

# Market commentary

# **U.S. ECONOMICS**

- U.S. manufacturing expanded at its fastest rate in 37 years. The ISM Manufacturing Index jumped to 64.7 from 60.8, well over the neutral mark of 50. The move was driven in large part by strong growth in new orders, highlighting increased demand from businesses and households.
- Nonfarm payroll additions in March totaled 916,000 and easily beat expectations (+660,000), likely due to the increased number of Americans getting vaccinated. A surge (+280,000) in leisure and hospitality suggests that economic activity is picking up.
- President Biden announced his \$2 trillion Infrastructure Plan. The bill would spend \$400b on expanded care for the elderly and disabled, invest \$500b on electric vehicle subsidies and incentives, spend \$100b on national high-speed broadband internet access, with a smaller portion of the spending going towards traditional infrastructure such as power grid, railway, and public transit.

# **U.S. EQUITIES**

- The S&P 500 was up 4.4%, which marked the 8<sup>th</sup> consecutive month
  of positive returns as the recovery from coronavirus shutdowns
  continued and states began to reopen activities at some capacity.
- Per FactSet, the bottom-up 12-month target price for the S&P 500 Index is 4472, which represents a 12.6% increase over March's close of 3973. Expectations are for the information technology (+17.9%) sector to see the largest increase and industrials (+4.4%) the smallest.
- The Federal Reserve announced its intentions to ease restrictions on bank dividends and stock buybacks starting in June for banks that pass current stress tests. In June 2020, banks were required to suspend buybacks and cap dividends as a COVID-19 precautionary measure.

# **U.S. FIXED INCOME**

- The Federal Open Market Committee continues to hold the fed funds range steady at 0.00% - 0.25%. Federal Reserve Chair
   Jerome Powell noted that despite an improving U.S. outlook and inflation concerns he projects rates to remain near zero through 2023.
- The 10-year U.S. Treasury yield rose 34 basis points to 1.74% over the month after briefly touching a 14-month high of 1.77% as expectations for inflation ticked higher.
- U.S. corporate high yield bonds (+0.1%) were one of the few bright-spots in U.S. fixed income. U.S. companies now have the highest levels of debt on record at more than \$10.5 trillion.

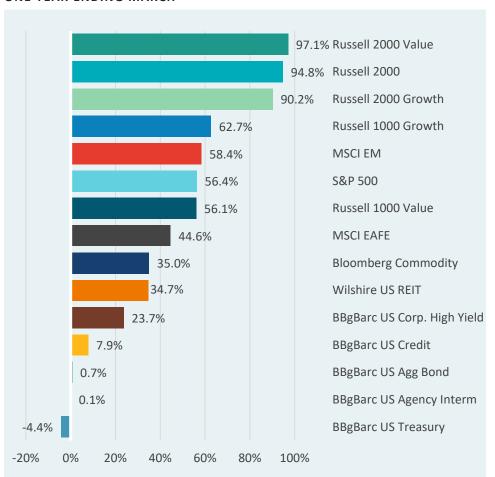
# **INTERNATIONAL MARKETS**

- The Organization for Economic Co-operation and Development raised its global GDP growth forecast to 5.6%, up from December's forecast of 4.2%, in large part due to the substantial rise in forecasted U.S. GDP growth from 3.2% to 6.5%. If correct, it would be the first instance since 1984 of U.S. GDP growth above 6%.
- The Euro (-3.2%), the Pound (-1.3%), and a basket of emerging market currencies (JPM EMCI -1.1%) all slid relative to the dollar.
   The Bloomberg Dollar Spot Index continued to rise for the third straight month; the index was up 2.6% in March.
- On March 23<sup>rd</sup>, the Suez Canal was blocked by a ship that ran aground. Before the blockage, roughly 12% of global trade passed through the canal. The ship was dislodged on March 29<sup>th</sup>, although it remains to be seen how companies will handle the costs from an already strained supply chain.

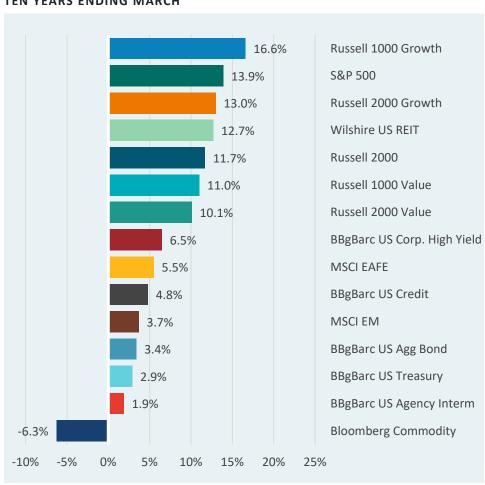


# Major asset class returns

### ONE YEAR ENDING MARCH



### TEN YEARS ENDING MARCH



\*Only publicly traded asset performance is shown here. Performance of private assets is typically released with a 3- to 6-month delay.

Source: Morningstar, as of 3/31/21

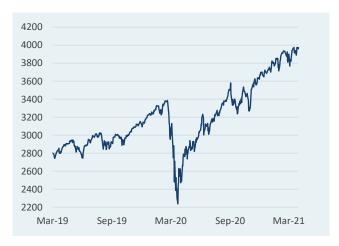
Source: Morningstar, as of 3/31/21



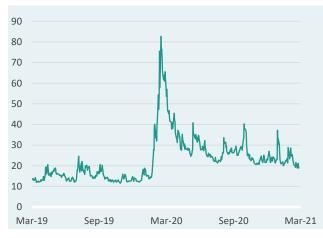
# U.S. large cap equities

- The S&P 500 posted another month of gains and was up 4.4% in March. The index closed the month at 3973 points, just shy of the monumental 4000-point mark. Consumer cyclicals (+8.2%) and financials (+5.8%) contributed most to relative performance for the index.
- All 11 major GICS sectors posted a positive performance over the month. The top performing sectors were the utilities (+10.5%) and industrial sectors (+8.9%). The heavily weighted information technology stocks (+1.7%) posted relatively small gains and weighed on the index.
- Large cap indices traded up to all-time highs on optimism surrounding a better-than-expected vaccine rollout. President Biden doubled the vaccination goal for his first 100 days in office to 200 million after the first 100 million were administered by the 59th day of his administration. Even as the national average vaccination rate is 5-times that of the global average, highly contagious variants are rapidly spreading.
- Implied volatility declined to its lowest level since the pandemic began. The VIX index of implied volatility fell below 20 in the middle of the month and later traded sideways to end the month at 18.9.

### **S&P 500 PRICE INDEX**



# IMPLIED VOLATILITY (VIX INDEX)



### **S&P 500 VALUATION SNAPSHOT**



Source: CBOE, as of 3/31/21

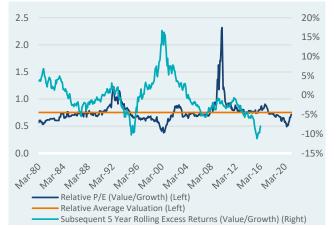
Source: Bloomberg, as of 3/31/21



# Domestic equity size and style

- Large-cap equities outpaced small-cap equities for the first time since August. The Russell 1000 Index rose
   3.8% while the Russell 2000 Index returned 1.0%. Year-to-date, small-cap equities (+12.7%) further outperformed large-cap (+5.9%).
- The S&P 500 Low Volatility High Dividend Index returned +8.8% for the month and outperformed the broad S&P 500 by 4.4%. This index is concentrated in deep value stocks which have posted handsome returns over the past few months.
- Value stocks outperformed growth stocks (Russell 3000 Value +5.8% vs. Russell 3000 Growth +1.4%) as tech took a breather in March. Value style index outperformance was helped by a relative overweight to both basic materials and utilities sectors which posted strong performance.
- The iShares Edge MSCI USA Quality Factor ETF, which seeks to track the performance of high quality large and mid-cap stocks based on ROE, earnings visibility, and leverage, rose 4.8%—roughly in line with the S&P 500 Index.

### VALUE VS. GROWTH RELATIVE VALUATIONS



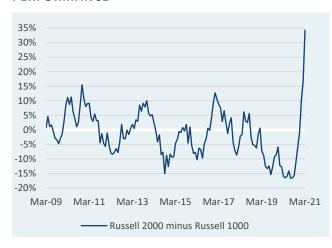
Source: FTSE, Bloomberg, as of 3/31/21

# VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 3/31/21

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE

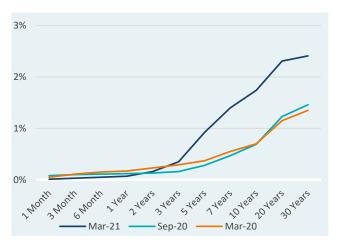




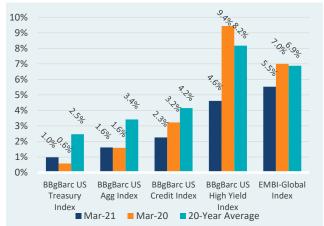
# Fixed income

- Bank purchased \$23.5 billion worth of bonds in an effort to combat rising borrowing costs that could threaten the Eurozone economic recovery. Yields have likely risen in part due to a global "reflation trade", while the Eurozone remains bogged down with a slow vaccination rollout.
- Sovereign bond yields rose across emerging markets and resulted in losses for bond indices. Local currency denominated debt (JPM GBI-EM Global Div -3.1%) faced headwinds relative to hard currency emerging market debt (JPM EMBI Global Div -1.0%).
- Over the last two weeks of March the European Central In March, several emerging market central banks raised their benchmark interest rate, likely in an attempt to combat inflation, which remained well above their target numbers. Turkey raised its rate from 17% to 19%, Brazil from 2.00% to 2.75%, and Russia from 4.25% to 4.5%.
  - Some of the past year's gains from holding duration were given back as rates on the 30-year Treasury Bond climbed 23 basis points to pre-pandemic highs. Longer duration Treasury Bonds (BBgBarc US Treasury Long -5.0%) saw decreases in price due to yield movements in March.

## U.S. TREASURY YIELD CURVE



### **NOMINAL YIELDS**



### **BREAKEVEN INFLATION RATES**



Source: Morningstar, as of 3/31/21

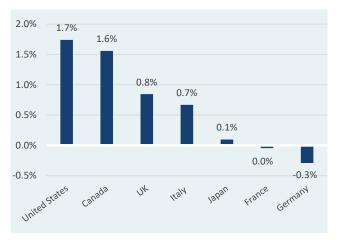
Source: Bloomberg, as of 3/31/21



# Global markets

- Global equities (MSCI ACWI +2.7%) delivered positive performance in March in both local and U.S. dollar terms. All broad world equity indices were higher over the month except for emerging market equities (MSCI EM -1.5%).
- Japanese Equities (MSCI Japan +1.1%) underperformed other developed equities (MSCI EAFE +2.3%). Japan extended its state of emergency and struggled to import enough vaccines from Europe. Japan is currently relying on importing vaccines, being it is one of the few developed countries not making a vaccine domestically.
- World Bank President David Malpass announced that the G-20 would extend the debt relief program for the world's poorest nations through the end of 2021. The Debt Service Suspension Initiative, which took effect last May, gave \$5 billion in relief to more than 40 countries in 2020.
- The Biden Administration met with China for the first time and signaled that "trading at all costs" would not be their position. It seems that the administration is holding on to the tough tone set by the previous Trump Administration as negotiations continue.

### **GLOBAL SOVEREIGN 10-YEAR YIELDS**



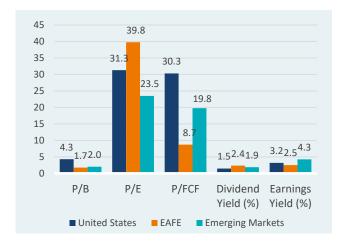
Source: Bloomberg, as of 3/31/21

# U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 3/31/21

# MSCI VALUATION METRICS (3-MONTH AVG)





# Commodities

- In March, the Bloomberg Commodity Index (-2.1%) gave back some of its performance that was seen over the past year. Livestock (+5.3%) was the only bright spot among the subindexes and significantly outperformed the index overall. The Bloomberg Softs Sub-Index (-9.9%) and energy (-3.6%) were major laggards.
- Precious metals (-2.4%) were down as gold prices fell. The price of an ounce of gold tumbled from \$1,742 to \$1,707 as dollar strength and rising yields ate into the safe-haven asset's appeal. For the quarter, gold is down -10.1%, its worst quarterly performance since December 2016.
- The Bloomberg Livestock Sub-Index gained 5.3% as red meat prices rose. Pork sales in the U.S. hit new highs for the year and sales were led by Chinese buyers. Chinese pork inventories have remained low, in part due to cases of Africa Swine Fever that continued to rise. The disease has now spread to Taiwan's pigs from mainland China.
- The Bloomberg Energy Sub-Index (-3.6%) weighed on the overall commodities basket. Following news on increased lockdowns across Europe, crude oil prices fell from post pandemic highs of just under \$70 a barrel on March 11<sup>th</sup> to \$63.54 a barrel at month-end. Crude Oil price action left the commodity down -3.9% for the month.

### INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	(2.1)	6.9	6.9	35.0	(0.2)	2.3	(6.3)
Bloomberg Agriculture	(1.8)	6.8	6.8	38.0	3.1	0.4	(5.3)
Bloomberg Energy	(3.6)	17.3	17.3	37.4	(13.6)	(4.3)	(14.8)
Bloomberg Grains	(0.1)	8.3	8.3	39.2	4.1	0.1	(4.8)
Bloomberg Industrial Metals	(2.4)	7.5	7.5	53.3	4.7	10.3	(2.9)
Bloomberg Livestock	5.3	10.4	10.4	17.7	(4.6)	(5.0)	(4.9)
Bloomberg Petroleum	(2.5)	22.8	22.8	83.8	(8.9)	1.5	(10.4)
Bloomberg Precious Metals	(2.4)	(9.3)	(9.3)	15.2	8.6	6.0	(0.8)
Bloomberg Softs	(9.9)	(1.5)	(1.5)	21.9	(3.0)	(4.4)	(10.5)

Source: Morningstar, as of 3/31/21

### COMMODITY PERFORMANCE



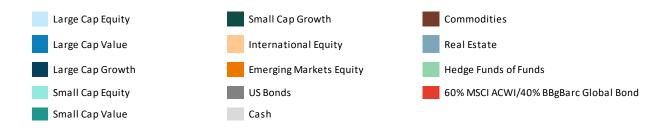


# Appendix



# Periodic table of returns

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD	5-Year	10-Year
Small Cap Value	66.4	31.8	14.0	25.9	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	6.7	36.4	38.5	21.2	21.0	16.6
Small Cap Equity	43.1	22.8	8.4	10.3	48.5	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	1.9	31.4	34.6	12.7	18.6	14.0
Large Cap Value	33.2	12.2	7.3	6.7	47.3	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	25.0	0.0	28.5	21.0	11.3	16.7	13.0
Commodities	27.3	11.6	3.3	1.6	46.0	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	22.2	-1.5	26.5	20.0	6.9	16.4	11.7
Large Cap Equity	26.5	7.0	2.8	1.0	39.2	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	21.7	-3.5	25.5	18.3	5.9	13.6	11.0
Small Cap Growth	21.3	4.1	-2.4	-6.0	29.9	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	14.6	-6.0	22.4	14.0	4.9	12.1	10.1
International Equity	24.3	6.0	2.5	-5.9	30.0	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	17.1	-4.8	22.0	10.3	3.5	11.7	8.6
Emerging Markets Equity	20.9	-3.0	-5.6	-11.4	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	13.7	-8.3	18.6	7.8	2.3	9.2	6.6
Hedge Funds of Funds	13.2	-7.3	-9.1	-15.5	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	-9.3	18.4	7.5	2.0	8.8	5.5
60/40 Global Portfolio	11.4	-7.8	-9.2	-15.7	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	-11.0	8.7	4.6	1.0	5.6	3.7
Large Cap Growth	7.3	-14.0	-12.4	-20.5	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	7.0	-11.2	7.8	2.8	0.9	5.4	3.4
Cash	4.8	-22.4	-19.5	-21.7	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	3.5	-12.9	7.7	0.5	0.0	3.1	3.4
Real Estate	-0.8	-22.4	-20.4	-27.9	4.1	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	1.7	-13.8	6.4	0.5	0.0	2.3	0.6
US Bonds	-1.5	-30.6	-21.2	-30.3	1.0	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	0.9	-14.6	2.1	-3.1	-3.4	1.1	-6.3

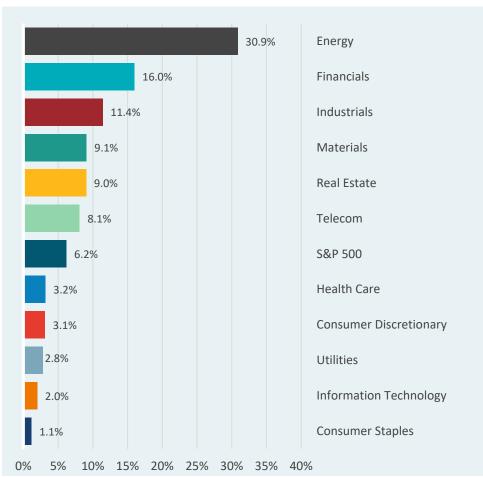


Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, BBgBarc US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, BBgBarc Global Bond. NCREIF Property Index performance data as of 12/31/20.

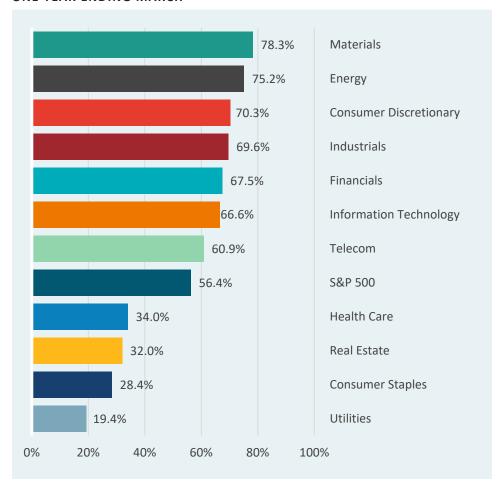


# S&P 500 sector returns

# Q1 2021



### ONE YEAR ENDING MARCH



Source: Morningstar, as of 3/31/21 Source: Morningstar, as of 3/31/21



# Detailed index returns

DOMESTIC EQUITY								FIXED INCOME							
	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year		Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index								Broad Index							
S&P 500	4.4	6.2	6.2	56.4	16.8	16.3	13.9	BBgBarc US TIPS	(0.2)	(1.5)	(1.5)	7.5	5.7	3.9	3.4
S&P 500 Equal Weighted	6.0	11.5	11.5	71.6	14.9	14.7	13.1	BBgBarc US Treasury Bills	0.0	0.0	0.0	0.1	1.5	1.2	0.7
DJ Industrial Average	6.8	8.3	8.3	53.8	13.6	16.0	13.1	BBgBarc US Agg Bond	(1.2)	(3.4)	(3.4)	0.7	4.7	3.1	3.4
Russell Top 200	4.2	5.1	5.1	56.3	18.3	17.4	14.6	BBgBarc US Universal	(1.2)	(3.1)	(3.1)	3.0	4.9	3.6	3.8
Russell 1000	3.8	5.9	5.9	60.6	17.3	16.7	14.0	Duration							
Russell 2000	1.0	12.7	12.7	94.8	14.8	16.4	11.7	BBgBarc US Treasury 1-3 Yr	(0.0)	(0.1)	(0.1)	0.3	2.8	1.7	1.3
Russell 3000	3.6	6.3	6.3	62.5	17.1	16.6	13.8	BBgBarc US Treasury Long	(5.0)	(13.5)	(13.5)	(15.8)	5.9	3.1	6.3
Russell Mid Cap	2.7	8.1	8.1	73.6	14.7	14.7	12.5	BBgBarc US Treasury	(1.5)	(4.3)	(4.3)	(4.4)	4.1	2.2	2.9
Style Index								Issuer							
Russell 1000 Growth	1.7	0.9	0.9	62.7	22.8	21.0	16.6	BBgBarc US MBS	(0.5)	(1.1)	(1.1)	(0.1)	3.7	2.4	2.8
Russell 1000 Value	5.9	11.3	11.3	56.1	11.0	11.7	11.0	BBgBarc US Corp. High Yield	0.1	0.9	0.9	23.7	6.8	8.1	6.5
Russell 2000 Growth	(3.1)	4.9	4.9	90.2	17.2	18.6	13.0	BBgBarc US Agency Interm	(0.4)	(1.0)	(1.0)	0.1	3.2	2.0	1.9
Russell 2000 Value	5.2	21.2	21.2	97.1	11.6	13.6	10.1	BBgBarc US Credit	(1.6)	(4.5)	(4.5)	7.9	5.9	4.7	4.8
INTERNATIONAL EQUITY								OTHER							
Broad Index								Index							
MSCI ACWI	2.7	4.6	4.6	54.6	12.1	13.2	9.1	Bloomberg Commodity	(2.1)	6.9	6.9	35.0	(0.2)	2.3	(6.3)
MSCI ACWI ex US	1.3	3.5	3.5	49.4	6.5	9.8	4.9	Wilshire US REIT	4.8	8.8	8.8	34.7	9.0	5.7	12.7
MSCI EAFE	2.3	3.5	3.5	44.6	6.0	8.8	5.5	CS Leveraged Loans	0.1	2.0	2.0	20.8	4.1	4.6	5.0
MSCI EM	(1.5)	2.3	2.3	58.4	6.5	12.1	3.7	Alerian MLP	6.9	22.0	22.0	99.1	(4.0)	(2.1)	(0.7)
MSCI EAFE Small Cap	2.2	4.5	4.5	62.0	6.3	10.5	8.0	Regional Index							
Style Index								JPM EMBI Global Div	(1.0)	(4.5)	(4.5)	16.0	4.0	5.1	5.6
MSCI EAFE Growth	1.2	(0.6)	(0.6)	42.6	9.8	10.8	7.2	JPM GBI-EM Global Div	(3.1)	(6.7)	(6.7)	13.0	(0.8)	3.1	0.5
MSCI EAFE Value	3.4	7.4	7.4	45.7	1.8	6.6	3.7	Hedge Funds							
Regional Index								HFRI Composite	1.0	6.1	6.1	34.0	7.7	7.5	4.6
MSCI UK	2.8	6.2	6.2	33.5	0.9	4.3	3.3	HFRI FOF Composite	0.4	2.0	2.0	23.9	5.4	5.6	3.4
MSCI Japan	1.1	1.6	1.6	39.7	6.3	10.5	7.2	Currency (Spot)							
MSCI Europe	3.1	4.1	4.1	44.9	5.6	8.2	5.1	Euro	(3.2)	(3.9)	(3.9)	7.1	(1.5)	0.6	(1.9)
MSCI EM Asia	(3.0)	2.2	2.2	60.1	9.5	14.5	6.6	Pound Sterling	(1.3)	0.9	0.9	11.3	(0.6)	(0.8)	(1.5)
MSCI EM Latin American	4.6	(5.3)	(5.3)	50.1	(6.1)	4.0	(4.1)	Yen	(3.6)	(6.6)	(6.6)	(2.3)	(1.3)	0.3	(2.8)

Source: Morningstar, HFRI, as of 3/31/21



# Detailed private market returns

# Comparison to public market index returns

Private Equity Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Private Equity FoFs & Secondary Funds	12.3	12.2	10.4	11.9
Global Private Equity Direct Funds *	20.4	16.2	14.8	14.6
U.S. Private Equity Direct Funds *	21.0	17.6	15.0	16.0
Europe Private Equity Direct Funds *	18.6	14.2	16.3	12.7
Asia Private Equity Direct Funds *	19.9	14.3	13.8	13.3
Public Index Time-weighted Returns				
MSCI World	10.4	7.7	10.5	9.4
S&P 500	15.1	12.3	14.1	13.7
MSCI Europe	(8.0)	(0.6)	4.2	4.3
MSCI AC Asia Pacific	11.2	4.3	9.1	5.6

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	0.5	6.6	7.9	12.2
Public Index Time-weighted Returns				
FTSE NAREIT Equity REIT	(18.2)	0.2	3.9	7.9

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt **	3.7	6.4	8.2	10.2
Public Index Time-weighted Returns				
S&P / LSTA U.S. Leveraged Loan 100 Index	1.7	3.4	4.1	4.1
Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Private Real Assets Pooled IRRs  Global Nature Resources ***	1 Year (20.2)	3 Year (7.5)	5 Year (2.8)	10 Year (0.0)
Global Nature Resources ***	(20.2)	(7.5)	(2.8)	(0.0)
Global Nature Resources *** Global Infrastructure	(20.2)	(7.5)	(2.8)	(0.0)
Global Nature Resources *** Global Infrastructure Public Index Time-weighted Returns	(20.2) 6.6	( <b>7.5</b> ) 8.5	(2.8)	(0.0) 9.6

Source: Pooled IRRs are from Thompson Reuters C/A and Time-weighted Returns are from Investment Metrics, as of September 30th, 2020. All returns in U.S. dollars.

<sup>\*\*\*</sup> Includes Private Equity Energy, Timber and Upstream Energy & Royalties.



<sup>\*</sup> Includes Buyout, Growth Equity and Venture Capital.

<sup>\*\*</sup> Includes Control-Oriented Distressed, Credit Opportunities, Senior Debt and Subordinated Capital.

# Notices & disclosures

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