2017 Weekly Portfolio Manager Commentary — *June 2 , 2017*

Trustmark Investment Advisors, Inc.

ECONOMIC HIGHLIGHTS

The wages and salary component of Personal Income and Outlays was up 0.7% for April 2017. The Chicago PMI came in at a strong 59.4, while the PMI and ISM Manufacturing Indexes were up to 52.7 and 54.9, respectively. Construction Spending was down 1.4% for April, but was up 6.7% year-over-year. Finally, the U.S. Unemployment Rate came in at a strong 4.3% for May.

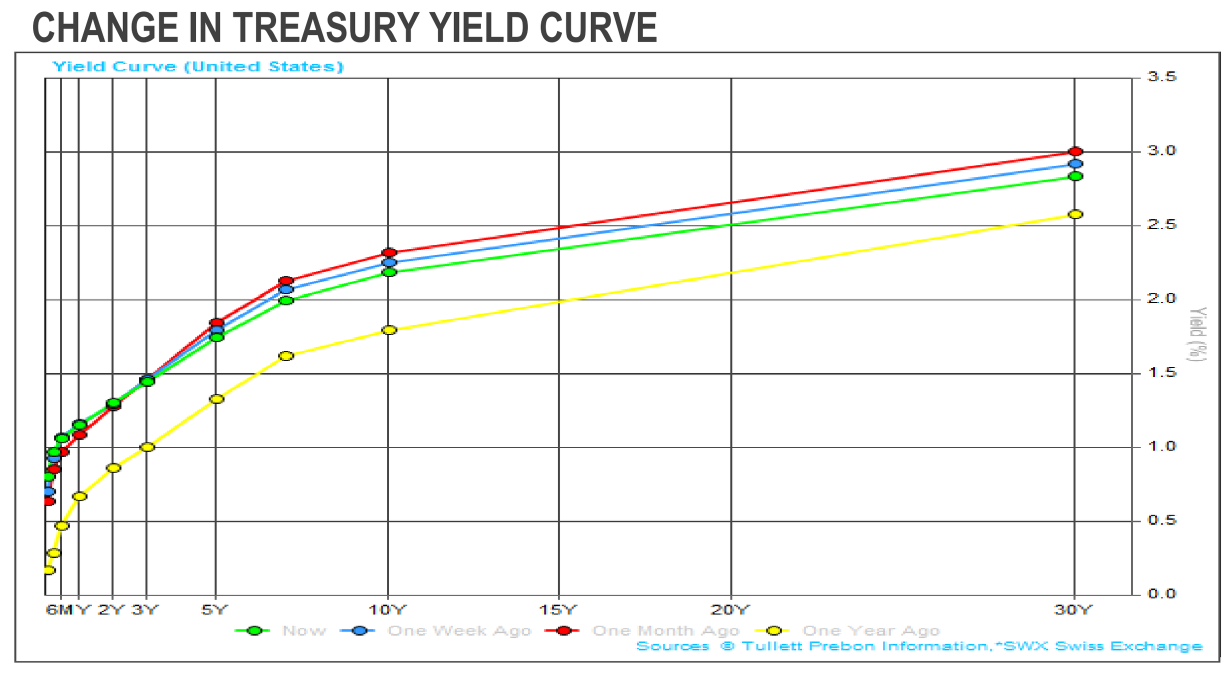
FIXED INCOME

Bond yields sank Friday to their lowest level of the year after a report stated that the nation's job growth slowed in May. Yields fell immediately after the government said that employers added 138,000 jobs last month, which was short of the average economists surveyed reading of 182,000 according to Bloomberg, and much lower than the previous month's reading. The yield on the ten-year Treasury note dropped to 2.15% from the previous day's close of 2.21% and hit its lowest level since mid-November. The government's job report also said that hiring was weaker in March and April than previously reported. The unemployment rate fell to 4.3% last month, its lowest level since 2001. Many economists say they don't expect the latest jobs report to dissuade the Federal Reserve from raising interest rates again at its next policy meeting in two weeks. The job market and inflation remain strong enough, they say. The central bank has been trying to pull rates gradually off their record lows following the great recession nearly ten years ago. The Federal Reserve has already raised rates twice since December with plans for at least two more this year if the economic data remains fairly accommodating. Friday's job report falls in line with a series of mixed economic reports that show continued modest gains, but no real acceleration in the underlying economic landscape. For example, the economy grew at an annual rate of 1.2% for the first three months of the year. Not really an indication that the economy is running hot at all. The Fed will continue to rely on upcoming data over the next months and quarters in making their assessment on whether any further rate increases are warranted.

CURRENT GENERIC BONDS YIELDS

TREAURIES		AGENCIES		CORPORATES		MUNICIPALS	
3 mo	0.95%	3 mo	1.01%	3 mo	1.21%	3 mo	0.68%
6 mo	1.04%	6 mo	1.06%	6 mo	1.29%	6 mo	0.73%
1 yr	1.15%	1 yr	1.15%	1 yr	1.37%	1 yr	0.79%
2 yr	1.29%	2 yr	1.34%	2 yr	1.62%	2 yr	0.94%
5 yr	1.72%	5 yr	1.70%	5 yr	2.22%	5 yr	1.37%
10 yr	2.16%	10 yr	2.63%	10 yr	2.97%	10 yr	2.08%
30 yr	2.81%	30 yr		30 yr	3.90%	30 yr	3.30%

CHANGE IN TREASURY YIELD CURVE



EQUITY

INDEX RETURNS	LAST WEEK	YTD
Dow Jones Industrials	0.69%	8.52%
S&P 500 (Large Cap)	1.01%	9.91%
S&P 400 (Mid Cap)	1.41%	6.09%
Russell 2000 (Small Cap)	1.71%	4.09%
NASDAQ Composite	1.55%	17.77%
MSCI EAFE (International)	1.77%	16.44%
iShares Real Estate	1.02%	4.89%

U.S. Equities ended the week on a positive note as defensive sectors were the standouts whereas energy and financial companies ended the week lower. An upswing in global growth, improving corporate profits, and a supportive monetary policy continue to drive equities higher. Washington continues to play a peripheral role as markets shrugged after President Trump decided to pull out of the Paris Climate accord. Some corporate leaders have expressed that the decision will have a little impact on their investments and strategic decisions.

The NASDAQ continues to tick higher as Microsoft surged to a six month high this past week. The S&P 500 ticked up 1.01% to a record of 2.438.38. Emerging markets rose as well to notch an 18% gain for the year.

Broadcom (AVGO) has been a strong member in the technology sector. It was up over 8% last week Friday.

June has historically been the one of the weakest months of the year. Political cliff hangers such as the former FBI Director James Comey's testimony, the UK Election, and the ECB monetary-policy easing could threaten the record setting run in US equities. According to data from Bespoke Investment Group, equities have notched a median decline of 0.79% between May 30 and June 13 over the past 10 years.

ASSET ALLOCATION

CURRENT SENTIMENT	
Cash	Neutral
Short Fixed Income	Neutral
Intermediate Fixed Income	Neutral
Inflation-Adjusted Fixed Income	Unfavorable
High Yield Fixed Income	Neutral
International Fixed Income	Neutral
Equity Income	Favorable
Large Cap Equity	Favorable
Mid Cap Equity	Favorable
Small Cap Equity	Neutral
International Equity	Neutral
Emerging Markets Equity	Favorable
Real Estate	Favorable
Commodities	Unfavorable

Below is a summery of our current stance on most asset classes:

Cash - Holding as little as possible given the miniscule yields in money market instruments. Any exposure is for defensive positioning.
Short Term Bonds - Relative to Intermediate Bonds, the reduced duration is preferable given the outlook for higher interest rates.
Intermediate Term Bonds - The current trading range of intermediate bonds warrants a neutral position with limited upside potential. Some opportunities still remain present in spread products.
Inflation-Adjusted Bonds - Low inflation expected in near-term providing zero real return.
High Yield Bonds - Spreads have tightened; however, still remain attractive versus Treasuries.
International Bonds - Emerging market bonds offer good diversification qualities while providing higher yield opportunities relative to domestic fixed income.
Equity Income - High quality and higher-dividend-paying companies remain attractive for long-term investors given their favorable risk-adjusted profile and current yield curves.
Large Cap Stocks - A favorable weighting is recommended. Growth has reemerged as a more favorable style and should be overweighed versus Value.
Mid Cap Stocks - Mid cap exposure along with a value tilt is preferred. Mid cap stocks continue to provide the "sweet spot" of market capitalization - large enough to provide stability, but small enough to be more nimble.
Small Cap Stocks - In broad market corrections, small cap stocks will suffer most with increased volatility. However, a recent divergence of relative strength between small caps and large caps warrants a neutral exposure.
International Stocks - Given most foreign investment is in developed markets and European countries, until sovereign debt concerns are alleviated, an underweight to neutral weight is recommended.
Emerging Market Stocks - Stronger balance sheets, less debt, and better growth potential make emerging markets more fundamentally attractive than developed countries longer-term. Recent relative performance versus developed markets support the stronger fundamental backdrop and positions have been added.
Real Estate - Pricing has stabilized and long-term valuations appear attractive. Real Estate has performed well of late and should continue to be a strong alternative to other asset classes.
Commodities - Global demand should support higher prices if the global recovery remains on track. Although, volatility will be higher and commodities will be susceptible to short-term price shocks, if used in conjunction with other asset classes, risk can be reduced substantially to a diversified portfolio. However, used alone is not recommended as the short-term outlook is not favorable.