



Market Outlook

**Bond Vigilantes**

*Q4, 2021*

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**I don't think [the bond vigilantes] are dead. Anecdotally, my 22-year-old son walked into my home office. He just got a haircut. He said they raised the price from \$20 to \$26. When the barbers start raising prices, you have to worry about broad-based inflation."**

**– Ed Yardeni, American Economist and Strategist**

## SUMMARY

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It has been nearly 18 months since COVID-19 hit the U.S., and even with two-thirds of American adults fully vaccinated, the recovery is disjointed and will remain so for the foreseeable future. The virus forced many companies and people to make dramatic changes, and as time goes on, it appears that some of the changes may be more structural than temporary.

Given this uncertain economic backdrop, policymakers are unwilling to withdraw a meaningful level of accommodation. This inaction could spur a certain class of fixed income investor, referred to as “the bond vigilantes,” to stir. When these investors deem monetary and fiscal policies as inflationary, they sell bonds, and yields rise in turn. Viewed over the long term, bond vigilantes are a positive force to maintain fiscal and financial stability; however, in the short term, they can create a skittish bond market and interest rate volatility, which can wreak havoc on financial asset returns. The interest rates of bonds reflect the marginal costs of a crucial source of funding for governments (Treasures), businesses (corporate bonds), and even consumers (mortgage rates). The economic significance of large moves in interest rates cannot be overstated. However, so far, the bond vigilantes have not shown up.

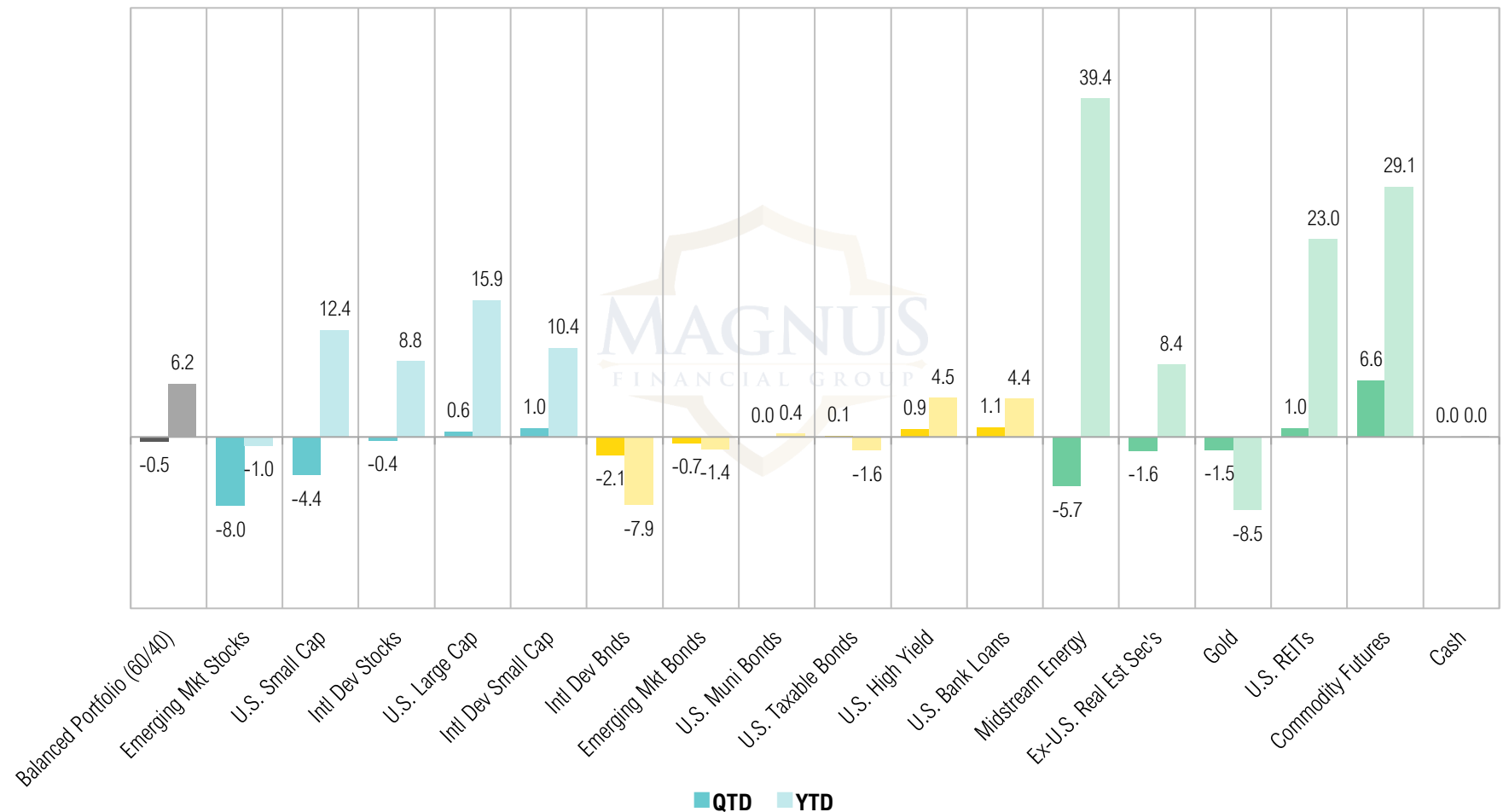
The 10-year U.S. Treasury yield was relatively unchanged during the quarter. The quarter started with a yield of 1.45% and subsequently declined to 1.19% on a closing basis in early August. Since then, the yield rose to end the quarter at 1.52%.<sup>16</sup> This is remarkable given the backdrop of massive fiscal spending and elevated inflation. Since COVID-19, the amount of fiscal debt has jumped to 125% of gross domestic product while at the same time the Congressional Budget Office estimates deficits will now average well over \$1 trillion annually through 2031. This translates to net treasury debt issuance of more than \$4 trillion last year and an estimated \$2.1 trillion for this year.<sup>20</sup> Perhaps even more astonishing, the last time the Consumer Price Index was up more than 5% on a year-over-year basis, as it has been for the last two months, was in September 2008. Back then, the 10-year U.S. Treasury yield was in the mid-to-high 3% range—more than double what it is today.

Energy plays a key role in economic growth and inflation and that has been impacted by supply chain issues. As of the end of the quarter, a barrel of WTI Crude Oil was trading at a little over \$75, a price we have not exceeded since 2014. Similarly, the national average gas price is at just over \$3 per gallon, a seven-year high. Finally, natural gas prices are at 13-year highs. Given these price levels, we expect market participants—and the bond vigilantes—will begin to pay more attention to future price moves in the energy complex.

We remain keenly interested in how Congress will deal with the federal debt ceiling and how this issue will affect Treasury issuance (supply) for the coming quarters. From an economic and market perspective, interest rates must remain contained. The Treasury has been unable to move forward with the majority of its scheduled second-half debt issuance, roughly \$1 trillion, due to the debt ceiling. That said, we do not have concerns that the federal government will fail to pay its bills—the debt ceiling has been raised twenty-nine times since 1990. If bond vigilantes stay quiet, unsustainable policy accommodation can likely continue. If they do not, investors should expect elevated volatility, at least relative to what has been an extraordinarily good year for asset prices.



## ➤ A generally weak quarter for risk assets, especially ex-U.S.; commodities were the top performer and balanced portfolios declined 0.5%

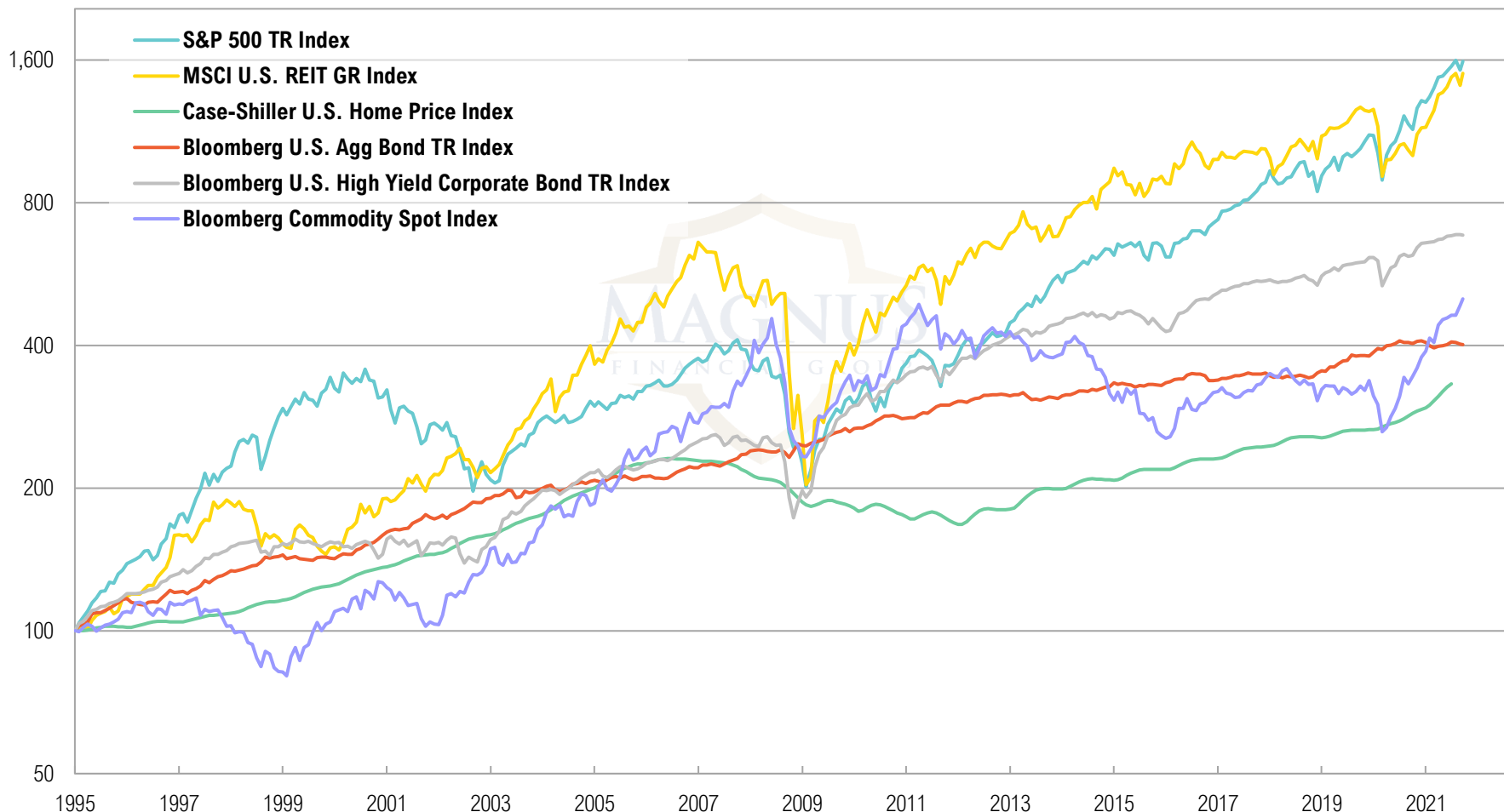


Source: Bloomberg

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## Key markets near all-time highs with inflation running well above “target” exposes the impossible challenge policymakers face

GROWTH OF 100 FOR SELECT INDICES, LOG SCALE



Source: Bloomberg  
S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index data is as of 7/31/2021.

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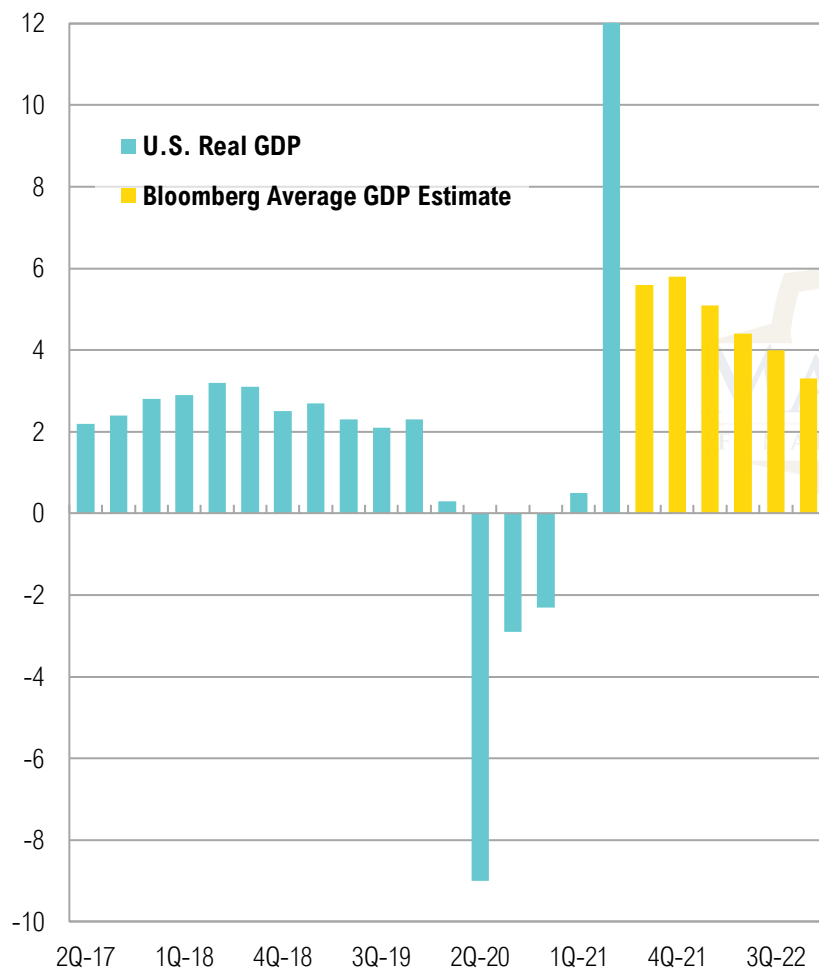
**About half of the overall increase in grocery prices can be attributed to beef, pork and poultry... in fact, if you take out those three categories, price increases are more in line with historical norms. And if you look at eggs, the price has actually come down in recent months.”**

**– Brian Deese**, White House Director of the National Economic Council



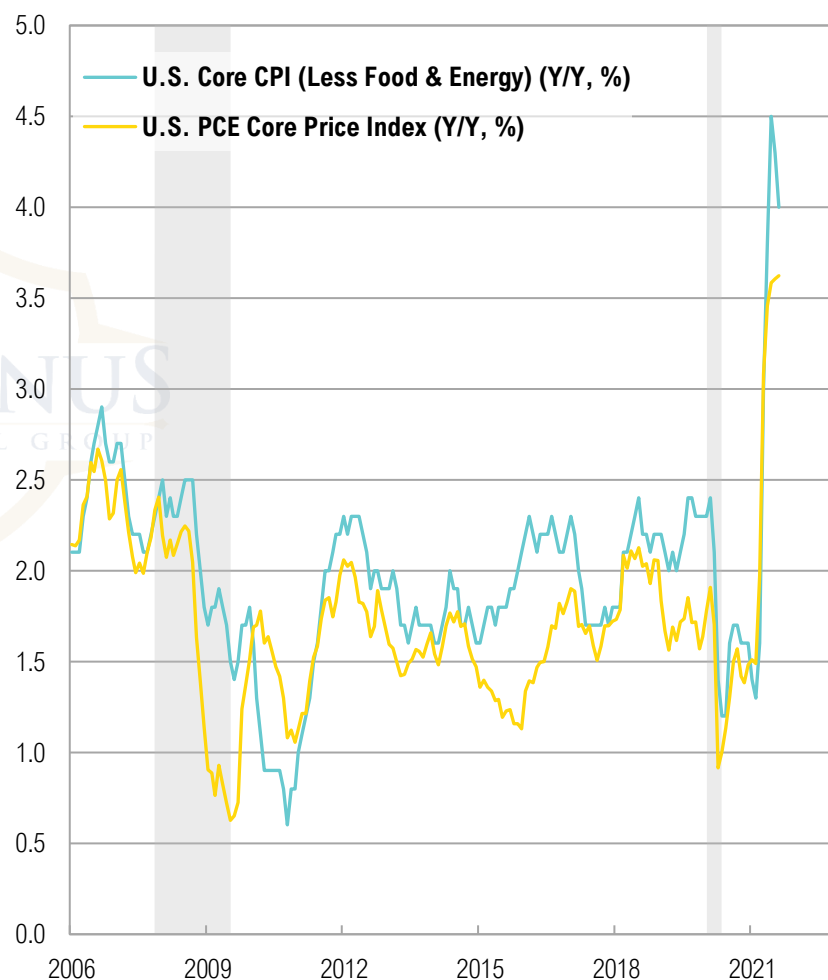
## Growth and inflation both expected to slow, but to remain above average for next several quarters

U.S. REAL GROSS DOMESTIC PRODUCT (GDP) GROWTH, Y/Y %



Source: Bloomberg

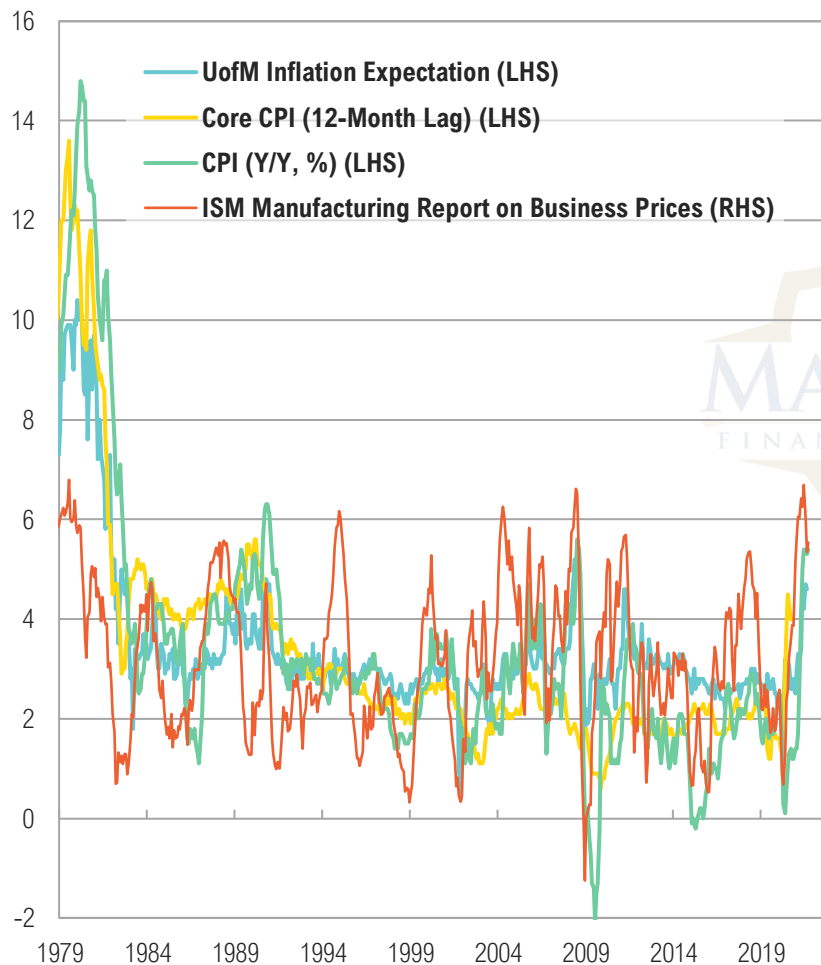
U.S. HEADLINE &amp; CORE INFLATION (CPI), Y/Y %



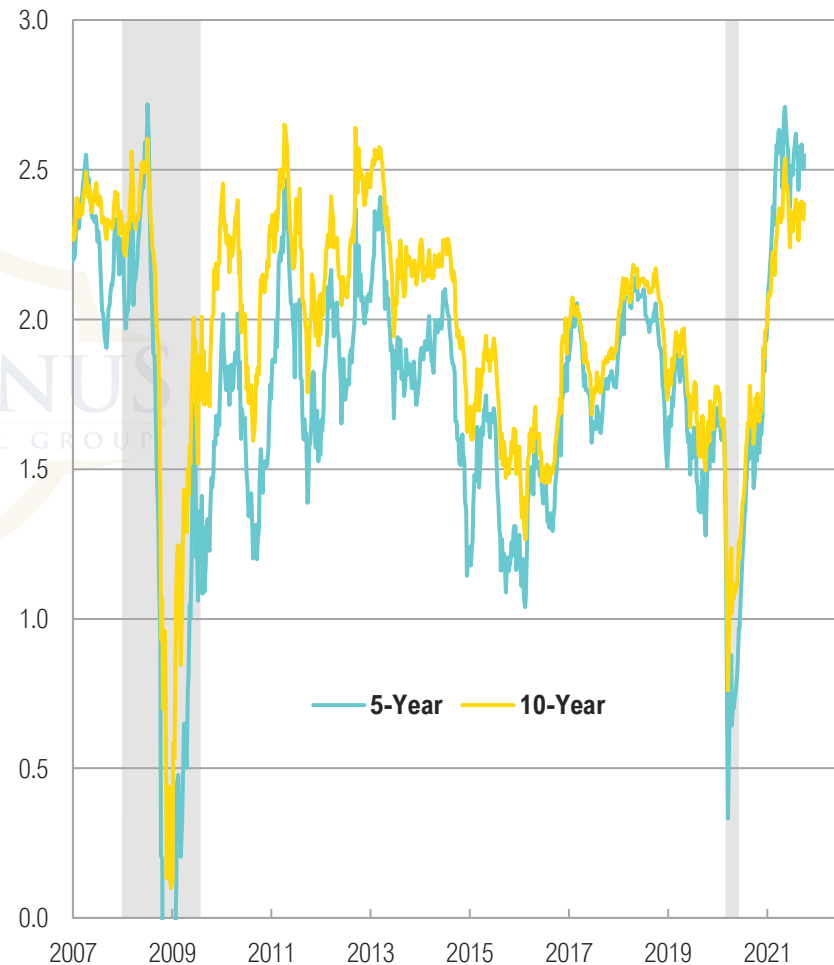
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## ➤ Inflation and inflation expectations are still somewhat contained, but potentially on the cusp of multi-decade breakout

UOFM INFLATION EXP.\*, CPI Y/Y %    ISM MANUFACTURING PRICES INDEX



5-YEAR &amp; 10-YEAR TIPS-IMPLIED INFLATION



Source: FRED

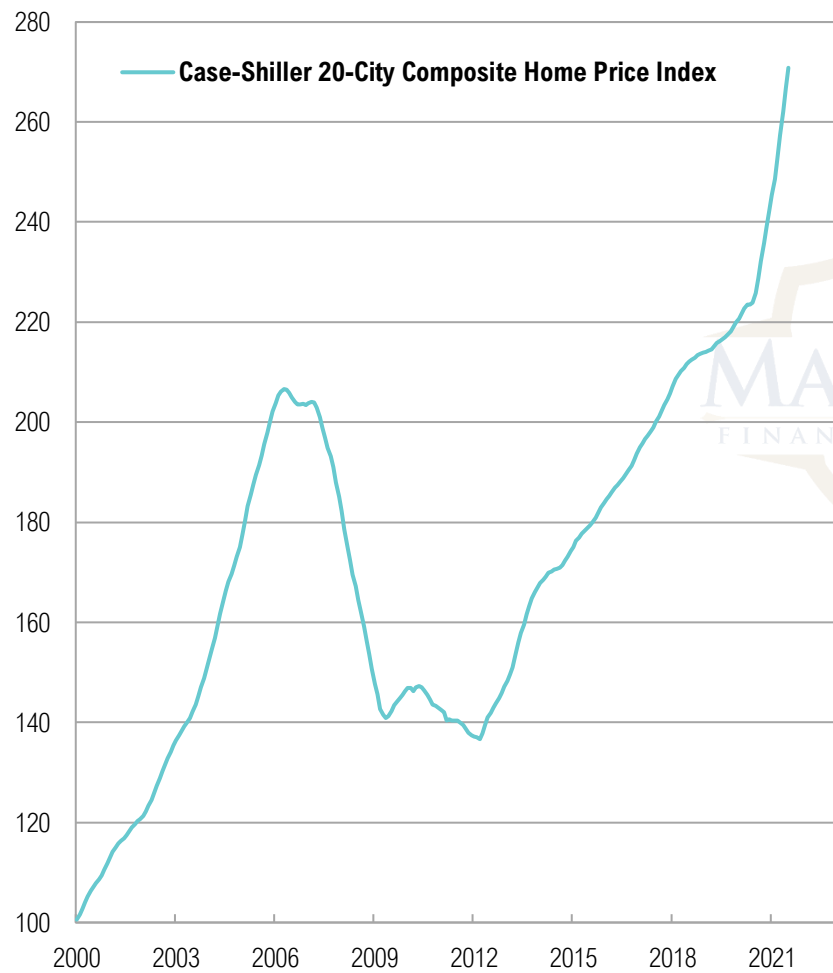
\*UofM data as of 8/31/2021

Q4, 2021 Market Outlook

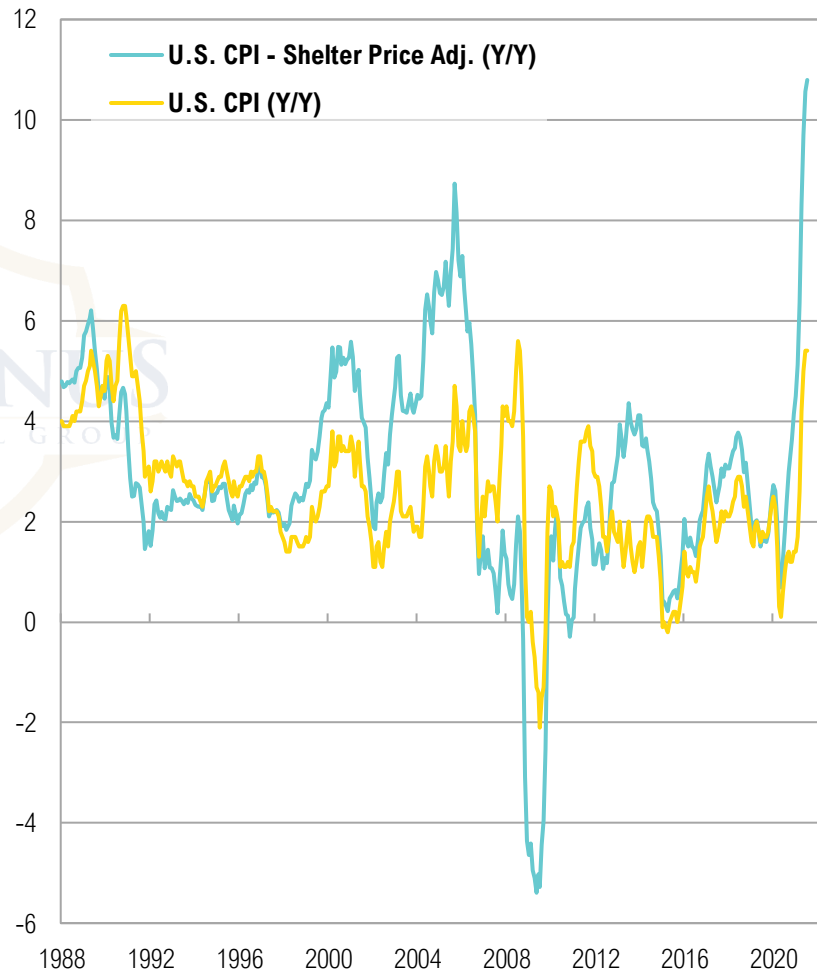
SEE IMPORTANT DISCLOSURES AT THE END OF THIS PRESENTATION

## Adjusted for U.S. housing price appreciation, inflation would be significantly higher due to the lag in reporting of shelter in CPI

CASE-SHILLER U.S. HOME PRICE INDEX



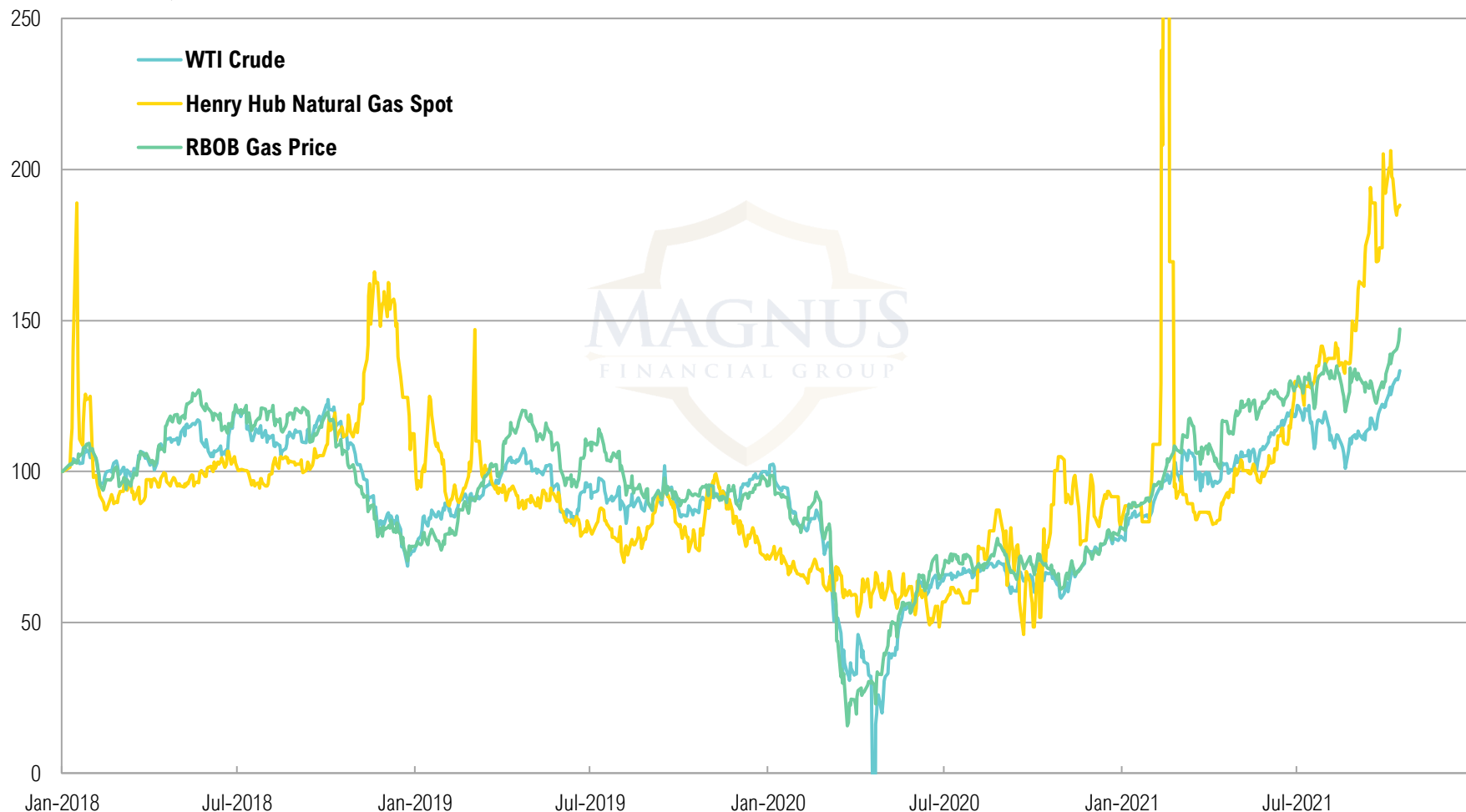
U.S. CPI VS. U.S. CPI ADJ. FOR HOUSING PRICES, Y/Y, %



Source: Bloomberg, SpringTide calculations. Shelter price adjustment assumes U.S. housing price appreciation (Case-Shiller U.S. Housing Price Index) replaces Shelter (CPI sub-category) at an average weight of 32% (current). © 2021 Magnus Financial Group LLC. All Rights Reserved

## Rising energy prices will continue to be a hot topic for consumers and the current administration

GROWTH OF 100, BASE PRICE = JAN 2018

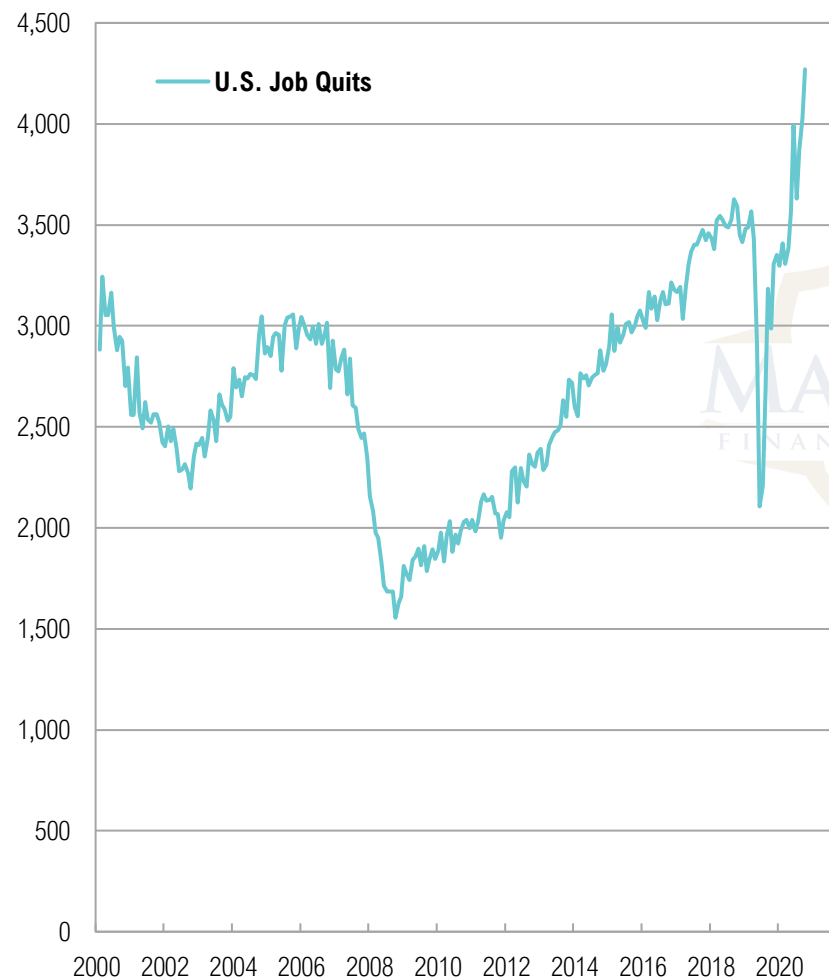


Source: Bloomberg

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# ➤ From here, it will take 18 months to achieve the Federal Reserve's goal of full employment, assuming a pace of 250,000 additions per month

TOTAL U.S. JOB QUILTS, '000s



TOTAL U.S. JOB OPENINGS, '000s

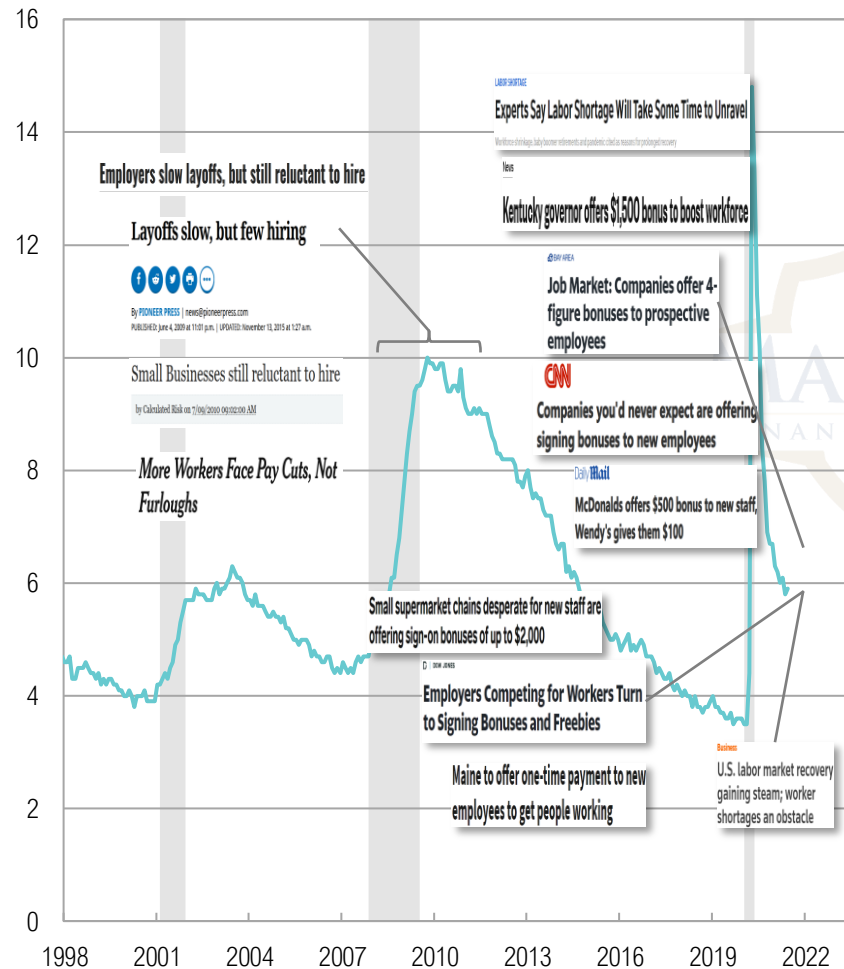


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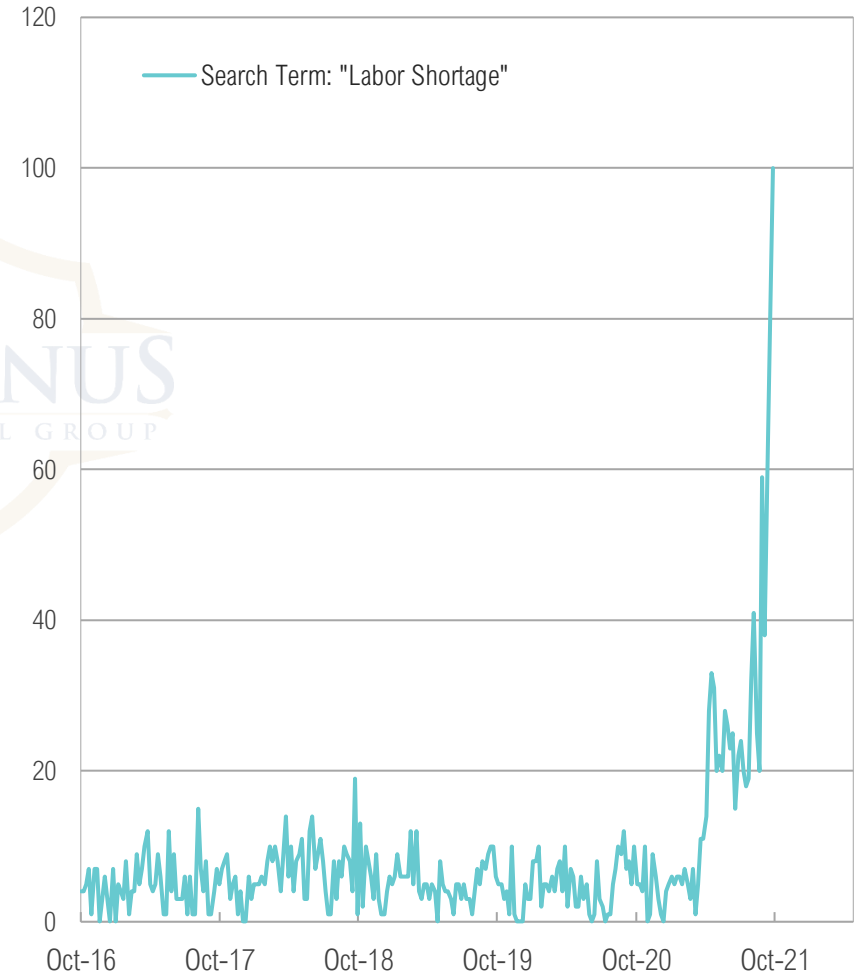
# Companies getting creative in attempts to attract workers in a challenging labor market environment that is very different from the '09-'11 recovery

U.S. UNEMPLOYMENT RATE, %



Source: Bloomberg

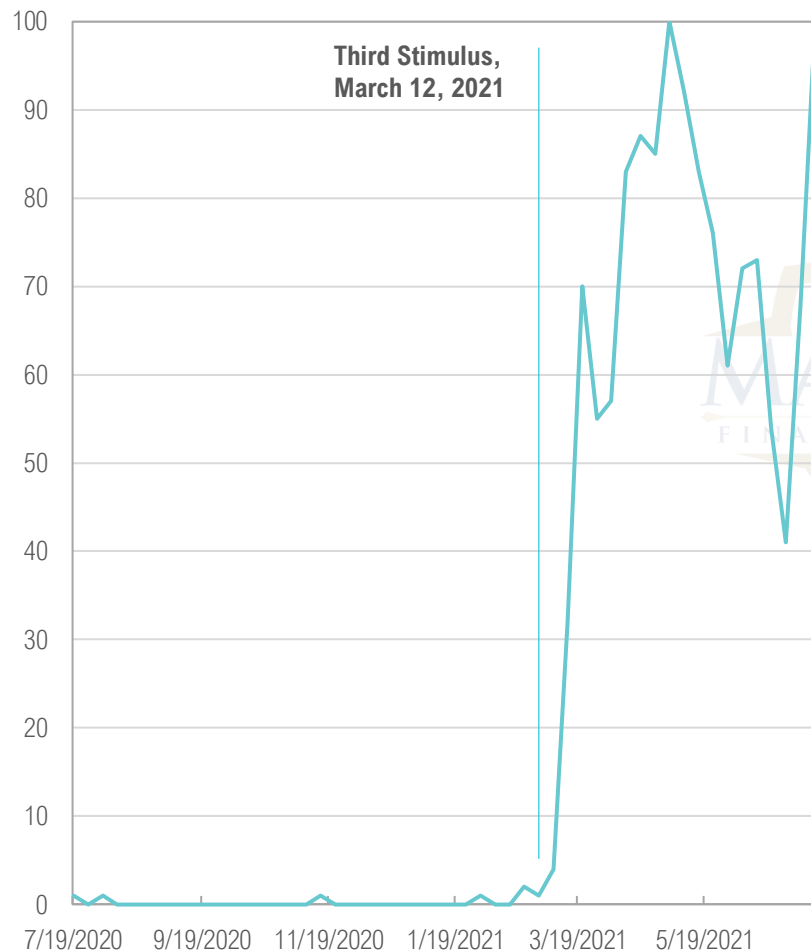
GOOGLE TRENDS FOR "LABOR SHORTAGE"



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## Voters aren't just comfortable with further stimulus; they are anticipating it and may expect or demand it in the next downturn

### GOOGLE TRENDS: FOURTH STIMULUS CHECK



Source: Google Trends

### Public Sentiment Shows Continued Support for Further Stimulus

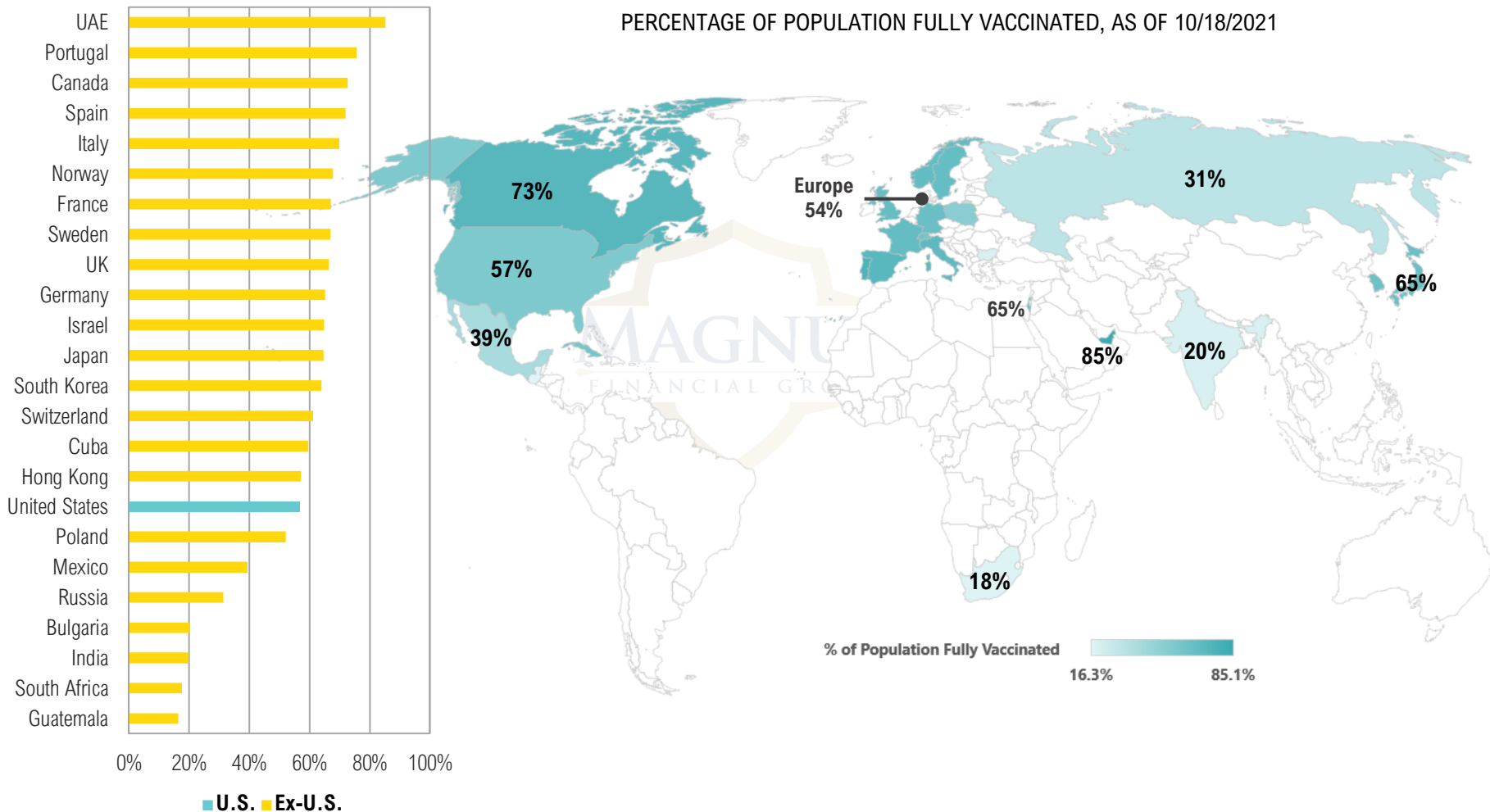
Stimulus Sentiment Polling Results, May-20 – May-21

Date	Poll Name	Favor Additional Stimulus (%)	Oppose (%)	No Opinion/ Neutral (%)
3-May-2021	Morning Consult + Politico*	91	4	5
8-Mar-2021	Morning Consult + Politico	75	18	7
3-Mar-2021	Monmouth Poll**	81	14	5
1-Mar-2021	Pew Research	70	28	2
23-Feb-2021	Small Business for America's Future	76	24	0
19-Feb-2021	Morning Consult + Politico	76	17	7
3-Feb-2021	Quinnipiac Poll	78	18	4
1-Feb-2021	Yahoo News	74	13	13
22-Jan-2021	Reuters Poll of Economists	90	10	0
21-Dec-2020	Civic Science	78	16	6
1-Oct-2020	Civic Science	74	12	14
1-May-2020	Civic Science	59	20	21

\* Question referenced stimulating the economy to recover from coronavirus pandemic.

\*\* Question referenced stimulus checks at or above \$1,400.

## ➤ Varied pace of global vaccination rollout and government response creating uneven pace of reopening and economic recovery



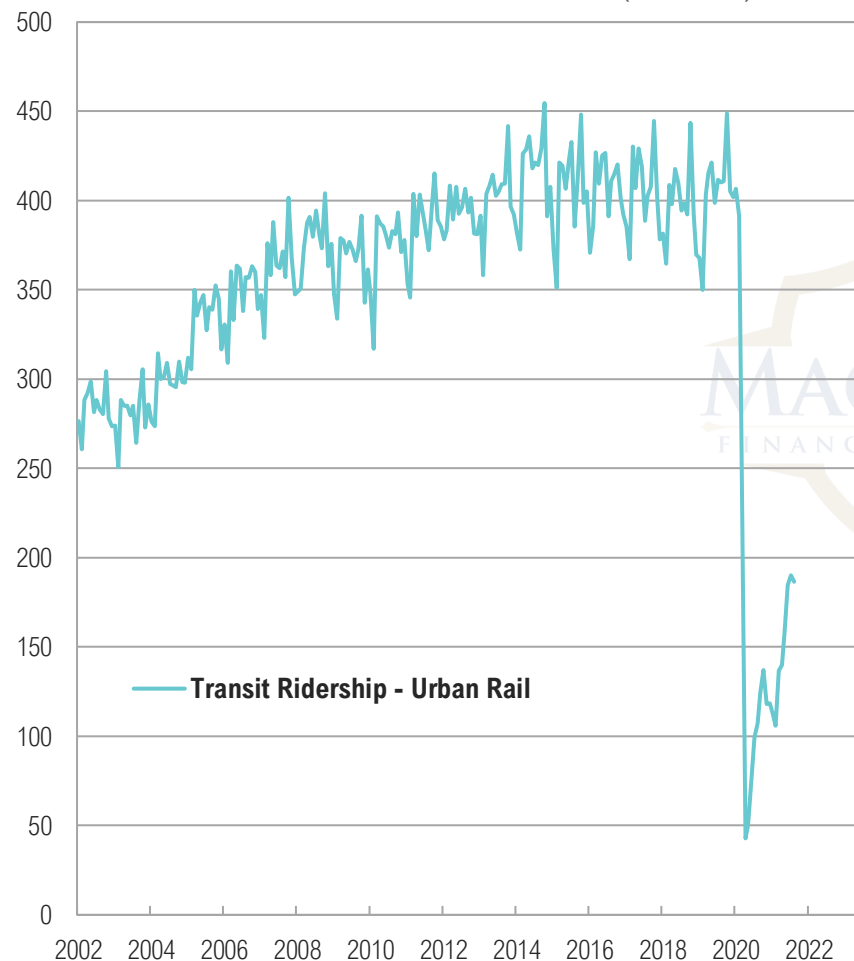
Source: New York Times, Our World in Data

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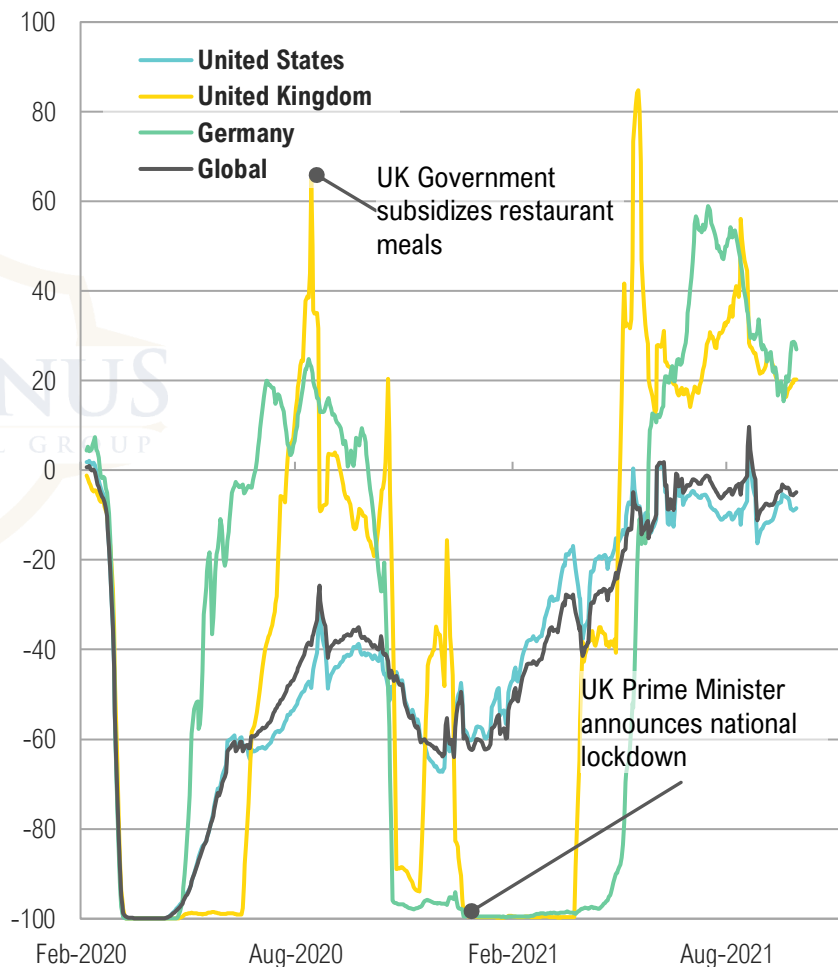


## Urban transit ridership and other consumer data shows disjointed recovery heavily impacted by policy initiatives

TRANSIT RIDERSHIP – URBAN RAIL MONTHLY TRIPS (MILLIONS)



TOTAL SEATED DINERS VS. 2019

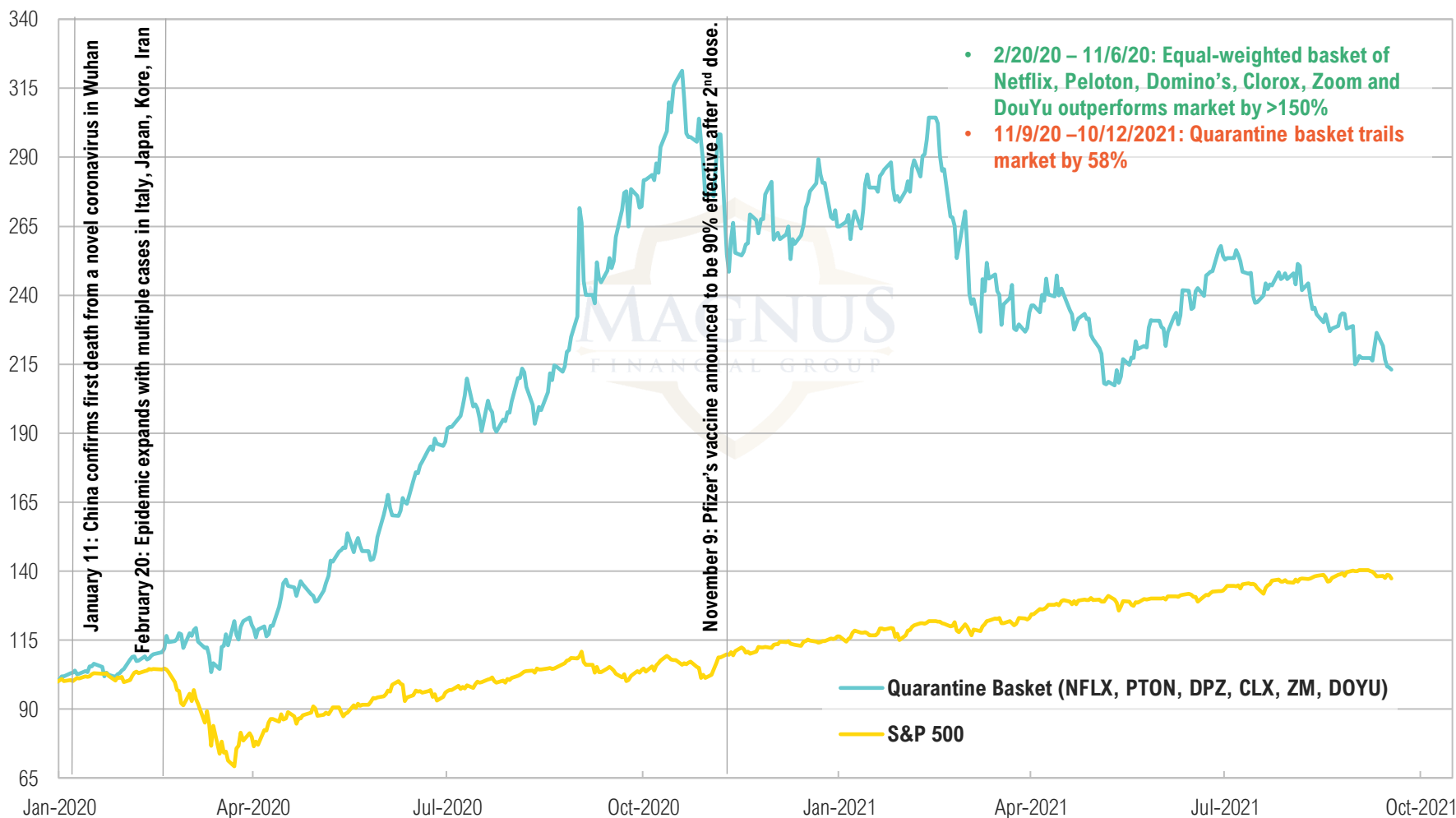


Source: U.S. Department of Transportation, OpenTable, Reuters

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## Quarantine Stock Basket continues to trail the broader U.S. stock market

GROWTH INDEX

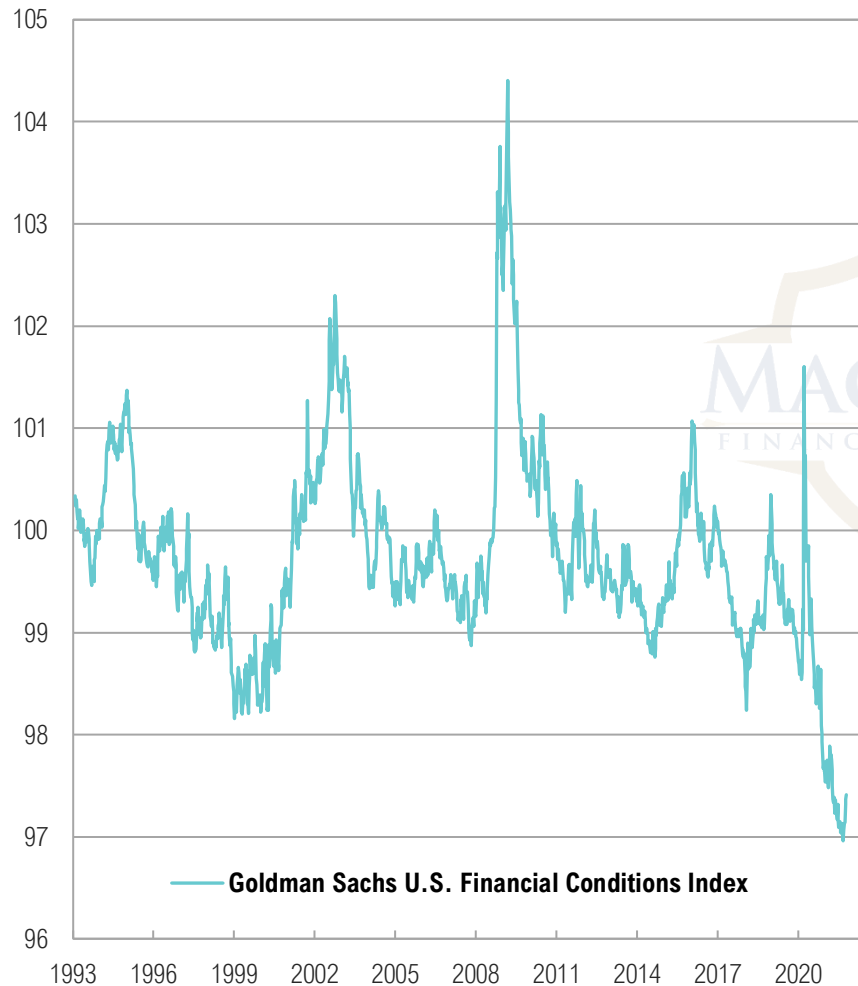


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# ➤ Makeup of the Fed should remain at least as dovish as it is now in coming years

GOLDMAN SACHS U.S. FINANCIAL CONDITIONS INDEX



Source: ITC, Bloomberg

FEDERAL RESERVE MEMBER VOTING YEARS

Name	Position	Policy Scale	Voter?		
			2021	2022	2023
Kashkari	Minneapolis	Dovish	X	X	✓
Brainard	Board		✓	✓	✓
Evans	Chicago		✓	X	✓
Powell	Chairman		✓	✓	✓
Williams	New York		✓	✓	✓
Daly	San Francisco		✓	X	X
Clarida	Vice Chair	Hawkish	✓	✓	✓
Bowman	Board		✓	✓	✓
Quarles	Board		✓	✓	✓
Rosengren	Boston		X	✓	X
Waller	Board		✓	✓	✓
Barkin	Richmond		✓	X	X
Mester	Cleveland		X	✓	X
Bostic	Atlanta		✓	X	X
George	Kansas City		X	✓	X
Harker	Philadelphia		X	X	✓
Kaplan	Dallas		X	X	✓
Bullard	St. Louis		X	✓	X

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## **Manufacturers are dealing with profound labor, commodity, and supply chain issues**

- “Many electronic components and assemblies shortages showing up (due to) **port issues, lack of containers and other issues**. Problematic, but nothing completely shut down yet. Watching COVID-19 restrictions country by country.” [Computer & Electronic Products]
- “The impacts from Hurricane Ida on the petrochemical industry has put additional stress on an **already fragile supply chain**. Logistics with intermodal containers and motor carriers continues to be a challenge for planning deliveries of materials.” [Chemical Products]
- “In the U.S., **labor availability is the most significant supply challenge for our company, with raw materials just behind**. Plastic resin, polyurethanes, small-volume steel purchases and electronics are the biggest material challenges.” [Transportation Equipment]
- “**Lack of labor and escalating costs from every direction are very concerning.**” [Food, Beverage & Tobacco Products]
- “**Ocean freight delays creating disruptions in many areas**. Southeast Asia supply continues to be challenged due to COVID-19 outbreaks.” [Furniture & Related Products]
- “**Delivery and availability of raw materials, primarily carbon steel, are becoming more and more difficult to source**. This has resulted in delaying order deliveries. Computer numerical control (CNC) machining services are at a premium; it’s difficult to get the deliveries needed to complete jobs. Traditional in-house machining now has to be outsourced due to a lack of experienced machinists. All this has had a negative impact on production throughput.” [Fabricated Metal Products]
- “Customer demand continues to swell as we prepare for the fourth quarter, and overall growth has been extremely good for the year. **Supply chain concerns are growing beyond electronics and chips into most other commodities**. Lead times are extending, shipping lanes are slowing, and **we will not see an end to this in 2021.**” [Electrical Equipment, Appliances & Components]
- “**We are still amazed by the labor market. We used to have 100 applicants for an opening; we are now seeing about 10 — and often, the applicant does not show for the interview.**” [Paper Products]
- “Our company’s entire supply chain continues to have significant challenges getting manpower, which is impacting production of parts and ability to meet daily build schedules. Additionally, the logistics problems — especially port delays and a shortage of shipping containers — are significantly impacting inbound and outbound shipments. **Raw materials costs still are at record highs, and we have raised customer pricing, with additional increases in the near future due to labor costs going up**. Huge customer orders are nine months out (due to) backorders. Seeing this **domestically and internationally.**” [Machinery]
- “**Global supply chain constraints are still a major concern and focus**. Inventory builds continue to compensate for potential supply disruption.” [Miscellaneous Manufacturing]

Source: ISM

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## Services PMI: “Demand far outweighs supply for goods and services”

- **“Transportation bottlenecks are increasing**, resulting in longer lead times and missed appointments.” [Accommodation & Food Services]
- **“Constraints on logistics from a cost and availability standpoint continue to be an issue.”** [Construction]
- “Lead times on electronics and computer chips have greatly increased. Outlook for higher education remains flat for most colleges, not including elite and Ivy League institutions.” [Educational Services]
- “Retaining clinical and temporary staffing is critical at this time. With the Delta variant’s spread, we continue to see increased (COVID-19) cases, but not as bad as January 2021. Vaccinations are clearly working. Most inpatient hospitalizations are of unvaccinated patients. **The supply chain is still being impacted significantly by increased lead times for equipment and supplies.**” [Health Care & Social Assistance]
- “The semiconductor (shortage is) impacting server delivery. Alternate parts and engineering efforts are being used to create workaround solutions.” [Information]
- “Both domestic and international logistics are **increasing lead times about six weeks for ocean freight and two weeks for domestic freight.**” [Management of Companies & Support Services]
- **“Inventories shrinking due to global shipping logistics** being a seller’s/provider’s market, with primary focus on yield versus market expansion.” [Professional, Scientific & Technical Services]
- “Lead times have improved slightly over the last period, but still remain lengthy relative to pre-pandemic levels. **We continue to see rising costs for both supply and service inputs. The effects of these price increases have the potential to significantly impact our operations through the end of the year**, especially if seasonal trends prove exceptionally strong.” [Public Administration]
- “Business volumes remain remarkably high, **although material shortages persist.**” [Real Estate, Rental & Leasing]
- “Still experiencing very strong demand. Supply chain is still a challenge.” [Retail Trade]
- **“Demand far outweighs supply for goods and services.”** [Transportation & Warehousing]
- **“We continue to deal with extended delivery lead times and high costs.** Stress on the supply chain beginning to be reflected in the quality of products offered and delivered. Current buying strategy is to wait — except with equipment, as (price) increases are expected.” [Utilities]
- “Continued constrained supply of many key product groups. **Also, inflationary pressures in most areas of the business keep driving costs higher. Inconsistent COVID-19 restrictions throughout the country are creating unstable business conditions that are concerning.** However, business continues to be strong overall.” [Wholesale Trade]

Source: ISM

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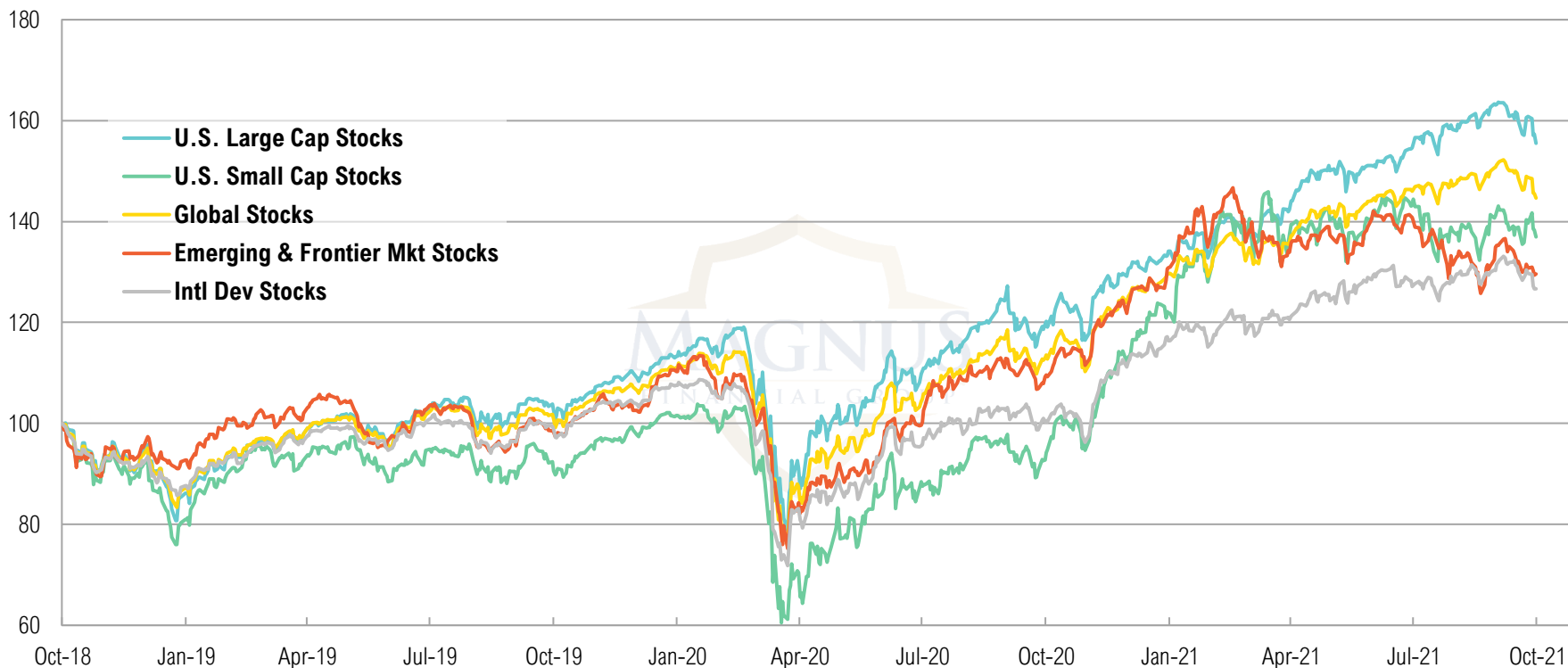


**There are expected to be more than \$1.0 trillion of stock buybacks in the S&P 500 this year - more than all the annual coupon income in the US Treasury, IG and HY markets combined.”**

**– Lu Wang, Bloomberg Markets columnist**

## U.S. stocks managed to net out a modestly positive return for the quarter while U.S. small cap, international and emerging markets declined

TRAILING &amp; CALENDAR YEAR TOTAL RETURNS



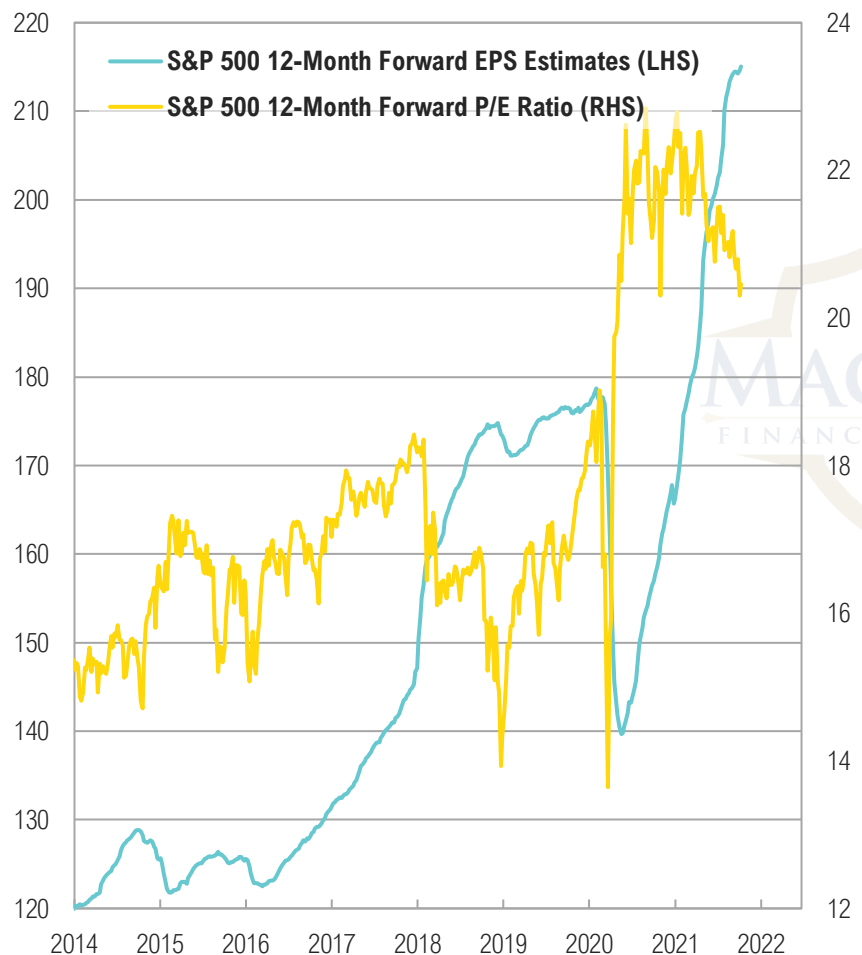
Asset Class	Benchmark	QTD	YTD	1-Yr	3-Yr	5-Yr	10-Yr	2020	2019	2018	2017	2016
U.S. Large Cap Stocks	S&P 500 TR	0.6	15.9	30.0	16.0	16.9	16.6	18.4	31.5	-4.4	21.8	12.0
U.S. Small Cap Stocks	Russell 2000 TR	-4.3	12.3	47.5	10.4	13.4	14.6	20.0	25.4	-11.1	14.6	21.6
Intl Dev Stocks	MSCI EAFE GR	-0.4	8.3	25.8	7.6	8.8	8.1	7.8	22.0	-13.8	25.0	1.0
Emerging & Frontier Mkt Stocks	MSCI EM GR	-8.1	-1.2	18.2	8.6	9.2	6.1	18.3	18.4	-14.6	37.3	11.2
Global Stocks	MSCI ACWI GR	-1.1	11.1	27.5	12.6	13.2	11.9	16.3	26.6	-9.4	24.0	7.9

Source: Bloomberg  
Returns for periods greater than one year are annualized.

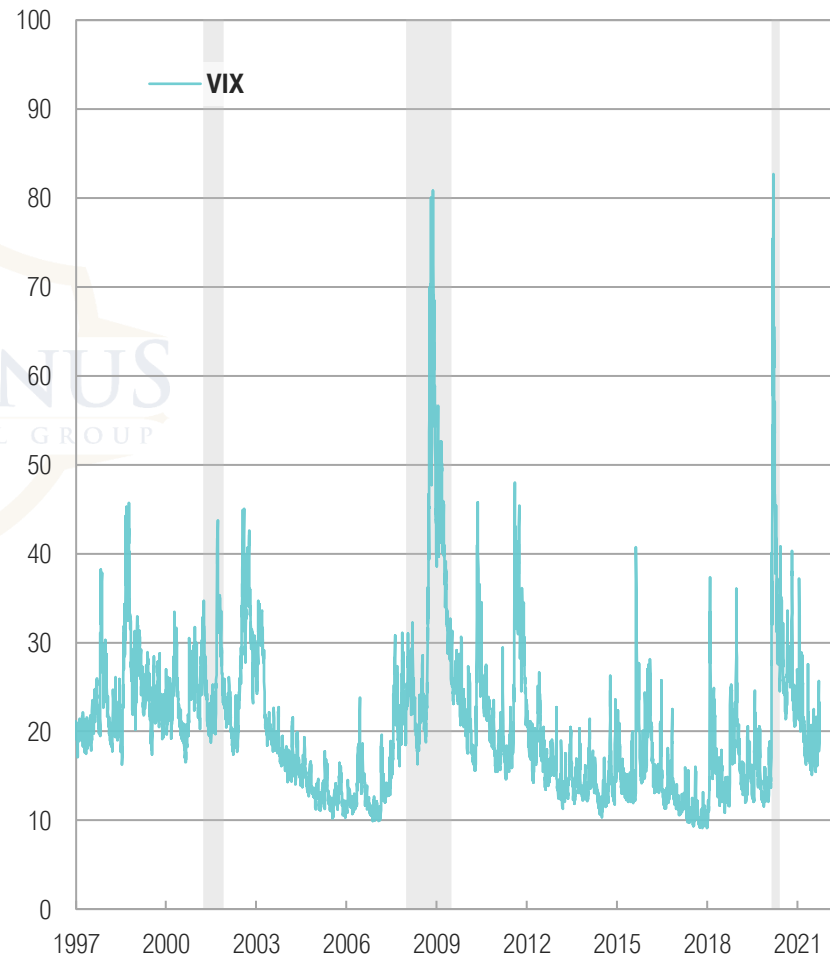
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## ➤ Earnings estimates for S&P 500 continue to rise, outpacing prices as valuations compressed during the quarter; VIX rose to 23

FORWARD P/E



VIX



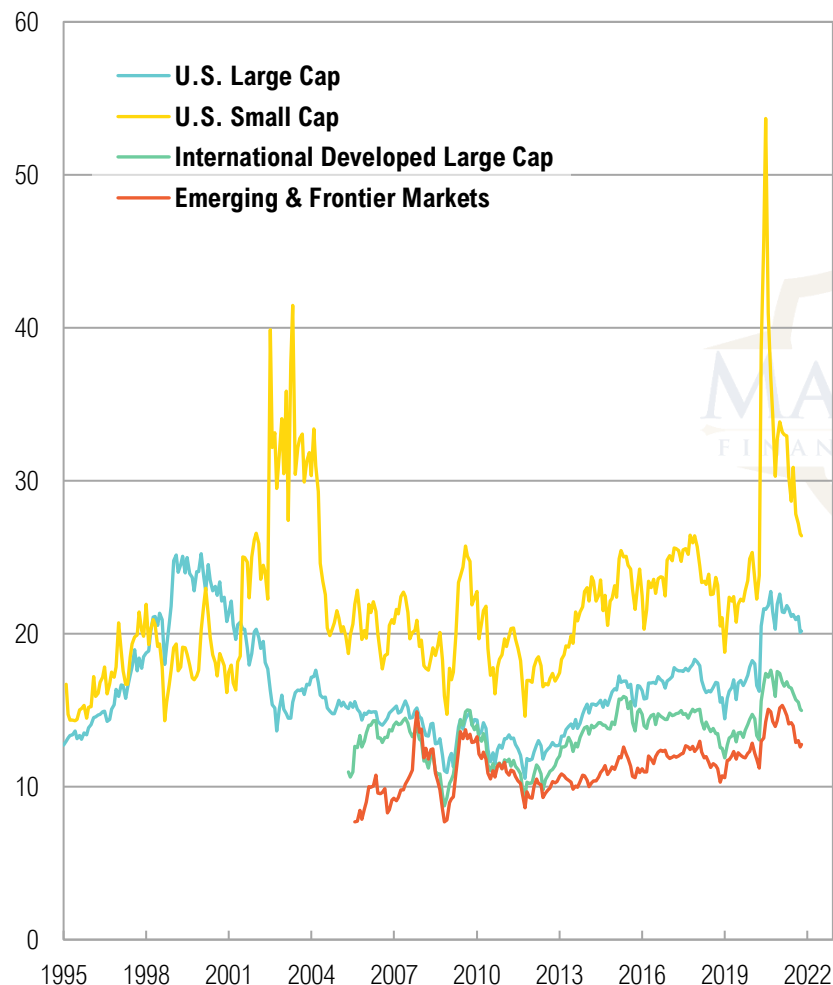
Source: Bloomberg

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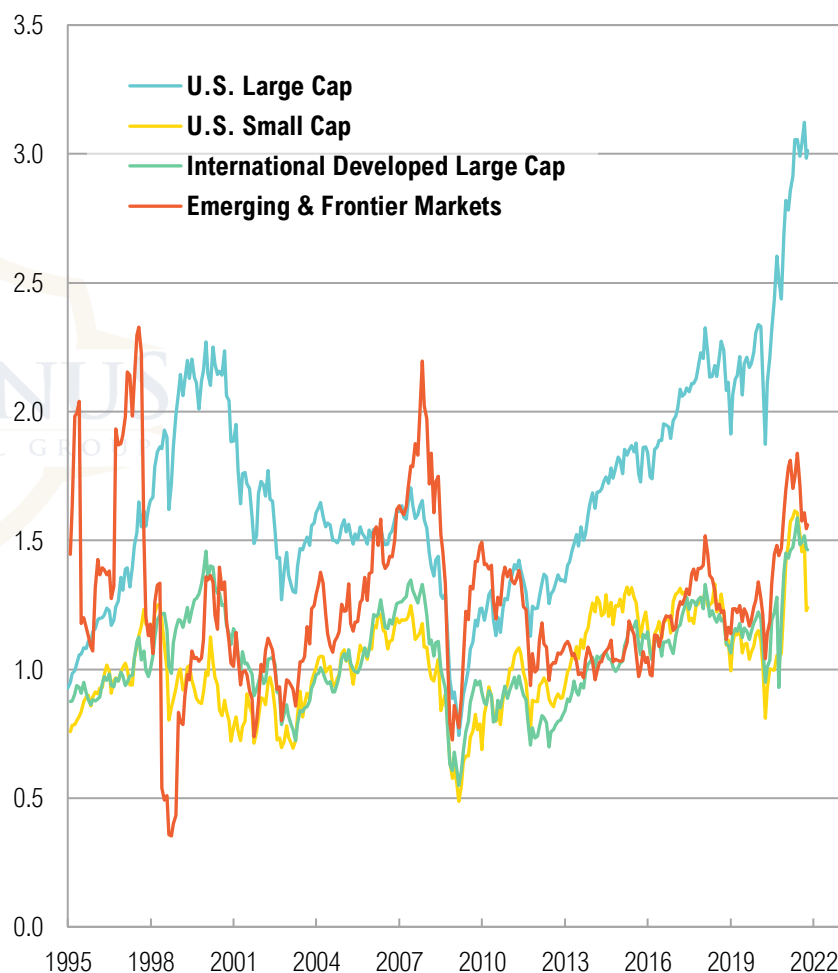
## Relative to earnings estimates, emerging & frontier market stocks are cheapest; relative to sales, U.S. Large Cap stocks appear very expensive

BLENDED FORWARD 12-MONTH P/E RATIOS



Source: Bloomberg

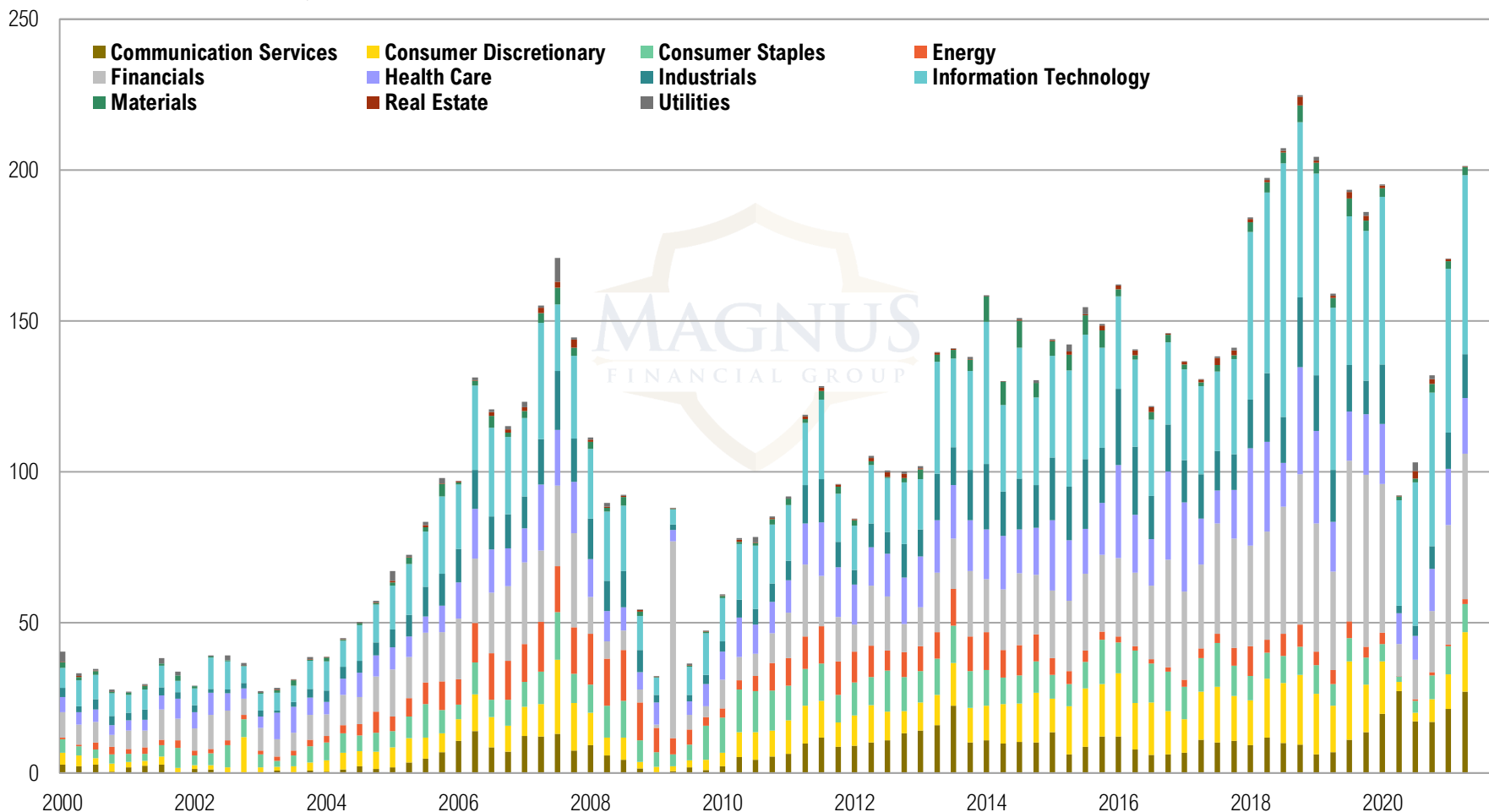
P/S RATIO



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## Companies bought back \$200 billion of stock in Q2, Tech companies accounted for nearly one third of those buybacks

SHARE BUYBACKS BY SECTOR, \$ BILLION

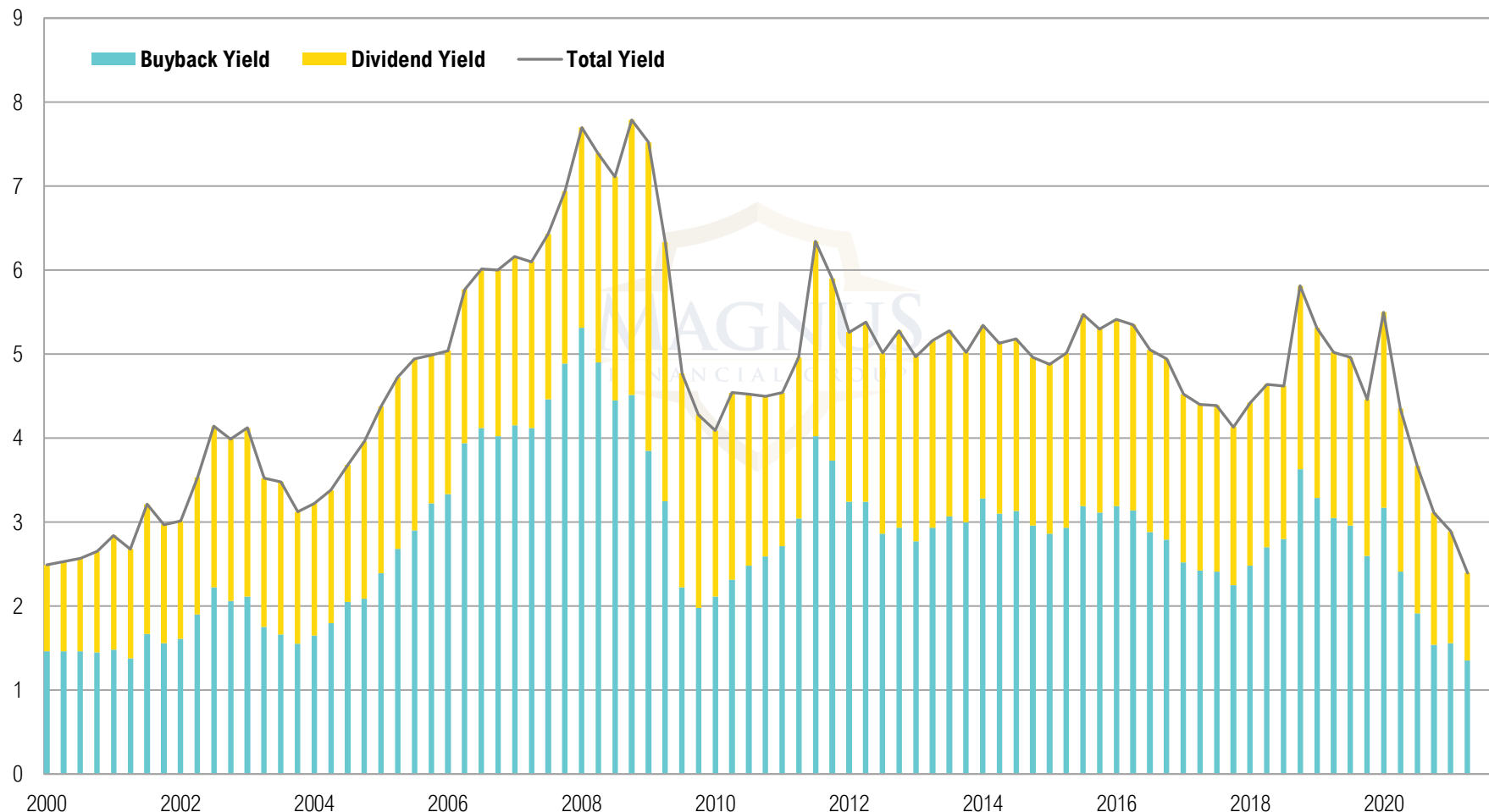


Source: Bloomberg

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## Buyback and dividend yields for U.S. large cap stocks have come down due to the rally in equities and the lagging impact of cuts in early 2020

S&P 500 BUYBACK & DIVIDEND YIELD, %

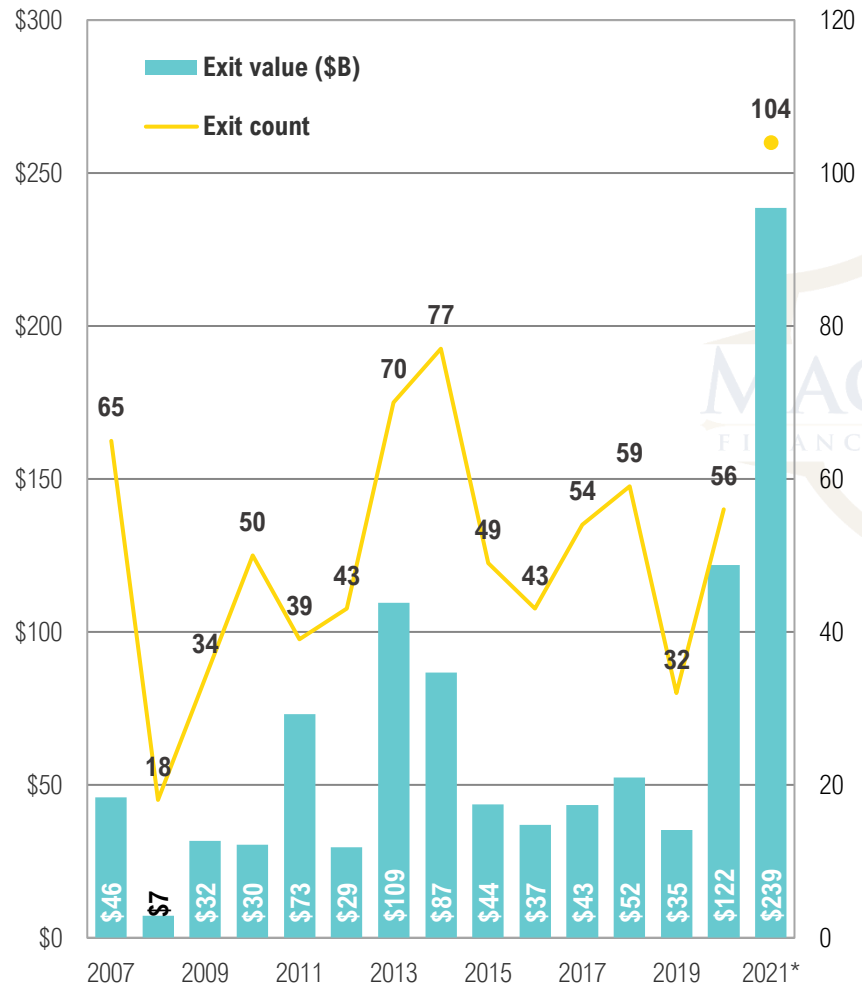


Source: Bloomberg. Buyback and dividend yields are calculated using trailing four quarter data and the aggregate equity market cap as of each quarter end.

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## Frothy public markets lead to largest IPO year on record

PE PUBLIC LISTING EXIT ACTIVITY, \$BILLIONS



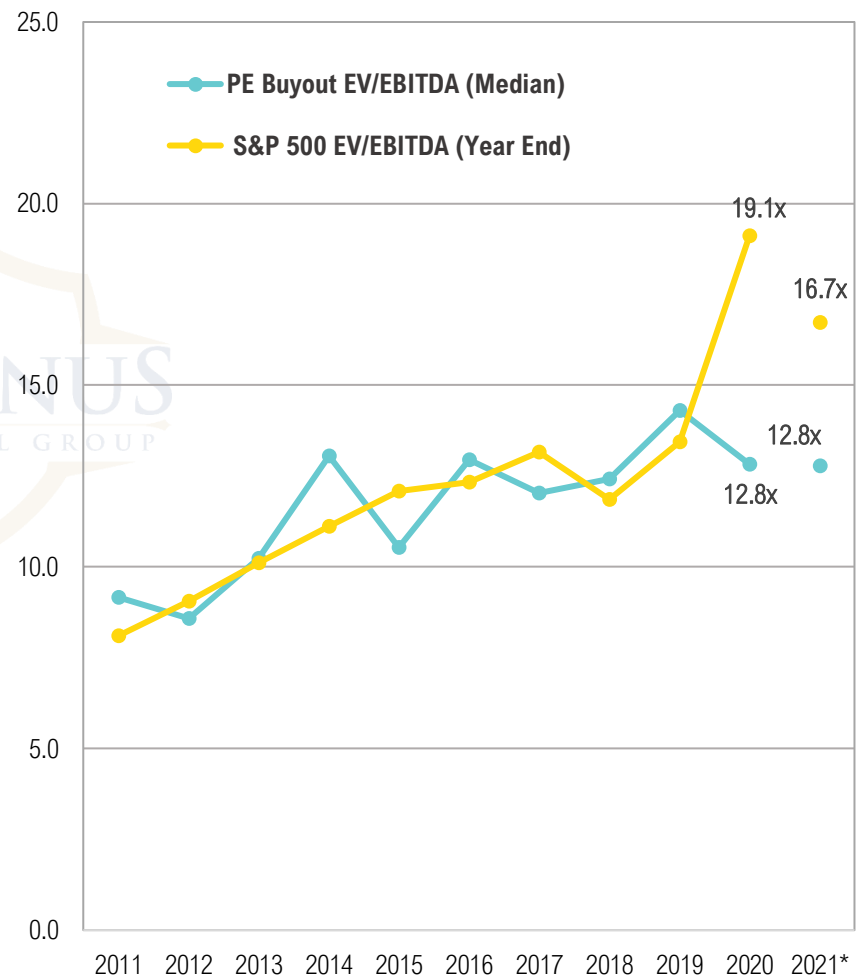
Source: Pitchbook, Bloomberg  
 \*Data as of September 30, 2021

### Q4, 2021 Market Outlook

SEE IMPORTANT DISCLOSURES AT THE END OF THIS PRESENTATION

NUMBER OF DEALS

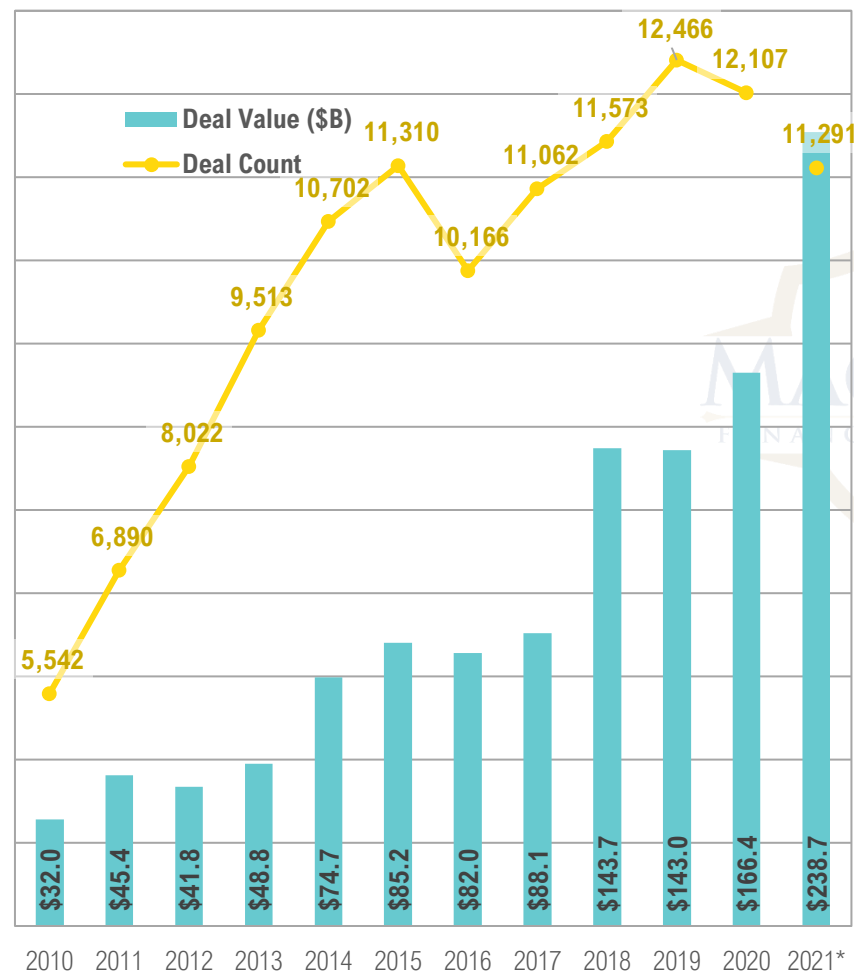
MEDIAN PE BUYOUT VS S&amp;P 500 MULTIPLES



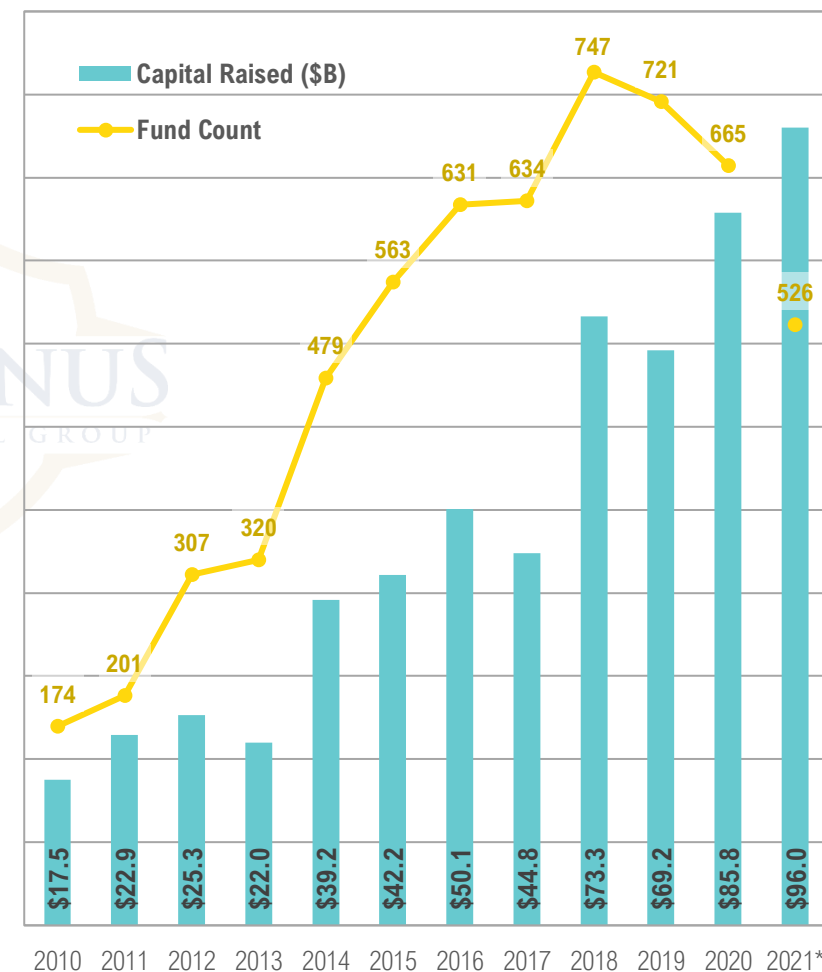
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## Pent-up pandemic demand has pushed 2021 venture activity to shatter previous records through just three quarters

US VC DEAL ACTIVITY



US VC FUNDRAISING ACTIVITY



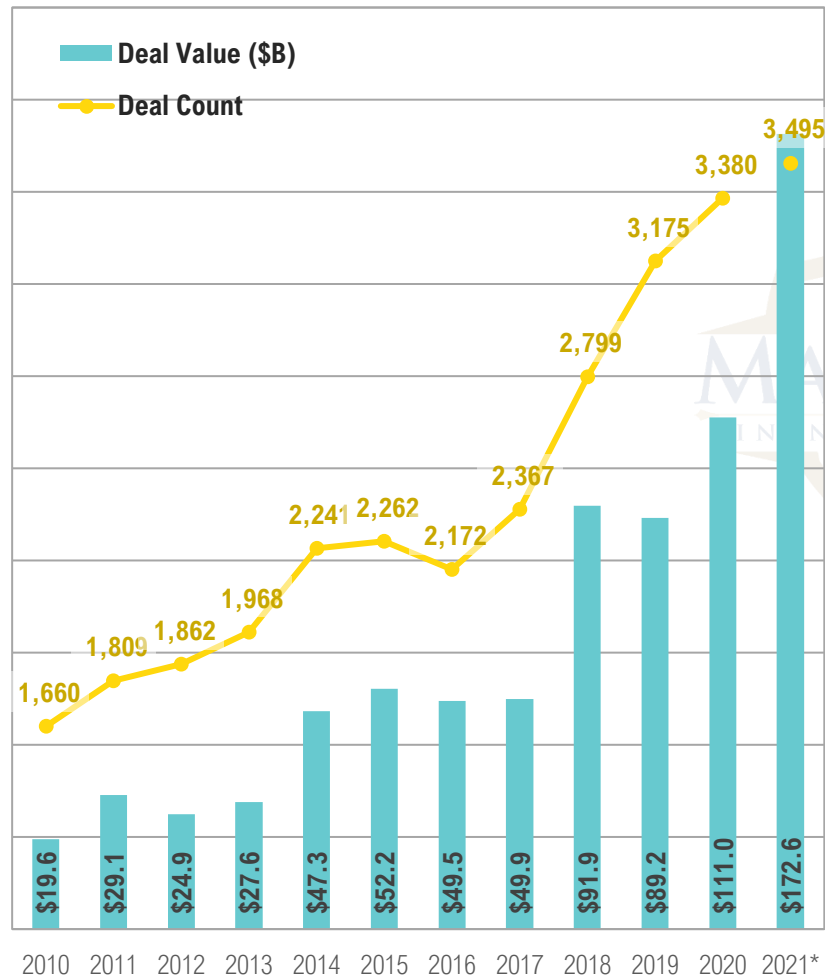
Source: Pitchbook

\*Data as of Sept 30, 2021

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## Momentum persists at late stage of venture activity

US LATE-STAGE VC DEAL ACTIVITY

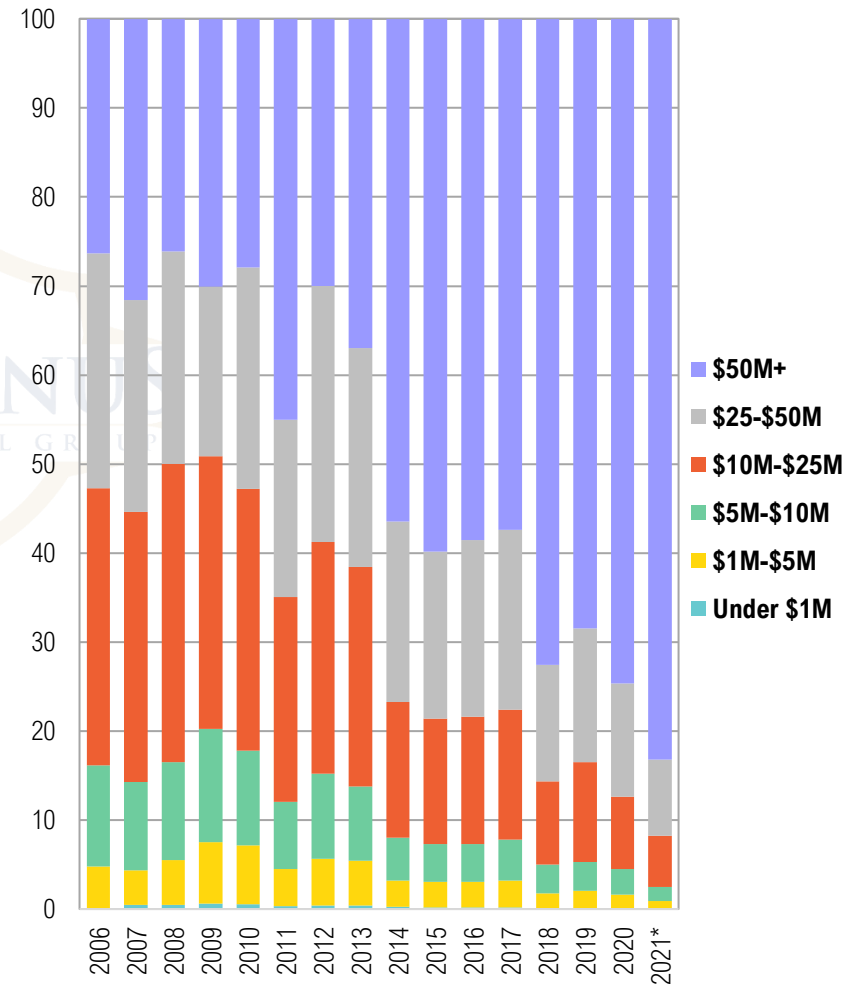


Source: Pitchbook, Bloomberg  
 \*Data as of September 30, 2021

### Q4, 2021 Market Outlook

SEE IMPORTANT DISCLOSURES AT THE END OF THIS PRESENTATION

US LATE-STAGE VC DEAL VALUE (\$B) BY SIZE



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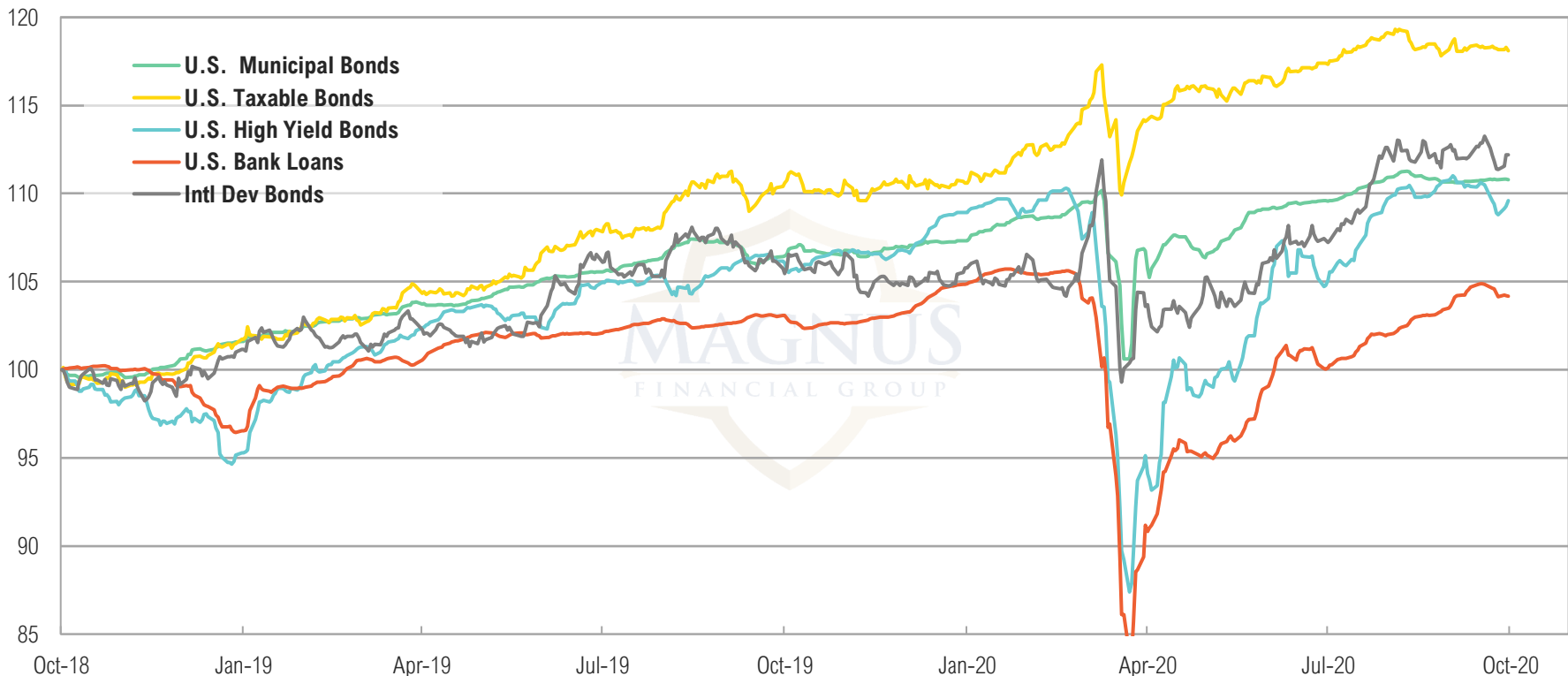


**I came of age and studied economics in the 1970s and I remember what that terrible period was like. No one wants to see that happen again.”**

**– Janet Yellen, Treasury Secretary, May 2021**

## U.S. fixed income and credit protected against a modest risk-off quarter; weakness continued in international developed bonds

### TRAILING & CALENDAR YEAR TOTAL RETURNS



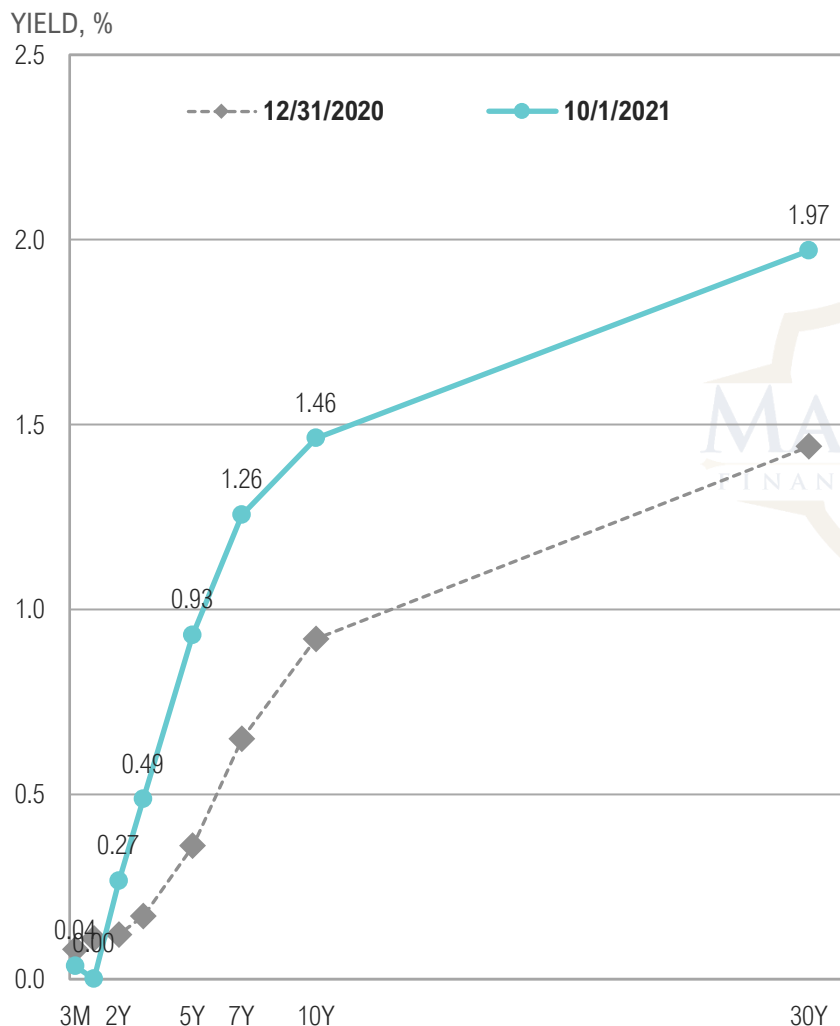
Asset Class	Benchmark	QTD	YTD	1-Yr	3-Yr	5-Yr	10-Yr	2020	2019	2018	2017	2016
U.S. Municipal Bonds	BBgBarc Municipal 1-10Y Blend 1-12Y TR	0.0	0.4	1.3	3.9	2.5	2.7	4.2	5.6	1.6	3.5	-0.1
U.S. Taxable Bonds	BBgBarc US Agg Bond TR	0.1	-1.6	-0.9	5.4	2.9	3.0	7.5	8.7	0.0	3.5	2.6
U.S. High Yield Bonds	BBgBarc US Corporate High Yield TR	0.9	4.5	11.3	6.9	6.5	7.4	7.1	14.3	-2.1	7.5	17.1
U.S. Bank Loans	S&P/LSTA Leveraged Loan TR	1.1	4.4	8.4	4.1	4.6	4.9	3.1	8.6	0.4	4.1	10.2
Intl Dev Bonds	S&P International Sov Ex-US Bond TR	-2.1	-7.9	-3.5	2.6	1.0	1.1	11.2	4.6	-2.3	11.3	1.6

Source: Bloomberg  
Returns for periods greater than one year are annualized.

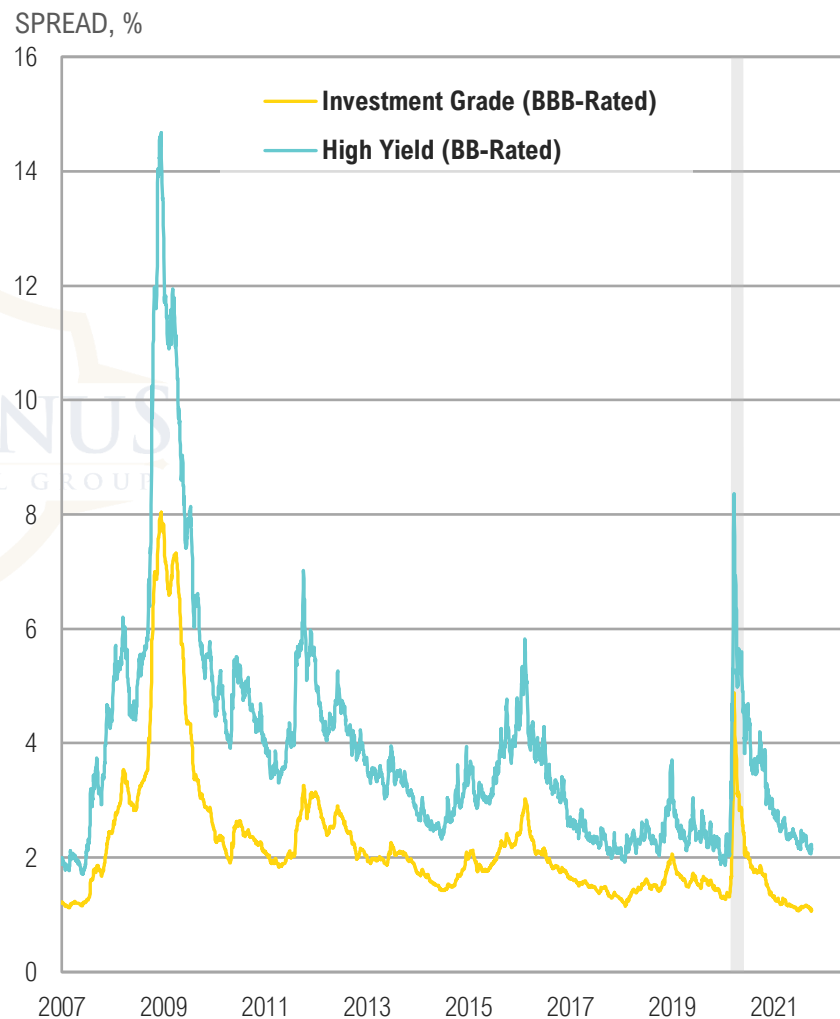
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## U.S. Treasury yield curve has steepened modestly this year while credit spreads have remained at or near historically tight levels



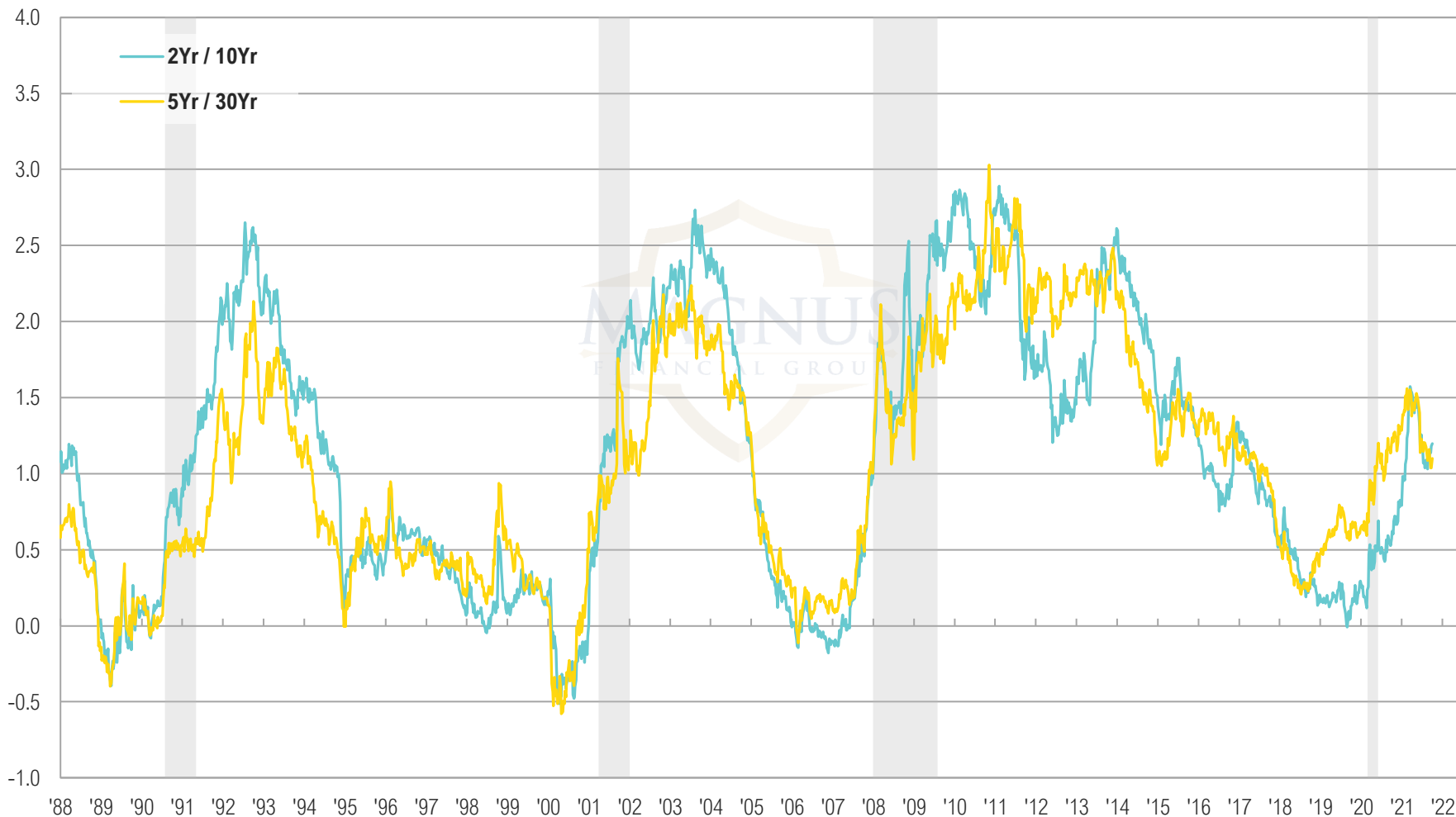
Source: Bloomberg



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## Recent bear flattening, if it continues, could spell the end of this cycle via suggests potential trouble ahead for the Fed and the economy

U.S. TREASURY SPREADS

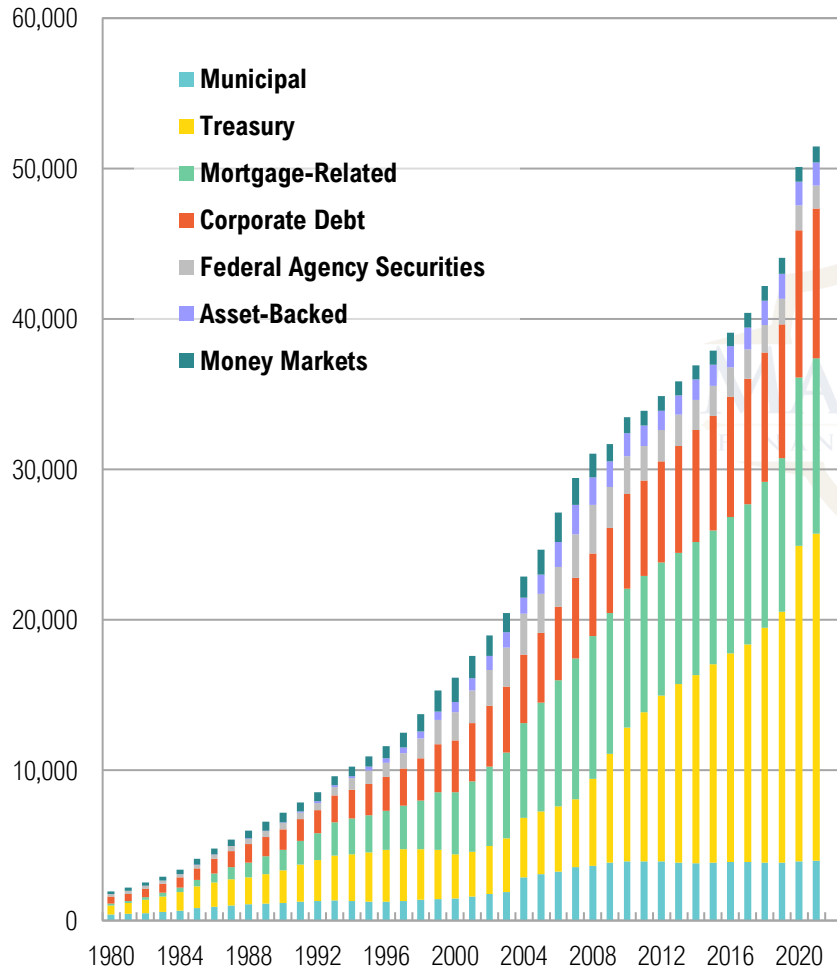


Source: Bloomberg  
S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index data is as of 7/31/2021.

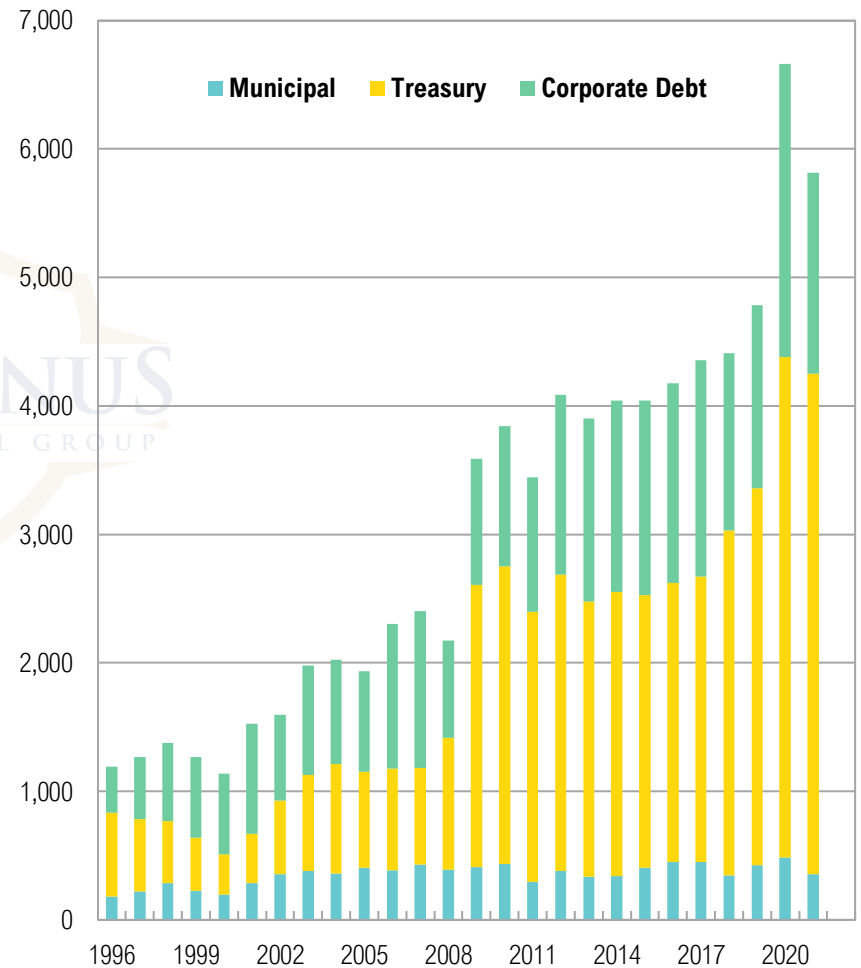
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## Treasuries increasingly becoming the largest segment of the now \$52 trillion fixed income and credit securities market

SECURITIES OUTSTANDING BY TYPE, \$ TRILLIONS



ISSUANCE BY SECURITY TYPE, \$BN



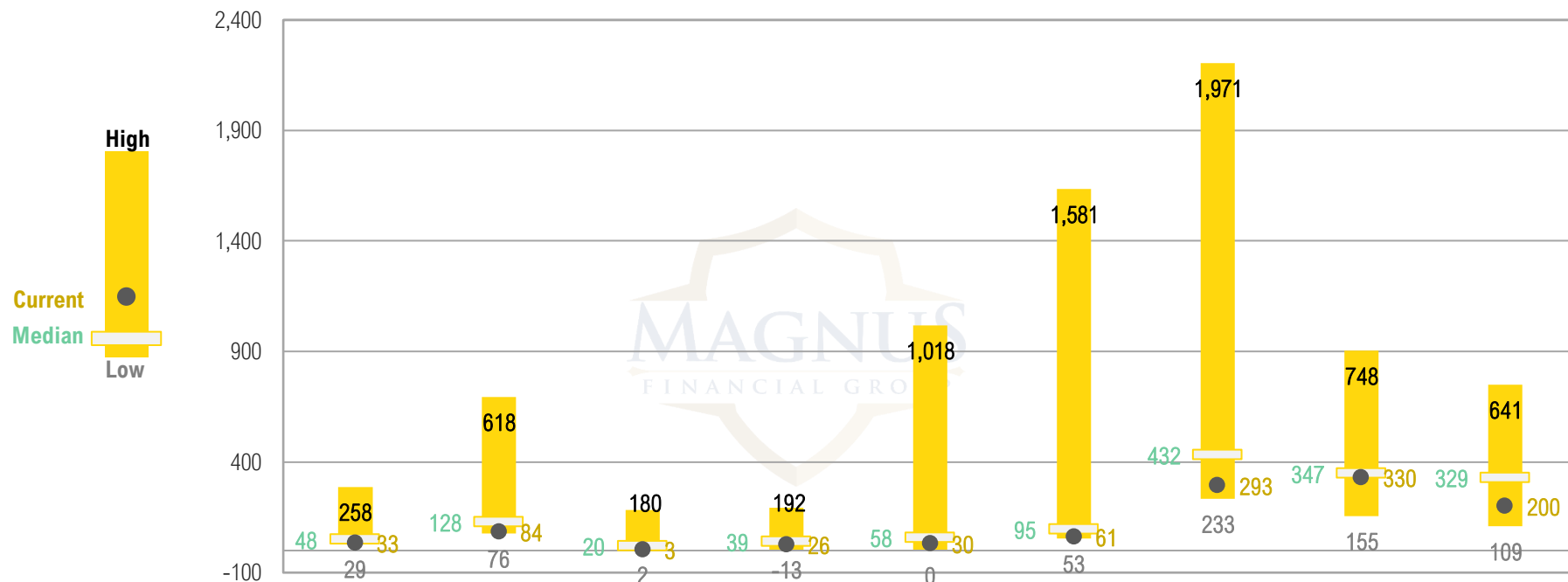
Source: SIFMA  
2021 issuance data is year-to-date through 10/13/2021.

**Q4, 2021 Market Outlook**

SEE IMPORTANT DISCLOSURES AT THE END OF THIS PRESENTATION

## Credit spreads below median across sectors with very few pockets of opportunity

CURRENT CREDIT SPREAD VS. LONG-TERM HIGH/LOW RANGE



	Aggregate	Corporate	Agency	MBS	ABS	CMBS	High Yield	Emerging Markets	High Yield Muni Spread*
Max Spread Date	12/3/2008	12/3/2008	11/20/2008	12/3/2008	1/6/2009	11/21/2008	12/16/2008	11/28/2008	1/12/2009
Min Spread Date	4/14/2021	3/8/2005	4/19/2021	7/27/2010	10/1/2009	12/8/2004	5/22/2007	5/31/2007	6/11/2007
Spread on 12/31/20	42	96	10	39	33	81	360	323	275
Spread on 12/31/19	39	93	10	39	44	72	336	277	223
Spread on 12/31/18	54	153	16	35	53	86	526	435	234
Spread on 12/31/17	36	93	14	25	36	62	343	311	278

Source: Bloomberg. High Yield Muni Spread data is relative to Bloomberg Municipal Bond Index. Yield spread data is from 2004 – current.

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## U.S. remains high yield relatively speaking, could keep U.S. rates contained

### CENTRAL BANK POLICY RATE & GOVERNMENT BOND YIELDS

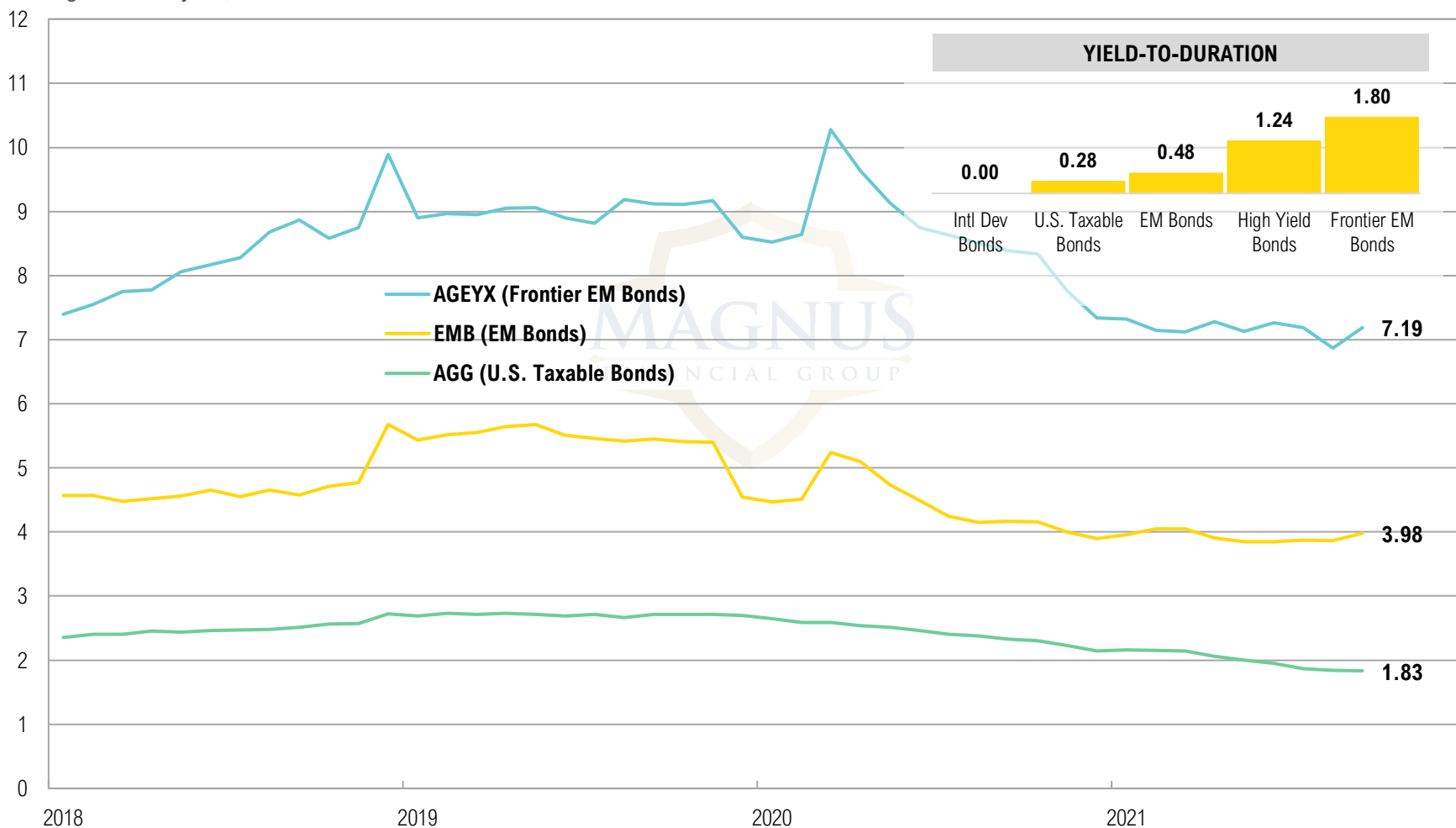
	Central Bank											
	Rate (%)	3 Month (%)	1 Year (%)	2 Year (%)	3 Year (%)	4 Year (%)	5 Year (%)	6 Year (%)	7 Year (%)	10 Year (%)	20 Year (%)	30 Year (%)
Czech Republic	1.50	-	2.02	2.06	2.22	2.33	2.33	2.33	2.34	2.31	2.40	-
Hong Kong	0.86	0.01	0.06	0.19	0.17	-	0.76	-	0.97	1.36	-	-
South Korea	0.75	-	1.08	1.66	1.82	2.05	2.14	-	-	2.45	2.38	2.33
Thailand	0.50	-	0.72	0.57	0.82	-	0.84	-	1.72	2.00	2.65	-
New Zealand	0.50	0.71	-	1.06	-	-	1.62	-	1.87	2.10	2.65	-
Canada	0.25	0.12	0.39	0.74	0.82	1.09	1.25	-	1.38	1.63	1.94	2.06
Australia	0.10	-	0.05	0.11	0.59	0.87	1.03	1.22	1.36	1.72	2.34	2.49
<b>United States</b>	<b>0.10</b>	<b>0.05</b>	<b>0.10</b>	<b>0.34</b>	<b>0.60</b>	-	<b>1.07</b>	-	<b>1.38</b>	<b>1.57</b>	<b>2.04</b>	<b>2.09</b>
Israel	0.10	0.04	0.02	0.13	0.15	-	0.58	-	-	1.18	-	2.35
United Kingdom	0.10	0.01	0.40	0.55	0.64	0.70	0.77	0.77	0.84	1.14	1.45	1.45
Singapore	0.07	0.35	0.31	0.59	-	-	1.07	-	-	1.73	2.13	2.08
Japan	(0.10)	(0.11)	(0.12)	(0.12)	(0.11)	(0.09)	(0.08)	(0.05)	(0.03)	0.09	0.47	0.70
Italy	(0.50)	(0.57)	(0.48)	(0.48)	(0.25)	(0.04)	0.10	0.35	0.44	0.92	1.60	1.87
Spain	(0.50)	(0.61)	(0.57)	(0.59)	(0.47)	(0.42)	(0.25)	(0.05)	0.04	0.52	1.13	1.38
Portugal	(0.50)	(0.72)	(0.77)	(0.79)	(0.69)	(0.46)	(0.36)	(0.15)	(0.05)	0.41	0.72	1.33
France	(0.50)	(0.73)	(0.64)	(0.65)	(0.59)	(0.50)	(0.39)	(0.27)	(0.16)	0.24	0.64	1.02
Belgium	(0.50)	(0.73)	(0.65)	(0.69)	(0.63)	(0.53)	(0.41)	(0.31)	(0.19)	0.21	0.68	-
Germany	(0.50)	(0.75)	(0.69)	(0.67)	(0.69)	(0.59)	(0.47)	(0.41)	(0.31)	(0.09)	0.12	0.39
Austria	(0.50)	-	(0.66)	(0.72)	(0.62)	(0.52)	(0.38)	(0.32)	(0.23)	0.12	0.58	0.72
Netherlands	(0.50)	(0.64)	-	(0.71)	(0.64)	(0.54)	(0.45)	(0.34)	(0.25)	0.03	0.30	0.45
Ireland	(0.50)	(0.55)	(0.64)	-	(0.64)	(0.53)	(0.43)	(0.29)	(0.17)	0.25	0.73	0.97
Switzerland	(0.75)	(0.80)	(0.71)	(0.77)	(0.64)	(0.52)	(0.46)	(0.37)	(0.33)	(0.06)	0.13	0.13

Source: Bloomberg

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## Frontier market bonds offer significantly more yield per unit of duration (interest rate risk)

Trailing 12-month yield, %



Source: Bloomberg

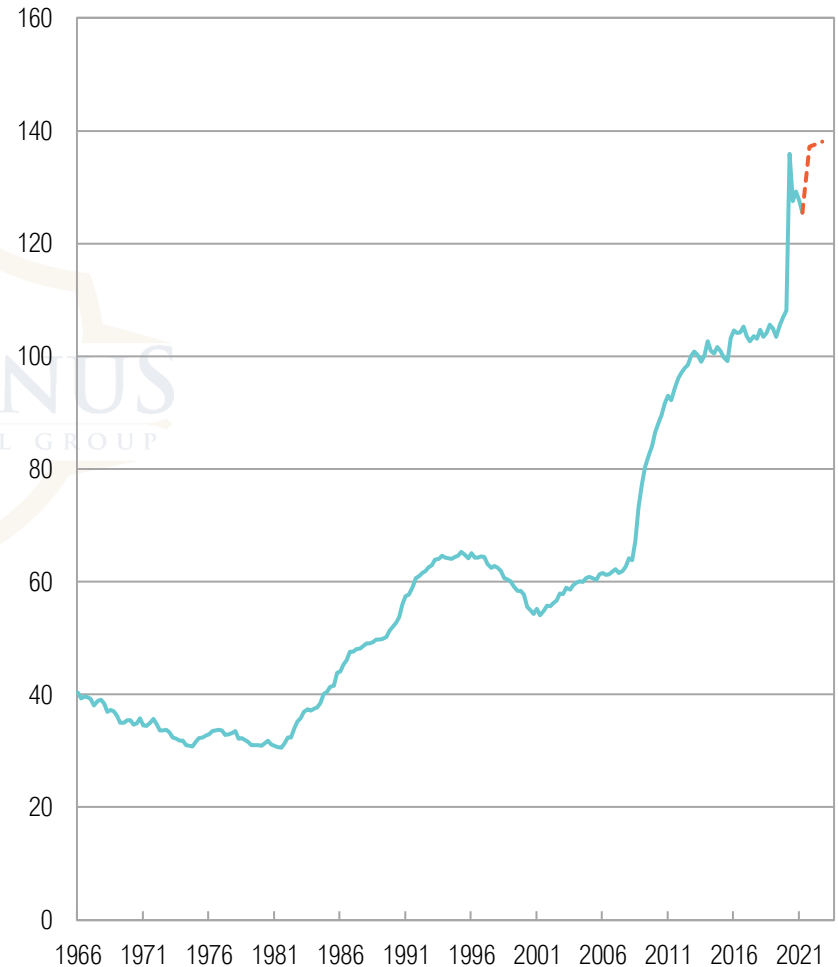
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# ➤ The treasury market has been an enabler of increasing deficit spending and debt levels... when it will become a “vigilante”?

10-YEAR TREASURY YIELD, %



U.S. DEBT-TO-GDP RATIO, %

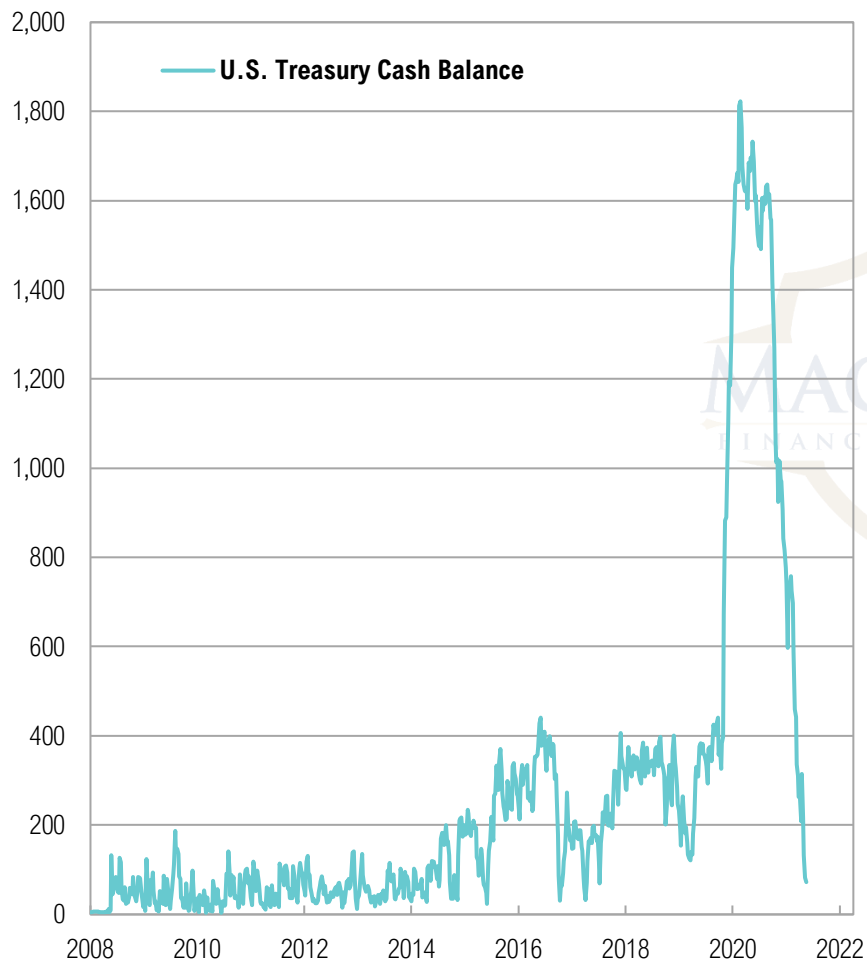


Source: Bloomberg, whitehouse.gov

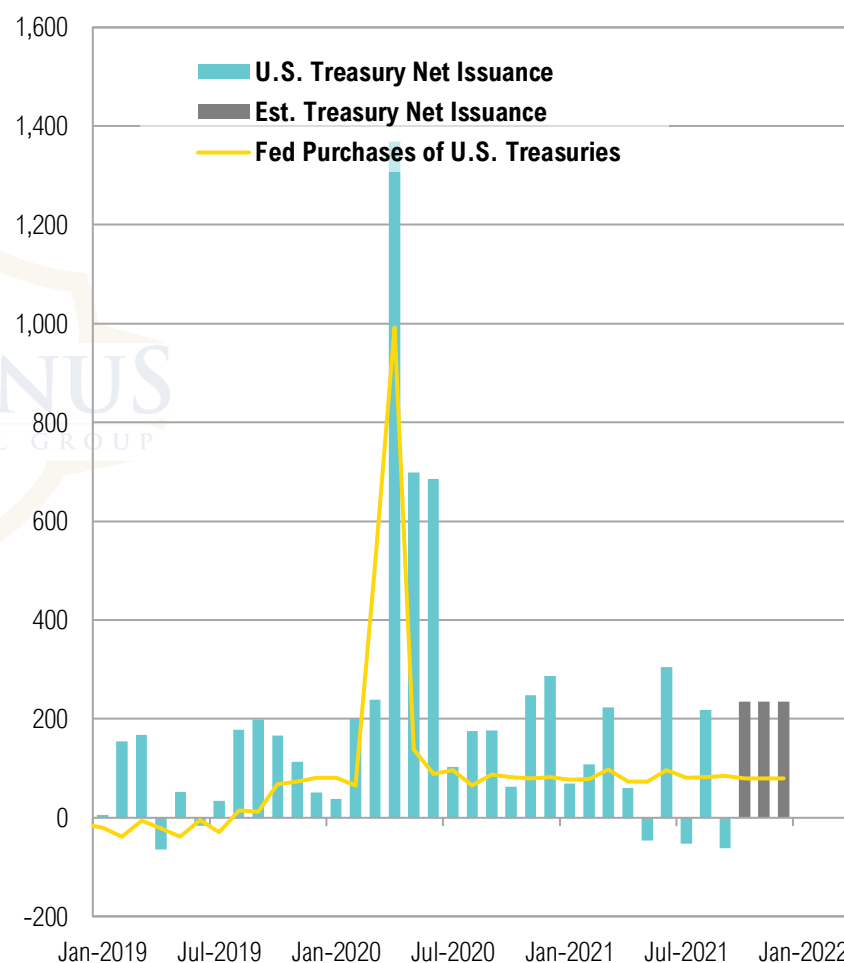
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## Issuance continues to be pushed out as the U.S. Treasury draws down its cash balance

U.S. TREASURY CASH BALANCE, \$BN



MONTHLY ISSUANCE, \$BN



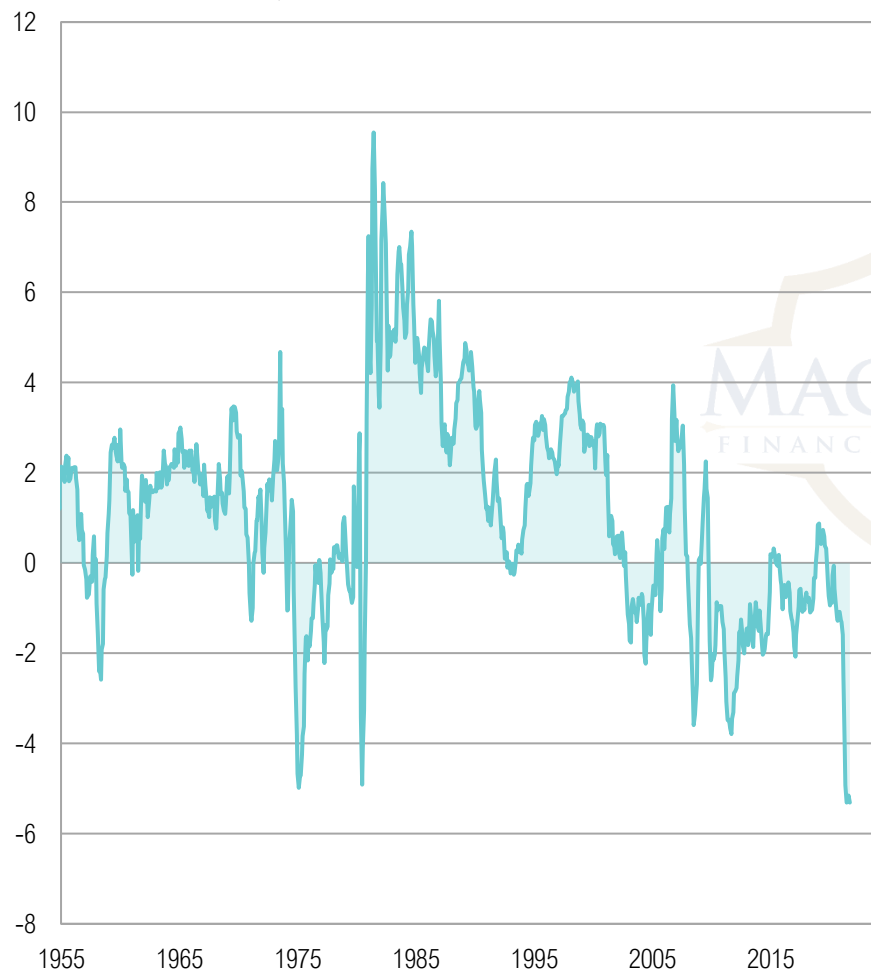
Source: Bloomberg

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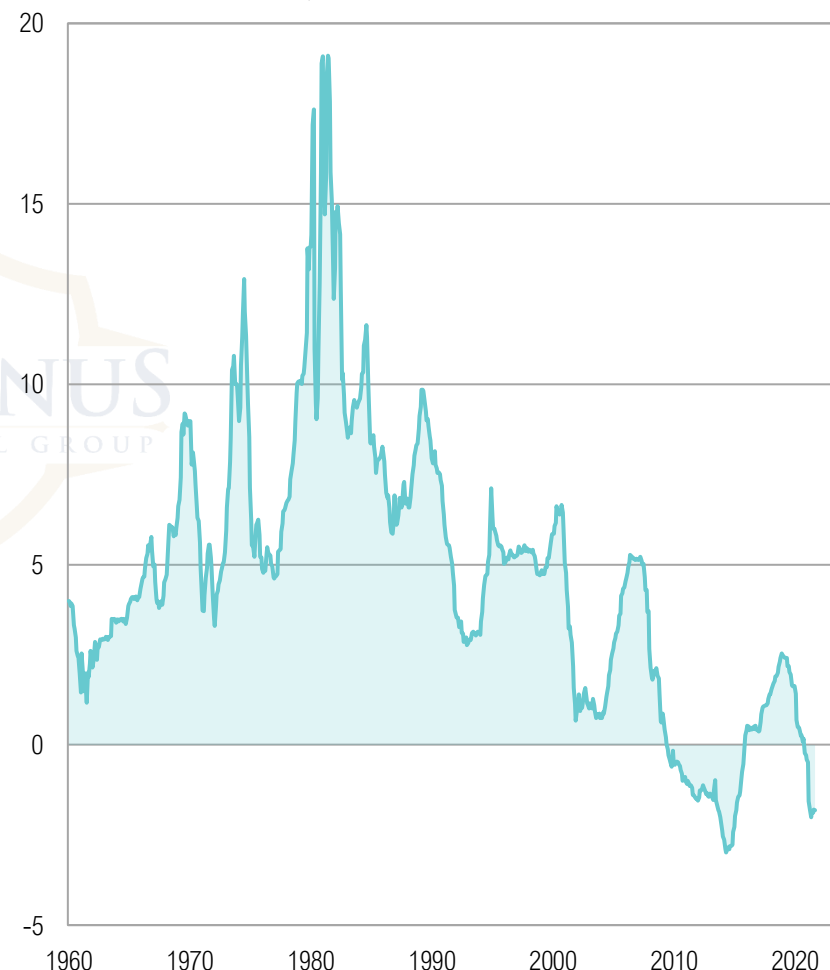


# ➤ Powell is right: this time isn't like the 1970s...from a capital allocation standpoint it's worse

REAL FED FUNDS RATE, %



WU XIA FED FUNDS RATE, %

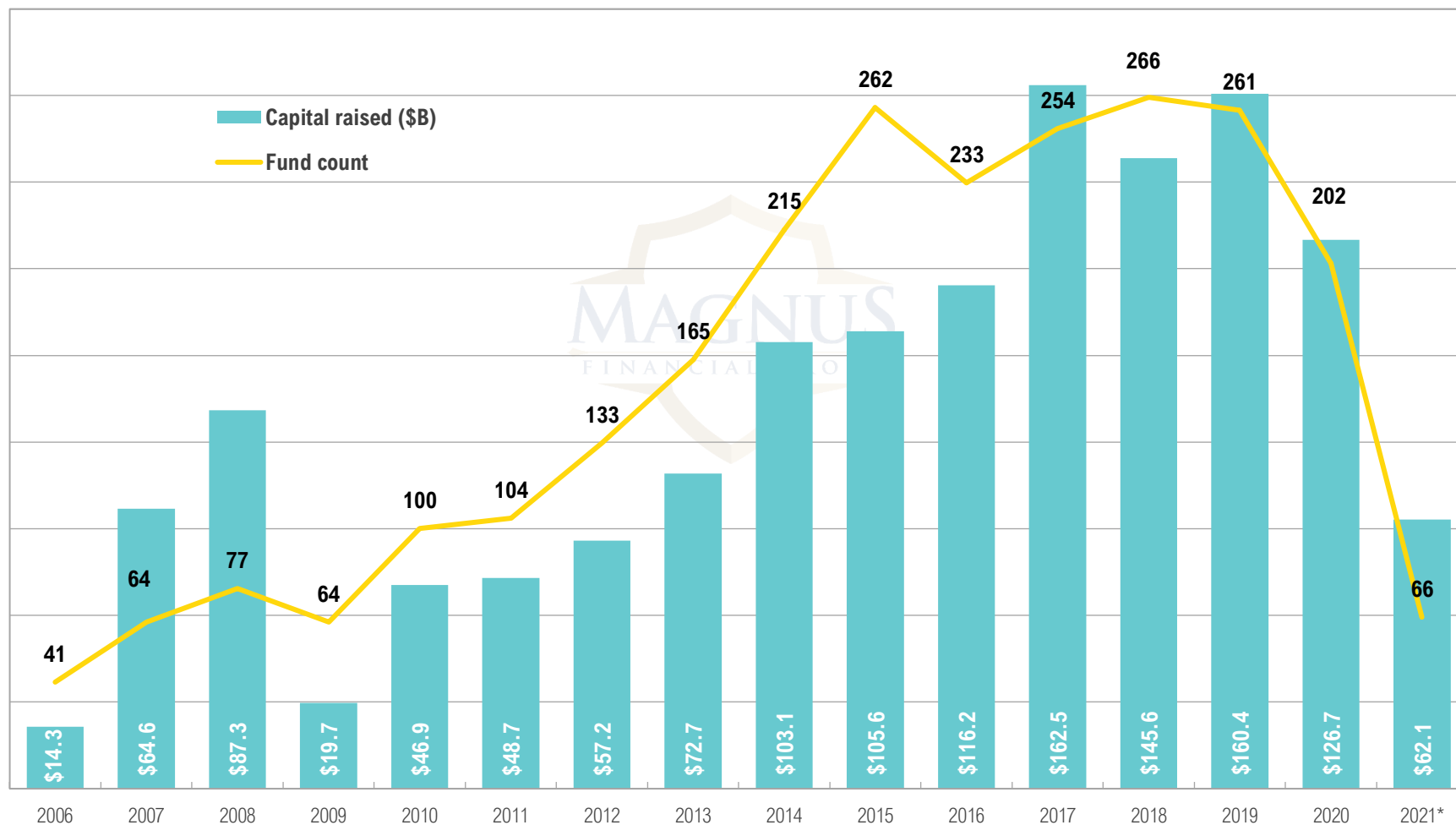


Source: Bloomberg

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## Private debt fundraising on pace for lowest year since 2016, potentially a sign of future opportunity

### PRIVATE DEBT FUNDRAISING ACTIVITY



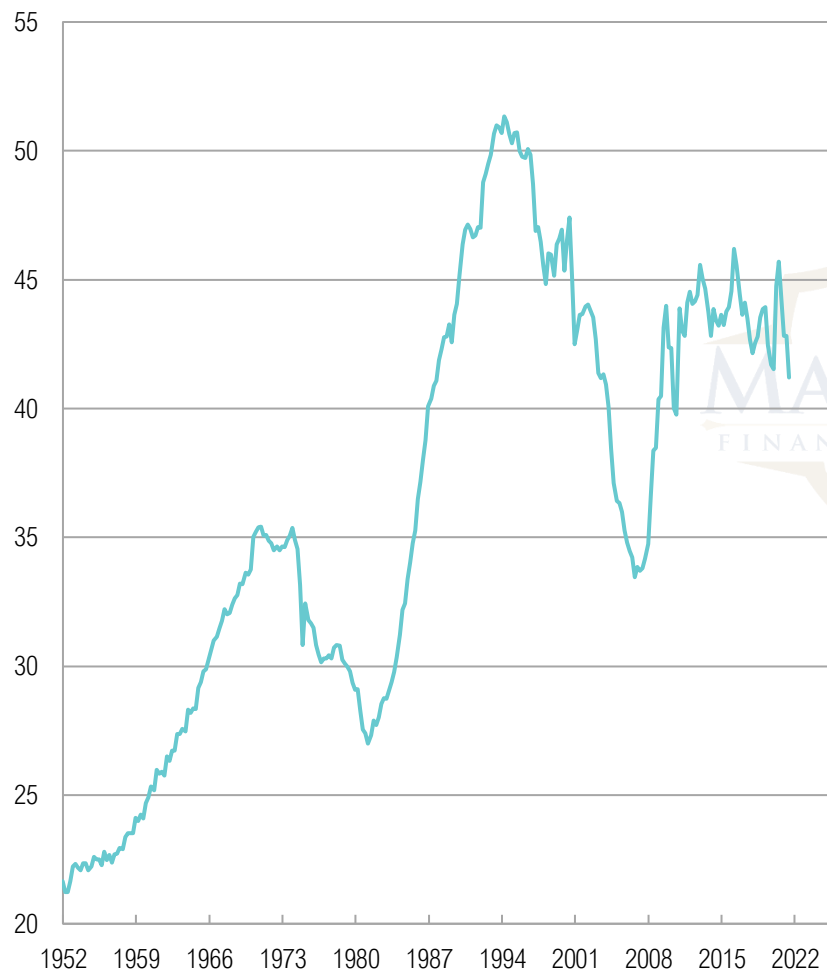
Source: Pitchbook

\* Data as June 30, 2021

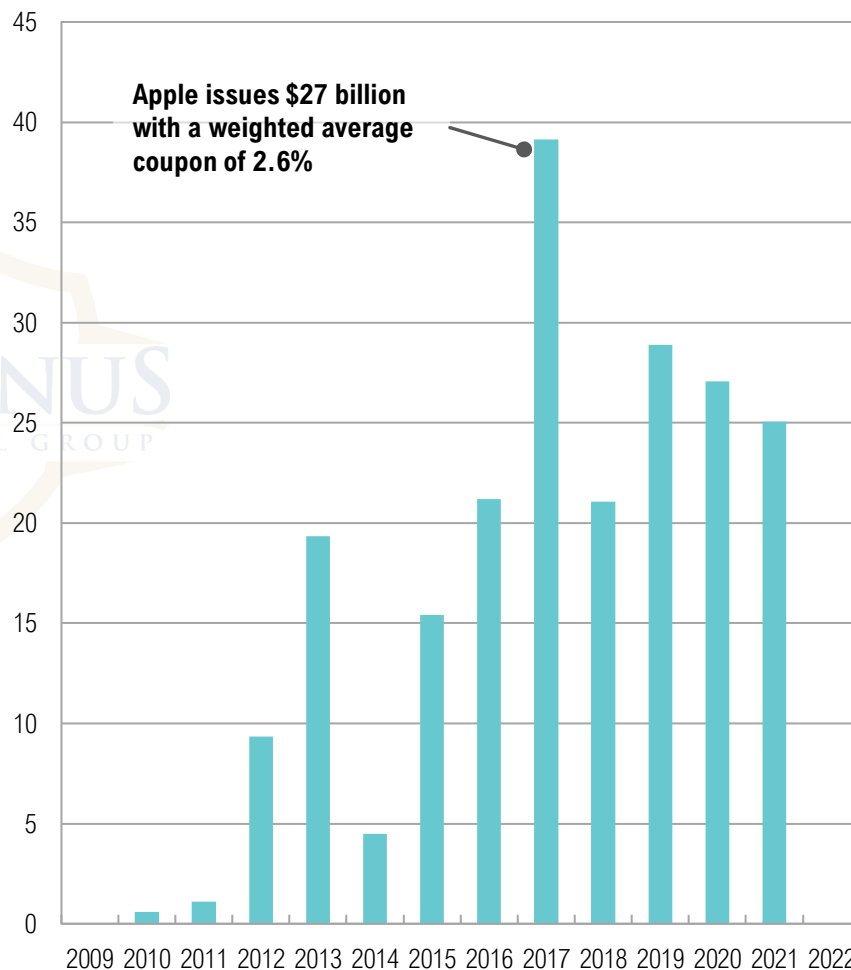
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## Low interest rates have enabled companies to continue issuing debt to pay dividends to shareholders

NONFINANCIAL CORP: DEBT/ NET WORTH, %



U.S. CORPORATE DEBT ISSUANCE: PAY DIVIDEND, \$BN

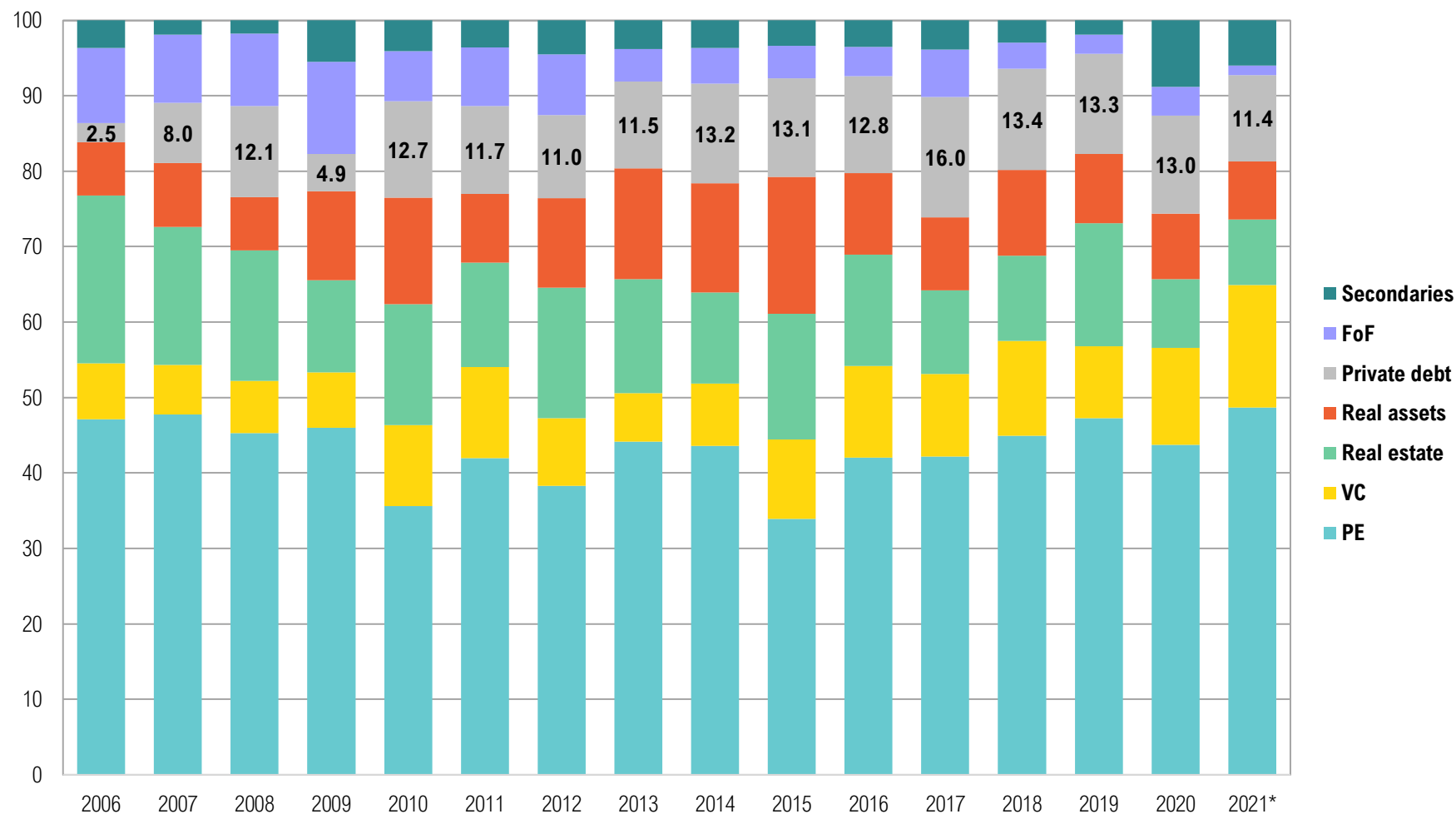


Source: Bloomberg, FRED. U.S. Corporate Debt Issuance includes loans that listed "Pay Dividends" as a portion of the intended Use of Proceeds.  
Debt/ Net Worth = Nonfinancial corporate business; debt securities and loans; liability/ (Nonfinancial corporate business; total assets – total liabilities)

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## ➤ Private debt funds are their lowest proportion of private assets since 2012, also potentially a sign of an opportunity

PERCENTAGE OF PRIVATE CAPITAL FUNDS (\$) BY TYPE



Source: Pitchbook  
\* Data as June 30, 2021

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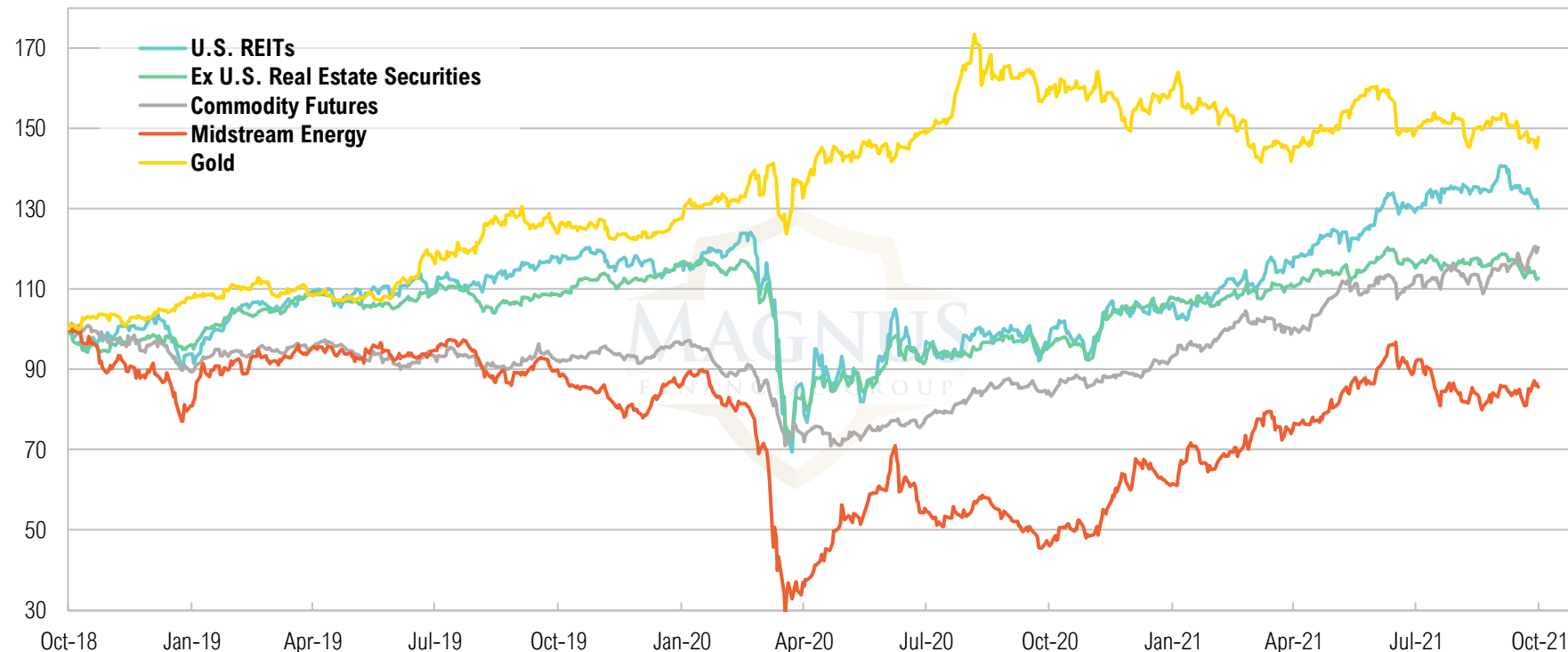


**When you look at real interest rates on long-date Treasuries, it looks like Jimmy Carter area. We're talking about the CPI at 5.4%, and if we want to use the 10-year Treasury it's not even at 1.4%, that's a negative 4% interest rate. That's Jimmy Carteresque."**

**– Jeffrey Gundlach, DoubleLine Capital CEO, July 15, 2021**

# Real assets had a mixed quarter; commodities continued higher as supply chain issues persist with significant implications for future inflation

## TRAILING & CALENDAR YEAR TOTAL RETURNS



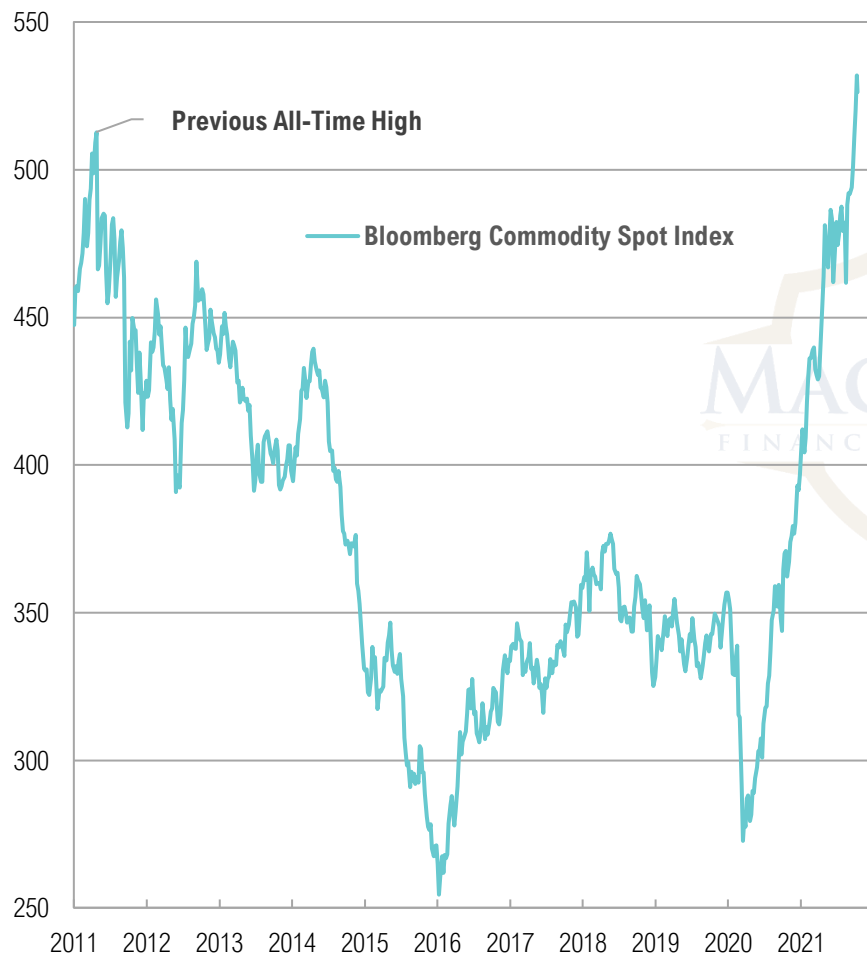
Asset Class	Benchmark	QTD	YTD	1-Yr	3-Yr	5-Yr	10-Yr	2020	2019	2018	2017	2016
U.S. REITs	MSCI US REIT NR	0.7	22.1	35.8	8.8	5.6	9.9	-8.7	24.3	-5.8	3.7	7.1
Ex U.S. Real Estate Securities	S&P Global Ex US REIT TR	-2.4	4.9	18.7	4.6	4.8	7.7	-6.8	21.9	-9.4	26.6	2.0
Broad Commodity Futures	Bloomberg Commodity TR	6.6	29.1	42.3	6.9	4.5	-2.7	-3.1	7.7	-11.2	1.7	11.8
Energy Partnerships	Alerian MLP TR	-5.7	39.4	84.7	-4.3	-2.4	1.2	-28.7	6.6	-12.4	-6.5	18.3
Gold	LBMA Gold Price AM	-1.5	-8.5	-8.1	13.5	5.4	0.6	24.2	18.8	-1.1	11.9	9.1

Source: Bloomberg  
Returns for periods greater than one year are annualized.

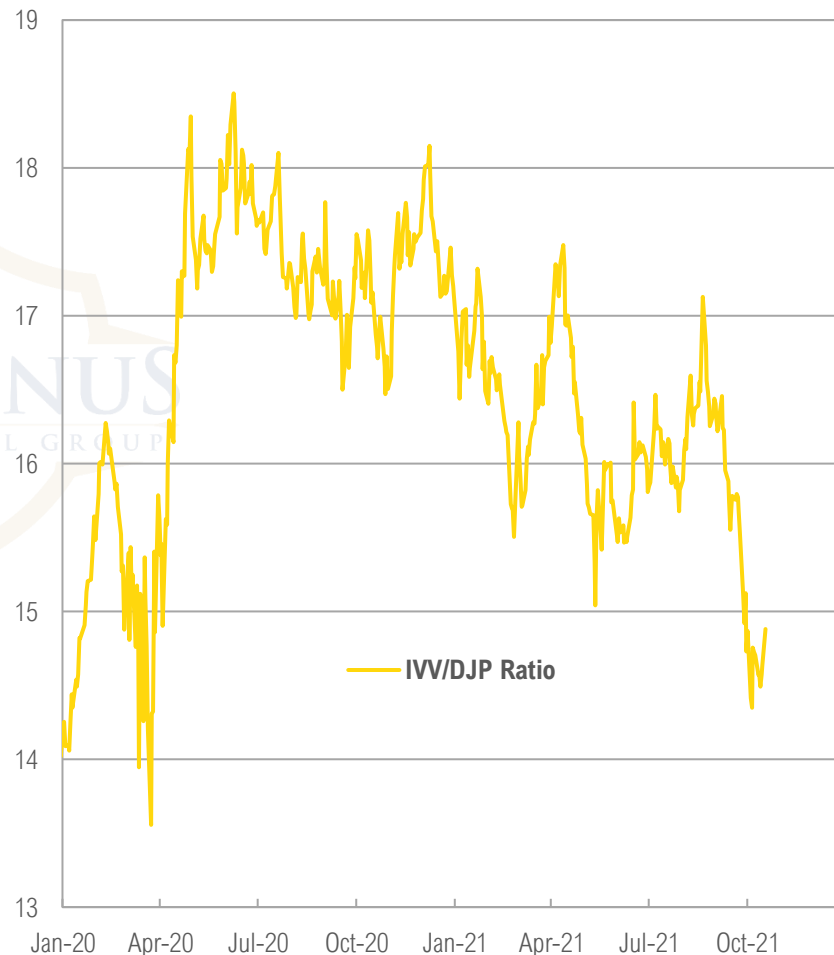
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## Commodities have outperformed stocks through the COVID-19 crisis

COMMODITY SPOT PRICE



ISHARES CORE S&P 500 ETF / IPATH BLOOMBERG COMMODITY INDEX ETN



Source: Bloomberg  
Returns for periods greater than one year are annualized.

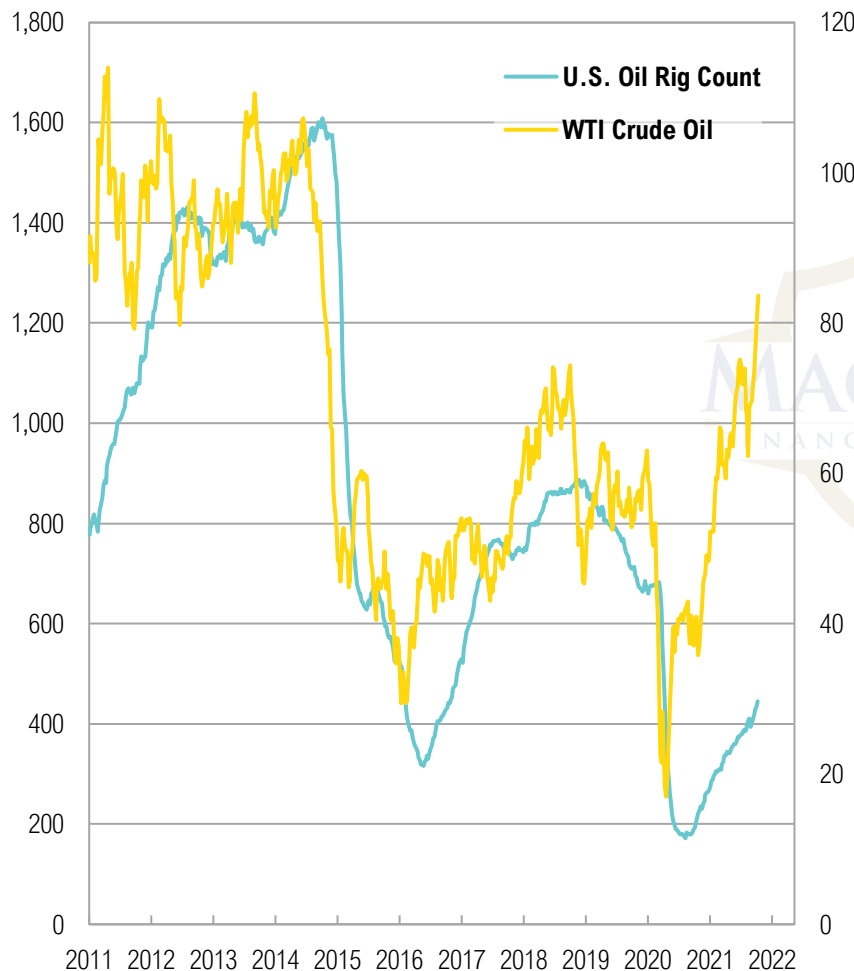
**Q4, 2021 Market Outlook**

SEE IMPORTANT DISCLOSURES AT THE END OF THIS PRESENTATION

## Oil and natural gas producers have been cautious to bring rigs back online despite rising prices

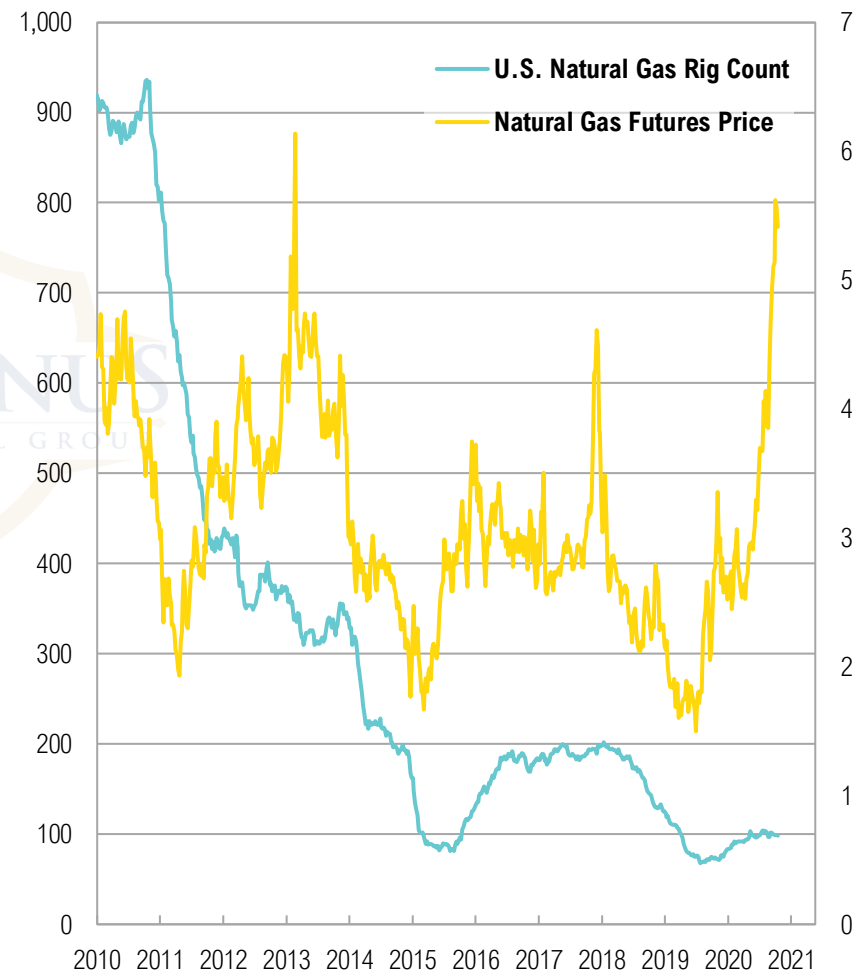
BAKER HUGHES U.S. OIL RIG COUNT

WTI CRUDE OIL, \$/BBL



BAKER HUGHES U.S. NAT GAS RIG COUNT

NAT GAS, \$/MM BTU



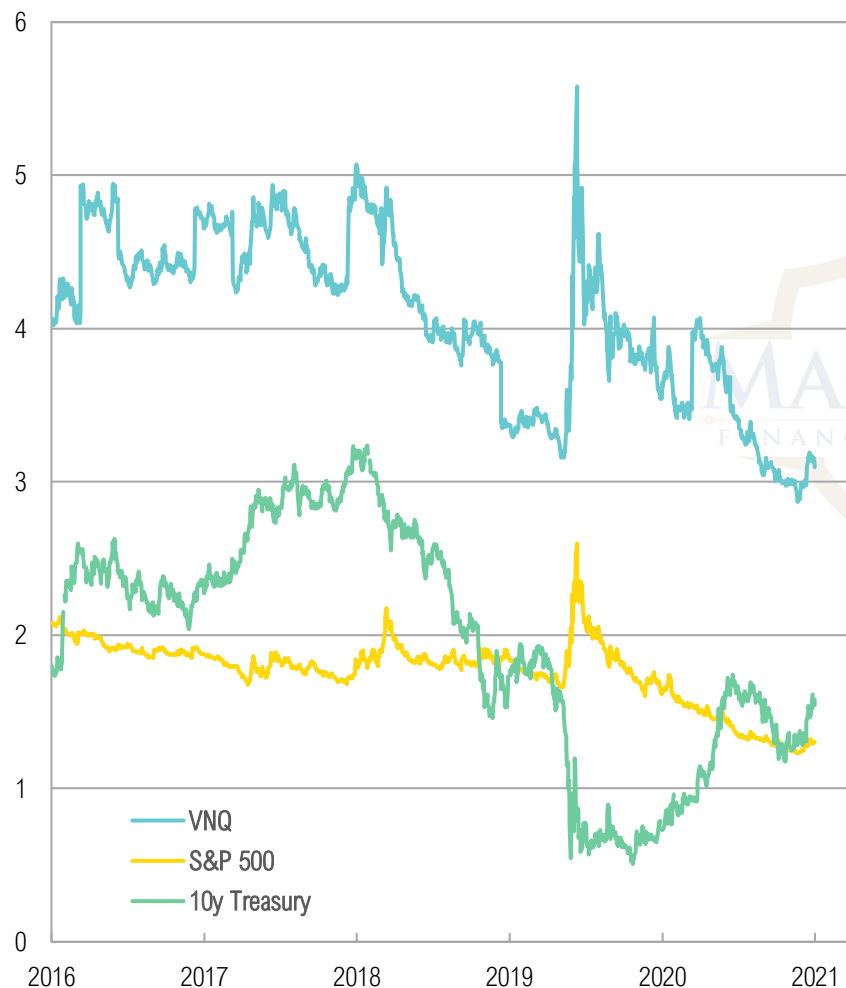
Source: Bloomberg  
Returns for periods greater than one year are annualized.

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# REITs are no longer compelling, even compared to the low yields provided by U.S. 60/40 portfolios

TRAILING 12-MONTH YIELD, YIELD TO MATURITY, %



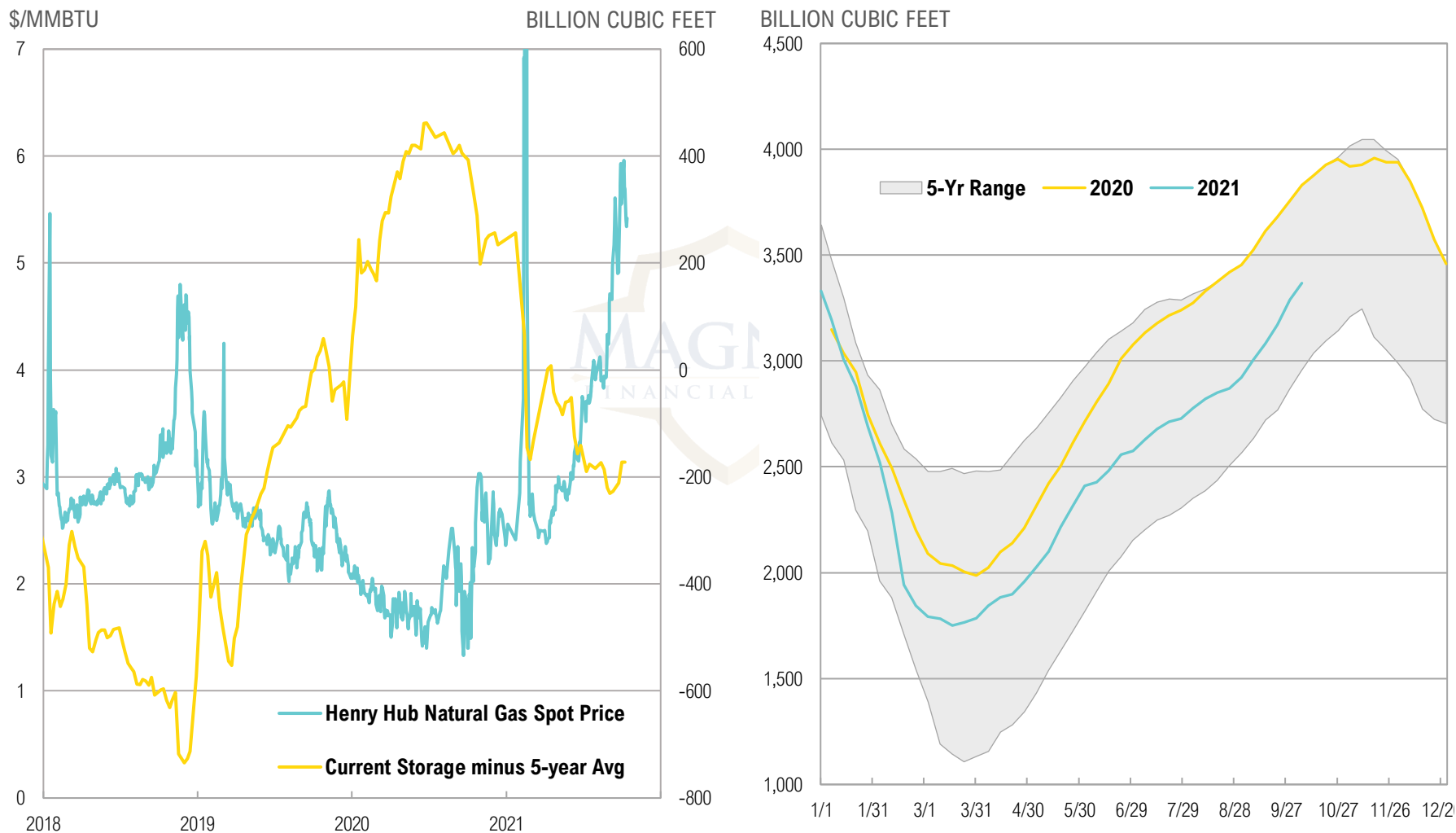
Source: Bloomberg  
Returns for periods greater than one year are annualized.

VNQ MINUS 60/40 PORTFOLIO TOTAL YIELD, %



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## ➤ Natural Gas inventories are lower relative to prior years heading into winter, leading to a spike in prices

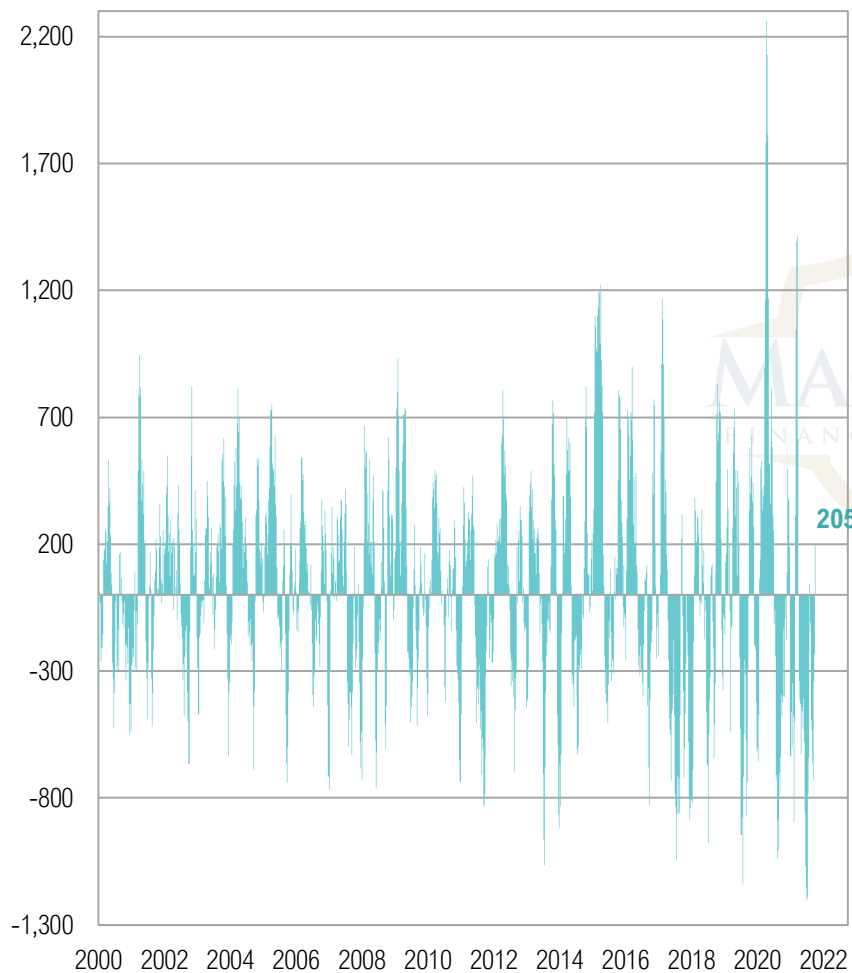


Source: Bloomberg

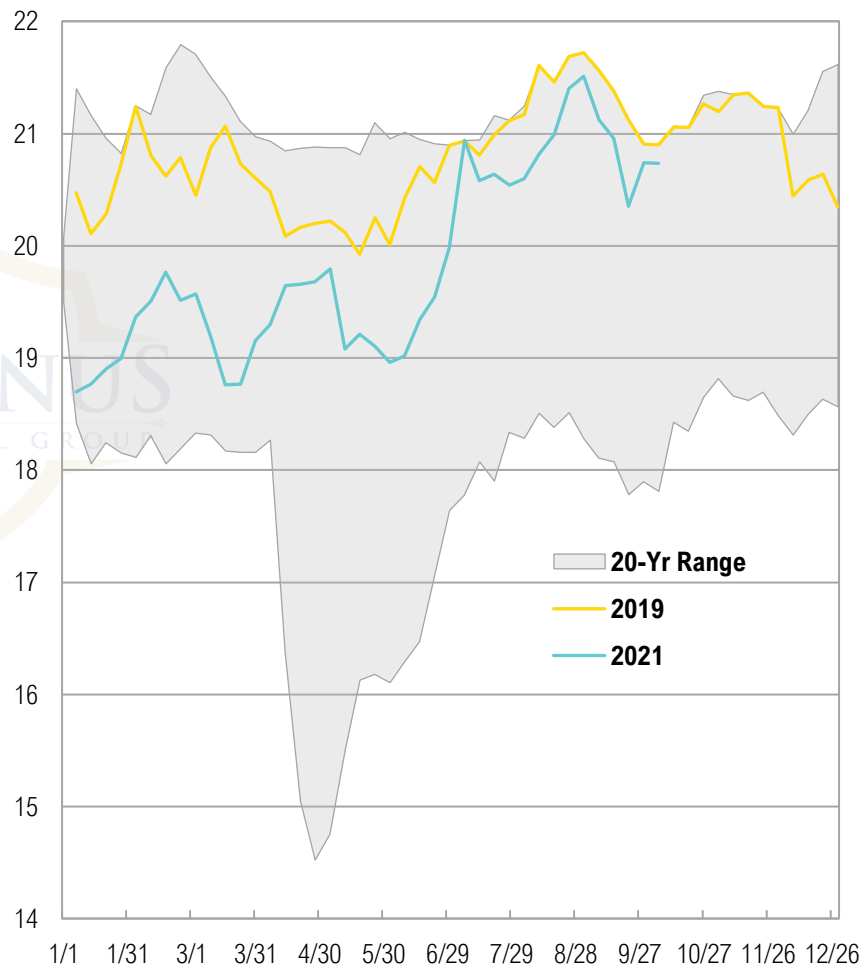
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## Crude oil inventories had their largest build since March, demand for refined oil remains strong

4-WK AVG. DAILY U.S. CRUDE OIL INVENTORY CHANGE, '000s BBL/DAY



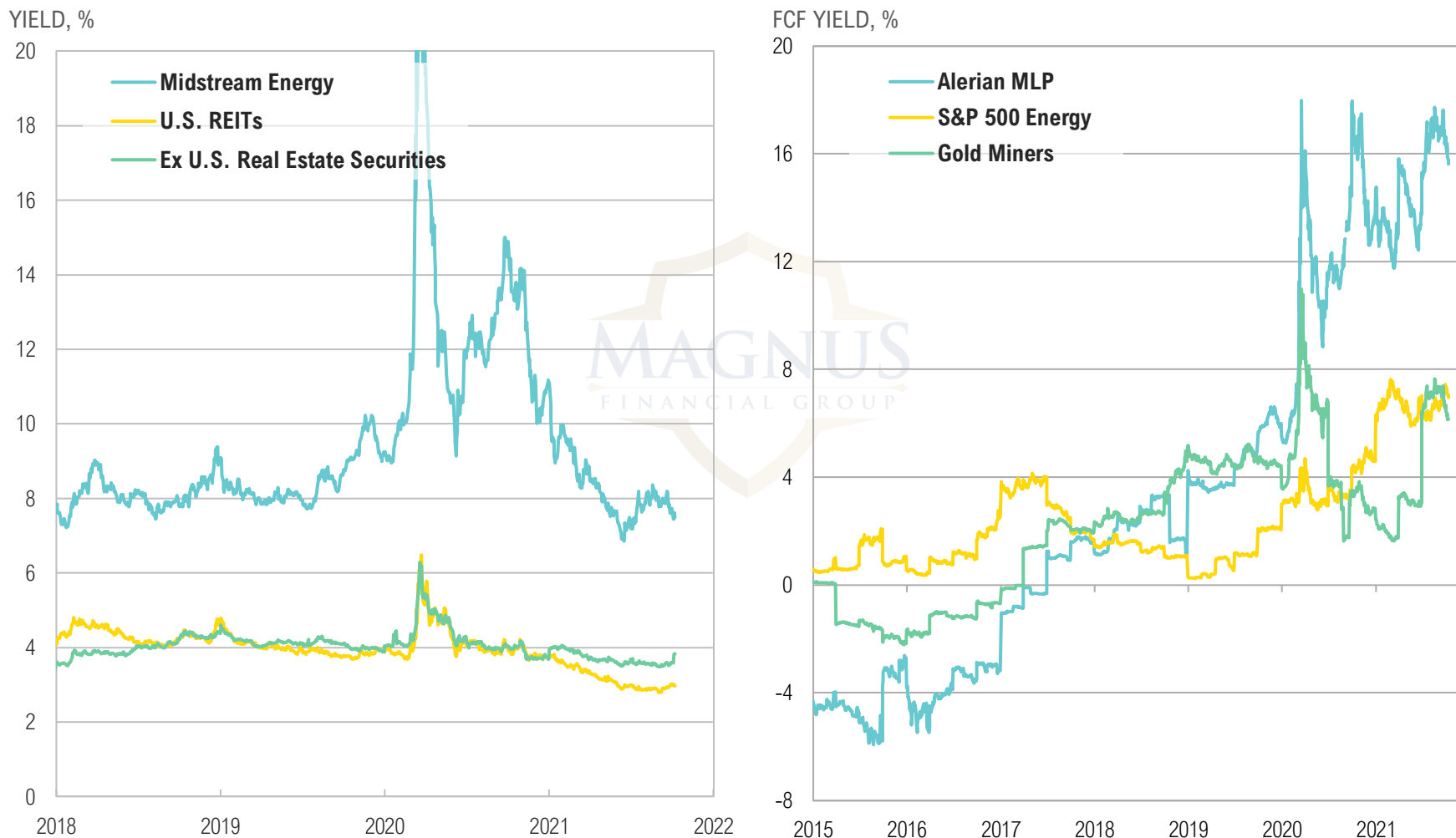
TOTAL U.S. OIL REFINED PRODUCT SUPPLIED, MMs BBL/DAY



Source: US Energy Information Administration

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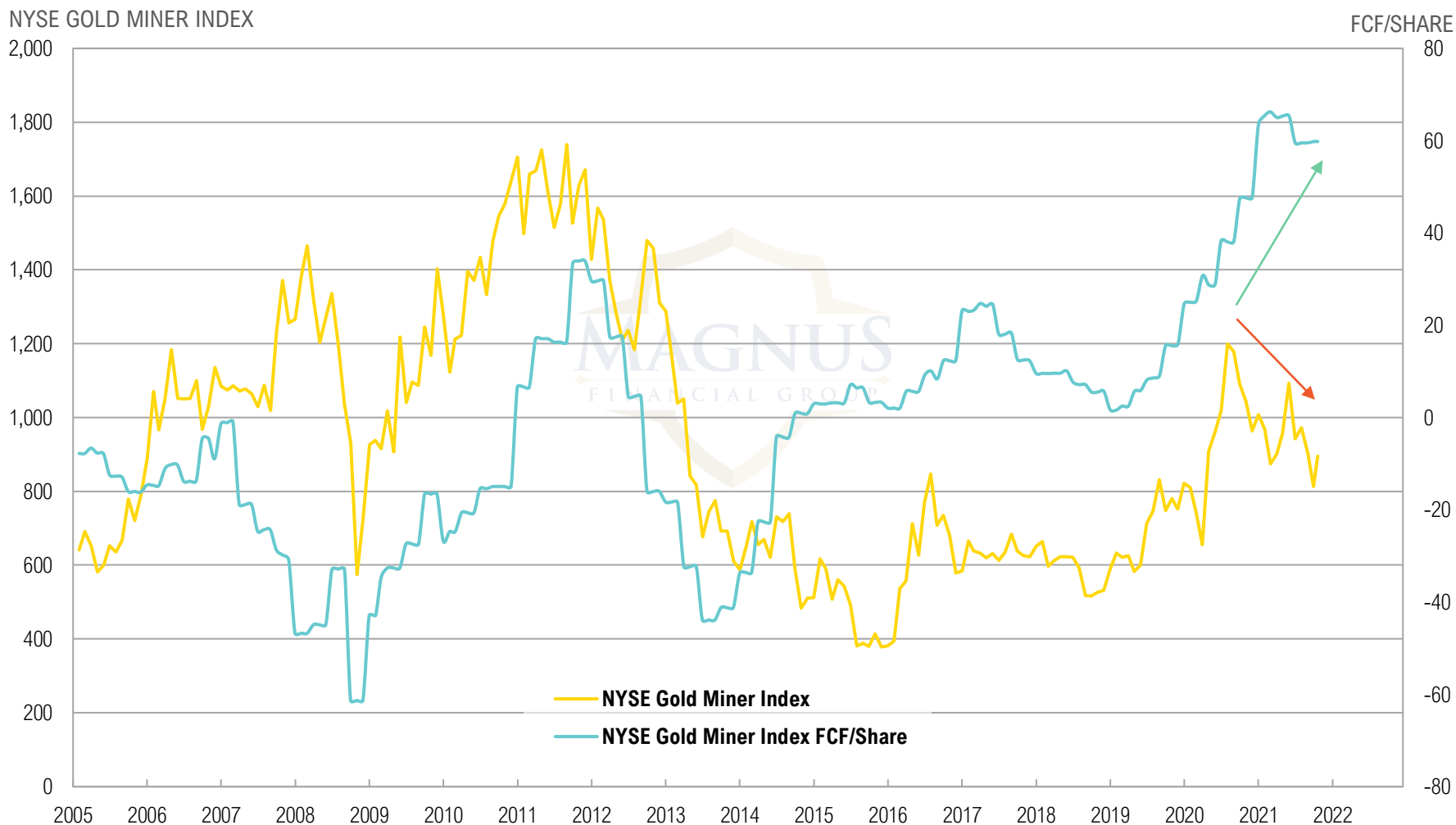
## Midstream yields remain substantially above REITs, free cash flow yields of real assets and infrastructure category remain attractive



Source: Bloomberg

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## Gold miner performance has diverged from fundamentals, producing attractive FCF/share and higher FCF yields than the S&P 500

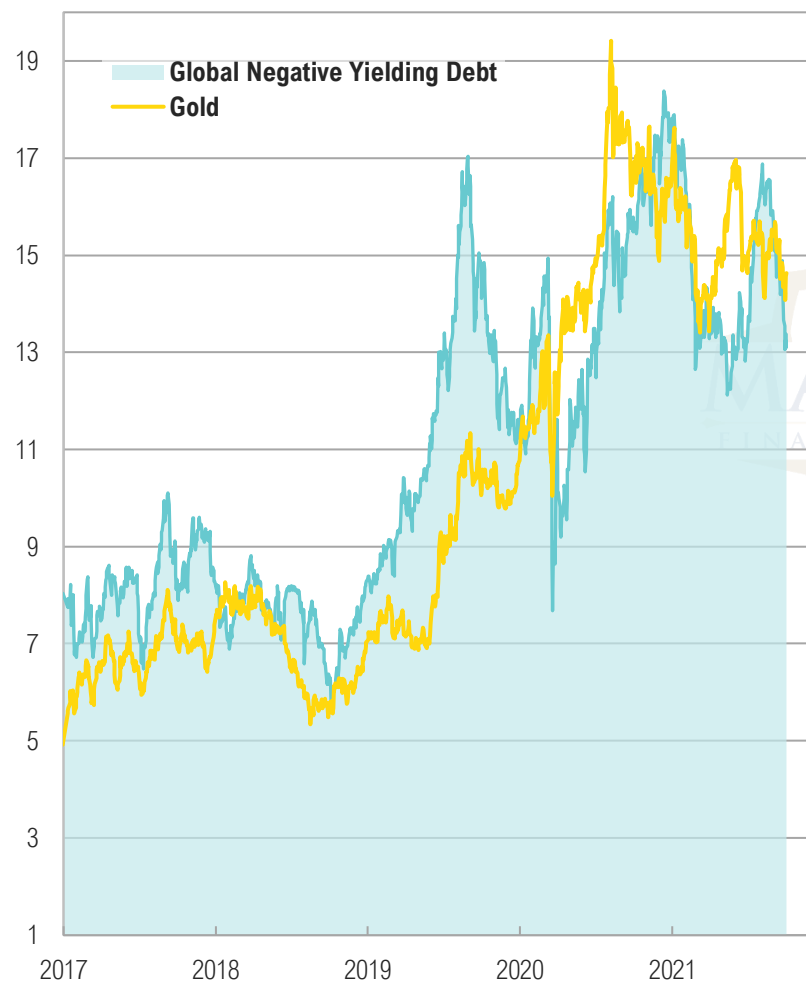


Source: Bloomberg

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## Real yields rose modestly, and aggregate amount of global negative yielding debt fell in September

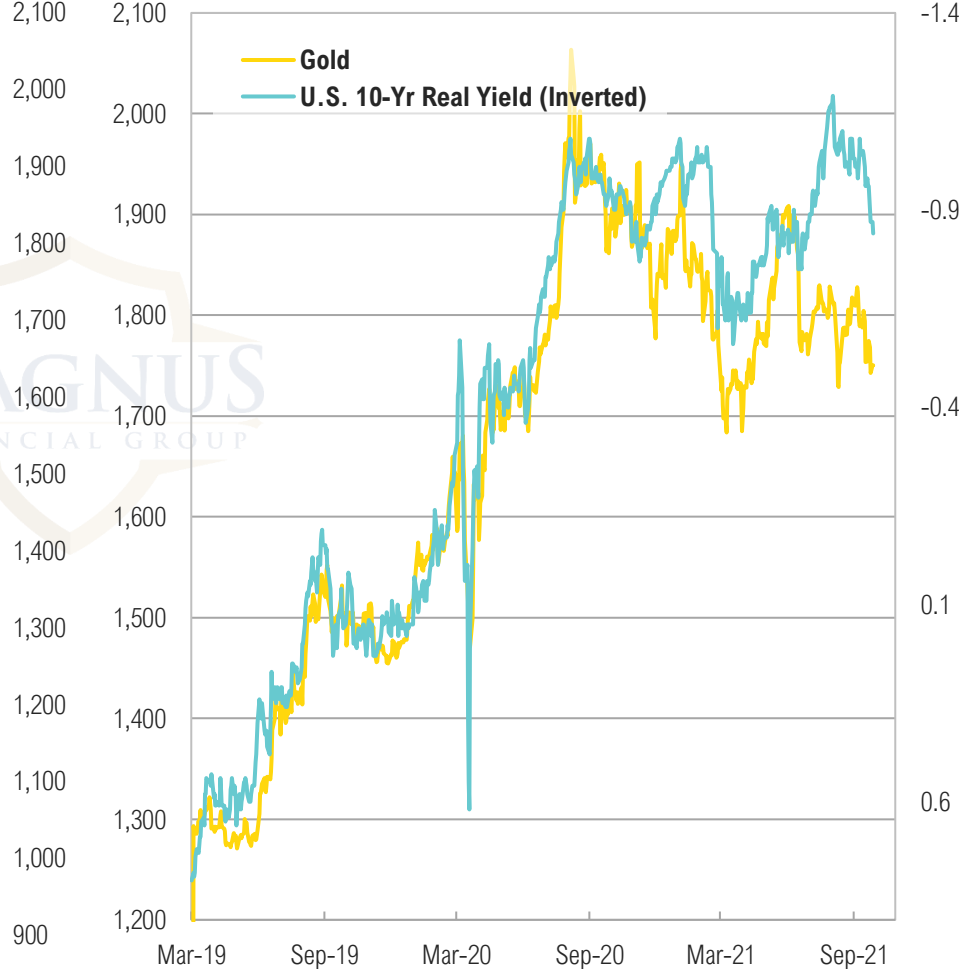
GLOBAL AGGREGATE NEGATIVE YIELDING DEBT MKT CAP, \$Tn



GOLD, \$/OZ

GOLD, \$/OZ

U.S. 10-YR REAL YIELD (INVERTED), %



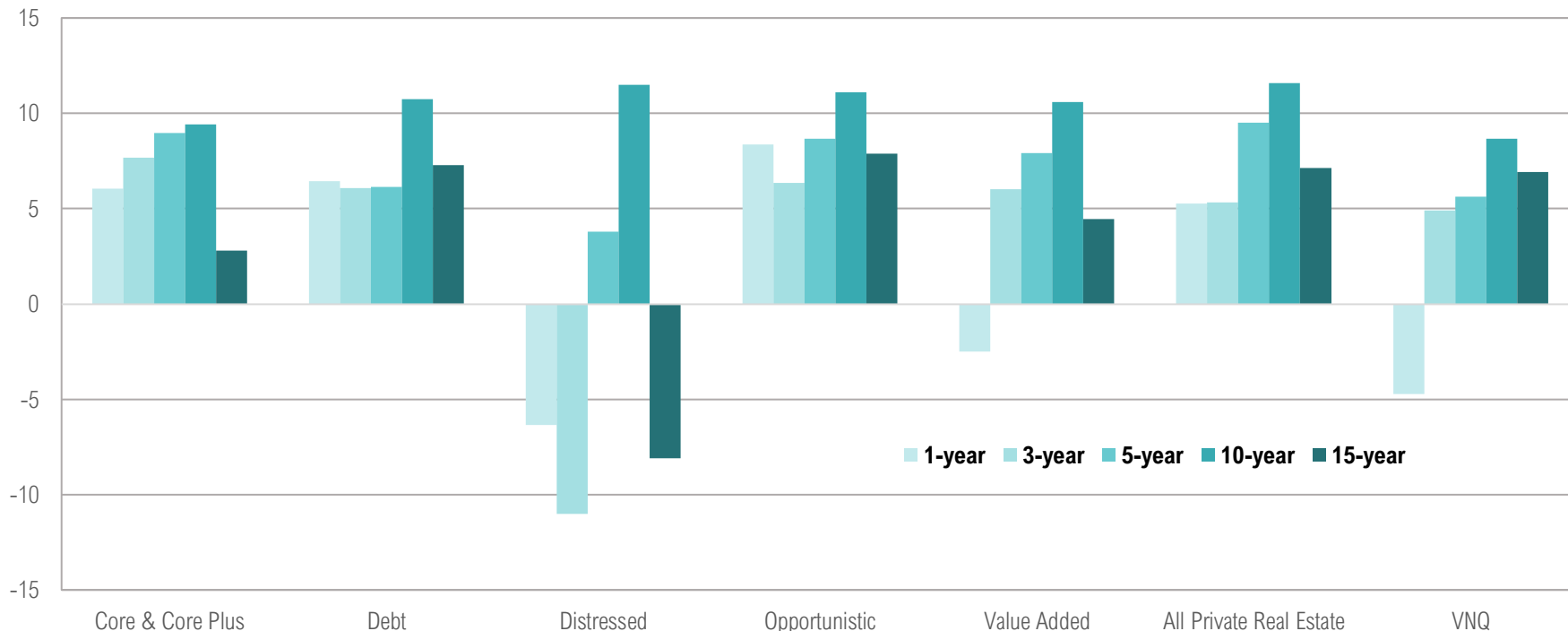
Source: Bloomberg

U.S. 10-year Real Yield is represented by the U.S. Treasury Real Constant Maturity Treasury (R-CMTs) rate.

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## ➤ Longer-term (lagged) returns for various private real estate markets show the impact of going-in cap rates on subsequent returns

REAL ESTATE HORIZON IRRs BY STRATEGY



Real Estate Sub-Sector	1-Yr	3-Yr	5-Yr	10-Yr	15-Yr	2020	2019	2018	2017	2016
Core & Core Plus	6.0	7.7	9.0	9.4	2.8	6.0	10.5	6.5	12.7	10.0
Debt	6.5	6.1	6.1	10.7	7.3	2.3	4.3	16.4	5.7	3.3
Distressed	-6.3	-11.0	3.8	11.5	-8.1	-12.9	0.3	-13.5	20.6	16.3
Opportunistic	8.4	6.3	8.7	11.1	7.9	3.5	7.5	6.6	14.7	9.4
Value Added	-2.5	6.0	7.9	10.6	4.5	0.3	8.8	12.7	11.1	8.7
All Private Real Estate	5.3	5.3	9.5	11.6	7.1	2.1	7.3	7.1	13.6	9.4
VNQ	-4.7	4.9	5.6	8.7	6.9	-4.7	28.9	-6.0	5.0	8.5

Source: Pitchbook, Bloomberg. Returns as of 9/30/2021 Pitchbook asset class summary and lagged three quarters.

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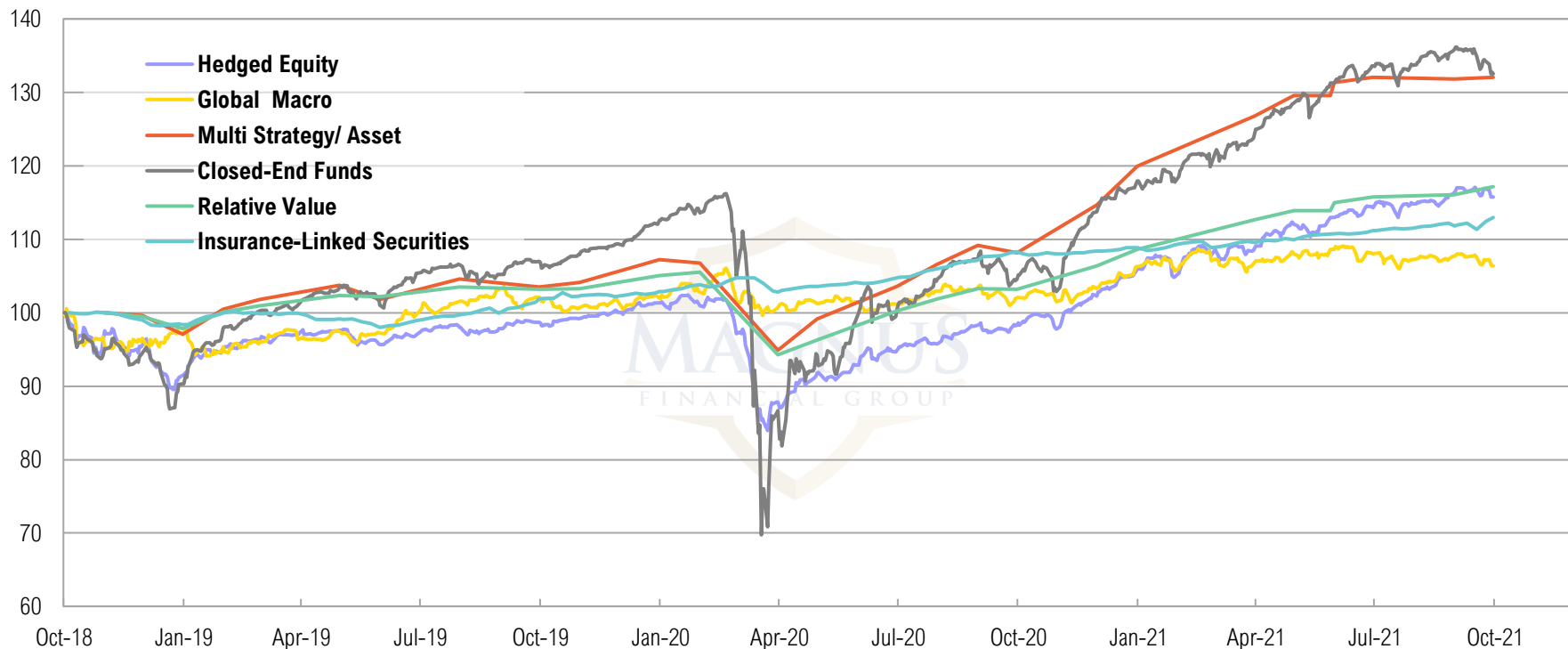
**[The odds of 1970s era inflation are] very, very unlikely. [We have] a central bank that is committed to price stability and has defined what price stability is and will use its tools to keep us around 2% inflation. I don't expect anything like that to happen."**

**– Jerome Powell, Federal Reserve Chairman, June 2021**



## Closed-end funds continued to benefit from broad market gains and narrowing discounts, other asset classes more mixed

TRAILING & CALENDAR YEAR TOTAL RETURNS



Asset Class	Benchmark	YTD	1-Yr	3-Yr	5-Yr	10-Yr	2020	2019	2018	2017	2016
Hedged Equity	HFRX Equity Hedge Index	9.8	18.4	4.6	5.3	3.3	4.6	10.7	-9.4	10.0	0.1
Global Macro	HFRX Macro-CTA Index	1.6	6.2	2.9	1.3	0.4	3.8	4.8	-3.2	2.5	-2.9
Multi Strategy/ Asset	HFRI Fund Weighted Composite Index	10.3	21.3	8.8	7.7	5.5	11.7	10.4	-3.9	8.6	5.5
Relative Value	HFRI Relative Value Index	6.5	13.5	5.1	5.3	4.9	3.3	7.7	0.6	5.1	7.6
Insurance-Linked Securities	SwissRe Global Cat Bond Index	3.7	4.3	4.1	3.6	5.6	5.8	4.4	2.8	0.5	6.6
Closed-End Funds	S-Network Composite Closed-End Index	12.4	26.7	9.9	9.0	9.1	4.8	24.6	-8.5	14.4	14.9

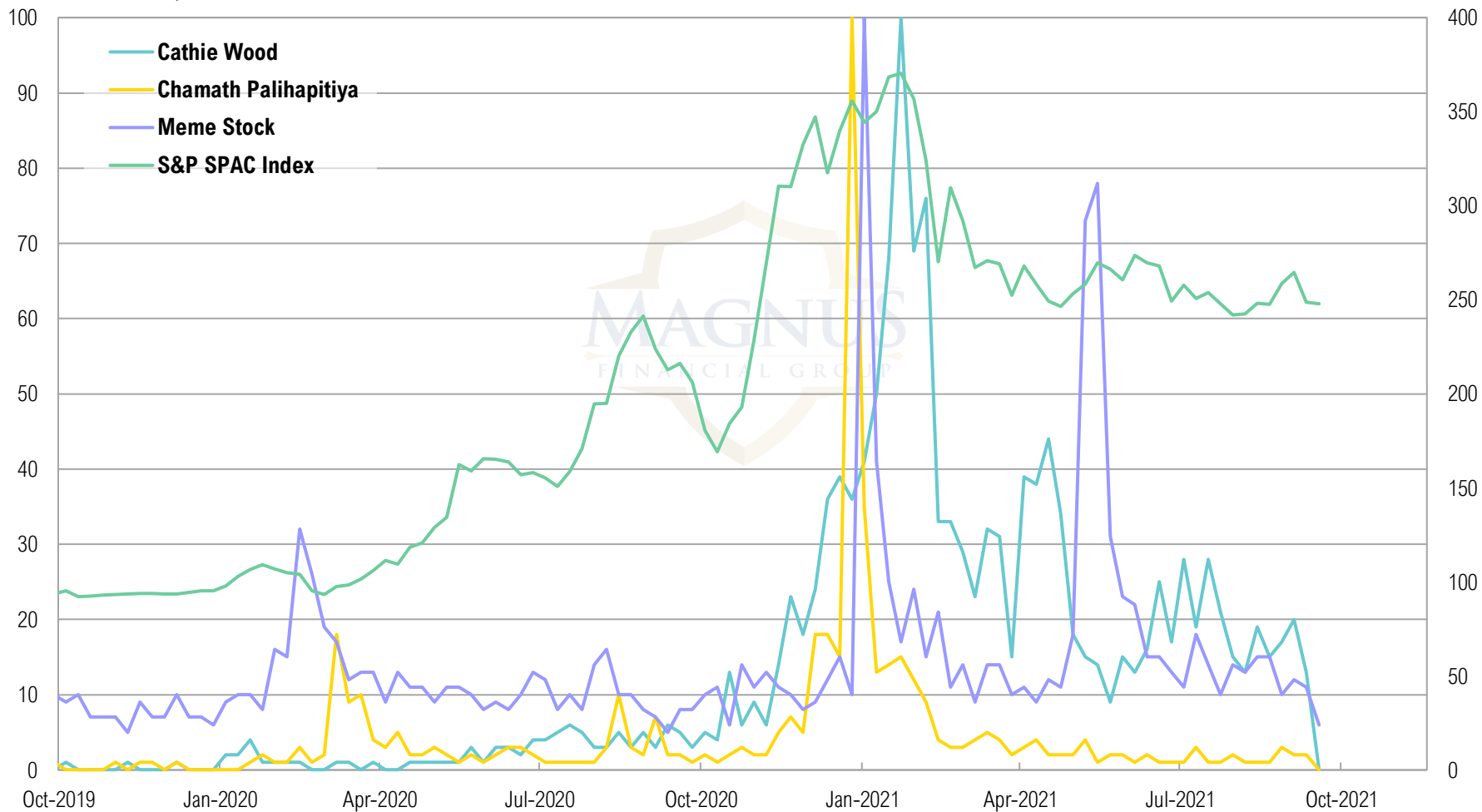
Source: Bloomberg. See appendix for asset class and index definitions.  
Returns for periods greater than 1 year are annualized. HFR data as of 8/31/2021.

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## ➤ Retail mania has mostly faded for now

GOOGLE TRENDS, SEARCH ACTIVITY

S&P SPAC INDEX

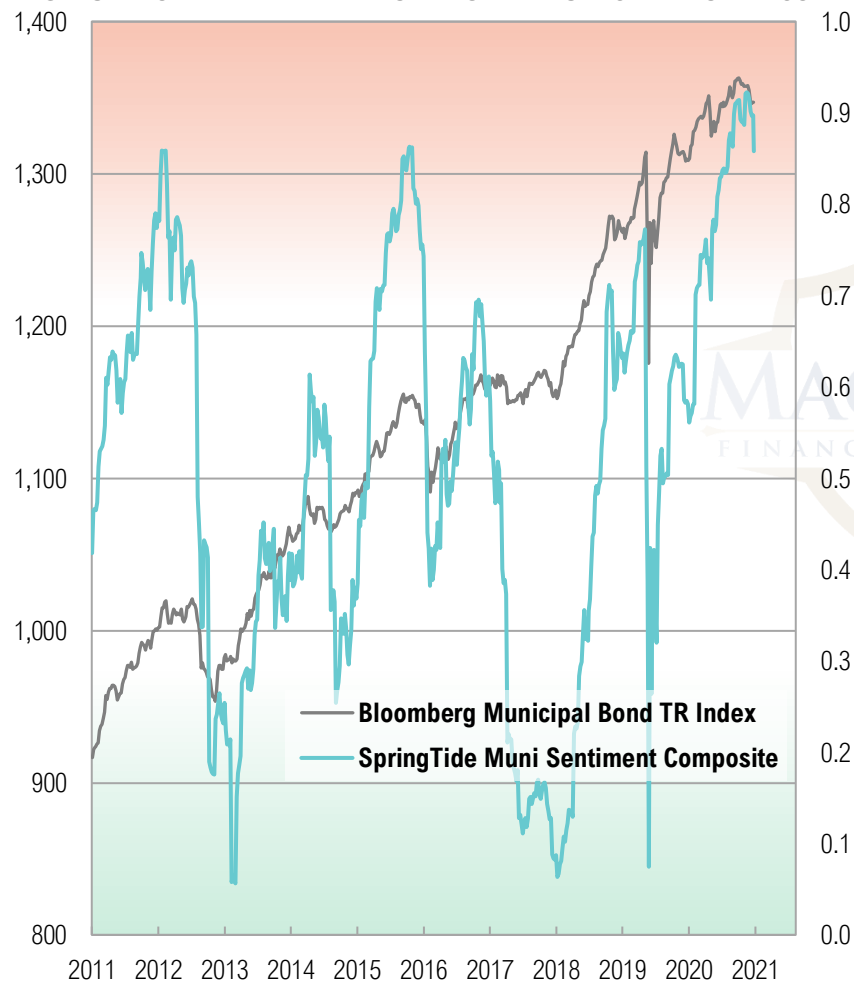


Source: Google, Bloomberg

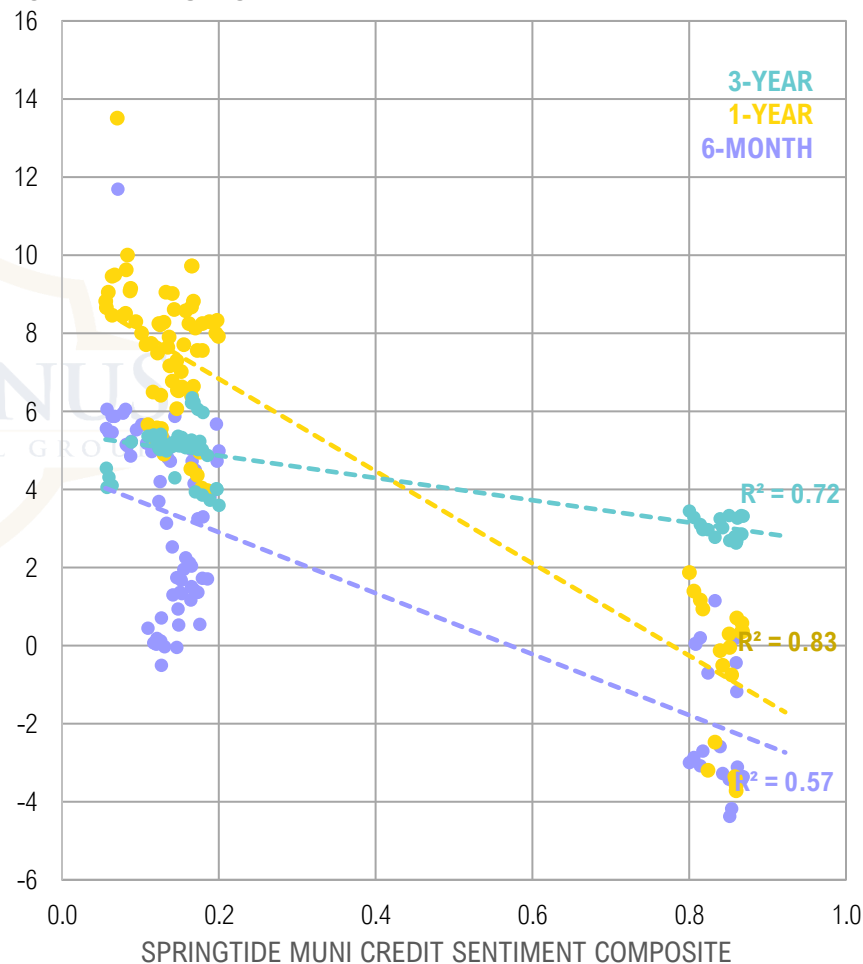
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# Muni credit sentiment remains elevated, historically associated with lower-than-average forward returns

BBG MUNI BOND TR INDEX      SPRINGTIDE MUNI CREDIT SENT. COMP.



FORWARD RETURNS

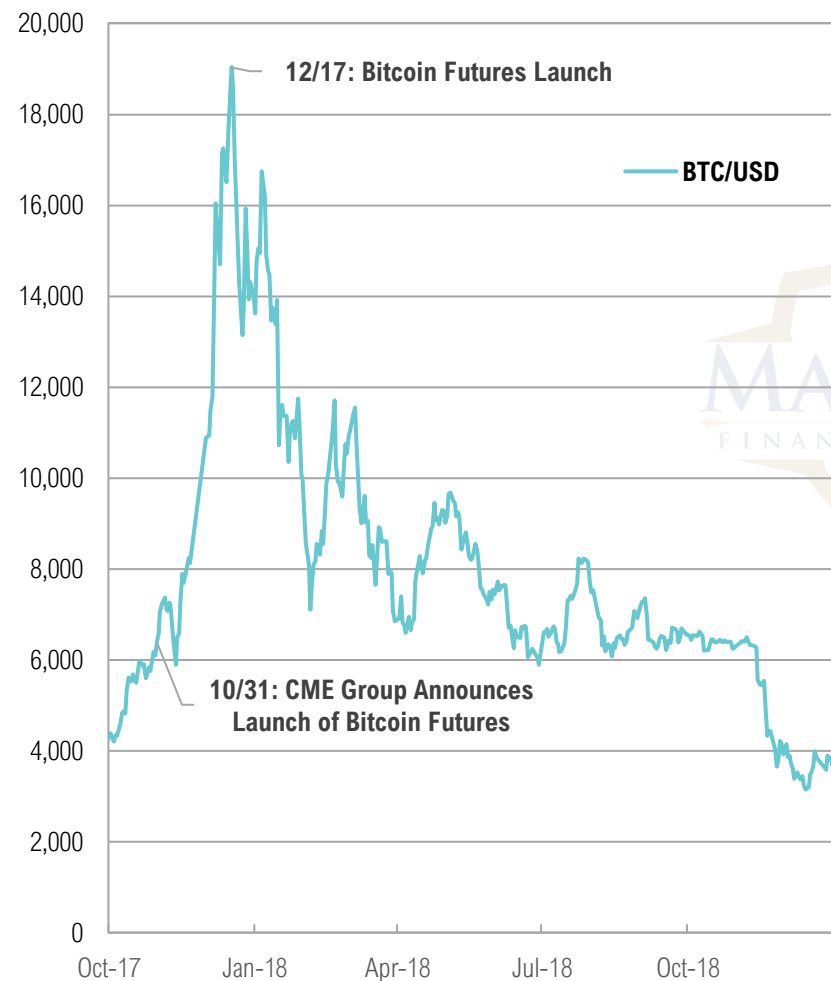


Source: Bloomberg, Bond Buyer, SpringTide calculations  
Returns for periods longer than 1-year are annualized.

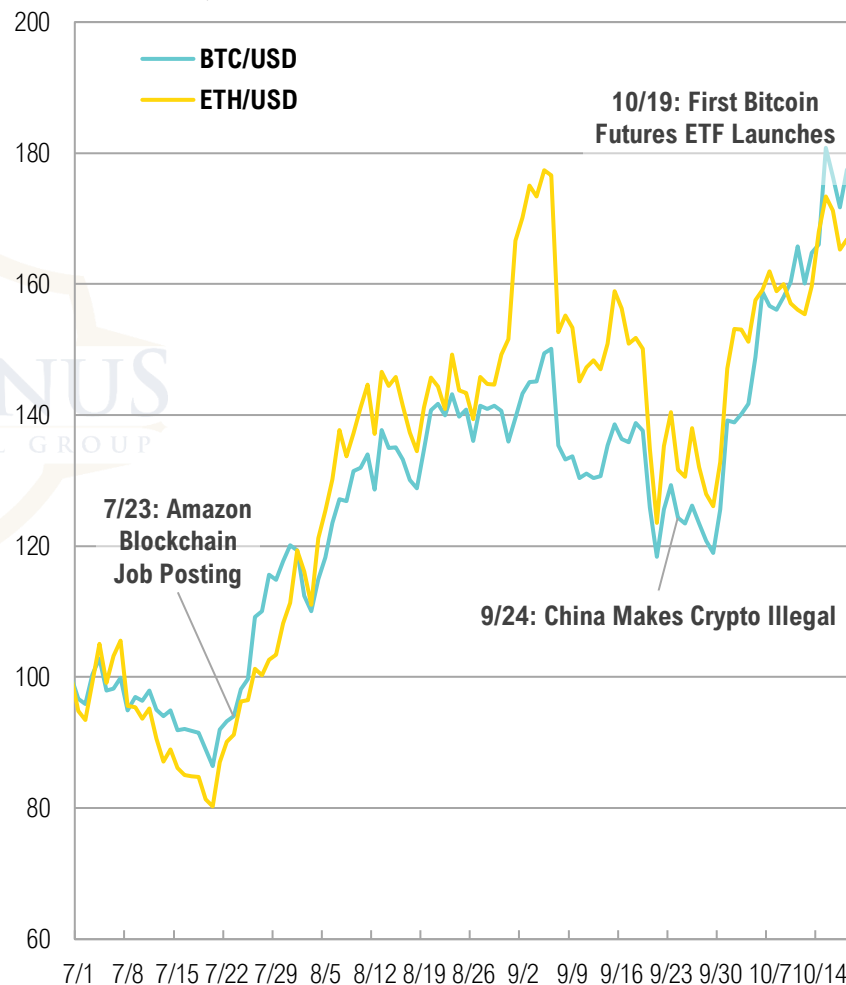
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## ➤ Crypto bull rally: buy the hype or sell the news?

GROWTH OF 100, BTC



GROWTH OF 100, BTC AND ETH



Source: Bloomberg

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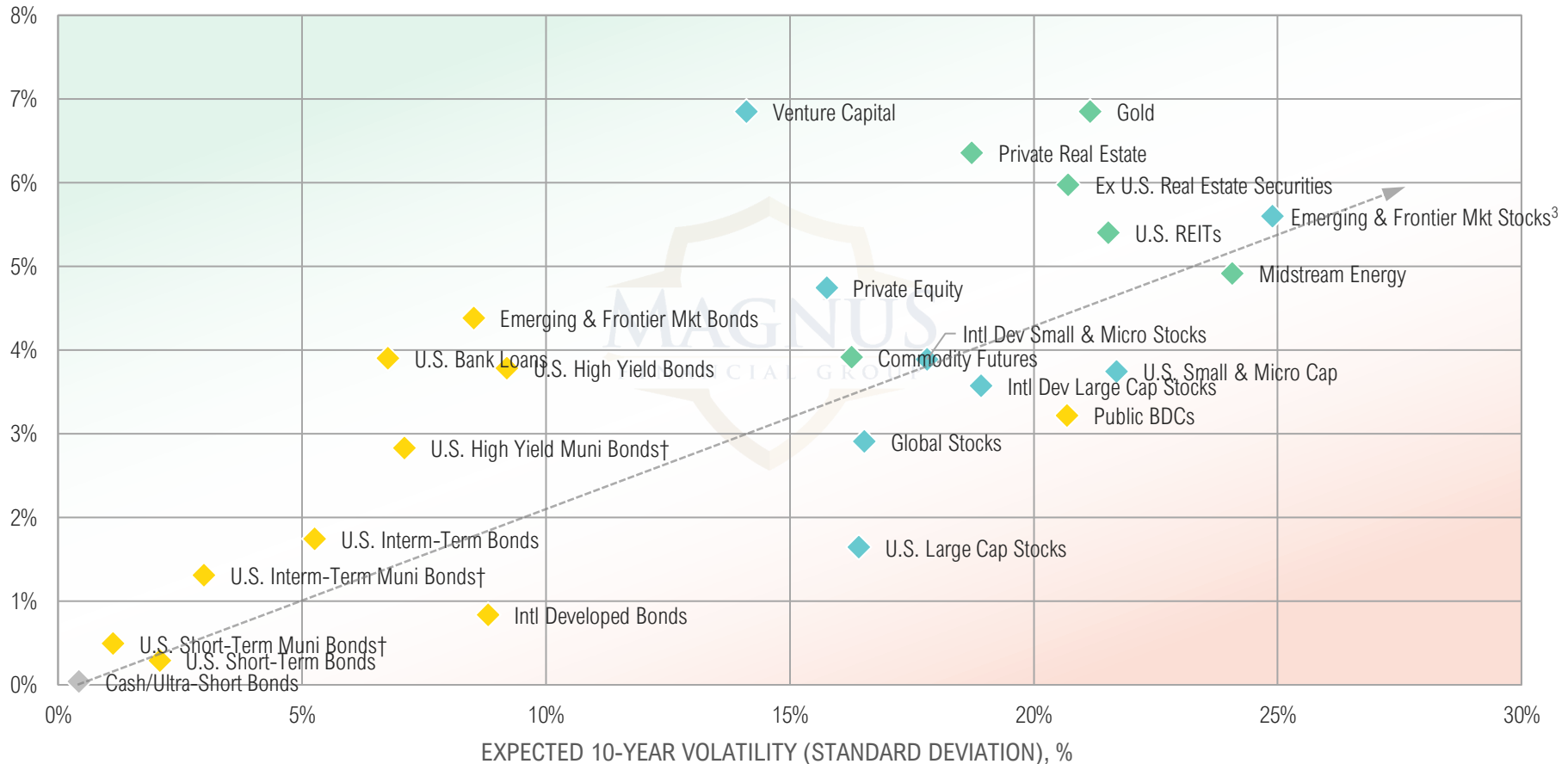


**Asset allocation is the tool that you use to determine the risk and return characteristics of your portfolio. It's overwhelmingly important in terms of the results you achieve. In fact, studies show that asset allocation is responsible for more than 100 percent of the positive returns generated by investors.”**

**– David F. Swensen, American investor and endowment fund manager**

# Expected 10-year returns for most risky assets rose as valuations declined and spreads widened modestly

EXPECTED 10-YEAR GROSS TOTAL RETURN, %



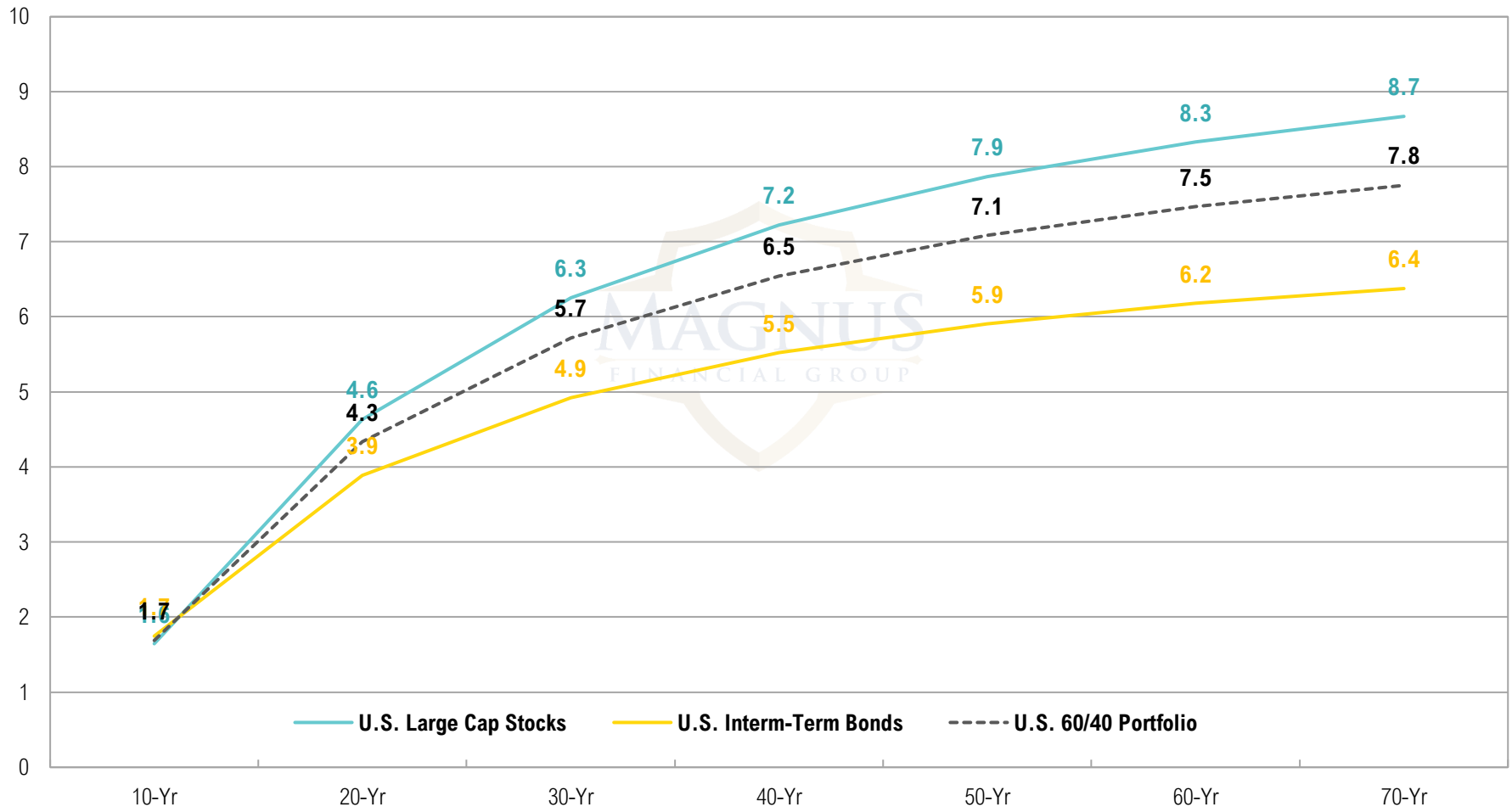
<sup>3</sup> Estimated returns include impact of currency adjustment    † Reported on a taxable-equivalent basis assuming 35% marginal tax rate.

Source: Bloomberg, CA, Pitchbook, Morningstar, NAREIT, SpringTide calculations

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## ➤ Longer-term return expectations held relatively stable as the mean reversion of higher valuations is distributed over a longer holding period

EXPECTED ANNUALIZED TOTAL RETURN, %



Source: Bloomberg, CA, Pitchbook, Morningstar, NAREIT, SpringTide calculations

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90 Park Avenue, Suite 1800  
New York, NY 10016

(800) 339-1367

[service@magnusfinancial.com](mailto:service@magnusfinancial.com)