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2021 1st Quarter Equity Market Update

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Outlook:

We maintain our constructive stance on U.S. equities. While we have seen higher interest rates during the quarter, we continue to believe the positives outweigh the negatives and recently increased our **2021** and **2022 EPS estimate to $190 (from $175) and $225 (from $200)** and correspondingly increased our **base case price objective** to **4,180 (from 4,025)** and **4,400 (from 4,200)**, respectively. The U.S. economy has a lot of momentum as Q4 earnings season finished well above consensus expectations for the third consecutive quarter. Historically, emerging from recessions, earnings have surprised to the upside of consensus expectations and currently we are seeing a similar trend emerge following the pandemic pause. Another area of strength in the US has been the vaccine roll-out, which should help sustain earnings growth higher. We now have significantly more people vaccinated than have contracted the virus over the last year. This positive trend in vaccines mixed with the declining cases has speed up the trajectory of reopenings, and several states are beginning to relax or remove mitigation measures. Finally, we see the ever important U.S. consumer in good shape with savings rates north of 13% (prior to the most recent direct stimulus payment of $1,400), which should provide plenty of pent up demand in the re-opening.

Despite the best returns in year 1 post-recovery from bear market lows, we would caution that market do not tend to move in straight lines. Year 2 post-recovery does tend to be a little more volatile with the average intra-year drawdown of 12.9% despite the average return of 8.7%. We recommend using those pullbacks as opportunities to accumulate equities.

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Summary of key data points

Future Forecast Looks Positive for Equities: Pages 5-6, 7, and 10- We continue to believe the positives outweigh the negatives and recently raised our 2021 and 2022 EPS estimate and revised our fair value price objective higher for the S&P 500 (March 8, 2021) after Q4 earnings season finished above consensus estimates at a historically high rate for the third consecutive quarter, the vaccine rollout continues to ramp aggressively as more supply comes on-line, States are removing mitigation measures which likely spurs economic activity, and the consumer remains in good shape with savings rates north of 13% (which provides plenty of pent up demand in the re-opening) before the recently passed $1.9T stimulus package, which included $1,400 direct payments.

Pullbacks are Normal in Year 2 of Recovery: Page 9- Despite the best returns in year 1 post-recovery from bear market lows, we would caution that markets do not tend to move in straight lines. Year 2 post-recovery does tend to be a little more volatile with the average intra-year drawdown of 12.9% despite the average return of 8.7%.

Fear of Higher Taxes Overblown: Pages 10-11- We believe the fear of higher taxes is overblown as we estimate that raising the corporate tax level to 28% is about a 7-9% hit to 2022 earnings (and about a 3-5% hit if raised to 25%). In this scenario, our base case estimate, which does not include the potential offset from a large scale infrastructure bill, would be reduced to $200-204, which is roughly in-line with current consensus expectations.

4 R's of 2021: Page 13- We have seen 4 R's transpire to begin 2021: Rotation, Rates (Interest Rates), Revisions to EPS, and Response to COVID and Re-openings. While many of the headlines have focused on the rotation and increase in interest rates, we continue to look at the response to COVID and the increasing supply of vaccines and revisions to EPS as positive. On page 19, we examine the historical returns for equities in the face of sharp moves higher in the 10-year yield, and do not believe upside in rates will rob returns for equities currently.

Rotation out of Growth: Page 16- We tried to examine the relationship between P/E multiples of higher growth companies and more mature companies when rates move sharply higher to understand the recent rotation that has been experienced from Growth into Value. As we examine in our simple example, the premium for a Growth company (that is expected to see 11% growth) would contract on a relative basis to a more mature companies P/E multiple as the risk-free rate pushes the discount rate higher.

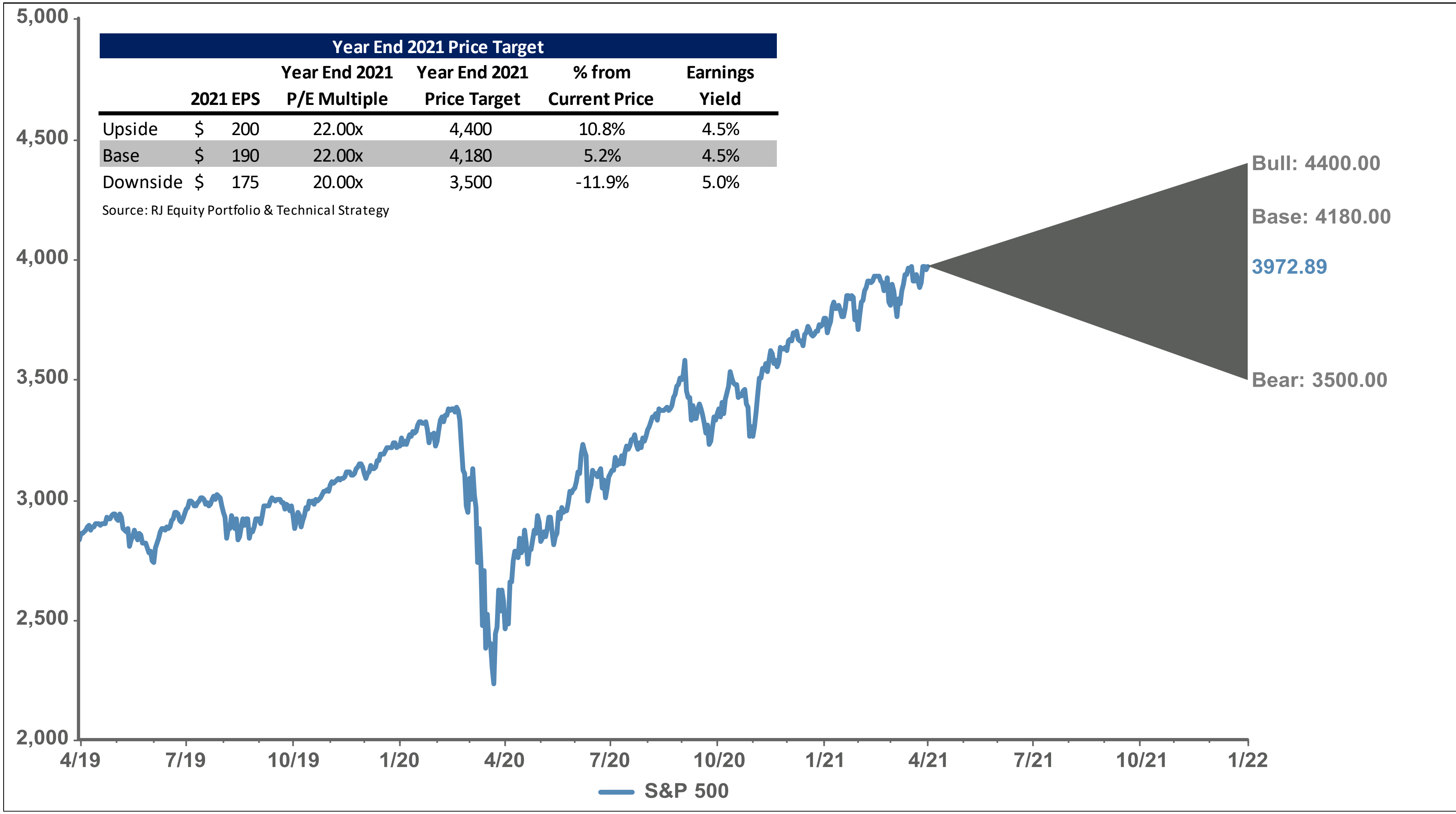
Interest Rates: Page 20- While we believe interest rates likely stay in the 1.5%-2% for a while, if the Fed's long-run projections are correct and the relationship between the implied yield and actual year-end yield on the 10-yield holds true, we could see a 10-year yield in the range of 2.8%-3.3% long-term.

U.S. Relative Strength: Page 33-34- We highlight the fundamental strength we are seeing in the United States compared to China. Currently, the Fed's official projection for GDP in the U.S. is 6.5%, if this holds, and China is only able to achieve the 6% target set by their government, this would be the first time (data going back to 1993) that the U.S. GDP growth would outpace China's GDP growth. Given the improving fundamental backdrop for US and the relative GDP growth, relative performance for the US has started to show nice gains vs. China since mid-February. Additionally, page 25, the vaccine rollout in the US has been much better than in many parts of Europe, which are still struggling to contain the virus.

Inflation: Pages 35-39- Higher inflation and deflation have historically pressured valuation. With inflation expectations on the rise, we will closely monitor inflation. For now, we see inflation as largely contained, but if inflation starts to get over 3%, we could see some more significant moderation to earnings.

2021/2022 Outlook and Price Objectives

2021 Price Objective

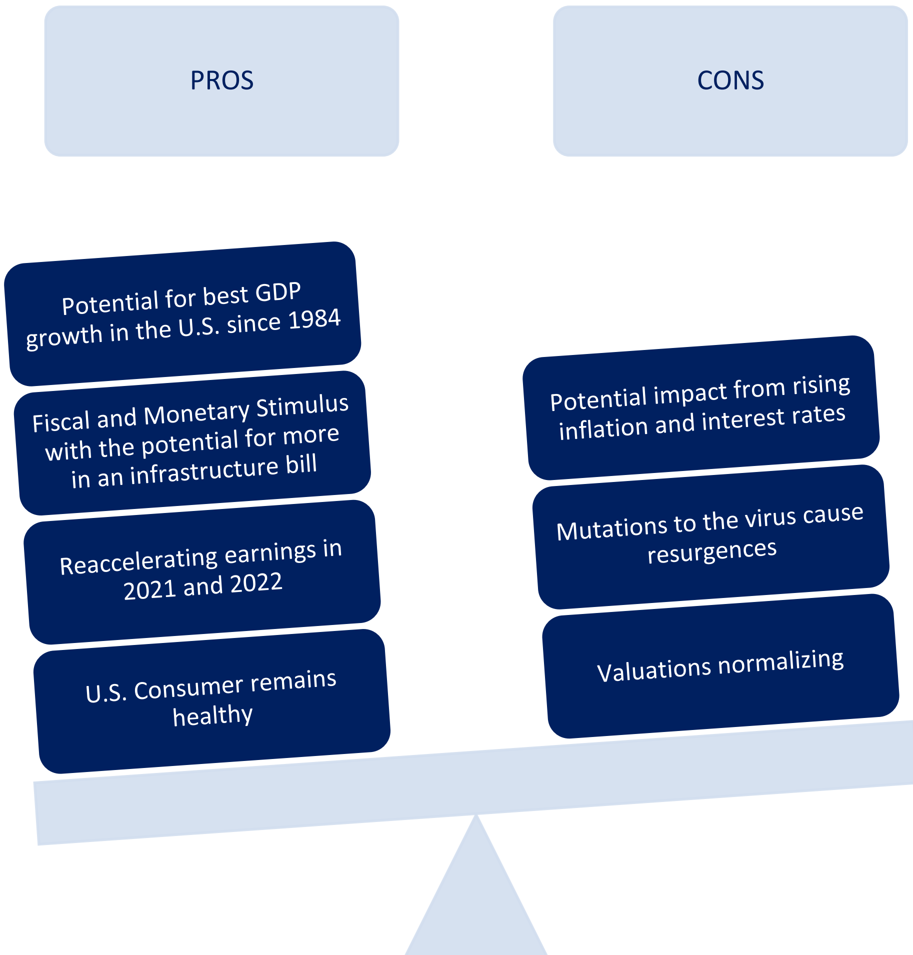


Year End 2021 Price Target						
	2021 EPS		Year End 2021 P/E Multiple	Year End 2021 Price Target	% from Current Price	Earnings Yield
Upside	$	200	22.00x	4,400	10.8%	4.5%
Base	$	190	22.00x	4,180	5.2%	4.5%
Downside	$	175	20.00x	3,500	-11.9%	5.0%

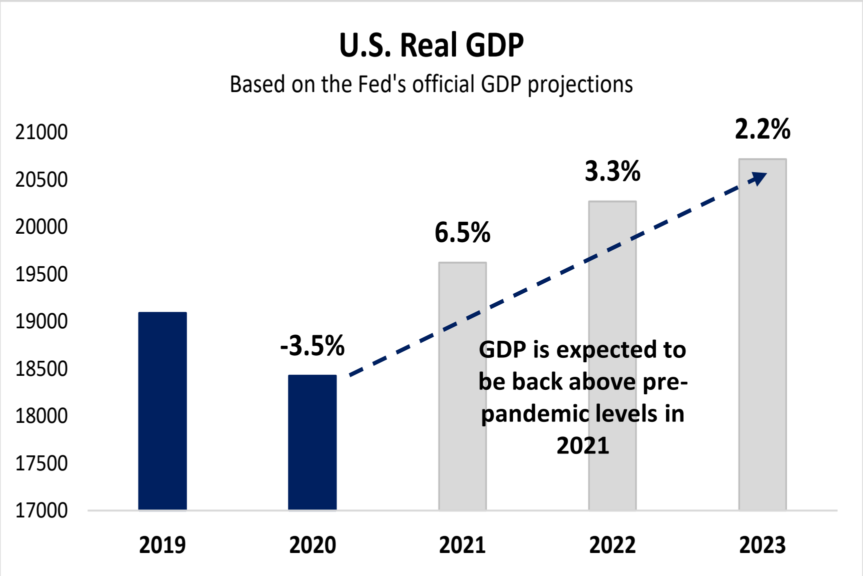
Source: RJ Equity Portfolio & Technical Strategy

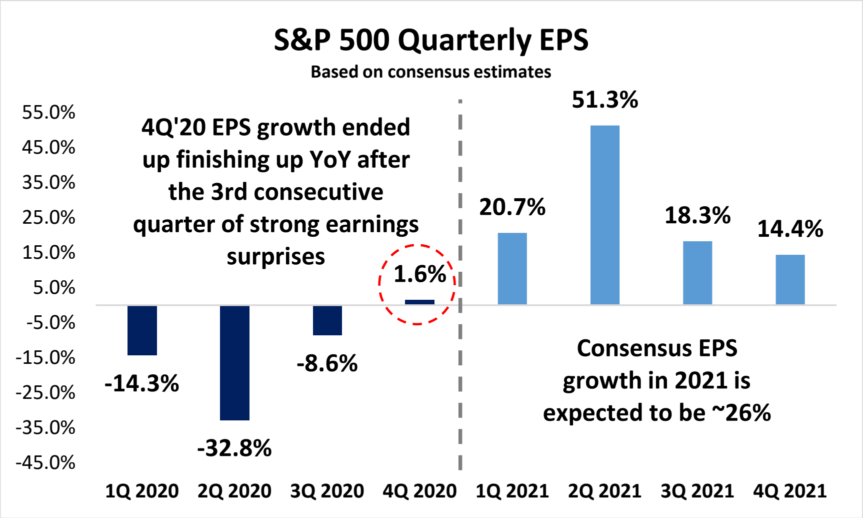
Source: FactSet and RJ Equity Portfolio & Technical Strategy
% from Current Price is priced from the S&P 500 closing price on March 31, 2021 of 3,972.89

2021 Outlook



Positives outweigh the negatives





Source: FactSet and RJ Equity Portfolio & Technical Strategy

2021 S&P 500 Fair Value

Year End 2021 Price Target						
	2021 EPS		Year End 2021 P/E Multiple	Year End 2021 Price Target	% from Current Price	Earnings Yield
Upside	$	200	22.00x	4,400	10.8%	4.5%
Base	$	190	22.00x	4,180	5.2%	4.5%
Downside	$	175	20.00x	3,500	-11.9%	5.0%

Source: RJ Equity Portfolio & Technical Strategy

We recently raised 2021 EPS estimate and revised our fair value price objective higher for the S&P 500 (March 8, 2021) after Q4 earnings season finished above consensus estimates at a historically high rate for the third consecutive quarter, the vaccine rollout continues to ramp aggressively as more supply comes on-line, States are removing mitigation measures which likely spurs economic activity, and the consumer remains in good shape with savings rates north of 13% (which provides plenty of pent up demand in the re-opening) before the recently passed $1.9T stimulus package, which included $1,400 direct payments.

Year End 2021 Price Target:
Base Case Scenario: 4,180 (2021 EPS- $190, P/E Multiple 22x)

- The pace of the vaccinations continues to improve, resulting in faster economic growth as the economy reopens.
- Given that the economy is still on fragile footing, the potential for aggressive legislative change is reduced in 2021, such as higher taxes.
- Unprecedented levels of stimulus have their intended impact as excess personal savings rates are spent as the economy reopens and consumers resume some sense of normalcy.
- Historical trend of earnings revisions moving higher coming out of recessions holds true.
- Interest rates and inflation do not run away to the upside.
- Valuation multiples begin to normalize, but can stay above average given enormous stimulus, still relatively low interests rates, low inflation, and no attractive alternative to equities.

Upside Scenario: 4,400 (2021 EPS- $200, P/E Multiple 22x)

- All goes better than expected and economic growth in the reopening is robust.
- The much stronger growth outlook is offset by some degree of modest inflation (but remains in check), and the Fed remains accommodative given that some inflation is likely transitory as the economic reopening results in higher prices as re-stocking of inventory ensues
- Much like the base case, valuations normalize (from elevated levels), but even modest inflation and higher interest rates are not enough to offset the strong EPS growth, and multiples remain above long-term average.

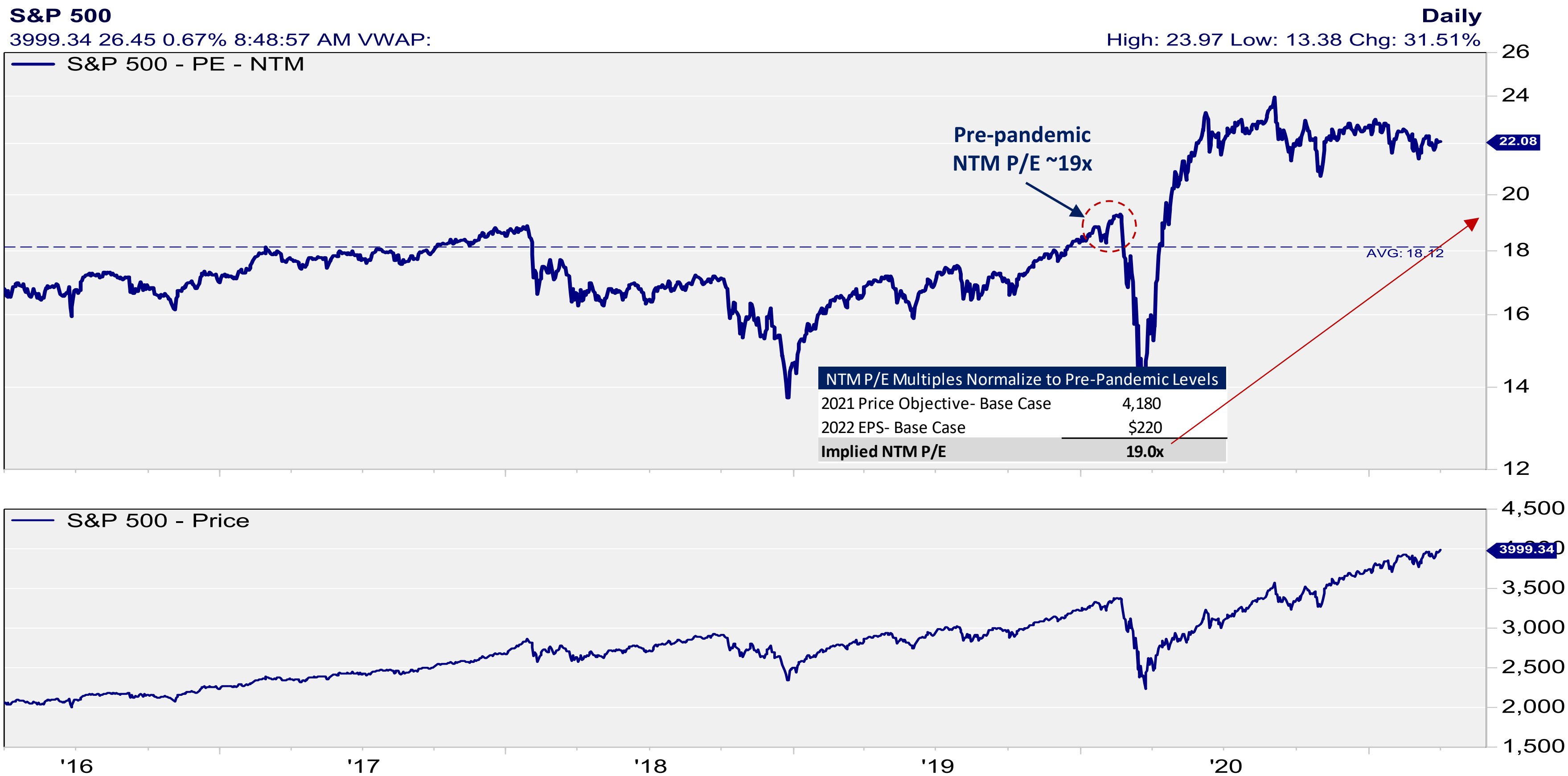
Downside Case: 3,500 (2021 EPS- $175, P/E Multiple 20x)

- Economic growth rebounds, but not as strongly as anticipated
- Interest rates and inflation continue to be the central influences on equity markets causing more significant multiple compression.
- Given the Democrat control of government, fears increase of aggressively higher taxes as the economy gets on firmer footing.
- Slower-than-expected growth, rising fears of inflation, and risk of higher taxes in the future are too much as P/E multiples compress to 20x.

Source: FactSet and RJ Equity Portfolio & Technical Strategy
% from Current Price is priced from the S&P 500 closing price on March 31, 2021 of 3,972.89

NTM P/E Valuation

NTM P/E Multiple Normalizes to Pre-Pandemic Level

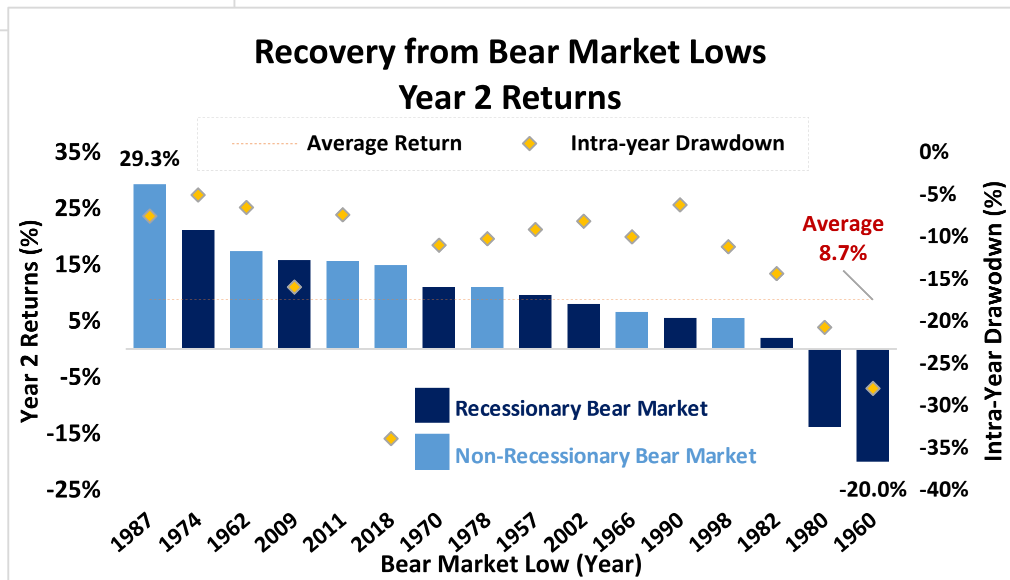


Source: FactSet and RJ Equity Portfolio & Technical Strategy

Returns off Pandemic Bottom

The recovery from the pandemic lows has been the most robust one year recovery of any bear market low. On average, markets rebound ~38% off the bottom in the first year.

The strong gains seen during the first year of the recovery typically normalize in the second year. On average, the second year returns for the S&P 500 are ~8.7%. Another important point is that drawdowns are typical in the second year of a recovery, with the average drawdown of 12.9%.



Source: FactSet and RJ Equity Portfolio & Technical Strategy

2022 S&P 500 Fair Value

Year End 2022 Price Target					
	2022 EPS	Year End 2022 P/E Multiple	Year End 2022 Price Target	% from 2021 Base Case	Earnings Yield
Base	$ 220	20.00x	4,400	5.3%	5.0%

Source: RJ Equity Portfolio & Technical Strategy

Year End 2022 Price Target:
Base Case Scenario: 4,400 (2022 EPS- $220, P/E Multiple 20x)

- COVID-19 has limited impact as most everyone within the U.S. (that wants to be) is vaccinated and pent-up demand for travel/leisure activities remain robust (with the potential for international travel as vaccine distribution improves worldwide including emerging economies).
- Unprecedented stimulus globally and reopening continues to drive above normal economic growth (albeit a moderation from elevated growth in 2021).
- Inflation does not run away to the upside and the Fed remains accommodative.
- Not included in our base case is the stimulative impact from a multi-trillion infrastructure spending bill (the White House is currently asking for $2T+), which likely drives stronger GDP growth and/or the Biden agenda to raise taxes, these are likely to have offsetting impact if both are passed
- Valuations likely continue to normalize back towards long-term average, but can stay above given stimulus, low interest rates, and low inflation.

Risk of Higher Taxes to 2022 EPS

While tax reform is unlikely in 2021, with an improving economy, unprecedented stimulus, and potential for a multi-trillion infrastructure bill, we believe the odds are increasing that the Biden administration will attempt to enact its policy agenda of higher taxes. On average, we believe the EPS hit to 2022 EPS if taxes rise to 25% is likely 3-5% and a rise to 28% would be 7-9%.

2022 EPS- Current Estimate

	2022 EPS Current Estimate*
Upside Scenario	$225
Base Case	$220
Downside Scenario	$195

*Current Estimate does not include impact from higher taxes or $2T+ infrastructure package

Scenario Analysis: 25% Tax Rate 3-5% EPS reduction

	2022 EPS Current Estimate	Scenario Analysis* 2022 EPS
Upside Scenario	$225	$214-218
Base Case	$220	$209-213
Downside Scenario	$195	$185-$189

*Does not include potential offset from a $2T+ infrastructure package

Scenario Analysis: 28% Tax Rate 7-9% EPS reduction

	2022 EPS Current Estimate	Scenario Analysis* 2022 EPS
Upside Scenario	$225	$204-209
Base Case	$220	$200-204
Downside Scenario	$195	$177-$181

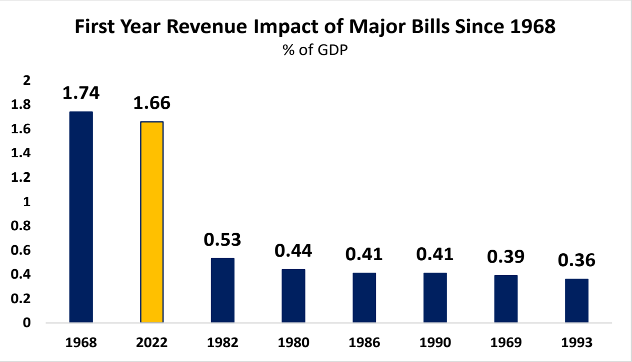
*Does not include potential offset from a $2T+ infrastructure package

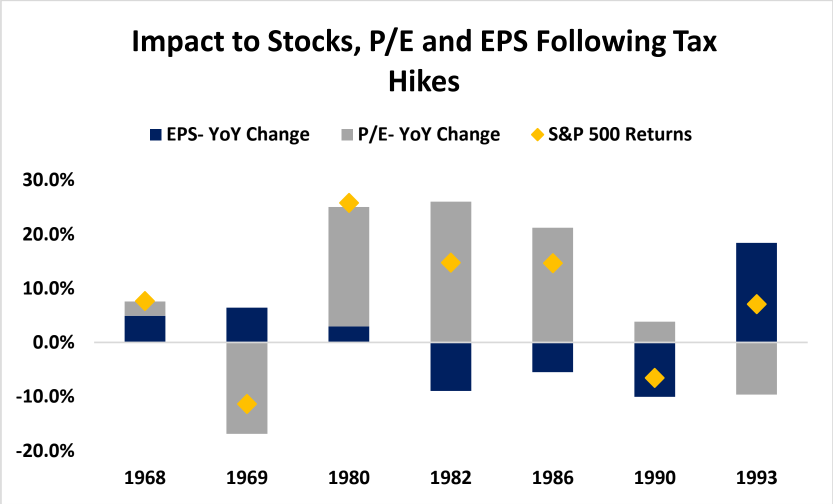
Source: FactSet and RJ Equity Portfolio & Technical Strategy

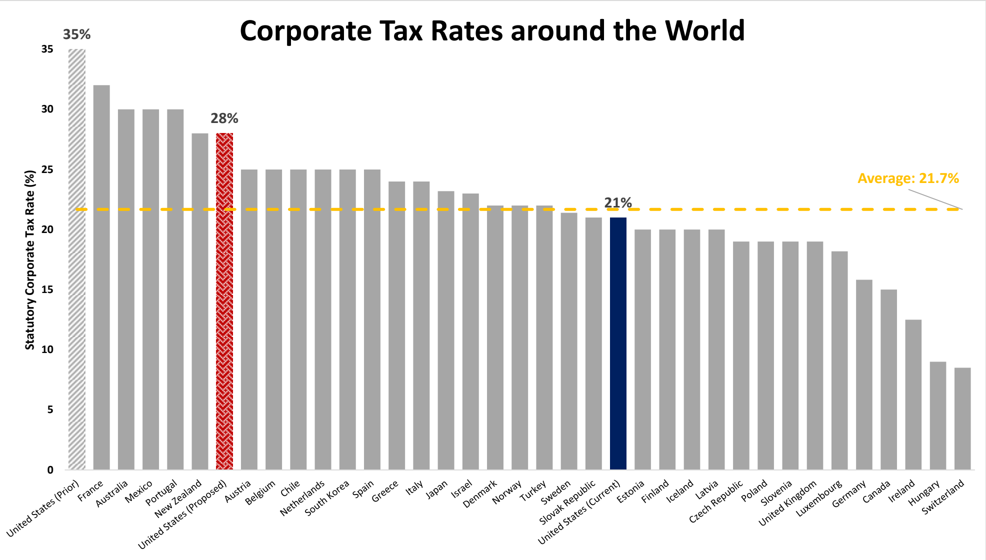
2022 Outlook- Taxes

According to the Department of the Treasury, it is estimated that Biden's tax plan would be the second largest first year revenue tax impact of major bills since 1968. From a stock perspective, the S&P 500 return in the year tax reform was passed on average has been 7.4%. While much is being made that corporate taxes will be a headwind to earnings, we can see from the prior page that an increase in taxes (without the corresponding potential benefit of a widespread infrastructure package) will only reduce EPS by ~7-9% if taxes are raised to 28%. While we would agree that tax hikes are likely to have a more immediate consequence to EPS than the benefit of an infrastructure deal as it will be spread over a long period of time, we still view the fear of rising taxes as overblown.

	YoY Change Growth		S&P 500
Year	EPS	P/E	Returns
1968	4.9%	2.7%	7.7%
1969	6.5%	-16.9%	-11.4%
1980	3.0%	22.1%	25.8%
1982	-9.0%	26.0%	14.8%
1986	-5.5%	21.2%	14.6%
1990	-10.0%	3.9%	-6.6%
1993	18.4%	-9.6%	7.1%
Average	**1.2%**	**7.1%**	**7.4%**





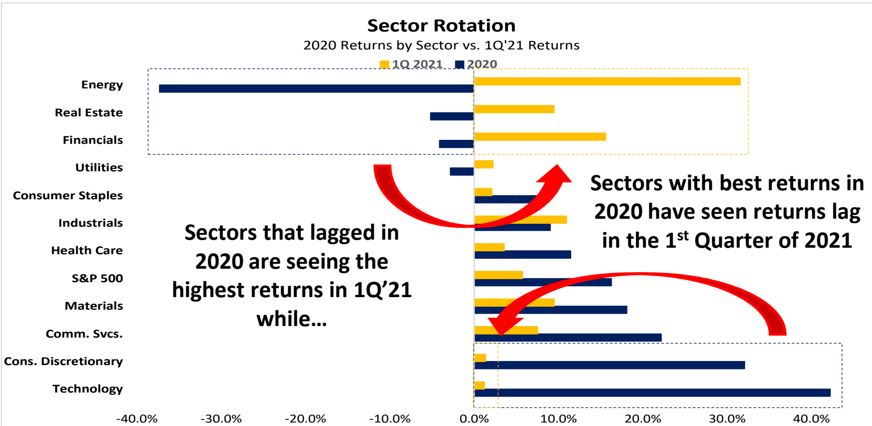


Source: FactSet and RJ Equity Portfolio & Technical Strategy

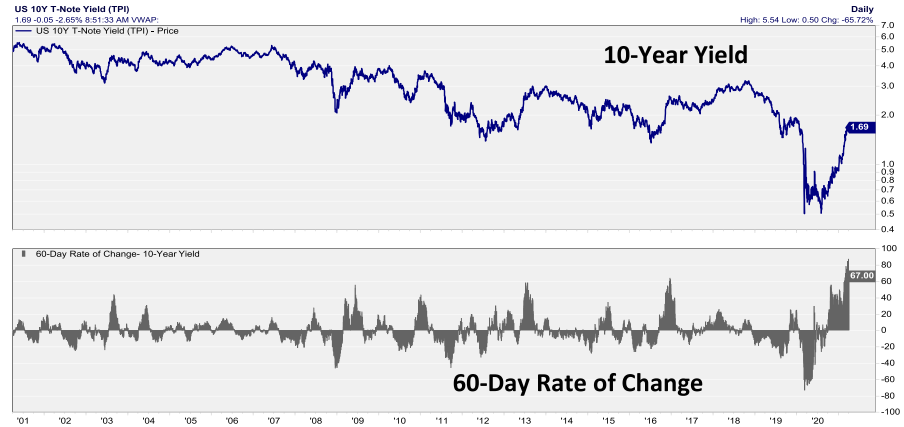
Areas to Watch

4 R's of 2021

Rotation



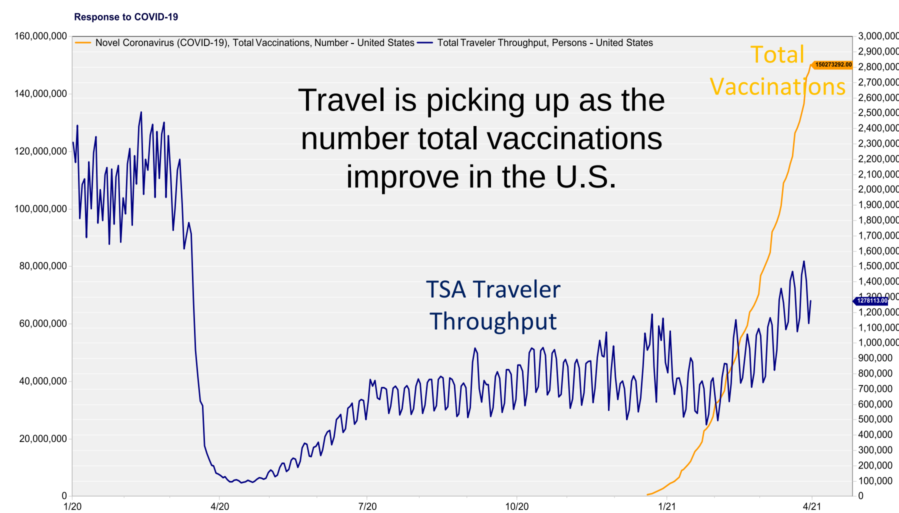
Rates (Interest Rates)



Revisions to EPS

EPS Revisions since Year End		
Sector	**2021**	**2022**
Energy	75.1%	23.2%
Materials	13.6%	7.9%
Financials	11.0%	4.7%
Technology	6.1%	5.4%
Comm. Svcs.	5.6%	4.1%
S&P 500	5.4%	3.9%
Health Care	2.4%	1.1%
Real Estate	1.0%	0.2%
Consumer Staples	0.6%	0.3%
Cons. Discretionary	-0.1%	2.2%
Utilities	-0.9%	0.3%
Industrials	-3.8%	1.7%

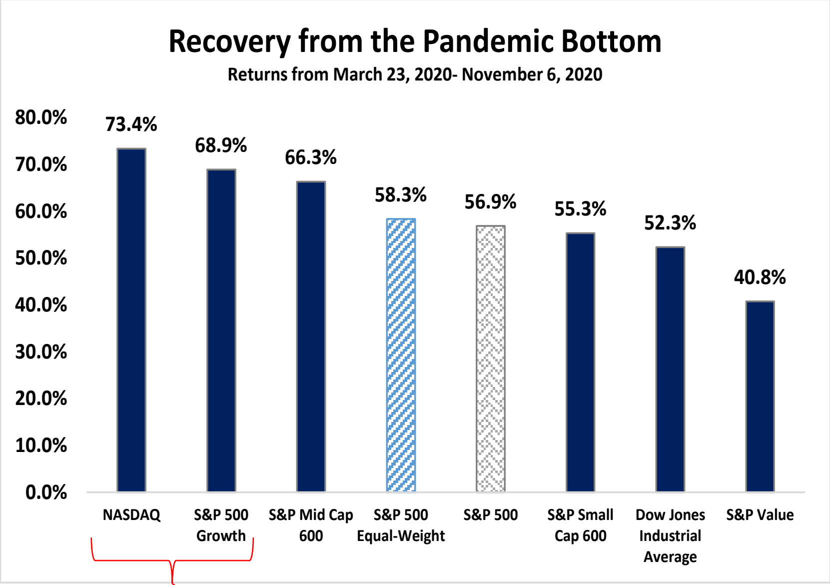
Response to COVID and Reopening

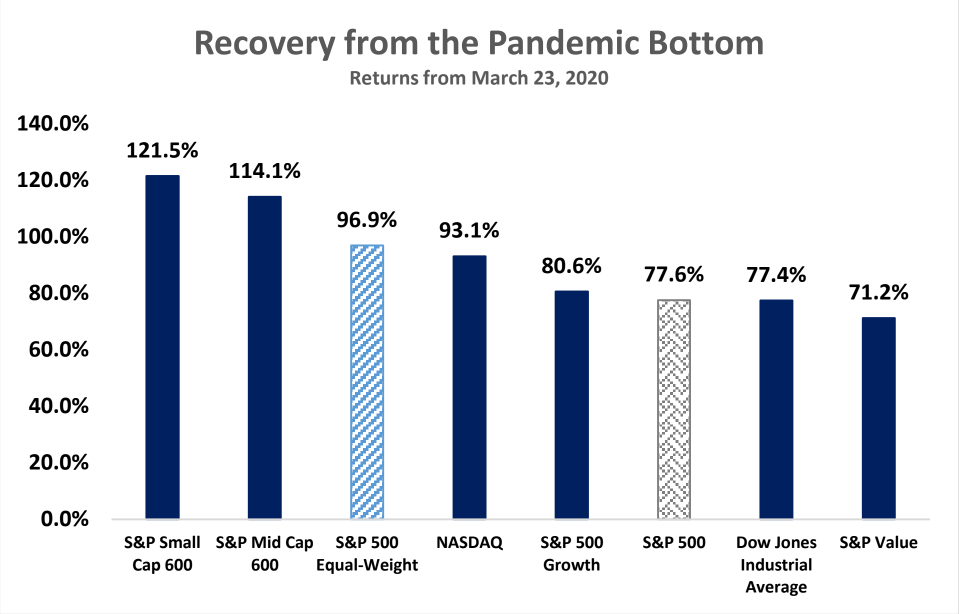


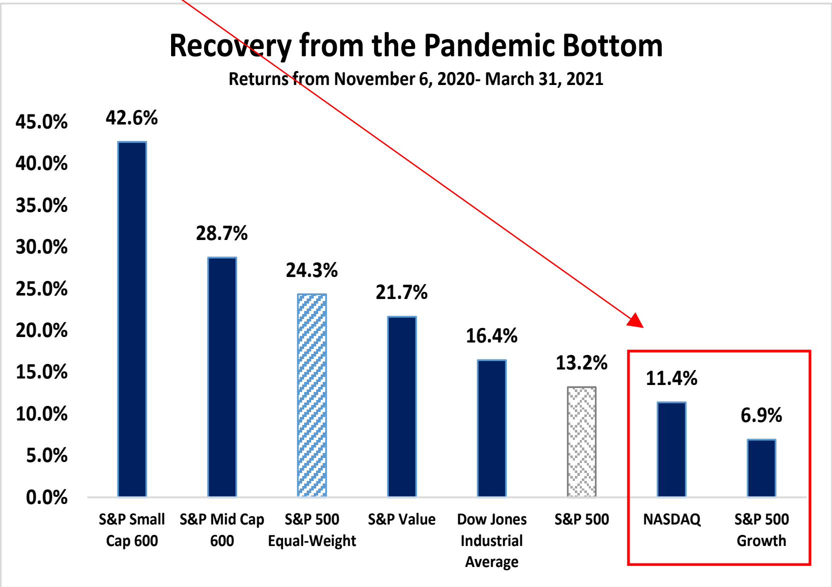
Source: FactSet and RJ Equity Portfolio & Technical Strategy

Rotation

Coming out of the March 23 bottom, the more Tech-centric NASDAQ and Growth led the market higher. However, since the election and the positive data on the vaccine front back in November, there has been a drastic rotation from these areas into more Value and into small-caps.

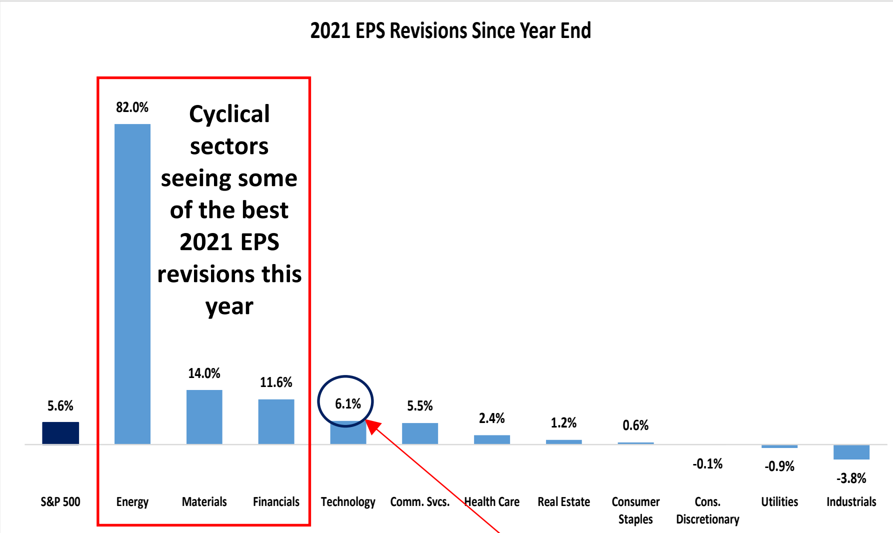


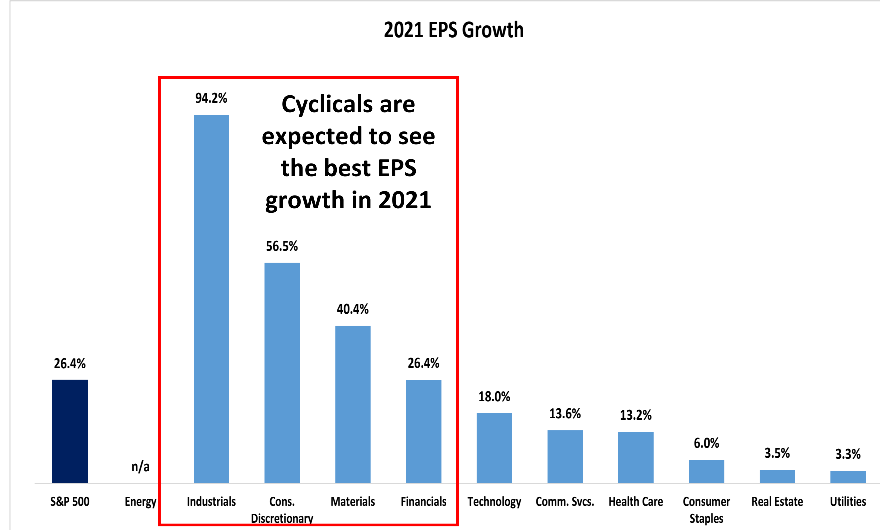


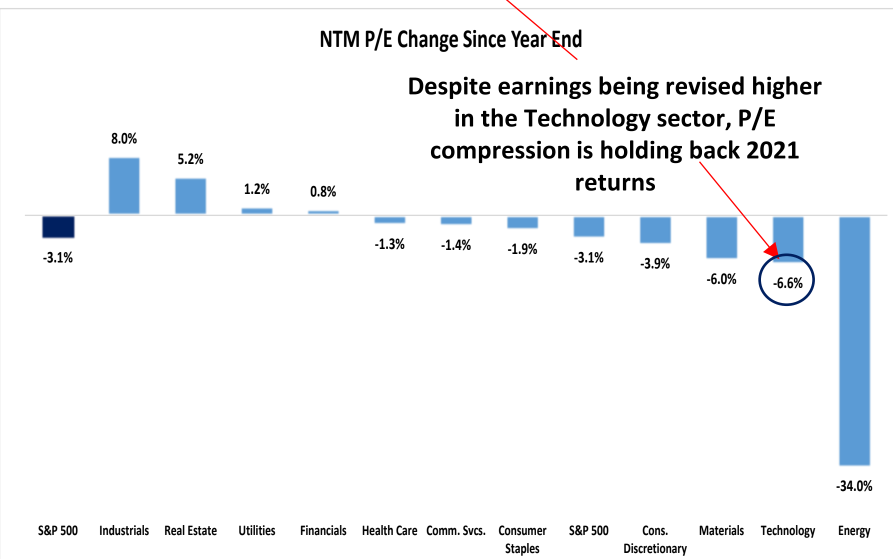


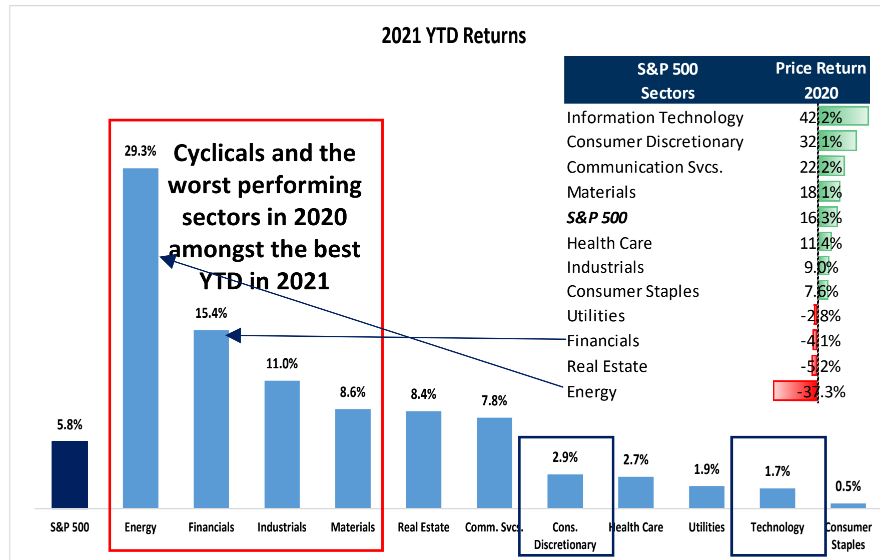
Source: FactSet and RJ Equity Portfolio & Technical Strategy

Rotation









Source: FactSet and RJ Equity Portfolio & Technical Strategy

Top 2 performing sectors from 2020 lagging the S&P 500 in 2021

Rotation

Many have questioned why Growth companies have been more impacted by rising rates. In addition to the fact that Growth companies largely outperformed in 2020, P/E multiples were already stretched, and the re-opening may lead to relative outperformance in growth in more value/cyclical companies, we put together a **simple scenario** of how the premium P/E multiple of the Growth company starts to erode as the risk-free rate rises.

Assumptions:

Current Year Cash Flows of both companies are the same

Growth Company Growth*: 11%

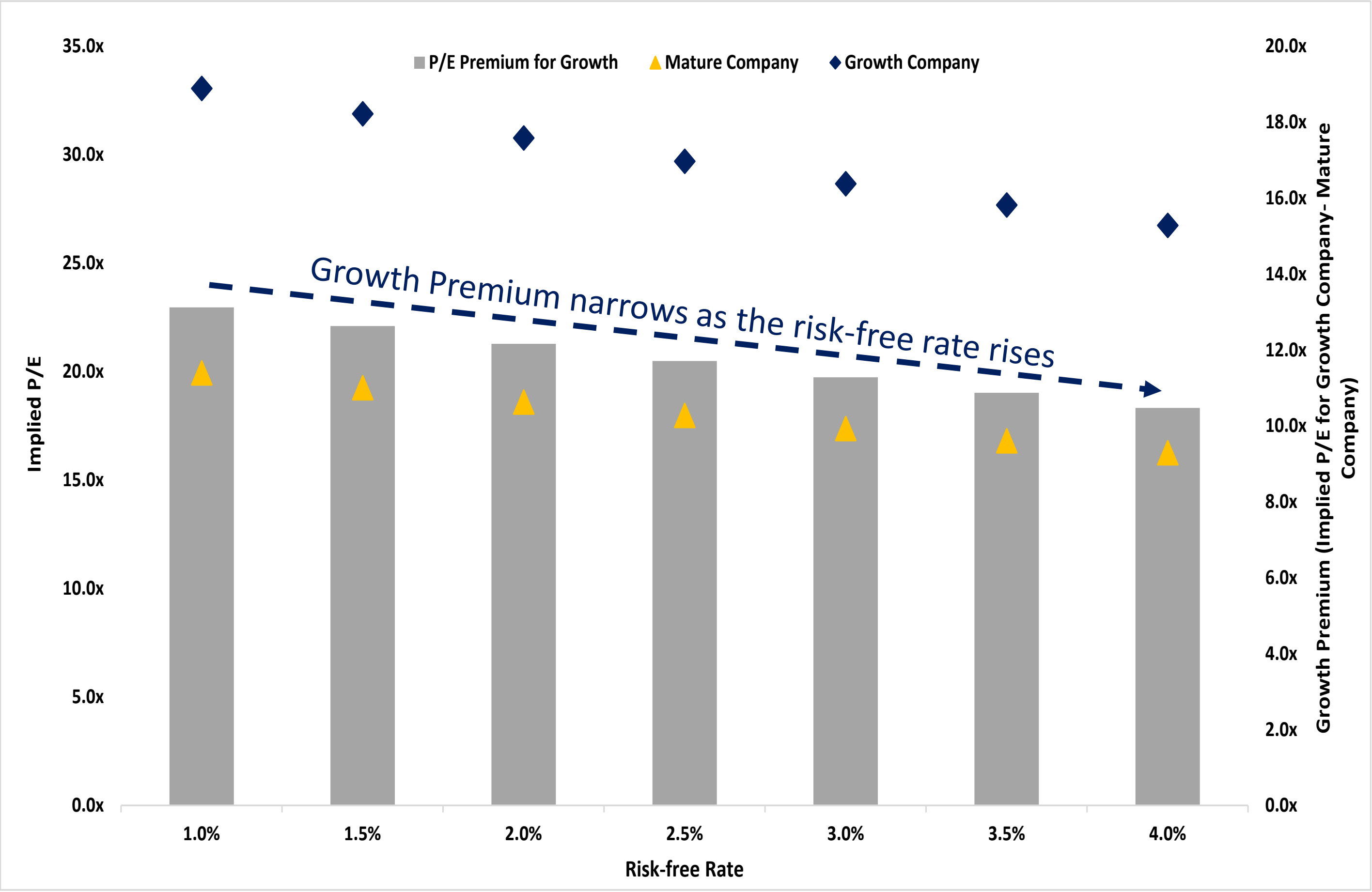
Mature Company Growth*: 2%

Growth remains constant over 10 years and then drops to risk-free rate after 10-year)

Beta Growth Company: 1.1

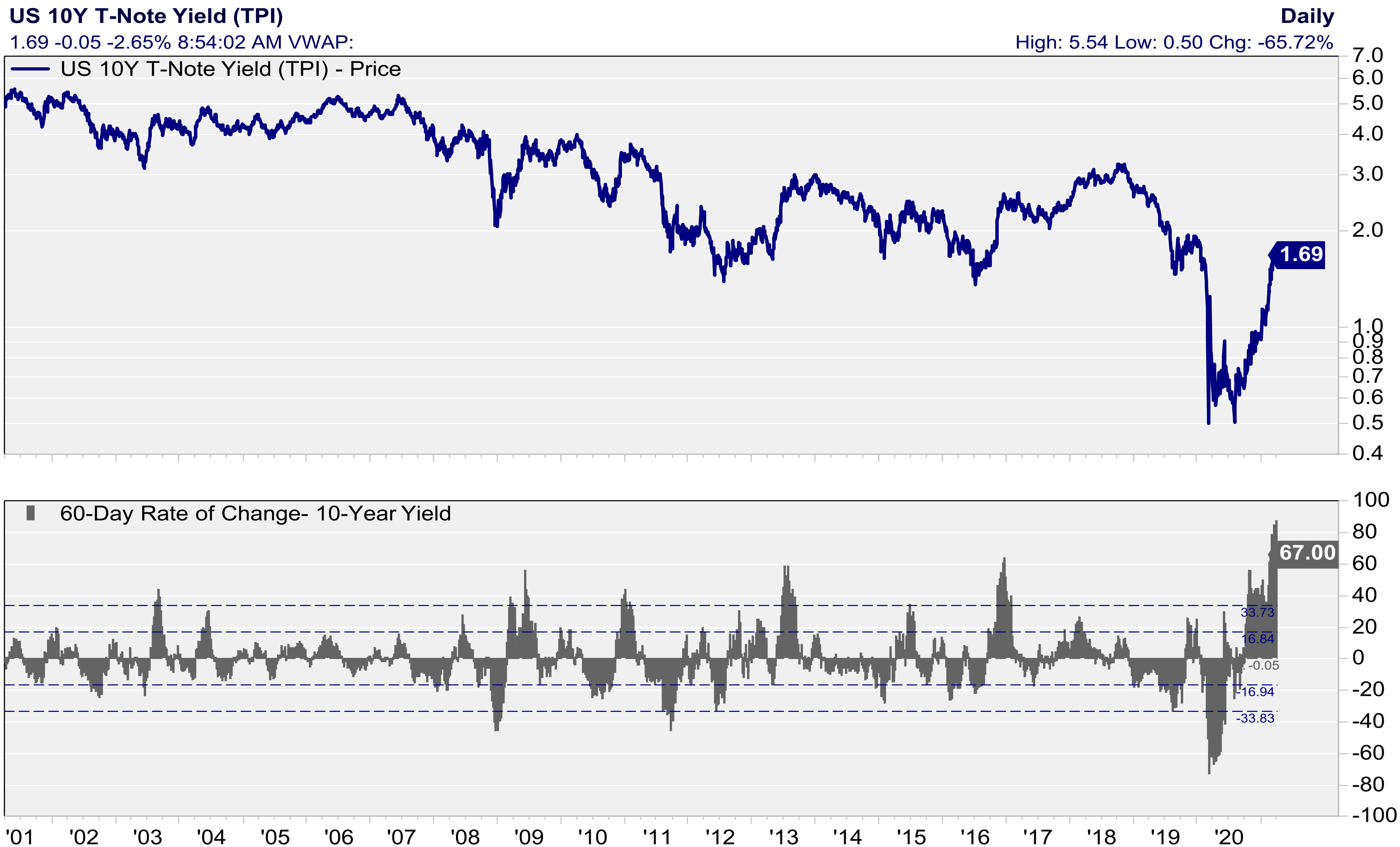
Mature Company Beta: 0.92

Equity Risk Premium: 6.0%



Source: FactSet and RJ Equity Portfolio & Technical Strategy

Rates (Interest Rates)



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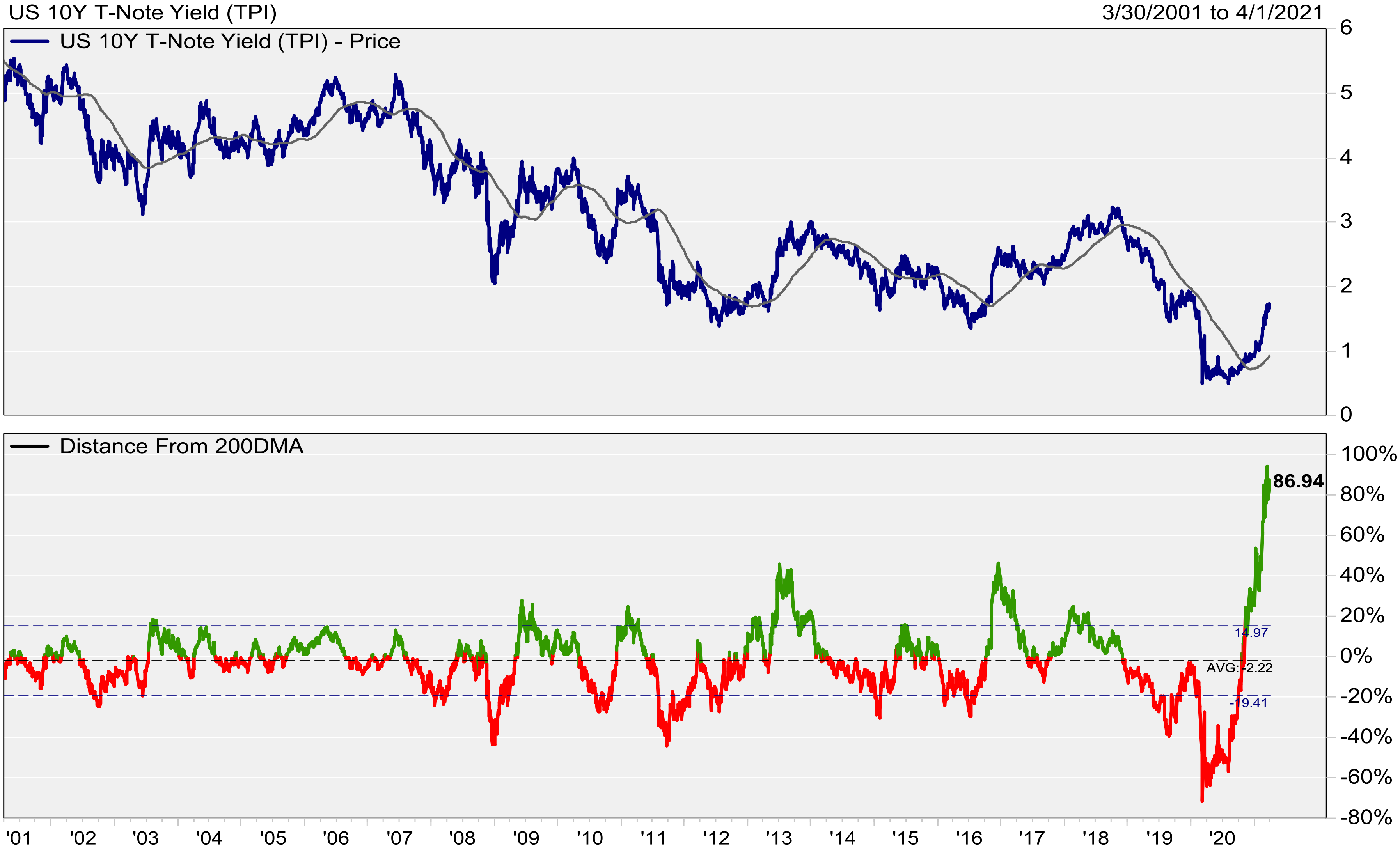


Source: FactSet and RJ Equity Portfolio & Technical Strategy

Rates (Interest Rates)

Much has been made that the recent rise in rates will rob returns for US equities. However, we looked at interest rates and forward returns under two scenarios historically, and did not see that a rapid rise in the 10-year yield or an extended 10-year yield had a negative impact to forward returns for equities. Actually under both scenarios, we have seen U.S. equities actually outperform over the next 3, 6, and 12 months compared to all periods.

S&P 500 Forward Returns when the 6-day rate of change for the 10-Year Yield is greater than 33.58% (2 std. dev. move)

Initial Date	S&P 500 Forward Returns 3-Month	6-Month	1-Year
8/13/2003	7.6%	16.4%	8.2%
3/12/2009	26.0%	38.9%	53.2%
6/10/2009	11.2%	17.4%	15.7%
12/15/2010	3.8%	2.4%	-1.6%
6/21/2013	7.4%	14.2%	23.3%
9/5/2013	7.9%	13.2%	21.3%
6/26/2015	-8.1%	-1.9%	-3.0%
11/10/2016	6.9%	10.7%	19.1%
1/24/2017	4.1%	8.3%	24.4%
10/20/2020	11.9%		
1/6/2021	5.6%		
Average	**7.7%**	**13.3%**	**17.8%**
All Periods			
Average	**1.9%**	**4.0%**	**8.2%**

Source: Raymond James Equity Portfolio & Technical Strategy

Source: FactSet and RJ Equity Portfolio & Technical Strategy

Scenarios:

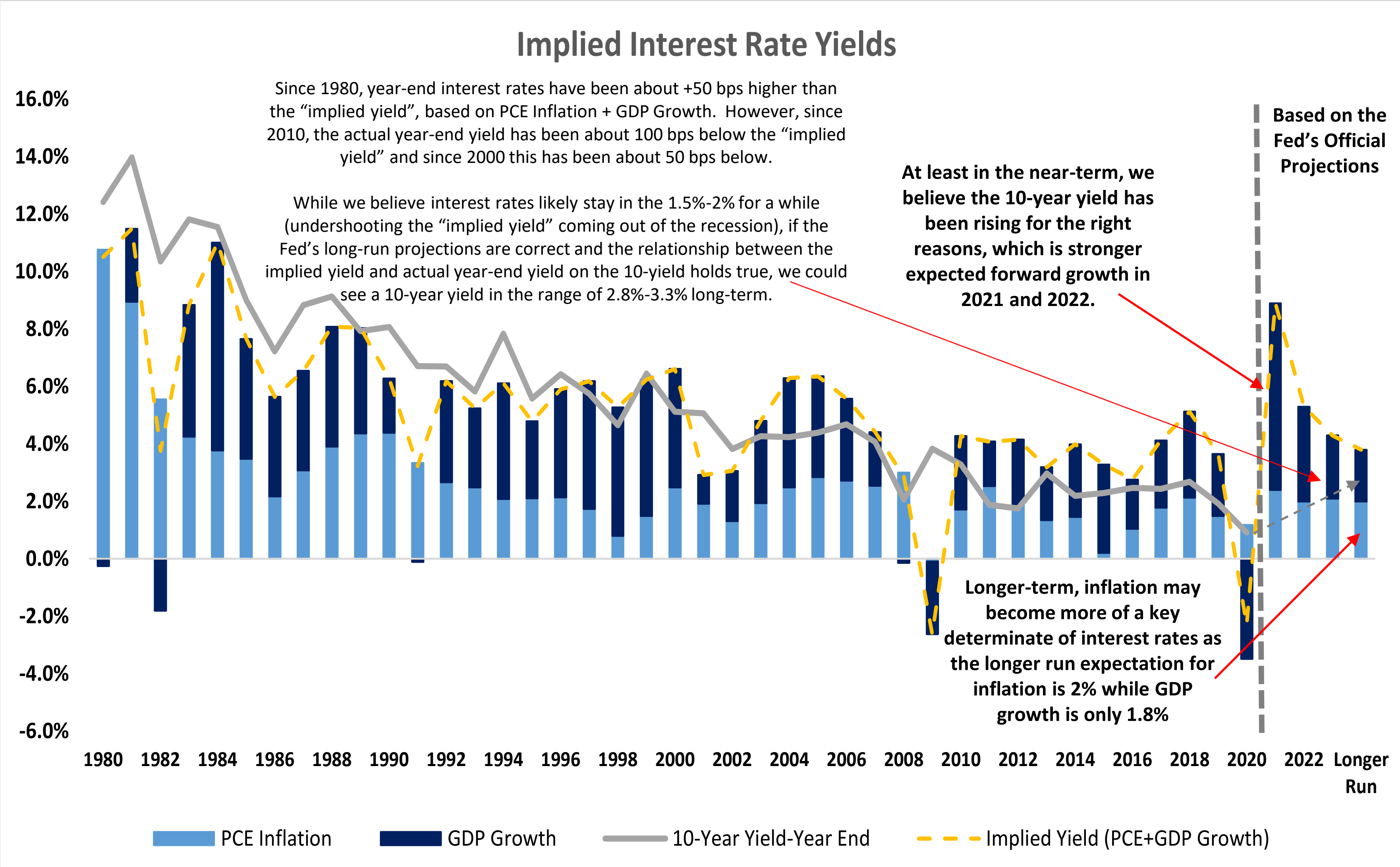
1) **To the left:** S&P 500 returns 3-months, 6-months, and 12-months following a 60-day rate of change in the 10-year yield of 33.58% (which is a 2 std. deviation move). Returns are calculated from the initial date that the RoC was above 33.58%.
2) **To the right:** S&P 500 returns 3-months, 6-months, and 12-months following a 1 std. deviation move (14.91%) above the 200-DMA. Returns are calculated from the initial date that the % above the 200-DMA was above 14.91%.

S&P 500 Forward Returns when the 10-Year Yield trades 1 std. dev. (14.91%) above its 200-DMA

Initial Date	S&P 500 Forward Returns 3-Month	6-Month	1-Year
7/31/2003	6.1%	14.2%	11.3%
5/26/2009	12.9%	22.0%	17.3%
1/20/2011	3.9%	3.6%	2.7%
1/25/2013	5.5%	12.5%	19.1%
5/28/2013	-1.5%	8.9%	15.0%
6/10/2015	-7.3%	-2.5%	-0.4%
11/9/2016	6.7%	10.8%	19.5%
1/22/2018	-5.7%	-1.1%	-7.1%
11/9/2020	10.2%		
Average	**3.4%**	**8.5%**	**9.7%**
All Periods			
Average	**1.9%**	**4.0%**	**8.2%**

Source: Raymond James Equity Portfolio & Technical Strategy

Rates (Interest Rates)

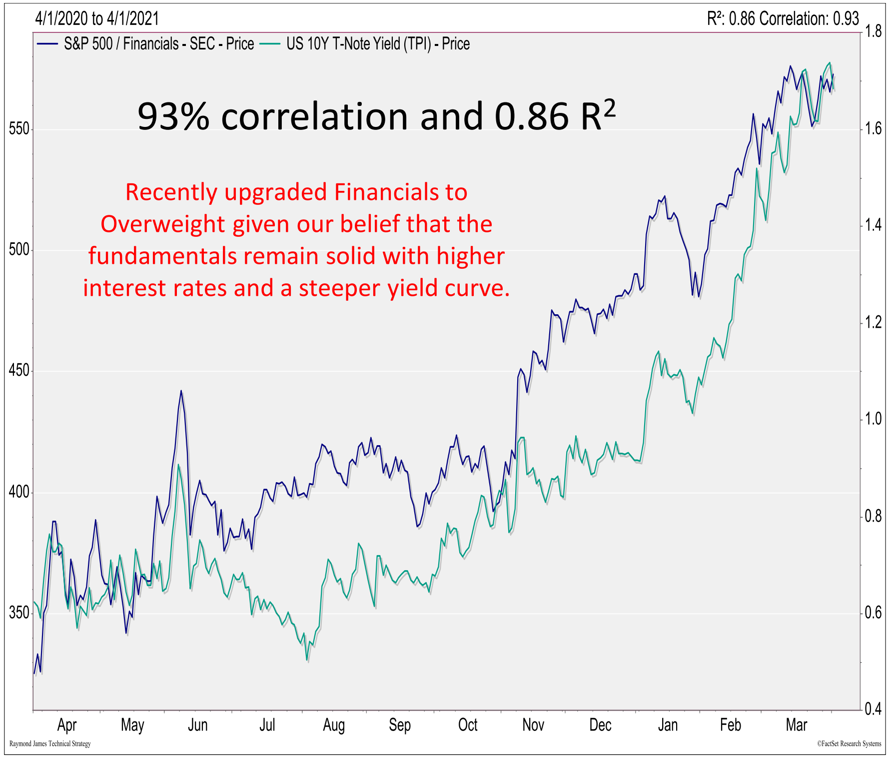


Source: FactSet and RJ Equity Portfolio & Technical Strategy

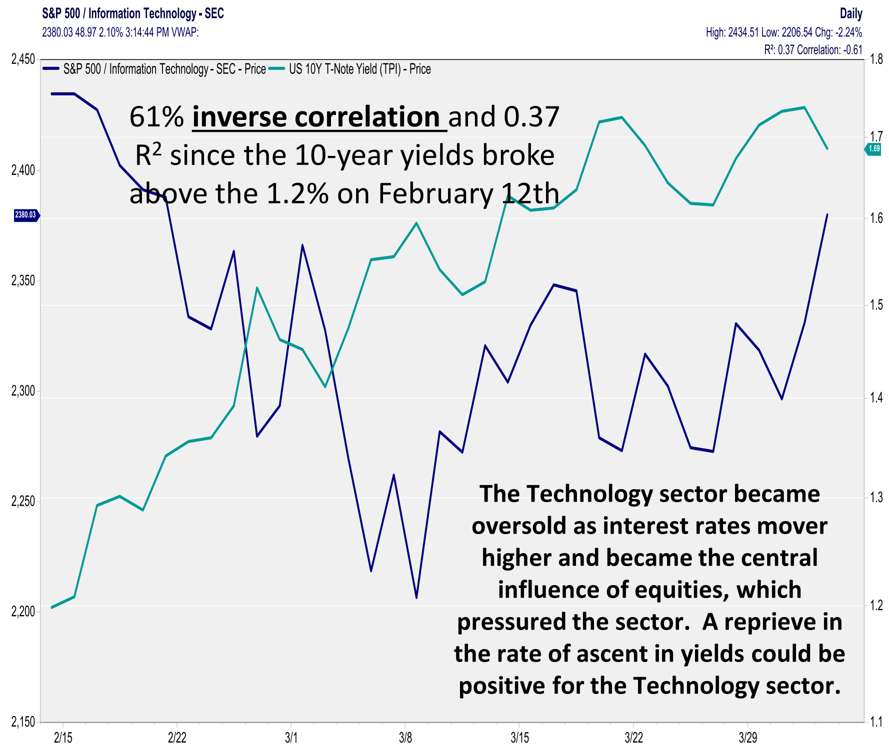
Rates (Interest Rates)

The recent sharp ascent in interest rates has been a central focus for the equities. As rate have increased, Financials and Technology have reacted very differently to the rising rates. A slowing in the ascent of interest rates could lead to some reversion for the Technology sector, which has been the case recently, and could result in a period of consolidation for Financials.

Financials

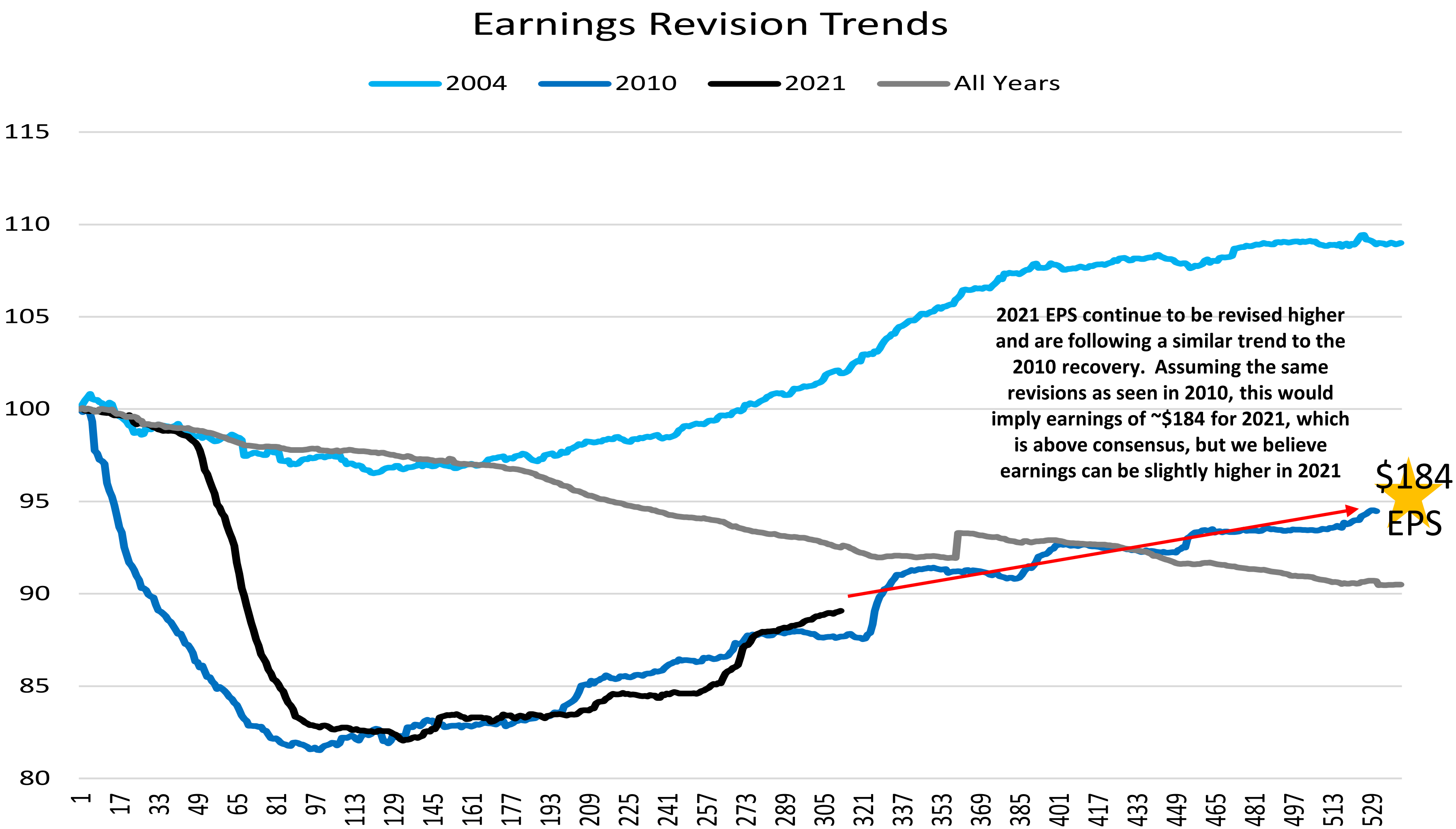


Technology



Source: FactSet and RJ Equity Portfolio & Technical Strategy

Revisions to EPS



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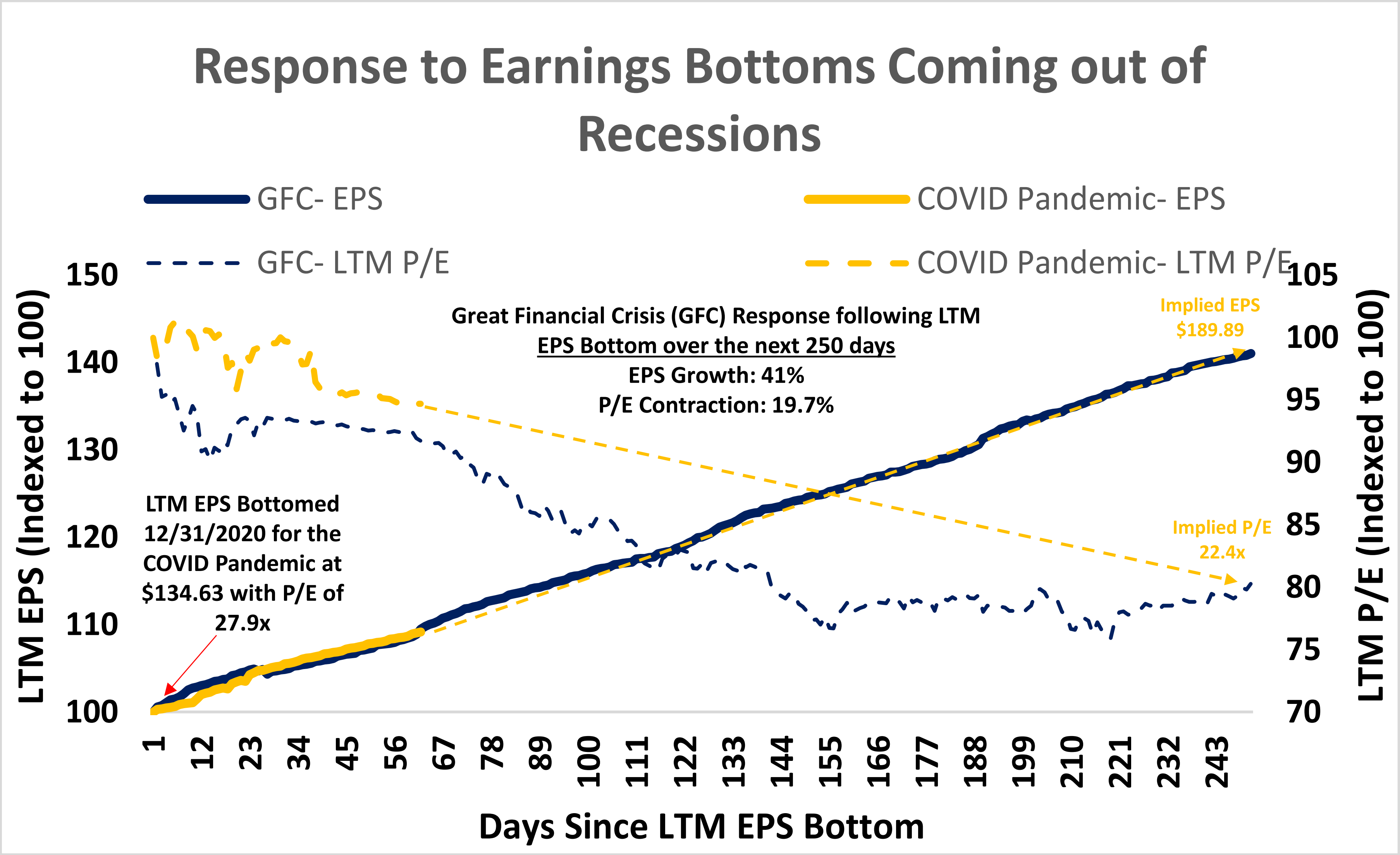
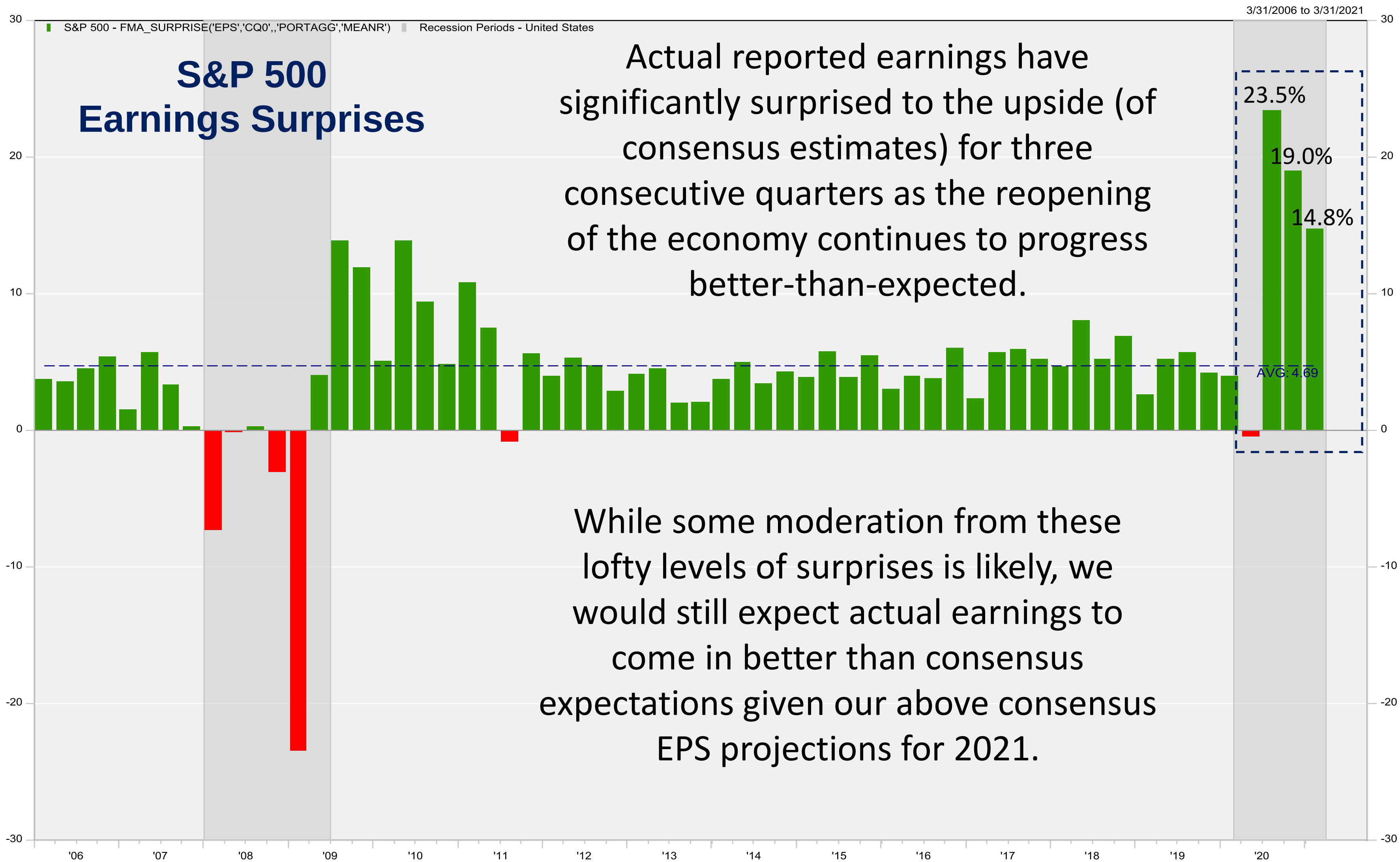


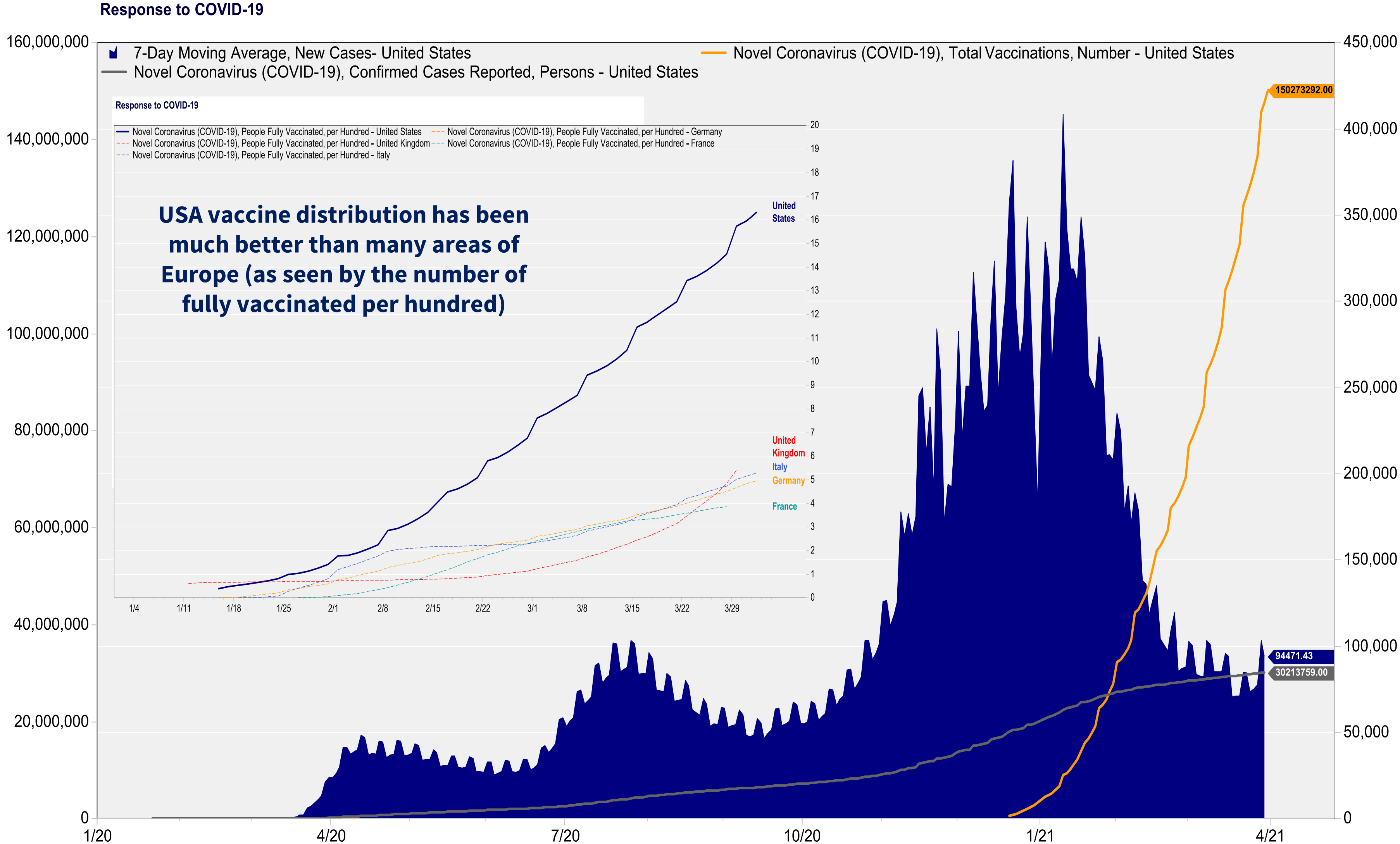
Source: FactSet and RJ Equity Portfolio & Technical Strategy

Revisions to EPS



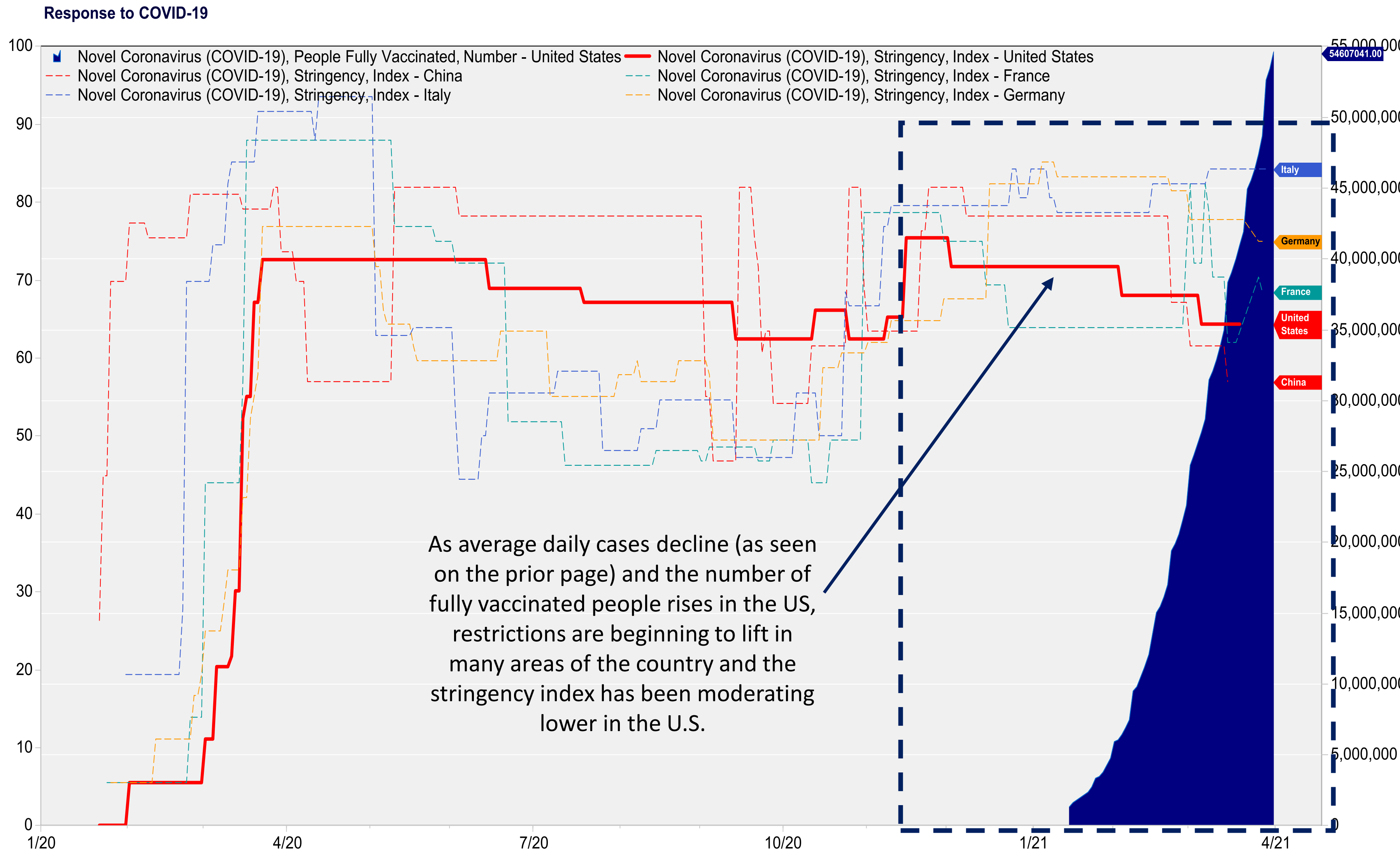
Source: FactSet and RJ Equity Portfolio & Technical Strategy

Response to COVID and Reopening



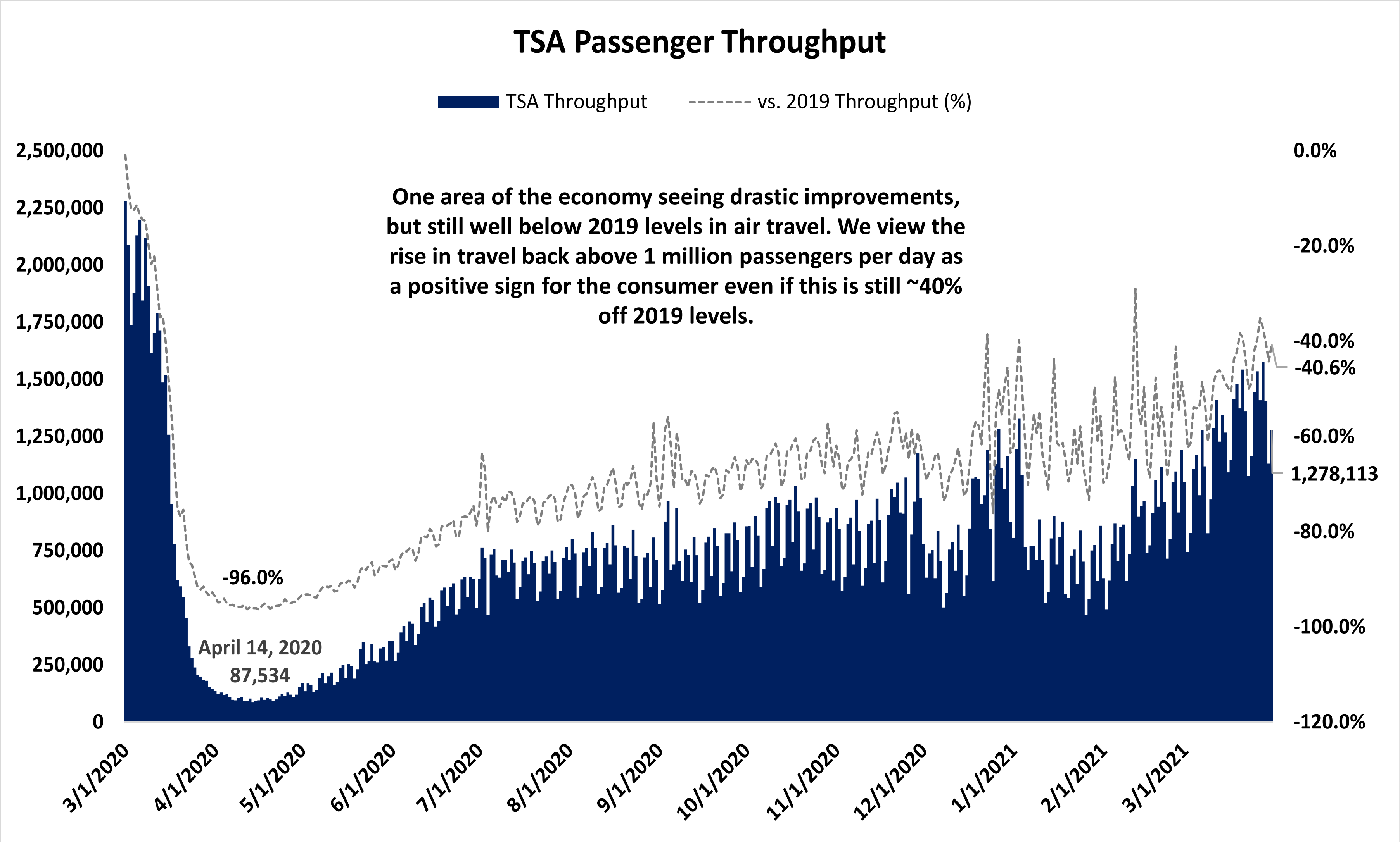
Source: FactSet and RJ Equity Portfolio & Technical Strategy

Response to COVID and Reopening



Source: FactSet and RJ Equity Portfolio & Technical Strategy

Response to COVID and Reopening

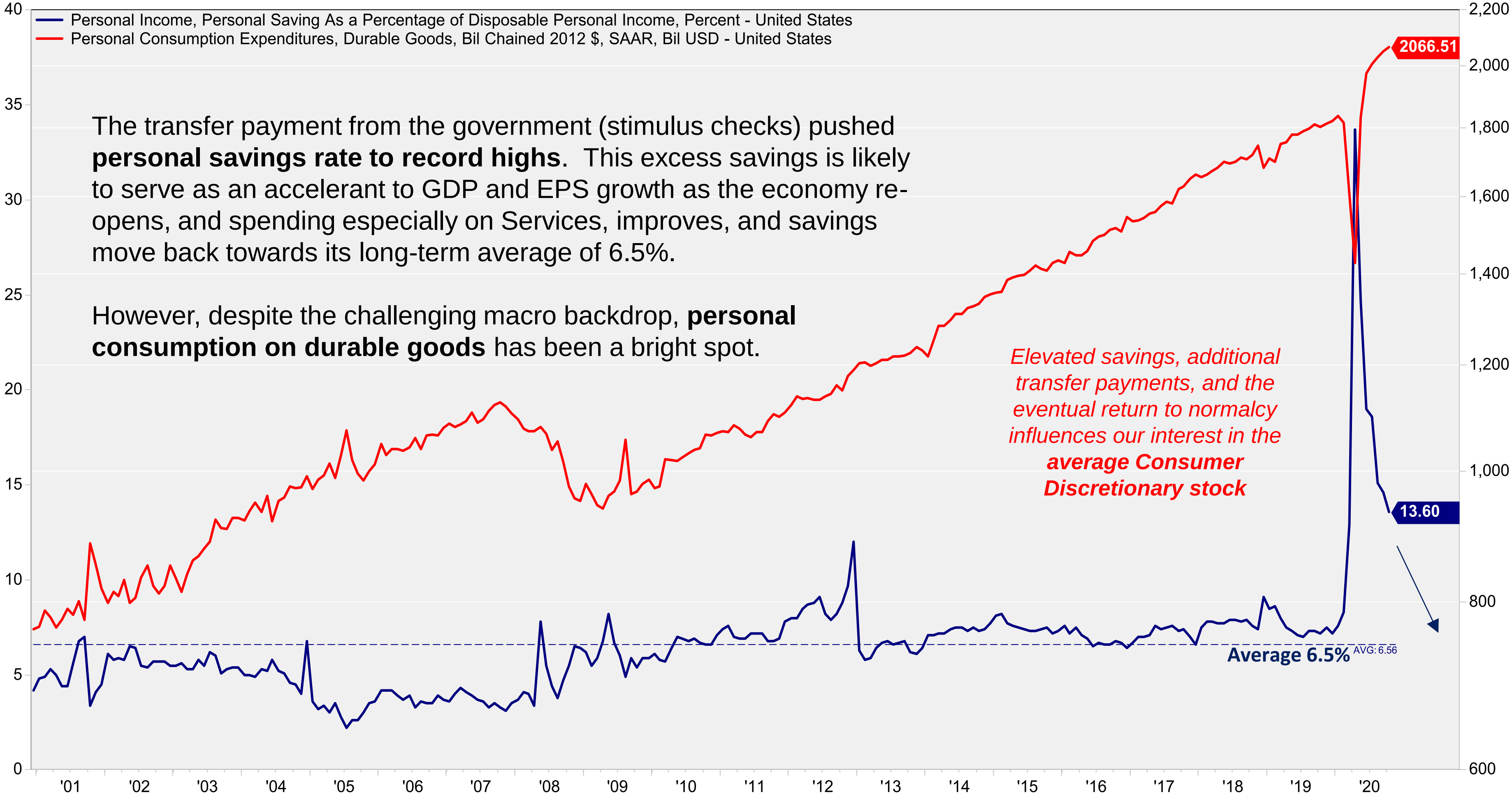


Source: FactSet, TSA.gov, and RJ Equity Portfolio & Technical Strategy

Fed and Consumer Remain Strong, but Continue to Watch Inflation

Consumer Remains Healthy

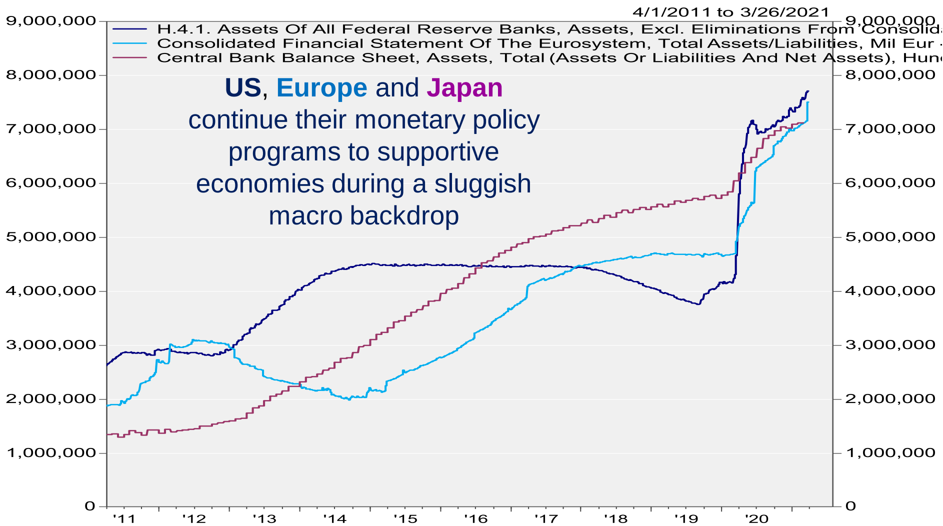
Consumer Savings

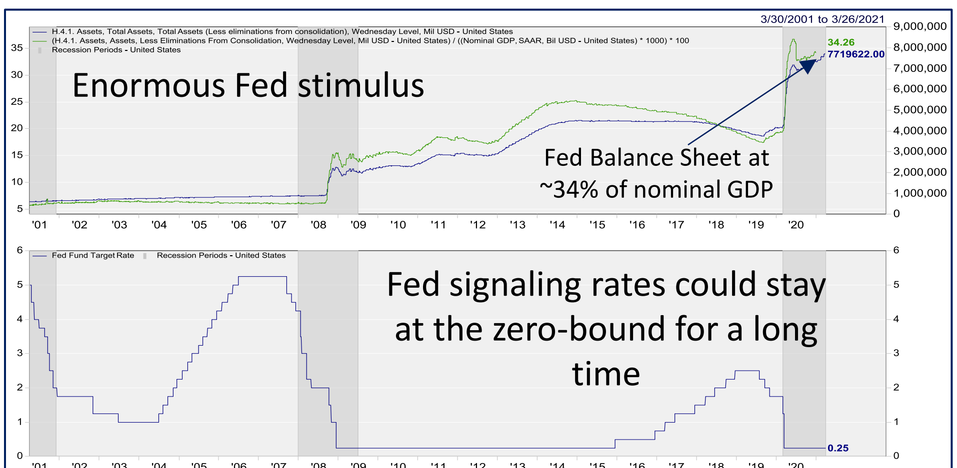


Source: FactSet and RJ Equity Portfolio & Technical Strategy

2021: Tools to Fix the 2020 Damage

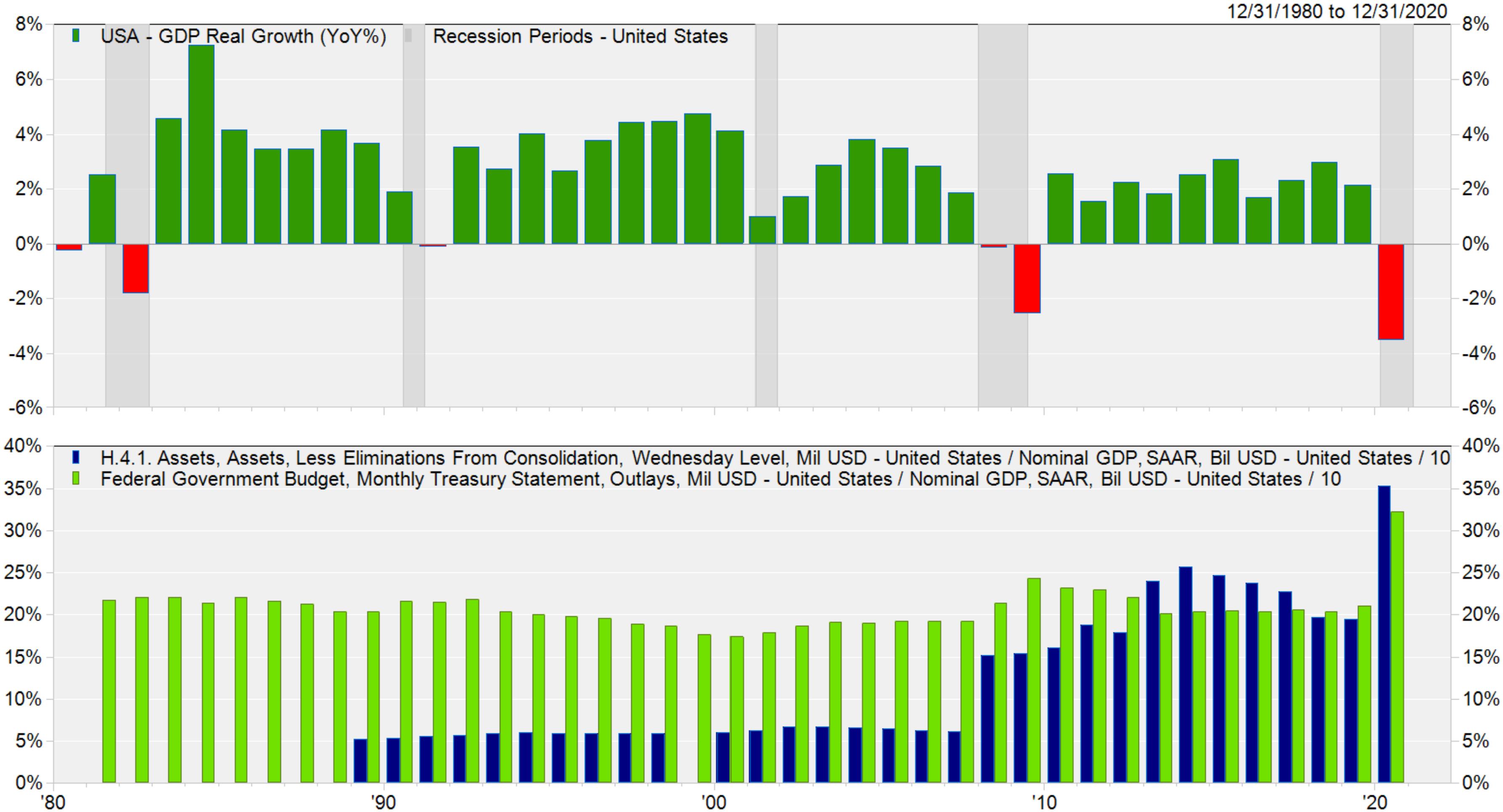
Supportive Central Banks





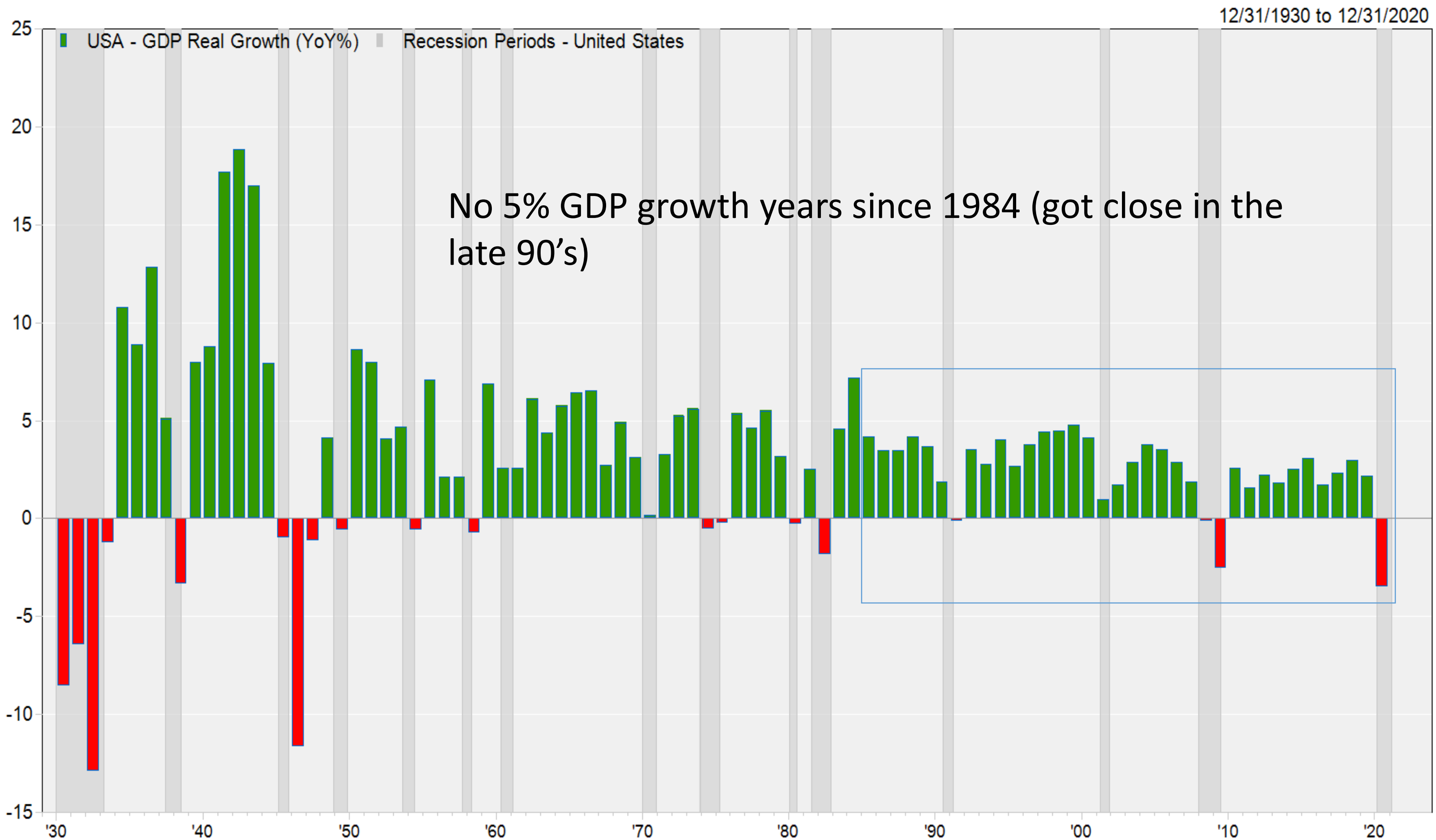
Source: FactSet and RJ Equity Portfolio & Technical Strategy

Fed and Stimulus



Source: FactSet and RJ Equity Portfolio & Technical Strategy

Stimulus + Supportive Fed+ Health Consumer= Strong GDP Growth

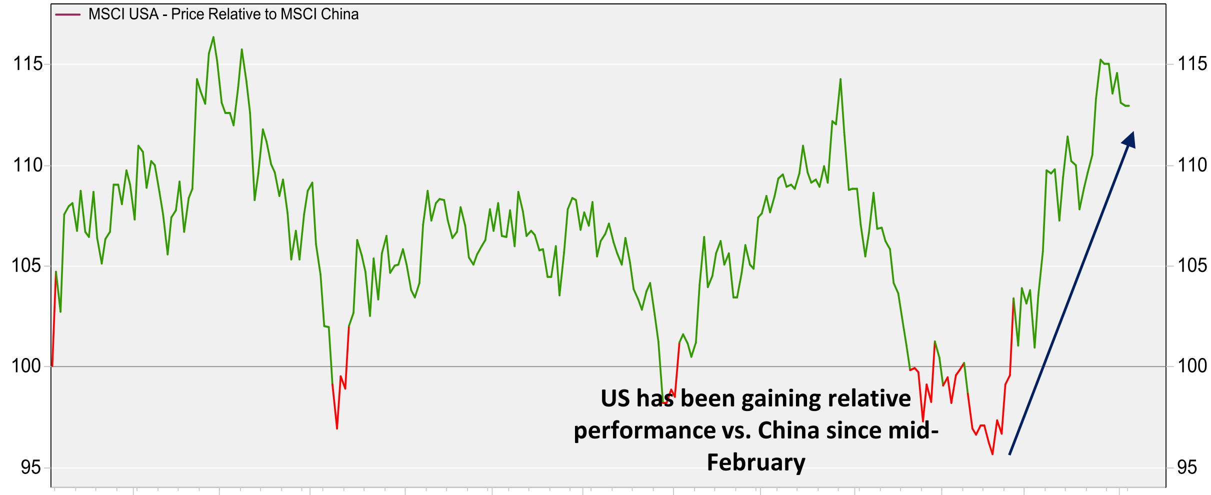


Source: FactSet and RJ Equity Portfolio & Technical Strategy

Stimulus + Supportive Fed+ Health Consumer= Strong GDP Growth

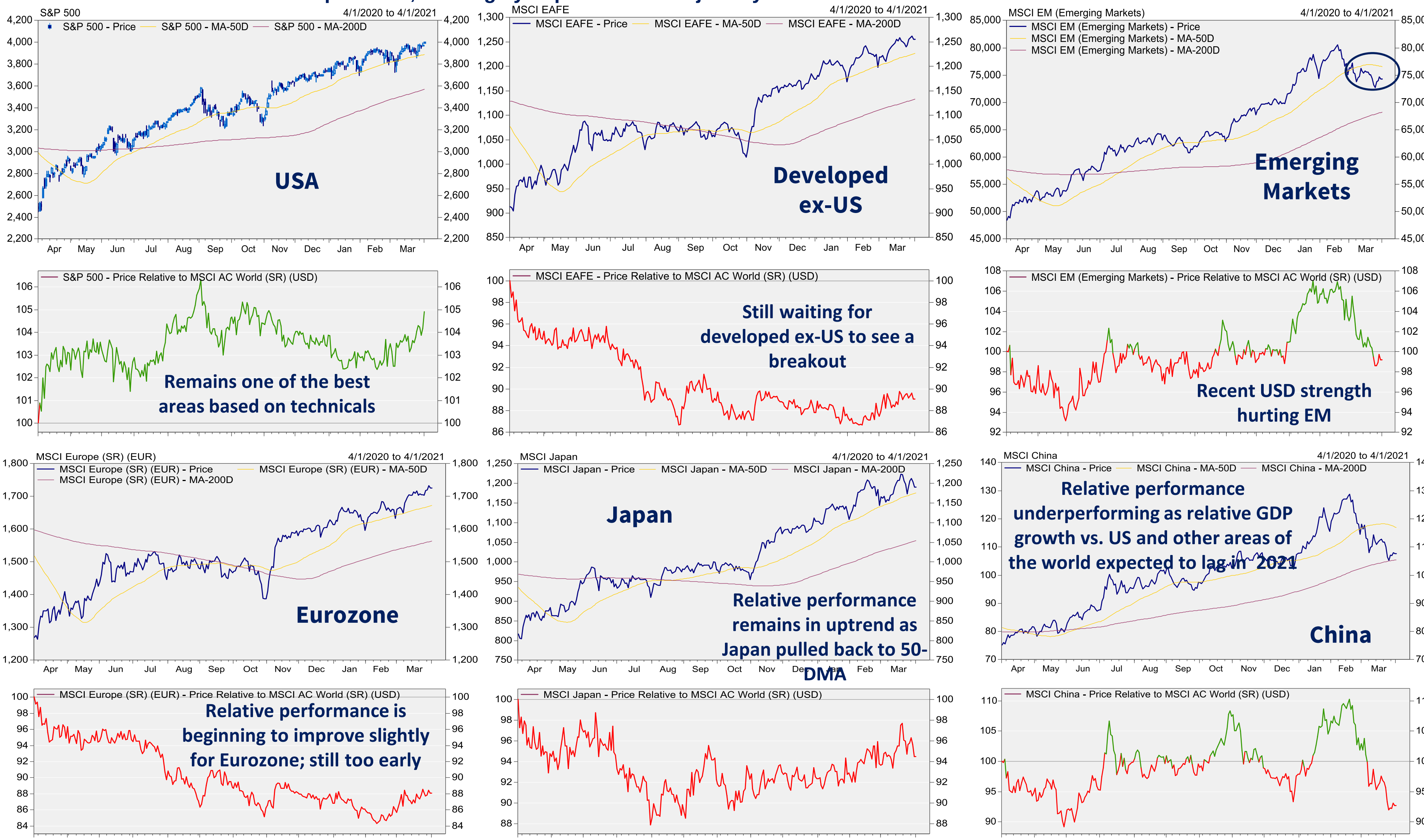
	Real GDP Growth (YoY%)		
	China	US	Difference
1993	14.5%	2.8%	11.7%
1994	12.7%	4.0%	8.7%
1995	11.1%	2.7%	8.4%
1996	10.2%	3.8%	6.5%
1997	9.8%	4.4%	5.4%
1998	7.5%	4.5%	3.1%
1999	8.2%	4.8%	3.4%
2000	8.1%	4.1%	4.0%
2001	7.4%	1.0%	6.4%
2002	8.2%	1.7%	6.5%
2003	9.5%	2.9%	6.7%
2004	9.6%	3.8%	5.8%
2005	10.2%	3.5%	6.7%
2006	11.1%	2.9%	8.3%
2007	13.2%	1.9%	11.3%
2008	9.1%	-0.1%	9.2%
2009	9.1%	-2.5%	11.7%
2010	10.4%	2.6%	7.8%
2011	10.4%	1.6%	8.9%
2012	7.9%	2.2%	5.6%
2013	7.8%	1.8%	5.9%
2014	7.1%	2.5%	4.6%
2015	22.3%	3.1%	19.3%
2016	6.8%	1.7%	5.1%
2017	6.9%	2.3%	4.6%
2018	6.7%	3.0%	3.8%
2019	6.1%	2.2%	3.9%
2020	2.2%	-3.5%	5.7%

Source: FactSet and RJ Equity Portfolio & Technical Strategy



Global Asset Allocation

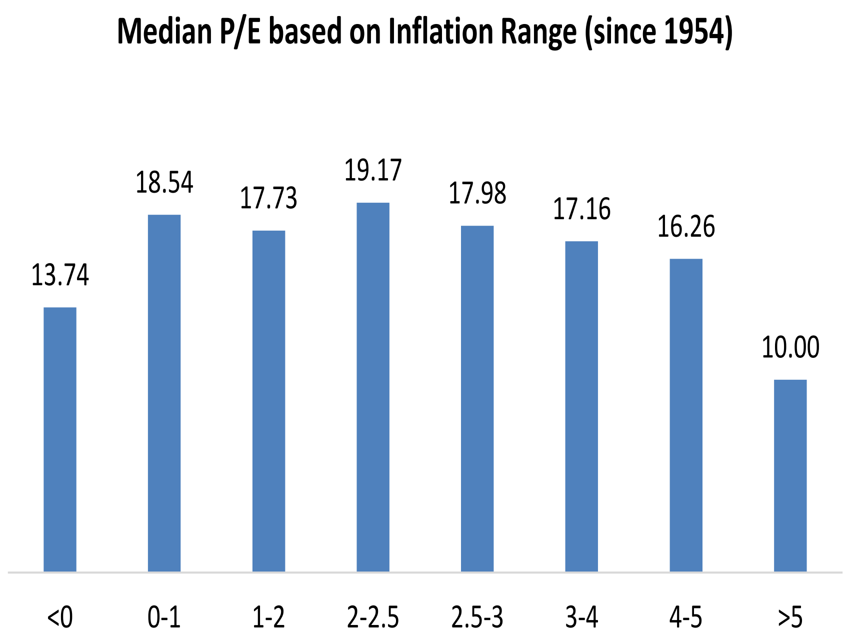
USA is still the best and EM has potential, but largely dependent on trajectory of USD

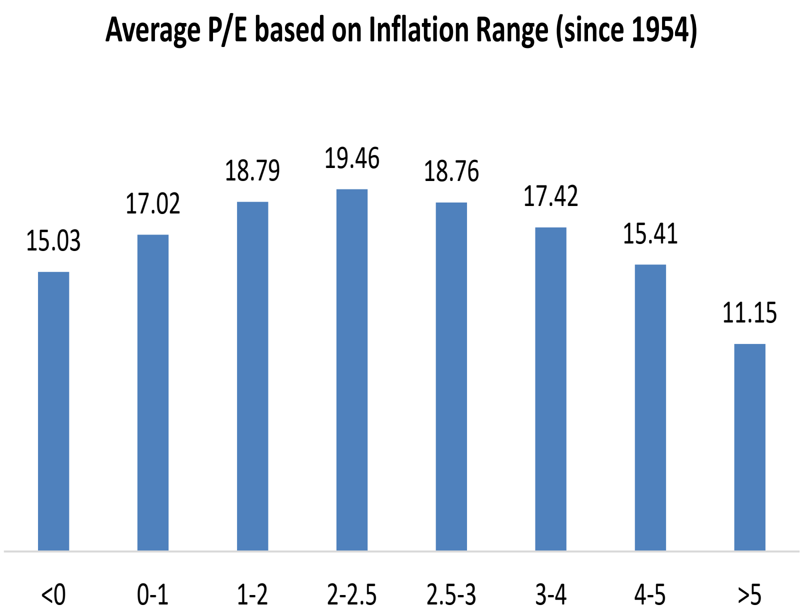


Source: FactSet and RJ Equity Portfolio & Technical Strategy

Inflation

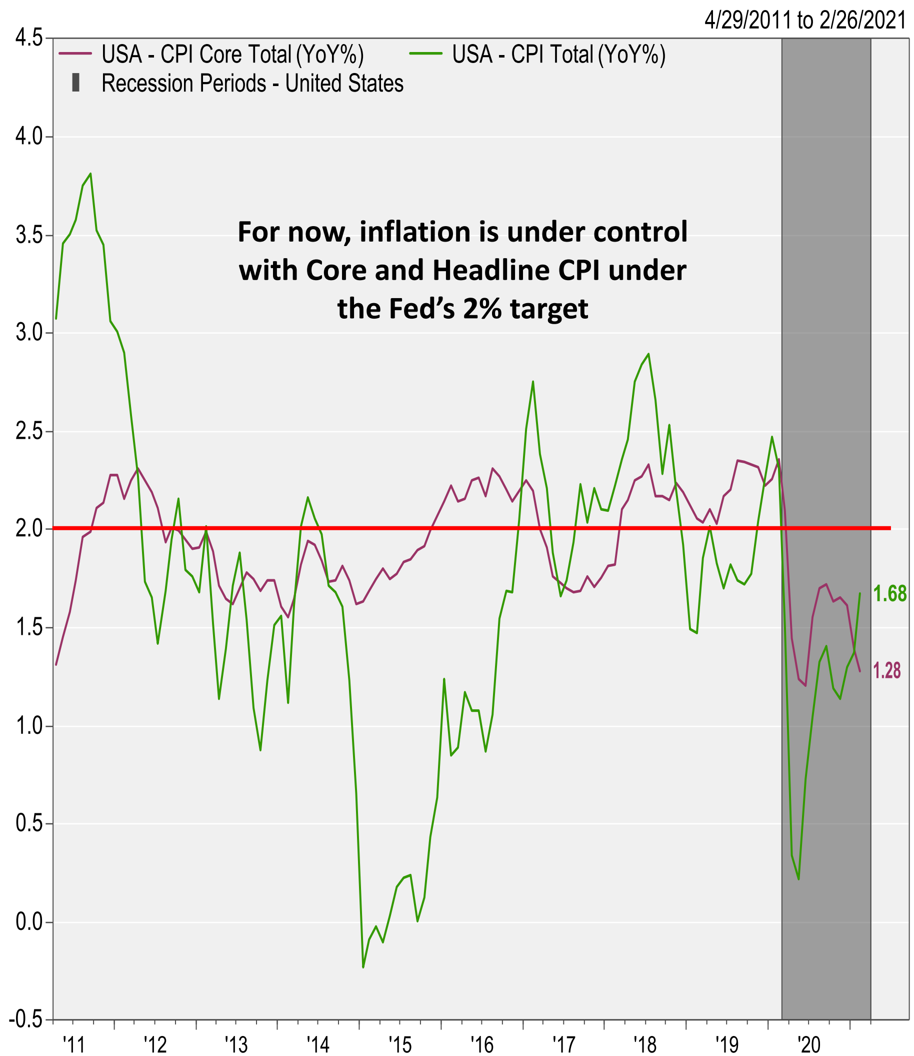
Higher inflation and deflation have historically pressured valuation. With inflation expectations on the rise, we will closely monitor inflation. For now, we see inflation as largely contained, but if inflation starts to get over 3%, we could see some more significant moderation to earnings.

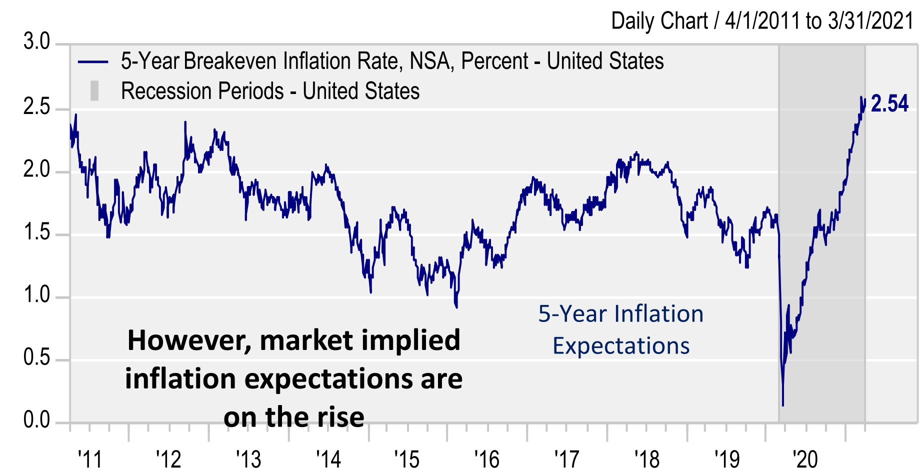


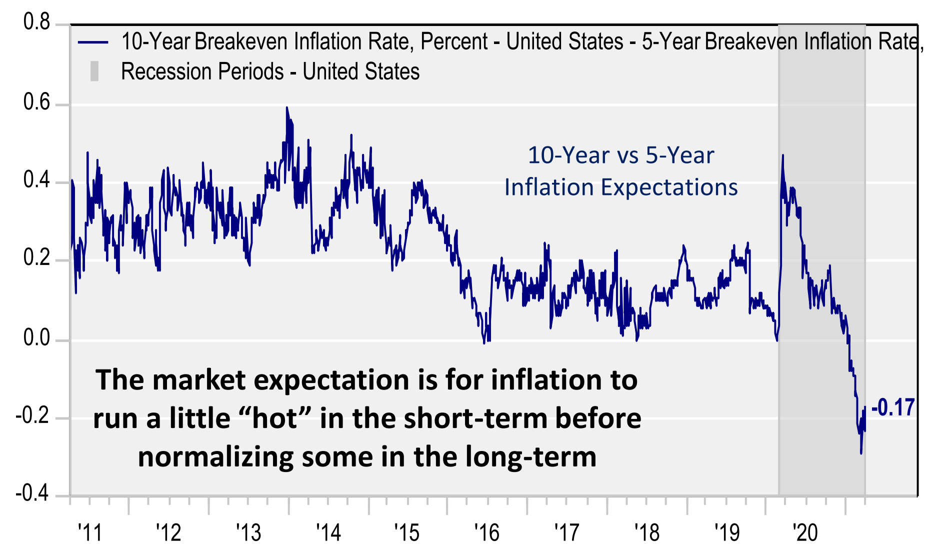


Source: FactSet and RJ Equity Portfolio & Technical Strategy

Inflation

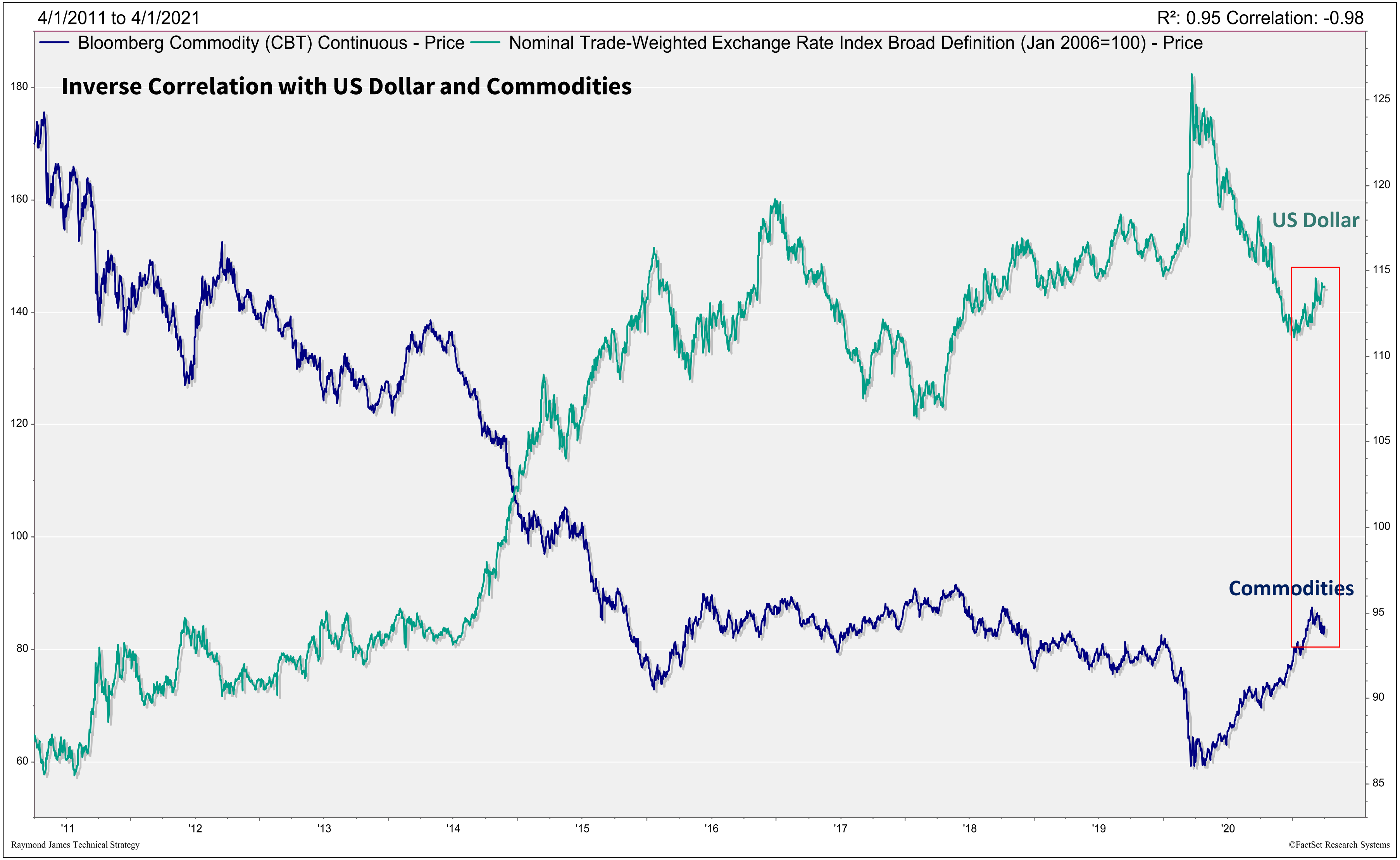






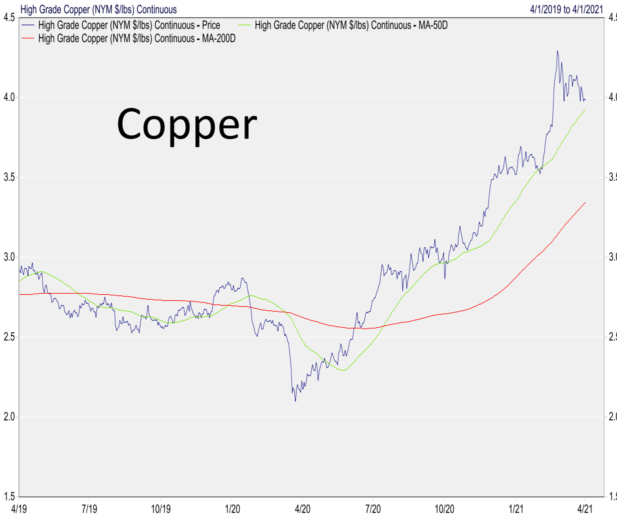
Source: FactSet and RJ Equity Portfolio & Technical Strategy

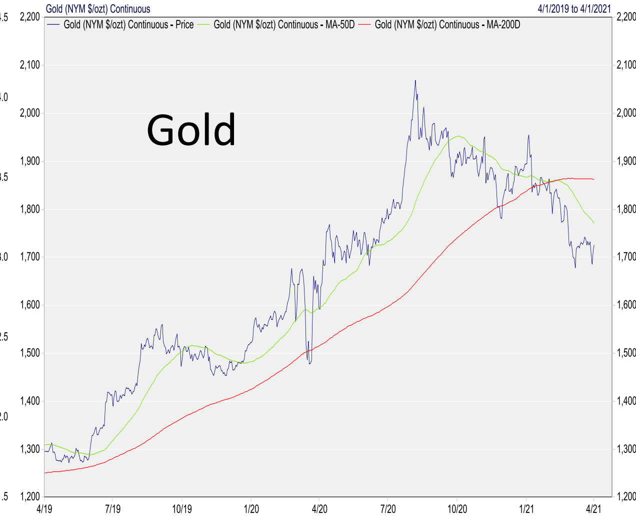
Inflation

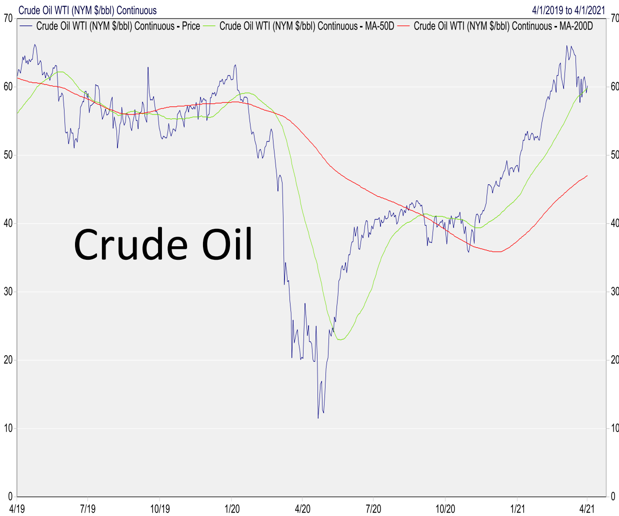


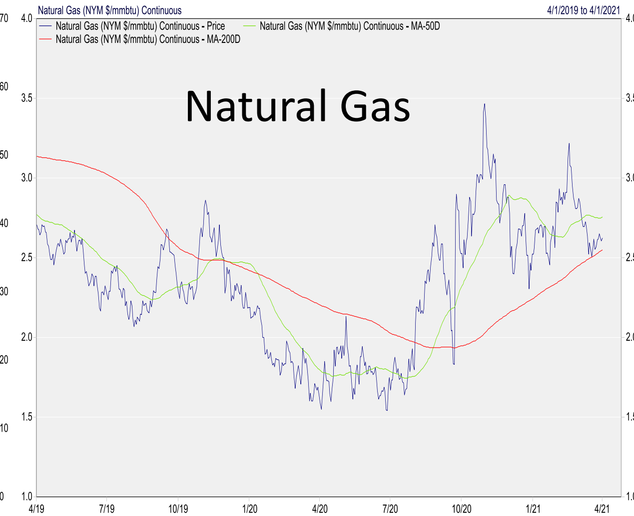
Source: FactSet and RJ Equity Portfolio & Technical Strategy

Inflation- Commodities



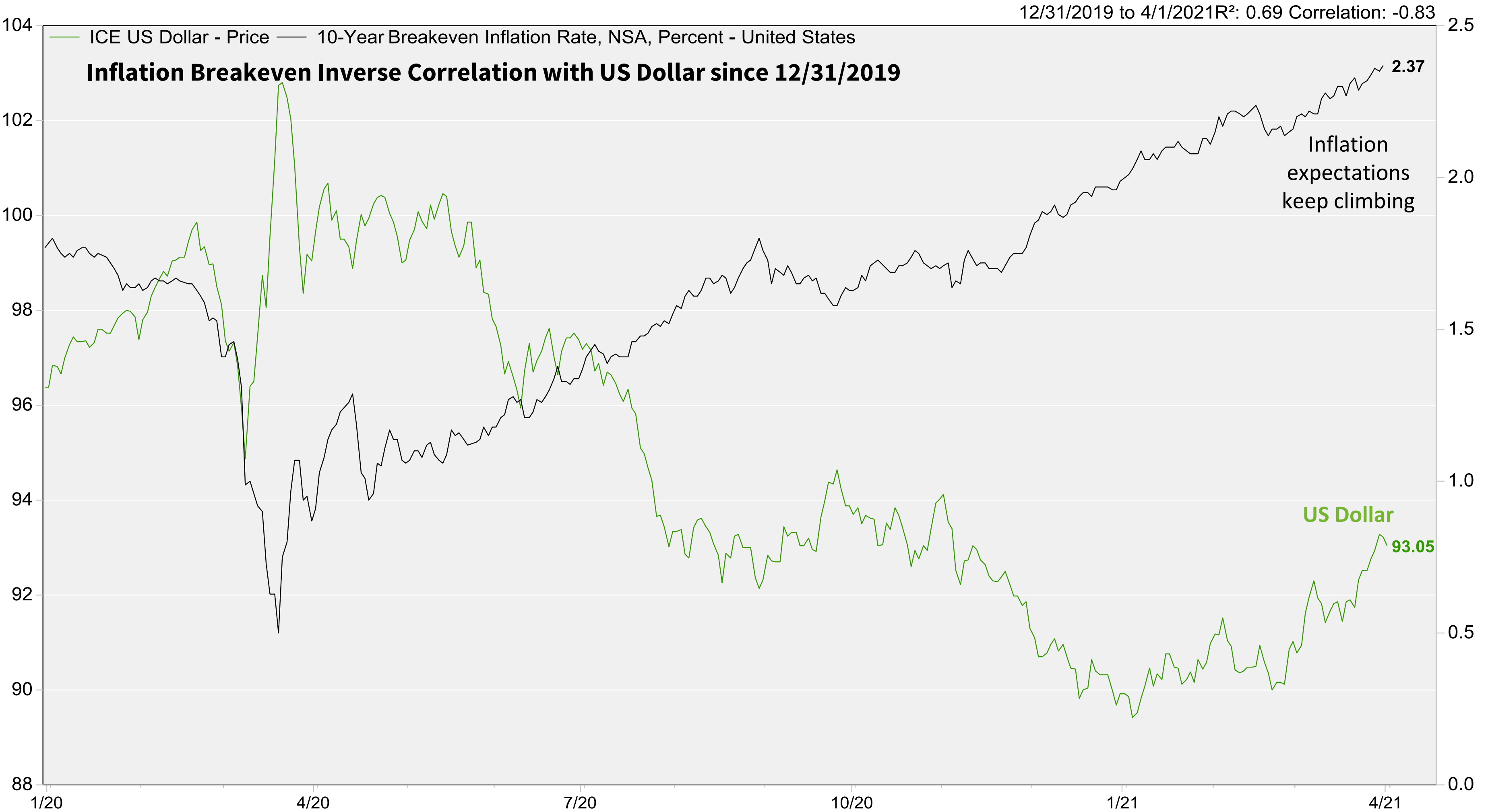






Source: FactSet and RJ Equity Portfolio & Technical Strategy

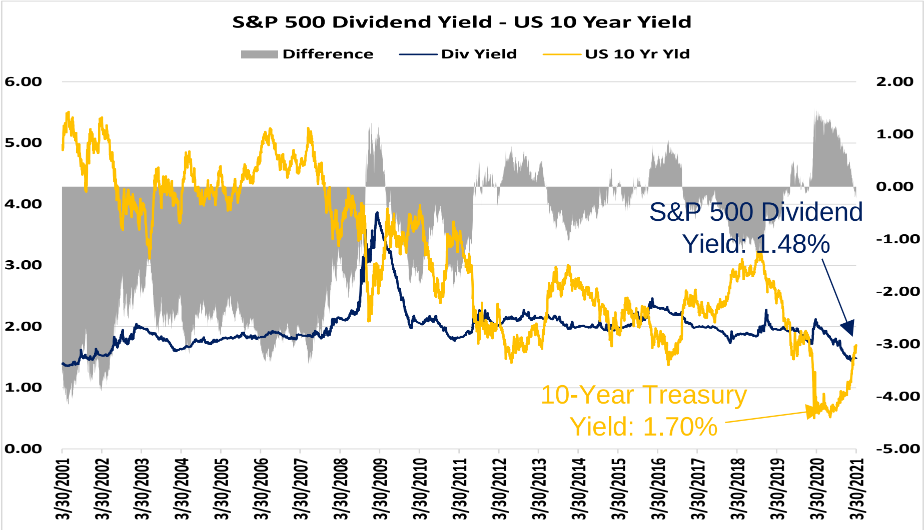
Inflation

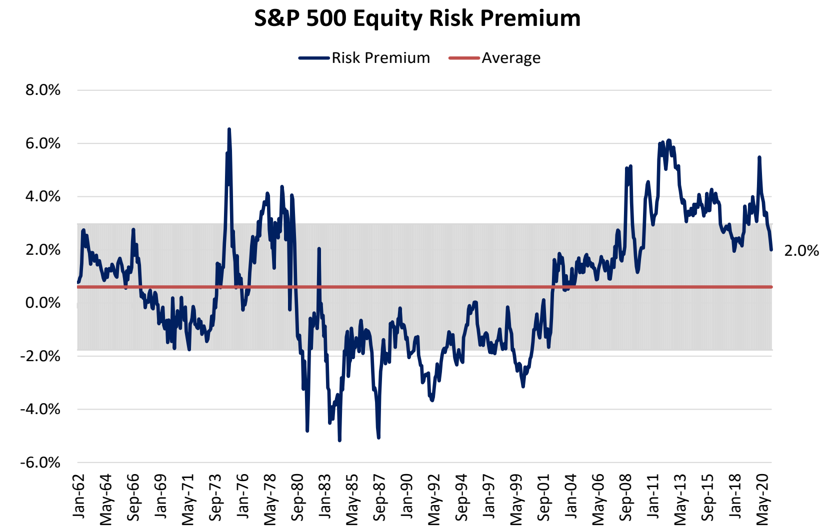


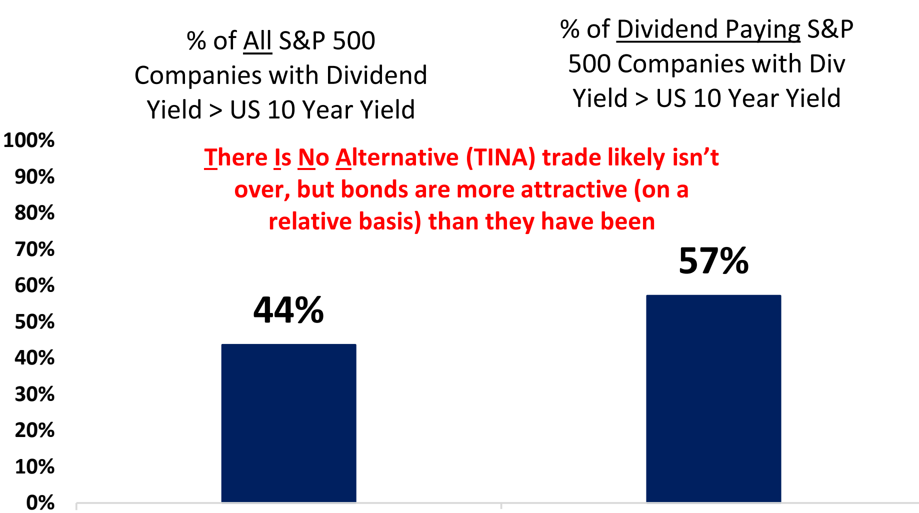
Source: FactSet and RJ Equity Portfolio & Technical Strategy

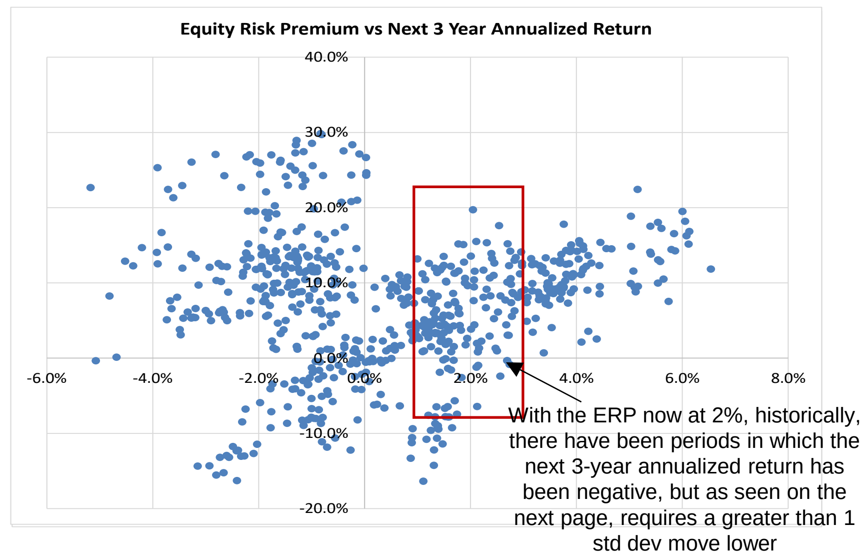
Valuation

Is the TINA trade over?





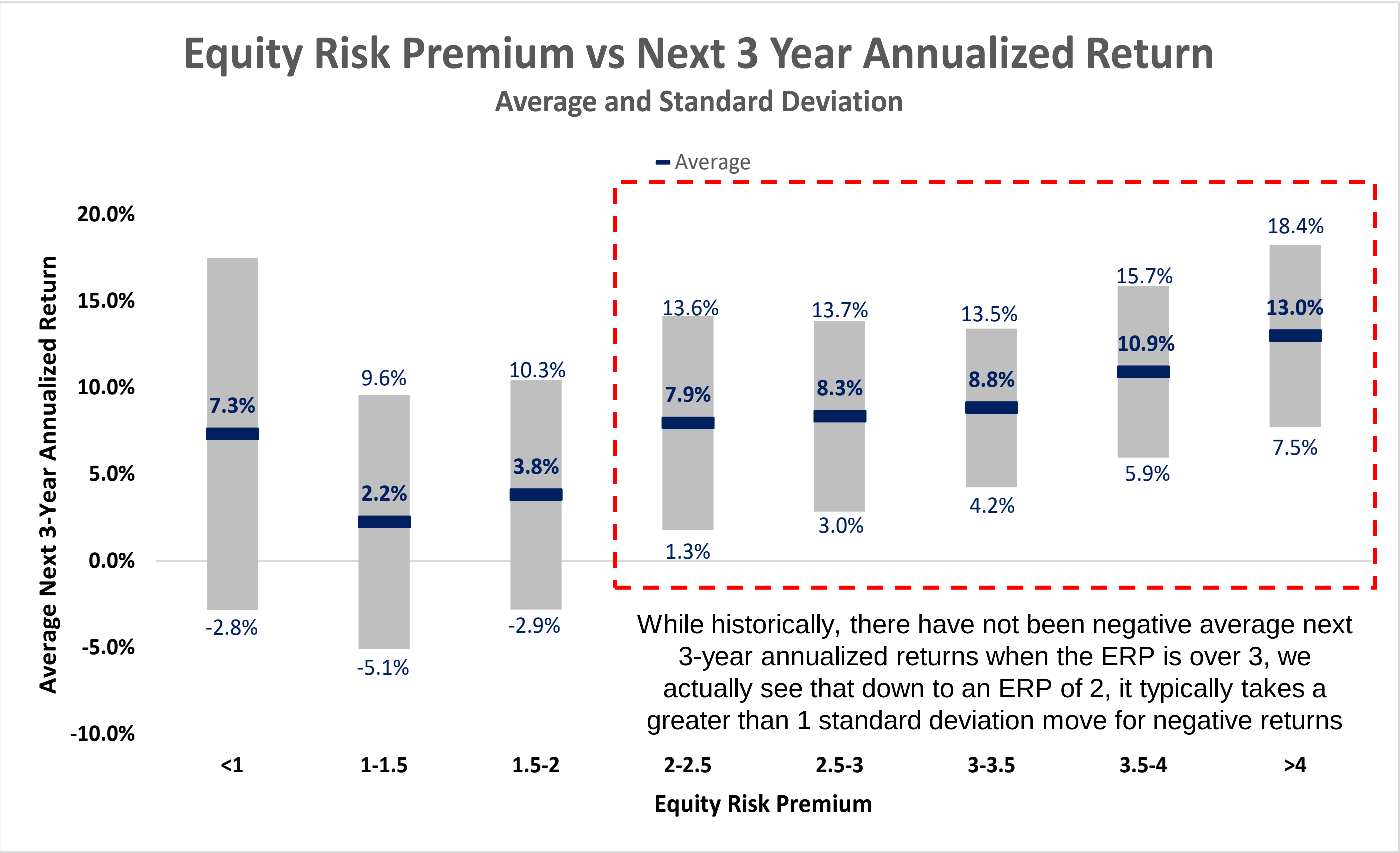




Source: FactSet and RJ Equity Portfolio & Technical Strategy

Equity Risk Premium- excess return expected by investing in equities over the 10-year Treasury; calculation: earnings yield (earnings divided by price) subtracted from 10-year Treasury yield

Equities Remain Attractive vs. Bonds



Scenario Analysis

Even in our upside case estimate
Earnings Yield: 4.5%
($190 in EPS/Price Target of 4180)

10-Year Interest Rate would need to **go over 2.5% (for ERP to be under 2%)** for the next 3-year annualized return to be negative without a greater than one standard deviation move lower

Thus, long-term, future absolute returns may be lower, equities can still achieve attractive returns relative to bonds

Source: FactSet and RJ Equity Portfolio & Technical Strategy

Supplemental Slides

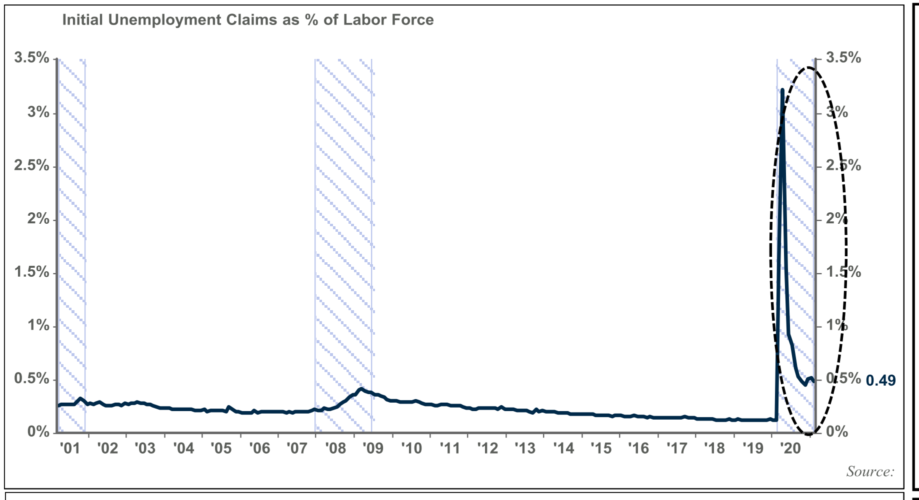
Supplemental Pages

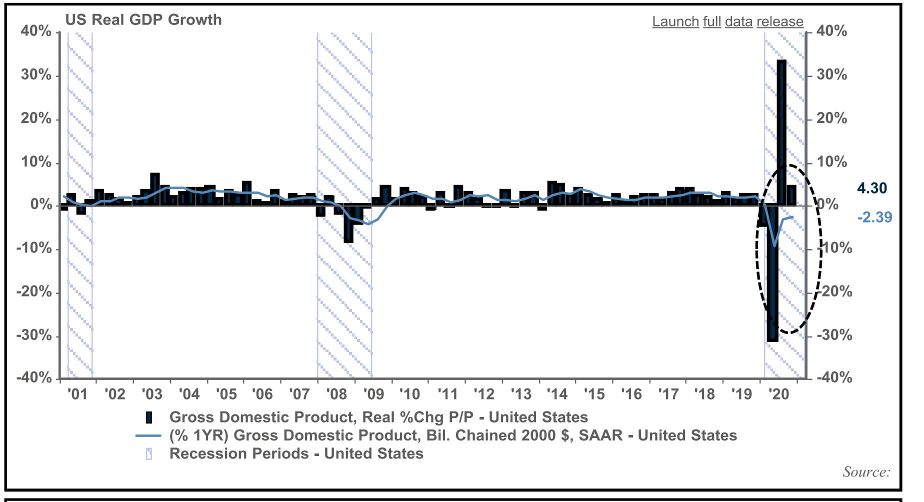
Stat Pack Estimates (March 31, 2021: S&P 500 3,972.89)

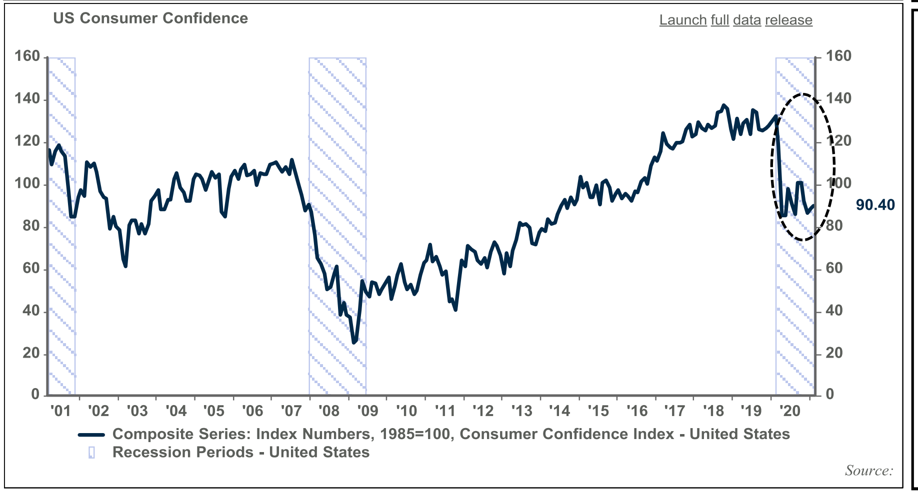
Stat Pack of Forecasts		
	2021 Estimates	2022 Estimates
Consensus EPS S&P 500[1]	$174.39 (Bottom up- Analysts) $181.17 (Top down- Strategists) $190- RJ estimate (base case)	$200.63 (Bottom up- Analysts) $203.32 (Top down- Strategists) $220- RJ estimate (base case)
EPS Growth S&P 500	26.4% bottom up; 31.3% top down	15.0% bottom up; 12.2% top down
Margins (EPS/Sales-using bottom up est.)	11.9% E(consensus[1])	12.8% E (consensus[1])
EPS if Margins stay flat (high probability from elevated levels)		$186.59 (based on consensus revenues)
GDP	Fed 6.5%; Consensus 5.7%	Fed 3.3%; Consensus 4.0%
CPI	Headline 2.4%[1]	Headline 2.2%[1]
PCE (Personal Consumption Expenditures)	1.8% (ex-F&E)[1]	1.9% (ex-F&E)[1]
Dividend/Dividend Growth S&P 500	$58.72[1] +4.0% Payout ratio: 33.7% (of bottom up est.)	$62.60[1] +6.6% Payout ratio: 31.2% (of bottom up est.)
Revenue Growth Per Share S&P 500 (only bottom up available)	+9.6% ($1,471.22/share[1])	+6.6% ($1,568.02/share[1])
P/E	~22.8x[2]	~19.8x [2]
Earnings Yield S&P 500	4.4% (using bottom up est.)	5.0% (using bottom up est.)
Fed Funds (average)	0.25[1]	0.35[1]
10 Year Treasury Yield	1.71%[1]	2.02%[1]

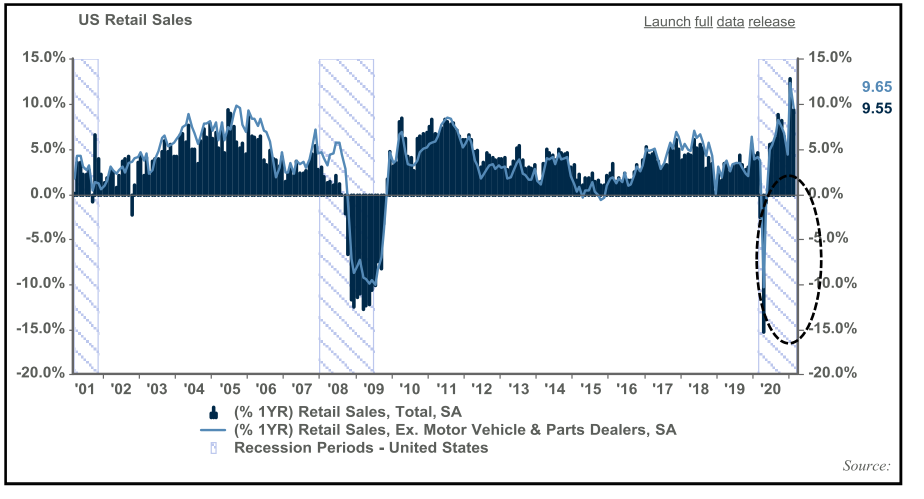
[1] FactSet;
[2] Current PE based on consensus 2020 and 2021 bottom up estimates

U.S. Economic Conditions Reflect Immediate and Significant Impact from COVID-19





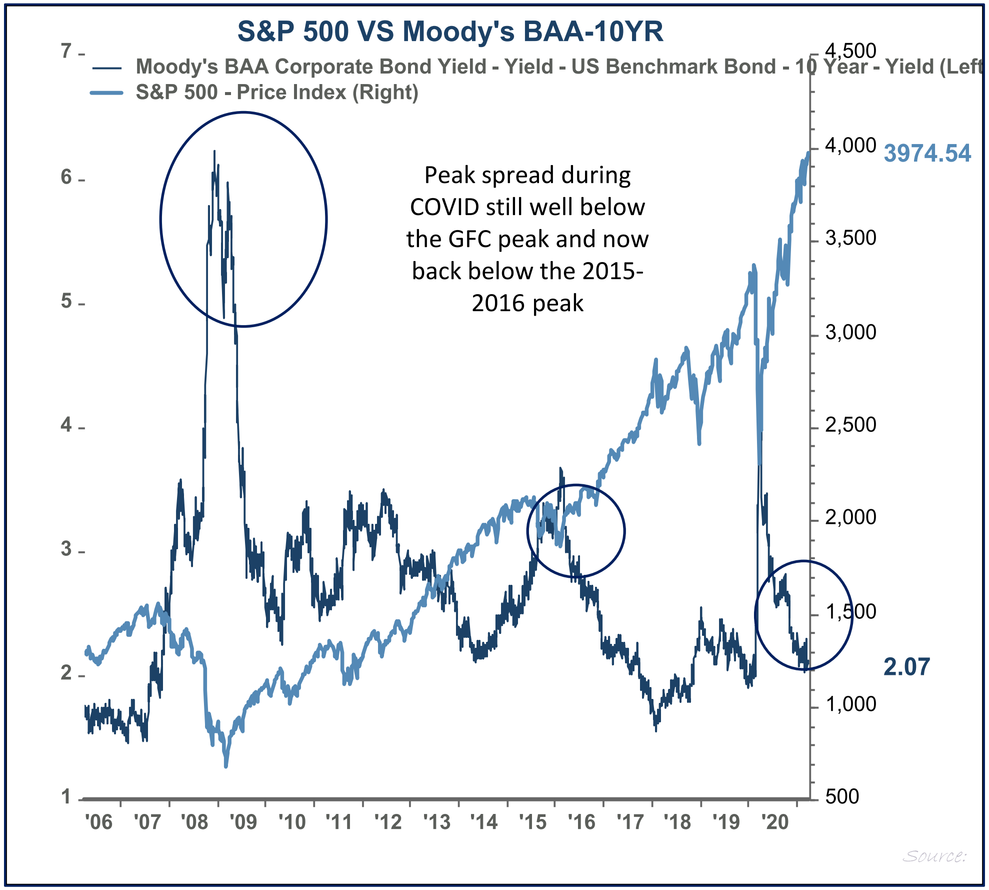


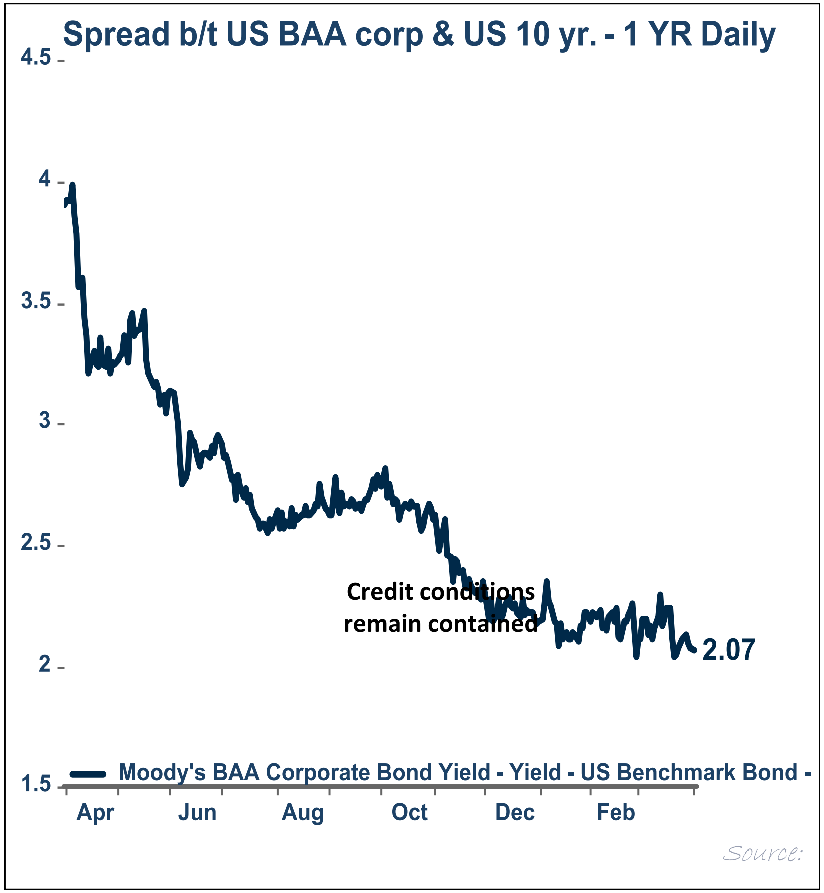


Source: FactSet, RJ Equity Portfolio & Technical Strategy

Credit Conditions

The credit markets remain contained after seeing an uptick during the height of the pandemic. The Fed remains supportive of narrow spreads. Overall, credit conditions remain relatively contained, well below the peak seen in March 2020. We will continue to keep a keen eye on the credit markets for signs of further deterioration, but as of now, despite some lingering risks, we are not overly concerned.

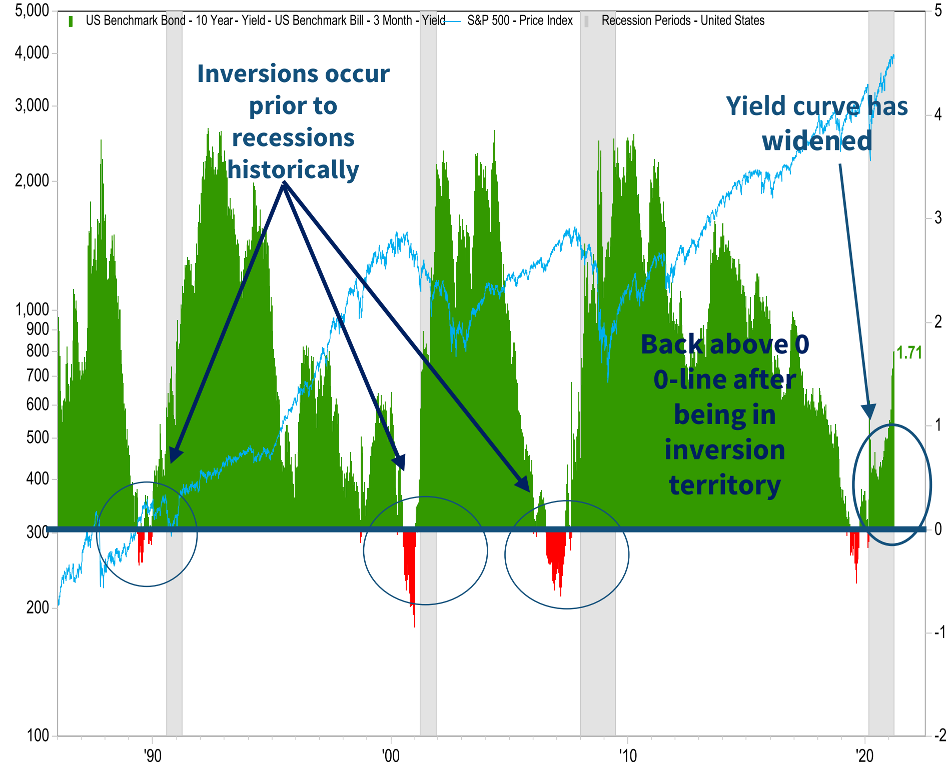




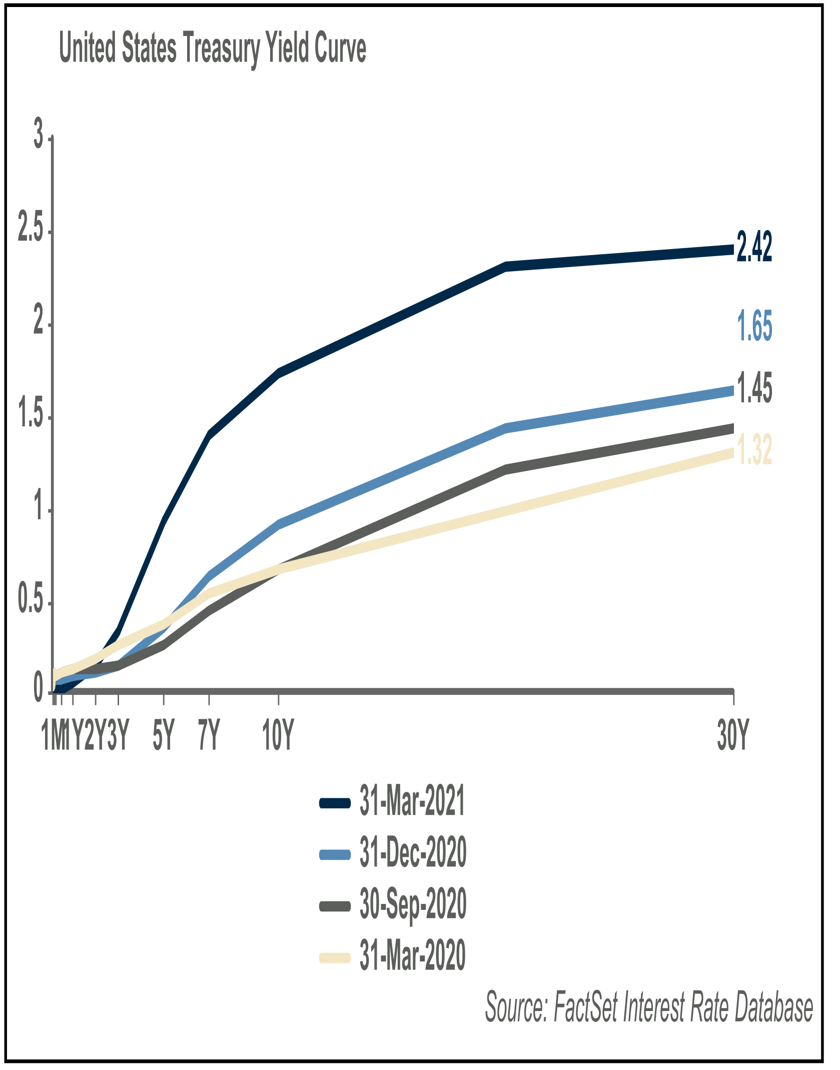
Source: FactSet, RJ Equity Portfolio & Technical Strategy

2021: Areas to Watch: Inversion of Yield Curve

The swift move by the Fed to lower rates (after the yield curve inverted again) has pushed the spread between the 10-year and 3-month back into positive territory. A narrowing of the yield curve would likely be negative for the Financial sector and Value index.

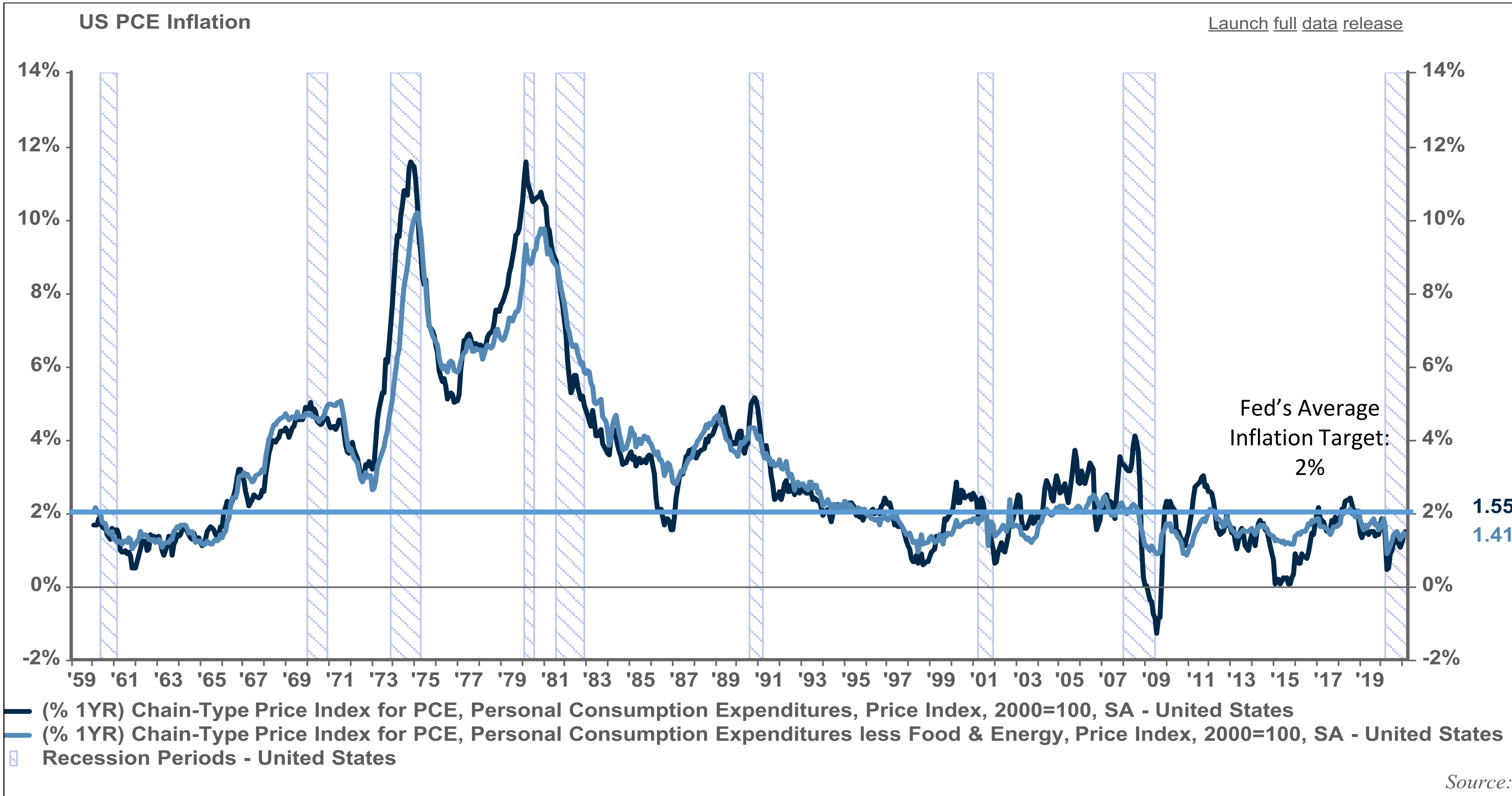


Source: FactSet, RJ Equity Portfolio & Technical Strategy



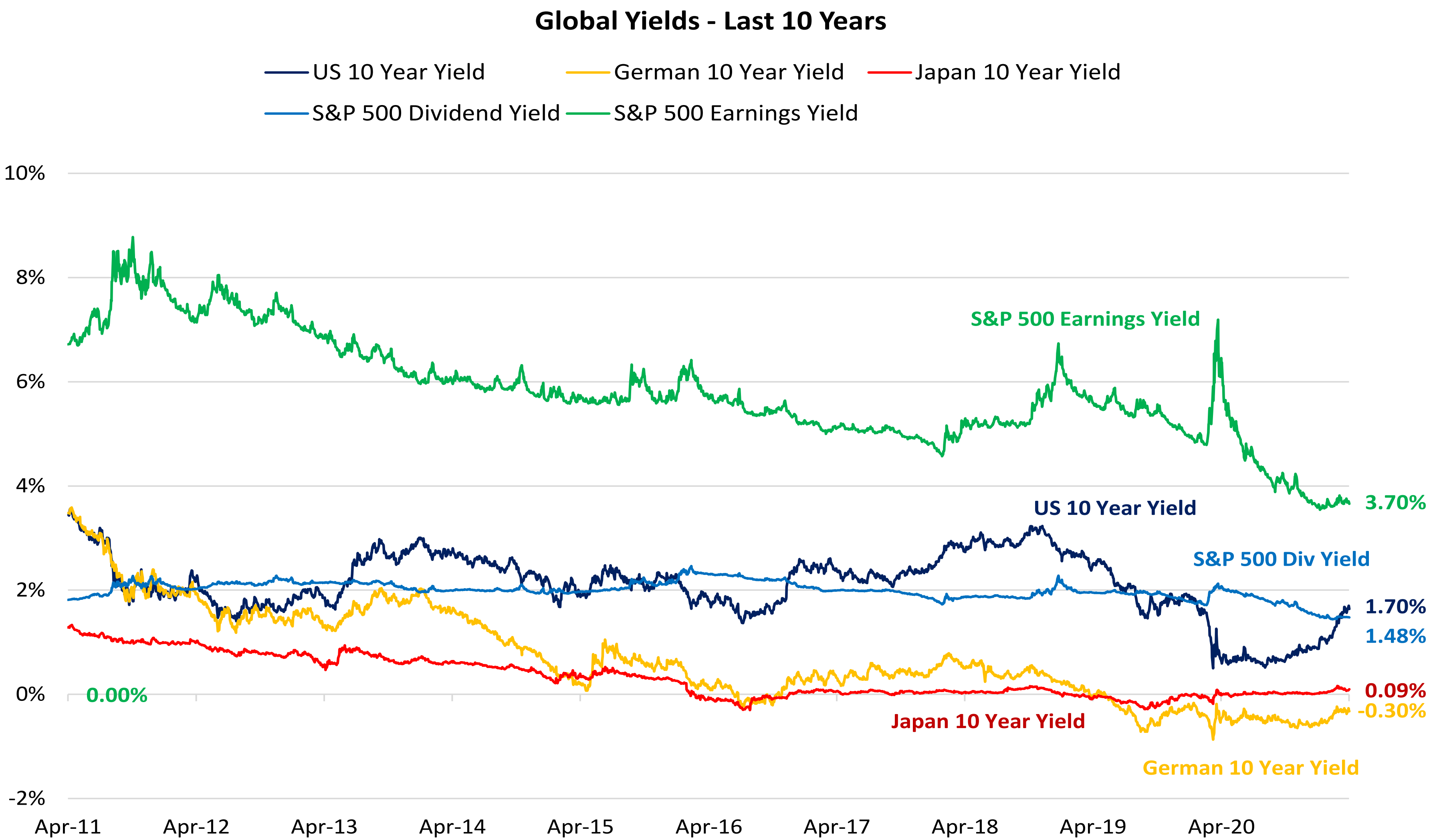
2021: Areas to Watch: Inflation

Currently, the risk of inflation remains low. Inflation continues to be below the Fed's average inflation target rate of 2%. However, with the Fed essentially turning on the printing press and a significant amount of fiscal stimulus, once the US emerges from the coronavirus lock-down, this will be something to keep an eye on.



Source: FactSet, RJ Equity Portfolio & Technical Strategy

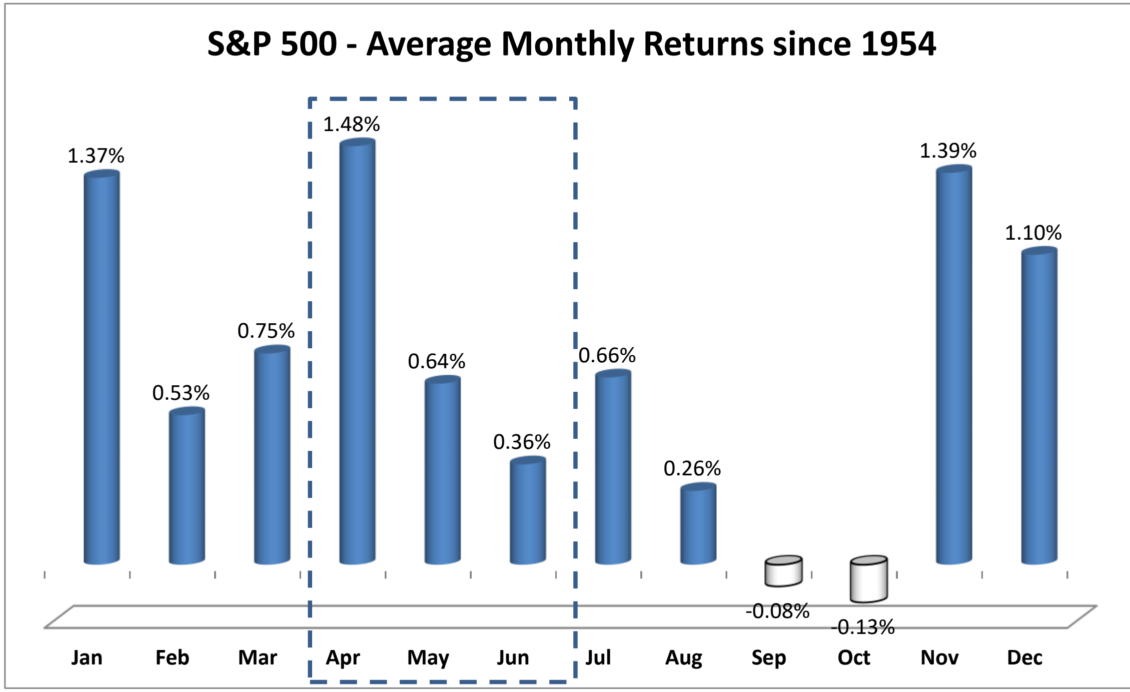
Yields Around the Globe

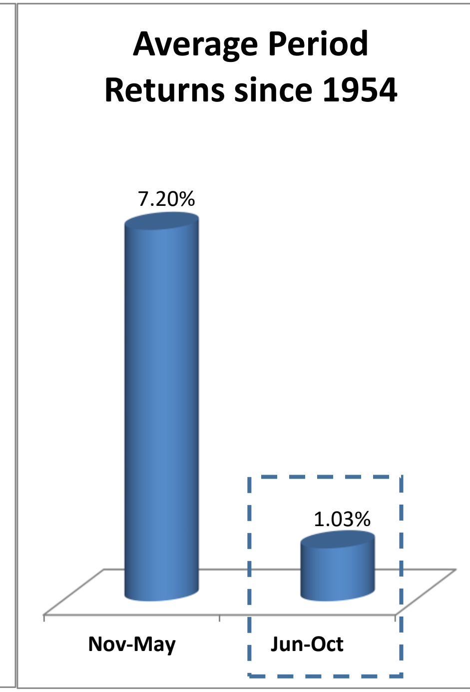


Source: FactSet, RJ Equity Portfolio & Technical Strategy

Seasonality

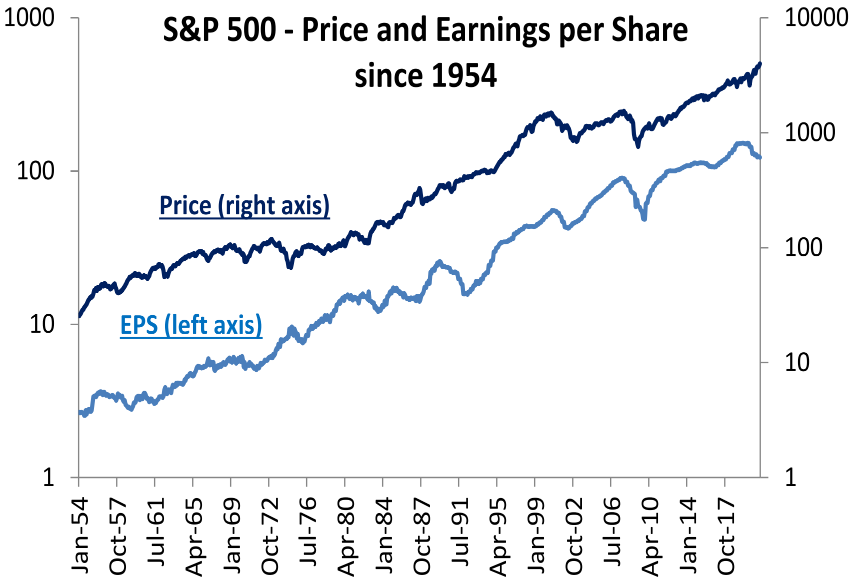
While we do not recommend making investment decisions on the calendar alone, we are beginning to transition into calendar period when equity returns historically have been weaker.

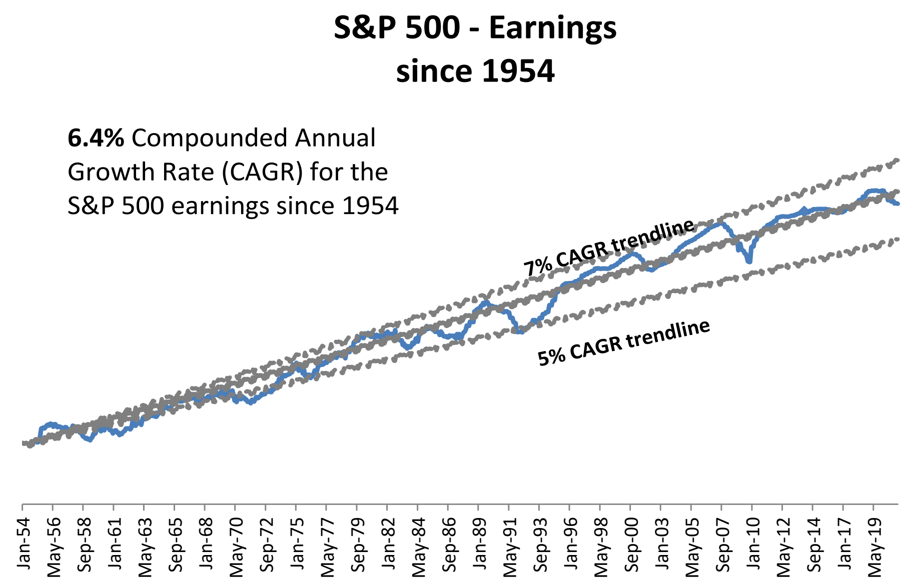




Source: FactSet, RJ Equity Portfolio & Technical Strategy

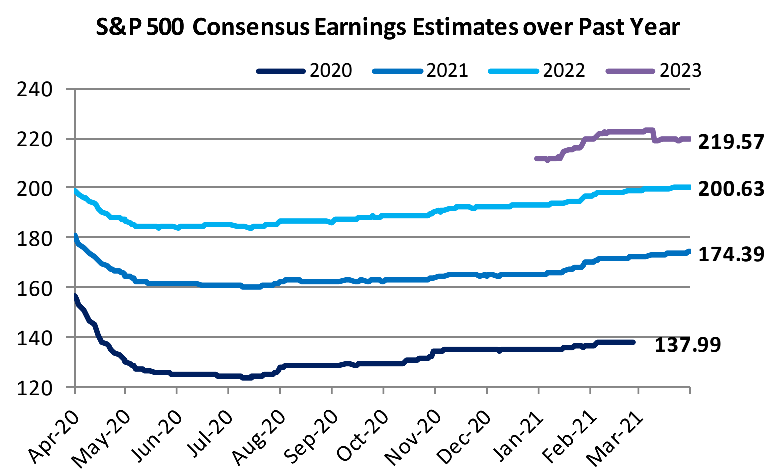
S&P 500 Earnings – Long-Term Mother's Milk of the Market





S&P 500 since 1954:

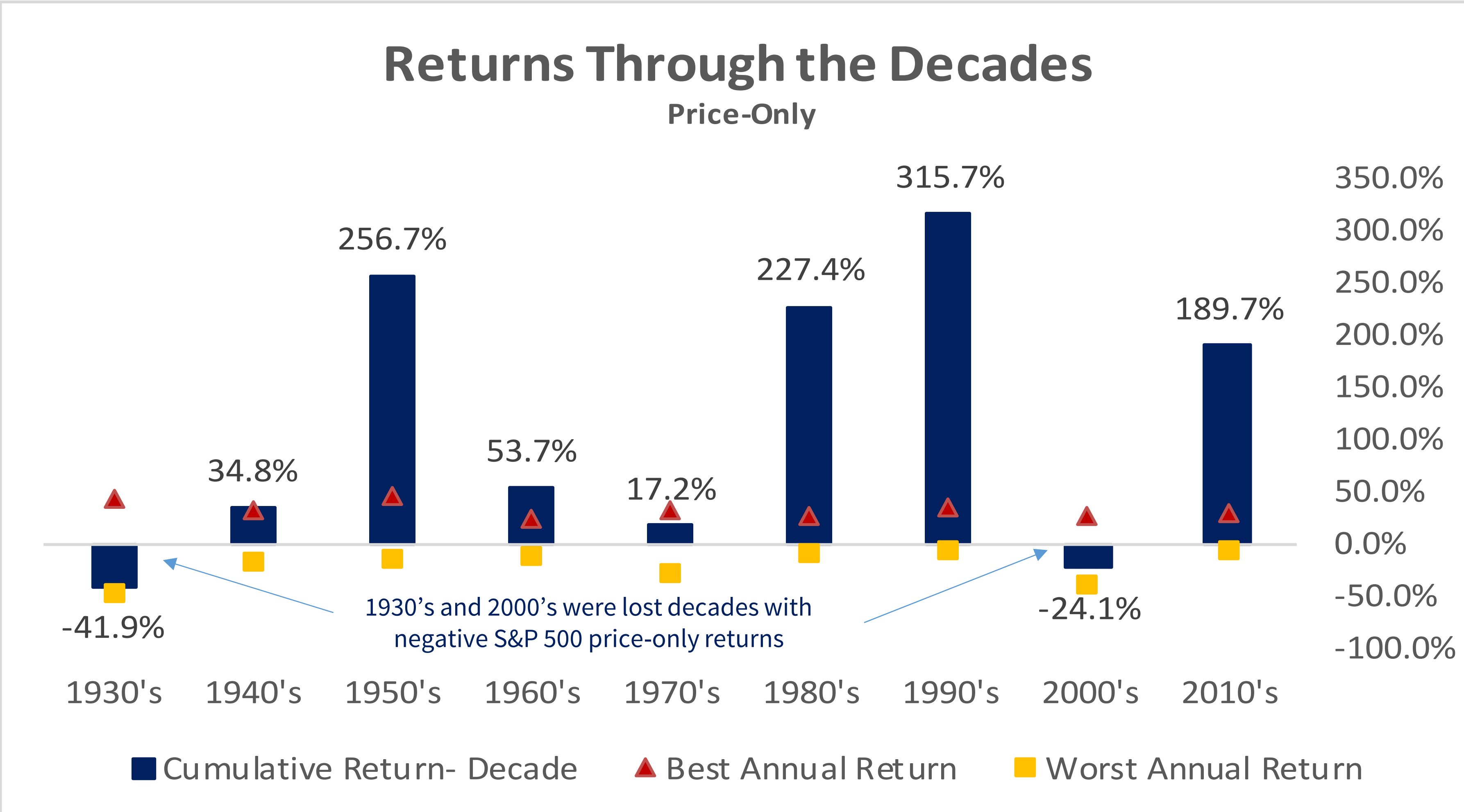
- **Earnings CAGR**: 6.4%
- **S&P 500 Price CAGR**: 7.6%



EPS Growth Estimates	
2020	-14.0%
2021	26.4%
2022	15.0%
2023	9.4%

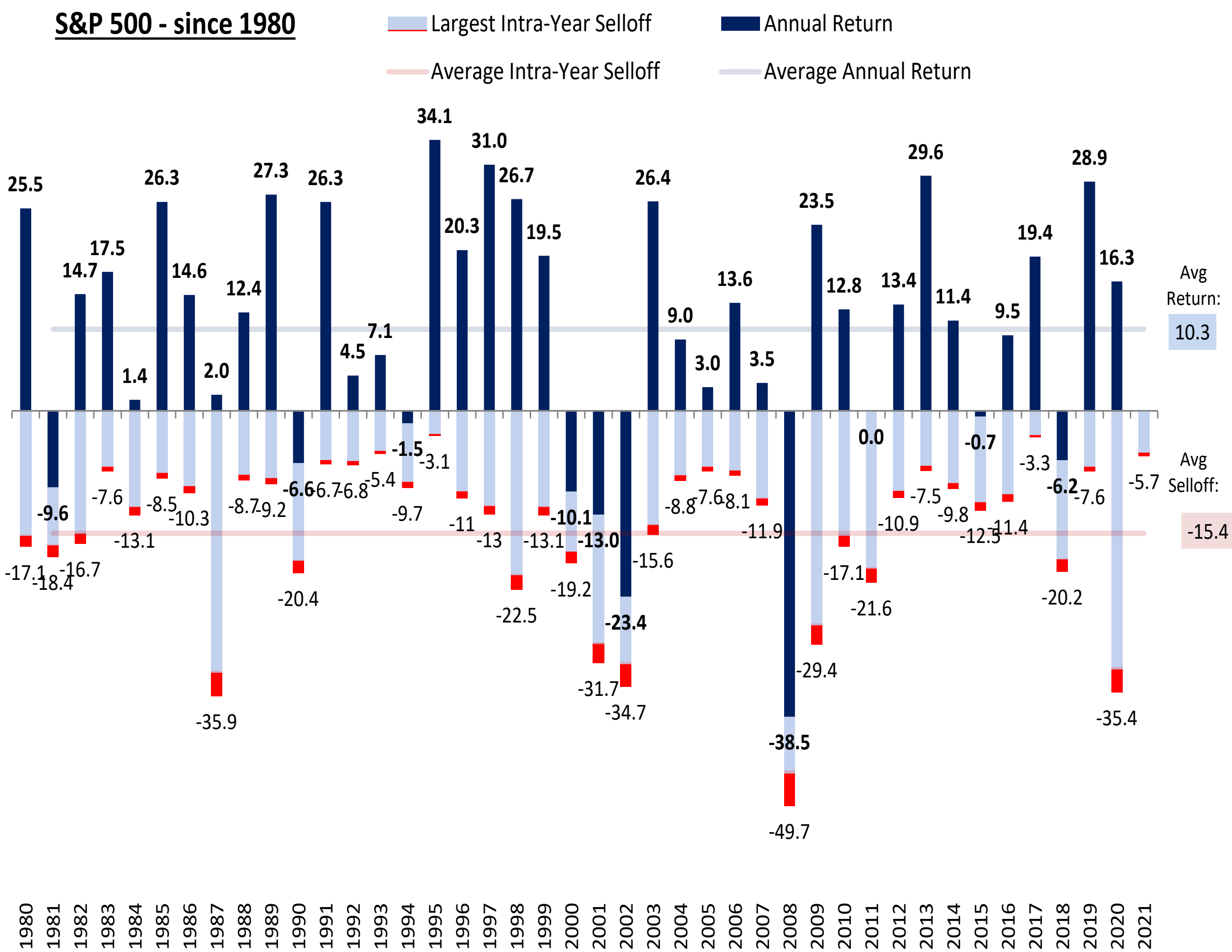
Source: FactSet, RJ Equity Portfolio & Technical Strategy

Returns Through the Decades



Source: FactSet, RJ Equity Portfolio & Technical Strategy

Market Selloff Stats

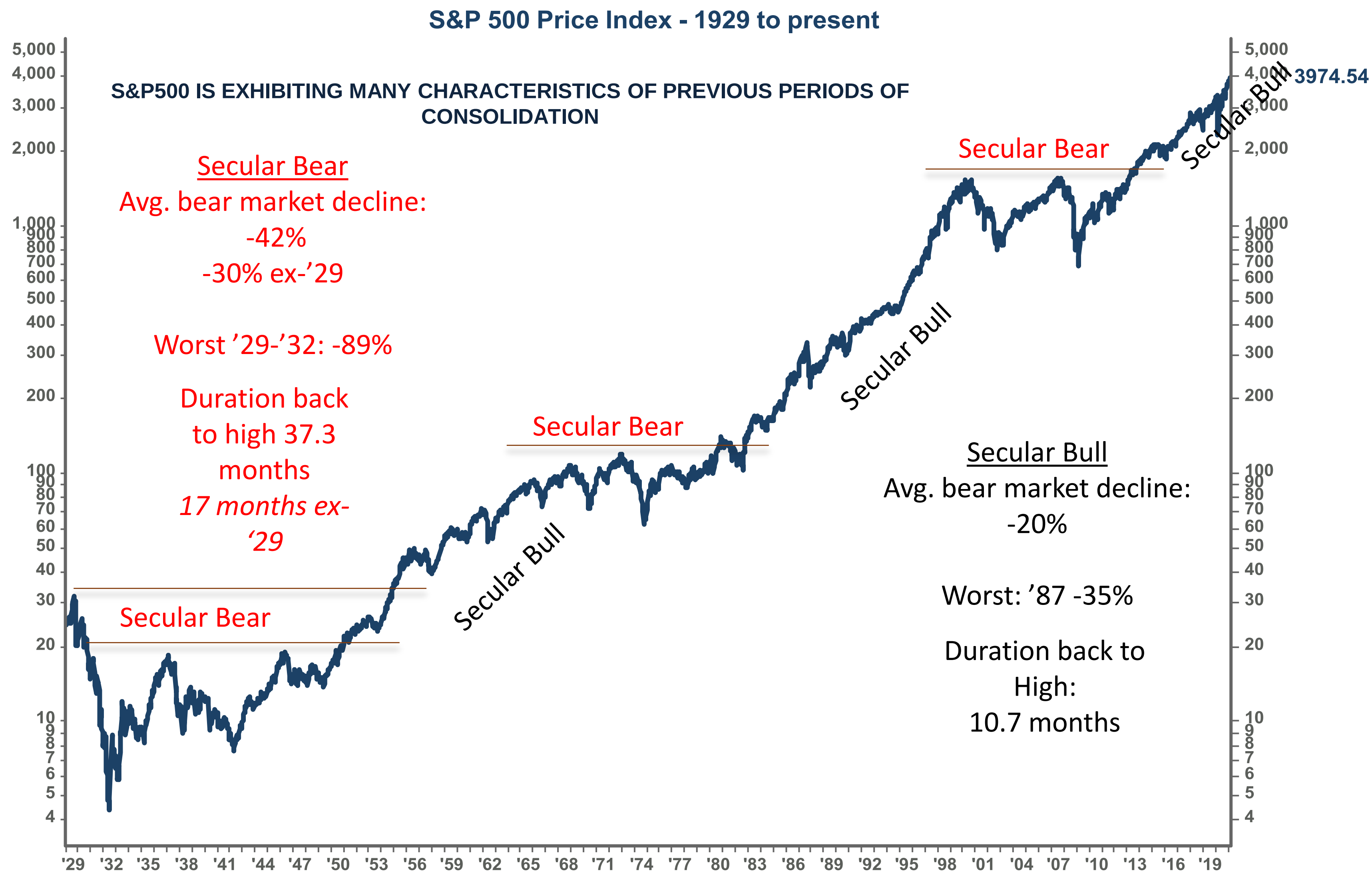


Selloffs are common:

- Average Largest Intra-year selloff: -14.9%
- Ex-bear market years still normal to get 8-12% drawdown intra-year
- Average Annual return is : +10.1%

Source: FactSet, RJ Equity Portfolio & Technical Strategy

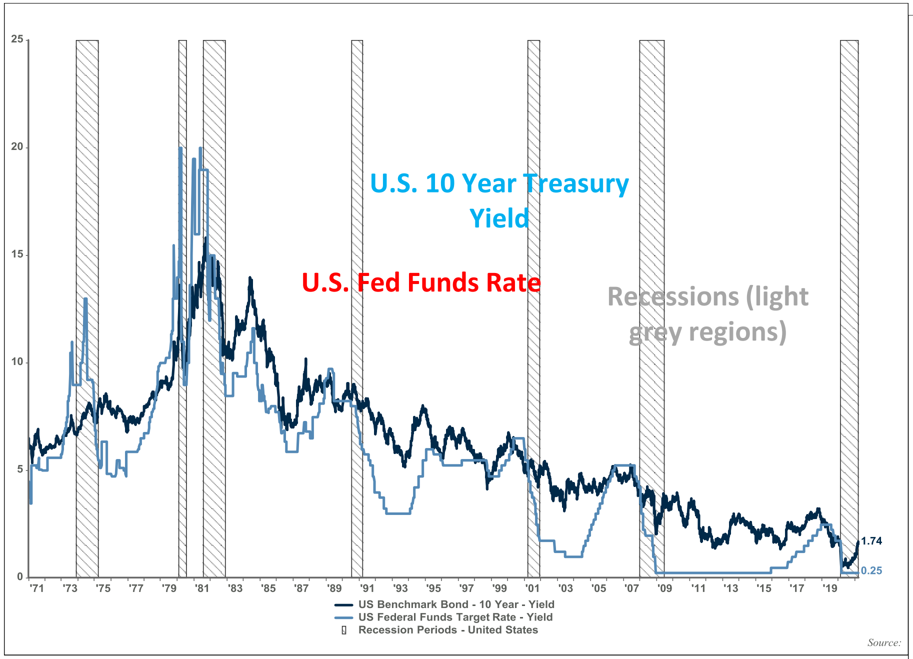
Secular Bull and Bear Markets

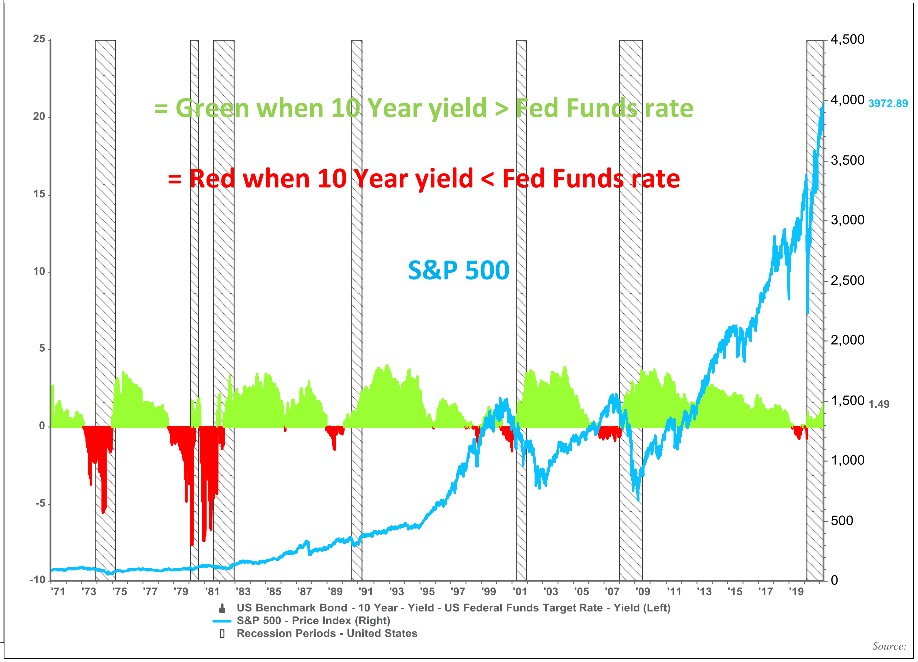


Source: FactSet, RJ Equity Portfolio & Technical Strategy

U.S. 10 Year Yield vs US Fed Funds Rate, since 1970

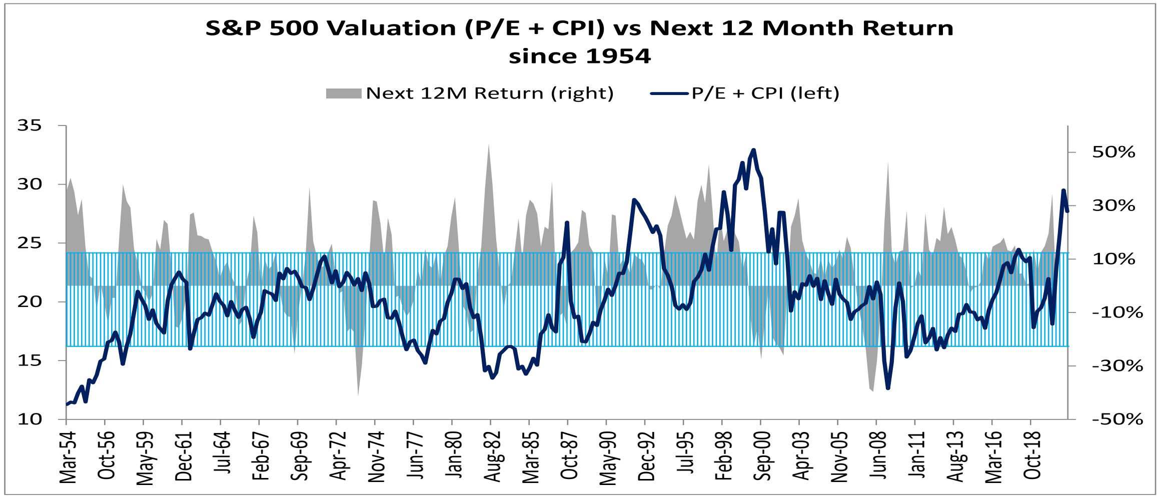
Note that when the Fed Funds rate lifts above the 10 -year Treasury yield (i.e. inverted yield curve—chart on right), recessions often follow. For this reason, yield curve flattening is a major concern. As you can see, the yield curve has remained above zero despite low interest rates on the 10-year yield.

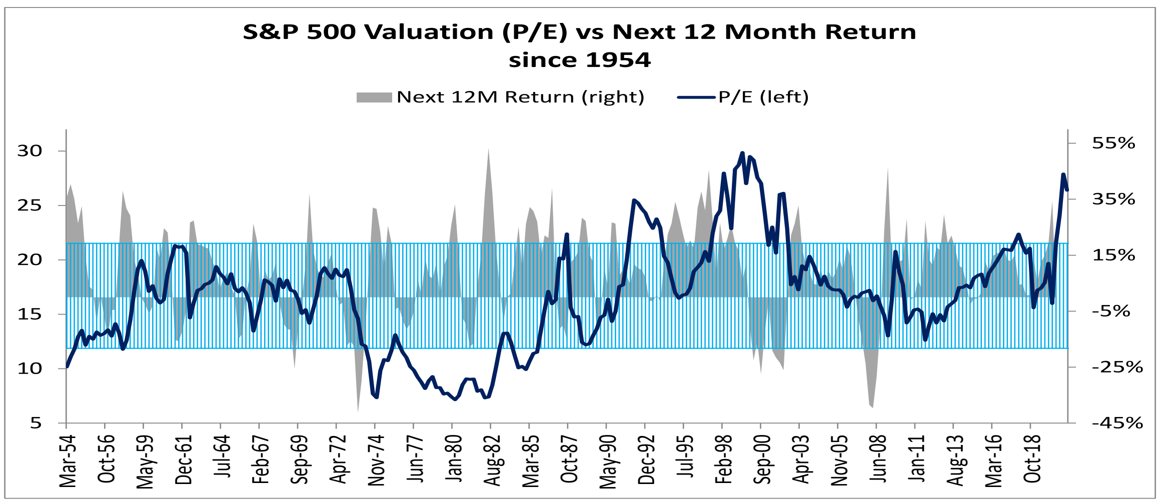




Source: FactSet, RJ Equity Portfolio & Technical Strategy

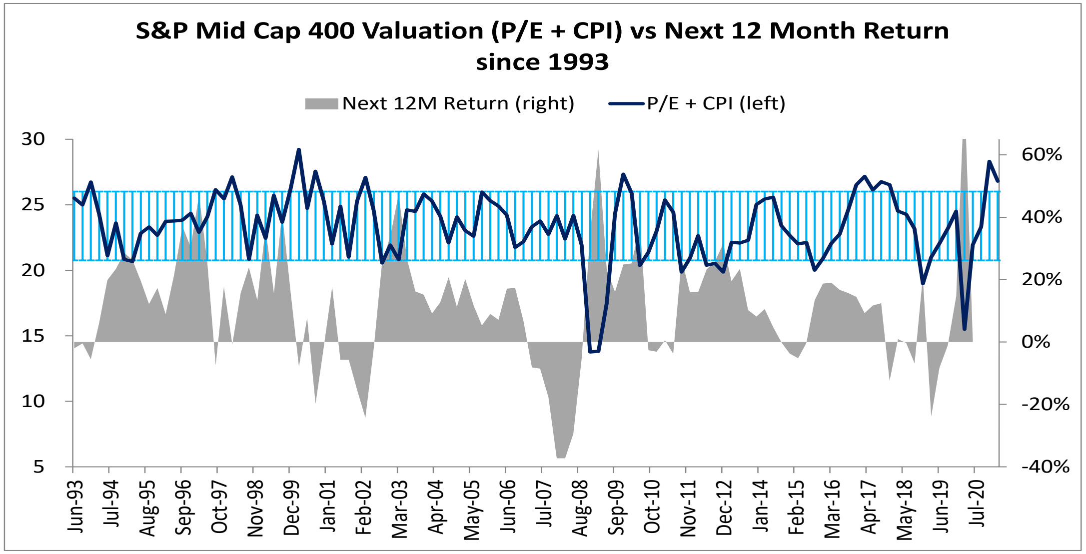
S&P 500 Valuation

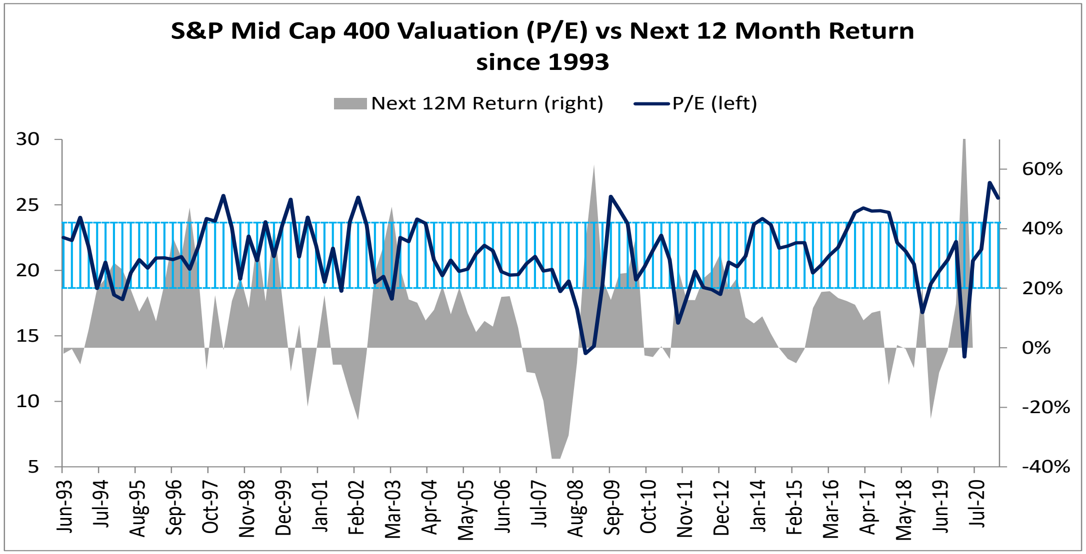




Source: FactSet, RJ Equity Portfolio & Technical Strategy

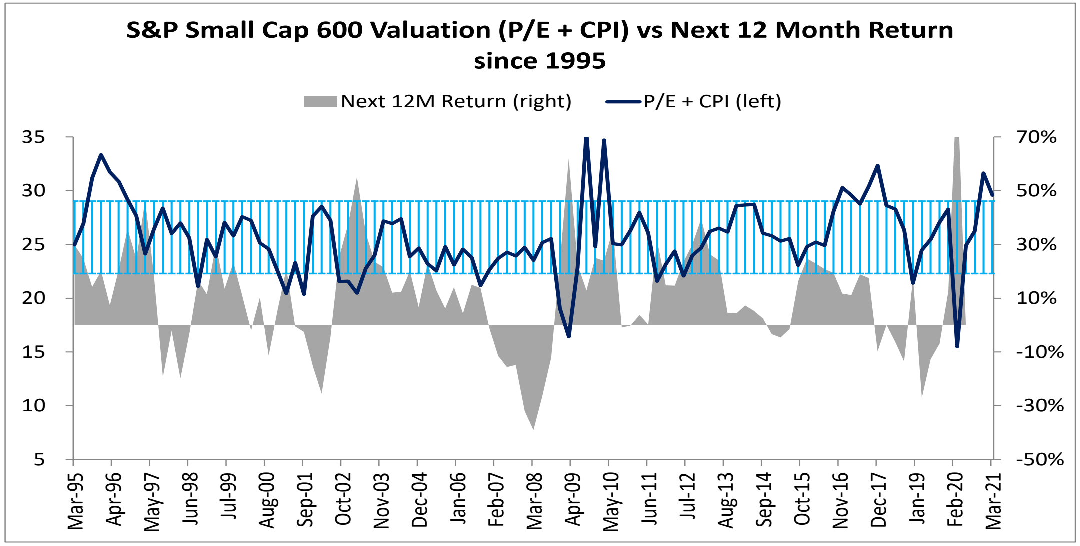
S&P Mid Cap 400 Valuation

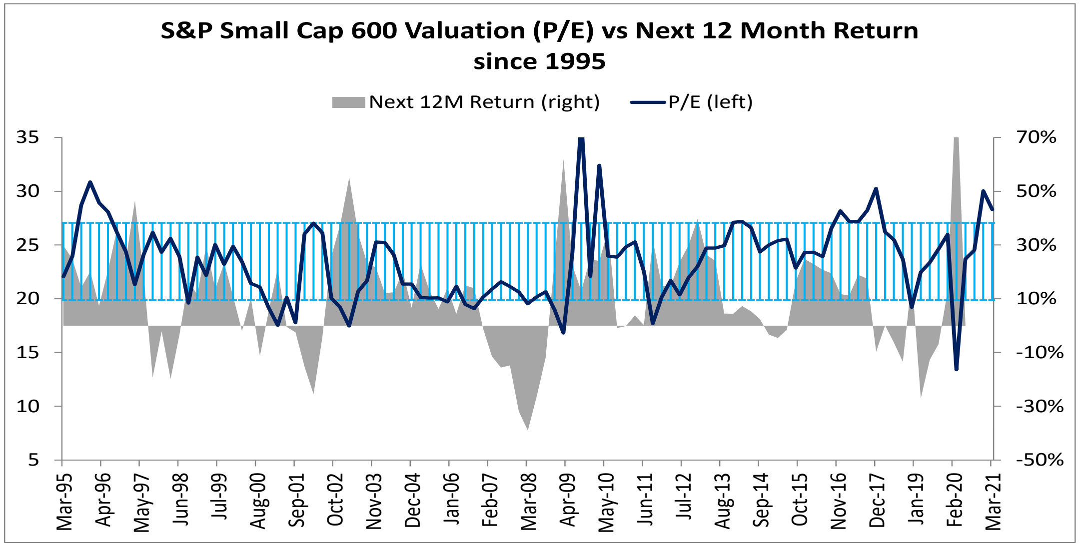




Source: FactSet, RJ Equity Portfolio & Technical Strategy

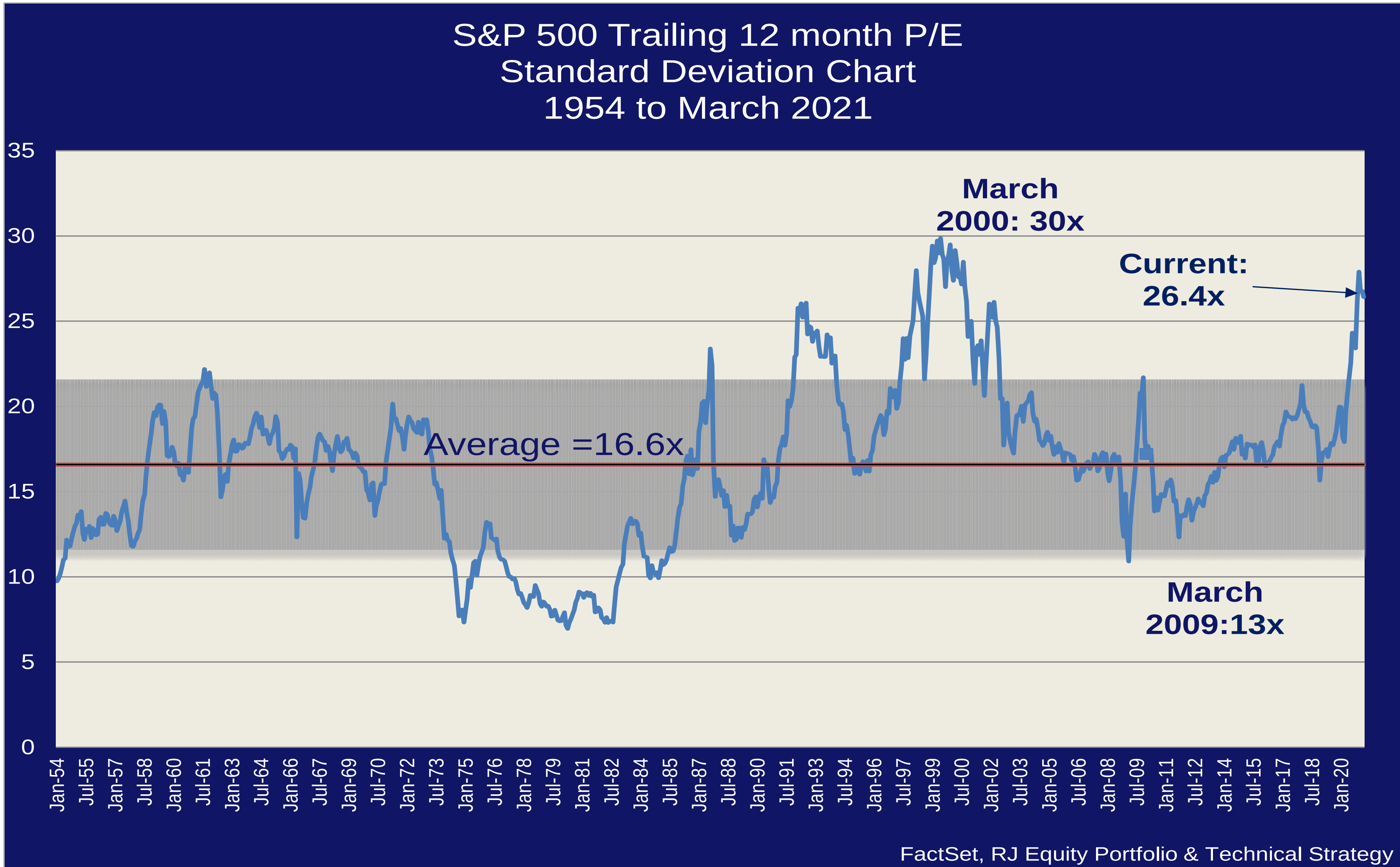
S&P Small Cap 600 Valuation



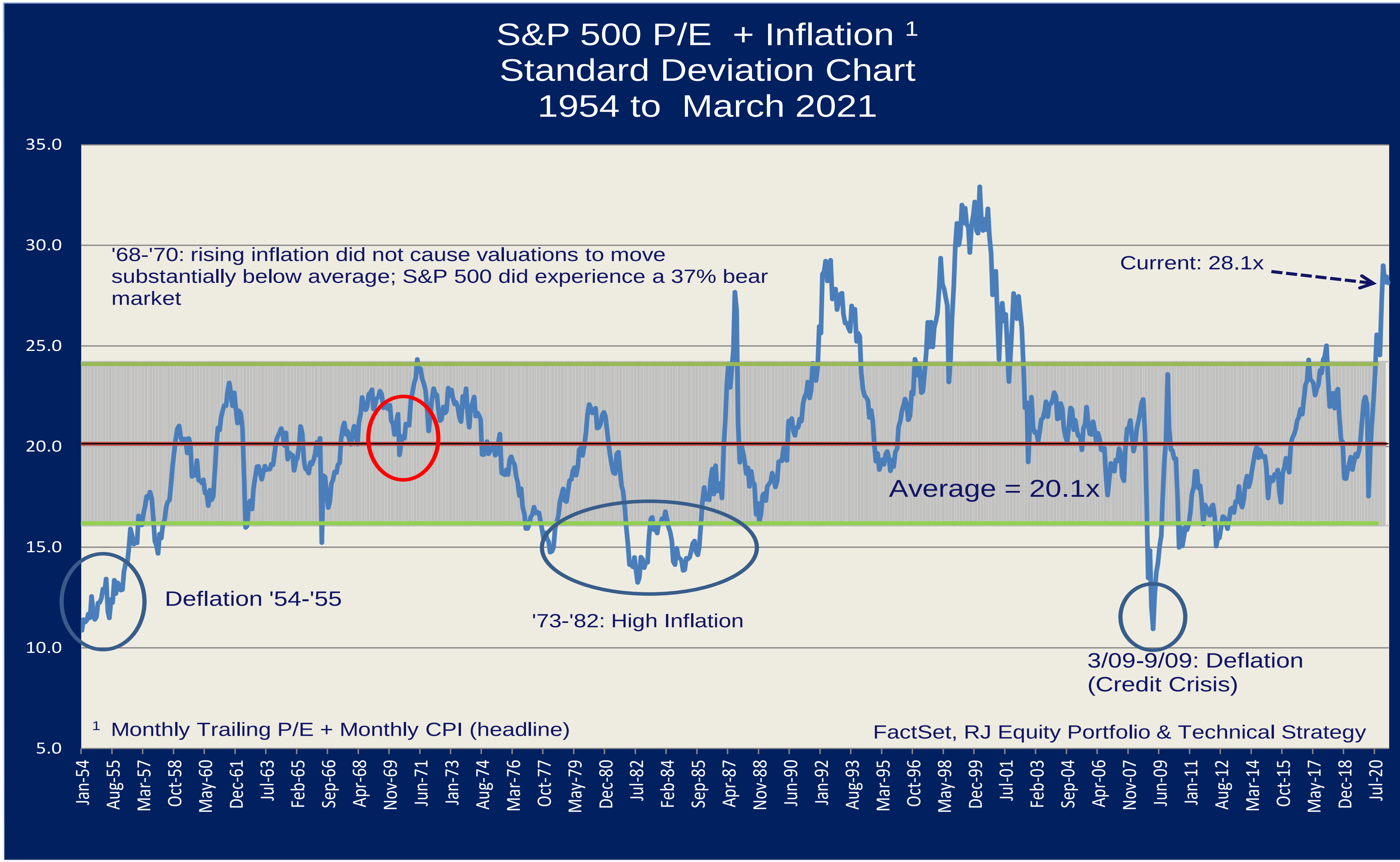


Source: FactSet, RJ Equity Portfolio & Technical Strategy

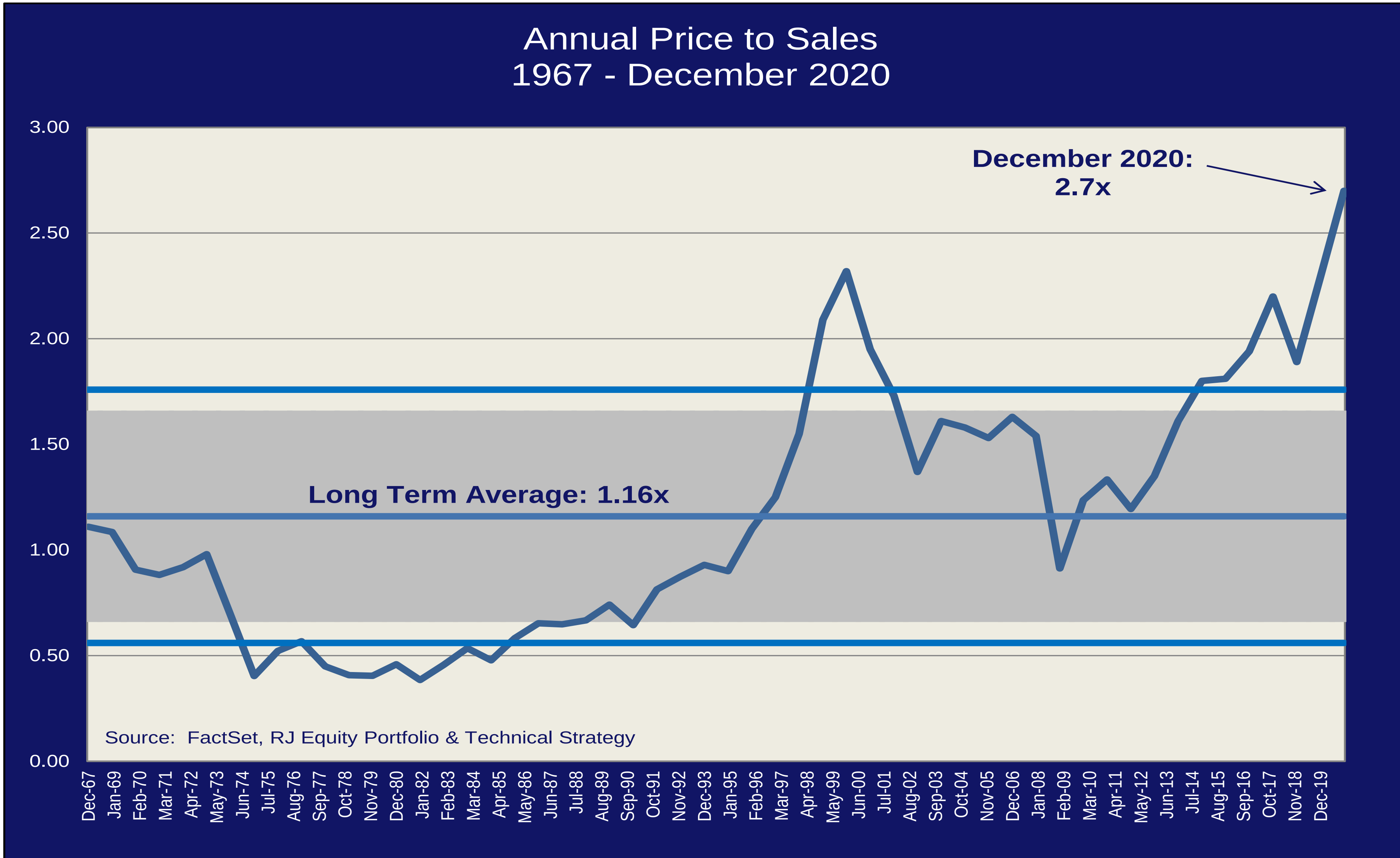
S&P 500: Long Term P/E



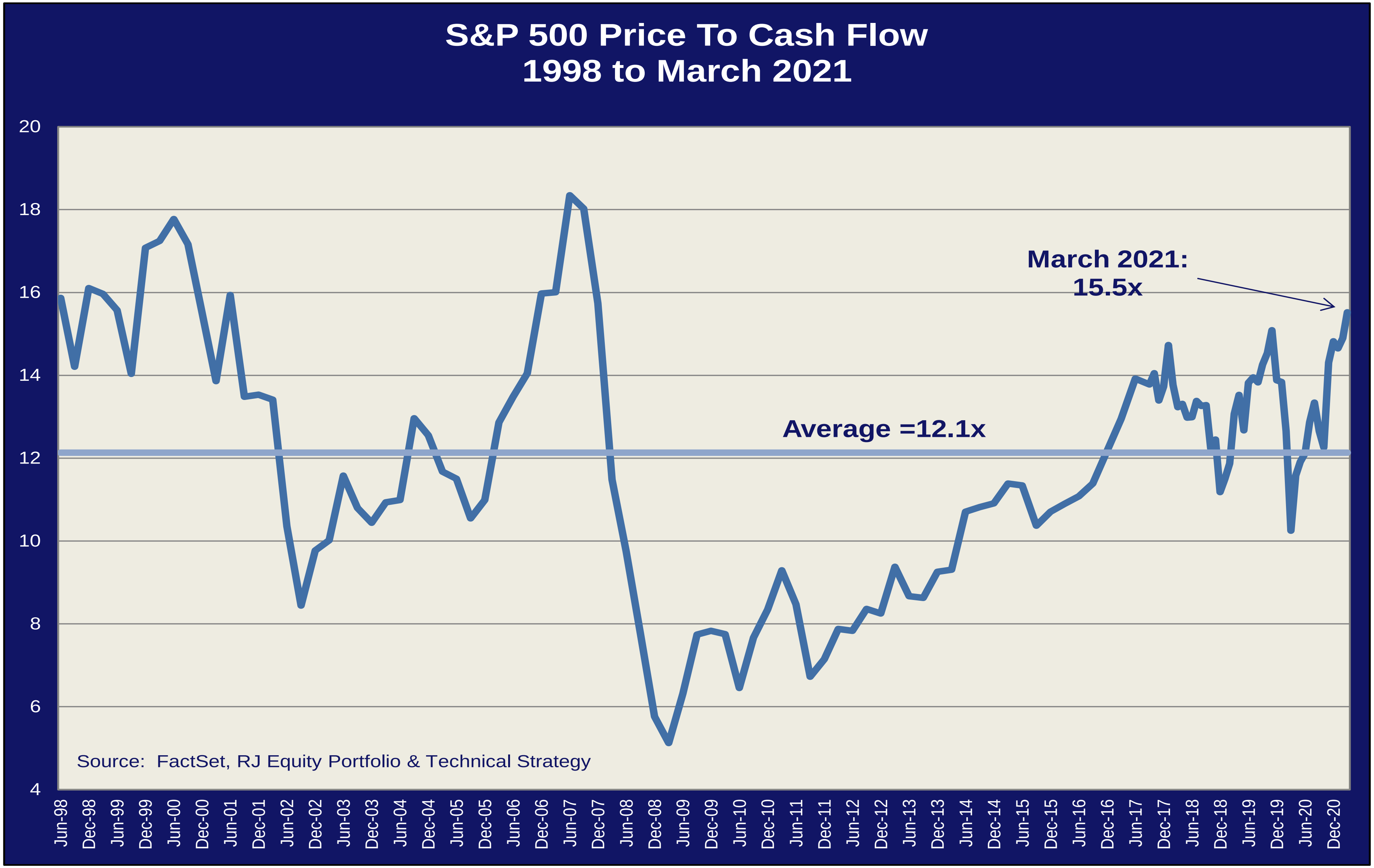
S&P 500: Inflation-Adjusted P/E



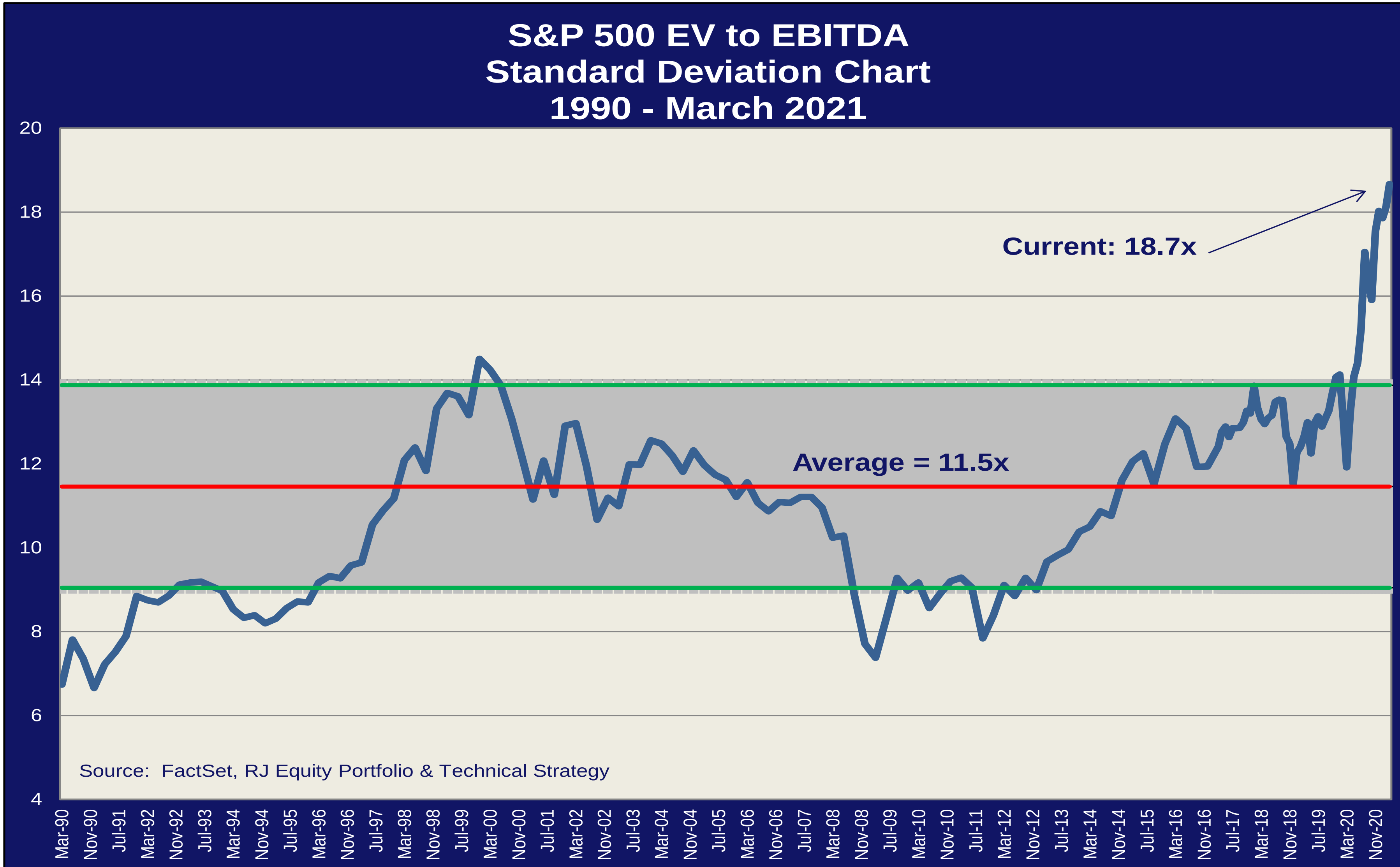
S&P 500: Price to Sales



S&P 500: Price to Cash Flow



S&P 500: EV to EBITDA



Sector Recommendations

Link to the full *March 2021 Sector Analysis* report…CLICK HERE

RECOMMENDATIONS

Sector	S&P 500 Weighting	Recommend
Information Technology	26.4%	Overweight
Consumer Discretionary	12.4%	Overweight
Financials	11.6%	Overweight
Communications Services	11.2%	Overweight
Industrials	8.8%	Overweight
Health Care	13.0%	Equal Weight
Materials	2.7%	Equal Weight
Energy	2.8%	Equal Weight
Consumer Staples	6.1%	Underweight
Utilities	2.6%	Underweight
Real Estate	2.4%	Underweight

Source: FactSet, RJ Equity Portfolio & Technical Strategy

Sector Recommendations: Summary

S&P 500 Sector	Weighting Current	Weighting Recommend	Sector Thoughts	Favored Subsectors
Information Technology	26.4%	Overweight	We remain overweight in the Technology sector. The deteriorating technical picture and obvious rotation in the market does cause some angst. However, with fundamental trends healthy (notice the revision trends for 2021 and 2022) we are going to stay overweight for now. As the year progresses, fundamentals should overcome "factor" investing.	Semis Electronic Eqpmt.
Consumer Discretionary	12.4%	Overweight	We remain overweight in the consumer discretion sector with a bias to favor the equal weight index. Record levels of consumer savings, additional government transfer payments coming, and a return to semi-normal later this year are compelling tailwinds for investors in consumer discretion stocks.	Specialty Retail Leisure
Financials	11.6%	Overweight	We are moving to Overweight for the Financials based on a time-frame beyond 3-months. The outlook for the sector is much brighter given higher interest rates and expectations for rapid economic growth this year. Earnings estimates are being revised higher due to the more favorable back-drop. The sector's tight correlation (91% over the past 12-months) highlights the importance of interest rate moves for the sector, at least for the near-term. With interest rates experiencing a rapid increase (recent 3-standard deviation move in the 2/10 yr. spread the 2/10 year is the only one recorded over past 30-yrs.), they may pull back at any time and take the financials with them. We would not wait for such an occurrence, given our belief that the yield curve remains steep and interest rates are higher over the next 12-months. The attractive relative valuation is an additional reason to favor the sector.	Banks Consumer Finance
Comm. Services	11.2%	Overweight	We continue to favor the communications services sector. The sector will not see the heady earnings growth of the deep cyclical sectors in 2021. However, consensus forecasts reflect respectable mid-teens growth for the year. Adding attractive valuation and positive technical momentum to the expected earnings growth reaffirms our overweight stance.	Int. Media & Svcs. Entertainment
Industrials	8.8%	Overweight	We expect the industrial stocks to be beneficiaries as investors seek ways to play economic accelerating in the months ahead. The sector will get an additional boost as manufacturing will benefit as companies scramble to replenish under-stocked inventories.	Machinery Road & Rail Airlines
Health Care	13.0%	Equal Weight	We are moving to equal weight in the healthcare sector. Despite the move, the sector will remain the 2nd largest weighting in a portfolio. Since we have a bullish bias toward equities this year, especially for the cyclical sectors, as the world speeds to re-opening, we are lightening exposure to the defensive sector. Political pricing pressure (Biden's infrastructure plan involves lower Rx prices) on the pharmaceutical and biotech sectors will likely continue to weigh on the sector, with the two making up over 40% of the index. Technical weakness, especially on a relative basis, caps our rationale for backing off for now. For longer-term/patient investors, we remain very constructive given positive fundamentals and attractive valuation. Additionally, there are numerous opportunities as many subsectors are less impacted by the political overhang.	Managed Care Equipment Life Sciences
Materials	2.7%	Equal Weight	We remain equal-weight in the materials sector. The need to replenish inventories will create demand for materials and benefits companies across the sector. The rapid rise in earnings revisions reflects the positive back-drop. We will maintain an equal weighting given a greater preference for other deep cyclical areas.	Metals & Mining Construction Mat.
Energy	2.8%	Equal Weight	We maintain our equal-weight recommendation in Energy. Crude prices and energy stocks are pulling back from a recent March 11th price peak. For those under-exposed in the sector, we would use the pullback as an opportunity to add to positions. OPEC boosted crude oil prices in early March as they decided to maintain current production cuts. Although they could reverse course in subsequent meetings, it is clear they favor higher crude oil prices. The message from OPEC, the restraint on production in the US, and the move to reopen the global economy suggest crude prices should maintain a solid bid in the months ahead. The energy space is a high beta area investors can accumulate during pullback periods, such as now.	E&P Refining
Consumer Staples	6.1%	Underweight	We maintain our underweight recommendation to Consumer Staples, as we find the more cyclically-exposed sectors as better opportunities for the economic recovery ahead. Modest earnings growth for the consumer staples relative to the explosive growth likely from other sectors further influences our decision to maintain limited exposure to the defensive sector.	
Utilities	2.6%	Underweight	We remain underweight in the Utilities sector. With the world moving toward reopening, we feel investors will continue to accumulate more cyclical areas than the defensive utilities sector.	
Real Estate	2.4%	Underweight	We remain underweight the Real Estate. Although we see select opportunity for income investors at the stock level, we will remain underweight the potentially interest sensitive sector.	

S&P Industry Group Returns (through March 31, 2021)

S&P 500 Industry Group	Class	Beta (3Yr)	1 Month	3 Month	YTD	12 Month
Utilities	Def.	0.75	7.8%	1.9%	1.9%	23.0%
Food Beverage & Tobacco	Def.	0.72	7.2%	2.4%	2.4%	27.7%
Household & Personal Products	Def.	0.64	7.1%	-1.6%	-1.6%	26.9%
Transportation	Cycl.	1.04	6.3%	10.9%	10.9%	87.5%
Commercial & Professional Services	Cycl.	0.89	6.3%	-0.4%	-0.4%	57.6%
Real Estate	Cycl.	0.89	6.2%	8.4%	8.4%	36.6%
Capital Goods	Cycl.	1.07	6.1%	12.5%	12.5%	73.0%
Telecommunications Services	Def.	0.63	5.6%	1.2%	1.2%	12.9%
Food & Staples Retailing	Def.	0.62	5.1%	-1.3%	-1.3%	26.2%
Materials	Cycl.	1.01	4.6%	8.6%	8.6%	83.1%
Health Care Equipment & Services	Def.	0.95	3.5%	4.1%	4.1%	50.9%
Retailing	Cycl.	0.94	3.1%	2.5%	2.5%	72.3%
Banks	Cycl.	1.27	3.1%	22.6%	22.6%	87.1%
Insurance	Cycl.	1.02	2.9%	10.0%	10.0%	60.5%
Consumer Durables & Apparel	Cycl.	1.07	2.5%	6.4%	6.4%	97.0%
Consumer Services	Cycl.	1.00	1.8%	5.5%	5.5%	74.5%
S&P 500	-	***1.00***	1.8%	5.8%	5.8%	60.8%
Diversified Financials	Cycl.	1.08	1.7%	11.5%	11.5%	68.6%
Pharmaceuticals Biotechnology & Life	Def.	0.74	1.5%	1.5%	1.5%	25.9%
Energy	Cycl.	1.24	0.1%	29.3%	29.3%	73.6%
Media & Entertainment	Cycl.	0.97	-0.1%	9.1%	9.1%	79.9%
Software & Services	Cycl.	1.15	-0.9%	2.0%	2.0%	57.5%
Semiconductors & Semiconductor Equ	Cycl.	1.32	-2.0%	9.1%	9.1%	92.1%
Technology Hardware & Equipment	Cycl.	1.17	-2.1%	-3.2%	-3.2%	92.8%
Automobiles & Components	Cycl.	1.23	-5.0%	1.3%	1.3%	123.8%

Source: FactSet, RJ Equity Portfolio & Technical Strategy

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Definitions

S&P Mid-Cap 400 – Provides investors with a benchmark for mid-sized companies.

S&P Small Cap 600 – Provides investors with a benchmark for small-sized companies.

U.S. Treasury – Securities are guaranteed by the US government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value.

200-DMA– The 200-day moving average is a popular technical indicator which investors use to analyze price trends. It is simply a security's average closing price over the last 200 days.

50-DMA– The 50-day moving average is a popular technical indicator which investors use to analyze price trends. It is simply a security's average closing price over the last 50 days.

Weighting – Sector percentage (%) of S&P 500

Total Return – Price return including dividends received

Beta – Measure of volatility in comparison to the market as a whole

Dividend Yield – Dividends received divided by price; reflects the percentage return off of dividends received.

Dividend Payout Ratio – Dividends distributed divided by net income; reflects the percentage of net income distributed in dividends.

Long-Term EPS Growth – Estimated earnings per share growth over the next three to five years, as received from consensus analyst forecasts.

Free Cash Flow Yield – Free cash flow divided by price. The free cash flow per share a company is expected to earn against its market price per share.

Price to Sales – Market cap divided by sales of companies in the sector or S&P 500

Price Earnings Ratio (P/E) – The price of the stock divided by its earnings per share.

EV to EBITDA – Enterprise Value (EV) divided by EBITDA (Earnings Before Interest, Tax, Depreciation, & Amortization).

- LTM P/E – P/E calculated with the last 12 months earnings reported.
- NTM P/E – P/E calculated with the consensus earnings estimates over the next 12 months.

Relative P/E – The sector's multiple divided by the S&P 500 multiple; represents a premium or discount relative to the S&P 500's valuation. We use last 12-month P/E in this report.

Relative Ratio – The sector's relative P/E multiple vs. its respective 10-year average relative P/E.

Relative Strength – Calculates price performance relative to the S&P 500 over time.

Standard Deviation – Measures the fluctuations of returns around the arithmetic average return of investment. The higher the standard deviation, the greater the variability (and thus risk) of the investment returns.

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Index Definitions

The **S&P 500** is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

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

The **NASDAQ Composite** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

The **MSCI World All Cap Index** captures large, mid, small and micro-cap representation across 23 Developed Markets (DM) countries. With 11,732 constituents, the index is comprehensive, covering approximately 99% of the free float-adjusted market capitalization in each country.

The **MSCI EAFE (Europe, Australasia, and Far East)** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in 23 emerging market countries. The index's three largest industries are materials, energy, and banks.

The **Russell 2000** index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks.

The **NYSE Alerian MLP** is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

The **Barclays Intermediate Government/Credit Bond** index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

The **Euro Stoxx 50 Index** is a market capitalization weighted stock index of 50 large, blue-chip European companies operating within Eurozone nations. Components are selected from the Euro STOXX Index which includes large-, mid- and small-cap stocks in the Eurozone.

The **China CSI 300** is a capitalization-weighted stock market index designed to replicate the performance of top 300 stocks traded in the Shanghai and Shenzhen stock exchanges. It had a sub-indexes CSI 100 Index and CSI 200 Index.

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

The **DJIA Futures** is a stock market index futures contract traded on the Chicago Mercantile Exchange`s Globex electronic trading platform. Dow Futures is based off the Dow 30 stock index.

The **Nasdaq 100 Futures** is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international companies listed on the NASDAQ.

Europe: DAX (Deutscher Aktienindex (German stock index)) is a blue chip stock market index consisting of the 30 major German companies trading on the Frankfurt Stock Exchange.

Asia: Nikkei is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions.

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