

Benchmark Review



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Streaks snapped as bull market ages

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Executive Summary

Key Takeaways

- The S&P 500 entered its first 5% pullback in 11 months, ending its 13th-longest streak on record.
- Rotation amongst styles and sectors resulted in mixed benchmark and factor returns.
- Japan led developed markets higher, while China drove emerging markets lower.

Almost all long rallies w/o 5% pullbacks occur in secular bulls

Longest Streaks Without 5% Corrections in S&P 500			
Date Streak Ended	Length (Trading Days)	Turn Into 10% Correction?	Secular Condition
4/6/43	283	No	Bull
6/12/50	282	Yes	Bull
1/3/55	326	No	Bull
8/3/59	409	Yes	Bull
12/12/61	283	Yes	Bull
10/28/63	255	No	Bull
5/13/65	369	No	Bull
10/9/89	225	Yes	Bull
2/2/94	333	No	Bull
5/24/96	369	No	Bull
2/11/04	219	No	Bear
1/26/18	399	Yes	Bull
9/2/21	211	??	??

Source: S&P Dow Jones Indices.

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All good things must come to an end

The cascading of bad news by the end of September was finally too much for what had been an historically resilient stock market. Global supply chain disruptions, soaring energy prices, COVID-19, stalled infrastructure bills, inflation fears, and looming Fed taper – finally weighed on the market, resulting in the end of two remarkable streaks.

First, the S&P 500 fell 4.8% in September, stopping the number of consecutive monthly gains at seven. That was tied for the 20th-longest stretch since 1925 and was the longest since the 10 months ending in January 2018.

Second, the S&P 500 closed 5.1% below its September 2 record high, [ending the streak](#) without a 5% pullback at 211 trading days, or since October 30, 2020. It was the 13th-longest on record and also the longest since January 2018 (table, above). For perspective, the average 5% rally lasts 72 trading days.

Secular bull market implication

If there is a message for the bulls, it's don't cry because it's over; smile because it happened. Of the 12 longer streaks, 11 occurred during secular bull markets. The exception was the 219-day streak that

ended on 2/11/2004, and that decline was only 8.2%.

History provides a nugget for the bears, too. Of the previous 11 cases, five turned into 10% corrections, slightly higher than the 31% chance for [all 5% pullbacks](#).

The rest of the report contains data and analyses of returns by asset class, style, factor, sector, region, and fixed income sector for Q3 and YTD.

Asset Classes & Equity Themes

Key Takeaways

- The S&P 500 eked out a gain in Q3, despite September being the worst month since March 2020.
- Stocks outperformed bonds for the quarter and are well ahead year-to-date.
- Mega-cap Growth outperformed in Q3, but Value continued to outperform within small-caps.

Stocks barely beat bonds in Q3, well ahead YTD

Asset Class Benchmark Performance				
2021 Q3	2021 July	2021 August	2021 September	Year-to-Date
S&P GSCI 4.05	T-Bonds 3.65	NASDAQ 4.00	S&P GSCI 5.75	S&P GSCI 36.21
Dollar 2.06	Gold 2.38	S&P 500 TR 3.04	Dollar 1.73	S&P 500 TR 15.92
EAFE 1.32	S&P 500 TR 2.38	S&P 500 2.90	T-Bills 0.00	S&P 500 14.68
S&P 500 TR 0.58	S&P 500 2.27	EM 2.26	Bond Agg -0.87	EAFE 14.23
T-Bonds 0.47	DJIA 1.25	EAFE 2.25	EAFE -1.30	NASDAQ 12.11
S&P 500 0.23	NASDAQ 1.16	DJIA 1.22	EM -2.82	DJIA 10.58
Bond Agg 0.05	Bond Agg 1.12	Dollar 0.61	T-Bonds -2.86	Dollar 4.81
T-Bills 0.01	S&P GSCI 0.96	Gold 0.13	Gold -3.31	EM 0.73
NASDAQ -0.38	EAFE 0.39	T-Bills 0.00	DJIA -4.29	T-Bills 0.03
Gold -0.89	T-Bills 0.00	Bond Agg -0.19	S&P 500 TR -4.65	Bond Agg -1.55
DJIA -1.91	Dollar -0.29	T-Bonds -0.21	S&P 500 -4.76	Gold -7.45
EM -6.69	EM -6.11	S&P GSCI -2.54	NASDAQ -5.31	T-Bonds -7.49

All data in local currency and price only unless specified as total return (TR). Sources: MSCI, Barclays, Commodity Systems, Inc. (CSI) www.csidata.com, IDC, Ned Davis Research, Inc., S&P Dow Jones Indices.

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ASSET CLASSES

Commodities lead, emerging markets lag

The table at right shows returns for 12 asset-class benchmarks for the quarter, each month of Q3, and YTD. Every period is ranked separately, and each asset class has its own color so that trends can be seen easily. (Click [here](#) for periodic return tables with more benchmarks and timeframes.)

- **Stocks flat...** The S&P 500 eked out a 0.2% gain for the quarter. The benchmark posted solid gains of over 2% in July and August, before falling 4.8% in September, its worst month since March 2020.
- **...and barely ahead of bonds.** The S&P 500 outpaced its bond competitors in Q3, beating long-term Treasury bonds by 11 basis points (bps) and the U.S. Aggregate by 53 bps. The S&P 500 has beaten the Agg for six

consecutive quarters, its longest streak since 10 ending in Q3 2018. For the year, the S&P 500 has outperformed the Agg by 1747 bps. Treasury bonds are the worst benchmark year-to-date (YTD) at -7.5%.

- **Nasdaq slips.** The Nasdaq fell 0.4% in Q3 and now trails the S&P 500 by 257 bps YTD.
- **Developed international shines.** The MSCI EAFE Index was the top equity benchmark for the quarter, gaining 1.3% and trails the S&P 500 by 45 bps YTD.
- **Emerging markets suffer.** The MSCI Emerging Markets Index was the worst performing benchmark in the table, at -6.7%. China was the main driver of EM

weakness (page 10).

- **Currencies mattered in Q3.** The data in the table is in local currency terms. On a U.S. dollar basis, EAFE fell 0.4%. Emerging Markets dropped 8.1%.
- **Dollar strength.** The U.S. dollar climbed 2.1% in Q3, the second-best benchmark in the table. Taper talk, U.S. economic strength, and a September flight-to-safety have pushed the greenback up 4.8% YTD, its best start since 2015.
- **Commodities win again.** The S&P/GSCI gained 4.1% in Q3, the best return of the 12 asset classes, a distinction it has held each quarter in 2021 due to a demand rebound and supply disruptions.

CAP & STYLES

Russell style box returns are shown for Q3 (table, right) and year-to-date (table below). Click [here](#) for S&P style box returns. **Mega-cap Growth outperformed in Q3, but the story was different in small-caps.**

Growth over Value (kind of)

- Only two Russell style boxes rose in Q3, the Russell Top 200 Growth (1.6%) and the Russell Top 200 Index (0.6%), which in a blend of Growth and Value.
- Growth outpaced Value by 25 bps amid mid-caps, but Value beat Growth by 277 bps within the Russell 2000 universe.
- For the year, **small-cap Value is the top style box** at +22.9%, 468 bps ahead of second-place mid-cap Value and 2010 bps ahead of last-place small-cap Growth.

Mega-cap Growth star of Q3

Russell Cap-Weighted Total-Return Indices % Gain 6/30/2021 - 9/30/2021			
	Value	Blend	Growth
Large	-0.65	0.63	1.62
Mid	-1.01	-0.93	-0.76
Small	-2.98	-4.36	-5.75

Source: Russell. Data Total-Return.
Large-cap = Russell Top 200 indices.
Mid-cap = Russell MidCap indices.
Small-cap = Russell 2000 indices.
Blend = broad index at all market-cap levels.

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Small-cap Value biggest winner YTD

Russell Cap-Weighted Total-Return Indices % Gain 12/31/2020 - 9/30/2021			
	Value	Blend	Growth
Large	15.00	15.22	15.43
Mid	18.24	15.17	9.60
Small	22.92	12.41	2.82

Source: Russell. Data Total-Return.
Large-cap = Russell Top 200 indices.
Mid-cap = Russell MidCap indices.
Small-cap = Russell 2000 indices.
Blend = broad index at all market-cap levels.

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- Within mid-caps, Value is up 864 bps on Growth YTD.
- Within large-caps, Growth has edged 43 bps ahead of Value YTD.

Growth rebound

- Large-caps outperformed small-caps in Q3. The Russell Top 200 climbed 0.6%. The Russell Mid-Cap fell 0.9%. The Russell 1000, a cap-weighted combination of the Top 200 and Mid-Cap, rose 0.2%.
- The Russell 2000 slumped 4.4% in Q3. The widely followed small-cap benchmark is up a respectable 12.4% YTD, but now trails the Russell Top 200 by 281 bps.
- The Russell Mid-Cap is trailing the Russell Top 200 by 5 bps YTD.

FACTORS

The table below shows the performance of various stock selection factor strategies for the S&P 500 Index for Q3. The numbers show the performance of buying the top decile (10%) of stocks and selling the bottom decile. For more factors and time frames, see our data explorer team's [ST_1A report](#).

Growth factors worked...

- The strength of mega-cap Growth stocks was evident in positive returns from Growth factors. Long-term sales Growth (6.0%), EPS Growth (5.8%), and long-term EPS growth (5.3%) as rose.
- Perhaps reflecting concerns over rising rates, long-term EPS estimates (0.7%) trailed other Growth factors.
- On a macro level, Value versus Growth beta factor fell 3.4%.

...but so did some Value factors

- Unlike most quarters when Growth factors outperformed, some traditional Value factors also produced positive returns, including earnings/price (6.1%) and cash flow/price (4.2%).
- Other Value factors like dividend yield (-0.4%), book/price (-0.4%), and sales/price (-7.0%) struggled.

Profitability over EPS beats

- Virtually all profitability factors were successful in Q3, led by net profit margin (7.6%) and pretax margin (6.3%).
- Despite the highest percentage of companies beating estimates on record, earnings surprise (-2.7%) struggled as a factor.
- Earnings revisions also trailed (-4.2%).

Quality tilt?

- High vs Low Quality (-0.1%) was essentially flat, but other factors suggest a quality bias.
- Interest coverage (5.3%), debt/equity (4.3%), and capex/assets (2.0%) outperformed. Only asset turnover (-3.6%) was a losing Efficiency and Quality strategy.

Inflation fears

- Concern over recent inflation reports was reflected in CPI beta (-4.9%) and yield curve slope beta (-3.8%).
- Reflecting the strong dollar, U.S. dollar beta (2.1%) was the top Economic and Commodity Sensitivity factor.

Growth factors outperformed, but with a profitability and quality bias

S&P 500 Factor Heat Map (06/30/2021 - 09/30/2021)							
Analyst Estimates	Economic and Commodity Sensitivity	Efficiency and Quality	Liquidity, Size and Style Sensitivity	Momentum and Risk	Payout	Profitability	Valuation
Long-Term EPS Growth Estimate 0.65	US Dollar Beta 2.14	Interest Coverage 5.33	Small v. Large Beta 0.70	4W Momentum 5.79	LT Dividend Growth 3.80	Net Profit Margin 7.58	Earnings/Price 6.06
Earnings Surprise -2.71	Industrial Production Beta 1.10	Debt/Equity 4.32	Cyclical v. Consumer Beta 0.24	26W Mean Reversion 5.12	Dividend Payout 0.97	Pretax Margin 6.27	Free Cash Flow/EntValue 4.52
Earnings Revision -4.24	10-Yr Gov't Bond Beta 0.43	Debt/Asset 3.99	High v. Low Quality Beta -0.13	52W Momentum 3.10	Dividend Growth 0.10	LT Sales Growth 6.00	Cash Flow/Price 4.19
	S&P GSCI Beta 0.41	Capex/Assets 1.96	Short interest Ratio -3.39	1W Momentum 2.31	Net Payout Ratio -2.39	EPS Growth 5.75	Free Cash Flow/Price 3.02
	Credit Spread Beta 0.39	EBIT/Assets 0.79	Value v. Growth Beta -3.43	43W Momentum 2.18		LT Operating EPS Growth 5.48	Net Payout Yield 2.07
	WTI Crude Oil Beta 0.30	Cash Position 0.26		52W - 4W Momentum 1.24		LT EPS Growth 5.29	EBIT/Enterprise Value 1.23
	British Pound Beta -2.10	Tax Paid/Sales 0.22		Market Beta 0.63		Sales Growth 4.83	EBITDA/Enterprise Value 1.13
	Gold Beta -3.03	Operating Cash Flow/Assets 0.19		13W Momentum -1.33		Return On Assets 4.55	Shareholder Yield 0.94
	Yield Curve Slope Beta -3.78	Asset Turnover -3.60		52W Mean Reversion -3.54		Return On Investment 3.95	Operating Cash Flow Yield 0.85
	Yen Beta -4.24			13W Mean Reversion -3.73		Operating Leverage 3.00	Repurchase Yield 0.82
	Euro Beta -4.36			1W Mean Reversion -4.86		Return On Equity 0.71	Book/Price -0.36
	CPI Beta -4.90			4W Mean Reversion -4.95		Foreign/Total Pretax Income -3.37	Dividend Yield -0.37
				2W Mean Reversion -6.66			Sales/Price -6.97
				26W Momentum -7.72			

For list of all factor definitions, click [here](#)

Excerpt from [ST_1A](#)

Sectors & Industries

Key Takeaways

- Sector and industry leadership was a mix of cyclical Value, cyclical Growth, and defensive in Q3.
- Cyclical Value continues to lead the market on the year.
- Most of the bottom YTD sector and industry performers are defensive oriented.

SECTORS

The tables below show Q3 and year-to-date (YTD) S&P 500 sector returns and contributions. The dispersion of sector returns during the quarter was low, with Industrials the worst performer at -4.6% and Financials the best performer at 2.3%. Cyclical Value sectors of Energy and Financials remain the top performers YTD.

Q3 sector leadership mixed

- Q3 leadership was a mix of cyclical Value, cyclical Growth, and defensive sectors, with Financials (2.3%), Communication Services (1.4%), Technology (1.1%) and Health Care (1.0%) finishing as the top performing

sectors for the quarter.

- Cyclical Value sectors of Industrials (-4.6%), Materials (-3.9%), and Energy (-2.9%) were the worst Q3 performers.
- If the reopening 2.0 trade gains momentum, the cyclical Value laggards could bounce-back in Q4.

Cyclical Value still leads YTD

- Despite the back-and-forth leadership seen this year, cyclical Value sectors have maintained their lead over cyclical Growth sectors YTD.
- Real Estate (22.0%) has flown under-the-radar for most of the year but has been the third-best performing sector YTD.

Energy and Financials remain top YTD performers

S&P 500 GICS Sector Return Contribution (Q3 2021)

Sector	Sector Weight as a % of the S&P 500 6/30/21	% Return 6/30/2021 - 9/30/2021	Contribution 6/30/2021 - 9/30/2021
Financials	11.28	2.29	0.26
Communication Services	11.14	1.40	0.16
Information Technology	27.42	1.13	0.31
Health Care	12.99	1.02	0.13
Utilities	2.45	0.93	0.02
Real Estate	2.58	0.25	0.01
Consumer Discretionary	12.28	-0.15	-0.02
Consumer Staples	5.86	-0.98	-0.06
Energy	2.85	-2.82	-0.08
Materials	2.60	-3.94	-0.10
Industrials	8.54	-4.55	-0.39
Total Sector Contribution			0.24
Actual S&P 500 Gain			0.23
Residual			0.01

Note: S&P Dow Jones Indices launched the Communication Services sector on 2018-09-24. Returns include the new sector composition historically.

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S&P 500 GICS Sector Return Contribution (YTD 2021)

Sector	Sector Weight as a % of the S&P 500 12/31/20	% Return 12/31/2020 - 9/30/2021	Contribution 12/31/2020 - 9/30/2021
Energy	2.28	38.35	0.87
Financials	10.44	27.36	2.86
Real Estate	2.42	22.02	0.53
Communication Services	10.77	20.78	2.24
Information Technology	27.61	14.51	4.01
Health Care	13.46	12.08	1.63
Industrials	8.40	10.31	0.87
Consumer Discretionary	12.72	9.76	1.24
Materials	2.63	8.98	0.24
Consumer Staples	6.51	2.62	0.17
Utilities	2.76	1.73	0.05
Total Sector Contribution			14.70
Actual S&P 500 Gain			14.68
Residual			0.02

Note: S&P Dow Jones Indices launched the Communication Services sector on 2018-09-24. Returns include the new sector composition historically.

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INDUSTRIES

The table at right shows the top 10 and bottom 10 performing industries in Q3.

The table below shows the top and bottom performing industries YTD.

Q3 industry leadership mixed

- Only two industries, Construction & Engineering (25.7%) and Real Estate Management & Development (13.6%) finished the quarter with double-digit returns.
- Mega-caps of Microsoft (4.1%) and Tesla (14.1%) were responsible for most of the strength from Software (5.1%) and Automobiles (9.6%), respectively.
- The Insurance (4.4%) and Banks (4.1%) industries were most responsible for Financials' Q3 strength.
- Air Freight & Logistics (-15.6%) was the worst performing industry, as UPS (-12.4%) and FedEx (-26.5%) were both down double digits.

Mixed Q3 leadership

Top and Bottom Performing S&P 500 Industries (Q3 2021)		
S&P 500 Industry	Q3 2021 Return (%)	Sector
Construction & Engineering	25.67	Industrials
Real Estate Management & Development	13.57	Real Estate
Water Utilities	9.67	Utilities
Automobiles	9.55	Consumer Discretionary
Life Sciences Tools & Services	5.66	Health Care
Software	5.11	Information Technology
Health Care Equipment & Supplies	5.03	Health Care
Commercial Services & Supplies	4.97	Industrials
Insurance	4.38	Financials
Banks	4.08	Financials
Top 10		
Household Durables	-6.34	Consumer Discretionary
Auto Components	-6.53	Consumer Discretionary
Road & Rail	-7.30	Industrials
Textiles, Apparel & Luxury Goods	-7.61	Consumer Discretionary
Gas Utilities	-8.23	Utilities
Health Care Technology	-9.77	Health Care
Metals & Mining	-9.86	Materials
Wireless Telecommunication Services	-11.79	Communication Services
Independent Power & Renewable Electricity Producers	-12.43	Utilities
Air Freight & Logistics	-15.63	Industrials
Bottom 10		
Cap-weighted, price only. Sources: NDR Multi-Cap Institutional (Universe), S&P Capital IQ and MSCI, Inc. (GICS).		
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Eight of the bottom 10 industries are defensive oriented

Top and Bottom Performing S&P 500 Industries (YTD 2021)		
S&P 500 Industry	2021 Return (%)	Sector
Real Estate Management & Development	55.23	Real Estate
Construction & Engineering	49.45	Industrials
Consumer Finance	45.20	Financials
Interactive Media & Services	40.84	Communication Services
Oil, Gas & Consumable Fuels	39.83	Energy
Banks	32.86	Financials
Capital Markets	25.85	Financials
Building Products	25.50	Industrials
Distributors	24.67	Consumer Discretionary
Life Sciences Tools & Services	24.11	Health Care
Top 10		
Multi-Utilities	1.04	Utilities
Bottom 10		
Entertainment	-1.00	Communication Services
Beverages	-2.17	Consumer Staples
Household Products	-2.63	Consumer Staples
Independent Power & Renewable Electricity Producers	-2.85	Utilities
Leisure Products	-4.62	Consumer Discretionary
Wireless Telecommunication Services	-5.26	Communication Services
Diversified Telecommunication Services	-6.44	Communication Services
Gas Utilities	-7.58	Utilities
Health Care Technology	-10.14	Health Care
Cap-weighted, price only. Sources: NDR Multi-Cap Institutional (Universe), S&P Capital IQ and MSCI, Inc. (GICS).		
Ned Davis Research, Inc.		T_BF21_04.3

Defensives lagging on year

- Six of the top 10 performing industries YTD are from cyclical Value sectors of Energy, Industrials, and Financials.
- Real Estate Management (55.2%) has been the top performing industry in 2021 on strength from CBRE Group (55.2%), the only company in the S&P 500 sector.
- Only nine of the 63 S&P 500 GICS industries have seen negative returns on the year.
- Of the bottom 10 performing industries, eight reside in our defensive SHUT Index.
- Life Sciences Tools & Services (24.1%) is one of the few defensive areas showing strength. All but one of the eight stocks in the S&P 500 industry have outpaced the S&P 500 YTD.

Fixed Income

Key Takeaways

- Global bonds retreat on a stronger U.S. dollar.
- British bonds were the worst performing major market on a possible shift in monetary policy due to higher inflation.
- Yields on key Treasury coupons were little changed in Q3. TIPS were the standout. Leveraged loans also did well and could outperform in the coming months.

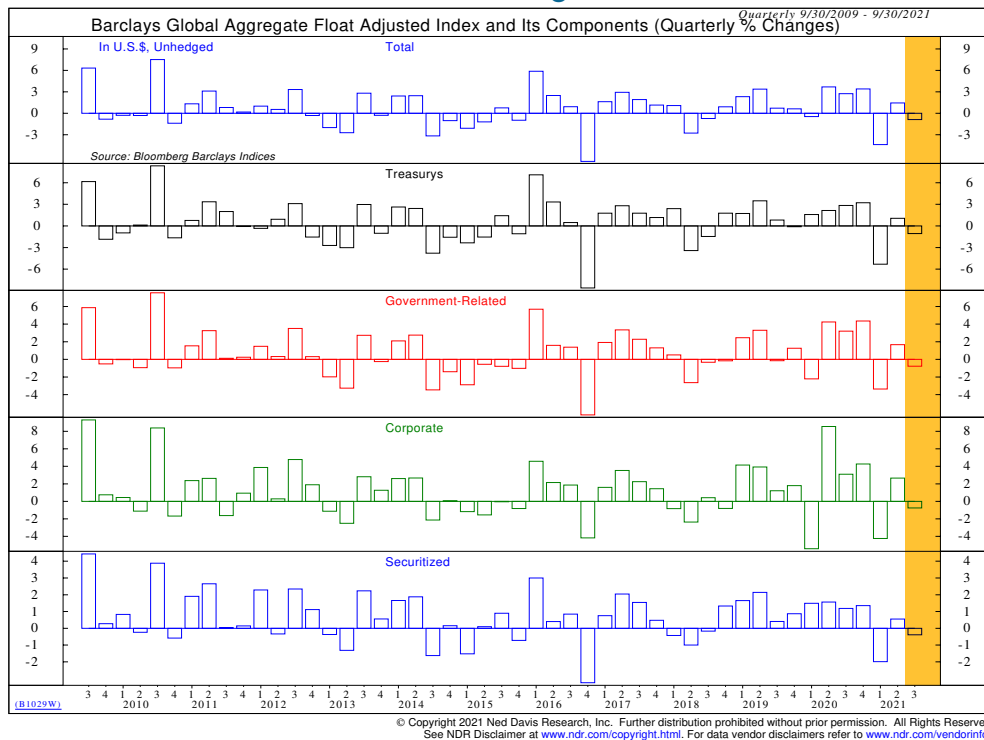
Global bonds suffered last quarter on a strengthening U.S. dollar. The Bloomberg Barclays Float Adjusted Global Aggregate fell 0.9% (top chart). Excluding China, the index was down 1.1%.

The 2.4% decline in the euro accounted for all of the negative contribution from the European bond market, as the Euro-Agg was literally unchanged in local currency. The U.S. market didn't behave much differently, inching up just 5 bp.

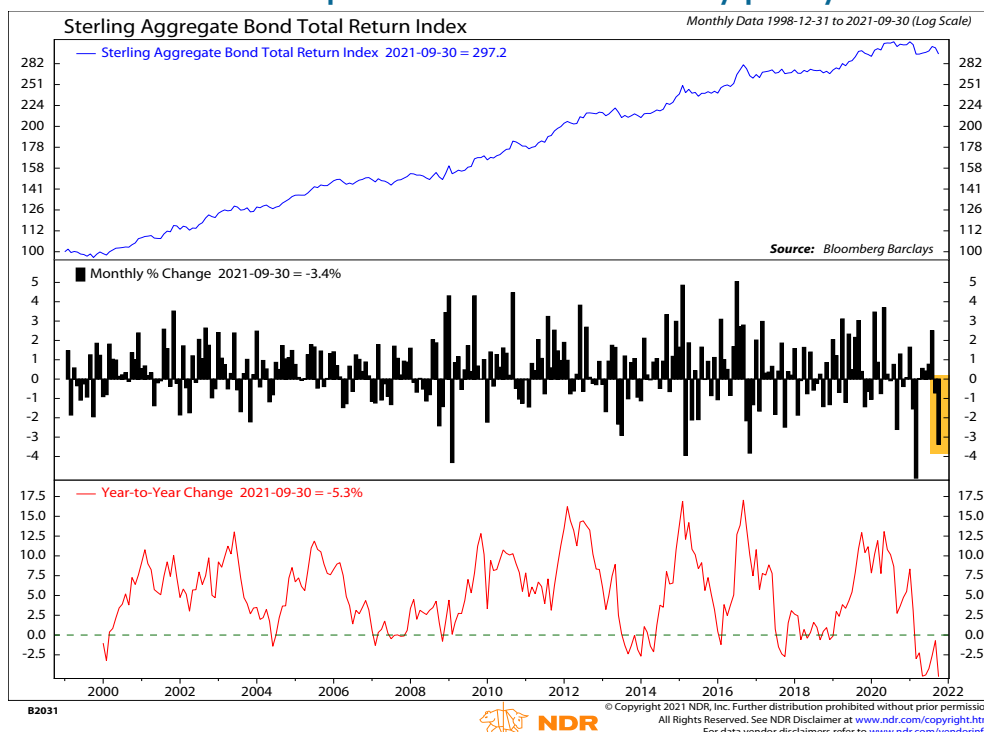
The Asian-Pacific Agg rose 37 bp despite fears of Evergrande contagion risk hurting non-Treasury debt.

In addition to the 2.5% drop in the British pound, **higher inflation and a possible rate hike next year weighed on the U.K. bond market.** Ten-year gilts rose 30 bp over the quarter, topping 1.00% for the first time since May 2019. As a result, the Sterling Agg fell 1.7% (bottom chart).

Global bonds retreat on USD strength



British bonds hit on possible shift in monetary policy

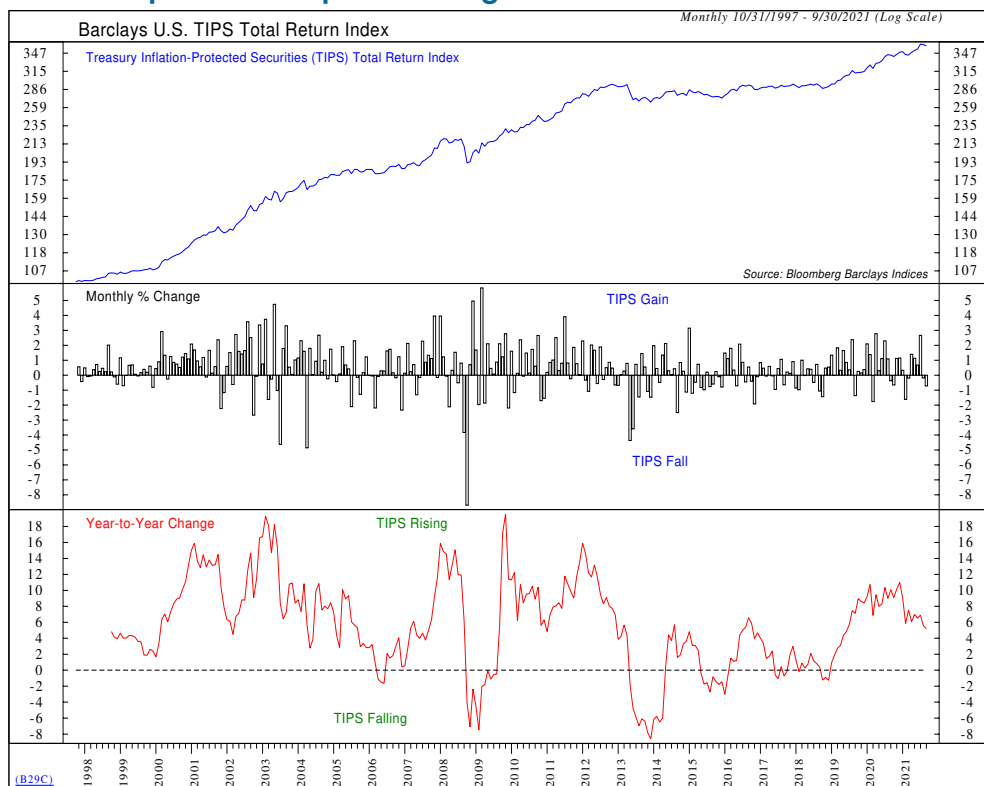


Yields on key Treasury coupons were little changed in Q3

but that hardly describes their journey. The yield on the 10-year security, for example, started the quarter at 1.45%, but fell as low as 1.19% in July and August before ratcheting above 1.50% at the end of the quarter.

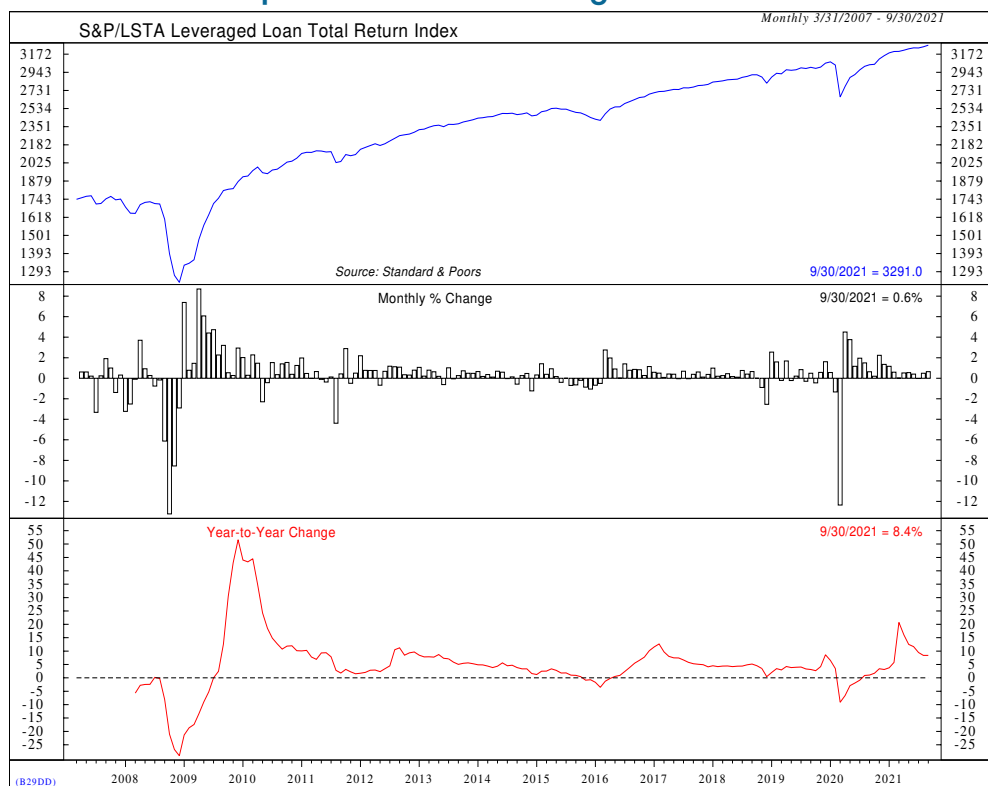
TIPS were the standout in Q3, rising 175 bp on their principal adjustment due to higher CPI inflation (right).

Inflation protection paid off big for TIPS in Q3



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Loans could outperform in the coming months



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Sooner than expected rate hikes and to higher levels gave a boost to leveraged loans, which returned 111 bp, more than half of which came in September (left).

High yield did reasonably well, earning 89 bp.

On the negative side, munis and agency CMBS each posted modest losses of roughly 25 bp on slower growth due to the Delta variant and uncertainty over the passage of the infrastructure bills.

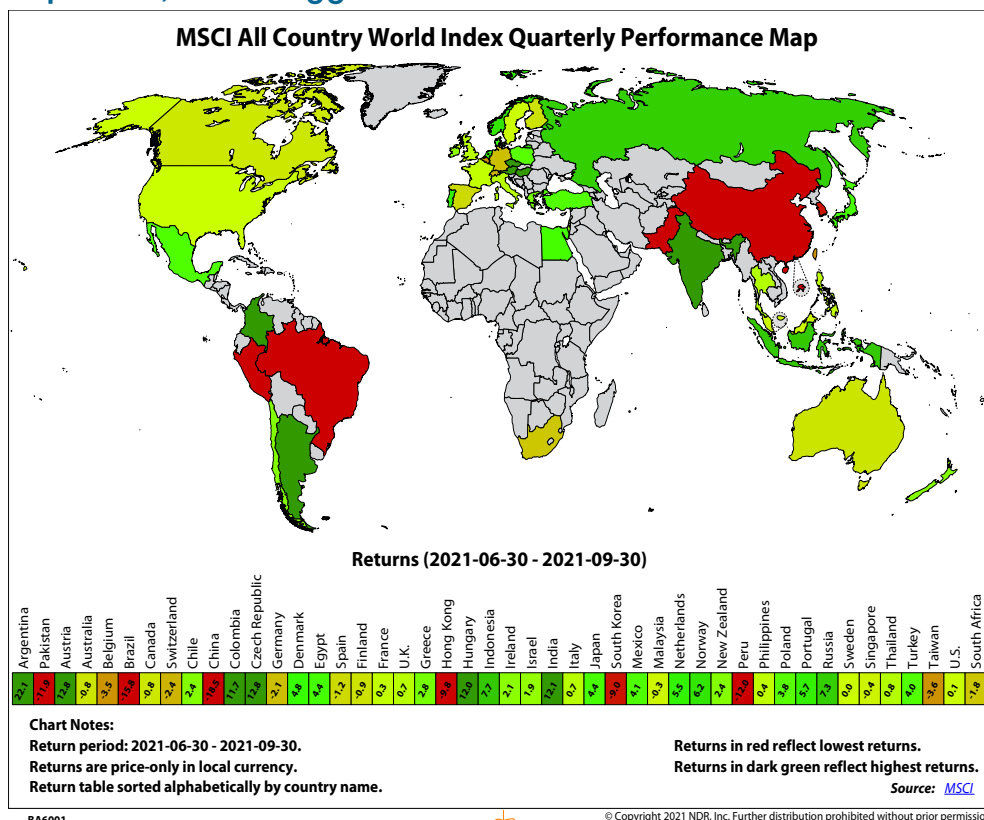
For additional detail on regional and sector fixed income performance, please see report [BMS 5](#).

Regions & Countries

Key Takeaways

- Japan shined in a mixed third quarter.
- Smaller European countries offset weakness in Europe ex. U.K. heavyweights.
- Emerging markets underperformed, led by China.

Japan led, China lagged in Q3



The map at right and table on pages 11-12 show the contribution to returns of the MSCI All Countries World Index (ACWI) in local currencies in Q3 and YTD. **Despite a small decline in Q3, the MSCI All-Country World Index is up 11.6% YTD.**

Japanese strength

- Japan was the top-performing major country/region in Q3, with a 4.4% gain.
- Returns are price only and in local currency terms. In U.S. dollar terms, Japan gained 3.8% in Q3 and 4.2% YTD.
- The Nikkei 225 Average climbed to its highest level since August 1990.

U.S. (slight) relative strength

- The MSCI U.S. Index managed to gain 7 bps in Q3.
- For the year, the U.S. is up 14.2% and has contributed 810 out of the ACWI's 1160 bp gain.

Commodity strength

- The surge in commodity prices this year was reflected in commodity-producing countries' relative strength, including Russia (24.7%), Norway (21.8%), Canada (15.1%), and Australia (10.7%). Brazil (-12.2%) is a notable exception.
- Reflecting commodity volatility in Q3, some commodity producers underperformed, including Canada (-0.8%) and Australia (-0.8%). Russia (7.3%) and Norway (6.2%) continued to rally in Q3.

Europe mixed

- Europe ex. U.K. was essentially flat at -0.01% in Q3.
- Several bigger countries such as Swit-

zerland (-2.4%) and Germany (-2.1%) underperformed, while smaller countries such as Austria (12.8%), Norway (6.2%), and Portugal (5.7%) paced gains.

- The United Kingdom was the second-best major country/region in Q3, with a 0.7% gain.

China led EM lower

- Emerging markets was the worst performing major country/region in Q3 (-7.5%) and YTD (-10%).
- China was the biggest detractor, with returns of -18.5% in Q3 and -17.6% YTD.
- South Korea (-9.0%) and Taiwan (-3.6%) added to Emerging Market's Q3 underperformance.

North America pacing global gains YTD

MSCI Regional Contribution YTD 2021 (Local Currency Terms)

All-Countries World Index			
Region	% Gain	% Weight	% Contribution
Canada	15.08	2.70	0.41
United States	14.15	57.28	8.10
Europe ex. UK	13.84	12.92	1.79
Japan	12.58	6.77	0.85
United Kingdom	9.93	3.75	0.37
Pacific ex. Japan	6.39	3.11	0.20
Emerging Markets	-1.02	13.31	-0.14
Contribution % Gain			11.59
ACWI % Gain			11.60
Residual			-0.01
Europe ex. U.K. Index			
Country	% Gain	% Weight	% Contribution
Austria	39.69	0.36	0.14
Netherlands	28.97	7.97	2.31
Norway	21.77	1.22	0.27
Sweden	20.59	6.93	1.43
Denmark	17.58	5.22	0.92
France	16.21	22.92	3.71
Ireland	12.84	1.45	0.19
Italy	12.72	4.92	0.63
Finland	9.84	2.17	0.21
Switzerland	9.58	19.95	1.91
Germany	8.35	19.45	1.62
Spain	7.72	5.05	0.39
Belgium	4.92	2.03	0.10
Portugal	0.79	0.36	0.00
Contribution % Gain:			13.83
Europe ex. UK % Gain:			13.84
Residual:			-0.01
Pacific ex. Japan Index			
Country	% Gain	% Weight	% Contribution
Australia	10.65	60.56	6.45
Singapore	9.24	8.97	0.83
Hong Kong	-2.20	27.90	-0.61
New Zealand	-11.35	2.58	-0.29
Contribution % Gain:			6.38
Pacific ex. Japan % Gain:			6.39
Residual:			-0.01
Emerging Europe, Middle East and Africa Index			
Country	% Gain	% Weight	% Contribution
Czech Republic	36.60	0.82	0.30
United Arab Emirates	30.39	4.34	1.32
Hungary	28.23	1.74	0.49
Russia	24.67	24.34	6.00
Poland	16.22	5.58	0.90
Greece	14.72	0.88	0.13
Qatar	9.10	5.76	0.52
South Africa	4.28	28.62	1.22
Turkey	-6.77	3.08	-0.21
Egypt	-9.47	0.69	-0.07
Contribution % Gain:			10.62
Emerging Europe, Middle East and Africa % Gain:			18.62
Residual:			-8.00
Latin America Index			
Country	% Gain	% Weight	% Contribution
Argentina	21.47	1.54	0.33
Mexico	17.23	21.92	3.78
Chile	4.34	6.36	0.28
Colombia	-2.43	2.50	-0.06
Brazil	-12.18	64.59	-7.87
Peru	-28.67	3.09	-0.89
Contribution % Gain:			-4.43
Latin America % Gain:			-4.85
Residual:			0.42
Emerging Asia Index			
Country	% Gain	% Weight	% Contribution
India	27.63	11.56	3.19
Taiwan	13.12	15.95	2.09
Thailand	5.39	2.27	0.12
South Korea	-0.36	16.83	-0.06
Philippines	-2.51	0.92	-0.02
Indonesia	-4.06	1.67	-0.07
Malaysia	-7.83	1.89	-0.15
China	-17.60	48.88	-8.60
Pakistan	-22.60	0.02	-0.01
Contribution % Gain:			-3.50
Emerging Markets Asia % Gain:			-3.60
Residual:			0.11

Market cap is MSCI calculation. % Weight = region/country market cap as a percent of region market cap on 12/31/2020. Percentage gain 12/31/2020 - 9/30/2021. % Contribution = % Weight X % Gain. Source: MSCI.

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Japan strong, China weak in Q3

MSCI Regional Contribution Q3 2021 (Local Currency Terms)

All-Countries World Index			
Region	% Gain	% Weight	% Contribution
Japan	4.36	5.91	0.26
United Kingdom	0.65	3.67	0.02
United States	0.07	58.67	0.04
Europe ex. UK	-0.01	12.76	0.00
Canada	-0.78	2.91	-0.02
Pacific ex. Japan	-3.21	3.00	-0.10
Emerging Markets	-7.45	12.94	-0.96
Contribution % Gain			-0.76
ACWI % Gain			-0.76
Residual			0.00
Europe ex. U.K. Index			
Country	% Gain	% Weight	% Contribution
Austria	12.79	0.39	0.05
Norway	6.24	1.26	0.08
Portugal	5.69	0.37	0.02
Netherlands	5.54	8.69	0.48
Denmark	4.84	5.16	0.25
Ireland	2.13	1.41	0.03
Italy	0.66	4.94	0.03
France	0.32	23.00	0.07
Sweden	0.04	7.52	0.00
Finland	-0.94	2.11	-0.02
Spain	-1.19	4.89	-0.06
Germany	-2.12	18.79	-0.40
Switzerland	-2.44	19.57	-0.48
Belgium	-3.47	1.90	-0.07
Contribution % Gain:			0.00
Europe ex. UK % Gain:			-0.01
Residual:			0.01
Pacific ex. Japan Index			
Country	% Gain	% Weight	% Contribution
New Zealand	2.36	2.02	0.05
Singapore	-0.37	9.06	-0.03
Australia	-0.84	61.22	-0.51
Hong Kong	-9.84	27.69	-2.72
Contribution % Gain:			-3.22
Pacific ex. Japan % Gain:			-3.21
Residual:			-0.01
Emerging Europe, Middle East and Africa Index			
Country	% Gain	% Weight	% Contribution
Czech Republic	12.76	0.79	0.10
Hungary	12.03	1.70	0.20
Russia	7.34	25.64	1.88
Qatar	7.29	4.86	0.35
United Arab Emirates	6.05	5.36	0.32
Egypt	4.41	0.50	0.02
Turkey	4.01	1.80	0.07
Poland	3.83	5.34	0.20
Greece	2.80	1.02	0.03
South Africa	-1.82	27.14	-0.49
Contribution % Gain:			2.70
Emerging Europe, Middle East and Africa % Gain:			4.74
Residual:			-2.04
Latin America Index			
Country	% Gain	% Weight	% Contribution
Argentina	22.10	1.57	0.35
Colombia	11.73	1.84	0.22
Mexico	4.10	22.22	0.91
Chile	2.40	5.57	0.13
Peru	-12.01	2.31	-0.28
Brazil	-15.78	66.49	-10.49
Contribution % Gain:			-9.16
Latin America % Gain:			-9.09
Residual:			-0.07
Emerging Asia Index			
Country	% Gain	% Weight	% Contribution
India	12.14	12.51	1.52
Indonesia	7.72	1.40	0.11
Thailand	0.81	2.02	0.02
Philippines	0.42	0.78	0.00
Malaysia	-0.28	1.55	0.00
Taiwan	-3.56	17.63	-0.63
South Korea	-8.98	16.70	-1.50
Pakistan	-11.85	0.02	0.00
China	-18.50	47.39	-8.77
Contribution % Gain:			-9.26
Emerging Markets Asia % Gain:			-9.28
Residual:			0.02

Market cap is MSCI calculation. % Weight = region/country market cap as a percent of region market cap on 6/30/2021. Percentage gain 6/30/2021 - 9/30/2021 % Contribution = % Weight X % Gain. Source: MSCI.

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**NDR**

NED DAVIS RESEARCH

NDR HOUSE VIEWS (Updated September 24, 2021)

NDR recommends maximum overweight allocation to equities and underweight allocations to bonds and cash. It is likely that we have seen a reset of the secular bull market that started in 2009.

Equity Allocation

U.S. | We are overweight the U.S. relative to other regions and bullish on an absolute basis. Macro and fundamental conditions could turn less favorable as the cycle matures, but technical indicators remain constructive. As part of the maturing cycle, we neutralized our overweights to small-caps and Value. A neutral small/large recommendation is an implicit overweight to mid-caps.

INTERNATIONAL | We are overweight Japan, Europe ex. U.K., and the U.S., underweight Emerging Markets, U.K. and Pacific ex. Japan, and marketweight Canada.

Macro

ECONOMY | The global economy fell into its deepest recession in the postwar era due to COVID-19, but pent-up demand and robust stimulus is setting the stage for a strong rebound in growth in 2021. Inflation will jump in the short-term, but long-term trends are anchored.

FIXED INCOME | We are 95% of benchmark duration. We are neutral on the yield curve. We are overweight MBS, ABS, HY corporates, EM, and TIPS. We are underweight Treasuries.

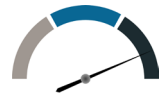
GOLD | Long-term uptrend intact. We are bullish.

DOLLAR | Our long-term technical composite is negative. We are bearish.

Economic Summary

September 27, 2021

Near term activity: ● Accelerating ● Neutral ● Decelerating

Global Economy
(6.1%)U.S. Economy
(5.0%-5.5%)U.S. Inflation
(3.5%-4.0%)

Economic gauges reflect changes in near-term economic activity. Numbers in parenthesis refer to NDR 2021 forecasts.

Global Asset Allocation

● Overweight ● Marketweight ● Underweight

- Stocks (70%)
- Bonds (25%) | Cash (5%)

Benchmark: Stocks (55%), Bonds (35%), Cash (10%)

Equities — Regional Relative Allocation

- U.S. (64%) | Europe ex. U.K. (16%) | Japan (9%)
- Canada (2%)
- Emerging Markets (6%) | U.K. (2%) | Pacific ex. Japan (1%)

Benchmark – U.S. (58.2%), Europe ex. U.K. (12.9%), Emerging Markets (12.9%), Japan (6.4%), U.K. (3.7%), Pacific ex. Japan (3.1%), Canada (2.8%)

Global Bond Allocation

- U.S. (50%) | Europe (28%) | Japan (17%) | U.K. (5%)

Benchmark: U.S. (50%), Europe (28%), Japan (16%), U.K. (6%)

U.S. Allocation

- Stocks (70%) | Mid-Cap
- Growth | Value
- Bonds (20%) | Cash (5%) | Large-Cap | Small-Cap

Benchmark: Stocks (55%), Bonds (35%), Cash (10%)

Sectors

- Utilities (4%) | Real Estate (4%)
- Materials (1%)

Benchmark: Technology (27.0%), Health Care (13.1%), Financials (10.4%), Communication Services (11.2%), Consumer Discretionary (12.9%), Consumer Staples (6.9%), Industrials (8.4%), Energy (2.4%), Utilities (2.6%), Real Estate (2.5%), Materials (2.6%)

U.S. Bonds — 95% of Benchmark Duration

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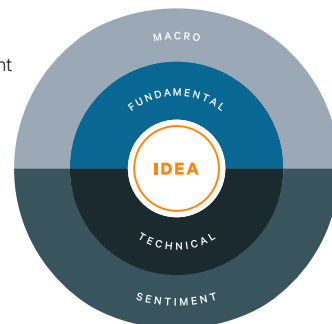


NDR

NED DAVIS RESEARCH

See the signals.™

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