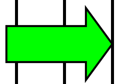
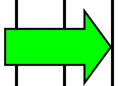
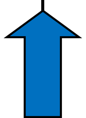
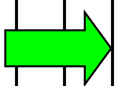
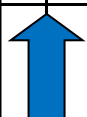
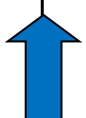
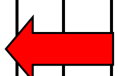
NOVEMBER 17, 2021 THE REGAN GROUP, INC. VOLUME 15.4

Our Scorecard – Stock Market Considerations

Opinions of The Regan Group, Inc.

	Negative for Equities		Neutral for Equities		Positive for Equities	
Economic Growth	-				+	Real GDP expanded at a 2% annual rate in 3Q21, lower than the 2.6% consensus estimate and a sharp slowdown from robust gains earlier in the year. Weakness was led by a marked deceleration in consumer spending, growing just 1.6%, along with slower home building and a wider trade deficit. Weaker auto sales alone detracted significantly from GDP, and the rotation to services continued at a slower pace. (Source: J.P. Morgan Asset Management)
Corporate Profits	-				+	The 3Q21 earnings season has been strong, with 392 companies reporting (82.9% of market cap), 81% of companies have beat on earnings expectations and 67% have beat on revenue expectations. (Source: J.P. Morgan Asset Management) Earnings have held up better than we previously anticipated, as companies seem able to defend profit margins despite higher input prices.
Inflationary Pressures	-				+	Inflation has now well surpassed the Federal Open Market Committee's (FOMC) 2% target, as the headline PCE price index rose +0.3% month over month (m/m) and +4.4% year over year (y/y) in September. The September CPI report showed consumer prices have resumed a faster pace of growth as more sustainable sources of inflation are now picking up. Headline CPI for September rose +0.4% m/m and +5.4% y/y, primarily driven by increases in the prices of food and shelter. (Source: Bureau of Economic Analysis) Further increases in shelter costs, which make up a third of the overall index, could provide a more durable tailwind to inflation in the coming months.
Interest Rate Pressures	-				+	The Fed appears to be putting a bigger emphasis on reaching maximum employment as a necessary condition for rate hikes. Tapering is not tightening, and while purchases will slow in the months ahead, the balance sheet will continue to expand.
Liquidity	-				+	At its November meeting, the FOMC officially announced its plans to taper its net asset purchases by $15 billion per month beginning in mid-November. Consumers have accumulated record excess savings. (Source: Blackstone Investment Strategy) This should additional liquidity as it is spent down.
Sentiment	-				+	While we expect economic growth to surge into early 2022, we think it may slow thereafter largely because of labor market constraints. Consumer wealth and liquidity have grown remarkably the past few years, providing a strong demand for goods and services. Confidence should improve as the pandemic appears to be having less of an impact on public behavior, partly because so many people, having already been vaccinated or infected, feel able to get back to normal life.
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. We expect volatility.

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Goldilocks Economy Vs Over/Under Capacity

The outlook for capital spending may be very strong as low interest rates and high profits make it easier to finance projects and a very tight labor market enhances the attractiveness of investments in labor-saving technology.

It has been said that the cure for high prices is high prices. Many of the strong gains in certain commodities (example – oil, lumber, etc.) may be temporary. An excellent example is oil. While many factors impact the price of oil, in the past very high oil prices resulted in increased production. It is not an accident that the U.S. rig count on Friday rose to its highest level since the onset of the pandemic and it will likely continue to increase in the months ahead. (Source: J.P. Morgan Asset Management)

The tight labor market may have reflected the impact of government stimulus checks and enhanced unemployment benefits which allowed some workers to take more time in looking for a job. The expiration of these benefits and dramatically strong labor demand will likely lead to a return to work for many who left the labor force due to the pandemic. This trend will be countered by very low natural growth in the working-age population, with baby-boomers aging into retirement and immigration still very low relative to its pace in the middle of the last decade.

The possibility of over-investment in capital spending due to the environment mentioned above and need to resolve constraints to produce goods might result in over capacity down the road a few years.

In summary, as the economic changes wrought by the pandemic and the policy response diminish, the economy should settle down to slower growth and higher interest rates than prevail today and somewhat higher inflation than before the pandemic. Valuations are higher than before the pandemic and the general dispersion of valuations across capital markets is greater. We believe investors should remain well diversified in line with their personal risk tolerances and long-term goals.

One of the lessons of the pandemic is the same as the lessons of 9/11 and Lehman Brothers events– the biggest shocks to markets are normally those that no one sees coming and the best protection comes not from hedging against known risks but from diversifying against unknown dangers.

Happy Thanksgiving

"Thank you" to all who have contributed to our success over the years.

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.