USI ADVISORS, INC.

MARKET & LEGAL UPDATE
MARCH 2021 REVIEW

Investment Advice provided by USI Advisors, Inc. Under certain arrangements, securities offered to the Plan through USI Securities, Inc. Member FINRA/SIPC.

CORPORATE OFFICE:

95 Glastonbury Blvd., Suite 102
Glastonbury, CT 06033
860.652.3239*

USI Consulting Group is an affiliate of both USI Advisors, Inc. and USI Securities, Inc.

USI CONSULTING GROUP SERVICE REGIONS:

Atlanta, GA
Austin, TX
Boston, MA
Charlotte, NC
Chicago, IL
Cincinnati, OH
Cleveland, OH
Columbus, OH
Dallas, TX
Denver, CO
Detroit, MI
Fort Lauderdale, FL
Fresno, CA
Green Bay, WI
Houston, TX
Indianapolis, IN
Irvine, CA
Knoxville, TN
Long Island, NY
Los Angeles, CA
Louisville, KY
Minneapolis, MN
Nashville, TN
New York, NY
Omaha, NE
Orlando, FL
Philadelphia, PA
Phoenix, AZ
Pittsburgh, PA
Portland, OR
Seattle, WA
St. Louis, MO
Tampa, FL
Toledo, OH

** Inquire about the location nearest you*

"Are We There Yet? Not Yet!"

Global markets largely rose in March despite increased volatility at the beginning of the month as investors weighed accelerated economic activity against growing inflation concerns and rising interest rates. The Federal Reserve, however, is not as concerned about inflation and decided to leave interest rates unchanged for an extended period, at least through 2023. The accelerated vaccine distribution, passage of the American Rescue Plan and commitment of infrastructure spending in the future aided U.S. stocks to finish higher for the quarter. The Dow Jones Industrial Average led, picking up 6.8% while the S&P 500 Index rose 4.4% last month. The tech-heavy NASDAQ squeezed out a meager 0.4%, reflecting the market's rotation away from growth stocks and toward more cyclical value stocks in part due to rising rates.

Any discussion about the economy and market outlook is closely tied to the pandemic. COVID-19 vaccination rates continue to pick up speed. According to the CDC, around 21% of adults are fully vaccinated and nearly 2.8 million doses are being administered each day nationwide. At this rate, there could be enough to vaccinate every adult in the U.S. by this summer, however challenges may remain in reaching herd immunity. Although the current vaccines have so far been effective against new variant strains, the threat of future virus mutations remains. The total number of infections continues to increase around the world, however the speed of the vaccine rollout varies drastically by country and by age group. For example, concerns remain in Europe about the Oxford-AstraZeneca vaccine causing blood clotting and there is currently no approved vaccine for those under 16. Despite these concerns, the increase in the production of vaccines and a more rapid distribution make the prospects of a large-scale reopening in the U.S. and other developed economies much more promising in the second half of the year. Consumers who have had to social distance for a year, have excess savings and pent-up demand, which may translate into higher spending as things return to normal. In addition, easy monetary policy coupled with expansive fiscal spending may accelerate growth even further shifting the outlook to higher interest rates in the future.

Market Return Indexes	March 2021	YTD 2021
Dow Jones Industrial Average	6.8%	8.3%
S&P 500	4.4%	6.2%
NASDAQ (price change)	0.4%	2.8%
MSCI Eur. Australasia Far East (EAFE)	2.3%	3.5%
MSCI Emerging Markets	-1.5%	2.3%
Bloomberg Barclays High Yield	0.2%	0.9%
Bloomberg Barclays Aggregate Bond	-1.3%	-3.4%
Yield Data	**March 2021**	**Feb 2021**
U.S. 10-Year Treasury Yield	1.74%	1.44%

The $1.9 trillion economic aid bill that was signed into law on March 11th includes money to help businesses and individuals impacted by the pandemic. In addition, the Biden administration unveiled a plan for a $2 trillion economic package with a primary focus on infrastructure spending. Although this will likely face more challenges in getting through

Congress, if it passes, it could lead to higher economic activity, but faces resistance with higher corporate taxes that could impede economic growth. All this stimulus along with accommodative monetary policy could lead the economy to overheat, thereby increasing inflation. Economists at Goldman Sachs have increased their GDP growth expectations to 8% for 2021. Market expectations of a strengthening economy and rising inflation pressures are reflected in the continued rise in yields as the 10-Year Treasury yield climbed to 1.74% at the end of March. Although the speed of the increase in the last 6 months is a bit concerning, the overall level remains very low compared to historical levels. The Federal Open Market Committee voted at the March 17th meeting to keep short-term borrowing rates near zero and to continue the asset purchasing program since unemployment levels are still elevated. Fed Chair Jerome Powell reminded investors that the Fed's main goal is to maximize employment and to help achieve that, it is willing to tolerate inflation above the 2% target for some time before raising rates, at least through 2023.

In other economic news, The University of Michigan Consumer Sentiment Index was revised to a one-year high of 84.9 for the month of March, higher than the original estimate of 83. The ISM Manufacturing Index, which measures U.S. manufacturing activity, soared to its highest level in 37 years in March with a reading of 64.7 from 60.8 in February (a reading above 50 indicates expansion in manufacturing). The unemployment rate fell to 6% from 6.2% in February as nonfarm payrolls increased by 916k in March, reflecting the fastest pace since August of last year. The increase was driven by gains in leisure and hospitality, as coronavirus restrictions are lifted. This job markets report marks the one-year anniversary since the pandemic started as March of 2020 was the first report that reflected the mandatory lockdowns. Despite all the progress that has been made since then, economists predict that it may take years to get back to pre-pandemic employment.

The anticipation of an accelerated recovery ahead of us has led to a rotation away from growth stocks and toward cyclical value stocks with value continuing to outperform growth in March. In addition, growth stocks such as the technology sector are more sensitive to rising interest rates as future earnings are discounted at a higher rate which lowers their present value. Energy and financials have been some of the best performing sectors with demand increasing and higher rates benefiting the two sectors, respectively. Growth and value performance cycles have historically varied in duration and intensity, making it difficult for investors to "time the markets." Research suggests that diversifying by investment style leads to consistent returns over the long term. It is important for investors to maintain a balanced strategy with exposure to different investment styles.

The event driven market collapse of last year was the first of its kind shutting down global economies simultaneously due to the pandemic. As countries start to reopen one by one with uneven vaccine progress worldwide, continued fiscal stimulus and easy monetary policy could propel inflation. The Fed's priority to get the employment situation under control above all else will likely have investors continuing to wait for any action that may reverse the risks of inflation in the future.

LEGAL UPDATE | IRS News Release Regarding Required Minimum Distributions

On March 16, 2021, the IRS published News Release (IR-2021-57) to remind individuals of the recent changes to the rules applicable to Required Minimum Distributions (RMDs).

The Setting Every Community Up for Retirement Enhancement (SECURE) Act changed the RMD age from age 70½ to age 72, effective after December 31, 2019. Therefore, any individuals who turn age 70 on or after July 1, 2019 do not have to take their first RMD until April 1 of the year following the year in which they reach age 72. For example, individuals who did not reach age 70½ in 2019 will reach age 72 in 2021 and will have their first RMD due by

April 1, 2022, and their second RMD by December 31, 2022. However, to avoid having both amounts included in income in the same year, the taxpayer can take the first RMD by December 31, 2021. After the first year, all future RMDs must be made by December 31.

The Coronavirus, Aid, Relief and Economic Security (CARES) Act waived RMDs that were otherwise required to be distributed from retirement plans to individuals during 2020, including for individuals who turned age 70½ in 2019 and who did not take their first RMD in 2019. For example, individuals who reached 70½ in 2019 or earlier, were not required to take their RMD in 2020, but they will have to take RMDs due in 2021, no later than December 31, 2021.

DOL Announces Non-Enforcement Policy Regarding the Final Rules on Financial Factors in Selecting Plan Investments

In a notable turn of events, the US Department of Labor (DOL) announced on March 10, 2021 that it will ***not*** enforce the recently published final rules on "Financial Factors in Selecting Plan Investments" and "Fiduciary Duties Regarding Proxy Voting and Shareholder Rights" (the "final rules") until the publication of further guidance. The final rules addressed the use of "non-pecuniary" factors such as environmental, social, and governance ("ESG") considerations in selecting plan investments, as well as fiduciary duties regarding proxy voting and shareholder rights.

The agency reversed course after hearing from a wide variety of stakeholders, including asset managers, labor organizations and other plan sponsors, consumer groups, service providers and investment advisers who have asked whether the final rules properly reflect the scope of fiduciaries' duties under ERISA to act prudently and solely in the interest of plan participants and beneficiaries. In addition, stakeholders have expressed confusion about the use of ESG factors and that the final rules have already had a chilling effect on appropriate integration of ESG factors in investment decisions, even if the final rules permit such decisions.

As always, we continue to monitor the IRS, DOL and PBGC for retirement plan updates. If you have any questions or would like additional information, please contact your USI Consulting Group representative.

For previous market commentaries please click here.

This communication is published for general informational purposes and is not intended as advice or a recommendation specific to your plan. Neither USI nor its affiliates and/or employees/agents offer legal or tax advice.

An index is a measure of value changes in a representative grouping of stocks, bonds, or other securities. Indexes are used primarily for comparative performance measurement and as a gauge of movements in financial markets. You can not invest directly in an index and, for comparative purposes; they do not reflect the effect of the various fees inherent in actual investment vehicles.

The S&P 500 Index is a market value weighted index showing the change in the aggregate market value of 500 U.S. stocks. It is a commonly used measure of stock market total return performance.

The Dow Jones Industrial Average is a price weighted index comprised of 30 actively traded blue chip stocks; primarily industrial companies, but including some service oriented firms.

The NASDAQ Composite Index is a market-value weighted index that measures all domestic and non-U.S. based securities listed on the NASDAQ Stock Market.

Gross Domestic Product (GDP) is the market value of the goods and services produced by labor and property in the U.S. It is comprised of consumer and government purchases, net exports of goods and services, and private domestic investments. The Commerce Department releases figures for GDP on a quarterly basis. Inflation adjusted GDP (or real GDP) is used to measure growth of the U.S. economy.

The MSCI Europe and Australasia, Far East Equity Index (EAFE) is a market capitalization weighted unmanaged index developed by Morgan Stanley Capital International to measure approximately 1,100 securities in 21 major overseas stock markets. It is a commonly used measure for foreign stock market performance.

The Barclays Capital U.S. Aggregate Index covers the U.S. Dollar denominated investment grade, fixed-rate, taxable bond market of SEC-registered securities.

The Barclays Capital U.S. Corporate High Yield Index covers the U.S. Dollar denominated, non-investment grade, fixed income, 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.

The MSCI Emerging Markets Index (EM) is a free-float-adjusted market-capitalization index developed by Morgan Stanley Capital International. It is designed to measure the equity market performance of 26 emerging market countries.

The 10 Year Treasury Yield is the interest rate the U.S. government pays to borrow money for a 10-year period. In addition to influencing how much the government pays to borrow over this time-frame, the 10-year Treasury Yields also determines how much investors earn by investing in this debt and it is a good indicator of investor sentiment. The higher the yield, the better the economic outlook.

Market Update is a monthly publication circulated by USI Advisors, Inc. and is designed to highlight various market and economic information. It is not intended to interpret laws or regulations.

This report has been prepared solely for informational purposes, based upon information generally available to the public from sources believed to be reliable, but no representation or warranty is given with respect to its completeness. This report is not designed to be a comprehensive analysis of any topic discussed herein, and should not be relied upon as the only source of information. Additionally, this report is not intended to represent advice or a recommendation of any kind, as it does not consider the specific investment objectives, financial situation and/or particular needs of any individual client.

5021.S0406.0040