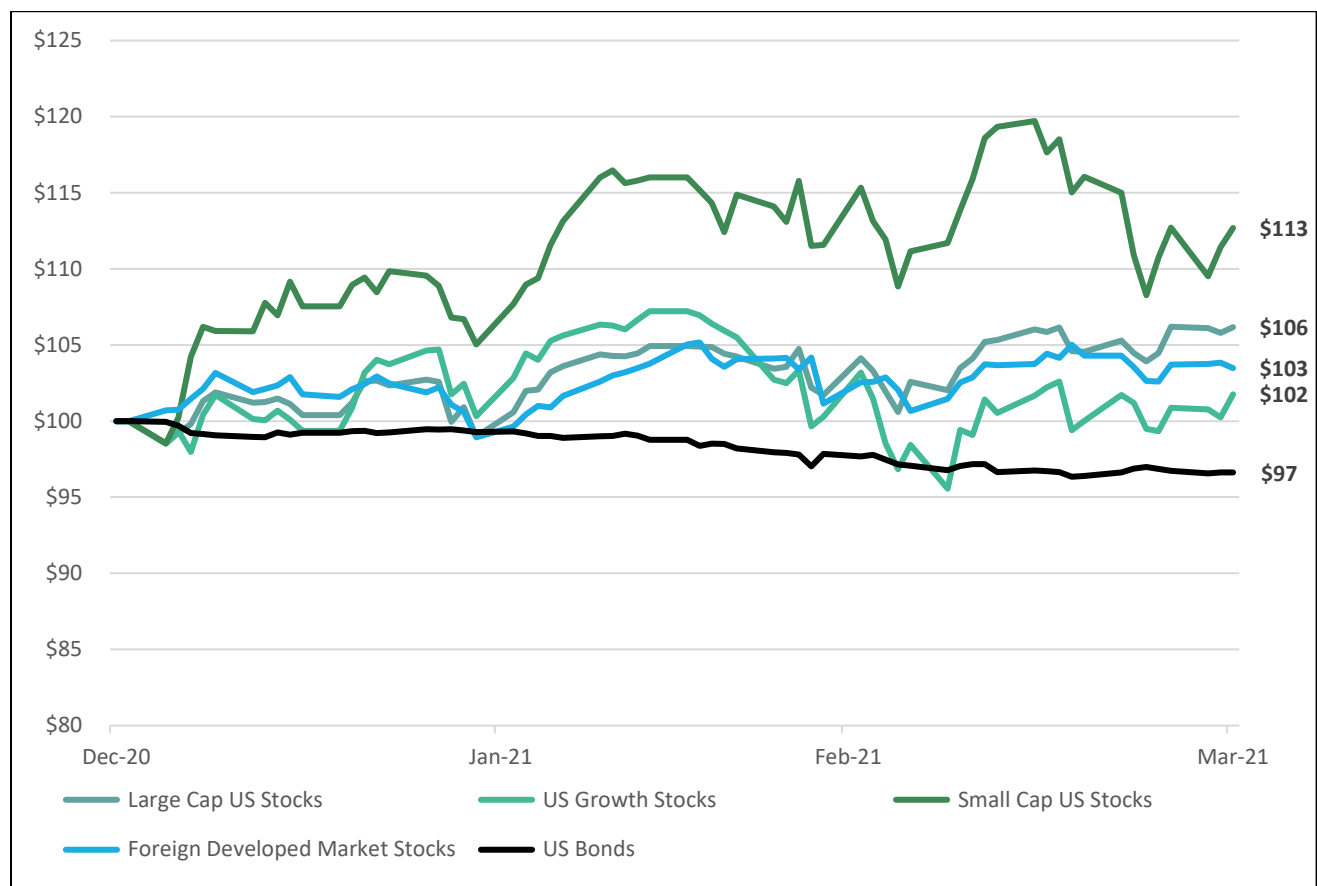


Market Intelligence

April 2021

US stock market indices, such as the S&P 500, touched new all-time highs in March as economic, household, and business data all continued to imply that the recovery from the COVID-19 economic recession remains on track and stable. As of this writing, more than 167 million vaccine doses have been administered in the US, leading to the full vaccination of 62.4 million Americans (19% of the US population)¹. In addition, the US federal government and Federal Reserve have pledged ongoing support to the economy in the form of low interest rates, abundant liquidity, and financial support for households and businesses.

Year-to-Date Index Performance (Hypothetical Growth of \$100)



Large Cap US Stocks represented by the S&P 500 index, US Growth Stocks represented by NASDAQ, Small Cap US Stocks represented by Russell 2000, Foreign Developed Market Stocks represented by MSCI EAFE, US Bonds represented by Bloomberg Barclays US Aggregate Bond

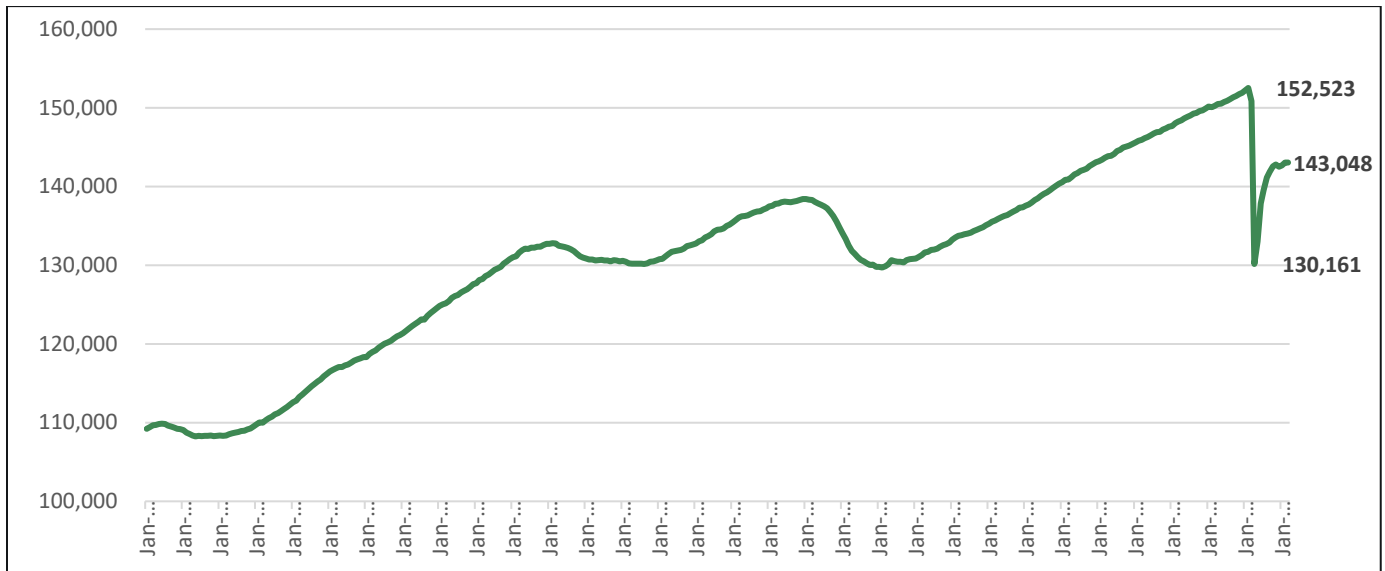
Source: Bloomberg

¹ <https://www.npr.org/sections/health-shots/2021/01/28/960901166/how-is-the-covid-19-vaccination-campaign-going-in-your-state>

Economy

The labor market has continued its recovery, though the total number of employed Americans is still well-below pre-pandemic levels (see chart below). In early April, the US Bureau of Labor Statistics released their monthly assessment of labor market conditions. The unemployment rate declined to 6.0% as 916,000 new jobs were added to the economy. Of the new jobs added, the majority were in the leisure and hospitality industry (280,000), which is reasonable given the increase in restaurant, hotel, and travel activity witnessed as the vaccination program advances. Other notable sectors with job gains include construction (110,000) and manufacturing (53,000).²

Total Non-Farm US Payrolls (millions)



Source: Bloomberg

In March, Washington approved an additional \$1.9 trillion stimulus bill in order to help blunt the impact of the COVID-19 virus on society, households, and businesses. Some key provisions within the bill include:

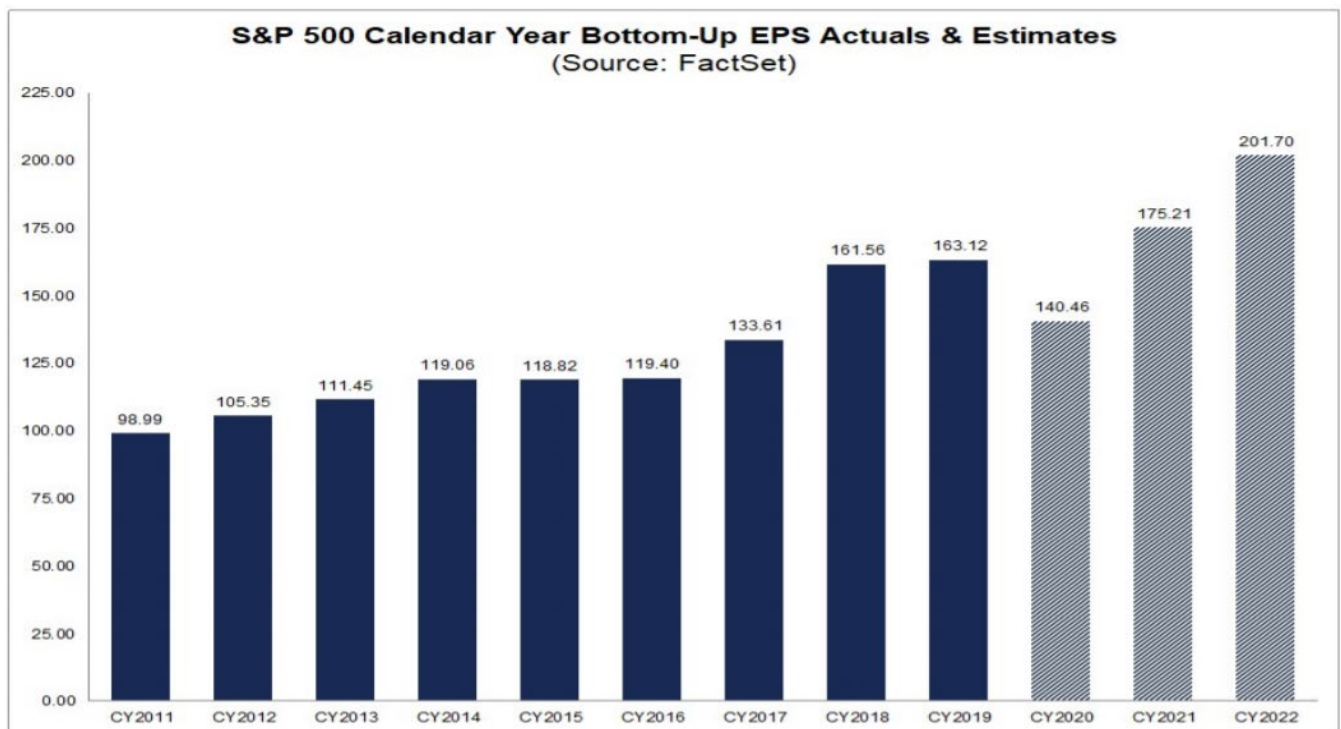
- Extension of \$300 per week in unemployment benefits through early September,
- \$1,400 in direct payments to individuals with incomes less than \$75,000 (\$150,000 for couples),
- Expansion of the childcare tax credit,
- Rental payment assistance,
- Funds for COVID-19 vaccine distribution and testing,
- Funds for state and local governments as well as school systems.³

² <https://www.bls.gov/charts/employment-situation/employment-by-industry-monthly-changes.htm>

³ https://www.wsj.com/articles/whats-new-in-the-third-covid-19-stimulus-bill-11615285802?mod=hp_lead_pos5

Corporate Earnings

Expectations for Q1 earnings have been increasing with analysts now estimating year-over-year earnings growth for the S&P 500 index during the quarter to be 23% higher than last year, which is up from the 16% growth expectation at the end of December. For calendar year 2021 and 2022, the consensus analyst estimate is for the S&P 500 to earn \$175 and \$202, respectively. Given that the index is trading at approximately 4,000 as of this writing, this would imply that investors are willing to pay 23x for 2021 earnings and 20x for 2022 earnings. While these multiples are above long-term averages, the low interest rate environment and robust expectation for earnings growth may be supporting investors' enthusiasm. It is important to note that these are only estimates for index earnings in 2021 and 2022, so investors may experience significant price compression in the index if these earnings gains fail to materialize.



Implications for Portfolio Management

The unique nature of this most recent recession, marked by a very sharp contraction in economic activity due to government mandated limits on activity followed by unprecedented fiscal and monetary stimulus as well as a quick economic reopening, may have potentially created some logistical challenges. In other words, factories and other key elements of the global supply chain may have shut down for economic or health-related reasons, and now must get back online quickly to support significant demand stemming from cash rich households and businesses. These significant gaps in supply juxtaposed against above-average demand are likely creating inflationary pressures. Investors would be wise to track

the level and trend of headline inflation as well as its underlying components, and to consider portfolio hedges accordingly. A key question will be determining if these indications are short-lived and transitory or part of a longer-term cycle of higher prices, which could have broader implications on both fixed income and equities.

Asset Class Returns

Category	Representative Index	March 2021	YTD 2021	Full Year 2020
Global Equity	MSCI All-Country	2.7%	4.6%	16.3%
US Large Cap Equity	S&P 500	4.4%	6.2%	18.4%
US Small Cap Equity	Russell 2000	1.0%	12.7%	20.0%
Foreign Developed Equity	MSCI EAFE	2.3%	3.5%	7.8%
Emerging Market Equity	MSCI Emerging Markets	-1.5%	2.3%	18.3%
US High Yield Fixed Income	ICE BofAML High Yield	0.2%	0.9%	6.2%
US Fixed Income	Barclays Aggregate Bond	-1.3%	-3.4%	7.5%
Cash Equivalents	ICE BofAML 3 Mo Deposit	0.0%	0.0%	0.5%

Source: Morningstar (total returns shown gross of fees)
As of March 31, 2021

Prices & Interest Rates

Representative Index	March 31 st 2021	Year-End 2020
S&P 500	3,973	3,756
Dow Jones Industrial Avg.	32,982	30,606
NASDAQ	13,247	12,888
Crude Oil (US WTI)	\$59.16	\$48.42
Gold	\$1,714	\$1,902
US Dollar	93.23	89.94
2 Year Treasury	0.17%	0.13%
10 Year Treasury	1.73%	0.93%
30 Year Treasury	2.36%	1.65%

Source: Bloomberg, US Treasury (total returns shown gross of fees)
As of March 31, 2021