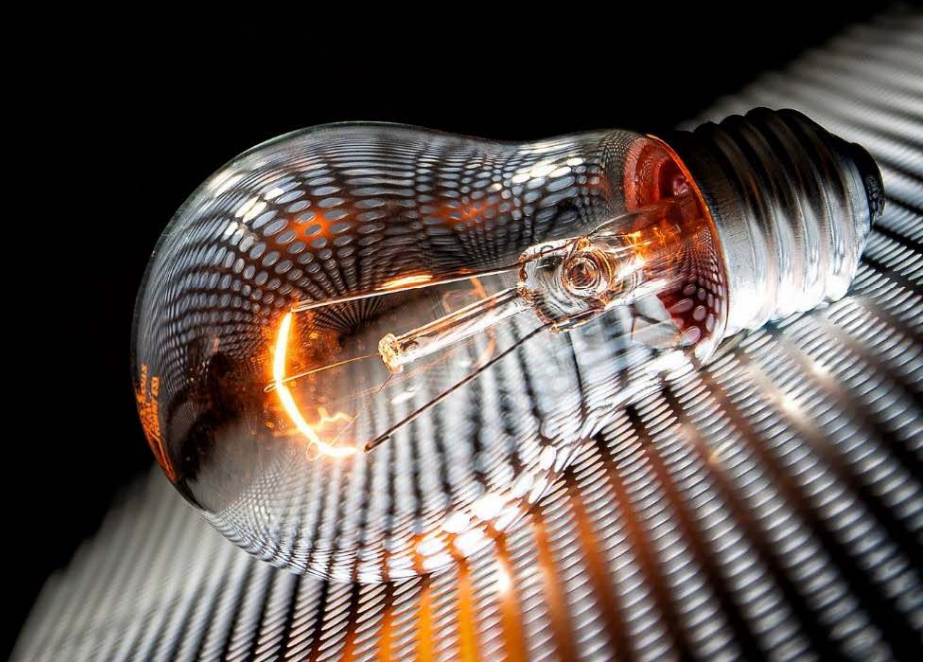


MARKET INSIGHTS

Second Quarter 2021



Version 1

KEY POINTS

- 1** COVID-19 data continues to improve as vaccinations become more widely administered. New virus variants still pose a threat primarily to those who remain unvaccinated.
- 2** Economic growth is robust and consumers are in good financial shape to support above trend growth going forward.
- 3** As the economy reopened, supply chain disruption coupled with demand shocks for both labor and commodities has resulted in significant inflation. Though we see this inflation as transitory, it bears monitoring.
- 4** The Federal Reserve remains accommodative but has begun to discuss plans to reduce “quantitative easing” and has indicated interest rates may rise in 2023.
- 5** Equity valuations remain high by historical standards but, the outlook for economic growth and earnings is strong. Additionally, low levels of interest rates keep equity valuations supported on a relative basis.

BASE CASE OUTLOOK



Economy

2021 U.S. economic boom with full reopening and continued fiscal and monetary accommodation.

Risk: COVID-19 variants that resist vaccines, delay the reopening.



Policy

Fed remains accommodative and fiscal policy supports economic growth.

Risk: Sustainable inflation surge.



Markets

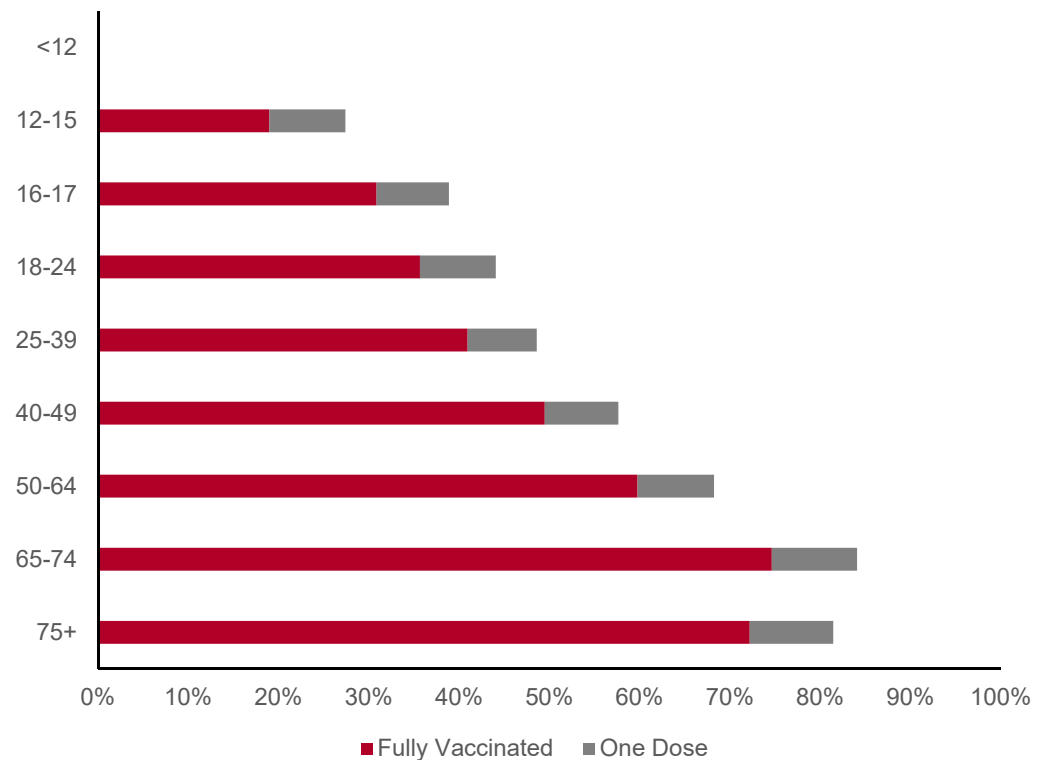
Equity market outperforms with broader recovery.

Risk: Sharply higher interest rates and taxes.

U.S.: A SUCCESSFUL VACCINE ROLLOUT

- As of June 30th, 67% of adults in the U.S. have been vaccinated.
- Overall, the level of vaccinations will continue to drive our recovery, with the potential for variants to have a negative impact.
- Vaccinations among younger age groups are low, which could impact the re-opening of schools and colleges in the fall.

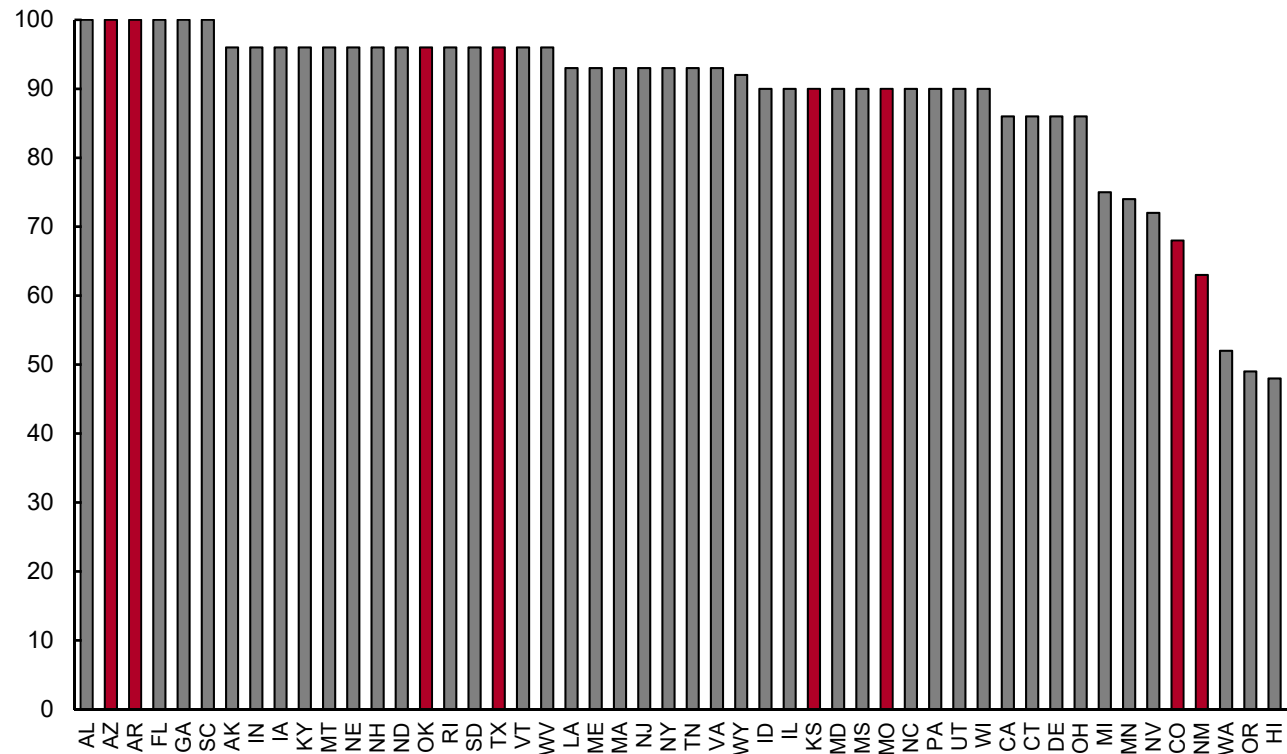
Percentage of People Vaccinated for COVID by Age Range



STATE REOPENINGS UNEVEN

- Higher vaccination rates and lower case counts have allowed the economic reopening.
- The recovery among states has been somewhat uneven, with states across the South almost fully reopened, while other states have lagged.

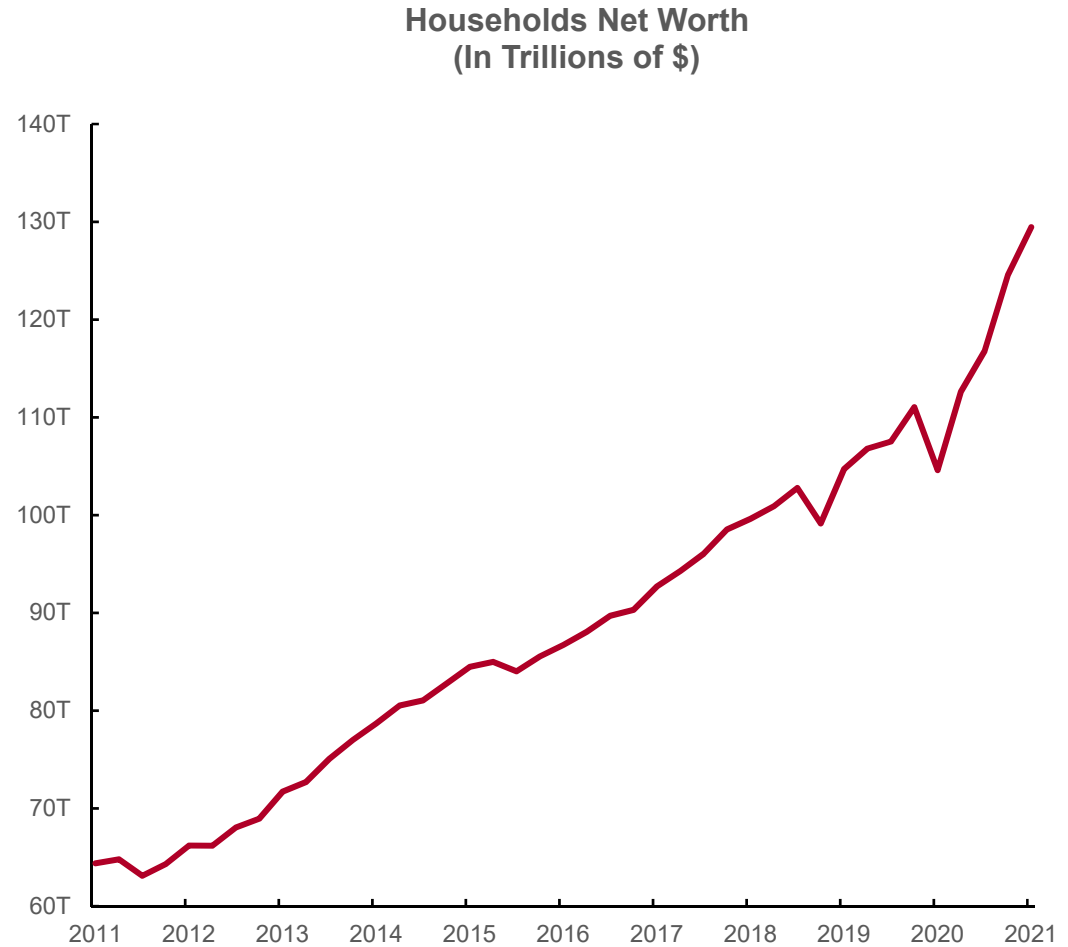
**U.S. States Economy Reopening Scores
(Multistate)**
100% = Fully Reopened



Source: Strategas. Data shown as of June 30, 2021.

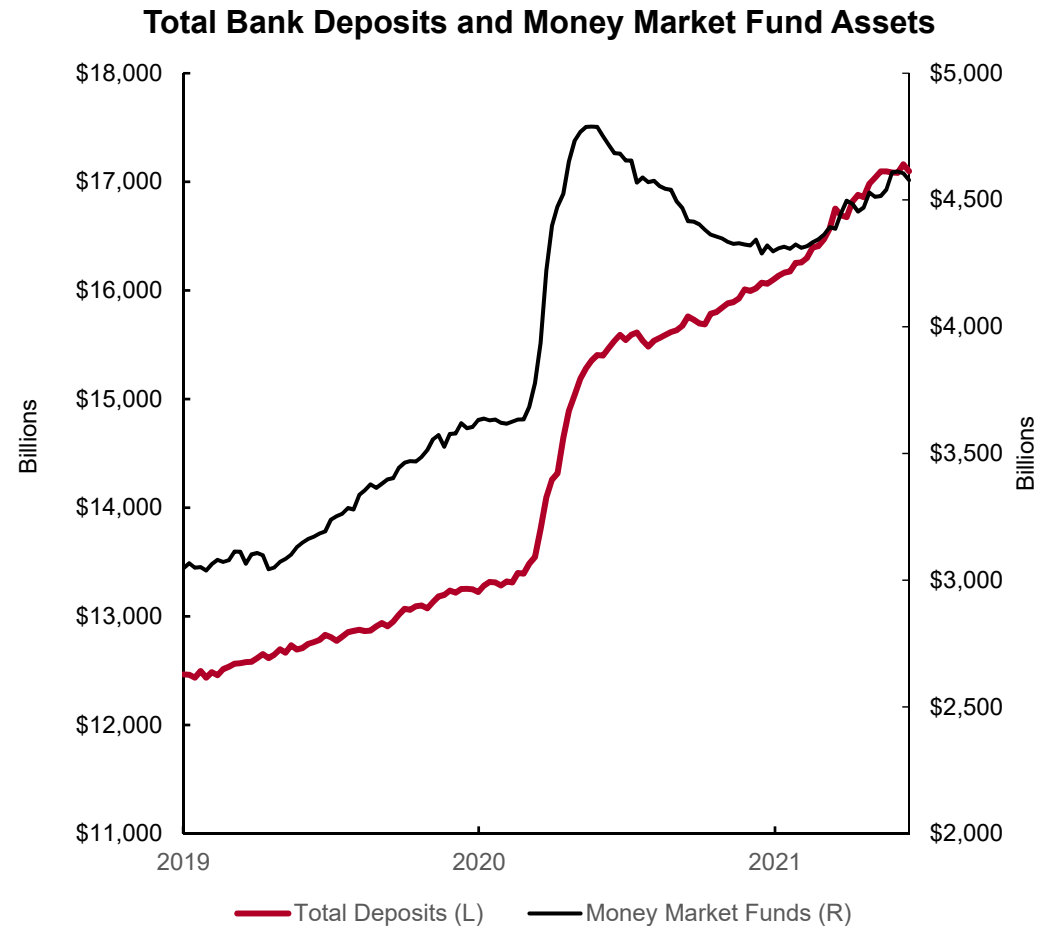
U.S. HOUSEHOLDS: FINANCIAL STRENGTH

- Household net worth is at record highs.
- The increase in wealth is due to:
 - Above average savings
 - Home value appreciation
 - Stock market rally – stocks are 20% higher than pre-pandemic levels.



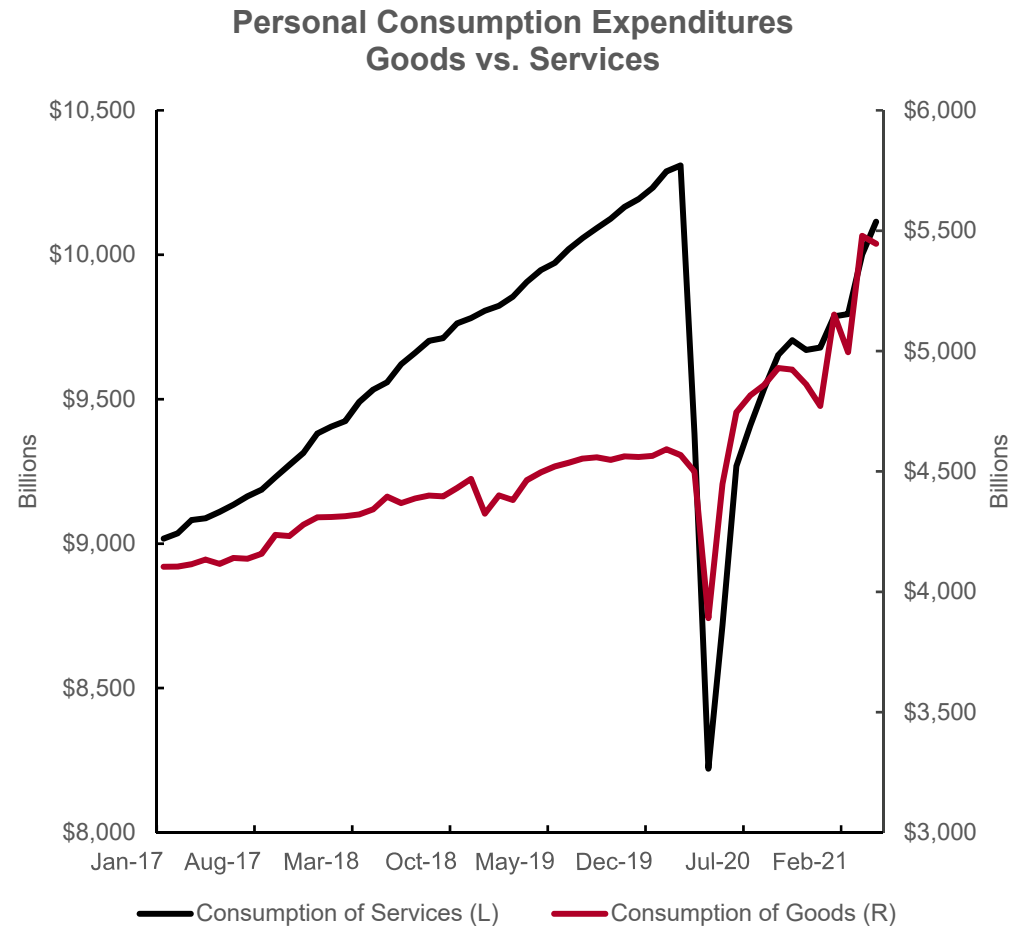
EXCESS CASH SAVINGS

- The high level of excess savings will contribute to our economic growth in the coming quarters.
- Households accumulated an estimated \$2.5 trillion in excess savings during the pandemic.



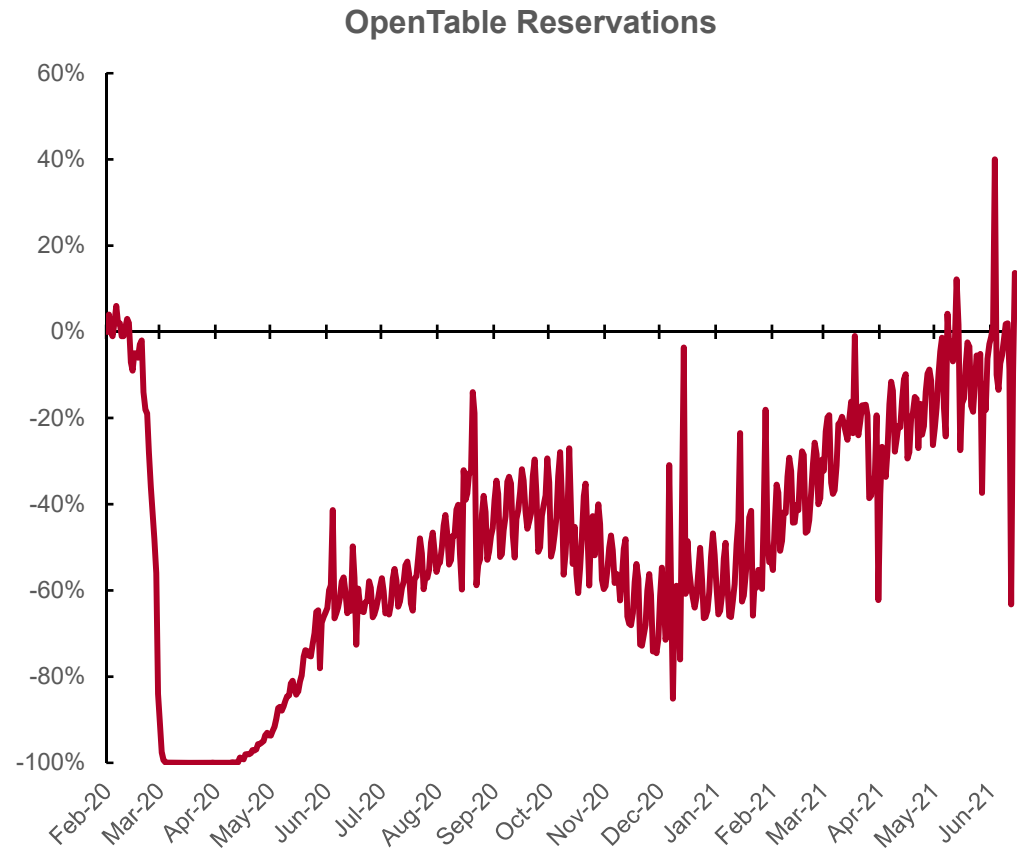
PERSONAL CONSUMPTION OF GOODS vs. SERVICES

- After an initial drop from the pandemic, consumption of goods rebounded to all-time highs.
- Federal transfer payments and higher savings boosted the demands for goods, which appears to be at a short term peak.
- Services, while improving, have remained below the pre-pandemic trend.
- Services have a large multiplier effect on the economy as money spent on services tends to stay within the U.S.
- Services, such as travel and entertainment, are expected to increase through this year and into 2022.



DINNER RESERVATIONS

- As the economy reopens, consumers have returned to restaurants and other leisure and entertainment.
- Reservations through OpenTable show numbers rebounded quite strongly to pre-pandemic levels in May.
- As more states fully reopen, we expect these numbers to continue to improve and likely exceed pre-pandemic levels.



COMMODITY SPOT PRICES

- Supply chain disruptions have added to commodity price increases.
- Consumer and industrial demand has been surprisingly strong.
- Commodity prices have historically been volatile and, as such, are not as impactful to longer term inflation trends or Federal Reserve monetary policy decisions.

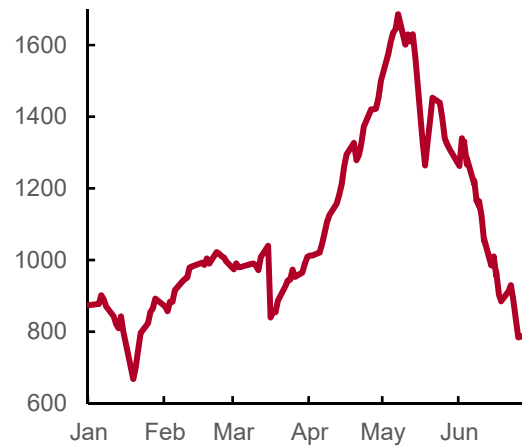
Commodity Research Bureau BLS/US Spot All Commodities



COMMODITY PRICES

- The initial surge in demand overwhelmed the supply in many commodities leading to price surges.
- Recent price action shows some commodity prices declining.
- Energy demand remains strong and crude oil prices remain in an uptrend.

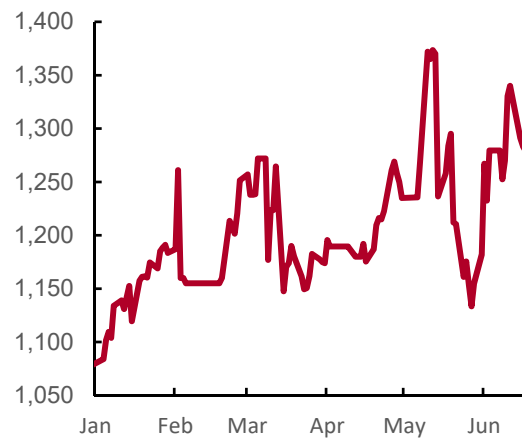
Lumber



Copper



Iron



Oil



SUPPLIER DELIVERIES REMAIN CHALLENGED

- The number of days it takes to receive delivery of supplies has reached decade highs and is particularly extreme in specific sectors.
- Businesses have been unable to find labor resulting in longer lead times for delivery of goods.
- This has contributed to higher inflation near-term, which is expected to trend downward as the one-time stimulus demand fades.



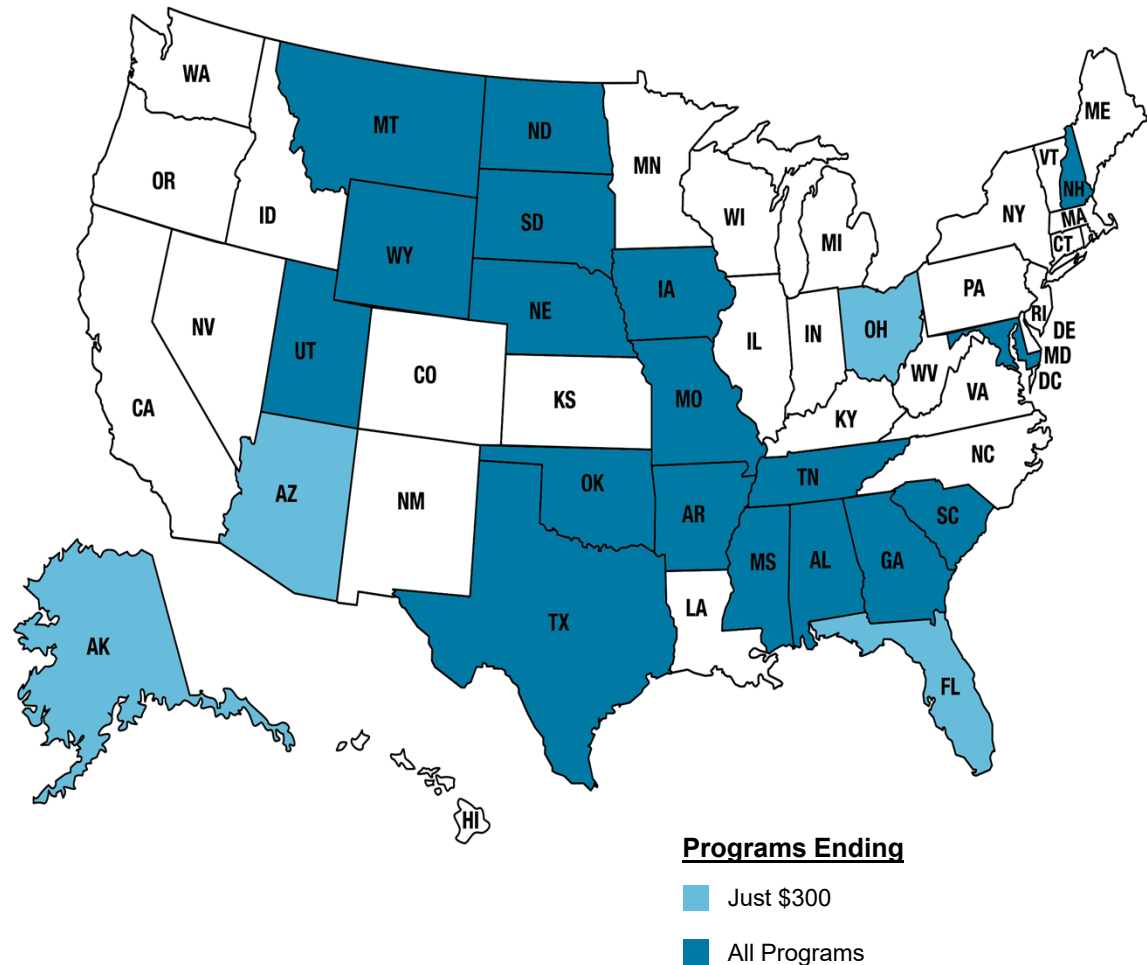
WAGES ARE INCREASING ACROSS INDUSTRIES

- Wages have increased across most industries on a year-over-year basis.
- Not surprisingly, leisure and hospitality has been one of the leading areas.
- Hourly wages need to continue to increase in lower-earnings jobs to encourage workers to return to employment.
- The additional \$300 unemployment benefits have been an obstacle.

Industry	Average weekly earnings YoY%
Total private	2.57%
Goods-producing	5.48%
Mining and logging	3.50%
Construction	4.63%
Manufacturing	6.03%
Private service-providing	1.92%
Trade, transportation, and utilities	4.18%
Retail trade	3.43%
Leisure and hospitality	6.53%

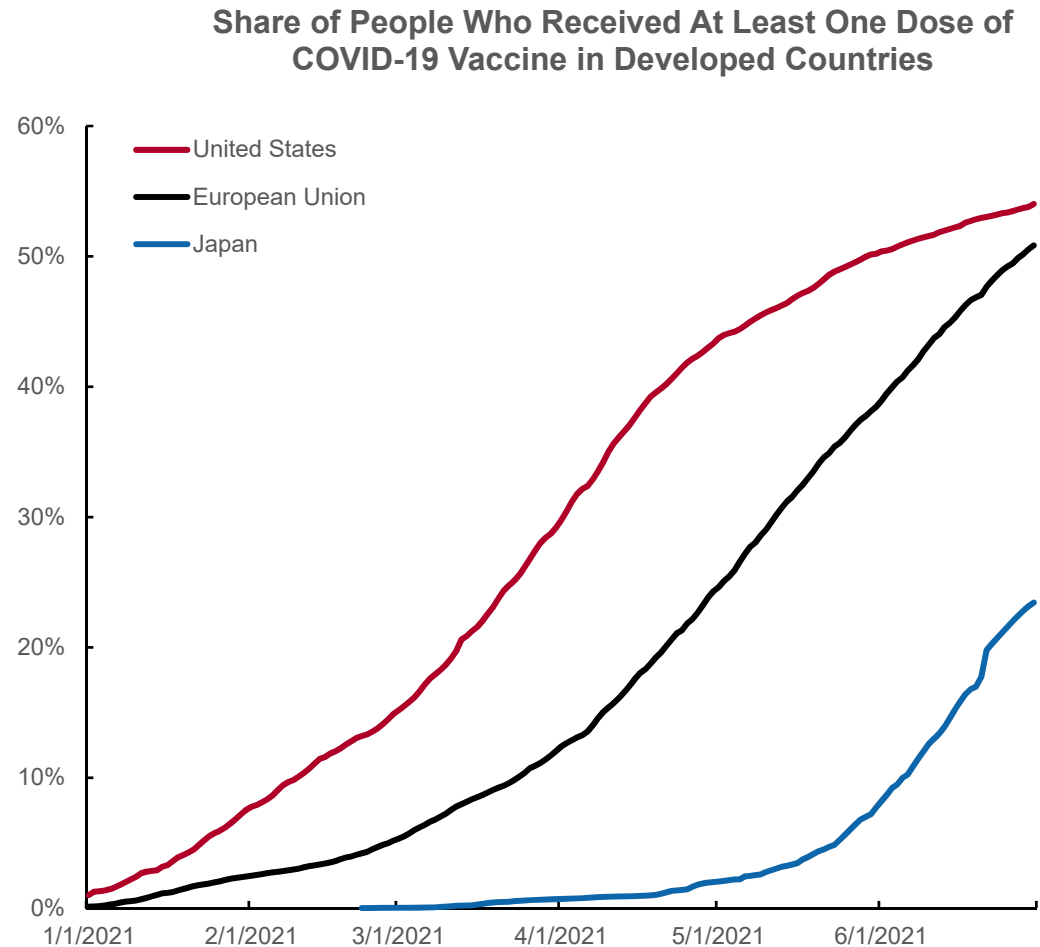
STATES OPTING OUT OF FEDERAL UNEMPLOYMENT PROGRAMS

- Many states are eliminating the \$300 additional unemployment benefits that were initiated early in the pandemic. This should help resolve some of the bottlenecks.
- As bottlenecks are eliminated – including the lack of employees within some industries – inflation will likely fall.



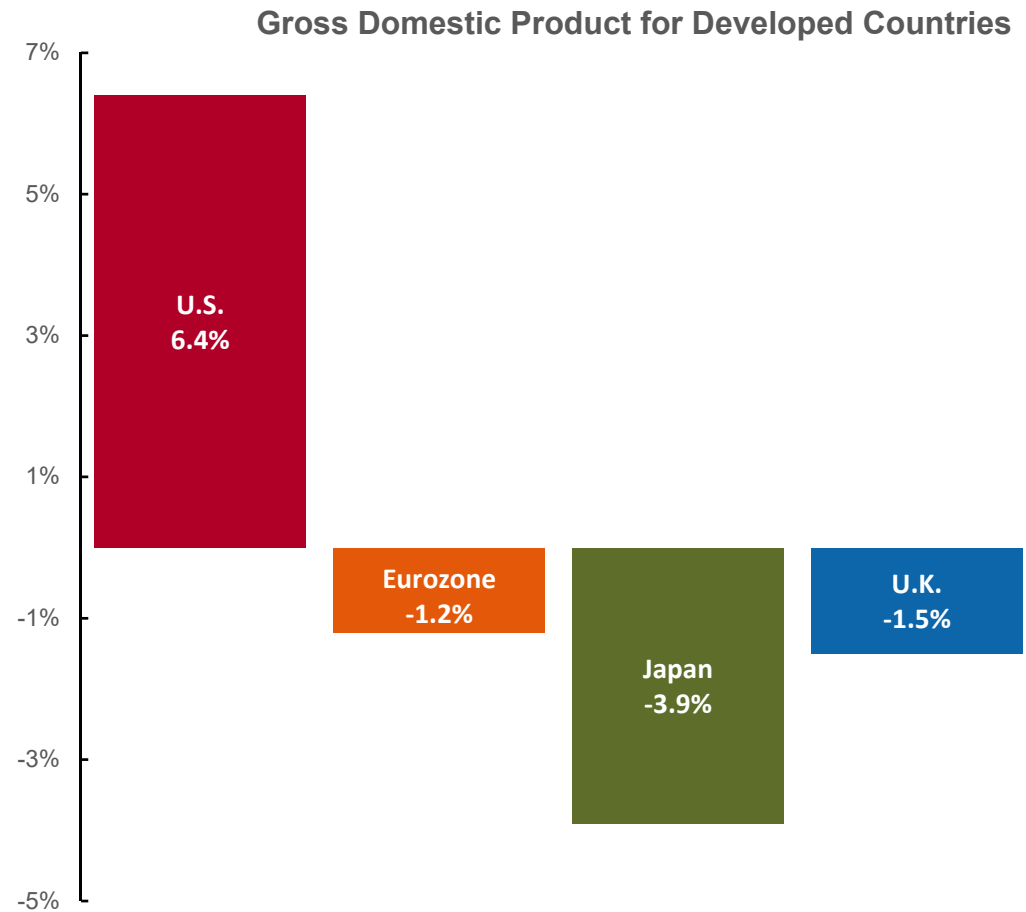
COVID-19 VACCINATION RATES HIGH AMONG DEVELOPED COUNTRIES

- Vaccination rates among developed countries are relatively high and have driven the recovery among these economies.
- While the U.S. has led the recovery, we expect momentum among other developed economies will elongate the global recovery from here.
- Japan, which isolated during the pandemic, has lagged other developed economies in vaccinating its citizens.



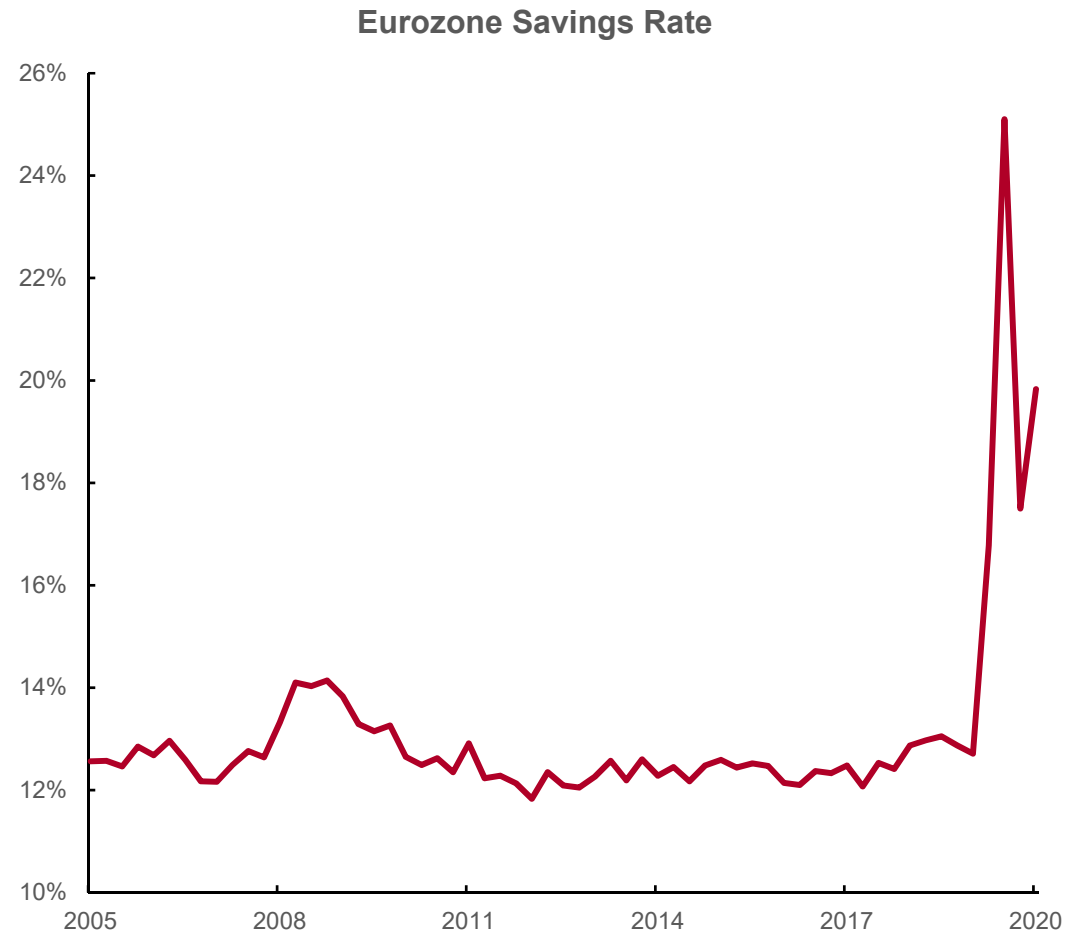
GROWTH AMONG DEVELOPED ECONOMIES

- U.S. growth accelerated in the first quarter of 2021, while growth in most developed economies remained negative.
- International growth, especially in Europe, is expected to rebound sharply in the coming quarters.



EUROPE SAVINGS RATE

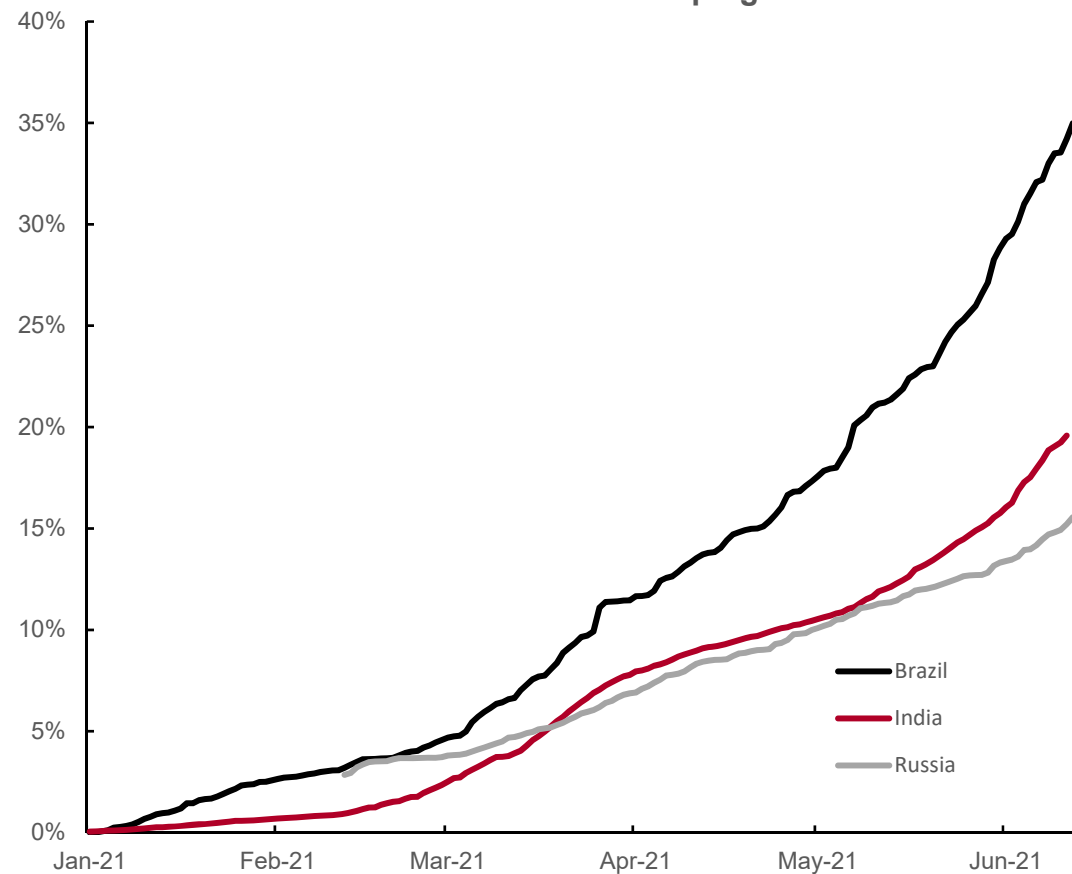
- The recovery in Europe has been a step behind that of the U.S., but is starting to gain momentum.
- The savings rate in Europe remains well above historical levels and is expected to drive their recovery, just as it has within the U.S.
- The time required to spend down excess savings could result in an extended period of above-trend growth.



VACCINATIONS LAGGING IN DEVELOPING COUNTRIES

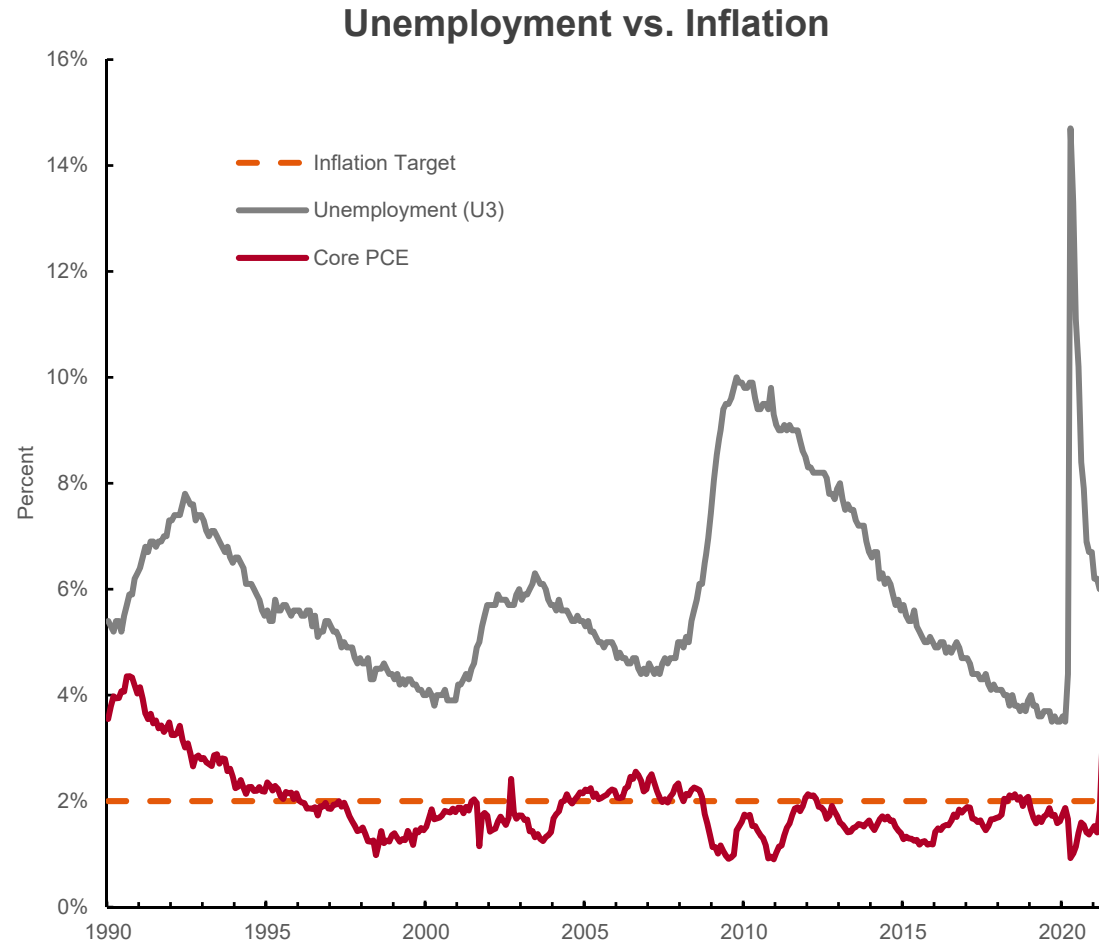
- Vaccinations within the emerging markets have trailed significantly, hindering the ability for those economies to recover.
- The emerging economies will recover as vaccines reach the citizens of these countries, perhaps in winter of this year.

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



FEDERAL RESERVE'S NEW MONETARY POLICY FRAMEWORK

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



THE FED'S TIMELINE FOR QUANTITATIVE EASING EXIT

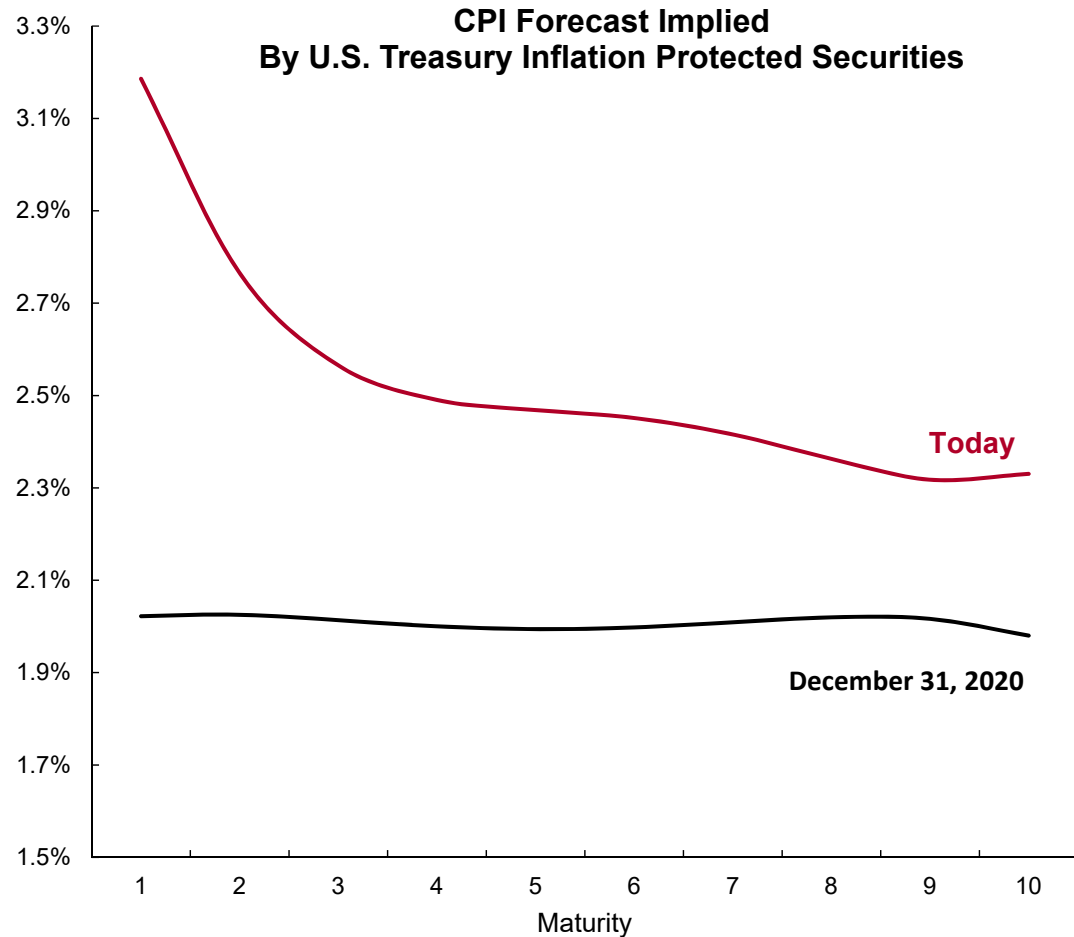
Timeline for QE3 Exit and Plausible Timeline for Current QE Exit

	Start of QE	Tapering First Hinted	Tapering Announced	Tapering Started	Tapering Ended	First Rate Hike
QE3	September 2012	May 2013	December 2013	January 2014	October 2014	December 2015
Current QE	March 2020	From the Beginning	Summer 2021	Q1 2022	Q4 2022	Q2 2023 or Later

- The Fed is expected to keep monetary policy accommodative longer.
- While the FOMC has not detailed the specific exit sequence from the ongoing QE, Fed Chair Powell has suggested it will follow a similar sequence to the exit of QE3.

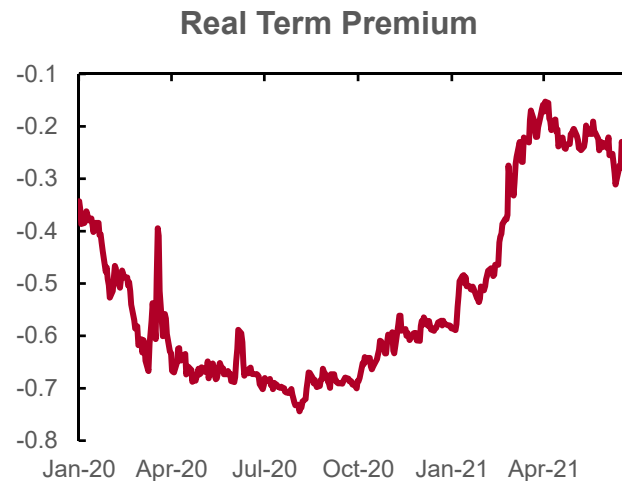
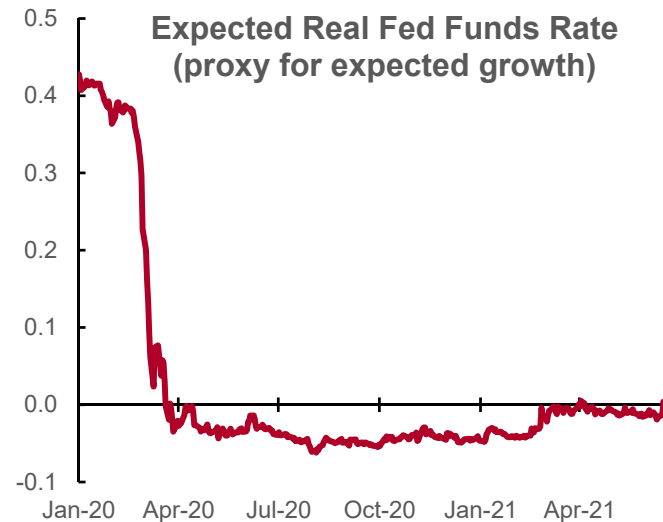
BREAKEVEN CURVE EXPECTS INFLATION TO BE TRANSITORY

- With the economic reopening and the resulting surge in demand, inflation is expected to remain above average over the next year, before trending downward.
- The Fed expects inflation to remain 'transitory' as the reopening continues, and supply and demand become more in balance.



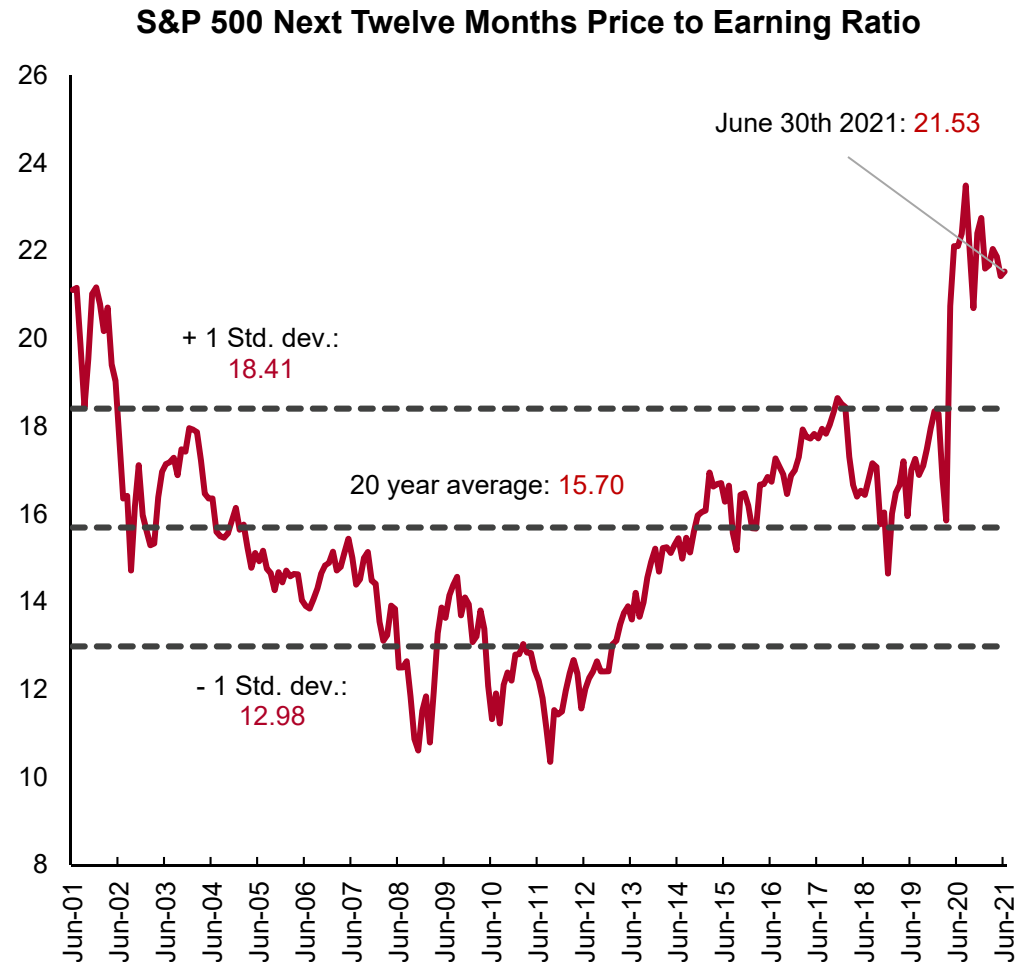
WHAT'S DRIVING LONG TERM RATES?

- While short term inflation expectations have risen, longer term measures on inflation expectations remain muted.
- As the Fed and Congress responded to the pandemic, the risk of somewhat high inflation was a far preferable outcome as opposed to deflation.
- The FOMC has acknowledged the shorter term inflation pressures but remains focused on healing the employment market and the relative stability of longer term inflation expectations.



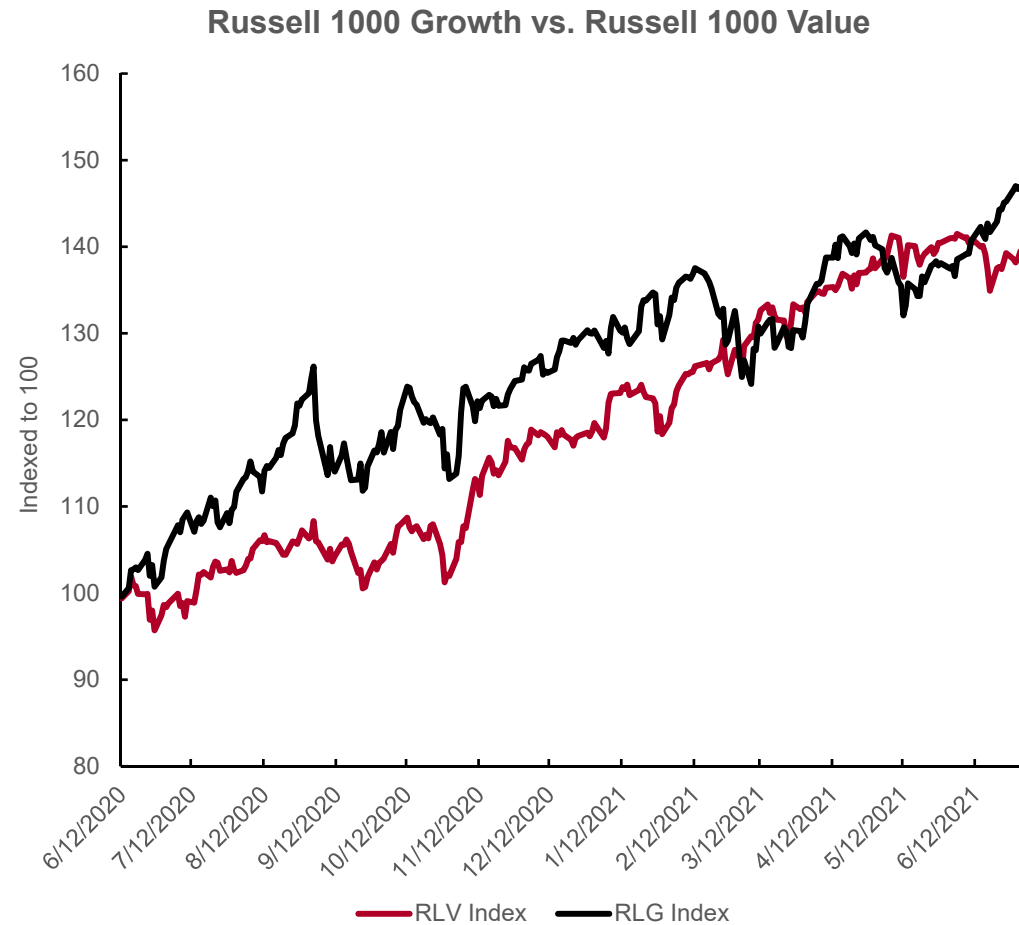
S&P 500 VALUATIONS REMAIN HIGH

- Relative to history, the S&P 500 is historically expensive.
- However, interest rate environment makes historical comparisons difficult.
- Economic growth in 2021-2022 may be the strongest we've seen in decades.



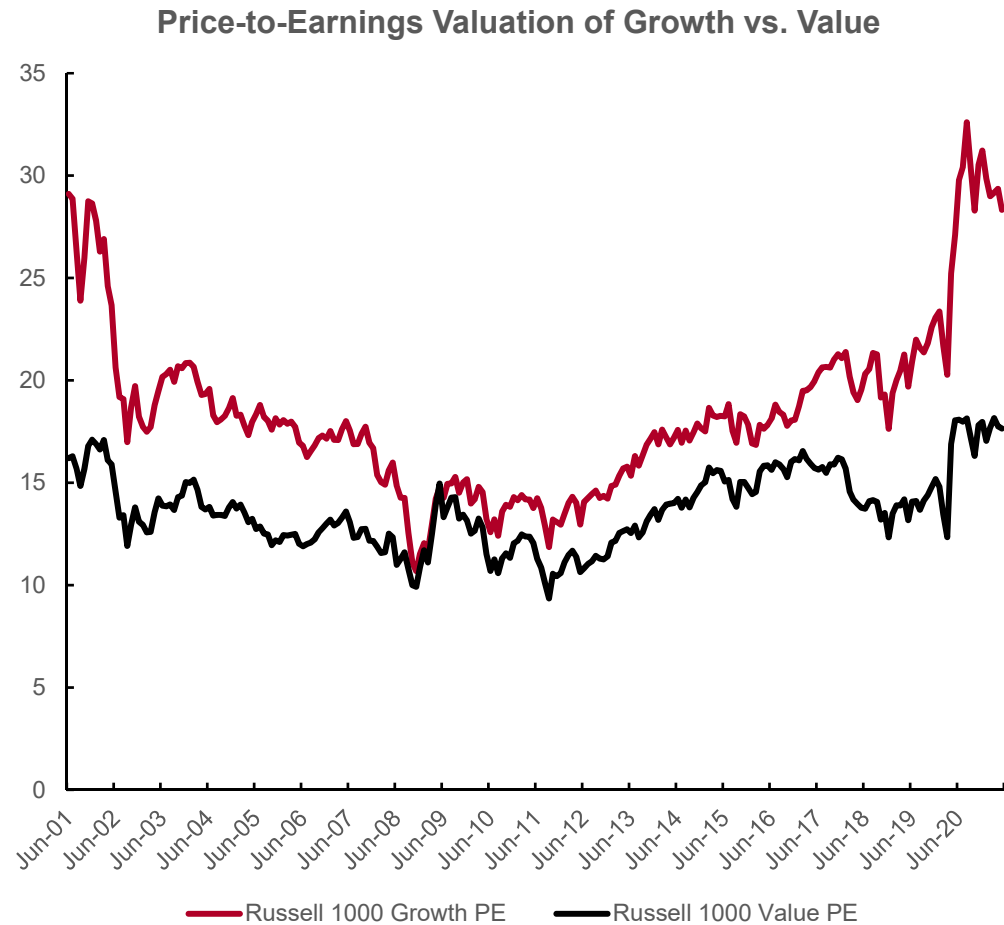
GROWTH VS. VALUE

- Following years of underperformance, value stocks have kept pace with growth stocks over the past year.
- Beginning last fall with the vaccine data, value stocks have actually outperformed.
- There are still lots of skeptics on both value and growth stocks - value due to the durability of the recovery, and growth due to valuation.
- Opportunities exist in both growth and value but forward returns are likely to be lower than the recent past.



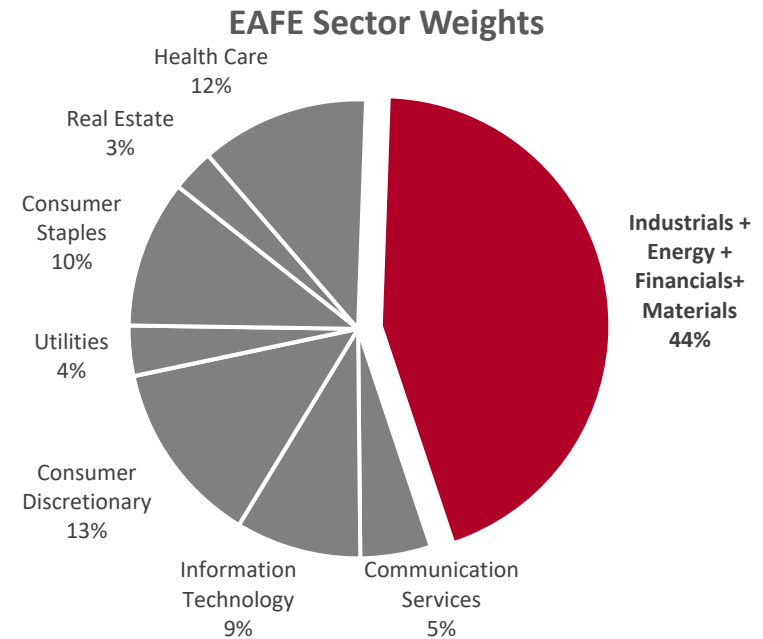
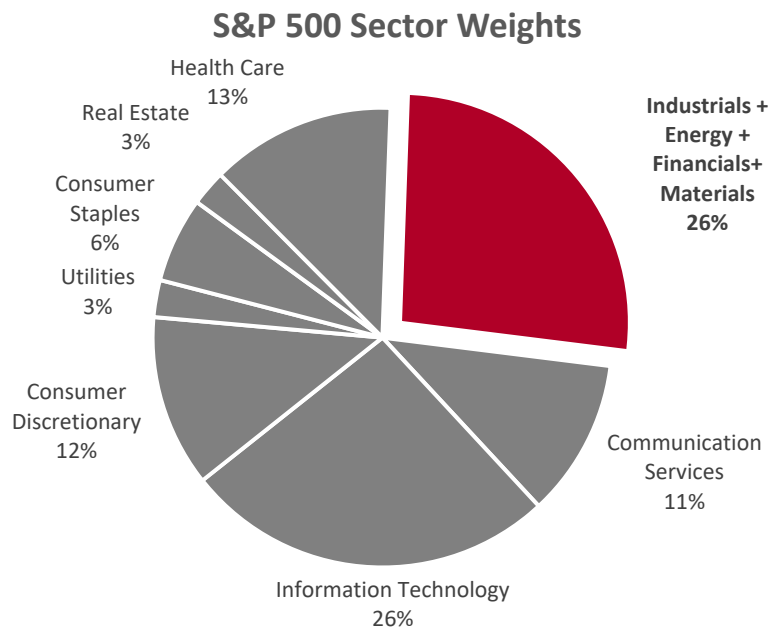
GROWTH IS EXPENSIVE RELATIVE TO VALUE

- Since the Great Financial Crisis in 2008/2009, growth stocks have outperformed the market.
- If economic growth exceeds market expectations, a further rotation to value stocks may continue.
- Our view is to add international markets exposure to add to the value style as those markets are higher weighted towards cyclicals.



U.S. SECTOR COMPOSITION VS. INTERNATIONAL

- Classic cyclical sectors, including energy, industrials, and financials have declined substantially as a percentage of the S&P 500, having fallen to 26% of the index.
- Developed markets, as measured by the MSCI EAFE index, have a greater exposure to cyclical industries and we see the attractive valuations in developed international markets.



Source: FactSet. Data shown as of June 30, 2021.

BROAD MARKET OVERVIEW

Returns (%)	3 Mo.	YTD	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.
Capital Markets						
DJ Industrial Average TR USD	5.08	13.79	36.34	15.01	16.67	13.49
NASDAQ 100 TR USD	11.38	13.34	44.36	28.61	28.25	21.52
Russell 3000 TR USD	8.24	15.11	44.16	18.73	17.89	14.70
S&P 500 TR USD	8.55	15.25	40.79	18.67	17.65	14.84
Domestic Large Cap Equities						
Russell 1000 TR USD	8.54	14.95	43.07	19.15	18.00	14.90
Russell 1000 Value TR USD	5.21	17.05	43.68	12.41	11.88	11.61
Russell 1000 Growth TR USD	11.93	12.99	42.50	25.14	23.66	17.86
Domestic Mid Cap Equities						
Russell Mid Cap TR USD	7.50	16.25	49.80	16.44	15.62	13.23
Russell Mid Cap Value TR USD	5.66	19.45	53.06	11.85	11.79	11.74
Russell Mid Cap Growth TR USD	11.07	10.44	43.77	22.38	20.53	15.13
Domestic Small Cap Equities						
Russell 2000 TR USD	4.29	17.54	62.03	13.52	16.47	12.33
Russell 2000 Value TR USD	4.56	26.69	73.28	10.27	13.62	10.85
Russell 2000 Growth TR USD	3.92	8.98	51.36	15.94	18.77	13.52
International Equities						
MSCI EAFE NR USD	5.17	8.83	32.35	8.27	10.28	5.89
MSCI EAFE Value NR USD	3.01	10.68	33.50	3.78	7.81	3.86
MSCI EAFE Growth NR USD	7.42	6.81	30.97	12.45	12.48	7.76
MSCI ACWI Ex USA NR USD	5.48	9.16	35.72	9.38	11.08	5.45
MSCI EM NR USD	5.05	7.45	40.90	11.27	13.03	4.28
Cash & Fixed Income						
FTSE Treasury Bill 3 Mon USD	0.01	0.03	0.08	1.31	1.14	0.60
BBgBarc US Agg Bond TR USD	1.83	-1.60	-0.33	5.34	3.03	3.39
BBgBarc Gbl Agg Ex USD TR Hdg USD	0.35	-1.56	0.05	3.84	2.80	4.12
BBgBarc US Corporate High Yield TR USD	2.74	3.62	15.37	7.44	7.48	6.66
Alternatives						
MSCI US REIT GR USD	12.00	21.80	38.05	10.13	6.32	9.38
Bloomberg Commodity TR USD	13.30	21.15	45.61	3.90	2.40	-4.44

Source: Morningstar. Data shown as of June 30, 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%	17.54%	Best Performing ↑ ↓ Worst Performing
4.98%	17.51%	34.76%	13.45%	1.38%	17.34%	30.21%	0.01%	31.49%	19.96%	17.05%	
3.94%	17.32%	33.48%	13.22%	1.36%	17.13%	25.03%	-1.51%	30.54%	18.40%	16.25%	
2.64%	17.28%	32.53%	13.05%	0.55%	13.80%	21.83%	-2.08%	26.54%	18.31%	15.25%	
2.11%	16.35%	32.39%	8.79%	-0.81%	11.96%	18.52%	-4.38%	25.52%	17.10%	12.99%	
0.39%	16.00%	22.78%	5.97%	-2.44%	11.19%	14.65%	-8.27%	22.01%	7.82%	8.83%	
-1.55%	15.81%	7.44%	4.89%	-3.83%	7.08%	13.66%	-9.06%	18.44%	7.51%	7.45%	
-4.18%	15.26%	1.18%	2.45%	-4.41%	4.90%	7.50%	-11.01%	14.32%	7.11%	3.62%	
-12.14%	6.46%	-2.02%	-2.19%	-4.47%	2.65%	3.54%	-13.79%	8.72%	3.94%	-1.56%	
-18.42%	4.21%	-2.60%	-4.90%	-14.92%	1.00%	2.48%	-14.58%	7.57%	2.80%	-1.60%	

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 June 30, 2021.

EQUITY RETURNS ACROSS PERIODS

3 Month

	Value	Core	Growth
Large	5.2	8.5	11.9
Mid	5.7	7.5	11.1
Small	4.6	4.3	3.9
Int'l	4.3	5.5	6.6

1 Year

	Value	Core	Growth
Large	43.7	40.8	42.5
Mid	53.1	49.8	43.8
Small	73.3	62.0	51.4
Int'l	37.6	35.7	33.7

3 Year

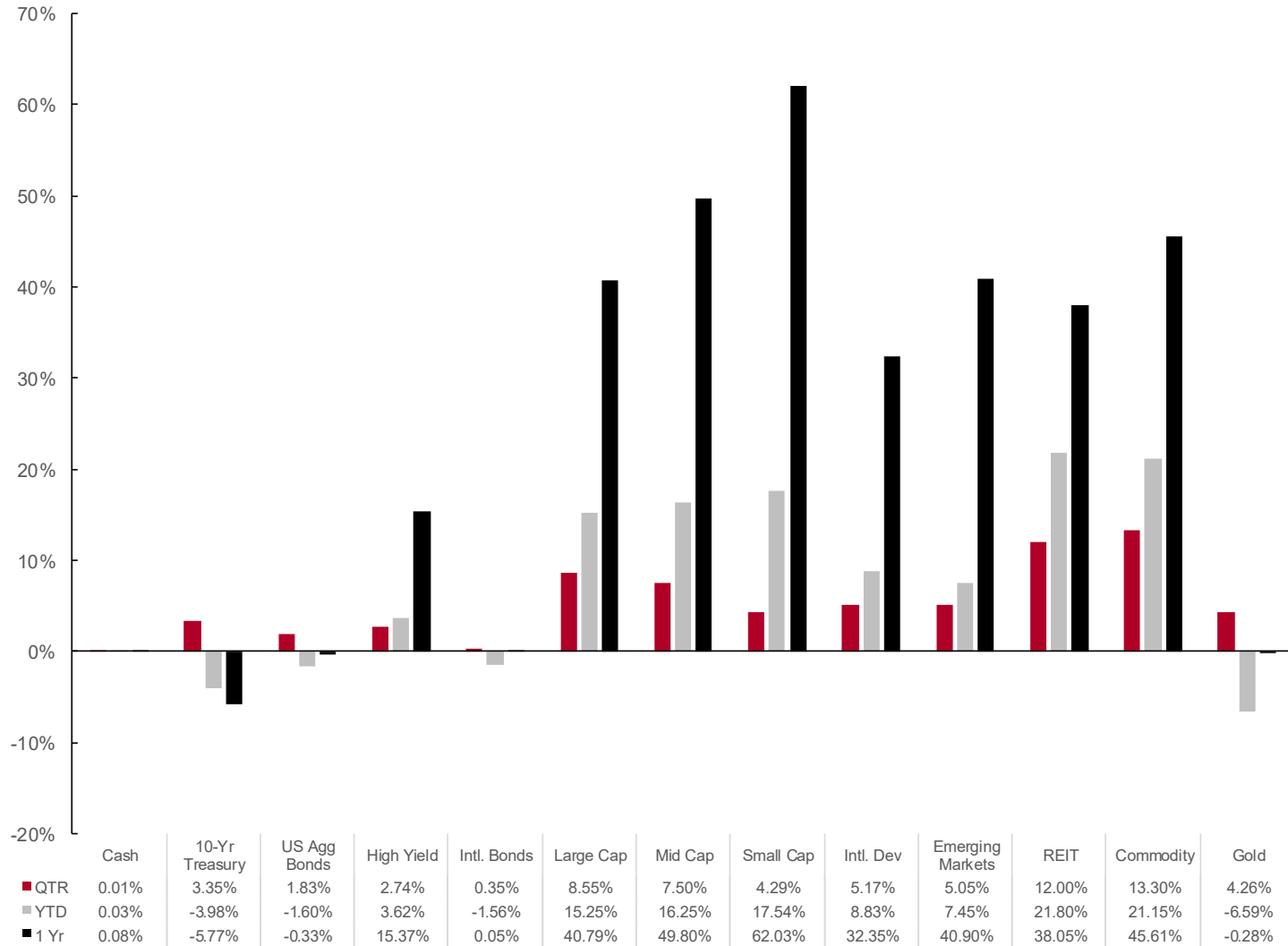
	Value	Core	Growth
Large	12.4	18.7	25.1
Mid	11.9	16.4	22.4
Small	10.3	13.5	15.9
Int'l	5.2	9.4	13.2

5 Year

	Value	Core	Growth
Large	11.9	17.6	23.7
Mid	11.8	15.6	20.5
Small	13.6	16.5	18.8
Int'l	8.5	11.1	13.4

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 June 30, 2021.

MARKET SUMMARY



Source: Morningstar. Data shown as of June 30, 2021.


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