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LEGACY WEALTH

January 3rd, 2022

Client
123 Client RD
ClientTown, State Zip

Dear Client,

Happy New Year!

We are hoping you and yours enjoyed a blessed celebration of Christmas and a great start to the New Year.

THE MARKETS

As we wrapped up another eventful year the ***US Equity Markets*** posted another year of impressive returns with the S&P 500 up 28.71% for the year, and small caps (Russell 2000) at 14.82%. International stocks (EAFE) lagged domestic equities once again, posting a 11.78% return for developed markets, and Emerging Markets down 2.22%, largely due to the uncertainties regarding COVID and its impact in those regions of the world.

Bond Markets as measured by the Barclays Aggregate Bond Index actually lost value, down 1.54% for the year due to slight increases in the interest rate environment over the year, which lessens the value of existing bonds in an investor's portfolio. We were pleased to see our individual bond managers post a positive return for the year through insightful diversification, and maintaining shorter durations to protect against valuation risks in a rising interest rate environment.

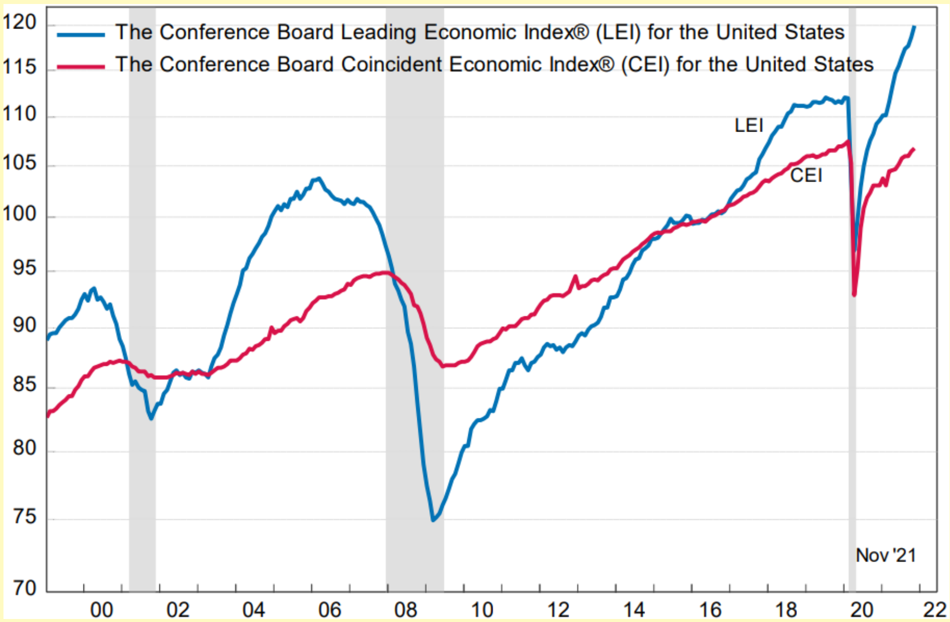
Alternatives added significant value in 2021 as well. Historically alternatives help to broaden diversification and enhance returns to complement the stocks and bonds in a portfolio. Last year these benefits carried through with commodities, real estate, and even digital currency providing added growth over the year. With concerns over equity valuations, lackluster returns in the bond markets, and inflation nearing 7%, Wall Street has coined a new acronym on why investors should still own stocks and bonds in their portfolio referred to as ***"T.I.N.A.", or "There Is No Alternative".*** We believe an alternative, is alternatives themselves. Accordingly, we started enhancing allocations to these complementary holdings over a year ago, which has helped not only diversify your portfolio with lower correlating assets but enhanced your returns as well.

Looking forward, we believe there are a number of issues on the horizon that may create market fluctuations depending on their outcomes. We are keeping a keen eye on the proposed ***stimulus programs*** and the impact they will have on spending and taxation.

Federal Reserve policy decisions (currently projecting 3 rate hikes this year), progress on the battle against COVID, and ***geopolitical tensions*** will all continue to have an impact on investor confidence, and subsequent market volatility as well. Accordingly, we are convicted that maintaining broad diversification, with high quality holdings and professional management remains as important now, as ever. This remains especially true when considering current Capital Market Projections over the next ten years forecasting U.S. equities to average between 5% and 7% per year.

THE ECONOMY

As you can see on the enclosed report, economic recovery was fairly robust throughout 2021, as expected. The graph below of the CBO's Index of ***Leading Economic Indicators*** reflects a strong resurgence in economic activity over the last couple of years, but as you'll note in our attached report, the ***Consumer Sentiment Index*** is a bit less encouraging. This index is compiled through surveys of consumers, to try and glean an understanding of how they feel about their economic future. We believe a big part of this outlook has to do with consumer concerns related to inflation, COVID, and the potential impact it will have on consumers over the years ahead.



The ten components of
The Conference Board Leading
Economic Index® for the U.S. include:

- Average weekly hours, manufacturing
- Average weekly initial claims for unemployment insurance
- Manufacturers' new orders, consumer goods and materials
- ISM® Index of New Orders
- Manufacturers' new orders, nondefense capital goods excluding aircraft orders
- Building permits, new private housing units
- Stock prices, 500 common stocks
- Leading Credit Index™
- Interest rate spread, 10-year Treasury bonds less federal funds
- Average consumer expectations for business conditions

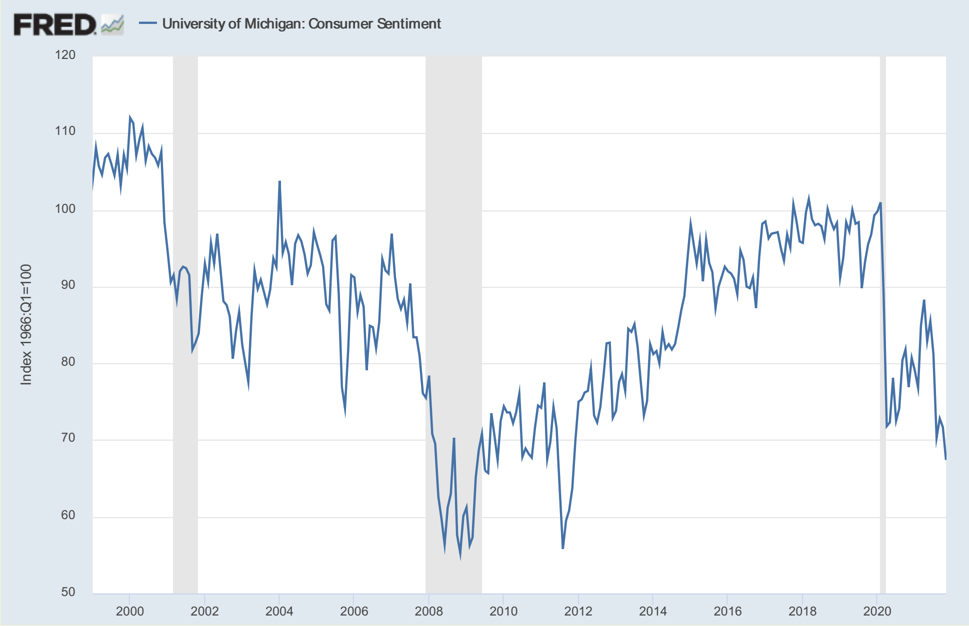
Data provided by The Conference Board as of November 2021

The Federal Reserve Chairman has requested that we no longer use the term ***"transitory"*** as it pertains to inflation, acknowledging not only the impact it has had, but also the fact that it may be around for longer than originally thought. Through the end of November, the trailing ***CPI was 6.8%,*** but as you may be aware many items in the energy, food and other consumer goods have inflated by much higher rates than that, while wages have only increased approximately 4.2% over the same period. While we hope the Fed's long term inflation projections hold true to the 3% range, it seems logical that the price increases we have seen, would be forthcoming, after adding approximately 34% of new dollars to the money supply in less than 2 years.

While we, along with many other economists, believe there is still plenty of room for economic growth, through occasional soft patches moving forward, we are very sensitive to the headwinds that future legislation, rising interest rates, inflation, and our recent worker shortage may have on that growth. Again, these factors continue to give us a bias toward maintaining broadly diversified portfolios of companies that have ***strong balance sheets, reasonable valuations and solid management teams.***

PORTFOLIO UPDATE

We have been encouraged to see the majority of our portfolio managers outperform their relative indexes for the last year, some of which outperformed their benchmarks handily. As noted above, it was encouraging to see our individual



The Michigan Consumer Sentiment Index (MCSI) is a monthly survey of consumer confidence levels in the United States conducted by the University of Michigan. The survey is based on telephone interviews that gather information on consumer expectations for the economy.
Data provided by Federal Reserve Economic Data as of November 2021

bond manager, AAM, provide a positive return as well, considering the poor year it was for bonds overall. As you can see on your attached update, the overall results on your individual holdings, when compared with the appropriate Morningstar blended benchmarks, were also encouraging, with most portfolios beating their benchmark and others trailing by less than one percent.

Enclosed you will see your net return numbers for the past several years, as well as your annualized performance going back to March 24, 2020, which was the market low after the Covid selloff almost two years ago. Throughout the year we have continued to monitor manager performance and ***implement strategic rebalancing.*** We have also continued to update and apply ***values-based screening*** on an ongoing basis, and implemented ***tax loss harvesting,*** although opportunities were minimal this year. As mentioned above, we slightly modified our asset allocation last year with enhancements to your alternatives sleeve, however this year we are not making any tactical allocation changes, as we feel your overall ***diversification is consistent with your planning objectives,*** risk propensity, as well as current market/economic conditions.

Please take some time to review your year-end update and should you have any questions, or if anything significant has changed for you since our last review, please let us know. If we haven't heard from you, we will keep in touch. As always, it is an ***honor and privilege*** to help you with your planning and portfolio management, which we look forward to doing so for many years to come.

Kindest Regards,

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