

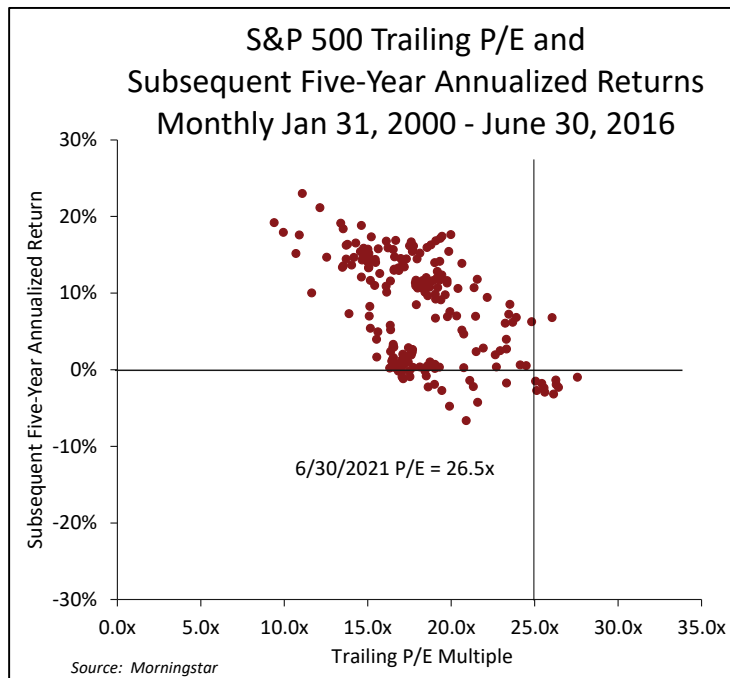
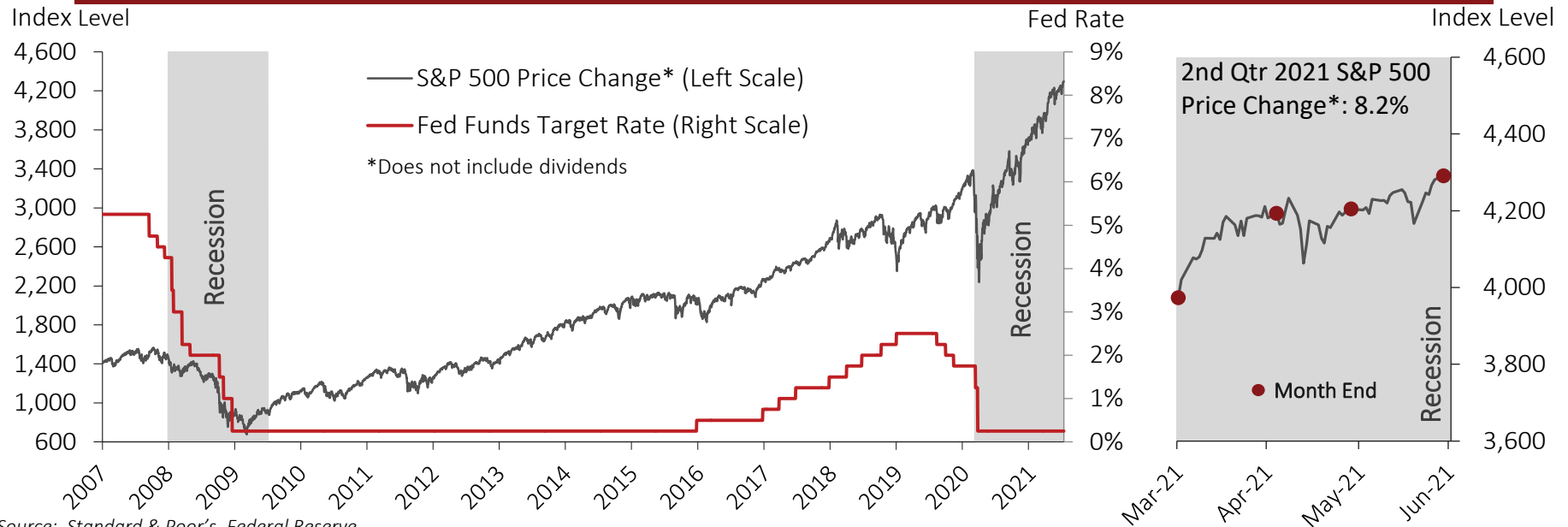
Capital Market Review

June 30, 2021

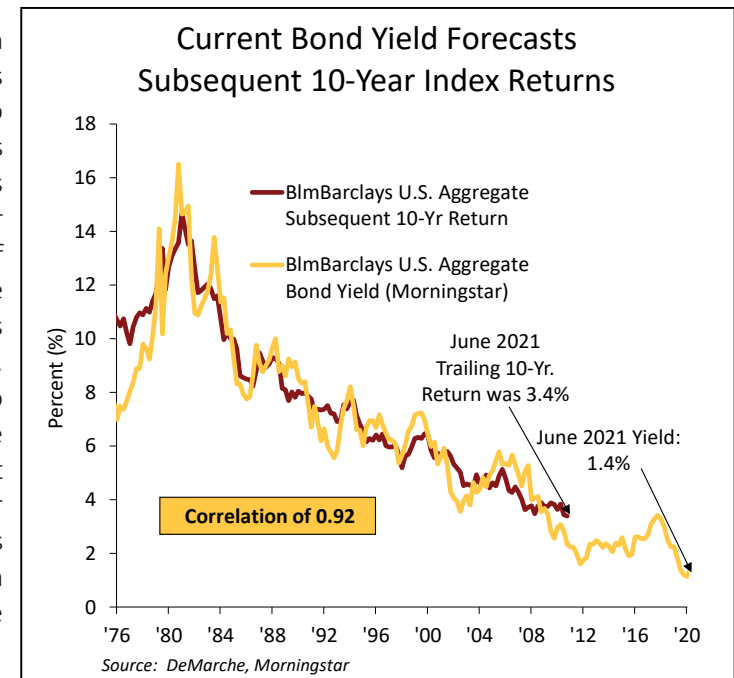


De**M**arche

Priced to Perfection?



The S&P 500 continued its march upward during the second quarter. This brings up a question; is the market too expensive? The chart to the left shows that as valuations on a Price/Earnings basis increase, subsequent five-year performance tends to decrease. Of note, when P/E is greater than 25x, the subsequent five-year return was negative in 10 out of 11 periods. Similarly, the yields of bonds are also low and are expected to stay low. The chart to the right shows that the current coupon on bonds is a strong predictor of subsequent 10-year returns. This suggests that the next 10-year return on investment grade bonds is likely to be around 1.4%.



Broad Market Overview

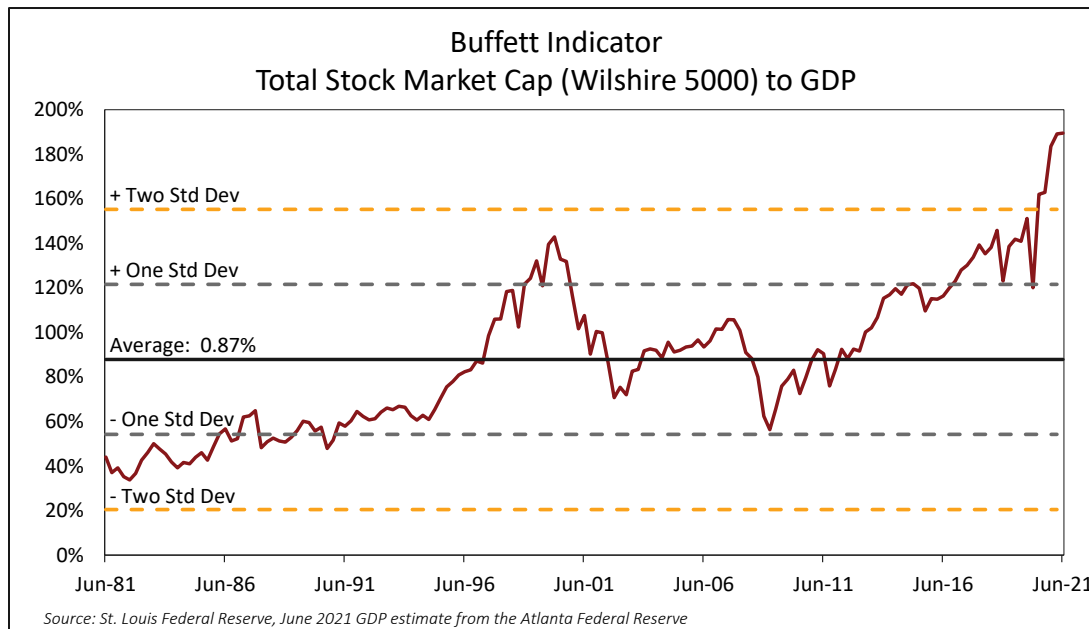
June 30, 2021

INDEX	2 nd Qtr	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR
MSCI World	7.7	13.0	39.0	15.0	14.8	10.7
DeMarche 3000	7.8	14.8	43.0	16.2	15.7	11.9
Russell 3000	8.2	15.1	44.2	18.7	17.9	14.7
S&P 500	8.5	15.3	40.8	18.7	17.6	14.8
MSCI EAFE USD	5.2	8.8	32.4	8.3	10.3	5.9
BlmBarc Aggregate	1.8	-1.6	-0.3	5.3	3.0	3.4
FTSE Non-US Gov't Bond	0.5	-6.0	3.1	2.8	1.3	0.8
BlmBarc Global Aggregate	1.3	-3.2	2.6	4.2	2.3	2.1
NCREIF (Private RE)	3.6	5.4	7.4	5.5	6.1	8.8
Bloomberg Commodity	13.3	21.1	45.6	3.9	2.4	-4.4

Notes: Data are presented as percent returns. All 3-, 5-, and 10-year returns are annualized. *Does not include Canada or Brazil.

Indicator Year Ending 6/30	2021	2020	2019	2018	50-YEAR Average
GDP Annual Growth Rate	12.2	-9.1	2.1	3.3	2.7
Unemployment	5.9	11.1	3.7	4.0	6.3
Inflation (CPI)	5.4	0.6	1.7	2.9	3.9
10-Year Interest Rates	1.5	0.7	2.0	2.9	6.1

- Equity markets continued their rebound from the depths of the March 2020 lows. The U.S. outperformed other broad equity markets with returns in excess of 8% for the second quarter. International stocks posted a robust quarterly return of 5%, but lagged the U.S. due to less exposure to mega-cap growth stocks that led in the quarter.
- Bond yields fell from 1.75% in March to 1.44% in June. As bond yields fall, prices rise. Bonds, as measured by the BlmBarc Aggregate, returned 1.8% for the quarter. However, bonds returns are negative over the past six months since interest rates still are significantly higher than the 92 basis points they began the year.
- Commodity prices also continued their march upward. Energy prices were the primary factor, increasing over 23% in the second quarter. During the past year, WTI oil prices increased by more than 80%, pulling the broader commodity index up over 45%.
- Let's look at a broader measure of market valuation. The Buffett Indicator measures the Wilshire 5000 market cap to U.S. GDP. The chart to the left confirms that the market is pretty pricey. However, just like the large cap S&P 500, the Wilshire 5000 is dominated by its 10 largest stocks, which account for 25% of its market cap. This observation suggests that there is room for smaller cap stocks to add value to portfolios while market cap weighted benchmarks may stall if mega cap stock prices return to more typical valuations.



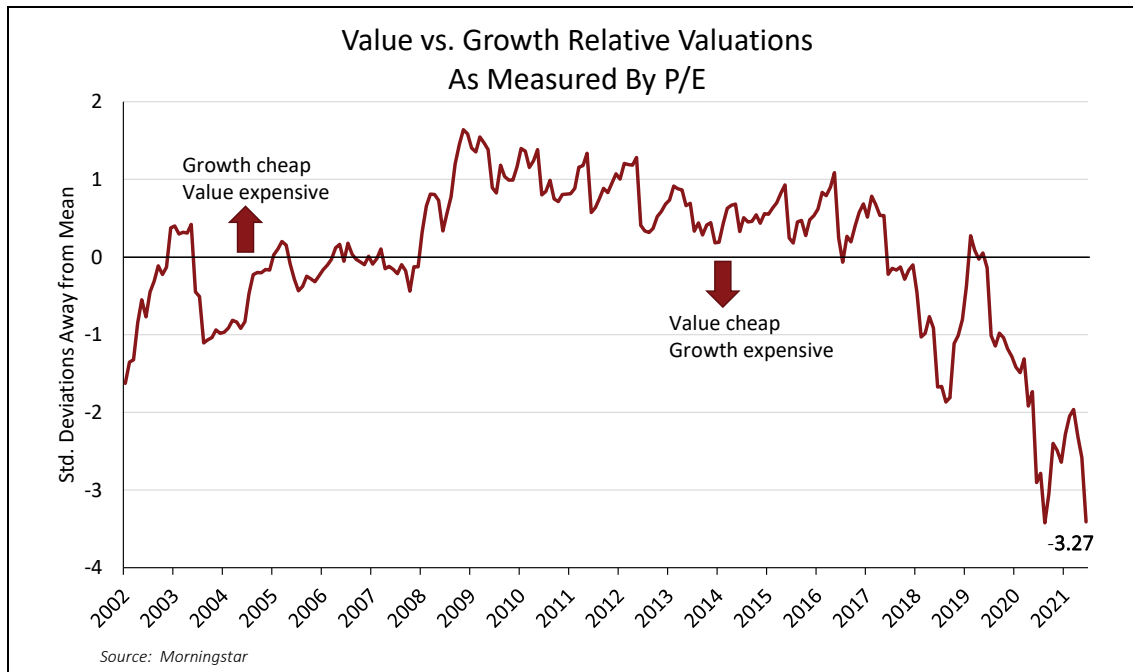
DeFact

Supply bottlenecks have dominated the reopening of global economies. The ISM (Institute of Supply Management) Services PMI purchasing managers report came off its all time May high of 64 to post a 60 for June. A reading above 50 for this index signifies an expanding services sector. We are seeing the similar trend in the manufacturing purchasing managers report. New order growth is the second highest on record and output is expanding and rate of change of pricing is slowing.

INDEX	2 nd Qtr	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR
DeMarche Growth	8.6	13.1	42.8	20.6	19.9	14.7
DeMarche Value	6.3	18.5	42.8	8.2	8.9	7.6
DeMarche Aggressive	6.2	15.5	82.1	22.8	20.8	12.2
DeMarche Defensive	8.0	14.7	40.1	15.8	15.4	11.9
S&P 500	8.5	15.3	40.8	18.7	17.6	14.8
S&P Mid-Cap 400	3.6	17.6	53.2	13.2	14.3	12.4
S&P Small-Cap 600	4.5	23.6	67.4	12.2	15.8	13.5
Russell 1000	8.5	15.0	43.1	19.2	18.0	14.9
Russell 1000 Growth	11.9	13.0	42.5	25.1	23.7	17.9
Russell 1000 Value	5.2	17.0	43.7	12.4	11.9	11.6
Russell 2000	4.3	17.5	62.0	13.5	16.5	12.3
Russell 2000 Growth	3.9	9.0	51.4	15.9	18.8	13.5
Russell 2000 Value	4.6	26.7	73.3	10.3	13.6	10.8

Notes: Data are presented as percent returns. All 3-, 5- and 10-year returns are annualized.

- Large cap stocks outperformed small cap after trailing last quarter. Investor concerns about economic growth weighed upon cyclical equity sectors and smaller cap stocks. Large cap growth, propelled by mega cap stocks, reestablished its leadership across the domestic equity landscape in the quarter and added to its longer term leadership over 3, 5 and 10 year horizons.
- Value stocks, both large and small, showed resiliency in the second quarter and continued their upward momentum. Small cap growth lagged value during the quarter. Over the past year value has done very well, particularly small value, which has led all other equity styles coming off of the market lows in 2020.
- The rise of the mega caps in growth means value is cheap in relation. On a relative basis, value stocks have not been this cheap in 20 years. The P/E ratio of value stocks, as measured by Russell, are at a three standard deviation event when compared to growth. We knew that growth has done great, outperforming value by 6.3 percentage point over the last 10 years, but the magnitude of the dispersion in valuation is dramatic.



Source: Morningstar

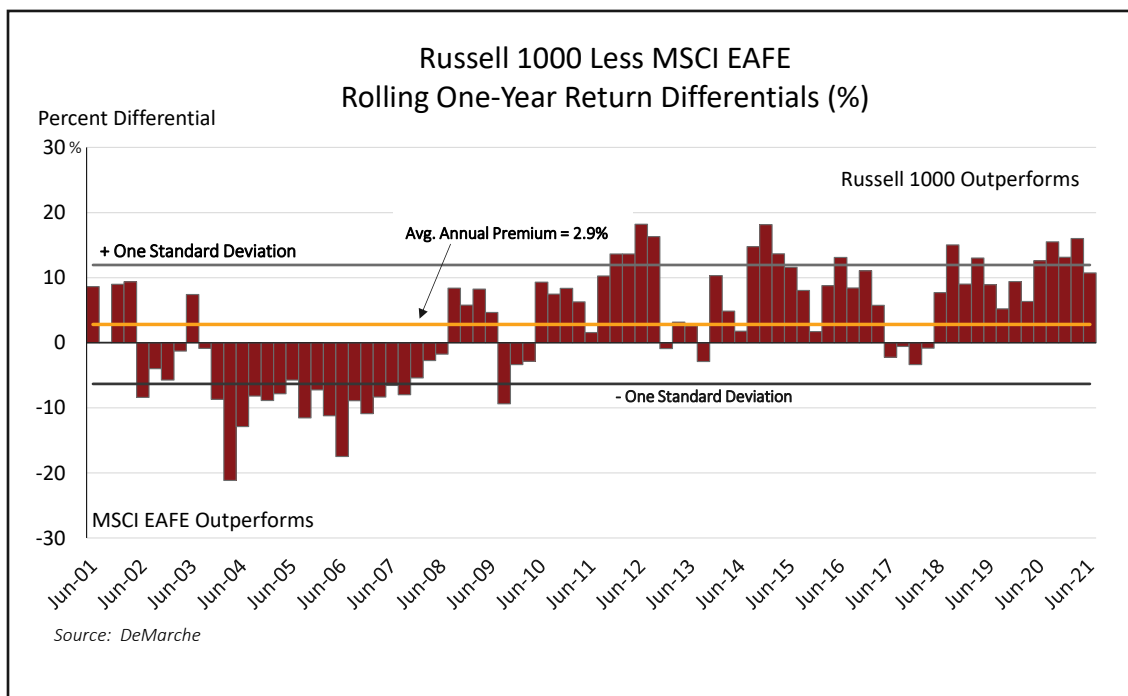
DeFact

The Russell indexes rebalanced during the month of June. Two companies, AMC Entertainment and GameStop, continue their improbable run. GameStop left the Russell 2000 index and moved into the Russell 1000 index after rising over 4800% for the trailing 12 months. AMC, up 455% in the quarter and over 1200% for the year, remained in the Russell 2000 index and is now the largest weight in the small cap index. AMC's performance for the second quarter is alone responsible for 0.63% of the 4.3% quarterly return of the small cap index.

INDEX	2 nd Qtr	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR
MSCI EAFE Local	4.8	12.7	27.1	7.5	10.0	8.1
MSCI EAFE USD	5.2	8.8	32.4	8.3	10.3	5.9
Growth	7.4	6.8	31.0	12.5	12.5	7.8
Value	3.0	10.7	33.5	3.8	7.8	3.9
MSCI Japan	-0.3	1.3	24.8	7.2	10.2	7.2
MSCI AC Asia-ex Japan	3.6	6.4	39.6	12.2	14.5	7.0
MSCI China	2.3	1.8	27.4	10.4	16.6	7.7
MSCI Germany	4.7	9.1	31.8	7.3	10.3	5.0
MSCI France	9.1	13.9	40.9	9.2	12.9	5.7
MSCI UK	6.0	12.5	31.3	1.9	5.7	3.7
MSCI EAFE Small Cap	4.3	9.0	41.0	8.4	12.0	8.4
MSCI EM	5.0	7.4	40.9	11.3	13.0	4.3
MSCI All Country-ex US	5.5	9.2	35.7	9.4	11.1	5.4

Notes: Data are presented as percent returns. All 3-, 5- and 10-year returns are annualized.

- International stocks, like domestic, had strong performance for the quarter. The dollar impacts returns as translation of foreign currencies into dollars create a headwind or tailwind. Over the past few years the dollar has remained in a trading range. The five year returns in Local and USD terms are only 30 basis points apart.
- Emerging market stocks also advanced during the quarter. China, the largest weight in the index, lagged the overall index. Chinese equity returns were hurt by monetary policy activity and regulatory changes. Taiwan, South Korea and India, weighted two, three and four in the index, all performed well in the Asian region, besting China shares significantly this year. Latin America also performed well as Mexico and Brazil recovered from the depths of 2020.
- International stocks have underperformed domestic equities over the past decade. The EAFE index has larger allocations to value oriented sectors than the U.S. market. The Index's weight in technology is under 10% of market cap, while financials are the largest weight at over 16%. In stark contrast, the tech sector in the U.S. accounts for 27.4% of the S&P 500's market cap. With the run in tech over the past decade, it is perfectly reasonable that the U.S. is so far ahead.

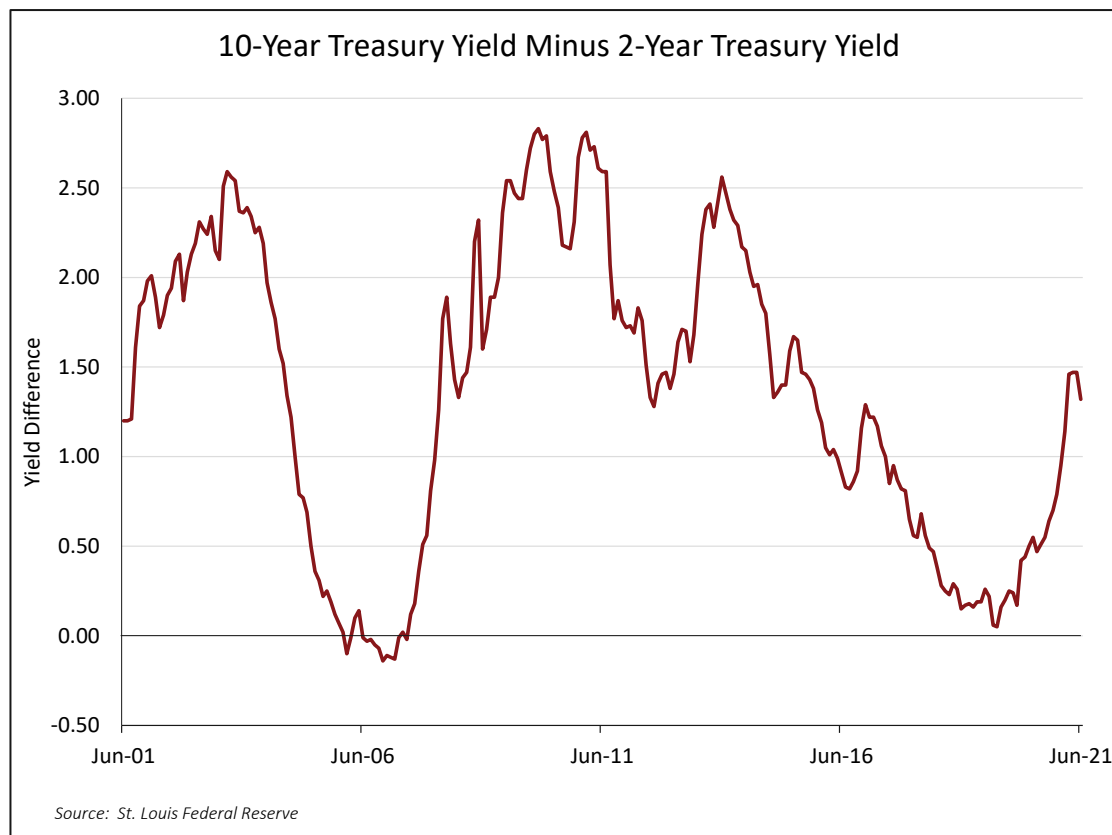


DeFact

India and China are the two most populous countries in the world by a wide margin. At the end of 2020, China was home to 1.44 billion and India was home to 1.38 billion people. However, China is aging at a rapid pace and India's population is expected to pass China within the next few years. India's median age is 28.4 years and is 10 years younger than China at 38.4 years. This fact means that China's population is expected to shrink to 1 billion by the end of this century. ~Statisticstimes.com

INDEX	2 nd Qtr	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR
BlmBarc 1-3 Gov Credit	0.0	0.0	0.4	3.0	1.9	1.5
BlmBarc Aggregate	1.8	-1.6	-0.3	5.3	3.0	3.4
BlmBarc Gov Credit Long	6.4	-4.6	-1.9	9.9	5.4	7.3
BlmBarc US TIPS	3.2	1.7	6.5	6.5	4.2	3.4
ICE Bof A Merrill Lynch High Yield	2.8	3.6	15.5	7.1	7.3	6.5
CSFB Leveraged Loan (bank loans)	1.4	3.5	11.7	4.4	5.0	4.5
BlmBarc Global Aggregate	1.3	-3.2	2.6	4.2	2.3	2.1
JPM EmgMkt Bd Gbl Dvrsfd (hard)	4.1	-0.7	7.5	6.7	4.9	5.7

Notes: Data are presented as percent returns. All 3-, 5- and 10-year returns are annualized.



- Interest rates fell in the quarter, and bonds with longer dated maturities were the greatest beneficiary. The BlmBarc Gov Credit Long Index jumped over 6% in the quarter. The investment grade bond returns are more captive upon interest rate moves than lower quality bonds due to the higher coupons on lower quality bonds.
- High yield and bank loans produced positive returns for the quarter. Over the past year, the double digit returns are evidence of the rebound from the wide credit spreads during the lows of 2020. As credit spreads have tightened to Treasuries so far this year, return expectations should be inline with their coupon.
- Some emerging market central banks have taken a more hawkish tone with interest rates. Mexico, Brazil and Russia have all raised rates this year. The impact on the emerging market debt market was positive and saw dollar inflows for the quarter and subsequent returns were strong. In addition, the returns over the quarter were influenced by the decline of interest rates in the U.S.
- Economic recovery post pandemic is evident by the significant steepening of the yield curve. When the spread between 10 year Treasuries and 2 year Treasuries is increasing, the yield curve is steep. In 2020, the Fed cut short term rates, the 10 year fell in yield at year end but then increased to over 1.70%. The most recent prints show a slight decrease in the spread. This suggests a moderation in economic growth.

DeFact

In June the Fed tapped the brakes slightly by reminding the markets that rate hikes may be needed in the future to dampen any unexpected increases in inflation in the coming years. Rates in the longer end of the maturity curve fell and have continued to fall through the remainder of June. Similarly, the dollar, which was on a weakening trend, reversed and gained strength for the remainder of the month. This shows that headline risk still holds serious influence on yields along the curve.

~Nasdaq

INDEX	2 nd Qtr	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR
NCREIF Property (Private RE)	3.6	5.4	7.4	5.5	6.1	8.8
Apartment	3.6	5.4	7.0	5.2	5.7	8.3
Industrial	8.9	14.0	23.0	15.6	14.6	13.7
Office	1.4	2.4	3.3	4.7	5.2	7.8
Retail	0.9	0.4	-1.3	-1.8	1.2	7.0
NCREIF Timberland	1.7	2.5	3.1	2.1	2.7	4.7
NCREIF Farmland	1.5	2.3	5.0	4.8	5.5	10.2
NAREIT (Public RE)*	11.7	21.2	34.2	11.5	8.0	10.2
Bloomberg Commodity	13.3	21.1	45.6	3.9	2.4	-4.4
HFR FOF Composite	2.8	4.9	18.2	6.3	6.1	3.8
Conservative	1.8	5.5	14.6	5.2	5.0	3.4
Diversified	2.5	4.4	16.7	6.2	5.8	3.8
Strategic	4.3	6.0	24.3	7.7	7.6	4.5

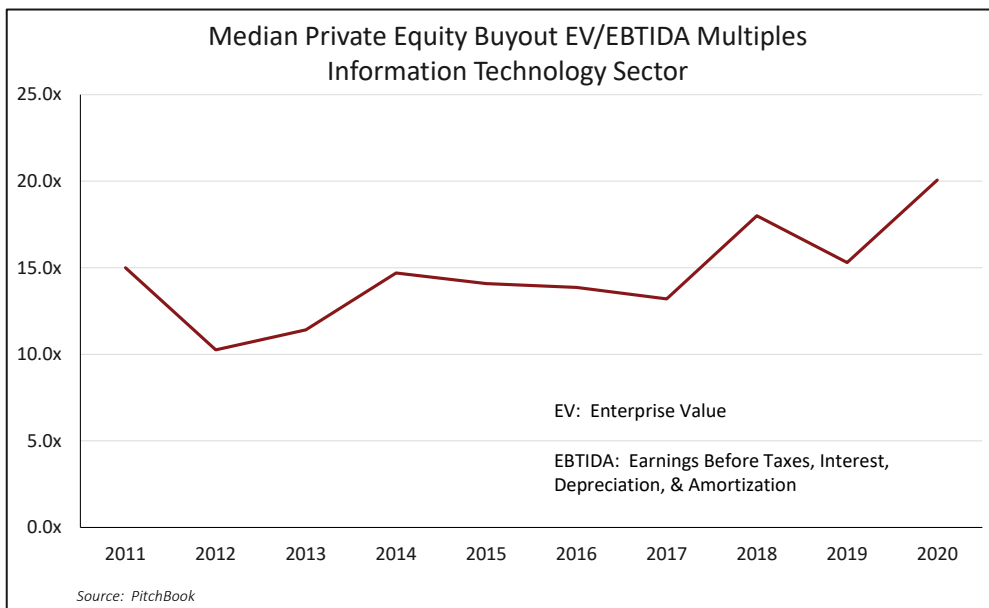
Private Market Indexes

as of 12/31/2020	4 th Qtr	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR
Preqin Private Equity	10.4	23.6	23.6	16.4	15.8	14.2
Preqin Private Debt	4.9	6.2	6.2	5.4	7.0	8.1
Preqin Infrastructure	4.0	4.6	4.6	8.4	8.8	9.5

Notes: Data are presented as percent returns. All 3-, 5- and 10-year returns are annualized.

*Public RE is not a less liquid strategy. It is listed for comparative purposes.

- REITs had a positive quarter and outperformed other broad equity sectors. Falling interest rates in the quarter boosted returns as inflation concerns somewhat moderated. The outlook for real estate remains relatively attractive and REITs benefitted.
- Commodity prices continued their rebound from a year ago. Besides energy prices rebounding during the past 12 months, agricultural prices also advanced beyond the broader index. Precious metals, of all the broad commodity sectors, only advanced about 3.5% over the past year.
- Hedge funds posted positive results for the quarter. One year returns are attractive on an absolute basis, but are far behind one year equity return. Hedge funds usually lag stock returns in strong upward trending markets. Equity long/short hedge funds posted the best returns in the quarter.
- The chart to the left shows the valuation of the information technology sector of the private equity market. The valuation of this sector is increasing, similarly to the information technology sector in the public space. It seems that technology oriented equities are getting pricier, regardless if the company is public or private.



DeFact

Lumber futures fell significantly from May 2021 highs. The price of lumber has now dropped almost 50 percent from the record high for the September 2021 contract, declining from \$1,528 to \$737 at the end of June. Sawmills have begun to catch up to the demand. Lumber futures contracts are typically within the range of \$400 to \$500 per contract. ~MarketWatch



You are invited to the
**38th Annual DeMarche
Client Conference: A Shot
in the Arm! – Economic
Impact of Fiscal Medicine**

Live Streaming Video Conference

**Tuesday, October 19, 2021 –
Thursday, October 21, 2021**

Over three days, together we will answer the question of where do we go from here as we reemerge post COVID-19? What are the headwinds we face and opportunities available as a result of the numerous changes we've experienced and what is our prognosis for the future?

Tuesday October 19

Diagnosis: Low Expected Returns

While the long-term lessons from the COVID experience are unknown, there is little doubt that 2021 and the year ahead will potentially be a renaissance for global economies, markets, and governments. However, with interest rates at record low levels, institutional investors are required to think outside the box for alternatives to supplement "plain vanilla" fixed income investment programs. We'll start day one of the conference addressing this lower return diagnosis head-on.

Wednesday, October 20

Prognosis: A Brighter Future for Non-U.S. Markets?

Since different parts of the world develop at different paces, we will focus our second day on the critical investment issues, demographic changes, market forces, and industry trends that accompany non-U.S. investment strategies. With long-term domestic equity returns out-pacing those of developed and emerging equity markets, investors grapple with the notion of globally diversified portfolios. We'll discuss opportunities across the globe in equity and debt markets that can improve your portfolio's diversification and enhance total return.

Thursday, October 21

Preventative Medicine: Risk Care

Our final conference day will address several aspects of risk management, both for fiduciaries of pools of assets designed to exist in perpetuity and for fiduciaries overseeing defined contribution plans that affect a wide variety of participants with varying risk profiles. We'll discuss disruption in the healthcare industry, cover the myriad of strategies that have developed from technological advancement outside the "long-only" arena, and discuss how recent changes pertain to those fiduciaries overseeing DC plans. We'll cover industry trends and actionable best practices that you can take back to your committee discussions.

Registration starts in early August - <https://cvent.me/9KxmRk>