SAM NEWS

4th Quarter 2021 Report
January 2022

2021 In Review

Insurrection, Inauguration, Infection, Inflation, Incredible Gains

As usual, the calendar year was filled with alarming headlines that would deter most stock investors and lead you to believe that stocks would have negative returns. However, remaining fully invested, diversified, and staying the course paid off with the broad S&P 500 ending the year up an astounding 27%. 2021 capped a third year in a row of double-digit gains with the broad U.S. stock market ending at record highs. Bottom line- stock price gains are being driven by blowout corporate profits.

The 4th quarter brought on more volatility with the discovery of the Omicron variant and investors initially feared the worst. Stocks sold off around Thanksgiving into early December. With better therapeutics, increasing vaccination rates and greater deployment of diagnostic testing, investors have again begun to look cautiously beyond the pandemic. Massive fiscal stimulus, easy monetary policy, and outstanding corporate earnings results have bolstered both markets and the economy. We believe the bull market's foundation remains strong heading into 2022.

2021 INVESTMENT REPORT

Continued strong consumer demand fueled by the reopening of economies pumped up corporate profits more than expected in 2021, which helped keep investors in a buying mood. Wall Street also got a boost from the Federal Reserve, which kept its key short-term interest rate near zero all year. That helped keep borrowing costs for companies low and stock valuations high. Investors expect the Fed to begin pushing rates higher next year to slow the economy and curb inflation.

As measured by the Standard & Poor's 500 Index, U.S. stocks gained 26.9% for 2021. The Dow Jones Industrial Average gained 20.9% topping the 36,000 level for the first time and closed out the year at all-time highs, while the small-cap Russell 2000 rallied 14.8%. The technology heavy Nasdaq Composite returned 21.4%, lagging the S&P 500 for the first time in several years. International stocks as measured by the MSCI EAFE Index continued to underperform U.S. stocks but managed to gain 8.8%. Gold prices ended down 3.6% for the year despite being considered an inflation hedge. The price of crude oil rose over 59% which was a large contributor to overall U.S. inflation. Bonds, as measured by the Barclays Aggregate Bond Index suffered a loss of 1.5% as the Federal Reserve is forecast to begin raising interest rates during the first quarter of 2022.

INVESTMENT INDICES

All numbers listed are total returns (including dividends) and are percentage gains or losses:

	2021	2020	2019
Dow 30	20.9%	9.7%	25.3%
S&P 500	26.9%	18.4%	31.5%
Nasdaq Composite	21.4%	43.6%	35.2%
Russell 2000	14.8%	20.0%	25.5%
EAFE (Int'l stocks)	8.8%	5.4%	18.4%
Barclays Capital Aggregate (Bonds)	-1.5%	7.5%	8.7%

These are not the rates of return for SAM accounts, but are shown as a historical benchmark for various asset classes. SAM does not guarantee account performance. Accounts may lose value. Information taken from sources believed to be reliable, but its accuracy cannot be guaranteed.

REQUIRED DISCLOSURES

Sierra Asset Management's ***Privacy Notice***, ***Proxy Voting Policy Summary and CRS Summary*** are enclosed with this bulletin. If you have any questions, please contact us. During the 1st quarter of 2022, we will update our ***U.S. Securities & Exchange Commission Form ADV Part 2***. You may request a copy by calling or sending an email. Our most recent SEC filings are always available at www.sec.gov.

1st Quarter Holidays

Martin Luther King Jr. Day, Jan 17th
President's Day, Feb 21st
Good Friday, April 15th

SIERRA ASSET MANAGEMENT

Serving Central California

40312 Junction Dr./PO Box 2389
Oakhurst, California 93644
PH: 559-658-5193
Toll Free: 877-658-5193
www.SierraAM.com
Email: info@SierraAM.com

SAM Outlook and Strategy on the following page.

SAM OUTLOOK

Can the market continue to rise in 2022? Of course, that's extremely difficult to predict with a high degree of confidence or accuracy. We do know that corporate earnings ultimately drive stock prices and profits for S&P 500 companies rose 45% in 2021. In addition, stocks have lower valuations on a price-to-earnings (P/E) basis now then they did at the end of 2020. The S&P 500 is now trading at 21 times analysts' projected earnings over the next 12 months, down from 22.8 times at the end of 2020. Lower stock valuations, an expanding economy, and ultra-low interest rates lead us to predict another positive year for stock investors. Most major brokerage firms are predicting another solid year of returns for the S&P 500 in the 6-11% range and we would tend to agree. A fourth year of outsized stock returns is unlikely.

There are always risks and headwinds as we enter each year. 2022 will be faced with continuing inflation, Fed rate increases, the twists and turns of the Covid-19 pandemic, midterm elections, and the threat of a conflict somewhere in the world just to name a few. In most calendar years, there is at least a 10% correction in the stock market which is normally caused by an unforeseen event. Ultimately, we believe that the underlying economic fundamentals will prevail and investors will be rewarded with another positive year.

SAM STRATEGY

Our investment strategy going into 2022 is largely the same as it has been in previous years with a few changes. We were able to fully re-balance all client accounts in early December during the initial Omicron scare while stocks were down. In general, we substantially reduced our China-specific stock exposure, slightly increased our developed international exposure, and tilted our U.S. holdings a little more toward value stocks. As long as interest rates remain below both the rate of inflation and economic growth then stocks will remain the best place to invest. With that said, we are maintaining the maximum stock exposure within each of our four basic investment strategies.

Bonds remain one of our biggest challenges in managing client accounts. The Bloomberg Aggregate Bond Index had a -1.5% rate of return in 2021 as investors began to anticipate the Federal Reserve raising rates in 2022 (remember, interest rates and bond prices move in opposite directions). Bond prices remain near all-time highs and interest rates are still very low. We are maintaining our bond holdings that have historically been less affected by rising interest rates. This strategy worked well in our managed portfolios in 2021.

INTERESTING FACTS

LONG-TERM - The S&P 500 has gained an average of **+11.1% per year** (total return) over the **last 50 years** (i.e., 1972-2021). The index has been positive in **17 of the last 19 years**. Over the long-term, the S&P 500 has been up during **40 of the last 50 years.**

JOBLESS - The **lowest** (3.5%) and the **highest** (14.7%) unemployment rates in the United States since 1970 occurred **2 months apart** in 2020. Our jobless rate in November 2021 was **4.2%** (source: Department of Labor).

OVERSPENDING - The **national debt** of the United States was **$29.495 trillion** as of the close of business on Thursday 12/30/2021, an increase of **$1.75 trillion** during calendar year 2021 (source: Treasury Department).

Life Changes?

Have you recently moved? Changed your phone number? Changed your email address? Get married? Added children? If so, please give us a call to get your accounts updated. Address, phone, email, beneficiaries need to be kept current. You can reach out to anyone one on our team at 877-658-5193.

We sincerely appreciate your continued trust and confidence. Sending new clients our way is the best possible compliment we can receive. If you know of someone who may benefit from our service, please do not keep us a secret. There is no cost to meet for an initial consultation.

"Everybody needs a passion. That's what keeps life interesting. If you live without passion, you can go through life without leaving any footprints."
— Betty White