FINANCIAL MARKETS COMMENTARY

THIRD QUARTER, 2021

TELEMUS®

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ECONOMY

The U.S. economy continues to improve, although as the third quarter progressed, we began to see signs of a slowdown in the pace of growth. This drew pockets of concern with brief moments of markets selling off in response. Given the rapid and historic rate of recovery in the economy, it is inevitable that the rate of growth will eventually slow. Putting it in fairytale terms, we don't want the economy to run 'too hot' nor 'too cold' for an extended period of time. The deceleration in the rate of growth should be a positive for achieving a 'just right' level of sustainable economic growth going forward.

As the economic expansion progressed this past quarter the debate around inflation continued. Much of the discussion continues to center around transitory versus sustainable influences on inflation. The pace of manufacturing activity has started to stabilize with a number of indicators signaling that industrial demand is likely to continue. Employment is improving but doing so at a frustratingly uneven pace. Rising concerns that grabbed increased attention were supply chain and logistics challenges. Logjams in solving inventory needs is unlikely to end in the next few months and will likely get more consideration in the quarter ahead.

INFLATION

Inflation remains a front and center economic indicator, largely because it is a primary consideration in the Fed's policy. The monthly pace of price increases peaked in June with month-over-month inflation (as measured by the CPI) at 0.9%. This slowed to 0.5% in July and 0.3% for August. Parsing through the data, the results are anything but clear.

The table below is an excerpt from the Bureau of Labor Statistics August Consumer Price Index release. It helps to highlight the wide range of price movements across categories. While consumer prices averaged a 0.3% increase between July and August, there were a number of items (such as new vehicles and energy prices), that were well in excess of this level. Alternatively, categories that had been considered 'transitory' in months prior (such as airfares and used car prices), have experienced some modest price erosion. There are a number of moving pieces within the inflation data that are likely to become puts and takes to the data set for months to come. Given that the Fed is not intending to address rate hikes until after they cease their program of monthly bond purchases, it's likely that the Fed has some time to continue to parse through the data to better assess the permanent versus transitory elements of inflation.

ECONOMY

An added catalyst for inflation is wage growth. Since employers tend not to cut wages after giving a pay hike, this is often viewed as a more reliable and sustainable gauge of inflation. Based on the September employment report from the Bureau of Labor Statistics, average hourly wages are up 4.6% in the past year. The pace of wage gains continues to trend higher, with wages up 0.6% in the month of September alone. We view this as a strong indicator that a moderately higher level of inflation may have some legs to it.

There remain a number of variables to the inflation picture that frankly no one can predict with precision. Given the data we see, our baseline assumption is that it's reasonable to expect a higher level of inflation (2-4%) over the next year or two.

EXPENDITURE CATEGORY	SEASONALLY ADJUSTED PERCENT CHANGE		
	MAY 21 - JUNE 21	JUNE 21 - JULY 21	JULY 21 - AUG. 21
All items	**0.9**	**0.5**	**0.3**
Food	0.8	0.7	0.4
Food at home	0.8	0.7	0.4
Food away from home(1)	0.7	0.8	0.4
Energy	1.5	1.6	2.0
Energy services	0.2	0.8	1.1
Electricity	-0.3	0.4	1.0
Utility (piped) gas service	1.7	2.2	1.6
Commodities less food and energy commodities	2.2	0.5	0.3
Apparel	0.7	0.0	0.4
New vehicles	2.0	1.7	1.2
Used cars and trucks	10.5	0.2	-1.5
Medical care commodities(1)	-0.4	0.2	-0.2
Alcoholic beverages	0.5	0.3	0.3
Tobacco and smoking products(1)	0.6	0.5	0.1
Services less energy services	0.4	0.3	0.0
Shelter	0.5	0.4	0.2
Rent of primary residence	0.2	0.2	0.3
Owners' equivalent rent of residences(2)	0.3	0.3	0.3
Medical care services	0.0	0.3	0.3
Transportation services	1.5	-1.1	-2.3
Motor vehicle maintenance and repair(1)	0.3	0.9	0.8
Motor vehicle insurance	1.2	-2.8	-2.8
Airline fares	2.7	-0.1	-9.1

Source: Bureau of Labor Statistics, Consumer Price Index – August 2021.

ECONOMY

INDUSTRIAL ACTIVITY

Industrial activity remains strong, although there were signs of moderation throughout the third quarter. This is not unexpected given the record pace of activity that occurred during the first half of 2021. Manufacturing activity (as measured by the ISM Manufacturing Index), remains at very high levels by historic standards, although the rate of improvement has started to level off. New orders and backlogs, both indicators of future activity, remain strong. Activity among services sectors, such as food service and travel, remains near record levels. Supply chain and logistic challenges are, however, increasing.

EMPLOYMENT

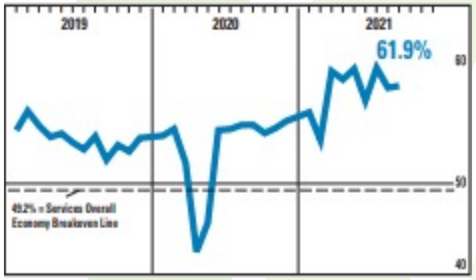
A return to full employment remains an enigma for the U.S. economy. The number of job openings remains at very high levels with employers continuing to report difficulties in their ability to attract qualified workers. Fewer Americans are looking for jobs with the labor force participation rate at 61.6%, below the 63.3% participation rate in February of 2020. A combination of concerns around the delta variant, childcare needs, and the continuation of excess unemployment benefits are all factors that have been identified as contributing to the stubbornly high unemployment rate.

A positive effect stemming from employment challenges has been an acceleration in wages. Qualified workers have been able to garner higher paychecks, which is improving their financial footing. We are seeing data that supports wage gains across industries.

As the number of cases stemming from the Delta variant have hopefully peaked, children have returned to school and excess unemployment benefits have expired, it's likely the labor dynamics continue to slowly evolve. The challenge of employers being able to find candidates that match the request skillset may be one that takes time to resolve. However, we are optimistic that during the fourth quarter there will continue to be moderate but steady improvements in the labor market.

ISM MANUFACTURING PMI

ISM SERVICES PMI



Institute of Supply Management

ECONOMY

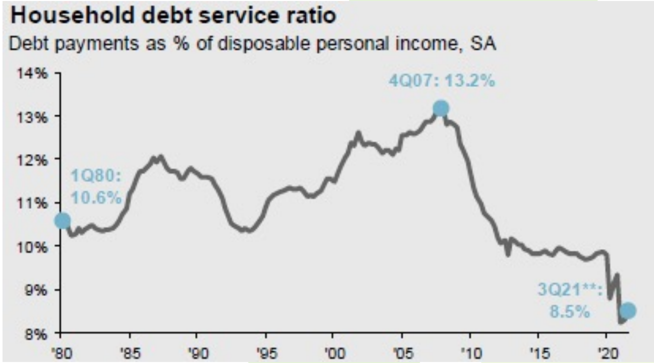
CONSUMER

We've begun to see a mixed bag of data surrounding the consumer. The overall health of the consumer remains in great shape as evidenced by income levels, wage growth, savings rates and debt-to-income ratios. The added benefit of home prices having risen 20% over the past year provides further comfort for consumers' balance sheets.

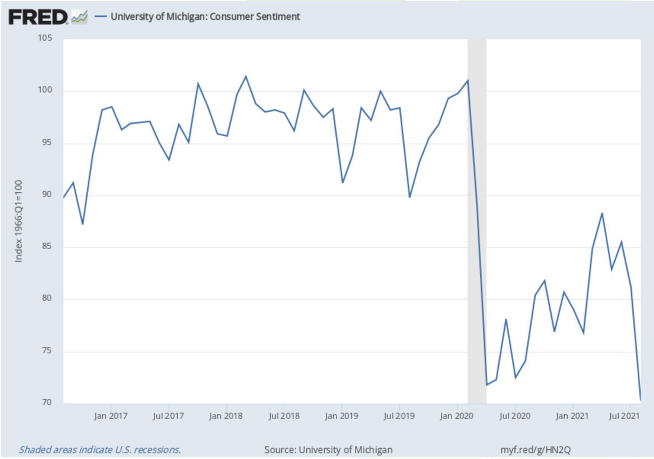
As shown below, household debt service levels are the lowest they've been going back to 1980 when the data was first captured. Lower spending on debt service will free up budgets enabling greater discretionary spending. The greater flexibility in budgets offers a strong foundation to the durability of this economic cycle.

Despite these favorable dynamics, consumer sentiment fell throughout the quarter and is now back to levels last seen during the early phases of the pandemic. In fact, the latest University of Michigan Consumer Sentiment report phrased sentiment as 'depressed optimism'. The Delta variant was largely to blame, although higher inflation readings have led consumers, in aggregate, to reconsider their spending patterns given what many are perceiving as a transitory spike in prices.

While the rapid decline in sentiment should appear concerning, we have not seen a resulting impact on spending patterns. In fact, retail spending increased in August, after having fallen in July. Given the significant pace of spending over the past year, it is only reasonable to expect a decline in the rate of consumer outlays as spending patterns retreat back to more normalized levels.



Source: J.P. Morgan Asset Management. Guide to the Markets, U.S., 4Q 2021



Source: St. Louis Federal Reserve. FRED Database.

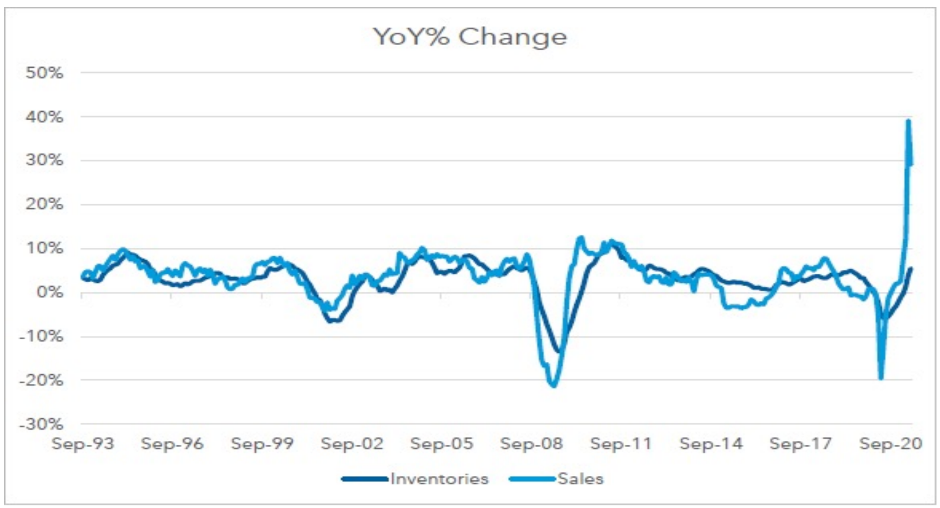
ECONOMY

SUPPLY CHAIN

Supply chain challenges, along with complications in shipping items, have continued to challenge the businesses, to the point where problems started to worsen as the quarter went on. The challenges associated with supply chains can simply be summed up as a large difference between supply and demand.

The chart below highlights historic sales (light blue line) along with inventory levels (dark blue line). As evidenced by this chart, a 20% drop in sales during the pandemic was followed by a nearly 40% increase in sales as COVID related restrictions began to ease. The level of sales remains elevated, although the rate of year-over-year sales growth concluded August in the mid-teens. We believe this chart provides an informative depiction of the demand surge we witnessed coming out of the immediate pandemic lockdowns.

SALES AND INVENTORY TRENDS



Source: Capital Group

ECONOMY

On the supply side, inventory levels have been widely discussed as a challenge. Items such as semiconductors, or even bicycles, have been in tight supply. Yet as evidenced through this chart it's not that aggregate inventory levels are well behind historic trends, it's that inventories have not been built up to levels to be able to satisfy the unprecedented surge in demand. Moreover, the global logistics infrastructure is not built to meet this demand, which is visible through the backlog of ships anchored outside of U.S. ports.

We expect that over time demand will trend down toward levels that are on par with income growth. As this occurs, it is ideal that inventories are aligned with aggregate demand. Should we encounter a scenario where excess inventories have been built up, this could stoke a recessionary slowdown in activity. The chart below highlights how the inventory-to-sales ratio has trended over time. Maintaining inventories in line with historic ranges will be key to ensuring industrial activity is not getting too far ahead of its long-term trend.

INVENTORY-TO-SALES RATIO

Source: St. Louis Federal Research, FRED Database

ECONOMY

PERSPECTIVE

Issues around supply chain are unlikely to go away in the near-term. In addition, concerns around inflation are unlikely to dissipate any time soon. We expect the fourth quarter economic narrative to be dominated by supply chain and inflation rhetoric.

It is clear from the data released over the past quarter that the pace of economic improvement is moderating. This is a natural phase of the economic cycle and one we welcome as we hope it brings moderation that will ultimately support the longer-term sustainability of the economy. Given the magnitude of both the COVID-19 induced drop in economic activity, followed by a remarkable recovery, one can't focus too much on any one economic reading.

We take comfort in the robustness of the economy. Even if the rate of growth is slowing, manufacturing activity remains strong and backlogs and new orders indicate this is likely to continue. While consumer sentiment may be retreating, the strength of consumer balance sheets, their willingness to spend and improving wages all paint an optimistic picture around the health of the consumer. Unemployment remains stubbornly high but it continues to progress, albeit with fits and starts along the way. These positives aren't without their challenges. It seems highly likely that the Fed will begin to slow its pace of monthly asset purchases during the fourth quarter. Reducing the amount of liquidity in an economy that is already flush with excess liquidity should not be eventful, but only time will tell. In addition, in the halls of Congress, debate continues around a large infrastructure package that if passed is likely to raise tax rates. Higher tax rates may impact consumption and investment spending, although given the levels proposed, shifts in demand may not be all that material.

As we enter the next phase of the recovery, steady linear improvements in conditions should not be expected, but a solid economic underpinning could provide a strong foundation.

FIXED INCOME

The bond market had a monotonous summer as interest rates were generally rangebound, and bond spreads remained static. The broad-based barometer for the fixed income market, the Bloomberg Barclays U.S. Aggregate Index, finished the quarter +0.1% higher. Most other segments of the bond market experienced similar returns. The standout performer was high yield, which gained +0.9%. International bonds, as measured by the FTSE World Government Bond Index, were negatively impacted by a stronger dollar, falling -1.2%.

INDEX	Q3 2021	YTD
Bloomberg Barclays U.S. Aggregate	+0.1%	-1.6%
Bloomberg Barclays Intermediate Aggregate	+0.1%	-0.8%
Bloomberg Barclays Intermediate Corp	+0.1%	-0.4%
Bloomberg Barclays High Yield	+0.9%	+4.5%
Bloomberg Barclays US Mortgage Backed Securities	+0.1%	-0.7%
FTSE World Government Bond	-1.2%	-5.9%
Bloomberg Barclays Municipal Bond Index	-0.3%	+0.8%

Treasury yields remained in a relatively tight range throughout the quarter after having experienced a significant uptrend during the first quarter and then resetting lower in the second. Rhetoric around the potential timing of the Federal Reserve slowing its pace of bond buying, alongside volatile inflation reports, failed to drive a meaningful shift in rates.

Yields, however, did inflect higher late in the quarter after the Federal Reserve indicated they would soon begin tapering their pace of monthly bond purchases. Moreover, half of the members that comprise the Federal Reserve Open Market Committee indicated they expected interest rate increases would begin at some point in 2022. This resulted in the 10-year Treasury yield lifting from 1.32% prior to the Fed's September 22nd announcement to 1.49% by the close of the quarter.

FIXED INCOME

While the standard (nominal) Treasury yield curve was unvaried, movements in real interest rates were more dynamic. Recall that real interest rates net out inflation, so they effectively measure the return over and above that of inflation. Real interest rates have been negative since the start of the pandemic. However, as nominal Treasury yields remained range bound this past quarter, an acceleration in the annualized rate of inflation led to much lower real interest rates. As shown in the chart below, the real rate on the 10-year Treasury hit -4% intra-quarter, a level not experienced since the 1970's. This is an important consideration for investors relying on income from their bond investments that have been unable to keep up with inflation. We would not expect real rates to remain at this level for an extended period. If the above-average rate of inflation is indeed transitory then we'd expect the annualized rate of inflation to dissipate, driving real yields higher. Alternatively, if inflation remains higher than expected, then we would expect the Fed to become more aggressive and begin increasing nominal interest rates sooner rather than later, which should also act to reduce the level of negativity in real rates.

U.S. TREASURY YIELD CURVE

Source: Avantis Investors, Bloomberg.

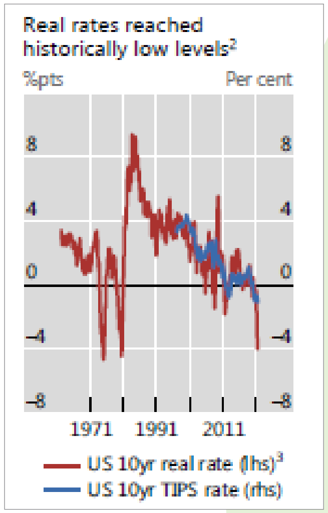
FIXED INCOME

Corporate bond spreads, or the difference in yield between corporate bonds and comparable Treasuries, remain at the lower end of their historical range. Better than expected second quarter corporate earnings results provided support for spreads to remain at these levels. High yield spreads had drifted mildly higher but retracted during the second half of the quarter to finish inline with where they began. Year-to-date, high yield remains the best performing sector of the bond market, with Treasuries serving as the laggard.

Similar to corporate bonds, spreads on mortgage-backed securities remain near historic lows. The Fed's current pace of purchasing $40 billion a month of agency mortgage-backed securities has helped to support pricing. Strength in the housing market has also been a benefit as loan-to-value ratios on mortgages have been improving, particularly for older vintage mortgage-backed securities.

Outside of the United States, the noteworthy news was China Evergrande Group, which late in the quarter failed to make scheduled interest payments. Evergrande is a large real estate firm in China that has significant leverage. Returns to emerging market debt faltered during the 3rd quarter as concerns around credit quality grew. In our view, Evergrande was a needed reminder of the existence of credit risk and that diligence and rigor around bond selection are important.

REAL INTEREST RATES



Source: Bank of International Settlements, BIS Quarterly Review, September 2021.

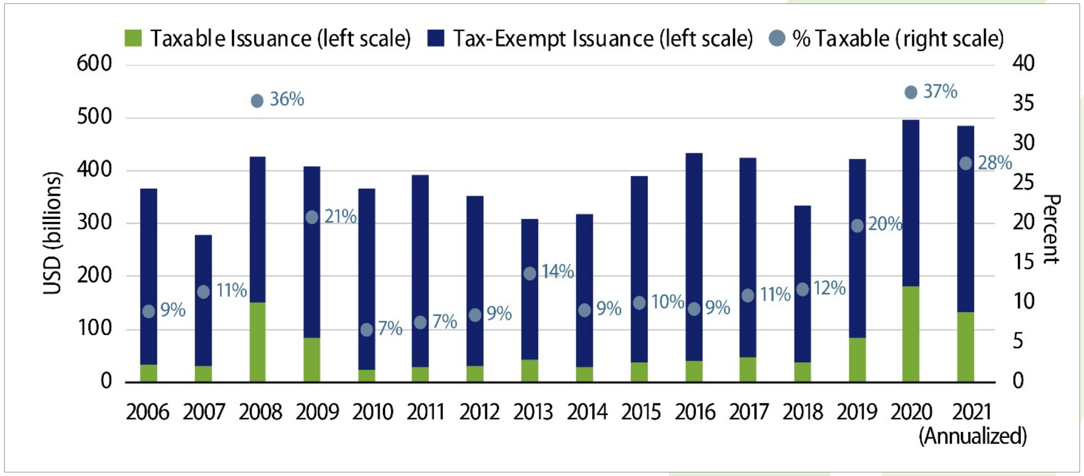
INVESTMENT GRADE CORPORATE BOND SPREADS

Source: Western Asset Management, Bloomberg. As of September 30, 2021

FIXED INCOME

Municipal bonds continue to benefit from strong demand. Demand has exceeded supply, even as year-to-date issuance of $347 billion is on pace to exceed 2020's record level of new bond issuance by 3%. The municipal market is split between typical tax-exempt municipal bonds, where new supply has grown 13% year-to-date, versus taxable municipal bonds, which are used to refinance existing tax-exempt bonds that are soon to be callable. Taxable muni issuance has dropped by 17% year-to-date.

MUNICIPAL BOND ISSUANCE



Source: Western Asset Management, Bloomberg, Bond Buyer. As of September 30, 2021. https://www.westernasset.com/us/en/research/blog/weekly-municipal-monitor-golden-tobacco-deal-highlights-taxable-refinancing-trend-2021-10-05.cfm

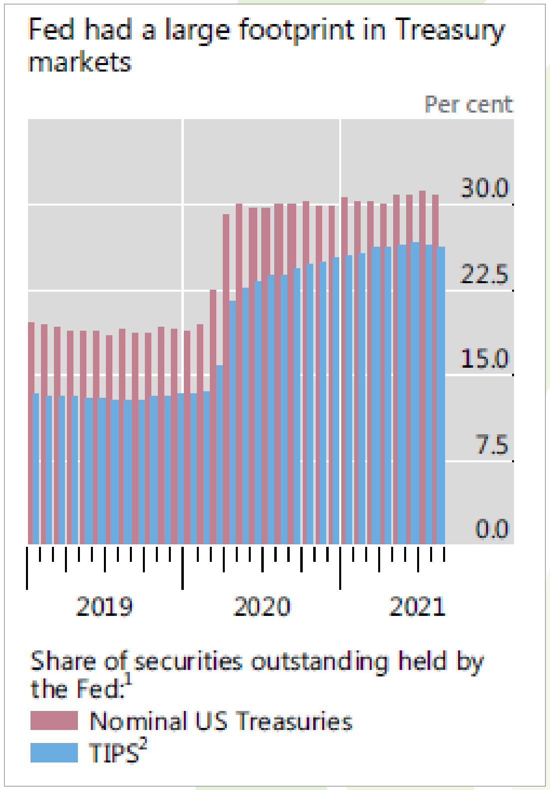
Yields on municipal bonds rose late in September, but the pace of rate increases tends to lag that of Treasuries. The strong demand for municipal bonds throughout the year has compressed yields, resulting in municipal bonds trading at rates that have become much less attractive relative to taxable bonds. For example, 5-year, AAA rated municipal bonds finished the quarter trading at yields that are 55% of that of Treasury bonds. This compares to a historical (10-year) average of 84%. In the current circumstance, investors that buy 5-year AAA rated municipals at market average yields would be better off, on an after-tax basis, owning a comparable Treasury bond and paying the taxes. We note that there are opportunities to find more attractive pricing in the market, particularly among secondary issues, that do offer more compelling relative value. However, as with other segments of the bond market, pricing is similarly challenging amongst municipal bonds.

FIXED INCOME

Across the bond market, a consistent theme of abnormally lower interest rates and near record lows in spreads is testing investors' ability to get yield without taking on undue risk. Considering that corporate balance sheets remain strong and second quarter earnings results came in with record levels of sales growth and operating margins, it appears that credit conditions are on sound footing. Given the shift that is beginning at the Fed with its interest rate and asset purchase policies, we believe now is not the time to stretch for yield by owning longer dated bonds. Longer dated maturities have a greater sensitivity to price changes as interest rates rise. As an example, a mere 0.16% increase in rates would offset the yield advantage an investor receives from owning a 10-year Treasury over a 2-year Treasury.

What transpires with interest rates will be worth monitoring in the quarters to come. The Federal Reserve's more explicit outline around tapering and increasing probability of raising short-term interest rates served as a catalyst for a late quarter shift higher in rates. Given that the Fed is such a significant buyer of Treasuries, tapering could be a catalyst for a continued shift toward higher rates as the Fed's increasing impact on the Treasury market levels off. Keep in mind even after the Fed completes its tapering, they will continue to reinvest principal and interest payments received on their bond holdings. As such, they will remain a significant part of the Treasury market for years to come. Their impact, however, will no longer be growing.

FEDERAL RESERVE'S SHARE OF THE TREASURY MARKET



Source: Bank of International Settlements, BIS Quarterly Review, September 2021

EQUITIES

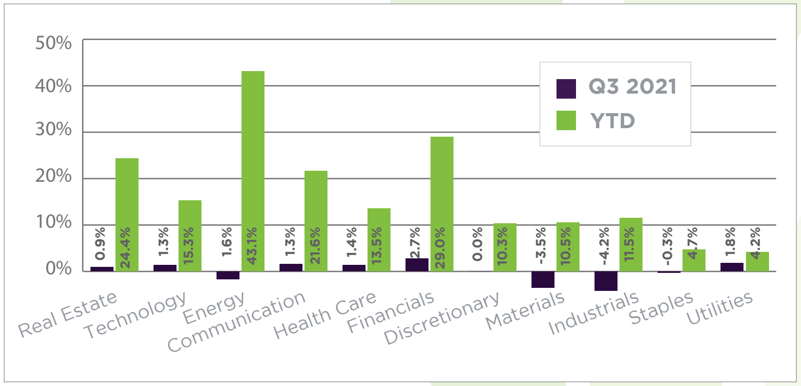
Equities had a strong first two months of the quarter before concerns around slowing growth in China and prospective changes in central bank policies pushed markets lower in September. The S&P 500 finished the quarter up a mere +0.6%. This broad market barometer continues to have an outsized +15.9% return year-to-date. Results outside of large cap U.S. equities were less robust. Small Cap fell over -4%, while results outside of the U.S. were also negative. Emerging Market equities were hit hardest falling over -8% as concerns around a slowdown in China weighed on returns across Asia.

Stocks have lacked volatility in 2021, with only modest pullbacks having occurred. In fact, September marked only the second down month thus far in 2021 with it's pullback of -4.7% in the S&P 500 serving as a reminder of the downside risk that exists with equities. While economic conditions remain robust and the outlook for growth remains positive, there are pockets of excess. We believe September's pullback was a healthy reaction to effectively price in the risks that emerged.

Returns across sectors were fairly compressed during the quarter. Financials, utilities, and communication services were the best performing sectors. The more economically sensitive sectors of industrials, materials and energy all declined. Year-to-date, energy remains the best performing sector followed by financials and real estate. The more defensive oriented consumer staples and utilities are the laggards.

	Q3 2021	YTD
S&P 500	0.6%	15.9%
NASDAQ	-0.2%	12.7%
Dow Jones Industrial Average	-1.5%	12.1%
Russell 2000	-4.4%	12.4%
Russell 1000 Growth	1.2%	14.3%
Russell 1000 Value	-0.8%	16.1%
MSCI EAFE	-0.5%	8.4%
MSCI Emerging Markets	-8.1%	-1.25%

S&P 500 SECTOR RETURNS



As of September 30, 2021

EQUITIES

Many chartists use the 50-day moving average as an indicator of market strength or weakness. To the extent a stock or market index are able to stay above their 50-day moving average, its viewed as a bullish sign of support. The chart below highlights the level of the S&P 500 index compared to its 50-day moving average (as evidenced by the purple line). An interesting technical development that has arisen in 2021 was a retracement in the S&P 500 in May, June, July and August. In each instance, the S&P 500 pulled back to its 50-day moving average and then bounced higher. What we find particularly noteworthy is the fact that these retracements tended to coincide around the monthly expiration of index option contracts. In September, the S&P 500 broke through the 50-day moving average, to the downside, for the first time. As the quarter ended, the S&P had definitively trended below its 50-day moving average. The S&P 500, however, did seem to find support at its 100-day moving average.

S&P 500: 50-DAY MOVING AVERAGE

Source: Bloomberg, Year-to-Date as of September 30, 2021

An element of equity investing is the style dynamic. Over time, groups of stocks and even specific investment disciplines have been categorized as either growth or value. The growth style encompasses companies that have sales and/or earnings growth expectations that are greater than market averages. Alternatively, their value brethren are stocks that trade at below average valuation levels (as evidenced by measures such as price-to-earnings, price-to-book, price-to-cashflow, etc.). Growth stocks notably outpaced value in 2020 and have been doing so for a number of years. Early on in 2021 value stocks returned to form, benefiting from expectations of an economic recovery and rising interest rates. Going into the spring and summer, growth stocks regained investor attention. Following the Federal Reserve's late September announcement that they may soon begin tapering, value stocks came roaring back and finished the quarter mildly ahead of growth on a year-to-date basis.

Market-wide, valuations appear moderately more expensive than average. Improving economic conditions, better than expected corporate earnings, low interest rates and excess liquidity all provide some justification for higher valuations. Averages, however, can often disguise what is transpiring below the surface. Across the market, we see an abnormally wide range of valuations.

The chart below highlights the divergence in price-to-earnings multiples between large cap growth (green line) and large cap value (purple line) stocks. In aggregate, valuations on value stocks are trending in line with historic averages. It's the valuation multiples that are applied to growth stocks that are outsized. Clearly the pandemic has accelerated shifts in how we adopt and use technology, and there is some justification to higher multiples being applied to specific growth stocks. However, investing is all about what you pay for an asset. Given that growth stocks, on average, are trading at the highest multiples since the late 1990's technology bubble, we believe it's important to have balance in a portfolio. This includes ensuring there is an ample mixture of value stocks. We note that many of the stalwart growth companies have impeccable balance sheets, high levels of profitability and considerable growth potential. As such, we still believe that an allocation to growth stocks belongs in a portfolio. However, as with most things, having a dose in moderation seems prudent. Moreover, in environments such as this where valuations may be implying that some stocks are priced to perfection, active stock selection can be preferable to broad based index investing.

PRICE TO EARNINGS RATIO (FORWARD) OF RUSSELL 1000 GROWTH AND RUSSELL 1000 VALUE

Source: Bloomberg, as of October 1, 2021

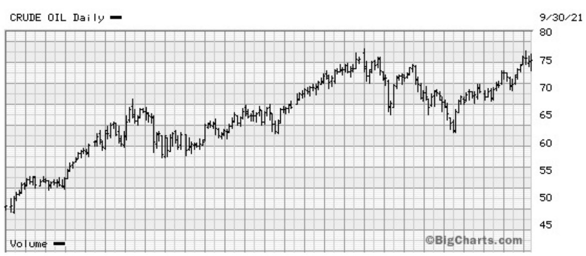
REAL ASSETS

Real assets generated mixed results during the third quarter. Commodity prices continued to rise, while precious metals and real estate lost ground.

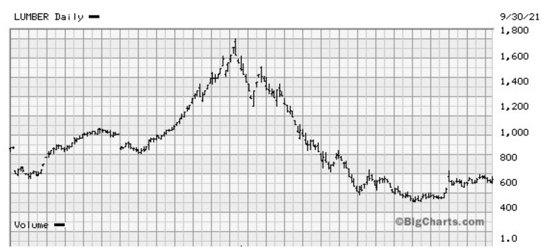
Commodities remain a point of intrigue. Demand surges and supply shocks have created a peculiar environment with several commodities having experienced a significant surge in price followed by just as awestriking of declines. During the second quarter, the poster child of this was lumber. This past quarter iron ore has had a similar fall from grace, after having been the durable industrial metal up until September. Late in the quarter, natural gas surged on fears of a global supply glut. Year-to-date, the Bloomberg Commodity index is up +29.1%, with the leadership of the index shifting throughout the year. Oil has been the one constant, as the price of West Texas Intermediate crude gained over 50% in the first three quarters of 2021.

	Q3 2021	YTD
Bloomberg Commodity	6.6%	29.1%
ICE U.S. Dollar Spot Index	1.9%	4.8%
Alerian MLP	-5.7%	39.4%
Philadelphia Stock Exchange Gold/Silver	-15.7%	-17.5%
MSCI World Real Estate	-0.5%	16.2%

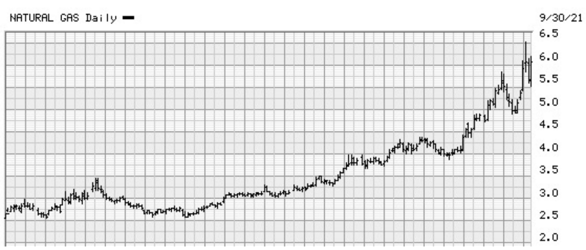
WEST TEXAS INTERMEDIATE CRUDE



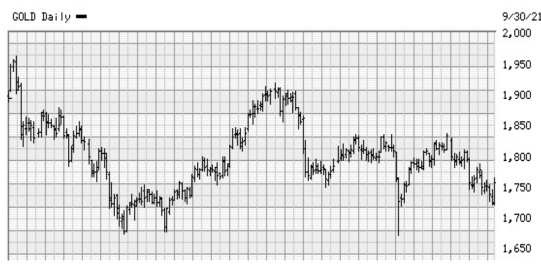
LUMBER



NATURAL GAS



GOLD



Source: www.bigcharts.com, year-to-date price charts as of September 30, 2021

REAL ASSETS

In the third quarter the price of gold has backed up, with silver falling even further. Gold is often viewed as a safe haven asset. Given greater investor risk appetites in 2021, investor interest in the precious metal has been waning. We view gold to be an attractive hedge against outsized inflation as well as depreciation in the dollar. Given the uncertainty around the path of inflation going forward and uncertainty in currency markets, we continue to view gold as an effective hedge.

Real estate has performed well throughout much of 2021, although a September pullback lessened returns. The MSCI World Real Estate Index's year-to-date return of +16.2% slightly outpaces the return of U.S. stocks (as measured by the S&P 500 index). Capitalization rates have seen significant compression (benefiting prices) within the apartment and industrial sectors of the real estate market. Public market REITs focused on these sectors now trade at a premium to their net asset value (or the underlying appraisal value of their real estate). Other sectors of the real estate market have not experienced the same level of price gains as apartments and industrials, although overall pricing remains stable.

One emerging component of the real estate market we've seen considerable growth in is single family rental homes (SFR). The underlying shift away from urban centers into the suburbs has created a greater need for rental homes. A number of investors have been slowly building sizable portfolios of single-family rental homes. This rapidly growing sector has, in our view, been a contributor to higher prices and tighter levels of inventory in residential housing.

Lastly, the dollar continues to strengthen after depreciating earlier in the year. The ICE U.S. Dollar index lifted +1.9% during the quarter and is up +4.8% on the year. The stability of the U.S. economy and an increased flow of foreign capital into the U.S. bond market has helped to fuel demand for the currency.

LOOKING AHEAD

The third quarter seemed to mark a shift in both the economy and markets. Economic conditions remain strong but the rate of growth has begun to slow. Investor expectations are starting to shift away from the record levels of corporate earnings growth toward forecasts for more muted sales growth and the potential for erosion in margins. Market dynamics may also face a new influence from the Fed as it appears ready to begin the process of tightening its policies and reducing excess liquidity.

We see these collective inflections to be evidence that we may be embarking on a shift in market leadership. What has worked for investors for a large part of the past eighteen months may not continue into perpetuity. Given the ambiguity around future policy decisions, as well as behavioral patterns of individual investors, it's hard to forecast with a high degree of conviction exactly how the economy and market might evolve.

As we look at how to invest in an evolving market where a number of uncertainties remain, we think an analogy to the great boxer Muhammad Ali is appropriate. Ali famously employed a 'rope-a-dope' strategy in his Rumble in the Jungle bout against George Foreman in 1974. Ali's approach was to lean on the ropes and absorb Foreman's punches all the while waiting for Foreman to tire. After patiently employing the rope-a-dope strategy into the eighth round, Ali finally knocked out Foreman as he became fatigued and opened himself up to bigger punches.

We think now is the time to take a rope-a-dope approach with portfolios. There is a lack of historic precedent in how the economy or markets will respond to the unprecedented amount of fiscal and monetary stimulus, nor how they might react to that stimulus being pulled back. In addition, we have yet to waive the victory flag on the pandemic and need to be cognizant that the economy could take one step back if we experience more variants. Against this backdrop we believe it's prudent to maintain balance within portfolios and avoid taking on any undue risk. For example, managing the level of interest rate risk, or ensuring your equities have a balance of value stocks in addition to growth. This blanace is akin to Ali leaning on the ropes and staying in the fight. Ultimately, more significant opportunities that adequately price their risks will avail themselves. As this occurs it may be a timelier moment to take a swing.

On behalf of the entire team at Telemus, we want to express our gratitude to our clients. To those of you who might not yet be clients of Telemus, please feel free to contact us.

Telemus Investment Committee

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