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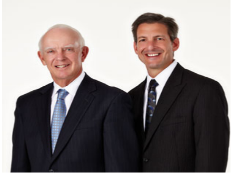

Our Scorecard – Stock Market Considerations

Opinions of The Regan Group, Inc.

	Negative for Equities		Neutral for Equities		Positive for Equities	
Economic Growth	-		→		+	The second quarter of 2021 real GDP grew at a 6.5% quarter over quarter (q/q) seasonally adjusted annual rate. Increases were broad based and were partly offset by decreases in inventories, residential fixed investment and government spending. While growth fell short of the consensus 8.5% estimate, real output has now surpassed its previous peak in 4Q19. (Source: J.P. Morgan Asset Management)
Corporate Profits	-		→		+	Earnings season has been spectacular for the second quarter, with 269 of the S&P 500 Index companies having reported (71.5% of market cap). Thus far, 87% of companies have beaten on EPS estimates, and 82% have beaten on revenue estimates. Following blowout 1Q21 earnings, many companies have now recovered to the revenue/earnings per share levels of 2019 and are setting fresh highs. (Source: J.P. Morgan Asset Management)
Inflationary Pressures	-		↑		+	Inflation has now well surpassed the FOMC's 2% target, as the headline PCE price index rose +0.5% month over month (m/m) and +4.0% year over year (y/y) in June. The core PCE deflator also accelerated to +0.5% m/m and +3.5% y/y, falling short of market expectations. The June CPI report showed consumer prices rising at their fastest pace in more than a decade, as a rapidly reopening economy ran into global supply shortages. (Source: Bureau of Economic Analysis)
Interest Rate Pressures	-		→		+	At its July meeting, the Fed voted to maintain the current federal funds target rate in a range of 0.00%–0.25% and maintain the pace of asset purchases.
Liquidity	-		→		+	We believe the Fed will announce a timetable for tapering at its September meeting, and begin to taper the pace of its purchases in December.
Sentiment	-		←		+	With massive liquidity support by the Fed, investor sentiment is now historically elevated. It has now been 184 trading days (to July 30) since the last 5% S&P correction. This marks the 15th longest period without a meaningful pullback and is significantly above the historical average of 97 days (Source: Goldman Sachs Asset Management). Long-term we are still bullish. There is a fear that Covid19 virus could slow the economic reopening.
Valuation	-		←		+	Stocks remain richly valued in our opinion. Equities have moved significantly higher over the past year since the initial pandemic sell-offs. We suggest discipline, patience, and an emphasis on quality.

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See back page for important disclosures.

Inflation

As the world emerges from the coronavirus pandemic, a combination of easy monetary policy, massive fiscal stimulus, a rebounding labor market and rising consumer spending may lead to increased inflation. The question arises – will this result in transitory inflation or will runaway inflation of the 1970's variety takeover our economy?

Already this year, inflation has reached 5% year-over-year. While this level exceeded expectations, keep in mind that the percentage change was calculated from a low base (Source: Nuveen Asset Management). The last 12 months included a period of rising prices, but not the sharp declines that preceded it. Inflation has mostly hovered at or below 2% for the past 10 years (Source: Nuveen Asset Management). We think the current inflation spike will prove to be transitory rather than the beginning of a higher inflation regime.

Vaccine rollouts and unprecedented federal fiscal stimulus have created some of the strongest economic growth data in decades. The U.S. has witnessed a marked acceleration in inflation during 2021 due to base effects and supply chain stress as the economy reopens. Across all markets, supply chain blockages, coupled with sharply higher demand from a post-pandemic economic bounce, could lead to temporary price shocks. But we believe this large one-time boost to demand will fade as supply catches up.

At the same time, the U.S. Federal Reserve has pledged to keep monetary policy accommodative until unemployment falls further and inflation materializes above its 2% target.

Persistently high wage growth, a symptom of a tight labor market, would signal that higher inflation might soon be on the way. With unemployment close to 6% and millions yet to return to the labor force, we don't see significantly higher inflation happening in the near term.

1970's Inflation

Rapid inflation occurs when demand rises quickly and supply cannot catch up. Preventing this mismatch is the primary job of central banks.

In the early 1970s, we believe the Federal Reserve misjudged how loose it could run monetary policy at a time of large budget deficits, wage and price controls and the U.S. dollar's recent departure from the gold standard.

Unemployment fell, but prices rose in uncontrolled fashion. Consumer price inflation averaged just over 7% for the decade.

This eventually forced the Fed to aggressively raise interest rates, which succeeded in bringing down inflation but also caused two painful recessions.

The elements are different this time around. The world's largest economies are still running well below their full capacity.

Our Mission

Achieve superior results for our clients by providing institutional level investment management and consulting services.

What We Do

We help clients realize their vision of the future with personalized investment planning. Our client specific strategies use independent, full-time professionals to research and manage portfolios for long-term growth of assets.

Our services include:

- **Over 50 years of experience** in both up and down markets.
- Independent, objective advice from professionals with the expertise you need to help you achieve your goals.
- Investment strategies appropriate for **long-term, serious, core money.**
- Asset allocation strategies customized to fit clients' unique needs, risk tolerance, and time horizons.
- A disciplined investment process.
- Portfolios that attempt to provide **more consistent returns with reduced volatility** over time.
- **Seek out, screen, and hire** high-quality money managers to run portfolios of individual securities.
- **Ongoing review** of the chosen managers' process, personnel, and investment decisions and report their performance quarterly.
- Replace managers when necessary.

Clients have trusted us for decades to provide their investment services.

We continue to grow and appreciate your introductions to friends and family. Our target markets are clients just like you – individuals, foundations, endowments, retirement plans, and corporations.