A QUARTER IN REVIEW – Q1 2021

Such is the nature of the news flow in today's society that it might be hard to remember that a little more than three months ago, President Trump passed the last COVID relief bill, clocking in at around $900 billion. That was before a quarter that was to see:

1. The inauguration of President Biden,
2. A blowout earnings season,
3. The emergence of meme stocks and our introduction to an online trader nicknamed Roaring Kitty,
4. A near endless supply of new SPACs,
5. Incipient fears of higher interest rates and inflation,
6. Yet another COVID-relief bill to the tune $1.9 trillion or a little less than 9% of GDP, and
7. Global M&A activity reached its highest level since 1980 and 10-year Treasury yields doubled in the quarter.

Driving optimism in Q1 was the accelerating pace of vaccinations in the US. It was calculated in mid-February the possibility of adult herd immunity by early May, which was so bullish for the re-opening trade. To achieve this goal, we needed to see adult immunity increase from 30% to 60% in Q1 and our nation's front-line heroes delivered this result. We may even reach the goal faster with the current rate of 4 million vaccinations a day. One important note is that the vaccine distribution has been seamless despite a volatile presidential transition. Say what you want about the partisan divide in the US, but both sides got the job done when it counted. As such, the 10-year yield surged and the US dollar increased with the prospects of better US growth playing out.

Additionally, a new Democratic government delivered on its promise to further stimulate the US economy with a $1.9 trillion front-loaded spending package. The US will now have more fiscal stimulus in 2021 compared to 2020. In Q1, Treasury distributed an astonishing $643B to US consumers (11.7% of GDP annualized), up from $196B in Q1 2020. This larger stimulus spending comes with unemployment falling and the US economy re-opening unlike last year when jobs were hemorrhaging, and the economy was shutting down.

Taken together, the US economy may experience its fastest growth rate since 1983. The key question for investors is: what's next? With the economic recovery taking hold and COVID waning, President Biden is transitioning to his next agenda item: $4 trillion of new infrastructure spending coupled with $3 trillion of tax increases. This proposal shows that many of the tax increases are immediate but the spending takes years. This 2022 fiscal drag will lead to fiscal rather than monetary tightening and we believe has not been fully appreciated by investors at this point. The next three months may be the single best economic months of our lifetimes. But the massive stimulus associated with COVID will begin to fade with the virus and investors at some point will begin to focus on the tax increases (fiscal tightening).

As always, it is a pleasure to work with all of you, and we look forward to the next 12-months. If you have any questions or comments, feel free to reach out to us.

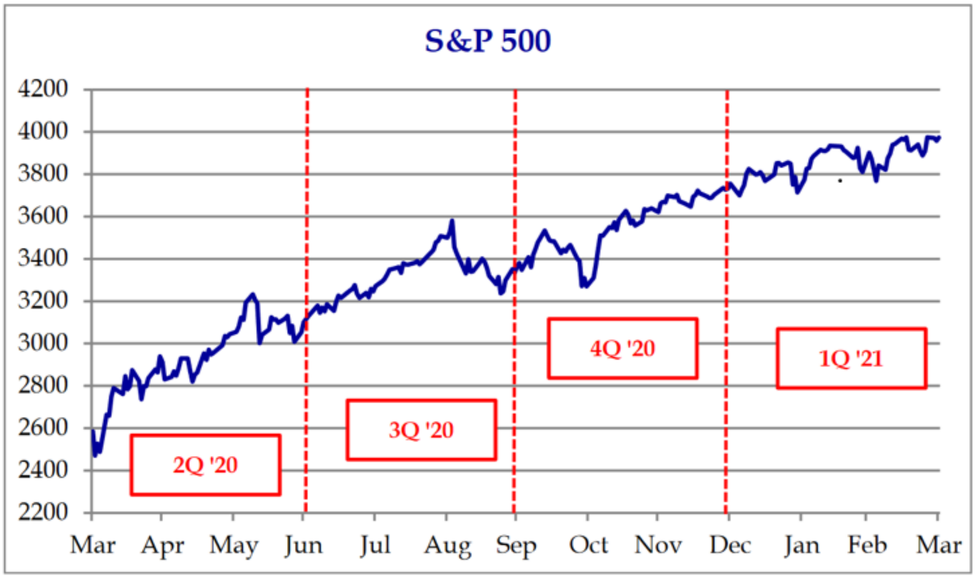
MARKET RECAP – Q1 2021

- The first leg of the recovery saw U.S. stocks resume all-time highs in less than six months, but those returns were primarily carried by the large technology companies. The breadth of the recovery finally occurred with the news of the vaccine development in November. Since that time, markets have thematically moved on to the reflation trade. Stocks that benefited during the lockdowns have fallen out of favor in exchange for cyclical stocks that benefit from an economic rebound. The best example is that U.S. small cap value stocks, which are not as well capitalized and thus more dependent on an economic rebound, have outpaced U.S large cap growth stocks by 50% over the past two quarters.

	March 2021	Q1 2021	1-Year	3-Year	5-Year	10-Year
S&P 500	4.38%	6.17%	56.35%	16.78%	16.29%	13.91%
NASDAQ	0.41%	2.78%	72.04%	23.31%	22.16%	16.89%
Dow Jones Industrial	6.78%	8.29%	53.78%	13.57%	15.97%	13.08%
Russell 2000	1.00%	12.70%	94.85%	14.76%	16.35%	11.68%
MSCI EAFE	2.30%	3.48%	44.57%	6.02%	8.85%	5.52%
MSCI Emerging Markets	-1.51%	2.29%	58.39%	6.48%	12.07%	3.65%
Barclays Agg. Bond Index	-1.25%	-3.37%	0.71%	4.65%	3.10%	3.44%
Investment Grade Bonds	-1.48%	-5.47%	8.11%	6.83%	5.14%	5.46%
High Yield Bonds	0.33%	1.12%	21.85%	5.41%	6.56%	5.30%

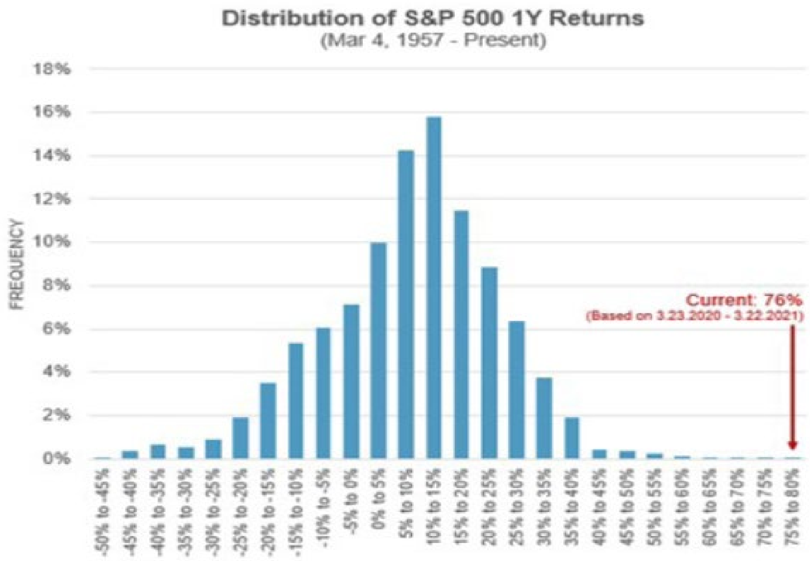
Source: Bloomberg. Data as of 3/31/2021. Returns over 1YR are Annualized.

- Three months ago, the S&P 500 closed at an all-time high, a contradictory end to a year in which the US experienced a recession, a pandemic, mass protests, and a disruptive presidential election. We went back 100 years and could not find a year in which all four of these events happened at one time. Yet, despite this political and economic volatility, stocks marched higher. In the first quarter of 2021, the equity market's momentum continued despite even greater political volatility. In just the first week of this year, Democrats unexpectedly took control of the US Senate and protesters stormed the US Capitol. But just like in 2020, this political volatility could not stop stocks from finishing at all-time highs by the end of Q1 2021.



Source: Strategas, Data as of 3/31/2021

- From the March 23, 2020 market bottom, the S&P 500 Index gained 76% one year later! The variability of one-year returns is a lot wider than many investors realize.



Source: Opus Capital, Data as of 3/31/2021

- During the quarter, we saw the one-year anniversary of the market bottom - roughly +75% later. The only historical comps even in the ballpark are the first 12 months off the 1982 low (+58%) and the first 12 months off the 2009 low (+69%). One of our themes over the last year has been, unique crisis / ordinary market, and in that spirit we want to reemphasize how different year 2 off the low typically looks compared to year 1. From our analysis performance tends to be more in line with historical averages and it's rarely a straight line getting there.

Risk Barometers Year 1 & 2 Off March 2009 Low

Relationship	Year 1	Year 2
Stocks vs. Bonds	93.9%	10.0%
High vs. Low Beta	91.2%	5.4%
Copper vs. Gold	71.4%	-2.1%
C. Discretionary vs. C. Staples	56.8%	7.7%
Transports vs. Utilities	53.6%	7.3%
Small vs. Large	14.2%	4.1%

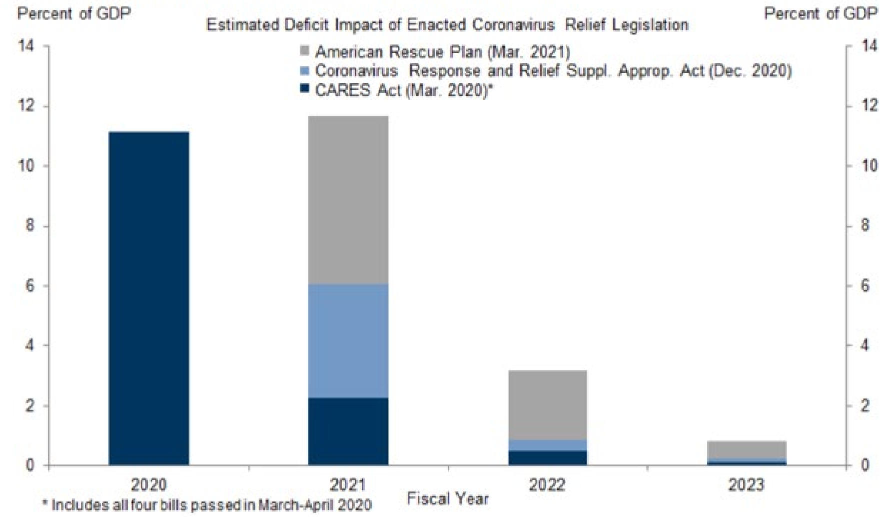
Risk Barometers Year 1 & 2 Off March 2020 Low

Relationship	Year 1	Year 2
Stocks vs. Bonds	110.9%	?
High vs. Low Beta	83.7%	?
Copper vs. Gold	73.5%	?
C. Discretionary vs. C. Staples	68.0%	?
Transports vs. Utilities	47.5%	?
Small vs. Large	21.0%	?

Source: Strategas, Data as of 3/31/2021

- *Stimulus Plans* - With last month's enactment of the American Rescue Plan Act (ARP), Congress has likely passed its last emergency coronavirus relief bill. Over the course of a year, Congress enacted six laws that provided over $5 trillion in pandemic-related funding. It is estimated that $4 trillion of this has or will be spent by the end of 2021, reflecting the front-loaded nature of many of the provisions like stimulus checks, jobless aid, and grants for small and distressed businesses.

Exhibit 1: Coronavirus Relief Measures Are Heavily Front-Loaded



Source: Congressional Budget Office, Treasury, Goldman Sachs Global Investment Research
Data as of 3/31/2021

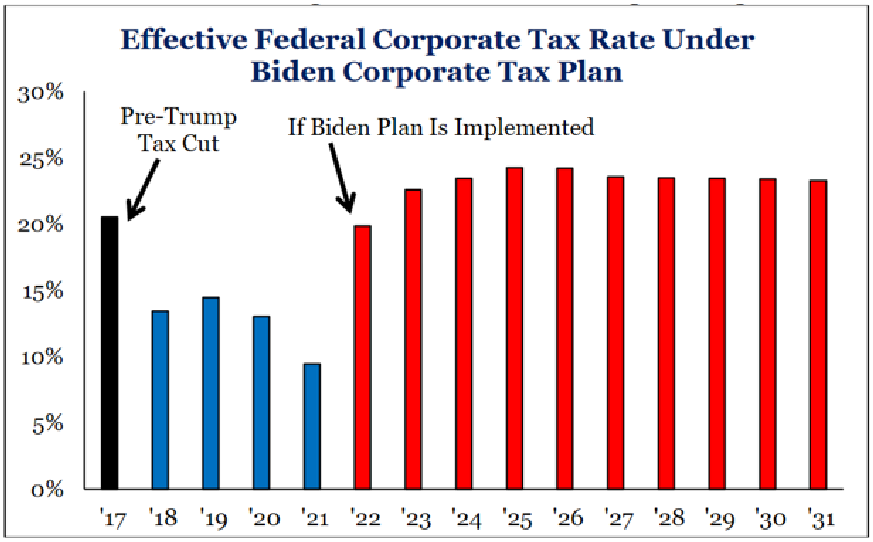
- *Stimulus Plans* - The remaining funds will likely take years to spend, as Congress set aside hundreds of billions of dollars for state governments, schools, and other non-emergency programs where spending will occur more gradually. As a result, the slowdown in coronavirus-related spending will likely be sharp this year even if Congress renews certain provisions like jobless aid and the expanded child tax credit.

Covid-Era Fiscal Stimlus

When	What	Amount	% GDP
6-Mar-20	Coronavirus & Vaccine R&D	$8 Billion	0.0%
18-Mar-20	Paid Sick Leave & Un. Claims	$192 Billion	0.9%
27-Mar-20	CARES ACT	$1.7 Trillion	7.9%
21-Apr-20	Payroll Protection Plan	$483 Billion	2.2%
27-Dec-20	Phase 4	$900 Billion	4.2%
11-Mar-21	American Rescue Plan	$1.9 Trillion	8.8%

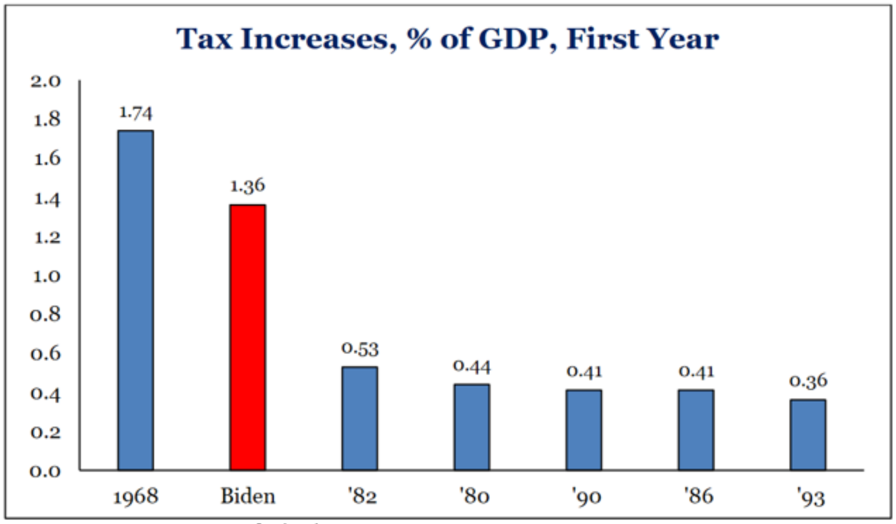
Source: Strategas, Data as of 3/31/2021

- *Tax Plans* – The proposed corporate tax changes raise a net $2.5 trillion over 15 years, or roughly $167bn per year. It is estimated by Wall Street analysts that 60% of the tax increase is targeted toward multinational income while just 40% of the plan is focused on the corporate tax rate and other domestic tax increases. Even with this increase to 28%, we believe the corporate tax rate will still be meaningfully lower than the 35% rate prior to 2018. But we believe the Biden corporate tax plan makes up this difference by taxing multinational income so heavily that the effective corporate tax rate in 2022 would be nearly identical to the rate it was in 2017 prior to the Trump tax changes.



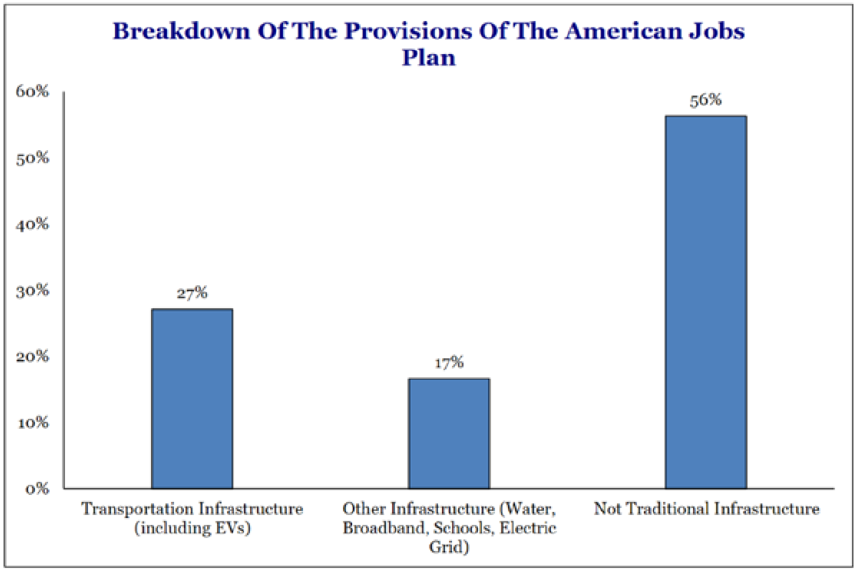
Source: Strategas, Data as of 3/31/2021

- *Tax Plans* – It is important to remember that the corporate tax changes are just one part of the Biden tax plan and more details are coming out about individual income tax increases. Combined the two tax increase proposals are likely to be in the range of 1.2 to 1.4 percent of GDP. We believe Congress will water down the Biden proposals, but the final product could still finish two times higher than the tax increases enacted over the last 50 years.



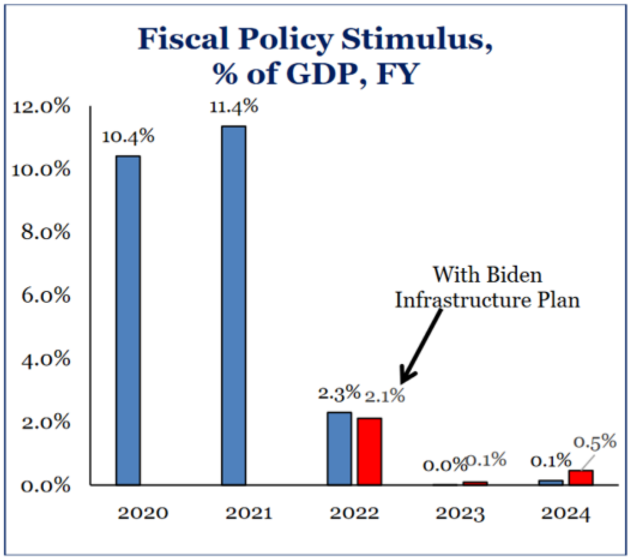
Source: Strategas, Data as of 3/31/2021

- *Infrastructure Plans* – The Biden plan likely spends $2.8 trillion over 15 years. There are a number of ways to categorize the spending, but we think the easiest way to break out the numbers is into: transportation infrastructure, other infrastructure, and non-traditional.



Source: Strategas, Data as of 3/31/2021

- *Infrastructure Plans* - Policymakers decided to provide more fiscal policy in 2021 compared to 2020 on the verge of the US economy re-opening. This has baked in what we consider a great 2021 but has left a $2 trillion fiscal drag in 2022. We believe President Biden's $2tn infrastructure plan actually makes the fiscal drag worse in 2022 because so little of the infrastructure spending will be distributed and the tax increases are immediate. Biden's infrastructure plan becomes net stimulus starting in 2024. Not all of Biden's plans have been released at this point but together the tax increases should balance out the spending plan, leaving the US with a $2tn fiscal gap in FY 2022.



Source: Strategas, Data as of 3/31/2021

- *Interest Rates* - There have only been two instances where stocks fell during a rising rate environment. In fact, the annualized returns in each of these periods where rates rose 1% or more was 10.5%, which is right around the average long-term return for the U.S. stock market. It is worth noting some of these rising rate environments did precede some nasty stock market falls. Rates raced higher in 1987 right before the biggest one-day crash in history in October of that year. And rates rose in the final couple of years in the late-1990s dot-com bubble as the Fed was trying to snuff out a speculative mania.

The Stock Market Does Fine When Rates Rise

S&P 500 performance when the 10 year treasury yield rises 1% or more since 1950

Start Date	End Date	Starting Yield	Ending Yield	S&P 500
JAN '50	JUN '53	2.3%	3.1%	80.9%
JUL '54	OCT '57	2.3%	4.0%	60.7%
APR '58	JAN '60	2.9%	4.7%	40.4%
MAY '61	SEP '66	3.7%	5.2%	70.8%
MAR '67	MAY '70	4.5%	7.9%	−1.9%
NOV '71	SEP '75	5.8%	8.4%	2.8%
DEC '76	MAR '80	6.9%	12.8%	18.4%
JUN '80	SEP '81	9.8%	15.3%	11.4%
MAY '83	JUN '84	10.4%	13.6%	−1.5%
JAN '87	OCT '87	7.1%	9.5%	6.7%
OCT '93	NOV '94	5.3%	8.0%	2.2%
OCT '98	JAN '00	4.5%	6.7%	39.5%
JUN '03	MAY '06	3.3%	5.1%	39.1%
JUL '12	OCT '18	1.5%	3.2%	127.2%

Source: DFA, Data as of 3/31/2021

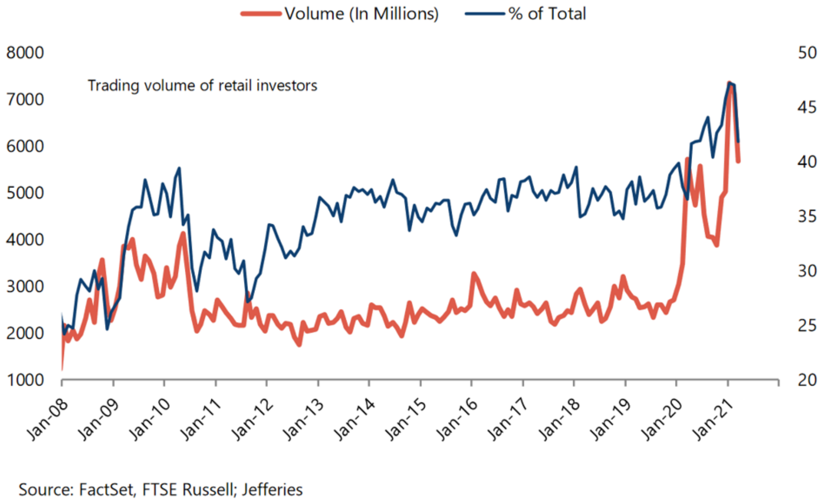
- *Inflation is far more important to stocks than interest rate levels* - Since 1928, the average annual inflation rate in the United States is right around 3%. Based on the average returns for the S&P 500 in that time, we think the stock market would prefer the inflation rate stays below that level and falls instead of rises.

Annual returns for the S&P 500: 1928-2020

Rising Inflation	Falling Inflation	Inflation >3%	Inflation <3%
6.7%	16.5%	6.3%	15.7%

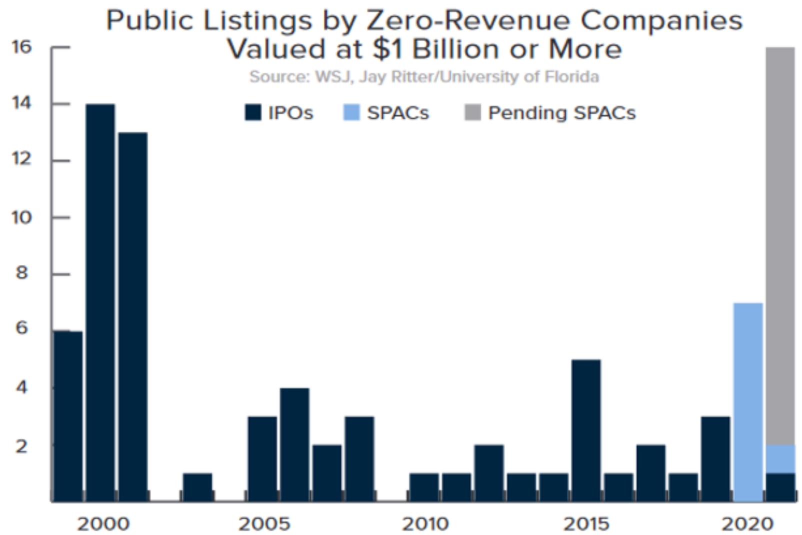
Source: NYU, Data as of 3/31/2021

- Investor psychology has flipped in the past year from a fear of losing money to a fear of missing out. The general public's interest in stock market trading is arguably at its highest level since the dot-com boom two decades ago. New brokerage accounts have exploded, and according to a survey by Deutsche Bank, more than half of online investors 45 and younger have under two years of investing experience. The use of both stock options and margin has noticeably increased, as has the frequency of trading, propelled by the decision of RobinHood and other online brokerage platforms to move to zero commission trading.



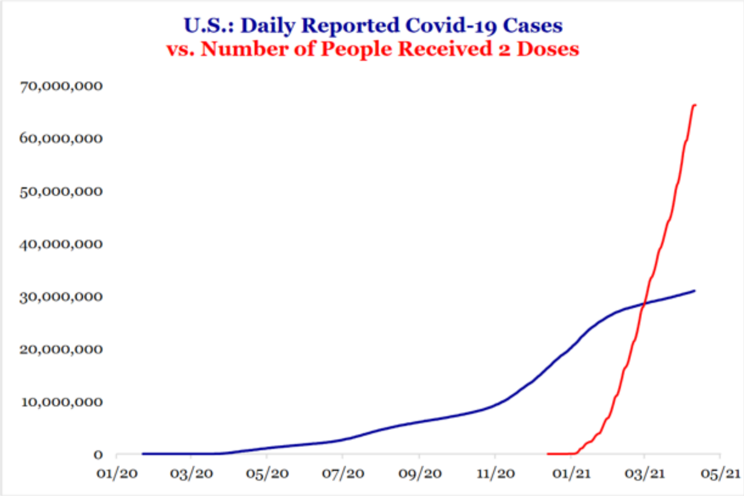
Source: Data as of 3/31/2021

- Special Purpose Acquisition Corporations, i.e., SPACs, are investments in a blank check shell company that must complete an acquisition within 24 months. SPAC acquisitions hit an all-time annual high by February of this year and have become an alternative way for private companies to go public without incurring the costs, due diligence, or regulatory requirements that come with the traditional IPO process. Thanks to the boom in SPAC capital raising, public listings of companies valued over $1 billion dollars that produce zero revenue are at an all-time high.



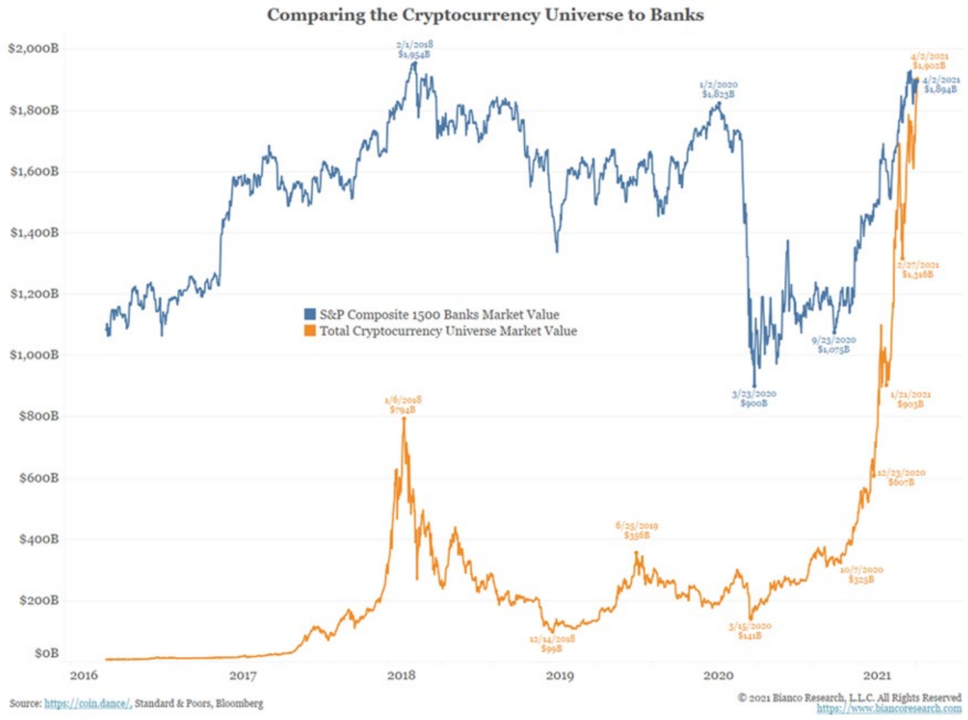
Source: Opus Capital, Data as of 3/31/2021

- This year has added enthusiasm thanks to the progress made in regards to COVID-19. Over the past 90 days, hospitalizations have fallen to six month lows, and one-third of U.S. adults have received at least one dose of a vaccine. Schools, restaurants, theaters, and theme parks are all reopening, and there is a sense that herd immunity will be reached sooner than previously expected. Optimism abounds.



Source: Strategas, Data as of 3/31/2021

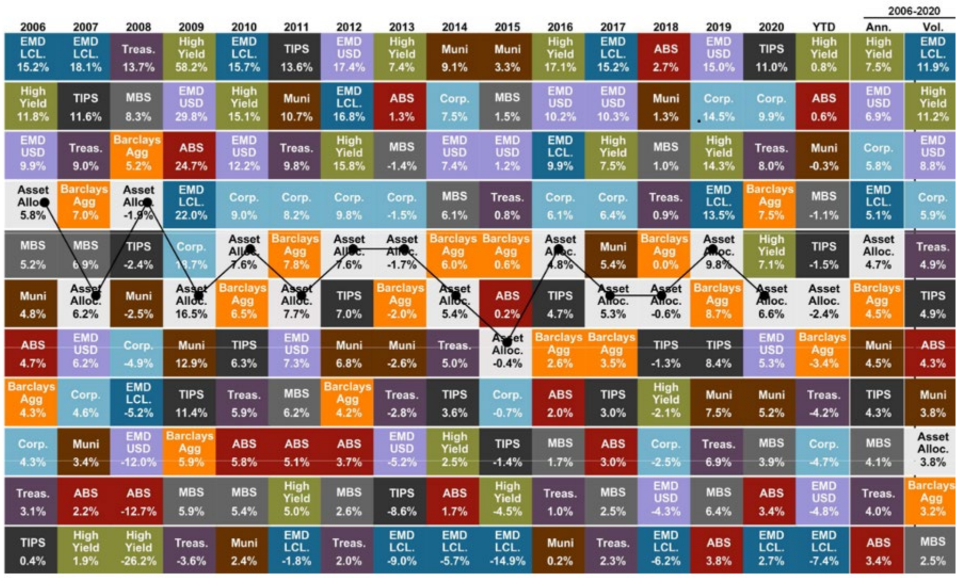
- The value of all cryptocurrencies surpassed the value of the banking system. As the Decentralized Finance movement continues to gather steam, it could mark the dawn of a new financial system.



Source: Bianca Research, Data as of 3/31/2021

Asset Classes

- As shown below in the grey boxes during the last 15 years, diversification generally puts you somewhere in the middle of the return spectrum. That's a feature not a bug, one we see as the first layer of portfolio protection. The idea that anyone is going to consistently overweight to next year's leading styles could be considered crazy; we see building a structure that minimizes the drag of large losers as far more realistic. From our perspective, in some years that protection isn't necessary, like 2019, but over a 20 - 30-year period all portfolios face periods of drawdown - much like we saw in 2020. We believe a proactive plan to manage those periods can be the difference between meeting future spending needs or adjusting them.



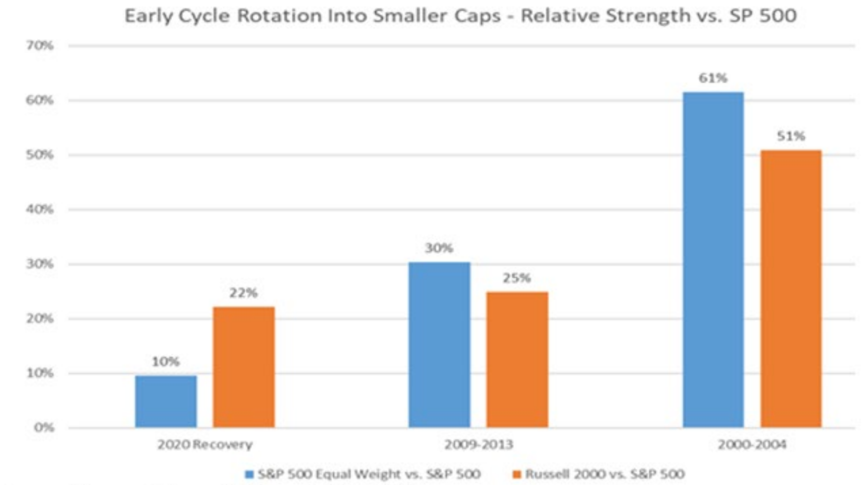
																2006-2020	
2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD	Ann.	Vol.
EMD LCL. 15.2%	EMD LCL. 18.1%	Treas. 13.7%	High Yield 58.2%	EMD LCL. 15.7%	TIPS 13.6%	EMD USD 17.4%	High Yield 7.4%	Muni 9.1%	Muni 3.3%	High Yield 17.1%	EMD LCL. 15.2%	ABS 2.7%	EMD USD 15.0%	TIPS 11.0%	High Yield 0.8%	High Yield 7.5%	EMD LCL. 11.9%
High Yield 11.8%	TIPS 11.6%	MBS 8.3%	EMD USD 29.8%	High Yield 15.1%	Muni 10.7%	EMD LCL. 16.8%	ABS 1.3%	Corp. 7.5%	MBS 1.5%	EMD USD 10.2%	EMD USD 10.3%	Muni 1.3%	Corp. 14.5%	Corp. 9.9%	ABS 0.6%	EMD USD 6.9%	High Yield 11.2%
EMD USD 9.9%	Treas. 9.0%	Barclays Agg 5.2%	ABS 24.7%	EMD USD 12.2%	Treas. 9.8%	High Yield 15.8%	MBS -1.4%	EMD USD 7.4%	EMD USD 1.2%	EMD LCL. 9.9%	High Yield 7.5%	MBS 1.0%	High Yield 14.3%	Treas. 8.0%	Muni -0.3%	Corp. 5.8%	EMD USD 8.8%
Asset Alloc. 5.8%	Barclays Agg 7.0%	Asset Alloc. -1.9%	EMD LCL. 22.0%	Corp. 9.0%	Corp. 8.2%	Corp. 9.8%	Corp. -1.5%	MBS 6.1%	Treas. 0.8%	Corp. 6.1%	Corp. 6.4%	Treas. 0.9%	EMD LCL. 13.5%	Barclays Agg 7.5%	MBS -1.1%	EMD LCL. 5.1%	Corp. 5.9%
MBS 5.2%	MBS 6.9%	TIPS -2.4%	Corp. 18.7%	Asset Alloc. 7.6%	Barclays Agg 7.8%	Asset Alloc. 7.6%	Asset Alloc. -1.7%	Barclays Agg 6.0%	Barclays Agg 0.6%	Asset Alloc. 4.8%	Muni 5.4%	Barclays Agg 0.0%	Asset Alloc. 9.8%	High Yield 7.1%	TIPS -1.5%	Asset Alloc. 4.7%	Treas. 4.9%
Muni 4.8%	Asset Alloc. 6.2%	Muni -2.5%	Asset Alloc. 16.5%	Barclays Agg 6.5%	Asset Alloc. 7.7%	TIPS 7.0%	Barclays Agg -2.0%	Asset Alloc. 5.4%	ABS 0.2%	TIPS 4.7%	Asset Alloc. 5.3%	Asset Alloc. -0.6%	Barclays Agg 8.7%	Asset Alloc. 6.6%	Asset Alloc. -2.4%	Barclays Agg 4.5%	TIPS 4.9%
ABS 4.7%	EMD USD 6.2%	Corp. -4.9%	Muni 12.9%	TIPS 6.3%	EMD USD 7.3%	Muni 6.8%	Muni -2.6%	Treas. 5.0%	Asset Alloc. -0.4%	Barclays Agg 2.6%	Barclays Agg 3.5%	TIPS -1.3%	TIPS 8.4%	EMD USD 5.3%	Barclays Agg -3.4%	Muni 4.5%	ABS 4.3%
Barclays Agg 4.3%	Corp. 4.6%	EMD LCL. -5.2%	TIPS 11.4%	Treas. 5.9%	MBS 6.2%	Barclays Agg 4.2%	Treas. -2.8%	TIPS 3.6%	Corp. -0.7%	ABS 2.0%	TIPS 3.0%	High Yield -2.1%	Muni 7.5%	Muni 5.2%	Treas. -4.2%	TIPS 4.3%	Muni 3.8%
Corp. 4.3%	Muni 3.4%	EMD USD -12.0%	Barclays Agg 5.9%	ABS 5.8%	ABS 5.1%	ABS 3.7%	EMD USD -5.2%	High Yield 2.5%	TIPS -1.4%	MBS 1.7%	ABS 3.0%	Corp. -2.5%	Treas. 6.9%	MBS 3.9%	Corp. -4.7%	MBS 4.1%	Asset Alloc. 3.8%
Treas. 3.1%	ABS 2.2%	ABS -12.7%	MBS 5.9%	MBS 5.4%	High Yield 5.0%	MBS 2.6%	TIPS -8.6%	ABS 1.7%	High Yield -4.5%	Treas. 1.0%	MBS 2.5%	EMD USD -4.3%	MBS 6.4%	ABS 3.4%	EMD USD -4.8%	Treas. 4.0%	Barclays Agg 3.2%
TIPS 0.4%	High Yield 1.9%	High Yield -26.2%	Treas. -3.6%	Muni 2.4%	EMD LCL. -1.8%	Treas. 2.0%	EMD LCL. -9.0%	EMD LCL. -5.7%	EMD LCL. -14.9%	Muni 0.2%	Treas. 2.3%	EMD LCL. -6.2%	ABS 3.8%	EMD LCL. 2.7%	EMD LCL. -7.4%	ABS 3.4%	MBS 2.5%

Source: JPMorgan Asset Management Guide to the Market, Data as of 3/31/2021

- In Q1 2021, small caps outperformed large caps with the Russell 2000 rallying 12.7% vs. 6.2% for the S&P 500. Since the March 23, 2020, equity bottom, the equal weighted S&P 500 has outperformed the market cap weighted by 20% compared to 48% in early 2000s and 28% in post-GFC early cycle. The Russell 2000 has outperformed the S&P 500 by 44% since March 23, compared to 45% in the early 2000s and 27% in post-GFC early cycle.

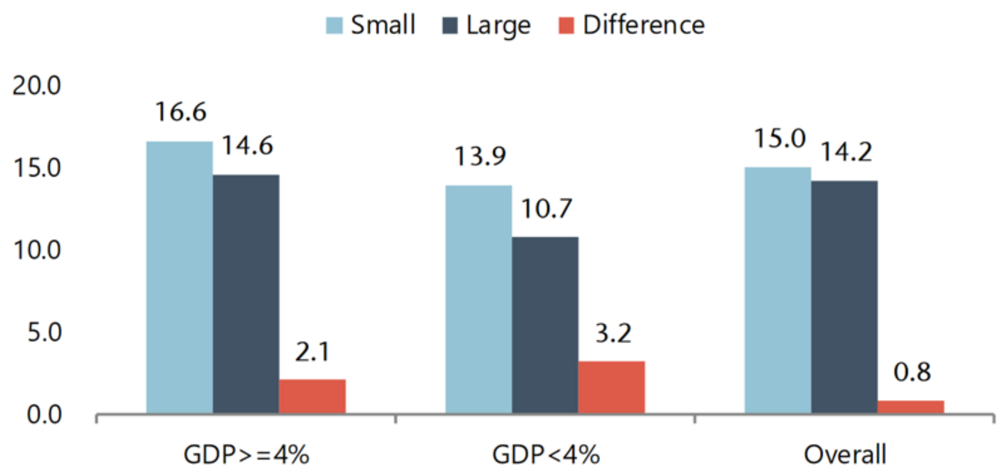
Source: Bloomberg, Aptus Capital, Data as of 3/31/2021

- The Russell 2000 (+12.7%) outperformed both the Russell Midcap (+8.1%) and Russell 1000 (+5.9%) in Q1 2021, following record outperformance in Q4 2020. It was the first back-to-back quarterly outperformance for small caps since the tax cut at end of 2017. However, small caps snapped their monthly outperformance streak that began in September (a streak not seen since 2003) amid possible profit taking and concerns of higher rates and inflation impacting profitability. But we believe the macro backdrop and relative valuations are supportive for small caps over large caps for the year and longer-term.



Source: Raymond James, Data as of 3/31/2021

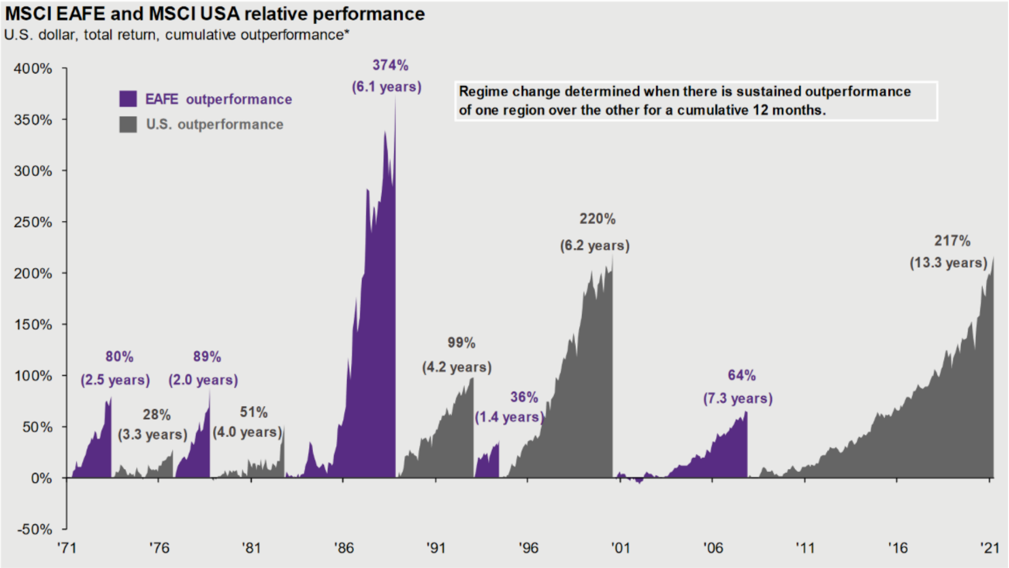
- From our observations U.S. small cap stocks, which are not as well capitalized and thus more dependent on an economic rebound, tend to outperform when GDP > 4%.



Source: Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business; Jefferies

Source: Data as of 3/31/2021

- *The Decade of International* - As the first quarter passes and earnings season gets underway, estimated growth (by Strategas) currently for 2021 is expected to be 35% for the MSCI EAFE compared to 25% for the S&P 500. For 2022, growth is expected to be comparable currently, but with pending tax increases in the U.S., it's possible that earnings growth could be stronger for the EAFE in 2022 as well.



Source: FactSet, MSCI, J.P. Morgan Asset Management.
*Cycles of outperformance include a qualitative component to determine turning points in leadership.
Guide to the Markets – U.S. Data are as of March 31, 2021.

Equity Attribution

- All eleven sectors were positive in the quarter, led by the cyclicals. Cyclical sectors led in Q1 2021, with Energy (+29.3%), Financials (+15.4%) and Industrials (+11.0%) posting double-digit gains. Amid rising rates, both long- and short-duration sectors were the biggest laggards: Utilities (+1.9%), Tech (+1.7%), and Staples (0.5%).

S&P 500 Sectors (Total Return)	2019	1Q'20	2Q'20	3Q'20	4Q'20	2020	1Q'21 (sorted)	YTD
Energy	11.8%	-50.5%	30.5%	-19.7%	27.8%	-33.7%	30.9%	30.9%
Financials	32.1%	-31.9%	12.2%	4.4%	23.2%	-1.7%	16.0%	16.0%
Industrials	29.4%	-27.0%	17.0%	12.5%	15.7%	11.1%	11.4%	11.4%
Materials	24.6%	-26.1%	26.0%	13.3%	14.5%	20.7%	9.1%	9.1%
Real Estate	29.0%	-19.2%	13.2%	1.9%	4.9%	-2.2%	9.0%	9.0%
Communication Services	32.7%	-17.0%	20.0%	8.9%	13.8%	23.6%	8.1%	8.1%
S&P 500 Total Return	**31.5%**	**-19.6%**	**20.5%**	**8.9%**	**12.1%**	**18.4%**	**6.2%**	**6.2%**
Health Care	20.8%	-12.7%	13.6%	5.9%	8.0%	13.4%	3.2%	3.2%
Discretionary	27.9%	-19.3%	32.9%	15.1%	8.0%	33.3%	3.1%	3.1%
Utilities	26.3%	-13.5%	2.7%	6.1%	6.5%	0.5%	2.8%	2.8%
Technology	50.3%	-11.9%	30.5%	12.0%	11.8%	43.9%	2.0%	2.0%
Staples	27.6%	-12.7%	8.1%	10.4%	6.4%	10.7%	1.1%	1.1%

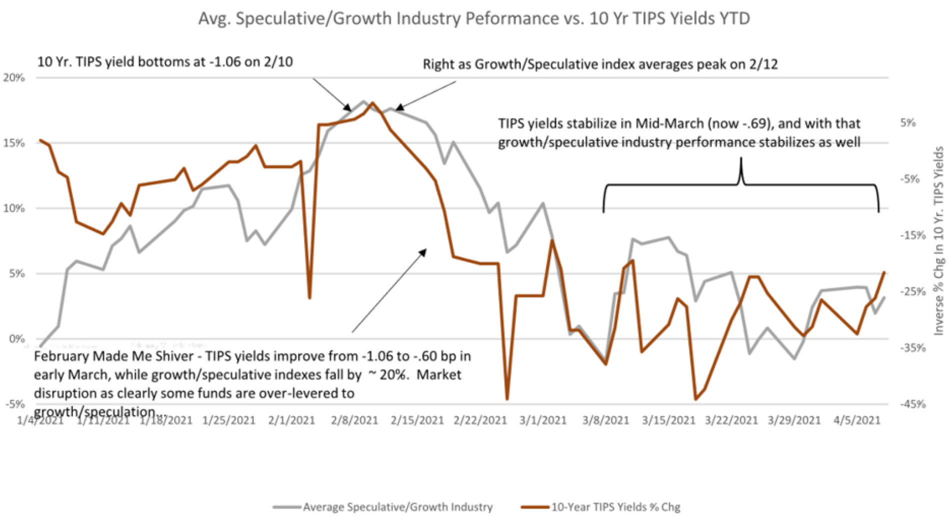
Source: Strategas, Data as of 3/31/2021

- Fueled by unprecedented monetary and fiscal stimulus, Low Quality stocks ("B or worse" in S&P Quality ratings) outperformed High Quality stocks ("B+ or better") by 2.8%. Similarly, risk factors were the best performing group in Q1 (+22.3%), while Quality was the worst performing group (+5.4%). But we saw a reversal into High Quality stocks in March, outperforming by 4.6%, after four straight months of underperformance. Low Quality stocks now trade at the biggest premium to High Quality stocks since the financial crisis, and we expect peak stimulus this year to further drive a reversal into High Quality stocks going forward.

						2 Year Performance		3 Year Performance	
Quality Indices (1)	**1 M**	**3 M**	**6 M**	**12 M**	**YTD**	**Gross**	**Anlzd**	**Gross**	**Anlzd**
A+	7.38%	8.29%	23.02%	55.10%	8.29%	36.54%	16.85%	56.61%	16.13%
A	7.31%	7.43%	21.54%	56.43%	7.43%	34.87%	16.13%	49.91%	14.45%
A-	7.46%	13.60%	36.28%	66.12%	13.60%	36.12%	16.67%	46.24%	13.51%
B+	5.45%	13.52%	38.40%	82.37%	13.52%	42.99%	19.58%	48.23%	14.02%
B	5.67%	16.08%	43.21%	87.68%	16.08%	42.97%	19.57%	45.87%	13.41%
B-	5.46%	37.16%	82.17%	160.37%	37.16%	56.75%	25.20%	60.15%	17.00%
C&D	-1.06%	15.67%	59.24%	111.55%	15.67%	34.69%	16.06%	44.99%	13.18%
Not Ranked	-0.73%	8.18%	39.28%	111.37%	8.18%	49.65%	22.33%	57.57%	16.37%
B+ or Better	6.39%	12.11%	33.79%	71.73%	12.11%	39.39%	18.06%	48.27%	14.03%
B or Worse	1.77%	14.89%	47.82%	113.07%	14.89%	49.35%	22.21%	55.76%	15.92%

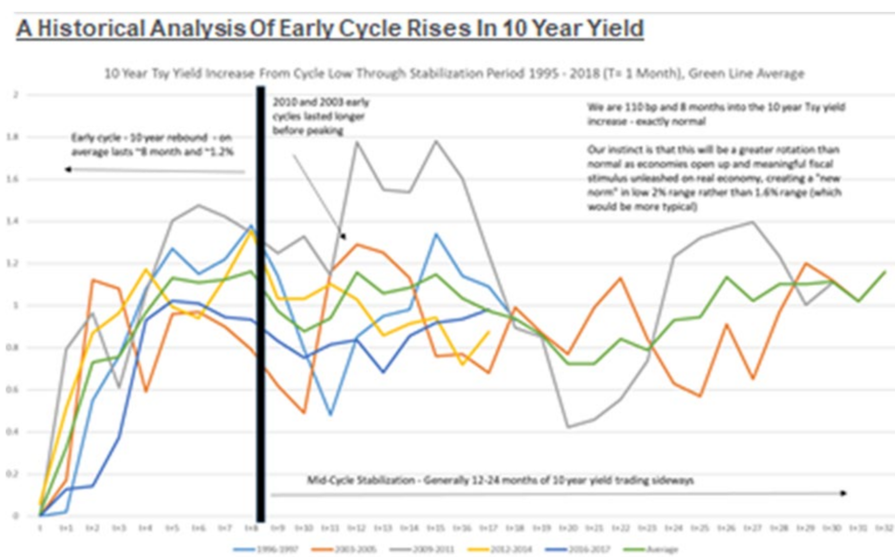
Source: BofA Analytics, Data as of 3/31/2021

- It is hard to know what caused the sell-off in growthier, speculative parts of the market since early February, but it has been evident across the cloud, clean tech, biotech, SPACs, IPOs, and across the Russell 2000 Growth Index broadly. Below, you'll see combined popular indices of these growthier/more speculative parts of the equity markets in a single average (gray-line). However, from our perspective it is eerie how correlated this sell off in speculative/growth looks to be correlated to real 10YR real rates (TIPS yields) on a YTD-basis.



Source: Raymond James, Factset, Data as of 4/5/2021

- Summarized in the chart below - the average spike in the 10YR treasury yields as bonds markets start to price in a recovery since 1995 has been ~120bps and has lasted around 8 months (this is the 6th time). In mid-March, since the early August 2020 bottom in yields, the 10YR has increased ~120 bps over 8.5 months - completely normal. But it is worth noting that this is not a rule as yield curve spikes were more severe in GFC and 2003 – 2005. With the government adding so much more fiscal support, and inflation expectations well over 2% and the Fed comfortable with this, we suspect that there is another leg to the rise in the 10YR treasury to the 2%+ range.

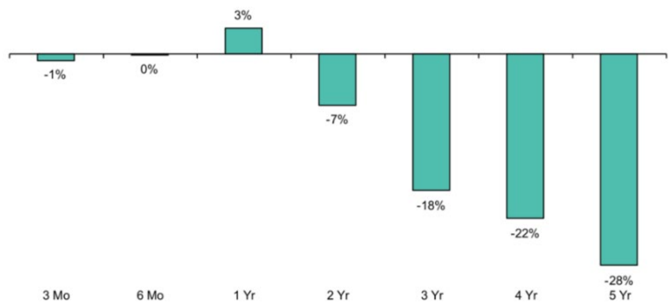


Source: Raymond James, Data as of 3/31/2021

Equity Valuations

- Due to economic re-openings, stimulus, and vaccine optimism, global investors are pricing in a huge jump in economic growth. That is why yields are rising. And, that expectation of better growth is causing the unwind of last year's flood into tech shares. During the pandemic, investors poured into tech. We believe they did that for two reasons. First, the pandemic benefited most tech companies. Second, tech earnings growth is much less sensitive to broad economic growth than other market sectors. So, from our observations, in 2020, investors who wanted earnings growth had no-where to go but tech, courtesy of the pandemic. That, in turn, sent tech shares screaming higher to historically high valuations. But the looming reopening of the economy and acceleration in economic growth means investors can get exposure to earnings growth in sectors that aren't as richly valued as tech. In a growing economy, financials, industrials, energy, and materials sectors can enjoy earnings growth, and those sectors trade at a much lower valuation than tech. So, investors are leaving tech for these "cheaper" sectors and the 2020 flood into tech is now being reversed.

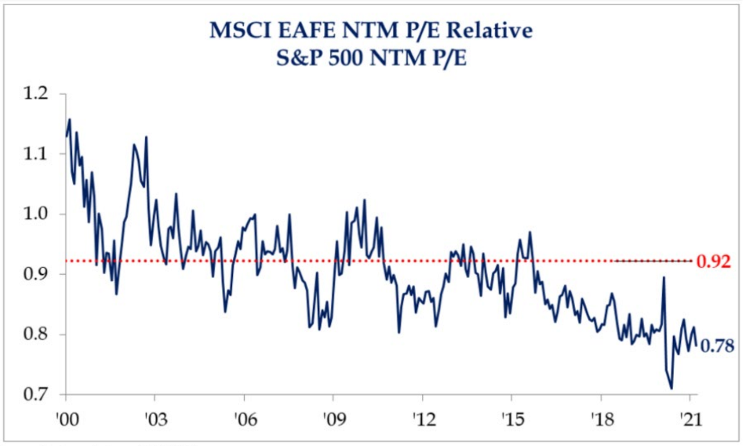
EXHIBIT 7: **Average Relative Returns of Tech Stocks with greater than 15x Price to Sales, '70-'21 (Equal weight)**



Source: Factset, MSCI, CRSP and Bernstein analysis

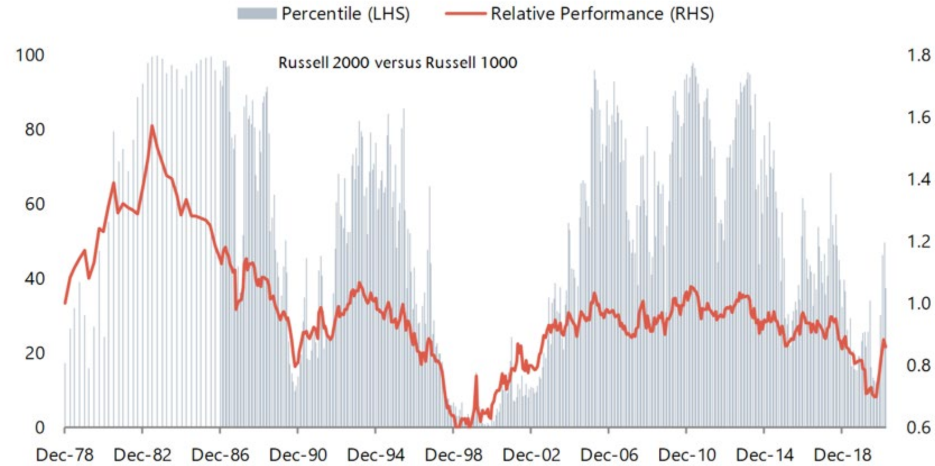
Source: Data as of 3/31/2021

- As of 3/31/2021, the MSCI EAFE historically trades at a small discount compared to the S&P, but currently, the discount is significantly wider than usual. We believe much of this can be explained by the sector composition of the index being less growth-oriented. Still, per Strategas, with growth expected to be robust for the EAFE, it suggests that the developed international indexes have some catching up to do relative to the U.S. peers.



Source: Strategas, Data as of 3/31/2021

- With the weaker performance by small and mid over the last month, coupled with earnings moving higher, our relative valuation models fell back vs. large caps. In our opinion small still looks very good vs. large, as the model stands in the 37th percentile, down from the 50th one-month ago. Mid has almost kept pace with small, yet it still ranks in the 41st percentile vs. large when it stood in the 18th percentile back at the end of August.

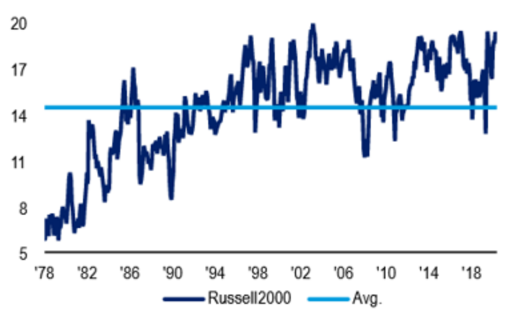


Note: Valuation model consists of relative Trailing and Forward P/E, Price to Book, Price to Sales and from 2002 Price to Cash Flow; from March 31, 2016 forward Jefferies' estimates.
Source: FactSet; FTSE Russell; Jefferies

Data as of 3/31/2021

- Small caps remain what we consider to be inexpensive vs. large caps across most measures we track. The discount widened last month amid small caps' underperformance after narrowing for several months. The relative forward P/E of the Russell 2000 vs. Russell 1000 declined to 0.88x from 0.90x; small caps trade at a 12% discount to large when historically they've traded at a 3% average premium.

Chart 2: At 19.1x, small caps still trade near historic highs
Russell 2000 Forward P/E, 12/31/1978-03/31/2021



Source: BofA US Equity & Quant Strategy, Russell Investment Group, I/B/E/S, Compustat

BofA GLOBAL RESEARCH

Chart 3: Small caps remain historically cheap vs. large caps
Relative Forward P/E: Russell 2000 vs. Russell 1000, 12/31/1978-03/31/2021

Source: BofA US Equity & Quant Strategy, Russell Investment Group, I/B/E/S, Compustat

BofA GLOBAL RESEARCH

Source: BofA Analytics, Data as of 3/31/2021

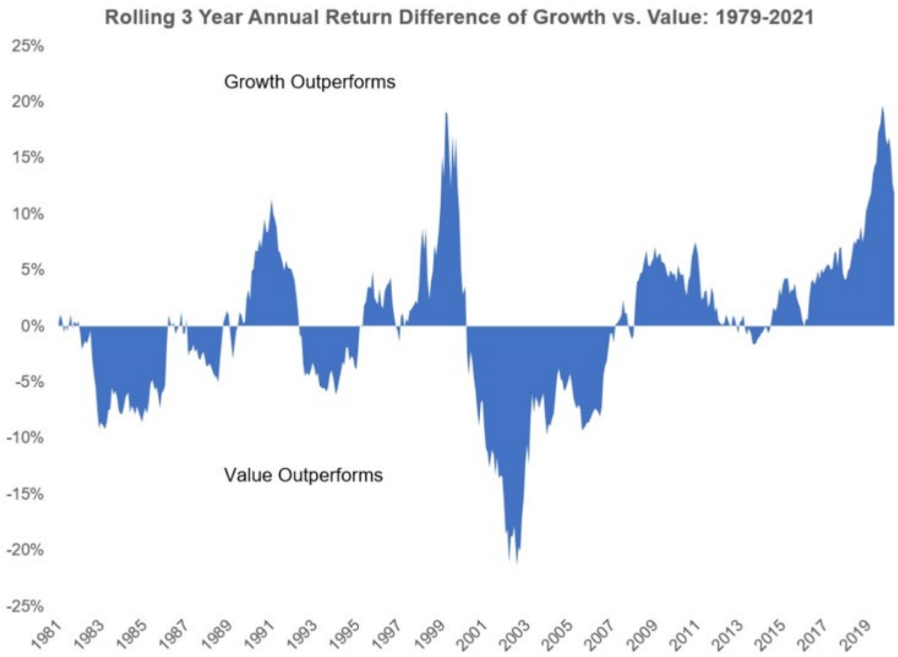
Equity Styles

- Since the advent of each index in 1979, the Russell 1000 Growth and Value Indexes have nearly identical annual returns through March 2021 — 12.1% for growth and 12.0% for value. But the path to get to those returns was completely different for each. Both value and growth have taken turns outperforming and underperforming depending on the cycle. In the first quarter of this year, the Russell 1000 value was up 11.3% while the Russell 1000 Growth was up 0.9%.

Period	Growth	Value
1979-1988	281.2%	402.9%
1989-1999	764.1%	433.7%
2000-2008	-51.5%	6.6%
2009-2020	683.5%	275.3%

Source: Returns 2.0. Data as of 3/31/2021

- Q1 marked the biggest rotation into Value since 2001, as the Russell 1000 Value index outperformed the Growth index by 10.3% (+11.3% vs. +0.9%). Amid US GDP forecasts of +7%/+5.5% in '21/'22 from stimulus, investors continue to like GDP-sensitive cyclicals, small caps and Value until positioning and valuations normalize and earnings growth peaks.



Source: AWOCS, Data as of 3/31/2021

Fixed Income

- The first quarter was the worst first quarter for Treasury Bonds since 1919, and the worst first quarter for investment-grade corporates since 1980. Outside of this, the story of the quarter, much since vaccine say in November, was the steepening yield curve – which investors and analysts alike have been looking for the long end of the yield curve to reaffirm the economy is starting to poke its head out of the COVID-induced recession. The yield curve has historically always steepened coming out of recessions. The past three months nearly all parts of the yield curve are at their steepest level in quite a while.

	March 2021	Q1 2021	1-Year	3-Year	5-Year	10-Year
Barclays Agg. Bond Index	-1.25%	-3.37%	0.71%	4.65%	3.10%	3.44%
Investment Grade Bonds	-1.48%	-5.47%	8.11%	6.83%	5.14%	5.46%
High Yield Bonds	0.33%	1.12%	21.85%	5.41%	6.56%	5.30%
Barclays Gov't 1-5YR	-0.21%	-0.58%	-0.02%	3.29%	1.92%	1.72%
Barclays Intermediate Tsy.	-0.69%	-1.76%	-1.27%	3.76%	2.06%	2.33%
Barclays Long-Term US Tsy.	-4.99%	-13.51%	-15.80%	5.87%	3.13%	6.35%
Treasury TIPS	-0.19%	-1.47%	7.54%	5.68%	3.86%	3.44%
U.S. MBS	-1.10%	-0.51%	-0.09%	3.75%	2.43%	2.83%

Source: Bloomberg. Data as of 3/31/2021. Returns over 1YR are Annualized.

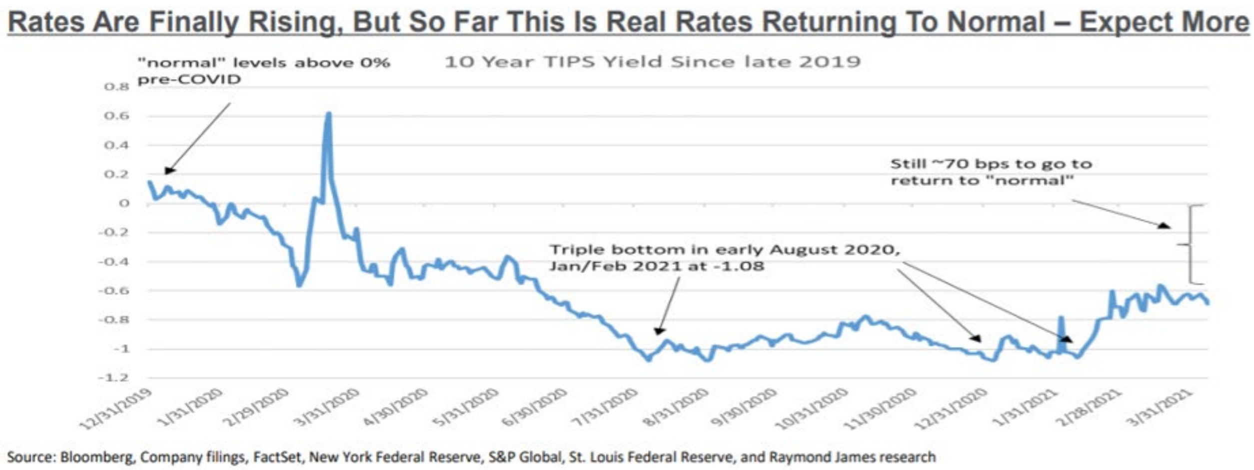
- *Interest Rate Velocity* - The 10-Yr Treasury has been on a tear since the August 4th low of 0.50% to 1.63% as of 4/14/2021. Meaning, the 10-Yr is up 113bps in just 7 months. The market is absorbing more and more stimulus. Yields typically have a delayed reaction to major fiscal policy legislation. The yield curve is historically steep by our standards. It can steepen further but the spread between 2-year Treasuries and 10-year Treasuries doesn't typically stay >150bps for long periods.

Source: Bloomberg, Data as of3/31/2021

- Inflation Expectations, as measured by the 10-Yr Treasury yield minus 10-Yr TIPS, has breached 2.00%, the Fed's target, for the first time since 2018, and is not at the highest level since August 2014 when China started to pop the world's commodity bubble. More importantly, the Fed appears comfortable with this level.

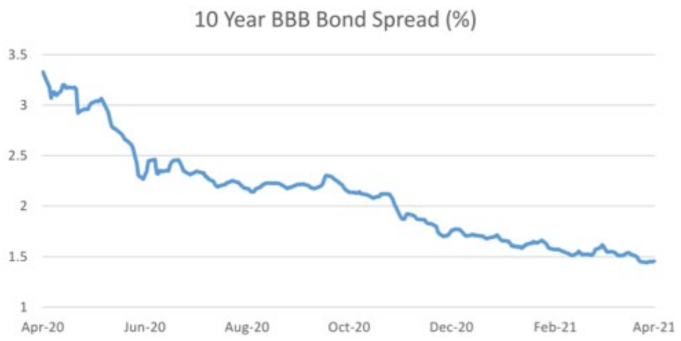
Data as of 4/7/2021

- Although the "rate spike" in February was alarming to us, implied inflation expectations didn't budge (been ~2.1-2.3% since early Jan). Real rates have gone from what we consider abnormally low (-1.1%) to just unusually low (0.7%). The only other time real rates reverted from negative to normal (positive) was in 2013, 18-24 months ahead of QE ending. Ultimately, we expect real rates to ultimately return to zero, while inflation expectations will remain over 2%, which means the 10-Yr yield should trade in a 2-2.5% range, likely 12-24 months ahead of QE ending. Then we think the question will be whether or not the Fed will look to cap the 10-year yield rise with a "twist" operation or any other measure.



Source: Data as of3/31/2021

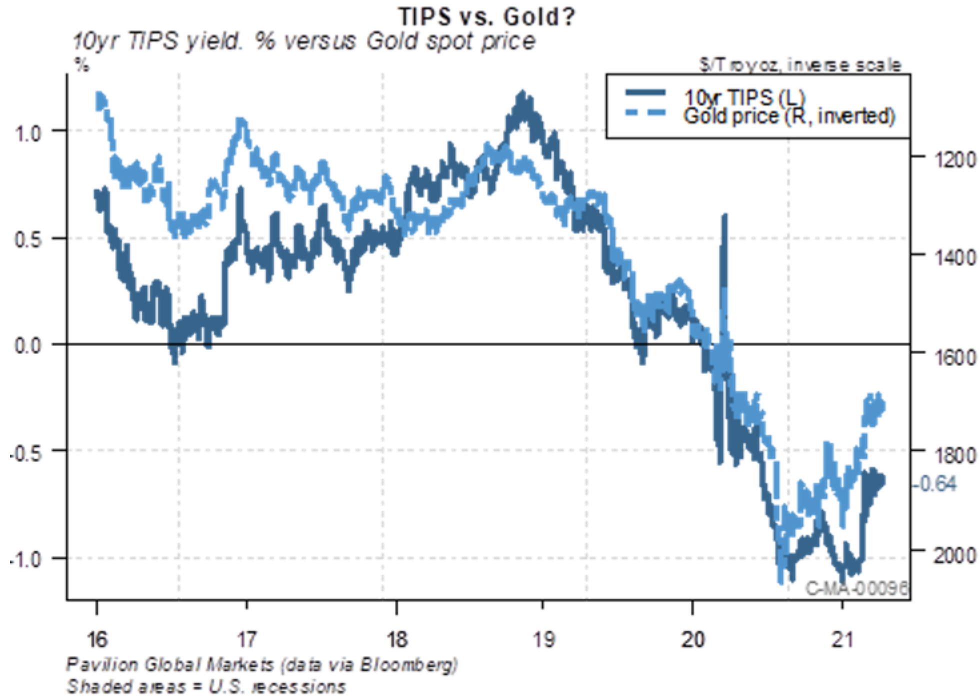
- From our observation, credit spreads are back to pre-Covid levels, investors are getting compensated very little for credit risk, rates look poised to continue to rise as the economy reopens and inflation runs hotter than normal. We continue to underweight traditional fixed income.



Source: FactSet and Raymond James research

Source: Data as of 4/14/2021

- Holders of 10-year TIPS are paying 65 bps per annum to hedge consumer price inflation (CPI). In our opinion with the 10-year breakeven inflation priced back up to 2.35%, TIPS look unattractive.



Source: Pavilion, Data as of 4/14/2021

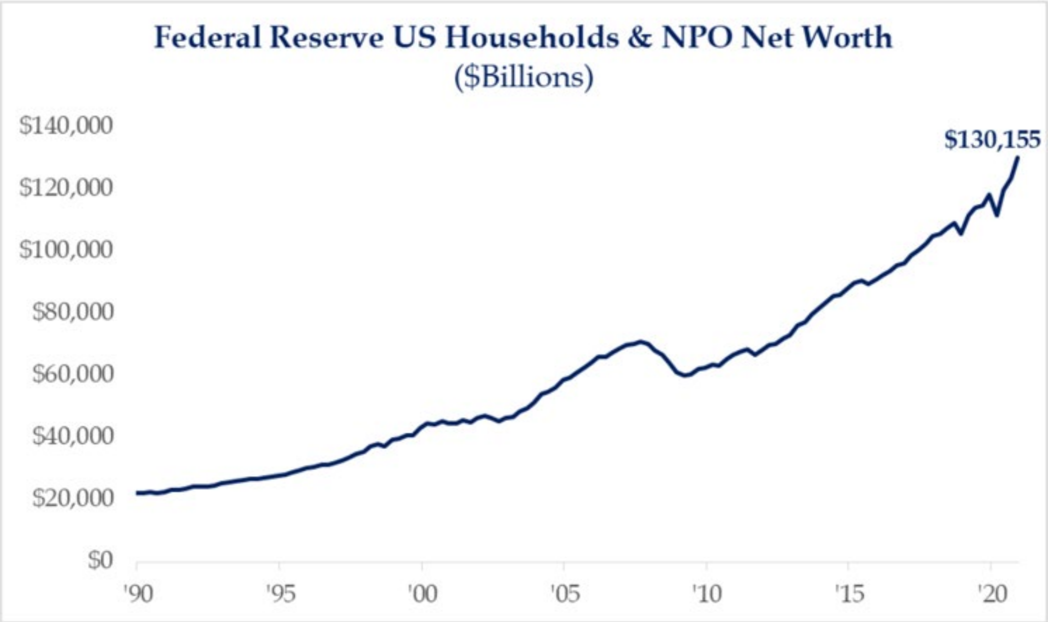
Economic Review

- It appears that the recession is already over for numerous wealthier individuals. Though, there are still risks near-term, with health lockdowns & slowing U.S. mobility as we continue 2021. Yet with U.S. saving substantial (>$1 trillion) on top of the front-loaded D.C. stimulus, we believe overall growth should not be scarce in 2021. Below is the economic forecast of Strategas for 2021 and 2022:

	2020				2021				2022			
	1Q	2Q	3Q	4Q	1QF	2QF	3QF	4QF	1QF	2QF	3QF	4QF
Real GDP Q/Q Pct. AR	-5.0%	-31.4%	33.4%	4.3%	10.0%	10.0%	2.5%	4.5%	1.5%	3.5%	3.0%	2.0%
Core CPI Q/Q Pct. AR	2.0%	-1.1%	4.0%	1.8%	1.7%	4.0%	2.8%	2.2%	2.1%	2.4%	2.3%	2.3%
Fed Funds - EOP	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
10 Year Treasury Yield	0.7%	0.7%	0.7%	0.9%	1.7%	-	-	-	-	-	-	-
F = Forecast; A = Actual												

Source: Strategas, Data as of 3/31/2021

- We believe the Aggregate consumer is flush with cash, and once pent-up demand can safely be unleashed, and we believe that the U.S. economy is set to rip higher. While we know that the cruel nature of the pandemic has had an adverse financial impact on many (particularly those less fortunate), in aggregate, the consumer coffers are presently funded. U.S. bank deposits are up more than $3 trillion from a year ago, while credit card balances are down 12% over the past year.



Source: Strategas, Data as of 3/30/2021

- Going back to the 1930s, which is essentially when GDP as a metric was invented, real economic growth in the United States has averaged roughly 3% per year. The stock market is not the economy, but there is a relationship between GDP growth and the market over time, especially when growth is high. The market is estimating that we see GDP close to 7% in 2021.

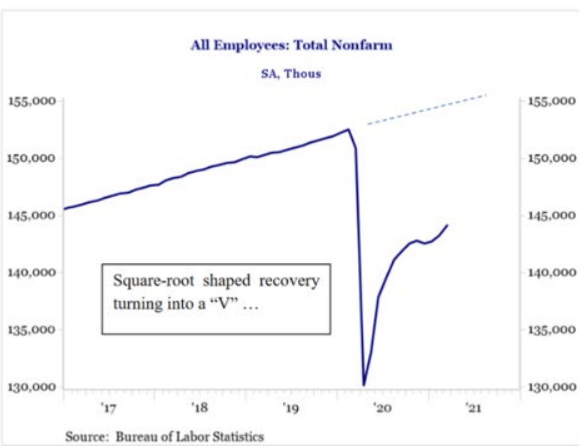
Economic Growth vs. The Stock Market

Real GDP growth and S&P 500 returns since 1930

Real GDP Growth	S&P 500 Average Annual Returns
ABOVE 8%	15.5%
ABOVE 7%	16.1%
ABOVE 6%	12.7%
ABOVE 5%	10.0%
ABOVE 4%	11.5%

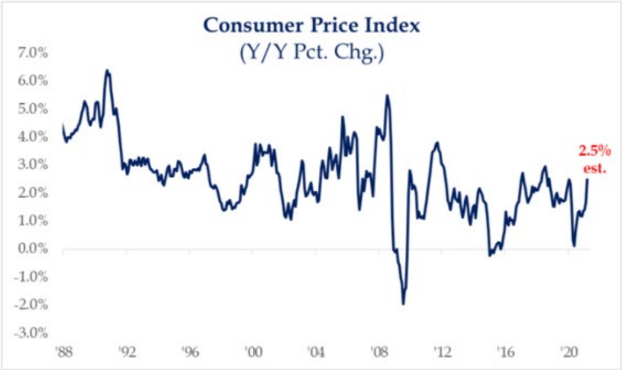
Source: AWOCS, Data as of 3/31/2021

- For some perspective on the cumulative job losses and recovery since, the chart below shows there are still 9.8 million fewer jobs in the U.S. than there were prior to the pandemic. The monthly gains had begun to dwindle at the end of last year, but the March report was very strong. The big story should note the difference in job restoration between low wage and higher-wage workers. Between April and November, over 93% of the 6 million higher wage earners who were initially laid off had returned to work. By contrast, only half of the 12 million low wage workers had returned to work over the same period.



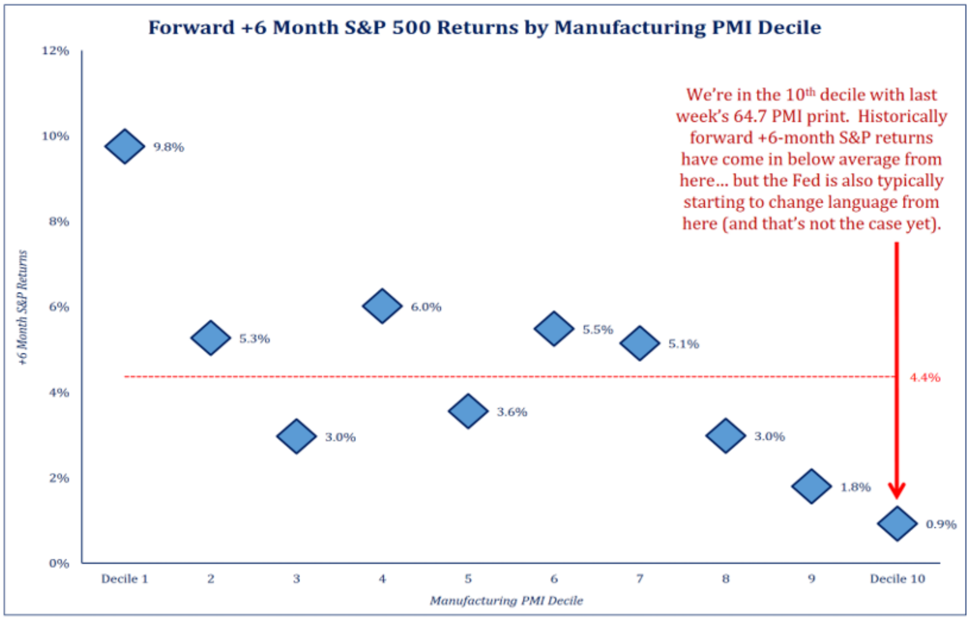
Data as of 3/31/2021

- *Inflation Data* - For markets how the Fed chooses to address inflation is as important as the inflation itself. Fed Chair Powell has a dual mandate dealing with both jobs and inflation. Right now, the focus is on employment. However, breakevens, capacity, supplier delivery times, and surveyed prices are useful measurements of current & future inflation. The Fed expects the 2021 run-up in inflation to be transitory, as the economy laps a sharp recession y/y. Chairman Jerome Powell is currently more focused on reducing unemployment than rising inflation. With its more flexible inflation target and 5-year plan, the FOMC still plans to keep interest rates low until 2023.



Source: Strategas, Data as of 3/31/2021

- Historically, top decile PMI readings are consistent with below average forward 6-month S&P returns... not necessarily bearish, but we believe this is more of the market recognizing that hot data tends to invite the Fed back into the discussion. The most recent PMI reading was the highest reading since 1984, though, may not presage lower-than-average returns in the future, as the Fed has stated that it will remain accommodative until 2023.



Source: Strategas, Data as of 3/31/2021

The Backdrop for 2021:

The Good:

- ***Faster-Than-Expected Vaccine Rollout*** – Return to Normalcy solves everything / we believe the best stimulus is an open economy. Furthermore, the Fed said that once the U.S. achieves 75% immunization, that they would consider beginning the tapering discussion. If we look at the current pace of vaccine distribution, we could see the U.S. hit this threshold number by mid-June.
- ***Better Economic Data*** - Economic data, which lags the stock market, hit rock-bottom last year, but we believe signs of a recovery have continued to appear, most notably with the recent Non-Farm Payroll and ISM data. Now that we have a fifth round of stimulus from Congress, especially within the unemployment area, and the potential for an infrastructure bill, we believe that we will continue to see increased consumer spending and job stabilization – both keys to getting out of this pandemic-induced recession.
- ***Better than Anticipated Earnings*** – Given the record amount of stimulus, and that S&P 500 earnings are only 13% below its peak, we believe earnings growth will continue to be a determining factor of success for corporate America, pending tax changes. Moving forward, we believe that if earnings growth in 2021 can surpass the multiple contraction that we could potentially see, since we are at 99th percentile multiple, positive future performance could occur.
- ***Health of the Consumer*** – We believe the aggregate consumer is flush with cash, and once pent-up demand can safely be unleashed, the U.S. economy is set to rip higher. While we know that the cruel nature of the pandemic has had an adverse financial impact on many (particularly those less fortunate), in aggregate, the consumer coffers are presently funded. U.S. bank deposits are up more that $3 trillion from a year ago, while credit card balances are down 12% over the past year.

The Bad:

- ***Variants Causing Another Shutdown -*** After a significant decline in COVID-19 cases in the U.S. earlier this year, variants of concern (VoCs) continue be a risk, as there have been strains, i.e., "P.1 Variant", that are more contagious than the original strain.

The Ugly:

- ***Possible Policy Errors Through Fiscal Tightening (Taxes) in 2022*** - The lags associated with the long-term benefits of infrastructure spending are notoriously long and variable. Tax increases, on the other hand, tend to be retroactive and immediate. From a market perspective, the fear is that a fiscal drag sterilizes the positive impacts of reopening and already passed stimulus, leading to an economic environment more consistent with the period of secular stagnation after the GFC.
- ***Faster-than-Expected Inflation –*** The magnitude of the policy actions used to counteract deflation may, in the end, be hugely inflationary. Higher-than-expected inflation tends to be a major headwind to equity valuations. Right now, 5YR inflation breakeven figures are above the Fed's 2% target. For markets how the Fed chooses to address inflation is as important as the inflation itself.

Disclosures

Past performance is not indicative of future results. This material is not financial advice or an offer to sell any product. The information contained herein should not be considered a recommendation to purchase or sell any particular security. Forward looking statements cannot be guaranteed.

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The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 11.2 trillion indexed or benchmarked to the index, with indexed assets comprising approximately USD 4.6 trillion of this total. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

The Nasdaq Composite Index measures all Nasdaq domestic and international based common type stocks listed on The Nasdaq Stock Market. To be eligible for inclusion in the Index, the security's U.S. listing must be exclusively on The Nasdaq Stock Market (unless the security was dually listed on another U.S. market prior to January 1, 2004 and has continuously maintained such listing). The security types eligible for the Index include common stocks, ordinary shares, ADRs, shares of beneficial interest or limited partnership interests and tracking stocks. Security types not included in the Index are closed-end funds, convertible debentures, exchange traded funds, preferred stocks, rights, warrants, units and other derivative securities.

The Dow Jones Industrial Average® (The Dow®), is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities.

The Russell 2000® Index measures the performance of the small-cap segment of the US 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. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

*The MSCI EAFE Index is an equity index which captures large and mid-cap representation across 21 Developed Markets countries*around the world, excluding the US and Canada. With 902 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.*

The MSCI Emerging Markets Index captures large and mid-cap representation across 26 Emerging Markets (EM) countries. With 1,387 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.*

The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. This includes Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities and collateralized mortgage-backed securities.

The Russell Midcap® Index measures the performance of the mid-cap segment of the US equity universe. The Russell Midcap® Index is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap® Index represents approximately 31% of the total market capitalization of the Russell 1000® companies. The Russell Midcap® Index is constructed to provide a comprehensive and unbiased barometer for the mid-cap segment. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap opportunity set.

The iShares iBoxx $ Investment Grade Corporate Bond ETF seeks to track the investment results of an index composed of U.S. dollar-denominated, investment grade corporate bonds. The iShares iBoxx $ High Yield Corporate Bond ETF seeks to track the investment results of an index composed of U.S. dollar-denominated, high yield corporate bonds.

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