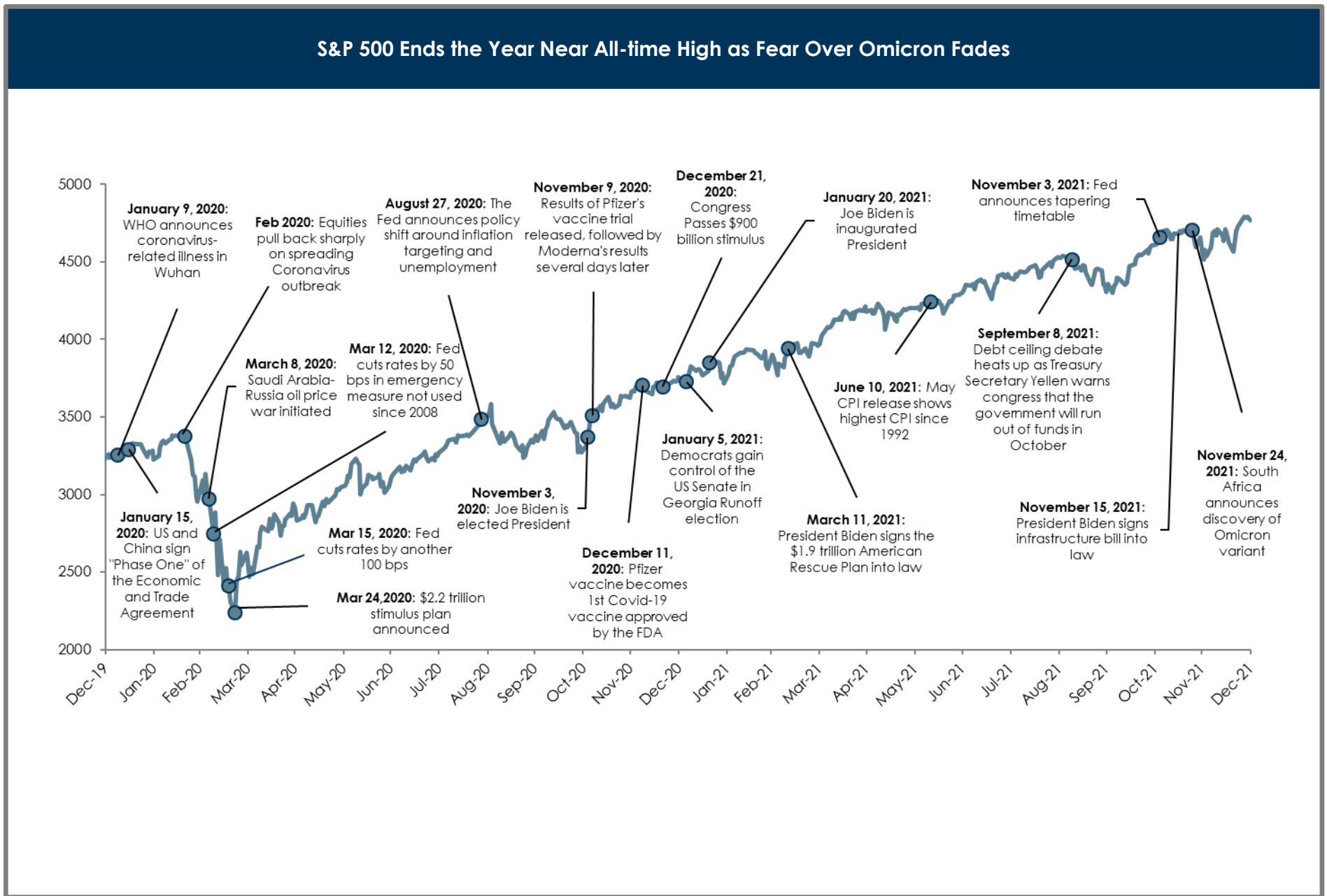
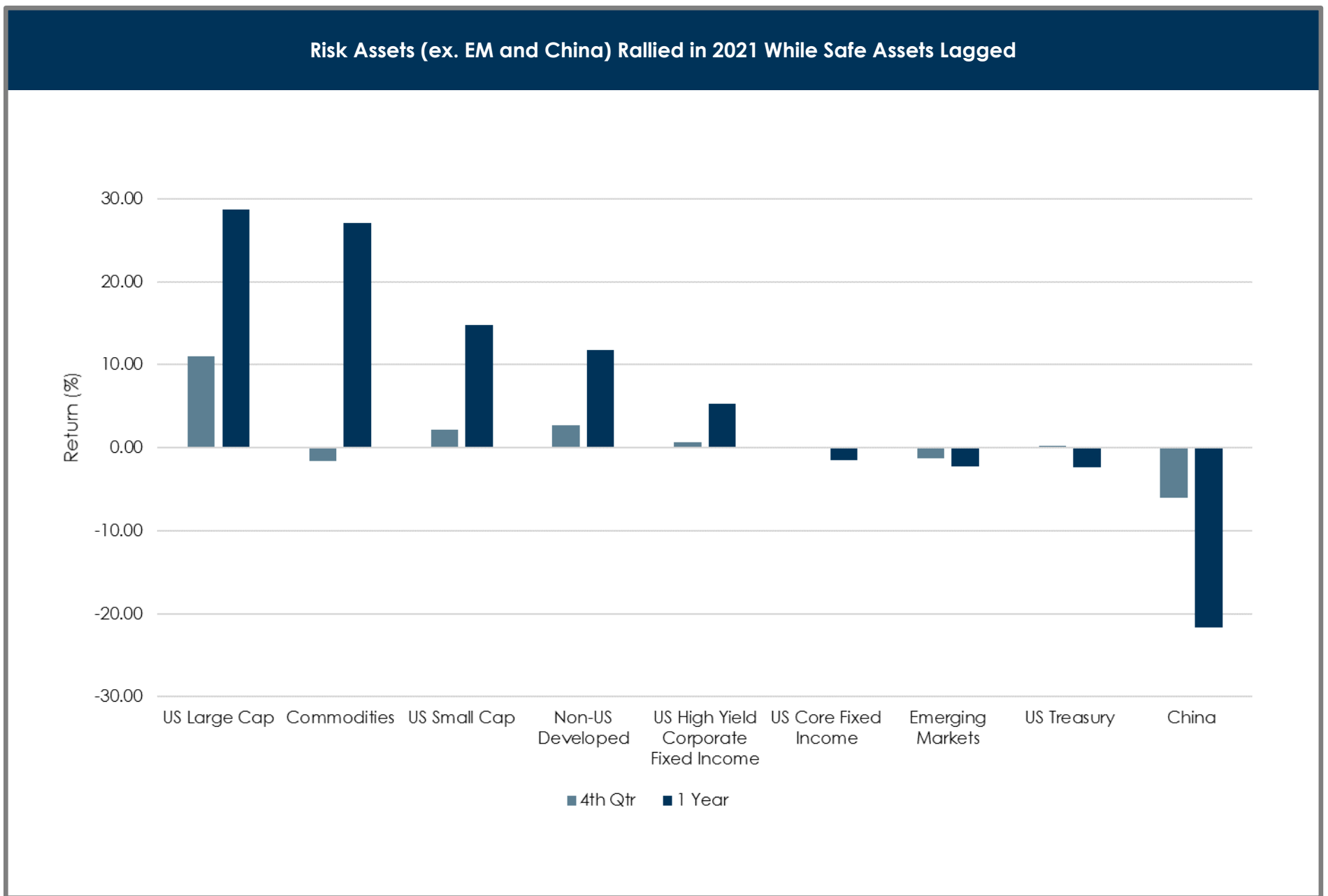

Global Economic Update

1st Quarter 2022

- **COVID cases setting daily records**, though indications so far suggest milder illness from the new variant
- **Economic data improved in Q4**, and growth forecasts for 2022 remain strong
- **Monetary policy tilting hawkish**, with tapering accelerated to end in March and three rate hikes now projected in 2022
- Infrastructure Bill signed in November but 'Build Back Better' stalls, putting **additional fiscal stimulus at risk**
- **Employment growth picking up** but remains disrupted, hourly earnings rising
- **Inflation has potentially peaked** but is expected to remain elevated through first half of 2022
- **Geopolitical tensions rising** in Europe and Asia
- Despite high equity valuations, **strong earnings forecasts and low interest rates favor stocks over bonds**

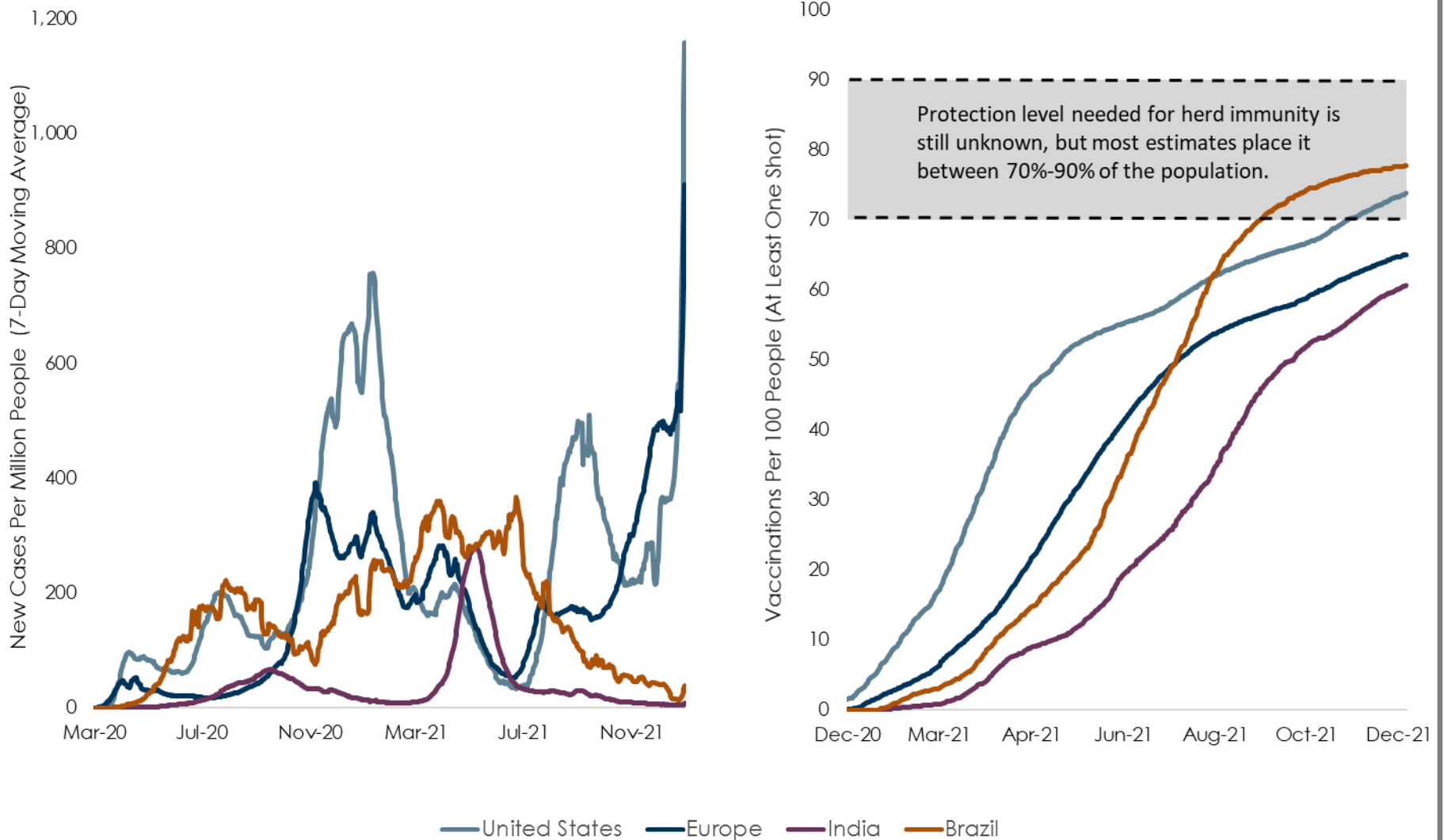


Source: ACG Research, Bloomberg (as of December 31, 2021)

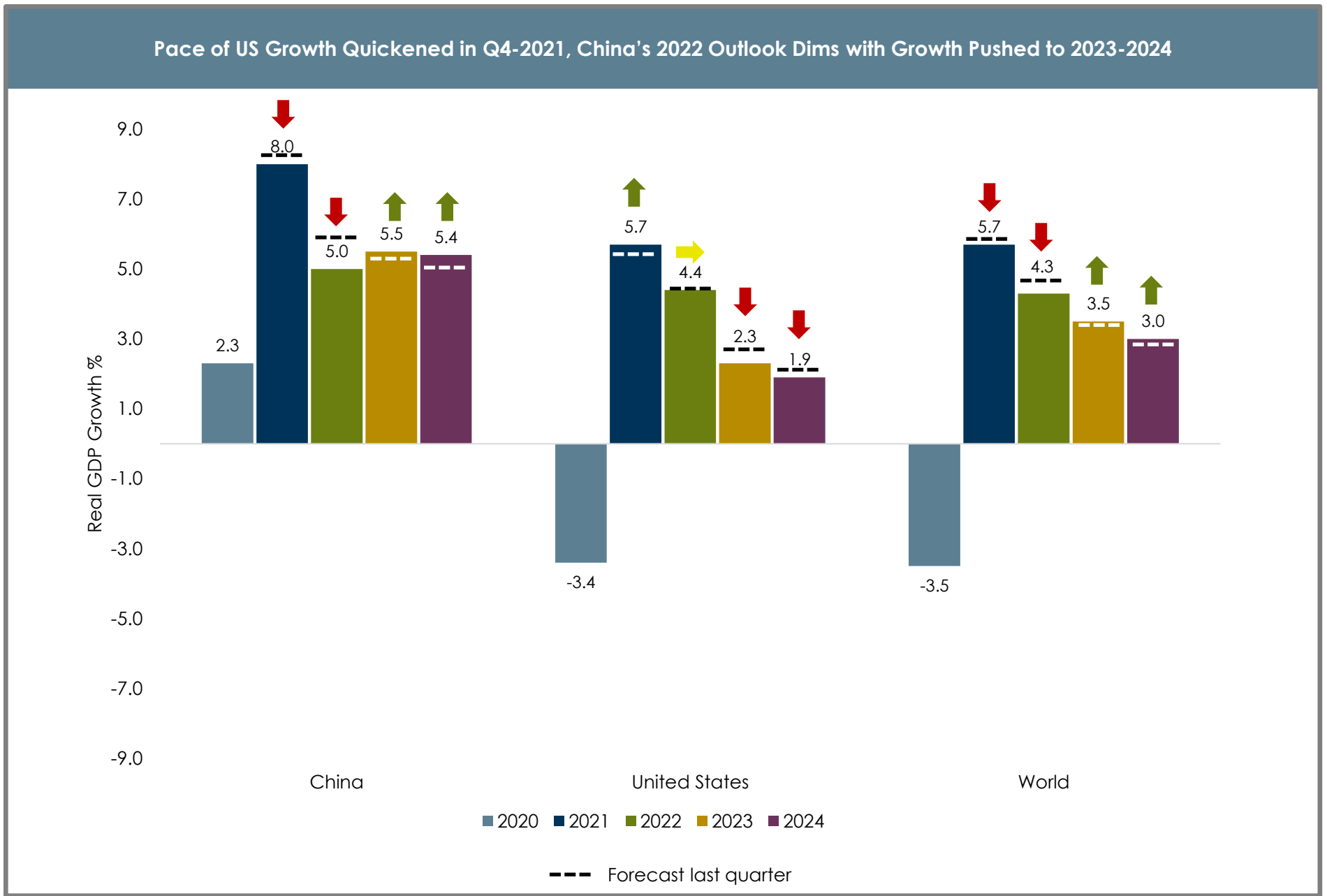


Source: ACG Research, Morningstar (as of December 31, 2021). The following indices used as proxy for asset classes: Russell 2000, Bloomberg Commodity, S&P 500, MSCI EAFE, MSCI Emerging Markets, MSCI China, Bloomberg US Corporate High Yield, Bloomberg US Aggregate, Bloomberg US Treasury

Despite Surge in Covid Cases, Rising Herd Immunity Expected to Support Economic Growth

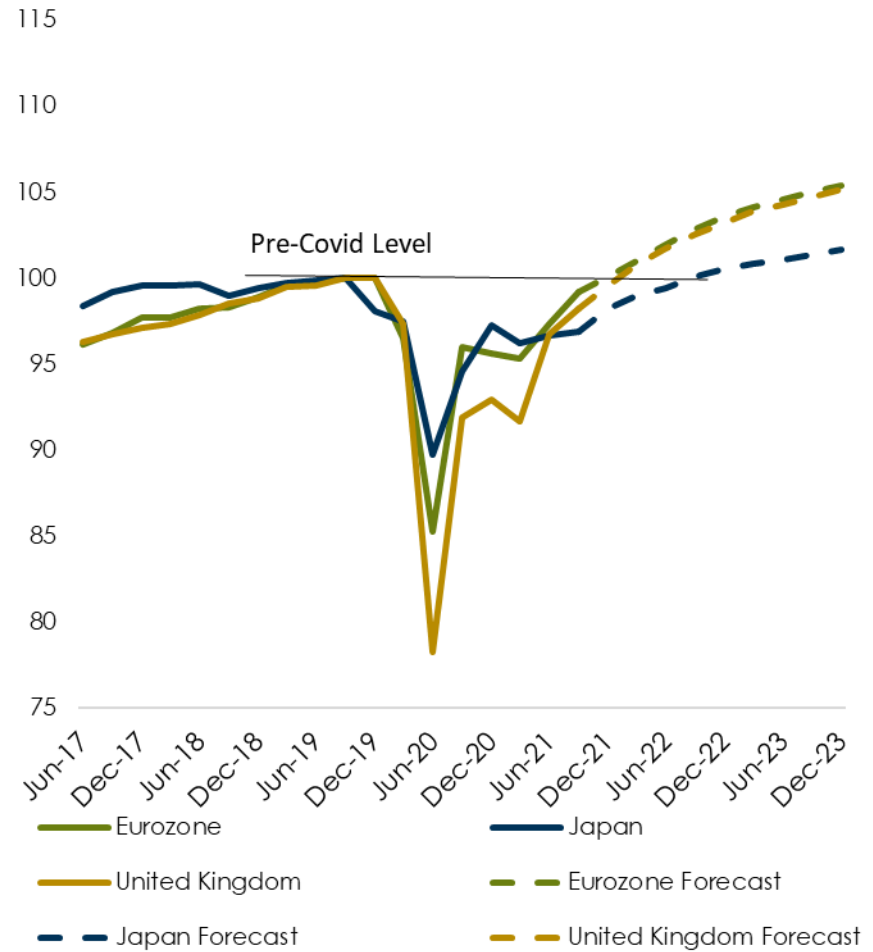
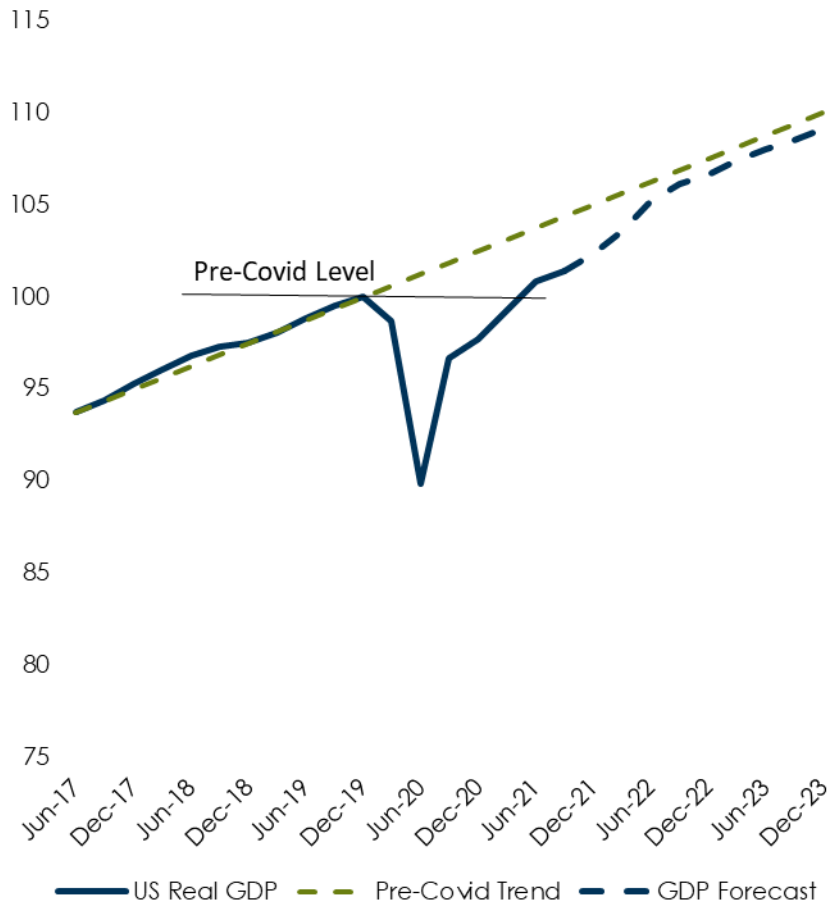


Source: ACG Research, Our World in Data (as of December 31, 2021)



Source: ACG Research, Oxford Economics (as of December 31, 2021)

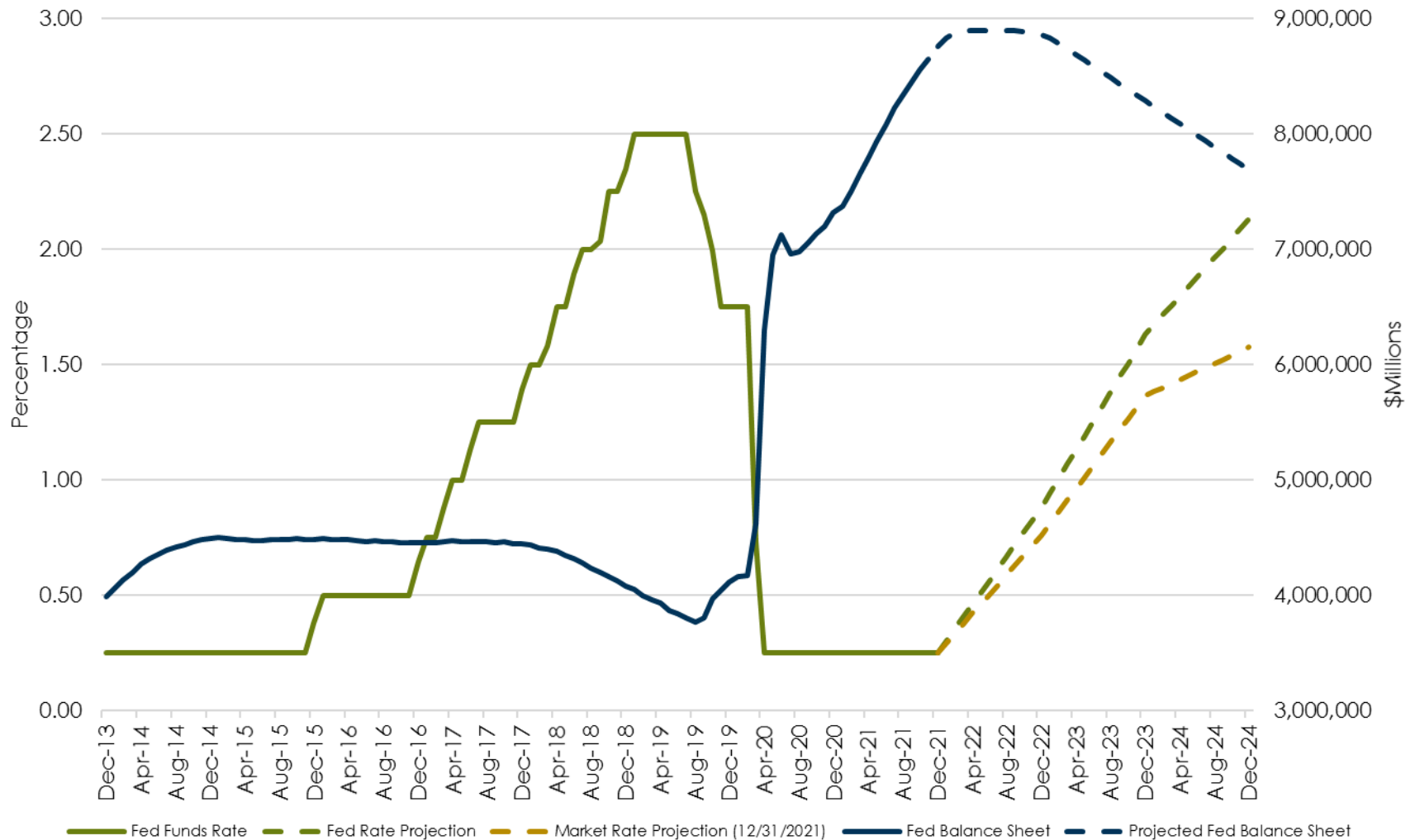
US GDP Advances Past Pre-Covid Level, Other Developed Nations Still Catching Up



Source: ACG Research, Bloomberg, Oxford Economics(as of October 31, 2021)

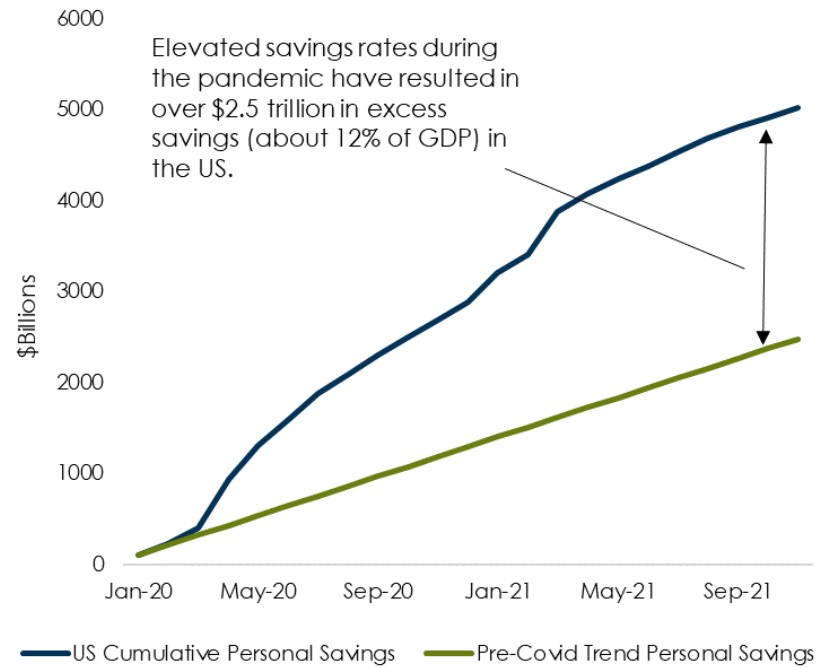
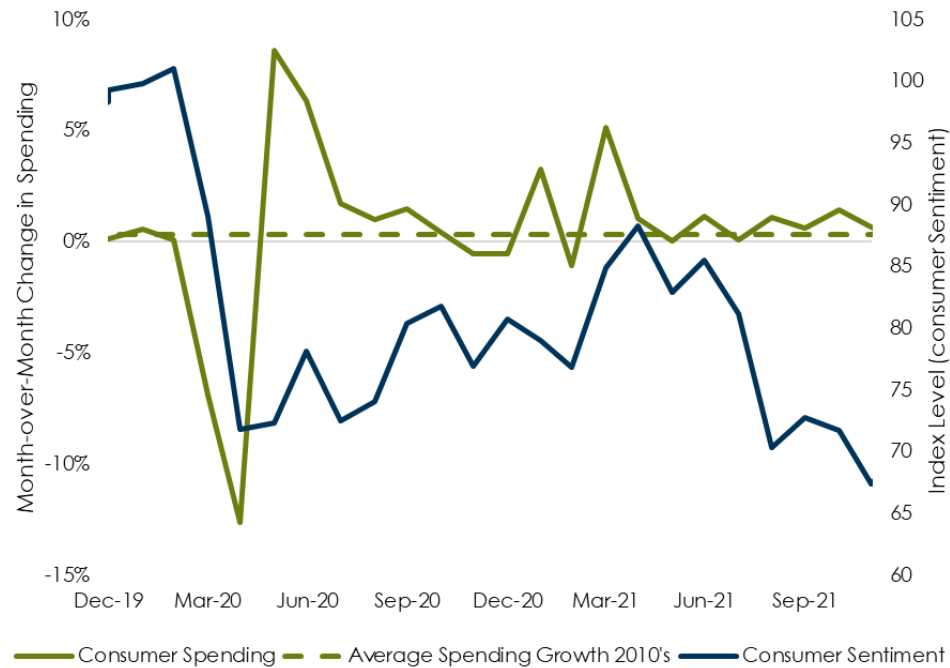
Monetary Policy Still Supportive, but Less Supportive Going Forward

Monetary Stimulus - Rates and Asset Purchases



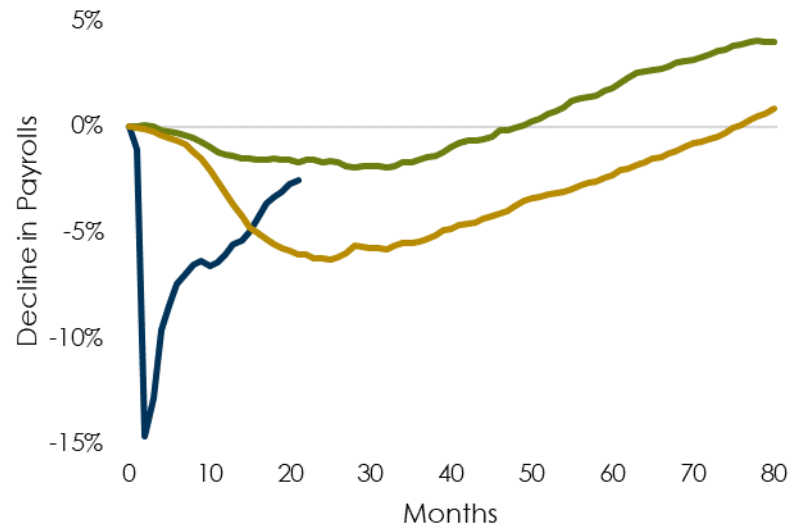
Source: ACG Research, Bloomberg, St. Louis Federal Reserve (as of December 31, 2021). Balance Sheet Projection based on previous asset reduction pace and guidance from Fed meeting minutes.

Consumer Sentiment May be Low, but Spending Remains Positive, Supported by High Personal Savings

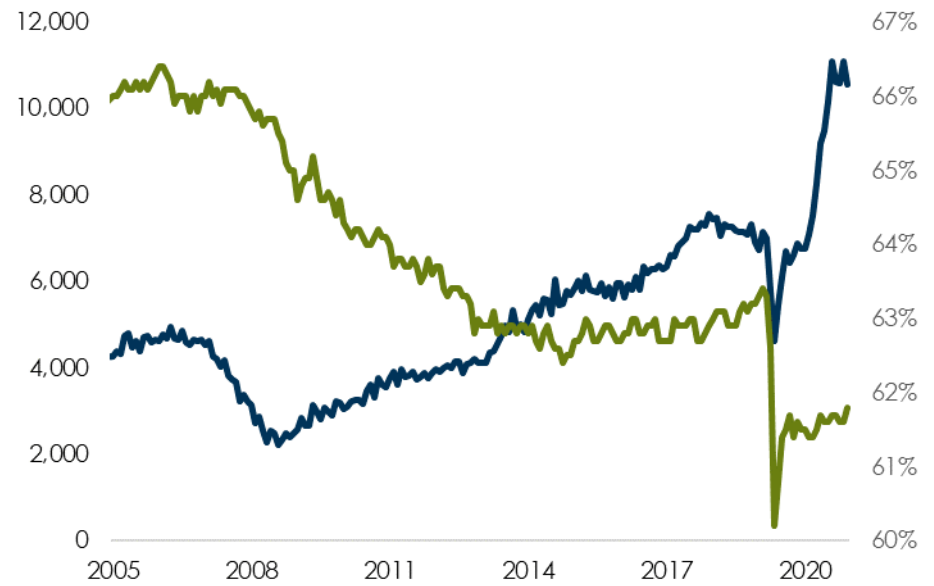


Source: ACG Research, Bloomberg, University of Michigan (as of December 31, 2021)

Overall Jobs Recovery Continues, but Labor Shortages Persist



— 2020 Pandemic — 2000 Tech Bust — 2007 Financial Crises

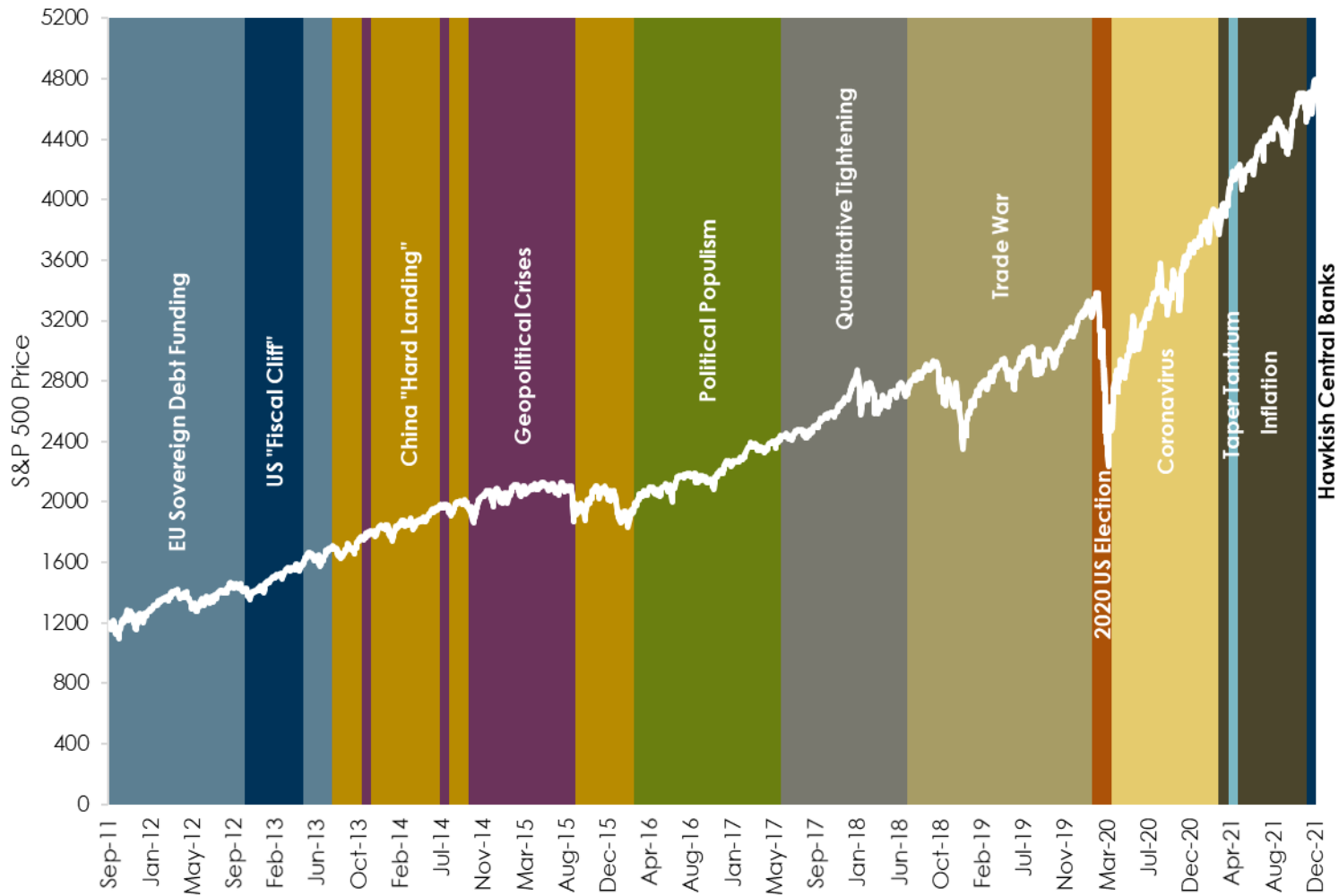


— Job Openings (Thousands) (LHS) — Labor Force Participation (RHS)

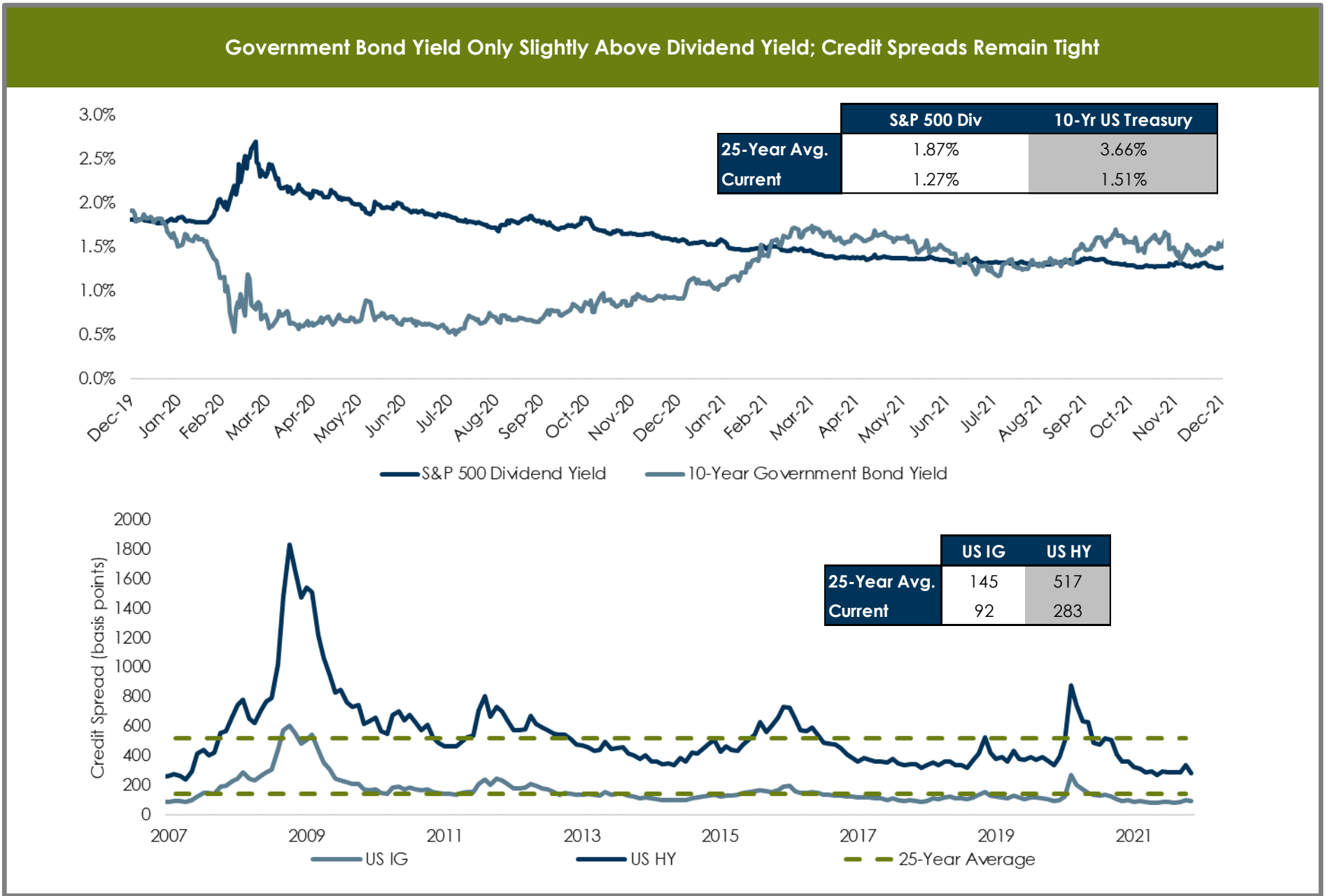
Source: ACG Research, Bloomberg, Bureau of Labor Statistics (as of December 31, 2021)

Fund Managers Now Fear the Fed More Than Inflation

History of top answers for "biggest tail risk" in Global Fund Manager Survey

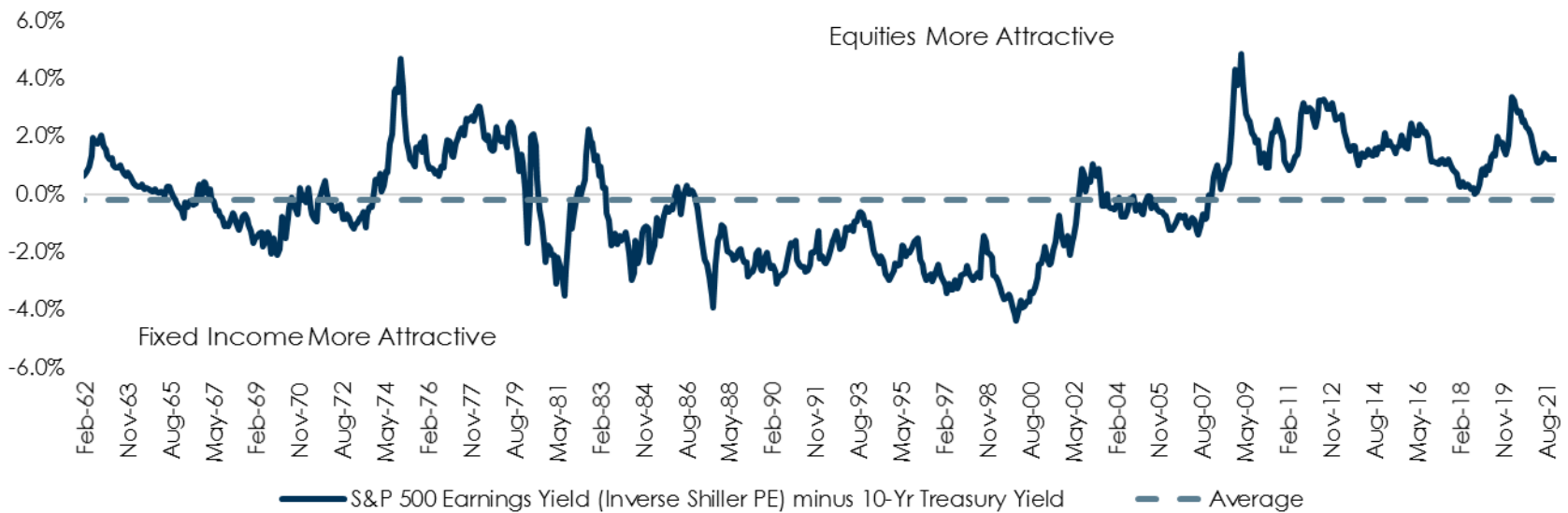


Source: ACG Research, BofA Global Fund Manager Survey (as of December 31, 2021)

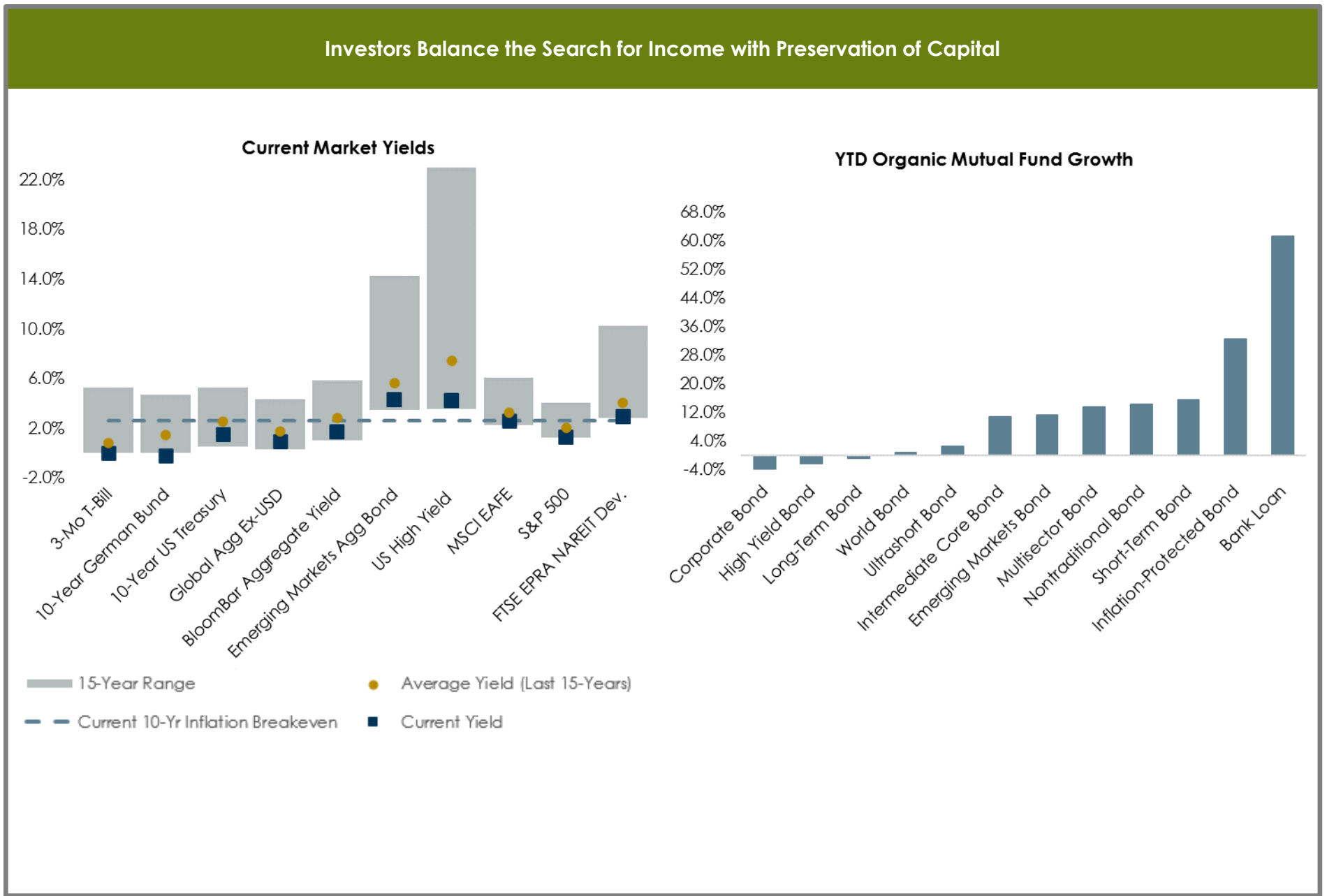


Source: ACG Research, Bloomberg (as of December 31, 2021)

Corporate Credit Yields Currently Below Inflation Rate; Low Rates Support Equity Valuations

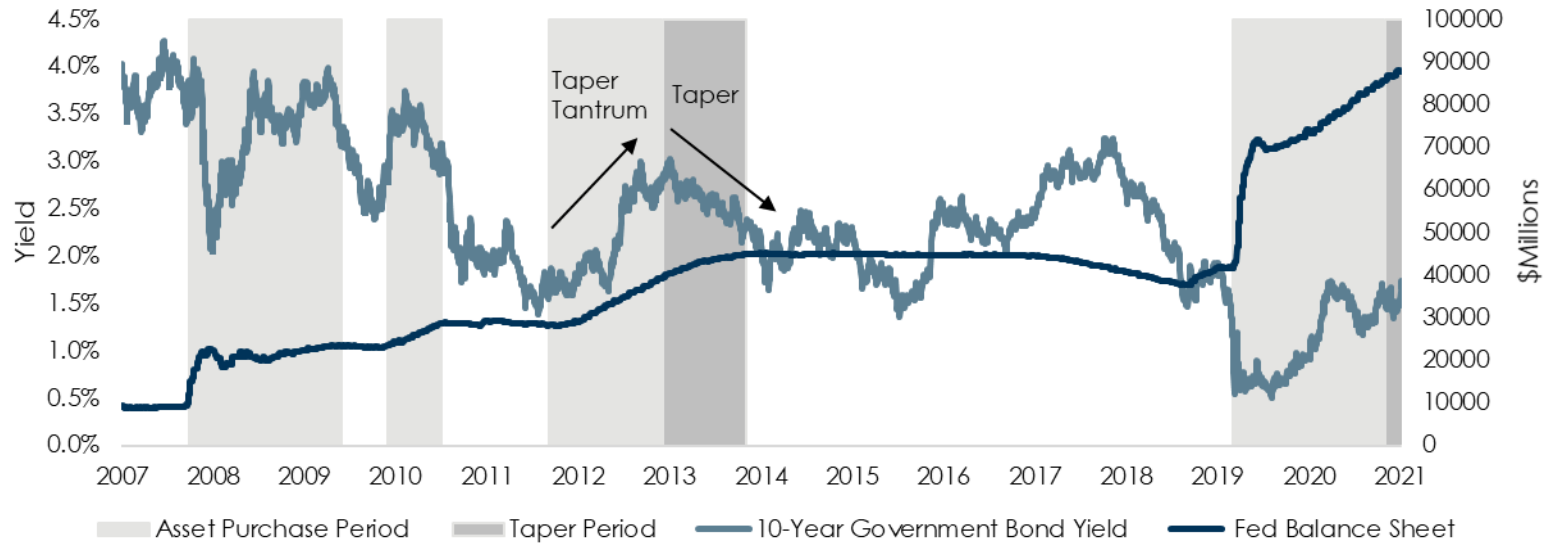


Source: ACG Research, Bloomberg (as of December 31, 2021)

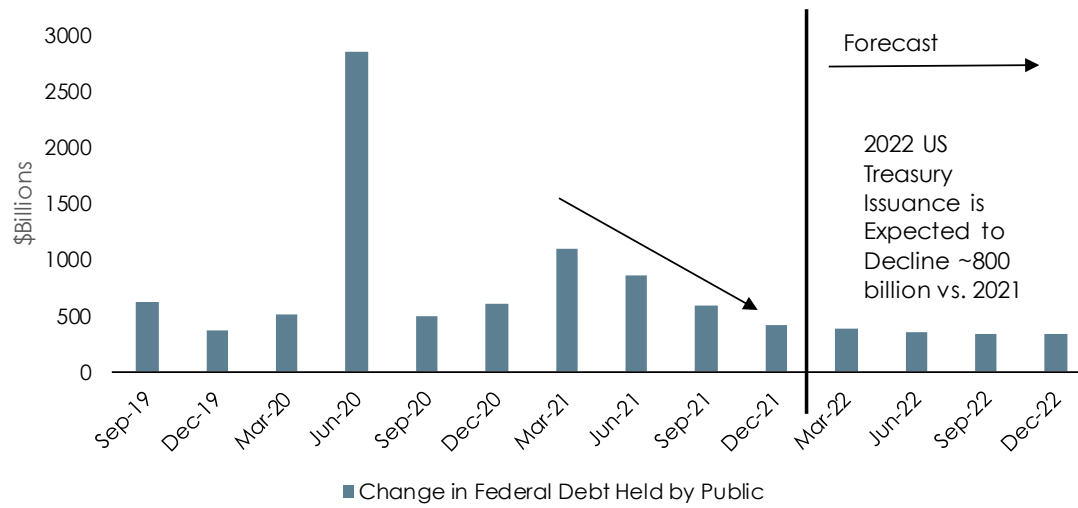


Source: ACG Research, Bloomberg (as of December 31, 2021)

Past Tapering Trends Suggest a 2022 Rate Rise Could be Moderate

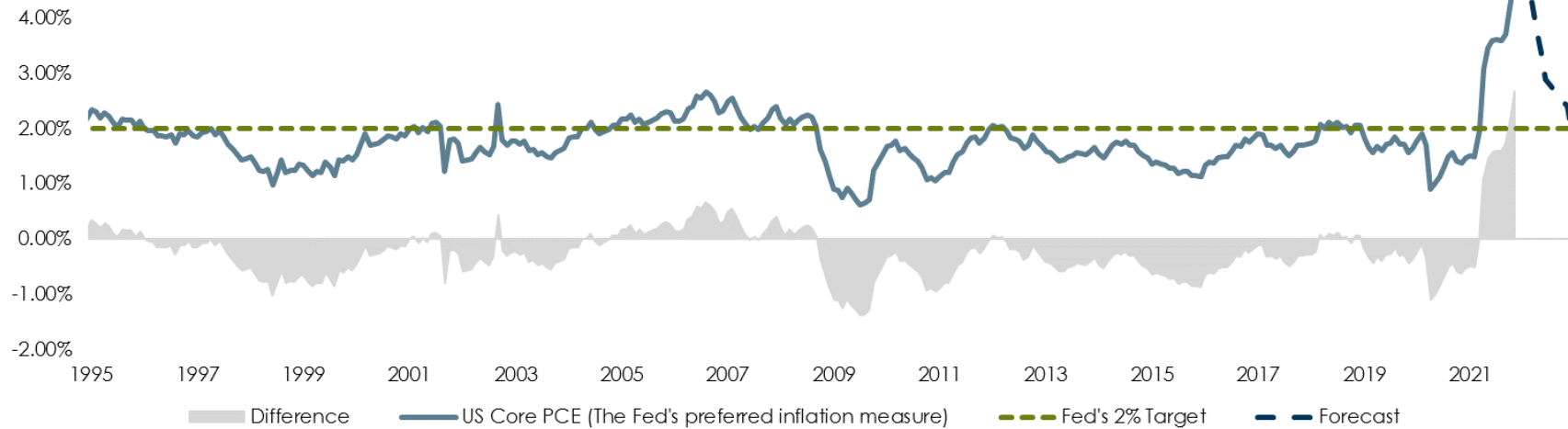


Reduced Fed Purchases will be Offset by Reduced Issuance



Source: ACG Research, Bloomberg, Oxford Economics (as of December 31, 2021)

Inflation Expectations: After Recent Surge, Forecasts Point to Normalization



Deflationary Signals

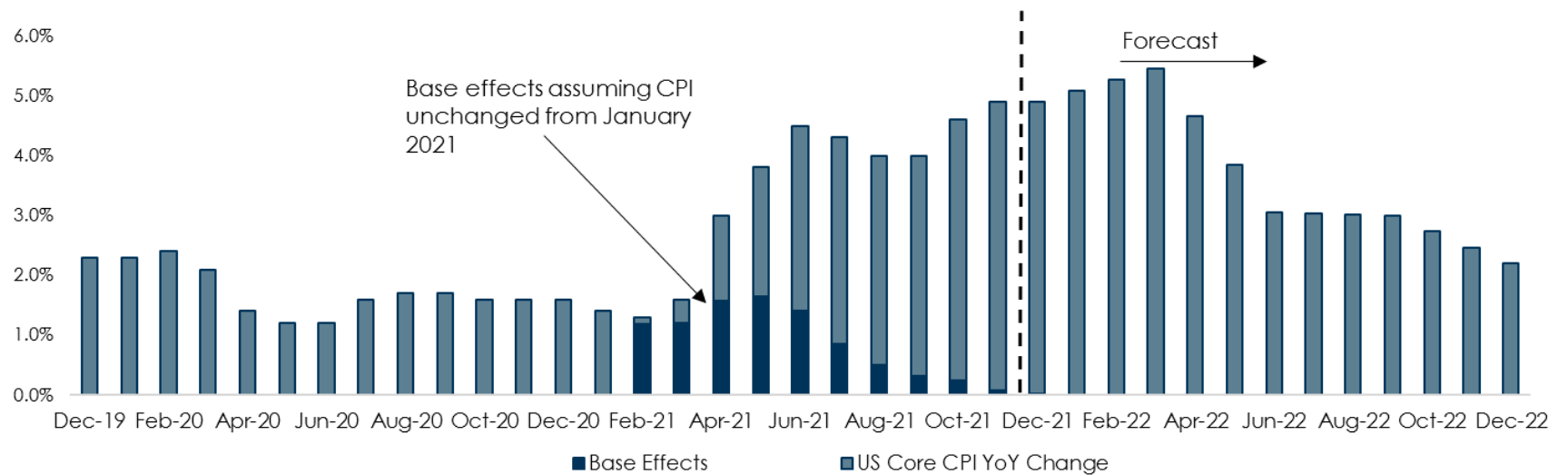
- Demographic trends (lower birth rate, aging population)
- Technological innovations
- Stagnant wage growth
- Unemployment
- High savings rate
- Reduced velocity of money
- Inequality

Inflationary Signals

- Fed accommodation
- Consumer demand induced by economic recovery
- Fiscal policy support
- Weaker USD
- Supply chain disruption
- Deglobalization
- Reduced competition

Source: ACG Research, Oxford Economics, Bloomberg (as of November 30, 2021)

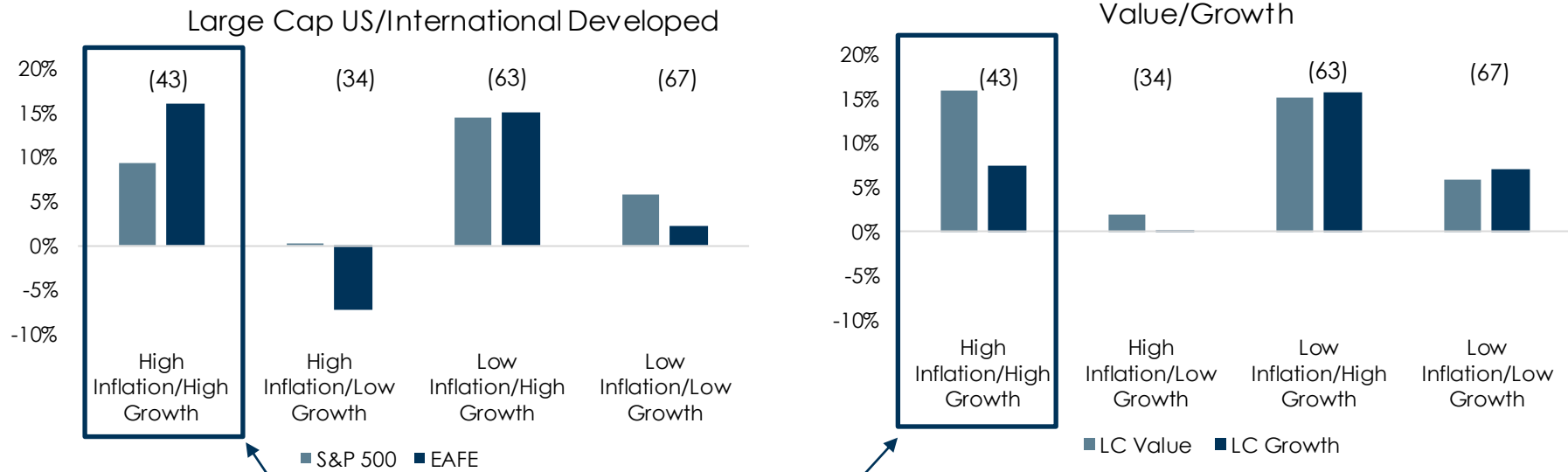
Current Inflation Overshooting Expectations; Expected to Moderate in Late 2022



Source: ACG Research, Oxford Economics, Bloomberg (as of November 30, 2021)

Equities Have Historically Performed Well in High Growth/High Inflation Environments

Real Equity Returns since 1970



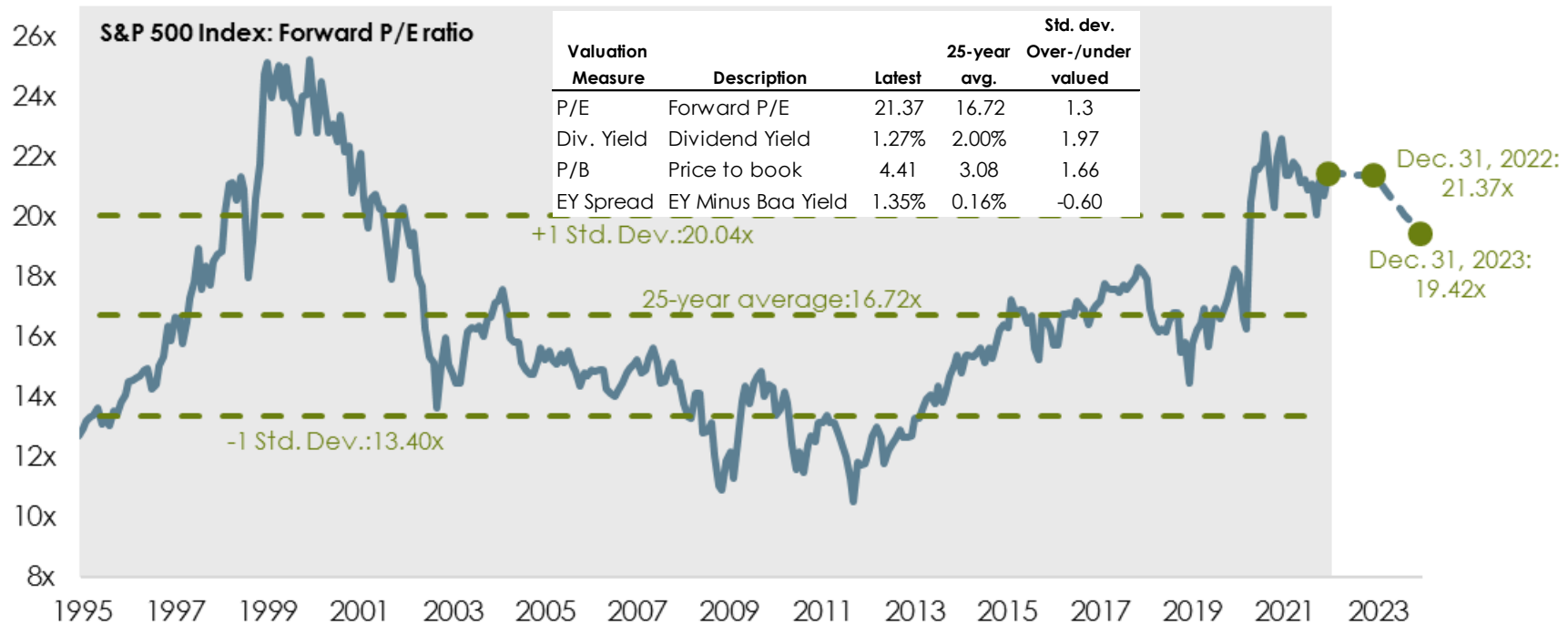
Current forecasts suggest this as the most likely environment in the near-term

() = number of occurrences. Returns are average 1 year rolling quarterly
 High inflation represents annual periods where inflation is greater than 4.0% (50-year average)
 High growth represents annual periods where US GDP growth is greater than 2.7% (50-year average)

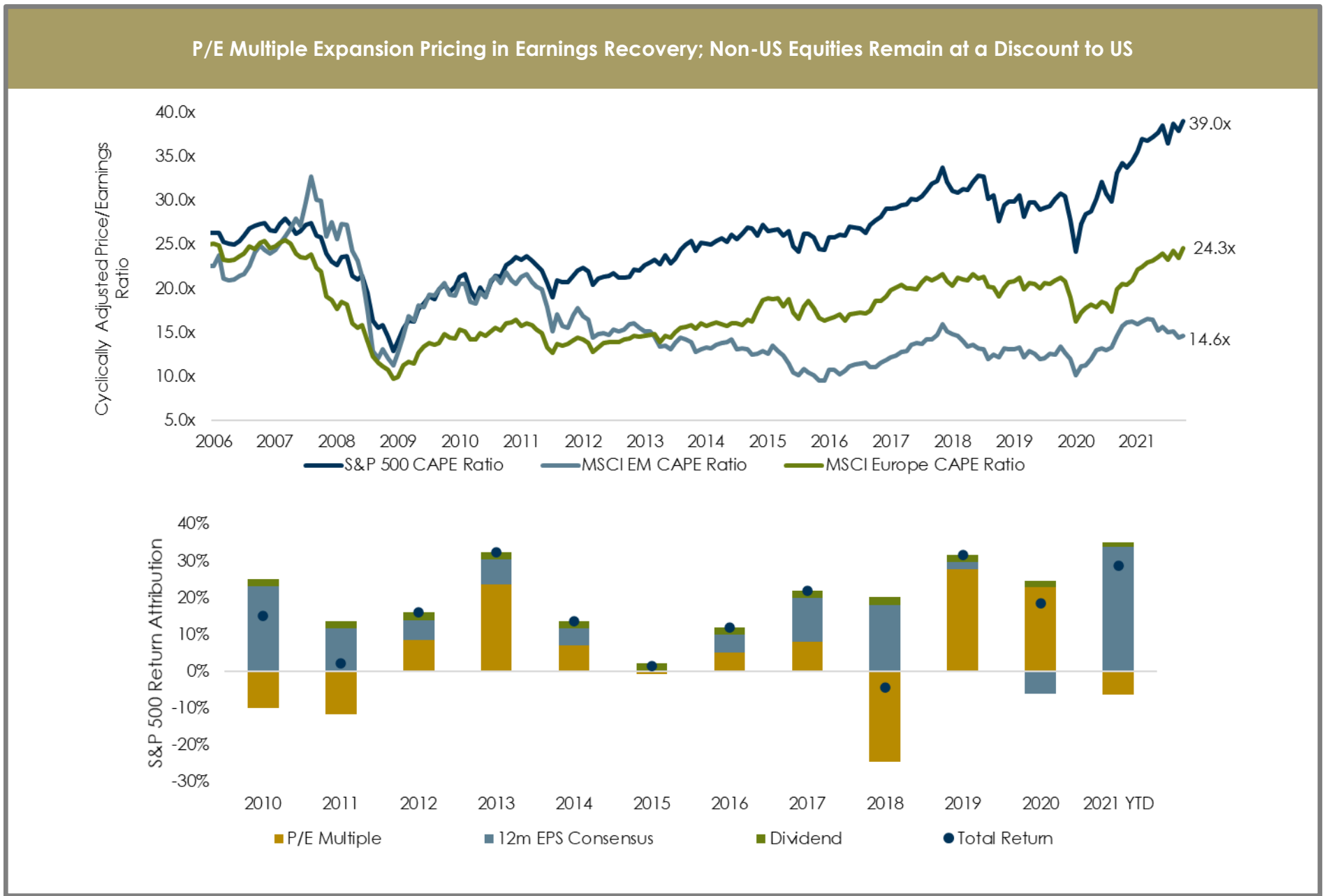
Source: ACG Research, Bloomberg, Fama/French

P/E Multiples Could Remain Elevated if Rates Remain Low

- **Based on several metrics, the S&P 500 Index appears expensive (12/31/21 closing price of \$4766)**
- Consensus earnings estimates for 2022 (\$223) suggest a forward p/e of 21.37x (vs. 25-year average of 16.7x)
- Consensus estimates are higher for 2023 (\$245) yet the forward p/e for '23 is still 19.42x (vs. 25-year average of 16.7x)

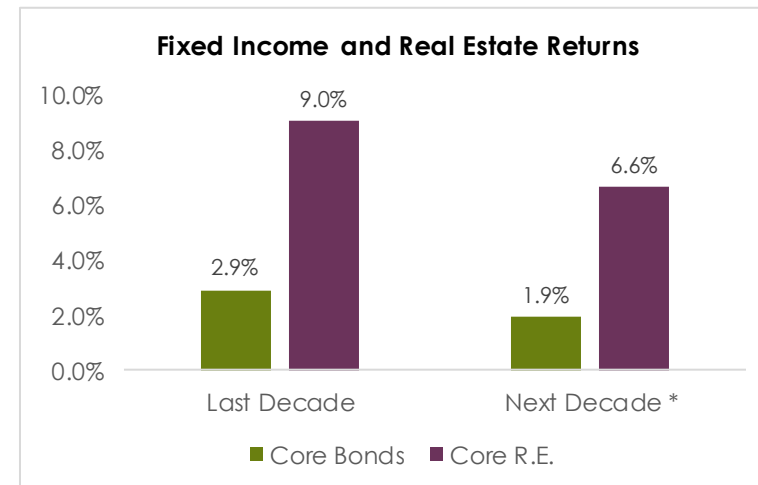
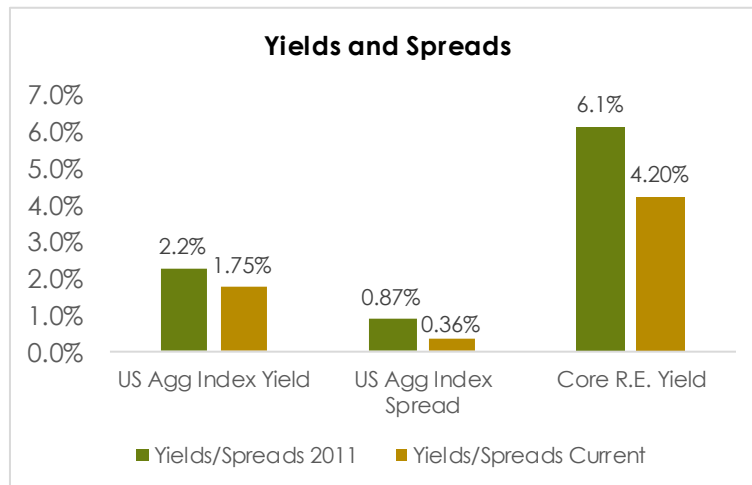
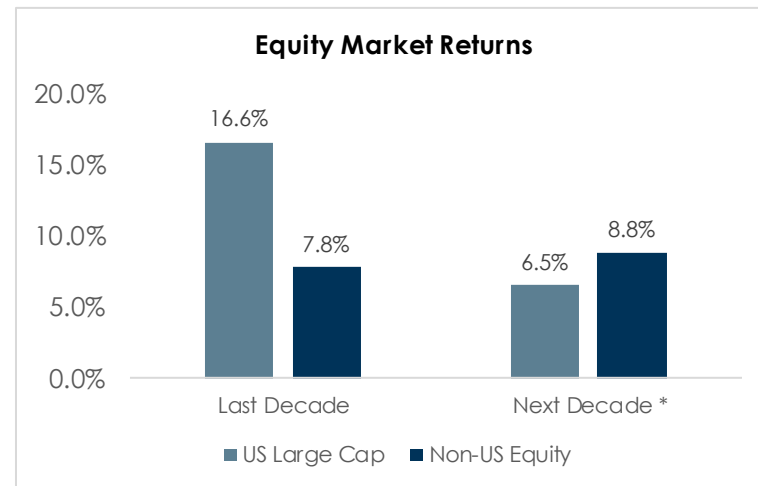
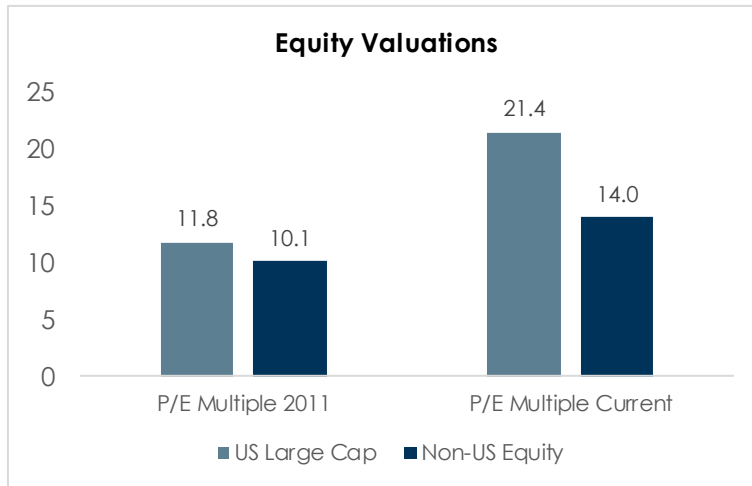


Source: FactSet, FRB, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management

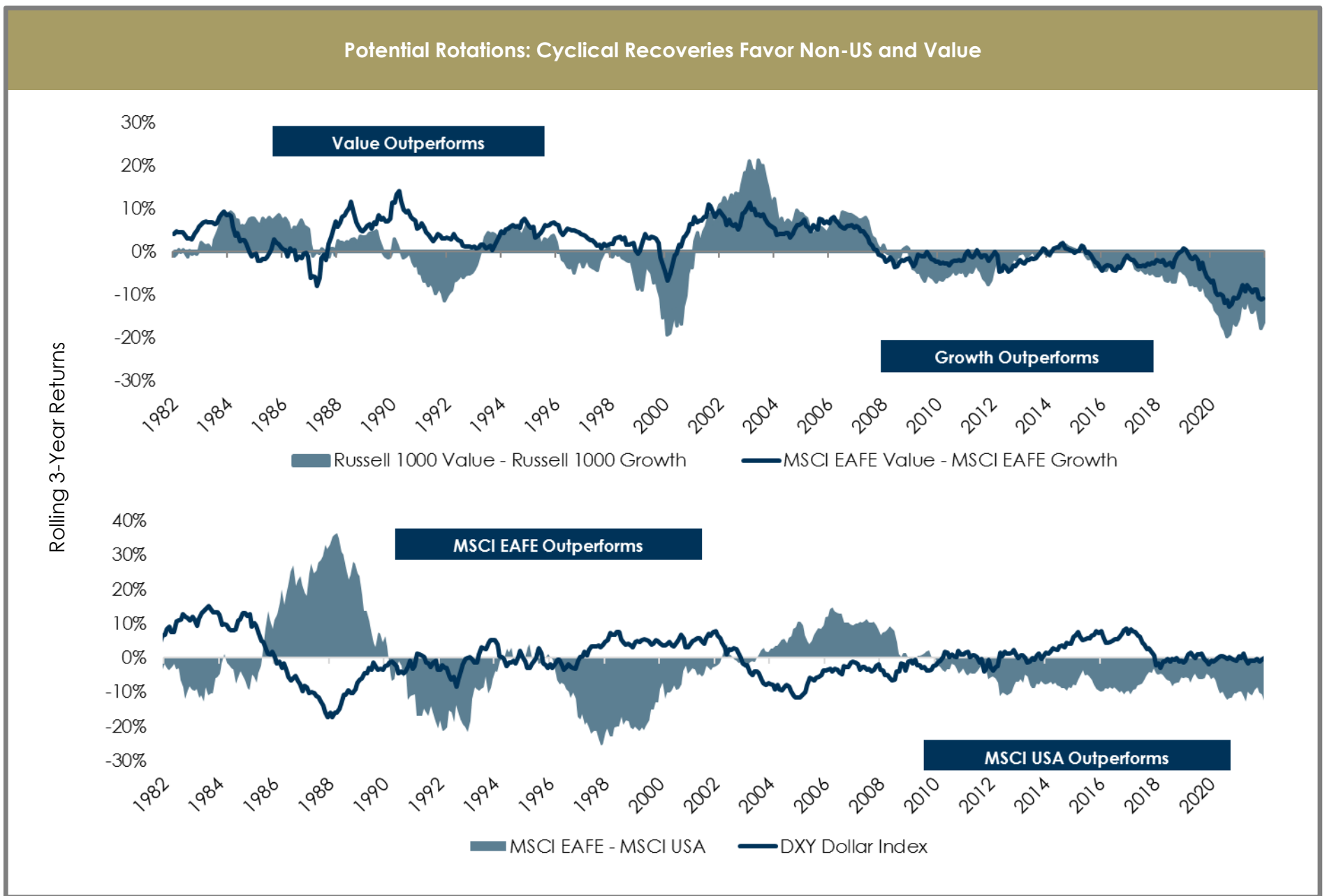


Source: ACG Research, Bloomberg, Robert Shiller (as of December 31, 2021)

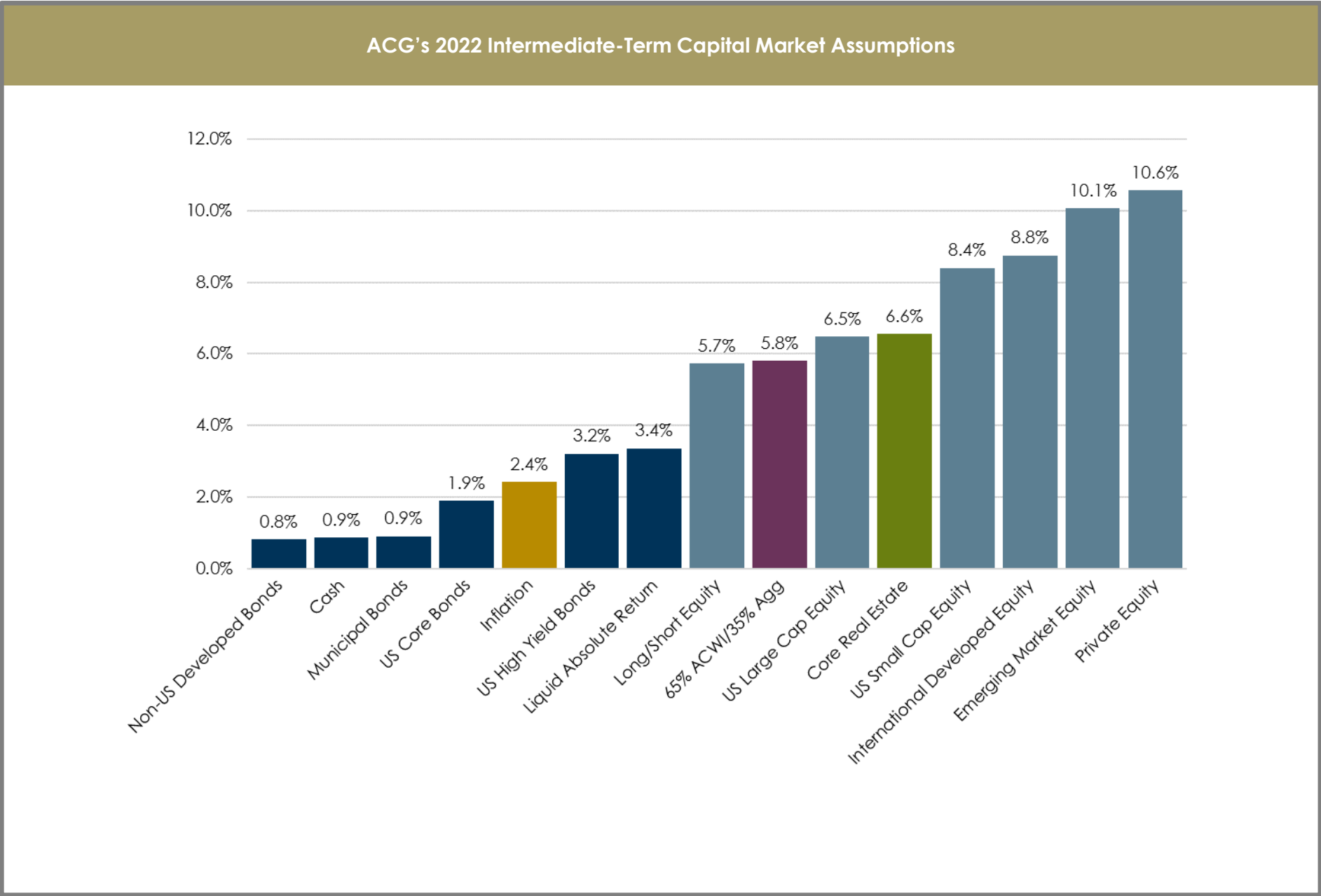
Current Valuations/Yields Likely to Weigh on Longer-Term Future Returns



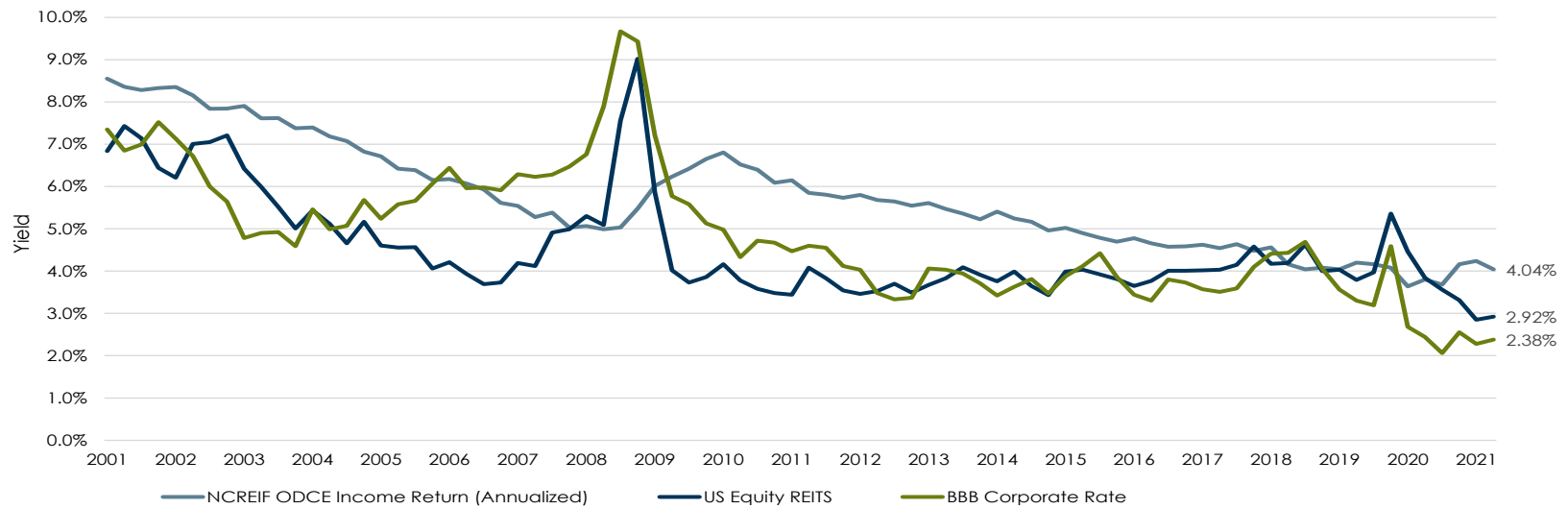
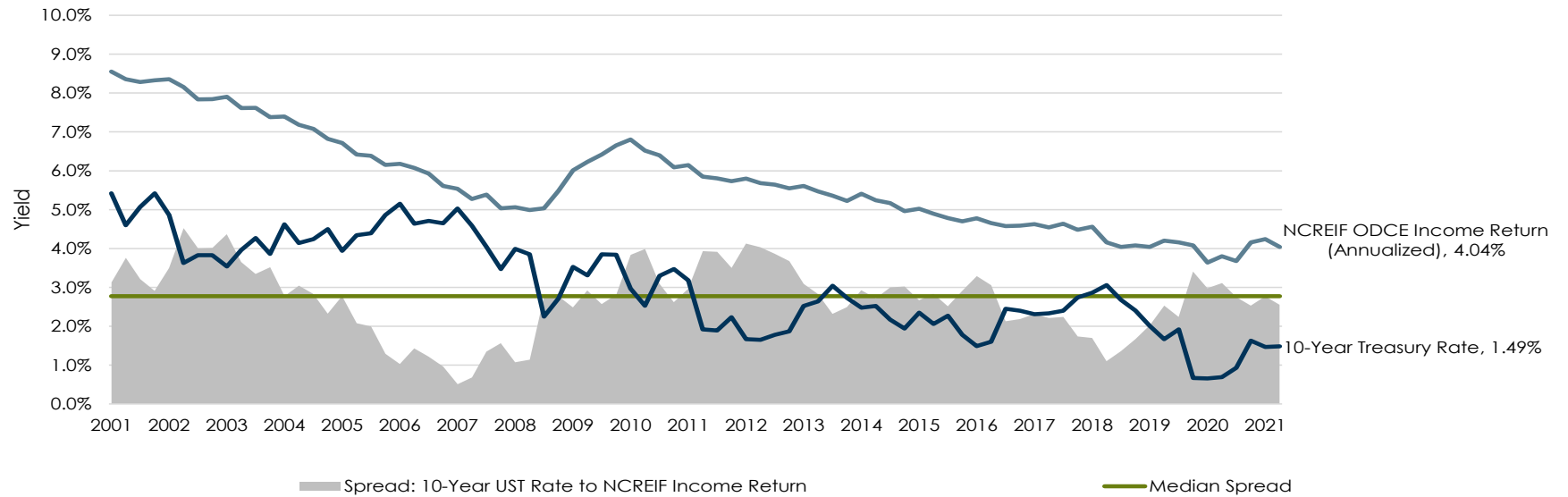
Source: Bloomberg, Factset, Yardeni Research, * represents ACG's Intermediate-Term CMAs



Source: ACG Research, Bloomberg, MSCI, Morningstar (as of December 31, 2021)

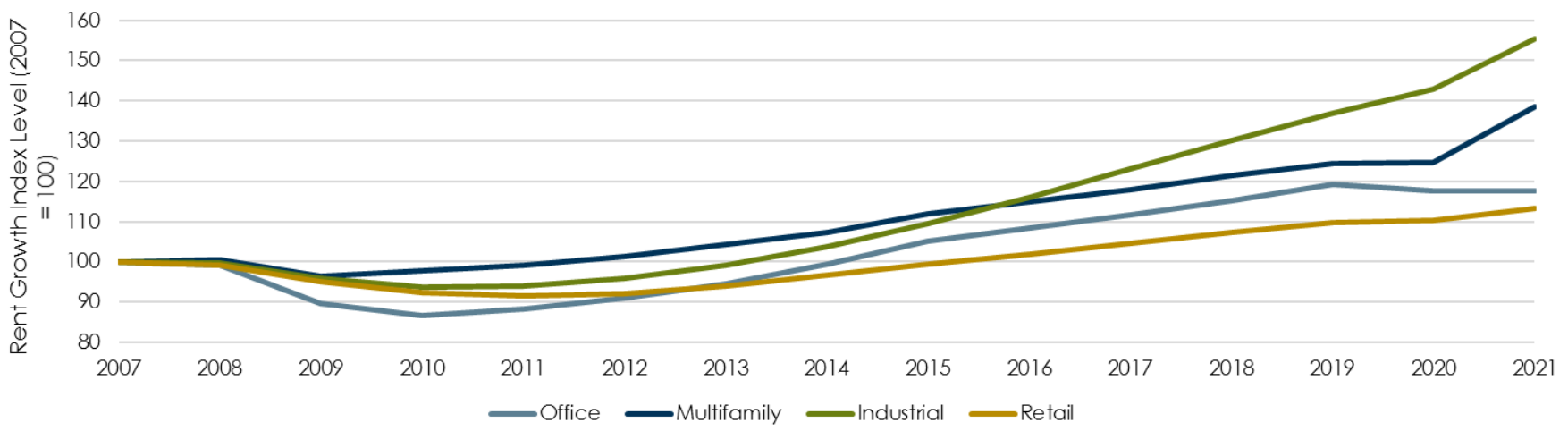
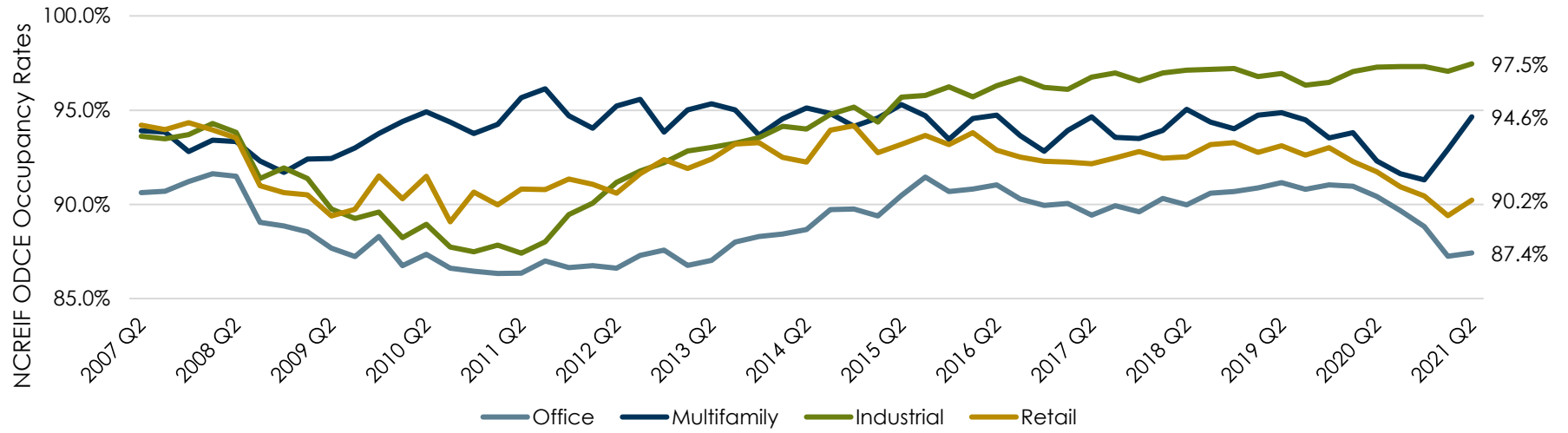


Private Real Estate Yields Remain Attractive Relative to Fixed Income and Public Real Estate



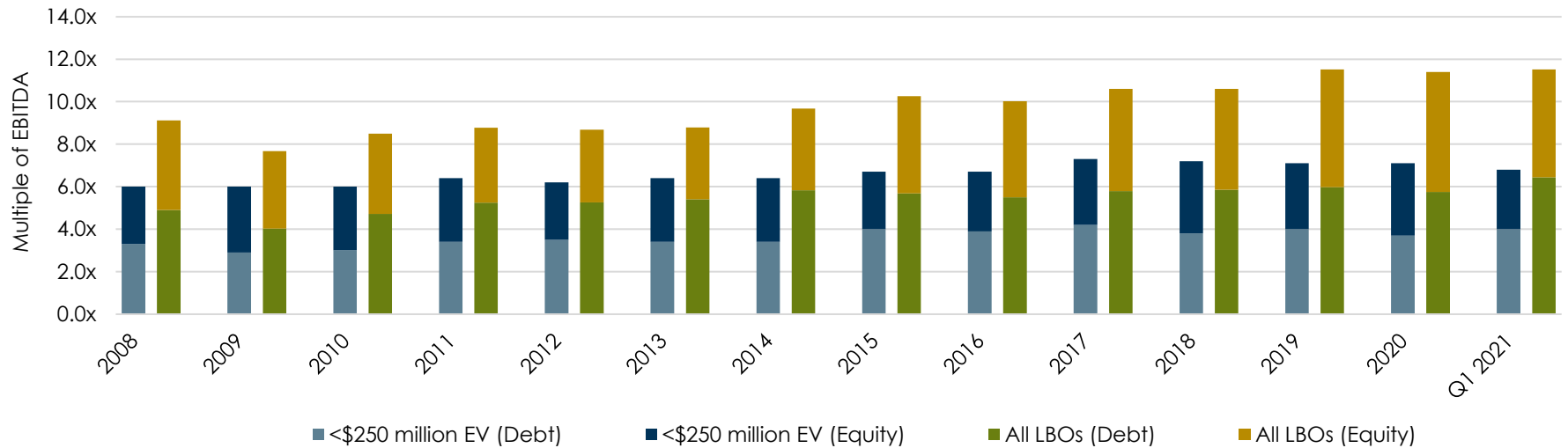
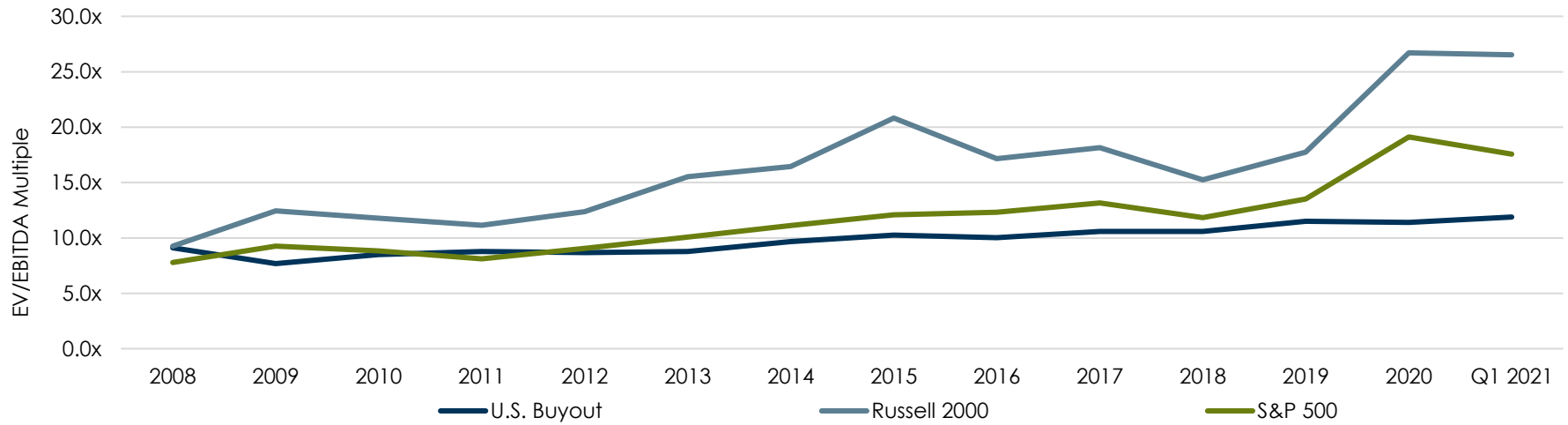
Source: Bloomberg, ACG Research (as of September 30, 2021)

Real Estate Recovery Varies by Property Type but the Overall Trend is Positive



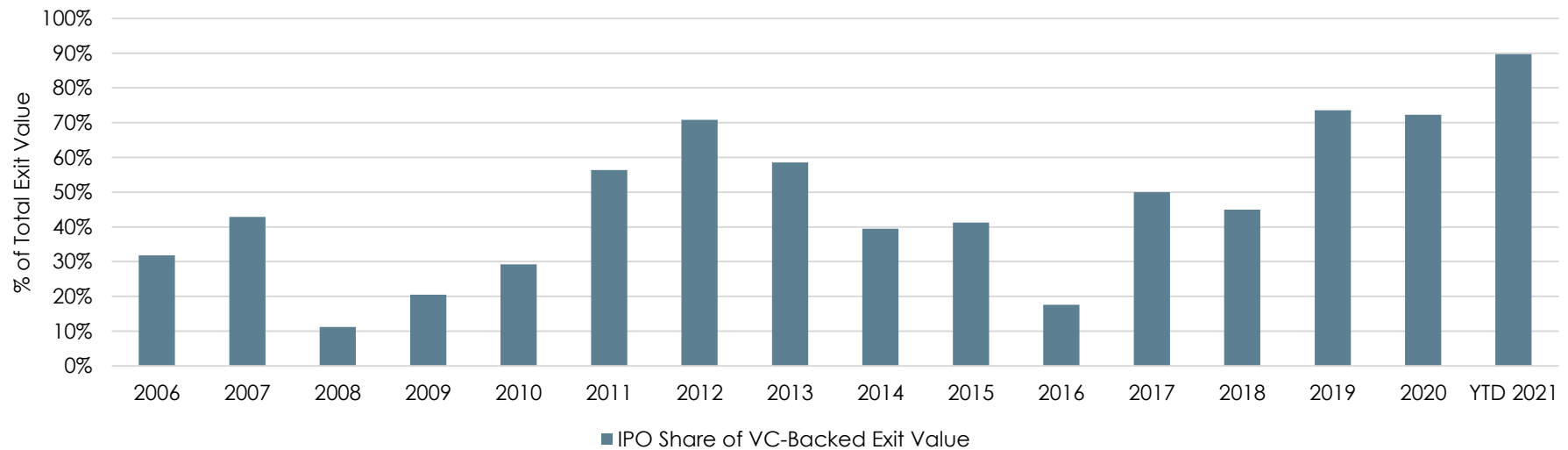
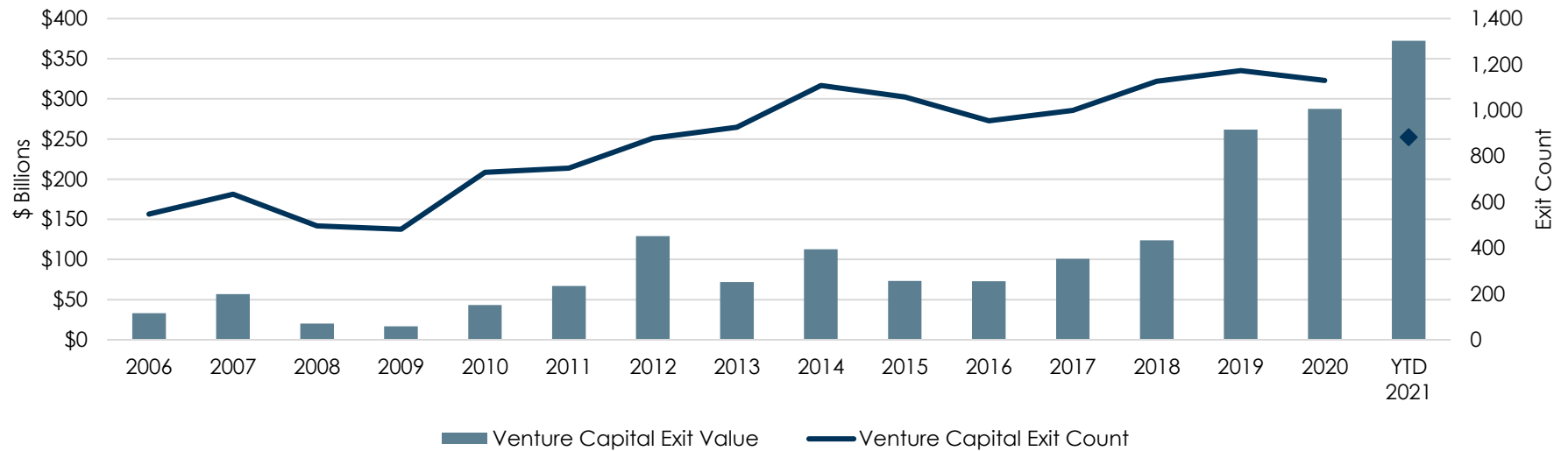
Source: AEW, CoStar, ACG Research (as of September 30, 2021)

Valuation Discount Exists in Private vs. Public Markets and in Small vs. Large Private Transactions



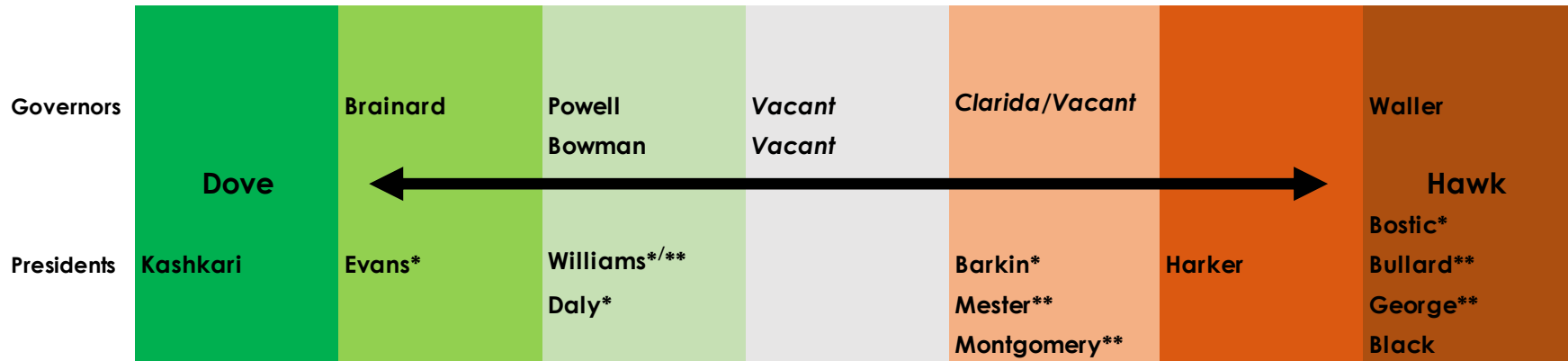
Source: S&P LCD, CIBC Capital Markets, GF Data, ACG Research (as of March 31, 2021)

Venture Capital Exit Volume is at Record Levels, with Activity Increasingly Dominated by IPO vs. M&A Activity



Source: Renaissance Capital, PitchBook, ACG Research (as of June 30, 2021)

Fed Presidents' Voting Rotation Tilts Hawkish in 2022, but New Governor Appointees Likely to Tilt Dovish



* Voting in 2021

** Voting in 2022

Growth Could Falter

- Consumer demand weakens with new Covid variants
- Renewed restrictions to fight virus
- Risk of revenue / earnings shortfalls
- Labor markets far from fully recovered
- GDP forecast to revert to modest growth of pre-pandemic
- Recent economic data surprising to the downside

Neutral

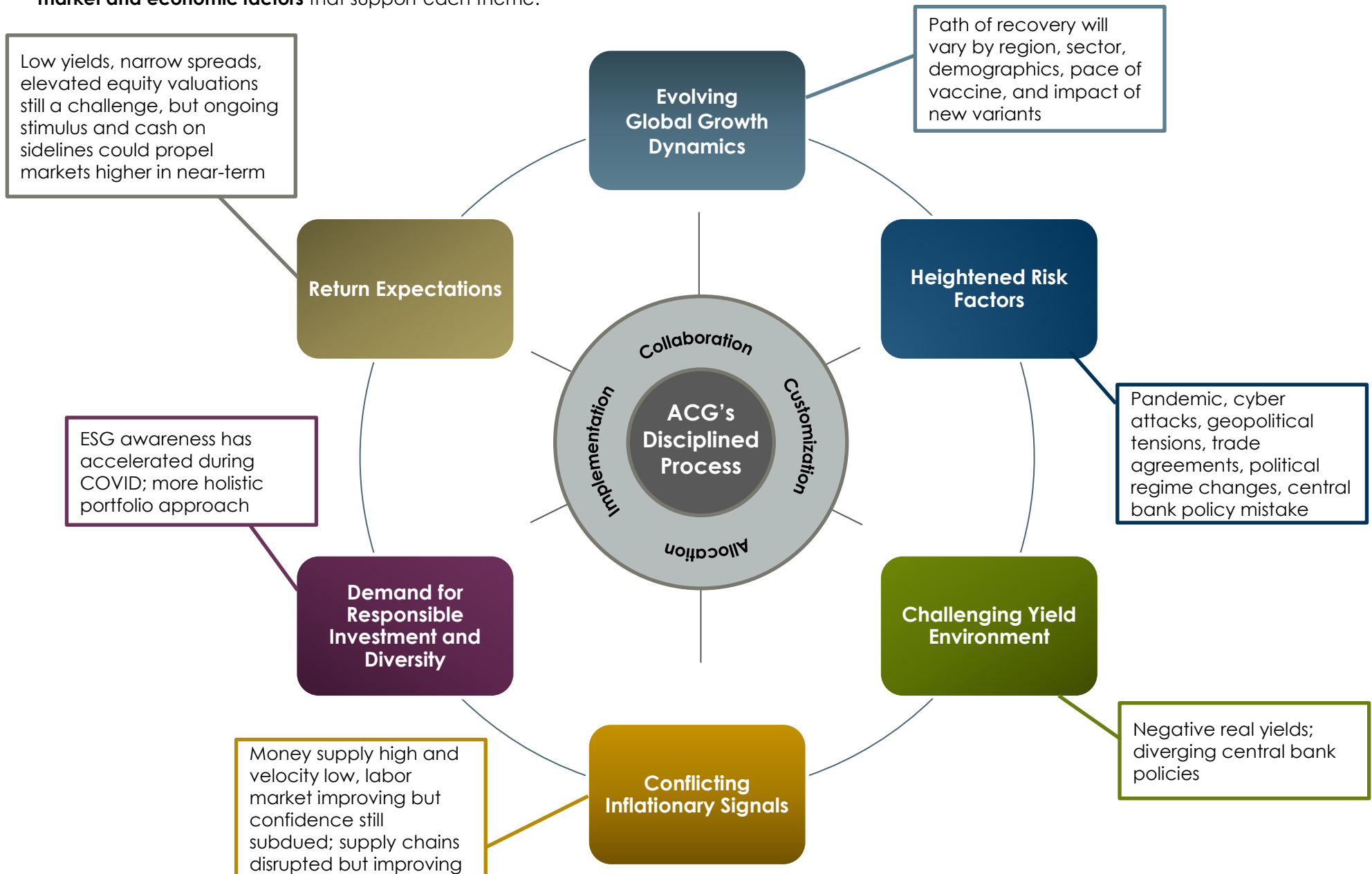
- GDP improved but remains below pre-pandemic trend
- Debt and deficits remain elevated
- Inflation rise is transient
- Unemployment improving
- Covid variants a threat but vaccination levels improving

Substantial Further Progress has Been Made

- GDP has surpassed pre-pandemic levels
- Consumer demand remains strong
- Financial markets continue to rally
- Improving trade flows
- Inflation remains high
- Labor shortages leading to wage growth

Key Themes

ACG's Investment Committee outlines key themes that will drive investment returns **over the intermediate term**. In this quarterly update, we highlight **market and economic factors** that support each theme.



Implementation Strategies

Evolving Global Growth Dynamics

- Maintain long-term strategic allocations
- Pursue active/focused/opportunistic strategies in less efficient markets

Heightened Geopolitical & Social Risks

- Embrace global diversification, with a modest reserve of dry powder
- Private strategies and long/short equity can limit near-term price impacts

Challenging Yield Environment

- Maintain high-quality core fixed income exposures for portfolio ballast
- Incorporate "non-traditional" strategies for flexibility and yield enhancement

Conflicting Inflationary Signals

- Shorter-dated fixed income and floating rate securities protect against inflationary surprise
- Diversified real assets can provide enhanced income amid rising prices

Demand for Responsible Investment

- Consider a high-quality portfolio orientation
- Opportunities in both stocks and bonds for impact oriented investment

Muted Return Expectations

- Revisit overall risk tolerance and investment objectives
- Focus on strategic plan versus frequent tactical shifts

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