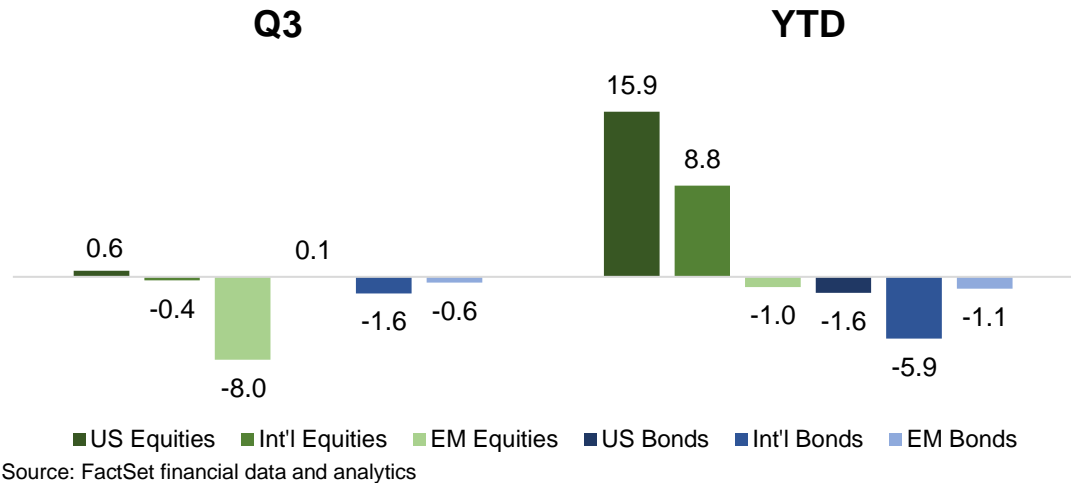


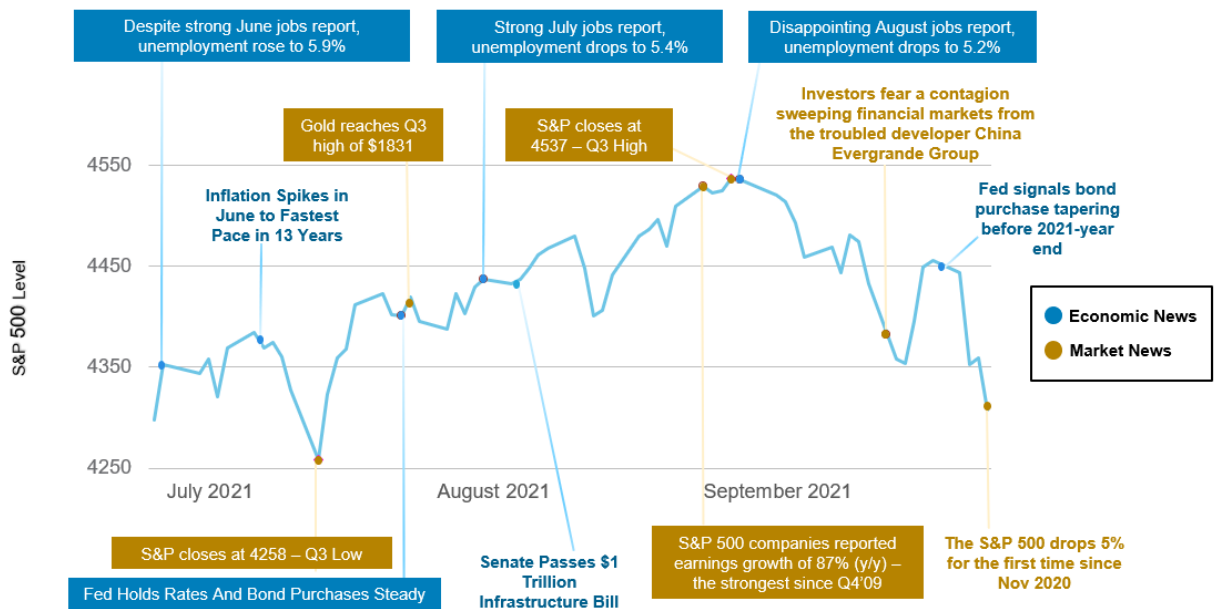
# QUARTERLY Market Review



## Market Review



- US equities eked out a 0.6% gain for the third quarter driven by a select handful of large technology companies. Despite the pause, it maintains a strong lead of 15.9% for the year.** After setting new records in the summer, US equities finally took a breather and saw a correction of -5.0% for the first time since November 2020. The selloff was caused by fears of a contagion from potential default of Chinese real estate developer Evergrande, rising inflation pressures, uncertainties about the US government’s debt ceiling and potential for government shutdown.



Source: FactSet, CNBC, Newsweek, NY Times, JPMorgan, IG.com, US News, Barron’s

- **International markets once again trailed US equity markets for both the quarter and the year.** Emerging markets sold off sharply and fell 8.0% for the quarter and is now negative -1.0% for the year. The selloff was led by fears of regulatory crackdowns in China in the name of promoting “common prosperity” and the potential default of highly levered property developer Evergrande. Developed international equity markets, on the other hand, were mixed in Q3. For example, Japan outperformed the US, as it made rapid gains in its vaccination rate, while broad European markets performed in line with the US in their local currencies, but had negative US dollar returns.
- **Within the US sector, performance was varied with results ranging from 2.7% for Financials to -4.2% for Industrials.** Industrials, Materials, and Energy, some of the most economically cyclical US sectors, underperformed as economic growth slowed and supply chain constraints continued to limit some production. Sectors with a mix of cyclical and secular growth tailwinds generally outperformed, including Information Technology, Financials, and Health Care sectors.
- **Concerns of the COVID Delta variant slowing economic growth caused economically sensitive value stocks to once again underperform growth stocks.** It also was the second straight quarter in which large caps outperformed small caps. Large growth outperformed small value by nearly 6.0% during the quarter. However, small value still maintains the lead for the year up 25.3%.
- **In US fixed income markets, 10-year Treasury rates declined early in the quarter, as concerns escalated over the Delta variant’s potential economic impact. However, interest rates retraced earlier declines in the back half of the quarter as the Federal Reserve signaled it is ready to taper bond purchases.** US bonds were flat and gained 0.1% during the quarter, but were unable to reverse the losses from prior quarter and remains negative (-1.6%) for the year. High-yield bonds gained 0.9% for the quarter and 4.5% for the year and continue to outpace government and corporate bonds.
- **Commodities surged 6.6% in the second quarter and remains up 29.1% for the year driven by inflation concerns and supply chain disruptions.** US REITs were flat for the quarter, but still maintain a healthy return of 21.6% for the year.

Asset classes are represented by the following indexes:

<b>US Equities</b>	<b>S&amp;P 500</b> – is an unmanaged index that is generally considered representative of the US equity market, consisting of 500 leading companies in leading industries of the US economy (typically large cap companies) representing approximately 75% of the investable US equity market.
<b>International Equities</b>	<b>MSCI EAFE</b> – is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of countries considered to represent developed markets, excluding the U.S. and Canada.
<b>Emerging Markets Equities</b>	<b>MSCI Emerging Markets</b> – is a free float-adjusted, market capitalization index that is designed to measure the equity market performance of countries considered to represent emerging markets.
<b>US Bonds</b>	<b>Bloomberg US Aggregate</b> — measures the market of USD-denominated, investment grade, fixed-rate taxable bond market of SEC-registered securities, including bonds from the Treasury, government-related, corporate, mortgage-backed securities (agency fixed-rate and hybrid ARM passthroughs), ABS and CMBS sectors. US Agency Hybrid Adjustable Rate Mortgage (ARM) securities were added to the US Aggregate Index on April 1, 2007.
<b>International Bonds</b>	<b>Bloomberg Global Aggregate ex USD</b> - is a flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers. Country

	eligibility and classification as Emerging Markets is rules-based and reviewed annually using World Bank income group and International Monetary Fund (IMF) country classification.
<b>Emerging Markets Bonds</b>	<b>Bloomberg Emerging Markets USD Aggregate</b> - is a flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers. Country eligibility and classification as Emerging Markets is rules-based and reviewed annually using World Bank income group and International Monetary Fund (IMF) country classification.
<b>Small Caps</b>	<b>S&amp;P 600</b> - measures the performance of 600 small-sized companies in the U.S. Constituents generally have a market-cap between \$400 million and \$1.8 billion and meet criteria to ensure they are liquid and financially viable.
<b>Energy</b>	<b>S&amp;P 500 Energy Sector</b> -measures the performance of companies in an array of diversified financial service firms, insurance, banks, capital markets, consumer finance and thrift companies.
<b>Industrials</b>	<b>S&amp;P 500 Sector Industrials</b> - measures the performance of companies in industries such as aerospace and defense, building products, construction and engineering, electrical equipment, conglomerates, machinery, commercial services and supplies, air freight and logistics, airlines, marine, road and rail, and transportation companies.
<b>Technology</b>	<b>S&amp;P 500 Technology Sector</b> - measures the performance of companies that product, generate, transmit or distribute electricity, water or natural gas, and also includes power producers & energy traders and companies that engage in generation and distribution of electricity using renewable sources.
<b>Materials</b>	<b>S&amp;P 500 Sector Materials</b> - measures the performance of companies involved in industries such as: chemicals, construction materials, containers and packaging, metals and mining, and paper and forest products
<b>Financials</b>	<b>S&amp;P 500 Sector Financials</b> - measures the performance of companies in an array of diversified financial service firms, insurance, banks, capital markets, consumer finance and thrift companies.
<b>Healthcare</b>	<b>S&amp;P 500 Sector Healthcare</b> - measures the performance of companies involved in health care equipment and supplies, health care providers and services, biotechnology and pharmaceutical industries.
<b>China</b>	<b>MSCI China</b> - measures the performance of small-cap equities in developed market countries around the world, excluding the U.S. and Canada. The index covers approximately 14% of the market cap in each country.
<b>Long term Treasuries</b>	<b>Bloomberg US Treasury Long</b> - measures the performance of US Treasury and US Agency markets. The index includes USD-denominated fixed-rate, nominal US Treasuries and US agency debentures (securities issued by the US government-owned or sponsored entities), and explicitly guaranteed by the US government.
<b>High-Yield Bonds</b>	<b>Bloomberg US Corporate High Yield</b> - measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt.
<b>Commodities</b>	<b>Bloomberg Commodity</b> . - dynamically rebalances exposure to maintain a 10% volatility target and represents portfolios consisting of the S&P 500 index and a cash component accruing interest. Uses S&P 500 methodology and overlays algorithms to control the index risk at specific volatility targets.
<b>Precious Metals</b>	<b>Bloomberg Precious Metals</b> - measures the price of gold futures contracts, reflecting the return of underlying commodity futures price movements quoted in USD.
<b>US REITs</b>	<b>FTSE NAREIT All Equity REIT</b> - measures the price of physical commodities futures contracts traded on US exchanges, except aluminum, nickel and zinc, which trade on the London Metal Exchange. Weightings are determined by rules designed to insure diversified commodity exposure.

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