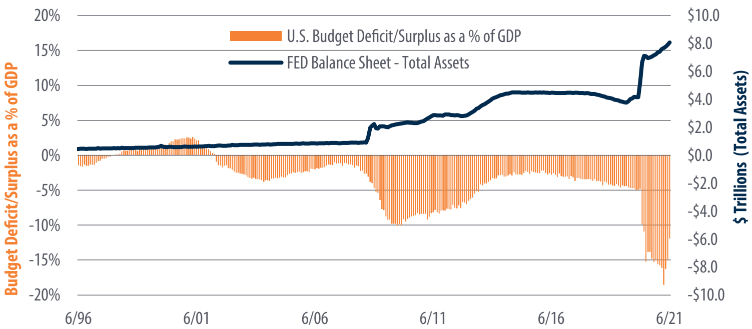
The economic reopening of the U.S. economy hit its stride in the second quarter of 2021. First quarter GDP came in at 6.4%, jobless claims and unemployment trended down, while job openings moved sharply higher. The capital markets remain in caretaker mode with investors laser-focused, not on earnings, but the Federal Reserve (the "FED") and its intentions regarding any change in policy. The pandemic continues to remain a serious health issue, and deep political divides remain on everything from the need for continued economic assistance, vaccinations and masks, to the potential seriousness of new variants of COVID-19. Globally, vaccine access and hence vaccination rates are well behind those in the U.S. which could signal continued supply chain disruptions for much longer than anticipated. Inflationary pressures seem to be both accelerating and broadening, yet like clockwork, the FED'S balance sheet, now over $8 trillion, and governmental deficits, continue to run at out-sized levels with more spending being proposed (see Figure 1).

The year-over-year Consumer Price Index (CPI) came in at 5.4% for June, which is the highest level in over a decade. Yet given the much larger percentage increase in energy, many raw materials, housing and transportation costs (see Figure 2), much larger numbers may be in store. As producers face rising material and labor costs, some have resorted to reducing the size of their offering (shrinkflation) in an effort to mask price increases to the consumer. Despite continued reassurances from the FED and other central banks that inflation is transitory, there is growing evidence that this might not be the case, though equity and bond investors do not seem terribly concerned.

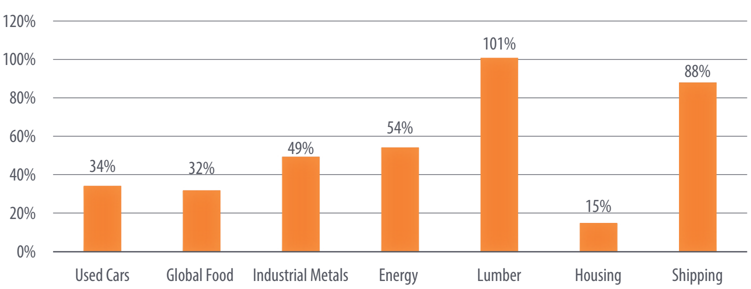
Returns for major asset classes were exceptionally strong in the 2nd quarter of 2021. Commodities led the way with the Bloomberg Commodity Index (+13.30%) followed very closely by the Dow Jones US Real Estate Index (+11.68%). Equity markets were all positive: the S&P 500 Index was up (+8.55%), the MSCI EAFE Index was up (+5.17%) and the MSCI Emerging Market Index was up (+5.05%). Long-dated U.S. Treasuries rallied sharply despite rising inflation (+7.33%) while high yield bonds were positive (+2.44%). The U.S. Dollar Index fell slightly (-0.85%) (see Figure 3).

Figure 1 Federal Reserve Balance Sheet



Source: Bloomberg, Data from 6/30/96 - 6/30/21.

Figure 2 Year-Over-Year Price Changes



Source: Bloomberg, 6/30/21. Housing is as of 4/30/21 (latest data available).

Figure 3 Asset Class Returns

	Q2 2021	YTD 2021
S&P 500	8.55%	15.25%
MSCI EAFE	5.17%	8.83%
MSCI Emerging	5.05%	7.45%
US Treasury	7.33%	-7.91%
Real Estate	11.68%	20.28%
Commodities	13.30%	21.15%
BB Barclays High Yield	2.44%	3.02%
BB Barclays Aggregate	1.83%	-1.60%
Bitcoin	-41.34%	19.27%
U.S. Dollar	-0.85%	2.78%

Source: Bloomberg, 6/30/21.

References to specific companies or securities should not be construed as a recommendation to buy or sell any such security, nor should they be assumed profitable.

All charts shown herein are for illustrative purposes only and not indicative of any investment. The performance illustrations exclude the effects of taxes and brokerage commissions or other expenses incurred when investing. ***Past performance is not indicative of future results*** *and there can be no assurance past trends will continue in the future. An investor cannot invest directly in an index. See last page for definitions of asset class indexes and other terms discussed herein.*

Alternative Investments ("alternatives") had a solid quarter with positive returns in every category. Higher correlation/higher beta strategies, on average fared better (see Figure 4). Commodities was the best performing category (+13.30%). Other significant gainers were real estate (+11.68%), managed futures (+6.44%), hedged equities (+5.08%) and distressed/restructuring (+4.30%). Equity market neutral (+2.80%), credit arbitrage (+2.56%) and volatility arbitrage (+1.03%) were the worst performers. The S&P 500 Index had a very strong quarter, and only real asset-based alternatives outpaced it's return (see Figure 5).

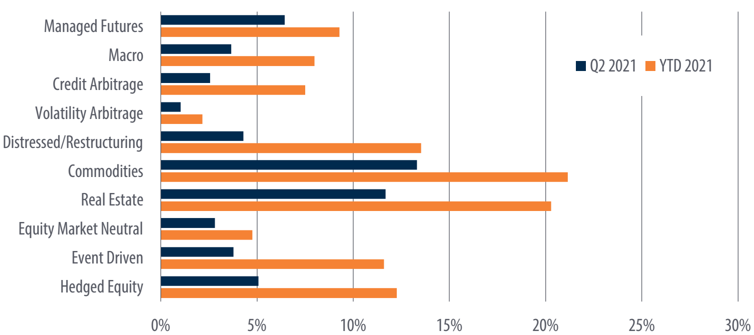
Traditionally, managed futures and macro strategies are viewed as having lower correlations to equities because they are generally diversified across a variety of markets and often employ shorting as part of their approach. Strategies that had higher 2-year correlations to U.S. equities (greater than 0.60), on average, slightly outperformed those strategies that had a lower correlation with U.S. equities. The spread was 52 basis points ("bps") (see Figure 6). All three real asset categories had sizable positive returns, with 2 of the 3 in double digits (see figure 7).

With economic data showing increasing inflation and the FED Chairman now acknowledging that there is a risk that inflation will be higher than the FED had anticipated, it is no surprise that investors have continued to allocate to traditional inflation hedging assets. Even though existing home sales continued the downward trend from recent highs, they are still just above pre-pandemic levels. Home prices, as measured by the S&P CoreLogic Case-Shiller 20-City Composite Home Price Index and the FHFA House Price Index hit another record high. With continued supply disruptions and growing demand thanks to ongoing monetary and fiscal stimulus along with economic reopenings, the trend in inflation is looking a bit more sustained as is the attractiveness of real assets.

Managed futures, commodities, and macro strategies have historically shown low correlation and beta to stocks and bonds over the course of a market cycle; thus, they may serve as potentially strong portfolio diversifiers. Strategies such as credit arbitrage, event driven, hedged equity, et al., which historically have had higher correlations with equities and bonds, may provide attractive risk/return profiles through lower volatility. These characteristics may allow investors to broaden their investment choices and create more efficient portfolios.

Returns for "Risk Off" assets (+3.11% average return) narrowly outperformed the returns for "Risk On" assets (+2.98% average return). The S&P 500 Index had the best return in the first quarter and Australian dollar the worst return. Focusing on non-currencies, equities and high-yield bonds had the same average return as gold and long-dated (20 yr. +) U.S. Treasuries for the quarter (549 bps). (see Figure 8). Alternatives have historically provided significant diversification benefits when paired with a portfolio of traditional assets, in addition to both competitive absolute returns and attractive risk-adjusted returns. **Please Note: Alternative investments may employ complex strategies, have unique investment, and risk characteristics that may not be suitable for all investors.**

Figure 4 Alternative Category Performance



Source: Bloomberg, 6/30/21.

Figure 5 Excess Return vs. S&P 500 Index

Category	Q2 2021
Hedged Equity	-3.47%
Macro	-4.88%
Event Driven	-4.76%
Managed Futures	-2.11%
Equity Market Neutral	-5.74%
Volatility Arbitrage	-7.52%
Distressed/Restructuring	-4.25%
Real Estate	3.13%
Credit Arbitrage	-5.99%
Commodities	4.76%

Source: Bloomberg, 6/30/21.

Figure 6 Correlations (2yr) & Returns

	S&P 500 Index	Q2 2021
Hedged Equity	0.91	5.08%
Event Driven	0.83	3.78%
Real Estate	0.87	11.68%
Commodities	0.63	13.30%
Distressed/Restructuring	0.66	4.30%
Credit Arbitrage	0.68	2.56%
Equity Market Neutral	0.78	2.80%
Volatility Arbitrage	0.64	1.03%
Managed Futures	0.34	6.44%
Macro	0.40	3.67%
Lower Correlation Avg TR (<=0.60)		5.05%
Higher Correlation Avg TR (>0.60)		5.57%

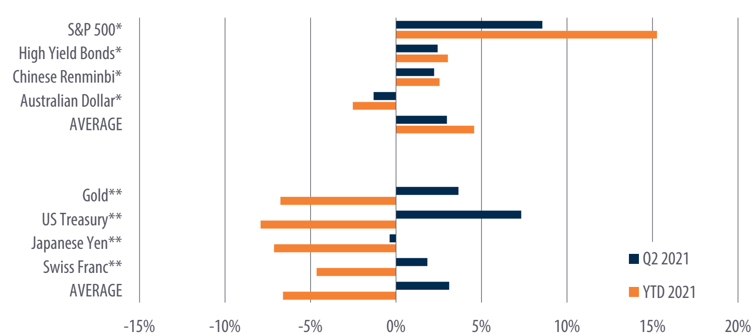
Source: Bloomberg, 6/30/21. Monthly returns over 24 months.

Figure 7 Real Assets

	Q2 2021	YTD2021
Real Estate	11.68%	20.28%
Commodities	13.30%	21.15%
Gold	3.65%	-6.76%
Average	9.55%	11.56%

Source: Bloomberg, 6/30/21.

Figure 8 Risk On vs. Risk Off Assets



Source: Bloomberg, 6/30/21. *Considered to be "Risk On" asset class. **Considered to be "Risk Off" asset class.

Returns in the cryptocurrencies sector were down significantly in the second quarter (see Figure 9). Bitcoin, the flagship cryptocurrency, fell a stunning -41.34%, while the wider universe of cryptocurrencies, as measured by the Bloomberg Galaxy Crypto Index, fell -12.71%. Ethereum was up 15.37%, while Litecoin was down -27.30%. The negative returns were likely tied to ongoing legislative moves to ban or restrict cryptocurrencies. In April, Turkey outlawed the use of cryptocurrencies for payment and in May, China banned financial institutions and payment companies from providing cryptocurrency related services.

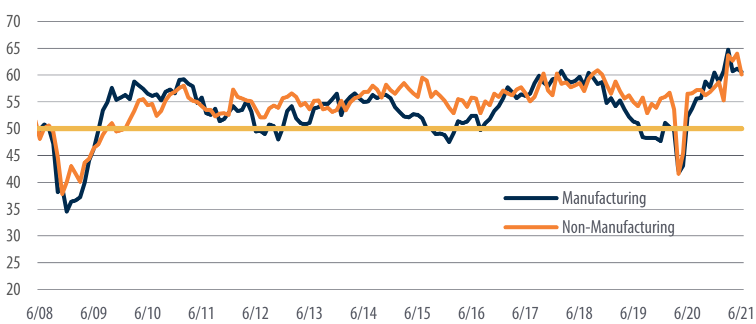
Economic data continued to point towards a significantly improving economy. The ISM manufacturing indicator ended the quarter at 60.6, while off the high of the first quarter, it is still indicating growth. The ISM non-manufacturing indicator reached its highest level ever (64) during the second quarter, before ending the quarter at 60.1. For both indicators, levels below 50 represent a contraction (see Figure 10). Unemployment, as measured by the U-3 seasonally adjusted rate, continued to trend downward, falling to 5.9% at quarter end (see Figure 11). Job openings are at levels never seen before as the pandemic, stimulus checks, and reopenings have forced a seismic reordering in the labor market. Sentiment, as measured by the University of Michigan Consumer Sentiment Index, remained elevated ending the quarter at 85.5. Another sentiment indicator, the Conference Board Consumer Confidence Index, soared during the quarter to 127.3 (see Figure 12). The year-over-year CPI for June, came in at 5.4%, solidly above expectations (see Figure 13).

Figure 9 Cryptocurrency Returns

	Q2 2021	YTD 2021
BB Galaxy Crypto Index	-12.71%	90.58%
Bitcoin	-41.34%	19.27%
Ethereum	15.37%	202.81%
XRP (Ripple Digital Assets)	21.47%	204.94%
Litecoin	-27.30%	14.63%

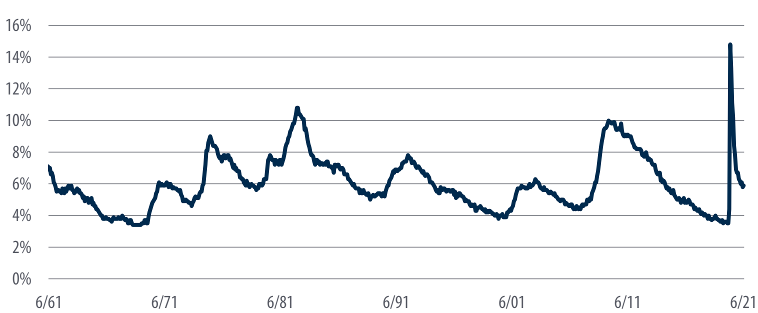
Source: Bloomberg, 6/30/21.

Figure 10 Institute for Supply Management (ISM) Data



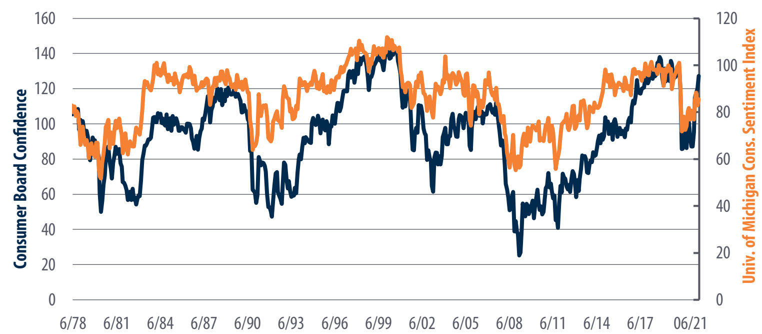
Source: Bloomberg, Data from 6/30/08 - 6/30/21. Seasonally adjusted (SA). Numbers above 50 indicate an expansion, below 50 indicates a contraction.

Figure 11 U.S. Unemployment Rate (U-3)



Source: Bloomberg, Data from 6/30/61 - 6/30/21. Seasonally adjusted (SA).

Figure 12 Economic Measures of Sentiment



Source: Bloomberg, 6/30/78 - 6/30/21.

Figure 13 U.S. CPI Urban Consumers YoY NSA

Source: Bloomberg, 6/30/91 - 6/30/21, not seasonally adjusted (NSA).

Baa/BBB rated corporate bonds outperformed 10-year U.S. Treasuries as investors sought out risk while shedding high quality duration and safety. Fixed income investors did not appear to be concerned about the inflationary pressures building as absolute yields fell for both categories of bonds. The Baa/BBB over 10-year U.S. Treasuries yields narrowed 18 bps (see Figure 14). This spread ended the quarter at the 27th percentile (see Figure 15). The spread between below investment grade corporate bonds (B/CA rated) and BBB rated corporate bonds (investment grade) rose by 3 bps during the quarter to 120 bps, representing the 14th percentile. While BBB yields fell 45 bps, B/CA rated fell 42 bps (see Figure 16).

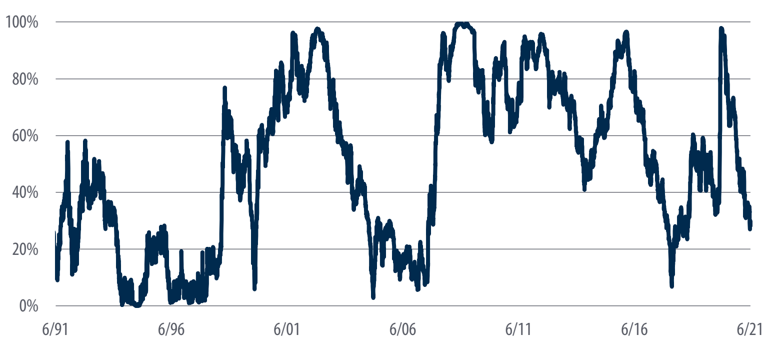
The Fed announced no near-term policy changes either to rates or its aggressive asset purchases at its June meeting. There was an indication that instead of beginning to raise rates in 2024, the FED would likely be inclined to raise rates a couple of times in 2023 if the economy gained firmer ground and employment looked solid. Skeptics might put this guidance in the same category as a freshman in high school announcing that they were really going to hit the books hard come junior year. It is clear that the FED will continue to stand by its well-worn narrative that it will tolerate inflation above 2% for some time. It is also clear the FED is not interested in withdrawing its deep involvement in the capital markets anytime in the near future.

Shrugging off inflationary data, in the second quarter, U.S. Treasury 10-year yields fell 27 bps to 1.47% while 30-year yields fell 33 bps to a yield of 2.09%. The yield spread between 30-year to 10-year U.S. Treasuries narrowed 5 bps to a spread of 62 bps. The Treasury yield curve flattened as the yield spread between 30-year Treasuries and T-bills (3 mo. maturity) narrowed and ended the quarter at 205 bps (see Figure 17 and Figure 18). With CPI jumping significantly, real yields (nominal yields-CPI) moved steeply negative across all maturities compounded by a very large move down in nominal yields on the long end of the curve (See Figure 19).

Figure 14 BAA Corp Credit Spread over 10-Yr U.S. Treasury (%)

Source: Bloomberg, 6/30/91 - 6/30/21.

Figure 15 Credit Spread Percentile Rank (%)

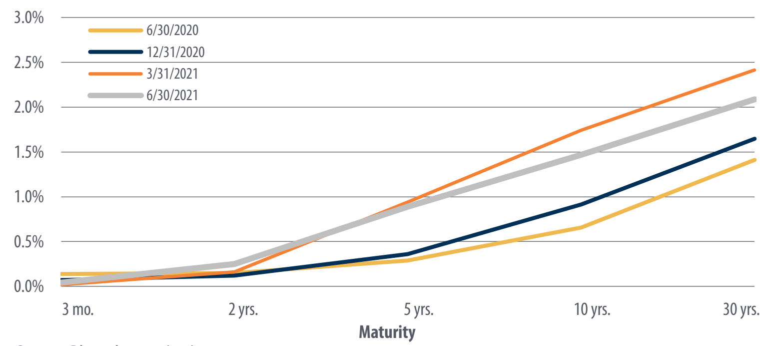


Source: Bloomberg, 6/30/91 - 6/30/21.

Figure 16 B/CA Credit Spread over BBB (US Corp) (%)

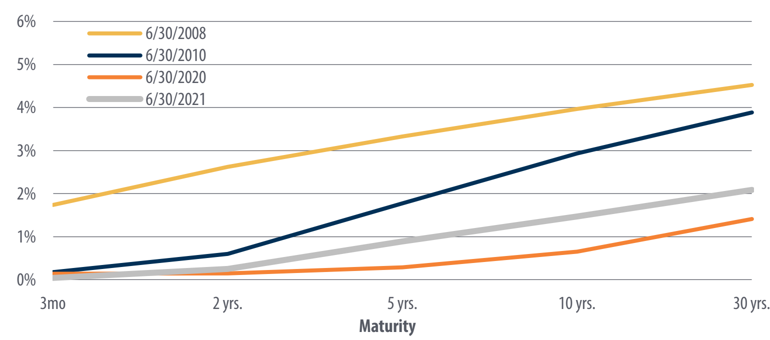
Source: Bloomberg, Data from 6/30/09 - 6/30/21.

Figure 17 U.S. Treasury Yield Curve



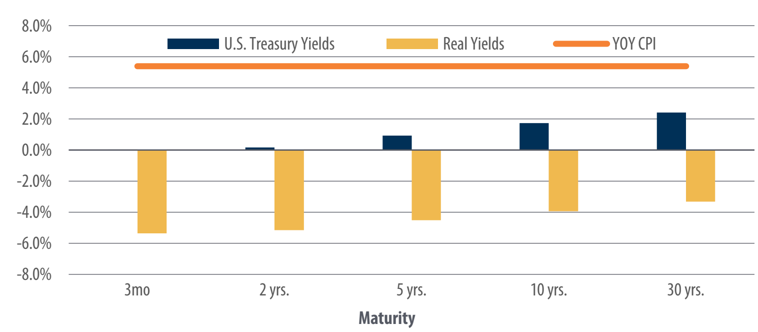
Source: Bloomberg, 6/30/21.

Figure 18 U.S. Treasury Yield Curve



Source: Bloomberg, 6/30/21.

Figure 19 U.S. Treasury Yield Curve and CPI



Source: Bloomberg, 6/30/21.

Definitions

10-Yr Treasury: Yield of U.S. Treasury securities maturing in approximately 10 years.

Aggregate Bonds: The Bloomberg Barclays US Aggregate Bond Index is a broad-based benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

BAA Corp: Moody's Bond Indices Corporate BAA. Moody's Long-Term Corporate Bond Yield Averages are derived from pricing data on a regularly replenished population of corporate bonds in the U.S. market, each with current outstanding over $100 million. The bonds have maturities as close as possible to 30 years; they are dropped from the list if their remaining life falls below 20 years, if they are susceptible to redemption, or if their ratings change. All yields are yield-to- maturity calculated on a semi-annual basis.

Beta: A measure of price variability relative to the market.

Bitcoin: A digital currency using encryption techniques created for use in peer-to-peer online transactions Introduced in 2008 by a person or group using the name Satoshi Nakamoto.

Bloomberg Barclays US Corp B-Ca Capped Index: The Bloomberg Barclays index measures the performance of the taxable B1 – Ca rated range of the fixed-rate U.S. dollar-denominated corporate bond market. The index is market capitalization weighted and caps individual issuers at 3% of the total market value.

Bloomberg Galaxy Crypto Index (BGCI): The BGCI is designed to measure the performance of the largest cryptocurrencies traded in USD.

Commodities: The Bloomberg Commodity Index is made up of exchange-traded futures on physical commodities and represents 20 commodities, which are weighted to account for economic significance and market liquidity.

Consumer Price Index (CPI): A measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them. Changes in the CPI are used to assess price changes associated with the cost of living.

Correlation: A statistical measure that quantifies the extent to which two or more data series fluctuate together. Values run from -1.0 to +1.0.

Credit Arbitrage: Hedge Fund Research HFRI Event-Driven Credit Arbitrage Index. Credit Arbitrage strategies employ an investment process designed to isolate attractive opportunities in corporate fixed-income securities; these include both senior and subordinated claims as well as bank debt and other outstanding obligations, structuring positions with little of no broad credit market exposure. These may also contain a limited exposure to government, sovereign, equity, convertible or other obligations but the focus of the strategy is primarily on fixed corporate obligations and other securities are held as component of positions within these structures.

Cryptocurrency is a digital or virtual currency that is secured by cryptography, which makes it nearly impossible to counterfeit or double-spend.

Distressed/Restructuring: Hedge Fund Research HFRI Event-Driven Distressed/Restructuring Total Index. Distressed/ Restructuring strategies employ an investment process focused on corporate fixed-income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings.

Emerging Markets: The MSCI Emerging Markets Index captures large and mid cap representation across Emerging Markets (EM) countries. The index covers 85% of the free float-adjusted market capitalization in each country.

Equity Market Neutral: Hedge Fund Research HFRI Equity Hedge Equity Market Neutral Index. Equity Market Neutral strategies employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, select securities for purchase and sale. Equity Market Neutral Strategies typically maintain characteristic net equity market exposure no greater than 10% long or short.

Ethereum: Ethereum is a platform that offers programming code of any decentralized application. It has been linked to payment style transactions. Ether is the cryptocurrency issued through open-source code executed on thousands of nodes.

Event Driven: Hedge Fund Research HFRI Event-Driven (Total) Index. Investment Managers who maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments.

FHFA House Price Index: Federal Housing Finance Agency House Price Index is a broad economic measure of the movement of single-family house prices in the United States.

Gold: The return of the gold spot price as quoted as U.S. dollars per Troy Ounce.

Hedged Equity: Hedge Fund Research HFRI Equity Hedge (Total) Index. Investment Managers who maintain positions both long (positions that are owned) and short (positions that are owed) in primarily equity and equity derivative securities. Hedged Equity managers would typically maintain at least 50%, and may in some cases be substantially entirely invested in equities, both long and short.

High-Yield Bonds: The Bloomberg Barclays US High Yield Very Liquid Index (VLI) is a component of the US Corporate High Yield Index that is designed to track a more liquid component of the USD-denominated, high yield, fixed-rate corporate bond market. The US High Yield VLI uses the same eligibility criteria as the US Corporate High Yield Index, but includes only the three largest bonds from each issuer that have a min amount outstanding of USD500mn and less than five years from issue date.

International Developed: The MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The index is a free-float weighted equity index.

Litecoin: A peer-to-peer cryptocurrency and open source software project similar to Bitcoin, Litecoin uses blockchain technology to process transactions. Litecoin, referred to as an alt-coin can process blocks faster than Bitcoin, uses a different mining algorithm and has larger supply.

Long/Short: "Long" and "short" are investment terms used to describe ownership of securities. To buy securities is to "go long." The opposite of going long is "selling short." Short selling is an advanced trading strategy that involves selling a borrowed security. Short sellers make a profit if the price of the security goes down and they are able to buy the security at a lower amount than the price at which they sold the security short. A put gives the holder the right to sell the underlying asset at a specified price on or before expiration.

Macro: Hedge Fund Research HFRI Macro (Total) Index. Investment Managers which trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed-income, hard currency and commodity markets.

Managed Futures: BarclayHedge US Managed Futures Industry Top 50 (BTop 50) Index. The Index seeks to replicate the overall composition of the managed futures industry with regard to trading style and overall market exposure.

Ripple: Known as XRP, Ripple is a cryptocurrency that can be used on open source distributed ledger created by the company Ripple. It is built upon the principles of blockchain as an on-demand option for faster cross border payments.

Risk-On and Risk-Off is an investment setting in which price behavior responds to and is driven by changes in investor risk tolerance. Risk-on risk-off refers to changes in investment activity in response to global economic patterns.

Real Estate: The Dow Jones US Real Estate Index is designed to track the performance of real estate investment trusts (REITs) & other companies that invest directly or indirectly in real estate through development, management or ownership, including property agencies.

S&P CoreLogic Case-Shiller 20-City Composite Home Price NSA Index: seeks to measures the value of residential real estate in 20 major U.S. metropolitan areas: Atlanta, Boston, Charlotte, Chicago, Cleveland, Dallas, Denver, Detroit, Las Vegas, Los Angeles, Miami, Minneapolis, New York, Phoenix, Portland, San Diego, San Francisco, Seattle, Tampa and Washington, D.C.

U.S. Equities: The S&P 500 Index. An unmanaged index of 500 stocks (currently 505) used to measure large-cap U.S. stock market performance.

U.S. 30-Yr Treasury Yield: Yield of U.S. Treasury securities maturing in approximately 30 years.

U.S. Dollar: The U.S. Dollar Index (USDX) indicates the general international value of the U.S. dollar. The USDX does this by averaging the exchange rates between the USD and major world currencies. The ICE US computes this by using the rates supplied by some 500 banks.

U.S. Treasury: The ICE U.S. Treasury 20+ Years Bond Index is part of a series of indices intended to assess U.S. Treasury issued debt. Only U.S. dollar denominated, fixed-rate securities with minimum term to maturity greater than twenty years are included.

U.S. Treasury Bill (T-Bill): is a short-term U.S. government debt obligation backed by the Treasury Department with a maturity of one year or less.

Volatility Arbitrage: Hedge Fund Research HFRI Relative Value Volatility Index. Volatility strategies trade volatility as an asset class, employing arbitrage, directional, market neutral or a mix of types of strategies, and include exposures which can be long, short, neutral or variable to the direction of implied volatility, and can include both listed and unlisted instruments. Directional volatility strategies maintain exposure to the direction of implied volatility of a particular asset or, more generally, to the trend of implied volatility in broader asset classes. Arbitrage strategies employ an investment process designed to isolate opportunities between the price of multiple options or instruments. Volatility arbitrage positions typically maintain characteristic sensitivities to levels of implied and realized volatility, levels of interest rates and the valuation of the issuer's equity, among other more general market and idiosyncratic sensitivities.

Yield Spread: The difference in yields on differing debt instruments of varying maturities, credit ratings, issuer, or risk level.

Alternative investments may employ complex strategies, have unique investment and risk characteristics that may not be suitable for all investors.