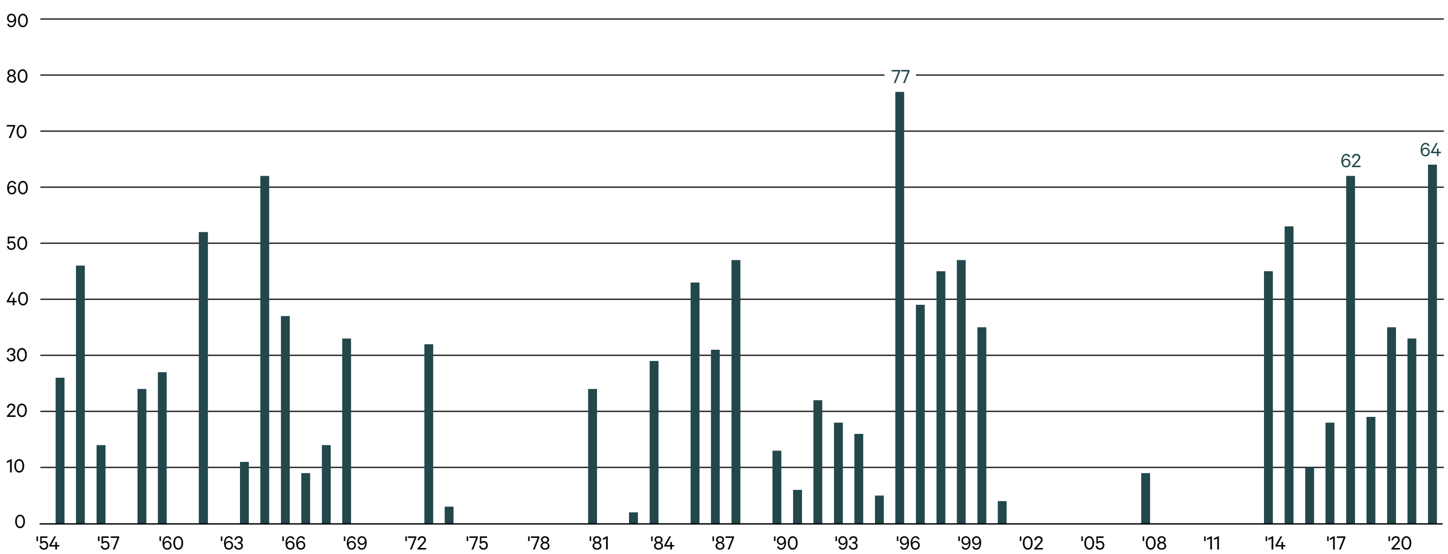
Market Review Commentary

October 2021

Kayne Anderson Rudnick
Investment Management

Stocks produced strong returns and fresh highs in October shrugging off a long list of woes that contributed to a volatile September. All three major indexes (S&P 500, NASDAQ, Dow Jones Industrial Average) ended at new all-time highs. The 10-Year U.S. Treasury yield ended the month at 1.56%[1] and continues to trade at historically low levels. Investors appear to see few opportunities outside the stock market and have embraced the bull market's resilience.

FIGURE 1: NUMBER OF NEW S&P 500® CLOSING HIGHS PER YEAR



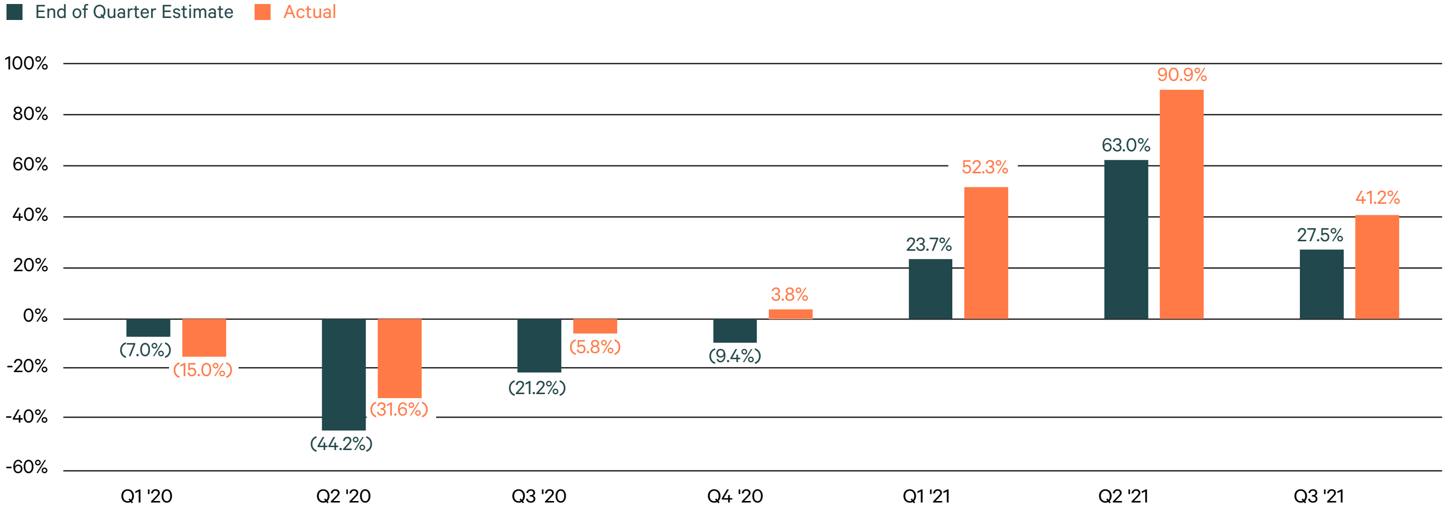
Data presented is as of November 5, 2021. Data is obtained from Strategas and is assumed to be reliable. ***Past performance is no guarantee of future results.***

A strong earnings season helped turn market performance around from a deceleration in September, with many companies posting earnings that beat Wall Street expectations, a continuing trend this year, despite supply chain disruptions, stickier inflation than anticipated, and labor shortages. Even announcements from large consumer-oriented businesses such as Amazon and Apple over how supply-chain logistics were disrupting their operations were not enough to dampen investor enthusiasm over encouraging earnings from a broad group of companies across economic sectors.

1. *Yahoo! Finance, October 31, 2021.*

FIGURE 2: S&P 500® EARNINGS GROWTH

End of Quarter Estimate vs. Actual



Data is presented as of September 30, 2021. Data is obtained Strategas and is assumed to be reliable. ***Past performance is no guarantee of future results.***

While delivering positive earnings news, companies also have warned about supply-chain issues triggering higher prices in the foreseeable future. Customers so far have shown a willingness to open their wallets to higher prices for goods and services, as government data released at the end of October showed consumer spending rose in September.

Nonetheless, robust consumer demand and supply chain shortages are causing a rapid rise in inflation. The Federal Reserve has telegraphed broadly that they believe no rate change is required any time soon, but also pledged to keep a watchful eye on inflation and acknowledged they have the tools to tame inflation and are prepared to pull back support for the economy faster than anticipated, if necessary. Fed Chairman Jerome Powell continues to maintain his position that the bursts of inflation the economy is experiencing are transitory, or temporary, and should abate over the coming year as pandemic-related disruptions subside. The Fed also announced the expected size and pace of its bond tapering as it starts to move toward a less accommodative monetary policy, which was hardly noticed by the markets, and likely is due to the Fed's early and widespread communications of its plans to begin reversing its pandemic stimulus programs.

We thank you for your continued trust and confidence in managing your assets.

Douglas S. Foreman, CFA

Chief Investment Officer

Douglas S. Foreman, CFA is Chief Investment Officer, Portfolio Manager, and a member of the Executive Management Committee. He has approximately 35 years of investment experience.

Large-capitalization stocks are represented by the S&P 500® Index which is a market capitalization weighted index which includes 500 of the largest companies in leading industries of the U.S. economy. This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should not be considered a recommendation or solicitation to purchase securities. ***Past performance is no guarantee of future results.***