

Welcome to Fall ...

Ever since I was a child, Fall has been my favorite season. The beginning of school, cool crisp weather, football games and pumpkin spice. In our house, pumpkin spice was an important part of the season. Mom and Grandma were great bakers, and I grew up with made-from-scratch cookies, candy, and pumpkin pies. The memories of those tasty treats make my mouth water even today.

Of course, pumpkin spice has become an after-thought in today's faster-paced, assembly-line world, added to seemingly everything. Pumpkin spice coffee, cookies, creamer, candles and, yes, even spam (surely a sign of the apocalypse). So unartfully used in so many ways that it has become just another commodity.

The difference between now and then? The special way that it was used. The right amount of pumpkin spice, in the right hands, at the right moment, created culinary delights, which flavors linger to this day. "Pumpkin spice season" reminds me that while anyone can use the spice, the best flavors come from those who know how and when to add it.

The financial services industry is somewhat the same. It seems that any number of Wealth Groups offer the same products and services. Investment Management, Trust Services, Financial and Estate Planning, Brokerage Services, Insurance, and Annuity offerings are available in various forms with various promises attached. The difference is the spice; the expertise and attention to detail that the right Wealth Group brings to the relationship.

At LCNB Wealth, we pay attention to you and to the details. The conversation does not begin with "You need to..."; it begins with "What do you want to accomplish?". It continues through working with you and your other professional advisors to create, review, and implement appropriate solutions to meet your goals and objectives. It involves properly applying those solutions with your ends in mind. What you want and what you need matter most. We are good listeners who know just when to add the right amount of spice. The right advice, offered by thoughtful experienced professionals, in a timely fashion, leads to the right result.

We would love to have a conversation regarding the financial dreams and goals of you and your family. The right amount of spice, in the right hands, at the right time, results in a flavor that lasts. Enjoy the season, and thank you for your relationship with LCNB Wealth.

Welcome to Fall. It's Pumpkin Spice season.

Recipe for Pumpkin Spice

18 parts ground cinnamon
4 parts ground nutmeg
4 parts ground ginger
3 parts ground cloves
3 parts ground allspice



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Best Regards,

A handwritten signature in blue ink that reads "Mike". The signature is fluid and cursive, written in a professional but personal style.

Financial Planning - Solving the Puzzle

How do you know that you are financially prepared for your retirement years? Are you confident in the ability to navigate any challenge and live life on your terms?

If you answered “no” to either of those questions, you need a plan.

Planning for retirement begins with defining your goals. These may include part-time work, an active lifestyle, travel, social engagement, charitable interests, hobbies, or time with children and grandchildren. For most of us, this pleasant scenario is quickly followed by questions about how we will reach these goals – *Are we saving enough for retirement? When can we retire? What are our investment, insurance, and estate plan risks?*

The answers to these questions can be elusive. Complicating factors may include changes in income, level of retirement savings, current or future health challenges, tax obligations, unexpected disability, elder care costs, or additions to the family. Without the guidance of a financial planning professional to help lead you through these challenges, your retirement picture may appear to be an unfinished jigsaw puzzle; one where the pieces are not quite fitting together.

LCNB | Wealth offers financial planning services. Our analysis starts with a review of your:

- financial statements – including those from your banks, brokerage firms, and retirement account custodians
- recent tax documentation
- monthly cash flow – income and expenses
- summary of your debt – mortgage, credit cards, car loans
- insurance documents – life insurance, long term care insurance
- estate planning documents – wills, powers of attorney, trusts
- completed LCNB Wealth retirement questionnaire

With a comprehensive process that starts with in-depth analysis of your goals and your current financial situation, we will identify the missing puzzle pieces.

Some examples of our findings might include:

- Inappropriate investments, excessive fees, or an outdated asset allocation which may significantly hamper the performance of your retirement or investment accounts.
- Not considering effect of taxes when making investment or withdrawal decisions.
- An exposure to unnecessary risks which could be remedied with a proper insurance policy.
- An incomplete estate plan which may result in problems if you happen to become incapacitated or results in an unintended inheritance for your beneficiaries.

We seek to understand your current financial picture, including plans you may have with other professionals. We then develop and implement recommendations which will bring you peace of mind. Without proper planning, you may face an increased risk that your financial goals remain out of reach, leaving an incomplete puzzle for you and your heirs.



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Economic Summary – How Long is Transitory?

The Fed has pledged to remain patient with inflation and interest rate policy so long as pricing pressures remain transitory as opposed to persistent. This of course begs the question, how long is transitory? Based on recent Fed minutes, an accommodative rate policy will likely last at least through the end of the year. The most recent Consumer Price Index (CPI) data shows an increase of 5.4% over the past 12 months with supply and demand disruptions continuing to reverberate through the economy. The most recent example of supply disruption is coming in the form of a massive shipping bottleneck off the coast of California. Retail shelves are already looking rather bare, and we question if all these goods will be offloaded and in stores before the holiday shopping season. If Santa's sleigh doesn't get off the ground, what will this do to consumer confidence and the price of goods?

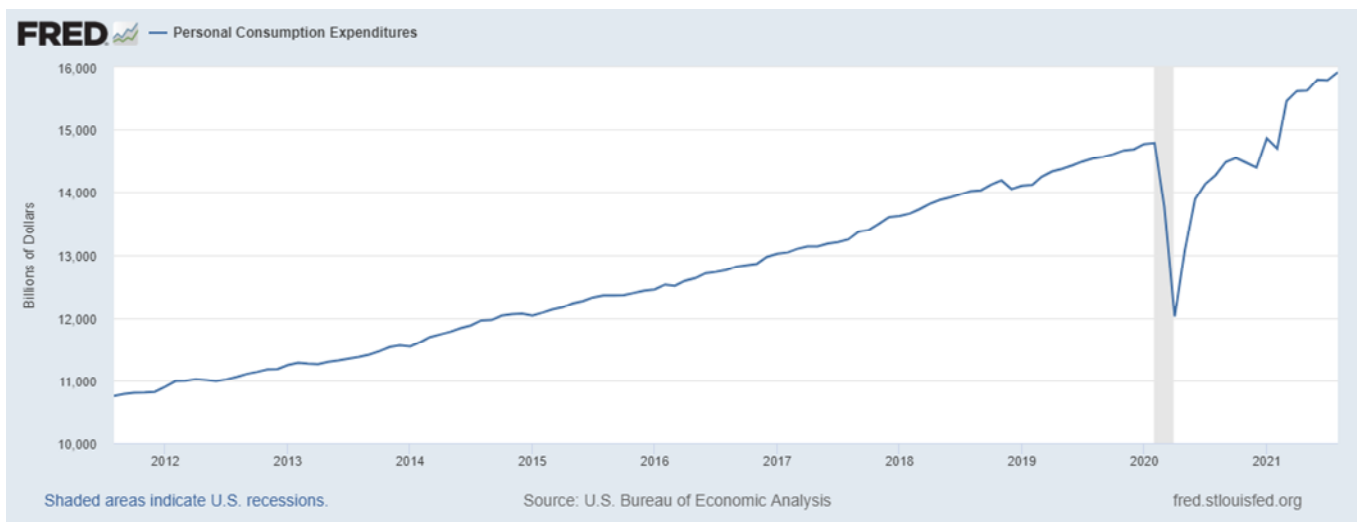
The supply of goods and services in the economy relies heavily on a still recovering labor market. Just as stimulus checks run out and send some people back into the labor force, a looming vaccine mandate might cause others to return to the sidelines. The most recent data from the Bureau of Labor Statistics shows the unemployment rate down to 4.8% and wage gains running at a 5.5% year-over-year rate. With aggregate employment still down about 5 million from pre-Covid levels, wage gains should remain above average for the near-term as businesses struggle to fill employment vacancies.

While the aggregate supply of goods is clearly strained, it appears that aggregate demand is running ahead of the long-term trend as shown by the St. Louis Fed chart of U.S. Personal Consumption Expenditures. And why wouldn't demand be strong? According to the FDIC, total bank deposits in the United States are at \$18.7 trillion or more than 33% above the pre-Covid level. The American consumer balance sheets are awash with liquidity and primed for spending. Trillions of dollars from Fiscal stimulus over the past 18 months sits on the sidelines ready to be spent on an economy struggling to provide enough goods, services, and labor. Revisiting Milton Friedman's definition for inflation, we clearly have the potential for "too much money to be chasing too few goods and services".



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Given the backdrop above, we see no reason for near-term relief in either CPI data or wage gains. Real (after inflation) economic growth requires some combination of a growing labor force or growth in productivity. Growth as measured by the Atlanta Fed's GDPNow estimate appears to be slowing. After running at close to 6% on an annual rate through most of August, the economic forecast has stalled to just 0.5% at its most recent reading. Fiscal and monetary policy makers deserve some credit for keeping the economy afloat during an unprecedented crisis. However, we may now be in for a period of slowing real growth as we wait to see just how temporary these inflationary pressures are. Shock waves tend to dissipate as you get further

from the epicenter. The Fed seems content for now to ride out these waves in anticipation of more normal conditions ahead. The easy monetary policy and still recovering labor market should keep the economic expansion going for the time being, but it may be at a slower pace.

Equity Summary:	3rd Qtr	YTD	12 Month	3 YR	5 YR
S&P 500 (Large Cap Domestic)	0.58	15.92	30.00	15.99	16.90
Russell 2000 (Small Cap Domestic)	-4.36	12.41	47.68	10.54	13.45
MSCI ACWI Ex US (International)	-2.99	5.90	23.92	8.03	8.94

Equity Update – Santa Claus Rally This Year?

Equity markets cooled off in the third quarter after a strong start to the year. A flat third quarter for large domestic stocks still leaves the S&P 500 Index up over 15% for the year and over 30% for the trailing 12 months. Small cap issues, represented by the Russell 2000 Index, dropped in the third quarter and now trail larger stocks for the year-to-date period. International stocks continue to lag as foreign economies have recovered at a slower pace than the U.S.

Despite a flat quarter, domestic stocks remain overdue for a pullback as they continue to bounce near record highs. It is typical for the index to test or breach the 200-day moving average about once a year, which has not happened since June of 2020 as seen below. The so-called “Santa Claus” rally has often lifted markets around year-end and into the following year. In addition to consumer spending picking up around this time, year-end bonuses and 401k/IRA contributions get deployed into markets. But what if Santa doesn’t deliver this year? While long-term we still think stocks provide the best hedge against inflation and the economic cycle should have legs, we caution against near-term bullishness. If economic growth slows as predicted by the Atlanta Fed’s GDPNow, then earnings growth will likely also slow. Factor in the potential for higher taxes next year, already high PE ratios, and a market overdue for a correction and we are moving to a more defensive position. We recommend a slight underweight to all domestic stocks with a neutral weight to international stocks.



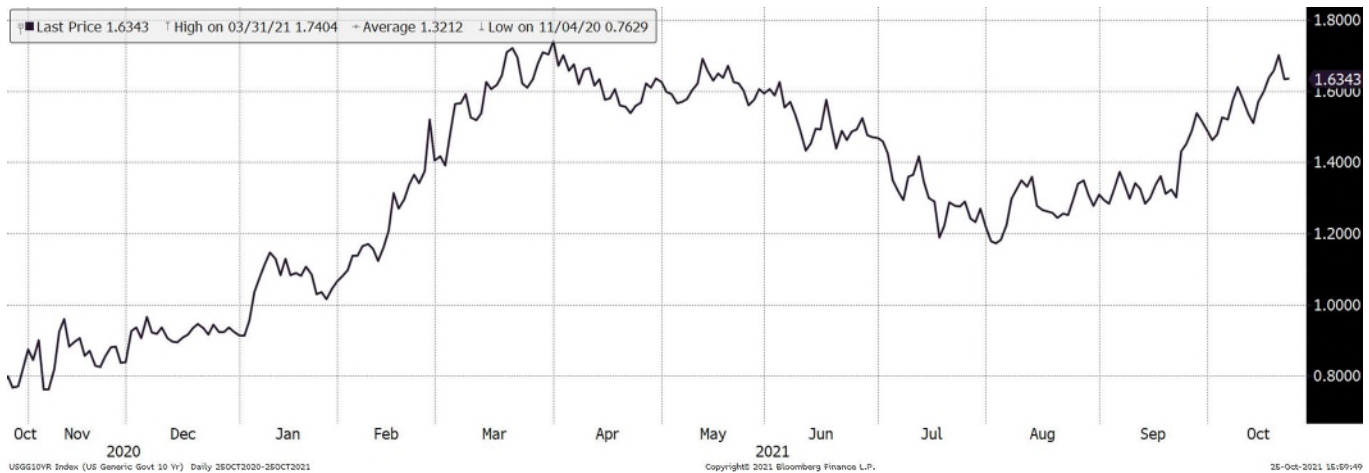
Fixed Income Summary:	3rd Qtr	YTD	12 Month	3 YR	5 YR
US T – Bill 90 Day Index	0.01	0.03	0.05	1.01	1.08
BC Municipals 5YR	0.10	0.22	0.85	3.83	2.34
BC Intermediate Government/Credit	0.02	-0.87	-0.40	4.63	2.60
BC High Yield Corporate	0.89	4.53	11.28	6.91	6.52

Fixed Income Update – Interest Rate Roller Coaster

As I look at the 10-year treasury graph, it reminds me of a roller coaster at Kings Island. At the beginning of the year, the 10-year rate was 0.91%. During the first quarter, it rose to 1.74%. During the second quarter, we saw a 28-basis point decline as the rate closed at 1.46%. This move lower continued in the beginning of the third quarter to a low of 1.17% on August 3rd. Rates remained range-bound during August, but in September we saw a push higher to end the quarter at 1.48%. The Federal Reserve maintains its near zero Fed funds rate, although they have signaled that they could begin tapering their bond purchasing in 2022. Currently they are purchasing roughly \$120 billion in bonds every month. Inflationary concerns remain and were the fundamental support for rates moving higher – the September YoY CPI was reported at 5.4%.



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While short term rates remain historically low, the yield curve did flatten slightly on the long end. The 30-year treasury rate declined 4 bps during the quarter. Spreads remained narrow as investors still see little default risk. High yield bonds have rewarded investors with a 4.5% return year-to-date while most other bond indices have been negative. With the large move in rates during the month of September, returns in all bond market sectors were negative for the month. As a reminder the relationship between bond yields and bond prices is an inverse relationship, as yields increase the price of bonds decrease. As I write this article today the 10-year treasury's rate has moved even higher and is currently above 1.60%.

When inflation and/or inflation expectations run at a higher rate, the Fed typically takes a more hawkish tone which leads to higher interest rates. However, the Fed has thus far signaled that they are not in any rush to raise rates and will be very methodical in pulling back its bond purchasing program. For equity hesitant investors with extra cash on the sidelines, this recent move higher in interest rates may create a buying opportunity.

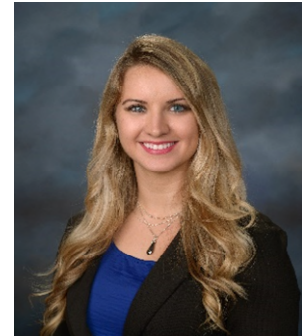
Alternative Investments Summary:	3rd Qtr	YTD	12 Month	3 YR	5 YR
Bloomberg Commodity	6.59	29.13	42.29	6.86	4.54
Dow Jones Global Real Estate	-1.37	12.25	23.16	7.75	6.39
Morningstar Broad Hedge Fund TR	0.21	13.87	23.99	6.61	5.80
Consumer Price Index	2.08	4.81	5.38	2.82	2.59

Alternatives Update – Stay the Course

Gold is usually one of the first investments to come to mind when thinking of hedging against inflation - and historically it has worked over long periods of time – but third quarter 2021 saw a decline of 0.39% in gold despite the high CPI numbers. Gold does not produce any income, which I've mentioned before and its value is aided during periods of low interest rates. Investor's view gold's protection from inflation worth it when they are barely giving up any yield. However, rates have been rising which has a negative impact on gold's price. This quarter, the rise in interest rates more than offset inflows from inflation fears.

Other commodities are also seen as portfolio protectors during inflationary periods and the Bloomberg Commodity Index moved with inflation posting the largest annual gain in over 40 years. West Texas Intermediate (WTI) Crude Oil was one of the primary contributors to that gain – it has increased 55% YTD ending the quarter at \$75.03 a barrel. During the third quarter, global real estate and broad hedge fund indices both trailed the S&P 500.

Another common alternative strategy is the market neutral strategy. This involves strategically taking long and short positions in various securities in order to achieve a zero beta versus the index. Beta is the measure of how an asset moves in relation to increases or decreases of the overall stock market – a beta less than 1 indicates lower volatility compared to the market while a beta greater than 1 indicating higher volatility. The primary goal of this strategy is to hedge out systematic risk, which is the risk of the overall market. Market neutral strategies tend to provide bond-like returns in rising interest rate environments while providing lower volatility as compared to both stocks and bonds. Rates have already begun rising this year, as mentioned above. We are monitoring all of the alternative asset classes closely and may look to increase our allocation to market neutral strategies. We maintain our recommended overweight to alternative investments and will continue to explore strategic opportunities within the alternative space.



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Welcome to the Team, Gina Lodge

Gina Lodge joined **LCNB | Wealth** in October 2021 as an Assistant Trust Officer and Trust Administrative Associate. Her primary responsibilities include supporting our Trust Administrators with discretionary distributions, life insurance accounts, real estate appraisals, and compliance matters.

After graduating with a Bachelor's degree from the University of Dayton, she earned a Juris Doctorate from Ohio Northern University. Gina started her career with LCNB in the Deposit and Legal Services Department, transitioning to the Accounting Department before coming to **LCNB |**

Wealth. Her background and experience will serve her well in her new role.

Gina enjoys going to the gym, cooking, reading, and going to the movies in her spare time. She resides in Lebanon with her two children, Chelsea and Brendan.

National Conference for Community and Justice of Greater Dayton

On September 28th, Nakia Lipscomb, Erin Hawk, and Amanda Luman attended the 44th Annual NCCJ Friendship Fund Raising Event at Levitt Pavilion in Dayton. This event honors individuals from all over the Greater Dayton area for their humanitarian work surrounding Diversity, Equity, and Inclusion. Nakia serves on the board for NCCJ and has been instrumental in collaborating with this group of diversity and inclusion experts to facilitate learning for the DEI Council members.



This year's winners include Jeff Cooper, Dayton Public Health Commissioner; Ro Nita Hawes-Saunders, CEO of the Dayton Contemporary Dance Company; and Reverend Father Benjamin Speare-Hardy II, director of the West Dayton Caravan of Churches. In addition, the Youth Leader honoree was Chaz Amos. Chaz is the founder of "I Love Dayton," a coalition of young men and women committed to cleaning up West Dayton.

Hispanic Volunteer Day – Going Further Together in the Community

The Hispanic Volunteer Day on 10/09 was a great success! Members from across the bank met at Robert's Academy in Price Hill to work in a predominantly Hispanic and Latino community. We spent time clearing honeysuckle and undergrowth from a path that connects Rapid Run Park with Route 264. Though the work was hot and dirty, the crew laughed the whole time!



It was LCNB's first time attending this event, and we made quite the impact. Of the three bank groups present, LCNB had the most participants with eleven. The Director of Special Projects for the Hispanic Chamber, Francisco Okhuysen stated, "The LCNB Group had quite a presence and made a huge impact to the park project that they worked on. We look forward to having your group with us every year."



Ohio Bankers' League – 2021 Women in Banking Conference

On Friday, October 15th, women in banking from all over

the state of Ohio gathered to share in fellowship, mentorship, and learning to support and empower one another to be successful.

The keynote speaker, Natalie Bartholomew (The Girl Banker), described her journey from playing bank as a kid to becoming the Chief Impact Officer of a regional bank in Oklahoma. One of her many lessons of note was to end the “Queen Bee” mentality and

discover that there is room at every table for empowered women. Other topical sessions included navigating burnout, building a professional brand, and not allowing the fear of failure to hold one back. The Executive Panel discussion also featured LCNB's own Meko Boose. It centered around how to navigate being a woman in a historically male-dominated field. Women from LCNB's leading departments are pictured here, including Erin Hawk, Amanda Luman, Melanie Crane, and Jackie Manley of the **LCNB | Wealth** team. While each woman took home her own personal lessons from this conference, there is no doubt that the **LCNB | Wealth** team will benefit significantly from the participation of so many of our leading team members.

Goering Center Volunteer of the Year

Congratulations are in order for our very own Mike Miller, Executive Vice President & Chief Wealth Officer, who was recognized by the Goering Center for Family and Private Business, as the 2021 Volunteer of the Year.

Established in 1989 in affiliation with the Carl H. Lindner College of Business at the University of Cincinnati, the Goering Center serves more than 400 member companies, making it North America's largest university-based educational non-profit center for family and private businesses. The Center's mission is to nurture and educate family and private businesses to drive a vibrant economy.



Back-2-Cool – Fall Fun for the LCNB | Wealth Team

The Back 2 Cool picnic was a fantastic event to celebrate all of the **LCNB | Wealth** team's summer accomplishments and welcome the cooler Autumn months ahead.

The team gathered at Armco Park in Lebanon and enjoyed a picnic dinner and yard games, as well as many laughs. The **LCNB | Wealth** Planning Committee looks forward to hosting more events like this, where everyone can all let their hair down and enjoy each other's company.



We hope that we are exceeding your expectations. The best compliment we could receive would be a referral of your friends and family. Please contact Josh Shapiro @ 513-228-7659 or jshapiro@LCNB.com for more information.