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# Q4

## Global Market Review

Fourth Quarter 2021

# Global 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:

*Looking Forward with Optimism*

Quarterly and Long-Term Market Summary

World Stock Market Performance—Quarterly & Long Term

Impact of Diversification

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International Developed Stocks

Emerging Markets Stocks

Real Estate Investment Trusts (REITs)

Fixed Income

Global Fixed Income

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# Quarterly Topic: Looking Forward with Optimism

Fourth Quarter 2021

Paul Byron Hill, WMCP®, RICP®, CFP®  
CEO | President

So as a new year begins, we look both backward and forward. Do we know what this year will bring? I don't. No one does. Looking back last year, that should be obvious to anyone. We can only hope for a greater degree of normalcy following two years of a global pandemic with all its attendant pain and grief as we try to re-establish everyday life.

## Looking Behind

Last year showed, once again, the difficulty of making predictions for investment decisions. And while we have as much uncertainty as ever, our optimism is more educated as we look ahead to 2022. Why? Because the economic beliefs that our financial planning and investment strategies are grounded on were tested again, and they held up under stress.

Enduring uncertainty is a central challenge of our human existence. While our choices define us, we lack all the information we need when making critical choices, particularly difficult choices related to maintaining or gaining financial security.

An unexpected market decline of 20% back in March of 2020 in the U.S. was truly scary. The great temptation of any crisis is to rely on emotional forecasts to form your response.

A crisis is beyond our control. What we can control is our response. In the face of imminent disaster within a capitalist economy, it is wiser to trust in human ingenuity with many great minds focused on finding a solution, rather than accept doom as a foregone outcome.

In investing, as well as in life, a sound philosophy is an essential guide. The wisest choice for Americans blessed to live within a free-market economy, we believe, is to bet on human ingenuity rather than against it. Over the years I've developed a kind of faith in the power of markets to

promote ingenuity, especially in a crisis. When markets go up or down, they simply respond to information. That allows buyers and sellers to choose to make a deal at a price that seems fair to both sides based on the information they know at the time.

Whether the market is at a new high or a new low, today's share price simply reflects investors' collective judgment of what tomorrow's earnings and dividends are likely to be—and of every tomorrow after that. Every day, stocks must be priced in the market to deliver a positive expected return for the buyer. Otherwise, no trade would take place. Imagining a scenario where investors invest in stocks expecting to lose money is difficult.

## Looking Ahead

New challenges await the new year. New business will form. Old ones will adapt. Some will fail, others will prosper. Rather than guess what will happen to whom, and when, we invest systematically, and trust the collective opinion of millions of investors, all of whom have a little bit of information that informs the prices at which stocks will freely trade.

The problems we face, politically and socially, certainly are daunting. Yet the problems back when I was born during the Cold War period in the aftermath of World War II were daunting as well. I still remember my father going off to Navy bases far away in the shadow of nuclear war. Back then, far worse diseases than Covid existed like polio and smallpox in third world countries. The everyday medical miracles that would repair my heart or my eye, allowing me to continue my professional career, were still the stuff of science fiction.

# Quarterly Topic: Looking Forward with Optimism

(continued from page 3)

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## Looking Forward with Optimism

Every day I go to work believing that the market will go up a little but prepared if they should drop. You should too. Markets will go up and down, but the outcome you expect for wise planning should be positive. Historically, markets have worked that way for two hundred years. On average, many more years are up and much higher than the fewer years that are down.

When you live in America with all the opportunities here lacking in most of the world and for most of human history, it's hard not to be optimistic. For the unlucky and unfortunate there are plenty of social networks to fall back on. Have faith, endure, and don't quit. Have confidence and do your best. Not only can future uncertainty lead to a better future but responding wisely offers great possibilities for your deepest hopes, goals, and dreams.







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# Quarterly Market Summary

## Index Returns

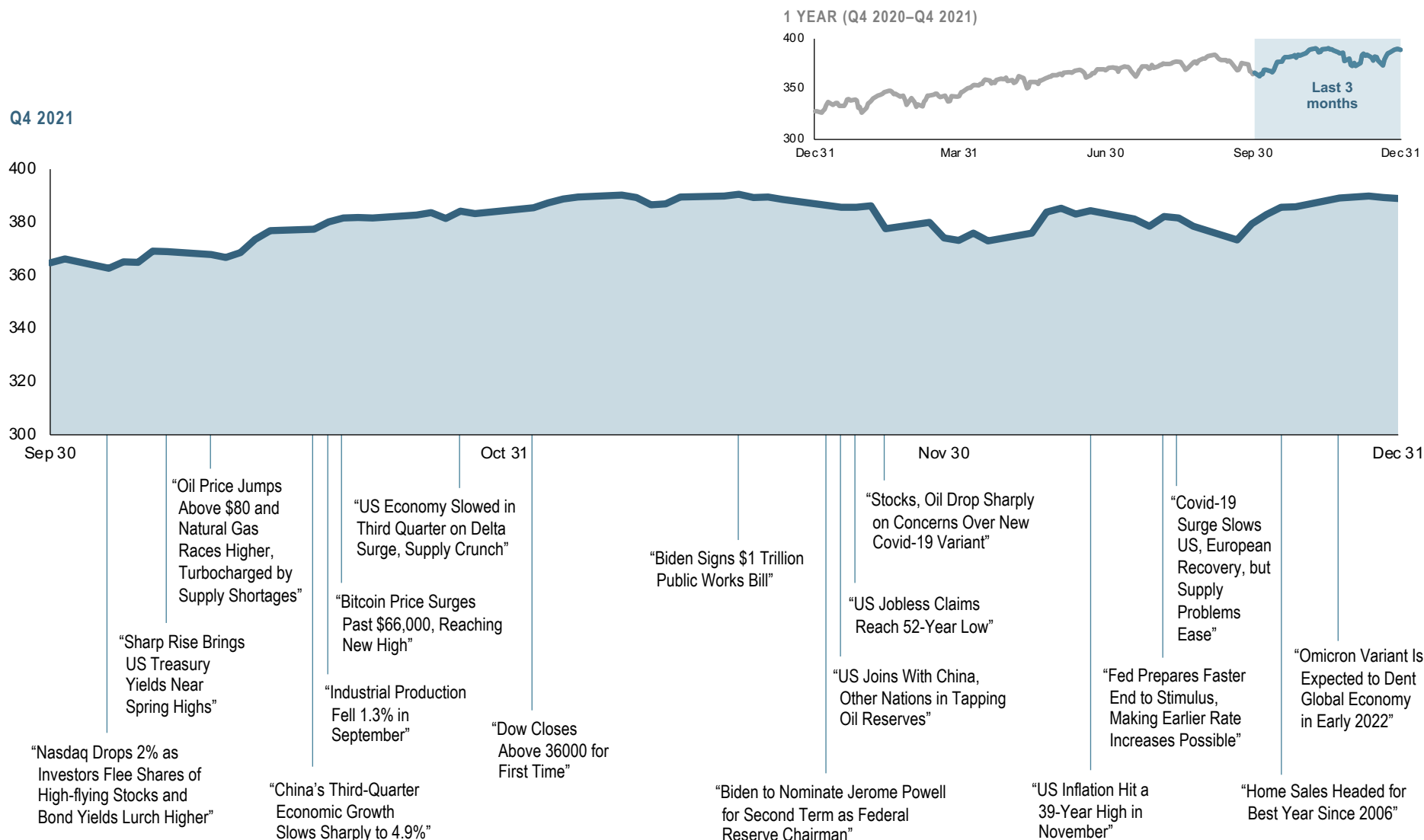
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate		US Bond Market	Global Bond Market ex US
4Q 2021	STOCKS					BONDS	
	9.28%	3.14%	-1.31%	12.35%		0.01%	0.07%
							
Since Jan. 2001							
Average Quarterly Return	2.5%	1.7%	2.9%	2.7%		1.1%	1.1%
Best Quarter	22.0%	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

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# 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.**

# Long-Term Market Summary

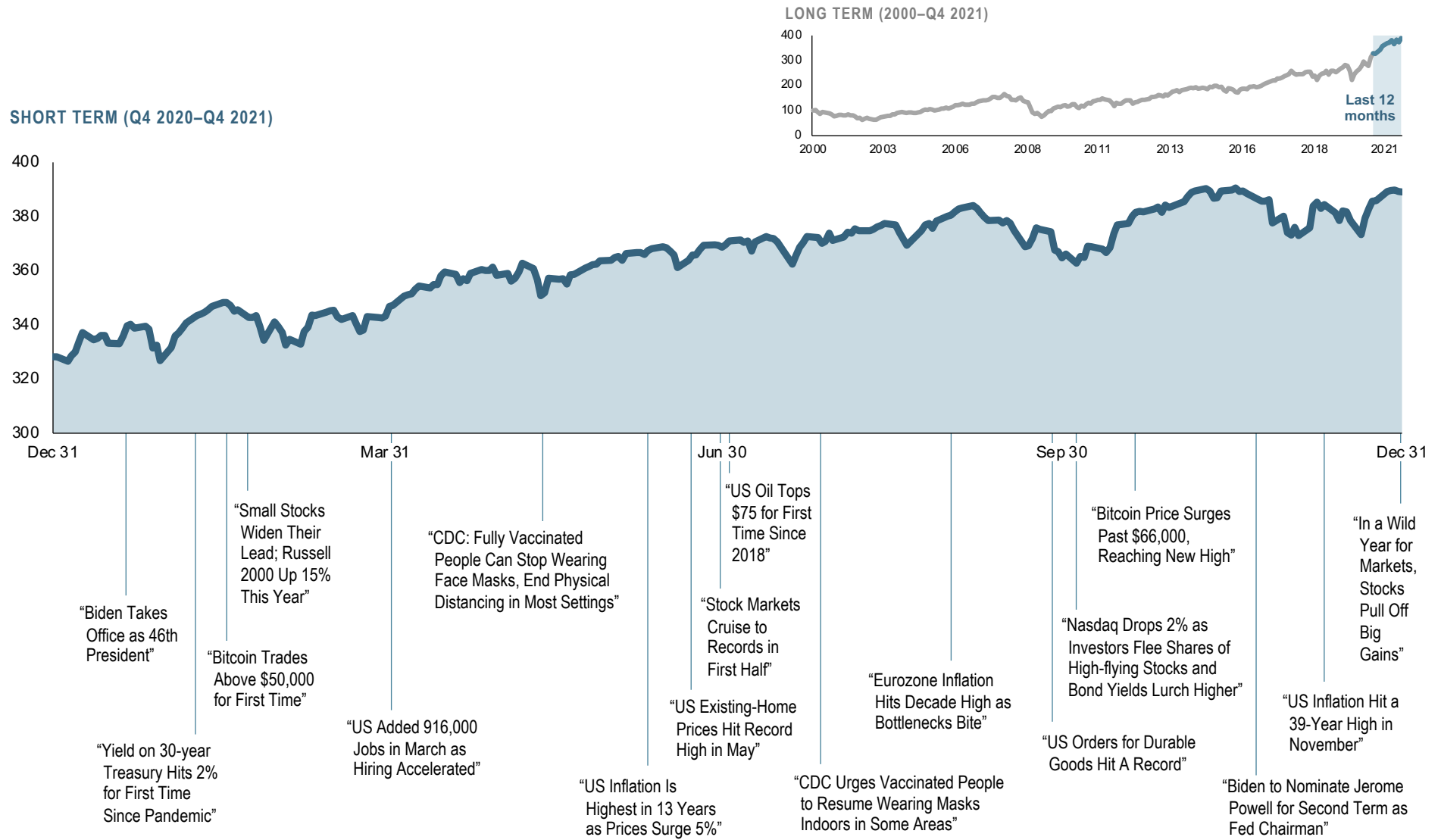
Index Returns as of December 31, 2021

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate		US Bond Market	Global Bond Market ex US
1 Year	STOCKS					BONDS	
	25.66% 	12.62% 	-2.54% 	31.38% 		-1.54% 	-1.40% 
5 Years							
	17.97% 	9.63% 	9.87% 	8.25% 		3.57% 	3.11% 
10 Years							
	16.30% 	7.84% 	5.49% 	9.01% 		2.90% 	3.80% 

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# 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.*

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# Impact of Diversification

As of November 30, 2021

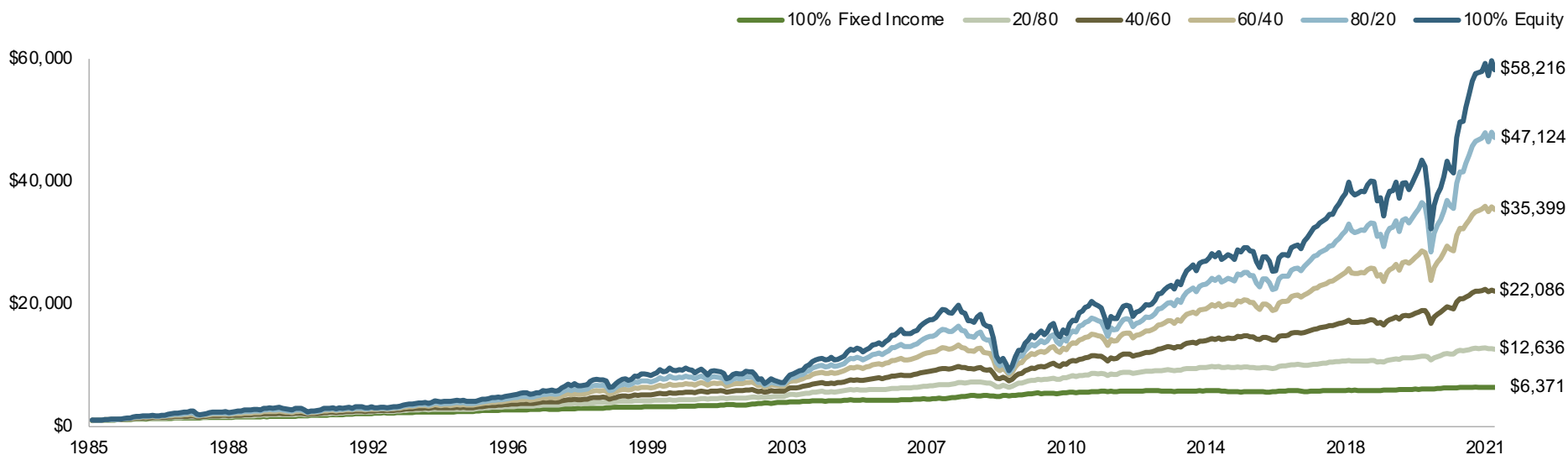
These indices illustrate the performance of different global stock/bond mixes and highlight the benefits of diversification. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

## 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	(1.8)	23.5	15.9	14.0	12.7	14.1
80/20	(1.7)	18.6	14.5	12.5	11.6	11.7
60/40	(1.5)	13.4	12.6	10.5	9.8	9.0
40/60	(1.4)	8.4	9.2	7.6	7.2	6.1
20/80	(1.7)	3.2	6.0	4.9	4.1	3.7
100% Fixed Income	(1.0)	0.3	2.7	2.1	1.0	1.7

## 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. Sources: Dimensional Fund Advisors LP for Dimensional Indices. Copyright 2022 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

# US Stocks

## Fourth Quarter 2021 Index Returns

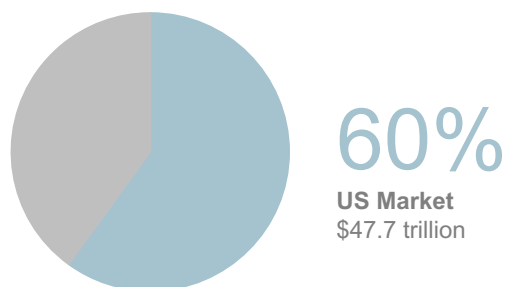
The US equity market posted positive returns for the year and outperformed non-US developed and emerging markets.

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

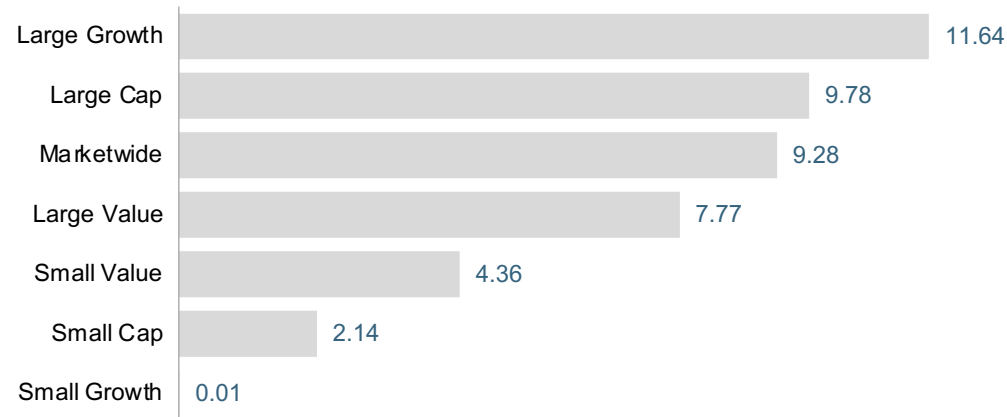
Small caps underperformed large caps.

REIT indices outperformed equity market indices.

### World Market Capitalization—US



### Ranked Returns (%)



### Period Returns (%)

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Large Growth	11.6	27.6	34.1	25.3	19.8
Large Cap	9.8	26.5	26.2	18.4	16.5
Marketwide	9.3	25.7	25.8	18.0	16.3
Large Value	7.8	25.2	17.6	11.2	13.0
Small Value	4.4	28.3	18.0	9.1	12.0
Small Cap	2.1	14.8	20.0	12.0	13.2
Small Growth	0.0	2.8	21.2	14.5	14.1

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

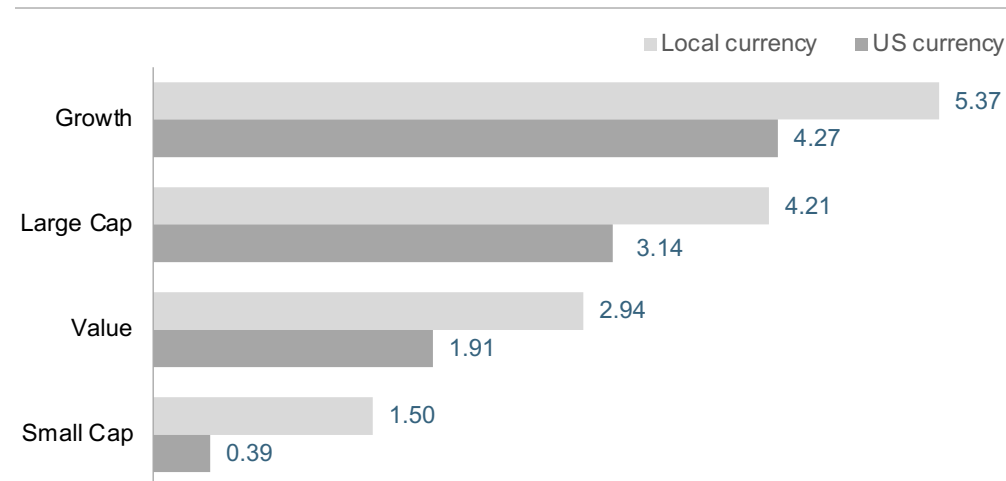
## Fourth Quarter 2021 Index Returns

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.

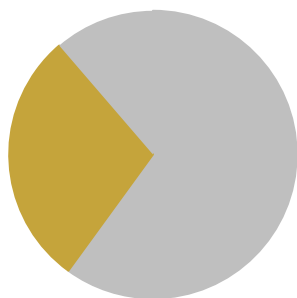
### Ranked Returns (%)



### World Market Capitalization—International Developed

**29%**

International  
Developed Market  
\$22.8 trillion



### Period Returns (%)

Asset Class	QTR	1 Year	3 Years*	5 Years*	* Annualized
					10 Years*
Growth	4.3	11.6	19.1	13.4	9.7
Large Cap	3.1	12.6	14.1	9.6	7.8
Value	1.9	13.3	8.7	5.7	5.8
Small Cap	0.4	11.1	16.3	11.0	10.0

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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.

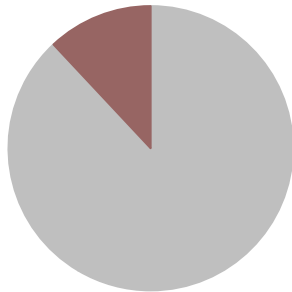
Value outperformed growth.

Small caps outperformed large caps.

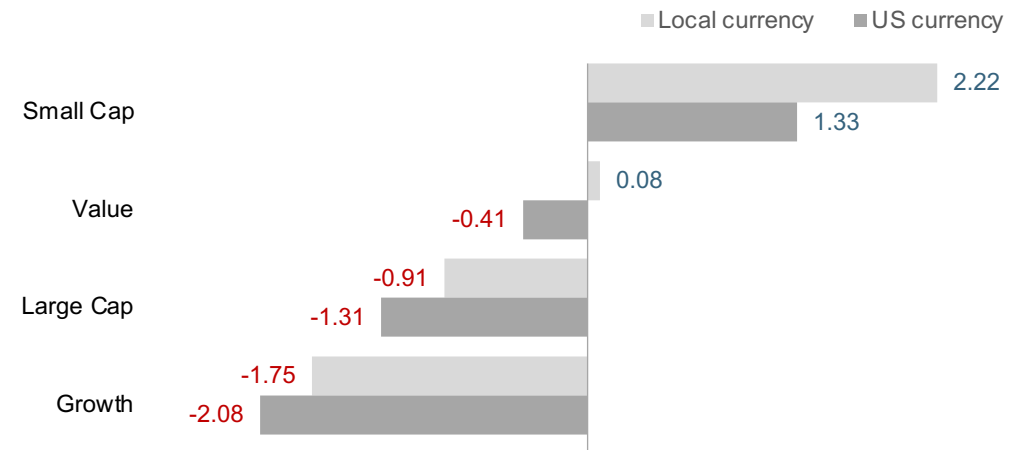
### World Market Capitalization—Emerging Markets

**11%**

Emerging  
Markets  
\$9.0 trillion



### Ranked Returns (%)



### Period Returns (%)

\* Annualized

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Small Cap	1.3	18.8	16.5	11.5	7.4
Value	-0.4	4.0	7.1	7.0	3.3
Large Cap	-1.3	-2.5	10.9	9.9	5.5
Growth	-2.1	-8.4	14.6	12.6	7.5

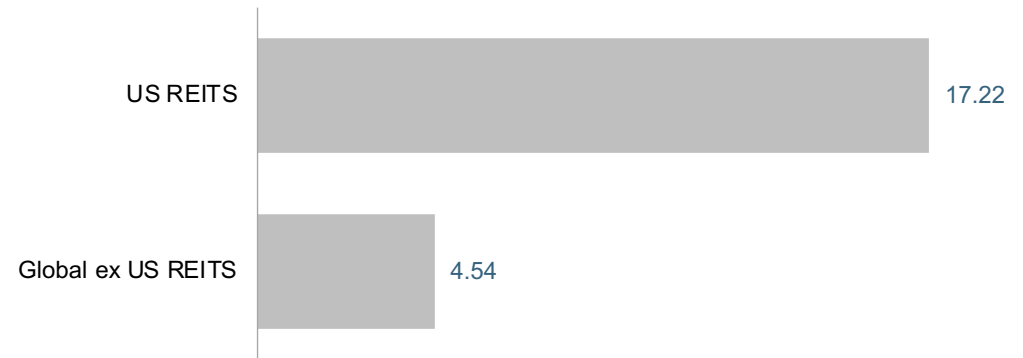
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# Real Estate Investment Trusts (REITs)

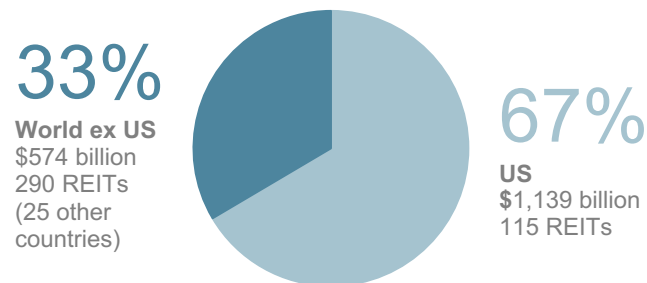
## Fourth Quarter 2021 Index Returns

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	17.2	45.9	16.8	9.7	10.7
Global ex US REITS	4.5	12.7	7.8	6.0	7.2

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.

# Fixed Income

## Fourth Quarter 2021 Index Returns

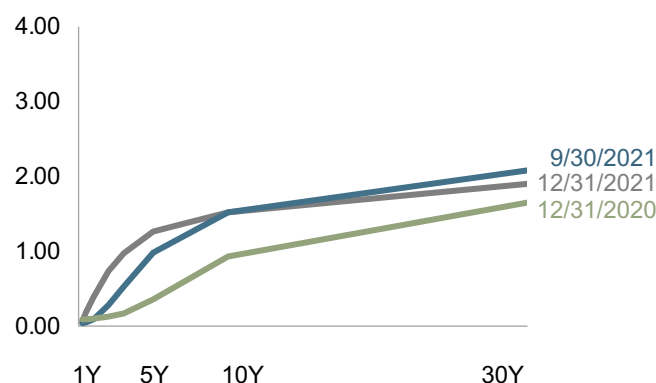
Interest rate movements in the US Treasury fixed income market were mixed during the fourth quarter. The yield on the 5-year US Treasury note increased 28 basis points (bps) to 1.26%. The yield on the 10-year US Treasury note remained unchanged at 1.52%. The 30-year US Treasury bond yield decreased 18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

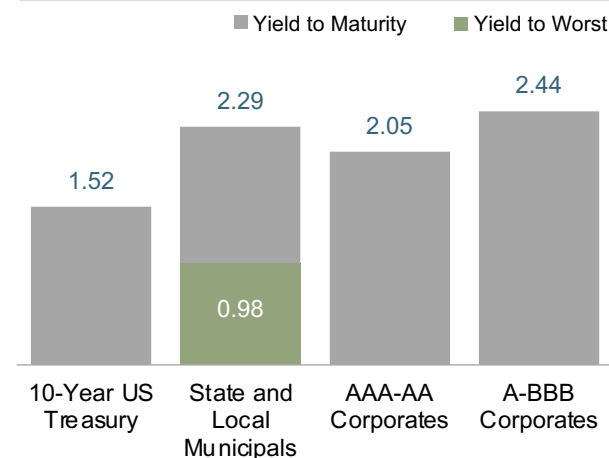
In terms of total returns, short-term corporate bonds lost 0.68%. Intermediate-term corporate bonds declined 0.56%.

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	QTR	1 Year	3 Years*	5 Years*	*Annualized
					10 Years*
Bloomberg US Government Bond Index Long	3.1	-4.6	8.8	6.5	4.5
Bloomberg US TIPS Index	2.4	6.0	8.4	5.3	3.1
Bloomberg Municipal Bond Index	0.7	1.5	4.7	4.2	3.7
Bloomberg US High Yield Corporate Bond Index	0.7	5.3	8.8	6.3	6.8
Bloomberg US Aggregate Bond Index	0.0	-1.5	4.8	3.6	2.9
ICE BofA US 3-Month Treasury Bill Index	0.0	0.1	1.0	1.1	0.6
ICE BofA 1-Year US Treasury Note Index	-0.2	-0.1	1.6	1.4	0.9
FTSE World Government Bond Index 1-5 Years (hedged to USD)	-0.5	-0.8	2.1	1.9	1.7
FTSE World Government Bond Index 1-5 Years	-1.4	-4.4	1.4	1.8	-0.3

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 (SBBI) 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

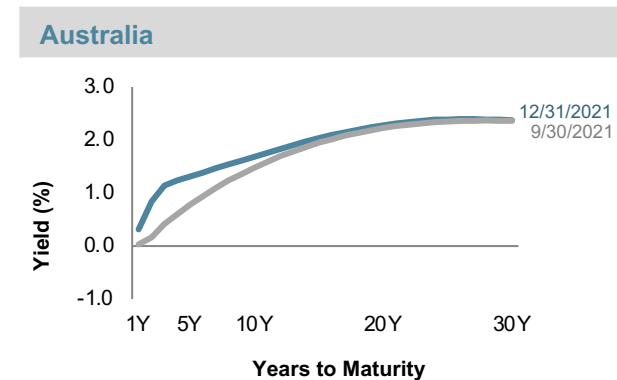
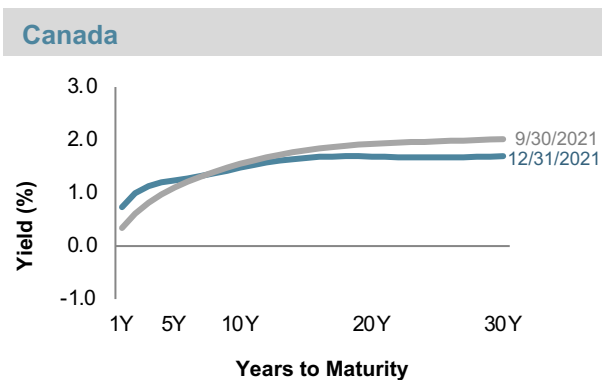
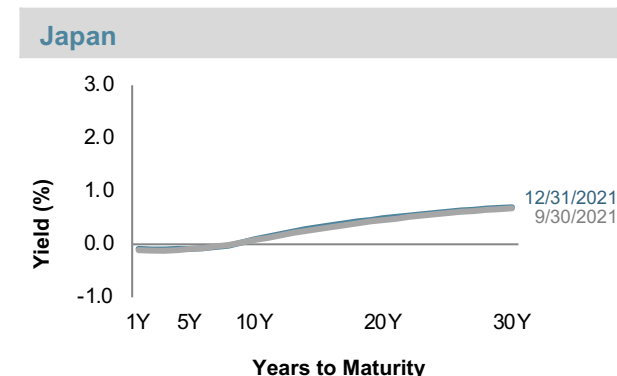
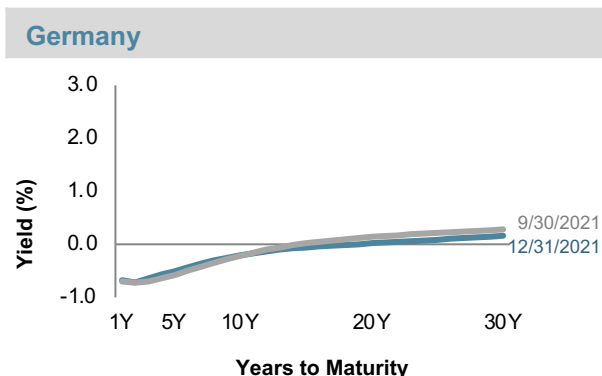
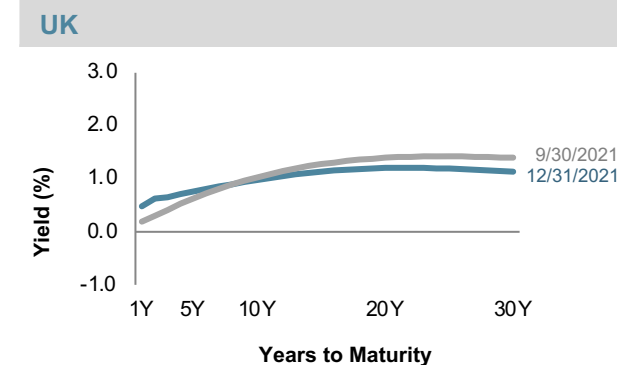
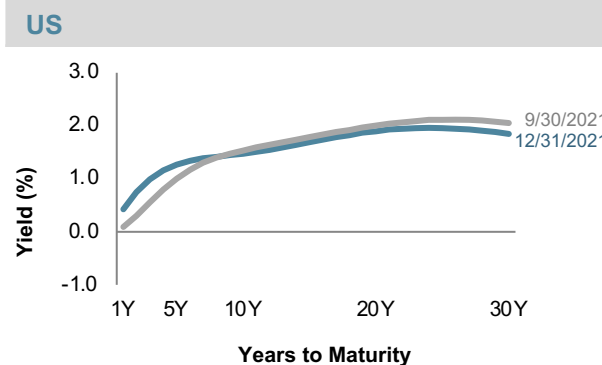
Government bond yield movements in the global developed markets were mixed for the quarter. Interest rates in many global developed markets increased along the shorter end but decreased along the longer end of their respective curves.

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



## Wealth Planning Stress Test

In these uncertain times, you may know a friend, family member or colleague who may have a difficult situation, or who wonders whether they are getting the right advice, or simply needs sound professional advice but doesn't get it. That's not uncommon. Studies suggest that over 80 percent of "middle-class millionaires" would value a second opinion for planning.\*

In order to help those you care about achieve their goals and dreams, we provide a complimentary **Wealth Planning Second Opinion** for those people. We're pleased to offer your friends, family and colleagues the same guidance and expertise that you've experienced as a valued client of Professional Financial.

**Paul Byron Hill**, MBA, MFP, MSFS, ChFC®, RICP®, CFP® is a nationally recognized Wealth Management Certified Professional™ and Certified Financial Planner™ professional, written about in *Fortune*, *Forbes*, *Bloomberg Businessweek*, and *Money*. As co-author of *Retire Abundantly*, Paul was interviewed by James Malinchak, of ABC-TV's hit series, *Secret Millionaire*. Reuters AdvisePoint recognized Mr. Hill as one of 500 "Top Advisers" in the U.S. and has featured him on their website.

Paul founded Professional Financial Strategies, Inc. as one of the first fiduciary advisory firms in 1993 that now specializes in retirement and wealth planning for affluent and aspiring families. Paul is a personal chief financial officer who acts in the best interest of clients. He brings together a distinctive management process and a network of specialists for making informed decisions for scientifically-structured investing, secure income, mitigating taxes, protecting assets, and preserving wealth for family and purposeful causes.

Mr. Hill received a BA with distinction from the University of Rochester and later an MBA in finance from its Simon School of Business. He earned an MS in financial services from The American College along with his Chartered Financial Consultant and Retirement Income Certified Professional designations, and then received an MS in financial planning from the College for Financial Planning (now at the University of Phoenix). The College for Financial Planning appointed him as adjunct faculty, and he has taught at St. John Fisher College. Who's Who presented Paul with the Albert Nelson Marquis Lifetime Achievement Award in 2018 and featured him with other recipients in *The Wall Street Journal* and other publications.

### THE PROFESSIONAL WEALTH MANAGEMENT PROCESS



\*Source: Russ Alan Prince and David A. Geraciotti, *Cultivating the Middle-Class Millionaire*, 2005.

# Wealth Planning Stress Test

## Working with experts who defined the professional wealth management process

Ask ten investors to define wealth management. Rather, ask ten financial advisors you meet to do so. You'll probably get ten different answers, and most replies will focus on investing or only products. As a client of Professional Financial, however, you benefit from a team of CFPs® with a network of experts sharing a distinctive vision of integrative wealth management.

## Our professional planning process

At Professional Financial we approach each engagement with a time-tested, collaborative process. We'll have an open conversation so we can learn about your values, goals and dreams. This proven process enables us to expertly tailor an individual plan that works toward your wealth and legacy goals. As a valued client, you'll recognize each of the six steps above. In our **Wealth Planning Second Opinion**, we offer a portion of our consultative service, complimentary, to your friends, family and colleagues.

## What to expect from wealth planning second opinion

We will meet with your friends and family in a conversation to explore their concerns and opportunities to see if we can help. If there is a fit and a benefit, we will invite them back for a follow up conversation. We may confirm whether they are on the right track with their existing financial advisors. Or if we are not the right fit, we will suggest another qualified professional firm that may be more appropriate. Either way, they will receive constructive advice and recommendations regarding their planning situation—easily a value of \$5,000 or more.

### STRESS TESTING CONVERSATION

Phase 1

Phase 2

Financial  
Envisionment  
Conversation

Retirement  
Stress Testing  
Conversation

### PURPOSEFUL WEALTH MANAGEMENT

#### INVESTMENT MANAGEMENT

- Strategic planning
- Goal monitoring
- Performance evaluation
- Risk evaluation
- Portfolio structuring
- Manager due diligence

#### WEALTH PLANNING

- Wealth enhancement, including tax minimization and liability restructuring

- Asset Protection
- Security of Heirs' Lifestyle
- Legacy Planning
- Charitable Impact

#### RELATIONSHIP CONSULTATIONS

- Regularly scheduled calls, emails, reviews and in-person meetings
- Professional network, including accounting, tax, legal, insurance, actuarial and benefits experts

**Let us help those you care about. Contact us today.**

**Paul Byron Hill**, MBA, MFP, MSFS, ChFC®, RICP®  
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Wealth Management Certified Professional™

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**Disclosure:** Professional Financial Strategies, Inc. ("Professional Financial") is an independent investment advisor registered with the Securities and Exchange Commission. CFP professionals are fiduciaries with a duty of loyalty and care to act in client best interest and individually licensed by the Certified Financial Planner Board of Standards.

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