



5C CAPITAL MANAGEMENT, LLC

Economic Trends & Investment Strategy Update
Client Webinar

October 25th 2021

**PLAN WITH CARE.
LIVE WITH CONFIDENCE.**

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LIVE WITH CONFIDENCE.

5C Mission

- Provide our clients with comprehensive financial advice
- Customized goal-oriented investment management

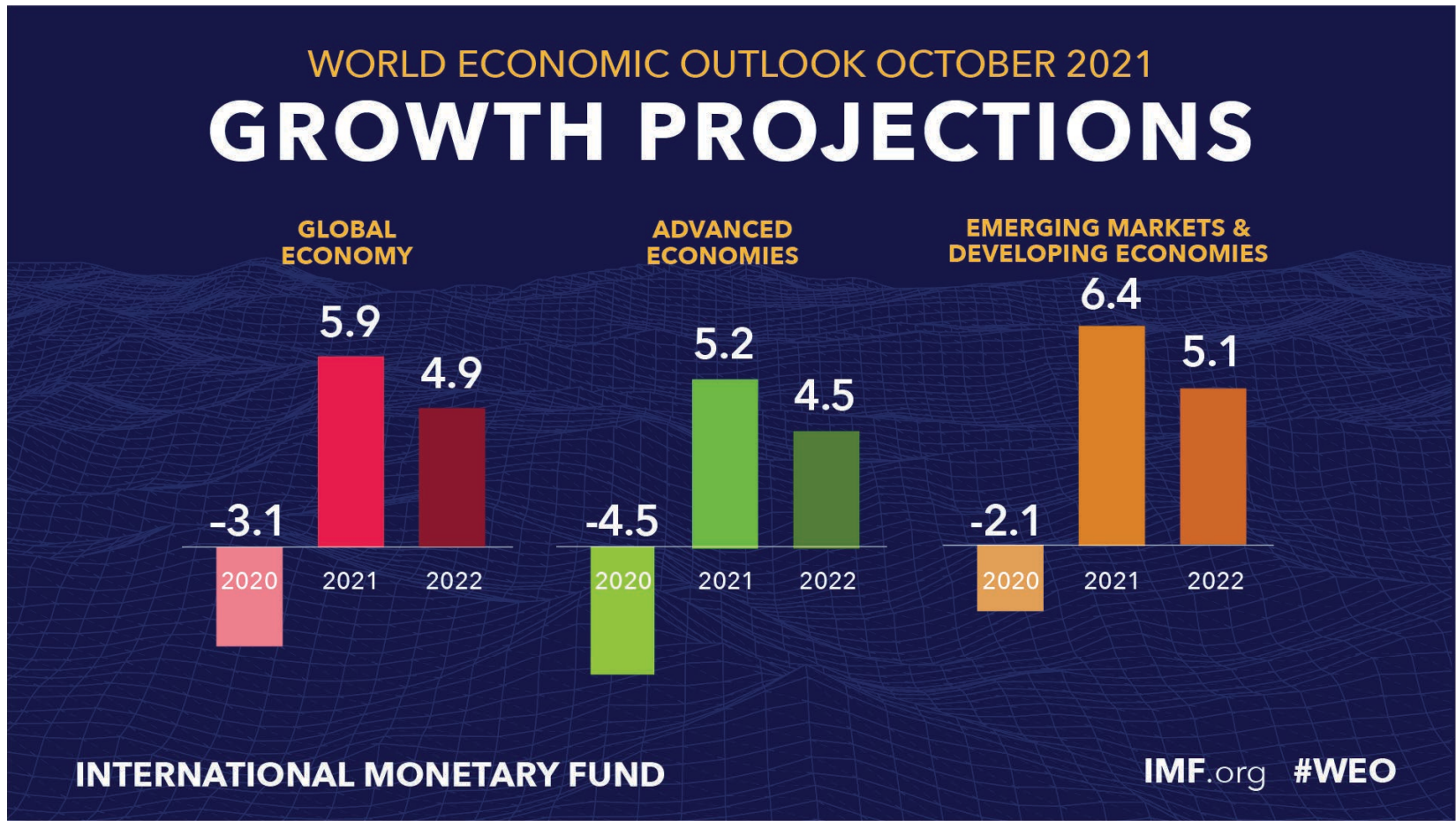




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Macro Economic Review

Global Economic Forecast



Source: International Monetary Fund: World Economic Outlook, October 2021



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Global Economic Forecast

WORLD ECONOMIC OUTLOOK OCTOBER 2021 GROWTH PROJECTIONS BY REGION (PERCENT CHANGE)



UNITED STATES



EURO AREA



MIDDLE EAST AND CENTRAL ASIA



EMERGING AND DEVELOPING ASIA



LATIN AMERICA AND THE CARIBBEAN



SUB-SAHARAN AFRICA



Source: IMF, *World Economic Outlook*, October 2021.

Note: Order of bars for each group indicates (left to right): 2020, 2021 projections, and 2022 projections.

IMF.org/social

Source: International Monetary Fund: World Economic Outlook, October 2021



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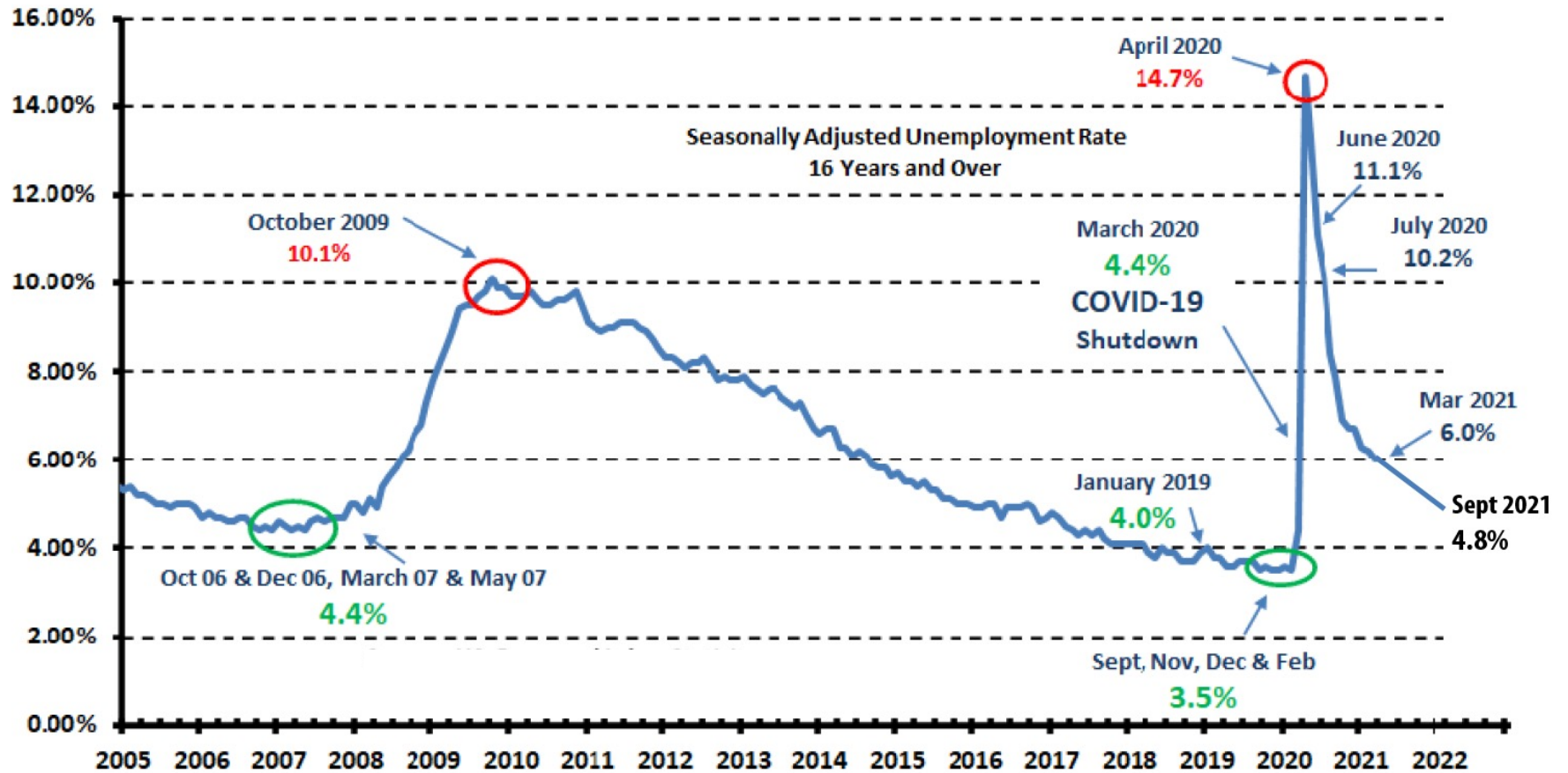
Global GDP Data & Forecast from April 2021

GDP forecasted growth rates have increased from year-end 2020 for both 2021 & 2022, the *recover has been faster* and has potential *to be longer* than anticipated.

<u>Real GDP growth (Annual percent change)</u>	<u>2009 (A)</u>	<u>2019(A)</u>	<u>2020 (A)</u>	<u>2021 (F)</u>	<u>2022 (F)</u>	<u>2023 (F)</u>
United States	-2.5	2.2	-3.5	6.4	3.5	2.3
Advanced economies	-3.3	1.6	-4.7	5.1	3.6	2.2
Emerging markets and developing Asia	7.6	5.3	-1.0	8.6	6.0	6.1
Emerging market and developing economies	2.8	3.6	-2.2	6.7	5.0	4.9
European Union	-4.2	1.3	-6.6	6.4	3.8	2.5
World	-0.1	2.8	-3.3	6.0	4.4	3.8



US Unemployment Rate



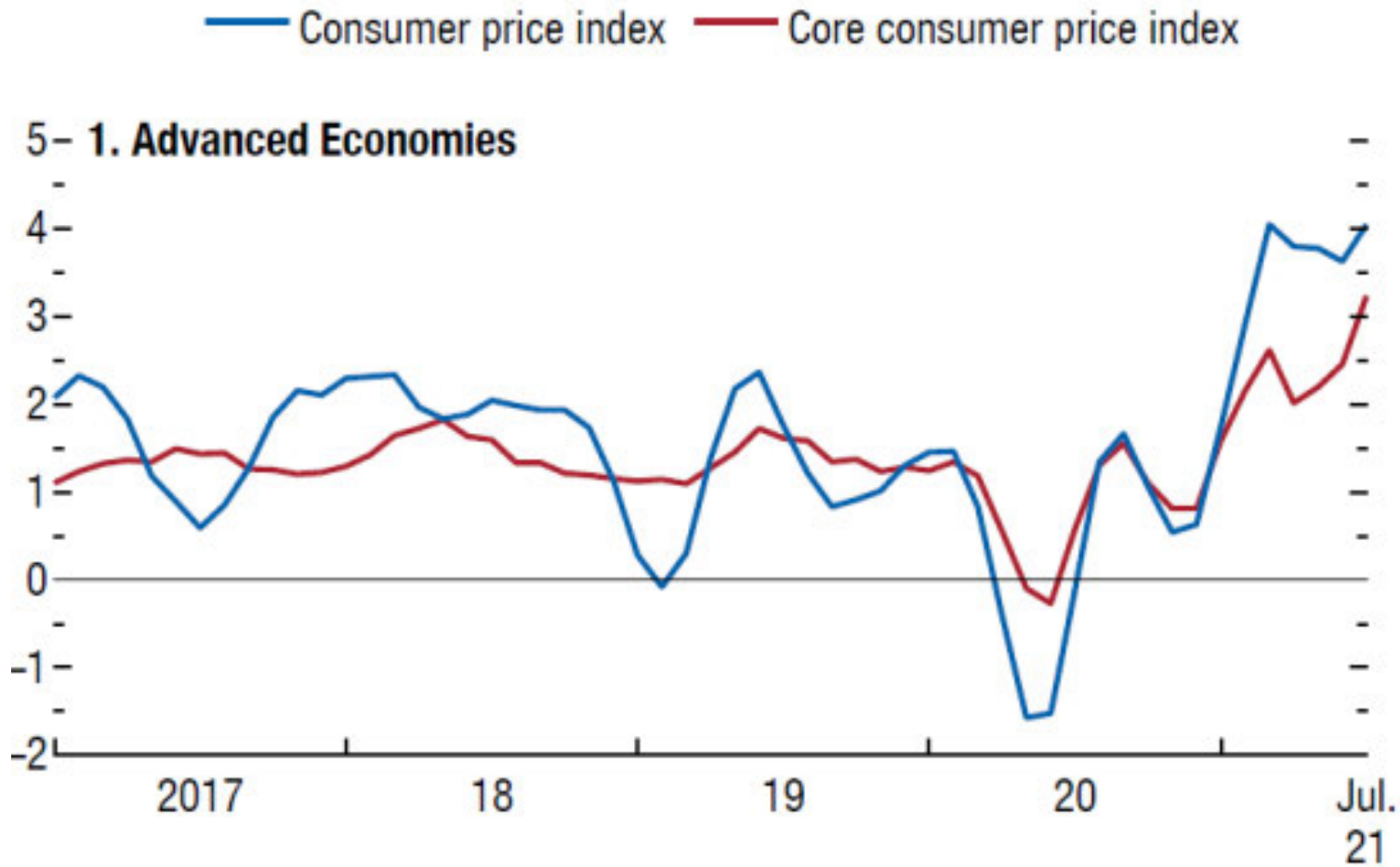
Source: Bureau of Labor Statistics



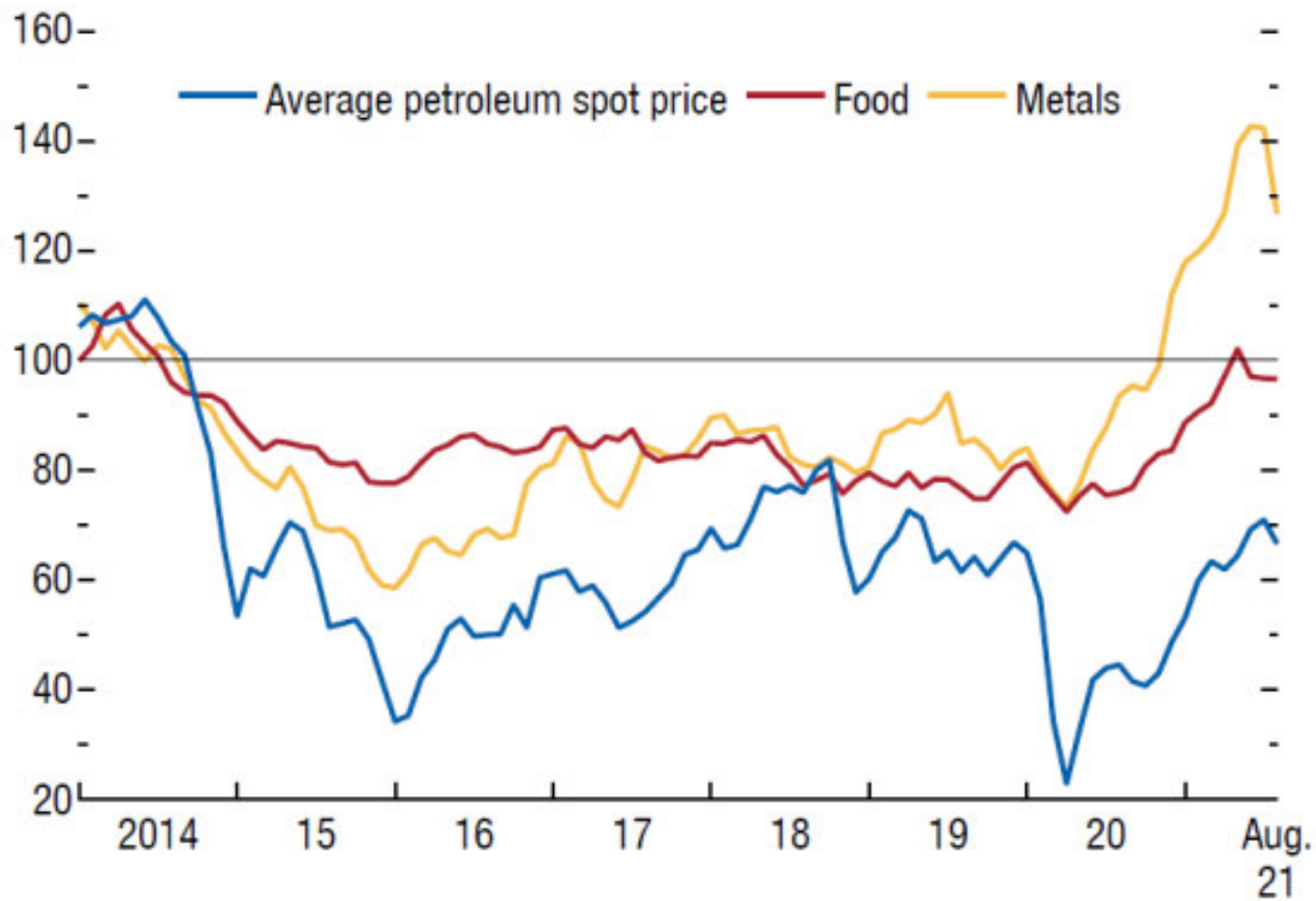
Oil Prices: WTI Crude



Global Inflation



Inflation showing in Commodity Prices



Source: IMF



US Commodity Prices = Inflation

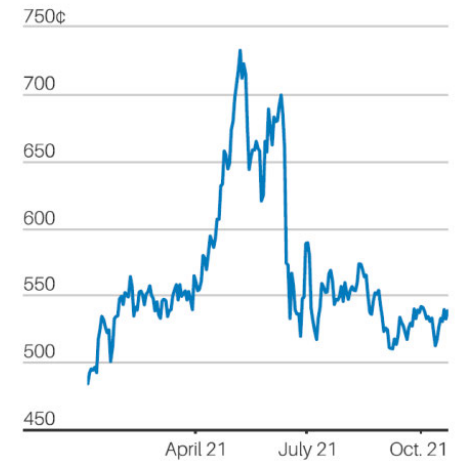
Natural Gas Futures Advanced Charting



Unleaded Gasoline Futures Advanced Charting



Corn Futures Advanced Charting



Copper Futures Advanced Charting



Wheat Futures Advanced Charting



Bloomberg Commodity Index Advanced Charting



Supply chains & Inflation



Global Trade Capsizes

China's Exports fall by 17% in the first 2 months of 2020. Production comes to a standstill.



Barricades against Tide

Lockdown restrictions lead to slowdown at ports. Thus, empty containers were not getting picked up fast enough to send back to China.



Demand Waves

Imports from China rise due to WFH. Container shortage leads to a 245% increase in empty containers sent back from the US to China.



27%

Global Trade Resurfaces

Demand for shipping containers surges as many economies resume activity. Freight rates rise, and the WCI jumped by almost 27%



Unchartered Waters

For every 100 containers imported to the US only 40 were exported while 60 were sitting empty at the ports. Drewry WCI Doubles



Ship of State

Suez Canal clog leads to 300+ ships being jammed. Alongside, a logjam develops at LA port with over 30 ships anchored at sea, radically above the usual 0-1 ships

Dec 19-
Feb 20

Mar 20-
May 20

Jun 20-
Jul 20

Aug 20-
Oct 20

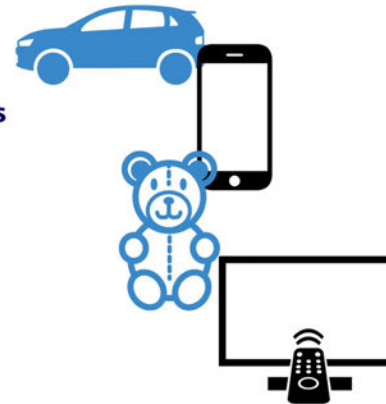
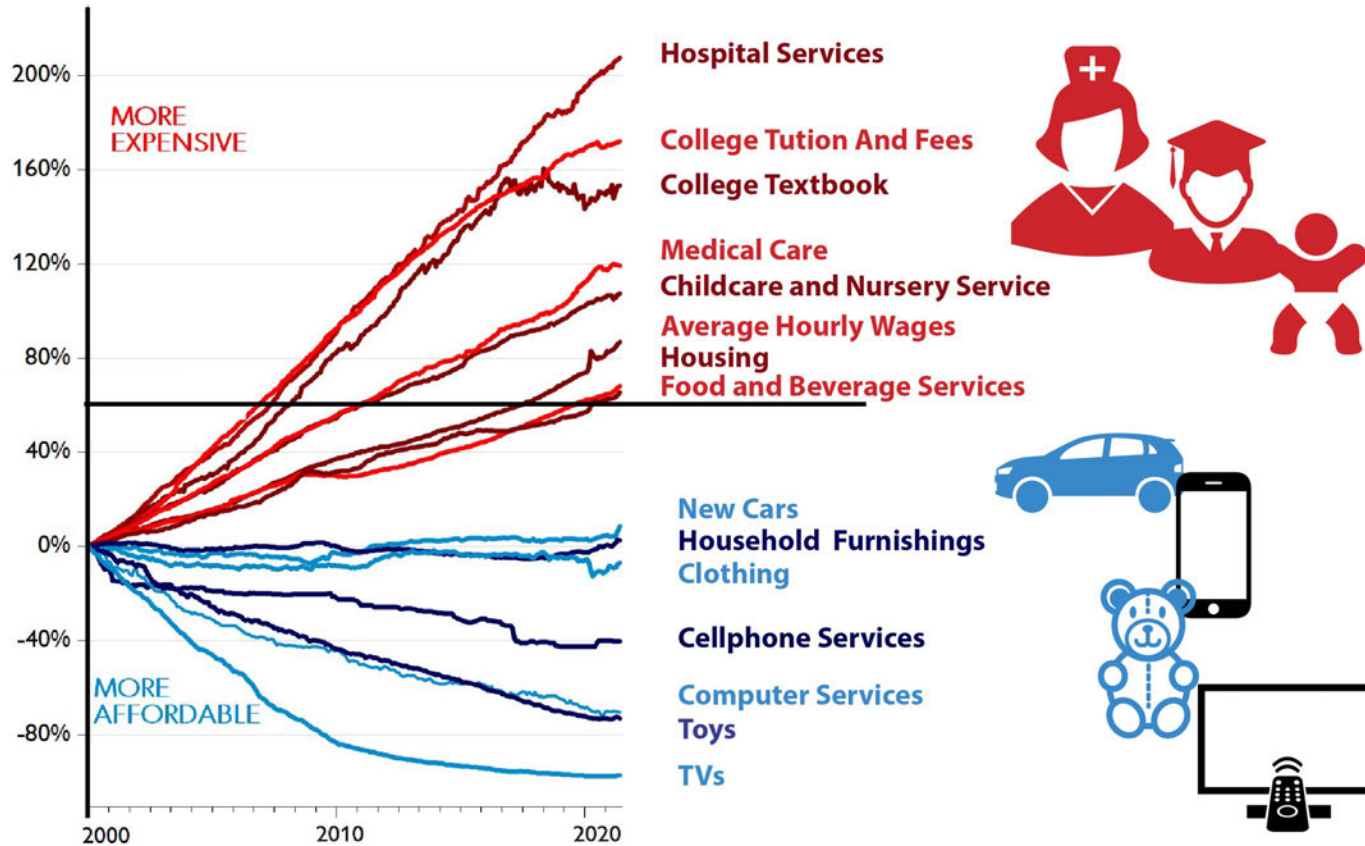
Nov 20-
Feb 21

Mar 21-
Now



Inflation is uneven

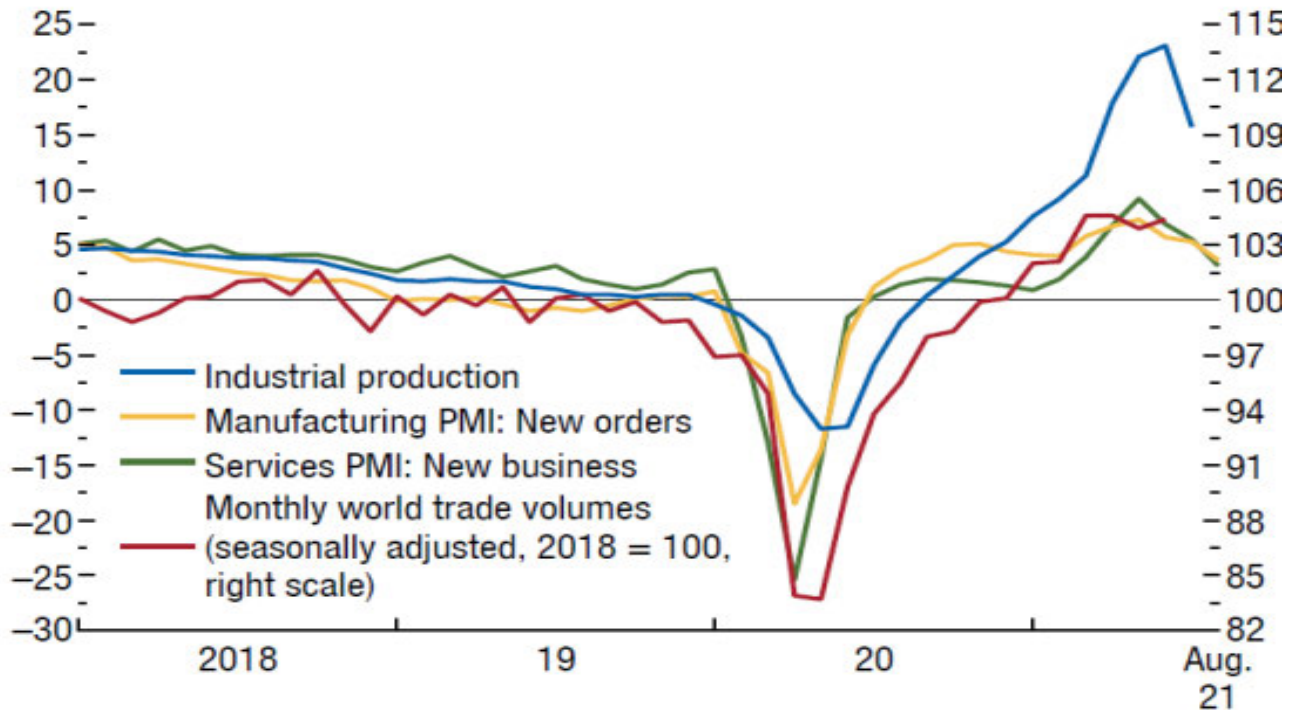
Price changes: Jan 2000 – June 2021
Selected Us consumer Goods and Services, Wages



Source: Bureau of Labor and Statistics

Global Activity Indicators

Higher-frequency indicators point to softening momentum.



Sources: CPB Netherlands Bureau for Economic Policy Analysis; Haver Analytics; Markit Economics; and IMF staff calculations.

Note: PMI above 50 indicates expansion while below 50 indicates contraction.

PMIs = purchasing managers' indexes.





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Capital Markets

Equity Market returns YTD 2021

WEEK ENDING 10/22/2021 (CUMULATIVE TOTAL RETURNS)

Equities ¹		Week		YTD		1-Year
S&P 500	▲	1.66%	▲	22.4%	▲	33.5%
DJIA	▲	1.12%	▲	18.3%	▲	28.2%
NASDAQ	▲	1.30%	▲	17.7%	▲	32.0%
Foreign Stocks	▲	0.63%	▲	11.6%	▲	28.2%
Emerging Markets	▲	0.75%	▲	2.2%	▲	16.5%

Top Three S&P 500 Equity Sectors¹

	YTD
Energy	▲ 59.1%
Financials	▲ 39.7%
Real Estate	▲ 33.4%

Bottom Three S&P 500 Equity Sectors¹

	YTD
Consumer Staples	▲ 8.7%
Utilities	▲ 9.7%
Health Care	▲ 17.4%



Fixed Income data & returns YTD 2021

Bonds ²		Week		YTD		1-Year		Yield
10-Yr. Treasury	▼	-0.65%	▼	-5.3%	▼	-5.6%		1.64%
US Bonds	▼	-0.37%	▼	-2.1%	▼	-1.0%		1.70%
Global Bonds	▼	-0.13%	▼	-4.3%	▼	-1.7%		1.29%
Munis ³	▼	-0.29%	▲	0.4%	▲	2.6%		1.22%

Market Indicators⁴

As of

Fed Funds Target	0.25%	10/22/2021
Inflation (Core CPI)	4.00%	9/30/2021
Unemployment	4.80%	9/30/2021
GDP	6.70%	6/30/2021



Bond Market Risk?

	Bloomberg Barclays U.S. Aggregate Bond Index	Bloomberg Barclays U.S. Government Bond Index Long	Bloomberg Barclays U.S. Treasury Bond Index
Lowest 1-Year Return	-9.20% (4/79-3/80)	-16.07% (4/79-3/80)	-4.45% (11/93-10/94)
	-1.55% (YTD 9/30/2021)	-7.40% (YTD 9/30/2021)	-2.50% (YTD 9/30/2021)





















Source: Footnote 1

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Long Term Market Summary

Index Returns as of September 30, 2021

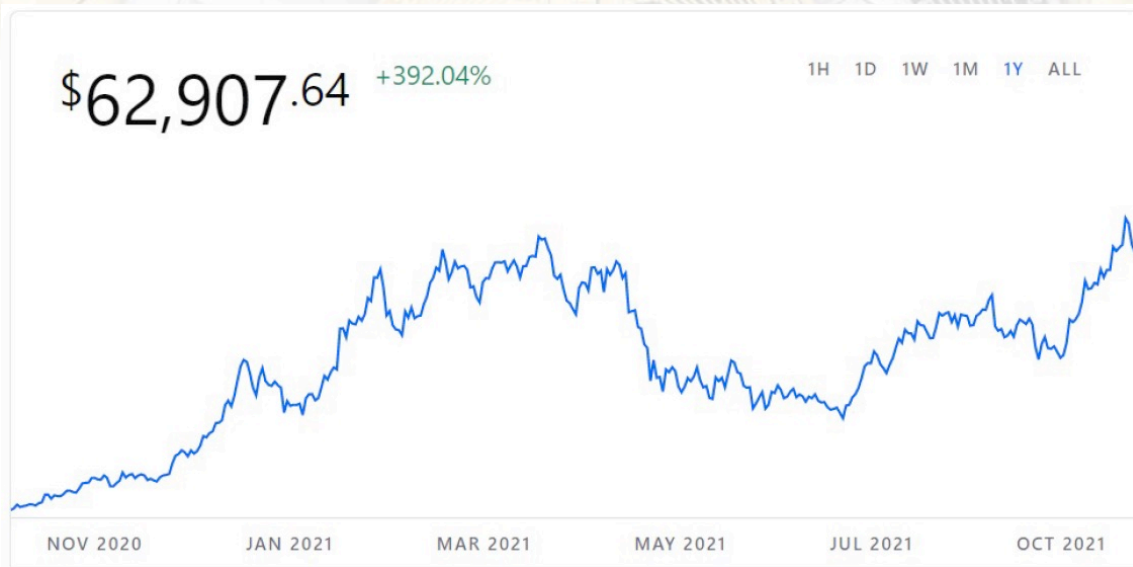
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	STOCKS				BONDS	
	31.88%	26.50%	18.20%	31.61%	-0.90%	-0.54%
						
5 Years						
	16.85%	8.88%	9.23%	4.65%	2.94%	2.71%
						
10 Years						
	16.60%	7.88%	6.09%	8.70%	3.01%	3.87%
						



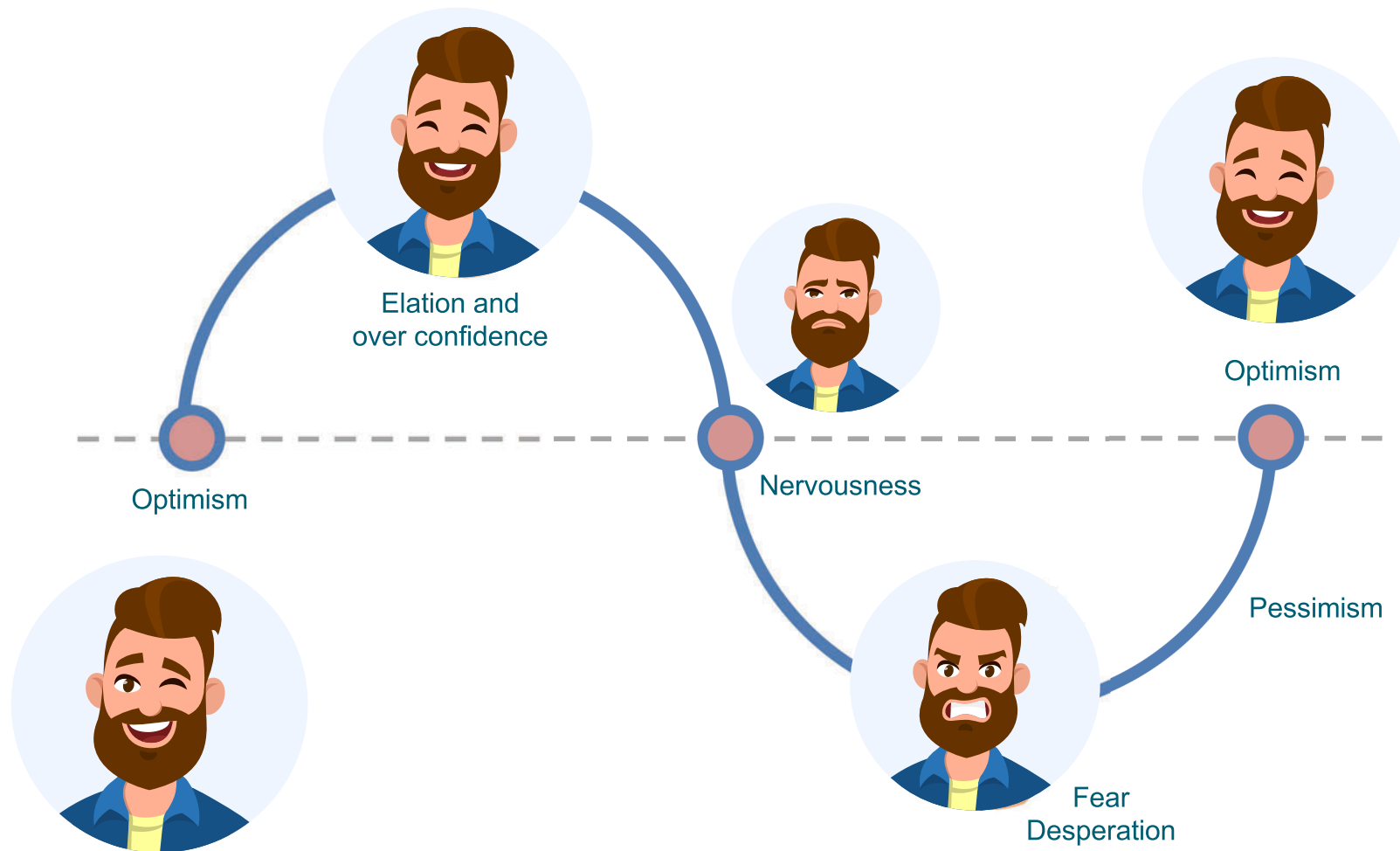


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Crypto Currency



The Lifecycle of Investors Emotions



Cryptocurrencies: Different Ways to Participate

Direct Ownership: Crypto Exchanges/Platforms & Funds
Transaction fees, advisory fees, commissions charged to Investors





Source: Coinbase



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Cryptocurrencies: Different Ways to Participate

More Direct Ownership:



- Proshares Bitcoin Strategy ETF – BITO
 - Actively Managed Exposure through bitcoin futures contract
 - Small Asset size but growing



- Greyscale Bitcoin Trust (“GBTC”)
 - Technically still a trust but converting to an ETF.
 - At \$40+B in assets the established leader in the field
- Similar vehicles available for Ethereum

Cryptocurrencies: Different Ways to Participate

Specialized ETFs

Example:



Amplify Transformational Data Sharing ETF (“BLOK”)

- Focused on companies “actively involved in the development and utilization of transformational data sharing technologies”
- These are predominantly companies that are involved in Blockchain. Everything from the machine manufacturer (NVDA), the bitcoin miners (HUT) or the facilitator (COIN)
- Inception: Jan 2018 – Annualized Return Since Inception = 25.9%
- 66% Large & Mid Cap Equities

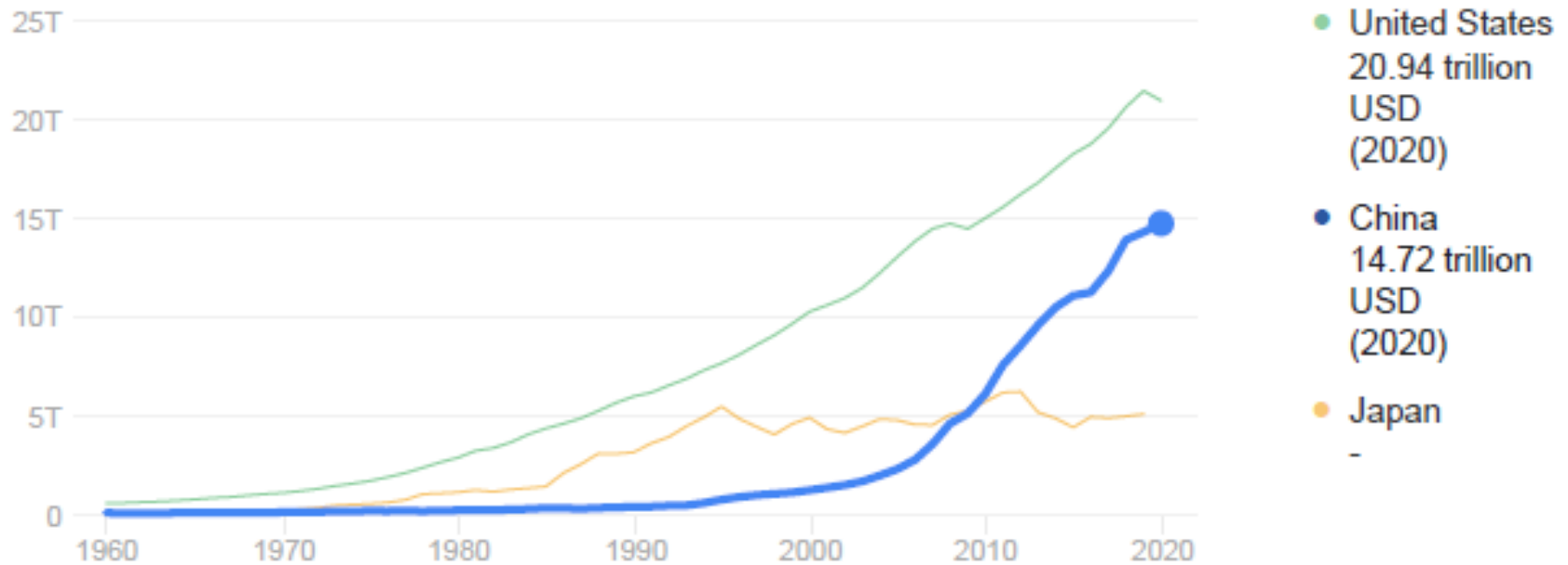


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Risk & Uncertainty

China GDP (US\$)

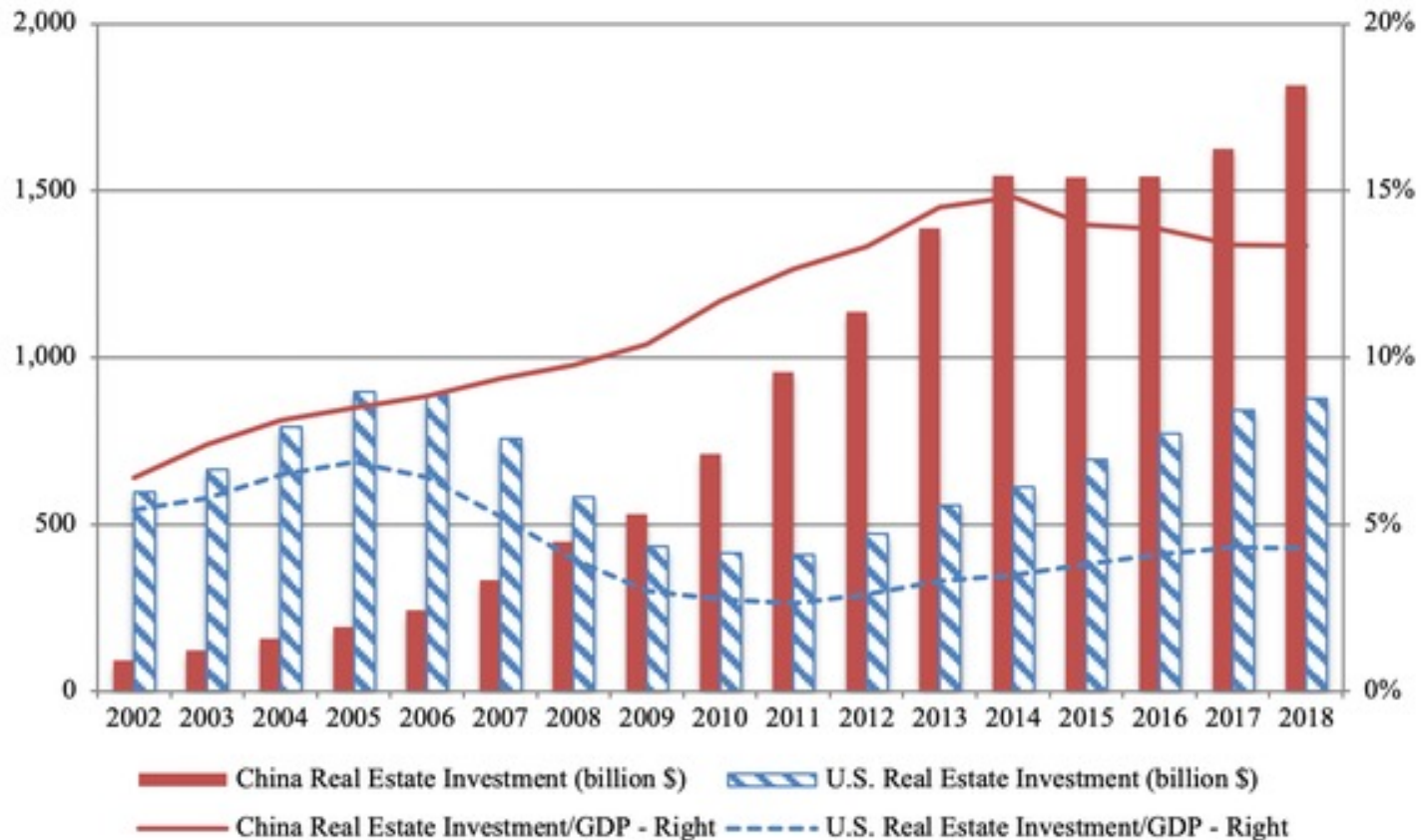
14.72 trillion USD (2020)



China Real Estate

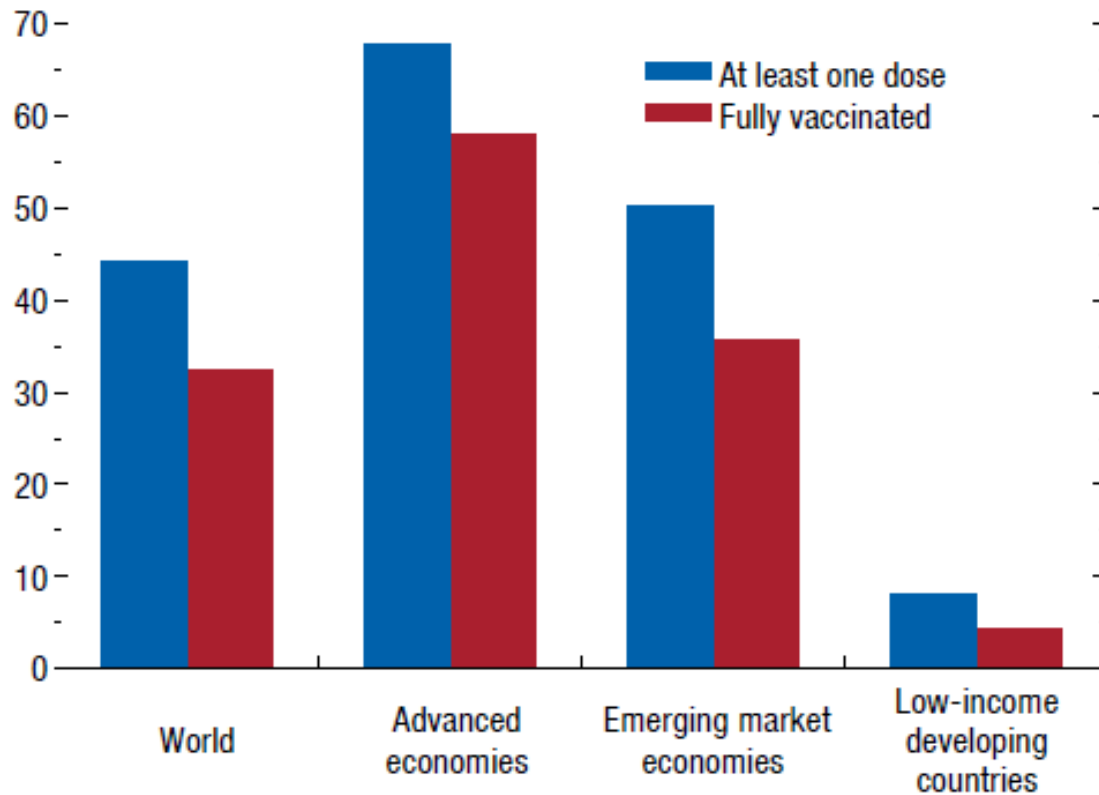
China and U.S. Real Estate Investment

This figure shows annual real estate investment in China and the United States from 2002 to 2018. Real estate investment is placed on the left axis, and the ratio of real estate investment to GDP is placed on the right axis.



COVID shines light on Socioeconomic divide

Progress in vaccinations against COVID-19 remains highly unequal across the world.



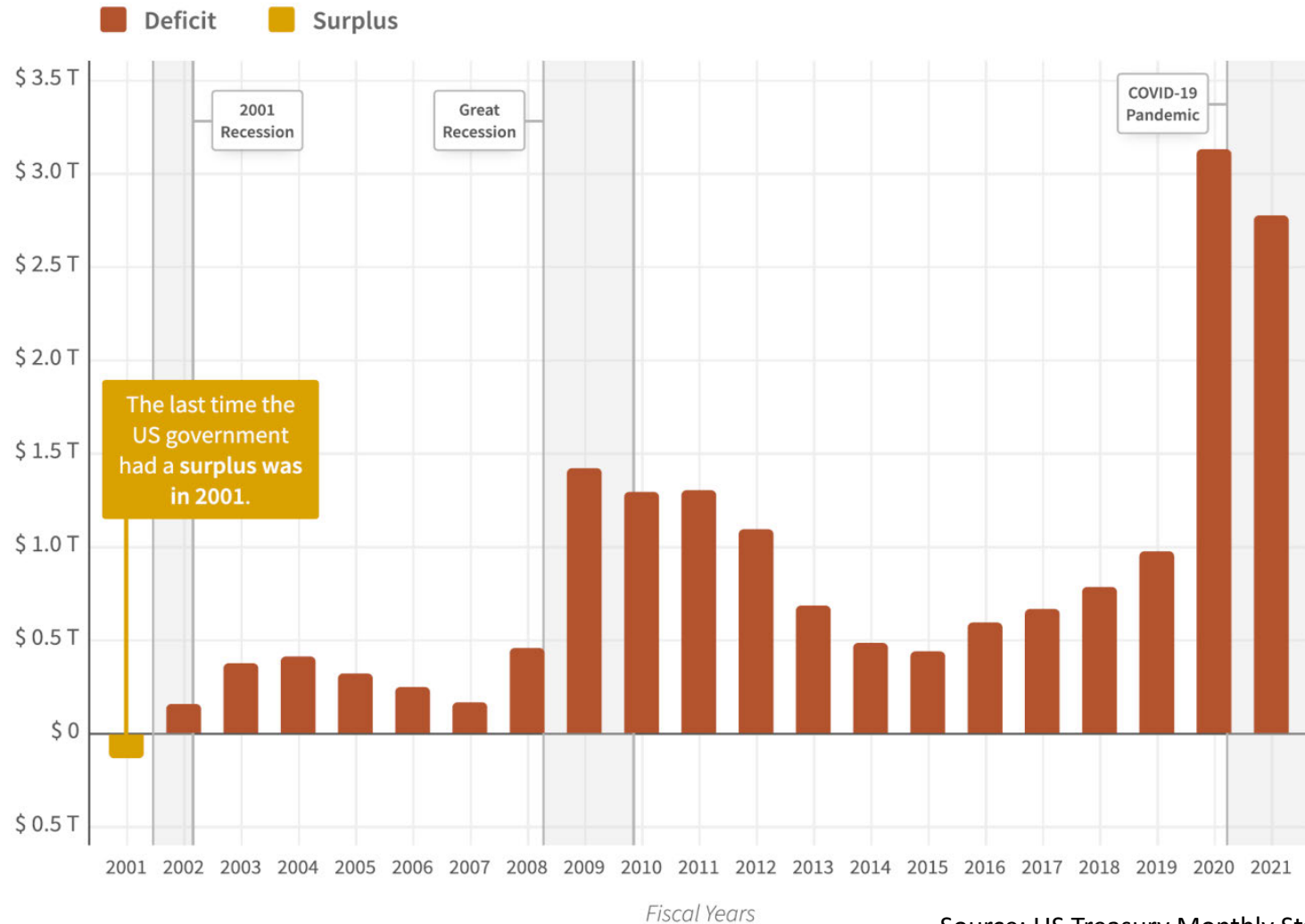
Source: International Monetary Fund: World Economic Outlook, October 2021



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US Federal Deficit Over Time



Source: US Treasury Monthly Statement (MTS)





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Investments & Planning

Focus on What You Can Control

- Create an investment plan, with reserves to alleviate pressured selling
- Understand and manage risk
- Diversify globally
- Manage expenses, turnover, and taxes
- Stay disciplined & opportunistic during market dips and swings
- Be prepared for increased market volatility

Building a resilient portfolio

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Financial Planning in Uncertain times

Reserve Funds: typically maintain a minimum of cash reserves to cover 3-6 months of lifestyle expenses.

Consider increasing this to 12 months if your employment situation is inconsistent and your compensation varies widely.

Rebalance your portfolio: Take advantage of dislocation ... rebalance by trimming fixed income & adding to risk assets.

Dollar cost average investments: take advantage of lower prices within tax deferred accounts. [Don't stop contributions!](#)

Educate yourself about multiple ideologies;
use history as a guide not the map!



Financial Planning in Uncertain times

Roth conversion: reduced taxable income may make conversion to a long-term tax free account attractive.

Tax Loss Harvest: Sell losing positions and reallocate to similar investment within the same asset class to recognize the tax benefit

Debt refinance to take advantage of continued low interest rates:
Consider refinancing mortgage, high credit card/student debt

Use **liability match framework** in planning for financial goals, funds needed within 5 years should have limited (less than 15%) equity exposure



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Q&A



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- 1. As interest rates have moderated, when would you go and buy longer maturity bonds?*
- 2. Given significant underperformance of international stocks, why keep the exposure?*





COMMUNICATION

We listen attentively, share ideas clearly, operate transparently and maintain connectivity.



COLLABORATION

Key to a strong client-advisor relationship is the willingness to work together. We seek to collaborate with you and other professionals that comprise your advisory team, in order to ensure that your concerns are addressed as they arise and your strategy adapts to changes in circumstance warranting such adjustment.



CREATIVITY

Every client has a unique set of circumstances and goals. Our experience and common sense approach results in solutions that are customized for each client's circumstance.



CRITICAL THINKING

The investment community is often plagued by extreme focus on fear and greed. Remaining clear-headed and objective by incorporating independent fundamental analysis enables us to provide a full spectrum of unbiased solutions. We plan for a range of potential scenarios; develop structured, flexible strategy and act timely.



COMMUNITY

This cornerstone of our approach has a dual meaning. It refers to 5C's access to and use of a wide community of tax experts, attorneys, business consultants, and other specialists to consolidate their expertise within your financial plan. We also seek to understand many of our clients' special commitments to community through philanthropy and support of cultural and educational initiatives and institutions.



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Disclosure

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Sources:

1. Source: MacroBond Financial AB. S&P 500 is represented by the S&P 500 Index, DJIA is represented by the Dow Jones Industrial Average, NASDAQ is represented by the NASDAQ Composite Index, Russell 2000 is represented by the Russell 2000 Index, Foreign Stocks are represented by the MSCI EAFE Index and Emerging Markets are represented by the MSCI Emerging Markets Index. Sectors based on S&P 500 Index sector indexes.
2. Sources: MacroBond Financial AB, Morningstar Inc., Bloomberg LP. 10-Yr Treasury is represented by the Bloomberg Barclays 10-Year US Treasury Bellwethers Index, US Bonds are represented by the Bloomberg Barclays US Aggregate Index, Global Bonds are represented by the Bloomberg Barclays Global Aggregate Index and Munis are represented by Bloomberg Barclays Municipal Bond Index.
3. Munis yield is calculated using yield-to-worst.
4. Source: MacroBond Financial AB, Federal Reserve (Fed Funds Rate), US Department of Labor (Inflation and Unemployment) and US Bureau of Economic Analysis (GDP).

5. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index [net div.]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2021, all rights reserved. Bloomberg data provided by Bloomberg.



Sources (continued):

