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PERSONAL PORTFOLIOS ■ PENSION AND PROFIT SHARING FUNDS ■ FOUNDATIONS AND TRUSTS

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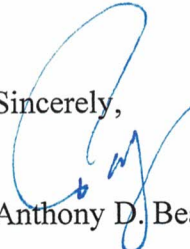
Dear Friends,

Economists have grown much more optimistic about the U.S. economy this year with a majority predicting that increased vaccinations, stronger job gains and further government stimulus will accelerate growth to the fastest pace in nearly four decades. Indeed, the economic recovery continues to gain traction as the nation's gross domestic product climbed a solid 6.4% (annualized) in the first quarter. Behind this improvement were noteworthy increases in consumer spending, business investment and residential construction. In all, GDP should rise by 6%-8% this year. None of this good news was lost on the stock market. For the six-month period ended June 30, **the equal-weighted S&P 500 returned 19.2%, while the Barclay's Aggregate Bond Index was down -1.6% and gold was down -6.5%.**

Could we be getting too much of a good thing? The step-up in business activity as the U.S. economy rebounds from the pandemic is driving the biggest surge in inflation in nearly 13 years. In May, consumer prices rose by 5% from a year ago. Earlier this year, lumber, iron ore and copper hit records. Corn, soybeans and wheat had jumped to their highest levels in eight years. Oil recently reached a two-year high. Are surging prices transitory, as the Federal Reserve maintains, or something more serious? The Fed expects the inflation rate to rise temporarily this year and then fall back. Their reason for optimism is that the annual inflation measurements are being boosted by comparisons with figures from last year, during pandemic-related lockdowns when prices plummeted because of collapsing demand for many goods and services. This so-called base effect is expected to push up inflation readings significantly in May and June, dwindling into the fall. Many commodities have already fallen from their peak pandemic highs. Copper is down 10% from a record hit in March. Front-month futures for corn and soybeans are off their May highs by 13% and 19% respectively, and lumber has fallen 54% from post-pandemic highs. The Fed further states that the recent increase in inflation has been powered by a combination of supply bottlenecks and pent-up demand, pressures that should ease later this year. Risks to markets would rise should inflation prove more durable. This scenario could compel the Fed to tighten its easy-money policies earlier than it had planned or to react more aggressively to achieve its 2% average inflation goal, pulling the so-called "punch bowl" from the stock market.

Investors are apprehensive that valuations have already priced in the anticipated boost to corporate earnings likely to be provided by the reopening of the economy and the implementation of further fiscal stimulus. Fundamentals, however, appear sufficiently supportive to keep the bull market intact assuming inflation stays in check.

Sincerely,



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