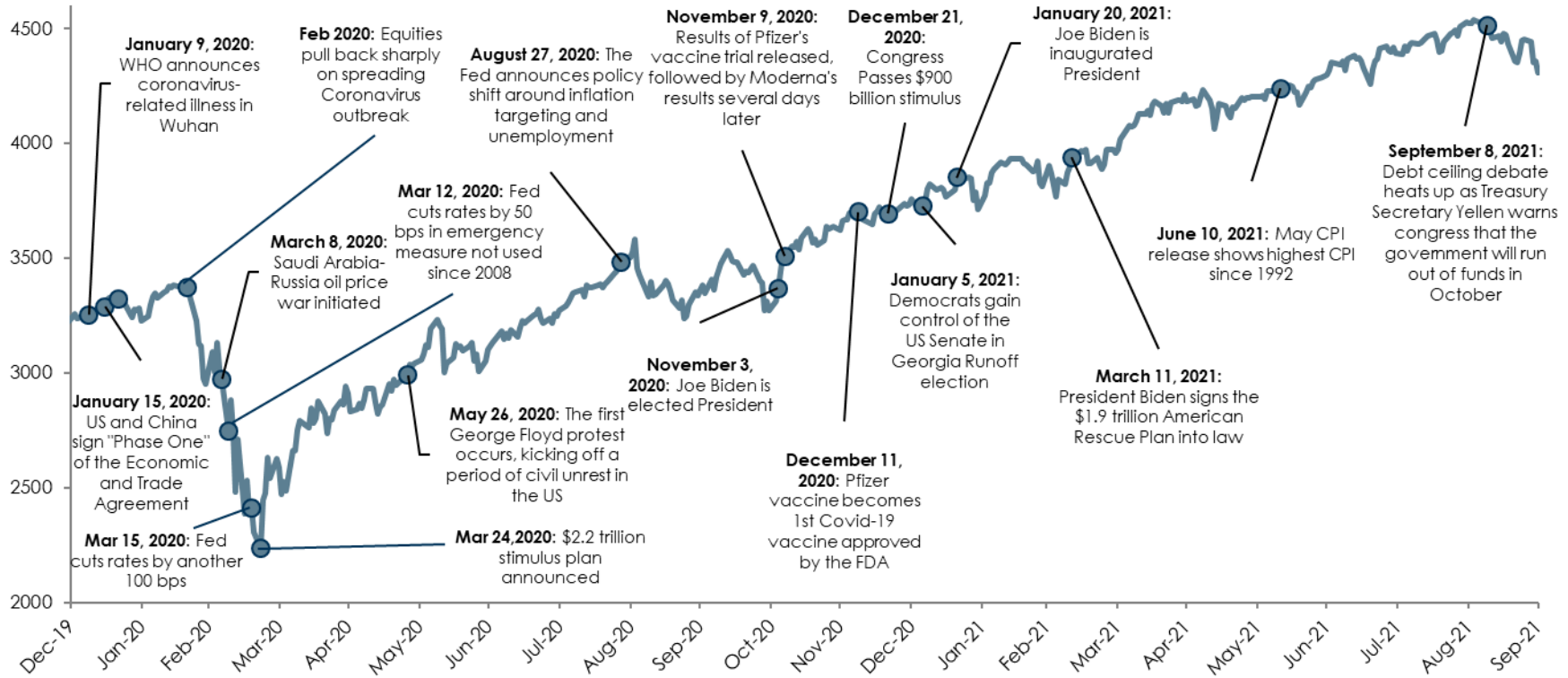

Global Economic Update

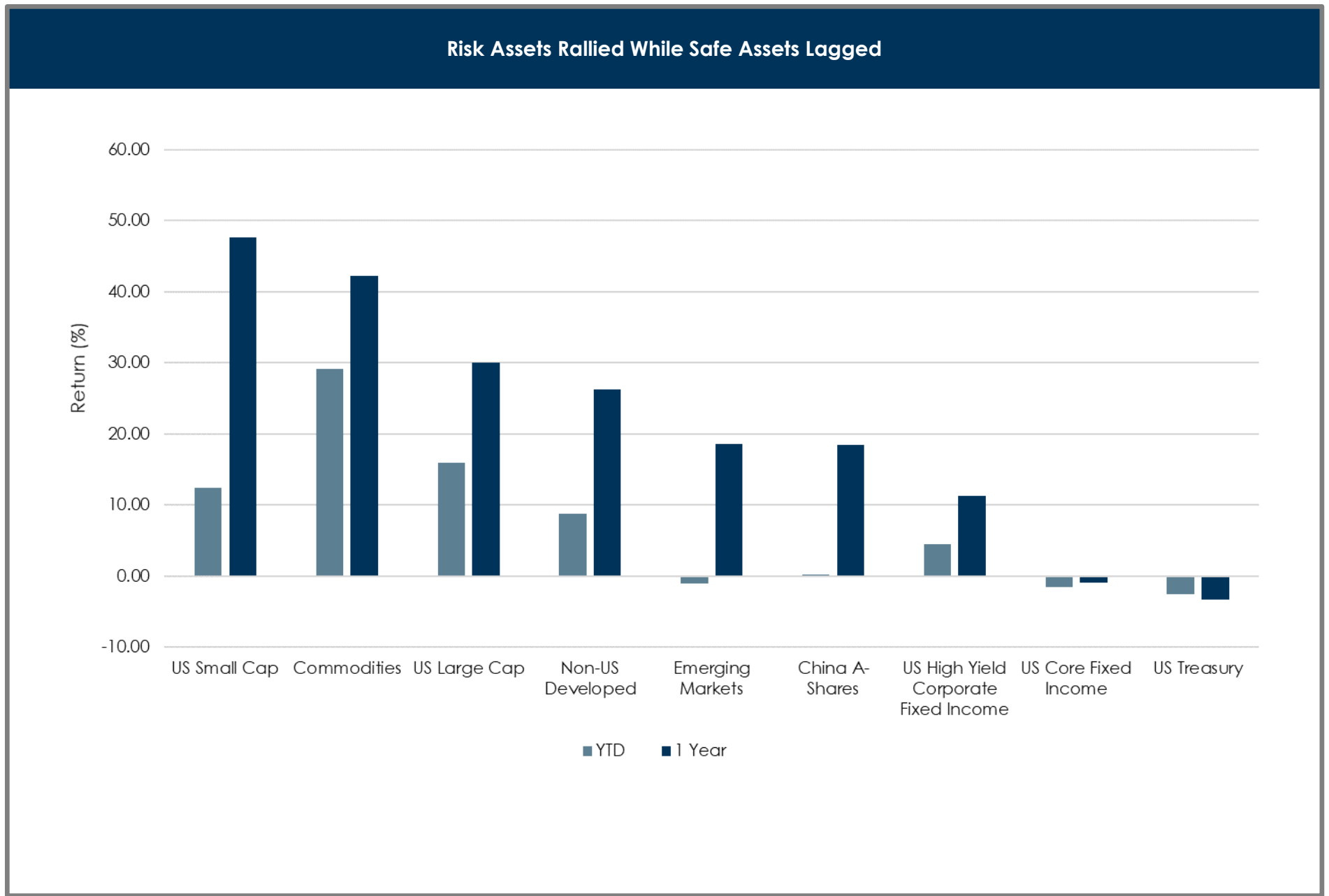
4th Quarter 2021

- **Virus count declining** from recent peak as vaccinations continue
- **Economic data softened in Q3** though growth forecasts for 2022 remain strong
- **Monetary policy tilting hawkish**, while **additional fiscal stimulus** still a possibility
- **Employment growth picking up** but remains disrupted
- **Inflation has potentially peaked** but is expected to remain elevated into 2022
- Despite high equity valuations, **strong earnings forecasts and low interest rates favor stocks over bonds**

Equity Rally Paused in September but Market Remains Significantly Higher Over the Last 18 Months

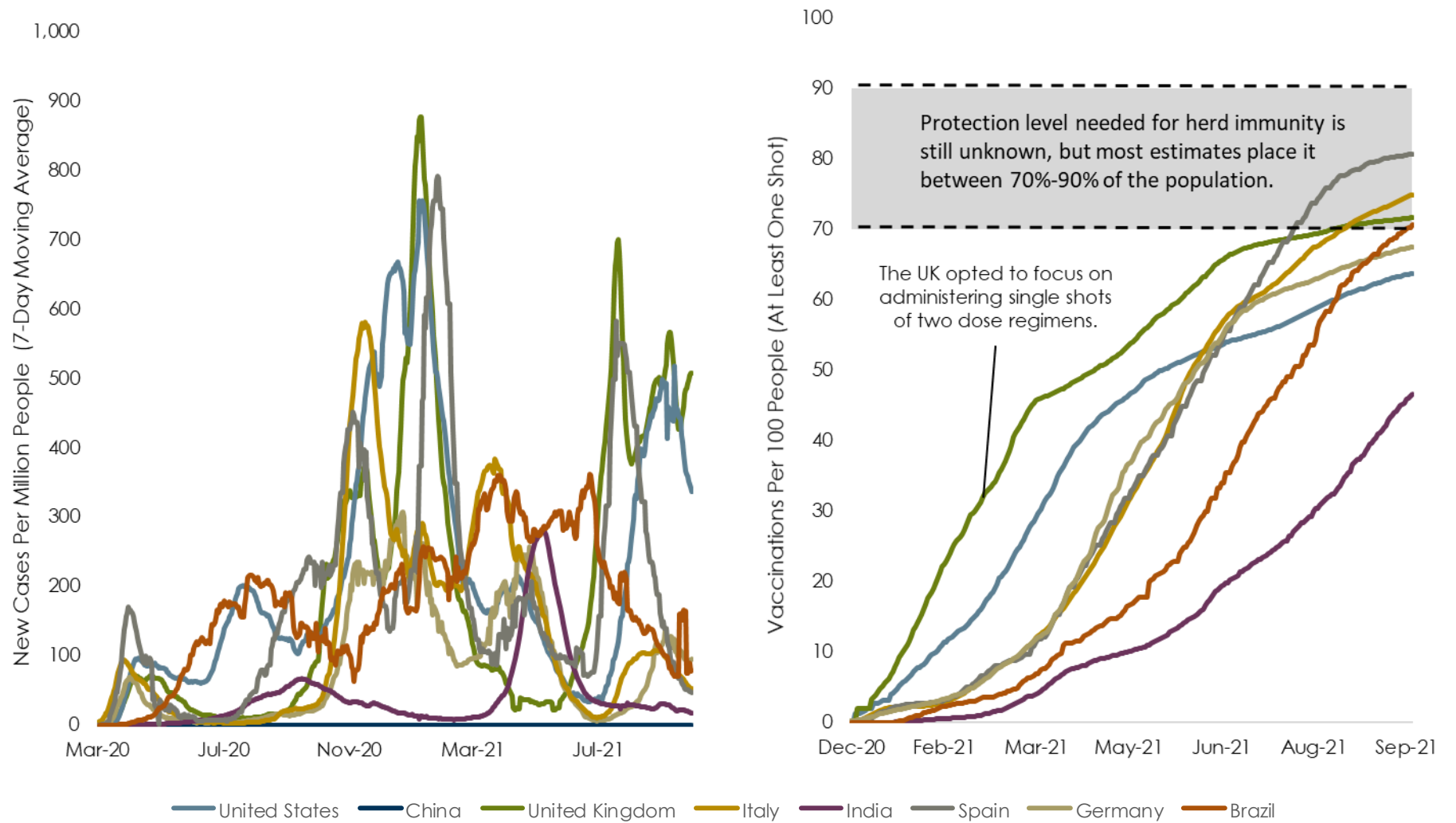


Source: ACG Research, Bloomberg (as of September 30, 2021)



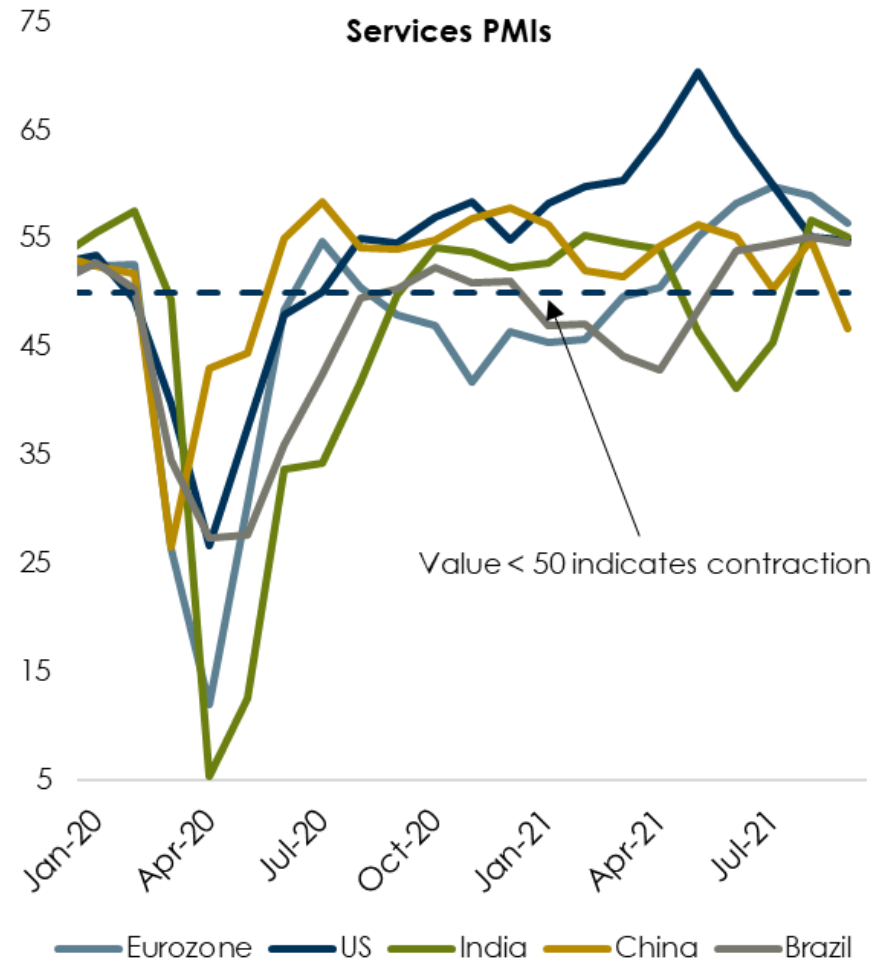
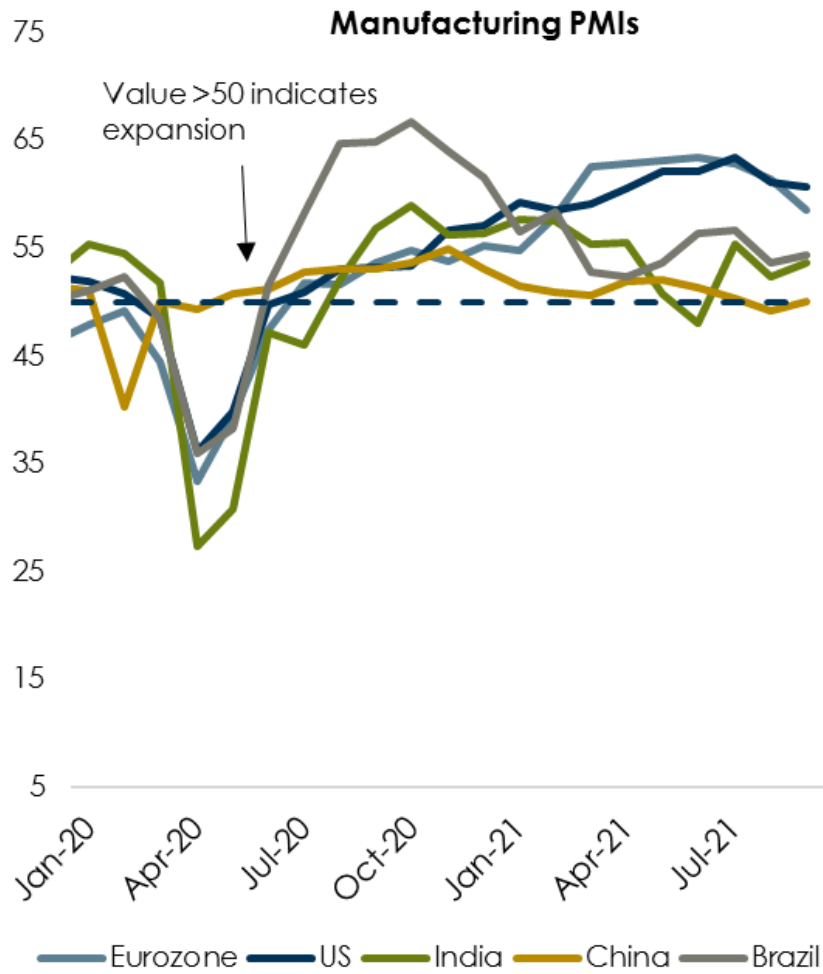
Source: ACG Research, Morningstar (as of September 30, 2021). The following indices used as proxy for asset classes: Russell 2000, Bloombar Commodity, S&P 500, MSCI EAFE, MSCI Emerging Markets, MSCI China A-Shares, Bloombar US Corporate High Yield, Bloombar US Aggregate, BloomBar US Treasury

Delta Variant Cases Declining in Most Countries; Vaccinations Increasing

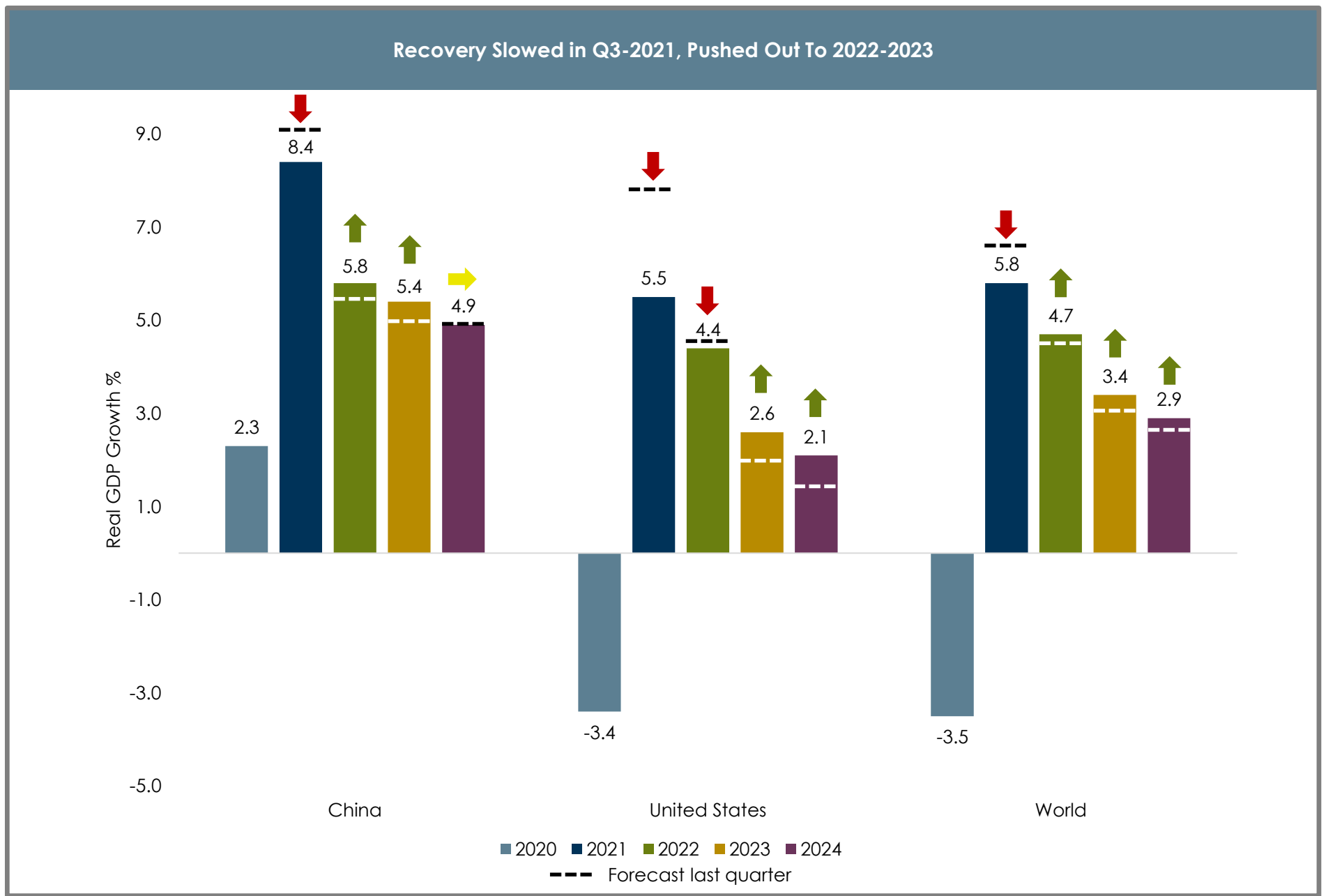


Source: ACG Research, Our World in Data (as of September 30, 2021)

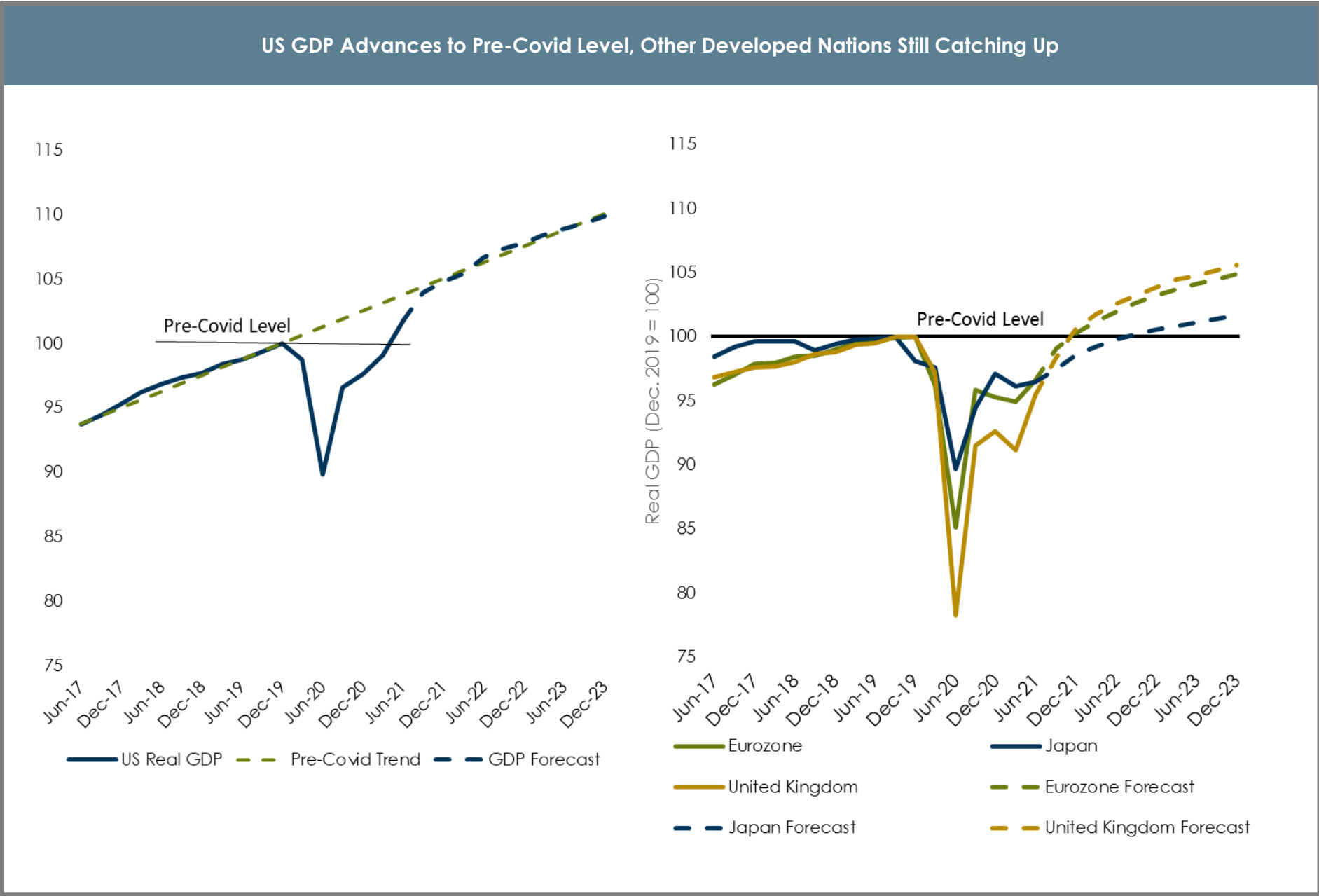
Developed Market Manufacturing Likely to have Peaked but Remains Strong, Emerging Markets Continue to Lag



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



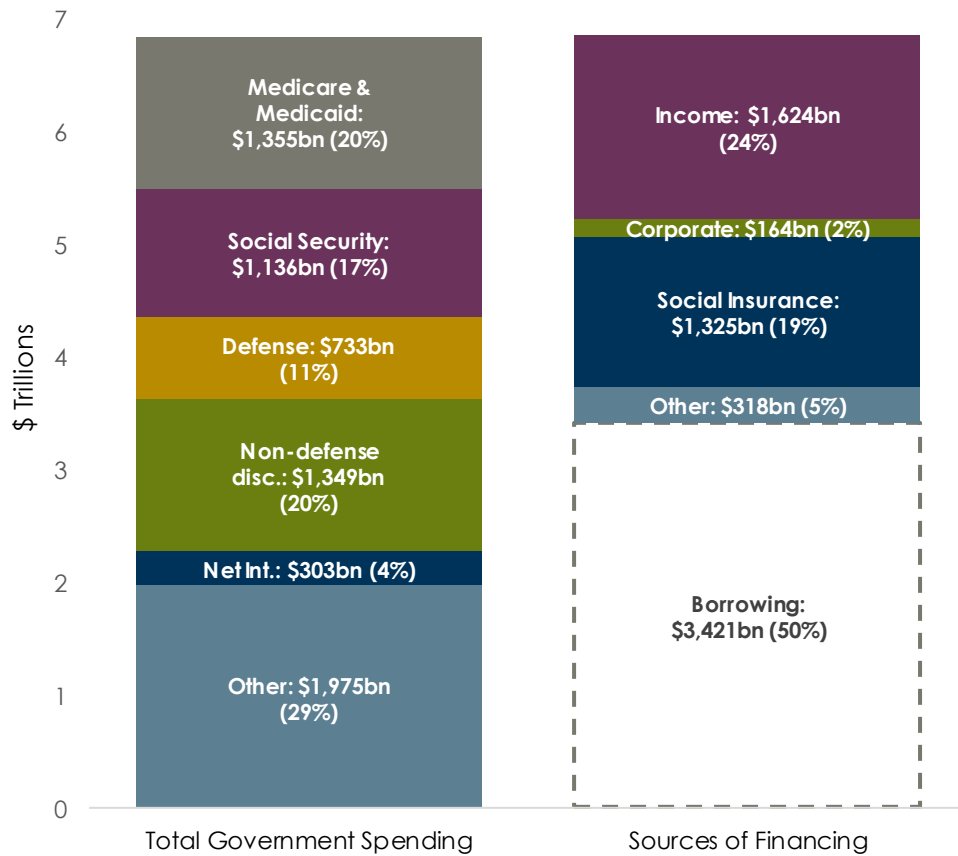
Source: ACG Research, Oxford Economics (as of September 30, 2021)



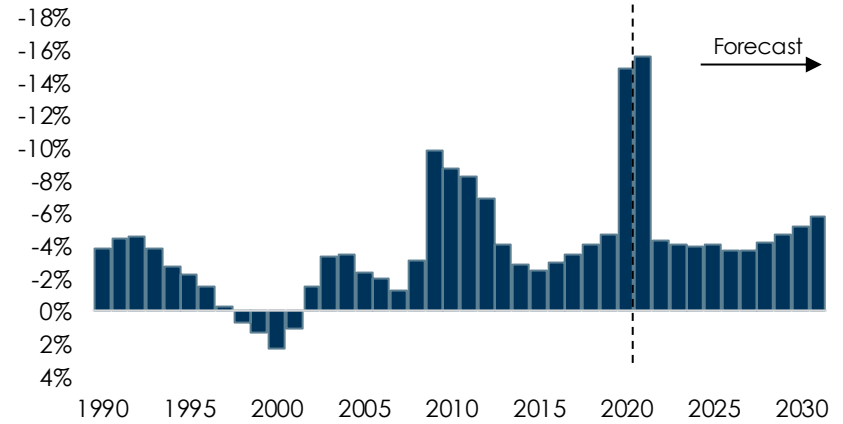
Source: ACG Research, Bloomberg, Oxford Economics(as of August 31, 2021)

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

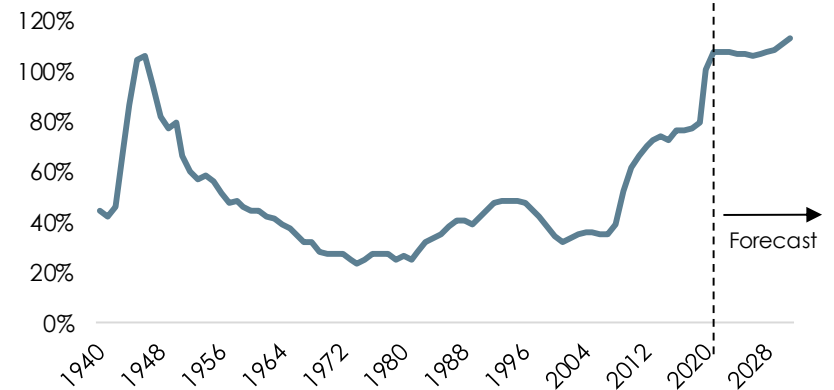
2021 Federal Budget



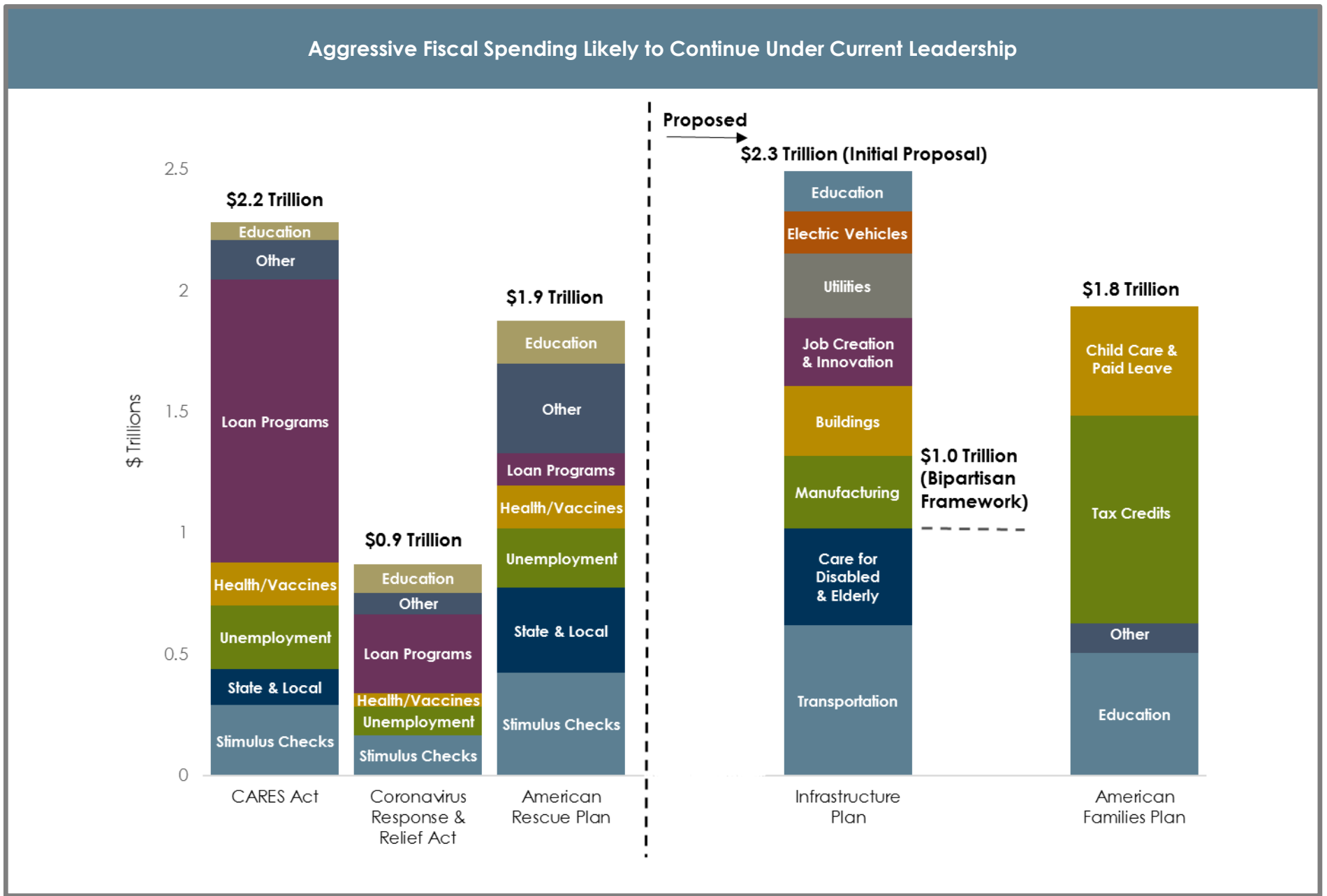
Federal Budget surplus/deficit % of GDP, 1990-2031 CBO Baseline



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



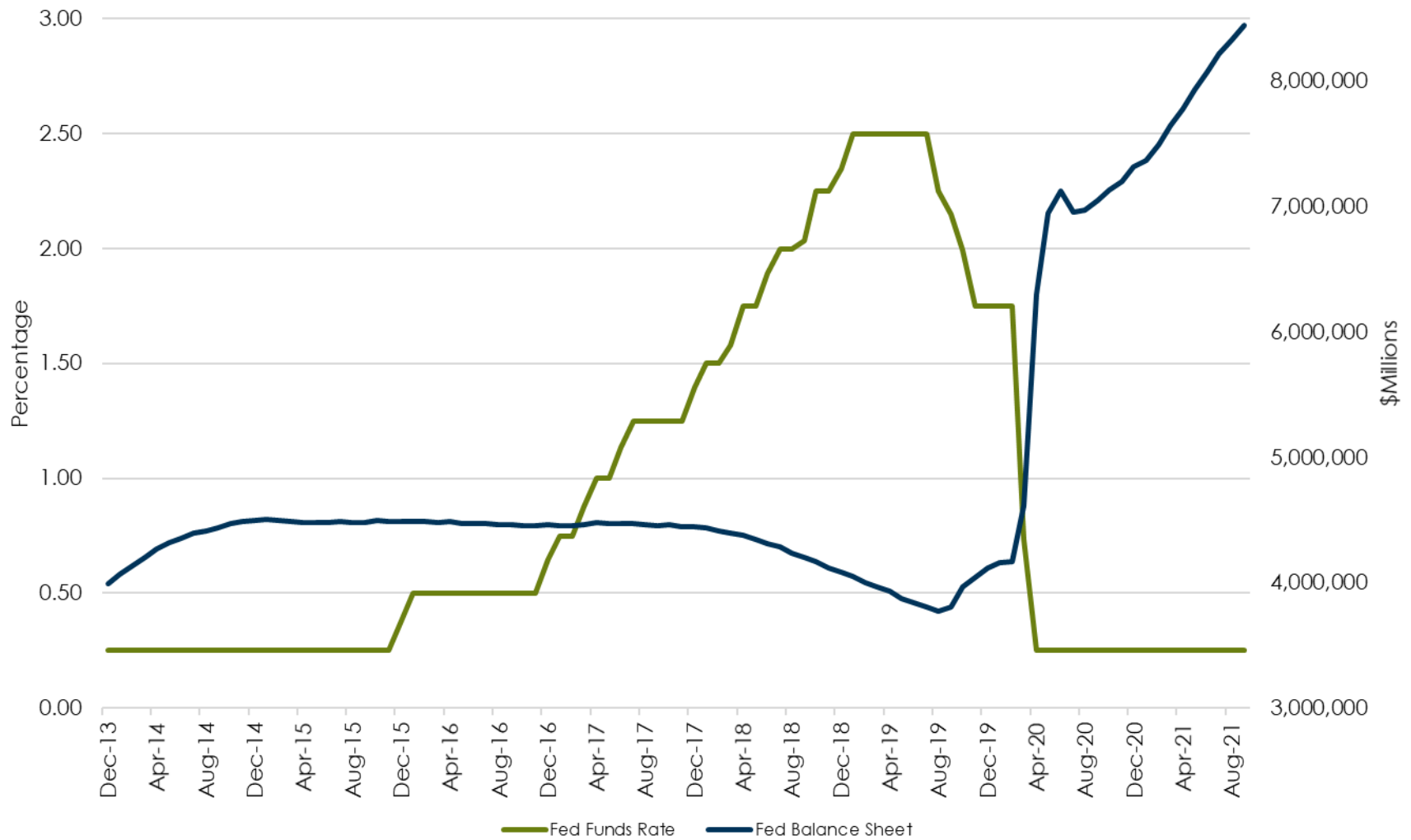
Source: ACG Research, CBO (February budget figures adjusted for new stimulus package), JP Morgan (as of February 28, 2021)



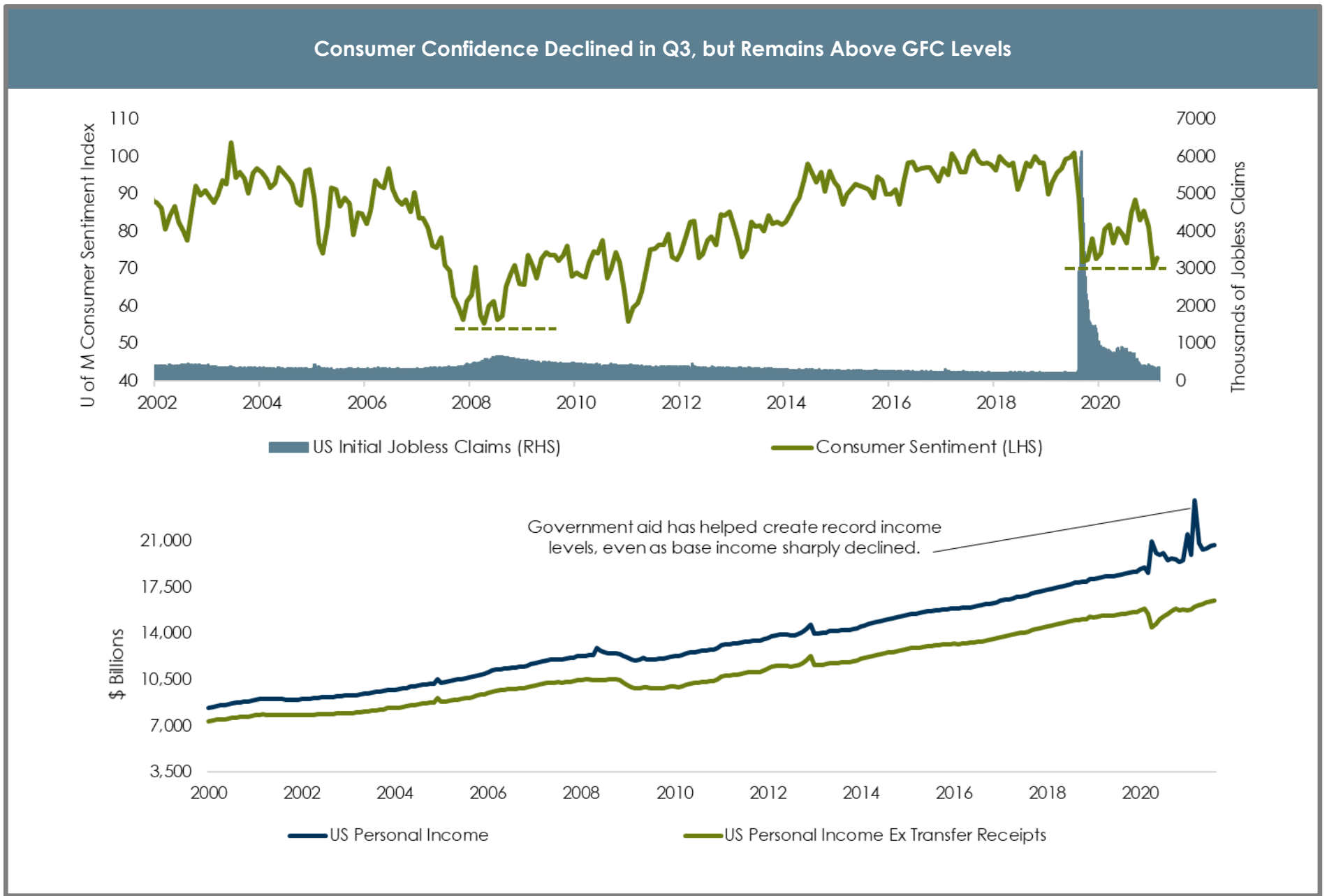
Source: ACG Research, The White House

Monetary Policy Still Supportive, but Less Impactful Going Forward

Monetary Stimulus - Rates and Asset Purchases

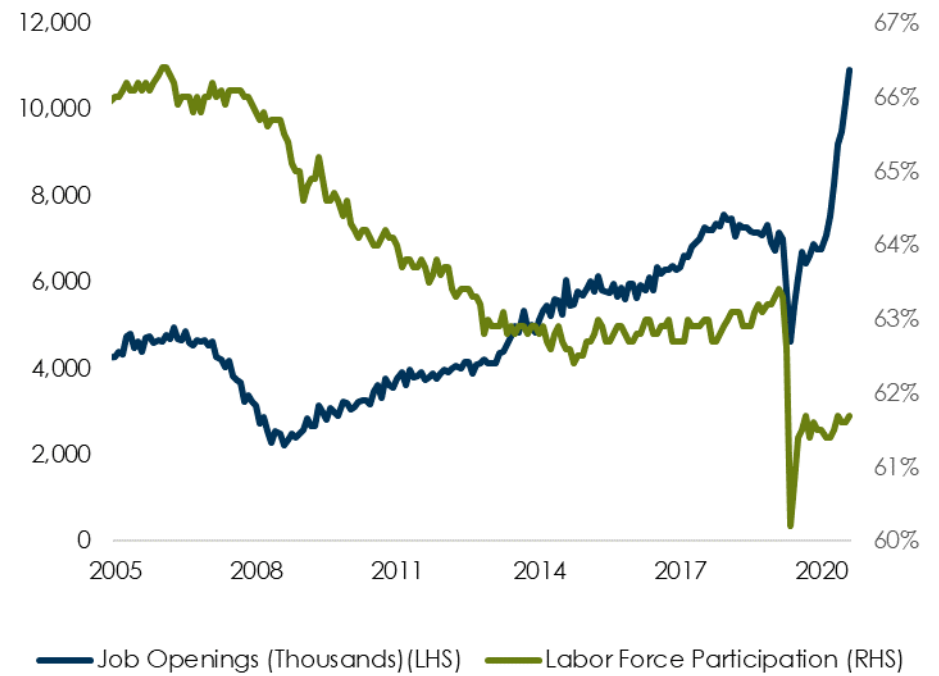
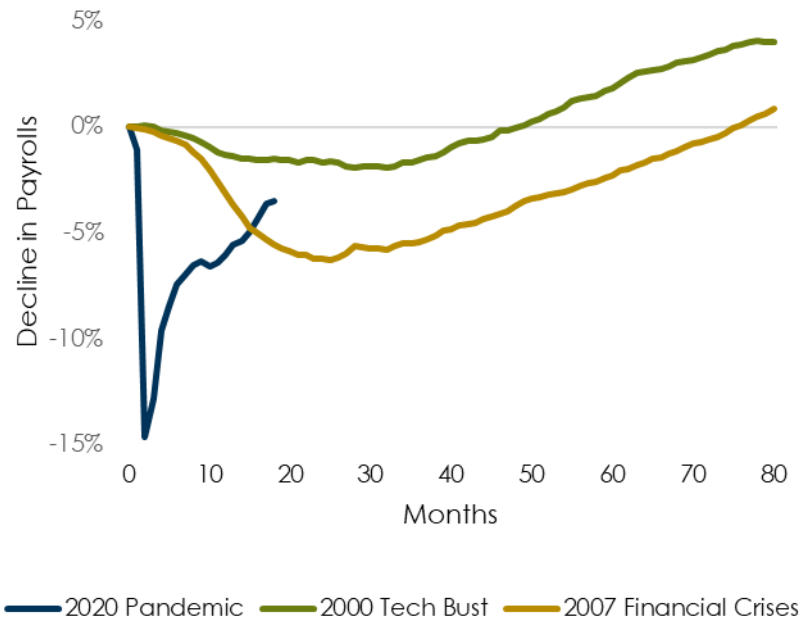


Source: ACG Research, St. Louis Federal Reserve (as of September 30, 2021)



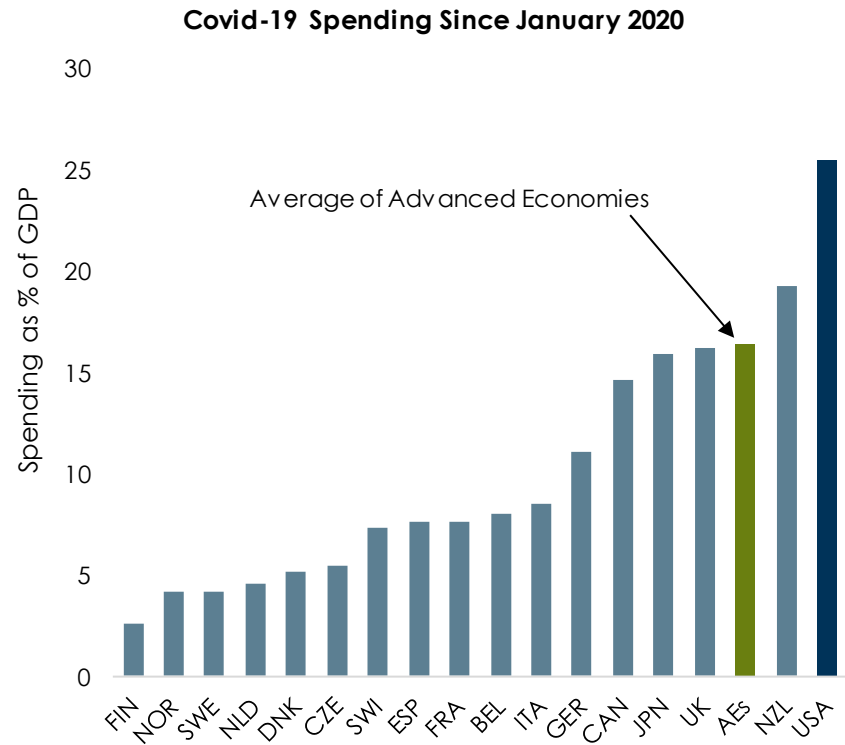
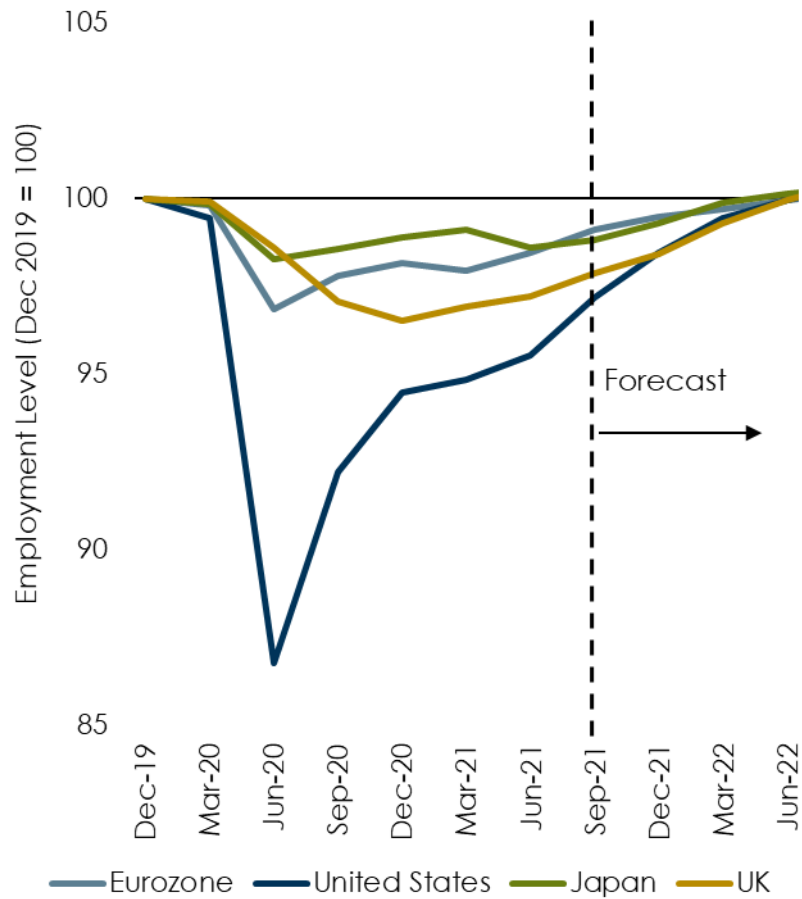
Source: ACG Research, Bloomberg, University of Michigan (as of September 30, 2021)

Overall Jobs Recovery Continues, but Labor Shortages Persist



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

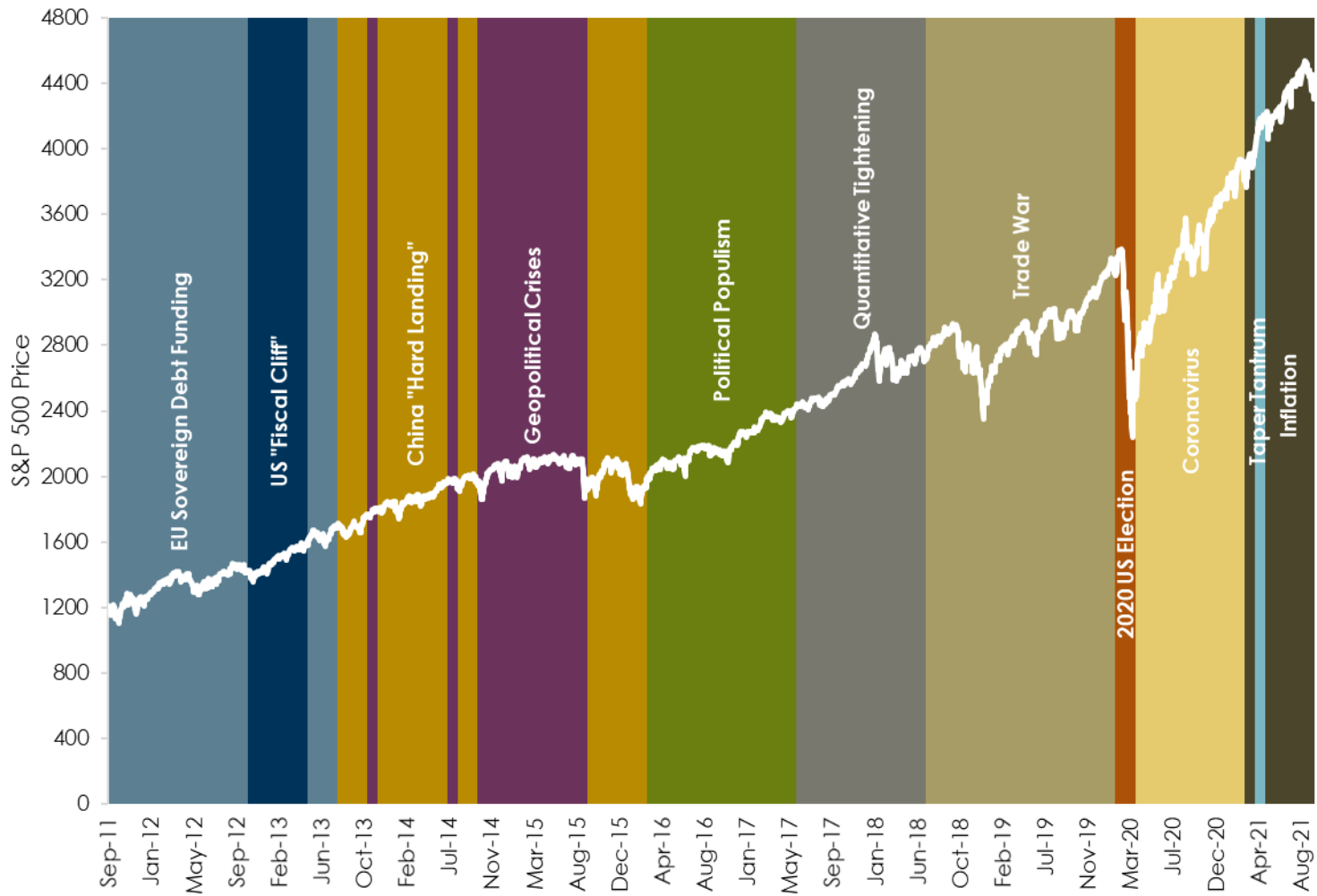
Pandemic Job Losses Show Contrasting Social Safety Nets, but Aggressive Fiscal Response in US Closing the Gap



Source: ACG Research, IMF, Oxford Economics (as of August 31, 2021)

Inflation and Fed Tapering are Top Concern Amongst Fund Managers

History of top answers for "biggest tail risk" in Global Fund Manager Survey

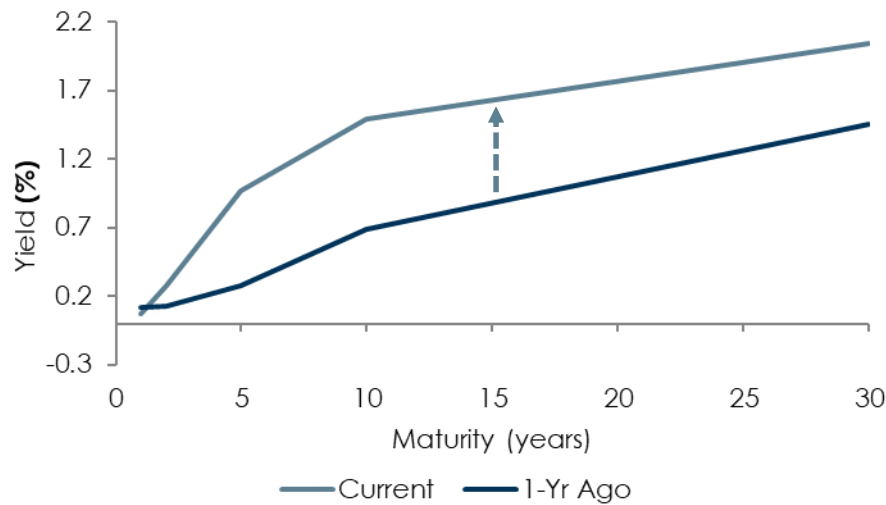


Source: ACG Research, BofA Global Fund Manager Survey (as of September 30, 2021)

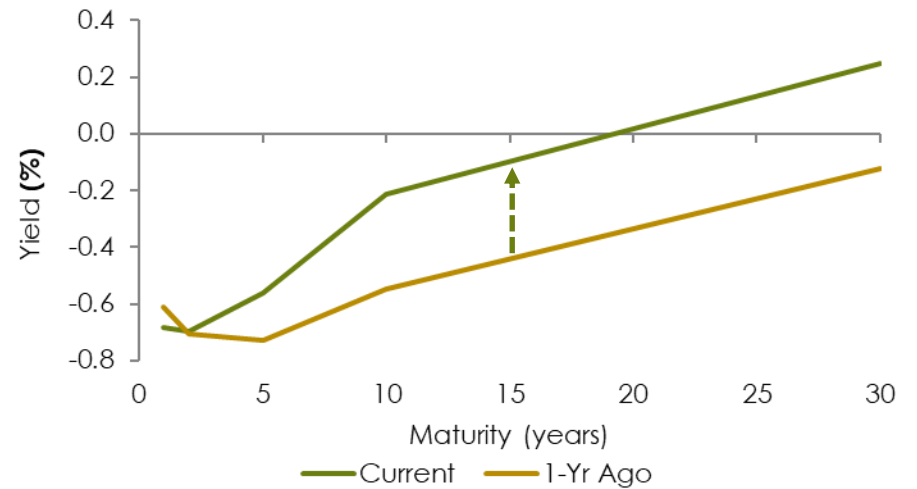
Government Bond Yields: Rates Higher vs. Year Ago, Steeper Yield Curves Support Growth Outlook



US Treasury Yield Curve

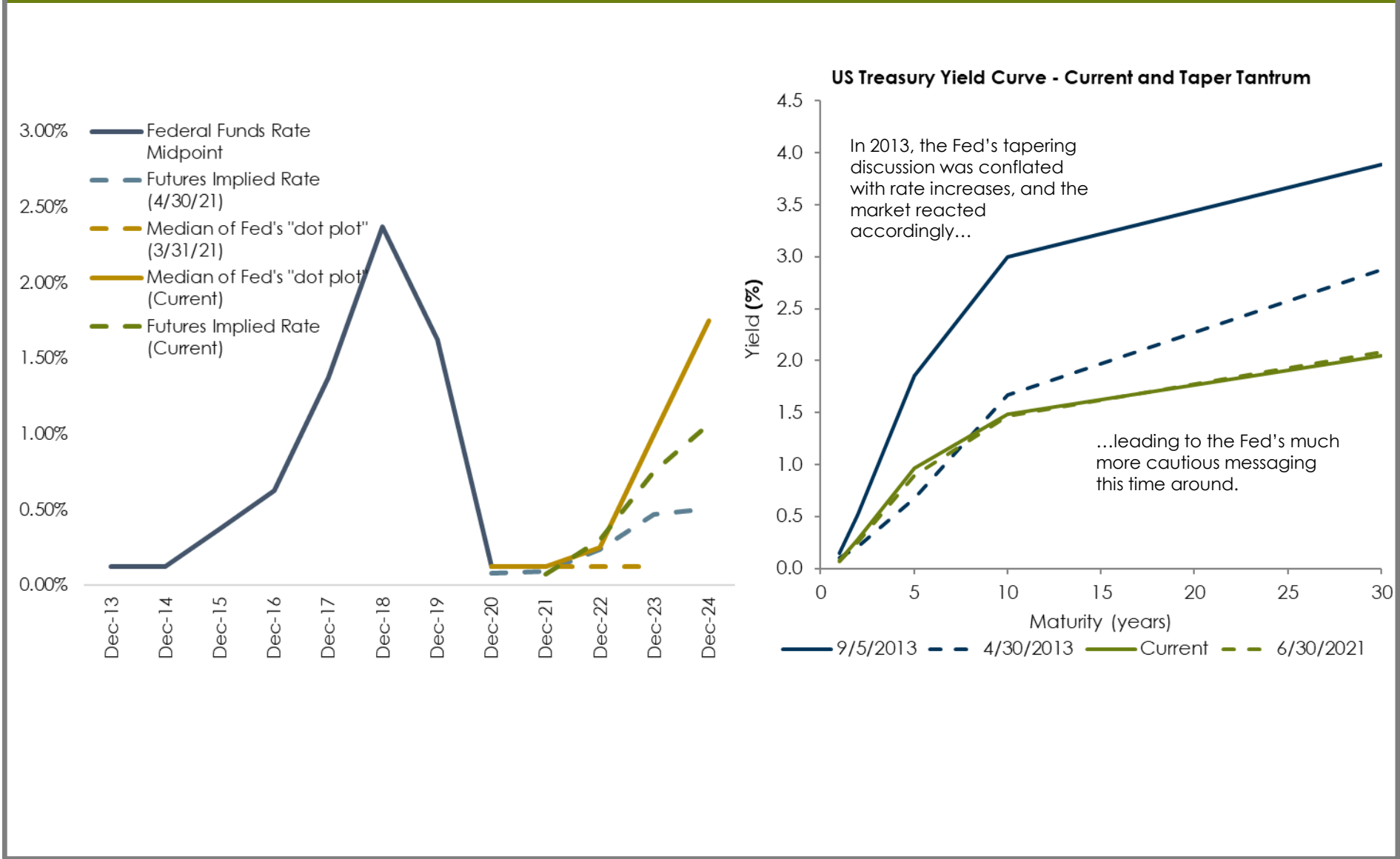


German Bund Yield Curve

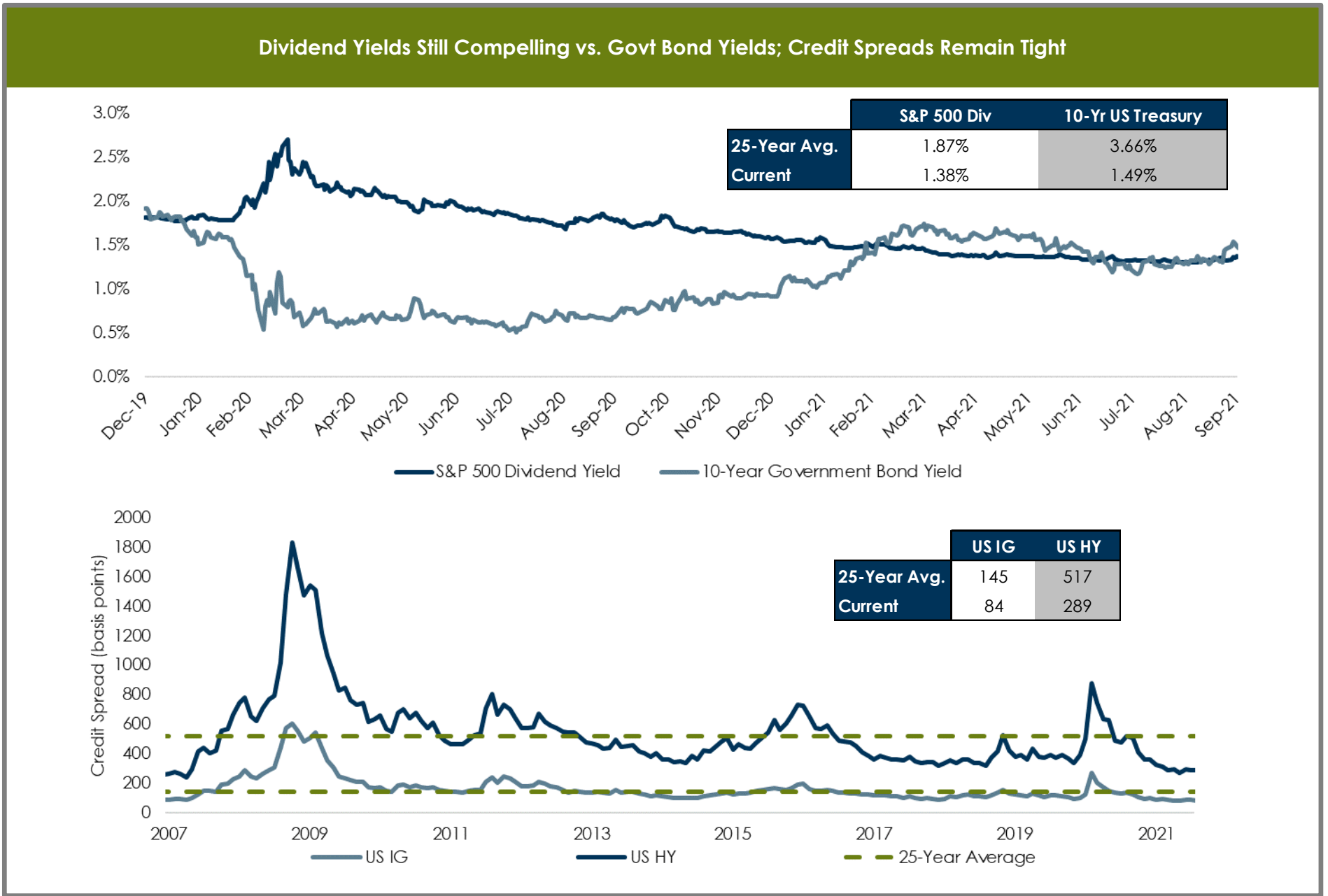


Source: ACG Research, Bloomberg, (as of September 30, 2021)

No Taper Tantrum Yet: Fed Tilts Hawkish at September Meeting but Yield Curve Little Changed for Q3

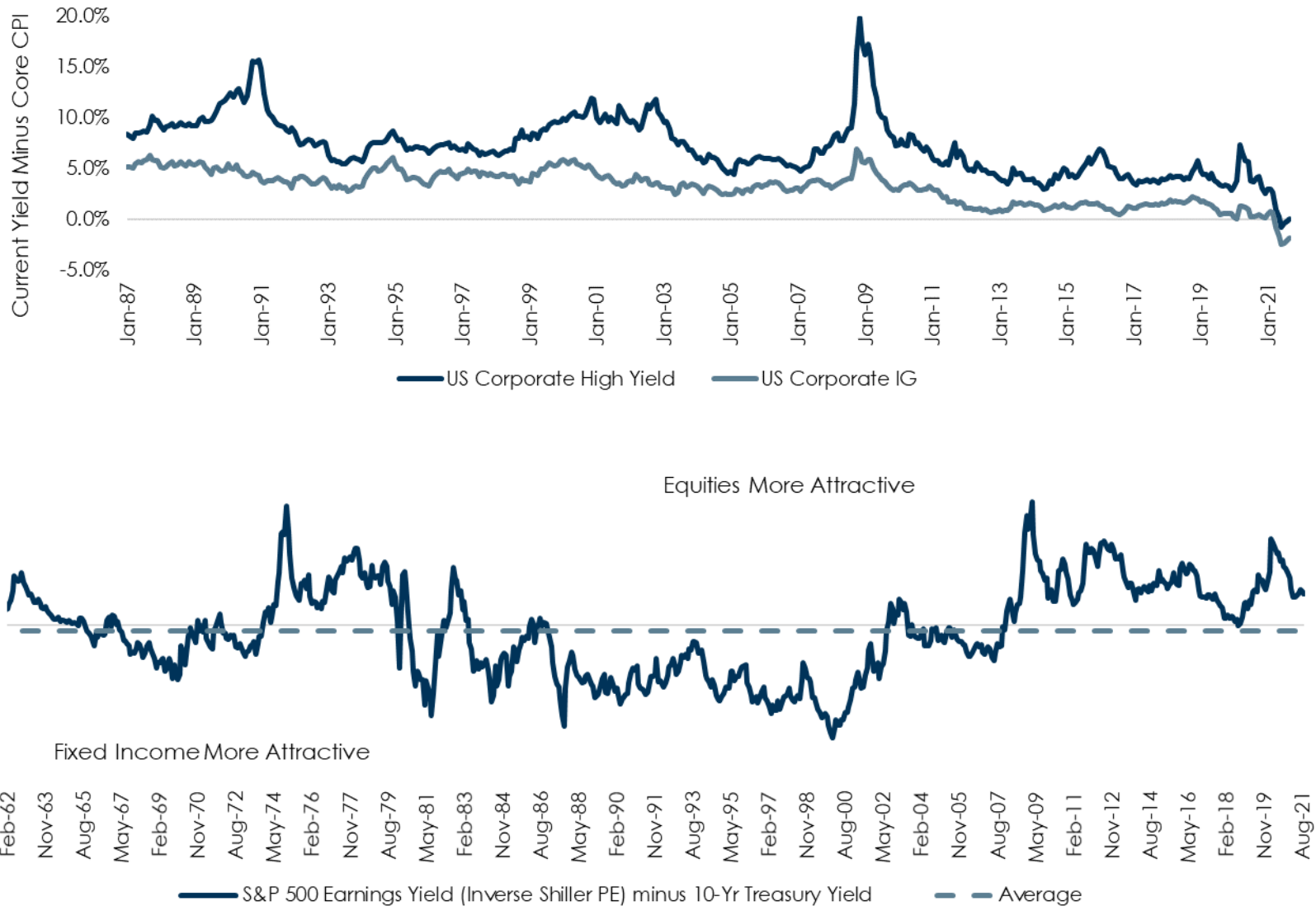


Source: ACG Research, Bloomberg, (as of September 30, 2021)

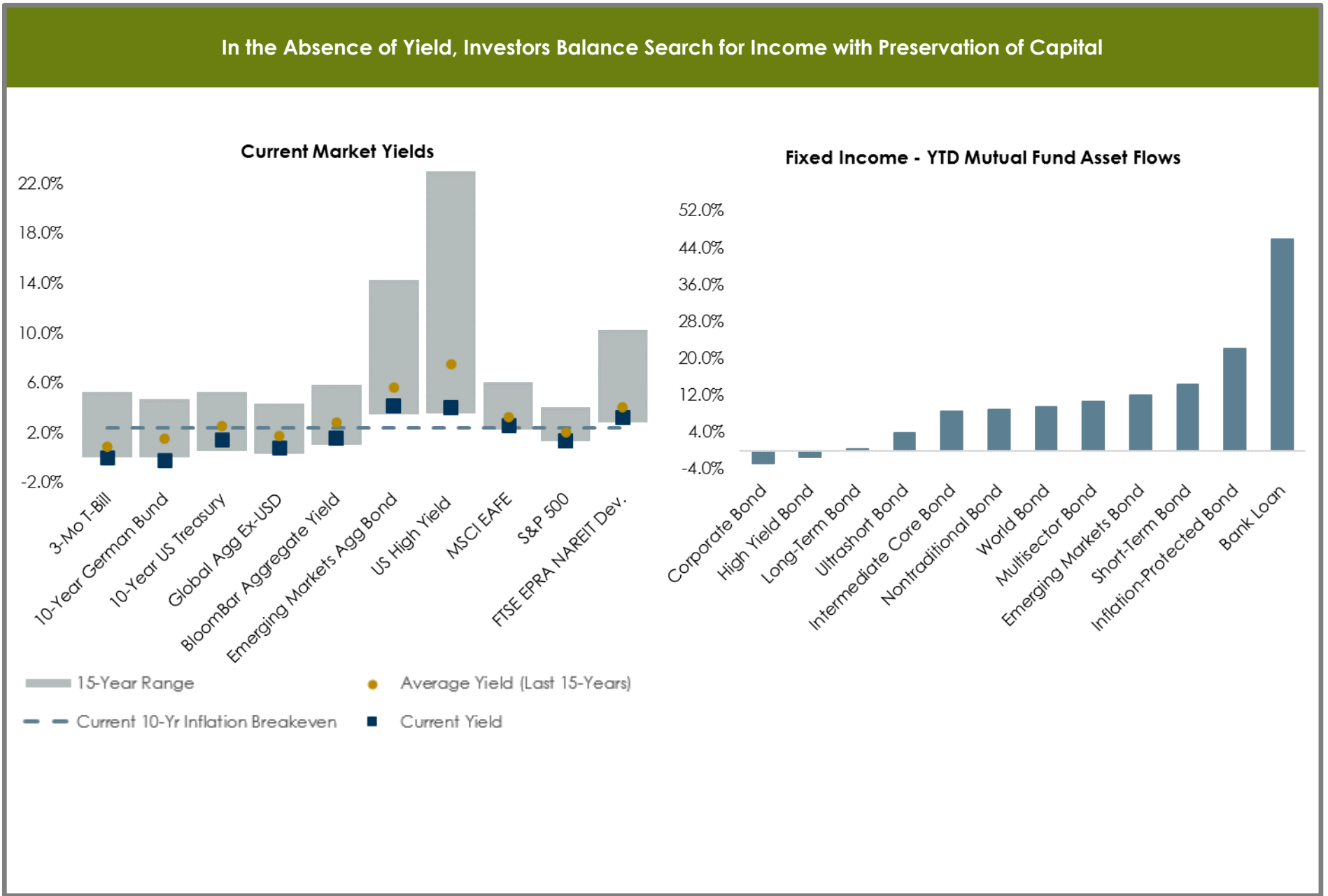


Source: ACG Research, Bloomberg (as of September 30, 2021)

Corporate Credit Yields Currently Below Inflation Rate; Low Rates Support Equity Valuations

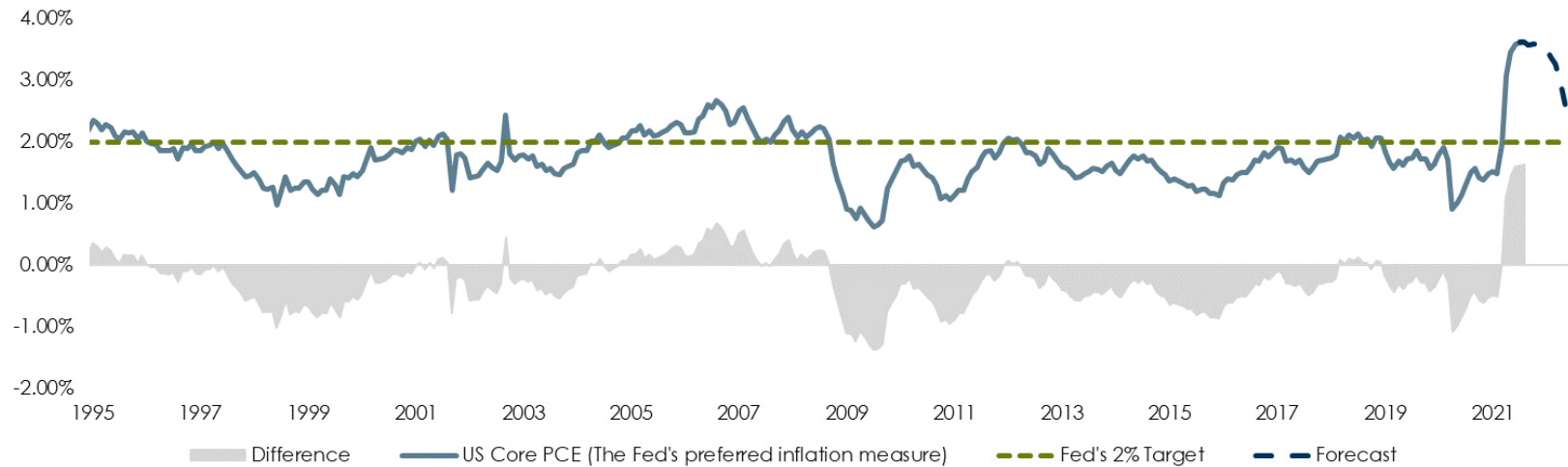


Source: ACG Research, Bloomberg, (as of September 30, 2021)



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

Inflation Expectations: After Recent Surge, Forecasts Normalizing



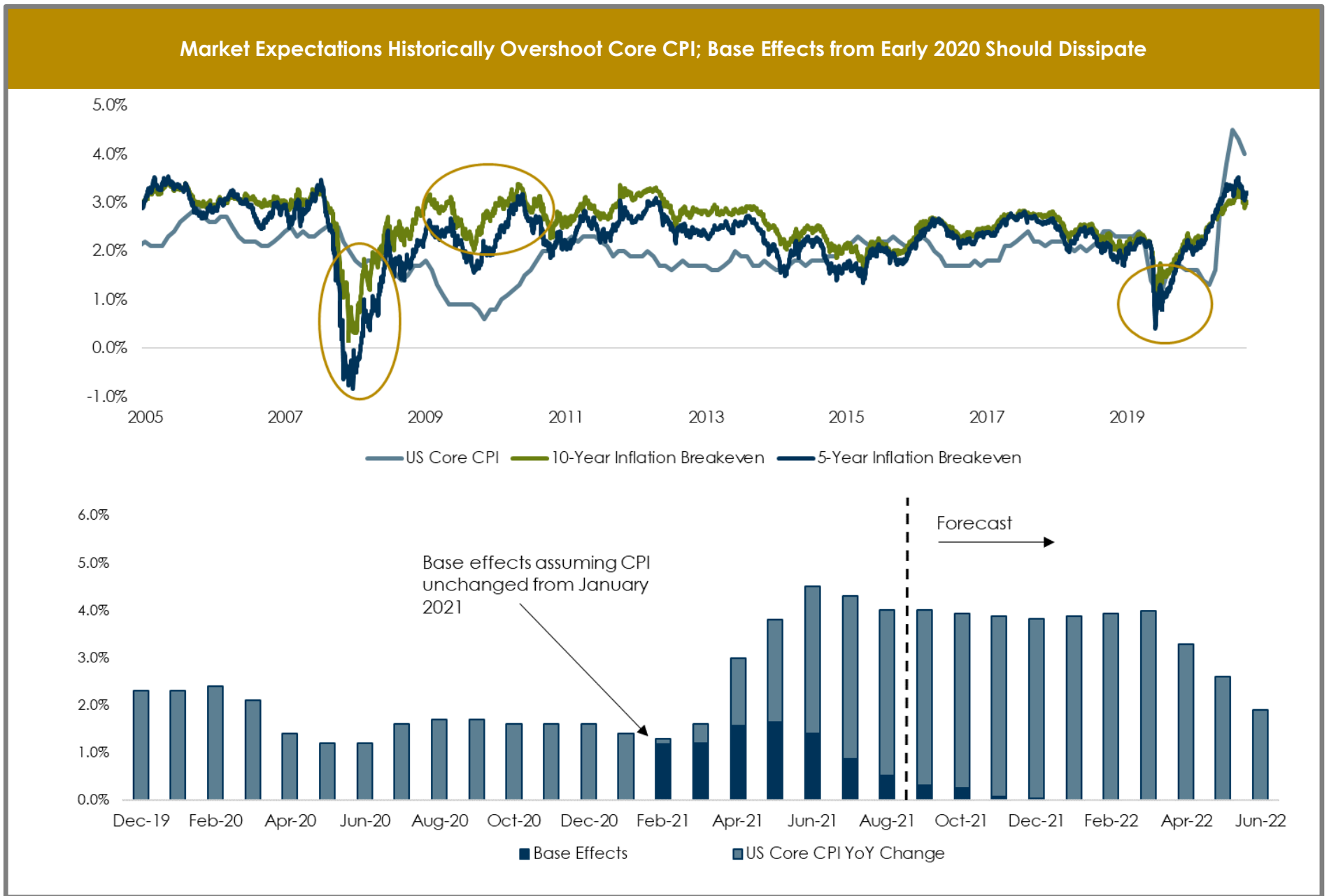
Deflationary Signals

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

Inflationary Signals

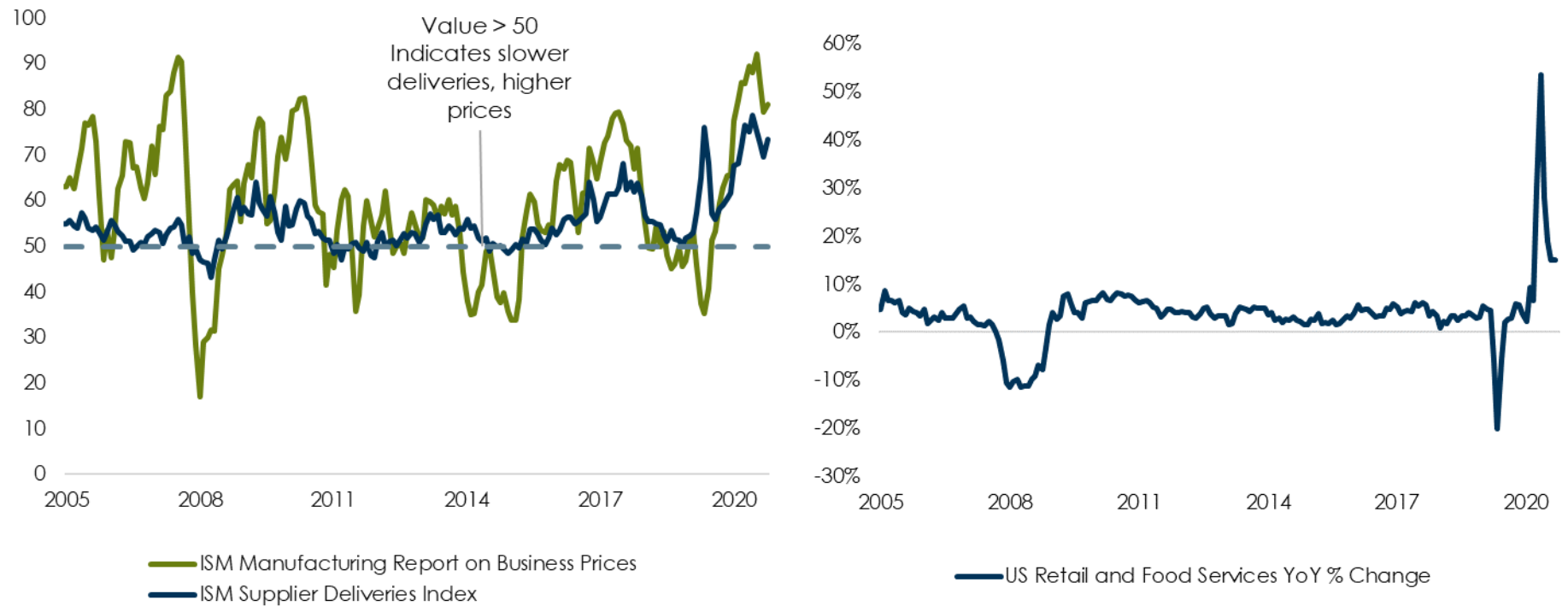
- Fed accommodation
- Consumer demand induced by economic recovery
- Fiscal policy support
- Weaker USD
- Supply chain disruption
- Deglobalization
- Reduced Competition

Source: ACG Research, Oxford Economics, Bloomberg (as of August 31, 2021)



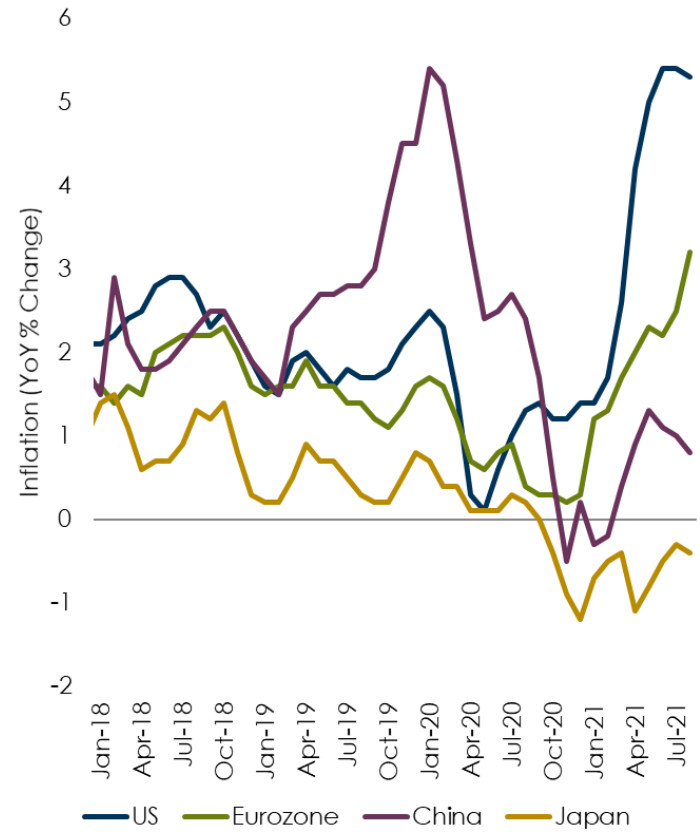
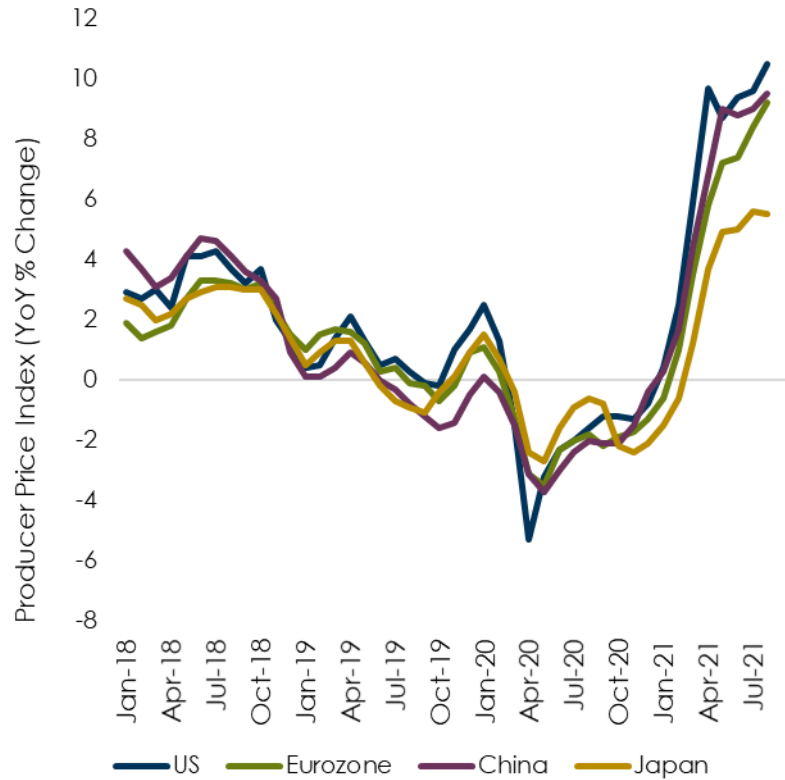
Source: ACG Research, Oxford Economics, Bloomberg (as of August 31, 2021)

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



Source: ACG Research, US Census Bureau, ISM, Bloomberg (As of August 31, 2021)

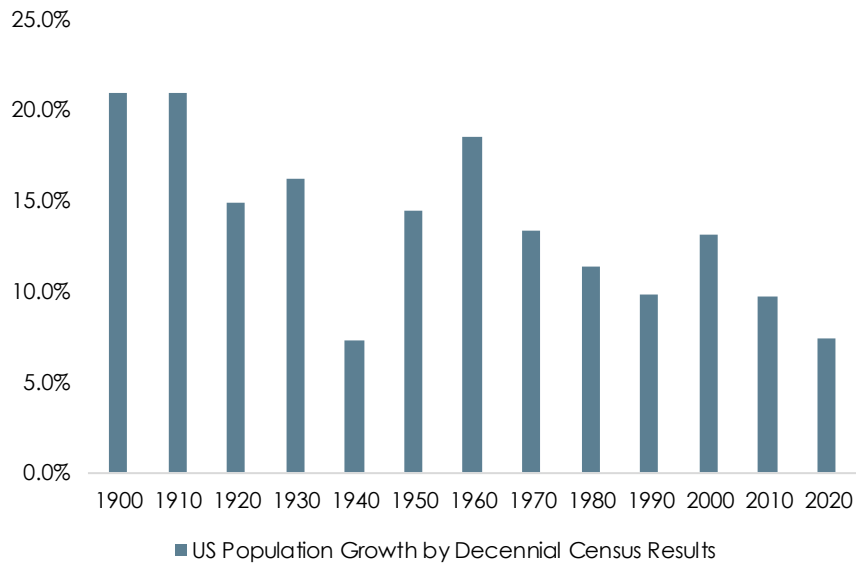
Surge in Producer Prices Seen Globally, Eurozone Inflation Picks Up but Still Trails US



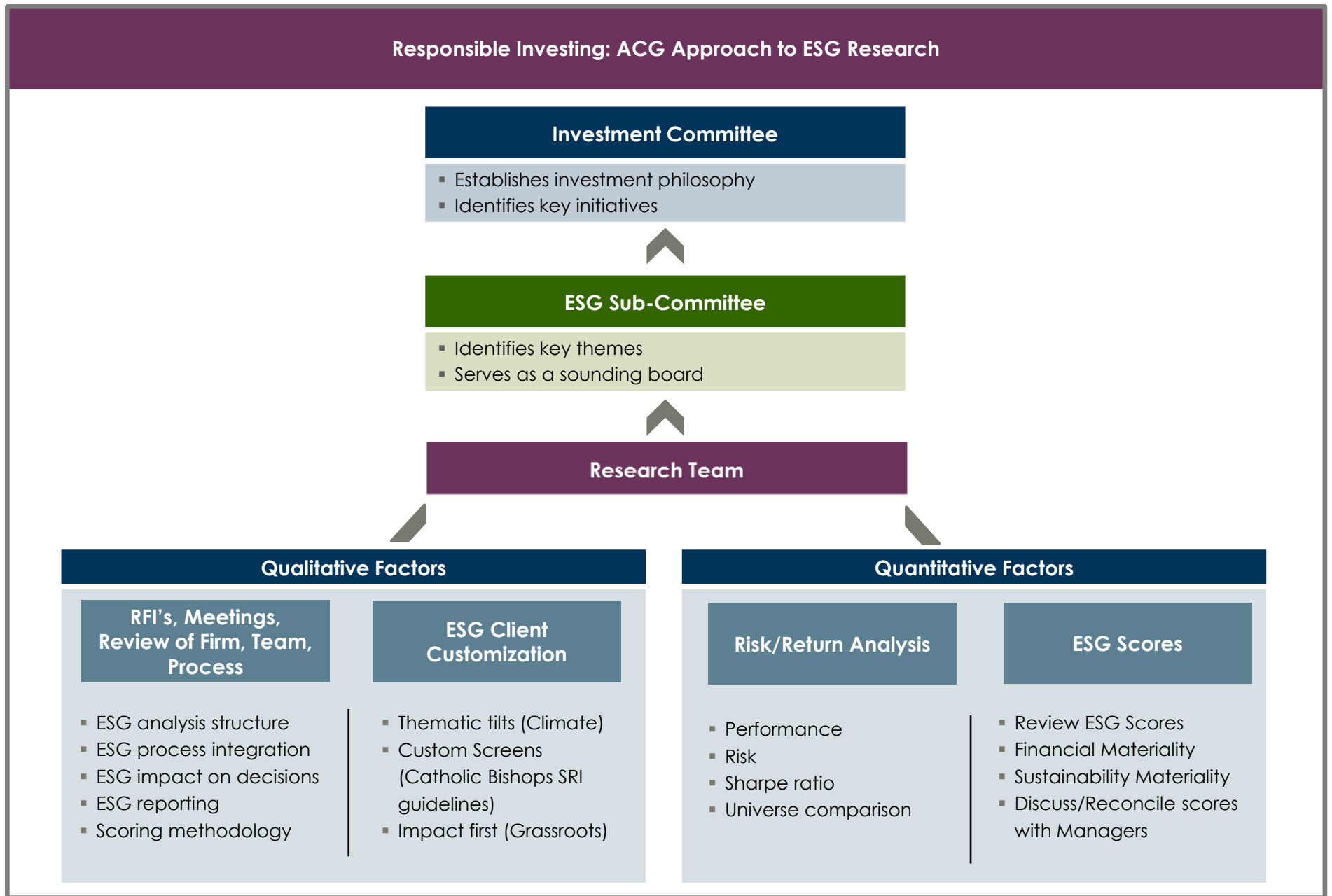
Source: ACG Research, Bloomberg (as of August 31, 2021)

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

Population Growth Lowest Since 1930's

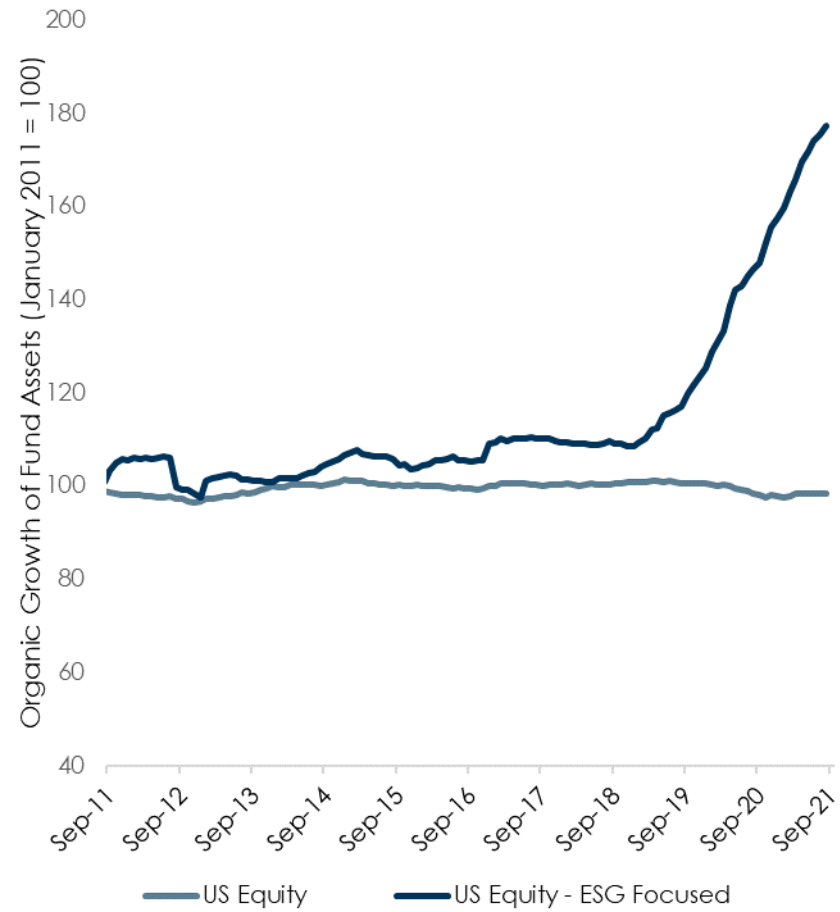
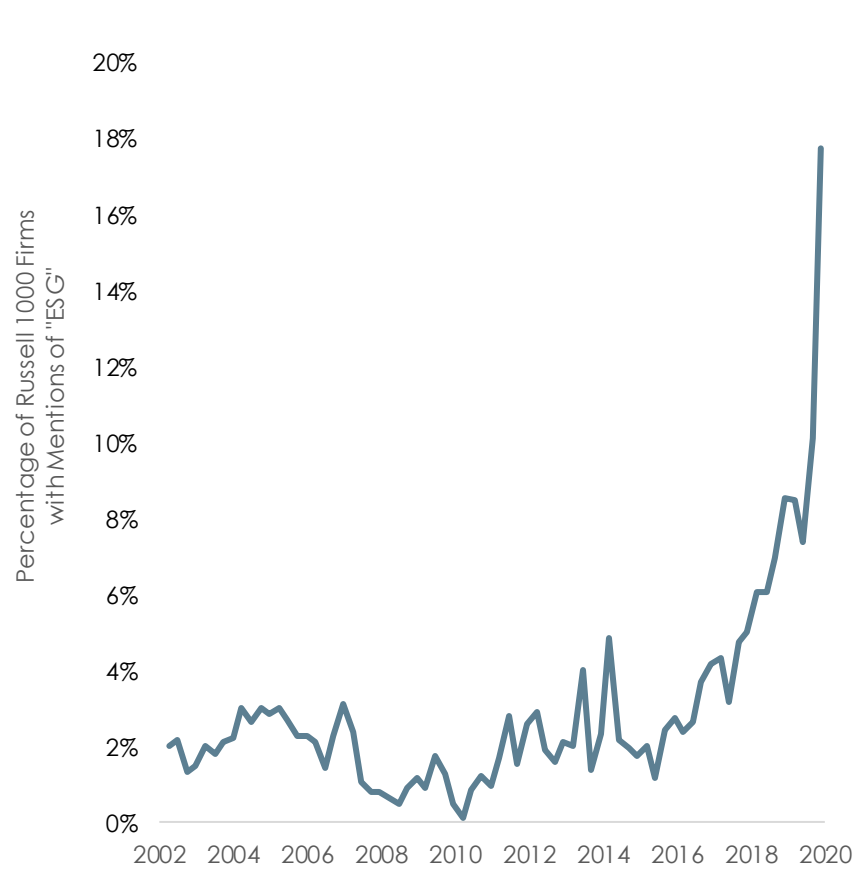


Source: ACG Research, US Census Bureau, FRED (as of August 31, 2021)



Source: ACG Research

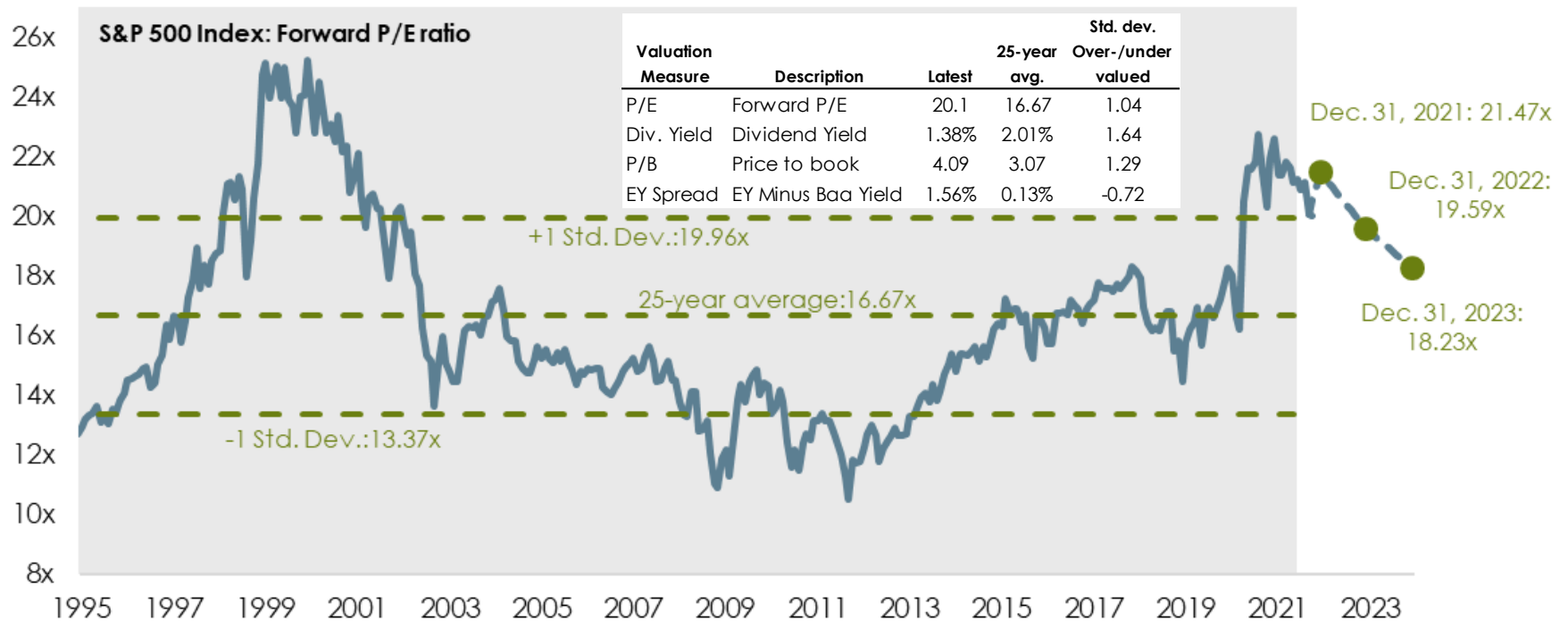
Responsible Investing: Funds with an ESG Tilt Attract Asset Flows and Corporations Take Note



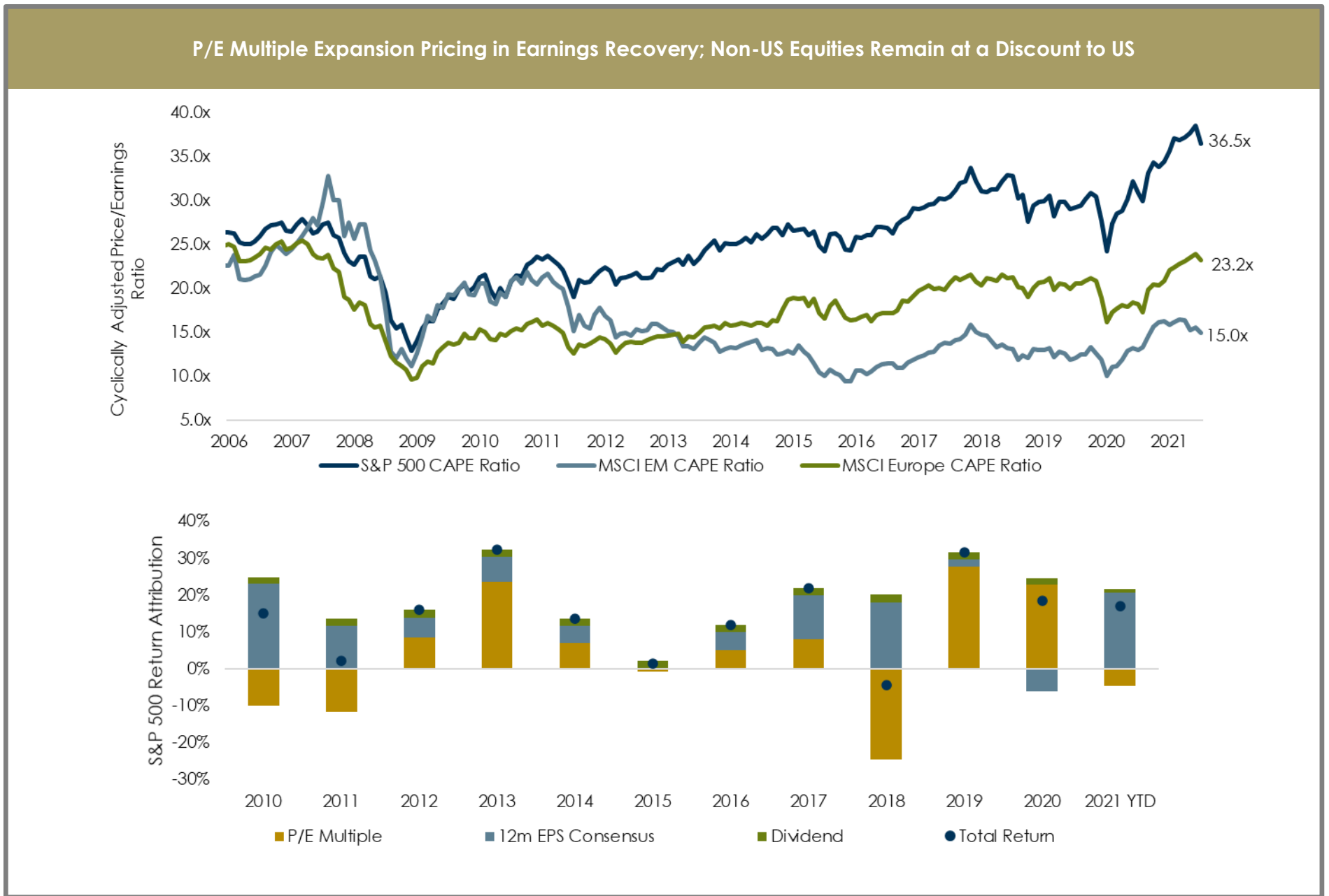
Source: ACG Research, Morningstar (as of September 30, 2021)

P/E Multiples Could Remain Elevated if Rates Remain Low

- **Based on several metrics, the S&P 500 Index appears expensive (9/30/21 closing price of \$4308)**
- Consensus earnings estimates for 2021 (\$201) suggest a forward p/e of 21.4x (vs. 25-year average of 16.7x)
- Consensus estimates are higher for 2022 (\$220), and 2023 (\$236) yet the forward p/e for '22 is still 19.6x and for '23 is 18.2x (vs. 25-year average of 16.7x)

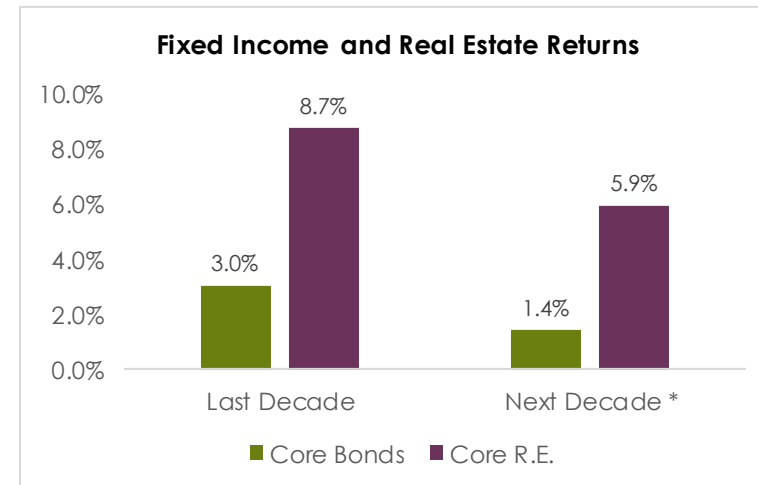
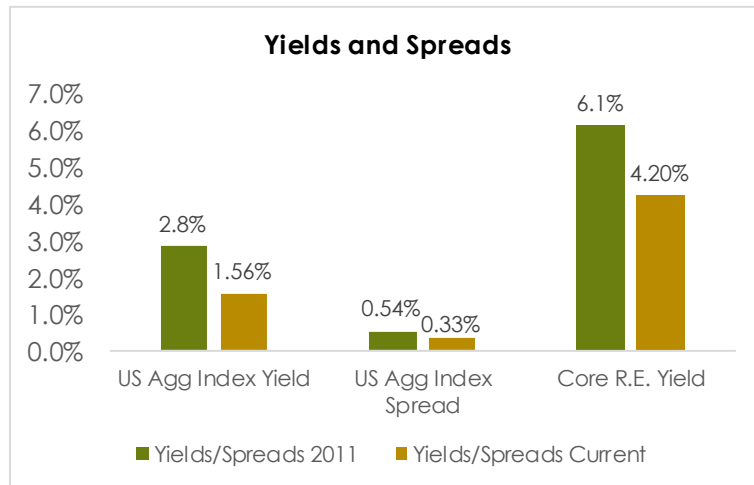
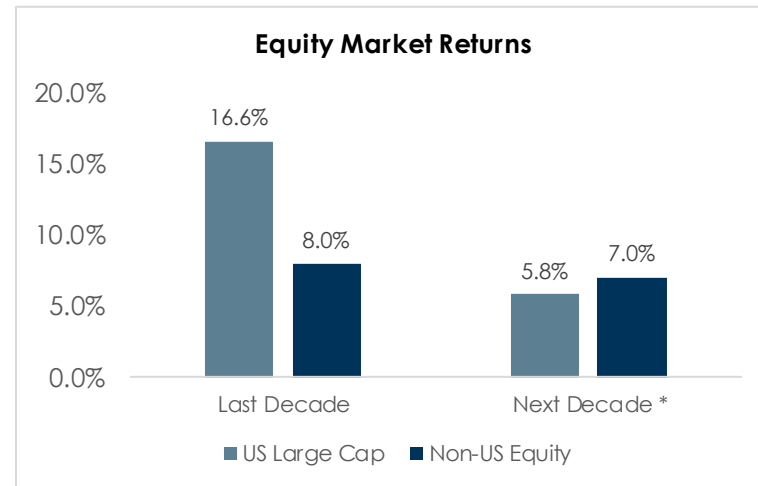
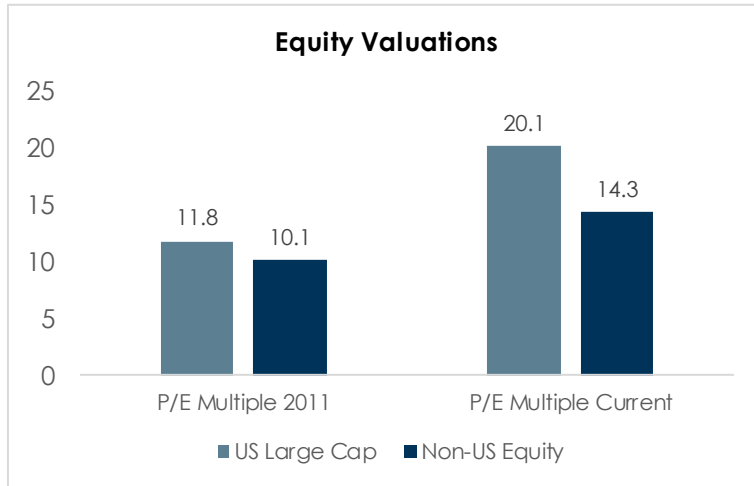


Source: FactSet, FRB, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management

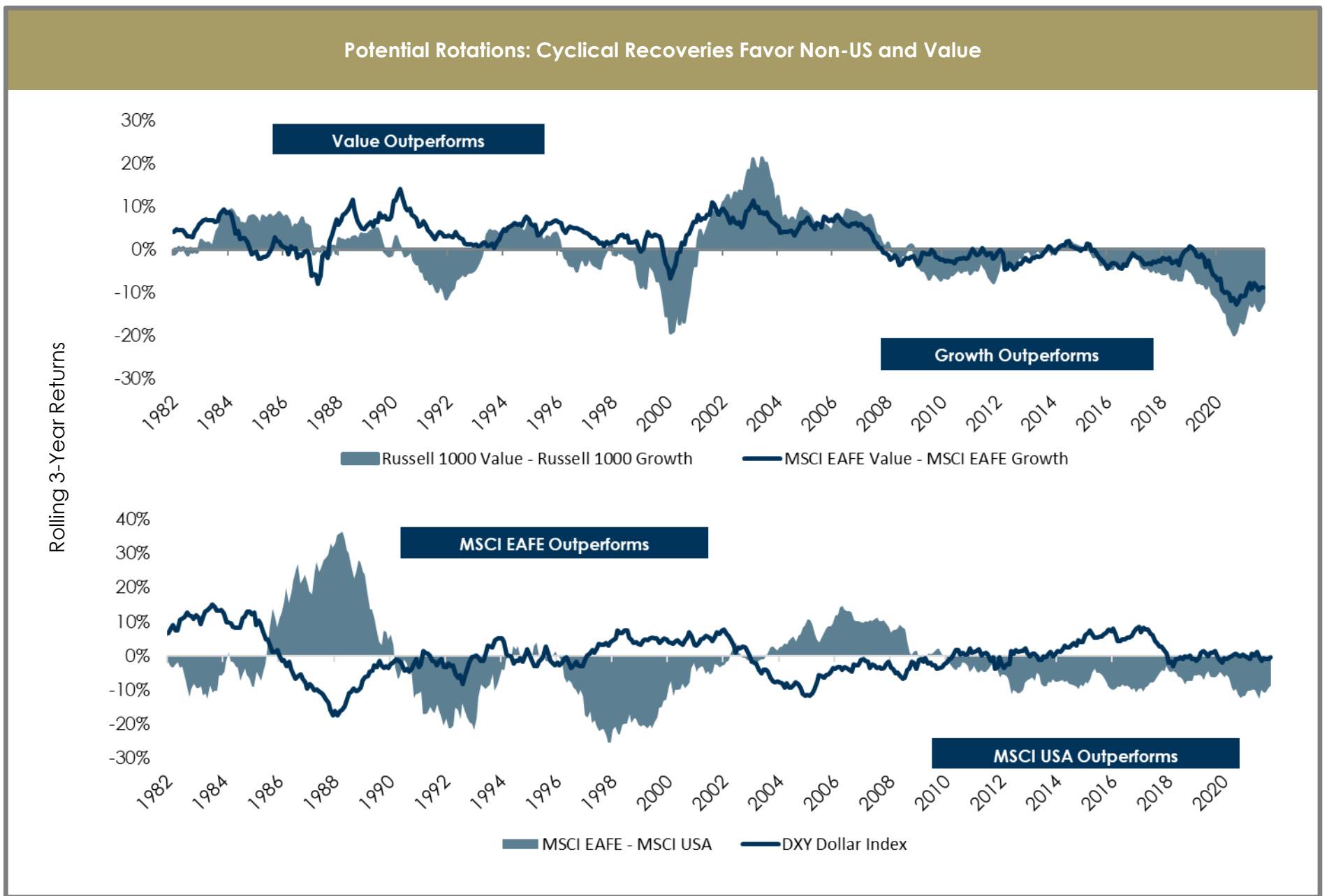


Source: ACG Research, Bloomberg, Robert Shiller (as of September 30, 2021)

Current Valuations Likely to Weigh On Longer-Term Returns

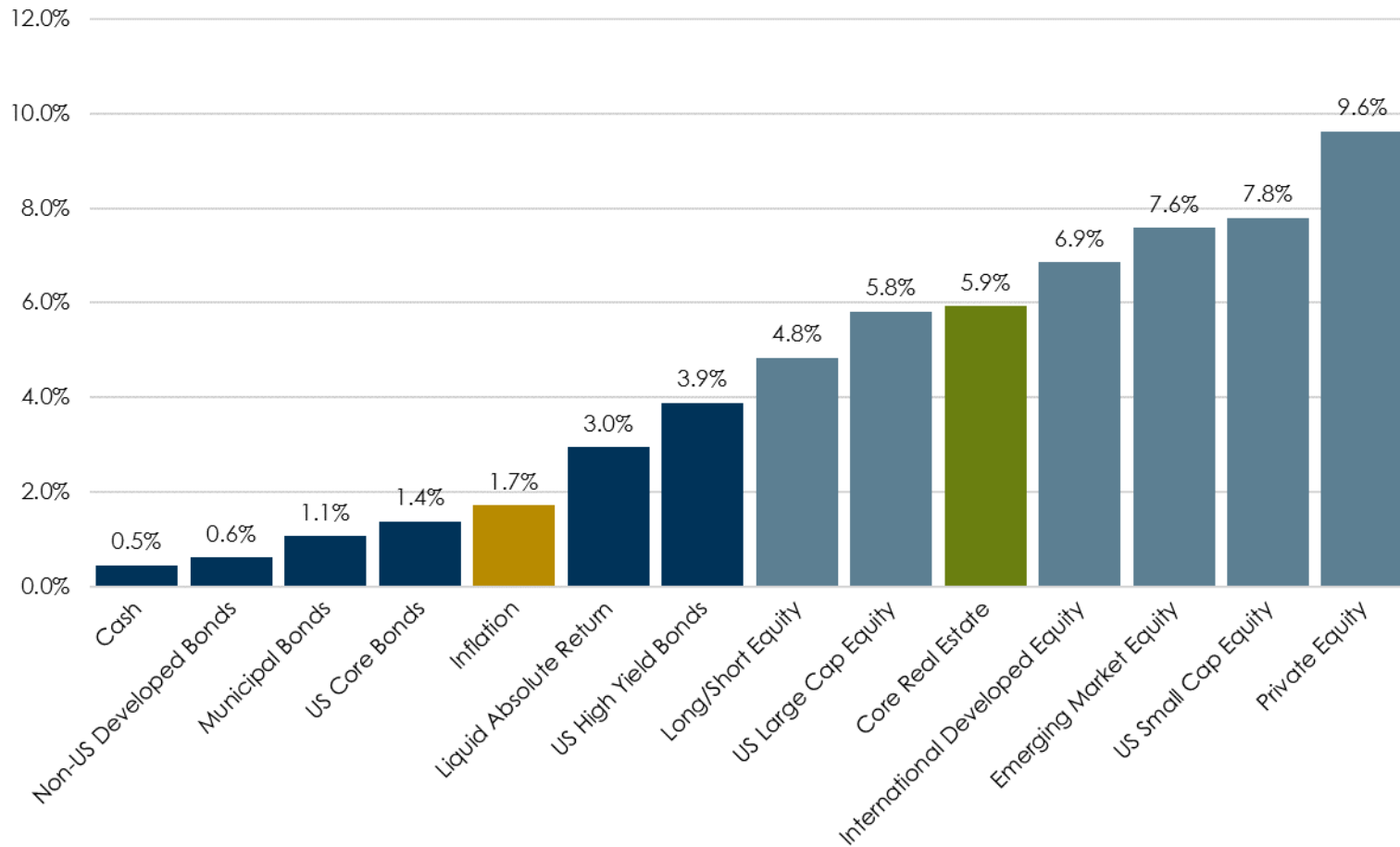


Source: Bloomberg, Factset, Yardeni Research, * represents ACG's Intermediate-Term CMAs

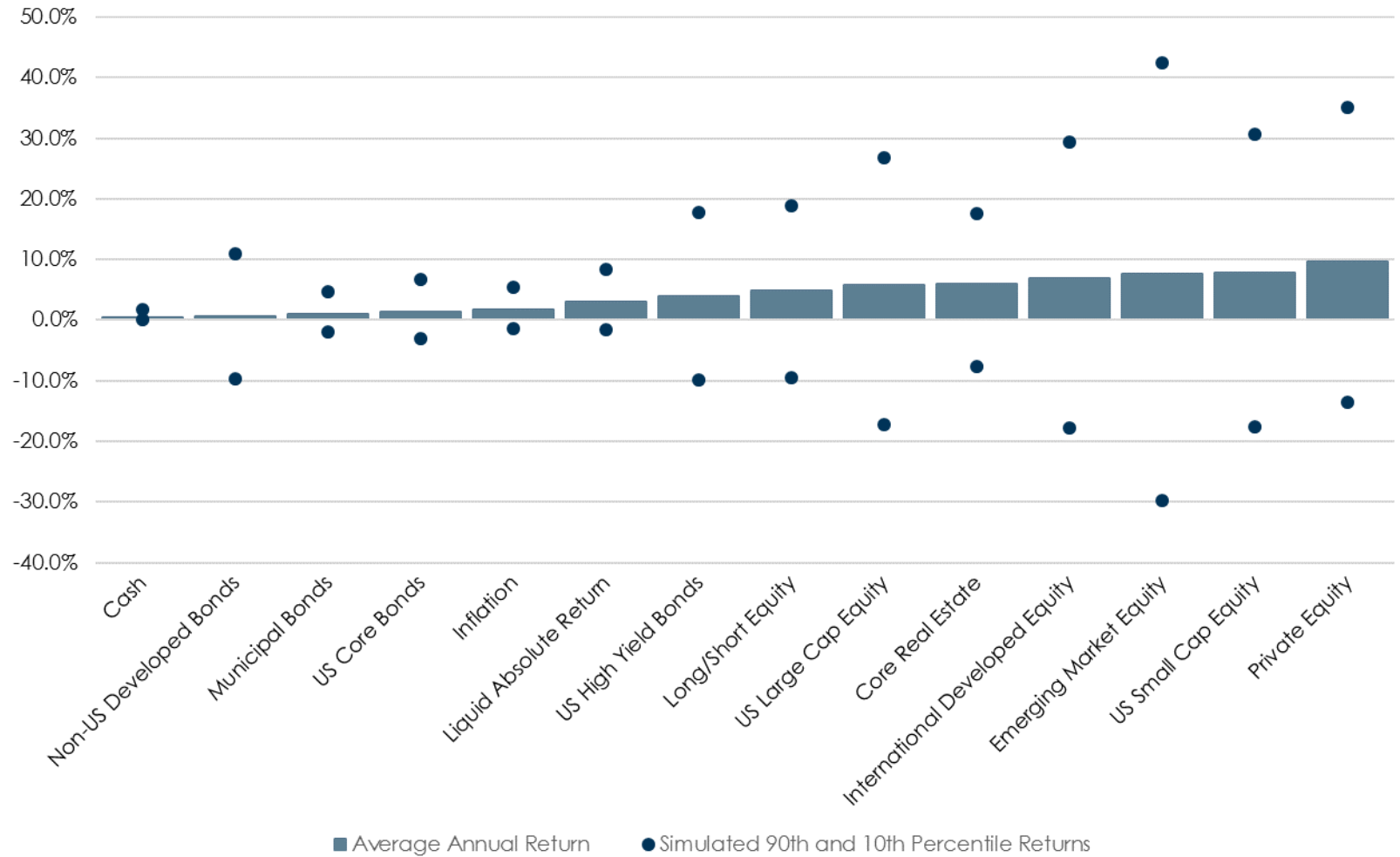


Source: ACG Research, Bloomberg, MSCI, Morningstar (as of September 30, 2021)

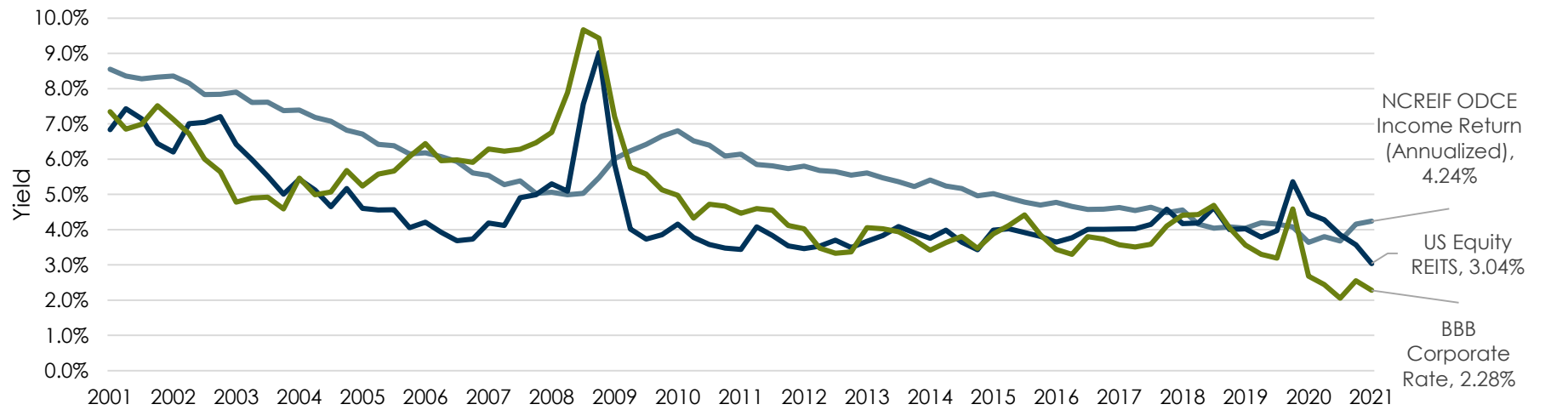
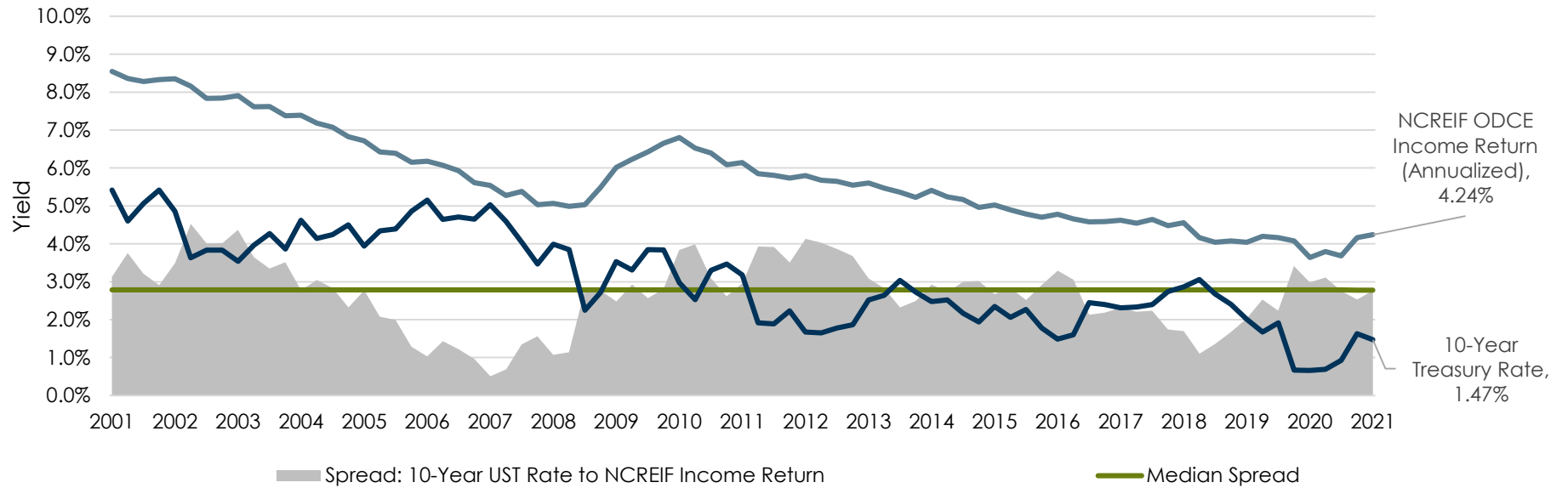
ACG's 2021 Intermediate-Term Capital Market Assumptions



ACG's 2021 Intermediate-Term Capital Market Assumptions

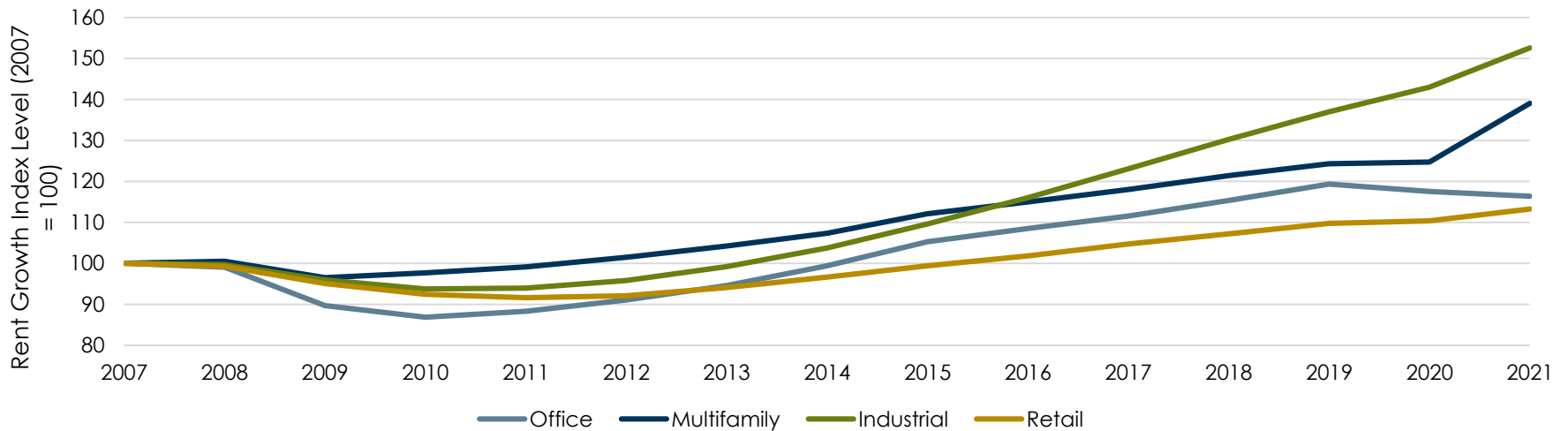
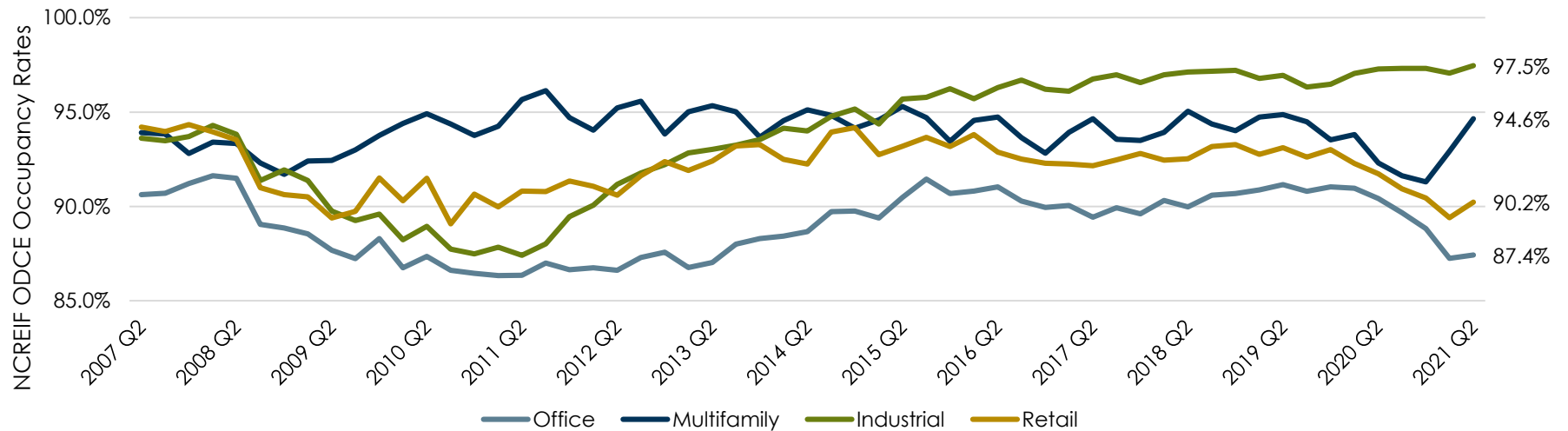


Private Real Estate Yields Remain Attractive Relative to Fixed Income and Public Real Estate



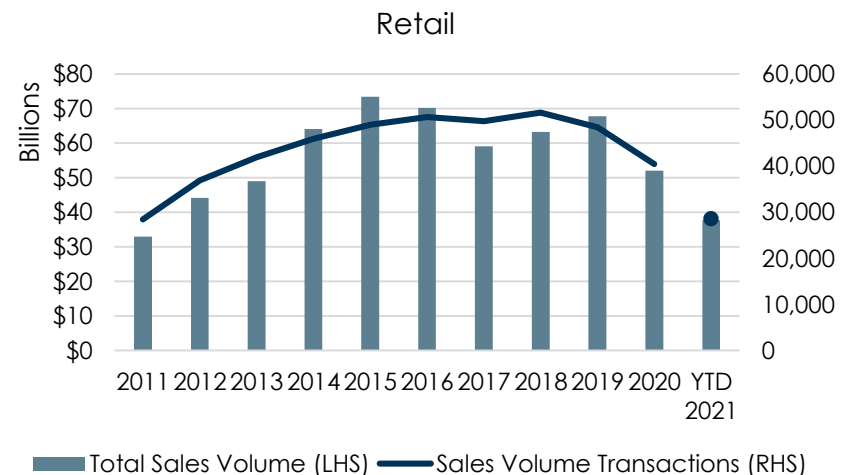
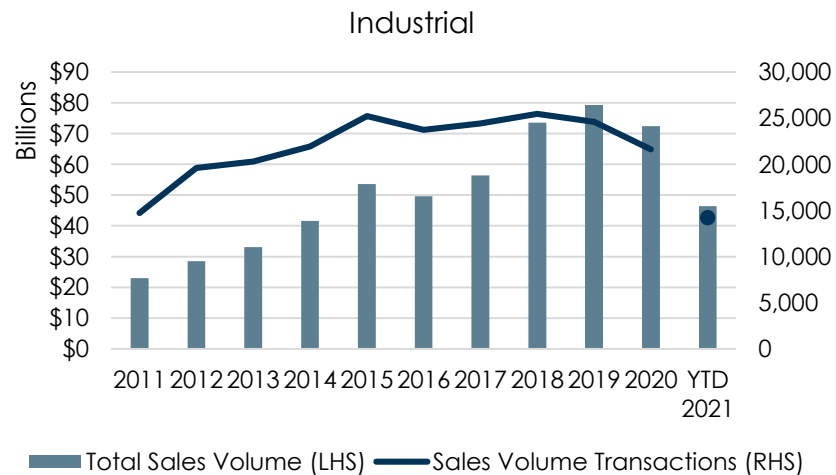
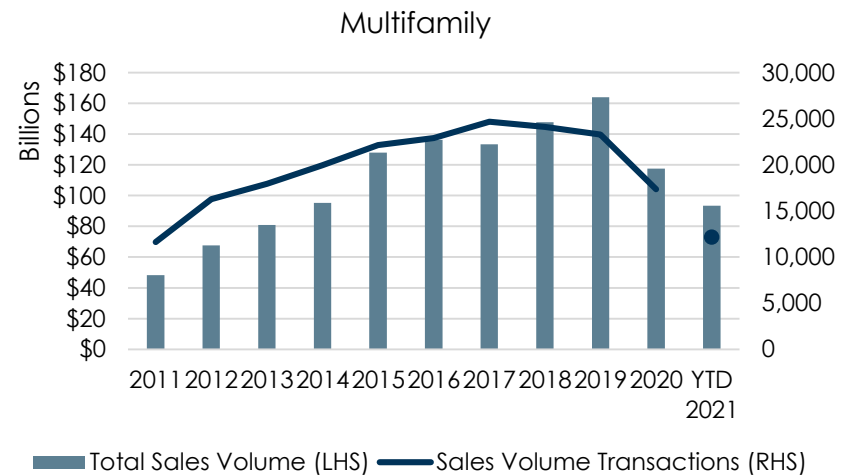
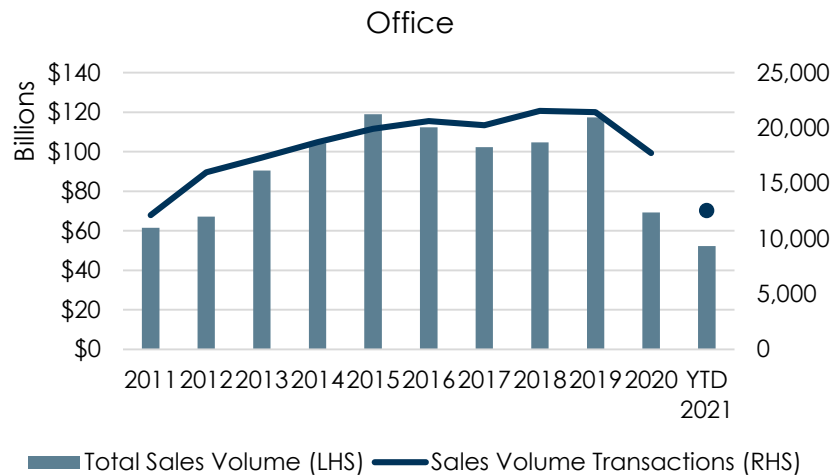
Source: Bloomberg, ACG Research (as of June 30, 2021)

Real Estate Recovery Varies by Property Type but the Overall Trend is Positive



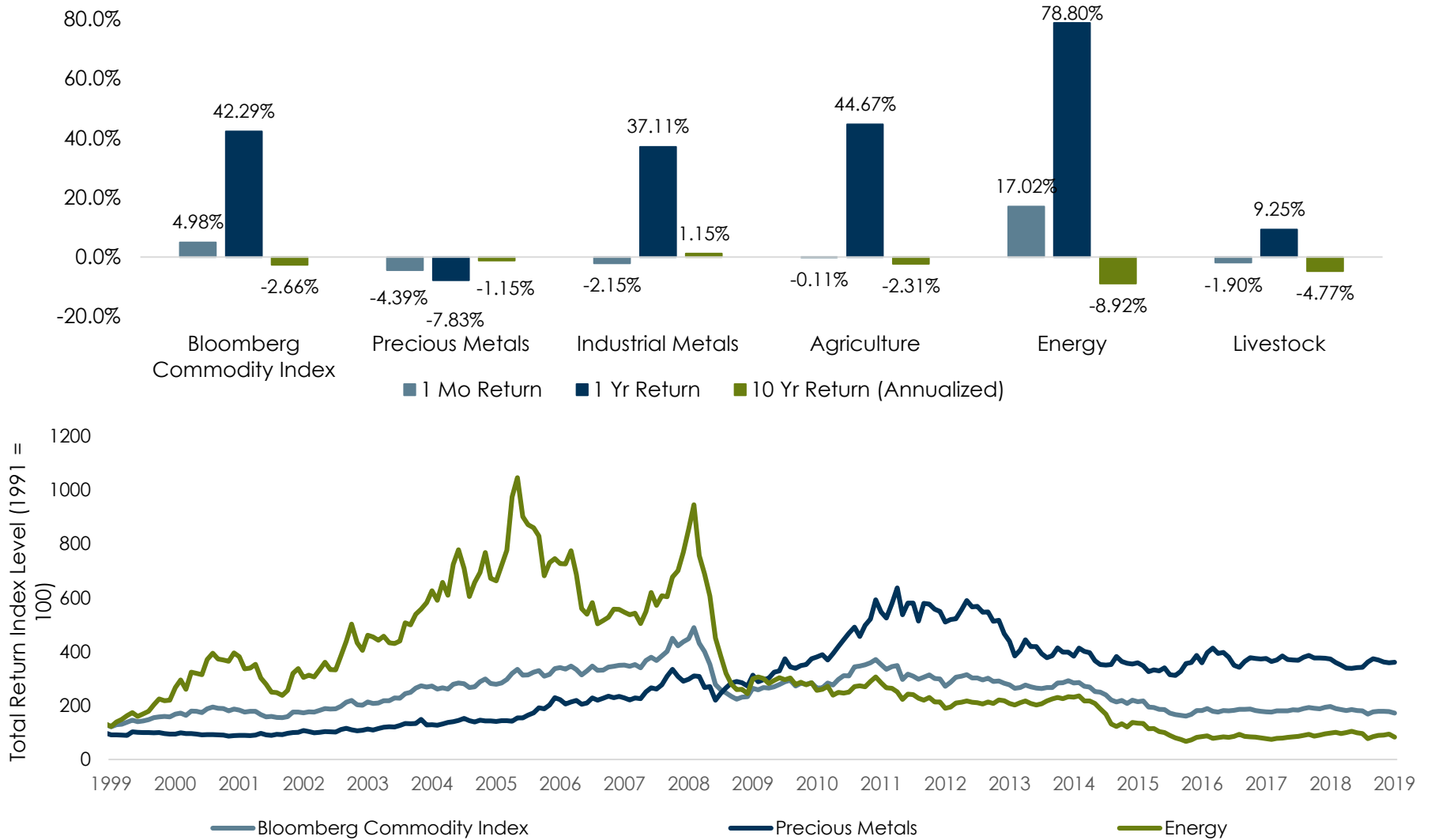
Source: AEW, CoStar, ACG Research (as of June 30, 2021)

Real Estate Transactions Slowed in 2020 but are on Pace to Rebound In 2021



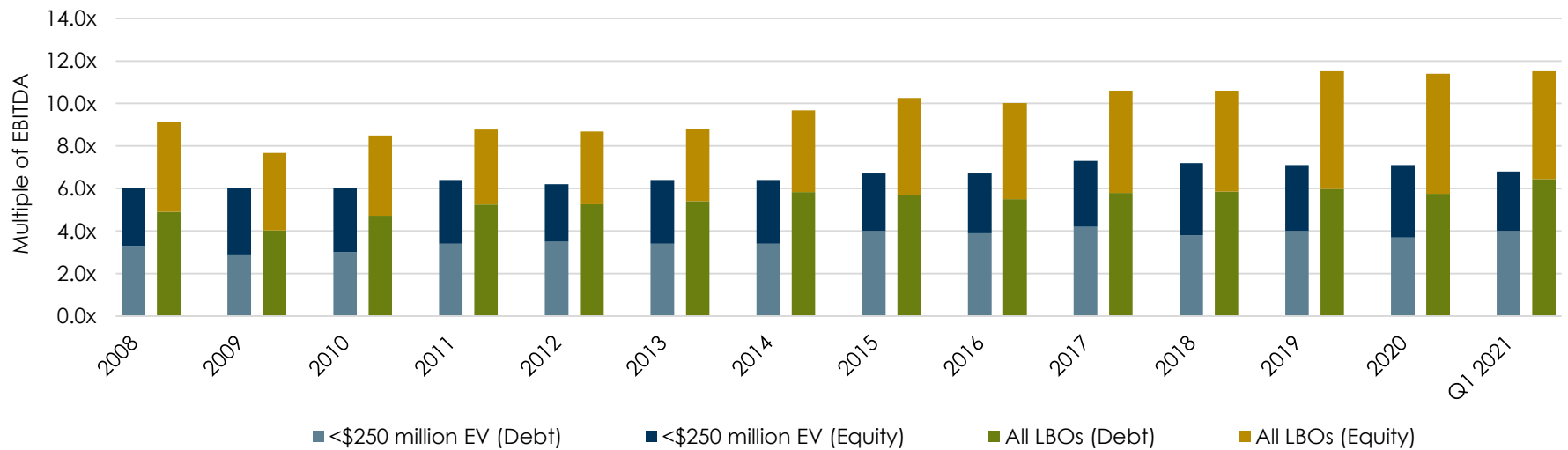
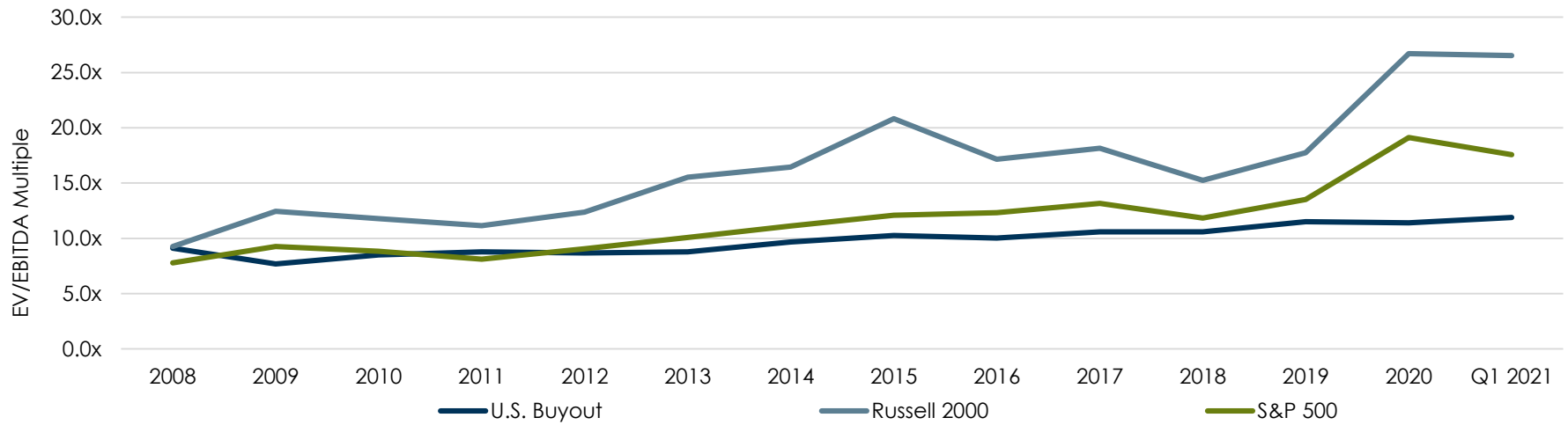
Source: CoStar, ACG Research (as of June 30, 2021)

Commodity Prices Have Rebounded in 2021 but Returns Remain Negative Over the Last Decade



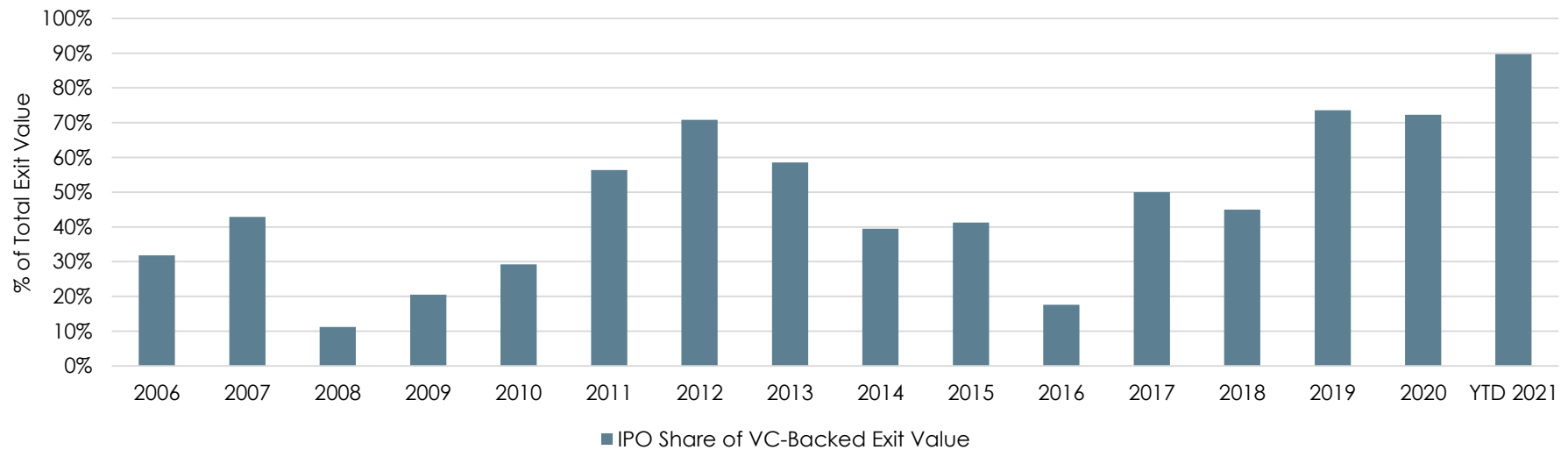
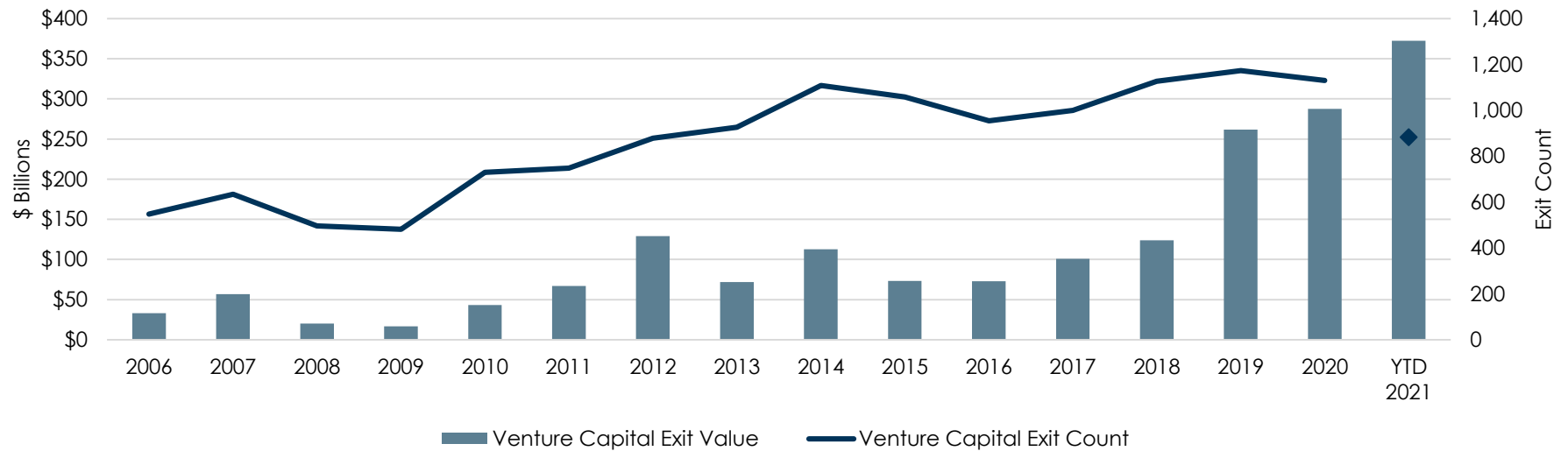
Source: Bloomberg, ACG Research (as of September 30, 2021)

Valuation Discount Exists in Private vs. Public Markets and in Small vs. Large Private Transactions



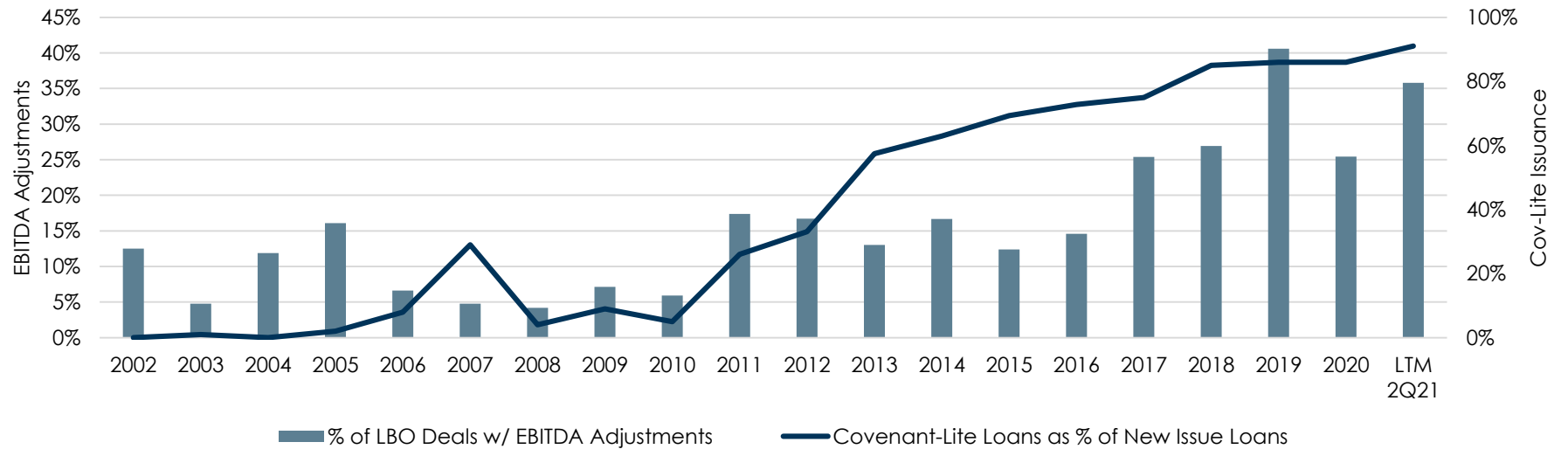
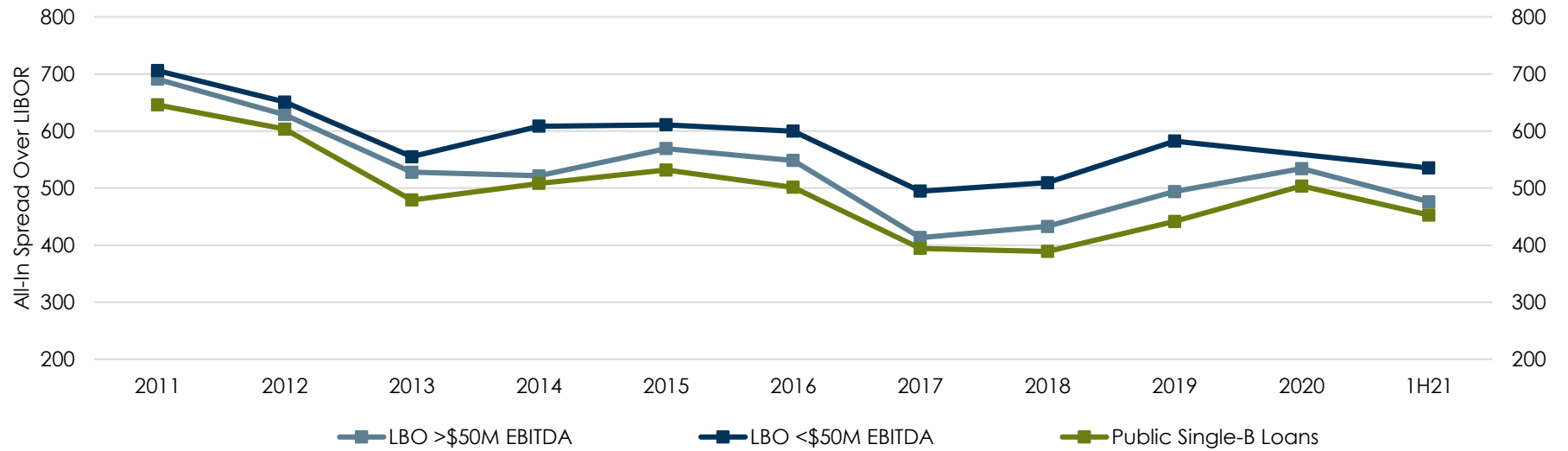
Source: S&P LCD, CIBC Capital Markets, GF Data, ACG Research (as of March 31, 2021)

Venture Capital Exit Volume is at Record Levels, with Activity Increasingly Dominated by IPO vs. M&A Activity

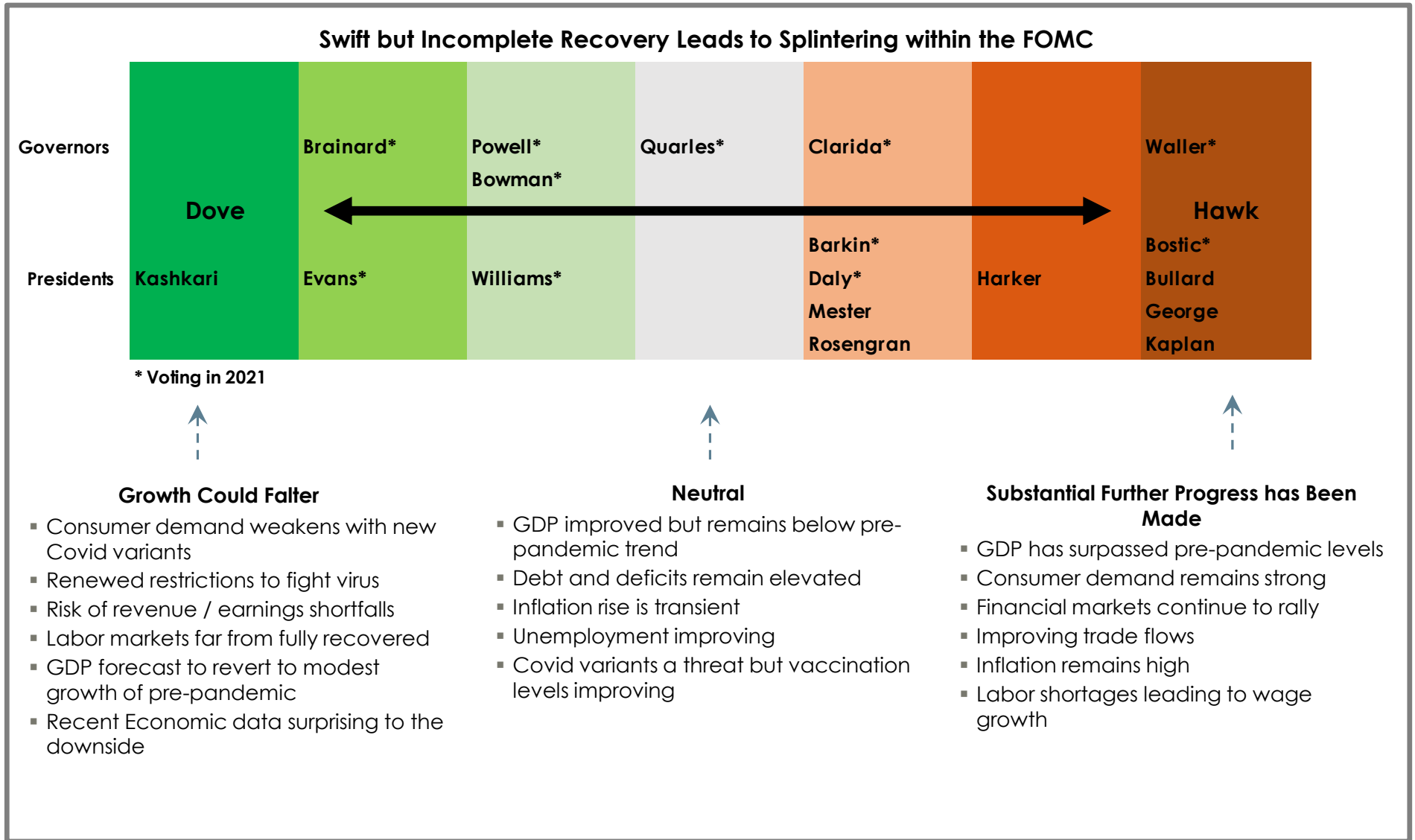


Source: Renaissance Capital, PitchBook, ACG Research (as of June 30, 2021)

Smaller Private Loans Still Offer a Yield Premium, but Risk-Adjusted Yields Have Fallen

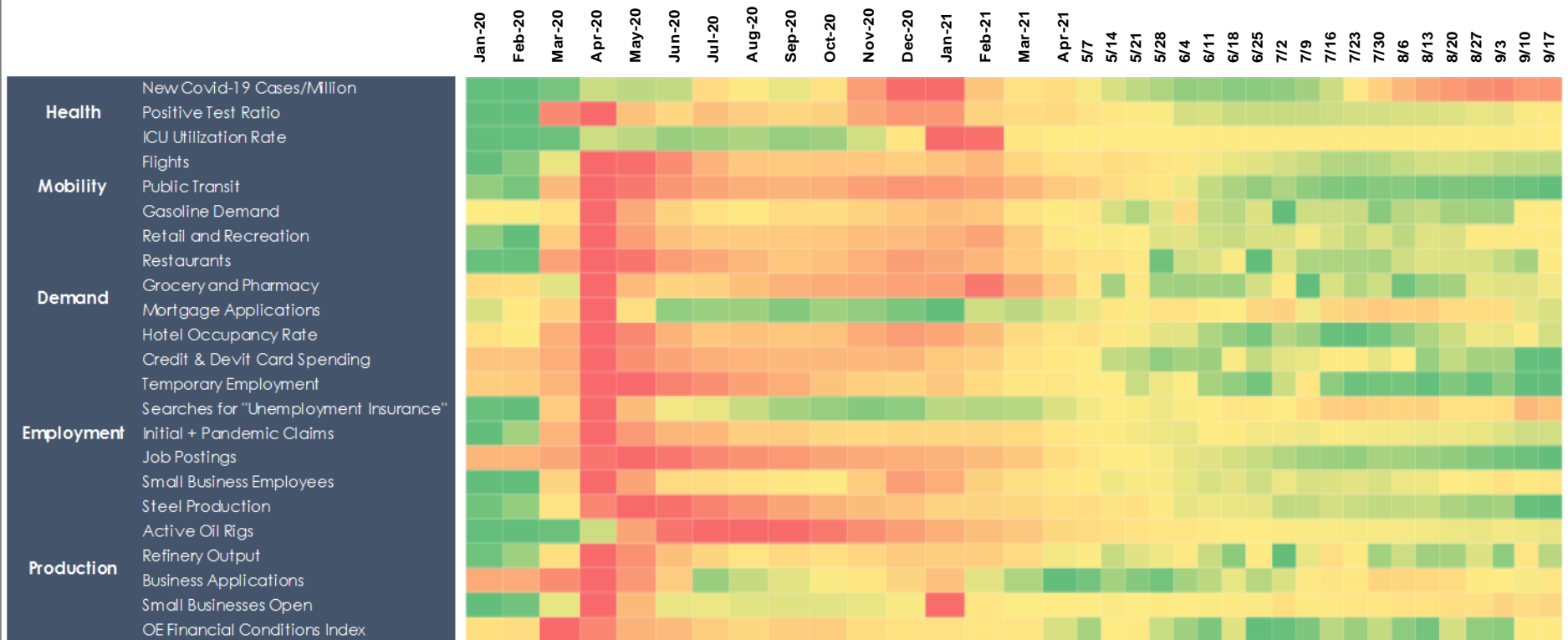


Source: S&P LCD, ACG Research (as of June 30, 2021)



High Frequency Data Shows Status of Evolving Recovery

Oxford Economics' Recovery Tracker

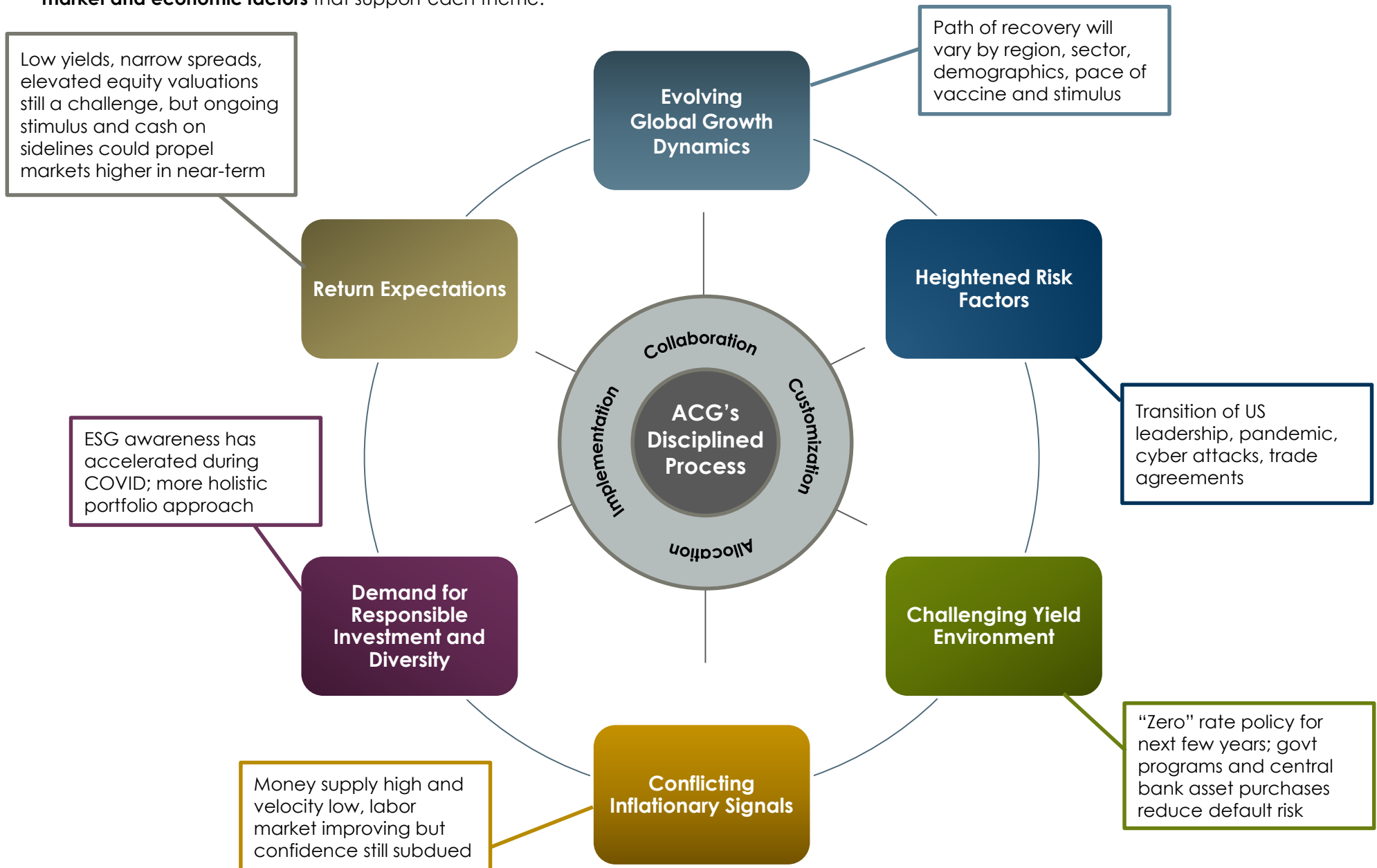


- The US Recovery Tracker strengthened in the week ended September 17, rising 0.3ppts to 96.1, but remained below its early summer peak as it continues to be restrained by health and supply concerns. Stronger employment and increased mobility drove the advance, while mildly stronger production and looser financial conditions supported the gain.
- Health conditions worsened slightly as positive test rates remained stubbornly high – a reminder there's more work to do on the vaccination front. Demand cooled as consumers spent less at restaurants but more at hotels. Covid data inspires cautious optimism as daily case rates are down almost 25% from early September.

Source: Oxford Economics

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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