Insight Newsletter
FOURTH QUARTER 2021

Litman Gregory
WEALTH MANAGEMENT

Investment Commentary

Market Recap

It's been another remarkable year for the S&P 500 Index, with the index of large-cap U.S. stocks returning a stunning 28.7%. It meaningfully outperformed U.S. small-cap stocks (the Russell 2000 Index was up 14.8%), developed international stocks (MSCI EAFE Index, up 11.3%), and emerging-market (EM) stocks (MSCI EM Index, down 2.5%) for the year. Much of this outperformance occurred in the fourth quarter, with the S&P 500 gaining 11.0%, compared to 2.1%, 2.7%, and -1.3% for small caps, developed international stocks, and EM stocks, respectively. (For a more recent update from our Research Team, please refer to the following article and our blog post, "Research Commentary on Recent Market Volatility.")

A strong dollar, the renewed surge in COVID-19 infections late in the year (particularly in Europe and emerging markets), and China's policy-induced economic slowdown and stock market decline drove the disparity of returns. The MSCI China Index sank 21.7% for the year and lost 6.1% in the fourth quarter. Chinese stocks comprise roughly 35% of the MSCI EM Index. The MSCI EM ex-China Index gained 10.0% for the year.

Turning to the bond markets, the core bond index (Bloomberg US Aggregate Bond Index) lost 1.5% for the year, as interest rates rose moderately. The benchmark 10-year Treasury bond yield ended the year at 1.51%, compared to a 0.92% yield at the end of 2020. Given the very sharp rise in inflation, most pundits would not likely have predicted such a mild increase in bond yields.

Finally, credit markets fared much better than core bonds in 2021. The U.S. high-yield bond index returned 5.4% (ICE BofA ML High Yield Cash Pay Index) and the floating-rate loan index gained 5.2% (S&P/LSTA Leveraged Loan Index). These returns were consistent with our expectations for a recovering and growing economy.

Investment Outlook and Portfolio Positioning

Our base-case macro and market scenario is cautiously optimistic: that the pandemic recedes (but doesn't disappear), the global economy slows but still grows above trend, corporate earnings growth slows but is still solid, the U.S. rate of inflation remains elevated but is falling, and U.S. interest rates rise moderately.

That would be a positive scenario for the economy and global equity and credit markets, although not for the core bond market. But even in the best case, it likely won't be a smooth journey: The pandemic remains uncontained, domestic and global political and social tensions are elevated, the risks of an economic policy mistake have risen, and any number of other bumps in the road (or worse) may occur. And were we to see a

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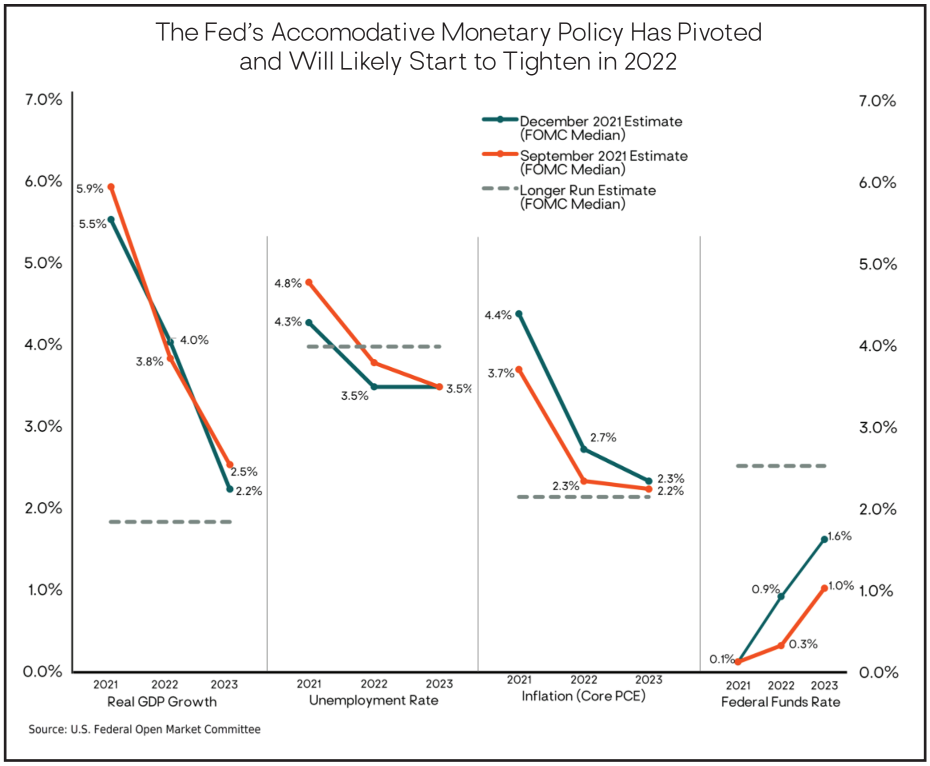
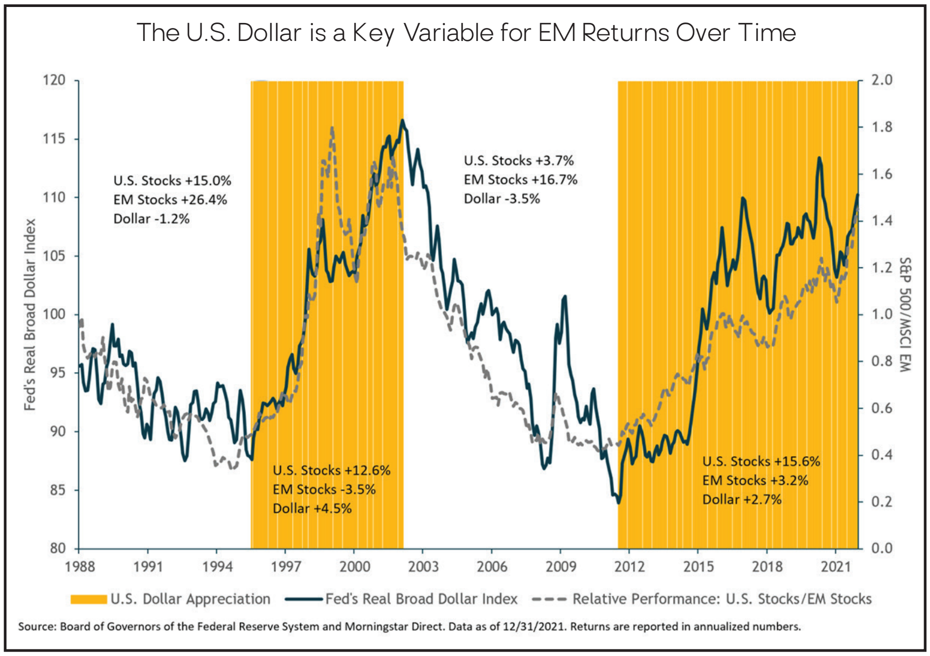
sharply inflationary environment that is well above our, and current consensus, expectations it would undoubtedly be damaging for both stocks and bonds, as interest rates rise and equity market valuations fall.



All these considerations (and more) factor into our analysis and current tactical portfolio positioning. We could potentially benefit nicely from our highest-conviction tactical shifts in our base case, but we believe our portfolios are also strategically balanced and well-diversified across a range of global asset classes, alternative strategies, and risk-factor exposures. This should enable them to be resilient should a risk scenario or shock outside our base case occur.



Overall, our portfolios are positioned with (1) a small overweight to global equities, through our tactical overweight to EM stocks; (2) a large overweight to flexible, actively managed fixed-income funds and floating-rate loan funds; (3) core positions in lower-risk and diversifying alternative strategies; and (4) a large underweight to core bonds (interest rate/duration risk).

In most portfolios we also have core holdings in private equity and private real estate funds run by skilled and experienced managers with strong track records. These investments offer attractive long-term return potential plus additional portfolio diversification benefits relative to publicly traded securities.

Within our global equity allocation, we continue to maintain balanced allocations across the "value-blend-growth" style spectrum (either via active managers or diversified market index ETFs), as we do not have a high-conviction tactical view on individual sectors, styles, or factors. We do see potential for value and cyclical stocks to rebound (again) as COVID-19 recedes and interest rates rise. And value stocks in aggregate still look very cheap versus growth. But we also want to maintain exposure to high-quality, innovative growth companies with strong competitive advantages that are priced at not-unreasonable valuations. (There are still some out there.)

A noteworthy point on our tactical overweight to EM stocks is that we are actively evaluating the relative opportunity between EM and European equities. This is somewhat of a moving target as relative valuations shift, but if five-year base-case returns for European equities become sufficiently attractive, their lesser exposure to some of the risks faced by EM could lead us to shift a portion of the overweight from EM to European stocks. Evaluation of relative opportunities is a regular part of our ongoing process, but in this case, we expect to reach a conclusion early in the year.

Our fixed-income positioning reflects the poor return outlook for the core bond index: The index is starting from a low sub-2% yield and interest rates are likely to rise over the coming quarters, at least until a recession hits. Our active, flexible fixed-income managers have a strong likelihood, in our view, of outperforming the index without taking imprudent risks. But we still maintain a meaningful core bond allocation in our more conservative balanced portfolios as ballast in the event of a recessionary scenario, which would hurt flexible, credit-oriented bond funds as well as stocks.

Finally, our allocations to marketable alternatives are largely a substitute for some fixed-income exposure. Again, we believe these "alt" positions offer better return prospects plus beneficial diversification across a range of scenarios beyond a traditional recession where core bonds shine.

Closing Thoughts

The last two years have been extraordinary in many respects. Amidst the COVID-19 pandemic and all the chaos it has wrought, there have been many reminders that markets commonly defy consensus predictions and confound investors in the short term. In the face of a deep drop in economic activity early in the pandemic, markets rebounded and have racked up remarkable gains since. More recently, as supply chain and labor market disruptions have been among the contributors to a spike in inflation, increases in bond yields have been surprisingly mild. Of course, surprises that defy prediction happen in both directions, and this is why we maintain broad diversification and focus squarely on the long term, which can be analyzed with much higher confidence—even while we work hard day in and day out to understand how the never-ending stream of new developments will impact the portfolios we manage.

As always, we thank you for your trust and welcome questions you may have.

Visit www.lgam.com/blog to read the full Commentary from Chief Investment Officer Jeremy DeGroot.

—Litman Gregory Investment Team (1/7/2022)

Research Commentary on Recent Market Volatility

The fact that market declines are a normal part of investing in stocks and happen relatively often doesn't make them any less unnerving to investors whose financial security may seem to be at stake. It's worth a reminder that for investors with a thoughtfully constructed portfolio that considers both their temperament and their financial ability to take on risk, shorter-term market declines are not a threat to achieving their financial goals. The real threat to meeting their goals comes from a failure to stay invested through these inevitable declines.

The questions in any decline are always the same: What has been missed? Is it different this time? And the financial media turns from reporting on experts explaining why the market can keep going up to experts explaining why it can keep going down. Most helpful to maintaining a discipline in these times is to consider the underlying fundamentals, where we are likely to be left when the noise dies down, and to consider the rich historical context of how downturns typically play out.

Looking at today's backdrop, the declines have been largely driven by heightened expectations of the Federal Reserve's plans for tightening this year that is leading to severe drops in many growth/tech stocks, which have experienced significant gains in recent years. Since reaching a high on January 3rd, the broader market

(S&P 500) was recently down almost 10%—the mark at which a correction is formally reached. The tech-heavy Nasdaq 100 index was recently down 14% from its high; the small-cap growth stock index, which contains many speculative and currently unprofitable businesses, was off 16%.

Fed policy is driven primarily by concerns about inflation, and in December the Fed signaled it expected to raise interest rates (tighten policy) several times in 2022 to cool the economy down. But there haven't been any changes in Fed policy in the past two weeks. Nor, has there been any meaningful change in the underlying economic growth fundamentals. So, we chalk up most of this recent market volatility to the ever-fickle nature of short-term market sentiment and herd behavior.

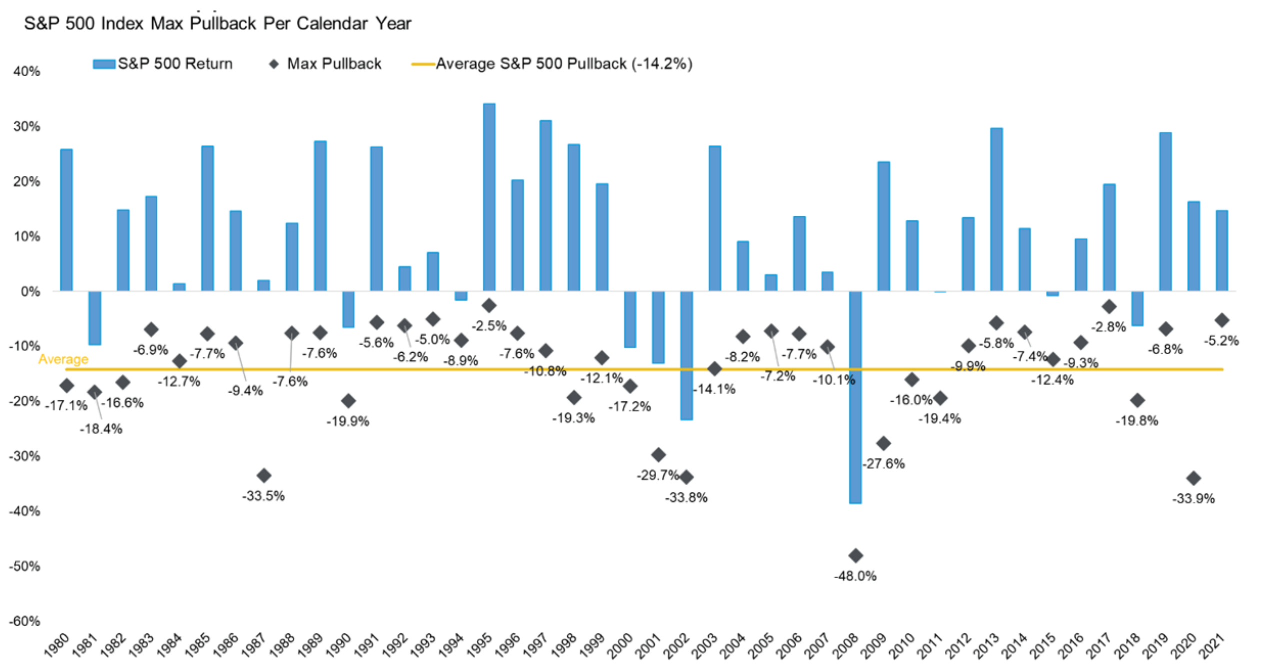
We continue to believe that a severe bear market is unlikely without a recession, and the economic and earnings growth fundamentals and macro backdrop still look sound this year. We expect growth to decline from 2021's pace but still remain above-trend. However, we have also highlighted—and continue to keep a close eye on—key risks, including the potential for the Fed to tighten policy more sharply than the economy can handle, a wage-price inflation spiral taking hold, a Russian invasion of Ukraine and/or a sharp slowdown in the Chinese economy. COVID-19 also remains a wildcard that we continue to monitor closely.

In terms of historical context, it is helpful to remember that in every market decline the same concerns are raised and each decline has fundamental similarities: fear over how far it could go followed by a reversal during which much better returns are realized. Consider that since 1950, 10% or greater market drops happen on average once a year. They are to be expected. Bear markets (20%+ drops) happen every six to seven years on average.

Meanwhile, the average rebound in the 12 months following a market bottom is 41% and over the subsequent five years it is 93%, which highlights the point that selling after a decline effectively captures some or all of the downturn and misses the rebound—a sure recipe for failure.

As always, we will monitor developments and consider new information objectively. Rather than pulling back on stocks, it is more likely if we see significant further declines that we would be adding to our equity allocation at much more attractive valuations. Meanwhile, we believe our portfolios are well diversified and built to withstand downturns consistent with their risk profiles. Please feel free to reach out to discuss your portfolio with your advisor; we welcome your questions and appreciate your trust.

Pullbacks Happen and Are Normal



Source: LPL Research, FactSet 10/05/2021 (1980 - Current)
All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.

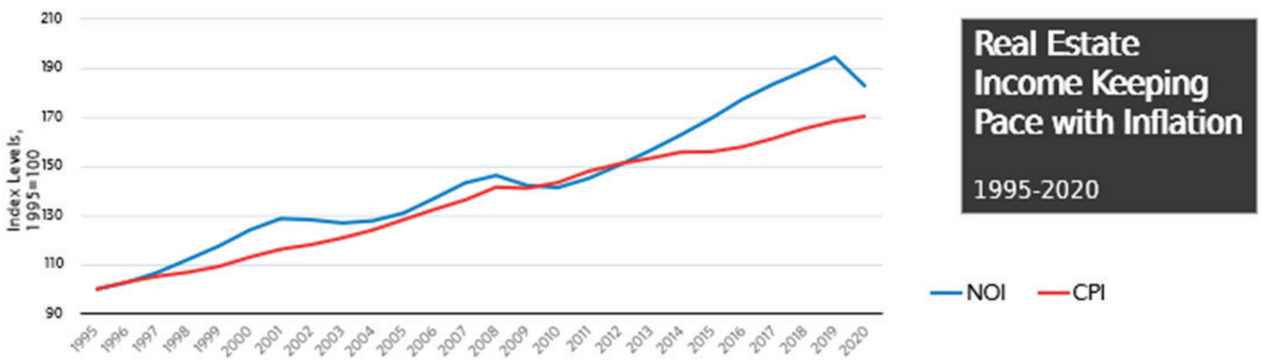
Real Estate Is Part of the Foundation in Our Highest-Conviction Portfolios

Litman Gregory has long used real estate investments in the portfolios we manage for our clients. For many investors, real estate is simple in concept: it involves owning properties that generate rental income and that one hopes will appreciate in value over time. These two components deliver a return to a real estate owner or investor. But beyond those basics there's a lot more going on "under the roof." In this research update we take the chance to share an in-depth explanation of how we analyze and utilize real estate investments in client portfolios.

Our Underlying Assumptions About the Real Estate Market

There are several foundational assumptions that inform how we think about investing in real estate. First, real estate will typically have significant areas of inefficiency. This is because the size of the private real estate market is massive, and because there is a huge amount of variation in the factors that affect individual properties; literally every property is unique. Another factor is the nature of investors in real estate: institutions are major players in larger, high-class properties but there are many market niches that are collectively large but that individually fall under the radar of institutions. Inefficiency is common in those areas. There is also a wide range in the level of skill, experience, and resources of real estate investors. Less sophisticated amateur and semi-professional investors can contribute to inefficiencies.

Private Real Estate Historically Has Acted as a Hedge Against Inflation



Source: Green Street Advisors, Bureau of Labor Statistics. Data as of December 31,2020. Real Estate Income is represented by net operating income (NOI) growth, which is the average NOI growth by year across the apartment, industrial, mall, office and strip retail sectors. Inflation is represented by the Consumer Price Index (CPI), which measures changes in the prices paid by urban consumers for a representative basket of goods and services. NOI may not be correlated to or continue to keep pace with inflation. Past performance does not guarantee future results.

We believe skilled investors can take advantage of market inefficiencies and deliver very attractive returns while successfully managing risk. We seek to identify and allocate to these investors.

Our Investment Philosophy for Real Estate

An investment in a real estate partnership is relatively illiquid and an investor should expect additional compensation for that versus a combination of more liquid stocks and bond investments. We look for real estate investment managers who specialize in inefficient areas of the market that allow them to be opportunistic. We want to see they have return drivers that are within their control rather than external such as broader market forces. These "controllable" return drivers can result from their superior expertise within their specialized areas in terms of buying and operating properties.

Two of the real estate firms we have selected for our clients are good examples. One firm focuses on inner city properties in rent-controlled areas where supply/demand dynamics are favorable and there are not many sophisticated investors. They have very strong expertise in their neighborhoods, have a strict and well-informed valuation discipline, and excel at managing properties with challenges that more mainstream buyers avoid.

Another firm we like is more of an opportunistic real estate investor. They have a deep and valuable network for co-investment real estate opportunities that has been cultivated over many years. As a value buyer, they seek to take advantage of complex and dysfunctional ownership structures where eliminating the dysfunction allows the properties to be managed in ways that unlock value and significantly improve outcomes.[1]

Assessing Risk in Real Estate Investing

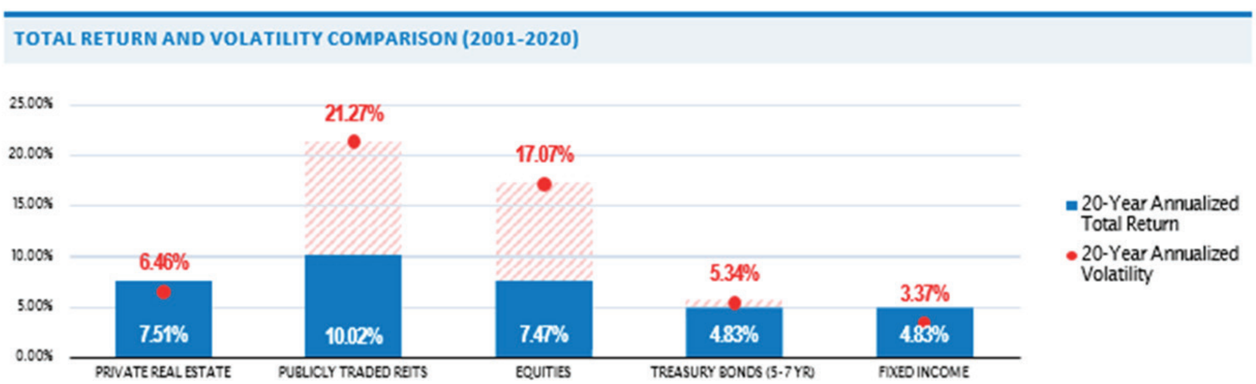
There are certainly risk factors that are unique to real estate, and we will cite a few. It is first and foremost a levered asset class, so a major economic downturn could negatively impact property values and have a magnified impact on returns due to leverage. Historically, an investment can recover but overall rates of return over the life of the investment can be negatively impacted. Investors also take on regulatory and political risk, such as legislative actions that can impact values. In a low-interest-rate environment, valuation risk in private real estate can be relatively high, as it would be with most other asset classes.

A way to measure valuations is through the cap rate, which measures the income on a property relative to its purchase price (in effect a "rental yield"). The means by which cap-rates can increase is a decline in property values, and the risk of cap-rate expansion is elevated in an environment of rising interest rates. However, higher rent growth can offset cap-rate expansion. When combined with owning property in locations where supply/demand dynamics are positive, rent growth has the potential to outweigh the negative impact on returns from cap-rate expansion. This is a key attribute of private real estate and an important reason why this asset class has historically served as a relatively good inflation hedge.

Having said that, in most longer historical periods (10 years and beyond) the primary return drivers for real estate and operators like those mentioned above are relatively reliable, given they follow a very disciplined approach that leverages their unique knowledge and skill.

In contrast to real estate investors in smaller, niche opportunities are the very large institutional operators. They may have a high level of skill and resources but the need to put enormous amounts of capital to work generally requires them to focus on very large institutional properties and compete against similar firms with similar expertise. They can provide very broad "beta" (or market performance) exposure to large areas of the overall real estate market but there is far less opportunity to generate good returns by exploiting inefficiency and being opportunistic.

Over the Past 20 Years, Private Real Estate Has Delivered Attractive Returns, With Low Volatility



Note: We cannot guarantee that we will make distributions, and if we do we may fund such distributions from sources other than cash flow from operations, including, without limitation, the sale of assets, borrowing, return of capital or offering proceeds, and we have no limits on the amounts we may pay from such sources. There can be no assurance we will meet our investment objectives. Although our share price is subject to less volatility compared to public REITs, the value of the underlying real estate may fluctuate and may be worth less than was initially paid for it. Our shares also have limited liquidity when compared to publicly traded REITs. The appraisal of properties is subjective and the NAV may not accurately reflect the actual value of such properties.

Source: Morningstar Direct. 20-year period ending December 31, 2020. Private real estate is represented by the NCREIF Open-End Diversified Core (NFI-ODCE) Index, which is a capitalization-weighted, gross of fees, time-weighted return index with an inception date of January 1, 1978. Published reports may also contain equal weighted and net of fees information. The term Diversified Core Equity style typically reflects lower risk investment strategies utilizing low leverage and generally represented by equity ownership positions in stable U.S. operating properties diversified across regions and property types. An investment in Starwood Real Estate Income Trust is different than the NFI-ODCE, which is not an investable index. Like funds in the NFI-ODCE, Starwood Real Estate Income Trust is a diversified, core, perpetual life commercial real estate investment alternative. Private real estate is not traded on an exchange and has less liquidity and price transparency. Equities are represented by the S&P 500 Index and are subject to market risk. Publicly Traded REITs are represented by NAREIT All Equity Index. Treasury Bonds are represented by the Barclays US Treasury 5-7 Yr Index and is subject to interest rate risk. Fixed Income is represented by the Barclays US Aggregate Bond Index and is subject to credit risk. Government bonds are guaranteed as to the timely payment of principal and interest. Indices are meant to illustrate general market performance; it is not possible to invest directly in an index. The indices presented represent investments that have material differences from an investment in a non-listed REIT, including those related to investment objectives, risks, fees and expenses, liquidity and tax treatment. Past performance does not guarantee future results.

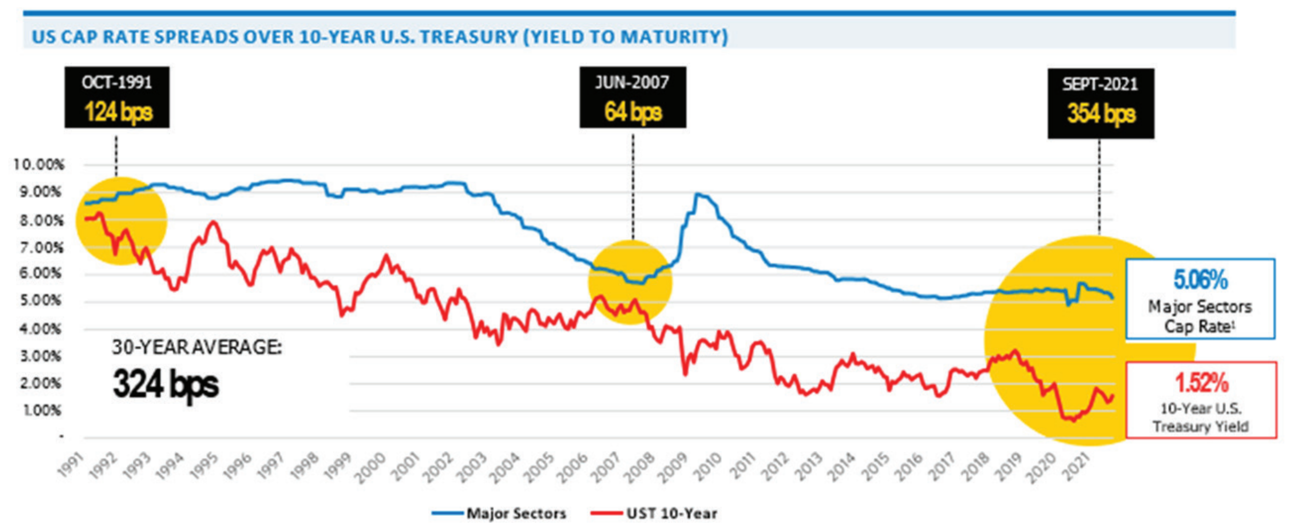
[1] See Past Specific Recommendation Disclosure

That said, we will also invest selectively with more “blue-chip” or “core” real estate-oriented firms; those typically have lower leverage and invest in stable, high-quality properties and carry lower execution risk (since they are not doing value-add or development strategies) that are theoretically lower risk with a narrower (and lower) potential return range than what one should expect from a niche strategy.

Looking to Add Portfolio Through Real Estate Investment Strategies

We seek direct real estate investment funds that have the potential to capture some return premium above the asset class return. This requires some value-added component either from portfolio positioning or individual investment opportunities or both. We seek operators with experience, a track record, meaningful investment by the General Partner, and a demonstrated commitment to their performance. Management fees, and profit sharing should be within industry standards (including preferred returns). These types of funds are interesting as a portfolio diversifier, especially when real estate as an asset class is attractive relative to core financial assets, and they offer a risk/reward relationship that falls between stocks and bonds. When that is the case, we incorporate these larger more “blue chip” strategies in our real estate allocation to complement value-added and opportunistic funds that we favor.

Private Real Estate Offers Strong Relative Value



Sources: Green Street Advisors, FRED St. Louis. Data as of September 30, 2021.
1. GreenStreet defines "Major Sectors" as the equal-weighted average of the asset-weighted averages for the five major property sectors (Apartment, Industrial, Mall, Office, and Strip Center).

We believe there is a strategic case to owning private real estate in portfolios—partly because of its relatively low correlation to stocks and bonds and its potential to hedge inflation. Selective investment in real estate in the right areas allows us to build better diversified portfolios with unique return drivers that add long-term value. As such, we view it as an important tool in our investment toolkit and we devote research resources here as part of our effort to deliver better returns for clients.

And as always, please feel free to reach out to your Litman Gregory advisor to discuss your own portfolio and investment situation. We welcome your questions.

Past Specific Recommendations: *These companies represent two positions in our Real Estate strategies. The securities identified and described above do not represent all of the securities purchased, sold or recommended for client accounts and were selected for informational purposes to demonstrate the investment strategy*. The reader should not assume that an investment in the securities identified was or will be profitable. Model portfolios may or may not contain any specific security at any time, and decisions to invest should not be made based on the presumed or current composition of any model portfolio. The mention of these specific holdings does not constitute a recommendation by LGWM. LGWM retains the right to revise or modify portfolios and strategies if it believes such modifications would be in the best interests of its clients.*

All Eyes Are On Inflation

Rising consumer prices are one of the many unwelcome consequences of the COVID-19 pandemic, and inflationary fears have become a reliable topic for the investment news media. We've discussed inflation at length in recent investment commentaries but given its importance we wanted to address the topic again and provide an updated review. Our focus here is not on sharing deep analysis of inflationary pressures, but rather to share our high-level views and reasoning on how inflation might play out in the quarters and years ahead and how we're factoring that into our investment positioning.

Early in the pandemic the sharp decline in economic activity was deflationary, but those forces have now rolled off the year-over-year numbers. Meanwhile the sharp rebound in economic activity combined with supply chain disruptions and labor shortages have led to the highest inflation readings in the U.S. in thirty years.

A shorter-term spike in inflation can hurt certain areas of the stock and bond markets while being friendlier to others. But we are long-term investors in part because we have more confidence in our ability to assess the long-term fundamental trends than we can the short-term market zigs and zags. So, the big question for us is the degree to which the forces driving higher inflation are temporary versus likely to be sustained for the longer term.

We have expressed our belief that a good portion of current inflation readings are a temporary result of the economic disruption caused by the pandemic. This notably includes supply chain problems (e.g., factories in Asia closed due to the pandemic) and the difficulty in getting workers (e.g., truckers to transport containers offloaded in Los Angeles ports). In addition to these supply-side impacts, the pandemic has also led to a sharp spike on the demand side for consumer goods (e.g., home improvement products, exercise equipment, cars). It is econ 101 that when supply contracts and demand expands, prices rise. This is what we've seen.

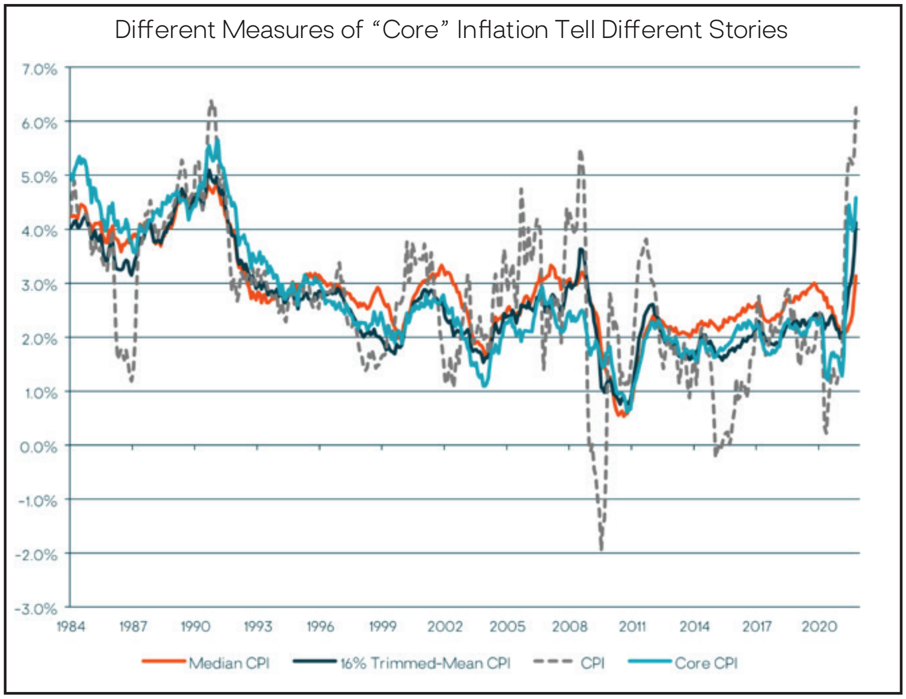
What it also means is that these pandemic-related inflationary forces can be expected to ebb in the quarters ahead and return toward more normal historical levels as these forces subside (supply chains normalize, more people feel the need and confidence to return to work, and consumer demand reverts to a more normal mix between goods and services).

But there are two caveats to this.

First, as we've noted, this view assumes ongoing global progress against the pandemic as our base case. Unfortunately, we can't rule out another severe pandemic-related economic disruption—for example, from a new highly contagious and deadly variant. Now we have Omicron. The coming weeks will tell us more, but at this point it appears Omicron may be more transmissible thanks to mutations that reduce immunity, but it does not appear any more dangerous than prior strains (and possibly is less so). We will require more information before determining whether Omicron impacts our thinking on inflation (and the macroeconomic backdrop more broadly), but at this point we can say it seems unlikely Omicron by itself will materially change our long-term view on inflation.

We have also said that while we expect the inflationary forces brought on by COVID-19 to ease, we also believe we are likely to see higher inflation in the years ahead than we saw in the decade before the pandemic. It is helpful to remember that the inflationary environment in the years leading up to COVID-19 was extraordinarily benign. In other words, we'd have expected to see inflation gradually increase even without the impact of the pandemic. In fact, in our long-term view (independent of COVID-19) we believe that TIPS, which are inflation-linked Treasury bonds, play an important role in many of our long-term "strategic" portfolio allocations, as they provide dedicated protection against inflation.

Without teasing apart all the contributing factors, it is clear that inflation is in fact a growing concern. The following chart shows that on a year-over-year basis, headline Consumer Price Inflation (CPI) increased 6.2% in October. Core CPI (excluding food and energy prices) rose 4.2%, year-over-year. Median CPI, which the Federal Reserve also closely watches, increased 3.1% year over year, while the Trimmed-Mean CPI,

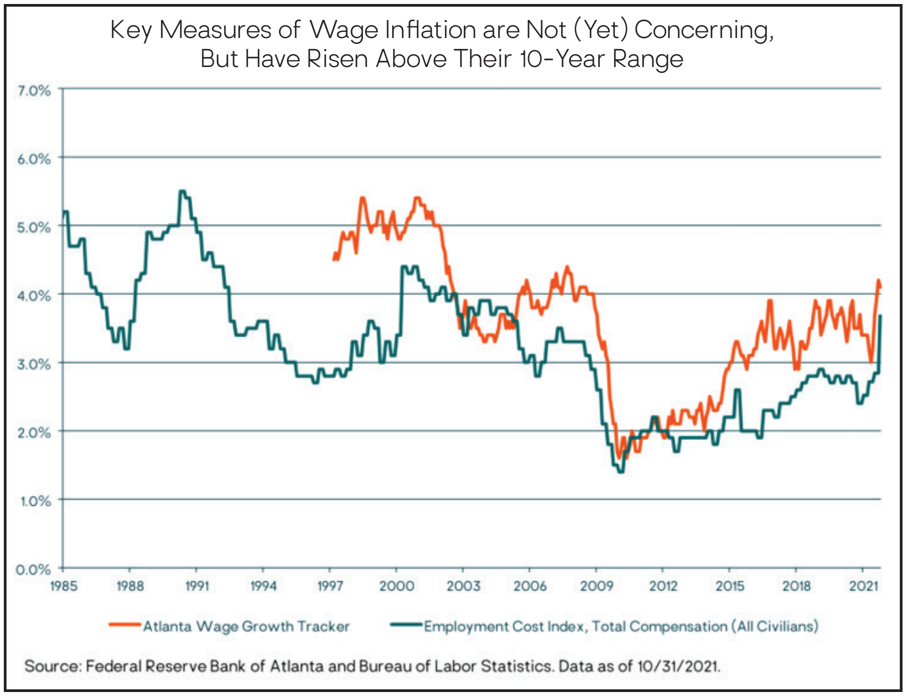


which excludes CPI components with the most extreme monthly changes, rose 4.1%, the most since July 1991. These latter two measures exclude inflation outliers and indicate a broad-based increase in consumer prices.

One very important component of consumer inflation is Shelter. It accounts for about one-third of headline CPI and nearly 40% of core CPI. Shelter comprises two components: (1) rent prices paid by renters, and (2) "owners' equivalent rent," which is what homeowners say they would charge if they were renting their home. Shelter prices overall rose 3.5% year-over-year in October. And with national home prices surging, we expect to see that continue to flow through into higher shelter prices in the months ahead. (Shelter price inflation reflects home price inflation with a lag.)

What the core inflation measures are telling us is that price increases have spread out across more categories, and inflation is not being driven by just a few outliers anymore (such as car prices, which were clearly impacted heavily by supply-side disruptions).

Where does that leave us? On one side we have inflationary forces that we have good reason to expect to ease, while other measures show inflation that is both increasing and broadening. At the risk of getting technical, we will share the reasons we aren't highly concerned about the recent high inflation rates being sustained in the years ahead.



Source: Federal Reserve Bank of Atlanta and Bureau of Labor Statistics. Data as of 10/31/2021.

Beyond the broad core inflation readings, everyone, including the Fed, is focused on two other inflation indicators: (1) wage inflation and (2) inflation expectations. These indicators are also moving higher, but are still not signaling a high risk of *sustained high* inflation.

With regard to wages, this chart shows that key measures of wage inflation have increased over the past several months, but still remain within a normal historical range.

With respect to inflation expectations, the Fed follows a metric called the "5-year/5-year" – a measure of the expected headline CPI inflation rate for the five-year period starting five years from now (the inflation rate for years 2026 through 2030). This is a market-derived inflation expectations calculation based on Treasury and TIPS bond yields. It has moved up recently, but it is still in a range that the Fed is comfortable with and that is consistent with their 2% core inflation target.

Another inflation-expectations measure the Fed pays a lot of attention to is the Index of Common Inflation Expectations (CIE). It is a composite of 21 market and survey-based measures of expected inflation. The Fed believes the CIE index effectively captures the general trajectory of long-term inflation expectations. It is also not in a red alert zone. The CIE is updated quarterly, and the September 30 number was 2.06% compared to 2.05% at the end of June.

Putting it all together, we'd say the inflation data are pointing to continued inflation pressure over the next few quarters at least. But our base-case view is that the recent 4%–5%-6% CPI inflation readings are driven by mostly transitory, pandemic-related supply and demand factors. The economy still appears to have meaningful slack and excess capacity as indicated by the labor market still being several million jobs below its pre-pandemic level (when core inflation was also below 2%).

However, given the Fed's new inflation targeting approach (which uses average inflation over longer periods), inflation readings may remain above 2% on a more sustained basis going forward than we saw over the past 10 years. Our strategic and tactical portfolio allocations take into account an expectation for higher inflation (and, likewise, higher interest rates) over the coming decade than what we've seen over the past decade. But they do not contain more aggressive hedges against a sharp and sustained spike in inflation in the near term.

A key reason we don't see the need for an aggressive inflation hedge is that we don't see evidence of the type of self-reinforcing wage-price spiral necessary to generate sustained high inflation rates, as was the case in the 1970s for example. But there are crosscurrents in the recent data, and our eyes will remain on inflation and our views will continue to evolve with the data.

Year-End Reflections

As we reflect on the past year, we recognize that it has seen its share of turbulence, just as 2020 did. But as portfolio managers and financial advisors, we can't help but be optimistic for the future knowing the long history of progress – both in our global economy, and within our own firm. Even in the face of unusual times and periods of uncertainty, we lead our clients towards decisions that allow them to achieve the peace of mind we all strive for but can find difficult to obtain alone. During that process, Litman Gregory is also encouraged to change and grow as an organization. In the face of new challenges and opportunities, thoughtful change has been critical to our success and our continuous effort to better serve our clients. Our evolution is always guided by an obsession to make a positive difference in our clients' lives.

In 2021, our firm's evolution reached a new level with the integration of Litman Gregory into iM Global Partner. Since the combination, we have experienced a company that has proven to be greater than the sum of its parts. iM Global Partner's research team brought additional research analysts, a Global Chief Investment Officer, and new analytical tools. The Litman Gregory team brought its more than three decades of experience as trusted investment counselors and wealth advisors, along with a fantastic client service and operations team. The integration has also led to enhanced operations across the firm, with additional efficient technologies deployed in the second half of the year that free up more time for us to spend with our clients. Along with these enhancements, our expanded leadership team has supported the addition of more client resource personnel, both recently and expected into 2022. Next year, we will turn our focus to deepening engagements with our clients and expanding even further the services that we can offer them.

But those that know us well are aware that corporate integrations are nothing new to Litman Gregory. We have successfully acquired and integrated advisory services in the past, and in fact, in conjunction with iM Global Partner we just recently welcomed Senior Advisor Cynthia Morris from Sensiba San Filippo CPAs to the Litman Gregory Wealth Management family.

Through all our transitions, one thing has remained clear: We are truly grateful for the relationships we have with our clients, as they and their families have become the reason that we all take time from our families to be part of this organization and its purpose. The trust placed in us to do our best every day is our motivator, and we take that responsibility with great pride.

As we guided year end planning, we were ultimately inspired by our clients' own generosity, which we see in the many philanthropic plans we help them design. And, thanks to our clients, we were also able to give back and be of support within our local communities. During 2021, we offered financial contributions to several deserving organizations doing amazing work: *Compass Family Services (San Francisco), Shelter, Inc. (Contra Costa), American Cancer Society (Stockton), the NAACP Legal Defense Fund, Women's Center Youth & Family Services, Ready to Work (San Joaquin), The Marin Headlands Nature Conservancy, and the Food Bank (Bay Area).*

We appreciate the opportunity to serve you and will continue to work hard to earn and maintain your trust.

Wealth Management Team Updates

We are committed to providing a deep team of experienced professionals to support our clients' financial success in the decades and generations to come. Below, we share news of the recent developments and other updates within the Litman Gregory team.

Sensiba San Filippo's Cynthia Morris and Clients Join Litman Gregory

Litman Gregory Wealth Management and Sensiba San Filippo Financial Advisers (SSFFA), a subsidiary of Sensiba San Filippo, announced an agreement in which clients of SSFFA and Financial Advisor Cynthia Morris joined the Litman Gregory team in December 2021.

The two firms have a longstanding relationship that included Litman Gregory providing research to support investment management for SSFFA's $52 million in client assets through its AdvisorIntelligence research platform. According to Sensiba San Filippo Co-Founder John Sensiba, "Our firms share a total commitment to clients and over many years have built strong mutual respect for the expertise we each bring in helping them achieve their goals. That client-first focus is reflected in this agreement, which we believe ultimately best serves clients."

iM Global Partner Deputy CEO Jeff Seeley, who oversees Litman Gregory Wealth Management's business, said, "We welcome Cynthia to our team and look forward to continuing to work closely with Sensiba San Filippo in the years ahead. Excelling for clients is driven by great people, and that shows in the strong culture Sensiba has built."

Advisor **Cynthia Morris, CFA, CFP®** joins Litman Gregory as a SVP—Senior Advisor with more than 13 years of wealth planning experience working with high-net-worth clients. According to SSFFA Principal Jerry Krause, "Cynthia shares the passion Litman Gregory brings to helping individuals and families reach their financial goals and it was the great cultural fit that allowed us together to realize this opportunity."

Jared Noland Promoted to VP—Portfolio Trading & Analytics

Since joining the wealth management team in 2015, **Jared Noland, CFA, CFP®** has worked closely with Litman Gregory's Advisors to provide customized financial planning projections and portfolio analysis for our clients and prospective clients. Not long after joining the company, Jared earned his CFP® designation, and over the years he has steadily deepened and expanded his understanding of the firm's research, portfolios, and wealth planning services.

Carter Bertelsen joins Litman Gregory Wealth Management as Associate—Operations

Carter Bertelsen joined the team in November 2021, providing support to the Operations and Wealth Management Services Team with a focus on trade submission and client supplemental reporting. He is a recent graduate of San Jose State University with a Bachelor of Arts degree in Economics.

Cheryl Liu joins iM Global Partner as Associate—Investment Analytics

In this new role, Cheryl Liu is focused on performance reporting for the iMGP Funds and portfolios, and she provides research and analytical support to the Asset Management team. Cheryl is a recent graduate from University of California, Davis. During her studies, she interned at the California Public Employees' Retirement System (CalPERS), where she spent time supporting their economics division.

2022 Annual Outlook Webinar—February 9th

Join us on **Wednesday, February 9 at 10 a.m. PST** for a webinar with Litman Gregory's Chief Investment Officer Jeremy DeGroot, Senior Analysts Jack Chee and Kiko Vallarta, and Senior Advisor Bill Thompson. Discussion topics will include: the economy and financial markets, key risks and opportunities for investors in the year ahead, Litman Gregory's approach to sustainable and ESG investing, and more.

Visit www.lgam.com/2022-annual-outlook-webinar for more information and to register for the event.

Contact

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