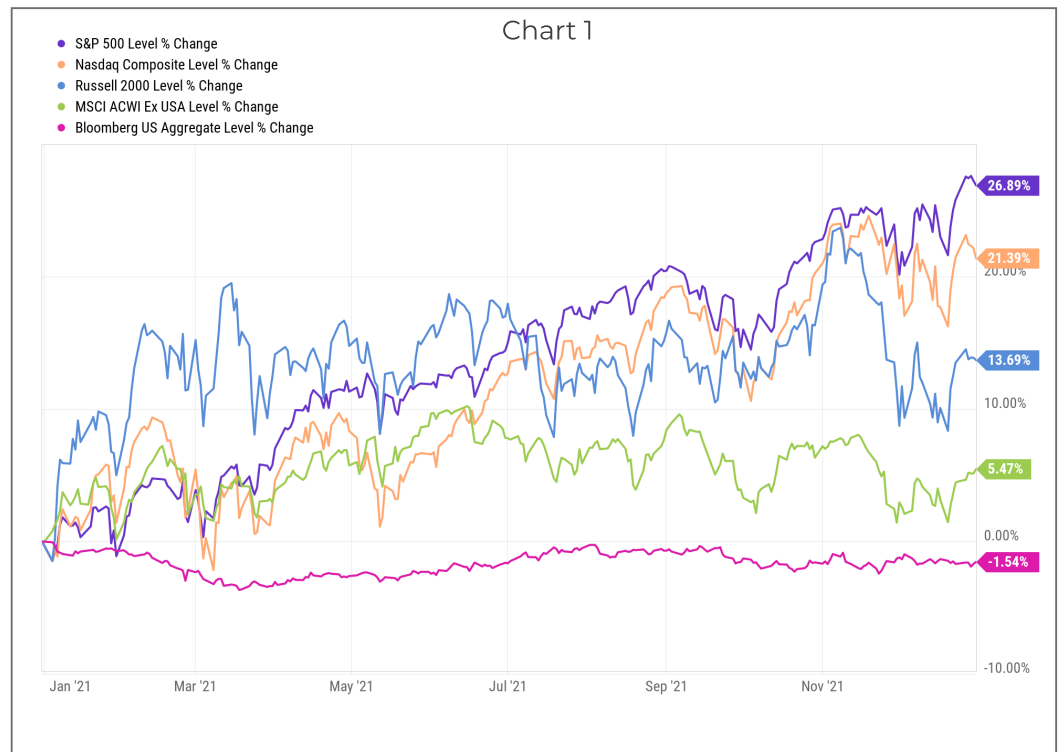




2021 Review

Strong Stock Returns in 2021

The US stock market was able to deliver strong performance during 2021 primarily driven by the economic re-openings across most industries as well as continued fiscal and monetary support from Congress and the Federal Reserve (the Fed). The S&P 500 was up +26.89%, the NASDAQ Composite was up +21.39%, the Russell 2000 was up +13.69% and the MSCI ACWI Ex-USA was up a modest +5.47%. US interest rates trended higher for most of the year and weighed on the broader performance of bonds with the Bloomberg US Aggregate index down -1.54% for the year. (chart 1)



2021 Review

Persistent Uptrend During Noisy Year

The US stock market had a very persistent uptrend during the majority of 2021 despite a variety of challenges such as rising inflation, emerging COVID variants and even an attack on the US Capitol. The market seemed to digest the news every step of the way.

Using the S&P 500 index as a general barometer for the US stock market, we can see on Chart 2 that the market occasionally pulled back a few percent to the 50-day moving average (blue line) only to find support by buyers who then took prices to new highs.

One possible exception to this reliable indicator was experienced in early September over

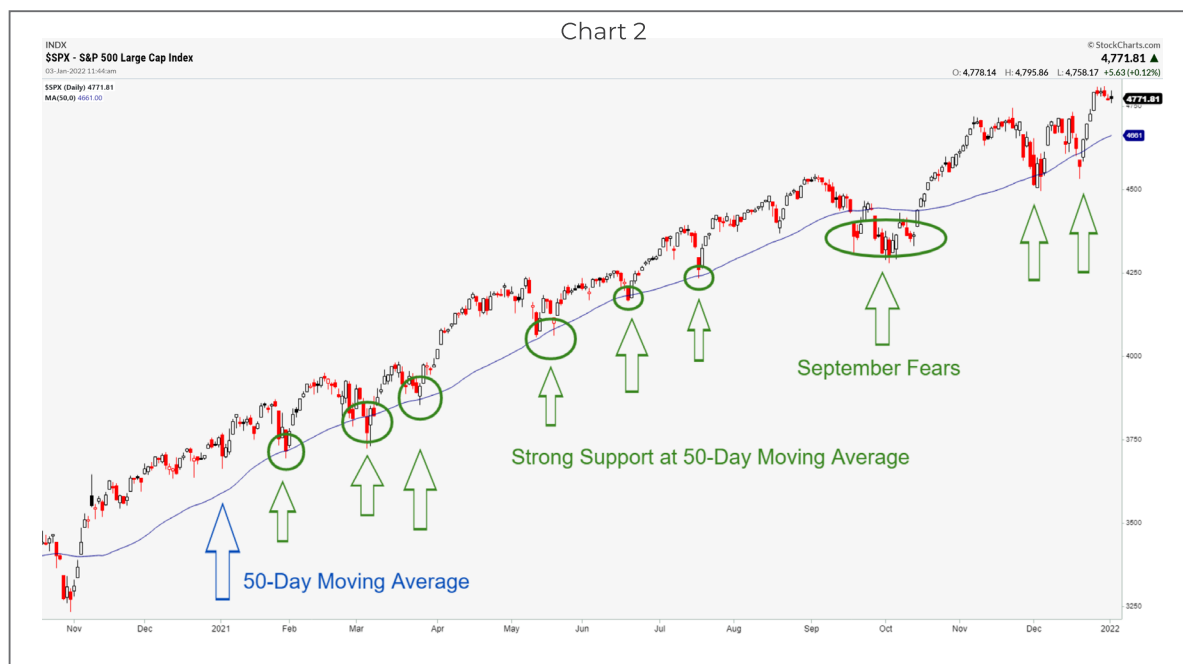
market fears relating to the debt ceiling impasse in Congress and anxiety over pending default by China Evergrande Group (the second largest property developer in China). As expected, Congress soon found compromise on the debt ceiling and the Evergrande situation was eventually put into proper global context. The market responded by finding support in early October and running to new highs by early November. While each of these moments look harmless in retrospect, in real-time they have the potential to cause anxiety that may lead to poor (money-losing) decisions. It is, therefore, important to have a disciplined investment process with a longer-term time horizon in order to help withstand these shorter-term moments of uncertainty.

Please do not get caught up in the technical jargon of “50-day moving average” or all the markings on the chart. We just want to highlight that this price level has provided reliable support during the last year and a break below that level could be a harbinger for potential weakness in the future. While it is not the only indicator we follow, it is part of our “weight of the evidence” approach to market analysis and helps give context to our investment decisions. The S&P 500 is currently trending comfortably above the 50-day moving average.

The Inflation Situation

Let’s face it: inflation has been the worst kept secret during 2021. We have been bombarded most of the year with stories of supply chain disruptions, long delays at US ports and semiconductor component shortages causing trouble for just about every industry. We were even told we would not be able to get

presents in time for the Holidays. Surely this plethora of inflationary pressures must be bad news for the market! (Those of you who know me can hear the sarcasm drip from each of those last words.) 😊



2021 Review

The Inflation Situation (continued)

Admittedly, it can be tempting to get pulled into these indelicate narratives. That is exactly why we prefer to follow the data and listen to the clues from the market. The market is an interconnected network of investors and traders making millions of simultaneous decisions based on an endless amount of information. The collective wisdom of the market eclipses any single data point or individual narrative and is an important part of our “weight of the evidence” approach to market analysis.

The 5-year breakeven inflation rate is one of these market-derived data points we study to help form our opinion about inflation-related market risk. In simple terms, it tells us the average rate of inflation the market is expecting over the next five years. Inflation expectations bottomed in March 2020 at the beginning of the COVID pandemic and have risen steadily until November 2021 (Chart 3).



This near-term peak coincides with the Fed announcing plans to begin “tapering” monthly bond purchases to help lower inflationary pressures. Recall that “tapering” simply means the Fed will be buying less bonds from the market each month in order to remove some of the accommodative stimulus enacted during the pandemic. It is also important to note that the current 5-year breakeven inflation rate is 2.86%, which is modestly higher than the Fed forecast of 2.6% for 2022. We think the market has been anticipating above-target inflation and current market prices incorporate those expectations. Hence, we would encourage investors to avoid overreacting to the inflation narrative at this point.

Inflation Expectations Drove Higher Interest Rates

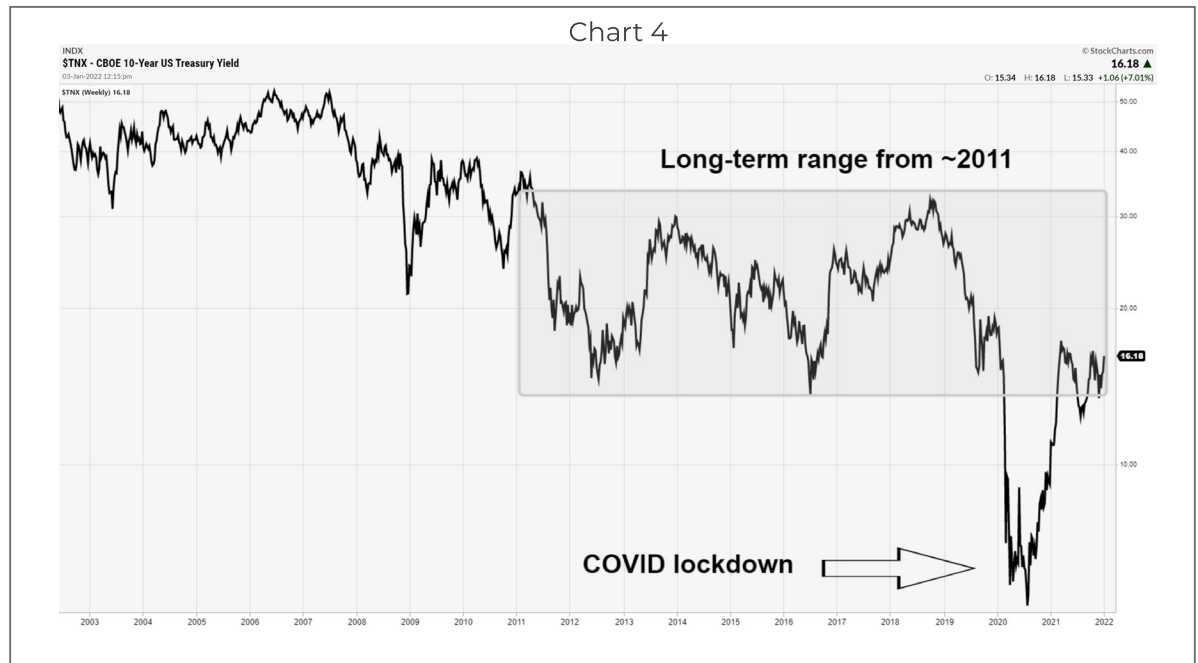
Rising interest rates was a constant theme throughout 2021. This trend is congruent with market expectations for rising inflation (discussed above). After digesting trillions of dollars of fiscal and monetary stimulus started in 2020, the market began to deal with the consequences of all that “free money” circulating in the economy. We like to watch the 10-Year US Treasury yield in combination with breakeven rates to help guide our thoughts on inflation. We think rising rates have been telling us that the market has been accounting for rising inflation with the expectation that it will likely subside over the next 12 months.

2021 Review

Inflation Expectations Drove Higher Interest Rates (continued)

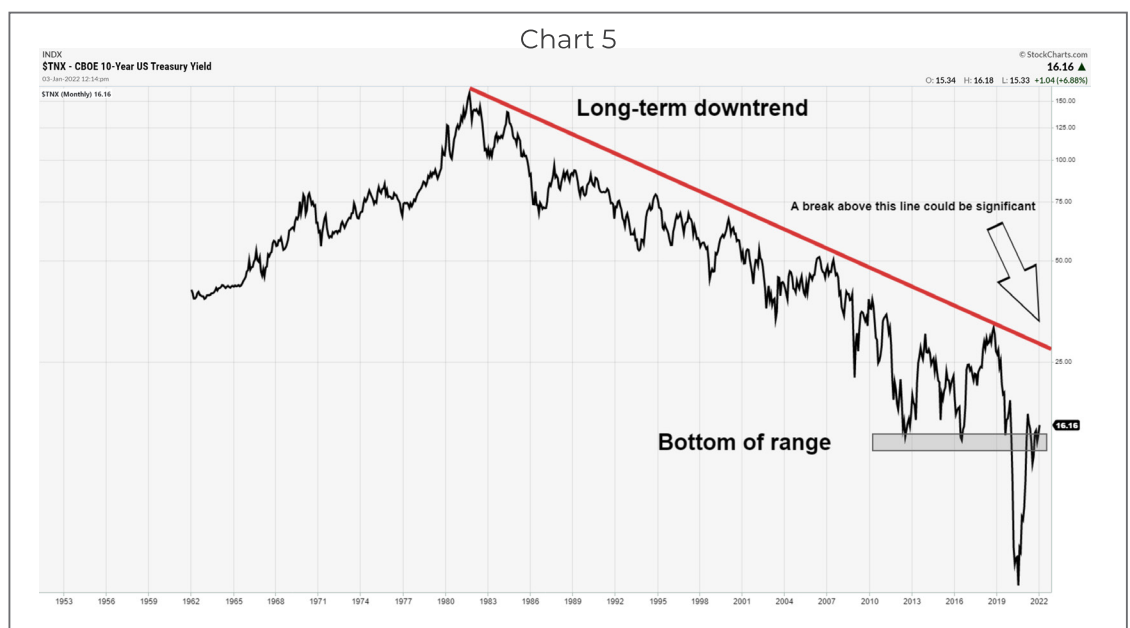
The 10-year US Treasury yield started the year at 0.93% and finished at 1.52% by year end. This movement caused us to slightly lower the duration of our bond portfolio earlier in the year in an effort to help protect capital for our clients.

As you can see on Chart 4, the 10-Year yield is currently trending at the low end of a range that goes back to 2011 (with a rapid decline during 2020 in response to the Fed cutting rates to zero during COVID lockdown). It would not surprise us to see rates continue to trade back towards the high end of this range.



We think it is reasonable that rates have steadily increased since the March 2020 low in anticipation of rising inflation. Despite popular opinion, though, the evidence shows that the yield on the 10-year US Treasury continues to be in a long-term downtrend. (Chart 5) We believe a move above that downtrend would signal a more meaningful change in long-term direction for interest rates.

In addition, a break above the near-term high in early 2021 could also be a signal of an intermediate change. Our plan is to maintain our current bond duration until that short-term high is violated or the long-term downtrend is meaningfully broken.



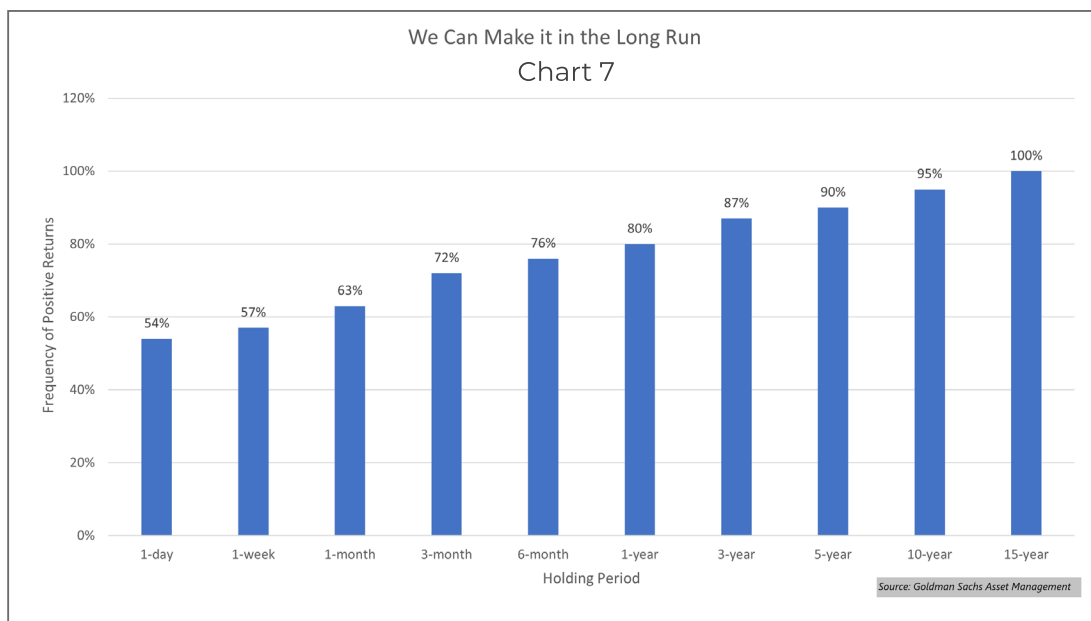
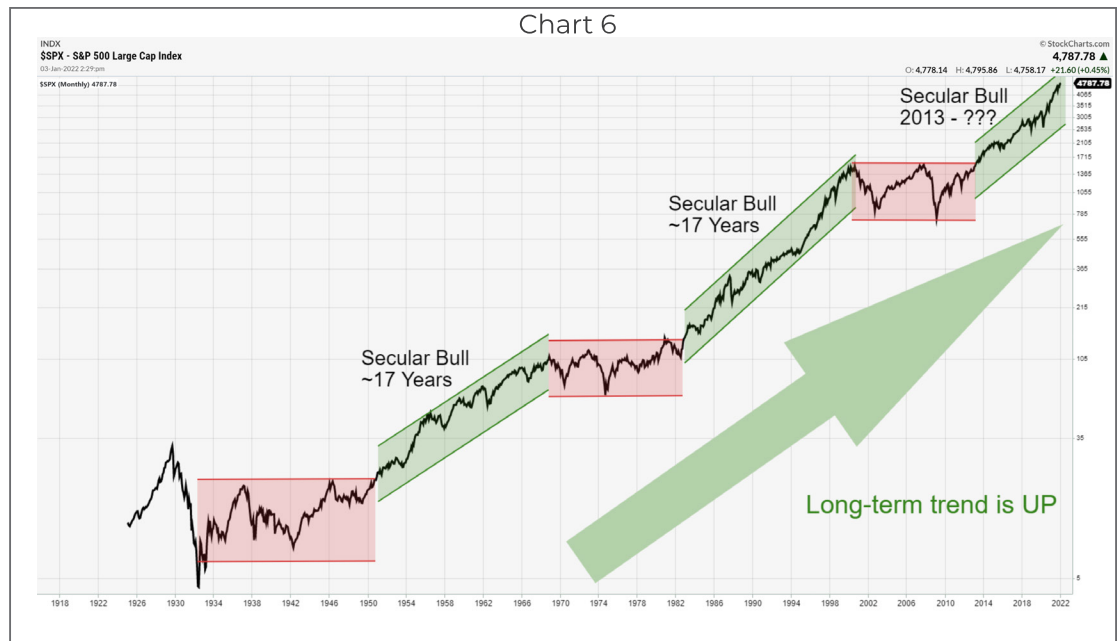
2022 Outlook

Secular Bull Market

We continue to believe that we are in a secular bull market. History would suggest that secular bull markets can last from 15 to 20 years. The last two secular bull markets lasted about 17 years each. Our current bull market started around 2013 and could continue another five to 10 years. That doesn't mean that it will be a straight line. We still expect we could experience meaningful drawdowns (such as March 2020), but feel we have the potential for several more positive years in this bull market.

Please also take note of the general positive slope of the market during the long-term time frame highlighted

by the green arrow in Chart 6. According to research from Goldman Sachs Asset Management, the S&P 500 produced a positive return over EVERY rolling 15-year period going back to 1969. (Chart 7) Consequently, we continue to encourage our clients to stay focused on long-term wealth creation and avoid over-reacting to short-term market movements.



2022 Outlook

IHOP - International House of Pain

There has been a popular market narrative heading into 2022 that it will be the year that international equities outperform the US. You can see on Chart 8 that the US (S&P 500 index) has consistently outperformed the international market (MSCI World ex-USA index) going back to about 2011. The gray area of the chart represents a trading range during that strong outperformance for US stocks. The US is outperforming when the line is moving up towards the top of the range and International is outperforming as the line moves down towards the bottom of the range.

We think it is possible that International may outperform at some point in the short to intermediate term as has happened consistently during this period. We would, however, have to see that relative performance line break below the bottom of the channel to indicate any potential meaningful change in long-term trend. In other words, we continue to expect US markets to outperform until proven otherwise.



The International market can be broken down further into Developed markets and Emerging markets. The Developed markets include Europe and Japan and Emerging markets include North Asia, South Korea, India and Brazil. The performance of Developed versus Emerging has not been as obvious as the US over International. Chart 9 shows that Emerging markets outperformed Developed markets fairly consistently from around 1999 to 2011. Leadership has been a little more mixed since 2011 with Developed markets generally outperforming since that time. We do not feel strongly about either Developed or Emerging at this point (as we generally favor the US market) but would view a break above the green line on the chart as a potential change in long-term leadership in favor of Developed Markets. We will continue to evaluate and update our view as necessary.

2022 Outlook

IHOP - International House of Pain (continued)



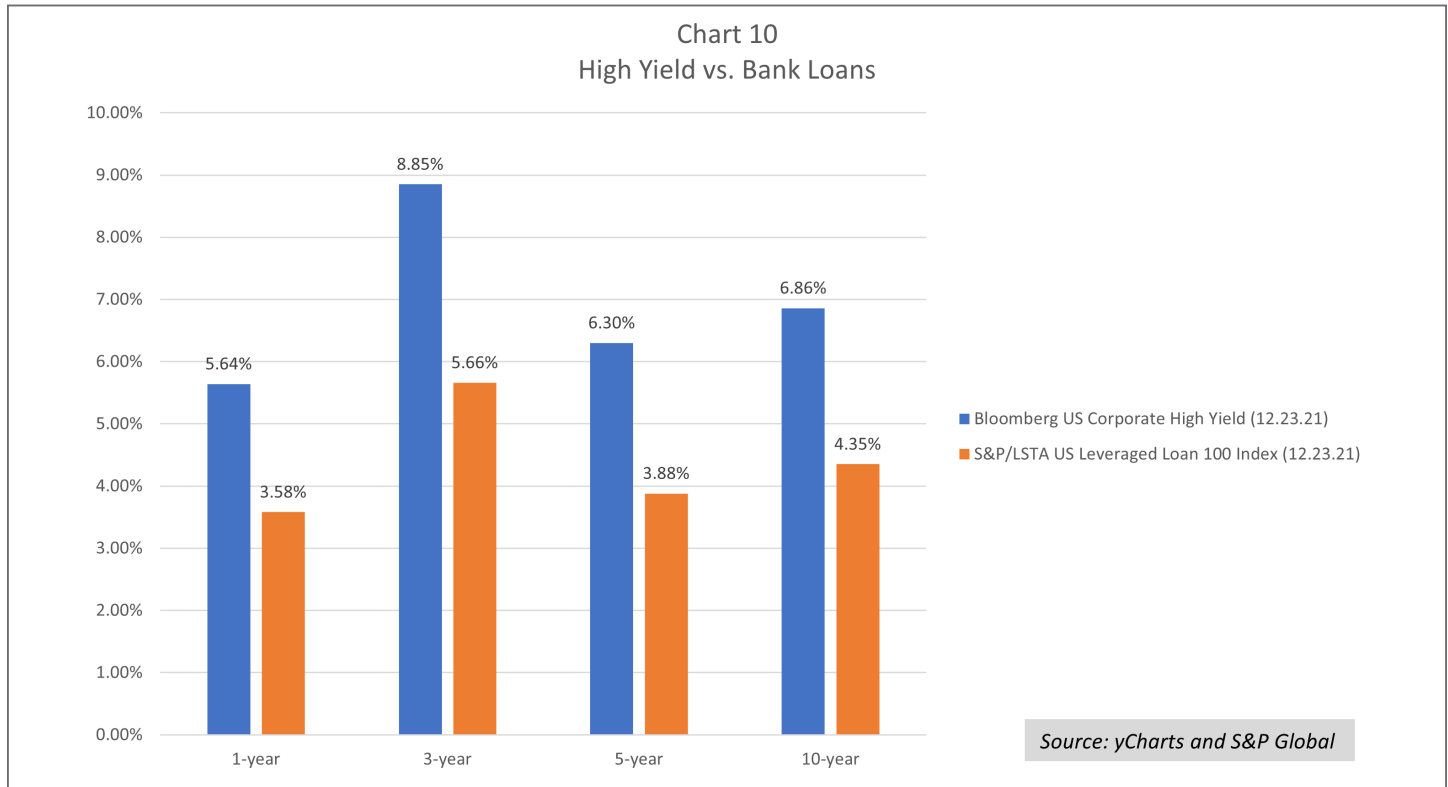
High Yield or Bank Loans

Given the low level of nominal yields offered by US Treasuries and investment grade corporate bonds, we think it is wise to explore different ways to add yield without significantly reducing the credit quality of our fixed income portfolio. Our investment philosophy has a strong bias toward quality, and we are unwilling to sacrifice that tenet in exchange for a few more bps of yield. Accordingly, we have maintained exposure to our high yield managers that demonstrate the credit quality we require.

Bank loans (or leveraged loans) are another potential source of yield without increasing exposure to duration. We have modest exposure to bank loans through some of our existing multi-asset fixed income managers, but we do not directly allocate to bank loans. These loan portfolios have similar credit qualities as our high yield managers, so we do not want to decrease the overall quality of our fixed income portfolios by adding directly to bank loans. High yield has tended to outperform bank loans so we feel we have been appropriately allocated between the two choices. (Chart 10) At this point in the credit cycle, we believe this continues to be the most prudent course of action.

2022 Outlook

High Yield or Bank Loans (continued)



Let Us Be Your Guide

We have learned over our 25+ years of combined investment experience that trying to make predictions about the year ahead is a fool's errand. We would suggest instead that we are here to be your guide to the market and not a fortune-teller. We use a "weight of the evidence" approach that utilizes market history, technical analysis, fundamental analysis, macroeconomic data, probabilities, and 25+ years of crystallized intelligence to help shape a portfolio with the highest likelihood of outperforming over longer periods of time.

As each new year approaches, many analysts and strategists will try to predict where the S&P 500 will finish the next year. History has shown these soothsayers have a very low success rate. In addition, we think those predictions may actually bias their behavior the following year and can lead to poor investment decisions. We take a different approach. We study past data to find similar markets and build a context of potential outcomes as we enter a new year. We can then be more agile and shape our decisions as more information presents itself.

It seems apropos that we are getting some mixed signals as we begin our work for 2022. (Why would anything be "normal" in our post-pandemic world???) The 26.9% return in 2021 marks the third consecutive year with returns over 18%. According to data from BlackRock, that has only happened three other times in history. In each of those instances the fourth year was positive with an average return of nearly +28%. That sounds pretty good.

2022 Outlook

Let Us Be Your Guide (continued)

On the other hand, the S&P 500 has set record highs over 50 times during 2021. According to Dow Jones Market Data, this has only happened six other times in history. The average return for the next year was negative four of the six times with a median return of about -3.5%. That doesn't sound as good. 😞

Goldilocks Approach in 2022

Despite the split outlook revealed by the data sets above, we are going to maintain our positive bias for stocks as we start 2022. The primary drivers for this are a continued strong economy, historically low interest rates and our belief that we remain in a secular bull market. We will, however, maintain our Goldilocks approach to our dynamic allocation to stocks in our models. We will remain overweight stocks in our Balanced, Moderate Growth and Growth allocation models (Aggressive Growth model is always 99% stocks) and neutral stocks in our Conservative Income, Income and Balanced Income models. We think this enables us to help protect capital in our conservative models while giving us some upside optionality in our growth-oriented models. If the market experiences a draw-down during the year, we have an ability to add an overweight to stocks in our conservative models and increase our overweight in our growthier models. We think this nuanced approach positions us well as we enter 2022.



*Thank you for your trust and support.
Stay focused on your long-term objectives.*

12/31/2021		
S&P 500	4,766.18	
DJIA	36,338.30	
NASDAQ	15,644.97	
OIL	\$ 75.49	/barrel
GOLD	\$ 1,807.70	/ounce
10yr Yield	1.52%	
Unemployment	4.20%	
GDP	2.30%	
PPI	9.62%	Year-Over-Year
CPI	6.81%	Year-Over-Year

(Source: www.ycharts.com)

12/31/2021				
Index	3mo	1yr	3yr	5yr
S&P 500	11.03%	26.89%	26.07%	18.47%
MSCI EAFE	2.74%	11.78%	14.08%	10.07%
Bar AGG Bond	0.01%	-1.54%	4.79%	3.57%

(Source: www.ycharts.com)

The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of large-cap U.S. equity securities that are classified as “growth” based on a multi-factor analysis.

The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of small-cap U.S. equity securities.

The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of large-cap U.S. equity securities that are classified as “value” based on a multi-factor analysis.

The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of small-cap U.S. equity securities.

The S&P 500® Information Technology comprises those companies included in the S&P 500 that are classified as members of the GICS® information technology sector.

The S&P 500® Health Care comprises those companies included in the S&P 500 that are classified as members of the GICS® health care sector.

The S&P 500® Consumer Discretionary comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer discretionary sector.

The S&P 500® Utilities comprises those companies included in the S&P 500 that are classified as members of the GICS® utilities sector.

The S&P 500® Communication Services comprises those companies included in the S&P 500 that are classified as members of the GICS® communication services sector.

The S&P 500® Real Estate comprises stocks included in the S&P 500 that are classified as members of the GICS® real estate sector.

The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

The S&P 500® Consumer Staples comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer staples sector.

The S&P 500® Materials comprises those companies included in the S&P 500 that are classified as members of the GICS® materials sector.

The S&P 500® Industrials comprises those companies included in the S&P 500 that are classified as members of the GICS® industrials sector.

The S&P 500® Financials comprises those companies included in the S&P 500 that are classified as members of the GICS® financials sector.

The S&P 500® Energy comprises those companies included in the S&P 500 that are classified as members of the GICS® energy sector.

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The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq. The Nasdaq is a global electronic marketplace for buying and selling securities, as well as the benchmark index for U.S. technology stocks and is also used to refer to the Nasdaq Composite, an index of more than 3,000 stocks listed on the Nasdaq exchange. The NASDAQ Composite Index includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index. The MSCI EAFE index is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted. The Bloomberg Barclays US Aggregate Bond Index, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.