December 2021 Performance Summary

As we begin the third calendar year living through a global pandemic, asset prices continued to rise, led by the S&P 500, which gained 28.7% in 2021. Small-cap value stocks provided some competition, as the Russell 2000 Value Index advanced 28.3%. Interest rates remained low and within a narrow range, although the Bloomberg Aggregate Index posted its first calendar-year loss (-1.5%) since 2013.

Rising inflation was among the many noteworthy financial events of the year, as the CPI’s 7.0% advance reflects the highest inflation rate since the early 1980s. With the ten-year Treasury yield hovering at just over 1.5% as of December 31st, even moderately higher inflation is not a risk as far as fixed-income markets are concerned, or investors are now content to earn negative inflation-adjusted returns looking ahead.

In December, the Long-Term Pool rose 2.6%, a result that exceeded the custom benchmark’s return by 30 bps. For calendar 2021, the Pool rose 11.7% and finished 0.1% above its benchmark. Returns have been mixed across asset classes with a notably strong results from private equity being offset by short term weakness from the hedge fund segment.

The Socially Responsible Pool rose 2.9% for the month, a result that exceeded the benchmark return by 50 basis points. For calendar 2021, the Pool rose 11.7% and finished 90 bps above its benchmark. This outcome is largely the product of solid results across equities overall and a below benchmark weight to global bonds.

The Mid-Term Pool gained 1.4% for the month, an outcome that fell short of the custom benchmark’s return by 60 basis points. For calendar 2021, the Pool gained 8.0% and fell short of the custom benchmark by 0.6%. As the Pool is largely invested in index funds, return differences are primarily due to the impact of portfolio positioning relative to the targets which occur due to market movement and cash flows.

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