KEYES
& ASSOCIATES, INC.

Keyes & Associates, Inc.

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October 6, 2021

Dear Client,

% Return as of 9/30/2021			
Equity Indexes	**3rd Q**	**YTD**	**3 Yr**
S&P 500	0.6	15.9	16.0
Russell 2000	-4.4	12.4	10.5
MSCI EAFE	-0.4	8.3	7.6
Emerging Market	-8.1	-1.2	8.6
Wilshire REIT	1.6	24.8	10.4
Bond Indexes			
TIPS	1.8	3.5	7.4
Aggregate	0.1	-1.6	5.4
Government	0.1	-2.4	4.9
Mortgages	0.1	-0.7	3.9
Investment Corporate	0.0	-1.3	7.4
Long Corporate	-0.1	-2.6	10.5
Corporate High-Yield	0.9	4.5	6.9
Municipals	-0.3	0.8	5.1
Cash Equivalents			
3-Month T-Bill	0.0	0.1	1.2
Inflation	*0.6*	*4.9*	*2.7*

We have come a long way since the depths of the pandemic in March of 2020. Effective vaccines were produced far more quickly than many expected. In the face of a dramatically changed world, businesses and individuals adapted quickly and powerfully.
Investment markets took notice. U.S. equity markets, and others around the world, have reached new high after new high - largely without interruption. In fact, the S&P 500 has increased for each of the six quarters since the pandemic, including the recently completed third quarter of 2021.

Markets turn choppy in September: Looking deeper

Warren Buffett once said that "investing is simple but not easy." Despite the outward appearance of relative calm on a quarter-to-quarter basis, investing in the markets during the third quarter and 2021 overall, has not been easy. While the averages have been somewhat steady, sectors and styles have been subject to sudden large surges and reversals.

Emboldened by the strong returns off the broad averages, some investors have been lured into increasingly aggressive strategies, seeking "easy profits." Recent figures indicate these strategies perhaps didn't turn out as expected. Assets like some cryptocurrencies experienced losses of 53% peak to trough during the year. Special purpose acquisition companies (SPACs), recently favored among some aggressive investors, lost 40% from recent highs. Similar drawdowns have been seen in IPOs and once hot "meme stocks."

A litany of concerns began to affect the markets late in the third quarter. In addition to worries about inflation and the supply chain, other issues surfaced. The spread of the Delta variant pushed back reopening plans for many. The FED began to discuss tapering off the economic stimulus it has supplied since the start of the pandemic. Market participants often liken this to removing the punchbowl from the party.

To add yet another concern to the mix, the Chinese government began to take actions that could be interpreted as backing away from its pro-business stance. During September, equity markets fell 4.8%. This gave back most, if not all, of the third quarter gains. Even with the sell-off, equity markets are still showing strong gains for 2021.

With all the dramatic events and swings just beneath the surface, this quarter has been harder than usual. We can, however, make sense of this. We believe in knowing our clients and knowing what you own.

Domestic Equities: As noted, U.S. stocks turned in a flat to down quarter. The S&P 500 eked out a tiny gain of 0.6%. Even with the late quarter decline, the S&P 500 is still up approximately 15% for 2021. Smaller stocks, as measured by the Russell 2000, dropped 4.4% for the quarter. They are still positive by 12.4% for the calendar year.

International Equities: Foreign stocks followed a similar pattern. Markets were buoyant for the first two months of the quarter, only to give back those gains due to concerns over macroeconomic events. Developed overseas markets,

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as measured by the MSCI EAFE Index, edged down 0.4%. The index is still positive by 8.3% year-to-date. Emerging markets had problems of their own during the quarter. The Chinese government's apparent policy shifts weighed on

markets. Chinese stocks make up roughly a third of the Emerging Markets Index. Given the weighting and uncertainty, the index dropped 8.1% for the quarter, pulling down the return to a modest negative 1.2% for the calendar year.

Fixed-Income: Bond volatility is considerably lower than that of stocks, in most circumstances. That is a reason we include them in most portfolios. When difficult conditions occur, bonds often provide ballast to a portfolio. The broad bond market turned in a 0.1% increase for the quarter but remains down 1.6% year-to-date. High yield bonds did considerably better. This asset class was hit hard during the pandemic since they are issued by companies that have lower quality balance sheets, making them more susceptible to recessions. As the worst-case scenarios for the economy became less likely, prices rose. High yield bonds increased 0.9% for the quarter and are up 4.5% for the year.

Market movements like these are not uncommon, but we remain vigilant

A front-page Wall Street Journal headline recently declared September was the "worst month since March '20." While this is true, it needs far more explanation. The S&P 500 fell 4.8% in September, which is not an uncommon event. Historically, a 5% loss has occurred about three times a year and a 10% decline happens roughly once a year. The reason it was the "worst" month since March 2020 is that the S&P increased every quarter since then. Keep in mind, financial publications report news, not perspective.

We are not dismissive of recent events and market movements. We can, however, prepare for and make sense of them. Our mathematically-informed discipline and prudence served us well during the pandemic and the halting recovery. We believe it will do the same as the markets continue to transition.

Successful investing uses principles that are simple yet powerful. Of course, it is far from easy. We are here to help. We can adjust, considering any life events or just to listen to any thoughts or concerns you may have.

Sincerely,

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Sources of data – Wall Street Journal, CNBC, FactSet, S&P Global, MSCI, Russell. The performance of an unmanaged index is not indicative of the performance of any particular investment. It is not possible to invest directly in any index. Past performance is no guarantee of future results. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Three-year performance data is annualized. Bonds have fixed principal value and yield if held to maturity and the issuer does not enter into default. Bonds have inflation, credit, and interest rate risk. Treasury Inflation Protected Securities (TIPS) have principal values that grow with inflation if held to maturity. High-yield bonds (lower rated or junk bonds) experience higher volatility and increased credit risk when compared to other fixed-income investments. REITs are subject to real estate risks associated with operating and leasing properties. Additional risks include changes in economic conditions, interest rates, property values, and supply and demand, as well as possible environmental liabilities, zoning issues and natural disasters. Stocks can have fluctuating principal and returns based on changing market conditions. The prices of small company stocks generally are more volatile than those of large company stocks. International investing involves special risks not found in domestic investing, including political and social differences and currency fluctuations due to economic decisions. Investing in emerging markets can be riskier than investing in well-established foreign markets. The MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The Russell 2500 Index measures the performance of the 2,500 smallest companies (19% of total capitalization) in the Russell 3000 index. The S&P 500 index measures the performance of 500 stocks generally considered representative of the overall market. The Wilshire REIT Index is designed to offer a market-based index that is more reflective of real estate held by pension funds