Portfolio Manager Commentary
December 10, 2021

Trustmark Investment Advisors, Inc.

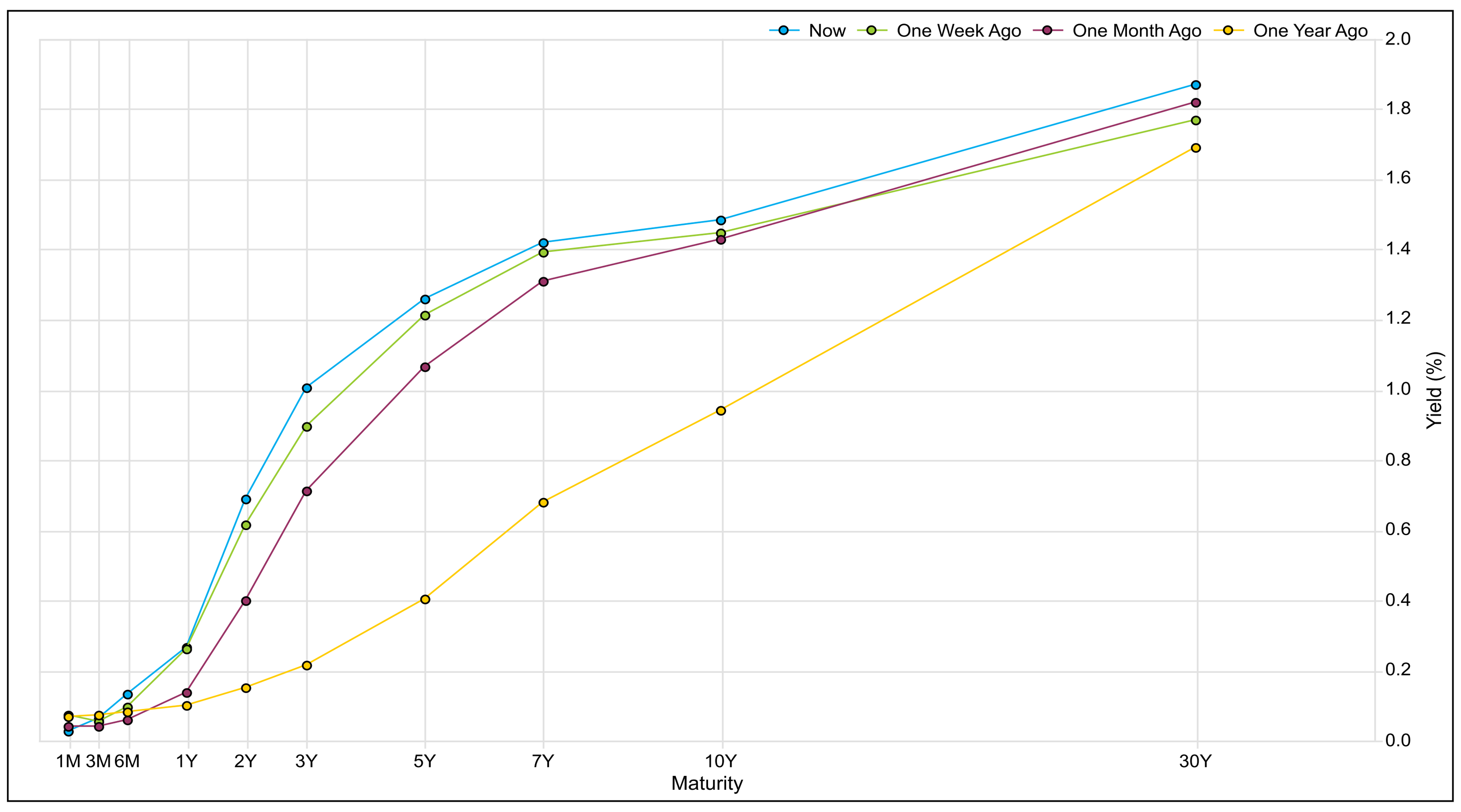
Economic Outlook

U.S. Consumer Prices were up 0.8% for the month of November, approximately steady from October's increase of 0.9%. Year-over-year, consumer inflation was up 6.8%. The University of Michigan Consumer Sentiment Index showed a preliminary reading of 70.4 for December, up slightly from the 67.4 reading in November, but below a positive reading of 100. Otherwise, it was a relatively slow week for economic releases.

Fixed Income

The Federal Reserve is laying the groundwork for the start of a cycle of interest-rate hikes that the bond market is warning might be unusually constrained in how far it can go, setting the two on a collision course where one will eventually have to give. The Treasury yield curve looks set to be the flattest at the beginning of a Fed tightening cycle in a generation if the central bank begins raising its benchmark overnight rate in mid-2022. The spread between two-year and ten-year Treasury notes is currently 83 basis points but the futures market is predicting that spread will narrow to 55 basis points by summer of next year. Both that flatness and the level of longer-term yields suggest investors see the central bank not being able to do much before having to hit pause, or even reverse course if the economic recovery should start to faulter. The Federal Open Market Committee meets this week and there are no expectations of any policy change to end the year, but market watchers will be paying attention to any tweaks in language in their statement. Not since the late 1990s, when yields were notably higher than today, has the yield curve at the outset of a rate-hike campaign signaled such little tightening ahead.

Change in Treasury Yield



Current Generic Bonds Yields

Treasuries		Agencies		Corporates		Municipals	
3 mo.	0.05%	3 mo	0.03%	3 mo	0.37%	3 mo	0.25%
6 mo	0.11%	6 mo	0.10%	6 mo	0.41%	6 mo	0.26%
1 yr	0.25%	1 yr	0.28%	1 yr	0.51%	1 yr	0.27%
2 yr	0.65%	2 yr	0.69%	2 yr	0.84%	2 yr	0.35%
5 yr	1.25%	5 yr	1.19%	5 yr	1.57%	5 yr	0.74%
10 yr	1.48%	10 yr	1.82%	10 yr	2.17%	10 yr	1.19%
30 yr	1.88%	30 yr		30 yr	2.78%	30 yr	1.71%

Equity

U.S. Equity finished higher as the S&P 500 closed +3.80% for the week, following equity coming under pressure the prior two weeks. Nothing incremental in the headlines with buying the dip and the positive, albeit early, data on the Omicron virus regarding vaccine efficacy and mild symptoms providing tailwinds.

All sectors finished positive for the week with Technology (+5.90%) leading the group. Financials (+2.68%), Communication Services (+2.68%), and Utilities (+2.60%) lagged the most though still posting solid returns. The S&P 500 closed around the $4,712 mark.

Index Returns	Last Week	YTD
Dow Jones Industrials	4.04%	19.46%
S&P 500 (LCap)	3.80%	26.97%
S&P 400 (MCap)	2.76%	20.38%
Russell 2000 (SCap)	2.33%	11.89%
NASDAQ Composite	3.61%	21.28%
MSCI EAFE (Int'l)	2.65%	9.88%
iShares Real Estate	2.70%	31.28%

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