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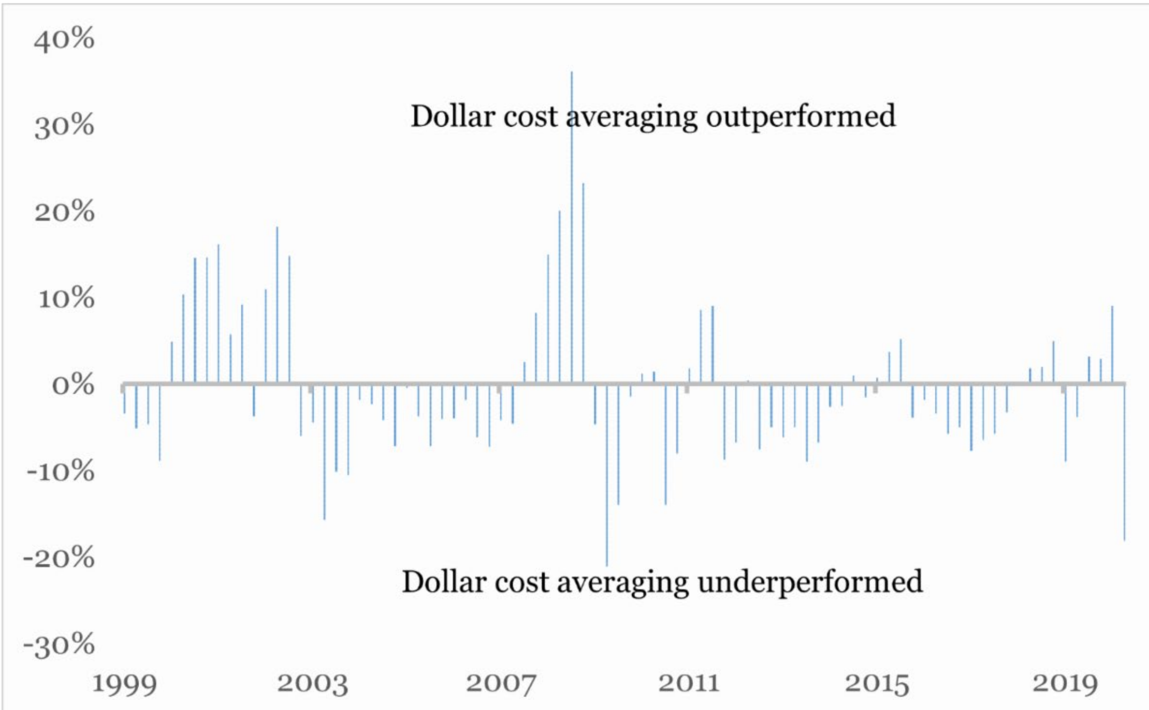
Market Comment

Putting a lump sum of cash to work feels like a persistent challenge no matter the market environment. Sitting on the sidelines for too long will almost certainly lead to lower returns, but the prospect of a quick pullback after investing — and the resulting regret — hangs over the decision. Most of us know from experience that realized losses from bad timing tend to be much more psychologically painful than hypothetical foregone gains from cash drag that never show up on an account statement.

Historically, one could make the case that investors have been best off by investing all at once in the equity market. *On average*, dollar cost averaging over one year has underperformed by 0.6% over the last 20 years. However, averages are misleading. Sometimes an all-at-once strategy substantially outperforms and sometimes it substantially underperforms (Fig. 1). Unfortunately, valuations are a poor guide to timing inflows, as much of the benefit from a paced approach comes from avoiding an unexpected bear market. Therefore, we believe investors should continue to follow a dollar cost averaging approach over one to two years if they are investing a lump sum of cash that is large relative to their current equity portfolio.

Implementing a fixed income allocation has become more interesting in the current environment. Over the last 40 years, investors were rarely better off dollar cost averaging into fixed income as the declining rate environment created persistent outperformance for fixed income versus cash. Today, the prospect of rising rates impacts the timing decision. Investors investing in lower-duration bond portfolios of the sort that we typically use with our clients can feel comfortable executing immediately. The market has priced in rate hikes at a faster pace than the Fed currently forecasts, protecting those portfolios if the Fed decides to move more quickly. Longer duration bonds, however, remain subject to substantial rate risk. We'd recommend dollar cost averaging a lump sum into those positions over one year, as we could see meaningful rate volatility as fiscal stimulus and supply constraints work their way through the economy.

Fig. 1: Relative performance for a 1-year dollar cost average approach versus investing all-at-once at various quarterly starting points since 1999



Sources: Bloomberg, Mill Creek

Save the Date: Mill Creek Tax & Public Policy Panel

Save the date for our upcoming tax and public policy panel on Tuesday, June 8. We will be joined by industry experts who will weigh in on the Biden Administration's tax policies and discuss how it will impact your portfolio. Guest panelists include Libby Cantrill, Managing Director, Head of Public Policy at PIMCO and Michael James, Principal, Personal Financial Services at PwC.

Panelists:

- **Tom Chapin, CFA ,** Chief Investment Officer, Mill Creek
- **Michael Crook, CAIA,** Deputy Chief Investment Officer, Mill Creek
- **Libby Cantrill, CFA,** Managing Director, Head of Public Policy, PIMCO
- **Michael James,** Principal, Personal Financial Services, PwC

Tuesday, June 8
10 AM ET

Register here

Benchmark Performance

Benchmark Performance by Asset Class Benchmark Returns	One Week	Year to Date	1 Year	3 Years	5 Years	10 Years
Global Equities	0.4%	9.2%	44.3%	12.7%	14.4%	9.8%
US Equities	-0.3%	10.8%	46.8%	17.2%	17.6%	14.3%
International Equities	1.1%	9.1%	42.9%	6.9%	10.0%	6.2%
Emerging Market Equities	1.7%	3.5%	46.0%	7.9%	13.7%	4.1%
US Taxable Bond Market	0.1%	-2.6%	-0.5%	5.4%	3.2%	3.3%
US Municipal Bond Market	0.0%	0.2%	3.1%	4.1%	2.6%	3.0%
Hedge Fund Index	0.3%	2.6%	13.6%	3.5%	4.2%	1.7%
Diversified Commodities	-1.2%	16.5%	44.4%	1.3%	2.5%	-5.0%
Gold	2.1%	-0.9%	8.9%	13.3%	8.5%	2.1%

Key Rates (as of stated date)	5/24/21	1/1/21	5/24/20	5/24/18	5/24/16	5/24/11
US 10-Year Treasury	1.6%	0.9%	0.7%	3.0%	1.9%	3.1%
Barclays Aggregate Bond Index	1.5%	1.1%	1.4%	3.3%	2.2%	2.8%
BBarc Muni 1-10Yr Blend (1-12) Index	0.6%	0.6%	1.1%	2.3%	1.3%	2.1%

*Sources: Bloomberg, Mill Creek. Returns for periods greater than one year are annualized.
Benchmark rates are yield-to-worst.*

This week's contributor: Michael Crook, CAIA

Indices Used: U.S. Large Cap equities: Russell 1000 Index, U.S. Small Cap Equities: Russell 2000 Index, International Developed Equities: MSCI EAFE Index, Emerging Market Equities: MSCI Emerging Markets Index, U.S. Bonds: Barclays Aggregate Bond Index, U.S. 10 Year Treasury Note: Bloomberg 10 Yr. Treasury Note, Municipal Bonds: Barclays Intermediate Municipal Bond Total Return Index, High Yield Bonds: Barclays U.S. High Yield Total Return Index, Oil: Bloomberg WTI Crude Sub-Index Total Return Index, Gold: Bloomberg Gold Sub-Index Total Return Index