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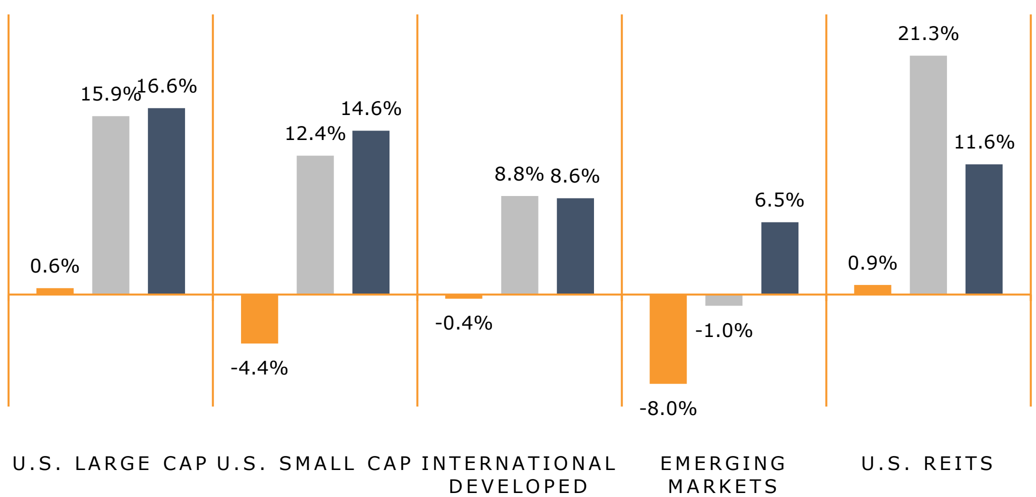
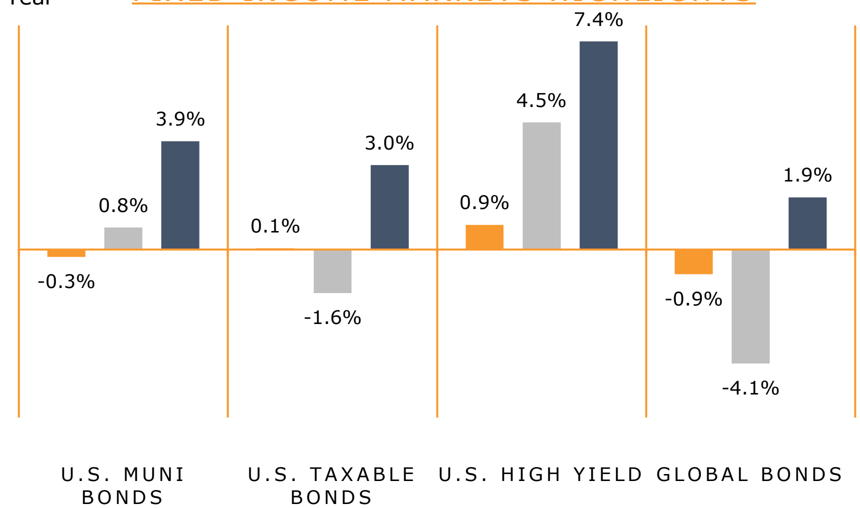
Q3’21 Market Review

EQUITY MARKETS HIGHLIGHTS



FIXED INCOME MARKETS HIGHLIGHTS



- **U.S. Large Cap Stocks** were impacted by seasonal headwinds in September, capping off its worst month since 03/2020. The index still finished Q3 up +0.6%.
  - The growth / value ratio peaked in 2020 at a level not seen since the dot-com era. This ratio remained at elevated levels through Q3 despite value outperforming growth by 1.8% YTD.
- For Q3, **U.S. Small Cap Stocks** underperformed U.S. Large Caps, driven by continued investor anxiety regarding slowing economic growth. The segment finished with its first negative quarter since Q1’20, down -4.4%.
- Strong returns in Japanese equities were offset by worries over rising energy prices in Europe, leaving **International Developed Stocks** down 0.4% in Q3.
- A bear market in Chinese stocks driven by regulatory actions from the CCP and systemic concerns stemming from the collapse China’s second largest property developer pulled **Emerging Markets Stocks** down -8.0% in Q3.
- **U.S. REITS** again outperformed U.S. equities in Q3, up +0.9%.

- **U.S. Muni Bonds** were down -0.3% in Q3, trailing their taxable counterparts. Demand remained strong for the segment, however, given the prospect of potential tax law changes.
- Yields fell for most of Q3 but increased in September as the inflation debate and presumed changes to Fed policy continued to be in focus. In Q3, **U.S. Taxable Bond** returns were mostly flat, up +0.1%.
- **U.S. High Yield** credit markets show improving fundamentals with lower leverage, rapidly accelerating EBITDA, and default rates at record lows. As investors continue to hunt for yield, high yield bonds continue to be the top performing fixed income segment and were up +0.9% in Q3.
- The same factors that brought down international equities also hurt **Global Bond** returns in Q3. U.S. dollar strength didn’t help either, and the segment finished down -0.9% for the quarter.

Q3’2021 REVIEW

Broad U.S. equity benchmarks were down across the board to end Q3’2021 in September in what has historically been the worst-performing month for equities. Falling seasonal sentiment, political tensions in Congress to keep the government open and increase the debt ceiling to pass President Biden’s infrastructure plan, and systemic concerns from the likely default of China’s second largest property developer, Evergrande, all contributed to a weak September for equity markets. The Fed continues to be the contrarian in markets, as their view of inflation being transitory has not changed, despite a recent CPI reading of 5.3%. Chairman Powell indicated the Fed could begin tapering as soon as their next meeting in November, but rate hikes would not commence until after the taper process is complete, estimated to be some time in 2022. The movement in interest rates in Q3 seems to indicate hesitancy for the potential of a rate hike in 2022, as the yield on the 10-year treasury rate hit a six-month low in August of 1.19%, before finishing Q3 higher. To add to the confusion, commodities are telling a different story through Q3, as the Bloomberg Commodity index was up 29.1% YTD, the largest annual gain for the index since 1979. The impact of the delta variant of COVID-19 was not as damaging to the economic recovery as was feared in 2Q. Prospects for economic activity and growth look strong, and most economists anticipate GDP will remain above pre-pandemic levels. In hindsight, the U.S. economy’s ability to bounce back from a global economic sudden shock is nothing short of amazing in relation to other major economies around the world.

*Annualized daily returns as of 6/30/2021

Source: YCharts, Inc.; underlying indices are S&P 500® TR Index, Russell 2000® TR Index, MSCI EAFE TR, MSCI Emerging Markets Index TR, Dow Jones US Real Estate Index TR, Barclays Municipal Bond Index, Barclays U.S. Aggregate Bond Index, Barclays U.S. Corporate High Yield Bond Index and the Barclays Global Aggregate Bond Index.

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Q3'21 U.S. Market Snapshot

U.S. Large Cap Sector Snapshot 9/30/21	
Sector	QTD Return
Financials	2.29%
Technology	1.12%
Health Care	1.07%
Utilities	1.03%
Consumer Cyclical	0.50%
Real Estate	0.27%
Comm. Services	-1.06%
Consumer Defensive	-1.62%
Energy	-3.30%
Materials	-3.89%
Industrials	-4.45%

CRSP Equity Style Snapshot 9/30/21			
QTD	Value	Blend	Growth
Large	-0.94%	0.39%	1.39%
Mid	-0.17%	0.01%	0.16%
Small	-2.19%	-2.62%	-3.18%

Market Indicators Snapshot as of 09/30/21

Name	09/30 End	1 Mo. Ago	1 Mo. % Δ	1 Year Ago	1 Year % Δ	Data Freq.
Key Interest Rates:						
Effective Federal Funds	**0.06%**	0.08%	-25.0%	0.09%	-33.3%	Daily
2 Year Treasury	**0.28%**	0.20%	40.0%	0.13%	115.4%	Daily
10 Year Treasury	**1.52%**	1.29%	17.8%	0.69%	120.3%	Daily
30 Year Mortgage	**2.88%**	2.86%	0.7%	2.87%	0.3%	Weekly
US Corporate AAA	**1.94%**	1.78%	9.0%	1.62%	19.8%	Daily
US Corporate BBB	**2.38%**	2.21%	7.7%	2.44%	-2.5%	Daily
US Corporate CCC	**7.48%**	7.06%	5.9%	11.80%	-36.6%	Daily
U.S. Economy:						
Consumer Sentiment	**72.80**	81.20	-10.3%	80.40	-9.5%	Monthly
Unemployment Rate	**5.20%**	5.40%	-3.7%	8.40%	-38.1%	Monthly
Inflation Rate	**5.25%**	5.37%	-2.1%	1.31%	301.0%	Monthly
Manufacturing PMI	**61.10**	59.50	2.7%	55.40	10.3%	Monthly
Non Manufacturing PMI	**61.90**	64.10	-3.4%	57.80	7.1%	Monthly
Retail Sales	**546,692**	542,351	0.8%	483,162	13.1%	Monthly
Building Permits	**1,728**	1,630	6.0%	1,522	13.5%	Monthly

Market conditions and trends will vary. Past performance is no guarantee of future results. Investments cannot be made in an index.

Source: YCharts, Inc.

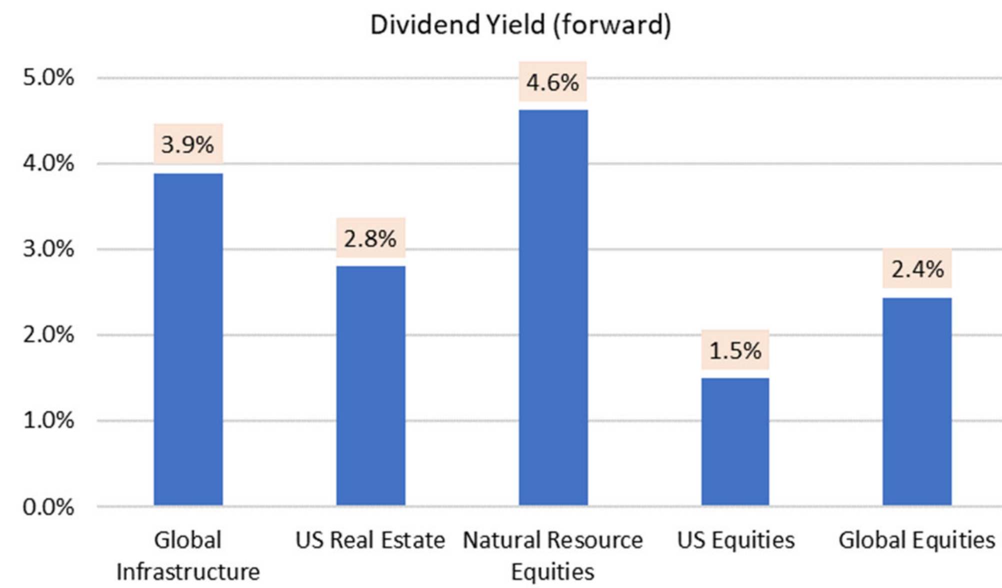
Q3'21 TOI: A Case for Real Assets

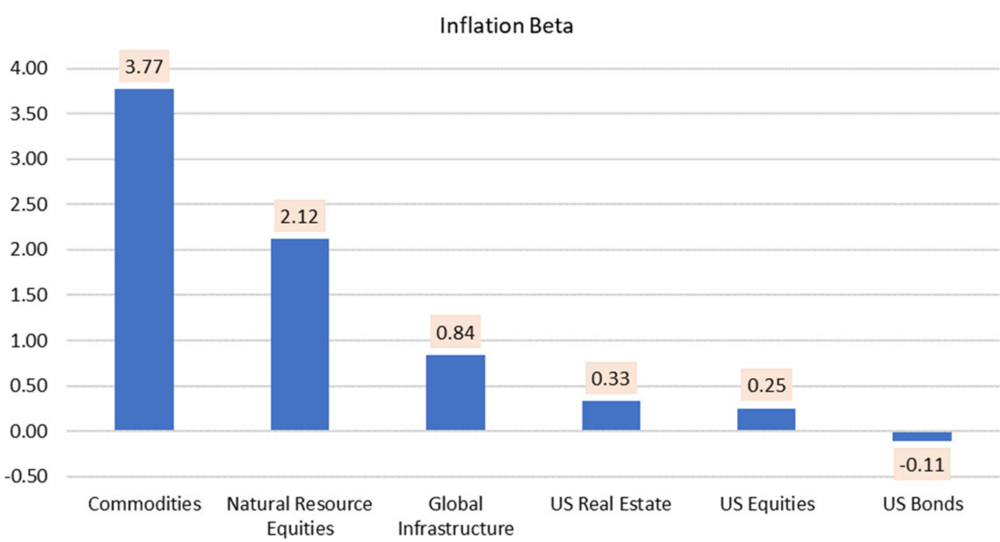
We currently face the prospect of higher interest rates tied to inflationary pressures. Now may be the time to consider the historical benefits of real assets in a diversified portfolio.

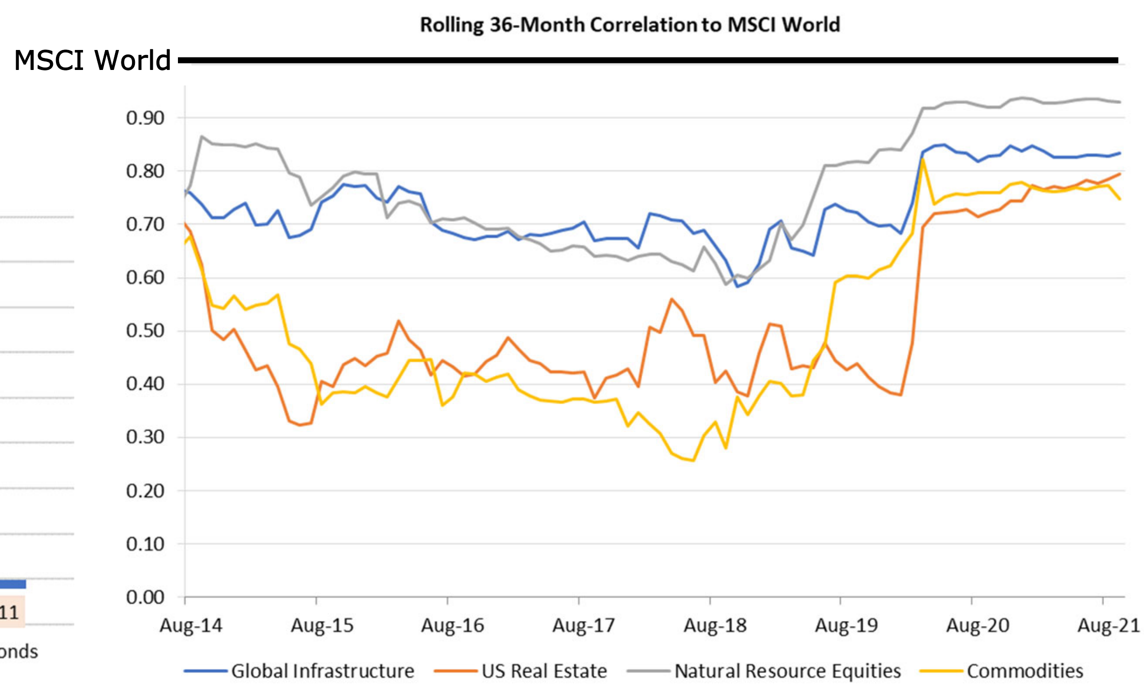
- Publicly-traded Real Asset Classes – **Infrastructure, Real Estate, and Commodities** – provide exposure to essential physical assets, such as office buildings, toll roads, and precious metals.

Real Assets historically have delivered an attractive long-term risk-return profile. The asset class provides exposure to economic assets that generate stable and predictable cash flows with the potential to offset rising inflation. Below are the primary attributes to support strategic Real Assets exposure:

- Stable Income
- Diversification
- Downside Protection
- Inflation Protection
- Daily Liquidity







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