



PERSPECTIVE

Returns were generally positive across most asset classes during May. During the month, the market swung from concerns that inflationary pressure would lead to tighter monetary policies, to positivity around the pace of economic recovery. Increased speculation ensued around when the Fed may begin to take steps to reduce its accommodative policies. Volatility declined throughout the month and those assets where there was the greatest concern around a potential bubble generally saw some modest reversion in price. As we exited May, markets became more tranquil as it appears investors are in a holding pattern awaiting more confirmation on the sustainability of recent inflation spikes and any corresponding reaction from the Federal Reserve.

SLEEVE COMMENTARY

GROWTH

Stock returns were mildly positive with the S&P 500 advancing +0.7%. Returns were strongest among more economically sensitive sectors such as energy, materials, and financials.

Value stocks returned to favor, with growth indices registering modest declines on the month.

Small cap stocks trailed their larger cap brethren, with the Russell 2000 gaining +0.2%. Small caps had lagged by a more meaningful amount early in the month, before finishing on an uptrend.

International stocks outpaced U.S. equities. Developed markets posted the strongest gains, as the MSCI EAFE was up +3.3%. Outside of the U.S., there was less divergence amongst growth and value stocks.

Emerging markets gained +2.3%. Returns were strongest in China, where other parts of Asia were up less. Performance among Latin America economies were also strong.

INCOME

Activity in the bond market was fairly muted during May. Interest rates were little changed, although there was a slight decline in yields across the curve.

The Bloomberg Barclays U.S. Aggregate index was up +0.2%. Returns were strongest among corporate bonds, whose higher relative yields proved additive to results. Performance among taxable bonds generally followed the slope of the yield curve as intermediate and longer dated maturities outpaced shorter term bonds.

The lone negative performer was mortgage backed securities. The Bloomberg Barclays U.S. MBS index retreated by -0.2%. The spread or difference in yield between agency mortgages and Treasuries widened during the month, leading to the slight decline in price.

Municipal bonds remain in high demand. Yields finished near their starting point, but in comparison to Treasuries continue to trade at relatively high prices. The Bloomberg Barclay's Municipal bond index finished the monthly +0.3% higher.

DIVERSIFIER

Diversifying investments were largely additive to total returns.

Having been pressured for much of the year, gold broke out. The Philadelphia Stock Exchange Gold/Silver index rose +15.4%.

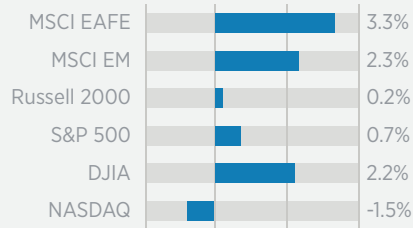
Returns to commodities remained positive but decelerated from April. The Bloomberg Commodity index was up +2.7%. Results were mixed across commodities. Oil and copper saw gains, while others such as lumber, iron ore and corn experienced a minor pullback.

The combination of stronger oil prices and declining inventories of crude led to strong gains for pipelines. The Alerian MLP index rallied +7.6%.

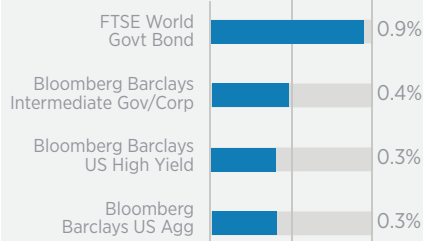
Returns to real estate continued to trend higher. The Dow Jones U.S. Select REIT index appreciated by +0.9%.

The dollar was pressured, depreciating by -1.4%. Currencies such as the Chinese Yuan and British Pound appreciated versus the dollar.

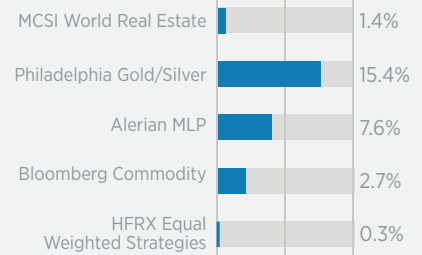
EQUITY INDEX RETURNS



BOND INDEX RETURNS



ALTERNATIVE RETURNS



ECONOMIC BACKDROP

POSITIVES

NEGATIVES

UNITED STATES

- Consumer spending remained strong, growing 0.5%.
- Initial jobless claims continued to decelerate reaching pandemic lows.
- Home prices appreciated 13.2% over the past year.

- A variety of Inflation indicators showed the pace of price increases accelerating well ahead of the Fed's long-term target.
- Housing starts began to level off due to supply chain challenges and labor constraints.

DEVELOPED INTERNATIONAL

- The U.K.'s annualized rate of inflation accelerated to 1.5%, up from 0.7% the prior month.
- Eurozone manufacturing activity remains at elevated levels.
- Japanese exports are now 10% above pre-covid levels.







- Japan's economy shrank by 1.3% as a second state of emergency associated with COVID-19 drove the slowdown.
- Inflation readings in Japan have returned to negative territory.

EMERGING MARKETS

- Brazilian exports have surged in recent months to 10-year highs.
- After dipping earlier in the year, China's pace of manufacturing activity is starting to rebound.

- The rate of recovery in Mexico's manufacturing activity remains stubbornly slow.
- The rebound in Chinese retail sales trails that of the U.S. and some other developed economies.

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 strong 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 maintain a neutral stance 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 vaccinations rates have increased there is increasing conviction that as 2021 continues to progress there will be a gradual return toward normal lifestyle and economic conditions. Fiscal and monetary policies remain highly stimulative, which 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. Therefore, we expect a moderation of returns in 2021. As the recovery continues to play out, pockets of dislocation are likely to appear with an opportunity for security selection to benefit from the variability in returns along the way.



TELEMUS®

Enrich your life. Enjoy your wealth.

PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS. This market commentary is a matter of opinion and is for informational purposes only. It is not intended as investment advice and does not address or account for individual investor circumstances. Investment decisions should always be made based on the client's specific financial needs, goals and objectives, time horizon and risk tolerance. The statements contained herein are based solely upon the opinions of Telemus Capital, LLC. All opinions and views constitute our judgments as of the date of writing and are subject to change at any time without notice. Information was obtained from third party sources, which we believe to be reliable, but not guaranteed.

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 depository 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 FTSE World Government Bond Index (WGBI) 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 Dow Jones U.S. Select REIT Index (a subset of the Dow Jones U.S. Select Real Estate Securities Index (RESI)) tracks the performance of publicly traded REITs and REIT-like securities and is designed to serve as a proxy for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate.

Any reference to an index is included for illustrative purposes only, as an index is not a security in which an investment can be made. Indices are unmanaged vehicles that serve as market indicators and do not account for the deduction of management fees and/or transaction costs generally associated with investable products. The holdings and performance of Telemus client accounts may vary widely from those of the presented indices. Advisory services are only offered to clients or prospective clients where Telemus and its representatives are properly licensed or exempt from licensure. No advice may be rendered by Telemus unless a client service agreement is in place. All composite data and corresponding calculations are available upon request.