



VBA Education Foundation

Trustee Report

1st Quarter 2021

Prepared by:

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Discussion Summary

- **Economic Backdrop**

- The domestic economy is seeing a robust recovery from its COVID-19 challenges. Government support is providing relief to consumers and businesses through stimulus payments. Market interest rates rising due to inflationary pressures, but we view as short lived. Corporate revenues and earnings growth are robust on both a Yr./Yr. and Qtr./Qtr. basis.

- **First Quarter Broad Market Performance**

- Rising market interest rates caused losses in most bond asset classes, although short term and credit sensitive fared favorably. Value materially outperformed growth, a change from recent trends, and small-cap. outperformed large-cap., both due to greater economic sensitivity and reopening trades. Domestic outperformed international as the foreign economic recovery remains muted due to slower vaccination rates.

- **Portfolio Performance**

- Portfolio returns in the 1st quarter were favorable on an absolute and relative basis. Our overweight to short term and credit sensitive fixed income were beneficiaries to F/I results. A shift and overweight to the value style and small/mid-cap. stocks aided equity allocation performance, as did the moderate overweight to equities. Individual manager results detracted from performance as there was a meaningful shift in winners/losers, with low quality outperforming high quality.

- **Market Outlook**

- Investors have embraced the recovery theme, causing equities to dramatically outperform fixed income. We anticipate this momentum trade to persist in the short term, as fiscal and monetary policy cause a favorable flow into risk assets. A multiple of 20x on 2022 S&P500 EPS estimates is not a stretch relative to 10-year Treasuries at 1.65%. We are more cautious in the intermediate term, as higher debt burdens and higher corporate and personal tax rates to pay for spending will be a drag on future earnings and discretionary cash flow.

- **Portfolio Positioning**

- Maintain moderate overweight towards risk assets. Balanced exposure between short & long duration fixed income, and overweight to credit based on lower risks of default. Favoring more cyclical / value-oriented equity sector and asset classes, having greater earnings leverage to reopening and improvements in economic conditions.

Economic / Market Summary

• Economic Overview

- Global economic conditions are improving as markets reopen, supported by ongoing transfer payments from Government to consumers (debt issuance for stimulus payments). Second quarter U.S. GDP estimated up an annualized 8.0% Q/Q and anticipated to rise 6%+ overall in 2021. Core PCE and CPI estimates up 2.1% and 2.5% respectively for 2021 before slowing to 2.0% in 2022. The unemployment rate expected to end 2021 at 5.5%, but participation rate is below 2019 year-end levels.

• Interest Rates and Outlook

- The yield curve has steepened as the recovery takes hold and confidence improves. The Treasury 2-10 spread at roughly 150 bps., median levels over the last two decades. Short rates remained anchored by the Fed funds rate, with Federal Reserve plans to stay on hold thru 2023, while 10-year Treasuries drifted upwards, reaching 1.74% at quarter's end. High yield spreads near record lows. The Fed indicates tapering to start in Q4 2021 and economists anticipate the 10-year to reach 2% by 2Q 2022.

• Earnings Trends and Outlook

- Top line revenue and earnings continue to be reported above conservative estimates for S&P500 companies, with the Financial Sector reporting the highest increases in net profit margin on lower provisioning. Analysts expect double-digit EPS growth for the rest of 2021, off depressed 2020 figures. S&P500 earnings estimates up 33% in 2021 and 13% more in 2022, deriving earnings yield multiples of 4.4x for 2021 and 5x for 2022. Compares favorably to 10-year Treasuries.

• Market Outlook

- Expected returns in the bond market remain moderate, constrained by low absolute and negative real yields. Equity investors remain optimistic due to expected pent up demand spending and a robust recovery. An accommodative Federal Reserve and fiscal spending policies are fueling near term enthusiasm and flow into financial assets. Cyclical sectors of the economy appear positioned for future outperformance on valuation discounts and relative earnings improvements.

• Risks / Rewards

- We remain positioned favorably towards equities, although the recovery theme is well recognized, and valuations are elevated relative to historical measures. Higher debt burdens, and corporate and individual tax rates to pay for spending programs, may cause selling pressure and a reduction in future economic & earnings growth rates. Inflationary pressures are accelerating, but generally perceived as transitory due to supply chain disruptions.



Portfolio Performance, Allocations and Expected Returns



Portfolio Performance and Current Values

Returns as of 3/31/21. Values as of 4/30/2021

Portfolio Name (Strategic Weight)	1Q-2021	YTD	1-Year	3-Year	5-Year	10-Year
VBA Education Foundation (40% bond / 60% equity)	3.52%	3.52%	40.40%	9.68%	10.11%	
Institutional Balanced Benchmark	3.00%	3.00%	39.93%	10.01%	10.10%	7.81%

Account: 5391000776

TMI TRUST COMPANY C/U/A FBO THE VBA EDUCATION FOUNDATION

Trade Date Basis

Administrator: VICTORIA KOLBE

Investment Officer: MARK TEICHNER

Investment Objective: GROWTH and INCOME

Investment Authority: SOLE

Principal Asset Model: TMI INST. BALANCED MF MODEL

Category	Federal Tax Cost	Market Value	% of Portfolio	Est Income	Yield
CASH AND EQUIVALENTS	19,257.04	19,257.04	0.98	18.52	0.10
FIXED INCOME	739,161.58	742,325.60	37.89	21,933.39	2.95
EQUITY	760,375.11	1,197,555.55	61.13	11,370.65	0.95
Total Portfolio	1,518,793.73	1,959,138.19	100.00	33,322.56	1.70

Growth and Income

Growth and Income: Primary focus is to achieve modestly higher potential returns with the goal of capital appreciation being given more attention than current income. This investment objective is appropriate for investors with intermediate-term to long term goals; those interested in beating inflation; those less concerned with short-term market fluctuations; and those seeking a diversified approach to wealth accumulation. The target equity allocation ranges from 60% to 70% of the portfolio, with an acceptable tolerance range from 50% to 80%. The remainder of the portfolio is invested in a combination of fixed income securities and/or cash equivalents, with the typical cash target ranging between 1% and 3%, depending on liquidity needs.

Equity Target: 60-70%

Fixed Income & Cash Target: 30-40%

Expected Return: 6.0%

Equity Tolerance Range: 50-80%

Fixed Income Tolerance Range: 20-50%

Expected Risk (standard deviation): 11.9%



Individual Fund Performance

Bond Fund Performance

Fund names highlighted in yellow are on watch

Category quartile ranking legend: **Light Blue** – 1st quartile. **Light green** – 2nd quartile **Yellow** – 3rd quartile. **Red** – 4th quartile

Category	Fund / Benchmark Name	Symbol	1Q-2021	Cat. Rank	YTD	Cat. Rank	1-Year	Cat. Rank	3-Year	Cat. Rank	5-Year	Cat. Rank	10-Year	Cat. Rank	Expense Ratio	5-year Std.Dev.	5-year Sharpe Ratio	M'Star Rating
Short Quality Bond	Angel Oak Multi-Strategy Income	ANGIX	1.32%	4	1.32%	4	13.94%	3	2.14%	95	3.99%	5	N/A		1.12%	6.75%	0.45%	2-star
	Vanguard Short-Term Bond-IG	VFSUX	-0.47%	71	-0.47%	71	6.36%	43	4.01%	15	2.93%	22	2.64%	16	0.10%	2.27%	0.78%	4-star
	Bloomberg Barclays 1-5 Year Credit Index		-0.57%		-0.57%		5.88%		4.31%		3.06%		2.89%					
TIPS	Vanguard Inflation Protected Secs	VAIPX	-1.36%	55	-1.36%	55	7.53%	61	5.61%	29	3.75%	40	3.37%	17	0.10%	3.52%	0.74%	4-star
	Bloomberg Barclays US Treas Infl Prot. Index		-1.47%		-1.47%		7.54%		5.67%		3.86%		3.44%					
Multi-Sector Bond	Aberdeen Total Return Bond	JBGIX	-3.06%	40	-3.06%	40	6.05%	7	5.52%	5	4.05%	5	3.89%	15	0.45%	3.83%	0.76%	5-star
	Guggenheim Total Return Bond	GIBIX	-3.69%	92	-3.69%	92	7.67%	29	5.55%	20	5.49%	4	N/A		0.51%	3.30%	1.28%	5-star
	Western Asset Core Plus Bond	WAPSX	-4.60%	99	-4.60%	99	6.86%	39	5.34%	29	4.79%	13	4.80%	6	0.42%	4.77%	0.77%	5-star
	Bloomberg Barclays Aggr. Bond Index		-3.37%		-3.37%		0.71%		4.65%		3.10%		3.44%					
Bank Loan	Pacific Funds Floating Rate Income - I	PLFRX	1.32%	58	1.32%	58	14.89%	79	3.40%	36	4.60%	25	N/A		0.73%	5.51%	0.63%	4-star
	S&P/LSTA Leveraged Loan Index		1.78%		1.78%		20.71%		4.12%		5.28%		4.25%					
High Yield	T. Rowe Price US High Yield	TUHIX	0.74%	61	0.74%	61	26.16%	21	6.81%	15	8.13%	9	N/A		0.64%	8.52%	0.83%	5-star
	Bloomberg Barclays 1-5 Yr. High Yld		2.22%		2.22%		22.36%		5.38%		7.28%		5.62%					

Note: Morningstar ratings, Standard Deviation and Sharpe Ratio are as reported by Morningstar, based on Morningstar's categorization of the mutual fund. It may or may not be the same peer group used by TMI Trust in the fund evaluation.

Equity Fund Performance

Fund names highlighted in **yellow** are on watch

Category quartile ranking legend: **Light Blue**– 1st quartile. **Light green** – 2nd quartile **Yellow** – 3rd quartile. **Red** – 4th quartile

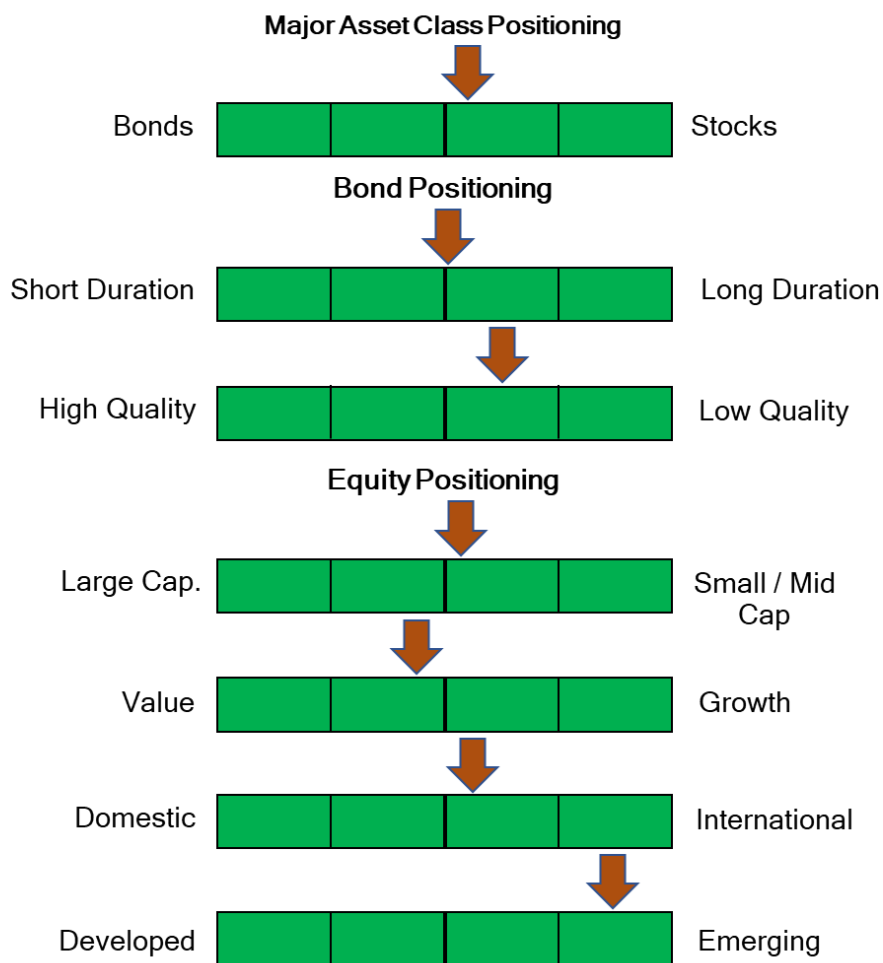
Category	Fund / Benchmark Name	Symbol	Cat.		Cat.		Cat.		Cat.		Cat.		Expense Ratio	5-year Std.Dev.	5-year Sharpe Ratio	M'Star Rating		
			1Q-2021 Rank	YTD Rank	1-Year Rank	3-Year Rank	5-Year Rank	10-Year Rank	10-Year Rank									
Large Growth	T.Rowe Price Large Cap Growth	TRLGX	3.66%	26	3.66%	26	67.97%	25	22.71%	26	24.05%	9	17.88%	9	0.56%	15.97%	1.36%	5-star
	Russell Large Cap Growth		0.94%		0.94%		62.74%		22.77%		21.03%		16.62%					
Large Blend	Vanguard Div Appreciation Idx Adm	VDADX	4.41%	84	4.41%	84	44.86%	89	15.45%	50	14.80%	59	12.53%	56	0.08%	13.36%	1.02%	3-star
	S&P500 Index		6.17%		6.17%		56.33%		16.75%		16.27%		13.89%					
Large Value	Dodge & Cox Stock	DODGX	15.86%	12	15.86%	12	75.26%	10	13.59%	13	15.86%	3	12.96%	3	0.52%	19.11%	0.81%	4-star
	Russell Large Cap Value		11.24%		11.24%		56.06%		10.93%		11.72%		10.97%					
Mid Growth	T.Rowe Price Mid-Cap Growth I	RPTIX	3.07%	44	3.07%	44	66.76%	76	16.72%	74	17.20%	65	14.18%	32	0.61%	16.51%	0.98%	3-star
	Russell Mid-Cap Growth Index		-0.57%		-0.57%		68.61%		19.39%		18.37%		14.10%					
Mid Value	American Century Mid Value Y	AMVYX	12.17%	84	12.17%	84	57.69%	91	9.71%	57	11.04%	57	11.31%	14	0.63%	16.77%	0.64%	4-star
	Russell Mid-Cap Value Index		13.05%		13.05%		73.75%		10.66%		11.57%		11.05%					
Small Growth	AllianceBernstein Small Cap Growth	QUAYX	3.07%	69	3.07%	69	96.29%	38	26.81%	13	27.39%	10	16.63%	7	0.92%	20.34%	1.24%	5-star
	Russell 2000 Growth		4.87%		4.87%		90.19%		17.12%		18.57%		13.00%					
Small Value	Westwood Small Cap Value	WHGSX	16.93%	85	16.93%	85	77.35%	88	9.09%	57	13.59%	23	11.70%	7	0.99%	20.90%	0.66%	3-star
	Russell 2000 Value		21.16%		21.16%		97.01%		11.53%		13.54%		10.04%					
Foreign Gr.	WCM Focused Intl. Growth	WCMIX	-0.04%	59	-0.04%	59	59.60%	28	17.80%	8	16.98%	8	N/A		1.04%	13.88%	1.12%	5-star
	MSCI ACWI xU.S. Growth Index		-0.05%		-0.05%		49.76%		10.69%		12.42%		7.07%					
Foreign Value	Hartford Intl Value F	HILDX	11.84%	3	11.84%	3	60.72%	16	1.10%	90	8.49%	18	6.20%	6	0.86%	18.87%	0.47%	2-star
	MSCI ACWI xU.S. Value Index		7.16%		7.16%		49.73%		3.07%		7.96%		3.71%					
Emerging Market	Harding Loevner Emerging Mkts. Adv	HLMEX	1.72%	71	1.72%	71	60.07%	58	4.58%	68	11.25%	56	5.23%	26	1.17%	17.92%	0.62%	3-star
	MSCI Emerging Markets		2.29%		2.29%		58.39%		6.47%		12.06%		3.65%					

Note: Morningstar ratings, Standard Deviation and Sharpe Ratio are as reported by Morningstar, based on Morningstar's categorization of the mutual fund. It may or may not be the same peer group used by TMI Trust in the fund evaluation.

Source: Morningstar. Data through March 31, 2021. Total return represents historical results, over a specific period of time, assuming all income and capital gains were reinvested. Figures for periods of greater than one year are annualized. Results reflect only the internal mutual fund fees. Performance data represents past performance and is not indicative of future results. Investment return and principal value will fluctuate so that an investor's portfolio, when redeemed, may be worth more or less than the original cost.



Tactical Views and Portfolio Positioning



Asset Class Views / Positioning

Remain overweight to equities. Central Bank purchases of bonds to stabilize economy and markets has led to negative real yields. Fed backstop offers increased comfort for investors to take incremental risk while new administration fiscal spending to improve near term economic growth.

Yield curve steepening due to improving conditions and reopening of the economy. Inflation pressures building but may be transitory.

Moderate reduction in lower quality paper as yield spreads have narrowed. Slight relative increase in floating rate leveraged bank loans and TIPs.

Balanced positioning with potential fiscal stimulus a catalyst for small cap. stocks to outperform given greater leverage to economic activity.

Growth trend appears extended, although fundamentals remain robust. View value may be in early stages of cyclical recovery with fiscal stimulus.

Balanced between domestic and international equity. Slower recovery scenario, due to COVID cases, offset by inexpensive valuation and more cyclical nature.

Emerging Market equity overweight. Favorable demographics for longer term growth, attractive valuations, beneficiary of lower dollar, combined with leverage to improvement in global growth.



Appendix



Portfolio / Benchmark Performance & Weights

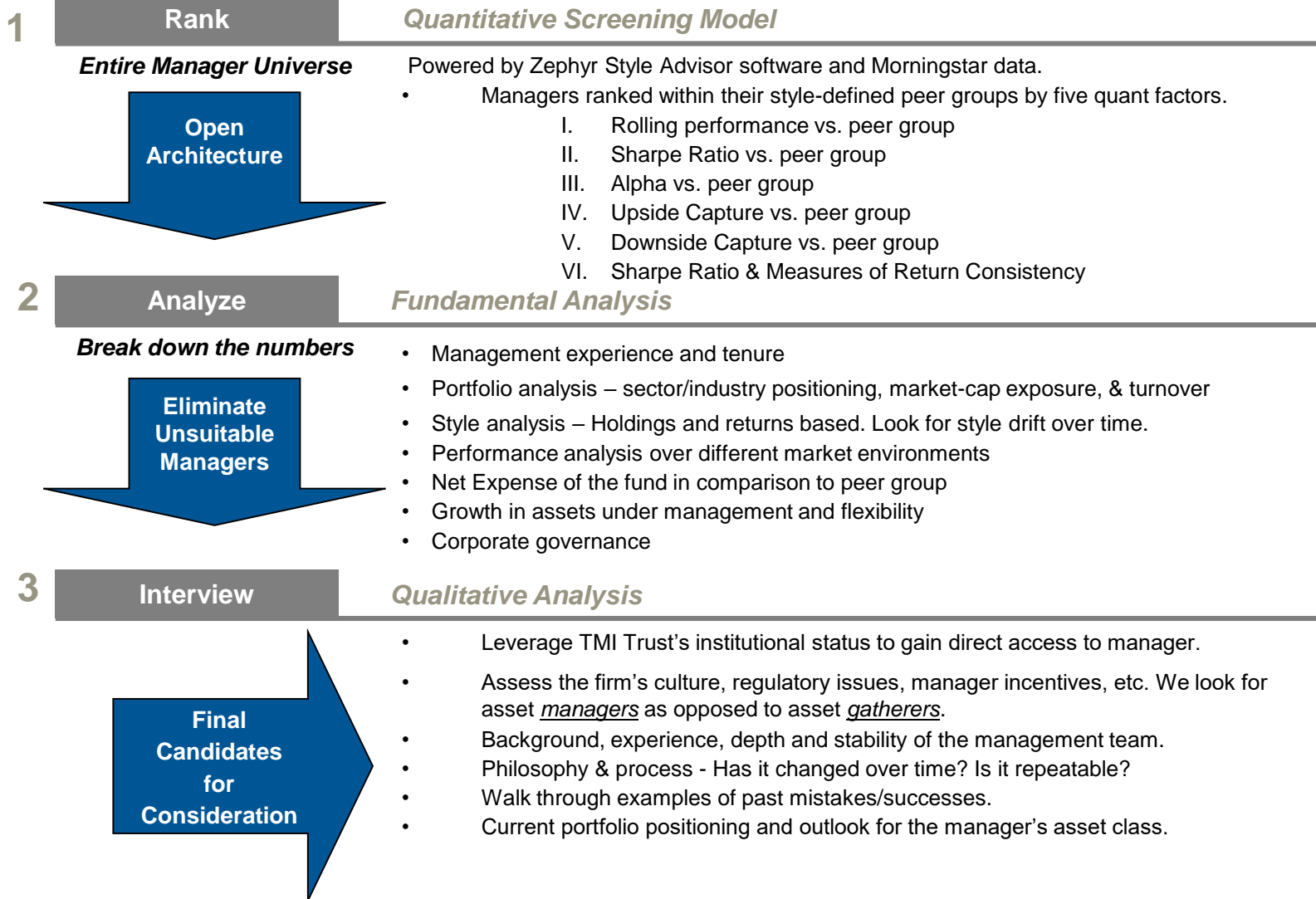
Benchmark Index Performance	1Q-2021	YTD	1-Year	3-Year	5-Year	10-Year
Bloomberg Barclays 1-5 Year Credit Index	-0.57%	-0.57%	5.88%	4.31%	3.06%	2.89%
Bloomberg Barclays Aggregate Bond	-3.37%	-3.37%	0.71%	4.65%	3.10%	3.44%
Russell 1000 Index	5.90%	5.90%	60.57%	17.28%	16.64%	13.96%
Russell 2000 Index	12.69%	12.69%	94.82%	14.71%	16.32%	11.67%
MSCI ACWI-Ex US Index	3.56%	3.56%	50.14%	7.05%	10.33%	5.47%
MSCI Emerging Markets Index.	2.29%	2.29%	58.39%	6.47%	12.06%	3.65%

Portfolio Benchmark Performance	1Q-2021	YTD	1-Year	3-Year	5-Year	10-Year
Current Income	-2.25%	-2.25%	2.78%	4.51%	3.09%	3.22%
Income With Growth	0.37%	0.37%	21.36%	7.26%	6.59%	5.51%
Balanced	2.12%	2.12%	33.74%	9.09%	8.93%	7.04%
Institutional Balanced	3.00%	3.00%	39.93%	10.01%	10.10%	7.81%
Wealth Building	3.87%	3.87%	46.12%	10.92%	11.26%	8.57%
Aggressive Appreciation	6.50%	6.50%	64.70%	13.67%	14.77%	10.86%

Benchmarks and Weightings	Current Income	Income with Growth	Balanced	Institutional Balanced	Wealth Building	Aggressive Appreciation
Bloomberg Barclays 1-5 Year Credit Index	40.0%	28.0%	20.0%	16.0%	12.0%	
Bloomberg Barclays Aggregate Bond Index	60.0%	42.0%	30.0%	24.0%	18.0%	
Russell 1000 Index		15.0%	25.0%	30.0%	35.0%	50.0%
Russell 2000 Index		6.0%	10.0%	12.0%	14.0%	20.0%
MSCI ACWI-Ex US Index		7.5%	12.5%	15.0%	17.5%	25.0%
MSCI Emerging Markets Index.		1.5%	2.5%	3.0%	3.5%	5.0%
	100%	100%	100%	100%	100%	100%

Data as of 3/31/2021

Manager Screening Process



A manager (fund) may be placed on a Watch List and a thorough review and analysis of the investment manager may be conducted when one or more of the following are determined to be a factor that may adversely impact investment performance:

- A manager performs below median for their peer group over a 1-, 3- and 5-year cumulative period.
- A manager's 3-year and 5-year risk adjusted return (Alpha and/or Sharpe) falls below the peer group's median risk adjusted return.
- There is a change in the professionals managing the portfolio.
- There is an indication the manager is deviating from his/her stated style and/or strategy.
- There is an increase in the product's fees and expenses.
- There is a significant change (decrease or increase) in the product's assets.
- Any extraordinary event occurs that may interfere with the manager's ability to fulfill their role in the future.

The decision to retain or terminate a manager cannot be made by a formula. The manager will remain on watch for a minimum of 3 months and a maximum of 12 months before a decision to retain or terminate is made. No decision to terminate will be made without speaking to investment professionals within the management firm. It is the Trustee's confidence in the manager's ability to perform in the future that ultimately determines the retention of a manager.

Glossary of Investment Terms

Alpha - The difference between the return on an investment and the return predicted by the investment's Beta.	Real Rate of Return - The difference between total return and inflation.
Beta - A measure of the volatility of an investment relative to the market. A Beta of 1 indicates an investment is just as volatile as the market.	Return - Total advantage gained by owning an asset. Composed of any cash received (e.g. dividends, interest) plus any change in price. Also known as rate of return, total return, or total rate of return when expressed in percentage terms.
Dow Jones Industrial Average - Index of the stock price level of thirty of the largest companies in the United States.	Russell 2000 - The index measures the performance of the smallest 2,000 companies in the Russell 3000 Index of the 3,000 largest U.S. companies in terms of market capitalization. The Russell 2000 serves as a benchmark for small-cap stocks.
EPS - Earnings per share. A company's net income divided by the number of its shares outstanding.	Small Cap Fund - A mutual fund which invests primarily in Small Cap Stocks. The average Market Cap of stocks owned is less than \$1 billion.
Growth Stock - A company whose sales and earnings, especially earnings per share, are growing faster than the average company's. This stock is often characterized by a low or no dividend, a high P/E ratio, and a high P/B ratio.	Small Cap Stock - A company with a small Market Capitalization, especially one included in the Russell 2000.
Large Cap Fund - A mutual fund which invests primarily in Large Cap Stocks. The average Market Cap of stocks owned is greater than \$5 billion.	Standard & Poor's 500 - A basket of roughly 500 large cap stocks considered to be widely held. The S&P 500 index is weighted by market capitalization, and performance is viewed as representative of the stock market
Large Cap Stock - A company with a large Market Capitalization, especially one included in the Dow Jones Industrial Average or Standard & Poor's 500.	Standard Deviation - The volatility of an investment's return.
Market Capitalization, Market Cap - The total value of a company's outstanding stock. The number of a company's shares outstanding times the market price of its stock.	Value Stock - A company whose stock price is considered to not reflect the fundamental value of the company as a whole. This stock is often characterized by a high dividend yield, a low P/E ratio, and a low P/B ratio.
MSCI EAFE - Index of the value of 15 major stock markets of developed countries in Europe, Australia and the Far East.	Wilshire 5000 - The Wilshire 5000 is a market-value weighted index consisting of approximately 6,500 U.S.-based stocks traded on the New York Stock Exchange, American Stock Exchange and NASDAQ.
P/B ratio - Price/Book ratio. The company's Market Capitalization divided by the difference between its assets and its liabilities.	