

QUARTERLY RECAP

First Quarter 2021 Recap

At-A-Glance

The S&P 500 ended the quarter less than two points below its Mar 26 all-time high of 3974.54 – and just over 27 points away from a new 4,000 milestone.

In March, the Dow Industrials gained 6.78% and the Nasdaq Composite rose just 0.48%.

For the quarter, the Dow Industrials added 2,375 points (+8.29%) and the Nasdaq Composite climbed 2.95%.

Since plunging to the pandemic bear market-low a year ago, the S&P 500 has risen 80.7%, the Dow Industrials rebounded 81.3%, and the Nasdaq Composite has surged 94.7%.

U.S. crude oil futures fell 3.8% in March, while surging 21.9% through the end of the first quarter. U.S. crude has now fully erased its COVID-19 related pullback.

Market Indices ¹	March	1Q 2021	Year-to-Date
S&P 500	4.38%	6.17%	6.17%
Russell 3000	3.58%	6.35%	6.35%
Russell 2000	1.00%	12.70%	12.70%
MSCI EAFE	2.30%	3.48%	3.48%
MSCI Emerging Markets	-1.51%	2.29%	2.29%
Barclays U.S. Aggregate Bond	-1.25%	-3.37%	-3.37%
Barclays U.S. Municipal Bond	0.62%	-0.35%	-0.35%
Barclays U.S. Corporate High Yield	0.15%	0.85%	0.85%

¹Morningstar Direct (all performance figures are total return based, which include reinvested dividends)

U.S. equities finished solidly higher in March, with the Dow Industrials and S&P 500 broadly outperforming the tech-heavy Nasdaq Composite and the small cap-focused Russell 2000. The benchmark S&P 500 ended the first quarter with its strongest monthly performance since November, capping its fourth consecutive quarterly gain since its near-20% pandemic-induced quarterly loss a year ago. Moreover, economically sensitive cyclicals and value groups notably outperformed growth & momentum for the month and quarter.

Upside catalysts and forecasts blossomed, including an accelerated pace of COVID-19 vaccinations and business reopening's. Nearly 100 million Americans have received at least one vaccine dosage, helping death and hospitalization rates trend lower.

The Federal Reserve also provided relief by keeping interest rates lower for longer and reiterated there is no need to reduce or slow its stimulus-based pace of monthly asset purchases. The central bank also downplayed inflation concerns, saying they are more than willing to allow core inflation to run above its 2% target for a considerable period to ensure a growth recovery is fully in place. Meanwhile, corporate earnings estimates continue to move higher, while investors remain divided about elevated valuations.

The Russell 2000 Index underperformed in March, yet for the quarter widely outperformed relative to large cap S&P 500 stocks by over a two-to-one differential. Russell Mid Cap stocks (+2.71%) also underperformed last month, and trailing small caps, gaining 8.14% during the first quarter. As shown below in the style box performance, Small Cap Value stocks performed best a second straight quarter, more than tripling the returns of Large Cap S&P 500 stocks (+21.17% vs. +6.17%). In fact, rotating into value stocks proved beneficial last quarter on all fronts, regardless of market cap.

In the sector performance tables below, all 11 major sector groups posted gains in March and for the first quarter. Sector leadership widely varied but the best performers echoed the growth vs. value pattern described earlier in which dominating performance was centered squarely in cyclical/value-based sectors. Utilities and Industrials performed best in March, up 10.5% and 8.9% respectively, while Energy (+2.8%) and Technology (+1.7%) rose the least last month. For the quarter, Energy (+30.9%)

performed best, followed by Financials (+16.0%) while Technology (+2.0%) and Consumer Staples (+1.2%) gained the least.

Internationally, overseas EAFE developed markets underperformed relative to the U.S. benchmark by a 2.7% differential in the first quarter. Emerging markets (-1.5%) fared worse, giving back gains in March and lagged U.S. S&P 500 quarterly performance by a 3.9% differential. An entirely different picture emerges, however, as EAFE Value stocks advanced 7.44% last quarter versus EAFE Growth (-0.57%). Similarly, Emerging Market Value stocks gained 4.11% in the first quarter versus a 0.59% rise in EM Growth. Globally, the MSCI All-Country World Index gained 4.57% last quarter, while world stocks excluding U.S. performance rose 3.49%.

U.S. Treasuries, as measured by the Bloomberg Barclays U.S. Government Bond Index, fell in March during the first quarter, falling 1.51%. Likewise, long-term U.S. government bonds fell more aggressively as Treasury yields rose to new 52-week highs. The Bloomberg Barclays U.S. Government Long-term Bond Index fell 4.96% in March and slumped 13.39% on a quarterly basis.

In other fixed-income assets, investment-grade bonds of all types (as measured by the Bloomberg Barclays U.S. Aggregate Bond Index) outperformed relative to purely safe-haven government debt, by falling less – down 3.4% in the first quarter. Municipal bonds outperformed other investment-grade bonds last quarter, down just 0.35%. Risk appetites extended into the new year for non-investment grade high-yield debt as the Bloomberg Barclays U.S. Corporate High Yield Index rose by 0.85% in the first quarter.

Top Sector Performers – March ¹		Bottom Sector Performers – March ¹	
Utilities (+10.51%)		Communication Services (+3.13%)	
Industrials (+8.91%)		Energy (+2.79%)	
Consumer Staples (+8.19%)		Technology (+1.69%)	
Top Performers – First Quarter ¹		Bottom Performers – First Quarter ¹	
Energy (+30.85%)		Utilities (+2.80%)	
Financials (+15.99%)		Technology (+1.97%)	
Industrials (+11.41%)		Consumer Staples (+1.15%)	
Top Performers – YTD 2021 ¹		Bottom Performers – YTD 2021 ¹	
Energy (+30.85%)		Utilities (+2.80%)	
Financials (+15.99%)		Technology (+1.97%)	
Industrials (+11.41%)		Consumer Staples (+1.15%)	

	March			First Quarter			YTD 2021		
	Value	Core	Growth	Value	Core	Growth	Value	Core	Growth
Large	5.88%	3.78%	1.72%	11.26%	5.91%	0.94%	11.26%	5.91%	0.94%
Mid	5.16%	2.71%	-1.91%	13.05%	8.14%	-0.57%	13.05%	8.14%	-0.57%
Small	5.23%	1.00%	-3.15%	21.17%	12.70%	4.88%	21.17%	12.70%	4.88%

Morningstar Direct Index returns above are represented by: Large Value (Russell 1000 Value), Large Core (Russell 1000), Large Growth (Russell 1000 Growth), Mid Value (Russell Mid Cap Value), Mid Core (Russell Mid Cap), Mid Growth (Russell Mid Cap Growth), Small Value (Russell 2000 Value), Small Core (Russell 2000), Small Growth (Russell 2000 Growth). Source: Morningstar Direct, total return based, including reinvested dividends.

This report is created by Cetera Investment Management LLC. For more insights and information from the team, follow @CeteraIM on Twitter.

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Glossary

The Bloomberg Barclays Capital U.S. Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included.

The **Bloomberg Barclays US Municipal Bond Index** covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years.

The **Bloomberg Barclays US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years.

The **Barclays U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government).

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components).

The **Cboe Volatility Index**[®] (VIX[®]) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **MSCI All-Country World Index (ACWI)** is a market cap weighted index designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 26 emerging markets, covering more than 2,700 companies across 11 sectors and approximately 85% of the free float-adjusted market capitalization in each market.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.