



MONTH IN REVIEW

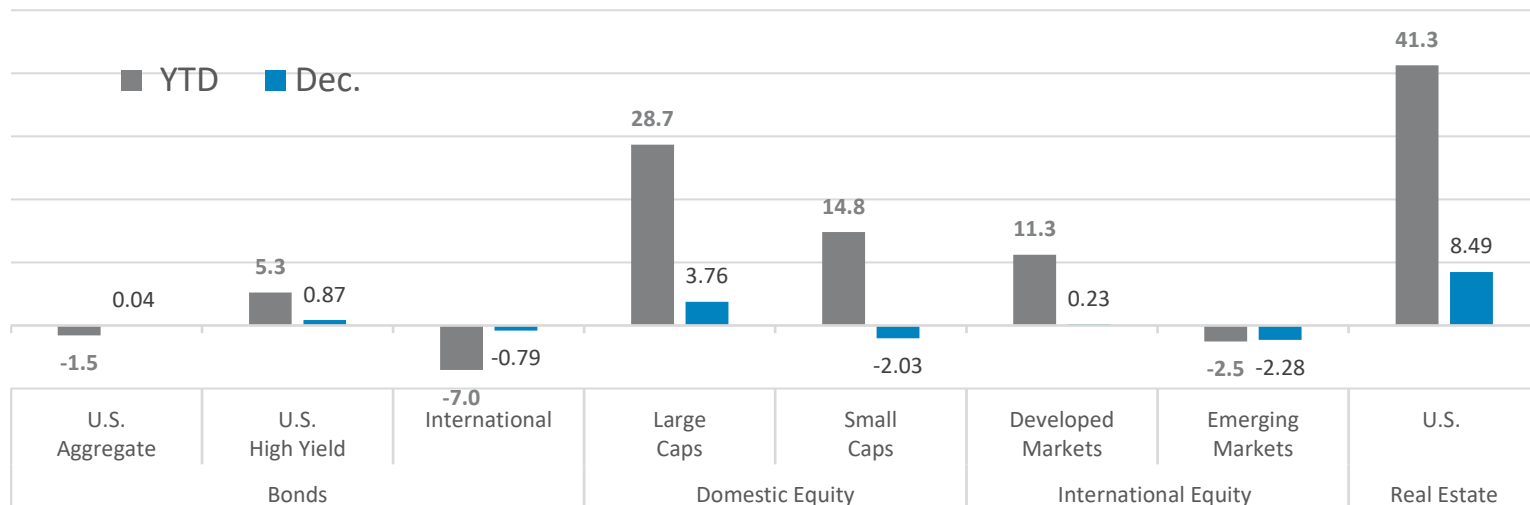
December 2021

Quick Takes

- Omicron Impacts International Markets.** International equities sold off for the month of December as the omicron variant worked its way through the global population. Domestic equities shook off these concerns and posted a solid month.
- Short-Term Yields Rise, Long-Term Yields Fall.** Short duration yields rose by 24bps for the month of December, whereas longer dated yields fell by 4bps for the month as the yield curve steepened. Overall, bonds were roughly flat for the month with High Yield outperforming Investment Grade.
- Dollar Takes A Rollercoaster Ride.** The dollar ebbed and flowed for the month of December as investors examined the potential impact that omicron would have on global markets, as well as an increase in the pace of the tapering process of the Federal Reserve.
- Supply chains, Labor Markets, and Inflation.** Employment showed continued progress throughout the month, but Labor Markets remain tight with over 110 million open jobs in the US. High frequency data showed that Supply Chain constraints were also easing further, but remain elevated, which further exacerbated inflation.

Asset Class Performance

Overall, Risk Assets posted somewhat mixed results for the final month of the year, but US and developed international equities locked in solid year to date returns. Bonds, both domestic and international, finished the year in the red.



Source: Bloomberg, as of December 31, 2021. Asset-class performance is presented by using total returns for an index proxy that best represents the respective broad asset class. U.S. Bonds (Barclays U.S. Aggregate Bond TR), U.S. High Yield (Barclays U.S. HY 2% Issuer-Capped TR), International Bonds (Barclays Global Aggregate ex USD TR), Large Caps (S&P 500 TR), Small Caps (Russell 2000 TR), Developed Markets (MSCI EAFE NR USD), Emerging Markets (MSCI EM NR USD), Real Estate (FTSE NAREIT All Equity REITS TR).



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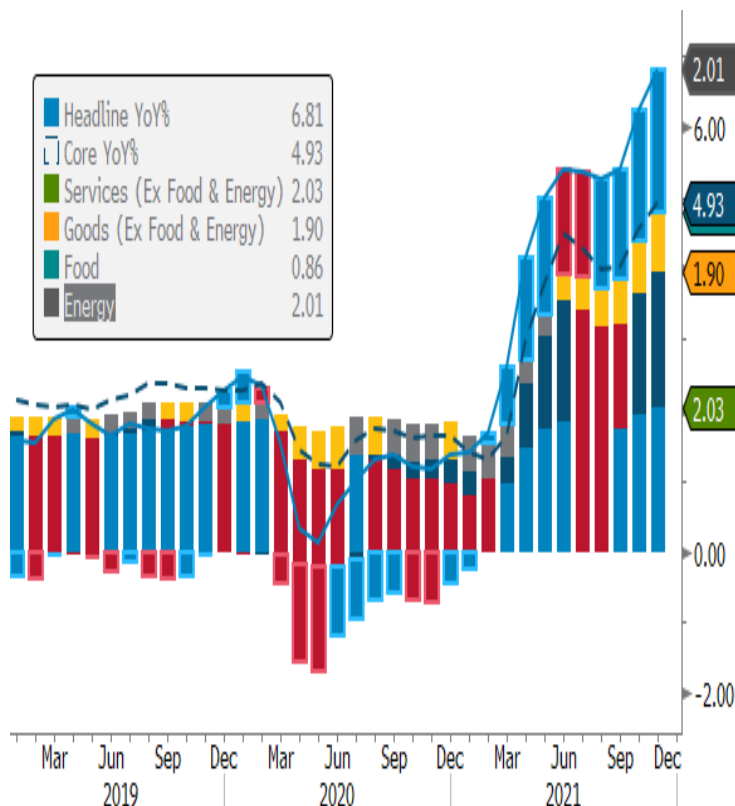


Fed Dominates Markets As Traders Shake Off Omicron

The month of December initially began with traders pricing in a new covid-19 variant's impact (omicron variant) on markets, but eventually shook off their concerns and turned their attention back to the Federal Reserve. While inflation, as measured by the Consumer Price Index (CPI), came in below expectations for the month of November, the rate of the year over year increase was the largest since 1982. With inflation running hotter than the Federal Reserve's anticipation, Chairman Powell announced an increase in the pace of the Fed's tapering process. The Fed is planning to double its reduction in asset purchases and is now expected to stop adding to its bond portfolio in March of 2022. This increased pace in the tapering process opens the door to a sooner than originally expected increase in interest rates, now expected to occur around the middle of the year in 2022.

Inflation Climbs at Fastest Annual Rate Since 1982

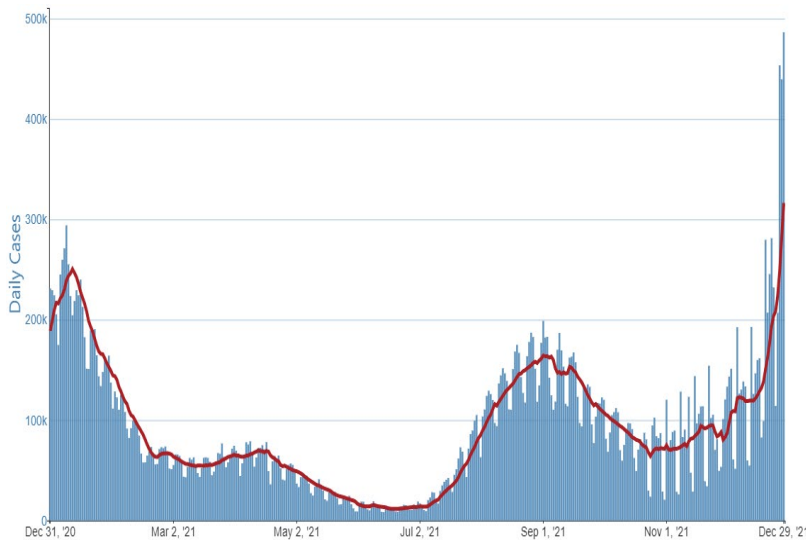
Headline CPI YoY and Category Contribution



Source: Bureau of Labor Statistics, Bloomberg

Covid-19 Cases Soar Higher

Daily Trends in Number of Covid-19 Cases in USA



Source: Centers for Disease Control and Prevention (CDC)

The month began with traders in sell mode as they priced in the spread of the omicron variant, but even as case counts reached their highest point in the year, market participants switched into buy mode as the pace of consumer spending increased with holiday shopping. Along with increased consumer spending, consumer sentiment also pushed higher for the month, adding additional confidence to the market's upward trajectory and pushed equities into new highs during the month. While US markets finished the month below these newly achieved highs, strong year to date gains were solidified as the grind higher resumed. International markets, especially those in emerging economies, did not fair as well as domestic markets due to their lower vaccination rates. Developed markets were slightly positive for the month and locked in a double digit return for the year, while Emerging markets were in the red both for the month and the year.

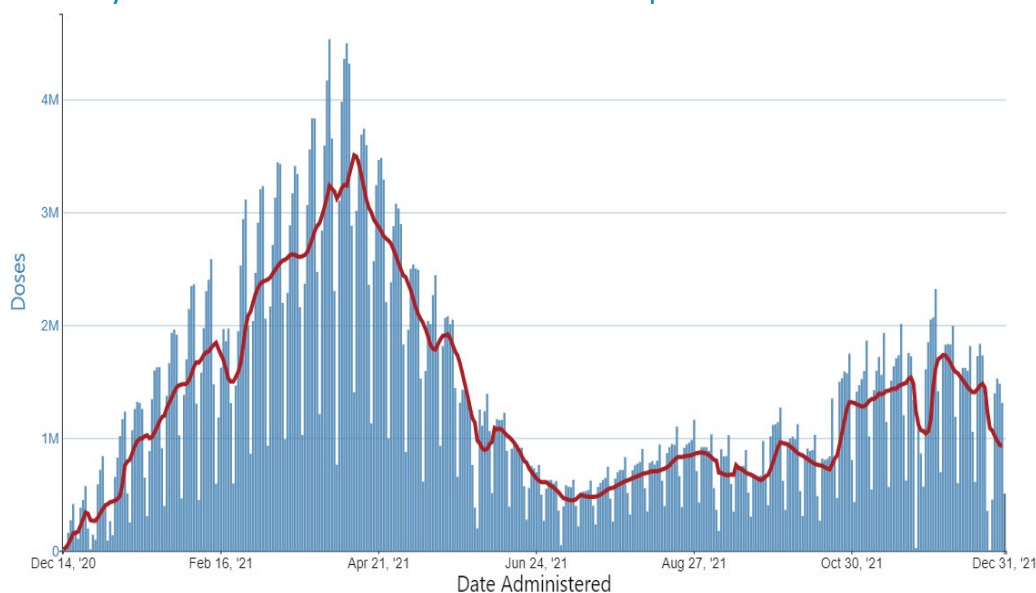
Bottom Line: The narrative for the month of December began with fears over the spread of the omicron variant, but eventually shifted to focus on Fed speak as Chairman Powell announced an increase in the pace of the tapering process, which will likely lead to a rate hike sooner than originally anticipated. Market participants took this news in stride and pushed equities to record levels.



The Fight to Normalcy

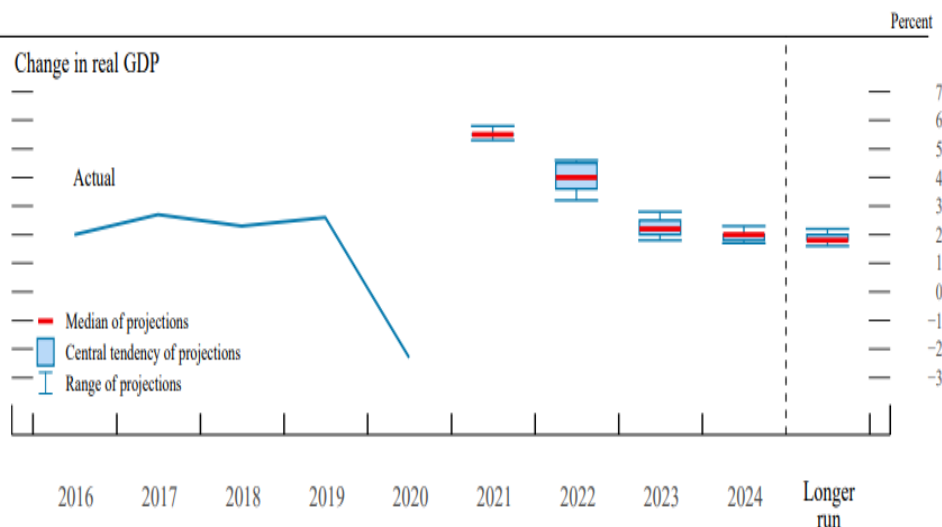
With 2021 officially in the books, market participants will begin to shift their focus to themes for the new year. While the year is new, it's likely that the macro themes from 2021 will remain largely in focus, especially those surrounding employment, inflation, supply chains, and their combined effects on monetary policy. While traders shook off the new covid-19 variant's impact on the domestic markets for the month of December, it appears that we will be living with a continued threat over our heads attributable to the spread of covid-19 and its various variants. As highlighted on the previous page, case counts skyrocketed for the final month of the year and as illustrated in the chart below, vaccination doses administered fell after briefly rising at the beginning of the December. The CDC reported that approximately 62% of the United State's population has been fully vaccinated, as a reminder, the goal for herd immunity is thought to be reached around 75% of the population being fully vaccinated. Until this level of herd immunity is reached, it is likely that covid will remain a threat to the economy and the path to normalcy, especially when related to labor markets and effects

Despite Rapidly Increasing Covid-19 Case Counts, Vaccinations Dip Daily Count of Total Doses Administered & Reported to CDC



Source: Centers for Disease Control and Prevention

Rate of Future Economic Growth is Expected to Slow Federal Reserve's Estimate of Economic Projections



Source: Federal Reserve

on supply chains. Both of which will have implications surrounding monetary policy and thus future economic growth. The Federal Reserve, as shown above, is currently forecasting the new year to have above trendline growth with their median estimate for 2022's annual change in GDP landing at +4.0%. While

2022's growth estimate is above historical long-run averages, it is below 2021's forecasted change of +5.50%, preliminary numbers for full year GDP growth are expected to be released in the first part of January. The chart above also shows that economic growth is forecasted to continue to increase at a declining rate in the years beyond 2022, landing at a longer-term annualized rate of around +1.9% per year. This long-run forecast is much more in line with "normal" historical averages.

Bottom Line: 2022's economic growth is forecasted to expand at a rate above historical trendline averages, but at a slower rate than 2021. While forecasts are for robust growth in 2022 as the economy continues the path back to normalcy, risks relating to the spread of covid-19 and its impact on improving, but still constrained supply chains and tight labor markets may impact monetary policy and thus overall economic growth. Looking beyond 2022, economic expansion is expected to increase at a declining pace to a rate more consistent with longer run historical averages.

December 2021

Equity Themes

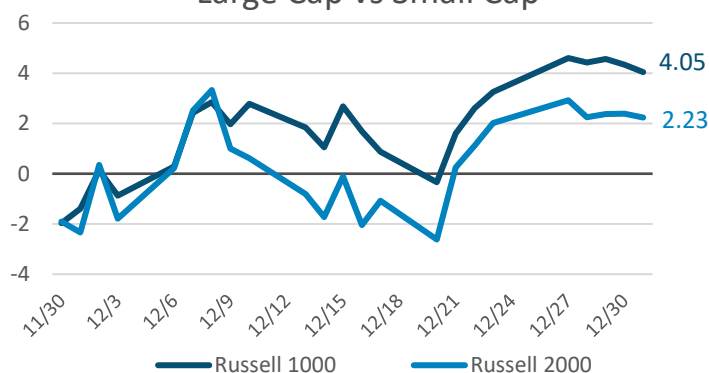
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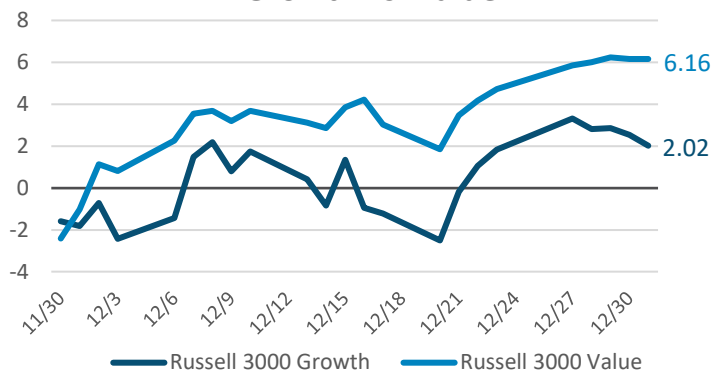
What Worked, What Didn't

- Large over Small, Value over Growth.** Small Cap equities began the month trading in near lockstep with Large Caps, but Large Cap equities eventually diverged and ended with a healthy gap over Small Caps. Value outperformed Growth equities for the entire month, ending with over 400bps of outperformance versus Growth equities.
- Quality and Low Volatility Outperform.** Quality and Low Volatility equities beat out High Volatility and Momentum peers for the month of December by wide margins.
- Developed Markets Crush Emerging Markets.** Covid concerns continued to weigh on Emerging Markets and while positive for the month, Emerging Markets couldn't keep pace with Developed Markets. The MSCI EAFE, a proxy for Developed Markets, slightly underperformed the S&P 500 for the month.

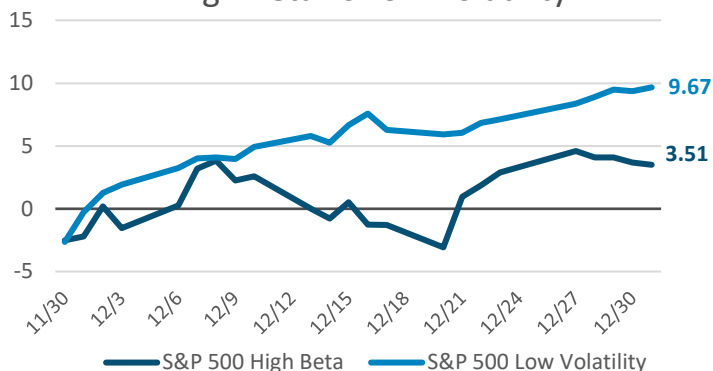
Large Cap vs Small Cap



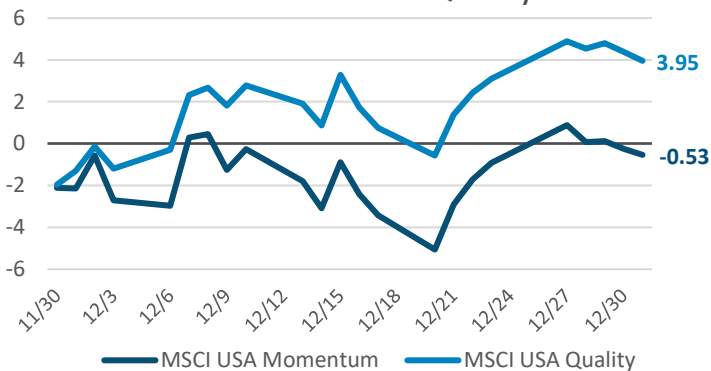
Growth vs. Value



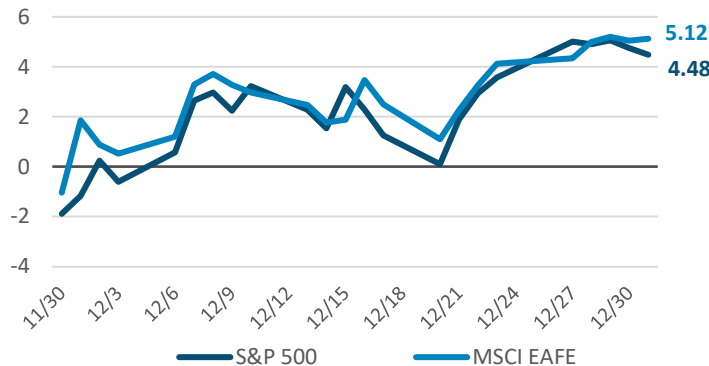
High Beta vs Low Volatility



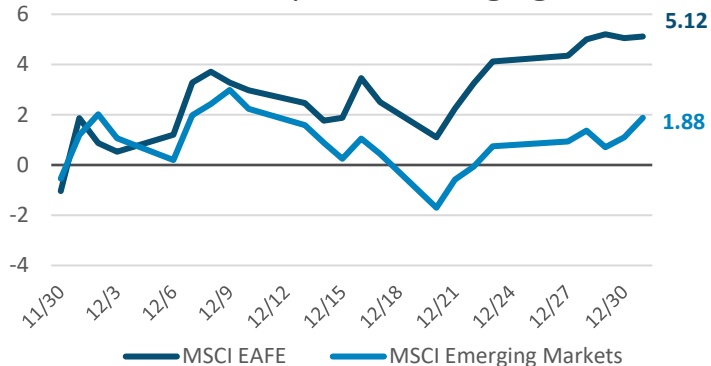
Momentum vs Quality



Domestic vs. International



Developed vs. Emerging

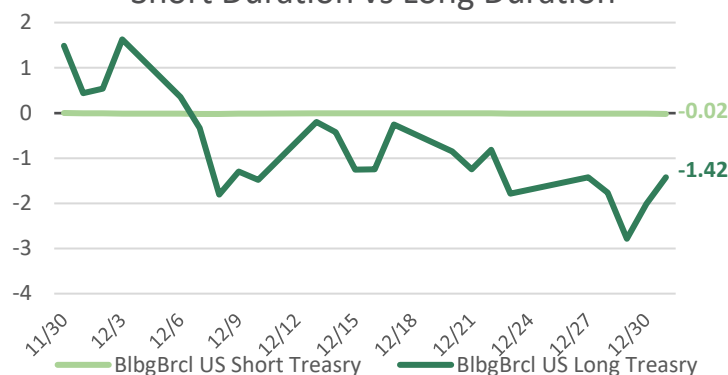




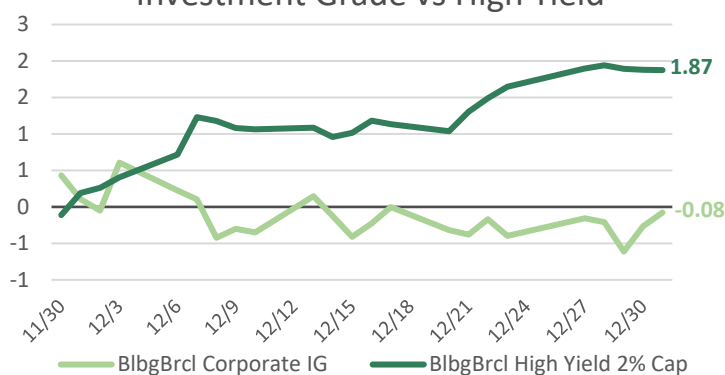
What Worked, What Didn't

- **Short Duration and Risky Bonds Outperform.** With the yield curve steepening for the month of December, Short Duration bonds outperformed their longer dated peers. It paid to be risk on for the month as high yield bonds outperformed investment grade bonds.
- **TIPS & Munis Outperform.** Continuing the recent trend, inflation-protected bonds outperformed their treasury peers and municipals beat out corporate issues for the month of December.
- **Domestic Bonds Over International.** International bonds underperformed domestic bonds as concerns over the impact of the omicron variant weighed on international fixed income markets.

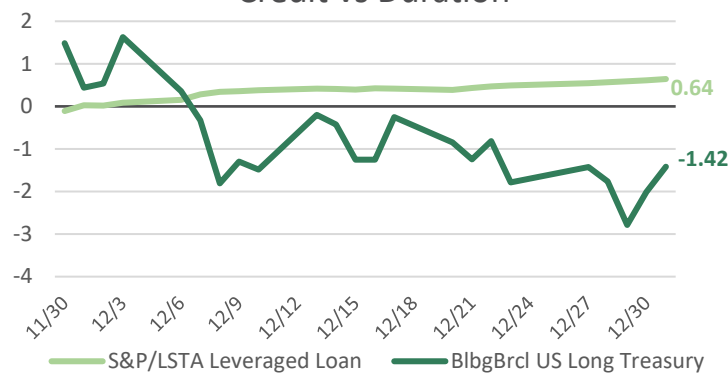
Short Duration vs Long Duration



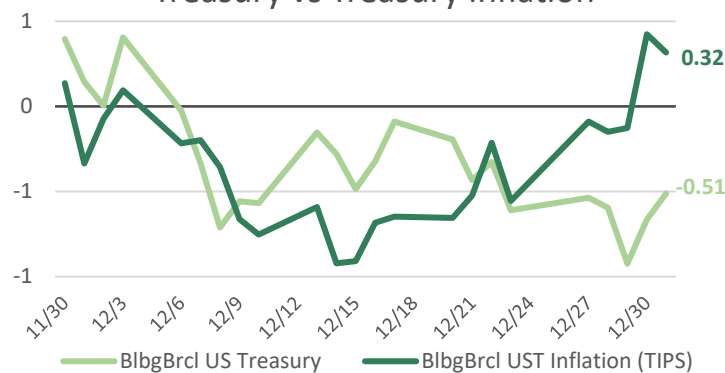
Investment Grade vs High Yield



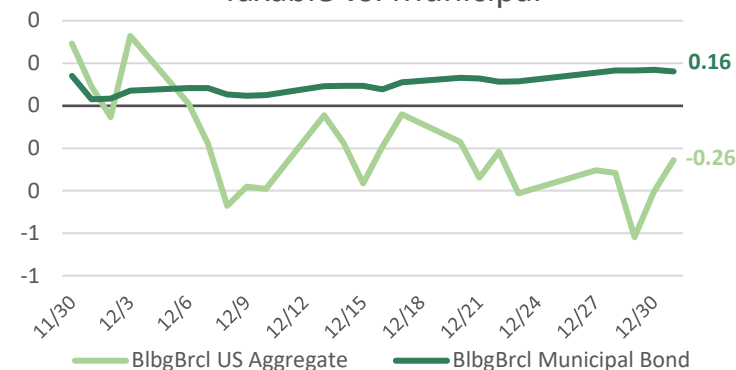
Credit vs Duration



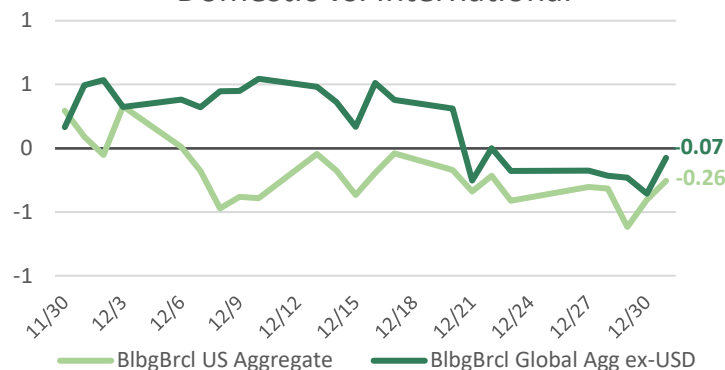
Treasury vs Treasury Inflation



Taxable vs. Municipal



Domestic vs. International



December 2021

Asset Class Performance

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The Importance of Diversification. From period to period there is no certainty what investment will be the best, or worst, performer. Diversification mitigates the risk of relying on any single investment and offers a host of long-term benefits, such as less portfolio volatility, improved risk-adjusted returns, and more effective compounding.

Dec-01	Dec-02	Dec-03	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-20	Dec-21	Dec-22	Dec-23	Dec-27	Dec-28	Dec-29	Dec-30	Dec-31	Dec	YTD
EM 0.37	RE 3.04	USB 0.40	SCV 2.17	SCG 3.34	MCG 1.28	USB 0.01	LCG 0.98	RE 1.09	HYB -0.17	SCG 2.23	IBD 0.58	SCG 1.56	IBD 0.25	MCG 3.09	LCG 1.26	SCG 1.07	RE 1.67	RE 0.34	SCG 2.86	EM 1.15	IBD 0.47	RE 11.17	RE 26.74
IBD 0.06	SCV 3.03	IBD 0.23	MCV 1.76	MCG 3.29	SCG 0.85	IBD -0.35	LCV 0.47	USB 0.35	LCV -0.18	LCG 2.11	LCV 0.43	MCG 0.70	USB -0.15	SCG 3.00	SCV 0.99	LCG 0.80	LCG 1.50	MCV 0.22	SCV 2.69	RE 0.45	RE 0.16	MCV 7.78	LCG 24.89
USB 0.02	MCV 2.78	HYB 0.00	SCG 1.75	LCG 2.94	LCG 0.64	LCV -0.36	MCV 0.38	HYB 0.00	USB -0.19	MCG 1.77	USB 0.14	SCV 0.19	HYB -0.17	SCV 2.85	RE 0.97	MCG 0.76	MCV 1.34	LCV 0.17	MCG 1.31	USB 0.22	MCV 0.16	LCV 7.35	SCV 22.97
HYB 0.01	SCG 2.44	LCV -0.24	RE 1.61	IEQ 2.11	RE 0.62	HYB -0.45	IBD 0.26	IBD -0.17	EM -0.23	RE 1.37	EM 0.12	USB 0.12	IEQ -0.22	LCG 2.31	IEQ 0.93	SCV 0.64	LCV 1.08	IEQ 0.04	MCV 1.28	SCG 0.19	SCV 0.08	SCV 6.15	MCV 20.48
IEQ -0.57	LCV 2.16	IEQ -0.41	LCV 1.39	EM 1.58	SCV 0.52	EM -0.48	RE 0.24	LCV -0.43	IBD -0.38	IEQ 1.36	RE 0.03	HYB -0.09	60/40 -0.62	MCV 2.07	MCG 0.87	IEQ 0.59	SCV 1.03	USB -0.04	EM 1.24	MCG 0.13	HYB -0.02	IEQ 5.01	LCV 17.54
60/40 -0.67	MCG 2.08	60/40 -0.45	IEQ 0.96	MCV 1.54	MCV 0.44	60/40 -0.63	HYB 0.23	60/40 -0.43	60/40 -0.49	MCV 1.06	IEQ 0.01	RE -0.20	RE -0.80	EM 1.69	MCV 0.82	MCV 0.56	MCG 0.96	HYB -0.05	LCG 0.98	60/40 0.05	LCV -0.02	LCG 3.96	MCV 12.19
LCV -0.98	IEQ 1.24	RE -0.45	LCG 0.92	RE 1.50	EM 0.40	IEQ -0.83	60/40 0.22	MCG -0.77	SCV -0.52	SCV 0.99	HYB -0.07	60/40 -0.41	LCV -1.08	LCV 1.49	SCG 0.81	LCV 0.56	SCG 0.82	60/40 -0.10	RE 0.97	HYB -0.05	USB -0.04	MCV 3.55	60/40 6.92
MCV -1.35	EM 1.22	MCV -0.55	EM 0.78	SCV 1.38	IBD 0.38	MCV -1.01	IEQ 0.22	MCV -0.82	IEQ -0.53	LCV 0.88	60/40 -0.28	LCG -0.46	LCG -1.22	IEQ 1.11	LCV 0.62	EM 0.52	IEQ 0.78	IBD -0.12	IEQ 0.91	LCV -0.07	IEQ -0.09	SCG 3.16	IEQ 6.75
RE -1.54	LCG 1.10	SCV -1.24	60/40 0.58	LCV 1.25	IEQ 0.19	LCG -1.20	EM 0.08	IEQ -0.92	MCV -0.57	60/40 0.74	MCV -0.40	EM -0.50	SCG -1.35	60/40 1.05	60/40 0.58	60/40 0.33	60/40 0.63	SCV -0.31	LCV 0.86	MCV -0.16	60/40 -0.10	60/40 3.10	SCG 2.10
LCG -1.85	60/40 1.07	EM -1.41	HYB 0.44	60/40 1.22	60/40 0.19	RE -1.27	USB 0.03	LCG -1.22	SCG -1.16	HYB 0.38	SCV -1.09	IBD -0.71	SCV -1.46	RE 1.01	EM 0.48	HYB 0.29	EM 0.45	EM -0.33	60/40 0.80	SCV -0.24	MCG -0.39	HYB 2.27	HYB 1.43
SCV -1.97	HYB 0.74	LCG -1.67	MCG 0.41	HYB 0.53	LCV 0.07	SCV -1.63	SCV 0.01	SCV -1.45	LCG -1.21	IBD 0.09	MCG -1.97	MCV -0.82	MCV -1.49	HYB 0.53	IBD 0.46	RE -0.09	HYB 0.10	LCG -0.44	IBD 0.44	IEQ -0.26	SCG -0.45	EM 1.16	USB -1.42
SCG -2.65	IBD 0.06	MCG -2.45	IBD -0.20	IBD 0.00	HYB -0.02	MCG -2.14	MCG -0.27	SCG -1.54	RE -1.22	USB -0.08	LCG -2.23	LCV -1.24	EM -1.50	USB -0.08	HYB 0.27	USB -0.12	USB 0.05	MCG -0.76	USB 0.28	IBD -0.26	EM -0.49	IBD 0.31	EM -5.07
MCG -3.07	USB -0.02	SCG -2.70	USB -0.35	USB -0.16	USB -0.26	SCG -2.82	SCG -0.59	EM -1.56	MCG -1.53	EM -0.29	SCG -2.96	IEQ -1.26	MCG -1.52	IBD -0.17	USB 0.09	IBD -0.20	IBD -0.09	SCG -1.04	HYB 0.27	LCG -0.39	LCG -0.50	USB -0.38	IBD -8.75

High

Low

Legend

60/40 Allocation (60/40)	Large Growth (LCG)	Mid Growth (MCG)	Small Growth (SCG)	Intl Equity (IEQ)	U.S. Bonds (USB)	Intl Bonds (IBD)
	Large Value (LCV)	Mid Value (MCV)	Small Value (SCV)	Emg Markets (EM)	High Yield Bond (HYB)	Real Estate (RE)

Source: Bloomberg. Asset-class performance is presented by using market returns from an exchange-traded fund (ETF) proxy that best represents its respective broad asset class. Returns shown are net of fund fees for and do not necessarily represent performance of specific mutual funds and/or exchange-traded funds recommended by the Prime Capital Investment Advisors. The performance of those funds may be substantially different than the performance of the broad asset classes and to proxy ETFs represented here. U.S. Bonds (iShares Core U.S. Aggregate Bond ETF); High-Yield Bond (iShares iBoxx \$ High Yield Corporate Bond ETF); Intl Bonds (SPDR® Bloomberg Barclays International Corporate Bond ETF); Large Growth (iShares Russell 1000 Growth ETF); Large Value (iShares Russell 1000 Value ETF); Mid Growth (iShares Russell Mid-Cap Growth ETF); Mid Value (iShares Russell Mid-Cap Value ETF); Small Growth (iShares Russell 2000 Growth ETF); Small Value (iShares Russell 2000 Value ETF); Intl Equity (iShares MSCI EAFE ETF); Emg Markets (iShares MSCI Emerging Markets ETF); and Real Estate (iShares U.S. Real Estate ETF). The return displayed as "Allocation" is a weighted average of the ETF proxies shown as represented by: 30% U.S. Bonds, 5% International Bonds, 5% High Yield Bonds, 10% Large Growth, 10% Large Value, 4% Mid Growth, 4% Mid Value, 2% Small Growth, 2% Small Value, 18% International Stock, 7% Emerging Markets, 3% Real Estate.

Advisory services offered through Prime Capital Investment Advisors, LLC. ("PCIA"), a Registered Investment Adviser. PCIA doing business as Prime Capital Wealth Management ("PCWM") and Qualified Plan Advisors ("QPA").



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