Q3'2021 MARKET REVIEW & OUTLOOK

Andrew Murphy, CFA
Co-Chief Investment Officer

109 STATE STREET, 2nd FLOOR BOSTON, MA 02109 WINTHROPWEALTH.COM | 617.530.1010

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THIRD QUARTER 2021 HIGHLIGHTS

- **US Equity Markets**: The S&P 500 posted a gain of +0.6% in the third quarter, bringing the market higher by +15.9% for the year. The market reached a new all-time high on September 2nd, when the S&P 500 closed at 4,537. However, volatility increased from there as the S&P declined by -5% through the end of September. That ended the S&P 500's streak of over two hundred trading days without a -5% pullback, which was one of the ten longest stretches since 1929.

- **US Fixed Income Markets:** The Bloomberg Barclays US Aggregate Bond index (Agg), which acts as a proxy for the investment-grade bond market, increased by +0.1% in the quarter as the small move higher in interest rates did not have a major impact on returns (bond prices move inversely to interest rates). Other areas of the fixed income market produced mixed results, including, Corporates (0%), High Yield (+0.9%), and Munis (-0.3%).

- **10-Year Treasury Yield**: The 10-Year Treasury yield increased by about 2 basis points in the quarter to end at 1.49%. The yield was mostly lower throughout the period before increasing by about +0.2% in the last six trading days of September. That yield increase was mainly driven by the Fed's move toward tapering, the delta wave peaking, the spike in oil prices, and increased inflation expectations.

- **Inflation**: The three latest Core PCE inflation readings (June, July, and August) increased by +3.6% Y/Y, well above the Fed's target of about 2%. While Fed Chair Powell admitted that it is "frustrating to see bottlenecks and supply chain problems not getting better and holding longer than we thought", he still believes the recent increase in inflation will be transitory. The latest FOMC projections show inflation ending the year at +3.7% before falling to +2.3% in 2022.

- **The Fed**: Now that the economy is on the path to recovery and inflation pressures are rising, the Fed is starting to gradually move away from their ultra-accommodative monetary policy. The Fed will first by take their foot off the monetary policy gas pedal (tapering the quantitative easing program) before they hit the brake (raising interest rates). Our sense is that the Fed will begin tapering in November and conclude in mid-2022 before raising interest rates in late-2022. Overall, monetary policy will still be considered accommodative for at least the next year or two, but the level of support is decreasing.

- **Fiscal Stimulus**: Congress is currently negotiating three major bills/issues: raising the debt ceiling, the $550 billion infrastructure package, and the $3.5 trillion budget reconciliation bill.

- **US Economy**: The economy continues to perform well, although the pace of the recovery has recently slowed due to the delta variant. After declining by -3.4% in 2020, Real GDP is expected to increase by +6.0% in 2021 and +4.2% in 2022. If Real GDP reaches the current estimate this year, it would be the highest growth rate since 1984.

- **US Equity Market Outlook**: The recent market performance (S&P 500: +97% since 3/23/20) has also been notable for the lack of volatility. Going forward, financial markets will begin to transition as we have reached peak levels of corporate earnings growth, economic growth, fiscal stimulus, and monetary stimulus. While the absolute levels will remain high, the growth rates will begin to decelerate as we move further away from the pandemic. Furthermore, we are monitoring several market risks, including, higher interest rates and inflation, the possibility that the Fed may tighten earlier than expected, the upcoming debt ceiling deadline, instability in China, and the potential for higher taxes. While we are pleasantly surprised at the stock market performance over the last eighteen months, we know that stocks do not move in a straight line forever and volatility is inevitable. We will continue to apply our time-tested investment process based on risk management, asset allocation, and security selection to utilize any volatility as an opportunity to reposition portfolios.

Please see some of our most recent market commentaries:

- **How often does the stock market decline?**
- **Market Timing Does Not Work**
- **Withdrawing Money**
- **Tax-Loss Harvesting**

US EQUITY MARKETS

The S&P 500 posted a gain of +0.6% in the third quarter, bringing the market higher by +15.9% for the year. The market reached a new all-time high on September 2nd, when the S&P 500 closed at 4,537. However, volatility increased from there as the S&P declined by -5% through the end of September. That ended the S&P 500's streak of over two hundred trading days without a -5% pullback, which was one of the ten longest stretches since 1929. We will continue to point out that volatility is a common occurrence in the stock market (please see our Client Question titled, **How often does the stock market decline?**) and we will keep highlighting the power of maintaining a long-term investment viewpoint. After declining by nearly -34% during the pandemic selloff last year (2/19/20 to 3/23/20), the S&P 500 is up by over +97% from the low.

- **Market Cap**: Large Caps (+0.6%) outperformed Mid (-1.8%) and Small Caps (-4.4%).
- **Style**: Growth (Russell 1000 Growth: +1.2%) exceeded Value (Russell 1000 Value: -0.8%).
- **Sector**: Seven of eleven were positive for the quarter with Financials (+2.7%) and Utilities (+1.8%) as the leaders, and Materials (-3.5%) and Industrials (-4.2%) as the laggards.

US Equity Market Performance								
Broad Market	**3rd Quarter**	**2021**	**Style**	**3rd Quarter**	**2021**	**Sector**	**3rd Quarter**	**2021**
S&P 500	0.58%	15.91%	Russell 1000 Growth	1.16%	14.29%	Health Care	1.43%	13.45%
Russell 3000	-0.10%	14.98%	Russell 1000 Value	-0.78%	16.12%	Technology	1.34%	15.28%
Dow Jones Industrial Average	-1.46%	12.12%				Real Estate	0.88%	24.38%
Nasdaq	-0.22%	12.67%				Consumer Discretionary	0.01%	10.28%
			Sector	**3rd Quarter**	**2021**	Consumer Staples	-0.31%	4.69%
Size	**3rd Quarter**	**2021**	Financials	2.74%	29.04%	Energy	-1.72%	43.10%
Mid Cap (S&P 400)	-1.76%	15.52%	Utilities	1.78%	4.20%	Materials	-3.51%	10.49%
Small Cap (Russell 2000)	-4.36%	12.40%	Communication Services	1.60%	21.59%	Industrials	-4.22%	11.48%

The overall market continues to be driven by the vaccine rollout, fiscal stimulus, accommodative monetary policy, strong corporate earnings growth, and economic growth. Within the market, there continues to be a bifurcation between growth stocks (mainly Technology, Consumer Discretionary, and Communication Services) whose current share price is heavily dependent on earnings potential and cyclical stocks (mostly Financials, Energy, and Industrials) that are levered to the strength of the economy. Growth stocks outperformed for the quarter as interest rates were mostly docile over the period. However, in the last six trading days of September the 10-Year Treasury yield increased by +0.2%, sending growth stocks tumbling and cyclicals higher. Please see our **Client Question on Why Interest Rates Impact Stock Prices**. Rather than choose one style over the other, we prefer to construct diversified portfolios across regions, countries, market caps, factors, styles, sectors, and industries and tilt toward the areas we feel provide the most potential benefit (please see our **Client Question on Portfolio Diversification**).

S&P 500 - 2021

(Source: Bloomberg)

Signs of Froth (Abating)

Over the last several quarters, we have pointed out signs of froth in the equity market and various other areas. By the end of the quarter, some of the froth abated as sentiment indicators decreased, the volatility in crypto currencies declined, and Gamestop (-18.1%), AMC (-32.9%), and an index of special-purpose acquisition companies (IPOX SPAC Index, -7.7%) all posted negative returns. Going forward, we continue suspect that the level of froth will decline along with liquidity (levels of fiscal and monetary stimulus have likely peaked), and this will be a positive development for the overall health of the market.

US FIXED INCOME MARKETS

The Bloomberg Barclays US Aggregate Bond index (Agg), which acts as a proxy for the investment-grade bond market, increased by +0.1% in the quarter as the small move higher in interest rates did not have a major impact on returns (bond prices move inversely to interest rates). Other areas of the fixed income market produced mixed results, including, Corporates (0%), High Yield (+0.9%), and Munis (-0.3%).

	Returns					Fundamental Estimates		
Bloomberg Barclays Index	3rd Quarter	2021	2020	2019		Yield to Worst	Credit Spread (bps)	Duration
Aggregate	0.05%	-1.55%	7.51%	8.72%		1.6%	33	6.6
Corporates	-0.00%	-1.27%	9.89%	14.54%		2.1%	83	8.6
High Yield	0.89%	4.53%	7.11%	14.32%		4.0%	285	3.9
Securitized MBS/ABS/CMBS	0.09%	-0.65%	4.18%	6.44%		1.8%	30	4.5
Munis	-0.27%	0.79%	5.21%	7.54%		1.1%		5.2

10-Year Treasury Yield

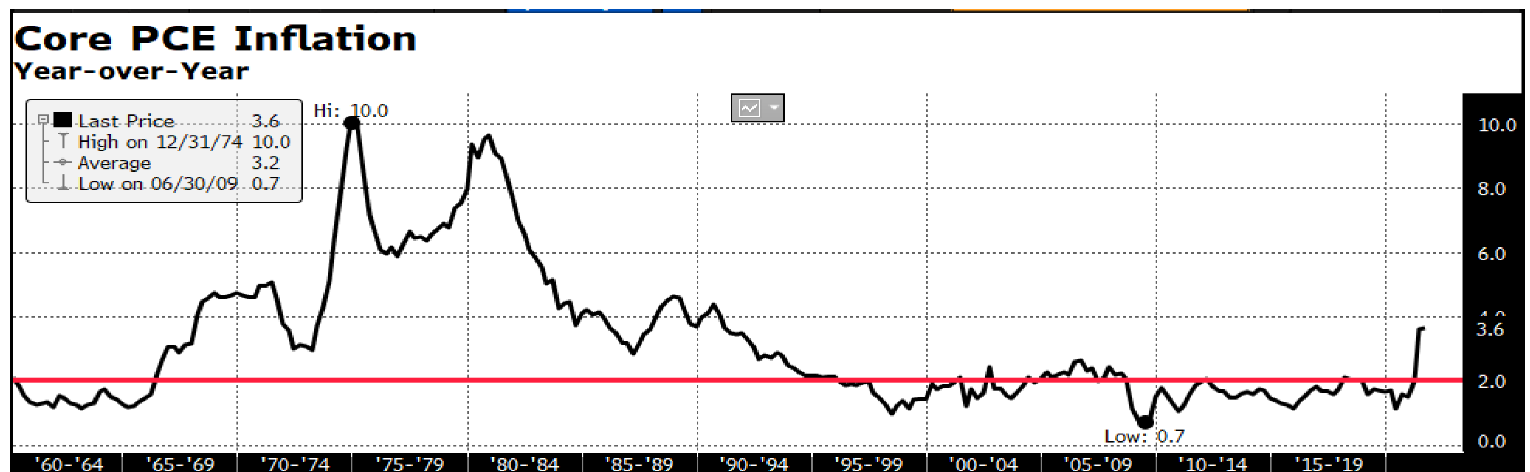
The 10-Year Treasury yield increased by about 2 basis points in the quarter to end at 1.49%. The yield was mostly lower throughout the period before increasing by about +0.2% in the last six trading days of September. That yield increase was mainly driven by the Fed's move toward tapering, the delta wave peaking, the spike in oil prices, and increased inflation expectations.

For the year, the 10-Year yield has increased by 0.58% but still sits below the 2021 high of 1.74% reached on March 31st. Long-term interest rates are typically mainly driven by estimates of economic growth and inflation. Currently, yields in the United States are being held down by low global bond yields (10-Year government bond yields in Germany are still negative while Japan is only slightly positive) and the Fed's quantitative easing program. The current consensus estimates for the 10-Year yield are 1.60% for 2021 and 2.00% for 2022. We still believe the most likely scenario is for the 10-Year Treasury yield to drift higher as the Fed winds down their quantitative easing program.

Inflation Update

Inflation is defined as the rate at which prices increase over a period of time. The Fed's preferred measure of inflation is the US Bureau of Economic Analysis (BEA) Core Personal Consumption Expenditures (PCE) Index. The Core PCE Inflation Index measures prices paid by consumers across several categories excluding food and energy. You have probably noticed prices going up at the grocery store or the gas station, but that is not reflected here. The three latest Core PCE inflation readings (June, July, and August) increased by +3.6% Y/Y, well above the Fed's target of about 2%. While Fed Chair Powell admitted that it is "frustrating to see bottlenecks and supply chain problems not getting better and holding longer than we thought", he still believes the recent increase in inflation will be transitory. The latest FOMC projections show inflation ending the year at +3.7% before falling to +2.3% in 2022.

We also believe that inflation will decrease close to 2% next year due to the Fed's influence and the deflationary forces of technological innovation, aging demographics, and globalization. However, we are still trying to combat the current rise in inflation by holding little cash in portfolios, avoiding long-term bonds, and overweighting equities of companies that are able to grow their cash flows, earnings, and dividends. Please see our **Client Question on Inflation** that details how the data is calculated, why the Fed cares about and targets inflation, and the impact it has on various asset classes (cash, fixed income, and equities).



(Source: Bloomberg)

THE FED - MONETARY STIMULUS

The Federal Reserve serves as the central bank of the United States and performs key functions designed to promote the health of the economy and stability of the financial system. The three key entities include the Board of Governors, twelve Federal Reserve Banks, and the Federal Open Market Committee (FOMC). The FOMC sets monetary policy in accordance with its mandate from Congress: to promote maximum employment, stable prices, and moderate long-term interest rates. According to the Fed, "monetary policy directly affects interest rates; it indirectly affects stock prices, wealth, and currency exchange rates. Through these channels, monetary policy influences spending, investment, production, employment, and inflation in the United States." Please see our **Client Question on The Fed** which details the key entities, and the impact monetary policy has on the economy, interest rates, and stock prices.

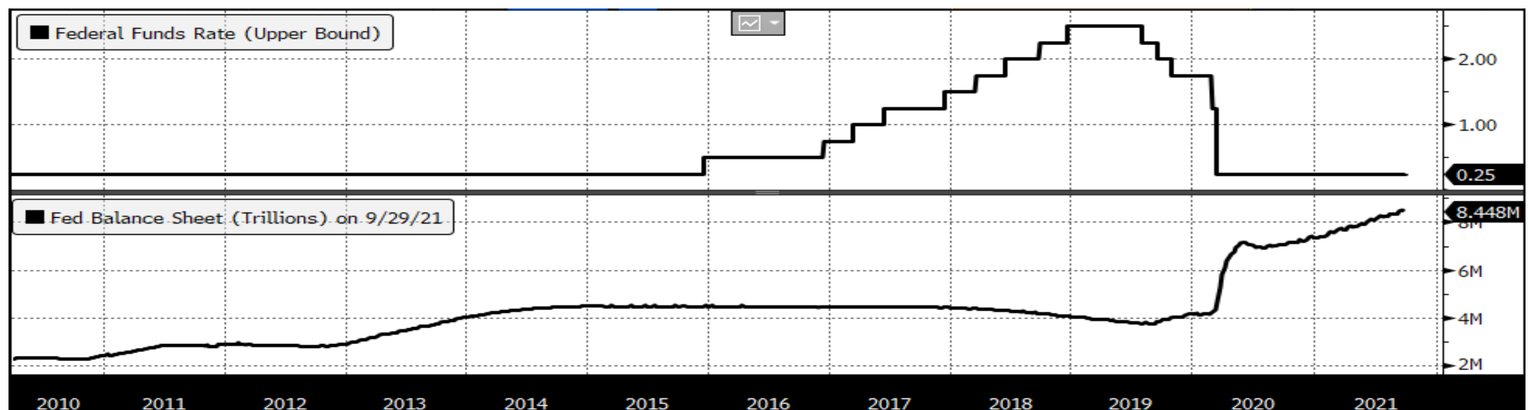
Interest Rates	Balance Sheet		Commentary
Federal Funds Rate	Fed Balance Sheet	Fed Balance Sheet 2021 Change	September FOMC Statement
0 - 0.25%	$8.4 Trillion	+ $1.1 Trillion	The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. The Committee expects to maintain an accommodative stance of monetary policy until these outcomes are achieved.

Interest Rates: The federal funds rate is currently at a range of 0% to 0.25% after the FOMC cut rates by-1.50% total in March 2020, both times at unscheduled meetings. The committee expects to maintain an accommodative stance of monetary policy until inflation averages 2% and the economy reaches maximum employment. The estimated timeframe for the Fed to increase interest rates is narrowing. The FOMC's most recent Summary of Economic Projections (SEP) showed that half the members now forecast one rate hike in 2022 and at least three more by the end of 2023.

Quantitative Easing Program: The Fed is still purchasing at least $80 billion in Treasuries and $40 billion in agency mortgage-backed securities per month to help "foster smooth market functioning and accommodative financial conditions, thereby supporting the flow of credit to households and businesses." The Fed will likely announce their plan to taper the quantitative easing program soon (i.e., they will purchase less bonds each month). At the latest FOMC meeting, Fed Chair Powell stated that, "a moderation in the pace of asset purchases may soon be warranted and a gradual tapering process that concludes around the middle of next year is likely to be appropriate." Unless the economy falters over the next several weeks, tapering will likely commence in November at a pace of $15 billion per month.

The Fed's response to the global pandemic (lowering interest rates to zero, restarting their quantitative easing program, and launching several lending facilities) helped save the economy from a major recession and was the main driver of the stock market boom over the last eighteen months. Now that the economy is on the path to recovery and inflation pressures are rising, the Fed is starting to gradually move away from their ultra-accommodative monetary policy. The Fed will first by take their foot off the monetary policy gas pedal (tapering the quantitative easing program) before they hit the brake (raising interest rates). Our sense is that the Fed will begin tapering in November and conclude in mid-2022 before raising interest rates in late-2022. Overall, monetary policy will still be considered accommodative for at least the next year or two, but the level of support is decreasing.

Federal Funds Rate (Upper Bound) and Fed Balance Sheet Size (Trillions)



(Source: Bloomberg)

FISCAL UPDATE

Congress is currently negotiating three major bills/issues:

Debt Ceiling: The debt ceiling was reset on August 1st at the current level of $28.4 trillion after being suspended by Congress in August 2019. Treasury Secretary Janet Yellen stated that the debt ceiling must be raised by October 18th, and if not raised, "the full faith and credit of the United States would be impaired, and our country would likely face a financial crisis and economic recession." If the United States can't continue to borrow, certain pension and salary payments would likely be cut and interest payments on Treasury securities would be delayed, which would constitute a default.

Infrastructure Bill: The $550 billion infrastructure package has bipartisan support and includes funding for roads, major repairs, public transit, broadband, airports, power, and water. The bill passed in the Senate, but the House has not yet voted on the measure. After changing the timeline a few times, Speaker Pelosi has set a target date of October 31st to pass the bill in the House

Budget Reconciliation Bill: The estimated $3.5 trillion budget includes funding for childcare, education, healthcare, and climate change. The budget bill will likely need to be passed through the reconciliation process, meaning with only Democratic support. If Republicans unanimously oppose the bill, Democrats can afford to lose no more than three votes in the House and zero in the Senate. Several moderate Democrats have publicly stated they will not vote in favor for a $3.5 trillion budget bill. The budget proposal may include increases to the corporate, individual, and capital gains rates as well as additional funding to the IRS to curtail tax evasion to fund the latest proposals. *Note that these are currently just proposals. As part of our comprehensive financial planning process, we provide tax analysis and minimization strategies as well as cash flow management.*

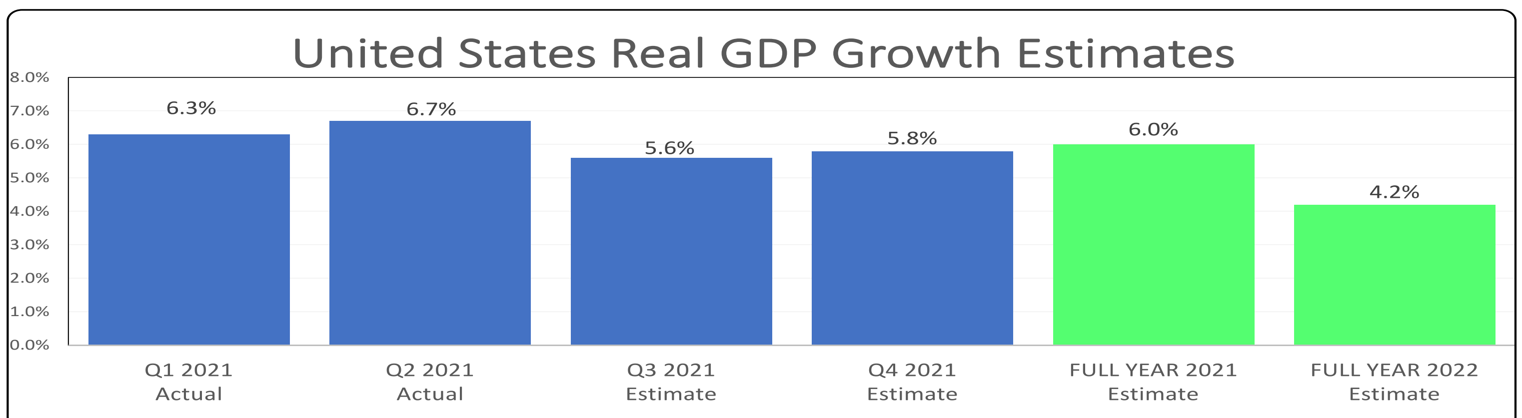
US ECONOMY

The economy continues to perform well, although the pace of the recovery has recently slowed due to the delta variant. After declining by -3.4% in 2020, Real GDP is expected to increase by +6.0% in 2021 and +4.2% in 2022. If Real GDP reaches the current estimate this year, it would be the highest growth rate since 1984. Here are some key data points we are monitoring to assess the health of the economy:

Consumer Spending: According to Goldman Sachs, high frequency data suggests that consumer spending reached 103% of the pre-virus level in September, up from a low of 80% in April 2020. The US Census Bureau's measure of Retail Sales increased by +15.1% year-over-year in August, up from last April's reading of -19.9%. Consumer spending data is critical as it drives about 70% of GDP

Labor Market: While the last employment report (August) came in far weaker than expected, the economy has still added an average of +750,000 jobs over the past 3-months. The demand for workers remains strong as the latest Job Openings and Labor Turnover Survey (JOLTS) reported nearly 11 million job openings. The supply of workers has been challenged by covid concerns, childcare issues, and supplemental unemployment benefits. The unemployment rate now stands at 5.2% and the economy has lost about 5.3 million jobs since the pandemic started. We believe the labor market issues will begin to clear over the next several months as the supply issues subside.

Manufacturing: The Institute for Supply Management (ISM) Manufacturing Purchasing Managers' Index (PMI) reading for August came in at a strong 59.9%. According to ISM, "the past relationship between the PMI and the overall economy corresponds to a +4.8% increase in annualized real GDP." The ISM Manufacturing PMI reading dates back to 1948 and is a widely followed indicator for the health of the manufacturing sector and overall economy.



(Source: Bloomberg)

OUTLOOK

Our market outlook is typically based on four segments: Monetary Policy, Economic Growth, Corporate Earnings, and Valuation. In the current period, we added data on the Coronavirus and Fiscal Stimulus to help shape our viewpoint.

CORONAVIRUS UPDATE

Data continues to improve as there is evidence the delta wave is peaking:

Vaccines

- **Total Vaccines Delivered**: 474,000,000.
- **# of People Who Received At Least One Dose**: 214,000,000.
- **# of People Fully Vaccinated**: 185,000,000.
- **% of Population Fully Vaccinated**: 56%.

Cases

- New Cases 7-Day Average: 106,00.
  - Down from 250,000 in January 2021.

Hospitalizations

- 7-Day Average: 71,000.
  - Down from 125,000 in Januauary 2021.

Source: CDC.

MONETARY POLICY

Now that the economy is on the path to recovery and inflation pressures are rising, the Fed is starting to gradually move away from their ultra-accommodative monetary policy.

- Interest Rates: The federal funds rate is currently at a range of 0% to 0.25%. Half of the FOMC members now forecast the next rate increase to occur in 2022.
- Quantitative Easing Program: The Fed is still purchasing at least $80 billion in Treasuries and $40 billion in agency MBS per month, but tapering is expected to start in November.

The Fed will first by take their foot off the monetary policy gas pedal (tapering) before they hit the brake (raising interest rates). Overall, monetary policy will still be considered accommodative for at least the next year or two, but the level of support is decreasing.

FISCAL STIMULUS

Congress is currently negotiating three major on three major bills/issues:

Debt Ceiling: Treasury Secretary Janet Yellen stated that the debt ceiling must be raised by October 18th.

Infrastructure Bill: The $550 billion infrastructure package has bipartisan support and includes funding for roads, major repairs, public transit, broadband, airports, power, and water.

Budget Reconciliation Bill: The estimated $3.5 trillion budget includes funding for childcare, education, healthcare, and climate change. The budget bill will likely need to be passed through the reconciliation process, meaning with only Democratic support. Several moderate Democrats have publicly stated they will not vote in favor for a bill of this size.

ECONOMIC GROWTH

The economy continues to perform well, although the pace of the recovery has recently slowed due to the delta variant. If Real GDP reaches the current estimate this year, it would be the highest growth rate since 1984.

Real GDP Estimates:

- 2021: +6.0%
- 2022: +4.2%
- 2023: +2.4%

CORPORATE EARNINGS

S&P 500 earnings continue to be impressive:

S&P 500 Earnings Estimates

- 2021: Estimate: $201 (+43%)
- 2022: Estimate: $219 (+9%)
- 2023: Estimate: $241 (+10%)

Over long time periods, earnings drive stock prices.

VALUATION

Most valuation measures are stretched by historical measures. The P/E ratio is calculated as the current price divided by the earnings-per-share.

- Forward P/E (next 12-months): 20.1x.
- 25-Year Average: 16.7x.

Valuation analysis is subjective and typically based on interest rates, earnings growth estimates, and historical or relative values.

Since the Pandemic selloff (2/19/20 to 3/23/20), the S&P 500 has increased by over +97% due to the vaccine rollout, massive amounts of fiscal and monetary stimulus, and strong economic and corporate earnings growth. The recent market performance has also been notable for the lack of volatility. The S&P 500's stretch of over two hundred trading days without experiencing a -5% decline ended on the last day of the quarter (this was one of the ten longest streaks since 1929). Going forward, financial markets will begin to transition as we have reached peak levels of corporate earnings growth, economic growth, fiscal stimulus, and monetary stimulus. While the absolute levels will remain high, the growth rates will begin to decelerate as we move further away from the pandemic. Furthermore, we are monitoring several market risks, including, higher interest rates and inflation (which will weigh on valuations that are already stretched), the possibility that the Fed may tighten earlier than expected, the upcoming debt ceiling deadline, instability in China (strained relationship with the US, ongoing regulatory crackdowns, and potential default from property developer Evergrande), and the potential for higher taxes (the budget reconciliation bill may include higher corporate, individual, estate, and capital gains taxes). While we are pleasantly surprised at the stock market performance over the last eighteen months, we know that stocks do not move in a straight line forever and volatility is inevitable. Anticipating volatility does not mean that we are predicting a market crash. We are simply expecting the investment environment to get tougher as both volatility and market returns revert toward historical averages.

We prepared for upcoming volatility by shifting portfolios more defensively and continuing to take profits as the market moved higher. As we have written many times, we do not believe in making major changes to portfolios (i.e., market timing) in anticipation of potential upcoming volatility. No one can consistently predict exactly when the market will decline (please see our **Client Question on Why Market Timing Does Not Work**). Rather than make wholesale changes, our investment process favors trimming on strength, buying on weakness, and tilting toward the asset classed we think will provide the best risk/reward going forward. On the equity side, we remain tilted toward high quality US stocks (we allocate across regions, countries, market caps, factors, styles, sectors, and industries). On the fixed income side, we continue to focus on achieving ballast, stability, and income while accounting for short-term cash needs. We will continue to apply on our time-tested investment process to utilize any volatility as an opportunity to reposition portfolios.

At Winthrop Wealth, we apply a total net worth approach to both comprehensive financial planning and investment management. Financial planning drives the investment strategy and provides a roadmap to each client's unique goals and objectives. The comprehensive financial plan defines cash flow needs, is stress tested for various market environments, optimizes account structures, considers tax minimization strategies, and continuously evaluates financial risks as circumstances and/or goals change. The investment management process is designed to provide well-diversified portfolios constructed with a methodology based on prudent risk management, asset allocation, and security selection.

US Equity										
Index	**3rd Quarter**	**YTD 2021**	**2020**	**2019**	**2018**	**2017**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
S&P 500	0.58%	15.91%	18.39%	31.48%	-4.39%	21.82%	15.84%	16.87%	16.61%	9.50%
Russell 3000	-0.10%	14.98%	20.88%	31.01%	-5.25%	21.12%	15.93%	16.83%	16.59%	9.83%
Dow Jones Industrial Average	-1.46%	12.12%	9.72%	25.34%	-3.48%	28.11%	10.73%	15.67%	14.71%	9.57%
Nasdaq	-0.22%	12.67%	45.05%	36.74%	-2.81%	29.73%	22.78%	23.42%	21.02%	13.17%
S&P 400	-1.76%	15.52%	13.65%	26.17%	-11.10%	16.23%	11.35%	12.94%	14.69%	11.03%
Russell 2000	-4.36%	12.40%	19.93%	25.49%	-11.03%	14.63%	11.03%	13.42%	14.61%	10.27%
Russell 1000 Growth	1.16%	14.29%	38.49%	36.39%	-1.51%	30.21%	21.90%	22.82%	19.66%	11.02%
Russell 1000 Value	-0.78%	16.12%	2.78%	26.52%	-8.28%	13.64%	9.94%	10.91%	13.50%	8.29%
International Equity										
MSCI Index	**3rd Quarter**	**YTD 2021**	**2020**	**2019**	**2018**	**2017**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
EAFE	-0.45%	8.35%	7.82%	22.01%	-13.79%	25.03%	7.68%	8.81%	8.09%	6.55%
Europe	-1.97%	9.52%	7.89%	23.20%	-16.90%	28.07%	7.71%	9.45%	8.52%	6.09%
Japan	4.56%	5.90%	14.48%	19.61%	-12.88%	23.99%	7.63%	9.35%	8.35%	5.52%
China	-18.17%	-16.67%	29.49%	23.46%	-18.88%	54.07%	6.06%	9.12%	8.68%	12.07%
Emerging Markets	-8.09%	-1.25%	18.31%	18.42%	-14.57%	37.28%	8.64%	9.23%	6.08%	10.96%
ACWI ex US	-2.99%	5.90%	10.65%	21.51%	-14.20%	27.19%	8.06%	8.94%	7.48%	7.15%
US Fixed Income										
Bloomberg Barclays Index	**3rd Quarter**	**YTD 2021**	**2020**	**2019**	**2018**	**2017**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
Aggregate	0.05%	-1.55%	7.51%	8.72%	0.01%	3.54%	5.39%	2.94%	3.01%	4.33%
Treasury Bills	0.01%	0.03%	0.54%	2.21%	1.83%	0.81%	1.11%	1.09%	0.58%	1.24%
Corporates	-0.00%	-1.27%	9.89%	14.54%	-2.51%	6.42%	7.48%	4.61%	4.87%	5.55%
Securitized MBS/ABS/CMBS	0.09%	-0.65%	4.18%	6.44%	0.99%	2.51%	4.01%	2.25%	2.50%	
High Yield	0.89%	4.53%	7.11%	14.32%	-2.08%	7.50%	6.84%	6.51%	7.42%	8.09%
Munis	-0.27%	0.79%	5.21%	7.54%	1.28%	5.45%	5.06%	3.26%	3.87%	4.47%
US Equity Sectors										
Index	**3rd Quarter**	**YTD 2021**	**2020**	**2019**	**2018**	**2017**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
Technology	1.34%	15.28%	43.88%	50.29%	-0.29%	38.83%	27.05%	28.40%	23.12%	13.40%
Real Estate	0.88%	24.38%	-2.17%	29.00%	-2.23%	10.85%	15.03%	10.21%	11.19%	
Industrials	-4.22%	11.48%	11.05%	29.32%	-13.32%	21.01%	9.47%	12.47%	14.96%	8.90%
Energy	-1.72%	43.10%	-33.68%	11.81%	-18.10%	-1.01%	-7.28%	-1.59%	2.11%	6.15%
Consumer Discretionary	0.01%	10.28%	33.30%	27.94%	0.82%	22.98%	16.35%	18.98%	19.53%	11.71%
Communication Services	1.60%	21.59%	23.61%	32.69%	-12.53%	-1.25%	20.12%	12.53%	12.41%	5.87%
Consumer Staples	-0.31%	4.69%	10.75%	27.61%	-8.39%	13.49%	11.96%	8.55%	11.93%	9.06%
Utilities	1.78%	4.20%	0.52%	26.35%	4.11%	12.10%	10.40%	9.11%	10.59%	7.87%
Materials	-3.51%	10.49%	20.73%	24.58%	-14.70%	23.84%	12.98%	12.94%	12.82%	9.76%
Financials	2.74%	29.04%	-1.76%	32.09%	-13.04%	22.14%	13.18%	16.57%	16.95%	5.45%
Health Care	1.43%	13.45%	13.45%	20.82%	6.47%	22.08%	12.19%	14.17%	17.05%	8.93%
	Calendar Year Returns						**Annualized Returns**			

DISCLOSURES

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

Financial planning is a tool intended to review your current financial situation, investment objectives and goals, and suggest potential planning ideas and concepts that may be of benefit. There is no guarantee that financial planning will help you reach your goals.
Rebalancing a portfolio may cause you to incur tax liabilities and/or transaction costs and does not assure a profit or protect against a loss.

Likewise, it is important to remember that no investment strategy assures success or protects against loss. Past performance is no guarantee of future results. Asset allocation does not ensure a profit or protect against loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk. All investing involves risk which you should be prepared to bear.

All indexes mentioned are unmanaged indexes which cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Russell 3000 Index is a market-capitalization-weighted equity index maintained by FTSE Russell that provides exposure to the entire U.S. stock market. The index tracks the performance of the 3,000 largest U.S.-traded stocks which represent about 98% of all U.S incorporated equity securities.

The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index.

The S&P Midcap 400 Stock Index is an unmanaged index generally representative of the market for the stocks of mid-sized US companies.

The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.
The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The prices of small cap stocks and mid cap stocks are generally more volatile than large cap stocks.

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following developed country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK.

The MSCI Europe Index captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe. With 445 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 322 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

The MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs). With 709 constituents, the index covers about 85% of this China equity universe. Currently, the index includes Large Cap A and Mid Cap A shares represented at 20% of their free float adjusted market capitalization.

The MSCI EM (Emerging Markets) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the emerging market countries of the Americas, Europe, the Middle East, Africa and Asia. The MSCI EM Index consists of the following emerging market country indices: Brazil, Chile, Colombia, Mexico, Peru, Czech Republic, Egypt, Greece, Hungary, Poland, Qatar, Russia, South Africa. Turkey, United Arab Emirates, China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan, and Thailand.

The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 27 Emerging Markets (EM) countries. With 2,354 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

The Bloomberg Barclays U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

The Bloomberg Barclays Capital U.S. Credit Bond Index measures the performance of investment grade corporate debt and agency bonds that are dollar denominated and have a remaining maturity of greater than one year.
The Bloomberg Bloomberg Barclays Capital US Corporate High Yield Bond index is an index representative of the universe of fixed-rate, non-investment grade debt.

The Bloomberg Barclays Insured Municipal Bond Index is a total return performance benchmark for municipal bonds that are backed by insurers with Aaa/AAA ratings and have maturities of at least one year.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.