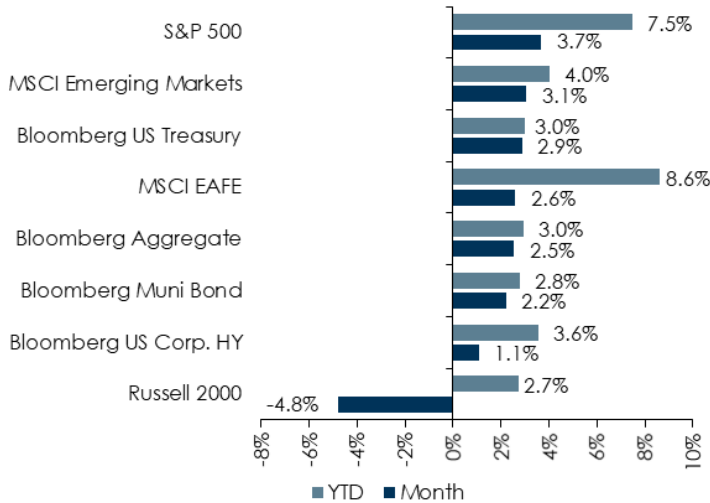


**Economic Overview**

- Market volatility surged after the sudden collapse of Silicon Valley Bank and Signature Bank led to fears of systemic risk to the banking sector
- Despite the volatility the US Fed hiked 25 bps to a range of 4.75% to 5.00%, with guidance that suggested one additional hike this year
- US CPI fell from 6.4% to a 6.0%, in-line with expectations, while the US labor market remained robust with an increase to payrolls of 311,000

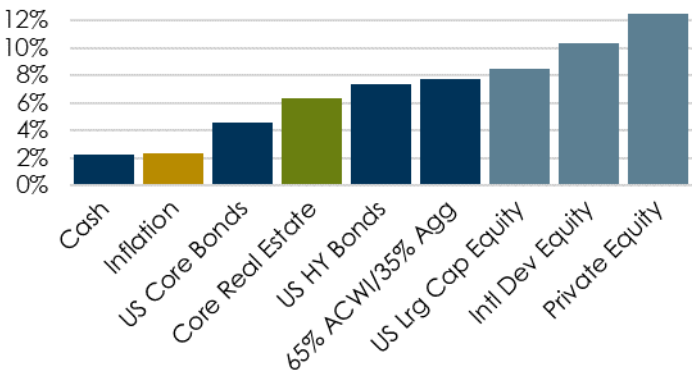
**Market Returns**

- Stocks and bonds rose as markets remained resilient
- Greater exposure to banking issues caused small caps to lag



Source: Bloomberg, ACG Research (as of 3/31/2023)

**Average Annual Return Assumptions (Next 10 Years)**



**Asset Class Valuations - Rebalancing Rationale**

- Equities currently priced for a mild recession
- Favor core bonds (US treasuries) over high yield
- Cash remains attractive with yields around 5%

Asset Class	Current Valuation	Rationale
US Large Cap	Fairly Valued	Balanced upside/downside risks
US Small Cap	Fairly Valued	Balanced upside/downside risks
Intl Developed	Overvalued	Favorable valuations, currency tailwinds
Emerging Mkt	Fairly Valued	Balanced upside/downside risks

Cash	Overvalued	High current yield
Core Bonds	Overvalued	Favor high quality
Multi-Sector	Fairly Valued	Duration, spreads balanced
Unconstrained	Fairly Valued	Duration, spreads balanced

Core Real Estate	Overvalued	Historically low (but rising) cap rates
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Overvalued    Fairly Valued    Undervalued

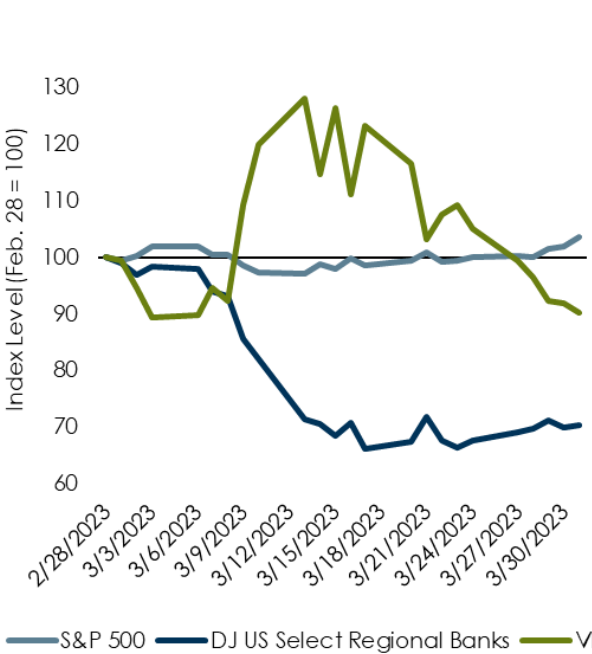
**Recent Articles (click on links below)**

- [Covid – Three-Year Update \(March\)](#)
- [China Reopening \(January\)](#)
- [Restoring the Fixed Income Foundation \(December\)](#)

**Key Risk Factors We Are Watching**

- Inflation and labor market data
- Tightening financial conditions, Fed mistake
- Potential bank-crisis contagion
- Downward revisions to corporate earnings
- Ongoing geopolitical tensions
- Potential debt ceiling crisis

**Volatility Surge Wanes but Bank Stocks Struggle**



Source: Bloomberg

## Disclosures and Legal Notice

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