



THE CONCORD ADVISORY GROUP, LTD.

Institutional Investment Consulting Services

JUNE 2021 MARKET HIGHLIGHTS

“HAPPY BOBBY BONILLA DAY”

THE CONCORD ADVISORY GROUP, LTD: JUNE 2021 MARKET HIGHLIGHTS

COMMENTARY: "HAPPY BOBBY BONILLA DAY"

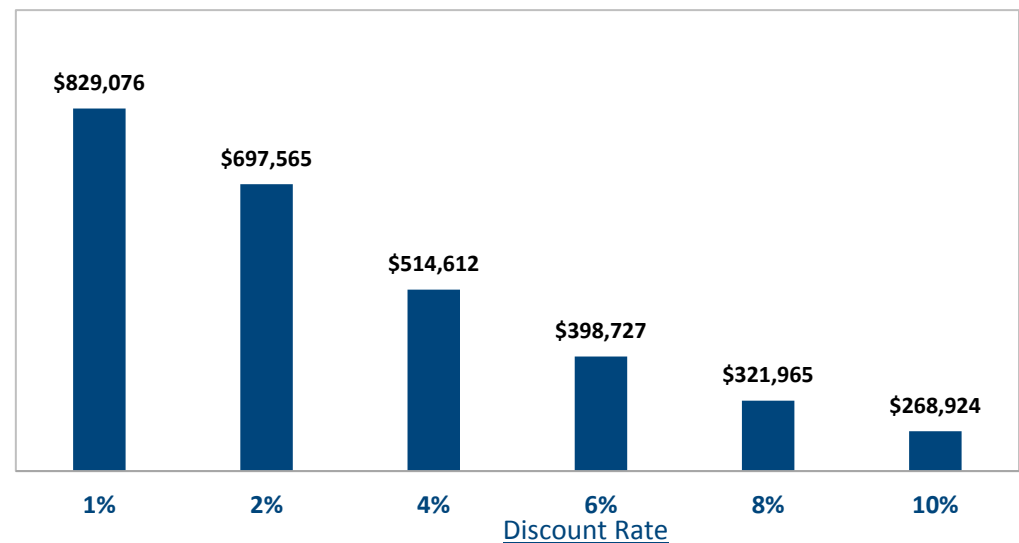
As a baseball player, Bobby Bonilla was a six-time All Star, but he is also remembered for the deal he made with the Mets. At the end of the 1999 season, the NY Mets wanted the disruptive Bonilla gone, but he was under contract for one more year, and the Mets still owed him \$5.9 million. Rather than paying Bonilla immediately, the Mets and Bonilla worked out a deal. In exchange for Bonilla not collecting the \$5.9 million in 2000, the Mets agreed to pay Bobby \$1,193,248 every July 1st for 25 years from 2011 through 2035.

Finance is an industry of numbers; of which, the discount rate may be the most important. In the case of the Bonilla deal, the Mets used an 8% discount rate to structure the deal. To the Mets, guaranteeing Bonilla an 8% rate of return seemed attractive, because the Mets' owners were earning 12 to 15% returns with minimal volatility from their investments in the Bernie Madoff Ponzi scheme. Besides not knowing that they were invested in a Ponzi scheme, the Mets owners did not seem to understand that past investment returns are not an assurance of future investing success and should not be the basis for a discount rate estimate. They also did not differentiate between the risky investments that they owned and the near risk-free investment they were giving Bobby Bonilla.

NBC's America's Got Talent (AGT) provides another illustration of the importance of the discount rate, but this time in the opposite direction. The fine print at the end of an AGT episode says that the \$1 million-dollar grand prize is payable in 40 annual payments of \$25,000 each or the winner may opt to receive the cash value of such annuity. As the chart shows, the cash value of the annuity is well below \$1 million. AGT doesn't disclose the discount rate for the cash prize option, but it is a good bet that the rate is high and favorable to NBC.

Finally, the discount rate helps answer the question, "Why are stock prices so high?" Equity cash flows look much like the AGT annuity; stocks pay out streams of cash flows over long periods of time. Academically, today's stock prices are the present value of those equity cash flows using a discount rate. The equity discount rate is not easily observable, but similar to bond yields, it has been trending lower for over a decade. Declining discount rates not only made Bobby Bonilla the clear winner of his deal with the Mets, but also have been a major force propelling stock prices higher.

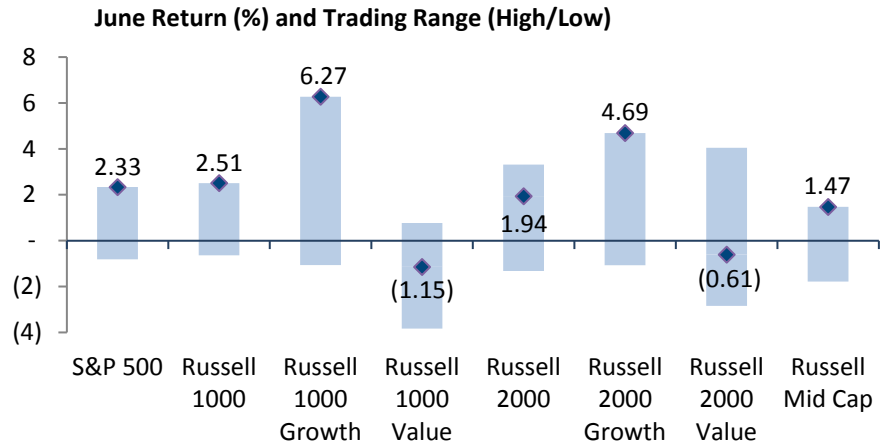
Cash Value of AGT's "\$1 Million" Prize



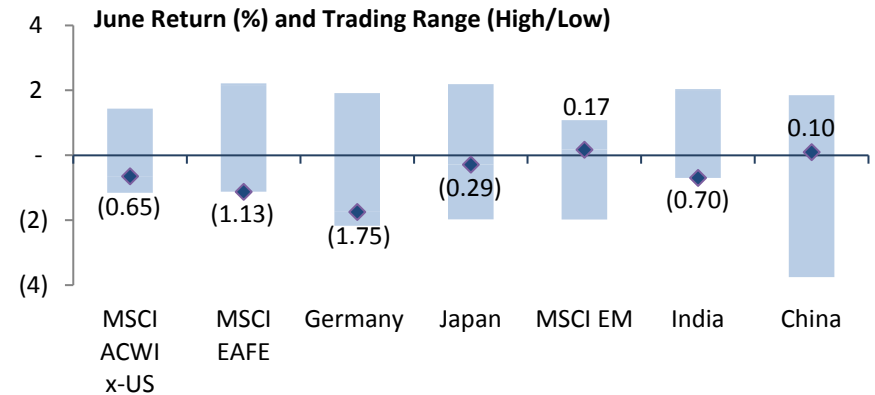
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MONTHLY CHARTS

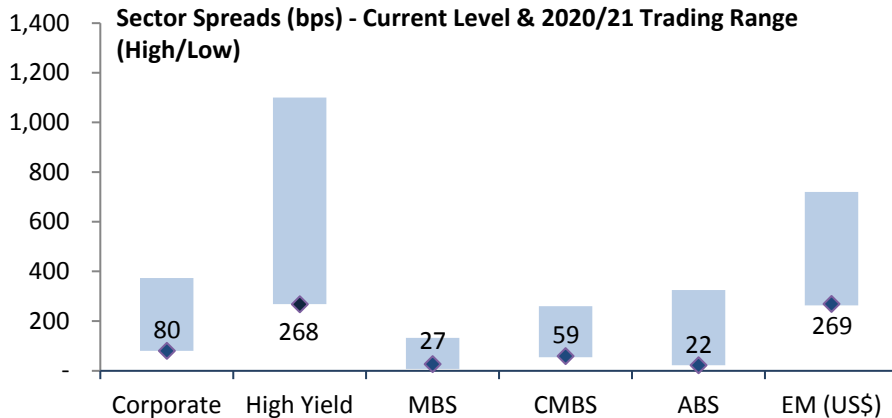
U.S. Equities: U.S. equities closed out the first half of the year with a fifth-consecutive month of gains, boosted by strong economic data and continued fiscal stimulus.



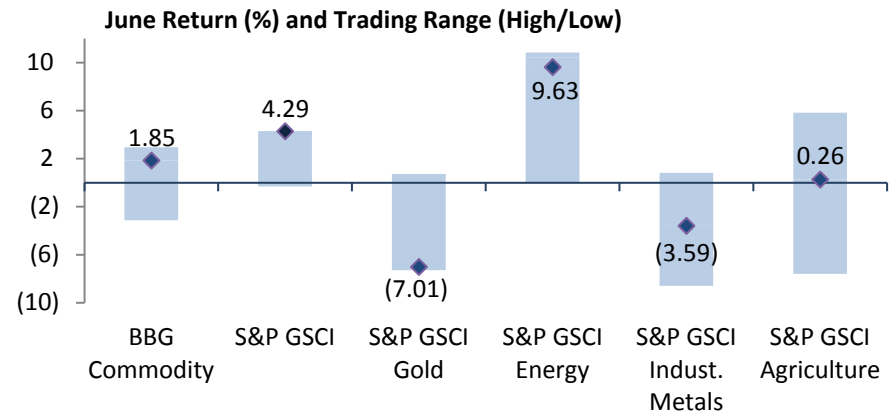
International Equities: Developed non-U.S. equities declined, as improved vaccination progress was unable to overcome a stronger U.S. Dollar. Emerging market equities were nearly flat for the month.



Fixed Income: Declining longer-term interest rates and narrowing credit spreads led to both credit and duration risk being rewarded in June.



Commodities: Commodities prices advanced in June, led by Energy. In a reversal from recent months, Precious and Industrial Metals prices declined.

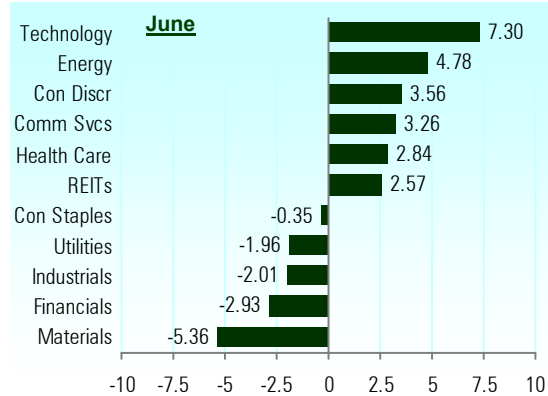


Concord Advisory Group: June 2021 Market Performance

Equity Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
S&P 500	2.33%	8.55%	15.25%	40.79%	18.67%	17.65%
Russell 1000	2.51%	8.54%	14.95%	43.07%	19.16%	17.99%
Russell 1000 Growth	6.27%	11.93%	12.99%	42.50%	25.15%	23.66%
Russell 1000 Value	-1.15%	5.21%	17.05%	43.68%	12.43%	11.88%
Russell MidCap	1.47%	7.50%	16.25%	49.80%	16.45%	15.62%
Russell 2000	1.94%	4.29%	17.54%	62.03%	13.52%	16.47%
Russell 2000 Growth	4.69%	3.92%	8.98%	51.36%	15.95%	18.77%
Russell 2000 Value	-0.61%	4.56%	26.69%	73.28%	10.27%	13.62%
MSCI ACWI	1.32%	7.39%	12.30%	39.26%	14.57%	14.62%
MSCI World	1.49%	7.74%	13.05%	39.04%	14.99%	14.83%
MSCI ACWI Ex-US	-0.65%	5.48%	9.16%	35.72%	9.38%	11.08%
MSCI EAFE	-1.13%	5.17%	8.83%	32.35%	8.27%	10.28%
MSCI EM	0.17%	5.05%	7.45%	40.90%	11.28%	13.03%
Bloomberg Commodity	1.85%	13.30%	21.15%	45.61%	3.90%	2.40%

Fixed Income Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
Barclays Capital Aggregate	0.70%	1.83%	-1.60%	-0.33%	5.35%	3.03%
Barclays Capital Global Aggregate	-0.88%	1.31%	-3.21%	2.63%	4.22%	2.34%
Barclays Capital Intermediate Aggregate	0.04%	0.78%	-0.84%	0.05%	4.41%	2.53%
Barclays Capital Universal	0.73%	1.96%	-1.15%	1.12%	5.64%	3.48%
Barclays Capital Government	0.62%	1.71%	-2.51%	-3.10%	4.66%	2.19%
Barclays Capital Credit	1.50%	3.32%	-1.28%	2.99%	7.43%	4.64%
Barclays Capital Municipal	0.27%	1.42%	1.06%	4.17%	5.11%	3.26%
Barclays Capital High Yield	1.34%	2.74%	3.62%	15.37%	7.44%	7.48%
Barclays Capital Mortgage	-0.04%	0.33%	-0.77%	-0.42%	3.78%	2.27%
Barclays Capital 1-3 Yr Gov/Credit	-0.15%	0.04%	0.00%	0.44%	2.96%	1.88%
FTSE 3-Month Treasury Bill	0.00%	0.01%	0.03%	0.08%	1.31%	1.14%
FTSE World Govt Bond	-1.06%	0.98%	-4.75%	0.76%	3.60%	1.67%
Barclays Capital U.S. TIPS	0.61%	3.25%	1.73%	6.51%	6.54%	4.18%
BofAML Invest Grade Convertible	-0.42%	1.16%	4.62%	20.73%	10.51%	13.29%

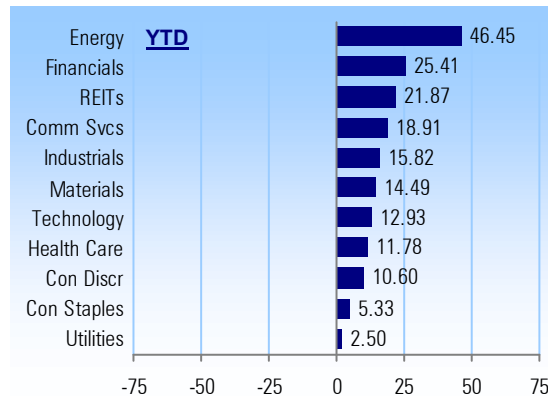
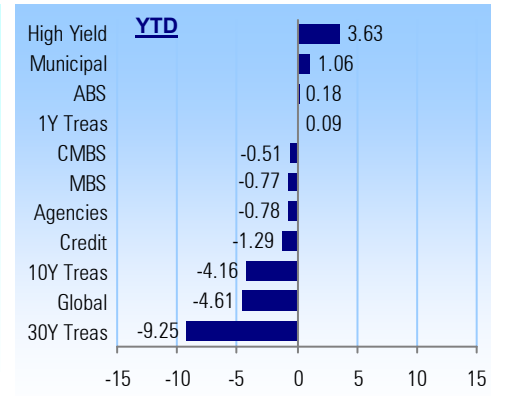
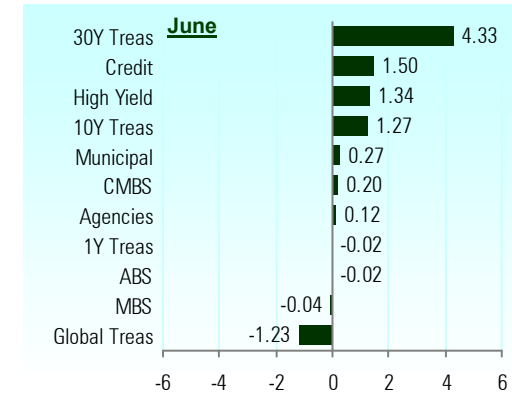
Equity Sector Returns (%)



Equity Style Returns (%)

Style	Value	Core	Growth
Large	-1.15	2.51	6.27
Mid	-1.16	1.47	6.80
Small	-0.61	1.94	4.69

Fixed Income Sector Returns (%)



Style	Value	Core	Growth
Large	17.05	14.95	12.99
Mid	19.45	16.25	10.44
Small	26.69	17.54	8.98

Treasury Yield Curve

