

1Q2021 Market Summary

Inflation concerns and rising interest rates were the dominant investment themes of an eventful first quarter of 2021 that also featured an attempted insurrection and eventual transition to a new administration, a widespread COVID vaccine rollout and improving virus data, an additional \$1.9 trillion of fiscal stimulus, a proposed \$2.25 trillion infrastructure package that may result in higher corporate tax rates and the implosion of a handful of highly leveraged and speculative investment organizations.

Interest rates rose sharply during the quarter, with 10-year Treasury rates rising from 0.9% to 1.74%, resulting in the largest quarterly decline for the Bloomberg Barclays US Aggregate Bond Index since 1981. Despite the rapid increase in interest rates, the 10-year Treasury is still below the 1.9% rate seen at the start of 2020 and well below the 3% level reached in late 2018. The future path of rates is highly unpredictable and will likely depend on whether recent signs of inflation are only transitory, as the economy reopens and works through supply bottlenecks, or if prices will continue to rise for a longer period.

Equity markets were positive during the quarter despite these challenges. We expect strong growth going forward, but it appears that most investors share this optimism, and signs of froth and speculation remain. For these reasons, we continue to emphasize the importance of a prudent asset allocation strategy and focus on valuation and long-term fundamentals, rather than short-term noise.

Equities

The S&P 500 Index returned 6.2% during the first quarter. Value stocks, which have lagged for the past few years, continued to rebound and the Russell 1000 Value Index returned 11.3% compared to the Russell 1000 Growth Index's 1% return. Optimistic expectations for the economy's reopening supported the more cyclical value index, while inflation concerns and higher interest rates caused many high-multiple technology stocks to struggle.

Small-cap stocks performed well in the quarter and the Russell 2000 Index returned 12.7%, with a similar dynamic of value stocks outperforming growth. Non-US stocks generated positive returns in the quarter, but lagged US stocks. The MSCI EAFE Index returned 3.5% for the quarter and the MSCI Emerging Markets Index rose 2.3%.

Fixed Income

Most bond sectors struggled during the first quarter due to a sharp rise in interest rates across almost all maturities, except the shortest.

The Bloomberg Barclays US Aggregate Bond Index fell 3.4% during the quarter, marking the worst quarterly performance for the index since 1981. Investment grade corporate bonds, measured by the Bloomberg Barclays US Corporate Bond Index, fell 4.7% in the quarter.

Below investment grade, or high yield bonds, returned a positive 0.9% as this bond sector is driven more by economic growth and is less sensitive to rising rates compared to government securities and higher-quality corporate bonds.

Commodities

Commodity prices continued to move upward due to higher demand and inflation expectations. The Bloomberg Commodity Index rose 6.9% in the quarter and oil prices increased from \$47 to \$59 for a barrel of West Texas crude oil. Gold prices fell 9.8% in the quarter after a strong year last year

Important Information:

The Standard & Poor's 500 Index is an American stock exchange market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The S&P 500 index components and their weightings are determined by S&P Dow Jones Indices.

The Russell 1000 Growth Index is a broadly diversified index predominantly made up of growth stocks of large U.S. companies.

The Russell 1000 Value Index is a broadly diversified index predominantly made up of value stocks of large U.S. companies.

The Russell 2000 Index is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index. The index is maintained by FTSE Russell, a subsidiary of the London Stock Exchange Group.

The Russell Microcap Index measures the performance of the microcap segment of the U.S. equity market. It includes 1,000 of the smallest securities in the Russell 2000 Index based on a combination of

their market cap and current index membership and it also includes up to the next 1,000 stocks.

The MSCI EAFE Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. and Canada.

The MSCI Emerging Markets Index is an index designed to measure equity market performance in global emerging markets.

The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market.

The Bloomberg Barclays US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

The Bank of America Merrill Lynch High Yield Bond Index tracks the performance of below-investment-grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

The LBMA Gold Price Index is the global benchmark for unallocated gold and silver delivered in London.

The West Texas Intermediate (WTI) oil, also known as Texas light sweet, is a grade of crude oil used as a benchmark in oil pricing. This grade is described as light because of its relatively low density, and sweet because of its low sulfur content.

Bloomberg Commodity Index (BCOM) is calculated on an excess return basis and reflects commodity futures price movements.

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