

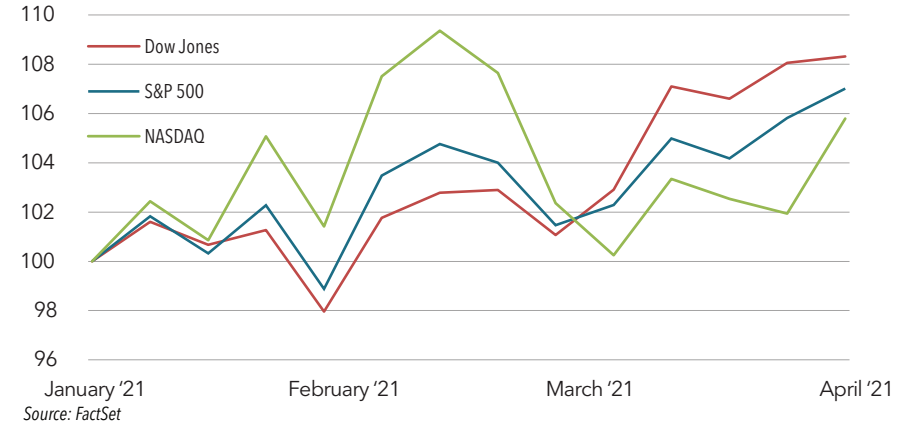
The First Quarter Was Great for Stocks

The economy is reopening and stocks are loving it. Stocks had a great first quarter, as seen in the table below. There are several reasons for this. Economic activity continues to pick up and vaccine distribution is expanding at a rapid pace. Now that those most susceptible to COVID risks have been, or will soon be vaccinated, restrictions on activity are starting to relax. Additional government stimulus is starting to hit consumer pocketbooks and help boost economic prospects.

This led investors to buy cyclical stocks in anticipation of continued economic recovery. While technology stocks dominated the work-from-home days of 2020, industrial and financial stocks are leading now. For the first quarter, the Dow Jones Industrial Average was up 7.8%, while the Nasdaq was only up 2.8%.

Rising interest rates were a headwind for bonds, creating losses for most sectors in the first quarter. Inflation expectations are the driver here, and this will be closely watched by investors as the economy reopens.

YTD Index Performance



Market Returns		Source: Morningstar Direct data as of January 31, 2021				
Asset Class	Index	Total Return 1 Month	Total Return YTD	Total Return 1 Year	Annualized 3 Year	Annualized 5 Year
Global Equities:	Diversified Equity Benchmark*	3.11	5.80	38.78	14.55	14.63
Domestic Equities:	S&P 500 (Large Cap)	4.38	6.17	56.35	16.78	16.29
	Russell 2000 (Small Cap)	1.00	12.70	94.85	14.76	16.35
International Equities:	MSCI EAFE (Developed)	2.30	3.48	44.57	6.02	8.85
	MSCI Emerging Market	-1.51	2.29	58.39	6.48	12.07
Fixed income:	Barclays Intermediate U.S. Gov't/Credit	-0.78	-1.86	2.01	4.36	2.75
	Barclays Muni Short-Interm 1-10 Years	0.37	-0.21	4.39	3.74	2.47
	Barclays Global Intermediate	-1.96	-3.71	3.33	1.40	1.62

Early Retirement Health Insurance Considerations

Retiring early is a dream for many Americans. Unfortunately, the lack of adequate planning for health insurance leads many to work until they are eligible for Medicare. So how does one retire early and maintain health insurance coverage?

Click here to see our recent blog post about health care considerations to make prior to retirement

Diversification is Still Important

Large cap and growth stocks have outperformed small cap and value stocks for each of the last 3 years. As portrayed in the table to the right, this trend continued in 2020 leading some clients to ask, "Why even own small cap and value stocks?" Now that the first quarter of 2021 is in the books, we can see that small cap and value stocks are continuing their comeback that began in the 4th quarter last year. Since the beginning of the year, value stocks outperformed growth (12.49 % vs. 0.61%) and small cap stocks have outperformed large cap (11.62% vs. 4.83%). Performance differences due to style rotation is often unpredictable and can create portfolio management challenges. This serves to highlight the necessity of diversifying not only across asset classes (cash, bonds, equities, real estate, and alternatives), but also how important it is to maintain a diversified portfolio within each class.

	2020	YTD	2020	YTD
Growth	44.65	0.61	Large Cap	21.72 / 4.83
Value	-1.31	12.49	Small Cap	16.41 / 11.62

Source: MorningStar

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Sources:

Bloomberg, Morningstar, FactSet, Crandall Pierce

*Benchmark consists of Russell 3000 (76%), MSCI ACWI ex US (20%) and FTSE EPRA/NAREIT Global (4%)

Index Definitions:

Barclays Global Intermediate: Index that measures global investment grade debt from 24 local currency markets, including treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Barclays Intermediate US Government/Credit Index: a broad-based flagship benchmark that includes investment grade, US dollar-denominated, fixed-rate Treasuries, government-related and corporate securities, within a 2-10 year maturity range.

Barclays Municipal Short-Intermediate 1-10 Years: Index that measures the performance of US municipal bonds with time to maturity of between one and ten years.

FTSE EPRA/NAREIT Global: an index used to track the performance of listed real estate companies and REITS in both developed and emerging markets.

MSCI ACWI ex US: an index that captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries. With 2,136 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

MSCI EAFE - Developed International: created to reflect the performance of small- to large-cap stocks across the developed regions of Europe, Australasia, and the Far East (EAFE). The index was developed by Morgan Stanley Capital International (MSCI) in 1969 and lists 926 stocks from 21 countries in the EAFE.

MSCI Emerging Market: an index used to measure equity market performance in global emerging markets, consisting of 23 economies including Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates.

Russell Indices: The Russell 3000 is a market-capitalization-weighted equity index maintained by the FTSE Russell that provides exposure to the entire U.S. stock market. The index tracks the performance of the 3,000 largest U.S. traded stocks which represent about 98% of all U.S. incorporated equity securities. The Russell 2000 index measures the performance of approximately 2,000 of the smallest companies in the Russell 3000 index.

S&P Indices: The S&P 500 Index is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies by market value. Other popular indices include the S&P MidCap 400, which represents the mid-cap range of companies and the S&P SmallCap 600, which represents small-cap companies. The S&P 1000 is a combination of the S&P 400 and 600, representing the small and mid-cap market. The S&P 500, S&P MidCap 400 and S&P SmallCap 600 combine to create a U.S. all-capitalization index known as the S&P Composite 1500.

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