AUGUSTINE ASSET MANAGEMENT

July 2021

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MARKET SUMMARY

Equities

MSCI AC World	720.0
Price / Earnings	19.6x
Dividend Yield	1.9%
S&P 500	4,298
Price / Earnings	22.7x
Dividend Yield	1.4%

US Interest Rates

2 Year Treasury	0.3%
10 Year Treasury	1.4%
30 Year Treasury	2.1%
Bloomberg US Agg.	1.5%

US Corporate Spreads

Investment Grade	0.9%
High Yield	3.7%

Equity Volatility

CBOE SPX Volatility	15.8

US Economic Figures

GDP Growth 1Q21	6.4%
Unemployment	5.9%
Inflation (core)	4.5%
Fed Funds Rate (mid)	0.1%
3 Month LIBOR	0.1%

Commodities

Oil (Brent)	$75.13
Natural Gas	$3.65
Copper ($/lb.)	$4.30
Gold ($/oz.)	$1,770

Foreign Exchange

Euro	$/€	1.19
Japanese Yen	¥/$	111
Chinese Yuan	元/$	6.47

Market summary data as of:
June 30, 2021

Some Like it Hot

The reopening of the global economy continues apace. In the last six months, vaccinations have helped to sever the link between mobility and risk of serious illness. Over three billion doses have been administered worldwide. While progress toward global coverage is uneven, especially in developing economies that face supply and logistics challenges, the overall trend is toward more normal levels of activity.

Signs abound of a booming global economy that is driven by deferred demand, super-sized government spending, and increasing confidence. Consumers are leading the charge. According to the Bureau of Economic Analysis, US consumer spending is now 5% higher than its pre-COVID level. Moreover, a trillion dollar jump in household savings, improving employment, and a fresh round of government transfer payments provide further fuel for higher than normal consumption. The industrial sector is seeing a refilling of supply chains and is poised to benefit from potential government spending on infrastructure that could support activity for several quarters.

While economic momentum should slow in the coming quarters from the current very high run rate, the outlook remains positive for strong growth to be maintained through the second half of this year and into 2022.

Exhibit 1: *Economic Activity is Very Strong,…*
JP Morgan Global Purchasing Manager Indices

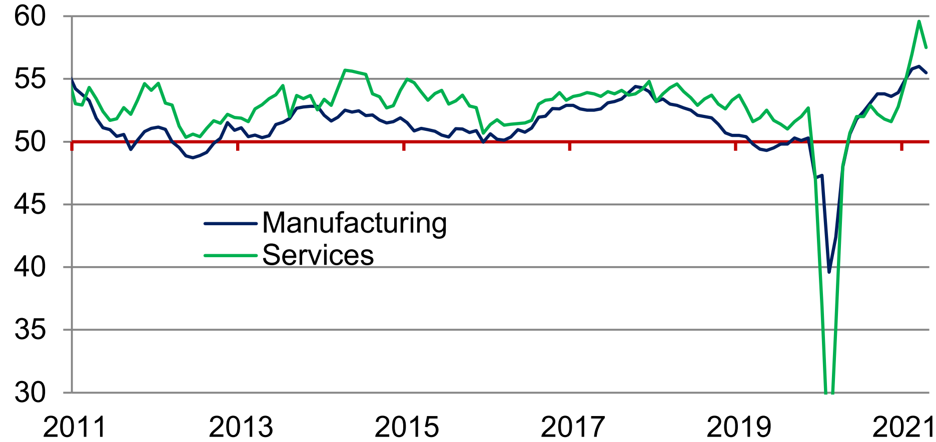


Exhibit 2: *…is Exceeding Consensus Forecasts,…*
Citigroup Global Economic Surprise Index

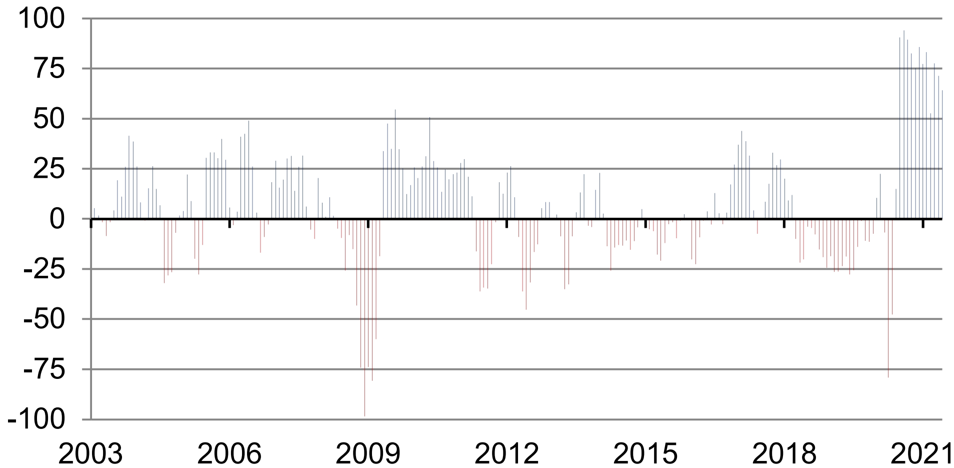
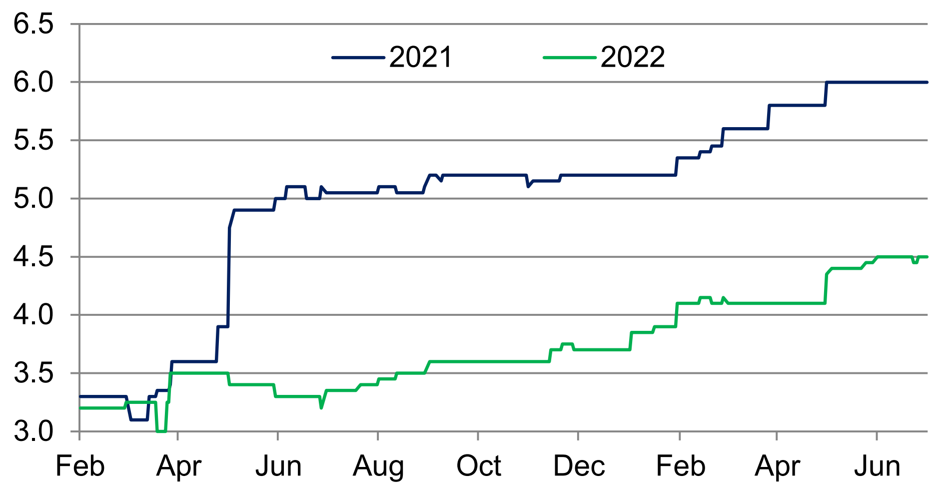


Exhibit 3:*…and is Driving Expectations for Higher Growth*
Global Economic Growth Consensus Forecast %



Well beyond the demand from the return to more normal activity, government policy, particularly in the US, is contributing to a hot economy. The fiscal side is super expansionary, with budget plans for 2022 suggesting greater government involvement in the economy and a widespread surge in spending. Monetary policy, meanwhile, remains extremely loose, with the Federal Funds rate held near zero and a steady torrent of liquidity from the Fed's $120 billion per month bond purchasing program. Based on comments from Chairman Powell and others on the Fed "speaking circuit", the emergency policy stance taken during the depths of the COVID crisis could remain for some time. Rather than being needed to help an economy and financial markets shocked by the pandemic, easy money appears to be integrated with fiscal spending plans that will require a big jump in treasury bond issuance at interest rates held below the rate of inflation.

Exhibit 4: Fiscal Policy is Super Expansionary
2022 Draft US Federal Budget % Increase vs. 2021

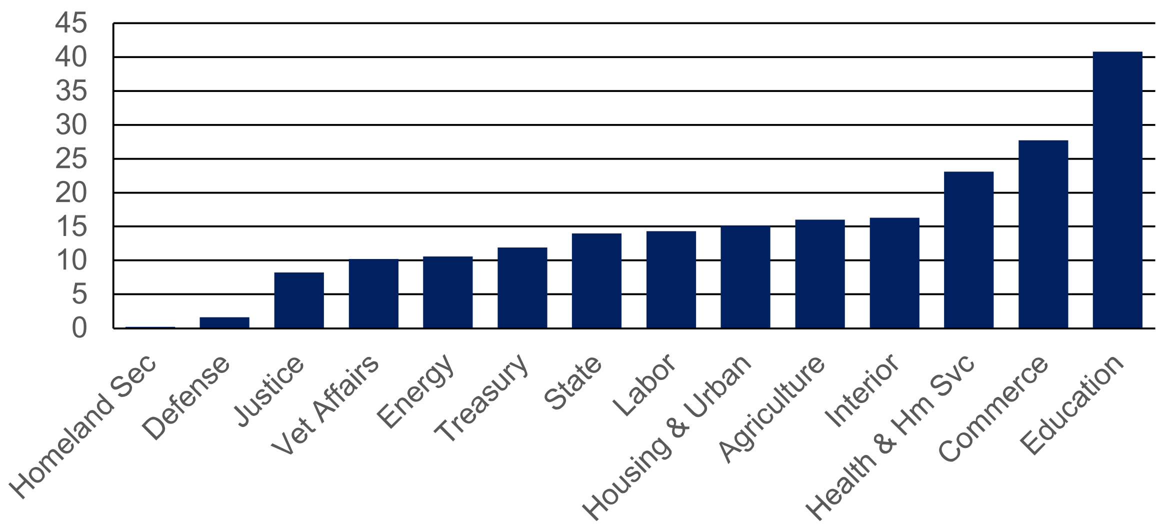
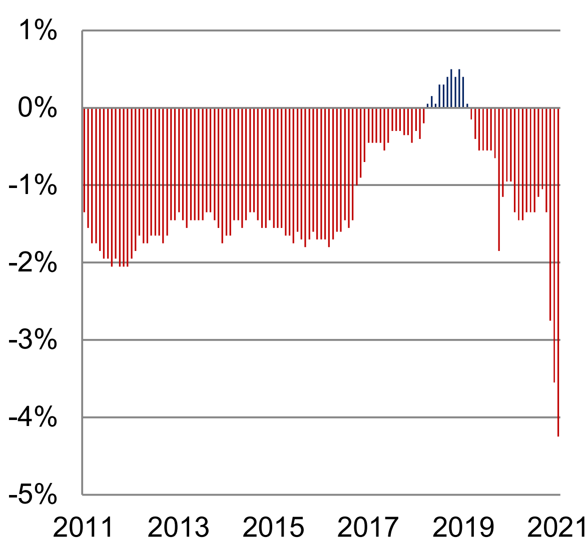
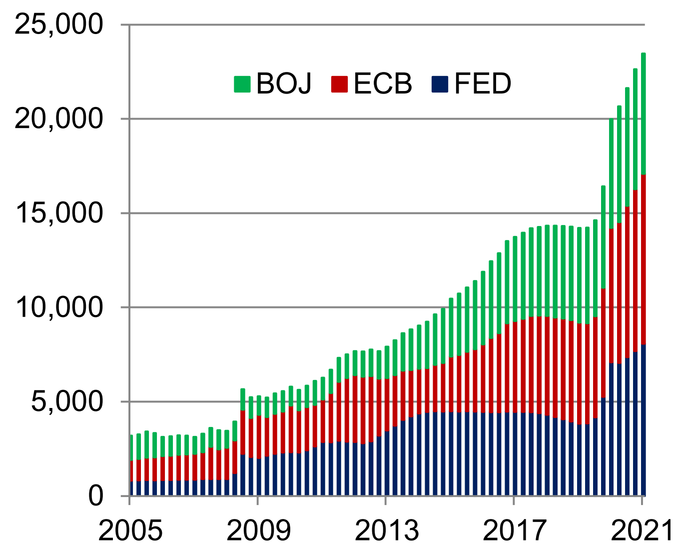


Exhibit 5: Monetary Policy is Super Expansionary

Real Federal Funds Rate %



Central Bank Balance Sheets, $Billions



The strong and faster than expected rebound in the economy, combined with COVID-related supply chain disruptions atypical of a "normal" recession, has caused inflation to surge. Several measures of inflation have jumped to levels last seen over thirty year ago, and consumer expectations for future inflation have risen from the prior disinflationary mindset.

Should inflation continue to rise or persist beyond the easing of supply constraints, central banks may need to reassess their stance and begin the process of tightening policy. The Fed has expressed a high degree of confidence that the current spike in inflation will prove to be transitory. It's not a sure thing, and we doubt the Fed will want inflation to remain very much above its 2% time-averaged target for very long.

Exhibit 6: Inflation is Running Hot

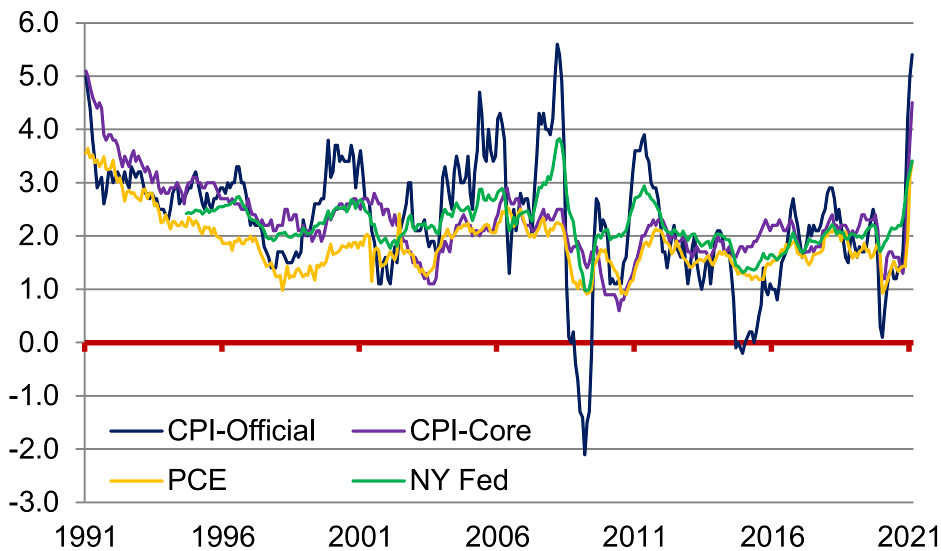
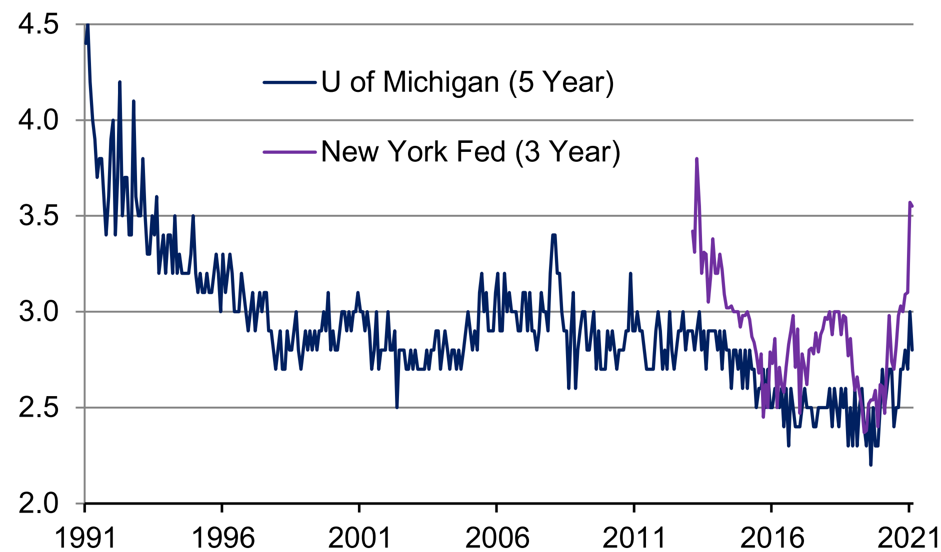


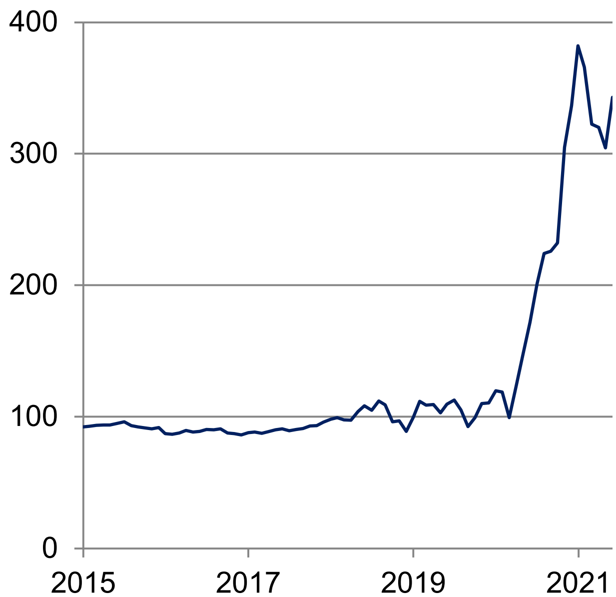
Exhibit 7: Consumer Inflation Expectations are Rising



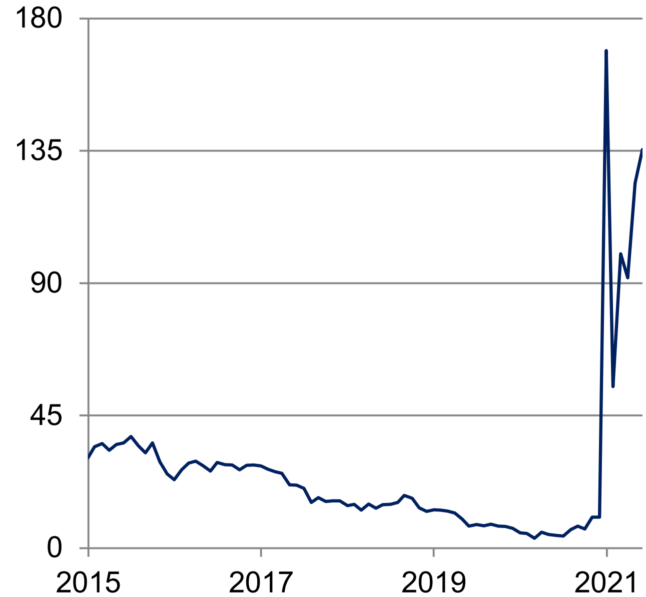
The potential that rates rise or bond purchases are tapered sooner or faster than expected is a key issue for financial markets, which have been heavily influenced by low rates and large injections of liquidity. Historically high stock index valuations, currently well into the 90th 20-year percentile, are encouraged by low (negative after inflation) bond yields. Abundant liquidity has found its way into speculative activity, witnessed by surging prices for unprofitable "concept" companies and high short interest, so-called meme stocks favored by individual investors gambling with proceeds from stimulus checks.

Exhibit 8: Speculative Mood in Financial Markets

Goldman Sachs Non-Profitable Tech Index
Losing Money Never Felt So Good



"Meme Stock" Mania
1 Share Each of GameStop and AMC



Strength in the economy provides a supportive investment backdrop with rising corporate earnings and falling credit risk. While overall market valuations are concerning, especially in the speculatively valued portion of the stock market and in the longer maturity portion of the bond market, we see favorable risk adjusted returns for securities that are reasonably valued and backed by cash flow.

An evening out of worldwide growth, in favor of international economies catching up to the US's head start in vaccinations, should benefit our globally diversified stock holdings, particularly those in cyclical sectors. Meanwhile, our preference for a portfolio of quality companies that is valued at a discount to the overall market provides a degree of risk control, should government policies become less expansionary.

Bond portfolios remain credit oriented and defensive to a potential upward shift in interest rates. While credit spreads have tightened into the economic recovery, we see the momentum in global growth as being more favorable to debt service and repayment than interest rate risk, with the 10 year US Treasury bond yield 3% lower than core inflation.

Risk management remains an important part of our asset allocation process, and we will continue to monitor closely the outlook for corporate earnings, the evolving challenge that new COVID variants present to the return to normal activity and growth, and the potential that inflation may prove to be less transitory than expected by the Fed and investors generally. Diversifying assets, outside of stocks and bonds, such as precious metals and commodities can provide a hedge if inflation were to run too hot for too long.

We hope this review of the economy and markets helps inform you of our outlook and how we're managing the capital you've entrusted to us. We would be pleased to answer any questions you have and are grateful for the opportunity to work with you.

With best regards and wishes to your health, safety, and enjoyment of these summer months.

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