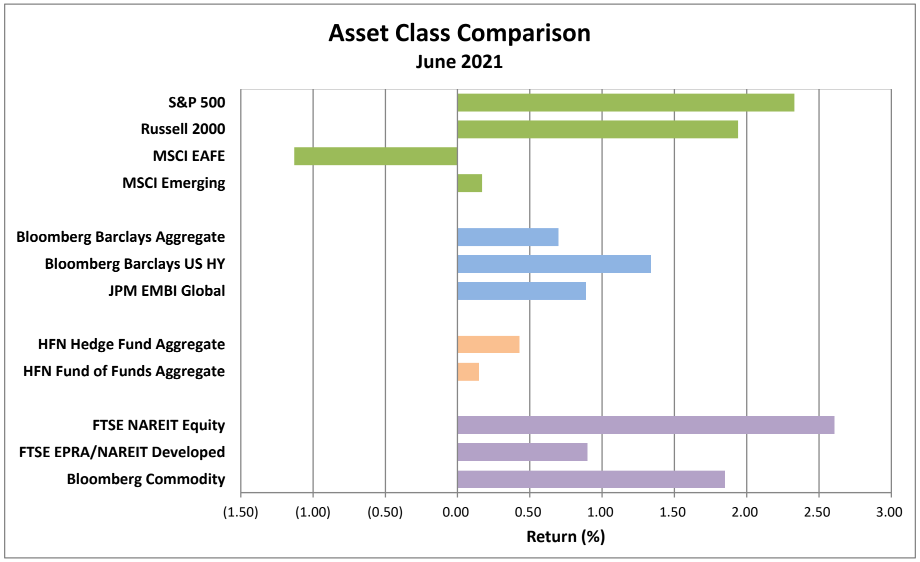
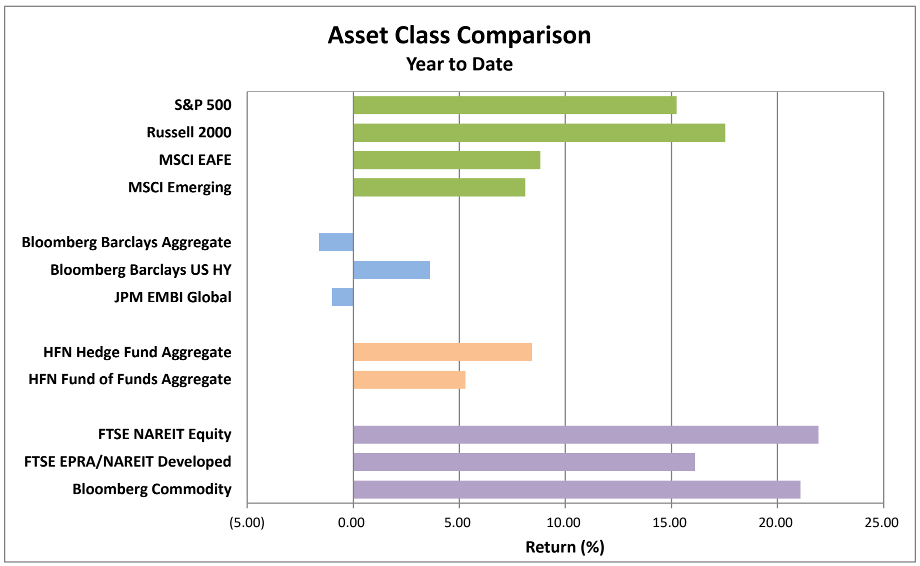




Market Overview

- Elevated inflation readings within the U.S. and various other markets around the world were the primary concern for investors early in the month, leading to weakness in equities and pressure on bond prices. Consumer prices in the U.S. jumped 0.7% in May, a level much higher than consensus forecasts, producing an annual rate that was the highest in over a decade. Additional inflation readings from China and Europe confirmed the global rise in prices. Investors appeared to look past these readings though and returned to buying activity across both equities and bonds later in the month. As a result, equity markets finished June generally higher while 10-year bond yields drifted lower.
- A rebound in economic activity has been a key driver to the upward move in prices, and investors' desire to own stocks. Most economic readings for the month pointed to a broad-based global recovery. Labor market readings in the U.S., while lower than expected, still showed over a half a million jobs added in May, resulting in a 0.3% drop in the unemployment rate to 5.8%. Consumer confidence was also positive, as were gauges of manufacturing activity. Outside the U.S., estimates of economic growth in Europe were ratcheted higher, as was the final 1st quarter GDP reading in Japan. The only meaningful disappointment came from China where recent retail sales figures fell short of expectations.
- Continued progress with COVID-19 vaccinations, particularly outside the U.S., were supportive to the economic recovery as most lockdowns across Europe were lifted. The recent increase in virus cases is cited as a meaningful cause for concern however, as the Delta-variant has proven to be more contagious than prior iterations of the virus. Japan has also witnessed an increase in virus cases heading into the Olympics in July. While economic activity had rebounded nicely, with a meaningful jump in exports year-over-year, concerns are mounting that opening the border for the Olympics during an upswing in the Delta-variant may prove damaging to both the local and global recovery.
- The high percentage of the global population that has not been vaccinated, and the fact that social distancing, mask requirements and other restrictive measures have been eased, are cited as key issues in fighting a resurgence in virus cases. The spread of the Covid-variant is being monitored closely and may result in revised guidance from organizations such as the CDC and the World Health Organization, especially since some of those vaccinated have tested positive for the virus, thus raising questions about the need for booster shots.

Equity Markets

U.S. stock indices were among the world's best performers in June, as a resurgence in growth sectors boosted returns. The S&P 500 index gained 2.3%, while small cap stocks, represented by the Russell 2000 index lagged by a small margin with a 1.9% gain. Technology shares were the month's best gainers, posting a 7.0% gain, while energy shares (4.6%) continued to be supported by higher oil prices. Materials (-5.3%) and financials (-3.0%) were the lagging sectors, the latter hampered by a reduction in bond yields and a narrowing of the spread between short- and long-dated bonds. Outside the U.S., the MSCI EAFE index of developed equity markets underperformed the U.S. in June with a 1.1% loss in U.S. dollar terms, with strength in the dollar detracting from a gain of 1.4% in local currency terms. European markets underperformed during the period as the U.K. delayed the full reopening of that economy by nearly a month to mid-July. The MSCI Emerging Markets index posted a 0.2% gain as strength in Latin America helped to offset weakness out of China where regulators have focused on tech and internet giants.

Fixed Income Markets

U.S. Treasury yields moved lower for the third consecutive month as foreign buying of U.S. Treasuries was robust. Fears of elevated and persistently high inflation appeared to abate as Fed Chairman Jerome Powell testified before Congress that the Fed continues to believe inflationary pressures are transitory and unlikely to persist, especially at recent levels. As a result, the yield on the 10-year Treasury finished the month lower by 13 bps (1.45%). Meanwhile, the yield on the 2-year Treasury ended notably higher at 25 bps, an increase of 11 bps relative to the start of the month, an indication perhaps that investors believe we are inching closer to policy rate adjustments, especially in the wake of the significant decline in unemployment seen from the May report (5.8% down from 6.1%). The Bloomberg Barclays Aggregate index finished the month with a gain of 0.7% but remains in negative territory for the year with a loss of 1.6%. Investment grade and high yield corporate bonds benefited from active buying activity as new issuance remained light and demand for yield was strong.

Alternative Strategies

The HFN Hedge Fund Aggregate index finished higher by 0.4%, which represents the lowest monthly return for the year. Equity strategies provided the bulk of the return on the month as equity hedge and equity long/short were among the month's best performing strategies. Also preforming well was equity market neutral (+0.9%), which produced its best return of the year. Small losses were generated from the CTA/managed futures and macro strategies.

Developed Market Returns (%)

	Month	Year to Date
S&P 500	2.33	15.25
Russell 2000	1.94	17.53
MSCI EAFE ($)	(1.13)	8.82
MSCI Europe ($)	(1.36)	11.79
MSCI UK ($)	(2.40)	12.51
MSCI Japan ($)	(0.29)	1.28
MSCI Pacific ex Japan ($)	(1.59)	9.59

Source: eVestment Alliance, MSCI, S&P, Russell

Emerging Market Returns (%)

	Month	Year to Date
MSCI EM ($)	0.17	7.45
MSCI EM Asia ($)	0.13	6.14
MSCI EM EMEA ($)	(0.79)	16.05
MSCI EM Latin America ($)	2.70	8.88

Source: eVestment Alliance, MSCI

U.S. Fixed Income Returns (%)

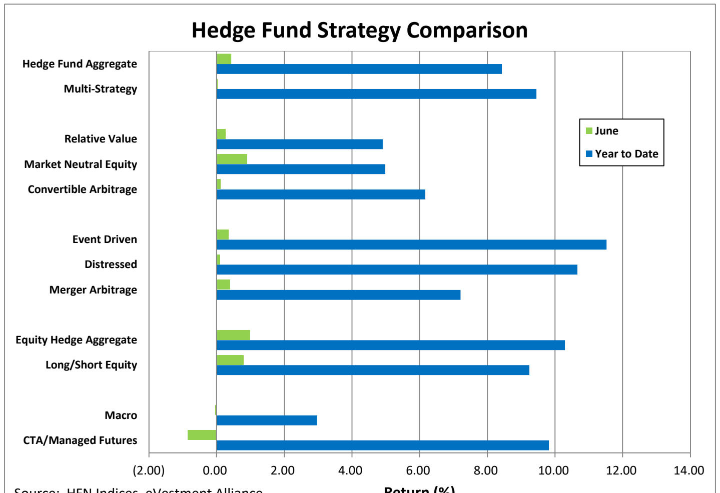
	Month	Year to Date
Bloomberg Barclays Aggregate	0.70	(1.60)
Bloomberg Barclays Government	0.62	(2.50)
Bloomberg Barclays U.S. TIPS	0.60	1.72
Bloomberg Barclays U.S. Inv. Grade Corp	1.63	(1.26)
Bloomberg Barclays U.S. Mort. Backed	(0.04)	(0.77)
Bloomberg Barclays U.S. High Yield	1.34	3.63
Credit Suisse Leveraged Loan	0.41	3.49

Source: eVestment Alliance, Bloomberg Barclays, Credit Suisse

Non-U.S. Fixed Income Returns (%)

	Month	Year to Date
FTSE Non-U.S. WGBI Hedged	0.42	(2.31)
FTSE Non-U.S. WGBI Unhedged	(2.10)	(5.90)
JP Morgan EMBI Global	0.89	(1.00)

Source: eVestment Alliance, FTSE, JP Morgan



Source: HFN Indices, eVestment Alliance