4th Quarter 2021 (Year-End)

Investments in securities do not offer a fixed rate of return. Principal yield and/or share price will fluctuate with changes in market conditions and, when sold or rendered, you may receive more or less than originally invested. No system of financial planning strategy can guarantee future results. Investors cannot directly invest in indices. Past performance does not guarantee future results.

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Hopefully, you and your families have been able to avoid the latest round of Covid. At Rockport not so much as both Joe and Bev have had to deal with it once again, fortunately not nearly as bad as it was in March for them, and all is good.

The stock market closed out the year on a high note with a calendar year return of just over 28% for the S & P 500 Index. Interestingly a very large part of the return came from a handful of stocks (i.e., Apple). There, were plenty of stocks in the index that closed the year in negative territory many of which were down over 20%. This just speaks to the weighting of the stocks in the index in that the largest stocks carry the most weight and as long as they perform well the index performs well.

The index had 3 down months in 2021 January - 1.1%, September – 4.8%, and November -.8%. Comparatively speaking this was a very tame year. As we will discuss we expect this non-volatile environment to change in 2022.

Balanced and more conservative investors saw their portfolios lag somewhat as the Bond market was negative for the year. The 10-year Treasury yield rose from approximately 1.1% to over 1.5% for the year. Keep in mind when yields rise bond prices fall and hence negative returns for bonds occur.

The list of Potential head winds as we move through 2022 has not changed much from our last newsletter. Global economic slowdowns specifically in China (and China's anti-business rhetoric), the duration and magnitude of inflation, Covid (any new strains and their effect), what seems to be percolating global military conflicts in parts of the world and last but certainly not least the Federal Reserve and how they manage the tightening cycle to name a few.

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Our view as we the calendar turns is that the extremely tame investment environment that we have enjoyed for the past 10 plus years (with a few exceptions think March 2020) will become much choppier.

We all have enjoyed a very long cycle of the Federal Reserve being very accommodative. They have largely been in an interest rate reduction mode or maintaining rates near zero for the better part of the past 10 years. This has been very good for both stock and bond investments which has led to a

The most important *quality for an investor*

is temperament, not intellect."

- Warren Buffett

Prolonged period of above average returns. Essentially now they will be embarking on a cycle of the opposite of what they had done. Interest rates will be rising, not falling and less stimulus is going to be put into the system. When you combine this with what are historically high valuations in stocks, we are likely entering a cycle of lesser returns. Please keep in mind that this does not necessarily mean negative returns but certainly the easy gains of the past years are behind us for the time being and larger daily weekly and monthly swings in stock prices are likely.

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We will be doing our annual rebalance at the end of January. This will be a bit more of a significant event (due to reasons mentioned) than in years past as we will be adding a sleeve of Alternative Investments to a number of the models. Generally speaking, our hope and expectation is that this sleeve will be all weather in nature and help stabilize returns in what we think will be a challenging environment. More to come on this…….

Lastly at the request of many and after internal discussion this newsletter will now be a Monthly event. Plenty happens in a months' time to put out timely effective communication. We will also be adding video communications on timely topics and events which is a new endeavor for us in 2022. So, keep an eye out for those as well.

Please stay safe and healthy and as always, we welcome any comments or questions.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

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