Monthly Market Commentary

Perspective

November was a negative for most risk assets. Concerns around the new Omicrom variant of COVID-19 added volatility to the final three trading days of the month. The threat of another, and potentially more severe wave of COVID-19, added volatility as investors looked to reconsider their expectations around economic conditions, inflation, earnings growth, and interest rates. Both stocks and real assets fell in conjunction, with bond prices rising while yields retreated. Prior to the late month selloff, markets had been tame, although bond prices had declined while interest rates were on the rise. The volatility experienced late in the month is likely to continue into December as more is learned about the Omicron variant. In addition, the month of December typically has lighter trading volumes, which can lead to more exaggerated market movements.

Sleeve Commentary

Growth
After a strong October, stocks reversed course with the S&P 500 declining -0.7%.
Technology shares led the way, gaining over 4% on the month. Returns within the consumer discretionary sector were also positive due to favorable earnings reports and supportive economic data. Alternatively, financials were most negatively impacted, falling -5.7%, as a flattening yield curve served as a headwind for the sector. Overall, there was unusually wide dispersion of returns across sectors.
During the second half of the month there was a strong preference for both larger companies and those with above average growth expectations. On the month, large cap growth stocks advanced +0.6%, while large cap value stocks dropped -3.5%. Small caps notably lagged their large cap brethren dropping -4.2%.
Outside of the U.S., international stocks shared in the downturn as the developed market MSCI EAFE index lost -4.7%. Emerging markets were down a comparable, -4.1%.
Income
A meaningful drop in yields at months end benefited bonds as the Bloomberg Barclays U.S. Aggregate index returned +0.3%.
Yields fell the most among longer dated maturities with shorter-term rates finishing the month near the level they began. Lower yields on longer maturities resulted in higher prices for these bonds.
Corporate bonds mildly lagged the results of comparable Treasuries. The Bloomberg 1–3-year credit index fell -0.2% versus a flat return for the Bloomberg 1-3 year Treasury index. High yield bonds fared worse than their investment grade counterparts, as they dropped -1.0%.
Returns among municipal bonds were positive across the curve. Results outpaced those of taxable bonds, with the Bloomberg Municipal Bond index gaining +0.9%.
Emerging market bonds were the hardest hit segment of the bond market. The J.P. Morgan Emerging Market Bond index fell -2.0%.

Diversifier
Diversifying assets generally lost ground in November. Commodities in particular were negatively impacted as the Bloomberg Commodity index lost -7.3%. The selloff in commodities was fueled by sizable declines in both natural gas and crude oil.
Real estate lost ground as the MSCI World Real Estate index fell -2.8%.
Hedge fund results were also negative as the HFRX Equal Weighted Strategies index lost -1.0%. Among hedge fund strategies, merger arbitrage faired best with flat results, while macro driven strategies fell -4.4%.
The dollar stood out to the positive adding +2.0%. The currency experienced steady gains throughout most of the month.
Precious metals also generated gains. The Philadelphia Stock Exchange Gold/Silver index added +0.5%.

Equity Index returns

Item	October Total Return
NASDAQ	0.3%
DJIA	-3.5%
S&P 500	-0.7%
Russell 2000	-4.2%
MSCI EM	-4.1%
MSCI EAFE	-4.7%

Bond Index Returns

Item	October Total Return
US Agg	0.3%
US High Yield	-1.0%
Gov/Corp	0.1%
FTSE World Govt Bond	-0.1%

Alternative Returns

Item	October Total Return
HFRX Equal Weight	-1.0%
Bloomberg Commodity	-7.3%
MLP	-7.5%
Gold/Silver	0.5%
World Real Estate	-2.8%

Economic Backdrop

U.S.
Positives
Employment levels improved with fewer jobless claims and expanding payrolls. The unemployment rate fell to 4.6%.
Manufacturing activity remains strong, with activity among services businesses improving.
Retail sales were much stronger than expected.
Mortgage delinquencies continue to decline, falling below 5%. This marks the lowest level of delinquencies since March of 2020.
Negatives
The U.S. trade deficit hit another record high amid surging imports and slowing exports given appreciation in the dollar.
Consumer prices grew 0.9% month over month, leading to an annual inflation rate of 6.2%.
Housing starts contracted as supply chain constraints are impact building activity.

Developed International
Positives
Canada’s economy grew 5.4%, ahead of expectations driven by strong consumer consumption.
Private consumption in Germany strongly accelerated, more than offsetting declines in business investment.
Retail sales in Japan showed signs of accelerating.
Negatives
The Eurozone Consumer Price Index rose 4.9% on an annual basis, the highest level on record.
Real yields (inflation adjusted) on German bonds hit a record low of -6% amid higher inflation.

Japan's GDP surprisingly fell 3% as consumer and business consumption slowed.

Emerging Markets
Positives
Manufacturing activity in India continues to improve.
Export activity out of China picked up after slowing in prior months.
Retail sales in South Africa rose sharply, increasing by over 5% over prior year levels.
Negatives
Chinese home prices declined -1.6%, the first contraction in housing since the start of the pandemic.
Turkey continues to cut interest rates despite inflation of 20%.
Industrial activity in Russia has begun to slow, while inflation heads higher.

Investment Committee Positioning

Growth	**Neutral**
Valuation multiples remain elevated relative to historic averages. Current valuations, however, are supported by stronger than expected earnings results, robust economic conditions, and low interest rates. Given the wider range of valuations across stocks, we see an increased opportunity to add value through stock selection.	
Income	**Neutral**
Central banks are at a point where some are beginning to reduce the level of accommodation put in place during the pandemic. This shift has a greater likelihood of leading to increases in interest rates, which may serve as a modest near-term headwind. Underlying credit conditions, however, remain strong providing a means to generate positive returns outside of Treasury bonds, particularly in portfolios with less interest rate risk.	
Diversifier	**Neutral**
Lower expected returns in stocks and bonds leaves us more constructive on diversifying assets.	
Cash	**Neutral**
While short-term yields are limited in the current environment, we are comfortable holding modestly higher cash in the event asset price dislocations arise as economic growth moderates and monetary policy evolves.	
U.S.	**Overweight**
Given proactive fiscal and monetary stimulus measures within the United States, we expect stronger economic conditions in the U.S. versus the rest of the world. This leaves us overweight U.S. stocks.	
International	**Underweight**

We see a growing disparity in the pace and magnitude of economic recoveries as countries emerge from the pandemic. On balance we remain more cautious of international markets in general, although we have become more constructive on the long-term opportunity within emerging markets.

Portfolio Review

Through much of 2021, markets have continued to climb higher as volatility has moderated. More recently, markets have experienced episodes of higher volatility, which we would expect to continue as economic conditions normalize and fiscal and monetary policies evolve.

We have taken action throughout the past year to add exposure to assets where we see attractive long-term return opportunities. We expect volatility along the way and believe it's important to remain conscious of not extending oneself into taking on more risk than you are able to tolerate. While equity market multiples are toward the higher end of their historic range, we do see pockets of opportunity within the market that we believe provide attractive return opportunities over the long-term. During market environments, such as the present, where there is greater uncertainty and a wider range of outcomes, we believe greater focus should be placed on long-term outcomes, with less attention to the inevitable noise that can creep in over the short-term.

PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS.

This market commentary is a matter of opinion and is for informational purposes only. It is not intended as investment advice and does not address or account for individual investor circumstances. Investment decisions should always be made based on the client's specific financial needs, goals and objectives, time horizon and risk tolerance. The statements contained herein are based solely upon the opinions of Telemus Capital, LLC. All opinions and views constitute our judgments as of the date of writing and are subject to change at any time without notice. Information was obtained from third party sources, which we believe to be reliable, but not guaranteed. The S&P 500 index includes 500 leading companies in the US and is widely regarded as the best single gauge of large-cap US equities. The Dow Jones Industrial Average (DJIA) is a widely-watched benchmark index in the U.S. for blue-chip stocks; it is a price-weighted index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange and the NASDAQ. The Nasdaq Composite Index is a large market-cap-weighted index of more than 2,500 stocks, American depositary receipts (ADRs), and real estate investment trusts (REITs), among others. The Russell 2000 index measures the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index. . The Russell 1000 Growth Index is a composite that includes large and mid-cap companies located in the United States that exhibit a growth probability. The Russell 1000 Value Index measures the performance of the large cap value segment of the US equity universe. The Russell 1000 Growth & Value Indices are subsets of the Russell 1000 Index. The MSCI Emerging Markets Index captures over 1,300 large- and mid-cap securities across 27 Emerging Markets (EM) countries and five world regions. The MSCI EAFE Index is an equity index which captures large- and mid-cap representation across 21 Developed Markets countries around the world, excluding the US and Canada. With 876 constituents, the index covers approximately 85% of the free float adjusted market capitalization in each country. The MSCI World Real Estate Index is a free float-adjusted market capitalization index that consists of large and midcap equity across 23 Developed Markets (DM) countries. All securities in the index are classified in the Real Estate Sector according to the Global Industry Classification Standard (GICS®). The FTSE World Government Bond Index (WGBI) is a broad index providing exposure to the global sovereign fixed income market, it measures the performance of fixed-rate, local currency, investment-grade sovereign bonds. The WGBI is a widely used benchmark that currently includes sovereign debt from over 20 countries, denominated in a variety of currencies, and has more than 30 years of history available. The Bloomberg Barclays US Aggregate Bond is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The Bloomberg US Treasury 1-3 Year Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury with 1-2.9999 years to maturity. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index. STRIPS are excluded from the index because their inclusion would result in double-counting. The Bloomberg US 1-3 Year Credit Index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government-related bond markets with maturities between 1-2.9999 years. It is composed of the US Corporate Index and a non-corporate component that includes non-US agencies, sovereigns, supranationals and local authorities. The JPMorgan Emerging Market Bond Index (EMBI) is a benchmark index for measuring the total return performance of international government and corporate bonds issued by emerging market countries that meet specific liquidity and structural requirements. The index is a set of three bond indices to track bonds in emerging markets operated by J P Morgan. The indices are the Emerging Markets Bond Index Plus, the Emerging Markets Bond Index Global and the Emerging Markets Bond Global Diversified Index. The Bloomberg Municipal Bond Index Is a market-value-weighted index for the long-term tax-exempt bond market. To be included in the index, bonds must have a minimum credit rating of Baa. They must have an outstanding par value of at least $7 million and be issued as part of a transaction of at least $75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990 and must be at least one year from their maturity date. The Bloomberg Commodity Index (BCOM) is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification. The S&P U.S. Government & Corporate Bond Index seeks to track the performance of U.S. dollar-denominated debt publicly issued in the U.S. domestic market, including U.S. Treasury, U.S. agency, and investment-grade corporate securities.

The Philadelphia Stock Exchange Gold/Silver Index (XAU) is a capitalization-weighted index composed of companies involved in the gold or silver mining industry. The Alerian MLP Index is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). The capped, floatadjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX). The HFRX Equal Weighted Strategies Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The HFRX Equal Weighted Strategies Index applies an equal weight to all constituent strategy indices. The European Consumer Price Index, abbreviated as CPI, measures the change over time in the prices of consumer goods and services acquired, used or paid for by households. It is an important measure of inflation in the European Union.

Any reference to an index is included for illustrative purposes only, as an index is not a security in which an investment can be made. Indices are unmanaged vehicles that serve as market indicators and do not account for the deduction of management fees and/or transaction costs generally associated with investable products. The holdings and performance of Telemus client accounts may vary widely from those of the presented indices. Advisory services are only offered to clients or prospective clients where Telemus and its representatives are properly licensed or exempt from licensure. No advice may be rendered by Telemus unless a client service agreement is in place. All composite data and corresponding calculations are available upon request.