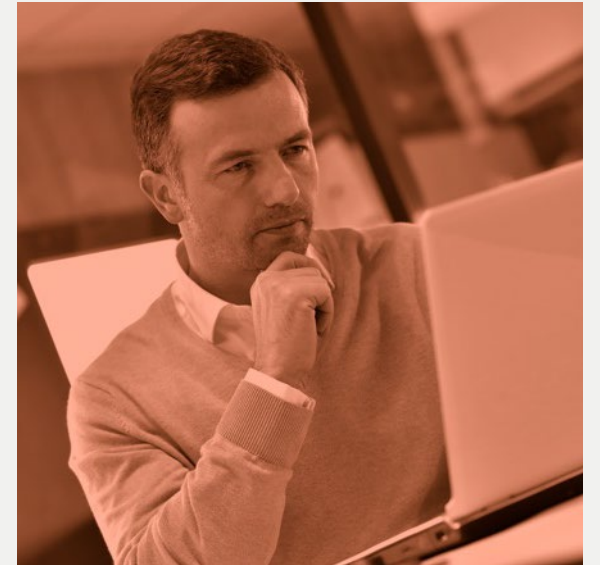
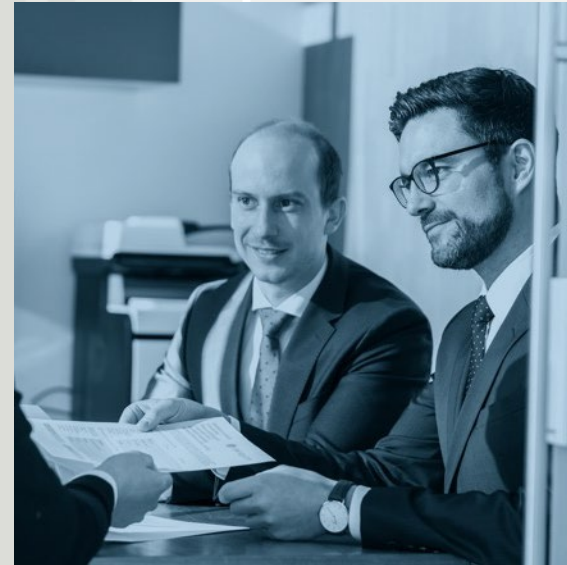
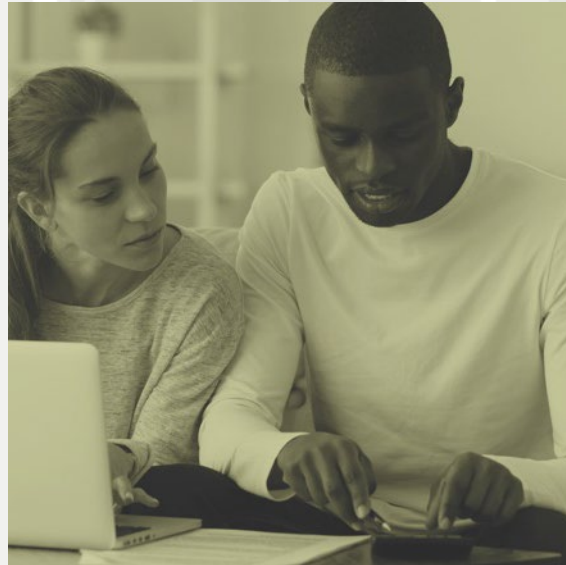




HIGHTOWER
well-th. rebalanced.

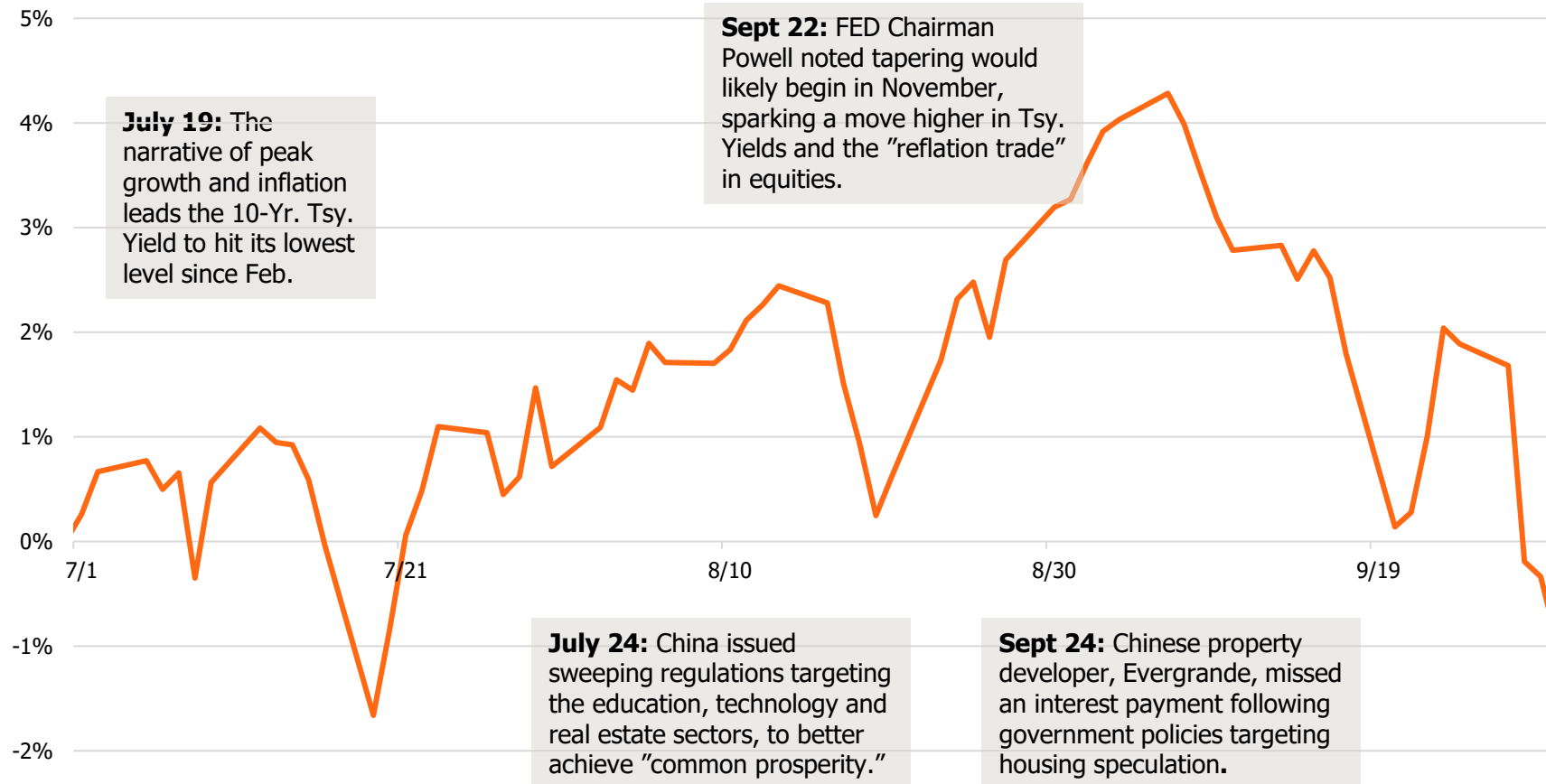
what's your story?



Quarterly Considerations

October 2021

Global Equity Total Return (7/1/21 - 9/30/21)



| Key 3Q 2021 Dates | |
|-------------------|-------------------------------|
| <u>October</u> | |
| 31: | Infrastructure bill deadline |
| 28: | First estimate of 3Q U.S. GDP |
| <u>November</u> | |
| 2-3: | FOMC Meeting |

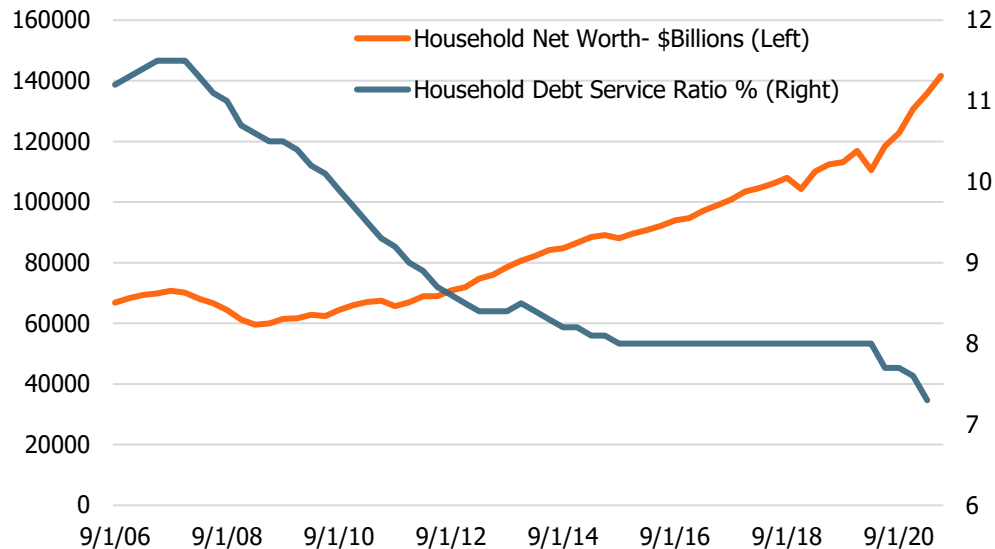
Source: Factset as of 6/30/21. Global Equity represented by MSCI ACWI Gross Total Return USD Index.

See disclosures for list of indices representing each asset class. Past performance does not indicate future performance and there is a possibility of a loss.

- Markets have encountered a somewhat more challenging landscape recently, evidenced by an evolving Fed message, policy gridlock in Washington, and the lingering challenges presented by the Delta variant.
- The financial health of consumers remains strong, which may serve to sustain economic momentum moving forward.
- Investment returns this quarter returned to a profile reminiscent of the first wave of market stability that occurred in the spring of 2020, with U.S. large cap and growth equity names outpacing their small cap and value counterparts.

Strength of the Consumer

The financial health of the consumer (whose spending comprises approximately 70% of GDP) remains robust, evidenced by record high household net worth and very low indebtedness.

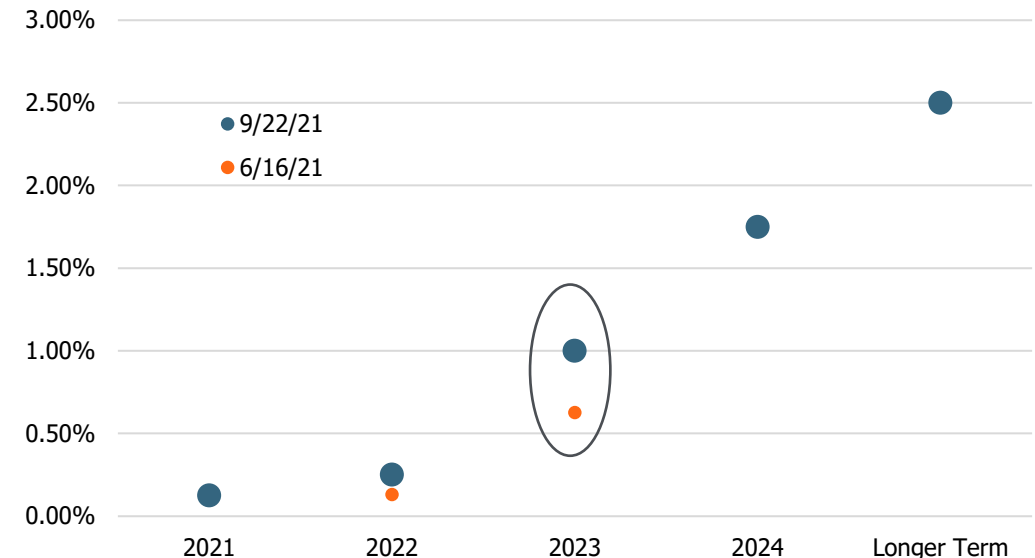


Source: FactSet, U.S. Bureau of Labor Statistics, Federal Reserve

Past performance does not indicate future performance and there is a possibility of a loss.

Median FOMC Committee Federal Funds Rate Forecast

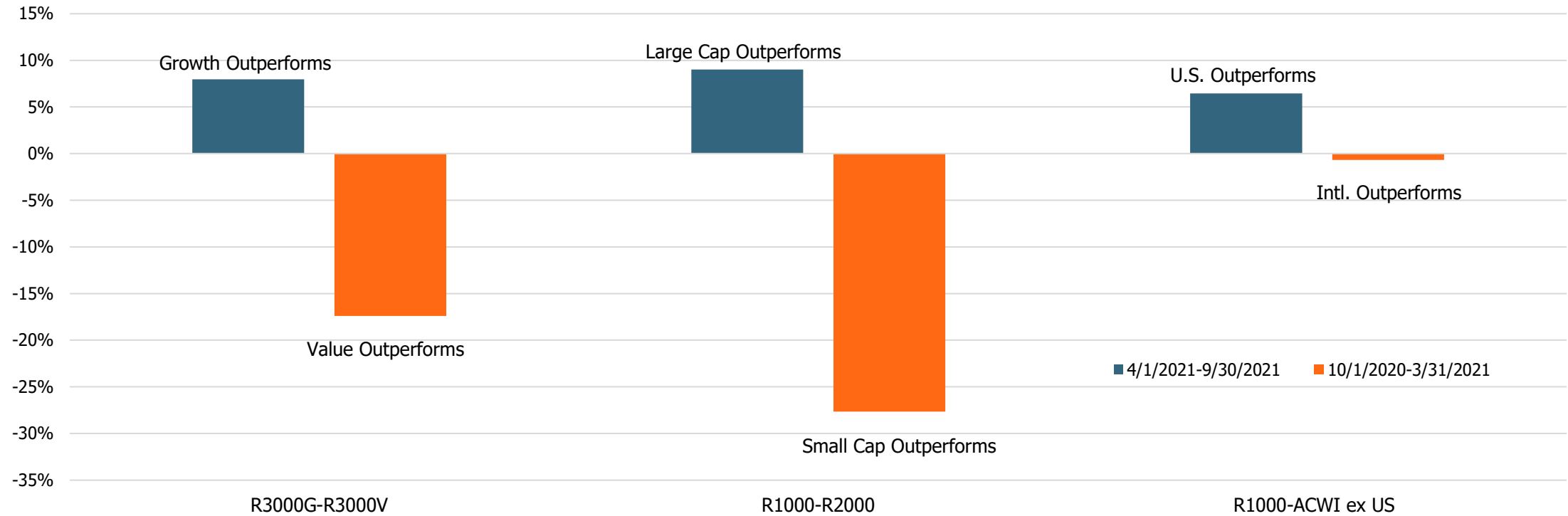
While there were no changes in the FOMC Committee's ultimate forecast for the Fed Funds Rate, the projected timeline for getting there has been accelerated, as noted by the higher expected rates for 2022 and 2023 when comparing the June and September forecasts.



Source: FactSet

A Reversal in Market Leadership

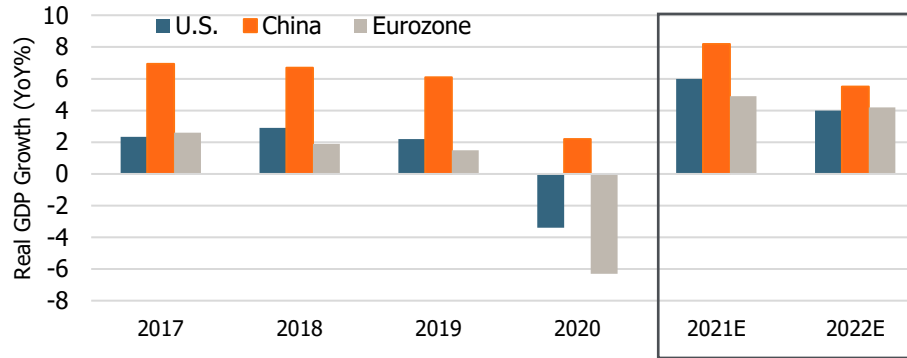
Value, small cap, and international equity market outperformance for the six-month period ending 3/31/21 has now completely reversed with growth, large cap, and domestic markets leading the way more recently.



Source: FactSet

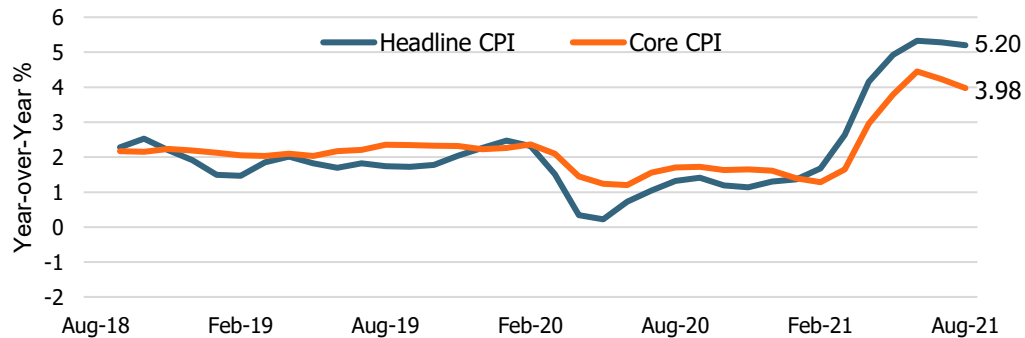
Real GDP (YoY)

Estimates for 2021 GDP remain robust, reflecting pent up consumer demand and robust household savings rates, although persisting challenges brought about by Covid could pose a risk to this outlook.



U.S. Inflation

Inflation has moved noticeably higher this year. Supply chain disruptions, rising energy prices, and a lower 2020 base have all contributed to this condition.

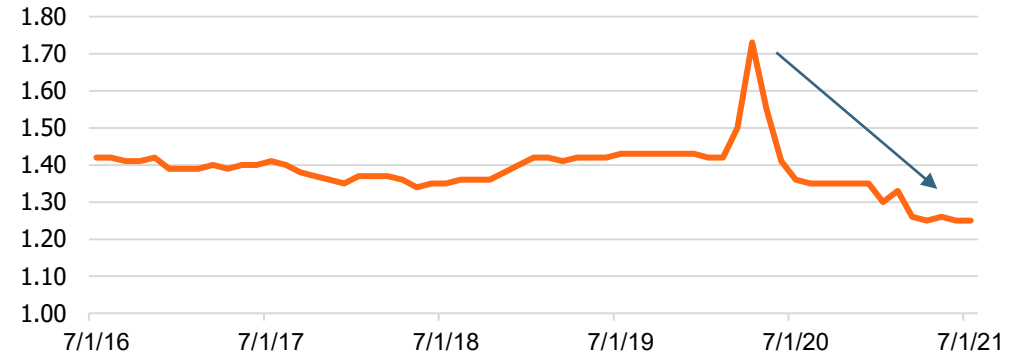


Source: FactSet

See disclosures for list of indices representing each asset class. Past performance does not indicate future performance and there is a possibility of a loss.

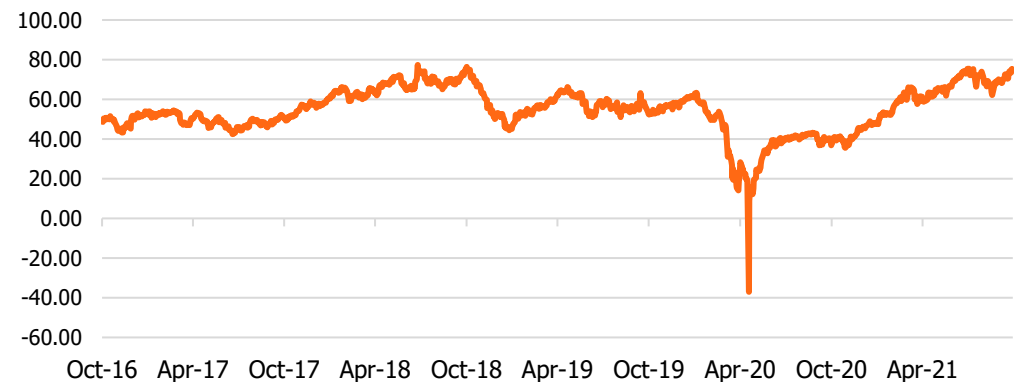
Total Business: Inventories to Sales Ratio

Supply chain disruptions have presented challenges to many businesses. The graph below highlights the supply shocks faced by many companies through declining inventories as a percentage of sales.

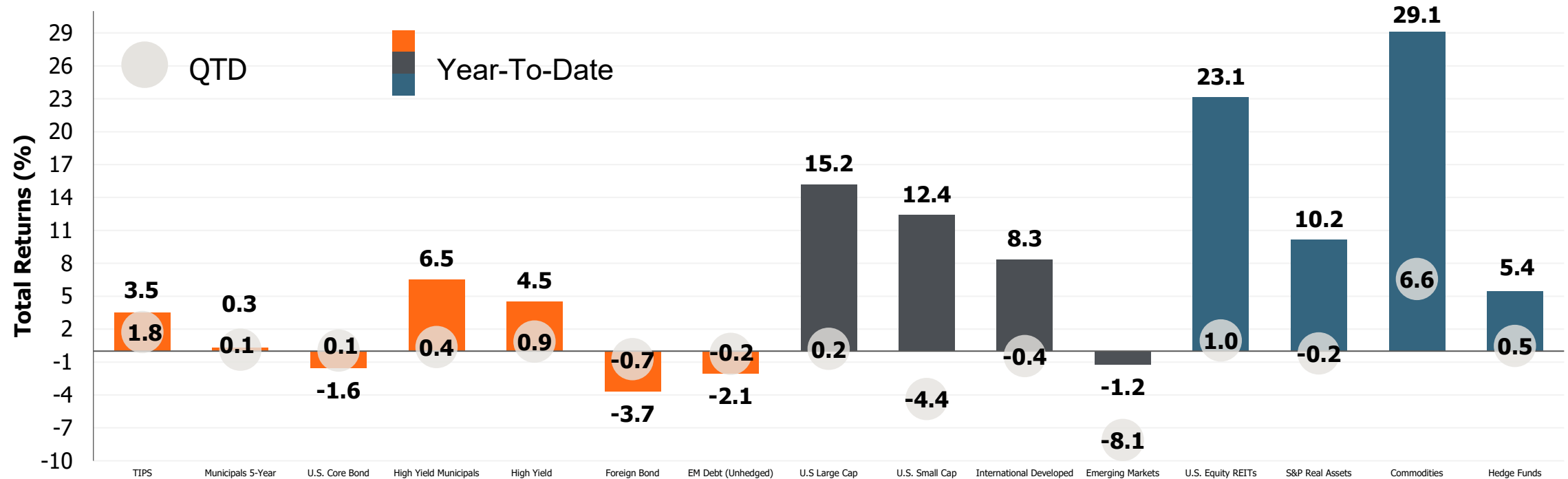


WTI Crude Oil Prices (\$/bbl)

Oil prices have touched 5-year highs at nearly \$80 per barrel. Supply has been slow to come back online coming out of the pandemic.



Asset Class Returns



*Hedge fund returns are lagged 1 month. Sources: FactSet, J.P. Morgan, Russell, MSCI, FTSE Russell, Alerian. Hedge Funds returns as of 5/31/21. All other returns as of 6/30/21.

Fixed Income (3Q)

- Interest rates moved higher across the curve as investors continue to grapple with potential impacts from future Federal Reserve policy.
- Investment grade and high yield spreads widened during the quarter.

Equity (3Q)

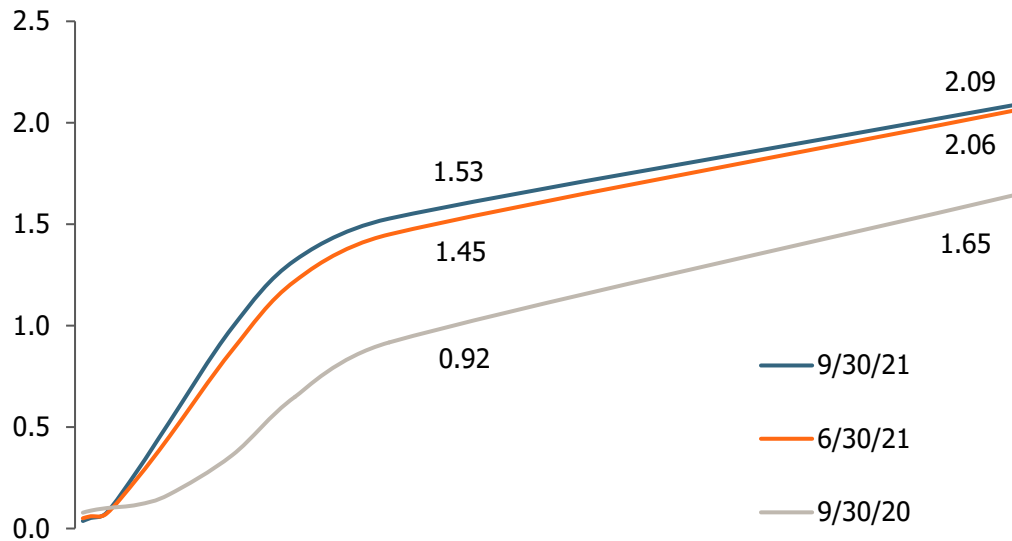
- Sentiment shifted during the 3rd quarter with investors selling out of the perceived riskier asset classes, namely small caps and emerging markets.
- Emerging markets struggled, driven by poor performance from the larger country constituents, namely China and Korea.

Real Assets / Alternatives (3Q)

- + REITs continued to benefit from increasing demand and low interest rates.
- + Commodities drew considerable strength from higher energy prices (particularly advances in oil), although strong performance was broad based across sectors.

U.S. Treasury Yield Curve

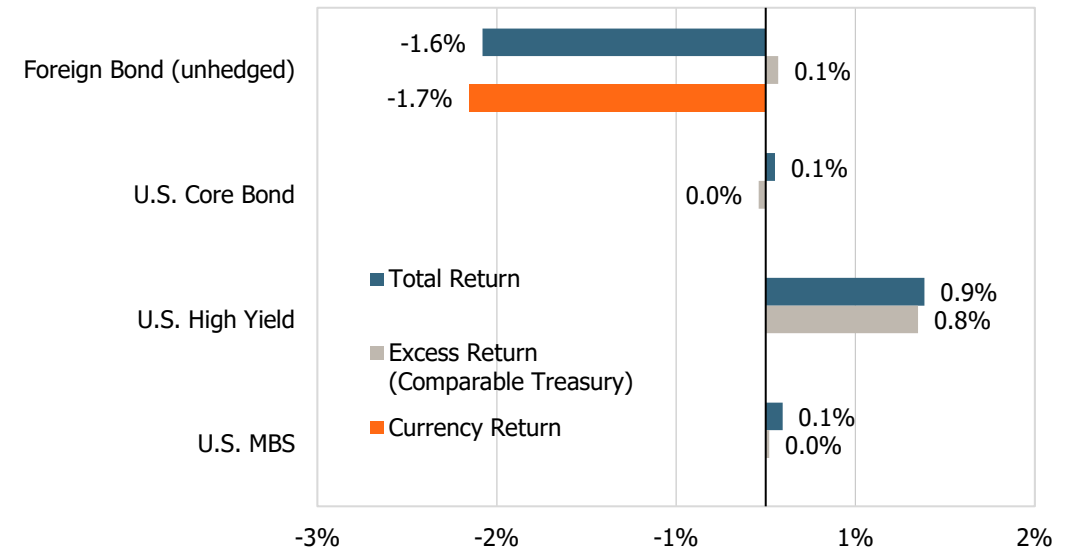
U.S. Treasuries moved slightly higher in the quarter with the 10-year and 30-year rates increasing 8bps and 3bps, respectively.



Source: FactSet

Index Performance Attribution (3Q 2021)

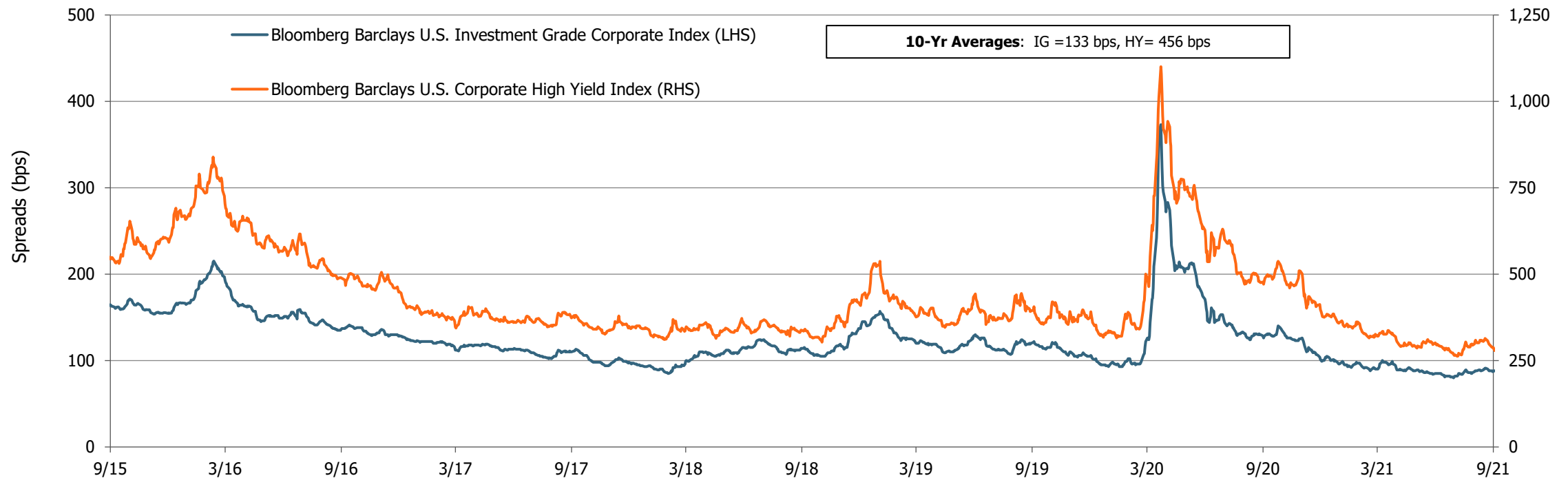
Despite headwinds from rising rates and wider spreads, U.S. fixed income markets were marginally positive driven by coupon payments. Dollar strength, particularly in September, weighed on foreign bonds.



Source: FactSet

Credit Market Spreads – Trailing 5 Years

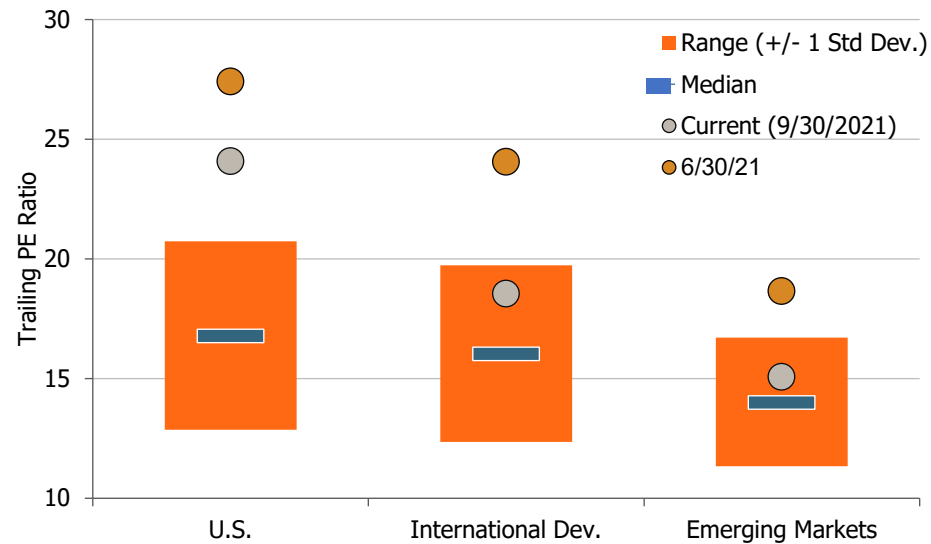
Credit spreads widened during the quarter with investment grade and high yield spreads increasing 4bps and 21bps, respectively.



Source: FactSet

Equity Valuations (Trailing 15 Years)

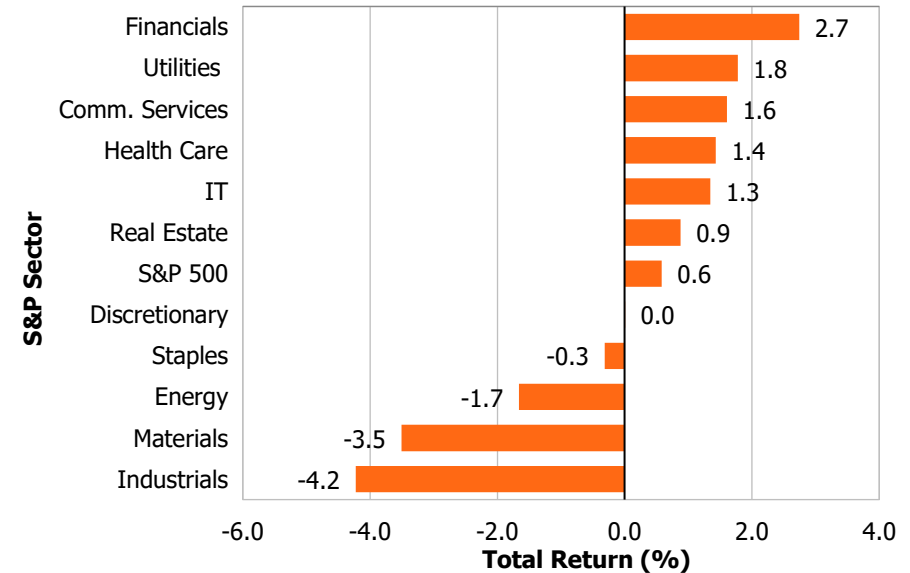
While valuations remain somewhat elevated relative to historical norms, underlying company earnings have proven resilient, which has helped investors rationalize current price levels.



Source: FactSet

U.S. Equities - Return by Sector (3Q 2021)

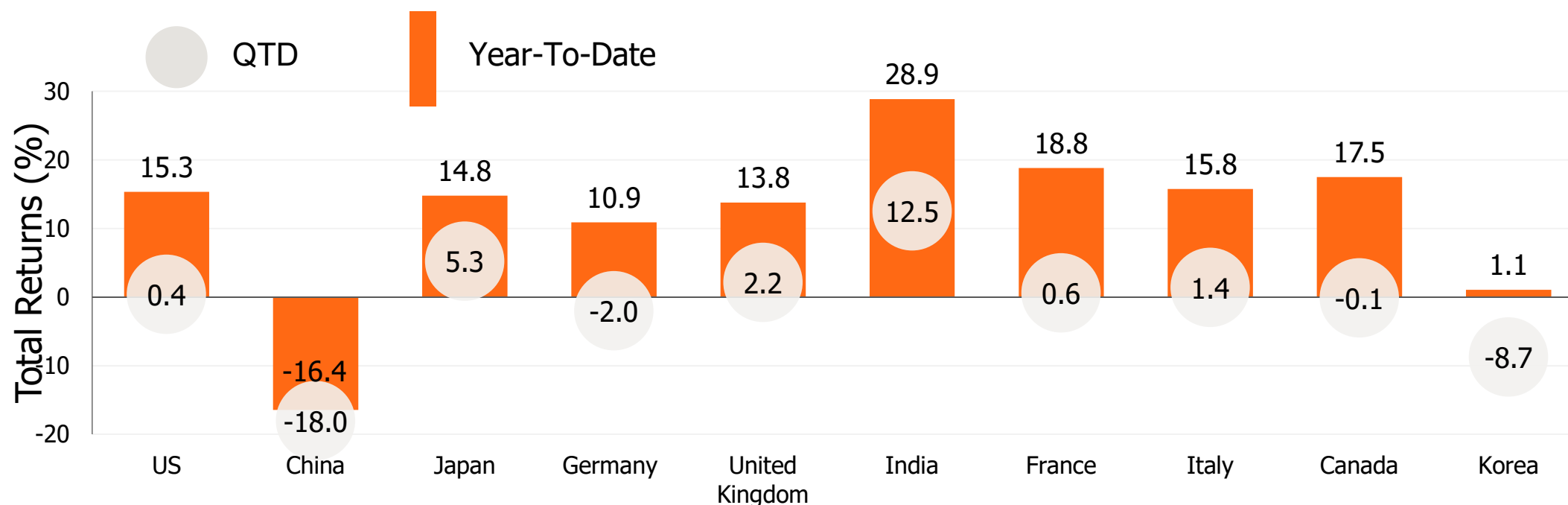
U.S. equity performance was mixed across sectors. Financials and utilities led for the quarter while materials and industrials were laggards.



Source: FactSet, Russell 1000

Country Total Returns (%) – Top 10 Largest Economies

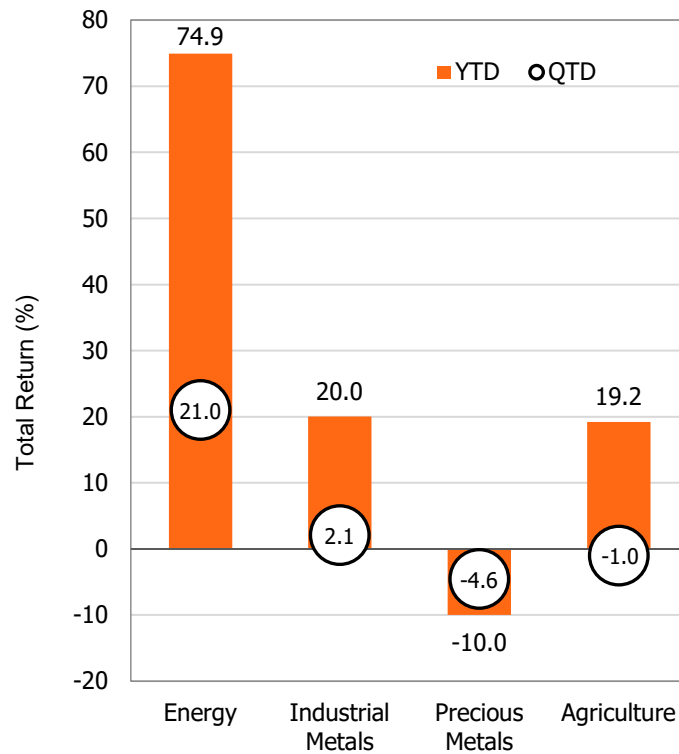
While there were pockets of opportunity across countries, China was at the center of headlines during the quarter. Regulatory restrictions caused major sell-offs across the market with the education and technology sectors getting hit the hardest. Contagion effects were felt across emerging markets with Korea getting caught up in the sell-off as well. For more details on the evolving situation in China please reference our white paper [here](#).



Sources: FactSet

Real Assets Performance

Energy was the primary contributor to the performance within real assets. Supply disruptions have impacted output and have significantly driven up the prices of natural gas and crude oil.

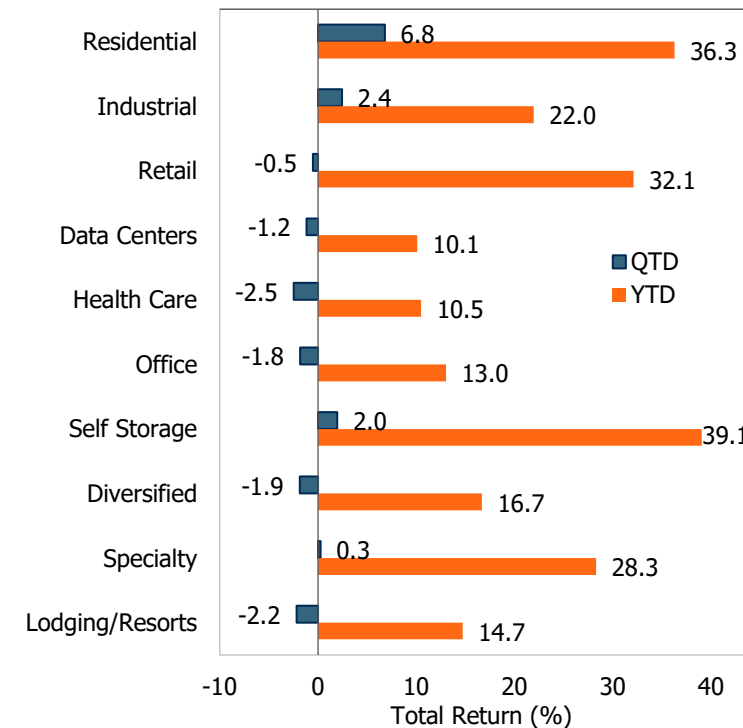


Source: FactSet

Past performance does not indicate future performance and there is a possibility of a loss.

REIT Sector Performance

The residential, industrial and self storage sectors continued to perform well, benefitting from the suburbanization trend. Health care and lodging & resorts were laggards for the period.



Source: FactSet

The Case for Diversification



| 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | YTD | 10Yr (Ann) |
|-----------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|---------------------------|----------------------------|-----------------------------|----------------------------|---------------------------|----------------------------|---------------------------|
| TIPS 13.6 | Emerging Markets 18.2 | U.S. Small Cap 36.8 | U.S. Equity REITs 30.1 | U.S. Equity REITs 3.2 | U.S. Small Cap 21.3 | Emerging Markets 37.3 | High Yield Munis 4.8 | U.S. Large Cap 31.5 | U.S. Small Cap 20.0 | Commodities 29.1 | U.S. Large Cap 16.6 |
| High Yield Munis 9.3 | High Yield Munis 18.1 | U.S. Large Cap 32.4 | High Yield Munis 13.8 | Municipals 5-Year 2.4 | High Yield 17.1 | International Dev. 25.0 | Municipals 5-Year 1.7 | U.S. Equity REITs 26.0 | U.S. Large Cap 18.4 | U.S. Equity REITs 23.1 | U.S. Small Cap 14.6 |
| U.S. Equity REITs 8.3 | U.S. Equity REITs 18.1 | International Dev. 22.8 | U.S. Large Cap 13.7 | High Yield Munis 1.8 | U.S. Large Cap 12.0 | U.S. Large Cap 21.8 | Foreign Bond 0.5 | U.S. Small Cap 25.5 | Emerging Markets 18.3 | U.S. Large Cap 15.9 | U.S. Equity REITs 11.3 |
| Core Bond 7.8 | International Dev. 17.3 | Balanced 12.2 | Core Bond 6.0 | U.S. Large Cap 1.4 | Commodities 11.7 | EM Debt (unhedged) 15.2 | Core Bond 0.0 | International Dev. 22.5 | TIPS 11.0 | U.S. Small Cap 12.4 | International Dev. 8.1 |
| Municipals 5-Year 6.9 | EM Debt (unhedged) 16.9 | Hedge Funds 9.0 | Balanced 5.1 | Core Bond 0.6 | Emerging Markets 11.2 | U.S. Small Cap 14.6 | TIPS -1.3 | Emerging Markets 18.4 | Balanced 8.8 | International Dev. 8.3 | Balanced 7.7 |
| High Yield 5.0 | U.S. Small Cap 16.3 | High Yield 7.4 | U.S. Small Cap 4.9 | Hedge Funds -0.3 | EM Debt (unhedged) 9.9 | Balanced 13.6 | High Yield -2.1 | Balanced 17.5 | International Dev. 7.8 | Balanced 6.6 | High Yield 7.4 |
| Foreign Bond 4.2 | U.S. Large Cap 16.0 | U.S. Equity REITs 2.5 | TIPS 3.6 | International Dev. -0.8 | U.S. Equity REITs 8.5 | High Yield Munis 9.7 | Hedge Funds -4.0 | High Yield 14.3 | Core Bond 7.5 | High Yield Munis 6.5 | High Yield Munis 6.7 |
| U.S. Large Cap 2.1 | High Yield 15.8 | Municipals 5-Year 0.8 | Hedge Funds 3.4 | TIPS -1.4 | Balanced 7.6 | Hedge Funds 7.8 | U.S. Large Cap -4.4 | EM Debt (unhedged) 13.5 | Hedge Funds 7.1 | Municipals 5-Year 6.5 | EM Debt (unhedged) 6.6 |
| Balanced 0.9 | Balanced 11.5 | Foreign Bond -1.0 | Municipals 5-Year 3.2 | Foreign Bond -2.3 | TIPS 4.7 | High Yield 7.5 | U.S. Equity REITs -4.6 | High Yield Munis 10.7 | High Yield 7.1 | Hedge Funds 5.4 | Emerging Markets 6.1 |
| EM Debt (unhedged) -1.8 | TIPS 7.0 | Core Bond -2.0 | Foreign Bond 2.9 | Balanced -3.3 | Foreign Bond 3.2 | Foreign Bond 6.5 | Balanced -5.8 | Core Bond 8.7 | Foreign Bond 7.0 | High Yield 4.5 | Hedge Funds 4.1 |
| U.S. Small Cap -4.2 | Foreign Bond 5.3 | Emerging Markets -2.6 | High Yield 2.5 | U.S. Small Cap -4.4 | High Yield Munis 3.0 | U.S. Equity REITs 5.2 | EM Debt (unhedged) -6.2 | TIPS 8.4 | High Yield Munis 4.9 | TIPS 3.5 | Foreign Bond 3.9 |
| Hedge Funds -5.7 | Hedge Funds 4.8 | High Yield Munis -5.5 | Emerging Markets -2.2 | High Yield -4.5 | Core Bond 2.6 | Core Bond 3.5 | U.S. Small Cap -11.0 | Hedge Funds 7.6 | Municipals 5-Year 4.3 | Emerging Markets -1.2 | TIPS 3.1 |
| Commodities -13.3 | Core Bond 4.2 | TIPS -8.6 | International Dev. -4.9 | Emerging Markets -14.9 | International Dev. 1.0 | Municipals 5-Year 3.1 | Commodities -11.2 | Commodities 7.7 | EM Debt (unhedged) 2.7 | Foreign Bond -1.4 | Core Bond 3.0 |
| International Dev. -12.1 | Municipals 5-Year 3.0 | EM Debt (unhedged) -9.0 | EM Debt (unhedged) -5.7 | EM Debt (unhedged) -14.9 | Hedge Funds 0.5 | TIPS 3.0 | International Dev. -13.8 | Foreign Bond 6.3 | Commodities -3.1 | Core Bond -1.6 | Municipals 5-Year 2.5 |
| Emerging Markets -18.4 | Commodities -1.1 | Commodities -9.5 | Commodities -17.0 | Commodities -24.7 | Municipals 5-Year -0.4 | Commodities 1.7 | Emerging Markets -14.6 | Municipals 5-Year 5.4 | U.S. Equity REITs -8.0 | EM Debt (unhedged) -1.9 | Commodities -2.7 |

See disclosures for list of indices representing each asset class. Past performance does not indicate future performance and there is a possibility of a loss.

Financial Markets Performance

Total return as of September 30, 2021. Periods greater than one year are annualized. All returns are in U.S. dollar terms.

| Global Fixed Income Markets | QTD | YTD | 1YR | 3YR | 5YR | 7YR | 10YR | 15YR |
|--|-------|-------|-------|-------|-------|-------|-------|-------|
| Bloomberg Barclays 1-3-Month T-Bill | 0.0% | 0.0% | 0.1% | 1.1% | 1.1% | 0.8% | 0.6% | 0.9% |
| Bloomberg Barclays U.S. TIPS | 1.8% | 3.5% | 5.2% | 7.4% | 4.3% | 3.9% | 3.1% | 4.4% |
| Bloomberg Barclays Municipal Bond (5 Year) | 0.1% | 0.3% | 1.1% | 3.9% | 2.4% | 2.4% | 2.5% | 3.5% |
| Bloomberg Barclays High Yield Municipal Bond | 0.4% | 6.5% | 11.3% | 7.4% | 6.0% | 6.0% | 6.7% | 5.3% |
| Bloomberg Barclays U.S. Aggregate | 0.1% | -1.6% | -0.9% | 5.4% | 2.9% | 3.3% | 3.0% | 4.2% |
| Bloomberg Barclays U.S. Corporate High Yield | 0.9% | 4.5% | 11.3% | 6.9% | 6.5% | 5.9% | 7.4% | 7.3% |
| Bloomberg Barclays Global Aggregate ex-U.S. Hedged | -1.6% | -1.4% | -0.5% | 3.9% | 2.7% | 3.5% | 3.9% | 4.0% |
| Bloomberg Barclays Global Aggregate ex-U.S. Unhedged | -1.6% | -5.9% | -1.1% | 3.2% | 1.1% | 1.2% | 0.9% | 2.9% |
| Bloomberg Barclays U.S. Long Gov / Credit | 0.1% | -4.6% | -3.0% | 10.1% | 5.2% | 6.2% | 5.8% | 7.0% |
| JPMorgan GBI-EM Global Diversified | -0.2% | -2.1% | 0.6% | 7.1% | 5.7% | 6.4% | 6.6% | 7.7% |
| Global Equity Markets | QTD | YTD | 1YR | 3YR | 5YR | 7YR | 10YR | 15YR |
| S&P 500 | 0.6% | 15.9% | 30.0% | 16.0% | 16.9% | 14.0% | 16.6% | 10.4% |
| Dow Jones Industrial Average | -1.5% | 12.1% | 24.2% | 11.0% | 15.7% | 12.9% | 14.7% | 10.1% |
| NASDAQ Composite | -0.2% | 12.7% | 30.3% | 22.7% | 23.4% | 19.4% | 20.9% | 14.3% |
| Russell 3000 | -0.1% | 15.0% | 31.9% | 16.0% | 16.9% | 13.9% | 16.6% | 10.4% |
| Russell 1000 | 0.2% | 15.2% | 31.0% | 16.4% | 17.1% | 14.1% | 16.8% | 10.5% |
| Russell 1000 Growth | 1.2% | 14.3% | 27.3% | 22.0% | 22.8% | 18.5% | 19.7% | 13.3% |
| Russell 1000 Value | -0.8% | 16.1% | 35.0% | 10.1% | 10.9% | 9.3% | 13.5% | 7.5% |
| Russell Mid Cap | -0.9% | 15.2% | 38.1% | 14.2% | 14.4% | 12.2% | 15.5% | 10.3% |
| Russell Mid Cap Growth | -0.8% | 9.6% | 30.5% | 19.1% | 19.3% | 15.4% | 17.5% | 12.0% |
| Russell Mid Cap Value | -1.0% | 18.2% | 42.4% | 10.3% | 10.6% | 9.6% | 13.9% | 8.8% |
| Russell 2000 | -4.4% | 12.4% | 47.7% | 10.5% | 13.5% | 11.9% | 14.6% | 9.2% |
| Russell 2000 Growth | -5.7% | 2.8% | 33.3% | 11.7% | 15.3% | 13.2% | 15.7% | 10.6% |
| Russell 2000 Value | -3.0% | 22.9% | 63.9% | 8.6% | 11.0% | 10.2% | 13.2% | 7.5% |
| MSCI ACWI | -1.1% | 11.1% | 27.4% | 12.6% | 13.2% | 9.9% | 11.9% | 7.2% |
| MSCI ACWI ex. U.S. | -3.0% | 5.9% | 23.9% | 8.0% | 8.9% | 5.7% | 7.5% | 4.4% |
| MSCI EAFE | -0.4% | 8.3% | 25.7% | 7.6% | 8.8% | 5.8% | 8.1% | 4.1% |
| MSCI EAFE Growth | 0.1% | 6.9% | 20.9% | 11.9% | 11.4% | 8.7% | 10.1% | 5.8% |
| MSCI EAFE Value | -1.0% | 9.6% | 30.7% | 3.0% | 6.0% | 2.7% | 6.0% | 2.2% |
| MSCI EAFE Small Cap | 0.9% | 10.0% | 29.0% | 9.0% | 10.4% | 9.2% | 10.7% | 6.4% |
| MSCI Emerging Markets | -8.1% | -1.2% | 18.2% | 8.6% | 9.2% | 5.6% | 6.1% | 5.7% |
| Alternatives | QTD | YTD | 1YR | 3YR | 5YR | 7YR | 10YR | 15YR |
| Consumer Price Index* | 0.7% | 4.4% | 5.2% | 2.7% | 2.6% | 2.0% | 1.9% | 2.0% |
| FTSE NAREIT Equity REITs | 1.0% | 23.1% | 37.4% | 10.0% | 6.8% | 9.0% | 11.3% | 6.5% |
| S&P Real Assets | -0.2% | 10.2% | 21.4% | 7.3% | 6.0% | 4.5% | 6.0% | 5.6% |
| FTSE EPRA NAREIT Developed | 1.6% | 21.7% | 32.4% | 7.3% | 4.9% | 8.0% | 10.9% | 5.2% |
| FTSE EPRA NAREIT Developed ex U.S. | -2.6% | 6.6% | 21.5% | 4.9% | 5.0% | 4.8% | 7.7% | 3.4% |
| Bloomberg Commodity Total Return | 6.6% | 29.1% | 42.3% | 6.9% | 4.5% | -1.5% | -2.7% | -2.1% |
| HFRI Fund of Funds Composite* | 0.5% | 5.4% | 13.8% | 6.3% | 5.8% | 4.1% | 4.1% | 3.1% |
| HFRI Fund Weighted Composite* | -0.2% | 10.0% | 20.8% | 8.4% | 7.4% | 5.5% | 5.4% | 5.0% |
| Alerian MLP | -5.7% | 39.4% | 84.6% | -4.3% | -2.4% | -6.9% | 1.2% | 5.1% |

*One month lag.
Source: FactSet & Morningstar as of 6/30/21. Periods greater than 1 year are annualized. All returns are in U.S. dollar terms.

Disclosures

When referencing asset class returns or statistics, the following indices are used to represent those asset classes, unless otherwise notes. Each index is unmanaged and investors can not actually invest directly into an index:

TIPS: Bloomberg Barclays Global Inflation-Linked: U.S. TIPS Total Return Index Unhedged
Municipals 5-Year: Bloomberg Barclays Municipal Bond 5 Year (4-6) Total Return Index Unhedged USD
Core Bond: Bloomberg Barclays US Agg Total Return Value Unhedged USD
High Yield Municipals: Bloomberg Barclays Muni High Yield Total Return Index Value Unhedged USD
High Yield: Bloomberg Barclays US Corporate High Yield Total Return Index Value Unhedged USD
Foreign Bond: Bloomberg Barclays Global Aggregate ex-USD Total Return Index Value USD (50/50 blend of hedged and unhedged)
EM Debt (unhedged): J.P. Morgan GBI-EM Global Diversified Composite Unhedged USD
U.S. Large Cap: S&P 500 Total Return Index
U.S. Small Cap : Russell 2000 Total Return Index
International Developed: MSCI EAFE Net Total Return USD Index
Emerging Markets: MSCI Emerging Markets Net Total Return USD Index
World: MSCI ACWI Net Total Return USD Index
U.S. Equity REITs: FTSE Nareit Equity REITs Total Return Index USD
Commodities: Bloomberg Commodity Total Return Index
Midstream Energy: Alerian MLP Total Return Index
Hedge Funds: Hedge Fund Research HFRI Fund of Funds Composite Index
Event Driven: Hedge Fund Research HFRI Event-Driven Total Index
Relative Value: Hedge Fund Research HFRI Relative Value Fixed Income-Convertible Arbitrage Index
Equity Hedge: Hedge Fund Research HFRI Equity Hedge Total Index
Direct Fund Composite: Hedge Fund Research HFRI Fund Weighted Composite Index
Fund of Funds Composite: Hedge Fund Research HFRI Fund of Funds Composite Index
Macro: Hedge Fund Research HFRI Macro Total Index
International, 7% Emerging Markets, 5% U.S. Equity REITS, 6% MLPs
U.S.: MSCI USA Net Total Return USD Index
China: MSCI CHINA Net Total Return USD Index
Japan: MSCI Japan Net Total Return USD Index
Germany: MSCI Germany Net Total Return USD Index
India: MSCI India Net Total Return USD Index
United Kingdom: MSCI UK Net Total Return USD Index
France: MSCI France Net Total Return USD Index
Italy: MSCI Italy Net Total Return USD Index
Brazil: MSCI Brazil Net Total Return USD Index
Canada: MSCI Canada Net Total Return USD Index

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