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

Happy Summer from your Team at Veritas!

As we enter 3Q21, I wanted to connect with you on current news, ongoing developments, and provide an update on market performance:

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- In the news:
    - The Biden administration has proposed a revised and "scaled-back" $1.2T Infrastructure Plan for rebuilding bridges, roads, broadband, and other traditional infrastructure projects for congress to consider
    - Equity Market strength has broadly continued for 2021 with continued expectations for strong economic growth, a rebounding labor market, rising consumer spending, improved earnings, and continued policy support (both fiscal and monetary)
    - Inflation expectations have increased for many of the same reasons listed above, causing some recent market turbulence
    - In June, non-farm payrolls in the US increased by 850k, well above consensus as the labor market continues its recovery[1]
    - In June, consumer confidence jumped to a 14-month high[1]

- Developments to monitor:
    - The Fed and inflation – investors are closely monitoring the Fed for any signals for when they may taper bond purchases or increase interest rates because this would be viewed as the early stages of removing some liquidity from the markets to fend off inflation
        - The Fed views the recent uptick in inflation data as temporary so they are holding steady for now
    - 2Q earnings reporting season is underway with expectations for the S&P 500 earnings per share (EPS) to jump 65% year-over-year, the most since 2009[1]
    - As optimism spreads that the pandemic is mostly behind us here in the US, variants are spreading globally causing concern

- Market Performance for 2Q21 (4/1/21-6/30/21) and YTD (1/1/21-6/30/21):
    - Equity Benchmarks[2]
        - S&P 500 (US Large Caps): +8.6% (2Q) and +15.3% (YTD)
        - MSCI EAFE (International Developed): +5.2% (2Q) and +8.8% (YTD)
            - We continue to see strength in the equity markets with more participation from cyclical value stocks, international and smaller cap stocks. We see this as a healthy sign for the markets
    - Fixed Income Benchmark[3]
        - ICE BofAML US Corp & Govt 1-10 Yr A-Rated (Bonds): +1.0% (2Q) and -0.9% (YTD)
            - Fixed Income markets have saw some upward volatility in interest rates causing pricing pressures for Bonds in Q1 and have begun a recovery in 2Q that should continue
    - Alternative Investment Benchmark[4]

- HFRX Global Hedge Fund Index (Alternative Investments): +3.7% (2Q) and +7.8% (YTD)

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 pleased with our results on both an absolute and relative basis.

I will continue to monitor all market developments with a particular focus on the infrastructure plan, the Fed and inflation developments, and the overall economic landscape.

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

1 Source: Federated Hermes Investors
2 Source: Factset
3 Source: ICE Index Platform
4 Source: HedgeFundResearch.com (Return through 5/31/21)

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