

FINANCIAL MARKET UPDATE

All major asset classes experienced positive growth during the 2nd quarter. Real Estate was the top performer, returning 11.7% for the quarter. US Large Cap Equities were up 8.6%, while US Mid/Small Cap added to their gains from the 1st quarter and grew 3.6% and 4.5%, respectively. International Equities also performed strongly, with Developed International and Emerging Markets returning 5.2% and 5.1%, respectively, as vaccination campaigns abroad assisted in rebounding economic activity. Fixed Income, up 1.8% for the quarter, rebounded as interest rates fell from their March highs.

The backdrop for growth continues to be positive. Heading into the 2nd half of the year, it is worth monitoring the global vaccination effort relative to the emergence of new viral strains. New variants could impact economies, depending on implementation of any new public health policies.

Asset Class	Q2 2021 Returns
Real Estate	11.7%
US Large Cap	8.6%
Developed International	5.2%
Emerging Markets	5.1%
US Small Cap	4.5%
US Mid Cap	3.6%
Non-Core Bonds	2.2%
Infrastructure	2.1%
Core Bonds	1.8%

ECONOMIC STIMULUS RESPONSE

The Federal Reserve affirmed its support to the ongoing recovery at their June meeting. The committee kept their benchmark interest rate at 0% and maintained the current pace of asset purchases. They expect rate increases to begin in 2023, and instead of one hike that year, they now project two. Their June meeting notes also reveal discussions weighing current stimulus efforts against the danger of economic overheating (i.e., inflation). The Fed plans to be patient in pulling back stimulus and will telegraph any tapering well in advance to markets. Industry experts foresee additional clarity on policy in the coming months, especially at the Fed's

Jackson Hole meeting in August and their September policy meeting.

EMPLOYMENT

Further improvement was seen in the US labor market during the 2nd quarter. Job gains for June came in at 850,000 which exceeded estimates, and followed more modest gains in April and May. The unemployment rate was essentially unchanged at 5.9%. The hospitality industry continues to see the most significant job gains. Overall there remains much work to be done with the economy still 7.1 million jobs shy of its pre-pandemic employment levels in February 2020.

US ECONOMY

The US economy expanded at a robust pace in the 1st quarter of 2021, growing at a rate of 6.4%. This growth is reflective of economic reopenings and a resilient US consumer. Economists expect this strength to continue throughout 2021 and into 2022. The pandemic accelerated technological change, which created efficiencies for many businesses. Additionally, US households are sitting on close to \$3 trillion of savings and have further capacity to spend. Both are positive factors for the economy.

LOOKING OUT

- Congress continues to debate on both the \$2.2 trillion American Jobs Plan (infrastructure) and the \$1.8 trillion American Families Plan (social programs).
- Both programs would stimulate various areas of the economy, albeit at the potential of higher taxes. These programs have been met with compromise in Congress thus far. It is likely the proposed spending and corresponding tax increases will be further compromised to lower levels. We are closely watching the implications of these legislative pieces and will proactively reach out if they necessitate planning changes.

In this current environment we remain optimistic overall. This economy presents both pros and cons to market growth, and continue to weigh the benefits of further stimulus, strong consumer balance sheets, and economic reopenings against higher taxes, higher equity valuations and higher inflation.