JANICZEK® WEALTH MANAGEMENT

Period Ending June 30, 2021

2021

Investment Conditions & Outlook

Top Takeaways and insights into current investment conditions and strategic financial, investment and tax decisions to make in the second half of the year.

Contents

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Executive Summary

The global healing process continued and has progressed into a genuine economic recovery. Equity markets have hit new all-time highs, earnings are surging, and bond yields are on the rise. As of mid-June, vaccination rates were close to 50% in the United States and Europe, and over 60% in the United Kingdom.

Global reopening should continue across developed economies through the second half of this year. Emerging economies have been laggards since the vaccine rollout, but we expect this to reverse as the year goes on as growth stabilizes and vaccines become more available across these countries.

The retracement in the U.S. markets have caused other issues to come into focus. Mainly the implications of inflation and the timing of the central bank to taper asset purchase and eventually raise interest rates. We continue to be in the transitory inflation camp believing inflation is a result of falling CPI last year and global supply bottlenecks. We expect it will take until mid to late 2022 for the U.S. to recover fully from lost output and inflation pressures are likely until then. We also expect the Fed to remain dovish for the remainder of this year, commencing tapering in 2022 and holding rates steady until 2023.

Our views on asset allocation are largely unchanged from last quarter and we continue to favor equities over bonds. Although global equities remain expensive, we still believe the return profile is favorable when compared to fixed income. Investor sentiment is trending in overbought territory and trending closer to market Euphoria. We continue to favor the value factor relative growth and expect non-U.S. equities to start to close the year-to-date performance gap.

The Janiczek Team

Investment Committee Leaders

Joseph J. Janiczek
MSFS, ChFC
CEO

R. Brady Siegrist, CFP®
Managing Partner of Wealth Management

Kyle Kersting
CFA, CAIA
Managing Partner of Investments

Economic Conditions and Top Takeaways

Key points

- The U.S. economy charged on through the second quarter fueled by increased spending and corporate balance sheets that had been cut to the bone.

- The reopening theme can be seen in a continued drop in the unemployment rate as workers continue to move back to fulltime positions.

- The leading economic indicators index continues to carry positive momentum remaining in line with the reopening theme.

- Inflation came in higher than we anticipated from a combination of supercharged demand from stimulus checks and disrupted supply chains, but we expect inflation to move back towards Fed's target of 2%.

- We expect continued strong economic growth for the remainder of the year with a GDP of around 7% for 2021 (strongest since 1984).

- While consumers are quickly transitioning back to pre-pandemic activities, many businesses are sorting out a variety of HR and operational related challenges and opportunities. Signs of certain businesses not having the employees to fill vacant roles and/or not having the supply of product/inventory to meet elevated demand is at least a transitory issue. Also, lessons learned and new preferences and trends about 100% in-office versus partial, permanent, or flexible remote work policies is the rage. In short, from a creative destruction economic and investment standpoint, there are and will be new winners and new losers as this all sorts out over the next decade. Organizations that meet our "SAFE" standards of Strength, Agility, Flexibility and Endurance will likely prevail. So will entrepreneurial organizations who spot and pursue trends, efficiencies, and opportunities early-on and maintain the focus and drive to prevail.

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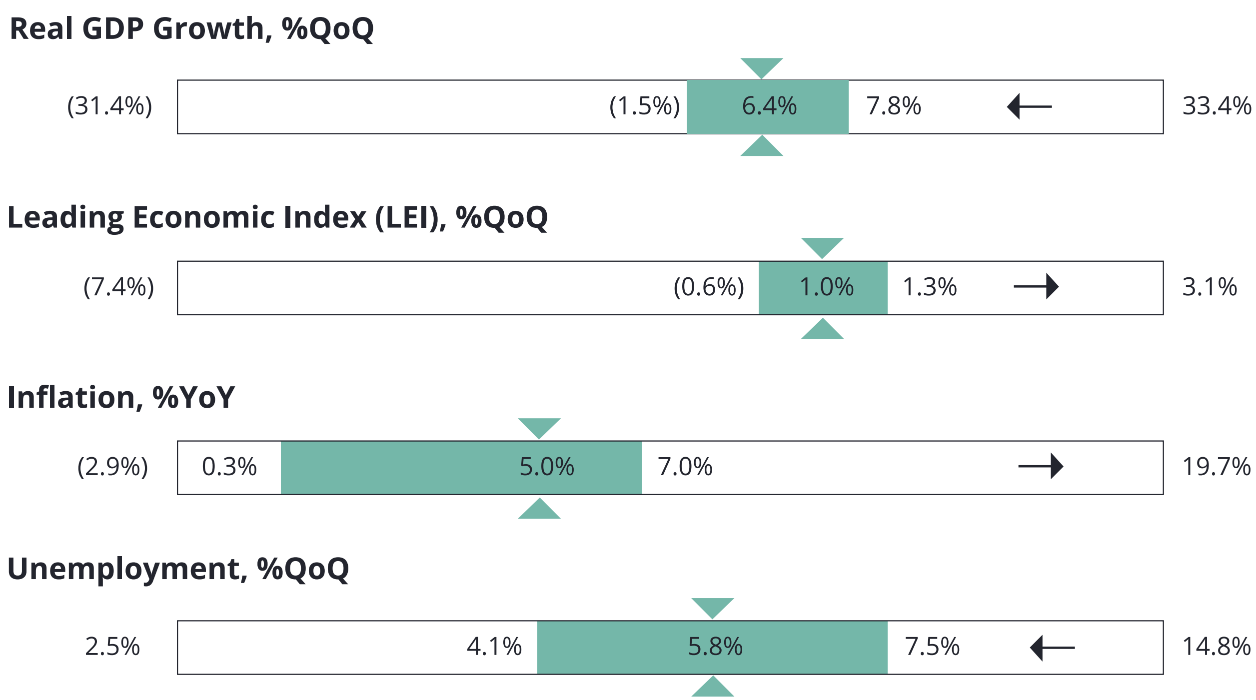
Economic Conditions and Top Takeaways



1 standard deviation around the mean.

Real GDP data since 1947; LEI data since February 1959; Inflation data since December 1945; Unemployment since January 1948

Source: Bloomberg

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Equity Performance and Top Takeaways

Key points

- Another strong quarter for global equities led by domestic large cap stocks (we currently are overweight this asset class).
- Value stocks continue to outperform and are reporting stronger earnings upgrades than tech heavy growth stocks (this is also in line with our factor tilts).
- International equities are overweight value stocks relative U.S. tech heavy exposure, and this dynamic should help drive relative performance for international equities for the remainder of year.
- Emerging markets have been laggards since vaccine announcement, but this trend should start to reverse later this year with vaccine rollouts across emerging markets. We have been underweight emerging markets and may increase our target for this asset class, but transactions could have a significant capital gain tax consequence in many cases, diminishing our interest in making the trade in taxable accounts and/or in accounts that do not have the "benefit" of capital loss carryforwards from other activities.
- Consumer confidence is nearly back to pre-recession level supporting positive economic outlook for second half of year and positive outlook on equities.
- Persistent inflation could lead to more hawkish Fed tone that could challenge equity markets when compared to current low level of interest rates.
- Indicators are still positive for equities and should remain that way until Fed increases interest rates to the point of slowing economic activity.

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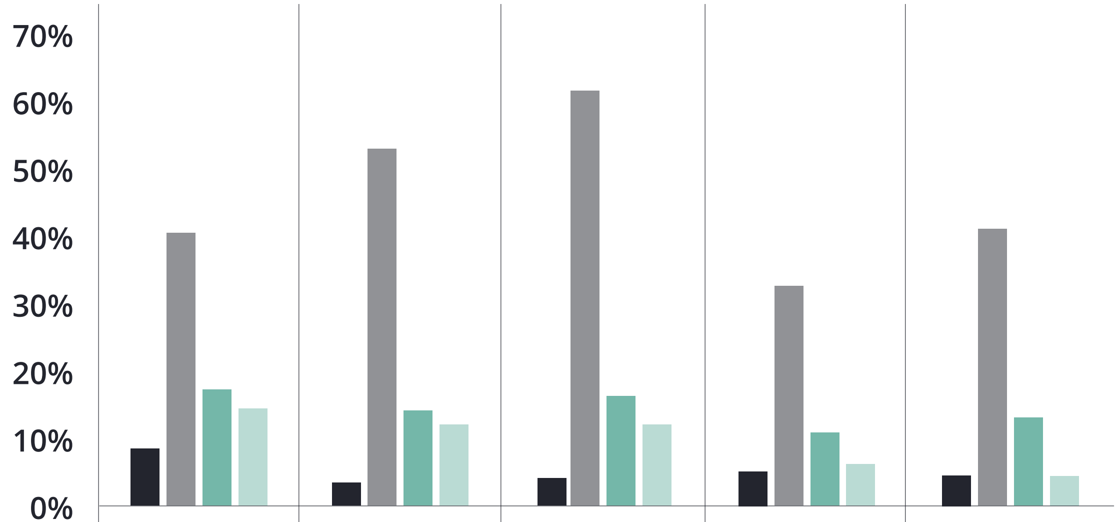
Equity Performance and Top Takeaways

Equities



	Large Cap	Mid Cap	Small Cap	MSCI EAFE	MSCI Emerging
Quarter	8.5%	3.6%	4.3%	5.4%	5.1%
1 - year	40.8%	53.2%	62.0%	33.0%	41.3%
5 - year	17.6%	14.3%	16.4%	10.9%	13.4%
10 - year	14.8%	12.4%	12.3%	6.5%	4.7%

Source: Bloomberg

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Fixed Income Performance and Top Takeaways

Key points

- Interest rates retraced from highs this quarter and resulted in positive returns across core, municipals, and high yield bonds.

- High yield bonds and credit remain expensive on a spread basis but could benefit from corporate profit growth and low default rates.

- Long duration bond yields should come under continued pressure as banks look to taper back asset purchase, supporting our low duration positioning.

- International dollar denominated bonds have had a rough year but should benefit from U.S. dollar weakness through economic recovery.

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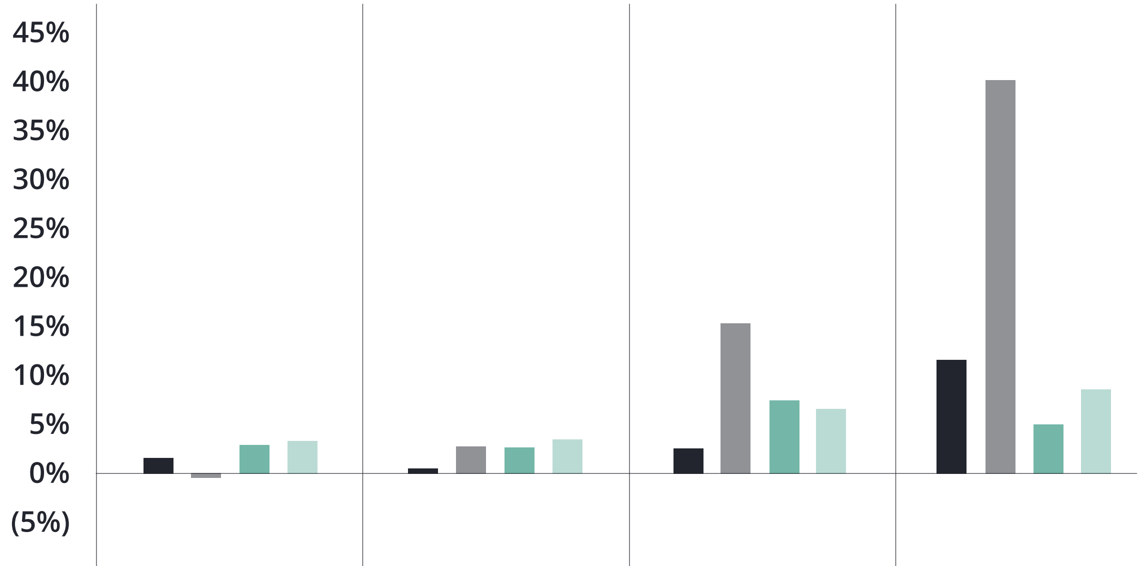
Fixed Income Performance and Top Takeaways

Fixed Income & Other



	Core Bond	Municipals	Corp., High Yield	REITs
Quarter	1.8%	0.7%	2.7%	11.8%
1 - year	(0.3%)	2.9%	15.4%	40.0%
5 - year	3.0%	2.8%	7.5%	5.2%
10 - year	3.4%	3.6%	6.7%	8.7%

Source: Bloomberg

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Wealth & Tax Management Key Takeaways

- On May 28th, the U.S. Treasury Department released the “Green Book”, which was a 114-page explanation of the tax reform proposals from the Biden Administration, including details of “The American Families Plan”, which is directed at individual level taxation. Numerous proposals to substantially increase income taxation are on the table and warrant the serious attention of our clients.
- The table on the following page summarizes six of the proposed changes to illustrate the significance of these potential tax increases. Depending upon what changes actually become law, advanced tax planning tactics to legally minimize such taxation exposure will be more prudent and important than ever.
- Anticipating this possibility, for the last 24-months we have engaged in adding a variety of advanced tax planning and management capabilities to our already strong line-up. All are designed to help us and our clients navigate the more challenging tax code landscape ahead.
- For instance, adding Separately Managed Accounts (SMA’s) that employ our desired factor tilts and potentially provide significant tax alpha benefits, via sophisticated tax-sensitive trading techniques, is a strategy we have proactively implemented with our clients with the highest taxation exposure.
- Depending on which changes become law, a variety of portfolio management, retirement planning, estate planning and tax planning adjustments may be in order.
- As always, upcoming Semi-Annual Clarity Sessions with clients will include discussions related to additional tactics we think you should consider implementing and we encourage you also to be in touch with your estate planning counsel, business legal counsel, tax lawyer and CPA.
- Given political negotiations, pundits, and press conferences, all covered by cable news 24/7, it is always a bit challenging avoiding overreacting or underreacting to such alerts. We are engaged with numerous advanced sources of intelligence and analysis on the matter and are happy to conduct a consultation with you. Simply email or call us and we will set up a time to specifically discuss these matters with you.

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Wealth & Tax Management Key Takeaways

	Topic	Current	Proposed	Comments
1	Increase top marginal tax rate	37% for Married Filling Joint (MJF) > $628,000	39.6% > $400.000	Currently scheduled for 39.6% in 2026 absent government action
2	Long-term capital gain tax rate/Qualified Dividend	Top rate: 20% > $496,000 MFJ (plus 3.8% for NIIT)	Top rate: 39.6% > $1,000,000 (plus 3.8% for NIIT)	The advanced tax-smart trading capabilities of our Separately Managed Accounts (SMA) solution, designed to generate “tax alpha”, is an ideal alternative to mutual funds for our high and ultra-high net worth clients impacted by this proposed change, if enacted.
3	Extending 3.8% Net Investment Income Tax (NIIT) on unearned income	Applies to unearned income with AGI > $250,000 (MFJ)	Extend NIIT to Partnerships/ S-Corps with income > $400,00	In some circumstances, a change is business entity form or other advanced business tax planning techniques may be in order to legally reduce exposure to this proposed change, if enacted.
4	Ending (limiting) step up in basis	Assets passed to heirs generally tax free with a step up in cost basis	Separate from estate tax, heirs would owe capital gains taxes on inherited assets. $1,000,000 thresold and considerations for businesses, farms, etc/	The advanced tax-smart trading capabilities of our Separately Managed Accounts (SMA) solution, designed to generate “tax alpha”, is an ideal alternative to mutual funds for our high and ultra-high net worth clients impacted by this proposed change, if enacted.
5	Section 1031 Like Kind Exchanges	Within specific situations, defer tax realization when exchanging certain real estate properties	Limit ability to defer gains on property exchanges with a cap of $500,000	Stay tuned. We are looking into the implications of this potential tax code change, if enacted. In addition, we plan to examine the implications to real estate investing.
6	Carried Interest	Under specific criteria, can be taxed at long-term capital gain rates	Would be taxed as ordinary income at top proposed rate (39.6%)	This significant proposed change will impact, if enacted, several our clients engaged in private equity investing and a smaller number of our clients engaged in hedge fund investing. We will examine the implications and report back to clients potentially impacted.

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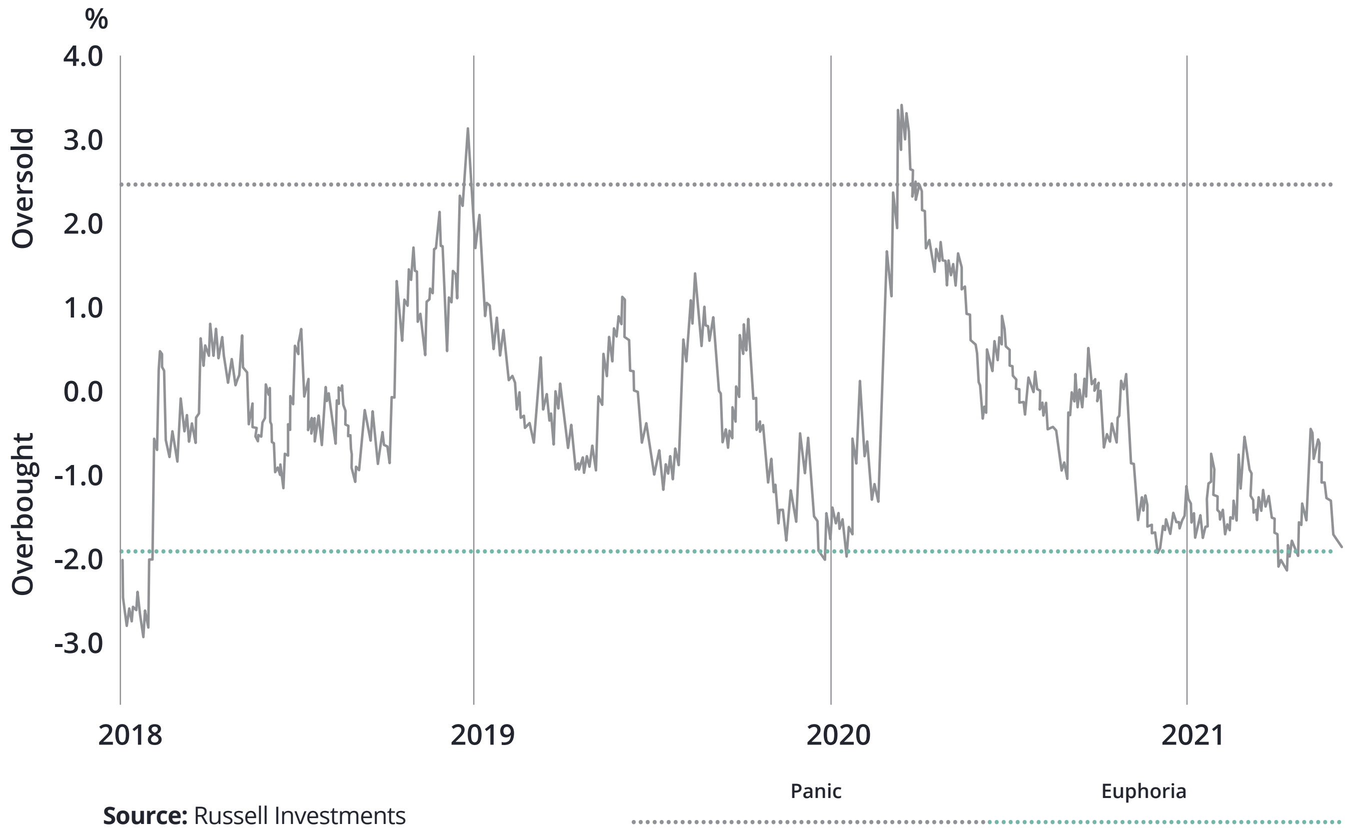
Chart of The Month

July 2021

We are Keeping Our Eye on Investor Sentiment



Source: Russell Investments

The above chart is a contrarian indicator that measures investor sentiment. As you can see, sentiment is near overbought levels but not yet signaling dangerous levels of euphoria like we experienced in 2018. Margin debt is at record highs and up 58% from 15 months ago, supporting the excess optimism currently in the markets. This is an indicator we will continue to monitor and supports our portfolios being underweight risk (beta) in certain asset classes.

Janiczek® Wealth Management

At a glance

Leadership


Joseph J. Janiczek
MSFS, ChFC
CEO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Managing Partner of Investments


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Courtney Townley
Director of Business Operations


Justina Pearman
AAMS®, AWMA®
Wealth Strategist


Carole A. McKeown
FPQP™
Wealth Strategist


Brendan White
Client Service Specialist

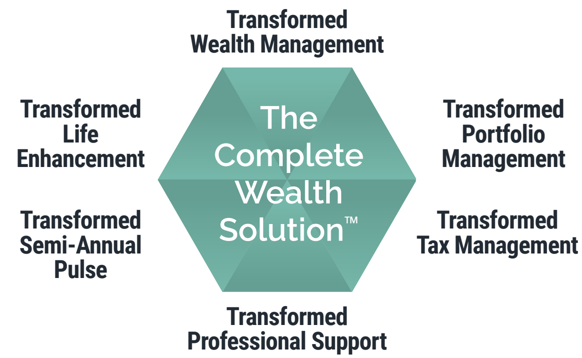
Highlights

- Founded in 1990. Fee-only Full Disclosure
- SEC Registered Investment Advisor with clients in 25 states across country.
- Named among the Top, Best and Most Exclusive Wealth Advisors and Managers in the Nation multiple times.*
- Pioneer in Evidence Based Investing (EBI) and Strength Based Wealth Management® (SBWM).
- Awarded patent for Systems and Methods for Optimizing Wealth. (U.S.P.T.O. #8,403,739)
- Awarded Gold Medal, Best Business/ Finance Book of Year by CIPA.

5 Standards of Excellence

1. **Fiduciary**
Legally bound to do what is in your best interest 100% of the time.
2. **Fee-only**
No selling of products, or earning of commissions.
3. **Full-disclosure**
No undisclosed arrangements.
4. **Full Breadth**
No narrow scope limiting the advisor's perspective – our Complete Wealth Solution™ is our full breadth approach.
5. **Free Agency**
No proprietary products, we offer comprehensive access to broad offerings globally.

Aim



We help high net worth Individuals manage their portfolio and wealth:

- More effectively (better & broader results)
- More easily (less time & less complexity)
- Less costly (less waste, mistakes, neglect, worry and missed opportunities)

A simple, pratical solution:

- A unique combination of proven expertise, systems, tools and disciplines
- Featuring timeless principles that optimize results in sound and predictable ways

A Personal Approach. A Patented System. A Fiduciary Advisor.

JANICZEK® WEALTH MANAGEMENT

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ANY QUESTIONS: Janiczek Wealth Management's Chief Compliance Officer remains available to address any questions regarding this Report.

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Headquarters in Denver Colorado

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Forbes
Top Advisors 2021 & 2020

BARRON'S
Top Financial Advisors
2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014

2021, 2020, 2019, 2018, 2017, 2016, 2015

Expertise
Best Financial Advisors in Denver
2021
2020
2019
2018
2017

FT FINANCIAL TIMES
Top Financial Advisors
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Sources: *Barron's* - March 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014; *Forbes* - 2021, 2020; *Financial Times* - 2017, 2015; *Expertise.com* 2021, 2020, 2019, 2018, 2017; *AdvisoryHQ* March 2021, 2020, 2019, 2018, 2017, 2016; Please Note: Rankings and/or recognition by unaffiliated rating services and/or publications should not be construed by a client or prospective client as a guarantee that he/she will experience a certain level of results if Janiczek® is engaged, or continues to be engaged, to provide investment advisory services, nor should it be construed as a current or past endorsement of Janiczek® by any of its clients. Rankings published by magazines, and others, generally base their selections exclusively on information prepared and/or submitted by the recognized adviser. Rankings are generally limited to participating advisers.

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Barron's - Rankings are based on data provided by advisors. Included factors were assets under management, regulatory record, revenue produced for the firm, quality of practice and philanthropic work. Investment performance is not an explicit component.

Forbes - Advisors are chosen based on in-person interviews, industry experience, compliance records, revenue trends, assets under management, and best practices and approach to working with clients.

Financial Times - Rankings are based on data provided by investment firms. Included factors were assets under management, asset retention, years of experience, FINRA compliance record. Investment performance is not an explicit component.

Expertise.com - Selection is based on the following criteria: reputation, credibility, experience, availability and professionalism.

Advisory HQ - Rankings are based on data provided by investment firms. Included factors were fiduciary duty, independence, transparency, level of customized service, history of innovation, fee structure, quality of services provided, team excellence and wealth of experience.

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