TRIVANT

CUSTOM PORTFOLIO GROUP, LLC

January 2022

Quarterly Insights

EXECUTIVE SUMMARY

2021 - The S&P 500 Index Was Up 28.71%

In 2021, the domestic S&P 500 Index was up 28.71%. The U.S. led global performance by a wide margin. Our initial 2021 market prediction for the S&P (+15%) was understated - we did not foresee the persistent bullish sentiment from investors. No matter what happened during the year, investors did not waver. There was no technical correction - the 2021 ascent of the S&P was remarkably smooth. However, the Bloomberg Barclay's Aggregate Bond Index fell 1.54% in 2021.

We Believe The S&P 500 Index Will Rise 8% In 2022

We believe the S&P 500 Index will rise 8% in 2022. Conditions point to a positive but below average year. Vaccines are here and being more readily adapted. The economy is strong, and both the Fed and federal government want to keep it that way. We have

- A Fed that has signaled it will raise interest rates to combat inflation
- A mature US stock market where the S&P 500 Index has doubled in three years
- High market valuation (the Price/Earnings ratio of the S&P 500 Index is 28.65)
- A pandemic that continues to be a wild card despite higher vaccination rates
- Rising wages that may impact profits of labor intensive companies

Fourth Quarter 2021

In This Issue

2 — 2022 - Looking Ahead

5 — 2021 - The Year In Review

7 — Financial Planning Spotlight

8 — Your Portfolio

www.trivant.com

1-866-4-TRIVANT

toll free

John Barber, CFA
Chief Investment Officer

Dan Laimon, MBA
Managing Member

Michael Harris, CFA, CFP®
Research Director

James Thompson
Investment Specialist

Stock Outlook: We Believe The S&P 500 Index Will Rise 8% In 2022

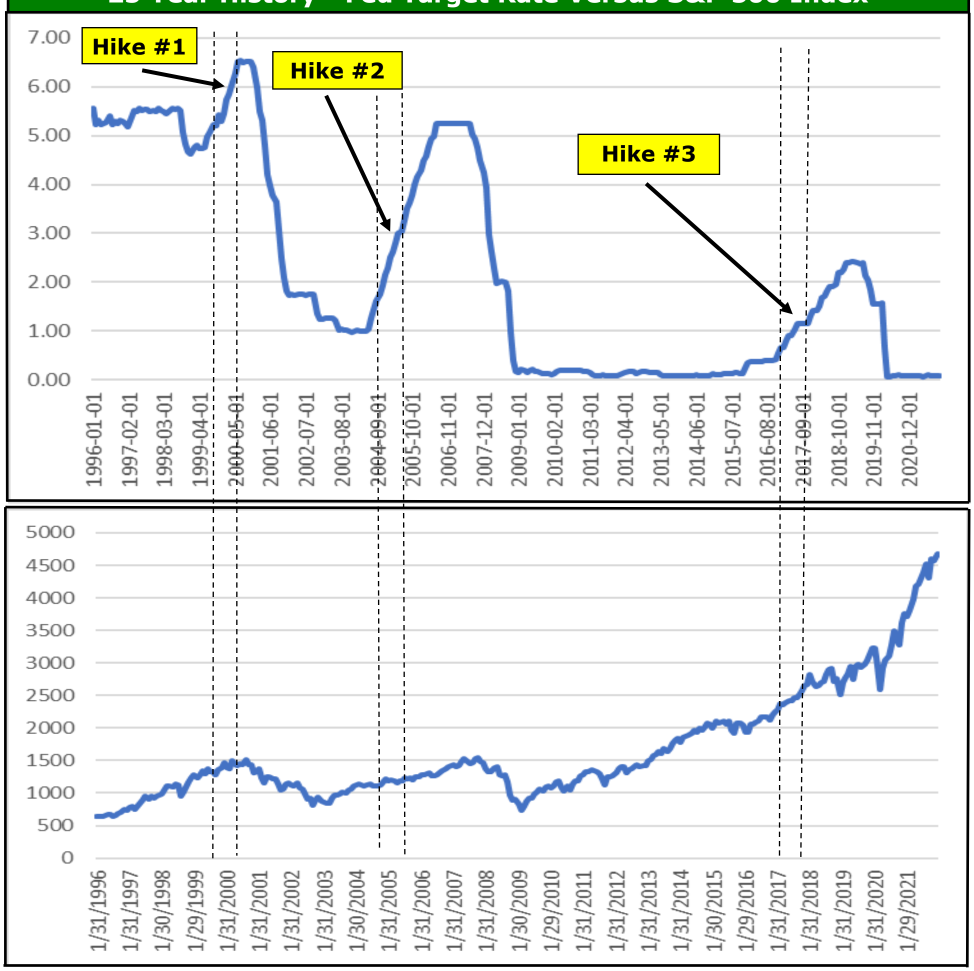
We believe the S&P 500 Index will rise 8% in 2022. Conditions point to a positive but below average year. Vaccines are here and being more readily adapted. The economy is strong. The Fed and the federal government continue to take aggressive actions to effectively manage the economy. We have

- A Fed that has signaled rate hikes to combat inflation (it reached a 39-year high of 6.8% in November)
- A mature US stock market where the S&P 500 Index has risen substantially in three consecutive years
- High market valuation (the Price/Earnings ratio of the S&P 500 Index is 28.65)
- A pandemic that continues to be a wild card despite higher vaccination rates
- Rising wages that may impact profits of labor intensive companies

Don't Fear The Fed - The Market Can Rise In The Midst Of Fed Rate Hikes

While the stock market has averaged roughly a 10% historical annual rate of return, average returns greatly differ depending on prevailing Fed policy. With accommodative policy (lowering the target rate), the annualized return is roughly 19%. With restrictive policy (raising the target rate), the average is roughly 7%.

25 Year History - Fed Target Rate Versus S&P 500 Index



Don't Fear The Fed!

Hike #1
(June 1999 to June 2000)

Fed Rate Total Hike: +1.55%
S&P 500: +9.49%

Hike #2
(April 2004 to Dec. 2004)

Fed Rate Total Hike: +1.28%
S&P 500: +9.49%

Hike #3
(Jan. 2017 to June 2017)

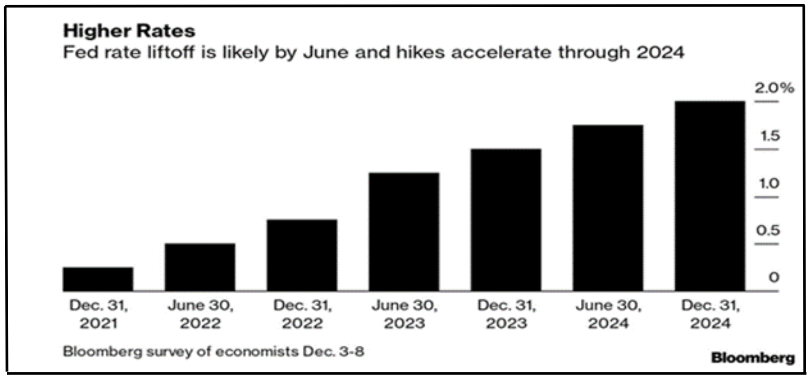
Fed Rate Total Hike: +0.50%
S&P 500: +8.22%

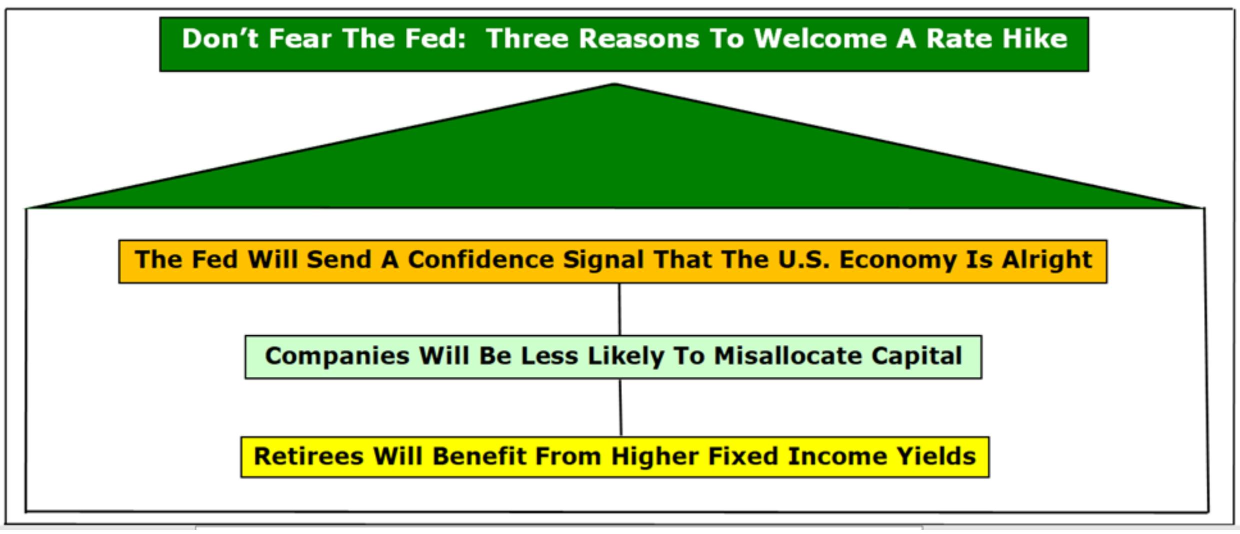
We Will Continue To Move The Portfolio To A Safer Stance

Given our expectation of a less than average 2022 stock market return, we want to lower the portfolio risk. We will continue what we started in 2021, moving towards a higher component of defensive exposure.

The Fed Has Signaled Up To Three Quarter-Point Rate Hikes In 2022

The Fed dual mandate is full employment (widely considered a 5% unemployment rate) and price stability (inflation at 2% or lower). Right now, the December U.S. unemployment rate is 3.9% but inflation soared to 6.8% in November. Since the economy is growing (GDP increased by 4.9% in November), a rate hike is feasible and arguably warranted. In its December meeting, the Fed decided to taper its bond purchases more quickly and signaled the likelihood of raising interest rates up to three times in 2022. After the first rate hike, the Fed indicated it would start to reduce its balance sheet ($8.3 trillion in bonds).





1. The Fed Will Send A Confidence Signal That The U.S. Economy Is Alright

The first rate hike in a few years, should it occur in 2022, will be more about psychology than finance or economics. People are scared of change. You have likely noticed the recent wild stock market swings at every hint that the rate will increase. This is not healthy. A rate hike will send the message that the U.S. economy is better and does not need the "crutch" of 0% rates any longer.

2. Companies Will Be Less Likely To Misallocate Capital

With such low interest rates, companies have used low cost debt issuances to aggressively buy back their stock or pay dividends. A rate hike would lower the incentive for companies to borrow money (weaken their balance sheet) for purposes not related to capital investment. A better allocation of capital will result.

3. Retirees And Close-To-Retirees Will Benefit From Higher Fixed Income Yields

A hike will allow better bond choices regarding asset allocation, risk control and meeting income needs.

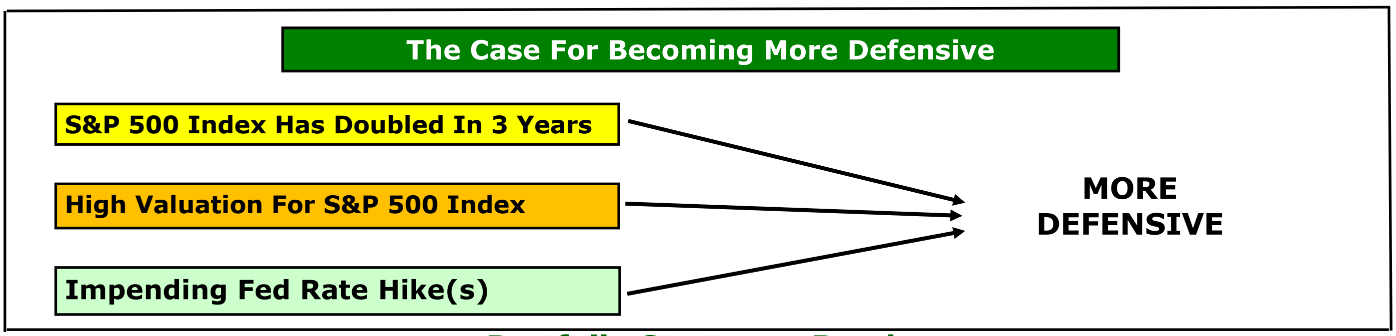
Portfolio Strategy: Stocks

The S&P 500 Index has exactly doubled over the last three years - it was +31.49% in 2019, +18.40% in 2020, and +28.71% in 2021. During this phenomenal time frame, the U.S. has been by far the global out-performer. We are at a point where the market as a whole is arguably over-priced and many large growth companies that drove the performance are expensive. Additionally, we face the likely prospect of Fed rate hikes which should eventually curtail the stock market. Finally, the pandemic continues to be a wild card.

We want the portfolio to have a higher component of defensive exposure (increase sectors such as Health Care and Staples) to protect you in the event of an economic downturn and/or market correction. During 2021 we began to adjust the portfolio in this direction and expect to continue to do so. Regarding potential sector adjustments, we are not fixated on market cap size - suitable companies may be mid-cap versus large-cap.

In terms of individual stock positions, many have appreciated considerably. We are cognizant of those with high valuations and will adjust holdings if warranted. We are sensitive to realized gains in the taxable accounts, and in many instances, we are staggering the sale of certain stocks into different calendar tax years.

We reduced foreign exposure in 2021 and for now, do not see a strong rationale to increase foreign holdings. We no longer have direct China exposure - the Chinese market is problematic due to government interference and strained U.S. relations. Europe is challenged with the pandemic and a weakening Euro currency.



Portfolio Strategy: Bonds

Interest rates cannot go much lower. Bond yields are unattractive. Since bonds are important for risk control, we have a challenge: what types of bonds present a reasonable yield and an acceptable risk/return tradeoff?

In 2021, our bond portfolio excelled because we stressed lower duration (lower sensitivity to rising interest rates) and higher inflation protection (we profited from rising inflation). Higher 2022 rates could make mid-maturity (2 to 5 year) Treasurys more attractive. Some corporate bonds may have an improved risk/return tradeoff. We will likely still hold Mortgage Backed Securities (reasonable yield), as well as Treasury Inflation Protected Securities and floating rate bonds for interest protection (as interest rates rise, bond prices fall). Our consistent objective is to buy bonds that have the best risk/return tradeoff for an acceptable level of risk.

We are proponents of disciplined bond asset allocation, not so much because bonds offer enhanced relative returns, but because bonds allow a safety cushion when stocks fall. It also allows for strategic rebalancing.

1. When the stock market falls, your relative portfolio stock weight falls - hence we increase stock weight
2. When the stock market rises, your relative portfolio stock weight rises - hence we decrease stock weight

We buy stocks at a lower point (sell bonds to raise the cash) and sell stocks at a higher point (to buy bonds).

We have enjoyed big stock returns for three years. For some, it may be worth discussing a higher bond target.

Our 2021 Market Prediction Was Understated

We predicted the S&P 500 Index would rise 15% in 2021 and the index rose 28.71%. These were our thoughts:

We believe the S&P 500 Index will rise 15% in 2021. Vaccines are here. The Fed and the federal government are taking aggressive actions to revive the economy. We have

· An economic recovery already in motion with forecasted 2021 GDP growth of 4.2%

· Surviving companies that have already "tightened their belts" with expenses

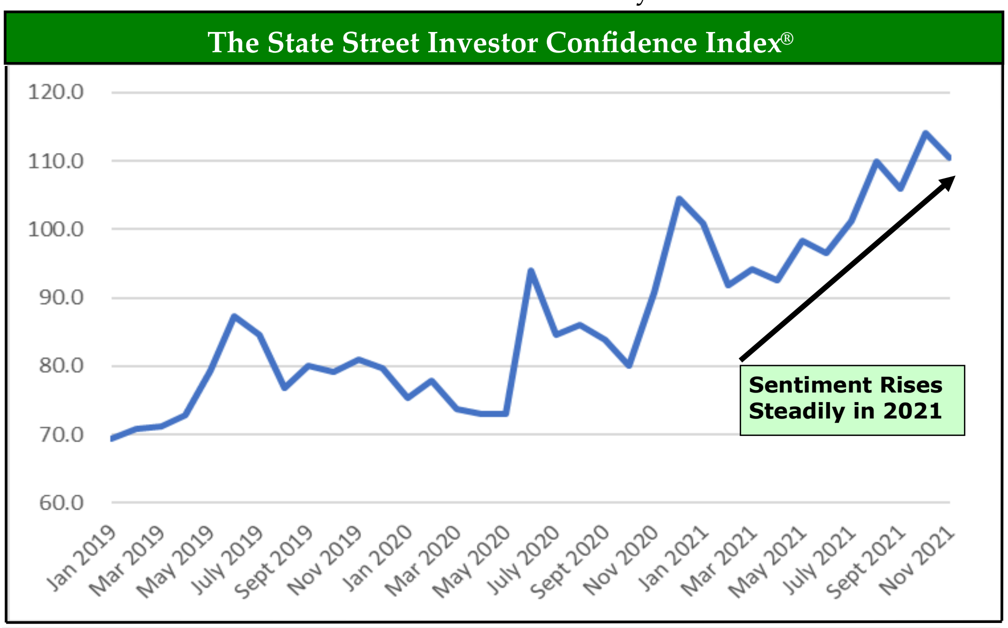
· Pent up consumer demand

· An "accommodative" Fed that should maintain low interest rates (its Target Rate remains at 0%)

· A new Biden Administration that will increase government spending

What Did We Miss?

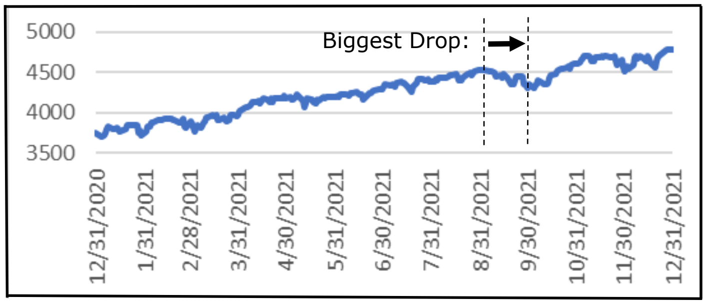
All the points mentioned above proved accurate. The main thing we did not expect was the persistent bullish sentiment from investors. No matter what happened during the year, investors did not waver. The State Street Investor Confidence Index® provides an objective, quantitative measure of global risk tolerance of the world's sophisticated investors. Investor confidence rose steadily in 2021. So did the S&P 500 Index.



2021 - A Remarkably Smooth Ascent

We reflect on 2021 as a year where the S&P 500 Index had a remarkably smooth ascent in the midst of Covid-19, emergency financial aid, social unrest, and a fierce political environment. There was no technical correction. As was the case in 2020, there was a big disconnect between Main Street and Wall Street.

Q1 2021:	+ 6.17%
Q2 2021:	+ 8.54%
Q3 2021:	+ 0.58%
Q4 2021:	+ 11.03%
2021 Total:	+ 28.71%
Biggest Drop (Sept. 2 to Sept. 30): Down 5.07%	



1. The U.S. Was The Best Place To Be

We benefited from a very high (over 85%) exposure to U.S. stocks and significant bond out-performance versus the Barclay's bond index (in the mixed allocation portfolios). Additionally, our larger-cap focus helped as the small cap Russell 2000 Index (+13.72% for 2021) significantly lagged the S&P 500 Index. Our foreign stock exposure hurt. Europe lagged considerably, especially Germany (+5.24%,). China (-21.72%) fell hard.

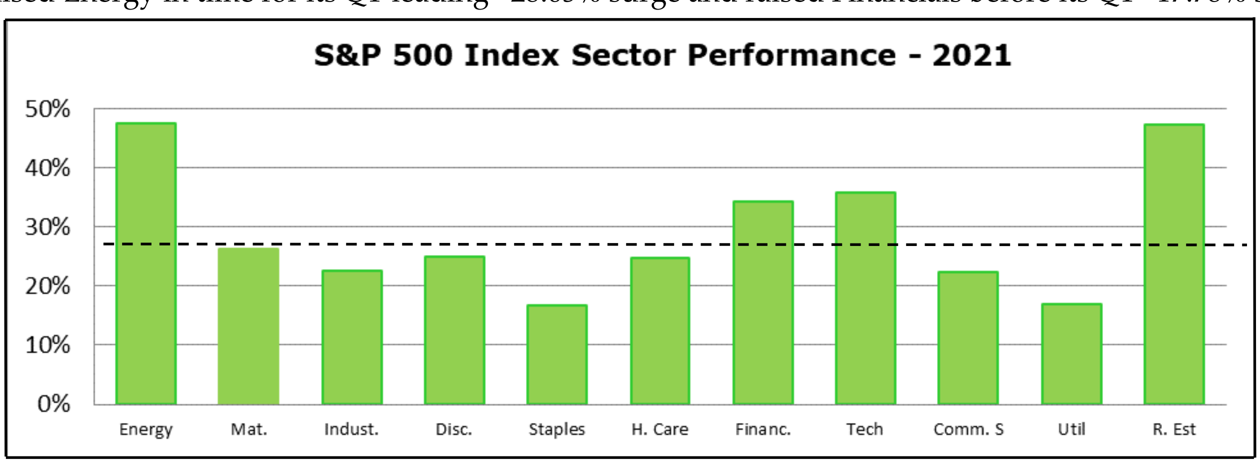
Equity Index Performance

Index	2021
S&P 500 (Domestic)	**28.71%**
MSCI EAFE (Foreign) *	**11.26%**
MSCI Emerging Markets	**(2.54%)**
MSCI EMU (European Monetary Union)	**13.54%**
MSCI Japan	**1.71%**

* Europe, Australia and the Far East

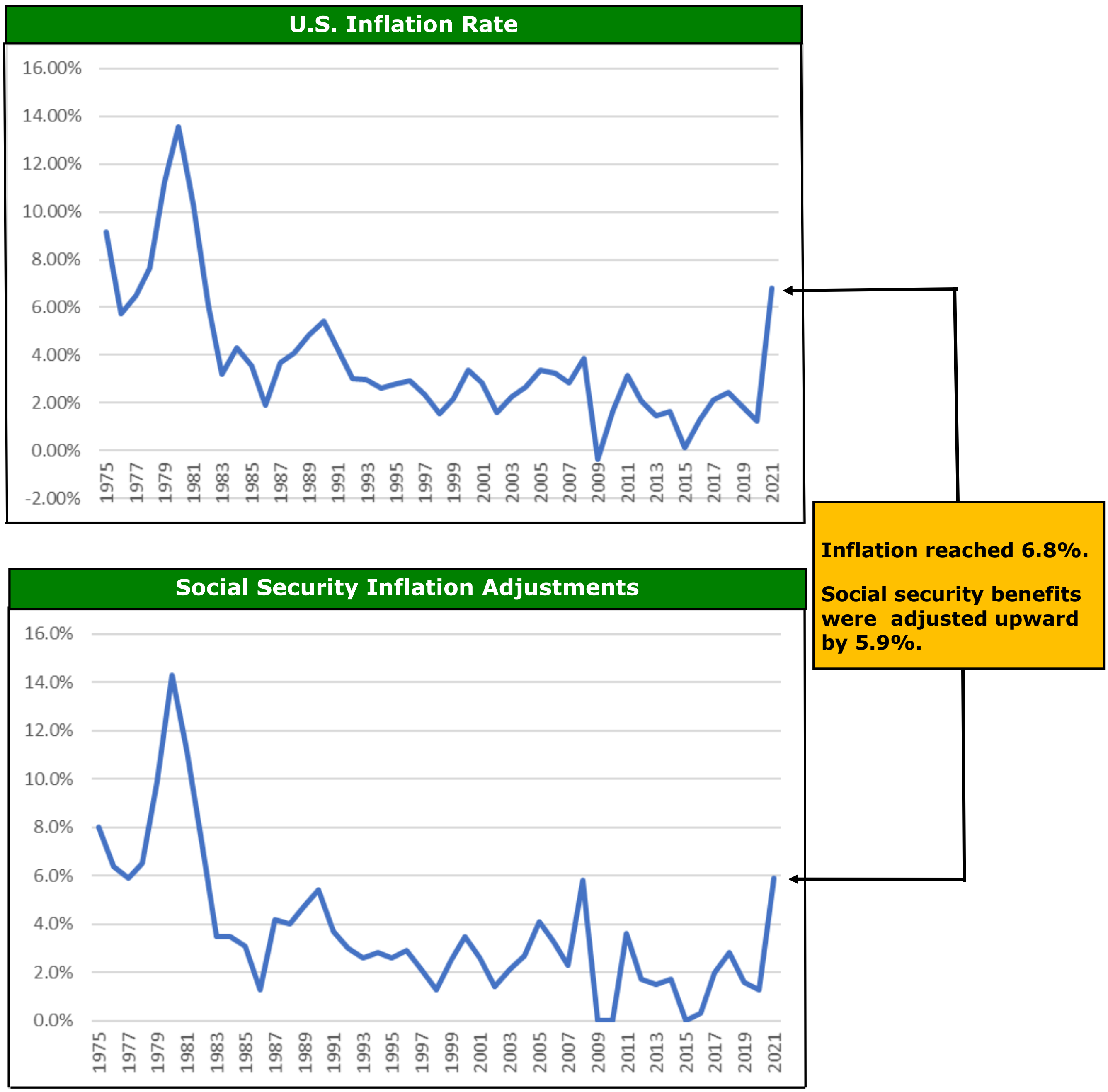
2. The Lagging Sectors In 2020 Were The Leaders In 2021

Four sectors out-performed the S&P 500 Index: Energy (+47.55%), Real Estate (+47.35%), Tech (+35.79%) and Financials (+34.36%). Energy, Real Estate and Financials were the negative return laggards in 2020. While Tech out-performed for the third year in a row, the broader S&P 500 topped the tech-heavy NASDAQ Composite (+21.39%) for the first time since 2016. We had no sector key success factors in 2021 performance. We raised Energy in time for its Q1-leading +28.65% surge and raised Financials before its Q1 +17.78% surge.



Social Security Benefits Will Increase By 5.9% In 2022

Social Security benefit increases have been automatically calculated based on inflation each year since 1975. On Oct. 13, the Social Security Administration announced Social Security benefits will increase by 5.9% in 2022 to account for inflation. This is the largest adjustment since 1982! At a time where inflation reached 6.8% in November, it is nice to know that there is built-in-protection with social security benefits.



Please let us know if any adjustments are needed regarding distributions you take from your portfolio. Your income needs may have increased with inflation. Bear in mind that, in addition to increased social security payments, your required minimum distribution(s) from your tax-deferred retirement account(s) will likely increase for 2022 given the strong 2021 stock market performance.

Your Portfolio

We made several portfolio adjustments in 2021 to respond to changing market conditions. We plan to do the same in 2022. As your portfolio manager, we are not dealing with market certainty and we are always ready to adjust on the fly. The Conference Board currently forecasts US Real GDP growth at 5.6% for 2021, 3.5% for 2022 and 2.9% for 2023. We are confident in the market but are taking caution.

In Q4, we further augmented our Staples exposure. We want the portfolio to have a higher component of defensive exposure (increase sectors such as Health Care and Staples) to protect you in the event of an economic downturn and/or market correction. We seek products with "inelastic demand" - no matter the phase of the business cycle or the price of the products (within reason), sales should be consistent.

In the stock portfolio, we bought Conagra Brands Inc (symbol: CAG; $16 billion market cap), a packaged food company that derives over 90% of its revenues in the United States. We also bought Northrop Grumman Corp (symbol: NOC; $60 billion market cap), a leading defense contractor whose diversified segments include aeronautics, mission systems, defensive services, and space systems. Due to disappointing results, we sold La Francaise Des Jeux (symbol: LFDJF), the sole proprietor of France's more than 80 lottery games.

In the bond portfolio, we advised our clients to directly purchase Series I Savings Bonds. The annual interest rate was adjusted on November 1 to 7.12%, a phenomenal risk-free rate of return. We cannot purchase these bonds for our clients. Rather, these bonds must be purchased by an individual (up to a $10,000 annual limit).

We will continue to closely monitor the market and adjust your portfolio as needed. Please feel free to contact us anytime to discuss questions or comments you may have. We will keep you informed of portfolio progress. Thank you for your continued confidence in TriVant.

Respectfully submitted,

TRIVANT

CUSTOM PORTFOLIO GROUP, LLC

John Barber, CFA	Dan Laimon, MBA	Michael Harris, CFA, CFP®	James Thompson
Chief Investment Officer	Managing Member	Research Director	Investment Specialist