MONTH IN REVIEW

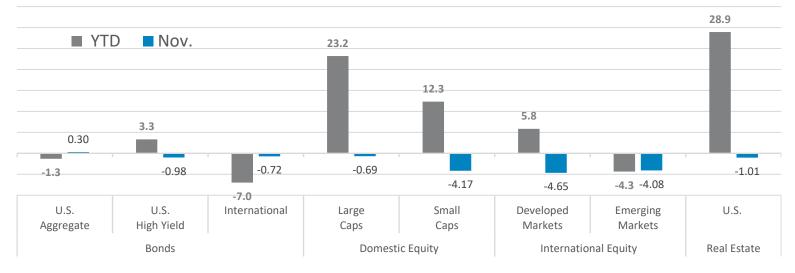
November 2021

Quick Takes

- Covid Resurgence. Equities, especially international, plummeted for the month of September as the delta variant continued to work its way through populations and a new variant threatens the globe.
- Yields fall as fears rise. With delta cases rising across the globe and the new variant threatening the economic progress made thus far, yields tumbled at the end of the month and spreads between investment grade and high yield bonds widened as traders searched for protection from the selloff in equities.
- Greenback Climbs But Retreats From Highs. The dollar spent most of the month in a steady upward trajectory right up until the Thanksgiving holiday. With global covid cases climbing and yields ticking lower, the dollar spent the last few days of the month in a descent, but still ended above where it started the month.
- Supply chains, Labor Markets, and Inflation. Supply chains and labor markets hinted ever so slightly at showing signs of improving, inflation however, continues to run hotter than expected. The Fed started tapering its asset purchases to help reign inflation in at the end of the month.

Asset Class Performance

Risk assets were in the red across the board for the month of November. Domestic bonds were the only positive asset class for the month, up slightly at +0.30% as investors searched for a safe haven.



Source: Bloomberg, as of June 30, 2021. Asset-class performance is presented by using total returns for an index proxy that best represents the respective broad asset class. U.S. Bonds (Barclays U.S. Aggregate Bond TR), U.S. High Yield (Barclays U.S. HY 2% Issuer-Capped TR), International Bonds (Barclays Global Aggregate ex USD TR), Large Caps (S&P 500 TR), Small Caps (Russell 2000 TR), Developed Markets (MSCI EAFE NR USD), Emerging Markets (MSCI EM NR USD), Real Estate (FTSE NAREIT All Equity REITS TR).



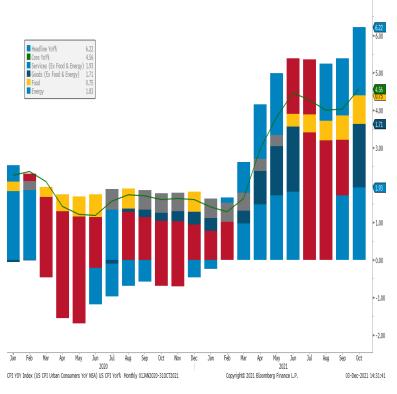
November 2021 Markets & Macroeconomics



Covid and Inflation Move Upward, Markets Move Downward

November initially started where October left off, with equities continuing their grind higher. Midway through the month, inflation, as measured by the CPI, came in at an astounding +6.22% on a year-over-year basis. Even when removing the ever-volatile food and energy components of CPI, Core CPI surpassed its recent summer high of 4.47%, landing at 4.56%. With inflation running at a breakneck pace this year, the Fed finally announced that it will begin tapering its asset purchases. This is the next step in removing government stimulus from the markets but is planned to be scaled back over several months to allow markets to absorb the shock. However, with inflation as high as it is and showing no signs of abating, the Fed maybe forced to accelerate its timeline to ensure the economy doesn't overheat. Higher frequency data on supply chains started to show some initial signs of easing, which should also help to reign in inflation over time, but it will still take a significant amount time for supply and demand to match up.

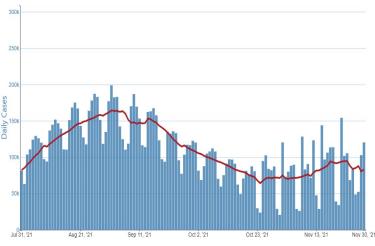
Inflation Runs Hotter Than Ever Headline CPI YoY and Category Contribution



Source: Bureau of Labor Statistics, Bloomberg

Initially, labor markets showed some modest signs of improvement at the beginning of the month with the unemployment rate falling to 4.6%, but higher frequency data releases throughout the month gave off more mixed signals. Posing as a risk to employment and growth alike, delta variant cases started to increase as the month continued, not just in the United States, but also abroad. As if that weren't a big enough concern, near the Thanksgiving holiday a new variant was discovered in South Africa. The CDC later assigned the Greek letter omicron to this new variant. It's still early in the life of the variant and more information is expected to be released during the first part of December. Depending on how contagious and severe this new variant is, omicron could

Covid-19 Cases Climb Daily Trends in Number of Covid-19 Cases in USA



Source: CDC

represent a significant headwind to labor markets and thus the broader economic recovery and continued growth. With the Fed tightening monetary policy and Covid cases beginning to show signs of increasing over the colder winter months, combined with a new variant, the path forward for risk assets appears to be uncertain, but will likely be volatile going into the new year.

<u>Bottom Line</u>: Equities retreated from their highs after inflation continued to run beyond expectations and covid cases flipped their trajectory into an upward tilt as the winter weather started hitting. The Fed initiated the tapering of asset purchases to attempt to reign in inflation.

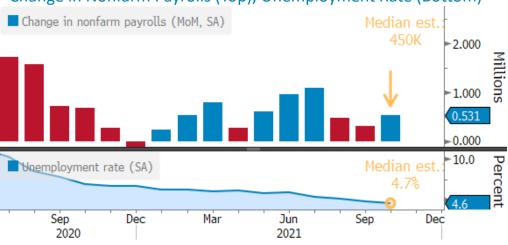
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November 2021 What's Ahead

MONTH IN REVIEW

Uncertainty Rules the Path Forward

Just as consumers were beginning to breathe easy, the covid threat remerges and brings its primordial fears back to life. With delta cases still on the rise and now the emergence of a new variant, consumers may begin to taper their spending with the anticipation of mandates pandemic returning. Ultimately, it remains too early to tell what the new variant's impact will be on global economies, but it remains a risk. Vaccine manufactures are awaiting data studies, set to be released early December, but remain optimistic that a viable cocktail can be made by the first of the year to combat this new variant. While this news is encouraging, global supply chains remain in a fragile state. Signs of improvement have been within the observed manufacturing industry and shipping prices have retreated from their highs, but government mandated lockdowns could thwart this progress. Additionally, the service sector remains constrained by the labor force. In early November, the U.S. added +531k workers to the labor force, which came in above expectations and dropped the unemployment rate to 4.6%. Over the remainder of the month, weekly jobless claims came in mixed, with some weeks beating expectations and other

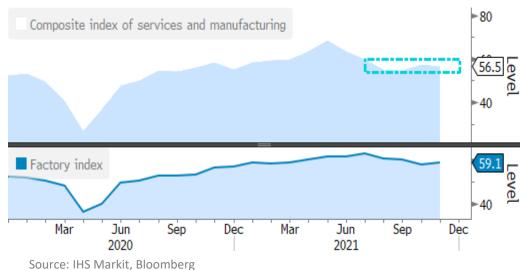


Employment Showed Signs of Progress, Can it Continue? Change in Nonfarm Payrolls (Top), Unemployment Rate (Bottom)

Source: Bureau of Economic Analysis, Bloomberg

weeks disappointing. The mixed data has implications beyond the manufacturing and service industry, the Fed monitors the labor force and uses that data, among many other datapoints, as an input on monetary policy. Fed Chairman Powell said that the Fed was encouraged by the labor force's improvement, but progress still needs to be made. With inflation, another key datapoint for the Fed, running hotter than ever, the Fed initiated the tapering of asset purchases process in the month of November to

Supply Constraints Improve, but Activity Stays Rangebound IHS Markit Composite of Services & Manufacturing (Top), Factory Activity (Bottom)



combat inflation's impact on the economy. Likely, the Fed was hoping that labor markets would be further along at this point, but inflation seems to be a bigger risk to the economy. The Fed initially telegraphed a very gradual tapering process, but with inflation at its current levels, the possibility of an accelerated taper is not out of the question. If labor markets make sufficient progress over the beginning of the next year, the Fed will likely have an even stronger case for tightening monetary policy at an accelerated pace.

Bottom Line: With inflation at its current levels, the Fed's tapering timeline may be quicker than previously telegraphed despite the labor market's lackluster progress thus far. While supply chains have made some muted progress, there is still a mismatch between demand and supply, and they seem to ultimately be rangebound until further progress can be made. Putting all of this together and then adding the increasing covid case count and a new variant into the mix, leads to a path of uncertainty for markets. A Santa Claus rally into the end of the year is not off the table, but the risks to the markets seem more likely to indicate volatility rather than a melt up for the final month of the year.

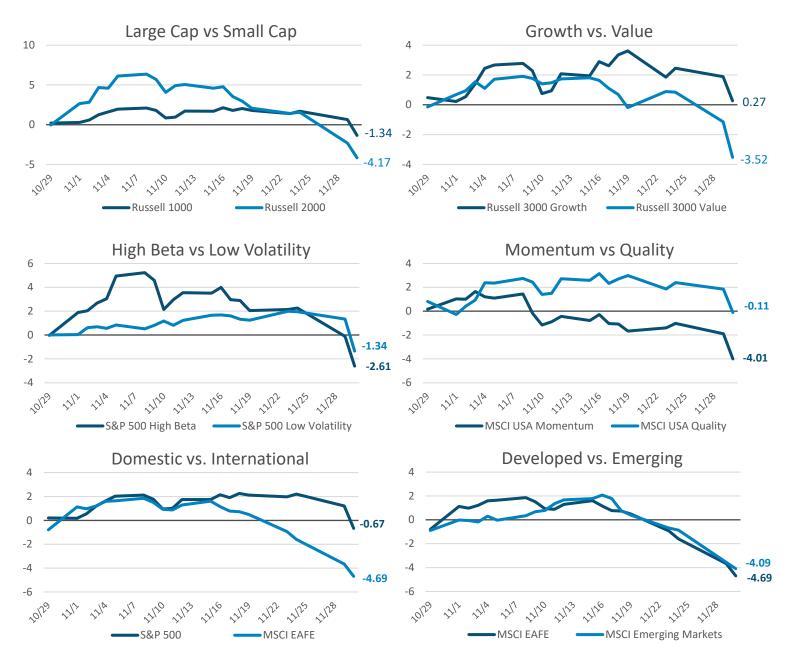
November 2021

Equity Themes



What Worked, What Didn't

- Large over Small, Growth over Value. Large Cap equities, while negative for the month, significantly outpaced Small Cap equities, down -1.34% versus Small Caps down -4.17%. Growth equities were able to cling to positive territory for the month, up +0.27% versus Value down -3.52%.
- Quality and Low Volatility Outperform. While in the red for the month, Lower Volatility and Quality equities outperformed their High Beta and Momentum Peers. Low Volatility was down -1.34% for the month and Quality equities were down slightly at -0.11%.
- International and Emerging Markets Tumble. Plagued with more covid related shutdowns, International and Emerging Markets sold off for the month of November with International developed down -4.69% and Emerging Markets down -4.09%.



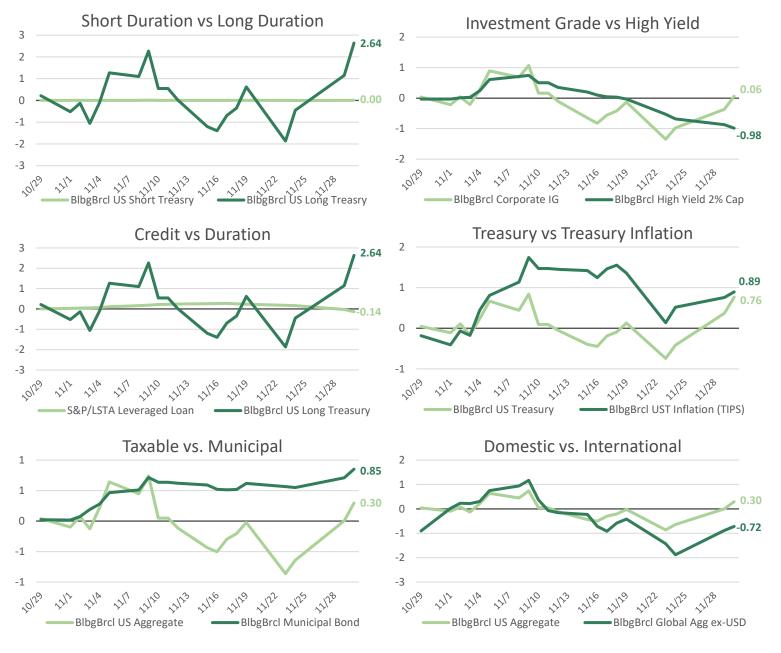
Source: Bloomberg.

November 2021 Bond Themes



What Worked, What Didn't

- **Go Long & High Quality.** With Short Duration U.S. Treasuries flat for November, long duration Treasuries outperformed for the month, up +2.64% versus 0.00%. Corporate Investment Grade bonds outperformed lower quality bonds for November, up slightly +0.06% versus -0.98%. Long Treasuries also outperformed leveraged loans for the month, up +2.64% versus -0.14%.
- **TIPS & Munis Outperform.** With inflation running up at breakneck speed, TIPS modestly outperformed Treasuries by 13bps. Munis outperformed their corporate peers by 55bps for the month.
- **Domestic Bonds Over International.** International bonds suffered as Covid related shutdowns began to resurface, Domestic Bonds outperformed by a whopping 102bps for the month.



November 2021 Asset Class Performance



The Importance of Diversification. From period to period there is no certainty what investment will be the best, or worst, performer. Diversification mitigates the risk of relying on any single investment and offers a host of long-term benefits, such as less portfolio volatility, improved risk-adjusted returns, and more effective compounding.

	Nov- 01	Nov- 02	Nov- 03	Nov- 04	Nov- 05	Nov- 08	Nov- 09	Nov- 10	Nov- 11	Nov- 12	Nov- 15	Nov- 16	Nov- 17	Nov- 18	Nov- 19	Nov- 22	Nov- 23	Nov- 24	Nov- 25	Nov- 29	Nov- 30	Nov	YTD	
High	SCG 2.61	SCV 0.48	SCG 1.81	LCG 1.10	SCV 1.89	MCG 0.94	IBD 0.35	LCV -0.31	EM 1.73	MCG 1.22	RE 0.59	MCG 1.12	RE 0.35	LCG 0.78	LCG 0.35	SCV 0.55	RE 0.81	RE 1.21		SCG 2.86	IBD 0.67	LCG 0.63	RE 26.74	High
	SCV 2.48	RE 0.39	SCV 1.61	MCG 0.58	SCG 0.81	EM 0.92	MCG 0.29	EM -0.41	SCG 0.78	LCG 1.20	MCV 0.25	LCG 0.97	USB 0.24	IBD 0.64	USB 0.19	LCV 0.43	LCV 0.67	MCG 1.06		SCV 2.69	USB 0.17	USB 0.27	LCG 24.89	Î
	MCV 1.12	LCG 0.37	IEQ 0.81	SCG 0.53	MCV 0.75	SCG 0.50	USB 0.28	RE -0.45	SCV 0.72	IEQ 0.54	LCV 0.08	SCG 0.42	IBD 0.03	IEQ 0.10	HYB -0.08	MCV 0.31	MCV 0.40	LCG 0.63		MCG 1.31	EM -0.10	HYB -1.17	SCV 22.97	
	IEQ 0.97	LCV 0.28	LCG 0.80	USB 0.33	IBD 0.57	SCV 0.24	RE 0.22	HYB -0.56	MCG 0.37	MCV 0.46	SCV -0.07	EM 0.14	HYB -0.10	USB 0.09	EM -0.16	HYB -0.38	SCV 0.27	SCG 0.53		MCV 1.28	HYB -0.42	IBD -1.82	MCV 20.48	
	EM 0.79	IBD 0.27	MCV 0.79	HYB 0.26	LCV 0.48	LCV 0.22	HYB 0.08	MCV -0.65	IEQ 0.36	SCG 0.36	LCG -0.08	60/40 0.06	IEQ -0.12	60/40 -0.03	60/40 -0.28	USB -0.48	EM -0.10	USB 0.23		EM 1.24	60/40 -0.84	60/40 -2.00	LCV 17.54	
	MCG 0.69	HYB 0.24	LCV 0.50	60/40 0.12	RE 0.47	LCG 0.08	MCV 0.05	USB -0.68	MCV 0.32	60/40 0.34	HYB -0.12	HYB 0.05	60/40 -0.16	RE -0.05	IBD -0.40	60/40 -0.54	IEQ -0.10	60/40 0.07		LCG 0.98	IEQ -0.88	RE -2.41	MCG 12.19	
	LCV 0.51	USB 0.20	EM 0.47	IEQ -0.06	USB 0.39	60/40 0.08	60/40 -0.03	60/40 -0.91	RE 0.21	LCV 0.30	IEQ -0.18	MCV 0.04	LCG -0.21	HYB -0.08	MCG -0.42	IEQ -0.59	HYB -0.14	MCV 0.06		RE 0.97	LCG -1.53	MCV -3.09	60/40 6.92	
	60/40 0.44	MCV 0.14	60/40 0.38	EM -0.23	HYB 0.38	MCV 0.07	LCV -0.10	SCV -0.91	60/40 0.18	EM 0.27	60/40 -0.23	USB -0.04	LCV -0.47	MCV -0.33	RE -0.45	RE -0.67	60/40 -0.16	HYB -0.02		IEQ 0.91	SCG -1.62	SCV -3.55	IEQ 6.75	
	RE 0.18	SCG 0.09	RE 0.20	IBD -0.26	60/40 0.33	IBD 0.01	IEQ -0.22	IEQ -1.21	LCG 0.15	IBD 0.07	EM -0.33	SCV -0.08	EM -0.52	SCV -0.36	MCV -0.77	IBD -0.69	IBD -0.32	LCV -0.04		LCV 0.86	RE -2.03	LCV -3.57	SCG 2.10	
	IBD 0.06	60/40 0.08	НҮВ 0.20	LCV -0.42	IEQ 0.15	IEQ -0.01	EM -0.39	IBD -1.41	LCV 0.00	RE 0.05	USB -0.37	LCV -0.16	MCV -0.59	LCV -0.43	SCG -0.80	EM -0.81	USB -0.40	EM -0.14		60/40 0.80	SCV -2.28	EM -4.08	HYB 1.43	
	LCG -0.01	MCG -0.02	MCG 0.19	MCV -0.46	LCG 0.11	HYB -0.13	SCG -0.49	LCG -1.46	HYB -0.17	HYB 0.03	MCG -0.37	IEQ -0.22	MCG -0.99	MCG -0.53	IEQ -0.85	LCG -1.25	LCG -0.48	SCV -0.22		IBD 0.44	MCG -2.35	MCG -4.30	USB -1.42	
	USB -0.06	IEQ -0.21	IBD 0.18	SCV -0.52	EM -0.12	USB -0.18	LCG -0.49	MCG -2.10	USB -0.18	USB -0.02	SCG -0.75	IBD -0.39	SCV -1.13	SCG -0.63	LCV -0.88	SCG -1.37	SCG -0.70	IBD -0.37		USB 0.28	LCV -2.39	IEQ -4.53	EM -5.07	
↓ Low	НҮВ -0.11	EM -0.90	USB -0.20	RE -0.88	MCG -0.21	RE -0.20	SCV -0.78	SCG -2.15	IBD -0.34	SCV -0.13	IBD -1.00	RE -0.59	5CG -1.30	EM -1.22	SCV -0.98	MCG -1.74	MCG -1.07	IEQ -0.66		HYB 0.27	MCV -2.81	SCG -4.99	IBD -8.75	↓ Low

Legend Large Growth **Mid Growth** Small Growth **Intl Equity U.S. Bonds** Intl Bonds 60/40 Allocation (MCG) (SCG) (USB) (IBD) (IEQ) (60/40)Large Value **Mid Value** High Yield Bond **Emg Markets** Small Value **Real Estate** (LCV) (MCV) (SCV) (EM) (HYB) (RE)

Source: Bloomberg. Asset-class performance is presented by using market returns from an exchange-traded fund (ETF) proxy that best represents its respective broad asset class. Returns shown are net of fund fees for and do not necessarily represent performance of specific mutual funds and/or exchange-traded funds recommended by the Prime Capital Investment Advisors. The performance of those funds may be substantially different than the performance of the broad asset classes and to proxy ETFs represented here. U.S. Bonds (iShares Core U.S. Aggregate Bond ETF); High-Yield Bond (iShares iBoxx \$ High Yield Corporate Bond ETF); Intl Bonds (SPDR® Bloomberg Barclays International Corporate Bond ETF); Large Growth (iShares Russell 1000 Growth ETF); Large Value (iShares Russell 1000 Value ETF); Mid Growth (iShares Russell Mid-Cap Growth ETF); Mid Value (iShares Russell Mid-Cap Value ETF); Small Growth (iShares Russell 2000 Growth ETF); Small Value (iShares Russell 2000 Value ETF); Intl Equity (iShares MSCI EAFE ETF); Emg Markets (iShares MSCI Emerging Markets ETF); and Real Estate (iShares U.S. Real Estate ETF). The return displayed as "Allocation" is a weighted average of the ETF proxies shown as represented by: 30% U.S. Bonds, 5% International Bonds, 5% High Yield Bonds, 10% Large Growth, 10% Large Value, 4% Mid Growth, 4% Mid Value, 2% Small Growth, 2% Small Value, 18% International Stock, 7% Emerging Markets, 3% Real Estate.

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