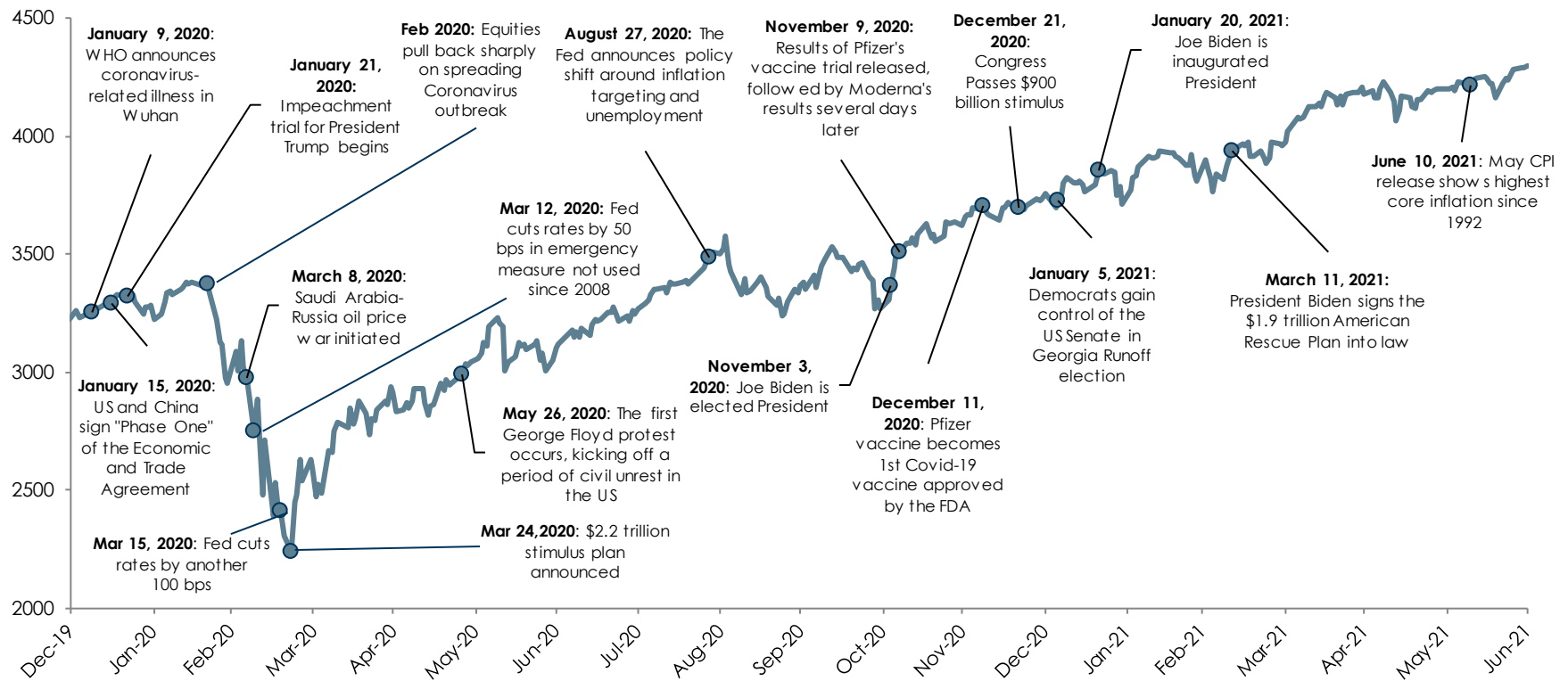

Global Economic Update

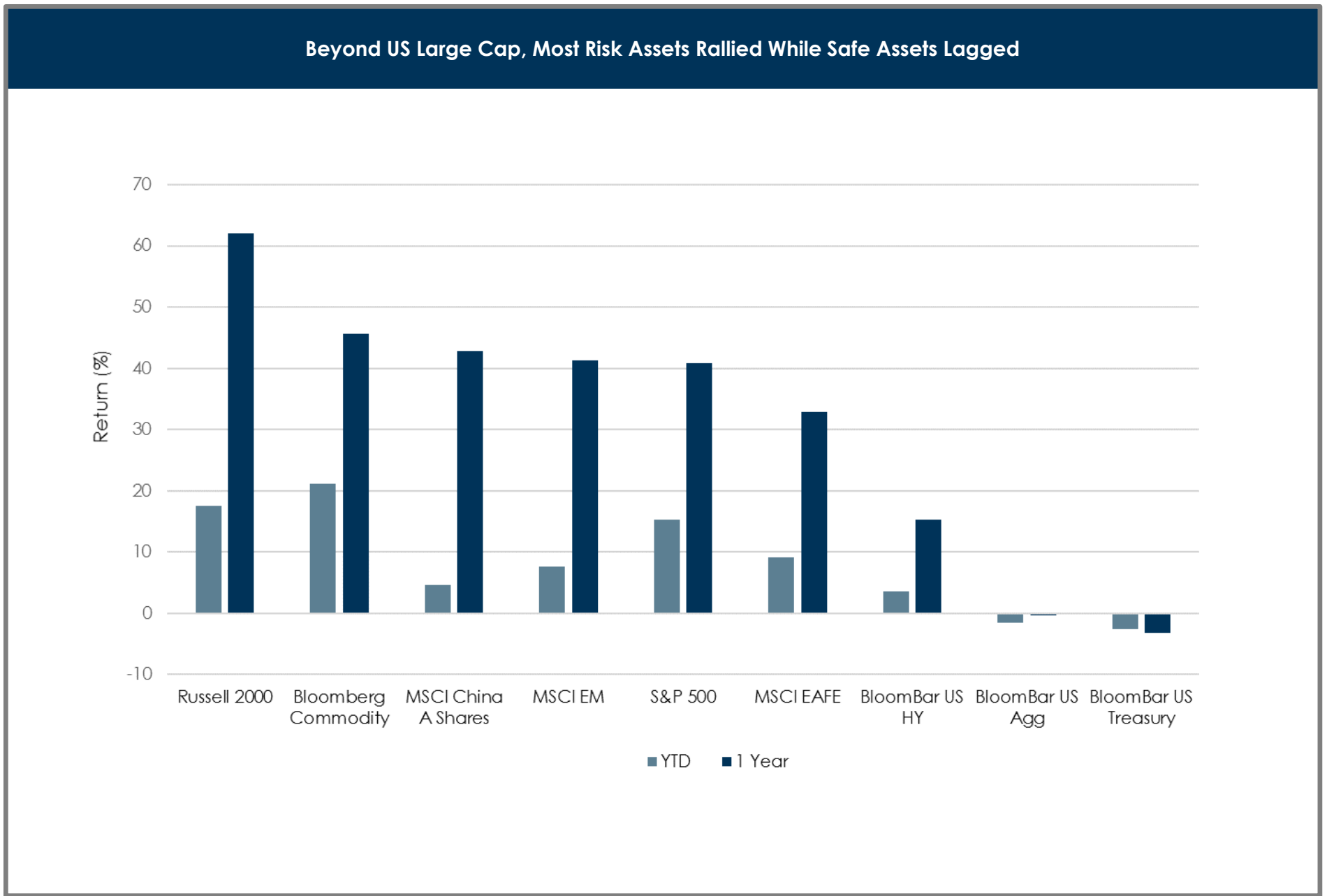
3rd Quarter 2021

- **Virus count has declined** from January 2021 peak as vaccinations continue
- **Economies are reopening** with GDP and earnings forecasts rising
- **Fed is still on hold** for now but seen as more proactive on inflation – **additional fiscal stimulus** is expected
- **Employment growth is picking up** but remains disrupted
- **Inflation remains elevated** but has potentially peaked as base effects dissipate
- S&P 500 continues to hover around **all-time highs while cyclical sectors recover**
- Investors try to **balance “fear” vs. the “fear of missing out”**

Stocks Have Rallied Significantly Over the Last Year

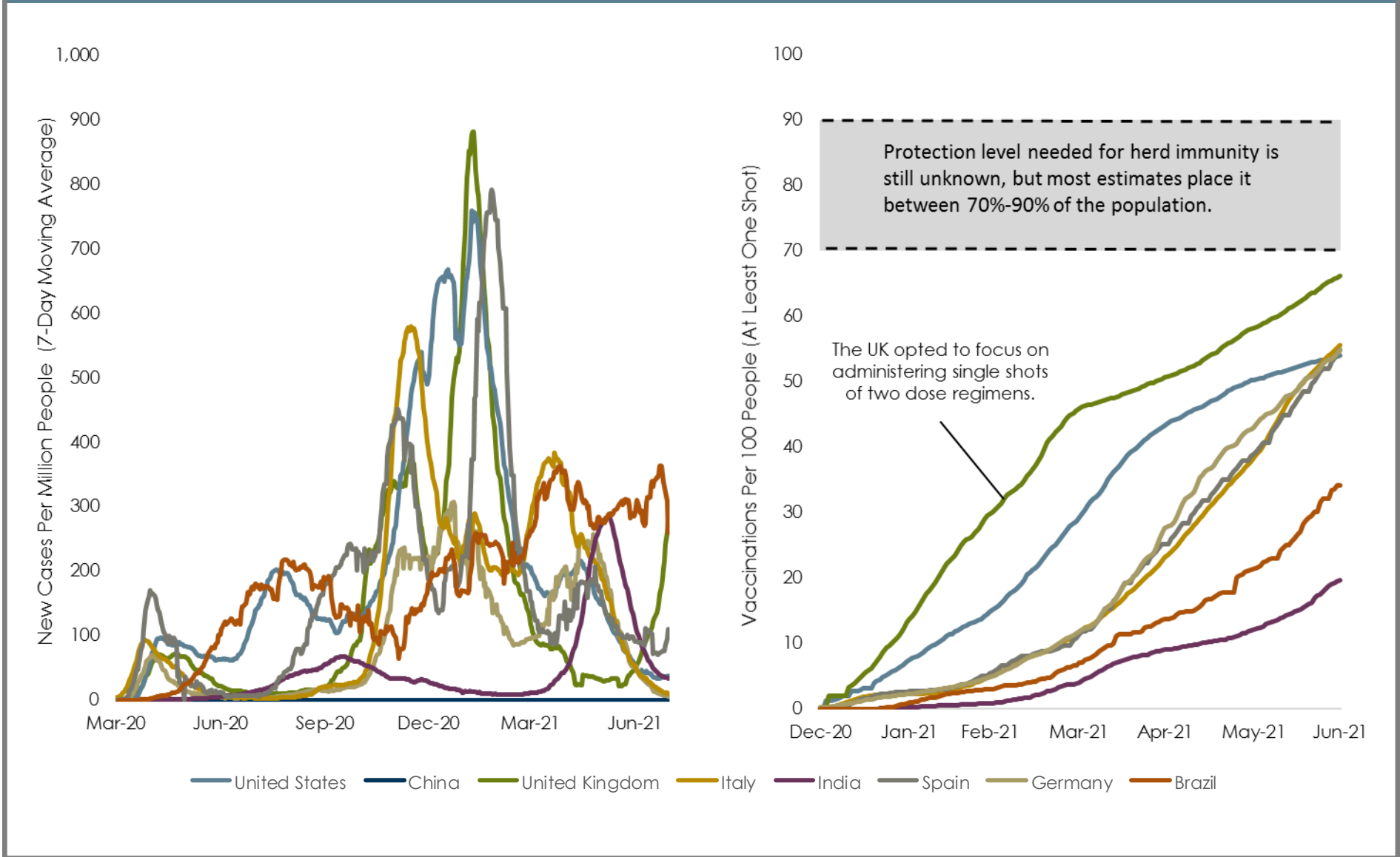


Source: ACG Research, Bloomberg (as of June 30, 2021)



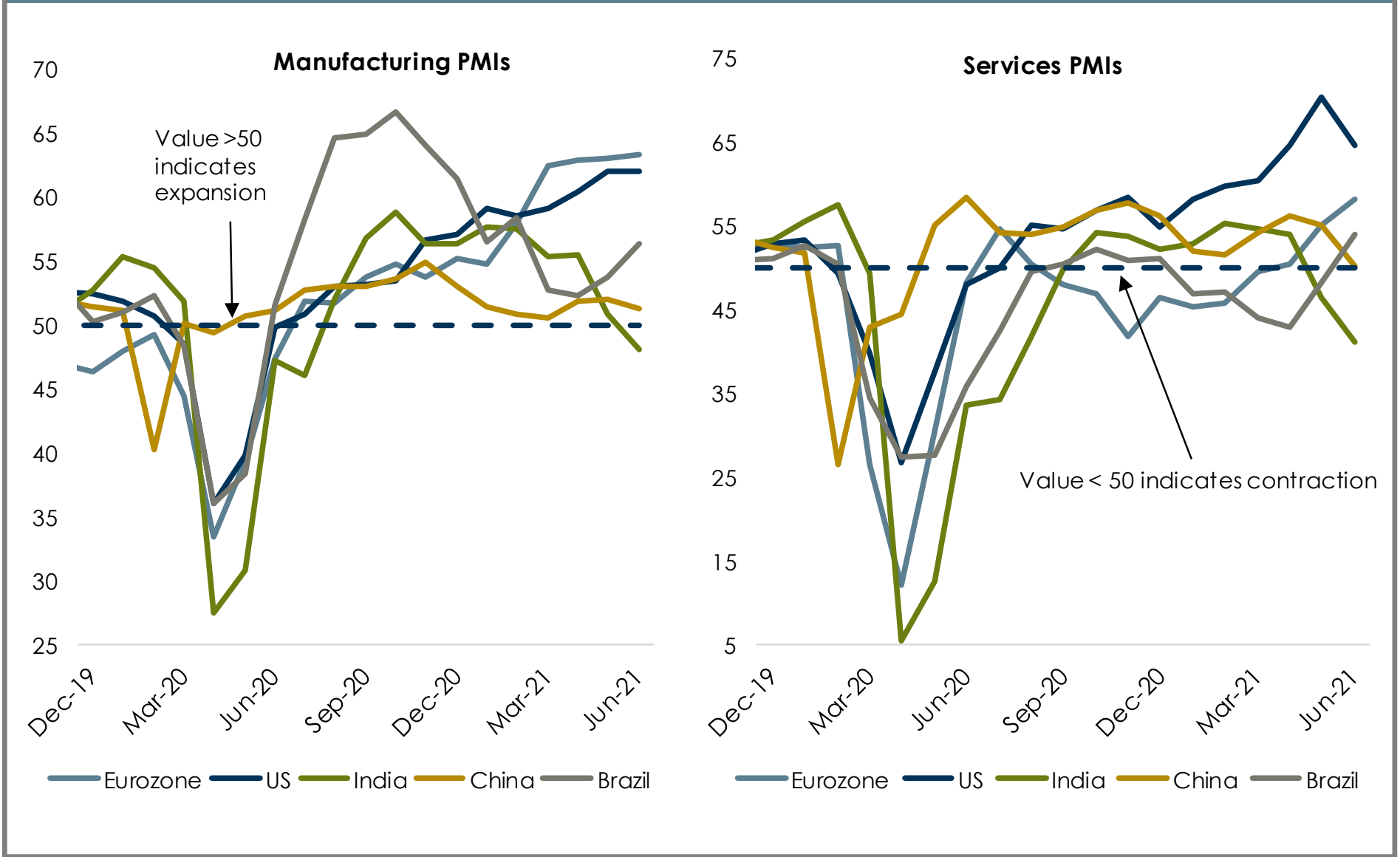
Source: ACG Research, Morningstar (as of June 30, 2021)

Virus Count Improving with Vaccine Access; Herd Immunity Anticipated in US by Late Summer

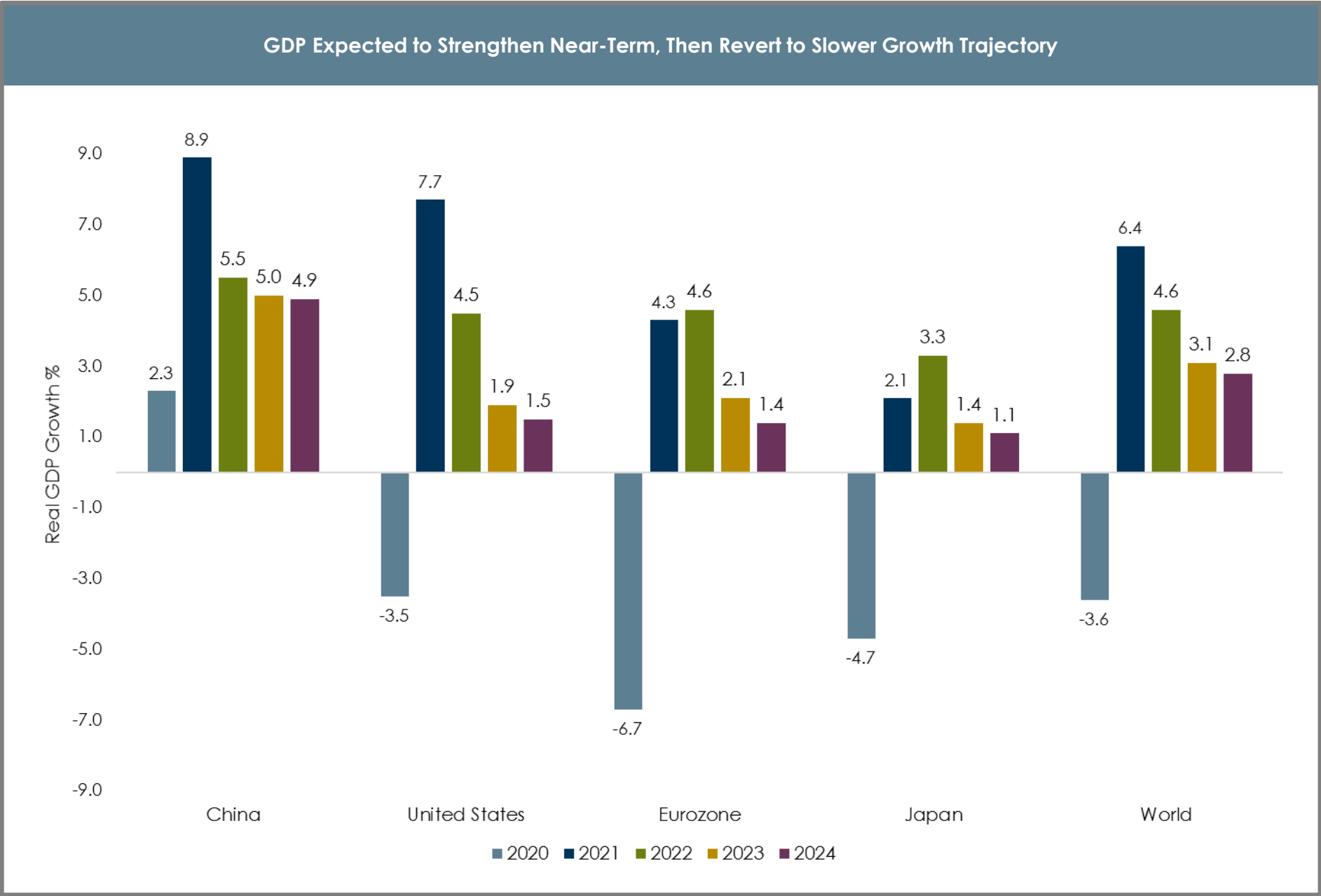


Source: ACG Research, Our World in Data (as of June 30, 2021)

Developed Market Growth Accelerating While Emerging Markets Lag



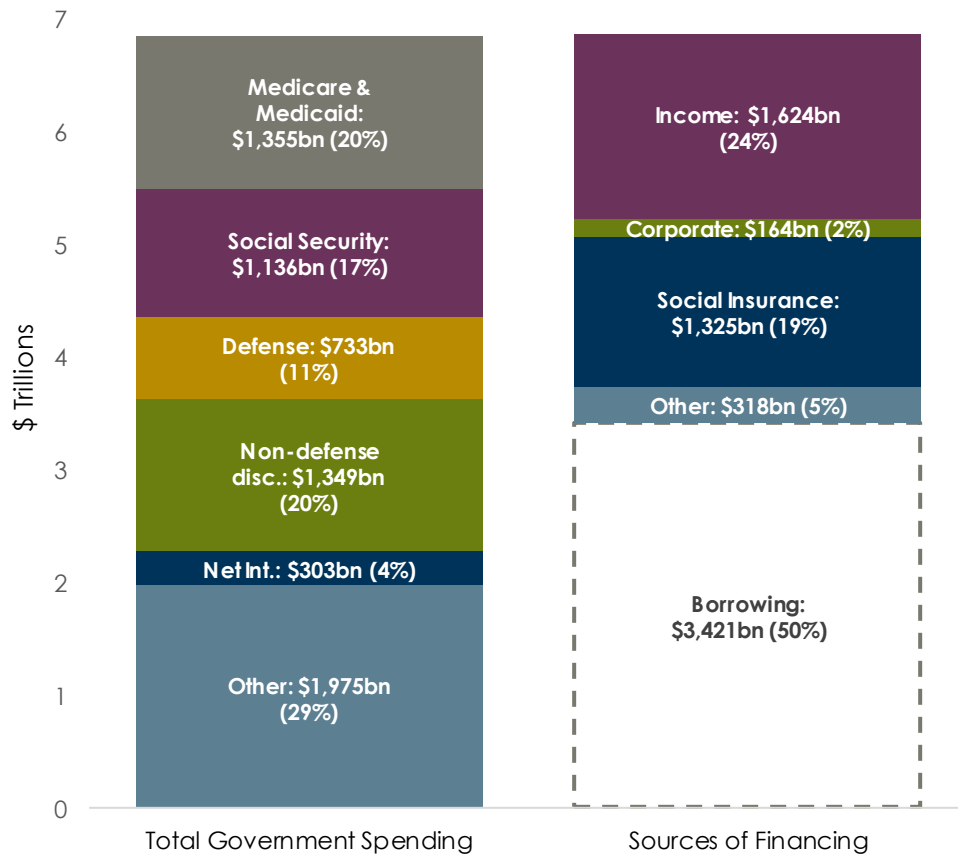
Source: ACG Research, Bloomberg (as of June 30, 2021)



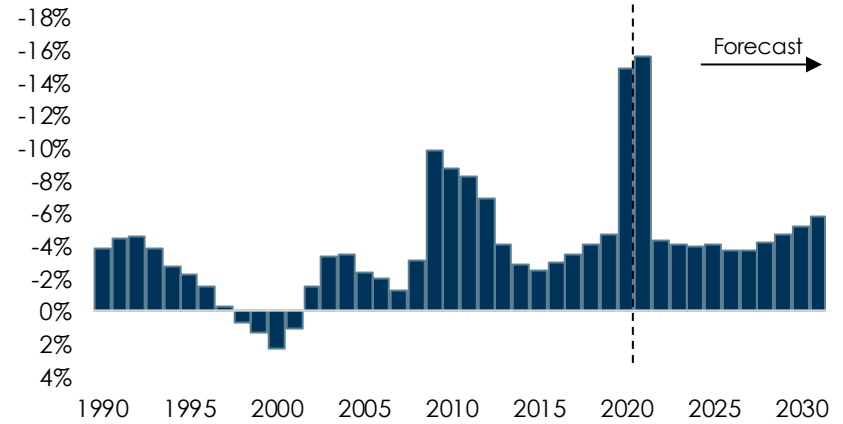
Source: ACG Research, Oxford Economics (as of June 24, 2021)

Fiscal Stimulus (Borrowing) Leads to Federal Debt Levels Not Seen Since WWII

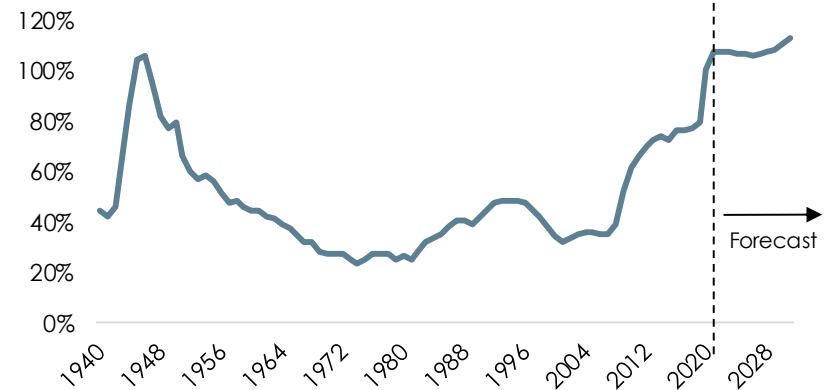
2021 Federal Budget



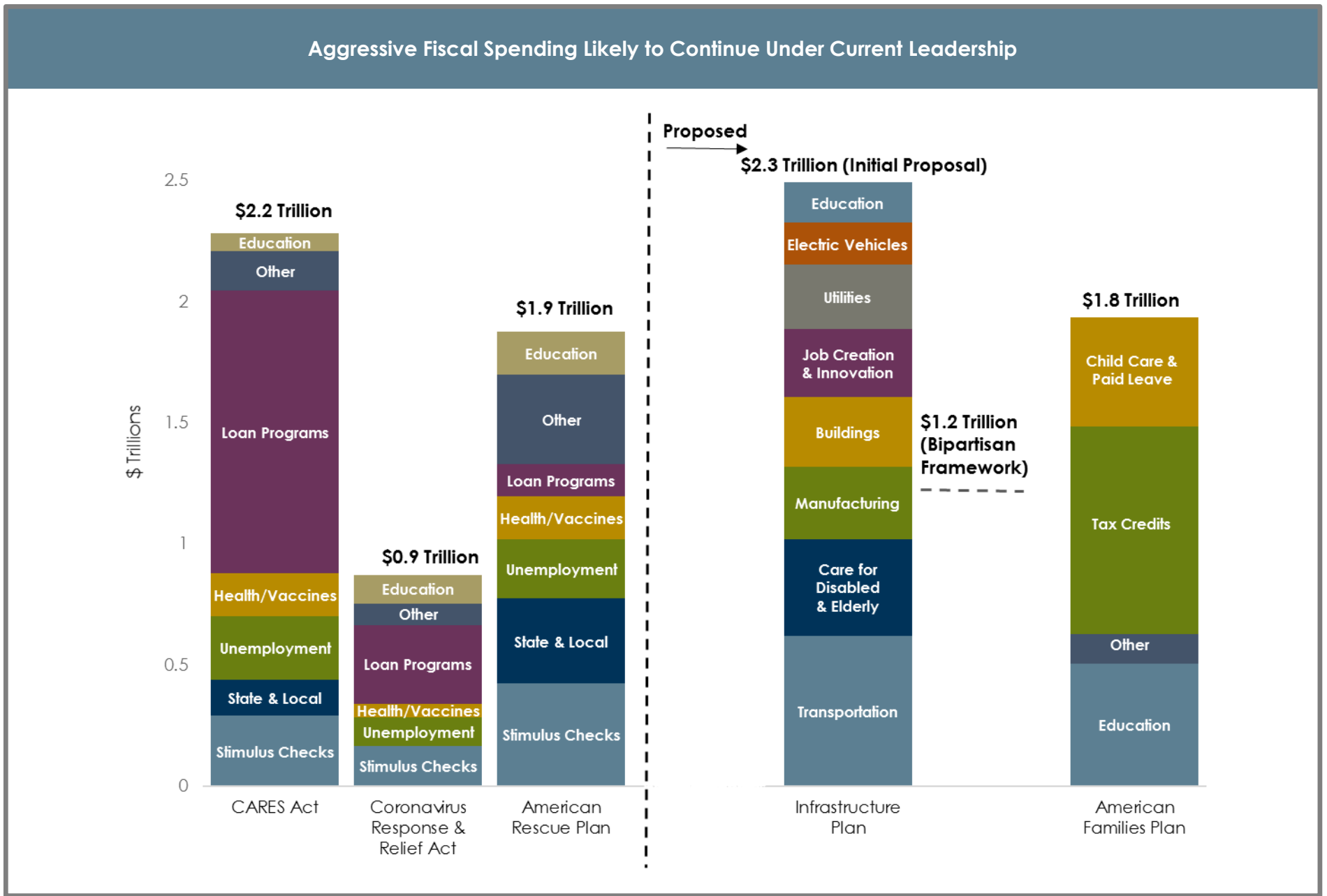
Federal Budget surplus/deficit % of GDP, 1990-2031 CBO Baseline



Federal Net Debt % of GDP, 2021 CBO Baseline, end of fiscal year



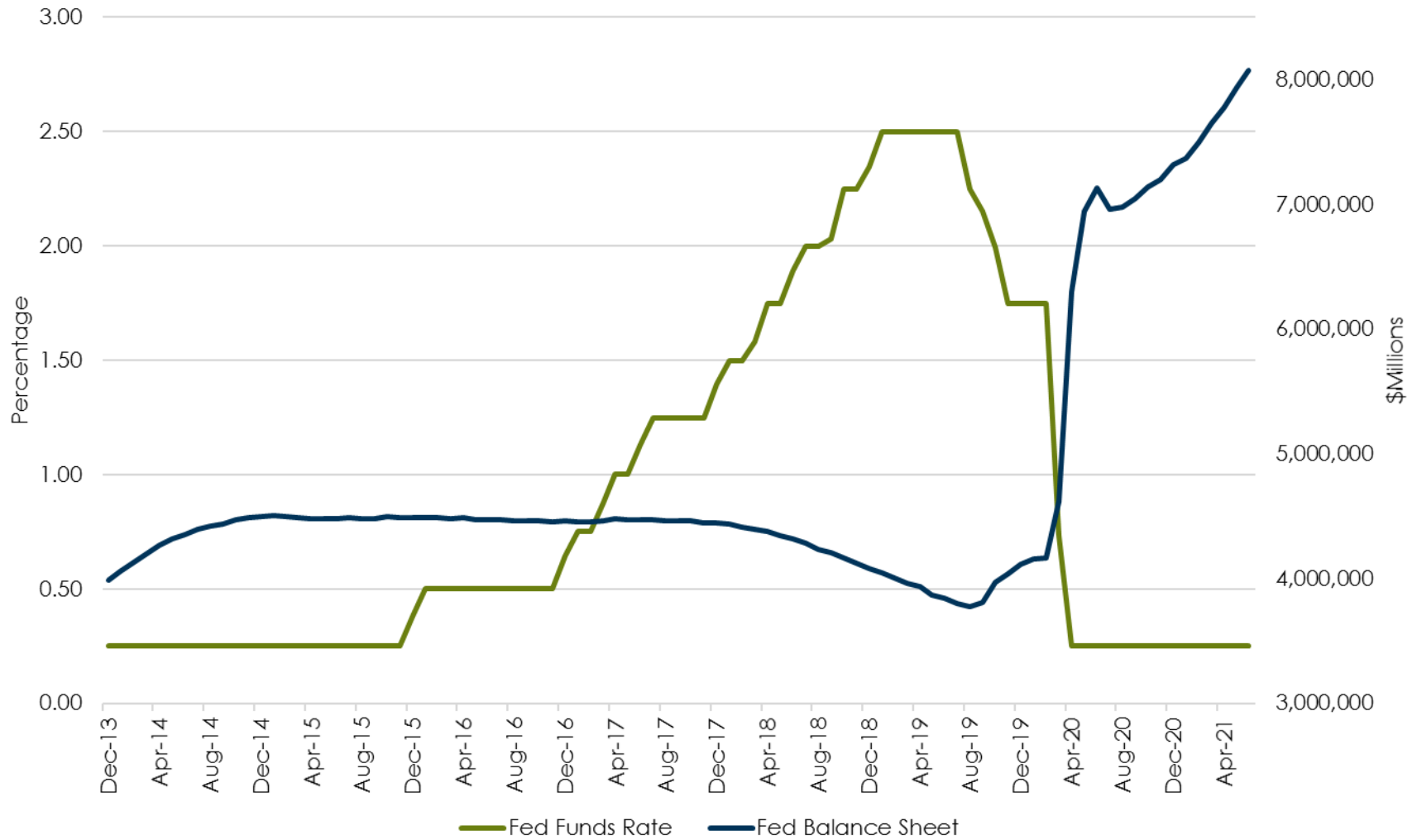
Source: ACG Research, CBO (February budget figures adjusted for new stimulus package), JP Morgan (as of February 28, 2021)



Source: ACG Research, The White House

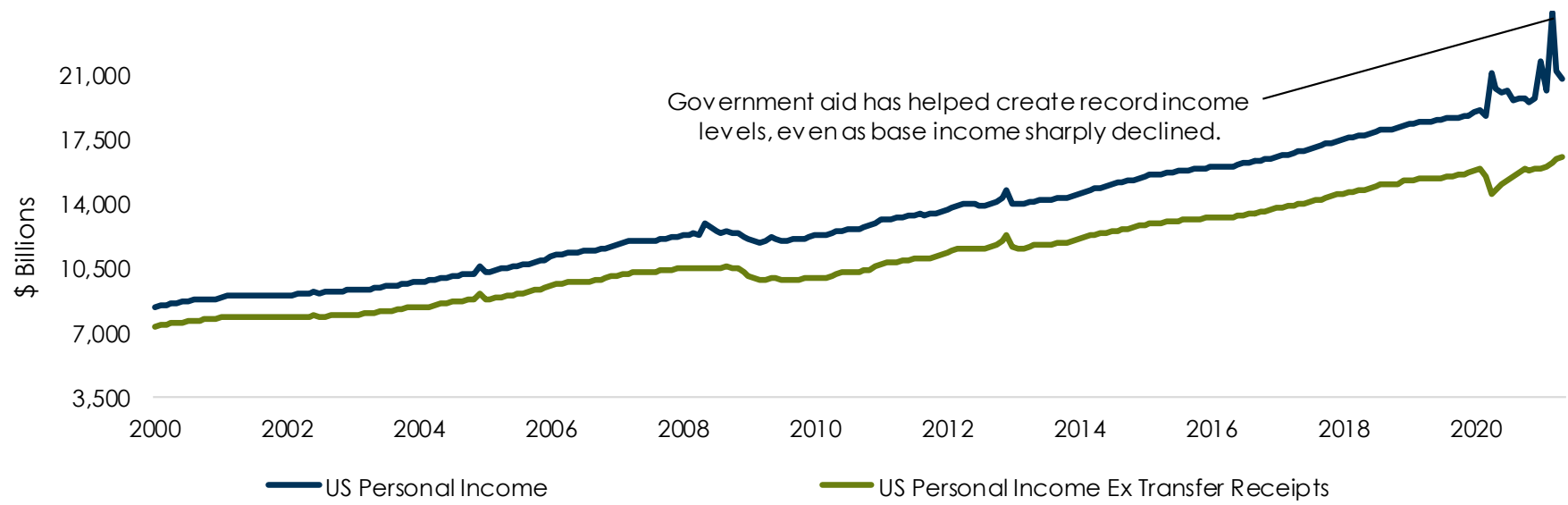
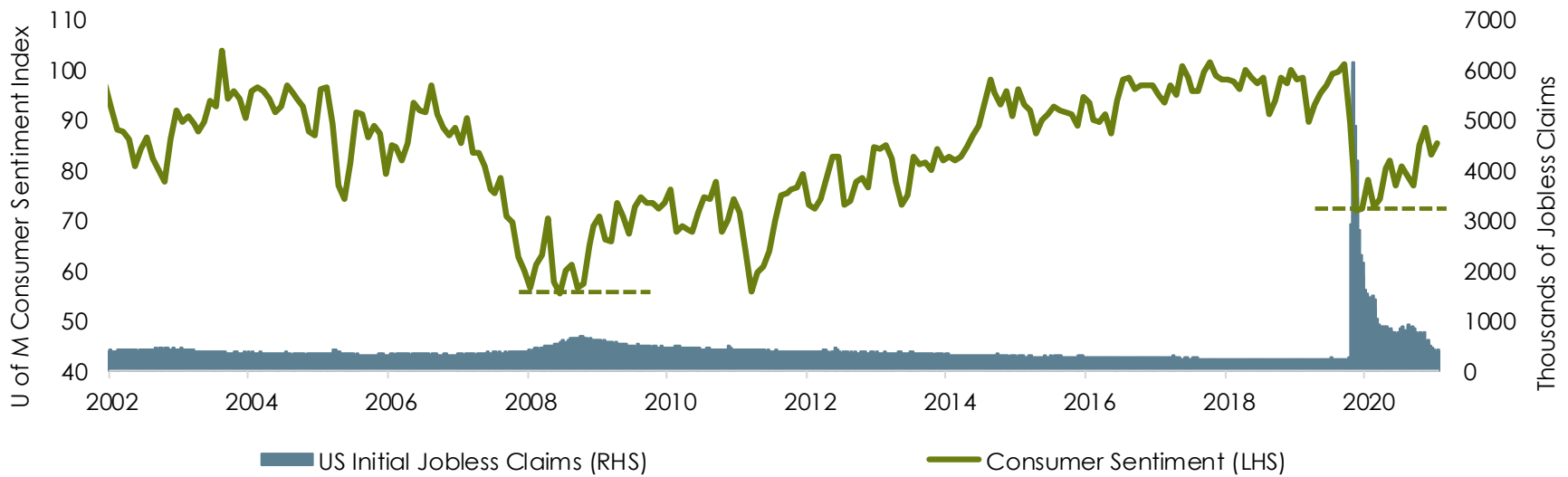
Monetary Policy Still Supportive, but Less Impactful Going Forward

Monetary Stimulus - Rates and Asset Purchases



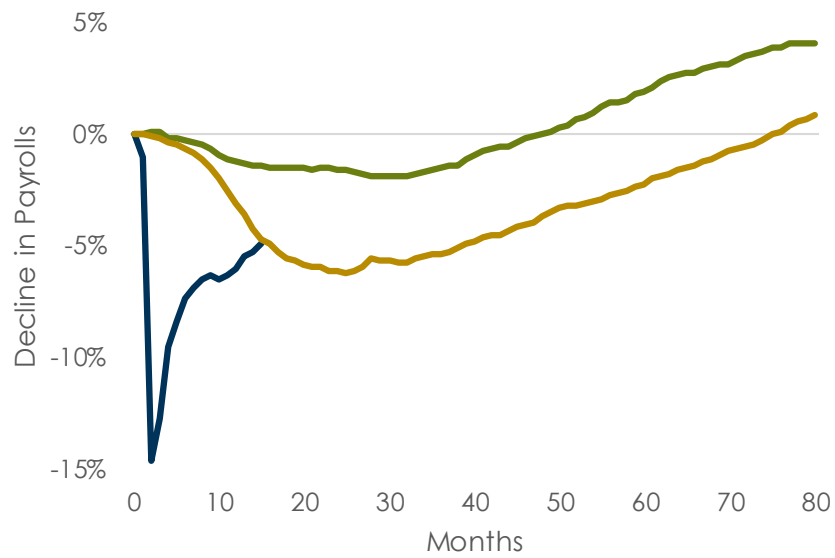
Source: ACG Research, St. Louis Federal Reserve (as of June 30, 2021)

Consumer Confidence Remains Above GFC Levels Following Targeted and Timely Stimulus

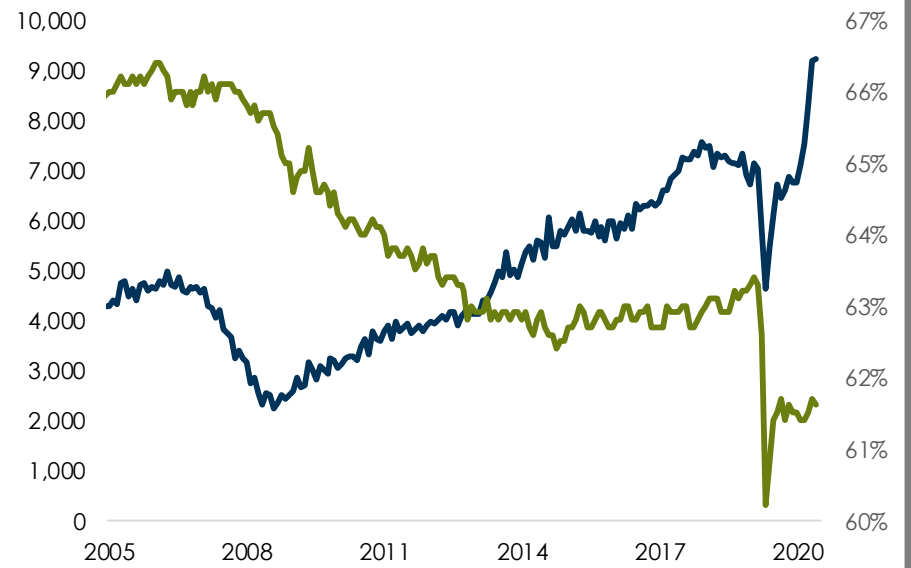


Source: ACG Research, Bloomberg, University of Michigan (as of June 30, 2021)

Jobs Recovery has Been Swift but Short of Fed's "Substantial Progress," Hesitance to Return to Work Creating Labor Shortages



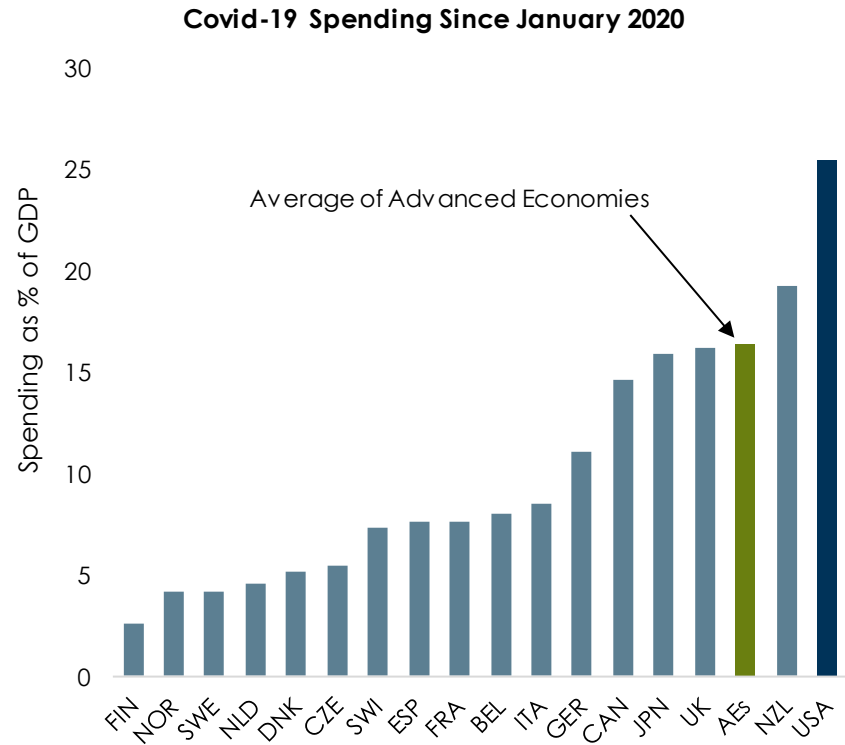
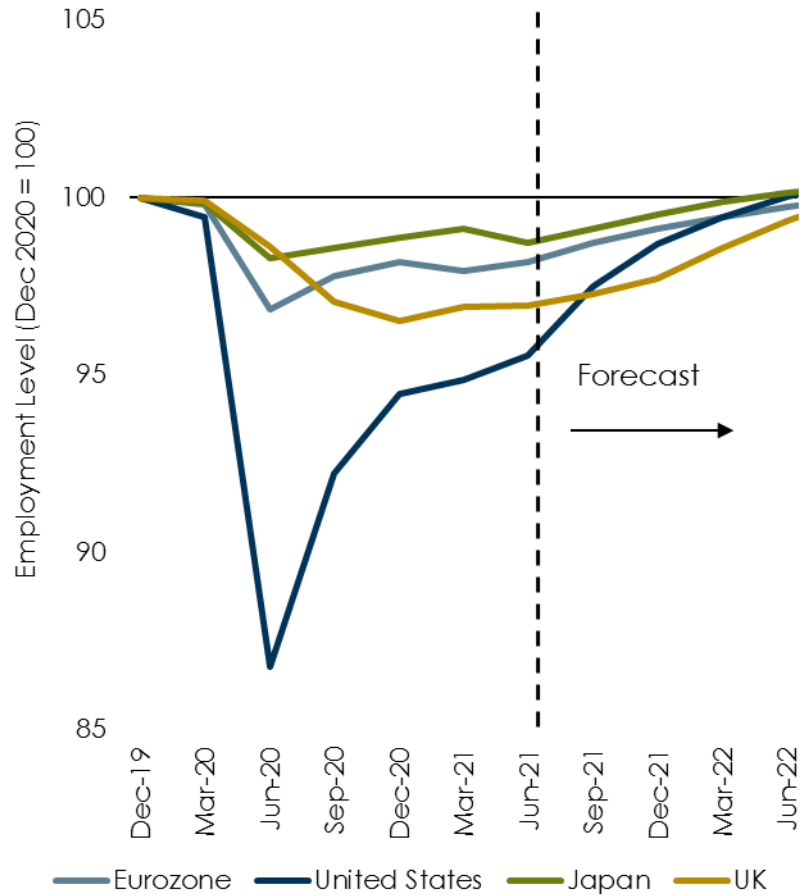
— 2020 Pandemic — 2000 Tech Bust — 2007 Financial Crises



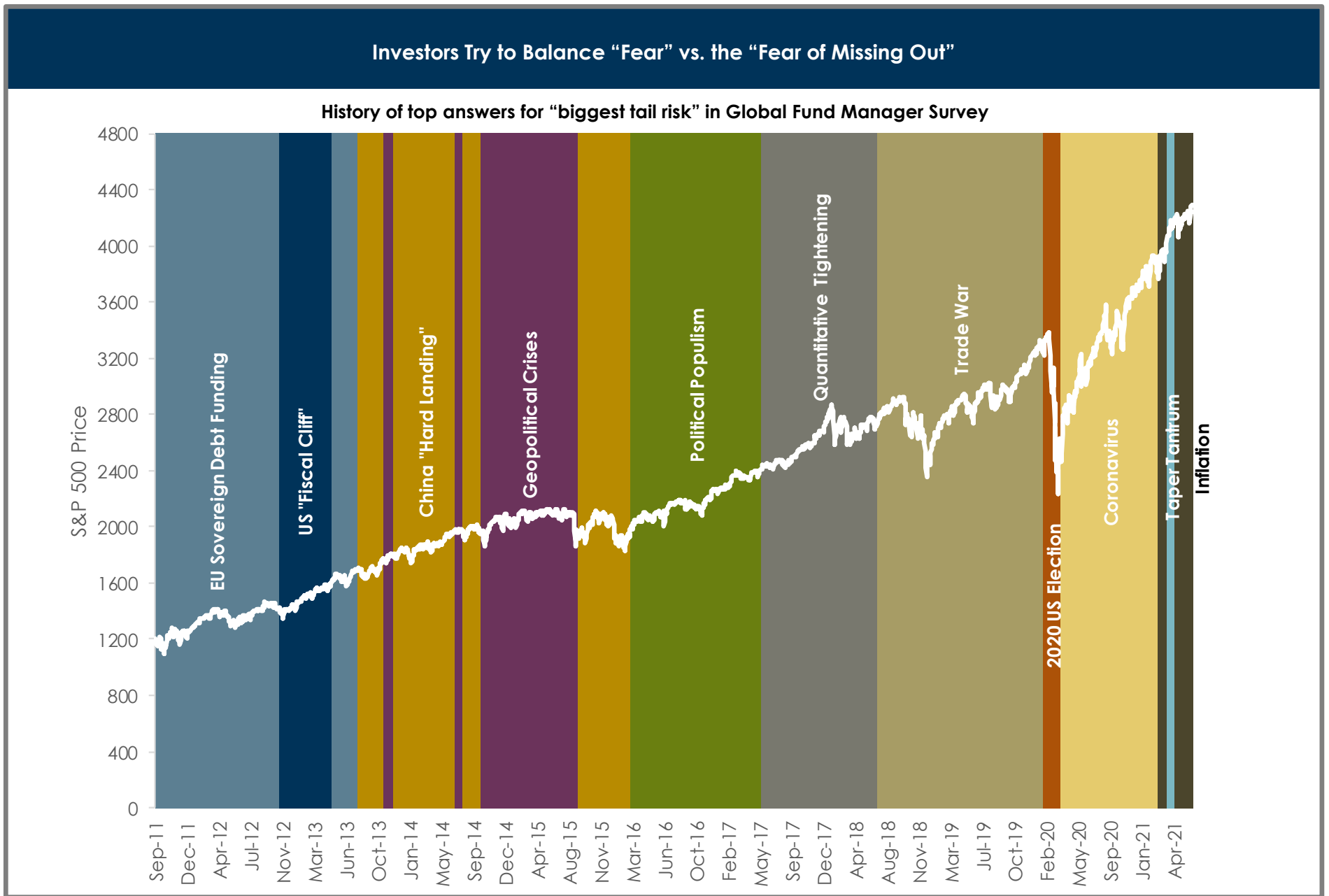
— Job Openings (Thousands)(LHS) — Labor Force Participation (RHS)

Source: ACG Research, Bloomberg, Bureau of Labor Statistics (as of June 30, 2021)

Pandemic Job Losses Show Contrasting Social Safety Nets, but Aggressive Fiscal Response in US Closing the Gap

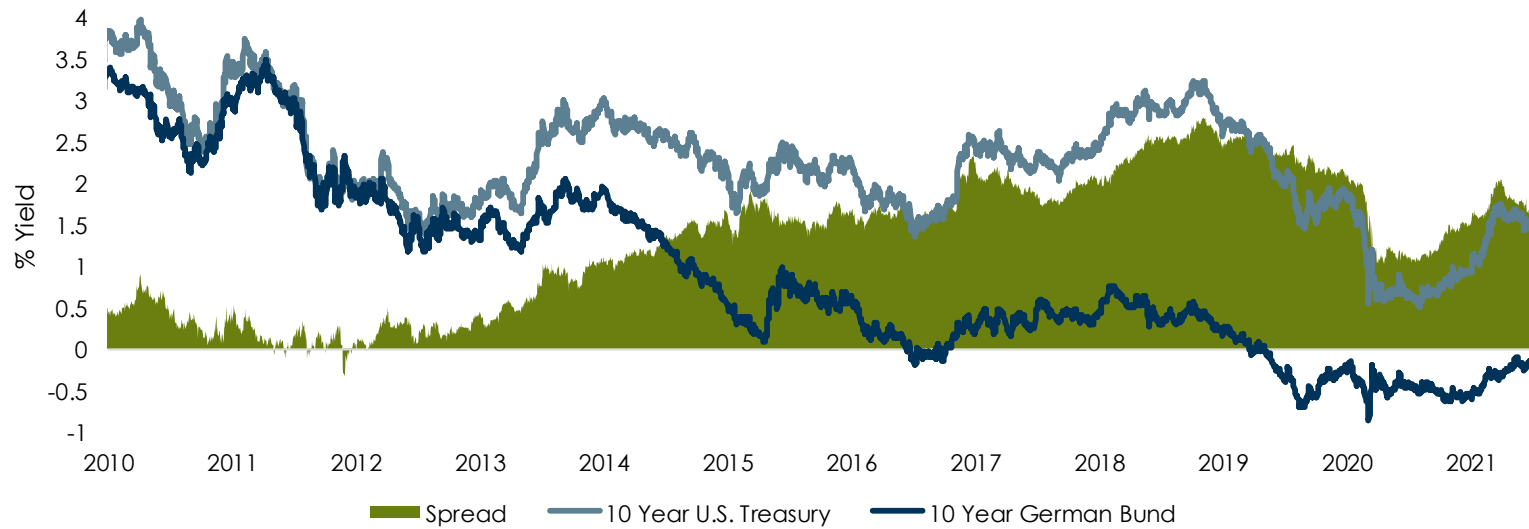


Source: ACG Research, IMF, Oxford Economics (as of June 30, 2021)

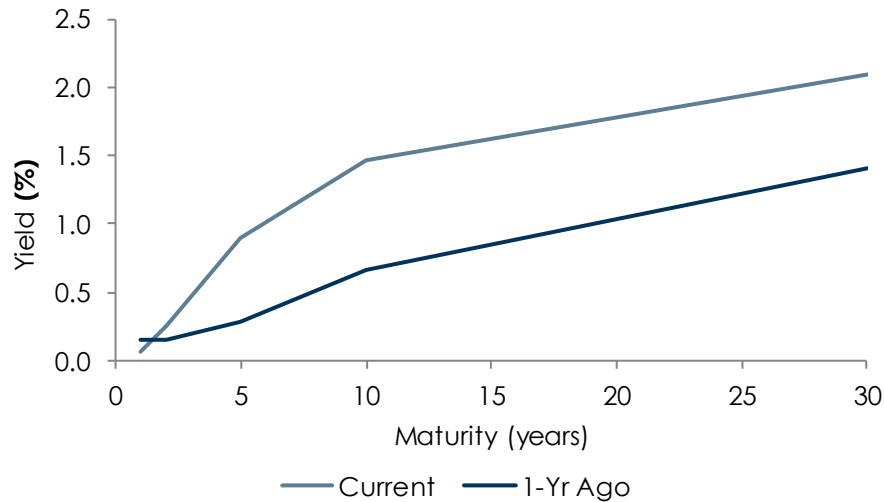


Source: ACG Research, BofA Global Fund Manager Survey (as of June 30, 2021)

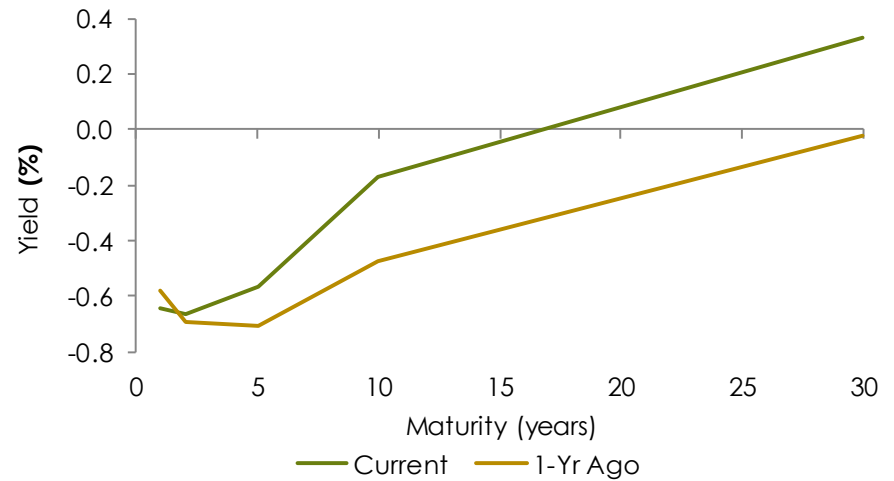
Government Bond Yields: Longer-Term Rates Drop in 2Q, Steeper Yield Curves Support Growth Outlook



US Treasury Yield Curve

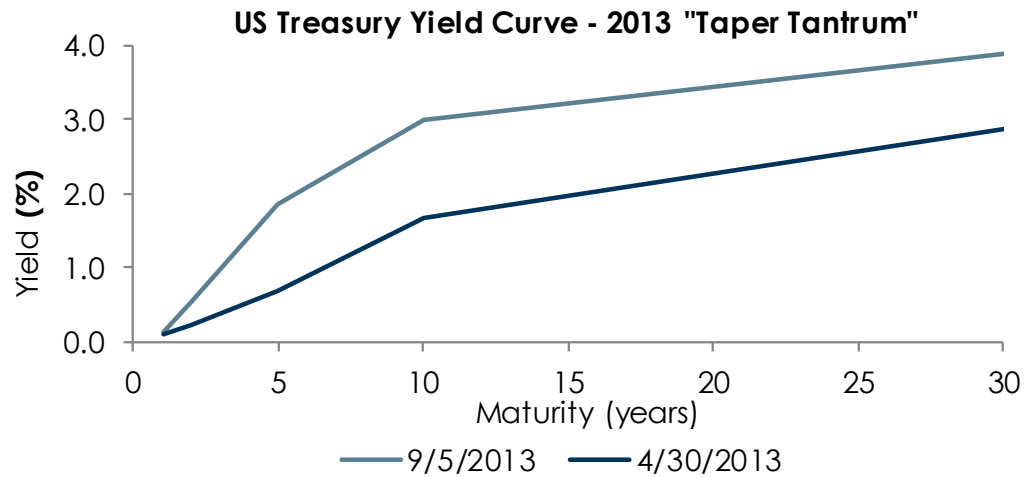
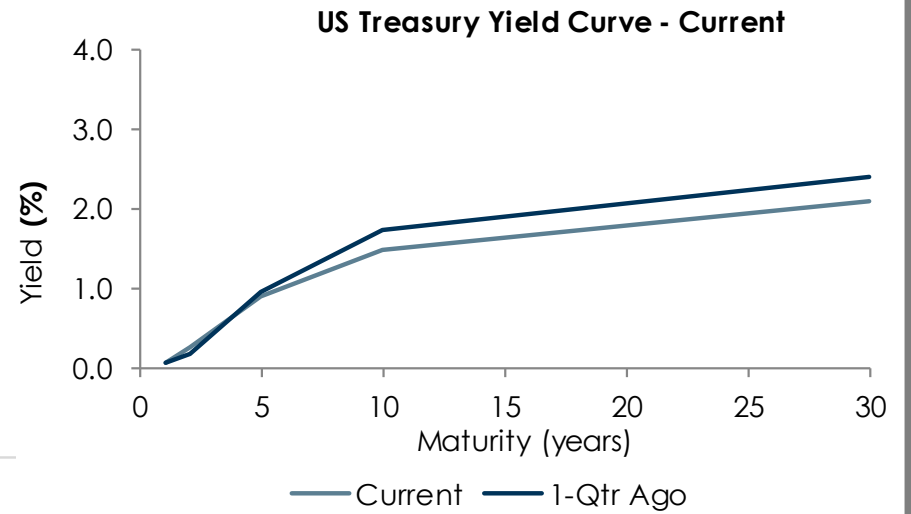
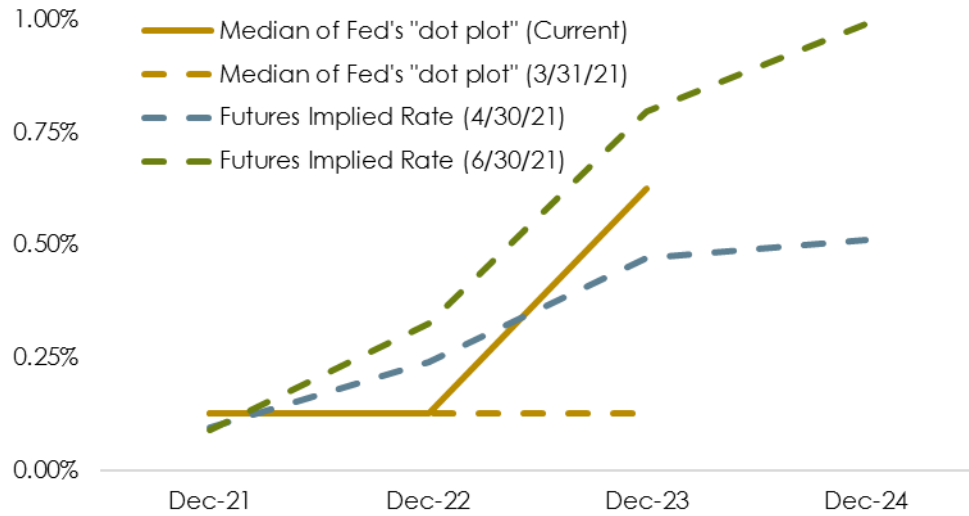


German Bund Yield Curve



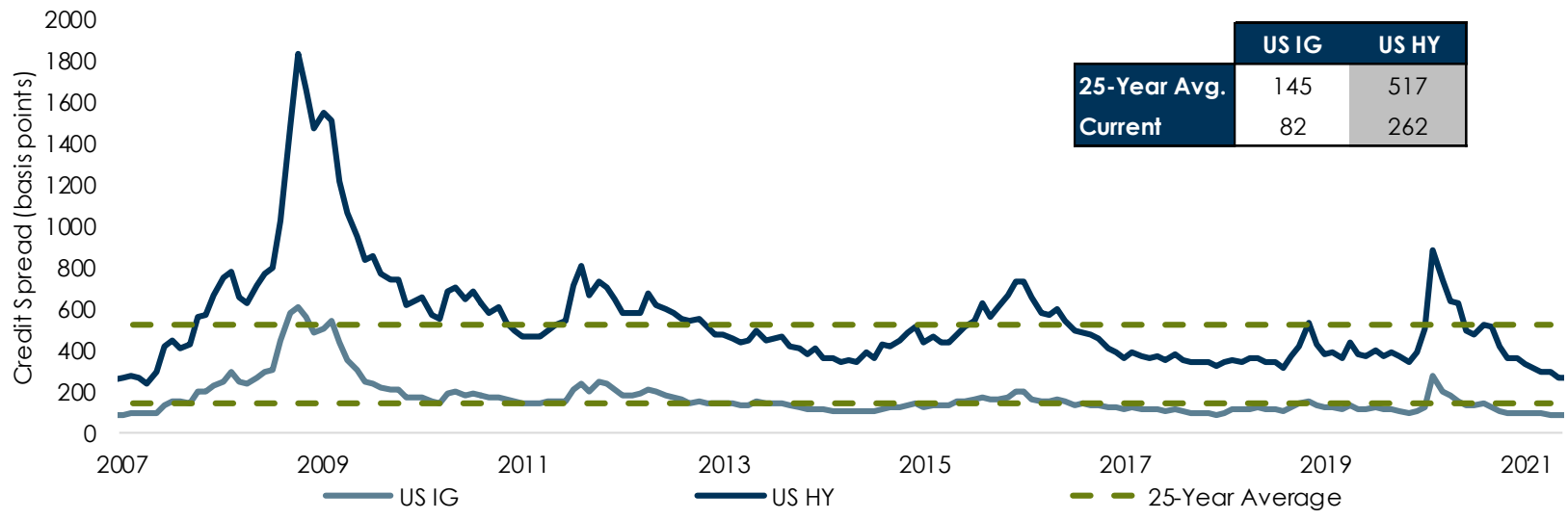
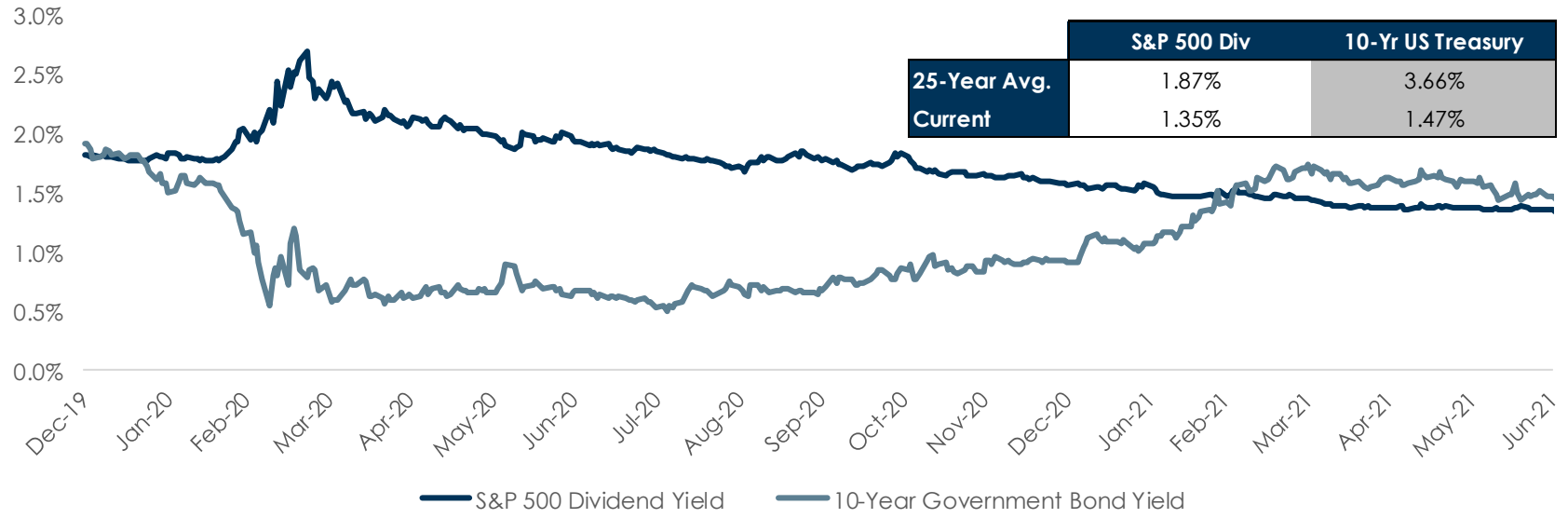
Source: ACG Research, Bloomberg, (as of June 30, 2021)

No Taper Tantrum Yet: Updated Fed Projections Flatten Yield Curve



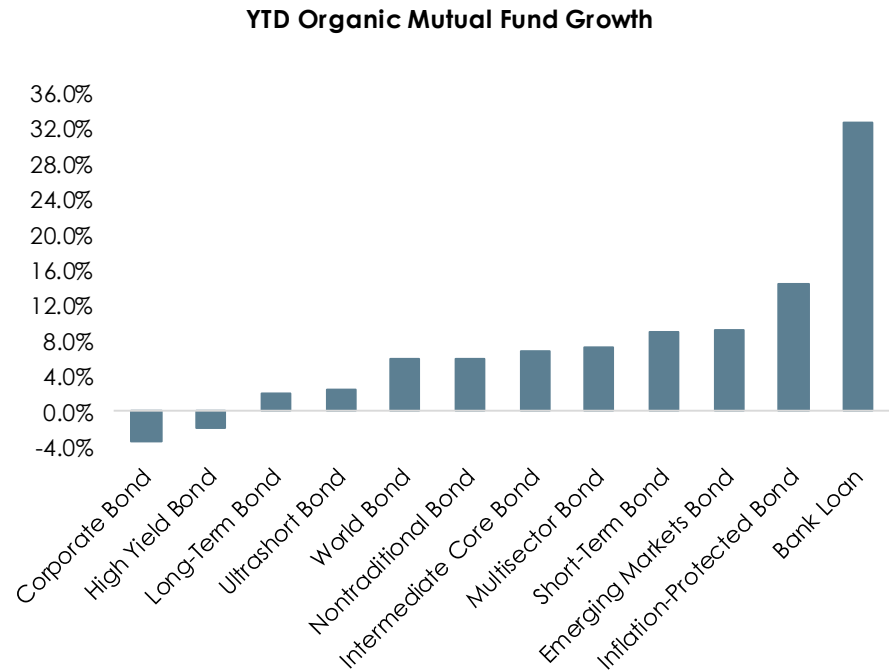
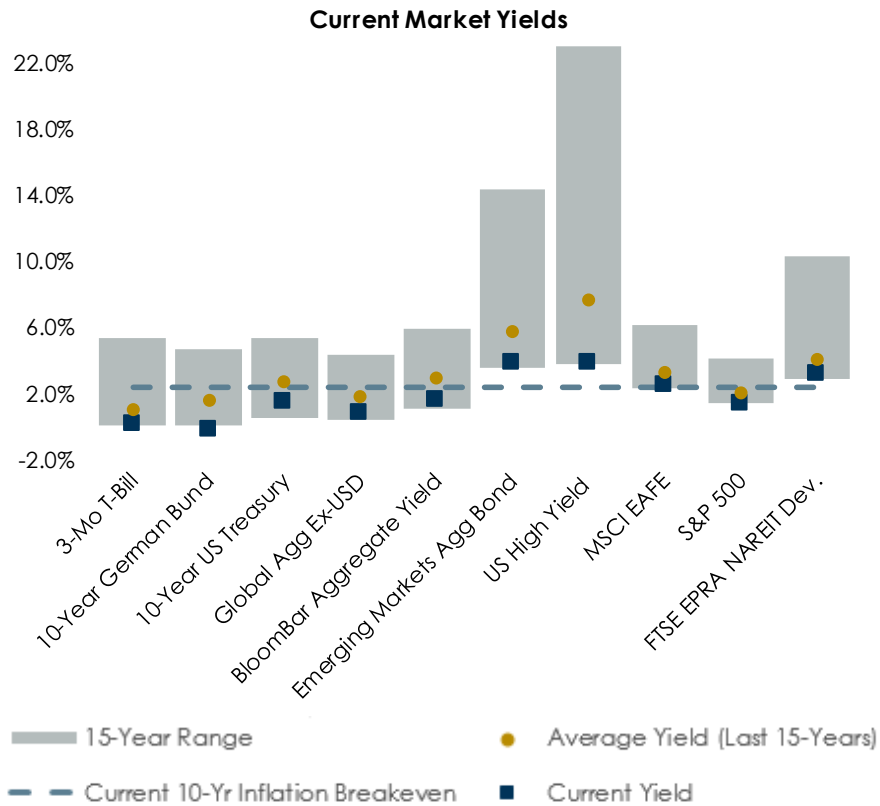
Source: ACG Research, Bloomberg, (as of June 30, 2021)

Long-Term US Treasury Yields are Rising and Corporate Credit Spreads Continue to Tighten, Both Below Historic Averages



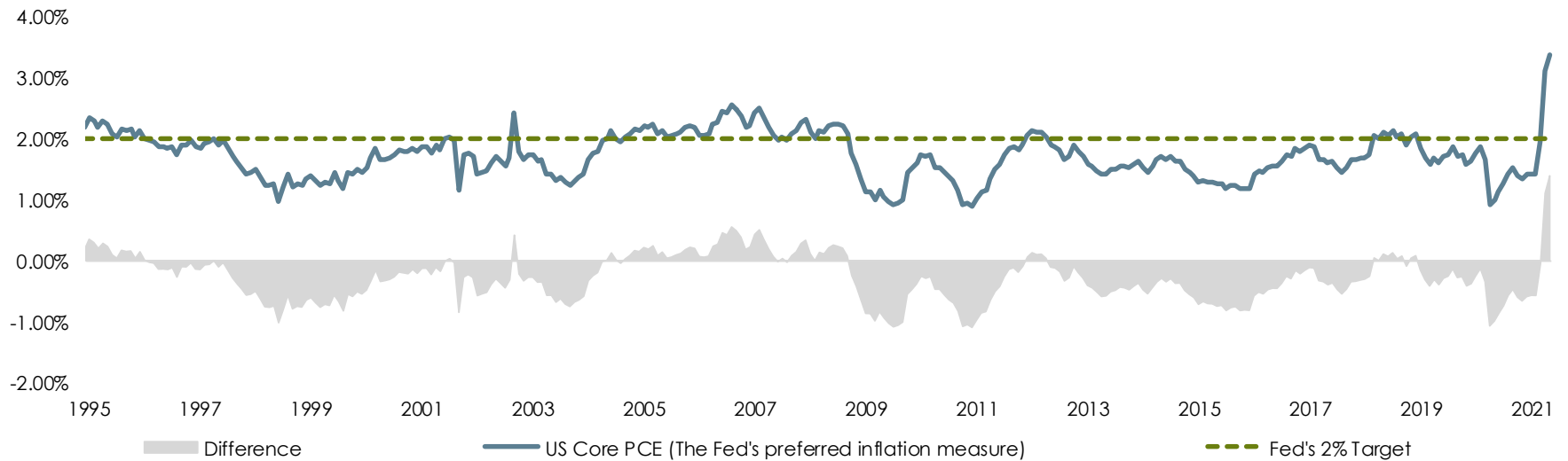
Source: ACG Research, Bloomberg (as of June 30, 2021)

In the Absence of Yield, Investors Balance Search for Income with Preservation of Capital



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

Inflation Expectations: Years of Low Inflation Causes Fed to Relax its 2% Target



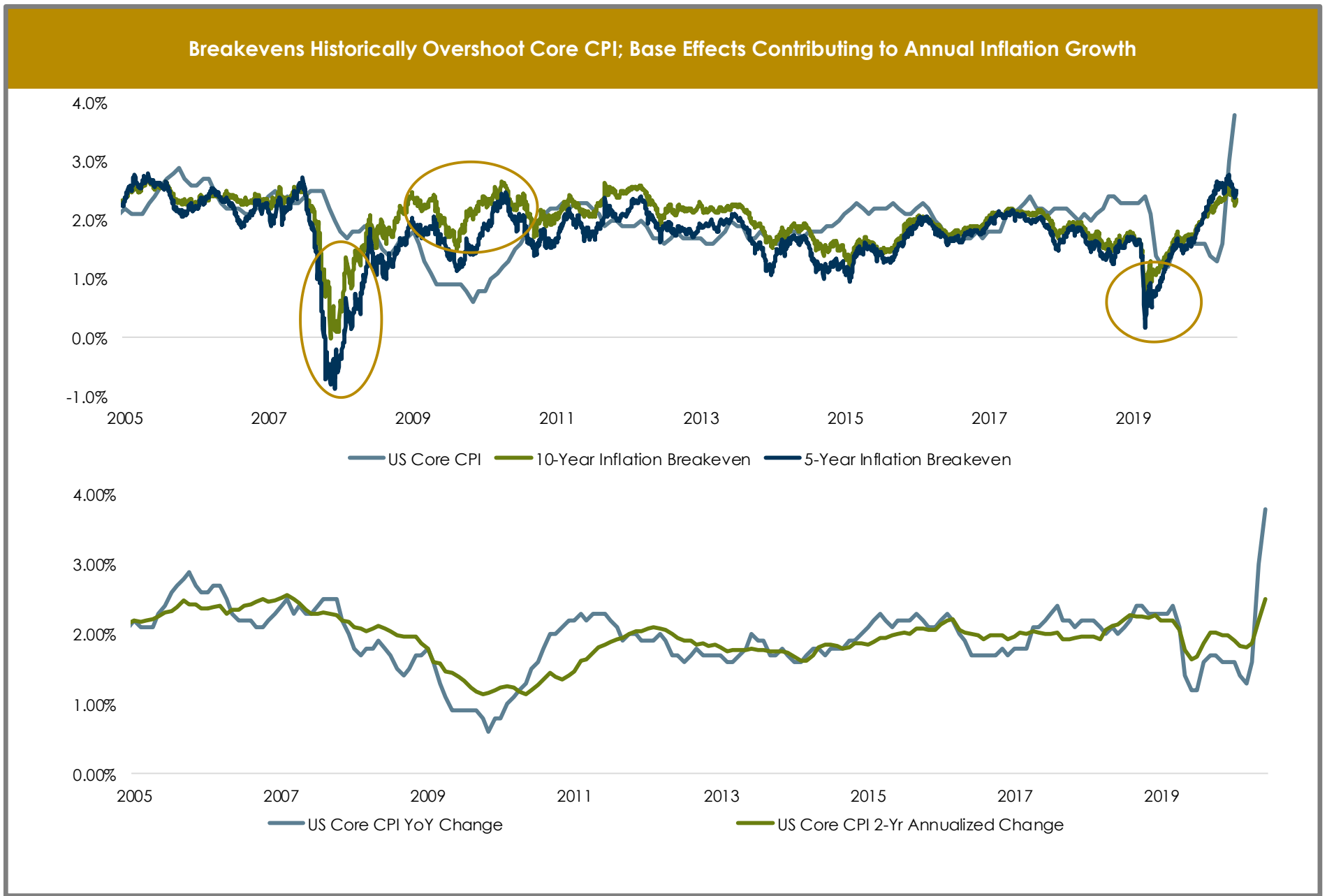
Deflationary Signals

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

Inflationary Signals

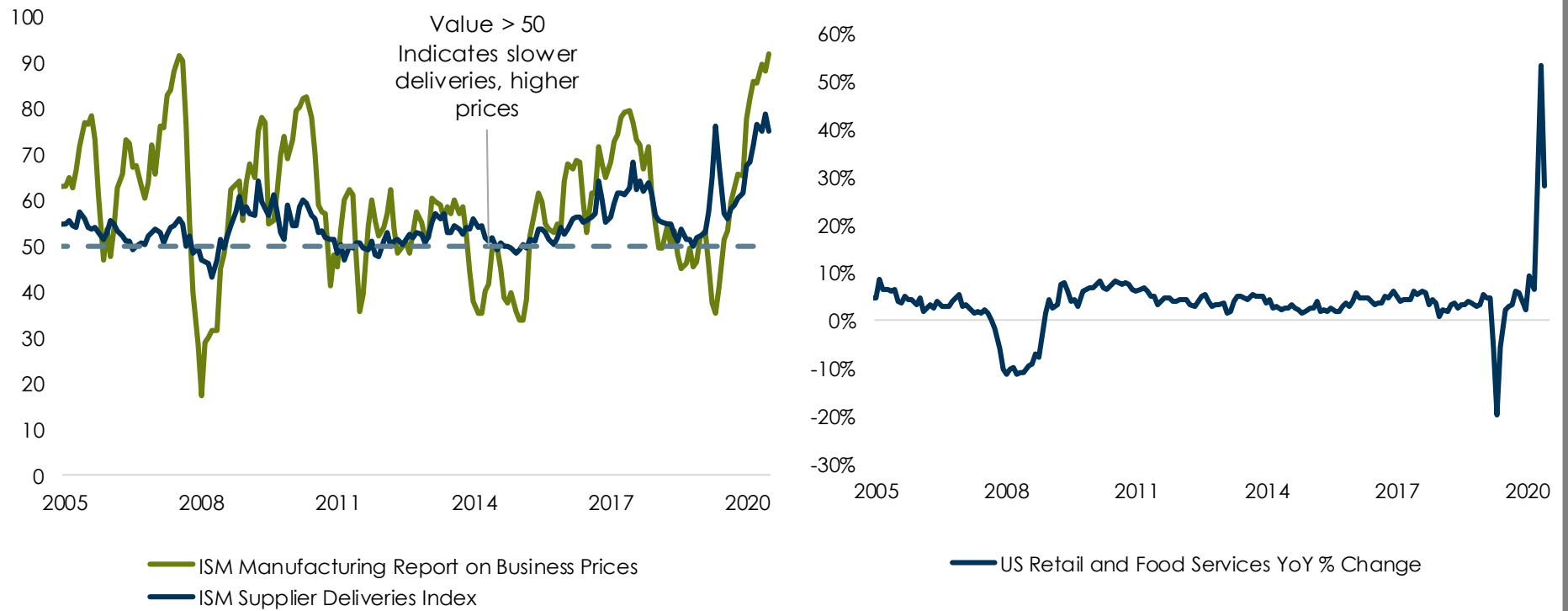
- Fed accommodation
- Consumer demand induced by economic recovery
- Fiscal policy support
- Weaker USD
- Supply chain disruption
- Deglobalization
- Reduced Competition

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



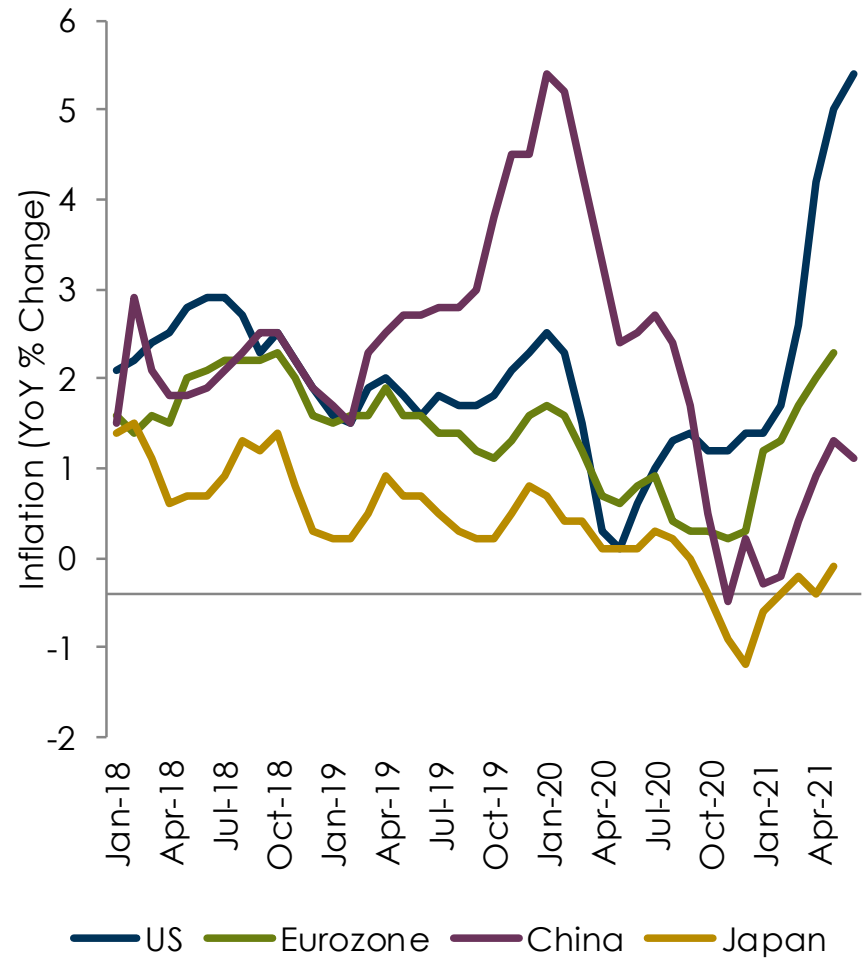
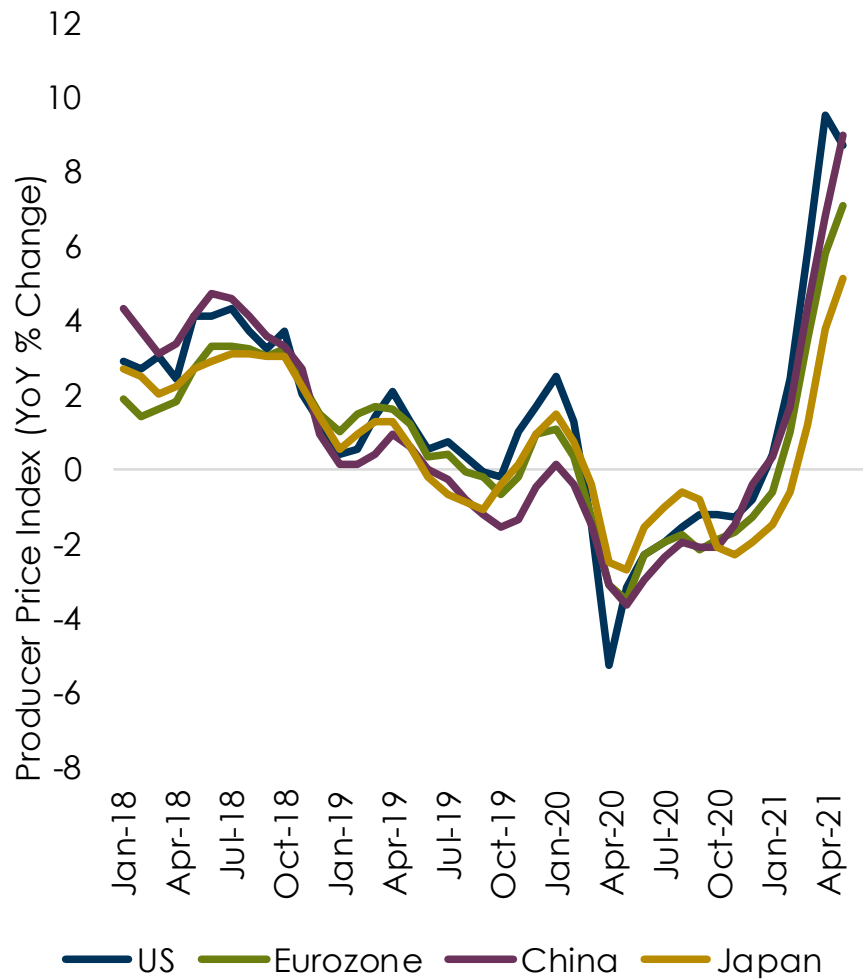
Source: ACG Research, Bloomberg (as of May 31, 2021)

Suppliers Struggle to Keep Up; Demand Remains Elevated After Spiking off Pandemic Lows



Source: ACG Research, US Census Bureau, ISM, Bloomberg (As of June 30, 2021)

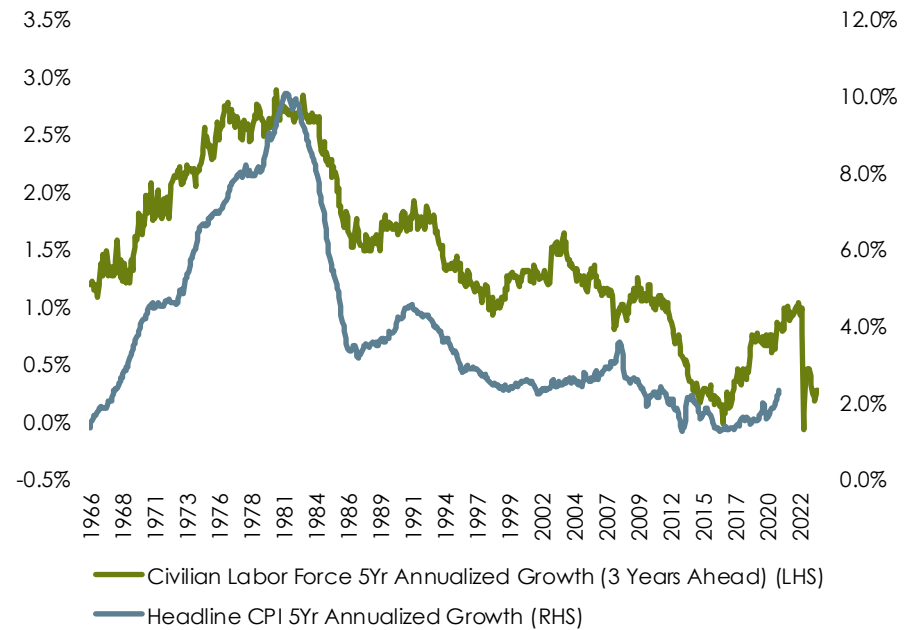
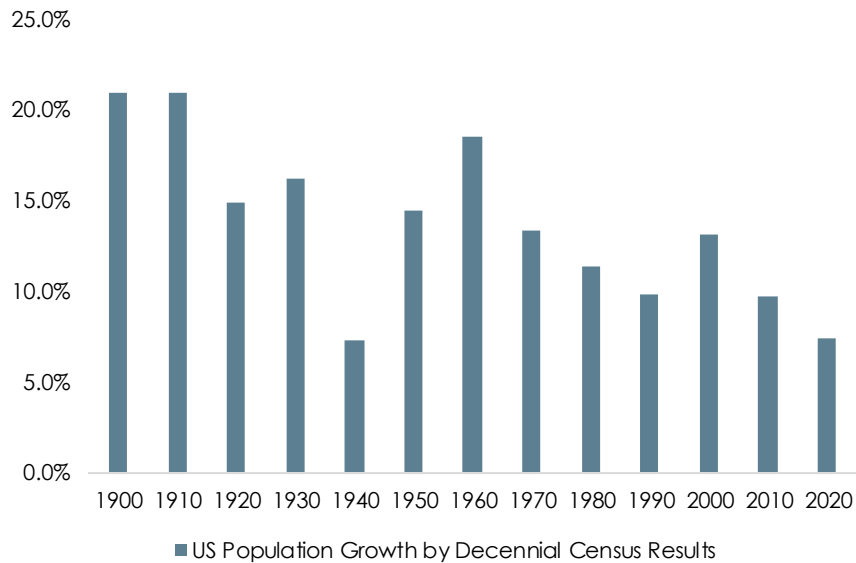
Surge in Producer Prices Not Limited to US but So Far Other Major Economies Avoid Significant Inflation



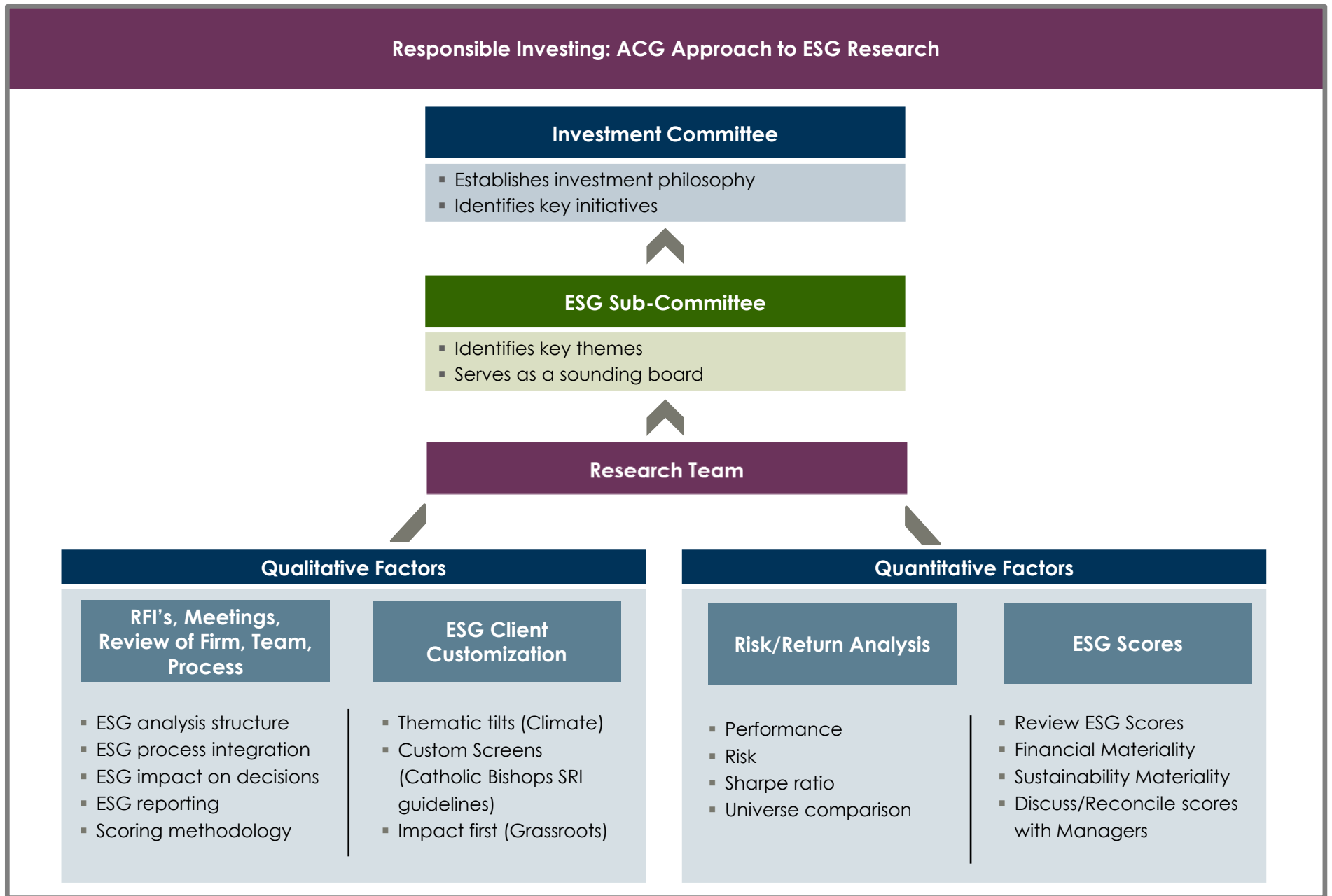
Source: ACG Research, Bloomberg (as of June 30, 2021)

Results of Recent Census Suggest Demographic Trends Will Continue to be a Long-Term Headwind for Inflation

Population Growth Lowest Since 1930's

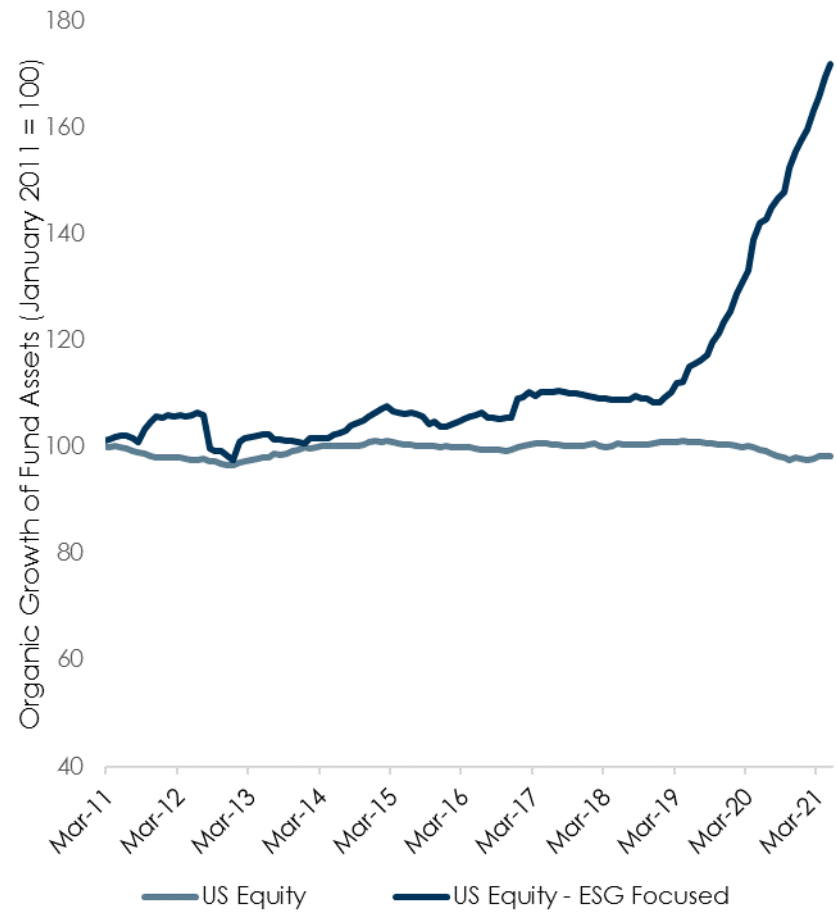
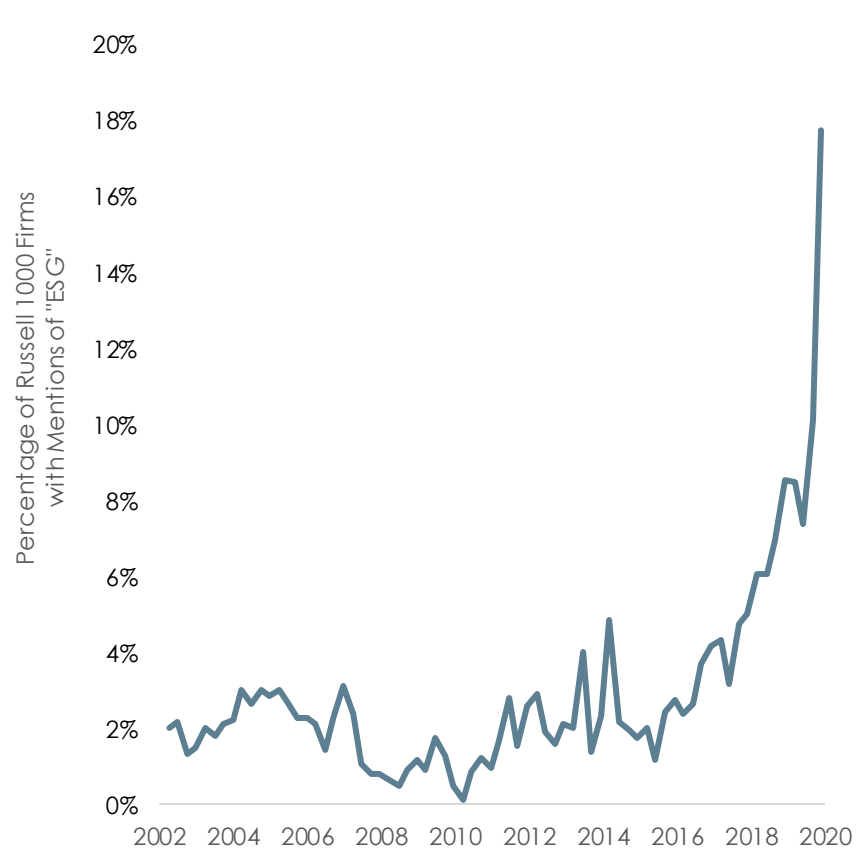


Source: ACG Research, US Census Bureau, FRED (as of May 31, 2021)



Source: ACG Research

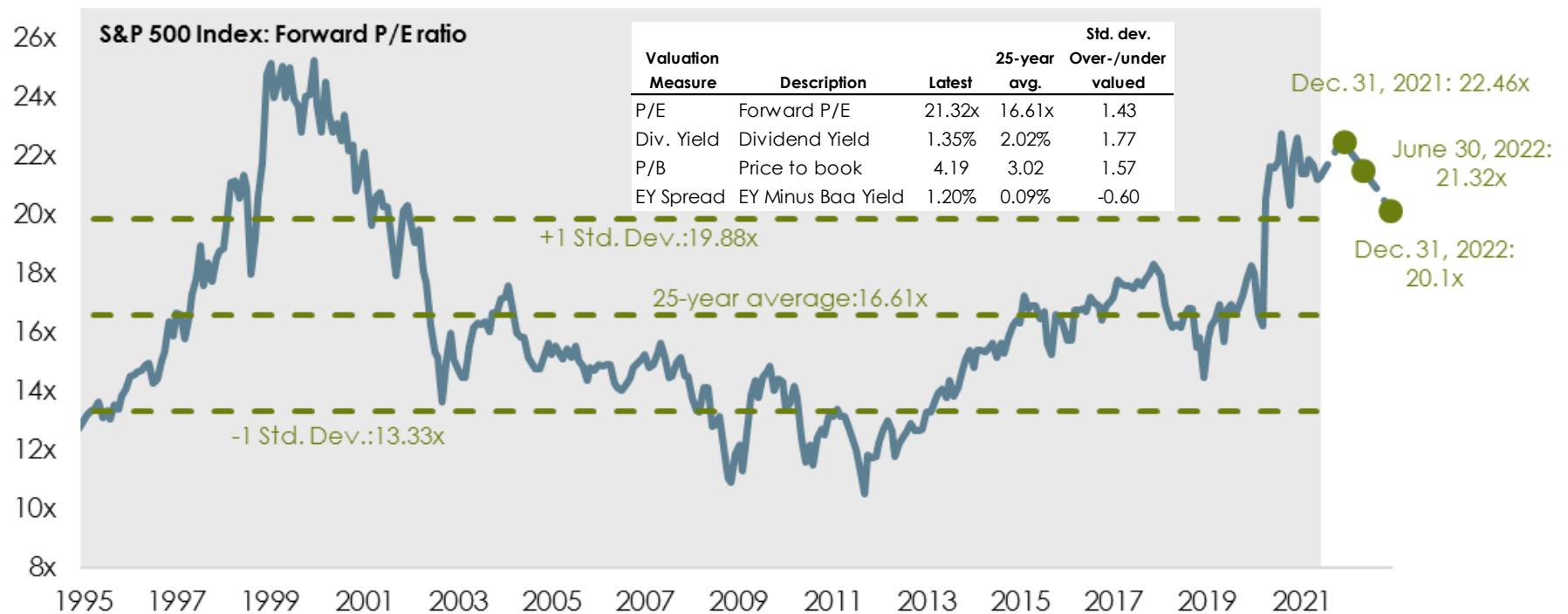
Responsible Investing: Funds with an ESG Tilt Attract Asset Flows and Corporations Take Note



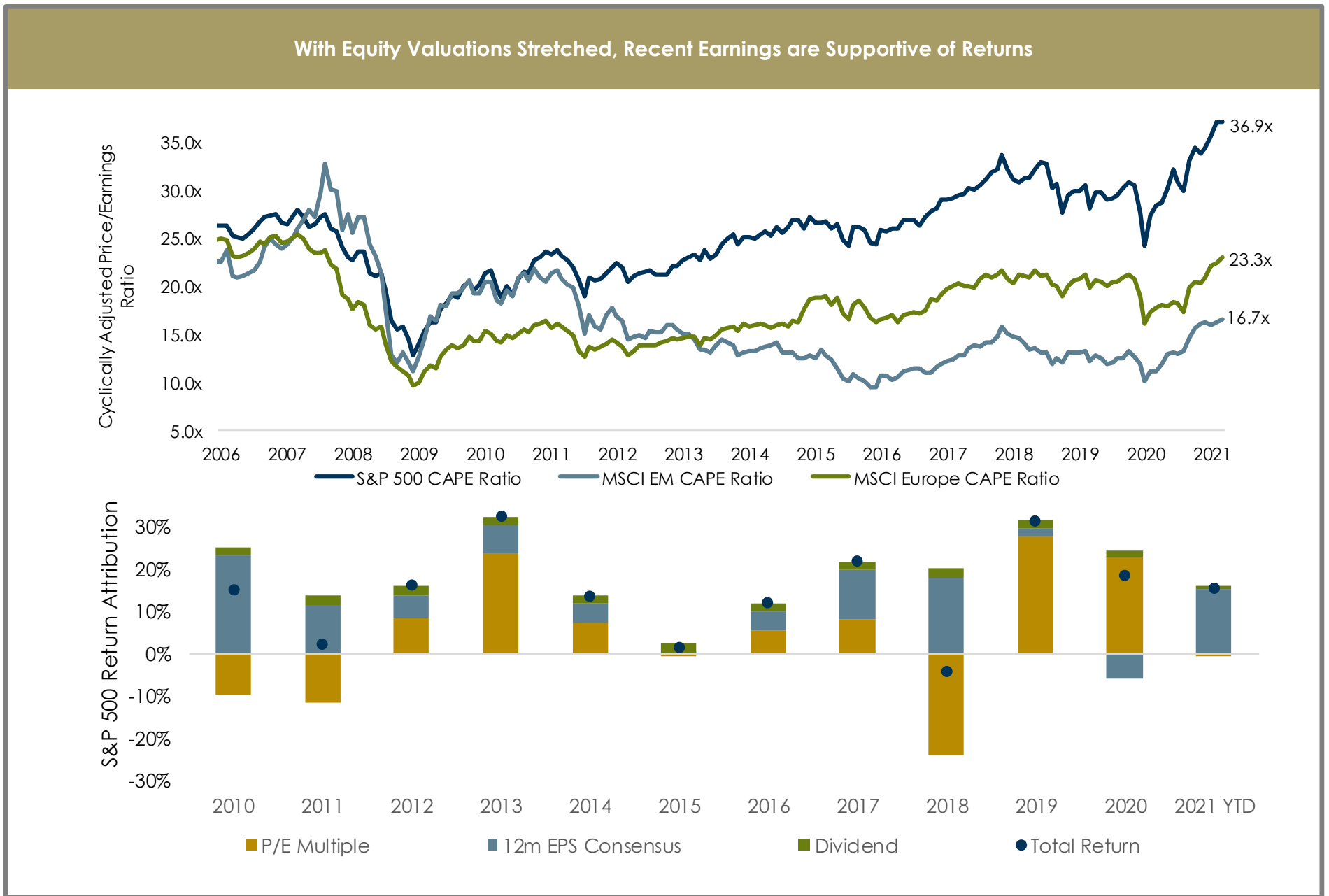
Source: ACG Research, Morningstar (as of May 31, 2021)

Is the Market Too Optimistic on the Earnings Recovery?

- **Based on several metrics, the S&P 500 Index appears expensive (6/30/21 closing price of 4298)**
- Consensus earnings estimates for 2021 (\$191) suggest a forward p/e of 22.5x (vs. 25-year average of 16.6x)
- Consensus estimates are higher for 2022 (\$214), yet the forward p/e for '22 is still 20.1x (vs. 25-year average of 16.6x)



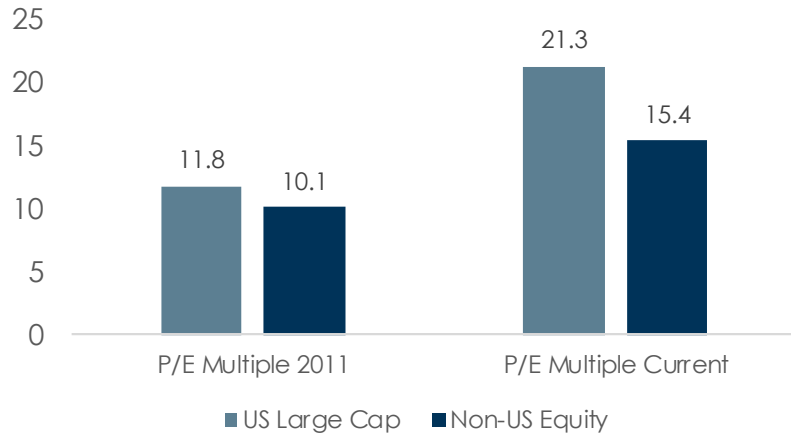
Source: FactSet, FRB, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management



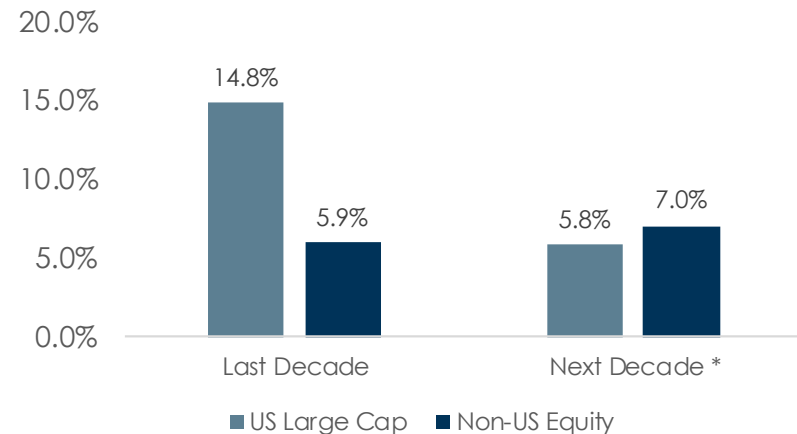
Source: ACG Research, Bloomberg, Robert Shiller (as of June 30, 2021)

Starting Point Valuations Impact Longer-Term Returns

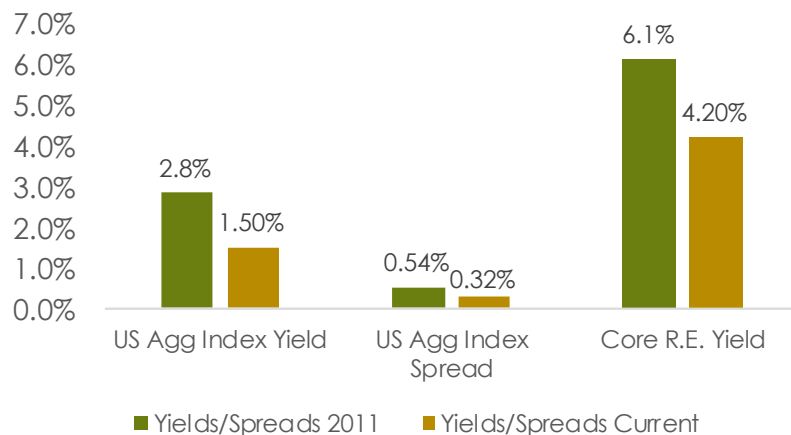
Equity Valuations



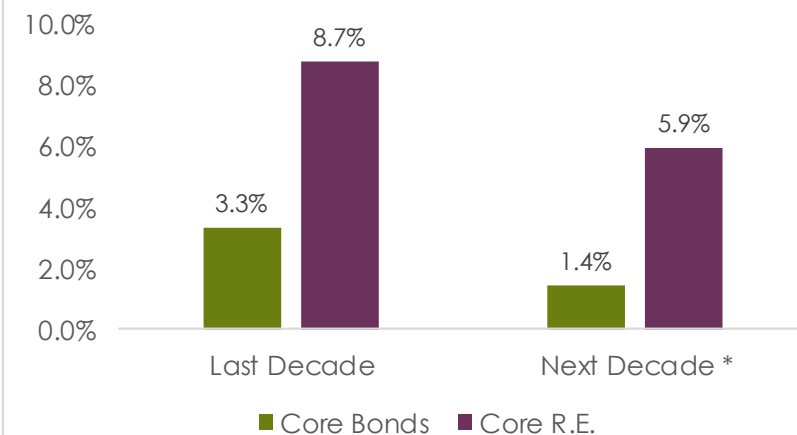
Equity Market Returns



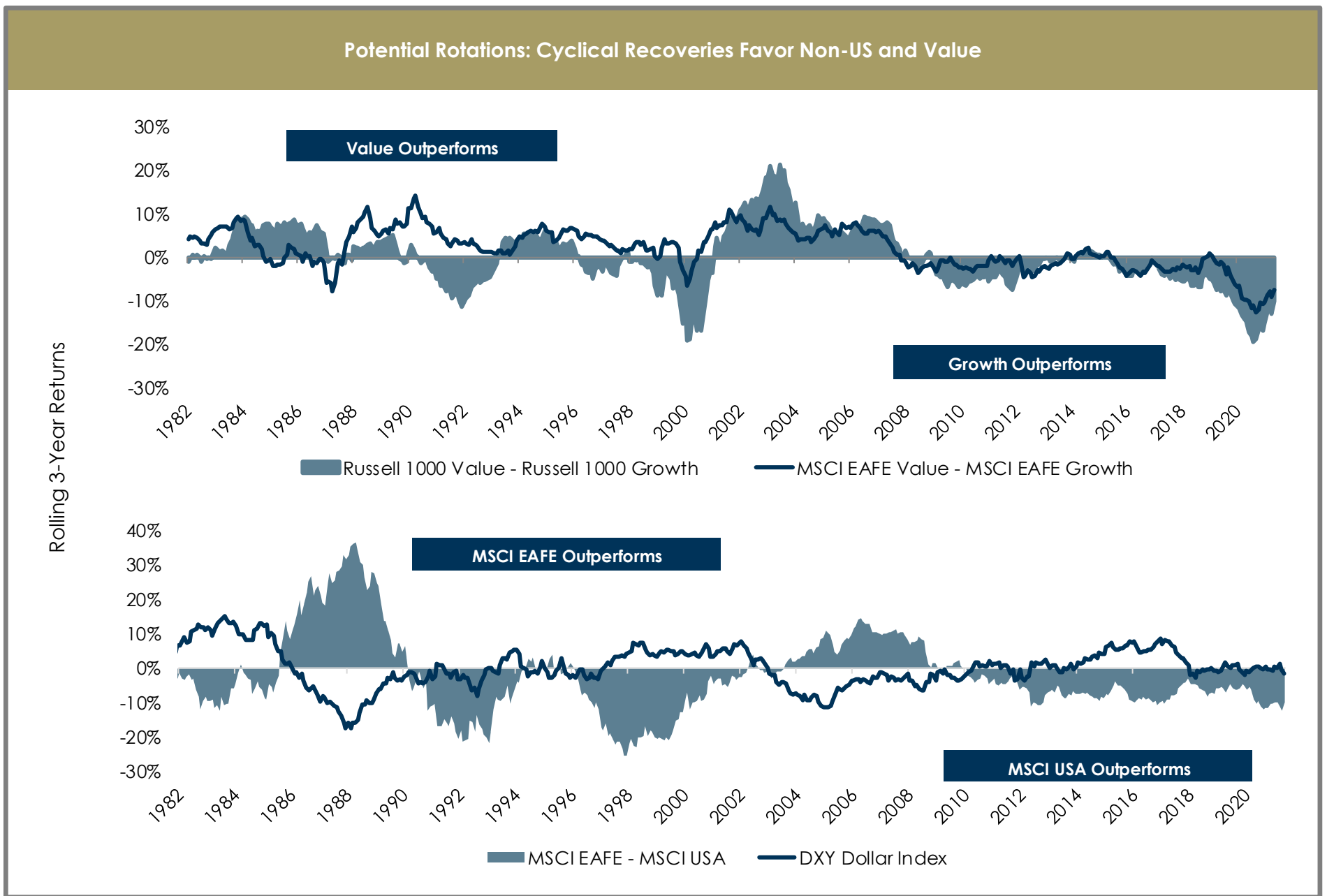
Yields and Spreads



Fixed Income and Real Estate Returns

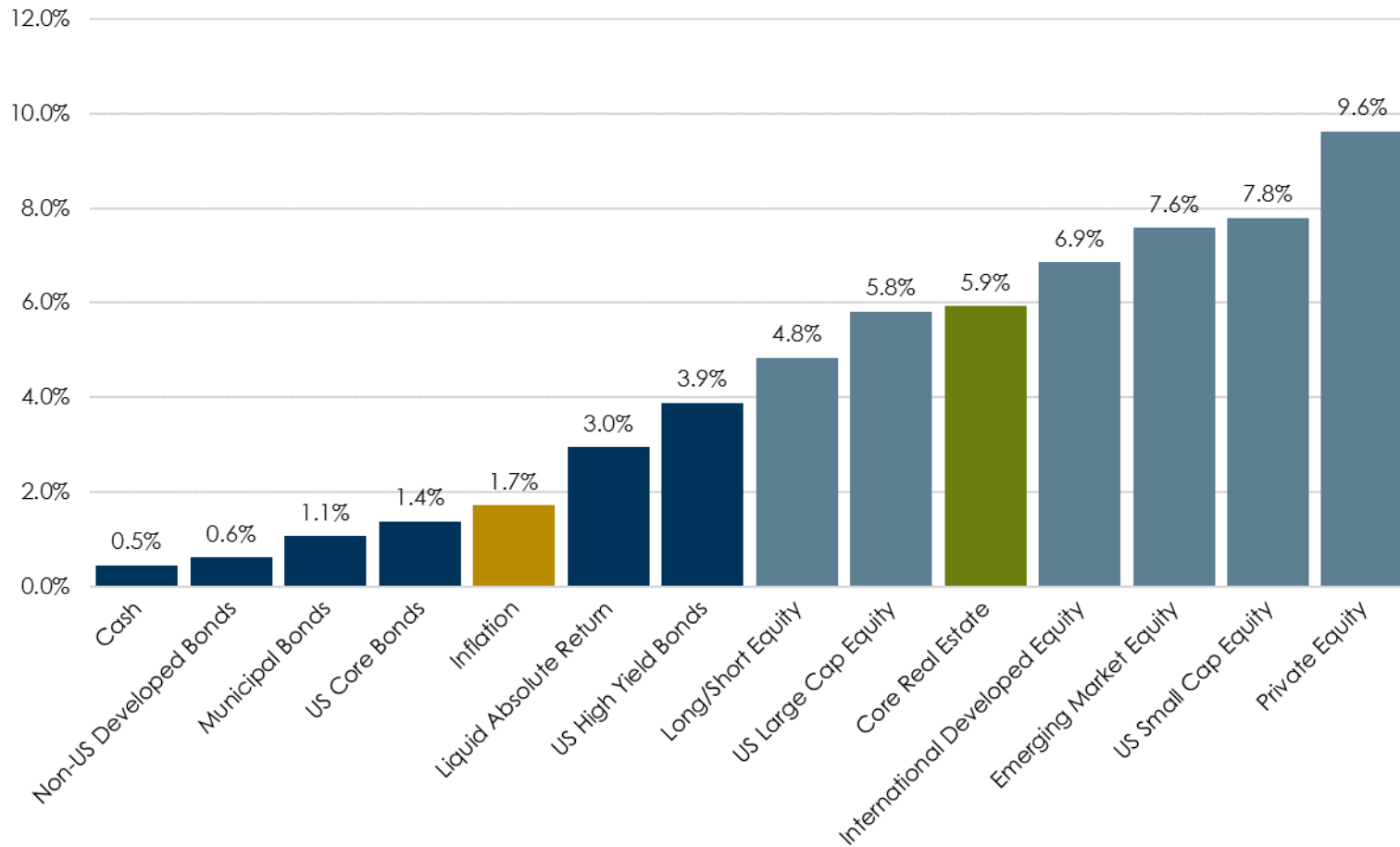


Source: Bloomberg, Factset, Yardeni Research, * represents ACG's Intermediate-Term CMAs

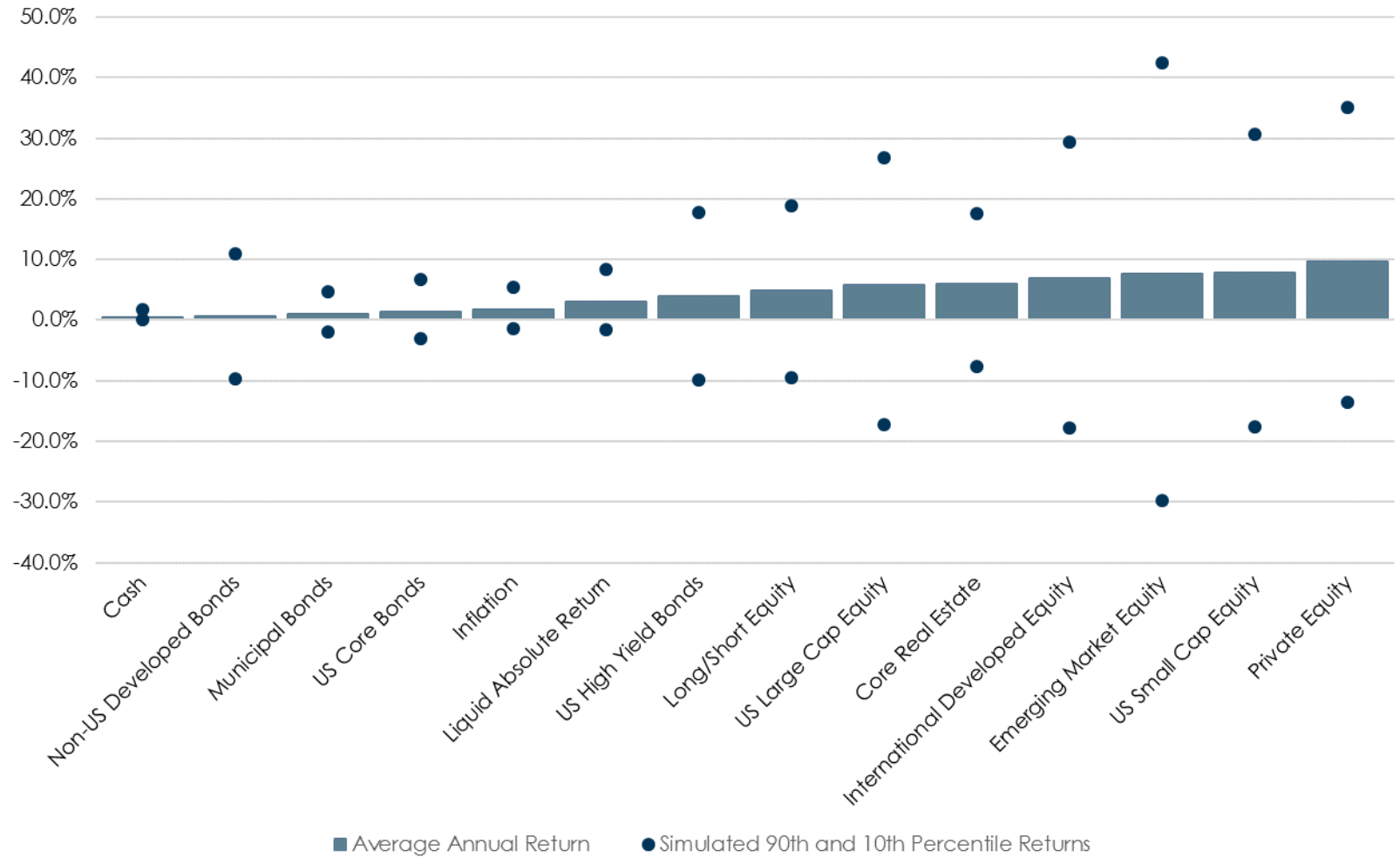


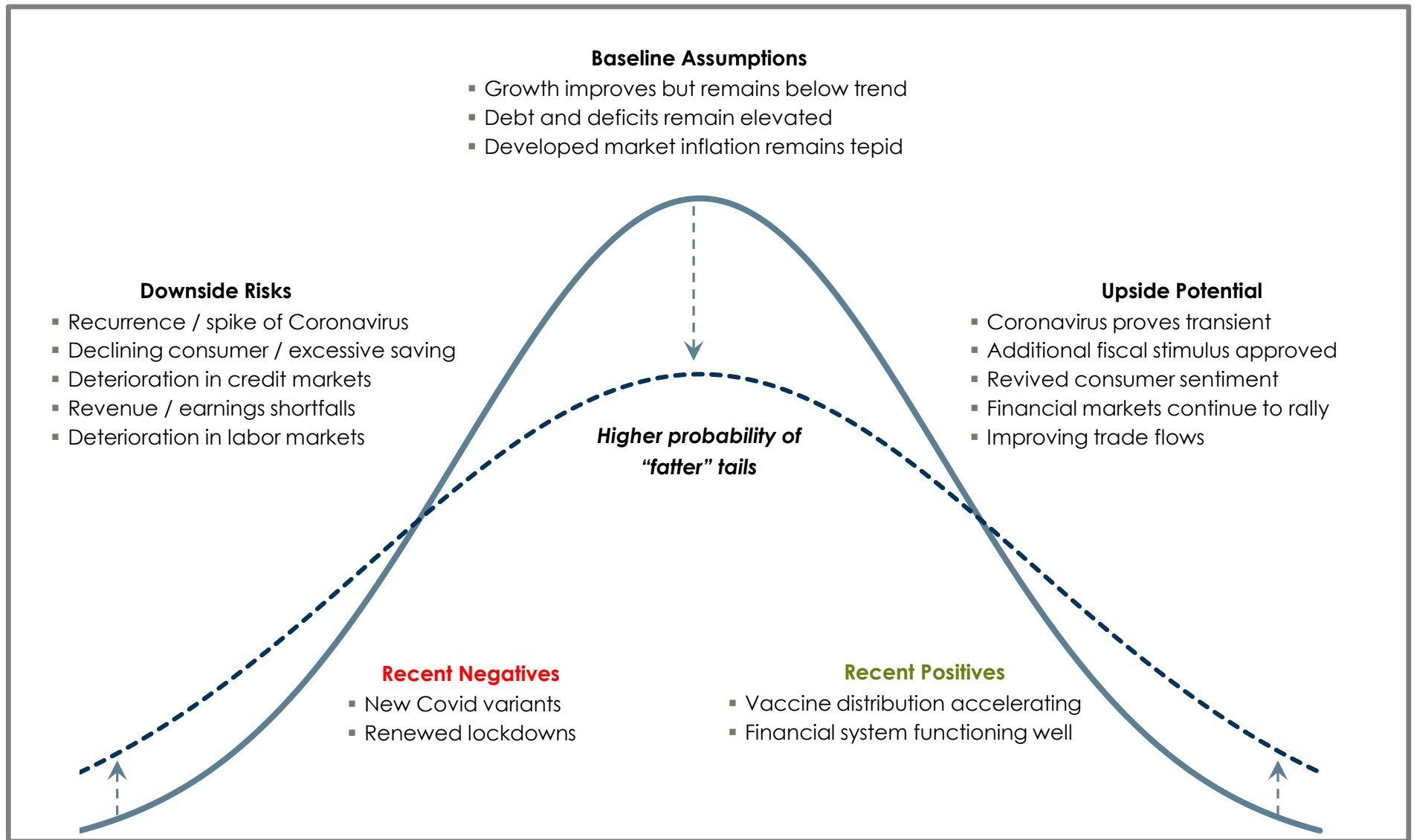
Source: ACG Research, Bloomberg, MSCI, Morningstar (as of June 30, 2021)

ACG's 2021 Intermediate-Term Capital Market Assumptions



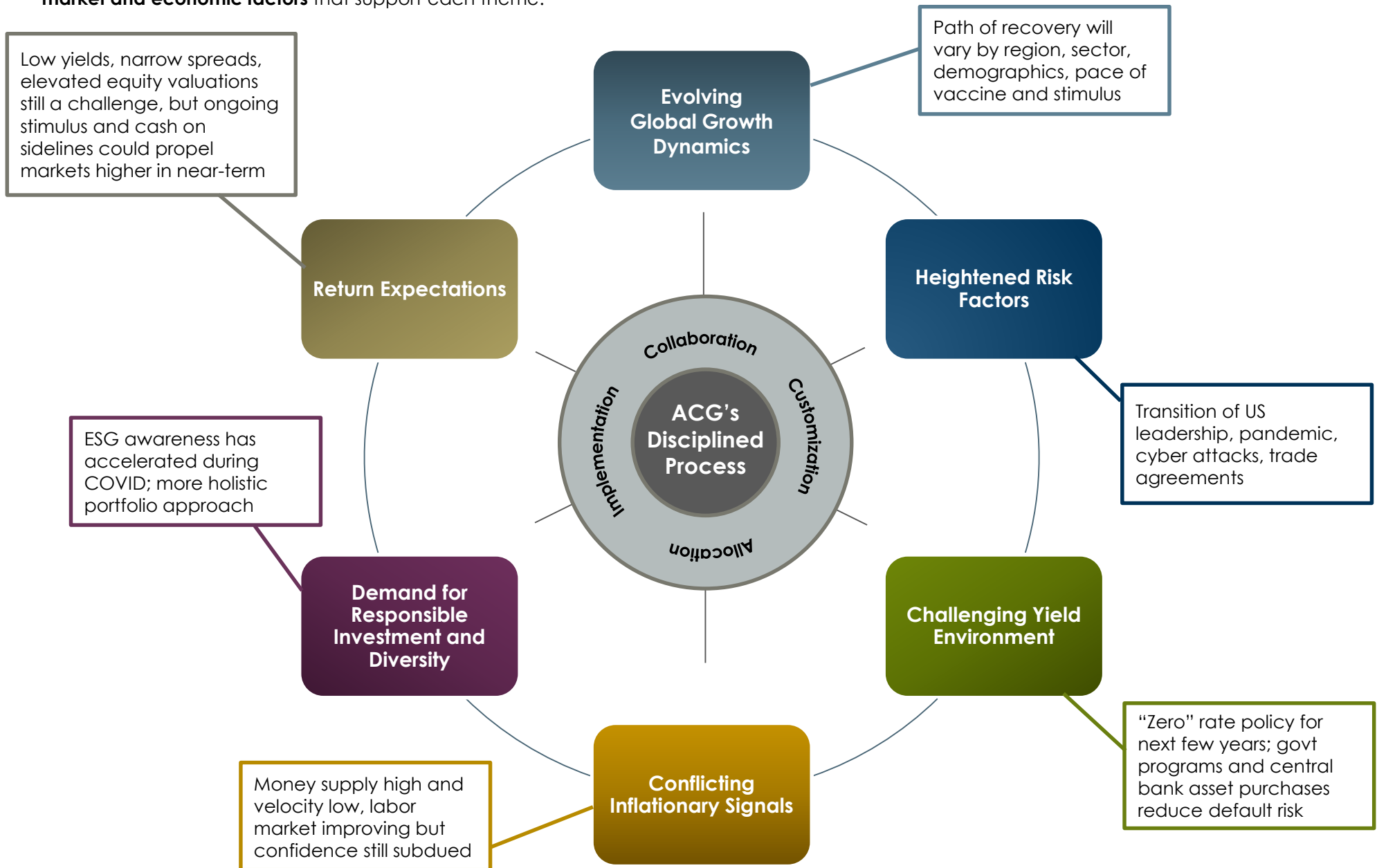
ACG's 2021 Intermediate-Term Capital Market Assumptions





Key Areas of Focus

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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