VOLUME 27, ISSUE 4, 4TH QUARTER 2021

Commerce Concepts

Market Updates, Asset Allocation, and Investment Education for Plan Participants and Individuals

WIN A $25 GIFT CARD

to your choice of Powell's or Amazon! (See page 2 for details)

Congratulations to our most recent winner:

Barbara H. of DLF Pickseed USA, Inc.

Visit ***thecommco.com/commerce-concepts*** *for the answer to last issue's question.*

Behavioral Biases Can Keep You From Your Financial Goals

Investors tend to have difficulty sticking to their investment plan in uncertain or turbulent market environments. Why? Because investors are prone to human behavioral biases that often lead them to make irrational decisions based on emotion or rules of thumb, rather than reasoned analysis.

These biases can cause you to abandon your investment plan – a mistake that can result in falling short of your financial goals.

Dalbar, a market research firm focused on the financial industry, has studied how such behavior can have a damaging impact on the average investor's long-term portfolio performance. According to its findings, the average investor often underperforms popular benchmarks across a variety of time horizons.

What Causes Investor Underperformance?

The research suggests that investor performance is largely unrelated to market or fund performance. Rather, investor behavior is usually a larger driver of portfolio results. The table below describes the common behavioral biases that can lead investors to make poor investment decisions. See if you recognize yourself in any of these biases.

Behavioral Bias	Example
Anchoring	Investors do not adjust expectations for an investment's return based on new information, but continue to rely on the information available when they initially made the purchase.
Herd Mentality	Investors hear that their peers are making money in a particular stock or sector, and therefore decide to purchase it.
Overconfidence	Investors believe they can beat the market with their investment picks and therefore tend to overtrade their accounts, which ultimately causes them to underperform.
Confirmation Bias	Investors believe the market will go up over the next three months and seek out news stories that support their beliefs, while dismissing news stories that challenge them.
Recency Bias	Investors are more likely to focus on recent market events and conditions when making decisions rather than historical trends.
Loss Aversion	Investors are likely to be more upset about a $1,000 loss in their investment portfolio than they are pleased with a $1,000 gain.
Endowment Effect	Investors expect to sell their shares of a particular stock at a certain price, but wouldn't pay the same amount to purchase the same stock on the open market.
Representativeness	Investors ignore statistical probabilities and instead focus on one event or piece of information, believing it to be representative of future outcomes.

the commerce company
Retirement & Investment Services

continued on page 4...

Indexes are unmanaged and cannot be invested in directly. Past results are not predictive of future results. Individual results will vary. The trailing returns shown include dividends. See page four for index definitions.

Source: Raymond James Financial Services

To be entered into a drawing to win a

$25 GIFT CARD,

email free@thecommco.com with the answer to this question:

Which behavioral bias is when investors decide to purchase a particular stock when they hear that their peers are making money in it?

Market Update

Through September 30, 2021

		Trailing Returns			
		3 mos	12 mos	5 yrs	10 yrs
Blue Chip US Stocks	Dow Jones Industrial Average	-1.46%	24.15%	15.68%	14.72%
Large Company US Stocks	S&P 500	0.58%	30.00%	16.90%	16.63%
Small Company US Stocks	Russell 2000	-4.36%	47.68%	13.45%	14.63%
Non-US Stocks	MSCI EAFE (Gross Div)	-0.35%	26.29%	9.33%	8.60%
US Bonds	Bloomberg US Aggregate	0.05%	-0.90%	2.94%	3.01%
Cash Alternatives	ICE B of A 3 Month US Tsy Bill	0.01%	0.07%	1.16%	0.63%

Economic Snapshot

Gross Domestic Product (GDP)

Following outstanding strength in the first half of the year, GDP growth moderated, partly reflecting an impact from the Delta variant. Growth should remain relatively strong in 2022.

Employment

Nonfarm payrolls have continued to rebound, but still have a long way to go. While demand for labor is strong, labor force participation has been slow to rebound, reflecting fear of the virus, childcare issues, and early retirements.

Housing and Construction

Housing demand remains strong and mortgage rates are low. However, shortages of labor and materials have restrained supply and reduced affordability.

Manufacturing

Growth in new orders has remained strong, fueled by the pandemic shift toward goods. Supply chain difficulties and labor issues have continued, restraining output growth in a number of industries.

Monetary Policy

The Fed is expected to begin tapering the pace of asset purchases later this year, in a process likely to end around mid 2022. The Fed isn't debating interest rate hikes, but those may come in early 2023.

Inflation

Production bottlenecks and materials shortages have been more intense and have lasted longer than expected. Problems are likely to continue into 2022. Inflation in services has risen, but more moderately.

Investment Strategy Quarterly: Published by Raymond James and Associates, October 2021. For a complete PDF copy of the October 2021 issue of Investment Strategy Quarterly, click here or email newsletter@thecommco.com.

September market review

Since the start of the pandemic, we've seen how markets can push through uncertainty, up to a point. September, however, brought compounding uncertainties, combining to end the S&P 500's seven-month positive streak. To understand what caused this downward tilt, look to these four Cs:

- China: The potential default of Evergrande, the Chinese real estate giant
- Congress: Brinkmanship over the federal debt ceiling and pending legislation
- Commodities: The rapid oil price hike to values not seen since 2018
- COVID-19: The continuing surge, even as global lockdowns are at a low point

These and other issues, such as continuing supply chain difficulties, have led Federal Reserve officials and most economists to slightly lower their expectations for 2021 gross domestic product growth. However, this does not mean an expectation of no growth. The underlying fundamentals remain strong and we continue to see resiliency in the market, as investors have been quick to "buy the pullback" in this low-rate environment.

For additional asset allocation and disclosure information, please [click here] or visit the Resources section of our website at

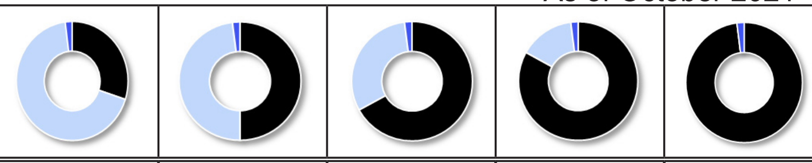
thecommco.com

The investment profile is hypothetical, and the asset allocations are presented only as examples and are not intended as investment advice. Asset allocation and diversification do not assure a profit or protect against loss. Investing involves risk and investors may incur a profit or a loss, including the loss of all principal. International investing involves special risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility. Investing in small- and mid-cap stocks generally involves greater risks, and therefore may not be appropriate for every investor. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. High-yield bonds are not suitable for all investors. When appropriate, these bonds should only comprise a modest portion of your portfolio. Commodities and currencies are generally considered speculative because of the significant potential for investment loss. They are volatile investments and should only form a small part of a diversified portfolio. Real estate investments can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments.

Strategic Asset Allocation Models

As of October 2021

Equities
Fixed Income
Cash Alternatives



	Conservative	Moderate	Balanced	Growth	Aggressive
Equity	**30%**	**50%**	**67%**	**83%**	**98%**
Equity allocation comprises:					
U.S. Large Cap Blend	20%	24%	29%	35%	41%
U.S. Large Cap Growth	0%	3%	5%	7%	8%
U.S. Large Cap Value	0%	3%	5%	7%	8%
U.S. Mid Cap Equity	4%	7%	9%	11%	13%
U.S. Small Cap Equity	1%	3%	5%	7%	8%
Non-U.S. Developed Market Equity	5%	10%	10%	12%	15%
Non-U.S. Emerging Market Equity	0%	0%	4%	4%	5%
Fixed Income	**68%**	**48%**	**31%**	**15%**	**0%**
Fixed income allocation comprises:					
Investment Grade Intermediate Maturity	45%	32%	21%	12%	0%
Investment Grade Short Maturity	13%	7%	5%	0%	0%
Non-Investment Grade (High Yield)	7%	6%	5%	3%	0%
Non-U.S. Fixed Income	3%	3%	0%	0%	0%
Multi-Sector Fixed Income	0%	0%	0%	0%	0%
Alternative Investments	**0%**	**0%**	**0%**	**0%**	**0%**
Cash & Cash Alternatives	**2%**	**2%**	**2%**	**2%**	**2%**
Totals	**100%**	**100%**	**100%**	**100%**	**100%**

These asset allocation targets are based on our changing views of the risk and return in the various asset classes, looking out over three or more years. The models assume fully allocated portfolios and do not take into account outside assets, additional cash reserves held independent of these models, or any actual investor's unique circumstances. Investors should consult their financial advisor to decide how these models might assist in the development of their individual portfolios. Material is provided for informational purposes only and does not constitute a recommendation.

Index definitions: The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stock of companies maintained and reviewed by the editors of the Wall Street Journal. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index. The MSCI EAFE (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations. The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The ICE BofAML 3-Month US Treasury Bill index consists of a single issue that is purchased at the beginning of the month and held for a full month. At month's end, that issue is sold and rolled into a newly selected issue, which is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date. The selected issue must have settled on or before the month-end rebalancing date.

the commerce company
Retirement & Investment Services

5440 SW Westgate Drive, Suite 110
Portland, OR 97221
thecommco.com

tel 503-203-8585
fax 503-203-8590
toll 800-203-8510

continued from page 1...

The outcome of these biases can lead to irrational decision making, which often leads to poorly timed trades. It's no wonder investors who let these biases cloud their judgement tend to underperform the market, their investments, and most importantly, their financial goals. The good news is, once you're aware of these pitfalls, you can implement strategies to help avoid them in the future.

How To Navigate Behavioral Biases

Avoiding behavioral biases completely can be difficult. After all, human nature ensures that nearly all investors will succumb to several or all of these biases at some point. However, by following a few simple guidelines, you can reduce the likelihood that these biases will negatively impact your investment performance.

Develop and document a financial plan. A financial plan creates context for your initial asset allocation and all investment decisions that follow. It also provides investors with guidance and clarity regardless of external market conditions.

Follow a process. Following a well-defined, repeatable investment process takes the emotion and subjectivity out of investment decisions. Something as simple as a checklist can help ensure that behavioral biases don't take over when markets disappoint.

Stay the course. The sound thing to do is stick to your plan regardless of the market environment. Work with your financial advisor to develop an investment plan that focuses on your financial goals, and only change it when your circumstances or objectives change.

Talk to your financial advisor. They can act as your voice of reason during times of market volatility and heightened emotion.

Behavioral biases can lead to emotionally driven action and detrimental effects on achieving your financial goals. Now that you're a more informed investor, remember to take a pause as you approach future financial decisions.