

Q3 2021

WEALTH SOLUTIONS CAPITAL MARKETS REVIEW

INDEX	PERIOD ENDING SEPTEMBER 30, 2021					
	Qtr	YTD	1 Yr Return	3 Yr Return	5 Yr Return	10 Yr Return
U.S. Equity Markets						
S&P 500 TR USD	0.58	15.92	30.00	15.99	16.90	16.63
Russell 3000 TR USD	-0.10	14.99	31.88	16.00	16.85	16.60
Russell 3000 Value TR USD	-0.93	16.58	36.64	9.94	10.94	13.48
Russell 3000 Growth TR USD	0.69	13.49	27.57	21.27	22.30	19.40
Russell 2000 TR USD	-4.36	12.41	47.68	10.54	13.45	14.63
Russell 1000 TR USD	0.21	15.19	30.96	16.43	17.11	16.76
Non-U.S. Equity Markets						
MSCI ACWI Ex USA NR USD	-2.99	5.90	23.92	8.03	8.94	7.48
MSCI EM NR USD	-8.09	-1.25	18.20	8.58	9.23	6.09
Fixed Income						
Bloomberg US Agg Bond TR USD	0.05	-1.55	-0.90	5.36	2.94	3.01
Bloomberg US Treasury US TIPS TR USD	1.75	3.51	5.19	7.45	4.34	3.12
Real Assets/Natural Resources						
DJ US Select REIT TR USD	1.25	24.48	40.56	8.32	5.68	10.53
S&P North American Natural Resources TR	-2.48	29.43	53.93	-1.91	0.68	1.83

Past performance is not a guarantee of future results.



**GDP (LAGGING
INDICATOR)**

Q2 2021 (Third Estimate)
Increased at annual rate
of 6.7%



**EXISTING
HOME SALES**

Through August 2021
Decreased by 2%



**UNEMPLOYMENT
RATE**

Through August 2021
Decreased to 5.2%
(seasonally adjusted).



**CONSUMER
PRICE INDEX**

August 2021
Increased by 0.3%
(seasonally adjusted).

COMMENTARY

The U.S. equity market returned -0.1% in the quarter. Strong corporate earnings and a drop in treasury yields contributed to U.S. equity returns through August, especially for the growth segment of the market; however, the early gains reversed by the end of September as concerns over rising inflation, slowing growth, and expectations of increasing interest rates weighed on investor sentiment and sent stocks lower to end the quarter flat.

Large-cap stocks outperformed both the mid- and small-cap segments of the market in the quarter. All capitalization segments of the market posted strong returns in the year-to-date period, with large-cap stocks outperforming mid- and small-cap stocks by 0.7 and 3.5 percentage points, respectively. Growth stocks outperformed value stocks by 1.6 percentage points in the quarter. Despite trailing in the quarter, value stocks exceeded growth stocks in the year-to-date period by 3.1 percentage points.

The financial services sector posted the strongest return in the quarter as expectations of increasing interest rates and a steeper yield curve raised the prospects of higher profitability. The energy sector continued to outperform all other sectors in the year-to-date period due to rising demand for oil and natural gas and recent supply constraints. The industrials and materials sectors posted the weakest returns in quarter. These two economically sensitive sectors were negatively impacted by investors' concerns of slowing global growth.

International equities declined 3% in the quarter. Despite a continuing global economic recovery and supportive monetary and fiscal policies, concerns over the economic implications of the spread of the coronavirus delta variant and regulatory uncertainty in China led to negative returns in most regions. Chinese equities declined by 18.2% in the quarter as the country tightened restrictions across a wide range

of industries, including private education, technology, cryptocurrency, and gaming. Chinese markets were further stressed to end the quarter as investors grew concerned about the default of Evergrande, a large heavily indebted Chinese real estate developer, and the potential of spillover effects on the broader economy. European economic activity was supported by the lifting of many travel and social restrictions but concerns over supply chain disruptions and escalating energy prices led to negative equity returns in most European countries.

Preliminary estimates from a subset of core real estate managers indicate a strong positive return for the quarter. Over the last year, industrial and multi-family properties have performed better than holdings within the office and retail segments of the market.

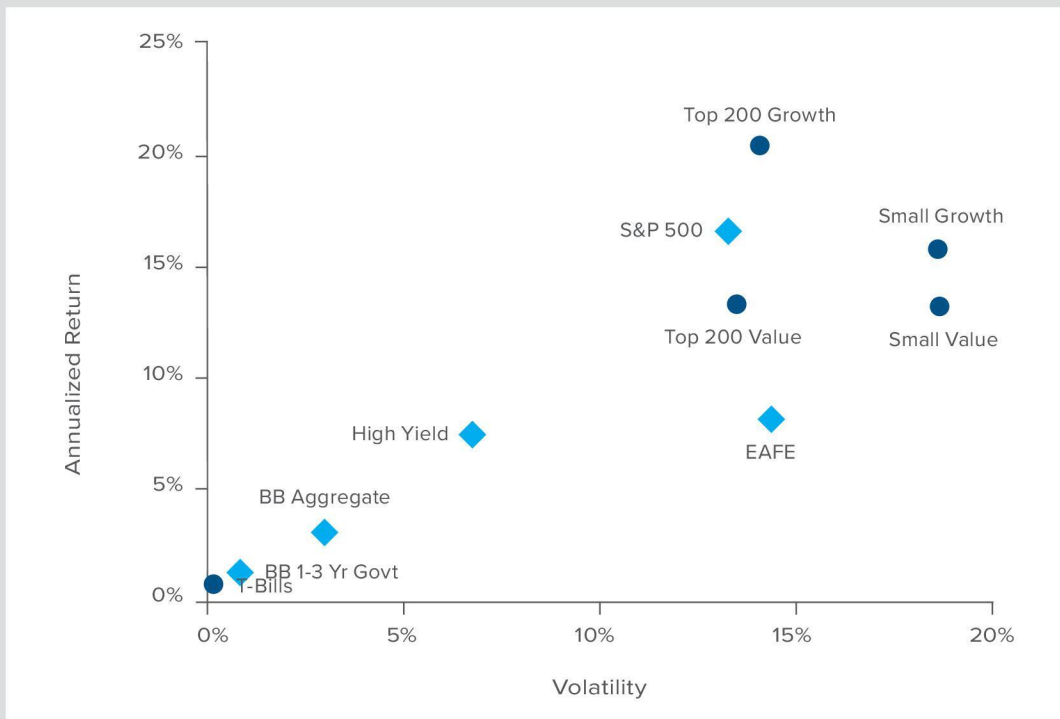
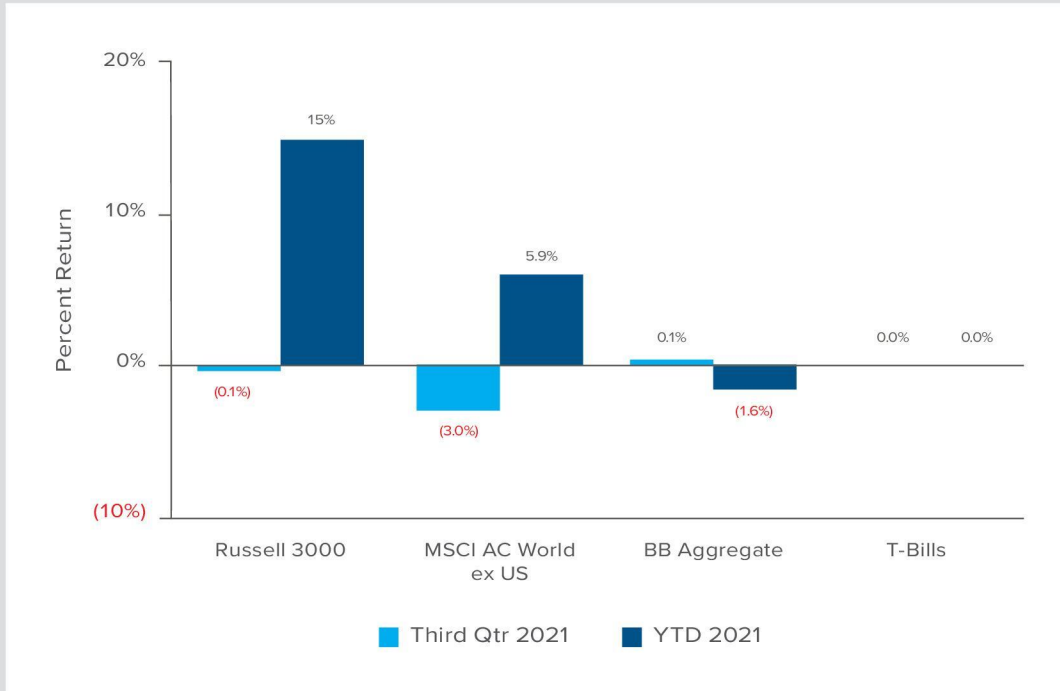
“Money is always eager and ready to work for anyone who is ready to employ it.”

— *Idowu Koyenikan*

The U.S. fixed income market returned 0.1% in the quarter. At its last meeting, the Fed indicated it was likely to taper its monthly asset purchases later in the year and potentially raise interest rates next year upon completion of the tapering. The Fed also updated its economic projections, forecasting slower growth and higher inflation for 2021 and 2022. The 10-year Treasury yield increased from 1.45% to 1.52% during the quarter. Investment grade credits experienced a flat return, while non-investment grade corporate bonds rose 0.9%. Developed non-U.S. government bonds were flat in the quarter on a local currency basis but declined 1.1% for U.S. based investors due to the U.S. dollar strengthening. Emerging market bonds were down 0.7% in the quarter.

MAJOR CAPITAL MARKET RETURNS

U.S. Stocks—Russell 3000, Non-U.S. Stocks—MSCI AC World ex US,
Fixed Income—Barclays Aggregate, and U.S. Treasury Bills



Source of statistics not otherwise specifically cited within this newsletter: Strategic Capital Investment Advisors.

Definitions of the indexes shown here can be found at mfinwealth.com/index-and-statistics-definitions.

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The S&P 500 Total Return is a commonly used measure of common stock performance of 500 leading companies in leading industries of the U.S. economy.

The Russell 3000 index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. It is market-capitalization weighted.

The Russell 3000 Value index measures the performance of the broad value segment of the U.S. equity value universe. It includes Russell 3000 index companies with lower price-to-book ratios and lower forecasted growth values. It is market-capitalization weighted.

The Russell 3000 Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes Russell 3000 index companies with higher price-to-book ratios and higher forecasted growth values. It is market-capitalization weighted.

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 and includes

approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.

The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity securities. It is a subset of the Russell 3000 index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership.

The MSCI ACWI Ex USA Index captures large and mid-cap securities exhibiting overall growth style characteristics across 22 of 23 Developed Markets countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate, long-term historical EPS growth trend, and long-term historical sales per share growth trend.

The MSCI Emerging Markets index measures the performance of the large and mid-cap segments of emerging market equity securities. It is free float-adjusted market-capitalization weighted.

The Barclays Aggregate Bond index measures the performance of investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS.

The Barclays US TIPS index measures the performance of rules-based, market value-weighted inflation-protected securities issued by the U.S. Treasury. It is a subset of the Global Inflation-Linked Index (Series-L).

The DJ US Select REIT index measures the performance of publicly traded real estate investment trusts (REITs) and REIT-like securities. The index is a subset of the Dow Jones US Select Real Estate Securities Index (RESI). The index is designed to serve as proxy for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate.

The S&P North American Natural Resources index measures the performance of U.S. traded securities that are classified under the Global Industry Classification Standard (GICS) energy and materials (sector) excluding the chemicals (industry) and steel (sub-industry).

SOURCES

GDP

> <https://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>

Existing

> <https://www.nar.realtor/research-and-statistics/housing-statistics/existing-home-sales>

Unemployment

> <https://www.bls.gov/news.release/empsit.toc.htm>

Consumer Price Index

> <https://www.bls.gov/news.release/cpi.toc.htm>

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