CFO CAPITAL MANAGEMENT
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The CFO 2021 4TH Quarter Market Outlook

In our 2021 mid-year report to our investors, we reconfirmed our positive outlook for both the U.S. and global economies and financial markets. The primary drivers for growth continue to be the fiscal and monetary stimulus by the world's key governments and central banks including our own Federal Reserve [FED] and a faster than expected global rollout of COVID-19 vaccines. Global economic momentum picked up in September, according to the latest PMI [Purchasing Managers Index] data, as the COVID situation continued to improve. While Ned Davis Research [NDR] continues to believe that the global economy will grow at its fastest pace since at least 1980, NDR is still tempering their 2021 forecast from +6.1% to +5.6% because of the following downside risks to their outlook. First, China emerged in Q3 as a material risk to global growth resulting from Evergrande's on-going $300 billion debt crisis. As the second largest property developer in China, the fallout from any eventual collapse by Evergrande would hurt not only China but the global economy as well. The shockwaves from Evergrande have already contributed to the -18.2% meltdown of the Chinese stock market during Q3. As the following chart from Fidelity Investments "Business Cycle Framework" shows, China has fallen into a (growth) recession while most of the global economy is still enjoying a mid-cycle expansion. Second, a renewed spread of more contagious strains of COVID-19 remains a big danger to NDR's upbeat outlook. The third and most likely greatest risk to our positive outlook is from persistent and rising inflation. Inflationary pressures are being driven by increased wage costs due to acute labor shortages and by extreme supply chain bottlenecks that are constraining economic growth. NDR believes that a policy response to sustained inflationary pressures could come as early as the first week of November in the form of a taper announcement from the FED. On the positive side, FED Chairman Jerome Powell has repeatedly stated that the rise in prices was only "transitory". Treasury Secretary Janet Yellen recently commented that the inflationary pressures will temper eventually, but "added that doesn't mean they'll go away over the next several months". Finally, Ben Bernanke went on record at a recent Schwab conference as saying that U.S. inflationary pressures should moderate over the next year. Annual U.S. economic growth will settle in at +2% to +3%, and full employment will be reached in 2022. While he believes that stagflation is unlikely, Bernanke does expect the FED to begin tapering next month and to raise interest rates in November 2022. Our bottom line is that the collective outlook on inflation from the three most recent Chairpersons of the FED seems rational and sanguine.

Our asset allocation models still side with an overweight in stocks and alternative investments — both globally and in the U.S — and an underweight in bonds. With earnings season heating up, investors will be watching closely over the next several weeks to determine the effect that inflation and the supply chain bottle necks will have on reported earnings. As the second chart from Fidelity Investments "Global Stock Market P/E Ratios" shows, valuations for U.S. stocks are stretched, notably in comparison to Europe and the emerging markets. However, according to FactSet, Q3 earnings are expected to increase +28% from a year ago, and analysts generally expect earnings to continue growing over the next two years at close to historical average rates. As corporate earnings grow, value grows, and if stock prices move higher slowly on the back of a steady growth in earnings, stock prices should not get ahead of value, and reach dangerous "bubble levels." We do not expect that to occur, and we expect a year-end rally on the rising recognition that in a post-pandemic world, supply disruptions will ease, inflationary worries will recede, and real economic growth will continue at a moderate pace.

Please do not hesitate to call us directly with any questions that you may have about portfolio strategy for your accounts.

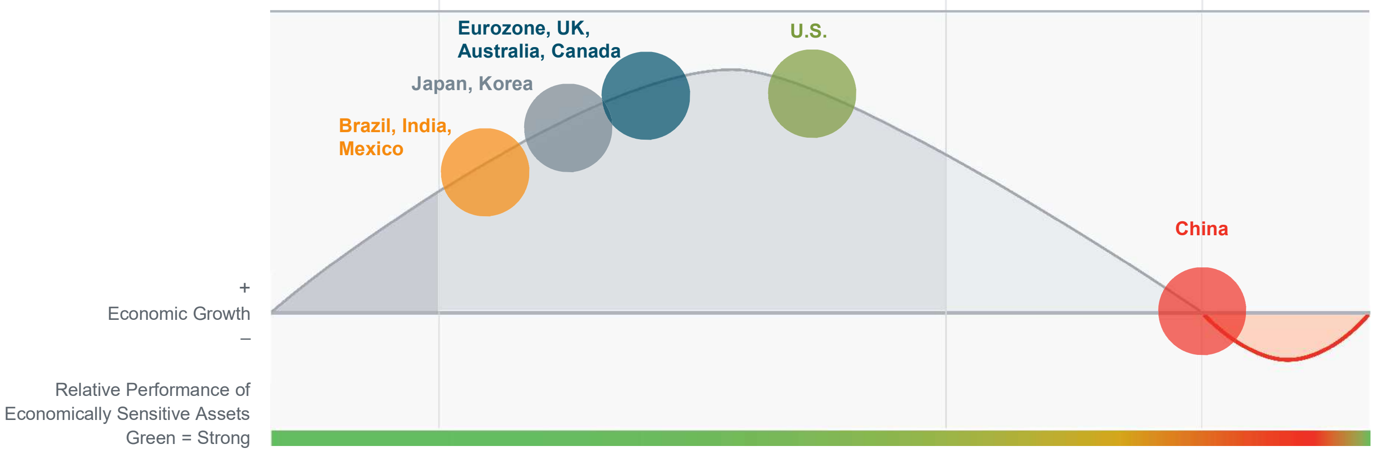
The CFO Capital Management Team, October 25, 2021

Global Expansion Still Broadens Amid Growing Crosswinds

The broad trend of mid-cycle expansion continued for many major economies, including the U.S. and Europe, with economic reopening generally supporting activity. However, supply constraints and disruptions sapped some growth momentum, and many developing countries remained inhibited by their more limited vaccination and reopening progress. China slipped into a growth recession amid significantly decelerating activity.

Business Cycle Framework

Cycle Phases	EARLY	MID	LATE	RECESSION
	• Activity rebounds (GDP, IP, employment,) • Credit begins to grow • Profits grow rapidly • Policy still stimulative • Inventories low; sales improve	• Growth peaking • Credit growth strong • Profit growth peaks • Policy neutral • Inventories, sales grow; equilibrium reached	• Growth moderating • Credit tightens • Earnings under pressure • Policy contractionary • Inventories grow, sales growth falls	• Falling activity • Credit dries up • Profits decline • Policy eases • Inventories, sales fall



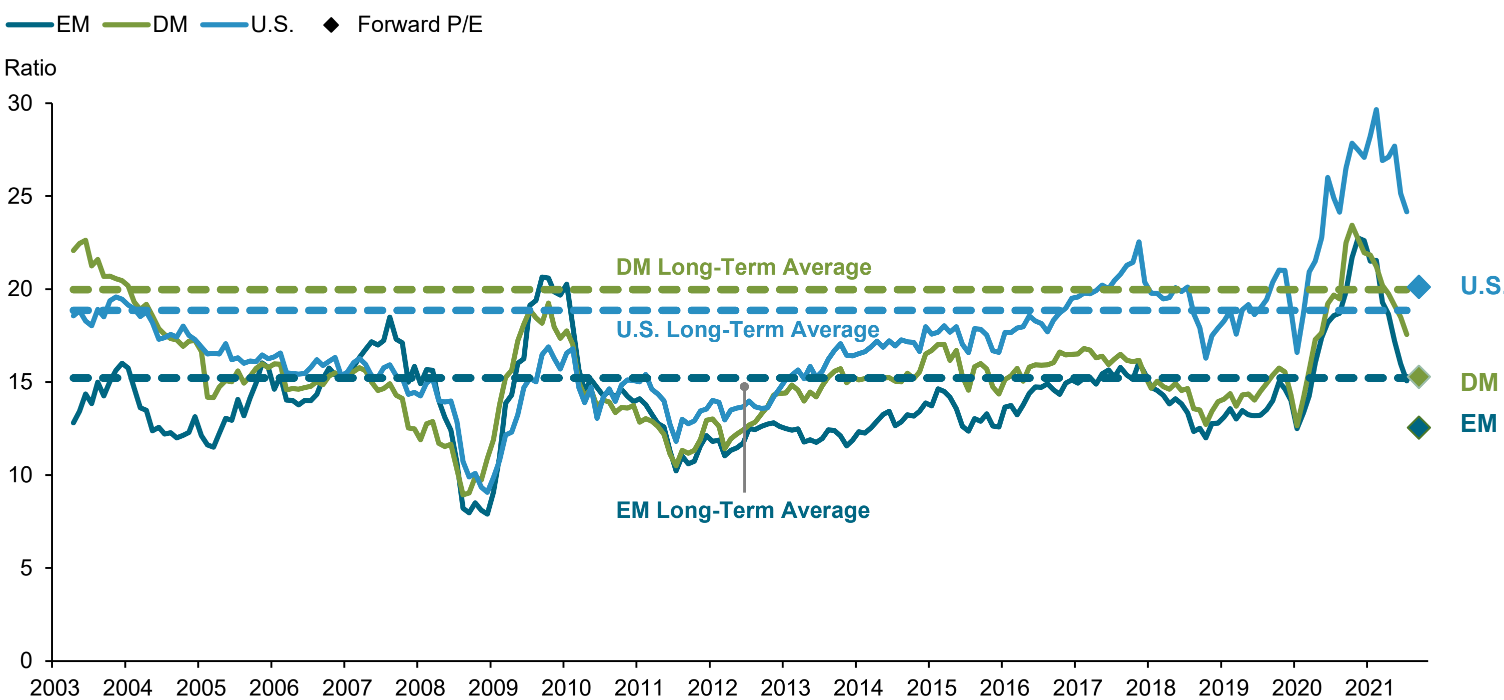
A growth recession is a significant decline in activity relative to a country's long-term economic potential. Note: The diagram above is a hypothetical illustration of the business cycle, the pattern of cyclical fluctuations in an economy over a few years that can influence asset returns over an intermediate-term horizon. There is not always a chronological, linear progression among the phases of the business cycle, and there have been cycles when the economy has skipped a phase or retraced an earlier one. Source: Fidelity Investments (AART), as of 9/30/21.

Valuations Softened, Still High for U.S. Equities

Global equity valuations moved lower during Q3 as strong earnings growth outpaced stock-price gains. Trailing and forward-looking price-to-earnings (P/E) ratios remain elevated for U.S. equities relative to their historical averages, but valuations for developed and emerging markets are more reasonable relative to their long-term histories.

ASSET MARKETS

Global Stock Market P/E Ratios (Trailing 12 Months)



DM: Non-U.S. developed markets. EM: Emerging markets. Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. Price-to-earnings (P/E) ratio (or multiple): Stock price divided by earnings per share, which indicates how much investors are paying for a company's earnings power. Long-term average P/E includes data from 9/30/95 to 6/30/21. Indexes: DM—MSCI EAFE Index; EM—MSCI Emerging Markets Index; U.S.—S&P 500. Source: Bloomberg Finance L.P., Fidelity Investments (AART), as of 9/30/21.