MEKETA

INVESTMENT GROUP

Economic and Market Update

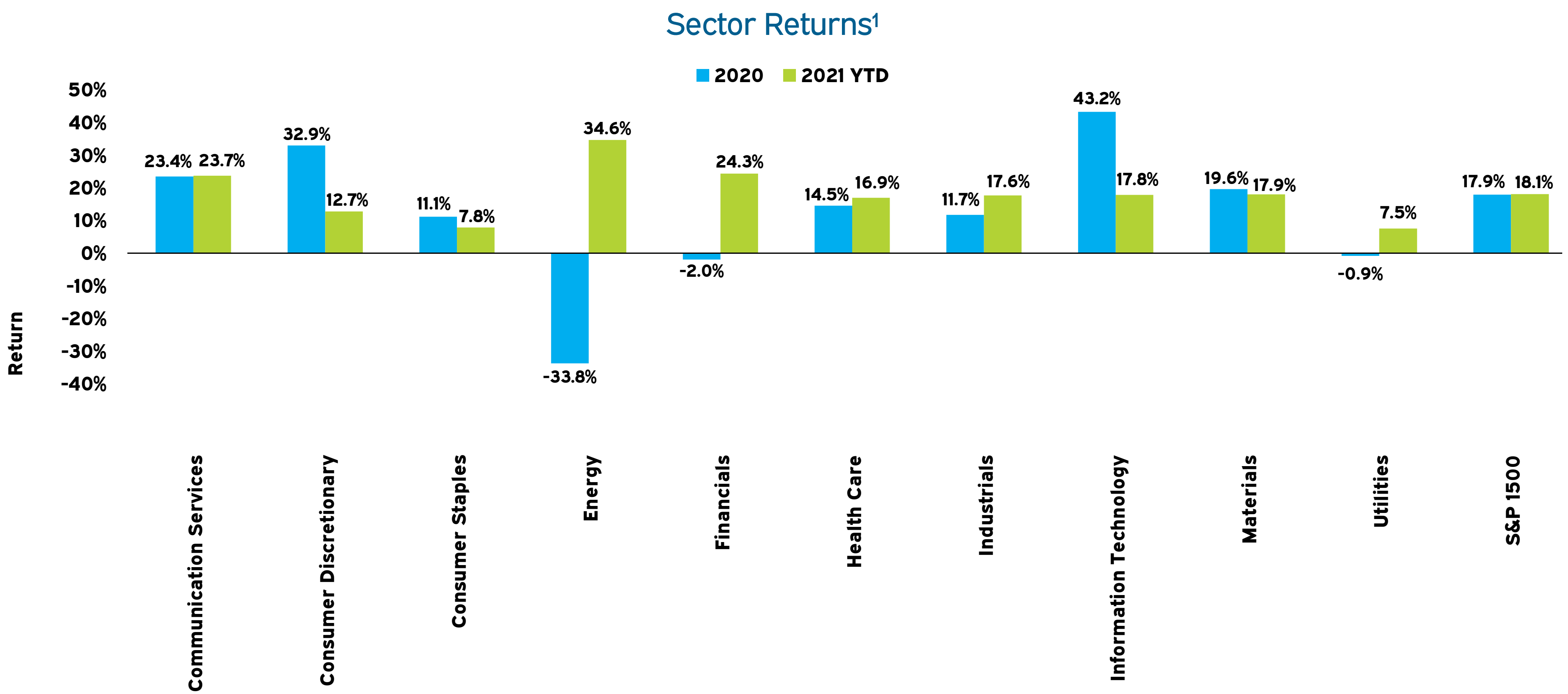
Data as of July 31, 2021

Market Returns[1]

Indices	July	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	2.4%	18.0%	37.5%	18.3%	17.3%	15.3%
MSCI EAFE	0.8%	9.7%	28.5%	7.6%	9.4%	6.1%
MSCI Emerging Markets	-6.7%	0.2%	20.3%	7.8%	10.4%	3.6%
MSCI China	-13.8%	-12.3%	0.4%	5.6%	12.4%	6.2%
Bloomberg Barclays Aggregate	1.1%	-0.5%	-0.7%	5.8%	3.1%	3.3%
Bloomberg Barclays TIPS	2.7%	4.4%	7.2%	7.7%	4.5%	3.3%
Bloomberg Barclays High Yield	0.4%	4.0%	10.8%	7.2%	7.0%	6.6%
10-year US Treasury	2.2%	-2.1%	-4.9%	7.0%	2.2%	3.5%
30-year US Treasury	4.1%	-5.5%	-14.9%	10.5%	3.3%	6.8%

- Record fiscal and monetary stimulus and positive developments with the COVID-19 vaccine have led to continued strong returns in developed market equities producing significant gains over the trailing year.
- In July, Treasuries continued to rally, particularly longer dated issues, as longer-term economic growth expectations declined.
- Equity markets had mixed results in July with the US leading the way. The strengthening of the US dollar over the last few months, and continued vaccine rollout struggles, weighed on international equity markets. China's crackdown on technology and education companies weighed on the broader emerging markets index.

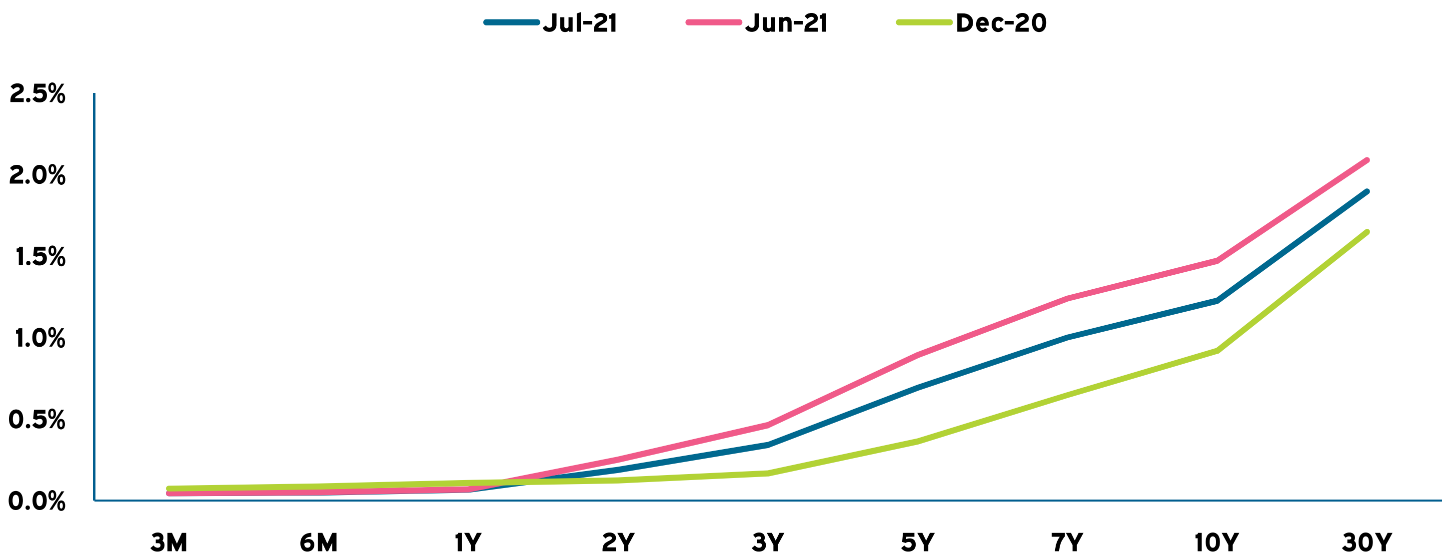
[1] Source: Investment Metrics and Bloomberg. Data is as of July 31, 2021.



- Cyclical sectors like energy and financials continue to lead the way in 2021, despite growth's recovery in June and July, as some investors rotated out of stay-at-home focused companies in the technology sector while the economy reopens.

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

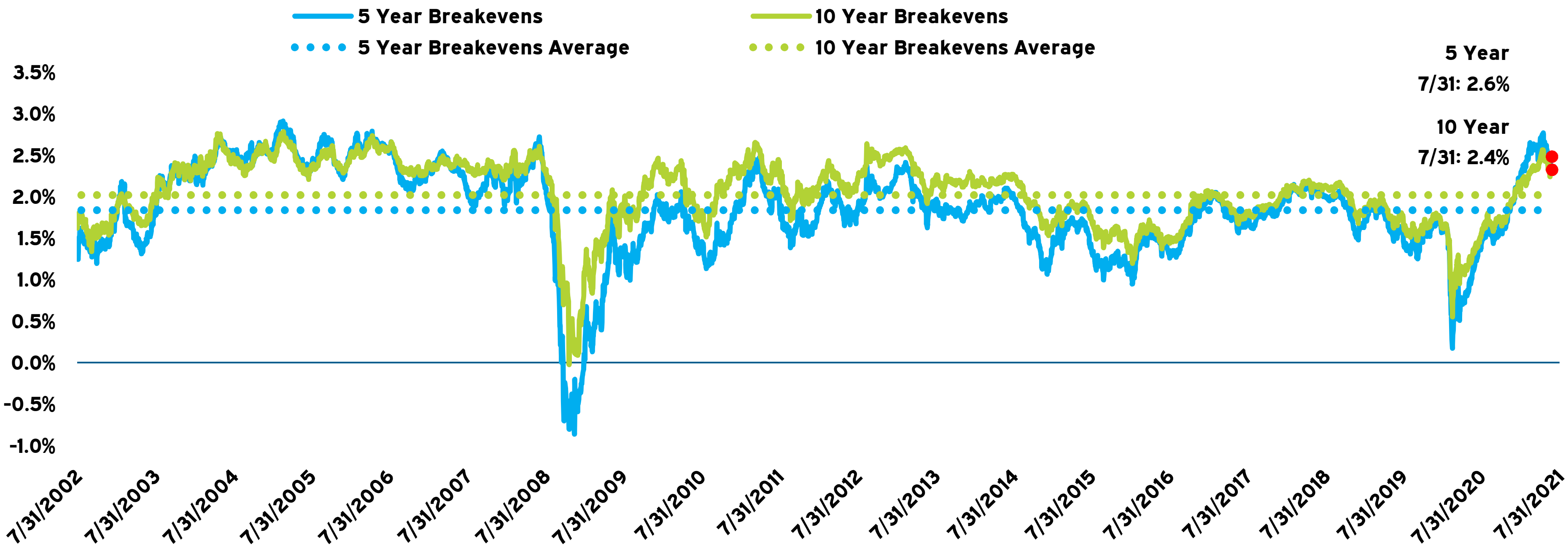
US Yield Curve Begins to Flatten After Sharp Steepening to Start 2021[1]



- During the first half of 2021, the yield curve steepened, on inflation fears related to gradual signs of economic improvement given the vaccine rollout.
- Shorter-dated rates have been largely unmoved due to Fed policy. Longer-dated rates recently fell from their peak causing the yield curve to flatten as investors consider whether inflationary pressures have topped and if longer-term growth expectations are overly optimistic.
- The yield curve could resume its steepening if growth and inflation pressures build beyond current expectations. Alternatively, if the economy weakens, or if economic progress is simply accelerated versus prior expectations, the flattening trend could continue.

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

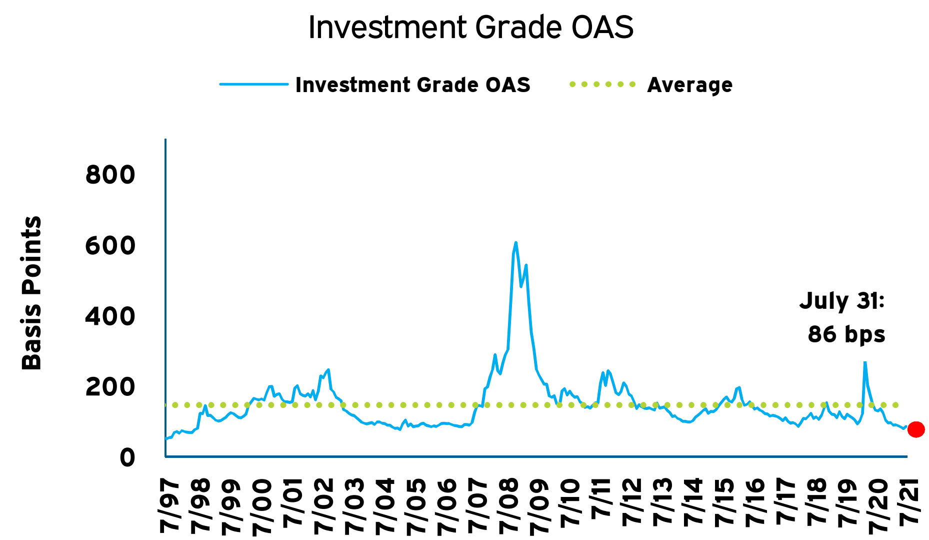
Breakeven Inflation[1]

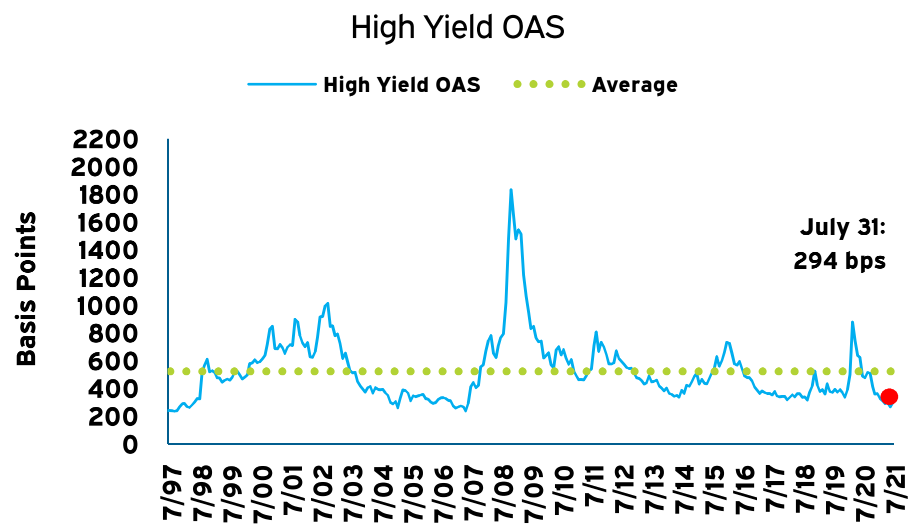


- Inflation expectations remain well above long-term averages, particularly in the short-term, with the vaccine roll-out, still relatively high raw material prices, and expected additional fiscal stimulus as key drivers.
- Recently though, inflation expectations declined from their peaks as base effects wane, growth forecasts moderate, and cost pressures slow.
- Looking ahead, the track of economic growth and the inflationary effects of the unprecedented US fiscal response will be key issues. Additionally, changes to Fed policy focused on an average inflation target may play a role in the inflation market dynamics.

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

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

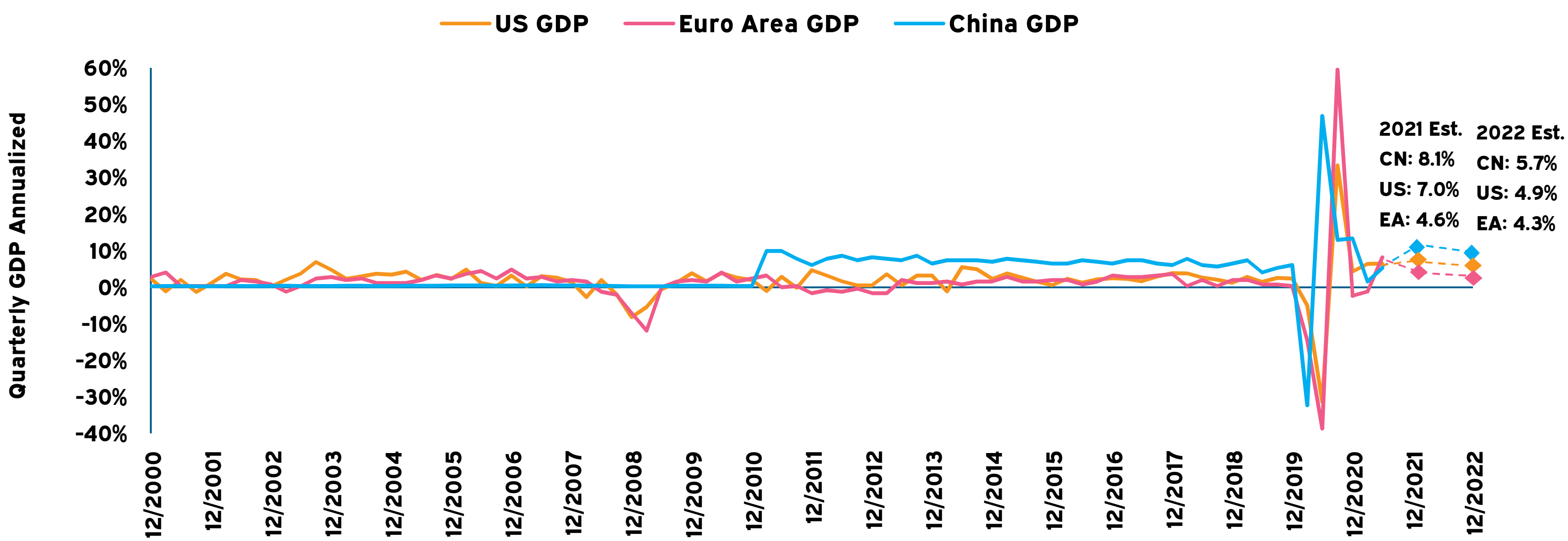




- Credit spreads (the spread above a comparable maturity Treasury) for investment-grade and high yield corporate debt remain at historically low levels.
- Policy support and the search for yield in a low rate environment have been key drivers in the decline in US credit spreads to below long-term averages, particularly for high yield.

[1] Source: Barclays Live. Data represents OAS and is as of July 31, 2021.

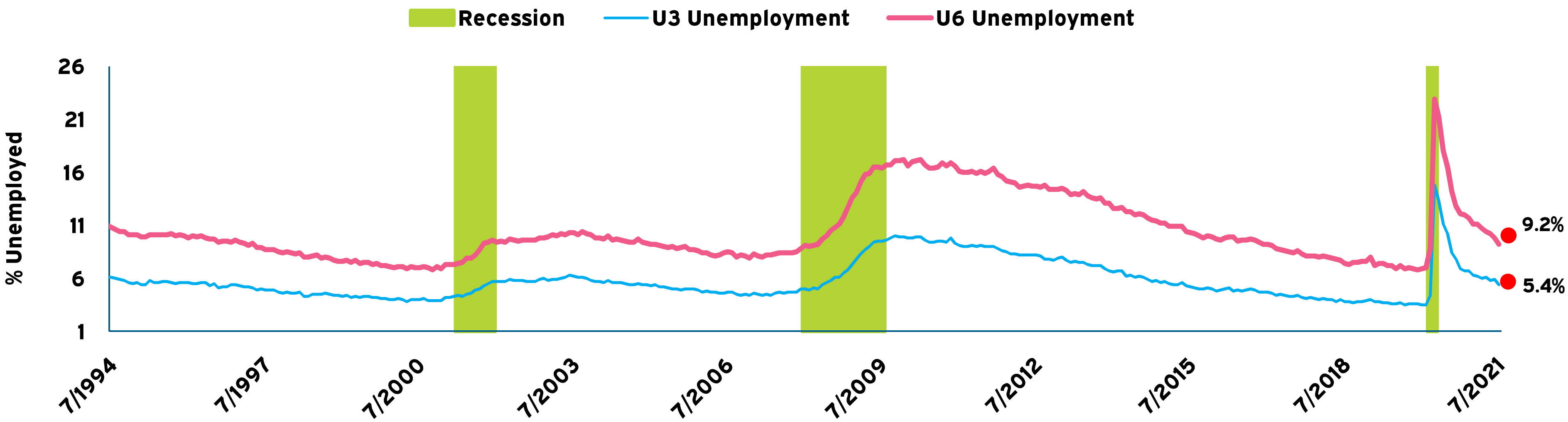
GDP Data Shows Projected Improvements in 2021[1]



- Major economies are expected to continue to recover this year as reopening trends persist with growth slowing in 2022 as demand declines.
- Looking forward, strong growth is expected in 2021 for China, projected to grow at an impressive 8.1%, a rate 1.1% above the expected US growth rate.
- The US is expected to grow faster than the euro area this year and next, with some growth pulled forward due to the success in distributing the vaccine.

[1] Source: Bloomberg, and IMF; Euro Area and China figures annualized by Meketa. Projections via July 2021 IMF World Economic Outlook and represent annual numbers.

US Unemployment[1]



- The unemployment rate (U3) fell in July from 5.9% to 5.4% and remains well above pre-pandemic levels, but far below the pandemic peak.
- The broader measure of unemployment (U6) that includes discouraged and underemployed workers continues to decline, but remains much higher at 9.2%.
- Pandemic related concerns, childcare issues, and a mismatch of skills and available jobs have all contributed to slack in the labor market. The track of the unemployment rate from here will be a key consideration in the Federal Reserve's pace of reducing its policy support.

[1] Source: Bloomberg. Data is as of July 31, 2021. Bars represent recessions as observed by the National Bureau of Economic Research.

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