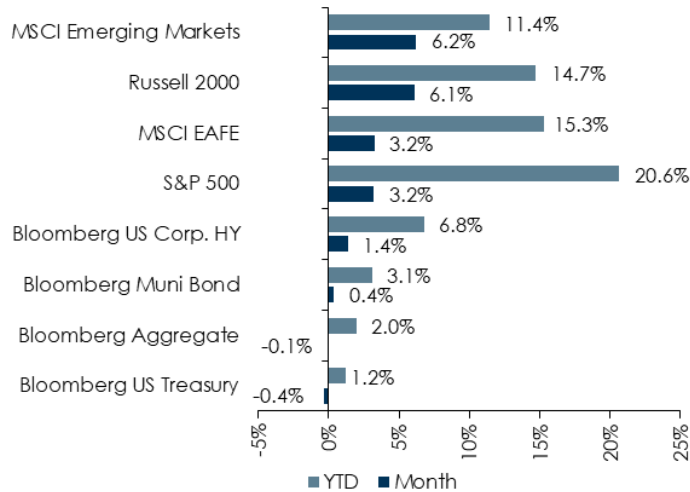


Economic Overview

- 2nd quarter US GDP grew at a 2.4% annualized rate, reflecting continued consumer spending strength and an increase in business investment
- The Fed raised its policy rate 25 bps to 5.25% - 5.50%, as expected, with forward guidance stressing a data dependent approach for future hikes
- Headline CPI fell to a 3.0% annual increase, lower than expected and the slowest rate since March 2021

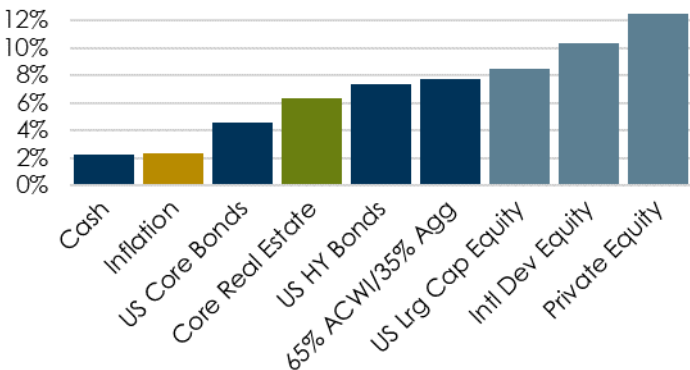
Market Returns

- Equity markets rallied as lower inflation boosted sentiment
- Bonds lagged as surprising economic growth sent rates higher



Source: Bloomberg, ACG Research (as of 7/31/2023)

Average Annual Return Assumptions (Next 10 Years)



Asset Class Valuations - Rebalancing Rationale

- Equities currently priced for a benign economic outcome
- Favor core bonds (US Treasuries) over high yield
- Cash remains attractive with yields around 5%

Asset Class	Current Valuation	Rationale
US Large Cap	Overvalued	Expensive valuations
US Small Cap	Fairly Valued	Balanced upside/downside risks
Int'l Developed	Fairly Valued	Favorable valuations but stagnant outlook
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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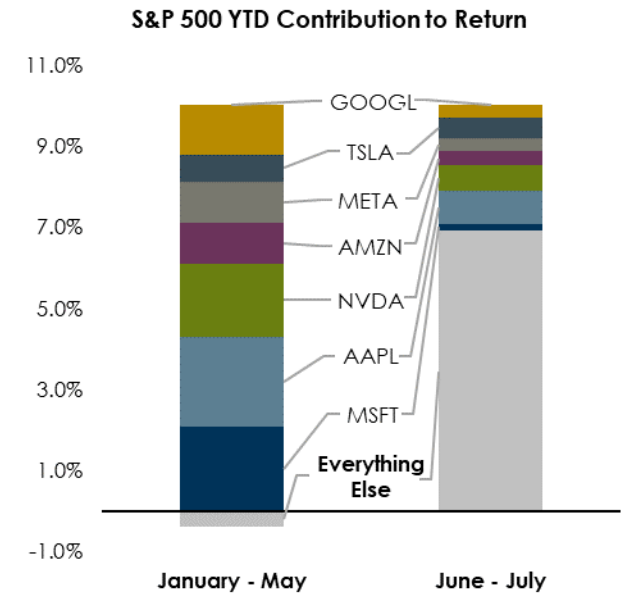
Recent Articles (click on links below)

- [Artificial Intelligence \(August\)](#)
- [Market Volatility \(July\)](#)
- [US Banking System & the Economy \(May\)](#)

Key Risk Factors We Are Watching

- Inflation and labor market data
- Tightening financial conditions
- Fed policy mistake
- Downward revisions to corporate earnings
- Ongoing geopolitical tensions
- Weaker than expected China recovery

Recent Returns Helped by Better Market Breadth



Source: Morningstar (as of 7/31/23)

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