

Significant economic progress has been achieved over the last 12 months, but Covid-19 has distorted the economic and investing landscape.

## Tandem Collective Funds® Tandem ETF Portfolios®

### Third Quarter 2021

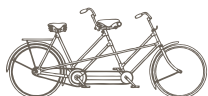
Stocks and bonds produced mostly flat returns for the third quarter as the Delta variant of the Coronavirus deterred spending while investors contemplated a Congressional stalemate, a less generous Fed, and inflationary pressures exacerbated by supply chain disruptions.

In the third quarter, large-company stocks outperformed small and middle-sized companies, while developed markets outperformed emerging ones. Year to date, stocks have climbed steadily higher, but not without considerable turmoil and sharp swings in sector and style leadership.

Bonds were modestly positive for the quarter yet remain in negative territory for the year as long-term interest rates continue to turn higher.

Index/Instrument	Category	Q3 2021 Total Return	2021 YTD Total Return (as of 9/30/2021)
S&P 500	Large-capitalization stocks	0.58%	15.91%
S&P 400 Midcap	Mid-capitalization stocks	-1.76%	15.52%
S&P 600 Small Cap	Small-capitalization stocks	-2.85%	20.03%
NASDAQ 100	Large-capitalization stocks	1.09%	14.58%
Russell 2000 Index	Small-capitalization stocks	-4.36%	12.40%
MSCI World ex USA	Developed markets international stocks	-0.54%	9.70%
MSCI Emerging Market	Emerging markets international stocks	-8.03%	-1.16%
Bloomberg Barclays US Aggregate Bond Index	Investment-grade US bonds	0.05%	-1.55%
Bloomberg Barclays US Treasuries	US government bonds	0.09%	-2.50%
Bloomberg Barclays US Investment Grade Corps	US investment-grade corporate bonds	0.89%	4.53%
Bloomberg Barclays US Corporate High-Yield Bond Index	US corporate high-yield bonds	0.10%	-0.67%
Bloomberg Barclays US MBS Index	US mortgage-backed securities	-0.88%	-4.06%
Bloomberg Barclays Global Aggregate Bond Index	Global investment-grade bonds	-0.37%	1.70%
Bloomberg Barclays Global High-Yield Bond Index	Global high-yield bonds	0.00%	-1.27%
Bloomberg Barclays US Convertibles	US convertible bonds	-1.24%	5.30%

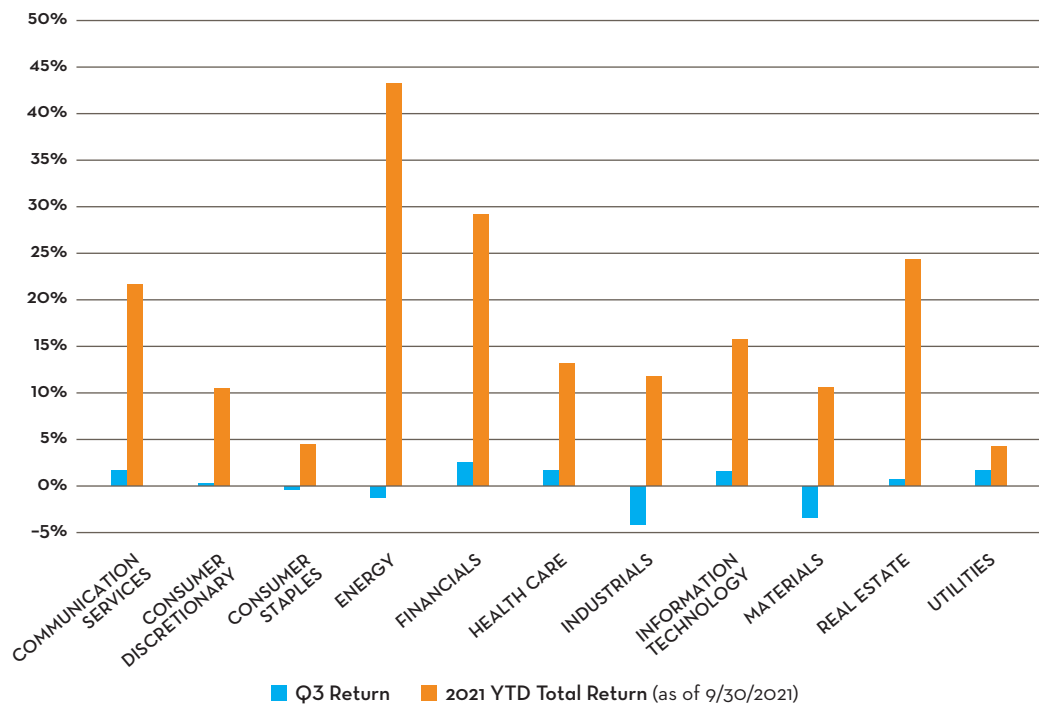
Supply chain bottlenecks dented returns within the industrial and materials sectors, while the financial sector benefited from rising long-term rates. Energy and financials remain the best performing sectors in the economy for the year.



# Quarterly Outlook

OCTOBER 2021

S&P 500 Sector Returns

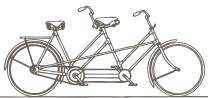


Significant economic progress has been achieved over the last 12 months, but Covid-19 has distorted the economic and investing landscape. Fed Chairman Powell noted an economy with both “drastic labor shortages and with lots of unemployed people,” in short, a labor market in major flux that will require time to re-tool. A key variable for the Fed, the labor force participation rate (the share of Americans who are employed or looking for work) remains well below pre-pandemic levels, restrained by persistent child-care challenges and virus concerns. Its downward trend since 1999 remains a long-term concern, and a primary reason for the Fed’s continued and increasing largesse over the past few cycles.

Following the September Federal Open Market Committee meeting, the Fed signaled that they are ready to begin reducing their crisis-level bond buying program as soon as November and may raise short-term rates as soon as next year. Central banks around the world are similarly preparing to rein in the pace of stimulus. Additionally, the Fed continued to signal a tolerance for higher inflation, following years of below-average inflation, noting the current bout is tied to the reopening of the economy, not persistent.

While growth expectations may have slipped and company earnings may have peaked for the current cycle, the level of growth remains high and came with a surge in productivity and technological innovation and adoption by corporate America. GDP is expected to hover around 6% for 2021, then slow to 4% in 2022 before trending towards 2.5% in 2023.

Going forward, investors will consider a host of challenges including changes in the pace of the Fed’s taper, delays in inventory rebuilds, inflation/stagflation concerns, legislative progress, China trade relations, and moderating stock valuations due to rising rates.

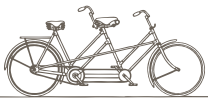


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Despite these headwinds, the US consumer remains well funded and resilient, propelling a significant chunk of the US economy. Manufacturing activity is generally strong despite logistical problems. And, finally, in most developed countries, the Delta variant is seemingly rolling over as breakthrough treatments emerge, potentially broadening the recovery for more segments of the population.



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