

# Market commentary

### **U.S. ECONOMICS**

- U.S. non-farm payrolls increased by 559K in May. The print was an improvement from the previous month but fell short of some economists' expectations for an increase of 675k jobs. The leisure and hospitality sector led job creation with 292k new positions added.
- The unemployment rate fell from 6.1% in April to 5.8% in May, according to the Bureau of Labor Statistics. Labor force participation rate edged lower to 61.6% from 61.7% the month before. Officials at the San Francisco Fed commented that the provision of additional unemployment benefits has been a factor in some people deciding to not re-enter the labor force.
- The ISM Manufacturing PMI rose to 61.2 in May from 60.7 the month before as manufacturing activity picked up amid increased demand due to the reopening. The survey found that companies "continue to struggle to meet increasing demand" as shortages of materials and rising commodity prices have affected parts of the manufacturing sector.

### **U.S. EQUITIES**

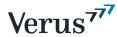
- The S&P 500 Index rose for the fourth consecutive month and finished the month up +0.7%, after recovering from a mid-month sell-off driven by concerns over the potential for rising inflation.
- Despite selling off -3.8% over the month the Consumer Discretionary sector remained the highest-priced sector relative to one-year forward expected earnings (31.5x).
- Thirty percent (+21% quarter-over-quarter) of S&P 500 companies cited "ESG" or "Environmental, Social and Governance" in their earnings calls in Q1, indicating that ESG issue consideration is continuing to rise.

### **U.S. FIXED INCOME**

- The Federal Reserve Board announced that it plans to begin selling some of the \$13.7 billion in corporate debt that it had purchased to help stabilize the financial system last year, though the decision to wind down the portfolio should not be construed as a broader signal about the future path of monetary policy. Sales are slated to begin this summer and conclude by the end of the year.
- The majority of the members of the Federal Open Market Committee stuck to the script that inflationary pressures are more likely to be transitory than persistent, which supported bond prices and pushed down Treasury yields. The 10-year U.S. Treasury yield fell from an intra-month high of 1.70% to 1.59% by the end of the month.
- Certain segments of the U.S. yield curve flattened the spread between the 2- and 10-year yields fell 5 basis points to 1.44%.

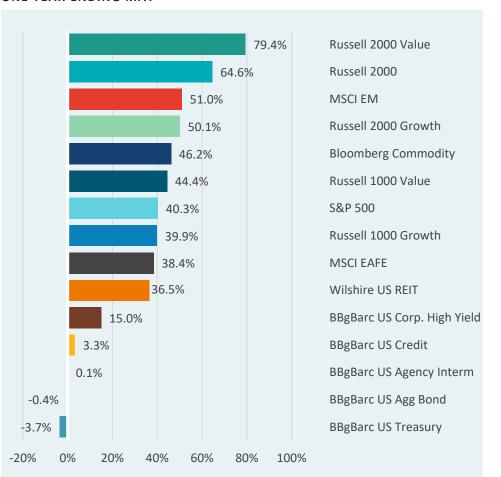
### INTERNATIONAL MARKETS

- The Euro area saw a rebound in services which helped push the Markit Services Purchasing Managers Index for the Euro Area to 55.2 in May. All nations recorded an improvement in activity, supported by the easing of social distancing restrictions.
- China's Producer Price Index climbed 9.0% in May from a year earlier driven by surging costs of imported commodities. Despite growing prices to producers, consumer prices increased only 1.3% from a year ago, likely suggesting retailers see sluggish demand.
- The MSCI EM Latin American Index (+8.0%) posted strong returns in May, supported by strong performance from Brazilian equities (MSCI Brazil +9.6%) which makes up about 65% of the index.

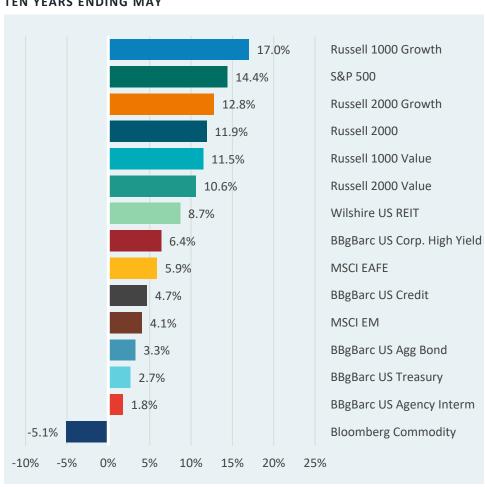


# Major asset class returns

### ONE YEAR ENDING MAY



### **TEN YEARS ENDING MAY**



\*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 5/31/21

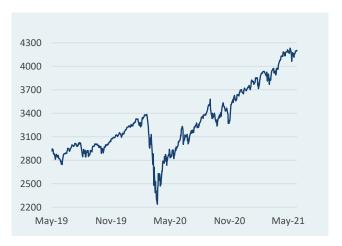
Source: Morningstar, as of 5/31/21



# U.S. large cap equities

- The S&P 500 Index managed to return a small gain and finished up +0.7%. Seven of the 11 major GICS sectors posted positive returns over the month. The Energy (+5.7%), and Materials (+5.2%) sectors were the strongest performers while the Consumer Discretionary (-3.8%), and Utilities (-2.4%) sectors fell.
- At month-end the one-year forward P/E ratio of the S&P 500 Index was 21.2x. The Financials sector (14.9x) was priced the lowest relative to one-year forward expected earnings, despite posting a +4.8% return over the month. The sector's year-to-date return (+29.5%) is the second highest year-to-date return for the index.
- The S&P 500 Equal-Weighted Index which dampens the impact of the mega-cap tech companies within the S&P 500 Index outperformed the overall index by +1.2% in May. The heavily-weighted Information Technology (-0.9%) sector sold off and was likely influenced by fears of rising inflation which, if realized, would reduce real earnings growth and apply downward pressure on stocks with longer-duration cash flow.
- Implied volatility as measured by the Cboe VIX Index rose sharply to began the month rising 8.9 points to 27.6 points. The index traded back down over the month and closed the month at 16.8 points.

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



### IMPLIED VOLATILITY (VIX INDEX)



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



Source: CBOE, as of 5/31/21

Source: Bloomberg, as of 5/31/21



# Domestic equity size and style

- Value stocks continued their recent outperformance of growth. The Russell 3000 Value Index gained 2.4% while the Russell 3000 Growth Index fell 1.5%, bringing their YTD returns to 19.0%, and 6.2%, respectively. The outperformance of the value factor was largely attributed to its relatively large overweight to financials and industrials as compared to the growth index.
- Large-cap equities outperformed small-cap equities for the third consecutive month. The Russell 1000 Index returned 0.5% while the Russell 2000 Index saw a 0.2% total return.
- Small-cap equities' underperformance was largely attributed to their poor performance within the Health Care sector. Within the small cap space, the Health Care sector fell -6.1% as compared to its large-cap sector counterpart which rose +1.4%.
- The S&P 500 (+0.7%) index outperformed the S&P 500 Momentum Index by -0.9% on little volatility over the month. Momentum style investing is a strategy of buying securities that have performed well and selling those that have performed poor.

### VALUE VS. GROWTH RELATIVE VALUATIONS



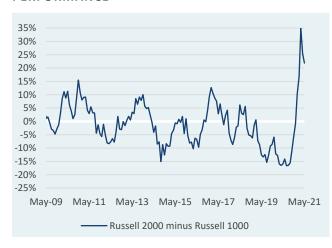
Source: FTSE, Bloomberg, as of 5/31/21

# VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 5/31/21

# SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE

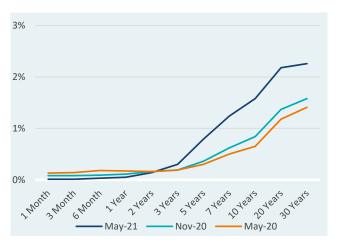




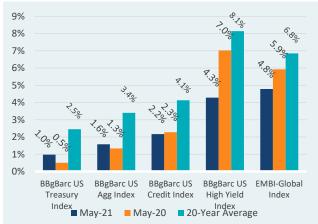
# Fixed income

- In May, the five-year breakeven inflation rate rose slightly by 3 basis points to 2.60%. The consistent rise in breakeven rates shows markets are concerned that prices may increase at a faster rate over the intermediate term. Whether this inflation materializes remains a key question investors are grappling with.
- Ten-year German Bund yields approached the 0% mark for the first time in more than two years, ticking up to -0.10% intra-month and closing the month at -0.17%. Speculation that the ECB would renew its pledge to keep asset purchases at a higher pace than earlier in the year helped to keep a lid on European bond yields.
- U.S. inflation as measured by the Consumer Price Index increased 5.0% year-over-year (+0.6% month-overmonth) in May, the fastest pace of year-over-year growth since August 2008. A significant amount of the change in prices over the year was due to low base effects given depressed prices last spring.
- Global risky credit performed well over the month of May, as investors sought higher yields. Local-currency denominated emerging market debt (J.P. Morgan GBI-EM +2.5%) outperformed hard-currency denominated emerging market debt (JPM EMBI Global Diversified Index +1.1%).

### U.S. TREASURY YIELD CURVE



### **NOMINAL YIELDS**



### Source: Morningstar, as of 5/31/21

### **BREAKEVEN INFLATION RATES**



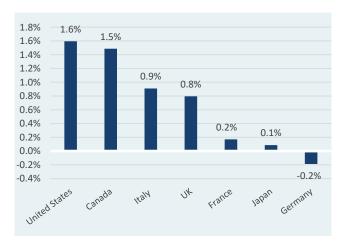
Source: Bloomberg, as of 5/31/21



# Global markets

- International developed equities (MSCI EAFE +3.3%) outpaced other major world indexes including emerging markets (MSCI EM +2.3%) and U.S. markets (S&P 500 +0.7%).
- The Organization for Economic Cooperation and Development rose its forecast for global economic growth to 5.8% for 2021 and 4.4% for 2022. The OECD's chief economist warned that although the global economy has improved substantially, there remain obstacles, and that central banks in advanced economies should keep financial conditions relaxed and tolerate short-term inflation overshoots.
- MSCI UK Index posted a +4.0% return in U.S. Dollar terms. The pound was up +2.7% against the dollar in the month of May. U.S. investors who decided to hedge their investments underperformed by -2.6%.
- Emerging market countries are on track to vaccinate less than one-third of their citizens this year, compared to the 72% projected for developed nations. This disparity in vaccine access may result in a longer road to recovery for less developed economies and may delay the rebound in global economic growth.

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



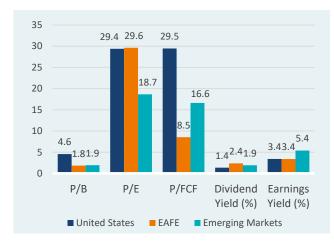
Source: Bloomberg, as of 5/31/21

### **U.S. DOLLAR MAJOR CURRENCY INDEX**



Source: Federal Reserve, as of 5/31/21

### MSCI VALUATION METRICS (3-MONTH AVG)





# Commodities

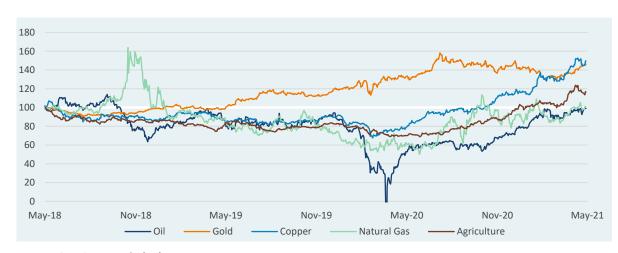
- The Bloomberg Commodity Index gained +2.7% over the month. The Precious Metals Sub-Index was the best performing component of the overall index, the sub-index returned +7.8% in May and brought its year-to-date return into positive territory. The Grains (-3.9%) and Agriculture (-0.9%) sub-indexes were the only major components to decline over the month.
- The Bloomberg Energy Sub-Index gained +3.3% over the month as oil prices rose on a stronger demand outlook.
   The reopening economy has sent the price of oil up 36.7% since the start of the year and WTI crude oil prices closed the month at \$66.32 per barrel.
- Precious metals were up +7.8% as the price of gold advanced to its highest level in five months. Gold prices rose above \$1,900 per ounce, driven in part by investors' growing concern around the risk of inflation on portfolios as well as broad weakness in the U.S. Dollar.
- The Bloomberg Grains Sub-Index (-3.9%) was the worst performing sub-index in the overall commodities basket. A strong planting season as well as ample amounts of rain in the U.S. Midwest has reduced some of the pressure on global corn and soybean supplies.

### INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	2.7	8.9	18.9	46.2	2.1	2.9	(5.1)
Bloomberg Agriculture	(0.9)	11.0	20.7	66.8	6.6	0.8	(3.9)
Bloomberg Energy	3.3	6.6	29.7	41.4	(12.9)	(5.3)	(13.7)
Bloomberg Grains	(3.9)	11.3	20.6	65.8	7.1	0.3	(3.9)
Bloomberg Industrial Metals	3.8	10.3	21.5	64.9	7.0	13.2	(1.3)
Bloomberg Livestock	2.9	6.8	11.9	19.5	(5.0)	(4.5)	(3.4)
Bloomberg Petroleum	4.3	8.7	36.9	78.5	(8.1)	0.1	(9.0)
Bloomberg Precious Metals	7.8	8.9	1.3	14.3	13.1	8.5	(0.2)
Bloomberg Softs	5.3	6.7	16.7	52.2	0.7	(2.2)	(8.2)

Source: Morningstar, as of 5/31/21

### COMMODITY PERFORMANCE



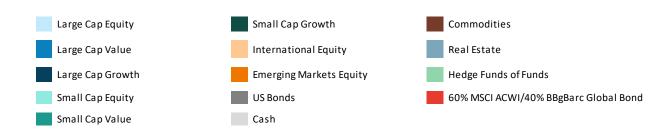


# Appendix



# 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	27.5	22.1	17.0
	Commodities	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	18.9	17.6	14.4
	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	18.4	17.5	12.8
	Small Cap Equity	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	15.3	16.0	11.9
	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	12.1	13.9	11.5
In	iternational Equity	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	10.1	13.8	10.6
Eme	erging Markets 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	7.3	12.3	8.8
L	arge Cap Growth	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	6.3	9.9	6.8
60/	/40 Global Portfolio	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	5.5	9.8	5.9
Не	dge Funds of Funds	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	4.7	6.0	4.1
S	Small 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	4.1	5.8	3.7
	Real Estate	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	1.7	3.2	3.3
	Cash	-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	2.9	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	-2.3	1.1	-5.1

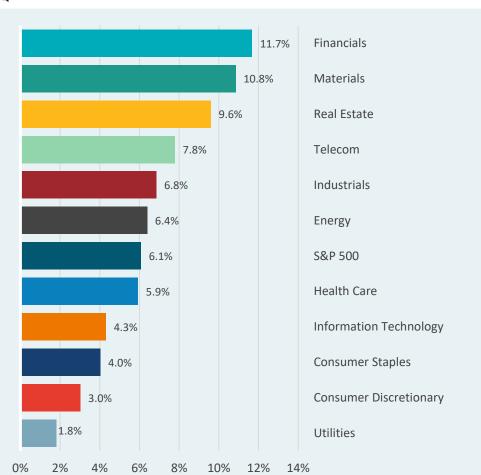


Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, BBgBarc US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, BBgBarc Global Bond. NCREIF Property Index performance data as of 3/31/21.

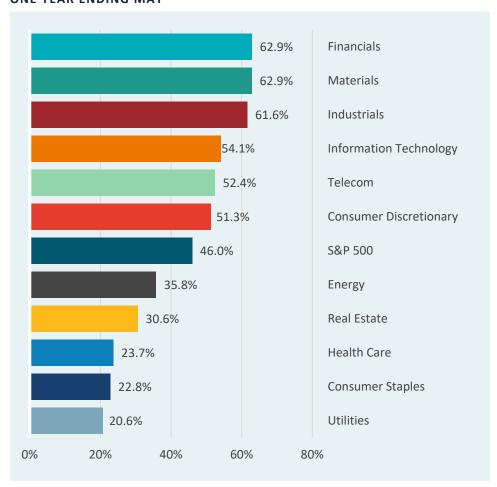


# S&P 500 sector returns

### QTD



### ONE YEAR ENDING MAY



Source: Morningstar, as of 5/31/21

Source: Morningstar, as of 5/31/21



# 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	0.7	6.1	12.6	40.3	18.0	17.2	14.4	BBgBarc US TIPS	1.2	2.6	1.1	7.1	6.5	4.5	3.4
S&P 500 Equal Weighted	1.9	6.8	19.0	52.9	16.7	15.6	13.5	BBgBarc US Treasury Bills	0.0	0.0	0.0	0.1	1.4	1.2	0.7
DJ Industrial Average	2.2	5.1	13.8	38.8	14.8	16.9	13.4	BBgBarc US Agg Bond	0.3	1.1	(2.3)	(0.4)	5.1	3.2	3.3
Russell Top 200	0.4	5.9	11.3	40.1	19.3	18.3	15.0	BBgBarc US Universal	0.4	1.2	(1.9)	1.2	5.3	3.7	3.6
Russell 1000	0.5	5.9	12.1	42.7	18.4	17.5	14.4	Duration							
Russell 2000	0.2	2.3	15.3	64.6	13.1	16.0	11.9	BBgBarc US Treasury 1-3 Yr	0.1	0.1	0.1	0.3	2.8	1.8	1.2
Russell 3000	0.5	5.6	12.3	43.9	18.0	17.4	14.2	BBgBarc US Treasury Long	0.5	2.8	(11.1)	(13.6)	6.8	3.6	6.1
Russell Mid Cap	0.8	5.9	14.6	50.3	16.1	15.4	12.8	BBgBarc US Treasury	0.3	1.1	(3.2)	(3.7)	4.4	2.5	2.7
Style Index								Issuer							
Russell 1000 Growth	(1.4)	5.3	6.3	39.9	23.0	22.1	17.0	BBgBarc US MBS	(0.2)	0.4	(0.7)	(0.5)	3.8	2.4	2.7
Russell 1000 Value	2.3	6.4	18.4	44.4	12.9	12.3	11.5	BBgBarc US Corp. High Yield	0.3	1.4	2.2	15.0	7.1	7.4	6.4
Russell 2000 Growth	(2.9)	(0.7)	4.1	50.1	14.5	17.6	12.8	BBgBarc US Agency Interm	0.3	0.6	(0.5)	0.1	3.3	2.1	1.8
Russell 2000 Value	3.1	5.2	27.5	79.4	10.7	13.8	10.6	BBgBarc US Credit	0.7	1.8	(2.7)	3.3	6.7	4.8	4.7
INTERNATIONAL EQUITY								OTHER							
Broad Index								Index							
MSCI ACWI	1.6	6.0	10.8	41.8	13.9	14.2	9.6	Bloomberg Commodity	2.7	11.2	18.9	46.2	2.1	2.9	(5.1)
MSCI ACWI ex US	3.1	6.2	9.9	42.8	8.9	10.9	5.4	Wilshire US REIT	1.3	9.5	19.1	36.5	10.6	7.1	8.7
MSCI EAFE	3.3	6.4	10.1	38.4	8.2	9.8	5.9	CS Leveraged Loans	0.5	1.0	3.1	12.7	4.3	5.0	4.4
MSCI EM	2.3	4.9	7.3	51.0	9.6	13.9	4.1	Alerian MLP	7.6	15.3	40.6	43.2	(3.2)	(1.9)	0.9
MSCI EAFE Small Cap	2.0	6.1	10.9	45.3	8.3	11.2	8.4	Regional Index							
Style Index								JPM EMBI Global Div	1.1	3.3	(1.4)	10.5	6.0	5.4	5.7
MSCI EAFE Growth	3.0	7.4	6.8	35.2	12.0	12.1	7.6	JPM GBI-EM Global Div	2.5	4.8	(2.2)	8.4	3.5	4.7	0.6
MSCI EAFE Value	3.5	5.4	13.3	41.5	4.1	7.2	4.0	Hedge Funds							
Regional Index								HFRI Composite	1.7	3.9	9.9	29.9	8.5	8.0	5.0
MSCI UK	4.0	8.6	15.3	36.5	2.4	5.4	3.6	HFRI FOF Composite	0.5	2.7	4.7	20.4	6.1	6.0	3.7
MSCI Japan	1.6	0.0	1.6	25.2	6.4	9.7	7.3	Currency (Spot)							
MSCI Europe	0.4	9.0	(1.9)	1.2	5.3	3.7	3.6	Euro	1.6	4.0	(0.1)	9.9	1.6	1.9	(1.6)
MSCI EM Asia	1.2	3.7	5.9	52.5	11.2	15.9	6.8	Pound Sterling	2.7	3.0	4.0	15.0	2.2	(0.5)	(1.5)
MSCI EM Latin American	8.0	12.0	6.0	48.5	3.0	7.6	(2.7)	Yen	(0.1)	1.0	(5.6)	(1.5)	(0.2)	0.3	(2.9)

Source: Morningstar, HFRI, as of 5/31/21



# 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	24.5	15.6	13.1	12.1
Global Private Equity Direct Funds *	32.2	19.9	17.5	14.8
U.S. Private Equity Direct Funds *	33.5	21.6	17.9	16.1
Europe Private Equity Direct Funds *	30.8	19.1	20.1	13.2
Asia Private Equity Direct Funds *	28.1	14.8	14.1	12.9
Public Index Time-weighted Returns				
MSCI World	15.9	10.5	12.2	9.9
S&P 500	18.4	14.2	15.2	13.9
MSCI Europe	5.4	3.6	6.8	5.3
MSCI AC Asia Pacific	19.7	7.3	11.3	6.4

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	1.6	6.6	8.0	11.8
Public Index Time-weighted Returns				
FTSE NAREIT Equity REIT	(8.0)	3.4	4.8	8.3

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt **	9.7	8.3	10.0	10.2
Public Index Time-weighted Returns				
$\ensuremath{S\&P}\xspace$ / LSTA U.S. Leveraged Loan 100 Index	2.8	4.2	5.3	4.0

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ***	(13.4)	(6.9)	(0.2)	(0.0)
Global Infrastructure	10.0	9.4	11.5	10.0
Public Index Time-weighted Returns				
S&P Global Natural Resources	0.7	1.0	10.9	0.6
S&P Global Infrastructure	(5.8)	2.7	7.9	6.5

Source: Pooled IRRs are from Thompson Reuters C/A and Time-weighted Returns are from Investment Metrics, as of December 31st, 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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