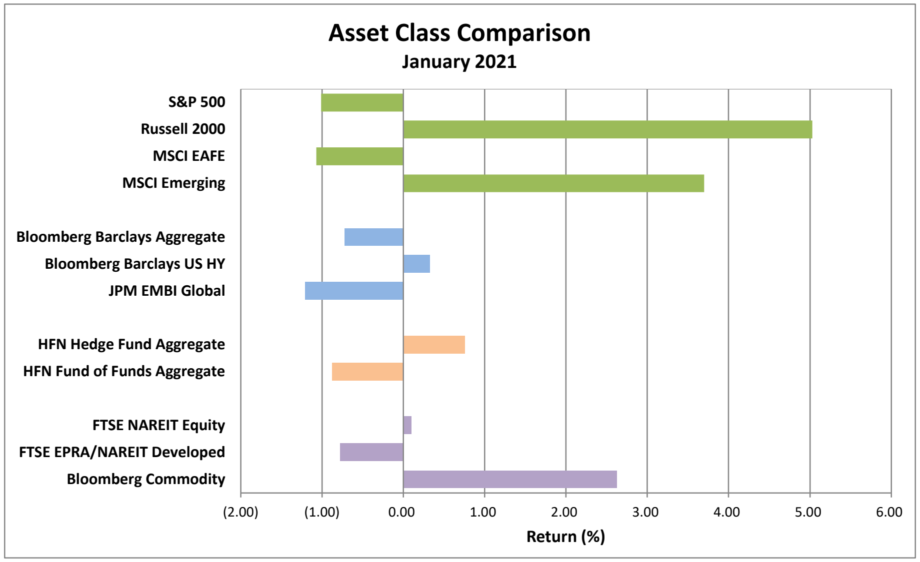
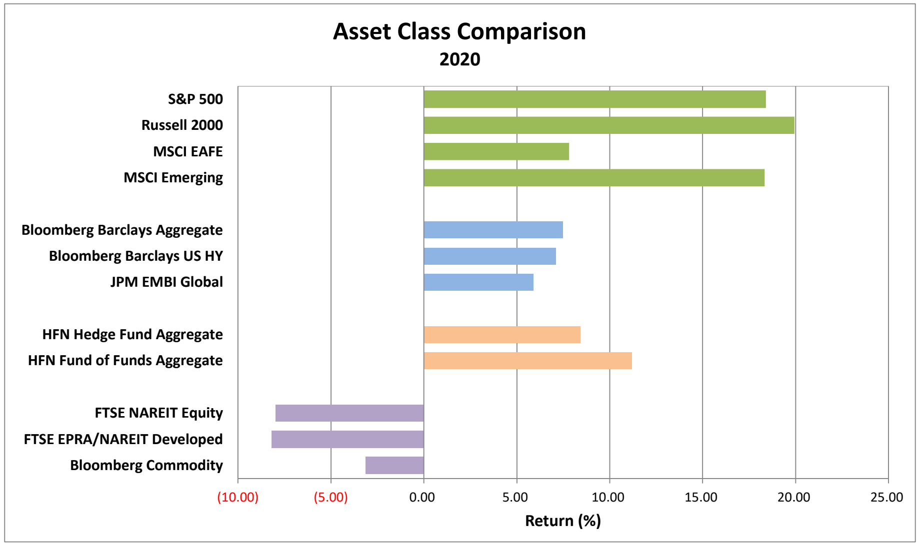




Market Overview

- Global equity markets produced mixed results to start 2021 despite the world's gradual progression with COVID-19 vaccinations. Markets entered the year riding positive investor sentiment and enthusiasm from gains in November and December but faltered late in the month as elevated volatility and a move to reduce risk exposures on the part of hedge fund managers put downward pressure on certain segments of the equity market. Large cap stocks in the U.S. finished with a loss for the month, while small caps bucked the trend and extended their consecutive gain streak to four months. A rise in U.S. 10-year Treasury yields, coupled with the prospect of higher inflation readings, contributed to the reversal in investor sentiment.

- While equity markets benefited early in the period from the positive sentiment arising from the distribution of COVID-19 vaccines, the pace of vaccination was not at a level that investors hoped would occur. Logistical challenges resulted in doses not getting administered as quickly as they were being distributed, thus potentially extending the timeline to full market reopening activities. In addition, new strains of the COVID-19 virus were identified in various countries around the world, adding to uncertainty over the efficacy of existing approved vaccines relative to the mutated virus strains.

- The prospect of additional fiscal stimulus, both out of the U.S. and overseas, continued to boost investor confidence. A $1.9 trillion stimulus package in the U.S. remained on track for eventual passage, despite strong opposition from the Republican party focused primarily on the size of the proposed plan. The package is expected to be approved, however, thanks to the Democrat control of Congress and a vote that is expected to fall along party lines. Elsewhere, Japan passed their third supplementary budget adding roughly $185 billion in additional stimulus to combat the lagging economy.

- Economic data released in January was mixed with the U.S. seeing some deterioration in key measures monitored by the Fed such as non-farm payrolls and jobless claims, while housing remains an area of particular strength. Growth data out of Europe was mixed with better-than-expected readings for the final quarter of 2020, while expectations for 2021 were revised slightly lower given delays in a broader recovery fueled by renewed lockdowns and other restrictions in several of the region's key markets.

Equity Markets

Equities continued to rally through the first half of January before selling off on the heels of elevated volatility and forced risk reduction in the wake of the GameStop short squeeze trading activity late in the month. Within the U.S., the S&P 500 index lost 1.0%, while small cap stocks, represented by the Russell 2000 index, continued to outperform with a 5.0% gain. Growth and value stocks generated similar returns, in aggregate, with slight growth outperformance among large caps and slight value outperformance among small cap stocks. Within the large cap segment, the energy sector was the standout winner on the month, posting a gain of 3.8%, while the month's largest declines were produced by the consumer staples (-5.2%) and industrial (-4.3%) sectors. Outside the U.S., the MSCI EAFE index of developed equity markets marginally underperformed the U.S. for the month with a 1.1% loss in U.S. dollar terms, although the region did outperform from a local currency perspective (-0.4%). The European markets lagged during the month as lockdowns in France and Germany weighed on the region. Developed Asian markets, in aggregate, outperformed despite a 1.0% decline for the Japanese market. The MSCI Emerging Markets index outperformed the developed markets with a 3.1% gain thanks entirely to solid gains from the Asian markets, including strong gains in China (+7.4%) and Taiwan (+6.5%).

Fixed Income Markets

Longer-maturity Treasury bond prices in the U.S. moved notably lower for the month, pushing the yield on the 10-year Treasury higher by 17 bps (1.09%) to its highest level since March. The yield curve continued its steepening trend during the period as the yield on the 2-year Treasury ended at 12 bps, unchanged from the start of the year. The Bloomberg Barclays Aggregate index finished with a loss of 0.72%, as the decline from Treasuries was amplified by larger declines for investment grade corporate bonds, where spreads to comparable duration Treasuries finished wider by 1 bps on the month. Spreads for the high yield bond index, however, narrowed by 2 bps, while spreads for floating rate bank loans contracted by roughly 30 bps as the prospect for higher rates was viewed positively by investors.

Alternative Strategies

The HFN Hedge Fund Aggregate index posted its 3rd straight monthly gain (+0.8%) thanks to solid gains generated by convertible arbitrage and event driven strategies. Within the event space, the merger arbitrage index saw a gain of 2.6%, adding to strong gains the prior two months, as deal activity remains robust and deal spreads have contracted. Global macro (-0.3%) was among the few strategies to produce a decline on the month.

Developed Market Returns (%)

	Month	Year to Date
S&P 500	(1.01)	(1.01)
Russell 2000	5.03	5.03
MSCI EAFE ($)	(1.07)	(1.07)
MSCI Europe ($)	(1.45)	(1.45)
MSCI UK ($)	(0.24)	(0.24)
MSCI Japan ($)	(1.00)	(1.00)
MSCI Pacific ex Japan ($)	0.70	0.70

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

Emerging Market Returns (%)

	Month	Year to Date
MSCI EM ($)	3.07	3.07
MSCI EM Asia ($)	4.36	4.36
MSCI EM EMEA ($)	1.12	1.12
MSCI EM Latin America ($)	(6.72)	(6.72)

Source: eVestment Alliance, MSCI

U.S. Fixed Income Returns (%)

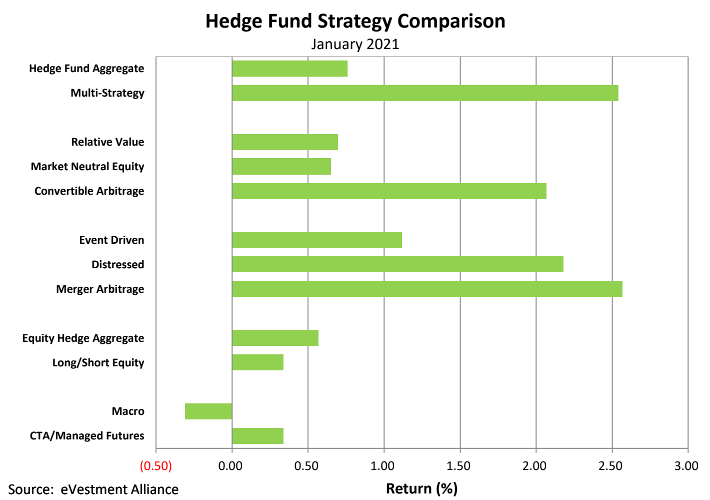
	Month	Year to Date
Bloomberg Barclays Aggregate	(0.72)	(0.72)
Bloomberg Barclays Government	(0.92)	(0.92)
Bloomberg Barclays U.S. TIPS	0.33	0.33
Bloomberg Barclays U.S. Inv. Grade Corp	(1.28)	(1.28)
Bloomberg Barclays U.S. Mort. Backed	0.08	0.08
Bloomberg Barclays U.S. High Yield	0.33	0.33
Credit Suisse Leveraged Loan	1.27	1.27

Source: eVestment Alliance, Bloomberg Barclays, Credit Suisse

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

	Month	Year to Date
FTSE Non-U.S. WGBI Hedged	(0.58)	(0.58)
FTSE Non-U.S. WGBI Unhedged	(1.41)	(1.41)
JP Morgan EMBI Global	(1.21)	(1.21)

Source: eVestment Alliance, FTSE, JP Morgan



Source: eVestment Alliance