

State Farm®

Investment Planning Services

Monthly Viewpoints – November 2021

State Farm Investment Management (SFIM)

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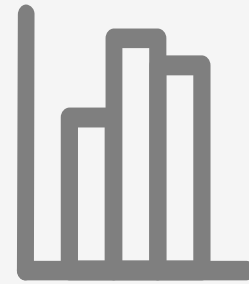
State Farm Investment Management (SFIM)



Viewpoint



Market Recap



Asset Class Returns

Viewpoint

Evaluating Commodity Performance



Viewpoint

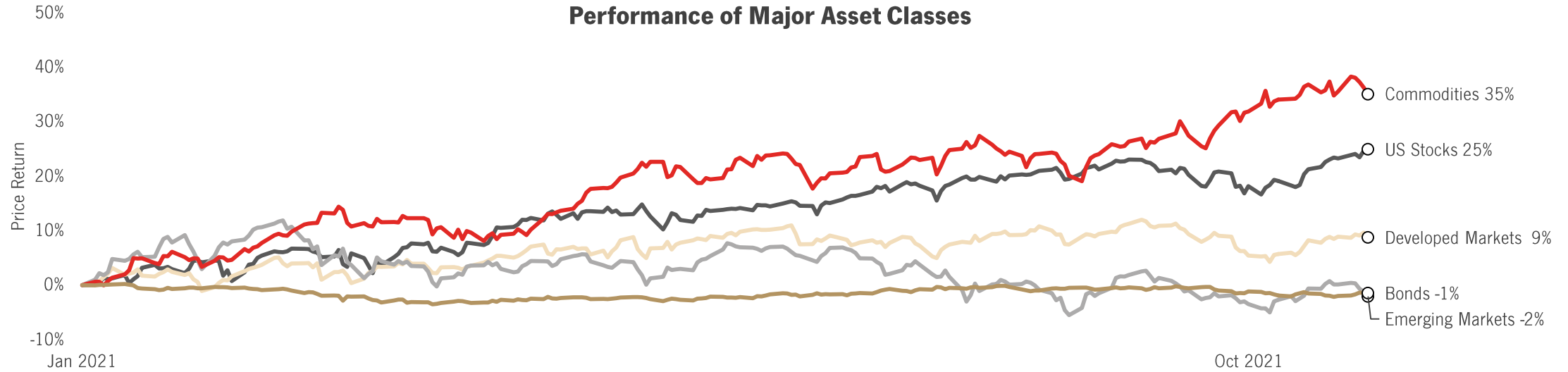


Market Recap

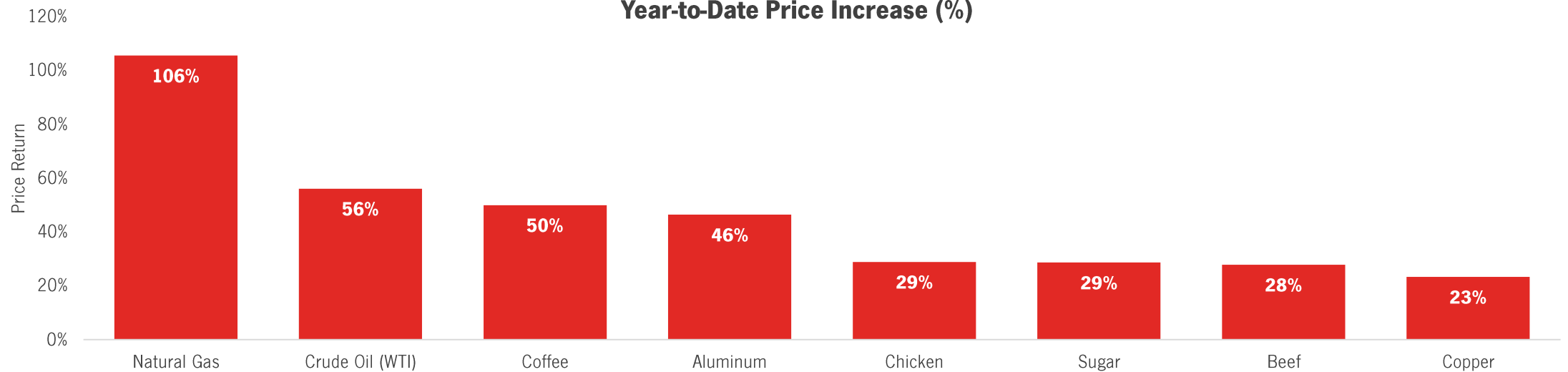


Asset Class Returns

Performance of Major Asset Classes



Year-to-Date Price Increase (%)



Source: World Bank

Viewpoint

Evaluating Commodity Performance



Viewpoint

- Commodities are real assets used as raw materials to create the products consumers buy, including everything from food to furniture to gasoline. Investors allocate to commodities for the potential diversification and inflation benefits the asset class can provide. The drivers of returns include supply and demand, weather and geopolitical instability, amongst others. Since these factors do not affect equity and bond market returns in the same way, commodities tend to have a lower correlation to traditional financial assets and may provide diversification benefits within a multi-asset portfolio. In an environment of rising inflation, as demand increases the price of goods and services climbs as does the price of the commodities used to produce them. Therefore, commodities often play an inflation hedge within a diversified portfolio, enabling investors to gain exposure to real assets that are more positively correlated with inflation than stocks and bonds are.

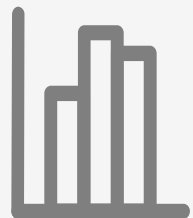


Market
Recap

- As seen in the line graph on the previous page, as an asset class commodities have outperformed global equity and fixed income benchmarks this year as inflation continues to tick higher - with the latest consumer price index (CPI) reading marking a 30-year high at 6.2%. The accompanying bar chart shows the year-to-date performance of different commodities, with the outperformance over traditional asset classes being led by energy as a strong revival in industry fuels the economic rebound.

- Increasing commodity prices are threatening higher inflation. As input costs of raw materials rise, it has the indirect impact of increasing consumer costs and putting pressure on central banks to tighten monetary policy. Along with accelerating inflation, strong consumer demand, global logistic issues and a lack of skilled employees has contributed to the price appreciation in real assets. As economies get back to business and consumers return to pre-pandemic activities, some producers who slowed or shut down production to weather the pandemic-induced downturn have been slow to increase output - creating a supply-demand imbalance and adding to the price pressures seen throughout commodities. For its part, Federal Reserve policymakers have repeatedly stated they believe inflation is transitory and will fade as economic activity normalizes. However, they have also acknowledged that inflation has proven to be more resilient than originally thought.

- Going forward, market participants will closely monitor levels of inflation for signs that it is easing or proving to be more permanent than predicted. However, as difficult as it is to accurately forecast inflation, allocating to commodities can help investors establish an all-weather portfolio to achieve their long-term investment goals.



Asset
Class
Returns

Source: Financial Times, Bloomberg, CNBC

Monthly Market Recap



Viewpoint



Market Recap



Asset Class Returns



Stocks Stumble

- Equities continued to climb higher to start off November, however fell sharply in the final trading days to close out what was a volatile month. Stocks endured steep declines after news of a new COVID-19 strain overseas sparked worries over potential renewed lockdowns, as thin holiday trading volume likely exacerbated the reaction. For the month, the NASDAQ added 0.33%, while the S&P 500 and Dow dropped 0.69% and 3.50%, respectively.



Consumer Confidence Falls

- Consumers' views of the economic outlook soured in November as the index of consumer confidence fell to 96.1 in November, down from 101.4 in October and below a reading of 98.0 that many economists had expected. Americans' dimming view of the economy's prospects in the months ahead, as well as concerns about rising prices – and to a lesser degree the Delta variant – were the primary drivers of the decline in confidence.



Fed Taper Begins

- Impacting the fixed income markets in November, the Federal Reserve took action to end its asset purchase program, commonly known as quantitative easing. For the past 18 months, the Fed bought at least \$120 billion of bonds each month, providing unprecedented support to the financial markets. Starting November, the Fed began to reduce its purchases by \$15 billion and expects to continue to do so each month until the purchases run out in mid-2022.



Help Wanted

- The U.S. economy has had more than 10 million open jobs since June, an extraordinary stretch of imbalance in the labor market that also includes record numbers of workers quitting their jobs. Total job openings have been well above their pre-pandemic peak – about 7.5 million in November 2018 – since February, when COVID-19 vaccinations initially ramped up and the U.S. economy started to more broadly open.



Asset Class Returns

Stocks



Viewpoint

Index Total Returns as of 11/30/2021 (%)

	CLOSE	1 MONTH	YTD
S&P 500	4,567.0	-0.7	23.2
NASDAQ Composite	15,537.7	0.3	21.3
Dow Jones Industrial Average	34,483.7	-3.5	14.6
MSCI EAFE	2,223.7	-4.6	6.3
MSCI EM	1,212.4	-4.1	-4.1

U.S Equity Size and Style Total Returns

1-Month				YTD			
-3.5	-1.3	0.6	Large	17.7	21.5	25.0	Large
-3.0	-3.5	-4.2	Mid	20.8	17.8	12.3	Mid
-3.4	-4.2	-4.9	Small	23.2	12.3	2.4	Small
Value	Core	Growth		Value	Core	Growth	

Legend: Better (worse) returns represented by lighter (darker) shades.
Return data from Russell 1000, Russell Mid Cap and Russell 2000 indices.



Market Recap

S&P 500 Sectors (%)

	1 MONTH	YTD
S&P 500 Index	-0.7	23.2
Communication Services	-5.2	18.6
Consumer Discretionary	2.0	24.7
Consumer Staples	-1.1	7.6
Energy	-5.1	50.0
Financials	-5.7	30.7
Healthcare	-3.0	15.7
Industrials	-3.5	15.0
Information Tech	4.3	30.1
Materials	-0.5	18.3
Real Estate	-0.9	32.6
Utilities	-1.7	7.3

International/Developed (%)

	1 MONTH	YTD
MSCI EAFE Index	-4.6	6.3
Europe	-5.1	9.7
France	-4.2	12.6
Germany	-6.5	0.3
Italy	-6.3	8.2
Japan	-2.5	0.1
Spain	-10.7	-4.4
Switzerland	-1.5	11.7
U.K.	-5.4	10.5

Emerging Markets (%)

	1 MONTH	YTD
MSCI EM Index	-4.1	-4.1
Brazil	-1.4	-20.7
China	-6.0	-19.1
India	-3.0	22.1
Indonesia	-2.8	1.5
Korea	-4.6	-13.5
Mexico	-5.8	8.6
Russia	-10.9	22.7
Taiwan	2.2	20.2

Source: FactSet



Asset Class Returns

Asset Class Returns

Bonds and Commodities



Viewpoint

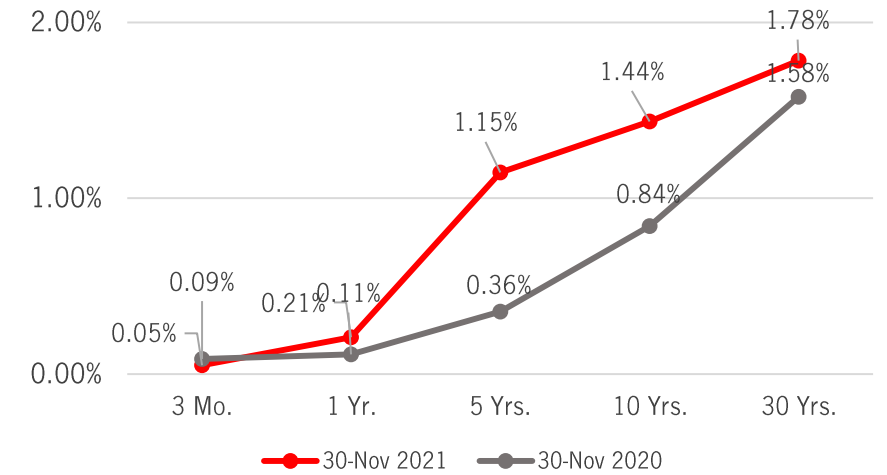


Market Recap

U.S. Treasury Bond Yields as of 11/30/2021 (%)

Maturity	Month End Yield	Prior Year End	YTD Change (BPS)
3 Mo.	0.05	0.08	-3
1 Yr.	0.21	0.10	11
5 Yrs.	1.15	0.36	79
10 Yrs.	1.44	0.92	52
30 Yrs.	1.78	1.65	13

Treasury Yield Curve



U.S. Bond Sectors (%)

	1 MONTH	YTD
Aggregate	0.3	-1.3
Convertible	-4.4	3.5
Corporate	0.1	-1.0
High yield	-1.0	3.3
MBS	-0.1	-1.0
Municipal	0.9	1.4
TIPS	0.9	5.6
Treasury	0.8	-1.8

Global Bonds (%)

	1 MONTH	YTD
EM Local	-3.6	-11.2
EM Debt USD	-1.8	-3.6
Global Agg	-0.3	-4.6
Global Agg Ex-U.S.	-0.6	-6.3
Multiverse	-0.4	-4.5

Commodities (%)

	1 MONTH	YTD
Commodity Index	-7.3	22.7
Oil (WTI)	-20.8	36.4
Gold	-0.4	-6.3
Silver	-4.7	-13.6

Source: FactSet

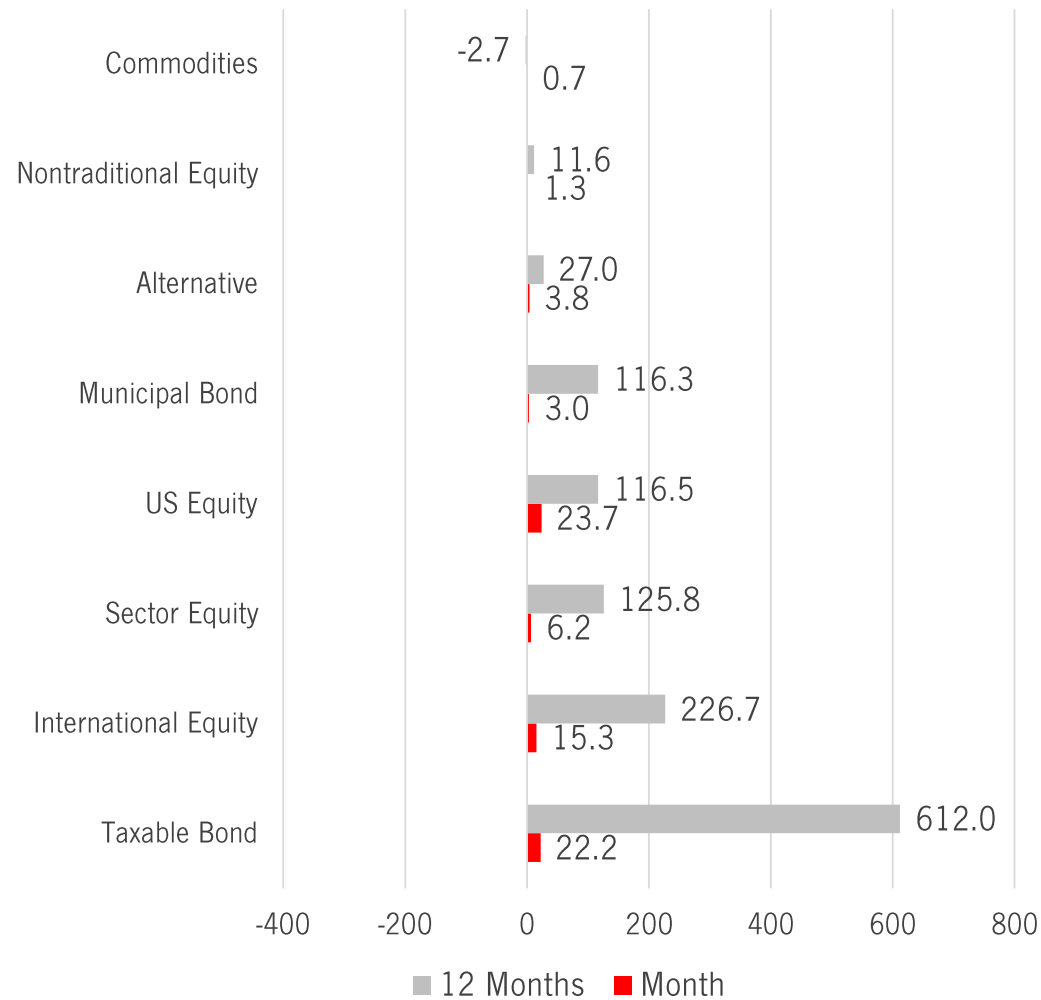


Asset Class Returns

Asset Class AUM Flows

Fund Industry Overview – Monthly

Total net flows: open-end funds and ETFs (\$B)



Leading Morningstar fund categories by monthly net flows (\$B)

	Month	12 Months	Assets
Large Blend	27.6	88.8	6156.1
Foreign Large Blend	11.8	79.0	1455.7
Inflation-Protected Bond	8.6	70.3	280.3
Intermediate Core Bond	7.7	155.6	1249.1
Bank Loan	3.9	39.2	109.7

Lagging Morningstar fund categories by monthly net flows (\$B)

	Month	12 Months	Assets
Intermediate Core-Plus Bond	-3.8	63.9	880.1
Large Value	-3.0	52.3	1679.5
Trading--Leveraged Equity	-2.3	-5.5	71.5
Corporate Bond	-2.2	-7.1	217.5
Small Growth	-2.0	-1.9	346.1

Source: Morningstar Direct as of 10/31/21



Viewpoint



Market
Recap



Asset
Class
Returns

Disclosures

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