

Q4 2021

WEALTH SOLUTIONS CAPITAL MARKETS REVIEW

INDEX		PERIOD ENDING DECEMBER 31, 2021				
U.S. Equity Markets	Qtr	YTD	1 Yr Return	3 Yr Return	5 Yr Return	10 Yr Return
S&P 500 TR USD	11.03	28.71	28.71	26.07	18.47	16.55
Russell 3000 TR USD	9.28	25.66	25.66	25.79	17.97	16.30
Russell 3000 Value TR USD	7.54	25.37	25.37	17.65	11.00	12.89
Russell 3000 Growth TR USD	10.89	25.85	25.85	33.21	24.56	19.39
Russell 2000 TR USD	2.14	14.82	14.82	20.02	12.02	13.23
Russell 1000 TR USD	9.78	26.45	26.45	26.21	18.43	16.54
Non-U.S. Equity Markets						
MSCI ACWI Ex USA NR USD	1.82	7.82	7.82	13.18	9.61	7.28
MSCI EM NR USD	-1.31	-2.54	-2.54	10.94	9.87	5.49
Fixed Income						
Bloomberg US Agg Bond TR USD	0.01	-1.54	-1.54	4.79	3.57	2.90
Bloomberg US Treasury US TIPS TR USD	2.36	5.96	5.96	8.44	5.34	3.09
Real Assets/Natural Resources						
DJ US Select REIT TR USD	17.22	45.91	45.91	16.84	9.65	10.70
S&P North American Natural Resources TR	8.13	39.94	39.94	10.06	1.27	1.27

Past performance is not a guarantee of future results.



**GDP (LAGGING
INDICATOR)**

Q3 2021 (Third Estimate)
Increased at annual rate
of 2.3%



**EXISTING
HOME SALES**

Through November 2021
Increased by 1.9%



**UNEMPLOYMENT
RATE**

Through November 2021
Decreased to 4.2%
(seasonally adjusted).



**CONSUMER
PRICE INDEX**

November 2021
Increased by 0.8%
(seasonally adjusted).

COMMENTARY

The U.S. equity market advanced 9.3% during the quarter, earning 25.7% for the full year. Continued strong corporate earnings drove U.S. equities higher to start the quarter. Stocks retreated briefly at the end of November due to elevated inflation, an increasingly hawkish tone from the Fed, and concerns that the spread of the omicron variant could disrupt the economy. U.S. equities bounced back to end the quarter as easing fears regarding the severity of the omicron variant boosted investor sentiment amid an already strong holiday shopping season.

Large-cap stocks outperformed both the mid- and small-cap segments of the market in the quarter. All capitalization segments of the market posted strong returns for the full year, with large-cap stocks outperforming mid- and small-cap stocks by 6.1 and 13.9 percentage points, respectively. Growth stocks exceeded value stocks by 3.4 percentage points in the quarter. Strong relative performance from the technology sector, which accounts for over 45% of the growth segment of the market, was the primary driver of the growth segment's outperformance in the period. For the one-year period, the growth and value segments performed in-line with each other.

The real estate sector posted the strongest return in the quarter (+14.9%) due to strong investor demand, particularly in the industrial sub-sector. The energy sector produced the largest return in the 1-year period after posting the weakest sector return in 2020. Rising demand for oil and natural gas drove energy prices higher in the year as economies around the world reopened from COVID restrictions.

International equities returned 1.8% during the quarter with developed market equities outperforming emerging market equities by 4.0 percentage points. Developed European equities advanced 5.7% in the period, despite volatile energy prices, tensions between Russia and Ukraine, and an increase in COVID-19 infections. Emerging markets equities declined 1.3% in the quarter and closed the year down 2.5%. Weak returns from China were the primary driver

of the decline in both the quarter and year. China declined 6.1% in the quarter due to concerns regarding lockdowns because of the omicron variant.

Preliminary estimates from a subset of core real estate managers indicate a strong positive return for the quarter. Over the last year, industrial and multi-family properties have performed better than holdings within the office and retail segments of the market.

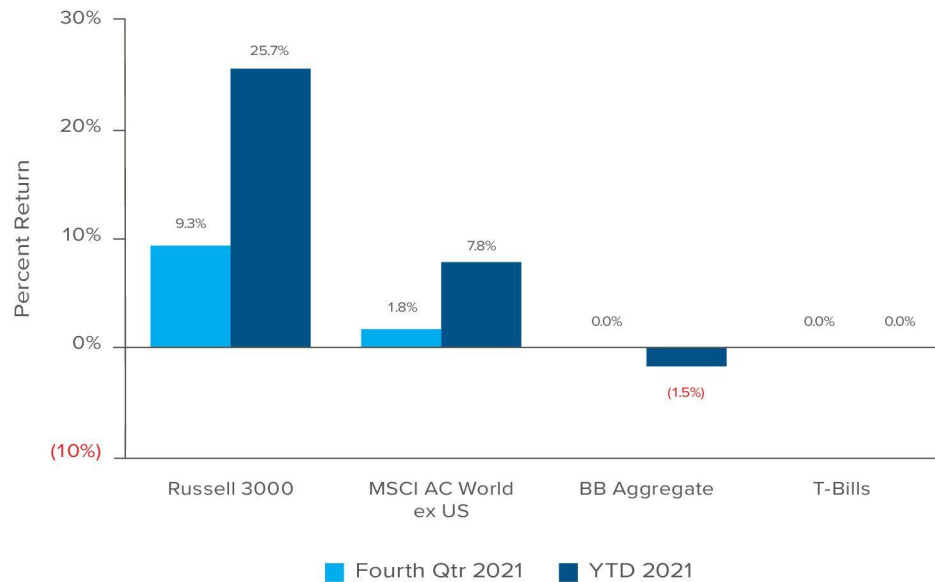
"Investing is laying out money now to get more money back in the future."

— Warren Buffett

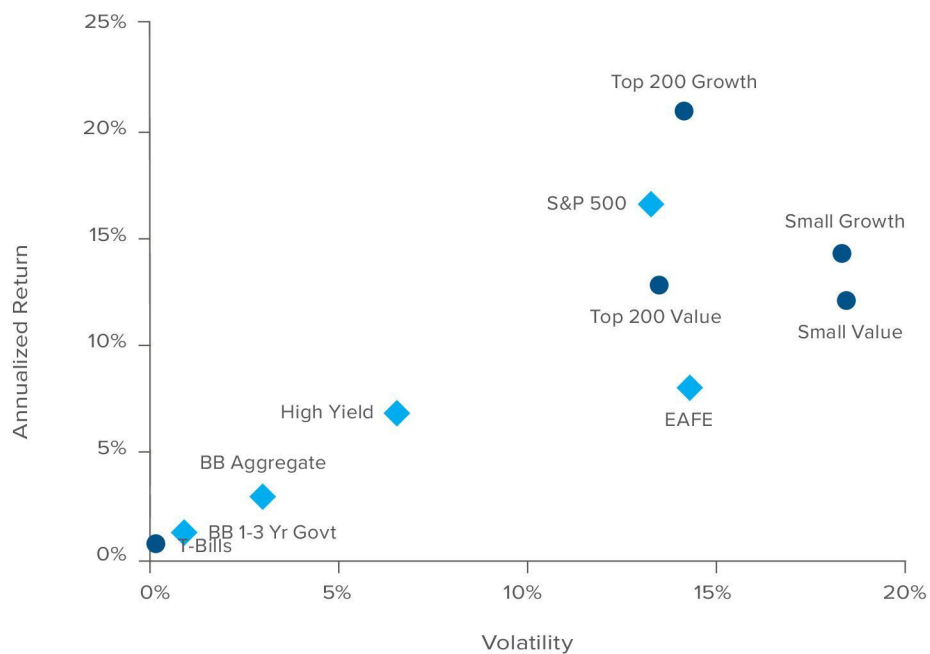
The U.S. fixed income market was flat in the quarter and declined 1.5% for the year. At its last meeting, the Fed indicated it would increase the pace of its bond tapering, ending the program earlier than planned and setting the table for interest rate increases in 2022. During the quarter, investment grade credits returned 0.2% while non-investment grade corporate bonds rose 0.7%. U.S. Treasury Inflation Protected Securities (TIPS) returned 2.4%, which outperformed nominal treasuries in the quarter as inflation expectations increased. The breakeven inflation rate implied in 10-year TIPS ended the quarter at 2.56%, versus 2.37% at the end of the prior quarter. The realized annual Consumer Price Index (CPI) was 6.9% through November 2021. The annualized number remains elevated due to the impact of the economic lockdowns on prices during 2020 and the subsequent rebound in 2021, supply chain constraints, and a tight labor supply. Municipal bonds increased 0.7% in the quarter and 1.5% for the year on strong investor demand. Developed non-U.S. government bonds increased 0.2% in the quarter on a local currency basis but declined 1.8% for U.S. based investors due to the U.S. dollar strengthening. Emerging market bonds were down 0.4% in the quarter.

MAJOR CAPITAL MARKET RETURNS

U.S. Stocks—Russell 3000, Non-U.S. Stocks—MSCI AC World ex US,
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 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/empsit.toc.htm>

Consumer Price Index

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

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