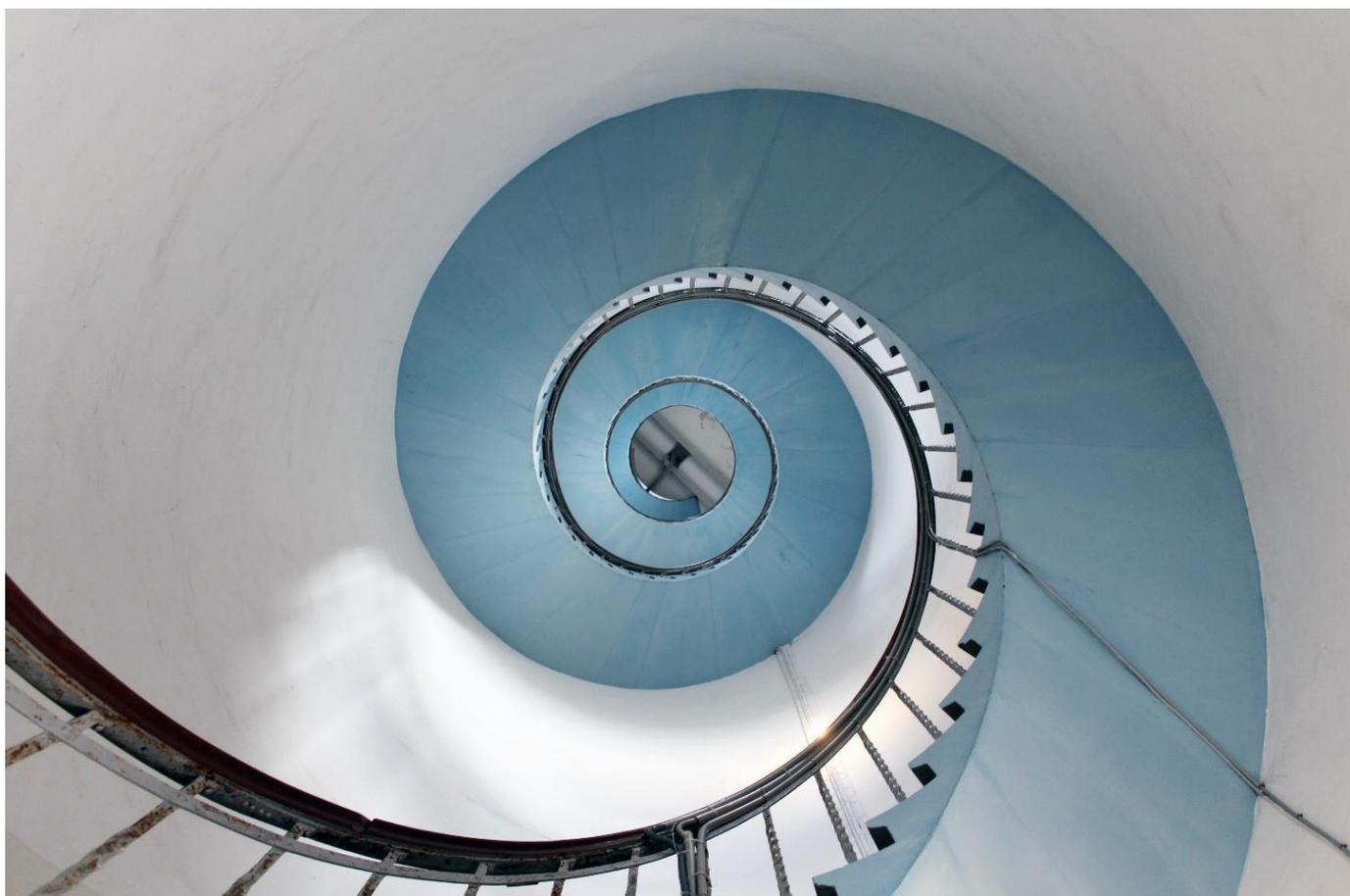


MONTHLY MARKET UPDATE

AUGUST 2021



Index Returns	Month To Date	Year To Date
S&P 500 TOTAL RETURN INDEX	3.04%	20.41%
MSCI INTERNATIONAL DEVELOPED EAFE INDEX	1.60%	9.73%
MSCI EMERGING MARKETS INDEX	0.59%	1.35%
MSCI ALL COUNTRIES ACWI INDEX	2.29%	14.70%
MSCI US REIT INDEX	1.19%	27.81%
BLOOMBERG COMMODITY INDEX	-0.10%	22.97%
BLOOMBERG BARCLAYS US TREASURY INDEX	-0.03%	-1.43%
BLOOMBERG BARCLAYS MUNICIPAL BOND INDEX	-0.37%	1.53%
BLOOMBERG BARCLAYS AGGREGATE BOND INDEX	-0.06%	-0.69%
HFR GLOBAL HEDGE FUND INDEX	0.60%	3.89%

Data: Bloomberg / Table: Avestar Capital

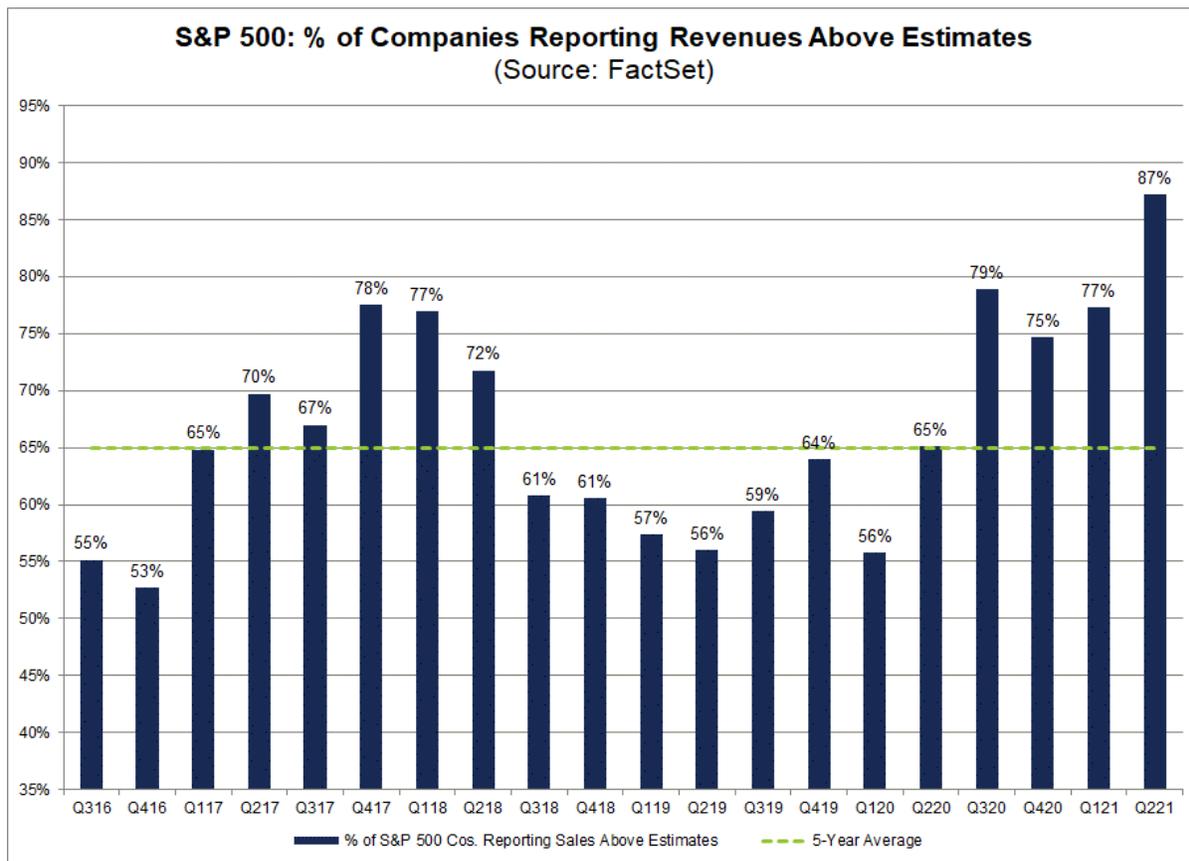
SUMMARY

- The S&P 500 gained 3% this month and treasury yields rose from their 6-month lows of 1.17%.
- 87% of S&P 500 companies reported revenues above estimates, higher than the 5-year average of 65%.
- Companies saw higher than average revenue growth of 4.9%, larger than the trailing 5-year average of 1.2%.
- Markets traded at an elevated valuation of 22x projected forward P/E, higher than the 5-year average of 17-18x.
- Cash on corporate balance sheets have swelled. Buybacks and/or dividends may help propel the market higher.
- The S&P 500 has gone without a 5% pull back for 10 months, the longest streak since 2017.
- Supply chains are starting to ease as vendor lead times have come down to 29 days from a high of 43 days.
- Some companies are resorting to chartering their own ships from China to get inventory to shelves.
- The Delta variant is causing some big bank economists to slash their Q3 '21 GDP estimates.
- Home inventory is 28% higher from its February low of 1.03 million but is still down from pre-pandemic levels.
- China is clamping down on companies with new data storage and privacy laws.
- The Democrats, through budget reconciliation, may increase income, capital gains, and estate taxes.
- The Fed's Jackson Hole meeting was a non-event, but the August jobs report may give clues to tapering timing.

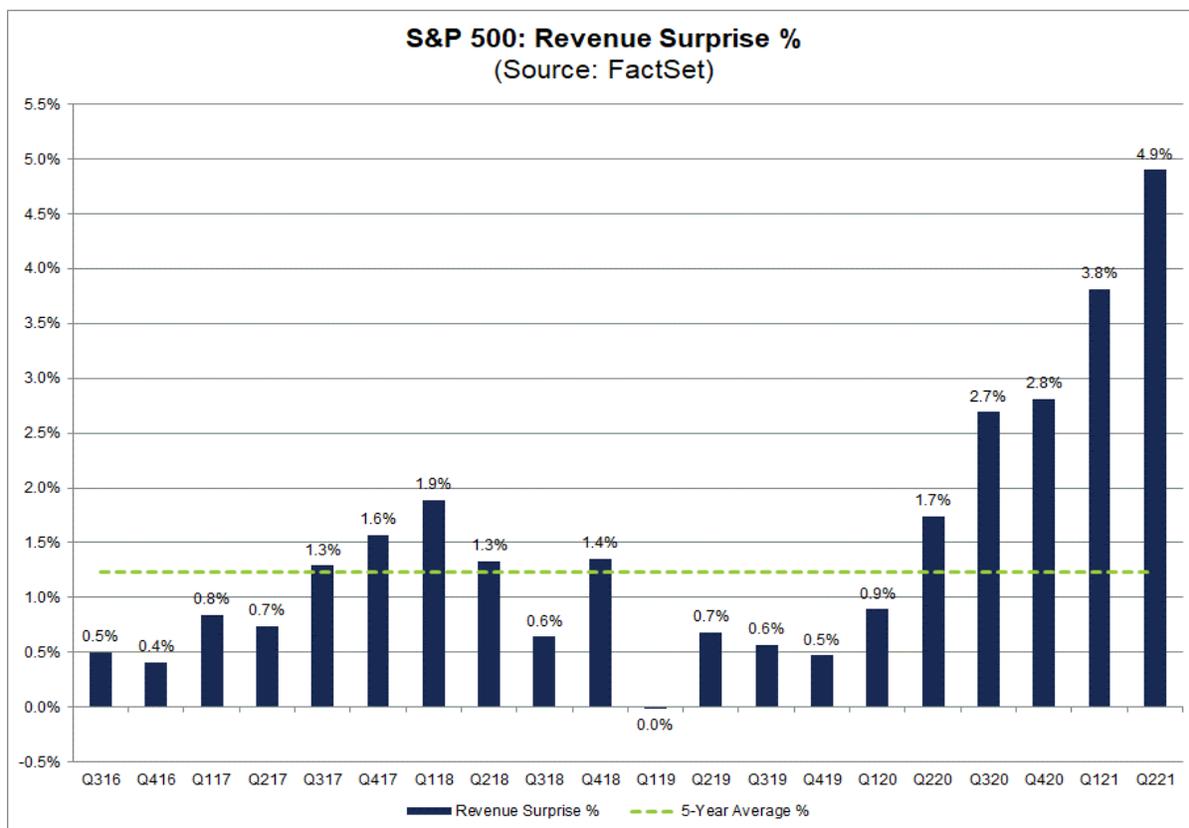
COMMENTARY

The S&P 500 gained 3.04% this past month hitting all-time new highs. Yields bounced with the 10-year treasury closing out the month yielding 1.31%. Fed tapering discussions may put pressure on fixed income yields, but more on that later.

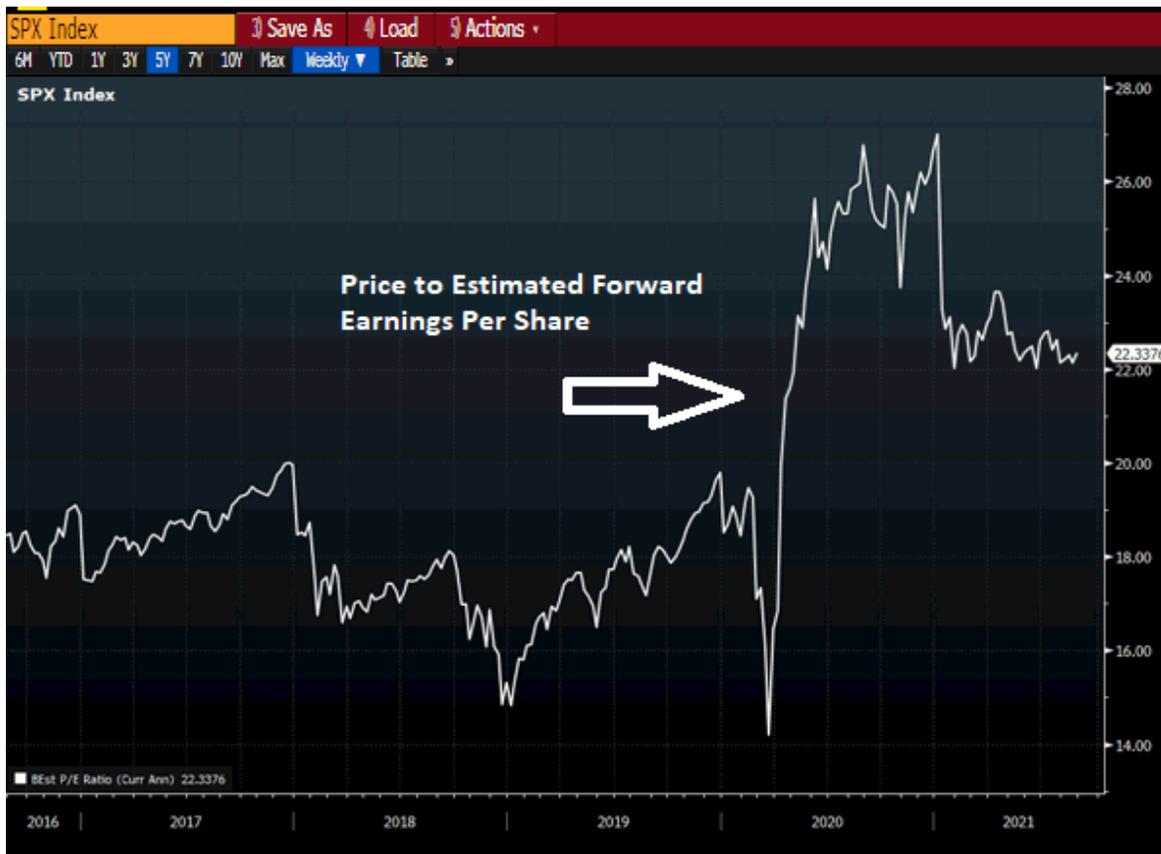
Q2 '21 earnings season is now in the books, so how did companies do? We saw 87% of S&P 500 companies reporting revenues above estimates, which means only 13% reported revenues at or below. This is significantly higher than the 5-year average of 65% of companies beating revenue expectations.



Not only did the S&P 500 companies beat analyst revenue expectations, but they also beat by a higher-than-average amount. We saw revenue surprises of 4.9%, much larger than the trailing 5-year average of 1.2%, with record revenues.



With all the revenue and earnings per share growth, investors would expect equity valuations to come down but that has not been the case as markets continue to hit new highs. Investors are paying up for the earnings growth. The S&P 500 trades around 22x projected forward price to EPS, which is higher than the 5-year average of 17x-18x.



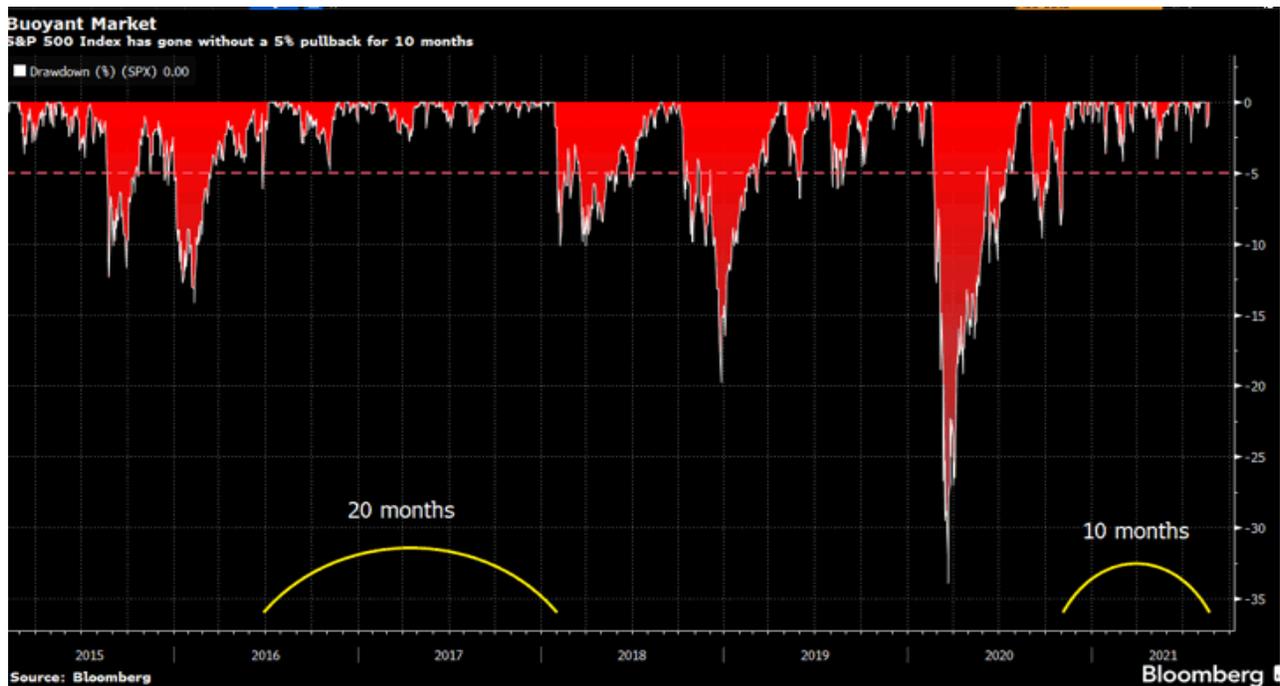
Source: Bloomberg

This chart does not necessarily depict we are overvalued as markets are forward looking. If companies continue to beat earnings expectations by wide margins and raising, it is not out of the realm of possibilities that earnings catch up to valuations in a short period of time. What else can propel markets even higher? Share buybacks and/or dividends.

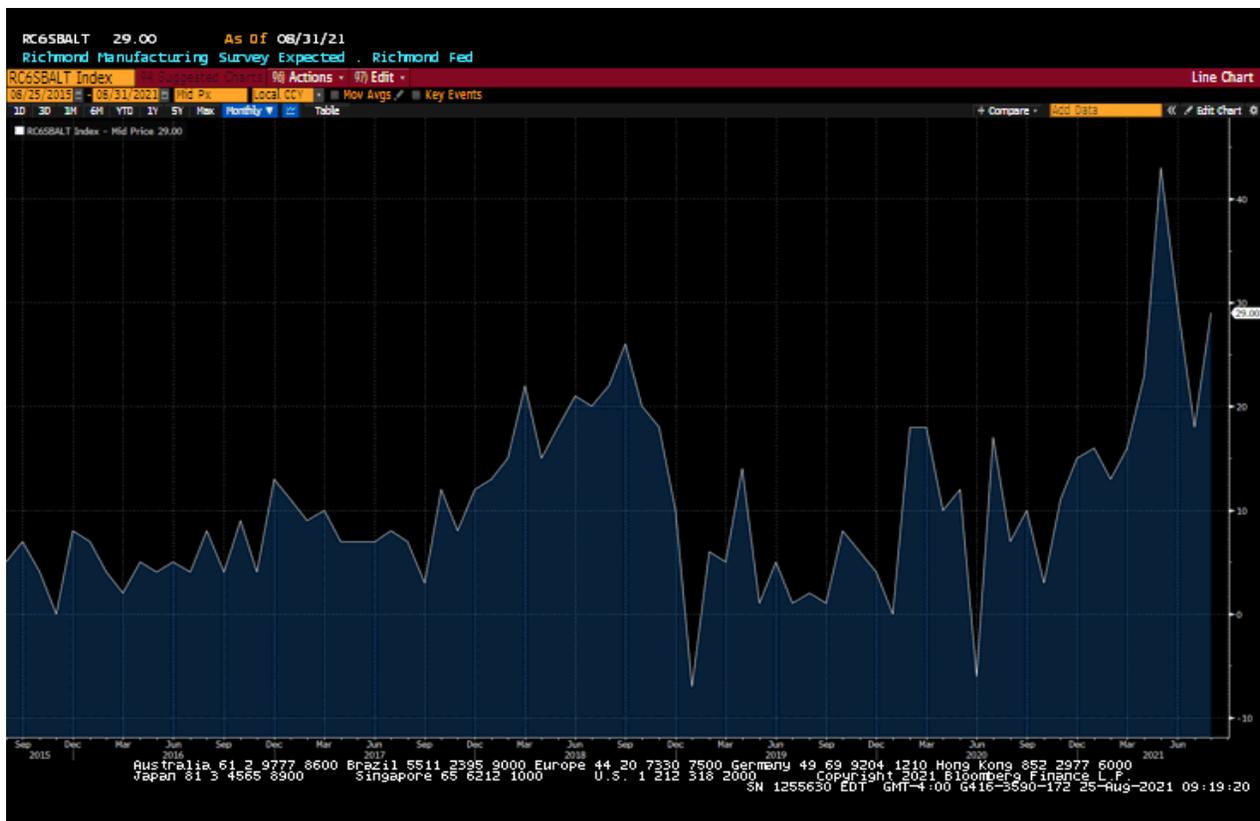
SPX Index								
S&P 500 INDEX Compare (Sec) Periods 10 Quarters Cur FRC (USD)								
Income Statement								
	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2
3 Months Ending	09/30/2019	12/31/2019	03/31/2020	06/30/2020	09/30/2020	12/31/2020	03/31/2021	06/30/2021
Assets per Share								
Cash & Equivalents	452.23	460.73	552.25	621.51	622.62	637.86	651.51	652.84
Current Assets	623.98	640.83	649.51	664.20	681.09	687.07	702.51	720.96
Goodwill	403.59	402.86	402.91	401.11	407.34	403.14	407.08	414.05
Total Assets	4,224.83	4,287.45	4,481.63	4,534.08	4,575.24	4,630.73	4,730.37	4,827.59
Liabilities & Equity per Share								
Current Liabilities	485.53	504.20	504.07	487.46	488.87	505.19	517.76	529.61
Total Debt	1,108.51	1,101.67	1,180.50	1,177.69	1,168.25	1,153.54	1,179.04	1,182.71
Total Liabilities	3,281.53	3,330.80	3,549.73	3,597.84	3,618.96	3,666.62	3,756.66	3,825.05
Retained Earnings	341.53	344.81	315.88	320.03	336.12	344.14	346.68	370.25
Book Value	891.93	908.15	884.11	887.06	907.59	917.21	924.93	956.16
Tangible Book Value	278.47	281.71	264.89	265.99	280.34	286.21	290.90	314.47
Total Equity	943.36	956.65	931.89	936.23	956.21	964.11	973.71	1,002.52
Reference Items								
Enterprise Value per Share	3,518.71	3,781.39	3,132.03	3,625.74	3,880.06	4,269.53	4,486.24	4,809.51
Number of Employees	26,149,193	26,397,324	26,488,336	26,110,898	26,480,247	26,444,626	26,750,121	27,297,979

Source: Bloomberg

Cash on corporate balance sheets has swelled. Companies of the S&P 500 collectively have \$653 billion in cash that can potentially get returned to shareholders through share buybacks and/or increased dividends. With the “buy any dip” investor mentality, the S&P 500 has gone without a 5% pull back for 10 months, the longest streak since 2017.



Supply chains are easing as seen by chip wafer exports, which still need to be assembled into integrated circuits for circuit boards. Lead times are dropping with expected vendor lead times now at 29 days, from a high of 43.



But the drop in lead times is not linear, the delta variant is hindering global supply chains as seen with China's Ningbo-Zhoushan Port being shut down for 2 weeks. This is the world's third largest port. Some companies are resorting to chartering their own ships to get products to shelves. Home Depot and Walmart are among those companies' chartering vessels in the mad dash to get product from overseas.

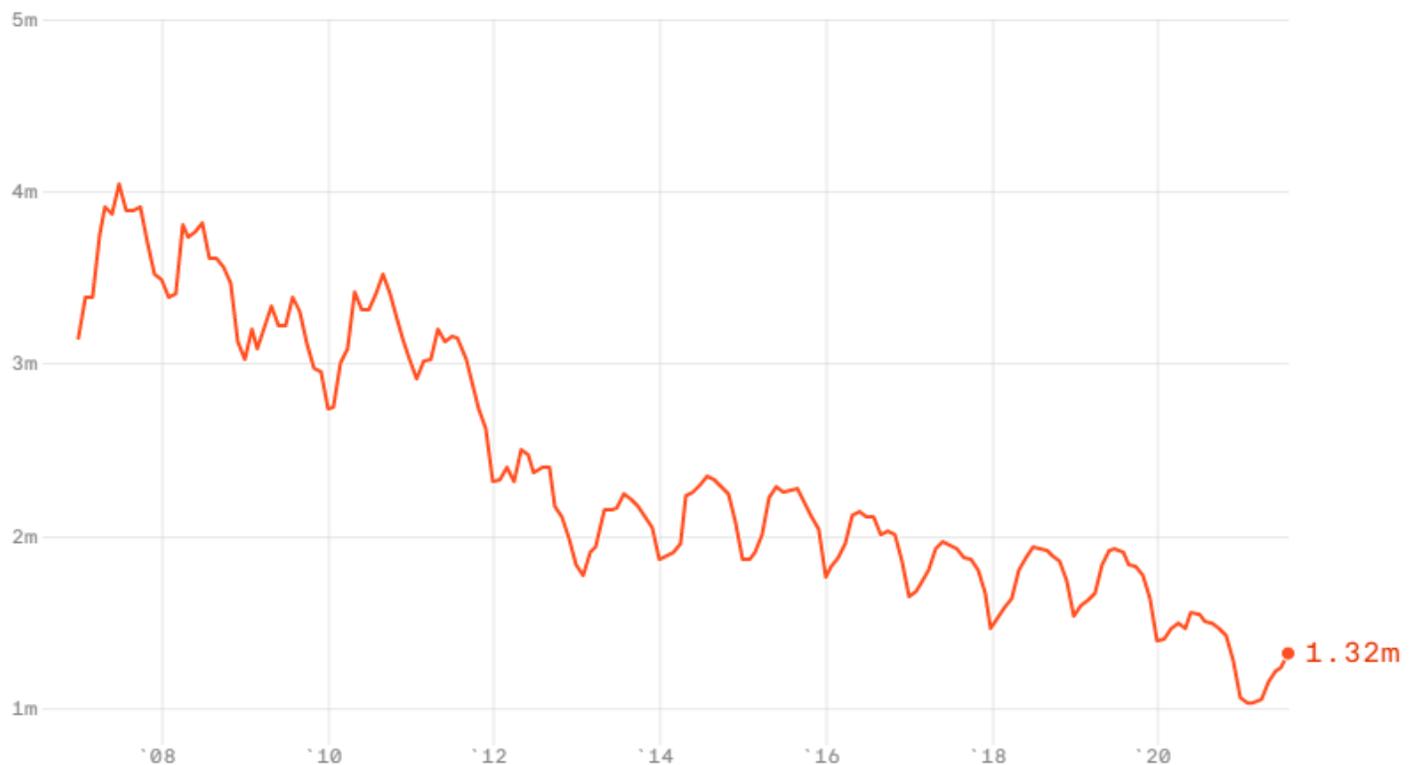
The delta variant is also pressuring economists to slash Q3 '21 GDP estimates:

- BofA's U.S economics team lowered its outlook for Q3 U.S. GDP growth to 4.5% from 7.0%.
- Goldman Sachs economists slashed their forecast for Q3 GDP growth to 5.5% from 9.0%
- Wells Fargo economists reduced their Q3 GDP forecast to 6.8% from 8.8%

The number of homes available for sale is rising, which is good news for prospective buyers who have been getting priced out of the market. Home prices finally started to pull back in July as inventories rose. Prices had been surging over the last year as low mortgage rates and the sudden desire for more space caused housing demand to outstrip new supply. Total housing inventory stood at 1.32 million units at the end of July, according to the National Association of Realtors. This was a 7.3% gain from June. This was the sixth straight month of increases. Inventory is now 28% higher from its February low of 1.03 million. Still, that's down 12% from its 1.50 million level a year ago.

Number of homes for sale in the U.S.

Inventory of existing homes for sale; January 2007 to July 2021



Data: National Association of Realtors, FactSet;

China has renewed its public company clampdown with a new law that ensures better secure storage of user data, amid public complaints about mismanagement and misuse which have resulted in user privacy violations. Investors misconstrue this as a tech only oversight, but China has also targeted private tutoring services, food delivery firms and the video games industry. Beijing is eyeing new rules that would restrict domestic internet companies from going public in the U.S. Chinese

regulators are specifically targeting tech firms with user-related data, and companies that are less data-heavy such as pharmaceuticals could be insulated from the IPO ban.

The prospect of higher taxes for wealthy Americans edged closer on this month as House Democrats passed a \$3.5 trillion budget plan. That framework lays the groundwork for Democrats to write formal legislation that can pass without one Republican vote by a self-imposed September 27th deadline. It is likely the richest Americans will face higher taxes on their ordinary income, capital gains from investments and appreciated assets bequeathed to heirs, according to tax experts.

Raising the top marginal income-tax rate to 39.6%, from the current 37%, is the most likely way Democrats intend to raise taxes on the wealthy. At the same time, the spending plan may also give a tax break to some wealthy individuals in high-tax states. It suggests Democrats will offer relief on the current \$10,000 cap on state and local tax deductions. There is also an expectation that the top tax rate on long-term capital gains will rise. The Biden administration proposed raising that top rate to 39.6%, the same as the proposed top rate on ordinary income, for those who earn more than \$1 million a year. Democrats will likely also try to change how appreciated assets held by the wealthy are passed on to heirs. The White House, for example, proposed imposing a capital-gains tax at death instead of the step-up basis meaning it would not transfer to heirs at its current market value, erasing the capital gain. Democrats are also eyeing tax compliance to raise revenue from households earning more than \$400,000 a year. Underreported income, largely among the wealthy, is the biggest contributor to the so-called tax gap, according to a Treasury report issued in May. The Treasury estimated the gap (the difference between tax paid and tax owed) to be \$584 billion in 2019.

The Fed's annual meeting at Jackson Hole was a market non-event. Speaking at the Kansas City Fed's Economic Policy Symposium after the meeting, Powell reiterated his position that the Fed "could" begin to taper its asset purchases by the end of this year. He stopped short of formally announcing the timing and pace of that taper, in line with what economists were broadly expecting. The job's report will be telling on which way policy can go, total employment remains about 5.7 million jobs below pre-pandemic levels. Economists are estimating U.S. employers added 756,500 jobs in August, which would be a slowdown from the 943,000 added in July. A blow out number could pull tapering forward; a weak number could push it out.

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