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By: Nancy B. Prial - Co - CEO & Senior Portfolio Manager

The S & P 500 capped off another strong performance year with a Q4 2021 gain of 10.7%, culminating in a one year return of 26.9%, a two year compound annual return of 21.5%, and a five year compound annual return of 16.3%. Despite the strong absolute showing for the S & P in Q4, the quarter was marked by an increased level of volatility and rotation as market participants assessed a wide range of worries and concerns. As we look forward to a new year in 2022, let's briefly review some of the major issues impacting investor sentiment in Q4 2021:

Omicron Variant Impact

- *Q1 2022 growth outlook*
- *Supply chain impact*
- *Employment impact*

Persistent Inflation

- *Increased wages*
- *Raw material price increases*
- *Future expectations for inflation changing behavior*

Fed Actions

- *Faster end to taper*
- *2022 rate increases*

Politics

- *Build Back Better bill outlook*
- *Mid-term elections*

Geo-politics

- *Russia*
- *China*
- *Afghanistan*
- *Oil prices*

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Despite this list of worries, however, the market remains strong. Is the market crazy? De-lusional? Or, in fact, has the market recognized the inherent strength of the US economy and, perhaps identified the green shoots for, not only a solid economic outlook, but for better potential GDP growth going forward than we have seen in many years. The CBO projects that potential real GDP growth will slow from the 2.1% expected in 2022 to 1.7% by 2031. However, there is building evidence that CBO expectations are overly conservative on the following elements which would lead to overall growth potential being meaningfully greater than is currently discounted by the market.

Labor force participation rate increases back to 63%

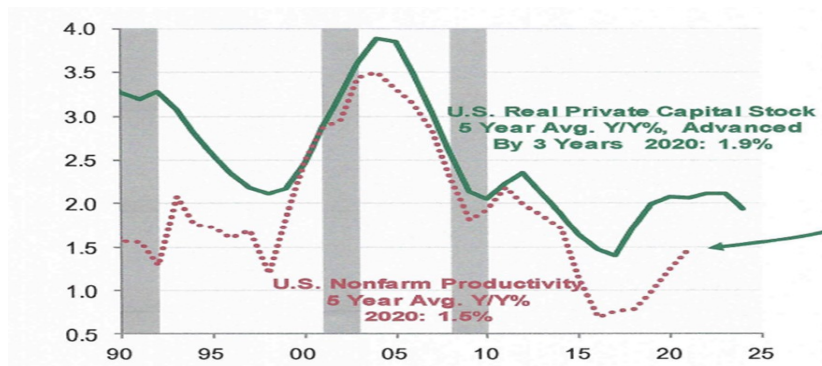
Civilian labor force participation rate, seasonally adjusted

Click and drag within the chart to zoom in on time periods



Hover over chart to view data.
 Note: Shaded area represents recession, as determined by the National Bureau of Economic Research.
 Persons whose ethnicity is identified as Hispanic or Latino may be of any race.
 Source: U.S. Bureau of Labor Statistics.

Productivity growth will increase as capital spending continues to reaccelerate



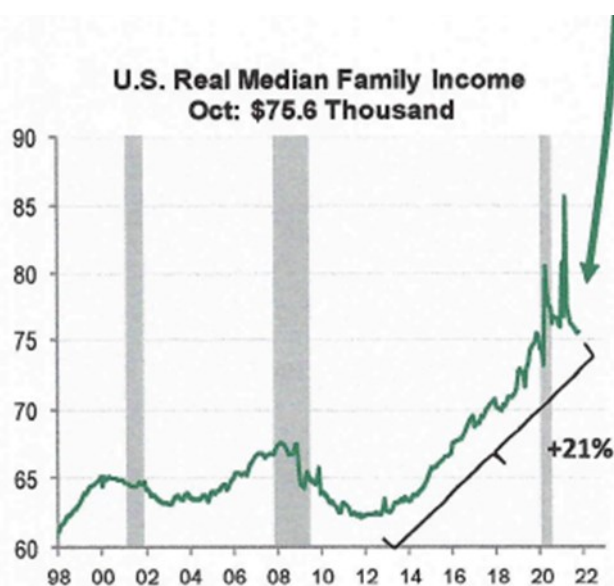
Source: Cornerstone Macro; December 2021

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The combination of these two positive forces could lead to potential **GDP growth of 2.5-3.0% consistently over the rest of the decade, similar to the growth in productivity and therefore economic growth that we last saw in the late 1990's. This scenario brings a number of positives that can continue to drive markets going forward**

- *Strong capital spending drives further employment gains*
- *Strong employment gains drive real wage increases*
- *Real wage increases boost consumer spending*



Source: Cornerstone Macro; December 2021

All of which can lead to a virtuous cycle of better than expected growth leading to better than expected profits.

At Essex, we remain optimistic that our focus on the early identification of growth, combined with our discipline to not overpay for that growth, provides us with the best opportunities to benefit from this virtuous cycle. We see many dynamic growth opportunities presenting themselves for your portfolios over the next several years from sustainable energy development, the continued growth of electric vehicles, new advances in genomic analyses, treatments and diagnostic improvements for cancers, the development of the metaverse, to new entrants in fintech, to name just a few. Markets climb a wall of worry and tend to go up over time and we see no reason that this time is different.

**ESSEX INVESTMENT
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Essex Strategies

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Micro Cap, Small Cap and SMID Cap Equity Growth Strategies are managed by our all-women investment team based in Evanston, Illinois, which is focused exclusively on long-only growth equity strategies and has worked together for more than 15 years. The team manages three equity strategies that each share a common investment philosophy and process:

Micro Cap Growth Strategy: We look for under-followed, under-owned, under-appreciated companies & industries in early stages of acceleration.

Small Cap Growth Strategy: The strategy focuses on identifying companies in an inefficient sector of the market at an inflection point where their growth rate is improving.

Small/Mid (SMID) Cap Growth Strategy: Our approach is to execute a systematic, fundamental process to find companies whose future growth prospects are not fully reflected in the price of the stock.

Essex Research Strategy is managed by a team of investment professionals seeking growth equity opportunities across an all-cap universe. By employing fundamental top down economic and sector analysis with bottom-up stock picking skills, the strategy provides the investment team a wide framework in which to identify growth candidates regardless of market capitalization restraint. Individual client portfolios are offered in two risk profiles: aggressive growth or growth and income.

Essex Global Environmental Opportunities Strategy (GEOS) is a thematic, all-cap global stock strategy that invests in clean technology and clean energy companies that help solve the world's environmental problems. The Strategy is focused on nine environmental technology themes and invests with a long investment horizon, typically holding about 40 companies. GEOS is clean technology and energy infrastructure-focused, with companies that exhibit generally high growth rates. **This strategy is available as both a separate account and mutual fund.**

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Essex Performance Fund is an ultra-aggressive equity strategy which primarily aims to uncover small and mid-sized companies that exhibit the potential for meaningful growth over time. Seeks to maximize returns by utilizing both fundamental and technical analysis with an emphasis on thematic investing and tactical market positioning. The strategy will use leverage to enhance returns.

Essex Evolution Long/Short strategy is a hedged equity strategy that aims to provide competitive risk-adjusted returns by utilizing both fundamental and technical analysis with an emphasis on thematic investing and tactical market positioning. Specifically, we aim to understand key themes within dynamic sectors to capture the growth in those trends and utilize short positions to both hedge portfolio risk and exploit specific mispriced stock opportunities. The fund generally has an equity exposure less than that of the overall market.

Please refer to our firm's website at www.essexinvest.com for more information about Essex, the strategies we manage and important disclosures.