



# TRAIGHT TALK

## 4th Quarter 2021

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### 2021

#### Market Returns

**Domestic Large  
S&P 500**  
28.71%

**Domestic Small  
Russell 2000**  
14.82%

**Intl Developed  
MSCI EAFE**  
11.26%

**Emerging Markets  
MSCI EM**  
-2.54%

**Fixed Income  
Bloomberg US  
Aggregate Bond**  
-1.54%

\*Returns are from Morningstar,  
with dividends reinvested, and  
are through 12/31/21

For all of the craziness of the last two years, it has been a favorable environment for investors. Investing in 2021 certainly had some bright spots, and overall, diversified investors did well. S&P 500 performance over the past 12 months was driven in large part by a handful of mega-cap stocks, which had an outsized effect on returns. Outside of this, we saw lower but still good returns from small cap stocks and developed international markets. Emerging market stocks were hampered by China's regulatory push and worries across the property sector. Meanwhile, bonds faced headwinds, as the Fed signaled the move away from easing and into tightening policy. Over the coming year, we see stocks continuing to do well, even as volatility is likely to remain elevated. The backdrop for fixed income is likely to remain challenging, but bonds could fare a little better this year.

We can sit here and dwell on the issues, whether it is covid, economic disruptions, or the nonsense that goes on in DC, but if you are not sick of them already, you should be! Investing for the vast majority of people is an optimistic exercise. After all, why invest if you do not believe that you will do well and earn money? Therefore, we would rather focus on the bigger and more important enduring opportunities that exist.

Our commentary over the past few years has hit on a couple of key themes, which we see as the central driving force behind market movements over the medium to long term. We have discussed how covid marked the start of a larger transition period for the global economy and how innovation and technological advancements are changing the world and how economies function. These two items feed our larger view that we remain in a long-term cyclical bull market for stocks, with US companies leading the way on many fronts.

The bull market through the 80's and 90's was driven by the invention and adoption of the personal computer and the internet, along with the rise of China as a global economic power. This bull market has seen further advancement, with mobile computing and the spread of technology across sectors. A secondary theme that is still just starting to play out is the focus on clean tech. There are obvious implications in areas such as energy, with the move away from fossil fuels to cleaner options. Electric vehicle adoption is about to explode as automakers have adjusted to new technology. We expect that we will see new industries and companies come to the forefront, and advancements in robotics, automation, and AI will dramatically change the economic landscape in the coming years.

Oddly enough, the nature of this transition might allow for a period of better returns in traditional commodities that might run counterintuitive to expectations. We have seen the gains in oil and gas prices over the last year and with the bar for new capital investments set arguably higher than ever before, we could be in store for a period of strong commodity returns, even as the world transitions away from some of these very commodities. This plays into our view that you want to hold a mix of traditional value sectors, such as energy, materials, and industrials, to go along with longer-term growth plays in areas such as technology and healthcare.

Expect to see more noise in headlines, economic data, and market movements as we progress through the year. We are still dealing with disruption on many levels and it has created a challenging environment for investors to make sense of things on a daily or weekly basis. As much as ever, taking a long-term view is beneficial, and we fully believe that diversification will continue to serve us well. As always, thank you for your continued trust, and do not hesitate to reach out with questions or concerns.



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