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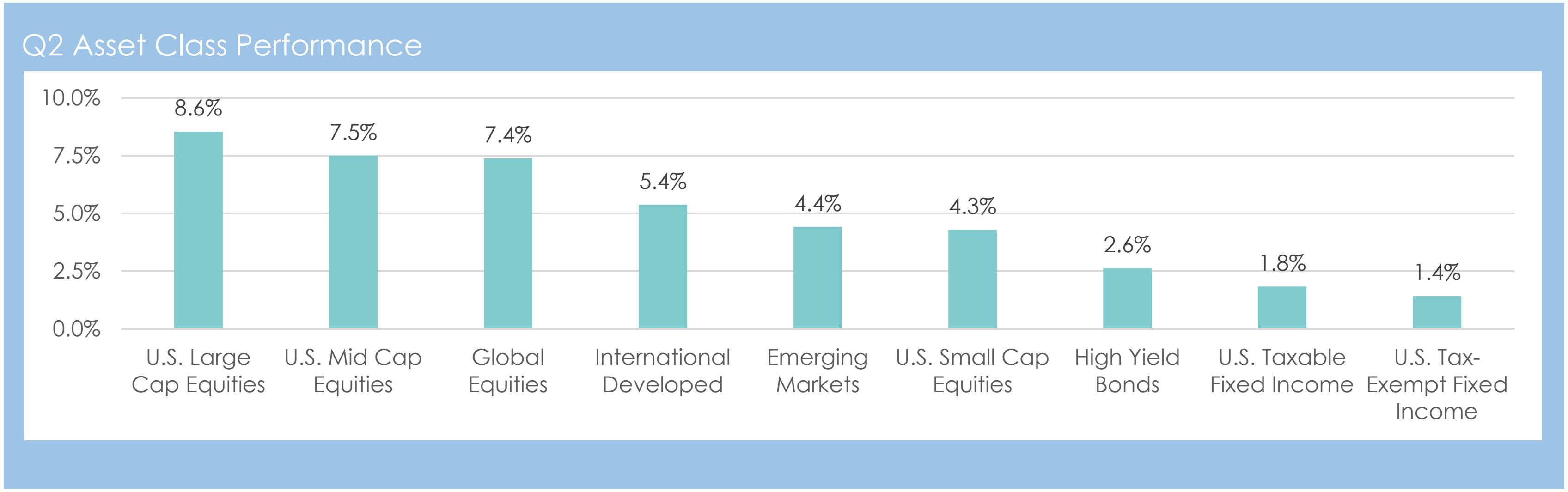
MARKET LANDSCAPE | Q2 2021

MIRACLE MILE ADVISORS

Q2 PERFORMANCE SUMMARY



Quarterly Recap

Equity markets worldwide continued to rally in the second quarter of 2021 as vaccinations increased and economies reopened, leading to accelerating GDP and corporate earnings growth. From monetary and fiscal standpoints, the Fed remained accommodative with no change in policy, and President Biden formally announced his phase 2 infrastructure plan, with approval uncertain. Risks to the market rally are a rapid rise in inflation and variant forms of the coronavirus as vaccinations lag in many countries and even some U.S. areas. We maintain a positive outlook on equities and credit as the global economy continues to recover and policy remains supportive.

Q2 2021 Economic & Market Highlights

- Global equity markets gained +7.4% for the quarter, while the bond market bounced back with a gain of +1.8%.
- The 10-Year Treasury yield declined 27 basis points for the quarter as intermediate and longer-term inflation expectations moderated towards quarter end despite strong economic data.
- U.S. GDP grew at a healthy 6.4% rate in Q1 with growth expectations expected to peak at 10.0% in Q2.
- The U.S. labor market added 1.7 million jobs in Q2, although the unemployment rate of 5.9% and labor force participation rate of 61.6% remains weak in comparison to pre-pandemic levels.

Macroeconomic & Market Outlook - 2021

- The U.S. economy continues to recover with reopening momentum and pent-up demand supporting strong consumer spending. Our GDP growth forecast for 2021 remains at +6.0 to 6.5%.
- Inflation data have ticked higher which we view as largely transitory due to baseline effects and supply-demand imbalances. We expect inflation could be more of a concern in 2022 as more economies around the world emerge from the pandemic and aggressive monetary policy and fiscal policies persist.
- We expect the U.S. dollar to weaken in the second half of this year due to U.S. budget and current account deficits, interest rate differentials, and higher global growth which tends to be dollar bearish.
- We are constructive on equities favoring a barbell approach, holding technology which does well with lower growth and inflation on one end, and cyclical sectors, (viz., financials and industrials) which benefit from higher growth and inflation on the other end.
- In fixed income, we favor higher yielding assets (preferreds, high yield and emerging market debt, and international REITs) over lower yielding investment grade bonds.

MARKET RISKS

KEY RISKS

NEAR TERM

Central Bank Tightening

- Central bank liquidity has provided a tailwind for risk markets. According to Bank of America, central banks bought $10 billion of bonds per day in the first half of 2021. With U.S. economic activity approaching pre-pandemic levels, the Fed will look to begin tapering their bond purchase program, which may lead to higher rates and increased volatility.

Peak Growth, Peak Profits, Peak Policy

- Market volatility may increase beyond 2021 as the trifecta of U.S. GDP growth, corporate earnings growth, and fiscal and monetary stimulus measures peak this year and subside in future years.

LONGER TERM

Higher Inflation

- Both CPI and PPI data have seen sharp rises in recent months. The Fed has largely discounted the readings as transitory from low bases last year. However, if data continue to point to higher inflation, the Fed may have to acknowledge the need for policy tightening sooner than the market expects which could ultimately lead to market weakness.

Higher Taxes

- In Q2 President Biden announced plans to raise ordinary income and capital gains taxes to fund Phase 2 of his infrastructure plan, in addition to the already announced plan to raise corporate taxes to fund Phase 1. While the success of his proposals is uncertain, higher taxes would negatively impact corporate earnings and could lead to investors selling to realize profits before taxes rise in future years.

MARKET OPPORTUNITIES

KEY OPPORTUNITIES

NEAR TERM

Reflation Trade and Value stocks

- Value stocks and investments correlated to interest rates will benefit with higher economic growth and higher inflation. The macroenvironment is conducive for value stock outperformance, reversing the growth stock outperformance in recent years.

Emerging Markets Bonds

- EM debt is attractively valued with higher yields than many other fixed income classes. On an issuer level, EM debt has wider credit spreads (i.e., is cheaper) than similarly rated U.S. issuers.

LONGER TERM

Infrastructure Investment

- With trillions of dollars likely to be spent improving the country’s infrastructure, many industries in the industrial and materials sectors will benefit in coming years. Beneficiaries include companies involved in construction, transportation, electric vehicles, and water infrastructure.

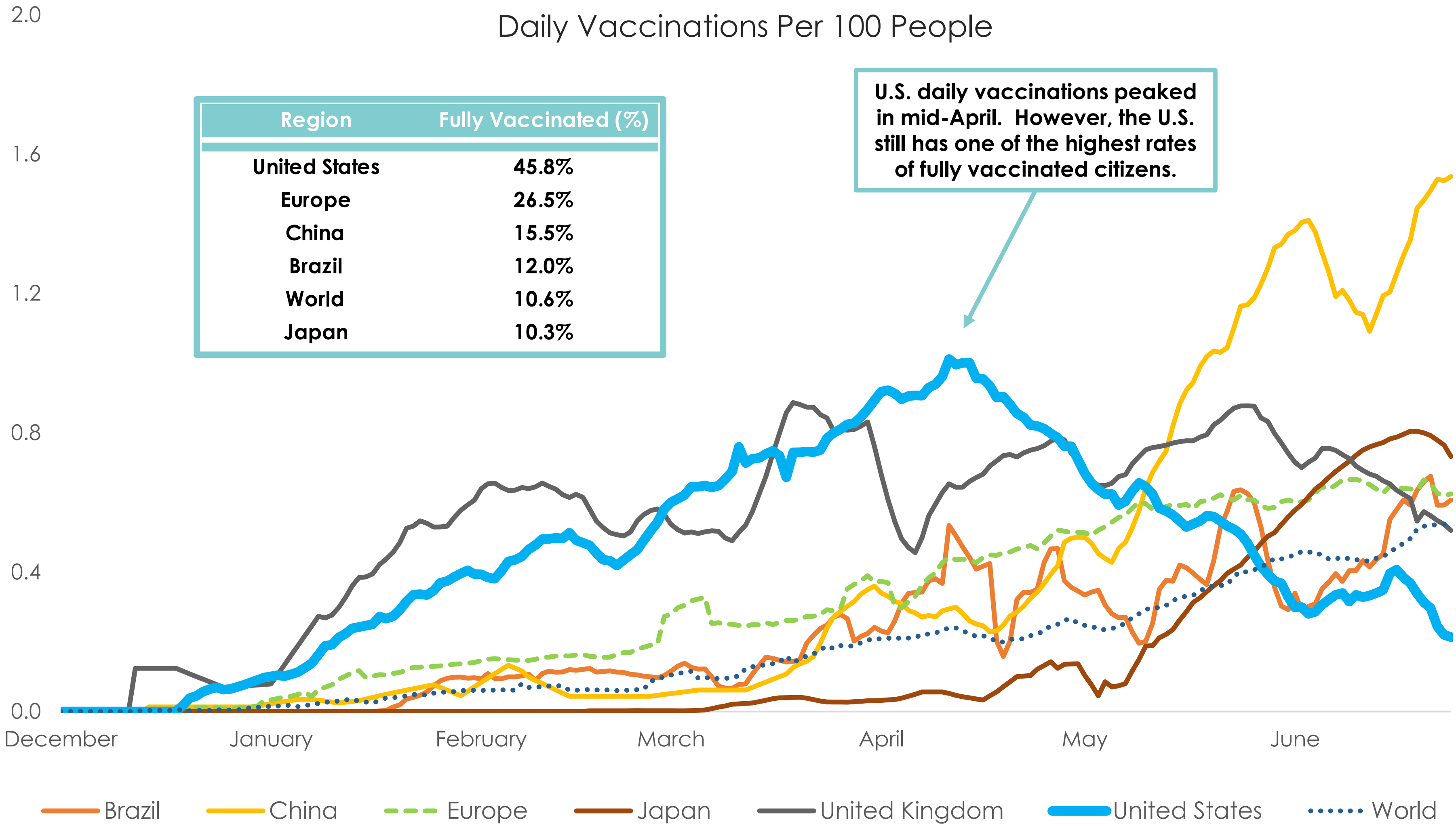
Going International

- Developed international equity markets are attractive given their improving growth prospects, increasing vaccination rates, and cheaper valuations relative to U.S. equities.
- Investing in overseas markets offers portfolio diversification and a hedge against a weaker U.S. dollar.

PANDEMIC: VACCINATION RATES

While the proportion of vaccinated persons outside the U.S. remains far behind the U.S., daily vaccination rates have risen sharply.

Investment Outlook: With rising vaccinations in the rest of the world, more regions are primed to re-open and see increased economic activity. Despite slowing U.S. vaccination uptake, the U.S. remains one of the highest fully vaccinated countries.



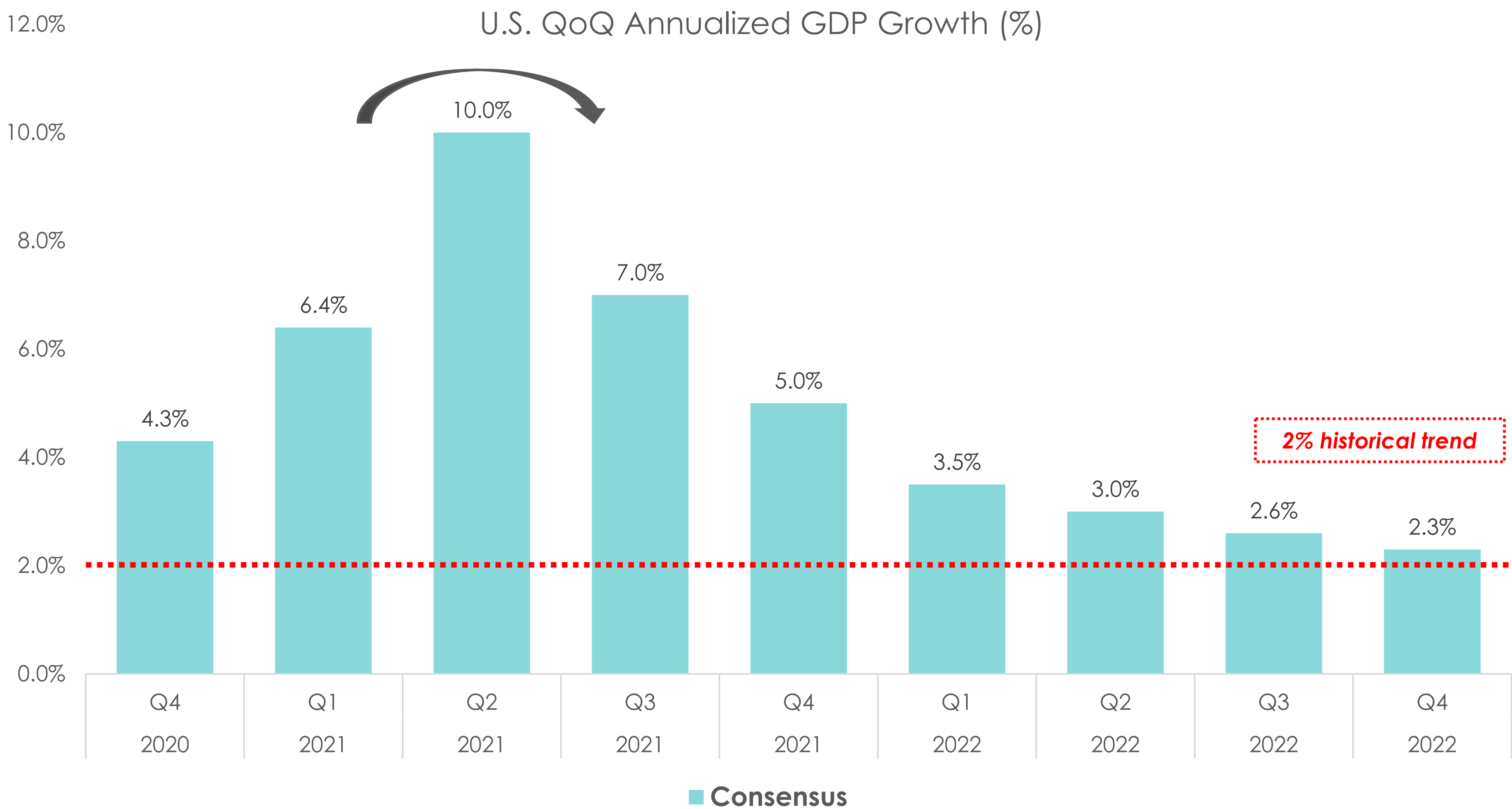
Region	Fully Vaccinated (%)
United States	45.8%
Europe	26.5%
China	15.5%
Brazil	12.0%
World	10.6%
Japan	10.3%

Refer to appendix for disclosures and data sources

ECONOMY: GDP GROWTH

GDP growth will peak in Q2 but should remain above the historical trend throughout 2022.

Investment Outlook: Reopening progress and stimulative monetary and fiscal policy will continue to support U.S. economic growth which favors risk assets.

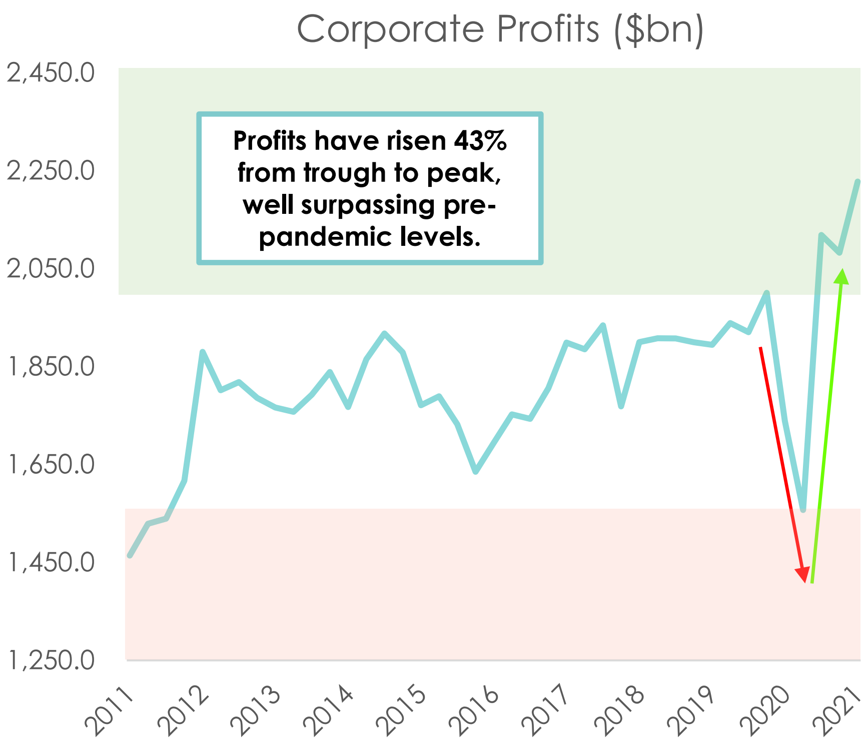


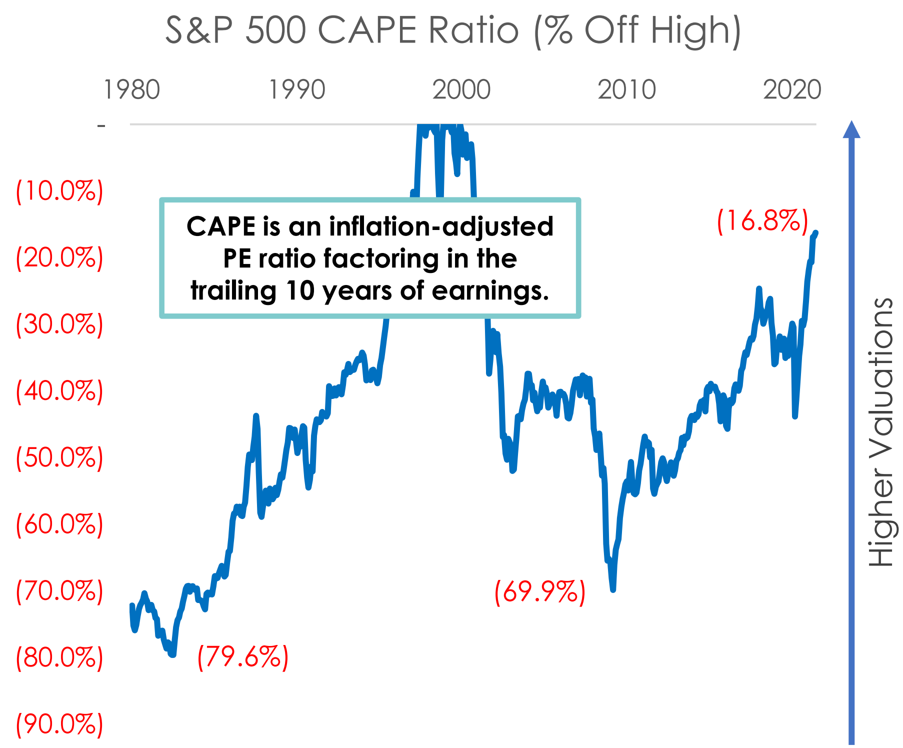
Refer to appendix for disclosures and data sources

ECONOMY: CORPORATE PROFITS

Corporate profits have had a very strong V-shaped recovery and have been the primary driver of strong equity returns.

Investment Outlook: Corporate profits are at all-time highs and expected to grow, justifying elevated valuations.





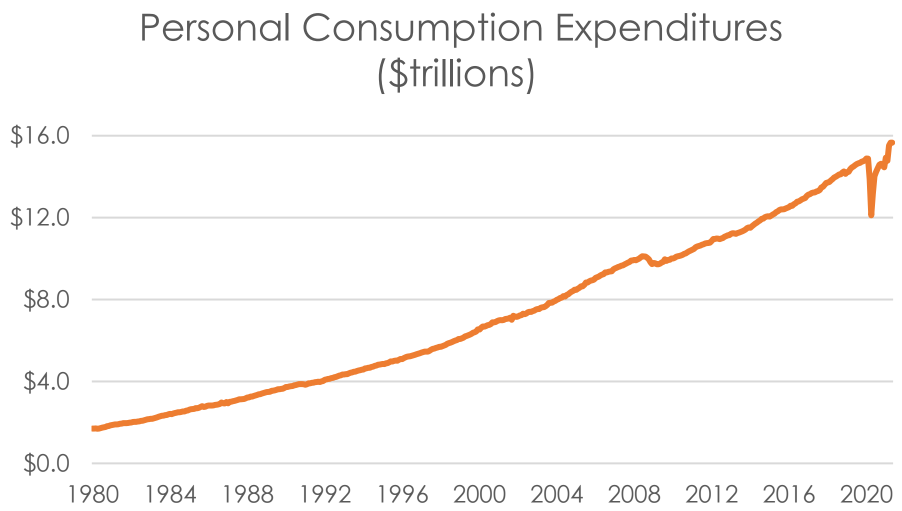
- After the dotcom bubble burst, valuations embarked on a long-term decline until early 2009. Now the S&P 500 has the highest valuation since the bubble, trading at levels 16.8% off the 2000 CAPE peak.
- Valuations should normalize due to large increases in corporate profitability as global growth accelerates.

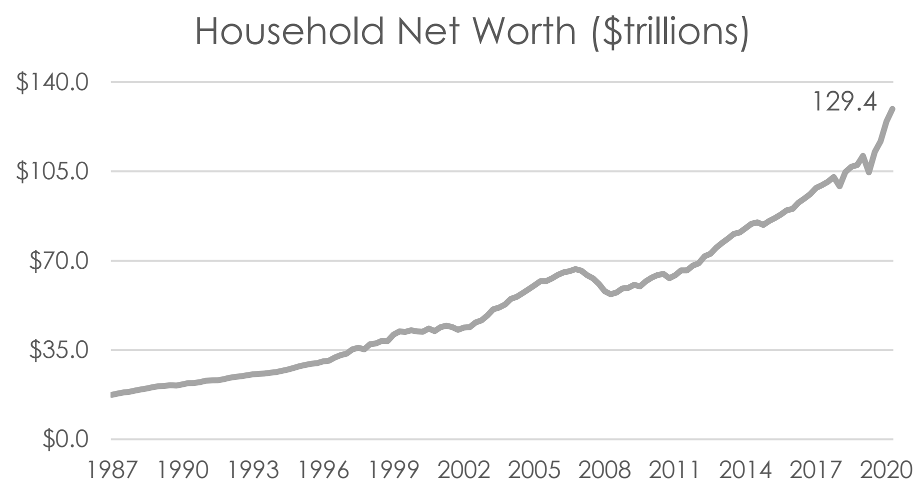
Refer to appendix for disclosures and data sources

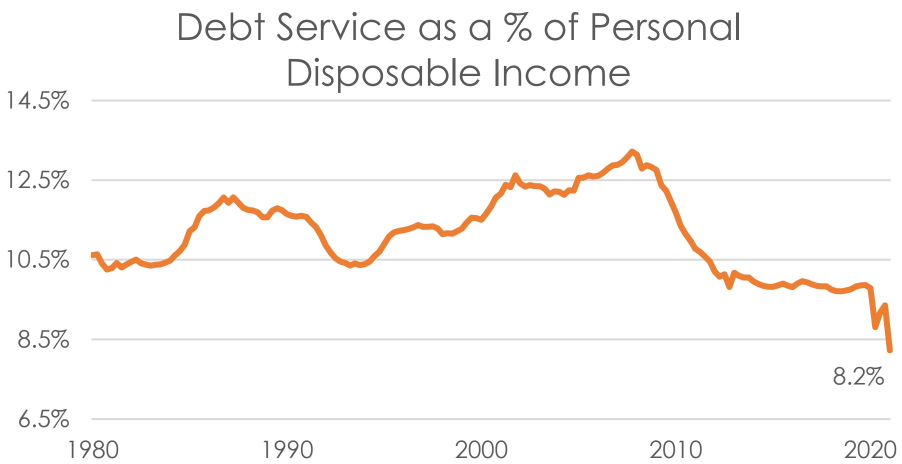
ECONOMY: CONSUMER STRENGTH

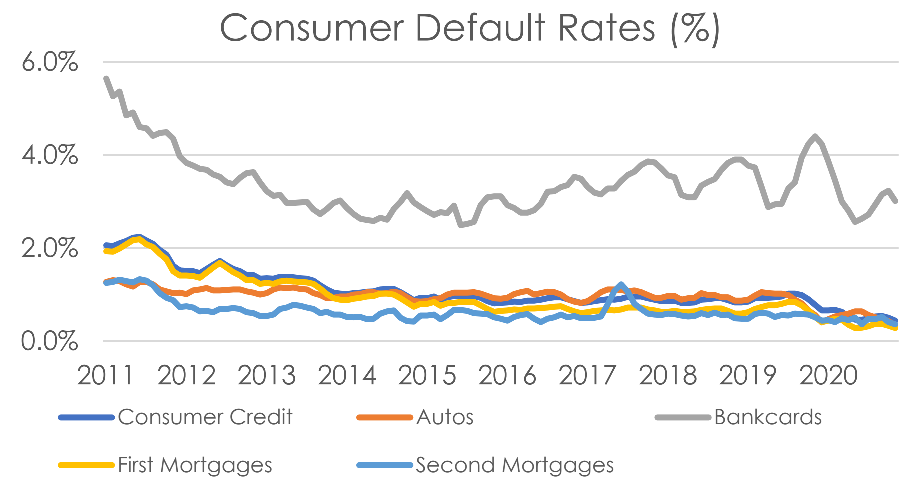
The consumer is recovering along with the economy. Another datapoint for positive demand in the coming quarters.

Investment Outlook: Four out of the five default rates below are near 20-year lows. Debt service as a percentage of disposable income is at a 30-year low, while net worth and personal consumption expenditures are at all-time highs, all signs pointing to an improving economy over the second half of the year.





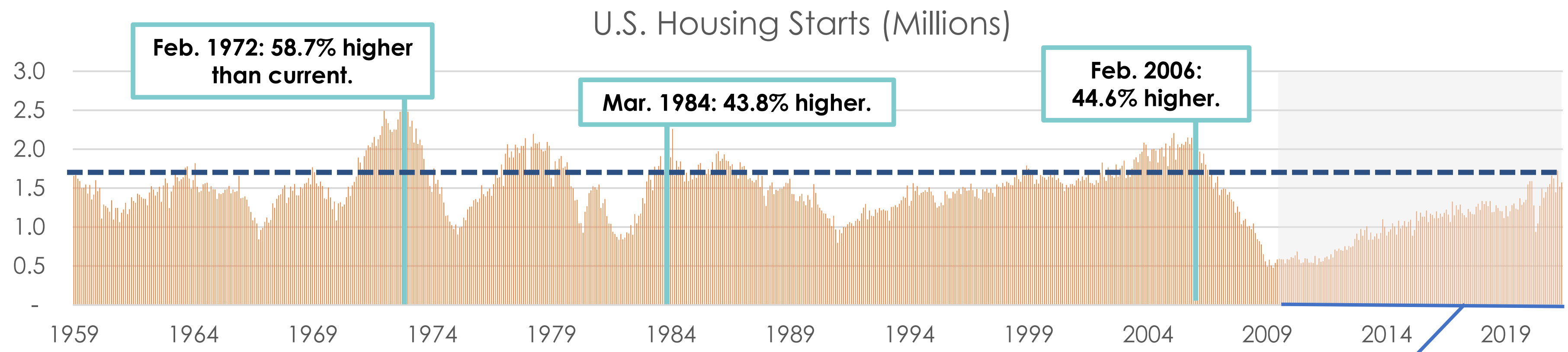




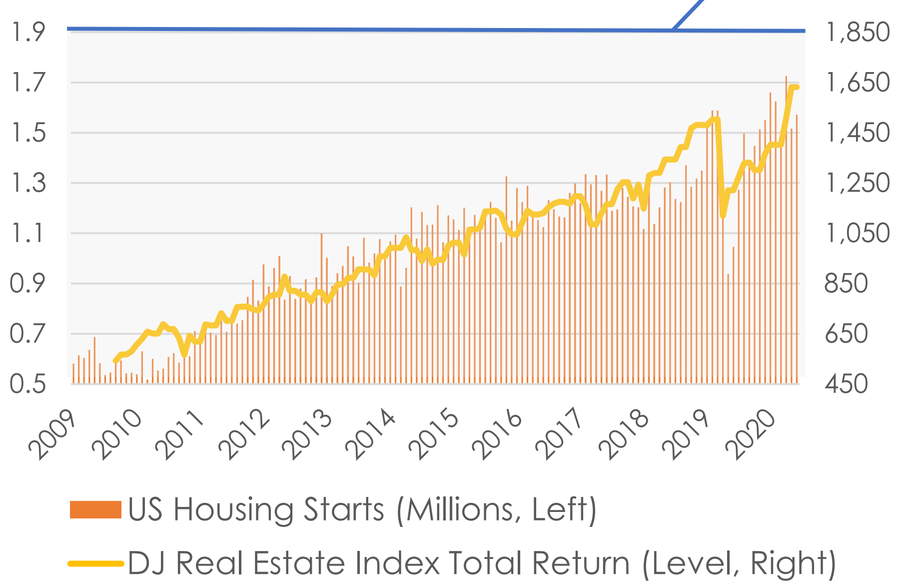
Refer to appendix for disclosures and data sources

Home prices continue to surge post-pandemic, fueling fears of a housing bubble. However, housing fundamentals point to further strength in housing with no signs of a bubble.

Investment Outlook: REITs continue to offer attractive yields in this low-rate environment. Returns on investments in REITs closely track housing starts and we look for this to continue throughout 2021.



- The peak (housing starts) during the mid-2000s housing bubble happened well prior to the economic crisis it caused.
- While a slowdown was seen during the beginning of the COVID-19 crisis, it has since rebounded well.
- While real estate has performed well and price levels are higher than normal, we anticipate continued support in the asset class.

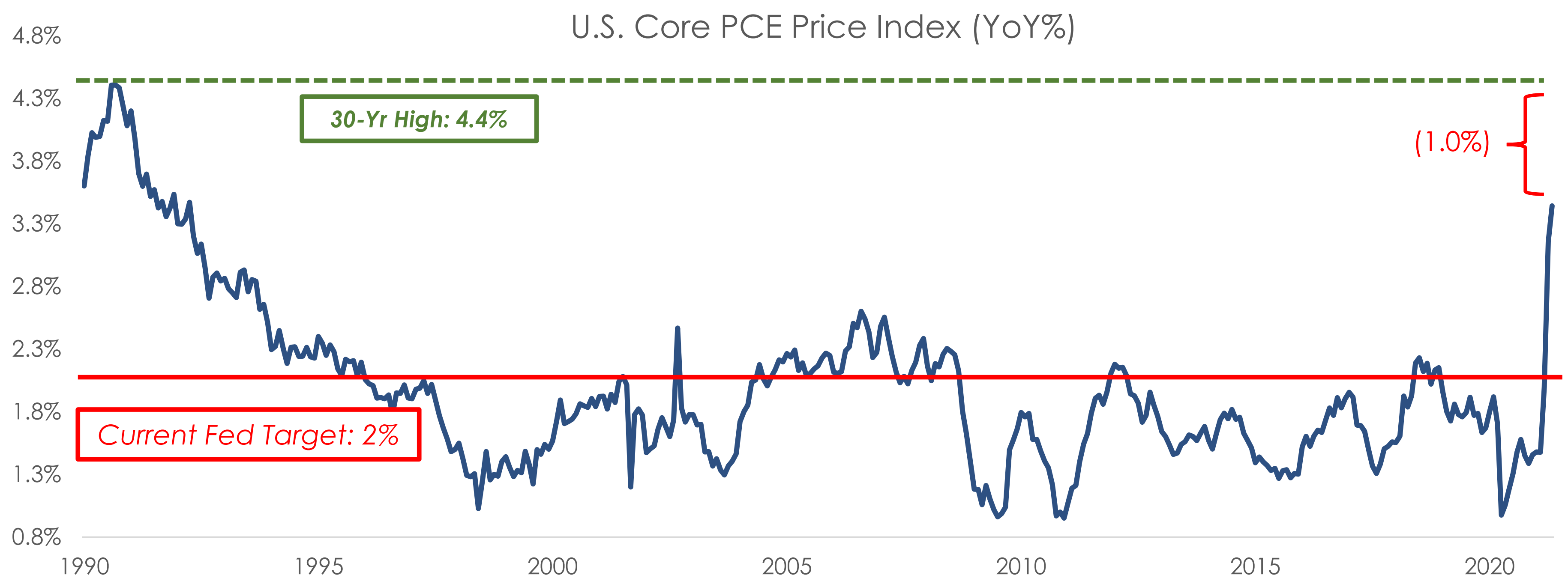


Refer to appendix for disclosures and data sources

INFLATION: CURRENT PRICE MEASURES

Recent inflation measures have reached their highest levels since the 1990s.

Investment Outlook: If inflation continues to rise, a portfolio allocation shift away from fixed income towards equities, and within fixed income, towards credit risk and away from interest rate risk would likely be rewarded.



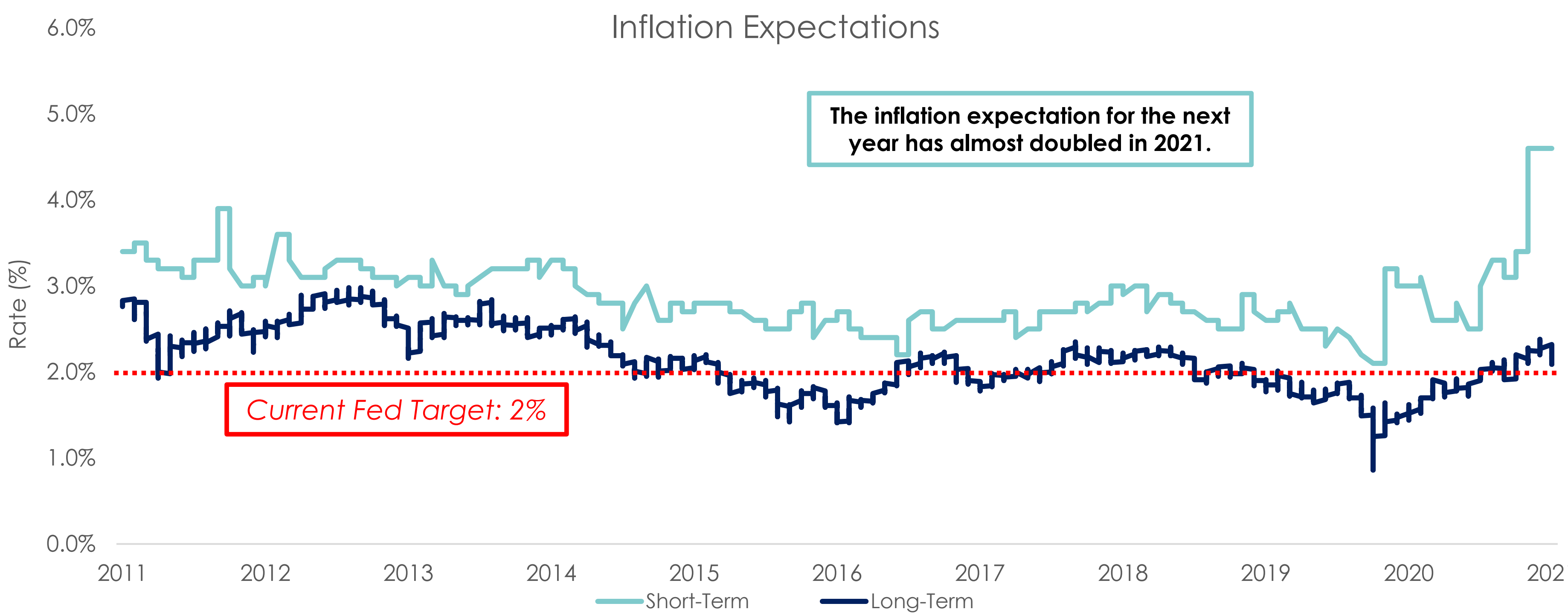
- The Fed and many economists argue that much of the current inflation is transitory, and that inflation will come down next year as baseline effects, supply chain disruptions, pent-up demand, and depressed work force participation all wane.
- Conversely, other observers believe inflation will remain elevated meaningfully above the Fed's expectations, noting that the Fed has a historically weak record for predicting inflation and estimating their ability to control it when it occurs.

Refer to appendix for disclosures and data sources

INFLATION: FORWARD EXPECTATIONS

While the market has priced in higher near-term inflation, long-term inflation expectations have risen much less.

Investment Outlook: Investment returns for longer duration fixed income will be driven by longer term inflation expectations.



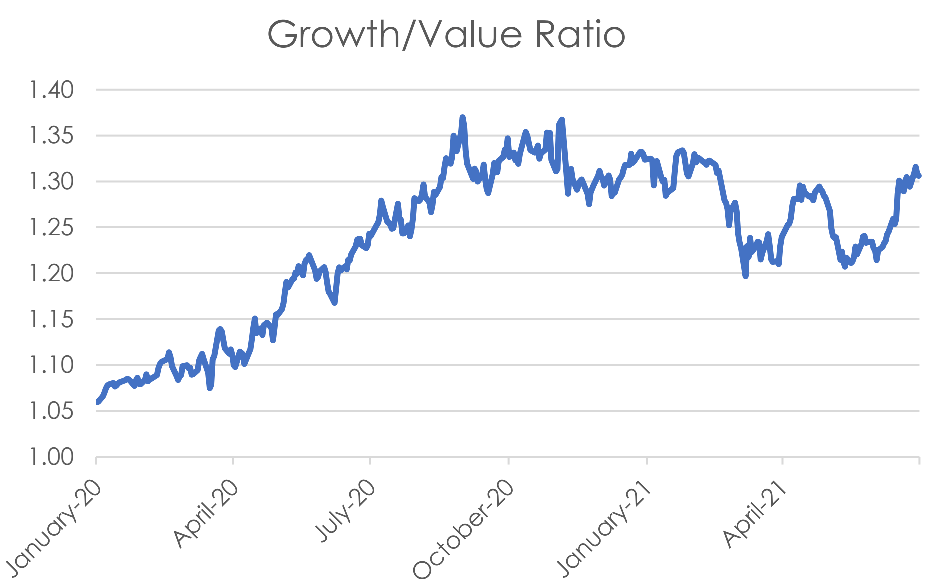
- The Federal Reserve believes that inflation is transitory and will wane sooner rather than later.
- Differences in inflation expectations support that position, with shorter term inflation expected to be over double the long-term rate; the spread between the two is well above the historical trend.
- This means that there is a belief of high short-term rates, but the outlook for long-term rates has largely remained the same.

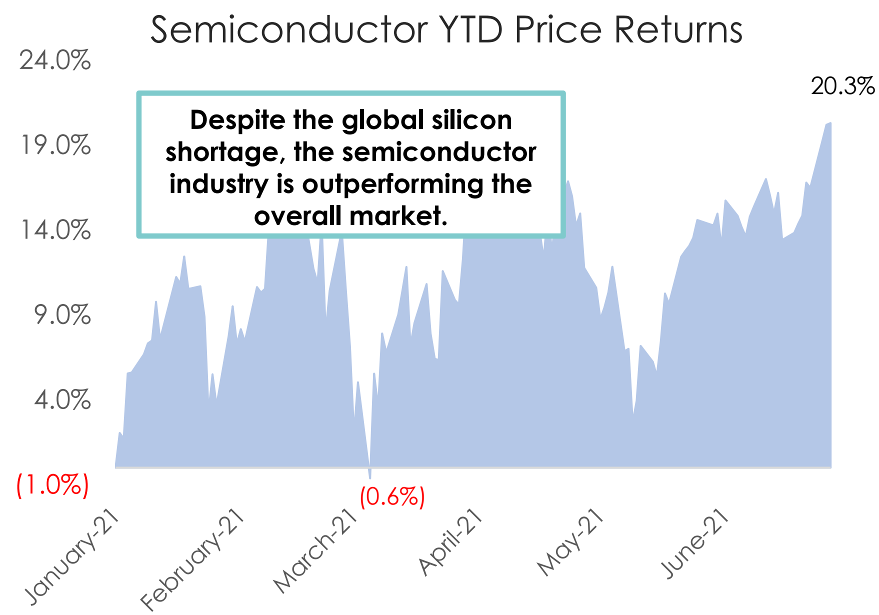
Refer to appendix for disclosures and data sources

MARKETS: GROWTH STOCK REBOUND

Growth stocks have made a strong rebound in the month of June.

Investment Outlook: The pullback in growth stocks from their April highs created more attractive valuations. As forward economic growth expectations moderated in June, investors were willing to assign higher multiples to growth stocks.



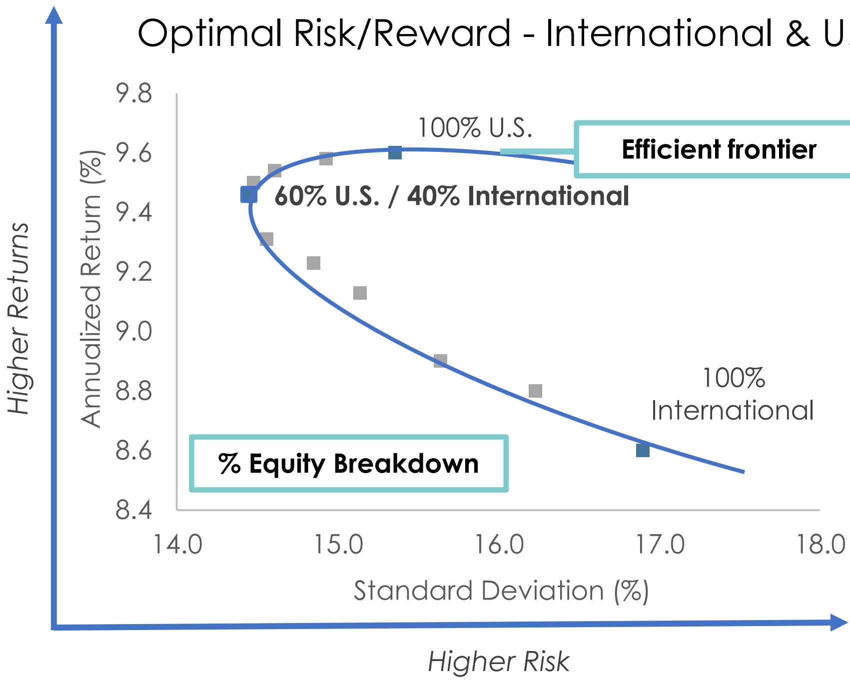


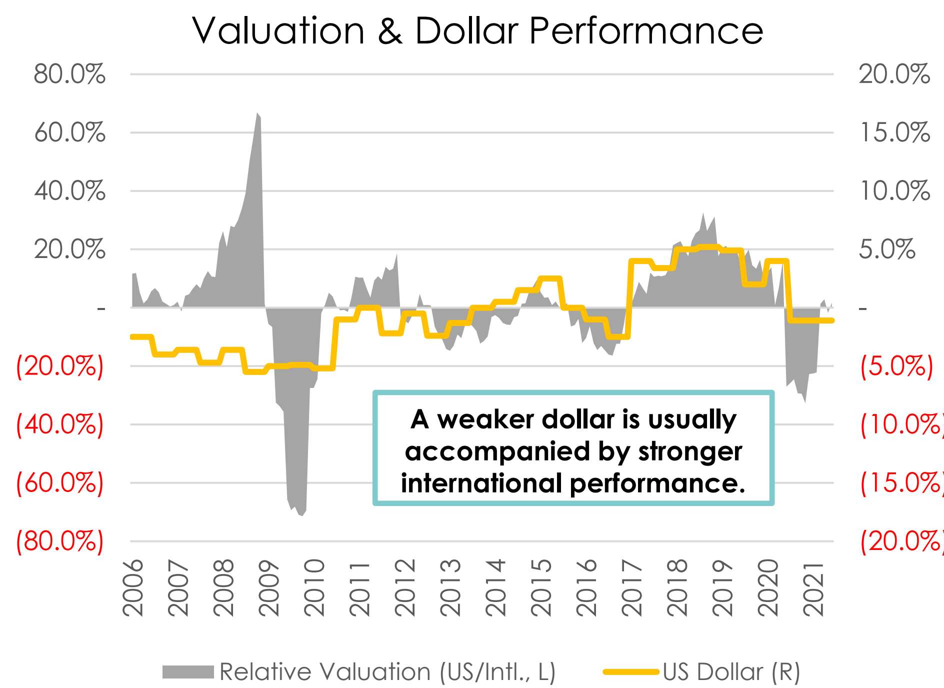
Refer to appendix for disclosures and data sources

MARKETS: INTERNATIONAL EQUITY EXPOSURE

International equities offer diversification benefits and cheaper valuations.

Investment Outlook: Developed non-U.S. equities have lagged the U.S. since the GFC but are becoming more attractive as the U.S. dollar weakens and foreign economies benefit from rising vaccinations, reopenings, and stimulative monetary and fiscal policies.



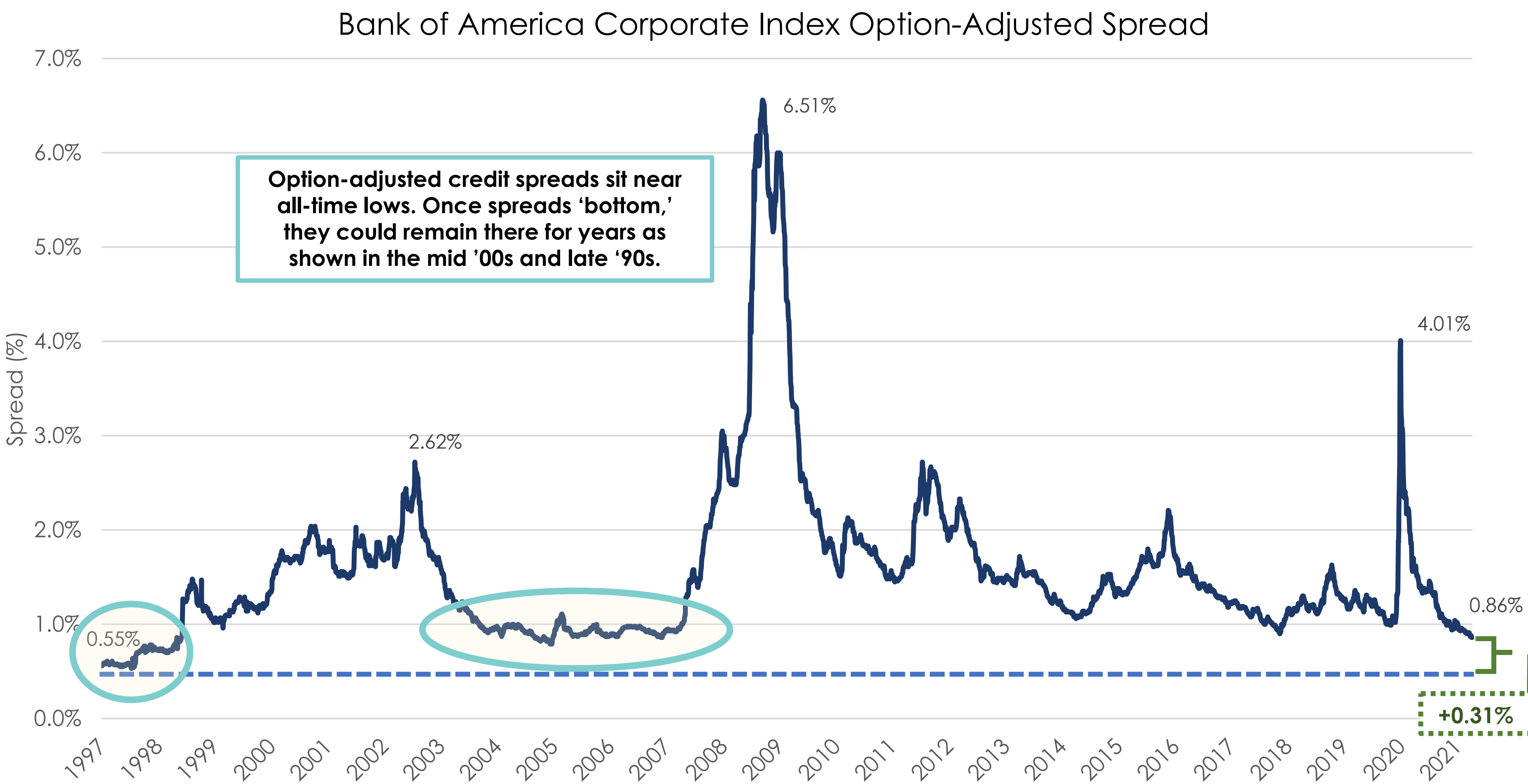


- Historic levels of fiscal stimulus and dovish monetary policy have led to a weakening U.S. dollar. When the dollar has weakened in the past, higher non-U.S. valuations have occurred.
- We anticipate that trend to continue as the Federal Reserve will continue to expand its balance sheet into 2021 and fiscal spending to remain high with the impending infrastructure bill.

MARKETS: FIXED INCOME SPREADS

Investment grade corporate spreads relative to treasuries are approaching all-time lows.

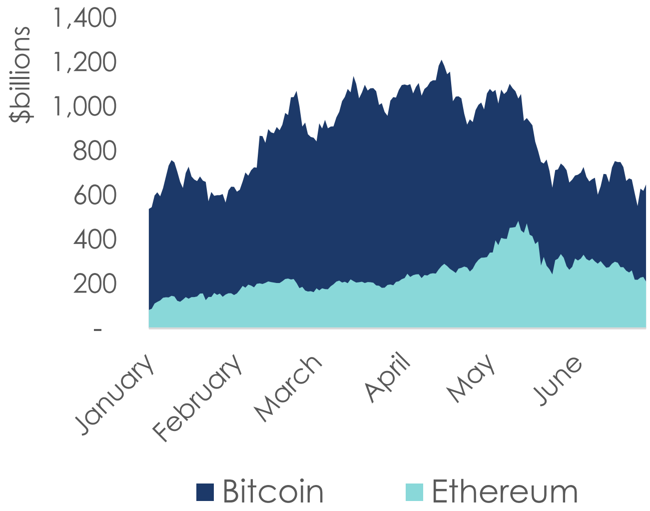
Investment Outlook: Fixed income may continue to generate low yields for years to come, encouraging yield-seeking investors to look at other asset classes such as dividend-paying equities, bank loans, and emerging market debt.



Refer to appendix for disclosures and data sources

Cryptocurrencies continued their volatility. Bitcoin surpassed $1 trillion in market value in February but has taken a significant hit in Q2 along with most other cryptocurrencies.

Investment Outlook: Cryptocurrencies are a highly speculative asset appropriate only for investors with a high risk tolerance.



Market value is a key metric for crypto coins; Bitcoin was the first coin to surpass $1 trillion (USD).

- Market capitalization considers the growing quantity of actively 'mined' coins.
- It also reflects adoption, which is paramount to the crypto community.

Dogecoin was originally created in 2013 as a joke. It now has over $30 billion in market value and was briefly the fourth largest coin.

- Elon Musk has been a frequent promoter of Dogecoin.
- The Dogecoin price has appreciated >10,000% since early 2020.

5 Largest Cryptocurrency Coins by Market Capitalization ($bn)

Coin	Ticker	Peak Market Cap	Market Cap as of 6/27	% Decline off Peak
Bitcoin	BTC	1,186	676	(43.0%)
Ethereum	ETH	483	254	(47.4%)
Binance Coin	BNB	103	46	(55.3%)
Cardano	ADA	74	42	(43.2%)
Dogecoin	DOGE	89	34	(61.8%)

ASSET CLASS PERFORMANCE SUMMARY

ASSET CLASS	PERFORMANCE		
Growth	**Q2 2021**	**YTD 2021**	**2020**
Global Equities	+7.4%	+12.3%	+16.3%
U.S. Large Cap Equities	+8.6%	+15.3%	+18.4%
U.S. Mid Cap Equities	+7.5%	+16.3%	+17.1%
U.S. Small Cap Equities	+4.3%	+17.5%	+19.9%
International Developed Equities	+5.4%	+9.2%	+7.8%
Emerging Markets Equities	+4.4%	+6.5%	+18.3%
Opportunistic Yield			
High Yield	+2.6%	+3.5%	+7.1%
Income & Stability			
U.S. Tax-Exempt Fixed Income	+1.8%	-1.6%	+5.2%
U.S. Taxable Fixed Income	+1.4%	+1.1%	+7.5%

Sources: S&P, MSCI, Russell, Bloomberg

Performance values are the returns of the respective indices and are not inclusive of management fees: Global Equities = MSCI All Country World Index, U.S. Large Cap = S&P 500 Composite, U.S. Mid Cap = Russell Midcap, U.S. Small Cap = Russell 2000, International = MSCI EAFE Net, Emerging Markets = MSCI EM (Emerging Markets) Net, U.S. Tax Exempt Fixed Income = Bloomberg Barclays U.S. Municipal Index, U.S. Taxable Fixed Income = Bloomberg Barclays U.S. Aggregate Index, High Yield = Bloomberg Barclays U.S. High Yield Corporate Index. Past performance is no guarantee of future results.

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Page 2, 22: Asset Class Returns are the returns of the respective indices and are not inclusive of management fees: Global Equites = MSCI All Country World Index, U.S. Large Cap = S&P 500 Composite, U.S. Mid Cap = Russell Midcap, U.S. Small Cap = Russell 2000, International = MSCI EAFE Net, Emerging Markets = MSCI EM (Emerging Markets) Net, U.S. Tax Exempt Fixed Income = Bloomberg Barclays U.S. Municipal Index, U.S. Taxable Fixed Income = Bloomberg Barclays U.S. Aggregate Index, High Yield = Bloomberg Barclays U.S. High Yield Corporate Index. Past performance is no guarantee of future results.

Pages will change

- Asset class returns (p. 2, 17): BlackDiamond
- Cryptocurrency (p. 16): Coinmarketcap.com
- Growth vs Value (p. 13): St. Louis Federal Reserve
- Technology Price Returns ($XLK, p. 13): ycharts
- Semiconductor Price Returns ($SOXX, p. 13): Bloomberg
- International Equity Data (p. 14): Bloomberg
- (Stress Index) St. Louis Federal Reserve
- (S&P 500 TR) ycharts
- U.S. Fixed Income Spread (p. 15): St. Louis Federal Reserve [originally Bank of America]
- S&P 500 CAPE Ratio (p. 8): St. Louis Federal Reserve [originally Robert Shiller]
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