Weekly Manager's Pulse

February 16, 2021

Global equities rose for a second week as coronavirus cases declined. The S&P 500 rose 1.28%, while both small caps and emerging market equities outperformed, returning 3.63% and 2.41%, respectively. Rising oil prices helped Energy led all sectors, up 4.9% for the week. U.S. inflation remains muted, despite growth in the M2 money supply. U.S. Headline CPI rose 0.3% in January, while Core CPI remained unchanged. Inflation could accelerate temporarily as the pandemic is brought under control, particularly in services, but should normalize in 2022. Federal Reserve Chair Powell reiterated a commitment to near-zero interest rates and monthly asset purchases on Wednesday.

Economic Review*

- Job openings at 6.6 million
- Consumer sentiment (prelim.) at 76.2
- Headline CPI at +0.3% m/m
- Core CPI unchanged m/m, up 1.4% y/y

Spotlight: TARGET PLUS

The Target PLUS models are designed to be an alternative to traditional target date investing by providing key enhancements in two areas. The first is by pairing best-in-class equity managers with best-in-class fixed income managers. We believe managers generally have one area of expertise, whether it is within fixed income, equity, alternatives, or other asset classes. Based on this belief, our Target PLUS models combine managers highly regarded for their equity investing alongside managers highly regarding for their fixed income investing, rather than use the same manager for both, which is what traditional target date strategies provide. The second enhancement is that our models target the investor’s risk tolerance rather than a target date as it is our experience that these two can vary significantly. As an example, an investors’ retirement date may indicate a high level of risk tolerance whereas the investor may prefer to be more conservative. Our Target PLUS models provide a specific level of risk so there will not be a mismatch of risk a client is willing to incur versus what they are exposed to.

Each model within our Target PLUS series is uniquely constructed to include strategies that use active management via individual security selection or use tactical management by adjusting asset allocation exposure during various market environments. We currently offer five models in this series that range from Conservative to Aggressive.

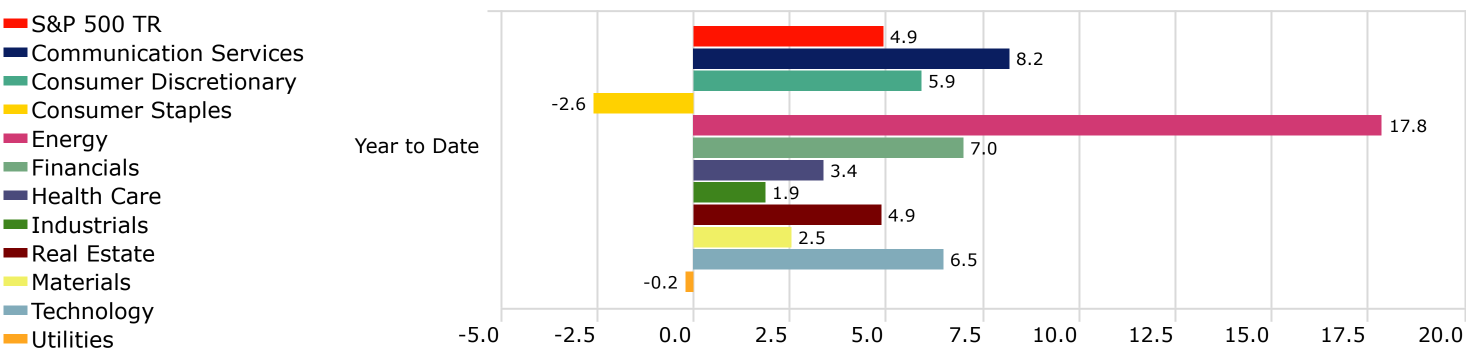
Equity exposure in these models, via active management and individual stock picking, has generated robust benchmark relative performance year-to-date. Tactical management has also been a net contributor to performance. These strategies have been shifting toward more cyclically sensitive assets that tend to perform well early in the business cycle (such as industrials and basic materials).

Within fixed income, active management via individual bond selection has been a positive contributor to performance year-to-date. Tactical management has also contributed to benchmark relative performance via changes made to asset class exposure that incorporate more cyclically sensitive assets which have performed well. Fixed income holdings have posted strong benchmark relative performance during a period when interest rates have been rising and passive bond indices, such as the Bloomberg Barclays U.S. Aggregate Bond Index, have posted negative returns.

Trailing Major Index Returns

	1 Week	1 Month	3 Month	1 Year
S&P 500 TR USD	1.28	3.64	11.69	18.56
S&P MidCap 400 TR	2.78	4.01	23.34	23.68
S&P SmallCap 600 TR USD	3.63	6.87	34.43	29.26
MSCI ACWI NR USD	1.76	3.50	13.76	19.40
MSCI EM NR USD	2.41	5.67	21.26	31.59
BBgBarc US Agg Bond TR USD	-0.13	-0.17	-0.47	4.44

YTD S&P Sector Returns



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Disclosure

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Indices represent the broader market as relevant to the sector or market covered by the index. Indices are unmanaged and cannot be invested in directly. Indices do not consider the costs, fees, trading, or performance that an investor would otherwise experience when investing. Returns are not annualized for periods less than 1 year.

Trailing Major Index Returns and YTD S&P Sector Returns are sourced from Morningstar Direct.

* Sourced from JPMorgan Asset Management, publicly available at https://https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/market-updates/weekly-market-recap/

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