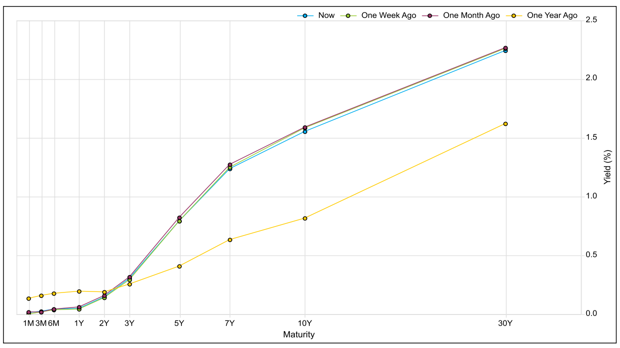
Portfolio Manager Commentary
June 4, 2021

Trustmark Investment Advisors, Inc.

Economic Outlook
The Purchasing Managers Index came in at 62.1 for May versus 61.5 for April. The ISM Manufacturing Index was 61.2 for May. The Services PMI was 70.4 for May versus 70.1 for April. ISM's Services Index came in at 64.0 for May. Finally, the U.S. Unemployment came in at 5.8% for May, down from 6.1% for April. Average Hourly Earnings were up 0.5% for May.

Fixed Income
Bond investors are confident that the calm that has been the status quo for several months could be nearing its end. A report on job growth during May disappointed some in the markets but did spark a burst of short covering at the end of the week. But it left intact speculation that the U.S. economic recovery from the pandemic is strong enough to lead the Federal Reserve to finally start discussions soon about the idea of tapering its massive bond-buying program. The Fed's next policy meeting will be June 15-16 but there is not anyone on the street that believes the central bank will make a policy move at the conclusion of this meeting. The Fed's annual meeting in Jackson Hole Wyoming in August has historically been an event where the Fed has announced major policy changes before, and some are speculating that it may be again. "The Fed at least will acknowledge that they have moved out of the not-even-talking-about-talking-about-tapering to talking about it" this month, said Gene Tannuzzo, a portfolio manager at Columbia Threadneedle. "Our timeline for an announcement would center on Jackson Hole as a forum to float an academic discussion about the topic" and September as the base case for unveiling a plan to reduce bond buying, setting the ten-year yield up for a likely climb to two percent by year-end, he said. Tapering looms large for financial markets because the Fed has signaled that it will be a precursor to actual interest rate increases. While policymakers project that they will keep overnight rates near zero at least through 2023, bond traders have been betting for months that liftoff will come early that year. With investors holding firm on those expectations for now, volatility has been basically non-existent. A measure of future price swings in Treasuries is around the lowest since February. And ten-year yields have traded sideways, pivoting around 1.60% for weeks, after reaching a more than one-year high in March of 1.77%. The leadup to the Fed's meeting in mid-June is not devoid of risk. This week will be the latest report on the consumer price index which is supposed to show it accelerated in May at the fastest rate since 2008. The Treasury will also be adding to supply in the market with auctions of $120 billion of notes and bonds.

Change in Treasury Yield



Current Generic Bonds Yields

Treasuries		Agencies		Corporates		Municipals	
3 mo.	0.01%	3 mo	-0.07%	3 mo	0.11%	3 mo	0.09%
6 mo	0.03%	6 mo	-0.07%	6 mo	0.13%	6 mo	0.09%
1 yr	0.04%	1 yr	-0.03%	1 yr	0.18%	1 yr	0.12%
2 yr	0.15%	2 yr	0.16%	2 yr	0.25%	2 yr	0.16%
5 yr	0.78%	5 yr	0.62%	5 yr	1.08%	5 yr	0.54%
10 yr	1.55%	10 yr	1.59%	10 yr	2.14%	10 yr	1.09%
30 yr	2.23%	30 yr		30 yr	3.10%	30 yr	1.71%

Equity
U.S. equity finishes the week higher as the S&P 500 gains +0.61%. Mid-way through the year Energy (+48.47%), Financials (+31.01%), and Materials (+21.89%) continue to outperform all other sectors as Value (+18.68%) bucks the ~10-year trend of underperforming Growth (+8.47%). Utilities (+5.03%) struggle the most year-to-date, though it is notable that all sectors are positive.

The S&P 500 continues to climb as it meets resistance of all-time highs around the ~4232 mark previously made on May 7.

Index Returns	Last Week	YTD
Dow Jones Industrials	0.65%	14.50%
S&P 500 (LCap)	0.61%	13.37%
S&P 400 (MCap)	0.05%	18.30%
Russell 2000 (SCap)	0.77%	15.78%
NASDAQ Composite	0.48%	7.19%
MSCI EAFE (Int'l)	1.05%	11.95%
iShares Real Estate	2.61%	20.54%

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.