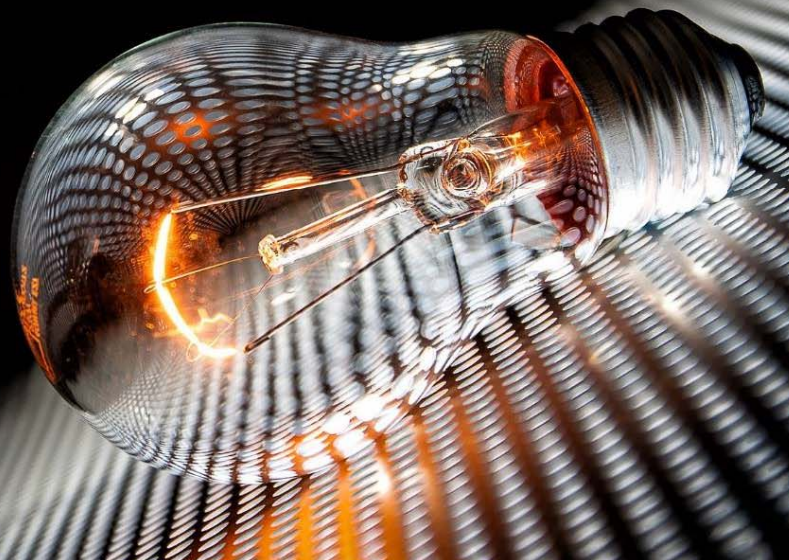


MARKET INSIGHTS

First Quarter 2021



Version 1

KEY POINTS

- 1** A reopening economy coupled with massive fiscal and monetary support and a consumer flush with cash will lead to a U.S. economic boom in 2021.
- 2** The Federal Reserve's new average inflation targeting approach with broad and inclusive employment goals will keep monetary policy accommodative longer.
- 3** The pandemic led to dramatic price swings for goods and services that are likely to reverse, though not reflective of true underlying inflation trends.
- 4** Value, cyclicals, and international equities are expected to outperform in an above average economic growth and rising rate environment.
- 5** Another fiscal infrastructure package, QE taper, and tax increases are on the intermediate term horizon.

BASE CASE OUTLOOK



Economy

2021 U.S. economic boom with full reopening and massive fiscal policy support.

Risk: Delay in full economic reopening, ineffective vaccines.



Policy

Fed remains accommodative and fiscal policy supports economic growth.

Risk: Sustainable inflation surge.



Markets

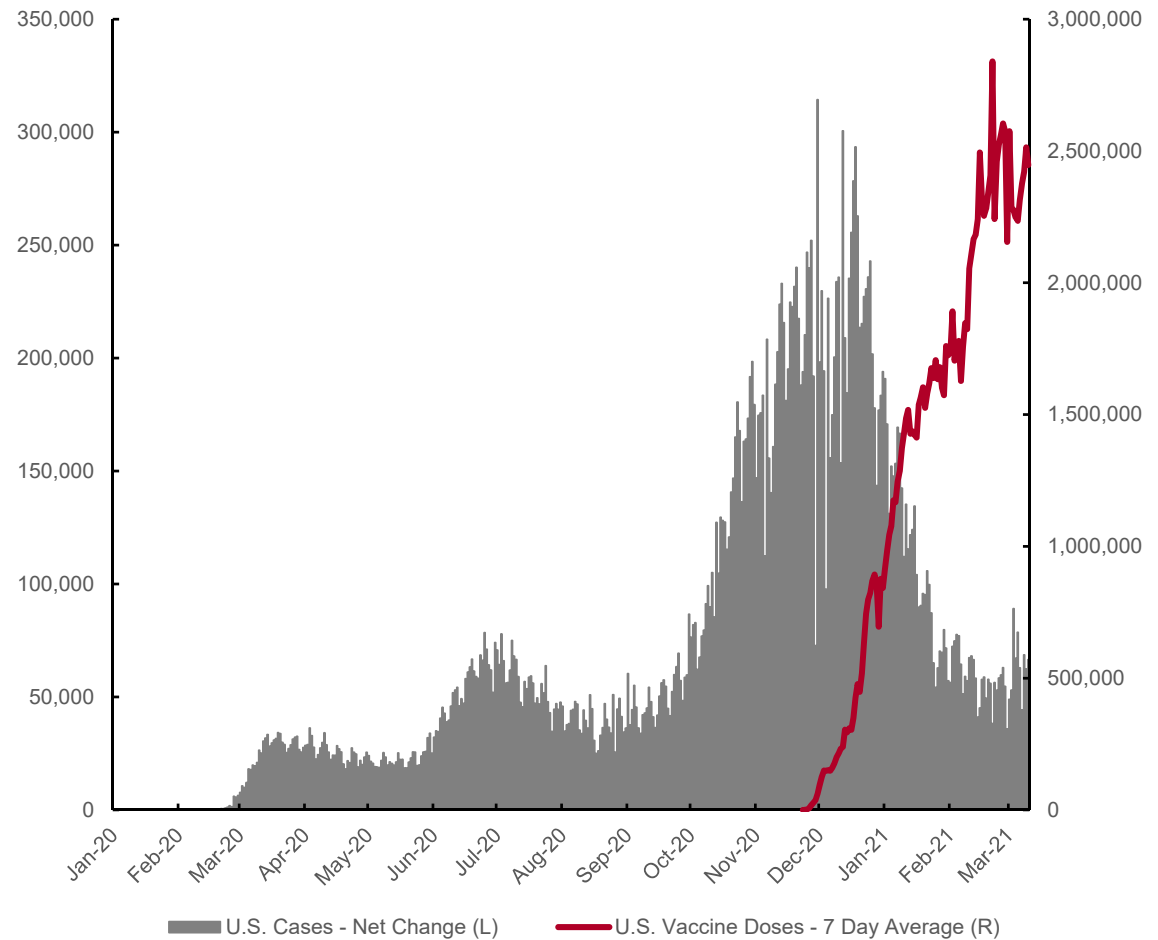
Equity market outperforms with broader recovery.

Risk: Sharply higher interest rates, and taxes.

COVID-19 CASE TRENDS

- With increased lockdowns to control the spread, case counts have declined rapidly.
- New variants still pose risks.
- U.S. has over 30 million cumulative known cases. Total infections are estimated to be about a third of the population.
- After a slow start, vaccine implementation is improving rapidly.
- Vaccines administered are averaging 2.5 million weekly.

U.S. COVID-19 Case Counts & Vaccinations

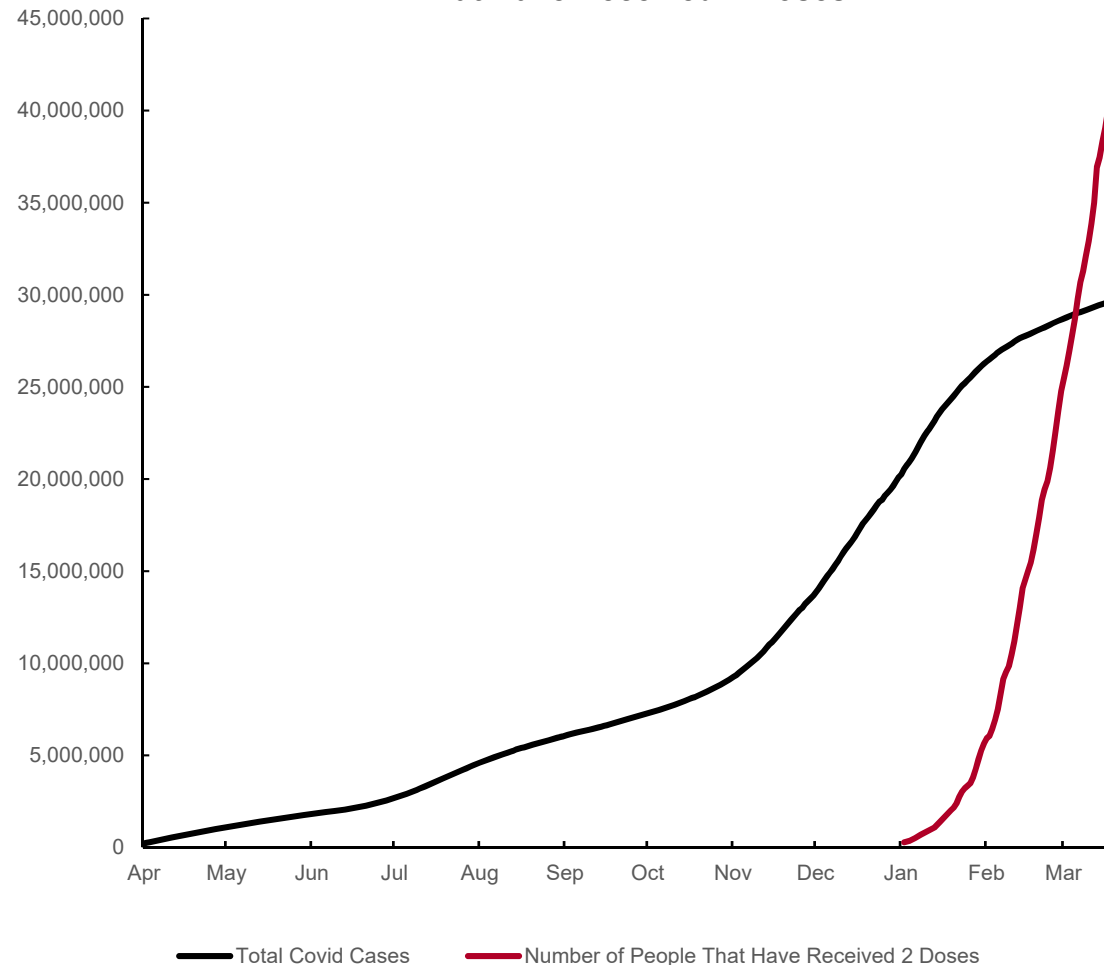


Source: Bloomberg. Data shown as of March 31, 2021.

PATH TOWARD REOPENING

- Pfizer, Moderna, and Johnson & Johnson (1-shot) vaccine production is ramping up quickly.
- The number of vaccine doses administered now exceeds the number of confirmed cases.
- 70% of U.S. will likely be vaccinated or have been infected by the end of June.
- Risks include lower natural immunity, vaccine efficacy and demand.

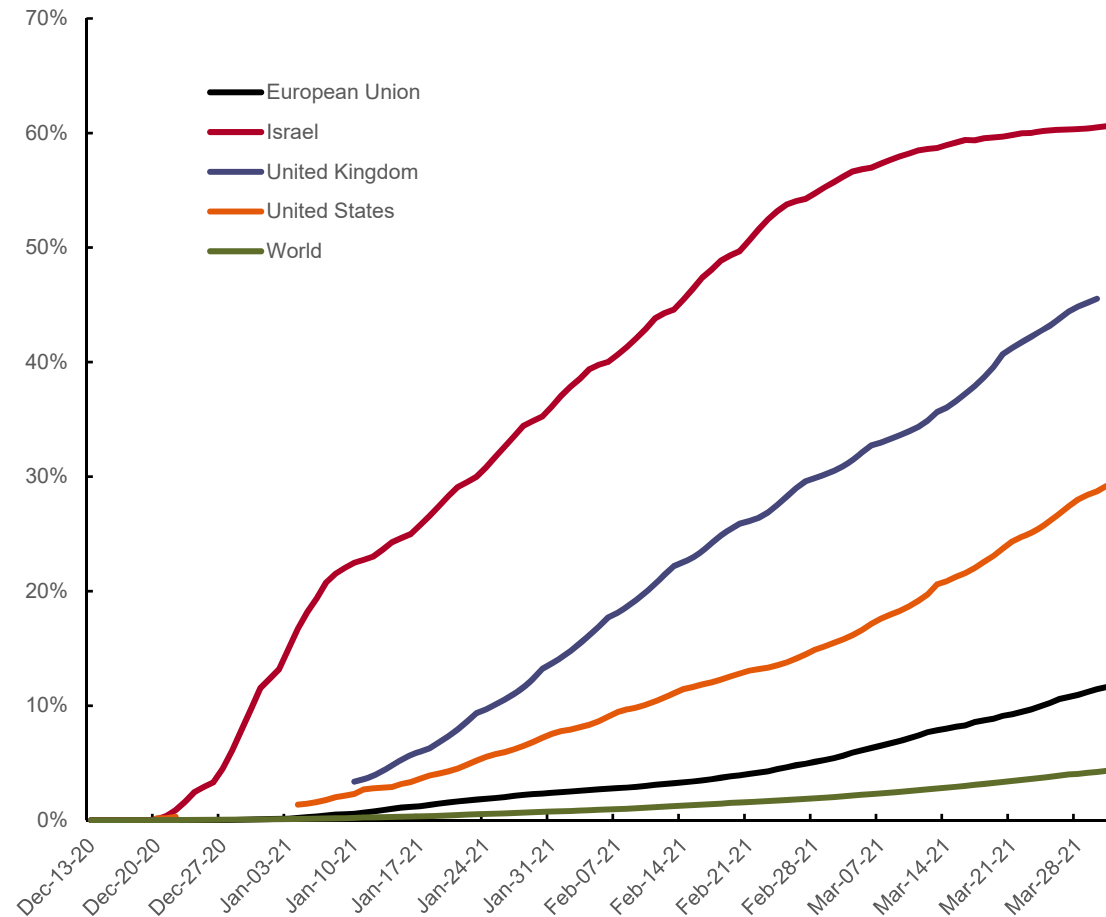
Total Confirmed COVID-19 Cases In U.S. vs. Number That Have Received 2 Doses



PATH TOWARD REOPENING

- Developed economies are leading with vaccine distribution.
- Nearly 25% of U.S. citizens have received at least one dose.
- Europe's vaccine rollout has been slower, and they have seen case count flare-ups.
- Vaccinations in emerging countries are delayed primarily due to lack of supply.
- Eventual excess supply of vaccines in the developed world may help the emerging markets.

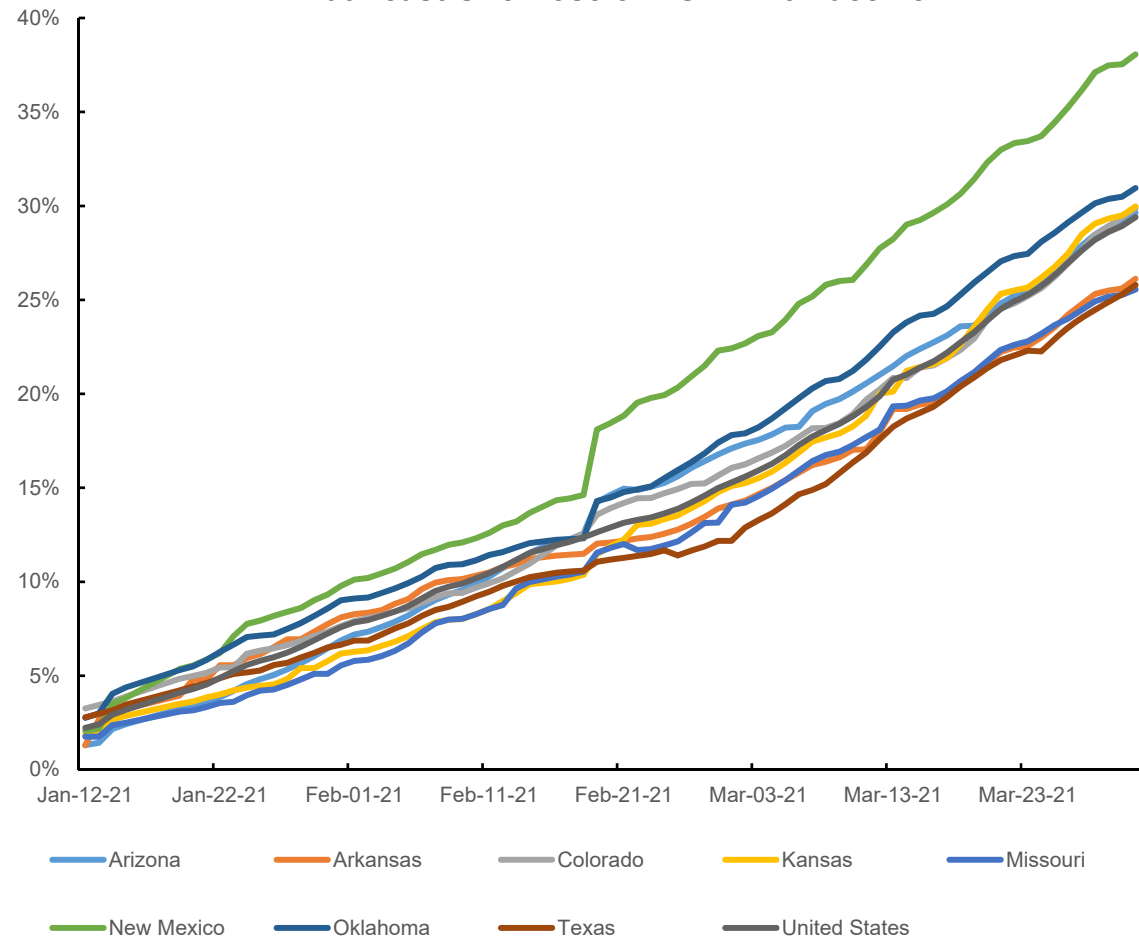
Share of People Who Received At Least One Dose of COVID-19 Vaccine



PATH TOWARD REOPENING

- With declining case counts and hospitalizations, more states are relaxing activity restrictions.
- Vaccine distribution and eligibility is increasing as production increases.
- Overall mobility, including air travel and restaurant activity, is starting to recover.

Regional U.S. States Share of People That Have Received at Least One Dose of COVID-19 Vaccine

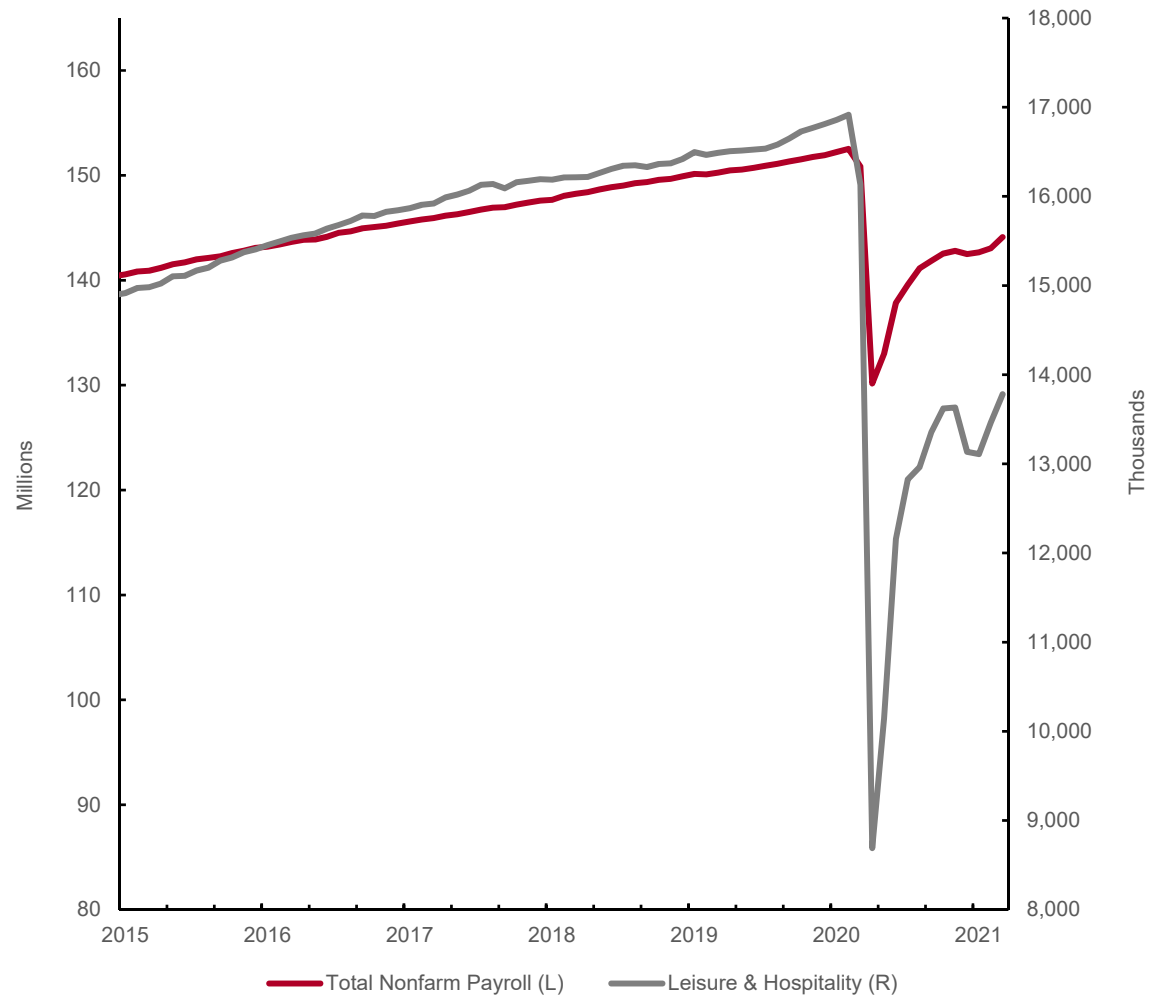


Source: Our World In Data. Data shown as of March 31, 2021.

EMPLOYMENT RECOVERY

- Total U.S. non-farm payrolls are down nearly 9 million from pre-pandemic February 2020 levels.
- The decline in leisure and hospitality jobs account for a third of the overall job losses.
- Job gains in virus-sensitive sectors should snap back as the economy fully reopens.

U.S. Total Nonfarm Payroll
U.S. Leisure & Hospitality Sector



Source: Bloomberg. Data shown as of March 31, 2021.

PERSONAL SAVINGS EXPLODED IN 2020

- Personal savings rate averaged over 17.5% during the last 12 months.
- Excess savings from 2020 will likely be spent in the economy in 2021 and 2022.
- The American Recovery Act will likely increase the personal savings rate as stimulus checks are distributed.



ANOTHER FISCAL INJECTION: “AMERICAN RESCUE PLAN”

- Another round of fiscal support (8% of GDP) to hit as U.S. economy reopens.
- Individuals with incomes of \$75k or less (\$150k for couples) qualify for \$1,400 payments.
- Enhanced unemployment insurance provides an extra \$300 per week until September 6th.

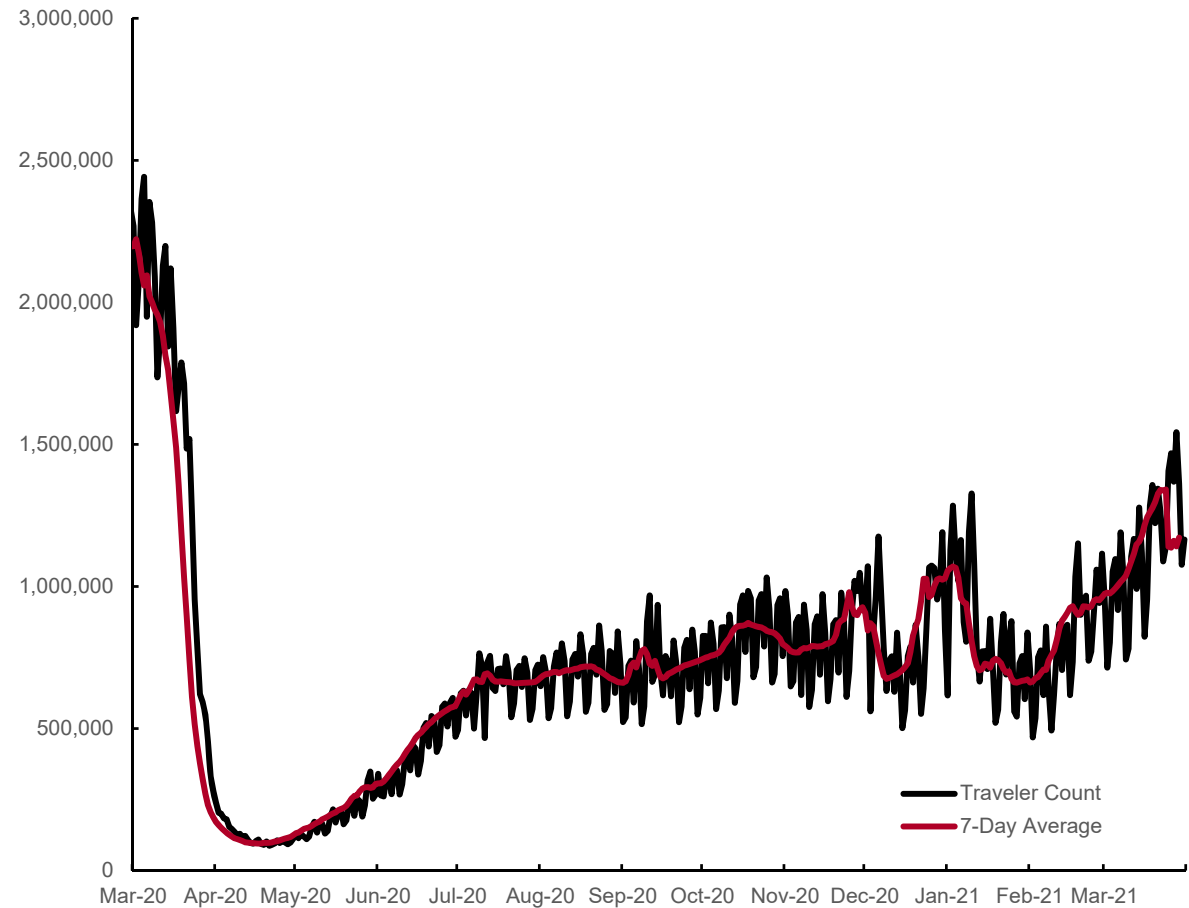
Biden’s \$1.9 Trillion Stimulus Plan (\$Bn)

	Cost
\$1,400 Rebates	\$465
State and Local Govt.	\$350
\$300/week UI thru Sept.	\$350
Schools & Colleges	\$170
Vaccines, Testing/Other	\$160
Child Tax, Credit	\$120
Child Care	\$40
Small Business	\$40
Housing	\$35
Public Transit	\$20
Paid Leave & Other	\$150
TOTAL	\$1,900

AIR TRAVEL – THE CENTER OF THE STORM

- Air travel dropped by more than 90% at the start of the pandemic.
- The number of travelers are steadily increasing as people become vaccinated and as businesses start opening back up.
- Significant pent-up demand for leisure and business travel may result in a travel boom in 2H2021 and 2022.

TSA Checkpoints: Total Traveler Throughput



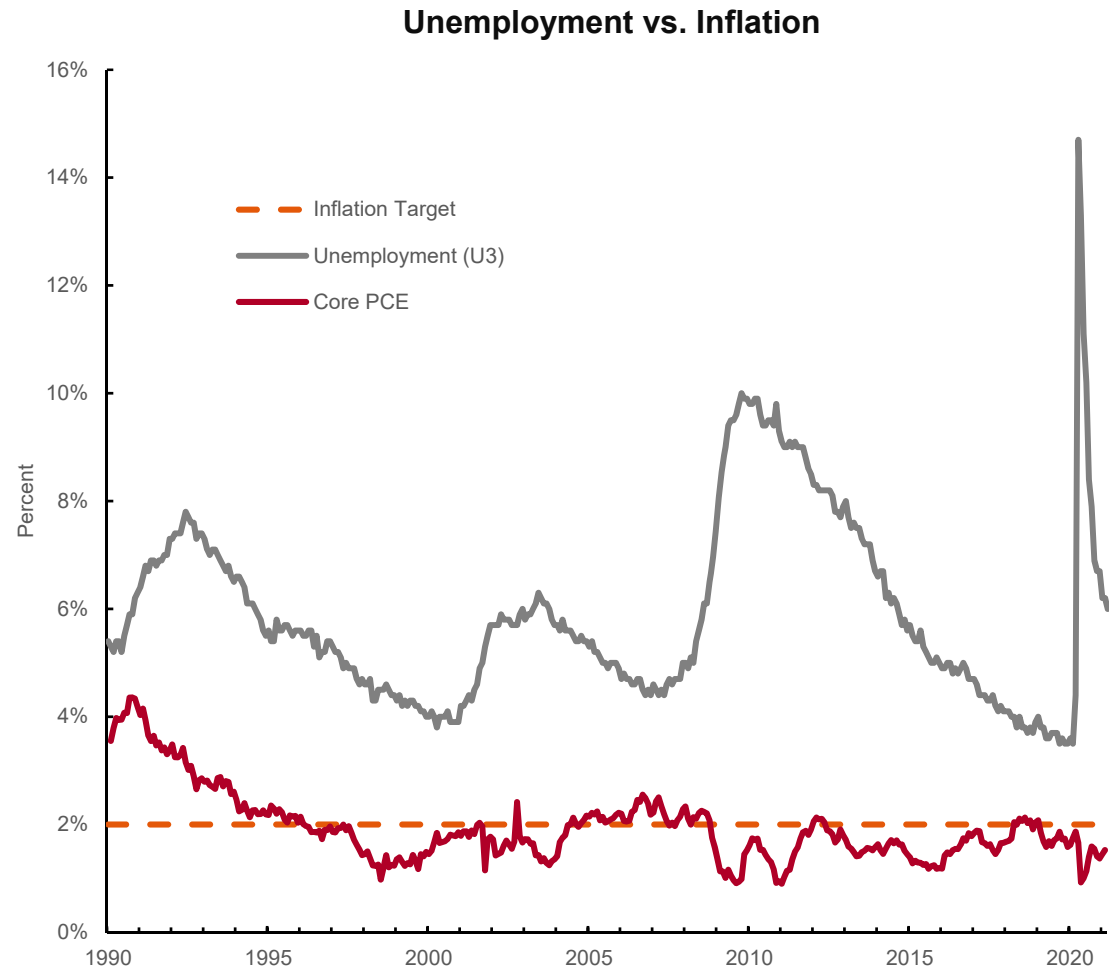
FEDERAL RESERVE'S ECONOMIC PROJECTIONS

- With economic reopening and massive fiscal stimulus, the Fed is also projecting very strong growth for 2021:
 - GDP: 6.5%
 - Unemployment Rate: 4.5% at 12/31/2021
- Core inflation projections are near 2%
- The median Fed Funds rate is currently projected to remain at 0.0% to 0.25%.

Variable	Median			
	2021	2022	2023	Longer Run
Change in Real GDP	6.5	3.3	2.2	1.8
Unemployment Rate	4.5	3.9	3.5	4
PCE Inflation	2.4	2	2.1	2
Core PCE Inflation	2.2	2	2.1	
Memo: Projected appropriate policy path				
Federal Funds Rate	0.1	0.1	0.1	2.5

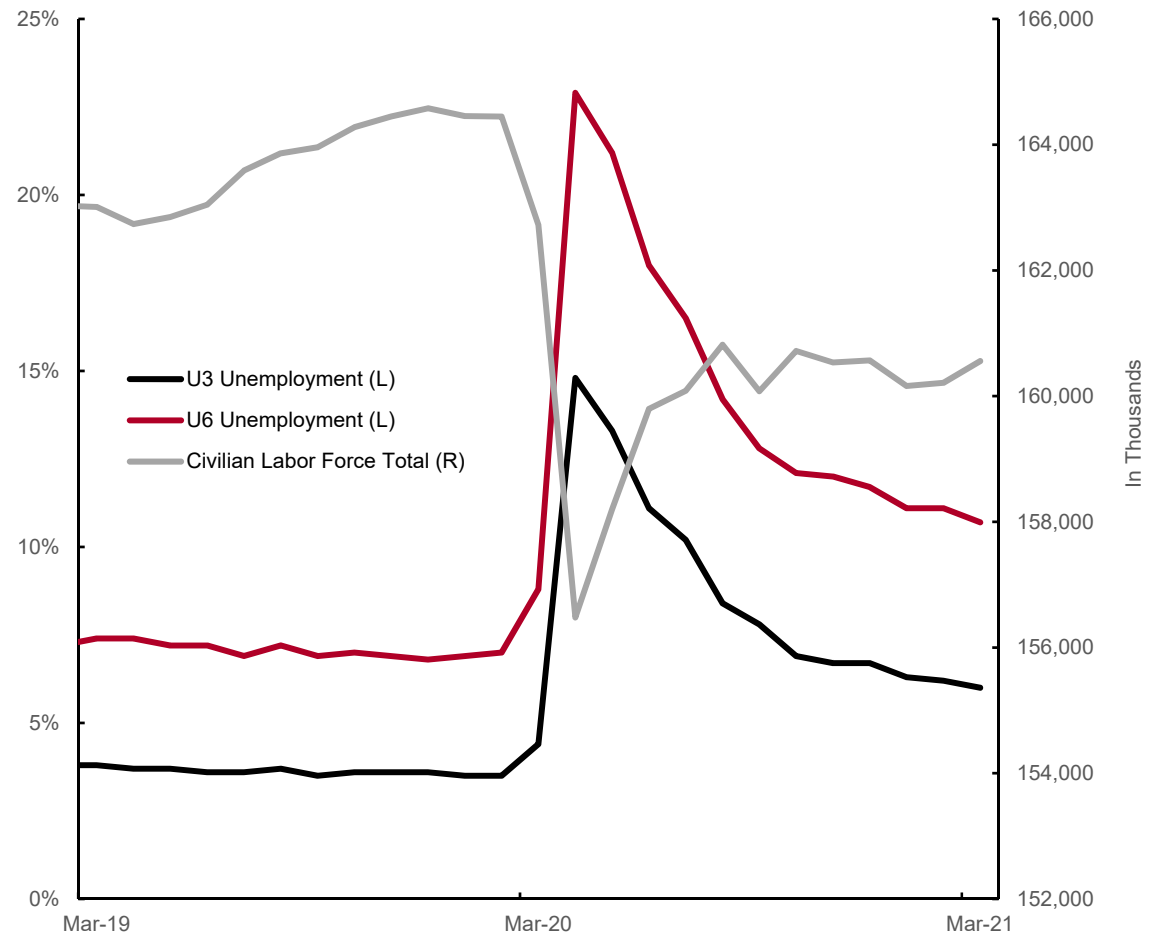
FEDERAL RESERVE'S NEW MONETARY POLICY FRAMEWORK

- Short term rates expected to remain near 0% until three conditions are met:
 1. Economy reaches maximum sustainable employment.
 2. Inflation has risen to 2%.
 3. Inflation is on track to moderately exceed 2% for some time.
- The Fed wants to see real economic progress toward goals rather than forecasts.



MAXIMUM EMPLOYMENT GOAL IS BROAD AND INCLUSIVE

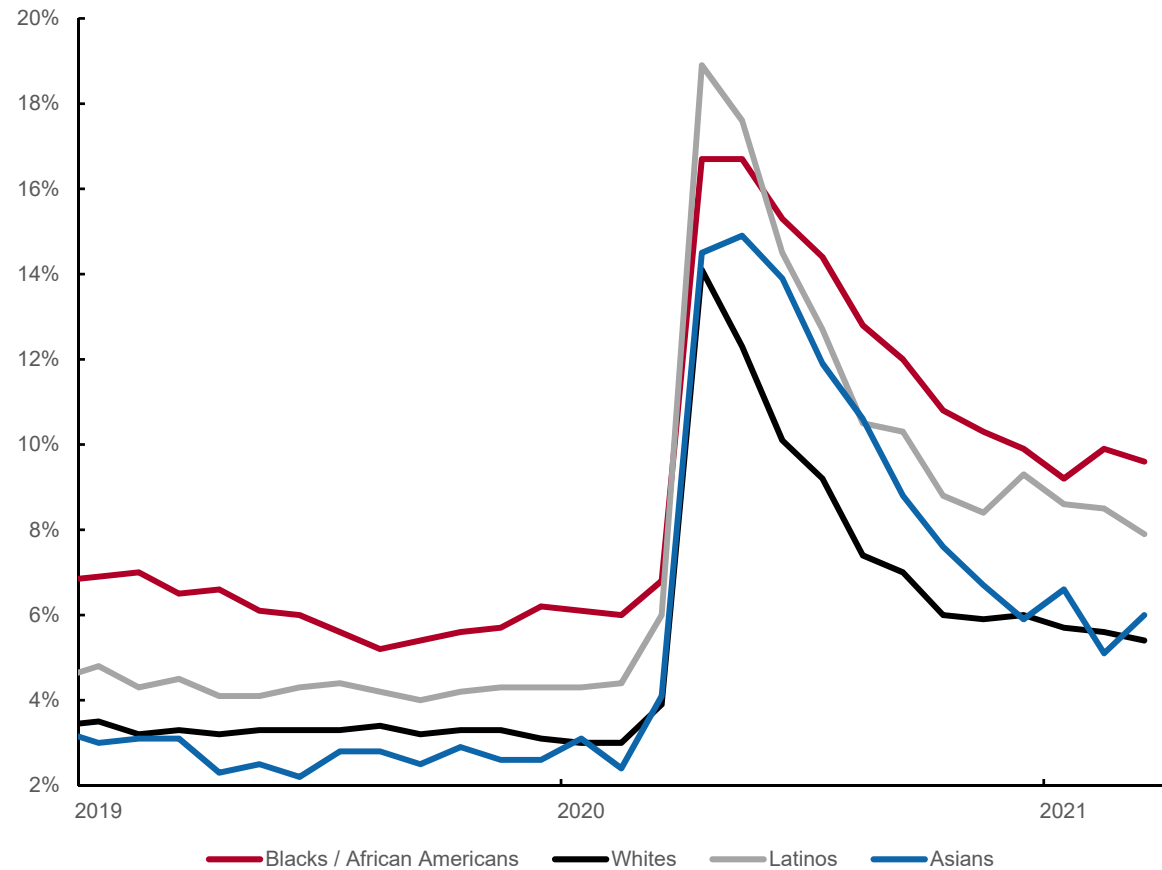
- The Fed sees a lot of labor market slack beyond the headline U-3 unemployment number.
- The Fed points out the 10.7% U-6 unemployment rate, which includes people who are working part-time for economic reasons and those who are marginally attached to the labor force.
- The Fed is also taking into consideration the more than 4 million workers who have left the labor force.



MAXIMUM EMPLOYMENT GOAL IS BROAD AND INCLUSIVE

- Minorities are overrepresented in industries hit harder by the pandemic.
- Unemployment rates by demographic:
 - White 5.4%
 - Black 9.6%
 - Hispanic 7.9%
 - Asian 6.0%

U.S. Unemployment Across Demographics



INFLATION AND LONG TERM INTEREST RATES

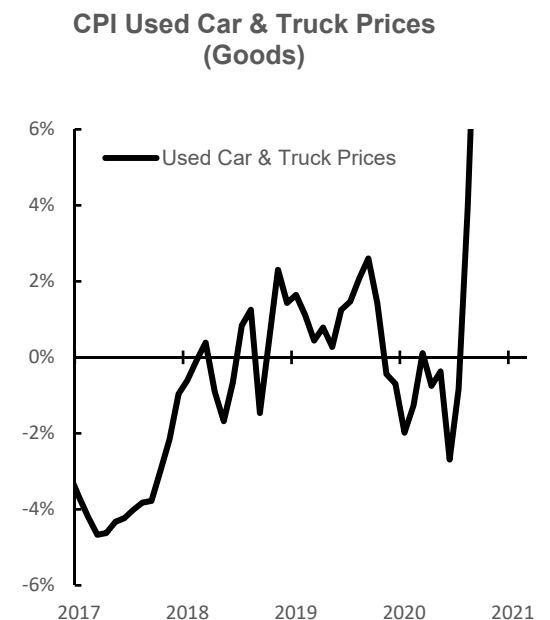
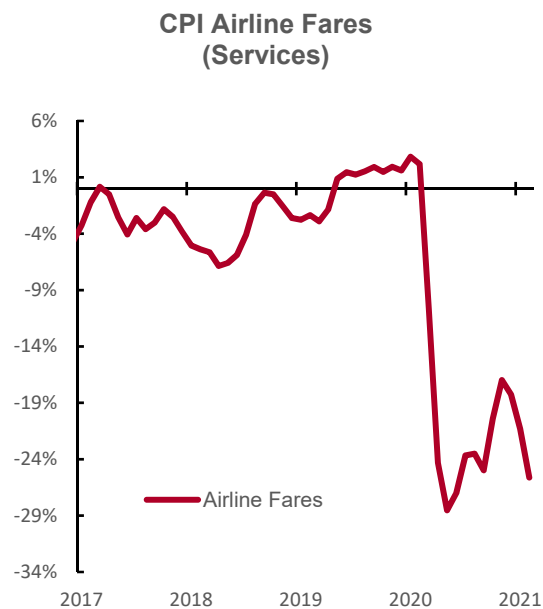
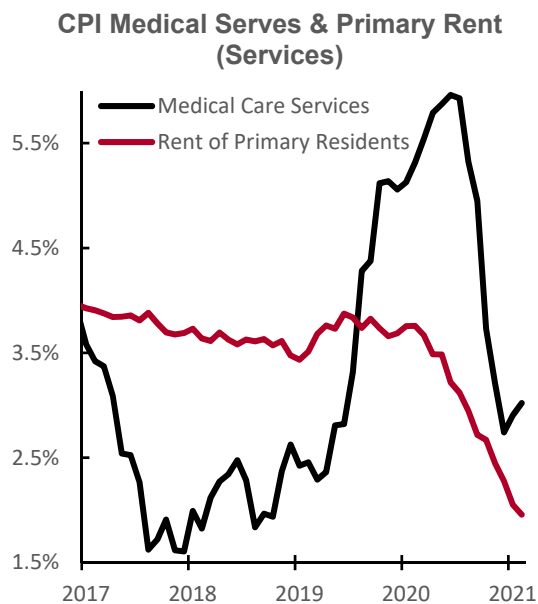
- Long term interest rates trending higher primarily due to better growth and higher inflation expectations.
- Credit spreads have remained low and support equities.
- Expect steeper yield curves as Fed keeps short term rates pegged at 0%, and lets the economy run hot.
- Higher deficits, increased bond supply, and an easy Fed are concerns especially in 2022.

U.S. 10-Year Treasury Yield & 10-Year Inflation Breakeven



GOODS VS. SERVICES PRICE TRENDS

- During the pandemic, prices for household furnishing, appliances, and cars spiked on supply bottlenecks and low inventories.
- 2021 demand is expected to shift more towards services.
- Rents in urban areas are expected to stabilize as larger metropolitan areas fully reopen, and eviction moratoriums and rent freezes are no longer needed.
- Expect a surge in travel and demand for medical services with reopening.
- Much of the coming price increases are reflation, not inflation.

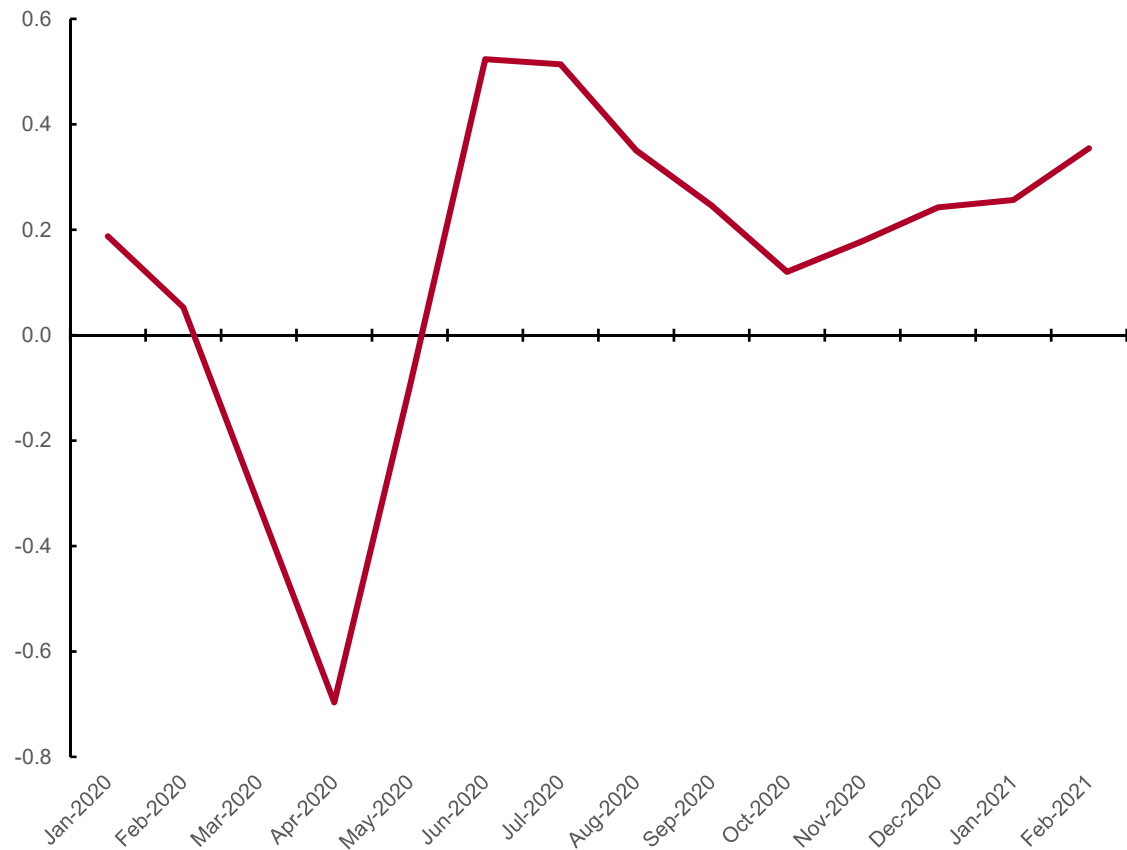


Source: Federal Reserve Bank of St. Louis. Data shown as of March 18, 2021.

INFLATION SPIKES DUE TO BASE EFFECTS

- It is well known that year-over-year inflation rates will rise when we drop off the negative CPI prints from March to May 2020.
- A spike in headline inflation rates is likely, but a sustainable surge is unlikely.

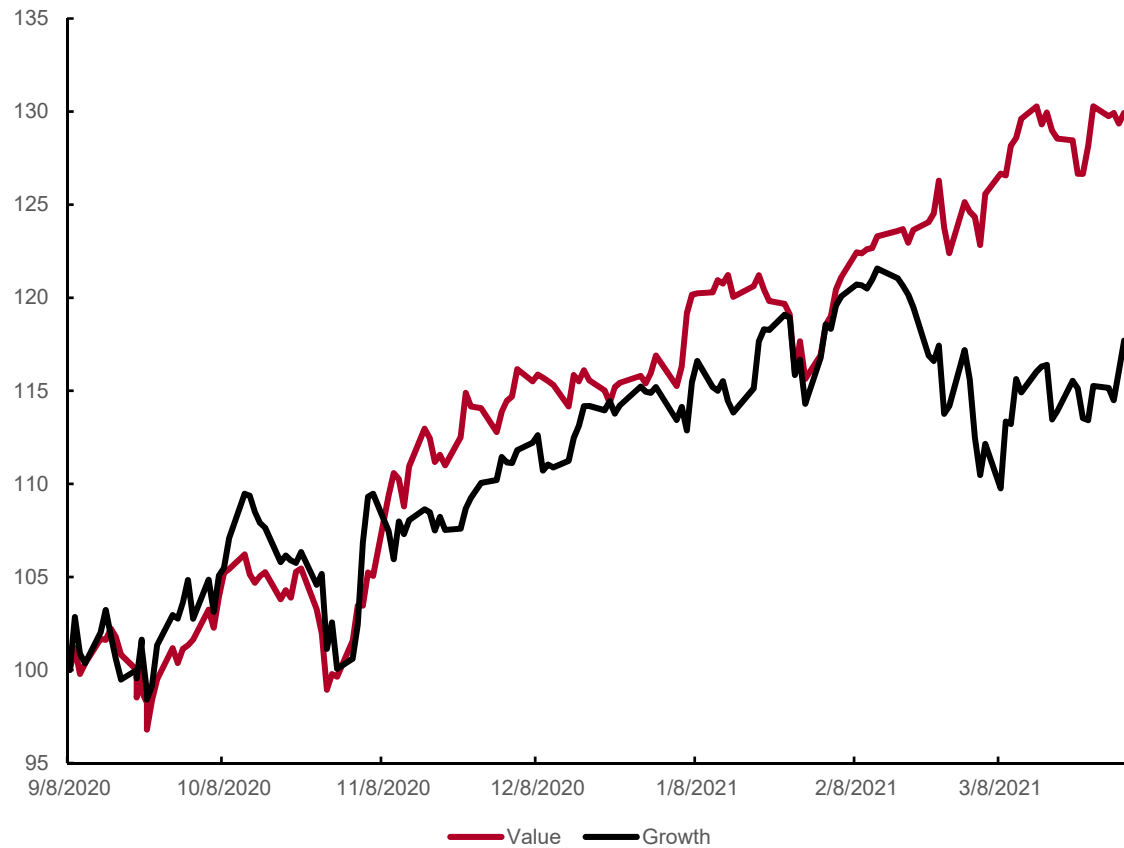
Consumer Price Index, Percent Change Month-Over-Month



U.S. VALUE STOCKS OUTPERFORMING

- Cyclical, industrials, energy and financials outperforming.
- Higher inflation may lengthen this trend.

Russell 1000 Value vs Russell 1000 Growth



OUTPERFORMING EQUITY SECTORS: ENERGY & BANKS

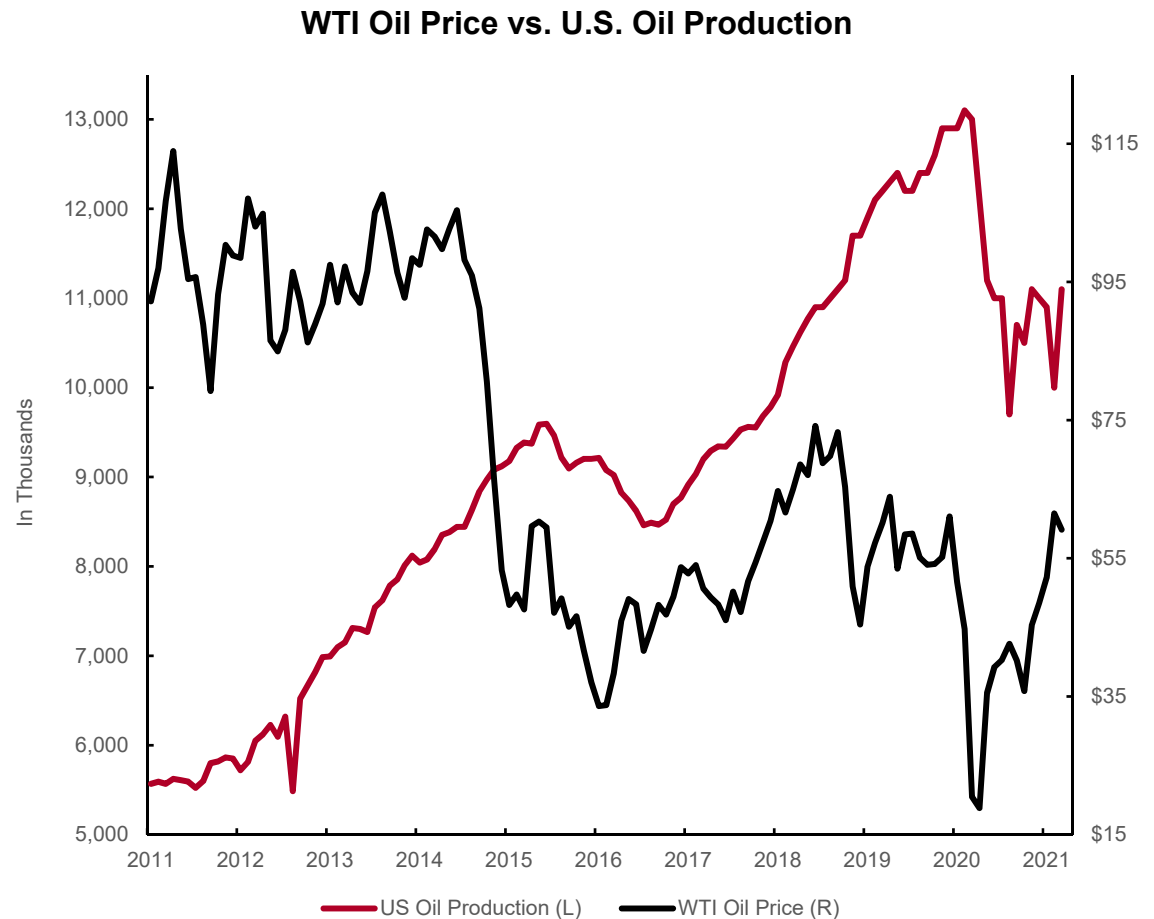
- Higher interest rates and a steeper yield curve bode well for financials.
- Higher oil prices and a stronger economy bode well for the energy sector.

Russell 1000 Index, Including Banks and Energy



THE SHALE REVOLUTION RESULTED IN LOWER PRICES

- The discovery of shale oil in the Eagle Ford, Bakken, and Permian basins had a dramatic impact on the US oil and gas industry.
- Growth in U.S. production satisfied much of the world's incremental oil demand over the past decade
- As U.S. oil producers continued to increase production, oil became plentiful, and we experienced a major oil collapse in 2015.
- A collapse in demand from COVID-19 created a massive dislocation in price in 2020.



PUBLIC EQUITY ENERGY RETURNS WERE ABYSMAL

- Despite U.S. producers growing production over the decade, energy equities were poor performers.
- As the energy space has consolidated, perhaps the next decade brings more restraint and a focus on cash returns.
- As the economic expansion begins, demand should recover to pre-COVID levels in 2022.

S&P 500 Performance vs. XLE (Energy Performance)



INTERNATIONAL EQUITY MARKETS

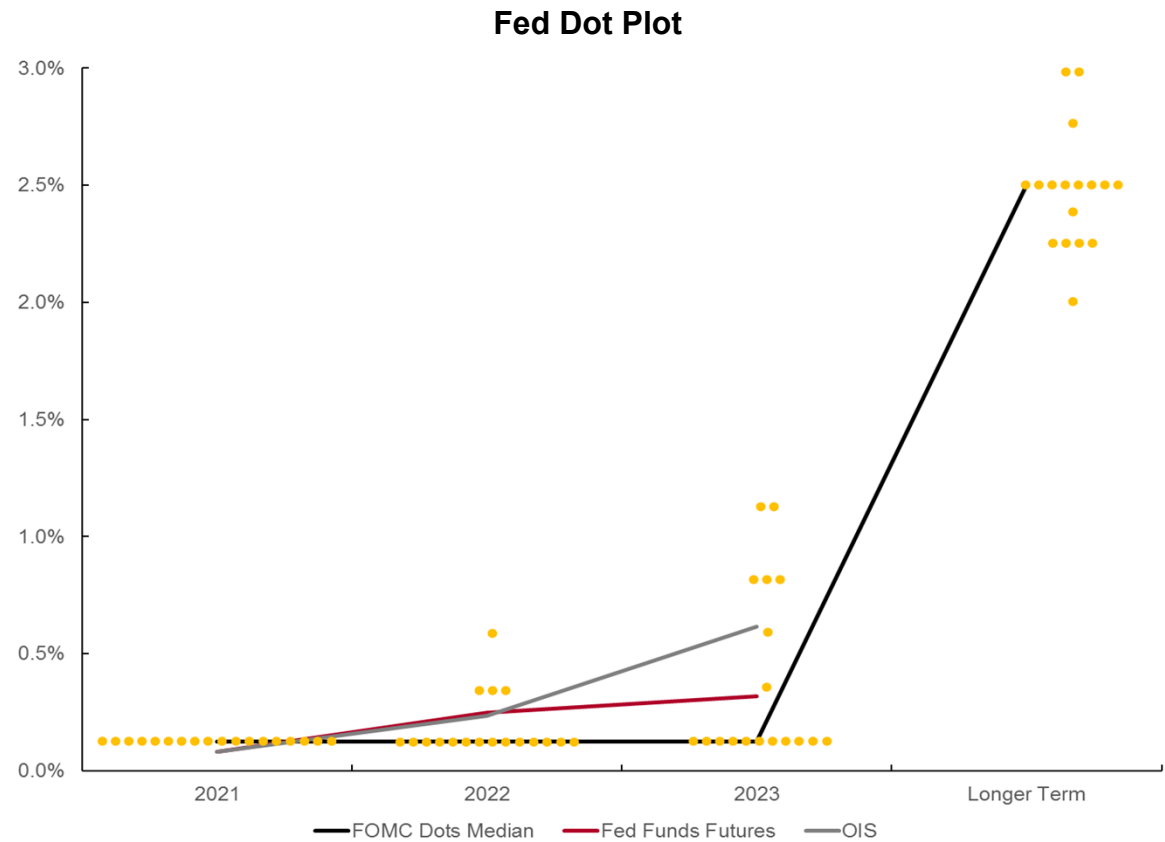
- Major international equity indices are more positively correlated with value and reflation trade.
- Emerging market equity indices have struggled recently with the speed of the rise in U.S. rates and the upward trend in the U.S. dollar.
- E.U. and Japanese financial bank stocks have performed well in anticipation of strong global growth.
- While relations with U.S. haven't improved, China growth is strong and driving demand for basic commodities.

International & Emerging Markets, Versus S&P 500 Index



WHAT IS THE MARKET PRICING IN?

- The bond market is pricing in future rate hikes
- Market based indicators are pricing in faster rate increases than the Fed's current forecast.



ON THE HORIZON

Potential Fed QE Taper in 2022

- Timing tied to Fed's employment & inflation goals
- Plan communicated well in advance
- Use similar approach as 2013-2014

Another trillion dollar+ fiscal package

- Clean energy & efficiency
- Traditional infrastructure
- Child care
- Health insurance
- Taxes
 - Upper income wage earners
 - Corporate
 - Estate
 - Cap gains and dividends

BROAD MARKET OVERVIEW

Returns (%)	3 Mo.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.
Capital Markets					
DJ Industrial Average TR USD	8.29	53.78	13.60	15.99	13.09
NASDAQ 100 TR USD	1.76	68.88	27.00	25.22	20.17
Russell 3000 TR USD	6.35	62.53	17.11	16.64	13.79
S&P 500 TR USD	6.17	56.35	16.77	16.30	13.91
Domestic Large Cap Equities					
Russell 1000 TR USD	5.91	60.59	17.31	16.66	13.97
Russell 1000 Value TR USD	11.26	56.09	10.96	11.74	10.99
Russell 1000 Growth TR USD	0.94	62.74	22.79	21.05	16.63
Domestic Mid Cap Equities					
Russell Mid Cap TR USD	8.14	73.64	14.73	14.68	12.47
Russell Mid Cap Value TR USD	13.05	73.76	10.69	11.60	11.05
Russell Mid Cap Growth TR USD	-0.57	68.61	19.40	18.39	14.11
Domestic Small Cap Equities					
Russell 2000 TR USD	12.70	94.85	14.76	16.36	11.68
Russell 2000 Value TR USD	21.17	97.05	11.57	13.56	10.06
Russell 2000 Growth TR USD	4.88	90.20	17.16	18.61	13.02
International Equities					
MSCI EAFE NR USD	3.48	44.57	6.02	8.85	5.52
MSCI EAFE Value NR USD	7.44	45.71	1.85	6.57	3.65
MSCI EAFE Growth NR USD	-0.57	42.59	9.84	10.84	7.21
MSCI ACWI Ex USA NR USD	3.49	49.41	6.51	9.76	4.93
MSCI EM NR USD	2.29	58.39	6.47	12.07	3.65
Cash & Fixed Income					
FTSE Treasury Bill 3 Mon USD	0.02	0.21	1.45	1.15	0.60
BBgBarc US Agg Bond TR USD	-3.37	0.71	4.65	3.10	3.44
BBgBarc Gbl Agg Ex USD TR Hdg USD	-1.90	1.45	3.88	3.28	4.22
BBgBarc US Corporate High Yield TR USD	0.85	23.72	6.84	8.06	6.48
Alternatives					
MSCI US REIT GR USD	8.76	37.69	9.51	5.32	8.53
Bloomberg Commodity TR USD	6.92	35.04	-0.20	2.31	-6.28

Source: Morningstar. Data shown as of March 31, 2021.

ASSET CLASS QUILT

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD	
7.84%	18.22%	38.82%	13.69%	5.67%	21.31%	37.28%	3.17%	36.39%	38.49%	12.70%	Best Performing ↑ ↓ Worst Performing
4.98%	17.51%	34.76%	13.45%	1.38%	17.34%	30.21%	0.01%	31.49%	19.96%	11.26%	
3.94%	17.32%	33.48%	13.22%	1.36%	17.13%	25.03%	-1.51%	30.54%	18.40%	8.14%	
2.64%	17.28%	32.53%	13.05%	0.55%	13.80%	21.83%	-2.08%	26.54%	18.31%	6.17%	
2.11%	16.35%	32.39%	8.79%	-0.81%	11.96%	18.52%	-4.38%	25.52%	17.10%	3.48%	
0.39%	16.00%	22.78%	5.97%	-2.44%	11.19%	14.65%	-8.27%	22.01%	7.82%	2.29%	
-1.55%	15.81%	7.44%	4.89%	-3.83%	7.08%	13.66%	-9.06%	18.44%	7.51%	0.94%	
-4.18%	15.26%	1.18%	2.45%	-4.41%	4.90%	7.50%	-11.01%	14.32%	7.11%	0.85%	
-12.14%	6.46%	-2.02%	-2.19%	-4.47%	2.65%	3.54%	-13.79%	8.72%	3.94%	-1.90%	
-18.42%	4.21%	-2.60%	-4.90%	-14.92%	1.00%	2.48%	-14.58%	7.57%	2.80%	-3.37%	

S&P 500
Large Cap Value
Large Cap Growth

Mid Cap Blend
Small Cap Blend
Foreign Bonds

Foreign Stocks
Emerging Markets
High Yield

Bonds

Source: Morningstar. Data shown as of March 31, 2021.

EQUITY RETURNS ACROSS PERIODS

3 Month

	Value	Core	Growth
Large	11.3	6.2	0.9
Mid	13.1	8.1	-0.6
Small	21.2	12.7	4.9
Int'l	7.1	3.5	-0.1

1 Year

	Value	Core	Growth
Large	56.1	56.4	62.7
Mid	73.8	73.6	68.6
Small	97.1	94.8	90.2
Int'l	48.7	49.4	49.4

3 Year

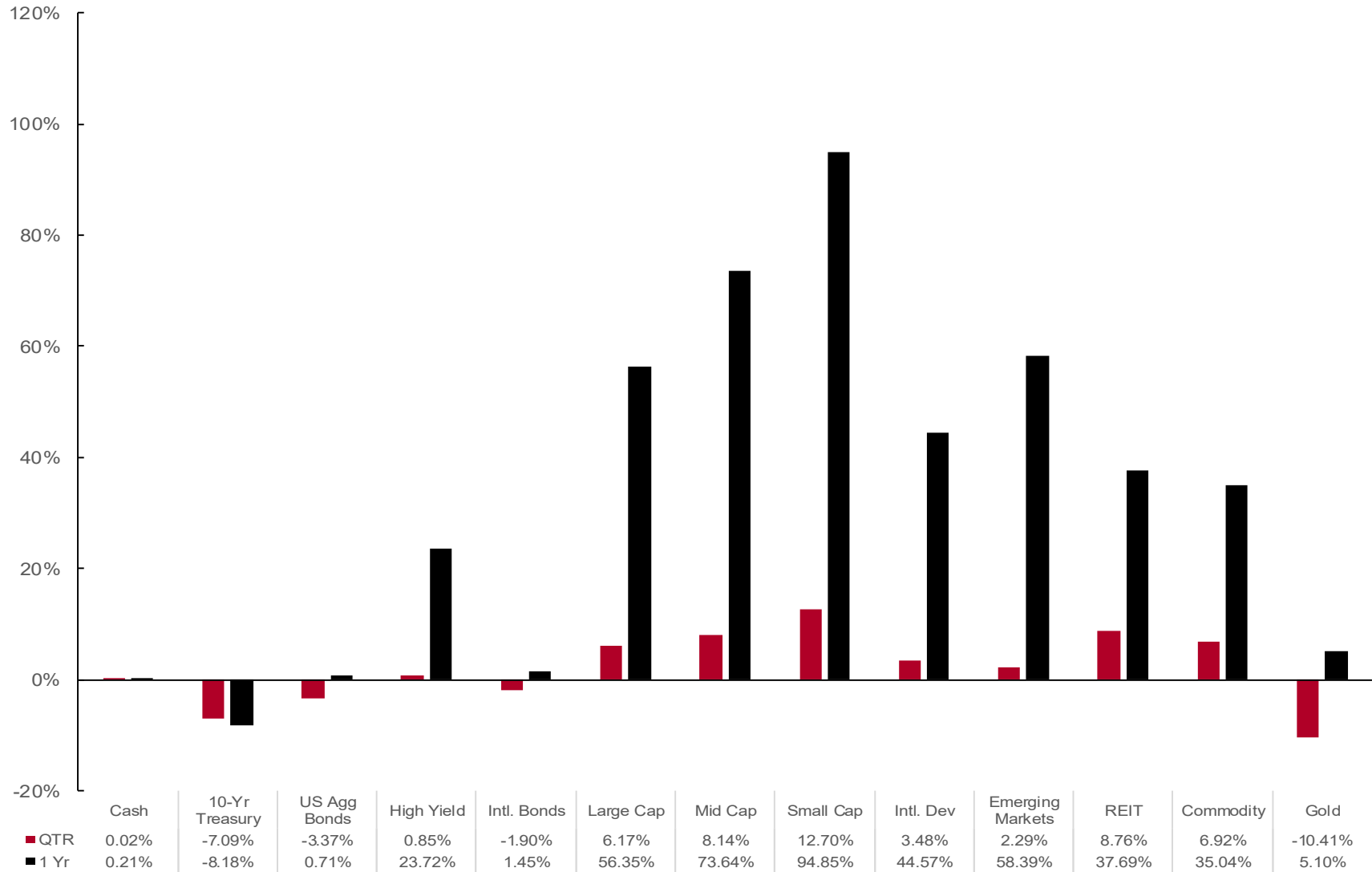
	Value	Core	Growth
Large	11.0	16.8	22.8
Mid	10.7	14.7	19.4
Small	11.6	14.8	17.2
Int'l	2.4	6.5	10.3

5 Year

	Value	Core	Growth
Large	11.7	16.3	21.1
Mid	11.6	14.7	18.4
Small	13.6	16.4	18.6
Int'l	7.2	9.8	12.0

Source: Morningstar. Returns in the style boxes are represented by the Russell indexes and the S&P 500 for the Large Cap Core space. Returns in the international boxes are represented by the MSCI ACWI Ex USA indexes. Boxes shown in red represent returns below 0%. Gray boxes represent returns between 0% and 10%. Returns above 10% are shown in black. Data shown as of March 31, 2021.

MARKET SUMMARY



Source: Morningstar. Data shown as of March 31, 2021.


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