



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

JUNE 2021
Capital Markets Update

Market commentary

U.S. ECONOMICS

- U.S. non-farm payroll growth trended upward in June and 850,000 jobs were added. However, the unemployment rate ticked up from 5.8% to 5.9% as a result of a large increase in the number of people actively seeking work. The question remains whether those new job seekers will help to ameliorate the labor market shortages dealt with by employers, who have had a hard time finding qualified workers.
- The ISM Manufacturing PMI dipped from 61.2 to 60.6 in June, below analysts' projections of 60.9, but still well above the neutral level of 50, indicating expansion in manufacturing sector activity. Within the index, the Prices Paid component increased to 92.1, a level not seen since 1979. Logistical bottlenecks, rising commodity prices and skilled labor shortages continued to weigh on manufacturers.
- The Conference Board Consumer Confidence Index edged up to 127.3 in June, just 5.3 points below its pre-pandemic level. The rise in the index was driven by expectations from survey-takers that business conditions broadly, as well as their own financial prospects will continue to brighten in the months ahead.

U.S. EQUITIES

- The S&P 500 Price Index closed the month at a new high level of 4298 following a mid-month Federal Reserve meeting which contributed to a sell-off in cyclical stocks and commodities.
- The S&P 500 has surged 15.3% since the beginning of the year. The S&P has only had 11 better starts to begin the year since 1970 and on average gained another 5.4% in the next six months.
- Per FactSet, the bottom-up 12-month price target for the S&P 500 Index based on company-level earnings estimates and an assumption of steady valuations, representing an 11.6% gain over the next year.

U.S. FIXED INCOME

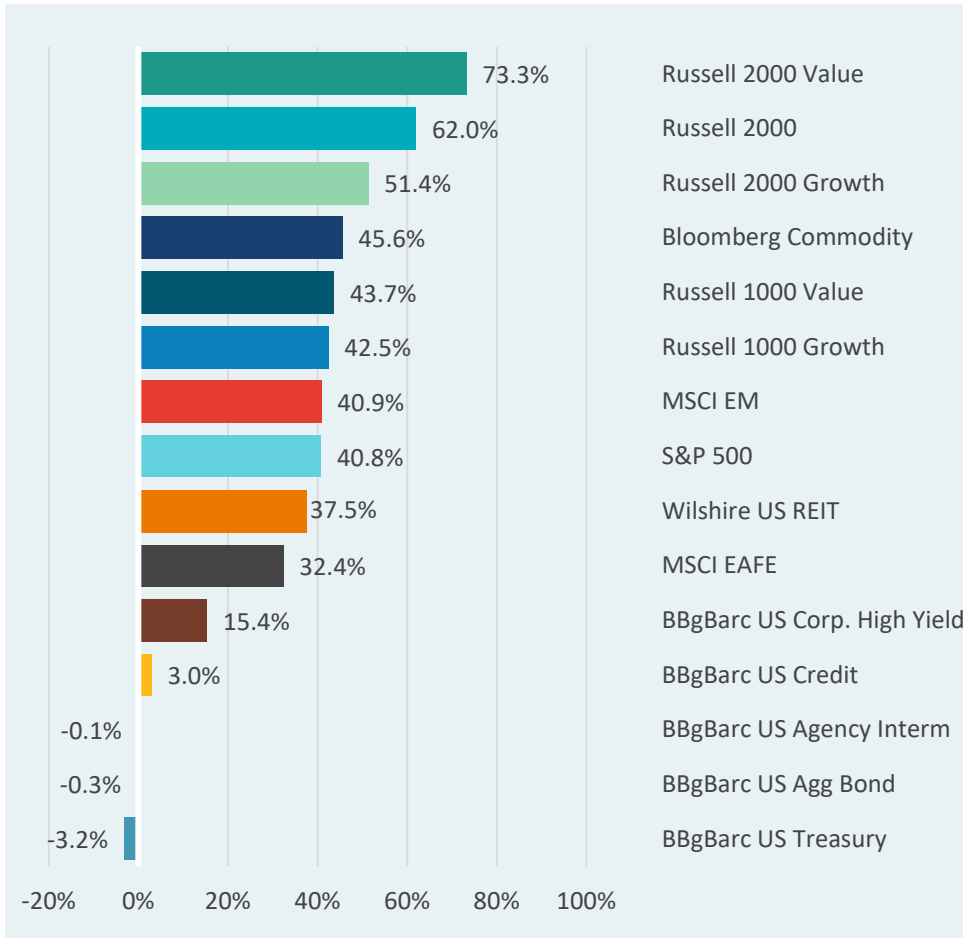
- Various participants from the June FOMC meeting felt that conditions to reduce asset purchases would be “met earlier than anticipated” while others were still wanting to take a more patient approach. A “substantial majority” of the officials agreed that the Fed needs to be prepared to act if inflation risks materialize.
- Long-duration Treasuries outperformed (BBgBarc US Treasury Long +3.6%) following the Fed’s hawkish pivot in June. Expectations for shorter-term rate hikes increased, resulting in a rerating of longer-term growth and inflation expectations.
- President Biden announced that he expects a vote on his Bipartisan Infrastructure agreement in September, a bill which includes \$579 billion of proposed spending. Some members of Congress have expressed openness to deficit-spending to finance the bill. Increased spending would be contingent on an increase to the debt ceiling that would open the door for additional Treasury supply in the global bond market.

INTERNATIONAL MARKETS

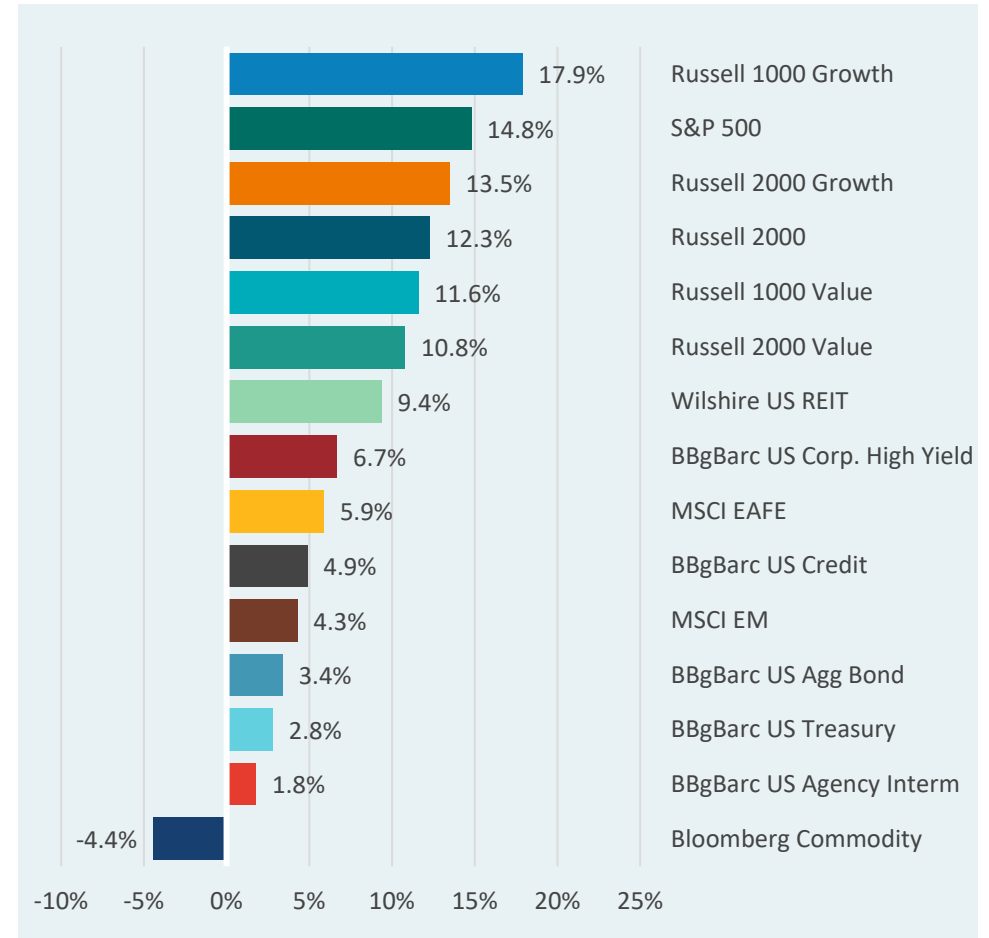
- The Bloomberg Dollar Spot Index advanced 2.3% in part due to less hawkish than expected stances from the Bank of England and the European Central Bank.
- European equities (MSCI Europe +0.7%) outperformed the neighboring United Kingdom equities (MSCI UK -2.4%) in June.
- Latin American equities (MSCI EM Latin American +2.7%) posted strong performance in June and were a bright spot within the emerging market equity (MSCI EM +0.2%) opportunity set. The rebound in emerging countries has been slowed by a lackluster rollout of vaccines.

Major asset class returns

ONE YEAR ENDING JUNE



TEN YEARS ENDING JUNE



*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 6/30/21

Source: Morningstar, as of 6/30/21

U.S. large cap equities

- The S&P 500 Index posted a positive 2.3% return, marking its fifth consecutive positive monthly gain. The Information Technology (+7.0%) and Energy (+4.6%) sectors helped to move the index higher while Materials (-5.3%) and Financials (-3.0%) lagged.
- Implied volatility levels have remained subdued, although equity market skew – a measure of how expensive bearish bets are relative to bullish bets – has been hovering at all time highs indicating that the relative price of downside insurance relative to upside participation has never been higher.
- The Federal Reserve’s language around the timetable for tapering and rate hikes spurred a rotation out of the ‘reflation’ trade and back to long-duration Treasuries, large-cap stocks, and the growth factor. The S&P 500 Index is showing unusually narrow breadth with less than 50% of stocks trading above their 50-day moving average, the lowest level since 1999.
- Per FactSet, Q2 earnings estimates for companies in the S&P 500 have been more optimistic than normal. At month-end, 64% of companies issued positive EPS guidance, well above the five-year average of 37%.

S&P 500 PRICE INDEX



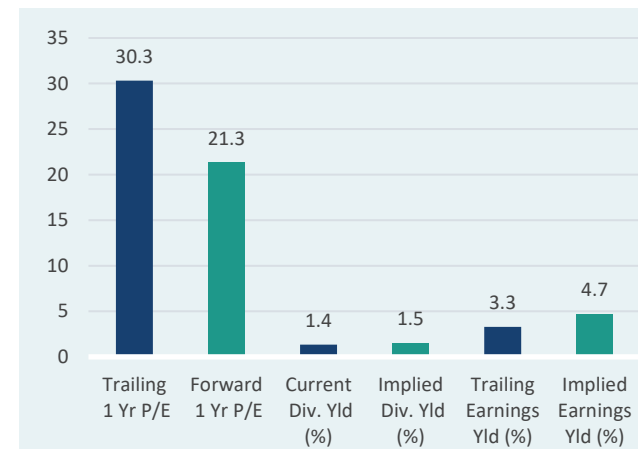
Source: Bloomberg, as of 6/30/21

IMPLIED VOLATILITY (VIX INDEX)



Source: CBOE, as of 6/30/21

S&P 500 VALUATION SNAPSHOT



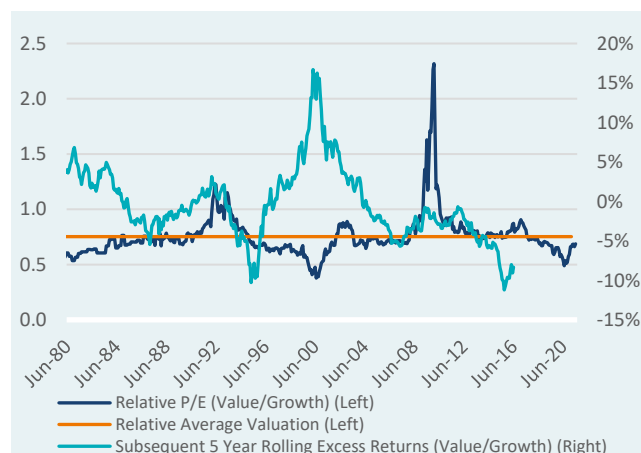
Source: Bloomberg, as of 6/30/21

Domestic equity size and style

- Growth stocks (Russell 3000 Growth +6.2%) outperformed value stocks (Russell 3000 Value -1.1%) in June. The growth-oriented sectors such as Information Technology posted strong returns and value-tilted sectors such as Materials gave back recent gains which weighed on relative performance.
- Large-cap equities (Russell 1000 Index 2.5%) outperformed small-cap equities (Russell 2000 Index +1.9%) for the fourth consecutive month. Small-cap equities' continued underperformance has largely been attributed to relatively poor performance of small companies within the Health Care sector.

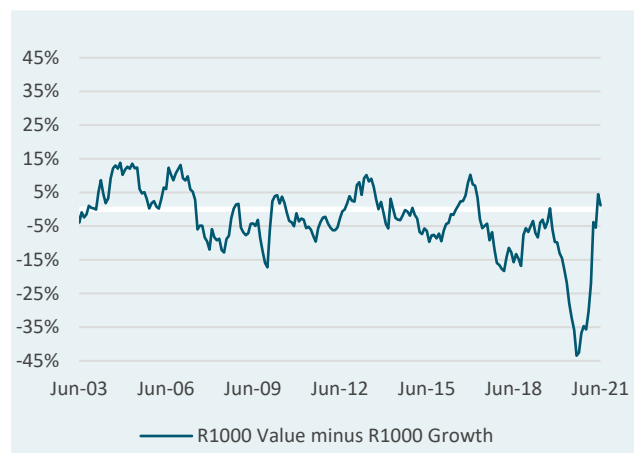
- Large cap stock performance was dominated by a narrower group of mega-cap tech stocks, such as Facebook, Amazon, Apple and Google (NYSE FANG +5.9%).
- High dividend-paying sectors such as Materials (-5.7%), Financials (-3.1%), and Utilities (-1.5%) lagged the broader market (Russell 3000 +2.5%). Companies that have higher dividend yields tend to carry heavier debt loads and as a result, they are often more sensitive to expectations for increases in interest rates which could increase their respective debt service burdens.

VALUE VS. GROWTH RELATIVE VALUATIONS



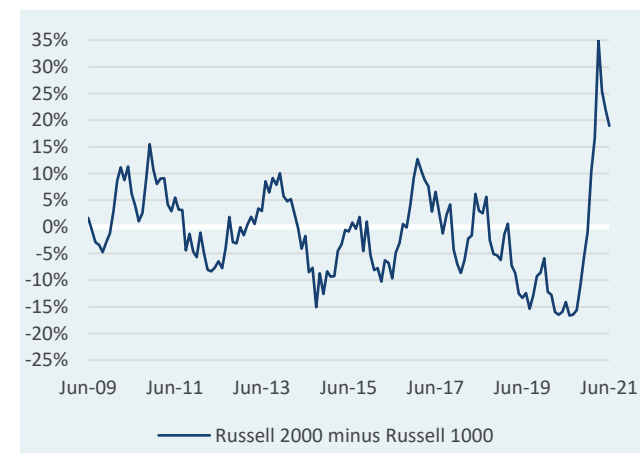
Source: FTSE, Bloomberg, as of 6/30/21

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 6/30/21

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE

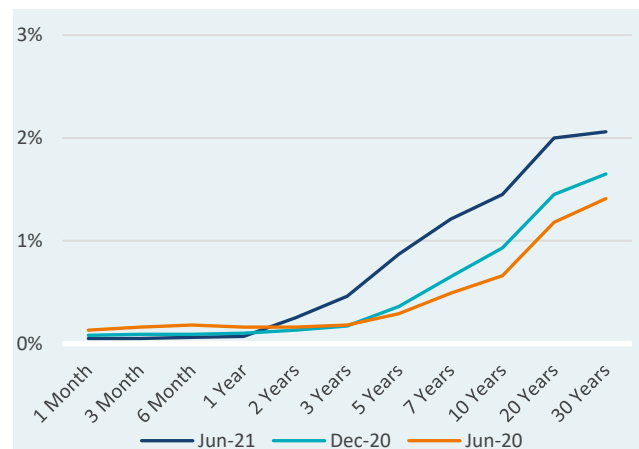


Source: FTSE, Bloomberg, as of 6/30/21

Fixed income

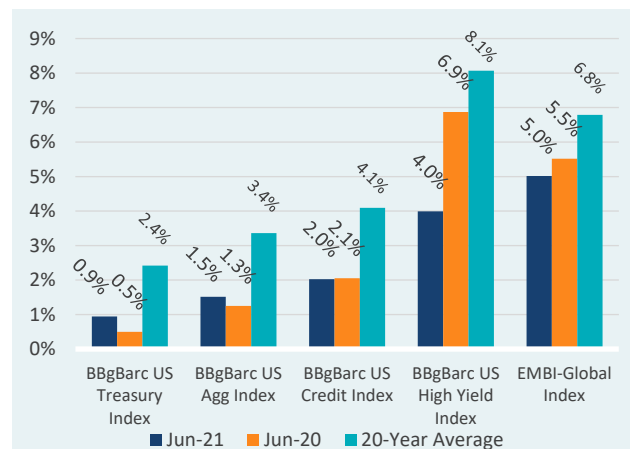
- Junk bond yield spreads relative to Treasuries tightened 30 basis points to 3.04%. High-yield spreads touched their lowest level in 10 years and shrugged off both climbing price pressures as well as the Fed’s hawkish pivot in the most recent June meeting.
- The spread between the 30- and 5-year Treasury yields fell 28 basis points to 1.20%, the lowest level since November 2020. The compression in the term spread was supported not only by falling longer-term yields, but also increasing shorter-term yields.
- The Federal Open Market Committee kept the fed funds range steady at 0.00% - 0.25%, in line with expectations. The committee affirmed that they were now “talking about talking about tapering”, but are not expected to introduce a potential reduction in the pace of asset purchases until perhaps the fourth quarter.
- The June edition of the Federal Open Market Committee’s dot plot indicated a shift in the median expectation for the number of fed funds rate hikes by the end of 2023 from zero to two. Of the 18 members on the committee, seven members are now calling for at least one hike next year, up from four back in March.

U.S. TREASURY YIELD CURVE



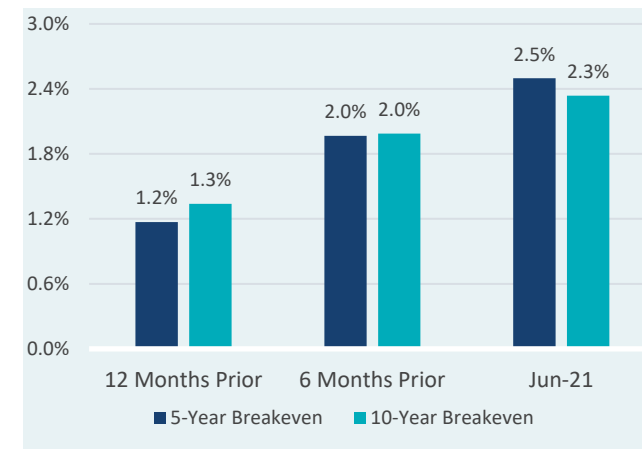
Source: Bloomberg, as of 6/30/21

NOMINAL YIELDS



Source: Morningstar, as of 6/30/21

BREAKEVEN INFLATION RATES

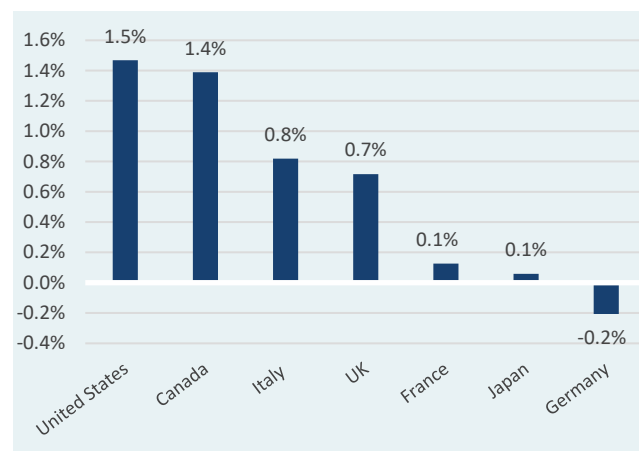


Source: Bloomberg, as of 6/30/21

Global markets

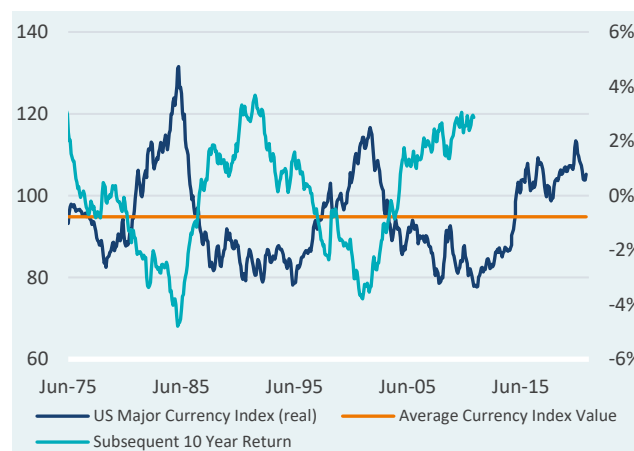
- Global equities (MSCI ACWI +1.3%) advanced in June, primarily driven by U.S. large caps (S&P 500 +2.3%). Emerging market equities (MSCI EM +0.2%) edged higher and international developed equities (MSCI EAFE -1.1%) fell in U.S. dollar terms.
- Developed market currencies broadly depreciated relative to the U.S. dollar, bolstering U.S. equity (S&P 500 +2.3%) outperformance of world indices in U.S. dollar-terms. The Pound Sterling (-2.8%) and the Euro (-3.0%) depreciated significantly against the greenback.
- Hard-currency denominated emerging market debt (JPM EMBI Global Diversified Index +0.7%) outperformed local-currency denominated emerging market debt (J.P. Morgan GBI-EM -1.2%).
- The Organization for Economic Co-operation and Development reported that as many as 22 million jobs have been lost in advanced economies due to the Covid-19 pandemic. The OECD expects overall employment across member countries to recover by Q3 2023 but warned that low skilled workers displaced by the pandemic may struggle to find new jobs.

GLOBAL SOVEREIGN 10-YEAR YIELDS



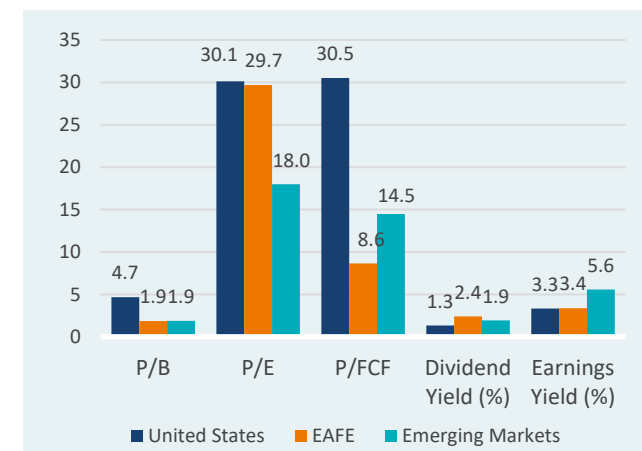
Source: Bloomberg, as of 6/30/21

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 6/30/21

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 6/30/21

Commodities

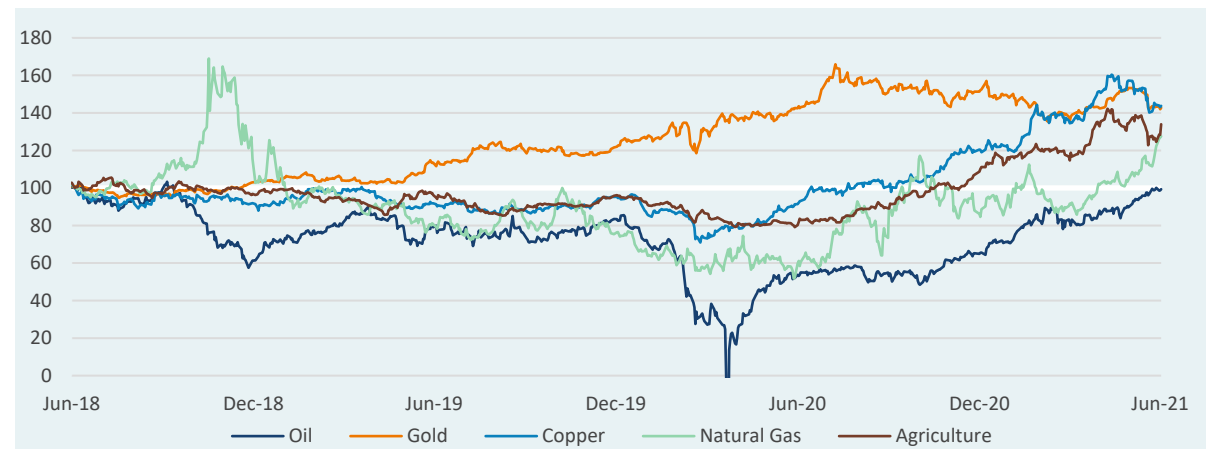
- The Bloomberg Commodity Index rose 1.9% in June. The largest weighted component of the index, Energy, rose 11.4% and carried the overall commodity index higher. The Precious Metals and Industrials Metals sub-indexes presented headwinds and declined -6.9% and -3.2% respectively.
- Oil prices rose due to strong demand from the continued reopening of the economy, as well as a sixth consecutive week of U.S. crude stockpile declines. WTI crude oil climbed to \$73.47 per barrel, up +10.2% from the prior month, bringing its year-to-date return to +51.4%.
- The Bloomberg Precious Metals Sub-Index fell -6.9% as gold posted its worst month since November 2016 and closed June at \$1,778 per ounce. Investors were likely concerned over the Federal Reserve’s hawkish shift, which could mean higher interest rates, translating to a higher opportunity cost of holding non-yielding assets like gold.
- The Bloomberg Industrial Metals Sub-Index fell -3.2% as metals including copper and aluminum faced headwinds from tightening U.S. monetary policy. China also said it would begin to sell some of its industrial metals from stockpiles in an effort to curb rising prices which are stoking fears of global inflation.

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	1.9	13.3	21.1	45.6	3.9	2.4	(4.4)
Bloomberg Agriculture	(0.2)	12.8	20.4	63.6	10.6	0.4	(3.1)
Bloomberg Energy	11.4	23.2	44.6	54.2	(10.5)	(3.8)	(12.2)
Bloomberg Grains	(0.1)	11.3	20.5	65.3	11.6	0.9	(2.7)
Bloomberg Industrial Metals	(3.2)	9.4	17.6	49.4	7.6	11.0	(1.6)
Bloomberg Livestock	(2.8)	(1.5)	8.8	26.9	(6.7)	(4.9)	(4.0)
Bloomberg Petroleum	8.4	20.9	48.4	76.5	(6.8)	2.2	(7.7)
Bloomberg Precious Metals	(6.9)	3.9	(5.7)	4.1	11.6	4.8	(0.5)
Bloomberg Softs	0.2	18.7	16.9	43.8	3.4	(4.6)	(8.3)

Source: Morningstar, as of 6/30/21

COMMODITY PERFORMANCE



Source: Bloomberg, as of 6/30/21

Appendix

Periodic table of returns

BEST ↑

	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	26.7	23.7	17.9
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	21.1	18.8	14.9
Small Cap Equity	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	17.5	18.0	13.5
Large Cap Value	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	17.0	16.5	12.3
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	15.0	13.6	11.6
Large 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	13.0	13.0	10.8
Small Cap Growth	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	9.0	11.9	8.8
International 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	8.8	10.3	6.9
Emerging Markets Equity	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	7.4	9.8	5.9
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	6.0	6.1	4.3
Hedge Funds of Funds	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	4.7	5.8	3.8
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	3.0	3.4
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	2.4	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	-1.6	1.1	-4.4

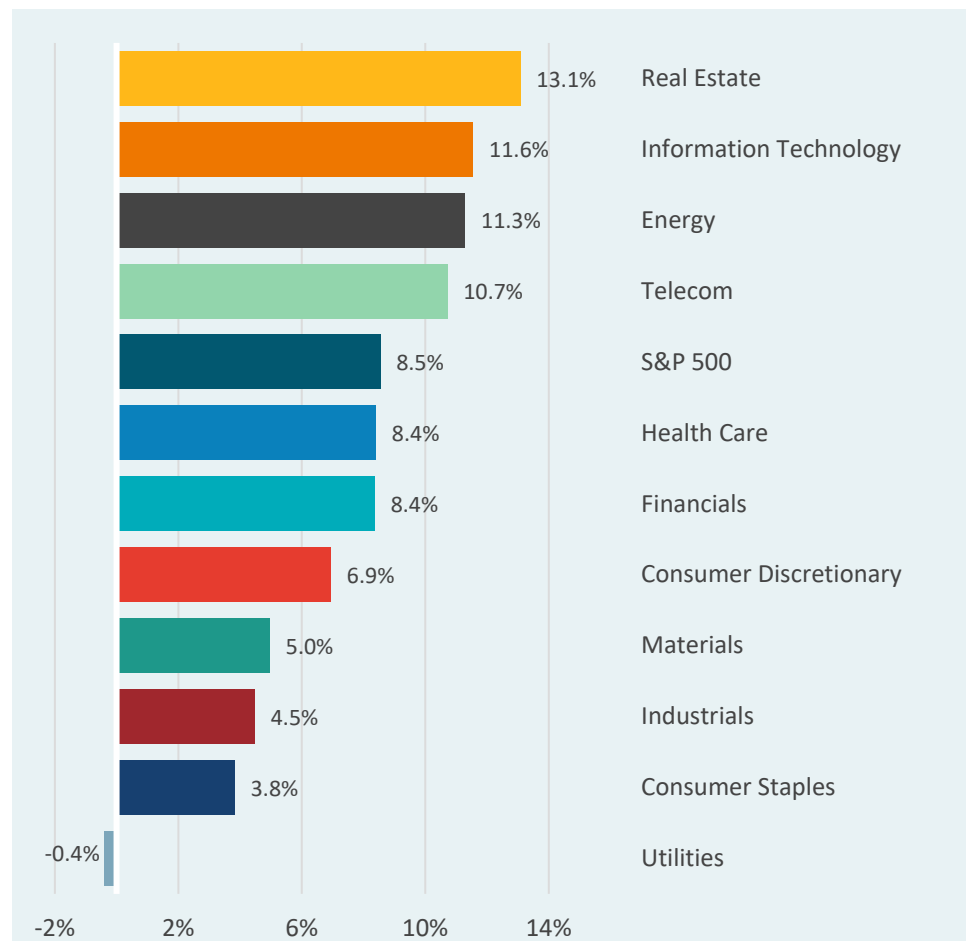
↓ WORST

- Large Cap Equity
- Small Cap Growth
- Commodities
- Large Cap Value
- International Equity
- Real Estate
- Large Cap Growth
- Emerging Markets Equity
- Hedge Funds of Funds
- US Bonds
- 60% MSCI ACWI/40% BBgBarc Global Bond
- Cash

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.

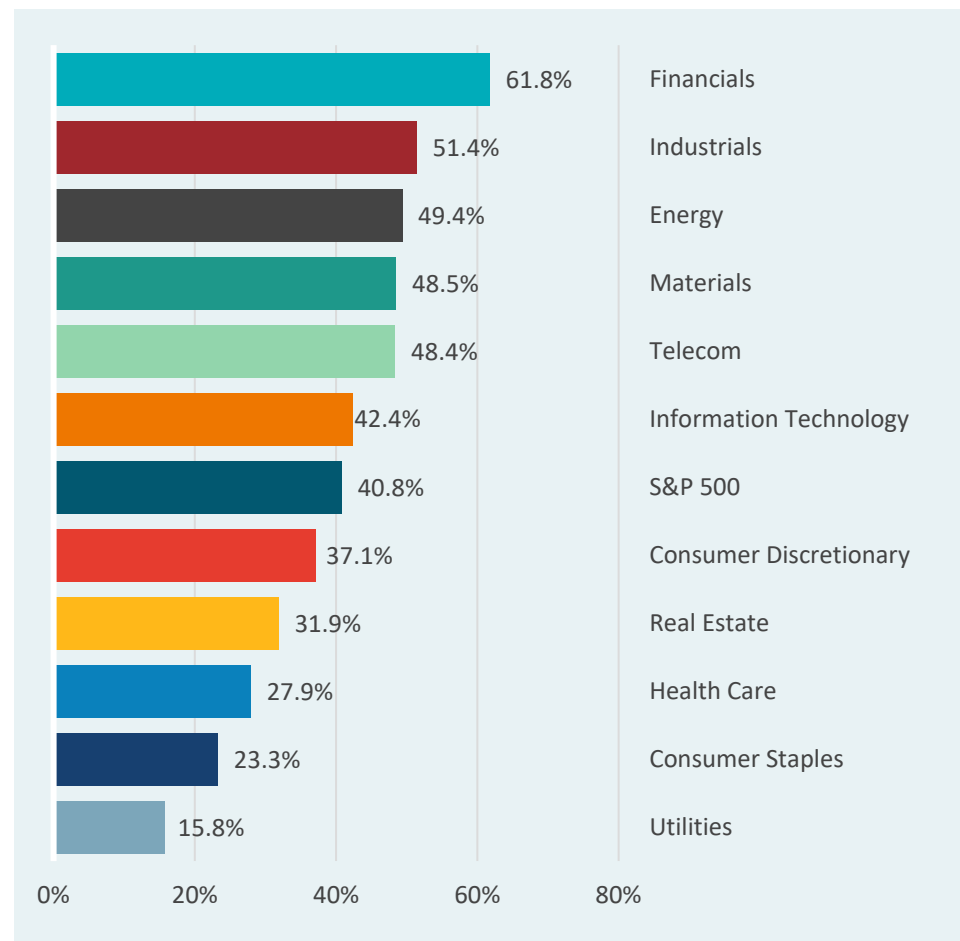
S&P 500 sector returns

Q2 2021



Source: Morningstar, as of 6/30/21

ONE YEAR ENDING JUNE



Source: Morningstar, as of 6/30/21

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	2.3	8.5	15.3	40.8	18.7	17.6	14.8
S&P 500 Equal Weighted	0.1	6.9	19.2	50.7	16.4	15.7	13.8
DJ Industrial Average	0.0	5.1	13.8	36.3	15.0	16.7	13.5
Russell Top 200	2.9	8.9	14.5	40.8	20.2	18.9	15.6
Russell 1000	2.5	8.5	15.0	43.1	19.2	18.0	14.9
Russell 2000	1.9	4.3	17.5	62.0	13.5	16.5	12.3
Russell 3000	2.5	8.2	15.1	44.2	18.7	17.9	14.7
Russell Mid Cap	1.5	7.5	16.2	49.8	16.4	15.6	13.2
Style Index							
Russell 1000 Growth	6.3	11.9	13.0	42.5	25.1	23.7	17.9
Russell 1000 Value	(1.1)	5.2	17.0	43.7	12.4	11.9	11.6
Russell 2000 Growth	4.7	3.9	9.0	51.4	15.9	18.8	13.5
Russell 2000 Value	(0.6)	4.6	26.7	73.3	10.3	13.6	10.8

INTERNATIONAL EQUITY

Broad Index							
MSCI ACWI	1.3	7.4	12.3	39.3	14.6	14.6	9.9
MSCI ACWI ex US	(0.6)	5.5	9.2	35.7	9.4	11.1	5.4
MSCI EAFE	(1.1)	5.2	8.8	32.4	8.3	10.3	5.9
MSCI EM	0.2	5.0	7.4	40.9	11.3	13.0	4.3
MSCI EAFE Small Cap	(1.7)	4.3	9.0	41.0	8.4	12.0	8.4
Style Index							
MSCI EAFE Growth	0.0	7.4	6.8	31.0	12.5	12.5	7.8
MSCI EAFE Value	(2.3)	3.0	10.7	33.5	3.8	7.8	3.9
Regional Index							
MSCI UK	(2.4)	6.0	12.5	31.3	1.9	5.7	3.7
MSCI Japan	(0.3)	(0.3)	1.3	24.8	7.2	10.2	7.2
MSCI Europe	0.7	6.7	(1.1)	1.1	5.6	3.5	3.7
MSCI EM Asia	0.1	3.8	6.0	41.0	13.1	15.3	7.0
MSCI EM Latin American	2.7	15.0	8.9	44.9	5.1	5.9	(2.5)

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
BBgBarc US TIPS	0.6	3.2	1.7	6.5	6.5	4.2	3.4
BBgBarc US Treasury Bills	(0.0)	0.0	0.0	0.1	1.4	1.2	0.7
BBgBarc US Agg Bond	0.7	1.8	(1.6)	(0.3)	5.3	3.0	3.4
BBgBarc US Universal	0.7	2.0	(1.1)	1.1	5.6	3.5	3.7
Duration							
BBgBarc US Treasury 1-3 Yr	(0.2)	(0.0)	(0.1)	0.1	2.7	1.6	1.2
BBgBarc US Treasury Long	3.6	6.5	(7.9)	(10.6)	8.0	3.1	6.7
BBgBarc US Treasury	0.6	1.7	(2.6)	(3.2)	4.7	2.2	2.8
Issuer							
BBgBarc US MBS	(0.0)	0.3	(0.8)	(0.4)	3.8	2.3	2.6
BBgBarc US Corp. High Yield	1.3	2.7	3.6	15.4	7.4	7.5	6.7
BBgBarc US Agency Interim	(0.1)	0.5	(0.6)	(0.1)	3.3	1.9	1.8
BBgBarc US Credit	1.5	3.3	(1.3)	3.0	7.4	4.6	4.9

OTHER

Index							
Bloomberg Commodity	1.9	13.3	21.1	45.6	3.9	2.4	(4.4)
Wilshire US REIT	3.1	12.8	22.8	37.5	10.1	6.4	9.4
CS Leveraged Loans	0.4	1.4	3.5	11.7	4.4	5.0	4.5
Alerian MLP	5.2	21.2	47.8	64.0	(1.1)	(2.0)	1.3
Regional Index							
JPM EMBI Global Div	0.7	4.1	(0.7)	7.5	6.7	4.9	5.7
JPM GBI-EM Global Div	(1.2)	3.5	(3.4)	6.6	4.1	3.2	0.5
Hedge Funds							
HFRI Composite	0.4	4.0	10.0	27.4	8.7	7.9	5.1
HFRI FOF Composite	0.3	2.7	4.7	18.1	6.2	6.1	3.8
Currency (Spot)							
Euro	(3.0)	0.9	(3.1)	5.6	0.5	1.3	(2.0)
Pound Sterling	(2.8)	0.1	1.1	11.8	1.5	0.7	(1.5)
Yen	(1.4)	(0.4)	(7.0)	(2.8)	(0.1)	(1.6)	(3.1)

Source: Morningstar, HFRI, as of 6/30/21

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	1 Year	3 Year	5 Year	10 Year
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	1 Year	3 Year	5 Year	10 Year
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	1 Year	3 Year	5 Year	10 Year
S&P / 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	1 Year	3 Year	5 Year	10 Year
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.

* Includes Buyout, Growth Equity and Venture Capital.

** Includes Control-Oriented Distressed, Credit Opportunities, Senior Debt and Subordinated Capital.

*** Includes Private Equity Energy, Timber and Upstream Energy & Royalties.

Notices & disclosures

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