MURRAY
INVESTMENT MANAGEMENT

1st Quarter 2021 Update

Equity markets continued to produce strong returns during the 1st quarter. Improving economic conditions and accommodative fiscal and monetary policies seemed to drive markets higher. The S&P 500 was up 6.17%, the Russell 2000 (small caps) was up 12.70% and the MSCI EAFE (International index) was up 3.48% during the quarter. In recent years, equity market performance has been led by large cap U.S. growth stocks, but we have recently had somewhat of a rotation in market leadership as 1) value stocks have outperformed growth and 2) small caps have outperformed large caps.

	YTD
S&P 500 (large cap)	6.17%
MSCI EAFE (International index net return)	3.48%
Rusell 2000 (small cap)	12.70%
Russell 3000 Growth	1.19%
Russell 3000 Value	11.89%

As noted in the past, it is difficult to predict which areas will lead the market, so having a portfolio that is diversified by market capitalization (large, mid and small cap), investment style (growth, blend and value) and geography (domestic and international) is a prudent approach for long-term investing. I am currently focusing on value, small caps and international as I look for attractive areas to put new money to work.

Interest rates rose during the quarter, and the broad fixed income market (Barclay's Aggregate) was down -3.37%. Interest rates remain at historically low levels, and as such, the fixed income space is somewhat limited as an investment opportunity. I am largely using cash in the fixed income allocation for most portfolios while continuing to look for better opportunities as rates rise.

Given the strong market performance that we have experienced, there is some concern that equity markets have become somewhat expensive as investors have looked beyond the current economic environment and pushed markets higher on the expectation of an economic recovery. In addition, there is a longer-term concern about U.S. debt levels and the potential for inflation. On the other hand, there are many positive things on the horizon for 2021 including the following:

1. Improving economic conditions as the COVID-19 vaccine is more widely adopted and economies move toward a more normal environment.
2. Additional fiscal stimulus from the federal government
3. Extremely low interest rates that leave investors with few investment alternatives other than equities.

As is usually the case, there are currently reasons for optimism and caution. But as the market is setting records for all-time highs, it is important that investors maintain a diversified, balanced portfolio that is constructed in a manner that is consistent with their risk tolerance and long-term goals and objectives.

Please let me know if you have any questions or if you would like to schedule some time to review your portfolio.

Source: Morningstar
The performance data shown represents past performance, which is not a guarantee of future results.
Return data is as of 3/31/2021. Except as noted, index returns are total returns.

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