

• Summing Up 2021

- Despite the many reasons one could have found for stocks to retreat, 2021 proved to be another strong year, as the S&P 500 Index® returned 28.7%. While the global stock market (and the U.S. stock market for that matter) comprise much more than just these 500 companies, the index is seen as a useful gauge for the stock market. We can also glean plenty of lessons and insights from its history.
- **Figure 1** plots the cumulative daily return for the S&P 500 Index for the year alongside as many noteworthy headlines and events we could fit while keeping it somewhat legible.



• As Much of 2021 That Fits on One Page

Figure 1 | S&P 500® Index Total Return and Headlines in 2021

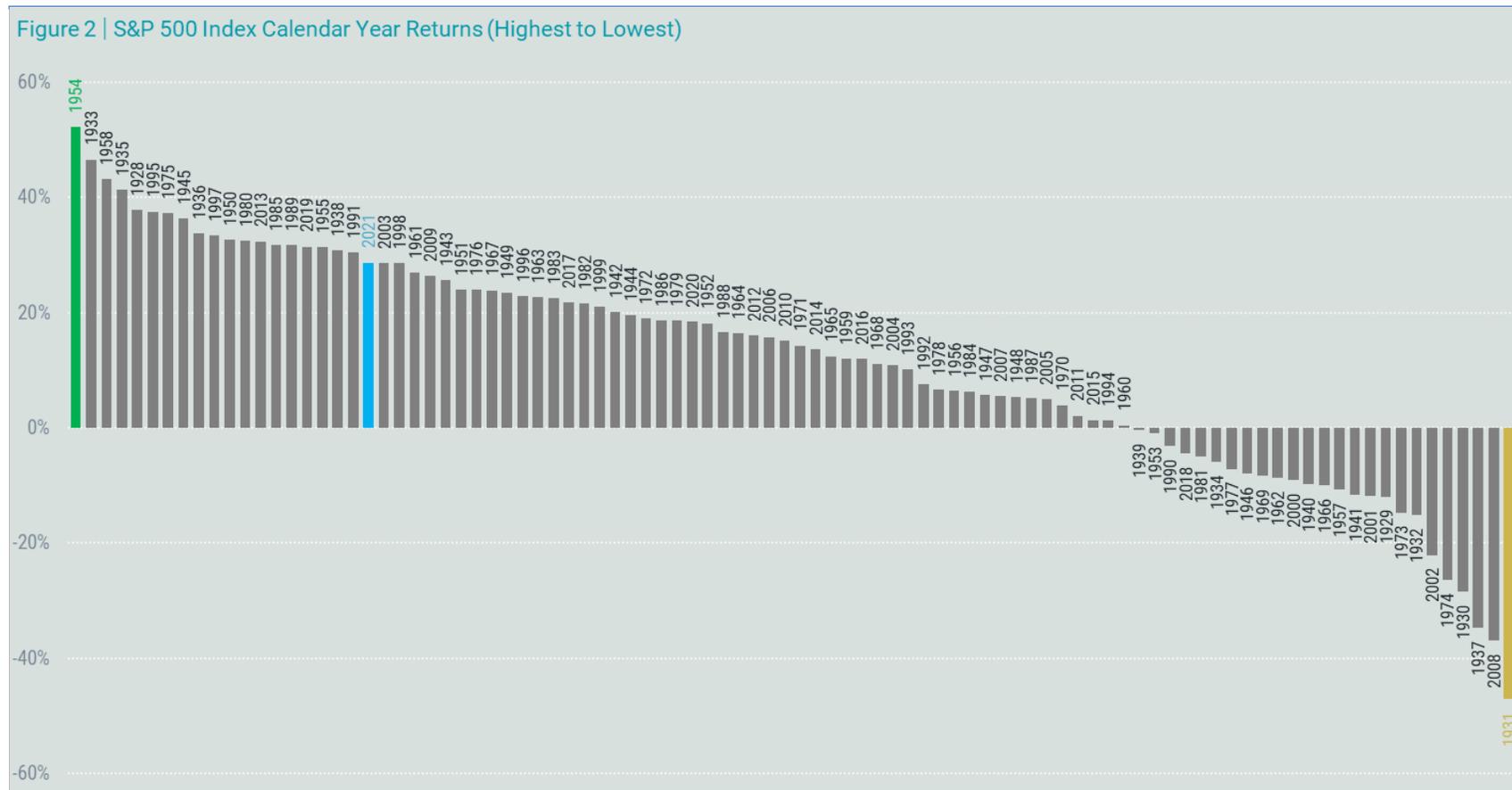


• Data from 1/1/2021 – 12/31/2021. Source: ICI, FactSet, Avantis Investors. future results.

Past performance is no guarantee of

• How Does 2021 Stack Up to Past Years?

- By most measurements, 2021 was a great year for the S&P 500. **Figure 2** shows how 2021 stacks up compared to calendar year returns since 1928. 2021's return of 28.7% ranks 20th best out of the 94 years in this period and is markedly higher than the 11.7% average annual return. The best annual return was in 1954, when the index returned 52.3%. The worst annual return came in 1931, when the index lost 47.1% of its value.



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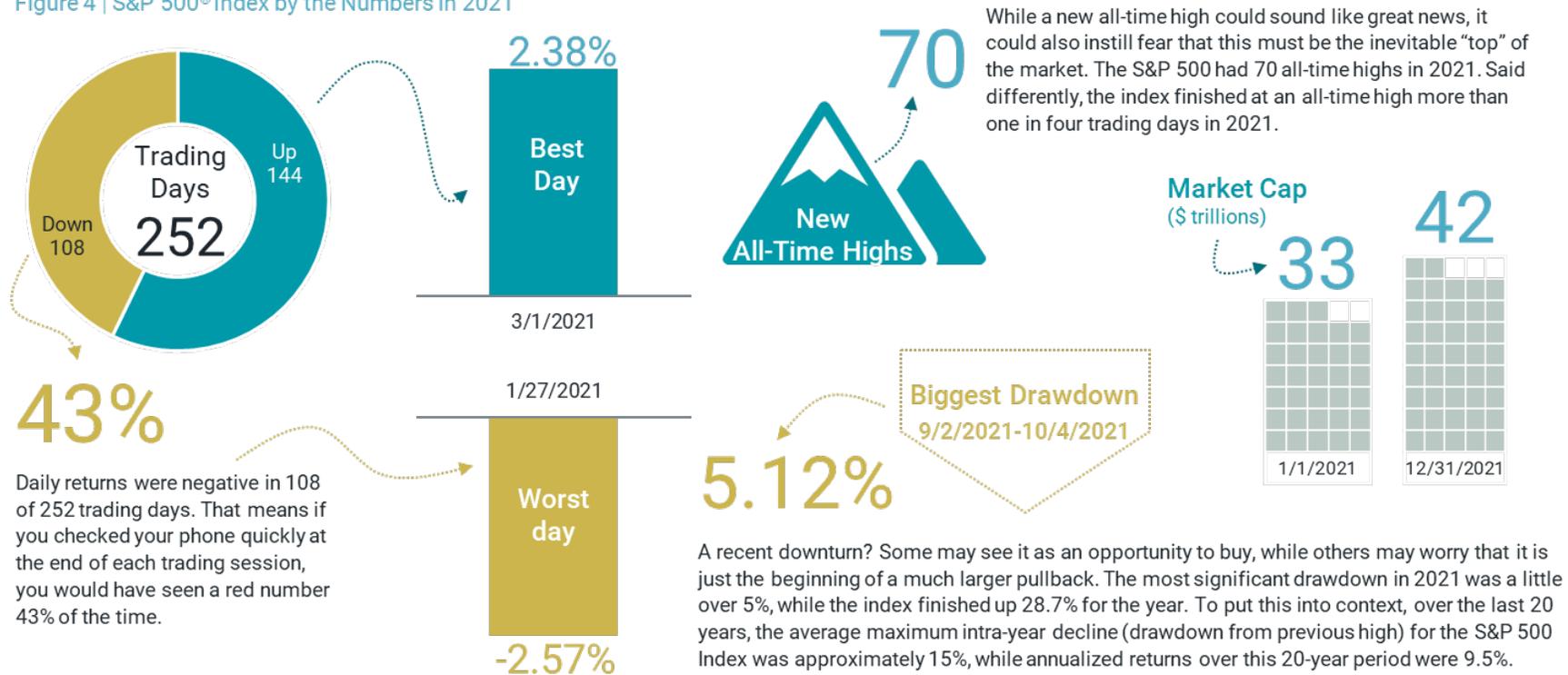
- The other notable observation in this data series is the absence of any discernable pattern in these returns (**Figure 3**). Great years aren't always followed by poor years and vice versa. As investors, history reminds us that a longer-term lens can help increase our chances of earning the long-term returns that capital markets have generated.



• A Closer Look at 2021

- While U.S. large-cap stocks finished markedly higher for 2021, it wasn't necessarily a smooth ride. As evidenced by some of the headlines in Figure 1, investors had no shortage of reasons to worry about future potential returns and consider exiting the market.
- However, once again, 2021 provided us all some lessons about how trying to time the market is unlikely to leave us better off than just staying the course. **Figure 4** offers a few additional statistics surrounding S&P 500 Index returns for the year.

Figure 4 | S&P 500® Index by the Numbers in 2021



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- A year may seem like a long time, but it really isn't in the context of an average investor's investment horizon.
- In each of the examples from last year, we shouldn't discount the role that noise played in returns—and our perception of them—as we work to design an asset allocation that may improve our chances of reaching our long-term goals and one that we are comfortable sticking with during anxious times.
- We believe this philosophy should apply just as much in 2022—and beyond—as in 2021.

