

# Q2

Quarterly Market Review  
Second Quarter 2021



**PACIFICAWEALTH**

# Quarterly Market Summary

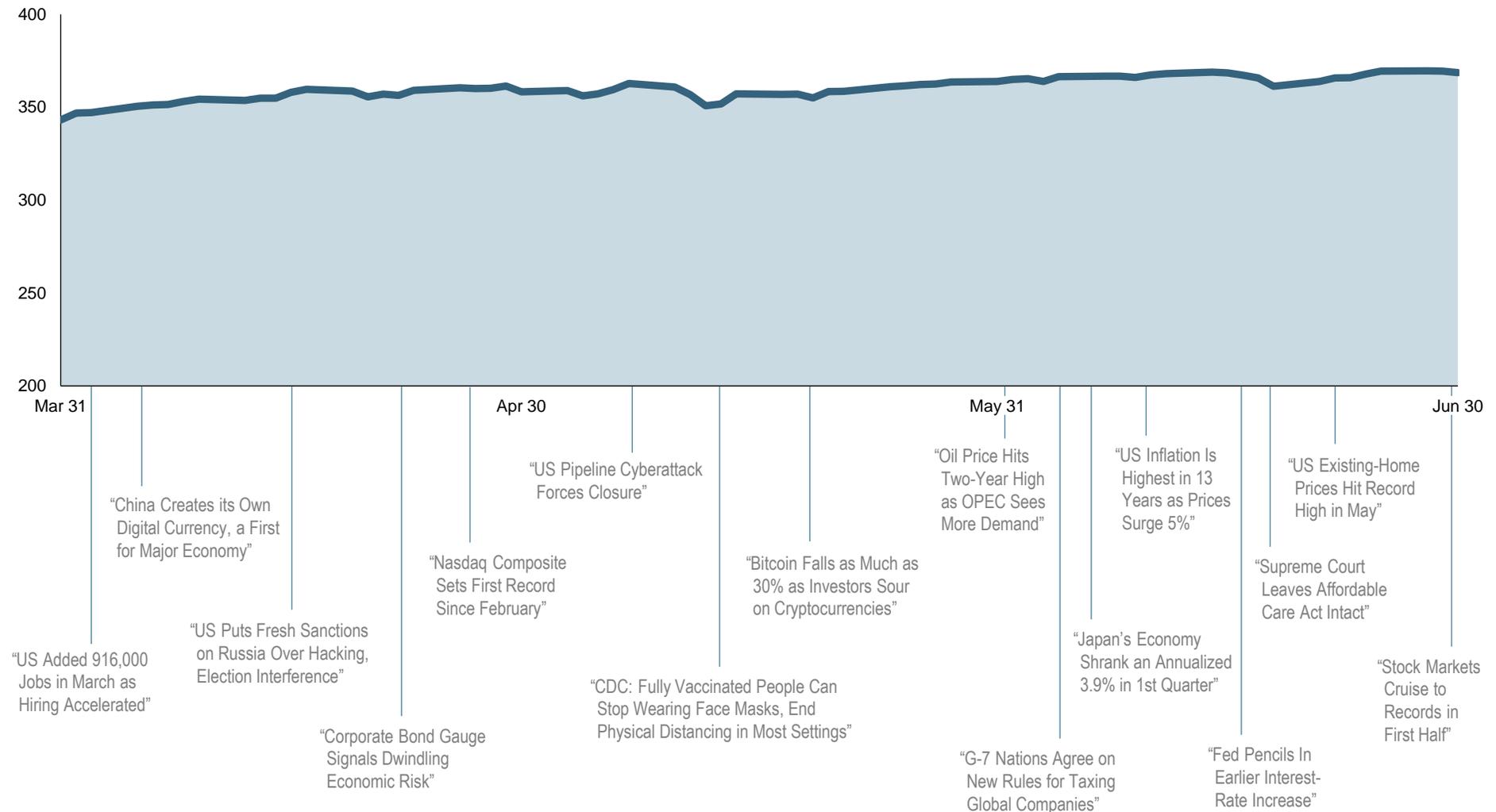
## Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate		US Bond Market	Global Bond Market ex US
<b>2Q 2021</b>	<b>STOCKS</b>					<b>BONDS</b>	
	<b>8.24%</b> 	<b>5.65%</b> 	<b>5.05%</b> 	<b>10.17%</b> 		<b>1.83%</b> 	<b>0.35%</b> 
<b>Since Jan. 2001</b>							
Avg. Quarterly Return	2.4%	1.7%	3.1%	2.6%		1.2%	1.1%
Best Quarter	22.0%	25.9%	34.7%	32.3%		4.6%	4.6%
	<b>2020 Q2</b>	<b>2009 Q2</b>	<b>2009 Q2</b>	<b>2009 Q3</b>		<b>2001 Q3</b>	<b>2008 Q4</b>
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%		-3.4%	-2.7%
	<b>2008 Q4</b>	<b>2020 Q1</b>	<b>2008 Q4</b>	<b>2008 Q4</b>		<b>2021 Q1</b>	<b>2015 Q2</b>

**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 Bond Market (Bloomberg Barclays US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Barclays Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2021 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 2021, all rights reserved. Bloomberg Barclays data provided by Bloomberg.

# World Stock Market Performance

MSCI All Country World Index with selected headlines from Q2 2021



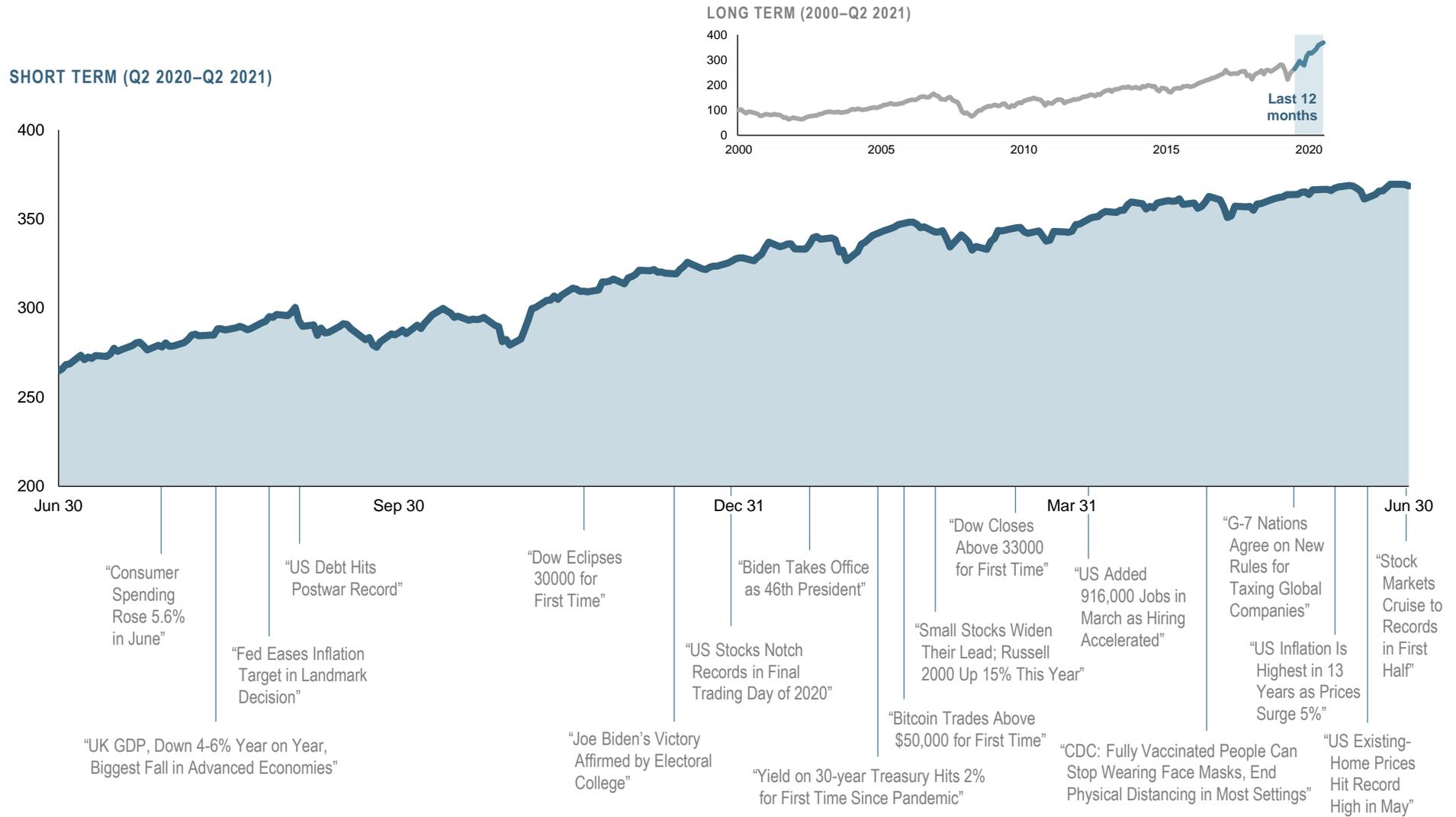
*These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.*

Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2021, all rights reserved.

It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. **Past performance is not a guarantee of future results.**

# 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.*

Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2021, all rights reserved.  
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# US Stocks

## Second Quarter 2021 Index Returns

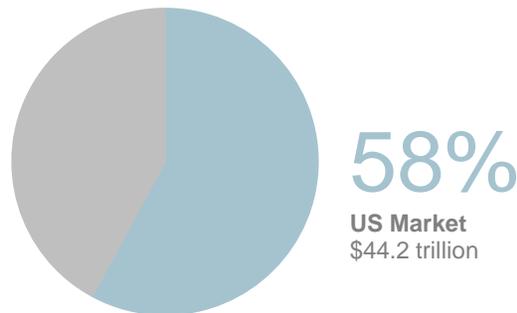
The US equity market posted positive returns for the quarter and outperformed non-US developed markets and emerging markets.

Value underperformed growth in large cap stocks but outperformed growth in small cap stocks.

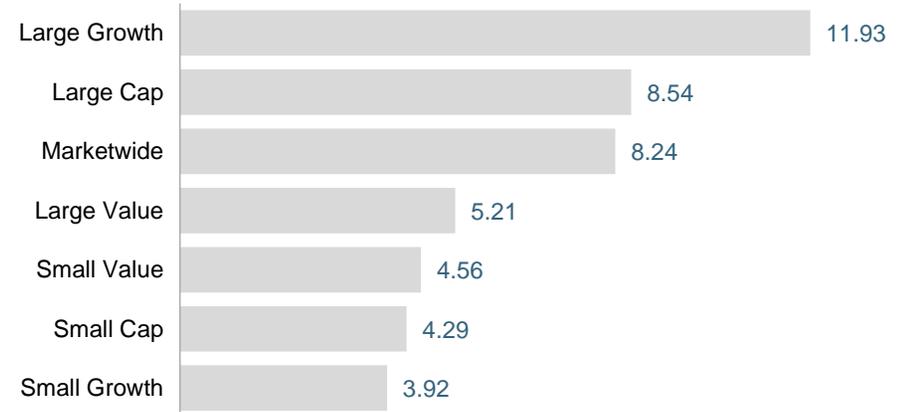
Small caps underperformed large caps.

REIT indices outperformed equity market indices.

### World Market Capitalization—US



### Ranked Returns (%)



### Period Returns (%)

\* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Growth	12.99	42.50	25.14	23.66	17.87
Large Cap	14.95	43.07	19.16	17.99	14.90
Marketwide	15.11	44.16	18.73	17.89	14.70
Large Value	17.05	43.68	12.42	11.87	11.61
Small Value	26.69	73.28	10.27	13.62	10.85
Small Cap	17.54	62.03	13.52	16.47	12.34
Small Growth	8.98	51.36	15.94	18.76	13.52

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# International Developed Stocks

## Second Quarter 2021 Index Returns

Developed markets outside the US posted positive returns for the quarter, underperforming US equities but outperforming emerging markets.

Value underperformed growth.

Small caps underperformed large caps.

### World Market Capitalization—International Developed

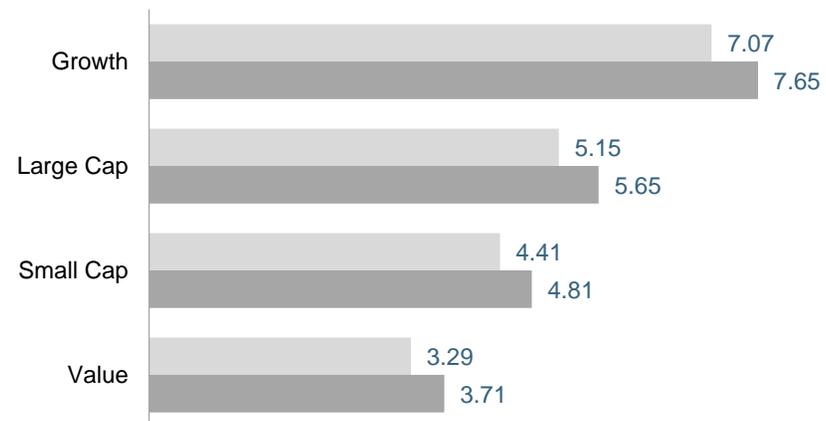
# 29%

International  
Developed Market  
\$22.3 trillion



### Ranked Returns (%)

■ Local currency ■ US currency



### Period Returns (%)

\* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Value	12.35	35.85	4.22	8.07	3.87
Large Cap	9.92	33.60	8.57	10.36	5.70
Small Cap	9.92	42.28	8.92	11.88	7.66
Growth	7.26	31.08	12.56	12.35	7.35

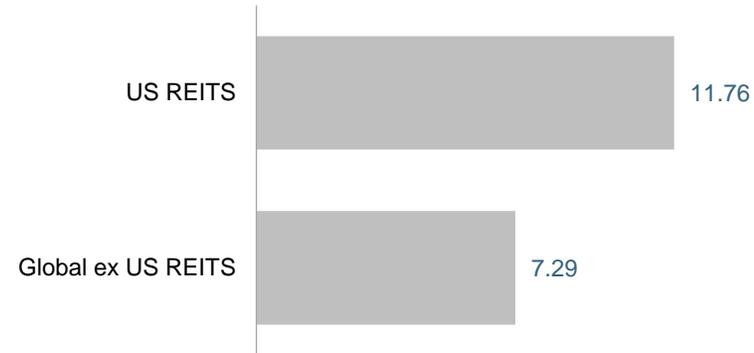
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Large Cap (MSCI World ex USA Index), Small Cap (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 2021, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

# Real Estate Investment Trusts (REITs)

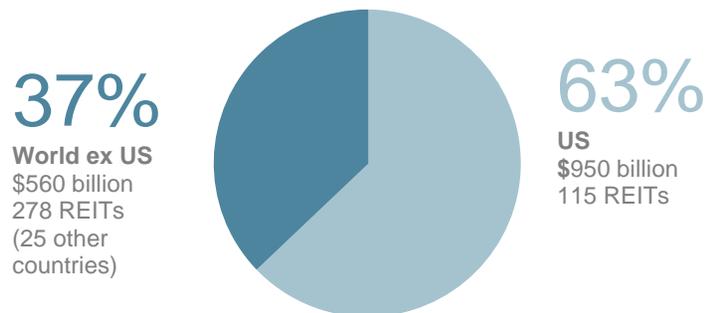
## Second Quarter 2021 Index Returns

US real estate investment trusts outperformed non-US REITs during the quarter.

### Ranked Returns (%)



### Total Value of REIT Stocks



### Period Returns (%)

\* Annualized

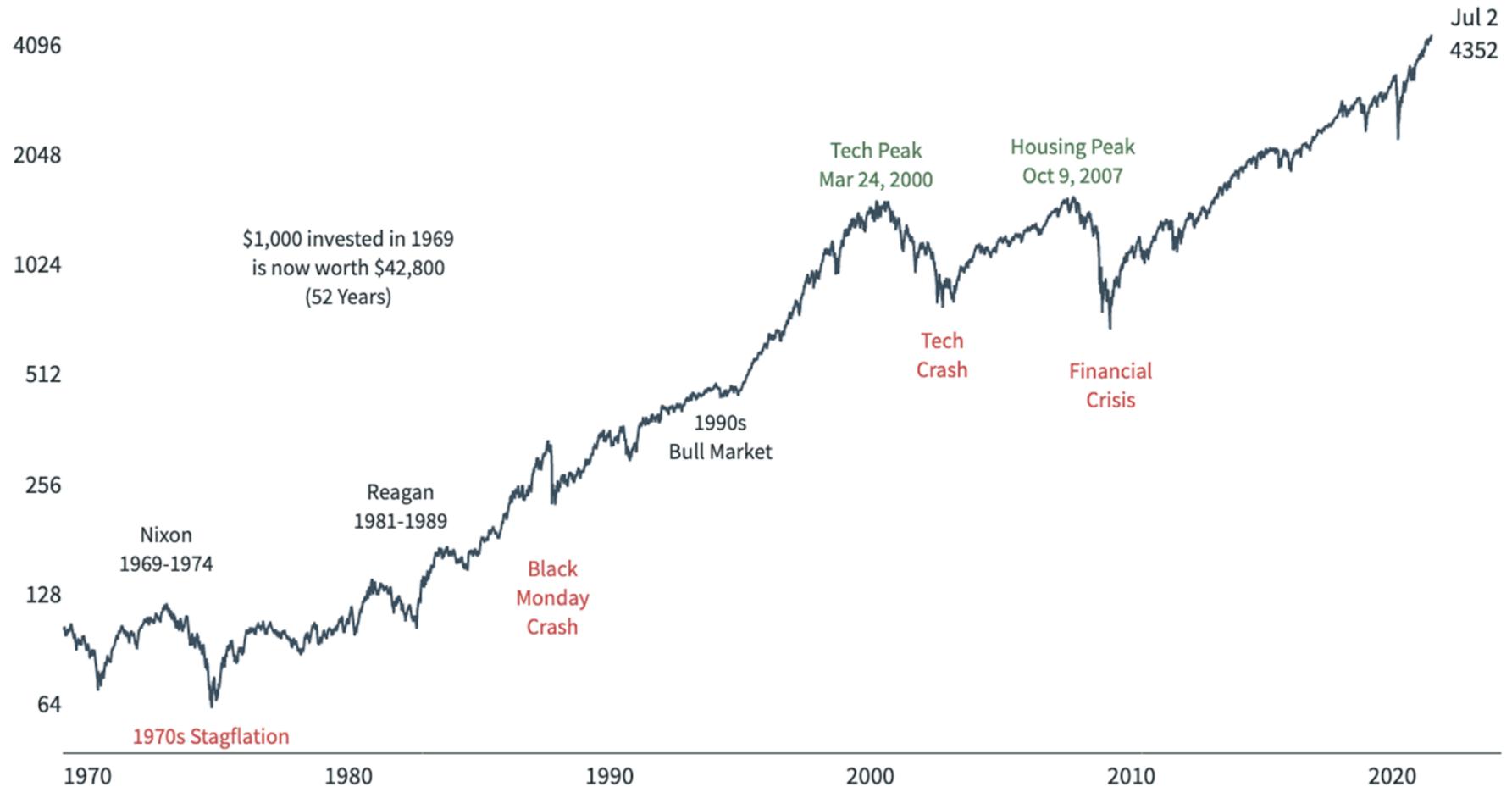
Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
US REITS	22.94	39.98	8.13	5.16	8.67
Global ex US REITS	9.68	31.93	4.63	4.11	5.00

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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 © 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

# Stock Market Cycles

*S&P 500 Index over the past 50 years (Log Scale)*



*Latest data point is Jul 2, 2021*

- As this chart shows (log scale), the stock market has performed well over the past 50 years despite short-term ups and downs.
- These periods of turbulence were due to economic, political and global turmoil during those decades.
- This emphasizes the importance of staying invested, rather than focusing on days or months, especially as volatility rises.

Source: Standard and Poor's

# S&P/Case-Shiller Index

Housing Market



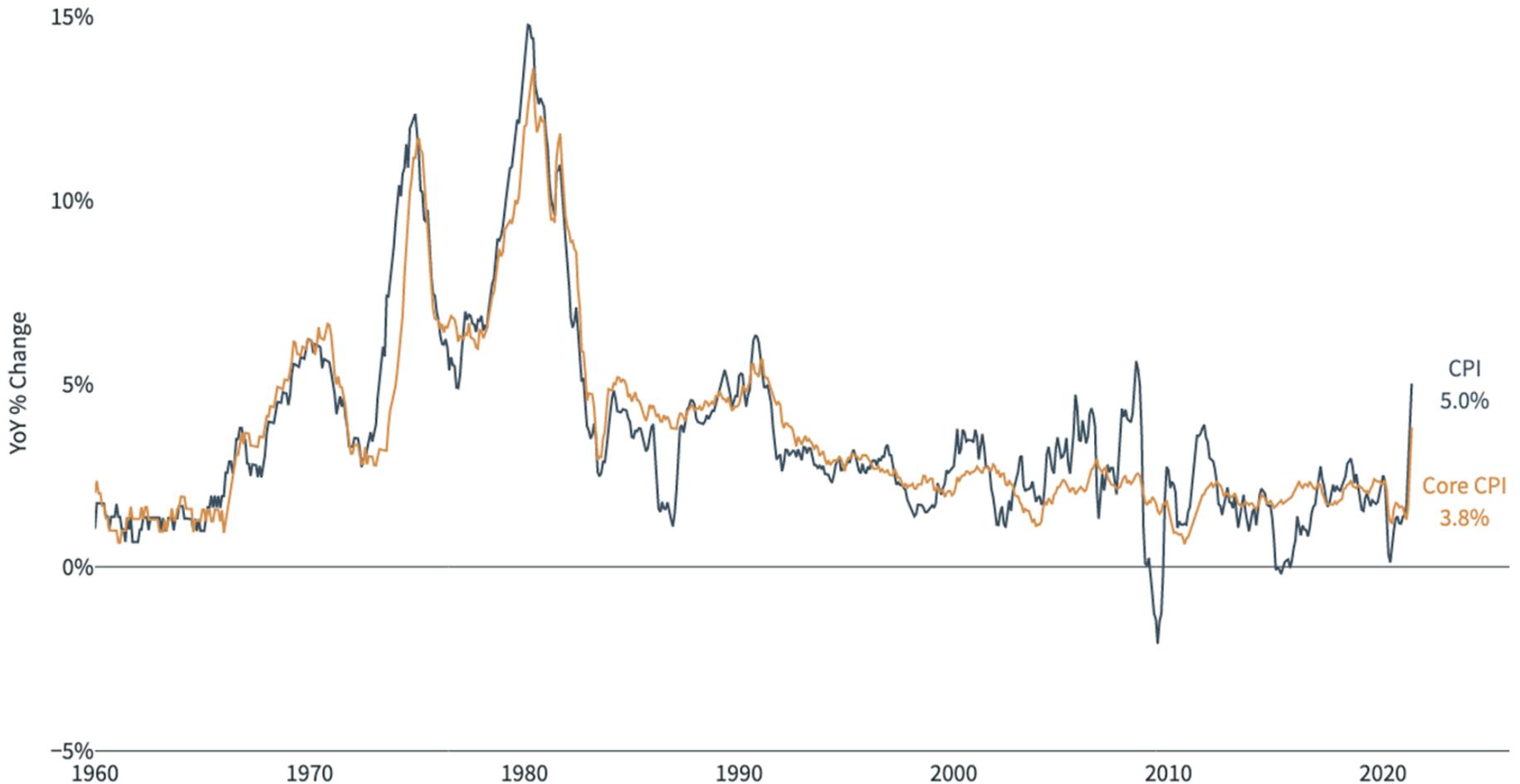
Latest data point is Apr 2021

- The S&P/Case-Shiller index is an important measure of national housing prices. This chart uses the 20-city index.
- Home prices continue to rise to record levels as many seek new homes.
- Historically low interest rates and a strong economy should continue to support the housing market.

Source: Standard & Poor's

# Consumer Price Index

## CPI and Ex Food and Energy, YoY % Change



Latest data point is May 2021

- CPI is a commonly cited measure of inflation. It uses a basket of goods and services to track price changes for consumers.
- In order to measure the underlying trend in inflation, rather than temporary shocks to food and energy, economists often focus on Core CPI.
- Inflation has begun to heat up as the economy reaches new historic peaks.

Source: U.S. Bureau of Labor Statistics

# Interest Rates

10-year and 2-year yields since 2010



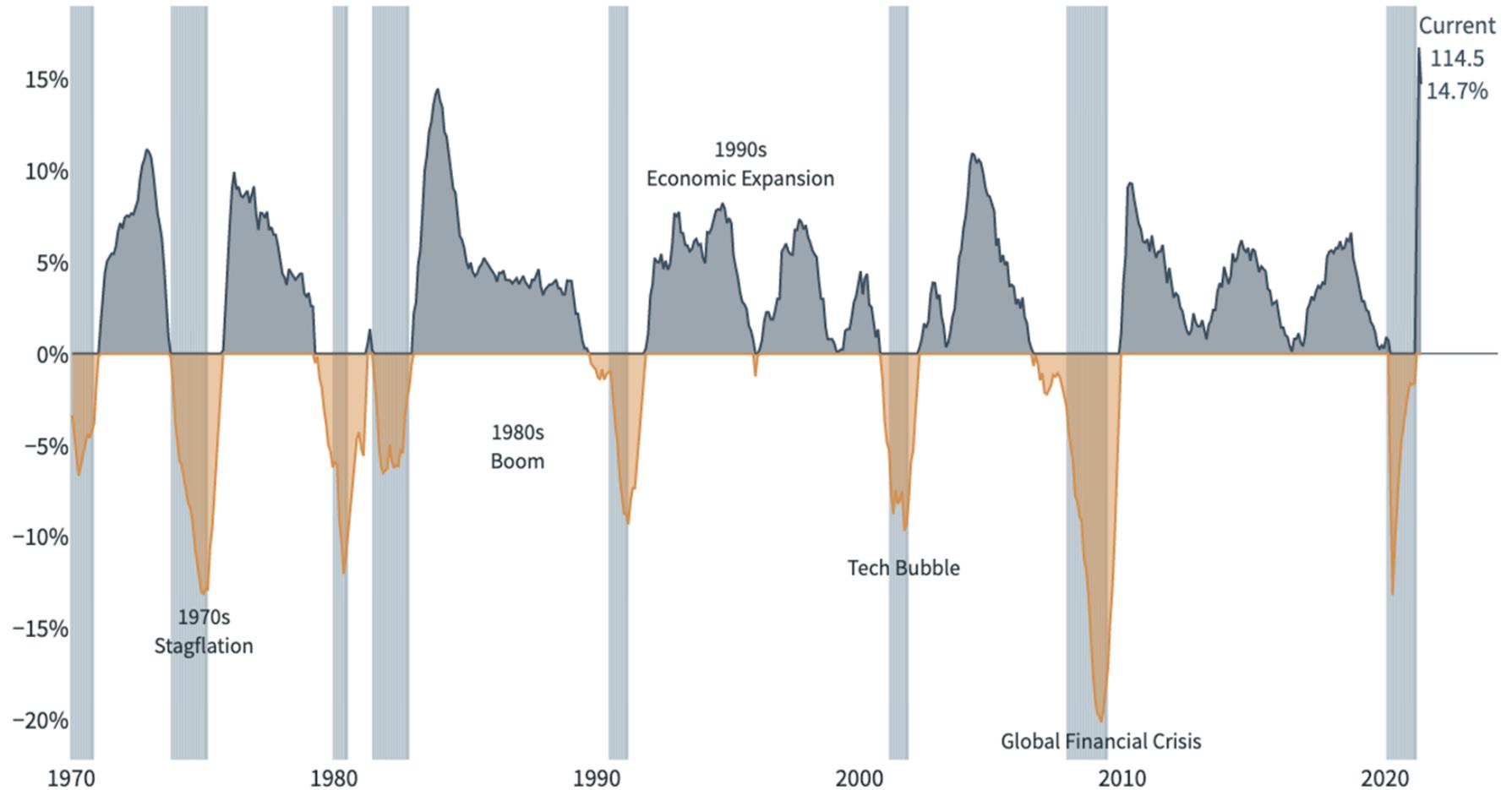
Latest data point is Jul 2, 2021

- Many interest rates have risen this year as the recovery continues and inflation fears grow.
- The 10-year Treasury yield has jumped since the start of the year and many expect it could continue to increase.
- Rising long-term interest rates are often a sign of the early phases of a business cycle.

Source: Federal Reserve

# Leading Economic Indicators

Conference Board LEI year-over-year percent change  
Recessions are shaded



Latest data point is May 2021

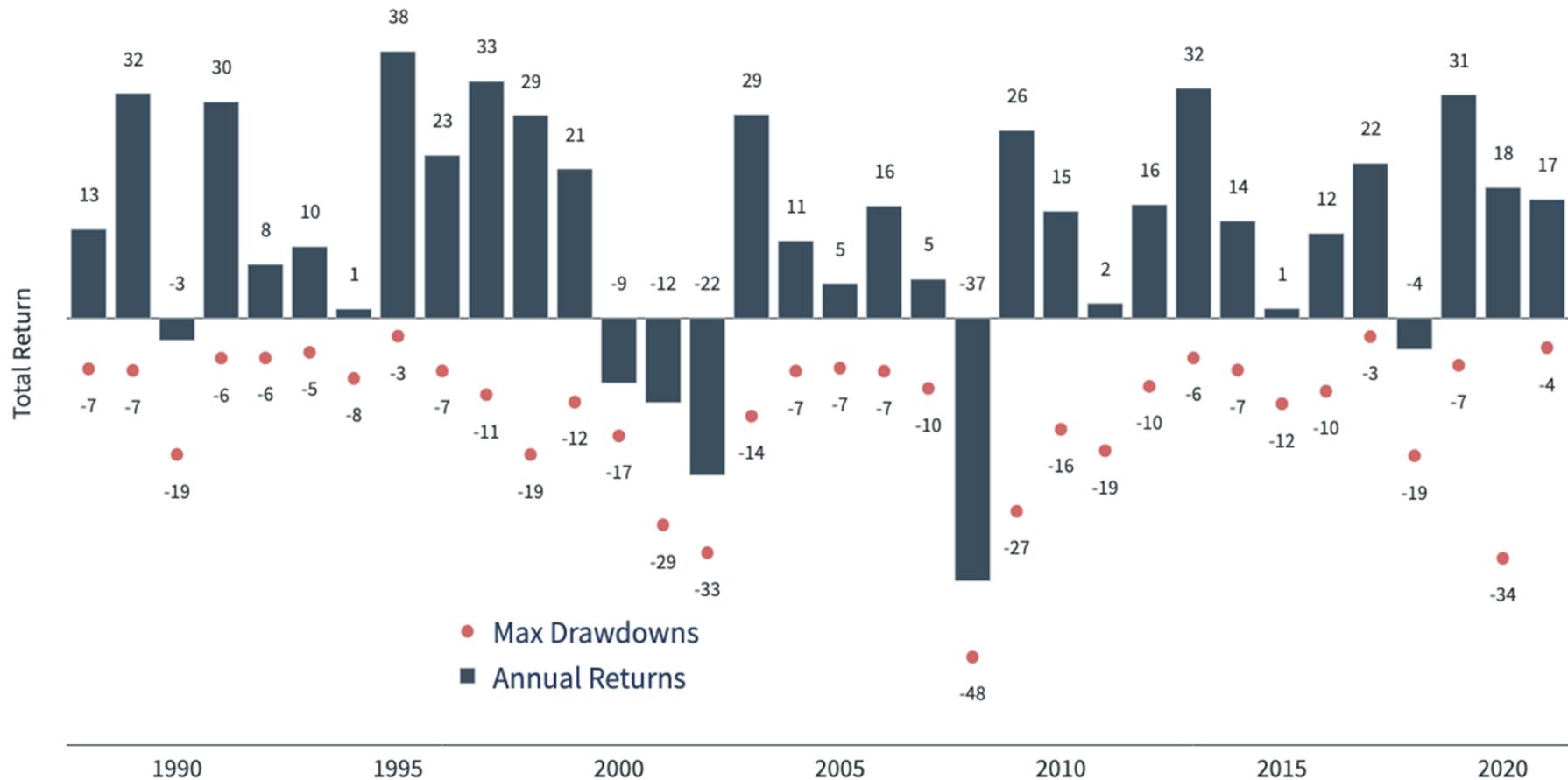
- This chart shows the year-over-year percent change in an index of leading economic indicators.
- This indicator usually turns negative several months before a recession. This also happened prior to the current crisis.
- This pattern is also evident over the prior seven recessions and is the result of the economic cycle.

Source: Conference Board, NBER, Refinitiv

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# Total Returns and Pullbacks

S&P 500 Index total returns. Max drawdown represents the biggest intra-year decline



Latest data point is Jul 2, 2021

- This chart shows total returns of the stock market (bars) and the largest intra-year decline (dots) each year.
- The average year sees a significant intra-year drop. However, most years still end in positive territory, especially with dividends.
- Volatility in prices is a normal part of investing. It is important to not forget that investments also generate income.

Source: Clearnomics, Standard & Poor's

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