar year preceding the respective period by sorting eligible US stocks on market capitalization using data provided by the CRSP, University of Chicago.

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