

Q3

Quarterly Market Review

Third Quarter 2021

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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:

Market Commentary

Market Summary

World Stock Market Performance

World Asset Classes

US Stocks

International Developed Stocks

Emerging Markets Stocks

Select Market Performance

Select Currency Performance
vs. US Dollar

Real Estate Investment Trusts (REITs)

Commodities

Fixed Income

Global Fixed Income

Impact of Diversification

Quarterly Market Commentary

Third Quarter 2021 – October 15, 2021

Sixty years after imagining the project, and after both had passed away, why did the famed artist couple Christo and Jeanne-Claude [wrap L’Arc de Triomphe in Paris](#) in silvery-blue fabric and red rope (which became an especially ethereal nighttime display)?

Because they wanted to. And because their heirs carried out their vision, funding it through Christo’s estate. (Jeanne-Claude died in 2009; Christo passed on May 31, 2020.) The exhibit ran from September 18–October 3, never to be repeated. Touching the artwork was not only permitted but encouraged.

The event did not dominate global headlines. But it was a nice bit of upbeat news elbowing its way in through the usual crisis-driven clamor. As usual, there’s plenty to be concerned about. In the U.S., trillion-dollar budget proposals rise and fall. The debt ceiling hovers in balance. Immigrants press at the borders and inflation waits in the wings. Around the world, there’s heartbreaking news coming out of Afghanistan, China’s Evergrande is on the brink of failure, and repercussions of climate change loom ever larger.

Throughout, markets have continued to deliver relatively strong returns year to date. But not

unlike the Christo and Jeanne-Claude exhibit, this news has been wedged in between the usual bounty of mixed messages.

As this [Wall Street Journal quarter-end wrap-up](#) reported, “All told, the S&P 500 is still up 15% for the year and managed to squeeze out a sixth straight quarter of gains.” But this larger view arrives several paragraphs in, after leading with the more attention-grabbing news: “Markets tumbled to end the quarter, sending the S&P 500 to its worst monthly pullback since the pandemic-fueled selloff of March 2020.”

It’s typical to think of capital markets as nothing more than constructions for conducting commerce and making money. That they tend to do over time. But markets are made of people, in all our messy glory. Which means the close-up view can be equally as messy. This, in turn, tempts reporters and consumers alike to focus on bold, breaking news that seems to matter, instead of the bigger picture.

As a recent [Farnam Street columnist](#) observed:

“News is, by definition, something that doesn’t last. It exists for only a moment before it changes. ... It’s not important

to living a good life. It’s not going to help you make better decisions. It’s not going to help you understand the world. It’s not dense with information. It’s not going to help you develop deep and meaningful connections with the people around you.”

As Christo, Jeanne-Claude, and their heirs have demonstrated, there’s value in savoring life’s fleeting moments. But their “news” is of a different nature. When new information helps us reimagine the ordinary, it can elevate our worldview. It grants us the gift of connecting with others who can offer a different perspective. It can even stretch time and reach across generations to create enduring legacies.

This is what we wish for you and your family—this and every quarter. Please continue to reach out to us whenever we can help you realize your own family’s greatest goals in a world that never stops spinning.

Regards,



Eric Hutchens

*Chief Investment Officer
Allodium Investment Consultants*

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
3Q 2021	-0.10%	-0.66%	-8.09%	-0.08%	0.05%	0.09%
						
Since Jan. 2001						
Avg. Quarterly Return	2.4%	1.7%	2.9%	2.5%	1.1%	1.1%
Best Quarter	22.0% 2020 Q2	25.9% 2009 Q2	34.7% 2009 Q2	32.3% 2009 Q3	4.6% 2001 Q3	4.6% 2008 Q4
Worst Quarter	-22.8% 2008 Q4	-23.3% 2020 Q1	-27.6% 2008 Q4	-36.1% 2008 Q4	-3.4% 2021 Q1	-2.7% 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 div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index [net div.]), 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 © 2021 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 2021, all rights reserved. Bloomberg data provided by Bloomberg.

Long-Term Market Summary

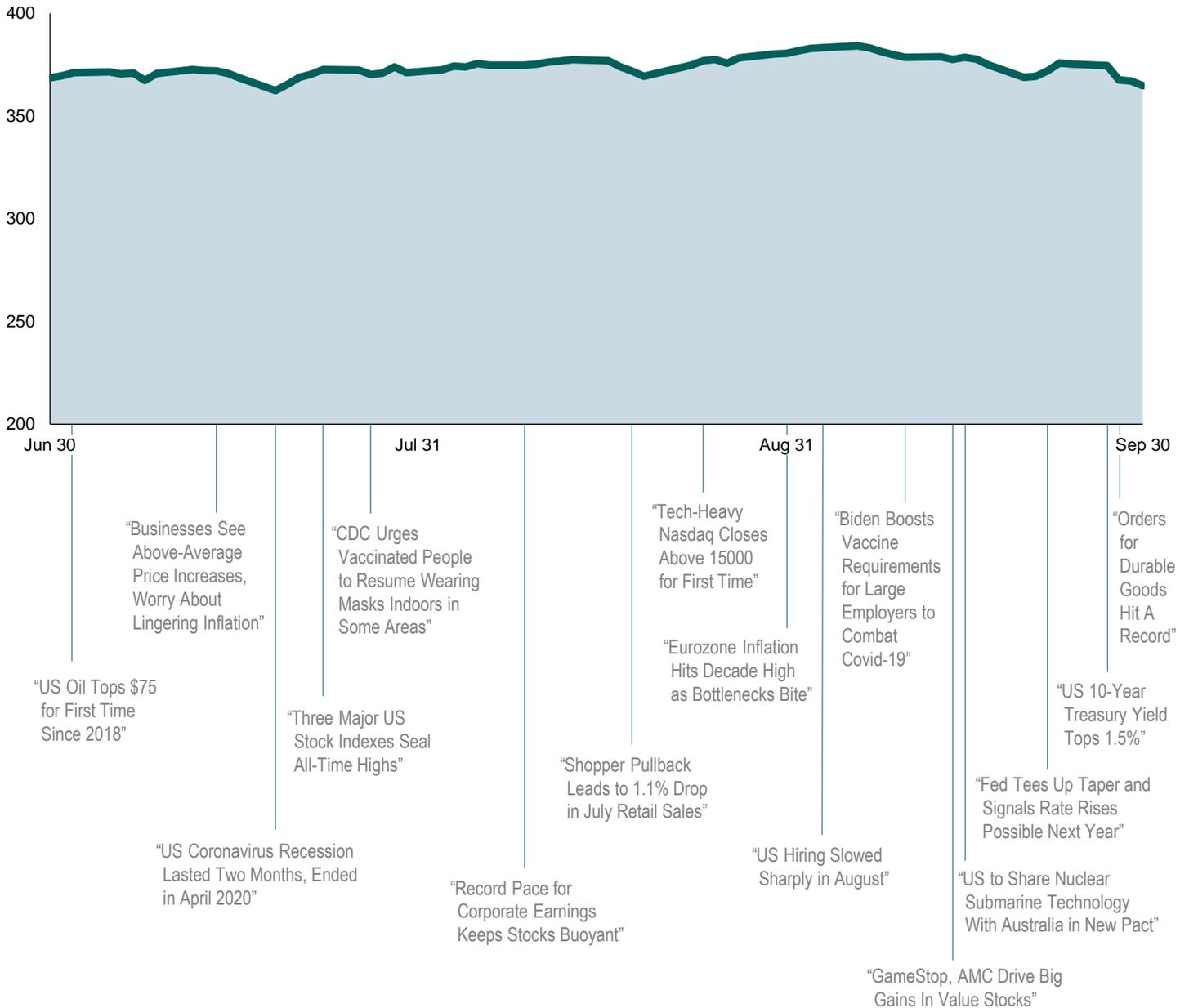
Index Returns as of September 30, 2021

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	STOCKS				BONDS	
	31.88%	26.50%	18.20%	31.61%	-0.90%	-0.54%
						
5 Years						
	16.85%	8.88%	9.23%	4.65%	2.94%	2.71%
						
10 Years						
	16.60%	7.88%	6.09%	8.70%	3.01%	3.87%
						

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World Stock Market Performance

MSCI All Country World Index with selected headlines from Q3 2021

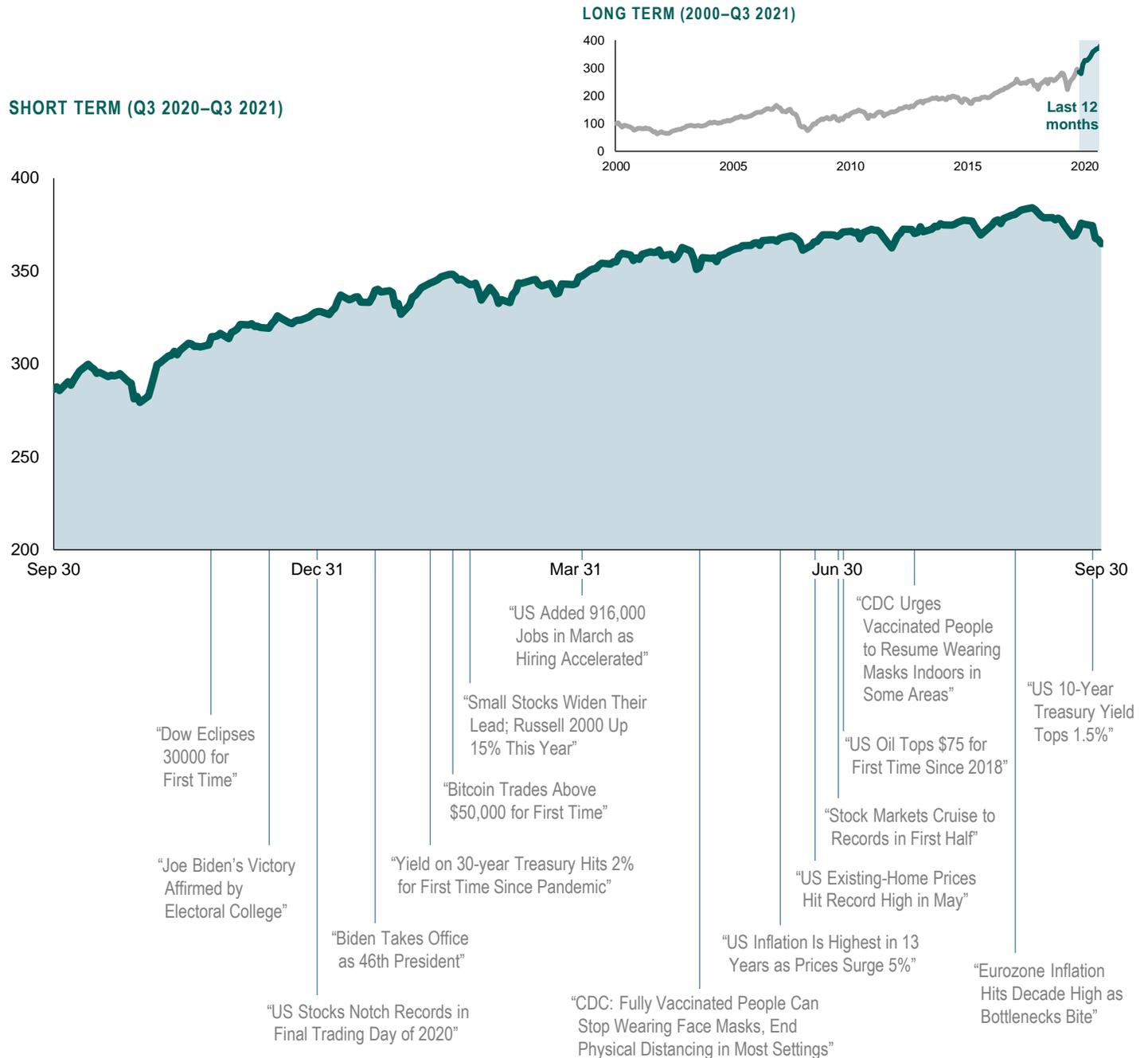


These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2021, 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 div.]. MSCI data © MSCI 2021, all rights reserved.
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Past performance is not a guarantee of future results.

World Asset Classes

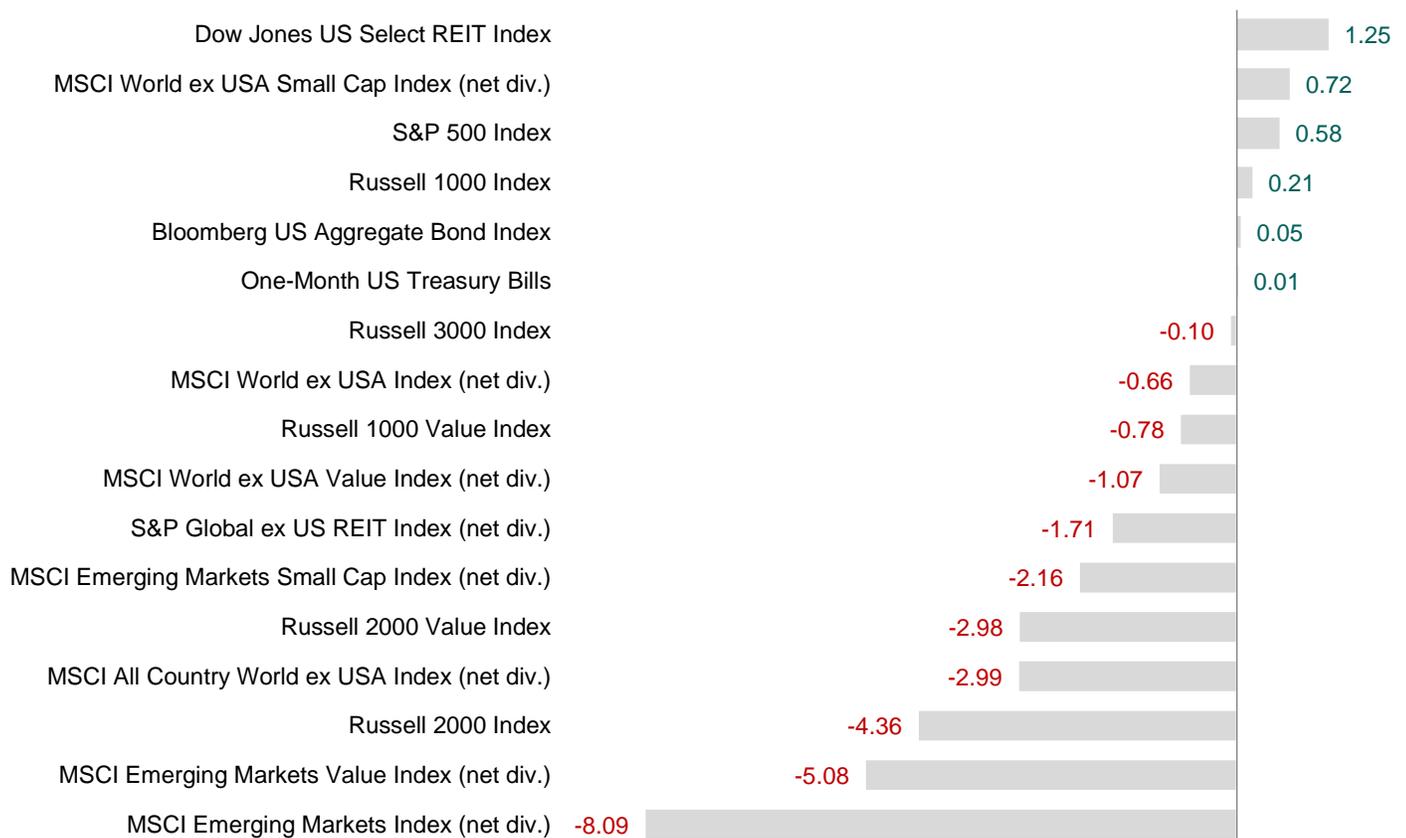
Third Quarter 2021 Index Returns (%)

Equity markets around the globe declined in the third quarter. Looking at broad market indices, US and non-US developed markets outperformed emerging markets.

Value performance was mixed in the US, with small value outperforming small growth but large value underperforming large growth. Value underperformed growth in non-US developed markets and outperformed in emerging markets.

Small caps underperformed large caps in the US but outperformed in non-US developed and emerging markets.

REIT indices outperformed equity market indices in the US and underperformed in non-US developed markets.



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US Stocks

Third Quarter 2021 Index Returns

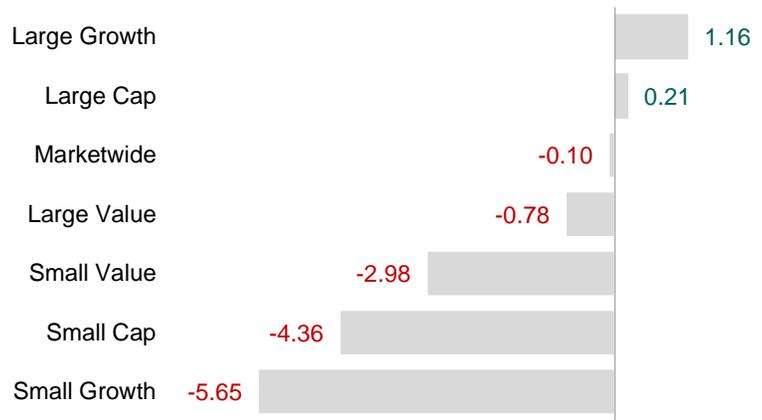
The US equity market was flat for the quarter and outperformed non-US developed markets and emerging markets.

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

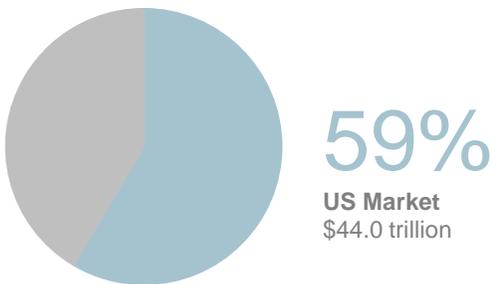
Small caps underperformed large caps.

REIT indices outperformed equity market indices.

Ranked Returns (%)



World Market Capitalization—US



Period Returns (%)

* Annualized

Asset Class	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Growth	1.16	14.30	27.32	22.00	22.84	19.68
Large Cap	0.21	15.19	30.96	16.43	17.11	16.76
Marketwide	-0.10	14.99	31.88	16.00	16.85	16.60
Large Value	-0.78	16.14	35.01	10.07	10.94	13.51
Small Value	-2.98	22.92	63.92	8.58	11.03	13.22
Small Cap	-4.36	12.41	47.68	10.54	13.45	14.63
Small Growth	-5.65	2.82	33.27	11.70	15.34	15.74

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 Cap Value (Russell 1000 Value Index), Large Cap Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Cap Value (Russell 2000 Value Index), and Small Cap 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 source and owner of trademarks, service marks, and copyrights related to Russell Indexes. MSCI data © MSCI 2021, all rights reserved.

International Developed Stocks

Third Quarter 2021 Index Returns

Developed markets outside the US declined less than 1% for the quarter and underperformed US equities but outperformed emerging markets.

Value underperformed growth.

Small caps outperformed large caps.

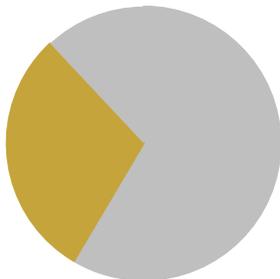
Ranked Returns (%)



World Market Capitalization— International Developed

30%

International
Developed Market
\$22.2 trillion



Period Returns (%)

* Annualized

Asset Class	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
Small Cap	0.72	10.71	30.14	9.50	10.33	10.03
Growth	-0.25	6.99	20.50	11.93	11.21	9.64
Large Cap	-0.66	9.19	26.50	7.87	8.88	7.88
Value	-1.07	11.15	32.60	3.45	6.25	5.95

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Emerging Markets Stocks

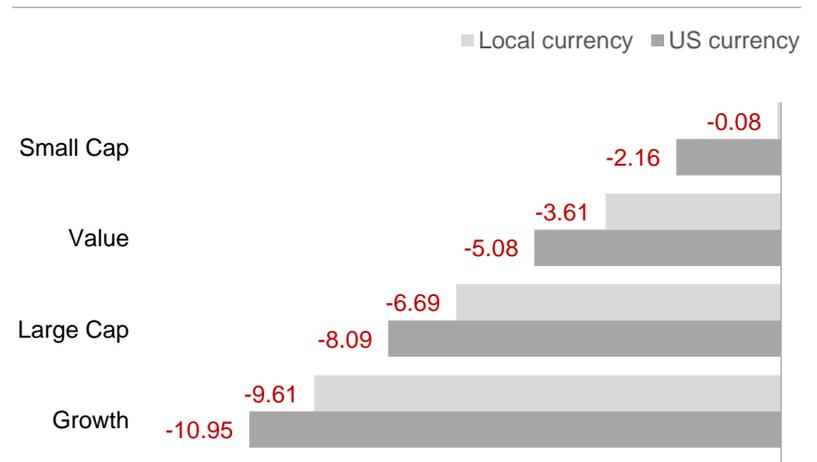
Third Quarter 2021 Index Returns

Emerging markets posted negative returns for the quarter, underperforming the US and non-US developed equity markets.

Value outperformed growth.

Small caps outperformed large caps.

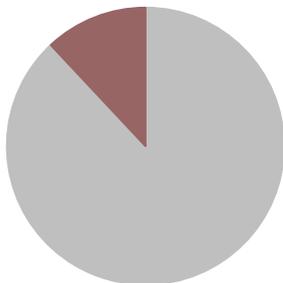
Ranked Returns (%)



World Market Capitalization— Emerging Markets

12%

Emerging
Markets
\$9.0 trillion



Period Returns (%)

* Annualized

Asset Class	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
Small Cap	-2.16	17.20	43.24	13.11	9.75	7.21
Value	-5.08	4.43	28.43	4.77	6.87	3.79
Large Cap	-8.09	-1.25	18.20	8.58	9.23	6.09
Growth	-10.95	-6.46	9.28	12.15	11.36	8.23

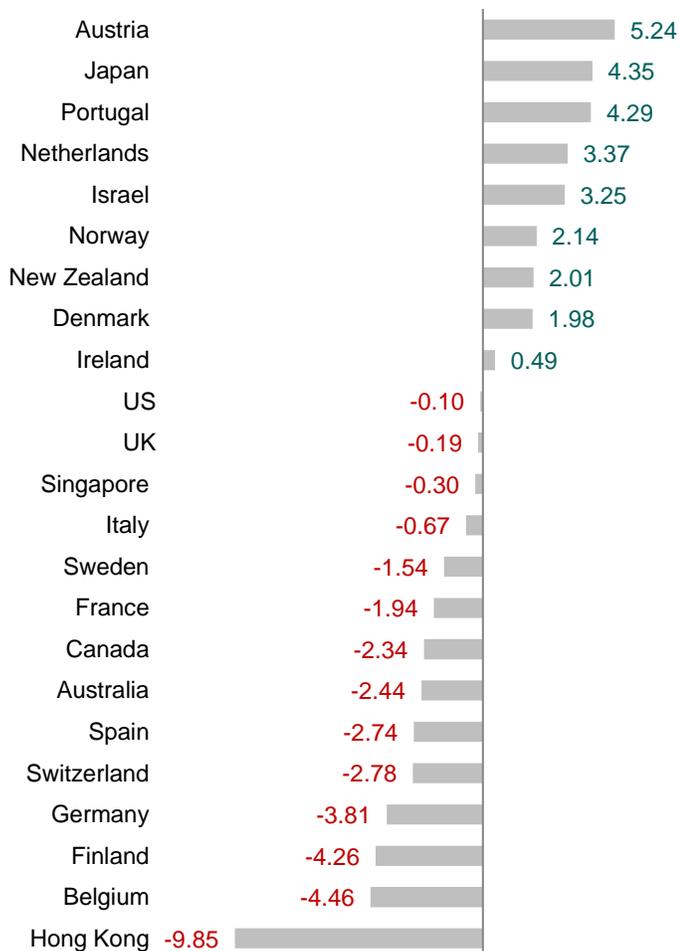
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Select Market Performance

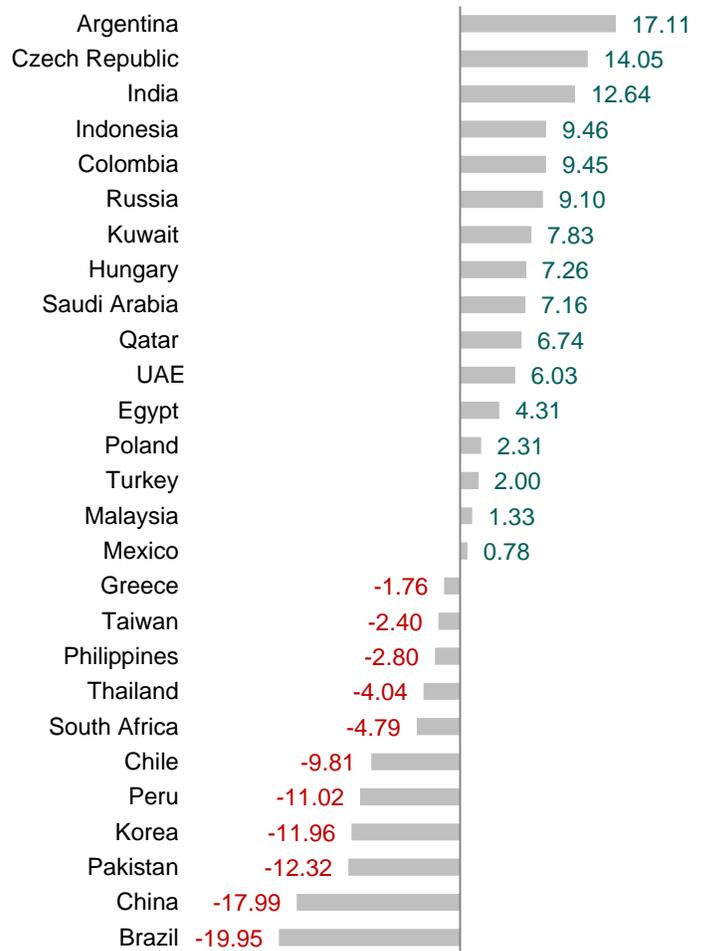
Third Quarter 2021 Index Returns

In US dollar terms, Austria and Japan recorded the highest country performance in developed markets, while Belgium and Hong Kong posted the lowest returns for the quarter. In emerging markets, Argentina and the Czech Republic recorded the highest country performance, while Brazil and China posted the lowest performance.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)



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Select Currency Performance vs. US Dollar

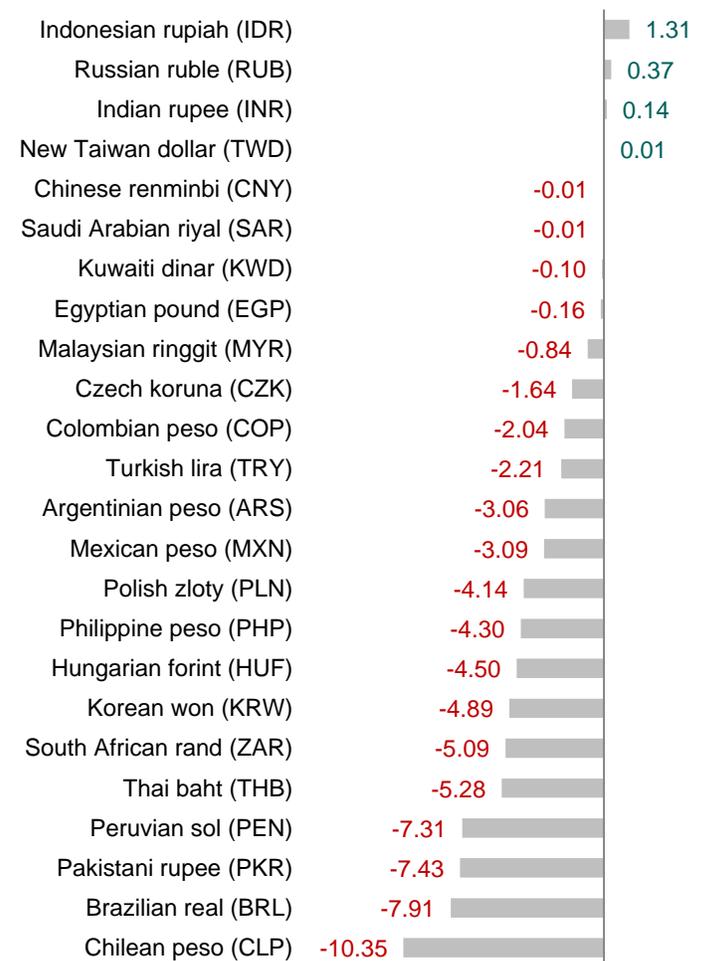
Third Quarter 2021

In emerging and developed markets, most currencies depreciated vs. the US dollar.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)



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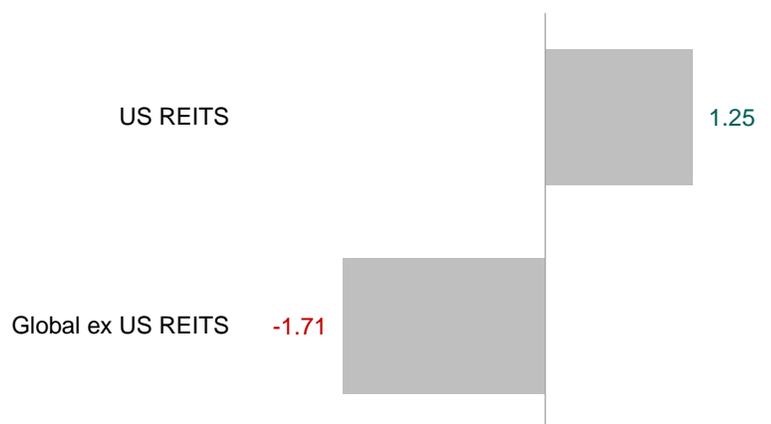
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Real Estate Investment Trusts (REITs)

Third Quarter 2021 Index Returns

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

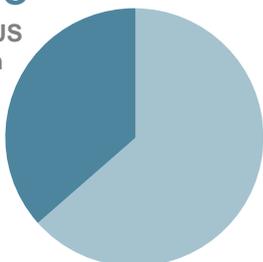
Ranked Returns (%)



Total Value of REIT Stocks

36%

World ex US
\$550 billion
292 REITs
(25 other countries)



64%

US
\$959 billion
115 REITs

Period Returns (%)

* Annualized

Asset Class	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
US REITS	1.25	24.48	40.56	8.32	5.68	10.53
Global ex US REITS	-1.71	7.80	24.01	4.52	3.28	6.81

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 © 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

Commodities

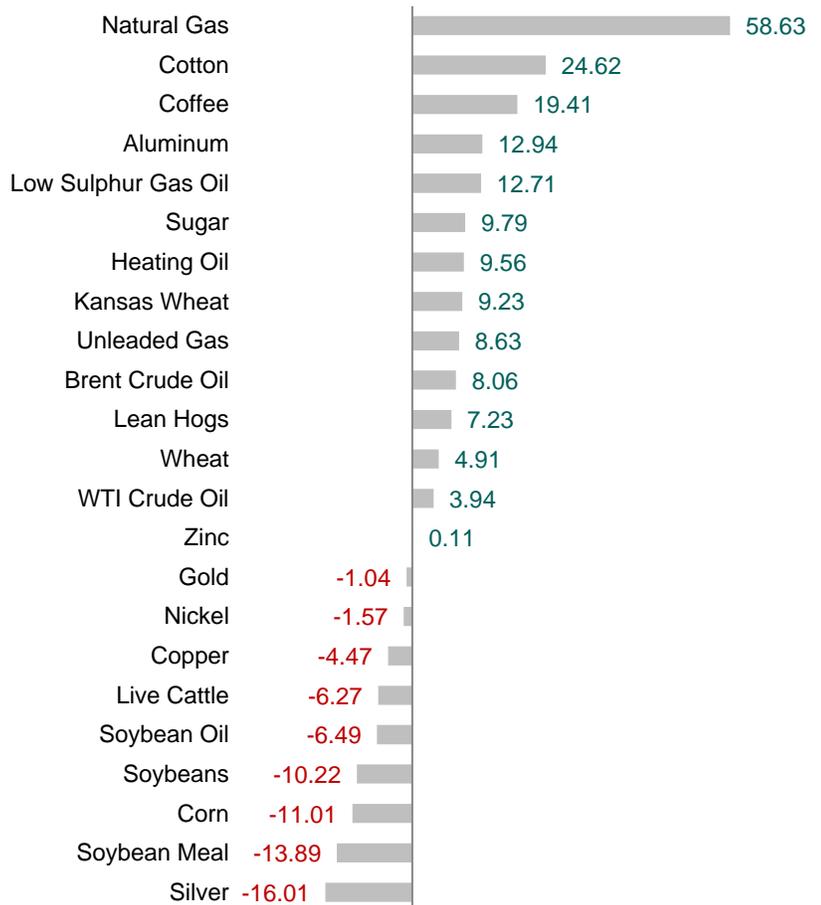
Third Quarter 2021 Index Returns

The Bloomberg Commodity Index Total Return returned 6.59% for the third quarter of 2021.

Natural Gas and Cotton were the best performers, gaining 58.63% and 24.62%, respectively.

Silver and Soybean Meal were the worst performers, declining 16.01% and 13.89%, respectively.

Ranked Returns (%)



Period Returns (%)

* Annualized

Asset Class	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
Commodities	6.59	29.13	42.29	6.86	4.54	-2.66

Fixed Income

Third Quarter 2021 Index Returns

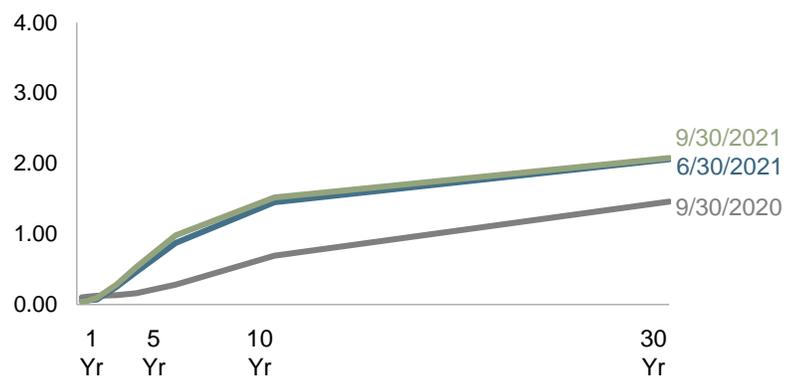
Interest rates in the US Treasury fixed income market generally increased during the third quarter. The yield on the 5-year Treasury note rose 12 basis points (bps), ending at 1.00%. The yield on the 10-year Treasury note increased 8 bps to 1.54%. The 30-year Treasury Bond yield rose 1 bp to finish at 2.05%.

On the short end of the curve, the 1-month Treasury bill yield increased 2 bps, ending at 0.07%, while the 1-year Treasury bill yield decreased 1 bp to 0.09%. The 2-year Treasury note yield increased 5 bps to 0.30%.

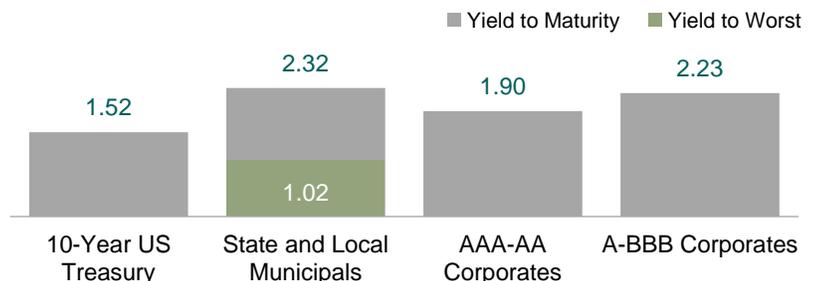
In terms of total returns, short-term corporate bonds returned 0.11%. Intermediate-term corporate bonds gained 0.08%.

The total return for short-term municipal bonds was 0.08%, while intermediate munis lost 0.04%. Revenue bonds performed in line with general obligation bonds for the quarter.

US Treasury Yield Curve (%)



Bond Yields across Issuers (%)



Period Returns (%)

Asset Class	QTR	YTD	1 Year	*Annualized		
				3 Years*	5 Years*	10 Years*
Bloomberg US TIPS Index	1.75	3.51	5.19	7.45	4.34	3.12
Bloomberg US High Yield Corporate Bond Index	0.89	4.53	11.28	6.91	6.52	7.42
Bloomberg US Government Bond Index Long	0.46	-7.40	-10.13	9.17	3.34	4.40
Bloomberg US Aggregate Bond Index	0.05	-1.55	-0.90	5.36	2.94	3.01
FTSE World Government Bond Index 1-5 Years (hedged to USD)	0.02	-0.28	-0.11	2.77	1.90	1.75
ICE BofA 1-Year US Treasury Note Index	0.02	0.11	0.17	1.88	1.46	0.89
ICE BofA US 3-Month Treasury Bill Index	0.01	0.04	0.07	1.18	1.16	0.63
Bloomberg Municipal Bond Index	-0.27	0.79	2.63	5.06	3.26	3.87
FTSE World Government Bond Index 1-5 Years	-1.00	-3.06	-0.93	2.18	0.98	-0.21

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 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 US 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 © 2021 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2021 ICE Data Indices, LLC. S&P data © 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

Global Fixed Income

Third Quarter 2021 Yield Curves

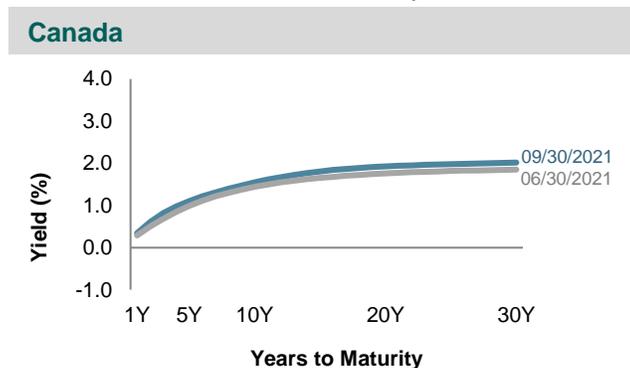
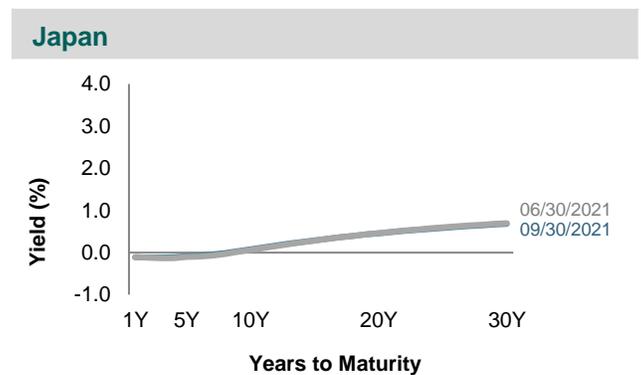
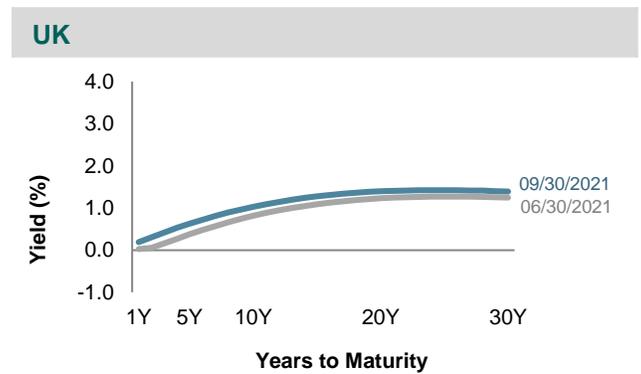
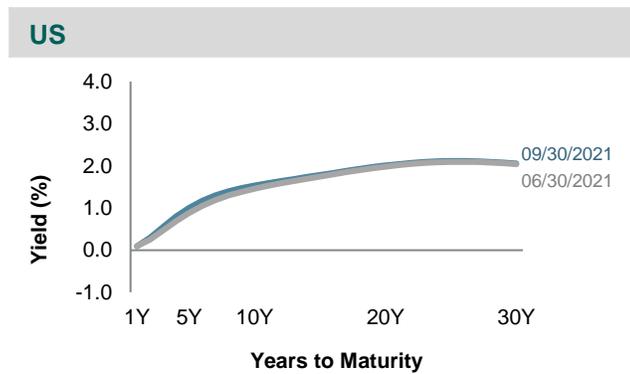
Government bond yields in the global developed markets generally increased for the quarter.

Term premiums were mixed in developed markets.

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

Changes in Yields (bps) since 6/30/2021

	1Y	5Y	10Y	20Y	30Y
US	-1.0	11.9	7.6	2.7	1.0
UK	16.7	25.2	21.6	16.6	14.4
Germany	-2.7	2.3	3.6	-0.8	0.2
Japan	-0.1	2.0	1.2	-0.3	-1.8
Canada	5.4	11.2	10.7	16.5	16.8
Australia	8.3	-0.6	-1.2	6.7	8.1



Impact of Diversification

Third Quarter 2021

These portfolios 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.

Ranked Returns (%)

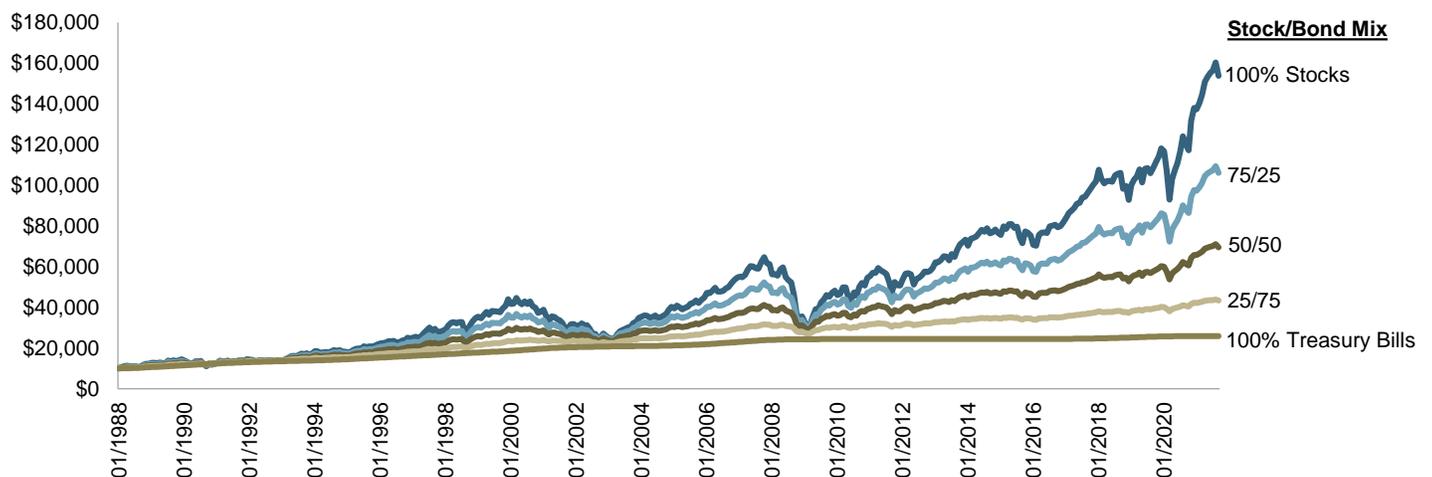


Period Returns (%)

* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*	10-Year STDEV ¹
100% Stocks	11.49	27.98	13.14	13.77	12.50	13.46
75/25	8.57	20.59	10.34	10.68	9.58	10.09
50/50	5.68	13.47	7.38	7.53	6.61	6.72
25/75	2.83	6.62	4.28	4.31	3.60	3.35
100% Treasury Bills	0.02	0.04	1.05	1.05	0.55	0.23

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. **Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect expenses associated with the management of an actual portfolio.** Asset allocations and the hypothetical index portfolio returns are for illustrative purposes only and do not represent actual performance. Global Stocks represented by MSCI All Country World Index (gross div.) and Treasury Bills represented by US One-Month Treasury Bills. Globally diversified allocations rebalanced monthly, no withdrawals. Data © MSCI 2021, all rights reserved. Treasury bills © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).