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Performer Webinar Series

**VISTAGE**

# A Capital Market's Perspective on What Will Drive Your Business in 2022

Presented by:

Adrian Cronje, PhD CFA, CEO & CIO, Balantine

# THE CEO'S GUIDE TO CAPITAL MARKETS, THE ECONOMY, AND IMPLICATIONS FOR YOUR BUSINESS

## OUTLOOK 2022: THREE KEY THEMES THAT WILL DRIVE YOUR BUSINESS

Vistage  
December 10, 2021

Dr. Adrian Cronje, CFA  
Chief Executive Officer & Chief Investment Officer

# Agenda

- + The Future Economic Environment Through a Capital Market Lens
- + Three Key Themes That Will Drive Your Business
- + Balentine's Investing Cardinals
- + First Generation Wealth
- + Additional Resources





# The Consequences of Over Stimulation



# Capital Market Cycles: Expectations



# Capital Markets Lead the Economy, Not the Other Way Around



Resource: "Are Recession Red Lights Flashing?" at [balentine.com/insights](https://www.balentine.com/insights);  
Top New Vistage Speaker of 2019

# Capital Markets Lead the Economy

Indicator      Q1 2019      Q1 2020      Q4 2021

Stock Market			?
Bond Market			?
Credit Market			?
Commodity Market			?

Weak

Fair

Strong

## Timing and Shape of Recovery?

- Future corporate profitability
- Future interest rates & Fed policy
- Optimism in corporate sector
- International economy (esp. China)

**Resource: "Are Recession Red Lights Flashing?" at [balentine.com/insights](https://www.balentine.com/insights)**

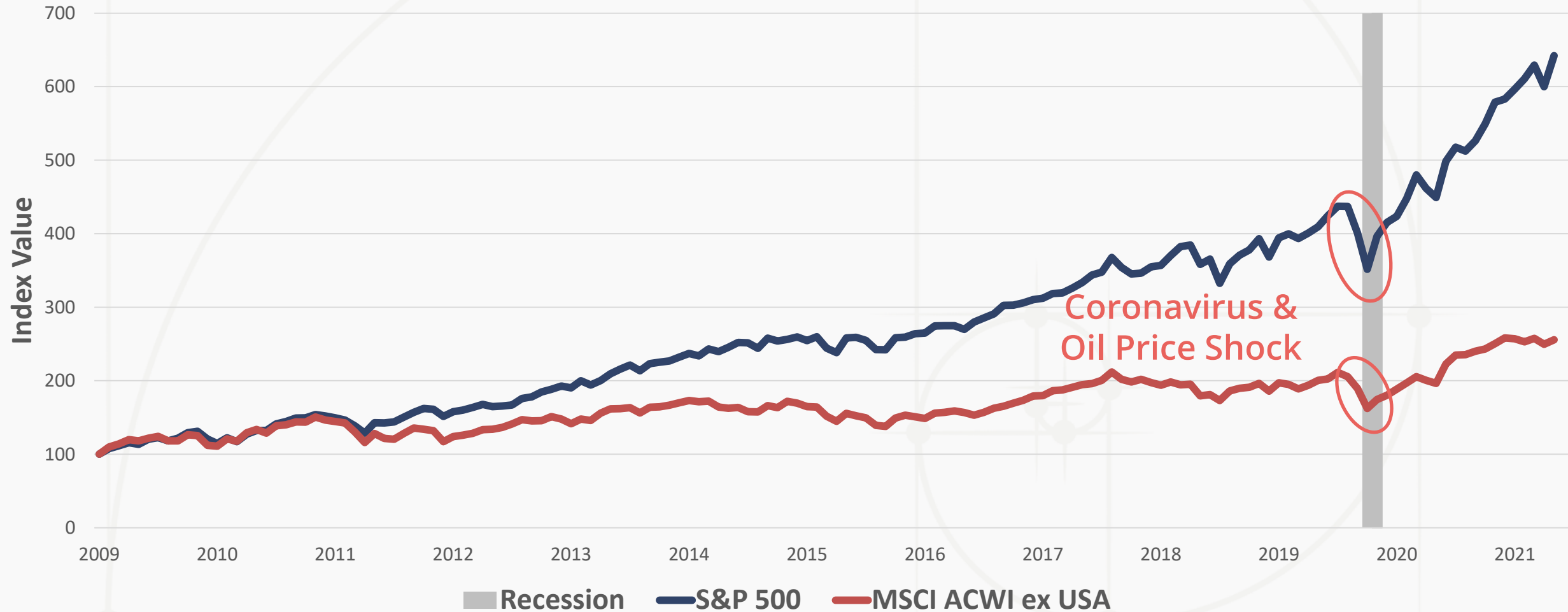
# **CAPITAL MARKETS UPDATE**





# Indicator: Stock Market Index

Total Return, Indexed (6/30/09 = 100)



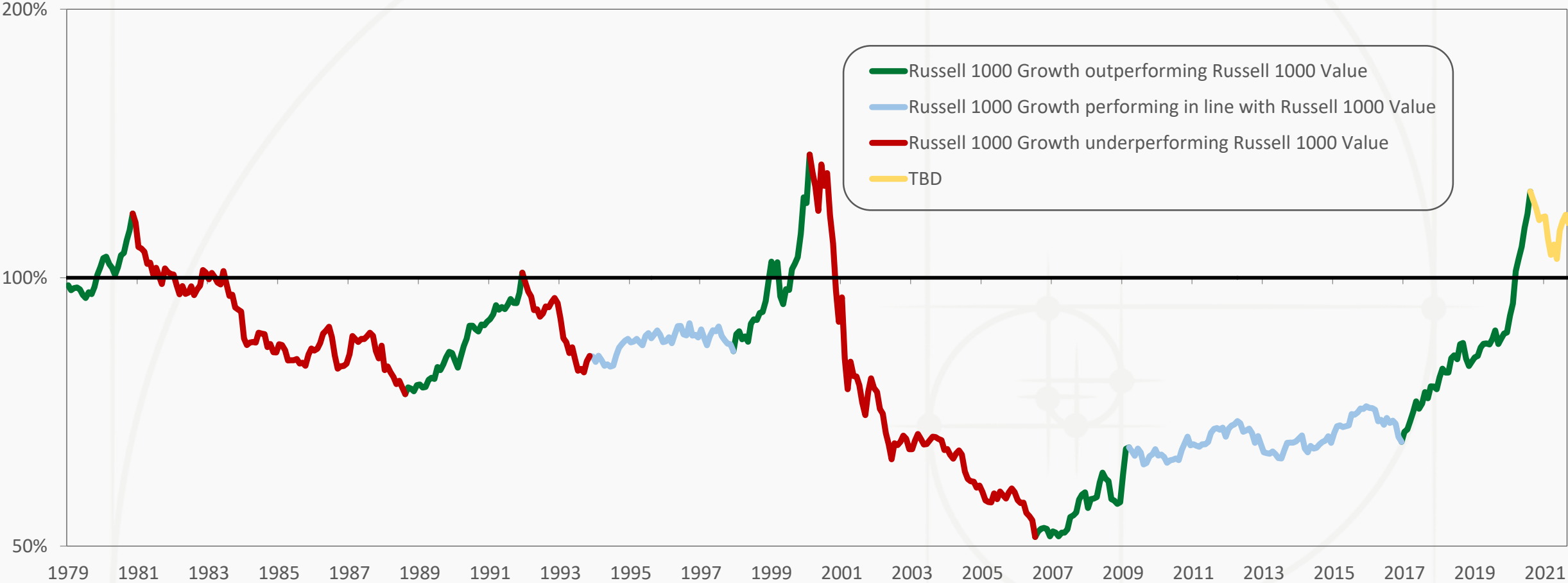
Note: Index definitions are included at the end of the presentation.



# Beneath the Surface: The Battle of Growth vs. Value

Source:  
BlackRock,  
data as of 10/31

U.S. Large Cap Growth vs. U.S. Large Cap Value



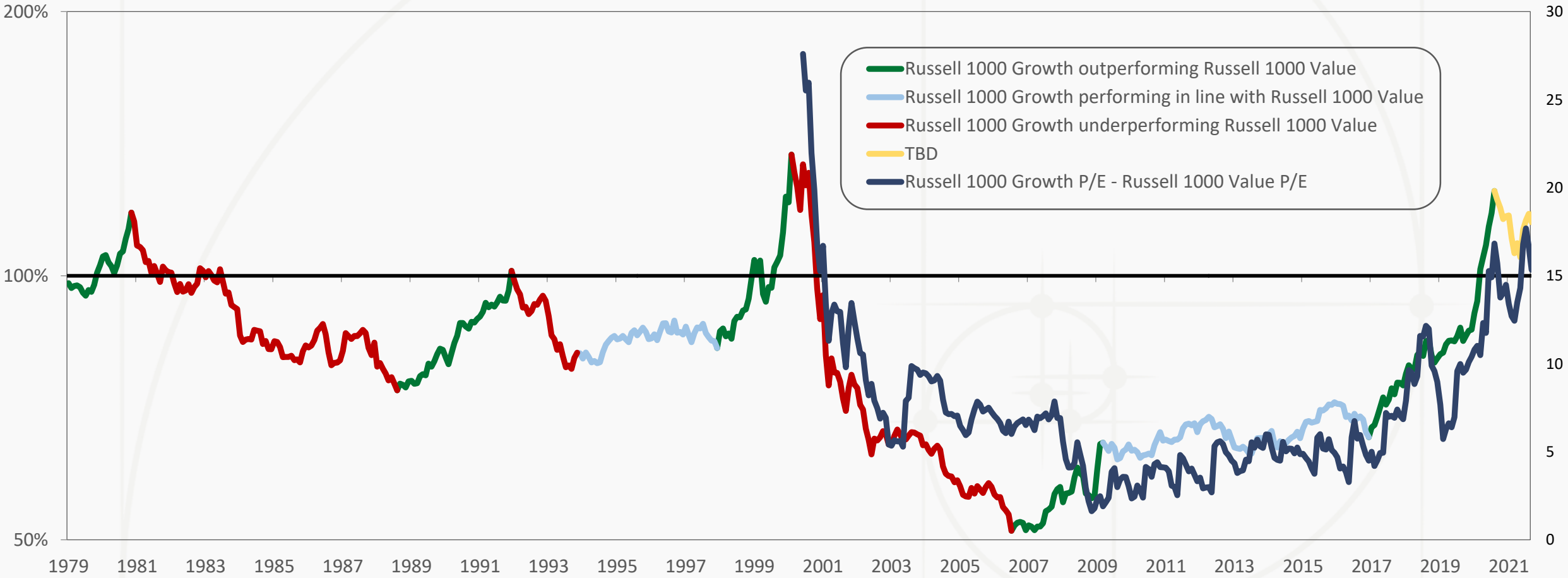
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# Indicator: Slope of the Yield Curve

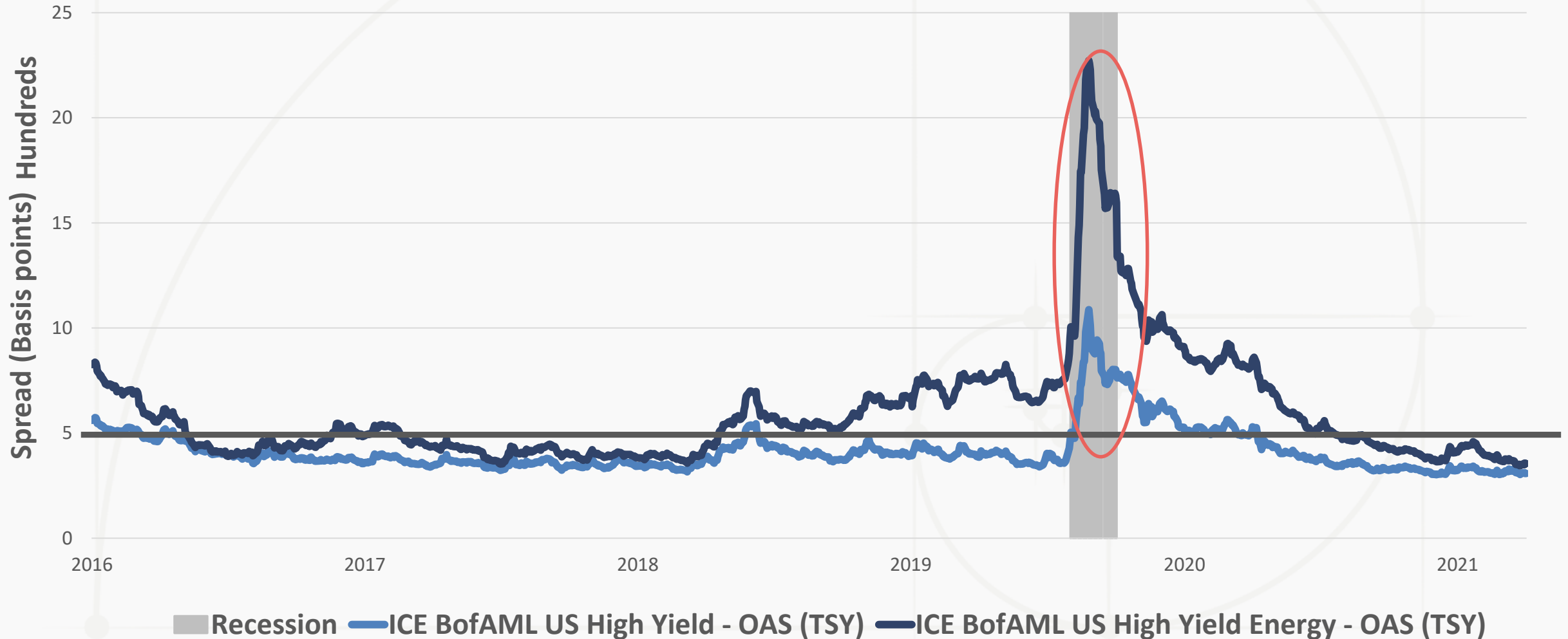




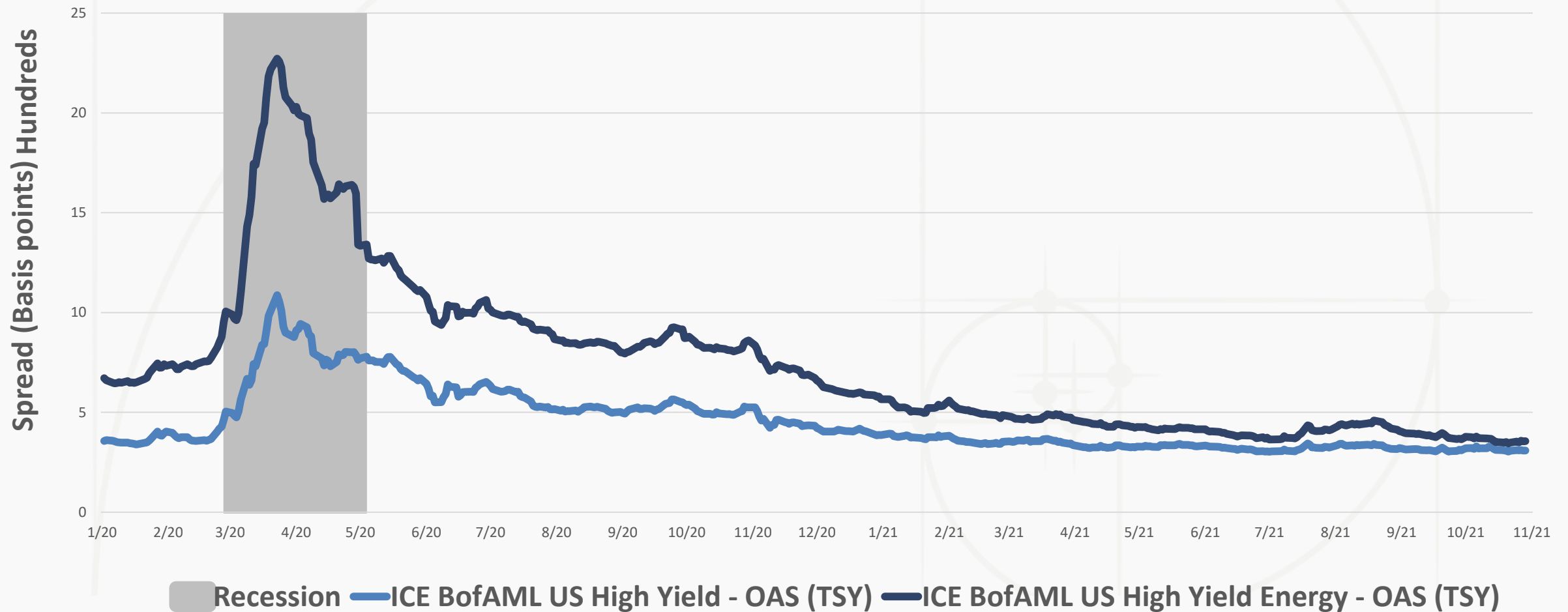
# Indicator: Slope of the Yield Curve Since 2020



# Indicator: Credit Market Spreads

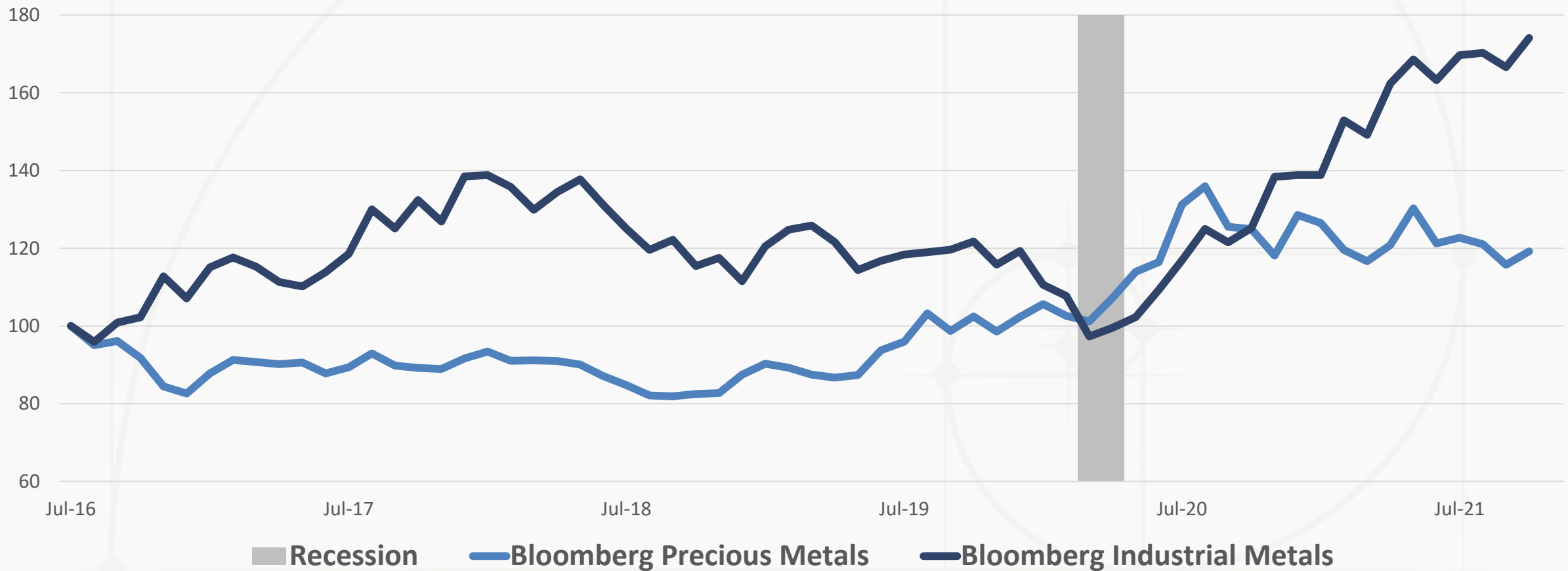


# Indicator: Credit Market Spreads Since 2020



# Indicator: Commodity Market Index

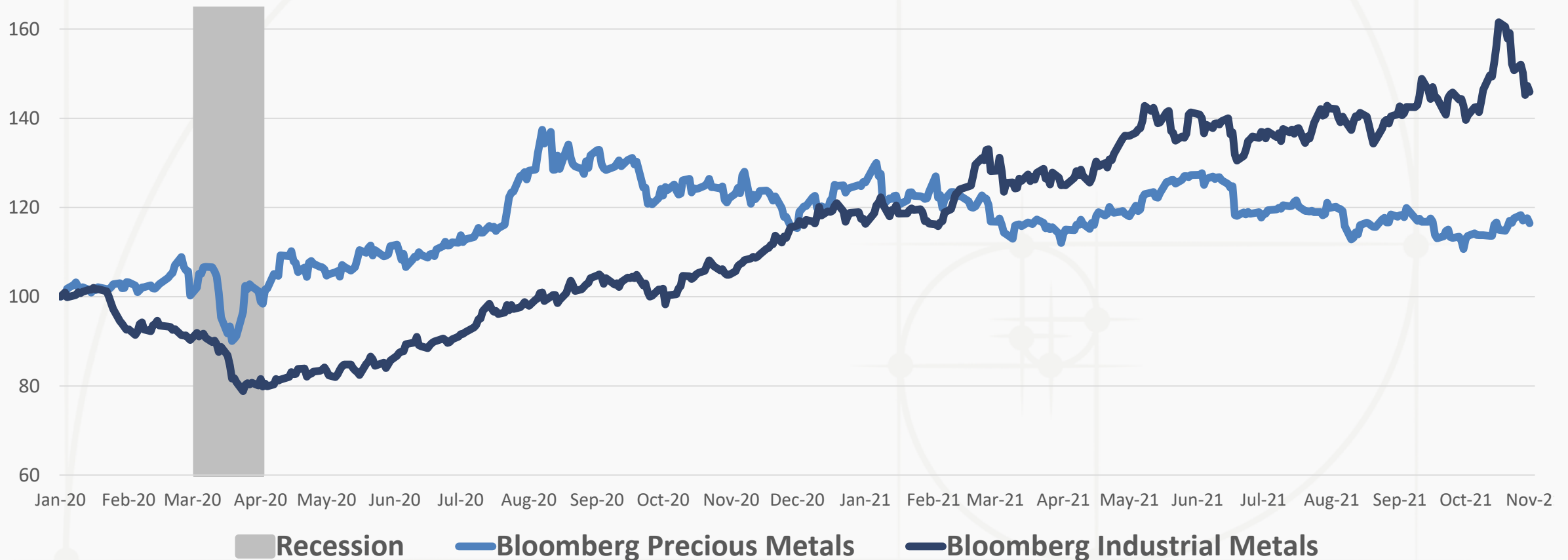
Bloomberg Industrial Metals vs. Bloomberg Precious Metals Total Return, Indexed  
(8/31/2015 = 100)





# Indicator: Commodity Market Index Since 2020

Bloomberg Industrial Metals vs. Bloomberg Precious Metals Total Return, Indexed  
(12/31/2019 = 100)



# Capital Markets Lead the Economy

Indicator	Q1 2019	Q1 2020	Q4 2021
Stock Market	Fair	Weak	Strong
Bond Market	Fair	Weak	Strong
Credit Market	Strong	Weak	Strong
Commodity Market	Fair	Weak	Strong

Weak Fair Strong

**Resource: “Are Recession Red Lights Flashing?” at [balentine.com/insights](https://www.balentine.com/insights)**

# Three Key Themes That Will Drive Your Business

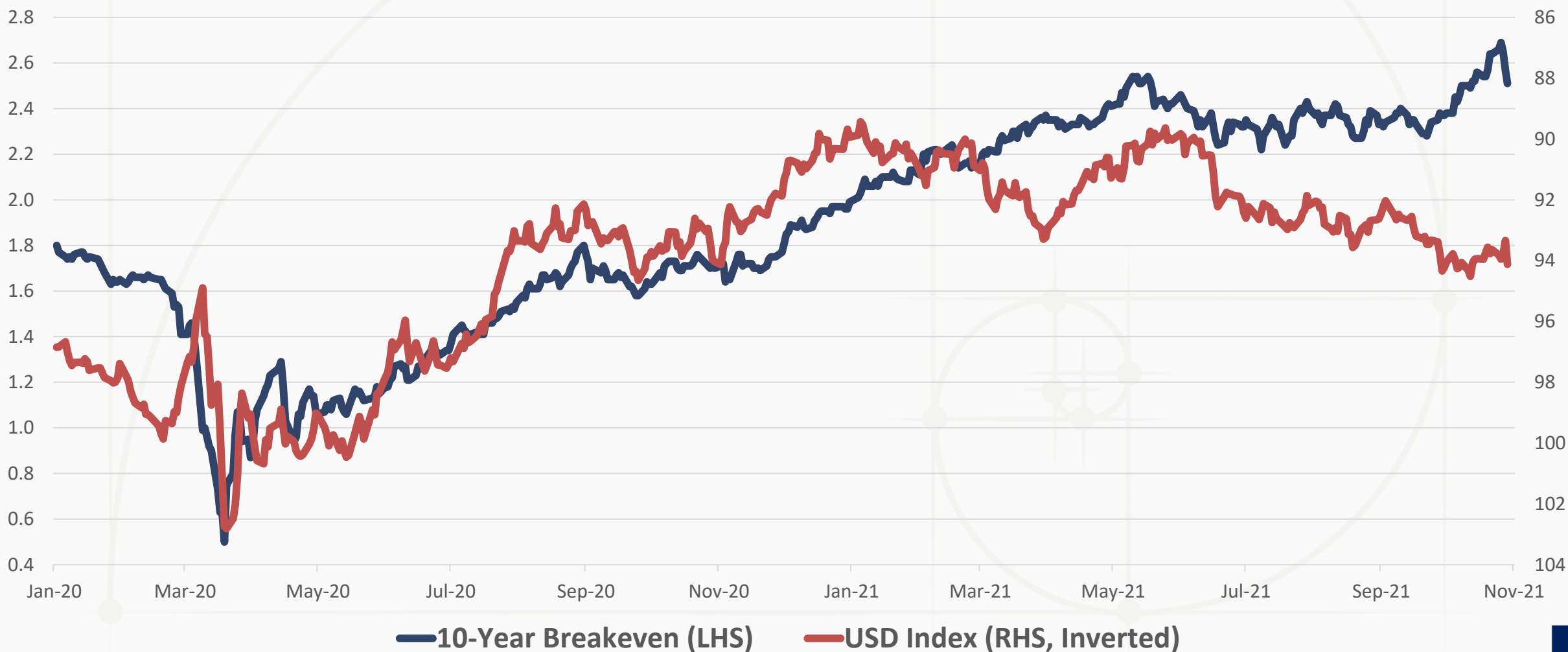
- + Inflation
- + Productivity growth from “Tech-celeration”?
- + COVID-19: From “Pandemic” to “Endemic”

**Resources: “Road to Recovery Series” at [balentine.com](https://www.balentine.com)**

# 2021: Key Themes

## Rising Inflation Expectations: A Scare Brewing?

U.S. 10-Year Breakeven vs. U.S. Dollar Index





# 2021: Key Themes

## Commodity Inflation

### METALS TESLA NEEDS TO BUILD 20M CARS A YEAR

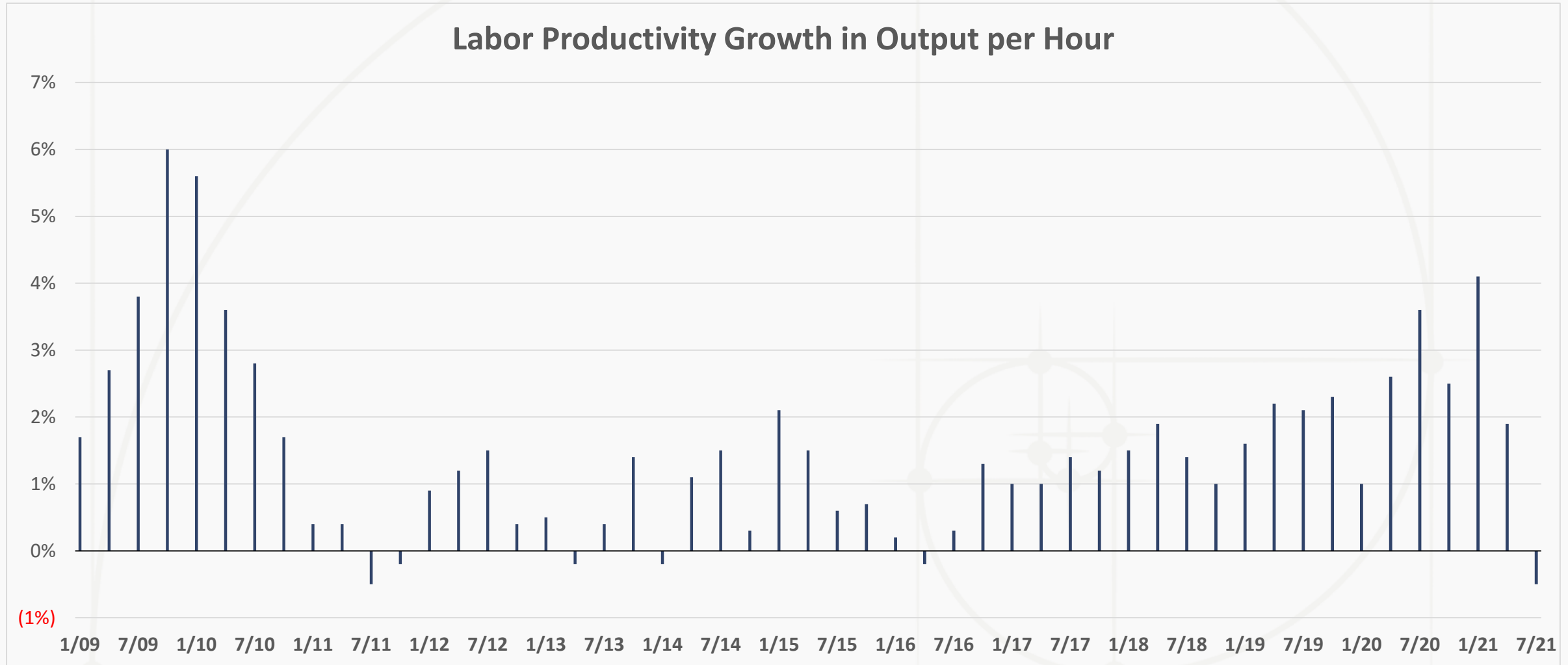
Tesla Production @ 20m	Material Required (t)	Production 2019 (t)	% of Production
Graphite	1,028,775	1,100,000	94%
Nickel	750,410	2,460,000	31%
Lithium	127,302	77,000	165%
Copper (vehicle)	1,820,000	21,000,000	9%
Manganese	20,811	19,000,000	+0%
Cobalt	68,315	122,000	56%
Aluminum (battery)	16,544	64,000,000	+0%
Aluminum (vehicle)	3,380,000	64,000,000	5%
MagREO (NdPr, Dy, Tb)	18,000	46,000	39%

*"There is no good substitute for copper wiring. Electric cars require four times as much copper as vehicles with internal combustion engines. Onshore wind farms are four times as copper intensive per megawatt as traditional power plants."*

*-Barron's, February 1, 2021*



# Productivity from “Tech-Celeration”?

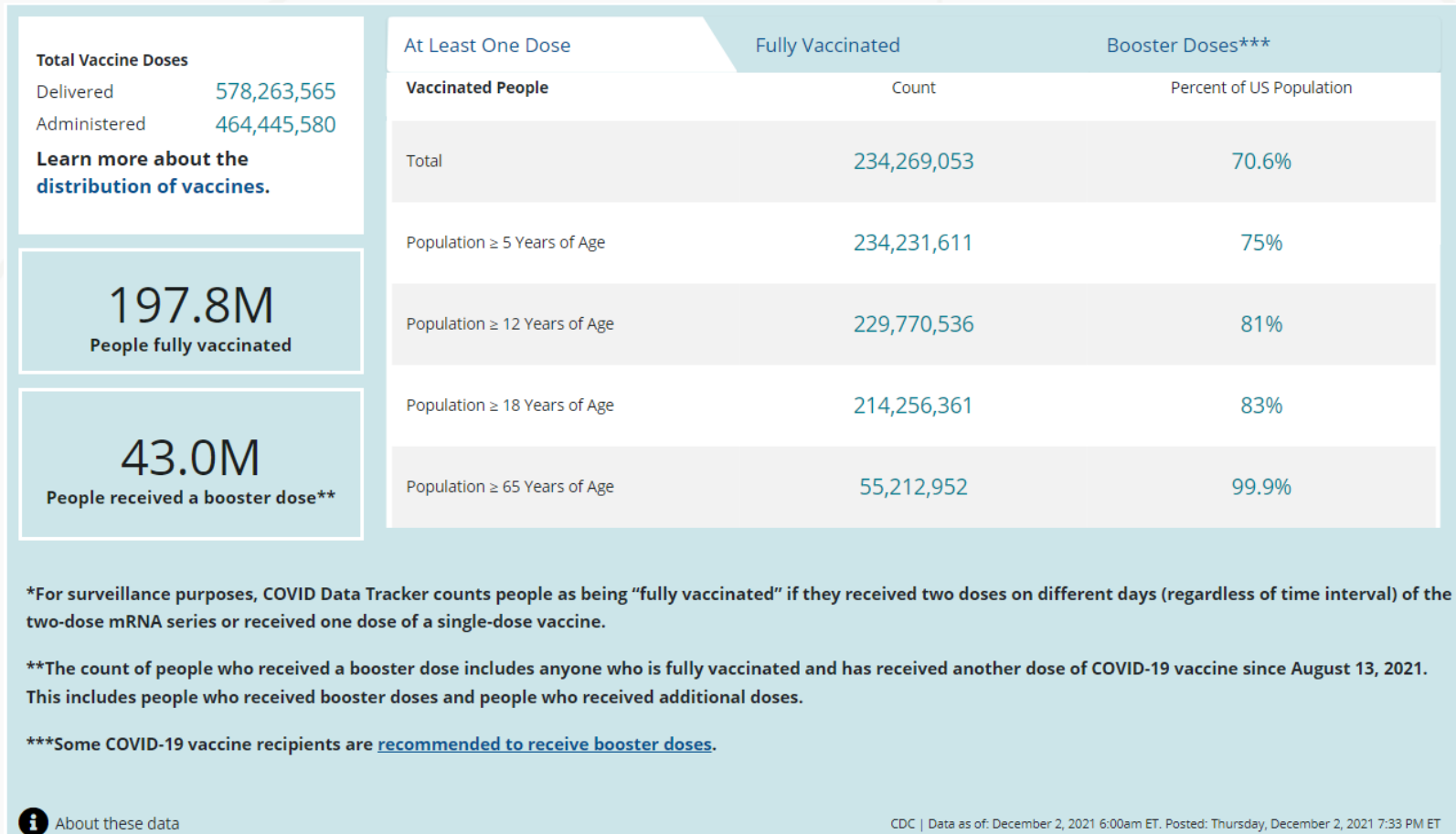


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# 2021: Key Themes

## Vaccination Distribution and Adoption



Additional Resources: Real time data available at [covid.CDC.gov](https://covid.cdc.gov)





# **IMPLICATIONS FOR YOUR BUSINESS**





# Implications For Your Business

- + Resiliency of Business Models
- + Agility of Decision Making
- + Supply Chain Management: “From Just in Time” to “Just in Case”
- + “Tech-celeration”: e-Commerce; Digitization; On-Demand Business Models; Automation; AI ; Blockchain Protocol; Communication

**Resource: “Managing Your Business Through Crisis and Beyond”  
at [balentine.com/insights](https://www.balentine.com/insights)**

# Implications For Your Business

- + Customers: adapt to new buying behaviors
- + Marketing and Sales in a virtual world
- + Talent: workforce engagement (culture and flexible time)
- + Operations: reimagine the workplace with new technology
- + Financials: resiliency of business model and cash flow
- + Pricing power and strategy with inflation as a tailwind

**Resource: “Managing Your Business Through Crisis and Beyond”  
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# **BALENTINE INVESTING CARDINALS**

# Balentine's Investing Cardinals

## Philosophy

## Strategy

## Implementation



### "Red" Scott's Business Cardinals



Charles "Red" Scott's business career spans more than 50 years, with some 20 of those serving as either a President or CEO of a public company. The following list of "Business Cardinals" reflects some of his philosophy for achieving success in a competitive business world. Most were memorialized as a result of mistakes, errors of judgment and/or unfortunate experiences.

1. Don't run out of cash - no matter what.
2. No surprises - give me fair warning.
3. Create basic values - not paper earnings.
4. Keep your eggs in at least 5 baskets.
5. The boss should be the head salesman.
6. Never get organized by a trade union.
7. Always tell the bad news first - never last.
8. Never compromise quality for price.
9. Concentrate on the customer - not the brick and mortar.
10. Don't confuse brightness with judgment.
11. Plan strategy and set objectives before fixing structure.
12. Study the environment - things you can't control.
13. Before making a "function" manager a CEO-- first put him/her over a profit center.
14. Understand what really makes a company "tick."
15. Be careful of "quick-fix" or "part-time" managers.
16. "About right" now is better than "exactly wrong" later.
17. Creativity is great - but not in accounting.
18. Only one big risk and/or "life change" at a time.
19. Always play "what if."
20. A professional manager is someone who gets the job done.
21. Hire smart rather than manage tough.
22. Don't put a new person (to me) into a new job (to him/her).
23. Do the "right thing" rather than "things right."
24. Do 1st things 1st and 2nd things never.
25. Bet on a person - not a product, plant or idea.
26. Beware of making the successful "task" achiever a manager.
27. Invest in businesses with a low cost of exit.
28. Invest your time with winners... not losers.
29. Be careful - a little success can create a whole lot of overhead.
30. To understand a company, spend time with its customers.
31. The boss is responsible for the momentum.
32. "I WILL" beats IQ - every time!
33. Hire for attitude - train for skills.
34. Bet on a brown rat - not a white rat.
35. 87% of Executive failures are due to personality.
36. Light travels faster than sound. That is why some people appear bright until you hear them speak.



# Balentine's Investing Cardinals

## Philosophy

- + Manage for risk, not returns.
- + Your greatest assets have nothing to do with money.
- + Stay in control of your emotions.
- + Focus on what you can control.
- + Know when to fire yourself.



# Balentine's Investing Cardinals

## Strategy

- + Know what you own and why you own it.
- + Make sure someone knows your big picture.
- + Diversify forward, not backward.
- + Capital markets lead the economy, not the other way around.
- + Don't waste time timing the markets.



# Balentine's Investing Cardinals

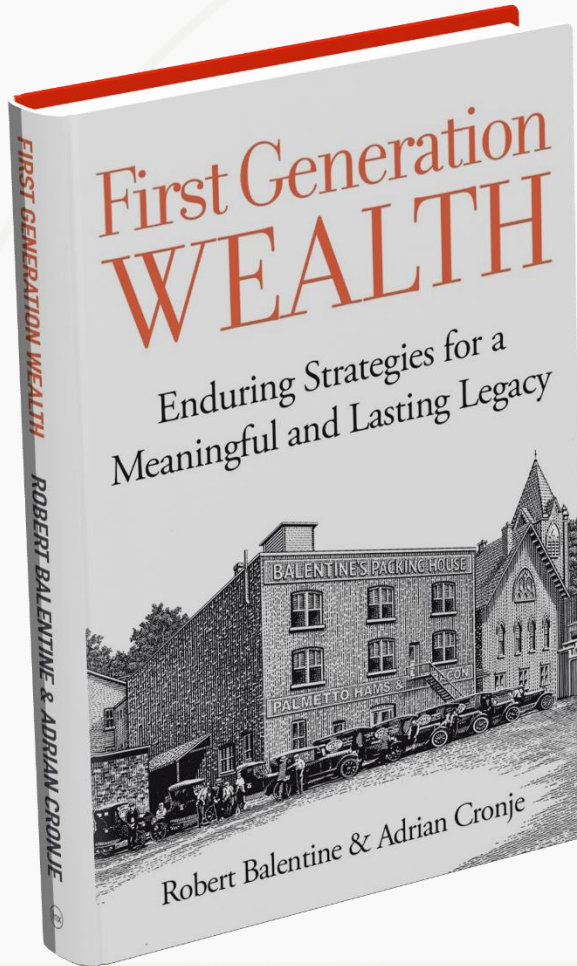
- + The case for cash is timeless
- + Leverage is a double-edged sword.
- + Be careful dabbling in private markets.
- + Don't mistake products for advice.
- + Reject jargon; demand straight talk.

Implementation





# First Generation Wealth: A Book for Entrepreneurs, by Entrepreneurs



[firstgenerationwealth.com](http://firstgenerationwealth.com)

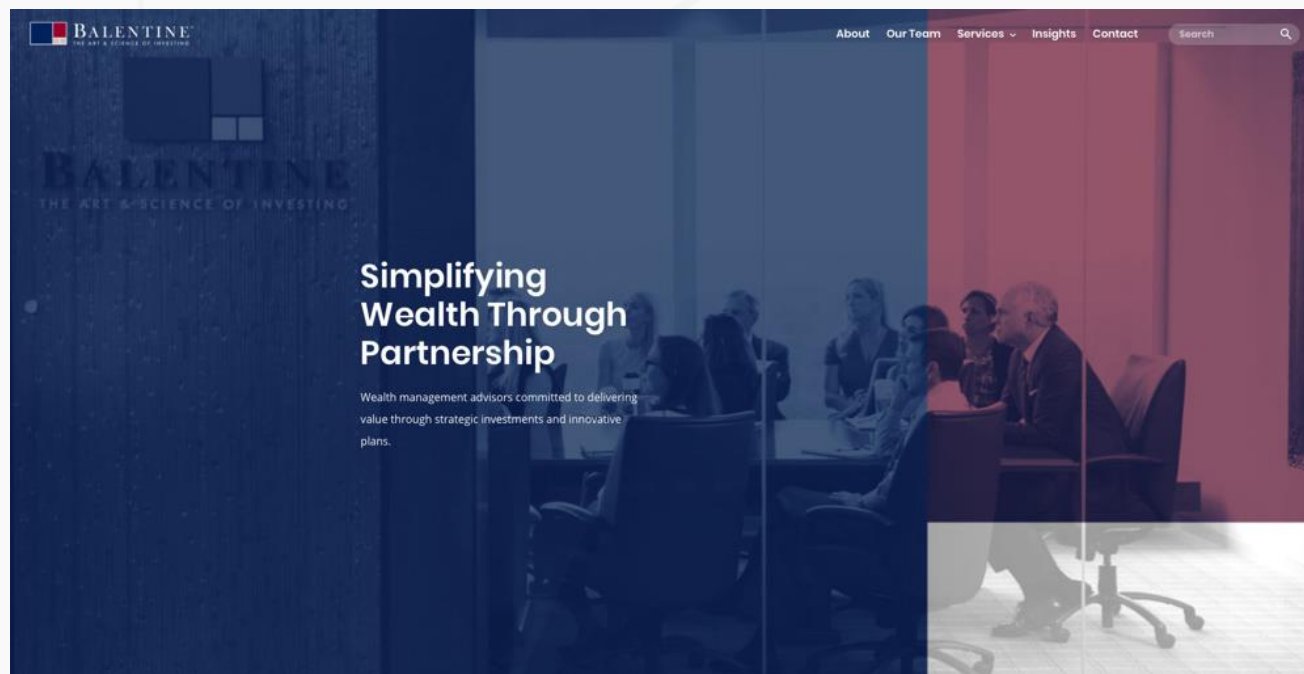
A guide for wealth creators  
to learn enduring strategies  
for building a meaningful  
and lasting legacy.





# **ADDITIONAL RESOURCES**

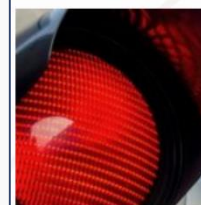
# Additional Resources



Visit us online  
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[www.balentine.com/Vistage](http://www.balentine.com/Vistage)

Visit our Careers page  
[www.balentine.com/careers](http://www.balentine.com/careers)



## Are Recession Red Lights Flashing?

Anytime the stock market drops dramatically, investors reach for the antacids, but so do CEOs and business owners. It's human ...

[Read More →](#)



## Latest Updates Amid The Coronavirus

Much uncertainty exists right now around the coronavirus and the ripple effects of this pandemic. We will continue to assess ...

[Read More →](#)



## Adapting to Life Amid a Pandemic

The remarkable recovery from the lows back in March, when the market lost over one-third of its value in just five weeks, has been fueled by... [Read More →](#)



# Road to Recovery Series



## PRIVATE CAPITAL

Tom Greer | Fulcrum Equity Partners  
Gardiner Garrard | TTV Capital  
Alan Taetle | Noro-Moseley

*Which companies have the potential to pivot and disrupt?*

*Plans for putting new capital to work in the back half of the year?*

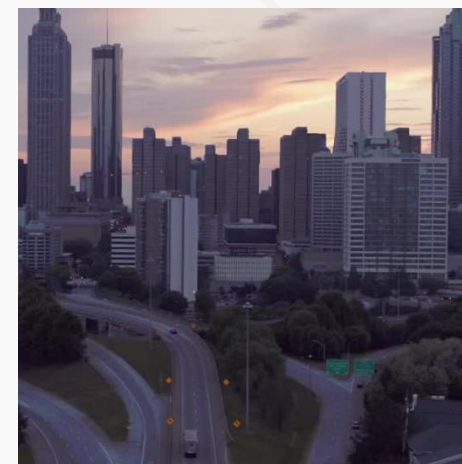


## SUPPLY CHAIN

Eddie Capel | Manhattan Associates  
Duriya Farooqui | Point A  
Griff Lynch | Georgia Ports Authority

*The critical role supply chains play in global commerce.*

*The need for innovation, resiliency, and flexibility moving forward.*



## ECONOMIC RECOVERY

Joe Galvin | Vistage Worldwide  
Frank Blake | Home Depot  
Don Rissmiller | Strategas

*Industries permanently impaired or changed as a result of COVID?*

*How does the economy get back to work, practically?*

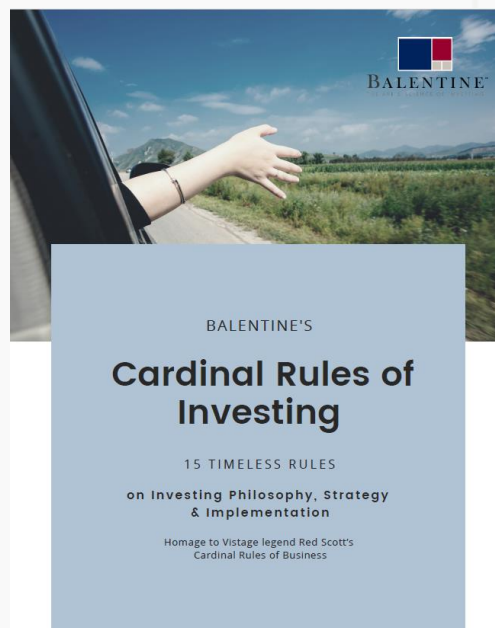


# Additional Resources



## Capital Markets Forecast

This annual research piece is the foundation of our investment process, and the projections herein form the basis of the strategies we design to help our clients achieve their goals.



## Cardinal Rules of Investing

Our Investing Cardinals share our most fundamental thinking around investment philosophy, strategy, and implementation to preempt the inevitable question, "How should I invest my portfolio today?"



## Wealth & Legacy Series

This series explores the more human side of wealth and legacy within families, providing practical tools to help you aim to increase resiliency, avoid getting lost in a desert of riches, and approach tough family conversations with a renewed spirit of hopefulness and intentionality.



# YOUR QUESTIONS

A large, light gray Fibonacci spiral is centered on the page, starting from a small point in the lower right and expanding outwards to the top and left edges. The spiral is composed of a series of quarter-circles connected by straight lines, creating a smooth, logarithmic curve. The background is a light gray grid.



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## Index Definitions

**The S&P 500® Index** is the Standard & Poor's Composite Index of 500 stocks and is a widely recognized, unmanaged index of common stock prices.

**The MSCI ACWI ex USA Index** is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets, excluding the United States. The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of the 23 developed markets, including Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom; and 23 emerging markets, including Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, the Philippines, Poland, Russia, Qatar, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. With over 1,800 constituents, the Index covers approximately 85% of the global equity opportunity set outside the United States.





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