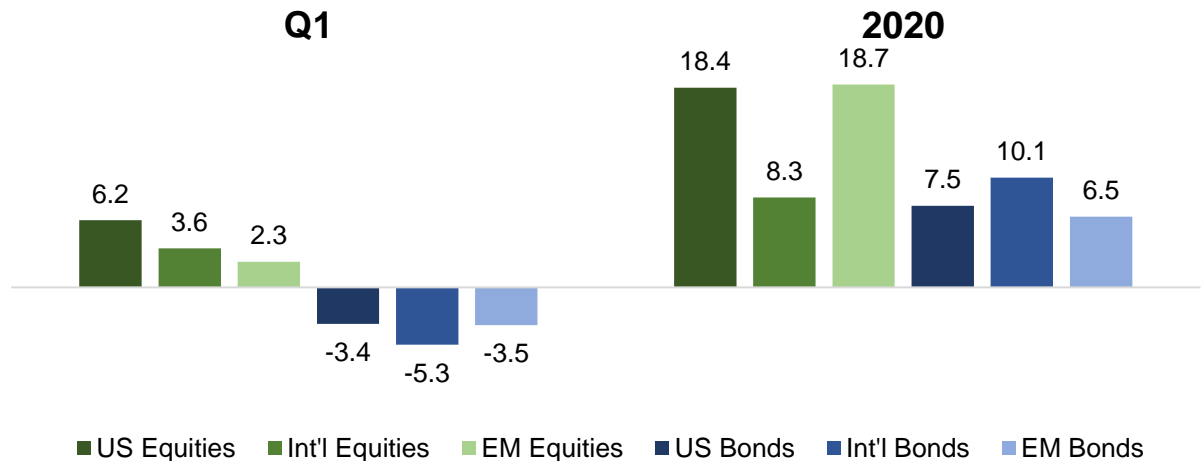


QUARTERLY
Market Review



Market Review

- **The sentiment at the end of 2020 continued into the start of 2021 as the equity markets saw positive returns for the quarter.** US markets led the way with dollar strength weakening the results seen from international markets as only two developed markets saw negative returns in local currency during the quarter.



Source: FactSet financial data and analytics

- **Looking at the past 12 months following the bottom of the market crash on March 23, the S&P 500 saw a return of 56.4%, ranking it in the top 5 occurrences since 1925.**¹ Coming back from an oversold position the market was supported by extensive support from the Fed and fiscal stimulus along with the economy reopening with vaccine development.
- **All sectors remained in positive territory for the quarter with results ranging from 30.9% for energy down to 1.2% for consumer staples.**² Energy saw broad based strength leading to its second-best quarter since 1972, while re-openings across the country led to a shift in sentiment away from the stay at home trade. The rising interest rate environment helped lift financials to second spot with a return of 16.0%. Negative returns from some of the 2020 markets leaders, like Amazon, Apple, and Netflix drove to weaker returns for technology (2.0%).
- **Value and small cap saw another quarter of strong double digit returns.** Value outperformed growth by over 800 basis points across large, mid and small caps while small caps outperformed large caps by over 1200 basis points. Over the last six months small cap outperformed large caps by 36.2% points, which is the most on record since 1994.³

- **Currency shifts impacted international returns as many developed countries outperformed the US in local currency terms.** Emerging markets saw greatest weakest with Latin America returning -5.3% while five of the nine countries in Emerging Asia experienced negative returns, including China which returned -0.4%.⁴
- **The rise in bond yields, especially in longer durations, led to negative returns across most bond sectors.** The US Aggregate index returned -3.4% for the quarter led lower by longer maturity Treasuries which fell 13.5% for the quarter. The first quarter marked the worst first quarter for both the US Aggregate and long-term Treasuries since 1980. The bright spots in the fixed income markets was leveraged loans and high yield which returned 1.8% and 0.9% for the quarter respectively.⁵
- **REITs made a comeback in the first quarter, returning 8.3% having trailed the broad markets for 2020 and commodities continued to rally, up 6.9%.** All REIT sectors saw positive returns with malls up over 30% for the quarter, benefiting from the re-openings across the country. The rally in commodities was also relatively broad based with only precious metals being down 9.3%, led by a fall in gold as investors moved out of the safe haven with no yield.⁶

Asset classes are represented by the following indexes:

US Equities	S&P 500 – is an unmanaged index that is generally considered representative of the US equity market, consisting of 500 leading companies in leading industries of the US economy (typically large cap companies) representing approximately 75% of the investable US equity market.
International Equities	MSCI EAFE – is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of countries considered to represent developed markets, excluding the U.S. and Canada.
Emerging Markets Equities	MSCI Emerging Markets – is a free float-adjusted, market capitalization index that is designed to measure the equity market performance of countries considered to represent emerging markets.
US Bonds	Barclays US Aggregate — measures the market of USD-denominated, investment grade, fixed-rate taxable bond market of SEC-registered securities, including bonds from the Treasury, government-related, corporate, mortgage-backed securities (agency fixed-rate and hybrid ARM passthroughs), ABS and CMBS sectors. US Agency Hybrid Adjustable Rate Mortgage (ARM) securities were added to the US Aggregate Index on April 1, 2007.
International Bonds	Bloomberg Barclays Global Aggregate ex USD - is a flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers. Country eligibility and classification as Emerging Markets is rules-based and reviewed annually using World Bank income group and International Monetary Fund (IMF) country classification.
Emerging Markets Bonds	Bloomberg Barclays Emerging Markets USD Aggregate - is a flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers. Country eligibility and classification as Emerging Markets is rules-based and reviewed annually using World Bank income group and International Monetary Fund (IMF) country classification.
Small Caps	S&P 600 - measures the performance of 600 small-sized companies in the U.S. Constituents generally have a market-cap between \$400 million and \$1.8 billion and meet criteria to ensure they are liquid and financially viable.
Energy	S&P 500 Energy Sector -measures the performance of companies in an array of diversified financial service firms, insurance, banks, capital markets, consumer finance and thrift companies.
Financials	S&P 500 Financials Sector - measures the performance of companies involved in health care equipment and supplies, health care providers and services, biotechnology and pharmaceutical industries.
Technology	S&P 500 Technology Sector - measures the performance of companies that product, generate, transmit or distribute electricity, water or natural gas, and also includes power producers & energy traders and companies that engage in generation and distribution of electricity using renewable sources.

Consumer Staples	S&P 500 Consumer Staples Sector - measures the performance of companies involved in the development and production of crude oil, natural gas and provide drilling and other energy-related services.
EM Latin America	MSCI Emerging Markets Latin America - measures the performance of USD-denominated, investment-grade, fixed-rate taxable bond market of SEC-registered securities. The index includes Treasury bonds, Government-related Corporate, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS sectors.
China	MSCI China - measures the performance of small-cap equities in developed market countries around the world, excluding the U.S. and Canada. The index covers approximately 14% of the market cap in each country.
Long term Treasuries	Bloomberg Barclays US Treasury Long - measures the performance of US Treasury and US Agency markets. The index includes USD-denominated fixed-rate, nominal US Treasuries and US agency debentures (securities issued by the US government-owned or sponsored entities), and explicitly guaranteed by the US government.
High-Yield Bonds	Bloomberg Barclays US Corporate High Yield - measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt.
Leveraged Loans	S&P/LSTA Leveraged Loans - measures the performance of investment-grade fixed-rate mortgage-backed pass-through securities of GNMA, FNMA and FHLMC.
Commodities	Bloomberg Commodity - dynamically rebalances exposure to maintain a 10% volatility target and represents portfolios consisting of the S&P 500 index and a cash component accruing interest. Uses S&P 500 methodology and overlays algorithms to control the index risk at specific volatility targets.
Precious Metals	Bloomberg Precious Metals - measures the price of gold futures contracts, reflecting the return of underlying commodity futures price movements quoted in USD.
US REITs	FTSE NAREIT All Equity REIT - measures the price of physical commodities futures contracts traded on US exchanges, except aluminum, nickel and zinc, which trade on the London Metal Exchange. Weightings are determined by rules designed to insure diversified commodity exposure.

¹ Source: FactSet

² Ibid

³ Ibid

⁴ Ibid

⁵ Ibid

⁶ Ibid

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IMPORTANT INFORMATION

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