CAPITAL MANAGEMENT GROUP

The Hefter Report – October 5, 2021

After almost 12 months, the S&P 500 has finally had a 5% correction. The reasons for this pullback are varied, but one that stands out the most is the rapid rise in interest rates, particularly the key 10-year US Treasury which has risen from 1.29% in August to the current 1.53%. With supply shortages across industries from paper goods to private jet planes, inflation seems to be poking its disquieting head everywhere. The key question is whether this rise in inflation is transitory or more long lasting.

We believe that ultimately production will pick up and supplies will increase to meet demand. As COVID retreats, we see a second re-opening and a pick-up in global economic growth. This may lead to higher interest rates, but as long as the rise is gradual, stock prices should also rise. We also see deflationary effects that we anticipate will moderate inflation. These include an aging population, extremely low velocity in money supply, as well as the productivity and efficiencies of artificial intelligence and other technologies that should suppress prices.

The market is primarily driven by earnings. We estimate that 2021 will see better than expected S&P 500 earnings of about $220 per share followed by $240 per share in 2022. With relatively low interest rates, we believe that an earnings multiple of 20 is appropriate. That would put the S&P 500 at 4800 next year, a gain of about 11.5% from current levels.

We view the current move as a correction and not a bear market. Like all corrections, the timing is nearly impossible to predict. For now, we plan to ride through this correction and expect stock prices rise later this year.

Investment products and services are offered through Wells Fargo Advisors Financial Network, LLC (WFAFN), Member SIPC. HLM Capital Management is a separate entity from WFAFN. CAR #0623-04191

HLM Capital Management Group
1849 Green Bay Road
Suite 200
Highland Park, IL 60035
847 563-3400 phone
800 247-1541 toll-free
847 563-3420 fax
www.hlmcapital.com

Charlie Margolis, Ben Leshem, Steve Hefter, Micah Nathan
Partners

Disclosures

This report has been prepared for informational purposes only, is subject to change without notice, is not all encompassing and is not a solicitation or an offer to buy any security or instrument or to participate in any planning or trading strategy. Wells Fargo Advisors Financial Network did not assist in the preparation of this report. The opinions expressed in this report are those of the author(s) and are not necessarily those of Wells Fargo Advisors Financial Network or its affiliates. Statistical information has been obtained from sources believed to bereliable, but its accuracy and completeness are not guaranteed. All investing involves some degree of risk, whether it is associated with market volatility, purchasing power or a specific security, including the possible loss of principal. Asset allocation and diversification are investment methods used to help manage risk. They do not guarantee investment returns or eliminate risk of loss including in a declining market. Past performance is not a guarantee of future results and there is no guarantee that any forward looking statements made in this report will be attained. Since each person's situation is different you should review your specific investment objectives, risk tolerance and liquidity needs with your financial professional before selecting a suitable planning, savings or investment strategy.

S&P 500 Index: The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the Index proportionate to its market value.

Stocks are subject to market risk which means their value may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. Investments in equity securities are generally more volatile than other types of securities. There is no guarantee that dividend-paying stocks will return more than the overall stock market. Dividends are not guaranteed and are subject to change or elimination.

Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility. Investing in emerging markets accentuates these risks.

Investments that are concentrated in a specific sector or industry may be subject to a higher degree of market risk than investments that are more diversified.

Investments in fixed-income securities are subject to market, interest rate, credit and other risks. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline in the bond's price. Credit risk is the risk that an issuer will default on payments of interest and/or principal. This risk is heightened in lower rated bonds. If sold prior to maturity, fixed income securities are subject to market risk. All fixed income investments may be worth less than their original cost upon redemption or maturity.

There are special risks associated with an investment in real estate, including credit risk, interest rate fluctuations and the impact of varied economic conditions.

Lending and other banking services available through Wells Fargo Advisors (NMLS UI 2234) are offered by banking and non-banking subsidiaries of Wells Fargo & Company, including, but not limited to Wells Fargo Bank, N.A. (NMLSR ID 399801), Member FDIC, and Wells Fargo Home Mortgage, a division of Wells Fargo Bank, N.A. Certain restrictions apply. Programs, rates, terms, and conditions are subject to change without advance notice. Products are not available in all states. Wells Fargo Advisors is licensed bythe Department of Business Oversight under the California Residential Mortgage Lending Act and the Arizona Department of Financial Institutions (NMLS ID 0906158). Wells Fargo Clearing Services, LLC, holds a residential mortgage broker license in Georgia and is licensed as a residential mortgage broker (license number MB2234) in Massachusetts.

CAR #0623-04191

Investment products and services are offered through Wells Fargo Advisors Financial Network, LLC (WFAFN), Member SIPC. HLM Capital Management Group is a separate entity from WFAFN. CAR -0623-04191

HLM Capital Management Group
1849 Green Bay Road
Suite 200
Highland Park, IL 60035
847 563-3400 phone
800 247-1541 toll-free
847 563-3420 fax
www.hlmcapital.com

(

Charlie Margolis, Ben Leshem, Steve Hefter, Micah Nathan
Partners

CAPITAL MANAGEMENT GROUP

The Hefter Report – March 2021

Since the start of 2021, the closely watched US Treasury 10 year bond yield has risen over 50% from 0.93% to a high of 1.61% before recently settling around 1.44%. Since the low of 0.51% during the height of the pandemic the yield has nearly tripled. This dramatic move sparked considerable volatility across stock and bond markets as investors appeared to become unsettled.

Among the notable observed effects of this move have been a sharp decline in gold prices, a rise in the US dollar, and a rotation from growth to value stocks, to name a few. We believe that the decline in sectors such as technology, communications, and biotech will be short term. We also believe the rise in value to be a positive sign that the economy is recovering and the breadth of the rally in equities is broadening. Overall we see these trends as positive.

Over the 20 year period from 2000 to 2020, US GDP growth averaged 1.7% per year. In comparison, from 1980 to 2000 average annual GDP growth was 3.4% (Source: World Bank). From 2000 to 2020 the S&P 500 annualized return was 5.1% compared with an average annual return of just over 8% for the S&P 500 since its inception in 1926 (Source: Investopedia).

As previously stated we believe that global equities are at the beginning of a new bull market and could see annual returns closer to the historical average than that of the past 20 years. Our expectations for annual US GDP growth are also closer to the 3.4% average for the period between 1980 - 2000 than that of the most recent 20 year period.

The current interest rate level is comparable to the beginning of 2013. In that year rates doubled, reaching 3%. However even though rates rose dramatically the US stock market was up around 33%. This is to say that the current rise in interest rates is not unprecedented and could also bring an increase in stock market indices. We believe this because the reason for the rise in rates is based on an improving economy - we think this is a sign of good things to come.

In the near term technology and other growth stocks could remain under pressure, but we still believe in the long term positive outlook for areas such as genomics, artificial intelligence, financial technology, 5G communications, cyber security, etc. It is hard to imagine that these areas will not continue to see significant growth in the next 5-10 years. So although we are increasing exposure to value stocks in our portfolios, we believe growth will still be the preferred investment theme for the next 5, 10, and 20 year periods.

The advancement of innovative technology can also be a counterweight to inflation. As productivity and efficiency increase, costs and therefore prices can stay lower. Another deflationary factor is the aging population. Older people generally spend less. In his recent book, "*2030 How Today's Biggest Trends Will Collide and Reshape the Future of Everything*," global trends expert and political economics professor at Wharton, Mario Guillen predicts that by 2030 there will be more grandparents than grandchildren. This, he says, is deflationary. So although we believe inflation will increase, we think it will be contained and will not significantly deter this bull market in stocks. *(continued on page 2)*

Investment products and services are offered through Wells Fargo Advisors Financial Network, LLC (WFAFN), Member SIPC. HLM Capital Management is a separate entity from WFAFN. CAR -0623-04191

HLM Capital Management Group
1849 Green Bay Road
Suite 200
Highland Park, IL 60035
847 563-3400 phone
800 247-1541 toll-free
847 563-3420 fax
www.hlmcapital.com

Charlie Margolis, Ben Leshem, Steve Hefter, Micah Nathan
Partners

Guillen also predicts that consumers outside the developed Western world will shape the global economy to a greater degree than ever before. This supports our case for investing internationally, especially in Asia. Another factor to consider in our investment portfolios is his prediction that globally more wealth will soon be held by women than men.

As we navigate these global themes along with the current rise in interest rates, we want to participate in short term market adjustments. But equally if not most importantly we are focused on the next 10 years and where we think the world will be in 2030.

Investment products and services are offered through Wells Fargo Advisors Financial Network, LLC (WFAFN), Member SIPC. HLM Capital Management is a separate entity from WFAFN. CAR-0623-04191

HLM Capital Management Group
1849 Green Bay Road
Suite 200
Highland Park, IL 60035
847 563-3400 phone
800 247-1541 toll-free
847 563-3420 fax
www.hlmcapital.com

Charlie Margolis, Ben Leshem, Steve Hefter, Micah Nathan
Partners

CAPITAL MANAGEMENT GROUP

Disclosures

This report has been prepared for informational purposes only, is subject to change without notice, is not all encompassing and is not a solicitation or an offer to buy any security or instrument or to participate in any planning or trading strategy. Wells Fargo Advisors Financial Network did not assist in the preparation of this report. The opinions expressed in this report are those of the author(s) and are not necessarily those of Wells Fargo Advisors Financial Network or its affiliates. Statistical information has been obtained from sources believed to bereliable, but its accuracy and completeness are not guaranteed. All investing involves some degree of risk, whether it is associated with market volatility, purchasing power or a specific security, including the possible loss of principal. Asset allocation and diversification are investment methods used to help manage risk. They do not guarantee investment returns or eliminate risk of loss including in a declining market. Past performance is not a guarantee of future results and there is no guarantee that any forward looking statements made in this report will be attained. Since each person's situation is different you should review your specific investment objectives, risk tolerance and liquidity needs with your financial professional before selecting a suitable planning, savings or investment strategy.

S&P 500 Index: The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the Index proportionate to its market value.

Stocks are subject to market risk which means their value may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. Investments in equity securities are generally more volatile than other types of securities. There is no guarantee that dividend-paying stocks will return more than the overall stock market. Dividends are not guaranteed and are subject to change or elimination.

Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility. Investing in emerging markets accentuates these risks.

Investments that are concentrated in a specific sector or industry may be subject to a higher degree of market risk than investments that are more diversified.

Investments in fixed-income securities are subject to market, interest rate, credit and other risks. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline in the bond's price. Credit risk is the risk that an issuer will default on payments of interest and/or principal. This risk is heightened in lower rated bonds. If sold prior to maturity, fixed income securities are subject to market risk. All fixed income investments may be worth less than their original cost upon redemption or maturity.

There are special risks associated with an investment in real estate, including credit risk, interest rate fluctuations and the impact of varied economic conditions.

Investment products and services are offered through Wells Fargo Advisors Financial Network, LLC (WFAFN), Member SIPC. HLM Capital Management Group is a separate entity from WFAFN. CAR-0623-04191

HLM Capital Management Group
1849 Green Bay Road
Suite 200
Highland Park, IL 60035
847 563-3400 phone
800 247-1541 toll-free
847 563-3420 fax
www.hlmcapital.com

Charlie Margolis, Ben Leshem, Steve Hefter, Micah Nathan
Partners

CAPITAL MANAGEMENT GROUP

The Hefter Report – January 2021

As we've previously mentioned, in our view global equities were poised to go up regardless of who would reside in the White House and which party would control the Senate. Markets are currently focused on the likelihood of additional stimulus. This likely trillion dollar plus influx of funds should help contribute to the simultaneous world-wide economic recovery we believe will take place once COVID vaccinations reach critical mass and economies reopen.

On a macro level, we believe it's full speed ahead. Our bottom line bull case even after the huge appreciation of the last nine months is that consensus estimates for S&P 500 earnings, global GDP growth, job growth, income and spending are all tooLOW. We think the already massive fiscal and monetary stimulus, the estimated $5 trillion dollars in money market funds currently held by investors, low interest rates as well as a declining dollar should lead to better than expected US and foreign spending. This, in our opinion, should lead to greater income, job growth, and ultimately profits and GDP growth in the US. We think these surprises to the upside should also lead to higher stock prices.

By late 2021 we can foresee 2022 S&P 500 projected earnings estimates at approximately $200 per share. We think a 22 multiple is reasonable given projected low interest rates. That would mean an S&P 500 at 4400 which is about a 14.2% increase from today's levels. We also forecast GDP growth near 6%, another potential upside surprise to the current 4-5% consensus estimates.

The Fed recently stated that interest rates would be kept low for at least one year after inflation hits 2%. As the economy recovers we feel interest rates may rise gradually but will be held down by the Fed. As money market and short term bonds continue to lose value for investors relative to the cost of living, we foresee significant outflows from fixed income into stocks, further propelling prices higher.

When this new bull market began on March 23, 2020, it was led by so called "stay at home" stocks. Today those companies are still doing well but so are stocks in many industries that were underperforming prior to the announcements this past November regarding the strong efficacy of the Pfizer and Moderna vaccines. We see this broadening out of stock market gainers as another indication of the sustainability of this bull market and the potential forhigher prices than previously forecast.

We anticipate the likely trillion dollars in additional stimulus to further exacerbate the negative impact on the value of the US dollar, thus we expect the dollar decline to continue. This along with other indicators lead us to believe the long underperformance of international and emerging markets in particular may be coming to an end.

For now, we like international stocks as well as small capitalization stocks. History has shown that as global markets emerge from recession, small cap stocks generally outperform in these early stages. In addition we think that certain industries hit hard by COVID should outperform as the virus fades away. These include industrials, transports and materials as well as travel and leisure. *(continued on page 2)*

Investment products and services are offered through Wells Fargo Advisors Financial Network, LLC (WFAFN), Member SIPC.HLM Capital Management is a separate entity from WFAFN. CAR-0623-04191

HLM Capital Management Group
1849 Green Bay Road
Suite 200
Highland Park, IL 60035
847 563-3400 phone
800 247-1541 toll-free
847 563-3420 fax
www.hlmcapital.com

Charlie Margolis, Ben Leshem, Steve Hefter, Micah Nathan
Partners

Furthermore the blue wave of Democrat control in Congress and the White House should help companies on the forefront of clean energy and infrastructure. We also continue to like the innovative technologies of the future including 5G, artificial intelligence, genomic cell replacement therapy, cyber security, e-sports and others.

In addition to focusing on the areas mentioned above, we are lightening positions in fixed income. Although we don't foresee an immediate surge in rates, we are confident that the period of declining rates is ending as economies recover. Consequently, we are becoming more focused on floating rate income as an alternative.

While we remain optimistic for 2021 and beyond, we are well aware of possible corrections along the way. It is very difficult to time these so we expect to stay invested as long as the fundamentals remain intact. The main concerns that could affect our positive outlook include an unforeseen geopolitical event, natural disaster, health of the President and Vice President, and other black swan factors we cannot predict. As always, we will closely monitor interest rate spreads, earnings and multiples, Congressional legislation, currency fluctuations, and other indicators, making adjustments in portfolios as needed. Equity markets are at or near all time highs yet we are not selling just because of the rapid rise in stock prices. We remain focused on the fundamentals and believe we are still early in what we think could be a second coming of the "roaring twenties".

Investment products and services are offered through Wells Fargo Advisors Financial Network, LLC (WFAFN), Member SIPC.
HLM Capital Management is a separate entity from WFAFN. CAR-0623-04191

HLM Capital Management Group
1849 Green Bay Road
Suite 200
Highland Park, IL 60035
847 563-3400 phone
800 247-1541 toll-free
847 563-3420 fax
www.hlmcapital.com

Charlie Margolis, Ben Leshem, Steve Hefter, Micah Nathan
Partners

CAPITAL MANAGEMENT GROUP

Disclosures

This report has been prepared for informational purposes only, is subject to change without notice, is not all encompassing and is not a solicitation or an offer to buy any security or instrument or to participate in any planning or trading strategy. Wells Fargo Advisors Financial Network did not assist in the preparation of this report. The opinions expressed in this report are those of the author(s) and are not necessarily those of Wells Fargo Advisors Financial Network or its affiliates. Statistical information has been obtained from sources believed to bereliable, but its accuracy and completeness are not guaranteed. All investing involves some degree of risk, whether it is associated with market volatility, purchasing power or a specific security, including the possible loss of principal. Asset allocation and diversification are investment methods used to help manage risk. They do not guarantee investment returns or eliminate risk of loss including in a declining market. Past performance is not a guarantee of future results and there is no guarantee that any forward looking statements made in this report will be attained. Since each person's situation is different you should review your specific investment objectives, risk tolerance and liquidity needs with your financial professional before selecting a suitable planning, savings or investment strategy.

S&P 500 Index: The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the Index proportionate to its market value.

Stocks are subject to market risk which means their value may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. Investments in equity securities are generally more volatile than other types of securities. There is no guarantee that dividend-paying stocks will return more than the overall stock market. Dividends are not guaranteed and are subject to change or elimination.

Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility. Investing in emerging markets accentuates these risks.

Investments that are concentrated in a specific sector or industry may be subject to a higher degree of market risk than investments that are more diversified.

Investments in fixed-income securities are subject to market, interest rate, credit and other risks. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline in the bond's price. Credit risk is the risk that an issuer will default on payments of interest and/or principal. This risk is heightened in lower rated bonds. If sold prior to maturity, fixed income securities are subject to market risk. All fixed income investments may be worth less than their original cost upon redemption or maturity.

There are special risks associated with an investment in real estate, including credit risk, interest rate fluctuations and the impact of varied economic conditions.

Investment products and services are offered through Wells Fargo Advisors Financial Network, LLC (WFAFN), Member SIPC.
Hefter, Leshem, Margolis Capital Management Group is a separate entity from WFAFN. CAR-0623-04191

HLM Capital Management Group
1849 Green Bay Road
Suite 200
Highland Park, IL 60035
847 563-3400 phone
800 247-1541 toll-free
847 563-3420 fax
www.hlmcapital.com

Charlie Margolis, Ben Leshem, Steve Hefter, Micah Nathan
Partners