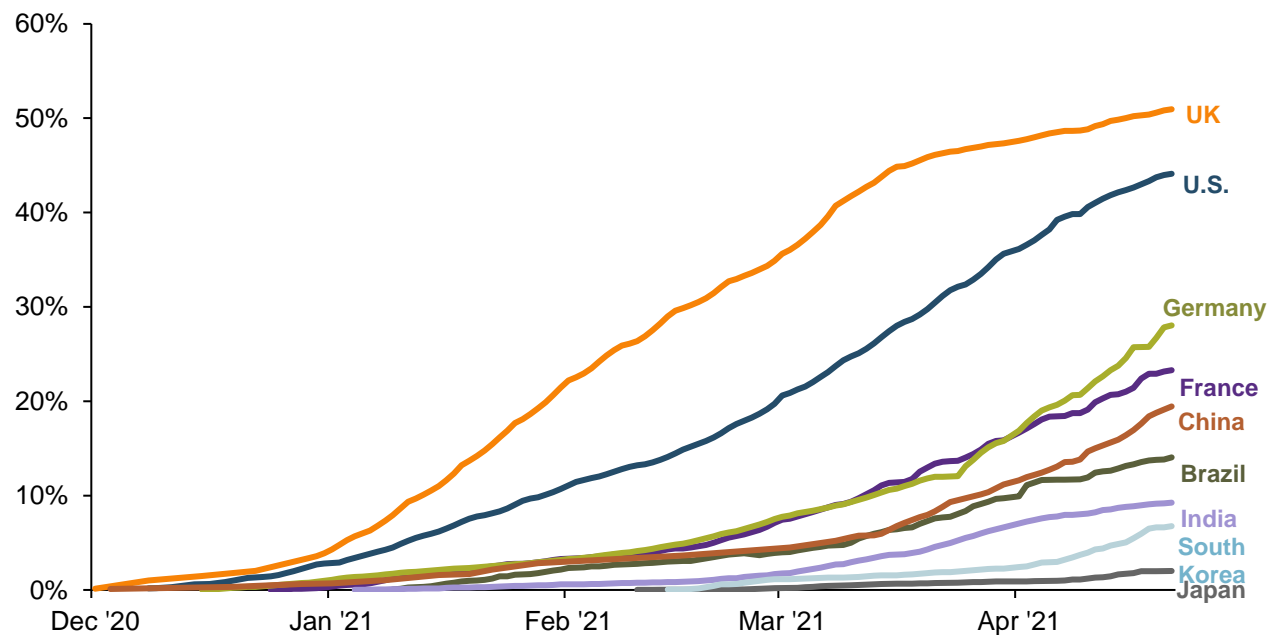


Monthly Investment Update

May 2021

US stock market indices, such as the S&P 500, touched new all-time highs in April 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, nearly 45% of US adults have received at least one vaccine dose, and the rollout of the vaccine campaign in the US has led to a stark divergence in the performance of various equity sectors and industries since late 2020 (see graph below).

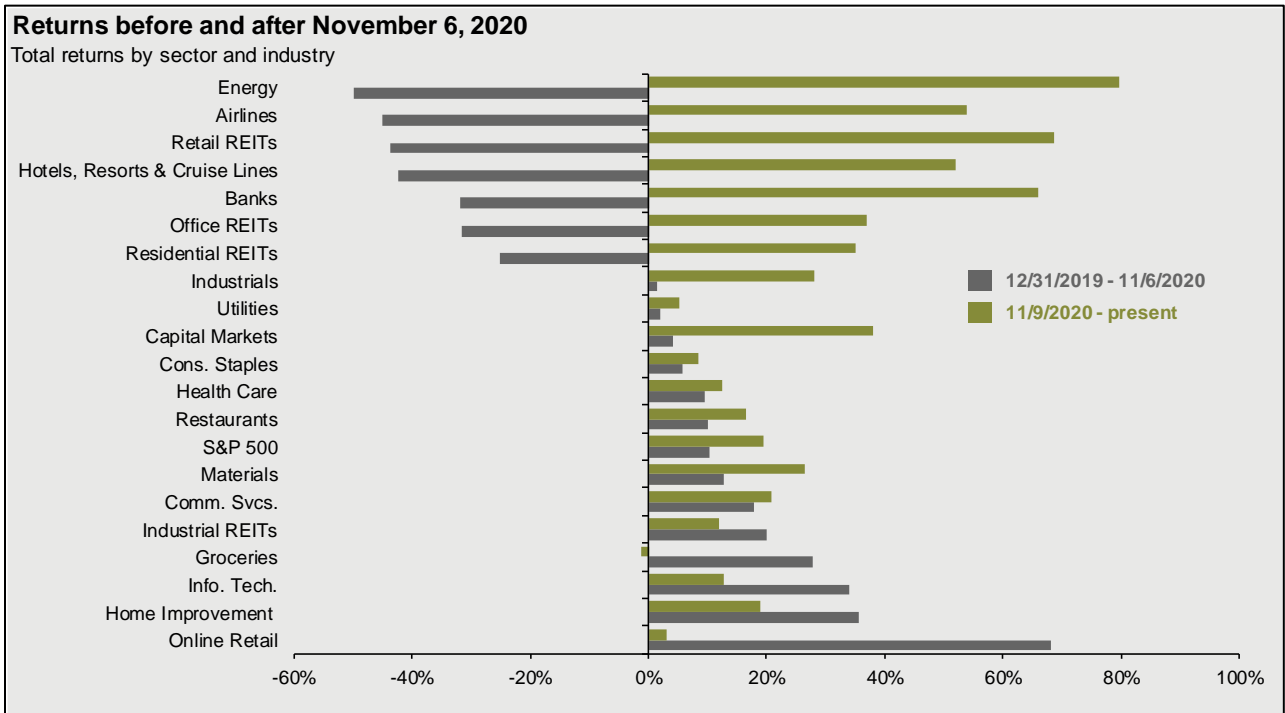
Percentage of Adults that Have Received At Least One Vaccine Dose



JPMorgan as of May 4, 2021

Industries such as energy, airlines, hotels have advanced by nearly 50% over the past six months after having declined roughly 50% in the preceding nine months during the quarantine period. Comparatively, industries that thrived during the lockdown such as online retail have performed below the broad market since the vaccine rollout (see chart on the following page).

The discussion of additional fiscal stimulus in the form of infrastructure spending that could include expanded childcare support and clean energy, in addition to traditional roads and bridges, has also driven the prices of industrial and materials stocks higher. On balance, the economic backdrop appears favorable for investing, though the prices of traditional stocks and bond indices are above historical averages, and the abrupt nature of the recession recovery may lead to inflationary pressures that could slow economic growth and corporate profitability.



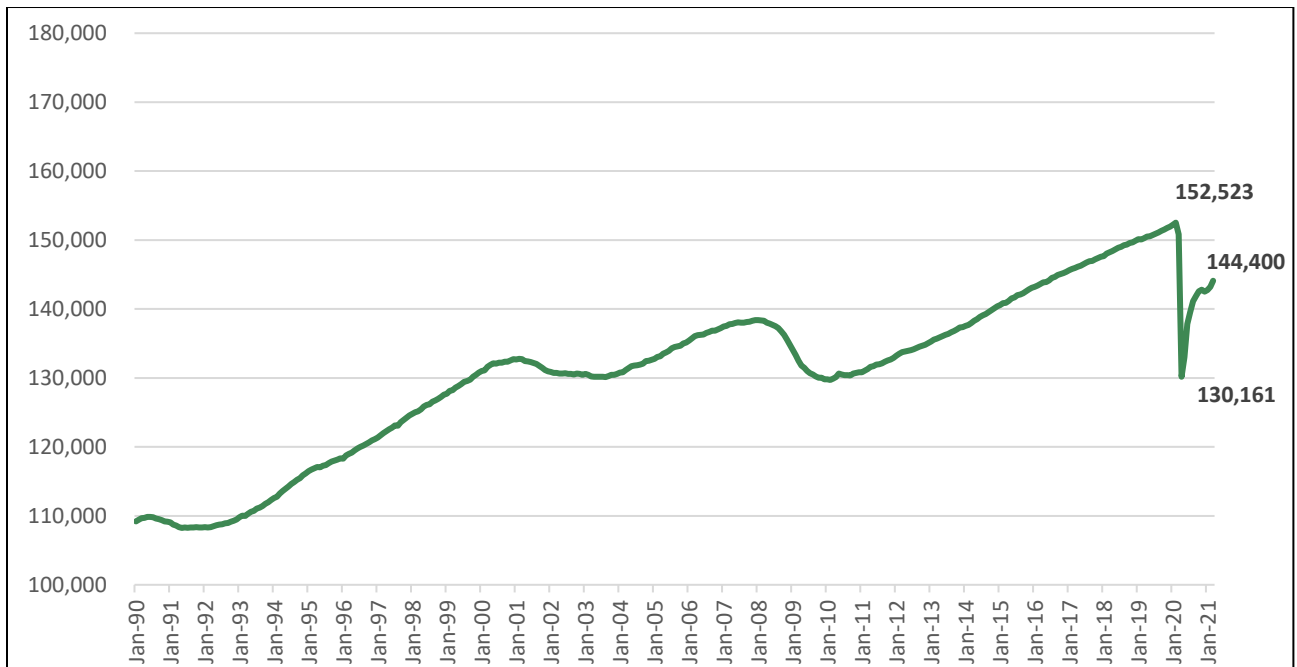
JPMorgan as of May 4, 2021

Economy

The labor market has continued its recovery, though the total number of employed Americans is still well-below pre-pandemic levels (see chart on following page). In early May, the US Bureau of Labor Statistics released their monthly assessment of labor market conditions. In a surprise disappointing report, the unemployment rate increased to 6.1% from 6.0% as only 266,000 new jobs were added to the economy while the consensus estimate from economists was expecting 1,000,000.

The economy remains more than 8 million jobs short of pre-pandemic levels, which allows significant room for labor market gains before capacity runs out, which has typically been a challenging point in economic cycles as wage inflation may begin to pressure company profitability on average. In April, leisure and hospitality jobs rose by 331,000 following similar gains during the previous two months as a sign that consumers are anxious to resume in-person activities like dining and travel.

Total Non-Farm US Payrolls (millions)



Source: Bloomberg

Above average inflation, which has not been a significant concern for most investors in more than a decade is now discussed regularly in the financial media and on corporate earnings calls. Companies are facing challenges sourcing materials and labor, and in the case of the auto industry, some manufacturers like Ford have shut down portions of their production as critical components like semi-conductors are unavailable.

Low interest rates, fiscal stimulus, and (potentially) the trend away from urbanization in a work-from-home environment has increased demand for homes and home improvements. The supply gaps caused by the pandemic juxtaposed against above-average demand have led to significant spikes in the price of lumber, which has increased more than 85% in 2021.

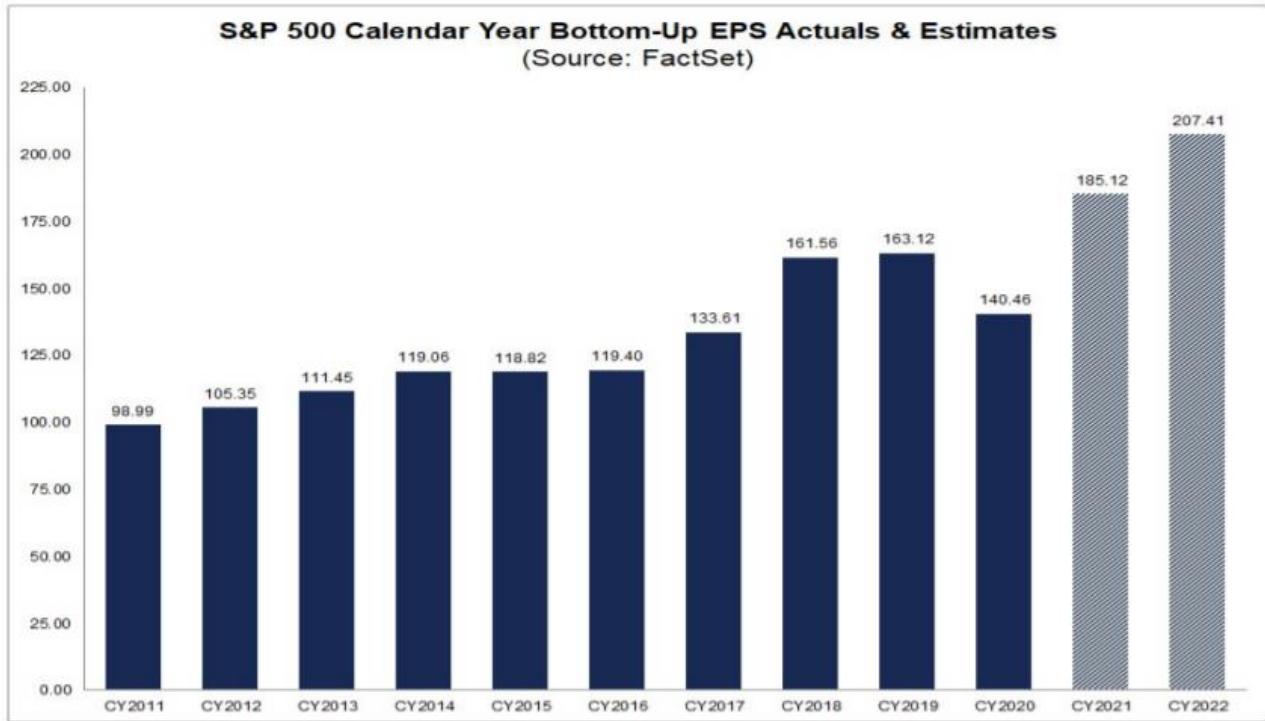
Implied Expected Future Inflation (5 Year Treasury Inflation Protected Securities Break-Even Rate)



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 more than 40% higher than last year. Analysts are also increasing their forecasts for full-year 2021 and 2022 earnings, which has likely helped to drive up the price of the S&P 500 over the last several weeks. The chart below highlights analysts' consensus expectations for calendar year earnings as of late April. For calendar year 2021 and 2022, the consensus analyst estimate is for the S&P 500 to earn \$185 and \$207, respectively. Those estimates are up from \$175 and \$202 estimates as of late March.

Given that the index is trading at approximately 4,200 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. Our primary concern related to earnings growth would be the inability for companies to source needed materials, potentially resulting in lower inventories and revenues, as well as the risk of higher input and labor costs that may simultaneously pressure profitability.



Asset Class Returns

Category	Representative Index	April 2021	YTD 2021	Full Year 2020
Global Equity	MSCI All-Country	4.4%	9.1%	16.3%
US Large Cap Equity	S&P 500	5.3%	11.8%	18.4%
US Small Cap Equity	Russell 2000	2.1%	15.1%	20.0%
Foreign Developed Equity	MSCI EAFE	3.0%	6.6%	7.8%
Emerging Market Equity	MSCI Emerging Markets	2.5%	4.8%	18.3%
US High Yield Fixed Income	ICE BofAML High Yield	1.1%	2.0%	6.2%
US Fixed Income	Barclays Aggregate Bond	0.8%	-2.6%	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 April 30, 2021

Prices & Interest Rates

Representative Index	April 30, 2021	Year-End 2020
S&P 500	4,175	3,756
Dow Jones Industrial Avg.	33,767	30,606
NASDAQ	13,850	12,888
Crude Oil (US WTI)	\$63.58	\$48.42
Gold	\$1,767	\$1,902
US Dollar	91.28	89.94
2 Year Treasury	0.16%	0.13%
10 Year Treasury	1.58%	0.93%
30 Year Treasury	2.24%	1.65%

Source: Bloomberg, US Treasury (total returns shown gross of fees)
As of April 30, 2021

Past performance may not be representative of future results. All investments are subject to loss. Forecasts regarding the market or economy are subject to a wide range of possible outcomes. The views presented in this market update may prove to be inaccurate for a variety of factors. These views are as of the date listed above and are subject to change based on changes in fundamental economic or market-related data. Please contact your Financial Advisor in order to complete an updated risk assessment to ensure that your investment allocation is appropriate.