

Smith + Howard

Your Family's CFO

S+H Wealth
Management

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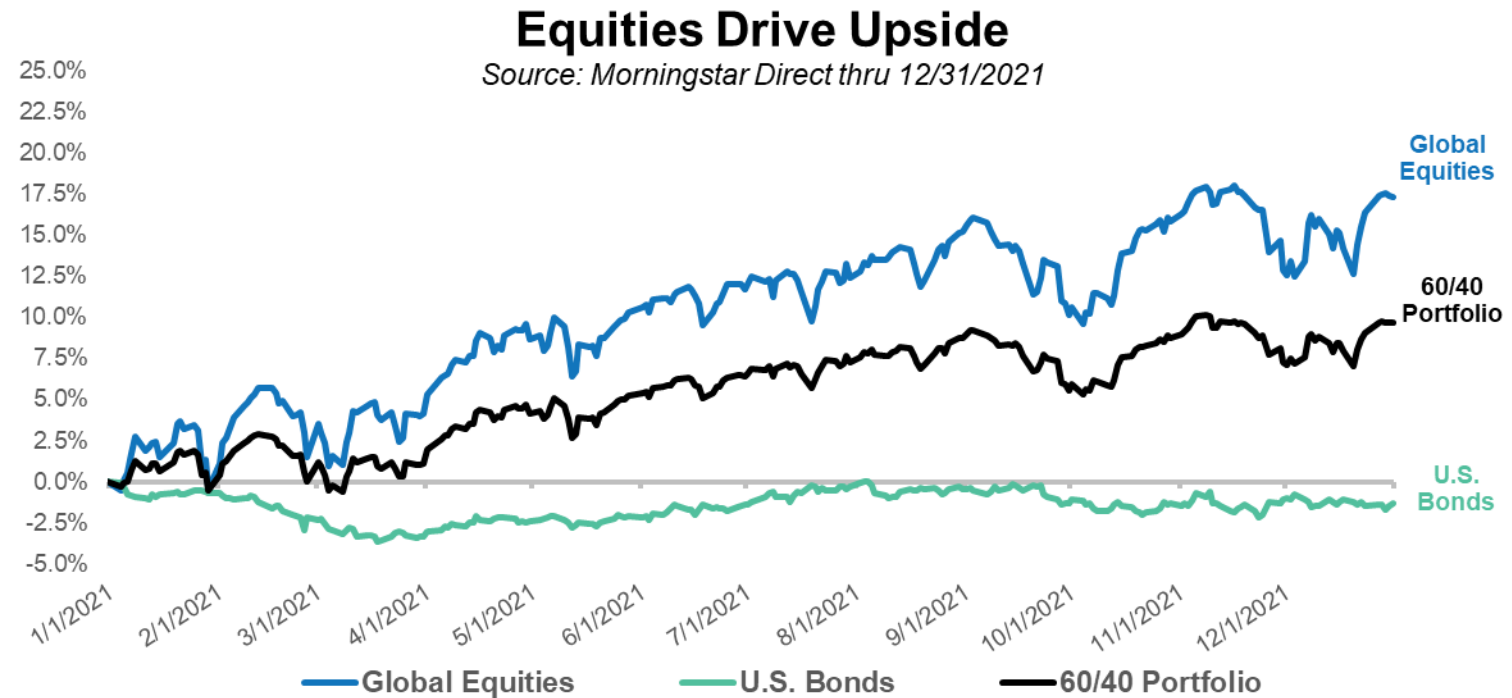


Market Recap



Market Recap

Positive portfolio returns during 2021 were driven entirely by equities as fixed income detracted or added very little for most investors.



Source: Morningstar Direct as of the dates shown on the graph. Global equities is represented by the MSCI All Country World Index Net Return and U.S. Bonds the Bloomberg BarCap Aggregate Bond Index Total Return. The 60/40 Portfolio is hypothetical and comprised of 60% equities / 40% bonds rebalanced daily and does not account for any taxes or transaction costs. It is not possible to invest directly in an index.

Market “Heat Map”

Commodities led the way over the last year, but stock returns were impressive. Bonds, however, fell for only the 4th calendar year period in the last 40 years.

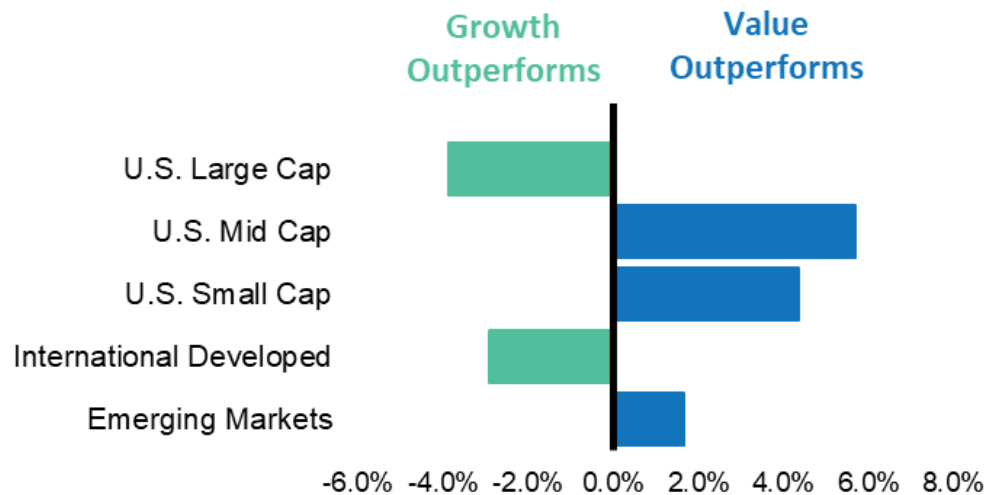
	4th Qtr	Year-to-Date	Last 12 Months	Last 3 Years	Last 5 Years
Stocks					
Global	6.7%	18.5%	18.5%	20.4%	14.4%
U.S. Equities	9.3%	25.7%	25.7%	25.8%	18.0%
U.S. Large Cap	11.0%	28.7%	28.7%	26.1%	18.5%
U.S. Mid Cap	6.4%	22.6%	22.6%	23.3%	15.1%
U.S. Small Cap	2.1%	14.8%	14.8%	20.0%	12.0%
International Equities	1.8%	7.8%	7.8%	13.2%	9.6%
Intl Developed	2.7%	11.3%	11.3%	13.5%	9.5%
Emerging Market	-1.3%	-2.5%	-2.5%	10.9%	9.9%
Bonds					
U.S. Aggregate	0.0%	-1.5%	-1.5%	4.8%	3.6%
U.S. Treasuries (Intermediate)	-0.6%	-1.7%	-1.7%	3.0%	2.3%
Municipals (Intermediate)	0.3%	0.5%	0.5%	4.1%	3.7%
Investment Grade Corporate	-0.6%	-1.0%	-1.0%	5.4%	4.0%
U.S. Corp High Yield	0.7%	5.3%	5.3%	8.8%	6.3%
Emerging Market	-0.5%	-1.7%	-1.7%	5.8%	4.6%
Commodities & Real Assets					
Commodities Index	1.5%	40.4%	40.4%	8.0%	2.8%
Crude Oil	2.0%	61.5%	61.5%	1.4%	-3.3%
Natural Gas	-39.9%	28.0%	28.0%	-23.1%	-22.4%
Precious Metals (Gold/Silver)	4.3%	-6.1%	-6.1%	11.3%	7.9%
Industrial Metals	8.6%	30.3%	30.3%	17.5%	11.1%
Agriculture	6.3%	26.7%	26.7%	14.5%	3.6%
Energy Pipelines (MLPs)	0.6%	40.2%	40.2%	2.1%	-2.7%
REITs (Real Estate)	17.2%	45.9%	45.9%	16.8%	9.7%

Source: Morningstar Direct as of 12/31/2021

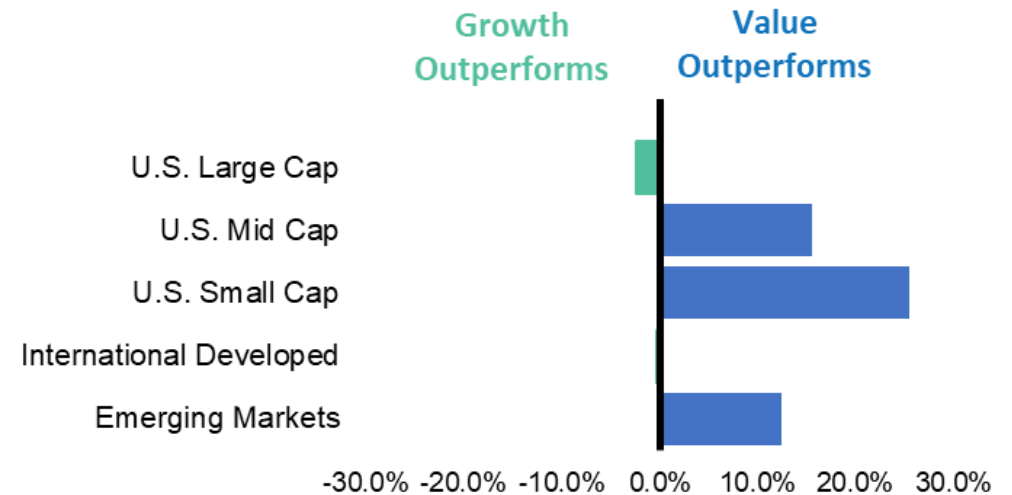
Equity Returns by Style

While U.S. Large Cap Growth stocks continued to outperform U.S. Large Cap Value, value stocks generally outperformed during 2021.

4th Quarter



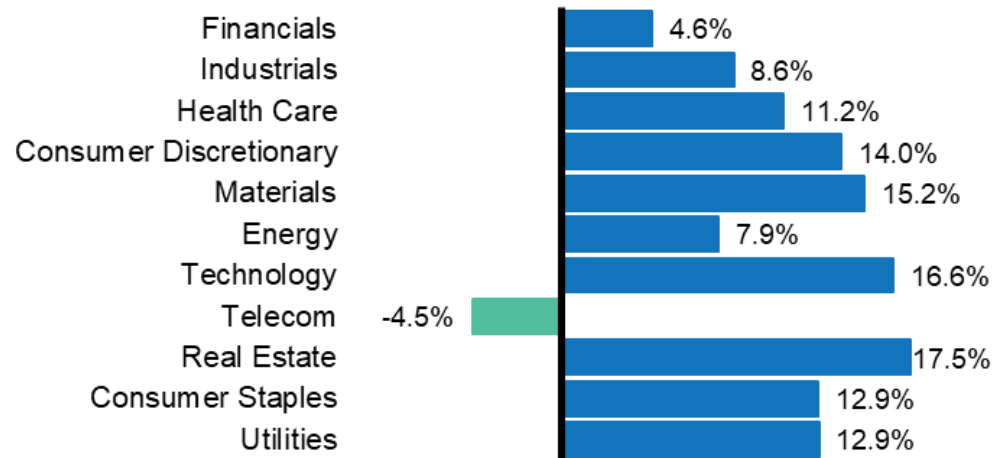
2021



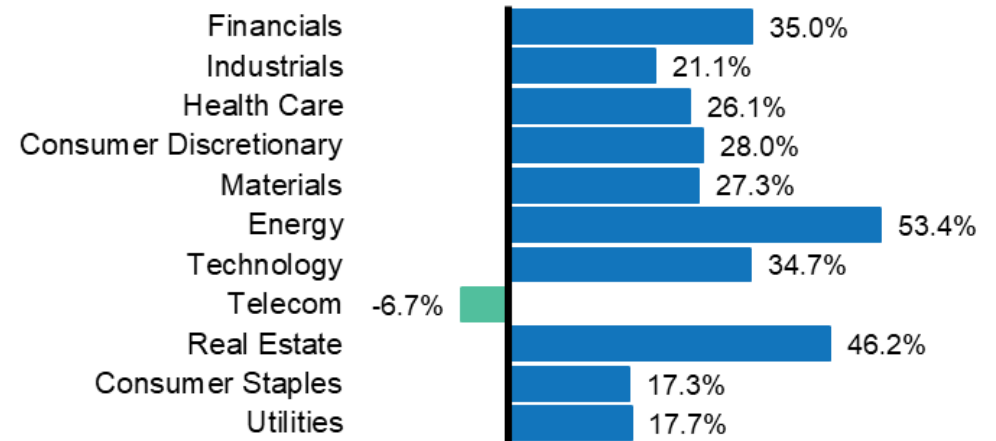
U.S. Equity Returns by Sector

Performance was strong across nearly all sectors in the U.S., but Energy and Real Estate led the way for the full year period.

4th Quarter



2021

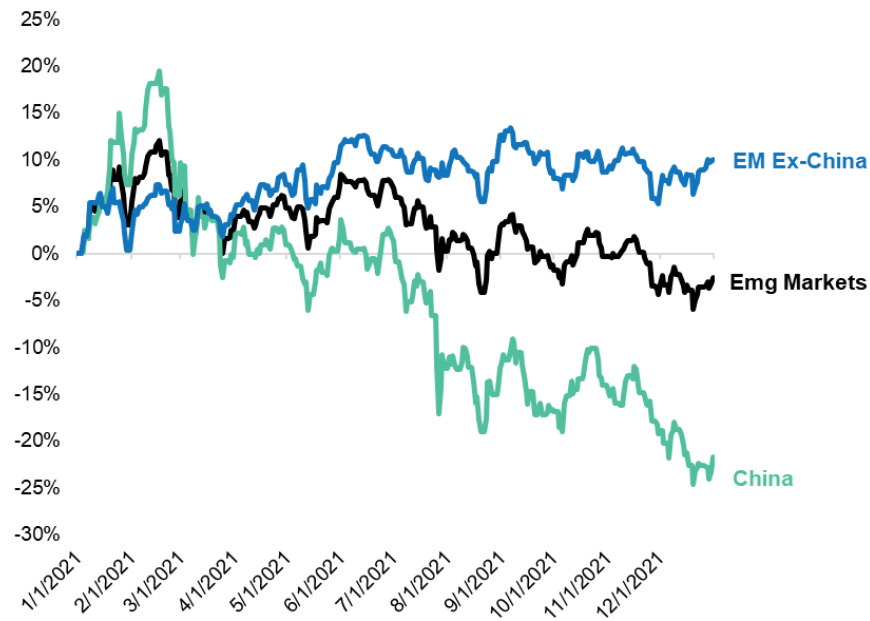


Emerging Market Returns

Emerging Markets were pulled lower by Chinese stocks, many of which fall into the Growth category.

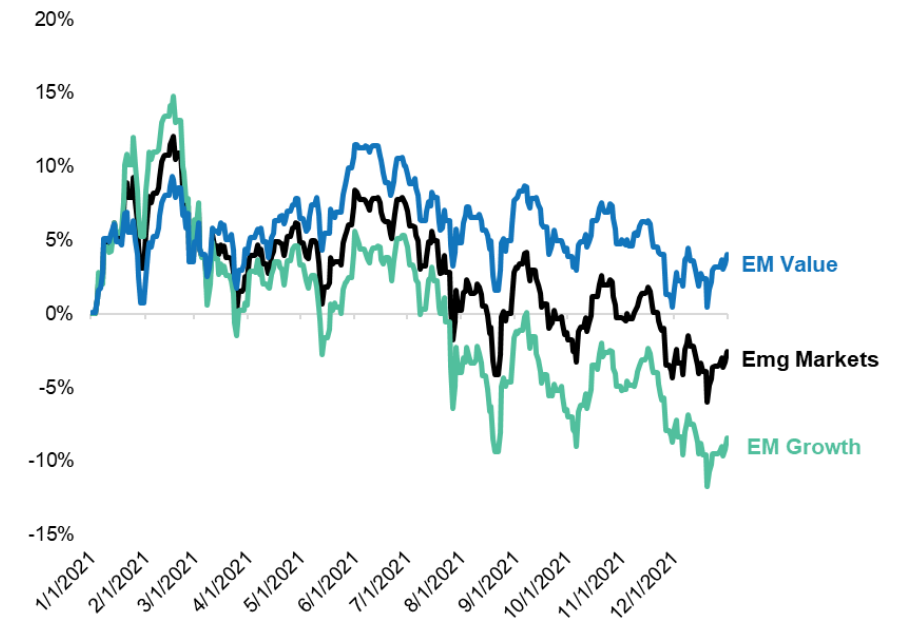
Chinese Headwinds for Emerging Markets

Source: Morningstar Direct



Growth vs. Value in Emerging

Source: Morningstar Direct



U.S. Fixed Income Returns

Bonds were unable to recover from a difficult 1st quarter in which the bond index fell nearly 3.4% as the yield on the U.S. 10-Year Treasury jumped from 0.93% to as high as 1.74%.

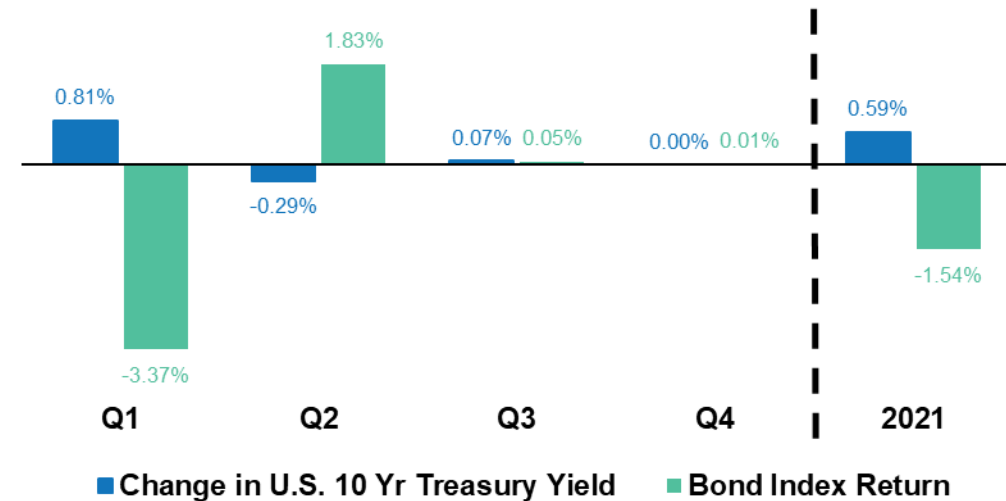
10 Year U.S. Treasury Yield

Source: Morningstar Direct, 2021 Year-to-Date



Yields & Returns Move in Opposite Directions

Source: Morningstar Direct as of 12/31/2021

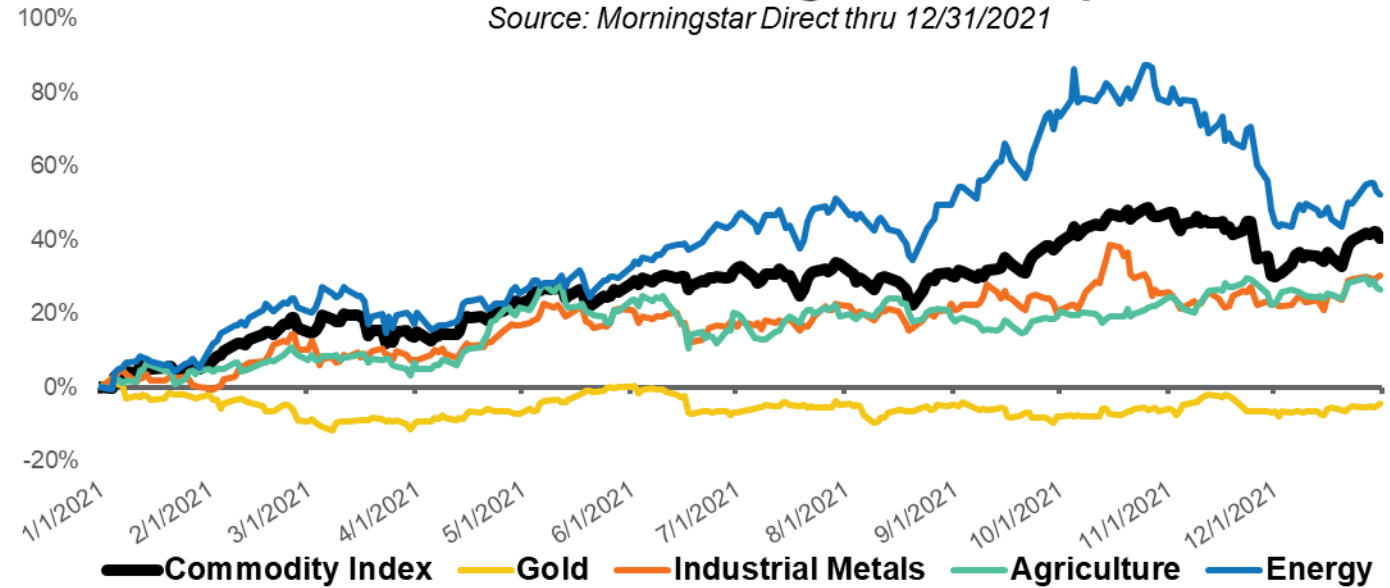


Commodity Markets

Most major commodity markets moved meaningfully higher over the past year with gold being the most notable exception.

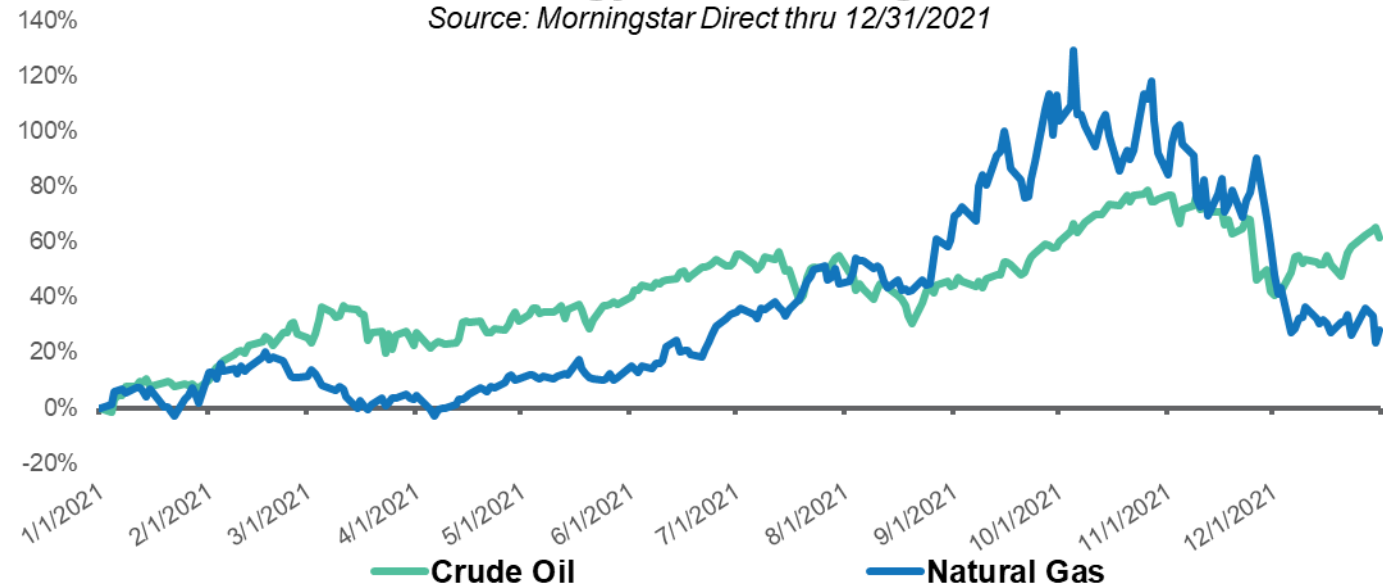
Commodities Move Higher.....Except Gold

Source: Morningstar Direct thru 12/31/2021



Energy Prices Surge

Source: Morningstar Direct thru 12/31/2021

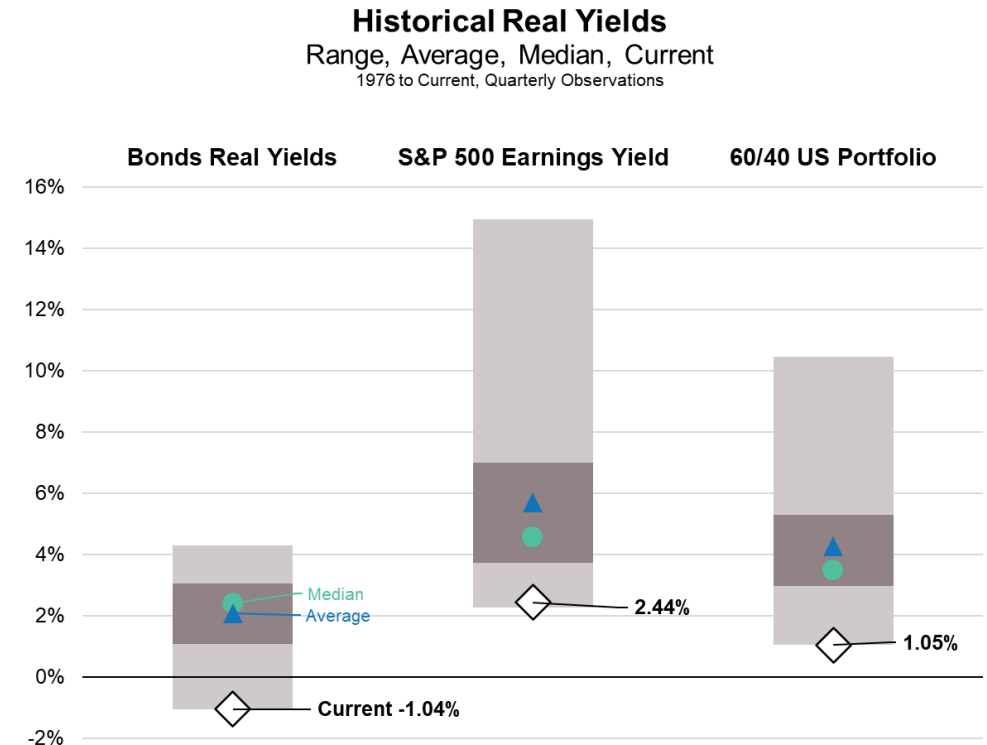
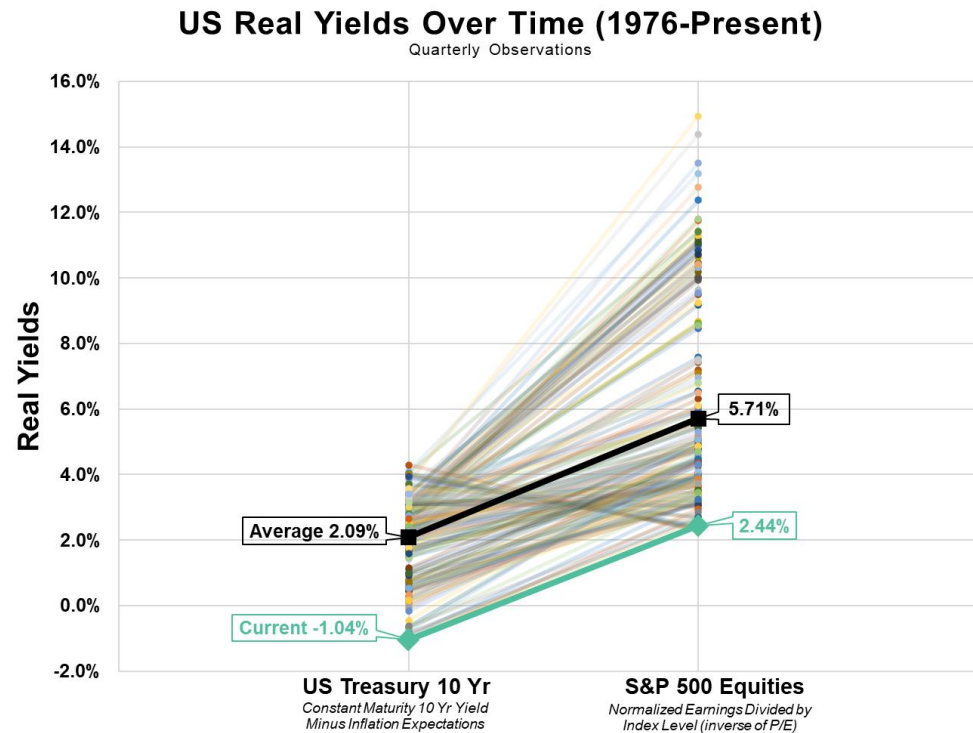


Valuations & Positioning



U.S. Market Valuations

Using the 10-Year Treasury and the S&P 500 as proxies for overall U.S. bond and stock market valuations shows that both are expensive when compared to their own historical valuations.

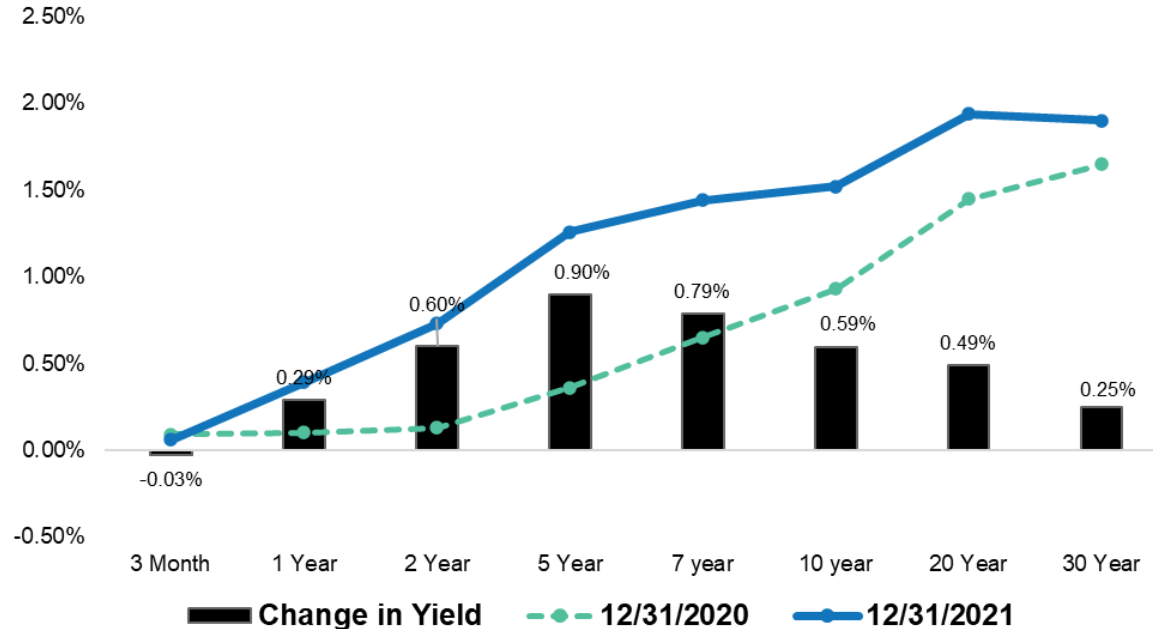


U.S. Treasury & Inflation

While U.S. Treasury yields remain low, the middle part of the yield curve saw meaningful increases during 2021. Changes in bond yields, however, paled in comparison to the change in core inflation levels.

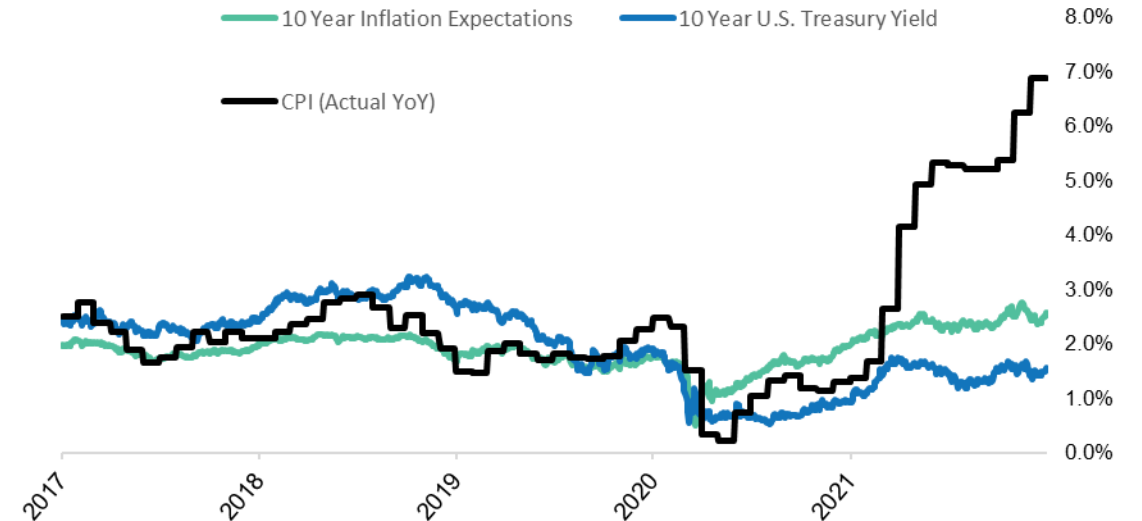
Change in Treasury Yield Curve

Source: Morningstar Direct



Inflation Actual vs. Future Expectations

Source: fred.stlouisfed.org

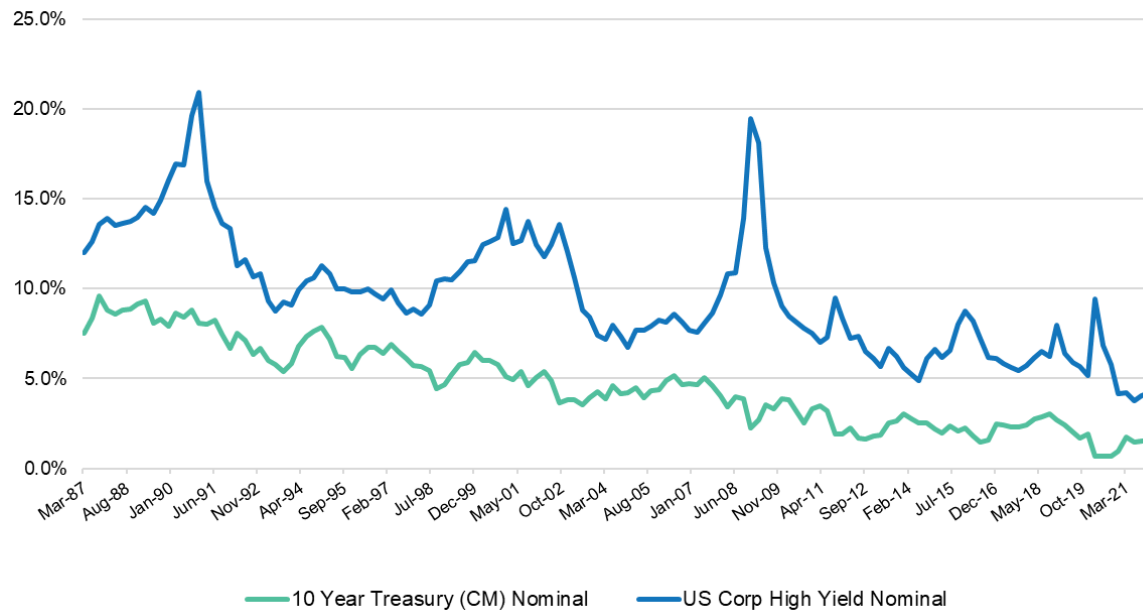


U.S. Credit Spreads

Bonds of lower credit quality issuers typically come with higher yields and potential returns. “How much” higher varies based on investor risk appetites and desire for yield. Current credit spreads are still relatively low compared to historical averages.

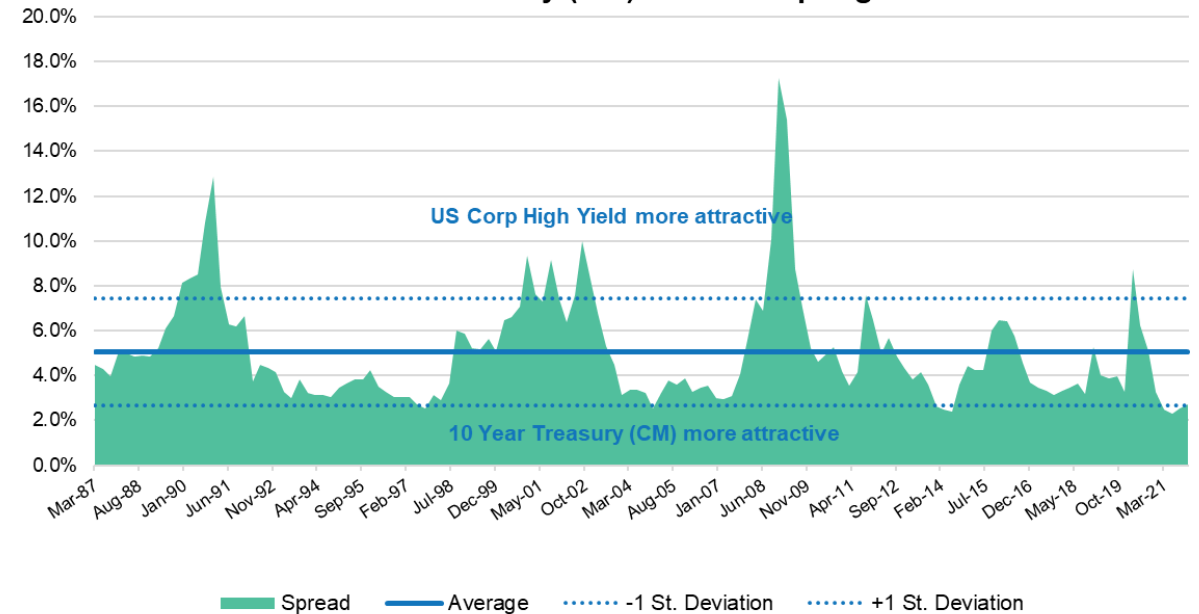
Nominal Yields

10 Year Treasury (CM) vs. US Corp High Yield



Spread

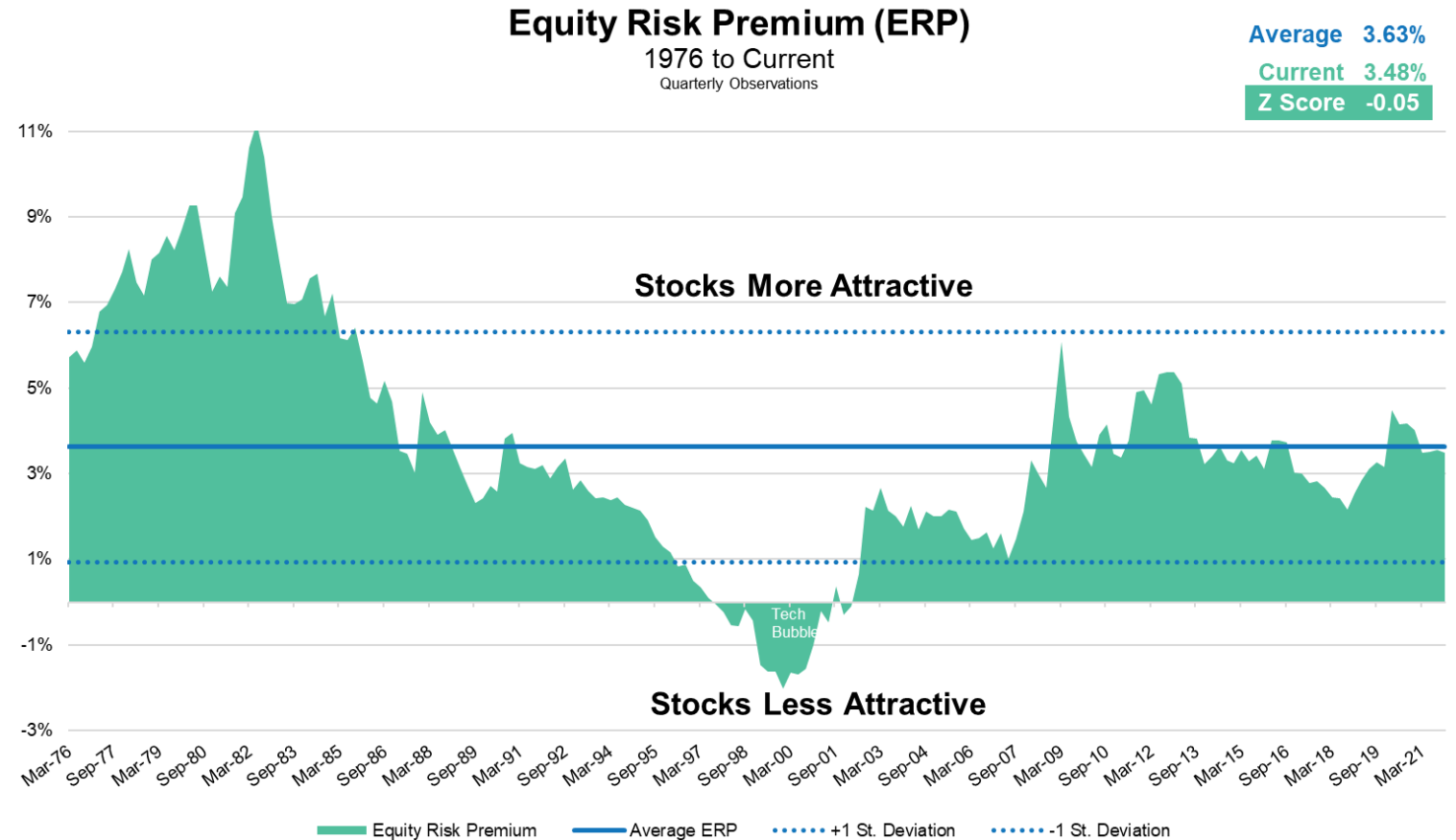
10 Year Treasury (CM) vs. US Corp High Yield



U.S. Equity Valuations

Looking specifically at the **Equity Risk Premium (ERP)**, which incorporates the impact of lower interest rates on asset prices, shows that equities are more reasonably valued.

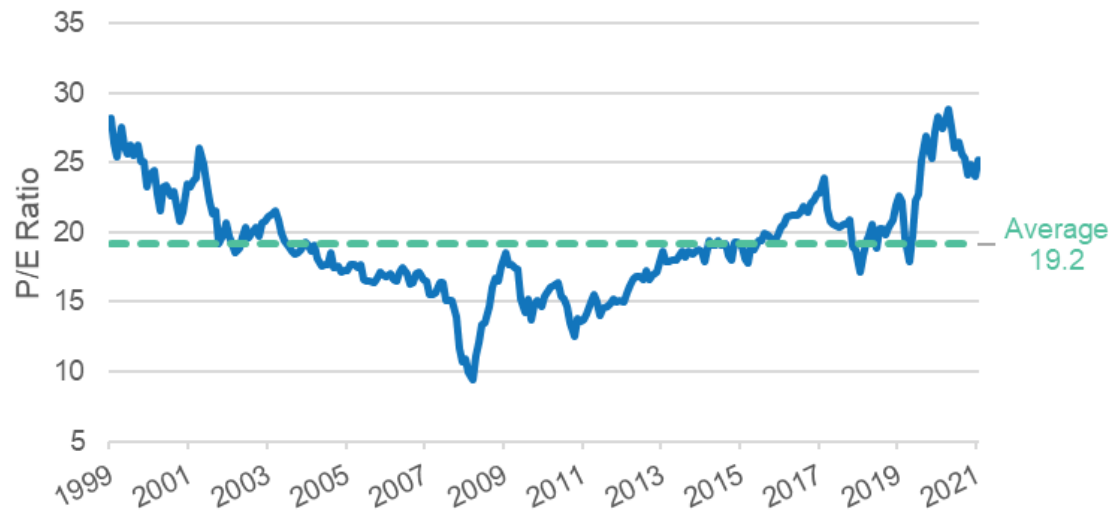
This makes it hard to be too negative on stocks and future returns.



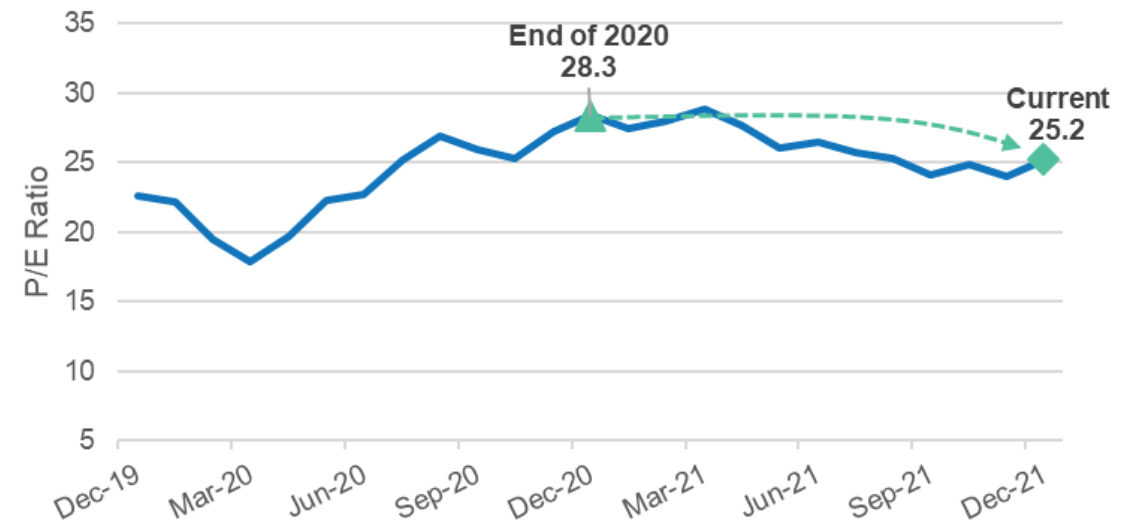
Equity Valuations

While the Price to Earnings ratio for the S&P 500 remains high on a historical basis, it actually fell over the past twelve months due to a surge in earnings that outpaced solid stock price gains.

S&P 500 P/E Ratio
Trailing Twelve Months Earnings

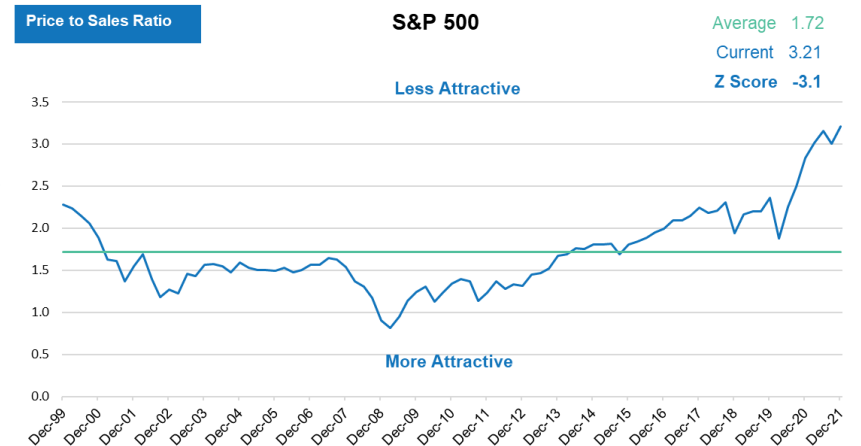
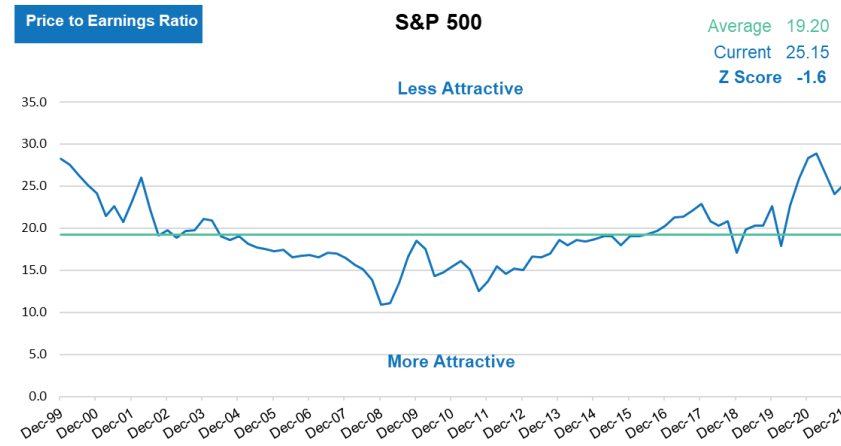
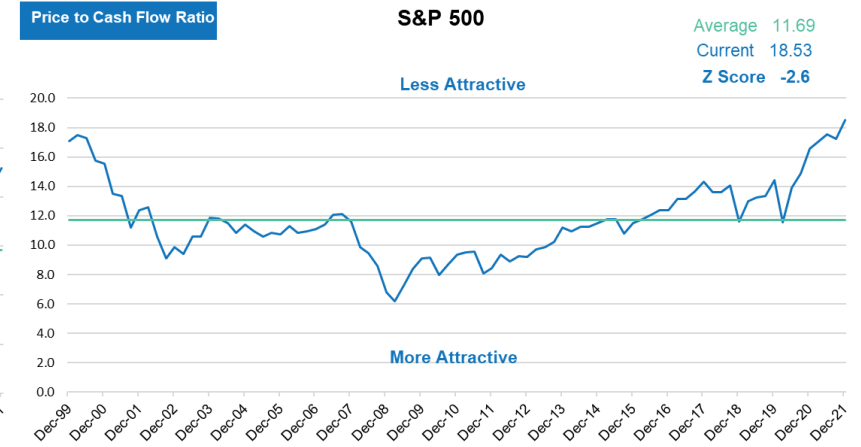
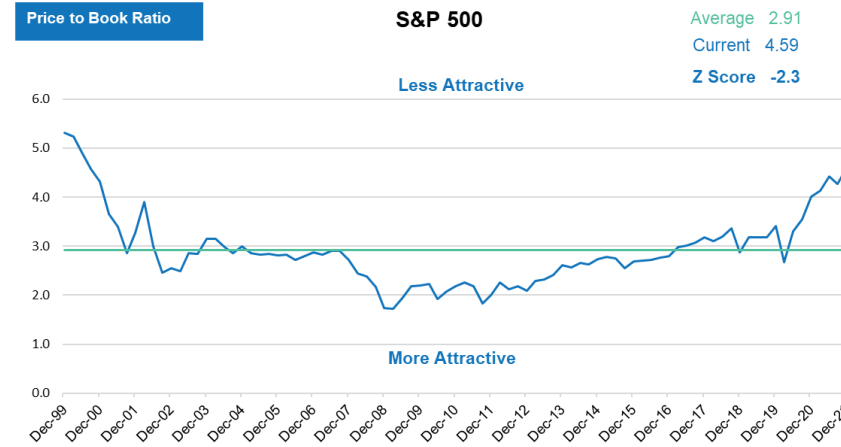


S&P 500 P/E Ratio - Last 3 Years
Trailing Twelve Months Earnings



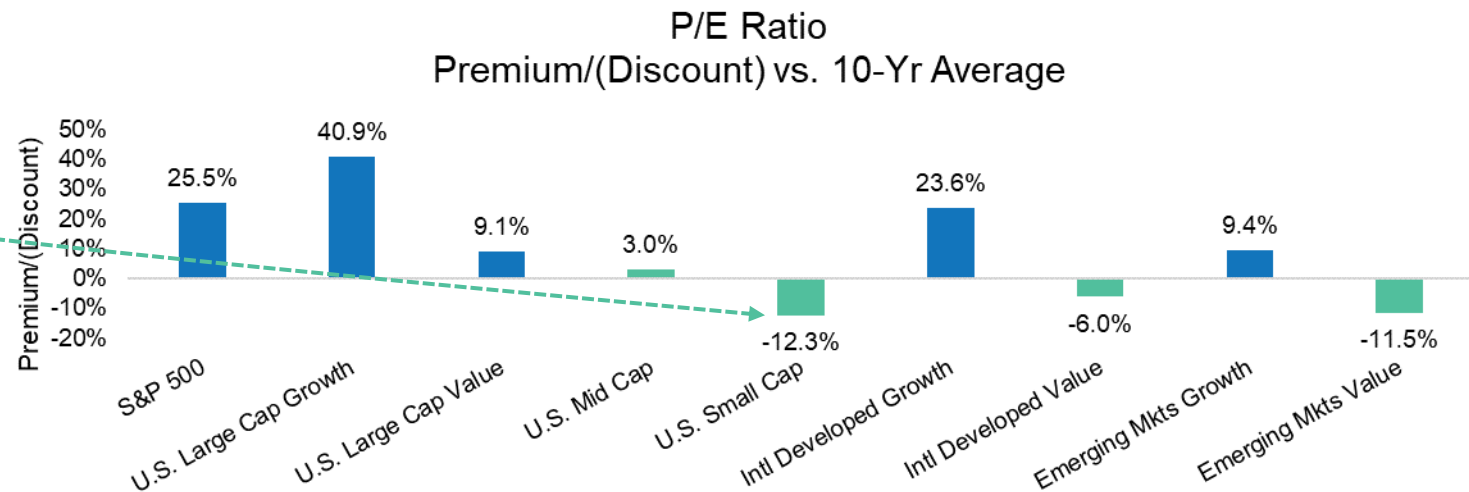
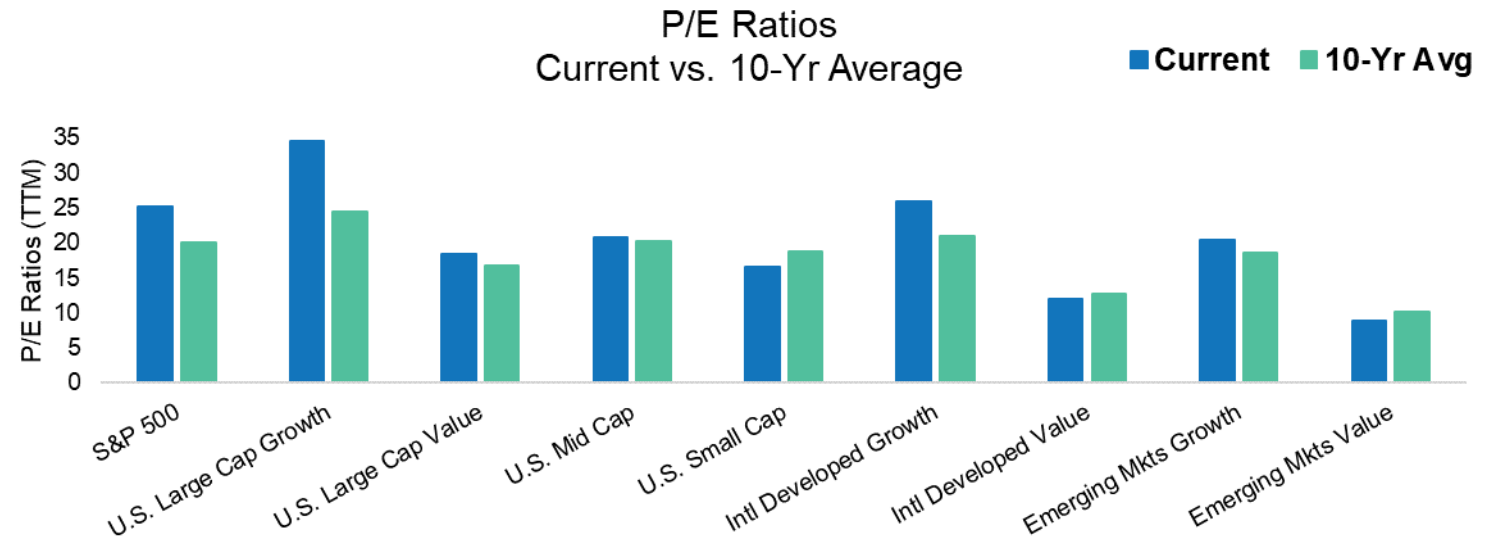
U.S. Large Cap Valuations

We look at more than just Price/Earnings multiples, but it really doesn't matter what ratio you use for U.S. Large Cap equities. The story is generally the same, multiples are high relative to history. That may be reasonable given low interest rates, but it still increases the downside risks.



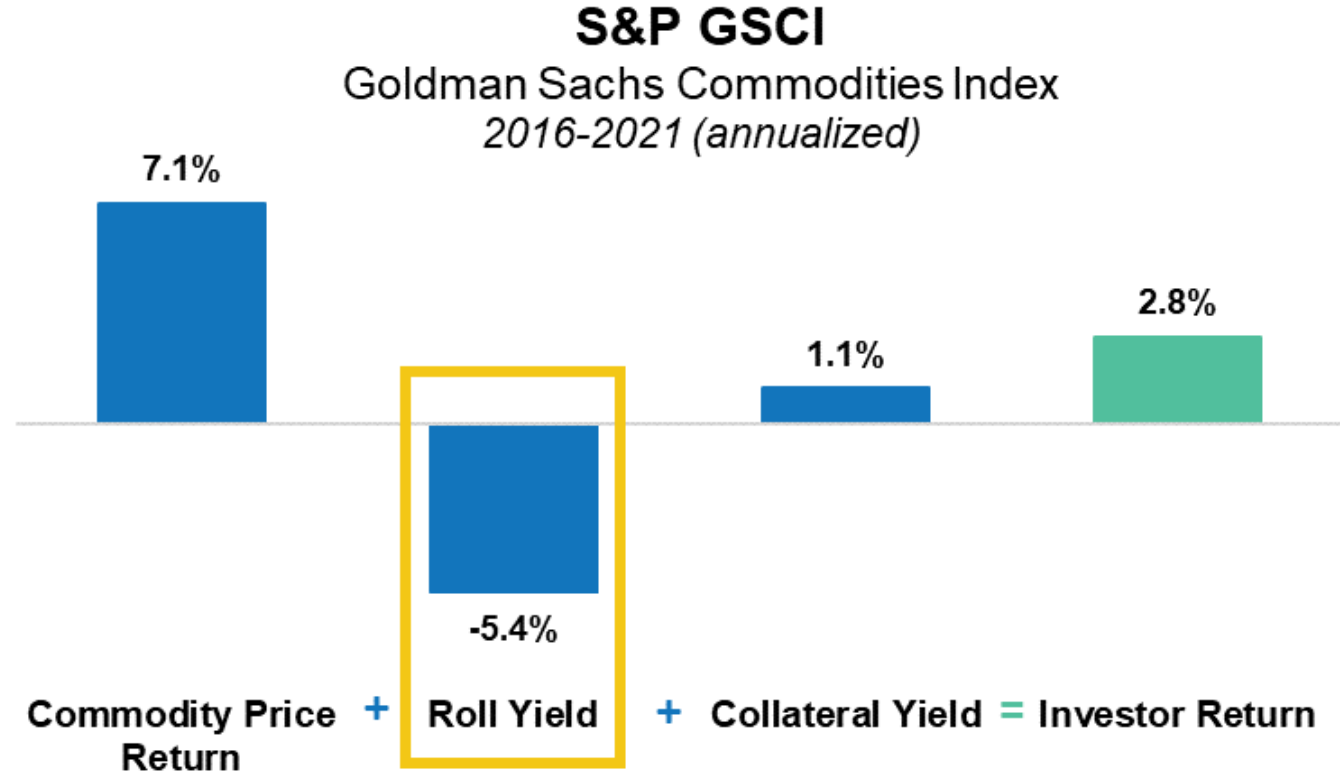
Equity Valuations

Fortunately for investors the U.S. Large Cap market is just one area that they can invest in. Looking at the global valuation picture reveals that some segments are much more attractively valued. A few areas, like U.S. Small Cap, are even at valuation discounts to their historical levels.



Commodity Returns

Investing in commodity strategies is meaningfully different from buying stocks or bonds. Not only will an investor's return be driven by commodity price moves, but also things like Roll Yields and Collateral Yields. Those components are not well understood by the average investor (and some professionals) and can have a large impact on returns.

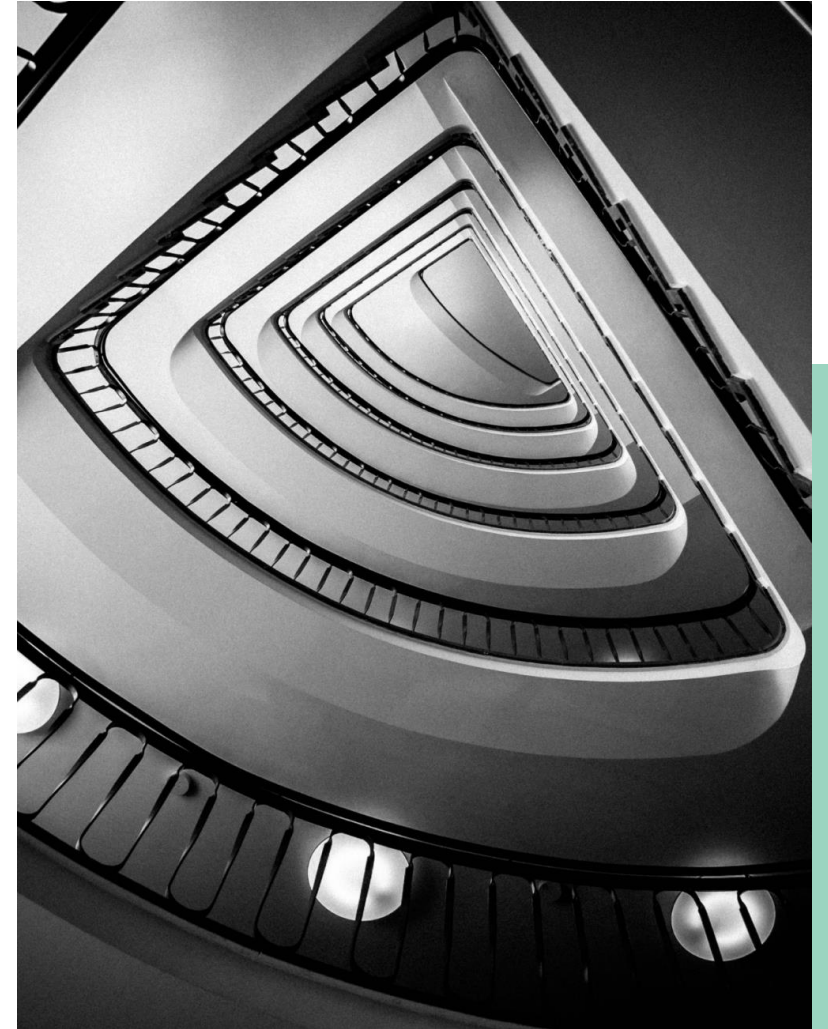


Portfolio Positioning

While we continue to hold many of the “themes” we’ve held in portfolios for the last few quarters we have opportunistically looked to continue to reduce risk where we feel investors aren’t being adequately compensated for assuming that risk.

	Underweight	Neutral	Overweight
Stocks vs. Bonds			
Stocks	●	○	○
Bonds	○	○	●
Fixed Income Components			
Core / Investment Grade	○	○	●
Opportunistic / Non Inv Grade	●	○	○
Maturity / Duration	●	○	○
Equity Components			
U.S. Large Cap	●	○	○
U.S. Mid + Small Cap	○	○	●
International Developed	○	○	●
Emerging Markets	○	○	●
Alternative Components			
Equity Alternatives	○	○	●
Fixed Income Alternatives	○	○	●

Thank you



Disclaimer

Unless stated otherwise, any estimates or projections (including performance and risk) given in this presentation are intended to be forward looking statements. Such estimates are subject to actual known and unknown risks, uncertainties, and other factors that could cause actual results to differ materially from those projected. The securities described within this presentation do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in such securities was or will be profitable. Past performance does not indicate future results.

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