Dorchester Advisors
Money worked harder

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2021 Q4 Market Review

Four of the five main asset classes we follow were up in Q4; only commodities were down. But for 2021 it was Bonds that were down overall. The other asset classes performed strongly. US Stocks (SP500 Index) were up 28.7% mainly due to large Tech, Commodities (Bloomberg commodity index) were nearly as good, up 27.1%. The REIT sector (Dow Jones REIT Index) was stellar in comparison, up 45.9%. Non-US (MSCI EAFE index) stocks were also positive up 11.8%. This underscores our philosophy that properly diversified portfolios don't always win but are a sound approach for the long term investor.

The Pandemic and the forecasts of high inflation were carrying the media airwaves. But, as we have remarked in our earlier reports we will survive and thrive – perhaps in different ways. Rather than anchoring on returning to the earlier norms we think it may be profitable to accept that things will remain different – even if we don't (and can't) know where it will all end up.

Also, there is some investor concern that this bull market in US stocks has run a long bullish course, that it is at an all-time high and therefore it must correct. This may well happen, and if an investor has a short-term horizon, it may pose some risks to them. But, for long term investors I think a likely scenario is that people around the world will continue to make economic progress, run profitable enterprises, and their shareholders (i.e. long term investors in their stock) will prosper.

So, if we can't reliably predict the future, what can we control instead? Our plan is to keep analyzing investments both with the perspective of the past as well as with the expectation that the future may be quite different. And, we will also plan to keep a focus on the actions clients can take in terms of portfolio management, tax planning (as it relates to investments) and the several actions they can take to reach their financial goals.

For our clients, we reviewed and adjusted their portfolios in Q4. We plan to keep them well diversified across the 5 main asset classes and to rely on fundamentals and evidence-based investment strategies, and to remain cost-conscious. We think this remains a prudent investment approach.

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Our evidence–based Investment Philosophy

Our portfolios are sensibly diversified across the five main asset classes, and with markets becoming increasingly global, we seek opportunities regardless of where they are located.

We strive to manage investments prudently, using the value-style oriented approach of buying high quality investments when they are available at attractive (inexpensive) prices.

We select investments to get better total returns fully recognizing that risk management, cash requirements, tax considerations, social investing demand, etc. may reduce returns of portfolios.

We use both active and indexed portfolio management techniques depending on market conditions. When markets offer opportunities, or as we uncover compelling ideas, active portfolio management is useful. At other times our default position is to use evidence-based indexed investments.

We believe that market conditions are important, especially when clients add to or withdraw capital. At these times, we pay attention to market trends based on the relative attractiveness of major asset classes and our expectations about their future performance. But normally, we do not attempt to time the market; research suggests it is futile..

We use fundamental techniques, quantitative approaches, and behavioral finance to guide us when we buy and sell securities and strive to take the least amount of risk that is consistent with a client's objectives – as distinct from shooting for the highest returns.