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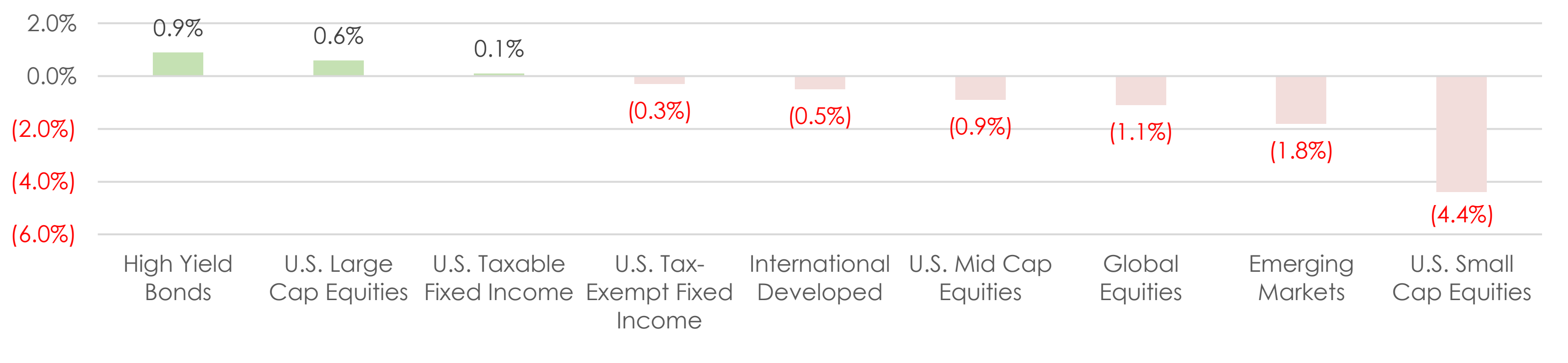
WITH YOU EVERY MILE

MARKET LANDSCAPE | Q3 2021

MIRACLE MILE ADVISORS

Q3 PERFORMANCE SUMMARY

Q3 Asset Class Performance



Quarterly Recap

Most equity markets worldwide suffered a small setback in Q3 2021 as concerns over rising interest rates, supply chain issues, and China's decelerating growth led to a September selloff that turned equity indices negative despite positive momentum from the economy's continued reopening. Monetary policy remained dovish, although Fed Chairman Powell has signaled that the Fed will likely begin tapering its bond purchases as early as November. Meanwhile, lawmakers need to address the debt ceiling or face a potential government shutdown in December. Despite these issues, we maintain a positive outlook on risk assets based on global growth prospects, corporate profitability, and continued accommodative monetary policy.

Q3 2021 Economic & Market Highlights

- Global equity markets finished the quarter in negative territory as the selloff in September wiped out gains from the previous two months. The MSCI ACWI index was -1.1% for the quarter, and the bond market gained +0.1%.
- The 10-Year U.S. Treasury yield completed a round trip after starting the quarter at 1.47%, reaching a low of 1.17% in early August and ending Q3 at 1.49%.
- U.S. GDP grew at a +12.2% rate in Q2, the high print for this economic recovery. 2021 second half estimates indicate a slower growth trajectory due to adverse impacts of the as the Delta variant and supply chain bottlenecks.
- S&P 500 corporate earnings for Q2 grew 91%, the highest growth rate since Q4 2009. S&P 500 companies now are on track to grow profits by 43% for 2021 vs. 2020.

Updated Outlook for 2021-22

Macroeconomic Outlook

- **2021 GDP Growth:** We expect GDP growth between 6-6.5% for 2021. Our second half forecast is lower than previously anticipated due to the Delta variant, labor market problems, and supply chain disruptions.
- **Varying Recovery Rates Among Global Economies:** The global recovery will be less synchronous than previously anticipated with significant variation in the rates at which various regions recover.
- **Corporate Earnings Rising:** For the full year of 2021, we anticipate corporate earnings rising +40-45%, a little above the consensus estimate of 41.9%. Corporate tax rate changes will likely impact future years earnings to an unknown degree.
- **Potentially Sticky Inflation:** There have been good reasons to view much recent inflation as transitory (the Fed's view). However, concerns are rising that wage costs, rents, and supply chain reconfigurations may result in a "stickier" degree of inflation than previously expected.

Market Outlook

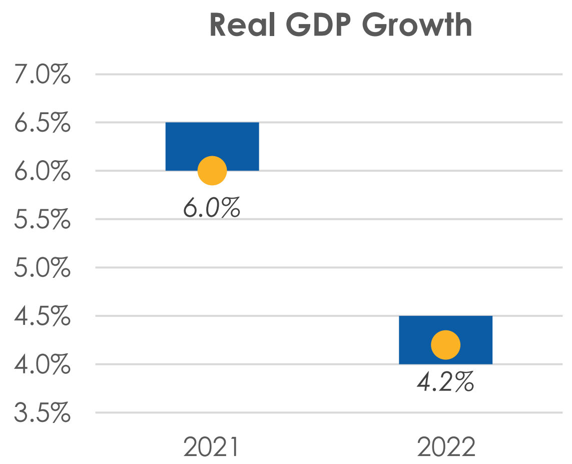
- **U.S. Equities' Positive Returns:** We anticipate U.S. equities to maintain a positive bias through the end of 2021, with mid-single digit total returns expected for 2022. Technology, Industrials, and Financials are favored sectors.
- **Interest Rates Rising**: We anticipate a rise in interest rates, which will lead to smaller returns in fixed income for the remainder of 2021 and 2022. We continue to prefer corporates over treasuries.
- **Fixed Income Challenges:** We favor seeking higher yield by accepting some credit risk (e.g., preferred securities, emerging market debt, international real estate) over the interest rake risk associated with traditional fixed income.
- **International and Emerging Markets:** To date, COVID's higher impact on most foreign regions has pushed back the point at which U.S. investors are rewarded by the lower valuations and potentially higher growth rates abroad. However, we continue to watch relative growth, currency, and pandemic trends with an eye to potentially upping non-U.S. exposures.

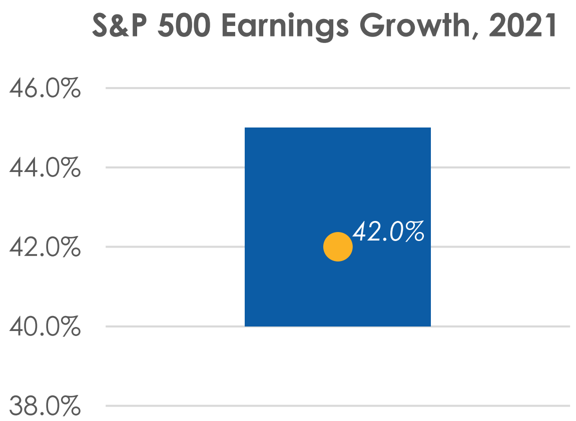
OUTLOOK SUMMARY: DELTA HAS DELAYED THINGS …

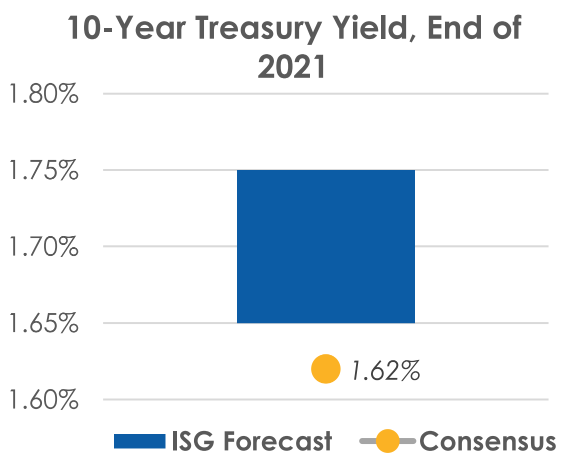
Investment Outlook: While we see several factors that could contribute to higher near-term volatility, we maintain our intermediate and longer-term constructive views on risk assets and would be looking to add to equities on any significant selloff.

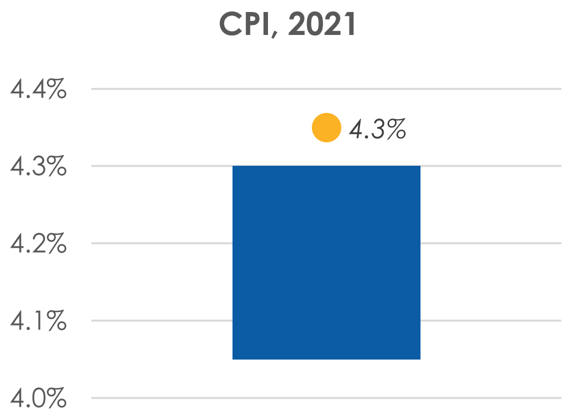
Outlook Summary

Our outlook on the U.S. economy has been revised lower for 2021's 2nd half due to the Delta variant, labor market issues, and supply chain disruptions. We now expect GDP growth between 6-6.5% for 2021 and a more extended expansion timeline. Globally, we will see regions recovering at varying rates depending largely on their pandemic conditions, as opposed to the the synchronous expansion previously anticipated at the start of the year. **The U.S. economy is still showing solid growth** and we do not foresee any meaningful slowdown in economic activity.









Refer to appendix for disclosures and data sources

MARKET RISKS

KEY RISKS

NEAR TERM

Supply Chain Problems and Rising Input Costs

- Companies are dealing with supply chain disruptions, rising materials costs, higher wages, and labor shortages, all of which negatively impact profit margins.

Political Uncertainties

- President Biden has thus far been stymied in achieving passage of his $3.5 trillion infrastructure plan due both to GOP opposition and Democratic intra-party feuding. 2021's equity market advance anticipated a strong fiscal thrust. While the market would likely be fine with a trimmed down package, "no bill" would not be well-received.
- The debt ceiling has been temporarily relieved until December, but still faces an uphill battle with the threat of a government shutdown.

LONGER TERM

Sticky Inflation

- Even after adjusting for clearly transitory factors, e.g., low baseline effects, the extent of inflation has surprised many observers to the upside.
- As inflation persists, "stickier" components of inflation, e.g., wages, rents, may lead to a more embedded inflation.

Central Bank Tightening

- While the Fed has made clear that it has no plans to raise rates anytime soon, it has communicated its intention to begin tapering its asset purchases sometime during Q4.
- Several central banks around the world have already raised their interest rates to control inflationary pressures. A rising tightening tide could become self-sustaining, pressuring markets and economies.

Higher Corporate Taxes

- Rising corporates taxes are widely anticipated. However, any increases beyond the currently expected 25% U.S. rate, and the recently agreed 15% minimum global tax rate, could depress expected corporate profitability.

MARKET OPPORTUNITIES

KEY OPPORTUNITIES

NEAR TERM

Higher Yielding Investments

- The search for income by investors is difficult as the Bloomberg Aggregate Bond Index yields only 1.6% and has generated a total return of negative 1.7% YTD.
- The above situation creates demand for assets that can generate yields of 3% or more, viz., private investments, bonds below investment grade, preferred securities, bank loans, REITs, emerging market bonds. These higher yield investment categories are also ones that tend to benefit as the economy recovers.

Cyclical Stocks

- Cyclical equities outperformed early this year but underperformed as the Delta variant spread mid-year and the reopening slowed.
- But with case counts declining, the reopening is accelerating which should benefit cyclical stocks, such as industrials, transportation, financials, and stocks in service industries.

LONGER TERM

Quality and Value Stocks

- Quality companies with solid profitability, and stable and growing earnings tend to do especially well in environments with rising interest rates and inflationary pressures.
- The performance of value stocks is positively correlated to interest rates and will likely outperform with higher economic growth and higher rates.
- While not our near-term expectation, quality and value stocks tend to better weather economic downturns.

Overseas Equity Markets

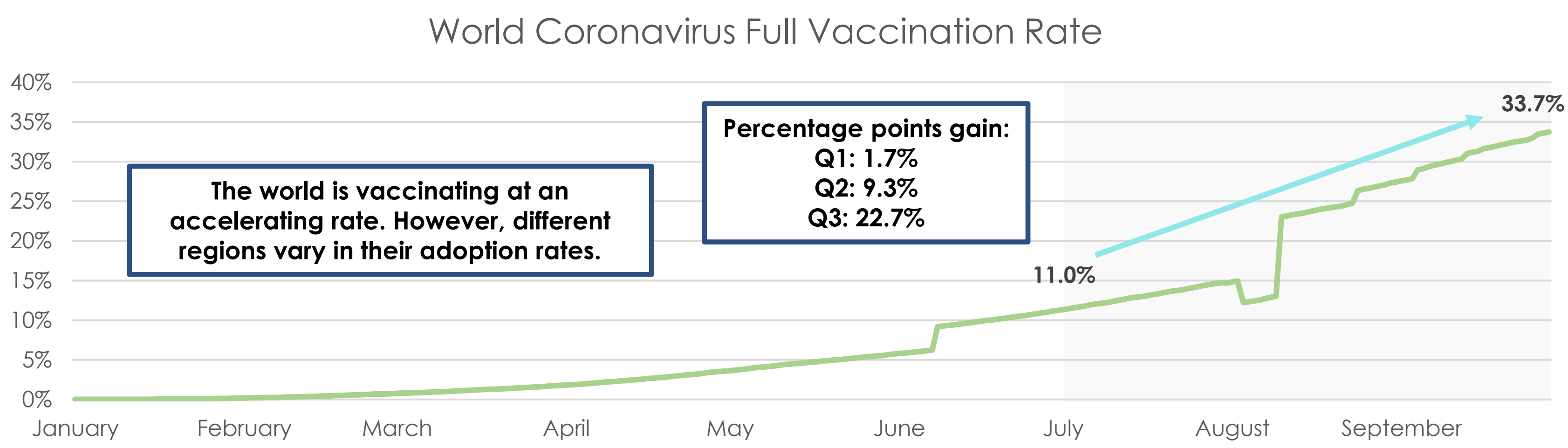
- International equities look attractive as relative valuations continue to get cheaper vs the U.S.
- European equities have larger weightings to value sectors, which bodes well for performance as rates rise.
- Emerging markets are highly volatile, as seen with China’s recent performance, but can be highly rewarding for long-term investors.

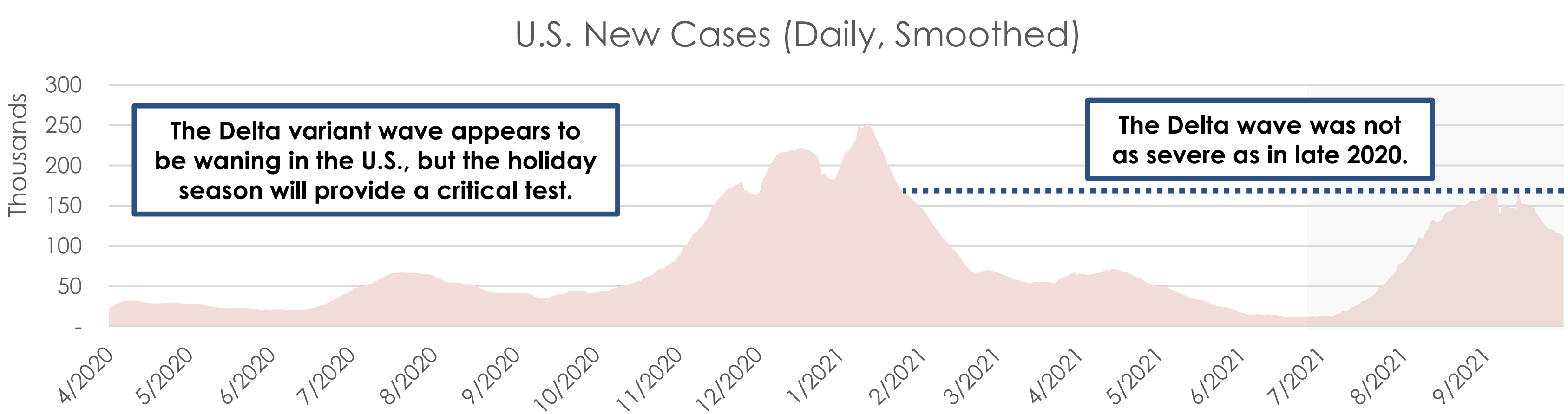
VACCINATIONS HAVE TURNED THE CORNER ON DELTA VARIANT WAVE

Economy

Over a third of the world's population is fully vaccinated against COVID-19, with further vaccine approvals anticipated.

Investment Outlook: While the Delta variant pressed "pause" on the global pandemic recovery, global vaccine distribution continues to accelerate. We anticipate continued economic recovery as this trend continues.





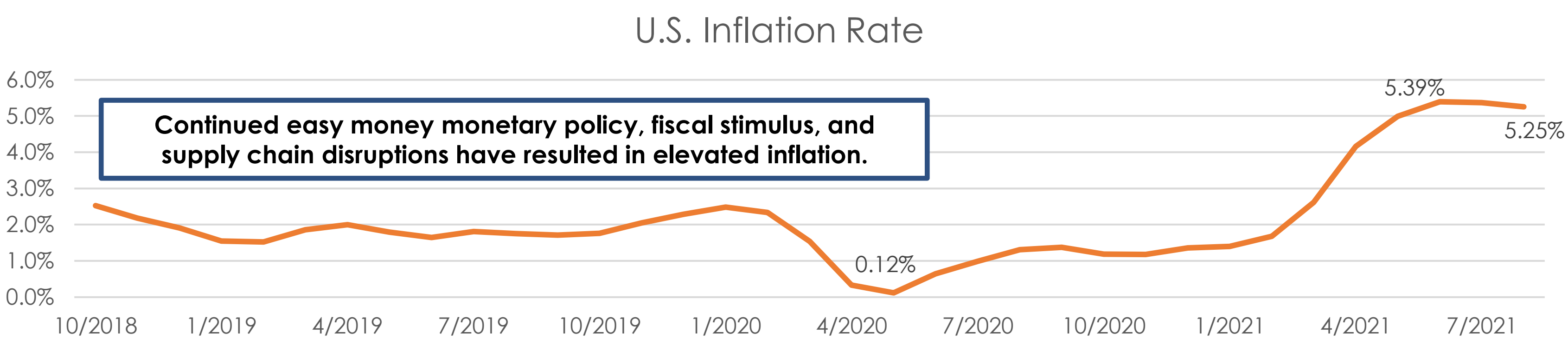
Shaded area = third quarter

Refer to appendix for disclosures and data sources

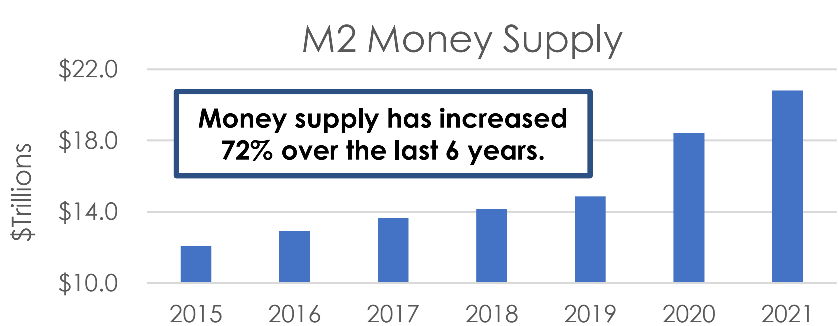
MODERATE INFLATION COULD BE HERE TO STAY

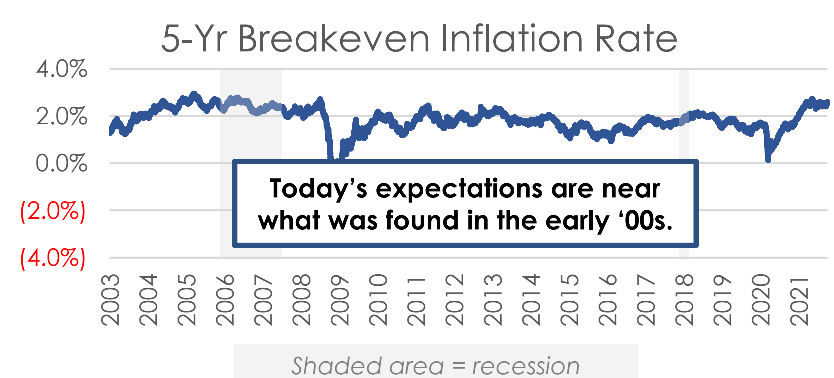
Inflation expectations and current price levels have risen as we emerge from the post-pandemic period.

Investment Outlook: With the Fed's decision to taper beginning in Q4, we do not anticipate runaway inflation. The Fed's focus on its full employment mandate could lead to higher-than-expected inflation nearer term.



- Fears of inflation have been mitigated by the Federal Reserve's stated decision to begin tapering its balance sheet in Q4. Inflation will likely not prove fully "transitory," but runaway inflation appears unlikely.
- The market's expectation based on current interest rates (bottom right), agrees, indicating inflation over the next 5-years will be between 2-2.5%.





Refer to appendix for disclosures and data sources

STAGFLATION? A HISTORICAL COMPARISON

Rising fears of "stagflation" (low growth with elevated inflation) helped dampen a likely very strong Q3 equity market.

Investment Outlook: Inflation might be on an upswing, but the stagflation conditions of the 1970s are simply not present today. We continue to have a positive outlook on the markets and economic recovery heading into year end.

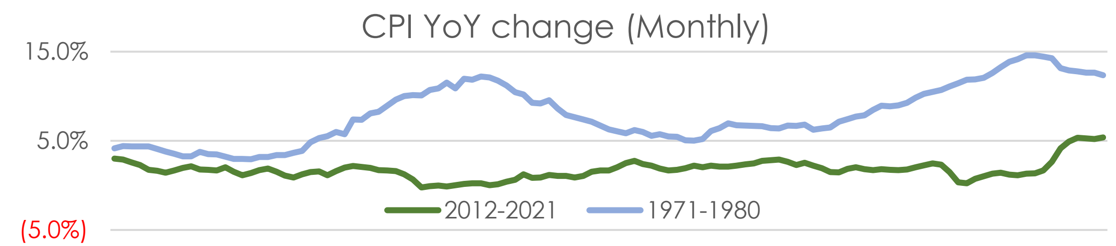
Economy

Components of Stagflation

1. High Inflation

1970s: Inflation rose sharply until peaking at 14.6% in mid-1980
Current: Has risen to 5.4% in Sep-2021, but this is the highest since Aug-2008

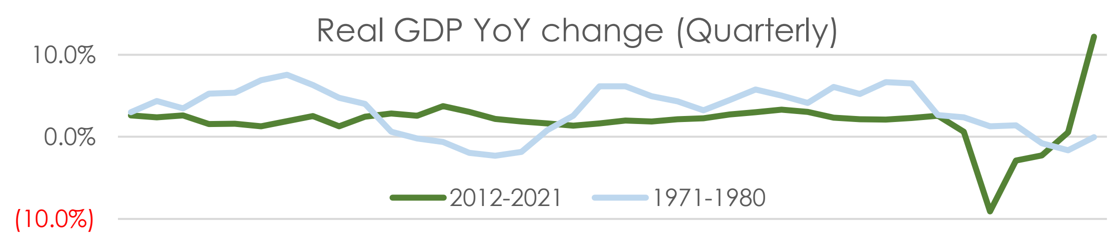
Although 5.4% is the highest we've seen in over a decade, it is far below levels of the 1970s.



2. Weak Economic Growth

1970s: Multiple years of negative GDP growth (-0.4% in 1980)
Current: Sharply rising growth anticipated to exceed 6% for 2021

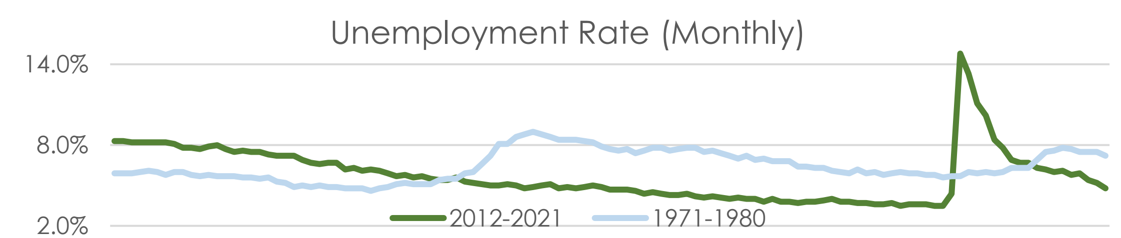
While some forecasts have been revised downward, growth rates indicate a solid recovery.



3. Increased Unemployment

1970s: Unemployment grew from 3.9% to end the decade at 6.0%
Current: Has declined sharply; currently at 5.2% with all-time highs in openings

Unemployment hasn't reached pre-pandemic levels yet, but it has returned to normal levels.



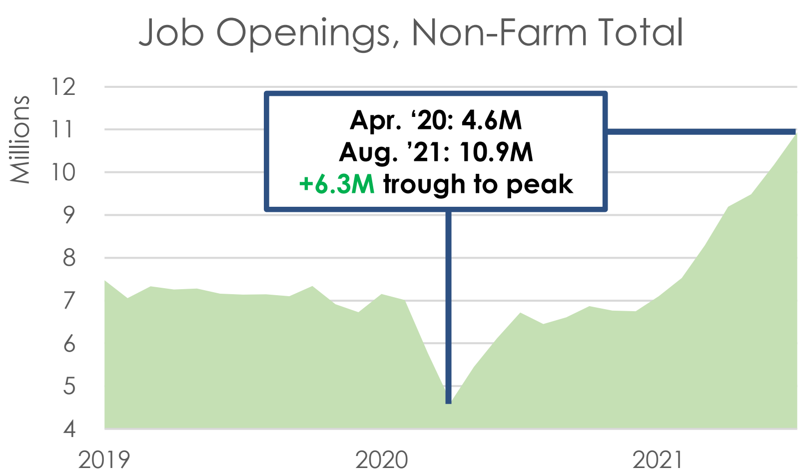
Refer to appendix for disclosures and data sources

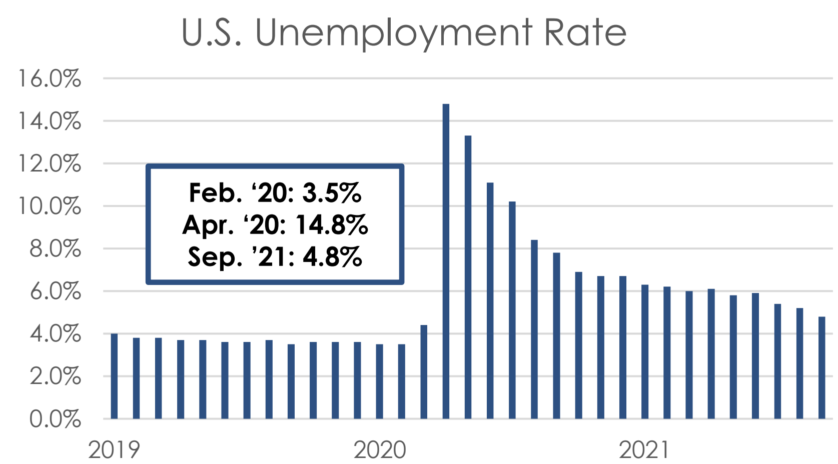
LABOR MARKET CONTINUES TO IMPROVE

Unemployment remains elevated above pre-pandemic levels, but job openings have surged to an all-time high.

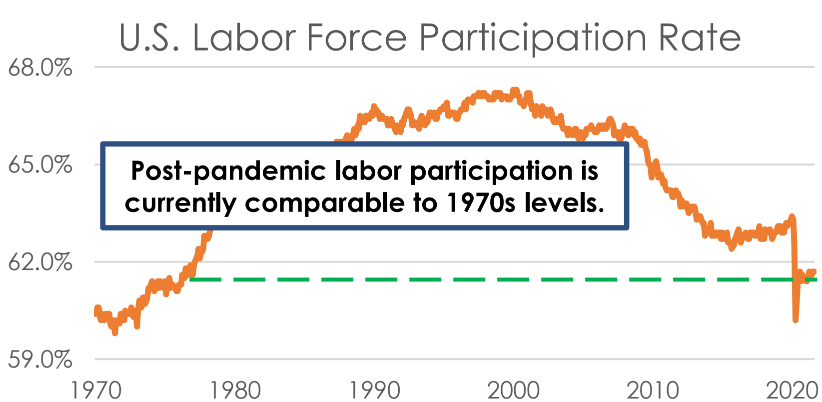
Investment Outlook: As direct transfers and ancillary government benefits wind down, we anticipate both the unemployment rate and the number of job openings to return to near-normal levels and to provide positive economic growth.

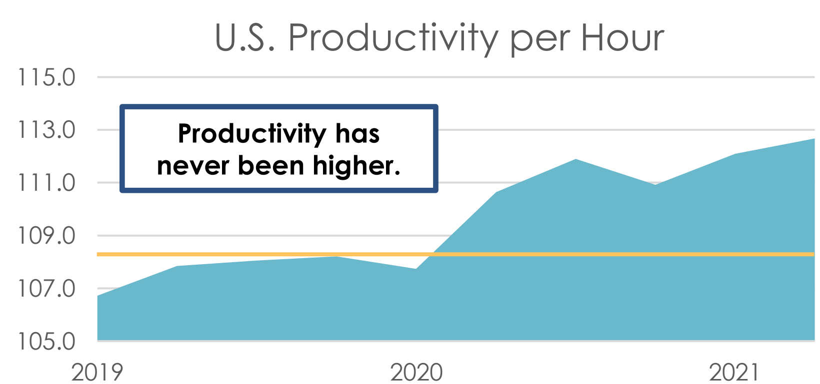
Economy





- The pandemic and government response has created a noticeable disconnect between job openings and the unemployment rate, but the Fed sees employment starting to correct itself by Q1 2022.





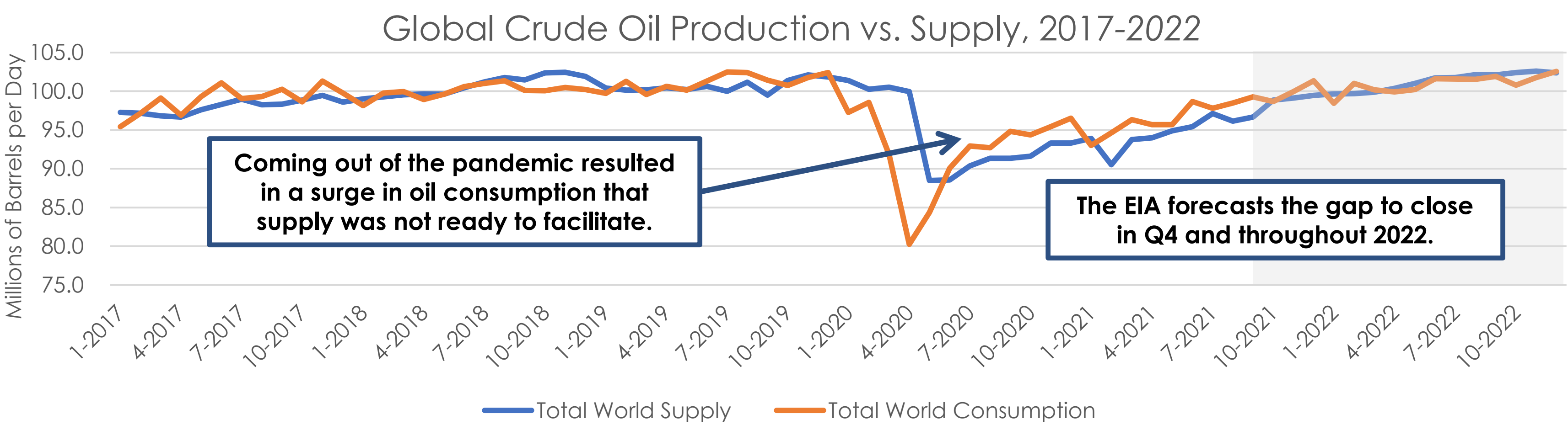
Refer to appendix for disclosures and data sources

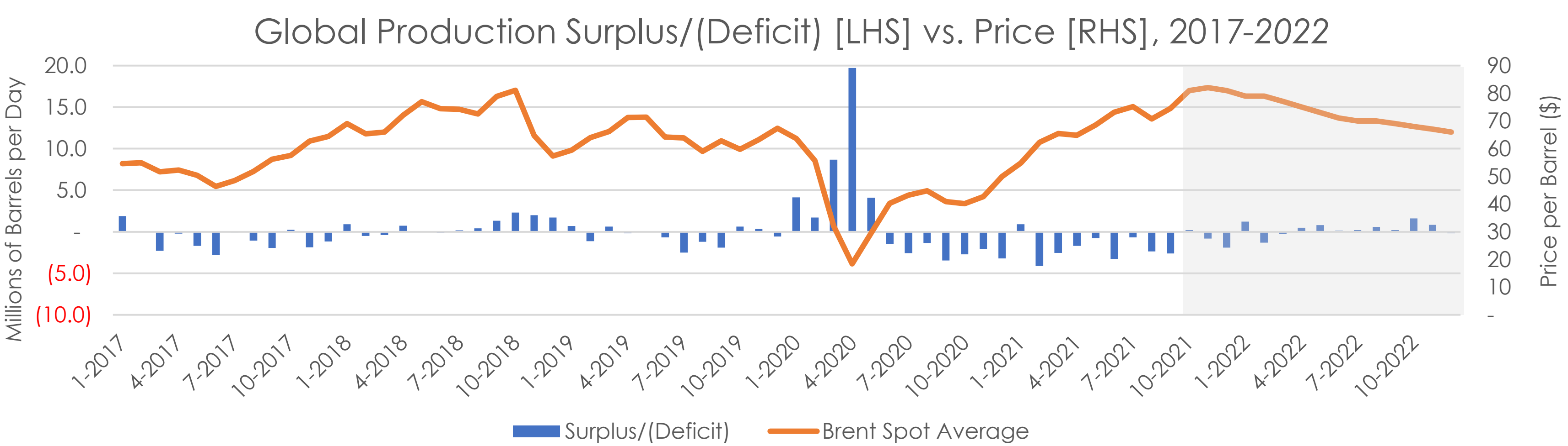
OIL SUPPLY DRIVEN PRICE INCREASES

Oil prices have risen to very high levels, but they are projected to fall as the world's supply recovers.

Investment Outlook: We anticipate global production to recover and the price to fall from the relative peak found in Q3/Q4 of 2021.

Economy





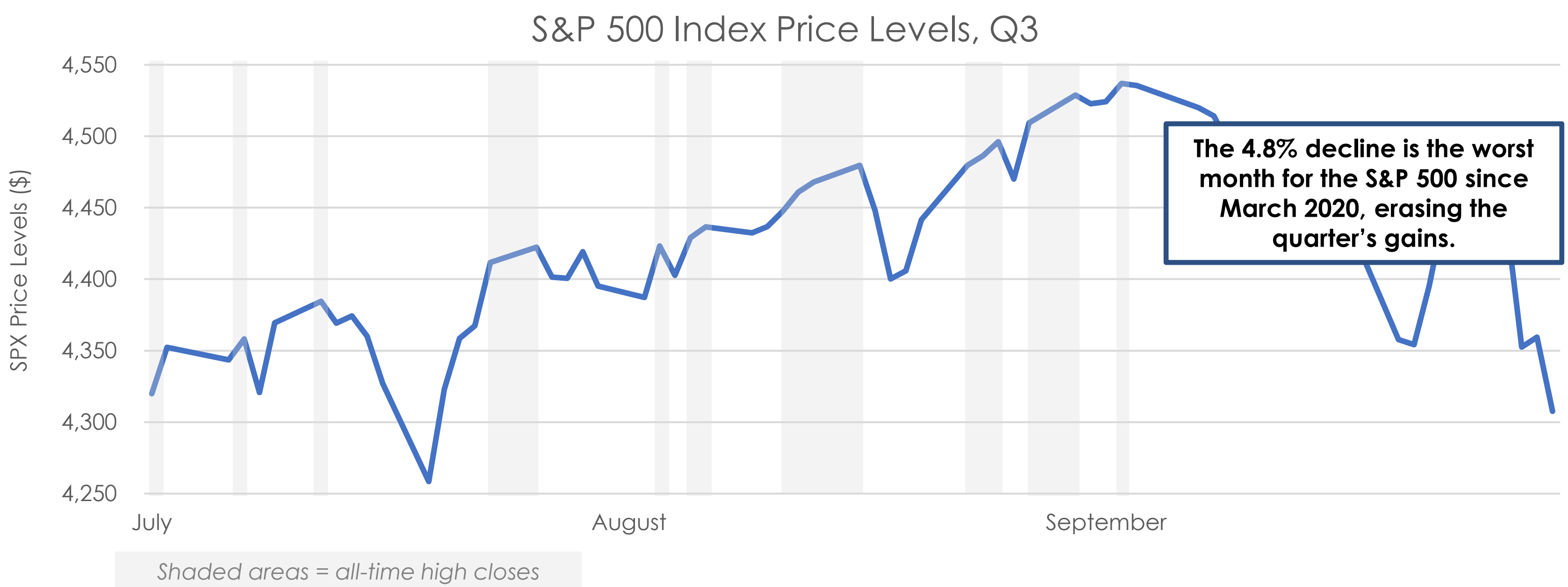
Shaded areas = forecasted periods

Refer to appendix for disclosures and data sources

SEPTEMBER’S PULLBACK IN U.S. EQUITIES

While September brought a modest (<5%) pullback in U.S. equity markets, the quarter’s new all-time highs should not be ignored.

Investment Outlook: We maintain our positive outlook for equity returns in Q4 of 2021 and for 2022. We see September’s decline as a combination of seasonality (September is historically the weakest month), valuations, and news flows out of Washington and China.



- The S&P 500 closed at record highs 20 times out of 64 trading days in the third quarter. All but one of these occurred in July and August.
- Stagflation fears (rising inflation coupled with slowing growth), deflationary signals from China, and news flows from Washington put a halt to gains in September.
- We expect resolution of a number of September’s issues before year end.

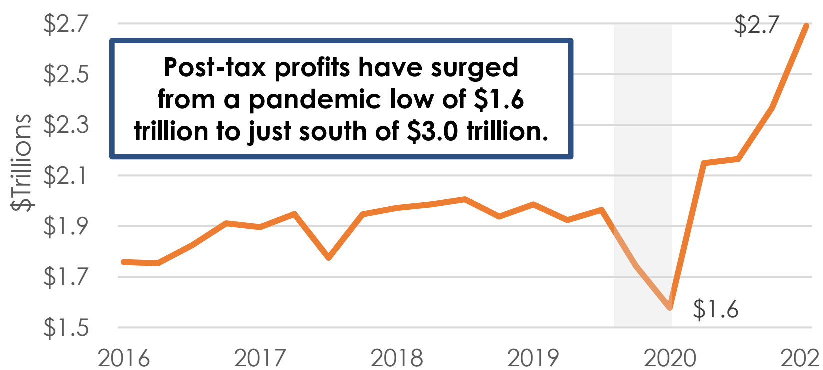
CORPORATE PROFITABILITY CONTINUES TO GAIN

The third quarter was characterized by continued low rates, a strengthening USD, and large-cap growth outperformance.

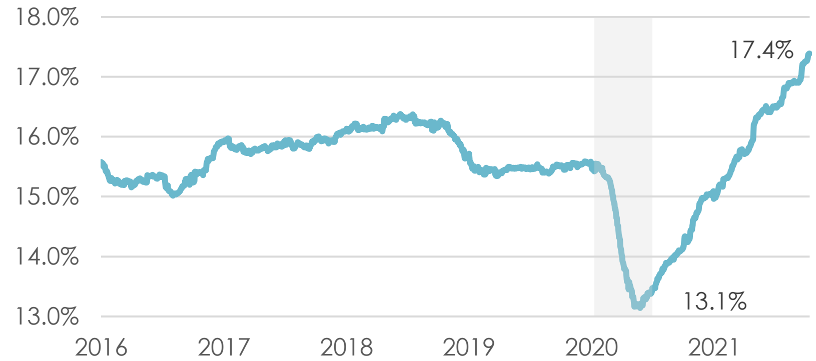
Investment Outlook: Just like the real economy, profit growth is expected to peak this year. However, peak does not mean weak, and analysts expect operating margins to support earnings into 2022.

Markets

Corporate After-Tax Profits (Quarterly)

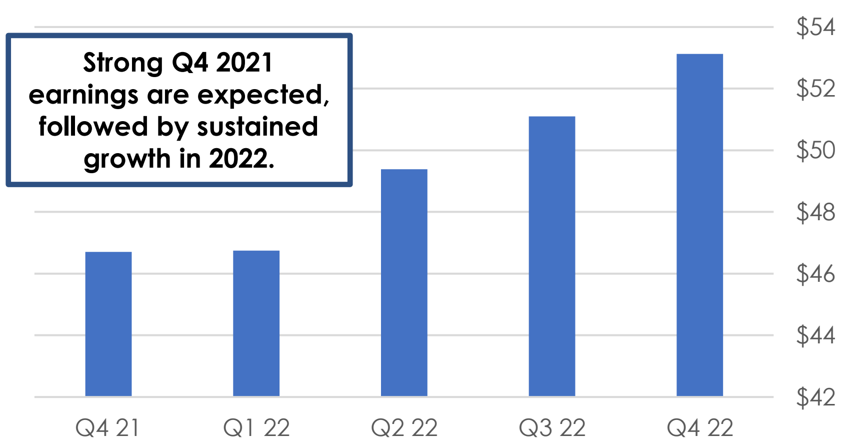


Est. Next 12-Month S&P 500 Operating Margin



Shaded area = recession

Forward S&P 500 EPS Estimates



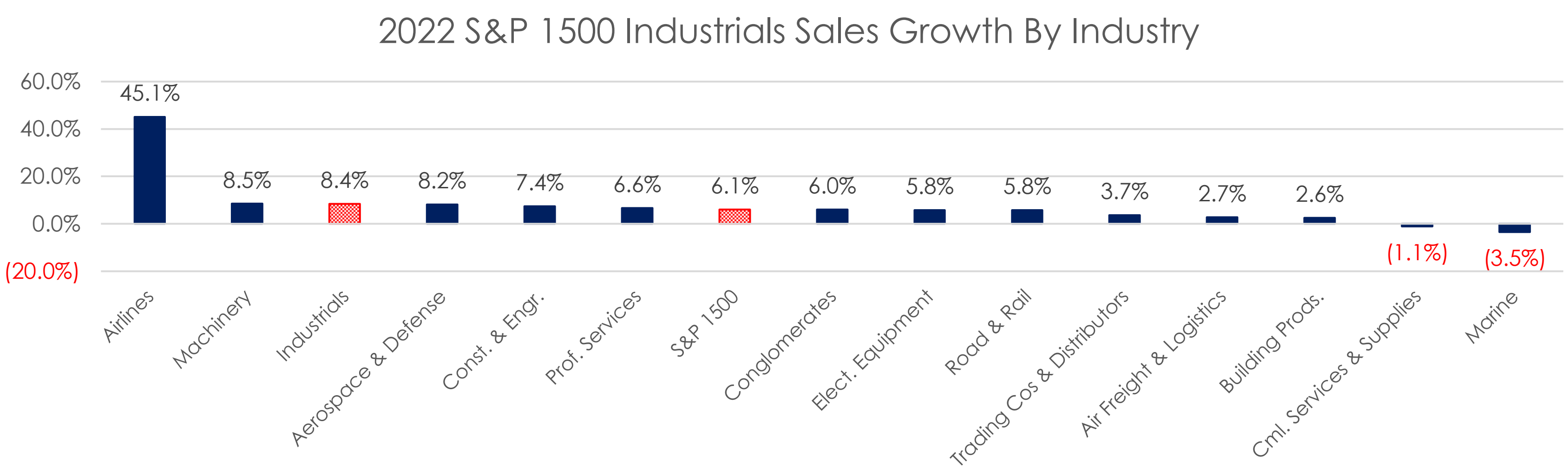
- The primary driver for equity returns is profitability. Corporate profits have risen to record levels and forward estimates indicate that strong profits will continue throughout 2022. Despite September's pullback, we continue to have a positive outlook on equity markets.
- Equity indices will rebound as they track growth in corporate profits. Significant selloffs should continue to be viewed as a possible entry points.

INDUSTRIAL SECTOR REVENUE PRIMED TO EXCEED IN 2022

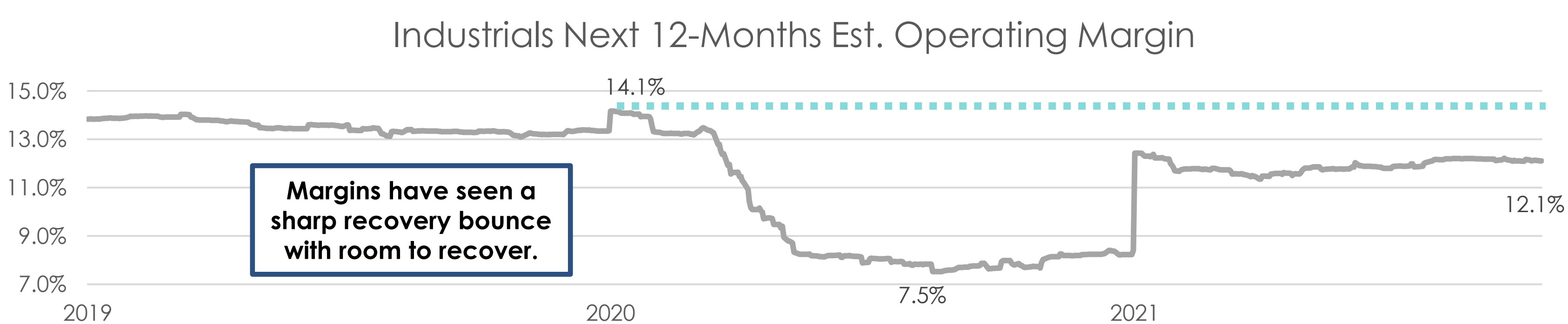
Paced by airlines, 2022 revenue in the industrials sector is anticipated to grow at 8.4% compared to 6.1% for the overall market.

Investment Outlook: Continuing to hold an overweight to industrials should aid in 2022 based on the revenue outlook.

Markets



- Operating margins for the Industrials sector have recovered strongly. While they remain below pre-pandemic levels, we anticipate the impending sales growth in this heavy fixed-cost sector to push margins back to normal.



FISCAL POLICY UPDATES

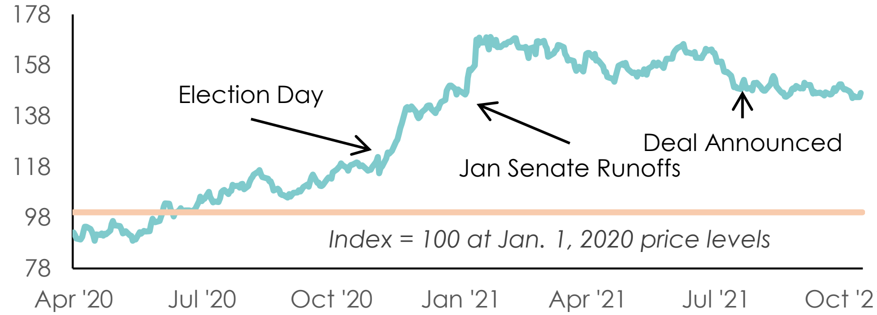
The debt ceiling has been temporarily raised, but Biden's fiscal spending proposals face strong opposition.

Investment Outlook: Biden's signature infrastructure bill has been delayed due to infighting between centrist and left-wing Democrats. Failure of this bill would not be well-received by equity markets, and further delays could dampen 2020 prospects.

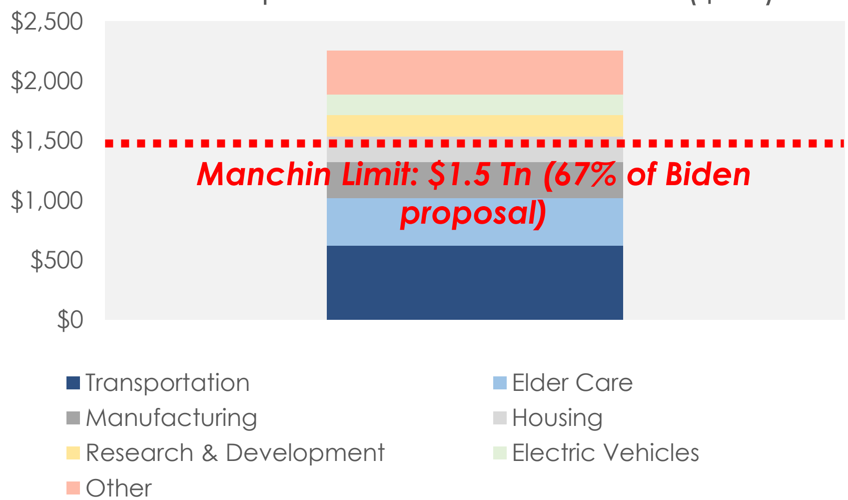
Markets

- President Biden's infrastructure plan may only receive $1.5 - $2.0 trillion due to centrist senators' views.
- While legislative passage could be further delayed, we anticipate resolution before year end. Infrastructure-exposed equities should benefit unless spending is cut below what is currently anticipated.
- On the "revenue side," we anticipate a 25% corporate tax rate, but other proposed revenue raisers could be trimmed from current expectations due to centrist opposition.

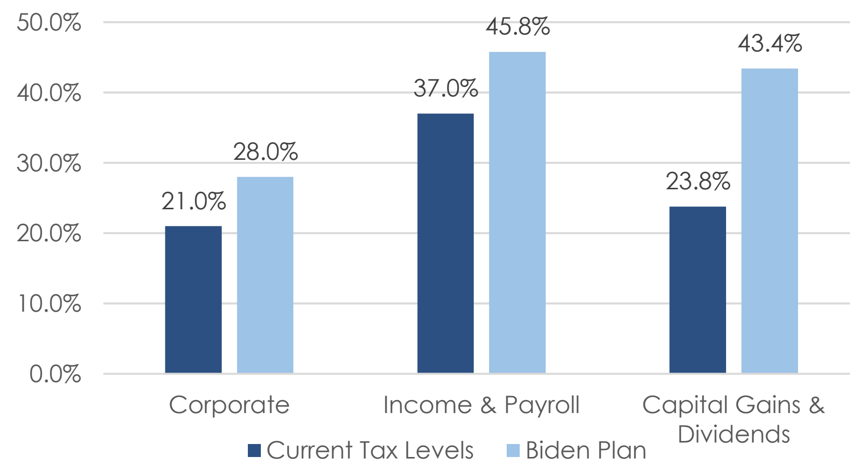
Basket of Bipartisan Infrastructure Bill Stocks Relative to S&P 1500



Proposed Infrastructure Bill ($Bn)



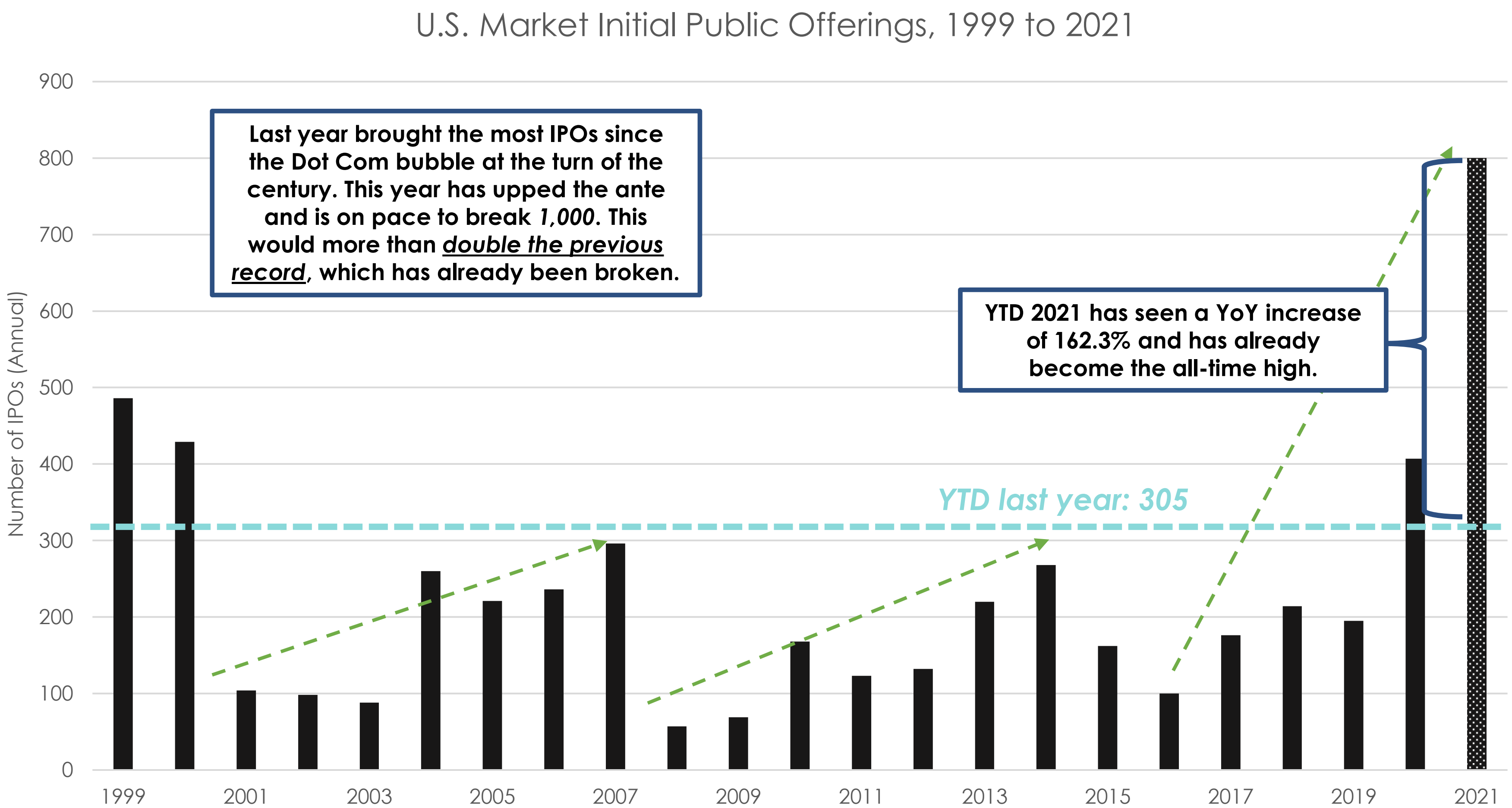
Proposed Tax Changes



RECORD IPO LEVELS FUELED BY SPACS

Rising demand in special-purpose acquisition companies (SPACs, also known as blank check companies) has fueled the IPO surge.

Investment Outlook: IPOs and SPACs have generated plenty of buzz recently, but they are not all necessarily the unicorn investments that people perceive them to be. A peak in IPOs may reflect the top-end of an expansion.

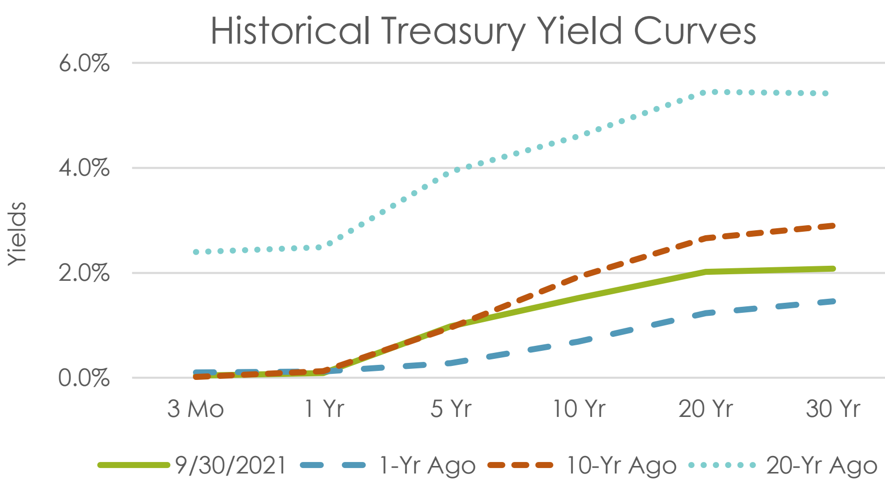


Refer to appendix for disclosures and data sources

THE YIELD CURVE AND YOUR FIXED INCOME NEEDS

Financial plans should adjust to today's yields.

Investment Outlook: With interest rates near historical lows, higher yielding investments and "alternatives," despite their somewhat higher credit risks, are becoming necessary components in portfolios that seek to generate returns above inflation.



- In 2001, investors could easily obtain a 5% yield with "safe assets", i.e., government bonds.
- Today, investors need to branch out to alternatives such as real estate, private credit, bank loans, preferred securities, emerging market debt, etc., to generate yields above inflation.
- While we anticipate interest rates to rise in Q4 2021 and 2022, we do not believe the yield curve will approach the previous levels from earlier this century.

- With savings account yields near zero, investors are forced to consider alternative asset classes to find yields that may keep pace with inflation.
- And with inflation expected to increase, we see alternative income sources from real estate, private debt, and other "alternative" assets as necessary components for income portfolios.

Since the Great Recession, savings accounts have lost real value against inflation.

Year	Interest Earned on $100k in Savings	Beat Inflation (Consumer Prices)	Excess/(Deficit)
2021	$56	$5,350	($5,294)
2020	$64	$1,234	($1,169)
2019	$94	$1,812	($1,718)
2018	$77	$2,443	($2,365)
2017	$60	$2,130	($2,070)
2016	$60	$1,262	($1,202)
2015	$60	$119	($59)
2014	$60	$1,622	($1,562)
2013	$63	$1,465	($1,402)
2012	$91	$2,069	($1,978)
2011	$140	$3,157	($3,016)
2010	$193	$1,640	($1,447)
2009	$210	($356)	$565

Asset Allocation

Refer to appendix for disclosures and data sources

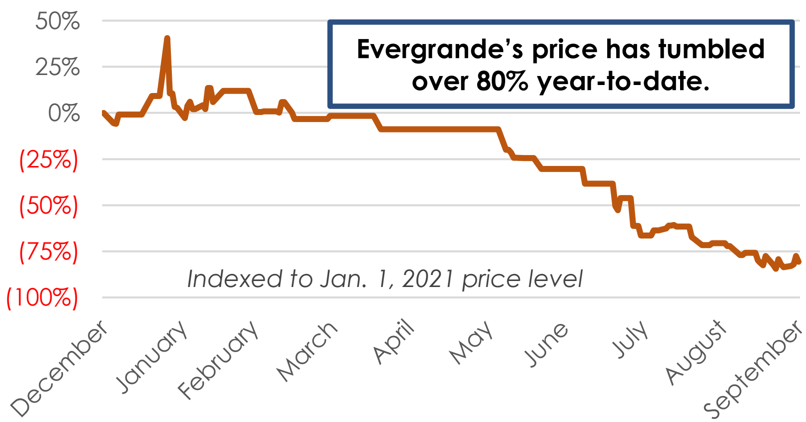
CCP interventions and the near-collapse of Evergrande have left investors confused about how to proceed with Chinese investments.

Investment Outlook: It is unknown how or when the Chinese markets will return to normalcy, but our small exposures to the country are not a substantial liability. Investors should be cautious with any moves in the Chinese market moving forward.

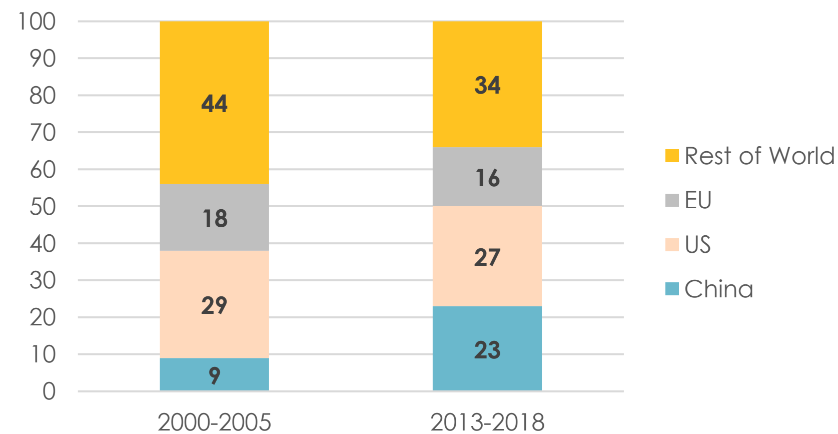
- Evergrande is the largest real estate developer in China and missed its third round of bond payments in three weeks. The firm is selling assets and gaining reluctant help from the CCP as investors fear a global contagion.
- The IMF believes that while risks remain, the CCP and Evergrande can resolve the situation without a spread of defaults.
- Meanwhile the CCP has cracked down on big technology firms with new regulations, causing large disruptions in their equity markets.

MSCI China Index (YTD % Change)

Evergrande Price (YTD % Change)



Global Household Consumption Growth (%)

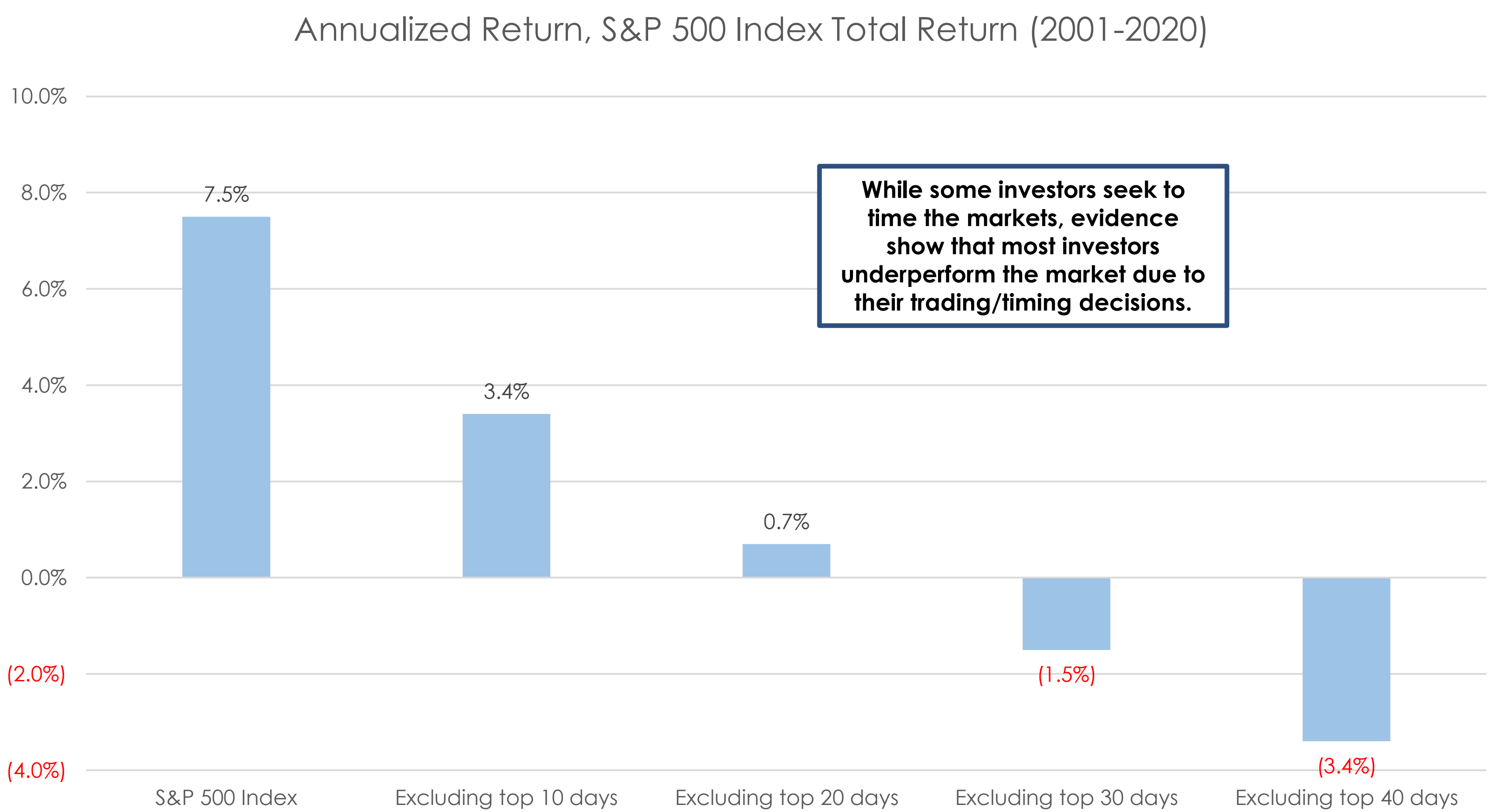


Refer to appendix for disclosures and data sources

TIME IN THE MARKET BEATS TIMING THE MARKET

By missing the top 10 days of the market, investors would miss half of the total long-term returns versus remaining invested.

Investment Outlook: Remaining consistently invested over the past 20 years would have brought an annualized return of 7.5%. Meanwhile, studies have shown that the average investor does less well as a result of trying to time the market's unpredictable turns.



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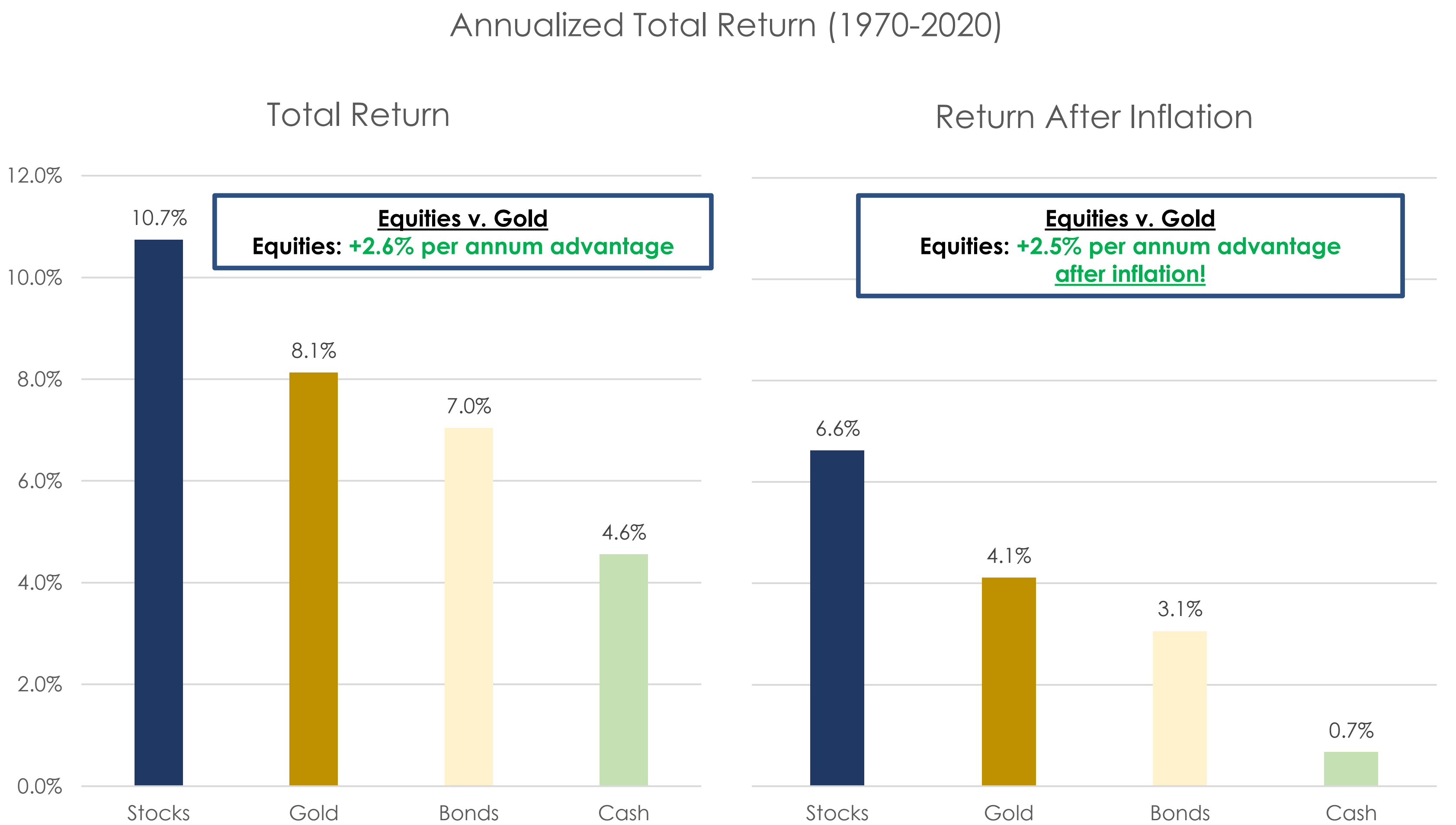
EQUITIES HAVE BEEN THE BEST HEDGE AGAINST INFLATION

Seeking hedges against rising inflation is a natural response. Historically, equities have been the best hedge.

Investment Outlook: Over the last 50 years, the total return for equities has been roughly 30% higher than gold's return. After inflationary periods, stocks extend their lead over gold.



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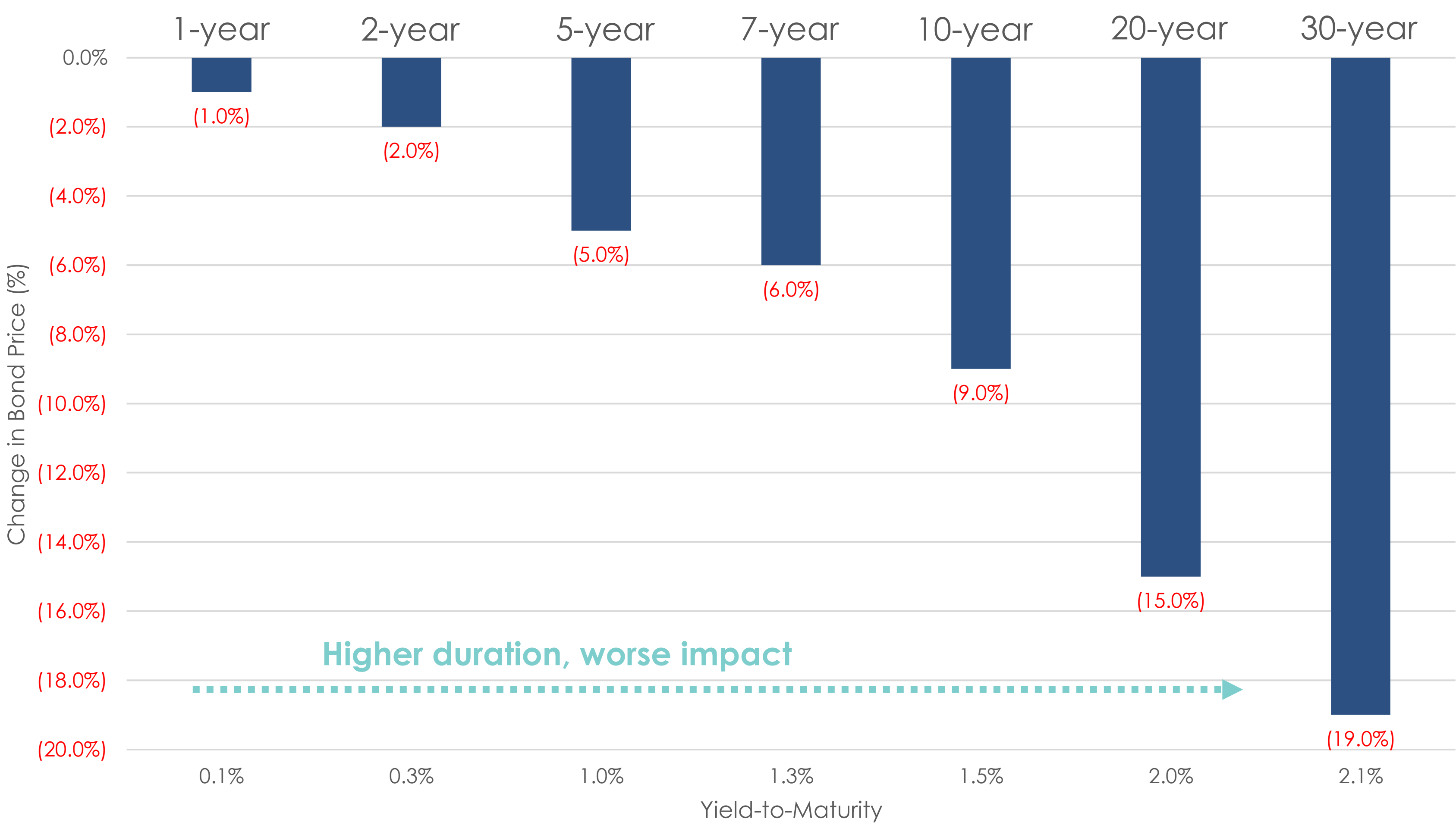
A 1% INTEREST RATE RISE IMPACTS BOND VALUE BASED ON DURATION

When interest rates rise, bond prices fall. A key measure of a bond's sensitivity to a rate rise is called *duration*.

Investment Outlook: The graph below shows how a 1% increase in interest rates effects Treasury prices. Longer Treasuries have a higher duration and are more adversely impacted. We have shortened our fixed income portfolio's duration in anticipation of this.



Refer to appendix for disclosures and data sources

ASSET CLASS PERFORMANCE SUMMARY

ASSET CLASS	PERFORMANCE		
Growth	**2021 Q3**	**2021 as of 9/30**	**2020**
Global Equities	-1.1%	+11.1%	+16.3%
U.S. Large Cap Equities	+0.6%	+15.9%	+18.4%
U.S. Mid-Cap Equities	-0.9%	+15.1%	+17.1%
U.S. Small-Cap Equities	-4.4%	+12.4%	+19.9%
International Developed Equities	-0.5%	+8.4%	+7.8%
Emerging Markets Equities	-1.8%	+10.2%	+18.3%
Opportunistic Yield			
High Yield	+0.9%	+4.5%	+7.1%
Income & Stability			
U.S. Tax-Exempt Fixed Income	-0.3%	+0.8%	+5.2%
U.S. Taxable Fixed Income	+0.1%	-1.6%	+7.5%

Sources: Ycharts as of 9/30/2021.

Performance values are the returns of the respective indices and are not inclusive of management fees: Global Equities = MSCI All Country World Index, U.S. Large Cap = S&P 500 Composite, U.S. Mid Cap = Russell Midcap, U.S. Small Cap = Russell 2000, International = MSCI EAFE Net, Emerging Markets = MSCI EM (Emerging Markets) Net, U.S. Tax Exempt Fixed Income = Bloomberg Barclays U.S. Municipal Index, U.S. Taxable Fixed Income = Bloomberg Barclays U.S. Aggregate Index, High Yield = Bloomberg Barclays U.S. High Yield Corporate Index. Past performance is no guarantee of future results.

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Page 2, 23: Asset Class Returns are the returns of the respective indices and are not inclusive of management fees: Global Equites = MSCI All Country World Index, U.S. Large Cap = S&P 500 Composite, U.S. Mid Cap = Russell Midcap, U.S. Small Cap = Russell 2000, International = MSCI EAFE Net, Emerging Markets = MSCI EM (Emerging Markets) Net, U.S. Tax Exempt Fixed Income = Bloomberg Barclays U.S. Municipal Index, U.S. Taxable Fixed Income = Bloomberg Barclays U.S. Aggregate Index, High Yield = Bloomberg Barclays U.S. High Yield Corporate Index. Past performance is no guarantee of future results. Data is from Ycharts as of 9/30/2021.
Page 4: Consensus figures from Bloomberg Terminal as of 9/9/2021.
Page 6: Bloomberg Aggregate Bond Index yields from YCharts as of 9/30/2021.
Page 7: All data from Our World In Data as of 9/30/2021.
Page 8: All data from St. Louis Federal Reserve as of 9/30/2021.
Page 9: All data from St. Louis Federal Reserve as of 9/30/2021.
Page 10: Job Openings data from YCharts as of 8/31/2021, US Unemployment Rate from St. Louis Federal Reserve as of 9/30/2021. US Labor Participation rate from YCharts as of 8/31/2021. US Productivity per Hour as of 6/30/2021.
Page 11: All data from EIA as of 10/19/2021.
Page 12: SPX index data from YCharts as of 9/30/2021.
Page 13: Corporate After-Tax Profits data from St. Louis Federal Reserve as of 6/30/2021. Est. NTM S&P 500 Operating Margin data from Bloomberg as of 10/6/2021. Forward S&P 500 EPS Est. data from YCharts as of 10/6/2021.
Page 14: 2022 S&P Industrials Sales Growth by Industry data from Strategas as of 10/12/2021 *(date received)*.
Page 15: All data from Strategas.
Page 16: Data for years 1999-2020 from Statistica as of 10/13/2020. Data for 2021 is Stockanalysis.com as of 10/13/2020.
Page 17: Historical yield curves are from the Treasury Department. Bottom right table constructed with data from the FDIC as of 9/30/2021.
Page 18: Bottom right graph from McKinsey & Co – China Consumer Report 2022. All other data from YCharts as of 9/30/2021.
Page 19: Data from Charles Schwab as of 9/30/2021.
Page 20: Data from Charles Schwab as of 9/30/2021.
Page 21: Data from Charles Schwab as of 9/30/2021.