Wealth Enhancement Advisory Services™

OAKWOOD INSIGHTS
Executive Summary

The Oakwood Team

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A Word From The Advisor

- While there is general agreement that the climate is warming, there is far less agreement on the impact it will have on the environment, the economy, and investors.
- While the future impact of global warming might differ from current expectations, the information available today is incorporated into current market prices.
- Diversification is an effective risk management tool to protect portfolios against the risk of climate change.
- Advocating for strong corporate governance and focusing on companies with lower emissions can also help mitigate climate risks.

Global Investing

- Stock markets around the globe had positive performance for a fifth consecutive quarter, with U.S. stocks continuing to lead the way.
- The U.S. markets remain resilient, even with growing inflationary pressures and the potential for the U.S. Fed to raise short term interest rates later next year.
- Interest rates in the U.S. were mixed, with yields at the short end of the yield curve unchanged or slightly higher, and yields at the intermediate and longer end generally lower.
- Global real estate had a good quarter, continuing the rally from the fourth quarter of last year, and U.S. REITs outperformed Global ex U.S. REITs.

U.S. Equity Income

- The 2021 reopening of the economy is a complicated task as recovery from the pandemic has been uneven across economic sectors.
- While recent monthly inflation has risen, when viewed over a 2 year time frame, it is still within the range of the last several decades.
- We expect stocks to be somewhat volatile during the second half of the year as the markets adjust to a new economic backdrop that may no longer include pandemic concerns.
- Our portfolios continue to hold high quality companies that can navigate through changing macroeconomic environments and we are focused on preserving capital and growing it with both dividend income and capital appreciation.

Fixed Income: Taxable Bonds

- Increased economic activity, and consumer demand for goods and services, has put upward pressure on inflation.
- This backdrop, combined with easy fiscal and monetary policies, will mean higher prices on goods and services for more than just a few months.
- We reduced some of our longer dated treasury exposure to benefit from the June rally in bonds, and plan on buying back some of these bonds as a pullback in price creates a buying opportunity.
- In addition, we plan on adding some floating rate corporate or agency exposure to our portfolios in anticipation of higher short term interest rates in the coming years.

Fixed Income: Municipal Bonds

- Many states and local governments have had better than expected business and sales tax revenues, along with increasing property tax revenues.
- The increasing tax revenues and cash surpluses will improve the overall credit outlook for municipalities, yet it will also result in the issuance of fewer new bonds, as supply remains tight.
- We expect the current high valuation levels of municipal bonds to continue, as municipals offer clients a good source of tax-free income and liquidity.
- We believe a modified barbell strategy, which invests in the short and longer ends of the maturity spectrum, to be the most appropriate strategy for this market environment.

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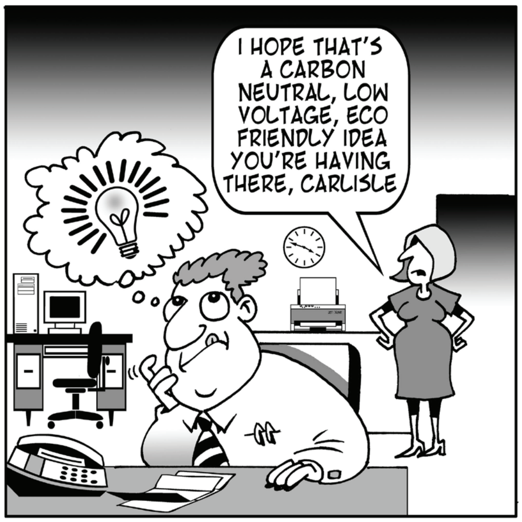
Investing and the Environment



CartoonStock.com

While there is general agreement that the climate is warming, there is far less agreement about the speed at which it is occurring, the impact it will have on the environment, the economy and investors, and how policy makers will respond.

A distinction is often made between the physical risks and the transitional risks of climate change. Physical risks are the direct result of changing weather patterns, while transitional risks arise from changes in consumer behavior and public policy.

The Oakwood Team at Wealth Enhancement Group partners with Dimensional Fund Advisors (Dimensional) to combine our expertise and experience in sustainable investing. As we address climate risks and sustainable investing in our portfolios, we focus on:

1) Market Prices: Some investors question whether market prices reflect climate risks. Academic research by Dimensional ("Climate Change and Asset Prices" March 31, 2021) shows that market prices do reflect information about these risks. For example, studies have shown that cities exposed to flooding risk face higher long term borrowing costs, and companies with negative environmental externalities face a higher cost of capital. These outcomes are not surprising because prices are forward looking and competitive public markets reflect the collective views of market participants about material risks and opportunities.

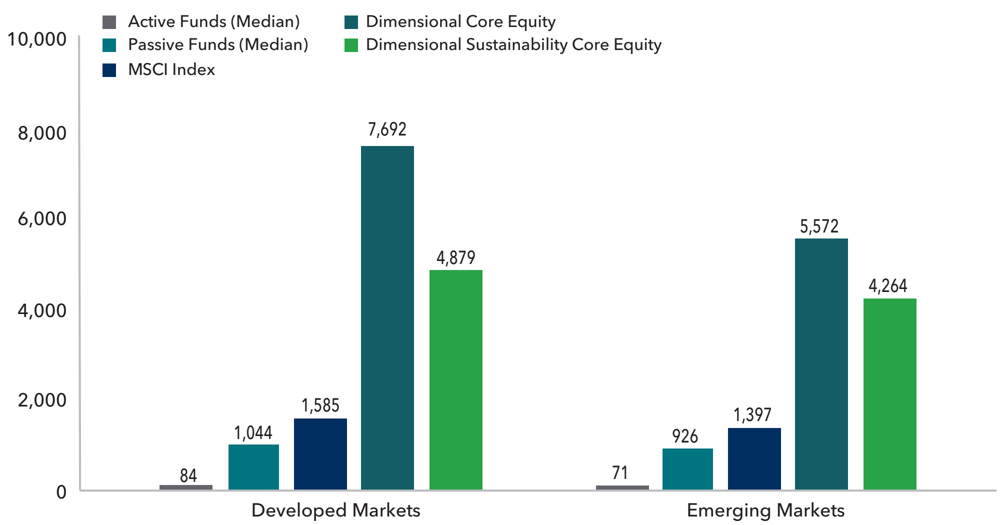
Consider two otherwise identical businesses, if market participants believe one is at greater risk of becoming less competitive as new climate regulations are enacted, or at greater physical risk as a result of anticipated global warming, market participants will demand a lower market price for that investment.

While the actual future impact of global warming might differ from current expectations, the information available today about the potential impact of climate risks is incorporated into current market prices. Evidence shows that the market does a better job than any individual in evaluating risks and opportunities.

2) Diversification: Every company is likely exposed to the effects of climate change to some degree. Diversification is therefore a vital tool for investors to mitigate the impact of both the physical and transitional risks of climate change on portfolios. As shown in the bar chart, the Dimensional funds we have selected for our client portfolios have significantly more diversification, in both developed markets and emerging markets, than other funds tracked by Morningstar.

3) Advocating for Strong Corporate Governance: Ensuring effective corporate governance plays a vital role in managing climate risks. A board of directors that truly represents the interests of

Number of Holdings as of December 31, 2020



Source: Morningstar Direct

shareholders must pay attention to all material risks and opportunities, including climate related ones. Improvements in governance and risk management may be reflected in increased valuations through lower discount rates and higher cash flows.

Shareholders can also have an impact through proxy voting, as they elect board members who have the motivation to tackle climate change risks, and vote against directors who they believe are not providing effective oversight.

Engagement in the form of sustained dialogue with companies can be impactful when the strategy on managing climate risks seems unclear or inadequate. This combined approach of engagement and voting allows shareholders to hold directors accountable for meeting their particular standards and expectations on a given issue.

4) Focus on Companies with Lower Emissions: When it comes to building a strategy focused on reducing exposure to climate risk, looking at current emissions intensity may be a good place to start. Research shows that emissions are the primary contributor to climate change effects. Companies whose revenues are heavily dependent on greenhouse gas emissions, or that have significant reserves of fossil fuel assets, may be more exposed to the risk of carbon taxes and changing consumer behavior. Reducing exposure to such companies may reduce climate specific risks in diversified portfolios.

Conclusion

Risks linked to climate change have the potential to be significant. However, sound risk management that considers market prices, diversification, and strong corporate governance can help mitigate the impact of these climate risks.

In addition, we have seen that it is possible to reduce exposure to companies with high greenhouse gas emissions while still maintaining our sound investment principles.

Resiliency

Global stock markets continued to rally during the second quarter, showing resiliency even with increasing inflation in the U.S. and low Covid-19 vaccination rates in many of the global markets. The U.S. stock markets continued to outperform the rest of the world during the quarter and have outperformed year-to-date and over the past 1- 5- and 10-year time frames.

The global economic outlook brightened throughout the quarter, as the U.S. and many other countries around the globe accelerated the opening up of their economies. Tempering this optimism, however, are two different, but similar trends, that may cause the markets to be more volatile moving forward.

Within the U.S., the overall success of the vaccination rollout has been impressive; however, there are a number of states that lag behind and are at risk of remaining hotspots for the virus. Likewise, the rate of vaccination in some developed and emerging countries has lagged significantly, increasing the chances that variants may continue to spread.

Two of the developed markets, Japan and New Zealand, had slightly negative performance during the quarter. The performance of the U.S. was in the upper half, while the Nordic country of Denmark had the best performance.

Nine of the emerging markets had negative performance for the quarter. Chile, after being one of the best performers last quarter, was the worst performer this quarter. Despite its Covid-19 problems, Brazil was the best performing emerging market in the second quarter.

Changes in interest rates in the U.S. Treasury market were mixed, with declining yields on the 5-year and 10-year Treasury notes and 30-year Treasury bond. On the short end of the curve, yields were unchanged to slightly higher.

The U.S. Federal Reserve (Fed) and other global central banks remain accommodative for now, as interest rates remain historically low. The timetable to pull back on these easy money policies could be moved up by inflationary pressures that are

Market Summary

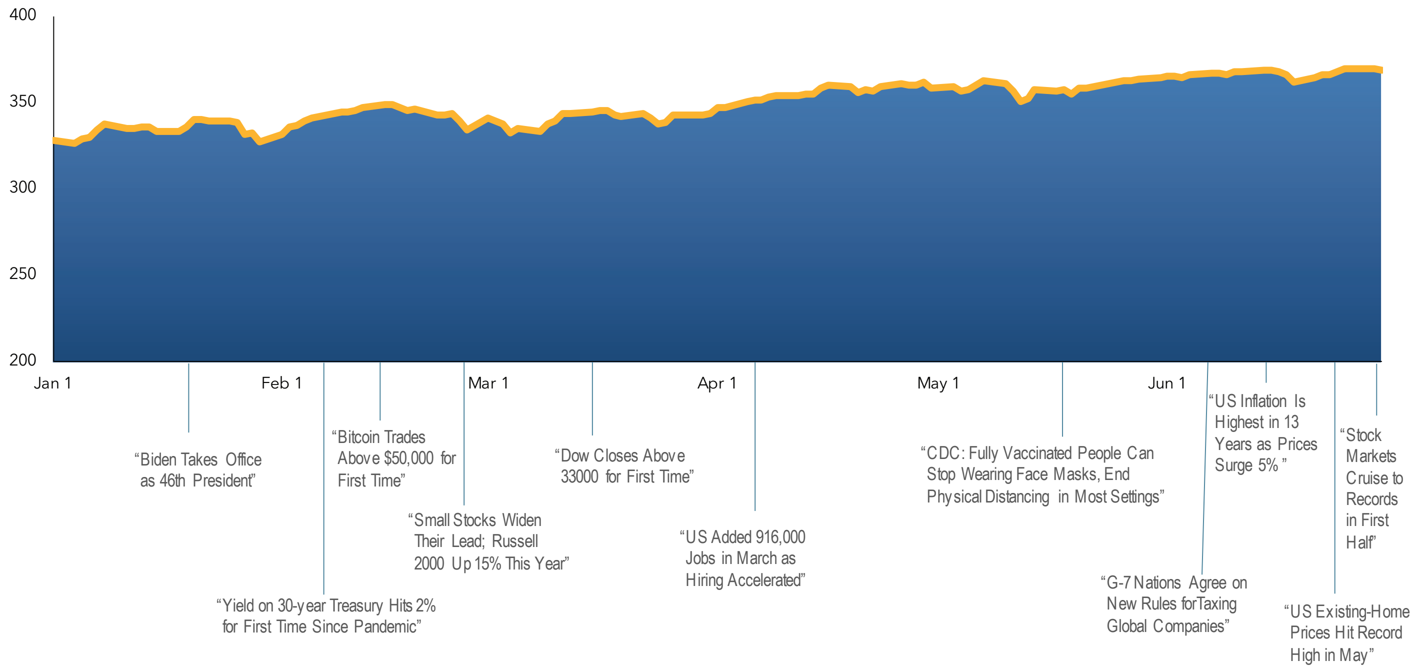
Stocks	2nd Quarter 2021	Year to Date
U.S.	8.24%	15.11%
International Developed Markets ex U.S.	5.65%	9.92%
Emerging Markets	5.05%	7.45%
Bonds		
U.S.	1.83%	-1.60%
Global ex U.S.	0.35%	-1.91%
Real Estate (REITS)		
Global REITs	10.17%	17.03%
U.S. REITs	11.76%	22.94%
Global ex U.S. REITs	7.29%	9.68%

Index representation as follows: US Stock Market (Russell 3000 Index), International Developed Markets Stocks (MSCI World ex USA Index, net div.), Emerging Markets Stocks (MSCI Emerging Markets Index, net div.), US Bond Market (Bloomberg Barclays US Aggregate Bond Index), Global Bond Market ex US (Bloomberg Barclays Global Aggregate ex USD Bond Index, hedged to USD), Global REITs (S&P Global REIT Index, net div.), US REITs (Dow Jones US Select REIT Index) and Global ex US REITS (S&P Global ex US REIT Index, net div.).

World Stock Market Performance

MSCI All Country World Index with selected headlines from past 6 months

SHORT TERM (Q1 2021–Q2 2021)



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long term perspective and avoid making investment decisions based solely on the news. Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2021, all rights reserved. It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

accompanying the reopening of the global economy.

Changes in government bond yields in the global developed markets were mixed for the quarter. Term premiums were mixed in developed markets. Short and intermediate term nominal interest rates were negative in Japan and Germany.

Global real estate had a good quarter, continuing the rally from the fourth quarter of last year. U.S. REITs outperformed Global ex U.S. REITs.

Global Tactical ETF Portfolio

We continue to expect global growth to trend higher over the near-term as the pandemic wanes globally. International developed and emerging markets took a pause relative to the U.S. market, but as the rest of the world reopens, we believe there may be an opportunity to lighten our domestic equity overweight position.

In the meantime, we took the opportunity to reduce positions that we believed would have performed better during expected periods of rising inflation, and used the proceeds to add more quality as we leave behind the initial reopening of the economy and transition back to stock markets that are focused more on overall earnings growth.

Back in Theaters...

During the second quarter of 2021, great progress was made in putting the pandemic in the rearview mirror. As spring turned into summer, the U.S. economy kicked into gear and we were all able to do some simple things we had not been able to do in more than a year, such as going back to the theaters to enjoy a movie.

Currently, there are two movies that people seem to be flocking to. Both are familiar entities, as the first is a sequel, "A Quiet Place 2," where a family faces the terrors of the outside world infested by aliens. Luckily for us, the opposite is true as we now have the joy of facing the pleasures of the outside world.

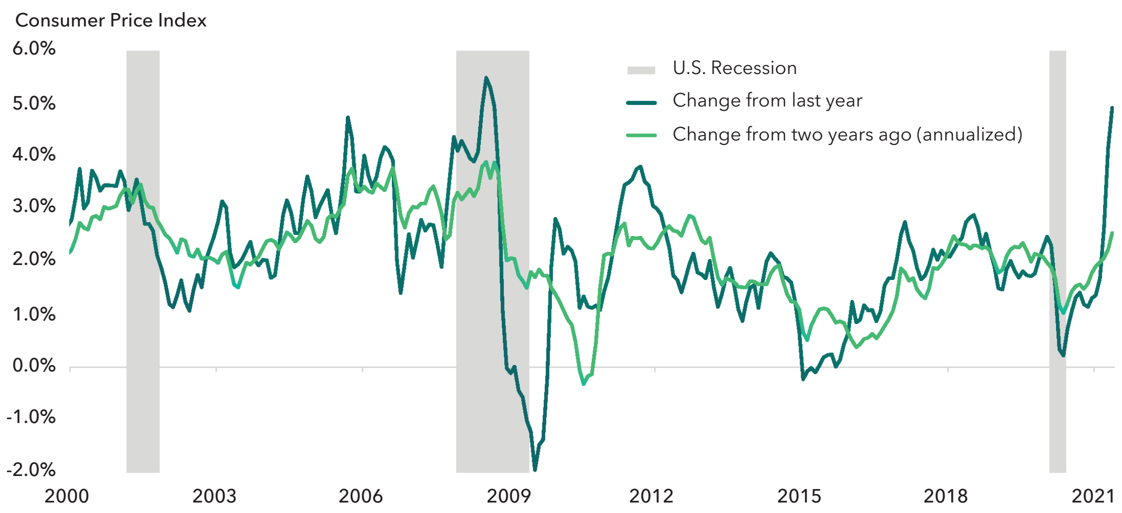
The second movie, released near the end of the quarter, was F9, or better known as the 9th installment in the Fast and Furious franchise. For the stock market, we'll have to wait and see whether the summer months will be "A Quiet Place" and hopefully not too "Fast and Furious."

In 2020, turning off the economic "machine" was similar to turning off a light switch, but turning the economic "machine" back on in 2021 is a much bigger, more complicated task. Pre-pandemic, corporations were running their businesses with "just-in-time" inventory to reduce unnecessary costs. This was easier when all parts could be sourced within a week. But lead times lengthened substantially as new social distancing rules were put into place.

We also live in a more globalized economy and the recovery from the coronavirus pandemic has been uneven across different regions, leading to additional issues such as port congestion. Supply and demand get cleared by price, and due to the mismatch, we have endured a period of higher prices for a number of goods, which has led to inflation becoming the biggest concern facing the market.

As shown in the graph, inflation, as measured by the Consumer Price Index (CPI) was 5.0% in May 2021,

Inflation may not be as high as it seems



Sources: Capital Group, Bureau of Economic Analysis, Refinitiv Datastream. As of 5/31/21 the highest monthly result in 13 years. A year ago, the CPI measured only 0.1%, so in order to smooth out the impacts of the pandemic induced lockdown and subsequent reopening, it is better to look at the CPI over a 2-year time frame. When looking through this lens, inflation is still relatively within the range of the last several decades.

Turning to the U.S. stock market, the Dow Jones Industrials Index (DJIA), the S&P 500 Index and the Nasdaq each hit all-time highs during the quarter. However, despite the new highs in the market, the action under the surface has been more subtle. I Shifting and inconsistent reads on the economy have left markets vacillating between cyclical reopening stocks and secular growers as investors debate whether economic growth and/or inflation will run hot or post disappointments.

We all desire having a stronger economy, but the current economy has been supported by very accommodative monetary and fiscal policies. As the economy continues to heal and return to a new level of activity, how much gross domestic product (GDP) growth can be sustained on its own? As we look towards the next 6-12 months, the U.S. Federal Reserve (Fed) is contemplating tapering the bond purchases that have injected liquidity into the markets and is also looking towards a time when it can raise interest rates again.

Additionally, fiscal policy may shift to raising taxes to pay for the generous support provided during the pandemic. If both fiscal and monetary support may become incrementally less accommodative going forward, the markets will have to adjust to this new reality.

We continue to expect greater volatility in the markets as we enter the second half of the year. It is natural for the markets to shift around a bit as we adjust to a new economic backdrop that may no longer include pandemic concerns. However, we will continue to hold high quality companies that can navigate through these changing macroeconomic environments and believe our portfolios are geared towards preserving capital as well as growing it through both dividend income and capital appreciation.

Portfolio Changes

Equity Income Portfolio

We believe that client portfolios contain a good combination of stocks that will continue to benefit from improving economic growth as well as stocks that are poised for long term secular growth. During the quarter we sold our position in a telecommunications provider, and with the proceeds, we added to an existing position in an industrial gas company.

Like the Summer, Inflation is Running Hot

There are signs of rising inflation all around us, as illustrated in the graphs. Home prices have risen by more than 24% in just the past year, and a trip to Home Depot to purchase anything from doors to appliances will reinforce not only the notion of higher prices but highlight shortages of various products as well. And have you tried buying a car lately? Prices have been going up for new cars because of a shortage of semiconductor chips, while prices of used cars have also been on the rise.

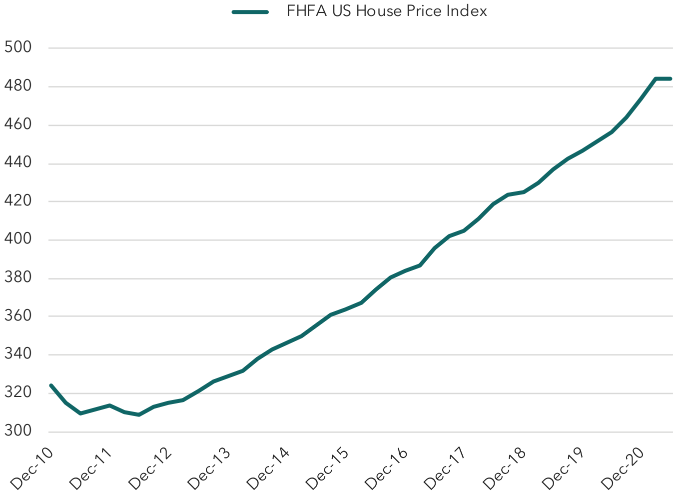
With vaccination rates in some states at almost 70%, there has been a large increase in the number of people going out to restaurants and entertainment venues, as well as the number of people traveling. We have also seen a large increase in gas prices, which have risen by more than 50% over the last year.

These price increases have become apparent in the economic data, as the Consumer Price Index (CPI) was 5.0% in May and the Producer Price Index (PPI) was 8.7%. The debate as to whether the current increase in inflation is transitory or permanent may not be settled in the short to intermediate term. However, we believe this increased demand, when combined with easy fiscal and monetary policies, will mean higher prices for both goods and services for more than just a few months.

The increased liquidity in the system will need to work its way through the economy as spending and investing increase. A new bipartisan infrastructure bill seems closer in the Senate and includes $579 billion in new spending to improve U.S. roads, bridges, and broadband capabilities. If ultimately approved and signed into law, it will add to the economic boom and increase prices on commodities such as wood and copper.

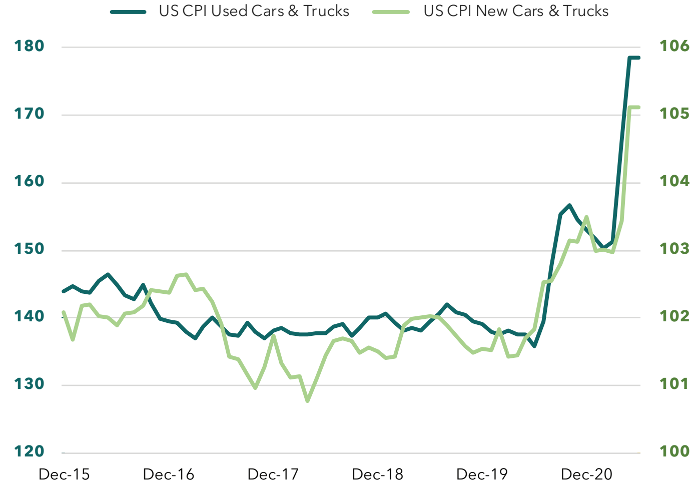
While U.S. Federal Reserve (Fed) Chairman Powell gave the markets some comfort by indicating that the inflation is transitory, some of the committee's own

Home Prices



Source: Bloomberg

New and Used Cars



Source: Bloomberg

forecasts led several Fed governors to shorten their time frame for a rate hike, from 2023, to as soon as late 2022.

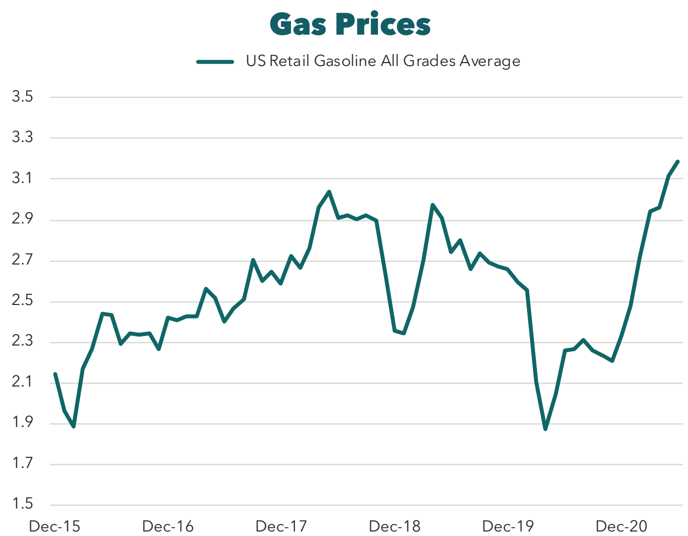
There is no doubt that the pandemic economy needed major assistance from both fiscal and monetary stimulus in order to avoid a much deeper and longer recession. However, this stimulus can have potential side effects, such as higher inflation for a longer period of time.

Strategy

During the end of the quarter, we decided to reduce some of our longer dated treasury exposure, to benefit from the June rally in bonds. We plan on buying back some of these bonds over the course of the next few months, as we anticipate that a pullback in price will create a buying opportunity.

In addition, we plan on adding some floating rate corporate or agency exposure to our portfolios in anticipation of higher short term interest rates in the coming years. We will continue to have a defensive duration posture versus our respective benchmarks, to preserve capital for future longer term purchases of bonds.

As the summer months go by and temperatures start to heat up, we expect inflation to do the same. Yet we will continue to monitor the economy, and if economic growth cools down, we will make the appropriate adjustments to our client portfolios.



Source: Bloomberg

Source: Bloomberg

Trending at High Valuation Levels

We continued to see the economy pick up steam in the second quarter as vaccination rates neared 70% of the population in some states. As a result of this economic acceleration, many states and local governments have seen better than expected sales and business tax revenues.

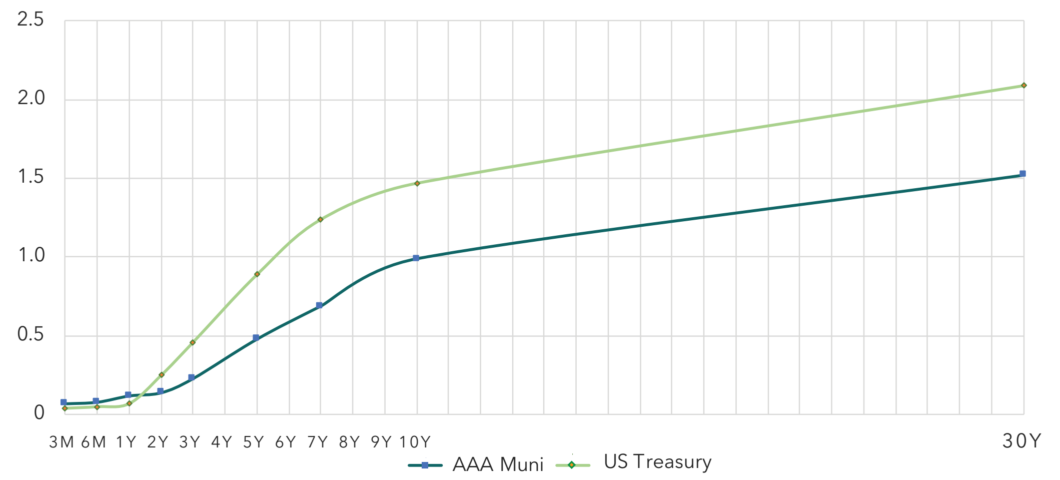
However, the biggest source of income for states continues to be property taxes, which are trending higher given the large increase in home prices. In addition to this improved revenue backdrop, the large amount of aid municipalities received from the American Rescue Plan has left many states with higher than expected cash surpluses.

While these positive financial profiles have strengthened the credit outlook for municipalities, it will also limit the amount of bond issuance in the marketplace going forward. In other words, if states have surplus cash, they will no longer need to issue new bonds. As a result, supply will be tight. Even though we expect there will be some issuance of infrastructure bonds, it will be less than the issuance we once expected.

Yet the prospects of higher taxes will continue to fuel demand for municipal bonds for those in the highest tax brackets, as these individuals continue to have a large appetite for assets that provide a good source

AAA Municipal vs. U.S. Treasury Yield Curve

As of June 30, 2021



Municipal Yield to Treasury Yield Ratio

As of June 30, 2021	3M	6M	1Y	2Y	3Y	5Y	7Y	10Y	30Y
AAA Muni	0.07	0.08	0.12	0.14	0.23	0.48	0.69	0.99	1.52
US Treasury	0.04	0.05	0.07	0.25	0.46	0.89	1.24	1.47	2.09
Muni-Treasury Ratio	175%	160%	171%	56%	50%	54%	56%	67%	73%

Source: Bloomberg

of tax-free income. This is especially the case if you live in California or New York, where state taxes can be above 10%.

Overall, strong credits, high demand and lack of supply have been dominating the municipal bond landscape. As a result, and as shown in the graph, municipal bond valuations are currently trending at high valuation levels. Municipal to Treasury yield ratios in the 2 to 10 year portion of the yield curve are currently trending in the 50% to 67% level; traditionally, municipal bonds in this maturity range would be valued at the 85% level. As we look ahead, we believe municipal bonds will continue to have strong valuations for the remainder of the year.

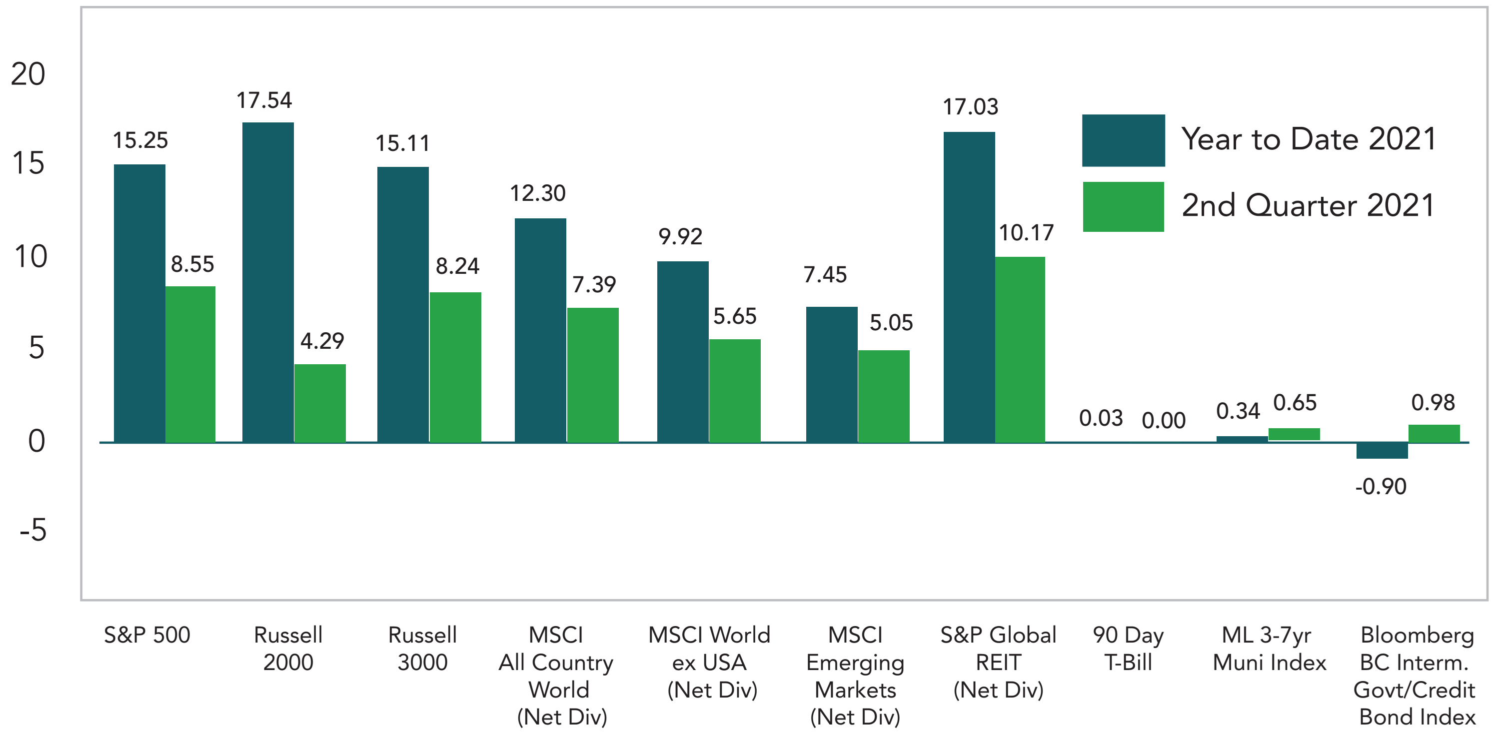
Strategy

Even though we believe the current high valuation of municipal bonds will continue, the tax-exempt market also offers clients a good source of tax-free income, while preserving capital and providing liquidity. It is our belief that having a modified barbell strategy, one which invests in the short and longer ends of the maturity spectrum, is the most appropriate strategy for this market environment, as it allows us to preserve capital and mitigate risk.

For example, if the bond market sells off, the shorter maturity bonds are available to be deployed in the intermediate and longer end of the curve as rates rise. If rates stay the same, we will continue to have some longer dated bonds in client portfolios, which will appreciate and offer a greater total return to our clients. Having an underweight to the intermediate part of the curve allows us to mitigate some of the potential downside in bonds when the U.S. Federal Reserve (Fed) decides to raise short term interest rates.

In addition, the shorter term maturity and longer term maturity areas have better value with regard to municipal to treasury yield ratios. We will continue to monitor economic, fiscal and market conditions, and will adjust our portfolios as conditions change.

Market Indices 2nd Quarter 2021



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