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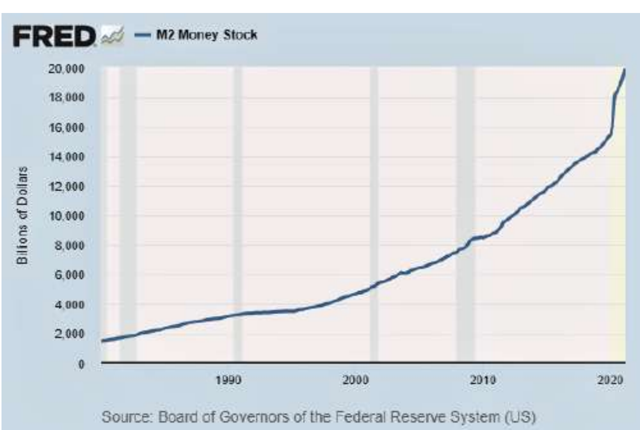
Greetings:
Fourteen months after the onset of the pandemic, the US economy has moved out of recession with Q1 GDP shooting up 6.4%. The Conference Board and the Federal reserve are projecting GDP growth of 6% to 6.5% for 2021, helped by massive government stimulus and a decline in COVID infection rates. The US government has provided about $6 trillion in total economic relief during the pandemic, including the $1.9 trillion President Biden signed into law with the American Rescue Plan Act. Consumer Discretionary Sales are projected to increase by as much as 16% in Q2 and by 8% for the year. Auto sales are down 5% from pre-pandemic levels but up 9% from a year ago. The housing market is red hot with the median home listing price at an all-time high of $370,000. High prices are supported by people looking for homes outside of large cities along with 4.8 million millennials turning 30 and entering the market this year. The influx of millennials is expected to continue for several more years. This is all very positive, however, there is a threat that onerous new taxes could cripple capital formation even as more stimulus arrives via a proposed multi-trillion dollar infrastructure program. We hope Washington takes a measured approach to taxes and spending.

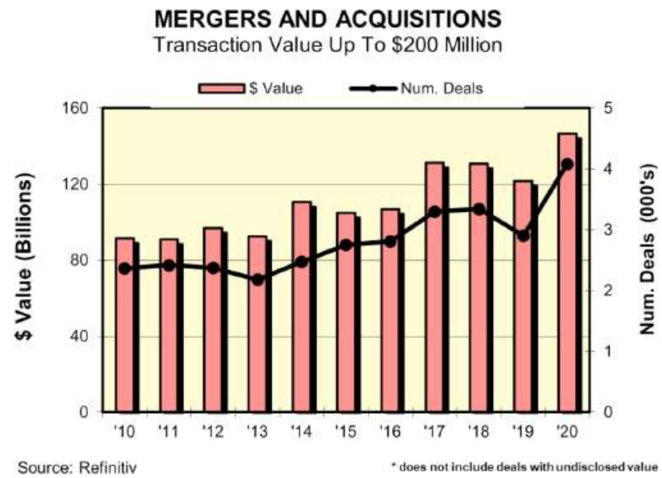
Money Supply Jumps to $19.9 Trillion



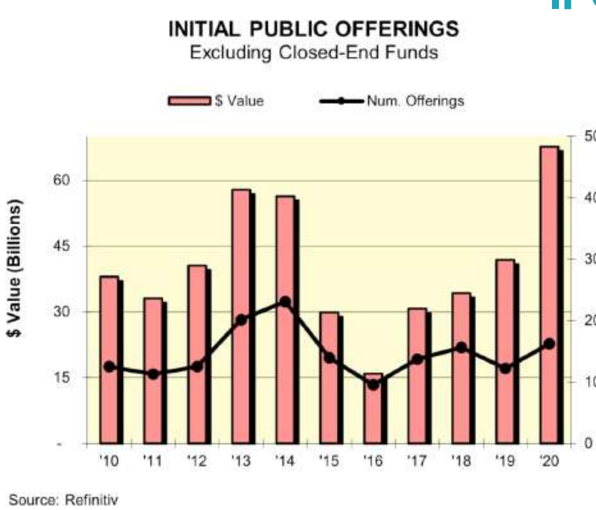
The Fed has responded to the pandemic with multiple programs designed to provide massive liquidity to financial markets, reducing policy rates to near zero, and supporting the flow of credit into the economy with facilities like the Paycheck Protection Program and Main Street Lending Program. The graph on the left shows the M2 Money Supply through March 2021. Due to Fed activity, M2 shot up $4.5 trillion since January 20, 2020. This increase in economic activity and liquidity could portend an unexpected increase in inflation.

M&A Market Activity

Middle-market M&A activity in 2020 was quite strong, notwithstanding the pandemic. This trend continued in Q1 of 2021 as the value of all M&A deals (regardless of size) shot up to $654 billion, a 160% increase from the comparable period in 2020. The surge in activity was aided by SPAC acquisitions which totaled some $172 billion in the quarter. It is safe to say that it is currently a seller's market.



IPO Activity



IPO activity was strong last year, and the pace of new offerings continued in Q1 of 2021 led by SPAC offerings which totaled a whopping 298 deals. Investor appetite for investments remains quite strong.

Valuation Perspective: PE Ratios

The chart on the left clearly demonstrates the jump in valuation attributed to financial assets. As of April 30, 2021, the operating price earnings ratio of the S&P 500 was 29.4, way above the long-term ratio of approximately 18.

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Together We Will Beat The Odds

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