

MARKET OUTLOOK | FRANCIS J. PERFETUO, JR., CFA

Happy Spring from your Team at Veritas!

As we enter 2Q21, I wanted to connect with you on the current headlines, ongoing developments, and provide an update on market performance:

- In the news:
 - In 1Q21, Congress finally passed the \$1.9T American Rescue Plan (ARP) stimulus package to deliver direct economic relief to families and workers impacted most by the pandemic
 - Highlights include: Funding the national vaccination program, \$1,400 per-person checks in relief to qualifying families, and small business support
 - Markets are off to a strong start in 2021 with continued expectations for better growth, easing economic restrictions, improved earnings, and continued policy support (both fiscal and monetary)
 - In March, the US created 916,000 jobs, substantially higher than the 660,000 new jobs that were expected ¹
 - In March, the ISM manufacturing survey reached 64.7, higher than projected and reaching its highest level since 1983 ²
 - An acceleration in the vaccine roll-out and supply, as well as improving case numbers is allowing more of our economy to open, continued job growth, and students back to school
- Developments to monitor:
 - The Biden administration has proposed a \$2.3T Infrastructure Plan for bridges, roads, broadband, healthcare, education, and research & development
 - As the global economy continues its recovery, will the recent trend of market strength broadening beyond “Big Tech” and into more cyclical, small caps, and international markets continue...
 - If growth is stronger than expected, it could create upward pressure on interest rates and inflation, which could dampen equity returns
 - Its highly likely that the president will roll back many of Trump’s Tax policy’s, this topic remains fluid and I will continue to monitor and plan accordingly
- Market Performance for 1Q21 (1/1/21-3/31/21): ³
 - Equity Benchmarks
 - S&P 500 (US Large Caps): +6.2%
 - MSCI EAFE (International Developed): +3.6%
 - As the economy continues its recovery we are seeing a broad rotation from large growth stocks (i.e. Big Tech) into more cyclical and smaller cap stocks. We see this as a healthy sign for the market
 - Fixed Income Benchmark
 - ICE BofAML US Corp & Govt 1-10 Yr A-Rated (Bonds): -1.8% ⁴
 - Fixed Income markets have seen some upward volatility in interest rates causing pricing pressures for Bonds so far in 2021 that we don’t think will persist. I will be monitoring this very closely
 - Alternative Investment Benchmark



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- HFRX Global Hedge Fund Index (Alternative Investments): +3.3%⁵

Our portfolio was positioned well to capitalize on these strong market performance figures as we have exposures to all of these areas, and when we consider the risk management and diversification benefits within our portfolio, we are very pleased with our results on both an absolute and relative basis.

As for the portfolio, in early February I completed a rebalance after digesting many of the “Year Ahead 2021” research reports from strategists across Wall Street and beyond. I feel confident that our specific investments and exposures are positioned to capture what I believe are the best investment opportunities for 2021 and beyond.

I will continue to monitor all market developments with a particular focus on policy changes, stimulus talks, COVID-19 updates, and the economic landscape.

As always, thank you for your trust and confidence in our Team!

1 Source: Barrons

2 Source: Factset

3 Source: Bloomberg

4 Source: ICE Index Platform

5 Source: HedgeFundResearch.com (Return through 2/28/21)

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