



MARKET UPDATE

QUARTER 3, 2021

Year-to-date gains within the equity markets were trimmed during the 3rd quarter with September producing declines not seen since March of last year. Corporate earnings remain strong, with many companies beating estimates, but with continued labor shortages and supply-chain disruptions it remains to be seen if the momentum in growth can be sustained.ⁱ There are also questions regarding inflation, whether recent increases driven by food and energy price increases will subside or if it will persist long-term, signaling that the Fed will begin raising interest rates sooner rather than later.ⁱⁱ

For the quarter, domestic large company stocks (S&P 500) increased 0.58% while small company stocks (Russell 2000) decreased 4.36%, with the performance of growth and value stocks mixed between capitalizations. The weakest sectors within the economy were industrials and materials, while financials, utilities and telecommunications were stronger sectors by comparison.ⁱⁱⁱ

The U.S. dollar appreciated against most major foreign currencies during the quarter. A decrease in value of the U.S. dollar enhances returns when investing in foreign securities while an increase in the dollar's value reduces returns for U.S. investors holding foreign securities. For the quarter, the MSCI EAFE Index (in U.S. dollars) decreased 0.45% while the MSCI EAFE Index (in local currency) increased 1.32%.ⁱⁱⁱ

The demand for U.S. Treasuries decreased modestly during the quarter, pushing yields higher with lower bond prices (bond yields move inversely to bond prices). The yield on 10-year Treasury bonds started at 1.48% on July 1 and rose to 1.52% by quarter end. For the quarter, the Barclays U.S. Aggregate bond index (a blended composite) increased 0.05%.ⁱⁱ

On September 22, the Federal Reserve's Open Market Committee maintained the target range for the federal funds rate to between 0% and 0.25%. In a press release following the meeting the Fed stated that "overall financial conditions remain accommodative, in part reflecting policy measures to support the economy" but that if "progress continues broadly as expected, the Committee judges that a moderation in the pace of asset purchases may soon be warranted."^{iv} This points to a higher probability that the Fed will announce the tapering of quantitative easing, the purchase of various financial assets by the Fed, at the next meeting in November.^v

Taking the long view, we continue to believe diversified portfolios and disciplined investment strategies can continue to provide opportunities for those investors looking for growth. I welcome your input and as always, should you have any questions or concerns. If there is a change in your investment time horizon or financial circumstances, please contact me at your convenience.

Written by North Star Resource Group

(Average Annual Returns chart on next page)

AVERAGE ANNUAL RETURNS FOR PERIODS ENDING 9/30/2021						
INDEX	3RD Q	YTD	1 YR	3 YRS	5 YRS	10 YRS
S&P 500	0.58%	15.92%	30.00%	15.99%	16.90%	16.63%
Russell 2000	-4.36%	12.41%	47.68%	10.54%	13.45%	14.63%
MSCI EAFE (U.S. dollars)	-0.45%	8.35%	25.73%	7.62%	8.81%	8.10%
Barclays US Aggregate Bond	0.05%	-1.55%	-0.90%	5.36%	2.94%	3.01%
BENCHMARK COMPOSITES	3RD Q	YTD	1 YR	3 YRS	5 YRS	10 YRS
Aggressive Growth	-0.88%	13.22%	33.61%	12.84%	14.18%	14.06%
Growth	-0.67%	10.14%	26.02%	11.65%	12.06%	11.93%
Conservative Growth	-0.24%	7.21%	17.96%	10.47%	9.95%	9.78%
Income and Growth	-0.06%	4.18%	11.07%	8.85%	7.60%	7.47%
Income	0.14%	1.50%	4.65%	7.48%	5.55%	5.49%

Source: Morningstar Direct

The S&P 500 Index measures the performance of large capitalization U.S. stocks. The S&P 500 is a market-value-weighted index of 500 stocks that are traded on the NYSE, AMEX and NASDAQ. The weightings make each company's influence on the Index's performance directly proportional to the company's value. The Russell 2000 Index measures the total return of small capitalization U.S. stocks. The Russell 2000 is a market-value-weighted index of the 2,000 smallest stocks in the broad-market Russell 3000 Index. These securities are traded on the NYSE, AMEX and NASDAQ. Investments in smaller company and micro-cap stocks generally carry a higher level of volatility and risk over the short term. The MSCI EAFE Index is the Morgan Stanley Capital International Index and is designed to measure the total return of the developed stock markets of Europe, Australia and the Far East. Investment risks associated with international investing, in addition to other risks, include currency fluctuations, political and economic instability and differences in accounting standards when investing in foreign markets. The Barclays US Aggregate Bond Index is a market-weighted index that includes U.S. government, corporate, and mortgage-backed securities, rated investment grade or higher, with maturities up to 10 years. You cannot invest directly in an index. Past performance is not indicative of future results.

The Benchmark Composite returns are a weighted average of index data comprised in the following manner. Aggressive Growth is 45% S&P 500, 25% Russell 2000 and 30% MSCI EAFE. Growth is 35% S&P 500, 20% Russell 2000, 25% MSCI EAFE and 20% Barclays US Aggregate Bond. Conservative Growth is 30% S&P 500, 10% Russell 2000, 20% MSCI EAFE and 40% Barclays US Aggregate Bond. Income and Growth is 20% S&P 500, 5% Russell 2000, 15% MSCI EAFE and 60% Barclays US Aggregate Bond. Income is 15% S&P 500, 5% MSCI EAFE and 80% Barclays US Aggregate Bond.

This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding any funds or stocks in particular, nor should it be construed as a recommendation to purchase or sell a security. Past performance is no guarantee of future results. Investments will fluctuate and when redeemed may be worth more or less than when originally invested. Tracking Number 3827580/ DOFU 10-2021

- i Otani, Akane, "Stock Market's September Slump Exposes Messy Underside, Wall Street Journal, https://www.wsj.com/articles/stock-markets-september-slump-exposes-messy-underside-11632999601?mod=searchresults_pos1&page=1, Accessed 1 October 2021
- ii Tepper, Taylor, "Why Is Inflation Rising Right Now?", Forbes, <https://www.forbes.com/advisor/investing/why-is-inflation-rising-right-now/>, Accessed 1 October 2021
- iii Morningstar Direct
- iv Federal Reserve press release, federalreserve.com, <https://www.federalreserve.gov/monetarypolicy/files/monetary20210922a1.pdf>, Accessed 1 October 2021
- v Wesbury, B., Stein, R., Elsass, S., Opdyke