683 Bielenberg Drive
Suite 101
Woodbury, MN 55125
Phone: (651) 621-2383
legacywealthwisdom.com

Benjamin M. Brocker
CFA®, AIF®

Johnathan M. Brocker
Chief Compliance Officer

Joshua M. Brocker
CFP®, AIF®

Matthew M. Brocker
RICP®, AIF®, CAP®

Michael D. Brocker
MSFS, ChFC®, AIF®
CAP®, AEP®, CLU®

Members of our firm

Amanda L. Brocker, CFP®

Courtney M. Ronsberg

Emily R. Kaufer

Sydney E. Horner

LEGACY WEALTH

July 1st, 2021

John and Mary Smith
1234 Apple Way
Woodbury, MN 55125

Dear John and Mary,

We are hoping this update finds you enjoying the warm summer months and our long-awaited return to normalcy as we continue on the path of recovery from the "Covid Era". As the majority of US citizens have been vaccinated and new Covid occurrences have diminished significantly, there is definitely an excitement in the air along with a cautious optimism as we look ahead. If you are at all like me, you likely have an even greater appreciation for seeing a smiling face, shaking someone's hand, or gathering at larger venues without social distancing. While some risks still remain and are being closely monitored regarding new variants, the hope is that our current vaccinations will provide the necessary protection and herd immunity will come to fruition for those who have not received a vaccine.

ECONOMY

As projected in our previous updates, leading indicators are very strong and even surpassing estimates in many cases. While there are still over 7 million unemployed in the US, the job openings (JOLT index) are showing over 9 million jobs currently available. This is unprecedented, and as the stimulus checks subside this summer and in the early Fall, we will likely see many of those opportunities filled, and unemployment to continue its lowering trend.

While consumer confidence and spending has been very strong, the outlook for consumer spending remains strong with household balance sheets in great shape, and a large pent-up demand for goods and services that is now being filled. This should continue to help corporate earnings, which have also been exceeding expectations thus far, and appear to have plenty of room for continued improvement as GDP is projected to be very strong over the next several quarters as well.

INFLATION

The most recent 12-month inflation number was at 5%, which is well above our historical averages, and if it were to remain at that level moving forward, would cause significant pressure to ongoing economic growth and the markets in general. However, according to Fed Chairmen Powell, this rise in prices over the last year is more "transitory" in relation to the Covid crisis and the impacts of supply and demand as the economy reopens. While many other analysts share this view, we are approaching the possibility of higher inflation more cautiously.

With approximately 25% of the money supply having been printed in the last 18 months, and large stimulus programs that have been, and are yet to be implemented, we realize that inflation could be a bigger concern over the coming years, and we are addressing this concern accordingly. Lower duration fixed income holdings, properly diversified alternative strategies, value stocks, and proper global diversification should help to mitigate this risk.

MARKETS

While the equity markets have continued to grind higher since the first of the year, many are rightly concerned about current valuations (Stock prices in relation to their Earnings or P/E). The S&P 500 forward P/E is approximately 25% higher than the 25-year average, but it appears investor expectations have built in the assumption of strong growth in earnings as the economy continues to recover from the Covid shutdowns. The hope is that as earnings increase, US large cap stock prices will come more in line with their historical valuations, thereby supporting current prices.

As an interesting side note, non-US equities have also been impacted during the pandemic, however their current valuations are already in line with their historical P/E's, which is one of multiple factors causing many analysts to favor International equities over US, as the global economy recovers. Evaluating a compilation of 39 Capital Market Assumptions reported through Horizon Actuarial Services, many of the top money managers agree. The 10-year projections showed average annual return expectations of 1-2% better growth from non-US equities and emerging markets. Accordingly, we continue to maintain proper global diversification to help us minimize risk and optimize long term growth moving forward.

Up to this point investors appear to be shrugging off concerns regarding inflation, valuations, increased taxes, large stimulus programs, and ongoing political tensions. We believe this is primarily due to the belief that the recovery over the next 12-24 months will be strong enough to fuel ongoing economic and market growth regardless of the aforementioned concerns. We can't really say we disagree with the near-term outlook, but if history teaches us anything, we understand that market fluctuations will also be a significant part of that journey.

YOUR PORTFOLIO REVIEW

As you can see, we have enclosed your most recent portfolio update for your review. As we touched on above, we are continuing to monitor and manage your portfolio in light of the unique environment with which we are working. Having a proper balance in company size, style, and sector is as important as ever. We continue to provide ongoing rebalancing as appropriate, understanding that it is likely that a market rotation is on the horizon. Over the last decade Large Cap has outperformed Small, US has outperformed International, and Growth has beat Value. Moving forward under the new economy with the various pressures outlined above, most analysts are favoring Small Cap over Large, Value over Growth, and International over US. As you can see on your report, we are continuing to maintain proper balance, while also allocating an appropriate amount to fixed income and alternatives to provide downside protection during adverse market cycles and lower correlating assets that will help us achieve your planning objectives most effectively.

Please take some time to review the enclosed update and should you have any questions or concerns, please feel free to call. If we have not heard from you, we will keep in touch. Hoping you and yours enjoy the rest of the summer, and as always, it is an honor and a privilege to be helping you with your portfolio management and planning.

Kindest Regards,

Michael Brocker
MSFS, CLU, ChFC, AEP®, AIF®
Chartered Financial Consultant
Masters of Science in Financial Services

Matthew Brocker
RICP®, CAP®, AIF®

Economic Data Trends

Data Point	15-year Average	1 year ago	6 mo. ago	Current	Recent Trending Status
Unemployment Rate					
Jobs Added last 3 months (thousands)					
Participation Rate					
Job Openings (mils)					
Consumer Sentiment Level					
Retail Sales last 3 months (bils)					
Home Prices (Case-Shiller Reading)					
Existing Home Sales Annualized (mils)					
Housing Starts Annualized (mils)					
US Corporate Profits After Tax (last 12 months) (bils)					
Real GDP Growth Yr./Yr.					
Manufacturing (ISM PMI)					

Data obtained from Y Charts as of June 30, 2021

Market Performance

Morningstar Target Risk Indices	1st Quarter	2021	3 Year Avg. Return	5 Year Avg. Return
Conservative				
Moderately Conservative				
Moderate				
Moderately Aggressive				
Aggressive				
Index	**1st Quarter**	**2021**	**3 Year Avg. Return**	**5 Year Avg. Return**
S&P 500 (US Large Cap)				
Russell 2000 (US Small Cap)				
MSCI EAFE (International)				
MSCI Emerging Markets Index				
Barclays US Aggregate Bond Index				
Barclays US Treasury Bills 1-3 Month				
Bloomberg Barclays US Corp. High Yield Index				
Bloomberg Commodity Index				
Dow Jones US Real Estate Index				

Data provided by YCharts and Morningstar as of June 30, 2021