PATHSTONE
THE MODERN FAMILY OFFICE™

MARKET FLASH REPORT

June 2021

KEY TAKEAWAYS

- Equities notched their fifth straight quarter in a row of gains, and the S&P 500 has returned an impressive 15% so far this year. Global economies continue to reopen and navigate life with growing vaccination efforts.
- Real assets benefitted from the reflation trade. Commodities and Natural Resource Equities rallied thanks to recovering global growth and rising inflation expectations.
- Core bonds had a positive quarter as interest rates declined over the past three months. However on a trailing 12-month basis the U.S. Aggregate Bond Index return is slightly negative. Municipal bonds have fared better on a year-to-date and twelve-month basis, with slightly positive returns.
- Big strides on the reopening front have helped push the U.S. economy ahead of global peers. Easing restrictions and rising vaccinations in Europe should allow for a swift catchup as pent-up demand is unleashed.
- Mobility data remains positive with airline passengers and restaurant activity at the highest levels since lockdowns began. Consumers appear eager to make up for lost vacations and dinners out with spending patterns shifting back towards services.

ALASKA
ARIZONA
CALIFORNIA
COLORADO
FLORIDA
GEORGIA
MASSACHUSETTS
NEW JERSEY
NEW YORK
TEXAS
BELLEVUE, WA
SEATTLE, WA
WASHINGTON D.C.

888-750-PATH (7284)

WWW.PATHSTONE.COM

INDEX PERFORMANCE (as of 6/30/2021)

Equity	**Q2 2021**	**One-Year**	**Three-Year**
U.S. Large Cap	8.6%	40.8%	18.7%
U.S. Small Cap	4.3%	62.0%	13.5%
Developed Non-U.S.	5.2%	32.4%	8.3%
Emerging Market	5.1%	40.9%	11.3%
Real Assets			
Real Estate	8.1%	31.8%	6.8%
Commodities	13.3%	45.6%	3.9%
Natural Resource Equities	11.1%	45.9%	-1.8%
Fixed Income			
Core Plus			
U.S. High Yield Debt	2.7%	15.4%	7.5%
Emerging Market Debt	3.5%	6.6%	4.1%
Core Bonds			
U.S. Aggregate Bonds	1.8%	-0.3%	5.3%
U.S. Treasuries	1.8%	-3.2%	4.7%
U.S. Municipal Bonds	0.6%	2.4%	3.9%

Month-End Values/Yield	**Current**	**Prior Month**	**One-Year Ago**
CBOE Volatility Index	15.8	16.8	30.4
10-Year Treasury Yield	1.5%	1.6%	0.7%

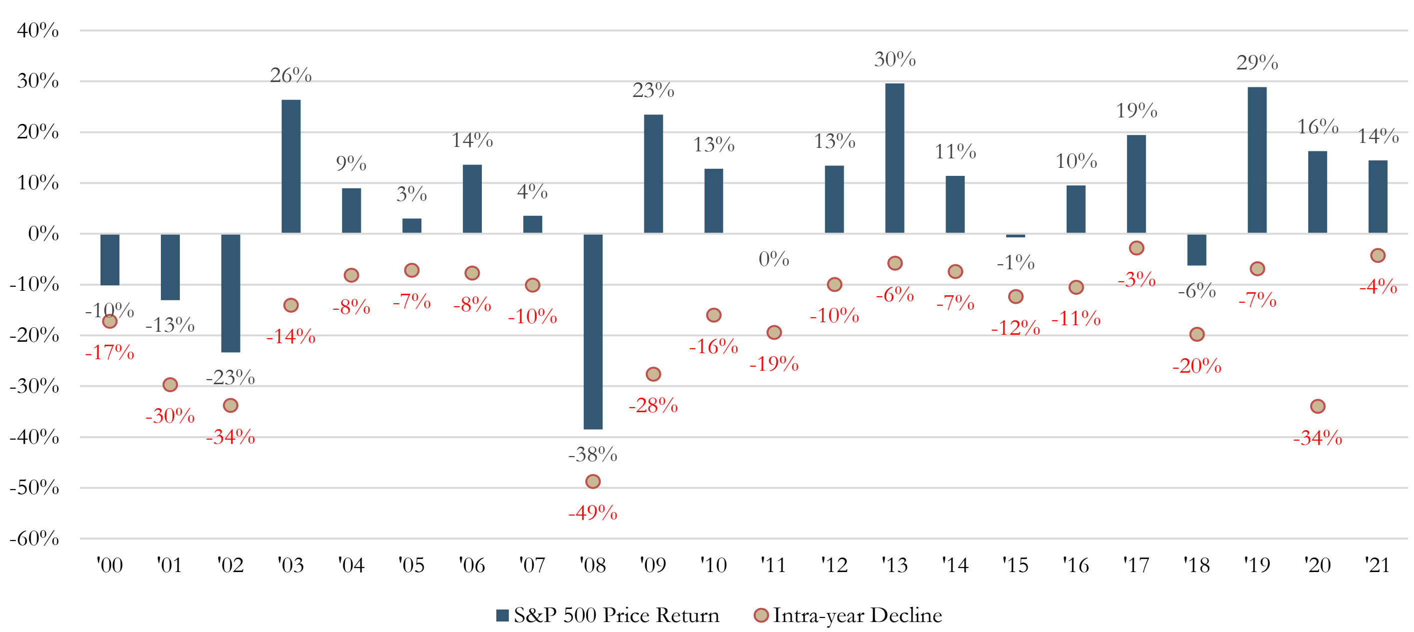
Sources: Bloomberg, Morningstar, treasury.gov. S&P Dow Jones Indices.

You cannot invest directly in an index; therefore, performance returns do not reflect any management fees. Returns of the indices include the reinvestment of all dividends and income, as reported by the commercial databases involved. Returns over one year have been annualized.

QUARTERLY COMMENTARY

- Recovery trends are well underway as the global economy is in a much better shape today than this time last year.
- After an impressive first six months of the year, where risk assets continued to rally, investors now shift their focus towards what comes next.
- While there may be more questions than answers at this point in time, we keep our sights set on developments related to several major themes: what comes next for the virus, whether inflation proves to be transitory, when the Fed will start to taper asset purchases, clarity on infrastructure spending and tax reform, and trade relations with China, just to name a few.
- Needless to say, it should not come as a surprise if and when volatility rears its head once again. Markets may undergo a correction as investors get skittish with equity markets sitting near all-time highs, and questions circulate around how much of the positive news has already been baked into markets.
- Our U.S. Market Cycle Dashboard sits firmly in bullish territory indicating the likelihood of a recession over the near-term is minimal, and supports our view that economic growth should remain positive over the coming quarters. Consumer confidence is rising and retail sales show that consumers have been eager to spend. Wages and incomes for workers have been rising, which should further support consumption and businesses have a robust demand for labor, as represented by the record number of job openings.
- Nonetheless, intra-year corrections are normal and to be expected during the course of a bull market. Historically, it is not unusual for markets to experience a significant decline, even when returns are positive over the full calendar year.
- Year-to-date the maximum drawdown for the S&P 500 is only 4%. However, from 2000 - 2020 the median intra-year decline has been around 12%, despite positive annual price returns in 14 of the 21 time periods.

S&P 500: Annual Returns vs Intra-year Drawdowns



Sources: Bloomberg. Price return data. Calendar year 2021 represents return through 6/30/2021.

You cannot invest directly in an index; therefore, performance returns do not reflect any management fees. Returns of the indices include the reinvestment of all dividends and income, as reported by the commercial databases involved.

Past Performance Is No Guarantee Of Future Performance. Any opinions expressed are current only as of the time made and are subject to change without notice. This report may include estimates, projections or other forward looking statements, however, due to numerous factors, actual events may differ substantially from those presented. The graphs and tables making up this report have been based on unaudited, third-party data and performance information provided to us by one or more commercial databases. Additionally, please be aware that past performance is not a guide to the future performance of any manager or strategy, and that the performance results and historical information provided displayed herein may have been adversely or favorably impacted by events and economic conditions that will not prevail in the future. Therefore, it should not be inferred that these results are indicative of the future performance of any strategy, index, fund, manager or group of managers. While we believe this information to be reliable, Pathstone bears no responsibility whatsoever for any errors or omissions. Index benchmarks contained in this report are provided so that performance can be compared with the performance of well-known and widely recognized indices. Index results assume the re-investment of all dividends and interest. Moreover, the information provided is not intended to be, and should not be construed as, investment, legal or tax advice. Nothing contained herein should be construed as a recommendation or advice to purchase or sell any security, investment, or portfolio allocation. Any investment advice provided by Pathstone is client specific based on each clients' risk tolerance and investment objectives. This presentation is not meant as a general guide to investing, or as a source of any specific investment recommendations, and makes no implied or express recommendations concerning the manner in which any client's accounts should or would be handled, as appropriate investment decisions depend upon the client's specific investment objectives.

U.S. Large Cap Equity is represented by the S&P 500 Index, with dividends reinvested. U.S. Small Cap Equity is represented by the Russell 2000 Index. Developed Non-U.S. Equity is represented by the MSCI EAFE Index. Emerging Market Equity is represented by the MSCI EM Index. Real Estate is represented by the S&P Global Property Index. Commodities are represented by the DJ UBS Commodity Index. Natural Resource Equities are represented by the S&P North American Natural Resources Index. U.S. High Yield Debt is represented by the Bloomberg Barclays U.S. Corporate High Yield Index. Emerging Market Debt is represented by the JPM GMI-EM Global Diversified Index. U.S. Aggregate Bonds is represented by the Bloomberg Barclays U.S. Aggregate Bond Index. U.S. Treasuries is represented by the Bloomberg Barclays U.S. Treasury Index. U.S. Municipal Bonds is represented by the Bloomberg Barclays Municipal 1-10yr Index.