

## 1<sup>st</sup> Quarter 2021

2021 appears to be starting out by living up to expectations.

From an economic standpoint, after slowing considerably during the winter, measures of economic activity are now signaling a robust rebound in 2021 fueled by pent up consumer demand, fiscal stimulus, and vaccine optimism. Quarterly GDP projections indicate accelerating output that could grow by 8%-10% q/q annualized by mid-year, with full-year GDP growth projections in the 6%-7% range. At the end of last year it was looking like fast tracked vaccines would provide a light at the end of the dark tunnel of record COVID-19 infections and related lockdown restrictions. Despite early logistical challenges, vaccine distribution has improved. Still, considerable work remains in order to reach herd immunity while public health leaders continue to advise caution and diligence amidst outbreak flare-ups, but we're making progress.

From an interest rates standpoint, the short-end of the Treasury yield curve remains firmly anchored at ~0.15%, reflecting Fed policy commitments, and with the market pricing in stronger economic growth and accelerating inflation, it comes as little surprise that the yield curve steepened considerably during the first quarter. There is growing debate about whether inflation will be short-term and transient versus long-term and sustainable, and how soon inflationary forces will be at odds with the Fed's current accommodative policy stance. As a result, 5-year and 10-year break-even inflation rates have risen to the highest levels since 2008 and 2013 respectively.

From a firm standpoint, we shared with you in late February the exciting news on the sale of Wells Fargo Asset Management (WFAM), which includes Galliard, by Wells Fargo to two private equity firms – GTCR LLC and Reverence Capital Partners, L.P. Since the initial announcement of the sale in late February, teams at Galliard and across the broader WFAM have begun working to prepare for our change in ownership. All of you, our clients, are receiving a consent acknowledgement for our change in ownership. This is a big step in the progression towards closing of the sale and we thank you in advance for returning that paperwork to us in a timely fashion. The sale is on track to close in the second half of this year. An exact close date is still in process as teams work to solidify timelines required for a successful closing. We'll continue to communicate with you on the details of the close as they become available.

What remains the same is our consistent focus on our time tested investment philosophy and process that you have all come to know us for. There's a lot of enthusiasm at Galliard for the opportunities of what is to come in the rest of 2021. We hope the same energy is apparent within your companies.

Ajay Mirza, Mike Norman, and Andrew Owen

*Senior Managing Principals*