

Q1

Quarterly Market Review

First Quarter 2021

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This report features world capital market performance and a timeline of events for the past quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

The report also illustrates the impact of globally diversified portfolios and features a quarterly topic.

Overview:

Market Commentary

Market Summary

World Stock Market Performance

World Asset Classes

US Stocks

International Developed Stocks

Emerging Markets Stocks

Select Market Performance

Select Currency Performance
vs. US Dollar

Real Estate Investment Trusts (REITs)

Commodities

Fixed Income

Global Fixed Income

Impact of Diversification

Quarterly Market Commentary

First Quarter 2021 – April 13, 2021

My, what a quarter it's been. At work and play, who isn't eager for this summer to be the most awesome one ever?

We're seeing similar pent-up yearnings in an array of analysts' second-quarter financial forecasts:

- ["Open the Door to Optimism for 2021"](#) — BlackRock
- ["U.S. Will Be Ready for Liftoff After Mass Vaccination"](#) — Morningstar
- ["Outlook 2021: Things Can Only Get Better"](#) — Commonwealth Financial Network
- ["2021 Global Outlook: The Second Coming"](#) — Russell Investments

A second coming? That last one may take the prize for being the most aspirational of all.

Now, think back to April 2020. A year ago, fear was tempting many investors to pile into safe-harbor holdings, even as most markets staged remarkably strong and surprising recoveries.

This year, we're seeing many of those same market players chasing all kinds of hot holdings, as they now succumb to the **absence** of fear. Consider these quarter-end headlines:

- ["Institutional investors putting risk back on the table"](#) — *Pensions & Investments*
- ["Family Offices Like Archegos Take Big Risks Like Hedge Funds"](#) — *The Wall Street Journal*
- ["Robinhood Trader's Battle Cry: 'It's All Just a Game to Me'"](#) — Jason Zweig, *The Intelligent Investor*

In its [quarter-end recap](#), *The Wall Street Journal* summarized similar sentiments as follows:

"If there is a unifying theme to all this, it is that investors big and small showed no fear of risk-taking to start 2021. In fact, they embraced it."

Sometimes, an extra shot of bravery is just what the doctor ordered. "No fear," you tell yourself, as you enter your first marathon. Or launch a new business. Or hug your college-bound child farewell.

That said, to all things balance. **No** fear can be at least as damaging as an excess dose. That's often true in life. It's true in investing too, where it's always best to maintain

an accurate assessment of the potential risks and realistic rewards involved in any given approach.

We hope favorable markets continue. But investing is no game of chance. If you were a client of ours last April, we were honored to be by your side, to remind you that your disciplined investment strategy was already in place. Your globally diversified portfolio was already structured to help you maximize expected returns while minimizing the risks involved.

At the time, we encouraged you to stick to plan. Today, we encourage you to do exactly the same. Markets may run hot or cold. The scenery may be different. But your financial journey remains the same.

Regards,

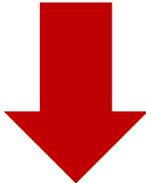


Eric Hutchens

Chief Investment Officer
Allodium Investment Consultants

Quarterly Market Summary

Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate		US Bond Market	Global Bond Market ex US
1Q 2021	STOCKS					BONDS	
	6.35%	4.04%	2.29%	6.22%		-3.37%	-1.90%
							
Since Jan. 2001							
Avg. Quarterly Return	2.4%	1.6%	3.0%	2.5%		1.1%	1.1%
Best Quarter	22.0% 2020 Q2	25.9% 2009 Q2	34.7% 2009 Q2	32.3% 2009 Q3		4.6% 2001 Q3	4.6% 2008 Q4
Worst Quarter	-22.8% 2008 Q4	-23.3% 2020 Q1	-27.6% 2008 Q4	-36.1% 2008 Q4		-3.4% 2021 Q1	-2.7% 2015 Q2

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index [net div.]), US Bond Market (Bloomberg Barclays US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Barclays Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2021, all rights reserved. Bloomberg Barclays data provided by Bloomberg.

Long-Term Market Summary

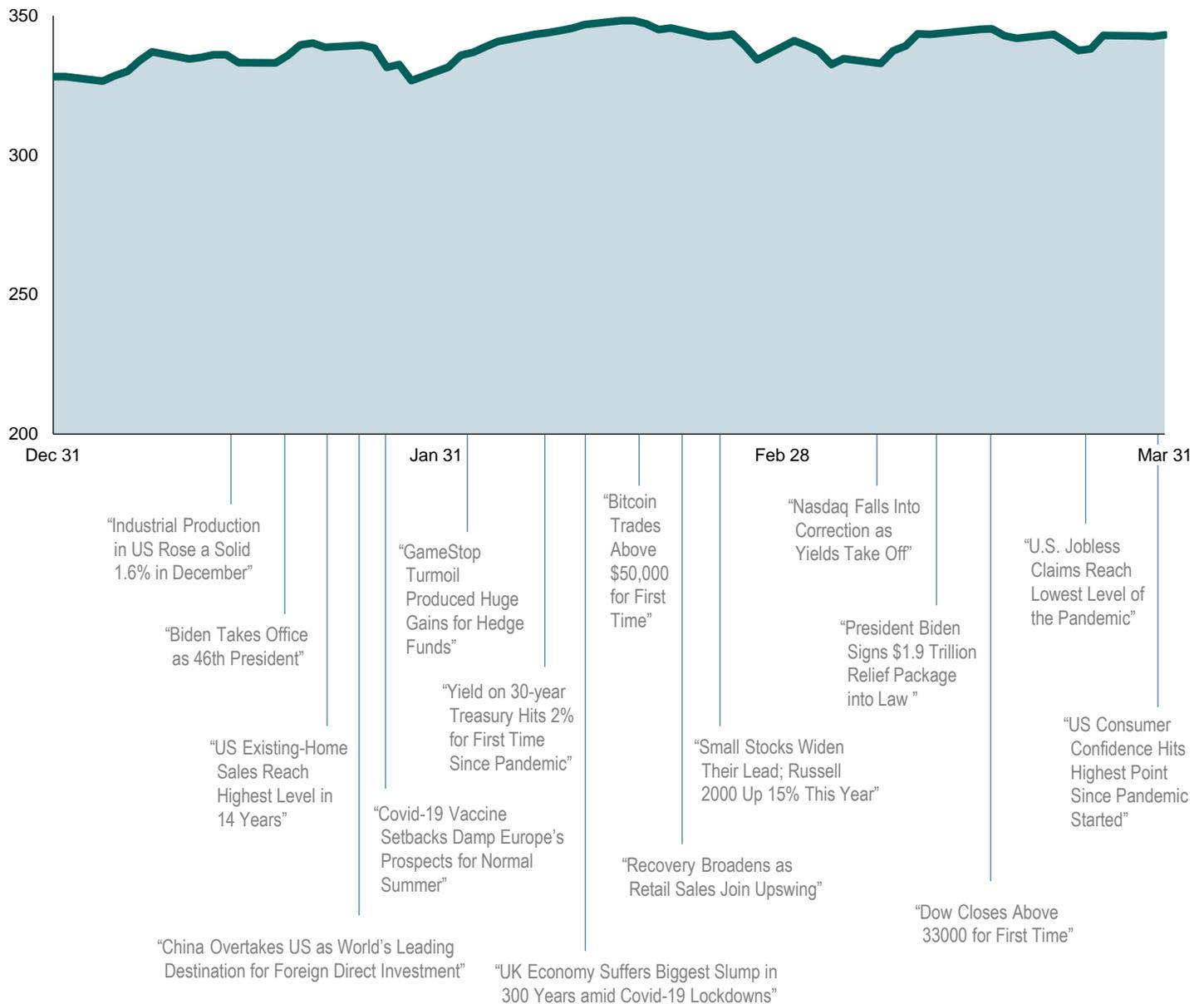
Index Returns as of March 31, 2021

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	STOCKS				BONDS	
	62.53%	45.86%	58.39%	36.05%	0.71%	1.45%
						
5 Years						
	16.64%	8.92%	12.07%	3.52%	3.10%	3.28%
						
10 Years						
	13.79%	5.21%	3.65%	6.23%	3.44%	4.22%
						

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World Stock Market Performance

MSCI All Country World Index with selected headlines from Q1 2021

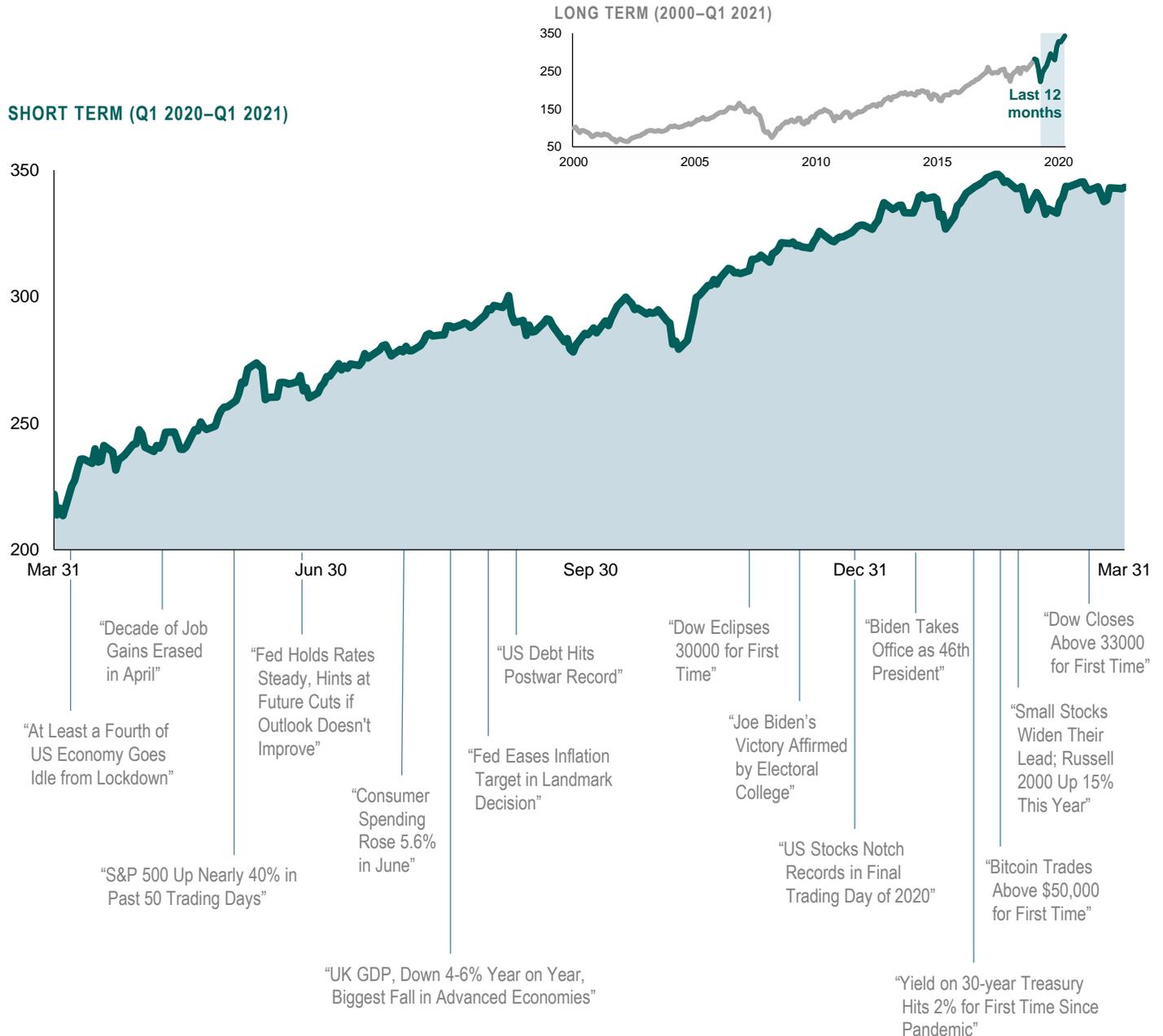


These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2021, all rights reserved.
It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. **Past performance is not a guarantee of future results.**

World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2021, all rights reserved.

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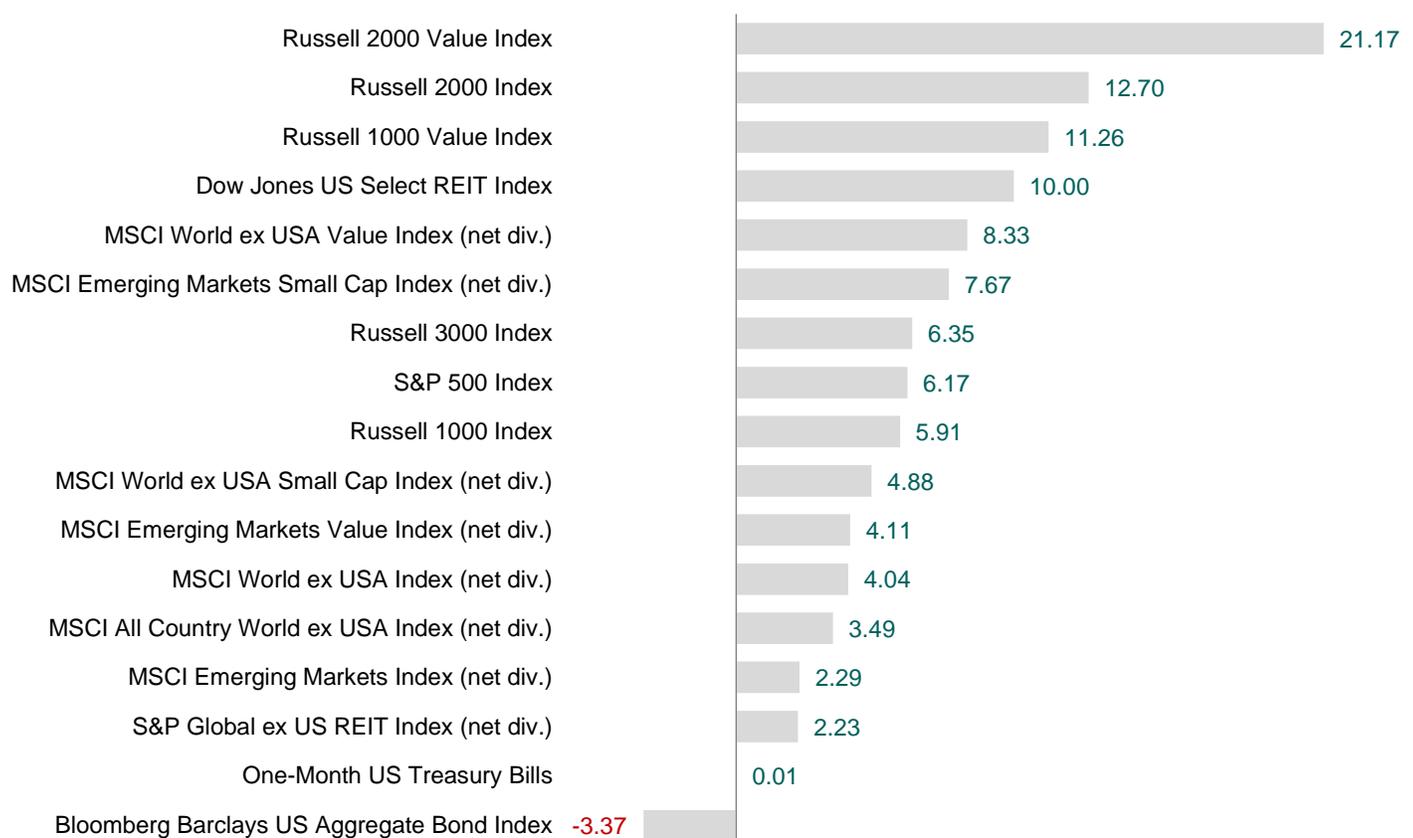
World Asset Classes

First Quarter 2021 Index Returns (%)

Equity markets around the globe posted positive returns in the first quarter. Looking at broad market indices, US and non-US developed markets outperformed emerging markets.

Value outperformed growth across regions. Small caps outperformed large caps across regions as well.

REIT indices outperformed equity market indices in the US and underperformed in non-US developed markets.



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US Stocks

First Quarter 2021 Index Returns

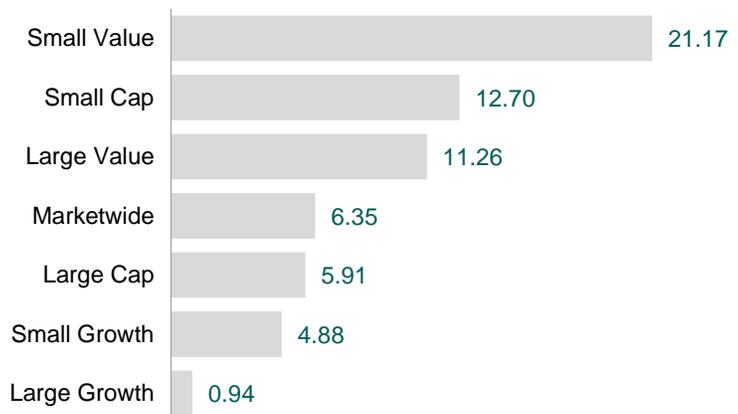
The US equity market posted positive returns for the quarter and outperformed non-US developed markets and emerging markets.

Value outperformed growth across large and small cap stocks.

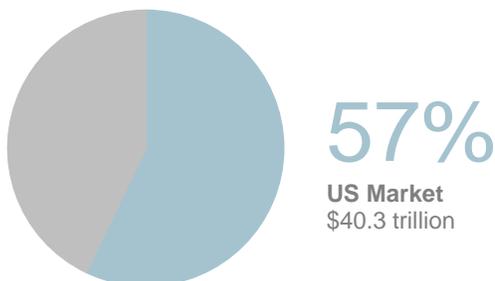
Small caps outperformed large caps.

REIT indices outperformed equity market indices.

Ranked Returns (%)



World Market Capitalization—US



Period Returns (%)

Asset Class	YTD	* Annualized			
		1 Year	3 Years*	5 Years*	10 Years*
Small Value	21.17	97.05	11.57	13.56	10.06
Small Cap	12.70	94.85	14.76	16.35	11.68
Large Value	11.26	56.09	10.96	11.74	10.99
Marketwide	6.35	62.53	17.12	16.64	13.79
Large Cap	5.91	60.59	17.31	16.66	13.97
Small Growth	4.88	90.20	17.16	18.61	13.02
Large Growth	0.94	62.74	22.80	21.05	16.63

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International Developed Stocks

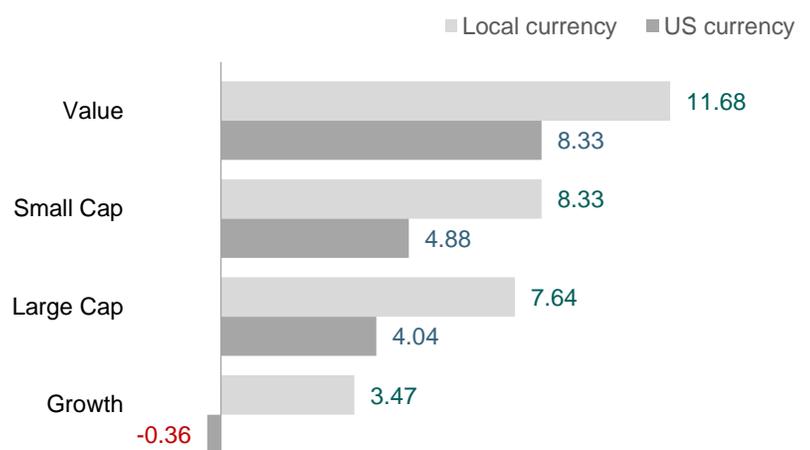
First Quarter 2021 Index Returns

Developed markets outside the US posted positive returns for the quarter, underperforming US equities but outperforming emerging markets.

Value outperformed growth.

Small caps outperformed large caps.

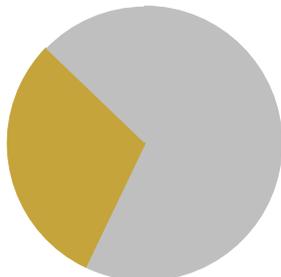
Ranked Returns (%)



World Market Capitalization— International Developed

30%

International
Developed Market
\$21.2 trillion



Period Returns (%)

* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Value	8.33	47.17	2.25	6.81	3.54
Small Cap	4.88	65.17	6.89	10.55	7.14
Large Cap	4.04	45.86	6.34	8.92	5.21
Growth	-0.36	43.55	10.02	10.72	6.69

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Emerging Markets Stocks

First Quarter 2021 Index Returns

Emerging markets posted positive returns for the quarter, underperforming the US and developed ex US equity markets.

Value outperformed growth.

Small caps outperformed large caps.

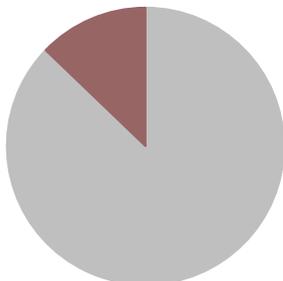
Ranked Returns (%)



World Market Capitalization— Emerging Markets

13%

Emerging
Markets
\$9.0 trillion



Period Returns (%)

* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Small Cap	7.67	87.13	5.19	9.59	3.33
Value	4.11	52.53	2.60	8.42	1.03
Large Cap	2.29	58.39	6.48	12.07	3.65
Growth	0.59	63.78	10.10	15.53	6.15

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Select Market Performance

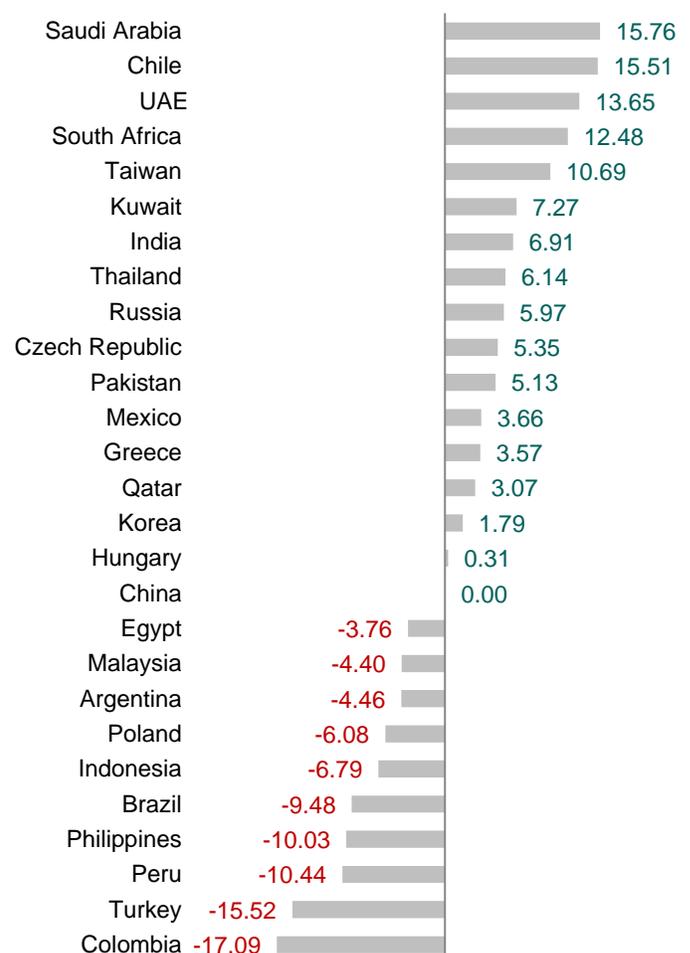
First Quarter 2021 Index Returns

In US dollar terms, the Netherlands and Austria recorded the highest country performance in developed markets, while New Zealand and Portugal posted the lowest returns for the quarter. In emerging markets, Saudi Arabia and Chile recorded the highest country performance, while Colombia and Turkey posted the lowest performance.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)



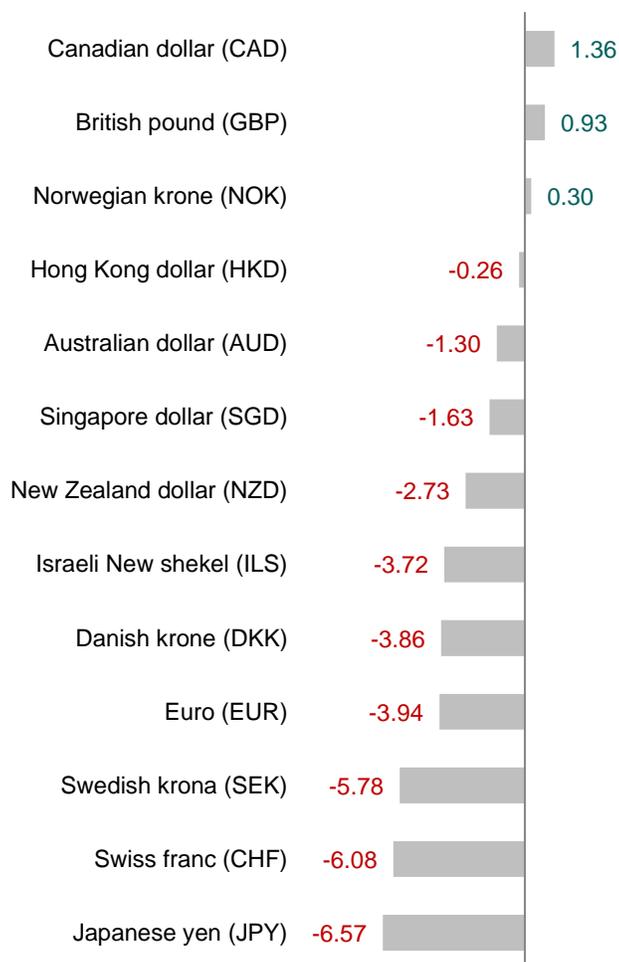
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Select Currency Performance vs. US Dollar

First Quarter 2021

In developed markets, most currencies depreciated versus the US dollar, except the Canadian dollar, British pound, and Norwegian krone. In emerging markets, most currencies depreciated versus the US dollar, but some, notably the Pakistani rupee, appreciated.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)



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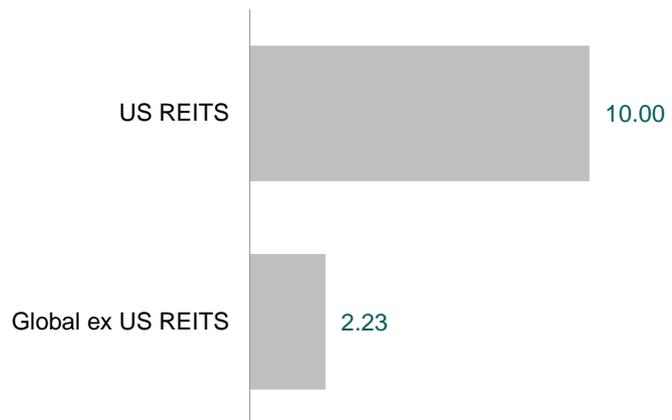
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Real Estate Investment Trusts (REITs)

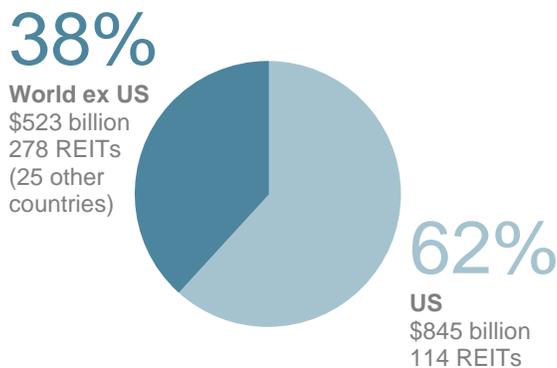
First Quarter 2021 Index Returns

US real estate investment trusts outperformed non-US REITs during the quarter.

Ranked Returns (%)



Total Value of REIT Stocks



Period Returns (%)

Asset Class	YTD	1 Year	* Annualized		
			3 Years*	5 Years*	10 Years*
US REITS	10.00	36.66	7.55	3.94	7.89
Global ex US REITS	2.23	36.18	2.12	2.92	4.74

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones and S&P data © 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

Commodities

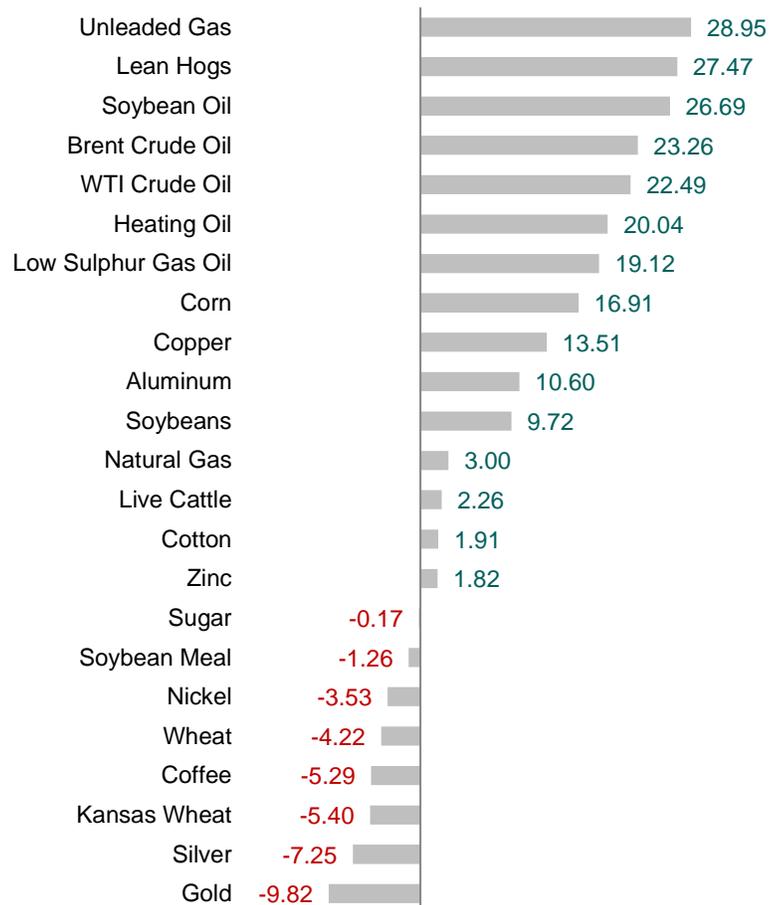
First Quarter 2021 Index Returns

The Bloomberg Commodity Index Total Return returned 6.92% for the first quarter of 2021.

Unleaded Gas and Lean Hogs were the best performers, returning 28.95% and 27.47%, respectively.

Gold and Silver were the worst performers, declining 9.82% and 7.25%, respectively.

Ranked Returns (%)



Period Returns (%)

* Annualized

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Commodities	6.92	35.04	-0.20	2.31	-6.28

Fixed Income

First Quarter 2021 Index Returns

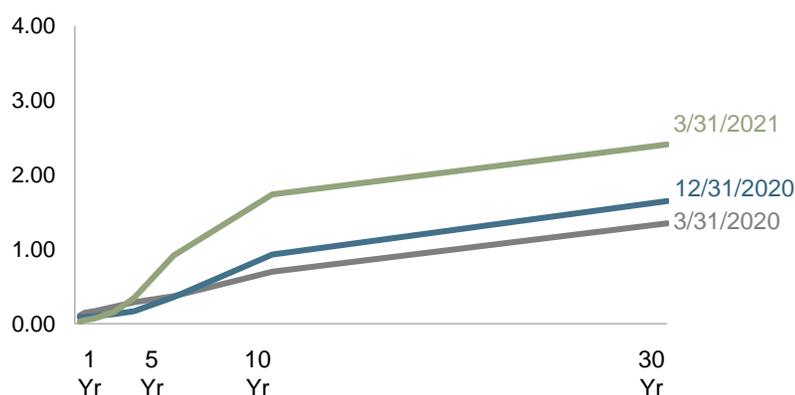
Interest rates generally increased in the US Treasury fixed income market during the first quarter. The yield on the 5-Year US Treasury note rose 56 basis points (bps), ending at 0.95%. The yield on the 10-Year T-note increased 81 bps to 1.74%. The 30-Year Treasury bond yield increased 75 bps to 2.39%.

On the short end of the curve, the 1-Month US Treasury bill yield decreased 3 bps to 0.05%, and the 1-Year T-bill yield fell 5 bps to 0.08%. The yield on the 2-Year US Treasury note climbed 6 bps to end at 0.15%.

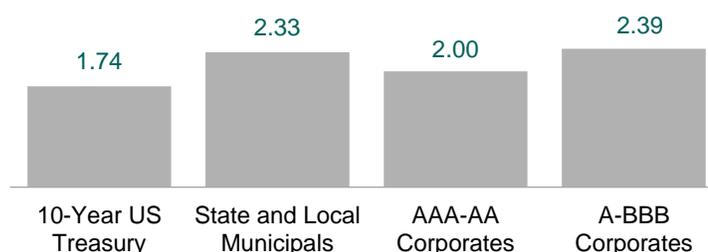
In terms of total returns, short-term corporate bonds declined 0.59%. Intermediate-term corporate bonds declined 2.19%.

The total return for short-term municipal bonds was flat, while intermediate-term municipal bonds lost 0.52%. Revenue bonds outperformed general obligation bonds.

US Treasury Yield Curve (%)



Bond Yields across Issuers (%)



Period Returns (%)

Asset Class	QTR	1 Year	3 Years*	*Annualized	
				5 Years*	10 Years*
Bloomberg Barclays US High Yield Corporate Bond Index	0.85	23.72	6.84	8.06	6.48
ICE BofA 1-Year US Treasury Note Index	0.07	0.17	2.14	1.52	0.92
ICE BofA US 3-Month Treasury Bill Index	0.03	0.12	1.49	1.19	0.63
Bloomberg Barclays Municipal Bond Index	-0.35	5.51	4.91	3.49	4.54
FTSE World Government Bond Index 1-5 Years (hedged to USD)	-0.36	0.57	2.88	2.05	1.96
Bloomberg Barclays US TIPS Index	-1.47	7.54	5.68	3.86	3.44
FTSE World Government Bond Index 1-5 Years	-2.39	3.20	1.29	1.43	0.09
Bloomberg Barclays US Aggregate Bond Index	-3.37	0.71	4.65	3.10	3.44
Bloomberg Barclays US Government Bond Index Long	-13.39	-15.60	5.84	3.17	6.30

One basis point (bps) equals 0.01%. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA US Corporates, BBB-A rated. Bloomberg Barclays data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (S&B) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). FTSE fixed income indices © 2021 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2021 ICE Data Indices, LLC. S&P data © 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

Global Fixed Income

First Quarter 2021 Yield Curves

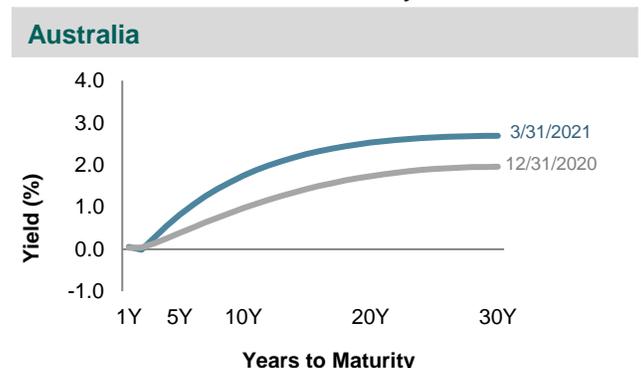
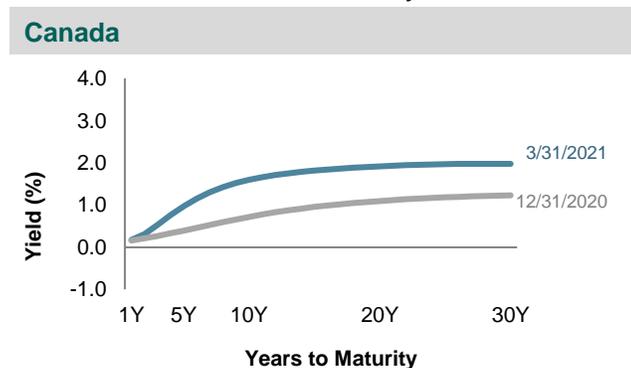
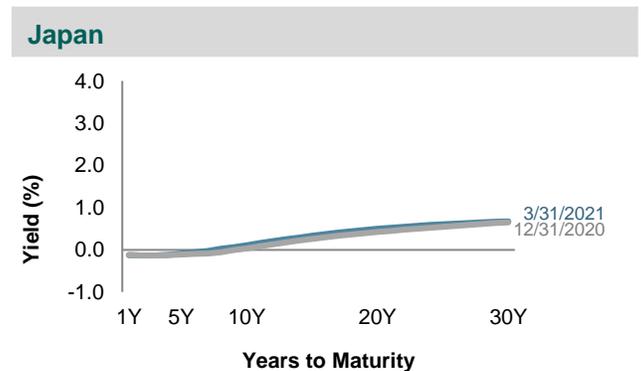
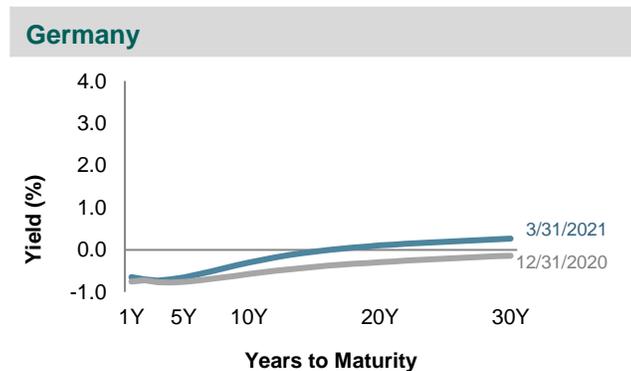
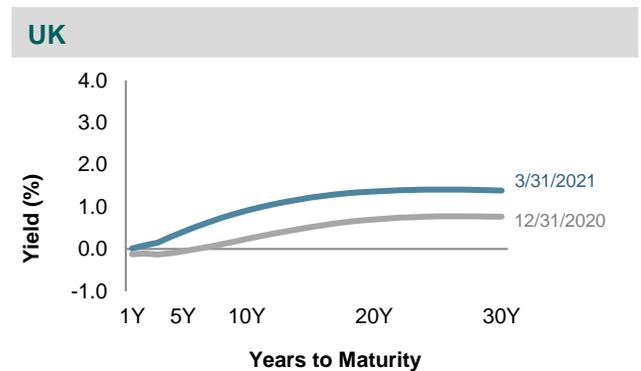
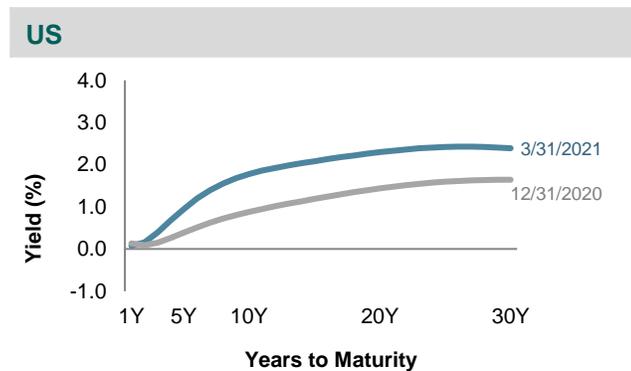
Government bond yields generally increased in the global developed markets for the quarter.

Longer-term bonds generally underperformed shorter-term bonds in developed markets.

Short- and intermediate-term nominal interest rates were negative in Japan and Germany.

Changes in Yields (bps) since 12/31/2020

	1Y	5Y	10Y	20Y	30Y
US	-4.7	56.1	89.6	86.0	74.9
UK	13.9	46.2	67.6	66.5	62.2
Germany	10.6	10.6	27.5	39.7	40.4
Japan	-1.0	2.5	7.6	7.8	2.7
Canada	1.7	57.8	88.3	82.3	74.7
Australia	2.9	43.2	76.9	79.5	73.2



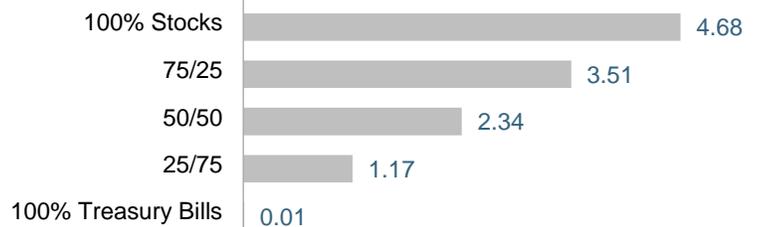
One basis point (bps) equals 0.01%. Source: ICE BofA government yield. ICE BofA index data © 2021 ICE Data Indices, LLC.

Impact of Diversification

First Quarter 2021

These portfolios illustrate the performance of different global stock/bond mixes and highlight the benefits of diversification. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

Ranked Returns (%)

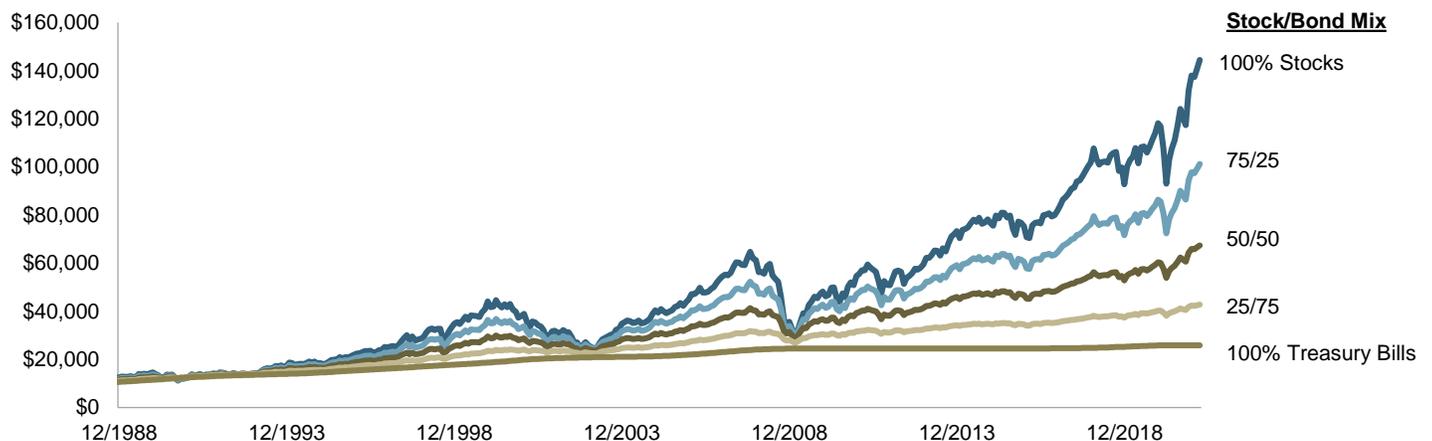


Period Returns (%)

* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*	10-Year STDEV ¹
100% Stocks	4.68	55.31	12.66	13.81	9.73	14.07
75/25	3.51	39.64	10.05	10.71	7.57	10.55
50/50	2.34	25.27	7.29	7.55	5.31	7.03
25/75	1.17	12.11	4.38	4.33	2.97	3.51
100% Treasury Bills	0.01	0.08	1.35	1.07	0.55	0.23

Growth of Wealth: The Relationship between Risk and Return



1. STDEV (standard deviation) is a measure of the variation or dispersion of a set of data points. Standard deviations are often used to quantify the historical return volatility of a security or portfolio.

Diversification does not eliminate the risk of market loss. **Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect expenses associated with the management of an actual portfolio.** Asset allocations and the hypothetical index portfolio returns are for illustrative purposes only and do not represent actual performance. Global Stocks represented by MSCI All Country World Index (gross div.) and Treasury Bills represented by US One-Month Treasury Bills. Globally diversified allocations rebalanced monthly, no withdrawals. Data © MSCI 2021, all rights reserved. Treasury bills © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).