# DECEMBER 2021 UPDATE

We provide composite returns for Growth, Growth & Income (a combination of “Growth & Income” and “Moderate Balanced” accounts), Conservative Balanced, Retirement Income (a combination of “Retirement Income” and “High Monthly Payout” accounts) and Closed-End Income. We present net-of-fee results in the following table. (SSB composites are in boldface.) For the sake of comparison, we also include returns for various indexes and blended benchmarks that we believe are commensurate in risk to our strategies, as well as passively managed funds-of-funds from Vanguard.

| Salzinger Sheaff Brock | Nov. 2021 | YTD | 12 Months | 3 Years | 5 Years |
|---|---|---|---|---|---|
| **Growth** | **-3.0%** | **12.5%** | **17.6%** | **17.6%** | **14.8%** |
| *Benchmark (90% Lipper Multi-cap Core/10% Lipper General Bond Fund)* | *-2.6%* | *12.1%* | *17.4%* | *14.2%* | *12.0%* |
| **Growth & Income** | **-2.4%** | **10.7%** | **14.9%** | **14.9%** | **12.7%** |
| *Benchmark (75% Lipper Multi-cap Core/25% Lipper General Bond Fund)* | *-2.2%* | *10.3%* | *14.9%* | *13.3%* | *11.0%* |
| **Conservative Balanced** | **-2.0%** | **8.4%** | **11.7%** | **11.9%** | **10.1%** |
| **Closed-End Income** | **-1.6%** | **10.8%** | **14.3%** | **11.3%** | **9.8%** |
| *Benchmark (60% Lipper Multi-cap Core/40% Lipper General Bond Fund)* | *-1.8%* | *8.4%* | *12.3%* | *12.2%* | *10.0%* |
| **Retirement Income** | **-1.8%** | **6.0%** | **8.6%** | **8.4%** | **7.5%** |
| *Benchmark (50% Lipper Multi-cap Core/50% Lipper General Bond Fund)* | *-1.5%* | *7.2%* | *10.7%* | *11.5%* | *9.2%* |
| **Index** | | | | | |
| S&P 500 | -0.7% | 23.2% | 27.9% | 20.4% | 17.9% |
| Russell 3000 && | -1.5% | 20.9% | 26.3% | 20.2% | 17.5% |
| Russell 2000 ## | -4.2% | 12.3% | 22.0% | 14.2% | 12.1% |
| FTSE Global All Cap X-US@@ | -4.5% | 4.7% | 10.5% | 10.8% | 9.9% |
| Barclays Aggregate Bond | 0.3% | -1.3% | -1.2% | 5.5% | 3.7% |
| **Mutual Fund/ETF Comparisons** | | | | | |
| Vanguard LifeStrategy Growth & | -2.0% | 11.0% | 15.5% | 14.2% | 12.2% |
| Vanguard LifeStrategy Moderate Growth # | -1.4% | 7.8% | 11.1% | 12.0% | 10.1% |
| Vanguard LifeStrategy Conservative Gr @ | -0.7% | 4.7% | 6.9% | 9.8% | 8.0% |
| Vanguard LifeStrategy Income ^ | -0.1% | 1.6% | 2.8% | 7.4% | 5.8% |

Through 11-30-2021. PLEASE SEE IMPORTANT DISCLAIMER ON BACK. Returns over 12 months annualized. Notes: &&A benchmark for the entire U.S. stock market, ##Small-cap stocks. @@ Foreign stocks, including developed foreign countries and emerging markets. Style Comparisons: &A good comparison for SSB Growth and SSB Growth & Income. #A slightly lower risk comparison for SSB Growth & Income. @A good comparison for Salzinger Sheaff Brock, LLC (SSB) Conservative Balanced. ^A good comparison for SSB Retirement Income. Composites include all fully discretionary, management fee-paying including those accounts no longer with the firm of reasonable size that are substantially invested in accordance with the composite strategy or style. Returns are presented net of maximum management fees and all trading expenses, and the reinvestment of all income. Net-of-fee performance was calculated using maximum management fees. Actual advisory fees and transaction fees will vary depending on, among other things, the portfolio, account size, and activity. Fees are described in SSB’s ADV Part 2A. Securities mentioned in this report may be owned by clients and employees of SSB. Past performance is not indicative or a guarantee of future results (continued on back).

As we head toward the end of the year, it’s natural to look back as well as forward. As I look at the performances of client accounts as well as benchmarks year-to-date through November, one thing that stands out is the superlative performance of the S&P 500. This large-stock index, weighted by market capitalization and heavily influenced by its largest holdings, including Apple (about 6.8%), Microsoft (6.2%), Alphabet/Google (4.2%) and Amazon.com (3.8%), nearly doubled the year-to-date return of the small-cap Russell 2000 Index, while outpacing that of the FTSE Global All Cap X-US Index (foreign stocks of all sizes and regions besides the U.S.) by nearly 20 percentage points.

No wonder, then, that returns of our accounts, plus those of their respective blended Lipper Analytical/Refinitiv benchmarks, pale in comparison to the S&P 500 so far in 2021. All of our accounts include exposure to small stocks as well as international. Additionally, we have been hurt so far this year by our exposures specifically to two of the weakest investment areas of the year: mainly small-cap growth, but also international growth.

The former group has been hurt so far in 2021 by two main factors: one, its amazing performance in 2020 left it quite expensive heading into 2021; and two, higher longer-term interest rates plus fears of more increases led investors to devalue the potential cash flows of these companies far in the future. Meanwhile, international growth was hurt by poor performance among Chinese equities, socked by increased opprobrium from a Chinese government ostensibly concerned with rising income inequality.

Sometimes what’s likely to perform best in the long term also looks favorable in the short-term. Other times, the long-term and short-term conflict. The year 2021 has been such a time. The short-term trend toward economic reopening and more person-to-person interaction, along with economic rebound generally, went contrary to long-term secular trends that should benefit the investment performance of the small-cap growth area. Some investors try to time these types of situations, getting in and out of certain types of stocks according to what they think will work in the short run, hoping to be deft enough to produce superior performance over time. I do very little of that. I am reluctant to sell out of investments I think will continue to outperform over many years even if I expect some short-term turbulence. For one, selling investments after huge runs may produce huge tax liabilities in taxable accounts; more broadly, I fear that even if I get the timing of the sales right, I might not be so fortunate as to get my clients back in before they run higher once again.

The good news is that despite considerable exposure in most accounts to some of 2021’s most downtrodden investment areas, we still did OK versus our benchmarks as well as some other competitors I review. One reason is we minimized the exposures within the accounts to conventional fixed income, instead favoring income producing funds, including ones for floating-rate loans, municipal securi-

*Continued on back*

ties and Treasury Inflation Protection Securities, that are relatively impervious to inflationary pressures and therefore produced positive total returns. Another reason is some of our specific fund selections trounced their own benchmarks (although we also had a few that underperformed). Altogether, given that I feel the equity portions of our accounts were somewhat out of sync with the short-term trend in 2021, we have been doing fairly well, at least for a manager that values diversification among market segments.

The better news is that our long-term performance remains very strong, thrashing our benchmarks, even if not the S& 500. And, while I can never promise anything, I do expect better performance versus the S&P 500 for the next 12 months, for a couple of reasons. One is that after a relatively bad year, the small-cap blend and small-cap growth areas of the market are much more attractively priced now. Consider, Vanguard itself calculates that the Vanguard Extended Market Index Fund (VXF on ETF shares), a small/mid stock fund that holds the U.S. stocks not included in the S&P 500, has a price/earnings ratio (P/E) as of Nov. 30 of 16.8, vs. 24.4 for Vanguard S&P 500 (VOO). Additionally, corporate insiders at some of the leading S&P 500 companies have been selling shares in droves lately. While not a first-order cause for concern, I doubt these executives would be selling if they thought their companies were undervalued.

Though I am generally cautious on stocks now, there is one health-related factor that could provide a big boost to equities in 2022: new antiviral pills against COVID. Recently granted an emergency use authorization for prescription use by specific patients from the FDA, one such candidate looks effective enough to keep a lot of those afflicted by COVID out of the hospital and away from death's door. However, we'll need real-world evidence over the coming months to be sure.

For more information or to get started in any of our strategies, our contact information is below. In the meantime, Merry Christmas and Happy New Year to all who celebrate them!


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Thank you for your interest in Salzinger Sheaff Brock (SSB), the only source of personalized money management by me,

Mark Salzinger

**Mark Salzinger**
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