

Market Commentary

Q1 2021 in Perspective

Buckingham's evidence-based investing portfolios are strategically invested with a focus on long-term performance objectives. Portfolio allocations and investments are not adjusted in response to market news or economic events; however, we evaluate and report on market and economic conditions to provide our investors with perspective and to put portfolio performance in proper context.

During the first quarter, global stock markets continued to post positive performance and build on their strong finish to 2020. Major global market indices ended the period modestly higher with several indices continuing to reach new record highs. During the quarter, efforts to combat the virus and its impact continued as governments worked to support global economies – this included the recent additional U.S. fiscal stimulus payments and the initial proposal of a \$1.9T infrastructure spending plan set forth by President Biden's administration. In addition, Americans began frequenting businesses in higher numbers that were hit hard during the peak of pandemic lockdowns. Some view this as a sign that the U.S. economic recovery might be progressing more quickly than initially expected.

For the quarter, U.S. stocks (as measured by the S&P 500 Index) gained 6.2%, and non-U.S. developed market stocks (as measured by the MSCI World Ex U.S.) gained 4.0%. Emerging market stocks (as measured by the MSCI Emerging Markets Index) gained 2.3%.

The U.S. Dollar Index, a measure of the value of the United States dollar relative to a basket of foreign currencies, increased in the first quarter—the U.S. dollar increased by 3.7% compared to foreign currencies. Over the past 12 months, the U.S. dollar depreciated by 5.9%. The decrease in the dollar is a tailwind to non-U.S. investments held by U.S. investors for the last 12 months.

U.S. interest rates remained unchanged during the quarter as the Federal Reserve continues to maintain a target range of 0.0% to 0.25% for the Fed Funds rate.










U.S. Economic Review

Following its best quarter in history, the final reading for fourth quarter 2020 GDP showed an annualized increase in economic growth of 4.3%. The unemployment rate finished the quarter at 6.0%, which shows improvement from the previous quarter's 6.7%. Domestic inflation remains low as the Fed's preferred gauge of overall inflation, the core Personal Consumption Expenditures (PCE) index, stayed below the Fed's target of 2.0% with a reading of 1.4% in February 2021.

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve Bank of St. Louis, U.S. Department of the Treasury, Morningstar Direct April 2021.

Financial Markets Review

Both domestic and international stocks across all size and style categories, as well as U.S. real estate investment trust (REIT) securities, had positive performance during the quarter. International stock returns were also impacted during the quarter by the strengthening U.S. dollar. During the quarter, U.S. small-cap stocks were the best performing and emerging-market value stocks were the worst performing. U.S. and global bonds were each down slightly during the quarter.

U.S. Large-Cap Stocks	U.S. Value Stocks	U.S. Small-Cap Stocks	U.S. REIT Stocks	Int'l Value Stocks	Int'l Small-Cap Stocks	EM Value Stocks	U.S. Short-Term Bonds	Global Bonds
+6.2%	+11.3%	+12.7%	+10.0%	+8.3%	+4.9%	+4.1%	+0.0%	-0.4%
								
U.S. STOCKS				INTERNATIONAL STOCKS			BONDS	

Source: Morningstar Direct April 2021. Market segment (Index representation) as follows: U.S. Large-Cap Stocks (S&P 500 Index), U.S. Value Stocks (Russell 1000 Value Index), U.S. Small-Cap Stocks (Russell 2000 Index), U.S. REIT Stocks (Dow Jones U.S. Select REIT Index), International Value Stocks (MSCI World Ex USA Value Index (net div.)), International Small-Cap Stocks (MSCI World Ex USA Small Index (net div.)), Emerging Markets Value Stocks (MSCI Emerging Markets Value Index (net div.)), U.S. Short-Term Bonds (ICE BofA 1-3Y US Corp&Govt TR), Global Bonds (FTSE WGBI 1-5 Yr Hdq USD).

In the U.S., small-cap stocks outperformed large-cap stocks in all style categories. Value stocks outperformed growth stocks in all style categories. Among the nine style boxes, small-cap value stocks performed the best and mid-cap growth stocks experienced the worst loss during the quarter.

Source: Morningstar Direct April 2021. U.S. markets represented by respective Russell indexes for each category (Large: Russell 1000, Value, and Growth, Mid: Russell Mid Cap, Value, and Growth, Small: Russell 2000, Value, and Growth).

U.S. Stocks Q1 2021

	Value	Core	Growth
Large	11.3%	5.9%	0.9%
Mid	13.1%	8.1%	-0.6%
Small	21.2%	12.7%	4.9%

In developed international markets, seven of the nine style boxes were positive for the quarter. Value stocks outperformed growth stocks in all style categories. Among the nine style boxes, international large-cap value stocks performed the best and international mid-cap growth stocks experienced the worst loss during the quarter.

Source: Morningstar Direct April 2021. International markets represented by respective MSCI World EX USA index series (Large: MSCI World EX USA Large, Value and Growth, Mid: MSCI World Ex USA Mid, Value, and Growth, Small: MSCI World Ex USA Small, Value, and Growth).

International Stocks Q1 2021

	Value	Core	Growth
Large	8.6%	4.3%	-0.2%
Mid	7.4%	3.1%	-0.9%
Small	7.7%	4.9%	2.0%

A diversified index mix of 65% stocks and 35% bonds would have gained 5.0% during the first quarter.

65/35 Index Mix: 0.5% Cash (ICE BofA 3M US Trsy Note TR), 13.5% ST U.S. Fixed Income (ICE BofA 1-3Y US Corp&Govt TR), 21% Global Intermediate Bonds (FTSE WGBI Hdg USD), 10% U.S. Total Stock Market (Russell 3000 Index), 14% U.S. Large Value (Russell 1000 Value Index), 10% U.S. Small (Russell 2000 Index), 5% U.S. REITs (Dow Jones U.S. Select REIT Index), 13% Intl Large Value (MSCI World Ex USA Value Index (net div.)), 7% Intl Small (MSCI World Ex USA Small Index (net div.)), 6% Emerging Markets Value (MSCI Emerging Markets Value Index (net div.)).

Indexes are unmanaged baskets of securities that are not available for direct investment by investors. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. Foreign securities involve additional risks, including foreign currency changes, political risks, foreign taxes, and different methods of accounting and financial reporting. Emerging markets involve additional risks, including, but not limited to, currency fluctuation, political instability, foreign taxes, and different methods of accounting and financial reporting. All investments involve risk, including the loss of principal, and cannot be guaranteed against loss by a bank, custodian, or any other financial institution.

©Buckingham Strategic Partners 2021. All Rights Reserved. IRN R 18-287 (10/20) IRN-21-2004