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MANAGEMENT

MONTHLY RECAP

February 2021 Recap

At-A-Glance

The S&P 500 ended February 3.1% below its latest all-time high of 3,935 set on Feb 12.

The Dow Industrials performed best in February at least among the three major U.S. indices, gaining nearly 975-points (+3.43%) last month. The Dow had reached a fresh record high of 31,962 on Feb 24.

The tech-heavy Nasdaq Composite trailed, gaining 1.01% in February, having retreated 6.4% from its Feb 12 all-time high of 14,095.

The yield on benchmark 10-year Treasury notes rose 38 basis points in February, its largest one-month yield gain since November 2016.

Among major asset classes since the March 23, 2020 bear market low, the S&P 500 has risen 73.1%, the Bloomberg Barclays U.S. Aggregate Bond Index gained 4.1%, and the Bloomberg Commodities Index has climbed 37.5%.

Market Indices[1]	February	Year-to-Date
S&P 500	2.76%	1.72%
Russell 3000	3.13%	2.67%
Russell 2000	6.23%	11.58%
MSCI EAFE	2.24%	1.15%
MSCI Emerging Markets	0.76%	3.85%
Barclays U.S. Aggregate Bond	-1.44%	-2.15%
Barclays U.S. Municipal Bond	-1.59%	-0.96%
Barclays U.S. Corporate High Yield	0.37%	0.70%

[1]Morningstar Direct (all equity performance percentages are total return based, which include reinvested dividends)

U.S. stocks resumed a COVID-19 relief and recovery rally in February with the S&P 500 solidly rebounding from January's 1% loss. An impressive feat given back-to-back weekly losses during the second half of the month. Equities seesawed between bouts of heightened volatility a second straight month, this time stirred by a spike in U.S. Treasury yields that supported a rotation out of mega cap Technology into Small caps and Value-oriented companies. Investor sentiment was also supported by a trio of meaningful progress in COVID-19 vaccinations, expectations for a fresh large-scale fiscal stimulus package worth $1.9 trillion and reassurances from Fed Chairman Powell that the central bank will keep its accommodative, easy-money polices in place.

The 4Q earnings season is wrapping up with just twenty S&P 500 companies left to report results. Earnings have so far surpassed analyst consensus estimates by just over 16% as compared with initial projections for a 12.6% EPS decline. Despite the accomplishment, companies beating on both revenues and EPS have underperformed the market by 0.3% versus a historical long-term outperforming average of 1.5%.

Small and Mid cap stocks widely outperformed large caps last month. The Russell 2000 small cap-focused index surged 6.23%, while the Russell Mid Cap Index slightly trailed, up 5.57%. As shown below in style box performance tables, Small Cap Value stocks outperformed the most for a second month, surging 9.39% - whereas Small cap Growth rose just 3.30%. The indices for both Large cap Core and Mid cap Growth posted the smallest gains, while Large cap Growth was fractionally negative. Year-to-date (YTD) style themes closely echoed February performance.

As the second performance table illustrates below, Energy and Financials performed best in February and for the year, while Healthcare, Consumer Staples and Utilities were the biggest laggards in both periods. Although not displayed, Technology gained 1.2% last month and is up just 0.3% YTD.

February	Value	Core	Growth
Large	6.04%	2.90%	-0.02%
Mid	7.75%	5.57%	1.71%
Small	9.39%	6.23%	3.30%

YTD	Value	Core	Growth
Large	5.07%	2.05%	-0.76%
Mid	7.50%	5.29%	1.37%
Small	15.15%	11.58%	8.28%

Index returns above are represented by: Large Value (Russell 1000 Value), Large Core (Russell 1000), Large Growth (Russell 1000 Growth), Mid Value (Russell Mid Cap Value), Mid Core (Russell Mid Cap), Mid Growth (Russell Mid Cap Growth), Small Value (Russell 2000 Value), Small Core (Russell 2000), Small Growth (Russell 2000 Growth). Source: Morningstar Direct, total return based, including reinvested dividends.

Top Performers – February	**Top Performers – YTD [1]**
Energy (+22.66%)	Energy (+27.30%)
Financials (+11.49%)	Financials (+9.63%)
Industrials (+6.89%)	Communication Services (+4.81%)
Bottom Performers – February	**Bottom Performers – YTD [1]**
Consumer Staples (-1.41%)	Healthcare (-0.72%)
Healthcare (-2.11%)	Consumer Staples (-6.51%)
Utilities (-6.12%)	Utilities (-6.98%)

[1] Morningstar Direct (all performance percentages are total return based, which include reinvested dividends)

Foreign equity markets again posted mixed results in February, with EAFE developed markets outside of the U.S. and Canada trailing American losses by 0.52%. Emerging markets gained less than 1% last month after posting its worst weekly loss in almost a year (-6.3%). Globally, the MSCI All-Country World Index advanced 2.32% in February, while the same index excluding the USA gained 1.98%.

Turning to fixed-income markets, U.S. benchmark 10-year Treasurys had its strongest back-to-back weekly yield gain, up 27 basis points, since September 2019, and climbed all four weeks in February (up 38 basis points) to end February at 1.46%. Benchmark yields had risen as high as 1.61% during the month, the highest in a year, and up from 0.70% last October. The Treasury selloff came about as investors fretted over signs of quickening inflation amid expectations for a strong economic recovery, which together prompted fears that the Fed may hike interest rates by March 2023 versus a prior forecast for mid-2023.

Treasurys of all maturities, as measured by the Bloomberg Barclays U.S. Government Index sank 1.77% in February, while the longer-term government bond index slumped a second month, down 5.51%. Bond prices move in opposite direction to yields, so when bond yields increase, bond prices fall. An index of Investment-grade bonds of all types fell less and only suffered a loss of1.44%, while municipal bonds fell 1.59%. Higher-risk, non-investment grade high-yield corporate bonds outperformed, rising nearly 0.40%.

The Bloomberg Barclays Commodity Index surged 6.47% February, led by a 17.8% jump in U.S. WTI crude oil futures that ended February at $61.50/barrel (returning to pre-COVID levels). Gold had its worst monthly slump since November 2016, down 6.6% in February, suggesting investors' main concern surrounding rising bond rates overrode the traditional safer-haven appeal of gold.

This report is created by Cetera Investment Management LLC. For more insights and information from the team, follow @CeteraIM on Twitter.

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Glossary
The **Bloomberg Barclays Capital U.S. Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government–related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

The **Bloomberg Barclays US Municipal Bond Index** covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly.

The **Bloomberg Barclays US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly.

The **Barclays U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multi-currency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973.

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components).

The **Cboe Volatility Index®** (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with
a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.