# iSectors®, LLC 4th Quarter 2021 Summary Commentary

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**Summary Overview**

- Standard & Poor's 500 (S&P 500) Index rose 11.03% during the quarter, and it was up 28.71% over the past twelve months.
- MSCI All Country World ex-US Index (international stocks) lagged U.S. stocks in the 4th quarter, with the index up only 2.74%. The index rose 11.78% over the past twelve months.
- MSCI Emerging Markets Equities Index was down 1.24% for the quarter and down 2.22% over the past twelve months.
- Bloomberg U.S. Aggregate Bond Index underperformed stocks, rising 0.01% during the quarter. The index is down 1.54% over the past twelve months.
- Bloomberg Barclays 1-3 Year Government Bond Index fell 0.58% in the quarter and 0.60% over the past twelve months.
- S&P Goldman Sachs Commodities Index increased by 1.51% for the quarter and was up 40.35% over the past twelve months.

**iSectors Allocation Model Commentary**

*iSectors Post-MPT Allocations*

- The iSectors Post-MPT Growth Allocation underperformed during the fourth quarter of 2021, rising 5.55% versus the S&P 500's gain of 11.03%. Post-MPT Moderate, also underperformed its benchmark: gaining 5.26% versus its 60/40 stock/bond benchmark, which was up 6.57% (60/40 = 60% S&P 500 and 40% Barclays U.S. Aggregate Bond Index.)
- Historically, Post-MPT Growth and Moderate tend to outperform the S&P 500 index when the S&P 500 index's returns grow at an annualized rate of less than 10% or when the S&P 500's returns are negative. Over the last few years, the outperformance of FAANG stocks has dominated the S&P 500's returns.
- During the quarter, energy and technology index ETFs positively impacted iSectors Post-MPT Growth and Moderate. Long-term treasury bond ETFs held back returns in both allocations.
- During the quarter, iSectors Post-MPT Growth sold energy index ETFs and bought technology index ETFs. Post-MPT Moderate bought technology as well, while selling financials. Both models have a small allocation to gold mining ETFs.

### iSectors Domestic Equity Allocation

- The Domestic Equity Allocation was up 11.28% for the quarter. Over the past 12 months, the strategy increased by 25.86%. iSectors Domestic Equity remains the best performing iSectors Allocation over the past twelve months.
- Large cap growth and dividend focused ETFs posted the best results in the quarter, while small/mid cap ETFs underperformed.
- The fundamentally weighted Domestic Equity Allocation focuses on companies with less volatility and a history of increasing dividend payments for many consecutive years. The portfolio's current dividend yield is 1.75%.

### iSectors Domestic Fixed Income Allocation

- The Domestic Fixed Income Allocation was down 0.04% for the quarter and increased 0.94% over the past twelve months.
- High yield bonds contributed positively to performance during the quarter, while investment grade corporate bonds contributed negatively.
- With an effective duration of approximately 2.1 years and an average investment-grade rating, Domestic Fixed Income seeks to provide investors attractive income (current yield of 2.70%) while experiencing low principal volatility.

### iSectors Enhanced Allocations

- The iSectors Enhanced Balanced Allocation increased by 4.99% which outperformed the Morningstar Moderate Target Risk benchmark's increase of 3.43% in the quarter. Over the last 12 months, Enhanced Balanced was up 10.85%, while the moderate risk benchmark rose 10.19%.
- The Allocations' best investments in the quarter were large-cap dividend and technology index ETFs.
- The iSectors Enhanced Allocation series includes Income, Conservative, Balanced, Growth, and Aggressive allocation models. Each allocation blends short-term laddered bonds and equities focused on owning stocks that have increased their dividends for many consecutive years, with a 20% satellite allocation to iSectors' Post-MPT Growth.

### iSectors Global Allocations

- Fourth-quarter returns for the iSectors Global Allocations ranged from -0.17% for Global Fixed Income to 6.70% for Global Equity.
- U.S. large-cap growth and dividend growth ETFs were the most significant positive contributors to the quarter's performance for the Global Equity Allocation. International equity ETFs, both developed and emerging markets, underperformed.
- The Global Fixed Income Allocation's long duration government bonds and high yield corporate bond exposure performed the best in the quarter. Mortgage-backed securities (MBS) ETFs and both domestic and international corporate bonds underperformed.

*iSectors Liquid Alternatives Allocation*

- The Liquid Alternatives Allocation rose 2.78% during the quarter and 5.78% over the past twelve months.
- The portfolio's allocations to real asset ETFs alternative private equity ETFs contributed the most to its positive returns. Alternative fixed income ETFs and managed futures hurt performance during the quarter.
- The Liquid Alternatives Allocation has outperformed its HFR hedge fund benchmark over the last 1, 3, 5, and 10 years.

*iSectors Endowment Allocation*

- The iSectors Endowment Allocation's total return was up 2.61% for the quarter and 9.98% over the past twelve months.
- The iSectors Endowment Allocation's allocation to high dividend equity ETFs, covered call ETFs, and global infrastructure funds were the best performing positions in the quarter. International high yield ETFs hurt the strategy in the last quarter.
- The Endowment Allocation's objective is current income rather than total return. The strategy diversifies across 15 equity, fixed income, and alternative funds with low to moderate correlations to equity and fixed income markets. The Allocation's current yield is 5.13%.

*iSectors Inflation Protection Allocation* and *iSectors Precious Metals Allocation*

- The iSectors Inflation Protection Allocation increased by 3.35%, and the iSectors Precious Metals Allocation gained 2.94% during the quarter. Over the past twelve months, Inflation Protection was up 9.63%, and Precious Metals had a loss of 10.06% over the past 12 months.
- Falling palladium prices negatively impacted the iSectors Precious Metals Allocation. The iSectors Inflation Protection Allocation was aided by real estate ETF exposure and broad commodity ETFs. Both allocations were also positively impacted by rising gold prices.
- Easy money policies currently being promoted by many Central Banks worldwide significantly increase the risk of inflation. We believe inflation and higher interest rates will be the most significant risk factors investors will face over the next 20 years. The recent recovery in precious metals and other commodity prices may be an initial indication that this process has begun. Investors would be wise to place a portion of their portfolios in inflation-protected assets, particularly precious metals, to hedge against the possibility of inflation and the potential decline in the value of the dollar.

*iSectors Capital Preservation Allocation*

- The iSectors Capital Preservation Allocation was down 0.41% for the quarter and 0.36% over the past 12 months. The model has outperformed the Barclays 1-3 Year Government Bond benchmark since its January 2010 inception.
- The Capital Preservation Allocation has a current yield of 1.29% with an effective duration of 1.26 years and an average investment-grade rating.
- The Capital Preservation Allocation offers a cash alternative with short durations to preserve investment principal in an economic environment characterized by volatile interest rates. It also provides the potential for enhanced returns versus money market funds while maintaining liquidity in the current low-interest-rate environment.

*iSectors Tactical Global Balanced Allocation*

- The iSectors Tactical Global Balanced Allocation gained 2.81% during the quarter and is up 17.40% over the past year. This beats its 60/40 stock/bond index, which was up 15.86% over the last year.
- Real estate and commodity holdings outperformed. Investments in developed international equity ETFs negatively impacted results in the quarter.
- The Tactical Global Balanced Allocation is currently invested in U.S. large- and small-cap equities, gold, commodities, and real estate.

*All model returns presented gross of fees. Index comparisons are provided for information purposes. You cannot invest directly in an index, only in index funds that charge fees.*

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