

Dear Alpine Bank Wealth Management Client:

We have officially closed out of the first half of 2021 at, or very near, record highs on most of the major domestic indices as markets continue to push higher as economies continue to reopen. The S&P 500, a proxy for domestic large-cap stocks, closed the second quarter at 4,298, which is up 15.2% from the start of 2021 and up 40.8% over the past twelve months.

Looking more granularly at the large-cap space, Energy and Financials have been the clear sector leaders during the first half of the year. Energy, a lagging sector for a number of years, experienced a boost due to rising energy prices resulting from increased demand as economies reopen and normalize, as well as some supply side disruptions experienced during the spring and early summer. The continued recovery in the economy (e.g. consumer spending, employment, etc.) as well as the steepening of the yield curve and general interest rate environment advanced the Financial sector's strong year-to-date returns. Faring better still were the small- and mid-cap indices. The S&P 400 (mid-cap) was up 17.6% year-to-date (YTD) and 53.2% over the trailing twelve months (TTM); while the S&P 600 (small-cap) generated a positive 23.6% return YTD and 67.3% TTM. Every domestic equity sector across all three of the S&P indices are positive over the last 1-, 3-, and 5-year periods, with the exception of the Energy sector which is the only negative sector within the 3- and 5-year timeframes.

Within our managed strategies we remain conservative inside our fixed income allocation. Given the historically low interest rates, the monetary and fiscal accommodation, and the recent elevated inflation expectations, we feel that maintaining a high aggregate credit quality and a shorter-than-benchmark duration is prudent, fully recognizing that some yield must be foregone to maintain the positioning. As interest rates continue to adjust to expected inflation and Federal Reserve actions, the conservative allocation helps reduce the volatility experienced within both the fixed income and the overall portfolio allocations. We continue to monitor this allocation against the changing market and Federal Reserve narratives and expectations.

In our equity allocations we continue to invest globally. Within our strategies' equity allocation we are currently positioned with approximately 25% international equity (including both developed and emerging markets) with the remainder allocated domestically. During the second quarter we increased our exposure to the real estate sector and broadened our general market capitalization exposures—reducing large-cap exposure and increasing small- and mid-cap exposures. The central theme for these adjustments were to maintain diversification in the midst of rapidly rising markets and relative valuations. Overall, we have been pleased with the performance of our strategies from both a risk and return perspective. As long-term investors, we continue to focus on maintaining cost-effective exposure to markets while positioning our strategic allocations to changes in the economic landscape.

Looking ahead, we expect that domestic and foreign markets will continue to adapt and recover from the COVID-19 shock. As economies normalize we also expect that the very accommodative fiscal and monetary policies enacted will begin to wind down in the coming quarters. The methods and speed in which the authorities decide to taper will likely be a major factor of how markets react and adjust to the reduction in stimulus. As with this and the many other uncertainties that we have endured and navigated through during this extraordinary time, we stand ready to be your professional financial partner as you continue to pursue your investment goals with us.

By now, we hope many of you have been able to return to a normal daily life routine. Alpine Bank Wealth Management offices are fully functional and we continue our willingness to meet with you under whatever terms and accommodations you are comfortable with. Throughout the pandemic we provided multiple options to you in order that your needs could be met. Many of you appreciated and took advantage of the options and others recognized our flexibility. Our actions were rewarded by being named Best Wealth Management/Financial Planner in ColoradoBiz magazine's Best of Colorado Readers' Poll. We are humbled by this recognition as these last 16 months have been extremely challenging for everyone both personally and professionally. We thank those of you who graciously voted for us in this category.



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