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FOURTH QUARTER 2021 MARKET RECAP

Inflation Concerns Mount While Markets Look Through Omicron

2022: Another Positive Year but Expect Even More Volatility

During the fourth quarter stocks shrugged off persistently high inflation data and comments from the U.S. Federal Reserve ("Fed") that the agency would tighten financial conditions earlier and more abruptly than originally anticipated. Even U.S. bonds managed to eek out a nominal gain in 4Q 2021 as expectations for a faster "taper" of the Fed's bond buying program and the potential for an earlier "lift off" of interest rates were largely discounted into expectations for most investment grade bond categories. The financial markets have also mostly looked through the abrupt surge in Omicron cases in response to data showing this COVID variant is causing 50-70% less hospital admissions than the more virulent Delta variant[1].

We expect another positive year of results for U.S. stocks, but with the caveat that it may be a much more volatile ride higher as the U.S. economy transitions through the mid phase of its business cycle. After a rapid "burnout" of the Omicron variant over the coming months, we expect foreign stocks to finally take a leadership position as global financial conditions more sustainably improve. Bonds are expected to experience another stressful year as the Fed and other central banks around the world take actions to address inflation. Ultimately, we expect inflationary pressures to meaningfully moderate over the course of 2022 but settle in at levels that are above those seen post the 2008 financial crisis.

U.S. Stocks

The Standard & Poor's 500 Index ("S&P 500"), which measures the performance of the 500 largest publicly traded companies in the U.S., rose 11.0% during fourth quarter 2021. The broader U.S. stock market shrugged off concerns over the Fed's decision to end tapering of its bond buying program earlier-than-expected to address rising inflation. While certain high valuation stocks, primarily in the communication services sector, weakened in response to this decision, the rest of the market pushed higher in the wake of mounting evidence that Omicron will unlikely trigger another bout of nationwide lockdowns and restrictions. Cyclically oriented stock sectors experienced additional support from the approval of the bipartisan Infrastructure and Jobs Act earlier in the quarter. For the year, the S&P 500 increased by 28.7%.

Within the S&P 500, real estate (+17.4%), information technology (+16.7%), and materials (+15.2%) were the best sectors in the fourth quarter while energy (+8.0%), financials (+4.6%), and communication services (-0.01%), were the sectors with the poorest results. Full year 2021, energy (+54.6%), real estate (+46.2%), and financials (+35.0%) led all sectors while industrials (+21.1%), consumer staples (+18.6%), and utilities (+17.7%) were the worst performing sectors.

During 4Q 2021, value stocks, or shares of defensively oriented companies that have slower growth prospects and higher dividend payouts, rose 8.3% while growth stocks, or shares of companies growing sales and profits faster than the broader market, increased 13.4%. Over the course of 2021, value stocks increased 24.9% while growth stocks rose 32.0%. The Russell 2500 Index, a measure of domestic small

and mid-capitalization stocks (U.S. companies with a market capitalization lower than $10 billion) increased 3.4% in 4Q 2021. For 2021, the Russell 2500 Index was up 18.2%.

Foreign Stocks

The MSCI EAFE Index ("Europe, Australia-Asia, and Far East"), which measures the U.S. dollar-denominated ("USD") return of medium-to-large company stocks in developed markets outside of the US and Canada, rose 2.7% during the fourth quarter and were up 11.3% for the year. Excluding the impact of the U.S. dollar, international developed market stocks rose 3.9% during the fourth quarter and were up 18.7% in 2021. International developed market small-to-mid ("smid") cap stocks, as measured by the MSCI EAFE SMID Cap (U.S. dollar) Index, nominally rose 0.6% during 4Q 2021 and were up 8.8% during 2021. U.S. stocks continued to outpace international developed market stocks during the quarter given their more robust earnings growth trends. Whereas international developed markets are dominated by cyclically oriented industrial and service sectors, which have been disproportionately impacted by the COVID pandemic, the U.S. stock market is comprised of more innovative, high-tech growth industries that tend to be less sensitive to the global economic environment. U.S. corporate earnings also benefited from exceptionally strong domestic consumption patterns bolstered by unprecedented fiscal and monetary policy support.

Emerging markets stocks (countries with less than a $25,000 per capita income), as measured by the MSCI Emerging Markets USD Index, declined 1.3% (on a U.S. dollar-denominated basis) in the fourth quarter and were down 2.5% for full-year 2021. The decline in emerging market stocks during the quarter and for the year was largely attributed to the 6.1% and 21.7% declines, respectively, in the MSCI China (U.S. dollar) Index (China accounts for 32.4% of the value of the MSCI Emerging Markets Index[2]). China has been in a "growth recession" or a period abnormally low economic growth throughout the course of 2021. The deceleration in economic growth was largely the result of a slowdown in domestic consumption due to policymakers' zero-COVID restrictions and the enactment of several unexpected "common prosperity" and decarbonization policies. Investor sentiment hit a low point during the quarter after the implementation of aggressive borrowing restrictions to slow infrastructure and property spending earlier in the year ultimately led to the country's second largest land developer defaulting on a bond payment to foreign investors.

Real Assets

The S&P Real Asset Index increased 4.8% in fourth quarter 2021. The S&P Real Asset Index measures the results of securities tied to physical assets including those that can produce relatively stable income streams, such as real estate and infrastructure assets, and inflation-sensitive real assets (e.g., hard commodities, natural resources, and inflation-linked bonds). Strength in global real estate, global infrastructure, and inflation-linked bonds more than offset weakness in commodity prices. Energy prices were especially impacted by the rapid spread of Omicron, which reduced global demand for oil and gas. For the year, the S&P Real Asset Index rose 15.4%.

Alternatives

The Wilshire Liquid Alternatives Index, which measures the returns of investment assets/strategies that have very low correlation to traditional stocks and bonds (i.e., "alternatives"), rose 0.6% in fourth quarter 2021 and was up 4.1% for 2021. Alternative assets/strategies remain a viable means to lower overall portfolio risk. These investments provide the potential for bond-like volatility while providing a return stream between what can be achieved with high quality bonds and stocks.

U.S. Fixed Income

The Bloomberg Barclays US Aggregate Bond Index ("Barclays Agg"), a measure of high-quality U.S. bonds of all types (i.e., "core bonds"), was up 0.01% in 4Q 2021. During the quarter, increases in the Bloomberg Aggregate Bond Index (U.S. Treasury bonds) and the ICE BofA US Corporate Bond Index (investment grade corporate credit) of 0.18% and 0.17% respectively offset a 0.42% decline in the ICE BofA US MBS Index, a measure of investment grade mortgage-backed securities issued and/or guaranteed by U.S. government agencies. Government agency residential MBS prices were pressured by faster prepays and fears of the Fed stepping back from its bond buying program sooner than anticipated over the course of 4Q 2021. For full year 2021, the Bloomberg Barclays US Aggregate Bond Index declined 1.5%.

The S&P National Municipal Bond Index, which is designed to measure the returns of the investment grade, tax-exempt bond market, increased 0.9% in 4Q 2021. Investment grade municipal bonds continued to outpace high quality (taxable) bonds as prospects for approval of the Build Back Better bill and associated tax reform (e.g., reinstituting the S.A.L.T deduction) has diminished over the near-term. In 2021, investment grade national municipal bonds were up 1.6%.

International Fixed Income (Foreign Bonds)

Outside of the U.S., the Bloomberg Barclays International Aggregate Bond USD ("U.S. Dollar") Index, a measure of international developed markets investment grade bonds of all types, declined (in US dollar terms) 1.2% in 4Q 2021. During the quarter, the S&P International Government Bond Index fell 1.7% while the S&P International Corporate Bond Index dropped 0.9%. International developed market bond results continued to be plagued by weakening currency trends (relative to the U.S. dollar) and rising inflation due to high energy prices and supply chain bottlenecks prompting many developed market central banks to raise interest rates. For the year, the Bloomberg Barclays International Aggregate Bond USD Index was down 7.1%.

The Bloomberg Barclays Emerging Markets Aggregate Bond Index, which measures the results of U.S. dollar-denominated debt of emerging market government and corporate issuers, fell 0.5% in fourth quarter 2021. Much like international developed market binds, the decline in emerging market bond prices during 4Q 2021 were driven by weakening currencies and tighter monetary policy to combat inflation. Emerging market bonds were also negatively impacted by hyperinflationary pressures in Turkey due to President Erdogan's misguided belief that lowering interest rates will offset hyperinflation and the continuation of the Chinese property sector bond sell-off in the wake of the country's second largest developer defaulting on a loan payment. For the year, emerging market bonds were down 1.7%.

Outlook for Stocks

We expect 2022 to be another positive year for U.S. stocks even though the S&P 500 has only experienced four consecutive years of positive returns 24 times since 1929 (26% of all potential occurrences)[3]. We anticipate U.S. stocks to deliver a high single digit-to-low double digital return for 2022 driven by strong corporate earnings growth and income from dividends. The growth in earnings and dividends is expected to more than offset a compression in earnings multiples as interest rates rise over the course of 2022. (An earnings multiple, such as price-to-earnings, is the value investors are willing to pay for $1 of expected company stock earnings). However, we do not expect a smooth glide path higher for U.S. stocks but rather a more volatile rise (akin to an upward sloping EKG chart). The reason for this volatility has to do with uncertainty over inflation and the timing and scale of Fed monetary policy action to combat inflation should it become more pervasive. Another reason to expect higher volatility is that the U.S. has entered the mid-phase of its business cycle, which is characterized by peaking economic growth and a winding down of "loose" monetary policy. Market corrections, or market declines of between 10% to 20%, are common occurrences during mid cycles with 70% of corrections occurring during this stage of the economic cycle[4]. We expect any correction in U.S. stocks to be short lived given the positive

fundamental backdrop for the U.S. economy, especially if the 10-year Treasury remains at or below 3.0%. The 10-year U.S. Treasury is currently yielding 1.70% as of 01/13/22.

The outperformance of foreign stocks, both international developed markets and emerging markets, over U.S. stocks did not occur last year as expected. This was primarily due to the unforeseen outbreaks of the Delta and Omicron variants. These additional waves of COVID infections have prolonged labor shortages and supply chain constraints, which in turn have exacerbated inflationary pressures and forestalled a more durable global recovery. Unlike the U.S., which generates close to 70% of economic activity from internal consumption[5], many foreign economies are dependent upon cyclically sensitive industries (manufacturing, capital goods/commodity exports, travel/leisure, banking) that are more leveraged to the overall health of the global economy. We continue to agree with the views of many portfolio managers and analysts who anticipate foreign stocks results will begin to exceed those of U.S. stocks when the global economy emerges from the Omicron variant. With more and more evidence supporting the view that Omicron's "quick and rapid burn" may hasten COVID's transition from pandemic to endemic over the coming months[6], we anticipate foreign stock results will begin to overtake those in the U.S. as the global economic recovery gains steam during the second half of this year. Several experts we speak with expect foreign stocks to deliver total returns that are more than double that of U.S. stocks over the next 12 months[7].

We are increasing exposure to real assets, where appropriate in client portfolios, via the purchase of a U.S. real estate investment trust (REIT) preferred securities strategy. Given the favorable backdrop for (re-priced) U.S. real estate, we feel it may be appropriate to add REIT preferred securities in some client portfolios. While we expect inflation to moderate as we progress through 2022, these assets provide an additional hedge if persistently high inflation pressures force the Fed to tighten monetary policy faster than anticipated. Historically, REIT preferred securities have outperformed traditional stocks and bonds during periods of rising rates due to their higher level of "credit spread" versus the 10-year U.S. Treasury[8] (a credit spread is the yield differential difference between a non-Treasury bond and a Treasury bond of the same maturity).

We maintain our "barbell" approach to our clients' tactical investments. Specifically, we continue to emphasize shares of companies that will disproportionately benefit from improving economic conditions, including stocks within the financial services and industrial sectors. We balance out these investments with more growth-oriented stock sectors, such as technology and healthcare, which are less sensitive to inflation and interest rates and have the potential to grow earnings should economic conditions deteriorate.

Outlook for Bonds

We expect another challenging year for bonds given our expectation that the Fed will start to tighten monetary policy conditions as 2022 progresses. However, our view is that bonds will deliver flat to nominally higher returns for 2022 given our expectation that the tightening of financial conditions will not be as aggressive as what is currently priced into the markets. This is based on feedback from strategists we follow that expect inflation to meaningfully moderate during the second half of 2022. Not only because year-over-year inflationary readings will start to annualize in May, but also due to much lower demand for durable and non-durable goods given the absence of emergency fiscal policy support this year. These strategists also see meaningful easing of the most acute "choke points" within the global supply chain, such as semiconductor manufacturing, and expect labor shortages will begin to normalize as Omicron infection rates peak then start to rapidly decline over the coming weeks.

The primary reason for owning bonds, especially when rates are low and expected to rise, is to stabilize portfolio returns so that our clients' equity holdings grow more efficiently over time. Most of our clients'

bond holdings are comprised of a globally diversified mix of predominately high-quality bonds with balanced exposure to government bonds (and municipal bonds when appropriate), investment grade corporate bonds, and investment grade securitized bonds. We typically own short and intermediate term bonds, avoiding long term bonds that can lose more principal when interest rates do rise. We also see an opportunity to enhance the return prospects of our client bond holdings by incorporating direct exposure to emerging market bonds if appropriate.

Stay Calm, Volatility is Normal

Expect more stock market volatility in the year ahead as the financial markets adjust to slowing economic growth and a "normalizing" of financial conditions. As we progress through 2022, we expect inflation to moderate over the coming months as demand pressures moderate and labor markets heal. With that said, we have positioned many of our client portfolios for the potential that existing price pressures could remain "higher for longer" by reducing sensitivity to rising interest rates and owning assets that have the potential to grow in high inflationary environments. While it is probable stock markets will experience one or more corrections this year, we stress the importance of staying invested given the expectation that the general level of stock prices will finish higher at the end of the year as compared to current levels. It is important to point out that the average intra-year decline in U.S. stocks since 1980, has been 14% for the S&P 500 Index. While market declines of this magnitude are painful, the market was able to recover and finish the year in positive territory in 32 of the past 42 years[9].

We Want to Help You Attain Your Financial and Personal Goals!

The general information in this report is not intended to reflect our specific recommendations for any client portfolio. Please contact us with any questions to discuss your personal goals and your investment portfolio.

We invite you to visit our website at www.ginsburgadvisors.com. Here you will learn more about our services, client value proposition, and our team. The site also has a useful "Resources" section where you can access our previous market commentaries, watch informative videos, download our latest staff contact list, and access useful financial calculators and web links. Please be sure to check our website periodically, as we will be updating the functionality of the site to include a client portal and other useful applications.

We welcome the opportunity to discuss your goals and the most appropriate strategy to attain them. We are also honored to speak to any of your friends, associates, or relatives should they have an interest in our financial planning or investment management services.

Please stay healthy and safe!

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Unless otherwise noted, financial data are as of December 31, 2021

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All economic and performance information is historical and not indicative of future results. The market indices discussed are not actively managed. Investors cannot directly invest in unmanaged indices. Please consult your financial advisor for more information.

Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

The return and principal value of bonds fluctuate with changes in market conditions. If bonds are not held to maturity, they may be worth more or less than their original value.

Index descriptions:

-Alerian Midstream Energy Index. The capped, float-adjusted, 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 (AMNA) and on a total-return basis (AMNAX).

-Bank of America Merrill Lynch U.S. Corporate Bond Index- BofA Merrill Lynch US Corporate Index – ETF Tracker. The Index is an unmanaged index comprised of U.S. dollar denominated investment grade corporate debt securities publicly issued in the U.S. domestic market with at least one-year remaining term to final maturity.

-Bloomberg Barclays Emerging Markets Aggregate Bond Index- The emerging markets bond index (EMBI) is a benchmark index for measuring the total return performance of international government and corporate bonds issued by emerging market countries that meet specific liquidity and structural requirements. Despite their increased riskiness relative to developed markets, emerging market bonds offer several potential benefits such as portfolio diversity as their returns are not closely correlated to traditional asset classes.

-Bloomberg Barclays International Aggregate Bond USD ("U.S. Dollar") Index- The Bloomberg Barclays US 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 securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

-Bloomberg Barclays US Aggregate Bond Index, or the Agg, is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States.

-Credit Suisse Liquid Alternatives Index- The Credit Suisse Liquid Alternative Beta Index (CSLAB), which aims to reflect the performance of the global hedge fund industry, finished up 0.58% in August. The Event Driven strategy was the strongest performer for the month, and finished up 1.39% in August, and up 7.87% year-to-date

-MSCI China (U.S. dollar) Index- The MSCI China Index captures large and mid-cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g., ADRs). With 711 constituents, the index covers about 85% of this China equity universe.

-MSCI EAFE Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada.

-MSCI EAFE SMID Cap Index captures mid and small cap representation across Developed Markets countries around the world, excluding the US and Canada. With 2,865 constituents, the index covers approximately 28% of the free float-adjusted market capitalization in each country*

-MSCI Emerging Markets Index stands for Morgan Stanley Capital International (MSCI), and is an index used to measure equity market performance in global emerging markets.

-Russell 2500 Index is a broad index, featuring 2,500 stocks that cover the small- and mid-cap market capitalizations.

-S&P (Standard & Poor's) 500. A market capitalization-weighted index of 500 widely held stocks often used as a proxy for the US stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies. Since mid-1989, this composition has been more flexible and the number of issues in each sector has varied.

-S&P International Corporate Bond Index- S&P International Corporate Bond Index is an investable index of non-U.S. Dollar corporate bonds issued by non-U.S. investment grade issuers. The index seeks to measure the performance of corporate bonds issued in the non-U.S. Dollar G10 currencies

-S&P National AMT-Free Municipal Bond Index is a broad, comprehensive, market value-weighted index designed to measure the performance of the investment-grade tax-exempt U.S. municipal bond market. Bonds issued by U.S. territories, including Puerto Rico, are excluded from this index.

-S&P Real Assets Index is the first index of its kind designed to measure global property, infrastructure, commodities, and inflation-linked bonds using liquid and investable component indices that track public equities, fixed income, and futures.