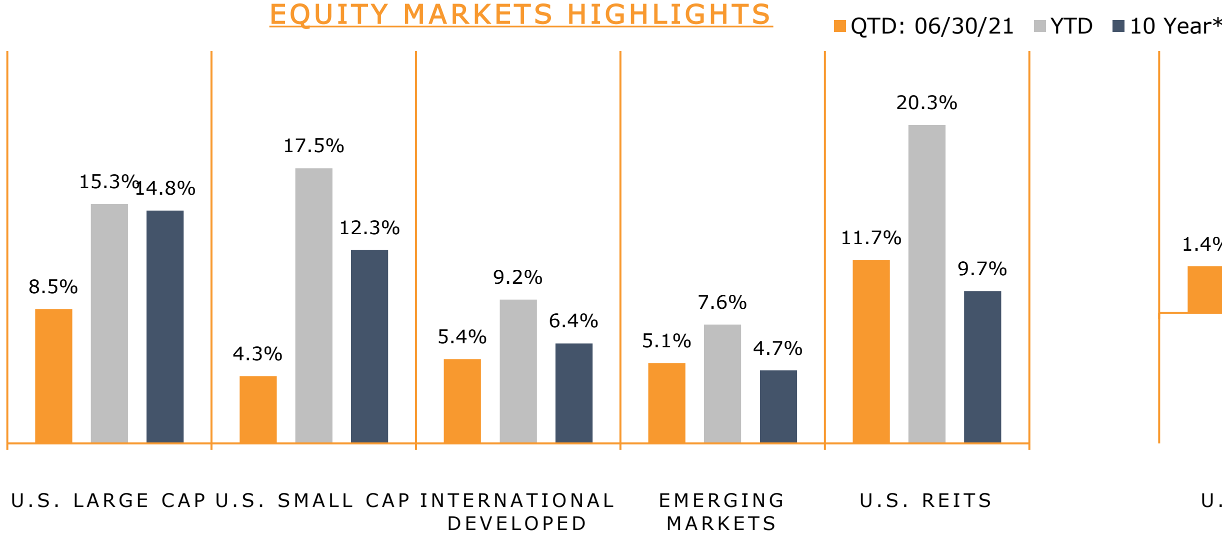
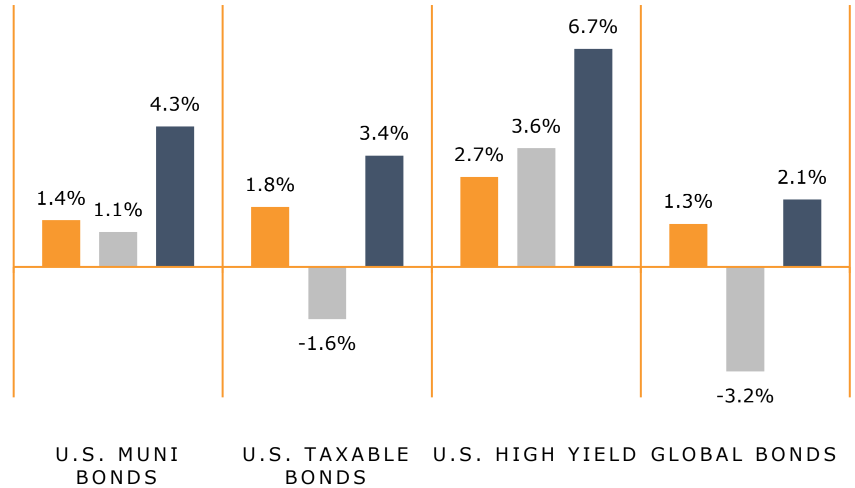
Q2'21 Market Review

EQUITY MARKETS HIGHLIGHTS



FIXED INCOME MARKETS HIGHLIGHTS



- **U.S. Large Cap Stocks** finished Q2 up +8.5%, capping off five consecutive months of gains after a slow start in January.
  - Large Cap company earnings continue to recover since the pandemic-related earnings depression of 2020. This can be seen by the fact that an estimated 66% of S&P 500 constituents have issued positive EPS guidance for Q2, significantly higher than the 5-year average of 37%.
- Signs of a potential slowdown in economic growth caused cyclical equities like **U.S. Small Cap Stocks** to lose steam in June. The segment still managed to finish up +4.3% for Q2.
- As the pandemic continues to cause uncertainty abroad with a 3rd wave, international equities are selling at some of the most attractive valuations relative to U.S. equities seen in 20 years. For Q2, **International Developed Stocks** were up +5.4%, while **Emerging Markets Stocks** were up +5.1%.
- Even with continued uncertainty about the future of certain areas of real estate, **U.S. REITS** were the top performing equity segment in Q2, up +11.7%.

- U.S. Municipal bonds continued to provide stability for investors as demand for tax-free interest remained high in the face of potential tax increases. While **U.S. Muni Bonds** trailed their taxable counterparts, they finished Q2 in the green, up +1.4%.
- Slower than expected job growth in the quarter flashed warning signs of stagflation. This caused the long-end of the yield curve to drop nearly 30 bps and helped **U.S. Taxable Bond** returns bounce back in Q2, up +1.8%.
- The improving economic outlook and low interest rates saw investors continue to seek income in lesser credit quality bonds, even as spreads tightened with investment grade bonds. **U.S. High Yield** finished Q2 as the top returning fixed income segment, up +2.7%.
- Volatility eased in the currencies of more economically unstable emerging markets economies, which aided **Global Bond** returns. The segment finished Q2 up +1.3%.

Q2'2021 REVIEW

The U.S. economy continued to roar back in Q2 with an annualized GDP growth estimate of nearly 10% for the quarter! This is growth that hasn't been seen in the U.S. since the 1950s and indicates that the economy will return to pre-pandemic levels or better before year-end. While this level of growth can only be seen as a positive, when coupled with the continued level of monetary and fiscal stimulus, high vaccination rates, and a full reopening in most U.S. states, it's easy to see why inflation concerns have dominated headlines throughout the first half of the year. While employment is a lagging indicator, there are growing concerns that the slower than expected job growth exhibited in Q2 poses a growing risk for higher inflation and elevated unemployment (stagflation) moving forward. On the equity side, the outperformance of growth vs. value could be a sign that inflation is no longer the only economic indicator of interest for investors moving forward. While the rotation wasn't as violent as we saw from growth to value in Q4'20 – Q1'21, growth stocks outperformed value stocks handily in Q2, as can be seen in detail on the next page on the *CRSP equity style snapshot*. Given global markets' focus on inflation, the fixed income markets experienced a surprising rally in Q2, as the 10-year treasury rate surprised investors and pulled back to 1.45%. Investors are anticipating continued volatility in interest rates throughout the course of 2021 as the Fed identifies the pace and level at which monetary accommodations will be lifted.

*Annualized daily returns as of 6/30/2021

Market conditions and trends will vary. Past performance is no guarantee of future results. Investments cannot be made in an index.

Source: YCharts, Inc.; underlying indices are S&P 500® TR Index, Russell 2000® TR Index, MSCI EAFE TR, MSCI Emerging Markets Index TR, Dow Jones US Real Estate Index TR, Barclays Municipal Bond Index, Barclays U.S. Aggregate Bond Index, Barclays U.S. Corporate High Yield Bond Index and the Barclays Global Aggregate Bond Index.

INTEGRATED

Q2’21 U.S. Market Snapshot

U.S. Large Cap Sector Snapshot	6/30/21
Sector	**QTD Return**
Real Estate	12.26%
Technology	11.18%
Comm. Services	10.43%
Energy	9.80%
Health Care	7.89%
Financials	7.75%
Consumer Cyclical	6.24%
Materials	4.45%
Industrials	4.01%
Consumer Defensive	2.43%
Utilities	-1.26%

CRSP Equity Style Snapshot			6/30/21
QTD	Value	Blend	Growth
Large	5.25%	8.78%	11.71%
Mid	4.85%	7.59%	10.27%
Small	5.40%	5.59%	5.81%

Market Indicators Snapshot as of 06/30/21

Name	06/30 End	1 Mo. Ago	1 Mo. % Δ	1 Year Ago	1 Year % Δ	Data Freq.
Key Interest Rates:						
Effective Federal Funds	**0.08%**	0.05%	60.0%	0.08%	0.0%	Daily
2 Year Treasury	**0.25%**	0.14%	78.6%	0.16%	56.3%	Daily
10 Year Treasury	**1.45%**	1.58%	-8.2%	0.66%	119.7%	Daily
30 Year Mortgage	**3.02%**	3.00%	0.7%	3.13%	-3.5%	Weekly
US Corporate AAA	**1.88%**	1.98%	-5.1%	1.63%	15.3%	Daily
US Corporate BBB	**2.28%**	2.36%	-3.4%	2.68%	-14.9%	Daily
US Corporate CCC	**6.64%**	7.00%	-5.1%	14.46%	-54.1%	Daily
U.S. Economy:						
Consumer Sentiment	**85.50**	88.30	-3.2%	78.10	9.5%	Monthly
Unemployment Rate	**5.90%**	6.10%	-3.3%	11.10%	-46.8%	Monthly
Inflation Rate	**5.39%**	4.16%	29.6%	0.65%	735.0%	Monthly
Manufacturing PMI	**60.60**	60.70	-0.2%	52.60	15.2%	Monthly
Non Manufacturing PMI	**60.10**	62.70	-4.1%	57.10	5.3%	Monthly
Retail Sales	**550,782**	562,583	-2.1%	476,347	15.6%	Monthly
Building Permits	**1,681**	1,733	-3.0%	1,246	34.9%	Monthly

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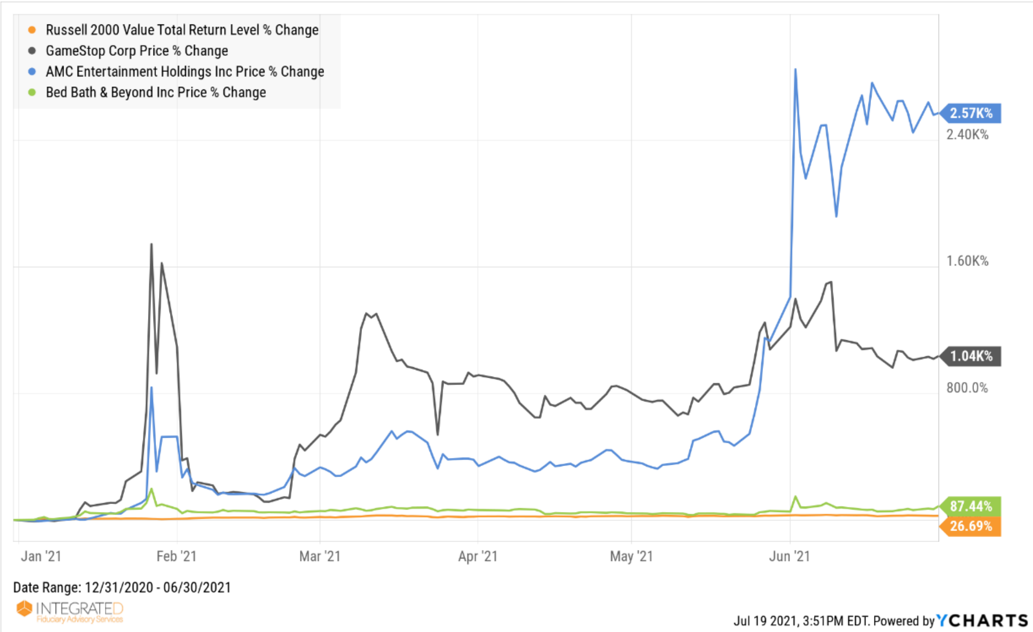
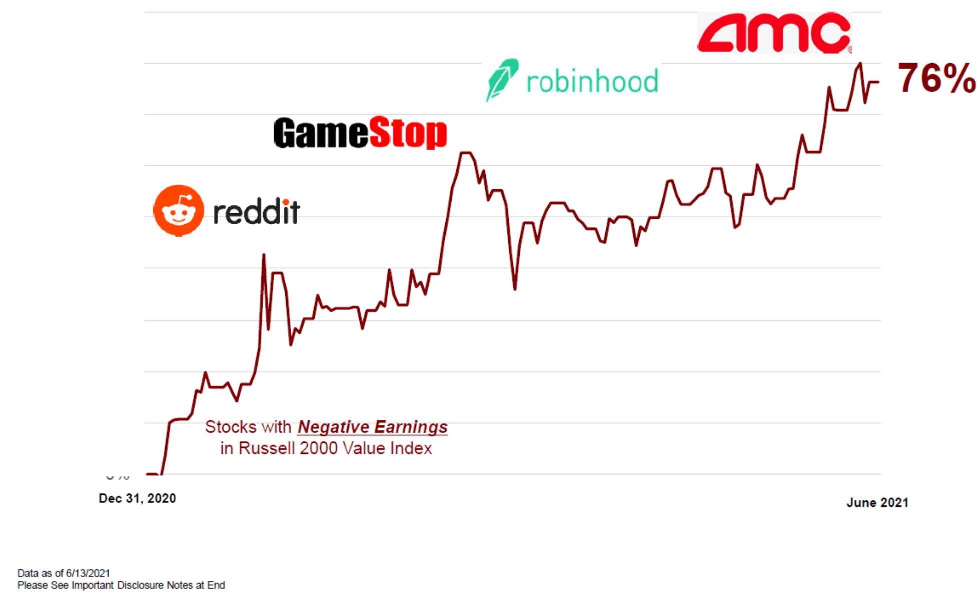
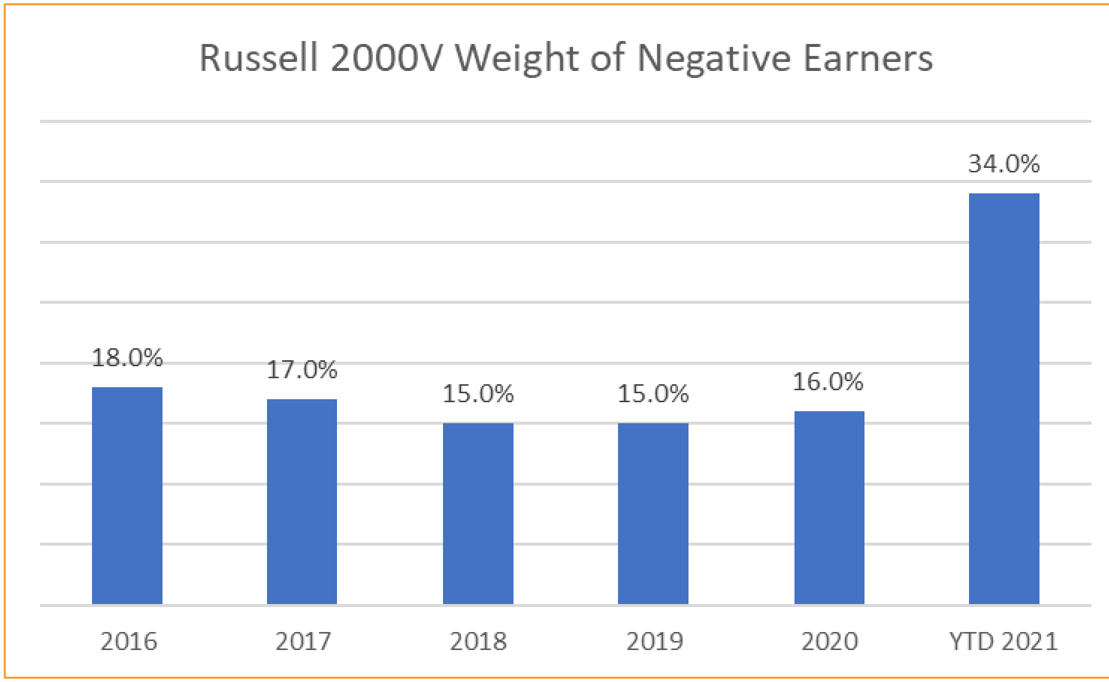
Source: YCharts, Inc.

Q2'21 TOI: Small Cap Meme Stock Anomaly of 2021





- The chart to the right shows that from 2016 - 2020, 16.2% of the Russell 2000 Value Index was comprised of companies with negative earnings. Due to the influence that social media platform, Reddit, had on "meme stocks", through the first half of 2021, that percentage jumped to 34% - a 17.8% difference to historical norms!
  - While there is some subjectivity in what classifies a meme stock, we know companies like GameStop (GME), AMC (AMC), and Bed Bath & Beyond (BBBY) were some of the major players in the rally and are constituents in the index. The chart above highlights some of the incredible returns these stocks had through June.
- Companies with negative earnings, like the meme stocks, delivered a 76% return to the Russell 2000 Value Index through the first half 2021! That means the 17.8% difference between the average weight of such companies within the index and their weight in the first half of 2021 resulted in an additional 13.5% return.
  - **If that attribution is removed from the index's returns through 6/30/21, the index would have been up only 13.2%, instead of 26.7%.**



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Sources: Earnest Partners; YCharts, Inc.