

EPIC/HUB 2nd Quarter Participant Newsletter 2021

EPIC'S 401K PARTICIPANT SERVICES – RESOURCES AVAILABLE TO YOU

As part of EPIC's on-going participant services, we are available to offer you advice, guidance, and assistance with your 401k Plan. We encourage you to reach out to us with any questions you may have on the Plan or your own 401k account. We can assist you with Plan specifics such as:

1. The difference between pre-tax and Roth deferrals. What type of deferrals are available in your Plan?
2. Determining how much to defer into the Plan. Are you saving enough?
3. A review of the investment options.
4. Discussing your overall objectives and risk tolerance.
5. Rollover options for your previous 401k or IRA into the Plan.
6. Scheduling a one-on-one discussion with an advisor to review your account. *(Please note there is no cost to do this)*
7. Rebalancing investment strategies.
8. Helping you join the Plan if you're new to the company or currently not participating.
9. Discussing various options and strategies as you near retirement.

Please note that our discussions are confidential. You can reach us via email at contact@epicretirellc.com or via phone by calling 888-558-EPIC (3742) ext. 0.

2ND QUARTER 2021 ECONOMIC AND FINANCIAL MARKETS REVIEW:

As the global economy moved intermittently toward a recovery, the global stock and bond markets produced broad gains for the second quarter.

Economic Review:

The U.S. economy continues to move forward, led by a decline of the pandemic, as more people received vaccinations and received financial relief from the massive Government fiscal stimulus packages. The fiscal stimulus, most geared towards low and middle-income households, put more cash in the hands of those consumers that were most likely to spend it. As a result, those sectors most adversely affected by the pandemic were able to show significant improvements. This contributed to a very strong growth in the U.S. Gross Domestic Product (GDP). The 1st quarter's GDP growth rate surged by 6.4%.

Financial Markets Review:

Bonds reversed their 1st quarter loss by posting a 1.8% gain for the 2nd quarter. The U.S. stock market, as measured by the S&P 500 Index, continued its climb in the 2nd quarter and reached all-time highs gaining 8.5% and bringing the 2021 year-to-date return to 15.3%. Small capitalization stocks, as measured by the Russell 2000 Index, returned 4.3%.

One of the most dominant trends from late 2020 and the first quarter 2021 began to fade: the outperformance of value stocks over growth stocks. This shift came as the Federal Reserve indicated in June that it may raise rates somewhat sooner than expected amid signs inflation was beginning to take hold. The clear divide in performance between growth and value stocks that dominated the market since October 2020 faded in the

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second quarter. The Russell 1000 Growth Index gained 11.9% vs. 5.2% for the Russell 1000 Value Index. Year-To-Date, Value Stocks have returned 13.0%, beating their growth counterparts by a 4% margin. However, within the small cap arena, value outperformed growth by 1.7%, and on a year-to-date basis, small cap value is the best performing investment style with a 26.7% return.

A wide divergence in sector performance during the 1st quarter narrowed in the 2nd quarter, with all but the Utilities sector posting gains. Energy was the best-performing sector gaining 12%, driven by strong performances from crude oil and natural gas as global economic activity continues to rebound after the Covid-19 pandemic. Technology stocks rose 11.3% after trailing all other sectors in the first quarter. Stronger-than-expected earnings and the possibility of a slower economic recovery may have revived technology stocks as investors sought out the category's growth potential. Real Estate stocks also were among the better performing sectors, returning 13.1% as housing prices rose across the country and its attractive yield. The Utilities sector was the worst performing by declining 0.4%, as investors favored the economically sensitive sectors and fears of rising interest rates. The Consumer Staples and Industrial sectors also underperformed.

International stock indexes also continued to hit new all-time highs in the 2nd quarter 2021, as the COVID-19 vaccine rollout fueled a sense of cautious optimism throughout much of the world. As was the case in the 1st quarter; however, international equities didn't perform as well as their U.S. counterparts. The MSCI ACWI International Index gained 6.9% for the quarter, less than the 8.5% gain of the S&P 500 Index. Year-to-date, international stocks have gained 11.4%.

Outlook:

It is important to note that stronger economic growth is often accompanied by higher inflation, and the Fed continues to regard near-term spikes in inflation as transitory. With the adoption of the Fed's new average inflation-targeting policy, they have also become more tolerant of inflation overshooting their 2% target for a period of time. Consequently, we expect inflation, using both CPI and personal deflator measures, to climb to 3.5%-4.0% by the end of 2021 and stay at close to this pace into 2022. Going forward, the mix of headwinds and tailwinds impacting long-term inflation are shifting to the upside and it is likely that as we emerge from this pandemic, we are entering a new-old normal where inflation runs above 2% for some time to come.

Stock prices based on current forward P/E ratios still look elevated, although they have come in somewhat as earnings growth was very strong. Earnings are likely to continue to grow quickly in remainder of the year, which should lead to further compression in these ratios. With interest rates remaining relatively low should justify some elevation in valuation measures being above their historical averages and could also support stocks moving higher. However, higher inflation, corporate taxes, and wage pressures will likely put further pressure on equity valuations within the next few years.

Despite value outperforming growth for the first 6 months of the year, the style still appears to remain cheap relative to growth compared to the long-term averages. Additionally, as interest rates possibly rise, value generally tends to outperform growth during periods of above-trend economic activity and rising interest rates.

This reflects the fact that the earnings of value-oriented sectors tend to be more sensitive to the pace of economic growth. However, investors would be wise not to abandon growth stocks altogether as the economy is likely to slow down to a much slower pace of economic growth later in 2022 and in 2033 and growth stocks have traditionally outperformed value stocks in a slow economic growth environment.

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On the international stock front, the valuations here relative to the U.S. stock market looks relatively attractive. Although the expected synchronized global recovery has been delayed, it has not been derailed, and vaccination progress is now gaining speed globally. Europe in particular has seen a substantial improvement in vaccinations and upcoming fiscal support from the EU Fiscal Recovery Fund should benefit the region. Increased vaccinations should also provide a boost to North East Asia in the second half of the year, while emerging market nations will also approach herd immunity by year end.

As always, it is imperative that investors maintain a well-balanced and diversified approach aligned with their investment strategy to meet their long-term financial goals while maintaining the appropriate risk tolerance. And as mentioned in our last newsletter, markets are still moving at speeds we never thought possible, and it is necessary to properly position your financial plan to stay invested for the long-term.

We thank you for your continued support and confidence and please do not hesitate to contact us if you have any questions.

FOR QUESTIONS CONTACT EPIC/HUB

You may feel free to contact EPIC/HUB directly. EPIC/HUB consultants are available between 9:00 am – 5:00 pm Eastern Standard Time Monday – Friday. You can call, fax or email:

contact@epicretirellc.com

Telephone: 888-558-EPIC (3742); hit 0

Fax: 212-244-6286

When contacting EPIC/HUB, kindly identify yourself and your employer and if possible, provide a copy of your Retirement Plan statement.

Thank you and be well!

The EPIC Team

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