Harpswell CAPITAL ADVISORS, LLC

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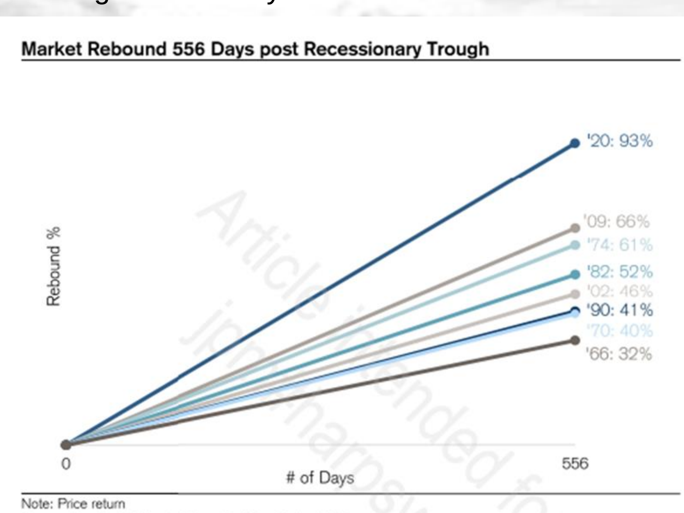
Harpswell's Market Outlook

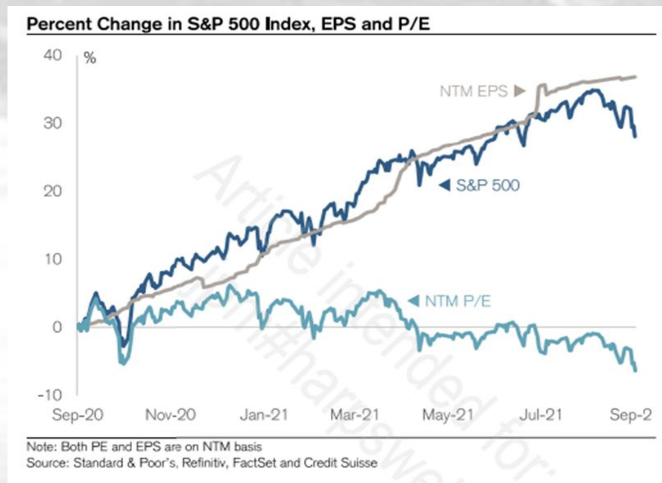
The market has rebounded over 90% since the March 2020 lows and this run handedly exceeds all recent post-recessionary bounces. The circumstances are unique and Harpswell feels the expansionary fiscal (taxation) and monetary (interest rates and money supply) policies in place are the primary driver.

The bottom line is very straightforward: while the market will ebb and flow with market data and news, policy makers are pandering to the market, and they will not stop supporting it until they can no longer technically do so.



Thus, they will do it until the capital markets will no longer allow them to finance the market support. When that happens…..look out below. The trouble with any market prognostication is you need to know the outcome AND the timing….this could be years or even decades away.

The good news associated with the market's performance in 2021 is the fact that earnings actually moved up faster than the stock prices and the markets are therefore cheaper (less expensive) than they were last year.



Growth Continues to Lead the Pack

For most of the last decade, growth stocks have meaningfully outperformed the rest of the market. There are several key drivers for the performance and identifying them set the stage for Harpswell's view on where to be positioned for the future. First, growth stocks, as the designation implies, come with expectations of higher relative earnings in distant years. The current value of future earnings is the byproduct of interest rates, and as rates drop, the future earnings become more valuable. Think of it as if you were going to borrow the amount a company is going to make in 2030 to spend it today. The lower the interest rate, the more valuable the future earnings become in terms of today's dollars.

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Harpswell's Advisory Board Welcomes HBS Professor Emily McComb

Harpswell is honored to welcome Harvard Business School Professor Emily McComb to the firm's Advisory Board. Professor McComb, along with Gus Sauter (Vanguard's former Chief Investment Officer) and David Russ (Dartmouth College's former CIO), offer high level insights and guidance and are invaluable for the nonprofit institutions we serve. We are extremely grateful for their commitment and contributions and are very happy they appreciate Harpswell's impact on the clients we serve from Oregon to Florida. Thank you!

Harpswell utilizes the expertise of its Advisory Board to best serve our clients. Harpswell's Advisory Board gives high level guidance and serves as an invaluable resource for best practices, fund managers and macroeconomic insights.

Emily R. McComb, *SENIOR LECTURER OF BUSINESS ADMINISTRATION, Harvard Business School*

Ms. McComb brings a career in active equity management and academic work relating to endowments, hedge funds, mutual funds and investor behavior. She recently co-authored "Modern Endowment Management: Paula Volent and the Bowdoin Endowment."

Emily McComb is a Senior Lecturer in the Finance Unit at HBS, currently teaching the course "Finance 2" in the second semester of the required curriculum. Prior to joining the HBS faculty in 2017, Emily was a Managing Director at Bain Capital, where she was sector head of the Healthcare team at the firm's public equity division.

Prior to joining Bain Capital, Emily was an analyst and a member of the Small Cap team at Fidelity Management and Research, focused largely on Healthcare, Industrial and Consumer companies. A Canadian native, she earned a BA with Great Distinction from McGill University in Economics and Political Science, and an MBA with Distinction from Harvard Business School. Emily lives in Boston with her husband and two children.

David Russ, founding partner and Chief Investment Officer/Strategist at Spruceview Capital

David Russ is a nationally recognized endowment and investment manager with 30-years of institutional investment management experience with foundations, endowments, corporate and public pension plans, sovereign wealth funds (SWFs) and family offices.

He was the founding partner and Chief Investment Officer/Strategist at Spruceview Capital providing a complete and holistic partnership approach to manage clients' entire portfolios across all asset classes. Prior to his tenure at Spruceview, David was Chief Investment Strategist and a Managing Director at Credit Suisse Asset Management in New York. David's Credit Suisse advisory portfolio extended from NYC and the Americas to Asia, South East Asia, and AustralAsia.

Before being recruited to Credit Suisse, David spent more than 18-years serving a variety of academic institutions in managing their endowment and foundation investment portfolios. Most recently (2005-2009) he was the first Chief Investment Officer for Dartmouth College's endowment.

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Advisory Board *(continued from page 2)*

Prior to that he held leadership roles at the Regents for the University of California, the University of Texas Investment Management Company and Stanford University. David wrote the business plan that formed the Stanford Management Company.

David holds a Master of Administration in Finance and Accounting from the University of California, Davis and a B.A. in Genetics from the University of California, Berkeley.

David also studied Solar Engineering, Differential Equations, and Material Sciences at UC Berkeley 1979-1980, where he built early solar panels and windmills. He is a former member of The Dean's Advisory Board at UC Davis Graduate School of Management; a former member of the Institute for Quantitative Research in Finance; a former member of The Dartmouth-Hitchcock Medical Center Investment Committee; a former member of the Tuck Center for Private Equity and Entrepreneurship Executive Advisory Board; Trustee Emeritus for the Dartmouth Class of 1953 Trust (managed external to Dartmouth); and a former trustee of the UC Davis Robert Mondavi Trust.

Gus Sauter,
Retired CIO for Vanguard

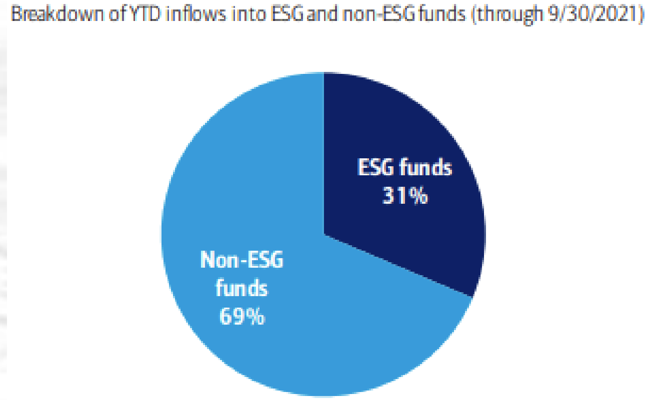
Mr. Sauter retired in 2012 from his role as Vanguard's first Global Chief Investment Officer after 25 years with the company. As Vanguard's CIO, he was a member of the CEO's senior staff, directed the management of $1.7 Trillion in assets and oversaw Vanguard's external manager program.

Mr. Sauter worked on industry issues with governmental entities including the SEC, and the Federal Reserve, as well as providing Congressional testimony. He served as a member of various industry committees, including the Investment Company Institute Trading Committee, the NYSE Institutional Advisors' Trading Committee, the NASDAQ Quality of Markets, and the Securities Industry Association Trading Committee. He participated on the AIMR (now CFA Institute) Best Execution Task Force. He is currently a member of the Financial Industry Regulatory Authority (FINRA) Investors Advisory Group and serves on three investment committees (for a foundation, an endowment and an Australian retirement fund).

Mr. Sauter is a member of the University of Chicago Booth School Council for the dean, and he is the Chairman of the Booth School's alumni fundraising committee. He also writes articles for The Wall Street Journal on-line edition. He received his bachelor's degree from Dartmouth College and his MBA from the University of Chicago. *

ESG – Not Going Away

Breakdown of YTD inflows into ESG and non-ESG funds (through 9/30/2021)



As we meet with many investment committees, one of the most common topical discussions revolves around ESG (Environment, Sustainability and Governance) investing. ESG investing is not new, but it has grown tremendously over the last 6 years. In fact, almost a third of all new fund investments this year have flown into ESG funds.

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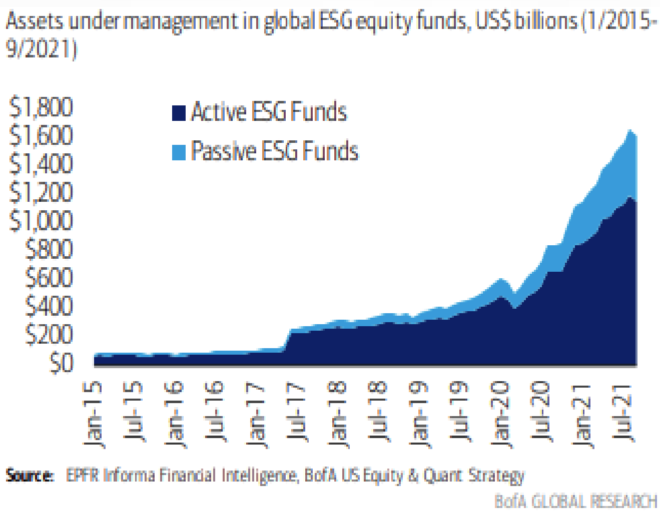
ESG – Not Going Away *(continued from page 3)*



ESG has evolved over the last few years. It was once prohibitively expensive and debatably effective. Now, the costs have dropped precipitously to where it is a negligible difference relative to conventional funds and it is well accepted that they are leaving their mark on almost every company.

With such vast sums being invested with an ESG tilt, every CEO and Board of Directors are looking at how they can better position their company to attract ESG investors. Thus, the growth in dollars going into ESG funds have driven companies to make changes for the better, thereby fulfilling the mission of ESG investors!

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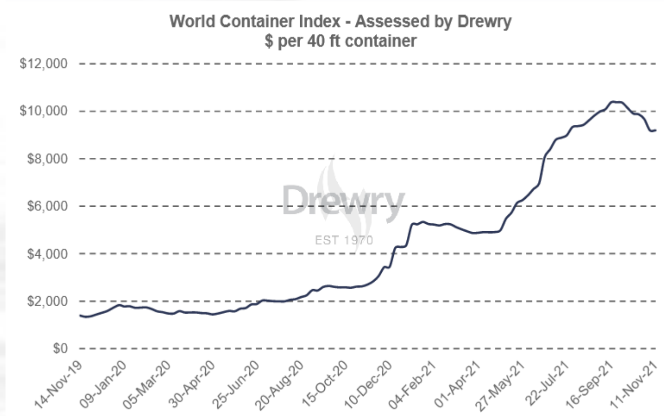
Logistical Hurdles (in Space & Time)

The Baltic Dry Index (BDI) measures rates for the 4 largest ship classes, used to carry dry bulk goods such as coal, iron ore, and grains. The index is expressed in points, beginning at 1,000 points in 1985. It remained around 1,300 through the 1990s, then rose rapidly in the 2000s to a peak of 11,000 in 2008. In the Great Financial Crisis, the index crashed back to its 1990s level and remained there until the COVID-19 crisis.

The BDI reached its highest level since 2008 in the 3rd quarter, rising from 1,200 in October 2020 to over 5,000 in October 2021, a 400%+ gain. The rates to ship 40-foot containers also rose 400%+ in the same period. A composite index of container shipping rates covering 8 trans-oceanic shipping routes, compiled by Drewry Maritime Research, rose from about $2,500/container in October 2020 to over $10,000/container in October 2021.



Globalization and governments' responses to COVID-19 created a perfect storm for logistics. Normally, consumer spending contained a large component of services, which tend to be produced locally, but that spending was diverted to tangible goods, which are produced globally. At the same time, the government borrowed money to supplement (and often boost) household incomes. That, combined with student loan and mortgage forbearance programs, created a flood of credit relative to debt repayments.

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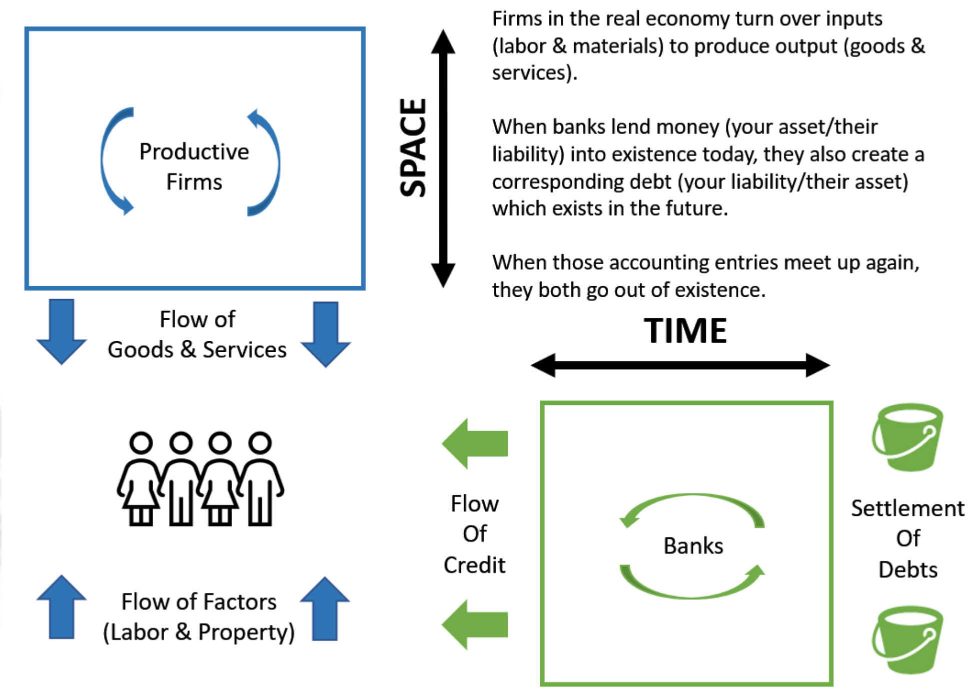
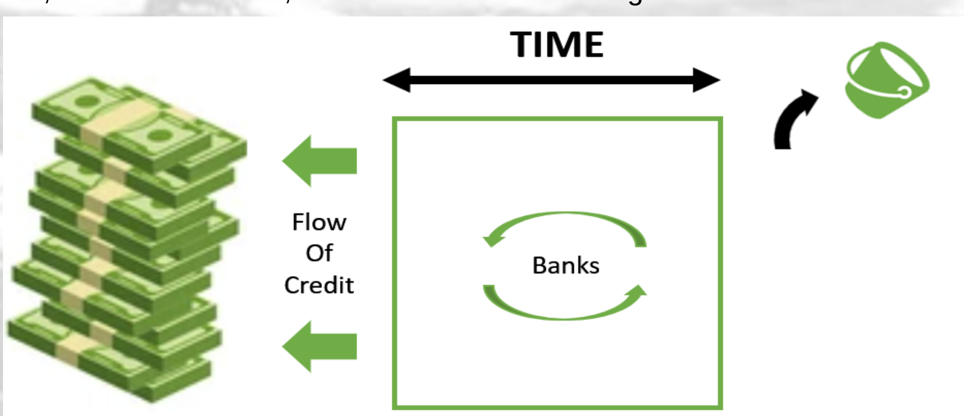
Logistical Hurdles (in Space & Time) (continued from page 4)

The figure below illustrates the time-logistics of an economy with a credit-money system, in which the creation of money is also a promise to destroy money at a later date. Banks have a special charter from the government allowing them to engage in that activity. Keeping that charter is their primary incentive to make quality loans and follow government's regulations. When the government steps in to spend money during a crisis, it is creating a surge of credit-money today and a big empty bucket (the debt) later on.



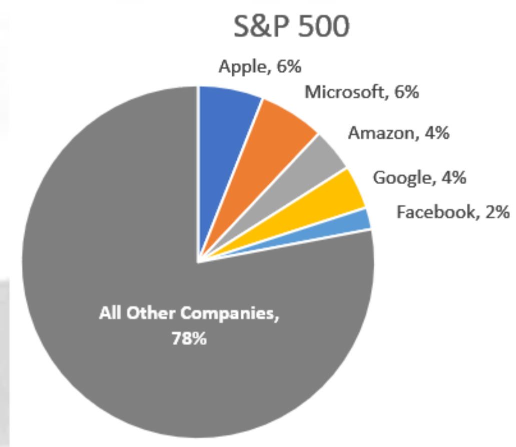
The size of the debt has grown so large that we now foresee "fat tails" in the probability distribution from inflation to deflation, as political and social pressures could conceivably force a change in our money system. Our credit-based money system could be abandoned in several ways. Under a default or a "debt jubilee", previously created money would persist in circulation, which would be inflationary. Or, under a token-money system, newly created money would not correspond to any future debt to begin with, and the amount in circulation would only be limited by Acts of Congress. Even public debate about changing our money system, if it ever occurred, would be a market-moving event to look out for.



The United States has never defaulted on its national debt. The Treasury did issue debt-free, token money during the Civil War and again, at various times, up to 1971. *

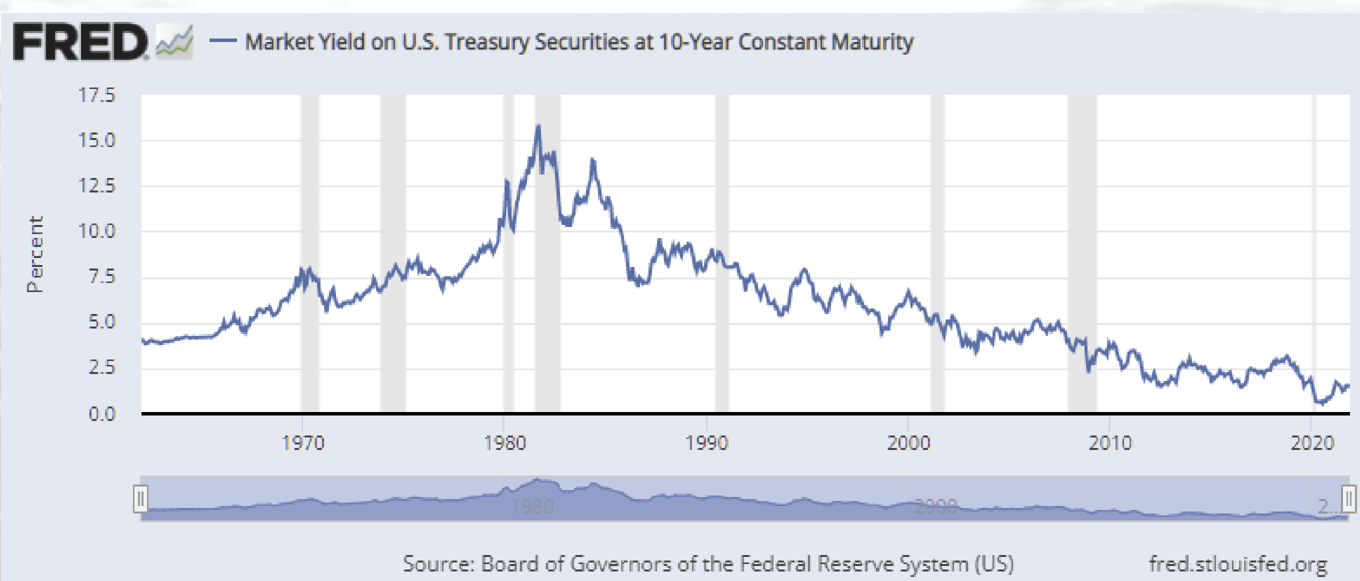
Growth Continues to Lead the Pack *(continued from page 1)*

The second factor driving growth stocks' outperformance simply relates to the economy evolving toward faster growing tech and service companies. These companies can scale up at a much faster pace than most value/manufacturing companies and therefore warrant a higher price-to-earnings multiple (the P/E ratio is the standard barometer of value vs. growth).



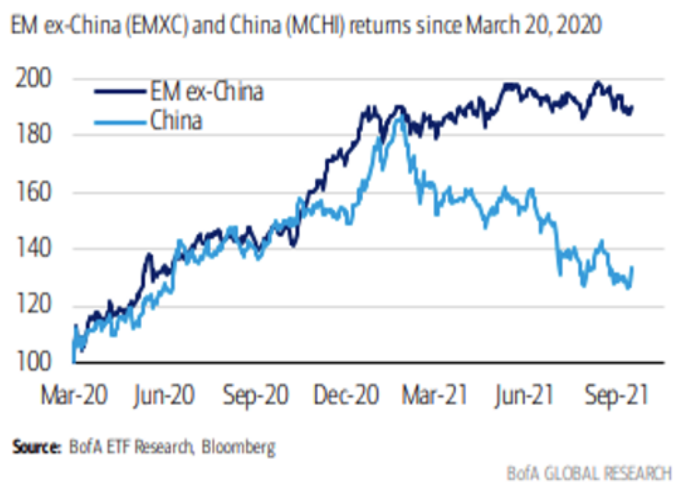
Finally, much of the recent run in the market can be attributed to aggressive expansionary polices from governments and central banks. These policies tend to entice and reward risk takers and the more speculative investors tend to gravitate toward growthy stocks.

Harpswell's current tactical investment posture positions us exposed to growth yet diversified away from over-concentration in the largest domestic growth stocks (commonly referred to as the FANGS…Facebook, Amazon….). We feel the S&P 500's whopping 20%+ exposure to the FANGS is concerning. Furthermore, we see risks associated with rising interest rates in the bond exposure our clients have and do not want to compound that with an over-exposure to companies that are driven by their prospects to earn returns 10+ years out. *



Emerging Markets Take a Breather

On August 17th, Chinese President Xi Jinping referred to "common prosperity" in a speech outlining policies aimed at promoting economic well-being for the people and companies left behind by the mega-cap tech explosion among China's largest tech companies. Companies like Alibaba, Tencent and Baidu have tumbled by as much as 50% in 2021 as investors try to assess how "common prosperity" policies and initiatives will shape their future.

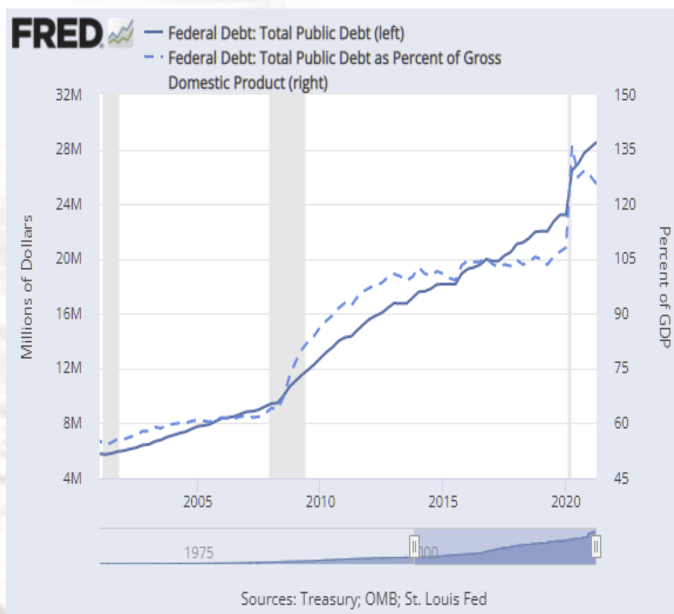


The new policies were pretty far reaching in a number of very targeted areas. For example, the policies strictly limited the after-school tutoring business, as Xi suggested there is too much pressure and over-emphasis given to outside-the-classroom academic undertakings.

Harpswell feels the policy risks seen in China earlier this year are analogous to risks we see associated with the largest tech companies in the US. The FANGS (Facebook, Amazon, Netflix, Google…) comprise almost 25% of the S&P 500 and they are ripe with risks associated with both innovation and public policies. Each of the FANGS have some degree of anti-trust concerns that we would expect to eventually bubble up to the front pages and each company is susceptible, to varying degrees, to competitive newcomers. *

National Debt Ratios

From the 1st quarter of 2020 to the 3rd quarter of 2021, the national debt rose from $23 Trillion to $29 Trillion, a rise from 108% of GDP to 125% of GDP. A recent history of debt-to-GDP shows that, prior to the COVID-19 crisis, the national debt was growing steadily, while the debt-to-GDP ratio had paused at about 100%. In other words, we were carrying the debt, but not quite able to grow out of it.



The US was not the only country to put on a lot of debt in 2020. Canada, Great Britain, and France's debt ratios have also risen to similar levels. But to compare debt ratios among countries, we would have to consider the different structure of governments.

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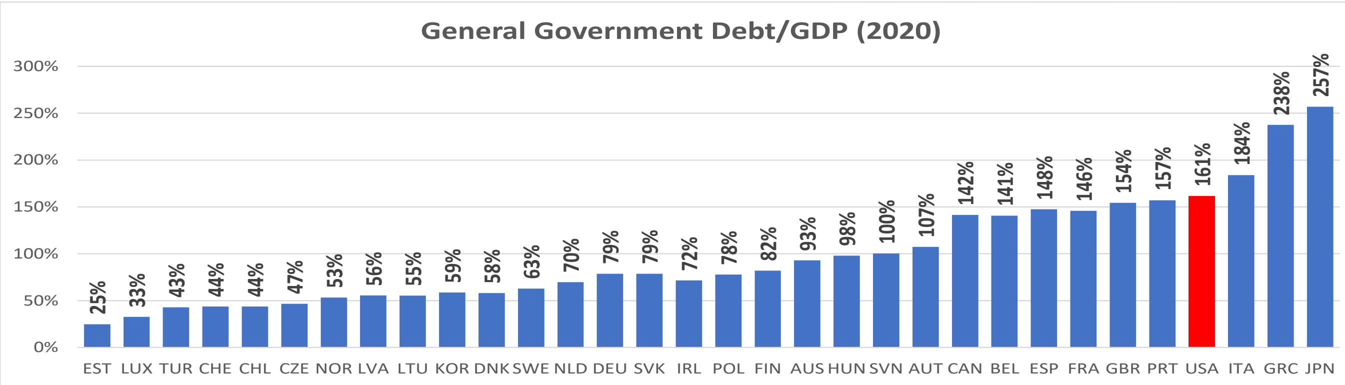
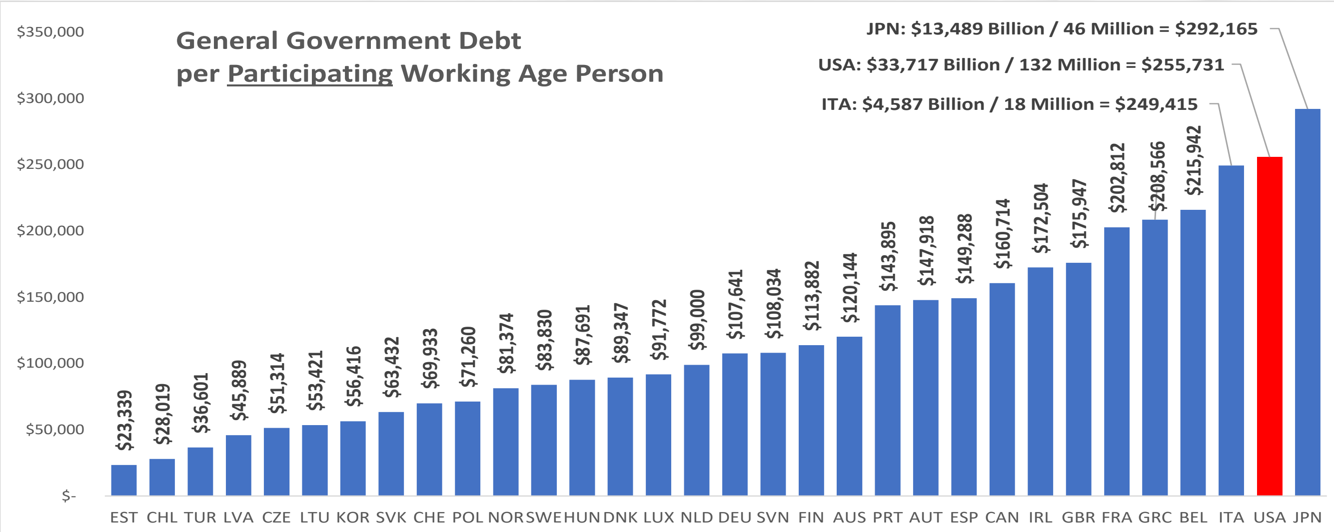
National Debt Ratios *(continued from page 7)*

The Organization for Economic Cooperation and Development (OECD) compiles a measure called "General Government Debt" which includes central, state, and local governments. They also count the *liabilities* of national pension schemes and other institutional units of the central government, although that only refers to payments authorized for the current period and borrowing taken out to cover deficits. The *total obligations* promised to citizens, such as Medicare and Social Security, are considered "pay-as-you-go" and are not included.



In our case, we have $29 Trillion in federal debt, $3 Trillion in state and local debt, and $2 Trillion in social security trust and other government unit liabilities, bringing us to $34 Trillion in General Government Debt. $34 Trillion / $21 Trillion (2020's GDP) = 161%. That places us on the high end, but still on par with Canada, France, and Great Britain (compared to 257% for Japan).

However, the amount of government debt *per worker* tells a slightly different story. In the US, with 214 million adults between 15 and 64 and a labor force participation rate of 62%, there are and 132 million people in the workforce. That comes out to $256,000 of government debt per worker, which actually places us between Japan, at $292,000 per worker, and Italy, at $249,000 per worker.

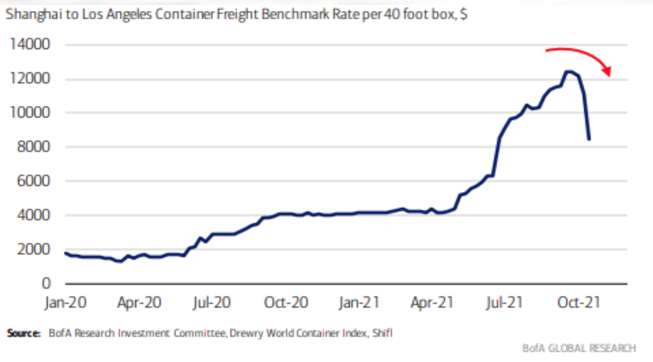


On that basis, we could say that Japan is no longer in a league of its own. If, for many years, investors stayed away from Japan based on their government debt, while overweighting the US market, that relative valuation now seems less justified. *

Inflation: Transitory or Persistent

The inflation debate is important, as the phenom on of rising prices across an economy has a profound impact on everything and everybody. It is viewed as a regressive characteristic, where it hurts those who tend to spend and save a high proportion of their income rather than those who invest. It is worth noting, inflation does help one classification of entities: those with (high levels of) debt (like the US Government).

In fact, the Federal Reserve's chief mandate is to promote a healthy and stable level of inflation. Net debtors like inflation because it devalues the debt they issued and raises the value of their assets. For example, if you bought an apartment building and then experience high inflation, you will get more revenue (making the building worth more) and you will have more money relative to your debt than you would have without inflation.



There are a number of factors playing into the recent rise in inflation. The tight job market fosters rising wages, which increases the cost to produce goods and it puts more money in the hands of consumers to buy things. Energy prices are a factor, too, however they tend to be transitory as energy prices are very cyclical. Finally, the COVID phenomenon has created pockets of supply disruptions that drive prices up.

So Long, It's Been Good to Know You

Harpswell looks to talented active fund managers who have an edge and are well aligned with our firm. About 5 years ago Rajiv Jain left Vontobel Asset Management to start his own company and we were there to invest with him.

Harpswell prides itself on our in-depth analysis that does not overly rely on recent performance, as we look for characteristics that tend to accompany sustainable and consistent out-performance. One of the key factors we focus on is alignment. On day one, Rajiv and his firm, GQG, were well aligned with Harpswell, as his successes relied on us making attractive returns. Furthermore, the fund was much smaller than that at Vontobel and that presents a considerable advantage, as with such a small portfolio it is much easier to create alpha (outperformance).

The fund's initial outperformance (see below: 2017 & 2018) attracted a lot of inflows and the rapid growth was a yellow flag for our team. We urged them to close the funds to new inflows, as our other managers do when they incur significant growth. Our encouragement fell on deaf ears and just this year GQG surpassed $80B in AUM. We are fortunate to have an outstanding roster of global fund managers and we are not too dependent on any single fund.

As of October 31, 2021	1 Year	2020	2019	2018	2017
Goldman Sachs GQG Parters International Opportunities Fund	24.3%	15.8%	27.6%	-6.0%	31.8%
International Manager 1	24.6%	29.7%	19.0%	-8.3%	22.9%
International Manager 2	37.5%	32.8%	35.2%	-7.3%	31.2%
Benchmark (MSCI ACWI ex USA)	30.2%	11.1%	22.1%	-13.8%	27.8%

Finally, GQG filed for an IPO (initial public offering) and that was the final step for Harpswell. Rajiv is a billionaire and we feel his alignment with Harpswell has eroded, as his goals are clearly more about his wealth than that of Harpswell's clients. While his nearer-term performance did begin to drop off as the funds grew, they were still acceptable. Harpswell's strategy relies on our ability to look through performance and zero in on the factors that differentiate the managers that are worth having a long-term partnership with. *

The Cremation of Sam McGee

BY ROBERT W. SERVICE

THE CREMATION OF SAM MCGEE WAS FIRST PUBLISHED IN 1907 BY ROBERT SERVICE AND WAS A COMMON STAPLE AROUND CAMPFIRES FOR THE NEXT 100 YEARS. SERVICE ACTUALLY CAME ACROSS THE NAME SAM MCGEE WHILE WORKING FOR A CANADIAN BANK IN THE YUKON AND SEVERAL OTHER EXPERIENCES INSPIRED SOME KEY ELEMENTS OF THE POEM. IN ADDITION TO THE PROSPECTOR SAM MCGEE, THE ALICE MAY WAS INSPIRED BY A DERELICT STERN-WHEELER. THE OLIVER MAY AND ITS FIREBOX WAS USED TO CREMATE CORNELIUS CURTIN, WHO DIED OF PNEUMONIA. HOWEVER, SAM MCGEE IS A BETTER RHYMING COMPANION TO TENNESSEE THAN CORNELIUS CURTIN.

There are strange things done in the midnight sun
By the men who moil for gold;
The Arctic trails have their secret tales
That would make your blood run cold;
The Northern Lights have seen queer sights,
But the queerest they ever did see
Was that night on the marge of Lake Lebarge
I cremated Sam McGee.

Now Sam McGee was from Tennessee, where the cotton blooms and blows.
Why he left his home in the South to roam 'round the Pole, God only knows.
He was always cold, but the land of gold seemed to hold him like a spell;
Though he'd often say in his homely way that "he'd sooner live in hell."

On a Christmas Day we were mushing our way over the Dawson trail.
Talk of your cold! through the parka's fold it stabbed like a driven nail.
If our eyes we'd close, then the lashes froze till sometimes we couldn't see;
It wasn't much fun, but the only one to whimper was Sam McGee.

And that very night, as we lay packed tight in our robes beneath the snow,
And the dogs were fed, and the stars o'erhead were dancing heel and toe,
He turned to me, and "Cap," says he, "I'll cash in this trip, I guess;
And if I do, I'm asking that you won't refuse my last request."

Well, he seemed so low that I couldn't say no; then he says with a sort of moan:
"It's the cursèd cold, and it's got right hold till I'm chilled clean through to the bone.
Yet 'tain't being dead—it's my awful dread of the icy grave that pains;
So I want you to swear that, foul or fair, you'll cremate my last remains."

A pal's last need is a thing to heed, so I swore I would not fail;
And we started on at the streak of dawn; but God! he looked ghastly pale.
He crouched on the sleigh, and he raved all day of his home in Tennessee;
And before nightfall a corpse was all that was left of Sam McGee.

There wasn't a breath in that land of death, and I hurried, horror-driven,
With a corpse half hid that I couldn't get rid, because of a promise given;
It was lashed to the sleigh, and it seemed to say: "You may tax your brawn and brains,
But you promised true, and it's up to you to cremate those last remains."

Now a promise made is a debt unpaid, and the trail has its own stern code.
In the days to come, though my lips were dumb, in my heart how I cursed that load.
In the long, long night, by the lone firelight, while the huskies, round in a ring,
Howled out their woes to the homeless snows— O God! how I loathed the thing.

And every day that quiet clay seemed to heavy and heavier grow;
And on I went, though the dogs were spent and the grub was getting low;
The trail was bad, and I felt half mad, but I swore I would not give in;
And I'd often sing to the hateful thing, and it hearkened with a grin.

Till I came to the marge of Lake Lebarge, and a derelict there lay;
It was jammed in the ice, but I saw in a trice it was called the "Alice May."
And I looked at it, and I thought a bit, and I looked at my frozen chum;
Then "Here," said I, with a sudden cry, "is my cre-ma-tor-eum."

Some planks I tore from the cabin floor, and I lit the boiler fire;
Some coal I found that was lying around, and I heaped the fuel higher;
The flames just soared, and the furnace roared—such a blaze you seldom see;
And I burrowed a hole in the glowing coal, and I stuffed in Sam McGee.

Then I made a hike, for I didn't like to hear him sizzle so;
And the heavens scowled, and the huskies howled, and the wind began to blow.
It was icy cold, but the hot sweat rolled down my cheeks, and I don't know why;
And the greasy smoke in an inky cloak went streaking down the sky.

I do not know how long in the snow I wrestled with grisly fear;
But the stars came out and they danced about ere again I ventured near;
I was sick with dread, but I bravely said: "I'll just take a peep inside.
I guess he's cooked, and it's time I looked"; ... then the door I opened wide.

And there sat Sam, looking cool and calm, in the heart of the furnace roar;
And he wore a smile you could see a mile, and he said: "Please close that door.
It's fine in here, but I greatly fear you'll let in the cold and storm—
Since I left Plumtree, down in Tennessee, it's the first time I've been warm."

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By the men who moil for gold;
The Arctic trails have their secret tales
That would make your blood run cold;
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October 2021 Flash Report

Overview: Congress continued to negotiate passage of both the infrastructure and social spending bills. The massive bills are keeping investors on edge as spending and funding provisions continue to change during the course of discussions.

Federal Reserve: The Federal Reserve Open Market Committee (FOMC) is meeting in early November to consider tapering its bond buying stimulus program as inflation concerns continue. Chairman Powell had previously indicated that the probability of tapering was rising as inflation persisted. Inflation pressures are broadening out with data showing employers boosted wages by the most on record in the third quarter as they competed for scarce workers. Consumer spending, which accounts for more than two-thirds of U.S. economic activity, rose 0.6% last month after rebounding 1.0% in August. Economists polled had forecast consumer spending increasing 0.5%. Inflation is being fueled by both supply problems and strong consumer demand.

Equities: Domestic – Equity markets moved significantly higher in October as corporate earnings benefitted from rising prices and robust consumer spending. The **S&P 500** gained 7.0% in the month. Growth companies moved up 8.7% as Technology rebounded while Value improved by 5.1% as Energy and Consumer Discretionary spending were leading sectors in the month.

The **R2000** gained 4.3%. The Small Growth index rose 4.7% and Value improved by 3.8%. Although smaller companies trailed larger companies in the month, the results were still significant.

International – **EAFE** earned 2.5%, trailing the domestic markets. The Dollar weakened marginally adding only 0.3% to the results. Europe earned 4.5% in October, led by Italy and Portugal. Canada also had an impressive month, gaining 7.7% while Japan had a difficult October, losing 3.4%.

Emerging Mkts – Emerging markets earned 1.0% in October. China rebounded in the month, earning 3.2% but still down 14% YTD. Russia had another positive month, gaining 4.4% (37.6% YTD) as energy prices increased which also benefitted Middle Eastern countries. In contrast, Latin American countries had another negative month, losing 5.3%. The region is down 10.4% YTD.

Fixed Income: The FOMC will be meeting in early November to consider a gradual reduction in its bond buying program as inflation runs ahead of expectations.

90 Day T-bill yield remained basically unchanged at 0.04%**. T**he **10 Year Treasury** yield rose by 5bps to 1.55% while the **30 Year Treasury** yield closed at 1.93%, 14bps lower. Yields traded in a narrow range as investors weighed the likelihood of a Fed move to reduce its bond purchases and raise interest rates.

Municipal yields moved marginally higher across the yield curve in October. The **1 Year Municipal** yield rose by 1bp to 0.19%. The **30 Year Municipal** yield increased by 4bps to 1.77%; a 16bps or 8% discount versus the **30 Year Treasury,** presenting an attractive after-tax yield for a taxable investor.

International: **German** rates were less negative by 10bps to a (0.6%) yield for the **2 Year Bund** and 10 bps to a negative (0.1%) yield for the **10 Year**. The **UK 10 Year Gilt** yield rose by 1bps to 1.03%. The **Japanese 10 Year Gov't** bond yield remained basically unchanged at 0.09% in October. The **2 Year** Yield became less negative by 4bps to close at (0.10%).

High Yield bonds lost 0.2% in October, closing with an average yield of 4.8%. The Aggregate Bond Index fell by 0.05% in the month as longer rates rose marginally, reflecting an approximate yield of 1.7%.

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years
Domestic Equities						
Dow Jones	5.9%	3.0%	18.8%	37.7%	15.1%	17.2%
S&P 500	7.0%	5.1%	24.0%	42.9%	21.5%	18.9%
Russell LG Value	5.1%	3.4%	22.0%	43.8%	13.9%	12.4%
Russell LG Growth	8.7%	6.4%	24.2%	43.2%	29.4%	25.5%
Russell 2000	4.3%	3.4%	17.2%	50.8%	16.5%	15.5%
NASDAQ	7.3%	5.8%	20.9%	43.0%	29.7%	25.7%
MLP Index	5.0%	5.7%	46.3%	85.7%	0.0%	-0.6%
REIT Index	7.1%	2.8%	30.2%	45.7%	15.3%	11.1%
International Equities						
EAFE	2.5%	1.4%	11.5%	34.8%	12.1%	10.3%
EAFE Small Companies	1.6%	0.8%	12.1%	36.2%	13.8%	11.8%
Emerging Markets	1.0%	-0.4%	0.0%	17.3%	12.7%	9.8%
China	3.2%	-2.0%	-14.0%	-9.1%	11.6%	10.4%
Fixed Income						
US Agg	0.0%	-1.1%	-1.6%	-0.5%	5.6%	3.1%
US High Yield	-0.2%	0.3%	4.4%	10.5%	7.4%	6.4%
Municipal Bonds	-0.3%	-1.4%	0.5%	2.6%	5.2%	3.4%
Currencies						
EURO	-0.2%	-2.6%	-5.5%	-0.8%	0.6%	0.8%
British Pound	1.7%	-1.6%	0.2%	5.9%	2.3%	2.3%
Japanese Yen	-2.2%	-3.8%	-9.5%	-8.3%	-0.3%	-1.7%
Commodities						
Bloomberg Commodity	2.6%	7.4%	32.5%	43.9%	8.6%	5.2%
S&P GSCI Crude Oil	12.2%	14.6%	77.0%	137.1%	-13.3%	-2.9%
Gold	1.5%	-1.8%	-6.5%	-6.1%	12.0%	5.7%

Commodities: WTI Crude Oil rose by **$8.6/barrel to $83.6/barrel** in October. Strong demand and supply shortages pushed energy prices higher in the month. Both OPEC and Russia have not committed to increasing output despite requests from Europe and the US. **Gold** prices rose by $**24/oz** to close at **$1781/oz** as the Dollar traded in a narrow range and Treasury yields remained stable. Also, investors were in a “risk on” mode during the month as the equity markets surged and diverted capital from low-risk assets such as Gold to stocks.

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Index Definitions
The S&P 500 Stock Index is an unmanaged market capitalization index of 500 US equities generally considered to be representative of US stock market activity. The Morgan Stanley Capital International World Index is a market capitalization-weighted equity index of over 1,500 stocks traded in 22 world markets. The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on the NASDAQ Stock Market. The Index is market value-weighted. The SB World Bond Index is a market capitalization weighted index of 18 Government bond markets composed of sovereign debt denominated in the domestic currency. The Lehman Aggregate Index is a benchmark index made up of the Lehman Brothers. The Hennessee Hedge Fund Indices® are calculated from performance data obtained from publicly available information, internally developed data and other third party sources believed to be reliable. MSCI EAFE is a stock market index that is commonly used as a benchmark for the performance of major international equity markets. The MSCI Emerging Market Index is an index created by Morgan Stanley Capital International (MSCI) that is designed to measure equity market performance in global emerging markets. The Russell 1000 seeks to track the investment results of an index composed of large- and mid-capitalization U.S. equities. The Russell 2000 seeks to track the investment results of an index composed of small-capitalization U.S. equities. The Russell 2500™ Index measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as "smid" cap. The Barclays Capital Global Aggregate Bond Index is designed to be a broad based measure of the global investment-grade, fixed rate, fixed income corporate markets outside the United States. The Barclays Capital US Gov/Credit bond Index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year.

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