

Economic Overview

- US job growth was unexpectedly soft in July, adding a meager 73,000 jobs, while growth from the prior two months was revised down by 258,000
- Inflation was higher but only modestly in light of tariffs, with core CPI rising from 2.9% to 3.1% and Core PCE from 2.8% to 2.9%
- The US imposed higher 'reciprocal' tariff rates on countries without a trade deal in place, while the trade truce with China was extended 90 days

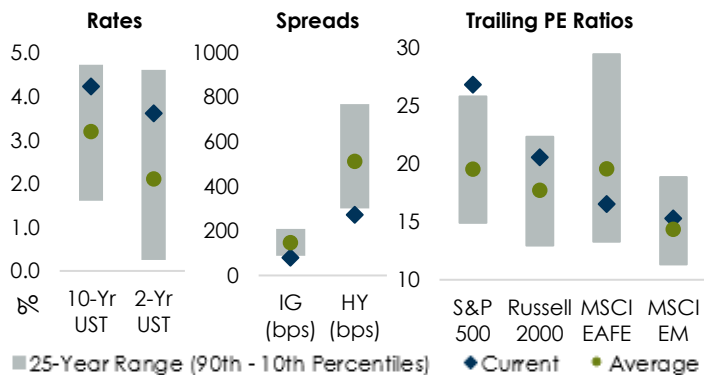
Market Returns (%)

- Equities rallied on strong earnings and policy easing outlook
- Fixed income returns were supported by anticipated rate cuts



Source: Bloomberg, ACG Research (as of 8/31/2025)

Fixed Income and Equity Valuation Metrics



Source: Bloomberg (as of 8/31/2025)

Asset Class Valuations - Rebalancing Rationale

- US Large Caps remain expensive despite year-to-date underperformance
- Upside for duration appears limited with additional Fed cuts discounted by markets
- Cash yields set to fall as Fed continues easing

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	Fair valuations, improving growth
Emerging Mkt	Fairly Valued	Balanced upside/downside risks

Cash	Fairly Valued	Cash rates likely to decline
Core Bonds	Fairly Valued	Balanced duration risks
Multi-Sector	Fairly Valued	Attractive income, tight spreads
Absolute Return	Undervalued	Attractive income, manager flexibility

Core Real Estate	Fairly Valued	Market values stabilizing
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Overvalued	Fairly Valued	Undervalued
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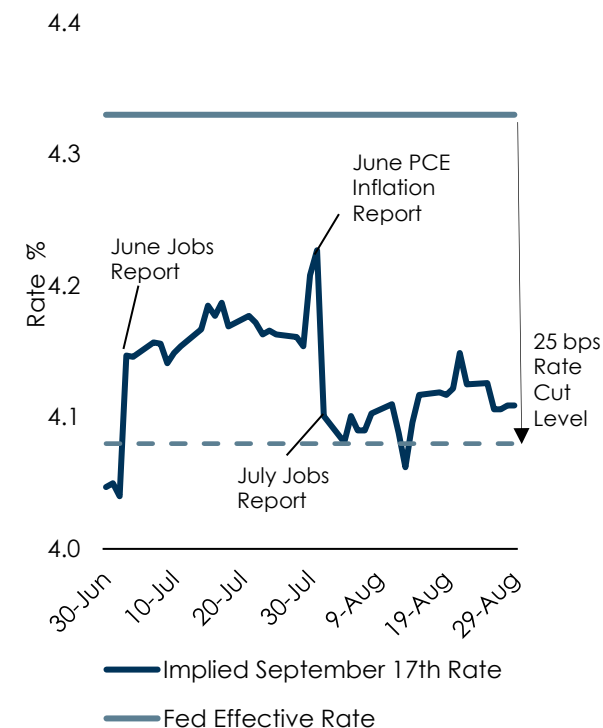
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- [What's Next for the US Dollar?](#)
- [Navigating Tariffs in 2025](#)

Key Risk Factors We Are Watching

- US trade policy uncertainty, supply disruptions
- Potential short-term uptick in inflation
- Earnings pressure (tariffs, weaker demand)
- Consumer headwinds (higher prices, depleted savings)
- Rising US debt/deficit – impact on rates
- Escalation of geopolitical tensions

September Cut Likely as Jobs Data Shifts Outlook



Source: Bloomberg, US Federal Reserve (as of 8/31/2025)

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