SENIOR SOLUTIONS UPDATE

FROM: PATRICE HORNER, CFP, MBA
SUBJECT: 4Q2021 INVESTMENT COMMENTARY
DATE: OCTOBER 25, 2021

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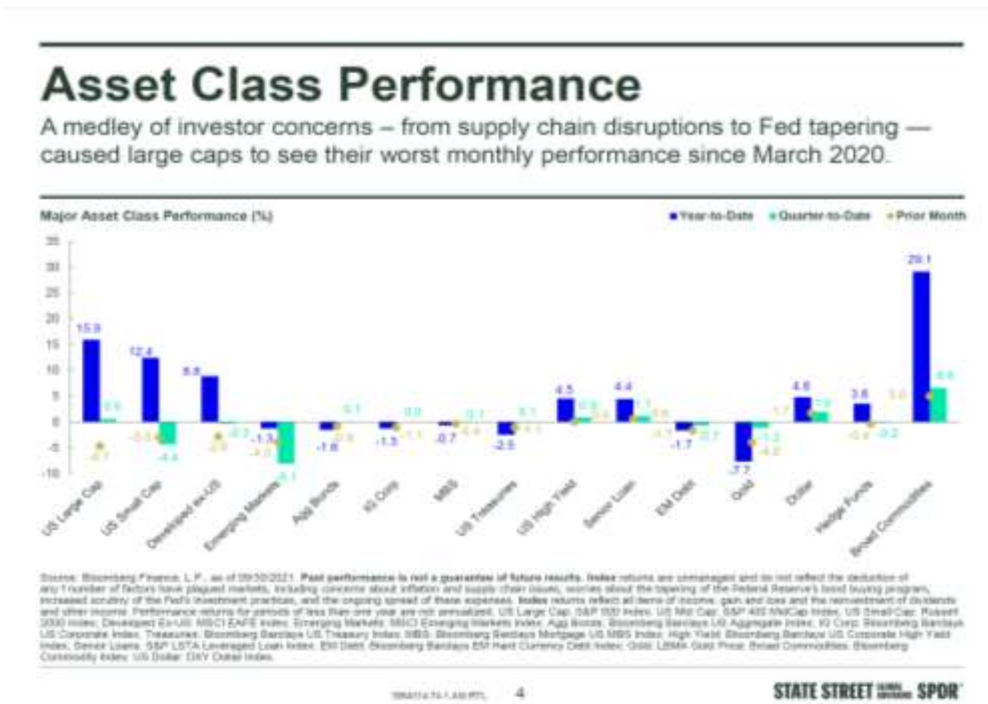
Review

Rising tensions between China and major developed economies are underappreciated, according to global consultant Fitch Solutions. There is also the continuing threat of a U.S government shutdown over the debt ceiling. While in German election, the red-red-green alliance did not receive enough votes to form a majority government. And the largest economy in South America - Brazil - is facing a contenious election. The International Monetary Fund (IMF) has reduced their global economic forecast for this year, to just shy of the 6% expansion it estimated in July, due to risks associated with debt, inflation and divergent economic trends following the coronavirus pandemic.

JPMorgan cut its US 3Q21 GDP growth forecast to 5% from 7%, although it lifted its 4Q21 forecast to 3.5% from 3%. The S&P 500 posted its first negative monthly result this year of -4.7%, but retained an 16% increase YTD. There was a $2.5 trillion loss in equity values in September. Bond rates and spreads moved little over the quarter and remain low, despite a recent uptick in yields. Stock market corrections (drawdowns of between 10% and 20%) have occurred more frequently in mid-cycle. This volatility often has been relatively short-lived, with the market typically recovering and going on to surpass its prior peak. Fidelity Investment Ltd (FIL) envisions short 10% decline/corrections in a four-month cycle.



SEC Chair Gary Gensler predicted some trading in financial contracts linked to the London Interbank Offered Rate (LIBOR) will become "choppy," but warned that regulators will not waver on the Dec. 31 deadline. London Interbank Offered Rate (LIBOR) is one of the world's most widely used interest rate benchmarks. Secured Overnight Financing Rate (SOFR) is the industry's preferred alternative to U.S. dollar LIBOR. They are used as the basis in adjustments for preferred securities, senior loans, middle market loans, collateralized loan obligations (CLOs), corporate bonds, securitized credit, private credit, and derivatives. Not all contracts maybe revised in time to reflect the change in benchmarks, creating some out-of-cycle confusion and adjustment.

A historic OEDC tax deal was signed in the Summer by 136 nations including all G20 countries. It will introduce a global minimum corporate tax rate of 15% and grant countries new rights to tax large companies based on where they earn their revenues, rather than where they are located. Another critical tax relates to global carbon pricing. No consensus has been reached among the parties. Some 64 local initiatives have been floated with pricing from a few dollars to $70 on a ton of emissons. Exports now account for 30% of global GDP, including around 25% of territorial GHG.

Higher US taxes on corporations and high-income individuals may depress the economy. However if it is used to fund spending on infrastructure and other proposals it could be pro-growth in the near-term. Global EPS is round 14%. Non-US equities have lower P/E ratios, with prices less than average. US average stock prices are on high side, but growth continues to be supportive of prices.

	2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Earnings ($)	28.6	24.1	35.7	38.0	43.9	48.6	48.7	51.4	51.2	54.2	56.6	57.7
YoY Growth	-20.9%	-37.9%	-7.6%	-3.0%	53.5%	101.6%	36.6%	35.1%	16.4%	11.6%	16.1%	12.4%
Calendar Year Earnings ($)				122.5				203.8				222.6
YoY Growth				-19.3%				66.3%				9.2%

Economic Summary

The U.S. added 194,000 jobs in September, far less than the 500,000 economists had estimated. Meanwhile the unemployment rate came in at a low 4.8% due to a decline in the size of the overall labor force/participation. Bloomberg reported that 'the labor market simultaneously shows signs of weakness (via a stubbornly high unemployment rate) and overheating (as companies say they're struggling to find workers)'. A hidden wealth affect is a large part of the explanation. Consumers' propensity to spend could dim as energy price increases, along with the end of wage subsidies, and the temporary end to capital market gains. Energy prices look to remain elevated for sometime.

New credit-line issuance peaked a year ago as a percentage of GDP. It leads actual economic purchasing activity by about 12-15 months, suggesting that PMI will slow going forward, according to the Goldman Sacks Credit Impulse Survey. There has already been a drop-off from last year.

Equity flows in the first half of 2021 (1H21) are the largest in last 20 years, according to BofA Global Equity Strategists. The broader stock market has inflated under the tailwind of a record option buying spree over the last 18 - 24 months notes Seeking Alpha. The "fear of missing out" (FOMO) has been driving speculation. Without continuing liquidity to push prices higher, a downward cycle could begin where lower prices cause more selling. The degree of forced selling is proportional to the amount of speculative excess. Bull runs are eventually mean reverting increasing the likelyhood of a correction.

Some areas of the economy are seeing even hotter price gains. Equity volatility is rising sharply while the macroeconomic backdrop softens for the US economy and corporate profits increasing the chance of a correction, points out Logan Kane of Seeking Alpha. As much as 10% of the value of stock indexes is being artificially inflated by the 'shortage economy' perspection. The power of "excess liquidity" continues to power more upside for the S&P 500 index, for the time being.

DWS reports that S&P 500 companies are expected to beat analyst earnings estimates by roughly only 5% on average vs the 20%+ in the last 5 quarters. Digital based companies, Health Care and Financials will beat estimates more than the average. Profit growth was challenged by input costs, service businesses not operating fully, as well as labour challenges. In response to the higher direct costs and lower capacity utilization, companies are raising prices.

Those supply-side pressures, supply-chain disruptions, depleted inventories, high backlogs of orders are likely to keep inflation elevated for some time. The Case-Shiller Index is a measure of house prices. It posted the biggest ever year-over-year (YOY) 19.1%. increase. Housing cost is the largest component of inflation with rent at 7.6% and owners' equivalent rent (OER) at 23.6% of CPI. With a 15% increase in housing prices it would have an inflationary impact of 1.6% in overall CPI.

Market Overview

September was a month of reversals from the prior two months of the quarter, for nearly every S&P 500 Factor. The High Beta (Momentum) and Pure Value Factors had losses mitigated due to gains in the holdings in the Energy and Financials Sectors. The Quality Factor tends to outperform during periods of higher uncertainty, also when service-related companies begin to enjoy greater pricing power. This coincides with a shift from the early to the mid-cycle phase of expansion.

The September set-back effected all Styles including Large Growth stocks. Yet only Large-Cap Growth LCG stocks finished the period in the green. LCG had 3Q21 losses mitigated by companies in the Energy and Financial Sectors. The Morningstar U.S. Large Growth Index returned 2.35% in 3Q21 while the Morningstar U.S. Small Growth Index fell by -4.5%. Year to date (YTD), there is more of a shift to Mid and Small Value Style stocks, with returns of 20% and 25% YTD.

Equity Markets

For the last quarter 3Q21, the Defensive group of Sectors were marginally positive, with Cyclicals and Interest Rate Sensitive fading from earlier gains. The Industrial, Basic Materials, and Communications Sectors posted the largest set-backs in the quarter. This is reflective of the earlier mentioned reversals. That is not likely to be maintained going forward. The Cyclicals and Interest

Rate Sensitive type of companies are likely to resume their strong annual returns. Energy was up 87% with the rise in crude prices and constricted supply. Financial services gained 50% in part on expectation of interest rate increases in the offing.

Morningstar Sector Indexes

	Return %		
Cyclical	Q3 2021	Q2 2021	1-Year
Basic Materials	-3.82	4.95	30.69
Consumer Cyclical	-0.13	5.79	29.84
Financial Services	1.21	8.46	50.57
Real Estate	0.69	11.21	30.86
Sensitive			
Communications Services	-1.61	10.44	38.10
Energy	-0.95	12.18	87.31
Industrials	-4.01	4.41	30.87
Technology	1.95	11.33	32.58
Defensive			
Consumer Defensive	-1.22	4.24	13.50
Healthcare	0.37	8.48	22.21
Utilities	1.17	-0.44	11.49

Source: Morningstar Direct.

Momentum also remains strong for Communications, Info Tech, and Real Estate, while valuations are favorable for Energy, Financials, and Materials. Both Consumer Staples and Materials Sectors are lackluster in light of uncertain market environment, according to the State Street Global Advisors (SSGA) 9/30 report.

The Energy Sector gained YTD from a doubling of fuel prices while Defensive Utilities suffered on push-back on carbon emissions and potential interest rate increases impacting their rich dividends. Energy's strong performance was led by Oil and Gas - Exploration and Production. The Utilities, Communication Services, and Basic Materials Sectors are slowing. Leading detractors for September were in Technology with Microsoft (MSFT), down 6.61%, Facebook (FB), down 10.54%, and Adobe (ADBE), which lost 13.26%. Due to the large representation of Tech in the overall equities markets, those declines had a substantial impact on equity returns for the quarter. YTD equity returns are positive as compared to 2020.

Quarterly Market Performance Barometer

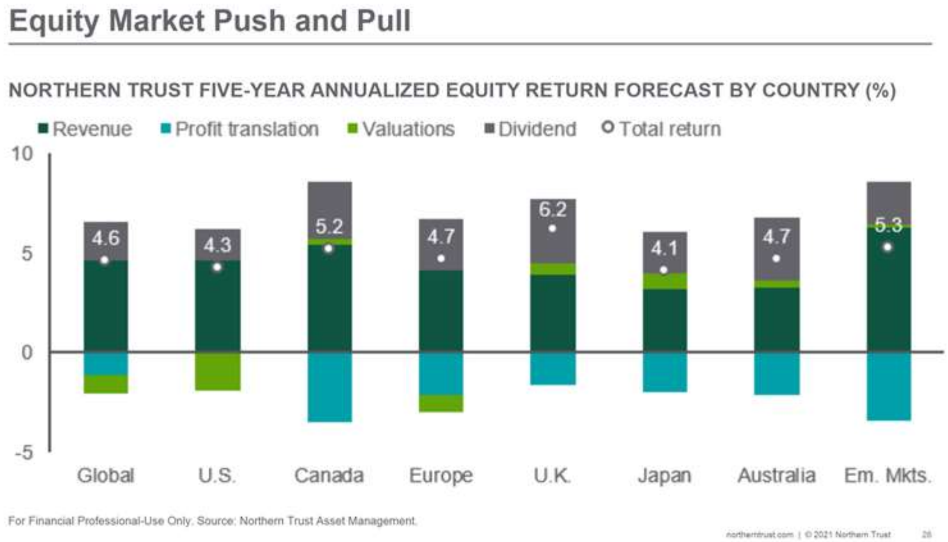
	Return %		
Equities	Q3 2021	Q2 2021	1-Year
U.S. Market	0.03	8.37	31.26
Dividend Focus	-1.60	2.69	21.45
Global ex-U.S.	-2.38	5.49	25.11
Developed ex-U.S.	-0.27	5.54	27.13
Emerging Markets	-7.58	5.53	20.21
Fixed Income			
U.S. Core Bond	-0.07	1.87	-1.13
U.S. Government	-0.08	1.91	-3.62
U.S. High-Yield	0.95	2.71	11.57

	Return %		
Top Morningstar Sector Indexes	Q3 2021	Q2 2021	1-Year
Technology	1.95	11.33	32.58
Financial Services	1.21	8.46	50.57
Utilities	1.17	-0.44	11.49
Bottom Morningstar Sector Indexes			
Communication Services	-1.61	10.44	38.10
Basic Materials	-3.82	4.95	30.69
Industrials	-4.01	4.41	30.87

Source: Morningstar Direct.

Non-US and Emerging Markets

Cyclically adjusted price-earning ratios (CAPE) have favorable valuations for non-U.S. stocks. The CAPE ratio smooths earnings over a business cycle before calculating the P/E. The Euro and Yen are now higher to the USD over the past year. Stronger currencies support the effective return of non-U.S. assets. However, other countries haven't matched the U.S. in terms of fiscal stimulus, suggesting a slower recovery. Almost all regions ended the month in the red, except Japan where the stock market gained 4.5% after an earnings estimates surge. Projected five-year annualized earnings forecasts are varied by region with UK still leading at a 6.2%. Canada and EM follow with 5.3%.



Gas prices almost doubled in the UK in September. Truck driver shortages and supply bottlenecks are occurring globally. Production output in the European auto industry has declined percipitously in 2H21 due to global shortage of semiconductors. DWS sees strengthening tailwinds for much of EM. Macroeconomics are improving with vaccinations sharply on the rise and the Delta virus fading. Asia and Latin America after are beginning to reopen.

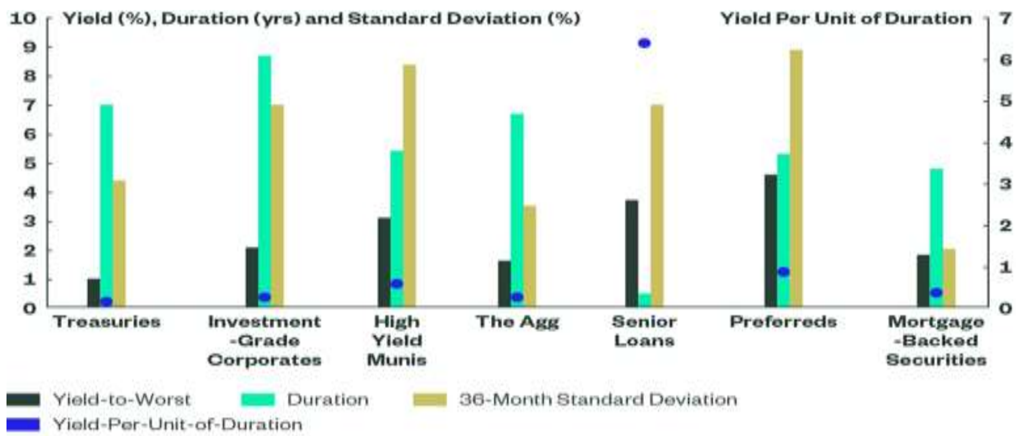
Emerging Market Indexes are now Asian dominated with 80%, as Eastern Europe and Latin America (LATAM) have lost ground. Greater China led the world with returns in local currency in 2021 of 40%, followed by North America 22% and Asia 20% Lagging behind were the Middle East and Africa aka the MENA Region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

Evergrande is China's second largest property developer by sales, the leading issuer of High-Yield notes in Asia, and the world's most indebted property developer. The firm has a market capitalization of about $3.9 billion, some $90 billion in debt on its balance sheet, and $300 billion when including unpaid bills. Chinese authorities have already told major lenders not to expect repayment. They are telling owner billionaire Hui Ka Yan to pay with his own money. Macro strategists at Swiss bank UBS view a credit default as unavoidable. Should total liquidation happen, the spillover would be significant, with a"high degree of contagion". China's GDP will decline.

Fixed Income Markets

Only High-Yield bonds and Treasury Inflation-Protected Securities (TIPs) are positive on the year. Most bond sectors are on track for a negative year. It would be the first year since 2013 that the Morningstar US Core Bond index ended in the red. For U.S. Treasuries, it would be the worst year since 2017. For Investment-Grade (IG) bonds, the impact has been even worse as the curve steepened which pushed total returns negative for the year. However, credit rating trends continue to improve with the ratio of upgrades to downgrades at the highest level since 2009.

Sustained prospects for economic growth, should support continued outperformance of the lower rated High Yield (HY) Bonds. HY spread over IG is now at the lowest level in over a decade, with yields at all time lows at under 4%. This means the premium for the added risk is smaller.



Source: Bloomberg Finance, L.P., as of September 30, 2021. **Past performance is not a guarantee of future results.** Treasuries

Duration profiles for IG bonds have become extended from 6 to 6.6 years, adding to duration risks when rates increase. Short duration assets are appealing in a rising bond yield environment. The IG low yield does not compensate for duration price affects. US IG and EU High Yield (HY) Bonds are also at risk due to their exposure to the Energy Sector as well as a flood of new issuance. Senior Loans have a floating rate structure that is not affected by duration-induced price declines. The Senior Loan floating rate and high credit rating will insultate it from rate hikes.

In September the U.S. Federal Reserve signalled that it would begin to tighten their monetary policies sooner rather later. This sent longer-dated yields higher, steepening the yield curve. Treasury yields hit their low back in early August 2020. The yields on long-term (LT) Treasuries have since risen which meant market prices declined by more than 15%. There will be a yield curve flattening when tappering stops. Shorter rates will likely rise faster. It will take liquidity out of the market.

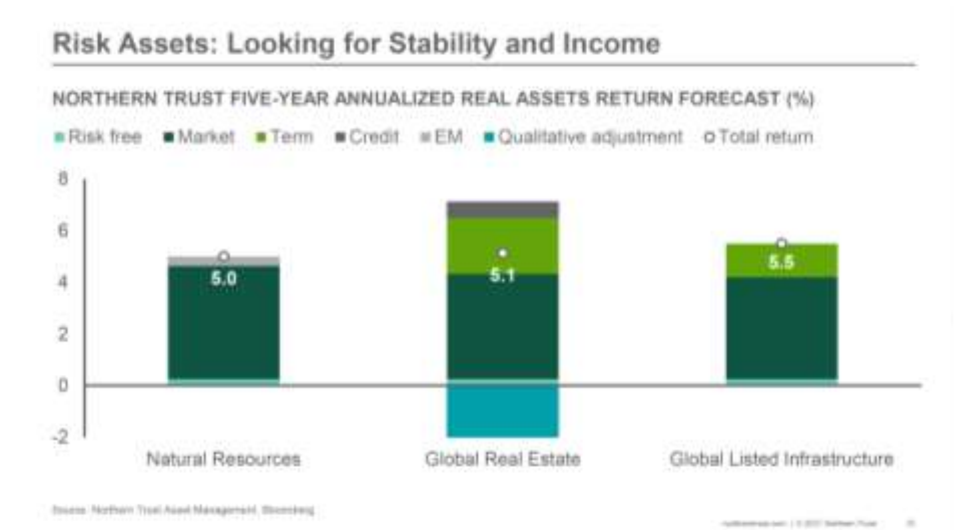
Treasury 10 YR yields headed back up through 1.30% before closing out the month at 1.49%. An increase in the US federal funds rate is expected in mid 2022 or later. The easing of the Fed bond buy-backs will increase LT rates. Higher LT rates will impact those companies with high PE ratios such as Tech companies, especially if they do not have solid growth stories.

The US Federal debt increased $1.4 trillion YTD with another $200 billion anticipated for 4Q21 from both Monetary and Fiscal activities. Although the Fed will phasing out buying bonds in the open market, adding to the debt, there is no time line on when the debt level will be reduced.

Other Assets

Real assets generally have higher returns when inflation is rising. Many infrastructure assets have a direct tie to inflation measures such as the Consumer Price Index (CPI) in their contracts. Real Estate (RE) companies often structure leases with rent escalators. Infrastructure and RE therefore have stable cash flow resulting in a less volatile return profile.

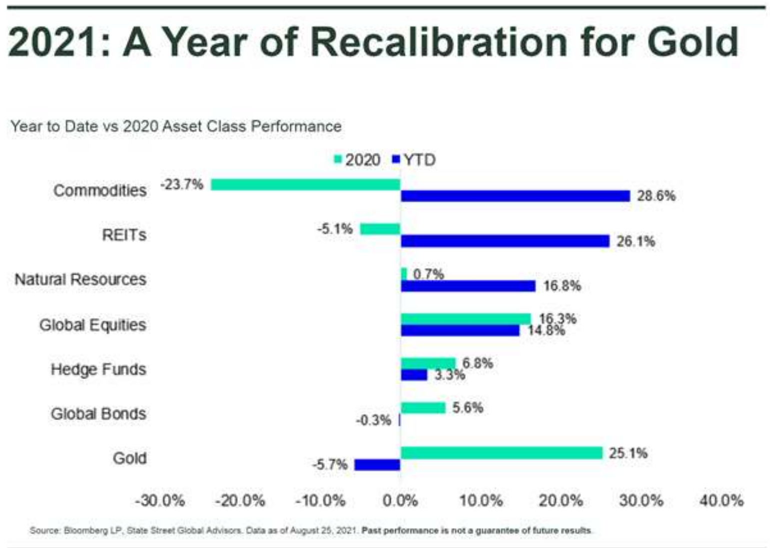
Definition of Infrastructure is a growing asset class that provides orderly operation of society, including essential long-term capital-intensive assets. Investment charateristics include a consistent demand for services, stable or predictable cash flows, and high barriers to entry. The four main segments include Communcations, Transporation, Energy, and Water.



In September the oil price again rose by almost double digits and coal by over 40%, while the price of gas in Europe almost doubled. Oil prices rose to $80 per barrel from $55 at the beginning of the quarter. Prices retreated on news of replenished US inventories and extra supply on the market. Markets are nervously waiting for the OPEC+ meeting on November 4th. Russia and Kazakhstan are rumored to be ramping up supply which has provided some downside for prices.

Gold prices sold off in mid-September after better U.S. economic data and weakening Chinese economic news further supported the USD. There was a further weakening of precious metals in September. Gold ended the month at $1,757 per ounce down 3.12% and 7.45% YTD. Silver was also lower. Silver lost 7.20% in September and is down 16.03% YTD. Basic Metals are also under pressure with less demand expected out of China.

Agricultural commodities including grains and meats continue to have support. Some of the soft commodities such as cotton have been bid-up due to weather impacts and shipping schedules.



In Real Estate, home prices went up 1.5% month-over-month for July, the latest month with data, and just under 20% year-over-year. Millennials (born between ‘81-‘98) are the second largest generation on record and will reshape industry. Fifteen percent 15% of Millennials and middle income households ($45-75k pa) will rent out of necessity, creating a consistent demand for mid-priced apartments. Young Millennials age 23-33 will be looking in southern towns such as Charleston and Orlando for high quality jobs and lower cost of living. Older Millennials age 34-40 are married with families about to buy homes, moving out of luxury and class A apartments in large expensive major US metros into the suburbs.

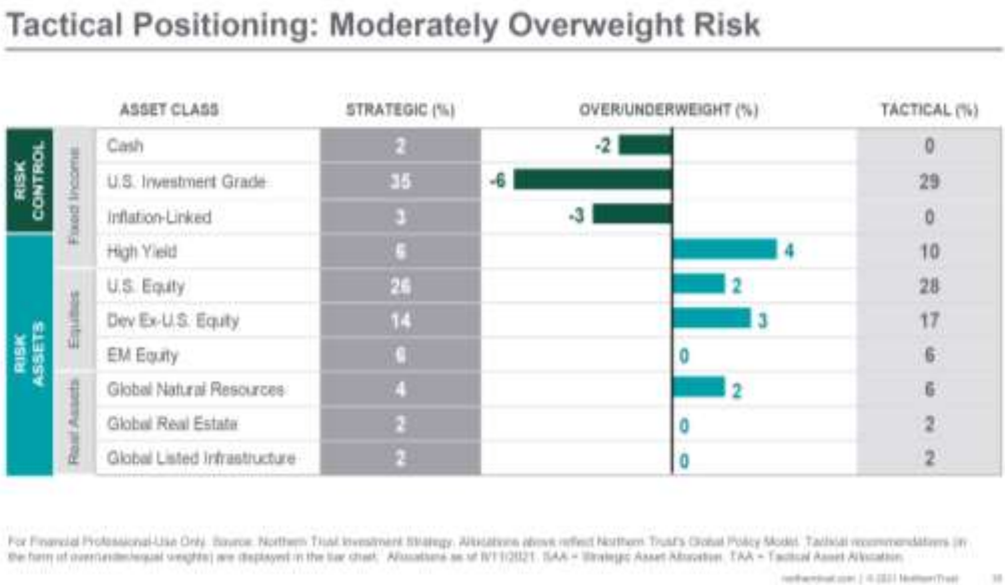
US leasing is up 30% in Retail. The last mile of retail is in the suburban shopping center. Investments in suburban shopping malls for the family experience are proving attractive. It is a challenge to find materials to build out retail space. Retailers are unlikely to discount sales prices this year. Earnings Before Interest Depreciation and Amortization (EBIDA) used for RE valuations are up, with levels to prepandemic levels. Experiences in malls in are a large part of the retail offering.

The Chinese Real Estate sector accounts for 29% of its GDP and over a quarter of banking assets. The recent crisis began when the Chinese government started to implement restrictive measures to decrease or limit the debt load in the real-estate sector. Beijing is aiming to curb speculation and spiraling home prices. An energy shortage has also lead to the closure of some the factories. China GDP growth is suffering.

China also restricted or outright banned the use of Bitcoin in transactions. It is up 365% over a year. The price and purpose of Bitcoin and other digital currencies continue a rocky ride. Due to its high $60k per unit price, fractional units are now trading. Digital wallets are available to custody the ‘asset’ including Coinbase and Paypal, with Mastercard entering the fray amongst others. It is hard to say were this is all leading, except that money will be lost and gained. There are now future contracts trading with Bitcoin Futures – BTB and Ether Futures – ETB.

Asset Allocation

The overall selection of assets and the respective percentages or weightings will drive the return profile of an investment portfolio. This asset allocation will mitigate volatility and maximize returns throught the use of correlation and sector rotations. State Street Global Advisors (SSGA) issue a weighting guideline in conjunction with their line-up of EFTs.



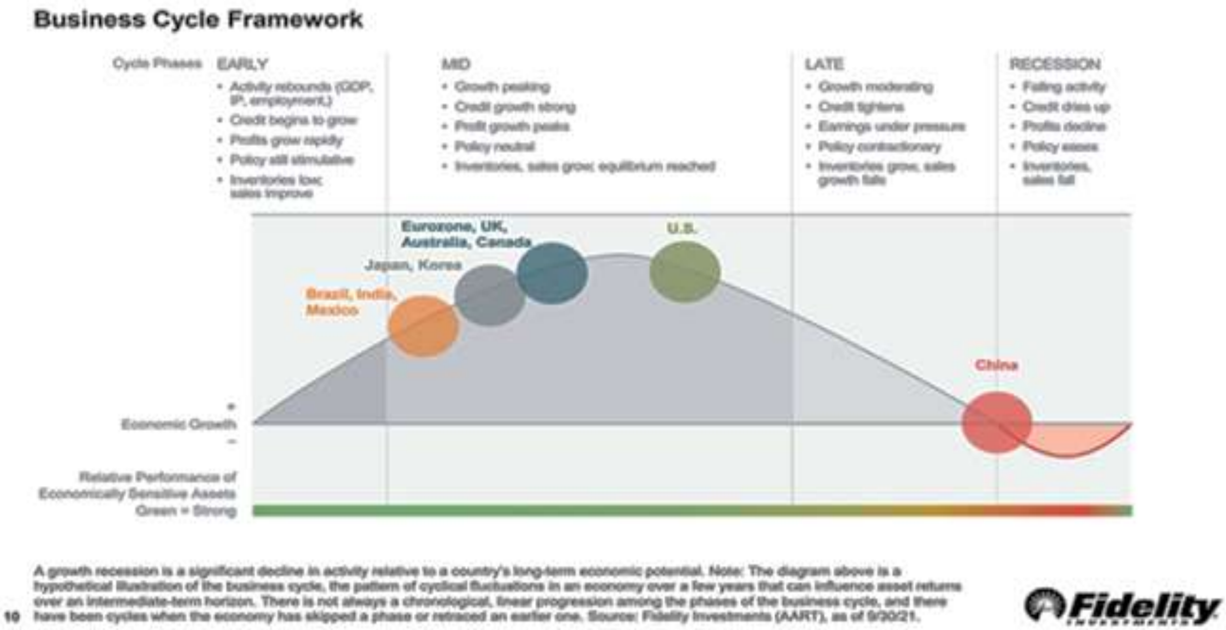
Source State Street Global Advisors September 30 2021

TIPS may be the more attractive defensive treasury position once again next quarter, as stated SPDR in a recent report. They suggest a barbell of defensive TIPS and high-income credit exposures such as HY Bonds, Senior Loans and Preferred Securities. Nuveen Asset Management points to a "reflation trade," particularly favorable toward U.S. Small Caps, Senior Loans and Preferred Securities as well as select opportunities across EM Debt and Equities. Nuveen suggests a balanced position of high-margin, high-growth Technology stocks and Cyclical Quality stocks. The Quality Factor is considered particularly important in the later stages of the Business Cycle.

Most economists see the US economy in the late Mid-Cycle of the four-stage Business Cycle. The following Fidelity Investment (FIL) Business Cycle Framework segments the financial conditions within those cycles. FIL anticipates Technology and Communications sectors to benefit, while Materials and Utilites lag. They recommend keeping sector bets to a minimum.

The SSL 4Q21 portfolio follows at the end of the report. It has 25% in the Fixed Income category, bringing in Short-Term Bonds and Senior Loans, as well as increasing Convertible Bonds. This quarter HY Bonds and US Core Bonds are removed, with Intl Corporate Bonds reduced. For 75% in equities, Consumer Discretionary and EAFE Small-Cap ETFs are added, along with an increase in DBB Base Minerals due its holdings in Cooper and Zinc. The Midcap Low Vol is removed as its consituents are reflected in other ETFs. The percentage in Homebuilders and Healthcare have been reduced to balance the overall holdings. The Large Cap Multifactor ETF is under a watch because of its high growth profile, however as a multi-factor it is meant to adjust to changing market dynamics.

Conclusion - *Is It Downhill from Here?*



Stock market corrections (drawdowns of between 10% and 20%) have occurred more frequently in the Mid-Cycle. This volatility is often relatively short-lived, with the market typically recovering and going on to surpass its prior peak. The SSL Model Portfolio has 31 ETF to cover the bases in the expected cycle.

The Mid-cycle has the least disbursion, in that the impacts are realized similarly in all holdings asset within an asset class group. There is less value added by independent management than by passive management. SSL uses many SMART ETFs that are able to tilt and adjust to changes in an asset class fundamentals.

Please contact us to arrange a review of your portfolio holdings.

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 insurance products, nor receives any commission or third-party compensation. SSL does not directly manage or custody assets on behalf of clients. SSL is a financial planning firm for select clients.*

Attachment: The 4Q21 SSL Model Portfolio

4Q21 Portfolio Design Structure/Research

as of 25-Oct-2021 *$* *175,054*

New Portfolio		
43,764	**25.00%**	**FIXED INCOME** *Uses Prefs as well*
-	0.00%	Cash
5,252	3.00%	VNLA Ultrashort (Intl) Bond BBB 0.51Dur-0.11% Ret 0.9%Yld 5s Neu
5,252	3.00%	SPIP (3-5YRS) TIPS 100%Gov 100%AAA 8.5Dur 4.68% Ret4.24%yld 4s Slv
-	0.00%	IUSB iShares Core TTL USD Bonds 37%G 33%C 16%BBB 65%IG 6.4%dur -1.63%ret 1.9
7,002	4.00%	SRLN - GSO Senior Loan ETF BCrd 4.5%Ret 4.5%Yld 4Neu
-	0.00%	HYDB Def iShares 50%-BB 43%B, 3.56Dur, 4.8%yld 2% Ret, 4s Neu
3,501	2.00%	PICB Invesco Intl Corp Bond 36.4A 52.6%BBB -5.4%ret 7Dur, 1.05%yld, 3s
7,002	4.00%	CEMB JPM em Corp 91%Corp 22AA 33%BBB 22%BB 5.08 Dur, -0.3%ret 3.5%yld,4s Slv
8,753	5.00%	PGX Invesco Pref -diversified 59%BBB 35%BB 3.7Dur 2.8%Ret 4.9%Yld 3sNeu
7,002	4.00%	CWB SPDR Barclays Convert Sec 75%BBB 7.52%Ret 2.23%Yld 4s Bzn
43,764	*25.00%*	Subtotal
131,291	**75.00%**	**EQUITY**
17,505	10.00%	OMFL Invesco Rus1000 Dyno Mltfct 25%Ret 1.25%Yld 5s Neu
8,753	5.00%	MTUM^ iShares MSCI USA Mometum 35%Fin 17.9%Ret 0.5%Yld 3Slv
-	0.00%	XMLV S&P 400 Midcap Low Vol 22%Ind 19%RE 16.2%Ret 1.1%Yld 3Neu
3,501	2.00%	FCOM Fidelity MSCI Communication B 18%Ret 0.6%Yld 4Slv
8,753	5.00%	JSML(JSMD) Small/Mid Cap Growth Alpha ETF 33%Tech 22%HC 5.7%Ret 05%Yld 3Slv
5,252	3.00%	XHB SPDR Homebuilders 58%CC 42%Ind 34%Ret 0.6%Yld 3sBrz
-	0.00%	XLF SPDR Financial Sector C+ 40%Ret 1.6%Yld 4sBrz
3,501	2.00%	XLV Health Care Sel SPDR A- 18%Ret 1.42%Yld 3Slv
8,753	5.00%	XLY Consumer Discretionary Sel SDPR B+ 23%Ret 0.6%Yld 4Brz
8,753	5.00%	SCZ iShares MSCI EAFE Small-Cap 23%Ind 13%CC 12.6%Ret 1.6%Yld 4Brz
8,753	5.00%	FKU First Trust UK AlphaDEX® ETF 2.10%
17,505	10.00%	EFAV*^ iShares MSCI Min Vol EAFE 19%HC 15%CD 6%Ret 1.7%Yld% 2Slv
8,753	5.00%	EMGF* iShare Multi-Factor EEM 27%Tech 19%CC 7.2%Ret 1.7%Yld 3Neu
8,753	5.00%	FFR - First Trust DM RE 40%xUS 22%Ret 0.7%Yld 3Slv
8,753	5.00%	DBE*^ Invesco DB Energy ETF 26%Ret 0%Yld os NoRating
5,252	3.00%	DBB Invesco Base Metals 12%xUS 73%Ret 0%Yld 0s NoRate
8,753	5.00%	COMT^ iShares Com Select Strategy A 43%Ret 0.3%Yld 3Gld
131,291	*75.00%*	Subtotal
175,054	100.00%	Total