TELEMUS MONTHLY COMMENTARY
June 2021

PERSPECTIVE

There was a pronounced shift in the market as many of the trends that played out during the first five months of the year began to reverse. After climbing since the election, long-term interest rates reversed course as the 10-year Treasury yield fell. Conversely more hawkish indications out of the Fed around the timing of interest rate increases lifted rates on the shorter end of the yield curve. Among stocks, growth returned with a vengeance as investors rotated out of economically cyclical stocks that are poised to benefit from a recovery. Commodities, which have been one of the standout stories for the year thus far, began to experience some resistance as some construction-oriented materials began to soften a bit during the month. While preferences clearly shifted, the primary market influences such as inflation, rising interest rates, and cyclical recovery remain front and center. At this point the long-term picture around an economic resurgence seems clearer than the near-term path in how the recovery transpires. Investors should remain focused on long-term trends, rather near-term shifts in tactical positioning.

SLEEVE COMMENTARY

GROWTH

Stock prices rose for the fifth straight month as the S&P 500 gained +2.3%. There was a notable shift in positioning as growth stocks returned to favor, with value stocks selling off. This shift accelerated mid-month after the Federal Reserve indicated that interest rates may begin to rise in 2023, earlier than previously forecast. This led some to conclude that the Fed may keep inflation under control and thus excitement for owning economically sensitive value stocks waned.

At the sector level, technology returned to favor as the best performing sector within the S&P 500. Energy was also a top performer as oil prices continued to rally. The worst performing sectors were materials and financials, which are more economically sensitive.

Small Cap experienced more volatile price movements, although returns ended up comparable to large, with the Russell 2000 appreciating +1.9%

International returns were varied. Developed markets, as measured by the MSCI EAFE, fell -1.1%. Emerging market equities experienced a modest gain of +0.2%.

INCOME

Bond markets were heavily influenced by updated projections by the Federal Reserve. The led to a flattening of the yield curve as intermediate term interest rates rose, while longer term rates fell.

Given that bond prices move opposite the direction of interest rates, this had the effect of driving returns on shorter dated bonds negative, while long tenor bonds appreciated in price. The broader bond market, as measured by the Bloomberg Barclays U.S. Aggregate Index, ended up with a positive return of +0.7%.

Corporate bonds outpaced both Treasuries and mortgage backed securities, as the higher yield associated with these bonds helped to drive the better outcome.

High yield bonds continued to outpace the broader bond market, gaining +1.3%. Strong demand for yield resulted in a decrease in rates for high yield bonds.

Municipal bonds generated a positive return of 0.3%. Even though yields on municipal bonds remain at historic lows, relative to Treasuries, investors continue to allocate to the asset class.

DIVERSIFIER

Diversifying investments generally returned positive results, outside of precious metals. The Philadelphia Stock Exchange Gold/Silver Index dropped -13.9%. Gold had been climbing but reversed course following the Federal Reserve's updated forecasts.

Commodities continued to climb higher with the Bloomberg Commodity Index returning +1.9%. The price of crude oil, which was up +11.4%, helped to drive the index higher. Lumber and copper, which had seen outsized gains in prior months, experienced a pullback.

Public real estate assets climbed higher, as the MSCI World Real Estate Index lifted +2.0%.

The dollar appreciated +2.7% in June. Revised projections out of the Fed that indicated higher rates were on the horizon resulted in the dollar being viewed more attractively relative to other global currencies.

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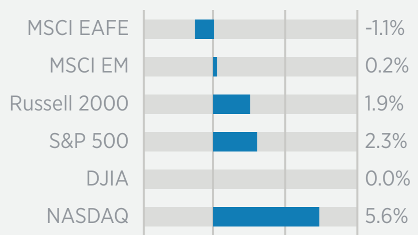
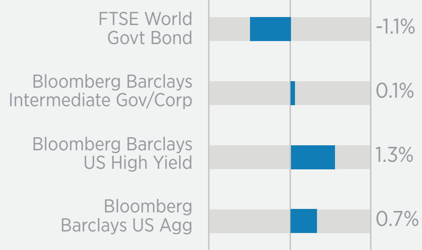
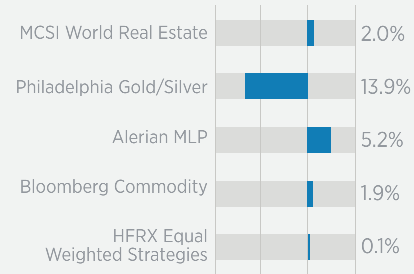
EQUITY INDEX RETURNS



BOND INDEX RETURNS



ALTERNATIVE RETURNS



ECONOMIC BACKDROP

	POSITIVES	NEGATIVES
UNITED STATES	• The number of job openings hit record levels. • Consumer sentiment continues to strengthen. • Manufacturing activity, as measured by the Markit US Manufacturing PMI, hit a new record in June. • The median home price is at an all-time high.	• The Consumer Prices Index increased more than expected, with annualized inflation now at 5.0%. Supply demand imbalances in select items like used cars and rental cars fueled the monthly increase in prices. • The unemployment rate dipped below 6%, yet job placement remains below expectations.
DEVELOPED INTERNATIONAL	• The European Central Bank increased its 2021 forecasts for growth (GDP) and inflation. • Jobless claims in the UK continue to fall, as the unemployment rate fell to 4.7%. • Consumer confidence continues to rebound in Europe.	• Retail sales in Canada fell over -7% in the past month. • Manufacturing activity in Japan exhibited signs of contraction. • Unemployment in Canada edged higher in response to weak hiring among manufacturers.
EMERGING MARKETS	• Exports out of India are near record high levels. • Strong exports have pushed South Africa into a current account surplus, the first time since early this century. • Exports out of Brazil are at record high levels.	• Consumer confidence in India hit an all-time low. • Brazil raised its interest rate by 0.75%, as its central bank is working to tame inflationary pressures. • Retail sales in China have fallen off as credit remains tight and consumption is down. • After cutting rates in February, rising inflation drove Mexico's central bank to raise interest rates in June.

INVESTMENT COMMITTEE POSITIONING

	UNDERWEIGHT	NEUTRAL	OVERWEIGHT	
GROWTH		■		Improving economic conditions, excess liquidity and lower expected returns in other asset classes are likely to be supportive for equity prices.
DOMESTIC			■	Given proactive fiscal and monetary stimulus measures within the United States, we expect stronger economic conditions in the U.S. versus the rest of the world. This leaves us overweight U.S. stocks.
INTERNATIONAL	■			We see a growing disparity in how countries are responding to the pandemic and corresponding economic recovery. On balance we remain more cautious of international markets in general, although we have become more constructive on the long-term opportunity within emerging markets.
INCOME		■		The prospect of rising rates is likely to keep bond returns in check. Central bank intervention in managing rates is likely to put a ceiling on how high long-term rates might go. As such we remain neutral on the asset class.
DIVERSIFIER	■			Higher correlations across asset classes and a lack of attractive broad-based return opportunities leaves us less constructive on diversifying investments at this time.
CASH		■		The limited return expectation for cash is balanced by its low risk profile.

PORTFOLIO REVIEW

As vaccination rates have increased there is growing confidence in a return to a normalized lifestyle and economic conditions. Fiscal and monetary policies remain highly stimulative, although we expect less incremental actions going forward. The degree of stimulus remaining in the economy should be supportive to the economy and asset prices. While we take comfort in what is becoming a more optimistic economic scenario, markets have to a large extent priced in these improving conditions. This in concert with the increasing likelihood of less incremental stimulus is likely to result in a moderation of returns during the remainder of 2021. We do believe thee are pockets of dislocation in the market, which provides for opportunities to be garnered for security selection decisions.

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The S&P 500 index includes 500 leading companies in the US and is widely regarded as the best single gauge of large-cap US equities. The Dow Jones Industrial Average (DJIA) is a widely-watched benchmark index in the U.S. for blue-chip stocks; it is a price-weighted index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange and the NASDAQ. The Nasdaq Composite Index is a large market-cap-weighted index of more than 2,500 stocks, American depositary receipts (ADRs), and real estate investment trusts (REITs), among others. The Russell 2000 index measures the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index. . The MSCI Emerging Markets Index captures over 1,300 large- and mid-cap securities across 27 Emerging Markets (EM) countries and five world regions. The MSCI EAFE Index, referenced in this article as the "International Developed Market Index," is an equity index which captures large- and mid-cap representation across 21 Developed Markets countries around the world, excluding the US and Canada. With 876 constituents, the index covers approximately 85% of the free float adjusted market capitalization in each country. The MSCI World Real Estate Index is a free float-adjusted market capitalization index that consists of large and mid-cap equity across 23 Developed Markets (DM) countries. All securities in the index are classified in the Real Estate Sector according to the Global Industry Classification Standard (GICS®). The FTSE World Government Bond Index (WGBI) is a broad index providing exposure to the global sovereign fixed income market, it measures the performance of fixed-rate, local currency, investment-grade sovereign bonds. The WGBI is a widely used benchmark that currently includes sovereign debt from over 20 countries, denominated in a variety of currencies, and has more than 30 years of history available. The Bloomberg Barclays US Aggregate Bond is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The Bloomberg Barclays US Mortgage Backed Securities (MBS) Index tracks fixed-rate agency mortgage backed passthrough securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The Bloomberg Barclay's Municipal bond index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds. The Philadelphia Stock Exchange Gold/Silver Index (XAU) is a capitalization-weighted index composed of companies involved in the gold or silver mining industry. Bloomberg Commodity Index (BCOM) is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification. The Alerian MLP Index is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX). The HFRX Equal Weighted Strategies Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The HFRX Equal Weighted Strategies Index applies an equal weight to all constituent strategy indices. The Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions, as viewed by purchasing managers, are expanding, staying the same, or contracting. It is based on a monthly survey of supply chain managers across 19 industries, covering both upstream and downstream activity. The Consumer Price Index (CPI) measures the performance of US inflation (not seasonally adjusted) which is the rate of change of consumer goods prices. The data is from Bureau of Labor Statistics. The value of the current month CPI is estimated by the average value of the previous two months CPI.