Research Review

Q3 2021

Global investors were presented with a disparate performance backdrop in the third quarter of 2021, a change of pace from recent quarters' broad-based gains across most liquid asset classes and categories. The theme of outperformance in domestic-based sectors versus competing international asset categories persisted, as a strengthening U.S. dollar (USD) and a stronger economic recovery helped bolster relative performance. While incoming economic data continued to moderate versus sell-side expectations and cyclically elevated levels, the significant progress made on the inflation and employment fronts prompted the Federal Reserve's (Fed) signaling of near-term tapering of monthly asset purchases. Numerous macro headwinds continued to form, however, including volatility in China, questions related to the timing and scope of the upcoming infrastructure package, and politics around the passage of an increase to the federal statutory debt limit, among others. Global equity performance during the quarter was mostly negative, outside of a modest positive return in domestic large cap. In fixed income, credit-sensitive assets continued to outperform rate-sensitive, and performance in real assets was also mixed, with performance themes generally favoring energy-related assets.

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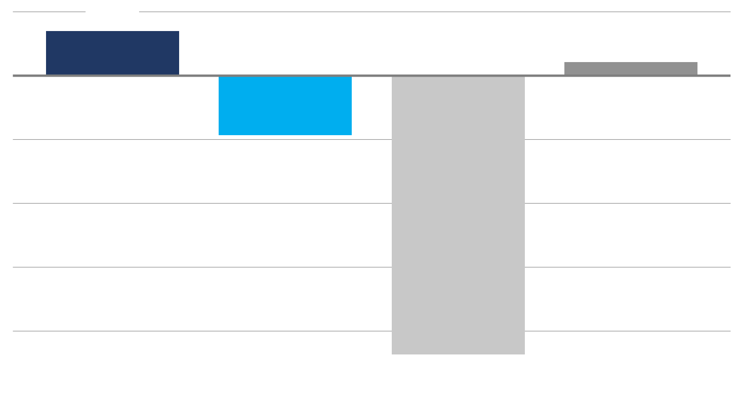
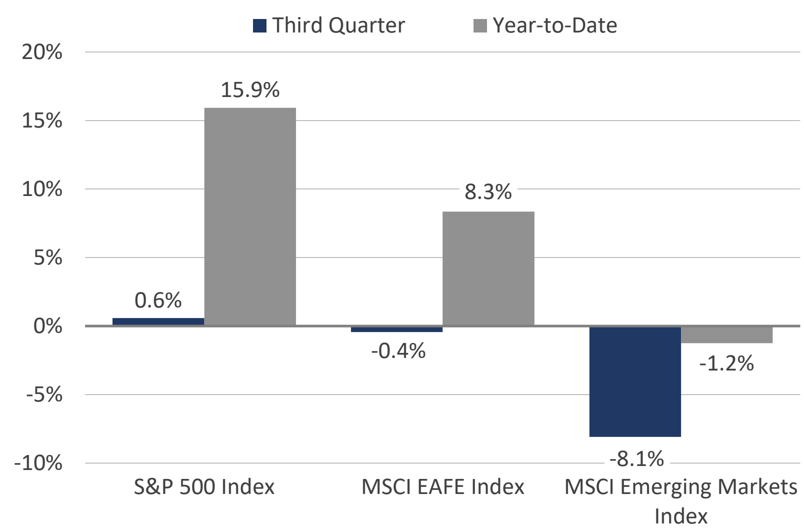
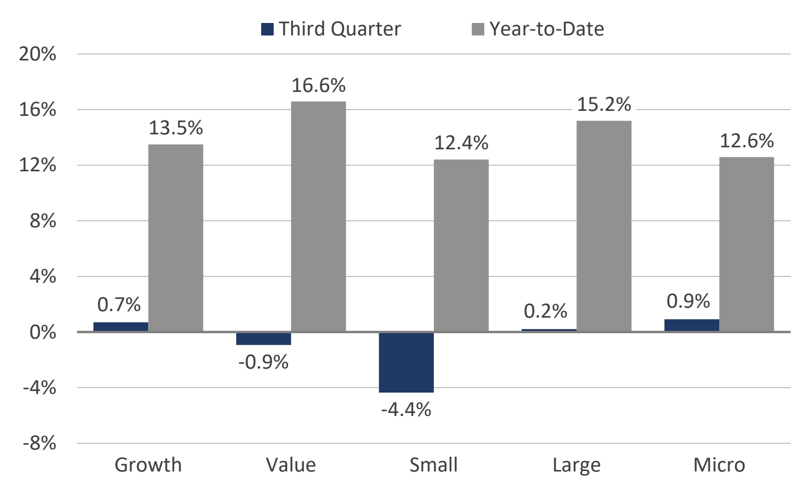
CAMDEN CAPITAL





Third Quarter
Year-to-Date
20%
15%
10%
5%
0%
-5%
-10%
15.9%
8.3%
0.6%
-0.4%
-1.2%
-8.1%
S&P 500 Index
MSCI EAFE Index
MSCI Emerging Markets Index



Third Quarter
Year-to-Date
20%
16%
12%
8%
4%
0%
-4%
-8%
13.5%
16.6%
12.4%
15.2%
12.6%
0.7%
-0.9%
-4.4%
0.2%
0.9%
Growth
Value
Small
Large
Micro

Fixed Income

The third quarter was characterized by interest rate volatility as opposed to directional movement.

The 10-year U.S. Treasury yield started the quarter at 1.45% before falling 24 basis points during July as the market digested softer economic data and weakened growth expectations.

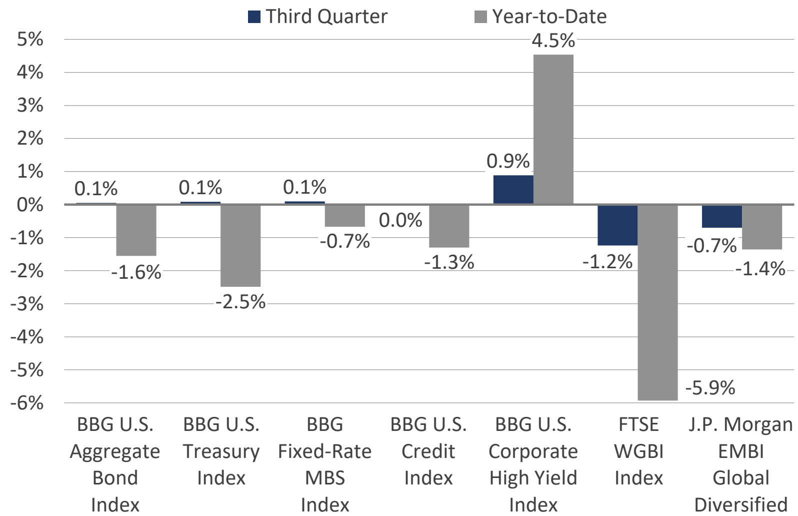
Both the Fed's annual Jackson Hole Economic Policy Symposium and the September meeting of the FOMC were on the market's radar during the quarter. Despite market expectations of a potential taper announcement at Jackson Hole the Fed signaled that while its inflation target had been satisfied, there remained room for improvement in the labor market. The Fed's September meeting was more hawkish than anticipated, with the statement that tapering may "soon be warranted." Furthermore, Chair Powell signaled that tapering could begin as soon as November and conclude in mid-2022 and reiterated that tapering and hiking rates are independent of one another.

Credit spreads were largely benign over the quarter, with investment grade and high yield spreads widening by 2 bps and 13 bps, respectively. Credit fundamentals remained strong, with the trailing 12-month S&P/LSTA Leveraged Loan Index default rate declining to 0.4% in September, marking the lowest reading since April 2012. High yield issuance remained robust as well, with $395 billion of new issuance in the first three quarters of 2021, compared to 2020's full year issuance of $432 billion, indicating wide-open credit markets.

The European Central Bank announced it would continue to purchase assets, albeit it at a "moderately lower pace." ECB President Christine Lagarde specified that reduced purchases should not be considered tapering, but rather a "recalibration" for the coming months. European yields and inflation breakeven rates rose during the quarter, as higher energy prices and elevated inflation readings caused policymakers to adjust course.

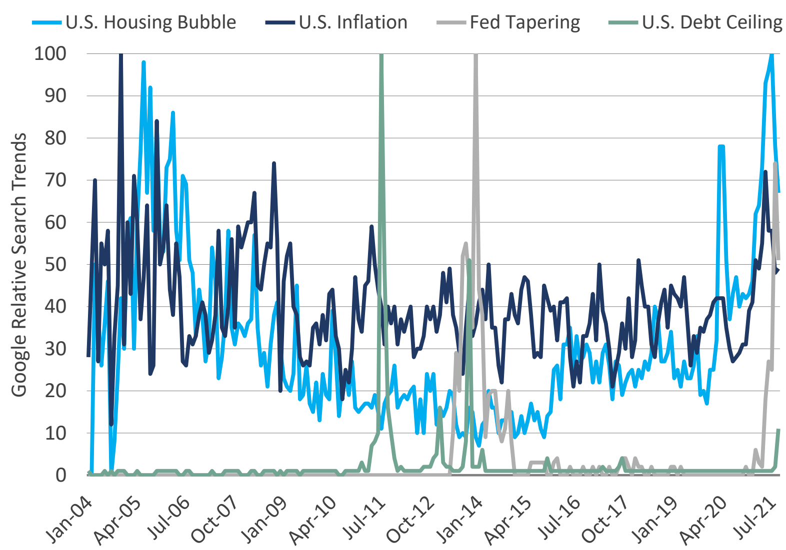
HIGH YIELD THE LONE POSITIVE PERFORMER

Fixed Income Index Returns



Data sources: Bloomberg, L.P., Lipper

CURRENT INFLATION CONCERNS ARE NOTHING NEW



Data source: Google Trends

Real Assets

Real Estate

- U.S. REITs gained 12.0% over the quarter, bringing year-to-date returns to 21.3%. Returns for nearly every property type were positive, except for lodging and timber REITs. Lodging REITs continued to languish due in part to continued delays in the resumption of business travel.

- Self-storage REITs closed out June up 8.0% for the month, resulting in strong performance for the quarter. The subsector has continued to benefit from the turmoil of COVID-19, creating record-high occupancy rates. While the future of existing leases is questionable, some COVID-19-fueled demand may persist even after the economy fully reopens.

- Management guidance across datacenters has tempered market expectations with weaker than expected rent growth and lessee retention. However, the subsector made news in early June with the all-cash take private transaction of QTS Realty Trust by Blackstone. The purchase price of $78/share represented a 21% premium over the market price. Speaking to the defensive cash flow profile of the property type, Blackstone will split the investment between its private REIT and infrastructure fund.

- Lodging REITs continued to languish. Leisure properties across U.S. REITs are outperforming their urban peers, and mid-week occupancy remains weak as business travel continues to be delayed.

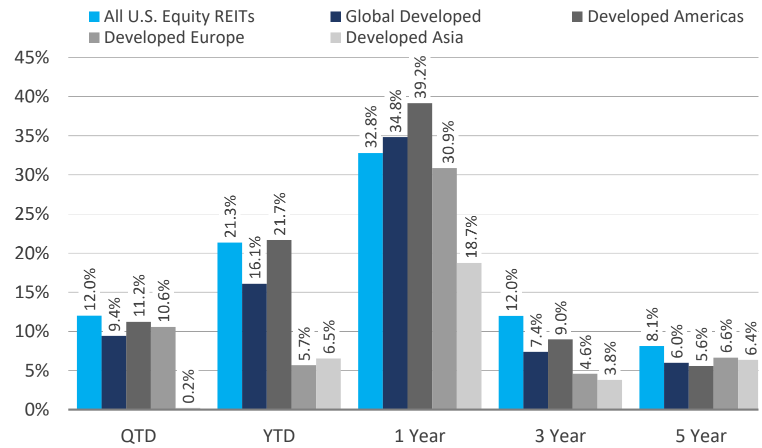
Natural Resources

- Oil prices reached $73.47/BBL by the end of the quarter, the highest level seen since October 2018. Although U.S. rig counts continue to improve, the recovery in well development has slowed and activity is still markedly below pre-pandemic levels.

- The future of OPEC cuts remains somewhat questionable. Recent discussions within the cartel have been surrounded by controversy pertaining to the calculation of current cuts, with the United Arab Emirates rejecting the adoption of production proposals until their increased production capacity is accounted for in the proposals. Until that time, the country has threatened to increase supply to gain market share, a move that may create significant pressure on oil prices, as seen in early 2020 during the Saudi Arabia/Russia conflict.

REAL ESTATE POSTS DOUBLE-DIGIT RETURNS

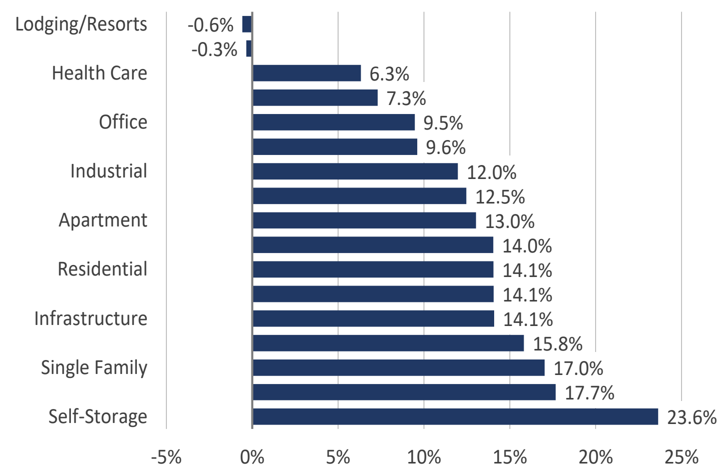
Trailing REIT Performance by Geography



Data source: Bloomberg L.P.

SELF-STORAGE STILL IN HIGH DEMAND

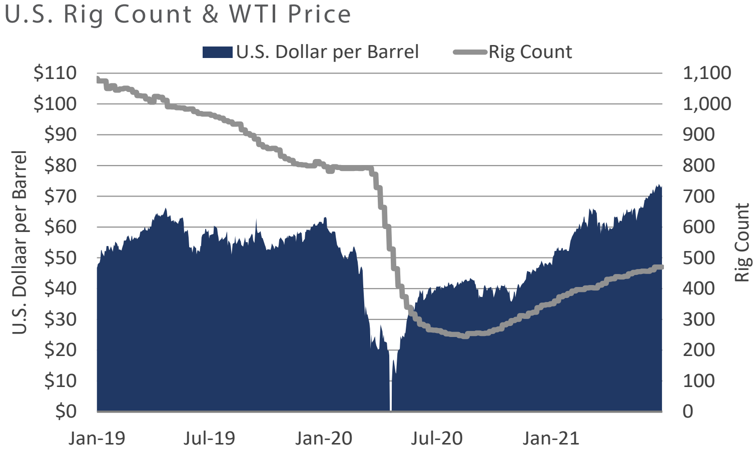
U.S. REIT Trailing Performance by Property Type, Quarter-to-Date



Data source: Bloomberg L.P.

RISING OIL PRICES ELEVATE RIG COUNT

U.S. Rig Count & WTI Price



Data source: Bloomberg L.P.

- The Energy Information Agency is forecasting a resurgence in oil demand in excess of pre-pandemic levels, with the expectation that global liquid fuel demand will reach 103 million BBL/day by the end of 2022.

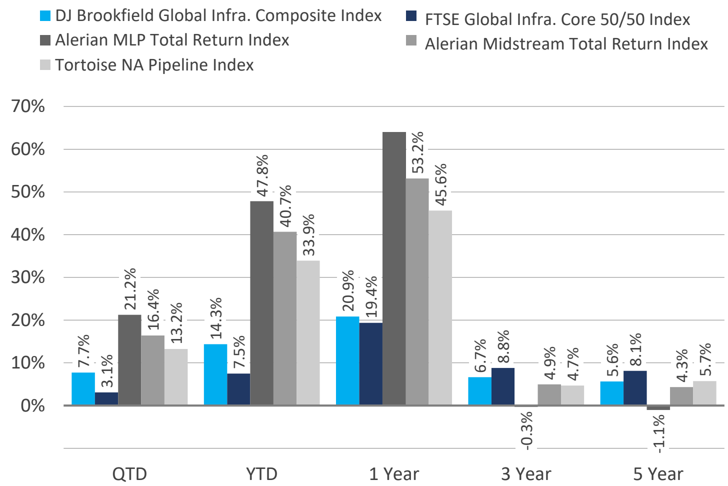
Infrastructure

- Midstream energy infrastructure continued its recovery, closing the month and quarter well in excess of broader infrastructure. The Alerian MLP Index and broader Alerian Midstream Energy Index ended the quarter up 21.2% and 16.4%, respectively. This strong performance follows gains in energy commodities in which both crude and natural gas front month contracts are up 24.2% and 40.0%, respectively. The financial position of most midstream energy companies continues to improve, with share buybacks and deleveraging of balance sheets.

- Listed infrastructure returned 3.1%, as measured by the FTSE Global Core Infrastructure 50/50 Index. This was largely due to nearly flat returns across most utilities subsectors as the threat of higher inflation has brought about expectations of higher interest rates.

ENERGY'S PANDEMIC RECOVERY EVIDENT IN INFRASTRUCTURE RETURNS

Trailing Infrastructure Returns



Data source: Bloomberg L.P.

Diversifying Strategies

- Hedge funds continued to generate strong performance through the second quarter of 2021. The reopening of economies globally continued to gain momentum despite fears surrounding the spread of COVID-19 variants, as well as uncertainty regarding signs of inflation in North American and European countries.

- Equity hedge managers led core hedge fund strategies, driven by record-high domestic equity markets, even as volatility and inflation concerns continued to elevate.

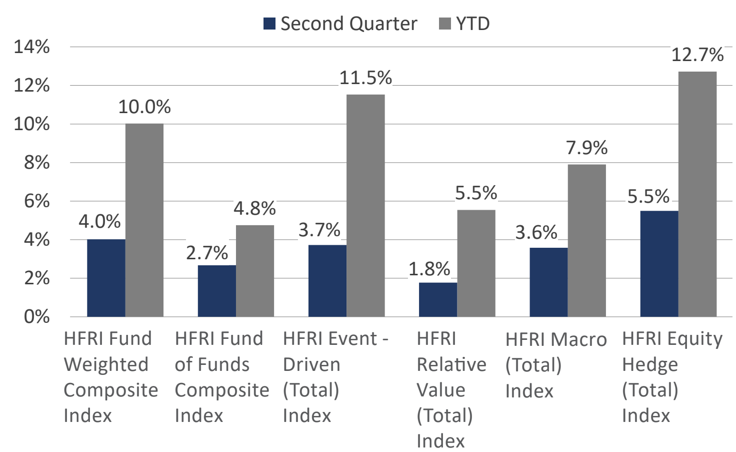
- High-beta and long-biased quantitative, technology, and multi-strategies led performance for the quarter.

- Event-driven managers also propelled strong hedge fund performance as typical event markets continued to recover from their post-lockdown lows. Distressed/ restructuring and activist strategies led sub-strategy performance.

- Global macro performance continued its positive run through the second quarter, led by discretionary thematic and commodity strategies that benefited from increased economic activity.

HEDGE FUNDS ADD TO STRONG 2021 PERFORMANCE

HFRI Indices Performance Returns (U.S. Dollars)



Data source: HedgeFund Research

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All data is as of June 30, 2021 unless otherwise noted.

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