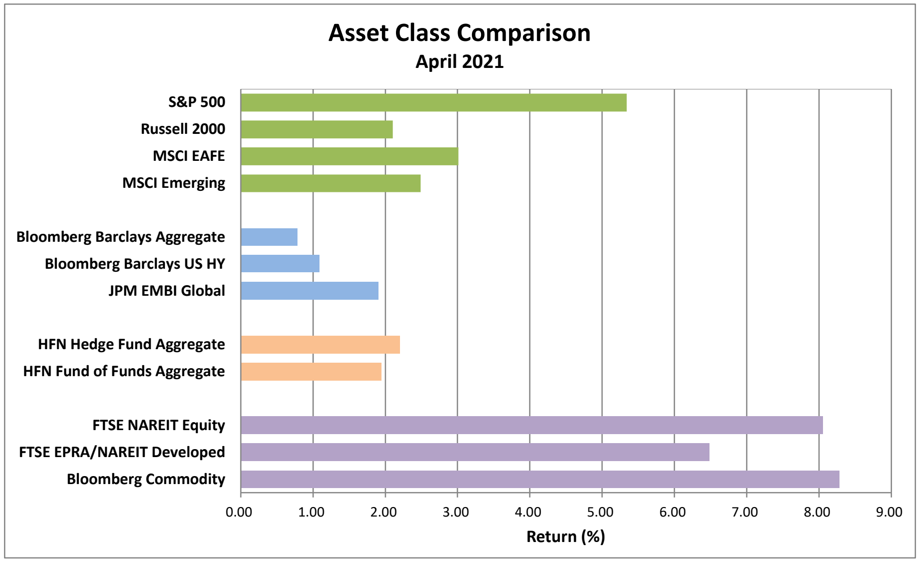

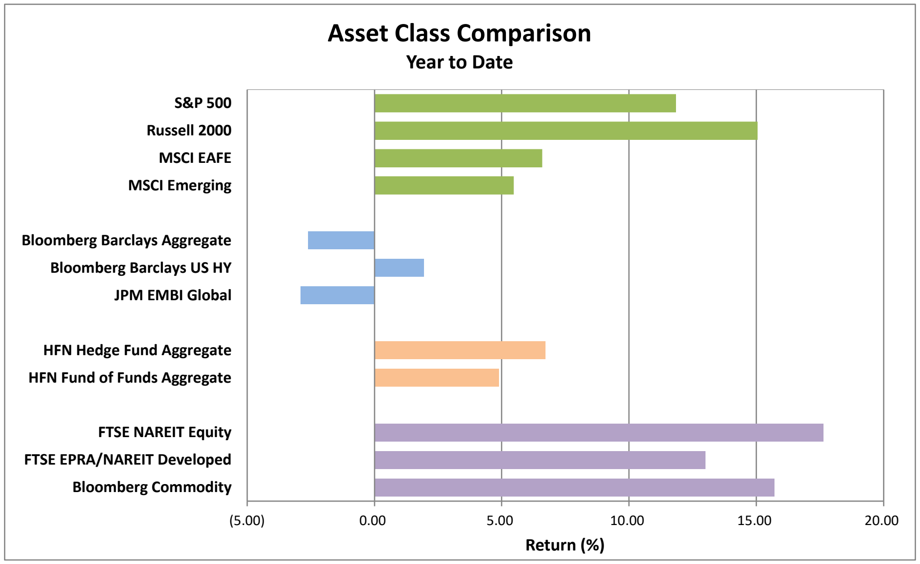

Market Overview

- Equity markets continued to push higher in April thanks to a variety of supporting factors, including progress with COVID-19 vaccinations, solid economic data and robust corporate earnings that beat analysts' expectations. These factors helped the U.S. equity market, as represented by the S&P 500 index, post its 3rd straight monthly gain and best return since November.
- Fears of runaway inflation had kept equity markets in check to some degree during the 1st quarter, with investors concerned about how the U.S. Federal Reserve and other policy-making bodies would responds to higher prices. The U.S. Fed continued to indicate that they would tolerate higher readings of inflation in an effort to achieve the primary objective of a recovery in employment levels. Employment has been recovering rapidly as the acceleration in vaccinations have resulted in a broader reopening of the U.S. economy. In March, 916K jobs were added in the U.S., well above expectations, pushing the unemployment level to 6.0%. Despite the positive momentum on job growth, the unemployment level remains well above the 3.6% rate reported in January 2020 before the outset of the pandemic within the U.S.
- Inflation readings were higher than anticipated in March with consumer prices (CPI: +0.6%) and producer prices (PPI: +1.0%) translating to annualized increases that were well above the 2% target typically cited by the Federal Reserve. The increase in producer prices represented the largest annual increase since 2011 when markets were recovering from the financial recession of 2008/2009. Despite the elevated readings, Fed officials suggest the uptick in inflation is transitory, driven predominantly by comparisons to the weaker environment at the start of the COVID-19 shutdowns a year ago versus the rapid reopening activities of the current environment. In addition, shortages in key commodities and certain essential components, such as semiconductor chips, have resulted in what are believed to be short term demand price shocks. An example on the commodity front is the price of lumber, which has soared by over 72% year to date as demand for new houses has created a near term imbalance.
- Perhaps one of the biggest beneficiaries of the reopening trend has been the real estate market. Closures and the work-from-home requirements put tremendous pressure on real estate in 2020, especially among retail and office properties. These properties have seen a recovery as investors anticipate the resurgence in activity will be a boon to these beaten down sectors.

Equity Markets

Equity markets across most developed economies moved higher as progress on vaccinations and the march toward a broad global recovery proved beneficial. The S&P 500 index gained 5.3%, while small cap stocks, represented by the Russell 2000 index lagged with a 2.1% gain. While several value sectors of the economy outperformed in April, including real estate (8.3%) and communication services (+7.9%), poor relative results from energy (+0.6%) helped the growth sectors, in aggregate, to outperform for the month. Outside the U.S., the MSCI EAFE index of developed equity markets underperformed the U.S. for the month with a 3.1% gain in U.S. dollar terms, as weakness in the dollar helped boost a somewhat anemic local currency return of 1.3%. Japan was one of the few markets to suffer a decline in March, with an uptick in COVID-19 cases raising concerns about the need for additional lockdowns and drawing into question the safety of proceeding with the already-delayed summer Olympics. The MSCI Emerging Markets index marginally underperformed the developed markets with a 2.5% gain, as relative weakness in China continued to persist despite strong economic data and solid corporate earnings announcements.

Fixed Income Markets

After climbing the past several months, U.S. Treasury yields topped out and then finished lower on the month as concerns over inflation were offset with the ongoing commitment from the Federal Reserve to keep rates highly accommodative. The yield on the 10-year Treasury finished the month lower by 11 bps (1.63%). As has been the case over the past year, there was very little change to the short end of the curve, with the yield on the 2-year Treasury ending at 16 bps, unchanged for the month. The Bloomberg Barclays Aggregate index finished with a gain of 0.8% in April, the first positive monthly return since December. Despite the gain, the index remains down 2.6% year to date. Investment grade corporate bonds benefited from the moderation in yields, finishing with a 1.1% gain as the longer duration profile and a 3-bps contraction in spreads to comparable-duration Treasuries proved beneficial.

Alternative Strategies

Hedge fund strategies continued to generate solid return in April, with the HFN Hedge Fund Aggregate index (+2.2%) posting its sixth straight monthly gain. The event driven category was the standout performer for the month (+4.3%), while all other categories other than dedicated short selling were positive for the month. Other solid performers were CTA managed futures (+3.1%) and equity hedge (+2.7%). Convertible arbitrage (0.3%) was a notable laggard as implied volatility declined during the month.

Developed Market Returns (%)

	Month	Year to Date
S&P 500	5.34	11.85
Russell 2000	2.10	15.06
MSCI EAFE ($)	3.01	6.59
MSCI Europe ($)	4.54	8.80
MSCI UK ($)	4.38	10.83
MSCI Japan ($)	(1.52)	0.02
MSCI Pacific ex Japan ($)	4.22	9.03

Source: eVestment Alliance, MSCI, S&P, Russell

Emerging Market Returns (%)

	Month	Year to Date
MSCI EM ($)	2.49	4.83
MSCI EM Asia ($)	2.42	4.70
MSCI EM EMEA ($)	2.31	10.57
MSCI EM Latin America ($)	3.69	(1.83)

Source: eVestment Alliance, MSCI

U.S. Fixed Income Returns (%)

	Month	Year to Date
Bloomberg Barclays Aggregate	0.79	(2.61)
Bloomberg Barclays Government	0.74	(3.43)
Bloomberg Barclays U.S. TIPS	1.40	(0.09)
Bloomberg Barclays U.S. Inv. Grade Corp	1.11	(3.59)
Bloomberg Barclays U.S. Mort. Backed	0.55	(0.55)
Bloomberg Barclays U.S. High Yield	1.09	1.95
Credit Suisse Leveraged Loan	0.51	2.53

Source: eVestment Alliance, Bloomberg Barclays, Credit Suisse

Non-U.S. Fixed Income Returns (%)

	Month	Year to Date
FTSE Non-U.S. WGBI Hedged	(0.45)	(2.83)
FTSE Non-U.S. WGBI Unhedged	1.36	(5.05)
JP Morgan EMBI Global	1.91	(2.92)

Source: eVestment Alliance, FTSE, JP Morgan