Summer 2021 Market Commentary

Domestic Equity Market Recap

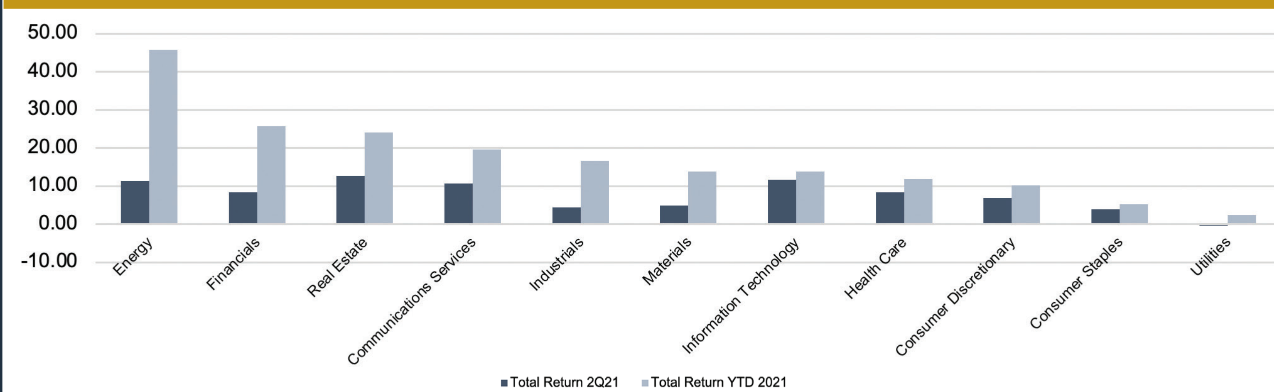
After nearly two quarters of outperformance by value-oriented strategies, growth strategies reasserted themselves in the second quarter. This shift was a result of recent economic data that appeared to slightly decelerate. In particular, the jobs data fell short of expectations. After having added 916.0k jobs in March, Non-Farm Payrolls increased a more tepid 266.0k in April and 559.0k in May. This and other economic data has, for the time being, alleviated fears that the economy would overheat. As a result, interest rates declined slightly and this favored growth stocks. However, the bias of growth versus value or vice versa was not consistent as it has been in past quarters. Although traditional growth sectors, Information Technology (+11.62%) and Communication Services (+10.73%), were among the top four performing sectors, Real Estate (+12.66%), a sector that can be interest rate sensitive and Energy (+11.27%), a cyclical sector, were also counted in the top four.

BENCHMARK RETURNS (%) AS OF JUNE 30, 2021 (3-10 Year Periods Annualized)

	3M	YTD	1Y	3Y	5Y	10Y
Large Cap						
S&P 500	8.55	15.25	40.79	18.65	17.65	14.84
Russell 1000 Core	8.54	14.95	43.07	19.13	18.00	14.90
Russell 1000 Value	5.21	17.05	43.68	12.40	11.88	11.61
Russell 1000 Growth	11.93	12.99	42.50	25.11	23.66	17.
Mid Cap						
Russell Mid Cap	7.50	16.25	49.80	16.43	15.62	13.23
Russell Mid Cap Value	5.66	19.45	53.06	11.84	11.79	11.74
Russell Mid Cap Growth	11.07	10.44	43.77	22.36	20.53	15.13
Small Cap						
Russell 2000	4.29	17.54	62.03	13.50	16.47	12.33
Russell 2000 Value	4.56	26.69	73.28	10.26	13.62	10.85
Russell 2000 Growth	3.92	8.98	51.36	15.92	18.77	13.52

Source: Factset

S&P 500 SECTOR PERFORMANCE

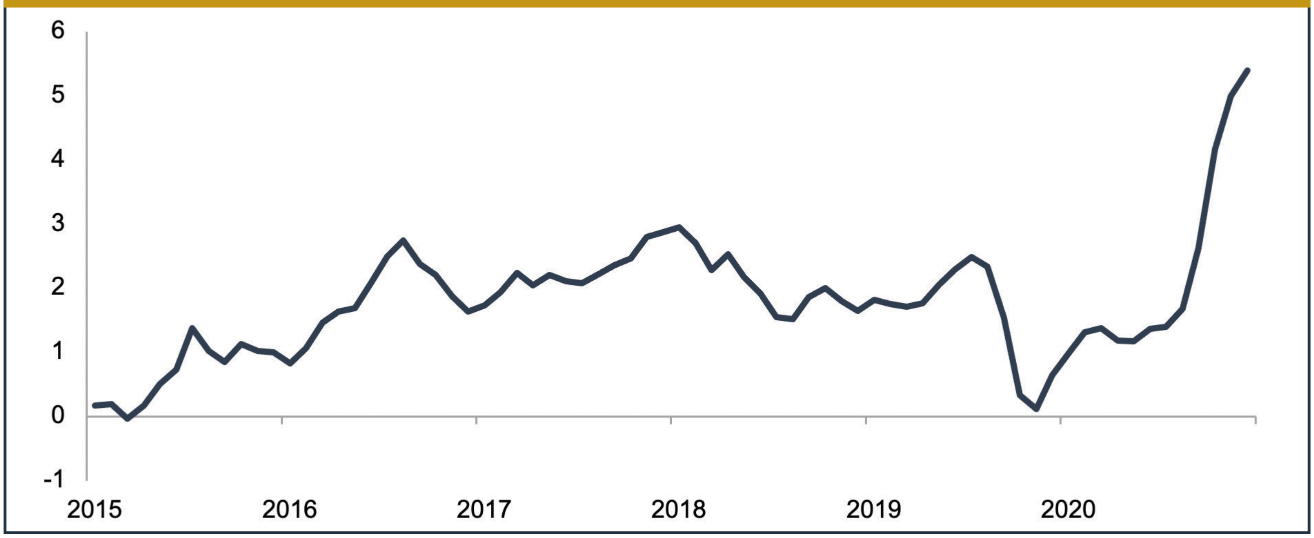


Source: Bloomberg

Domestic Economic Highlights

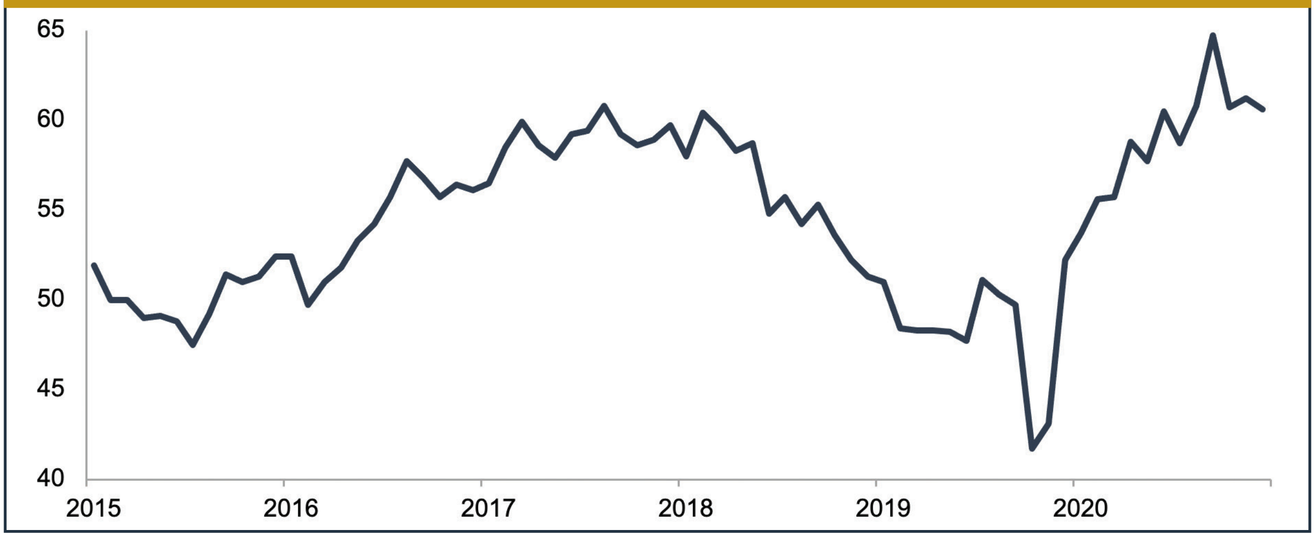
During the quarter, the financial markets were particularly concerned over the possibility of a reacceleration in inflation that would cause the Federal Reserve to abandon the accommodative stance it has maintained since the onset of the COVID pandemic. The graph below illustrates how the Consumer Price Index (CPI), which had been increasing at a rate in the low one percent since last August, accelerated sharply to +4.9% in May, the highest rate in 13 years. Concern over inflation did cause the Fed to raise its headline inflation expectation from 2.4% to 3.4% for 2021. The Fed also indicated that rate hikes could come as soon as 2023 after indicating in March that they foresaw no increases until 2024. However, the Fed maintained that it expects the spike in inflation will be transitory and inflationary pressures will ease once supply chains adjust to the reopening of the economy. The unemployment rate is still above pre-pandemic levels, which could act to dampen renewed inflationary pressures. The housing market continues to be robust, as does the manufacturing economy as indicated by the Purchasing Manager's Index (PMI).

CPI URBAN CONSUMERS (% Change Year-On-Year)



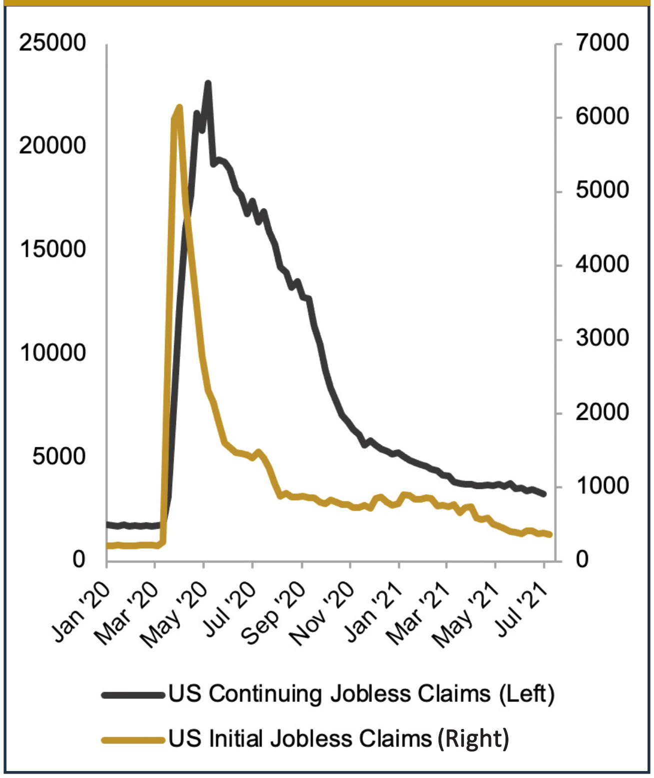
ISM MANUFACTURING PMI US

Source: Bloomberg as of March 31, 2021

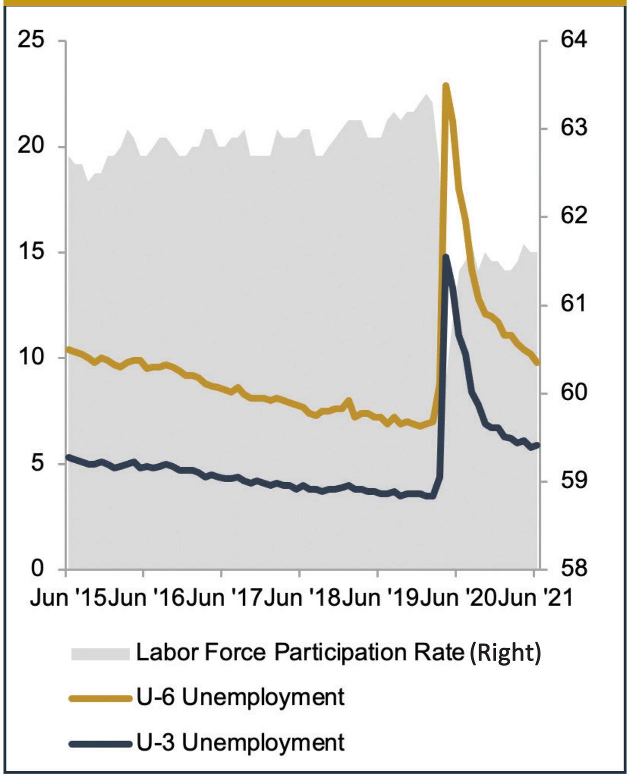


Domestic Economic Highlights *continued*

INITIAL AND CONTINUING CLAIMS HIT PANDEMIC LOWS

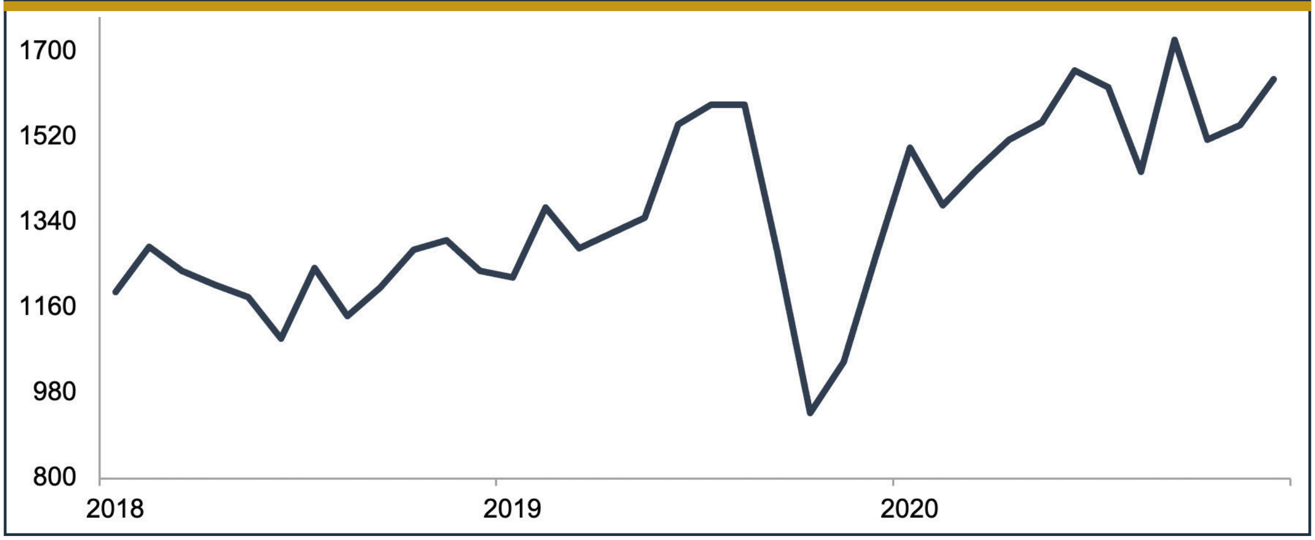


UNEMPLOYMENT FALLS, BUT LOW PARTICIPATION



US HOUSING STARTS (TH. Units)

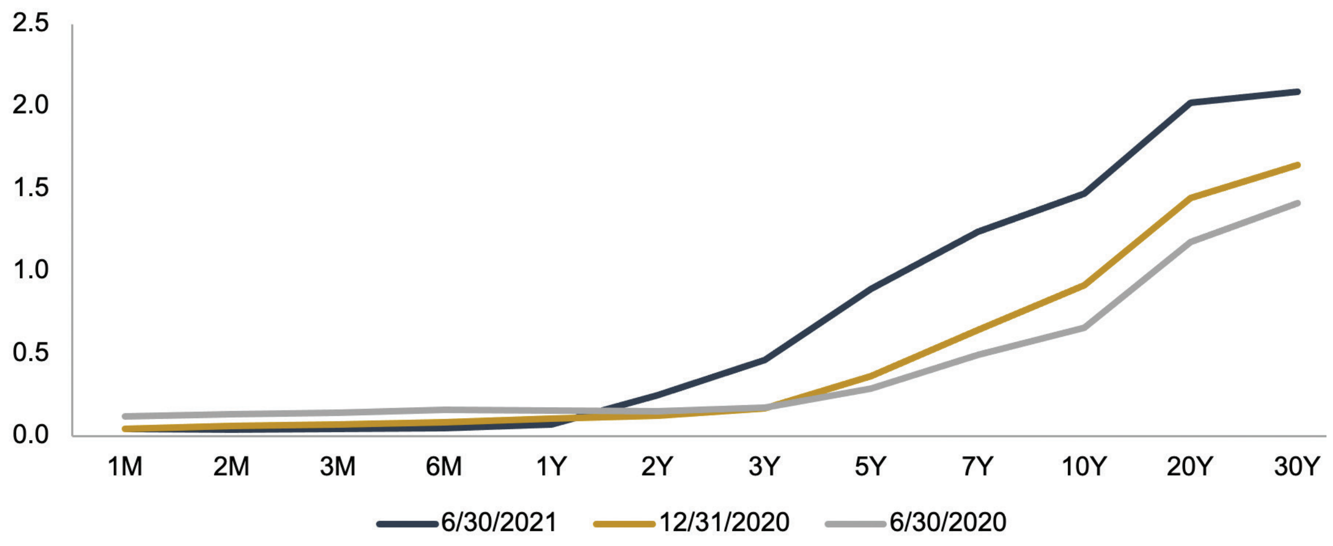
Source: Bloomberg as of March 31, 2021



Domestic Bond Recap

As mentioned on the preceding pages, concerns over inflation caused the 10-Year Treasury yield to peak in the vicinity of 1.72% toward the end of the first quarter. Since then, inflationary fears have subsided somewhat and the 10-Year yield ended the quarter at 1.45%.

US TREASURY YIELD CURVE



Source: Factset

International Equity Market Recap

International Markets generally lagged domestic markets during the quarter. Slower progress in rolling out COVID vaccination campaigns continued to weigh on International economies, particularly in certain emerging market economies. In China, concerns over government efforts to tighten credit controls and a slow recovery in consumption might act as a brake on economic growth over the course of the year.

BENCHMARK RETURNS (%) AS OF JUNE 30, 2021 (3-10 Year Periods Annualized)

	1M	3M	1Y	3Y	5Y	10Y
MSCI EAFE	5.00	5.00	27.63	8.02	10.52	8.59
FTSE 100	0.41	5.66	5.66	1.09	5.60	5.63
MSCI EM (Emerging Markets)	3.90	3.90	36.50	12.39	13.97	8.02
Japan Nikkei 225	-1.17	-1.17	31.26	11.03	15.28	13.49
MSCI China	2.08	2.08	26.36	9.98	16.62	7.83

Source:

Commodity Recap

In general, commodity prices experienced strong appreciation during the quarter, despite giving back some of those gains during the month of June. A strengthening economy and fears of inflation continue to be the underlying driver. Additionally, metals reacted negatively to announcements that China would begin selling inventory from state stockpiles to put a brake on price appreciation. Oil prices were strong throughout the quarter.

COMMODITY PRICES

	3M	YTD	1Y	3Y	5Y	10Y
Copper	6.04	41.98	52.45	9.45	14.82	-0.37
Silver	7.35	8.60	42.78	15.17	13.27	-1.71
Gold	3.33	-6.18	16.54	10.67	10.80	2.22
West Texas Oil Crude	24.11	83.42	20.15	6.71	14.62	-2.16

2021 Outlook

As we enter the second half of the year, the financial markets seem to have adopted the Federal Reserve's outlook that the recent acceleration in inflation is temporary and will soon dissipate as economic supply chains adjust to the post-COVID re-opening of the world economy. Indeed, toward the end of the quarter, the 10-year Treasury yield backed off recent highs, and the performance of growth strategies reasserted themselves versus value strategies. Additionally, the S&P 500 made several new all-time highs in the last week of the quarter.

Still, risk to that outlook remain. Some pundits point out that although the S&P 500 is near all-time highs, by some measures the rally has been less impressive. The equal-weighted S&P 500 did not accompany the traditional index to new highs which is an indication of lack of breadth in the market. Another risk is the rapid spread of the Delta COVID variant which is much more contagious than previous strains. This could present an impediment to growth, particularly in regions that do not have high vaccination rates.

With these thoughts in mind, we continue to hold a well-diversified equity portfolio. We trimmed certain defensive positions in Health Care and Utilities and also added to our exposure of Developed International markets. In fixed income, we continue to maintain portfolios with durations shorter than market benchmarks, although we are seeking to purchase longer bonds opportunistically. As usual, we continue to stress that our clients adopt a multi-year investment horizon.