Portfolio Manager Commentary

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Trustmark Investment Advisors, Inc.

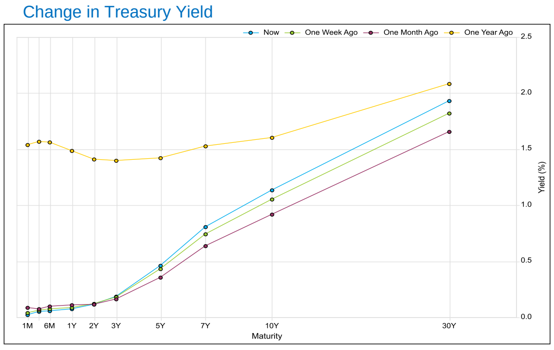
Economic Outlook

U.S. Consumer Price Inflation was up 0.3% for January. Otherwise a slower week for economic data.

Fixed Income

The reflation trade, which has been prevalent in the market for most of this year, is proving to be hard to deny. One of the hot wagers of 2021 barely missed a beat last week even after a suprisingly soft inflation report at the consumer level. Long-term Treasury yields touched the highest in almost a year, market measures of inflation expectations accelerated to the fastest pace since 2014 and the yield curve tested the steepest levels in more than five years. The message is that investors still see additional fiscal stimulus as a lock and are banking on the vaccine rollout gaining momentum. This week's auction of thirty-year inflation-linked Treasuries stands to give a fresh test of just how much investors fear rising price pressures down the road as the economy begins to reopen at a nationwide level. "The confluence of more fiscal support and the reopening of the economy hitting together around springtime is lifting the outlook for inflation and growth," said Ben Emons, Managing Director of Global Macro Strategy at Medley Global Advisors. "Rising breakevens and the steepening yield curve show that some people are trading already on the future economy -- post the pandemic." The benchmark ten-year yield ended trading last week at 1.21%, which is the highest closing level since the market chaos of last March. Thirty-year yields ended the week above 2%, the highest since February 2020. The thirty-year to five-year yield spread ended the week at 152 basis points, close to the level last seen in 2015. The reflation trade took a brief pause during the middle of last week after a government report showed the pace of core consumer-price inflation was 1.4% on a year-over-year basis, lower-than-expected based on a survey of economists by Bloomberg. This week will be the release of the producer price inflation report which is also expected to show subdued price pressures. These tame inflation reports will give the Federal Reserve plenty of ammunition to continue their current pace of very low short-term interest rates for the foreseeable future. Retail investors for their part have been snapping up products that hedge inflation risk. They have been adding money to Treasury Infation Protected Exchange Traded Funds in an effort to benefit from the potential for higher prices down the road.

Change in Treasury Yield



Current Generic Bonds Yields

Treasuries		Agencies		Corporates		Municipals	
3 mo.	0.04%	3 mo	-0.01%	3 mo	0.14%	3 mo	0.14%
6 mo	0.05%	6 mo	0.00%	6 mo	0.16%	6 mo	0.15%
1 yr	0.06%	1 yr	0.02%	1 yr	0.19%	1 yr	0.16%
2 yr	0.11%	2 yr	0.13%	2 yr	0.24%	2 yr	0.18%
5 yr	0.49%	5 yr	0.49%	5 yr	0.76%	5 yr	0.30%
10 yr	1.21%	10 yr	1.33%	10 yr	1.71%	10 yr	0.79%
30 yr	2.01%	30 yr		30 yr	2.82%	30 yr	1.59%

Equity

U.S. equity finished the week higher as the S&P 500 closed the week up +1.27%. Nothing notable pointing towards the reason for the positive finish, while, of course, stimulus and vaccine news continue to be in the spotlight.

Energy (+4.96%) and Financials (+2.04%) were the biggest performers as Utilities (-1.53%) trailed the most. The value versus growth play continues as value (+1.46%) outperforms growth (+1.04%) by 42 basis points, though value still lags year-to-date by 2.50%.

Index Returns	Last Week	YTD
Dow Jones Industrials	1.12%	3.07%
S&P 500 (LCap)	1.23%	4.76%
S&P 400 (MCap)	2.74%	10.32%
Russell 2000 (SCap)	2.51%	15.93%
NASDAQ Composite	1.73%	9.37%
MSCI EAFE (Int'l)	2.14%	4.59%
iShares Real Estate	1.47%	4.45%

Source: FactSet Research Systems

Asset Allocation

Current Sentiment

Cash	Favorable
Short FI	Neutral
Intermediate FI	Neutral
Inflation-Adjusted FI	Neutral
High Yield FI	Unfavorable
International FI	Unfavorable
Equity Income	Neutral
Large Cap Equity	Favorable
Mid Cap Equity	Neutral
Small Cap Equity	Unfavorable
International Equity	Unfavorable
Emerging Markets Equity	Unfavorable
Real Estate	Neutral
Commodities	Unfavorable

Summary below - Current stance on most asset classes:

Cash - Overweighting due to market volatility and uncertainty from Covid-19.

Short Term Bonds - Relative to Intermediate Bonds, the reduced duration is preferable given the oversold long-end of the curve.

Intermediate Term Bonds - The current trading range of intermediate bonds warrants a neutral position with limited upside potential. Some opportunities still remain in certain sectors.

Inflation-Adjusted Bonds - Low inflation expected in near-term providing zero real return.

High Yield Bonds - Spreads are rising given the market turbulence and exposure to unnecessary credit risk when compared to Treasuries would not be advised.

International Bonds - Foreign bonds offer good diversification qualities and higher yield opportunities, however, risks have been elevated recently and investment should be made cautiously.

Equity Income - High quality and higher-dividend-paying companies remain attractive for long-term investors given their favorable risk-adjusted profile and current yield curves.

Large Cap Stocks - A favorable weighting is recommended. Growth continues to be a more favorable style and should continue to be overweighed versus Value.

Mid Cap Stocks - Mid cap exposure remains neutral - more attractive than small caps but not as attractive as large caps.

Small Cap Stocks - In broad market corrections, small cap stocks will suffer most with increased volatility. Underweight until a clearer picture of recovery ensues.

International Stocks - Given most foreign investment is in developed markets and European countries, until sovereign debt concerns are alleviated, an underweight is recommended.

Emerging Market Stocks - Stronger balance sheets, less debt, and better growth potential make emerging markets more fundamentally attractive than developed countries longer-term. However, trade uncertainty and dollar strength provide a headwind for EM in the near term.

Real Estate - Pricing has begun to stabilize and long-term valuations appear attractive. Real Estate should continue to be a strong alternative to other asset classes.

Commodities - Global demand should support higher prices if the global recovery remains on track. Volatility will be higher, and commodities will be susceptible to short-term price shocks, however, if used in conjunction with other asset classes, risk can be reduced substantially within a diversified portfolio. Used alone though is not recommended as the short-term outlook is not favorable.