Portfolio Manager Commentary

June 11, 2021

Trustmark Investment Advisors, Inc.

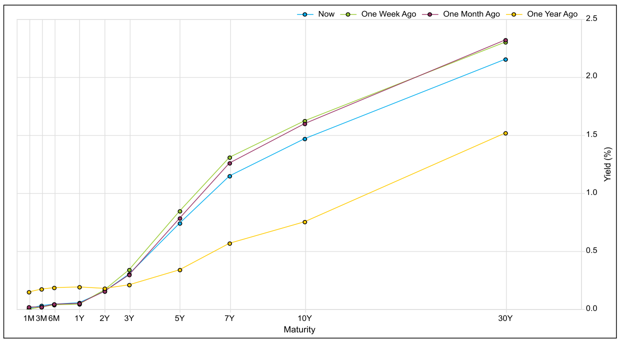
Economic Outlook

The U.S. Consumer Price Index was up 0.6% in May versus 0.8% in April. For the year ended May 31, 2021, the CPI was up 5.0%. Core CPI was up in similar fashion; therefore, the price increases appear to be broadly distributed. The Federal Reserve Open Market Committee has guided that inflation should taper back down was we pr ogress into 2022. Otherwise, it was a slow week from an economic release standpoint.

Fixed Income

After the longest rally in almost a year, the Treasury market is ill-positioned for any surprises from the Federal Reserve as they meet later this week. Bond investors, who have been abandoning short bets, are anticipating that the central bank will reaffirm their ultra-loose stance and convey to the market that the timing is not quite right for any tapering of bond purchases due to uncertainties that remain in the economic outlook. Any hint that such discussions are in the works could provide a rude awakening for bond investors as the t en-year note yield touched the lowest level since March last week. Some traders on Wall Street are calling the market somewhat "bullet proof" as the ten-year yield has moved lower over the past month in the face of impressive inflation numbers, record Treasury auctions and record highs for the S&P 500. At this week's FOMC meeting, the Fed is widely expected to make no changes to its easy money policy that ha s been in place for over a year in response to the Covid-19 pandemic. Policymakers continue to insist that higher inflation reflects bottlenecks in the system as the economy reopens and will prov e to be "transitory". However, the minutes of the previous Federal Open Market Committee meeting suggests that some officials are open to the discussion of a timetable to reduce the current buying program involving Treasury and mortgage securities which is currently $120 billion combined per month. The one area of the economy that needs to show greater strength in the eyes of the Fed continues to be t he labor market as recent data in that area has been lower than anticipated. Since peaking at 1.774% on March 30, the highest in more than a year, the ten-year yield has pushed lower. The current rally is the longest since July 2020, and rates traded as low as 1.427% during the day last Friday before closing the week at 1.45%. The strength in bonds has some fundamental underpinnings, mainly the weaker-than-expected employment data, as well as technical ones including attractive currency-hedged returns for Japanese investors. But its persistence in the face of accelerating inflation data has led many to conclude that the main driver has been re-positioning. Essentially, even if yields stop falling and remain stuck in a range, bets on a selloff are expensive to maintain for any considerable amount of time.

Change in Treasury Yield



Current Generic Bonds Yields

Treasuries		Agencies		Corporates		Municipals	
3 mo.	0.02%	3 mo	-0.07%	3 mo	0.13%	3 mo	0.10%
6 mo	0.04%	6 mo	-0.06%	6 mo	0.14%	6 mo	0.11%
1 yr	0.05%	1 yr	-0.02%	1 yr	0.18%	1 yr	0.12%
2 yr	0.15%	2 yr	0.17%	2 yr	0.23%	2 yr	0.15%
5 yr	0.74%	5 yr	0.59%	5 yr	0.99%	5 yr	0.50%
10 yr	1.45%	10 yr	1.47%	10 yr	1.97%	10 yr	1.04%
30 yr	2.14%	30 yr		30 yr	2.93%	30 yr	1.73%

Equity

U.S. equity finishes the week higher with the S&P 500 having another record close and notching a +0.40% gain. Sectors were a mixed bag as Health Care (+2.01%) and Technology (+1.39%) lead and Materials (-2.04%) and Financials (-2.37%) lagged the most. Headlines continue to consist around the idea that inflation concerns have peaked.

The value/growth play continues to make headlines as value continues to outperform. Year-to-Date, Value is up +17.96% with Growth following behind at +10.01%. Real Estate leads the major indexes with a year-to-date gain of 23.08%.

Index Returns	Last Week	YTD
Dow Jones Industrials	-0.80%	13.59%
S&P 500 (LCap)	0.40%	13.83%
S&P 400 (MCap)	0.86%	19.32%
Russell 2000 (SCap)	2.16%	18.28%
NASDAQ Composite	1.85%	9.16%
MSCI EAFE (Int'l)	0.52%	12.53%
iShares Real Estate	2.11%	23.08%

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 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.

Sources of statistical information are Bloomberg and Ned Davis Research.