

MARKET REVIEW & OUTLOOK

Inflation Here To Stay?

It is impossible to ignore COVID and the reverberations caused by its shutdown-inducing roar last spring. The markets are trying their best, producing stellar returns based on the economic theories of pent-up demand, “supply droughts”

Total Market Returns as of June 30, 2021

(annualized if greater than 1 year)

	1 quarter	YTD	1 year	3 years	5 years
S&P 500	8.55%	15.25%	40.79%	18.67%	17.65%
Dow Jones Industrial Avg.	5.08%	13.78%	36.34%	15.02%	16.66%
NASDAQ	9.68%	12.92%	45.23%	25.72%	25.80%
Russell 1000 Value	5.21%	17.05%	43.68%	12.42%	11.87%
Russell 1000 Growth	11.93%	12.99%	42.50%	25.14%	23.66%
Russell 2000 (SMID)	4.29%	17.54%	62.03%	13.52%	16.47%
MSCI EAFE Index	5.38%	9.17%	32.92%	8.77%	10.79%
MSCI Emerging Markets	5.12%	7.58%	41.36%	11.67%	13.43%
Barclays Capital U.S. Aggregate	1.83%	-1.60%	-0.33%	5.34%	3.03%

and consumerism. As the saying goes “there’s no free lunch,” the flip side of those theories can generate inflation if not managed correctly. That is precisely where we find ourselves today.

The perception is that managing inflation falls at the feet of the Federal Reserve Bank of the U.S. While true, the Fed is the organization within our government given that direct job; consumer behavior has a role to play. Today consumers find themselves at a crossroads; vacations, dining out, most shopping outside of the home were not possible with those segments shut down or severely crippled. Now, the economy is opening up somewhat and the demand for

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Dover's Form ADV Part 2 is Available

(see page 3 for more info.)

Summer 2021

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Dover's Investment Methodology

The foundation of Dover's Investment philosophy is its disciplined approach to stock analysis, beginning with a quantitative analysis of companies based on strict fundamental criteria. This is followed by a more subjective evaluation of factors including portfolio diversification and individual company characteristics.

Large Cap Value Portfolio

Dover's value philosophy bases its buy/sell decisions on four criteria: rising earnings expectations, low relative price to earnings (P/E) valuation, improving profitability, and low historical P/E valuation. Stocks passing all four screens are considered buy candidates and will be further evaluated to establish quality and appropriateness for the portfolio.

Large Cap Growth Portfolio

Dover's growth philosophy begins by considering only large capitalization companies in the top 50% of earnings per share growth over the last three years. Dover then bases its buy/sell decisions on three criteria: return on investment (ROI), net sales growth, and free cash flow. Stocks passing these screens are considered buy candidates and will be further evaluated to establish quality and appropriateness for the portfolio.

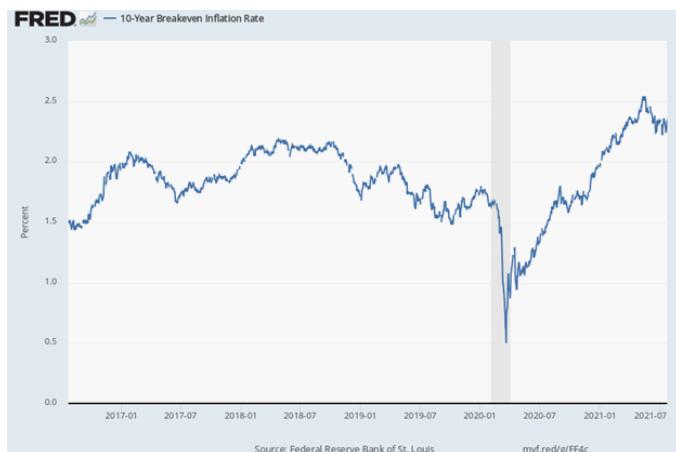
Value/Growth (Core) Portfolio

Dover's value/growth, or core portfolio utilizes a blend of the top buy ideas from both the pure growth and pure value philosophies. The intent behind this method is to maintain less volatile portfolio returns over the course of a market cycle. The portfolio is structured with an emphasis on diversification, utilizing a wide blend of high-quality holdings across the various economic sectors.

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those things that existed last year still exist and then some. Unfortunately, the supply of those things is not always there right now.

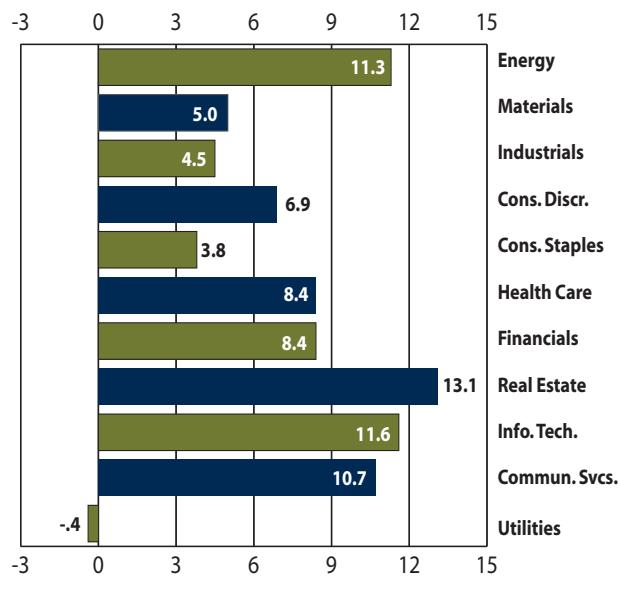
Those forces are providing what the markets believe is a temporary bump in inflation. The 10-year treasury inflation protected securities market (TIPS) is expecting inflation to subside to the 2.3% range (source: Federal Reserve Bank of St. Louis, 10-Year Breakeven Inflation Rate [T10YIE], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/T10YIE>, July 24, 2021.)



S&P 500 ECONOMIC SECTOR PERFORMANCE

Three Months Ending 6/30/21

Source: S&P Index Services, J.P. Morgan



The Fed certainly believes this too. In the minutes of their June meeting, comments led directly to this notion.

As always, we understand that expectations are just that – they may come true, but they may not. The only way to manage that fact is through hard work and principled management with a balanced approach. At Dover, that is exactly what you get. We appreciate the trust our clients place in us every day. Without you, Dover Partners couldn't exist!

PROXY NOTIFICATION

Clients for whom Dover votes proxies can request a copy of your account's voting record by calling (937) 299-4105 ext. 839 or sending an e-mail to josh@dover-partners.com.

If you would like Dover to begin voting proxies for your account, please contact your broker or custodian to arrange to have proxy materials forwarded to Dover Partners, Inc.

*** WHAT'S NEW? ***

As your investment advisor, part of Dover Partners' fiduciary responsibility is to be aware of any changes in your financial needs or circumstances. We strive to make sure each client's assets are managed to best suit his or her unique situation.

To help us continue to manage your Dover Partners, Inc. account(s) in keeping with your financial needs, please take a moment to make us aware of any changes in your financial circumstances. This could include changes in employment or marital status, a change of residence, or a new addition to the family.

Also, please let us know at any time if you would like to set up an account review with a Dover representative. We would be happy to arrange a meeting. You can contact us by:

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STOCK HIGHLIGHTS

Emergent BioSolutions Inc., (EBS) - EBS is a life sciences company, focusing on the provision of preparedness and response products and solutions for civilian and military populations that address accidental, deliberate, and naturally occurring public health threats (PHTs). The company's products address PHTs, which include chemical, biological, radiological, nuclear, and explosives; emerging infectious diseases; travel health; and emerging health crises and acute/emergency care. In addition to many medical devices, the company offer such drugs as NARCAN, medical lotions treating skin-reactive chemical warfare agents, vaccines (such as smallpox and cholera) and potential treatments to COVID-19 disease.

Emergent BioSolutions Inc. was founded in 1998. Headquarters: Gaithersburg, MD

CDK Global, Inc. (CDK) - The company, together with its subsidiaries, provides software and technology solutions for automotive retailers in the United States, Europe, Canada, and internationally. CDK offers Dealer Management System (a portfolio of layered software applications and services) to automotive retailers, original equipment manufacturers (OEMs), consumers, and other industry participants managing the acquisition, sale, financing, insuring, parts supply, and repair and maintenance of vehicles. It also provides solutions to retailers and manufacturers of heavy trucks, construction equipment, agricultural equipment, motorcycles, boats, and other marine and recreational vehicles. In addition, the company offers professional services, custom programming, consulting, implementation, and training solutions, as well as customer support solutions.

CDK was founded in 2014. Headquarters: Hoffman Estates, IL

ADV PART 2 OFFER

READ ALL ABOUT US

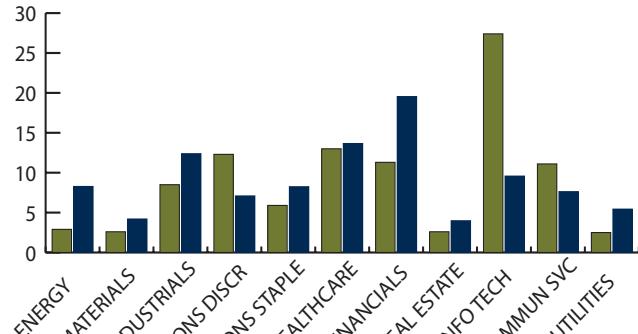
Dover's 2021 Form ADV, Part 2 is now available. This document describes the products and services we offer, the fees we charge, and many other aspects of our business including key personnel information.

You are entitled to receive a copy of this form, which serves as Dover Partners' SEC disclosure brochure, at any time. If you would like a copy, please contact Josh Smittkamp at josh@dover-partners.com or (937) 299-4105 ext. 839.

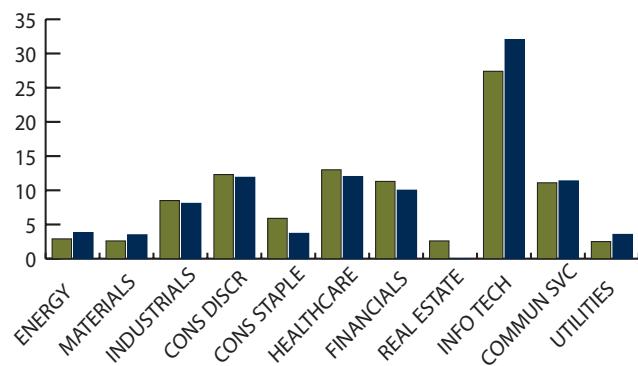
SECTOR DIVERSIFICATION

(as of 6/30/21)

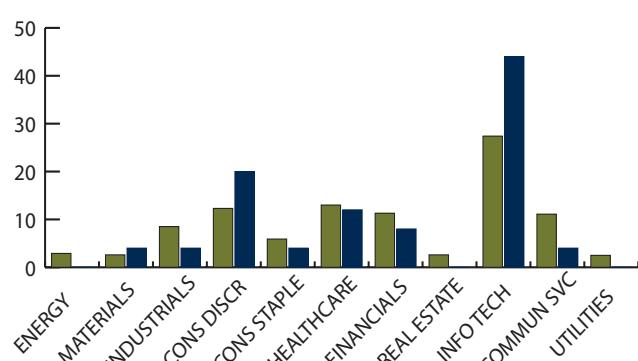
S&P 500 vs. Value Portfolio



S&P 500 vs. Core Portfolio



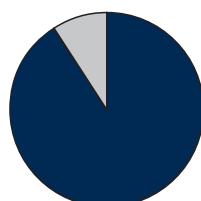
S&P 500 vs. Growth Portfolio



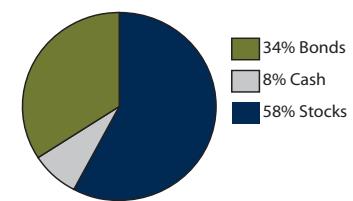
ASSET ALLOCATION

(as of 6/30/21)

Equity Accounts



Balanced Accounts



These are guidelines only and accounts are not necessarily expected to reflect the exact weightings listed above.

MARKET MONITOR

The record fiscal and monetary stimulus coupled with the reopening of business has expedited the economic recovery and given renewed confidence of better times ahead. At least until some cracks in the “Goldilocks” scenario started showing up. What is all this worry over some near-term inflation, overvalued equity markets, and another foreign strain of the virus? Like they will say at the opening of the Olympics, “let the games begin.”

The stock market extended its upward march with good reason. The improving business climate over the same period last year has given rise to great expectations. But valuations seem stretched at this time. Large Cap companies outperformed Small Cap companies this quarter, and investors turned to Growth over Value. The best relative performing U.S. sectors for the quarter were Real Estate, Technology, and Energy. The worst performing were Utilities, Health Care, and Industrials.

With signs the economic recovery might be short lived, interest rates actually fell through the quarter. The ten-year U. S. Treasury rate dropped to 1.47% and the thirty-year to 2.09% compared to 1.74% and 2.42% on 3/31/21. The best relative performing bond sectors for the quarter were Emerging Market Debt, U. S. Corporate Investment Grade, and TIPS. The worst performing were U. S. Agency Pass-Throughs, U. S. Agency, and Municipal obligations.

PERFORMANCE SCOREBOARD AS OF 6/30/21 (TOTAL RETURNS)

Periods over 1 year annualized	1 Quarter	YTD	1 Year	3 Years	5 Years
S&P 500 Index	8.55%	15.25%	40.79%	18.67%	17.65%
Dow Jones Industrial Average	5.08%	13.78%	36.34%	15.02%	16.66%
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Russell 1000 Growth	11.93%	12.99%	42.50%	25.14%	23.66%
Barclays US Gov't/Credit Bond	2.42%	-1.96%	-0.39%	5.95%	3.31%
Barclays US Municipal Bond	1.42%	1.06%	4.17%	5.10%	3.25%
3-month T-bill	0.01%	0.03%	0.08%	1.31%	1.14%

For information about
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A Newsletter for Clients and Friends of Dover

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