Market Review Commentary

Third Quarter 2021

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Stocks produced mixed returns in the third quarter with the S&P 500 Index eking out a small gain of 0.58%. In contrast, small cap stocks, as measured by the Russell 2000 Index, declined 4.36%. Large cap growth stocks, as measured by the Russell 1000 Growth Index, generated a modestly positive return of 1.16% and large cap value stocks, as measured by the Russell 1000 Value Index, generated a modestly negative return of 0.78%. Value is still up 16.14% year-to-date, modestly outperforming the S&P 500's return of 15.92% and the Russell 1000 Growth's return of 14.30%. Emerging market stocks were hit particularly hard during the quarter declining 8.09% (as measured by the MSCI Emerging Markets Index) as China imposed additional regulatory actions on many successful Chinese public companies.

Fixed income returns were also mixed during the third quarter. The 10-Year U.S. Treasury yield rose slightly from 1.45% to 1.52%. The Bloomberg Barclays U.S. Aggregate Bond Index was essentially flat for the quarter (+0.05%) and still negative for the year-to-date (-1.55%). High yield fared the best for the quarter with a 0.94% return for the ICE BofAML U.S. High Yield Index, bringing the year-to-date return to 4.67%. Like emerging market equities, emerging market local currency debt (as measured by the J.P. Morgan GBI EM Global Diversified Index) performed poorly declining 3.10% for the quarter and down 6.38% for the year-to-date. Municipal bonds, as measured by the Bloomberg Barclays U.S. Municipal Index, fell 0.27%, bringing the year-to-date return to 0.79%.

POTENTIAL WORRIES FOR INVESTORS?

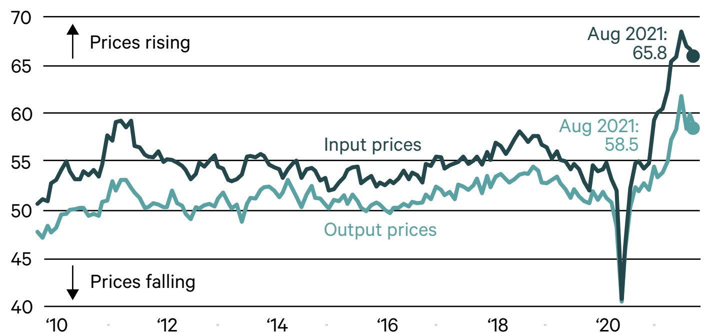
As we enter the fourth and final quarter of 2021, there is certainly no shortage of potential worries for investors. These include raising the debt ceiling, passage of an infrastructure bill, Federal Reserve Chairman reappointment, increased personal and corporate taxes, and continued COVID-19 supply chain bottlenecks which are raising inflationary fears. We believe most of these (with the exception of increased taxes) will ultimately prove to be transitory and most likely be forgotten by investors over the next year or so. Political wrangling over the debt ceiling and an infrastructure package should eventually be completed and Jay Powell will most likely be reappointed as the Fed Chairman. COVID-19 and the Delta variant have continued to cause supply chain disruptions which have lasted longer than expected.

FIGURE 1: GLOBAL PMI SUPPLIERS' DELIVERY TIMES INDEX

Data presented is as of September 30, 2021. Data is obtained from IHS Markit and J.P. Morgan Asset Management and is assumed to be reliable. Participants in IHS Markit's PMI business surveys, conducted in 44 countries, are asked: "Are your suppliers' delivery times slower, faster or unchanged on average than one month ago?". Index includes the manufacturing and construction sectors. A reading of 50 = no change, >50 = faster delivery time, <50= slower delivery time. ***Past performance is no guarantee of future results.***

However, investor consensus is that the disruptions will last until the second half of 2022. These disruptions have put pressure on the Fed to pay more attention to "transitory inflation" and possibly increase interest rates sooner than desired in the second half of 2022. We still believe the Fed can handle the problem of inflation if it proves to be more prolonged than expected.

FIGURE 2: GLOBAL PMI INPUT AND OUTPUT PRICES

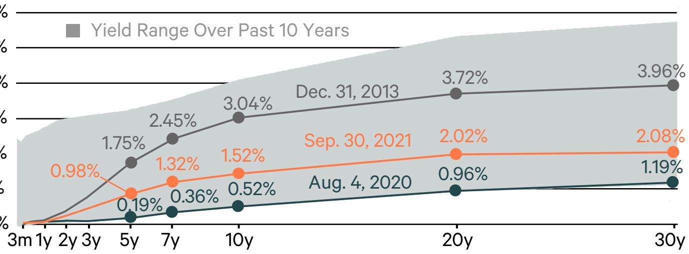


Data presented is as of September 30, 2021. Data is obtained from IHS Markit and J.P. Morgan Asset Management and is assumed to be reliable. Participants are asked: "Are input/output prices the same, higher or lower?" Values shown reflect the composite index which includes both manufacturing and services. A reading of 50 = no change, >50 = price increase, <50= price decrease. ***Past performance is no guarantee of future results.***

WHAT ARE THE MOST IMPORTANT VARIABLES AFFECTING THE EQUITY MARKETS?

We believe the two most important variables affecting equity markets are interest rates and corporate profitability. The Federal Reserve will start tapering their purchases of bonds next month, but this has been well telegraphed to investors and rates have backed up slightly since the announcement of tapering plans. Interestingly, despite tapering and continued supply chain constraints, the 10-year bond is still hovering around 1.5% and the 30-year bond around 2.0%. By any historical standard, interest rates are still relatively benign and likely to remain so over the next year or two. There is still approximately $13 trillion of negative yielding debt in the world economy.

FIGURE 3: U.S. TREASURY YIELD CURVE

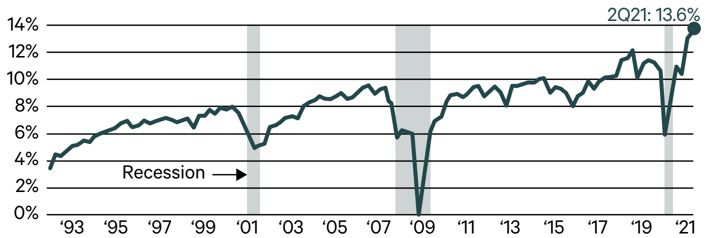


Data presented is as of September 30, 2021 and is obtained from Factset, Federal Reserve, J.P. Morgan Asset Management and is assumed to be reliable. December 31, 2013 is the date the yield curve reached one of its steepest levels in reaction to the Fed announcing it would begin paring down its bond-buying program. August 4, 2020 is the date of a record low on the 10-year, driven by safe haven demand and pessimism around the U.S. pandemic recovery. Forecasts are not a reliable indicator of future performance. Positive yield does not imply positive return. ***Past performance is no guarantee of future results.***

Improving corporate profitability has been the key catalyst behind significant equity returns since the recession triggered by COVID-19. Despite soaring input costs in many industries due to supply shortages, a tight labor pool for many companies, and many travel-related industries operating at low occupancy, S&P profit margins reached an all-time high in the second quarter 2021 of 13.6%.

FIGURE 4: S&P 500® PROFIT MARGINS

Quarterly Operating Earnings/Sales

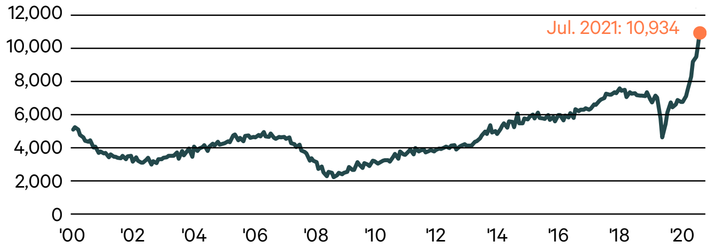


Data presented is as of September 30, 2021 and is obtained from BEA, Compustat, FactSet, Standard & Poor's and J.P. Morgan Asset Management and is assumed to be reliable. ***Past performance is no guarantee of future results.***

Job openings for corporate America are at all-time highs and we still have approximately 6 million people less employed than pre-COVID. Fears of COVID-19 and fiscal assistance may be a couple of the reasons for this unusual employment situation.

FIGURE 5: JOLTS JOB OPENINGS

Total Nonfarm Job Openings, Thousands, Seasonally Adjusted



Data presented is as of September 30, 2021 and is obtained from Conference Board, National Federation of Independent Business, U.S. Department of Labor and J.P. Morgan Asset Management and is assumed to be reliable. ***Past performance is no guarantee of future results.***

Relatively benign interest rates and strong corporate profitability are a prescription for rising equity prices over time. However, we believe investors should expect a more selective market going forward and more muted equity returns (5% to 10%). S&P 500 returns of 30% over the last 12 months is extraordinary and not sustainable over the long term.

The Chinese economy is also likely to slow down meaningfully due to increased uncertainty surrounding regulation and President Xi's "common prosperity" goals. Moving forward, it is likely that domestically we will continue to grow but at a more moderate and sustainable pace. We believe this is an environment where stocks of high-quality businesses can perform well.

As always, we will continue to strive to invest in quality companies with competitive advantages that can thrive in good and bad economic environments. 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. Growth stocks are represented by the Russell 1000® Growth Index which is a market capitalization-weighted index of growth-oriented stocks of the 1,000 largest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. Value stocks are represented by the Russell 1000® Value Index which is a market capitalization-weighted index of value-oriented stocks of the 1,000 largest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. Small-capitalization stocks are represented by the Russell 2000® Index which is a market capitalization-weighted index of the 2,000 smallest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. Emerging markets are represented by the MSCI® Emerging Markets (EM) Index which is a free float-adjusted market capitalization index tracking the equity performance of global emerging markets. The Bloomberg Barclays U.S. Aggregate Bond Index is a market value weighted index that tracks the daily price, coupon, pay downs and total return performance of fixed-rate, publicly placed, dollar-denominated and non-convertible investment grade debt issues with at least $250 million par amount outstanding with at least one year to final maturity. Performance is calculated on a total return basis with dividends reinvested. The ICE BofAML U.S. High Yield Index tracks the performance of U.S. dollar denominated below-investment-grade corporate debt publicly issued in the U.S. domestic market. The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prefunded bonds. The J.P. Morgan GBI EM Global Diversified Index tracks the performance of local currency debt issued by emerging market governments, whose debt is accessible by most of the international investor base. 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.***