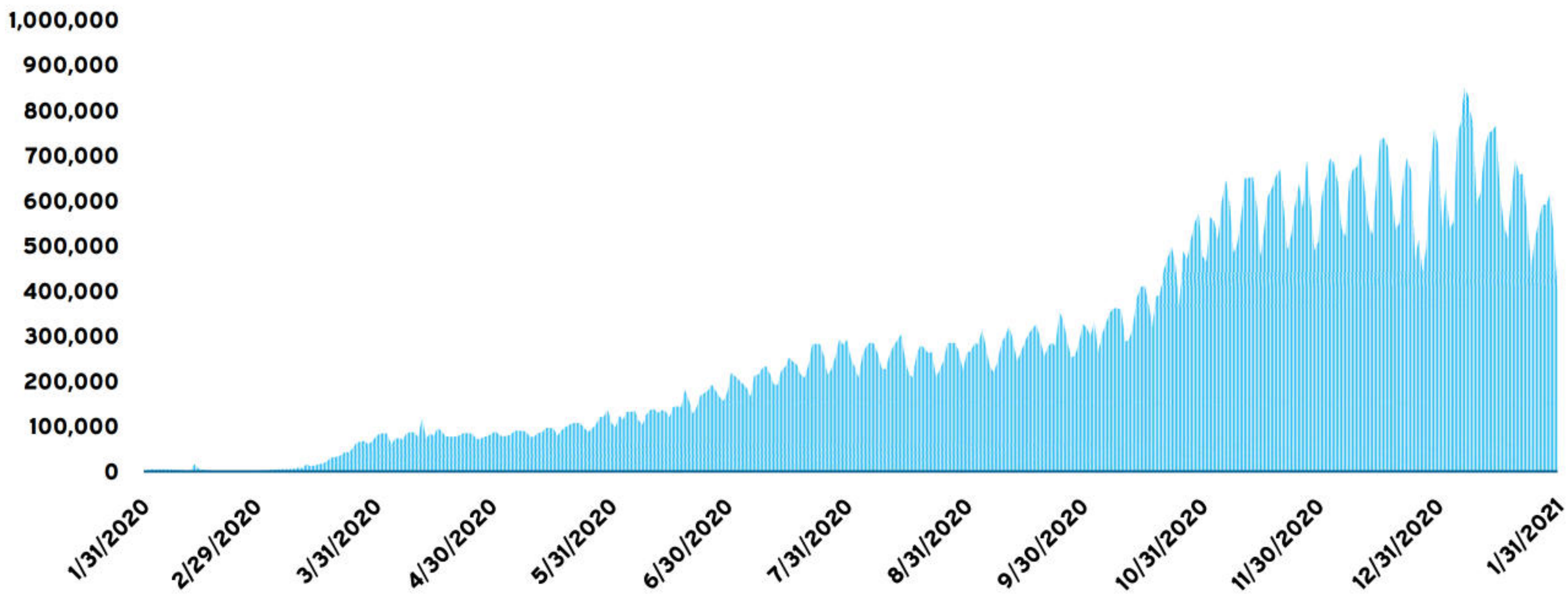
Economic and Market Update

Data as of January 31, 2021

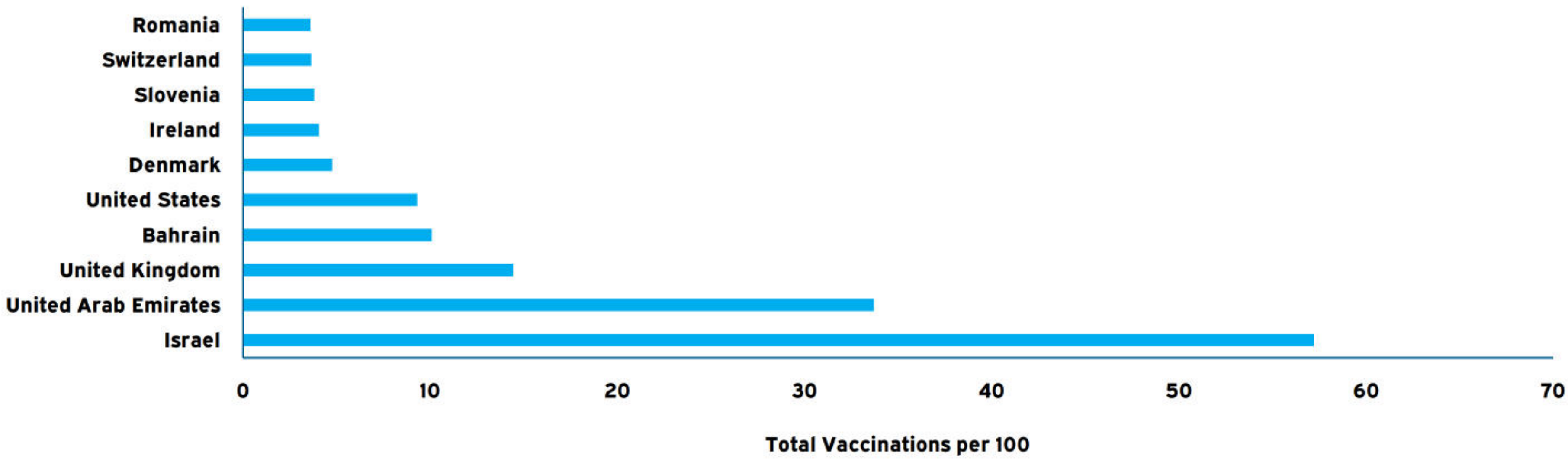
Global Daily Cases[1]



- After peaking in early January at 858,000 daily cases, numbers have since come down globally to 382,000 cases a day, as new restrictions were implemented, the holiday season passed, and vaccines started to rollout.
- Going forward, the rollout of multiple vaccines should continue the trend of declining cases, with the logistics of the rollout, the track of new variants, and access for some countries being key issues.

[1] Source: Our World in Data. Data is as of January 31, 2021.

Vaccinations by Country[1]



- Vaccines have started to be distributed globally, including the Pfizer-BioNTech, Moderna, and soon Johnson & Johnson vaccines in the US. Outside the US, vaccines have also been developed by China, Russia, India, and the UK.
- Some countries have done better with the vaccine rollout, with Israel being a model for others.

[1] Source: Our World in Data. Data is as of January 31, 2021.

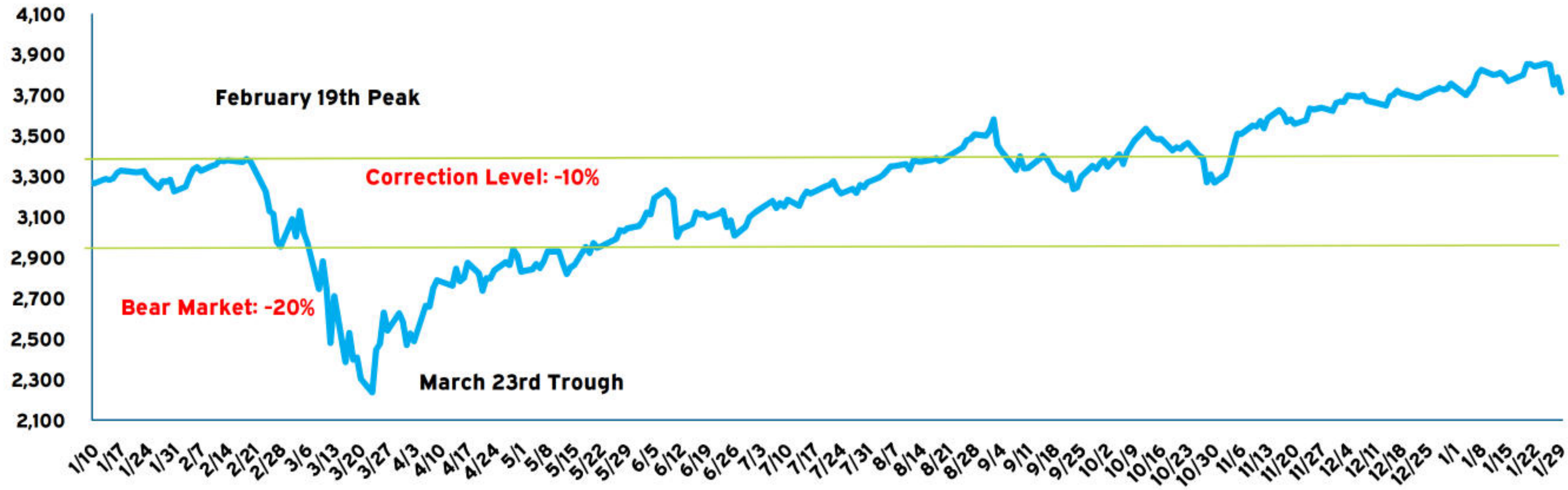
Market Returns[1]

Indices	January	1 Year	3 Year	5 Year	10 Year
S&P 500	-1.0%	15.6%	11.3%	16.2%	13.6%
MSCI EAFE	-1.1%	7.8%	1.9%	8.8%	5.2%
MSCI Emerging Markets	3.1%	23.8%	4.1%	15.0%	4.2%
MSCI China	7.4%	41.7%	7.0%	19.9%	8.4%
Bloomberg Barclays Aggregate	-0.7%	5.0%	5.5%	4.0%	3.7%
Bloomberg Barclays TIPS	0.3%	9.6%	6.3%	4.8%	3.8%
Bloomberg Barclays High Yield	0.3%	7.3%	6.1%	9.0%	6.6%
10-year US Treasury	-1.5%	5.8%	6.6%	3.3%	4.4%
30-year US Treasury	-4.4%	5.7%	10.1%	6.1%	8.0%

- Global risk assets recovered meaningfully from their declines last year, largely driven by record fiscal and monetary policy stimulus and greater clarity related to the containment of the virus.
- In January, developed market equities fell as rising case counts and logistical issues with the vaccine rollout led to fears the virus would continue to weigh on growth in the near-term.
- Emerging market equities rose in January, driven by large gains in China (+7.4%) where growth expectations for 2021 are strong.
- The yield curve steepened, likely based on better growth expectations and inflation fears, weighing on Treasury prices.

[1] Source: InvestorForce and Bloomberg. Data is as of January 31, 2021.

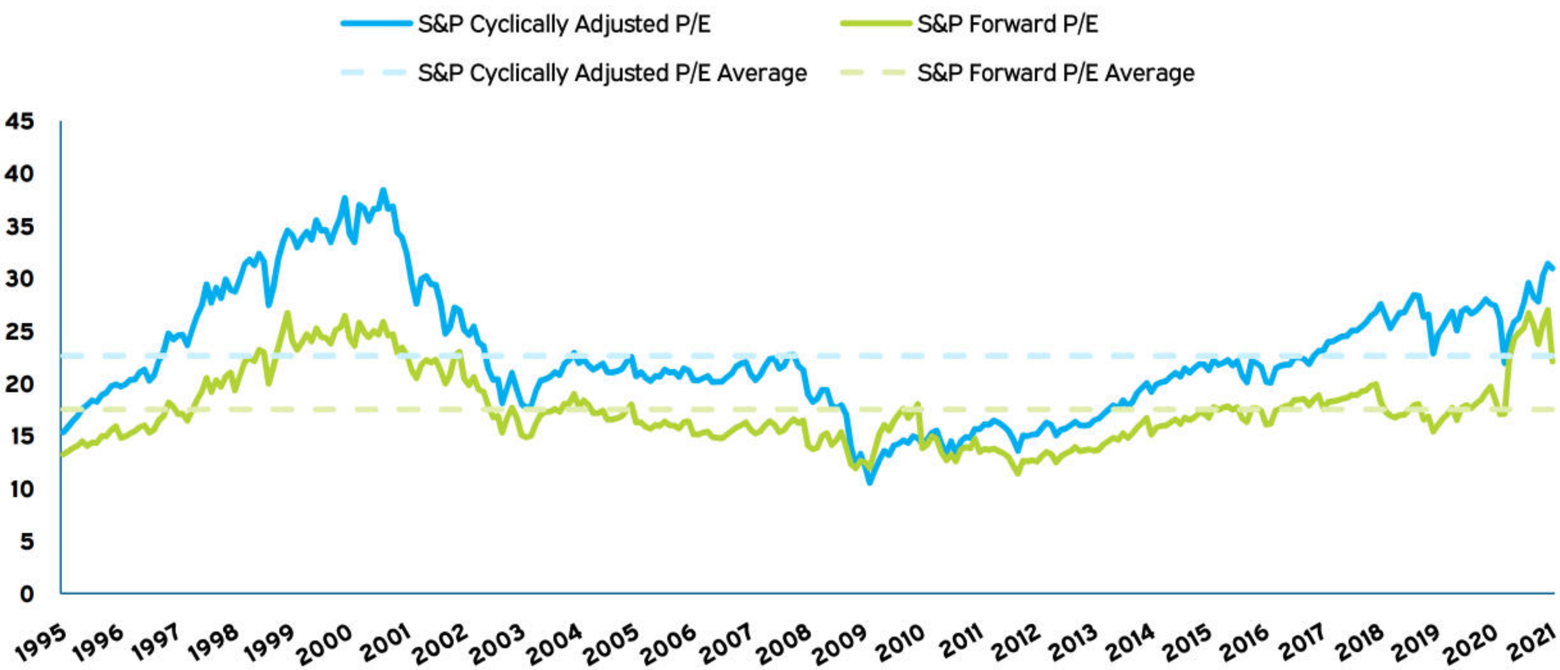
S&P 500 Surpasses Prior Peak[1]



- Given the anticipated economic disruption surrounding the pandemic, US stocks declined from a February peak into bear market (-20%) territory at the fastest pace in history.
- From the February 19 peak, the S&P 500 plunged 34% in just 24 trading days.
- After quickly rebounding from its lows and finishing above pre-COVID levels by August, the market is now over 60% above the March 2020 low.
- A key risk going forward remains that a spike in COVID-19 cases could slow, or reverse, reopening plans. The distribution process of the vaccine and people's willingness to take it will be important as well.

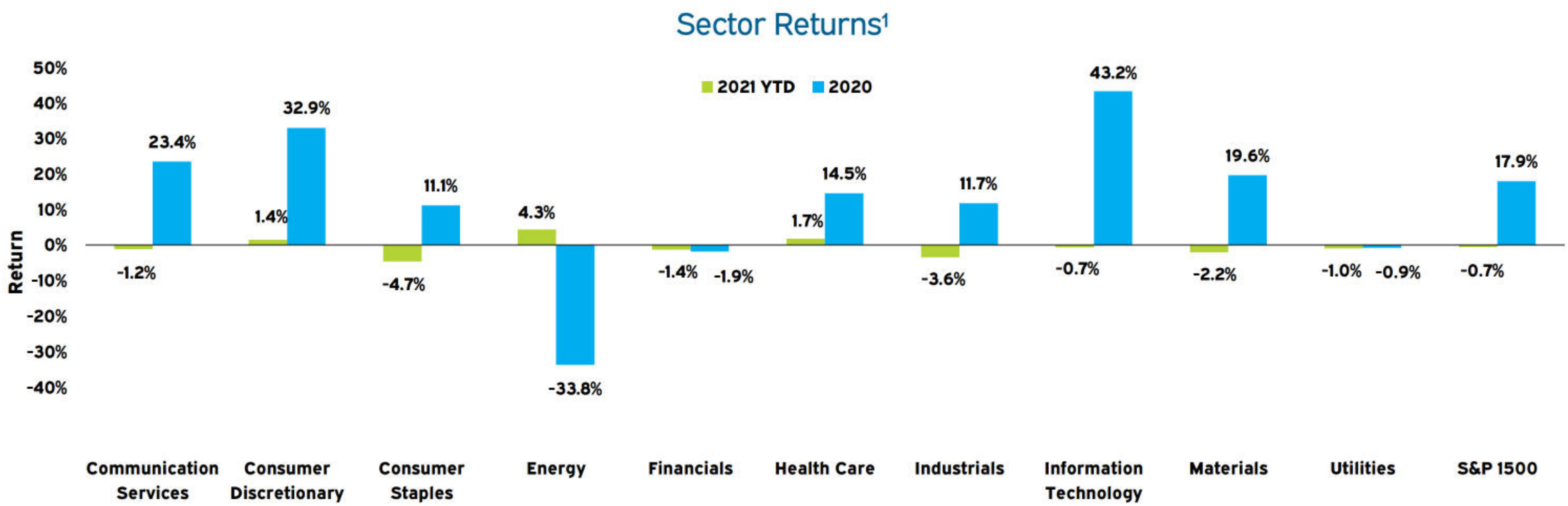
[1] Source: Bloomberg. Data is as of January 31, 2021.

S&P Equity Valuations[1]



- With positive developments regarding COVID-19 vaccines, valuations based on both forward- and backward-looking earnings rose to levels not seen since 2001.
- Many are looking to expected improvements in earnings growth, as the US economy continues to reopen, to justify market levels, with low interest rates also providing support.

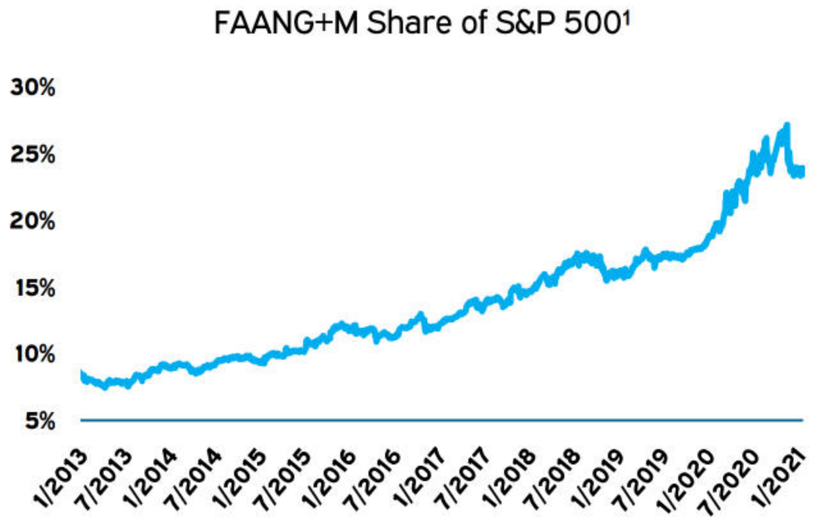
[1] Source: Bloomberg. Data is as of January 31, 2021.

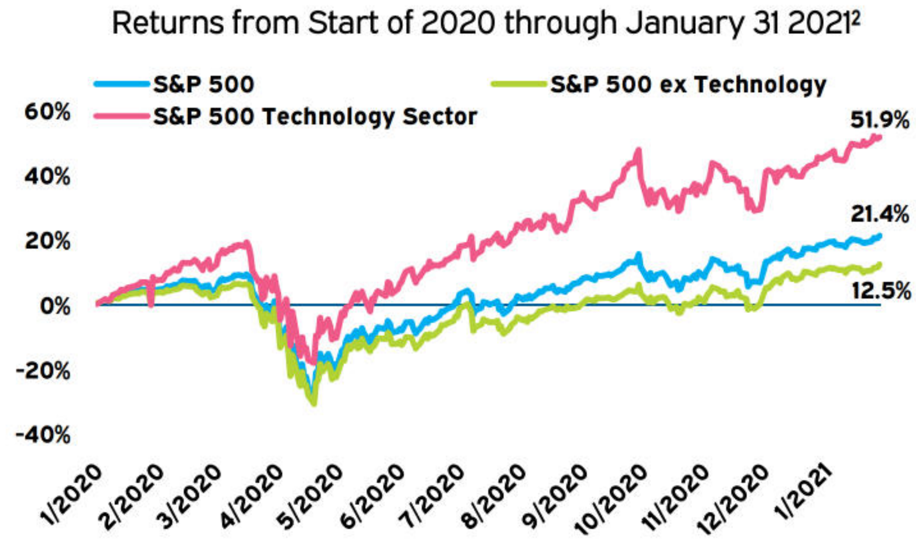


- With the recent development of mutiple vaccines, there have been signs of a rotation into more cyclical stocks, but stay-at-home focused companies were clearly the best performers in 2020.
- Information technology has been the best performing sector since the onset of the crisis, with a narrow group of companies including Amazon and Netflix driving market gains. The outperformance was due to consumers moving to online purchases and streaming services.
- The consumer discretionary sector also experienced gains as the economy reopened, people returned to work, and stimulus checks were spent.
- Energy was the top performer in January, supported by record low active rig counts, Saudi Arabia's reductions in output, and expectations of rising demand later in 2021.

[1] Source: Bloomberg. Data is as of January 31, 2021.

Technology has led the way in the Rebound



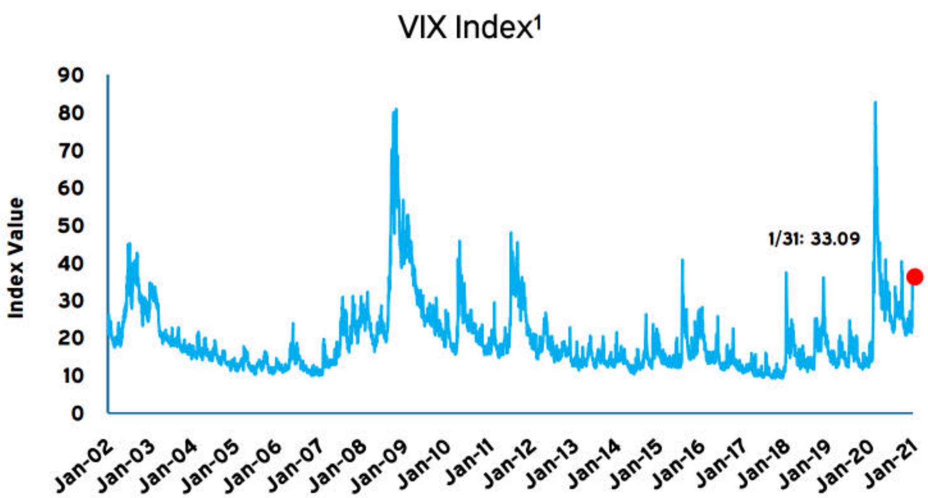


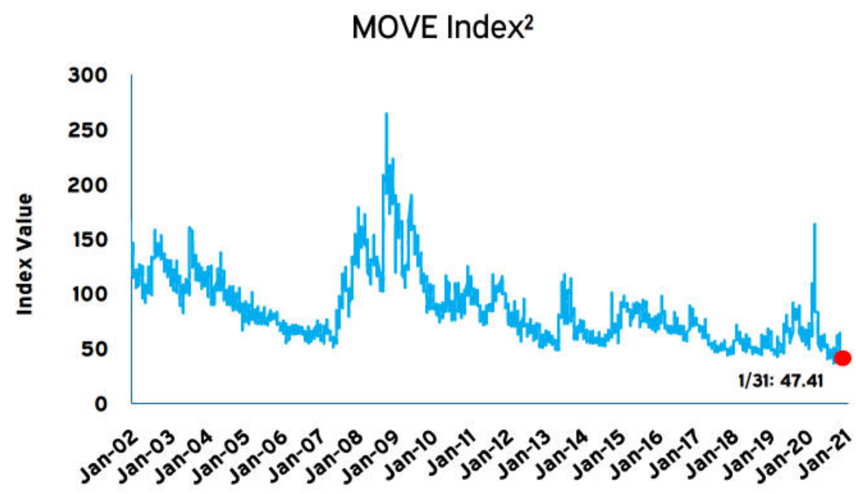
- The market recovery has largely been driven by a few technology companies that benefit from the stay-at-home environment related to the virus.
- Since the start of 2020, the S&P 500 technology sector returned +51.9%, compared to +12.5% for the S&P 500 ex-technology index, with Amazon (+73.5%), Netflix (+64.5%), and Apple (+104.6%) posting especially strong results.
- The outsized relative returns of these companies caused them to comprise an increasingly large portion (23%) of the S&P 500, though this trend eased in the finals months of 2020.

[1] FAANG+M = Facebook, Amazon, Apple, Netflix, Google (Alphabet), and Microsoft. The percentage represents the aggregate market capitalization of the 6 companies compared to the total market capitalization of the S&P 500 as of January 31, 2021.

[2] Each data point represents the price change relative to the 12/31/2019 starting value.

Volatility





- Expectations of short-term equity volatility, as measured by the VIX index, increased at the end of January due to developments in the equity markets. Specifically, retail investors' increased involvement in the markets evidenced by their recent influence on certain stocks with high short interest caused concerns about overall market stability.
- Expectations of volatility within fixed income, as represented by the MOVE index, also spiked earlier in 2020, then dropped to historic lows, helped by the broad level of monetary support and forward guidance by the Fed.

[1] Source: Chicago Board of Exchange. Data is as of January 31, 2021.

[2] Source: Bloomberg. Data is as of January 31, 2021.

Key Elements of the Next Round of US Fiscal Stimulus

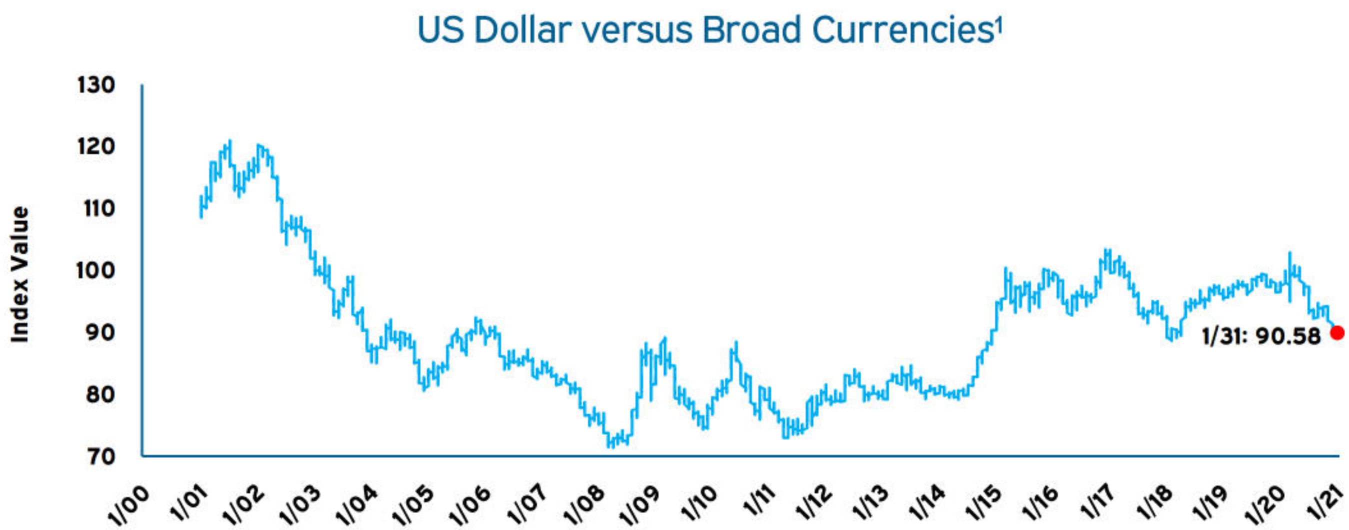
	Joint Proposal
Status	Tentative (House to vote late February, then sent to Senate; Expected to pass via Reconciliation Process)
Direct Payments	Up to $1,400 per eligible recipient
Enhanced Unemployment	$400 per week through September
State & Local Aid	$370 billion
Vaccines, testing and tracing	$160 billion
School aid/Education Grants	$170 billion
Health Insurance Support	$100 billion
Transportation	$20 billion
Food / Agriculture aid	$26 billion
Rental Assistance	$35 billion
Small Business Assistance	$50 billion
Total	$1.90 trillion

- A fiscal stimulus totaling ~$900 billion, representing the second largest package in history, was finalized in late December 2020.
- An additional $1.9 trillion in stimulus was proposed by the Biden administration in mid-January 2021. The package includes additional direct payments, enhanced unemployment benefits, a $15 minimum wage, extending further the eviction moratorium, and state and local aid.

Election Results Lead to a Narrowly Democratic Majority

	Result	Change from Previous	Potential Implications
Presidency	• Democratic victory.	• Donald Trump, Republican, left office January 20th.	• Day one executive actions announced to set new 12 person COVID-19 task force, rejoin the WHO, repeal Muslim travel ban, reinstate DACA program, and rejoin Paris climate accord. • Biden listed other priorities on the campaign trail that include addressing systemic racism, climate change, and expanding protections for union employees. • Additional plans include bills for infrastructure, trade, foreign policy, and tax increases, that all seem more likely given the results of the recent senate elections in Georgia.
Senate	• 50 seats for the Democrats. • 50 seats for the Republicans.	• Democrats picked up 4 seats. • Democrats won an unlikely, double run-off election in Georgia, and obtained an effective majority with Vice President Harris casting the tiebreaking vote.	• Biden's agenda is particularly impacted by a united Senate and Congress in a few key areas, namely the next round of fiscal stimulus (greater amount), cabinet appointments (more liberal), tax reform (more rollbacks of Trump cuts), and infrastructure spending (more green, higher in amount).
House	• Democratic majority maintained. • As of January 13th 222 seats for Democrats, 211 seats for Republicans, and 2 undecided.	• Heading into the November 3, 2020, election, Democrats held a 232-197 advantage in the US House. Libertarians held one seat, and five seats were vacant.	• While the Democrats maintained their majority and therefore control of the agenda, Republicans gained ground, setting up a battle for the midterms in 2022. • Nancy Pelosi remains Speaker of the House.

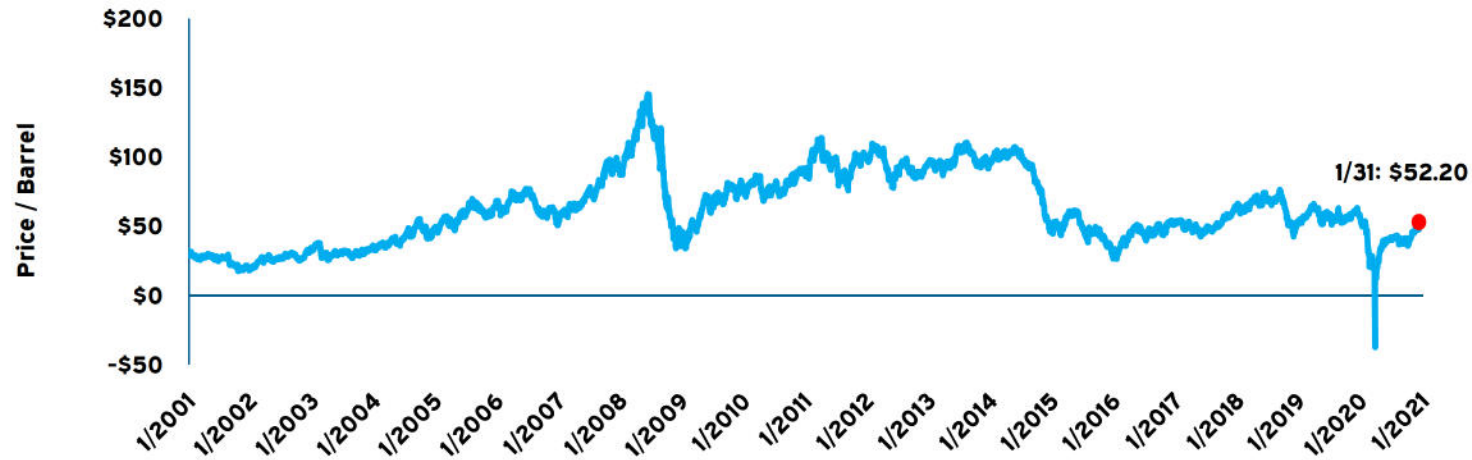
- After much turmoil, including a storming of the US Capitol, Joe Biden was confirmed by Congress as the winner of the presidential election.
- Vice President Kamala Harris has the power of the deciding vote in the US Senate where Democrats won the two run-off elections in Georgia, resulting in a divided Senate.
- The Democratic majority sets the stage for a more liberal agenda with a higher likelihood of a large fiscal stimulus package in the coming months.



- As the crisis grew into a pandemic, investors' preferences shifted to holding US dollars and highly liquid, short-term securities like US Treasury bills.
- However, the dollar has weakened over the last few quarters as the US struggled with containing the virus and investors sought higher growth non-US assets, particularly in emerging markets. This has created pressures on already stressed export-focused countries, particularly in Europe, as their goods become relatively more expensive for US consumers.
- Going forward, the dollar's safe haven quality and the relatively higher rates in the US could provide support.

[1] Source: Bloomberg. Represents the DXY Index. Data is as of January 31, 2021.

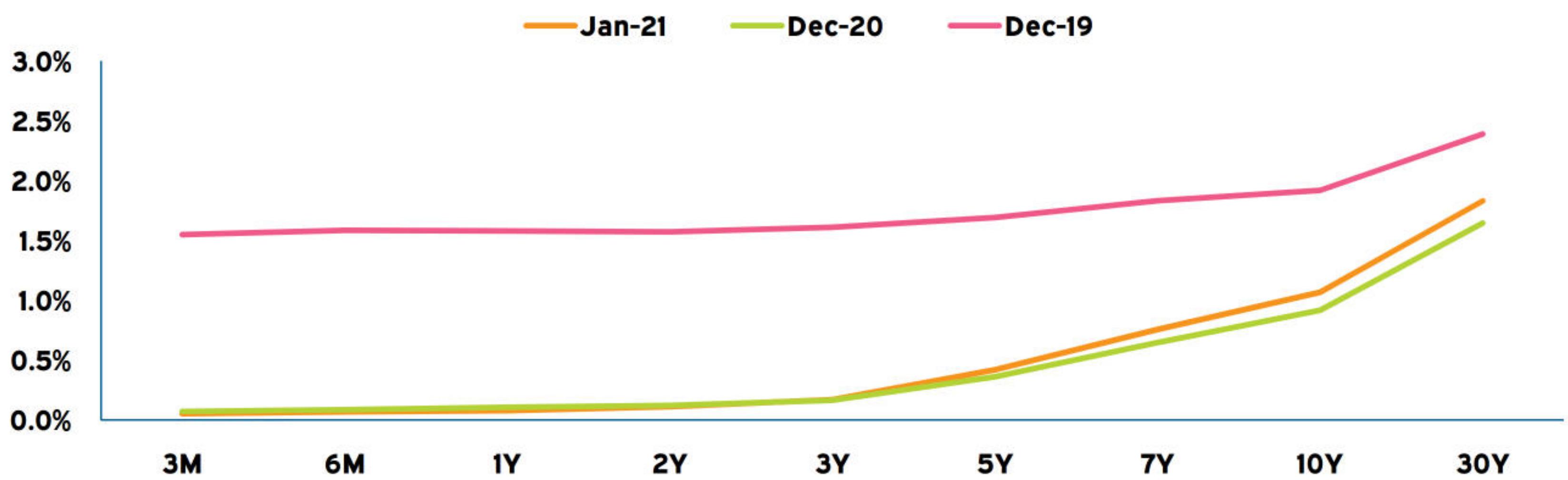
Oil Prices (WTI)[1]



- Global oil prices rallied from April 2020 lows and in January returned to around pre-pandemic levels.
- In a surprise early January announcement, Saudi Arabia agreed to cut oil production by 1 million barrels/day in February and March. Other OPEC+ countries will continue production at current levels, with the exception of Russia and Kazakhstan, which will slightly increase output.
- Looking forward, global economies slowly reopening in 2021, a weaker US dollar, and production cuts should be supportive for prices. However, oil could experience renewed downward pressure in the short-term, as the new variant of the virus and the slow rollout of the vaccine potentially weigh on demand. Shale producers increasing production going forward could also cap price increases.

[1] Source: Bloomberg. Represents WTI first available futures contract. Data is as of January 31, 2021.

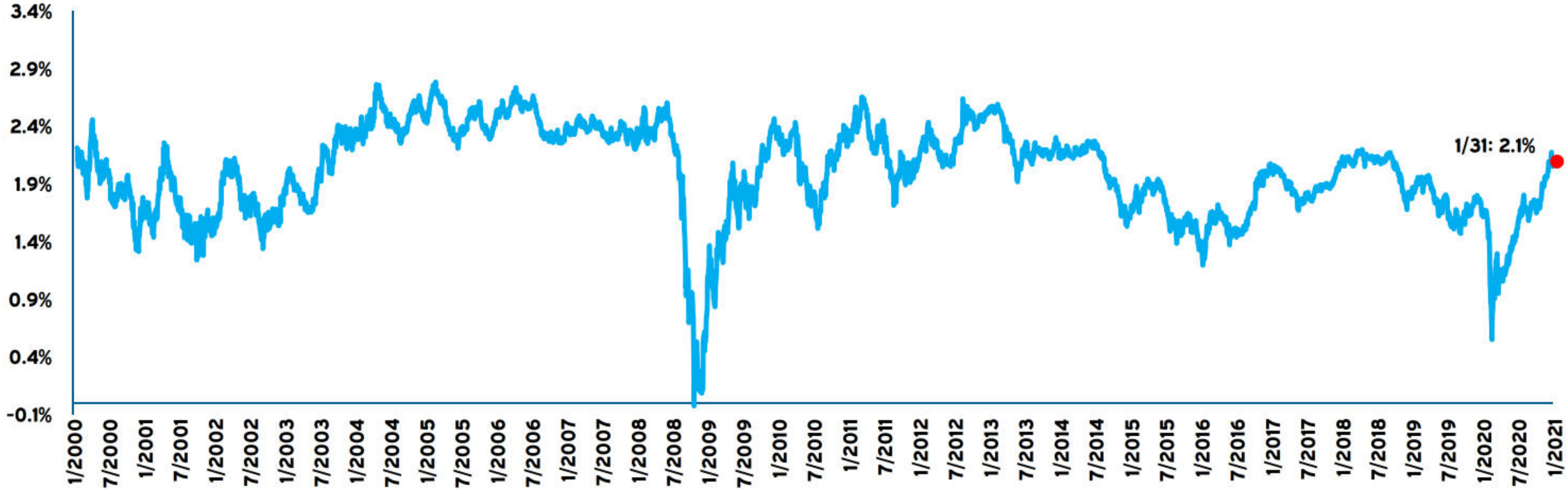
US Yield Curve Declines[1]



- The US Treasury yield curve declined materially during 2020, driven by safe-haven demand, Federal Reserve polices (policy rate cuts and the quantitative easing program), and weak US economic fundamentals.
- The curve steepened in January on gradual signs of economic improvement, vaccine developments, and expectations for longer-dated Treasury issuance to support additional fiscal stimulus in the coming months.
- Higher yields relative to other countries and the Fed potentially extending the duration of their purchases could counterbalance steepening trends, but the risk remains that the yield curve could continue to steepen if inflationary pressures build.

[1] Source: Bloomberg. Data is as of January 31, 2021.

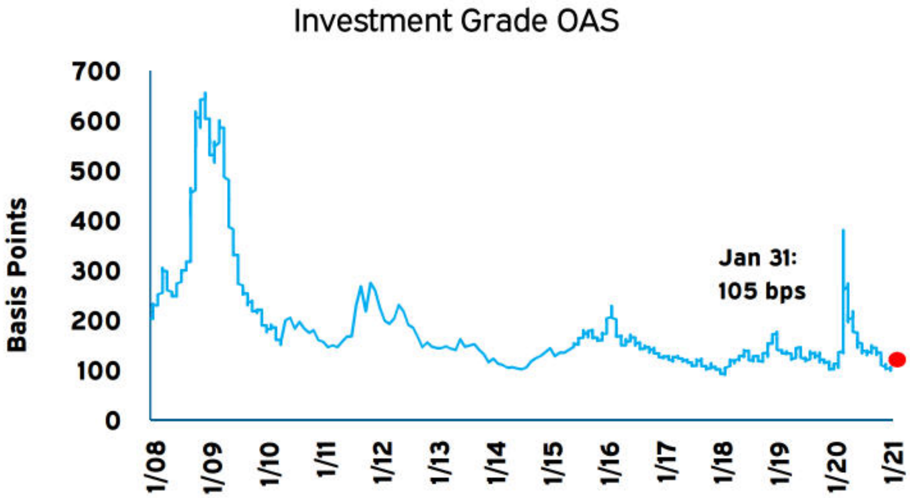
10-Year Breakeven Inflation[1]

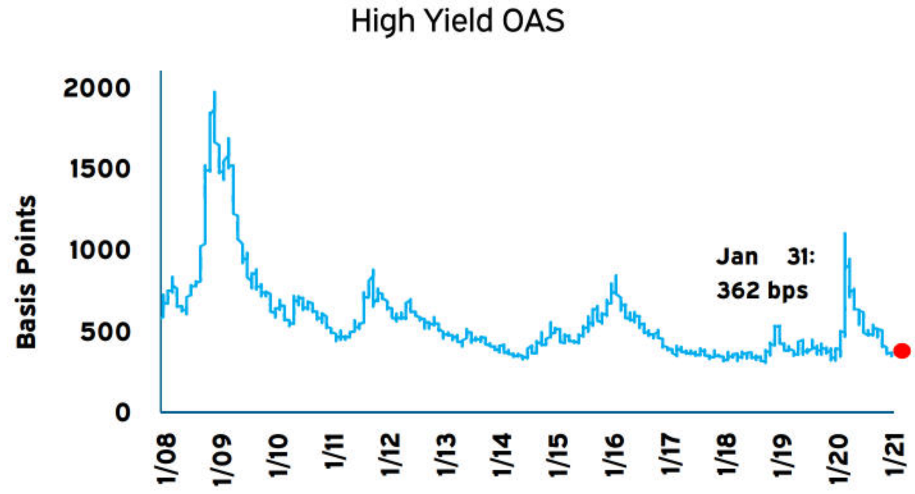


- Inflation breakeven rates initially declined sharply, due to a combination of lower growth and inflation expectations, as well as liquidity dynamics in TIPS during the height of market volatility.
- Liquidity eventually improved and breakeven rates increased as deflationary concerns moderated. Recently, inflation expectations continued to increase reaching the long-term average given the vaccine announcements and expected additional fiscal stimulus.
- Looking forward, the track of economic growth and the inflationary effects of the unprecedented US fiscal response will be key issues. Additionally, changes to Fed policy which will allow for greater future inflation will also likely impact inflation market dynamics.

[1] Source: Bloomberg. Data is as of January 31, 2021.

Credit Spreads (High Yield & Investment Grade)[1]

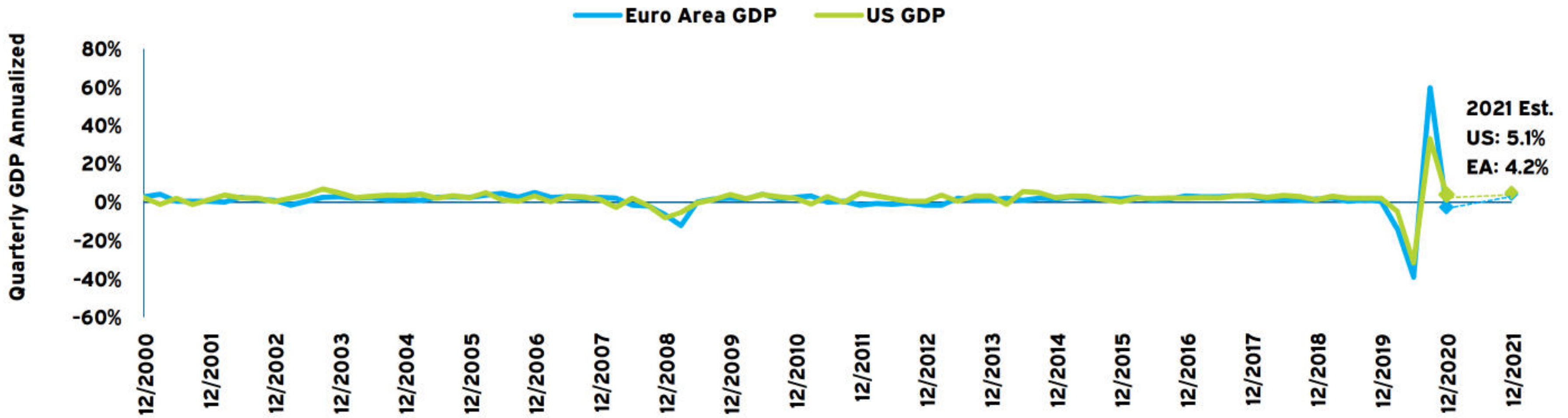




- Credit spreads (the spread above a comparable Treasury) for investment grade and high yield corporate debt widened sharply at the start of the pandemic as investors sought safety.
- Investment grade bonds held up better than high yield bonds. The Federal Reserve's corporate debt purchase program for investment grade and certain high yield securities recently downgraded from investment grade, was well received by investors. The policy support and the search for yield in the low rate environment led to a decline in spreads to below long-term averages, particularly for high yield.
- Overall, corporate debt issuance across both investment grade and high yield sectors broke records in 2020. For January, issuance across both sectors was again greater than what was experienced prior to the pandemic.

[1] Source: Bloomberg. High Yield represents US Corporate High Yield average OAS. Investment grade represents liquid investment grade corporate average OAS. Data is as of January 31, 2021.

GDP Data Shows Impact of the Pandemic[1]

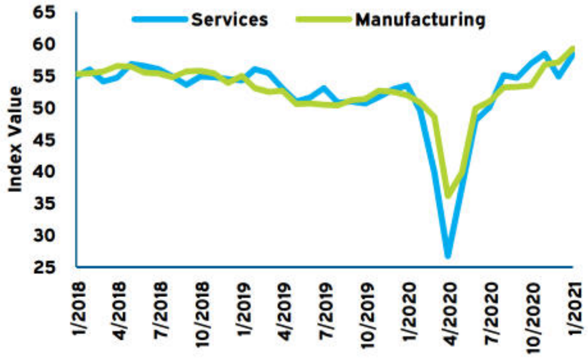


- The global economy faced major recessionary pressures last year, but optimism remains for improvements in 2021, as economies are expected to gradually reopen despite the recent spike in virus cases.
- Historic declines in US and European growth during the second quarter were followed by record increases in the third quarter, due to pent-up demand from the lockdown measures earlier in the year.
- Fourth quarter US GDP growth was 4.0% (QoQ annualized). Full year US GDP growth declined 2.5%, better than the forecasted decline of 3.4% by the IMF.
- In the euro area, increased virus cases and a return to restrictions weighed on fourth quarter growth (-2.8% QoQ annualized). For the year, the euro area economy declined by 5.1%., worse than the US but also ahead of forecasts of a 7.2% decline.

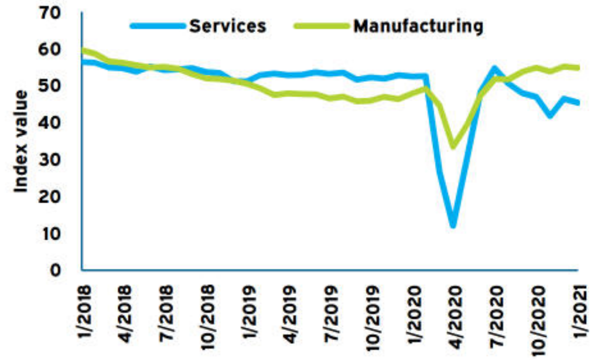
[1] Source: Bloomberg, and IMF. Q4 2020 data represents the first estimate of GDP for the Euro Area and United States. Euro Area figures annualized by Meketa. Projections via January 2021 IMF World Economic Outlook and represent annual numbers.

Global PMIs

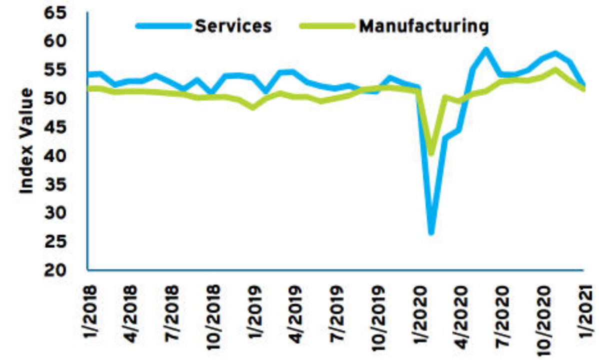
US PMI[1]



Eurozone PMI[2]



China PMI[3]



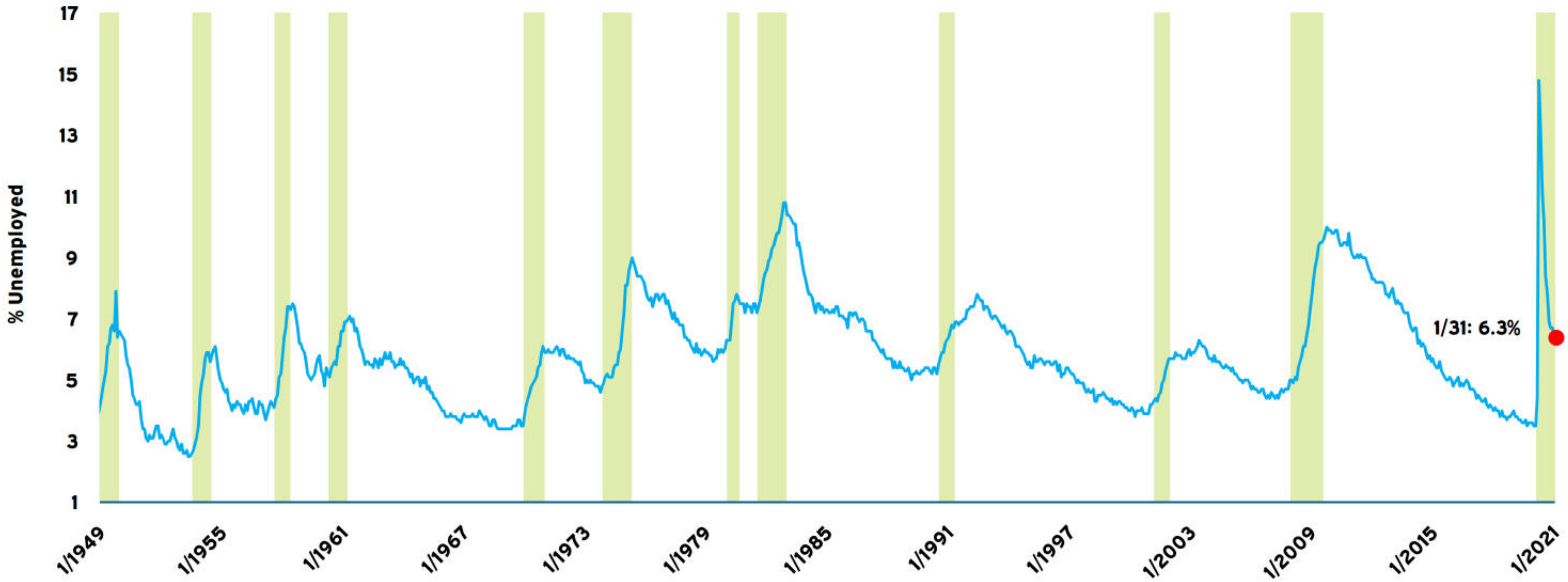
- Purchasing Managers Indices (PMI), based on surveys of private sector companies, initially collapsed across the world to record lows, as closed economies depressed output, new orders, production, and employment.
- Readings below 50 represent contractions across underlying components and are a leading indicator of economic activity, including the future paths of GDP, employment, and industrial production.
- The services sector was particularly hard hit by stay-at-home restrictions.
- After a period of underperformance, US services and manufacturing are in a period of acceleration. In Europe, service and manufacturing sectors have not yet shown acceleration. After a blockbuster return to full economic activity in the second half of 2020 the Chinese economy has stabilized in positive territory.

[1] Source: Bloomberg. US Markit Services and Manufacturing PMI. Data is as of January 2021.

[2] Source: Bloomberg. Eurozone Markit Services and Manufacturing PMI. Data is as of January 2021.

[3] Source: Bloomberg. Caixin Services and Manufacturing PMI. Data is as of January 2021.

US Unemployment Rate[1]

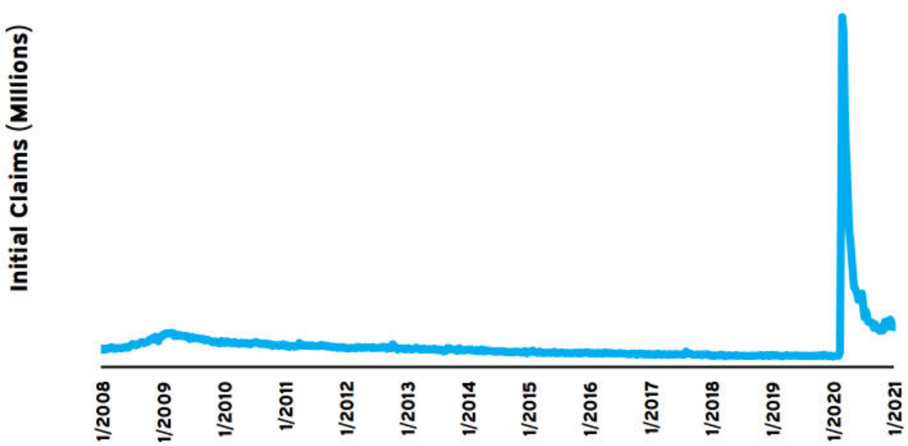


- In January, the unemployment rate continued its decline from the April 14.7% peak, falling to 6.3%.
- Despite the improvement, unemployment levels remain well above pre-virus readings and are likely higher than reported, as some workers appear misclassified. According to the Bureau of Labor Statistics, absent the misclassification issue, the January unemployment rate would be higher by 0.6%.

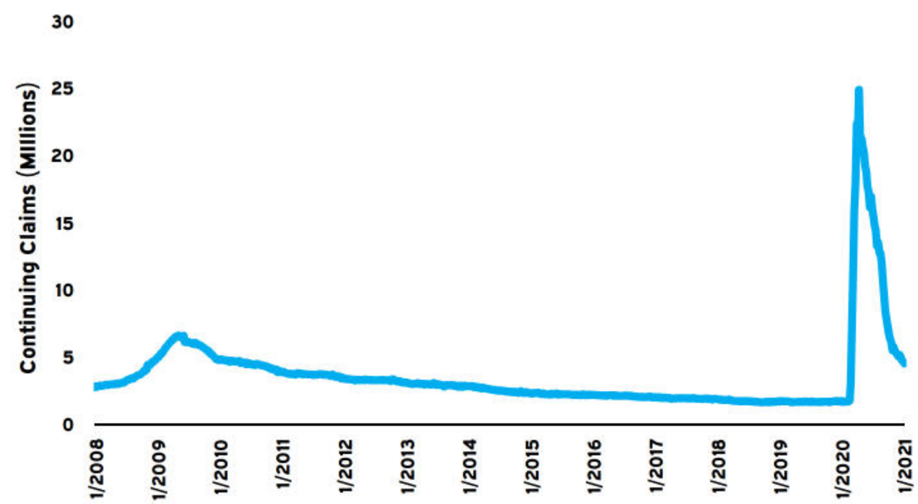
[1] Source: Bloomberg. Data is as of January 31, 2021. Bars represent recessions.

US Jobless Claims

US Initial Jobless Claims[1]



Continuing Claims[2]

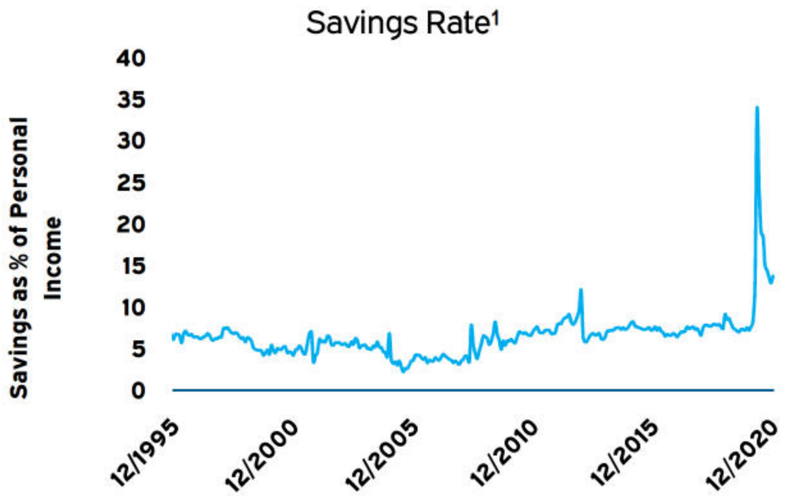


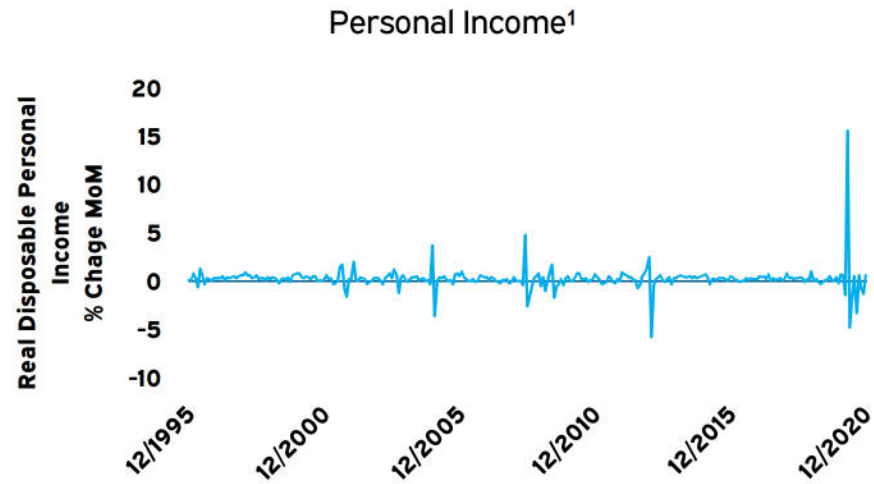
- Over the last 46 weeks, 77 million people filed for initial unemployment. This level is well over three times the 22 million jobs added since the GFC, highlighting the unprecedented impact of the virus.
- Despite the continued decline in initial jobless claims to below one million per week, levels remain many multiples above the worst reading during the Global Financial Crisis.
- Continuing jobless claims (i.e., those currently receiving benefits) have also declined from record levels, but remain elevated at 4.6 million.

[1] Source: Bloomberg. First reading of seasonally adjusted initial jobless claims. Data is as of January 31, 2021.

[2] Source: Bloomberg. US Continuing Jobless Claims SA. Data is as of January 31, 2021.

Savings and Spending



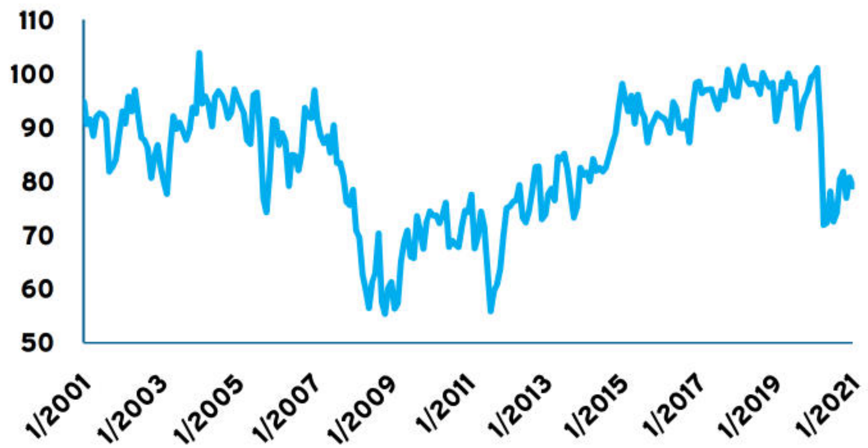


- Fiscal programs including stimulus checks, enhanced unemployment benefits, and loans to small businesses through the Paycheck Protection Program (PPP) have largely supported income levels through the shutdown. The growth in income declined dramatically as fiscal support waned.
- Despite the income support, the savings rate increased due to the decline in consumer spending, driven by the initial lock-down of the economy, and by uncertainties related to the future of the job market and stimulus programs.
- More recently, the savings rate declined from its peak as spending increased with the economy slowly reopening. Going forward, questions remain about how consumers will make use of the recently announced stimulus programs with concerns over the potential inflationary impacts.

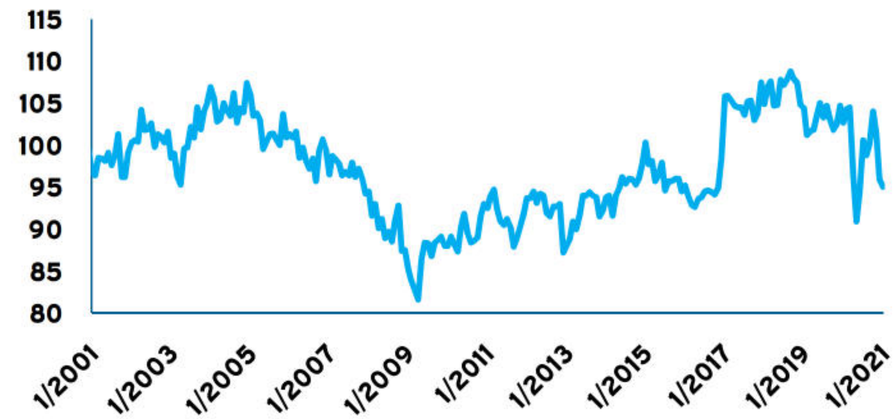
[1] Source: Bloomberg. Latest data is as of December 2020.

Sentiment Indicators

University of Michigan Consumer Sentiment[1]



Small Business Confidence[2]



- The attitudes of businesses and consumers are useful indicators of future economic activity.
- Consumer spending comprises close to 70% of US GDP, making the attitudes of consumers an important driver of economic growth. Additionally, small businesses generate around half of US GDP, making sentiment in that segment important.
- Sentiment indicators showed improvements as the economy re-opened, particularly for small businesses. Increasing cases, including from new variants, and a slow vaccine rollout have recently weighed on short-term sentiment and could weigh on future growth.

[1] Source: Bloomberg. University of Michigan Consumer Sentiment Index. Data is as of January 31, 2021.

[2] Source: Bloomberg. NFIB Small Business Optimism Index. Latest data is as of January 31, 2021.

Disclaimers

These materials are intended solely for the recipient and may contain information that is not suitable for all investors. This presentation is provided by Meketa Investment Group ("Meketa") for informational purposes only and no statement is to be construed as a solicitation or offer to buy or sell a security, or the rendering of personalized investment advice. There is no agreement or understanding that Meketa will provide individual advice to any advisory client in receipt of this document. There can be no assurance the views and opinions expressed herein will come to pass. Any data and/or graphics presented herein is obtained from what are considered reliable sources; however, its delivery does not warrant that the information contained is correct. Any reference to a market index is included for illustrative purposes only, as an index is not a security in which an investment can be made and are provided for informational purposes only. For additional information about Meketa, please consult the Firm's Form ADV disclosure documents, the most recent versions of which are available on the SEC's Investment Adviser Public Disclosure website (www.adviserinfo.sec.gov) and may otherwise be made available upon written request.