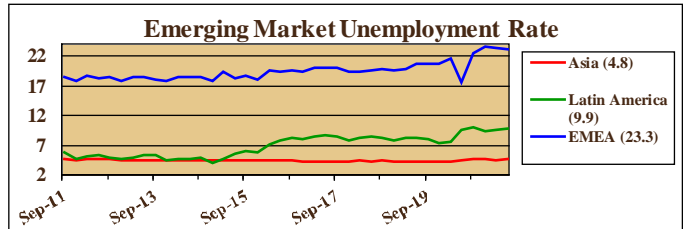
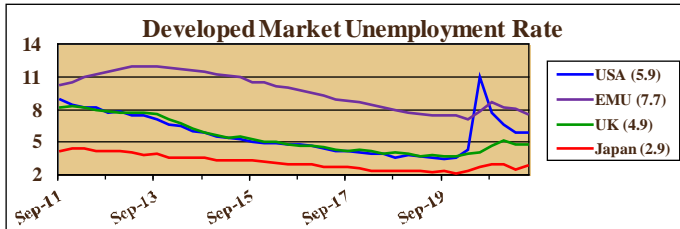
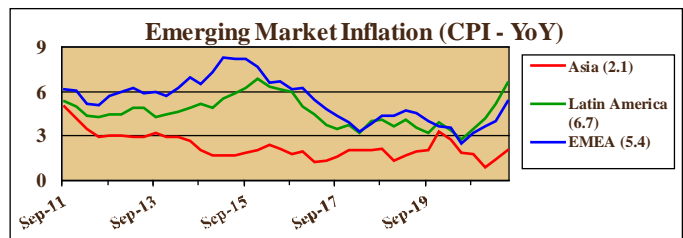
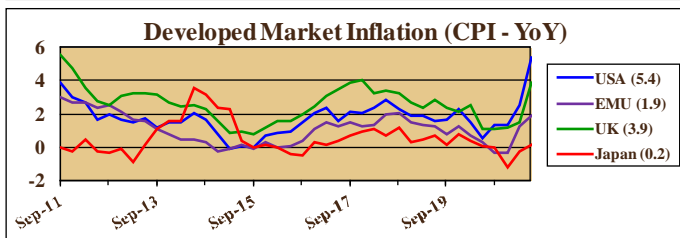
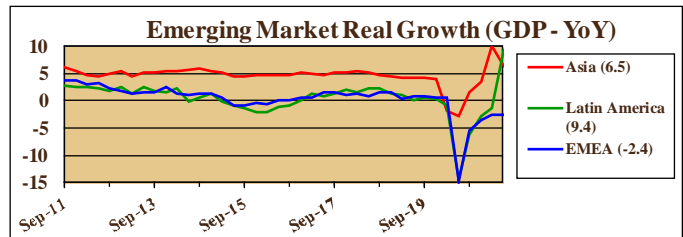
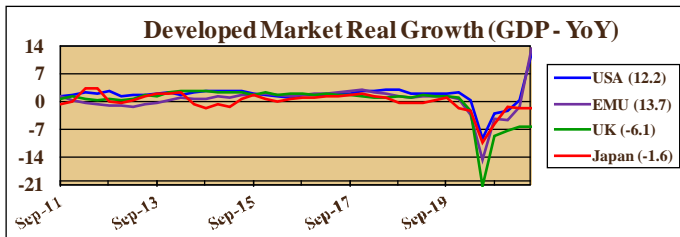


Second Quarter 2021

Global Market and Economic Perspective

Global Economic Commentary

- ❖ US real GDP growth in the second quarter of 2021 was lower than expected, but still strong enough to return nominal GDP to its pre-Covid level. Healthy growth in personal consumption expenditures was offset somewhat by a decline in investment spending. The Covid and lockdown induced recession in 2020 turned out to be not only very sharp but also the shortest on record; according to the NBER, it lasted only two months.
- ❖ Outside the US, recovery is uneven and a function of governments' reaction to the spread of the Delta variant of the virus. Second quarter output growth in the Eurozone was stronger than in the US and was also largely driven by consumption.
- ❖ US inflation continued to accelerate beyond the market's and policy makers' expectations. Although the Fed continued to maintain that this was temporary as a result of supply disruptions and a rebound from low levels during the recession, price pressures began to spread more widely. For example, numerous businesses offered higher wages, with some even providing sign-on bonuses.
- ❖ Despite a steady decline in the unemployment rate, the job market continued to exhibit problems. Initial claims for unemployment remain very high, even though many industries – airlines, hospitality, restaurants – were having trouble hiring. Governors in several states stopped supplemental payments.



Notes: Emerging market economic statistics are estimated by region using eight countries, which represent roughly 80% of the MSCI Emerging Market Equity Index. Recent observations may be estimated where reporting lags make official data unavailable at the time of this report.

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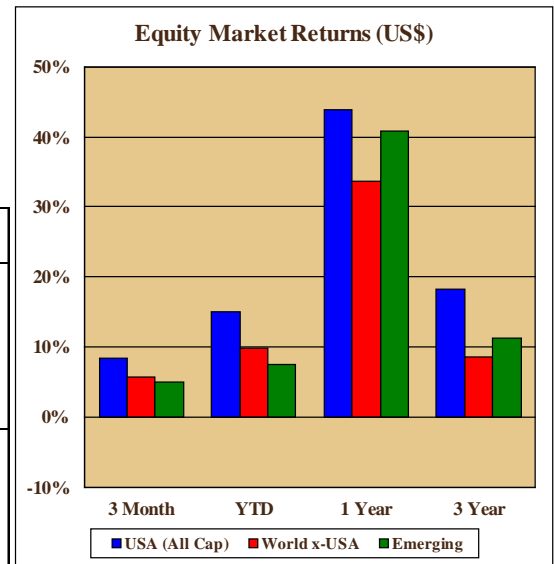
Global Market and Economic Perspective – Q2 2021

Global Equity and Currency Commentary

- ❖ In the US equity market, large-cap growth stocks turned in a strong quarter as the large technology companies enjoyed renewed investor interest. This sector of the equity market had been lagging other sectors in recent quarters.
- ❖ Outside the US, Asian equities, both developed and emerging, were the laggards during the quarter. India experienced a severe wave of the Delta variant, and the Chinese equity market faced a number of restrictive government actions that discouraged investors. One of the most concerning was throwing into question the Variable Interest Entity structure by which Chinese companies in sensitive sectors raise capital offshore.
- ❖ During the second quarter, the US dollar weakened slightly against a broad array of currencies. This boosted foreign equities' local-currency returns for US dollar investors. Second quarter Dollar weakness reversed a portion of the first quarter's strength.

Global Equity Market Returns (MSCI)

6/30/2021	Returns (US\$)				Returns (Local)			
	3 Month	YTD	1 Year	3 Year	3 Month	YTD	1 Year	3 Year
United States								
USA (All Cap)	8.4%	15.1%	43.8%	18.2%				
USA Growth	12.5%	13.1%	44.2%	26.2%				
USA Value	5.2%	15.9%	38.9%	11.0%				
USA SC Growth	5.2%	14.1%	55.7%	19.8%				
USA SC Value	4.8%	22.6%	65.8%	8.6%				
Foreign Developed								
World x-USA	5.6%	9.9%	33.6%	8.6%	5.1%	13.2%	27.6%	7.7%
Europe	7.4%	11.8%	35.1%	8.7%	6.5%	14.5%	26.6%	7.6%
Far East	0.1%	2.5%	25.4%	7.0%	0.4%	9.1%	28.3%	7.0%
Australia	6.9%	10.5%	39.6%	9.6%	8.4%	13.6%	28.1%	9.0%
Canada	10.0%	20.6%	45.8%	11.4%	8.4%	17.2%	32.6%	9.2%
Emerging Markets								
Emerging	5.0%	7.4%	40.9%	11.3%	3.8%	7.9%	36.1%	12.0%
Asia	3.8%	6.0%	41.0%	13.1%	3.4%	7.0%	37.5%	12.6%
Latin America	15.0%	8.9%	44.9%	5.1%	6.1%	6.6%	31.0%	11.6%
EMEA	7.4%	16.0%	37.4%	5.6%	5.3%	15.1%	30.2%	8.3%

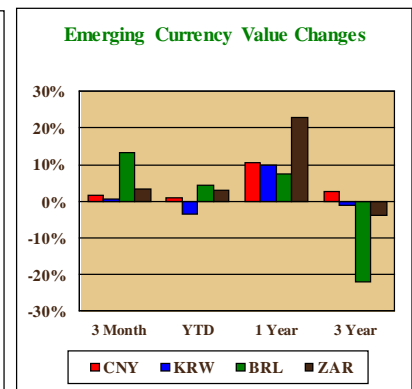
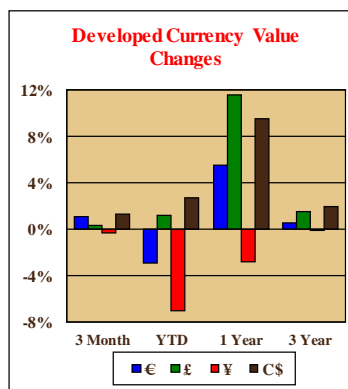


Annualized if greater than one year

Foreign Exchange Rate History (Bloomberg)

6/30/2021	Current Level	Change (Foreign Currency versus \$)			
		3 Month	YTD	1 Year	3 Year
Developed					
Euro (€)	1.19	1.1%	-2.9%	5.6%	0.5%
British Pound (£)	1.38	0.3%	1.2%	11.5%	1.6%
Japanese Yen (¥)	111	-0.4%	-7.1%	-2.9%	-0.1%
Canadian Dollar (C\$)	1.24	1.3%	2.6%	9.5%	1.9%
Emerging					
Chinese Renminbi (CNY)	6.46	1.5%	1.1%	10.5%	2.5%
Korean Won (KRW)	1126	0.5%	-3.5%	9.9%	-1.0%
Brazilian Real (BRL)	4.97	13.4%	4.5%	7.4%	-22.0%
South African Rand (ZAR)	14.29	3.4%	2.9%	22.8%	-3.9%

Annualized if greater than one year



Global Market and Economic Perspective – Q2 2021

US Fixed Income and Fed Commentary

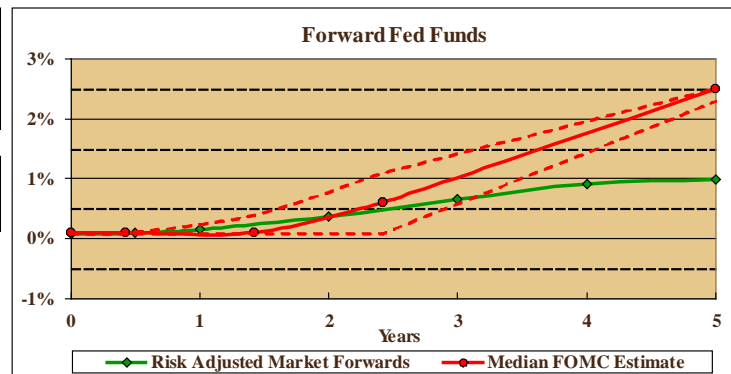
- ❖ The second quarter displayed an interesting disconnect between the Federal Reserve and bond market participants. As the inflation data came in higher than anticipated, the Fed’s projections showed that they anticipate beginning to raise their policy interest rate toward a more-normal level within the next two years. However, the fixed income markets exhibit no belief that the Fed will take those actions. The Fed funds interest rate implied by prices show that investors believe the Fed will raise rates – but only to 1.0% and will stop there for years.
- ❖ Bond yields declined, especially at longer-term maturities, in the second quarter. Given little change in the breakeven inflation rate – the difference in yields between nominal Treasury bonds and TIPS – the decline to be driven less by falling inflation expectations than by declines in real interest rates. As a result, fixed income investments provided strong returns during the quarter.

FOMC Fed Funds Rate Projections as of June 2021 Meeting						
	Current	Dec-21	Dec-22	Dec-23	Dec-23	Long Run
Lower	0.10%	0.10%	0.10%	0.10%	0.10%	2.30%
Median	0.10%	0.10%	0.10%	0.60%	0.60%	2.50%
Upper	0.10%	0.10%	0.40%	1.10%	1.10%	2.50%

Market Implied Fed Funds Rate as of Jul 01, 2021						
Current	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year
0.08%	0.09%	0.16%	0.37%	0.66%	0.92%	0.99%

Notes

Upper and lower bands show central tendency for FOMC projections.
Market implied Fed Funds rates are risk adjusted.



US Bond Yield and Spread History (Bloomberg)

	Current Level	Change Through June 2021			
		3 Month	YTD	1 Year	3 Year
US Treasury					
Short	0.44%	0.05%	0.25%	0.24%	-2.16%
Intermediate	1.20%	-0.17%	0.58%	0.73%	-1.61%
Long	2.03%	-0.31%	0.52%	0.71%	-0.94%
US High Yield					
Yield	3.75%	-0.49%	-0.44%	-3.13%	-2.75%
Spread	2.67%	-0.41%	-0.92%	-3.59%	-0.96%
Tax-Exempt Muni.					
Short	0.34%	-0.02%	0.06%	-0.10%	-1.47%
Intermediate	0.81%	-0.10%	0.12%	-0.16%	-1.56%
Long	1.33%	-0.23%	0.03%	-0.30%	-1.63%

