A View
FROM THE TOWER

The final quarter of 2021 was a bit of a rollercoaster for both the stock and bond markets. Equities rebounded nicely in October after a slight setback in September, had another dip in November and somewhat of a bumpy ride during the first half of December before staging a "Santa Claus" rally into year-end, with the ultimate result being the best quarter of the year. For the S&P 500, 2021 saw seventy record highs, second only to the seventy-seven in 1995. Even with a gawdy total return of 28.7%, it was "only" the index's twenty-first best year since 1926.

Although bond prices and corresponding yields varied materially at times throughout the quarter, point-to-point they ended up relatively close to where they started. However, on a year-over-year basis, interest rates staged a significant move to the upside, although the spread between two-year and ten-year bonds (aka, the yield curve) ended roughly where it started.

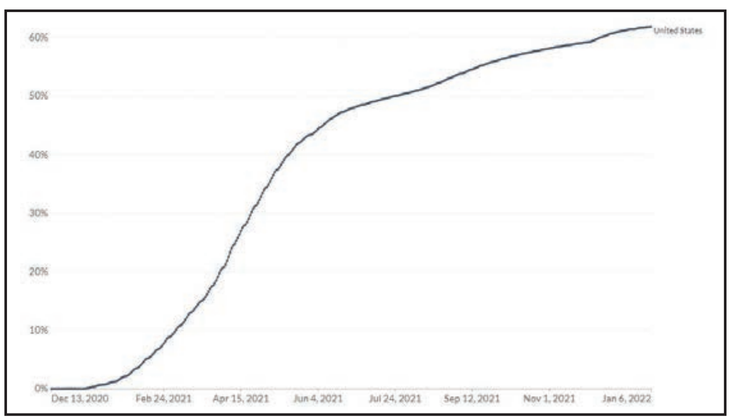
Even though it seems like a bit of a broken record at this point, a primary storyline remained focused on COVID-19, albeit with Omicron supplanting the Delta variant on both the health and financial fronts. That being said, during the quarter, the following were some key coronavirus specific related items:

- Access to vaccines continued to remain robust as the U.S. vaccination rate increased to 62% of the total population and children from ages five to eleven were allowed to participate as well. Additionally, approximately 21% received booster shots. On the global front, nine billion doses have now been administered and recently Israel interestingly announced the rollout of a fourth dose for people ages 60 and over, medical workers and those with suppressed immunities. Overall, approximately 59% of the world's population has received at least one dose; 50% has been fully vaccinated; and 7% has received a booster.

- The U.S. Food and Drug Administration (FDA) approved two COVID-19 treatment pills seen as promising oral methods to be taken upon the onset of symptoms at home to help prevent hospitalizations and potential mortalities.

- Although the Omicron variant transmission level was seen to surpass that of its predecessors, the symptoms have seemed to be milder and of a shorter duration with a lower level of hospitalizations. In its original epicenter of Africa at least, the Omicron wave appears to have subsided as quickly as it grew. It is yet to be seen how this will play out in other regions of the globe, and in the U.S. in particular.

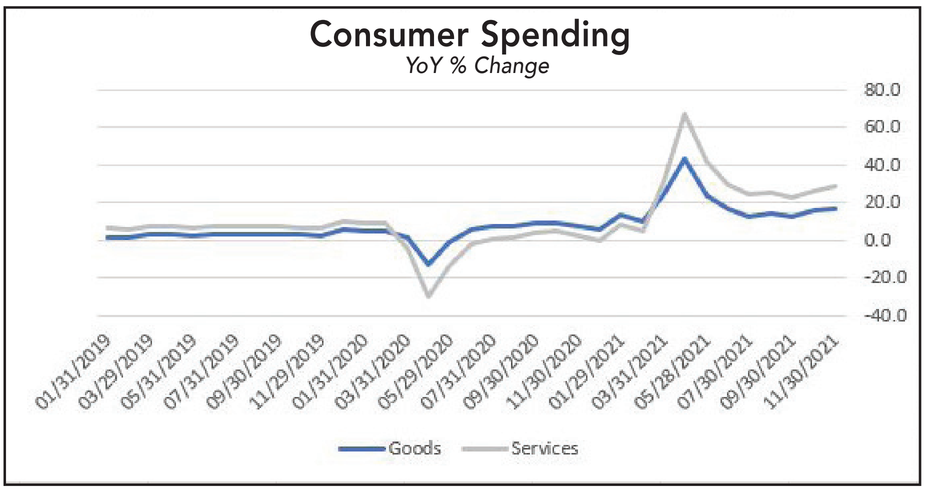
US Vaccination Rate
(% of population fully Vaccinated)



Source: Our World in Data

- From a governmental perspective, President Biden stated that reinstatement of lockdowns would not be in the offing; 500 million free COVID at-home tests would be distributed; and federal medical personnel would be deployed to hospitals that might become overburdened. Additionally, the Centers for Disease Control and Prevention (CDC) announced an update in policy reducing in some situations its recommended isolation and quarantine guidelines as the transmission of Omicron seems to predominantly occur early in the course of the illness: generally one to two days prior to the onset of symptoms and two to three days after.

- The economic aspects of COVID-19 also continued to be front and center. Consumers, overall in strong financial positions with considerable cash cushions, are now chasing too few goods as a result of some of the supply chain issues exacerbated by lockdowns of global factories, transportation hurdles and a continued shortage in labor. Even with this dynamic, 2021 holiday sales rose a robust 8.5% versus 2020. Speaking of labor, Omicron in particular has produced some short-term stresses in adequately providing needed levels of personnel in multiple sectors, including the highly publicized issues in the airline industry during the holidays. It should be noted that the imbalance between the demand and supply of labor has been an ongoing dynamic. While demand for labor from a statistical viewpoint seems very elevated, possibly even at record highs, the participation rate continues to be depressed for both pandemic-specific and longer run demographic reasons, including a spike in retirements, as the domestic unemployment rate dipped to 3.9%.

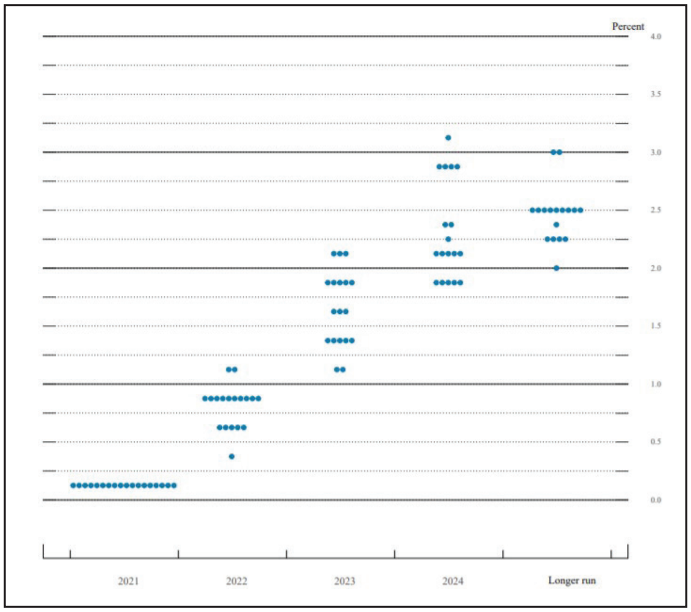


Source: FactSet

On the overall economic front, we moved past some of the areas of concern we had coming in to the fourth quarter, including debt ceiling issues; the risk of higher taxes, which at least for the time being have mostly dissipated; and the Chinese real estate market. However, others, such as supply chain disruptions, inflation (no longer considered transitory) and higher interest rates continue to be on the radar. Even with the Federal Reserve's widely anticipated reduction in monthly bond purchases (i.e., tapering) by $30B, and with the prospect for up to three rate hikes on the 2022 horizon, financial conditions still seem to be relatively accommodative with ample liquidity to potentially produce elevated profit margins and strong corporate profits. The Atlanta Federal Reserve is projecting a robust fourth quarter GDP level exceeding 7.5%. One "wild card" going forward however could be a somewhat more "hawkish" Fed as re-nominated Chairman Powell, along with the likely candidates for open Governor positions, could result in a shift in this direction.

In the public sector, despite many leaders crying poverty in 2020, state and local operating budgets are in their best fiscal condition in several decades and are experiencing their second consecutive year of surpluses in

FOMC Participants' Assessments of Appropriate Monetary Policy:
Midpoint of Target Range or Target Level for the Federal Funds Rate:



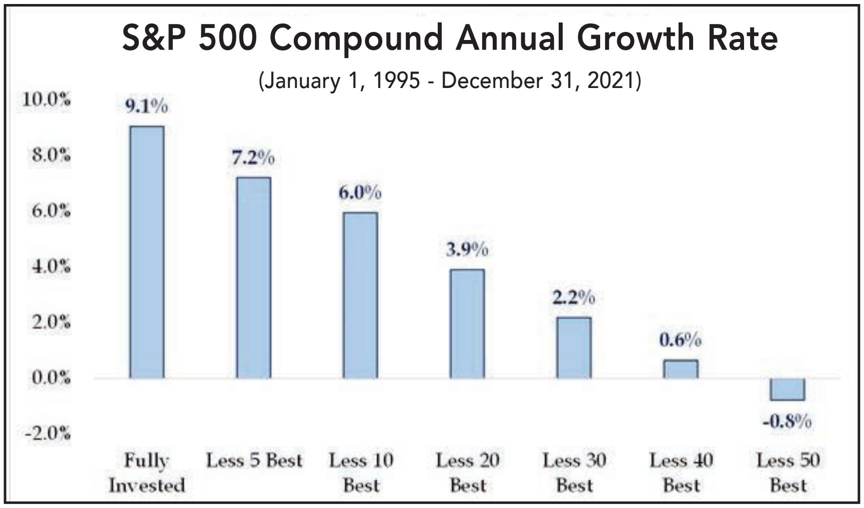
Source: Federal Reserve

light of strong GDP growth and the federal government's decision to pay for everything COVID related. In some locations, taxes on such items as gasoline and groceries are being reduced or even eliminated in regard to the latter.

In our nation's capital, which always seems to have a multitude of intriguing storylines, including theatrics concerning the debt ceiling, the Build Back Better (BBB) legislation was front and center, pivoting around West Virginia Senator Joe Manchin in particular. In mid-December the Senator announced he would not support BBB due to resulting, projected debt levels, inflation, speed of climate change initiatives, etc. While it is rare for one Senator from a sitting President's own party to kill a priority policy of that President, historically, legislation of this magnitude sometimes needs to fail before it succeeds. For example, Obamacare "died" three times before it ultimately passed. The proverbial jury is still certainly out on this, but the end result could be the passage of a bill with a select number of programs in place for an extended period (ten years for example) and presumably fully paid for, versus a large number of initiatives in place for one, three or five years.

As we look to 2022, there are many prognosticators that seem to convey that they have a perfectly clear view of the future. While past performance is no guarantee of future results, history would tend to tell a different story, one where the race is usually won by the investor focused on the long-term versus those chasing the illusion of "timing". Missing just a handful of market "best days" could result in a materially lower long-term, realized return. One thing to keep in mind as we enter the new year is that mid-term election years tend to be the most volatile within the four-year cycle and include many relatively sharp stock market sell-offs accompanied by very strong rebounds. This is not presented to alarm, (As legendary journalist Eric Severeid said in 1964, "The biggest big business in America is not steel, autos, or television. It is the manufacture, refinement and distribution of anxiety.") but rather to be aware and anticipate without incurring a potential short-term knee jerk, "swinging at a pitch in the dirt" reaction as the S&P 500 has not declined in the twelve months following a mid-term election since 1946.

After over twenty-one months at this point, we are still on a trek toward "normalcy", even with a variety of ongoing trials and tribulations. The progress has certainly been substantial, if not astounding in many regards; a true



Source: Strategas

testament to the ability of people to adjust and evolve, along with come up with seemingly incredible solutions. As the old proverb (dating back to as early as the mid-sixth century) goes, "necessity is the mother of invention". All of us at Country Club Trust Company, along with the entire Country Club organization, continue to hope that you and your families are well. Please be assured that we continue to work diligently on your behalf, remaining fully capable to provide the level of service you have come to expect and deserve. As always, we are ready and more than willing to be of assistance in any way we can. Should you have any questions, we are always here for you.

Thank you!

Happy New Year!

Take care!