



PRATO CAPITAL

Is your Holiday Cup of Cheer half-full or half-empty?

December 2021

Attention grabbing headlines in the media are often negative in tone and create tension and anxiety. Few headlines have focused on stock market returns in 2021 or over the past 10 years.

Concerning news headlines are nothing new

Some of the issues dominating the news recently are concerning. Inflation has spiked after the reopening of the economy. Shortages are being reported on everything from computer chips to Christmas gifts and covid variant concerns are once again dominating the news cycles. With these headlines, it would be easy to have a negative point of view of the economy, investments and the stock market in particular – the cup is half empty.

At Prato Capital, we like to use history as a guide when looking at current stock market conditions. The following 2 charts look at S&P 500 returns. Chart 1 below shows the returns of the S&P 500 with dividends reinvested this year along with some of the news events that have been in the media.

Chart 1: News Headlines and S&P 500 Growth During 2021¹

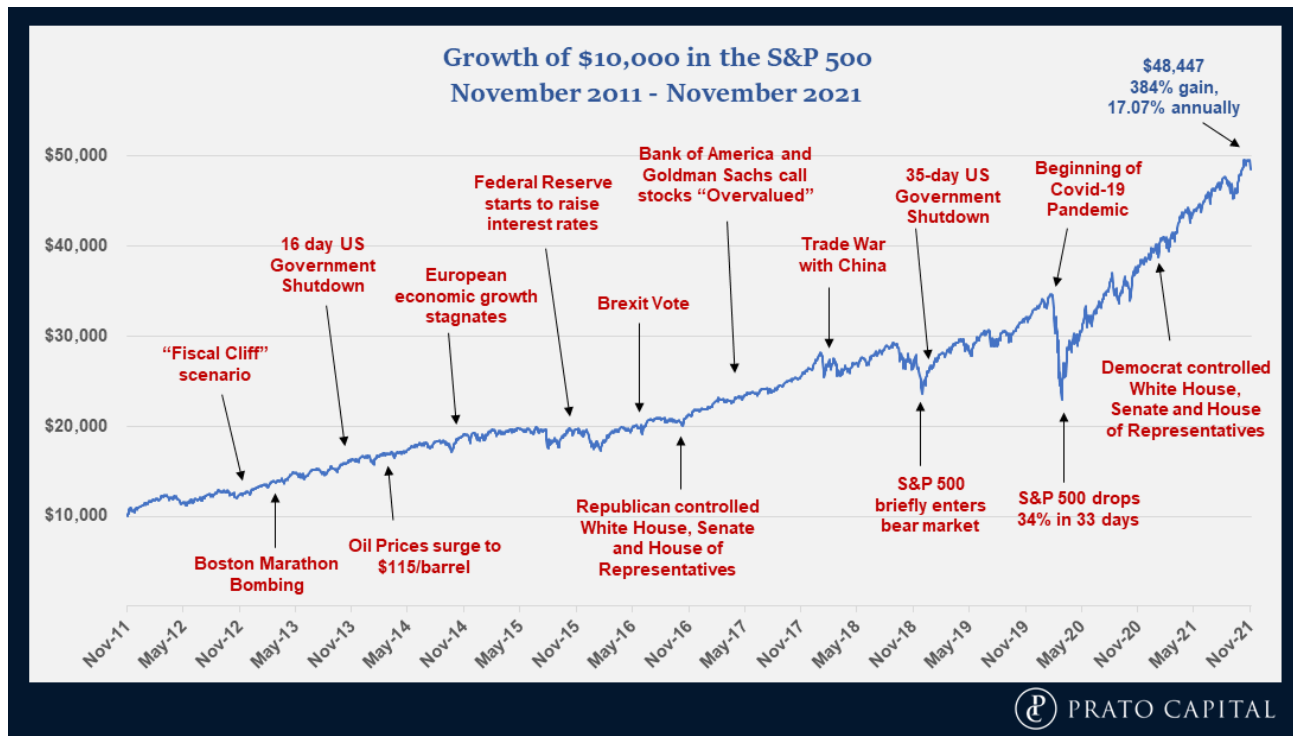


¹ Year to Date S&P 500 total returns include reinvestment of dividends, data from YCharts, December 31,2020 – November 26, 2021.

That is almost a 24% gain for the S&P 500 in 2021.

Chart 2 below shows the growth of \$10,000 when invested in the S&P 500 with all dividends reinvested over the past 10 years.

Chart 2: News Headlines and Growth of \$10,000 Last 10 Years²



Over a 17% gain annually for the past 10 years and \$10,000 growing to over \$48,000.

For the disciplined and patient investor, the charts above show that it has been rewarding to look past the short-term news headlines and focus on the long-term. When compared to the news coverage, a realistic view of long-term investing shows that the cup may really be half full.

Conclusion

Stock market returns have rewarded the disciplined long-term investor through many newsworthy events, not just this year but over the past 10 years. This has included through times of political change and turmoil, an ongoing pandemic, trade wars and even bear markets. History has shown that it pays to look past the short-term headlines and focus on the potential of long-term returns.

For the long-term investor, the cup certainly has been half full, not half empty.

"The individual investor should act consistently as an investor and not as a speculator." - Benjamin Graham

² 10-year S&P 500 total returns include reinvestment of dividends, data from YCharts, November 26, 2011 – November 26, 2021.