Quarterly Investment Summary

MARCH 2021

Performance Summary (as of 03/31/2021)

	Target Allocation	Trailing Returns				
	Equity/Fixed	3 Months	YTD	1 Year	3 Year	5 Year
Fixed Income	0%/100%	-1.73%	-1.73%	4.16%	4.07%	3.04%
Conservative	25%/75%	0.46%	0.46%	16.66%	6.87%	6.03%
Balanced	50%/50%	2.55%	2.55%	30.35%	9.33%	8.81%
Growth	75%/25%	4.75%	4.75%	45.28%	11.43%	11.37%
Equity	100%/0%	6.99%	6.99%	61.57%	13.00%	13.52%

Market Commentary

- Coupled with improving COVID numbers and more states and localities relaxing restrictions, the economy is expected to show solid growth in 2021. First quarter estimates of real GDP range from the mid-single digits to as high as 10%+, with full-year 2021 estimates in the mid- to high-single digits. The labor market continues to improve with February payrolls rising by 379,000 and the unemployment rate dropping to 6.2%. Encouragingly, there were the 355,000 jobs added in the leisure and hospitality businesses, which were among the most significantly impacted by the events of the past year. The manufacturing sector remains vigorous, with the ISM manufacturing index solidly in expansionary territory at 64.7, the highest reading for that index since the early 1980's. However, ongoing concern of tight supply chains will only be exacerbated by the recent, week-long blockage of the Suez Canal, which carries over 10% of global trade. Tight housing supply and rising mortgage rates have had an impact, at least temporarily, on the most recent housing data. In February, both new and existing home sales declined from the prior month, although both remain 8-9% above February 2020 levels. New home sales declined by 18.2% in February, the largest monthly drop since 2013, while existing home sales were down 6.6%. Finally, consumer confidence soared to its highest level since before the pandemic with a reading of 109.7 in March, rising from 90.4 in February.

- March 23rd marked the one-year anniversary of the pandemic-induced market low. In the 12 months since, markets have staged an incredibly strong recovery, with the S&P rallying by 75%. Mid- and small-cap stocks have fared even better with returns of 115–120% over the past year. During the first quarter of 2020, the S&P 500 maintained the positive momentum seen over the past 12 months, gaining another 6.2% and setting 16 new all-time closing highs. Again, mid- and small-cap stocks posted even more impressive returns, with the S&P Mid Cap index up 13.5% for the quarter and the Russell 2000 up 12.7%. The tech-oriented NASDAQ index was up less than 3%, underperforming most other major indices. Like the fourth quarter of last year, value stocks led growth stocks.

- Long-term yields continued to rise throughout the quarter, with one of the sharper increases seen in recent years. Between the end of 2020 and March 31st, the 10-year treasury yield rose by over 80 basis points, from 0.91% to 1.74%, returning to pre-pandemic levels. With the rise in yields, fixed income returns were mostly negative during the quarter. Indices containing longer bonds suffered the steepest declines, as their prices are much more sensitive to changes in interest rates. While higher quality corporate bonds were down for the quarter, lower quality bonds (high-yield) managed to register a slight gain. The Federal Reserve continues to leave rates unchanged, emphasizing their commitment to use the full range of tools at their disposal to support the U.S. economy.