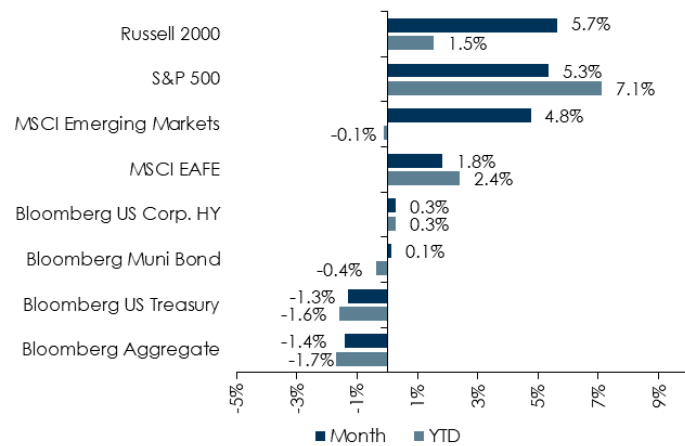


Economic Overview

- Inflation rose more than expected in January, pushing market forecasts for the Fed to initiate a rate cutting cycle further into 2024
- The US jobs market exceeded expectations with 353,000 jobs added vs. 185,000 expected, and the unemployment rate held steady at 3.7%
- Consumer spending fell 0.1% in January when adjusted for inflation, its first decline since August 2023

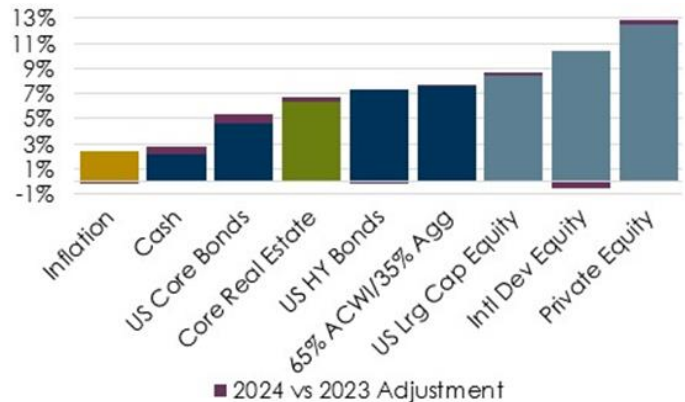
Market Returns

- Equities moved higher as tech earnings boosted sentiment
- Bond prices fell with inflation results sending yields higher



Source: Bloomberg, ACG Research (as of 2/29/2024)

ACG's Average Annual Return Assumptions (Next 10 Years)



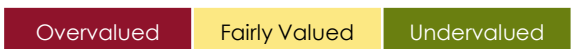
Asset Class Valuations - Rebalancing Rationale

- Equities discounting a soft landing and easing monetary policy
- 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 | Undervalued | High current yield |
| Core Bonds | Undervalued | Favor high quality |
| Multi-Sector | Fairly Valued | Duration, spreads balanced |
| Unconstrained | Fairly Valued | Duration, spreads balanced |

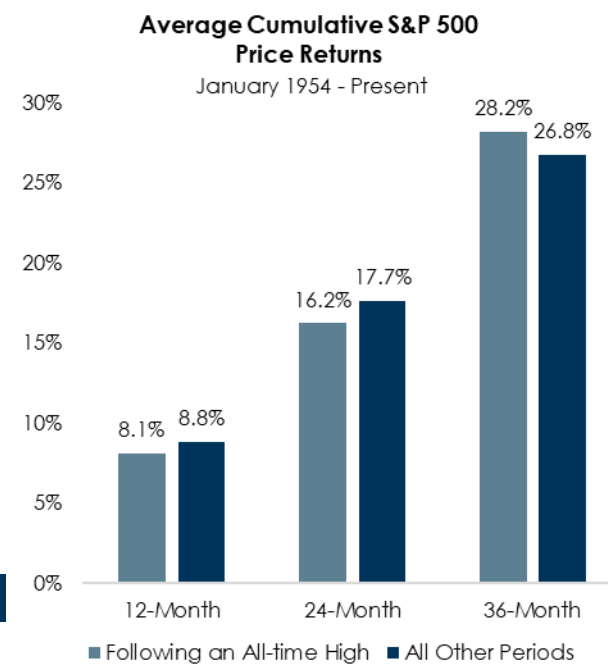
| | | |
|------------------|------------|---|
| Core Real Estate | Overvalued | Historically low (but rising) cap rates |
|------------------|------------|---|



Key Risk Factors We Are Watching

- Inflation and labor market data
- Accumulating consumer headwinds (higher rates, student loan repayments, depleted savings...)
- Fed policy mistake
- Downward revisions to corporate earnings
- Ongoing geopolitical tensions
- Weaker than expected China recovery

Long-Term Investors Shouldn't Fear Market Peaks



Source: Bloomberg (as of 2/29/2024)

Recent Articles (click on links below)

- [Is Cash King? \(February\)](#)
- [Japan – Can the Recent Equity Rally Continue? \(January\)](#)
- [Global Manufacturing \(November\)](#)

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