



November 4, 2021

Dear Valued Investor:

The past year and a half have tested all of us, but overall, the economy continues to strengthen, COVID-19 trends are greatly improving, and this still relatively young bull market is alive and well. As the leaves turn colors and begin to fall to the ground, there are many reasons to be thankful. The economy slowed considerably in the third quarter (as the growth rate of gross domestic product [GDP] slowed to 2.0% from 6.7% in the second quarter), well below the 10% that was expected back in early June. The good news is—this likely isn't the start of a new trend. The COVID-19 Delta variant slowed the economy considerably in the third quarter, but growth is expected to pick up in the next few quarters. Big purchases were likely pushed back a few months, which helps the growth outlook for the fourth quarter. Additionally, consumer balance sheets remain very healthy, with trillions of dollars in savings and money market accounts. The consumer, which makes up about two-thirds of the economy, is in very good shape heading into 2022.

Supply chain disruptions are being felt all across our country. Goods are taking longer to get to us and costing more than they did in the past. But over the past few weeks, we have seen some signs that the worst of the supply issues may be ending. Although these issues lasted longer than most expected, the bottlenecks will continue to work their way out of the system over the coming months and provide relief—something consumers are sure to appreciate.

Earnings drive long-term stock gains and continue to justify stocks at current levels. Third quarter S&P 500 Index earnings have been extremely strong once again, with more than 80% of companies beating estimates (FactSet) and earnings up nearly 40% from 2020 levels. Yes, many companies have been impacted by the recent COVID-19 Delta variant-induced economic slowdown and supply chain problems, but corporate America remains quite optimistic about the future.

The strong stock market performance this year is yet another thing to be thankful for. In fact, November has been historically the best month of the year for stocks, with the usually strong December right after that. Although some of the late seasonal gains could have been pulled forward by the 6% gain in October, the bull market is alive and well.

The loss of so many lives to COVID-19 is a tragedy beyond comprehension, but some recent trends show light at the end of the tunnel. Approved booster shots and vaccines for children will continue to help the economy reopen. Additionally, hospitalizations are down by more than half from their September peak, suggesting we are over the worst from the Delta worries. Another reason to be thankful indeed.

These last two months will go by quickly, as this time of year is always busy—and that's a good thing because it means we are getting closer to normal. We've come a long way since early 2020 when COVID-19 first arrived on U.S. shores, so let's not forget to take some time to remember how lucky we all are.

Please contact me if you have any questions.

Best regards,

Victor



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