



CAPSTONE
FINANCIAL ADVISORS

2021 Annual Market Review



January 2022



2021 Annual Market Review

- This report features world capital market performance for the past year.

OVERVIEW:

Market Summary

World Stock Market Performance

US Stocks

International Developed Stocks

Emerging Markets Stocks

Country Returns

Real Estate Investment Trusts (REITs)

Commodities

Fixed Income

Global Fixed Income



Annual Market Summary

CAPSTONE COMMENTARY

2021 MARKET REVIEW

RISK-BASED ASSET CLASSES (EQUITY & REAL ASSETS) SIGNIFICANTLY OUTPERFORMED INFLATION, BONDS, AND CASH

- Strong earnings, economic growth, and easy financial conditions all favored risk-based assets which delivered high returns. On the other hand, fixed income bond assets were challenged (low to slightly negative returns) amid rising interest rates and inflation, while cash earned nearly-zero return.

GLOBAL EQUITY MARKETS FINISHED THE YEAR UP +18.22%.¹

- U.S. equities significantly outperformed international equities. More robust earnings and economic growth pushed U.S. equities ahead. Additionally, U.S. dollar strength reduced all (currency unhedged) international asset class returns. Developed market countries significantly outperformed emerging markets, hurt by a policy-induced correction in China. Globally, value stocks outperformed growth stocks, and large-cap stocks edged out small-cap.

GLOBAL REAL ESTATE (REITs) WAS ONE OF THE BEST PERFORMING ASSET CLASSES UP +31.38%.²

- Industrial REITs and residential REITs were the top performing sectors, as both experienced high rental growth rates. Retail REITs recovered significantly with economic (in-person) activity somewhat normalizing.

GLOBAL TAXABLE INVESTMENT-GRADE BOND FINISHED THE YEAR DOWN -1.39%.³

- U.S. taxable bond returns performed mostly in line with international developed-markets bonds (dollar-hedged). Taxable bond markets worldwide were challenged amid rising interest rates and inflation.

MUNICIPAL BONDS FINISHED THE YEAR UP +1.52%,⁴ SIGNIFICANTLY OUTPERFORMING TAXABLE BONDS.

- Municipals were less affected by rate increases, given their tax benefit. Improving fiscal health (via a combination of increased tax receipts and federal aid earlier on in the pandemic) and favorable supply and demand dynamics also helped municipal bond returns.








Please remember that different types of investments involve varying degrees of risk, including the loss of money invested. Past performance may not be indicative of future results. Therefore, it should not be assumed that future performance of any specific investment or investment strategy, including the investments or investment strategies recommended or undertaken by Capstone Financial Advisors, Inc. (“Capstone”) will be profitable. Definitions of any indices listed herein are available upon request. Please contact Capstone if there are any changes in your personal or financial situation or investment objectives for the purpose of reviewing our previous recommendations and services, or if you wish to impose, add, or modify any reasonable restrictions to our investment management services. This article is not a substitute for personalized advice from Capstone and nothing contained in this presentation is intended to constitute legal, tax, accounting, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. Investment decisions should always be based on the investor’s specific financial needs, objectives, goals, time horizon, and risk tolerance. This article is current only as of the date on which it was sent. The statements and opinions expressed are, however, subject to change without notice based on market and other conditions and may differ from opinions expressed by other businesses and activities of Capstone. Descriptions of Capstone’s process and strategies are based on general practice, and we may make exceptions in specific cases. A copy of our current written disclosure statement discussing our advisory services and fees is available for your review upon request.

¹ MSCI ACWI IMI NR USD ² S&P Global REIT NR USD ³ Bloomberg Global Aggregate TR Dollar-Hedged USD ⁴ Bloomberg Municipal TR USD



Annual Market Summary

INDEX RETURNS

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate		US Taxable Bond Market	Global Taxable Bond Market ex US	US Municipal Bond Market
2021	STOCKS					BONDS		
	25.66%	12.62%	-2.54%	31.38%		-1.54%	-1.40%	1.52%
								
Since Jan. 2001								
Avg. Annual Return	10.2%	7.0%	12.9%	10.8%		4.6%	4.3%	4.7%
Best Year	33.6% 2013	39.4% 2003	78.5% 2009	37.4% 2006		10.3% 2002	8.8% 2014	12.9% 2009
Worst Year	-37.3% 2008	-43.6% 2008	-53.3% 2008	-45.7% 2008		-2.0% 2013	-1.4% 2021	-2.6% 2013

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index [net div.]), US Taxable Bond Market (Bloomberg US Aggregate Bond Index), and Global Taxable Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). US Municipal Bond Market (Bloomberg Municipal Bond Index), S&P data © 2022 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2022, all rights reserved. Bloomberg data provided by Bloomberg.



Long-Term Market Summary

INDEX RETURNS AS OF DECEMBER 30, 2021

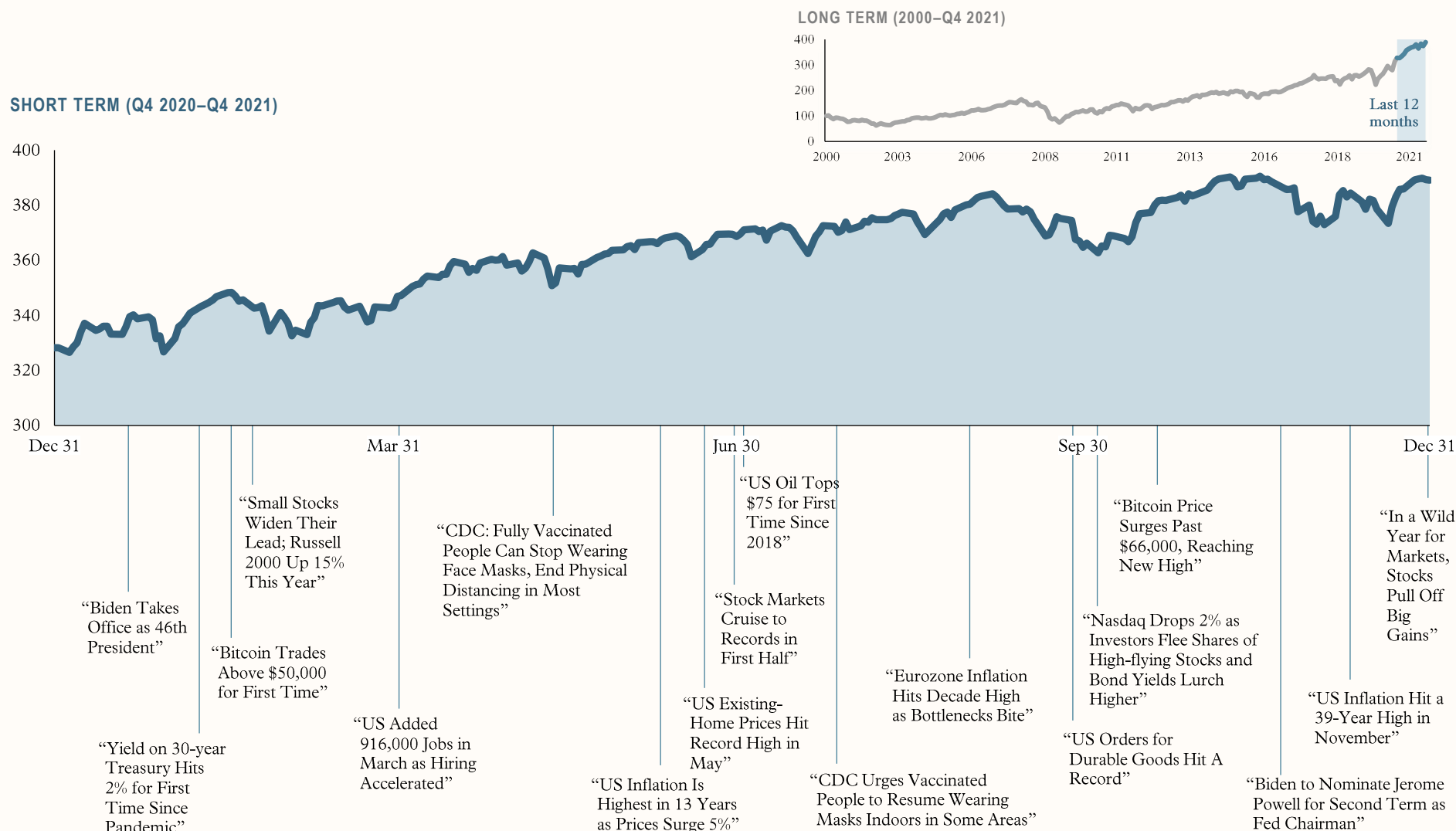
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Taxable Bond Market	Global Taxable Bond Market ex US	US Municipal Bond Market
1 Year	STOCKS				BONDS		
	25.66%	12.62%	-2.54%	31.38%	-1.54%	-1.40%	1.52%
5 Years	17.97%	9.63%	9.87%	8.25%	3.57%	3.11%	4.17%
10 Years	16.30%	7.84%	5.49%	9.01%	2.90%	3.80%	3.72%

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World Stock Market Performance

MSCI ALL COUNTRY WORLD INDEX WITH SELECTED HEADLINES FROM PAST 12 MONTHS



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

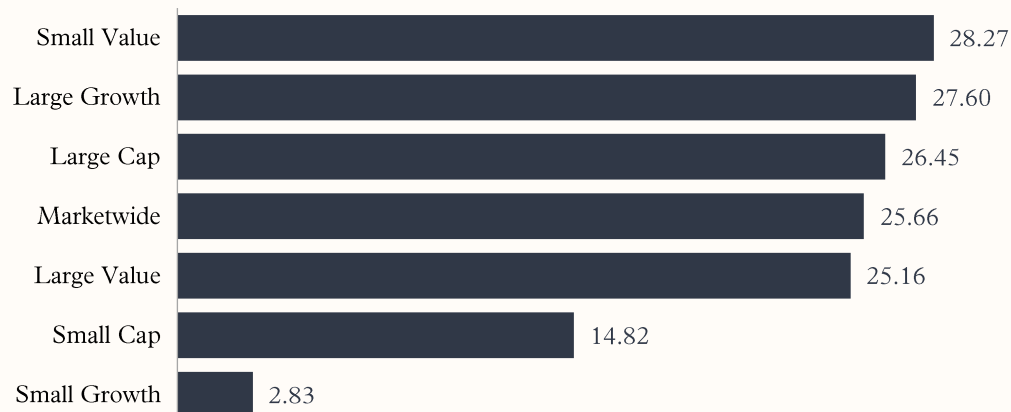


US Stocks

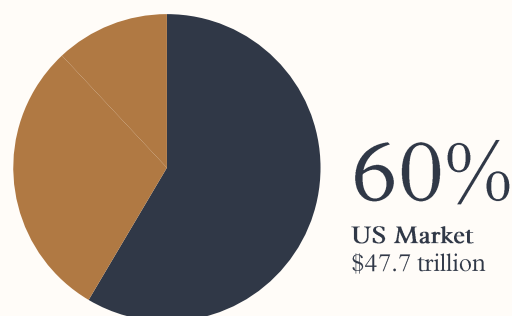
2021 INDEX RETURNS

- The US equity market posted positive returns for the year and outperformed non-US developed and emerging markets.
- Value underperformed growth in large cap stocks but outperformed growth in small cap stocks.
- Small caps underperformed large caps.

RANKED RETURNS FOR 2021 (%)



WORLD MARKET CAPITALIZATION—US



PERIOD RETURNS (%)

Asset Class	* Annualized			
	1 Year	3 Years*	5 Years*	10 Years*
Small Value	28.27	17.99	9.07	12.03
Large Growth	27.60	34.08	25.32	19.79
Large Cap	26.45	26.21	18.43	16.54
Marketwide	25.66	25.79	17.97	16.30
Large Value	25.16	17.64	11.16	12.97
Small Cap	14.82	20.02	12.02	13.23
Small Growth	2.83	21.17	14.53	14.14

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International Developed Stocks

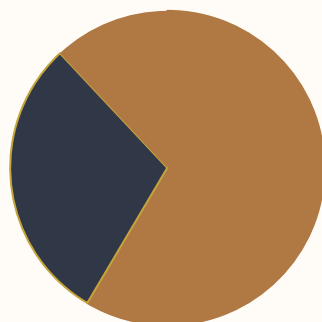
2021 INDEX RETURNS

- Developed markets outside the US posted positive returns for the year, underperforming US equities but outperforming emerging markets equities.
- Value outperformed growth.
- Small caps underperformed large caps.

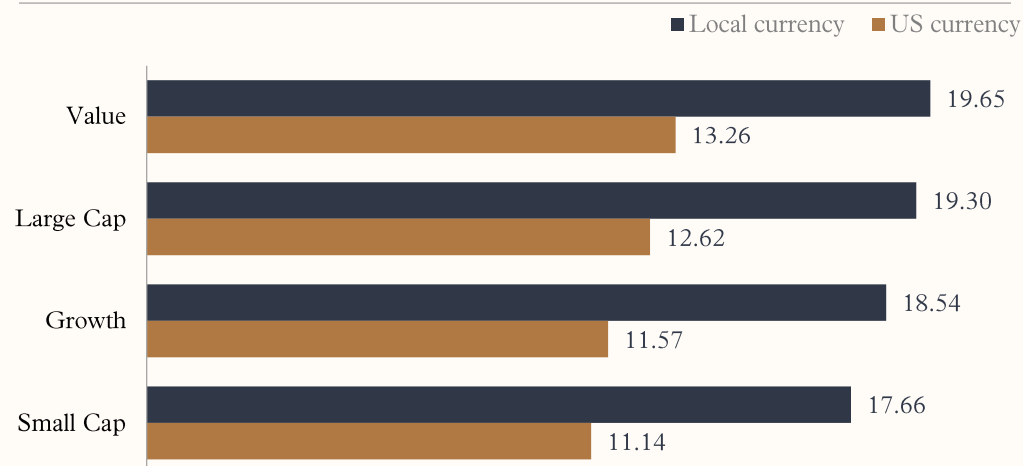
WORLD MARKET CAPITALIZATION—INTERNATIONAL DEVELOPED

29%

International Developed Market
\$22.8 trillion



RANKED RETURNS FOR 2021 (%)



PERIOD RETURNS (%)

Asset Class	1 Year	3 Years*	5 Years**	10 Years**
Value	13.26	8.66	5.69	5.83
Large Cap	12.62	14.07	9.63	7.84
Growth	11.57	19.11	13.37	9.66
Small Cap	11.14	16.27	11.03	9.99

* Annualized

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Market segment (index representation) as follows: Large Cap (MSCI World ex USA Index), Small Cap (MSCI World ex USA Small Cap Index), Value (MSCI World ex USA Value Index), and Growth (MSCI World ex USA Growth Index). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI World ex USA IMI Index is used as the proxy for the International Developed market. MSCI data © MSCI 2022, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

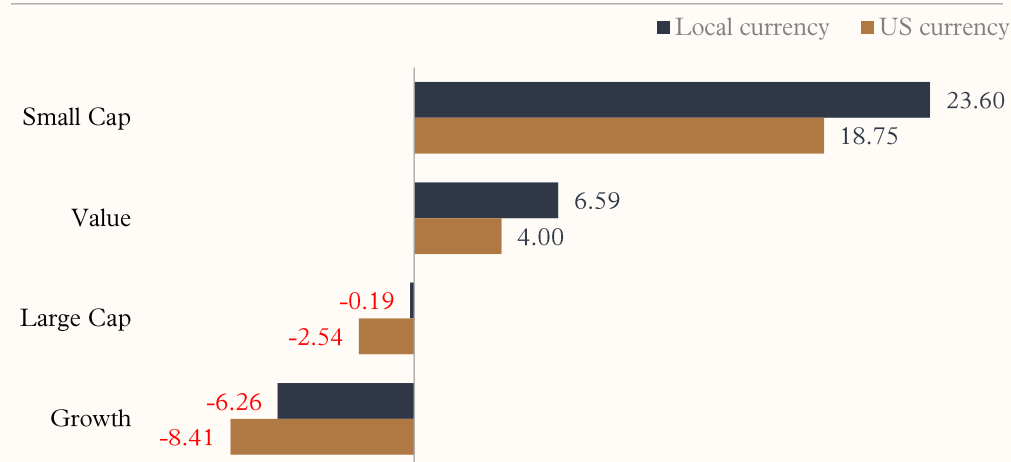


Emerging Markets Stocks

2021 INDEX RETURNS

- Emerging markets fell 2.5% for the year, underperforming both US and non-US developed equity markets.
- Value outperformed growth.
- Small caps outperformed large caps.

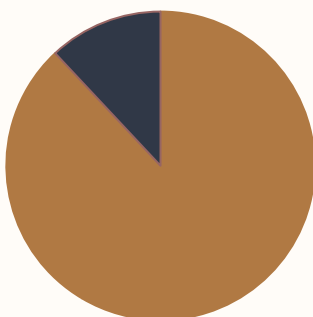
RANKED RETURNS FOR 2021 (%)



WORLD MARKET CAPITALIZATION—EMERGING MARKETS

11%

Emerging Markets
\$9.0 trillion



PERIOD RETURNS (%)

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Small Cap	18.75	16.46	11.47	7.42
Value	4.00	7.08	7.02	3.31
Large Cap	-2.54	10.94	9.87	5.49
Growth	-8.41	14.60	12.55	7.52

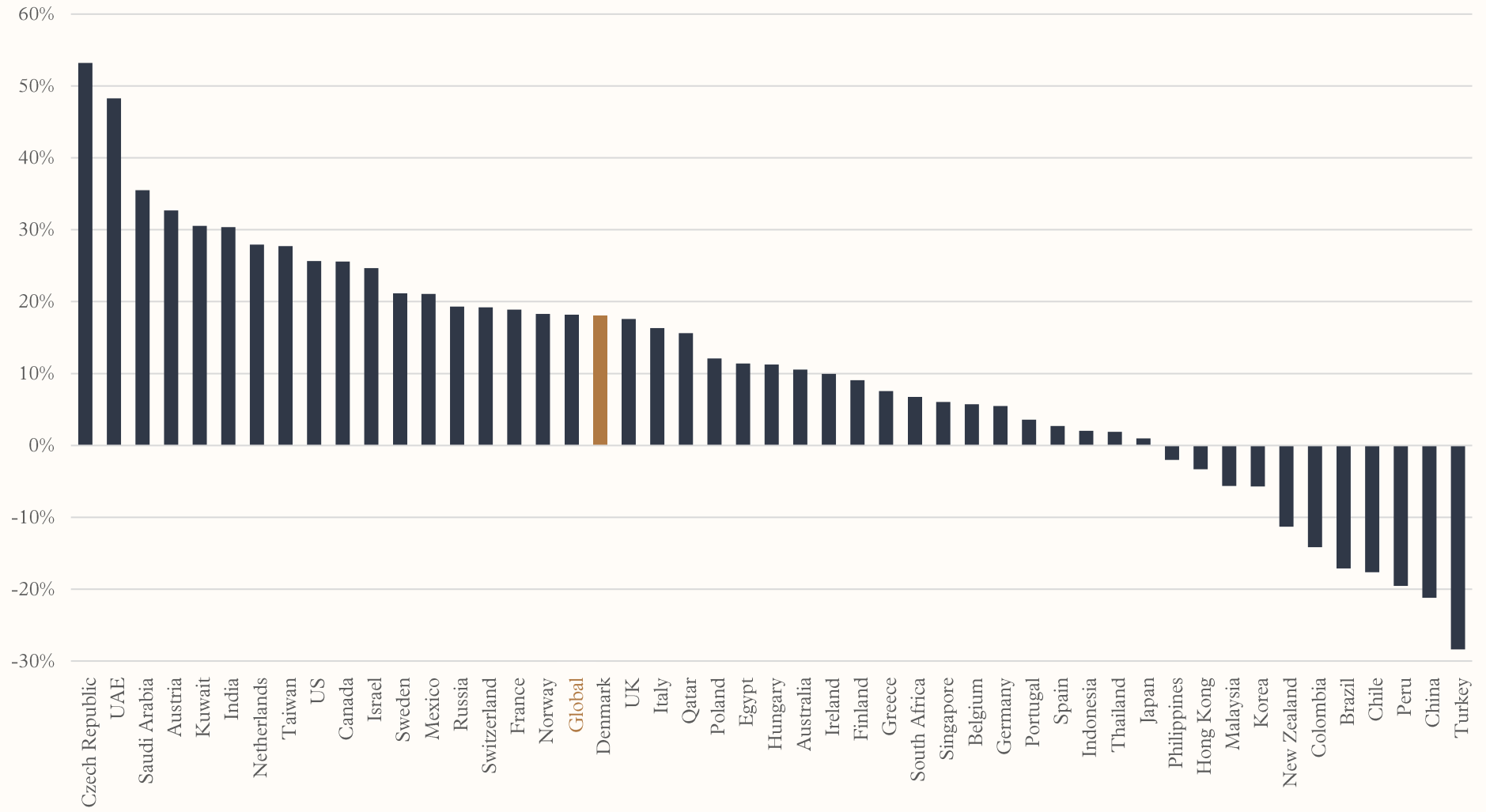
* Annualized

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Country Returns

2021 INDEX RETURNS



Past performance is no guarantee of future results. Country returns are the country component indices of the MSCI All Country World IMI Index for all countries except the United States, where the Russell 3000 Index is used instead. Global is the return of the MSCI All Country World IMI Index. MSCI index returns are net dividend. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. MSCI data © MSCI 2022, all rights reserved.

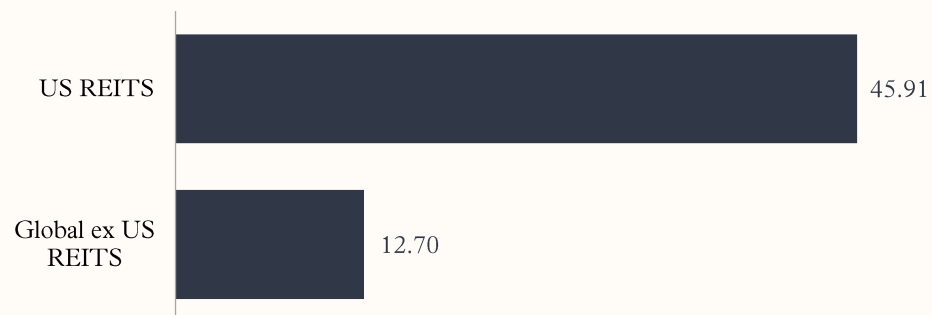


Real Estate Investment Trusts (REITs)

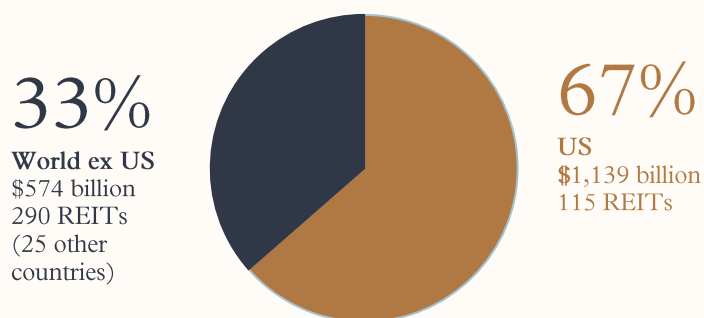
2021 INDEX RETURNS

- REIT indices outperformed equity market indices.
- US real estate investment trusts outperformed non-US REITs during the year.

RANKED RETURNS FOR 2021 (%)



TOTAL VALUE OF REIT STOCKS



PERIOD RETURNS (%)

Asset Class	* Annualized			
	1 Year	3 Years*	5 Years*	10 Years**
US REITS	45.91	16.84	9.65	10.70
Global ex US REITS	12.70	7.79	6.04	7.17

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones and S&P data © 2022 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.



Commodities

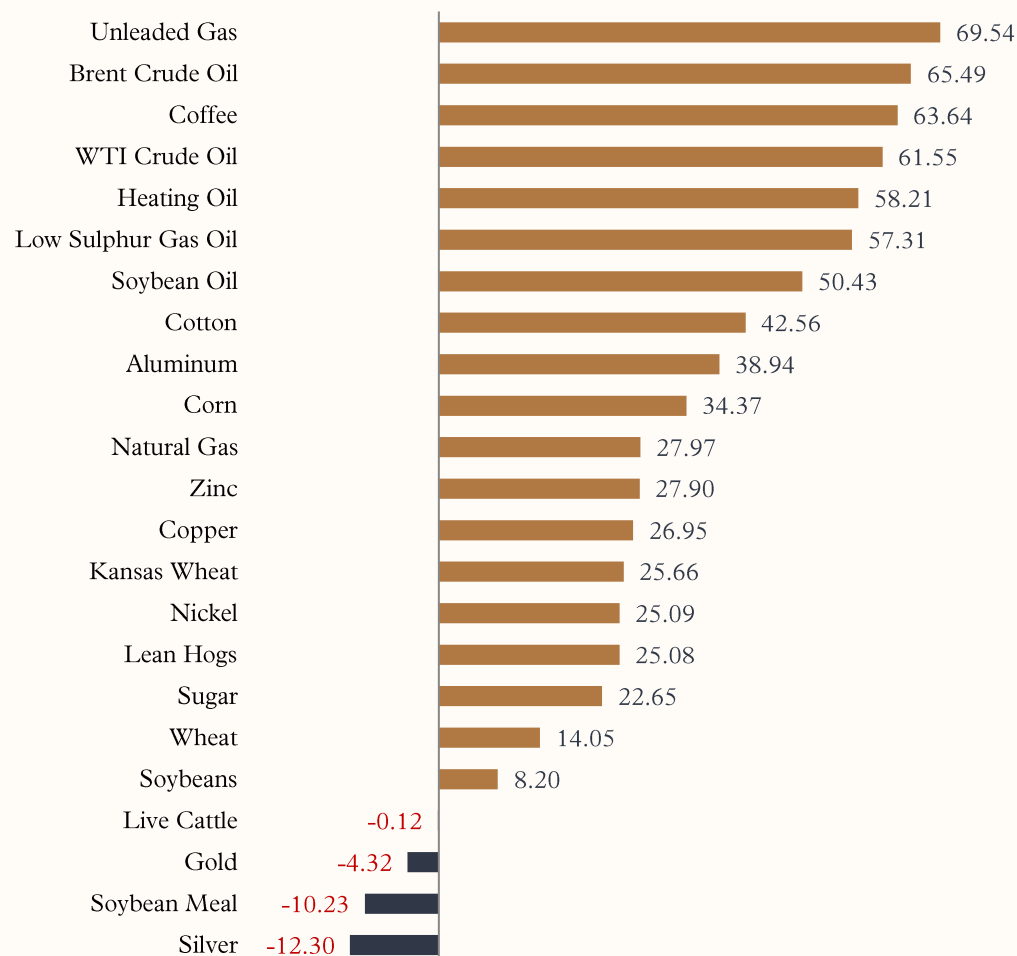
2021 INDEX RETURNS

- The Bloomberg Commodity Index Total Return gained 27.11% for the year.
- Unleaded Gas and Brent Crude Oil were the best performers, advancing 69.54% and 65.49%, respectively.
- Silver and Soybean Meal were the worst performers, declining 12.30% and 10.23%, respectively.

PERIOD RETURNS (%) * Annualized

Asset Class	1 Year	3 Years**	5 Years**	10 Years**
Commodities	27.11	9.86	3.66	-2.85

2021 RANKED RETURNS FOR INDIVIDUAL COMMODITIES (%)



Past performance is not a guarantee of future results. Index is not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Commodities returns represent the return of the Bloomberg Commodity Total Return Index. Individual commodities are sub-index values of the Bloomberg Commodity Total Return Index. Data provided by Bloomberg.

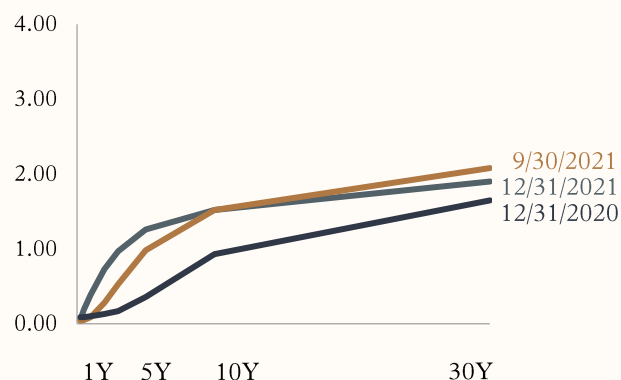


Fixed Income

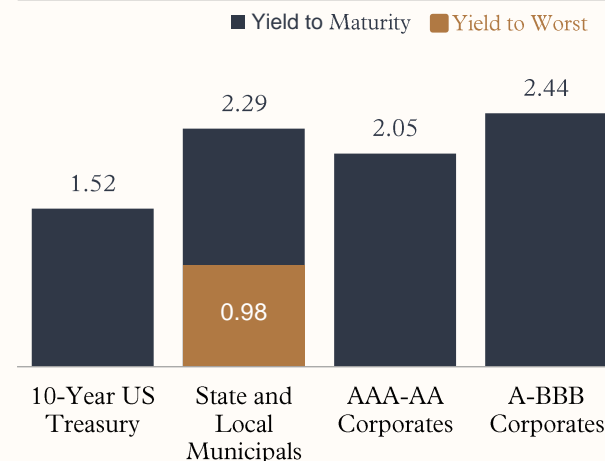
2021 INDEX RETURNS

- Interest rates in the US Treasury fixed income market generally increased during the year. The yield on the 5-year US Treasury note added 90 basis points (bps) to 1.26%. The yield on the 10-year US Treasury note increased 59 bps to 1.52%. The 30-year US Treasury bond yield rose 25 bps to 1.90%.
- On the short end of the yield curve, the 1-month US Treasury bill yield decreased 2 bps to 0.06%, while the 1-year US Treasury bill yield climbed 29 bps to 0.39%. The yield on the 2-year US Treasury note increased 60 bps to 0.73%.
- In terms of total returns, short-term corporate bonds declined 0.47% for the year. Intermediate-term corporate bonds lost 1.00%.
- The total return for short-term municipal bonds was 0.36%, while intermediate-term municipal bonds gained 0.51%. Revenue bonds generally outperformed general obligation bonds for the year.

US TREASURY YIELD CURVE (%)



BOND YIELD ACROSS ISSUERS (%)



PERIOD RETURNS (%)

Asset Class	*Annualized			
	1 Year	3 Years*	5 Years**	10 Years**
Bloomberg US TIPS Index	5.96	8.44	5.34	3.09
Bloomberg US High Yield Corporate Bond Index	5.28	8.83	6.30	6.83
Bloomberg Municipal Bond Index	1.52	4.73	4.17	3.72
ICE BofA US 3-Month Treasury Bill Index	0.05	0.99	1.14	0.63
ICE BofA 1-Year US Treasury Note Index	-0.07	1.55	1.42	0.86
FTSE World Government Bond Index 1-5 Years (hedged to USD)	-0.80	2.07	1.89	1.66
Bloomberg US Aggregate Bond Index	-1.54	4.79	3.57	2.90
FTSE World Government Bond Index 1-5 Years	-4.43	1.38	1.79	-0.33
Bloomberg US Government Bond Index Long	-4.57	8.78	6.53	4.53

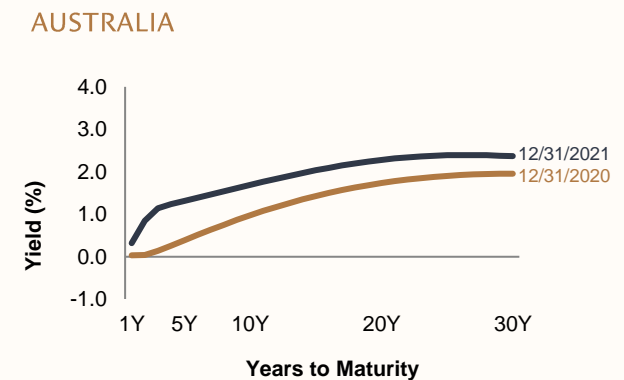
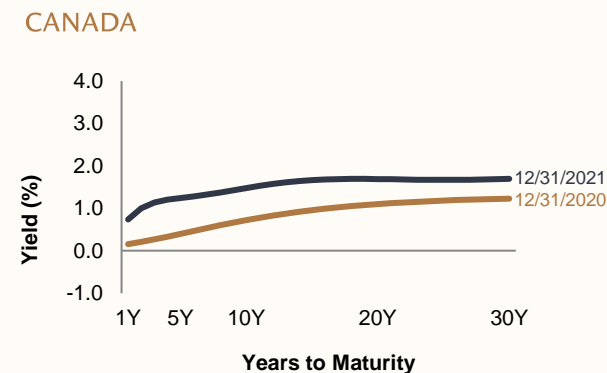
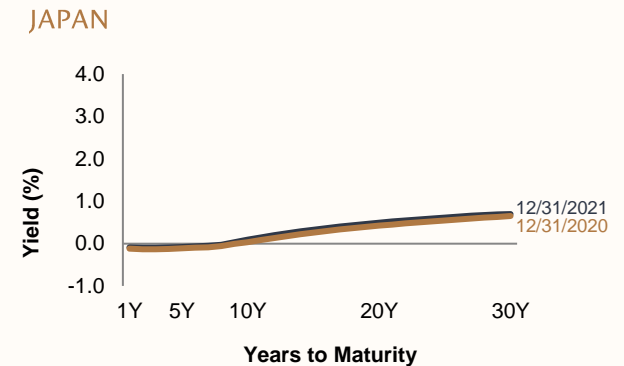
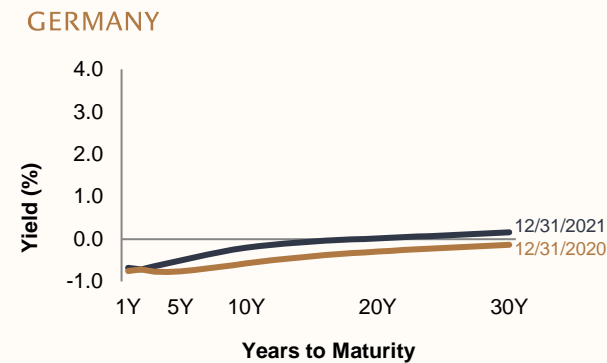
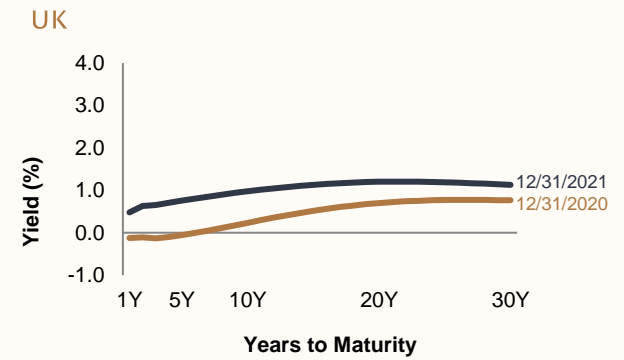
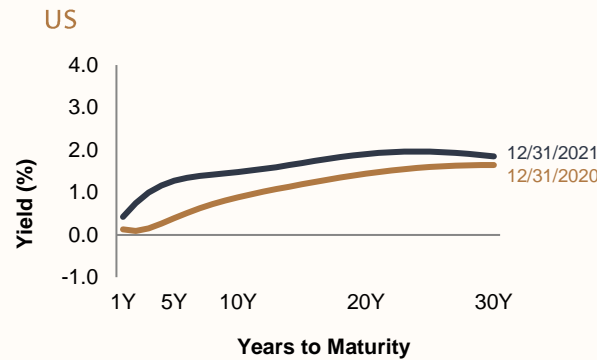
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Global Fixed Income

2021 YIELD CURVES

- Government bond yields in the global developed markets generally increased for the year.
- Term premiums were generally negative across global developed markets.
- Short- and intermediate-term nominal interest rates were negative in Japan and Germany.



CHANGES IN YIELDS (BPS) SINCE 12/31/2020

	1Y	5Y	10Y	20Y	30Y
US	29.4	88.0	59.3	46.1	20.1
UK	60.3	81.6	74.2	50.1	36.4
Germany	7.9	25.6	37.0	29.4	30.1
Japan	2.9	3.1	5.6	7.1	4.9
Canada	57.5	84.8	75.6	59.1	46.7
Australia	28.5	93.0	71.6	54.6	41.8



Important Disclosure Information

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