Covenant
Asset Management, LLC

Second Quarter 2021
Investment Perspectives

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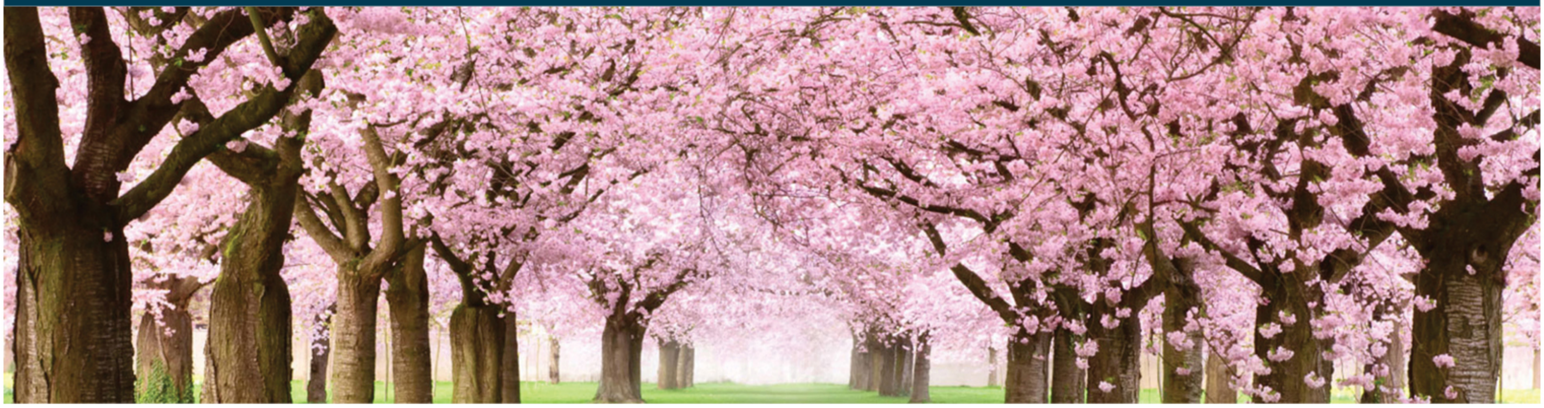
Economic and Financial Markets Review & Outlook

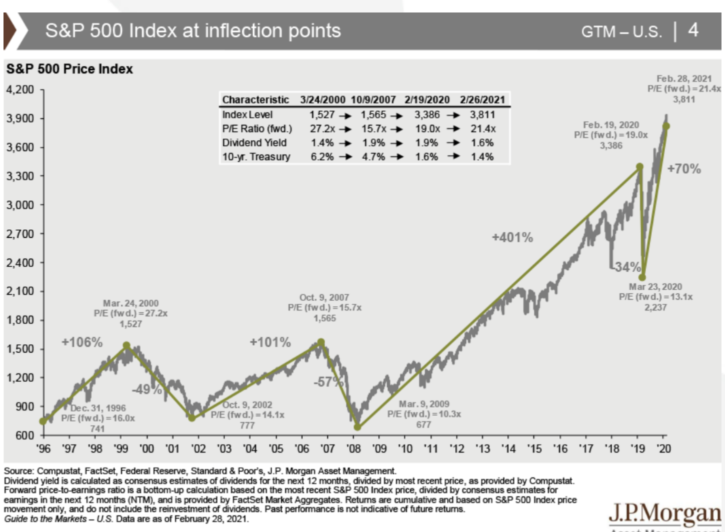


Covenant Asset Management is pleased to offer our latest investment perspectives. In this publication we review first quarter results and highlight key economic, financial and political themes which we expect will drive markets and investment performance in the coming months.

Key Themes

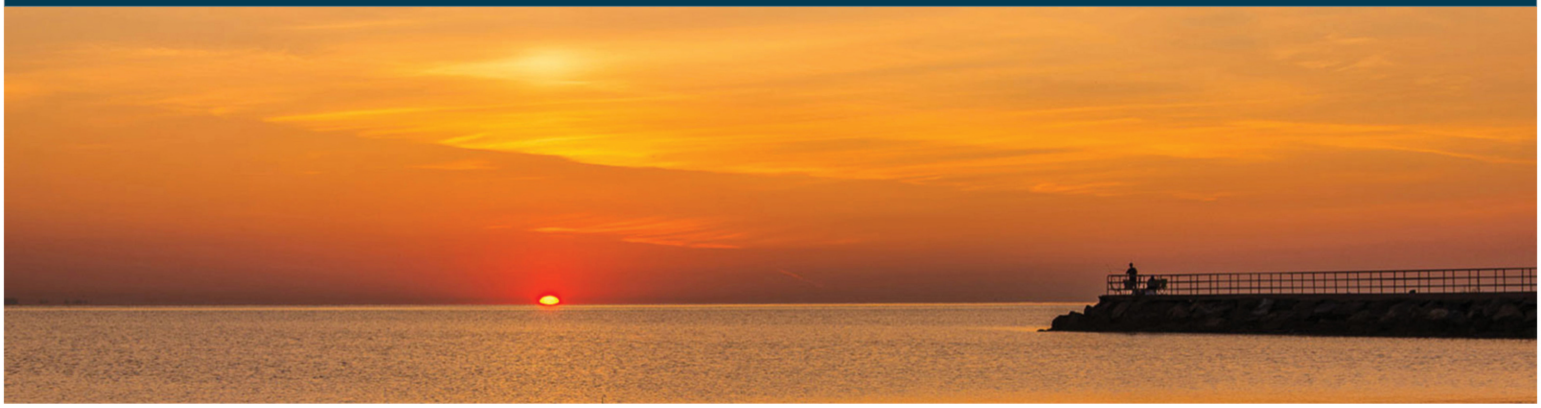
1. Covid-19 vaccinations in the U.S. are increasing at a rapid pace leading to optimism for an economic rebound.
2. Massive Federal Reserve Bank and Federal Government stimulus coupled with confidence in improving economic growth, have prompted investors to sell bonds causing a surge in interest rates.
3. Rising interest rates and a strengthening economy have triggered a sharp rotation away from growth stocks and into economically sensitive value stocks.
4. A new wave of Covid cases in Europe and South America caused by new strains of the virus has caused some concern. Health experts are hopeful that the vaccination rate in the U.S. will be fast enough to avoid a significant new wave before herd immunity is achieved.

It has now been a full year since the world has lived with the pandemic known as Covid-19. Sadly, coronavirus cases worldwide have reached 128 million and deaths have topped 2.8 million. The virus has affected our lives in myriad ways. We have suffered through the quickest and one of the most significant economic declines in modern history. Travel, dining out and live entertainment



have taken the largest hit and are only now beginning to show signs of improvement. Financial markets have defied many expectations during the past year. After plummeting nearly 40% over a three week period, markets have soared since the March 23, 2020 bottom. During this time, the DJIA and the S&P 500 are both up 81%, and the Nasdaq has doubled. Initially, economic uncertainty caused growth stocks to lead the way by a very wide margin. The flood of liquidity produced by central banks around the globe, coupled with massive additional government aid, buoyed economies and financial markets.

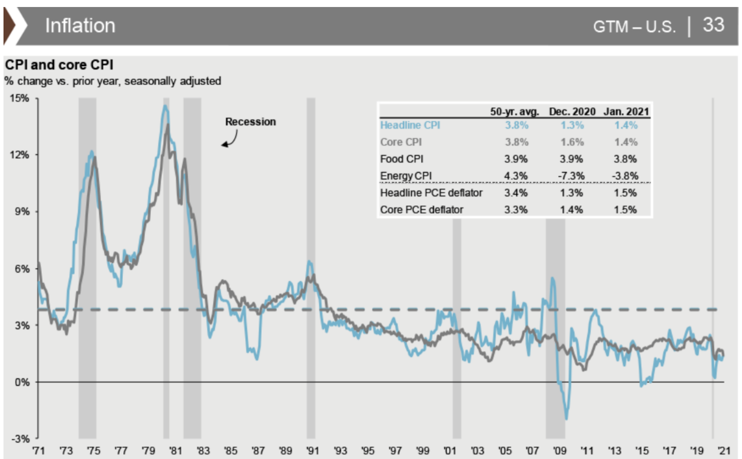
The U.S. is rapidly vaccinating its population as nearly 100 million people have now had at least one injection. With approximately 3 million inoculations per day presently, the spread of the virus is expected to slow dramatically by the June/July timeframe. Many states have begun to ease coronavirus-related restrictions and more people and businesses are beginning to resume normal activities. The economic benefit of re-opening the economy is very significant and financial markets are responding favorably. Although the Fed is committed to retaining its zero



short-term interest rate policy and massive asset purchase program, market-based bond yields have risen sharply this year. The ten-year U.S. Treasury note yield has jumped from 0.93% at year-end 2020 to 1.75% at the end of the first quarter of 2021. The rapid rise in interest rates and expectations for a robust rebound in U.S. GDP growth in the first half of 2021 have pressured growth stocks in a big way this quarter. After outperforming value stocks by about 30 percentage points last year, growth stocks have underperformed value stocks by over 10 percentage points this year. In 2020, when interest rates were near zero, investors bought the fastest growing companies with little regard to valuation levels. Now that interest rates are on the rise, many investors, including ourselves, have begun to reduce exposure to extremely high priced stocks and reinvest in more reasonably valued growth stocks that are expected to benefit from an economic rebound. Growth stock valuations tend to be highly sensitive to the level of interest rates. As interest rates rise, future earnings are not worth as much when discounted to calculate a present value. Also, relative earnings growth for more economically cyclical companies, such as banks and energy companies, is typically greater in the early quarters of an economic recovery. As the recovery matures and interest rates and earnings growth rates level off, growth stocks usually return to favor. Our expectation is for several quarters of continued outperformance by value stocks. As investors begin to look ahead to 2022, GDP growth and cyclical earnings gains will likely slow and growth stocks should become relatively more attractive. This is especially true, if the Biden administration is able to sign legislation raising tax rates on corporate earnings, wealthy individuals, capital and estates. Despite its potential merits in raising needed revenues, higher tax rates will inevitably retard economic growth. Some of the concerns that investors have expressed related to the recent behavior of markets is excessive speculation. This sentiment is reflected in the trading patterns of alternative energy stocks, cryptocurrencies and Special Purpose Acquisition Companies (SPACs).

Our belief is that some of the capital from government stimulus payments is finding its way into investment instruments. Many inexperienced investors trading through their Robinhood brokerage accounts have driven stocks like Nio, Gamestop and Churchill Capital to irrational heights. Bitcoin and other cryptocurrencies have also been a favorite of these newer investors. The recent rise in interest rates has put a halt to some of this speculation, but, until the federal stimulus ends, we are likely to see bouts of speculation continue. Some economists have been suggesting that the massive stimulus and re-opening of the global economy might lead to higher inflation. While prices for many commodities have been rising, we remain skeptical that goods and services producers will be able to pass along higher raw materials costs to consumers for a sustained period of time. Instead, we believe much of the excess capital is showing up in asset prices such as stocks and real estate.

Of concern is also the rising number of coronavirus cases in Europe and South America due to variants that are more contagious. The fear is that the U.S. may face a similar new variant wave of the virus before enough people are vaccinated to provide the herd immunity that health experts anticipate by this



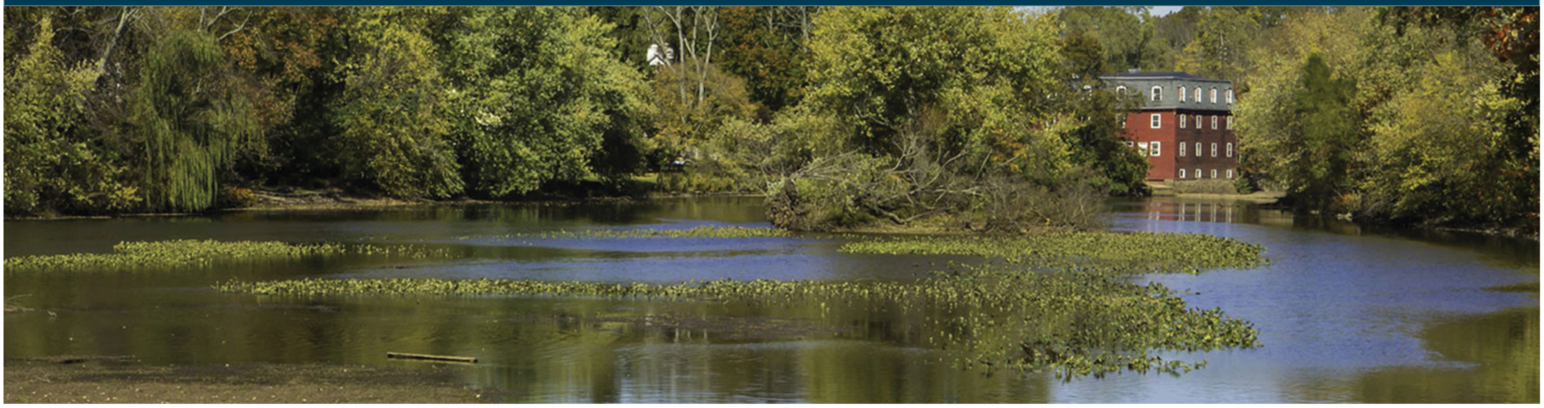
Source: BLS, FactSet, J.P. Morgan Asset Management.
CPI used is CPI-U and values shown are % change vs. one year ago. Core CPI is defined as CPI excluding food and energy prices. The Personal Consumption Expenditure (PCE) deflator employs an evolving chain-weighted basket of consumer expenditures instead of the fixed-weight basket used in CPI calculations.
Guide to the Markets – U.S. Data are as of February 28, 2021.

J.P.Morgan
Asset Management

summer. Europe and South America have been slower to approve and immunize their populations, so it is not surprising that they are suffering through a new wave of cases. We can only hope that the U.S. population continues on a faster pace of immunizations. Israel has now vaccinated greater than 50% of its population and its new Covid-19 cases have dropped dramatically. At the current pace of vaccinations, the U.S. should exceed the 50% level by May. Experts do not believe that level is sufficient to achieve herd immunity, but coupled with warmer weather and factoring in the number of people who have already been infected and who possess antibodies, the number of new cases should drop materially. This is the scenario that financial markets are anticipating, as capital flows into sectors that benefit from the reopening of the economy and bond yields rise.

If the past year has taught investors anything, it is that trying to time the market based on a perceived notion of overvaluation or event risk is nearly impossible. Honestly, how many investors would have predicted that markets would soar during a global pandemic, a deep recession and a contentious U.S. presidential election that would eventually lead to a change in political party government control? Similarly, who knows with enough certainty when investors will tire of value stocks and rotate back to growth? Or when foreign equity markets will begin to outperform U.S. markets? Most market studies and our own years of experience have taught us to focus on carefully defining individual investor objectives and creating an asset allocation that has a high probability of meeting or exceeding those expectations over time. We suggest our clients stay disciplined and follow these well-established strategies. Happy spring to all of our clients and friends! We look forward to speaking or meeting with you soon.

Financial Markets Charts



Rather than write extensively about equity valuations, economic statistics and investing principles, we offer the following charts organized by topic and courtesy of J.P. Morgan Asset Management:

Returns and valuations by style — GTM – U.S. | 13

	QTD Value	QTD Blend	QTD Growth	YTD Value	YTD Blend	YTD Growth
Large	5.6%	8.9%	13.2%	-11.6%	5.6%	24.3%
Mid	6.4%	7.5%	9.4%	-12.8%	-2.3%	13.9%
Small	2.6%	4.9%	7.2%	-21.5%	-8.7%	3.9%

	Since market peak (February 2020) Value	Blend	Growth	Since market low (March 2020) Value	Blend	Growth
Large	-12.6%	0.5%	13.8%	41.3%	51.7%	66.0%
Mid	-14.3%	-5.9%	6.5%	51.4%	57.5%	65.6%
Small	-19.9%	-10.1%	-1.2%	40.9%	51.5%	60.6%

Current P/E vs. 20-year avg. P/E

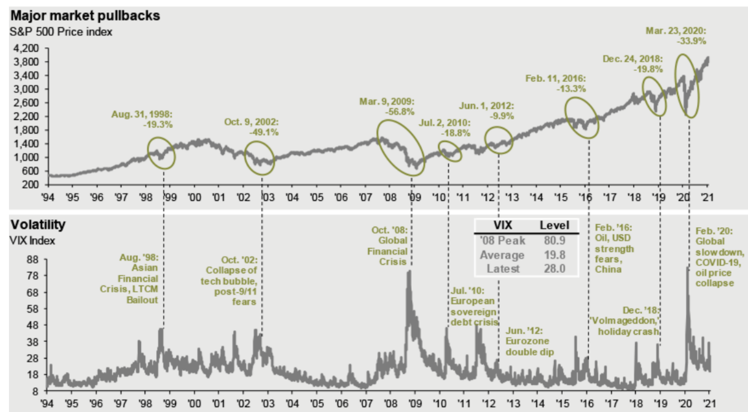
	Value	Blend	Growth
Large	17.2 / 13.7	21.5 / 15.4	30.5 / 18.6
Mid	18.0 / 14.3	22.2 / 16.2	38.0 / 20.3
Small	20.6 / 16.6	36.8 / 21.1	124.4 / 64.2

Current P/E as % of 20-year avg. P/E

	Value	Blend	Growth
Large	126.3%	139.7%	163.6%
Mid	125.6%	136.9%	187.4%
Small	123.9%	174.6%	193.8%

Source: FactSet, Russell Investment Group, Standard & Poor's, J.P. Morgan Asset Management.
All calculations are cumulative total return, including dividends reinvested for the stated period. Since Market Peak represents period between February 19, 2020, and September 30, 2020. Since Market Low represents period between March 23, 2020, and September 30, 2020. Returns are cumulative returns, not annualized. For all time periods, total return is based on Russell style indices with the exception of the large blend category, which is based on the S&P 500 Index. Past performance is not indicative of future returns. The price to earnings is a bottom-up calculation based on the most recent index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates.
Guide to the Markets – U.S. Data are as of September 30, 2020.

Market volatility — GTM – U.S. | 19



Source: CBOE, FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Drawdowns are calculated as the prior peak to the lowest point.
Guide to the Markets – U.S. Data are as of February 28, 2021.

S&P 500 valuation measures — GTM – U.S. | 5

S&P 500 Index: Forward P/E ratio

Valuation measure	Description	Latest	25-year avg.*	Std. dev. Over-/under-Valued
P/E	Forward P/E	21.41x	16.62x	1.47
CAPE	Shiller's P/E	34.77	27.54	1.18
Div. Yield	Dividend yield	1.57%	2.04%	1.40
P/B	Price to book	3.85	3.00	1.15
P/CF	Price to cash flow	15.51	10.84	2.28
EY Spread	EY minus Baa yield	1.14%	0.06%	-0.54

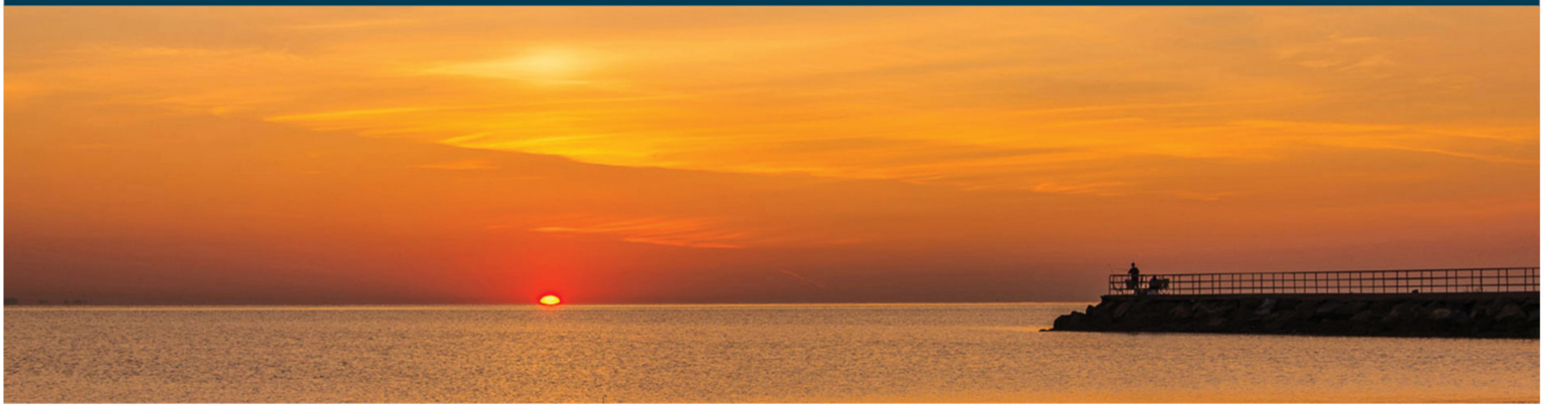
Source: FactSet, FRB, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.
Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since February 1996, and FactSet for February 28, 2021. Current next 12-months consensus earnings estimates are $178. Average P/E and standard deviations are calculated using 25 years of IBES history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-months consensus dividend divided by most recent price. Price-to-book ratio is the price divided by book value per share. Price-to-cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 25 years for each measure.
Guide to the Markets – U.S. Data are as of February 28, 2021.

Asset class returns — GTM – U.S. | 71

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD	2006 - 2020 Ann.	2006 - 2020 Vol.
REITs 35.1%	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	Small Cap 11.6%	Large Cap 9.9%	EM Equity 23.3%
EM Equity 32.6%	Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	Comdty. 9.3%	Small Cap 8.9%	REITs 23.1%
DM Equity 26.9%	DM Equity 11.6%	Asset Alloc. -25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Large Cap 18.4%	EM Equity 3.9%	High Yield 7.5%	Small Cap 22.6%
Small Cap 18.4%	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. 10.6%	REITs 2.6%	REITs 7.1%	DM Equity 19.1%
Large Cap 15.8%	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	Asset Alloc. 2.0%	EM Equity 6.9%	Comdty. 18.8%
Asset Alloc. 15.3%	Large Cap 5.5%	Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	Large Cap 1.7%	Asset Alloc. 6.7%	Large Cap 16.7%
High Yield 13.7%	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	DM Equity 1.2%	DM Equity 5.0%	High Yield 12.2%
Cash 4.8%	High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	Fixed Income 4.5%	Asset Alloc. 11.8%
Fixed Income 4.3%	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -3.1%	High Yield 0.0%	Cash 1.2%	Fixed Income 3.2%
Comdty. 2.1%	REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	Fixed Income -2.2%	Comdty. -4.0%	Cash 0.8%

Source: Barclays, Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Barclays Global HY Index, Fixed Income: Bloomberg Barclays US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg Barclays 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg Barclays US Aggregate, 5% in the Bloomberg Barclays 1-3m Treasury, 5% in the Bloomberg Barclays Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period from 12/31/05 to 12/31/20. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of February 28, 2021.

Financial Markets Charts



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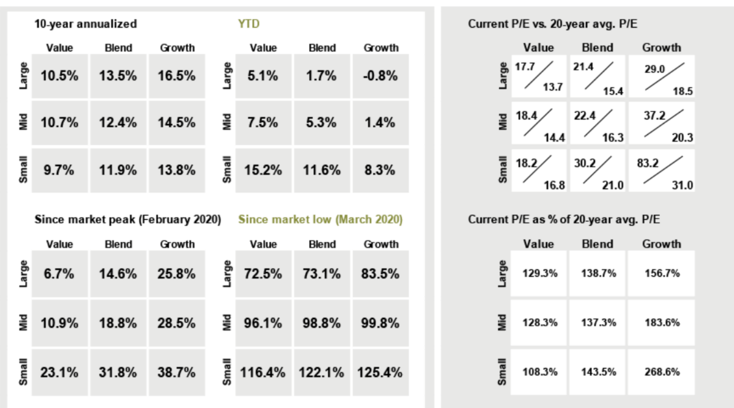

10-year annualized

	Value	Blend	Growth
Large	10.5%	13.5%	16.5%
Mid	10.7%	12.4%	14.5%
Small	9.7%	11.9%	13.8%

YTD

	Value	Blend	Growth
Large	5.1%	1.7%	-0.8%
Mid	7.5%	5.3%	1.4%
Small	15.2%	11.6%	8.3%

Since market peak (February 2020)

	Value	Blend	Growth
Large	6.7%	14.6%	25.8%
Mid	10.9%	18.8%	28.5%
Small	23.1%	31.8%	38.7%

Since market low (March 2020)

	Value	Blend	Growth
Large	72.5%	73.1%	83.5%
Mid	96.1%	98.8%	99.8%
Small	116.4%	122.1%	125.4%

Current P/E vs. 20-year avg. P/E

	Value	Blend	Growth
Large	17.7 / 13.7	21.4 / 15.4	29.0 / 18.5
Mid	18.4 / 14.4	22.4 / 16.3	37.2 / 20.3
Small	18.2 / 16.8	30.2 / 21.0	83.2 / 31.0

Current P/E as % of 20-year avg. P/E

	Value	Blend	Growth
Large	129.3%	138.7%	156.7%
Mid	128.3%	137.3%	183.6%
Small	108.3%	143.5%	268.6%

Source: FactSet, Russell Investment Group, Standard & Poor's, J.P. Morgan Asset Management.
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S&P 500 valuation measures

S&P 500 Index: Forward P/E ratio

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Div. Yield	Dividend yield	1.57%	2.04%	1.40
P/B	Price to book	3.85	3.00	1.15
P/CF	Price to cash flow	15.51	10.84	2.28
EY Spread	EY minus Baa yield	1.14%	0.06%	-0.54

Source: FactSet, FRB, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.
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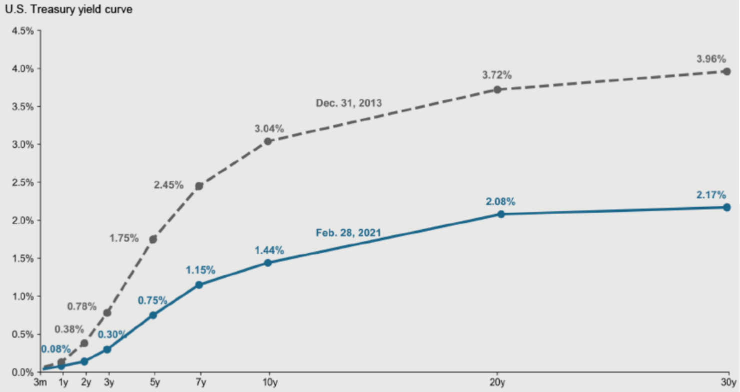
Yield curve

Yield curve

U.S. Treasury yield curve



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
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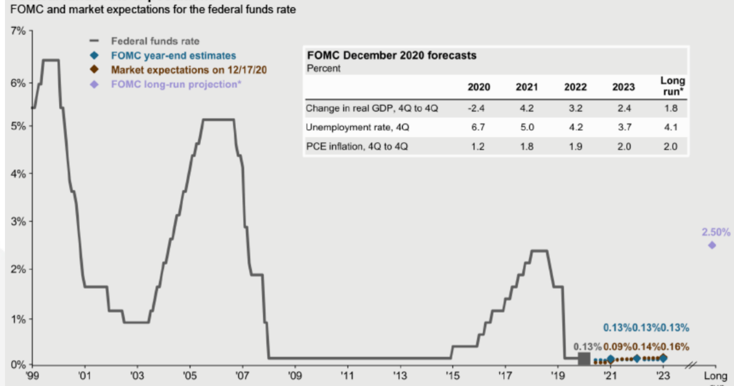
The Fed and interest rates

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



FOMC December 2020 forecasts

Percent

	2020	2021	2022	2023	Long run*
Change in real GDP, 4Q to 4Q	-2.4	4.2	3.2	2.4	1.8
Unemployment rate, 4Q	6.7	5.0	4.2	3.7	4.1
PCE inflation, 4Q to 4Q	1.2	1.8	1.9	2.0	2.0

Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.
Market expectations are the federal funds rates priced into the fed futures market as of the following date of the December 2020 FOMC meeting and are through December 2023. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy.
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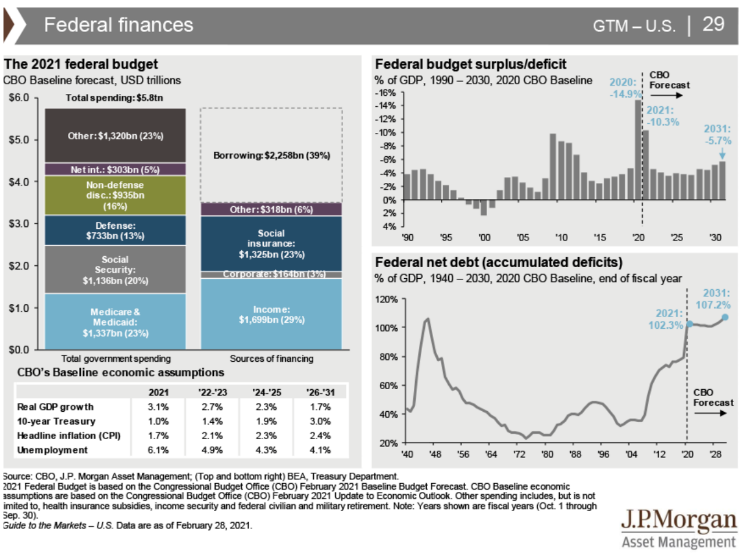
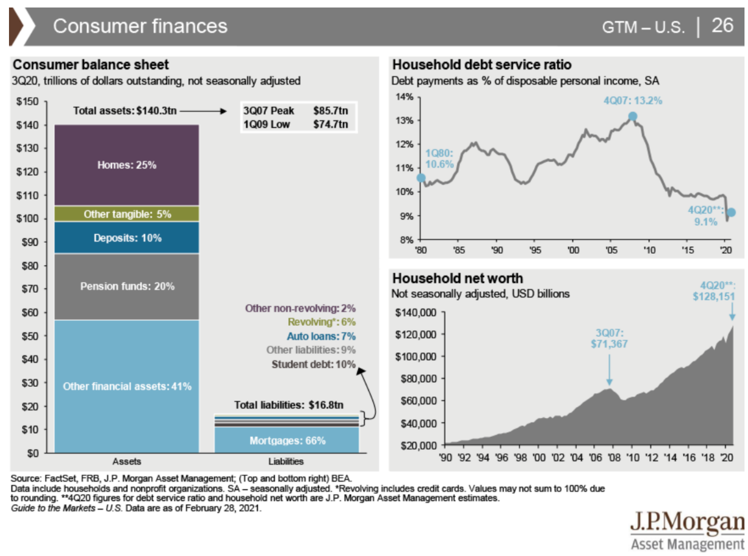
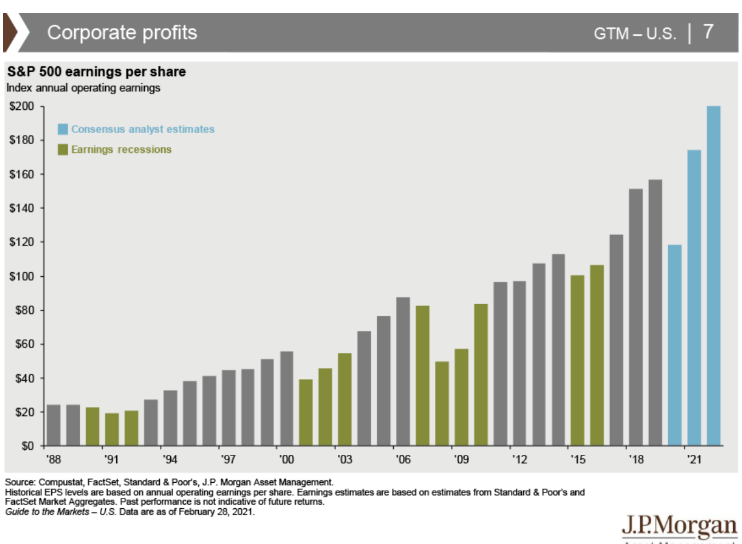
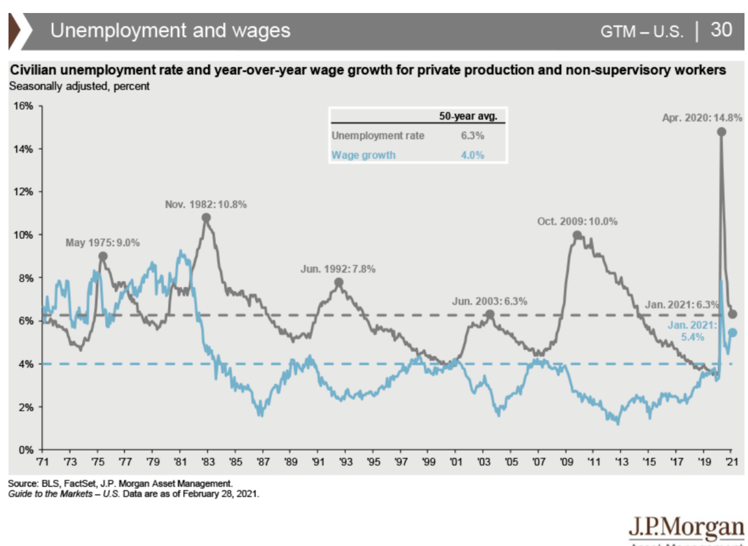
Financial Markets Charts



	2021	'22-'23	'24-'25	'26-'31
Real GDP growth	3.1%	2.7%	2.3%	1.7%
10-year Treasury	1.0%	1.4%	1.9%	3.0%
Headline inflation (CPI)	1.7%	2.1%	2.3%	2.4%
Unemployment	6.1%	4.9%	4.3%	4.1%







*Any performance-related data listed in this report may represent un-audited results compiled by Covenant Asset Management or others. It could be intended to reflect results that are indicative of Covenant's individual client's equity performance who religiously invest according to our model portfolios. This performance data represents past performance and individual client results may vary materially. Past performance does not guarantee future results and current performance may be higher or lower than the performance data quoted.

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