Portfolio Manager Commentary

June 19, 2020

Trustmark Investment Advisors, Inc.

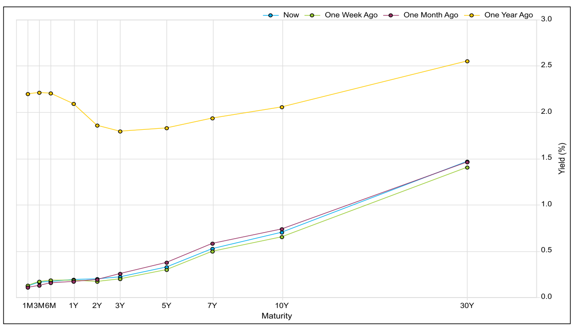
Economic Outlook

U.S. Retail Sales were up 17.7% in May, after having been down 14.7% in April. Industrial Production was up 1.4% versus down 12.5% in April. Capacity Utilization was still low, at 64.8% versus 64.0% in April. The Homebuilders' Index was up over 50, to 58 in June from 37 in May. The U.S. Index of Leading Economic Indicators was up 2.8% in May, from having been down 6.1% in April.

Fixed Income

U.S. Treasury yields traded in a narrow range for the week and ended trading Friday afternoon, basically, where they started the week. One of the main drivers of the market late in the week was new worries that as the economy opens back up, there could be a new Covid-19 problem that will need to be dealt with in some manner that could cause more harm to the fragile current economic situation. The ten-year yield ended the week unchanged at 0.69% while two-year notes ended the week one basis point lower at 0.19%. Thirty-year bond yields were slightly higher on the week ending trading Friday at 1.46%. An initial rally in the equity market Friday helped sap demand for the safe haven of Treasuries until the latter half of the day as stocks faded into the close on renewed Corona virus fears helping Treasuries recoup the early day losses. The World Health Organization signaled last week that the pandemic may be entering a new phase while Apple announced it would re-close some of its stores in nearly twelve states as the virus flared in some areas. In other pertinent news last week, Secretary of State Mike Pompeo and China's high-ranking foreign policy official Yang Jiechi agreed to honor all the commitments made under the phase one deal signed in January. His comments come as some analysts note that China's buying of farm goods are on pace to fall short of its promised amount. Still, tensions between the two countries continue to rattle investors amid worries that both the Trump administration and the Democratic Presidential candidate Joe Biden will take a tough stand on China. European Central Bank President Christine Lagarde warned EU leaders to move forward with an economic recovery plan or risk a drop in market sentiment, lifted by hopes that European governments would agree on a fiscal stimulus package for the 27-member economic bloc. The EU council will be meeting this week to discuss details of the recovery package, though few expect a deal to be reached by the end of the week. As for the Federal Reserve, Boston Fed President Eric Rosengren said the U.S. economy isn't likely to have a fast recovery and more support will be needed from the Fed and Congress.

Change in Treasury Yield



Current Generic Bonds Yields

Treasuries		Agencies		Corporates		Municipals	
3 mo	0.15%	3 mo	0.15%	3 mo	0.25%	3 mo	0.41%
6 mo	0.17%	6 mo	0.11%	6 mo	0.33%	6 mo	0.41%
1 yr	0.17%	1 yr	0.08%	1 yr	0.36%	1 yr	0.42%
2 yr	0.19%	2 yr	0.22%	2 yr	0.40%	2 yr	0.47%
5 yr	0.33%	5 yr	0.49%	5 yr	0.80%	5 yr	0.72%
10 yr	0.69%	10 yr	1.01%	10 yr	1.62%	10 yr	1.24%
30 yr	1.46%	30 yr		30 yr	2.69%	30 yr	2.12%

Equity

U.S. equity continues to be fairly mixed as the S&P 500 finished up 1.91% for the week. The Market juggling multiple themes without finding a clear sense of direction. The recent bout of strength has been attributed to positive economic surprise momentum, renewed infrastructure stimulus speculation, the Fed's announcement it is starting to purchase corporate bonds, coronavirus treatment optimism, and additional corporate commentary highlighting sequential improvements in demand, while the downside case has concentrated on coronavirus progress (with particular attention to recent outbreak in Beijing and emerging hotspots in several US states). But while day-to-day domestic updates have given the market some pause, there does not appear to be any appetite for resuming lockdown measures.

Technology (+2.57%) and Consumer Staples (+2.56%) lead the way for sectors as Utilities (-0.38%) and Financials (-0.29%) continue to lag behind. Energy (-32.79%) and Financials (-22.29%) remain the largest decliners year-to-date.

According to FactSet Research Systems, Bullish sentiment in the AAII Sentiment Survey fell to 24.4% for the week-ended June 17th from 34.3% in the prior week. Bespoke Investment Group noted that this is the biggest weekly decline since the final week of February. Bearish sentiment increased to 47.8% from 39.1%, the first uptick in six weeks and the highest reading in a month. Earlier this week, Investors Intelligence said bears fell to 18.6% in the week-ended June 16th from 20.6% in the prior week, the fewest since January. The divergent readings fit with some of the current debate about sentiment and positioning read-throughs. While multiple firms have pointed out that equity positioning remains low, it has ticked up, and there has also been a lot of discussion about signs of excess on the part of retail investors.

Index Returns	Last Week	YTD
Dow Jones Industrials	1.10%	-8.21%
S&P 500 (LCap)	1.86%	-4.12%
S&P 400 (MCap)	1.41%	-13.49%
Russell 2000 (SCap)	2.23%	-14.97%
NASDAQ Composite	3.73%	10.85%
MSCI EAFE (Int'l)	0.98%	-10.86%
iShares Real Estate	-0.60%	-13.11%

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.