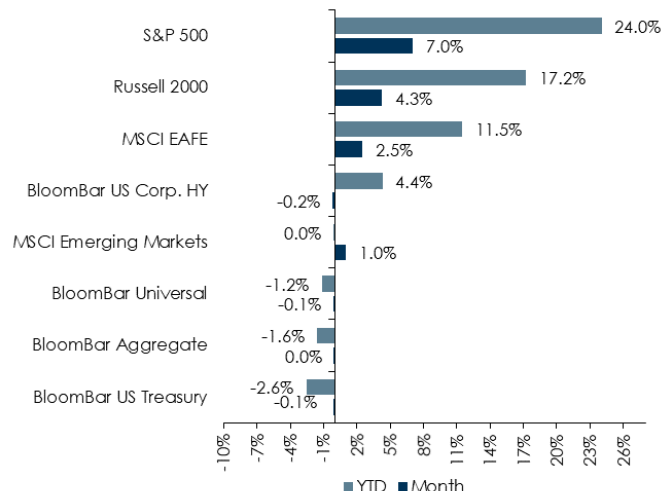


Economic Overview

- Equity markets surged in October as strong earnings countered worries about inflation and weaker growth
- US GDP rose a weaker-than-expected 2.0% in the third quarter, with consumer spending constrained by virus fears and inflation
- Developed market yield curves flattened as traders anticipated the end of ultra-loose central bank policy

Market Returns

- Global Equities (ex. EM) still outperforming bonds year-to-date
- Fixed income falls as short- and intermediate-term rates rise



Source: Bloomberg, ACG Research (as of 10/31/2021)

Asset Class Valuations

- Equities still favored over bonds
- Non-US equities favored over US equities
- Equities, H.Y. bonds, R.E. provide an inflation hedge

	Current Fwd P/E	Historical Avg P/E	Current: Avg Ratio
S&P 500	20.8	15.5	1.3
R2000	26.4	22.6	1.2
MSCI EAFE	15.3	13.5	1.1
MSCI EM	11.5	11.5	1.0

	Current Yield	Historical Avg Yld	Current: Avg Spread
3-month T-Bill	0.1%	4.2%	-4.1%
10-year UST	1.6%	6.1%	-4.5%
BloomBar Agg	1.7%	6.4%	-4.7%
High Yield	4.2%	9.7%	-5.4%

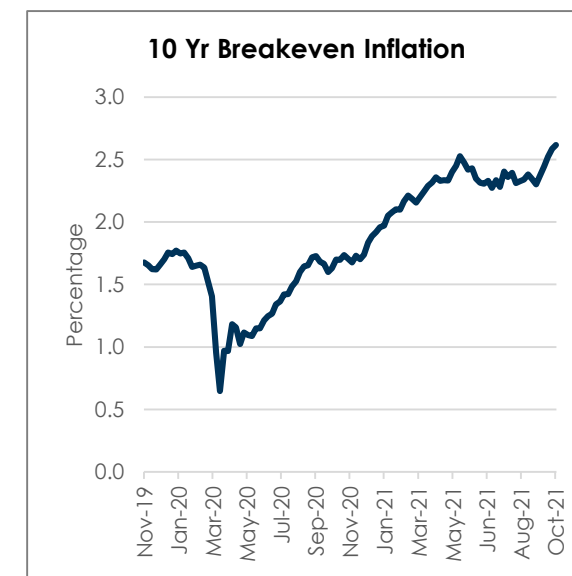
ACWI EY / Agg Spread	2.9%	1.6%	1.2%
Core Real Estate	4.2%	5.9%	-1.7%
Core Inflation	4.0%	3.7%	0.3%

Undervalued Fairly Valued Overvalued

Key Risk Factors We Are Watching

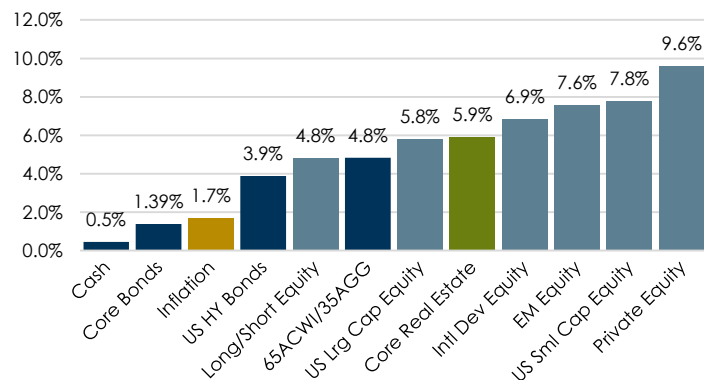
- Inflation
- Fiscal Stimulus
- Consumer Behavior – Savings/Spending
- Financial Conditions; Fed Tapering
- Regulatory Policy Shifts (US and China in particular)

Inflation Expectations Rising Again



Source: St. Louis Federal Reserve

ACG's Capital Market Assumptions – Next 10 Years



Recent Articles (click on link below) Upcoming Article

- [Will Elevated Inflation be Transitory? \(November\)](#)
- [Fed Tapering – Is Another Tantrum on the Way? \(October\)](#)
- [Private Equity Manager Selection \(December\)](#)

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