Portfolio Manager Commentary

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Trustmark
Investment Advisors, Inc.

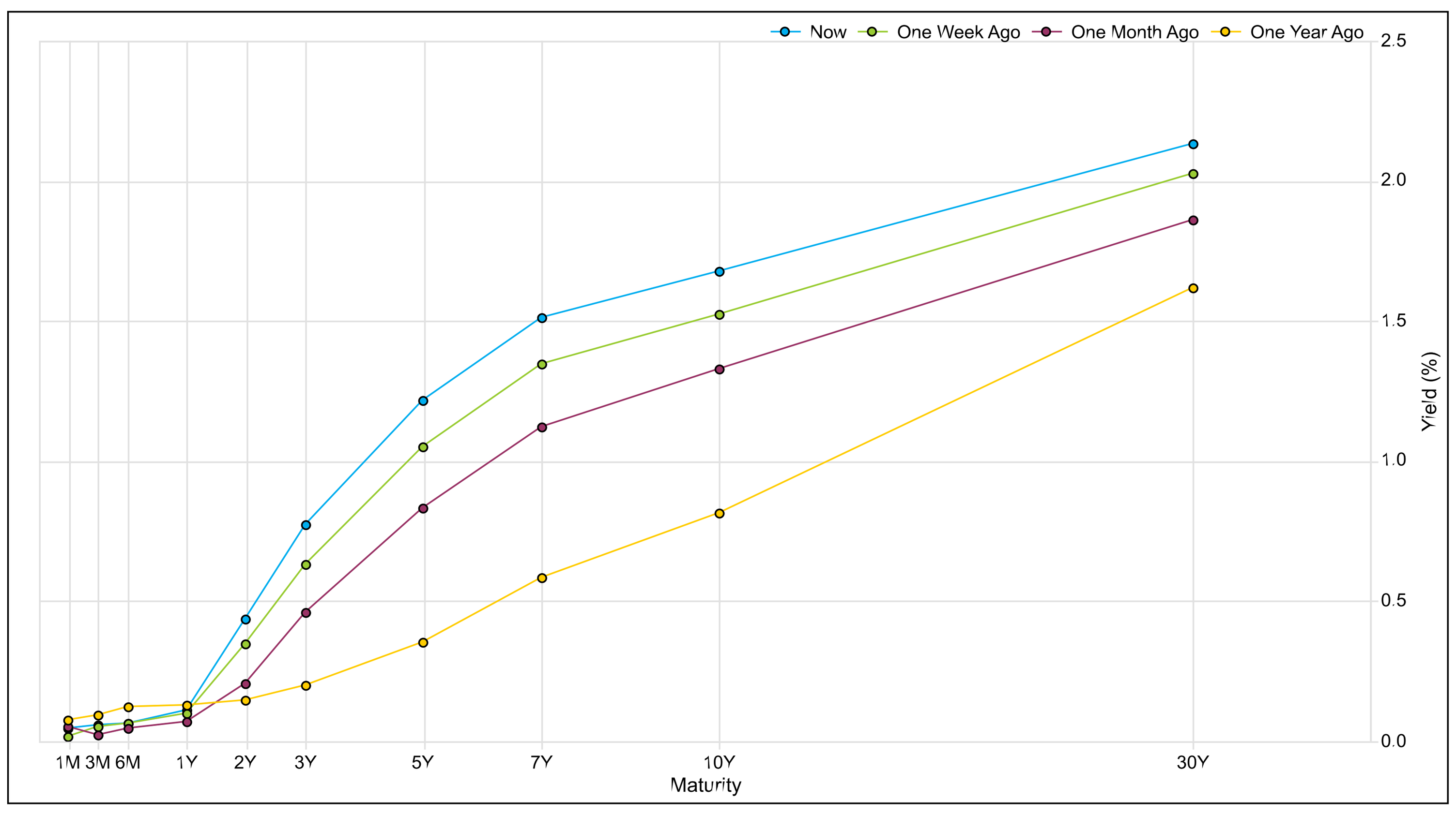
Economic Outlook

U.S. Industrial Production was down 1.3% in September, versus having been flat in August. Capacity Utilization came in at 75.2%, down from 76.2%. The National Association of Homebuilders Index came in at a strong 80 for September, up from August. Finally, the U.S. Index of Leading Economic Indicators was up 0.2% in September.

Fixed Income

U.S. Treasury Secretary Janet Yellen says she expects price increases to remain high through the first six months of 2022 but rejected criticism that the government risks losing control of inflation. Inflation is expected to ease during the second half of next year as issues ranging from supply-chain disruptions, a tight U.S. labor market and other factors due to the pandemic improve. Yellen categorizes the current situation as reflecting "temporary" pain. "I don't think we are about to lose control of inflation," Yellen said, pushing back on criticism by former Treasury Secretary Lawrence Summers. "Americans haven't seen inflation like we have experienced recently in a long time. But as we get back to normal, expect that to end." Last Friday, Federal Reserve Chair Jerome Powell sounded a note of heightened concern over persistently high inflation as he made clear that the central bank will begin tapering its bond purchases shortly but remain patient on raising interest rates. Powell also noted that current policies are "well-positioned" to handle a variety of outcomes. Yellen has not made public whether she has given any advice to the administration on whether to reappoint Powell, but she has said that financial regulation "markedly strengthened" under Powell's watch. As the pandemic added stress to the financial markets, "the core of our financial system did very well because of the improvements in capital liquidity, risk management and stress testing," Yellen noted. Yellen is also on record as saying that raising the debt ceiling is "utterly essential" while also saying the potential of a U.S. default would come with major consequences. The U.S. posted the second-largest annual budget deficit on record for 2021 as pandemic-relief spending sustained the federal government's massive borrowing needs.

Change in Treasury Yield



Current Generic Bonds Yields

Treasuries		Agencies		Corporates		Municipals	
3 mo.	0.05%	3 mo	-0.06%	3 mo	0.24%	3 mo	0.20%
6 mo	0.06%	6 mo	-0.04%	6 mo	0.27%	6 mo	0.20%
1 yr	0.11%	1 yr	0.10%	1 yr	0.34%	1 yr	0.23%
2 yr	0.45%	2 yr	0.47%	2 yr	0.57%	2 yr	0.28%
5 yr	1.20%	5 yr	1.01%	5 yr	1.42%	5 yr	0.75%
10 yr	1.63%	10 yr	1.71%	10 yr	2.18%	10 yr	1.39%
30 yr	2.07%	30 yr		30 yr	2.87%	30 yr	1.97%

Equity

U.S. Equity finished the week higher as the S&P 500 Index closed +1.63%. Eyes continue to be on the story of inflation as Chairman Powell flagged risks of longer and more persistent inflation though this was widely expected. As stated by FactSet Research Systems, there are still a lot of moving pieces in the fiscal stimulus bill proposed, however, it does seem as though Democrats are getting closer to a <$2T social spending package that won't include corporate tax hikes, which is typically seen as favorable by the market.

All sectors finished positive as Health Care (+2.89%) and Financials (+2.81%) led, while Communication Services (+0.07%) was the weakest gainer. Story between value (+1.47%) and growth (1.82%) seems to dissipate as there seems to be no clear leader. Year-to-date, value and growth have returned 21.25% and 22.98%, respectively.

Index Returns	Last Week	YTD
Dow Jones Industrials	1.10%	18.09%
S&P 500 (LCap)	1.63%	22.29%
S&P 400 (MCap)	1.77%	21.25%
Russell 2000 (SCap)	1.13%	16.02%
NASDAQ Composite	1.29%	17.08%
MSCI EAFE (Int'l)	0.65%	11.84%
iShares Real Estate	2.66%	29.92%

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.