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2021 Third Quarter Review

Greetings Clients:

U.S. stocks appreciated 15.9% in the first three quarters of the year, world stocks were up 11.1%, and bonds declined 1.6%, as represented by the S&P 500 Index, the MSCI All Country World Index, and the Bloomberg Barclays Aggregate Bond Index. The last month erased the gains of the previous two, so we are essentially in the same place as we were at the end of the second quarter.

After I wrote your last quarterly letter, I vowed that the next one would be shorter. So here you go:

We don't think Evergrande is the next Lehman, and we don't think the debt ceiling drama will cause lasting damage. We think the Fed's bond-buying program is the most important factor to watch, and we doubt a sharp taper will happen anytime soon. We don't believe that there is enough certainty in any of the tax proposals to take drastic actions such as accelerating capital gains or Roth conversions. We believe that supply chain disruptions are causing much of our current inflation, but we need to beware of self-fulfilling *inflation expectations*, and that is why we are underweight growth stocks and overweight value and smaller company stocks. Our modifications are small adjustments that should improve our long-term performance without detracting much from short-term performance, and our benchmark comparisons support this assertion. We don't believe that a sustained drop in the markets is imminent, but when it comes, we believe that our portfolios will hold up better than the markets, we will benefit from rebalancing, and our planning work with each of you will allow you to sail through the dip without liquidity issues. Please keep us apprised of your changing financial situation so that we can avoid having to raise cash for you at an inopportune time and consider how the pending tax law proposals might affect you specifically.

In case you wish to read more, here are two of the most influential commentaries that we read as we prepared this update:

Economics Needs to Reckon with What it Doesn't Know

Ezra Klein / Adam Tooze

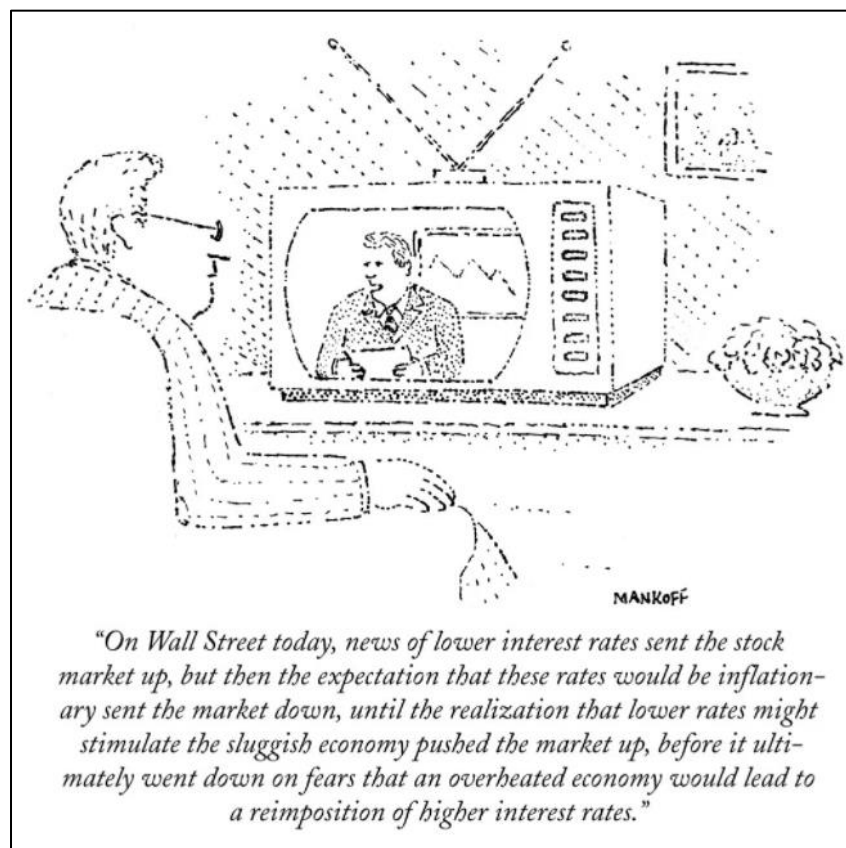
<https://www.nytimes.com/2021/09/17/podcasts/transcript-ezra-klein-interviews-adam-tooze.html>

Thinking About Macro

Howard Marks

<https://www.oaktrecapital.com/insights/howard-marks-memos>

Marks includes this classic New Yorker cartoon, which beautifully summarizes our on-going quest to rise above the noise and communicate our methodology and performance:



Quarterly Review

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We have uploaded your quarterly reports to your portals, and you can access them with the following link:

<https://main.yhlsoft.com/auth/users/webportal/ridleycove>.

Please contact me if you have any trouble accessing your report, or if you have any questions about your investments, our strategy, or your financial goals. Our money is invested right alongside yours.

Sincerely,

John H. Biebel, J.D., CFP®