Monthly Market Review

U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P), returned 2.76% in February after a combination of strong economic data and a stabilization in the bond market helped brighten prospects for the U.S. economy.
- Within the S&P, seven out of 11 sectors posted positive returns. Energy did best, returning 22.66%, and Financials followed, returning 11.49%. The Utilities sector was the worst performer of the month and returned -6.08%.
- By market capitalization, small-caps (Russell 2000) returned 6.23%, large-caps (Russell 1000 Index) returned 2.90% and mid-caps (Russell Mid Cap Index) returned 5.57%. Value stocks outperformed growth stocks across all capitalizations.

Non-U.S. Equity

- Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., ended the month up 1.98%. Developed markets, represented by the MSCI EAFE Index, returned 2.24%, while emerging markets (EM), represented by the MSCI Emerging Markets Index, returned 0.76% in February.
- Within the ACWI ex-U.S. Index, eight out of 11 sectors posted positive returns. Energy did best, returning 7.50%, followed by Financials, returning 6.75%. The Healthcare sector was the worst performer, returning -4.05%.
- Within the ACWI ex-U.S. Index, Canada performed best during the month, returning 5.56%. EM Latin America was the worst-performing region during the month, returning -2.99%.

Fixed Income

- In February, the bond market continued trends from January selling off as rates rose further out the curve. The Bloomberg Barclays U.S. Aggregate Index fell 1.44% due to rates rising on the intermediate- to long -end of the treasury curve. The 10- and 30-year treasuries rates rose 34 and 32 basis points (bps), respectively, leading to the broad treasury index declining 1.81%.
- Credit spreads mildly tightened with mixed results by sector. Investment-grade (IG) corporates were down sharply at -1.74%. The duration of the Bloomberg Barclays Investment Grade Corporate Index is over eight years. Agency CMBS (-1.38%) and EM sovereign debt (-1.90%) were also weak on rising rates. Meanwhile, high yield corporates continued to have positive results, up 0.37%, again led by the market's CCC-rated part.
- Within the IG credit spectrum, AAA-rated bonds returned -1.16%, AA-rated bonds returned -2.06%, A-rated bonds returned -1.77% and BBB-rated bonds returned -1.74%. High Yield (HY), represented by the Bloomberg Barclays U.S. Corporate HY Index, returned 0.37%.
- Yields surged across the U.S. Treasury yield curve during the month of February.

Alternatives and Other Asset Classes

- Real estate investment trusts (REITs), represented by FTSE NAREIT Index, rose 4.01% in February. Performance was positive in seven out of nine real estate sectors. Lodging/Resorts did best, returning 23.91%. The worst-performing REIT sector was Data Centers, returning -9.70%.
- The active contract for West Texas Intermediate (WTI) crude increased to $61.50/barrel in February from $52.20/barrel at the end of January. U.S. production continues to bounce back quickly from disruptions tied to extreme winter conditions.

Items to Watch

- President Joe Biden announced that the U.S. will have a large enough supply of coronavirus vaccines to vaccinate every adult in the nation by the end of May – two months earlier than previously expected. Biden's announcement came as the White House works to increase the production of Johnson & Johnson's single-shot COVID-19 vaccine, the most recent to receive approval for emergency use by the U.S. Food and Drug Administration.
- A new coronavirus relief package was passed on Capitol Hill gives qualifying Americans $1,400 stimulus checks and an extra $400 per week in unemployment benefits. One group of senators is calling for recurring payments and indefinite unemployment expansions to help individuals and families get through the economic downturn.
- Job growth accelerated as new COVID-19 cases declined, and broadening vaccine-conferred immunity helped more businesses reopen with greater capacity. The unemployment rate unexpectedly improved to 6.2%, improving significantly from the pandemic-era high of 14.8%, but still holding well above the 50-year-low of 3.5% from February 2020.
- While the Federal Reserve may not raise its benchmark interest rate for years, there are growing expectations it may tweak policy soon to address some of the recent tumults in the bond market. The moves could happen as soon as the upcoming March 16 – 17 Federal Open Market Committee meeting.
- The economy grew at a 4.1% pace in the final three months of 2020, slightly faster than first estimated, ending a year in which the overall economy, ravaged by a global pandemic, shrank more than in any year in the past seven decades.

Total Return of Major Indices as of 02/28/21

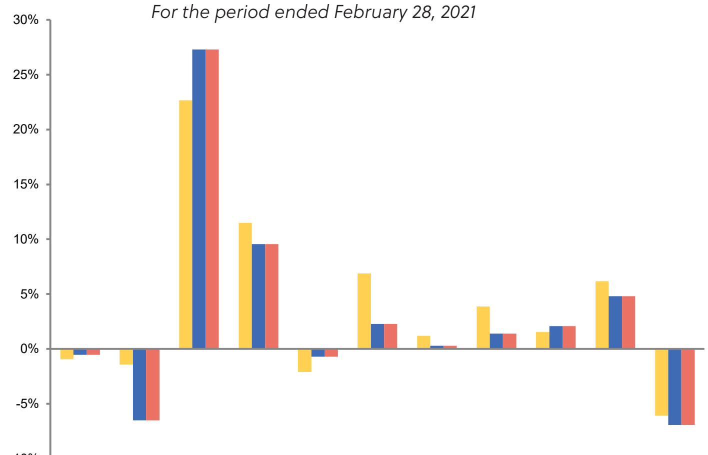
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	2.76%	1.71%	1.71%	31.27%
Russell 3000	3.12%	2.66%	2.66%	35.31%
Russell 2000	6.23%	11.58%	11.58%	50.97%
Russell 1000	2.90%	2.04%	2.04%	34.27%
International Equity	**MTD**	**QTD**	**YTD**	**1 YR**
MSCI ACWI ex-U.S.	1.98%	2.20%	2.20%	26.19%
MSCI EAFE	2.24%	1.15%	1.15%	22.46%
MSCI Emerging Markets	0.76%	3.85%	3.85%	36.05%
Fixed Income	**MTD**	**QTD**	**YTD**	**1 YR**
Bloomberg Barclays U.S. Agg	-1.44%	-2.15%	-2.15%	1.38%
Bloomberg Barclays Global Agg	-1.72%	-2.59%	-2.59%	4.33%
Bloomberg Barclays U.S. HY	0.37%	0.70%	0.70%	9.38%
Alternatives	**MTD**	**QTD**	**YTD**	**1 YR**
FTSE NAREIT Equity	4.01%	4.12%	4.12%	2.88%
Bloomberg Commodity	6.47%	9.25%	9.25%	20.14%

Economic Indicators

Domestic	Current	Previous Month
Unemployment Rate (%)	6.2%	6.3%
Initial Jobless Claims (4 week average)	790.8 K	807.5 K
CB Leading Economic Indicators	0.5	0.4
Capacity Utilization	75.6%	74.9%
GDP (annual growth rate)	4.1%	33.4%
University of Michigan Consumer Confidence	76.8	79.0
New Home Starts	923 K	885 K
Existing Home Sales	6.7 MM	6.7 MM
Retail Sales (YoY)	6.1%	0.8%
U.S. Durable Goods (MoM)	3.4%	1.2%
Consumer Price Index (YoY)	1.4%	1.4%
Producer Price Index (MoM)	1.1%	0.8%
Developed International*	**12/31/2020**	**9/30/2020**
Market GDP (annual rate)	-2.1%	-0.5%
Market Unemployment	7.6%	7.9%

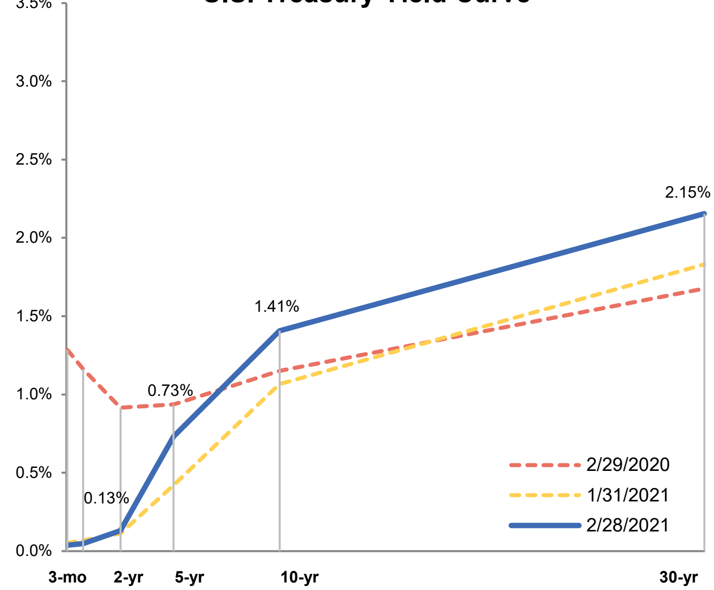
Stock Market Sector Performance (S&P 500)

For the period ended February 28, 2021



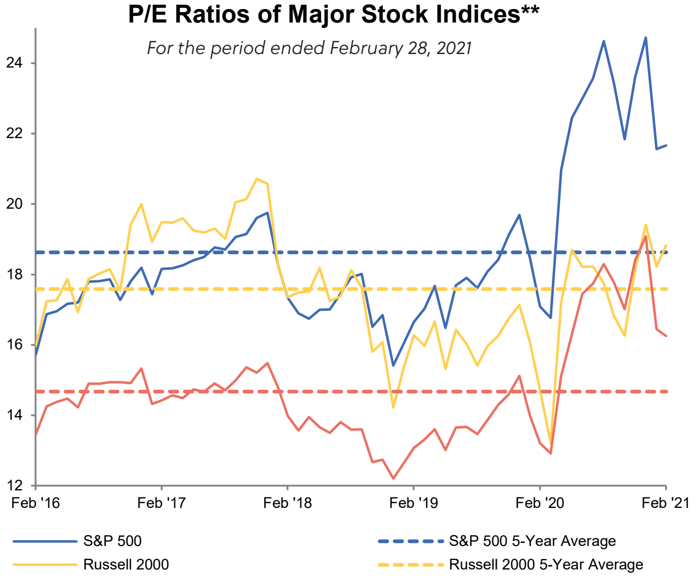
	Cons. Disc.	Cons. Staples	Energy	Financial	H'lthcare	Industrial	Info. Tech	Materials	Real Estate	Telecom	Utilities
MTD	-0.93%	-1.41%	22.66%	11.49%	-2.11%	6.89%	1.21%	3.87%	1.54%	6.18%	-6.08%
QTD	-0.53%	-6.51%	27.30%	9.54%	-0.72%	2.29%	0.28%	1.39%	2.08%	4.81%	-6.94%
YTD	-0.53%	-6.51%	27.30%	9.54%	-0.72%	2.29%	0.28%	1.39%	2.08%	4.81%	-6.94%

U.S. Treasury Yield Curve



P/E Ratios of Major Stock Indices**

For the period ended February 28, 2021



Source: Bloomberg. Data as of February 28, 2021, unless otherwise noted.
*Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. Index. Most current data is as of December 31, 2020 due to release dates of numerous countries.
**P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.

The views expressed constitute the perspective of PFM's asset management business at the time of distribution and are subject to change. The content is based on sources generally believed to be reliable and available to the public; however, PFM cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. PFM is the marketing name for a group of affiliated companies providing a range of services. All services are provided through separate agreements with each company. Investment advisory services are provided by PFM Asset Management LLC, which is registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. For more information regarding PFM's services or entities, please visit www.pfm.com.

© PFM Asset Management LLC