Markets & The Economy

Global financial markets experienced some minor turbulence in September. In the end, investors with diversified portfolios held onto most gains earned in the first half of 2021. For global equity indices, the third quarter will mark the first negative result since the short-lived recession of 2020. Returns also varied widely across geographies. Although Japan proved one of the best developed markets with a gain of 4.6% for the quarter, China dropped more than 18%. Developed non-U.S. markets (MSCI EAFE) outperformed the S&P 500 in local currency terms but failed to keep up with a nearly 2% increase in the value of the US Dollar. The S&P 500 ended the quarter with a gain of 0.58%, but small cap stocks (as measured by the Russell 2000 Index) gave up nearly 4.4%. Growth and Value mattered differently across market caps and geographies. While Growth outperformed value in large caps, the reverse was true for small caps.

The 10-year Treasury started at 1.45%, then in August dropped just below 1.18%, as inflationary concerns seemed to be dismissed. Shortly after, rates rebounded back to 1.52% on news that the central bank was looking to taper its bond purchases. Muni bonds (Bloomberg 1–10-year Blend) dropped 0.01% for the quarter. High Yield bonds, on the other hand, managed to post a nice quarter as the Bloomberg US Corporate High Yield Index gained 0.89%.

The three most prominent themes that evolved during the quarter were: (1) The Fed finally drew a line in the sand noting that it would announce a reduction in the pace of bond buying before year end and likely end bond purchases by mid-2022. (2) The pace of the economic recovery has slowed, but not for lack of demand, rather because of a pick-up in covid concerns which may be responsible for the continued supply chain challenges. Friction in the employment market, from either workers not wanting to return or not being qualified for the work, is also hampering manufacturing and transportation of goods. These issues are evidence that recovery is still in progress and that potential for further delays exists, until some of those obstacles can be resolved (3) Chinese regulatory efforts have shaken investors comfort in owning public equities of Chinese companies. We are examining the current price disconnect as a potential investment opportunity, in a time where there are few investments with attractive forward-looking returns.

Portfolio Overview (Approximate Funds; Year-to-Date Returns as of September 30, 2021, Net of Fees)

Mid- to Long-Term Fund ($14.5 million; +7.7%) – Most of OICF's corpus is invested in this diversified global strategic approach featuring a blend of active, passive and private investment funds.

Short-Term Funds ($2.5 million; +0.4%) – OICF holds two short-term accounts invested in a short-term bond fund managed by PIMCO, currently yielding between 1.0-2.0% annually.

Blue Marble Fund ($2.1 million; +5.8%) – A lower cost strategy comprised of ETFs and Mutual Funds focused on companies with best practices among environmental, social and governance attributes. This portfolio option incepted during the second-half of 2018 features a 60% stock, 40% fixed-income allocation.

OICF Index Fund ($1.0 million; +7.6%) – OICF provides this low internal-fund cost option for those who espouse the 'John C. Bogle' (founder of Vanguard) indexing approach to investing, characterized again by a 60% stock, 40% bond and other diversified asset allocation.