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Mill Creek House View Summary:

We're happy to introduce the Mill Creek House View Summary, a one-page distillation of our market perspective that will be provided as a link in our weekly commentary email. We aim to make it easier for you to find the topical information you are looking for on an ongoing basis.

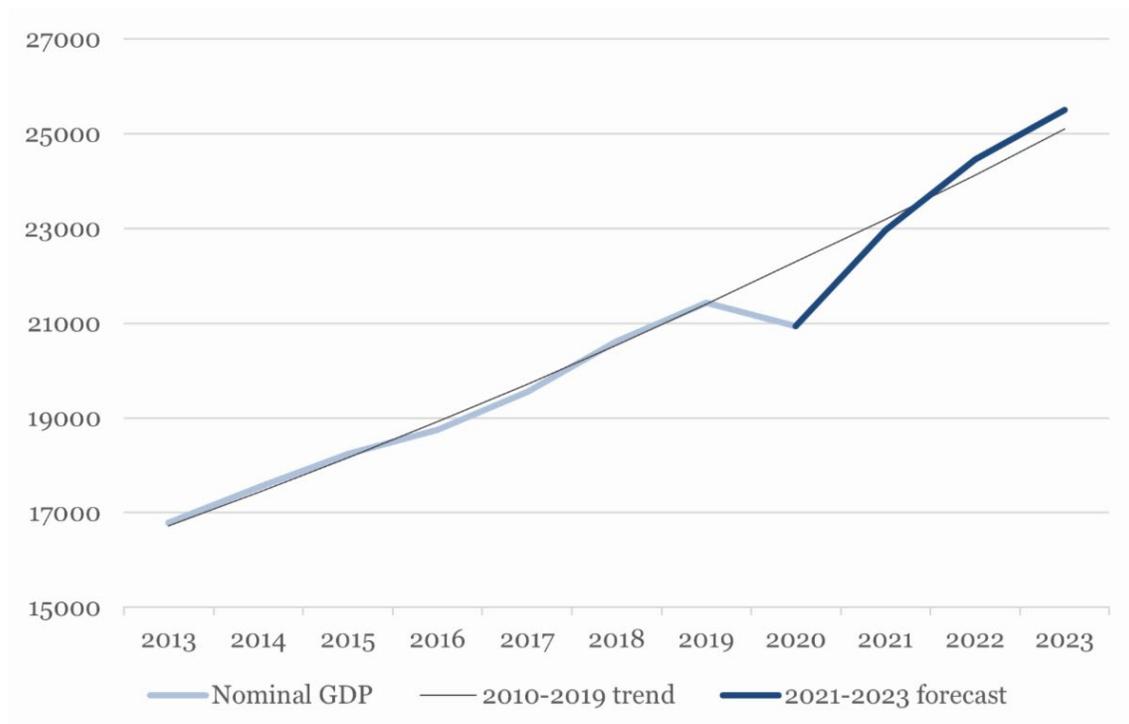
[VIEW SUMMARY HERE](#)

Assessing the first half:

As we head into the second half of 2021, we want to take the opportunity to assess our outlook and evaluate what we've gotten right, and wrong, about the economic and market environment.

We have been optimistic about the US recovery since last fall. The trifecta of fiscal stimulus, pent up demand, and economic reopening has led to an extraordinarily quick recovery this year. Nominal GDP will likely grow between 15-20% during 2021 and 2022, more than filling the gap left by the COVID recession (Fig. 1) and creating a substantial tailwind for markets.

Fig. 1: US Nominal GDP Growth



Sources: Bloomberg, Mill Creek

Labor markets have been slower to recover than we expected and present a risk to our view that inflation would run hot this year, but eventually moderate and settle in the 2.5% range. Last week's labor market reports indicated hiring is picking up speed, but we won't have a clear picture of the labor market until enhanced unemployment benefits expire and schools open in the fall.

Our general comfort with equity markets, despite seemingly high valuations and some investor concerns about last year's election results, has been rewarded. Global equities are up 12.3% year to date. We don't put too much stake in near-term results for equity market positioning,

but our US equity and global small cap overweights have added value so far this year. Our emerging market Asia overweight has underperformed.

Our fixed income positioning has been mostly correct. In December 2020, we reduced duration in our taxable fixed income portfolios based on the expectations that interest rates would rise in 2021. That positioning worked quite well through March, but has flatlined since then. We remain comfortable underweight duration and view the near-term bond market recovery as an opportunity for investors that hold excess fixed income to reduce those positions appropriately. We've also held an overweight to credit in our municipal bond portfolios, which has helped bolster returns this year.

Generally speaking, we're pleased that we've been more right than wrong in our positioning this year, but also recognize that markets can reverse course quite quickly. Accordingly, we focus more on setting the right strategic portfolio for every investor than attempts to tactically time the market, and the tactical positions we take within asset classes tend to be both relatively modest in size and held for long periods. Prudence should always supersede optimism.

Our Outlook on Q2 2021 and What is Ahead:

MACROECONOMIC



Michael Crook, CAIA
Deputy Chief Investment Officer

Michael serves as Deputy Chief Investment Officer of Mill Creek Capital Advisors, LLC. Prior to joining Mill Creek, Michael was a Managing Director at UBS, where he headed the Investment Strategy team and was responsible for providing asset allocation and market advice to the firm's clients. Michael graduated from the University of Georgia, earned a master's degree in economics at NYU, and holds the Chartered Alternative Investment Analyst (CAIA) designation.

FIXED INCOME



Nora Pickens, CAIA
Managing Director, Investments

Nora serves as Managing Director of Investments at Mill Creek Capital Advisors, LLC. Prior to joining Mill Creek, Nora was Director at FS Investments and a Credit Analyst at Standard & Poor's. Nora earned her Bachelor of Arts in Business Economics from Brown University and received an MBA from the Yale School of Management. She holds the Chartered Alternative Investment Analyst (CAIA) designation.

EQUITY





Sam McFall, CFA, CAIA
Managing Director, Investments

Sam serves as Managing Director of Investments at Mill Creek Capital Advisors, LLC. Prior to joining Mill Creek, Sam was a Senior Research Analyst at Pitcairn and has held various positions within Delaware Investments, Brinker Capital and The Bryn Mawr Trust Company. Sam earned his Bachelor of Arts in International Business from Rollins College. He holds the designations of Chartered Financial Analyst™ (CFA) and Chartered Alternative Investment Analyst (CAIA).

PRIVATE EQUITY



Andrew Murray
Managing Director, Private Equity

Andrew serves as Managing Director of Private Equity at Mill Creek Capital Advisors, LLC. Prior to joining Mill Creek, Andrew spent over a decade at Morgan Stanley Alternative Investment Partners (AIP), most recently serving as a portfolio manager on the private markets team. Andrew earned his Bachelors of Science in Government from Georgetown University and holds an MBA from Columbia Business School.

Benchmark Performance:

Benchmark Performance by Asset Class						
Benchmark Returns	One Week	Year to Date	1 Year	3 Years	5 Years	10 Years
Global Equities	0.4%	13.0%	38.1%	15.0%	14.7%	9.9%
US Equities	1.3%	16.3%	44.3%	19.2%	18.1%	14.6%
International Equities	-1.1%	9.3%	31.2%	8.7%	10.2%	5.9%
Emerging Market Equities	-1.7%	5.9%	33.6%	11.2%	12.6%	4.0%
US Taxable Bond Market	0.5%	-1.5%	-0.3%	5.4%	3.0%	3.4%
US Municipal Bond Market	0.1%	0.4%	2.5%	3.9%	2.5%	3.0%
Hedge Fund Index	0.0%	3.9%	11.9%	4.2%	4.2%	1.8%
Diversified Commodities	2.7%	21.7%	44.8%	4.7%	2.3%	-4.4%
Gold	0.3%	-5.9%	0.6%	12.6%	5.9%	1.6%

Key Rates (as of stated date)	7/6/21	1/1/21	7/6/20	7/6/18	7/6/16	7/6/11
US 10-Year Treasury	1.4%	0.9%	0.7%	2.8%	1.4%	3.1%
Barclays Aggregate Bond Index	1.5%	1.1%	1.2%	3.3%	1.8%	2.8%
BBarc Muni 1-10Yr Blend (1-12) Index	0.6%	0.6%	1.0%	2.2%	1.2%	2.2%

Source: Bloomberg, Mill Creek. Returns for periods greater than one year are annualized. Benchmark rates are yield-to-worst.

This week's contributor: Michael Crook, CAIA.

Indices Used: U.S. Large Cap equities: Russell 1000 Index, U.S. Small Cap Equities: Russell 2000 Index, International Developed Equities: MSCI EAFE Index, Emerging Market Equities: MSCI Emerging Markets Index, U.S. Bonds: Barclays Aggregate Bond Index, U.S. 10 Year Treasury Note: Bloomberg 10 Yr. Treasury Note, Municipal Bonds: Barclays Intermediate Municipal Bond Total Return Index, High Yield Bonds: Barclays U.S. High Yield Total Return Index, Oil: Bloomberg WTI Crude Sub-Index Total Return Index, Gold: Bloomberg Gold Sub-Index Total Return Index

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