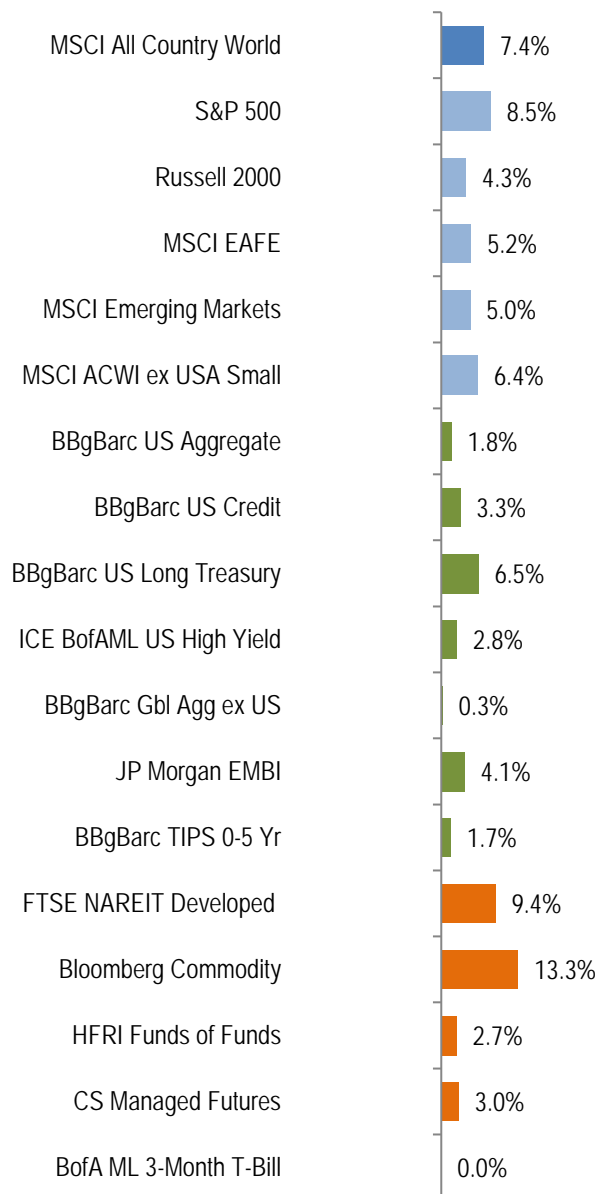


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Second Quarter 2021



Second Quarter 2021: Inflation, So Hot Right Now

The word of the quarter was “transitory” as investors tried to decipher the root cause behind the highest inflation readings in decades. Despite some dire predictions about the return of stagflation and a 5.0% annualized inflation increase in May, the verdict of the market suggested that inflation may just be transitory. Interest rates and inflation expectations decreased and bonds, which had sold off in the first quarter, rallied back with longer-duration assets gaining the most.

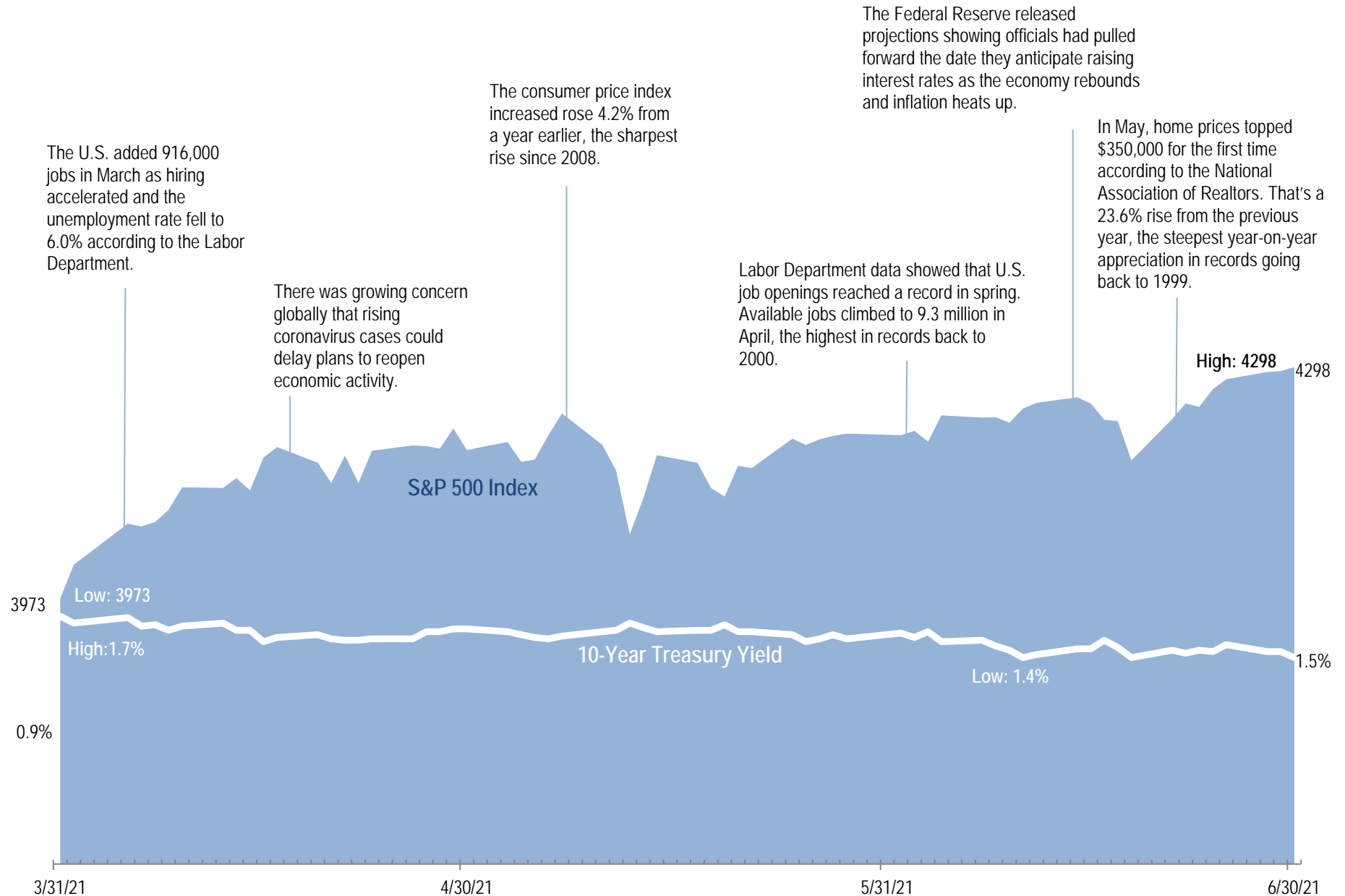
The interest rate decrease in part stemmed from mixed messaging from the Federal Reserve. The Fed, which is now using a new flexible average inflation targeting framework, is trying to strike the right balance of monetary support for the recovering economy while avoiding a repeat of the 2013 taper tantrum, which undermined market stability. Market participants, interpreting updated Federal Open Market Committee projections, expressed some skepticism of the Federal Reserve’s tolerance for future higher inflation.

Meanwhile, even with consumers expecting higher inflation in the coming year, U.S. consumer confidence soared to a fresh pandemic high. The proportion of consumers planning to purchase homes, automobiles, and major appliances all rose in the quarter, which should provide support for the economy in the near term. Home sales have slowed as prices have risen in the year, with the S&P CoreLogic Case-Shiller residential home price index jumping the most in more than three decades. On the employment front, the share of consumers that said jobs are plentiful increased to a 21-year high, and respondents who said jobs were plentiful exceeded the share of those who said they were hard to get by the most since 2000.

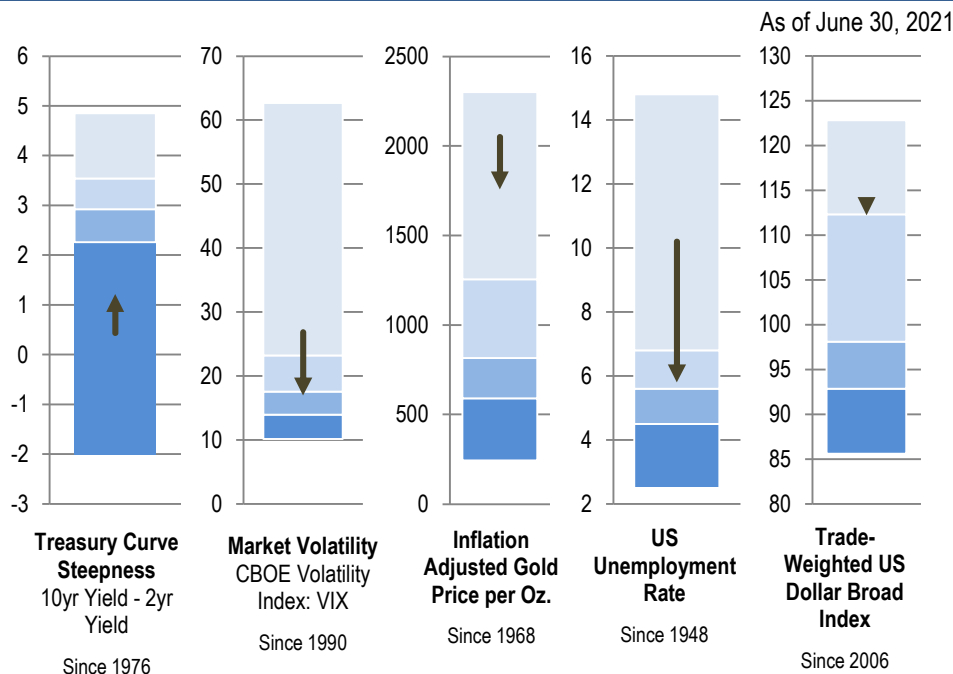
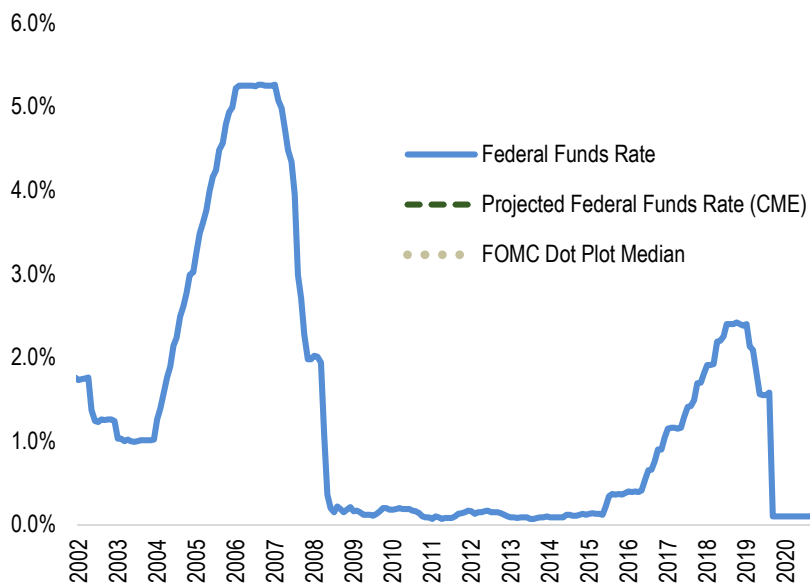
The optimistic expectations provided a supportive backdrop for stocks, as virtually all sectors and regions gained in the quarter. The S&P 500 and NASDAQ hit all-time highs and growth shares were the market leaders in the quarter after lagging earlier in the year.

	QTD	YTD	1 Year	3 Years	5 Years	15 Years
S&P 500	8.5%	15.3%	40.8%	18.7%	17.6%	10.7%
<i>S&amp;P 500 Value</i>	5.0%	16.3%	39.5%	13.1%	12.5%	8.0%
<i>S&amp;P 500 Growth</i>	11.9%	14.3%	41.4%	23.1%	21.8%	13.1%
Russell 2000	4.3%	17.5%	62.0%	13.5%	16.5%	9.5%
<i>Russell 2000 Value</i>	4.6%	26.7%	73.3%	10.3%	13.6%	7.9%
<i>Russell 2000 Growth</i>	3.9%	9.0%	51.4%	15.9%	18.8%	10.9%
MSCI EAFE (USD)	5.2%	8.8%	32.4%	8.3%	10.3%	4.4%
<i>MSCI EAFE (Local)</i>	4.8%	12.7%	27.1%	7.5%	10.0%	4.7%
MSCI Emerging Markets (USD)	5.0%	7.4%	40.9%	11.3%	13.0%	6.6%
<i>MSCI Emerging Markets (Local)</i>	3.8%	7.9%	36.1%	12.0%	13.6%	8.4%
BBgBarc US Aggregate	1.8%	(1.6%)	(0.3%)	5.3%	3.0%	4.4%
BBgBarc Long Treasuries	6.5%	(7.9%)	(10.6%)	8.0%	3.1%	6.9%
FTSE NAREIT Developed	9.4%	16.1%	34.8%	7.4%	6.0%	5.3%
HFRI Fund of Funds	2.7%	4.8%	18.1%	6.3%	6.1%	3.1%
BofA ML 3-Month T-Bill	0.0%	0.1%	0.1%	1.4%	1.2%	1.1%

Sources: Sellwood Consulting LLC, Morningstar Direct, Investment Metrics, Federal Reserve Economic Data  
Returns for periods longer than 1 year are annualized.

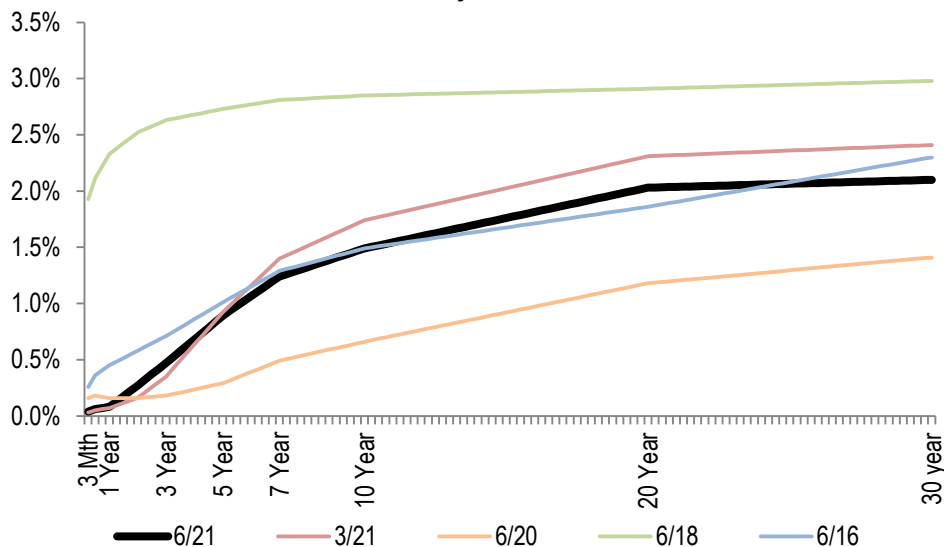


Federal Funds Rate



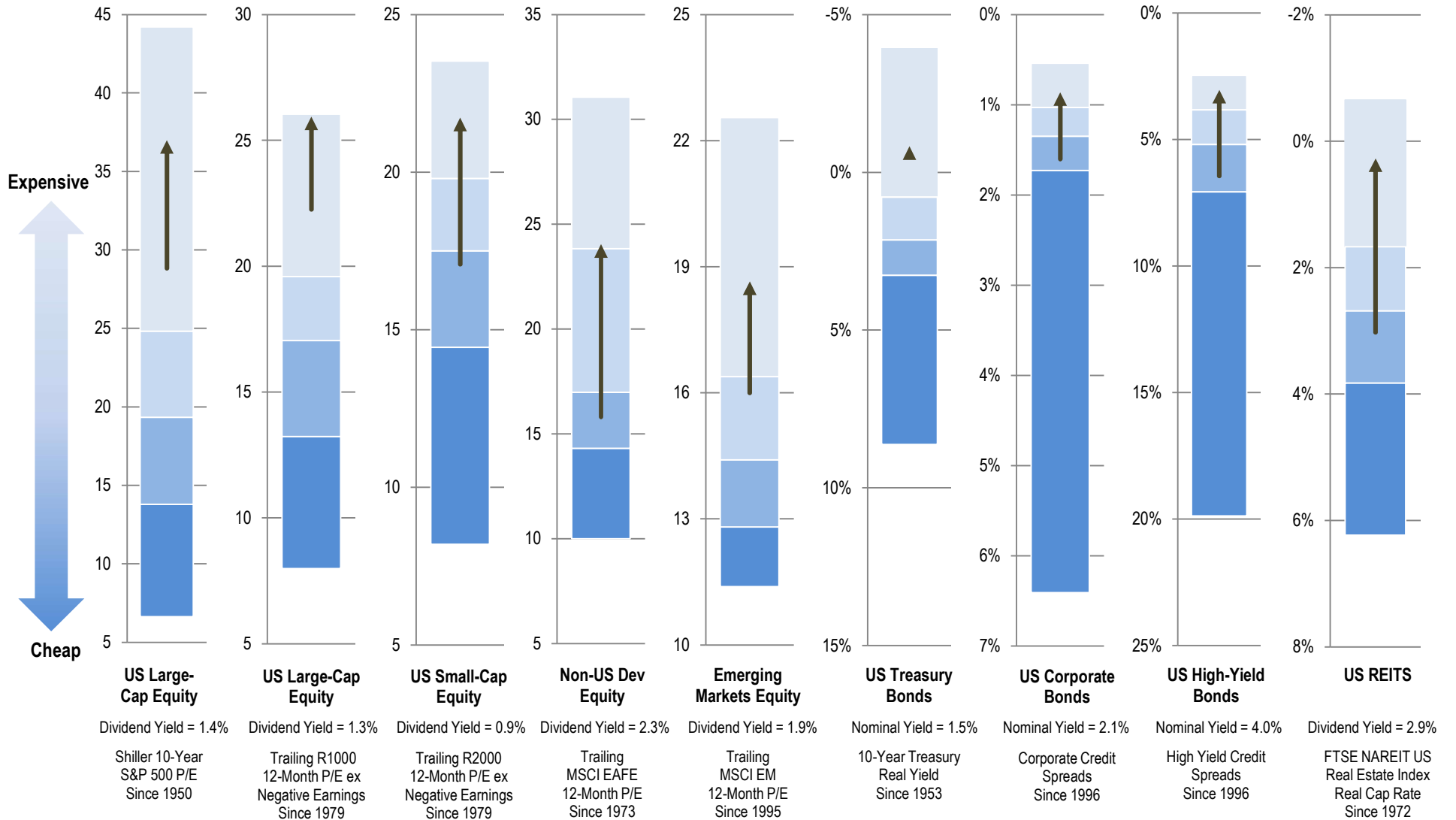
	6/2021	3/2021	6/2020	6/2018	6/2016
<b>Market Inflation Expectations</b>					
5 Year	2.5	2.5	1.2	2.1	1.4
10 Year	2.3	2.4	1.3	2.1	1.4
20 Year	2.4	2.4	1.6	2.1	1.3
CPI Year-over-Year	---	2.6	0.7	2.8	1.1
West Texas Crude Oil	73.0	59.2	39.3	74.1	48.3
Consumer Sentiment Index	85.5	84.9	78.1	98.2	95.5
US Corp Profits (% of GDP)	---	10%	8%	9%	9%
Real GDP Growth YoY	---	6.4	-31.4	2.7	1.3
Federal Funds Rate	0.08	0.07	0.08	1.82	0.38

US Treasury Yield Curve



Sources: Sellwood Consulting LLC, Morningstar Direct, Investment Metrics, Federal Reserve Economic Data, CME Group  
 Arrows in the top-right charts represent year on year change.

As of June 30, 2021



Arrows represent year on year change. Trailing 12 month P/E and cap rate metrics exclude the top and bottom 5%. P/E metrics calculated by Investment Metrics and Morningstar may use different methodology.

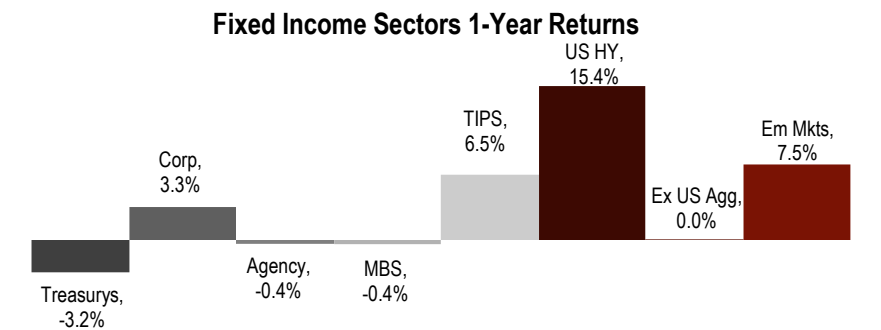
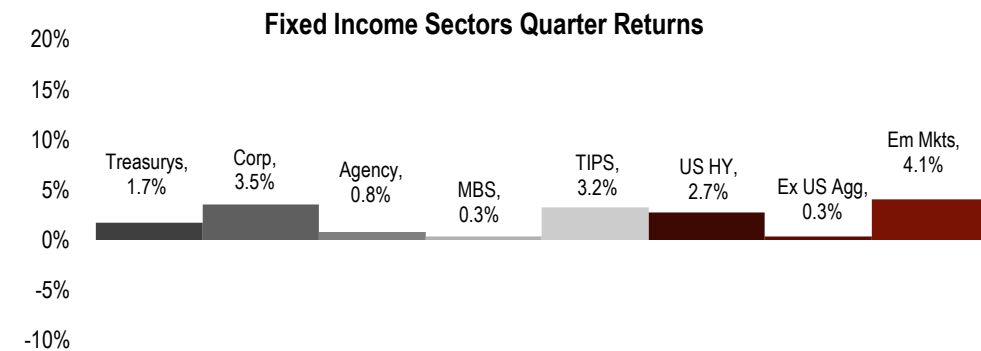
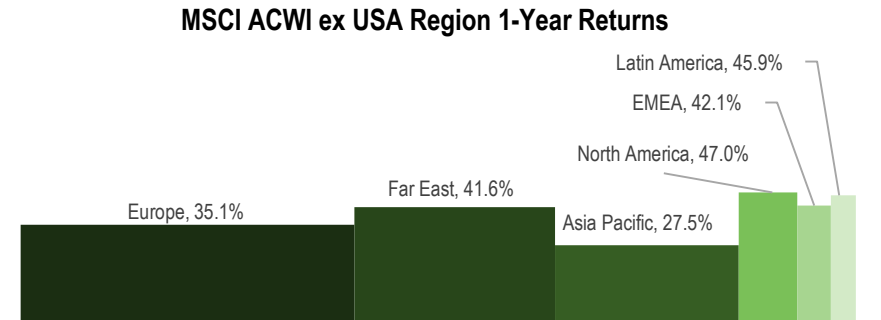
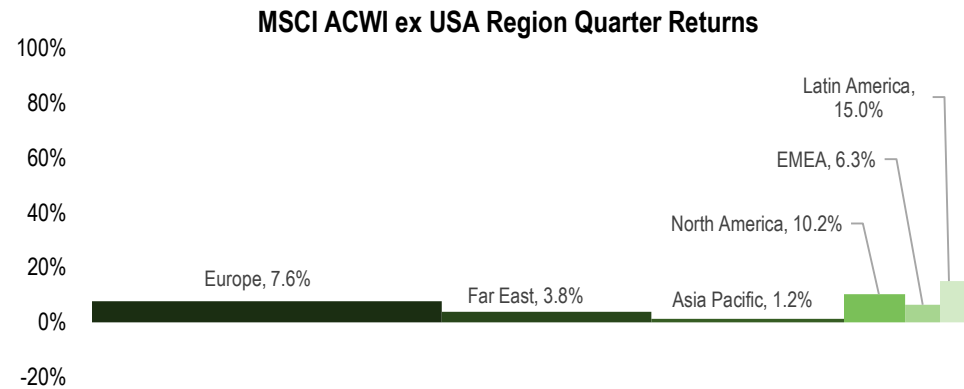
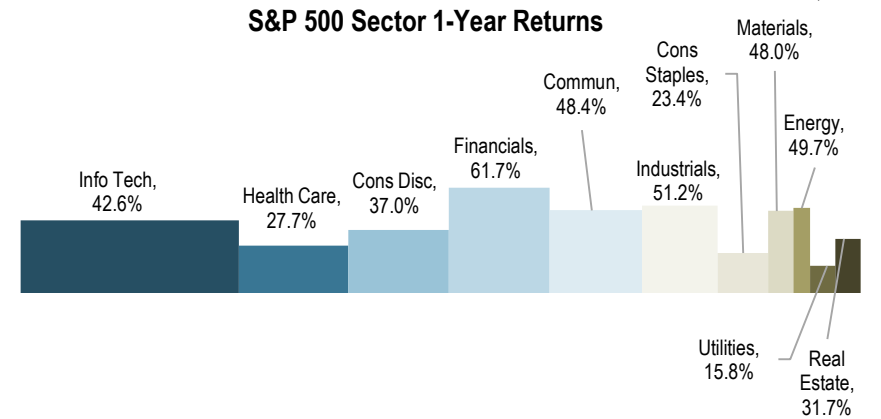
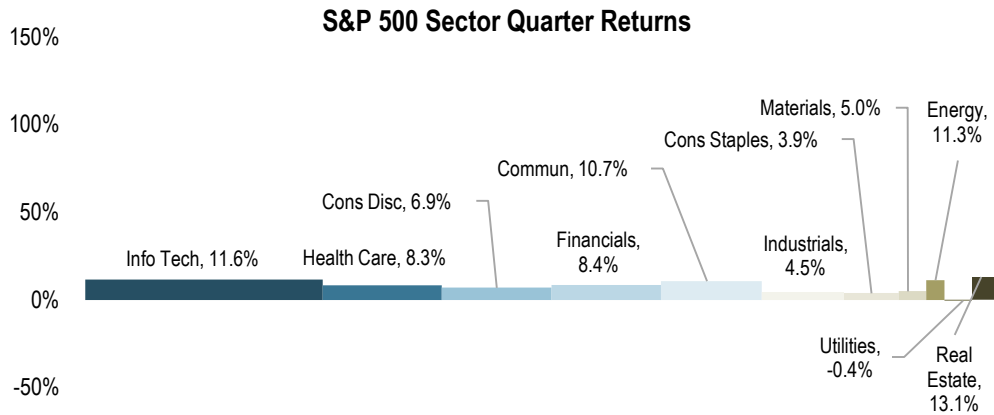
10-Year Treasury real yields are based on the constant maturity TIPS yields calculated by the Federal Reserve. Prior to 2003, real yields are calculated by adjusting the nominal yield with the prior 12-month change in core CPI-U.

Real cap rates are inflation adjusted using the applicable 10-year TIPS breakeven inflation rate. Prior to 2003, real cap rates are calculated by adjusting the cap rate with the prior 12-month change in the core CPI-U.

Sources: Sellwood Consulting LLC, Robert Shiller Data, FTSE Russell, MCSI, Federal Reserve Economic Data, NAREIT

**Sector and Region Returns**

As of June 30, 2021



The equity bar widths depict end of the quarter region and sector weights. Fixed income bar widths do not depict specific sector weights.

Sources: Sellwood Consulting LLC, Morningstar Direct