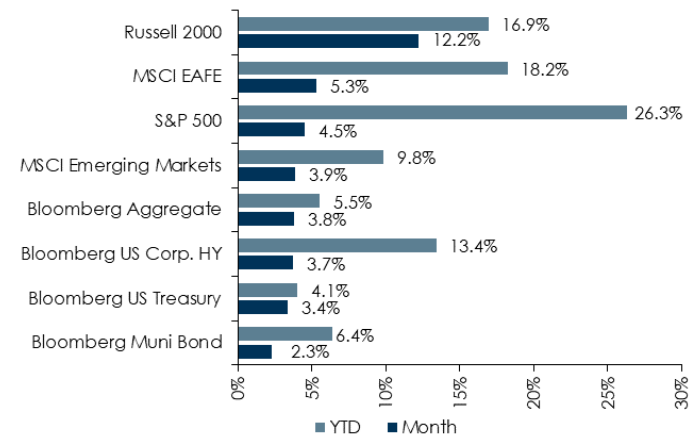


Economic Overview

- The US Fed held rates steady for a 3rd consecutive meeting, and dovish messaging reinforced expectations that this hiking cycle has ended
- The rate of inflation declined slightly, roughly in line with expectations, with headline CPI growing 3.1% and core CPI 4.0% for the year
- The US labor market continued to show resilience with unemployment declining from 3.9% to 3.7% and wage growth of 4.0% from a year ago

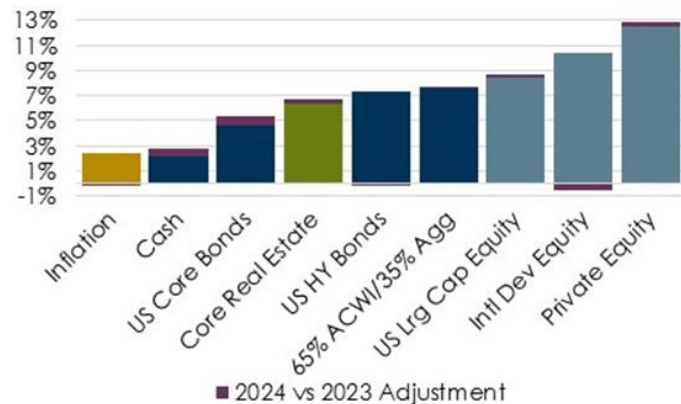
Market Returns

- Rate cut optimism fueled an “everything rally” for a 2nd month
- Huge gains for small caps after months of underperformance



Source: Bloomberg, ACG Research (as of 12/31/2023)

Average Annual Return Assumptions (Next 10 Years)



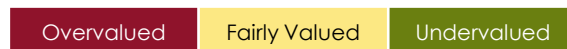
Asset Class Valuations - Rebalancing Rationale

- Equities pricing a faster pace of rate cuts than Fed guidance indicates
- 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

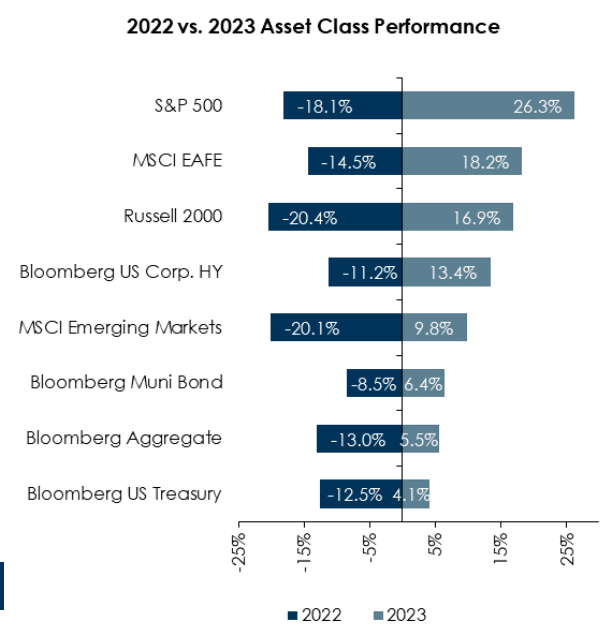
Core Real Estate	Overvalued	Historically low (but rising) cap rates
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Key Risk Factors We Are Watching

- 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

Most Asset Classes Rebounded From 2022



Source: Bloomberg (as of 12/31/2023)

Recent Articles (click on links below)

- [Japan – Can the Recent Equity Rally Continue? \(January\)](#)
- [Global Manufacturing \(November\)](#)
- [Where's the Recession? \(October\)](#)

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