Q-2, 2021 MARKET REVIEW:

Financial markets are forward looking. As such there is no inclination to bask in the present. Market volatility throughout the quarter reflected forward concerns rather than the existing economic reality.

Q-2 saw significant economic growth in the United States spurred by individuals subscription to the available COVID vaccines and a resulting willingness to move beyond the public restrictions of the preceding twelve to fifteen months. Perception that light existed at the end of what has been a dark self-isolating tunnel changed and has spurred a measured increase in social re-engagement accompanied by a sharp increase in consumer spending on real estate, durable and discretionary goods, and services including entertainment related spending.

Reports suggest the US economy grew at an annualized rate of 6.3% in the first three months of 2021 and growth in the second quarter may well exceed that of the first quarter.

Accompanying this resurgence in spending has come dislocation in the supply of goods and services. Businesses that had significantly downsized or shuttered over the preceding fifteen months scurried to find workers to restaff operations. Manufacturing production that slowed during the same period struggled to keep pace with burgeoning demand. Inventories were run down and downstream delivery of component parts faltered in keeping pace with demand. Electronic chip shortages impacted a wide swarth of product production from automobiles to appliances and technology gadgetry.

Looking ahead market pundits questioned whether these shortages, combined with the almost $120 billion of bond purchases by the Federal Reserve to keep interest rates low and ensure sufficient liquidity in the financial system, will generate an upswing in inflation. In May the equity and bond markets began reflecting that apprehension as the ten-year bond yield touched 1.70%, its highest recent level since reaching 1.745% on March 31, 2021. The US consumer price index advanced 5.0% year-on-year. Inter-day price volatility increased in both the bond and stock markets. Investors vacillated on deciding whether inflation was a matter of real concern that would impact borrowing cost. The spillover effect was to elevate cyclical equities over growth related technology stocks out of concern that an increased cost of funds would have a disproportionate negative impact on the technology sector.

Fighting the Federal Reserve is never a smart market play. The central bank remains committed to supportive monetary policy that translates into low interest rates and steady monthly adds to its balance sheet of acquired securities. Public statements have downplayed the narrative that inflation evidenced or projected to occur in the economy will be anything more than a temporary aberration well within limits of expectation. That said, however, the median Federal Open Market Committee participants now expect two rate hikes in 2023, up from no rate hikes just

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three months ago. The Fed has also acknowledged that it may well consider tapering its present pace of adding purchased securities to its balance sheet.

President Biden appears to have reached agreement on bi-partisan support for a modified American Jobs Plan, which targets investment in infrastructure spending. That measure will probably be enacted in the third quarter of the year. The economic impact of this new fiscal spending program will extend over multiple years and is not designed to have the same stimulus impact as has previous COVID relief measures.

Success in moving the second element of the President's infrastructure spending initiative, the American Family Plan, with bi-partisan support is less assured. That measure seeks to re-structure family economic security by addressing issues of income support, employment and broader access to health and education services and benefits.

Retrospectively the quarter ended with the ten-year bond rate below 1.5%, mortgage rates at levels that continue to fuel home purchases and the US Standard and Poor's 500 index up 8.5% on the quarter.

The Euro sector fared less well during the early months of the quarter in large part a function of the slow roll-out in COVID vaccine availability and individual subscription. JP Morgan's Monthly Market Review reports the eurozone economies contracted 0.6% during the second quarter. Business surveys of purchasing managers, however, point to a strong economic rebound, which should promote and sustain strong economic growth in the second half of the year. The Morgan Stanley Capital International (MSCI) Europe ex UK equity index increased 7.1% in the second quarter supported by the reopening of regional economies.

The Indian economy was significantly impacted by a second wave of COVID giving rise to a more infectious COVID Delta variant. Its international spread adversely impacted economic revitalization in several Asian economies where vaccination pick up remains low. Japan was similarly affected. That country, however, remains committed to staging the summer Olympic games though moving ahead on schedule was hotly debated domestically and internationally. The games are on track to open in Tokyo on July 23, 2021, probably with limited public spectator presence because of the spread of the COVID variant.

The Chinese economy following the initial spread of COVID in early 2020 followed by a decisive economic lock down in certain regions of the country to mitigate virus spread has fared remarkably well over the past fifteen months. In 2020, China was the only major economy to experience positive economic growth. That robust economic reality continues into 2021 despite the country lagging behind others in the roll-out of vaccination opportunity for its population. The quarter completed did see government policy tightening as well as the imposition of increased regulatory oversight which weighed on China's relative economic and financial market performance.

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

Asset Class:	Q-2 2020	Q-3 2020	Q-4 2020	Q-1 2021	Q-2 2021
US S&P 500**	+20.5%	8.9%	12.2%	6.2%	8.5%
Growth**	+25.6%	19.2%	12.6%	0.3%	11.0%
Value**	+12.9%	-14.1%	15.9%	9.8%	4.9%
Small cap**	+24.7%	-6.1%	24%	9.5%	5.1%
Barclays US Aggregate Bond Index*	+2.895	0.619%	0.669%	-3.372%	1.8%

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

SESLIA ACTIVITY:

Over the quarter we executed one hundred and eighty-four trades touching most of our client portfolios. We realized gains for clients by reducing positions in the ARK funds, repositioned certain income seeking investments to Blackrock Core Bond Trust (BHK) and John Hancock Income Securities Trust (JHS), and increased the diversification of other accounts to include exposure to cyclicals, materials, industrials, consumer staples and the S&P 500 equities. We were less aggressive in adding to technology exposure choosing instead to join the trend towards broadening investments across the equity spectrum domestically as well as internationally, where appropriate.