

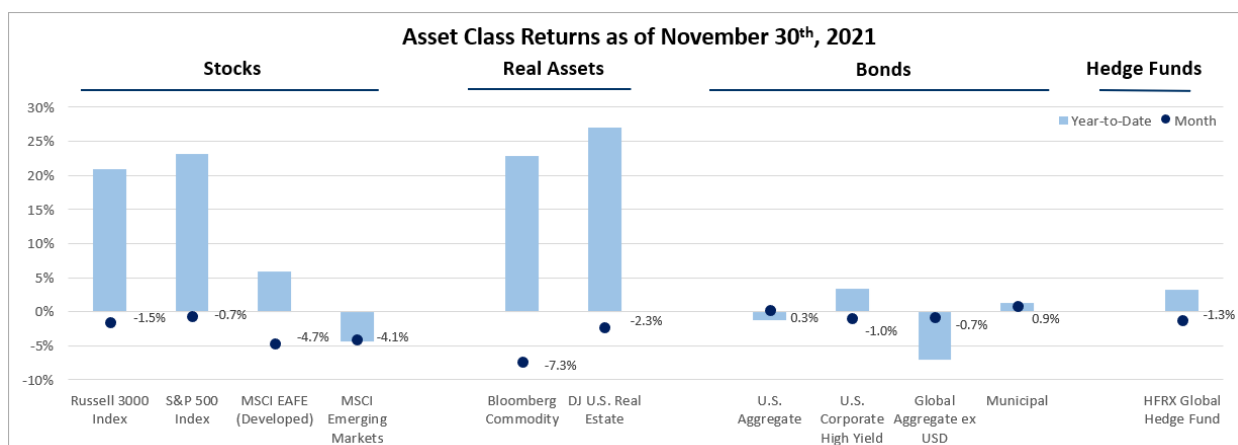
November proved to be a turbulent period for markets as investors reacted to the news of rising coronavirus concerns ignited by the emerging Omicron variant. The risk-off playbook was quickly put into action and high-quality bonds rallied while equity market gains from early in the month were quickly eliminated. Although much is still unknown about the new variant, early indications suggest that while it is potentially more contagious than the prior variants (including Delta), it may not be any more severe. Vaccines are also potentially still effective to some extent against the new variant which should help to soften the impact. While impossible to know for certain, it appears unlikely that the Omicron and future variants would cause the same degree of panic and turmoil in markets as the initial scare in early 2020.

Recent inflation data and Federal Reserve (Fed) policy have fueled additional volatility. The U.S. Consumer Price Index (CPI) rose 6.2% year-over-year, the highest rate since 1990. The magnitude and breadth of recent inflation data have led to more consensus expectations that higher inflation could extend longer than initially expected. In particular, increases in labor costs are less likely to be transient as it's hard to reset wages lower once they rise. Higher inflation has also altered the Fed's path forward. This has been reinforced by strong economic data. For example, the end of November produced the lowest weekly jobless claims number since the late 1960s. Reappointed Fed Chair Powell recently laid out a plan to taper monthly bond purchases from \$120 billion to zero by mid-2022 with the potential to accelerate the timing based on data. Fed messaging initially pushed yields higher but recent Omicron worries have somewhat offset upward rate pressures, at least temporarily.

European economic data was more mixed and was heavily dependent on the impact of the fourth wave of coronavirus infections. Rising cases in select nations, such as Austria, Belgium, and Germany, have dampened the recovery while other countries, such as France and the U.K. have fared better. Despite the mixed recovery, eurozone PMI data recovered following three consecutive months of declines. Japan's new prime minister and government recently approved a record, near-USD 500 billion stimulus package that should help support the economy. Notably, continued easing at a time when other developed nations are contemplating tapering and/or are raising rates contributed to the yen sliding to multiyear lows. Within emerging markets, recent Chinese data was better than expected fueled by strong export demand from the U.S. and Europe. Sales from China's recent Singles Day also broke new records demonstrating retail strength. That said, regulatory overhangs and global tensions have held back the performance of Chinese risk-assets to a great extent in 2021.

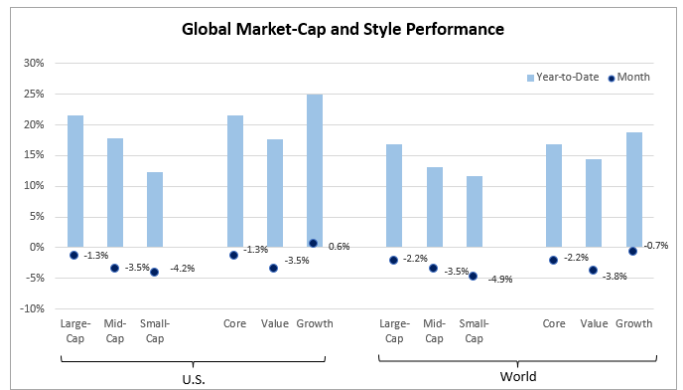
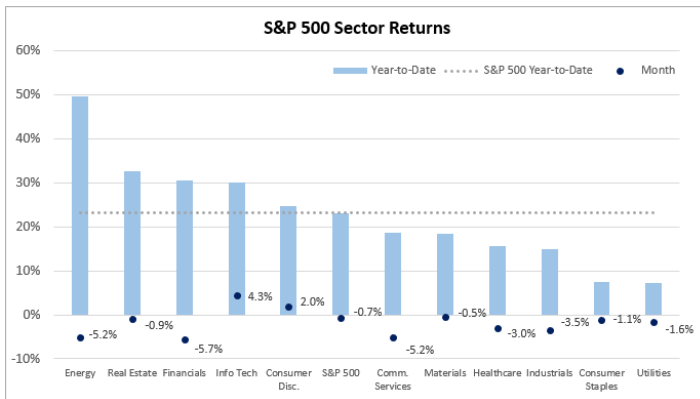
A flight-to-safety following alarming Omicron headlines negatively impacted equities and credit-sensitive bonds while simultaneously supporting government and municipal bonds. Within equities, U.S. stocks fell but to a lesser extent than international markets. This only served to extend U.S. equity market leadership. Within U.S. equities, technology and consumer discretionary names outperformed, contributing to growth outpacing value. Large-caps were negative but maintained a lead over small-caps. Emerging market equities remained a laggard globally, reflecting disappointing performance from Chinese equities. While developed international equities are positive year-to-date, emerging market equities are now in negative territory. In fixed income, falling yields helped support government bonds while gains from duration were offset by widening spreads for credit sensitive corporates. Bond returns are underwhelming year-to-date, reflecting rising yields across many developed nations.

2021 has been a year full of surprises despite the world making extensive progress in the public health and economic recovery from the depths of 2020. Growth is likely to remain positive going forward, although there will certainly be many bumps (and new coronavirus variants) along the way. While it may still be present to varying degrees, monetary policy is likely to be a lesser driver of growth looking forward, as more economies can stand on their own footing. Nonetheless, the future is increasingly hard to predict, and prudence should be employed in investment portfolios.

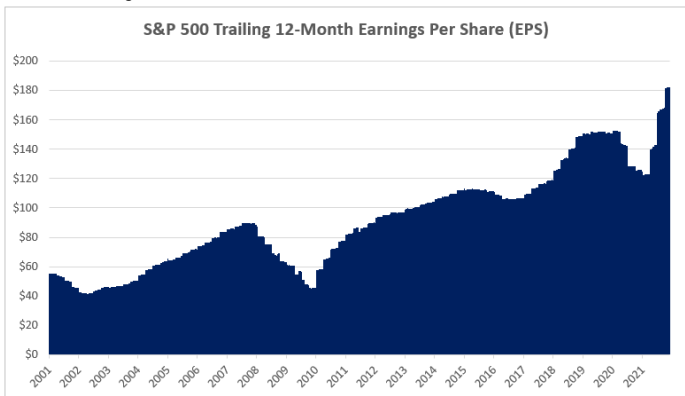


Morningstar & Hedge Fund Research, Inc.; Bond indices from Bloomberg Barclays

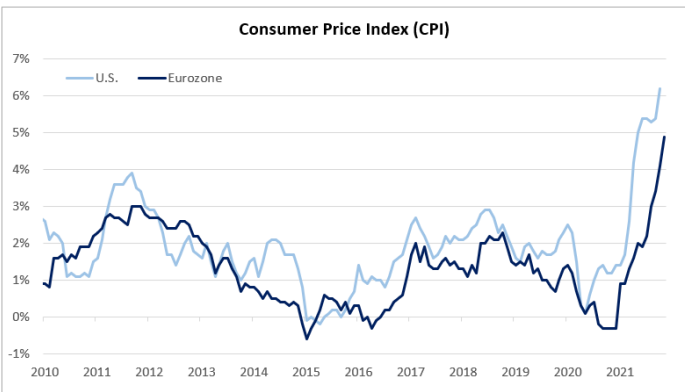
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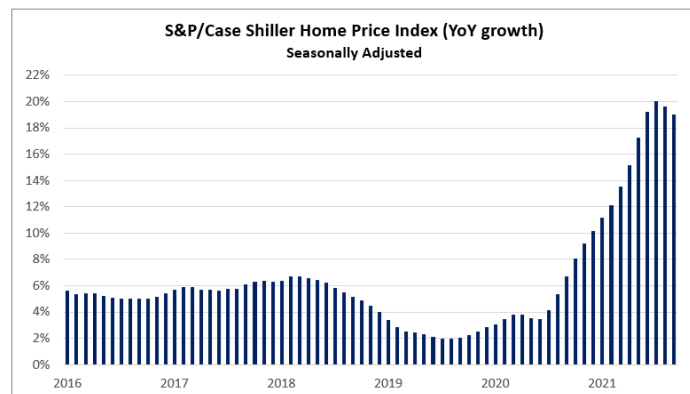
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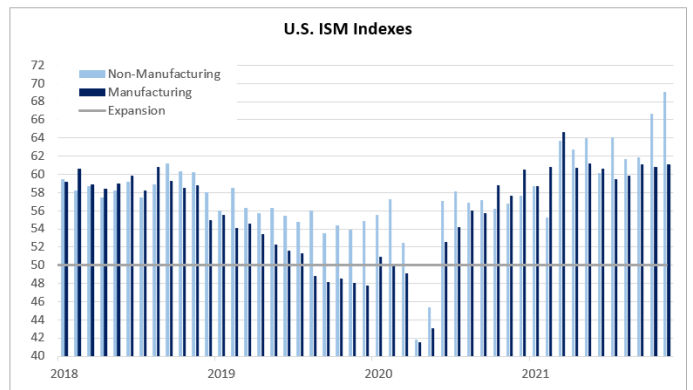


U.S. Bureau of Labor Statistics

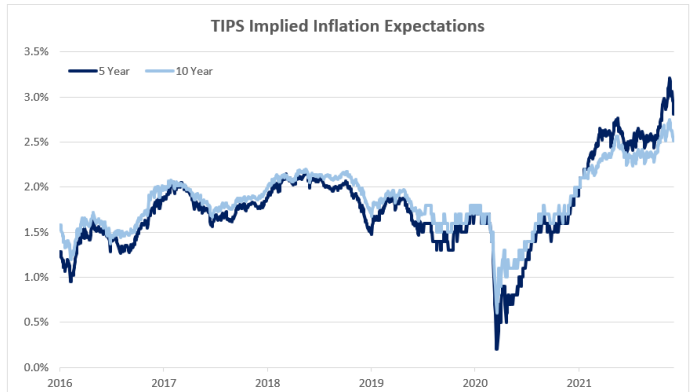


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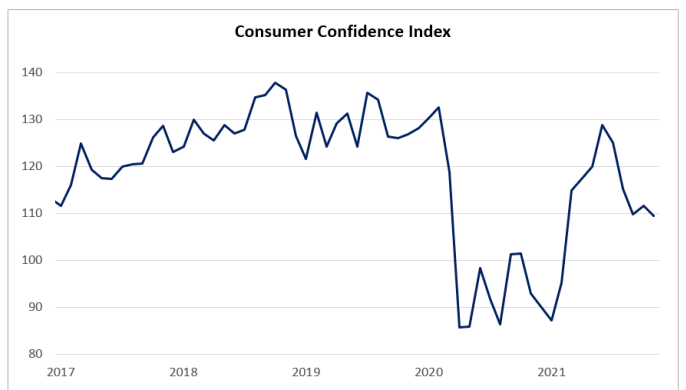
Bloomberg; U.S. indices from Russell and world indices from MSCI



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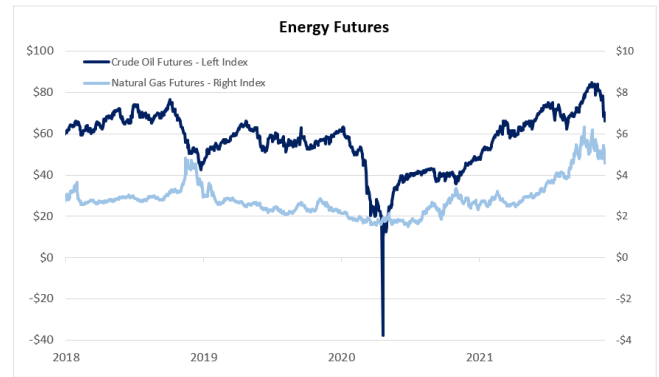
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The Russell 3000 Index is constructed to provide a comprehensive, unbiased and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected; The Russell 2000 Index measures the performance of the small cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership; The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index representing approximately 90% of the total market capitalization of that index. It includes approximately 1,000 of the largest securities based on a combination of their market-cap and current index membership; The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap Index represents approximately 31% of the total market capitalization of the Russell 1000 companies; the S&P 500 Index is a market capitalization-weighted Index of 500 widely held stocks often used as a proxy for the 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 eleven different sectors; the MSCI EAFE Index (Europe, Australasia, Far East) captures large- and mid-cap representation across developed markets countries around the world excluding the U.S. and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country; the MSCI Emerging Markets Index captures large- and mid-cap representation across emerging markets countries across the world. The index covers approximately 85% of the free float-adjusted market capitalization in each country; The MSCI World Index captures large- and mid-cap representation across developed markets countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country; the Bloomberg Commodity Index reflects commodity futures price movements and is calculated on an excess return basis. 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. Roll period typically occurs from the 6th-10th business day based on the roll schedule; the Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. 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); the Bloomberg Barclays Global Aggregate Ex U.S. Index is a measure of investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes Treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. Bonds issued in U.S. dollars are excluded; the Bloomberg Barclays Municipal Bond Index covers the U.S. dollar-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds; the Dow Jones U.S. Real Estate Index measures the performance of real estate investment trusts (REITs) and other companies that invest directly or indirectly in U.S. real estate through development, management, or ownership, including property agencies; The Bloomberg Barclays U.S. Corporate High-Yield Index measures the U.S. dollar-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded; The HFRX Global Hedge Fund Index is comprised of funds representing the overall hedge fund universe. Constituent funds include but are not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, even driven, macro, merger arbitrage, and relative value arbitrage. The underlying strategies are asset weighted based on the distribution of assets in the hedge fund industry; The S&P Case-Shiller Home Price Index measures the value of single-family housing within the U.S. The index is a composite of single-family home price indices for the nine U.S. Census divisions. Leading economic indicators (LEI) are statistics that precede economic events. They predict the next phase of the business cycle. The OECD Composite leading indicators (CLIs), designed to anticipate turning points in economic activity relative to trend, continue to strengthen in most major economies. The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The Consumer Confidence Index is a measure based on a survey administered by The Conference Board that reflects prevailing business conditions and likely developments for the months ahead. This monthly report details consumer attitude, buying intentions, vacation plans and consumer expectations for inflation, stock prices and interest rates. A Treasury Bill (T-Bill) is a short-term U.S. government debt obligation backed by the Treasury Department with a maturity of one year or less. The ISM manufacturing index, also known as the purchasing managers' index (PMI), is a monthly indicator of U.S. economic activity based on a survey of executives covering all North American Industry Classification System's businesses in the manufacturing sector. The ISM Non-Manufacturing Index is a monthly indicator of U.S. economic activity based on a survey of executives covering all North American Industry Classification System's businesses in the services (or non-manufacturing) sector. Data in this newsletter is obtained from sources which we, and our suppliers believe to be reliable, but we do not warrant or guarantee the timeliness or accuracy of this information. Consult your financial professional before making any investment decision. Past performance is no guarantee of future results. Diversification/asset allocation does not ensure a profit or guarantee against a loss. 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