

Investment Themes (3-5 Years)

| Theme | Rationale | Implementation Strategy |
|--------------------------------------|---|---|
| Geopolitical & Policy Uncertainty | <ul style="list-style-type: none"> ▪ Disparate global fiscal/monetary policies ▪ Potential US fiscal stimulus; reduced Euro area austerity ▪ Long term constraint from high government debt ▪ Political polarization – rising in US, declining in Europe ▪ Terrorism concerns, immigration, nuclear issues, territorial disputes, climate change concerns, social media impact | <ul style="list-style-type: none"> ▪ Maintain global diversification; meaningful non-US exposure ▪ Increase risk-reducing and private strategies ▪ Maintain disciplined rebalancing strategy |
| Improving Global Growth Expectations | <ul style="list-style-type: none"> ▪ Pro-growth policies in the US and abroad ▪ Continued monetary support in Europe/Japan ▪ China transitioning to consumer-driven economy ▪ Improving growth metrics across regions | <ul style="list-style-type: none"> ▪ Prefer equities over fixed income ▪ Focus on actively managed, opportunistic strategies in less efficient asset classes (e.g. US Small Cap, Non-US, EM, Multi-sector fixed income) ▪ Allocate to specialized / differentiated managers ▪ Consider strategies with sustainability orientation |
| Fixed Income Market Headwinds | <ul style="list-style-type: none"> ▪ Stretched sovereign valuations at low yields ▪ Fed policy normalization ▪ Inflation expectations driving yield volatility ▪ Later stage of economic/credit cycle ▪ Liquidity challenges may increase volatility | <ul style="list-style-type: none"> ▪ Retain fixed income allocation for diversification ▪ Prefer credit and securitized over sovereign debt ▪ Include exposure to private debt or other yield enhancing strategies (e.g. high yield, EM debt) ▪ Incorporate absolute return oriented strategies |
| Global Inflation Conundrum | <ul style="list-style-type: none"> ▪ Wage pressure building, but still slack in labor market ▪ Rising consumer spending driving demand ▪ Technological efficiencies lowering prices ▪ Energy prices normalizing/stabilizing ▪ Trade policy uncertainty – inflationary/deflationary? | <ul style="list-style-type: none"> ▪ Retain meaningful equity exposure ▪ Retain core real estate (RE) exposures ▪ Incorporate diversified commodity exposure |
| Muted Return Expectations | <ul style="list-style-type: none"> ▪ Relatively high valuations across asset classes ▪ Shrinking public equity market ▪ Global economic growth remains positive but tepid ▪ Longer-term challenges of demographics/debt levels ▪ Yields and inflation advancing from historic lows | <ul style="list-style-type: none"> ▪ Revisit investment objectives, constraints and strategic allocation ▪ Implement private equity and/or debt strategies ▪ Consider active strategies with enhanced flexibility ▪ Employ risk management solutions |

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