Portfolio Manager Commentary

November 26, 2021

Trustmark Investment Advisors, Inc.

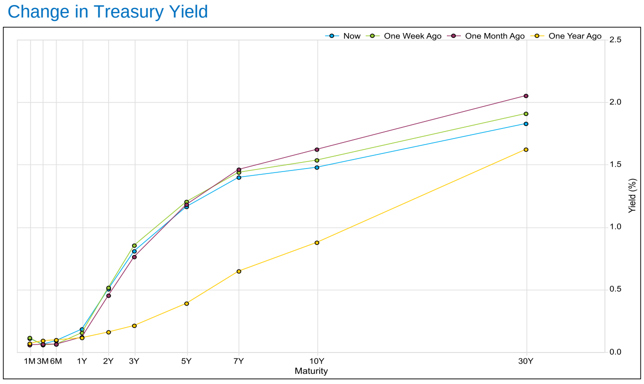
Economic Outlook

New U.S. Single-Family Home Sales came in at a 745,000-unit annualized rate in October, approximately flat with September and below expectations of 800,000 units. Nominal Consumer Spending was up 1.3% in October, after having been up 0.5% in September. Durable Goods Orders were down 0.5% in October after having been down 0.4% in September.

Fixed Income

Concern surrounding the latest Covid variant last Friday drove ten-year Treasury yields to their biggest one-day drop since the beginning of the pandemic. Investors dumped riskier assets and flocked to haven markets as they dialed back bets on the pace of central bank policy tightening. The rally in Treasuries pushed the yield on the benchmark ten-year note down 16 basis points on the day to close the week at 1.47%, its largest decline since March 2020. Poor post-holiday liquidity in the markets may have amplified the move lower, along with widespread positioning in favor of a monetary policy shift in the opposite direction. Two- and five-year yields had reached their highest levels of the pandemic last Wednesday as traders continued to push yields higher on the belief that the Federal Reserve would move sooner than later on interest-rate hikes. Also last week, Goldman Sachs Group Inc. said they expected the Federal Reserve would move faster than expected in their tapering of bond purchases as inflation continues to move higher. Meanwhile money-market traders pushed back the timing of a first twenty-five basis point rate increase by the central bank to September from June of next year, while briefly pricing out any further hikes from there until 2023. It's a similar story in the U.K. where the Bank of England is now expected to tighten policy in February instead of next month. Wagers that the European Central Bank will raise its deposit rate by the end of next year were also slashed, with only a five basis-point increase priced in, around half of what was seen earlier in the week. The prospect of widespread travel restrictions and renewed curbs to social activity mean policymakers must think twice before starting to pull back on monetary support.

Change in Treasury Yield



Current Generic Bonds Yields

Treasuries		Agencies		Corporates		Municipals	
3 mo.	0.04%	3 mo	0.01%	3 mo	0.29%	3 mo	0.27%
6 mo	0.08%	6 mo	0.04%	6 mo	0.32%	6 mo	0.27%
1 yr	0.16%	1 yr	0.16%	1 yr	0.40%	1 yr	0.29%
2 yr	0.50%	2 yr	0.53%	2 yr	0.69%	2 yr	0.37%
5 yr	1.16%	5 yr	1.07%	5 yr	1.48%	5 yr	0.80%
10 yr	1.47%	10 yr	1.59%	10 yr	2.13%	10 yr	1.28%
30 yr	1.82%	30 yr		30 yr	2.74%	30 yr	1.81%

Equity

U.S. Equity fell as the S&P 500 finished down -2.12% for the week. The decline can largely be chalked up to the emergence of the Omicron strain of COVID, in which there is still much uncertainty on transmissibility, severity, and response to the current vaccine. It is believed to take around 2-3 weeks to develop a clearer picture; meanwhile, Biden administration is continuing to push for booster doses as Fauci believes the existing vaccines are likely to provide a degree of protection (Bloomberg). Nevertheless, early suggestions from South Africa (where the first cases were identified) show that symptoms have been "extremely mild" (Bloomberg).

Energy (+1.66%) was the sole positive sector as all others finished negative. Consumer Discretionary (-3.48%) Consumer Services (-3.14%) and Technology (-3.11%) were the biggest laggards.

Index Returns	Last Week	YTD
Dow Jones Industrials	-1.94%	15.80%
S&P 500 (LCap)	-2.12%	23.85%
S&P 400 (MCap)	-3.18%	20.50%
Russell 2000 (SCap)	-4.15%	13.73%
NASDAQ Composite	-3.52%	20.20%
MSCI EAFE (Int'l)	-4.00%	7.23%
iShares Real Estate	-1.47%	27.88%

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 longend 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