Portfolio Manager Commentary

April 30, 2021

Trustmark Investment Advisors, Inc.

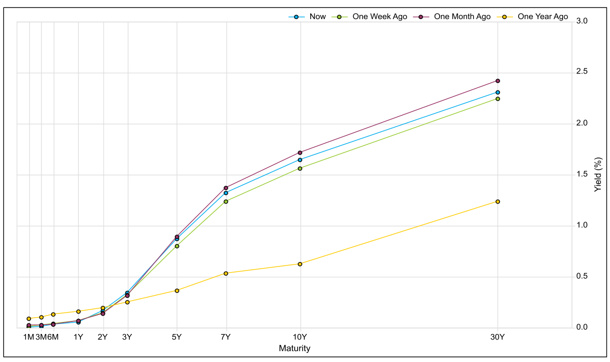
Economic Outlook

U.S. Durable Goods Orders were up 0.5% for March after having declined by 0.9% in February. U.S. Gross Domestic Product was up to a 6.4% annual rate for the first quarter 2021 versus 4.3% for the fourth quarter 2020. The Employment Cost Index was up 0.9% for the first quarter 2021 after having been up 0.7% for the four th quarter 2020. Personal Income was up a strong 21.1% for March versus -7.0% for February. Consumer Spending was up 4.3% in March versus -1.0% in February. Finally, the Chicago Purchasing Manager's Index was a very strong 72.1 for April versus 66.3 for March.

Fixed Income

The Treasury market's inflation bulls seem to have gotten a green light from Federal Reserve Chairman Jerome Powell to double down on wagers that price pressures will intensify over the coming months. The renewed momentum for the reflation trade follows Powell's reaffirmation last week of the central bank's intentio n to let the world's biggest economy run hot for some time as it recovers from the pandemic. The Fed's unwavering commitment to ultra-loose policy in the face of robust economic data is what caught traders' att ention. It took on added significance as it coincided with signs the U.S. may finally be reaching the end of the Covid-19 crisis, and as President Joe Biden unveiled plans for additional trillions in government spending. Investors eyeing all these events are not ready to give the Fed the benefit of the doubt in its assessment that inflationary pressure will prove to be temporary. A key bond-market proxy of inflation expectations for the next decade just hit the highest since 2013, and cash has been pouring into the largest exchange-traded fund that invests in Treasury Inflation-Protected Securities. Globally, there has been a net inflow into mutual and exchange-traded inflation-linked debt funds for 23 straight weeks, according to data from the EPFR. The Fed is stressing that the upswing in inflation "is transitory, but w e likely won't have better clarity on this assertion until this initial economic wave from reopening has subsided," said Jake Remley, a senior portfolio manager at Income Research and Management. "Inflation is a ver y difficult macro-economic phonomime to predict in normal times. The uncertainty of a global pandemic and a dramatic economic rebound" has made it even harder. "We want it to average two percen t," Powell said last week regarding the inflation benchmark the Fed targets. "And for that we need to see inflation expectations that are consistent with that, really well anchored at two percent. We d on't really see that yet." The central bank has a long way to go to attain that goal. Its preferred inflation gauge finally rose above two percent in March, clearing that level for the first time since 2018. Howeve r, Powell reiterated last week he sees the move as part of an overall trend of one-time price increases as the economy opens back up. He also stated that he does not see employers bidding up wages yet even though there are shortages of workers in many industries, especially restaurants.

Change in Treasury Yield



Current Generic Bonds Yields

Treasuries		Agencies		Corporates		Municipals	
3 mo.	0.00%	3 mo	-0.08%	3 mo	0.16%	3 mo	0.13%
6 mo	0.02%	6 mo	-0.07%	6 mo	0.18%	6 mo	0.14%
1 yr	0.05%	1 yr	-0.03%	1 yr	0.21%	1 yr	0.16%
2 yr	0.16%	2 yr	0.16%	2 yr	0.27%	2 yr	0.18%
5 yr	0.85%	5 yr	0.72%	5 yr	1.10%	5 yr	0.55%
10 yr	1.63%	10 yr	1.71%	10 yr	2.16%	10 yr	1.12%
30 yr	2.30%	30 yr		30 yr	3.08%	30 yr	1.77%

Equity

U.S. equity finished the week slightly higher as the S&P 500 closed +0.13%. Earnings were the main focus this week as companies that beat earnings continue to run at record levels. Value (+14.84%) continues to outperform Growth (+9.32%) year-to-date as Tech (-1.95%) falls the most this week, while Energy (+4.34%) and Financials (+2.71%) outperform.

The S&P 500 continues to make new highs as the Large Cap Index hovers in uncharted territory. The S&P's next notable level of support remains around the current 50-day moving average, or ~4020.

Index Returns	Last Week	YTD
Dow Jones Industrials	-0.44%	11.34%
S&P 500 (LCap)	0.13%	11.96%
S&P 400 (MCap)	-0.75%	18.14%
Russell 2000 (SCap)	-0.24%	14.77%
NASDAQ Composite	-0.39%	8.34%
MSCI EAFE (Int'l)	-1.21%	7.06%
iShares Real Estate	1.01%	16.33%

Source: FactSet Research Systems

Asset Allocation

Current Sentiment

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

Summary below - Current stance on most asset classes:

Cash - Overweighting due to market volatility and uncertainty from Covid-19.

Short Term Bonds - Relative to Intermediate Bonds, the reduced duration is preferable given the oversold long-end of the curve.

Intermediate Term Bonds - The current trading range of intermediate bonds warrants a neutral position with limited upside potential. Some opportunities still remain in certain sectors.

Inflation-Adjusted Bonds - Low inflation expected in near-term providing zero real return.

High Yield Bonds - Spreads are rising given the market turbulence and exposure to unnecessary credit risk when compared to Treasuries would not be advised.

International Bonds - Foreign bonds offer good diversification qualities and higher yield opportunities, however, risks have been elevated recently and investment should be made cautiously.

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 continues to be a more favorable style and should continue to be overweighed versus Value.

Mid Cap Stocks - Mid cap exposure remains neutral - more attractive than small caps but not as attractive as large caps.

Small Cap Stocks - In broad market corrections, small cap stocks will suffer most with increased volatility. Underweight until a clearer picture of recovery ensues.

International Stocks - Given most foreign investment is in developed markets and European countries, until sovereign debt concerns are alleviated, an underweight 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. However, trade uncertainty and dollar strength provide a headwind for EM in the near term.

Real Estate - Pricing has begun to stabilize and long-term valuations appear attractive. Real Estate 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. Volatility will be higher, and commodities will be susceptible to short-term price shocks, however, if used in conjunction with other asset classes, risk can be reduced substantially within a diversified portfolio. Used alone though is not recommended as the short-term outlook is not favorable.