THIRD QUARTER 2021

Dividend Growth Commentary

September 30, 2021

MARKET REVIEW

3Q21 was an underwhelming quarter in the capital markets with equities drifting somewhat aimlessly during the summer months and bond yields just slightly changed from the prior quarter end. That's not to say it wasn't interesting getting from point A to point B as the S&P 500® hit an all-time high during September before retreating and eking out a positive 0.6% return for the quarter. For its part, the US Treasury (UST) curve bull flattened during the first half of the quarter before reversing course and ending up virtually unchanged. The 10-year UST yield finished just 2 basis points higher than the previous quarter at 1.49%.

There were a few catalysts for this price action during the quarter, including the Federal Reserve's (Fed) confusing messaging regarding monetary policy, supply chain and inflation issues, and China's crackdown on the private sector. By the July 28 Federal Open Market Committee Meeting, the Fed was able to re-assure markets that tapering does not mean rate hikes. Indeed, if the Fed begins tapering its asset purchases late this year, they would in all likelihood not be finished until late 2022. This would put the first rate hike on the table no earlier than late 2022. This easier-for-longer stance caused the yield curve to re-steepen as the quarter wore on. The resignation of two hawkish Federal Reserve Bank presidents over their controversial personal investment trading while setting Fed policy further emboldened the easier-for -longer narrative as new appointees would undoubtedly tilt dovish. All other things equal, these would be positive developments for equity markets.

On the inflation front, the Fed has been preaching the transitory nature of inflation for over a year now, but broad US inflation indices are running between 4% and 5.5% year over year. Additionally, commodity prices globally continue to rise with the S&P Goldman Sachs Commodity Index posting a hefty 36.2% increase YTD. If these inflation measures do not turn out to be transitory, then fixed income yields will have to adjust upward.

As we enter the 4th quarter, the debt ceiling, government shutdowns, and stimulus bills all seem poised to create drama in the markets. For now, the government has enough funding to remain open through December 3rd. However, unless the debt ceiling is raised by October 18, the US could default on some of its Treasury obligations. Despite the theatrics in Washington DC, we expect these issues to be resolved allowing market participants to focus on easy monetary policy, fiscal stimulus, and corporate earnings—all of which could provide additional runway for equity market returns and be challenging for fixed income.

DIVIDEND GROWTH PORTFOLIO REVIEW

The Dividend Growth Composite returned -0.98%, net of fees, for the quarter ending September 30, 2021. The strategy's benchmark, the S&P 500 Index, returned 0.58% during the same time period.

A congruence of macro themes contributed to the push-and-pull developments in the stock market in Q3. Easy financial conditions, accommodative monetary policy, strong consumer demand, outsized earnings beats, corporate buybacks and dividend increases provided a tailwind to equities. This coincided with deterioration of sentiment and worries of peak policy, peak growth, peak earnings, additional fiscal stimulus uncertainty, and stagflation fears triggered by the spread of the Delta variant, supply chain issues, and input price pressures on the other hand.

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STRATEGY INFORMATION

Benchmark	S&P 500® Index
Business Minimum	$1M
Number of Holdings	56
Assets	$62.05M

PORTFOLIO MANAGEMENT TEAM

Julia Batchenko, CFA
Portfolio Manager
Industry start date: 2011
Joined Red Cedar: 2019

INVESTMENT PHILOSOPHY

"We seek companies that possess a combination of three essential criteria: growth of dividends, consistency of earnings and enhanced profitability."
—Julia Batchenko

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Leading economic indicators deteriorated during the quarter and a risk-off environment dominated the market with growth outperforming value.

Traditionally defensive areas of the market communications, healthcare, and utilities were joined by the stagflation fear defensive's large cap technology and financials.

Our stock selection in communications, utilities, and technology sectors contributed the most to the performance.

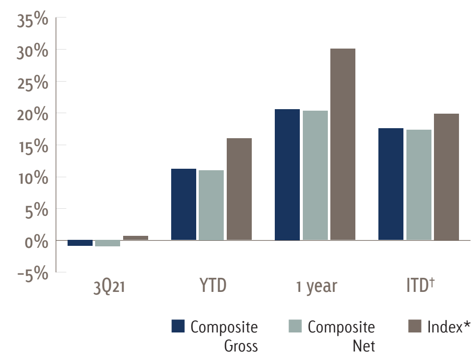
Overweight of the economically sensitive materials, consumer discretionary, and energy sectors were the largest detractors.

DIVIDEND GROWTH POSITIONING AND OUTLOOK

We continue to believe that growth will remain above trend and most of the supply chain issues are known and are baked into the growth expectations for the remainder of the year.

With input prices rising, investors should continue to focus on rising commodity, employment, and supply chain costs impacting companies' margins and reward companies that can pass those costs to the consumers.

PERFORMANCE



	Composite Gross	Composite Net	Index*
3Q21	-0.92%	-0.98%	0.58%
YTD	11.12%	10.94%	15.92%
1 year	20.53%	20.26%	30.01%
ITD†	17.48%	17.24%	19.83%

†Inception Date 1/1/2020
Periods greater than 12 months are annualized
*S&P 500® Index
Source: Bloomberg, Clearwater Analytics

DISCLOSURES

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All information and performance are reported in US dollars.

The "Net" returns presented are net of fees. Investing involves the risk of loss and investors should be prepared to bear potential losses. Past performance is not indicative of future results.

The "Gross" returns presented are gross of fees. The results do not reflect the deduction of investment management fees. The client's return will be reduced by the management fees and any other expenses incurred in the management of the account. For example, a US $100 million account, paying a 0.50% annual fee, with a given rate of 10% compounded over a 10-year period would result in a net of fee return of 9.5%. Management fees are described in Part 2A of RCIM's Form ADV. Investing involves the risk of loss and investors should be prepared to bear potential losses. Past performance is not indicative of future results.

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Dividend Growth Composite (the "Composite") includes all fully discretionary institutional portfolios that invest in common stocks with market capitalization of $2 billion and higher. The strategy is focused on investing at least 80% of the portfolio in high quality dividend paying and dividend raising stocks and up to 20% in non-dividend paying lower quality stocks. The Composite was created January 1, 2020. The inception date of the Composite was January 1, 2020.

The benchmark is the Standard & Poor's 500 Index ("S&P 500 Index"). The S&P 500 Index is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies.

Benchmark Definitions: S&P 500® Index is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in industries of the U.S. economy. S&P Goldman Sachs Commodity Index serves as a benchmark for investment in the commodity markets and as a measure of commodity performance over time.

An index is an unmanaged portfolio of specific securities, the performance of which is often used as a benchmark in judging the relative performance of certain asset classes. Investors cannot invest directly in an index. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown.

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