Market Update and Model Portfolio Reviews 9/30/2021

Model Strategies Trailing Returns* Compared to Respective Global and Domestic Benchmarks

Higher Risk/Reward Potential

Lower Risk/Reward Potential

Ultra Aggressive		1-Month	3-Month	6-Month	YTD	1-Year	2-Year	Inception
Target Risk/Reward Profile	Model Strategy	-4.29%	-0.83%	6.86%	11.12%	26.08%	23.54%	15.02%
90% Equity	Global Benchmark	-3.89%	-1.50%	4.54%	8.93%	23.84%	15.91%	11.50%
10% Bond	Domestic Benchmark	-4.38%	0.20%	7.59%	13.12%	25.15%	18.90%	14.16%

Aggressive		1-Month	3-Month	6-Month	YTD	1-Year	2-Year	Inception
Target Risk/Reward Profile	Model Strategy	-3.85%	-0.74%	6.22%	9.84%	23.10%	22.05%	13.70%
80% Equity	Global Benchmark	-3.59%	-1.38%	4.14%	7.63%	20.79%	14.26%	10.53%
20% Bond	Domestic Benchmark	-4.01%	0.14%	6.87%	11.37%	21.95%	16.94%	12.88%

Growth		1-Month	3-Month	6-Month	YTD	1-Year	2-Year	Inception
Target Risk/Reward Profile	Model Strategy	-3.47%	-0.68%	5.57%	8.32%	19.63%	19.93%	12.63%
70% Equity	Global Benchmark	-3.28%	-1.25%	3.74%	6.33%	17.77%	12.60%	9.55%
30% Bond	Domestic Benchmark	-3.64%	0.09%	6.15%	9.63%	18.79%	14.99%	11.60%

Growth and Income		1-Month	3-Month	6-Month	YTD	1-Year	2-Year	Inception
Target Risk/Reward Profile	Model Strategy	-3.05%	-0.58%	4.98%	7.21%	17.24%	18.17%	11.38%
60% Equity	Global Benchmark	-2.97%	-1.12%	3.34%	5.02%	14.79%	10.96%	8.56%
40% Bond	Domestic Benchmark	-3.26%	0.03%	5.44%	7.88%	15.68%	13.05%	10.31%

Balanced		1-Month	3-Month	6-Month	YTD	1-Year	2-Year	Inception
Target Risk/Reward Profile	Model Strategy	-2.62%	-0.55%	4.22%	5.92%	14.33%	15.75%	10.08%
50% Equity	Global Benchmark	-2.66%	-0.99%	2.94%	3.72%	11.85%	9.32%	7.56%
50% Bond	Domestic Benchmark	-2.89%	-0.03%	4.72%	6.14%	12.60%	11.11%	9.02%

Moderate		1-Month	3-Month	6-Month	YTD	1-Year	2-Year	Inception
Target Risk/Reward Profile	Model Strategy	-2.24%	-0.46%	3.69%	4.52%	11.39%	12.95%	8.90%
40% Equity	Global Benchmark	-2.36%	-0.87%	2.54%	2.42%	8.95%	7.69%	6.55%
60% Bond	Domestic Benchmark	-2.51%	-0.09%	4.00%	4.39%	9.57%	9.19%	7.71%

Conservative		1-Month	3-Month	6-Month	YTD	1-Year	2-Year	Inception
Target Risk/Reward Profile	Model Strategy	-1.85%	-0.36%	3.18%	3.13%	8.42%	10.27%	7.39%
30% Equity	Global Benchmark	-2.05%	-0.74%	2.14%	1.11%	3.27%	6.07%	5.52%
70% Bond	Domestic Benchmark	-2.14%	-0.15%	3.28%	2.65%	6.57%	7.28%	6.40%

Ultra Conservative		1-Month	3-Month	6-Month	YTD	1-Year	2-Year	Inception
Target Risk/Reward Profile	Model Strategy	-1.48%	-0.28%	2.61%	1.70%	5.42%	7.62%	5.99%
20% Equity	Global Benchmark	-1.74%	-0.61%	1.74%	-0.19%	3.27%	4.46%	4.48%
80% Bond	Domestic Benchmark	-1.77%	-0.21%	2.56%	0.90%	3.61%	5.38%	5.08%

*DISCLOSURE (Click links for sources. If in print, sources available upon request). Calculations & Definitions available upon request. *Trailing returns as of 09/30/2021 and are annualized returns if over 1-Year. See "Model Disclosure" page for important disclosures and information – Total Period Measured 12/31/2016 – 09/30/2021. "Inception" refers to Inception to Date. Inception calculation assumes end of day market prices on 12/30/2016 for starting period values to calculate Inception to Date figures. Performance presented net of highest advisory fee. Views and opinions are of Alternative Capitalis, LLC and are not intended as investment advice or recommendation(s). The results do not represent actual trading and actual results may significantly differ from the theoretical results presented. Past performance is no guarantee of future results.*

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By Dustin Latham, CFA, CAIA, CRPC

To wrap up the third quarter, domestic large cap equities finished out the month of September down -4.65%, but still up year to date by 15.92%. The S&P 500 just eked out it's first 5% drawdown since September 8, 2020. The large cap index saw another record close on September 2 before it worked through the drawdown to September 30. Volatility crept in after the start of the month for the large cap headline index as prices fell and yields rose. Investment Grade Bonds* finished the month down -0.87, while down -1.55 on the year. The yield on the 10-year Treasury rose 10 basis points in September with most of the rise coming the day after the FOMC (Federal Reserve Open Market Committee) meeting. The FOMC meeting on the 21st and 22nd provided insight into the reversing of the asset purchase program with hints pointing to a November tapering and with the gradual wind down of the purchase program by mid 2022. From the press conference, select comments from Federal Reserve Chairman Jerome Powell:

…This is an approach that the Committee will broadly support, and it will put us having completed our taper some time around the middle of next year, which seems appropriate….

….In terms of the, you asked also about the test for November. I think if the economy continues to progress broadly in line with expectations, then I think -- and also the overall situation is appropriate for this, then I think we could easily move ahead at the next meeting or not, depending on whether we feel like that, those tests are met…

….it wouldn't take a knockout, great, super strong employment report. It would take a reasonably good employment report for me to feel like that test is met. And others on the Committee, many on the Committee feel that the test is already met. Others want to see more progress. And, you know, we'll work it out as we go. But I would say that, in my own thinking, the test is all but met. So I don't personally need to see a very strong employment report, but I'd like it see a decent employment report. I mean, it's not, it's, again, it's not to be confused with the test for liftoff, which is so much higher…

Broad commodities continued to rebound in September with Natural Gas prices climbing 32.94% on the month. *In August, the natural gas spot price at Henry Hub averaged $4.07 per million British thermal units (MMBtu), which is up from the July average of $3.84/MMBtu. The August increase reflects hotter temperatures in August on average across the United States compared with July, which caused demand for natural gas in the electric power sector to be higher than expected. Prices rose further in late August when Hurricane Ida caused a decline in natural gas production in the Gulf of Mexico*. A strong dollar in September led to many metals commodities to decline. This included copper, down -6.19%, and iron ore, down -21.07%. These metals play import roles in the Model Strategies with our exposures to Brazil, China, and through our Copper Miners exposure which weighed down performance over the month within the strategies.

On September 20, we rotated holdings across our equity allocation. The changes made the equity side of the model strategies look more value style oriented than before. Concerns continue to mount on the slowing growth picture due to mixed economic data, staggered COVID-19 setbacks, a looming fiscal debt cliff, and the tapering of the quantitative easing (asset purchase) program from the Federal Reserve. Additional risk stems from contagion concerns about Evergrande Group, the second largest property developer in China, defaulting on their debt, in a property market that has seen falling property prices as they look to avoid a Lehman Brothers like event with a bailout from China and existing investors.

In August we added geographic and cyclical risk to the models, without the comfort of much tail risk protection (diversification from high quality bonds and Treasuries), by gaining exposure through the selloffs seen in Airlines, Copper, and China. The question keeps coming up as to whether China is investible or not. We see it as a speculative "yes." The world's second largest economy is doing a fine job of adding to the speculation with the continued unpredictable crackdown on businesses, but we also see opportunity in uncertainty and remain confident that the communist regime will ultimately end the self-inflicted economic damage and remain an engine of global growth. We remain nearly fully invested on the equity side.

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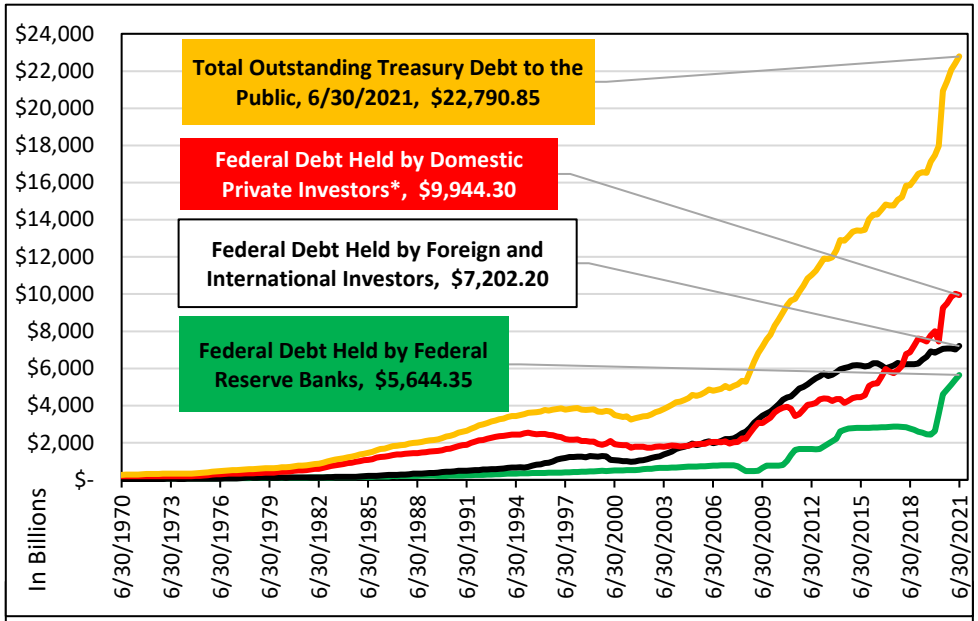

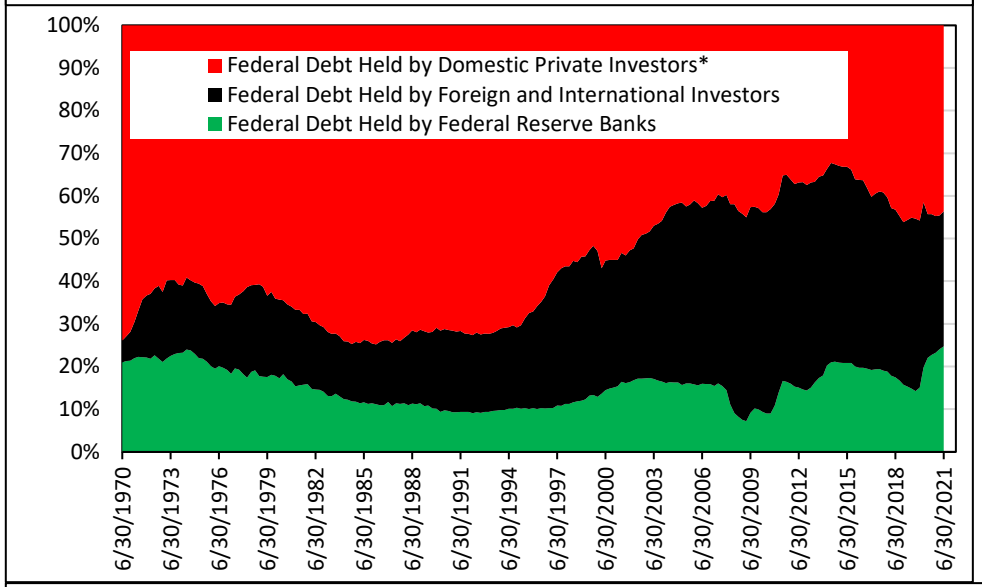

Since early July we have had uneasiness with our forward view of the diversification benefits from longer dated Treasuries given the low interest rate environment. The same uneasiness goes for high quality bonds in general. The backup in interest rates across the Treasury yield curve in September compelled us to begin to increase our weightings to interest rate sensitive investment grade bond exposures on September 27. Facing a potential first ever government debt default on October 18, and inflation fears at large, we see the backup in yields as somewhat self-fulfilling and self-correcting. Meaning higher rates will only go so high until it impacts equities and therefore cause a fall in equities and a safe haven rally back into Treasuries. It could be argued if this were to be the first ever U.S. government debt default, but there's no contingency plan for our model strategies (it's low probability and no viable alternatives). Only in hindsight would it make sense to buy physical gold bars if this happened, as cash is backed by the full faith and credit of Treasuries, not gold. It would have to be physical gold because if you used dollars to buy, for example GLD, well, you're still priced in dollars. Many other central banks also maintain high reserves of US Treasuries, so it is also hard to make the case to short the dollar against another major G10 currency. Foreign holders of debt represent almost 32% of the US government debt outstanding, with most of those holders' central banks (See left the top 10 as of June 30 in millions of dollars). Most market participants see the government debt limit being increased and we will maintain the safe haven currency of choice (see charts left). On average, we are now approximately 88% invested on the bond style side (this is up from the approximate 79% average since our July 8 trimming). This means that across all our Model strategies the target weighting in the bond style sleeve whether it is overall 80% (Ultra Conservative) or 10% (Ultra Aggressive), on average is 88% fully invested to that dedicated weighting. With our Ultra Conservative having 72.6% of the 80% bond style dedicated allocation and our Ultra Aggressive having 8.2% of the 10% bond style dedicated allocation. There is still cash available on both the dedicated allocations to the equity and bond styles for the eight models, which on average is approximately 6.3%.

Japan	1,279,745
China, Mainland	1,061,875
United Kingdom	533,639
Ireland	322,876
Switzerland	304,339
Luxembourg	301,800
Brazil	248,990
Cayman Islands	245,702
Taiwan	239,399
Belgium	228,488

DISCLOSURE (Click links for sources. If in print, sources available upon request). Calculations & Definitions available upon request. Federal Debt Held by Domestic Private Investors = Federal Debt Held by Private Investors - Federal Debt Held by Foreign and International Investors. See "Model Disclosure" page for important disclosures and information. Views and opinions are of Alternative Capitalis, LLC and are not intended as investment advice or recommendation(s). Total Period Measured 12/31/2016 – 09/30/2021 for performance presentation ."Inception" refers to Inception to Date. Inception calculation assumes end of day market prices on 12/30/2016 for starting period values to calculate Inception to Date figures. Performance presented net of highest advisory fee. The results do not represent actual trading and actual results may significantly differ from the theoretical results presented. Past performance is no guarantee of future results. Data for Charts above sourced through the U.S. Department of the Treasury. Fiscal Service, Federal Debt Held by Federal Reserve Banks [FDHBFRBN], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/FDHBFRBN, Foreign and International Investors [FDHBFIN], https://fred.stlouisfed.org/series/FDHBFIN, Private Investors [FDHBPIN], https://fred.stlouisfed.org/series/FDHBPIN, September 29, 2021. Charts above not drawn to scale.*

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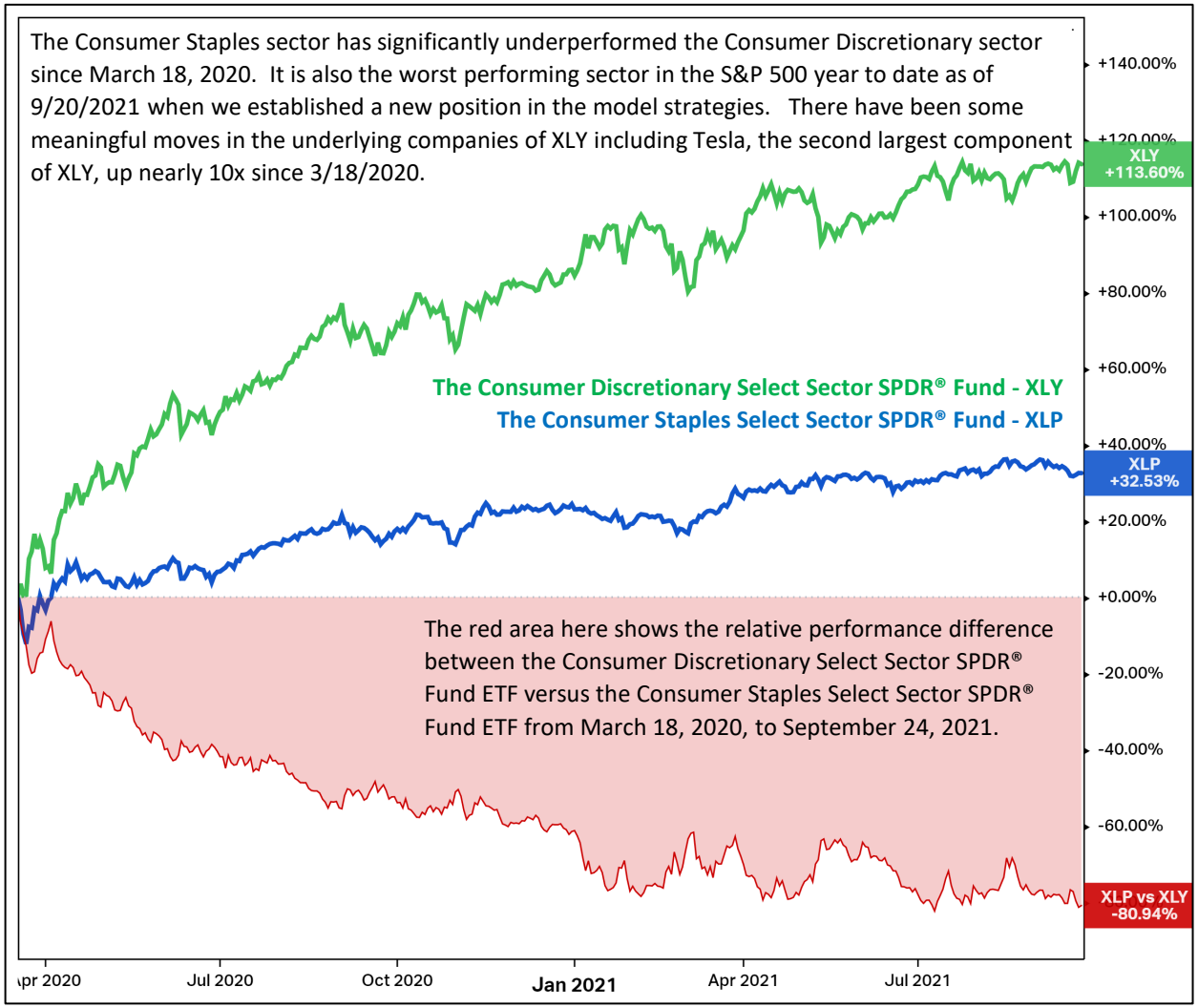

We see our next potential allocation increase to fixed income if the yield curve rises to a level of 1.7-1.8% on the 10-year Treasury and 2.3-2.4% on the 30-year Treasury.

Where do you find value in a near-term expensive market? Relative value is an option, and we see that in the Consumer Staples sector. We also like the defensive posture the sector adds to the equity side of the model strategies with the relative risk we have elsewhere. We are now overweight Consumer Staples and completely exited from the Consumer Discretionary sector (See chart left). We opted to not go the defensive route through the Utilities sector as it goes against our forward view on interest rate risk as Utilities and Real Estate sectors tend to act like bonds in a rising rate environment.

If it's not broken, why fix it? Why pull your winners out and replace them with relative losers? That is what we have effectively done after all. We exited two of our allocations from June of 2020 in the Semiconductor, and Leisure and Entertainment space (SOXX and PEJ, respectively). We also unwound some of our election trades from November of 2020 in the Real Estate and Home Builders exposures. Those exposures provided healthy tailwinds to the model strategies throughout this pandemic. We do not see the economy coming to a grinding halt, but the pandemic is not over, either. We believe that the winners from this peculiar market cycle seem to be fading in certain areas and this warrants pivoting to exposures with near-term downside risk, on balance with longer-term growth prospects from both a price and underlying fundamentals standpoint.

All of the Model Strategies and benchmarks were down on the month. The Model Strategies outperformed all of their domestic benchmarks and half of their global benchmarks. As the dollar strengthened our international and mining exposures provided some of the worst performance in the Model Strategies. Rising interest rates hurt the Models and the benchmarks as well, with few traditional places to hide. The biggest risk ahead in our view is defaulting on our government debt, and the fear of this will likely add to near term market instability. The jobs report will come out on the second Friday of the month on October 8th although could be overshadowed if Congress fails to reach a deal on how to address the government debt limit.

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Model Disclosure

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Thus, the performance shown does not reflect the impact that material economic and market factors had or might have had on decision making if actual investor money had been managed. Model portfolio performance is shown net of the model advisory fee of 1.25%, the highest fee charged by Alternative Capitalis, LLC. This reflects a change from Alternative Capitalis, LLC highest fee charged to a client(s) account from 1% to 1.25% annually. April 1, 2018 model performance to most recent date presented adjusts for the higher 1.25% annual fee. Model portfolio performance is shown net of the sample trading costs based on our Custodian's, TD Ameritrade Institutional, trading costs. Performance does not reflect the deduction of other fees or expenses, including but not limited to brokerage fees, custodial fees and fees and expenses charged by mutual funds and other investment companies. Performance results shown include the reinvestment of dividends and interest on cash balances where applicable. The data used to calculate the model performance was obtained from sources deemed reliable and then organized and presented by Alternative Capitalis, LLC. The performance calculations have not been audited by any third party. Actual performance of client portfolios may differ materially due to the timing related to additional client deposits or withdrawals and the actual deployment and investment of a client portfolio, the reinvestment of dividends, the length of time various positions are held, the client's objectives and restrictions, and fees and expenses incurred by any specific individual portfolio. The performance calculations are based on a hypothetical investment of $100,000 for both the model and benchmarks presented. **Benchmarks:** The performance results shown are compared to the performance of the performance of a blended ETF (exchange-traded-fund) portfolio comprised of the following two ETF's symbols, SPY & AGG, are described below. The benchmarks used are investable ETFs and their performance calculation is inclusive of the highest fee charged to a client(s) account, 1.25% annually. This will reduce the total return of the investable benchmark by the annualized rate of 1.25%. The ETF symbol SPY (SPDR® S&P 500® ETF Trust) which seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of the S&P 500® Index (the "Index"). Visit https://us.spdrs.com/en/etf/spdr-sp-500-etf-SPY for more information about the ETF. The S&P 500® Index results do not reflect fees and expenses and you typically cannot invest in an index. The ETF symbol AGG (iShares Core U.S. Aggregate Bond ETF). The iShares Core U.S. Aggregate Bond ETF seeks to track the investment results of an index composed of the total U.S. investment-grade bond market. (the "Index"). Visit https://www.ishares.com/us/products/239458/ishares-core-total-us-bond-market-etf for more information about the ETF. The index composed of the total U.S. investment-grade bond market results do not reflect fees and expenses and you typically cannot invest in an index. The benchmark is blended representing a weighting of a percentage (%) to SPY and percentage (%) to AGG based on the respective model weights below. Unless otherwise indicated, the benchmarks are not rebalanced to maintain their original weighting over the period measured. Instead, they are comprised of the starting allocation and will shift given the prevailing market environment over the period measured. **Return Comparison:** To benchmark the results, the ETF (exchange-traded-fund) symbol SPY (SPDR® S&P 500® ETF Trust) which seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of the S&P 500® Index (the "Index"). The S&P 500 was chosen as it is generally well recognized as an indicator or representation of the stock market in general and includes a cross section of equity holdings. In addition, the ETF symbol AGG was chosen as a benchmark. The iShares Core U.S. Aggregate Bond ETF seeks to track the investment results of an index composed of the total U.S. investment-grade bond market. The total U.S. investment-grade bond market was chosen as it is generally well recognized as an indicator or representation of the bond market in general and includes a cross section of debt holdings. For each respective model benchmark the performance measurement weightings are as follows to SPY / AGG %: 20/80, 30/70, 40/60, 50/50, 60/40, 70/30, 80/20, 90/10 % respectively for Ultra Conservative, Conservative, Moderate, Balanced, Growth & Income, Growth, Aggressive, Ultra Aggressive. **OPTIONS TRADING RISK DISCLOSURE**: Options Trading – Both the purchase and writing (selling) of options contracts –involves a significant degree of risk not suitable for all investors. Investors should carefully consider the inherent risks and financial obligations associated with options trading as further detailed in the Options Clearing Corporate booklet "Characteristics and Risks of Standardized Options." 101 Federal Street, Suite 1956A, Boston, MA 02210 is Alternative Capitalis, LLC's client facing address. All books, records, receipts, correspondence (mailing address) and day to day operations are located at 1565 West St, Wrentham, MA 02093.

The results do not represent actual trading and actual results may significantly differ from the theoretical results presented.

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Model Disclosure Continued

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ETF	Earliest Available Price Data for ETF	Backfill Index 1	Earliest Available Data for Index Backfill 1	Backfill Index 2	Earliest Available Data for Index Backfill 2
BNDX	5/31/2013	*ICE BofAML Global Broad Market Index*	9/22/1998	N/A	N/A
VT	6/24/2008	MSCI All Country World Index TR	12/29/2000	*S&P 500 (TR) Index*	9/22/1998
BND	4/3/2007	Barclays US Aggregate Bond Index	9/22/1998	N/A	N/A

The ETF symbol BNDX (Vanguard Total International Bond ETF). The Vanguard Total International Bond ETF attempts to track the performance of the Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged). Visit https://investor.vanguard.com/etf/profile/BNDX for more information about the ETF. The ETF symbol VT (Vanguard Total World Stock ETF) seeks to track the performance of the FTSE Global All Cap Index, which covers both well-established and still-developing markets. Visit https://investor.vanguard.com/etf/profile/VT for more information about the ETF. The ETF symbol BND (Vanguard Total Bond Market ETF). The Vanguard Total Bond Market ETF attempts to track the performance of the Bloomberg Barclays U.S. Aggregate Float Adjusted Index and attempted to track the Bloomberg Barclays U.S. Aggregate Bond Index through December 31, 2009. Visit https://investor.vanguard.com/etf/profile/BND for more information about the ETF. The benchmark is blended representing a weighting of a percentage (%) to BND, percentage (%) to VT and percentage (%) to BNDX based on the respective model weights below. The benchmarks are rebalanced over periods that include a calendar year end date, on the calendar year end date, to their original weighting over the period measured. The Benchmarks are comprised of the starting allocation and will shift given the prevailing market environment over the period measured. **Return Comparison:** To benchmark the results, the ETF symbol BNDX (Vanguard Total International Bond ETF) attempts to track the performance of the Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged). The Vanguard Total International Bond ETF was chosen as it is generally well recognized as an indicator or representation of the global bond market, ex-U.S. bonds, and tracks an investment-grade, non-USD denominated bond index, hedged against currency fluctuations for U.S. investors. The ETF symbol VT (Vanguard Total World Stock ETF) seeks to track the performance of the FTSE Global All Cap Index, which covers both well-established and still-developing markets. The Vanguard Total World Stock ETF was chosen as it is generally well recognized as an indicator or representation of the global stock market and tracks a market-cap-weighted index of global stocks covering approximately 98% of the domestic and emerging market capitalization. The ETF symbol BND (Vanguard Total Bond Market ETF) attempts to track the performance of the Bloomberg Barclays U.S. Aggregate Float Adjusted Index and attempted to track the Bloomberg Barclays U.S. Aggregate Bond Index through December 31, 2009. The Vanguard Total Bond Market ETF was chosen as it is generally well recognized as an indicator or representation of the U.S. Domestic bond market, and tracks a broad, market-value-weighted index of U.S. dollar-denominated, investment-grade, taxable, fixed-income securities with maturities of at least one year. For each respective model benchmark the performance measurement weightings are as follows to BND/VT/BNDX %: 66/20/14, 57.8/30/12.3, 49.5/40/10.5, 41.2/50/8.8, 33/60/7, 24.7/70/5.3, 16.5/80/3.5 and 8.2/90/1.8 % respectively for the Ultra Conservative, Conservative, Moderate, Balanced, Growth & Income, Growth, Aggressive and Ultra Aggressive Global Benchmarks.