SENIOR SOLUTIONS UPDATE

FROM:	PATRICE HORNER, CFP, MBA
SUBJECT:	2Q2021 INVESTMENT COMMENTARY
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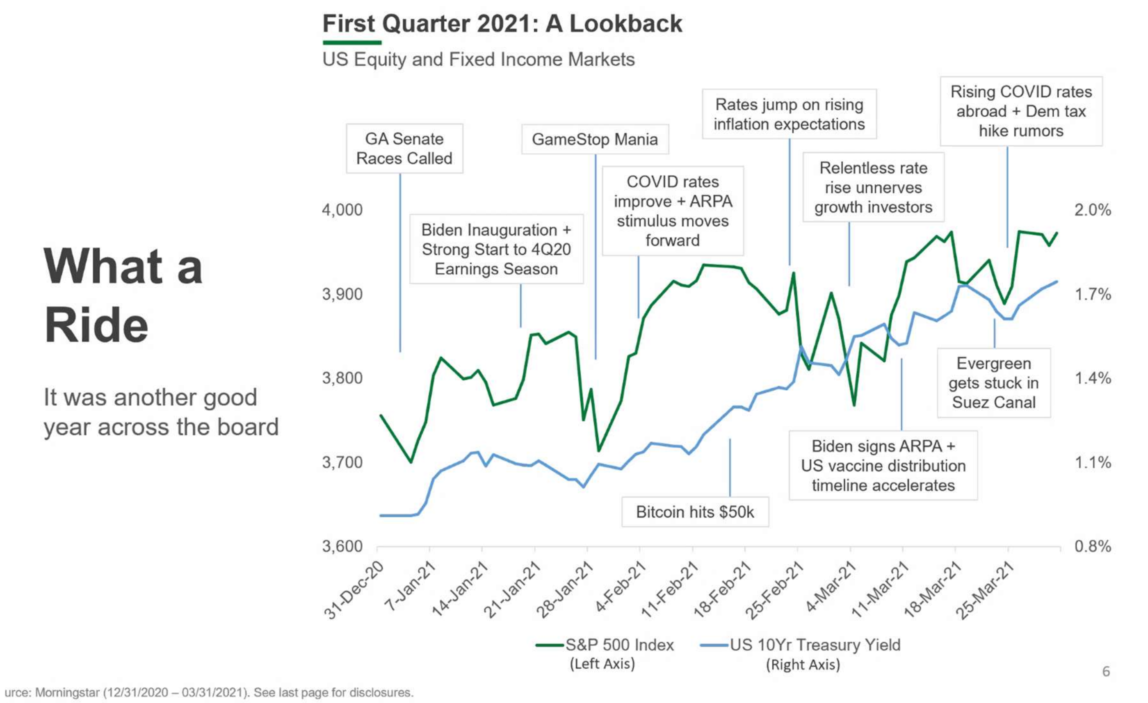
SSL Senior Solutions
25 Woodlands Road, Pembroke HM 09 (441) 29

Review



With a grinding pandemic, a shocked economy, a renewed focus on racial equity, and growing concerns about climate, the US and much of the world is in an existential challenge and ready for a reset, according to the McKensie & Company 'Shortlist'. The first quarter of 2021 continued with crises such as the Evergreen maxi container ship stuck in the Suez and the collapse of Archegos Capital Management with a $20bn equities firesale to cover margin.

Credit Suisse expects U.S. consumption to surge an "extreme" 10% this year, due to pent up demand fueled by fiscal stimulous. That can trigger a significant jump in new orders and new hiring. U.S. manufacturers reported the sharpest rise in new orders since 2014, according to IHS Markit. Nuveen Advisors anticipate that global growth could surge by the most in decades this year from spending in large developed economies. The Federal Reserve is projecting 2021 US GDP growth at a level not seen since early 1980s.

Economically sensitive 'cyclical' assets will be the beneficiaries. Many of the cyclical industries were among the worst-hit in the early stages of the pandemic and, unsurprisingly, are now among those expected to deliver the strongest Earnings Per Share (EPS) growth recoveries this year and 2022. Some gains are sentiment driven and could be subject to pullbacks with unexpected policy changes.

In the last quarter of 2020 The European economy was shrinking as compared with an annualised growth rate of 4.1% in America and 6.5% in China. Alfred Kammer Director of the IMF European Department said the economy recovery in Europe is 'halting and uneven". IMF projects the European GDP expansion of 4.4% 2021 and 3.8% in 2022. The worry is 'economic scarring' where production doesn't return because of lost capacity due the pandemic. Europe is a hub for vaccine production and export, so a possible source to boost production. Credit lines need to be available for Small & Medium size Entities SMEs with provisions for non-performing loans across the region.

Latest World Economic Outlook Growth Projections

(real GDP, annual percent change)	2020	PROJECTIONS 2021	2022
World Output	-3.3	6.0	4.4
Advanced Economies	-4.7	5.1	3.6
United States	-3.5	6.4	3.5
Euro Area	-6.6	4.4	3.8
Germany	-4.9	3.6	3.4
France	-8.2	5.8	4.2
Italy	-8.9	4.2	3.6
Spain	-11.0	6.4	4.7
Japan	-4.8	3.3	2.5
United Kingdom	-9.9	5.3	5.1
Canada	-5.4	5.0	4.7
Other Advanced Economies	-2.1	4.4	3.4
Emerging Market and Developing Economies	-2.2	6.7	5.0
Emerging and Developing Asia	-1.0	8.6	6.0
China	2.3	8.4	5.6
India	-8.0	12.5	6.9
ASEAN-5	-3.4	4.9	6.1
Emerging and Developing Europe	-2.0	4.4	3.9
Russia	-3.1	3.8	3.8
Latin America and the Caribbean	-7.0	4.6	3.1
Brazil	-4.1	3.7	2.6
Mexico	-8.2	5.0	3.0
Middle East and Central Asia	-2.9	3.7	3.8
Saudi Arabia	-4.1	2.9	4.0
Sub-Saharan Africa	-1.9	3.4	4.0
Nigeria	-1.8	2.5	2.3
South Africa	-7.0	3.1	2.0
Memorandum			
Emerging Market and Middle-Income Economies	-2.4	6.9	5.0
Low-Income Developing Countries	0.0	4.3	5.2

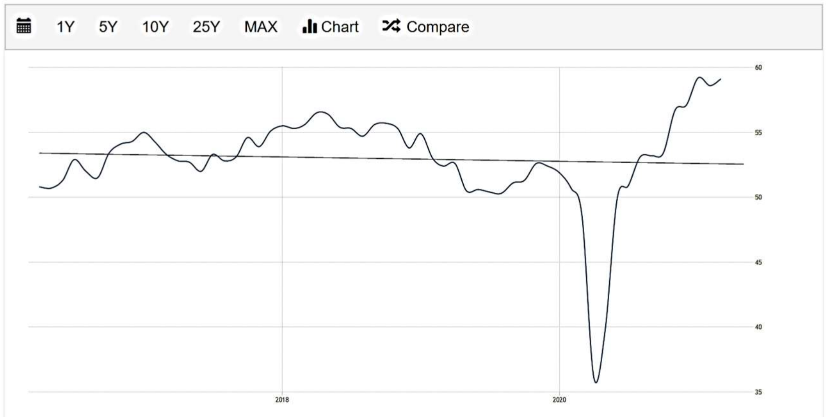
Source: IMF, *World Economic Outlook*, April 2021

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2020/2021 starting in April 2020. India's growth projections are -7.1 percent in 2020 and 11.3 percent in 2021 based on calendar year.

INTERNATIONAL MONETARY FUND IMF.org

The Institute of Supply Managers (ISM) March Purchasing Managers Indexes (PMIs) are signaling a rapid pace of expansion. The U.S. PMI reached a 15-year high of 57.5 as of March 21. The ISM Services Index rose for the tenth consecutive month to a record high 63.7. This year could see the fastest GDP growth since 1984 of 7.2% in 2021.

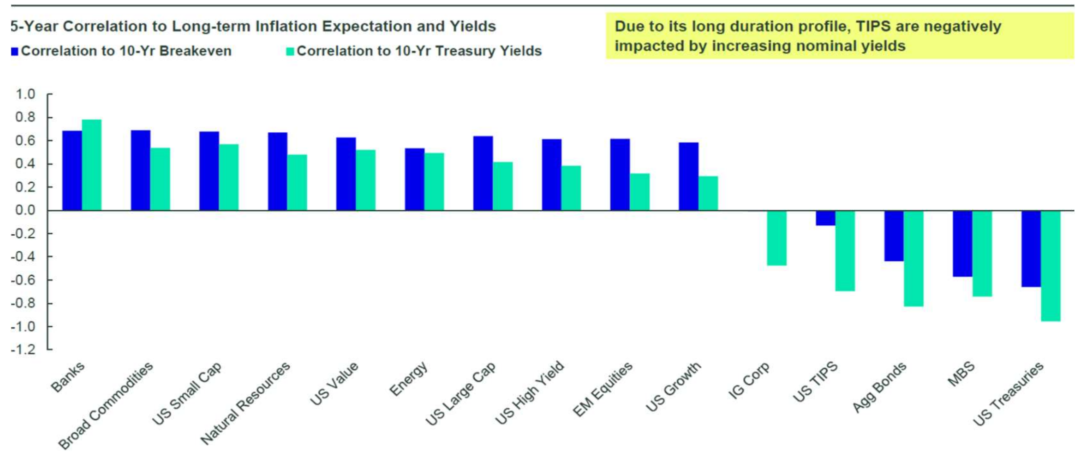
US Purchasing Managers Index March 2016-2021



Actual	Previous	Highest	Lowest	Dates	Unit	Frequency	
59.10	58.60	59.20	36.10	2012 - 2021	points	Monthly	SA

US Treasury yields rose sharply some 12 basis points (bps) after weak demand for the 7-year Treasury auction. Institutional investors required higher interest payments or yield than offered, and bid down the price which depressed Treasury prices in the open market.The higher required return drove the selloff, not higher inflation expectations. Dorsey Wright reports that over the next two to three years, they do not expect inflation rates to rise sharply due to manufacturing capacity underutilization and high unemployment.

According to the Organisation for Economic Co-operation and Development (OECD) calculations, capacity underutilization in the U.S. is around 6%, and in the Eurozone 8%. The declining prices of trade goods during globalization played a deflationary role. A key factor in inflation going forward is service inflation which is the overall increase in wages and salaries. According to the United Nations (UN), the growth of the working-age population in the major economies will stagnate or even contract substantially. This potentional shortage of workers is likely to drive wages up over time.



Source Standard & Poors (S&P) Indices Fact Sheet

Inflation could spike to over 3% temporarily over the next few months, with a full-year rate closer to 2%. The year-to-year comparison in the 2nd quarter of 2021 (2Q21) will be misleading due to the meltdown last year. Therefore, there is less cause for a rise in rates. Interest rates impact the valuation of equities. Higher rates take a huge hit on the present value of future expected income. Valuation of growth stocks and especially tech stocks such as Amazon are most impacted.

Uncertainty about future inflation is enough for risk premiums to be added to the price of securities or the yields themselves. Any increase in rates is more likely to be reflected in declines in market prices of longer term bonds, at the long-end of the yield curve. The industry Sectors benefiting from higher rates include cyclicals, capital goods (durables), transportation, chemicals, energy and banking.

Market Overview

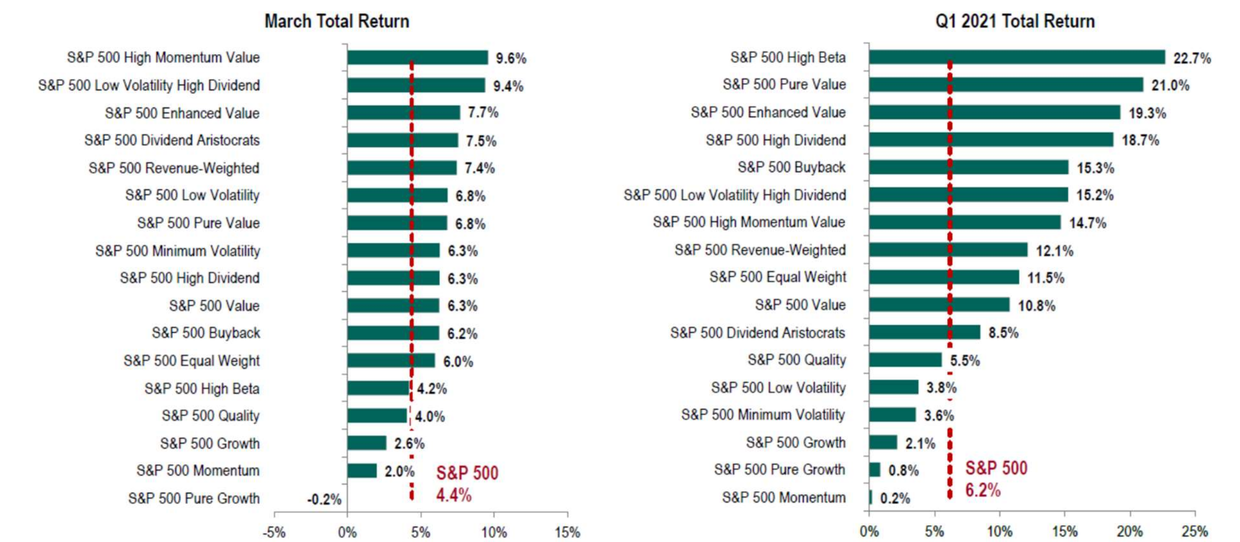
As reported in the Wall Street Journal (WJS), 'When economic growth and the current low interest rates are considered, the valuations of stocks and other assets are justified', said Federal Reserve Bank of New York President John Williams. Earnings per share (EPS) surprises are on the upside for companies around the world, more frequent than downside. The rate of upward revisions of GDP has slowed for the companies in the S&P, and bouyant for Europe and Emerging Markets.

Source State Street Global Advisor Investment Solutions Group.

The Large-Cap Value index finished the quarter with a total return of 11%, versus 2% for its Growth counterpart and 6% for the overall S&P 500. Momentum is unwinding from Growth and becoming evident in the Value Style stocks, the largest value rotation in 20 years. The deep Value stocks are leading in this rotation. A bar-bell of deep Value & Growth stocks could be an approach, to capture earnings growth and limit interest-rate exposure.

Nuveen notes investors may have mistakingly focused on lower-quality businesses in anticipation of an earnings recovery in the second half of the year, rather than investing in high quality companies that exceeded earnings expectations. The high Quality Factor has been an important indicator of consistent returns.

MONTHLY AND 12M PERFORMANCE SUMMARY



Low Volatility mounted a comeback in March with the strategy beating the benchmark across global equity markets. Low Volatility's underperformance may be coming to an end, according to S&P Indices. S&P broke the 4,000 level at the beginning of April, driven by Value Stocks.

US Small Cap stocks handily outperformed Large Cap, with the Technology Sector taking a back seat to Energy and Financial Sectors. The Energy Sector led the 1st quarter coming off of sharp declines last year. Financials followed with solid total returns along with Basic Materials. Emerging Market assets posted gains.

Equity Markets

U.S. growth estimates increased to 6.4% for 2021 which will continue to bouy the markets. Energy companies have already spiked. U.S. banks still offer upside. Multiples in the Health Care industry are still attractive. Financials are undervalued, especially when interest rates rise. The huge commitment to public funding for infrastructure projects should flow to consumer-related Sectors and Industrials companies, and into the economy at large.

The Europe Africa Far East (EAFE) areas that look attractive are Auto, Consumer Service, Commodity Chemicals, and Industrials. Export-oriented industry is doing well in Europe. Germany's Dax stock index broke through 15,000 level. EU Small Caps are more cyclical than Large Caps and so a source of additional return.

The Oil Market was affected by the Suez blockage. While the OPEC meeting resulted in an expected agreement to ramp up production gradually over the next three months to support oil prices as demand increases. Energy-related equities should continue to improve. Precious Metals are bearing the brunt of a rise in rates. Industrial Metals are preferred as the economy recovers.

	Current Quarter (%)	Trailing 6 Month (%)	Trailing 12 Month (%)
Communication Services Select Sector Index	8.8	23.9	67.3
Consumer Disrectionary Select Sector Index	4.7	14.8	72.9
Consumer Staples Select Sector Index	1.6	7.9	28.8
Energy Select Sector Index	30.7	67.7	78.2
Financial Select Sector Index	16.0	42.9	67.5
Health Care Select Sector Index	3.2	11.5	34.0
Industrial Select Sector Index	11.4	28.9	69.6
Materials Select Sector Index	9.1	24.8	78.3
Real Estate Select Sector Index	9.0	14.5	32.1
Technology Select Sector Index	2.2	14.2	66.9
Utilities Select Sector Index	2.8	9.5	19.4

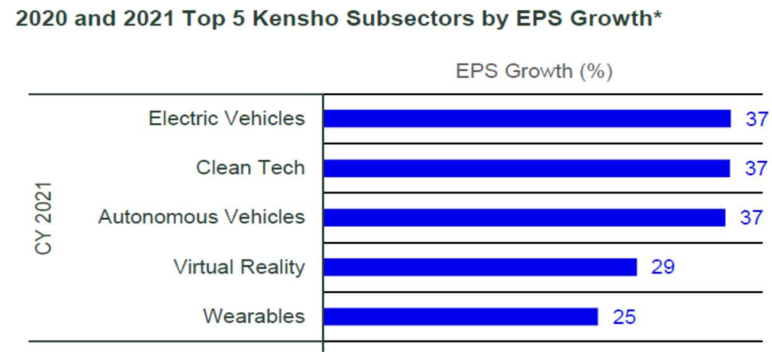
Source: Bloomberg Finance, L.P., as of 03/31/2021. Top two and bottom two sectors per period are highlighted in green and orange, respectively. **Past performance is not a guarantee of future results.** Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income. Index performance is not representative of any investment option mentioned herein. One may not invest directly in an index.

Returns in Communications Sector now include income from streaming sports, as a programming favorite. The Sports Leagues like NFL, NBA, MLB, and NHL are likely to go direct to global communications companies as contract rights expire on the major networks over a couple of years.

Increases in the U.S. Dollar improve values in Technology, Communication Services, Financials, and Consumer Discretionary as local prices of imports decline. Industrials and Energy Sectors are less effected due to supply State-side. The Energy Sector has broadened beyond fuels, but remains oil-price dependent. Many petroleum companies have rebranded as energy companies for renewables.

The 4th Industrial Revolution (4IR) companies are growing earnings at a faster rate than traditional ones. A new subsector of the S&P Indexes has been devised to track these 4IR areas, the Kensho New Economics Composite Index. Electric Vehicles (EV), Clean Tech, and Autonomous Vehicles are projected to post EPS growth of nearly 40% this year.

However, capturing the gains in revenue does not directly translate into gains in market price yet. They are lost in the broader indexes because of their smaller market cap. The ETFs developing to track them show liquidy challenges and track error. The ARK ETFs specialize in these innovative companies.



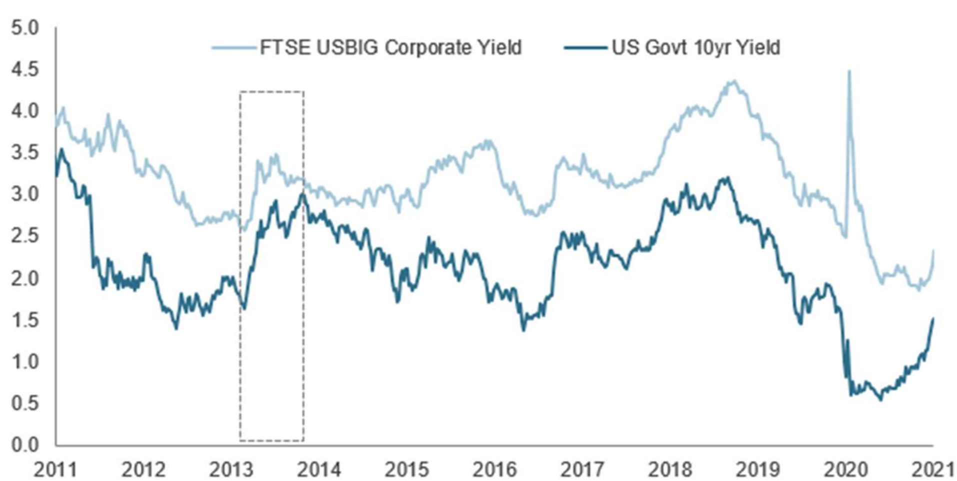
Source: State Street Global Advisors as of February 2021 S&P Kensho New Economies Composite Index.

Emerging Markets

Emerging Market Indexes are now Asian dominated with 80%, as Eastern Europe and LATAM have lost ground. Greater China led the world with returns in local currency in 2021 of 40%, followed by North America 22% and Asia 20% Lagging behind were the Middle East and Africa aka the MENA Region 9%, Latin America 6% and Europe 3%, according the McKenzie 'Short Takes'.

Jonathan D. Ostry IMF Acting Director of the Asia and Pacific Department projects Asian regional growth to rebound to 7.6% this year and 5.4% in 2022, with China at 8.4% and India with 12.5%. Australia, Japan, Korea are benefiting from positive growth surprises. South Korea has 30% eMarket penetration, which is higher than China, according to PION. Indonesia, Malaysia, and the Philippines are hit with increased coronavirus cases and renewed lockdowns, and therefore face a weaker recovery. Commodity prices are boosting valuations in Brazil and Russia, but those countries also have Covid headwinds.

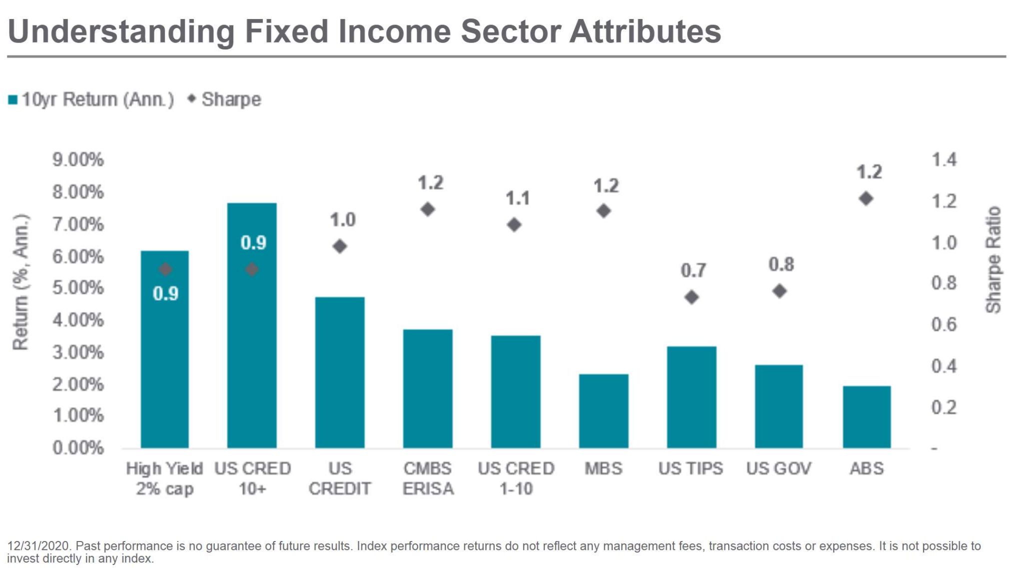
Fixed Income Market



The S&P U.S. Treasury Bond *Index* had its worst quarter in its history, falling 3.7% since the start of the year. The US 10 year Treasury Bonds *Yield* nearly doubled from the beginning of 2021, to a 1.75% yield in late March. The 2-10 year yield curve steepened further as longer dated bonds reacted more to the concern of 'expected' inflation. These actions put pressure on the market value of bonds. Corporate Bond Yields also experience a spike early in the year that pushed prices down.

It was a tough quarter for Fixed Income, with declines in market prices in many sectors. High yield, Bank Loans, Preferred Securities and Emerging Market Corporate Bonds should outperform in a reflationary environment, according to the recent Nuveen Newsletter.

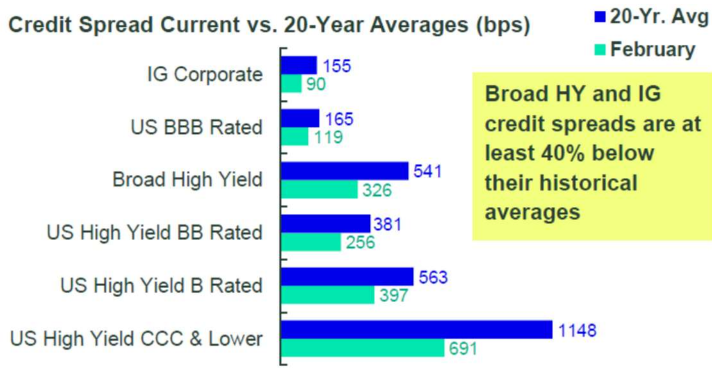
U.S. High Yield bonds tends to benefit from a cyclical economy. It has a lower average duration due to the high yield, which means it drops less in price when rates rise. Europe corporate bonds are more attractive than their sovereign bond counterpart which have negative yields.



Source: Northern Trust Asset Management.

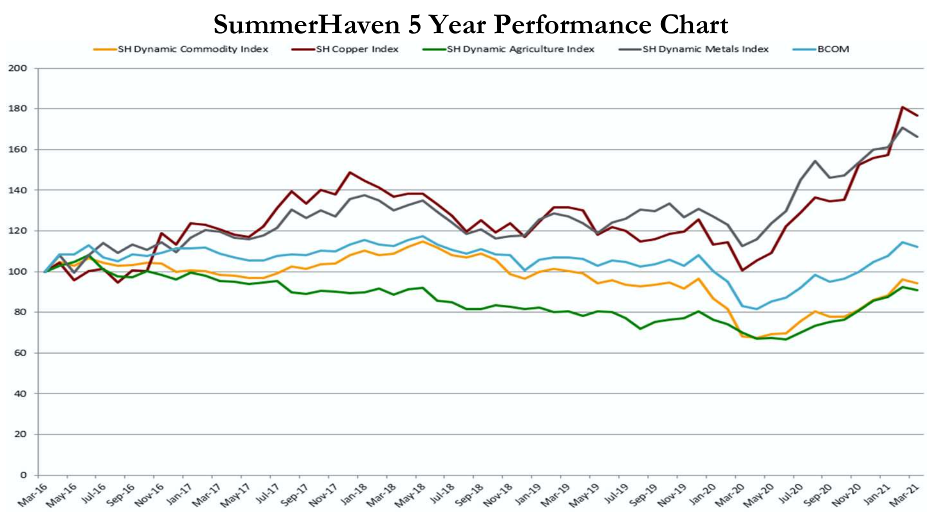
The quality of the Credit Rating is the basis for bond valuation and prices. BBB credits are the lowest quality on the investment grade rating spectrum and have increased from 26% to 50% of the index, as well as hosting a high total return. This is a worrisome risk/reward dynamic.

In Fixed Income securities, the price sensitivity to changes in yields has increased or duration has gone up. The UK is another region with concerns from a very flat yield curve that spells danger for credit investors according to Bond Bites from Jonathan Gregory Head of Fixed Income UK for UBS Asset Management.



Bonds are based on a return of capital as well as interest receipts. The return on capital is at risk in a corporate insolvency. According to the IMF, the share of insolvent small and medium enterprises (SME) is anticipated to rise from 10 percent to 16 percent in 2021 across the 20 mostly advanced economies. SME insolvencies could trigger defaults and cause significant write-offs

Other Assets



While the S&P GSCI commodity index rose 13.5% in 1Q21. The S&P GSCI (formerly the Goldman Sachs Commodity Index) is a benchmark for the commodity markets. To review it by Commodity Sector, SummerHaven has a set of commodity indexes which show the lead by Copper and the Metals Sectors. All sectors posted gains over the last year.

S&P GSCI Industrial Metals gained 9.0%. The S&P GSCI Precious Metals dropped again in March, following renewed strength in the U.S. dollar. Reported Gold prices finished March at $1,708, closing off a difficult quarter after a record year. Historically, rising inflation expectations lead to a weaker US dollar which would benefit gold prices according to State Street Global Advisors (SSGA).

Neil Hume, Natural Resources Editor in his Feb 9th 2021 issue, noted that investor guidance is to increase exposure to raw materials with a global economic recovery, aided covid vaccines and government stimulus. There is a possibility of a commodity "supercycle" similar to that of the 2000's where oil and metal prices hit record highs. Petroleum ended the quarter up 22.6%.

Average Total Returns By Property Sector (2001-2020)*

	Industrial	Office	Retail	Residential	Hospitality
Past 20 Years	13.36%	8.60%	11.27%	12.48%	8.22%
Past 10 Years	16.68%	6.20%	4.97%	10.85%	4.42%
Past 5 Years	21.93%	3.38%	-4.66%	6.89%	2.15%

Source NARET 2020 Annual Price and Return by Sector

Real Estate (RE) prices tend to rise in rising rates due to two reasons. The first is they are a 'real' asset that are seen to preserve value overtime. Second, many leases in real estate are interest rate adjusted. The different property sectors have returns related to varying economic and secular cycles. Retail and Hospitality have declined due to the Covid crisis.

With the move to digital shopping, the Industrial sector is benefiting from its components of warehouses and data centers or towers. Residential is improving lately as people look to up-size due to with some 100 million people working from home. These are global trends that need a tailored approach to global RE sectors with an overall underweight in the asset allocation for RE.

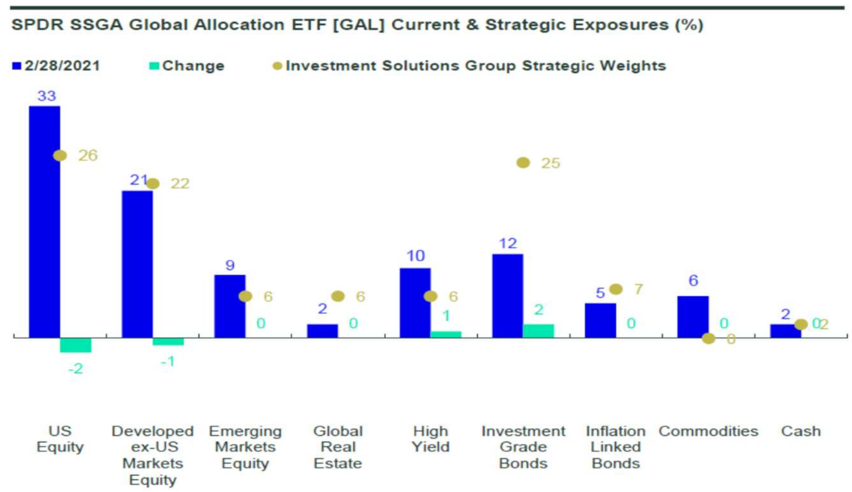
Bitcoin is being touted as a replacement for Gold in portfolios. There is a place for Crypocurrency, it is not instead of Gold, which serves a different purpose of inflation hedge and/or risk mitigator. Crypto is still a developing asset class that should be approached cautiously, with a variety of holdings in a secure digital wallet. The space is still speculative in the early adoption stages.

Asset Allocation

Maximum diversification portfolios are favored to capture the dispersion in returns amongst the varying regions and sectors of the global economy and to mitigate risk factors. The U.S. equity markets will be the predominate 25% asset allocation this year, however underweighted from a global prespective because it is somewhat overpriced. The allocation for EAFE is similar around 20% due to the overweight due to the better valuations. Emerging Markets are under 10% as they will likely struggle back to normal in the near term.

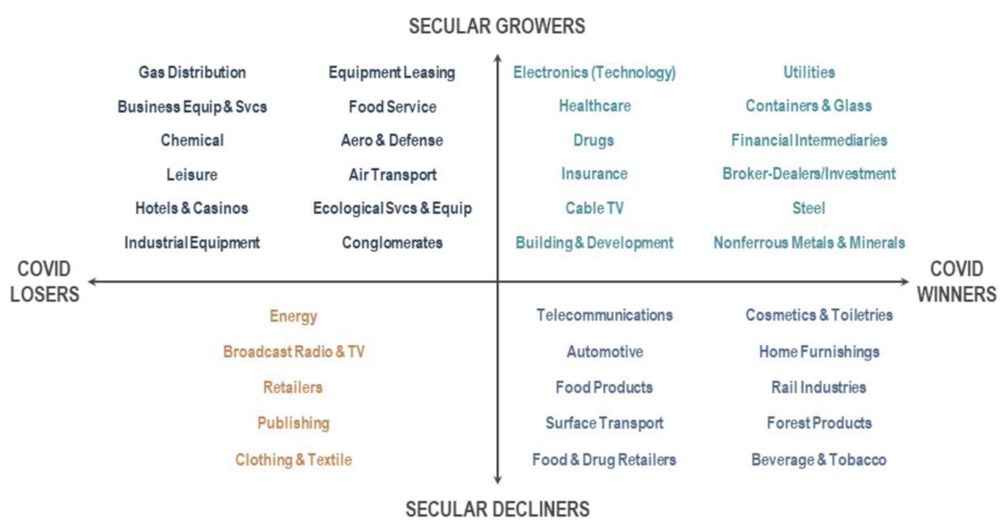
Fixed Income remains an important allocation, however it needs to be carefully selected. Shorter term High Yield reduces default risk exposure. Mortgage Backed Secutities (MBS) issued by government agencies have pricing support by the U.S. Federal Reserve Quantitative Easing, where they are buying MBS along with Treasuries to keep yields managed.

A Bar-Bell approach of shorter-term and long-term Investment Grade (IG) Corporate Bonds fixed income is advised when the yield curve is steepening. Treasury Inflation Protected Securities (TIPs) are a complex asset and will rise in value when the ETF covers the time-frame 1-5 yrs, 10- 15 yrs, 15+ yrs, of when the inflation is expected. TIPs can be negatively impacted by rate increases.



Emerging Market (EM) and Other Assets are a good addition for a diversified portfolio. Use EM Equities with an Asian or EU Small Cap tilt and EM Corporate Bonds with little State-Owned Enterprises (SOE). Other Assets include Commodites Basic Metals and Energy, along with a select allocation to Industrial and Residential Real Estate.

<u>Sectors and Factor Selection</u>
To refine the U.S. Equity Allocation, this chart of Sectors by Secular Growers due to the impact of Covid provides guidance and confirms what was written earlier: Healthcare, Financials, and Minerals are potential sectors for investment gains in 2021.



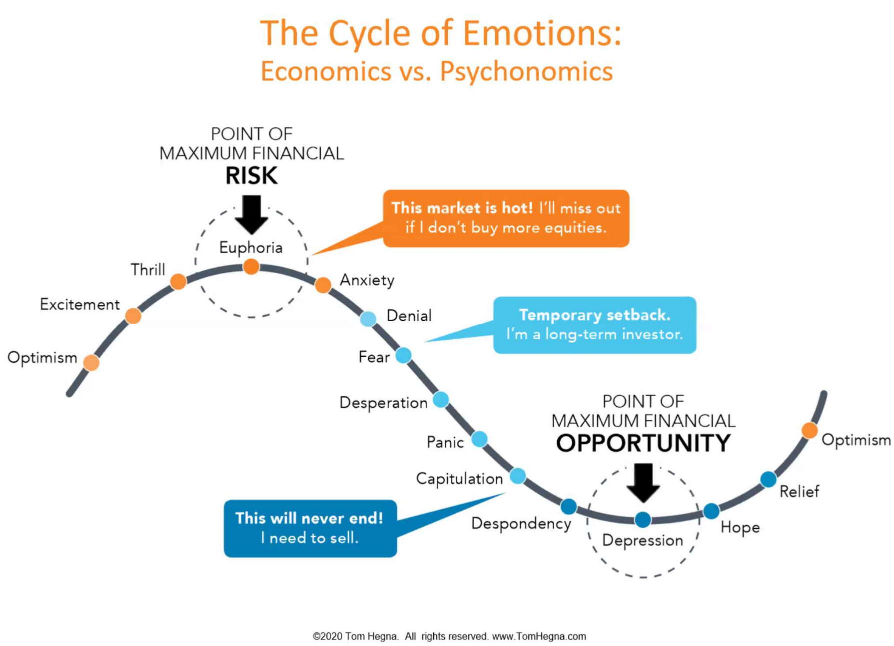
The SSL portfolio utilizes SMART ETFs with regional and sector weights to capture the potential returns. It is not designed by building on the six Style Factors. However, the ETF selection does include specific consideration or focus on Quality, Momentum, Low Vol and Size Factors as reported by Morningstar in the ETF analysis.

Conclusion - *The Best is Yet to Come*

Investing is a means to an end, not necessarily an end in itself. It is a commitment to fund a future, to convert the ebbs and flows of your 'human capital' or your working years into something to sustain you and your family over a live-time or generations.

It is an exercise requiring commitment and effort in many cases, to save, conserve, and protect. Portfolio construction and management also require commitment and reasoning to grow and safe-guard assets to meet the targeted goal.

Therefore, it is important to use investing discipline to avoid the common mistakes in investing. It is easy to be caught up in excitement or fear and end up making mistakes that will compromise personal wealth. The following graphic from Tom Hegna.com points out the pyschonomics to guard against and the counter-intuitive actions to take for maximum financial opportunity.



Please contact us to arrange a review of your portfolio holdings.

Previous performance is not a guarantee of future returns. All investments contain risk. Your particular portfolio should be designed to your level of risk and to target your financial goals. Review regularly. *Senior Solutions Ltd (SSL) provides financial planning guidance for a fee. The client receives guidance to implement at their own discretion. SSL does not guarantee any returns from such guidance. SSL is not an investment manager, does not sell investment or insurance products, nor receives any commission or third-party compensation. SSL does not directly manage or custody assets on behalf of clients. SSL is a financial planning firm for select clients.*

Attachment: The 2Q21 SSL Model Portfolio