10-11-21

WEEKLY UPDATE

Economic and Market Performance

MARKET INDEX	CLOSE 10-8-21	WEEK GAIN/LOSS	Y-T-D GAIN/LOSS
DJIA	34,746.25	+1.2%	+13.5%
S&P 500	4,391.34	+0.8%	+16.9%
NASDAQ	14,579.54	+0.1%	+13.1%

.

Initial jobless claims for the week ending October 2 decreased by 38,000 to 326,000 while continuing claims for the week ending September 25 decreased by 97,000 to 2.714 million. The drop in initial claims reflects that the labor market is improving along with the trend in COVID cases.

The September unemployment rate dropped to 4.8% and average hourly earnings jumped 0.6%. September nonfarm payrolls increased by 194,000, reflecting a 317,000 increase in private sector payrolls partially offset by a 123,000 drop in government workers.

Factory orders for manufactured goods increased 1.2% in August following an upwardly revised 0.7% increase in July. Shipments of manufactured goods were up just 0.1% after increasing 1.5% in July. The pace of order growth for manufactured goods, particularly durable goods, improved noticeably in August, which is reflective of an improved growth outlook following the dampening in growth momentum caused by the Delta variant.

The ISM Non-Manufacturing Index for September increased to 61.9% from 61.7% in August. The September reading marks the sixteenth straight month of growth for the services sector. The services sector activity is still running strong despite being constrained by labor shortages, logistics problems and difficulty in obtaining supplies.

Consumer credit increased by $14.4 billion in August. The expansion in consumer credit in August was the seventh straight increase in total outstanding credit as financing conditions remained favorable with the persistence of low interest rates.

During the past volatile week, the stock market rebounded with the Dow gaining 1.2%, the S&P 500 rising 0.8% and the NASDAQ inching 0.1% higher after a temporary truce in the debt-ceiling standoff in Congress relieved concerns of a possible government debt default, while a dip in oil prices eased worries of higher inflation.

HI-Quality Company News

PepsiCo-PEP reported third quarter revenues rose 12% to $20.2 billion with net income down 3% to $2.2 billion and EPS decreasing 3% to $1.60, primarily due to higher taxes. Core operating profits increased 6% during the quarter and reflected the impacts of supply disruptions and the adverse impacts of inflation within the transportation, labor and commodity markets. These results reflect the continued strength of the company's global snacks and food businesses, which delivered 4% organic revenue growth, and a significant improvement in the global beverages business with 8% organic revenue growth. Growth was broad-based across geographies and key categories. Free cash flow increased 8% during the first nine months of the year to $4.4 billion with the company paying $4.3 billion in dividends and repurchasing $106 million of its common shares year-to-date. The company's capital allocation in 2021 is focused on increasing capital spending to fuel future growth and returning at least $5.9 billion to shareholders primarily through dividends. For the balance of the year, PepsiCo's North America snacks and beverage businesses is expected to remain resilient with international markets expected to perform well despite an uneven recovery across geographies. PepsiCo is focused on implementing targeted management tools by using rate, mix and assortment solutions to mitigate the impact of inflation**. For the full 2021 year, management raised their revenue and earnings outlook with organic revenue growth expected to be about 8% with core EPS of at least $6.20, representing 11% growth.** PepsiCo completed their share repurchase activity and does not expect to repurchase any additional shares for the balance of 2021.

PAYCHEX
Payroll • HR • Retirement • Insurance

Paychex-PAYX reported first quarter sales increased 16% to $1.1 billion with net income jumping 58% to $333.6 million and EPS increasing 56% to $.92. By segment, Management Solutions revenue increased 17% to $805.5 million due to increases in client base and the penetration of Paychex's suite of solutions. PEO and Insurance Solutions revenue increased 14% to $262.9 million due to the increase in number of worksite employees. Interest on funds held for clients decreased 3% to $14.5 million due to lower average interest rates. Paychex's financial position remains strong with cash and corporate investments of $1.1 billion, long-term debt of $797.4 million and shareholders' equity of $3.0 billion. Free cash flow increased 83% during the quarter to $355.2 million. During the quarter, the company paid $238.1 million in dividends. **Management increased its outlook for fiscal 2022 with total revenue expected to grow approximately 8%, adjusted operating margin anticipated to increase to a range of 38% to 39% and adjusted EPS expected to grow in the range of 12% to 14%.** Management noted changes in the macroeconomic environment could alter guidance.

FACTSET

FactSet-FDS reported fourth quarter revenues rose 7% to $411.9 million with net income up 13% to $101.1 million and EPS increasing 15% to $2.63. For the full fiscal 2021 year, revenues rose 6.5% to nearly $1.6 billion with net income and EPS each up 7% to $399.6 million and $10.36, respectively**. FactSet has reported 41 straight years of revenue growth with adjusted earnings growth up for 25 consecutive years.** Return on shareholders' equity for fiscal 2021 was a superb 39%. Free cash flow increased 15% during the year to $493 million with the company paying nearly $118 million in dividends and repurchasing $264.7 million of its common shares during the year at an average price of $348.34 per share. Annual Subscription Value (ASV) plus professional services was $1.7 billion at year end, which represented 7.2% organic growth due to higher sales in FactSet's wealth and analytics workflow solutions. Annual ASV retention was greater than 95%. When expressed as a percentage of clients, retention was 91%. Client count increased by 9.8% or 578 during the year, while users grew by 14% or 19,796 from the prior year. **For fiscal 2022**, organic ASV plus professional services is expected to increase in the range of $105-$130 million with **revenue expected in the range of $1.71 billion to $1.72 billion and EPS expected in the range of $11.60-$11.90, representing 11%-15% growth.**

Starbucks-SBUX announced that its Board of Directors has approved a 9% increase in the company's quarterly cash dividend from $0.45 to $0.49 per share. This increase will be effective with the dividend payment to be distributed on November 26, 2021, to shareholders of record on November 12, 2021, and raises the company's annual dividend to $1.96 per share. Starbucks initiated its dividend in 2010 and has increased it in each of the past 11 years.

Genentech, a member of the **Roche Group-RHHBY**, announced that gantenerumab, an anti-amyloid beta antibody developed for subcutaneous administration, has been granted Breakthrough Therapy Designation by the FDA for the treatment of people living with Alzheimer's disease (AD). This designation is based on data showing that gantenerumab significantly reduced brain amyloid plaque, a pathological hallmark of AD, in the ongoing SCarlet RoAD and Marguerite RoAD open-label extension trials, as well as other studies. Learnings from these studies have been incorporated into the optimized design of two ongoing parallel, global, placebo-controlled and randomized Phase III trials, GRADUATE 1 and 2. The pivotal trials are evaluating gantenerumab in more than 2,000 participants for more than two years and are expected to be completed in the second half of 2022. "This Breakthrough Therapy Designation reinforces our confidence in gantenerumab, which would be the first subcutaneous medicine for the treatment of Alzheimer's disease with the potential for at-home administration," said Levi Garraway, M.D., Ph.D., chief medical officer and head of Global Product Development.

Total retail sales have been growing every month, year-over-year, since September 2020 as **consumer spending shows positive signs of recovery heading into the highly anticipated holiday season.** According to **Mastercard** SpendingPulseTM, U.S. retail sales, excluding automotive and gasoline, increased 5.4% year-over-year in September and increased +11.5% compared to September 2019. E-commerce sales continue to grow even as consumers return to physical stores, +11.5% year-over-year, reflecting the ongoing demand for the convenience of digital commerce. Mastercard SpendingPulse measures in-store and online retail sales across all forms of payment. Specifically, discretionary spending is seeing strong growth. Restaurants, Department Stores, Apparel, and Jewelry sectors are up as consumers increasingly venture out to refresh their looks for events, occasions and vacations.

*****

After reporting solid financial results, **PepsiCo**, **Paychex** and **FactSet** all expect future double-digit earnings growth. This reflects the continued improvement in the overall economy. **Starbucks** brewed up a 9% increase in its dividend, marking the 11th consecutive dividend increase. As we evaluate third quarter financial results, we will make our investment decisions based on the respective valuations and underlying business fundamentals of our ***HI***-quality companies.

*****

Cognizant Securities Litigation

If **Cognizant Technology Solutions** was purchased for your account between Feb. 27, 2015 through Sept. 29, 2016, you may receive paperwork regarding a class action settlement. The company agreed to settle litigation regarding misleading statements about Cognizant's business and financial results, including statements connected to permit payments for company-owned facilities in India. The estimated proceeds from the settlement are $0.35 per share. As part of our services to you, we will review all accounts and prepare a Proof of Claim for any client that would receive more than $25 as part of the settlement. You, therefore, may discard the paperwork you received.

If you have any questions, please let us know.

Sincerely,

Ingrid R. Hendershot

President