Market Review and Outlook
March 31, 2021

vectors
research
management,llc

Market Environment
March 31, 2021

- **Economic**
  - Vaccine distribution and administration is well under way. Spring has sprung and reopening in the US is accelerating, and the recent fiscal package of cash payments including $1,400 checks and enhanced unemployment payments is being made.
  - Reopening momentum will spur a boost in activity, as is well expected, however the reopening is causing the beginning of a fourth wave in the US while Europe shuts down again amid a resurgence and slow vaccine rollout. India and Brazil have significant pandemic issues.
  - The year end 2020 fiscal package provided a significant, but short term pop in activity that quickly receded. We will see if the recent, larger package, will be more lasting amid broader reopening, vaccinations, and better weather.
  - Recent economic strength is evident in manufacturing amid an inventory rebuild, housing amid continued suburban migration and upsizing to accommodate work/school at home, and to consumer spending. Savings and paying down debt has also been noticeable.
  - Input costs including commodities and raw materials, freight and transportation, manufacturing and operating, and employment have risen significantly, and companies are beginning to pass those costs along to increased final prices and fewer discounts.
  - Oil prices are holding around $60, lumber is at record highs, home prices are up over 10% YOY with limited supply.
  - Employment recovery has not yet been robust, expectations are that the reopening economy, particularly in travel, hospitality and restaurants will add rapidly to payrolls. In the meantime, additional unemployment compensation will provide income.
  - Expectations are for robust economic growth, near 6-8%, as the year progresses amid vaccines and reopening.
- **Policy**
  - The Fed will hold interest rates near zero for the foreseeable future and continue purchasing $40B MBS and $80B Treasuries per month.
  - Record Government and corporate debt is being issued. Treasury is issuing $300B – $400B per month.
  - The $1.9T fiscal package has passed and begun to roll out, bringing total to $5.5T, with yet another $2.3T being preposed.
- **Markets**
  - Longer term interest rates rose 30 basis points in March and 80 basis points YTD amid US Government debt issuance and increased expectations for higher economic growth and inflation. Rate moves are directly impacting growth stocks.
  - Long term bonds fell in price, while Short-Term Treasury Inflation Protected Securities and High Yield bonds continued to perform well.
  - Volatility has recently returned to the equity markets amid shifting market leadership, with Banks Industrials, and Energy leading the way while technology and other high flyers have corrected. Value and equal weight S&P have outperformed growth market weighted indices.
  - There was an element of safety as Utilities performed well and attracted capital from growth and riskier assets.
  - The correction in risky assets and the rotation from "growth" to "value" has been so significant, relative value has returned closer to equilibrium across sectors and securities.

Market Outlook
March 31, 2021

- As the economy is poised to grow, with the lower side of the K expected to recover amid vaccinations, reopening and better weather, it will be interesting to see how much of the pandemic adopted behavior remains, and how much previous activity returns.
- Markets are fully expecting a broad based 6-8% rate of economic growth and we are starting to see evidence as the accelerating pace of reopening brings additional workers, as evidenced by the long awaited significant jump (+916k) in payrolls in March.
- The S&P 500 continues to march to new record highs with a PE of 33, while the speculative and high-flyers have receded a bit.
- Longer term interest rates have risen to pre pandemic levels while short term rates remain near zero.
- The rebalancing of the market sectors over the past six months or so has brought greater equilibrium in relative value, albeit at extremely high absolute valuations.
- This is due largely to excessively stimulative Monetary and Fiscal Policies that have brought forward much future growth.
- Moving forward, Government borrowing, economic growth and inflation will push longer term rates higher, which may help temper rate sensitive economic sectors such as housing, which is running hot with over 10% price gains last year and little inventory for sale.
- We feel the Fed will be perfectly happy with rising long-term rates to temper activity as the market does the Feds work for it but will stay the course on communicating easy policy until inflation and employment goals are met.
- Energy and Banks have led market returns after being significant laggards during the pandemic and remain in a strong position.
  - Energy is benefitting from a major adjustment in supply/demand balance as production was reduced and demand came back online in manufacturing, increased driving, and in anticipation of a reopened society, including air travel.
  - Higher energy, raw materials and other input costs have boosted inflation expectations which, in conjunction with massive Treasury issuance pushed up long term rates, benefitting banks, who retain strong balance sheets with lower than expected credit losses.
- As previously discussed, manufacturing will likely exhibit continued growth amid onshoring of supply chains and growth in logistics, new technology, including alternative energy, electric vehicles, efficient operations and transportation of goods and services.
- Continued growth in core consumption in staples, nondiscretionary and discretionary spending will continue.
- Many economic challenges continue to lie ahead while market optimism and investor sentiment is quite high.
- Despite high current valuations, asset prices may move higher in this environment, along with interest rates, perhaps pushing the S&P 500 to 5,000 (likely driven by broader participation), and 10 year treasury yields to 2.25% over the next few quarters.

Investment Strategy
March 31, 2021

- A recent adjustment to market valuations, with pandemic induced downtrodden sectors such as Energy, Banks, and Industrials making a strong recovery, and high-flyers such as Tech and speculative assets correcting, markets have moved closer to equilibrium from a relative value perspective, albeit at very high absolute valuations.
- The excessive monetary and fiscal stimulus, along with vaccinations, reopening, and warmer weather is providing a foundation for relatively robust near-term economic growth.
- Speculative assets remain very richly priced, while there is potential for broader economically sensitive value and innovative growth sectors and companies to do well.
- Continued themes of onshoring of supply chains and new technology will push growth allocations, while income producing value companies in banking, industrial, energy, and utility sectors will occupy core equity and corporate bond allocations.
- Fixed income allocations will continue to defend against interest rate sensitive longer-term bonds, while looking to generate income in shorter term securities across the range of sectors and quality and will include adjustable and fixed rate corporate, mortgage, Treasury and Inflation protected securities, and High Yield corporate where appropriate.
- As the year progresses, higher interest rates, a growing debt burden, and the expiration of current economic stimulus provides risk of decelerating economic activity. Rates could reach 2.25%, and S&P 500 could rise 20%, with a real risk of a 20% correction.
- While significant progress has been made against the pandemic, resurgence of the coronavirus amid reopening and continued shutdowns around the world will continue to provide headwinds to global economic growth.
- As we move through the year, the next discussion on the fiscal front will include increased tax burdens, which will detract from economic growth and corporate and individual profitability.
- The portfolio growth and income strategy will focus on income as a key source of return via bond income and equity dividends and focus its growth and capital appreciation allocation toward the technology sector, and the evolution of technology as it applies to consumer behavior, industry, health care, and the overall economy.
- The portfolio will be continuously aware of potential risks given continued high market valuations and a nirvana market sentiment. Risks include higher interest rates, lack of global vaccination, emerging market failure, geopolitical risk, tax rate hikes, subpar employment growth, post stimulus letdown.

Market Review

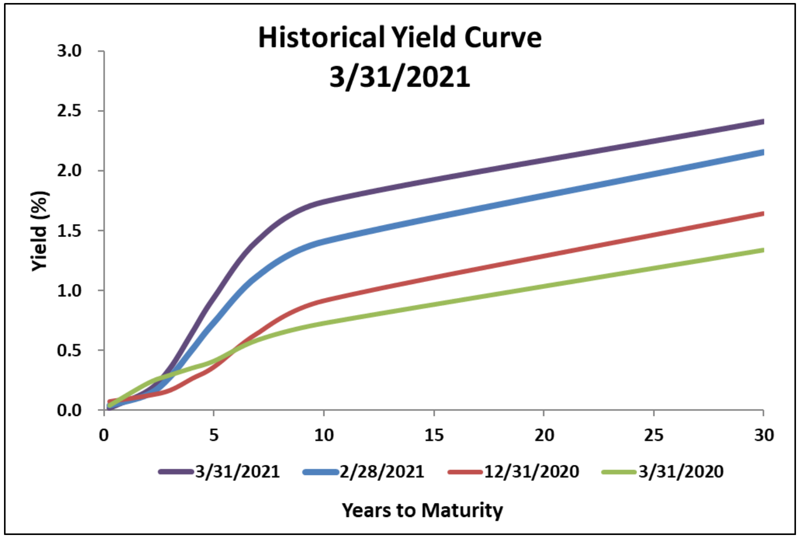
S&P 500 – March 31, 2021

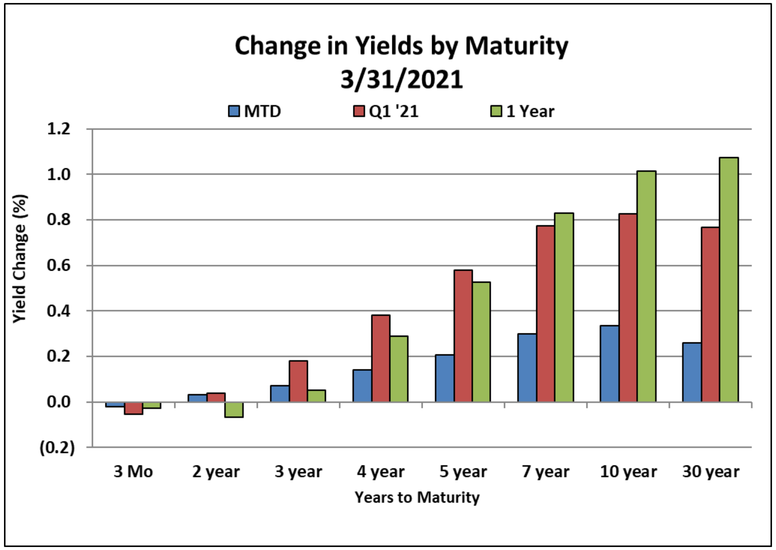
vectors research management llc

Market Review

Yield Curve – March 31, 2021

- Interest rates have risen back to their pre pandemic levels amid significant increased debt issuance, economic growth and rising inflation expectations.
- Short term rates remain near zero as the Fed is committed to an accommodative policy stance including holding short rates at zero for the foreseeable future and maintaining bond purchases.
- The yield curve continues to steepen with long and intermediate term rates rising more than short term rates as the government issues $300 - $400 billion per month in new debt.



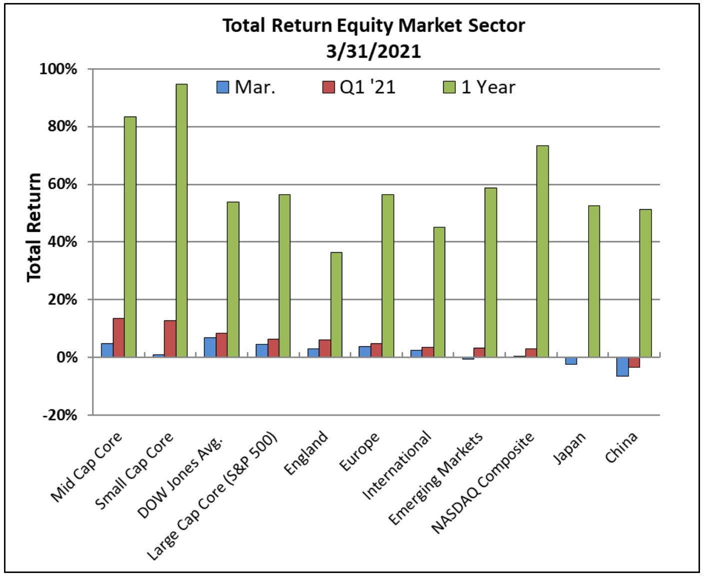


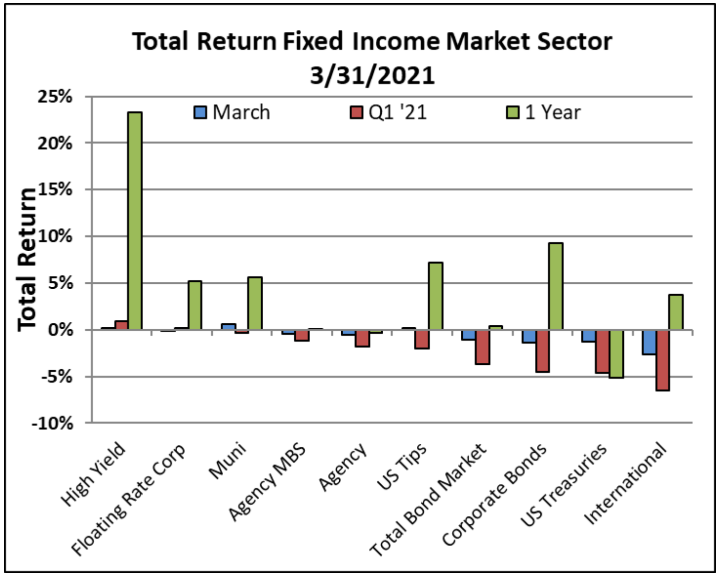
vectors research management llc

Market Review

March 31, 2021

- US Domestic equities led global markets higher as the US leads in economic recovery through broader vaccination and reopening, while Europe, Emerging Markets, and others struggle with vaccination and reimpose lockdowns.
- Riskier assets have corrected somewhat, while broader economically sensitive sectors performed well.
- Interest rates continue to rise, which provided negative returns in treasuries and longer-term corporates. The total bond market was down -3.7% for Q1.
- High Yield and Floating rate bonds led fixed income through income and lack of interest rate risk. Tips performed well, particularly shorter maturities, as inflation expectations rose.



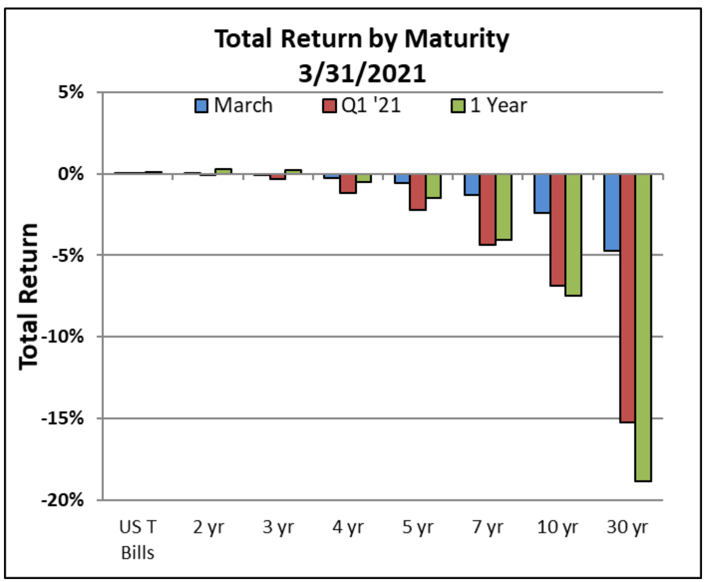


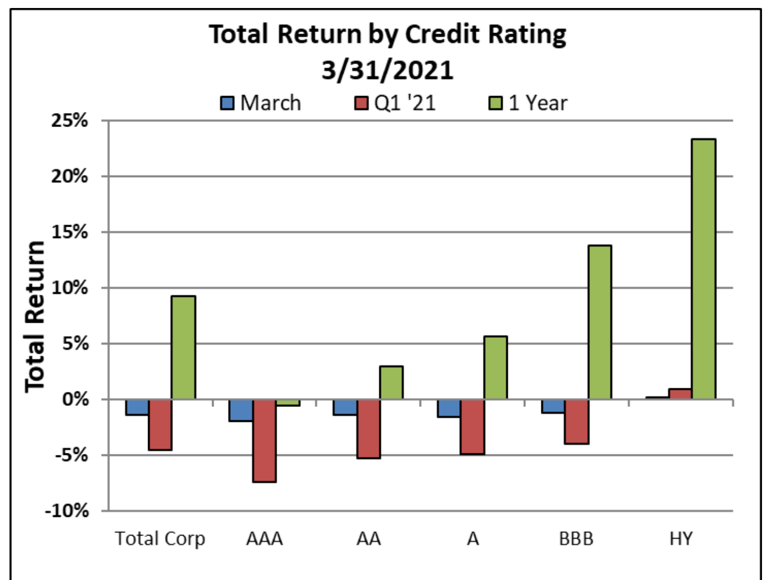
vectors research management llc

Market Review

Yield Curve and Credit Rating Returns – March 31, 2021

- Total returns on Treasuries in March have been negative as rising rates push prices down, with longer maturities having greater sensitive to interest rates falling the most.
- Investment grade corporate bonds fell as price declines offset income, while High Yield generated enough income to offset price declines.
- Longer term securities are still vulnerable if rates continue to rise amid massive issuance and rising inflation, including longer term corporate bonds given relatively narrow yield spreads.



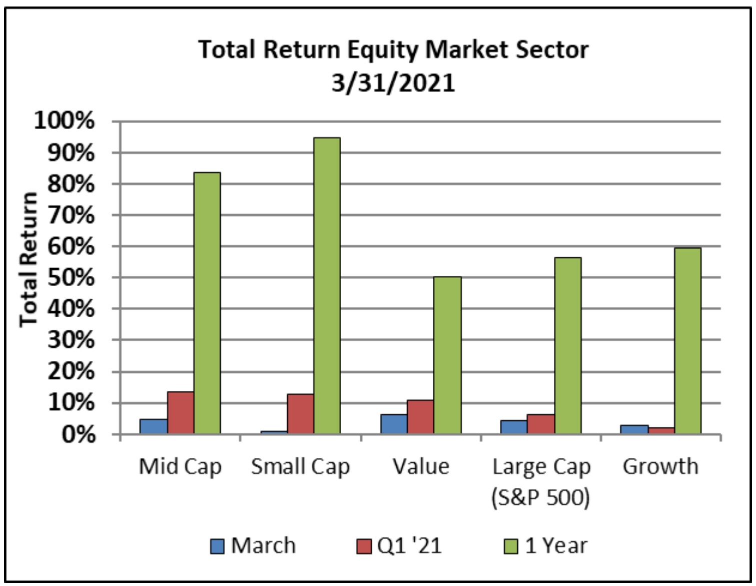


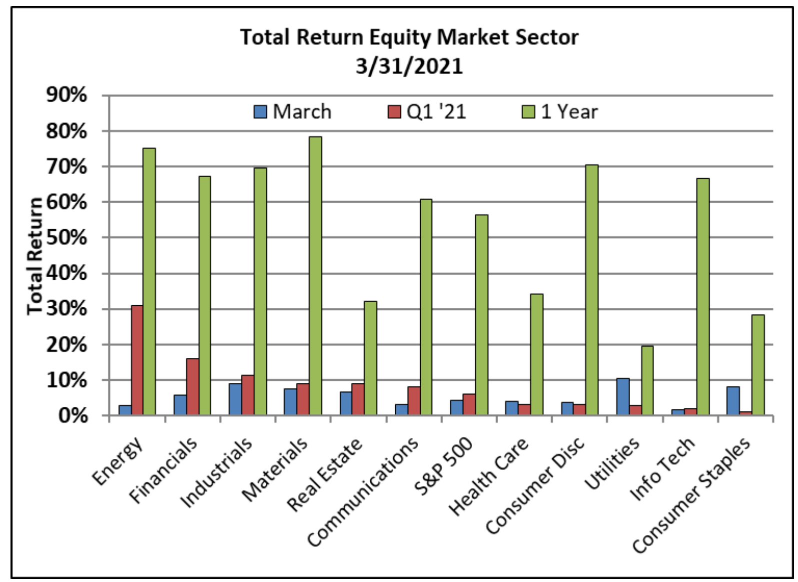
vectors research management llc

Market Review

Equity Market Returns – March 31, 2021

- Mid Cap stocks lead in Q1, with value continuing to gain ground over growth.
- Energy, Banks, Industrials have led the way so far in 2021, and Utilities and staples led the way in March as a retreat to safety and income. Tech lagged and other riskier assets corrected.
- The relative value gap closed as fundamentals drove economically sensitive (value) stocks, while higher interest rates negatively impacted growth and technology stocks.



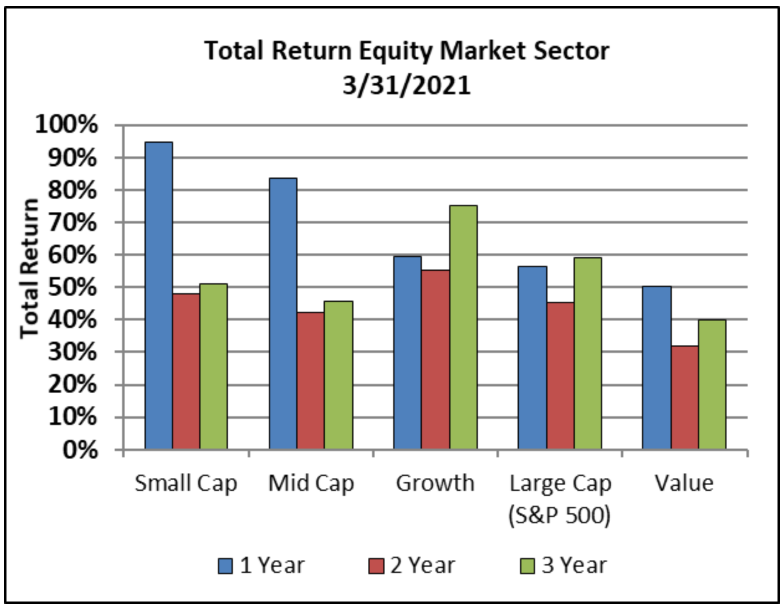


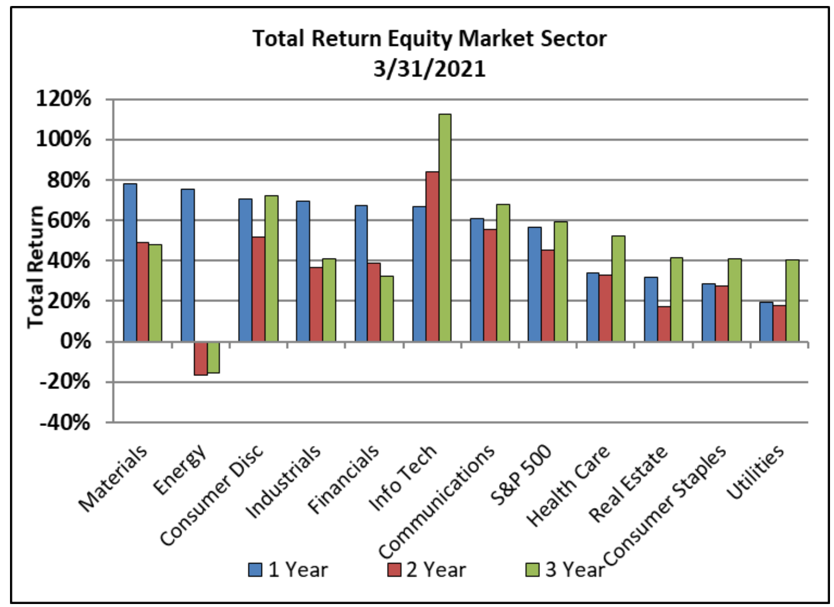
vectors research management llc

Market Review

Equity Market Returns – March 31st, 2021

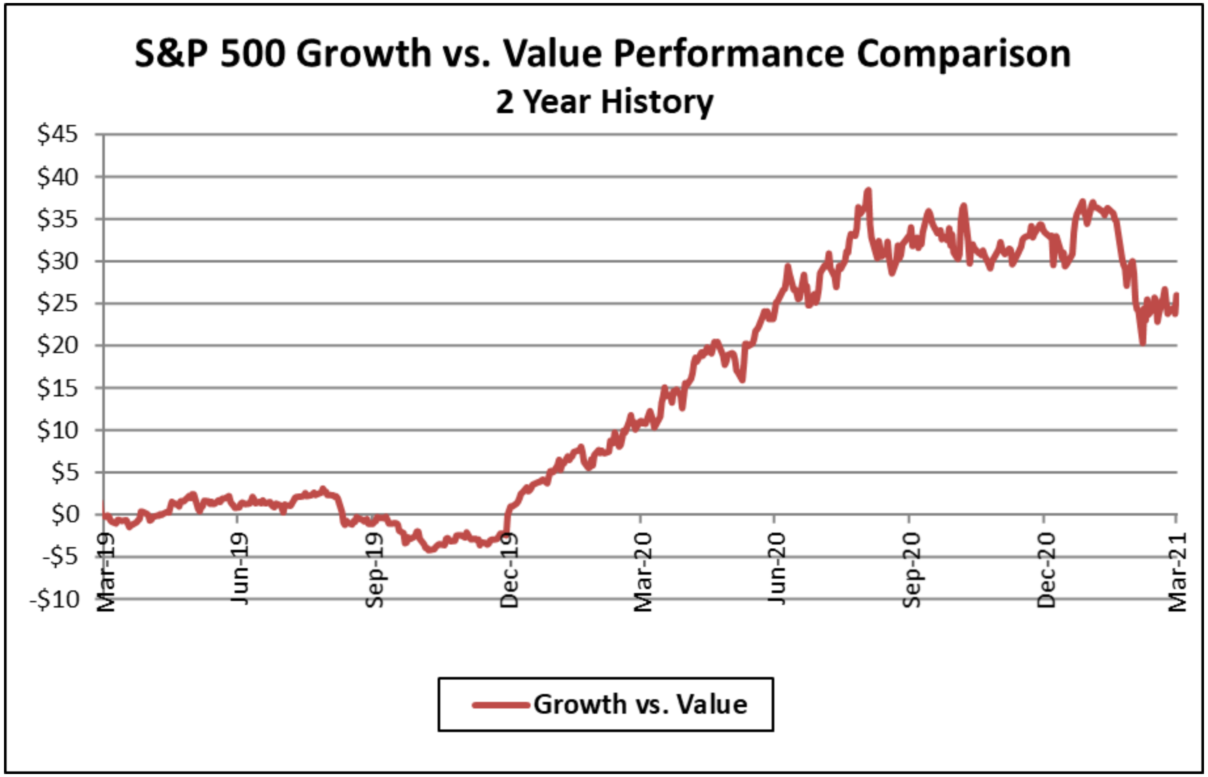
- The market laggards in previous years including Small Cap, Materials, Energy, Consumer, Industrials, and Banks have become leaders over past year, better equalizing longer term returns.
- Year over year returns are significant, matching or out pacing 2 and three year returns. One year ago, March 31, 2020 marked the bottom of the pandemic induced market meltdown.
- Greater equilibrium has been established on a relative value basis.





vectors research management llc

Market Scoreboard
March 31st, 2021



vectors research management llc

Market Scoreboard
March 31st, 2021

Market Summary - March 31st, 2021				
Bond Market	**Mar.**	**Q1 '21**	**1 Year**	**Yield**
High Yield Corporates	0.2%	0.9%	23.3%	4.4%
Floating Rate Corp	-0.1%	0.2%	5.2%	0.5%
Merrill Muni Index	0.6%	-0.4%	5.6%	1.6%
US MBS Index	-0.5%	-1.2%	0.1%	1.5%
US TIPS (Inflation Prot.)	0.1%	-2.0%	7.2%	1.7%
Total Bond Market	-1.1%	-3.7%	0.4%	1.5%
Corporate Bonds	-1.4%	-4.5%	9.3%	2.3%
US Treasuries	-1.3%	-4.6%	-5.1%	1.1%
International Bonds	-2.7%	-6.5%	3.7%	0.2%
Commodities/Other	**Mar.**	**Q1 '21**	**1 Year**	**End Value**
Oil (WTI)	-3.4%	21.5%	64.8%	59.2
Gold	-1.5%	-10.0%	8.3%	1,707.7
Dollar Index	2.6%	3.7%	-5.9%	93.2

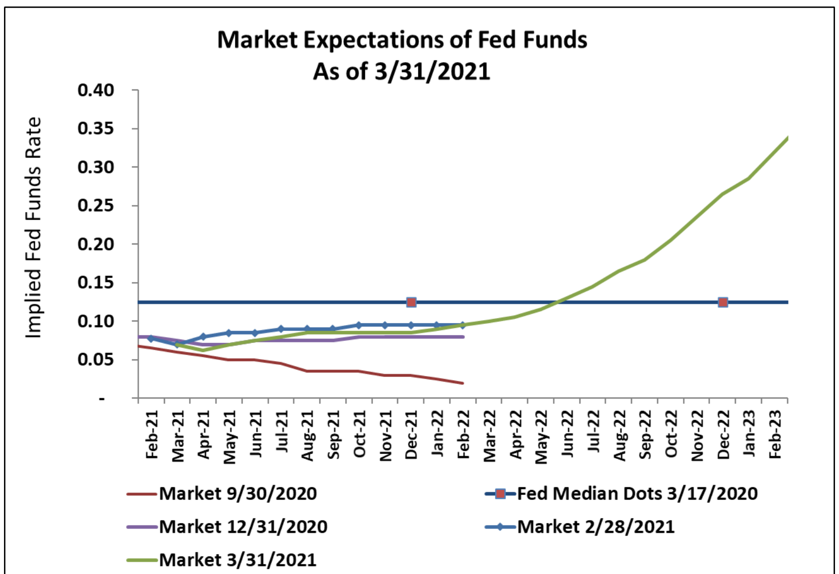
Market Summary - March 31st, 2021				
Stock Market Indices	**Mar.**	**Q1 '21**	**1 Year**	**End Value**
NASDAQ Composite	0.5%	3.0%	73.5%	13,247
DOW Jones Avg.	6.8%	8.3%	53.8%	32,982
Large Cap Core (S&P 500)	4.4%	6.2%	56.3%	3,973
Large Cap Growth	2.6%	2.1%	59.4%	2,627
Large Cap Value	6.3%	10.8%	50.4%	1,396
Mid Cap Core	4.7%	13.5%	83.4%	2,609
Mid Cap Growth	2.4%	8.6%	77.0%	1,272
Mid Cap Value	6.9%	18.4%	89.2%	817
Small Cap Core	1.0%	12.7%	94.8%	2,221
Small Cap Growth	-3.1%	4.9%	90.2%	10,932
Small Cap Value	5.2%	21.2%	97.1%	15,666
Europe	3.7%	4.8%	56.3%	432
England	3.1%	6.1%	36.2%	6,714
Japan	-2.4%	-0.2%	52.6%	27,444
China	-6.5%	-3.5%	51.1%	5,048
International	2.4%	3.6%	45.2%	2,208
Emerging Markets	-0.7%	3.2%	58.8%	53

vectors research management llc

Market Review

Monetary Policy – March 2021

- The Fed held rates at their "lower bound" near zero, and continued purchases of Treasuries, Mortgages as the US Government issues record amount of debt to support Covid relief, and other programs. The Fed is buying $80 billion UST and $40 Billion MBS per month.
- The Fed has suggested it will keep rates low for the foreseeable future in order to help the economy get through the pandemic and eventually move back to their longer-term goals of low unemployment and steady inflation.
- Monetary policy will explicitly seek to let inflation run above targeted levels to achieve an average 2% over time.
- The Fed is chasing reality as they updated their economic projections.



Federal Reserve Median Economic Projections
As of 3/17/2021

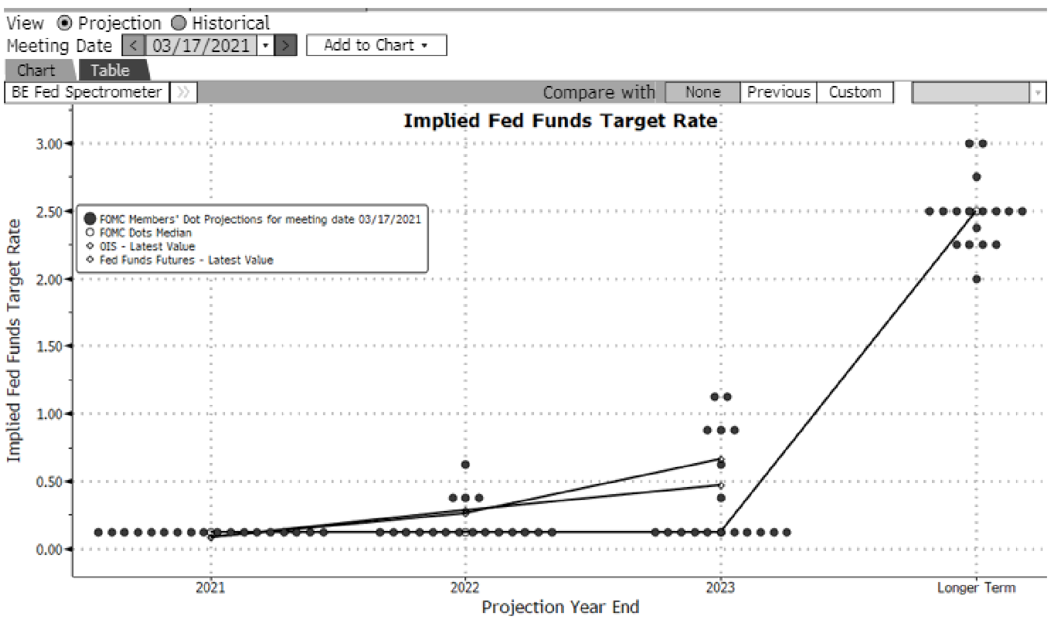
Change in GDP	**Actual**	**2021**	**2022**	**2023**	**Longer Run**
Mar. 2021 Projection		6.5	3.3	2.2	1.8
Dec. 2020 Projection		4.2	3.2	2.4	1.8
Actual Q4 2020 yoy/qoq	**-2.4%/4.1%**				
Unemployment Rate					
Mar. 2021 Projection		4.5	3.9	3.5	4.0
Dec. 2020 Projection		5.0	4.2	3.7	4.1
Actual Feb. 2021	**6.2%**				
PCE Inflation					
Mar. 2021 Projection		2.4	2.0	2.1	2.0
Dec. 2020 Projection		1.8	1.9	2.0	2.0
Actual Jan. 2021	**1.5%**				
Core PCE Inflation					
Mar. 2021 Projection		2.2	2.0	2.1	
Dec. 2020 Projection		1.8	1.9	2.0	
Actual Jan. 2021	**1.5%**				
Projected Policy Path- Fed Funds					
Mar. 2021 Projection	0.07	0.1	0.1	0.1	2.5
Dec. 2020 Projection	0.09	0.1	0.1	0.1	2.5

vectors research management llc

Market Review

Monetary Policy – March 2021

- The Fed is united in their decision to hold rates low through 2022, is more varied longer term.
- Inflation expectations have risen, prompting market expectations of a Fed hike sooner.
- Consensus Inflation expectations at the Fed and in the market are that current rising inflation is transitory and will recede. This is evident in the TIPS inflation premium curve.



Current Fed Funds Rate
0.07

10 Year Tip	10 Year UST	Implied Inflation Premium
(0.77)	1.68	**2.46**

5 Year Tip	5 Year UST	Implied Inflation Premium
(1.84)	0.81	**2.65**

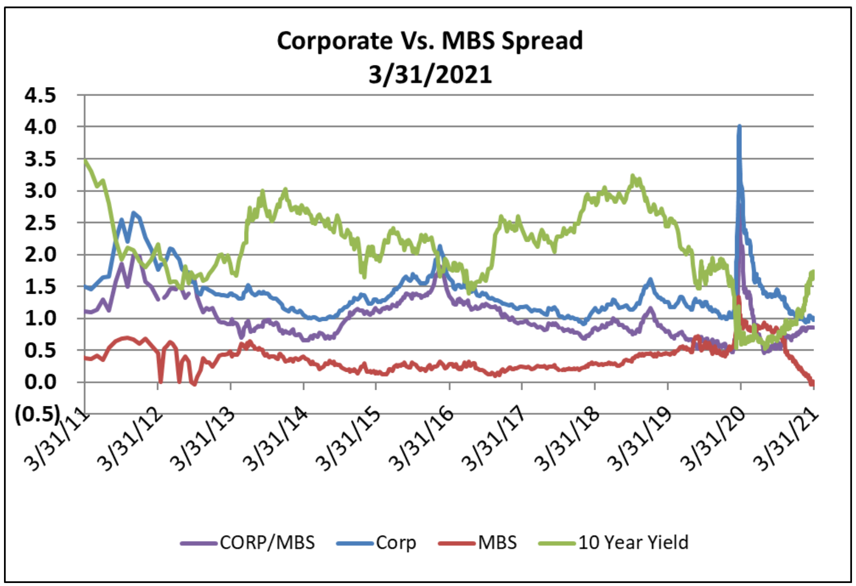
2 Year Tip	2 Year UST	Implied Inflation Premium
(2.86)	0.12	**2.98**

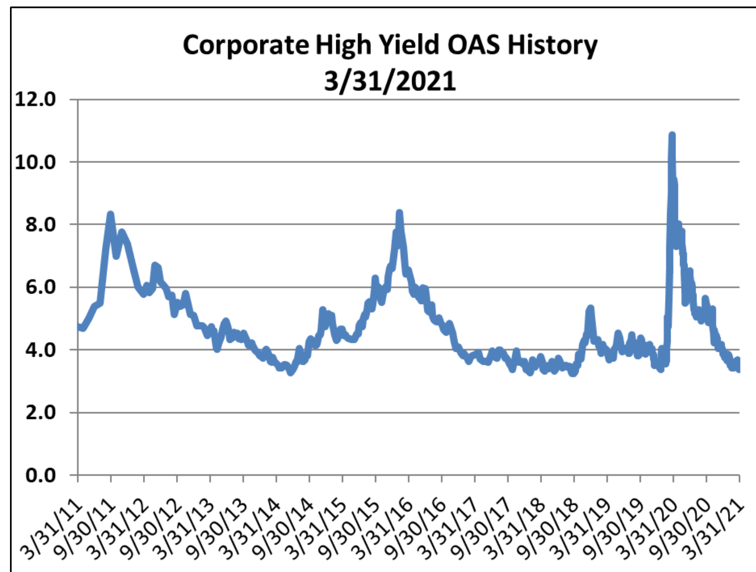
vectors research management llc

Market Review

Yield Spreads – March 2021

- Corporate yield spreads continue to grind tighter in 2021, MBS spreads dropped negative amid significant prepayment activity.
- Corporate credit conditions remain strong, and risk of default has not risen to the degree that would push credit spreads wider. Spreads may continue to grind lower through 2021.
- Some stressed sectors such as energy, airlines, and hotels risk premiums remain wide.



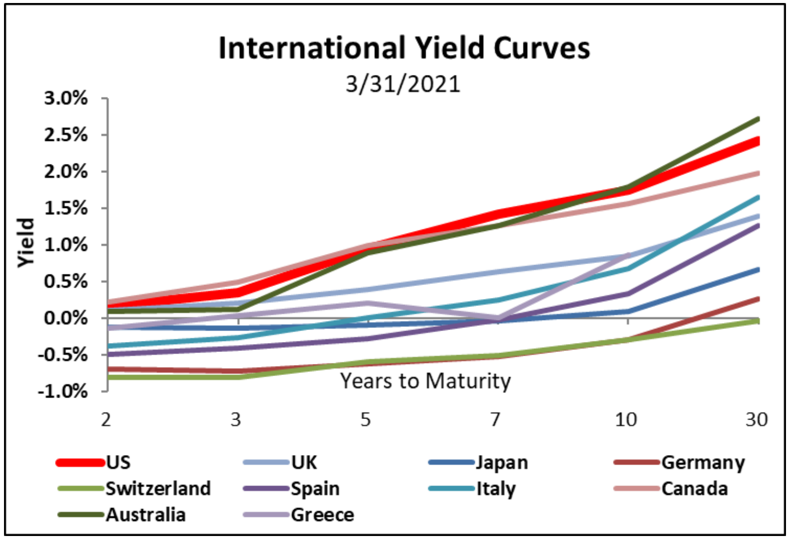


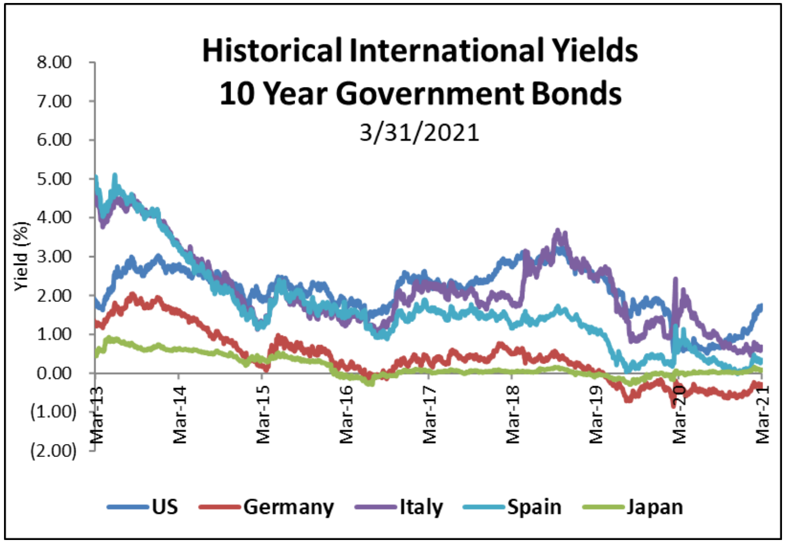
vectors research management llc

Market Review

International Yield Curves– March 2021

- Global central banks have continued easy monetary policy keeping rates low and significant bond purchases to support fiscal policy that provides relief for COVID-19 amid a global resurgence.
- The US continues as one of the highest yielding developed countries as rates remained negative in Europe and flatlined at 0% in Japan.

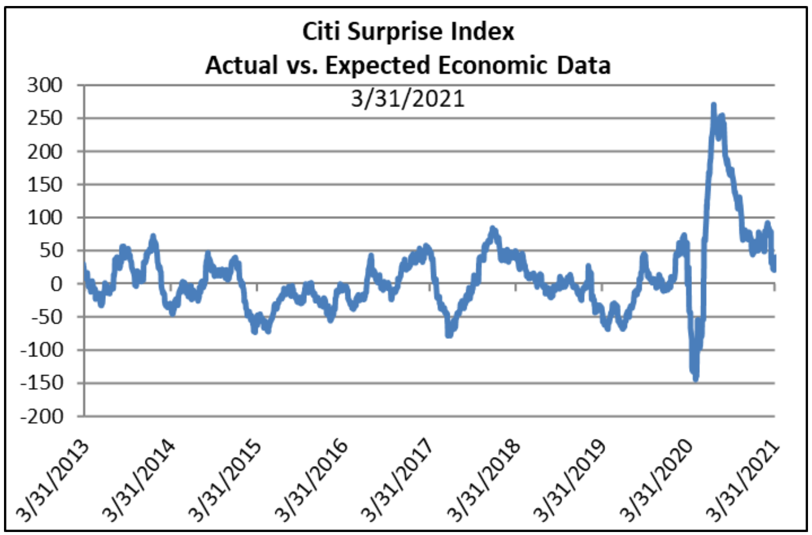




vectors research management llc

Economic Environment
March 2021

- Global GDP fell in 2020 for the year given contractionary period brought on by the pandemic.
- Inflation has moved higher with expectations of future inflation continuing to rise due to significant stimulus and the increased cost of doing business.
- The Citi surprise index has come down from its highs as economic results moderated and expectations began to rise. Expectations and actual economic activity have begun to move higher.



GDP YoY % Change			
		One Year	
	Q4 2020	Ago	Change
US	(2.40)	2.30	(4.70)
Eurozone	(4.90)	1.00	(5.90)
Germany	(3.70)	0.40	(4.10)
France	(4.90)	0.80	(5.70)
Italy	(6.62)	0.07	(6.69)
UK	(7.30)	1.20	(8.50)
Canada	(2.30)	1.90	(4.20)
Mexico	(4.31)	(0.63)	(3.68)
Australia	(1.10)	2.20	(3.30)
Japan	(1.40)	(1.10)	(0.30)
China	6.50	5.80	0.70
Russia	(1.80)	2.90	(4.70)
Brazil	(1.14)	1.64	(2.78)

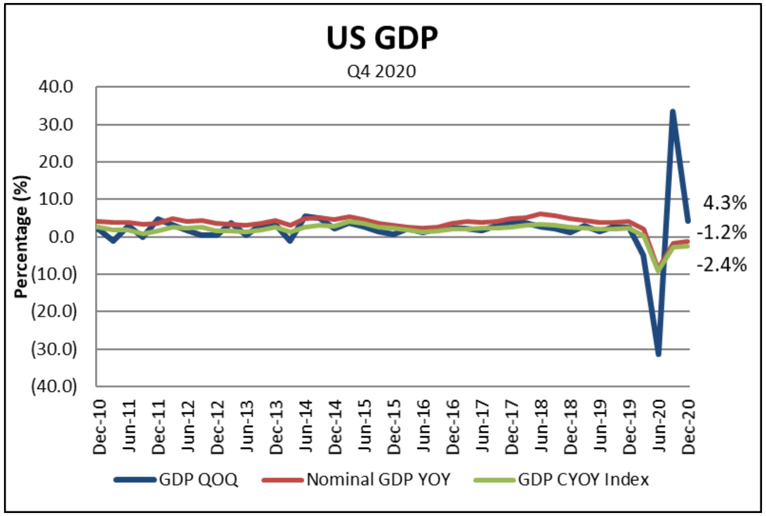
Canada GDP as of 1/31/2021

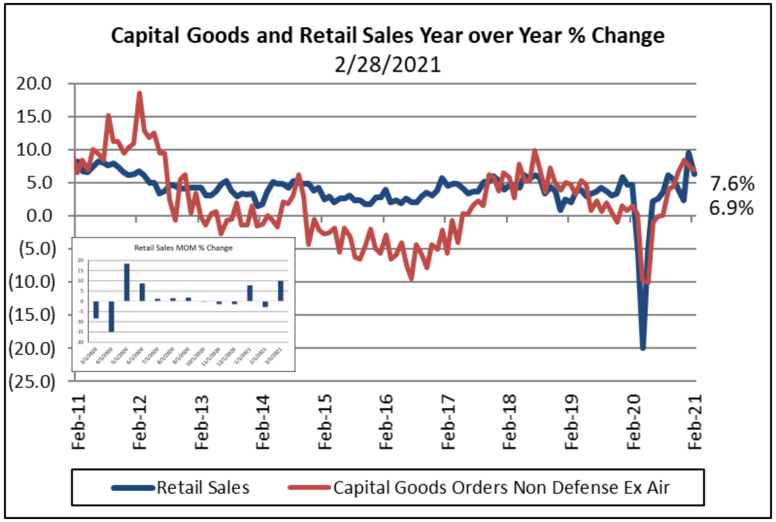
Inflation YoY % Change			
		One Year	
	Mar-21	Ago	Change
US	2.60	1.50	1.10
Eurozone	1.30	0.70	0.60
Germany	1.70	1.40	0.30
France	1.10	0.70	0.40
Italy	0.80	0.10	0.70
UK	0.40	1.70	(1.30)
Canada	1.10	2.20	(1.10)
Mexico	4.67	3.25	1.42
Australia	(1.10)	2.20	(3.30)
Japan	(0.40)	0.40	(0.80)
China	0.40	4.30	(3.90)
Russia	5.79	2.50	3.29
Brazil	6.10	3.30	2.80

**UK, Canada, & Japan CPI as of 2/28/2021*
**Australia CPI as of 12/31/2021*

Economic Environment
March 2021

- Economic activity is accelerating amid excessive monetary and fiscal stimulus, vaccination roll out, reopening of the economy, and warmer weather. It will be interesting to see how GDP results for Q1 are as the battle between opening economies continue amid a potential 4th wave.
- Consumption has been robust amid significant stimulus, including cars and homes, and associated goods and services.
- Investment has been industry dependent, with significant growth in remote communications technology. Manufacturing has ramped up in Q1 in as production facilities come back online and to satisfy a need to rebuild inventories.

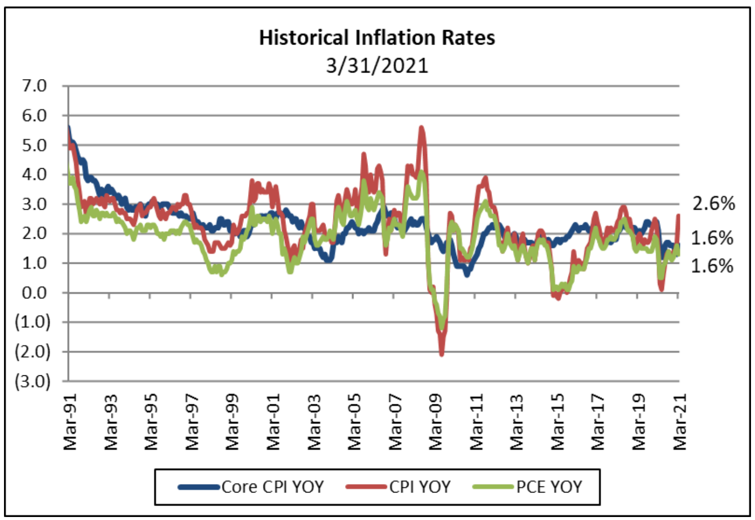


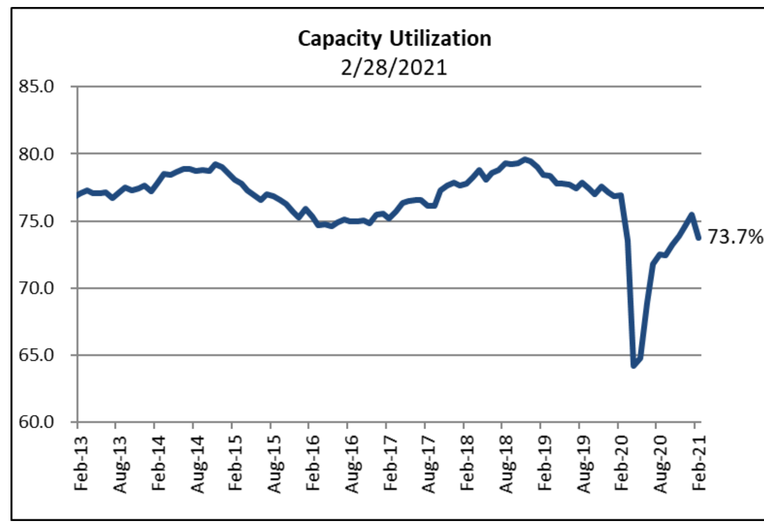


Economic Environment

Employment and Inflation – March 2021

- Inflation levels continue to rise amid resurgence of growth and supply disruptions.
- Expectations of inflation are increasing as the realization of the increased costs associated with working, living, and operating in a post-pandemic world with increased health and safety measures.
- Capacity utilization has retracted as factories face significant supply chain issues and are having trouble sourcing materials, such as the chip shortage limiting auto production.



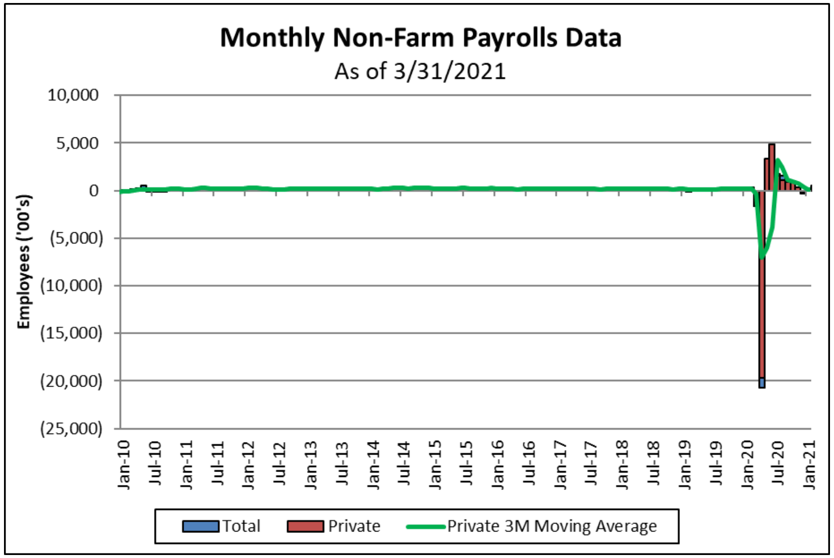


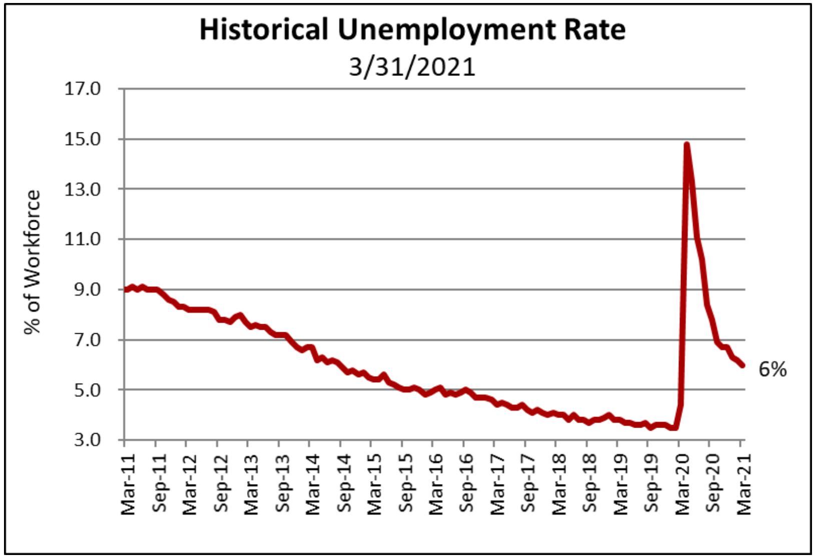
vectors research management llc

Economic Environment

Employment – Monthly Payrolls – March 2021

- Monthly Payrolls finally showed a large increase in March of 916k after struggling to add workers for much of the past year after the initial return of workers.
- The unemployment rate has fallen and stabilized around the 6% zone. The US has recovered about half the jobs lost during the pandemic.



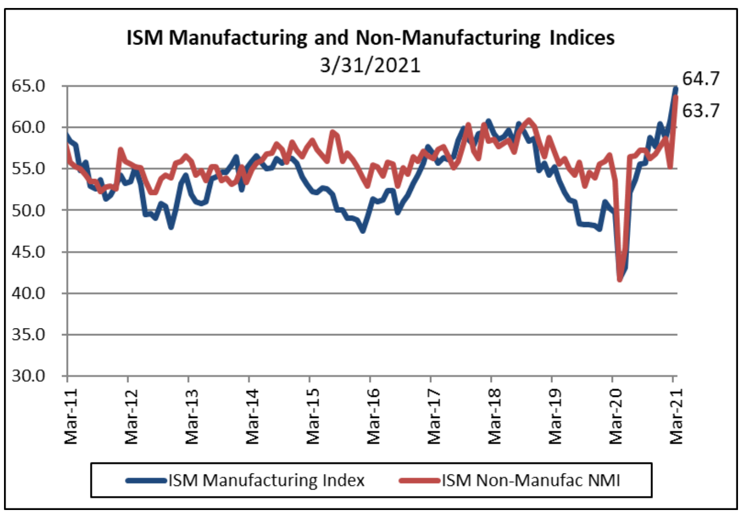


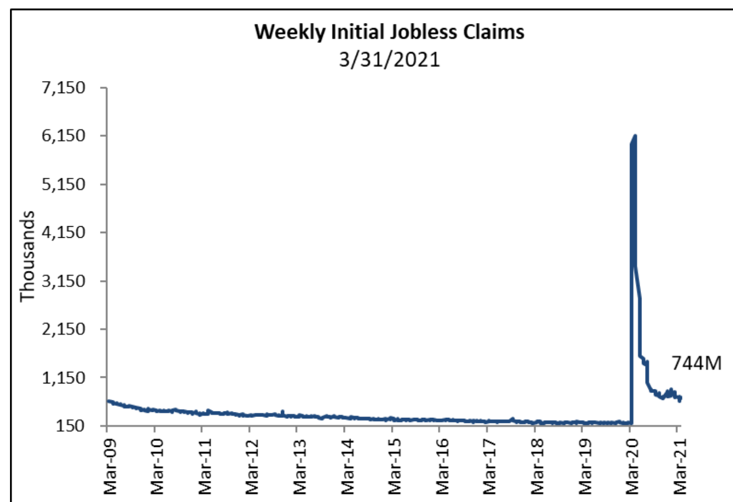
vectors research management llc

Economic Environment

Employment – Monthly Payrolls – March 2021

- The manufacturing sector, as measured by the manufacturing purchasing manager index continues to rebound as factories bring people back in and restart production.
- The Non-Manufacturing index has also accelerated amid reopening of the service sector.
- Initial claims for unemployment have come down, however remain stubbornly high showing continued high level of layoffs in some industries against the tide growth and reopening in others.



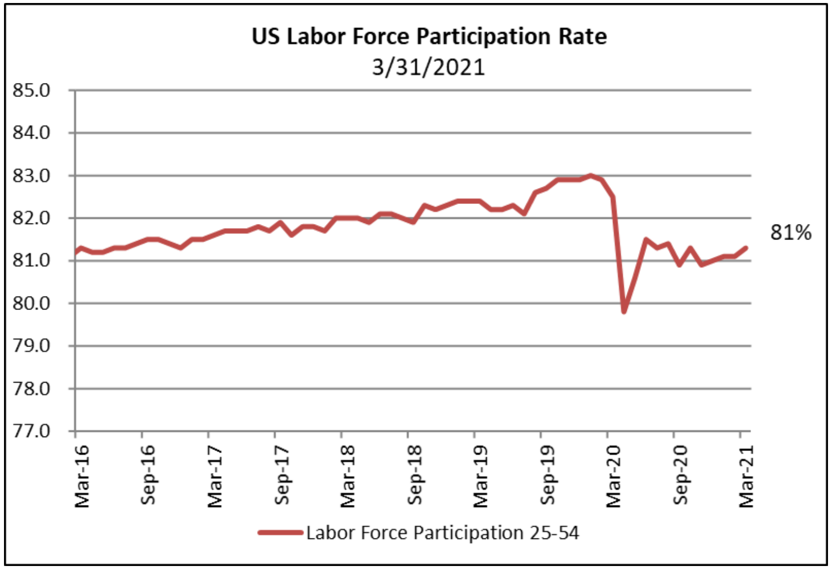


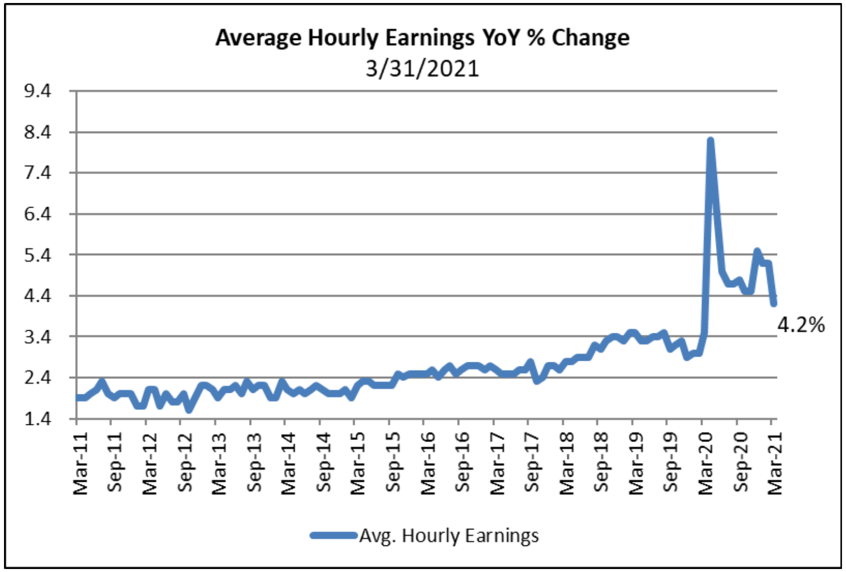
vectors research management llc

Economic Environment

Employment and Inflation – March 2021

- The prime working age participation rate has leveled out after its initial recovery but may begin to accelerate as the economy reopens.
- Workers in several industries have left the work force as jobs have disappeared while other newer growth industries are having a hard time finding workers.
- Average hourly earnings have moved lower as companies fill lower paying jobs in the services sectors.



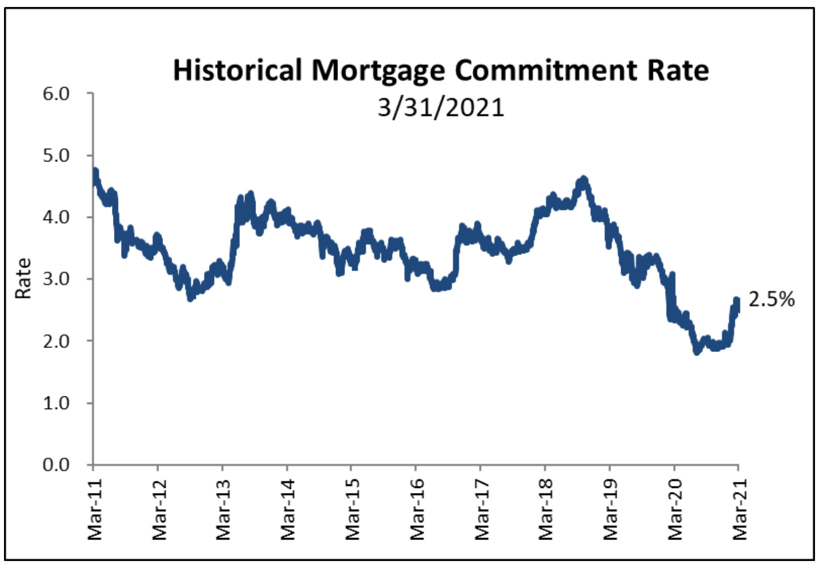


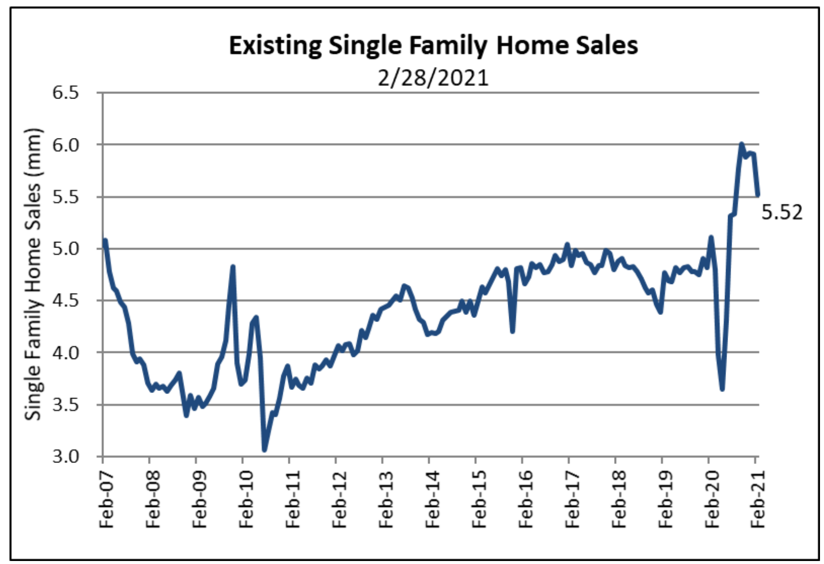
vectors research management llc

Economic Environment

Mortgage Rates and Housing – March 2021

- The drop in interest rates over the past year has brought mortgage rates down with it, more than 1% from their highs of last year and 2% lower than 2018. The recent rise has not yet curbed activity.
- Lower mortgage rates have supported home sales to some degree, but the significant migration to suburbs from cities has been a driving factor, which has also pushed housing prices higher.



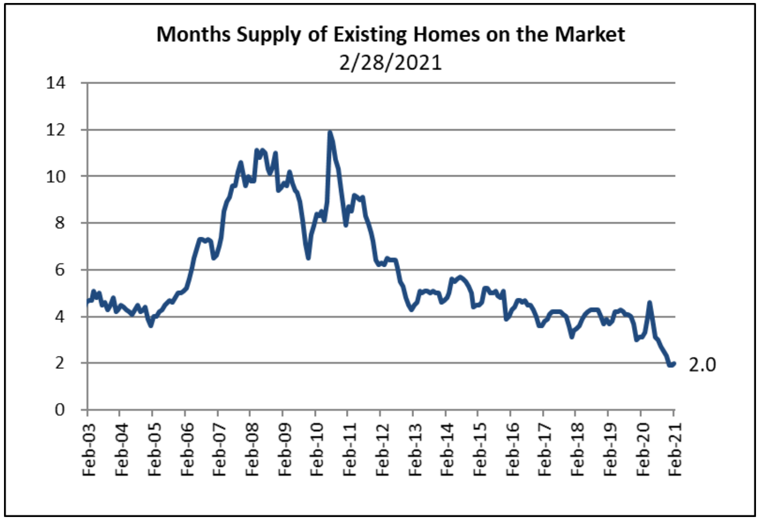


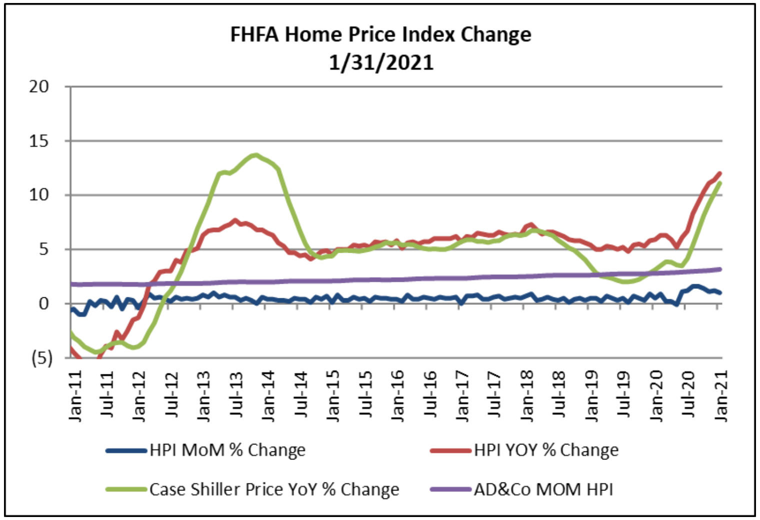
vectors research management llc

Economic Environment

Mortgage Rates and Housing – March 2021

- The high level of activity in the housing market with fewer new homes build has taken inventory of homes on the market to historically low levels.
- The high demand for housing has also pushed home prices up over 10% vs. year ago levels. The pace of home purchases and price gains has been broad based.
- There continues to be elevated mortgage prepayment activity from both housing turnover and refinancing.

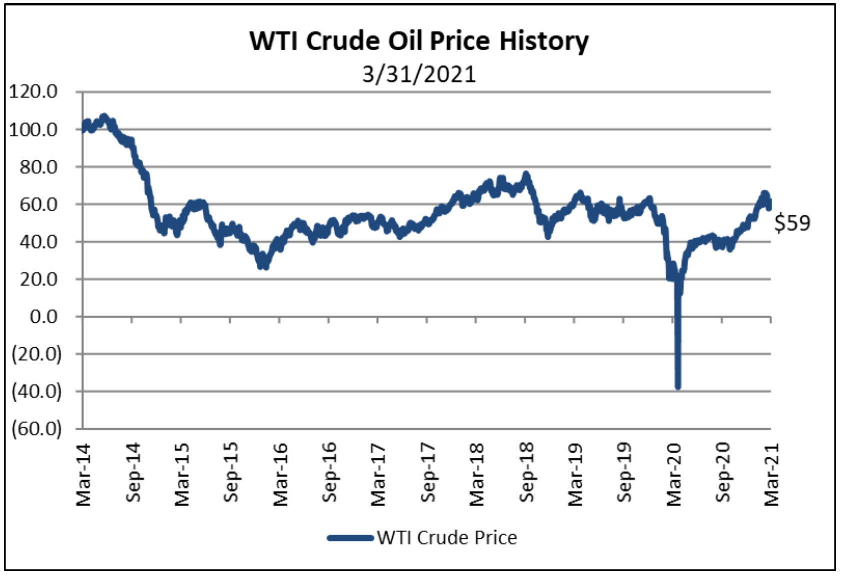


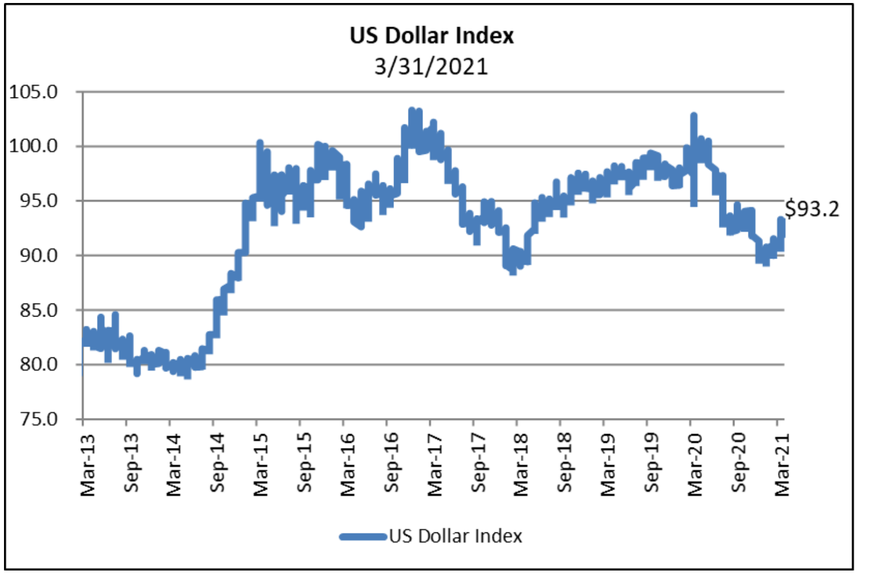


vectors research management llc

Economic Environment
March 2021

- As economies come back online, oil has rebounded and stabilized around $60. Much of the supply glut from last year has been worked off amid production cuts and increased demand from factories coming back on line and expected increased demand as economies reopen..
- The Dollar has strengthened off its lows last year and may continue to do so as the US economy is the global leader of economic recovery.





vectors research management llc

Disclosures

- Vectors Research Management ("VRM") is an SEC registered investment adviser located in Richmond, VA. VRM and its representatives are in compliance with current registration and notice filing requirements. Registration does not imply a certain level of skill or training. The information contained herein should not be construed as personalized investment advice or a solicitation to buy or sell any security. Investing in the stock market involves risk of loss, including loss of principal invested, and may not be suitable for all investors. Past performance is no guarantee of future results. All expressions of opinion reflect the judgement of the authors as of the date of publication and are subject to change without prior notice. This presentation may contain general information that is not directly relevant to your particular account. Bonds and fixed income investing involves rate risk. Yield results are estimates and the actual yield might be lower or higher than the estimated amounts. Yield reflects the income generated by an investment. Yield does not reflect changes in its price, which may fluctuate.

- This material contains certain forward-looking statements which indicate future possibilities. Actual results may differ materially from the expectations portrayed in such forward-looking statements. As such, there is no guarantee that any views and opinions expressed in this material will come to pass. Investment products and services are not FDIC Insured, are not a deposit or bank guaranteed, are not insured by any Federal governmental agency, and are subject to investment risks, including possible loss of the principal invested. For information about VRM, including its registration, fees and services, please contact VRM or refer to the Investment Advisor Public Disclosure Website (www.adviserinfo.sec.gov).