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SUBJECT: 3Q2021 INVESTMENT COMMENTARY
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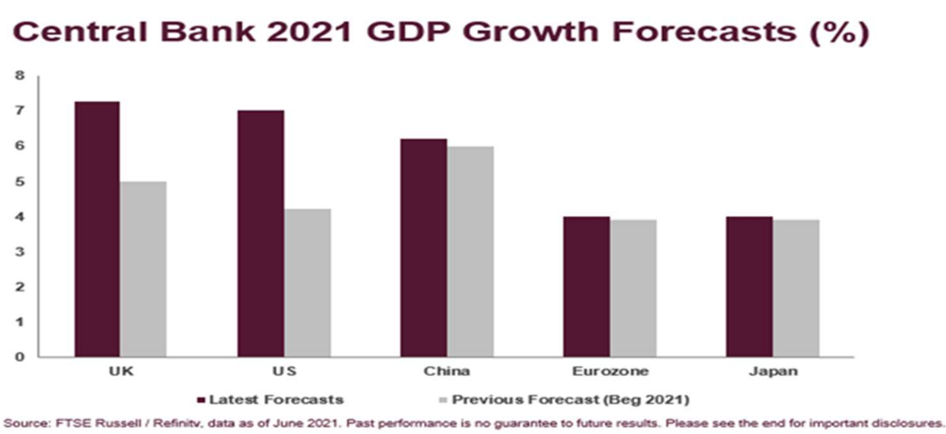
Review

It's an extraordinary opportunity—and a commensurate challenge - to capitalize on the promise of prosperity for all, according to the McKinsey Shortlist on Jul 9th. A less equitably distributed recovery will be less sustainable, and with worse outcomes for global health and the environment.

The longer the pandemic rages in the Emerging Countries, the longer it will take for a true global recovery. The International Monetary Fund (IMF) has called for funding for 750 million more vaccines by the end of the year with a $50 billion budget to vaccinate, track , and enforce public health measures in low vaccine countries. The IMF projects a return of $9 trillion on the $50 billion far outweighing costs. $35 billion of the costs are to be paid by grants from bilateral and multilateral agencies.

In addition to the pandemic concerns, there are issues in climate change and in international taxation which will weigh on the financial markets. A Dutch court ordered an oil and gasoline company to almost halve its CO2 emissions by 2030. At the G7 summit in Cornwall in June, the officials agreed an approach for a global minimum tax. The upoming US Federal Reserve Bank August Jackson Hole meeting will likely result in pronouncements and announcements that might churn the markets.

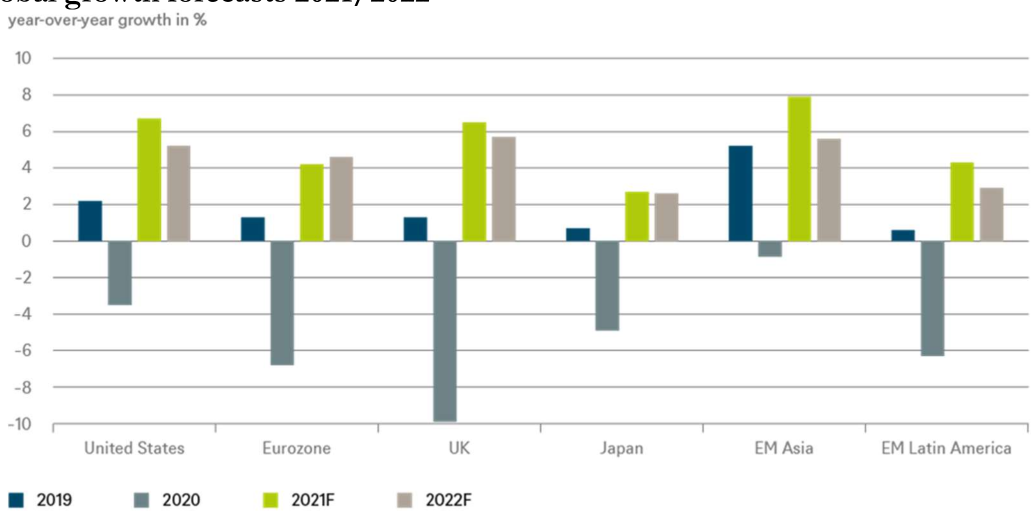
Meanwhile, cryptocurrencies in aggregate lost over a trillion U.S. dollars in market capitalization over the last month. It remains a volatile and disruptive force in the financial markets. As will China. Beijing recently approved $10bn in allowable Qualified Domestic Institutional Investor (QDII) allocations. It will permit more capital to leave China on concerns over high asset prices and a 10% jump in the renminbi/USD, reaching a three-year high in May. China's central bank also increased required holdings of foreign currencies by lenders, for the first time since the 2008.



The global economy is projected to grow by 5.8% this year, as compared with 5.3% forecasted at the beginning of the year. The estimates for the United States rose from 5.0% to 6.7%, which could be the fastest pace since the 1980's. The UK economic growth is forecast at a surprising 7.5%. Eurozone forecasts were raised to 4.2%. While the Emerging Market rate of growth is slowing but still high at 6.2%, including China. The 2Q21 global GDP growth rate expected to be around a 10%. With the U.S. Real Growth rates projected to declerate to 4% in 2022.

Economists have upgraded forecasts for 2021-22. Indicators of US Economic Recovery are higher than pre-pandemic levels, except for consumer confidence which is still off by 10%, but trending higher. While the level of Unemployment and ongoing Jobless Claims are lower. Unemployment is likely to trend further downward when extended unemployment payments expire in September and when children return to school the parents will be available to return to work.

Global growth forecasts 2021/2022



Source: DWS Investment GmbH as of 5/27/21

The Wall Street Journal reports the force of America's expansion is ricocheting through financial markets and causing dislocations around the world such as shipping bottlenecks in East Asia, effects on currencies and booming commodity prices.

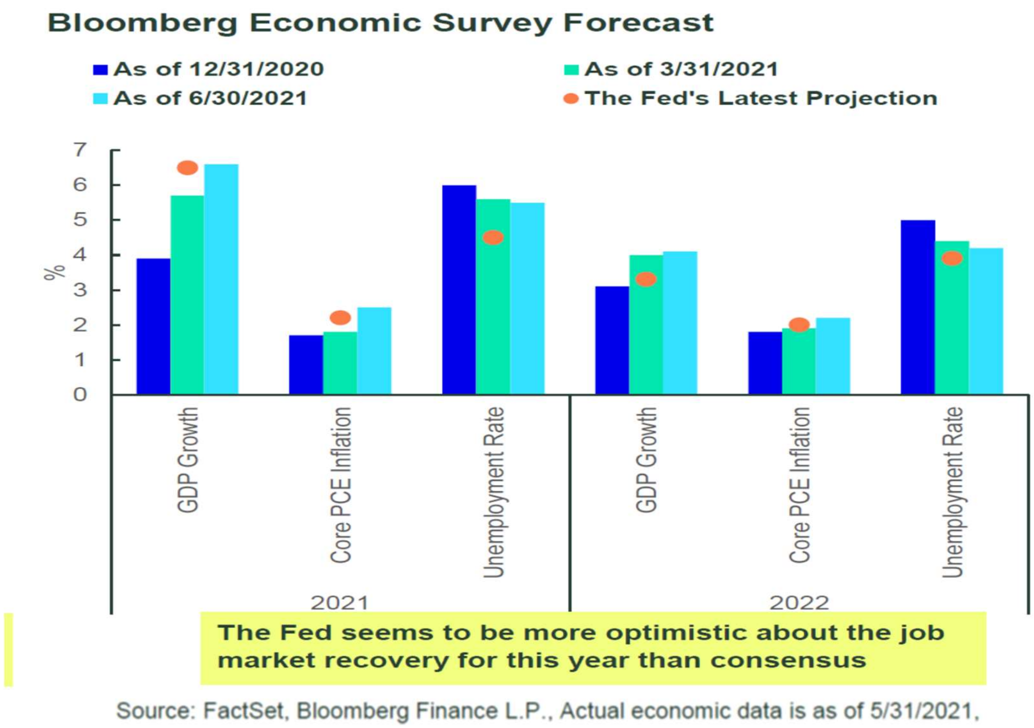
This quarter, inflation will be heightened year over year, due to last year's dramatic pull-back. The 2Q21 Consumer Price Index (CPI) came out at 5.4% primarily due to used car sales.

The bond prices rallied, driving the 10-year Treasury yield below 1.30% for the first time since February. Inflation expectations remain modest for 2021 and 2022, around 2.5% for the United States and 2% for the Eurozone. This does not support imminant rate hikes in major markets. The Fed and the ECB are unlikely to raise interest rates until 2023 at the earliest. Some central banks have already tightened monetary policy this year, most notably China, but also Russia, Brazil and Turkey.

The US Federal Reserve and European Central Bank are signaling a tapering of the bond purchases by 2022. The lessening of that monetary stimulus will result in a lower economic growth going forward and that assumes the approval of the Trillion Dollar infrastructure plans.

The US Fed in June raised the Interest on Excess Reserves (IOER) from 10 basis points to 15 basis points. This prompts Depository Institutions (DIs) to lend at rates at or above that, providing the Federal Reserve a modicum of policy control over the daily Federal Funds Effective Rate (FFER) to keep rates above zero.

US jobs level is still about 7 million shy of the pre-pandemic level. FTSE reported it will take more than 12 months to recoup, at the pace of May's jobs gains. In Mid-June, four states stopped making the extra payments and all states will let the programs expire in early September. Children back in school will eliminate another of the Summer obstacles standing in the way of potential job seekers.



Global Manufacturing shows sign of reaching a peak in most parts of the world, with emerging markets Purchasing Managers Index (PMI) sliding to a neutral reading. Services Sector activity picking up in the Eurozone and Globally. While the US PMI reading is positive but less extreme reading last quarter.

Both Services and Manufacturing in the US are still over a PMI of 60, an expansionary reading. Input prices and backlogs are close to their highest level in 15 year, which may put pressure on pricing according to SSGA FactSet as of June 30th. The U.S. economy is driven mainly by consumer spending, which may be in the best shape in 40 years with almost $2 trillion in additional savings.

Economically sensitive 'cyclical' assets will be the beneficiaries. Many of the cyclical industries were among the worst-hit in the early stages of the pandemic. They are now among those expected to deliver the strongest Earnings Per Share (EPS) growth in this year and in 2022.

Market Overview

2Q21 has seen record performance in stock markets around the World. Led by the Energy, Technology, and Real Estate Sectors. All Sectors but Utilities gained in the quarter. Fixed Income sectors did post positive returns for the quarter, with US Core and Government Bonds still in the red year to date.

With current negative 'real' bond yields (ie after inflation), investors will still prefer equities. During the first quarter, when the Value Style led, equity returns were largely propelled by dividends. In the second quarter, Large Cap Growth dominated diminishing the significance of dividends.

Quarterly Market Performance Barometer

	Return %		
Equities	Q2 2021	Q1 2021	1-Year
U.S. Market	8.37	6.01	43.34
Dividend Focus	2.69	9.18	23.78
Global ex-U.S.	5.49	3.58	36.67
Developed ex-U.S.	5.54	4.15	34.82
Emerging Markets	5.53	2.64	41.31
Fixed Income			
U.S. Core Bond	1.87	-3.39	-0.30
U.S. Government	1.91	-4.34	-3.15
U.S. High-Yield	2.71	0.85	15.41

	Return %		
Top Morningstar Sector Indexes	Q2 2021	Q1 2021	1-Year
Energy	12.18	30.67	53.30
Technology	11.33	1.94	45.42
Real Estate	11.21	7.50	32.84
Bottom Morningstar Sector Indexes			
Industrials	4.41	11.19	51.32
Consumer Defensive	4.24	2.43	27.33
Utilities	-0.44	2.80	15.71

Source: Morningstar Direct.

US Market breadth is narrow, with less than 50% of stock prices increasing above their 50 daily moving average. Day Hagen Technical Analysis point that average stock prices are not moving with the Large Cap uptrend. Day Hagen is looking for renewed breadth and a resumption of rising Small Cap stocks. S&P 500's P/E multiple is approximately 18% above its five-year average with a 2Q21 earnings growth rate of 60% supporting the valuations. The 2021 earnings growth is pegged at 25%.

In their July 13, 2021 Analysis, Hagen indicated the economic backdrop is changing from broadly bullish to more Large Cap (LC). 2Q21will be challenging, necessitating a cautious and a managed risk approach. Small Cap (SC) Growth underperformed in 2Q21. SC is position to recover in the second half of 2021.

Day Hagan recommends an overweight to IT and to Energy with an underweight to Healthcare. By the end of 2Q21, the Russell 2000 SC Index had lost most of the edge over its 1000 LC index. In the Morningstar Style Boxes below, it shows that Small Cap Value has outperformed over YTD and one year. While behind Large and Mid-Cap growth this quarter and over three years.

Overall, the market styles have been balanced. Value style investments has lost some of its 1Q advantage over the Growth Style. The earnings growth in the Value stocks remain strong. The lower dividend yields compress total returns for Value versus Growth stocks. State Street Global Advisors (SSGA) reported in June that the Growth Style outperformed Value by a 7.5% gap over one-year , which is the largest outperformance in the last two decades.

Index Market Barometer Trailing Returns

Q2 2021

	Value	Blend	Growth
Large	3.82	7.86	15.42
Mid	4.19	6.75	11.33
Small	5.41	2.52	4.79

1-Year

	Value	Blend	Growth
Large	34.91	41.47	42.02
Mid	53.45	48.82	43.24
Small	75.88	54.48	43.51

3-Year

	Value	Blend	Growth
Large	11.36	18.96	24.95
Mid	9.12	15.77	24.79
Small	8.48	10.63	17.33

Source: Morningstar Direct.

Value has not retained the rotation that began late last year. Quality is the only factor in 2Q21 that outperformed in both the MSCI USA and the EAFE Indexes. The Momentum factor generated excess returns for the MSCI Emerging Market Index.

When the ISM retreated from its 1Q21 highs last quarter, Growth and Defensive Stocks outperformed. There is an emerging change in Style and Sector leadership. The Equity Markets are likely to be volatile as investors struggle to price in positive but decelerating growth.

Aggregate corporate cash surpassed $2.1 trillion, up more than 30% from the end of 2019 and 6% higher than the previous peak reached at the end of 2017. The cash is being used to buy other companies or for stock by-backs.

Apple, Alphabet (Google parent) and Facebook have been gobbling up their own shares through repurchases. Apple bought $19 billion of its own stock in the first quarter, bringing the total to $77 billion over the past four quarters. They added $90 billion more to their repurchase authorization.

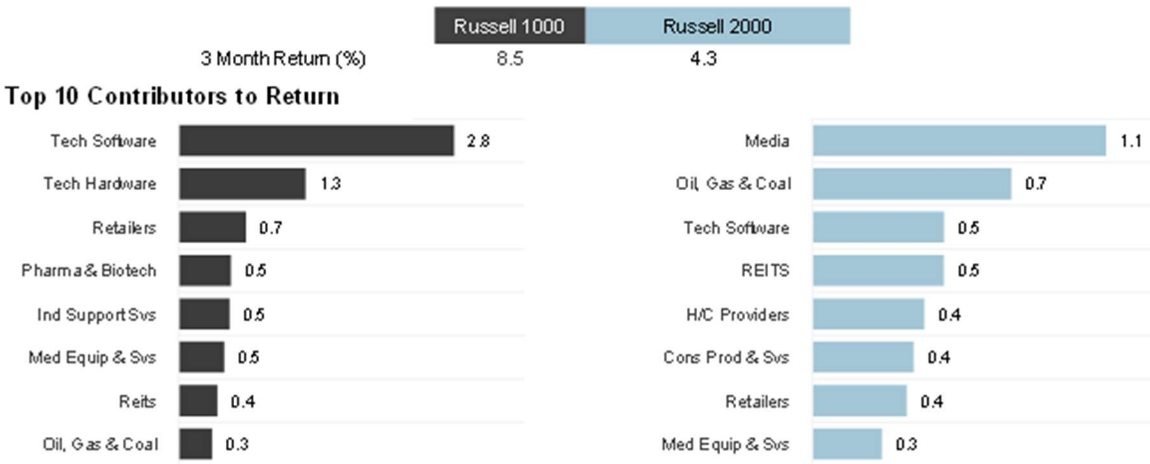
Equity Markets

The Dow Jones Industrial Average (DJIA), S&P 500 and tech-heavy Nasdaq all closed at record highs in early July and the Morgan Stanley Country Indexes-All country World Index (MSCI ACWI) recorded a new record high in June.

Nasdaq gained 5.08% last quarter and 13.8% YTD. S&P up 8.55% last quarter and 15.25% YTD. While the MSCI ACWI posted a return of 7.53% 2Q and 12.6% YTD.

The MSCI Europe, Australia and the Middle East Index (EAFE), the Emerging Markets (EM), and the ACWI ex-USA rose 5.17%, 5.03%, and 7.39% in 2Q21 and YTD 8.83%, 7.45%, and 12.3%.

Year-to-date, the Financial Times Stock Exchange (FTSE) Russell 1000 Large Cap Index and the Russell 2000 Small Cap Index are up 14.9% and 17.4%, which are ahead of the 12.6% gain in the FTSE All-World ex USA Index. Russell 1000 versus 2000 have different Sector concentrations.



The UK FTSE 100 P/E ratio is now in line with its 10-year average (13.0 vs 13.5x). The UK market leadership is a result of its dominance by the Basic Materials sector. In Europe, Industrials, Health Care and Financials make up about half of the FTSE Europe ex UK Index. Momentum has been evident in UK and Euro Small Cap.

European valuations are at a prices earnings ratio of 16.7 P/E. European leading indicators have caught up with the US. The US and UK lead the EPS growth recovery outlook in 2021. They have enjoyed large upgrades in their 12-month EPS estimates and along with Europe. As the rotation into Value gets underway, the UK will benefit.

Higher earning companies have generated better financial returns so far in 2021. Cyclical sector is showing stronger growth and earnings. It continues to lead sentiment ahead of the 2Q21 earnings season. Japan's sector composition is procyclical, with consumer discretionary, industrials and information technology accounting for more than 50% of total market capitalization

At the end of 2Q21, the Small-Cap index had relinquished nearly all of its performance edge over the Large-Cap index gained at the beginning of the year. US Small Cap and Value Factors are more attractive after the market prices pull-back, as the Growth Factor regained leadership. International stocks have better valuation than US Large Cap Growth notes DWS Investments. Quality companies with high pricing power look the most attractive.

Sector Performance

A wide divergence in Sector performance during the first quarter narrowed in the second, with all but the Utilities sector posting gains. Energy stocks still led, gaining 12%, but Technology stocks rose 11.3%. The Basic Materials and Industrials sectors slid-back from the first quarter but is still up on the year after 2Q21.

Household savings grew by $2 trillion since the pandemic began. If spent, it would likely to boost consumption by 12%. Expectations are that by Summer, consumers will be splurging the Consumer Discretionary airline tickets, hotels, cruises, restaurants, concerts, sporting events and movie theatres this Summer.

Morningstar Sector Indexes

	Return %		
Cyclical	Q2 2021	Q1 2021	1-Year
Basic Materials	4.95	11.27	52.00
Consumer Cyclical	5.79	5.16	56.16
Financial Services	8.46	13.01	55.85
Real Estate	11.21	7.50	32.84
Sensitive			
Communications Services	10.44	8.31	53.81
Energy	12.18	30.67	53.30
Industrials	4.41	11.19	51.32
Technology	11.33	1.94	45.42
Defensive			
Consumer Defensive	4.24	2.43	27.33
Healthcare	8.48	2.47	29.17
Utilities	-0.44	2.80	15.71

The Consumer Cyclical sector led the past year but slowed this 2Q21 and is trading at a 12% premium according to Morningstar. Interestingly, its subsector Vehicles and Parts seems fairly-valued. Earnings for Discretionary Goods have been stymied by global shipping disruptions. The Consumer Defensive sector remains priced at a slight premium due to the increase in supply, labour, and transportation costs.

The Growth Sectors, Technology and Consumer Cyclical, have reversed their earlier underperformance since mid-May. The Russell 1000 Index had almost half of its return from Technology, with contribution by Retailers as well as Medical Equipment and Pharmaceuticals. Tech tends to be Large Cap and Quality Biased.

The State Street Global Advisor (SSGA) see Banks, Metals & Mining, and Retail industries will benefit if there is a reflationary shift and a positive economy. Typically rising rates create headwinds on a total return basis, especially when the current yield is low. Banks can provide protection against both higher inflation and higher real interest rates because banks are short duration assets.

Energy remains attractive with strong earnings capacity and good valuations. Financials ranked amongst the leading sector last quarter. The retreat in inflation fears and the decline in the 10-year yields reduced support for Financials. The Consumer Defensive sector is showing poor earnings prospects and momentum.

Emerging Markets

Emerging Market Indexes are now dominated with 80% in Asia, while Eastern Europe, MENA and LATAM have lost ground. Greater China has led the world with returns in local currency of 40% in 2021, followed by North America-22% and Asia-20% Lagging behind were the Middle East and Africa aka the MENA Region-9%, Latin America-6% and Europe-3%, according the McKenzie Short Takes.

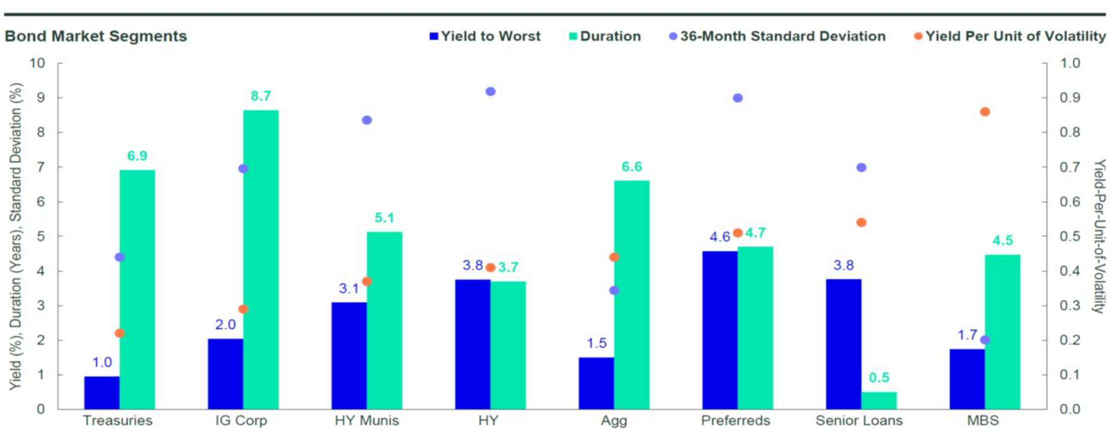
Jonathan D. Ostry, IMF Acting Director of the Asia and Pacific Department, projects Asian regional growth to reach 7.6% this year and 5.4% in 2022, with China at 8.4% and India with 12.5%. Australia, Japan, Korea are benefiting from positive growth surprises. South Korea has 30% eMarket penetration, which is higher than China, according to PION.

Indonesia, Malaysia, and the Philippines are hit with increased coronavirus cases and renewed lockdowns, and therefore face a weaker recovery. Commodity prices are boosting valuations in Brazil and Russia, but those countries also have Covid headwinds.

Fixed Income Market

The Fixed Income markets rallied broadly late in 2Q21 on a blip in economic data. This lifted the market value of Treasuries and yields declined as a result. Yields are expected to increase in the months ahead. The long-term US Treasury yield declined in 2Q21from peak of 1.75% to around 1.5% by June end and contributed to the flattening in the US yield curve.

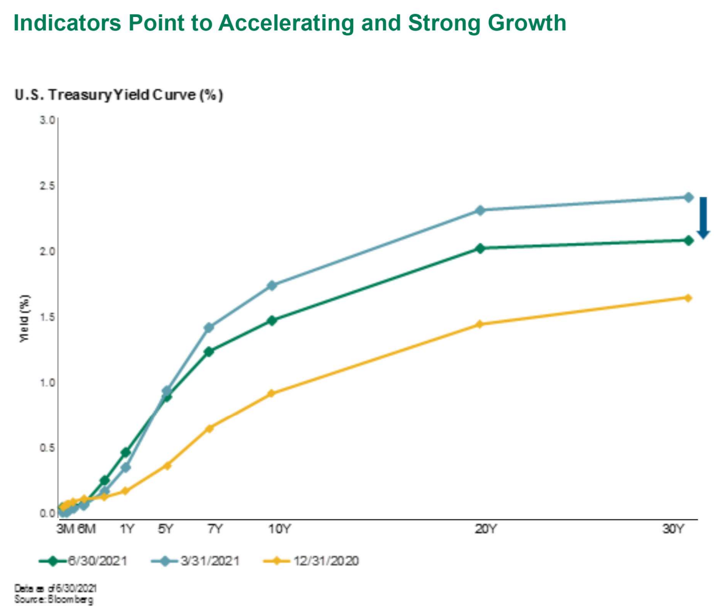
The Total Return for Investment Grade (IG) Corporate Bonds trailed the US Treasuries of similar duration by 27 bps (0.27). The IG spread over Treasuries widened 3 bps as funds flowed to Treasuries. High Yield (HY) Corporate Bonds had positive returns but trailing Treasuries as well. HY yields reached an all time low of 3.53% as their prices had been bid-up. Emerging Bonds (EMB) lagged the other Fixed Income sectors but generated a positive return.

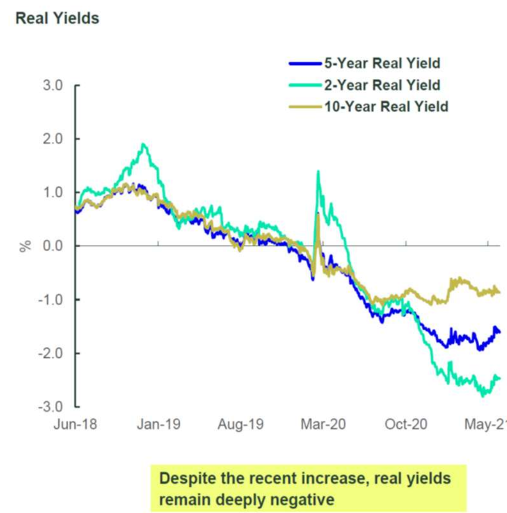


Source Bloomberg Finance L.P. June 30, 2021

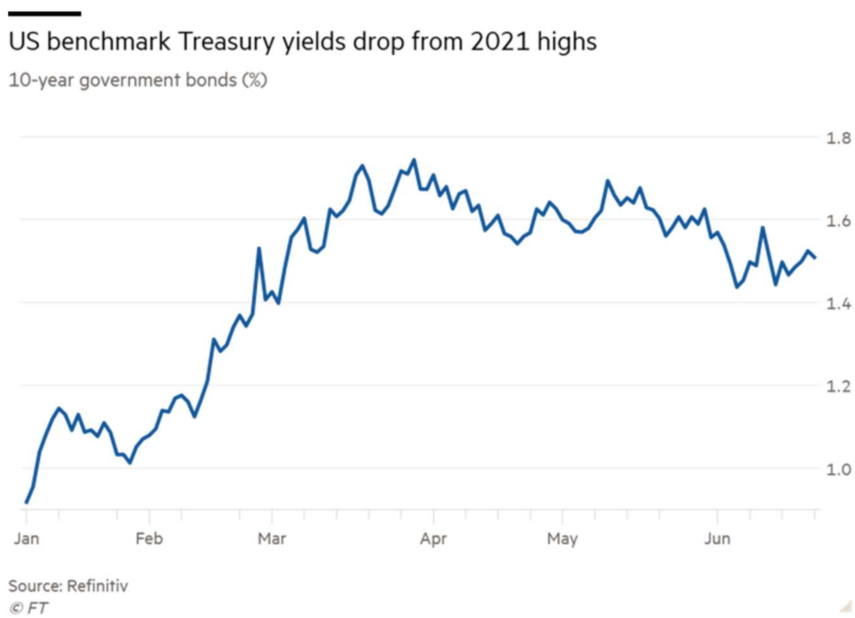
The tapering of the US Fed purchases from the current $120 billion monthly to $10 billion a month over the next year, will reduce the support of market prices of Treasuries and especially mortgage-back securities (MBS). This could result in prices sagging and a commensurate rise in yields.

The FOMC June meeting opened the door to two interest rate increases in 2023. The 10-year Treasury yields had been on a roller-coaster in 2021, with drop to 1.35 on the 10-year before rising to 1.80 in March, then settling at 1.50 most recently. The two-year note, which is more sensitive to monetary policy adjustments, shifted higher with yields up 0.11 to 0.26 per cent percentage points since the start of the month. That led to a swift flattening of the yield curve.





Source Bloomberg Finance LP courtesy of SSGA



The flattening yield curve could hinder those industries that are more sensitive to interest rate momentum, such as Financials, which benefited from sharp yield increases in the first half of 2021. Expectations are for the Yield Curve to steepen as well as yields to rise, while the spread between Treasuries and other bonds to remain flat-to-modestly wider from here. It will be a balance between an increase in short-term rates and growth or inflation expectations for the longer-term.

Fitch Solutions notes that revolving credit facilities will be critical for Corporate Bond issuers to access the necessary cash buffer for revenue or working-capital shocks in the next 12 to 18 months. Weaker liquidity and less-certain access to funding among sub-investment-grade credits is a common cause of negative rating actions, which hits market values.

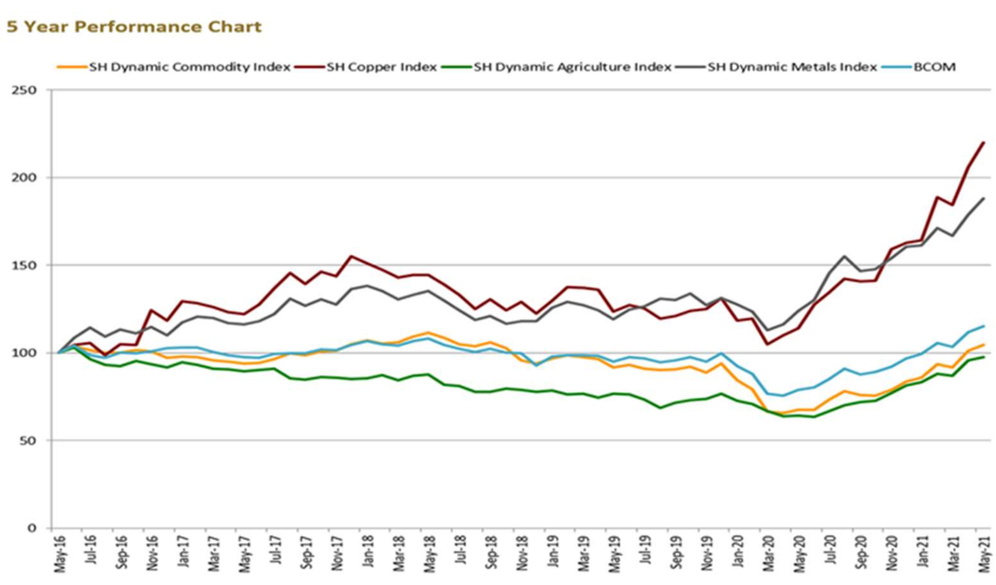
Positive economic prospects support a continued outperformance of lowest rated bonds year-to- date. High Yield are leveling out as their spread over investment grade is near the lowest level in over a decade, while yields are at all time lows of under 4%. Core Plus managers outpeformed in June, with High Yield managers struggling to deliver previous returns. Investment Grade bonds posted better returns, as concerns about inflation come to the fore.

Trying to pay for deficits with inflation or rapid money supply growth can be the most expensive and dangerous approach for the Fixed Income market. ‘It's better to let real rates rise.’

Other Assets

Dollar strength is diminishing. Forecast is for the dollar to weaken from 1.15 U.S. dollars per euro to 1.20, as the potential for positive surprises has shifted toward Europe.

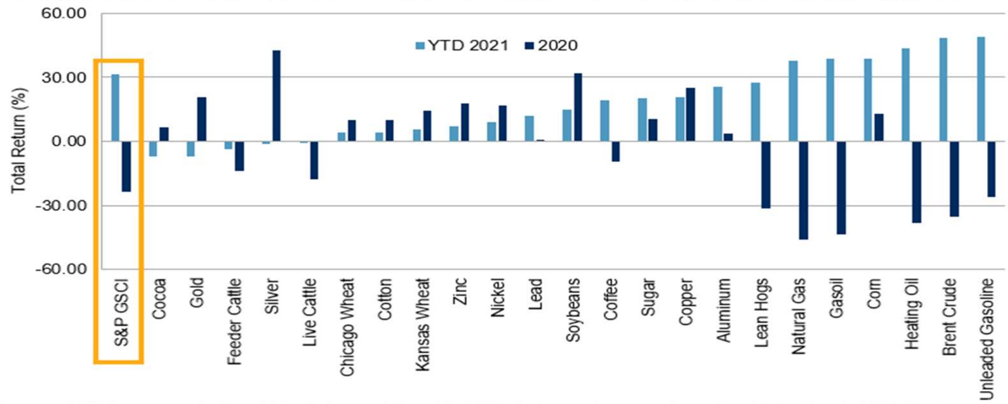
Commodities spiked back higher after a June decline, recovering all of their loss. Commodity prices will depend on how quickly the supply side can expand production. There has been years of underinvestment which could take years to build capacity.



Gold is in a trading range. Industrial metals have expected market demand as the economy reignites. As China ramps up its infrastructure plans, demand is expected to be strong through the first half of 2021 and we would expect to see continued investor interest in Base or Industrial Metals.

The S&P Goldman Sachs Commodity Index (GSCI) rose 31.4% in the first half of 2021, outperforming the S&P 500®, which rose 15.2%. Many commodities are reaching all-time highs. Industrial Metals sector has risen 19.5% year-to-date to the end of June. Precious Metals struggled. Agriculture has a gain of 19% through 2Q21, with corn prices up nearly 40%. Cocoa was the only agricultural commodity in the red.

Exhibit 1: First Half 2021 versus Full Year 2020 Returns of the S&P GSCI and Constituents



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2021. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Crude had spiked this year. It may rise further, going from $70 to $80 per barrell. However if OPEC opens the spigget, prices could retreat to support levels of $60 per barrel. OPEC and Russia are poised to increase market share in response to any slowdown from the US and European-based producers.

Real Estate (RE) stocks performed better as housing prices rose across the country. DWS notes that the macroeconomic backdrop is supportive for US real estate with returns projected to be greater than 20% in 2021. Logistic properties close to the city centre and residential properties in the surrounding areas of sought-after metropolises are in demand.

There are strong economic underpinnings for Real Estate Investment Trusts (REITs). Over the past 16 months, it lagged the broader S&P 500 Index by some 20%. The strong balance sheets and access to liquidity and hedge inflation with rent increases mean REITs are in position to benefit going forward.

Average Total Returns By Property Sector (2001-2020)*

	Industrial	Office	Retail	Residential	Hospitality
Past 20 Years	13.36%	8.60%	11.27%	12.48%	8.22%
Past 10 Years	16.68%	6.20%	4.97%	10.85%	4.42%
Past 5 Years	21.93%	3.38%	-4.66%	6.89%	2.15%

Source NARET 2020 Annual Price and Return by Sector

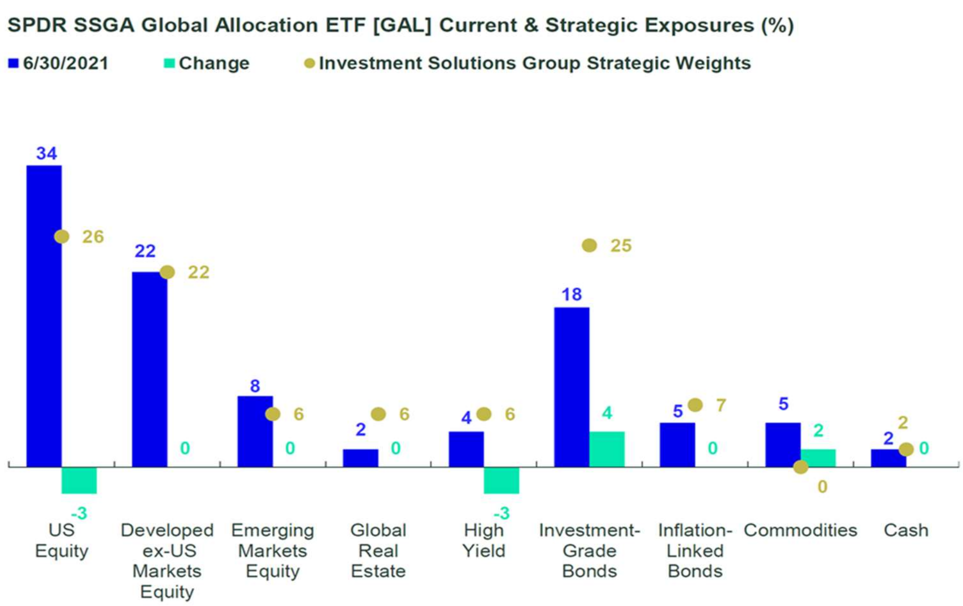
Real Estate (RE) prices tend to rise in rising rates due to two reasons. The first is they are a 'real' asset that are seen to preserve value overtime. Second, many leases in real estate are interest rate adjusted. The different property sectors have returns related to varying economic and secular cycles. Retail and Hospitality have declined due to the Covid crisis.

With the move to digital shopping, real estate is benefiting from industrial warehouses and data centers or towers. Residential is improving lately as people look to up-size after some 100 million people were working from home. These global RE trends need a tailored approach to RE Sectors.

Bitcoin is being touted as a replacement for Gold in portfolios. There is a place for Crypocurrency, it is not instead of Gold, which serves a different purpose of inflation hedge and/or risk mitigator. Crypto is still a developing asset class that should be approached cautiously, with a variety of holdings in a secure digital wallet. The space is still speculative in the early adoption stages.

Asset Allocation

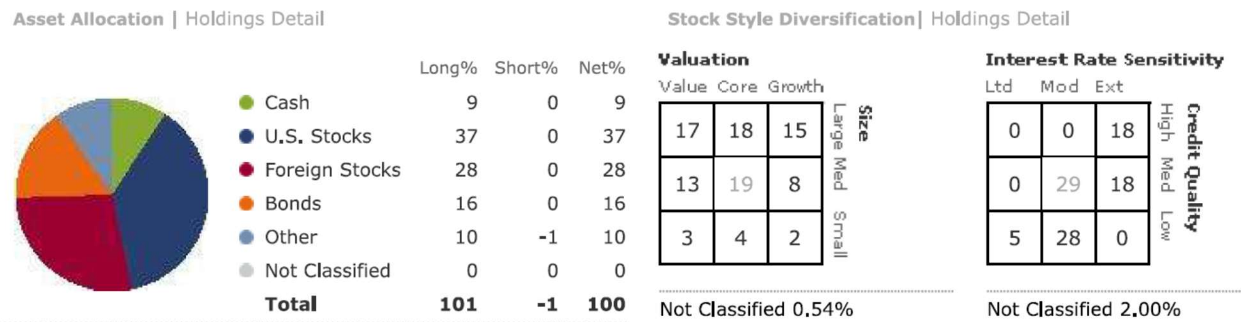
Equity markets are having a hard time pricing in positive but decelerating growth. There is a slight risk-off tilt being incorporated into portfolios. The updated SSGA Global Allocation (GAL) as of June 30th shows a reduction in the US equity and High Yield (HY) exposures. The GAL shifts those weights to Investment Grade Bonds (IG) and Commodities. The strategic exposure weights from the SSGA Investment Solutions Group further increases IG Bonds to 25%, Inflation Link Bonds to 7%, along with Global Real Estate to 6%. It is around a 70%/30% Equity/Fixed Income split.



Source State Street Global Advisors June 31 2021

The 3Q21 SSL is built around a 75%/25% Fixed Income/Equity split and the portfolio is hence moderately more risky. It is for investors who have an investment horizons of ten years or more and who are not preoccupied by volatilty.

For most investors, maintaining such broad-based market exposure is a prudent way to invest. The SSL portfolio utilizes SMART ETFs with regional and sector weights to capture the potential returns. SMART ETFs can select index constituents based on fundamental factors, such as Quality, Growth, Large and Small companies, as well as across industry categories.



The SSL 3Q21 retains a slightynhigher allocation to US equities with an overweight to Cyclicals, especially Real Estate. Interest rate sensitive stocks are under emphasized however with the Industrials overweight. The Defensive sector is equally weighted. Overall, Aggressive Growth is minimized with more assets in Hard Assets. A tactical allocation to the UK has been added.

The Fixed Income allocation is balanced on credit quality and interest rate sensitivity. The emphasis is on Core Bonds as well as Preferred Stock as a Fixed Income proxy and Convertible Bonds. The allocation to US Core Bonds has 40% in US Treasuries. The International Corp Bonds are primarily lower Investment Grade with 55% BBB. There is also a small percentage kept in Inflation Linked Bonds, and US High Yield.

Conclusion - *Change is a-Coming*

There continues to be a disconnect between asset markets and the real economy due to government interventions. It will remain a feature of the global economy in the medium term. A uniform carbon price would be a much-needed coordination signal for the massive public and private investment that will be required to prevent a climate catastrophy. A uniform carbon price would act as an additional tax. Company profits could decline. In any event, return rates will be lower in the future.

There has been a revival of discussions on making personal taxes more progressive. A global minimum corporate tax rate has become more likely. Expect such a global rate to land somewhere between 15% and 20%. This discussion will carry on for years as it becomes implemented. It may increase the level of overall global corporate tax collected as well as how Multinational Entities (MNE) create a level of globalization. Costs will rise in any event which will likely impact markets.

Previous performance is not a guarantee of future returns. All investments contain risk. Your particular portfolio should be designed to your level of risk and to target your financial goals. Review regularly. *Senior Solutions Ltd (SSL) provides financial planning guidance for a fee. The client receives guidance to implement at their own discretion. SSL does not guarantee any returns from such guidance. SSL is not an investment manager, does not sell investment or*