FUNDAMENTAL EQUITY

LARGE CAP VALUE

GREAT LAKES ADVISORS

A WINTRUST WEALTH MANAGEMENT COMPANY

MANAGER COMMENTARY

Second Quarter 2021

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MARKET REVIEW

U.S. equities followed up a strong 1Q21 with a positive return in 2Q21.The Russell 1000 Value Index advanced 5.21% in the second quarter of 2021 and posted a 17.05% return for the first half of 2021. The broader market, represented by the S&P 500, made a number of new all-time highs during the quarter and ended at a new high gaining 8.17% for the quarter and 15.25% year to date.

Domestic economic growth accelerated during 1Q 2021 to 6.3% compared to the annualized rate of expansion recorded during 4Q 2020 of 4.2% as recorded by the Bureau of Economic Analysis (BEA).

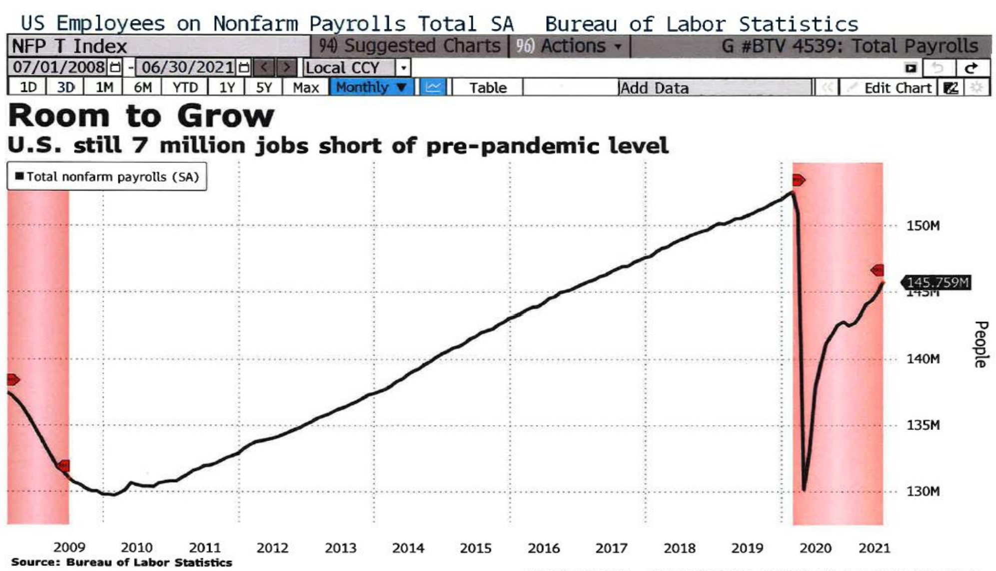
Inflation, whether measured by PCE or CPI, is above trend and above the level the Federal Reserve has indicated that policy tightening would be appropriate. The Core Personal Consumption Expenditures Price Index rose by annualized rates of 1.4%, 1.9%, 3.1%, and 3.4% for February, March, April, and May 2021 respectively. The core PCE price index, calculated at BEA, is considered to be a broader measure of inflation than the Labor Department's Consumer Price Index.

The unemployment rate is 5.8% as of May 2021, down from the 14.8% experienced during the COVID shutdown, as measured by the Bureau of Labor. Currently, there are 1.1 unemployed workers for each job opening, a narrow ratio. However, pre-pandemic this number was 0.8, an indication of very tight labor supply.

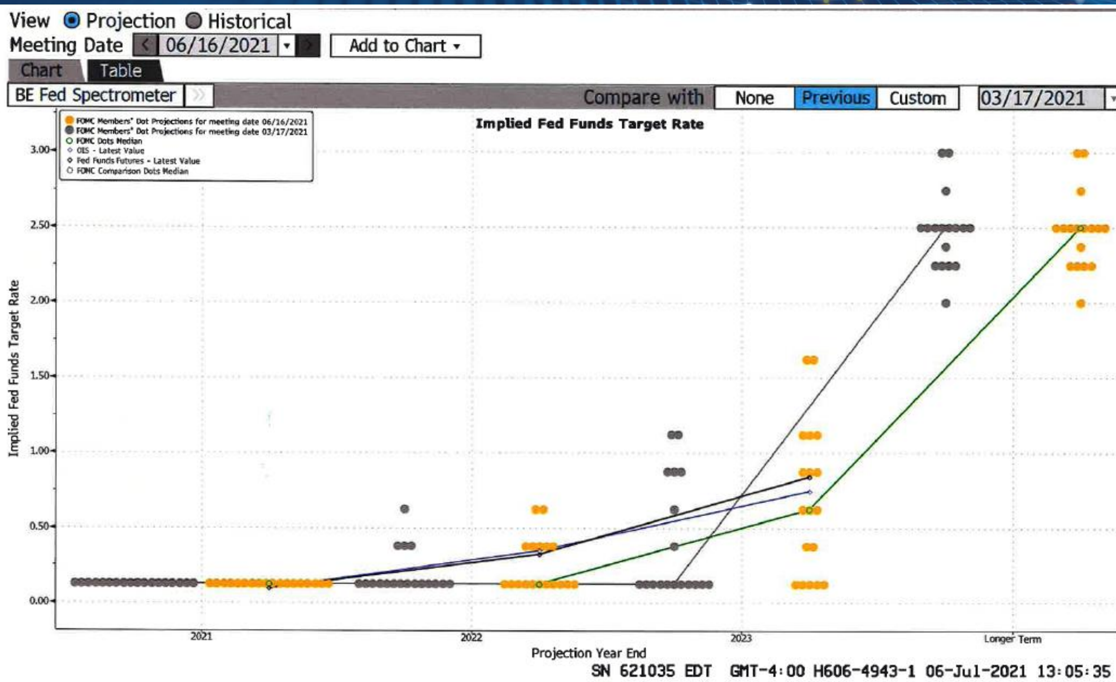
The yield on the benchmark 10-year U.S. Treasury note settled at 1.45% at the end of June 2021, up from 0.91% at the end of last year but down from 1.75% at the end of March.

Monetary policy remains unusually accommodative. At all points along the interest rate curve, interest rates are below zero when subtracting out inflation, including the U.S. 30 year Treasury bond, with its yield of 2.02% at quarter's end.

The U.S. economy has made a dramatic recovery from the pandemic-induced recession supported by massive fiscal and monetary stimulus coupled with the remarkably rapid development of extraordinarily effective vaccines that have now been administered to a material number of the U.S. population. Notwithstanding, this recovery – as indicated by the graph below of the number of people employed – remains substantially lower than before the pandemic.



The rapid increase in demand coupled with supply chain disruptions has resulted in both the Consumer Price Index and the Personal Consumption Expenditures increasing at a rate higher than the Federal Reserve has indicated is an acceptable rate over the long-term. Those reports may have induced at least some members of the Federal Reserve to indicate that an increase in interest rates may be needed earlier than previously as indicated by the so called DOT Plot on the following page.



So, to summarize, the economy is rebounding sharply from COVID-related shutdowns, so much so that supply chain disruptions and a tighter labor market are adding to inflationary pressures. This amidst a market in which real interest rates remain negative and the Fed is signaling that policy may become tighter in the future, perhaps sooner than market participants previously expected. While earnings expectations have also rebounded nicely with economic re-opening (plus the added benefit of fiscal stimulus), valuations still remain relatively high by historical standards and are at least partly bolstered by the low rate environment.

While we won't pretend to know the exact future path of inflation or Fed interest rate policy, we do believe the current environment sets up well for the types of companies in which we invest. We favor higher-quality companies with strong competitive positions that retain pricing power to better navigate inflationary environments, and we favor companies that generate strong cash flow and maintain solid balance sheets to mitigate earnings pressure from rising interest rates. On a more nuanced level, we continue to remain disciplined on valuation, which should help relative performance should higher interest rates either compress market valuations in the aggregate or especially pressure the cost of capital for more speculative growth companies that are less able to finance growth internally.

SECOND QUARTER ATTRIBUTION

The Great Lakes Advisors Large Cap Value strategy gained 5.03%, 18 bps below the benchmark.

In total, sector positioning was neutral adding 1 basis point:

- There were no material positive contributions to our position weights.
- A higher than typical cash position and our lack of Real Estate allocation were negative contributors by detracting 16 bps and 19 bps, respectively, from relative performance.

Stock selection within the respective sectors detracted 19 bps from active return.

MARKET OUTLOOK

The surprises keep coming. Despite unprecedented stimulus (and talk of much more to come), and signs of building price pressure (especially in PPI and manufacturing prices paid), Treasury yields actually moved lower on the quarter, the curve flattened, and real yields hit the most negative on record. This is largely due to massive purchases from the Treasury. The markets are focused on whether inflation will be "transitory", or if the observed price increases will lead to something similar to the early 80's.

With yields halting their increase, the long-awaited value rotation retraced its strong run of outperformance, sliding sharply during June. Rising yields increase the discount rate for future earnings, making growth stocks less attractive. Declining yields have the opposite effect. We expect value to outperform growth after this recent setback.

The strong stimulus is showing its impact in many areas. Corporate profits hit an all-time high in Q1. Capacity Utilization has moved higher – but remains at a moderate level. Commodity prices

SECOND QUARTER ATTRIBUTION

SECTOR	GLA WEIGHTING	R1000V WEIGHTING	GLA RETURN	R1000V RETURN	SECTOR ALLOCATION	STOCK SELECTION	ACTIVE CONTRIBUTION
Comm. Services	6.97	8.67	5.13	3.81	0.02	0.10	0.12
Consumer Disc.	7.20	7.92	0.95	5.09	-0.01	-0.28	-0.28
Consumer Staples	7.55	7.04	11.49	3.52	-0.00	0.55	0.54
Energy	6.22	5.16	5.28	11.80	0.08	-0.38	-0.30
Financials	24.96	21.93	6.12	7.73	0.09	-0.38	-0.28
Health Care	15.95	12.72	8.80	6.68	0.01	0.29	0.30
Industrials	11.00	13.38	0.07	3.03	0.05	-0.33	-0.28
Technology	9.50	9.61	2.55	0.69	0.04	0.17	0.21
Materials	4.05	4.85	6.64	4.97	0.01	0.06	0.07
Real Estate	--	3.75	--	10.71	-0.19	--	-0.19
Utilities	3.80	4.94	-0.22	-0.41	0.06	0.01	0.07
Cash	2.81	--	0.01	--	-0.16	--	-0.16
Total	**100**	**100**	**5.03**	**5.21**	**0.01**	**-0.19**	**-0.18**

Source: FactSet. Performance numbers are gross of fees.

continue to edge higher, as do input prices such as lumber, steel, and concrete. The labor market continues to recover, with about 70% of the jobs lost during COVID now recouped. The housing market remains very strong, with the highest year-over-year increases in home prices in 15 years. Industrial Production and purchasing indices are also strong. Lastly, the preponderance of good news has buoyed consumer confidence.

The next quarter or two should inform the Fed's future policy far more than the past quarter or two. More stimulus (infrastructure bill, anyone?) offset by tax raises will come into play, and year-over-year changes in economic data will become more meaningful as COVID-hampered periods drop from the observations. The conversation will start to turn to tapering as the Fed evaluates the quantity of their monthly asset purchases, and how long this should continue.

As for equity markets, we'll need plenty of robust, profitable growth to justify valuations here – especially if inflation is not transitory.