

# Q4

Quarterly Market Review  
Fourth Quarter 2021

# Quarterly Market Review

Fourth Quarter 2021

This report features world capital market performance and a timeline of events for the past quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

The report also illustrates the impact of globally diversified portfolios and features a quarterly topic.

## Overview:

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Emerging Markets Stocks

Country Returns

Real Estate Investment Trusts (REITs)

Commodities

Fixed Income

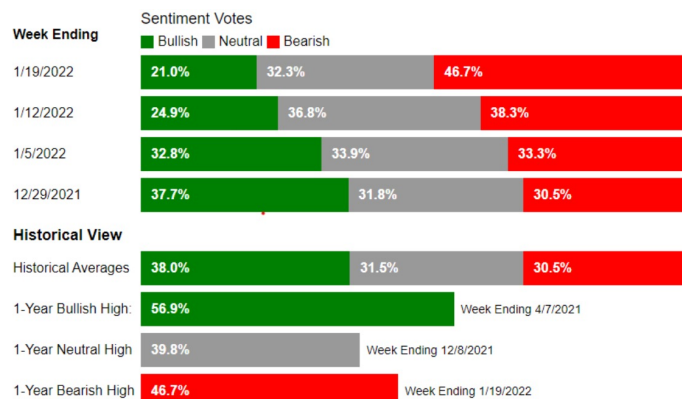
Global Fixed Income

Impact of Diversification

# Timing the Market

As we enter 2022, there is increasing angst about the stock market. I recently read Bill Miller's<sup>1</sup> third quarter letter to his investors where he talks about worry:

*When I am asked what I worry about in the market, the answer usually is "nothing", because everyone else in the market seems to spend an inordinate amount of time worrying, and so all of the relevant worries seem to be covered. My worries won't have any impact except to detract from something much more useful, which is trying to make good long-term investment decisions...One thing I am pretty confident of is that twelve months from now those worries will have been replaced by a new set of worries<sup>2</sup>*



I'll mention one worry people have—the market is at an all-time high, and valuations are high, so what is the upside from here? Wait, what year is this? Indeed, SAM's quarterly letter last year was titled, "Markets Are at All-Time Highs, Should I Invest?" The answer for last year was clearly yes, and for the long-run is almost certainly yes, as well. In the short run it is anybody's guess<sup>3</sup>.

The business press definitely adds to the anxiety. But sentiment changes fast (sometimes in the same day and by the same person!). Here are different Barron's headlines from October 13 through 19:

## MARKETS

### The S&P 500 Could Drop 8%. Why the Stock Market Is on Shaky Ground.

By Jacob Sonenshine Updated Oct. 13, 2021 10:22 am ET / Original Oct. 13, 2021 4:45 am ET

## MARKETS

### Why the Stock Market Decline Is Over — For Now

By Jacob Sonenshine Oct. 15, 2021 12:28 pm ET

## MARKETS

### This Earnings Season Was Supposed to Be Terrible. It's Turning Out Pretty Good.

By Jacob Sonenshine Oct. 14, 2021 4:08 pm ET

## MARKETS | THE TRADER

### This Market Reflects Investors' Pessimism. Time for Some Optimism.

By Al Root Updated Oct. 15, 2021 8:59 pm ET / Original Oct. 15, 2021 8:53 pm ET

## MARKETS | BARRON'S TAKE

### The Stock Market Continues to Rise on Positive Earnings. How That Could Change.

By Jacob Sonenshine Updated Oct. 19, 2021 8:13 am ET / Original Oct. 18, 2021 6:01 pm ET

<sup>1</sup> If you don't recall, Miller became famous for beating the S&P for 15 years in a row in the 90s and 2000s as lead portfolio manager for Legg Mason Value Trust (he now runs his own firm).

<sup>2</sup> <https://millervalue.com/bill-miller-3q-2021-market-letter/>

<sup>3</sup> Adjoining chart is AAI members' thoughts on stock market performance over the next six months. <https://www.aaii.com/sentimentsurvey>.

# Timing the Market

(continued from page 3)

One client recently sent us an article from Medium<sup>4</sup> which highlighted Jeremy Grantham's (of GMO) forecast for different asset classes including his negative expected seven-year return forecast for equities. I thought it would be helpful to publish most of the response here:

*Jeremy Grantham is a good case study of exactly why we tell people to just ride through the cycles. He has been (very publicly) bearish on equities for almost (or maybe more than) a decade. We understand that hindsight is 20/20. But if you look at GMO's 7-year asset class forecast from 2014 (which they have taken off their website<sup>5</sup>), you'll see that they were wildly off actual returns. You'd have been much better off staying invested and riding the latest crash vs. staying in cash for those 6.5 years.*

*None of the data in the article is wrong. The issue is: is it possible to put a process in place to take advantage of that data? Without knowing exactly when a) the next market crash is going to happen, b) how long it's going to be and c) how bad it's going to be, you're going to be better off staying invested. One of things I like to highlight is that you not only have to time the downturn right, but you also need to time when to get back into the market. How many times in one's lifetime does the Red Sea part and tell us (in neon lights) to move forward exactly at the right time-- twice? ...People's biases will have us anchor on where we originally sold, but is that right? We likely would have never gotten back in over the last decade...*

*There is clearly too much liquidity, and the Federal Reserve is slowly reducing liquidity in the system. This is definitely a risk. The liquidity has pushed valuations of some assets (crypto, NFTs) to crazy levels. We aren't playing there. While we aren't so naïve to think that the stock market will be unscathed if crypto really crashes (the crypto*

*market is now \$3 trillion), markets have done fine through crypto volatility before. Grantham is going to be right at some point. But all-in, I'd rather sit tight than try to time when he will be right.*

Howard Marks of Oaktree Capital, someone else I've followed for decades, wrote this in his most recent letter<sup>6</sup>:

***What's clear to me is that simply being invested is by far "the most important thing."*** (Someone should write a book with that title!) Most actively managed portfolios won't outperform the market as a result of manipulation of portfolio weightings or buying and selling for purposes of market timing. ***You can try to add to returns by engaging in such machinations, but these actions are unlikely to work at best and can get in the way at worst.***

Bill Miller's third quarter letter summarized it best<sup>7</sup>: "We believe time, not timing, is key to building wealth in the stock market." It is for these reasons that we try to build diversified portfolios so our partners can stay the course through the inevitable ups and downs. That doesn't mean we won't make some incremental changes to portfolios, but the core strategy of the accounts shouldn't have wholesale changes.

We did make one tweak to some clients' portfolios at the start of the year: for some clients that own fixed income, we swapped a portion of the fixed income exposure from the total bond market index (and/or munis, depending on the client) into short-term TIPS. This accomplishes two things. First, it gives us some protection in the fixed income portion of the portfolio should inflation remain high. The current breakeven rate of inflation is under 3% for the TIPS; right now inflation is more than twice that rate. Second, by shortening the duration, we are more protected from rising interest rates. Given how low interest rates are today, we felt we gave up very little for that extra protection.

<sup>4</sup> <https://medium.com/@eugeniodelucchi/sorry-but-the-mother-of-all-crashes-is-coming-and-it-wont-be-fun-beaa2bc9f96a>

<sup>5</sup> With a bit of googling, we found it via the link: <https://www.scribd.com/document/233604513/GMO-7-Yr-Forecasts-June-14>

<sup>6</sup> <https://www.oaktreecapital.com/insights/memo/selling-out>

<sup>7</sup> <https://millervalue.com/bill-miller-3q-2021-market-letter/>

# Timing the Market

(continued from page 4)

I started last letter with some crazy stories from the third quarter, and so I thought I'd end this letter with a few new ones.

Recently one activist investor wrote a letter to the CEO of Macy's<sup>8</sup>:

*Macy's share price is materially undervalued and requires urgent action to unlock value...Macy's should form partnerships with EV car companies (e.g. Tesla, Lucid or Rivian) to showcase their products on the ground floor of Macy's 100 top landmark stores (e.g. Herald Square, Marshall Field, Union Square) and to use their massive parking footprint to build an EV charging network... We believe that direct association with EV companies will drive enormous traffic to Macy's stores.*

*In addition, Macy's should announce immediately that they are partnering with various Crypto platforms to allow digital payments...*

This might sound crazy—because it is<sup>9</sup>. It reminds me of 1999, when every company was adding “.com” to their corporate name to make the stock rise. Whatever “value” was created was gone after the bubble burst.

Cryptocurrencies currently are the closest equivalent to the wild west. In one case<sup>10</sup>, a number of celebrities, including Kim Kardashian, Floyd Mayweather Jr., and Paul Pierce, are being sued for allegedly leading investors into a “pump and dump” scam in a cryptocurrency named EthereumMax, by telling their millions of social-media followers to buy the cryptocurrency, only to sell when the price was inflated. Although this seems like a classic case of pump and dump, my question for the people who bought it is: did you really buy EthereumMax because Kim Kardashian told you to? What did you think EthereumMax was going to do, other than go up when Kim Kardashian posted about it and go down when she stopped? Caveat Emptor.

But my favorite recent story was this one<sup>11</sup>.

*At roughly 1 a.m. Monday [November 15], [Ryan Cohen,] the 30-something Chewy co-founder, turned activist investor, turned GameStop chairman, tweeted “eww eew llams a evah l,” [author note: translate by reading backwards]... By midday, GameStop shares had climbed up as high as 4.2%...*

GameStop is worth almost \$10B and this tweet gets the stock to go up? I don't even know what to say here. When Bloomberg columnist Matt Levine wrote about this article, his headline for the segment was: “This is how the stock market works now, you think I am joking but I never joke, everything is much stupider than my attempts to parody it.”<sup>12</sup>

Just for emphasis, we are not trying to play those games, but rather building diversified portfolios that will benefit with economic growth in the long run. To reiterate what we said in last quarter's letter, we know it is scary sometimes to continue to stay invested when markets become more volatile. But if we maintain our focus on the long-term—and block out the noise—together we will succeed in reaching your family's financial goals over multiple generations. Stocks are most often volatile in the short-term, but returns have been much smoother over the long-term. None of us need to tell you which is better to focus on for your health and wealth.

**Thanks for your continued partnership with us.**

Avi and the SAM team

<sup>8</sup> <https://nuorionadvisorsbusiness.files.wordpress.com/2021/11/letter-to-m-chairman-3.pdf>

<sup>9</sup> Although if it makes the stock go up, are CEOs violating their fiduciary duty to shareholders by not doing it? Let's not get into that question!







<sup>10</sup> Levine, Matt “EthereumMax” *Bloomberg Opinion, Money Stuff*, January 13, 2022

<sup>11</sup> <https://www.marketwatch.com/story/gamestop-stock-pops-thanks-to-ryan-cohens-small-wee-wee-11636997780>. Perhaps tied with this one, for those who want to look it up: Levine, Matt “NFT Stuff: Other” *Bloomberg Opinion, Money Stuff*, January 6, 2022

<sup>12</sup> Levine, Matt “This is how the stock market works now, you think I am joking but I never joke, everything is much stupider than my attempts to parody it” *Bloomberg Opinion, Money Stuff*, November 16, 2022

# Quarterly Market Summary

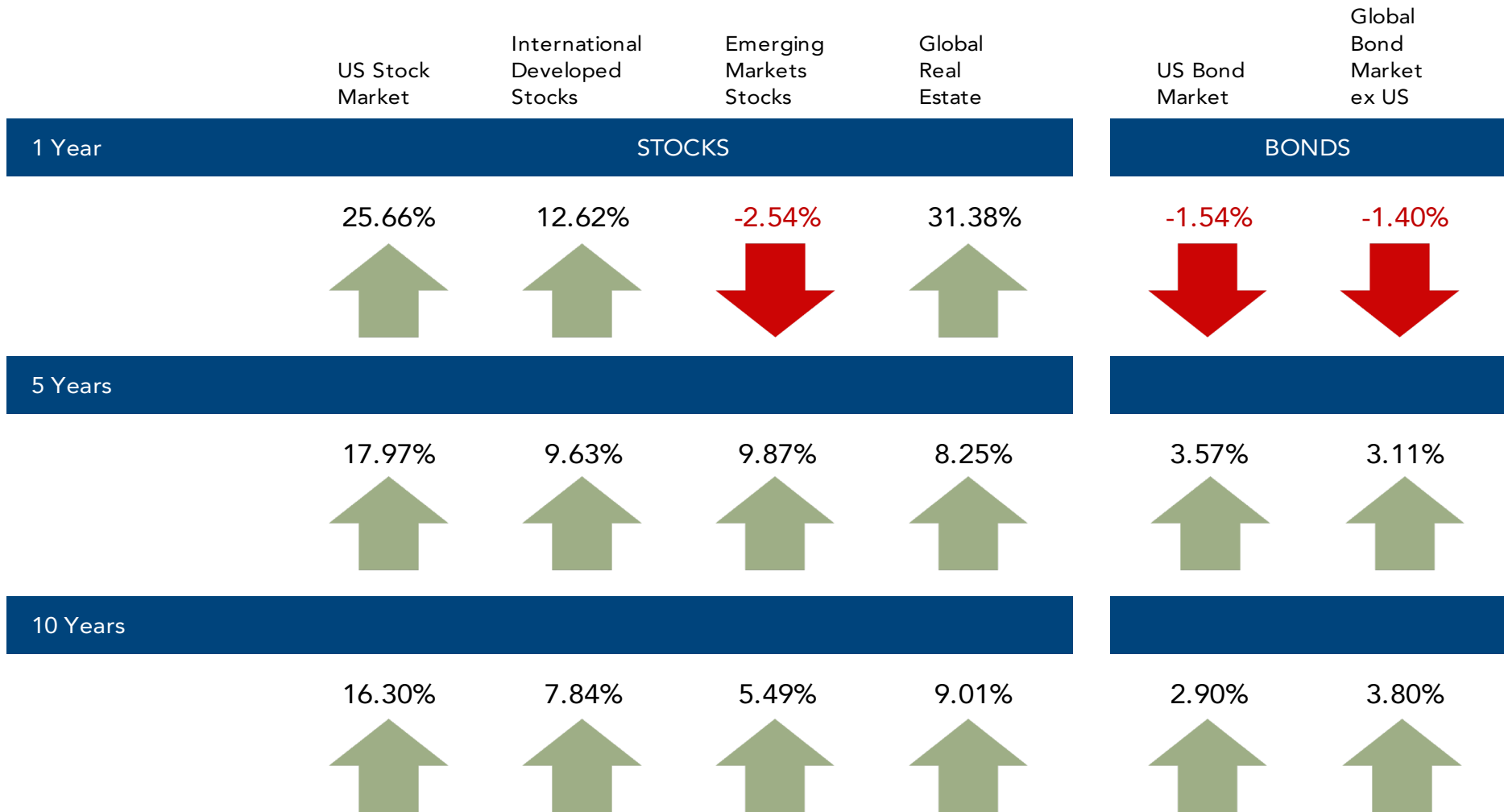
## Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
4Q 2021	STOCKS				BONDS	
	9.28%	3.14%	-1.31%	12.35%	0.01%	0.07%
						
Since Jan. 2001						
Avg. Quarterly Return	2.5%	1.7%	2.9%	2.7%	1.1%	1.1%
Best Quarter	22.0%	25.9%	34.7%	32.3%	4.6%	4.6%
	2020 Q2	2009 Q2	2009 Q2	2009 Q3	2001 Q3	2008 Q4
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%	-3.4%	-2.7%
	2008 Q4	2020 Q1	2008 Q4	2008 Q4	2021 Q1	2015 Q2

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). 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.

# Long-Term Market Summary

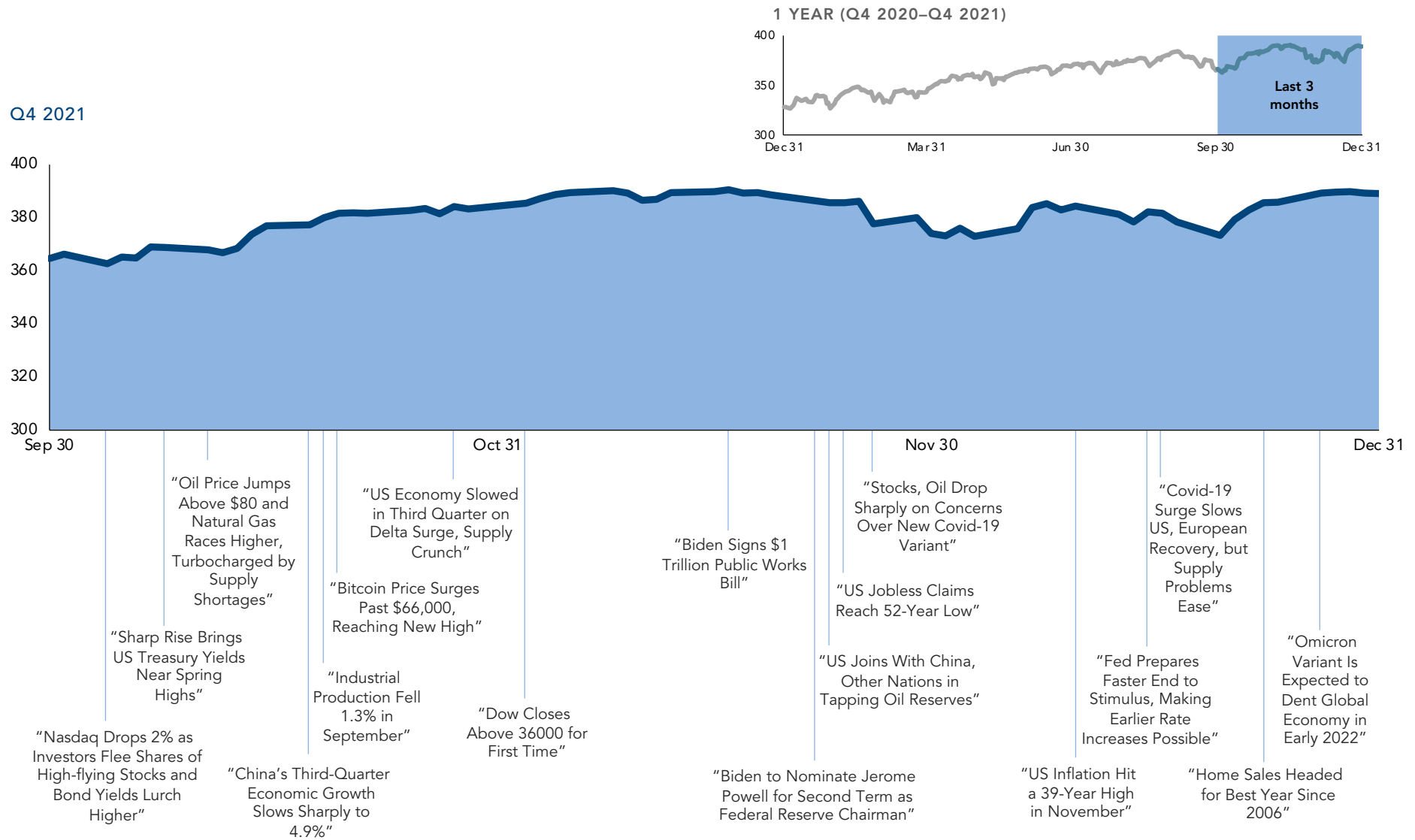
Index Returns as of December 31, 2021



Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). 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.

# World Stock Market Performance

## MSCI All Country World Index with selected headlines from Q4 2021



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

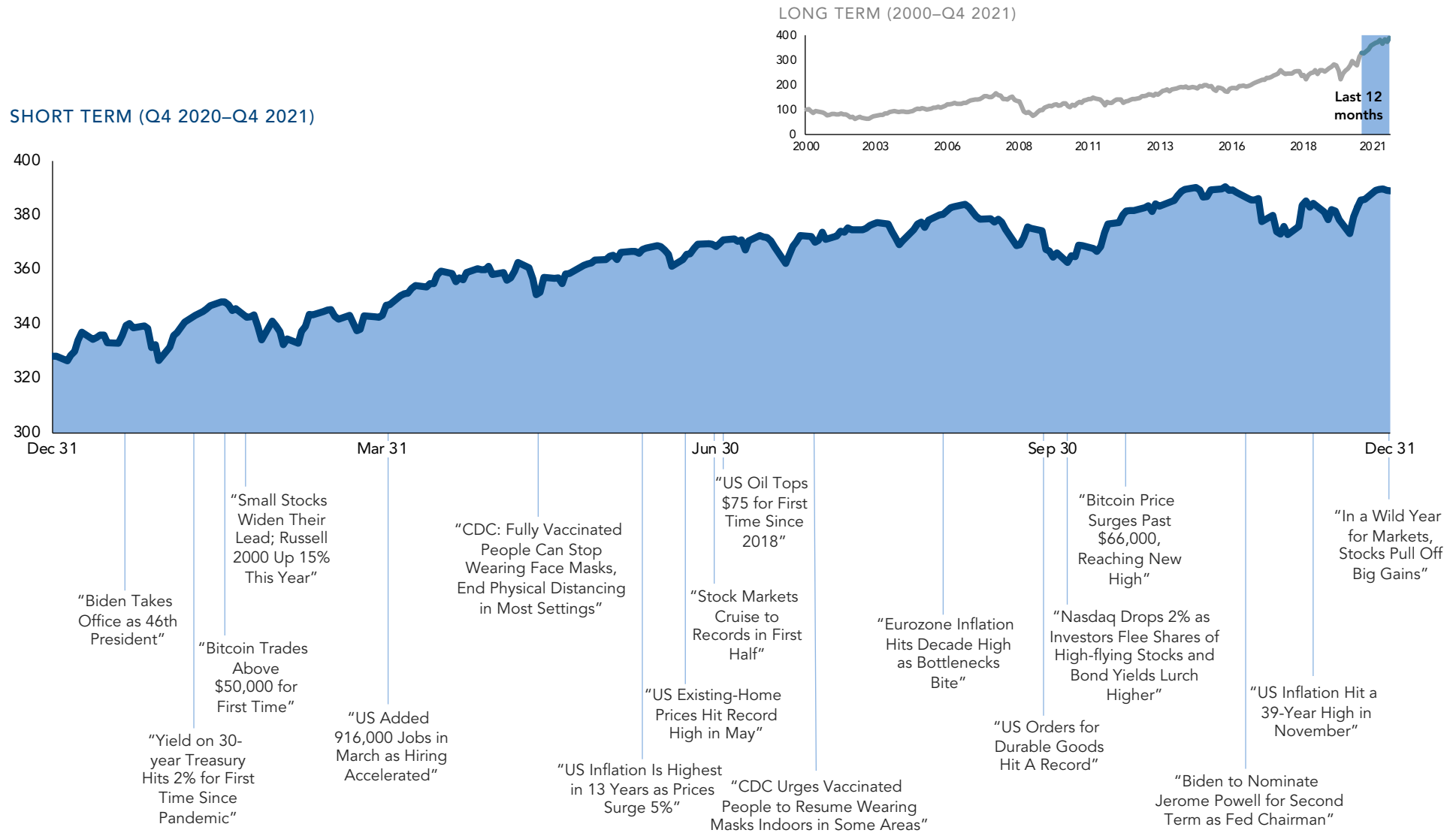
Graph Source: MSCI ACWI Index [net dividends]. MSCI data © MSCI 2022, all rights reserved.

It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. **Past performance is not a guarantee of future results.**



# World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index [net dividends]. MSCI data © MSCI 2022, all rights reserved.

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# US Stocks

## Fourth Quarter 2021 Index Returns

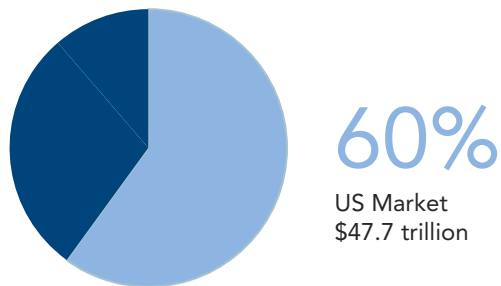
The US equity market posted positive returns for the year and outperformed non-US developed and emerging markets.

Value underperformed growth in large cap stocks but outperformed growth in small cap stocks.

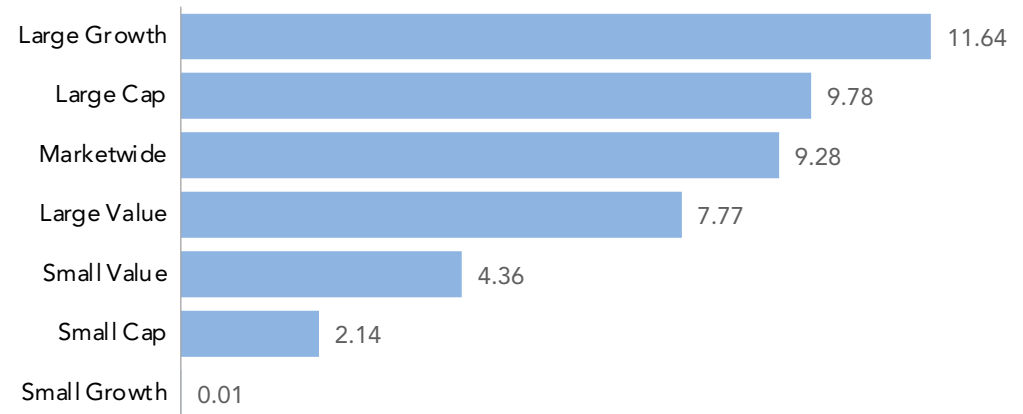
Small caps underperformed large caps.

REIT indices outperformed equity market indices.

### World Market Capitalization—US



### Ranked Returns (%)



### Period Returns (%)

\* Annualized

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Large Growth	11.64	27.60	34.08	25.32	19.79
Large Cap	9.78	26.45	26.21	18.43	16.54
Marketwide	9.28	25.66	25.79	17.97	16.30
Large Value	7.77	25.16	17.64	11.16	12.97
Small Value	4.36	28.27	17.99	9.07	12.03
Small Cap	2.14	14.82	20.02	12.02	13.23
Small Growth	0.01	2.83	21.17	14.53	14.14

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Value (Russell 1000 Value Index), Large Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Value (Russell 2000 Value Index), and Small Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Dow Jones US Select REIT Index used as proxy for the US REIT market. 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.

# International Developed Stocks

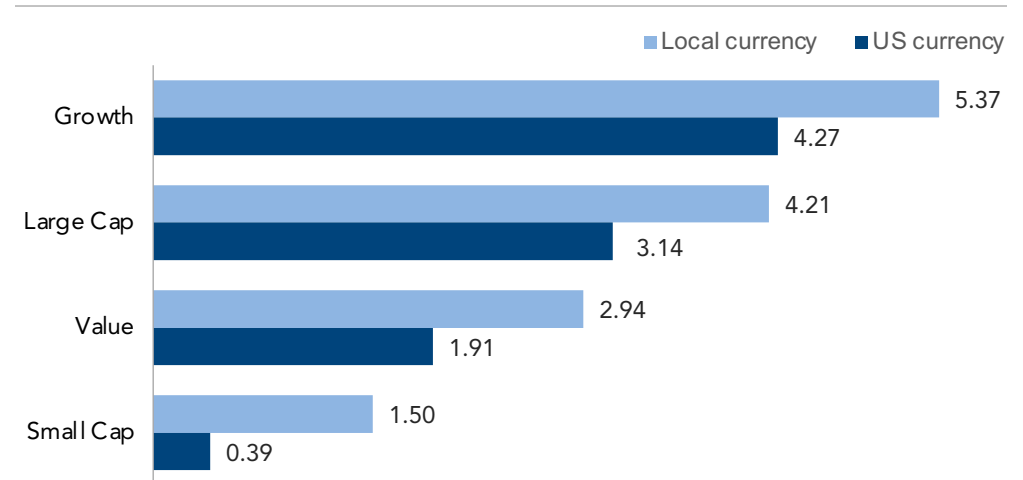
## Fourth Quarter 2021 Index Returns

Developed markets outside the US posted positive returns for the year, underperforming US equities but outperforming emerging markets equities.

Value outperformed growth.

Small caps underperformed large caps.

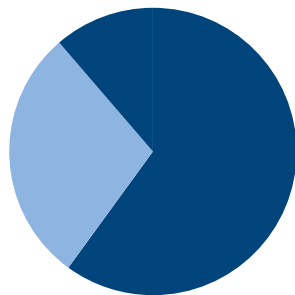
### Ranked Returns (%)



### World Market Capitalization—International Developed

29%

International Developed Market  
\$22.8 trillion



### Period Returns (%)

\* Annualized

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Growth	4.27	11.57	19.11	13.37	9.66
Large Cap	3.14	12.62	14.07	9.63	7.84
Value	1.91	13.26	8.66	5.69	5.83
Small Cap	0.39	11.14	16.27	11.03	9.99

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# Emerging Markets Stocks

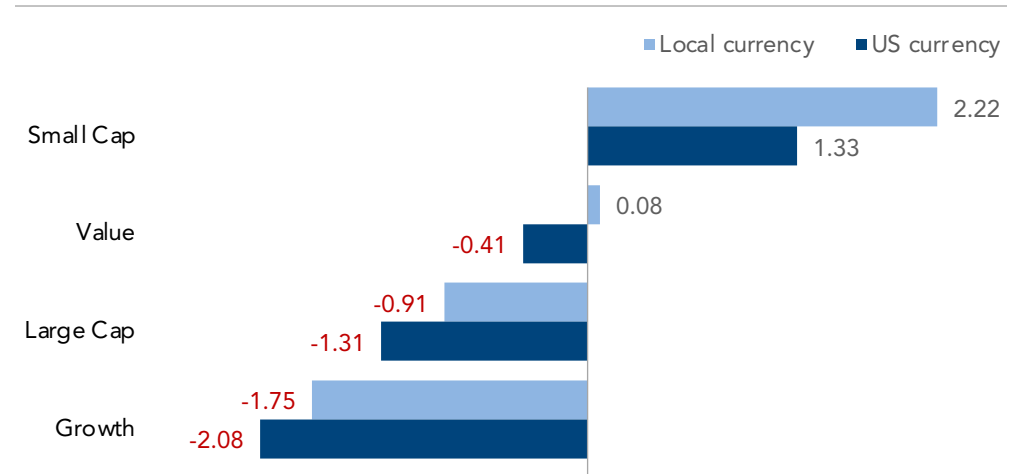
## Fourth Quarter 2021 Index Returns

Emerging markets fell 2.5% for the year, underperforming both US and non-US developed equity markets.

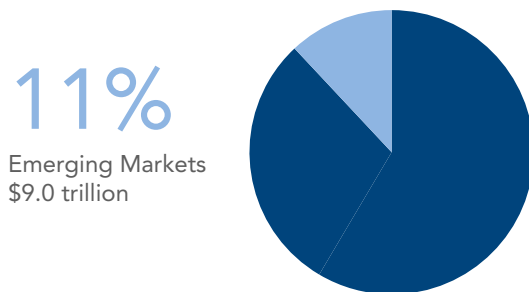
Value outperformed growth.

Small caps outperformed large caps.

### Ranked Returns (%)



### World Market Capitalization—Emerging Markets



### Period Returns (%)

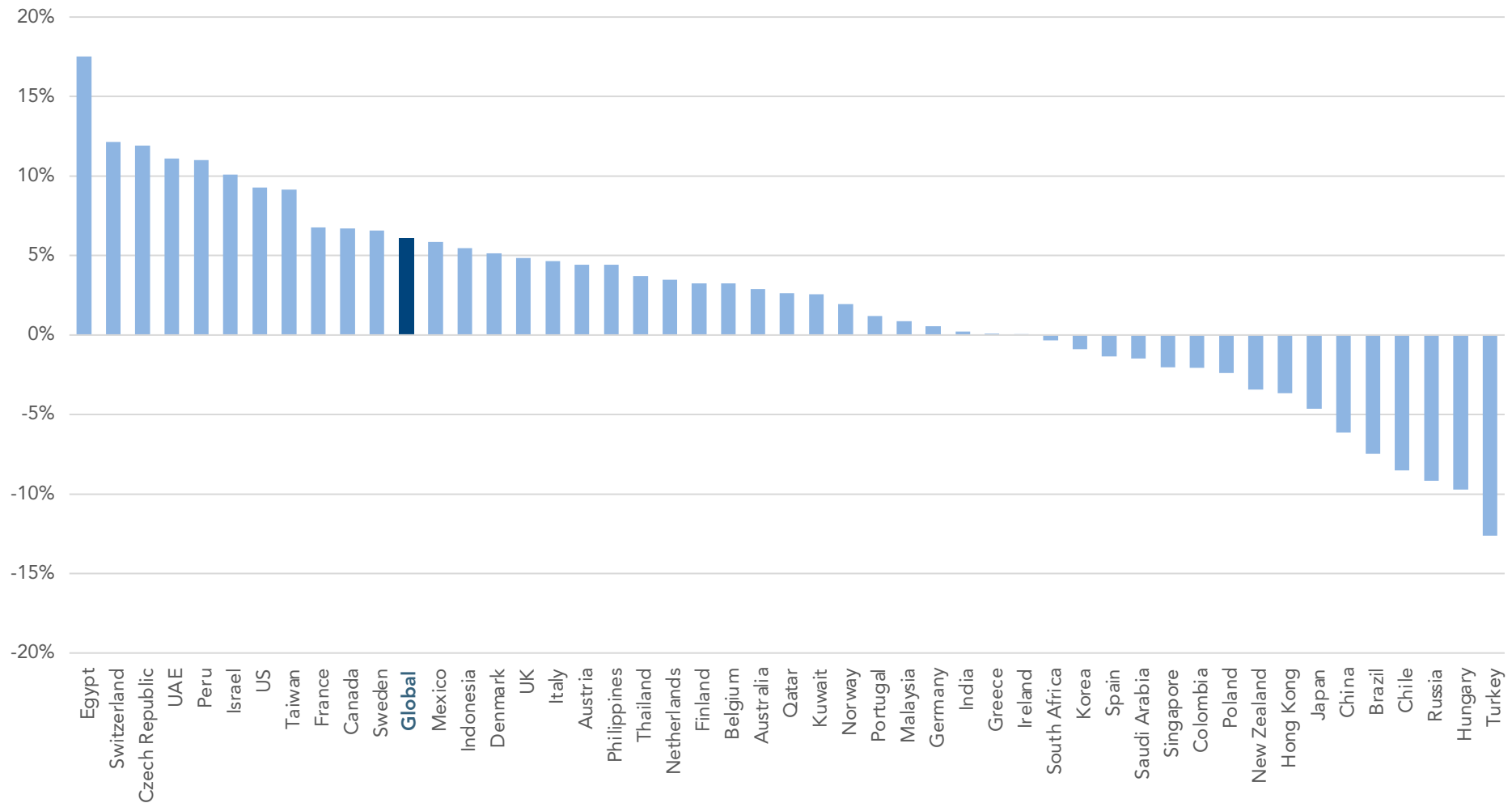
\* Annualized

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Small Cap	1.33	18.75	16.46	11.47	7.42
Value	-0.41	4.00	7.08	7.02	3.31
Large Cap	-1.31	-2.54	10.94	9.87	5.49
Growth	-2.08	-8.41	14.60	12.55	7.52

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Large Cap (MSCI Emerging Markets Index), Small Cap (MSCI Emerging Markets Small Cap Index), Value (MSCI Emerging Markets Value Index), and Growth (MSCI Emerging Markets Growth Index). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI Emerging Markets IMI Index used as the proxy for the emerging market portion of the market. MSCI data © MSCI 2022, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

# Country Returns

## Fourth Quarter 2021 Index Returns



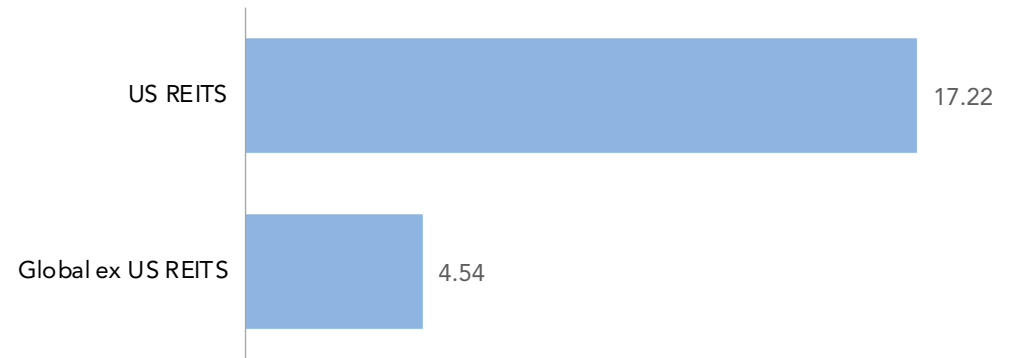
**Past performance is no guarantee of future results.** Country returns are the country component indices of the MSCI All Country World IMI Index for all countries except the United States, where the Russell 3000 Index is used instead. Global is the return of the MSCI All Country World IMI Index. MSCI index returns are net dividend. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. 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.

# Real Estate Investment Trusts (REITs)

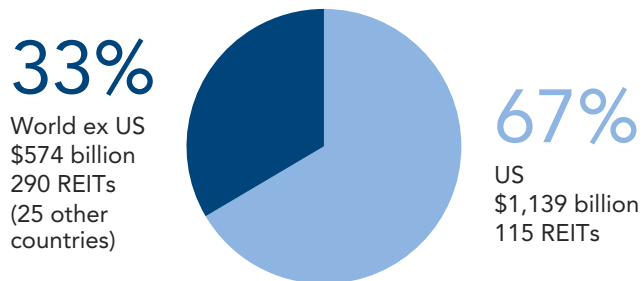
## Fourth Quarter 2021 Index Returns

US real estate investment trusts outperformed non-US REITs during the year.

### Ranked Returns (%)



### Total Value of REIT Stocks



### Period Returns (%)

\* Annualized

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
US REITS	17.22	45.91	16.84	9.65	10.7
Global ex US REITS	4.54	12.70	7.79	6.04	7.17

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones and S&P data © 2022 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

# Commodities

## Fourth Quarter 2021 Index Returns

The Bloomberg Commodity Index Total Return returned -1.56% for the fourth quarter of 2021.

Soybean Meal and Zinc were the best performers, advancing 20.86% and 19.57%, respectively.

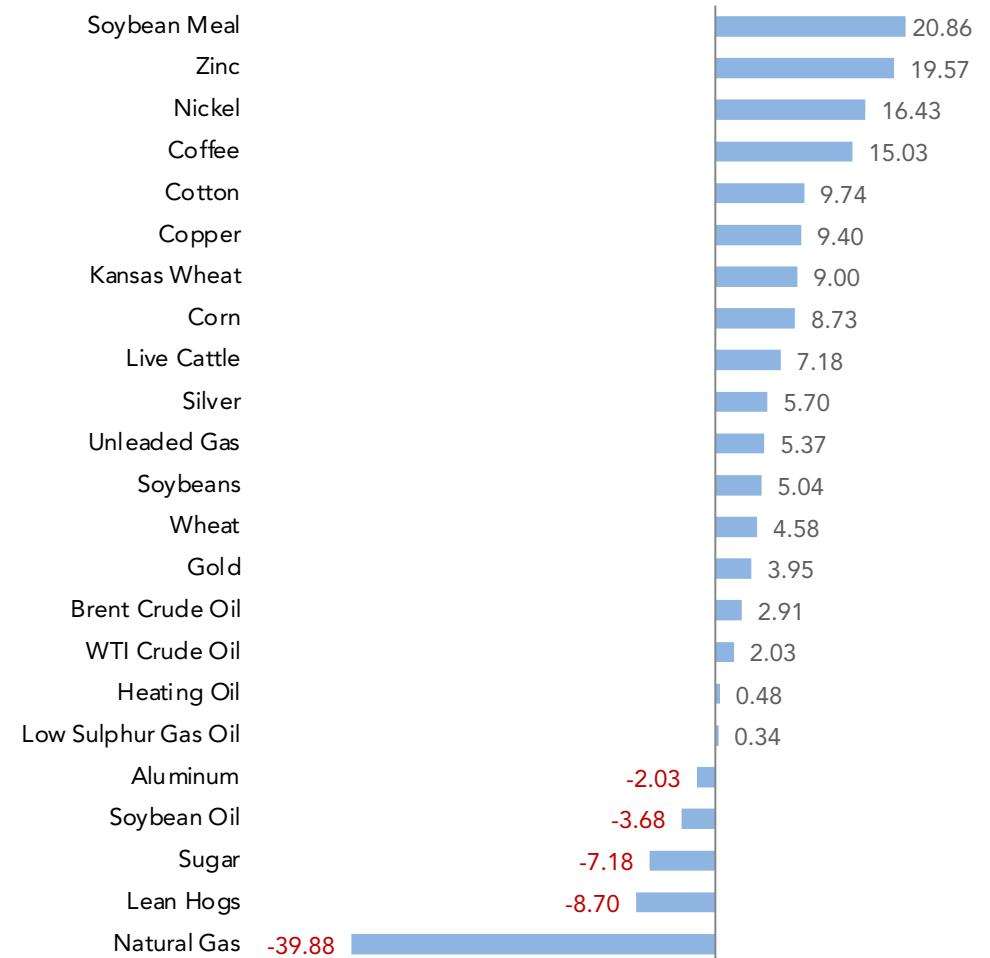
Natural Gas and Lean Hogs were the worst performers, declining 39.88% and 8.70%, respectively.

### Period Returns (%)

*\* Annualized*

Asset Class	QTR	1 Year	3 Years**	5 Years**	10 Years**
Commodities	-1.56	27.11	9.86	3.66	-2.85

### Ranked Returns (%)



Past performance is not a guarantee of future results. Index is not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Commodities returns represent the return of the Bloomberg Commodity Total Return Index. Individual commodities are sub-index values of the Bloomberg Commodity Total Return Index. Data provided by Bloomberg.

# Fixed Income

## Fourth Quarter 2021 Index Returns

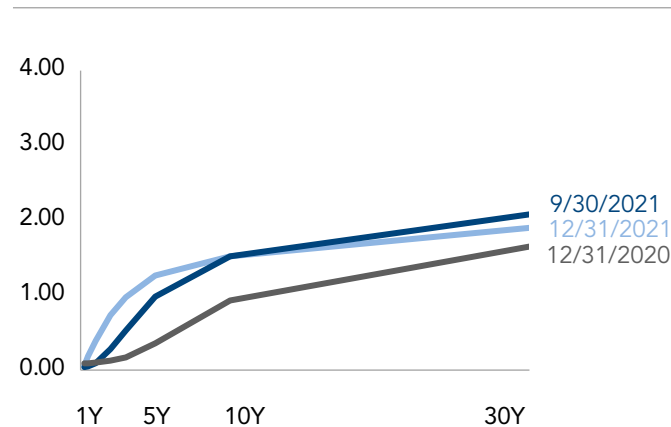
Interest rate movements in the US Treasury fixed income market were mixed during the fourth quarter. The yield on the 5-year US Treasury note increased 28 basis points (bps) to 1.26%. The yield on the 10-year US Treasury note remained unchanged at 1.52%. The 30-year US Treasury bond yield decreased 18 bps to 1.90%.

On the short end of the yield curve, the 1-month US Treasury bill yield decreased 1 basis point, ending at 0.06%, while the 1-year US Treasury bill yield increased 30 bps to 0.39%. The 2-year US Treasury note yield increased 45 bps to 0.73%.

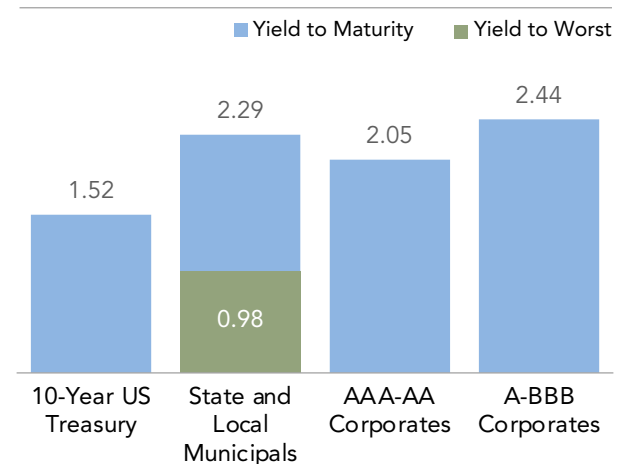
In terms of total returns, short-term corporate bonds lost 0.68%. Intermediate-term corporate bonds declined 0.56%.

The total return for short-term municipal bonds was -0.05%, while intermediate-term municipal bonds gained 0.27%. Revenue bonds performed in line with general obligation bonds.

US Treasury Yield Curve (%)



Bond Yield Across Issuers (%)



Period Returns (%)

Asset Class	*Annualized				
	QTR	1 Year	3 Years**	5 Years**	10 Years**
Bloomberg US Government Bond Index Long	3.05	-4.57	8.78	6.53	4.53
Bloomberg US TIPS Index	2.36	5.96	8.44	5.34	3.09
Bloomberg Municipal Bond Index	0.72	1.52	4.73	4.17	3.72
Bloomberg US High Yield Corporate Bond Index	0.71	5.28	8.83	6.30	6.83
Bloomberg US Aggregate Bond Index	0.01	-1.54	4.79	3.57	2.90
ICE BofA US 3-Month Treasury Bill Index	0.01	0.05	0.99	1.14	0.63
ICE BofA 1-Year US Treasury Note Index	-0.18	-0.07	1.55	1.42	0.86
FTSE World Government Bond Index 1-5 Years (hedged to USD)	-0.52	-0.80	2.07	1.89	1.66
FTSE World Government Bond Index 1-5 Years	-1.41	-4.43	1.38	1.79	-0.33

One basis point (bps) equals 0.01%. **Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.** Yield curve data from Federal Reserve. State and local bonds, and the Yield to Worst are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA Corporates, BBB-A rated. Bloomberg data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). FTSE fixed income indices © 2022 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2022 ICE Data Indices, LLC. S&P data © 2022 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.



# Global Fixed Income

## Fourth Quarter 2021 Yield Curves

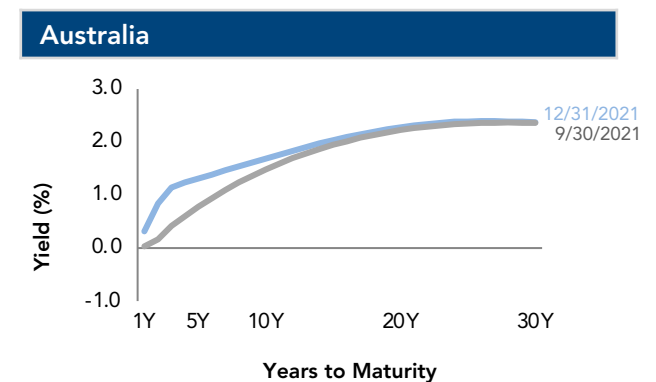
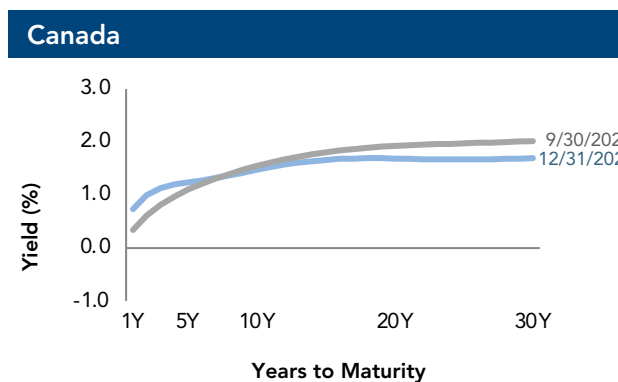
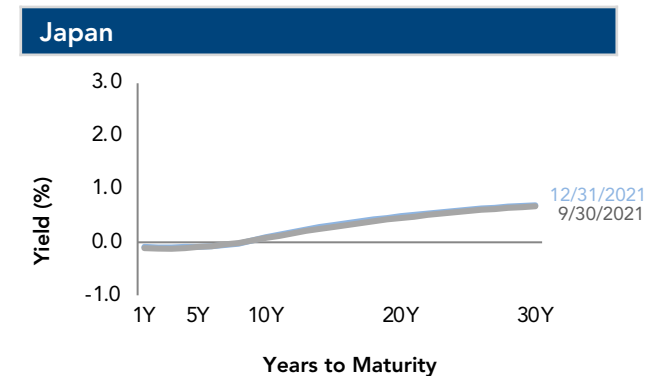
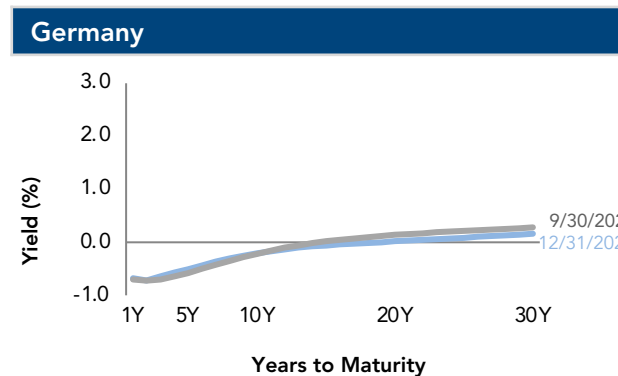
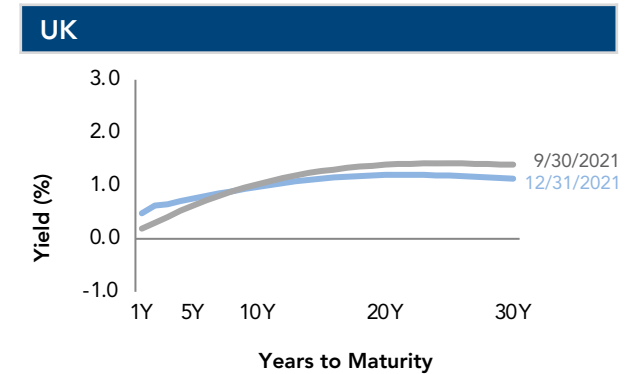
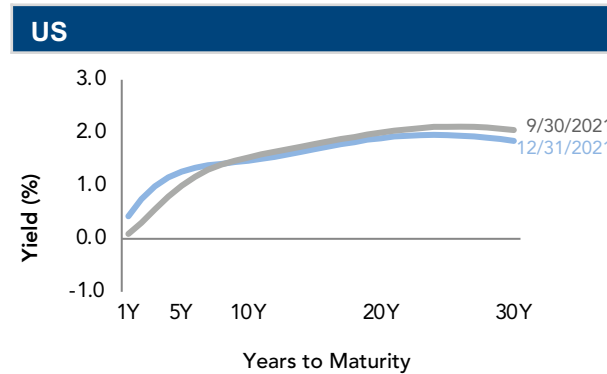
Government bond yield movements in the global developed markets were mixed for the quarter. Interest rates in many global developed markets increased along the shorter end but decreased along the longer end of their respective curves.

Term premiums were mixed in developed markets. Long-term bonds were generally the best performers, and intermediate-term bonds were generally the worst performers.

Short- and intermediate-term nominal interest rates were negative in Japan and Germany.

### Changes in Yields (bps) since 9/30/2021

	1Y	5Y	10Y	20Y	30Y
US	33.3	26.5	-6.0	-10.8	-20.8
UK	28.9	13.3	-5.1	-19.2	-26.4
Germany	2.2	7.3	0.8	-12.1	-12.0
Japan	2.1	0.1	1.2	3.3	1.8
Canada	39.3	14.0	-7.4	-23.6	-32.0
Australia	28.3	53.6	20.6	5.7	1.0



# Impact of Diversification

As of November 30, 2021

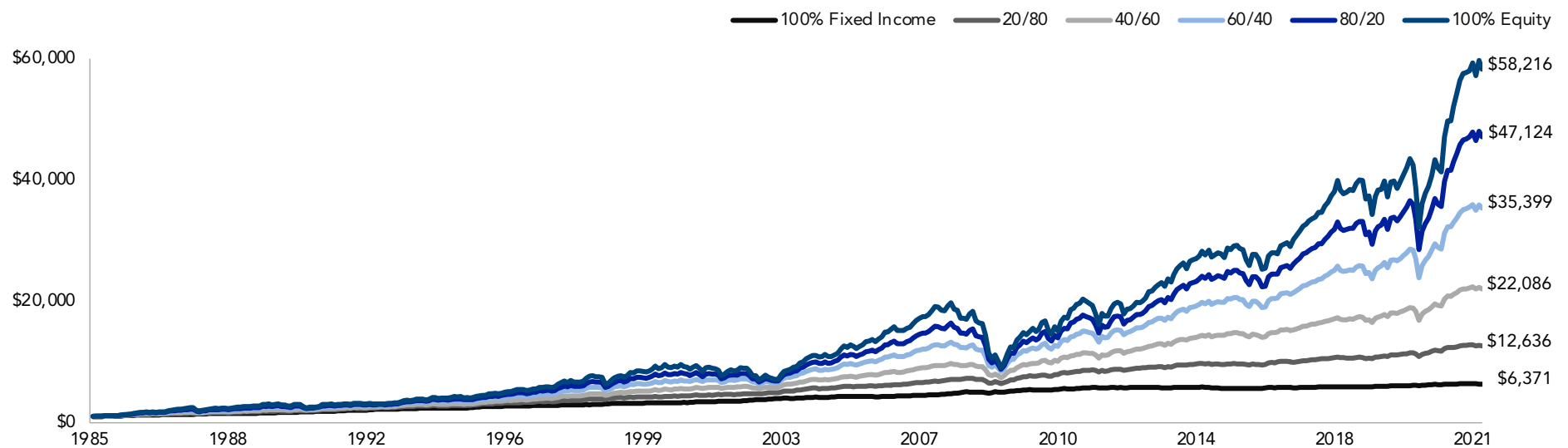
These indices illustrate the performance of different global stock/bond mixes and highlight the benefits of diversification. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

## Period Returns (%)

\* Annualized

Dimensional Core Plus Wealth Index Model	3 Month	1 Year	3 Years**	5 Years**	10 Years**	10-Year STDEV <sup>1</sup>
100% Equity	-1.78	23.54	15.92	14.01	12.71	14.06
80/20	-1.65	18.55	14.51	12.50	11.57	11.73
60/40	-1.54	13.35	12.61	10.53	9.76	9.04
40/60	-1.43	8.37	9.15	7.57	7.17	6.12
20/80			5.98	4.87		4.05
100% Fixed Income	-1.02	0.33	2.65	2.08	1.04	1.72

## Growth of Wealth: The Relationship Between Risk and Return



1. STDEV (standard deviation) is a measure of the variation or dispersion of a set of data points. Standard deviations are often used to quantify the historical return volatility of a security or portfolio.

**Diversification does not eliminate the risk of market loss. For illustrative purposes only. Past performance is no guarantee of future results.** The performance reflects the growth of a hypothetical \$1,000. Assumes all models have been rebalanced monthly. See appendix for allocation information. All performance results are based on performance of indexes with model/back-tested asset allocations; the performance was achieved with the benefit of hindsight; it does not represent actual investment strategies. The index models are unmanaged and the model's performance does not reflect advisory fees or other expenses associated with the management of an actual portfolio. In particular, Model performance may not reflect the impact that economic and market factors may have had on the advisor's decision making if the advisor were actually managing client money. The models are not recommendations for an actual allocation. Indices are not available for direct investment. Backtested performance results assume the reinvestment of dividends and capital gains.

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January 2022

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