

Global Economy

The month of May saw significantly higher than expected US inflation results as well as an underwhelming jobs report. Weak payroll growth was marked by a notable increase in total job openings, resulting in nearly half of US states ending participation in the Federal government's extended unemployment program over fears it is a disincentive to work. Fed meeting minutes hinted at more flexibility on prospective tapering than prior meetings, but Fed officials continue to seek to calm inflation concerns as transitory. US virus cases furthered their downward trend as the country hit the milestone of 50% of the population receiving a dose of vaccine. Global cases have also turned a corner, with India's massive surge waning and Europe making progress with vaccinations. Inflation and jobs data will continue to carry the potential for disruption to market sentiment, but reopening momentum points to continued strong global growth.

The Federal Open Market Committee did not meet in May, but the release of April's meeting minutes provided further insights into the Committee's discussions around tapering and inflation. The minutes show Fed officials continue to take an optimistic view of inflation, anticipating that near-term price pressures will fade. Additionally, several participants expressed support for beginning to discuss a plan for tapering asset purchases if the economy continued its rapid progress towards committee goals. For now, the Fed remains dedicated to its current rate of asset purchases of \$120 billion per month, and the bank's balance sheet expanded to \$7.9 trillion.

The second estimate of 1Q-21 real GDP was unchanged from the first, with a rate of +6.4% annualized. Upward revisions to consumer spending and nonresidential fixed investment were offset by downward revisions to exports and private inventory investment. The Atlanta Fed's quantitative GDP model currently forecasts continued robust growth of 10.3% in 2Q-21, in-line with analysts' consensus estimates which range from 7% - 11%.

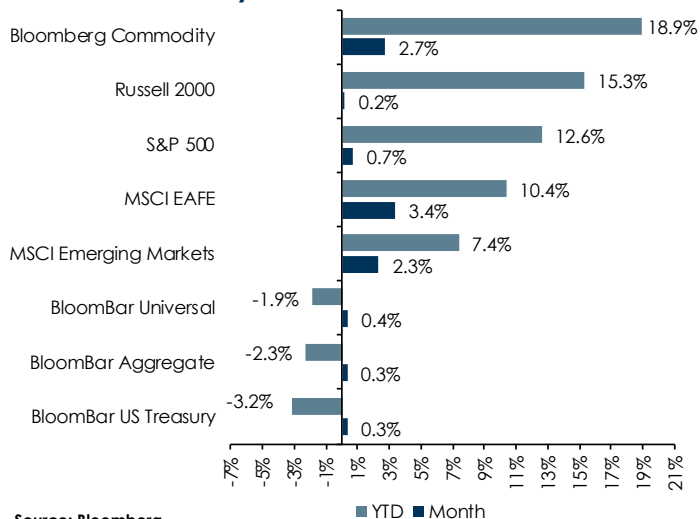
Weekly initial unemployment claims continued to hit pandemic-era lows, falling below 400,000 by the end of May. The monthly jobs report was moderately worse than expected but a large improvement over April, with 559,000 jobs added. Unemployment declined to 5.8%, however, that drop also came alongside an unexpected drop in the labor force participation rate to 61.6% from 61.7%. Core CPI rose to +3.0% year-over-year, with a supply/demand imbalance and base effects off pandemic lows contributing to the increase. Core PCE also rose to +3.1% year-over-year through April.

	Current	Dec-20
US GDP (%)	6.40	4.00
US Unemployment (%)	5.80	6.70
CPI (Core) (%)	3.00	1.60
Fed Funds (%)	0.00 – 0.25	0.00 – 0.25
10 Year UST Yld (%)	1.60	0.92
S&P 500 Div Yld (%)	1.37	1.57
S&P 500 P/E (Trailing)	29.73	29.92
Gold/oz.	\$1,902.50	\$1,895.10
Oil (Crude)	\$66.32	\$48.52
Gasoline (Nat'l Avg)	\$3.11	\$2.33
USD/Euro	\$1.22	\$1.22
USD/GBP	\$1.42	\$1.37
Yen/USD	¥109.58	¥103.25

Source: Bloomberg

Global Markets

Key Market Indices



Source: Bloomberg

Returns for major equity indices were positive in May with mixed market sentiment, as investors balanced unexpectedly high inflation with growing optimism around reopening the economy. The S&P 500, which represents large US-based entities, returned +0.7% for the month. Sectors benefitting from inflation and a rebounding economy led the way, including Materials (+5.0%), Energy (+4.9%), and Financials (+4.7%), while Consumer Discretionary (-3.9%) Utilities (-2.7%), and I.T. (-1.1%) lagged. The Russell 2000, representing small cap stocks, returned +0.2% in May. Energy (+15.0%), Materials (+9.0%), and Communication Services (+8.0%) outperformed with Health Care (-6.1%) and Utilities (-2.2%) lagging. In-line with inflation concerns, value significantly outperformed growth across the market cap spectrum.

In the broad international developed markets, the MSCI EAFE index returned +3.4% for the month. There was minimal dispersion among sectors, with Consumer Discretionary (+5.2%), Financials (+5.1%), and Consumer Staples (+4.4%) leading while Communication Services (-0.2%), and I.T. (+0.2%) lagged. Among developed countries, Austria (+12.8%), Italy (+6.6), and Portugal (+5.8%) were the top performers, with the only negative returns coming from New Zealand (-8.2%), Israel (-2.4%), and Singapore (-0.1%). Most others were generally in the +2.0% to +5.0% range.

Emerging market stocks, as represented by the MSCI Emerging Markets index, outperformed US markets but underperformed other large cap developed markets at +2.3%. Broadly, Latin America performed well while Asia lagged. At the country level, Hungary (+16.0%), Poland (+13.7%), and Czech Republic (+10.6%) were the best performers in the month while Egypt (-5.9%), Chile (-3.3%), and Malaysia (-1.9%) lagged.

Real estate, as measured by the FTSE EPRA/NAREIT Developed index, performed in-line with equities with a +1.9% return. The energy-related Alerian MLP also outperformed other equities at +7.6%. The near-month NYMEX oil returned 4.3% as oil hit its highest price in over two years. Gold was up +7.6%, moving to positive YTD performance. The diversified Bloomberg Commodity index was up 2.7% and is up +46.2% for the past one-year.

Global Markets (continued)

US Treasury yields drifted slightly lower and have been relatively range-bound, with the 10-year rate trading in a 20 bps range over the last two months. The overall UST complex had a positive return for the month at +0.3%, with trailing one-year returns at -3.8%. Sovereign yields outside of the US were mixed but little changed, and the global stock of negative yielding debt rose slightly to \$13.1 trillion from \$13.0 trillion.

The BloomBar US Aggregate Bond index matched risk-free US Treasuries on an absolute basis and narrowly outperformed on a duration-matched basis with a return of +0.3% in May. The 12-month performance remains negative with a -0.4% return. Continued inflows into the investment grade bond market and momentum from reopening the economy contributed to spreads tightening across most market segments, with investment grade corporate spreads moving 4 bps tighter. With lower US Treasury yields and tighter spreads, the benchmark's yield-to-worst fell to 1.50%.

The BloomBar 1-15-Year Municipal index returned +0.1% in May. Lighter supply and strong demand contributed to muni/treasury ratios remaining near historically low levels, and supply is expected to remain muted, providing a tailwind to these ratios. Muni outlooks continue to improve on the strength of federal government spending and reopening, and further federal government support could arrive in the form of an infrastructure bill. Bipartisan negotiations on infrastructure continue, but the two sides remain far apart. It is widely expected a bill will pass in some form, although potentially without bipartisan support.

The BloomBar US Corporate High Yield index returned +0.3% for the month. Supply remained heavy with year-to-date issuance on a record-setting pace. Spreads widened 5 bps as investors weighed accelerating growth and earnings against the rise in inflation. There were no major defaults in May, marking the lightest first five months of a year for defaults since 2011. All-in yields rose 4 bps to 4.03%. Emerging Market debt was again a performance leader in the fixed income universe, helped by a weaker dollar and rising commodity prices.

Selected Bond Yields

10 Year Sovereign Bond Yields (%)		
	Current	Dec-20
Japan	0.08	0.02
Germany	-0.19	-0.57
France	0.17	-0.34
United Kingdom	0.79	0.19
Spain	0.46	0.04
United States	1.60	0.92
Italy	0.91	0.54
Mexico	6.58	5.53
Brazil	9.13	6.91

Source: Bloomberg

Indices Report (Periods Ending May 31, 2021)

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
Equity							
S&P 500	0.70	12.62	40.32	18.00	17.16	14.38	10.57
Russell 1000	0.47	12.14	42.66	18.43	17.46	14.41	10.72
Russell 1000 Growth	-1.38	6.32	39.92	23.02	22.07	16.98	13.04
Russell 1000 Value	2.33	18.41	44.38	12.94	12.33	11.51	8.14
Russell 2500	0.21	15.60	60.45	15.06	16.06	12.48	10.16
Russell 2000	0.21	15.30	64.56	13.06	16.01	11.86	9.42
Russell 2000 Growth	-2.86	4.10	50.14	14.48	17.57	12.76	10.55
Russell 2000 Value	3.11	27.47	79.38	10.72	13.83	10.64	8.03
Wilshire 5000 Cap Wtd	0.46	12.63	44.01	18.16	17.45	14.27	10.68
MSCI ACWI	1.61	11.06	42.48	14.43	14.77	10.16	8.07
MSCI ACWI ex US	3.20	10.12	43.39	9.42	11.39	5.84	5.37
MSCI EAFE	3.36	10.39	39.02	8.73	10.29	6.37	4.97
MSCI EAFE Local Currency	2.18	11.54	29.24	7.42	9.38	8.31	5.14
MSCI EAFE Growth	3.09	7.00	35.59	12.39	12.47	7.98	6.37
MSCI EAFE Value	3.58	13.68	42.32	4.74	7.84	4.59	3.42
MSCI Emerging Markets	2.34	7.36	51.51	10.05	14.30	4.47	6.94
Fixed Income							
ICE BofA ML 1-3 Yr Treasury	0.08	0.07	0.26	2.74	1.75	1.22	2.20
BloomBar US Aggregate	0.33	-2.29	-0.40	5.06	3.25	3.29	4.39
BloomBar Gov't Bond	0.34	-3.11	-3.61	4.45	2.49	2.69	3.85
BloomBar US Credit	0.72	-2.74	3.32	6.72	4.79	4.68	5.52
BloomBar 10 Yr Municipal	0.17	0.38	4.14	5.29	3.56	4.38	4.81
BloomBar US Corp High Yield	0.30	2.25	14.96	7.11	7.39	6.41	7.41
FTSE World Gov't Bond	0.89	-3.74	2.49	3.86	2.62	1.55	3.36
BloomBar Global Aggregate	0.94	-2.35	4.47	4.38	3.11	2.15	3.71
BloomBar Multiverse	0.97	-2.15	5.03	4.47	3.32	2.32	3.86
Real Assets							
NCREIF Property	0.00	1.72	2.63	4.90	5.81	8.83	7.01
NFI ODCE Net	0.00	1.89	1.48	3.97	5.26	8.67	5.34
FTSE NAREIT US Real Estate	1.02	18.85	38.61	10.73	7.20	8.76	7.25
Bloomberg Commodity	2.73	18.94	46.22	2.05	2.85	-5.11	-3.22
Cash and Equivalents							
US T-Bills 90 Day	0.00	0.03	0.11	1.40	1.18	0.63	1.12

Definitions

Bloomberg Barclays Capital Aggregate

The Bloomberg Barclays Capital Aggregate index covers the U.S. investment grade fixed rate bond market, including government and corporate securities, agency mortgage pass-through securities, and asset-backed securities.

Bloomberg Barclays Capital Global Aggregate Index

The Bloomberg Barclays Capital Global Aggregate Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and U.S.D investment grade 144A securities.

Bloomberg Barclays Capital Muni 5 Yr

The Bloomberg Barclays Capital Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, and Fitch. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date.

Bloomberg Barclays Capital U.S. Credit Index

This index is the U.S. Credit component of the U.S. Government/Credit Index. It consists of publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

The Bloomberg Barclays U.S. Treasury Index

This index is the U.S. Treasury component of the Bloomberg Barclays U.S. Aggregate Index. This U.S. Treasury Index includes only public obligations of the U.S. Treasury with a remaining maturity of one year or more. U.S. Treasury bills are excluded due to the maturity constraint.

The Bloomberg Barclays Capital U.S. Universal Index

The Bloomberg Barclays Capital U.S. Universal Index represents the union of the U.S. Aggregate Index, the U.S. High-Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index, and the non-ERISA portion of the CMBS Index. Municipal debt, private placements, and non-dollar-denominated issues are excluded from the Universal Index. The only constituent of the index that includes floating-rate debt is the Emerging Markets Index.

BofA ML High-Yield Index Master II

The BofA ML High-Yield Index is an unmanaged index that tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

Bloomberg Commodity Index

The Dow Jones UBS Commodity Total Return Index aims to provide broadly diversified representation of commodity markets as an asset class. The index is comprised of futures contracts on physical commodities. Currently the index includes 20 commodity nearby futures contracts, which are weighted to account for economic significance and market liquidity.

CITI World Government Bond Index

The WGBI is a market-capitalization-weighted benchmark that tracks the performance of the 19 government bond markets of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, the Netherlands, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

FTSE EPRA/NAREIT Developed Index

The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITs worldwide. The index constituents are free-float adjusted as well as screened for liquidity, size and revenue. The index incorporates Real Estate Investment Trusts (REITs) and Real Estate Holding & Development companies. Constituents are classified into distinct property sectors based on gross invested book assets as disclosed in the latest published financial statement.

HFRI Fund of Funds (FOF) Conservative Index

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as "Conservative" exhibit one or more of the following characteristics: seeks consistent returns by primarily investing in funds that generally engage in more "conservative" strategies such as Equity Market Neutral, Fixed Income Arbitrage, and Convertible Arbitrage; exhibits a lower historical annual standard deviation than the HFRI Fund of Funds Composite Index.

HFRI Fund of Funds (FOF) Strategic Index

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as 'Strategic' exhibit one or more of the following characteristics: seeks superior returns by primarily investing in funds that generally engage in more opportunistic strategies such as Emerging Markets, Sector specific, and Equity Hedge; exhibits a greater dispersion of returns and higher volatility compared to the HFRI Fund of Funds Composite Index.

MSCI ACWI Index (exU.S.)

The MSCI ACWI Index (ex U.S.) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets outside the United States. The MSCI ACWI consists of 44 country indices comprising 23 developed and 21 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

MSCI EAFE® Index

The MSCI EAFE Index (Europe, Australasia, Far East) is an unmanaged free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. & Canada. As of June 2006 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

MSCI EAFE Growth Index

The MSCI-EAFE Growth Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

MSCI EAFE Value Index

The MSCI-EAFE Value Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

MSCI Emerging Markets Index

The MSCI Emerging Markets Index is an unmanaged float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2006 the MSCI Emerging Markets Index consisted of the following 22 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

Ncreif® Property Index

Ncreif Property Index is a quarterly time series composite total rate of return measure of investment performance of a large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

Russell 1000® Growth Index

The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth rates.

Russell 1000® Value Index

The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth rates.

Russell 2000® Index

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index.

Russell 2000® Growth Index

The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth rates.

Russell 2000® Value Index

The Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell Midcap® Index

The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities in the Russell 1000 Index based on a combination of their market cap and current index membership.

S&P 500

Standard and Poor's 500 Index is a capitalization-weighted index of 500 large U.S. stocks. The index is designed to measure performance of the broad domestic stock market through changes in the aggregate market value of 500 stocks representing all major industries.

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