TWO WEEKS

Just like the 1986 Tom Hanks movie classic "The Money Pitt," the global pandemic timeline has continued to disappoint. In this film, the general contractor continues to estimate the massive home renovation project at "two weeks" and two weeks later the timetable is still projected at another "two weeks," and so on, and so forth. It's hard to believe that it was just over a year ago, when we were told "two weeks" -- Just quarantine for two weeks, and all will be well and good in the world. That two-week initial lockdown turned into two months, then two quarters, and now we enter year two of this never-ending drama called Corona. Many folks have been missing their two-week paycheck, hopefully supplemented by round two of the Paycheck Protection Program. As I await shot two of the vaccine, I do remain hopeful that the end is near and that we can finally send this delinquent general contractor (aka "the virus") packing.

One thing that has been delivered ahead of schedule is the vaccine. Despite a slow start, shots in arms are arriving and even the sheer news has fueled optimism of an opening economy and has continued to drive equity prices higher. The winners of late, however, are not the large tech stocks that drove 2020 returns, but instead the stalwarts (cyclicals) of a bustling economy. Energy has made a 180-degree reversal based on expectations of increasing demand and optimism for future travel plans, alongside gains in industrials, materials, and financials. Likewise, small caps have flourished as factories reopen and retail has regained a pulse. Meanwhile, growth stocks have pumped the breaks, given a rise in the 10-year Treasury yield (closing the quarter at 1.74%), due to concerns of increasing inflation, which adversely affects their valuations. Our views are, while pent-up demand will likely have a short-term effect on price gains, it is primarily due to supply chain issues and should not have a protracted impact. Long-term, secular changes including technology innovation and shifting demographics continue to temper inflationary pressures. As the Fed has repeatedly made clear, it is willing to accept inflation that runs above 2% in order to reach a longer-term average of its 2% target. As of February, the year-over-year CPI reading was 1.7%. We're hardly Venezuela! All in all, the sector rotation we have seen this quarter has been quite calm and orderly, almost eerily so…perhaps everyone is feeling a little better!

Like many Americans, I too have been doing some home renovation, which seems to be a popular hobby during the lock-down and one of the bright spots in the economy. Despite the recent increase in rates, housing as a whole has flourished during the pandemic, spurred by low mortgage rates and low inventory as people flee the cities for the suburbs (there are now more realtors than houses for sale in the U.S.!). This has resulted in a year-over-year price increase of 11% across major cities, the highest annual rate since 2006.

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Along with housing construction, I think most everyone can agree that our nation's infrastructure is in desperate need of a facelift. Not only roads and bridges, but the pandemic made it extremely clear that our nation has failed poor and rural areas when it comes to broadband access. In addition to the $1.9 trillion stimulus package that was signed into law, a $2.3 plus trillion infrastructure proposal lies in the wings. The recently passed stimulus package represents roughly 10% of U.S. GDP and with last year's stimulus, the total is about $5 trillion, or 25% of U.S. GDP. The recent package included $1,400 checks to qualified individuals, an extension of unemployment insurance and aid to state and local governments. The Congressional Budget Office projects that the federal budget deficit will reach $2.3 trillion in 2021, just over 10% of GDP and the second highest level since 1945, exceeded only by last year's figure. In the 2020 fiscal year, which ended Sept. 30, the deficit hit a record $3 trillion. Note also that the CBO's 2021 projection does not include the recent $2 trillion stimulus package.

Employment gains, consumer spending and confidence posted the largest one-year gain in 18 years, reflecting continued growth and optimism despite the fact that labor participation is still quite low. In other good news, manufacturing continued its recovery with the ISM posting a reading of 64.7 (anything greater than 50 signals expansion), the highest since 1983. Fourth quarter real GDP was revised up to 4.3%, bringing the 2020 figure to -3.5%. A survey of economists by The Wall Street Journal revealed that the average 2021 forecast was boosted to 6%, which would be the fastest pace since 1983.

Closing Thoughts

Yes, the year of the Ox seems to be doing exactly what Oxen are supposed to do – move slowly and steadily with strength and reliability. The Ox is a worker and we have plenty of nails that need hammering and potholes to be filled. The Fed has set the course with its unwavering commitment to remain accommodative until it meets its full employment and inflation objectives, providing clarity to what we hope to be a smooth recovery in 2021. However, even oxen can sometimes stumble in the field and we are sure to see our share of fits and starts (and "change orders"); however, if we can simply keep on track and adhere to a disciplined investment process that includes a well-defined long-term asset allocation, which is the basic foundation and architecture of a good financial plan, we shall persevere. It's time to give Corona it's two-weeks notice!

Regards,

John P. Ulrich, CFP®
President

Whitney E. Solcher, CFA®
Chief Investment Officer

Equity Markets

U.S. equity indices delivered mostly positive results (Russell MidCap Growth was the lone exception with a 0.6% loss). The S&P 500 Index (+6.2%) was led by Energy (+30.9%) and Financials (+16.0%), while Information Technology (+2.0%) and Consumer Staples (+1.1%) lagged. Value sharply outperformed growth; R1000V: +11.3%; R1000G: +0.9%. Value stocks have underperformed growth since the market peak in February 2020, but the gap has narrowed significantly over the last two quarters. Small cap stocks sharply outperformed large cap during the quarter (R2000: +12.7%; R1000: +5.9%), benefiting from less exposure to the Technology sector as well as strong performance from Retail. Certain sectors have experienced sharp double-digit increases in recent months as vaccine-induced optimism has fueled a rebound. Data from JP Morgan shows that from Nov. 6, 2020 (reflecting the last business day before it was announced that a vaccine candidate had better than 90% efficacy against COVID-19), airlines, energy, retail REITs, and cruise lines/hotels/resorts have soared more than 50%.

Global ex-U.S. indices posted positive results but generally lagged the U.S., due largely to U.S. dollar strength. The MSCI ACWI ex-USA Index gained 3.5% but was up 6.5% in local currency terms. The greenback gained 6.6% vs. the yen and nearly 4% vs. the euro over the quarter on bright prospects for economic growth in the U.S. and rising interest rates. The U.K. (+6.2%) delivered relatively strong results while Europe (+3.5%) and Japan (+1.6%) lagged. As in the U.S., small cap stocks outperformed large; value outperformed growth; and Financials did especially well. Emerging markets lagged developed markets; the MSCI Emerging Markets Index gained 2.3% and 4.0% in local terms. China (-0.4%) and Brazil (-10.0%) were laggards as President Xi intensified regulation of China's tech sector, pressuring share prices, and Brazil struggled to contain COVID-19. Taiwan (+10.9%) was a top performer, and the country is up more than 90% over the last 12 months, boosted by its heavy weighting in and strong performance from Technology stocks. In contrast, South Korea posted a muted 1.6% gain.

Fixed Income Markets

Concerns over future inflation drove the 10-year U.S. Treasury yield to an intraday high of 1.77% in March, a 15-month high, before closing the quarter at 1.74%, up from 0.93% at year-end. The Bloomberg Barclays US Treasury Index fell 4.3%, and the long-term US Treasury Index (-13.5%) suffered its harshest decline since 1980. TIPS (-1.5%), outperformed nominal Treasuries as 10-year breakeven spreads widened from 1.99% at year-end to 2.37% as of March 31. The Bloomberg Barclays US Aggregate Bond Index fell 3.4%, with spread sectors outperforming Treasuries and lower quality faring the best. High yield corporates posted a 0.8% gain, as measured by Bloomberg Barclays, amid a record-making spate of issuance. The CCC-rated sector gained 3.6%, benefiting from risk-on sentiment, rising stock markets, and the recovery of some COVID-19 victims (airlines, retail, energy). Bank loans, which have floating rate coupons and a relatively short duration, gained 1.8% (S&P LSTA). Municipals outperformed U.S. Treasuries against a favorable supply/demand backdrop (Bloomberg Barclays Municipal Bond: -0.4%). In addition, the market was supported by the $350 billion allocated to support state and local governments in the recent stimulus package.

Rates also rose overseas and a strengthening U.S. dollar further eroded foreign bond returns for U.S. investors. The Bloomberg Barclays Global Aggregate ex-US Bond Index fell 5.3% (-1.9% hedged). The dollar gained nearly 4% versus a basket of currencies. Emerging market debt returns were also negative. The JP Morgan EMBI Global Diversified fell 4.5% and the local currency JP Morgan GBI-EM Global Diversified sank 6.7%.

Real Assets

Real assets posted strong returns in 1Q on prospects for a robust recovery as well as a potential hedge against coming inflation. Oil prices continue to climb with Brent Crude oil closing at over $60/barrel. The Alerian MLP Index was up 22% for the quarter. The S&P GSCI Index soared 13.5% although gold (spot price: -9.5%) declined. REITs, as measured by the MSCI U.S. REIT Index, rose 8.8%. The Bloomberg Barclays 1-10 Yr. US TIPS Index posted a muted 0.6% result, but outperformed nominal U.S. Treasuries as inflation expectations rose.

Returns for Various Periods - March 31, 2021

	Last Quarter	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years
MSCI:ACWI	4.57	4.57	54.60	12.07	13.21	9.15	7.04
Russell:3000 Index	6.35	6.35	62.53	17.12	16.64	13.79	10.05
Russell:3000 Growth Index	1.19	1.19	64.31	22.39	20.87	16.35	12.20
Russell:3000 Value Index	11.89	11.89	58.38	10.99	11.87	10.91	7.65
MegaCap							
Russell:Top 50	3.45	3.45	55.90	19.88	17.82	14.78	10.37
Russell:Top 200	5.12	5.12	56.30	18.30	17.42	14.57	10.31
Russell:Top 200 Growth	1.29	1.29	61.38	23.73	21.81	17.55	12.91
Russell:Top 200 Value	10.30	10.30	47.94	11.05	11.79	10.95	7.29
Large Cap							
S&P:500	6.17	6.17	56.35	16.78	16.29	13.91	10.02
Russell:1000 Index	5.91	5.91	60.59	17.31	16.66	13.97	10.17
Russell:1000 Growth	0.94	0.94	62.74	22.80	21.05	16.63	12.38
Russell:1000 Value	11.26	11.26	56.09	10.96	11.74	10.99	7.69
MidCap							
S&P:400 Mid Cap	13.47	13.47	83.46	13.40	14.37	11.92	9.94
Russell:Midcap Index	8.14	8.14	73.64	14.73	14.67	12.47	9.80
Russell:Midcap Growth	(0.57)	(0.57)	68.61	19.41	18.39	14.11	10.97
Russell:Midcap Value	13.05	13.05	73.76	10.70	11.60	11.05	8.67
Small Cap							
S&P:600 Small Cap	18.24	18.24	95.33	13.71	15.60	12.97	9.78
Russell:2000 Index	12.70	12.70	94.85	14.76	16.35	11.68	8.83
Russell:2000 Growth	4.88	4.88	90.20	17.16	18.61	13.02	10.05
Russell:2000 Value	21.17	21.17	97.05	11.57	13.56	10.06	7.38
Russell:Microcap	23.89	23.89	120.33	16.57	18.10	12.20	7.93
Non-US Equity							
MSCI:ACWI ex US	3.49	3.49	49.41	6.51	9.76	4.93	4.48
MSCI:EAFE	3.48	3.48	44.57	6.02	8.85	5.52	4.10
MSCI:EAFE Growth	(0.57)	(0.57)	42.59	9.84	10.84	7.21	5.49
MSCI:EAFE Value	7.44	7.44	45.71	1.85	6.57	3.65	2.55
MSCI:EAFE Small Cap	4.50	4.50	61.98	6.32	10.50	8.01	5.74
MSCI:EM	2.29	2.29	58.39	6.48	12.07	3.65	5.95
Fixed Income							
Blmbg:Aggregate	(3.37)	(3.37)	0.71	4.65	3.10	3.44	4.29
Blmbg:TIPS	(1.47)	(1.47)	7.54	5.68	3.86	3.44	4.37
Blmbg:Long Gov/Credit	(10.41)	(10.41)	(2.05)	7.14	5.47	6.98	6.87
Blmbg:Long Credit A	(9.38)	(9.38)	4.35	7.01	5.86	7.04	6.58
Blmbg:HY Corp Cash Pay	0.84	0.84	23.72	6.85	8.06	6.49	7.36
Blmbg:Muni 1-10 Yr	(0.26)	(0.26)	4.54	3.97	2.65	3.16	3.69
Blmbg:Glb Agg xUSD	(5.29)	(5.29)	7.15	1.15	2.13	1.26	3.30
Blmbg:Glb Agg xUSD Hdg	(1.90)	(1.90)	1.45	3.88	3.28	4.22	4.21
JPM:EMBI Plus	(7.22)	(7.22)	8.76	2.62	3.48	4.77	5.89
Other Assets							
Blmbg:Commodity TR Idx	6.92	6.92	35.04	(0.20)	2.31	(6.28)	(3.42)
S&P GSCI	13.55	13.55	50.22	(4.93)	1.18	(8.60)	(6.88)
S&P:Gold Spot Price Ix	(9.47)	(9.47)	7.45	8.93	6.78	1.77	7.42
FTSE:NAREIT Equity Index	8.87	8.87	37.78	9.45	5.33	8.56	6.15
Alerian:MLP Index	21.95	21.95	103.13	(2.98)	(1.30)	(0.93)	4.59

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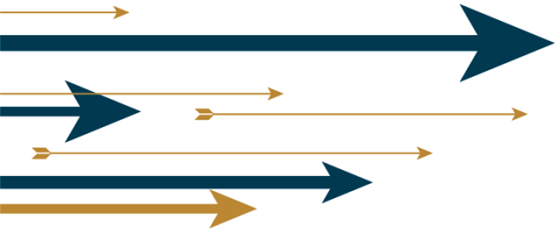
CAPITAL MARKETS REVIEW & OUTLOOK

First Quarter 2021



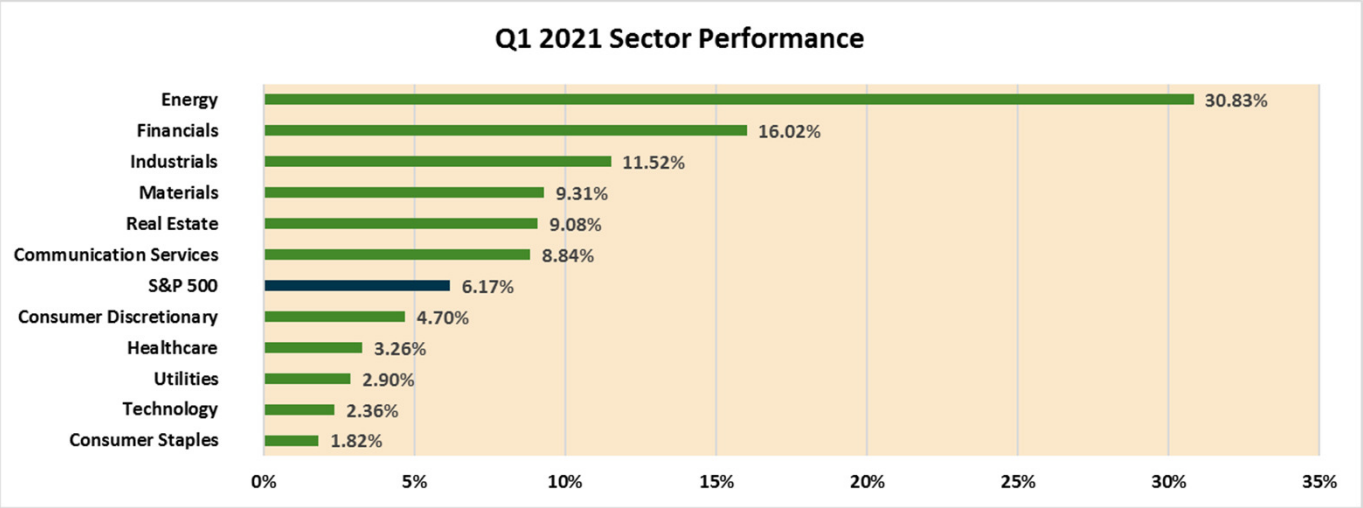
MAJOR MARKET INDICES (AS OF 3/31/2021)

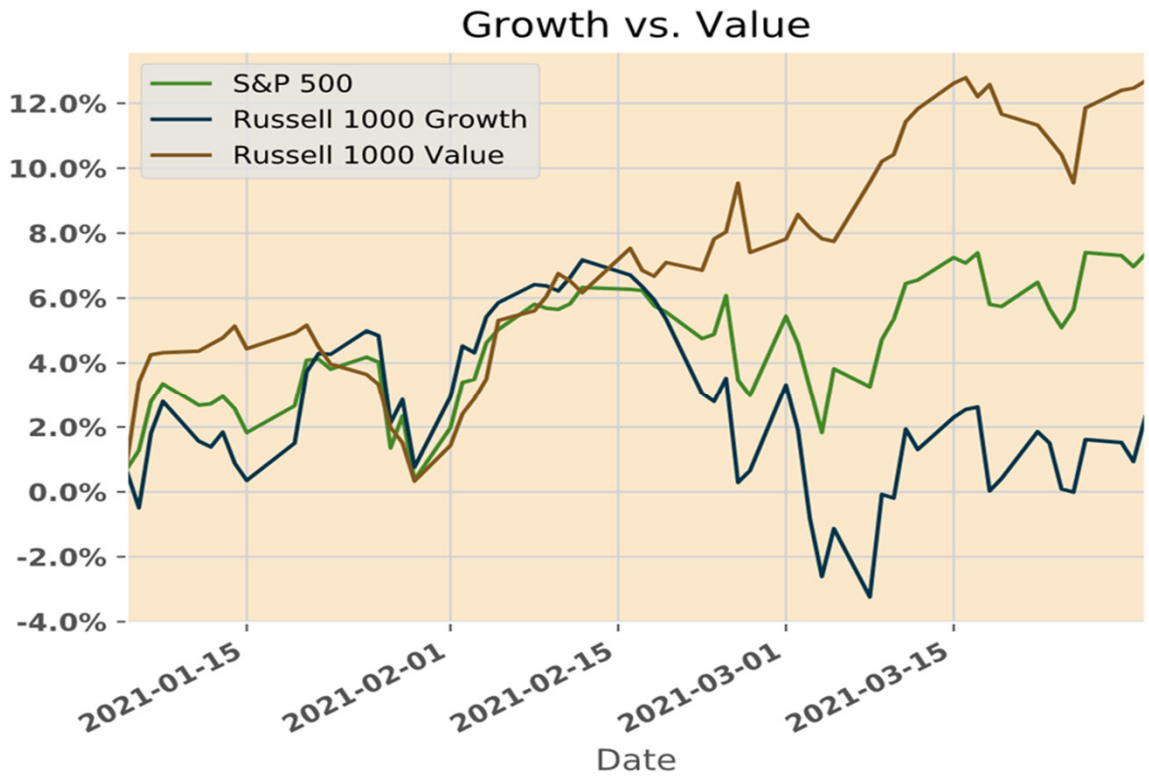
Domestic Equity	2021 Q1	YTD	Annualized 1 Year	5 Year	10 Year	P/E Ratio TTM
S&P 500	6.2%	6.2%	56.4%	16.3%	13.9%	28.9
Russell 3000	6.3%	6.3%	62.5%	16.6%	13.8%	28.2
Russell 1000 Value	11.3%	11.3%	56.1%	11.7%	11.0%	23.5
Russell 1000 Growth	0.9%	0.9%	62.7%	21.1%	16.6%	35.9
Russell 1000	5.9%	5.9%	60.6%	16.7%	14.0%	28.7
Russell 2000	12.7%	12.7%	94.8%	16.4%	11.7%	21.3
Russell 2500	10.9%	10.9%	89.4%	15.9%	12.2%	23.5
International Equity	**2021 Q1**	**YTD**	**Annualized 1 Year**	**5 Year**	**10 Year**	**P/E Ratio TTM**
MSCI ACWI Ex US	3.6%	3.6%	50.0%	10.3%	5.4%	20.7
MSCI EAFE	3.6%	3.6%	45.2%	9.4%	6.0%	22.4
Emerging Markets	2.3%	2.3%	58.9%	12.5%	4.0%	18.4
Fixed Income	**2021 Q1**	**YTD**	**Annualized 1 Year**	**5 Year**	**10 Year**	**Yield**
Barclays Aggregate	-3.4%	-3.4%	0.7%	3.1%	3.4%	1.6%
Barclays Universal	-3.1%	-3.1%	3.0%	3.6%	3.8%	1.9%
Other	**2021 Q1**	**YTD**	**Annualized 1 Year**	**5 Year**	**10 Year**	**Value**
US Dollar	3.7%	3.7%	-5.9%	-0.3%	2.1%	$93.23
WTI	24.2%	24.2%	133.7%	10.6%	-5.9%	$59.16
Gold	-11.0%	-11.0%	7.3%	7.3%	1.9%	$1,716

- The sector rotation that began in the latter half of 2020 continued through the 1st quarter, with Value outperforming Growth and Small Caps outperforming Large Caps.
- International markets lagged domestic markets as another round of lockdowns hurt Europe, on top of a strengthening US dollar.
- The 10-year Treasury rose on inflation expectations ending the quarter at 1.74%, which negatively impacted bond performance.
- Oil continued to strengthen on increased demand and despite inflation fears, gold fell. Speculation in cryptocurrencies, which saw large inflows, appeared to take the place of the yellow metal's lure.

Source: Koyfin, Morningstar, Callan

SECTOR PERFORMANCE

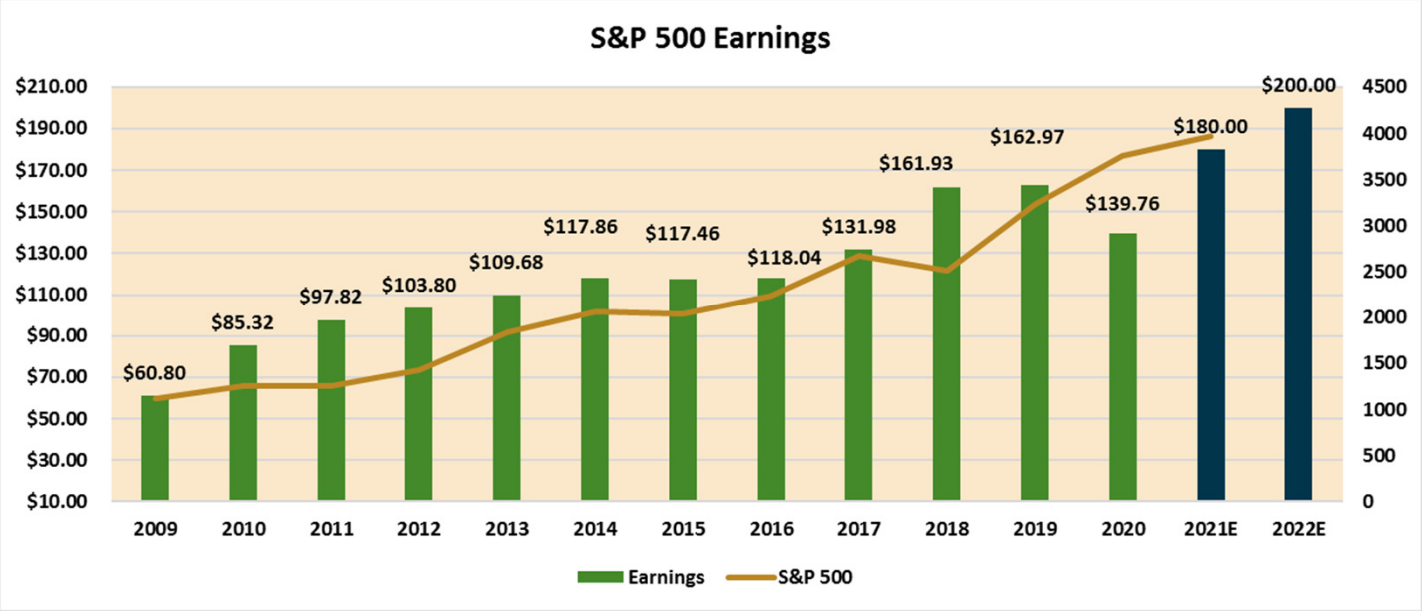


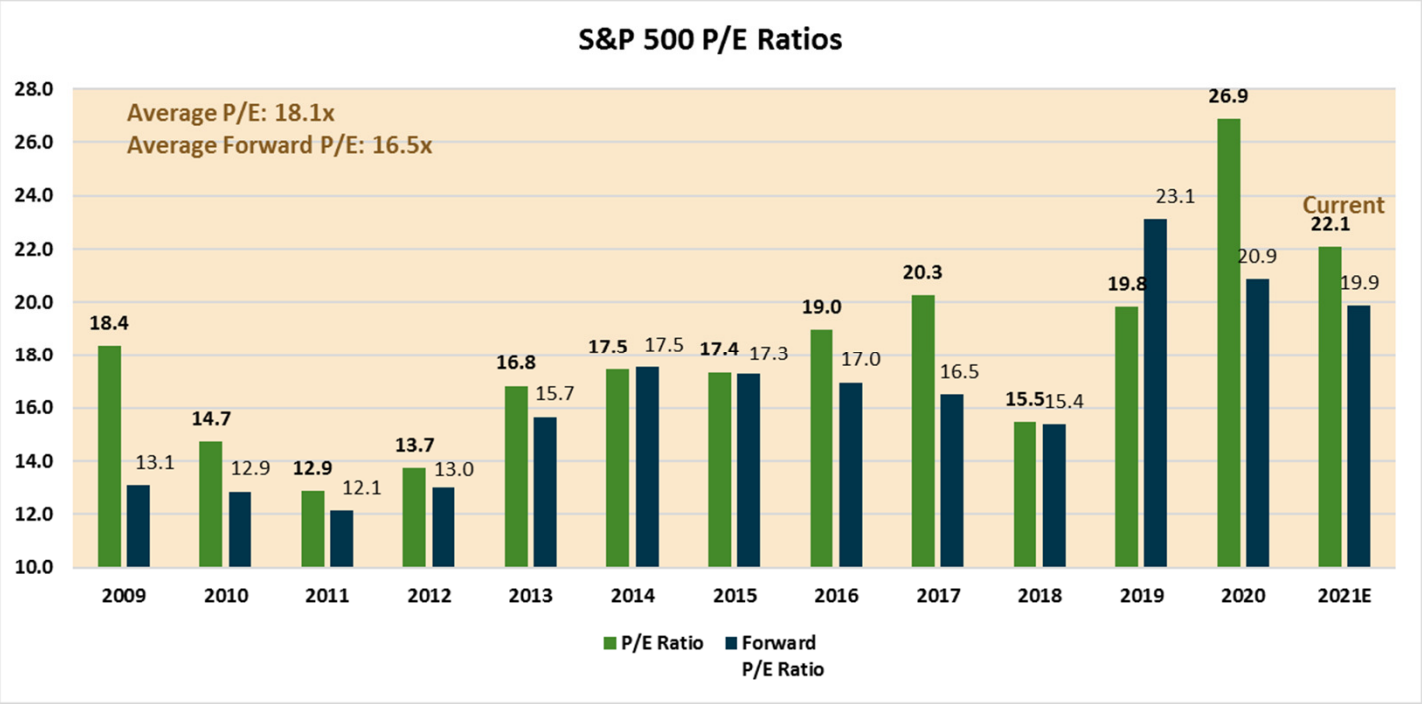


- Cyclicals, which typically benefit from a robust economy, led the quarter higher, while technology reported muted performance compared to 2020.
- A stark reversal between Growth and Value can be clearly seen, as rising interest rates hurt valuations for Growth oriented names.

Source: Morningstar and Yahoo! Finance

EARNINGS AND VALUATION



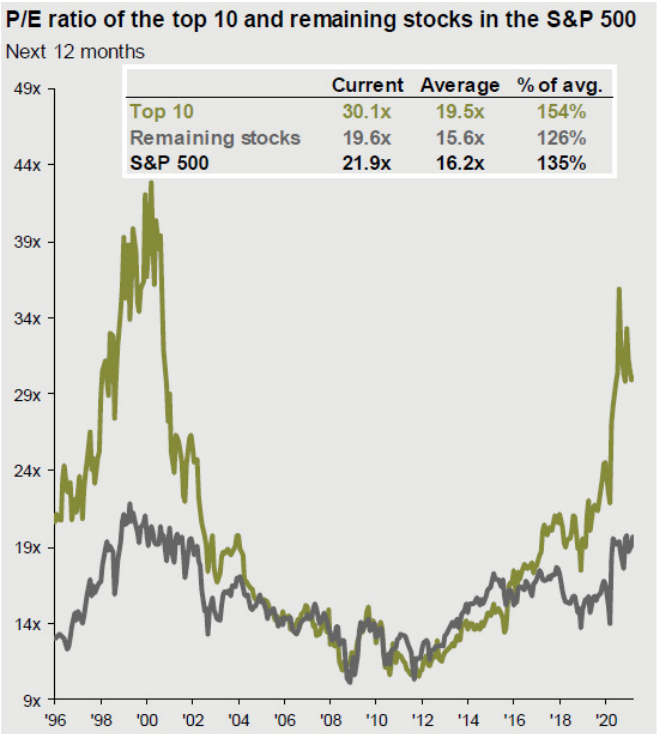


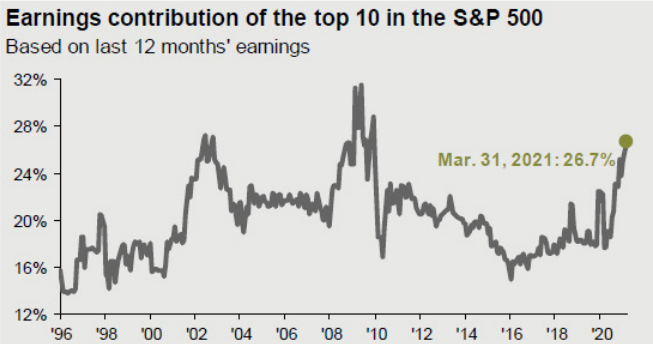
- 2020 closed out the year with just under $140 in earnings per share for the S&P 500, with current expectations for a rise of 28.8% in 2021.
- Despite robust expectations, forward valuations still remain elevated compared to long-term averages.

Source: Yardeni Research, Yahoo Finance

VALUATION AND FUTURE EXPECTATIONS?

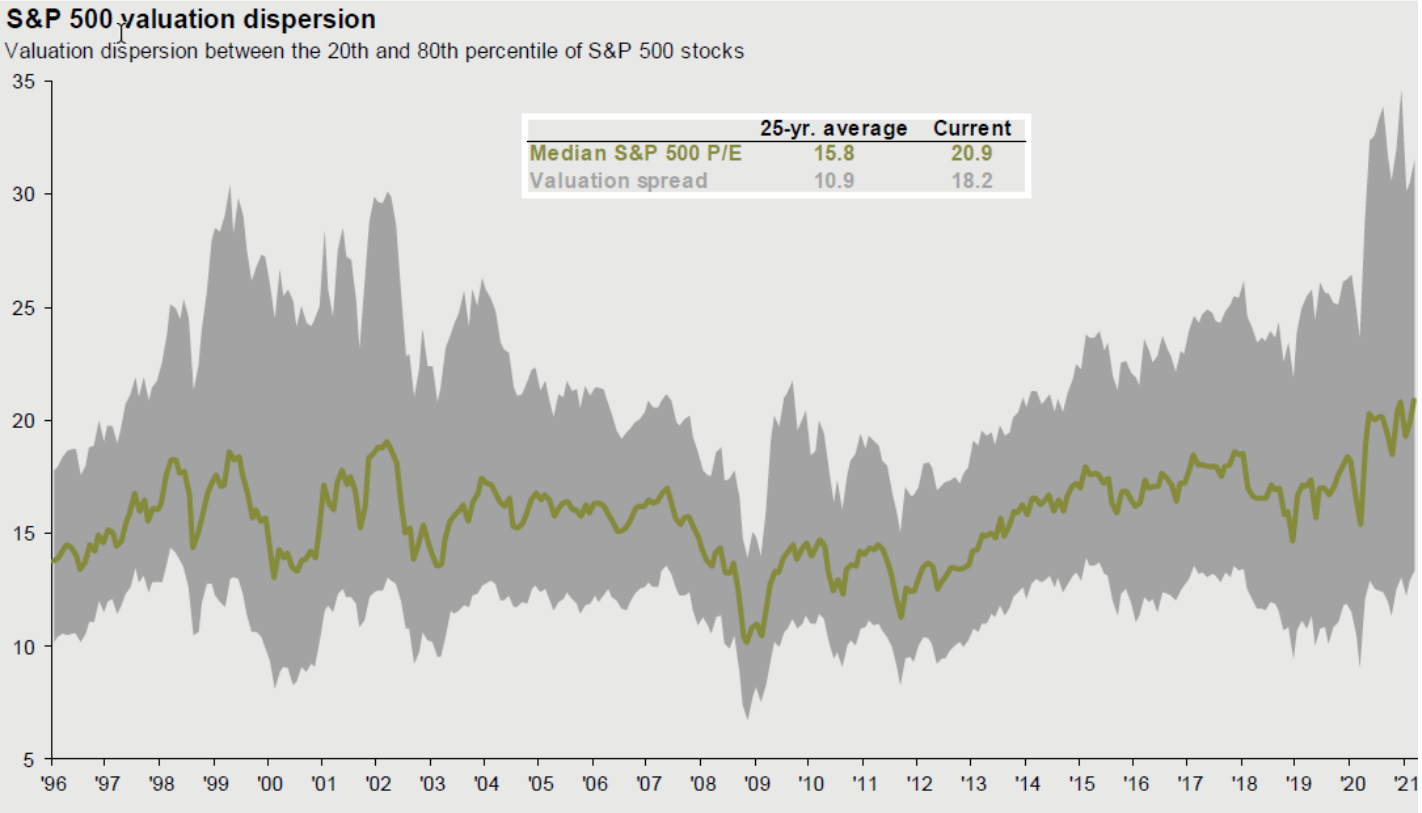
- Valuations for the overall market are at the high-end of the range, which sets low expectations for returns for the foreseeable future.
- However, much of the frothy valuation is concentrated in a few individual names, which constitute a significant portion of the index, leaving many undervalued companies still in the mix.
- Earnings will continue to be very important to future stock market returns.

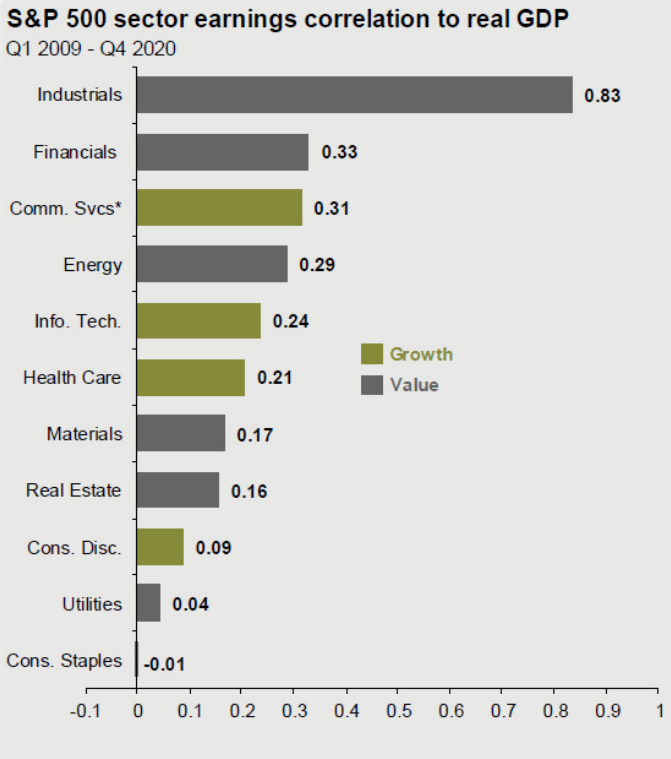




Source: JP Morgan

MARKET DISPERSION CREATES OPPORTUNITY

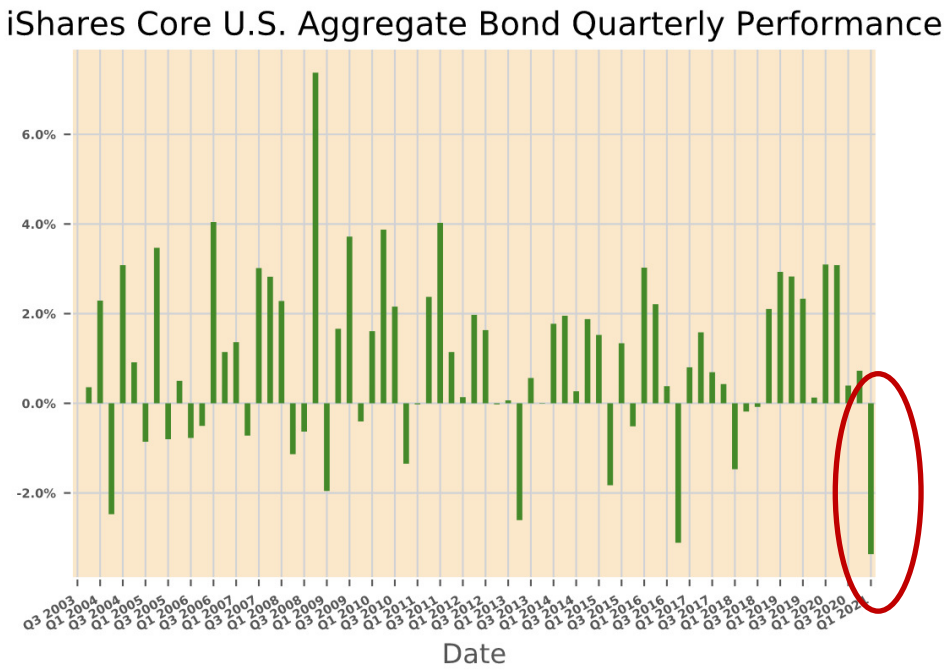




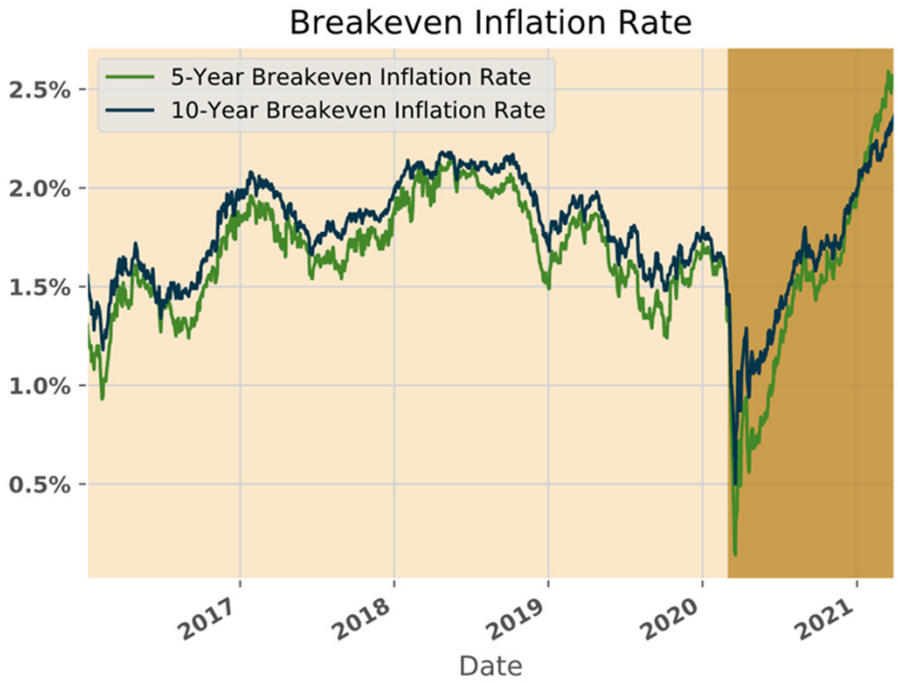
- Market dispersion continues to be at all time highs, as defined by looking at the valuation spread between the 20th and 80th percentile of S&P 500 stocks.
- As the economy reopens, we would expect this dispersion to decrease, as industries with higher correlation to real GDP should benefit from a rebounding economy.

Source: JP Morgan

RATES AND INFLATION EXPECTATIONS

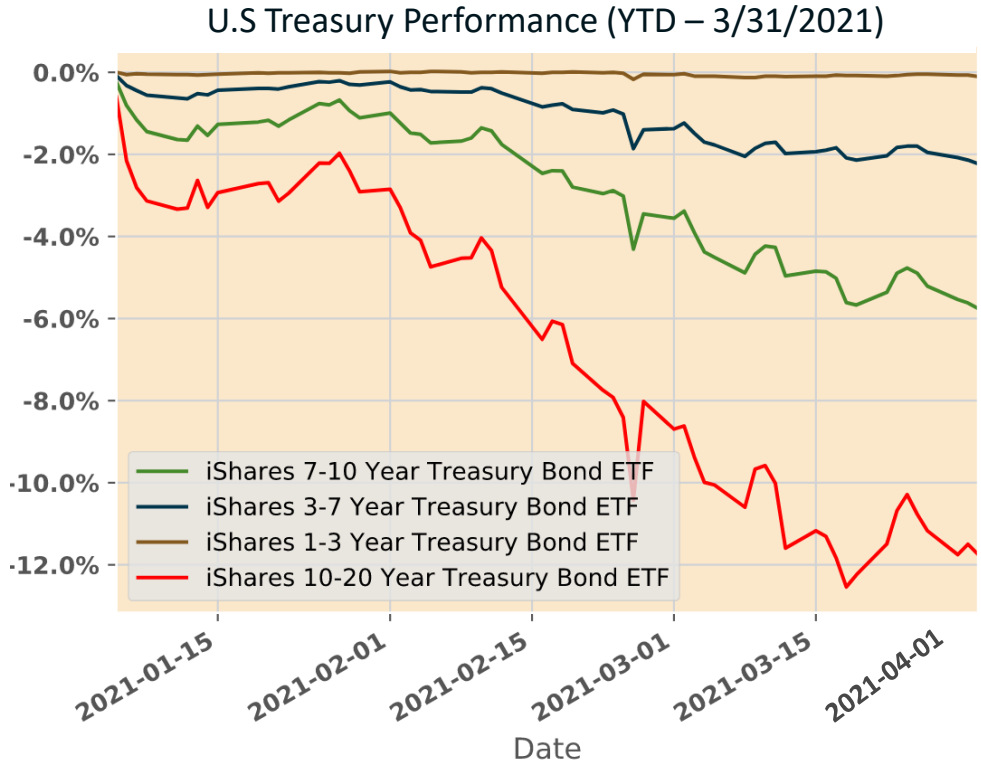


- Bond prices dropped sharply during the first quarter over growing fears of rising inflation due to fiscal and monetary stimulus.
- Despite concerns, the Fed has maintained their dedication to easy monetary policy and continues to emphasize they are comfortable with inflation rising above their 2% target, so as the long-term average is closer to 2%.

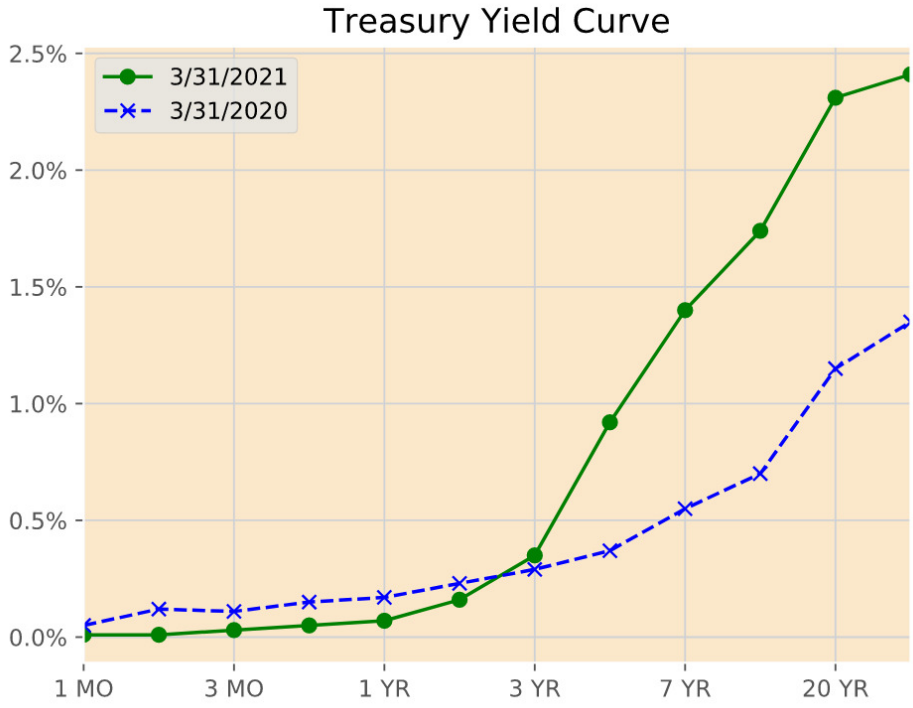


Source: Federal Reserve Economic Database

U.S. TREASURIES

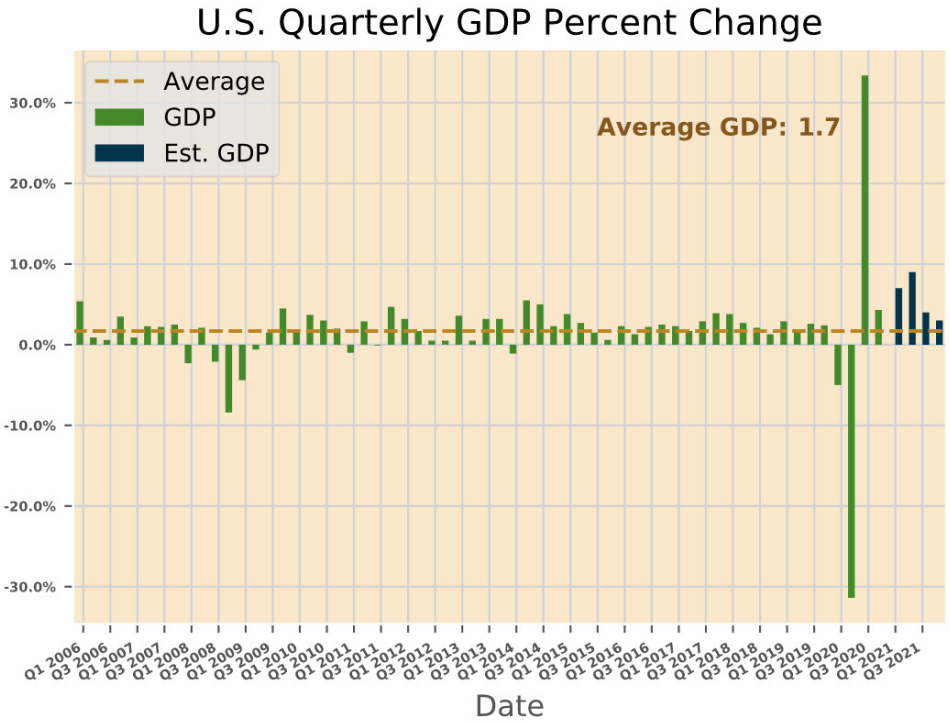


- The sharp rise in the long-end of the yield curve, was detrimental to bond price performance during the quarter.



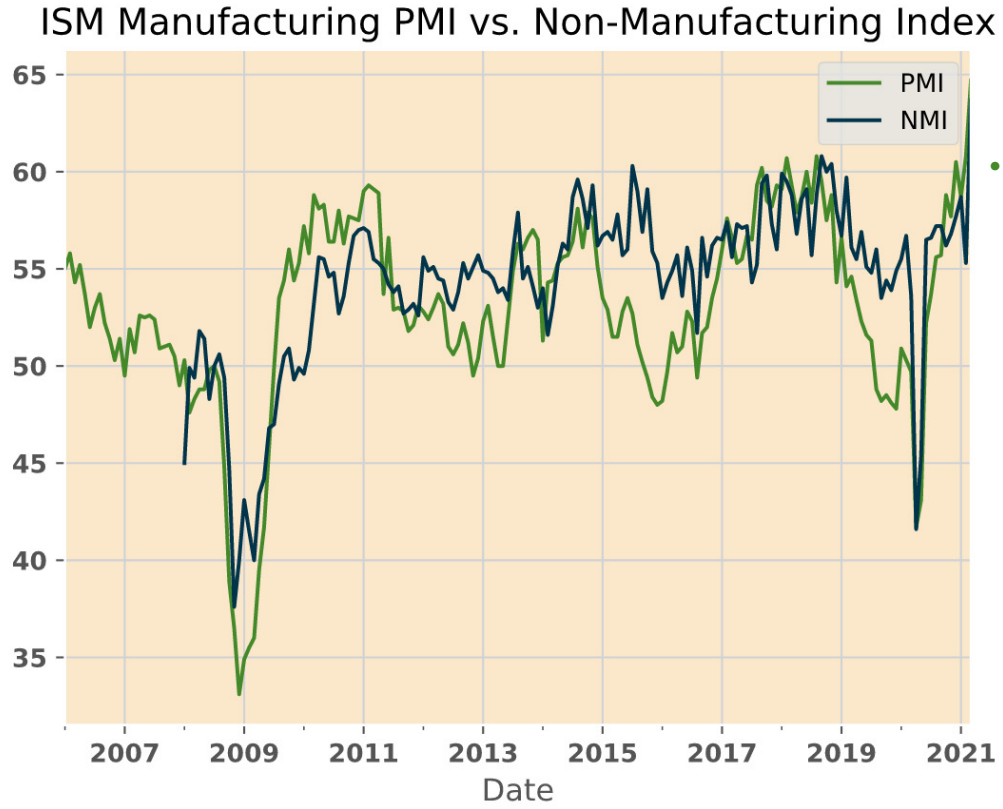
Source: U.S. Treasury, Yahoo Finance

GROSS DOMESTIC PRODUCT



Estimates:
2021 Q1 – 7.0%
2021 Q2 – 9.0%
2021 Q3 – 4.0%
2021 Q4 – 3.0%

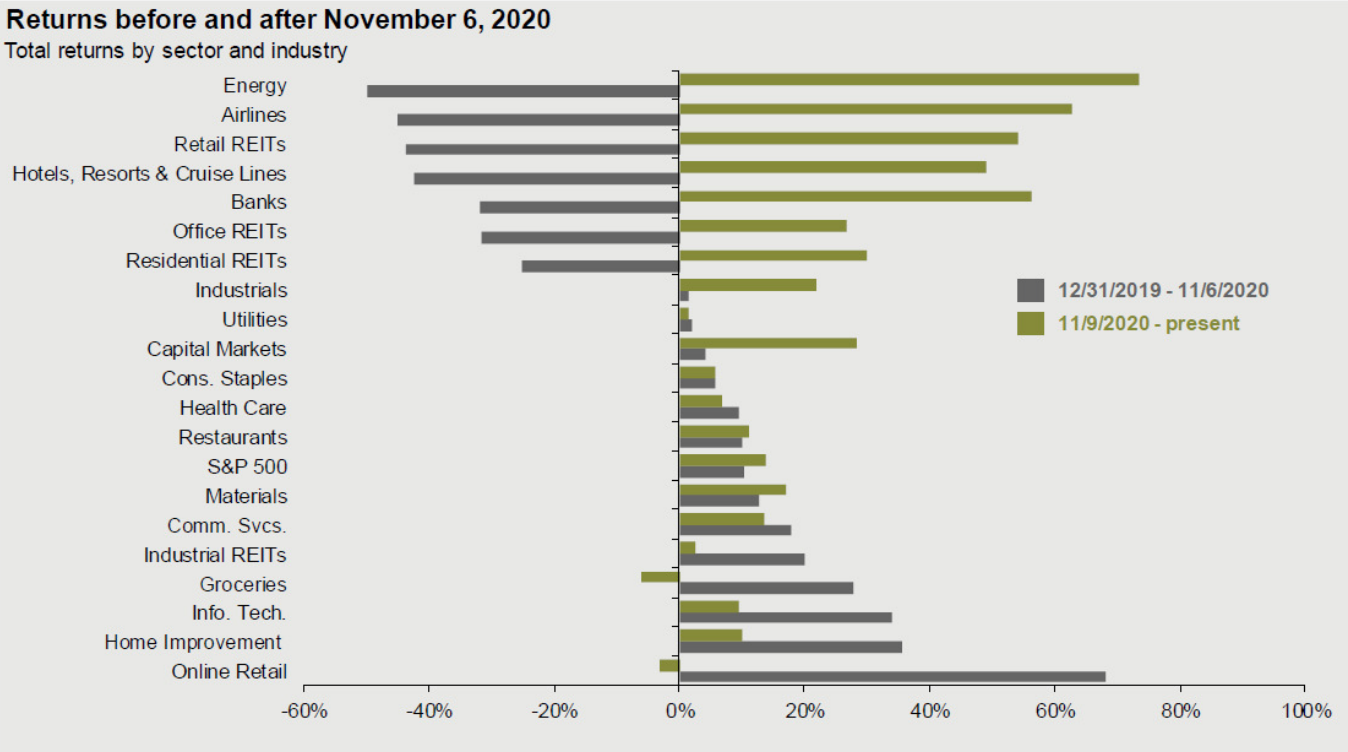
- 4th Quarter GDP was revised to 4.0%, bringing 2020 to a negative 3.5%. 1st Quarter projections are hovering around a robust 5.5%.

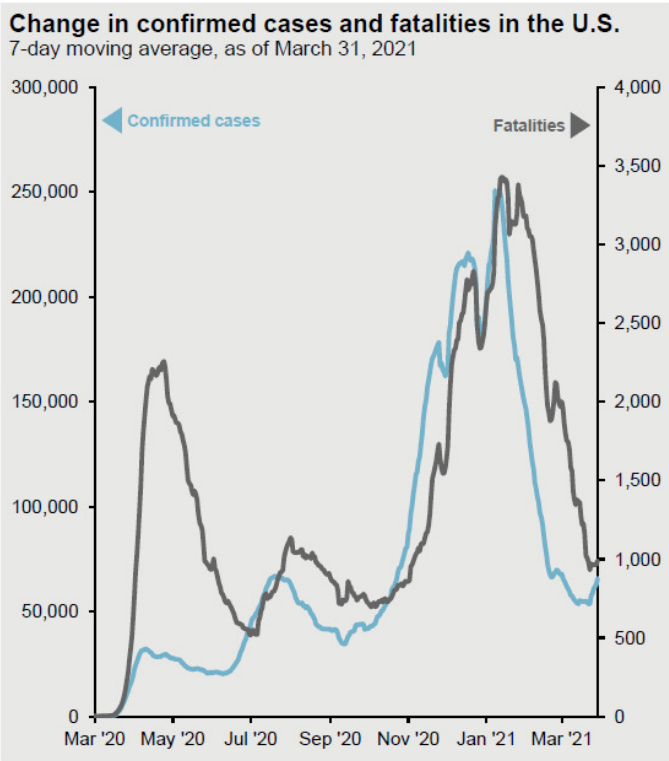


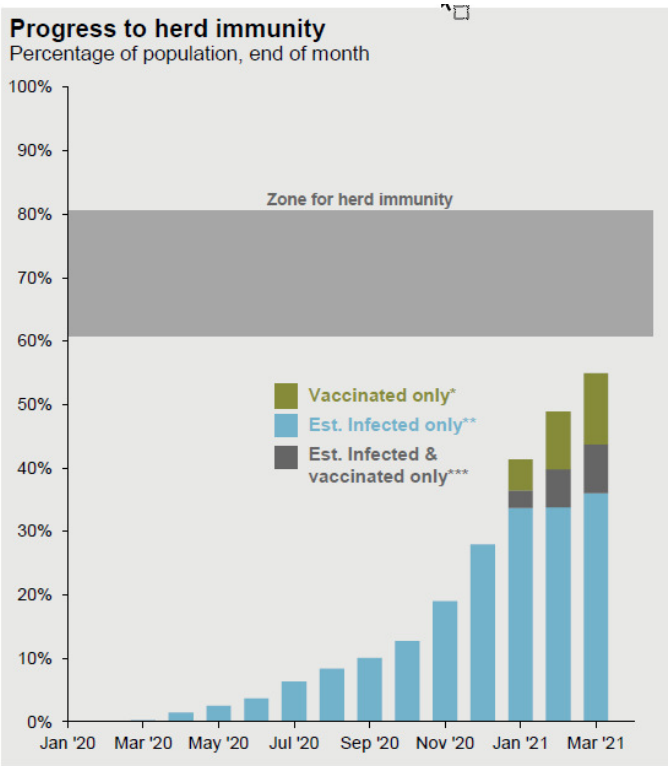
- Manufacturing ISM Index posted a robust 64.7 in March, up from 49.1 one year ago. Meanwhile, non-manufacturing, which represents the service side of the economy, posted a strong 63.7 up from 55.3 for the previous month.

Source: Federal Reserve Economic Database, Institute for Supply Management, and Yardeni Research

THE GREAT ROTATION & GRAND REOPENING







Source: JP Morgan

GLOBAL ECONOMICS & RATES

	GDP QoQ	GDP YoY	Core CPI YoY	Retail Sales	Industrial Production	Policy Rate	10Y Yield	Jobless Rate
United States	4.00%	-2.50%	1.40%	6.30%	-4.20%	0.25%	1.75%	6.00%
Euro Zone	-0.70%	-5.10%	0.90%	-2.90%	-1.60%	-0.54%	n/a	8.30%
China	2.60%	6.50%	0.30%	33.80%	35.10%	3.85%	3.23%	5.50%
Japan	3.00%	-1.20%	-0.90%	-1.50%	-2.60%	-0.10%	0.10%	2.90%
Germany	0.10%	-3.90%	1.40%	-9.00%	-6.40%	-0.54%	-0.29%	4.60%
United Kingdom	1.00%	-7.80%	0.90%	-3.70%	-3.50%	0.10%	0.85%	5.00%
France	-1.30%	5.00%	0.60%	1.60%	-6.60%	-0.54%	-0.05%	8.00%
India	7.90%	0.40%	n/a	n/a	-3.60%	4.00%	6.18%	6.50%
Italy	-2.00%	-6.60%	0.80%	-5.70%	-0.60%	-0.54%	0.67%	10.20%
Brazil	3.20%	-1.10%	2.91%	-3.80%	0.40%	2.75%	9.29%	14.20%
Canada	2.30%	-3.20%	1.20%	1.30%	-1.92%	0.25%	1.56%	7.50%
Russia	1.50%	-3.10%	5.38%	-1.30%	-3.70%	4.50%	7.16%	5.70%
South Korea	1.10%	-1.40%	0.90%	8.40%	7.50%	0.50%	2.02%	4.00%
Australia	3.10%	-1.10%	1.20%	9.10%	-3.00%	0.10%	1.81%	6.60%
Spain	0.40%	-9.10%	0.30%	-5.90%	-2.10%	-0.54%	0.37%	16.13%
Mexico	3.10%	-4.50%	4.12%	-7.60%	-4.50%	4.00%	6.63%	4.40%
Indonesia	-0.42%	-2.07%	1.21%	-18.10%	2.00%	3.50%	6.62%	7.07%
Turkey	1.70%	5.90%	16.88%	4.60%	8.80%	19.00%	17.64%	13.40%
Switzerland	0.30%	-1.60%	-0.40%	-6.30%	-3.80%	-0.75%	-0.25%	3.40%
As of	*12/31/2020*	*9/30/2020*	*3/31/2021*	*2/28/2021*	*2/28/2021*	*3/31/2021*	*3/31/2021*	*3/31/2021*

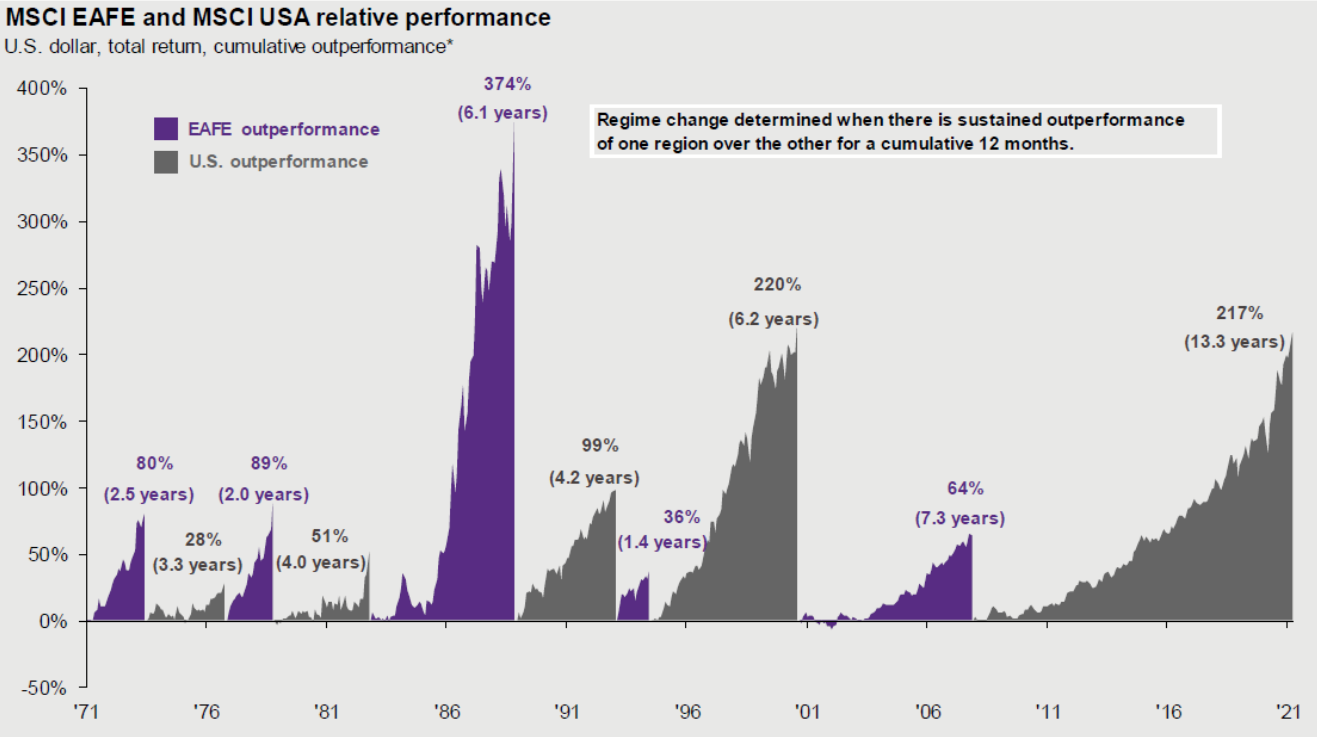
- GDP is rebounding across the world, and we're also seeing an uptick in inflation and rates, with China leading the recovery.
- The IMF projects 2021 global GDP to be 5.5%, however, the strength of the recovery is projected to vary significantly across countries, depending on access to medical interventions, effectiveness of policy support, exposure to cross-country spillovers and structural characteristics entering the crisis.

Term	USA	Canada	Great Britain	Germany	France	Italy	Japan	Australia	China	India
1 Year	0.06%	0.17%	0.03%	-0.65%	-0.63%	-0.44%	-0.13%	0.04%	2.54%	3.93%
2 Year	0.16%	0.23%	-	-0.70%	-0.66%	-0.38%	-0.12%	0.09%	2.85%	4.54%
3 Year	0.35%	0.33%	0.21%	-0.73%	-0.62%	-0.26%	-0.13%	0.12%	2.85%	4.93%
5 Year	0.94%	0.99%	0.40%	-0.63%	-0.48%	0.01%	-0.09%	0.75%	3.03%	5.71%
7 Year	1.42%	0.99%	0.63%	-0.53%	-0.30%	0.32%	-0.02%	1.28%	3.19%	6.31%
10 Year	1.75%	1.56%	0.85%	-0.29%	-0.05%	0.67%	0.10%	1.81%	3.23%	6.18%
30 Year	2.42%	1.99%	1.40%	0.26%	0.81%	1.67%	0.67%	2.75%	3.74%	6.76%

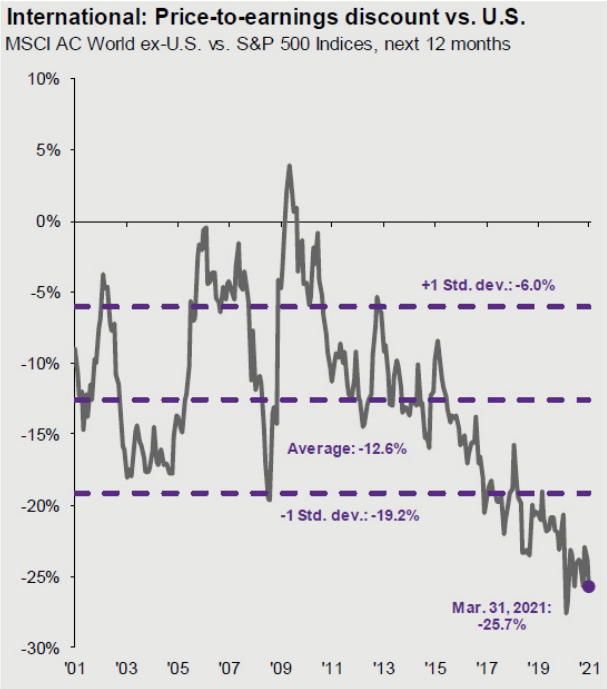
As of 3/31/2021

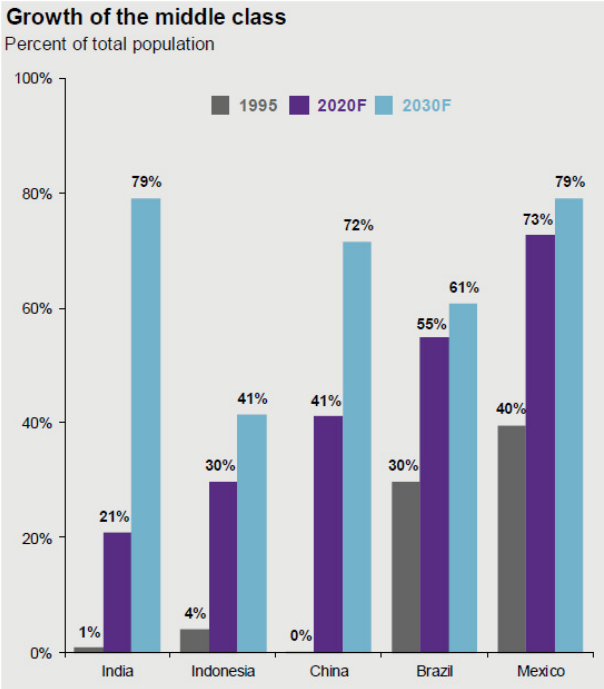
Source: Koyfin

THE CASE FOR INTERNATIONAL



- Current valuations and exposure to rising middle classes, make international markets an attractive opportunity set, along with the recent rising dollar, which is most likely to reverse with the multitude of stimulus dollars.





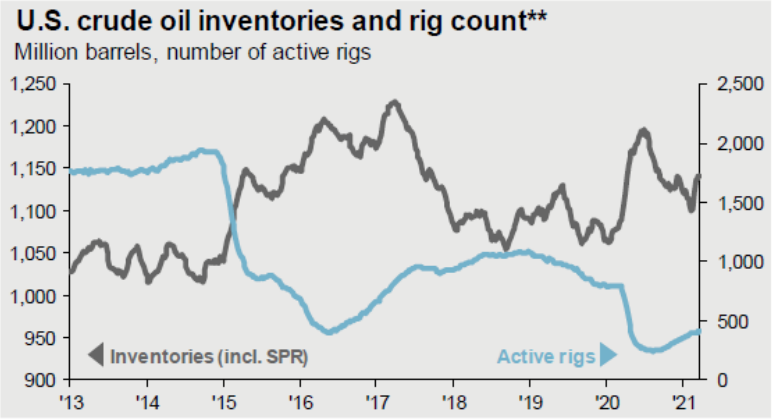
Source: JP Morgan

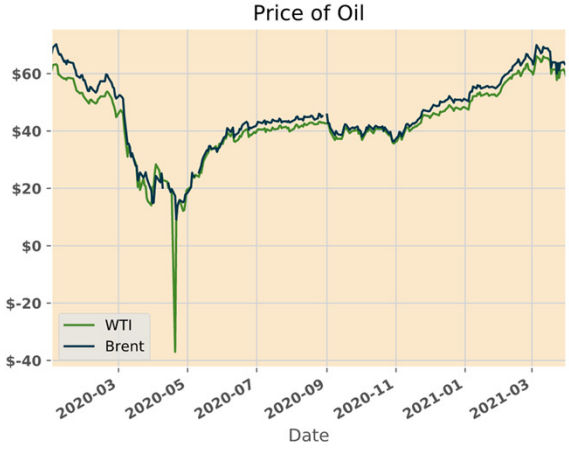
ENERGY AND RENEWABLES

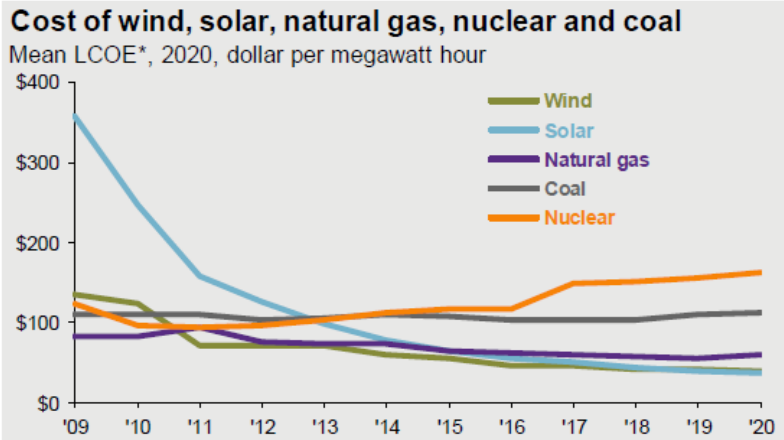
Change in production and consumption of liquid fuels
Production, consumption and inventories, millions of barrels per day

Production	2018	2019	2020	2021*	2022*	Growth since '18
U.S.	17.9	19.5	18.6	18.8	20.3	13.1%
OPEC	36.8	34.6	30.6	31.9	33.3	-9.5%
Russia	11.4	11.5	10.5	10.7	11.6	1.3%
Global	**100.8**	**100.7**	**94.2**	**97.1**	**101.2**	**0.4%**
Consumption						
U.S.	20.5	20.5	18.1	19.5	20.5	0.1%
China	13.9	14.8	14.3	15.2	15.8	13.8%
Global	**100.1**	**101.2**	**92.2**	**97.5**	**101.3**	**1.3%**
Inventory Change	0.8	-0.5	2.0	-0.4	-0.1	

- Global oil supply and demand have been brought back in balance due to Saudi Arabia's continued commitment to cut production and encouragement to other OPEC member to remain cautious on production.
- Meanwhile US rig counts have slowly started to rise.





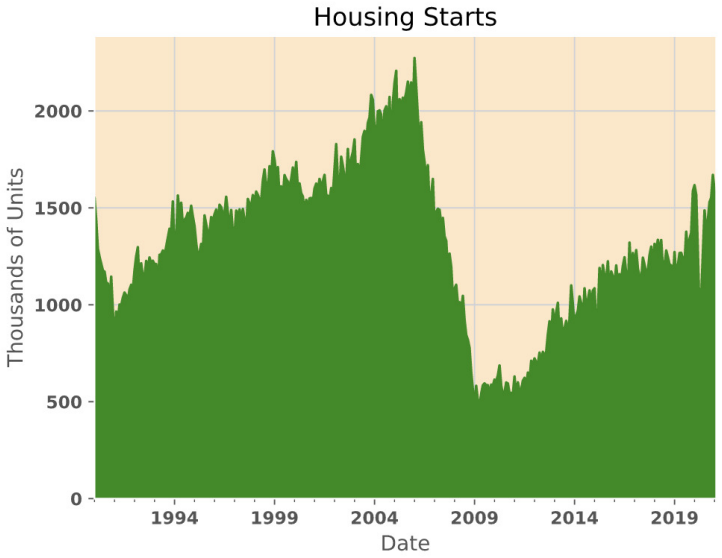


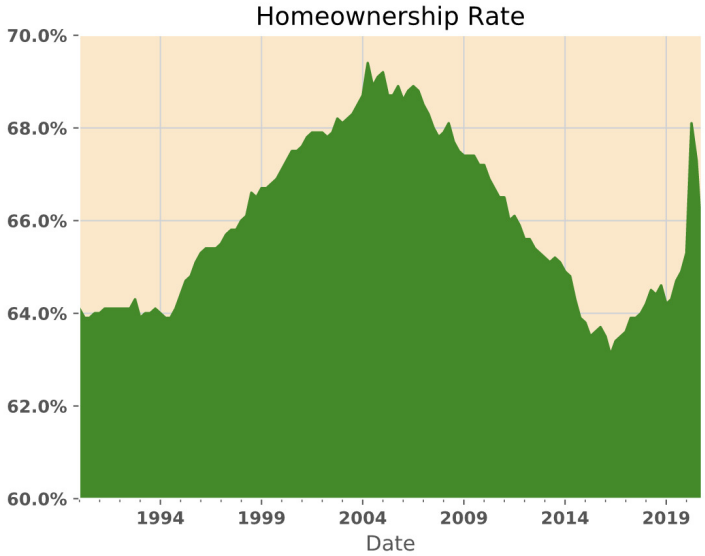
- While renewables are growing in importance and costs are falling, natural gas still provides 40% of our electricity and serves as the only viable substitute to coal as we build further renewable infrastructure.

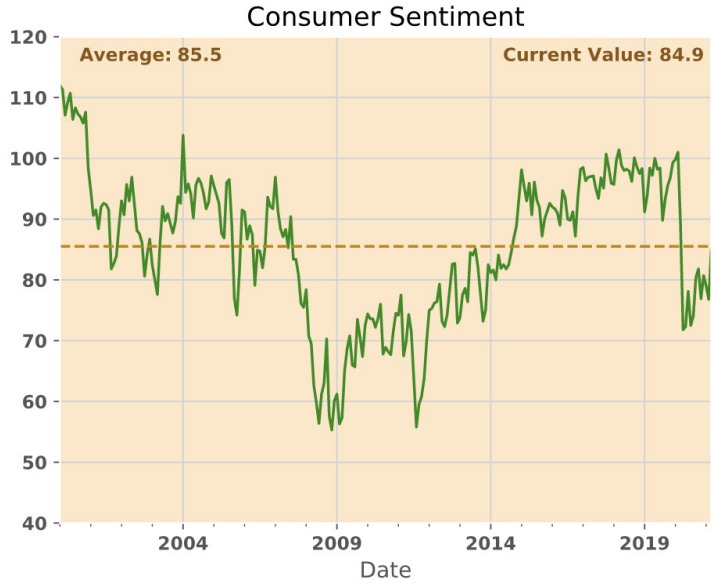
*Forecasts are from the March 2021 EIA Short-Term Energy Outlook and start in 2021.
**U.S. crude oil inventories include the Strategic Petroleum Reserve. Active rig count includes both natural gas and oil rigs. WTI crude prices are continuous contract NYM prices in USD.

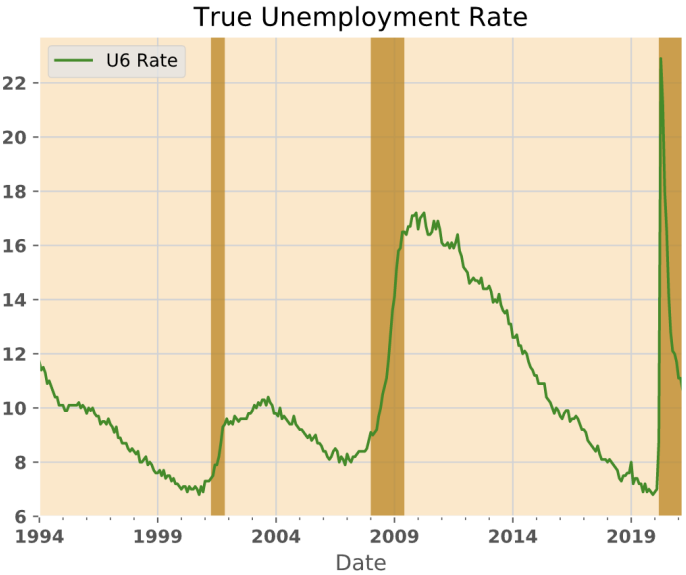
Source: JP Morgan; Federal Reserve Economic Database

THE STATE OF THE US CONSUMER





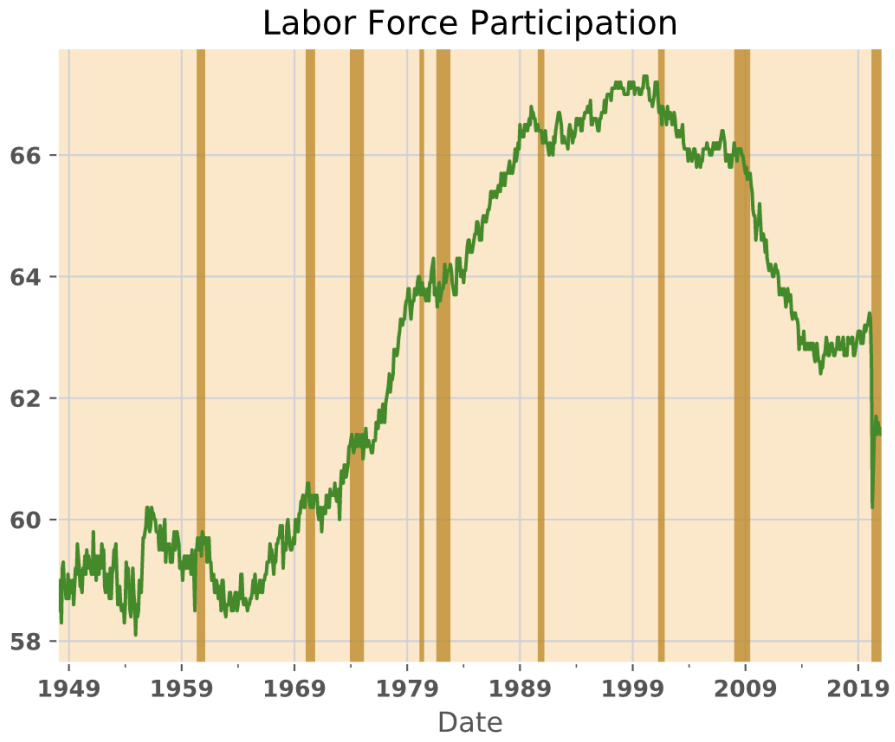




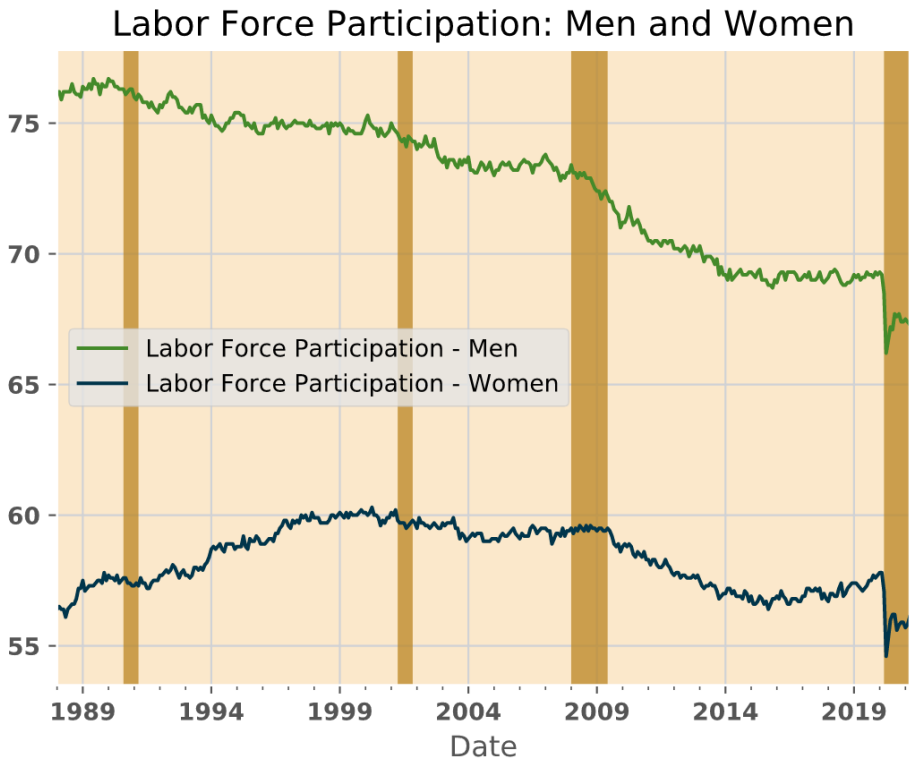
- Housing continues to be a bright spot despite the recent jump in the 10-year. Low inventory and rising demand has resulted in more realtors in the US than houses for sale.
- Consumer sentiment hit a post-pandemic high, reaching 84.9.
- Despite falling unemployment data (6.0%), the true unemployment rate or U-6 Rate is closer to 11%, which includes underemployed and part-time workers that would rather have a full-time position.

Source: Federal Reserve Economic Database and University of Michigan

LABOR FORCE PARTICIPATION



- The labor participation rate is still quite low, which includes people of working age who have stopped looking for work.
- As the economy improves, this number should rise, which will continue to put pressure on the unemployment number as people re-enter the system.

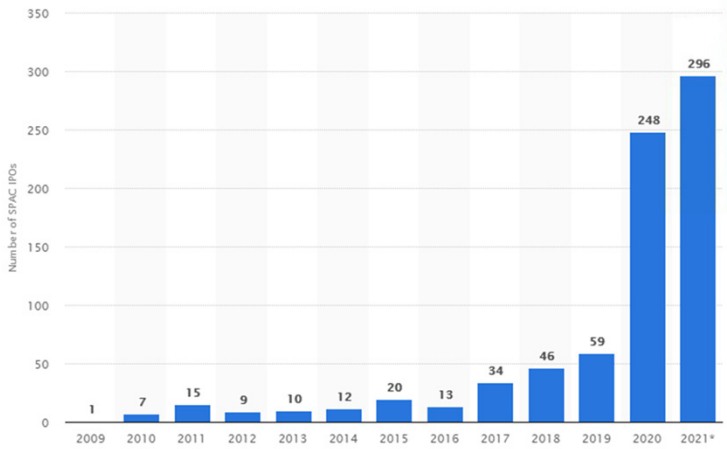


- The pandemic has more adversely affected women's participation in the work force as some have been forced to home-school children and more women tend to work in the service sectors that have been hardest hit during the recession.

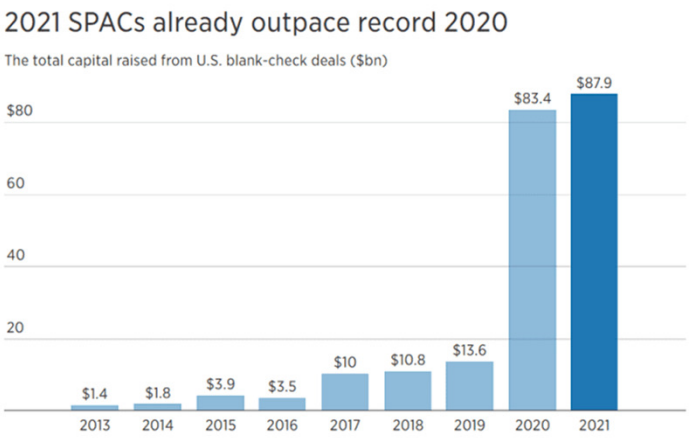
Source: Federal Reserve Economic Database

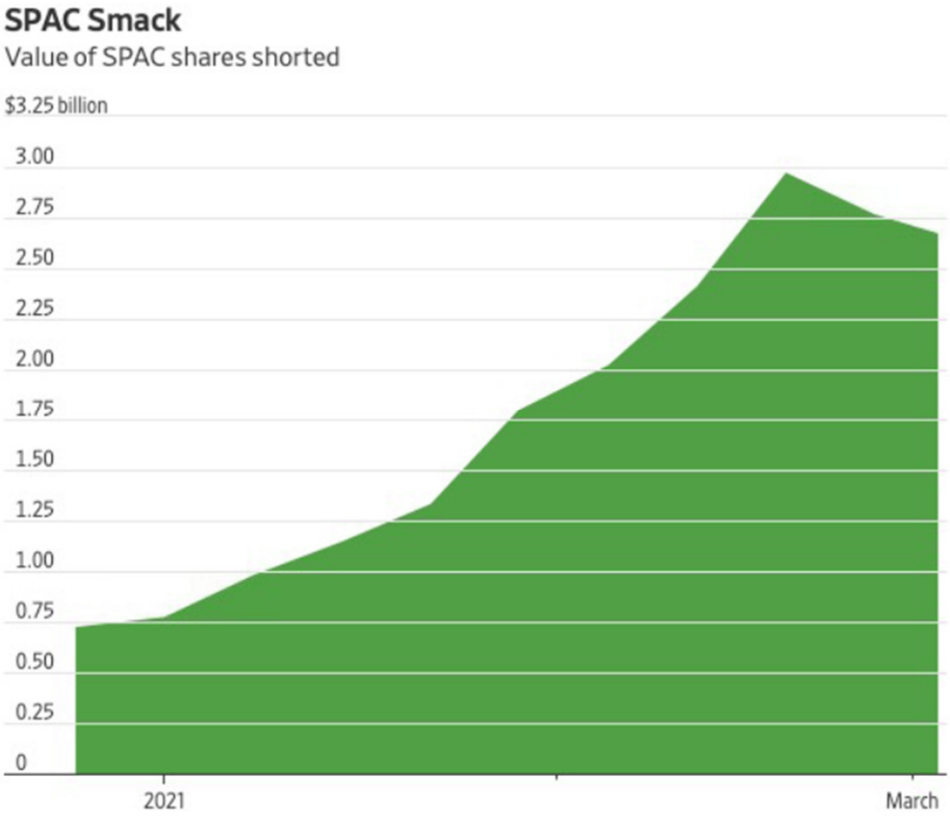
SPAC ATTACK

- With fewer and fewer public companies listed, are SPACs filling the void or are they the next bubble?
- They do appear to provide proof that there are a lot of dollars out there chasing return and with so much competition, can returns outweigh the risks?



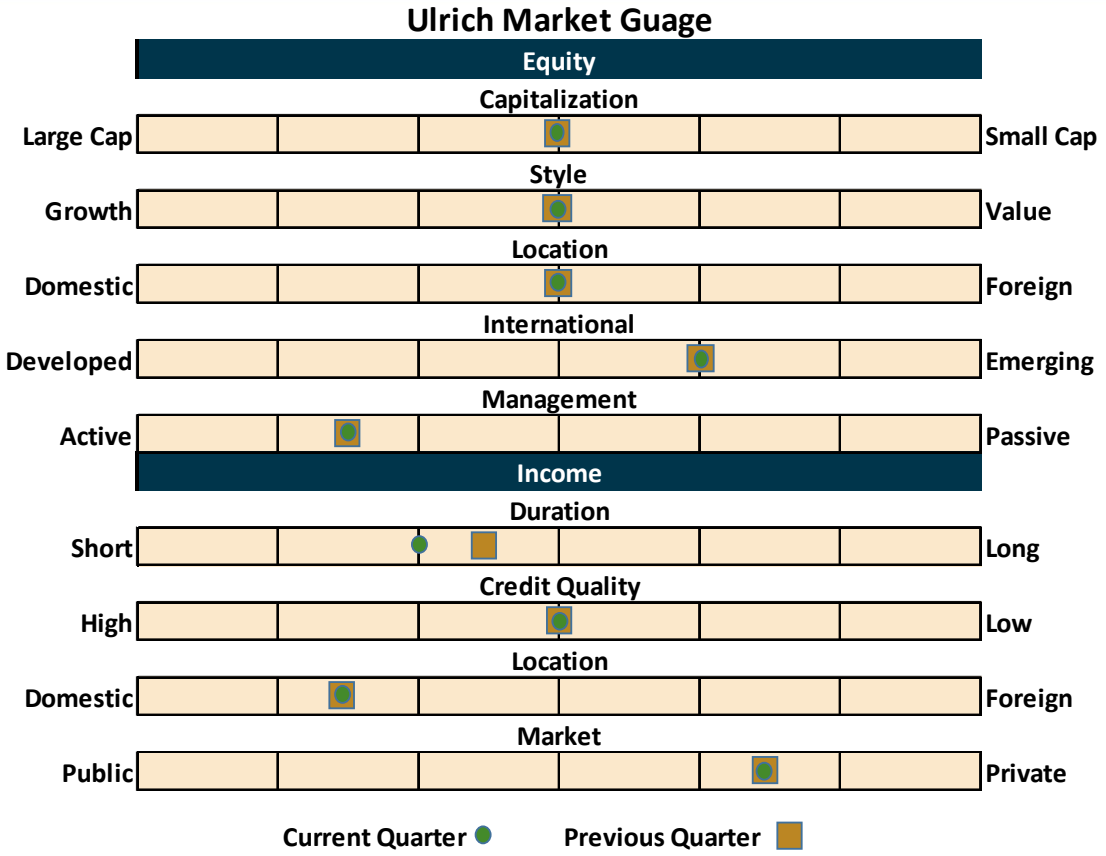
*As of March 31, 2021.





Source: The Wall Street Journal, Statista

SUMMARY AND OUTLOOK



- Despite the run up in markets, we still prefer equities to bonds, given ultra-low interest rates.
  - We have been overweight to domestic equities which has worked in our favor; however, we do feel a wider global recovery should begin to favor international stocks and the recent run-up in the US dollar could reverse due to our rising debt.
  - Emerging markets look more attractive compared to developed countries based on growth expectations and exposure to rising middle classes.
  - We have tilted market cap downward, which has also benefitted portfolios.
  - We have increased active management as we believe earnings and fundamentals will be more important drivers of performance going forward.
  - We have remained tactically tilted towards biotech, technology and innovation, and have added exposure to infrastructure
- We continue to diversify our income producing assets to incorporate a broader range of asset classes that provide a more attractive risk/return profile. Real estate, infrastructure, transportation, and direct lending, although less liquid, look much more attractive than the traditional bond market.
- We do expect volatility to increase into the summer, especially as more of the world begins to re-open, which is sure to bring new headline risk.