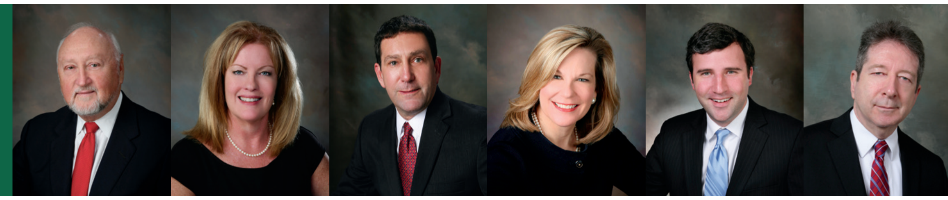

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Sign up for our weekly blog and market updates by visiting www.riverplacecapital.com, or check us out on Facebook Live every Thursday at 12:45pm.

WHY RIVERPLACE CAPITAL?

- Top Tier Financial Performance
- 100 Years Investment Experience
- Personalized Investing
- Individuality of Thought

NOTICE

Riverplace Capital is pleased to announce the addition of Annette (Anny) Campos to our firm. Anny will initially work closely with Terri Kimball and gradually assume the operations responsibility for the entire company. In addition, she is immediately assuming all compliance responsibilities. Her title is Director of Operations and Compliance. Terri will focus on her duties as Controller and provide management backup as the Executive Vice President.

Anny has an MBA and 5 years of experience in this field, most recently with BBVA Investments. She holds all the appropriate licenses including a Series 7 and 66, with additional training in compliance. She is an active volunteer in our community and will fit right in with Riverplace Capital's commitments to the communities we serve. Please welcome Anny!

Written by Peter E. Bower, President.

the Lonely Bull

Separate from the herd of same-minded investment strategies

July 2021 A Quarterly Market Perspective by Riverplace Capital Number 92

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TALK WITH US

(This piece was recently published as a Lonely Bull Blog by Riverplace Capital. It is so important to the understanding of how markets work that a repeat is warranted.)

A recent study shows that 4% of the stocks are responsible for almost all the gains in the broad indices. This study is not just for the most recent period. Also, other studies show that over time, most companies lose value. This makes sense given that creative destruction is an essential process of capitalism. New ideas, processes, and technologies regularly displace the old. Even companies that survive may lose economic importance. At the turn of the nineteenth century, U.S. Steel was the most valuable and important company in our country. Today, the market capitalization of "big steel" is barely mid-cap in size. Think of all the companies that we grew up with that no longer exist - names like Zenith, RCA, Sears, and on and on.

Capitalism moves on. The past and the weak are discarded. Today's most valuable companies are new with names that would have seemed amusing not long ago. They are now essential parts of our lives. Successful investing recognizes that change is inevitable. Getting in front of value creation and avoiding its destruction is fundamental. This is an easy concept to understand but, in real time, difficult to implement. This is what the Bull and his partners work at doing every day. It is what makes our work challenging and exciting at the same time. ***Talk with Us.***

PERSPECTIVES

Second Quarter

One half done, one more to go, not a bad start to an "interesting" year! For a year wracked by pandemic, the advent of a new presidential administration, new congressional leadership, and major national policy shifts, economic and stock market strength are astounding. Even more surprising have been interest rates.

With so much strength, investors might expect higher rates; they just have not come about. Bond rates certainly advanced in the Spring from under 1% for the 10-year treasury to almost 1.8%, but since then have languished near 1.5%. Something is keeping higher and higher rates in check. We explore reasons in the *Fixed Income* section of this letter.

Stocks made a shift from an emphasis on large-cap, stable growth to value and smaller companies. What was in favor last year was suddenly out, and what was in, was now out. Such quick shifts are difficult for investors to manage. Major portfolio shifts cost money and have tax implications. Also, most investors are not short-term oriented. **They have long-range goals and needs that must be matched with long-term strategies.** Nevertheless, some adjustments were called for. Riverplace Capital prefers incremental change based upon fundamentals. We have made a few.

The big question now is what to expect for the second half of this year. There are many federal public policies and budget initiatives on the table. Some of these have real implications for investors. Will our government socialize more risks, will the green revolution take hold with ramifications for some older industries, and **will tax policy change to benefit earned from investment income and capital formation?** This last one is big and the answer critical! Obviously, no one knows, but as investors we must deal with this uncertainty and have strategies ready.

MAJOR INDICES

as of 6/30/2021

Large Cap Stocks (S&P 500)	14.4%
Dow Jones Industrial Average	12.7%
Mid Cap Stocks (S&P 400)	16.9%
NASDAQ Composite	12.5%
Small Cap Stocks (Russell 2000)	17.0%
MSCI EAFE	7.33%
Barclay Aggregated Credit Index	-1.31%
Inflation	3.6%

Equity indices are twelve-month returns excluding dividends.

> "The individual investor should act consistently as an investor and not as a speculator."
>
> *-Ben Graham*

FORECAST

Economy

The economy is rebounding strongly. In an earlier letter, Riverplace Capital postulated that GDP growth for 2021 could be as much as 7%. That now looks probable. Subsequent years should see a gradual decline to more sustainable rates. The recovery started with many items to support and enhance distributed work brought about in response to the pandemic. And gradually extending to many other areas including recreational products, new cars and trucks, etc. Recently, services have been returned as reopening of the economy proceeds.

Now, as offices and schools reopen, apparel is another recovery item, along with the stores that provide it. **The "new normal" may not be exactly like what came before, but much will certainly resemble it.** The old ways will not be totally displaced, but online shopping and hybrid and remote working arrangements have gained new emphasis. There are others such as tele-docs, streaming, and online everything that have taken on greater importance. We can also see a time when surgery, through robotics, could be done from remote locations. Much more will come.

Equities

More than just a shift from growth to value in investing style, the stock market has broadened to include many other categories. Small caps have especially made a resurgence. Our favorite, mid-caps, are having a great year too.

Speculation has been rife. From Bitcoin to meme stocks and much in between, traders have discovered new targets to extract profits. Some will, some will not, but that's speculation! It just goes to show that the appetite for investing has increased and broadened.

Easy money and low interest rates have helped fuel these trends. Do not expect this to subside soon. Once discovered, the taste for investing will endure. A new generation is now involved. **In with the new, but not out with the old! Fundamentals and investment reality will endure.**

Fixed Income

It's a conundrum; why are interest rates so low when economic growth and even inflation are so strong? Part of the reason is the Federal Reserve wants it this way. With the power to expand their balance sheet by buying $120 billion of bonds every month from the markets, they have certainly managed rates. This will not last forever. Recently, investors have discerned a shift by the Fed to begin reducing this support. Persistent inflation is one factor that would force their hand.

The Federal Reserve has forecasted that higher inflation would be transitory (short lived). If that is not the case, then they will need to quickly change strategy from one of supporting economic recovery to fighting inflation expectations. It is too early to judge, but the outcome will be very important to all investors.

INVESTMENT STRATEGY

Equities

Riverplace Capital foresaw that the immense liquidity in our economic system would lead to higher asset prices. **No matter the concern of the moment, more money would win out!** That is still the case, but the question is for how long; probably through the end of this year and certainly much further, if the administration gets some of its infrastructure and social initiatives through Congress. So, it remains **"ride the wave of liquidity, but look out for the tide to turn."** Tax policy will be very important.

Fixed Income

No time for heroes in fixed income investing. There is no reason to commit to these historically low rates. Traders may find some opportunity in the daily fluctuations, but for serious investors, the risks far outweigh the benefit. Who wants to lend money for return below the inflation rate? Take taxes into consideration and the losing proposition becomes even worse. **So, keep commitments short and stay that way for the time being.**

Wealth Management

The broad diversification that we provide through our asset allocation strategy has worked well this year, especially since the broadening of market interest to many other investment categories. This was our expectation and so far, so good. RCM will probably continue with its current allocations through the end of this year.