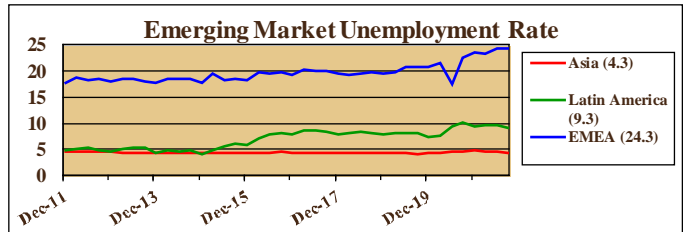
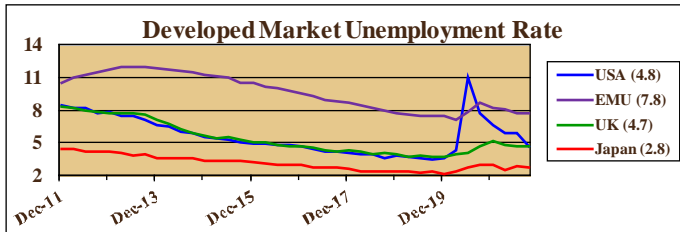
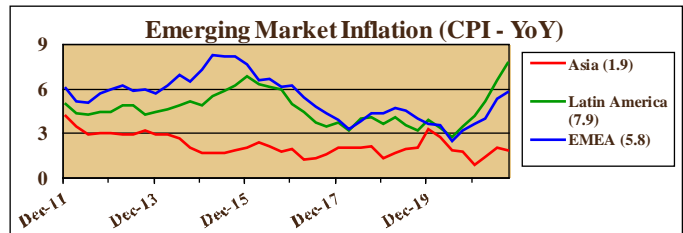
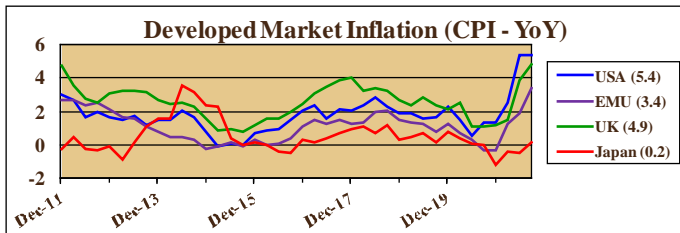
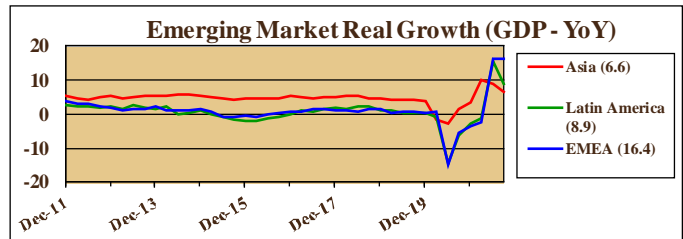
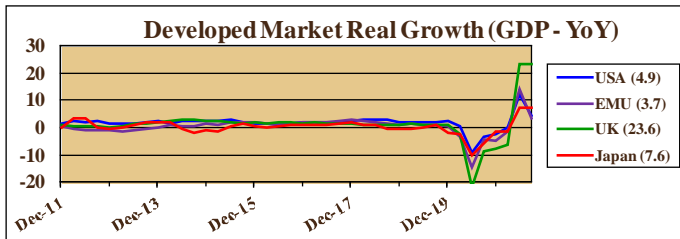


Third Quarter 2021

Global Market and Economic Perspective

Global Economic Commentary

- ❖ During the third quarter, both the US and the European Union saw growth of real GDP slow sharply from the second quarter's rapid rate. The slowing of the recovery after the Covid shutdowns can be at least partially attributed to another wave of infections over the summer. Perhaps more important was the continued supply chain disruptions, particularly in industries such as automobile production, which was hampered by a shortage of the chips necessary to control vehicles' increasingly automated systems.
- ❖ The supply problems, coupled in many countries with substantial government support of consumers' incomes, resulted in the highest inflation in decades. In the US, both the Consumer Price Index and the PCE Deflator (the Federal Reserve's preferred measure) hit 30-year highs at the end of the third quarter.
- ❖ Despite the strength in economic output growth, the employment situation in many countries has not recovered in line with the rebound in GDP. In the US, the number of people in work remains well below pre-pandemic levels, as labor force participation has fallen even in the face of a record number of job openings and the strongest growth in wages in many years.



Notes: Emerging market economic statistics are estimated by region using eight countries, which represent roughly 80% of the MSCI Emerging Market Equity Index. Recent observations may be estimated where reporting lags make official data unavailable at the time of this report.

Global Market and Economic Perspective – Q3 2021

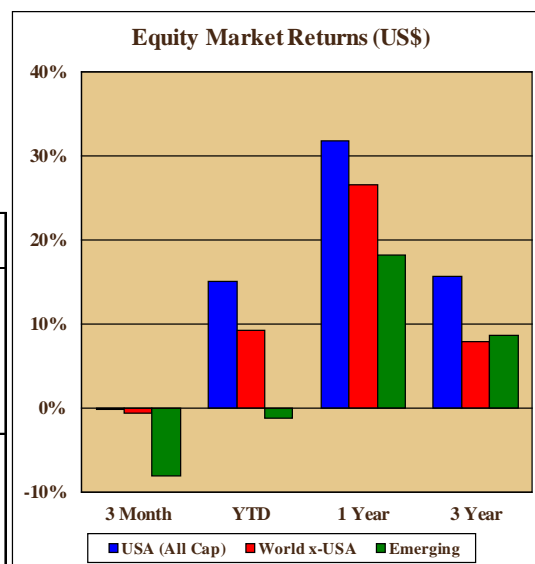
Global Equity and Currency Commentary

- ❖ Although the broad US equity market produced positive returns in July and August, September's negative return resulted in a loss for the quarter. In addition to inflation fears and supply disruptions, some of September's damage seemed to be a result of the political situation in Washington. As happens every few years, Democrats and Republicans refused to cooperate in extending the debt limit. Eventually, there was enough agreement to suspend the limit from mid-October to early December. As a result, fiscal uncertainty could produce similar pressure on financial markets in the fourth quarter.
- ❖ In developed non-US markets, returns were mostly positive during the quarter, as economies and earnings continued their recovery from the Covid downturn. However, US dollar strength more than offset the equity market gains. As a result, US investments in non-US developed equities saw losses.
- ❖ Emerging markets contrasted sharply with the developed markets. Many of the emerging equity markets suffered sharp losses during the quarter. China was a particularly poor performer, as Evergrande and other real estate development-related firms faced severe financial difficulties that could result in default. Compounding the equity market losses, the US dollar strengthened against many emerging market currencies.

Global Equity Market Returns (MSCI)

| 9/30/2021 | Returns (US\$) | | | | Returns (Local) | | | |
|--------------------------|----------------|-------|--------|--------|-----------------|-------|--------|--------|
| | 3 Month | YTD | 1 Year | 3 Year | 3 Month | YTD | 1 Year | 3 Year |
| United States | | | | | | | | |
| USA (All Cap) | -0.1% | 15.0% | 31.7% | 15.6% | | | | |
| USA Growth | 1.3% | 14.6% | 29.0% | 23.3% | | | | |
| USA Value | -0.7% | 15.1% | 31.0% | 8.6% | | | | |
| USA SC Growth | -3.5% | 10.2% | 39.0% | 15.9% | | | | |
| USA SC Value | -2.3% | 19.8% | 57.6% | 7.2% | | | | |
| Foreign Developed | | | | | | | | |
| World x-USA | -0.7% | 9.2% | 26.5% | 7.9% | 1.2% | 14.5% | 27.2% | 7.4% |
| Europe | -1.6% | 10.1% | 27.3% | 7.8% | 0.5% | 15.1% | 26.9% | 7.3% |
| Far East | 2.7% | 5.3% | 21.5% | 6.9% | 3.3% | 12.6% | 27.4% | 6.4% |
| Australia | -3.0% | 7.2% | 31.7% | 8.8% | 0.8% | 14.5% | 30.7% | 8.9% |
| Canada | -2.5% | 17.5% | 33.9% | 10.2% | -0.3% | 16.9% | 27.0% | 9.4% |
| Emerging Markets | | | | | | | | |
| Emerging | -8.1% | -1.2% | 18.2% | 8.6% | -6.7% | 0.7% | 16.9% | 9.5% |
| Asia | -9.6% | -4.1% | 13.9% | 10.0% | -8.7% | -2.3% | 13.6% | 9.7% |
| Latin America | -13.3% | -5.6% | 27.3% | -1.4% | -7.3% | -1.1% | 22.5% | 6.9% |
| EMEA | 4.2% | 20.9% | 40.6% | 7.6% | 5.9% | 21.9% | 34.4% | 9.7% |

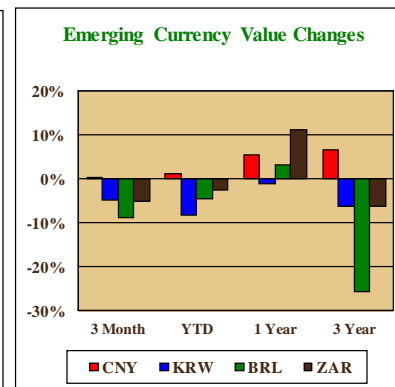
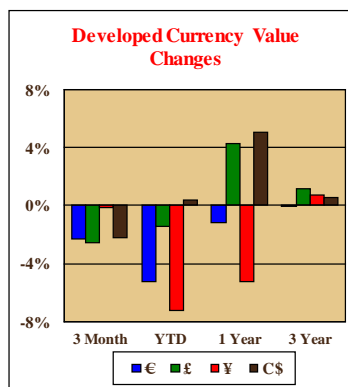
Annualized if greater than one year



Foreign Exchange Rate History (Bloomberg)

| 9/30/2021 | Current Level | Change (Foreign Currency versus \$) | | | |
|--------------------------|---------------|-------------------------------------|-------|--------|--------|
| | | 3 Month | YTD | 1 Year | 3 Year |
| Developed | | | | | |
| Euro (€) | 1.16 | -2.3% | -5.2% | -1.2% | -0.1% |
| British Pound (£) | 1.35 | -2.6% | -1.4% | 4.3% | 1.1% |
| Japanese Yen (¥) | 111 | -0.2% | -7.2% | -5.2% | 0.7% |
| Canadian Dollar (C\$) | 1.27 | -2.2% | 0.4% | 5.0% | 0.6% |
| Emerging | | | | | |
| Chinese Renminbi (CNY) | 6.44 | 0.2% | 1.3% | 5.4% | 6.6% |
| Korean Won (KRW) | 1184 | -4.9% | -8.2% | -1.2% | -6.3% |
| Brazilian Real (BRL) | 5.44 | -8.7% | -4.6% | 3.1% | -25.6% |
| South African Rand (ZAR) | 15.07 | -5.2% | -2.5% | 11.1% | -6.2% |

Annualized if greater than one year



Global Market and Economic Perspective – Q3 2021

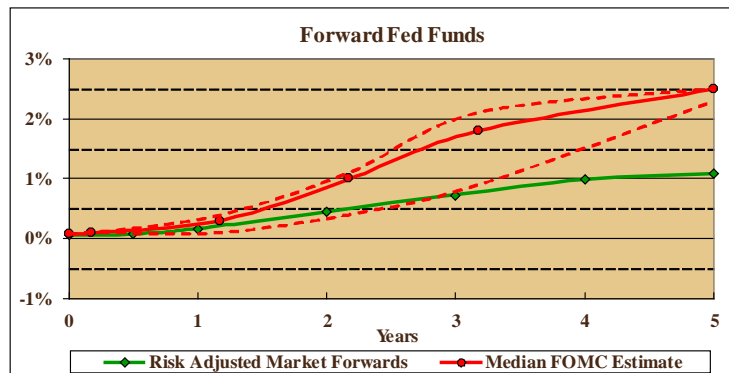
US Fixed Income and Fed Commentary

- ❖ Fixed income investors reacted to the surge in inflation, pushing yields higher on investment-grade and high yield securities. As a result, returns were negative for the quarter in almost all fixed income sectors, with the exception of the shortest-duration paper (which are least sensitive to yield increases) and TIPS (which have returns tied to CPI inflation).
- ❖ For many months, Federal Reserve chairman Powell had been assuring investors that any rise in inflation would be transitory and not a concern. However, market expectations for inflation began to shift dramatically during the quarter as inflation data came in much higher than expected. Chairman Powell has shifted his message, and now admits that inflation may be above the Fed’s projections by more and for longer than originally thought. As a result, the Fed’s projections for the Fed Funds Rate now indicates the first increase in 2022 rather than 2023.
- ❖ Unfortunately, the Fed has made the Treasury yield curve far less useful than in the past as an indicator of the future path of short-term interest rates and inflation. That is because the Fed has essentially purchased all of the net debt issued by the Treasury this year. As a result, financial markets now play a greatly diminished role in setting relative bond prices and interest rates.

| FOMC Fed Funds Rate Projections as of September 2021 Meeting | | | | | | |
|--|---------|--------|--------|--------|--------|----------|
| | Current | Dec-21 | Dec-22 | Dec-23 | Dec-24 | Long Run |
| Lower | 0.08% | 0.10% | 0.10% | 0.40% | 0.90% | 2.30% |
| Median | 0.08% | 0.10% | 0.30% | 1.00% | 1.80% | 2.50% |
| Upper | 0.08% | 0.10% | 0.40% | 1.10% | 2.10% | 2.50% |

| Market Implied Fed Funds Rate as of Oct 01, 2021 | | | | | | |
|--|---------|--------|--------|--------|--------|--------|
| Current | 6 Month | 1 Year | 2 Year | 3 Year | 4 Year | 5 Year |
| 0.06% | 0.08% | 0.17% | 0.45% | 0.73% | 0.99% | 1.08% |

Notes
 Upper and lower bands show central tendency for FOMC projections.
 Market implied Fed Funds rates are risk adjusted.



US Bond Yield and Spread History (Bloomberg)

| | Current Level | Change Through September 2021 | | | |
|-------------------------|---------------|-------------------------------|--------|--------|--------|
| | | 3 Month | YTD | 1 Year | 3 Year |
| US Treasury | | | | | |
| Short | 0.50% | 0.06% | 0.31% | 0.33% | -2.36% |
| Intermediate | 1.28% | 0.08% | 0.66% | 0.82% | -1.73% |
| Long | 2.03% | 0.00% | 0.52% | 0.70% | -1.15% |
| US High Yield | | | | | |
| Yield | 4.04% | 0.29% | -0.14% | -1.72% | -2.20% |
| Spread | 2.87% | 0.20% | -0.72% | -2.34% | -0.29% |
| Tax-Exempt Muni. | | | | | |
| Short | 0.37% | 0.03% | 0.09% | 0.08% | -1.74% |
| Intermediate | 0.92% | 0.11% | 0.23% | 0.07% | -1.66% |
| Long | 1.53% | 0.20% | 0.24% | -0.04% | -1.63% |

