Q-1, 2021 MARKET REVIEW:

The first quarter of 2021 market performance was a metaphor for the season of the year it shared. We experienced days of bright optimism contrasted with others that were simply depressing. Similar to expectations for Spring, investors and markets, however, moved forward with confidence that things would change and better days were ahead.

The quarter started with two major political surprises- Georgia sending two Democrats to the US Senate and shifting majority control of that chamber from Republican to Democrat, and Donald Trump's supporters breaching Capitol Building security and rioting in an attempt to derail the certification of Joe Biden's election. By the end of January 2021 there was evidence that the more traditional behavior of the new Administration would usher in a period of less political grandstanding and whimsical policymaking as well as a return to quiescence Presidential behavior toward federal government and economic life. Following a tumultuous transition of power period, the Biden Administration settled into conducting government's activities in a manner more in keeping with the pattern of most presidential admirations that preceded Donald Trump's.

The Corona-19 vaccine roll-out picked up steam as we moved through the quarter. President Biden's pledge of 100,000,000 vaccines administered in the first 100 days of his Administration was quickly exceeded. By the end of March 2021, there was almost a palpable feeling that a new normal was on the immediate horizon along with an upward glide path for employment, economic opening and recovery. Quarter end reports indicate that almost 40% of Americans are vaccinated. In 90-days the US had reversed its position from being the poster child for allowing virus spread to being in the forefront of vaccine roll out and population inoculation.

The trajectory over the quarter was not always upward. New waves of virus spread occurred throughout Europe and the Indian sub-continent. New and more infectious virus mutation strains were identified in Great Britain, South Africa and Brazil. Questions concerning the efficacy of vaccines to these new mutations dominated headlines as did blood clots in a small number of vaccine recipients receiving the single shot Astra-Zeneca product. An enacted pause in the use of the Astra-Zeneca product dampened hopes for speedy global inoculation. This one-shot product is far more cost effective in use and therefore was anticipated as providing an effective inoculation protocol for less economically developed countries.

The strong rebound in global goods demand boosted financial markets in Great Britain, the Euro Zone Japan and elsewhere. Consensus opinion among market pundits suggested that the reopening trade begun in early December 2020 (buying cyclical value stocks that will benefit from a reopened economy) would gather steam throughout the quarter. Investor interest continued to shift to the more traditional cyclical companies representing a broader swath of industry and companies and away from the tech sector, the darling of the pandemic period.

Stocks that benefitted most in 2020 have underperformed since late November early December 2020. JP Morgan Asset Management Monthly Market Review of Q-1 2021 (Q-1 Market Review) reports that the S&P 500 was up 6.2% and US small equity company stocks led the Russell 2000 up 12%. Value stocks were up 9.8% year to date versus 0.3% for growth stocks. Eurozone equities were up 8% and Japanese equities were up 9%.

The Q-1 2021 Market Review forecasts continued growth of the reopening trade and a positive outlook for equities assuming vaccines continue to prove effective in preventing hospitalization and protection against all variants of the COVID-19 virus. Growth in 2021 will ameliorate from the pace achieved in 2020 yet will remain positive.

The quarter saw the passage of the much anticipated third stimulus fiscal initiative package. The much hoped for bipartisan support for this measure failed to materialize. The initiative was enacted by Congress along party lines. No Republican senators supported passage of the initiative.

This almost 1.9 trillion-dollar COVID relief measure (the "American Rescue Plan") was President Biden's down payment on a campaign promise to comprehensively address the economic fallout from the COVID-19 virus pandemic, climate change, America's infrastructure and family economic security. The enacted COVID relief component may contribute to an increase of US GDP growth to 7% in 2021.

The Biden Administration intends to follow up its success in passing the third COVID fiscal stimulus initiative with almost 4 trillion-dollars of 'infrastructure' spending (the American Jobs Plan" and the "American Family Plan"). In addition to addressing brick and mortar infrastructure needs, this new initiative, if enacted by the US Congress as envisioned by the Administration, will re-structure family economic security by addressing issues of income support, employment, and broader access to health and education services and benefits.

On the domestic front, after years of ignoring the issue of deficits, Republicans in Congress have reawakened to the possible pitfalls associated with deficit spending. This concern that lay somnolent throughout the tax cutting and spending increases of the Trump presidency is now a rallying cry to restrain Democratic party proposed spending initiatives. One of their own, Senator Romney of Utah recently gave voice to the hypocrisy of this concern in light of the previous Republican Administration's additions to the federal deficit.

Realized and projected fiscal spending had propelled the yield on the 10-year Treasury to 1.75% by quarter end. Inflation concerns exist in certain quarters based on projected federal fiscal intervention in the economy. Others point out that the Federal Reserve has failed in its efforts over the past ten years to steer the economy towards meeting target inflation of 2% annually. Pointing to excess capacity within the domestic economic system these counter-voices suggest inflation concerns are exaggerated.

We believe that government fiscal spending will have some impact on inflation; however, it should be gradual, temporary and not sustained. Further, the extended period over which spending tied to the proposed infrastructure initiative will occur will limit the inflation-driving impact of that spending.

The Q-1 2021Market Review notes “despite upgrading its growth forecasts for this year and expecting unemployment to decline to 4.5% by the end of this year and 3.5% by the end of 2023, the Fed does not believe inflation will be sustainably above target and still expects not to raise rates before 2024.”

The below statistics illustrate the breadth of change in the domestic equity and debt markets over the past three months.

Asset Class:	Q-1 2020	Q-2 2020	Q-3 2020	Q-4 2020	Q-1 2021
US S&P 500**	-19.6%	+20.5%	8.9%	12.2%	6.2%
Growth**	-15.1%	+25.6%	19.2%	12.6%	0.3%
Value**	-26.8%	+12.9%	-14.1%	15.9%	9.8%
Small cap**	-30.0%	+24.7%	-6.1%	24%	9.5%
Barclays US Aggregate Bond Index*	+3.148%	+2.895	0.619%	0.669%	-3.372%

**Asset Class Data: JP Morgan, Quarterly Review of Markets
* Bloomberg PLC: Barclay Aggregate US Bond Index

<u>SESLIA ACTIVITY:</u>

Throughout the quarter we repositioned account holdings of mutual fund products to the least expensive share classes after giving consideration to ongoing fund expenses and cost of purchasing and sales.

Very little trading was done throughout this quarter. We anticipated much of what occurred and positioned accounts accordingly in advance. Clients that sought participation in market change enjoyed their share of that participation.