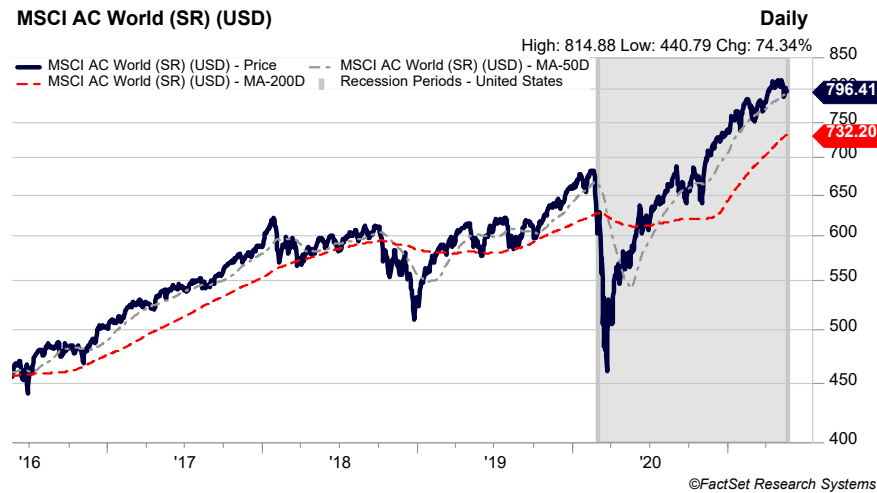


Observation Deck

Views from the Investment Policy Committee



2nd Quarter 2021

Purpose

- The Observation Deck is a series of pictures designed to communicate points of view and to stimulate discussion and debate, it is NOT a set of recommendations
- Our commentary is not the result of any single data point or graphic, it is a reflection of the weekly conversations within the Investment Policy Committee and a set of perspectives that are derived from many observations accumulated over varying time frames
- Slides that are included in the Observation Deck are a subset of the scores of data points and graphics that the Investment Policy Committee views each week in assessing the status of the business cycle and the health of financial markets
- We hope that you enjoy the Observation Deck and recognize that the views and opinions expressed are capturing a moment in time and are subject to change without notice



FT 300 Ranking July 2020

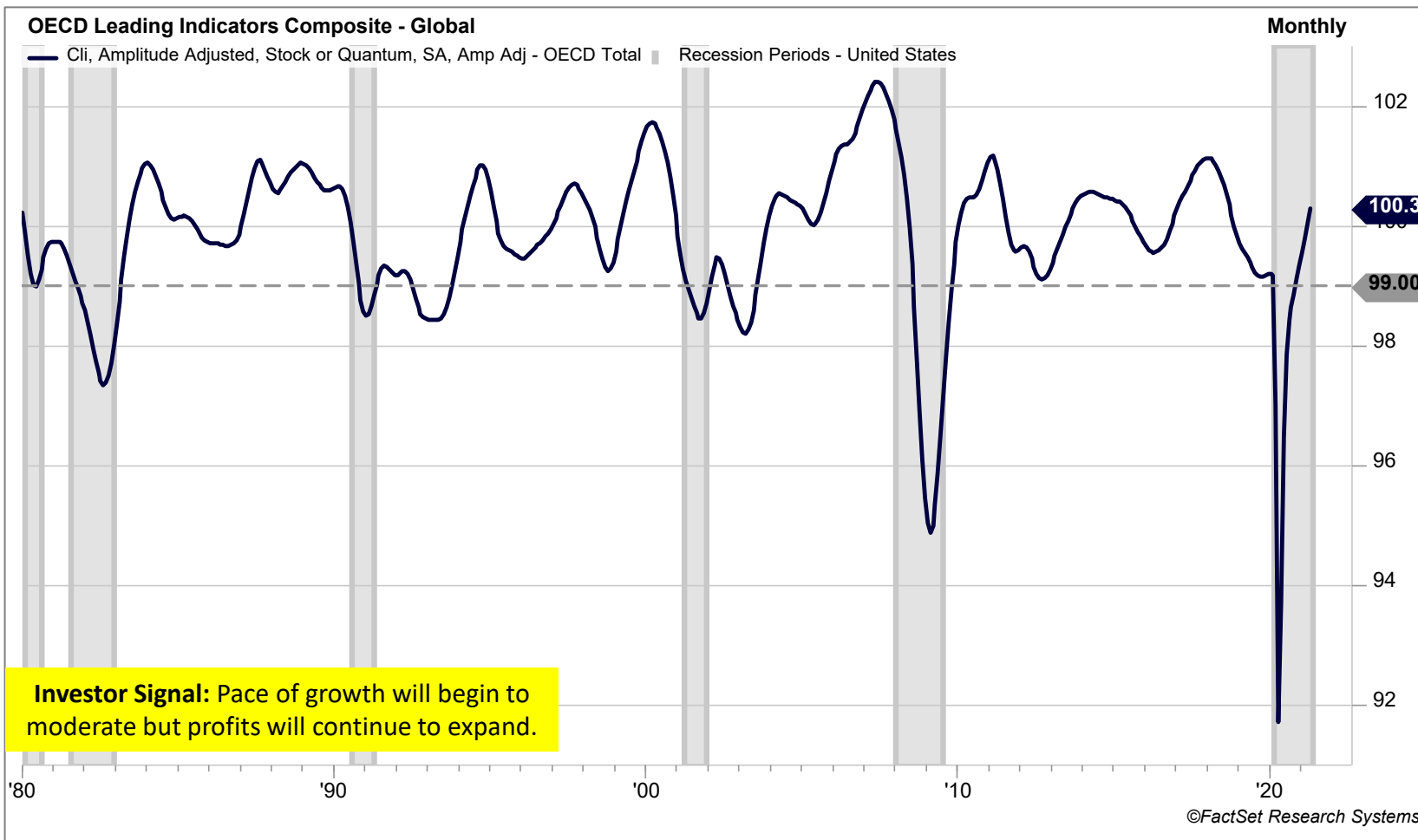
Tactical Investment Positioning

2nd Quarter 2021

Strength of Conviction	Chg	Negative	Neutral	Positive	Rationale
Business Cycle	→				Economy set for rapid acceleration with vaccine rollout, re-opening of service sector, rising employment and penetration of fiscal stimulus.
Financial Conditions					Central Bank monetary support remains extremely robust. Fiscal policy spending penetrating economy with discussion for more.
Relative Preference	Chg	Neutral			Rationale
Asset Class		Bonds		Stocks	Stock valuations appear high, but profit growth is accelerating as economy expands. Yields rising means higher returns for bonds.
Economic Sensitivity		Defensive		Cyclical	Economic expansion to accelerate profit growth for cyclical sectors of the market. Value slightly more attractive than Growth.
Credit Quality		Sovereign		Credit	IG credit spreads remain very narrow but supported by improving economic conditions. HY not offering enough compensation.
Duration Profile		Short Maturity		Long Maturity	Rising yields and steepening curve becoming more attractive to lengthen duration profile moderately but remain short.
Commodities		Below Weight		Above Weight	Rising production and consumption of goods, plus fiscal programs for infrastructure and "Green", increase demand for commodities.
Cash	←	Below Weight		Above Weight	Rates likely to remain near zero for long-term with cash losing value to inflation that is rising in the near-term.

This document is for informational purposes only. It contains views of the Investment Policy Committee (IPC) of Vigilant Capital Management, LLC (Firm) and does not serve as advice or recommendation. The views and opinions expressed in this document are subject to change at any moment and without notice.

- The OECD Composite Leading Indicator is designed to provide early signals of turning points in the business cycle. Covering 32 countries, the CLI is constructed from a large set of economic indicator series that have similar cyclical fluctuations to those of the business cycle. It focuses on early stages of production, rapid changes in economic activity, and sensitivities around future expectations and policy stance.
- Observers of the OECD Composite Leading Indicator tend to rely on a reading of 99.0 as the demarcation between economic expansion and economic contraction.

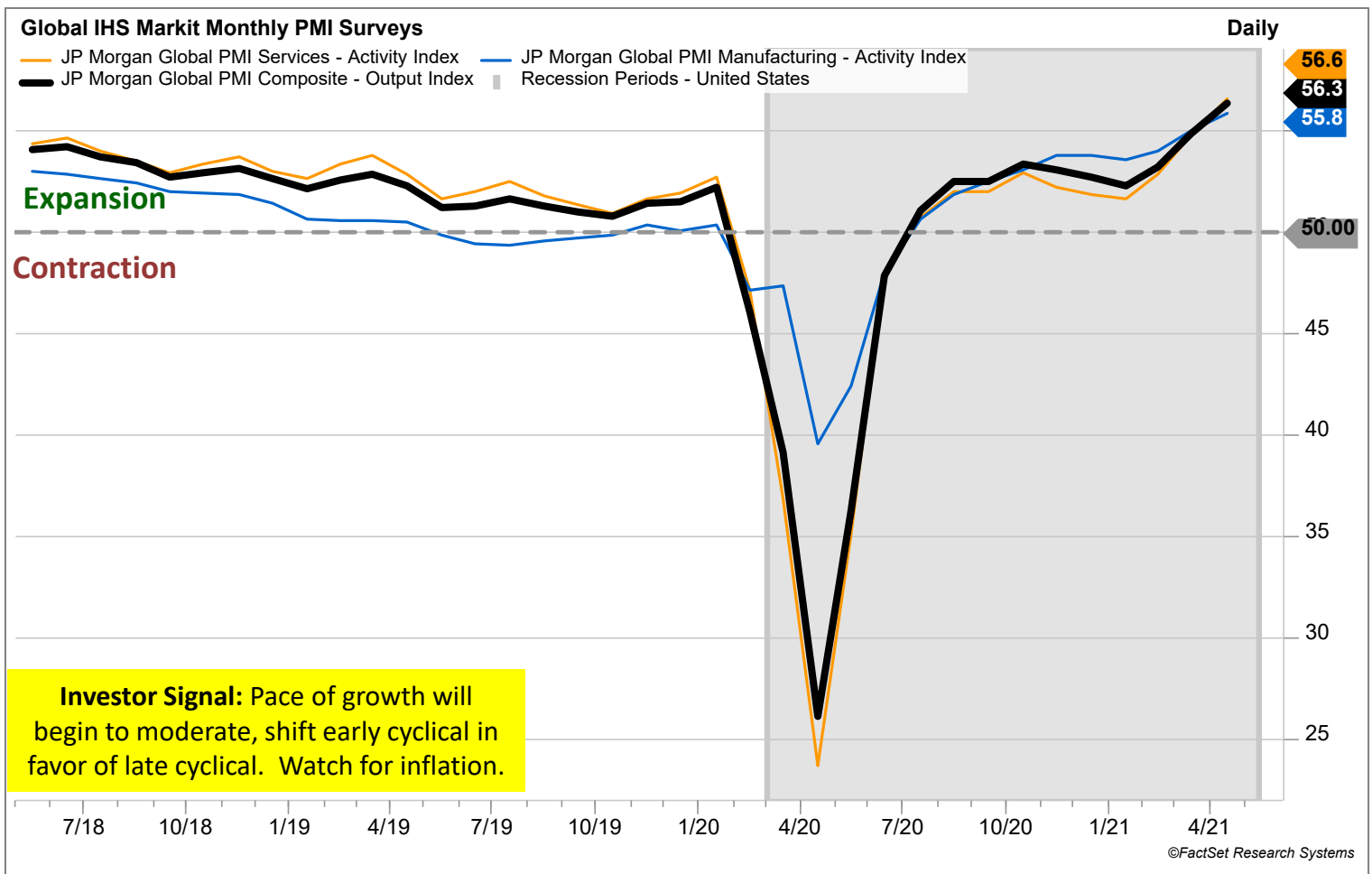


Date	OECD
Apr-21	100.3
Mar-21	100.0
Feb-21	99.8
Jan-21	99.6
Dec-20	99.3
Nov-20	99.1
Oct-20	98.9
Sep-20	98.6
Aug-20	98.4
Jul-20	97.9
Jun-20	96.5
May-20	93.7
Apr-20	91.7
Mar-20	97.0
Feb-20	99.2
Jan-20	99.2
Dec-19	99.2
Nov-19	99.2
Oct-19	99.2
Sep-19	99.2
Aug-19	99.2
Jul-19	99.2
Jun-19	99.3
May-19	99.4
Apr-19	99.5

- The Heat Map is conditionally formatted using the month-end data points in a rolling 20Y time series.

Observation #1 – Global Growth

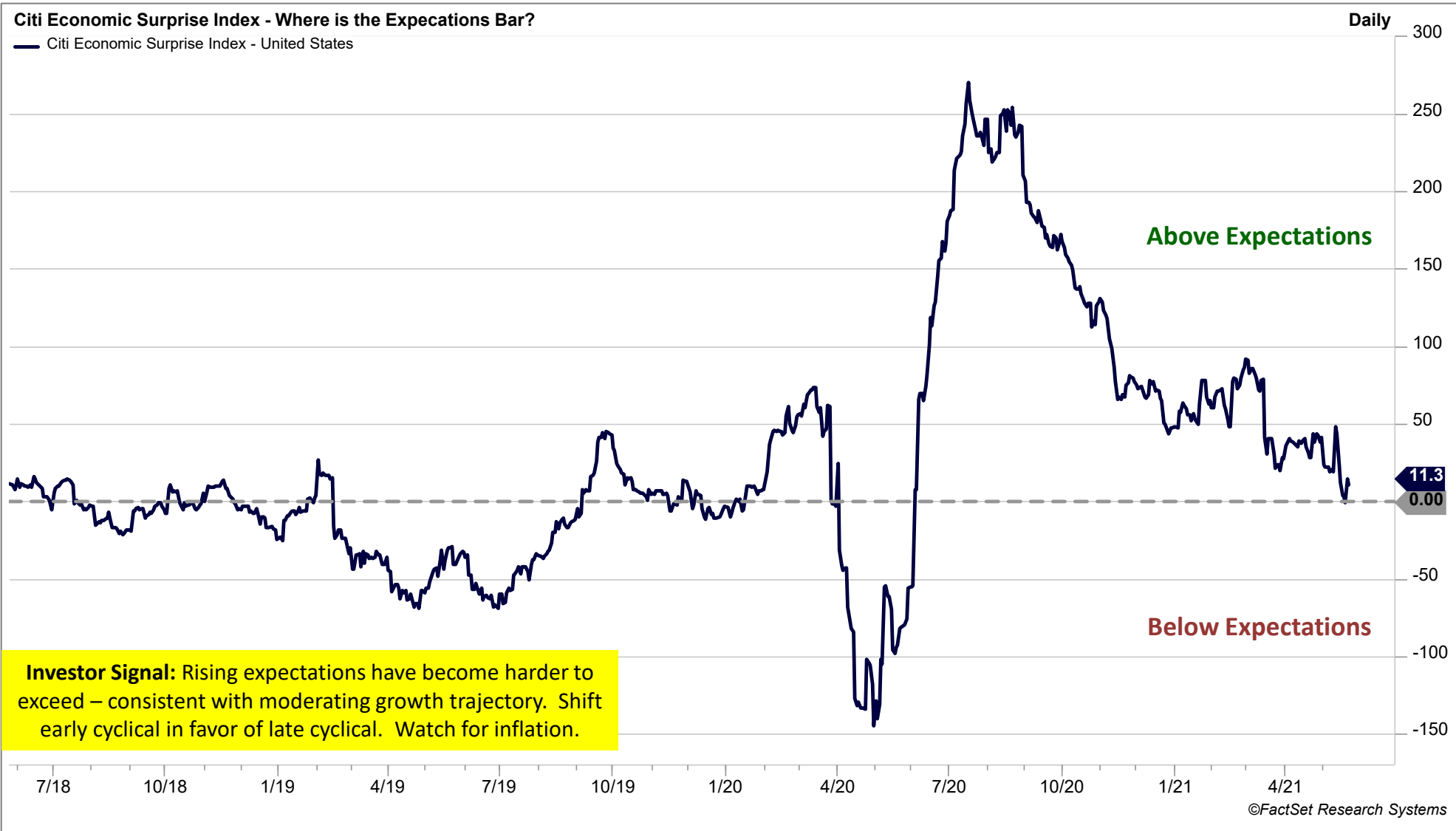
- The IHS Purchasing Managers' Index Series are monthly economic surveys that provide an advance signal of what is happening in the real economy. They track activity variables such as output, new orders, supply times, employment and prices across key sectors.
- The Series cover 30 countries and 86% of global GDP. The PMI is a diffusion index with values above 50 signaling expansion and below 50 indicating contraction. The further from 50 the faster the rate of change indicated.
- The Composite (black line) accommodates the activities within the Manufacturing (blue line) and Services (orange line) sectors.



Date	Mfg	Srv
Apr-21	55.8	56.6
Mar-21	55.0	54.7
Feb-21	53.9	52.8
Jan-21	53.6	51.6
Dec-20	53.8	51.8
Nov-20	53.8	52.2
Oct-20	53.1	52.9
Sep-20	52.4	52.0
Aug-20	51.8	52.0
Jul-20	50.6	50.7
Jun-20	48.0	48.1
May-20	42.4	35.2
Apr-20	39.6	23.7
Mar-20	47.3	36.8
Feb-20	47.1	47.1
Jan-20	50.3	52.7
Dec-19	50.1	51.9
Nov-19	50.3	51.6
Oct-19	49.8	50.9
Sep-19	49.7	51.3
Aug-19	49.5	51.8
Jul-19	49.3	52.5
Jun-19	49.4	52.0
May-19	49.8	51.6
Apr-19	50.5	52.9

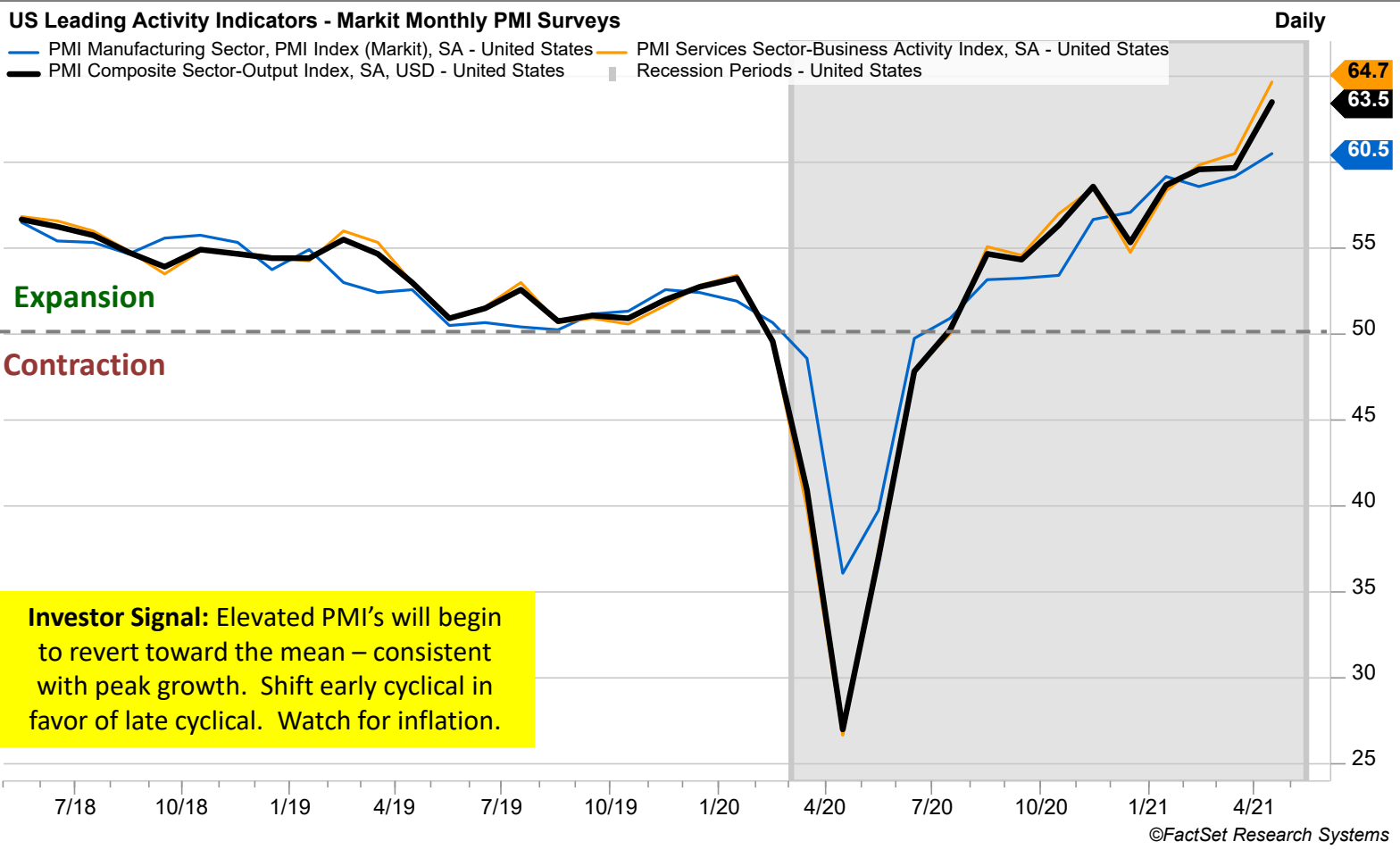
- The Heat Map is conditionally formatted using the month-end data points in a rolling 20Y time series.

- The Citigroup Economic Surprise Indices are objective and quantitative measures of economic news. They are defined as weighted historical standard deviations of data surprises (actual vs. Bloomberg median). A positive reading suggests releases are beating consensus.



Observation #2 – US Peak Growth

- The IHS Purchasing Managers Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing (light blue) and services (gold) sectors of the economy. The direction of the trend in the PMI tends to precede changes in the trends of major estimates of economic activity and output, such as GDP, industrial production and employment.
- The PMI is a diffusion index with values above 50 signaling expansion and below 50 indicating contraction. The further from 50 the faster the rate of change indicated.

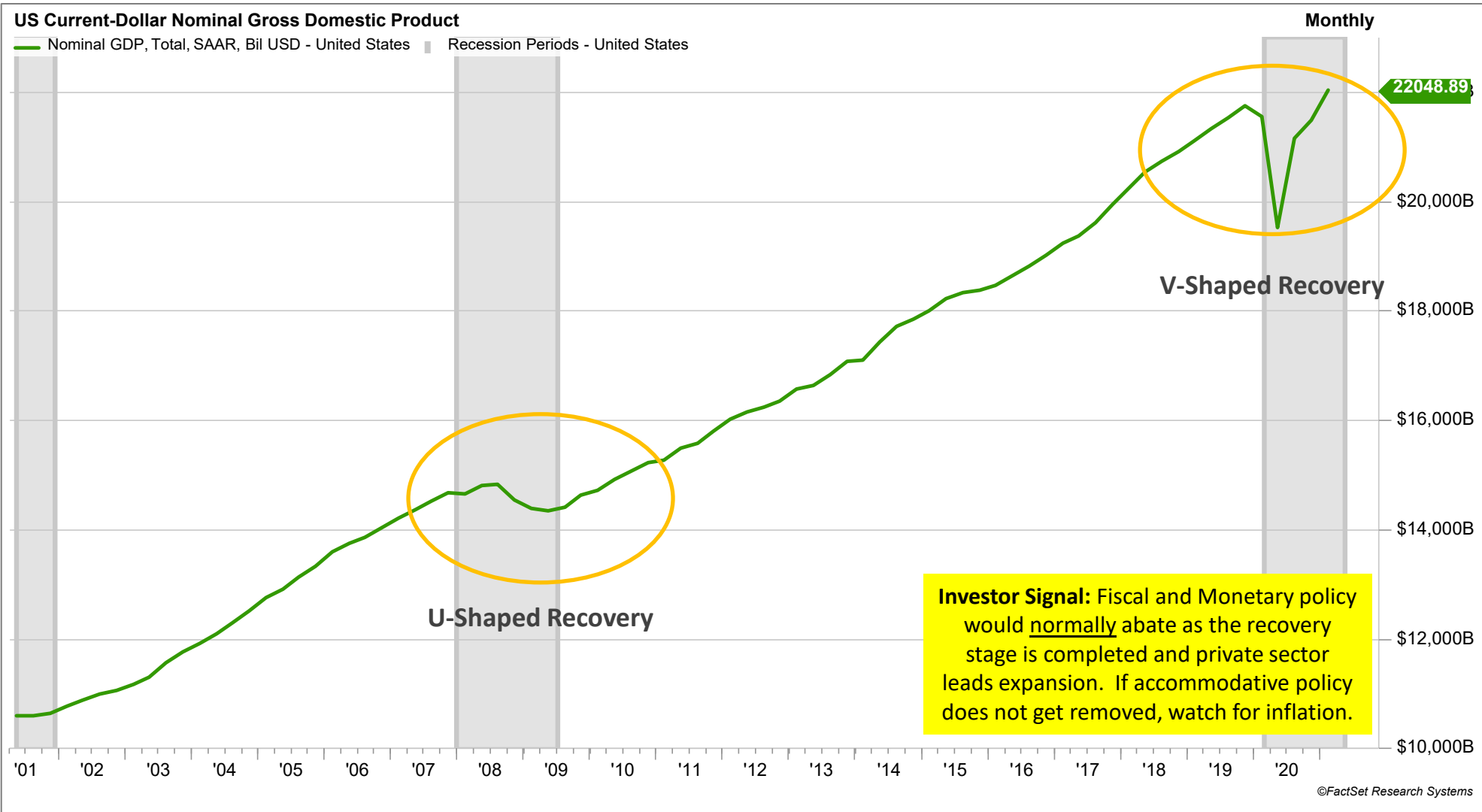


Date	Mfg	Srv
Apr-21	60.5	64.7
Mar-21	59.1	60.4
Feb-21	58.6	59.8
Jan-21	59.2	58.3
Dec-20	57.1	54.8
Nov-20	56.7	58.4
Oct-20	53.4	56.9
Sep-20	53.2	54.6
Aug-20	53.1	55.0
Jul-20	50.9	50.0
Jun-20	49.8	47.9
May-20	39.8	37.5
Apr-20	36.1	26.7
Mar-20	48.5	39.8
Feb-20	50.7	49.4
Jan-20	51.9	53.4
Dec-19	52.4	52.8
Nov-19	52.6	51.6
Oct-19	51.3	50.6
Sep-19	51.1	50.9
Aug-19	50.3	50.7
Jul-19	50.4	53.0
Jun-19	50.6	51.5
May-19	50.5	50.9
Apr-19	52.6	53.0

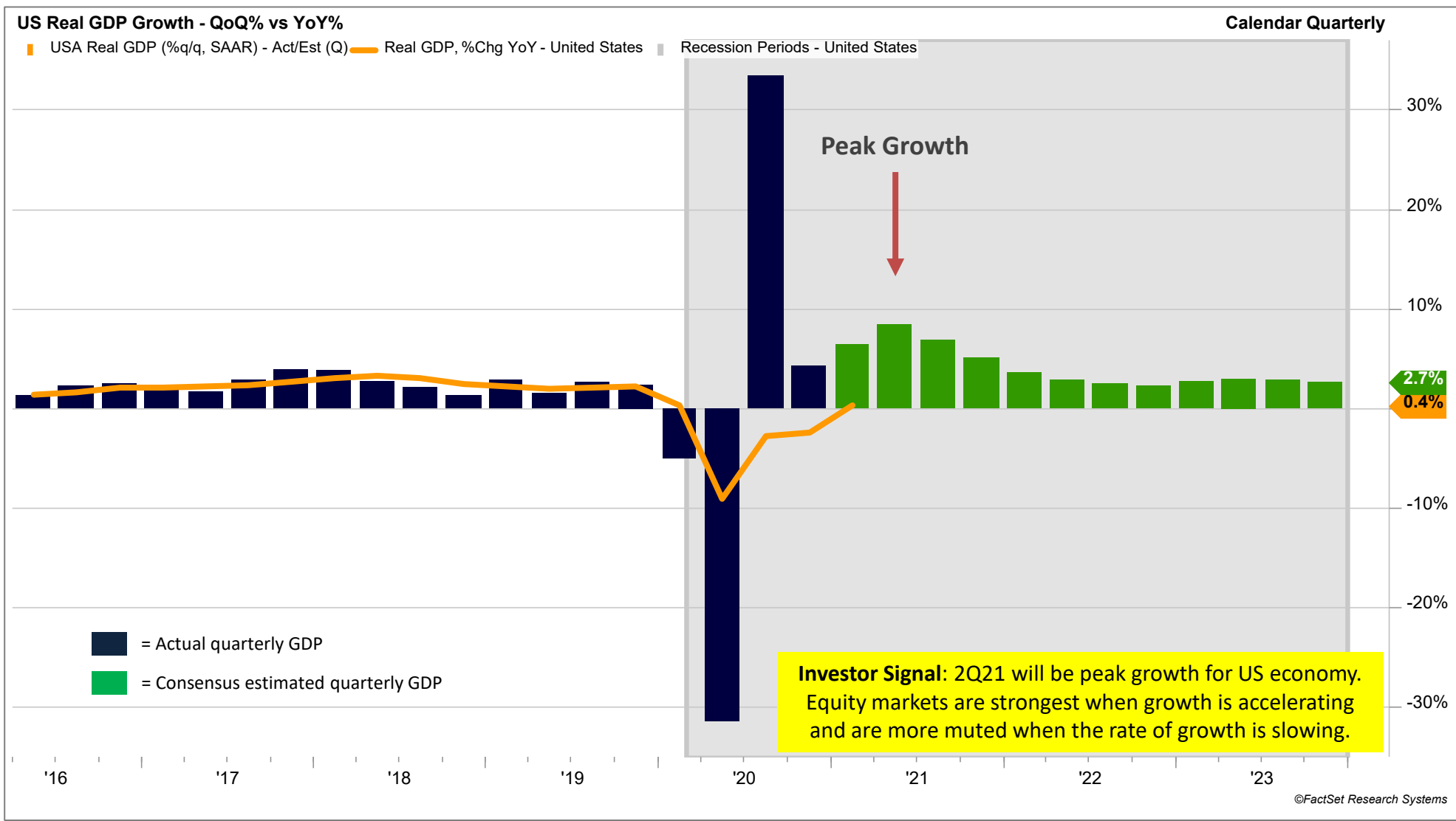
- The Heat Map is conditionally formatted using the month-end data points in a rolling 20Y time series.

Observation #3 – US GDP

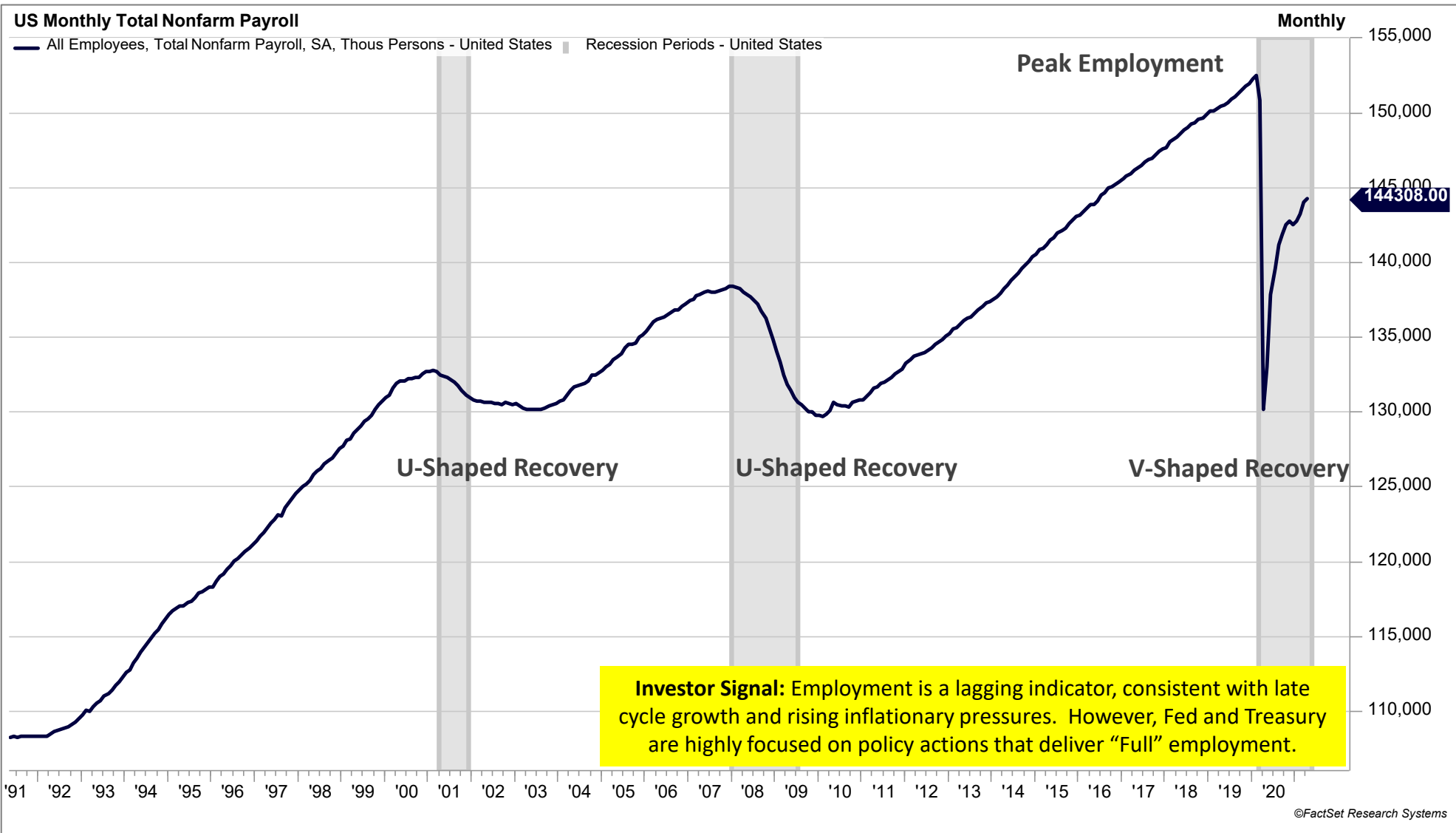
- The Bureau of Economic Analysis (BEA) releases three vintages of the current quarterly GDP reports. Gross Domestic Product (GDP) is the value of goods and services produced by the nation’s economy less the value of goods and services used up in production.
- Current-dollar estimates are valued in the prices of the period when the transactions occurred, that is at “market value” or “nominal price”.



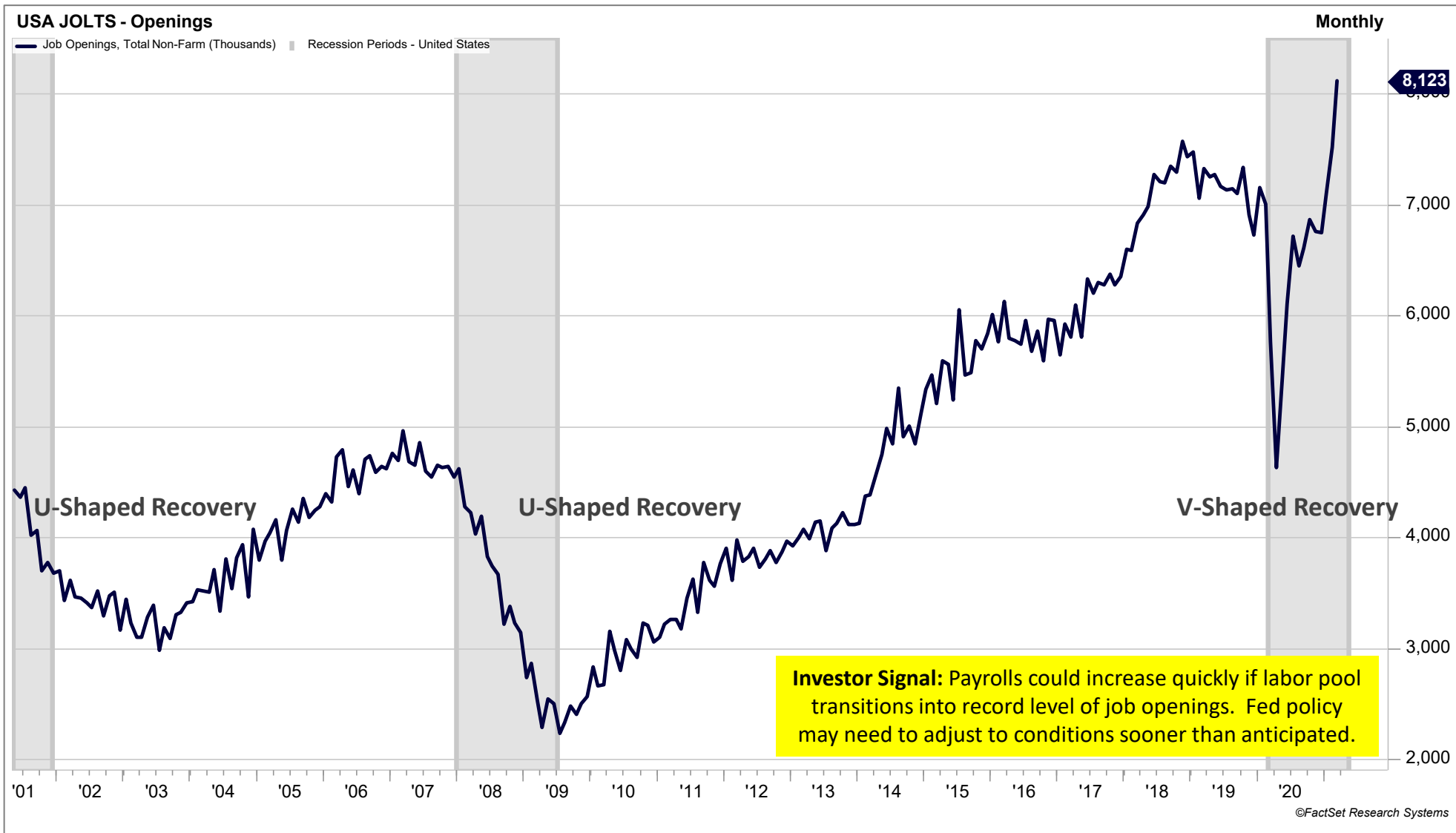
- Real Gross Domestic Product (GDP) is a macroeconomic statistic used to measure the value of goods and services produced by an economy in a specified period, adjusted for inflation. The Bureau of Economic Analysis (BEA) provides a quarterly report on GDP with headline data statistics representing annualized real GDP growth over the prior period. The report provides important detail on the components of GDP.



- The US economy remains roughly 8 million full-time jobs short of the nearly 153 million people in full-time jobs entering the pandemic. As vaccinations rise, restrictions are lifted and unemployment benefits recede, we anticipate significant payroll gains in the coming months.

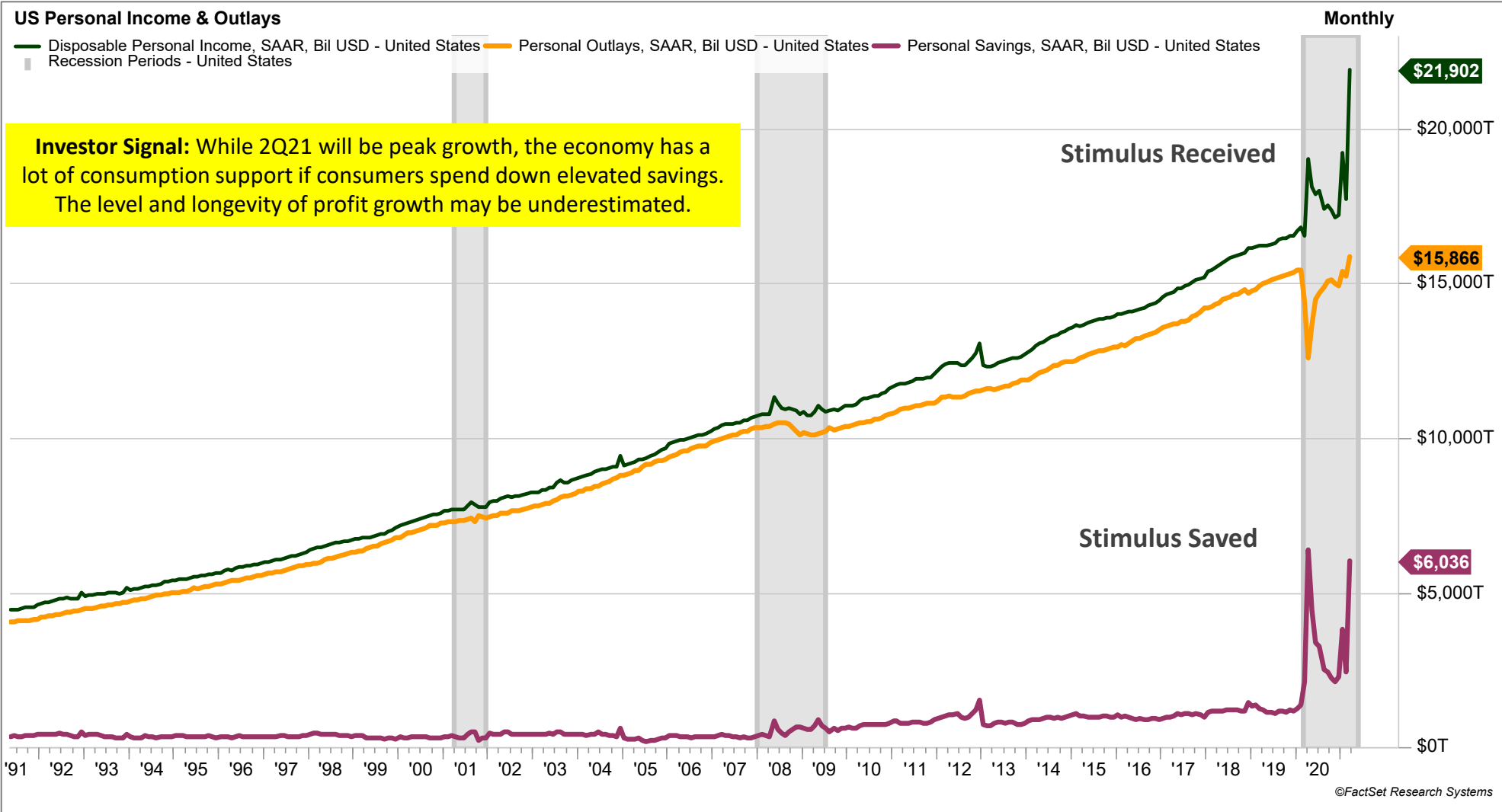


- The Job Openings and Labor Turnover Survey (JOLTS) is a survey conducted by the Bureau of Labor Statistics to measure job vacancies. Each month, the BLS surveys a wide variety of employers across geographies asking quantitative and qualitative questions about their businesses' employment trends, job openings, recruitment, hires, separations and layoffs.



Observation #5 – Consumer Propensity to Spend

- The Bureau of Economic Analysis (BEA) issues the Personal Income & Outlays report monthly, quarterly and annually.
- Disposable Personal Income (black line) is the total income received from all sources that is available for spending or savings after paying taxes.
- Personal Outlays (orange line) is the sum of personal consumption expenditures on goods and services, including interest payments.
- The difference between Income and Outlays is Personal Savings (purple line).

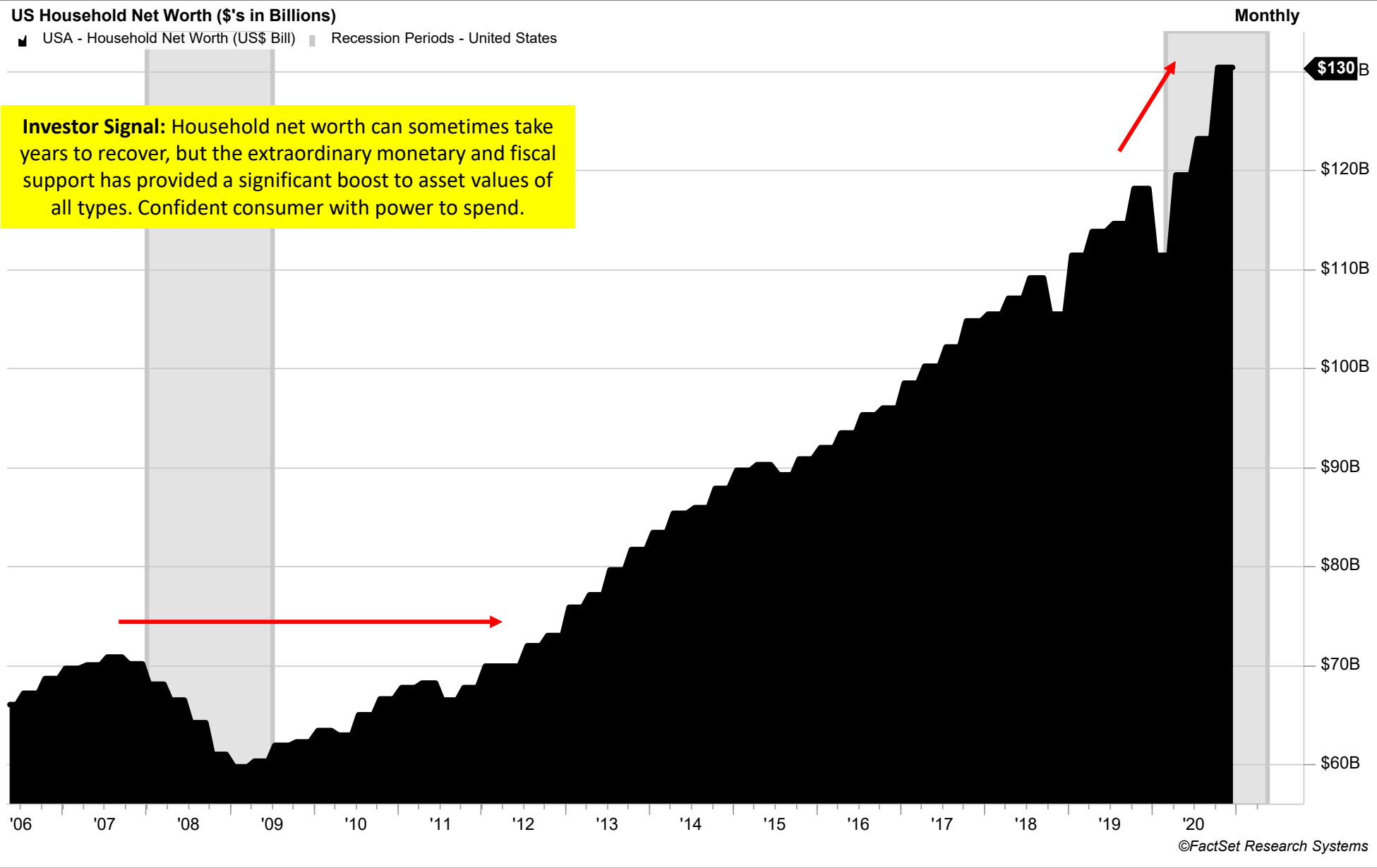


Observation #5 – Consumer Propensity to Spend

US Household Net Worth (\$'s in Billions)

■ USA - Household Net Worth (US\$ Bill) ■ Recession Periods - United States

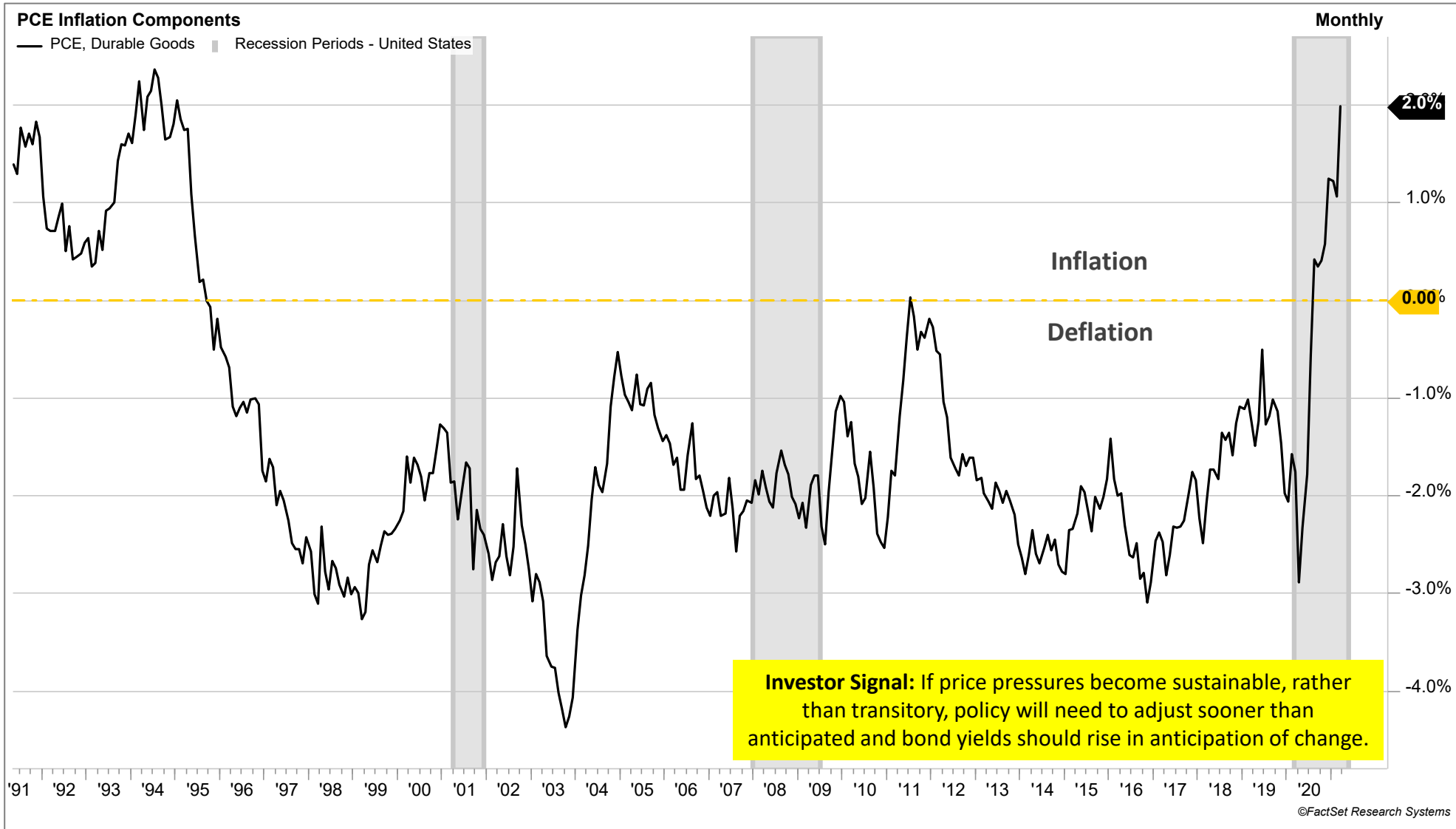
Investor Signal: Household net worth can sometimes take years to recover, but the extraordinary monetary and fiscal support has provided a significant boost to asset values of all types. Confident consumer with power to spend.



©FactSet Research Systems

Observation #6 – Not So Normal Inflation

- The PCE Price Index is released each month in the Bureau of Economic Analysis (BEA) Personal Income and Outlays report. The BEA uses the current dollar value of PCE's to measure the price inflation or deflation that occurs from one period to the next.
- In 2012, the PCE Price Index became the primary inflation index used by the Federal Reserve when making monetary policy decisions.



Observation #6 – Not So Normal Inflation

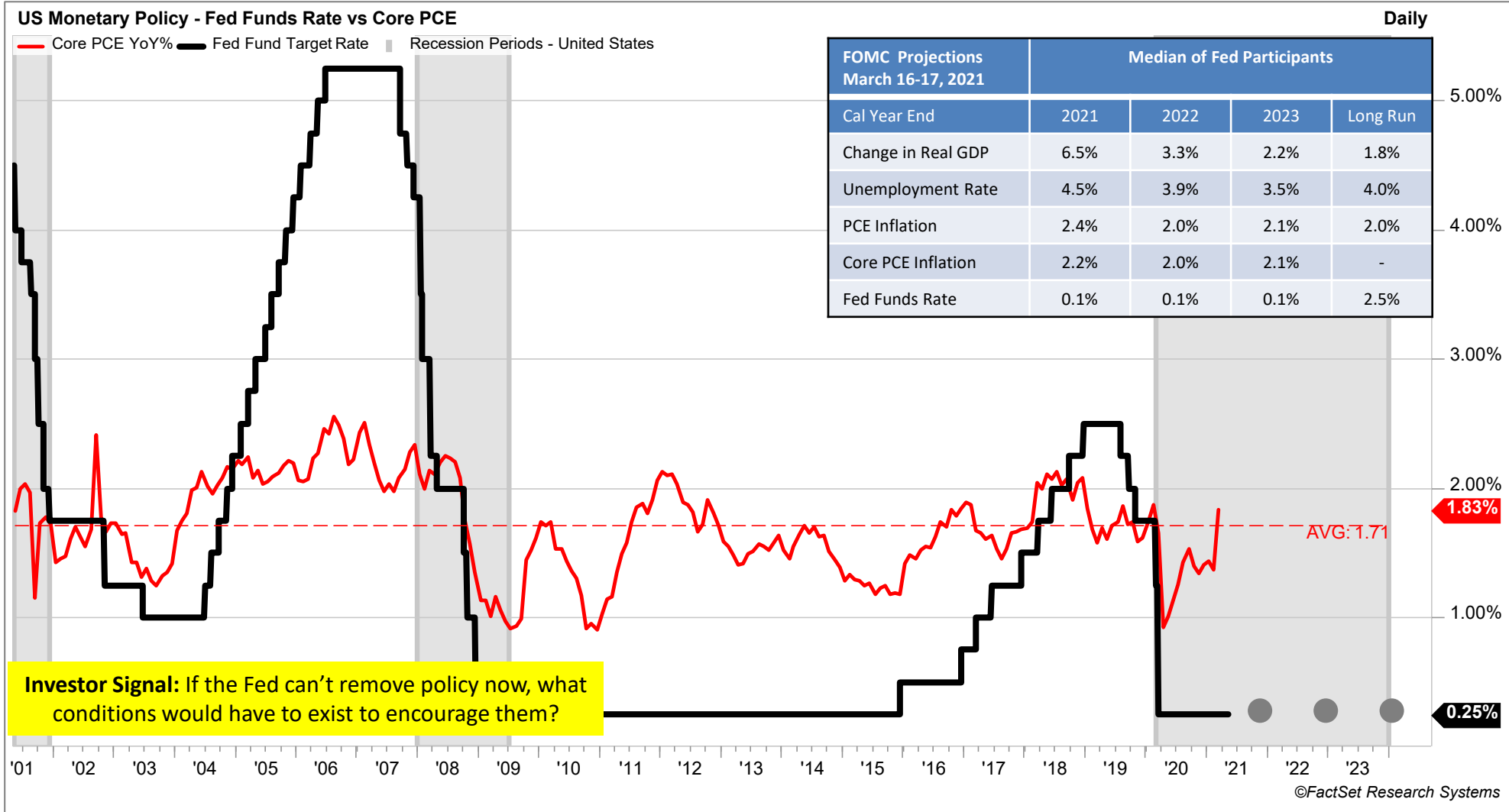
Lumber

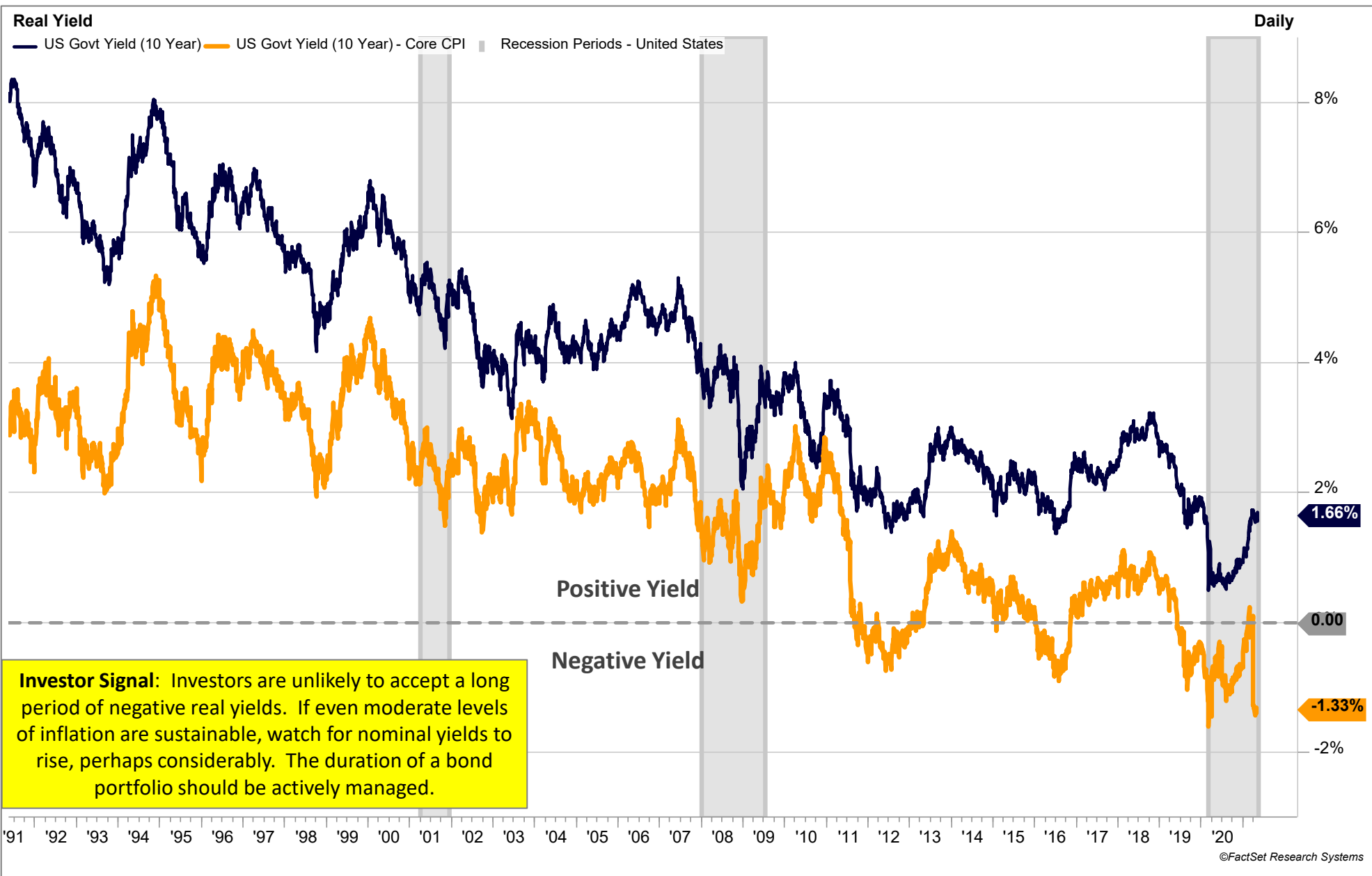
Lumber (CME \$/bft) Recession Periods - United States

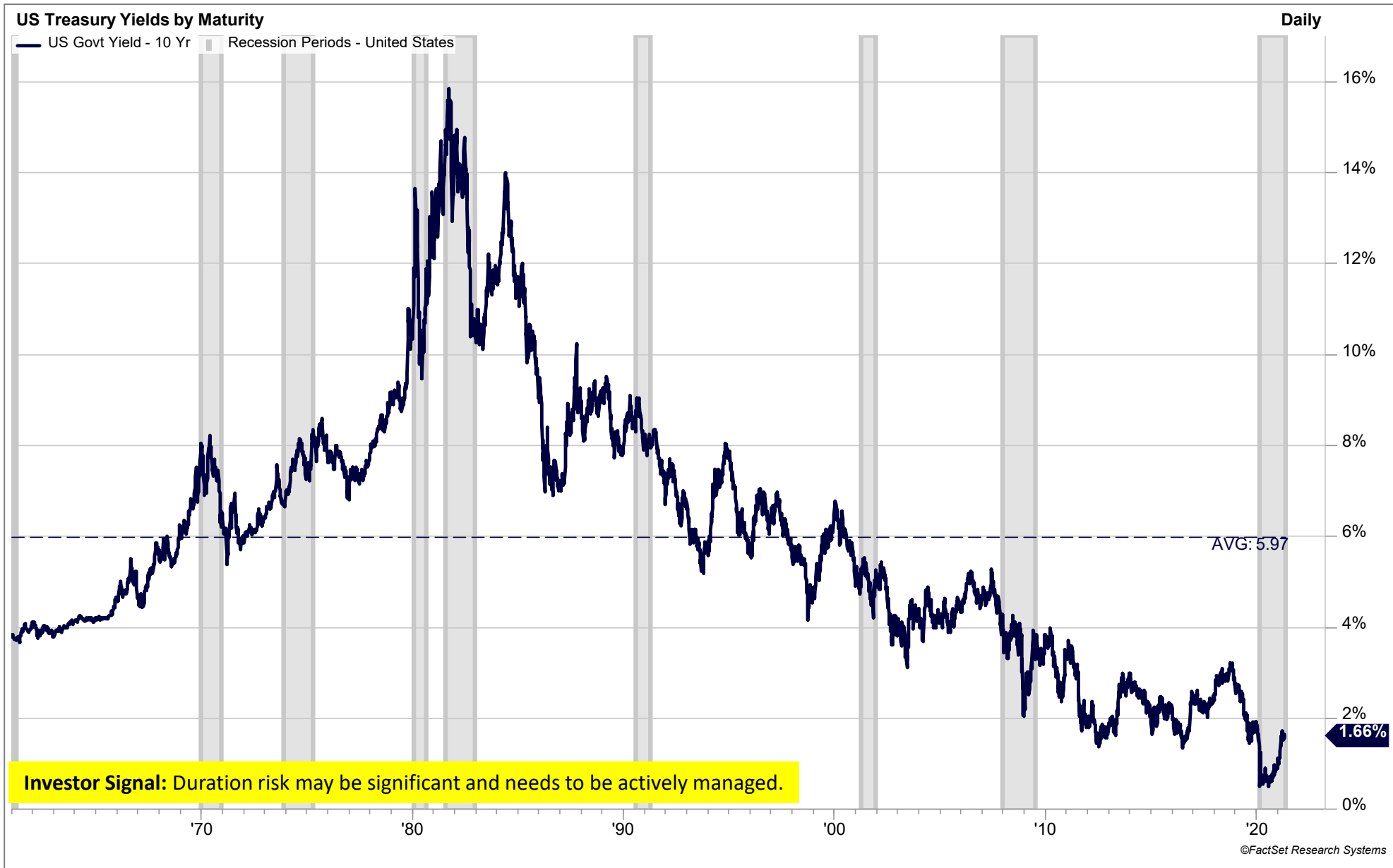
Investor Signal: Sharp price increases, as seen with lumber, are unsustainable. However, as observed across a wide set of commodities, supply that is unable to meet high demand will place upward pressure on prices and may impact profit margins for companies with high exposure to these input costs.



- In Conjunction with the Federal Open Market Committee meetings, Federal Reserve Board members and Federal Reserve Bank presidents submit their projections of the most likely outcomes for real gross domestic product (GDP) growth, the unemployment rate, and inflation.
- “Appropriate Monetary Policy” is defined as the future path of policy that each participant deems most likely to foster outcomes for economic activity and inflation that best satisfy the mandate to promote maximum employment and price stability.

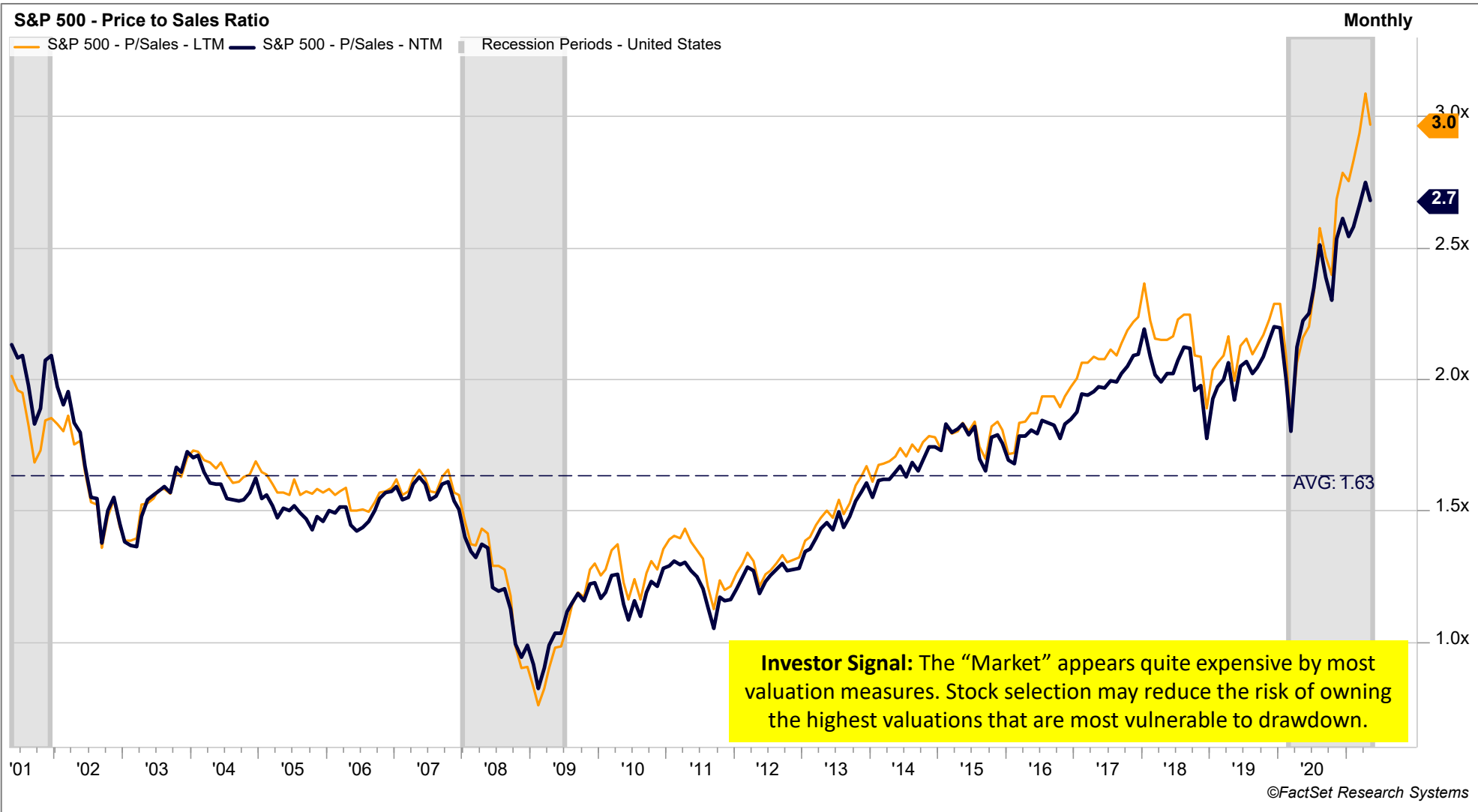




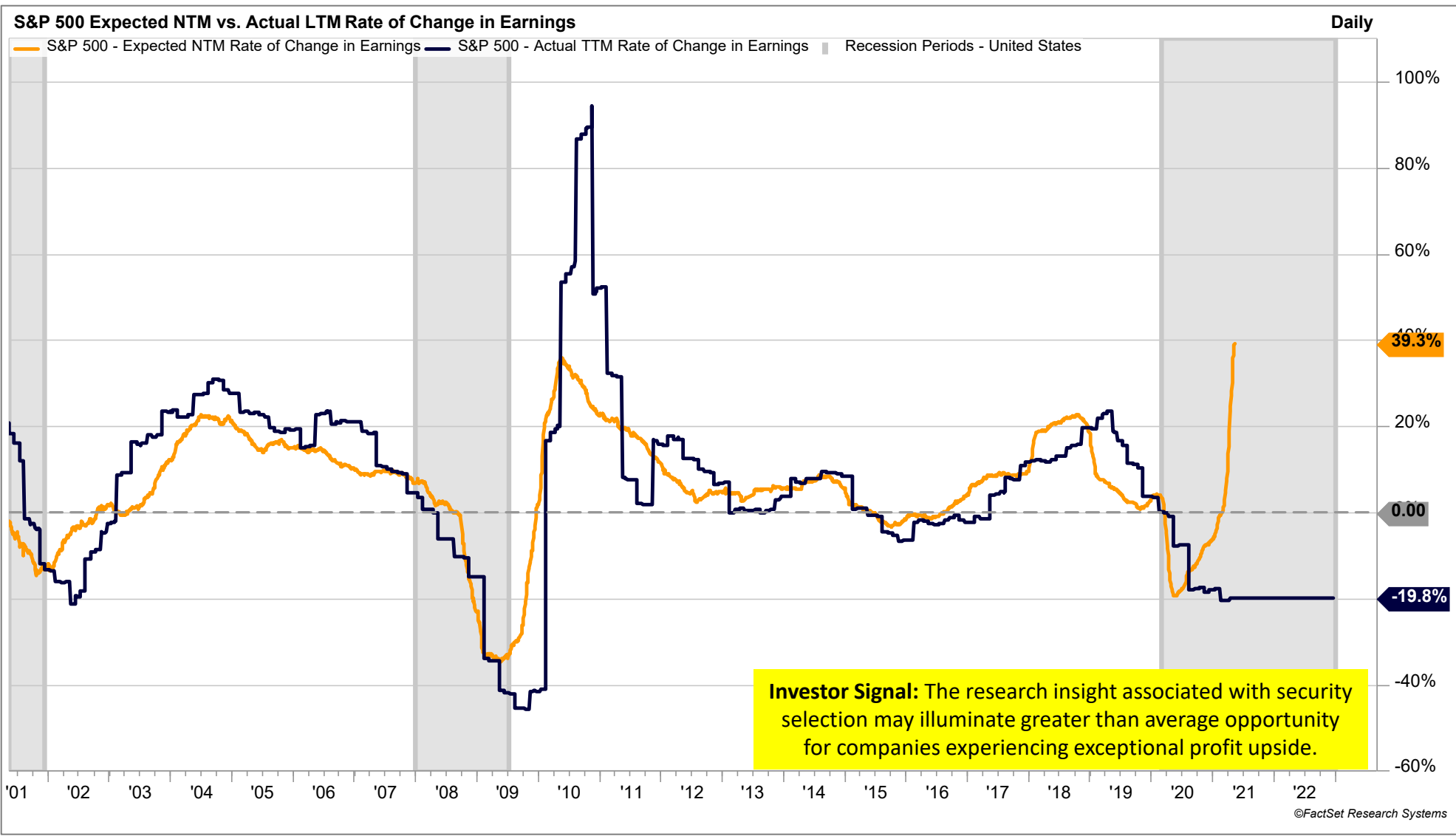


Observation #9 – Equity Valuations

- The Price-to-Sales (P/S) ratio is an indicator of the value that investors have placed on each dollar of revenue generated by a company or the aggregate market. A low ratio could imply a market is undervalued, while a higher-than-average ratio may suggest a market is overvalued.
- One of the downsides of the P/S ratio is that it doesn't take into account whether a company makes a profit or whether it will ever make profit.

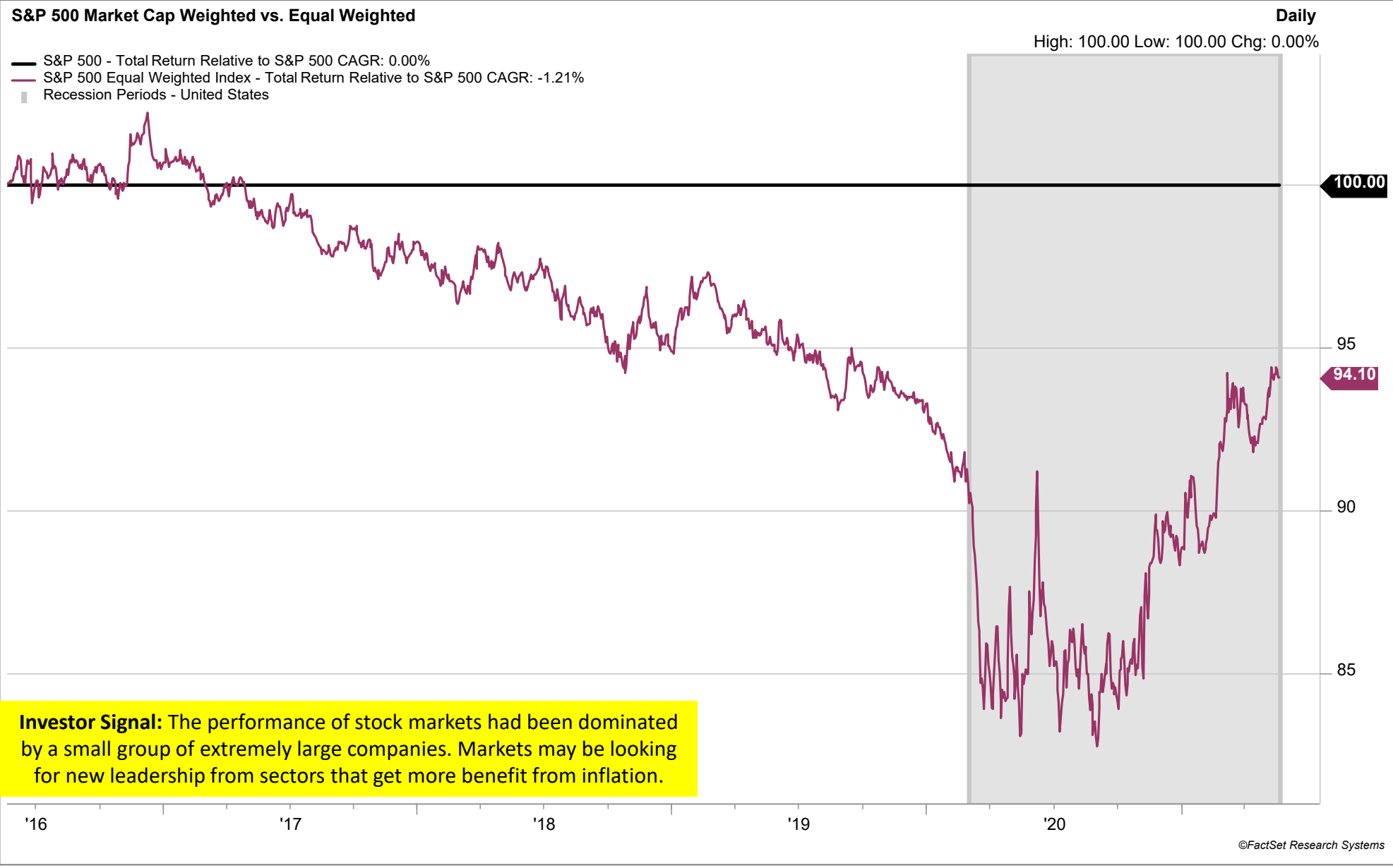


- Investor expectations tend to underestimate earnings declines and earnings recoveries when the inflection points are particularly large in the economic cycle. Profit declines looking backward trailing twelve months (blue line) is looking in the rearview mirror while markets are more interested in the expected earnings growth of the next twelve months (gold line).

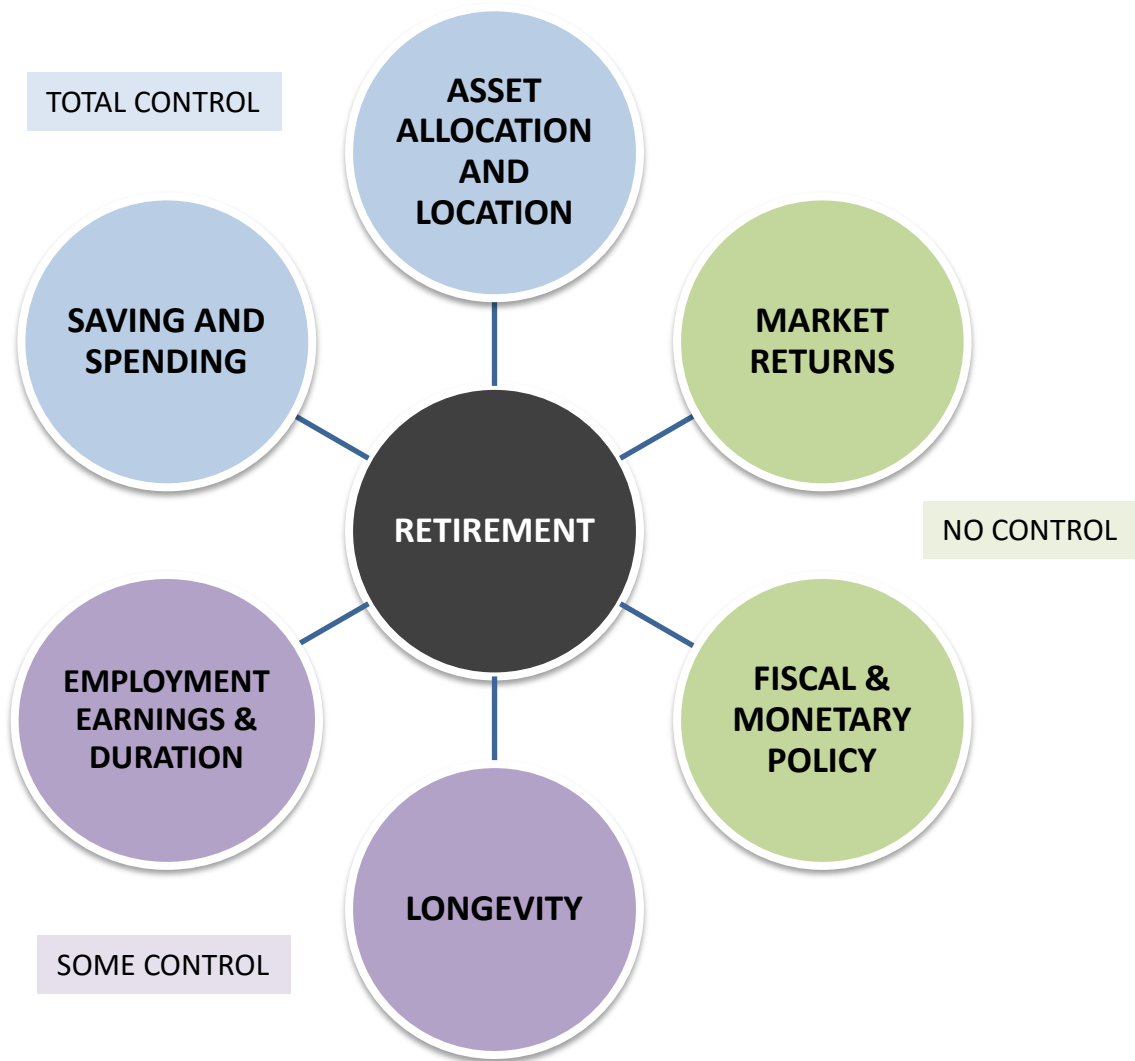


- The definitions of growth and value can be rather opaque in the investment space. But many of the index providers use fairly specific formulas to place a stock into one bucket or the other, with a new evaluation and re-balancing often occurring on a set date each year.
- Trends associated with investor sentiment toward growth or value can last an extended period of time. Observing this relationship can be highly valuable in informing the positioning of a stock portfolio.





Control Your Retirement



A SOUND RETIREMENT PLAN

Make the most of the things that you can control.

Select the Investment Advisor that is best positioned to evaluate the factors that are somewhat or completely out of your control.

Review the results with your Investment Advisor at least annually.

Disclosure

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