Portfolio Manager Commentary

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Trustmark
Investment Advisors, Inc.

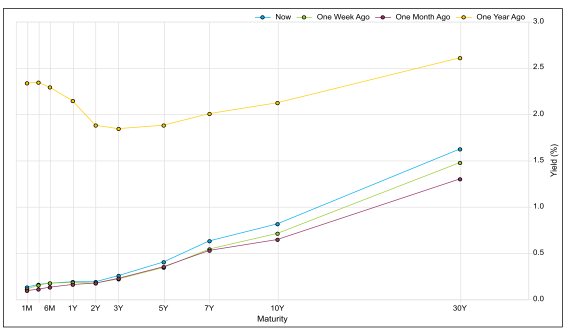
Economic Outlook

The U.S. Purchasing Managers' Index was 39.8 for May, while the ISM Manufacturing Index was 43.1. On the Services side, the numbers were 37.5 and 45.4, respectively. Construction Spending was down 2.9% for the month. Productivity was down 0.9% for the first quarter, versus -2.5% the prior quarter. Unit Labor Costs were up 5.1%. Finally, the U.S. Unemployment Rate was 13.3%, much better than the consensus of 19.0%.

Fixed Income

The global pandemic's grip on the U.S. Treasury market has loosened, which has led to longer rates moving higher over the past several weeks. The next step in this process will be to see just how far the Federal Reserve will allow rates to move before stepping in to take back some control of how far rates go. The U.S. Treasury market, the world's haven market in times of stress, is coming off its roughest week since September as the U.S. economy is beginning to show some signs of life. The ten-year yield broke free of its recent trading range and made a move toward 1% before ending the week at 0.90% on the data released Friday showing an unexpected rebound in U.S. employment. With longer maturities absorbing the brunt of the move higher, the yield curve is the steepest it's been in three years. It is unlikely to be an unfettered move higher from this point. The Federal Reserve is meeting this week and will probably make statements welcoming any signs of economic recovery. At the same time, policymakers may be wary of an unruly increase in borrowing costs that could add strains on businesses and households and raise the price tag of the government's rescue efforts. The ten-year note peaked at 0.96% during trading last Friday, and rose 24 basis points during the week, the most since last September. The first big test of where traders see fair market value for government debt this week comes with the auctions of three- and ten-year notes this Monday and Tuesday. The last round of auctions in May went smoothly despite record low yields, and the latest sell-off could help provide even more demand this time around. The Treasury will also be selling new thirty-year bonds this Thursday. But the market outlook will depend to a large extent what Fed Chairman Jerome Powell says next. He's widely expected to reaffirm a commitment to keep rates low. But investors have been calling for more guidance from policymakers on the central bank's plan for asset purchases -- which it reduced again last Friday to $4 billion per day after beginning this crisis purchasing as much as $75 billion. The Fed is expected to formalize a transition from its emergency measures to stabilize markets to a longer-term strategy to support the economic recovery. For many, that would involve some form of yield-curve control.

Change in Treasury Yield



Current Generic Bonds Yields

Treasuries		Agencies		Corporates		Municipals	
3 mo	0.15%	3 mo	0.13%	3 mo	0.24%	3 mo	0.25%
6 mo	0.18%	6 mo	0.07%	6 mo	0.32%	6 mo	0.25%
1 yr	0.16%	1 yr	0.08%	1 yr	0.35%	1 yr	0.25%
2 yr	0.21%	2 yr	0.24%	2 yr	0.36%	2 yr	0.30%
5 yr	0.46%	5 yr	0.62%	5 yr	0.82%	5 yr	0.65%
10 yr	0.90%	10 yr	1.22%	10 yr	1.73%	10 yr	1.20%
30 yr	1.67%	30 yr		30 yr	2.87%	30 yr	2.07%

Equity

U.S. equities finish the week higher in early Friday trading after an unexpectedly strong May U.S. payrolls report guides the indices towards strong gains. The report showed jobs being up 2.5M versus expectations for an 8m pullback, with unemployment coming in at 13.3% versus the consensus of 19.6%. This report brings data that could soothe worries about the longer-term economic damage, as well as add optimism to the economic reopening. Besides this, the other notable theme seems to be how the Market is ignoring the civil unrest in the U.S. and continued tensions between the U.S. and China. The Wall Street Journal released a report noting that it is very difficult to trade civil disorder as riots do not directly affect markets and any link between unrest and economic performance seems tenuous at best.

Amidst the large weekly gain, the S&P 500 finished up 4.94% as all sectors finished positive. Energy (+15.69%), Financials (+12.09%), and Industrials (+10.52%), all with the largest YTD declines, led the group for the week as Health Care (+0.19%) lagged the most. The S&P 500

Index Returns	Last Week	YTD
Dow Jones Industrials	6.78%	-4.01%
S&P 500 (LCap)	4.91%	-1.14%
S&P 400 (MCap)	8.34%	-7.36%
Russell 2000 (SCap)	8.11%	-9.67%
NASDAQ Composite	3.42%	9.38%
MSCI EAFE (Int'l)	7.01%	-8.09%
iShares Real Estate	9.26%	-8.48%

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 ve rsus 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 commoditi es 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.

Sources of statistical information are Bloomberg and Ned Davis Research.