

Current Investment Strategy and Themes

- **Inflation fears begin to negatively impact consumer confidence.**
- **Short-term earnings fundamentals are strong in the US, but it remains the most highly valued market.**
- **Bonds offer more price risk than income return, and equity factors are neutral. Selective opportunities in both.**

The Markets in Review: August 2021

- The S&P 500 winning streak continued in August. The index posted the seventh consecutive positive monthly return with a gain of 3.04%. According to Standard & Poor's, the index has now posted a closing high at least once every week for thirteen weeks in row. The number of days with a closing high is now the fourth most since 1926.
- After the September 2020 to March 2021 market leadership switch to small-cap value, the S&P 500 and the proven technology and growth stocks reasserted leadership. During the three months of summer (June, July, and August), the reversal helped reduce that first quarter advantage to small-cap and value, but not enough of a reversal to produce superior year to date results. For example, through the end of August, the 2021 Ru2000 Value index return is 25.43%, and the NASDAQ only 18.40% year to date.

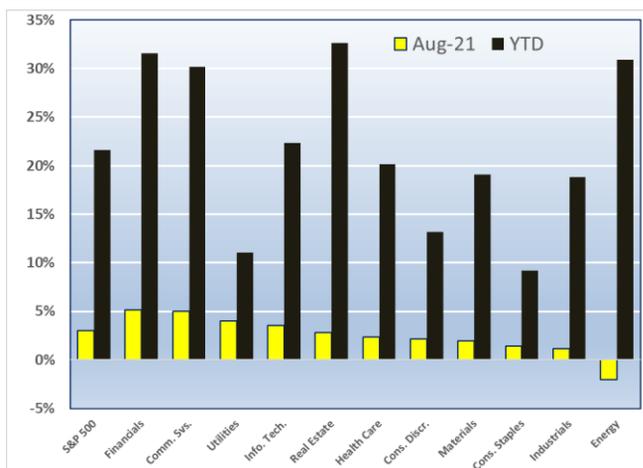
Selected Index Returns Trailing 3 Months			
S&P 500	7.95%	S&P 500 (EqWt)	3.85%
Nasdaq (PR)	10.99%	Ru2000	0.45%
Ru1000 - G	13.88%	Ru1000 - V	1.62%

- The US market continued its long performance dominance over both the MSCI EAFE and MSCI Emerging Markets index returns in August. THE EAFE index is comprised of twenty-one countries. With that many countries and wide variety of economic factors impacting each country's return, there is always a range of returns around the US return. Year to date, the only countries with superior returns compared to the US in the EAFE index are Netherlands and Austria. The major economic impact countries of Great Britain, Germany, France, and Japan all lag the S&P 500 return in 2021.
- The monthly winning streak of positive returns for a longer period than the S&P 500 is the Bloomberg Corporate High-Yield Index. The last negative return in the High-Yield index was in September 2020. Since the Covid-induced bear market bottomed in March 2020, that September return is the only negative return in the last seventeen months. The combination of economic recovery, investors chasing yield, and the Fed policy statement of supporting the high-yield market gave the perception of a lower risk investment. The broad US bond market fell in August after four months of positive returns and generally falling long-term interest rates.
- The recent inflation data and news rekindled investors' interest in the behavior of the commodity indices. In August, the petroleum and industrial metals segments of the index fell. The agriculture segments generally rose. The index has risen over 23% in 2021 with metals and energy leading the way up.

Key Market Indicators					
Bullish	Favorable	Neutral	Cautious	Bearish	
		Aug	YTD	Last 12	Current
Equities		2021	2021	Months	View
U.S. Large Cap		3.04%	21.58%	31.17%	Favorable
U.S. Small Cap		2.24%	15.83%	47.08%	Neutral
International Developed		1.76%	11.58%	26.12%	Favorable
Emerging Markets Equity		2.62%	2.84%	21.12%	Neutral
Fixed Income					
U.S. Aggregate		-0.19%	-0.69%	-0.08%	Cautious
U.S. Government		-0.17%	-1.37%	-2.02%	Cautious
U.S. Corporate		-0.24%	-0.23%	2.26%	Neutral
U.S. High Yield		0.51%	4.55%	10.14%	Cautious
Non-U.S. Developed		-0.75%	-5.11%	-0.97%	Cautious
Emerging Market Debt		0.78%	-2.98%	4.54%	Bearish
Alternatives					
REITs		1.84%	30.17%	40.49%	Neutral
Commodities		-1.27%	23.46%	36.81%	Neutral
Managed Futures		-0.92%	9.31%	13.43%	Neutral
Hedge Funds		0.68%	3.98%	9.10%	Favorable

Source: Morningstar, data as of 8/31/2021

Economic Sector Returns: August & YTD 2021



Source: Morningstar

Important Disclosures

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Index definitions:

“U.S. Large Cap” represented by the S&P 500 Index.

“U.S. Small Cap” represented by the Russell 2000 Index.

“International” represented by the MSCI Europe, Australasia, Far East (EAFE) Net Return Index.

“Emerging” represented by the MSCI Emerging Markets Net Return Index.

“U.S. Aggregate” represented by the Bloomberg U.S. Aggregate Bond Index.

“U.S. Government” represented by the Bloomberg U.S. Government Bond Index.

“U.S. Corporate” represented by the Bloomberg U.S. Credit Bond Index.

“U.S. High Yield” represented by the Bloomberg U.S. Corporate High Yield Index.

“Non-U.S. Developed” represented by the S&P International Treasury ex U.S. Index.

“Emerging Market Debt” represented by the JP Morgan GBI-EM Global Core Index

“REITs” represented by the FTSE North American Real Estate Investment Trust (REIT) Equity REITs Index.

“Commodities” represented by the Dow Jones Commodity Index.

“Managed Futures” represented by the Credit Suisse Managed Futures Index.

“Global Macro” represented by the Credit Suisse Global Macro Index

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