Core Balanced Portfolio

Portfolio Manager Commentary

As of 6/30/2021

EquityCompass

Q2 2021 Overview

The **Core Balanced Portfolio (CBAL)** is a diversified strategy designed to help grow and preserve wealth leading up to and throughout retirement. CBAL seeks to accomplish these objectives primarily through diversification. As a whole, the portfolio is comprised of four distinct strategies: (1) actively managed U.S. equity, (2) international equity, (3) fixed income, and (4) actively managed tactical equity. With the inclusion of tactical equity, the portfolio's overall target allocation to equity/bonds/cash can vary from most aggressive (60%/40%/0%) to most defensive (42%/40%/18%).

For the second quarter, CBAL advanced 4.17% (4.10% net) behind the blended benchmark of 4.91%. Year to date, CBAL has returned 8.57% (8.41% net) versus the benchmark return of 7.34%. Since inception, CBAL has an annualized return of 9.16% (8.75% net) versus 8.94% for the benchmark. The full performance history can be found in the table below.

Nearly all asset classes advanced during the second quarter across sectors, market caps, and investment styles. Bonds recovered from their worst quarter in 40 years, with Treasury bonds rising 6.46% and the Bloomberg Barclays U.S. Aggregate Bond Index up 1.83%. The S&P 500 was up 8.55% as U.S. stocks led gains versus the MSCI EAFE Index up 5.2% and the MSCI Emerging Markets Index up 5.0% in dollar terms. Gains in stocks were broad, with 10 of 11 major economic sectors and all market cap and style indices posting positive returns.

However, the broad move higher masked a fairly sizable shift in performance among equities. The previous two quarters saw optimism around vaccinations, stimulus and economic reopening, as well as rising bond yields help drive strong relative gains for more economically-sensitive small, value companies. However, the second quarter clearly favored large, high growth names. The S&P 500 Total Return Index advanced 8.55%, while mid and small caps lagged, only increasing 3.64% and 4.51%, respectively. The Russell 1000 Growth Index advanced 11.93% while the Russell 1000 Value Index increased 5.21%. The change in market sentiment likely can be attributed to concerns about decelerating economic growth, the possible impact of inflation on the timing of Federal Reserve (Fed) policy changes, a harder path for passage of further government stimulus, and the emergence of the COVID-19 Delta variant.

Objective

An asset allocation strategy that seeks to effectively capture market returns while minimizing volatility and providing downside risk mitigation.

Portfolio Management Team

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About EquityCompass

EquityCompass is a Baltimore-based SEC registered investment adviser offering a broad range of portfolio strategies and custom plans for individuals, financial intermediaries, and institutional clients in the U.S. Formally organized in 2008, EquityCompass provides portfolio strategies with respect to total assets over $4.6 billion as of June 30, 2021.*

The EquityCompass team of professionals represents deep industry experience in security analysis, capital markets, and portfolio management. We are committed to a consistent investment process that relies on enduring principles, sound empirical reasoning, and the recognition of a dynamic investment environment with a global reach.

Total Returns				Annualized Returns					Calendar-Year Returns										
	3-Mos	6-Mos	YTD	1-yr	3-yr	5-yr	10-yr	Incp.	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Gross %	4.17	8.57	8.57	23.89	8.55	8.48	7.41	9.16	1.38	12.00	18.32	6.45	-0.63	5.33	13.87	-4.56	14.89	8.18
Net %	4.10	8.41	8.41	23.52	8.23	8.12	7.02	8.75	0.98	11.56	17.86	6.03	-1.03	4.91	13.42	-4.89	14.55	7.86
Benchmark %	4.91	7.34	7.34	22.84	11.43	10.09	7.98	8.94	0.90	9.80	13.64	6.39	0.14	6.55	12.53	-4.06	17.84	14.51

Inception – June 2009;
Benchmark = 32% Russell 3000 Index / 8% MSCI World Ex-USA Index / 20% HFRI Equity Hedge Index / 40% Bloomberg Barclays U.S. Aggregate Bond Index, Rebalanced monthly. Please note the above returns reflect representative portfolio performance. Please see important disclosures at the end of this presentation. EquityCompass claims compliance with the Global Investment Performance Standards ("GIPS®"). The information provided herein is supplemental to the GIPS performance presentation. To obtain a compliant presentation or a list of our composite descriptions and/or policies for valuing portfolios, calculating performance, and preparing compliant presentations, please call (443) 224-1231 or send an e-mail to info@equitycompass.com.

Our U.S. equity selection of individual stocks targets equally-weighted positions which tend to lag in performance during periods of narrowing market breadth. The current conservative positioning of our fixed income allocation, with above average credit quality and below average duration, seeks to be less sensitive to price increases when bond yields decline. While these factors were headwinds for relative performance in the second quarter, it is worth noting again that most asset classes rose during the quarter, with the majority of equity indices near, or at, new all-time highs. Our tactical equity allocation benefited from this, providing a positive contribution as it was fully long equities throughout the quarter.

Portfolio Outlook

We believe the portfolio is positioned well for an environment that remains favorable for most asset classes. With long-term interest rates still considerably below historical averages, bond investors are not being adequately compensated for extending duration and assuming greater price risk in the current environment. Given the likelihood of further normalization in interest rates as the recovery progresses and the Federal Reserve gradually withdraws policy accommodation, we remain comfortable with our current average duration target of around four years.

In our view, CBAL maintains broad exposure to stocks that seek to benefit from continued economic recovery. Relatively low interest rates, coupled with improving employment and corporate earnings, continue to favor a continued economic recovery from the lows of early last year.

According to a recent Bloomberg article, more than 3.41 billion vaccine doses have been administered across the world.[1] Unlike earnings estimates, the rate of production and administration of vaccines are accelerating. Some estimates predict 9.5 billion doses to be manufactured by the end of 2021.[2] If so, by the end of this year, we could potentially have enough vaccine availability to immunize the majority of the world's population.

Most of the monetary impact of the American Rescue Plan, which President Biden signed into law in March has yet to work its way into the economy. Additionally, we will likely see a $1.2 trillion infrastructure spending bill by August or September of this year. And lastly, an extremely patient Federal Reserve appears highly committed to avoid tightening monetary policy prematurely.

(1) Randall, Tom; Sam, Cedric; Tartar, Andre; Murray, Paul; Cannon, Christopher. "More Than 3.46 Billion Shots Given: Covid-19 Tracker," Bloomberg, July 13, 2021. https://www.bloomberg.com/graphics/covid-vaccine-tracker-global-distribution/

(2) Irwin, Aisling. "What Will It Take To Vaccinate the World Against Covid-19." Nature.com. March 25, 2021. https://www.nature.com/articles/d41586-021-00727-3

DISCLOSURES

On September 21, 2018, the name of the Tactical Total Core Portfolio was changed to Core Balanced Portfolio. EquityCompass Investment Management, LLC ("EquityCompass") is a wholly owned subsidiary and affiliated SEC registered investment adviser of Stifel Financial Corp. Registration does not imply a certain level of skill or training. Affiliates of EquityCompass may, at times, release written or oral commentary, technical analysis, or trading strategies that differ from the opinions expressed within. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation, or needs of individual investors. The information contained herein has been prepared from sources believed to be reliable but is not guaranteed and is not a complete summary or statement of all available data nor is it considered an offer to buy or sell any securities referred to herein. There is no assurance that any securities discussed herein will remain in any account's portfolio at the time you receive this report or that securities sold have not been repurchased. Data represented in this report have been provided by EquityCompass and Bloomberg. Rebalancing may have tax consequences, which should be discussed with your tax advisor. All investments involve risks, including the risk of a possible loss of principal. Foreign investments are subject to risks not ordinarily associated with domestic investments, such as currency, economic and political risks, and different accounting standards. There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies. The market risk associated with small-cap and mid-cap stocks is generally greater than that associated with large-cap stocks because small-cap and mid-cap stocks tend to experience sharper price fluctuations than large-cap stocks, particularly during bear markets. Due to their narrow focus, sector-based investments typically exhibit greater volatility and are generally associated with a high degree of risk. When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. In addition, duration risk measures a debt security's price sensitivity to interest rate changes. Bonds with higher duration carry more risks and have higher price volatility than bonds with lower duration. Therefore, if interest rates are very low at the time of purchase of the bonds, when interest rates eventually do rise, the price of such lower interest rate bonds will decrease and anyone needing to sell such bonds at that time, rather than holding them to maturity, could realize a loss. When investing in real estate, it is important to note that property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance of real estate companies. Diversification and/or asset allocation does not ensure a profit or protect against loss. Any investment involves risks, including a possible loss of principal.

*Total assets combines both Assets Under Management and Assets Under Advisement as of June 30, 2021. Assets Under Management represents the aggregate fair value of all discretionary and non-discretionary assets, including fee paying and non-fee paying portfolios. Assets Under Advisement represent advisory-only assets where the firm provides a model portfolio and does not have trading authority over the assets.

Representative Portfolio Performance: Returns reflect the performance of two representative portfolios that have been strung together for the life of the strategy. One portfolio was selected because it is the oldest account in the strategy with a continuous track record that also did not have large cash flows or mandate changes. The other portfolio was selected to capture returns from the strategy's inception up to the open date of the oldest continuous account referenced above. EquityCompass believes the representative performance is useful in terms of presenting the objectives and character of the strategy, however, returns are calculated separately for each portfolio, and therefore, performance may differ from one portfolio to another. There is no assurance that EquityCompass will make any investments with the same characteristics as the representative account presented. Portfolio 1 reflects returns from 6/1/09 – 9/30/09 and Portfolio 2 reflects returns starting 10/1/09. Gross-of-fees returns are not reduced by any fees, expenses, or transaction costs (i.e., Pure Gross). Net-of-fees returns are presented after the deduction of the manager fee of 0.40% until 6/30/18 and 0.30% starting 7/1/18. There will be additional wrap sponsor fees, including trading expenses and management fees, which will vary by wrap sponsor. These additional fees will lower overall net performance. Please consult the wrap sponsor ADV Part 2A for additional fee information.

Exchange Traded Funds (ETFs) represent a share of all stocks in a respective index. ETFs trade like stocks and are subject to market risk, including the potential for loss of principal, and may trade for less than their net asset value. The value of ETFs will fluctuate with the value of the underlying securities. Investors should review the prospectus and consider the ETF's investment objectives, risks, charges, and expenses carefully before investing. Prospectuses are available through your Financial Advisor and include this and other important information.

The S&P 500 Total Return Index tracks both the capital gains of the stocks in the S&P 500 Index over time, and assumes that any cash distributions, such as dividends, are reinvested back into the index. The S&P MidCap 400® provides investors with a benchmark for mid-sized companies. The index covers over 7% of the U.S. equity market, and seeks to remain an accurate measure of mid-sized companies, reflecting the risk and return characteristics of the broader mid-cap universe on an on-going basis. The S&P SmallCap 600® seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable. The MSCI EAFE Index is an equity index which captures large and mid cap representation across 21 Developed Markets countries around the world, excluding the U.S. and Canada. With 902 constituents, the index covers approximately 85% of the free float adjusted market capitalization in each country. The MSCI Emerging Markets Index captures large and mid cap representation across 26 Emerging Markets (EM) countries. With 1,385 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. The MSCI All Country World ex-US Net Total Return Index is a free-float weighted equity index. HFRI Equity Hedge (Total) Index (HFRIEHI) is a fund-weighted index of strategies that maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques, strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. Bloomberg Barclays U.S. Aggregate Bond Index covers the USD-denominated, investment grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS sectors. The Russell 1000 Value Index measures the performance of those Russell 1000 index companies with lower price-to-book ratios and lower forecasted growth values. The Russell 1000 Growth Index measures the performance of those Russell 1000 index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The volatility of the indices identified in this report may be materially different from the volatility of the model portfolios presented by EquityCompass. Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment. **Past performance does not guarantee future performance or investment results.**