Monthly Market Commentary

Perspective

After retreating in September as fears of hiring, interest rates and slowing economic growth jolted markets, stocks rebounded with the S&P 500 posting its best month of 2021. Risk appetites returned as economic reports provided supportive indicators for continued economic expansion. As a result, investors took advantage of lower prices coming out of September and bought on the dip. By month's end, the S&P 500 had resumed its trend of setting new record highs. Outside of stocks, bonds held steady and high-risk diversifying assets also posted solid gains.

Sleeve Commentary

Growth
Stocks moved higher as the S&P 500 appreciated +7.0%. This was the strongest month for the index since the election-fueled rally in November of 2020.
Risk appetites returned, as highly valued large cap growth stocks, as measured by the Russell 1000 Growth index, rallied +8.7%. Growth significantly outpaced its value counterpart, with the Russell 1000 Value index rising a more modest +5.1%. From a sector standpoint, typical value sectors such as energy and materials performed well. It was the fact that the cheapest stocks within sectors proved to be the laggards which drove the relative underperformance of value.
Large cap stocks continued to outpace small caps, as the Russell 2000 index posted a +4.3% return. Small cap stocks ended the month with valuation multiples (relative to large cap stocks) at the low end of their historic range.
Returns from international stocks trailed domestic. Developed market stocks, as evidenced by the MSCI EAFE index, lifted +2.5%, while emerging market equities posted a more muted +1.0% gain.
Income
Bond prices were impacted by a shift in interest rates as intermediate-term yields rose, leading to a flattening of the yield curve. In fact, the Treasury yield curve experienced its most notable flattening since the summer of 2020. This resulted in many bond market indices showing a negative return. The broad barometer for the bond market, the Bloomberg Barclay's U.S. Aggregate index, finished October flat.
Long-term Treasuries, as measured by the Bloomberg U.S. Treasury 10-20 year index rallied +0.6% as long-dated yields modestly declined. Alternatively, intermediate maturities in the Bloomberg US Treasury 5-7 year index declined -0.9%. A bright spot in the Treasury market were Treasury inflation protected securities, or TIPS, which gained +1.1%.
Corporate bonds performed in line with Treasuries. The Bloomberg U.S. Intermediate Corporate index dipped -0.6% lower. High yield bonds were less impacted resetting -0.2% lower.
Municipal bonds also faced pricing pressure, experiencing comparable returns to taxable bonds. The Bloomberg U.S. Municipal index fell -0.3%.

Diversifier
As risk appetites returned, diversifying assets were able to also benefit. Nearly all major asset categories we consider diversifying investments posted positive gains in October.
The price of crude oil experienced a strong rally of +11.6%. Greater optimism around future demand needs, alongside restrained drilling activity led to further appreciation in the commodity.
Commodities as a whole continued their trend higher with the Bloomberg Commodity index up +2.6%. There was a mix of returns as components such as iron ore and natural gas were down nearly -10%. Alternatively corn and copper both posted high single digit returns.
Precious metals returned to form. The Philadelphia Stock Exchange Gold/Silver index was up +9.0%, with growth in the price of silver outpacing that of gold.
Public real estate markets followed the upward trend of stocks. In the U.S., the Dow Jones US Select REIT index rose +8.2%, while the MSCI World Real Estate index was up +5.7%.
The dollar faced modest pressure, as it declined -0.1%.

Equity Index returns

Item	October Total Return
MSCI EAFE	2.5%
MSCI EM	1.0%
Russell 2000	4.3%
DIJA	5.9%
NASDAQ	7.3%

Bond Index Returns

Item	October Total Return
FTSE World Govt Bond	- 0.4%
Bloomberg Barclays Intermediate Gov/Corp	- 0.6%
Bloomberg Barclays US High Yield	- 0.2%
Bloomberg Barclays US Agg	0.0%

Alternative Returns

Item	October Total Return
MCSI World Real Estate	5.7%
Philadelphia Gold/Silver	9.0%
Alerian MLP	5.0%
Bloomberg Commodity	2.6%
HFRX Equal Weighted Strategies	0.5%

Economic Backdrop

U.S.
Positives
Consumer sentiment improved after declining in recent months.
Retail spending was stronger than expected as higher prices have helped to support aggregate consumption levels.
While supply chain challenges remain, the cost of shipping between China and the U.S. fell in October.
Negatives
Fewer jobs were added than expected for the second straight month. The unemployment rate, however, fell from 5.2% to 4.8% as more people are leaving the workforce.
Housing starts decelerated as supply chain and labor constraints weigh on new home construction.
Developed International
Positives
The Bank of Canada announced it would end its quantitative easing program and brought forward its expectations for future interest rate increases.
Consumer confidence in Japan has returned to pre-COVID levels.
Negatives
Inflationary readings in Europe have been gaining momentum, with core CPI of 1.9% being the highest reading since 2008.
Household spending in Japan declined 3% after having been on the rise in previous months.
Emerging Markets
Positives

Central banks in Russia, Hungary, Columbia, Brazil and Chile all raised interest rates.
Exports out of China and Taiwan are at record high levels.
Inflation in India has begun to moderate.
Negatives
Retail sales in Brazil unexpectedly sank.
China’s GDP growth rate fell below 5%, decelerating at a faster pace than expected.
Home prices in China declined by 1.6%, the first contraction since the start of the pandemic.

Investment Committee Positioning

Growth	**Neutral**
Valuation multiples remain elevated relative to historic averages. Current valuations, however, are supported by stronger than expected earnings results, robust economic conditions, and low interest rates. Given the wider range of valuations across stocks, we see an increased opportunity to add value through stock selection.	
Income	**Neutral**
Central banks are at a point where some are beginning to reduce the level of accommodation put in place during the pandemic. This shift has a greater likelihood of leading to modest increases in interest rates, which may serve as a modest near-term headwind. Underlying credit conditions, however, remain strong, providing a means to generate positive returns outside of Treasury bonds, particularly in portfolios with less interest rate risk.	
Diversifier	**Neutral**
Lower expected returns in stocks and bonds leaves us more constructive on diversifying assets. However, we believe it is important to be selective as valuations are above average within segments of this asset class.	
Cash	**Neutral**
While short-term yields are limited in the current environment, we are comfortable holding modestly higher cash in the event asset price dislocations arise as economic growth moderates and monetary policy evolves.	
U.S.	**Overweight**
Given proactive fiscal and monetary stimulus measures within the United States, we expect stronger economic conditions in the U.S. versus the rest of the world. This leaves us overweight U.S. stocks.	
International	**Underweight**
We see a growing disparity in the pace and magnitude of economic recoveries as countries emerge from the pandemic. On balance we remain more cautious of international markets in general, although we have become more constructive on the long-term opportunity within emerging markets.	

Portfolio Review

We have begun to see concern among some investors as the pace of economic growth begins to slow, an outcome we view as inevitable. As we look ahead, indicators such as record low inventory levels, strong order backlogs, a heightened number of job openings and increasing wage growth all indicate the economy is likely to continue its growth trajectory, albeit at a more moderate and sustainable pace.

As the Federal Reserve begins to taper the pace of its monthly bond purchases and is increasingly likely to begin raising rates in 2022, we have biased the construction of bond portfolios to have a more defensive posture that is better able to weather a rising rate environment. Within equities, there is growing dispersion across the market as valuation multiples of large cap growth stocks are materially greater than most other segments of the market. Long-term, we see attractive opportunities within value, small cap, infrastructure, and emerging markets. These opportunities are balanced, in the short-term, by considerations around the uncertainty around variants of COVID-19, the ramifications of additional fiscal policy, and the pace of monetary policy actions going forward. We believe it is best to keep a balanced portfolio given these uncertainties but ensure a sufficient allocation toward assets that may not be in favor in the present climate but offer attractive long-term return potential.

PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS. This market commentary is a matter of opinion and is for informational purposes only. It is not intended as investment advice and does not address or account for individual investor circumstances. Investment decisions should always be made based on the client's specific financial needs, goals and objectives, time horizon and risk tolerance. The statements contained herein are based solely upon the opinions of Telemus Capital, LLC. All opinions and views constitute our judgments as of the date of writing and are subject to change at any time without notice. Information was obtained from third party sources, which we believe to be reliable, but not guaranteed. The S&P 500 index includes 500 leading companies in the US and is widely regarded as the best single gauge of large-cap US equities. The Dow Jones Industrial Average (DJIA) is a widely-watched benchmark index in the U.S. for blue-chip stocks; it is a price-weighted index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange and the NASDAQ. The Nasdaq Composite Index is a large market-cap-weighted index of more than 2,500 stocks, American depositary receipts (ADRs), and real estate investment trusts (REITs), among others. The Russell 2000 index measures the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index. . The Russell 1000 Growth Index is a composite that includes large and mid-cap companies located in the United States that exhibit a growth probability. The Russell 1000 Value Index measures the performance of the large cap value segment of the US equity universe. The Russell 1000 Growth & Value Indices are subsets of the Russell 1000 Index. The MSCI Emerging Markets Index captures over 1,300 large- and mid-cap securities across 27 Emerging Markets (EM) countries and five world regions. The MSCI EAFE Index is an equity index which captures large- and mid-cap representation across 21 Developed Markets countries around the world, excluding the US and Canada. With 876 constituents, the index covers approximately 85% of the free float adjusted market capitalization in each country. The MSCI World Real Estate Index is a free float-adjusted market capitalization index that consists of large and midcap equity across 23 Developed Markets (DM) countries. All securities in the index are classified in the Real Estate Sector according to the Global Industry Classification Standard (GICS®). The Dow Jones U.S. Select REIT Index tracks the performance of publicly traded REITs and REIT-like securities and is designed to serve as a proxy for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate. The FTSE World Government Bond Index (WGBI) is a broad index providing exposure to the global sovereign fixed income market, it measures the performance of fixed-rate, local currency, investment-grade sovereign bonds. The WGBI is a widely used benchmark that currently includes sovereign debt from over 20 countries, denominated in a variety of currencies, and has more than 30 years of history available. The Bloomberg Barclays US Aggregate Bond is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The Bloomberg US Treasury 5-7 Year Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury with 5-6.9999 years to maturity. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index. STRIPS are excluded from the index because their inclusion would result in double-counting. The Bloomberg Barclays 10-20 Year U.S. Treasury Index measures the performance of the U.S. Government bond market and includes public obligations of the U.S. Treasury with a maturity of over ten years and less than 20 years. Certain special issues, such as state and local government series bonds (SLGs), TIPS and STRIPS are excluded. Securities must be fixed rate and rated investment grade, as defined by the Index methodology. The Bloomberg Municipal Bond Index Is a market-value-weighted index for the long-term tax-exempt bond market. To be included in the index, bonds must have a minimum credit rating of Baa. They must have an outstanding par value of at least $7 million and be issued as part of a transaction of at least $75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990 and must be at least one year from their maturity date. The Bloomberg High Yield Municipal Bond Index is an unmanaged index made up of bonds that are non-investment grade, unrated or rated below B by Moody's Investors Service with a remaining maturity of at least one year. The Bloomberg US Treasury 5-7 Year Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury with 5-6.9999 years to maturity. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index. STRIPS are excluded from the index because their inclusion would result in double-counting.

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The Philadelphia Stock Exchange Gold/Silver Index (XAU) is a capitalization-weighted index composed of companies involved in the gold or silver mining industry. Bloomberg Commodity Index (BCOM) is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification. The Alerian MLP Index is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). The capped, floatadjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX). The HFRX Equal Weighted Strategies Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The HFRX Equal Weighted Strategies Index applies an equal weight to all constituent strategy indices. Any reference to an index is included for illustrative purposes only, as an index is not a security in which an investment can be made. Indices are unmanaged vehicles that serve as market indicators and do not account for the deduction of management fees and/or transaction costs generally associated with investable products. The holdings and performance of Telemus client accounts may vary widely from those of the presented indices. Advisory services are only offered to clients or prospective clients where Telemus and its representatives are properly licensed or exempt from licensure. No advice may be rendered by Telemus unless a client service agreement is in place. All composite data and corresponding calculations are available upon request.