

## Market Update and Model Portfolio Reviews 8/31/2021

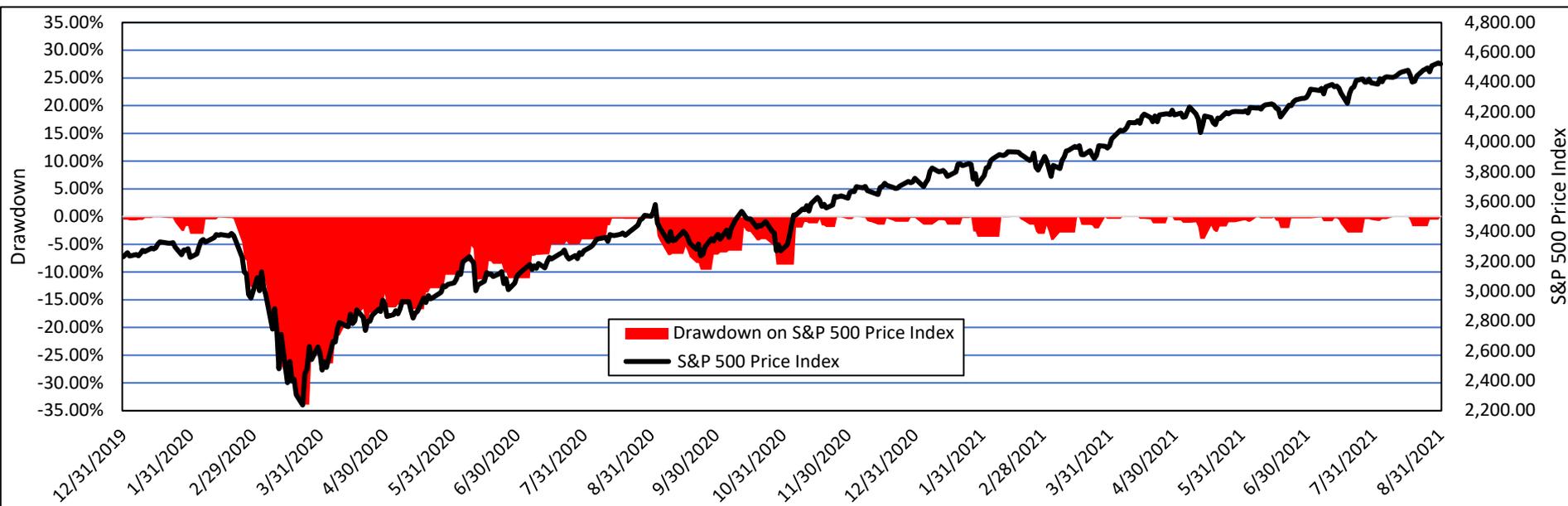
Model Strategies Trailing Returns\* Compared to Respective Global and Domestic Benchmarks

	<b>Ultra Aggressive</b>			<b>1-Month</b>	<b>3-Month</b>	<b>6-Month</b>	<b>YTD</b>	<b>1-Year</b>	<b>2-Year</b>	<b>Inception</b>
	<b>Target Risk/Reward Profile</b>		<b>Model Strategy</b>	2.47%	6.23%	14.08%	16.10%	27.50%	26.33%	16.40%
	90% Equity		<b>Global Benchmark</b>	1.90%	3.55%	11.39%	13.41%	25.39%	19.39%	12.68%
	10% Bond		<b>Domestic Benchmark</b>	2.55%	6.91%	16.99%	18.40%	26.41%	22.62%	15.55%
	<b>Aggressive</b>			<b>1-Month</b>	<b>3-Month</b>	<b>6-Month</b>	<b>YTD</b>	<b>1-Year</b>	<b>2-Year</b>	<b>Inception</b>
	<b>Target Risk/Reward Profile</b>		<b>Model Strategy</b>	2.17%	5.61%	12.55%	14.23%	24.32%	24.46%	14.93%
	80% Equity		<b>Global Benchmark</b>	1.66%	3.32%	10.23%	11.74%	22.28%	17.37%	11.62%
	20% Bond		<b>Domestic Benchmark</b>	2.23%	6.30%	15.20%	16.18%	23.19%	20.25%	14.15%
	<b>Growth</b>			<b>1-Month</b>	<b>3-Month</b>	<b>6-Month</b>	<b>YTD</b>	<b>1-Year</b>	<b>2-Year</b>	<b>Inception</b>
	<b>Target Risk/Reward Profile</b>		<b>Model Strategy</b>	1.90%	5.05%	11.08%	12.21%	20.77%	22.00%	13.73%
70% Equity		<b>Global Benchmark</b>	1.41%	3.09%	9.06%	10.06%	19.22%	15.34%	10.54%	
30% Bond		<b>Domestic Benchmark</b>	1.91%	5.69%	13.41%	13.96%	20.01%	17.89%	12.75%	
<b>Growth and Income</b>			<b>1-Month</b>	<b>3-Month</b>	<b>6-Month</b>	<b>YTD</b>	<b>1-Year</b>	<b>2-Year</b>	<b>Inception</b>	
<b>Target Risk/Reward Profile</b>		<b>Model Strategy</b>	1.61%	4.49%	9.64%	10.56%	18.24%	19.89%	12.33%	
60% Equity		<b>Global Benchmark</b>	1.16%	2.86%	7.90%	8.38%	16.19%	13.33%	9.45%	
40% Bond		<b>Domestic Benchmark</b>	1.60%	5.08%	11.62%	11.74%	16.86%	15.55%	11.34%	
<b>Balanced</b>			<b>1-Month</b>	<b>3-Month</b>	<b>6-Month</b>	<b>YTD</b>	<b>1-Year</b>	<b>2-Year</b>	<b>Inception</b>	
<b>Target Risk/Reward Profile</b>		<b>Model Strategy</b>	1.35%	3.79%	8.09%	8.74%	15.26%	17.15%	10.90%	
50% Equity		<b>Global Benchmark</b>	0.91%	2.63%	6.73%	6.70%	13.20%	11.33%	8.35%	
50% Bond		<b>Domestic Benchmark</b>	1.28%	4.47%	9.83%	9.52%	13.74%	13.22%	9.92%	
<b>Moderate</b>			<b>1-Month</b>	<b>3-Month</b>	<b>6-Month</b>	<b>YTD</b>	<b>1-Year</b>	<b>2-Year</b>	<b>Inception</b>	
<b>Target Risk/Reward Profile</b>		<b>Model Strategy</b>	1.07%	3.32%	6.71%	6.87%	12.26%	14.07%	9.59%	
40% Equity		<b>Global Benchmark</b>	0.66%	2.40%	5.57%	5.03%	10.25%	9.35%	7.24%	
60% Bond		<b>Domestic Benchmark</b>	0.96%	3.86%	8.04%	7.30%	10.65%	10.90%	8.49%	
<b>Conservative</b>			<b>1-Month</b>	<b>3-Month</b>	<b>6-Month</b>	<b>YTD</b>	<b>1-Year</b>	<b>2-Year</b>	<b>Inception</b>	
<b>Target Risk/Reward Profile</b>		<b>Model Strategy</b>	0.79%	2.87%	5.36%	5.03%	9.24%	11.11%	7.95%	
30% Equity		<b>Global Benchmark</b>	0.41%	2.17%	4.40%	3.35%	4.45%	7.37%	6.12%	
70% Bond		<b>Domestic Benchmark</b>	0.64%	3.25%	6.25%	5.08%	7.60%	8.60%	7.05%	
<b>Ultra Conservative</b>			<b>1-Month</b>	<b>3-Month</b>	<b>6-Month</b>	<b>YTD</b>	<b>1-Year</b>	<b>2-Year</b>	<b>Inception</b>	
<b>Target Risk/Reward Profile</b>		<b>Model Strategy</b>	0.50%	2.40%	4.00%	3.17%	6.13%	8.22%	6.42%	
20% Equity		<b>Global Benchmark</b>	0.16%	1.94%	3.24%	1.67%	4.45%	5.40%	4.98%	
80% Bond		<b>Domestic Benchmark</b>	0.33%	2.64%	4.46%	2.86%	4.57%	6.30%	5.60%	

**DISCLOSURE** (Click links for sources. If in print, sources available upon request). Calculations & Definitions available upon request. \*Trailing returns as of 08/31/2021 and are annualized returns if over 1-Year. See "Model Disclosure" page for important disclosures and information – Total Period Measured 12/31/2016 – 08/31/2021. "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.

## Market Update and Model Portfolio Reviews 08/31/2021

Domestic large cap equities finished out the month of August up [3.04%](#), and year to date up [21.58%](#). Investment Grade Bonds\* finished the month down -0.19, while down -0.69 on the year. The S&P 500 continued breaking through new record highs and closed the month just modestly off the record close on August 30. The yield on the 10-year Treasury rose modestly in August. Home prices surged [18.61%](#), year over year as reported on August 31 for the month of June. [National home prices are now 41.3% above their 2006 peak levels](#) and at their highest level on record. Domestic equities continue to edge higher on the year as we begin to round out the third quarter of 2021. This recovery has been one of the fastest on records and as of Monday, August 16, 2021, the S&P 500 Price Index had doubled (up 100%) from the March 23, 2020, market low. Not all markets have done well, and this year especially has created as much divergence as last year between leaders and laggards. Later we will discuss some of our new allocations made in August and reasons for those allocations. To end the month, and as we approach the 20<sup>th</sup> anniversary of September 11<sup>th</sup>, the U.S. formally withdrew U.S. Military personnel from Afghanistan, [ending America's longest war](#). As we enter the [heart of the Atlantic hurricane season](#), hurricane Ida slammed into Louisiana leaving an estimated 1 million residents without power and disruption to the regional oil and gas industry. The largest U.S. pipeline system for refined oil products, maintained by Colonial Pipeline, temporarily shut down from August 29-31<sup>st</sup> making way for some temporary price increases at the pump heading into Labor Day weekend. Jerome Powell provided a lift to equity markets after his [speech at Jackson Hole](#) (well, virtual speech due to the pandemic). The speech settled nerves about another 2013 like taper tantrum while reiterating their assessment that higher levels of inflation will be transitory and that they will likely begin some form of easing of the asset purchase program this year. Importantly, for markets, was the distinction that tapering does not imply lift off from the Federal Reserve's current targeted near zero interest rate policy. In search of the next reaction function of the Federal Reserve, it now seems more focused on the jobs market with less concern on the inflation front. We will get the August unemployment report on September 3 which, although a lagging indicator, might give more insight to the Federal Reserve's reaction function (potential policy changes / tapering). Although there are some signs of the economy slowing down, domestic markets don't seem to be phased as the S&P 500 has not experienced more than a 5% pullback since September 8, 2020 (almost a year ago). Since then, the total return index is up 37.75%, a tremendous rally to say the least and a bitter experience for investors on the sidelines waiting for a pullback.



**DISCLOSURE** (Click links for sources. If in print, sources available upon request). Calculations & Definitions available upon request. Measured by the Barclays US Aggregate Bond Index\* - Morningstar. [S&P 500 Total Return Index\\*\\*](#). 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 – 08/31/2021 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.

## Market Update and Model Portfolio Reviews 08/31/2021

On August 18, 2021, we used most of the cash dedicated to our equity allocation, which was raised from April 15 (over four months later) into three cyclical and contrarian themes. The changes include new allocations to China, where we gained exposure to both on shore A share CSI 300 listed equities as well as exposures to large cap (not necessarily household names here in the US) Chinese companies that are listed offshore (non-mainland China) such as ADRs (American Depositary Receipts) and shares listed on the Hang Seng Index in Hong Kong. In a similar fashion with legislation and regulation here in the U.S., Beijing has been bringing anti-monopoly probes to the Chinese technology sector while taking it a step further by banning profits from tutoring companies. The list of risks is long and continues to grow, but the advertised reason for the crackdowns is to bring about equality (wealth redistribution) for all Chinese consumers, albeit, with complete disregard to the impact on investors. This brings about peak uncertainty and what we believe to be the peak capitulation in prices although as always, we will only know this over time. Since implementing we have seen additional crackdown on the Chinese liquor market continuing to put pressure on Chinese equities broadly, and limits on hours per week children can play video games. As we made our new allocations, the CSI 300 index was right around bear market levels from the February market highs earlier this year. For background, each year the Chinese Government releases a five-year plan with the 14<sup>th</sup> five-year plan being finalized in March of this year. The famous last words, “This time is different,” seems fitting. The reason being that it appears that the communist party is being firm on their five-year plan. It would also appear that some of the most challenging and largest hurdles have been put in the rearview mirror and this could be beneficial for entry purposes if the crackdown (and selloff) on some of the largest IT companies by market capitalization have already been realized. This article, albeit written after the trades were implemented, aligns with (and in some cases more bluntly) some of the decisions that lead to our new allocations to China (<https://www.china-briefing.com/news/actually-now-has-never-been-a-better-time-to-invest-in-or-sell-to-china/>).

The two other contrarian cyclical allocations include a focused exposure to the airline industry as well as pure play copper and metals exposure. The spread of the [Delta variant](#) has been putting pressures on the reopening trades seen earlier this year. As we drag through Covid fatigue it is important to not overlook the real risk for both health reasons, and economic activity slowing, but our view is that there is still pent-up demand and daily reports from the [TSA Traveler Throughput numbers](#) were approaching 4/5ths the 2019 checkpoint numbers although just recently tapered heading into Labor Day weekend. The unfortunate blessing of the Delta variant is that vaccination rates are increasing again, albeit nowhere near that of the peak of the vaccination rollout earlier this year. [Fuel hedging](#) from lower prices in 2020 relative to the higher fuel prices coming into this year seem to have positively impacted airlines that successfully implement these processes (nothing new). Higher fuel prices, coming down may also provide for another round of hedging as companies balance financing future prices with the unknowns of future variants. With the recent pullback in airlines, we opted to use this as an opportunity to enter an allocation we missed out on in 2020. Again, time will tell.

Finally, as we wrote in our [June 30 month end review](#), we were interested in getting exposure to copper and ultimately went the pure play route with exposures to other mining metals. Pure play means that we opted to invest in the mining companies themselves as opposed to gaining allocations through futures contracts, for example. In the major headline indexes like the S&P 500, we have not seen more than a 5% pullback since September 2020 (as illustrated in the chart above), so decisions to buy the dip have largely been nonexistent. So far, our decision was off by about 2 days as we gapped down another 6% since making our allocations to the Copper Miners space. Prior to the new allocation, the Copper Miners exposure had entered a bear market although as of this writing, looks to be stabilizing.

On the month, the Model Strategies performed in line with the Domestic benchmarks and outpaced the Global benchmarks. The new allocations positively contributed on the month with relative positive contribution on the equity side coming from the Copper Miners and Global Airlines, and with the blended China exposure creating relative lag, while still positively contributing. Other areas that added to relative performance compared to the benchmarks included Banking, Biotechnology, Saudi Arabia, and domestic large cap growth exposures. Detractors were primarily on the fixed income side as well as our country specific exposure to Brazil. With the cash still raised from our [July 8 adjustments](#) on the fixed income side, this helped to dampen some of the impact of rising rates over the month and added relative outperformance on the fixed income side when compared to the Domestic and Global benchmarks. We will continue to monitor and weigh our options for the remaining cash available on the fixed income side.

**DISCLOSURE** (Click links for sources. If in print, sources available upon request). Calculations & Definitions available upon request. Measured by the Barclays US Aggregate Bond Index\* - Morningstar. [S&P 500 Total Return Index](#)\*\* . 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 – 08/31/2021 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.

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### Model Disclosure

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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	<a href="#">ICE BofAML Global Broad Market Index</a>	9/22/1998	N/A	N/A
VT	6/24/2008	<a href="#">MSCI All Country World Index TR</a>	12/29/2000	<a href="#">S&amp;P 500 (TR) Index</a>	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.