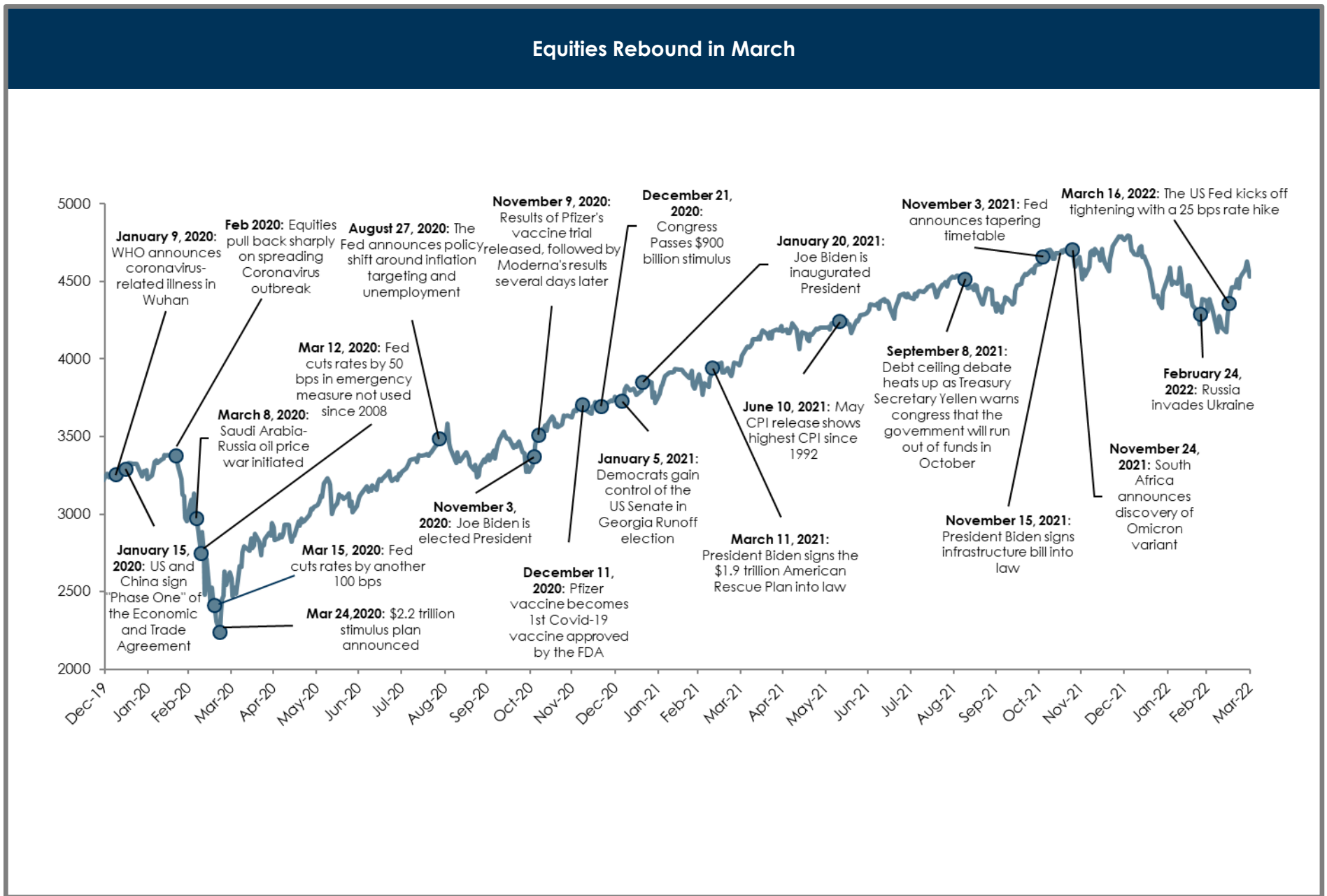
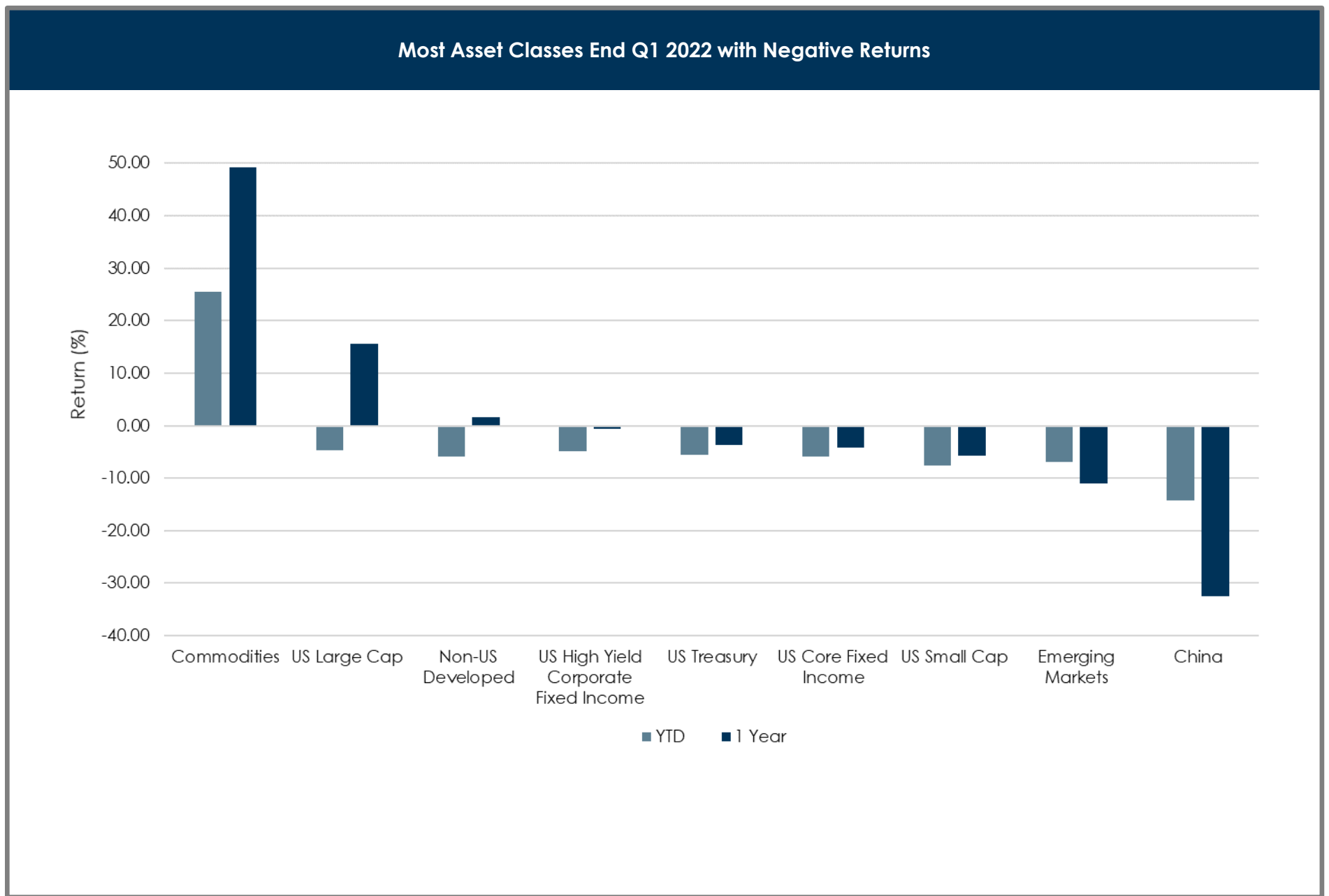

Global Economic Update

2nd Quarter 2022

- **Russia's invasion of Ukraine rattled financial markets** and resulted in harsh sanctions on Russia's economy
- Many **commodity prices have hit multi-year highs** as the invasion raises risk of supply disruptions
- **Omicron wave waning** for most of the world while **China continues to enforce zero-Covid**, leading to additional lockdowns
- **Economic data improved in Q4**, and growth forecasts for 2022 remain strong
- **Monetary policy tilting hawkish**, with tapering accelerated to end in March, and as many as eight more rate hikes now projected in 2022
- Infrastructure bill signed in November but 'Build Back Better' stalls, putting **additional fiscal stimulus at risk**
- **Employment growth picking up** but remains disrupted, hourly earnings rising
- **Inflation is expected to remain elevated** through 2022
- Despite elevated valuations, **strong earnings forecasts are supportive of equities**
- Bond performance struggled in Q1, but **rising rates have improved the outlook for bonds** going forward

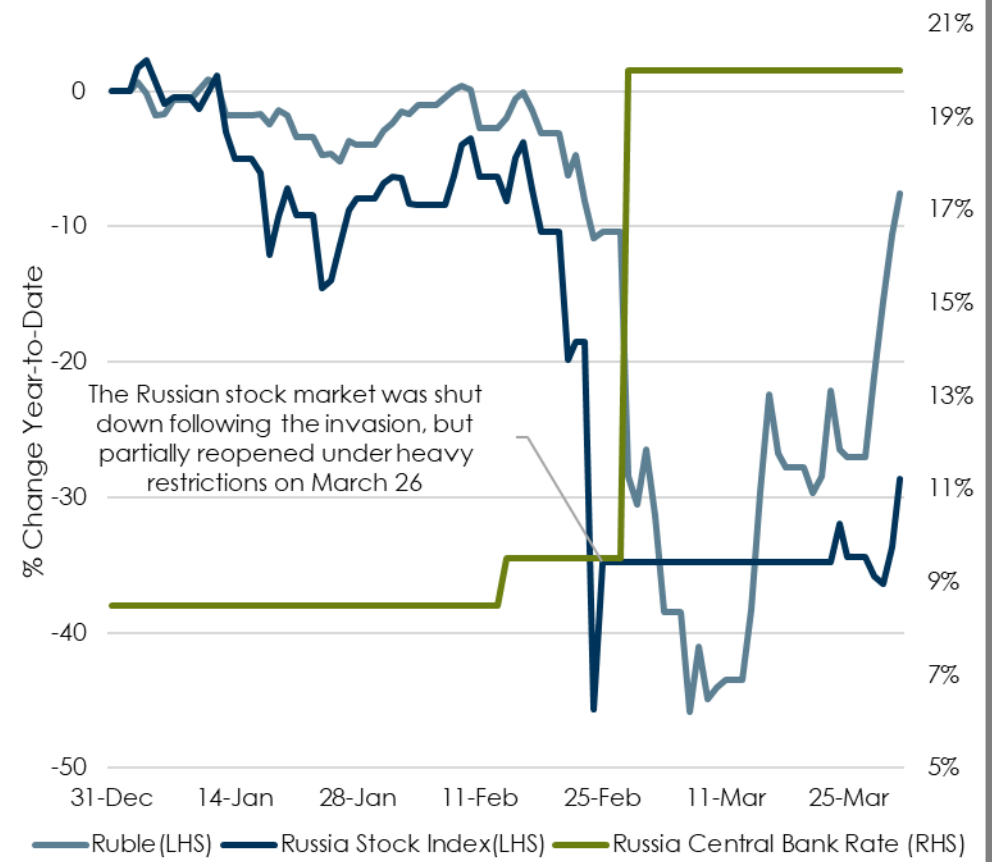
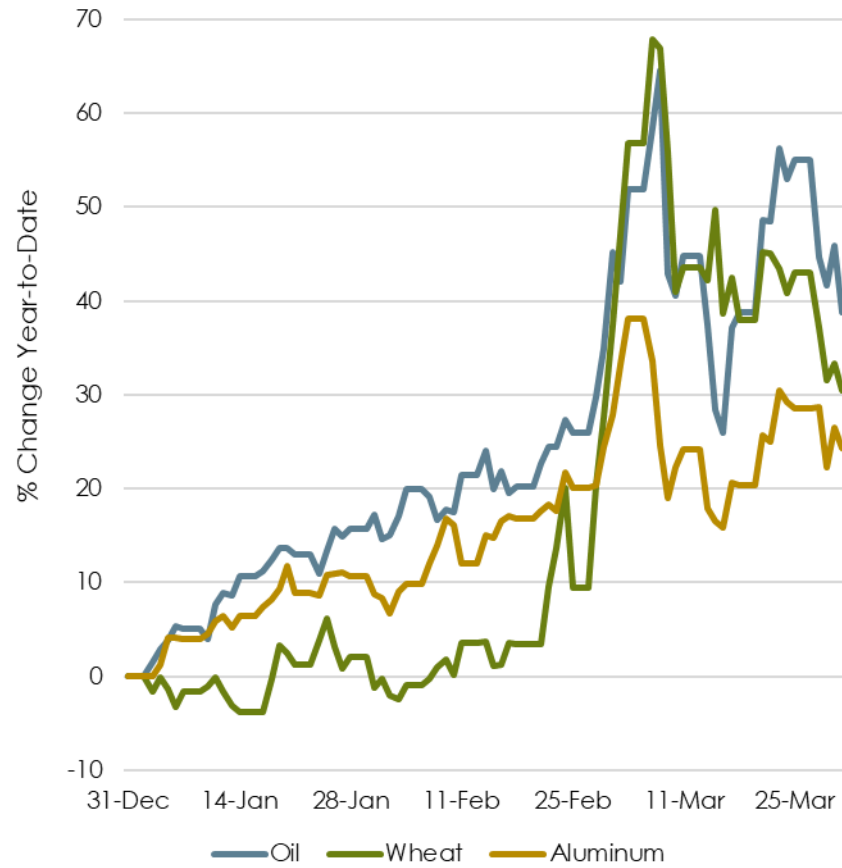


Source: ACG Research, Bloomberg (as of March 31, 2022)



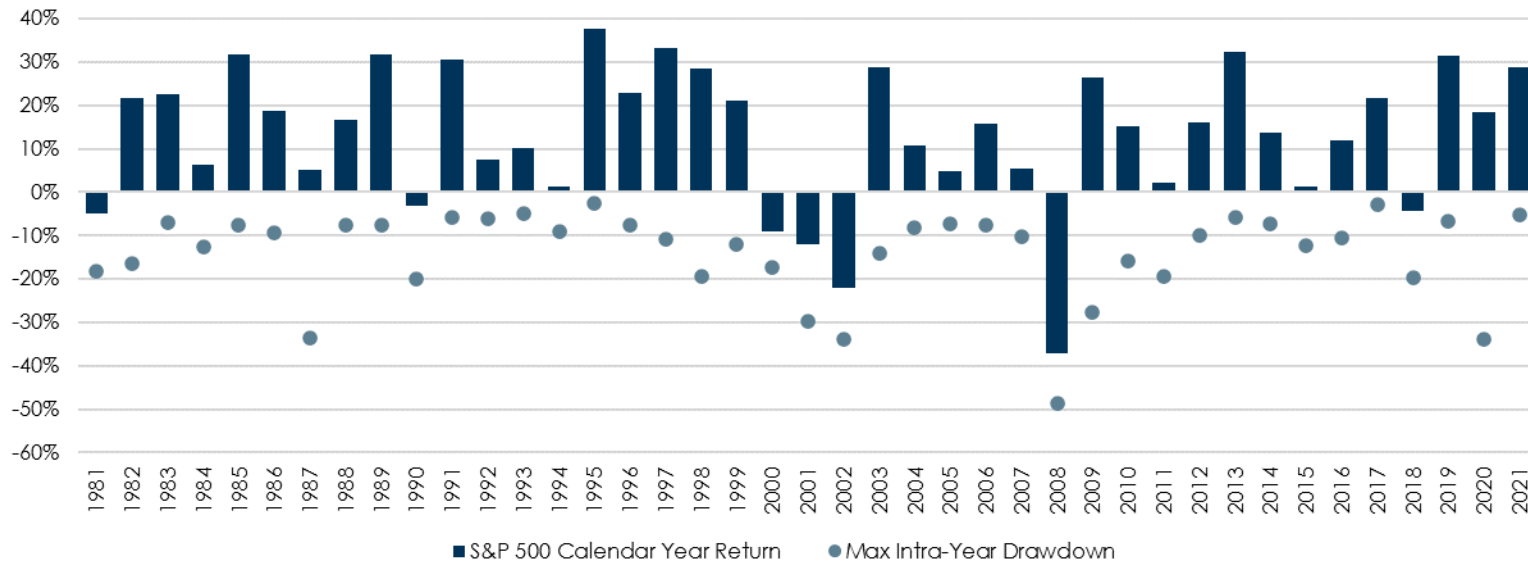
Source: ACG Research, Morningstar (as of March 31, 2022). The following indices used as proxy for asset classes: Russell 2000, Bloomberg Commodity, S&P 500, MSCI EAFE, MSCI Emerging Markets, MSCI China, Bloomberg US Corporate High Yield, Bloomberg US Aggregate, Bloomberg US Treasury

Commodity Prices Remain Volatile in March; Sanctions Prove Highly Disruptive to Russian Markets



Source: ACG Research, Bloomberg

Market Drawdowns are Common; History of Crises Suggests a Quick Rebound, Though Exceptions Exist

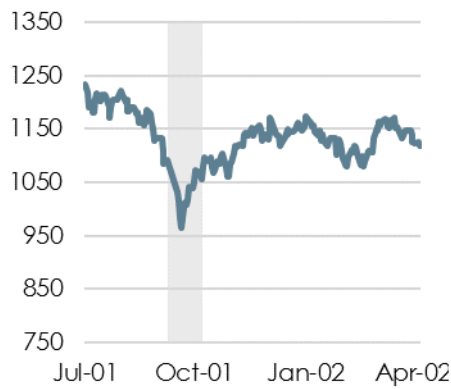


S&P 500 Price at the Start of Conflicts

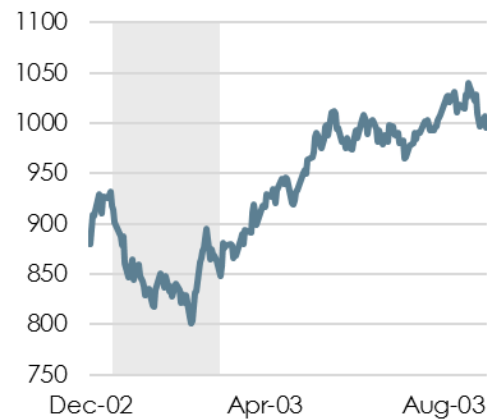
Iraq's Invasion of Kuwait (1990)



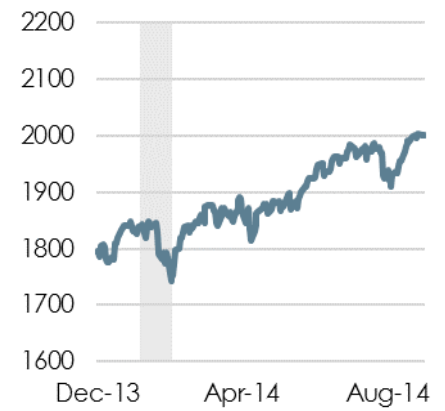
9/11 and Afghanistan War (2001)



Start of Iraq War (2003)

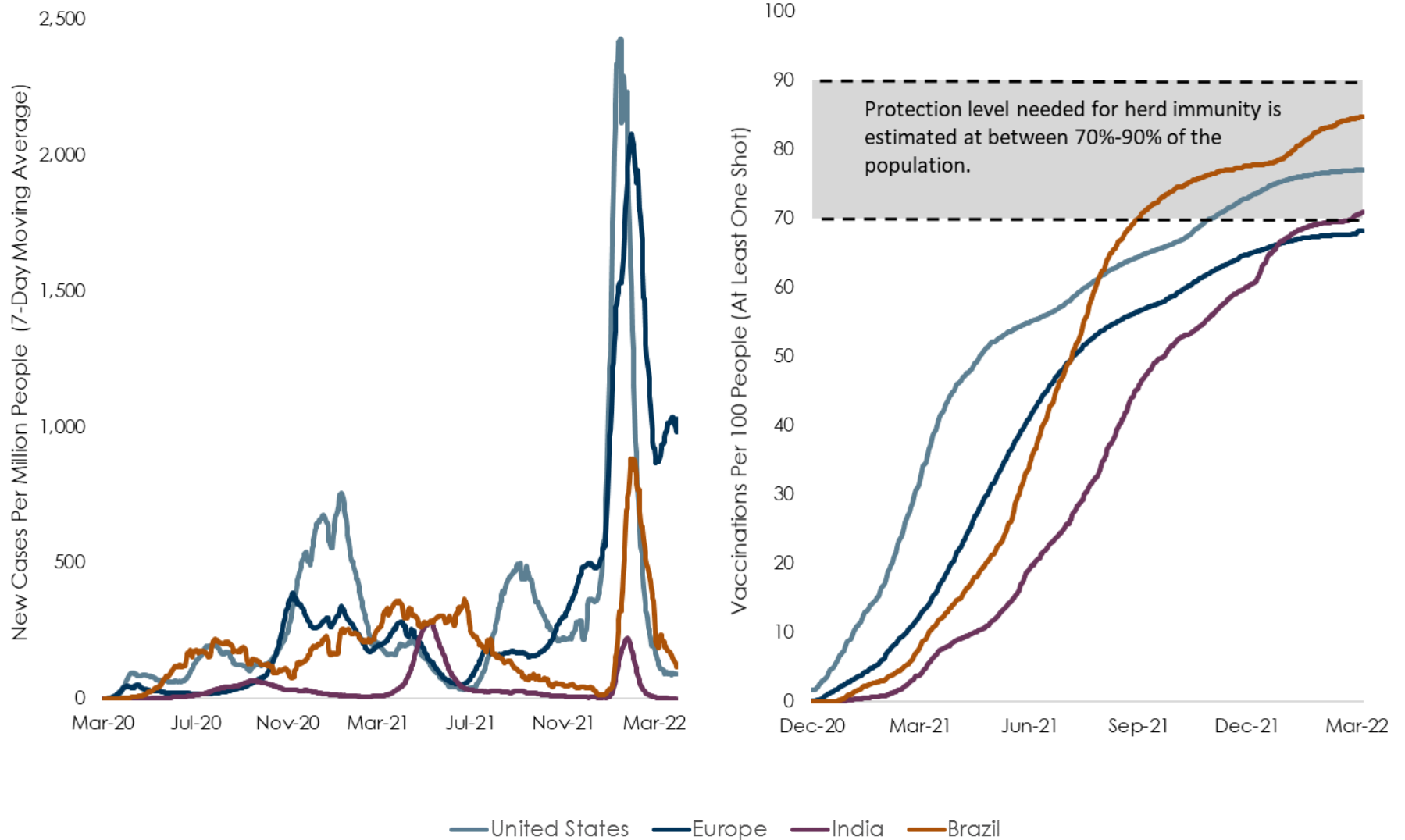


Crimea Crisis (2014)



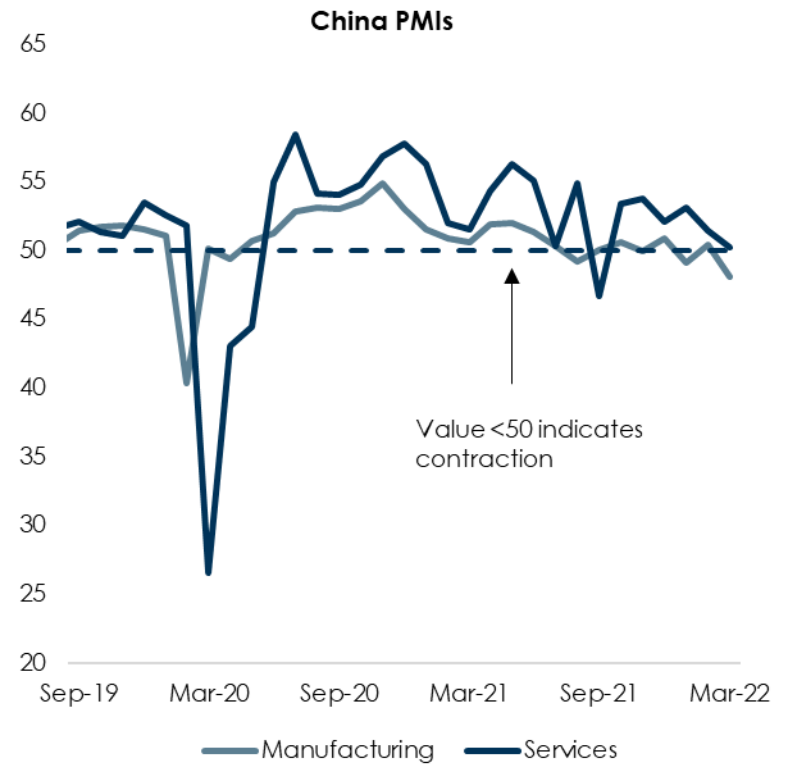
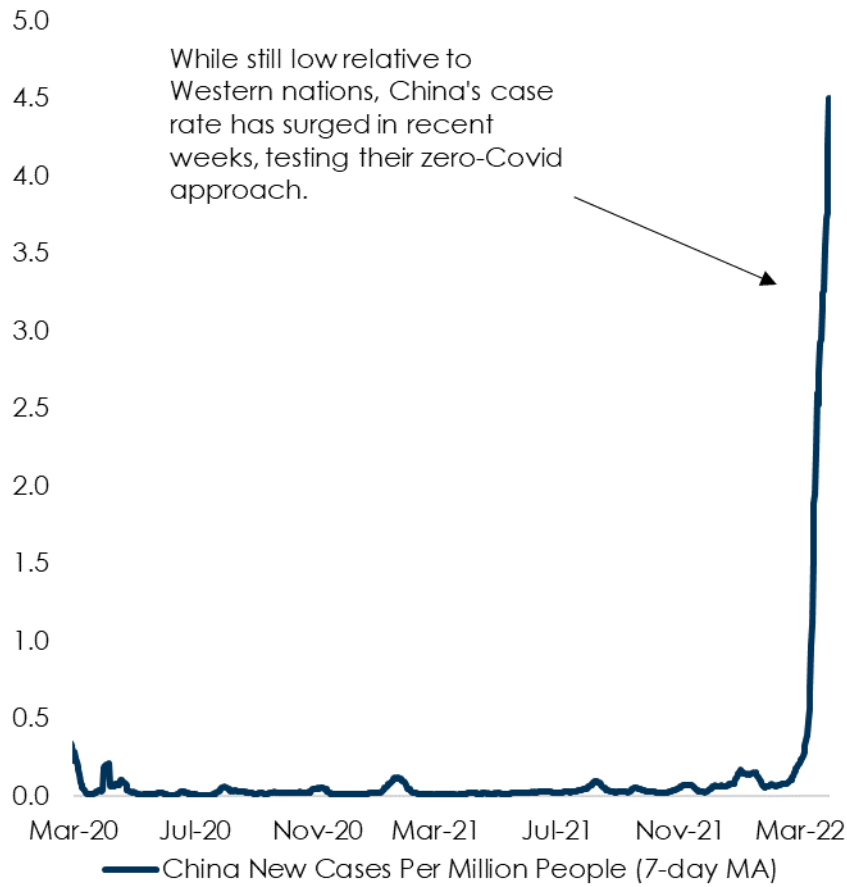
Source: ACG Research, Bloomberg

Omicron Surge Fading for Most of the World, Rising Herd Immunity Expected to Support Economic Growth



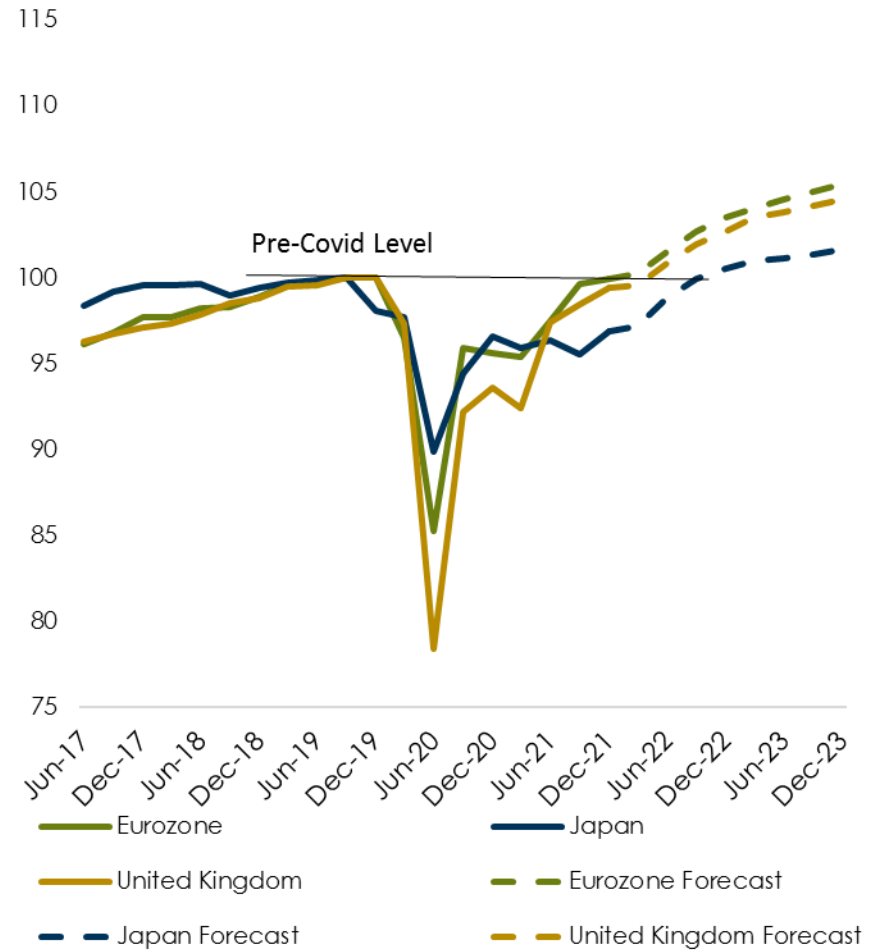
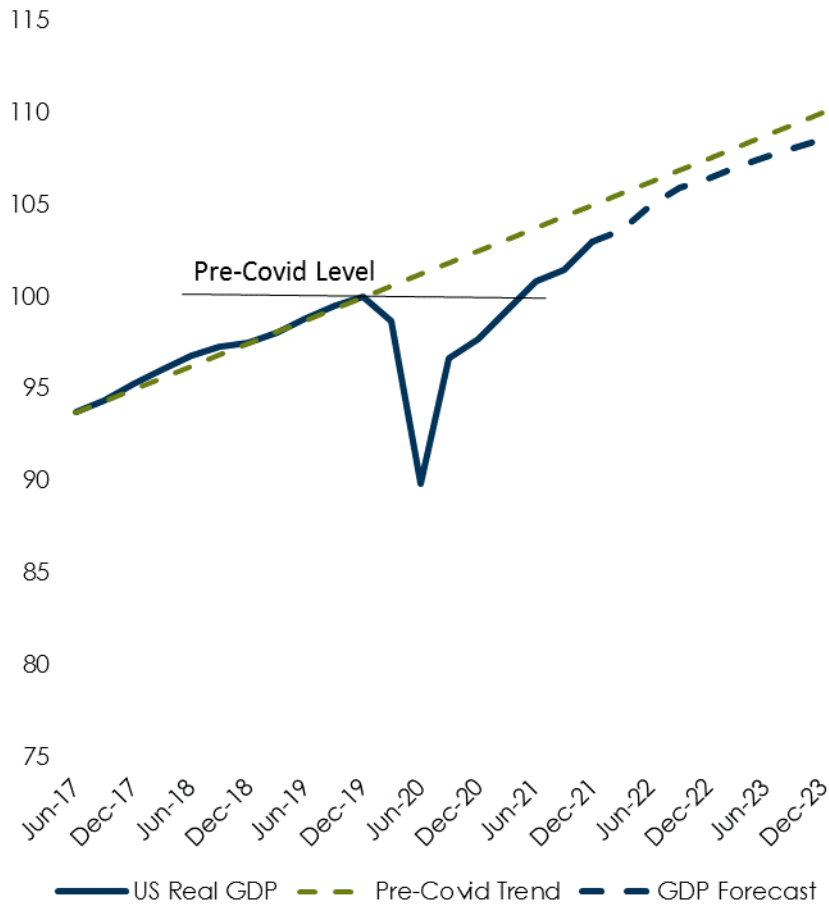
Source: ACG Research, Our World in Data (as of March 31, 2022)

Covid Cases Surging in China as Economic Growth Slows

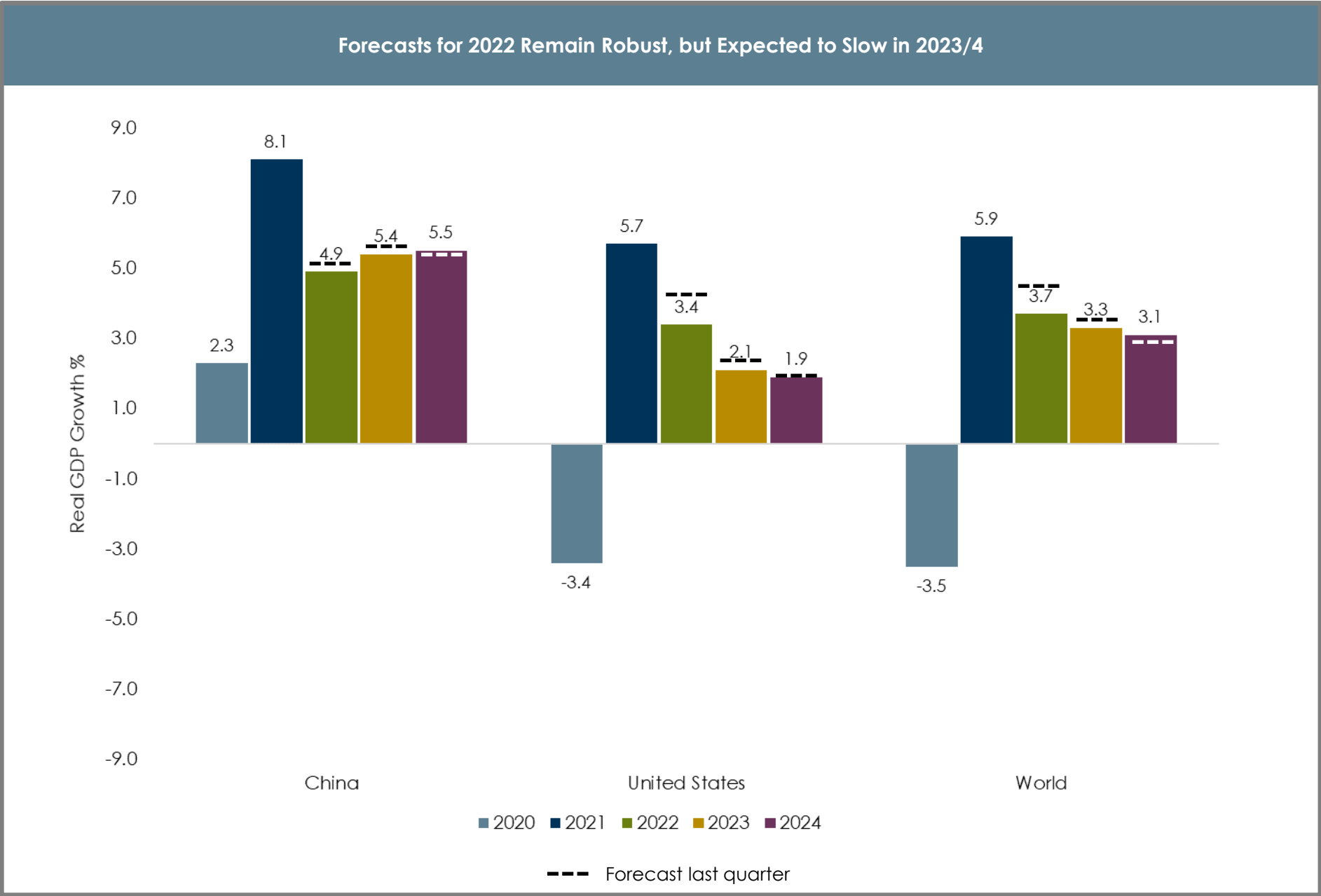


Source: ACG Research, Our World in Data, Bloomberg (as of March 31, 2022)

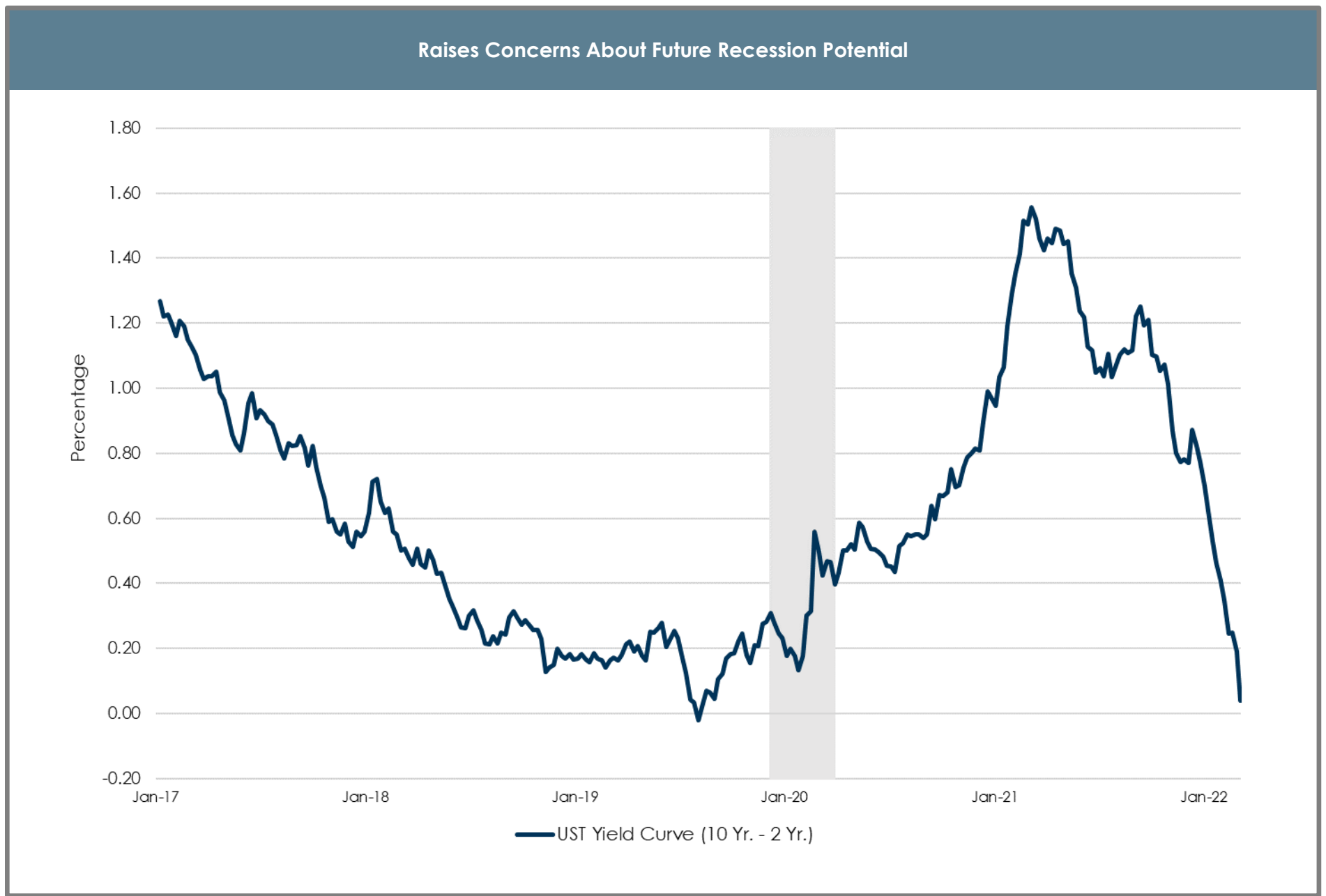
US GDP Advances Past Pre-Covid Level, Other Developed Nations Still Catching Up



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



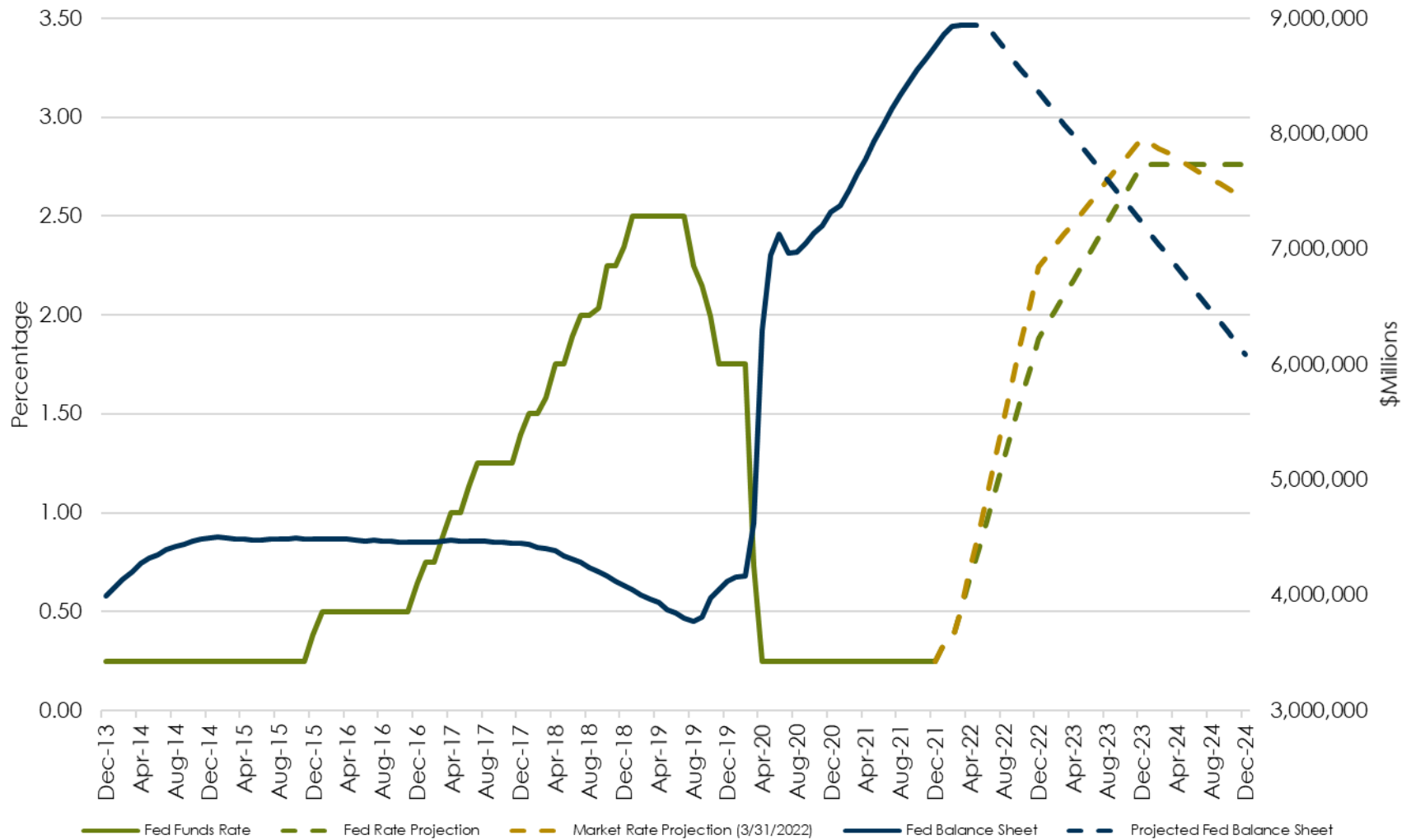
Source: ACG Research, Oxford Economics (as of March 31, 2022)



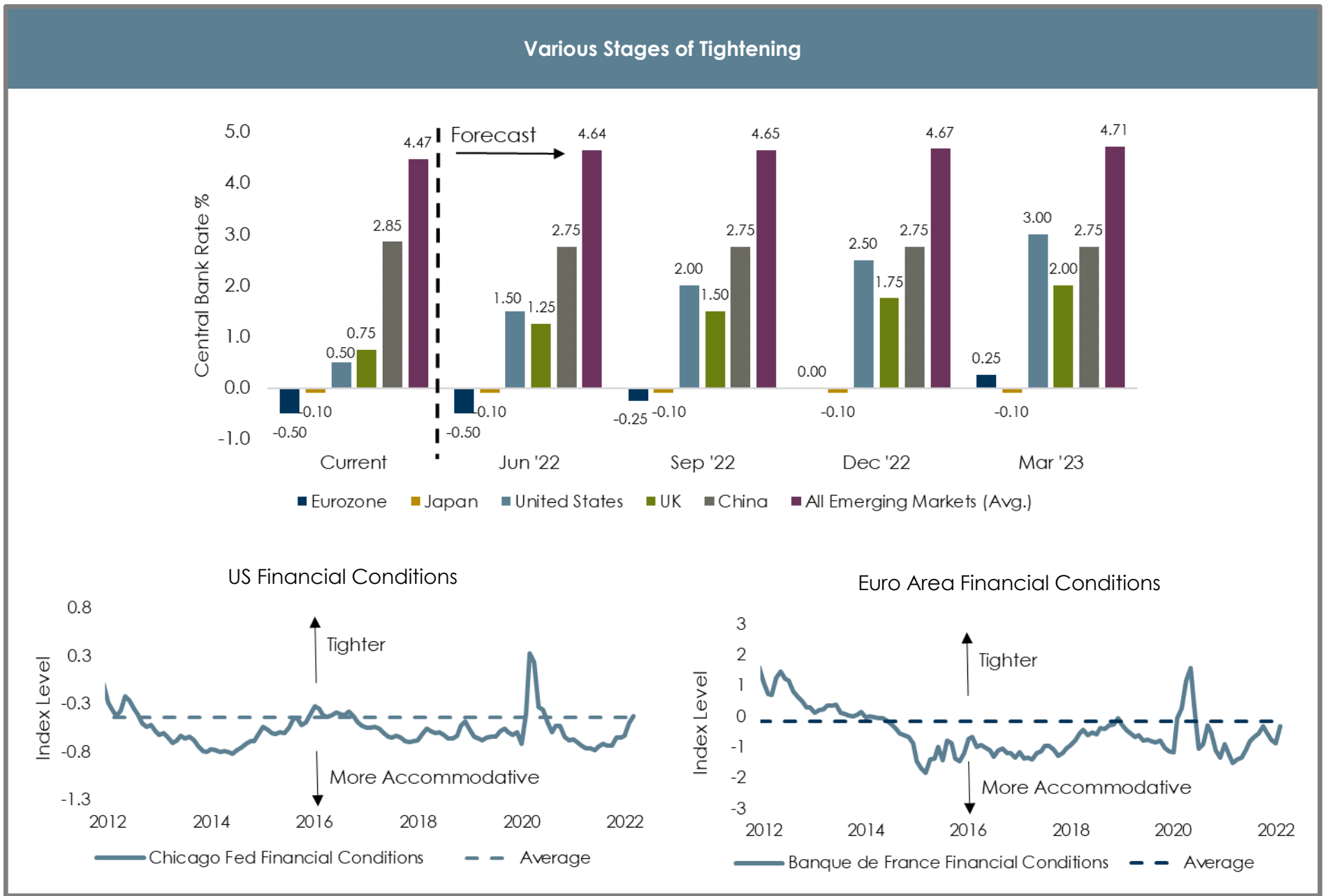
Source: St. Louis Fed, ACG Research (as of March 31, 2022)

Policy Still Supportive, but Direction is Hawkish

Fed Balance Sheet and Fed Funds Rate

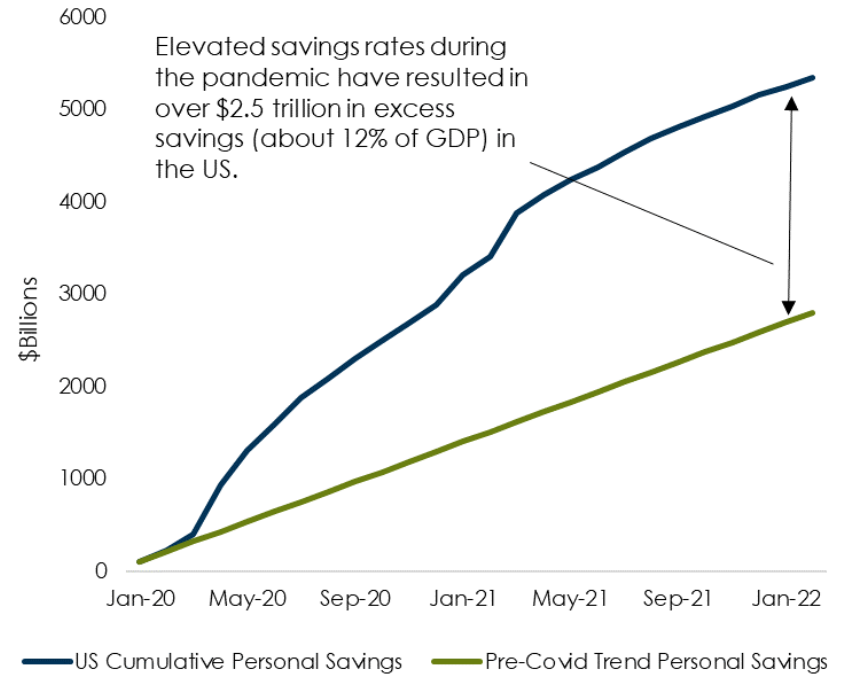
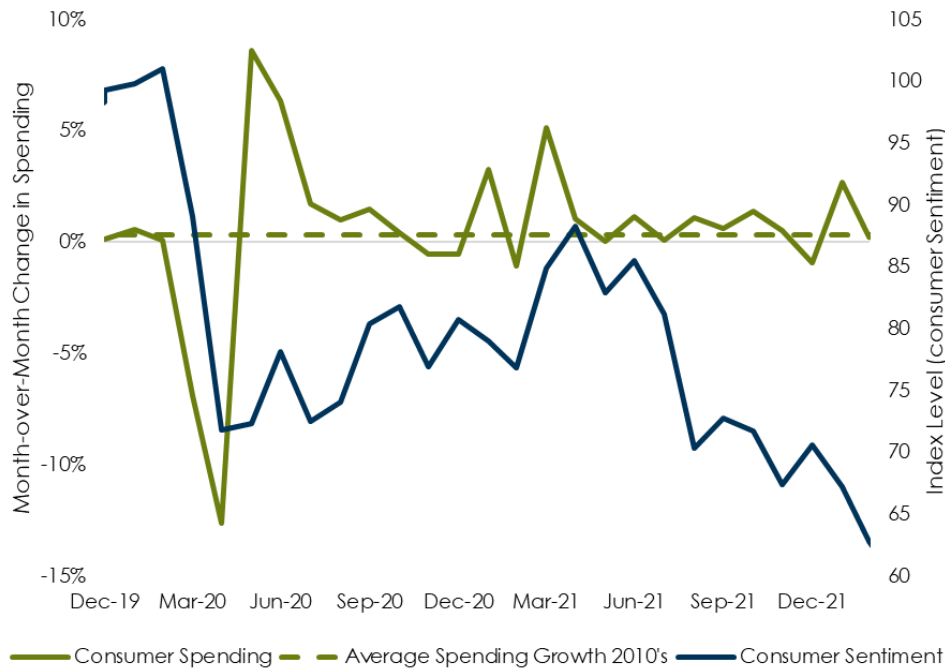


Source: ACG Research, Bloomberg, St. Louis Federal Reserve (as of March 31, 2022). Balance Sheet Projection based on guidance from Fed meeting minutes.



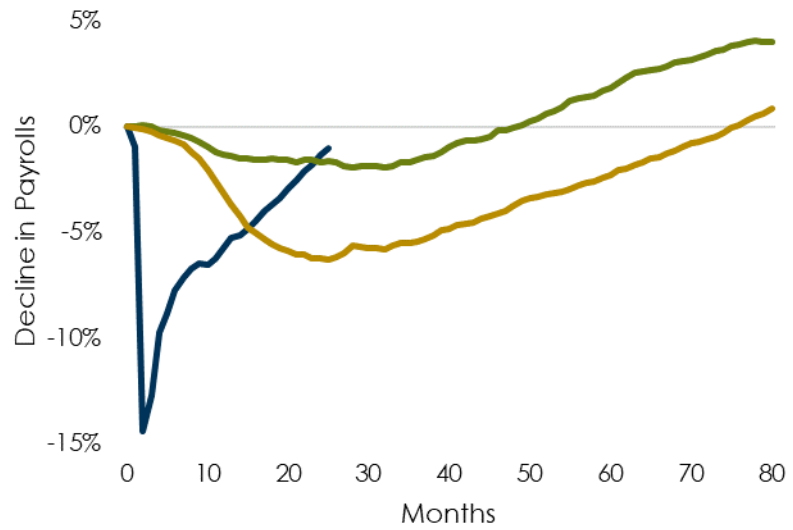
Source: ACG Research, Bloomberg, Federal Reserve, Banque de France, Forecasts from JP Morgan (as of March 31, 2022)

Consumer Spending Growth Slowing, but Supported by High Personal Savings

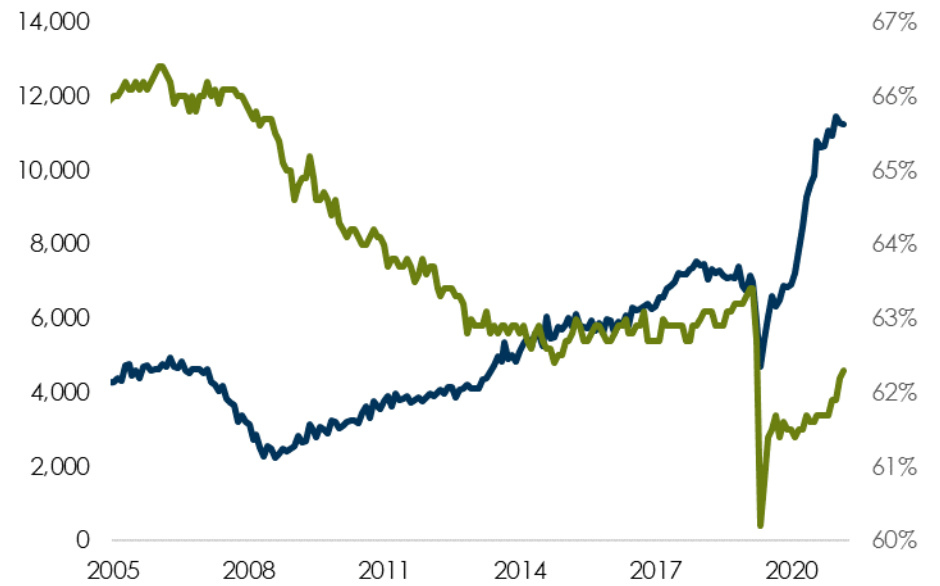


Source: ACG Research, Bloomberg, University of Michigan (as of February 28, 2022)

Overall Jobs Recovery Continues, but Labor Shortages Persist



— 2020 Pandemic — 2000 Tech Bust — 2007 Financial Crises

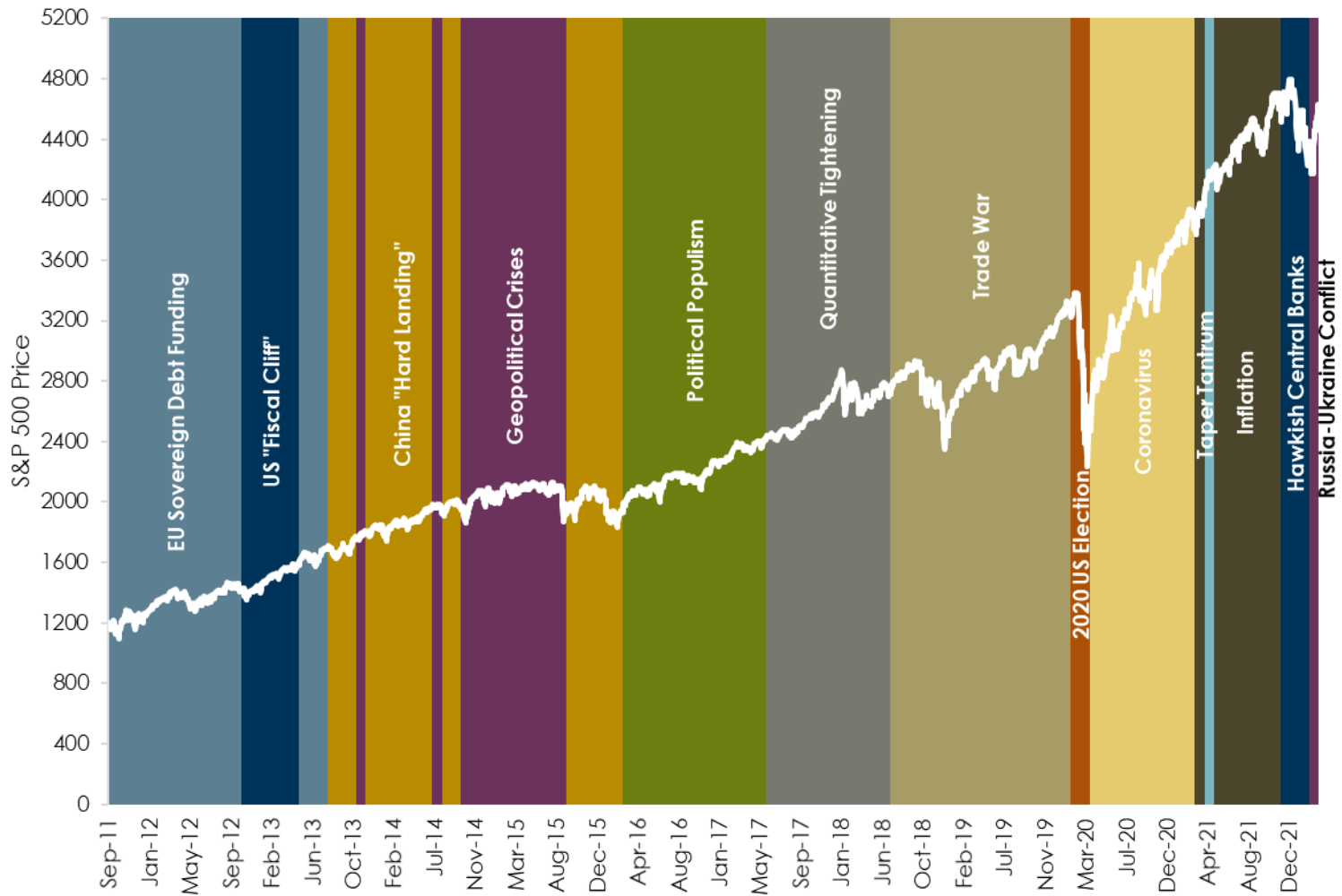


— Job Openings (Thousands) (LHS) — Labor Force Participation (RHS)

Source: ACG Research, Bloomberg, Bureau of Labor Statistics (as of March 31, 2022)

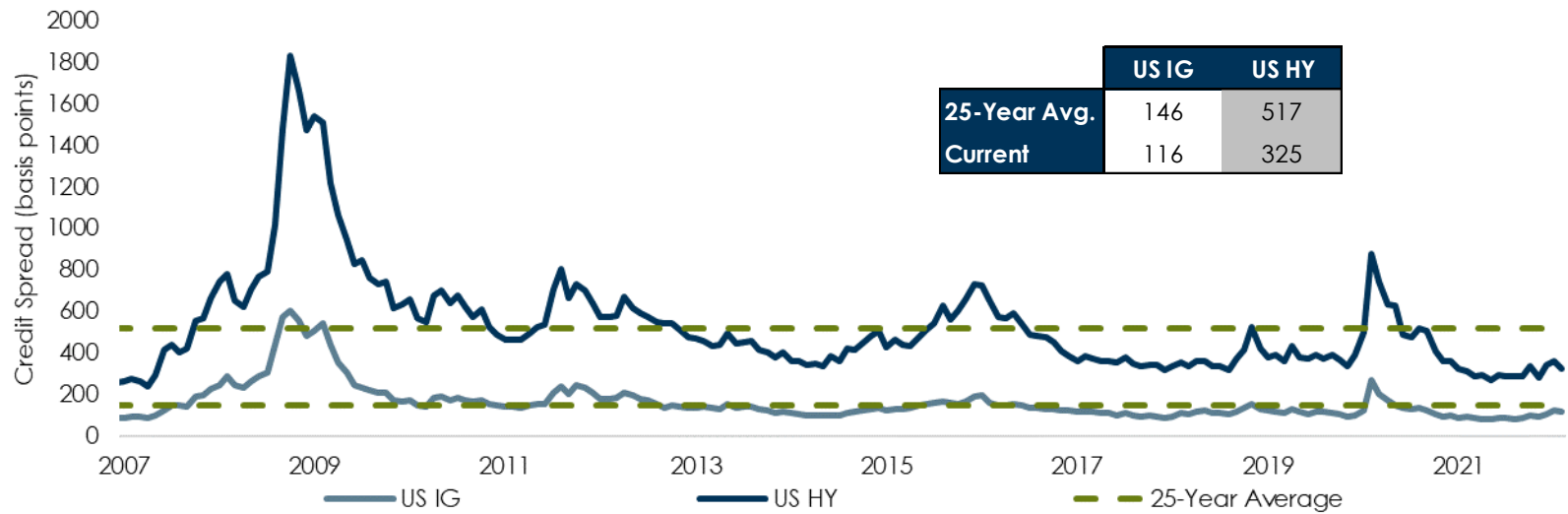
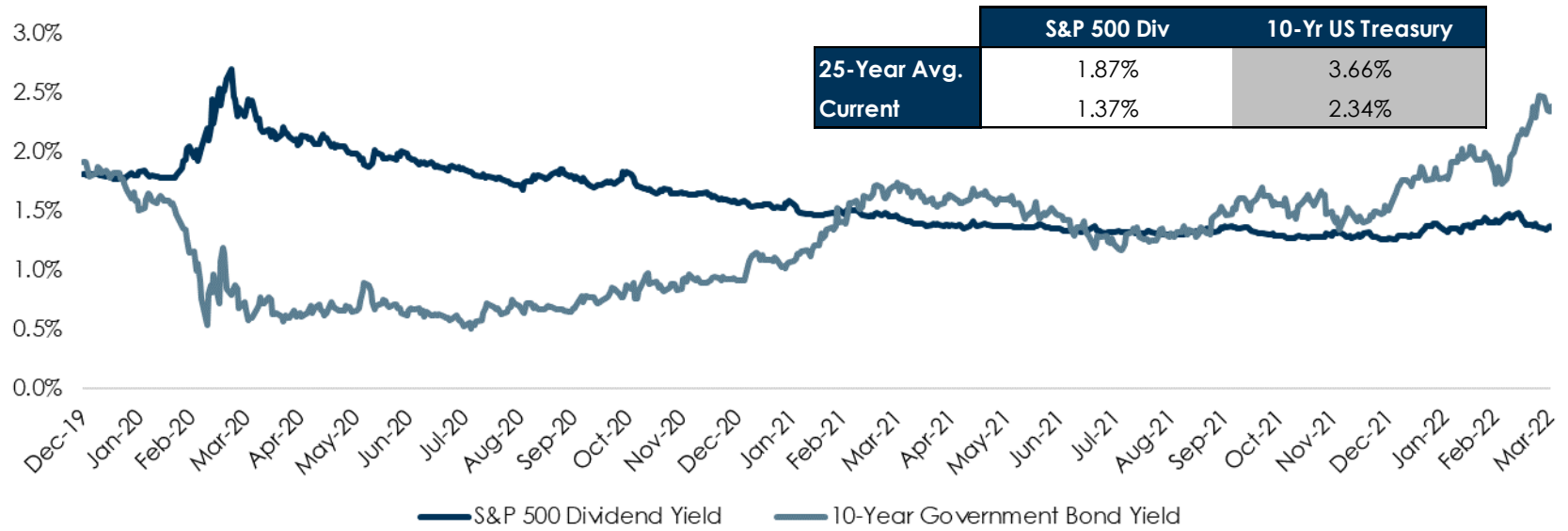
Conflict in Ukraine Now Tops Fund Managers' List of Concerns

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

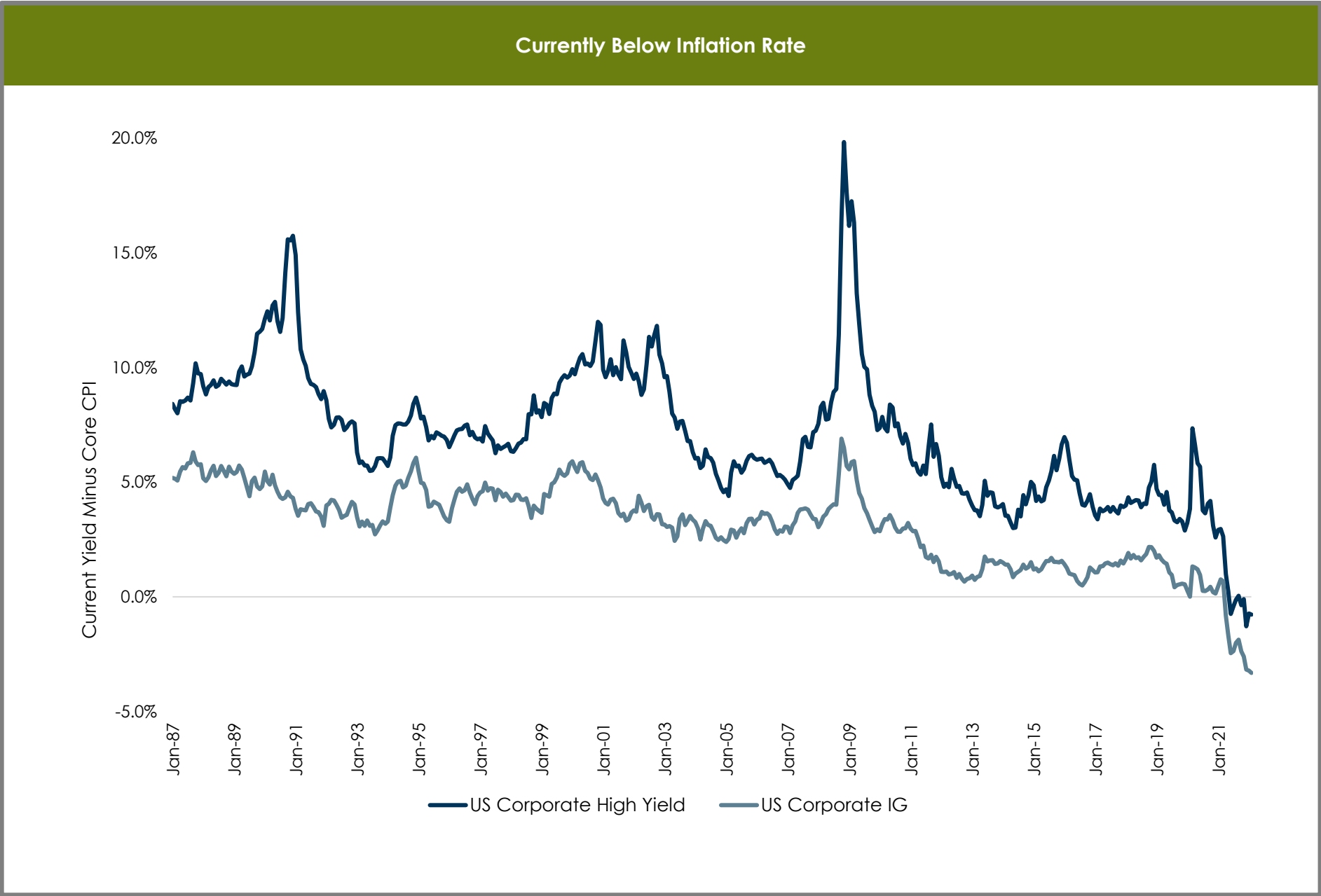


Source: ACG Research, BofA Global Fund Manager Survey (as of March 31, 2022)

Govt Bond Yields Exceed Equity Dividend Yield; Credit Spreads Remain Tight

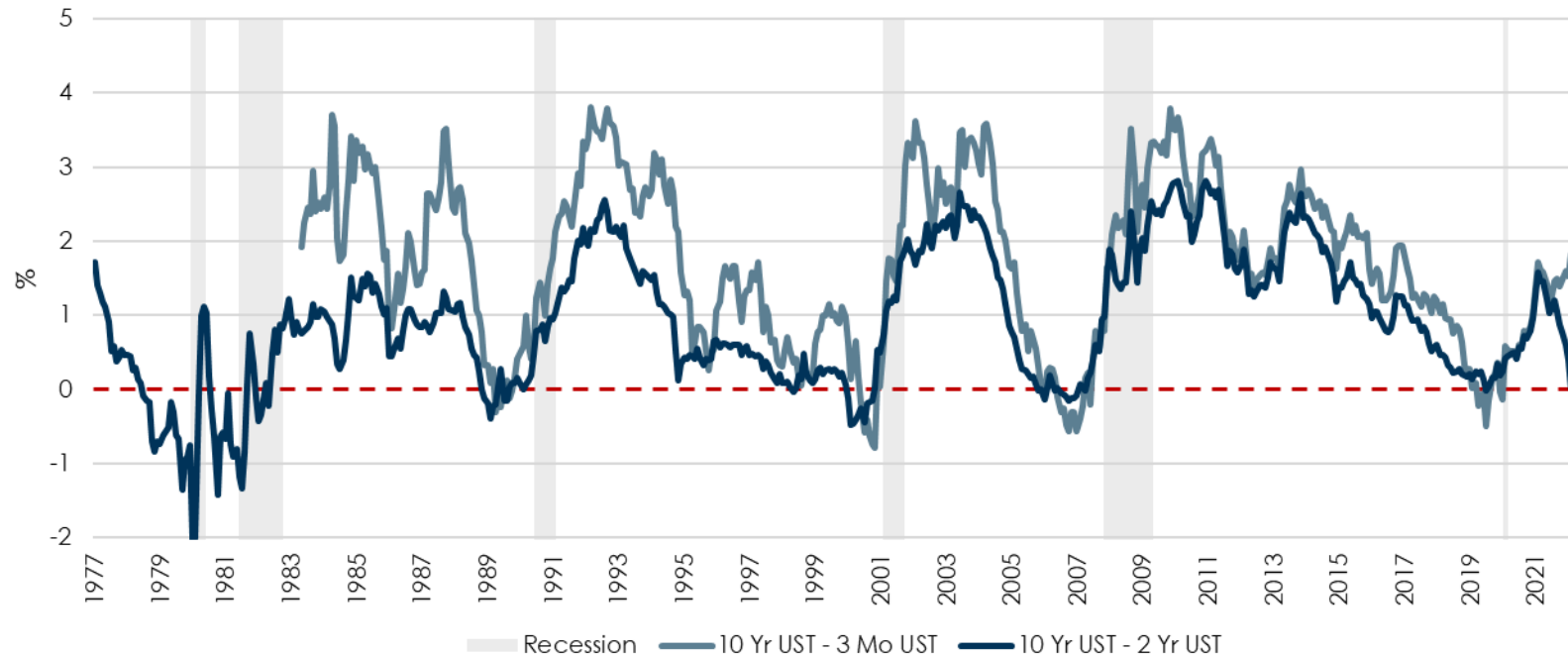


Source: ACG Research, Bloomberg (as of March 31, 2022)



Source: ACG Research, Bloomberg (as of March 31, 2022)

But Still Too Early to Call Recession

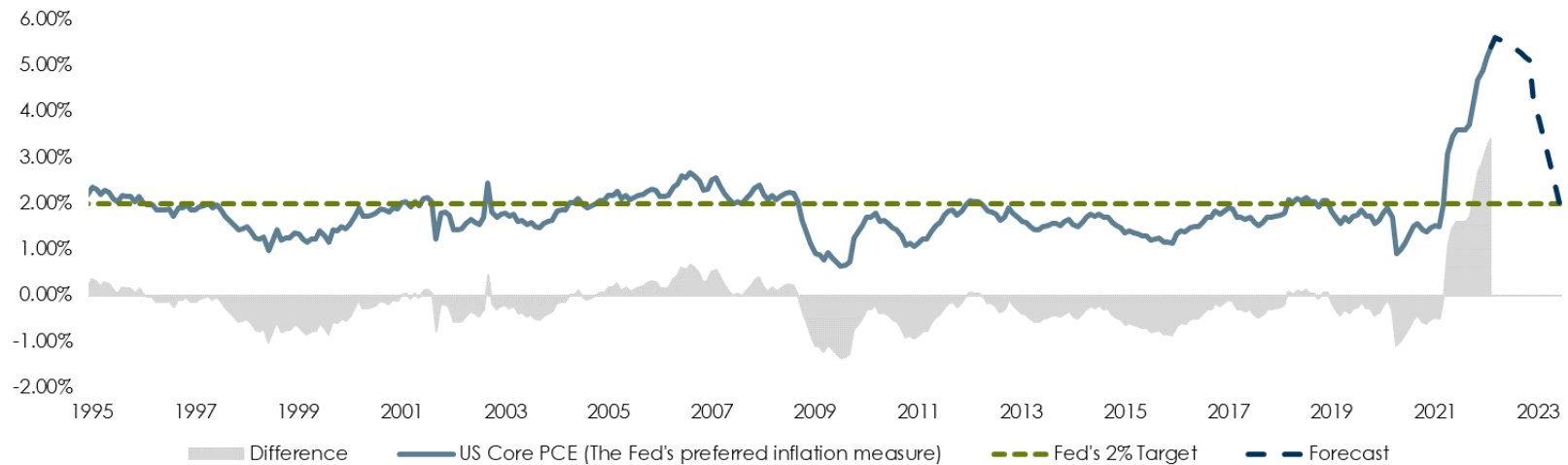


Long and variable lead times between the 10-year/2-year inversion and recessions

Initial Inversion	Recession Start	Months Between
August-78	January-80	16.5
September-80	July-81	9.5
December-88	July-90	18.5
March-98	March-01	35
December-05	December-07	23
August-19	February-20	6
Average		18

Source: ACG Research, Bloomberg, Oxford Economics (as of March 31, 2022)

After Recent Surge, Forecasts Point to Normalization by 2023/4



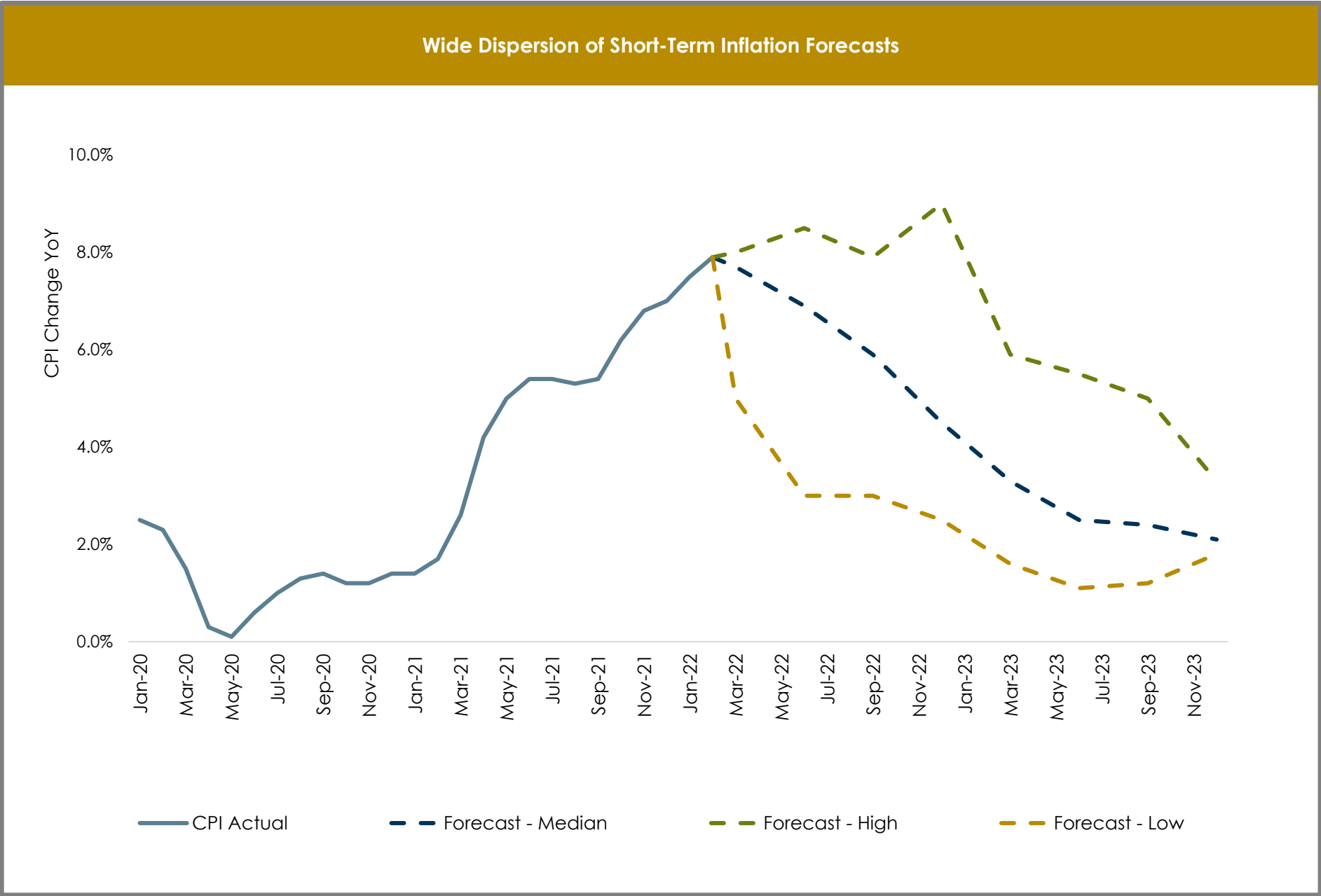
Deflationary Signals

- 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

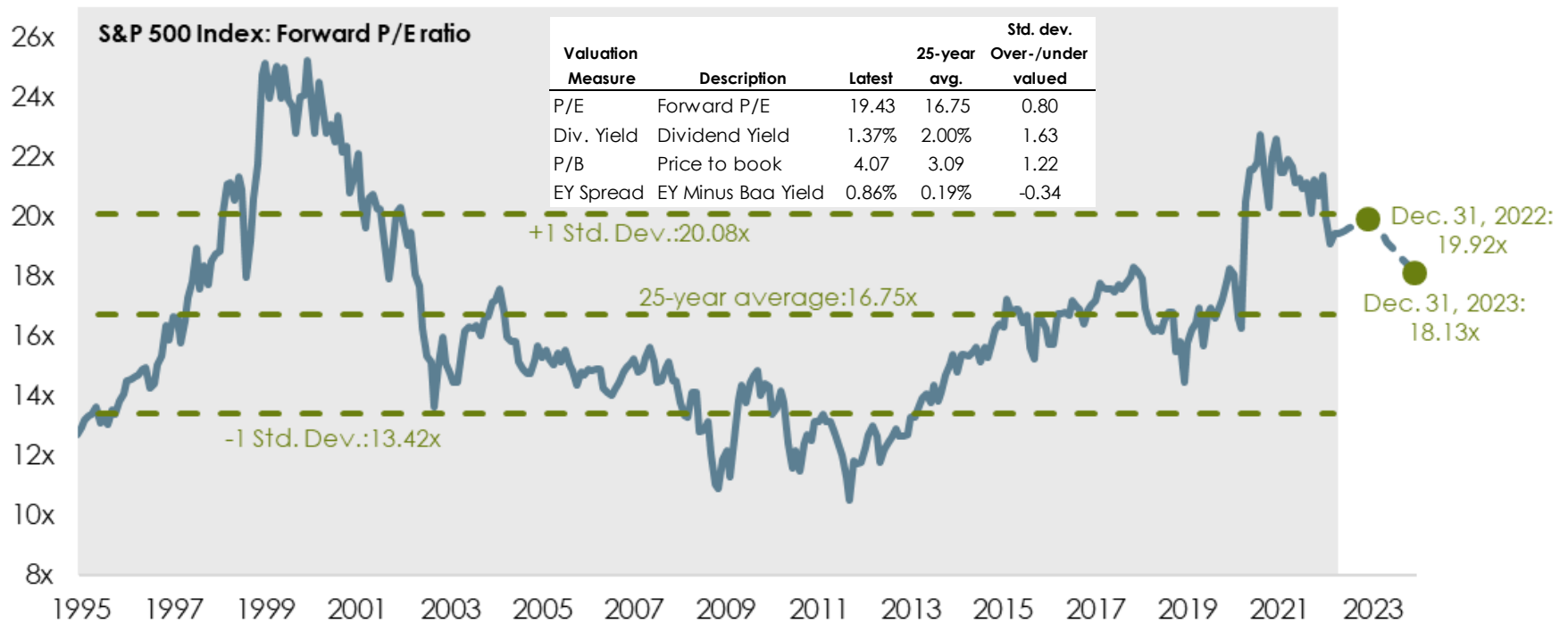
Source: ACG Research, Oxford Economics, Bloomberg (as of February 28, 2022)



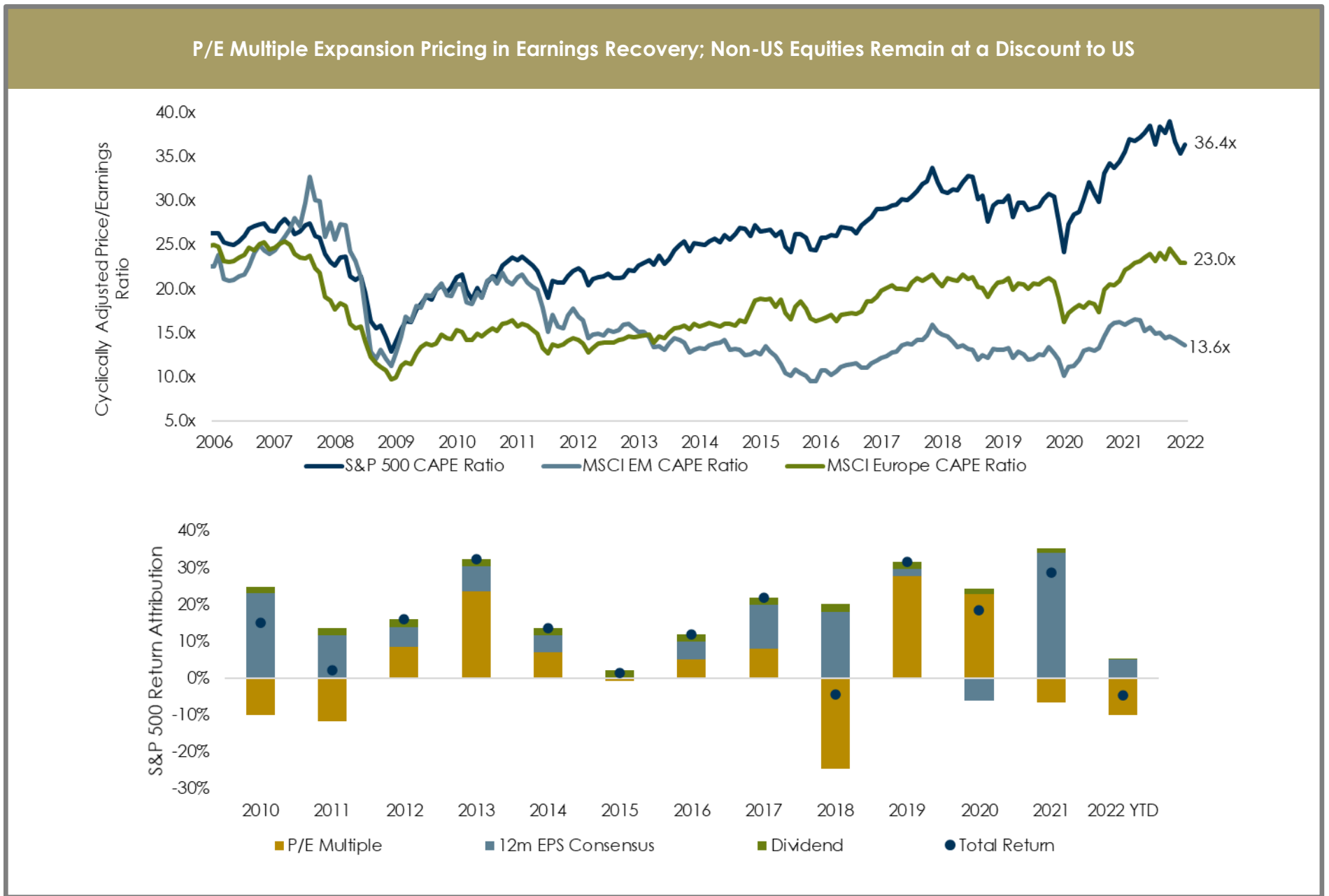
Source: ACG Research,, Bloomberg Forecasts sourced from 52 institutions (as of March 31, 2022)

P/E Multiples Could Remain Elevated Near-Term

- Based on several metrics, the S&P 500 Index appears expensive (3/31/22 closing price of \$4530)
- Consensus earnings estimates for 2022 (\$227) suggest a forward p/e of 19.92x (vs. 25-year average of 16.8x)
- Consensus estimates are higher for 2023 (\$250) yet the forward p/e for '23 is still 18.13x (vs. 25-year average of 16.8x)

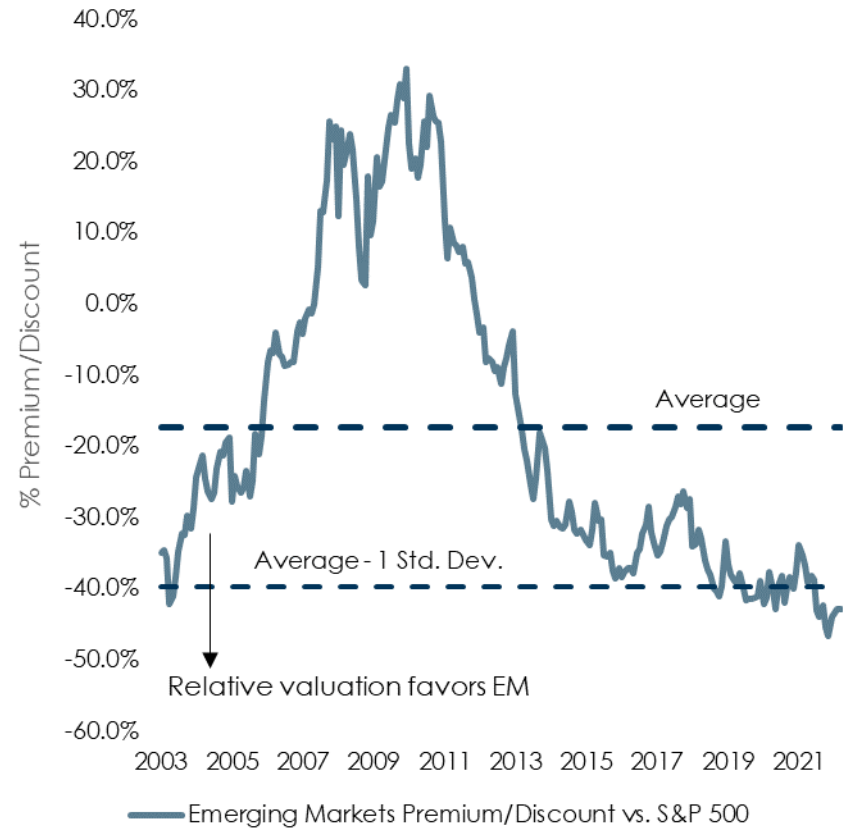


Source: FactSet, FRB, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management

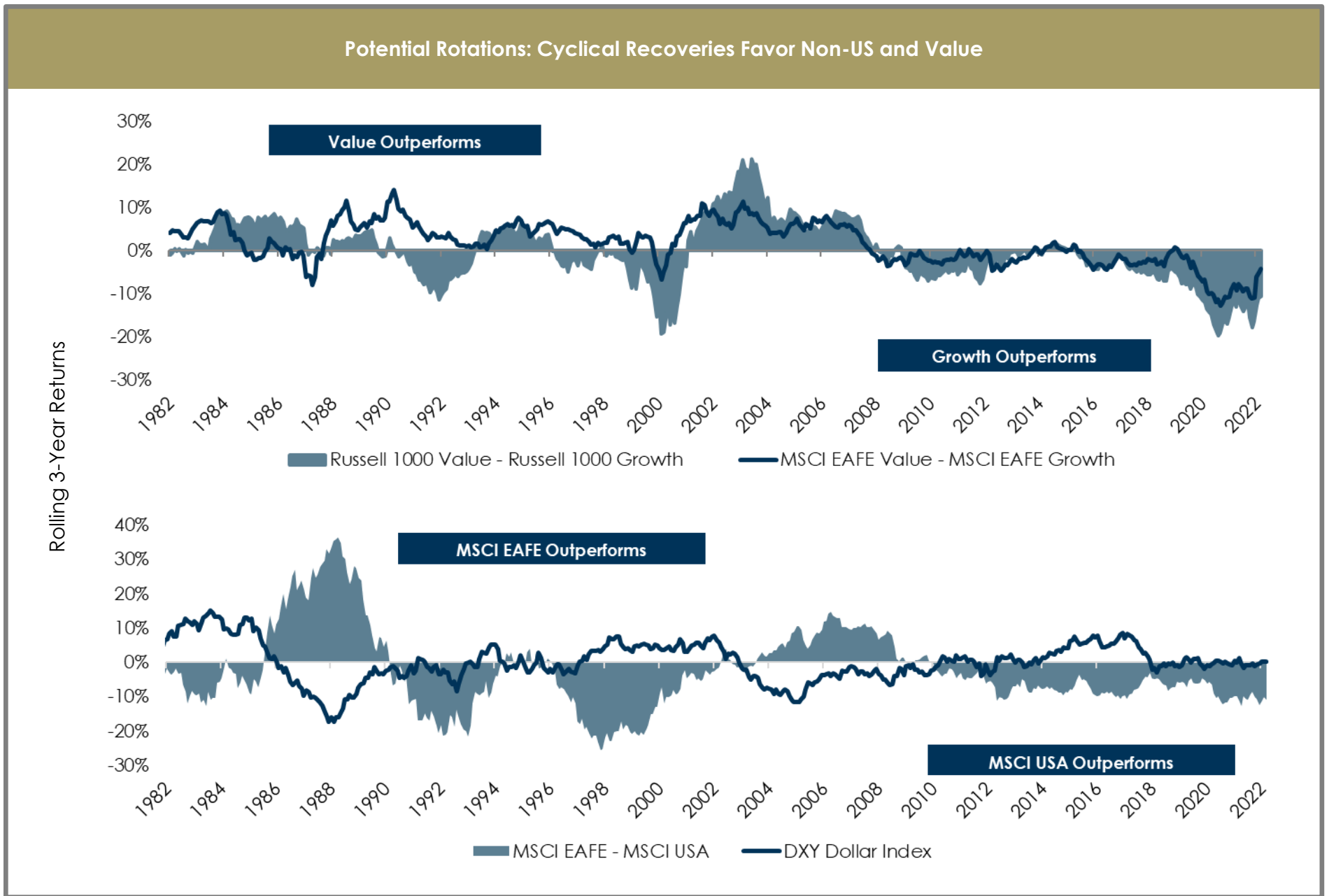


Source: ACG Research, Bloomberg, Robert Shiller (as of March 31, 2022)

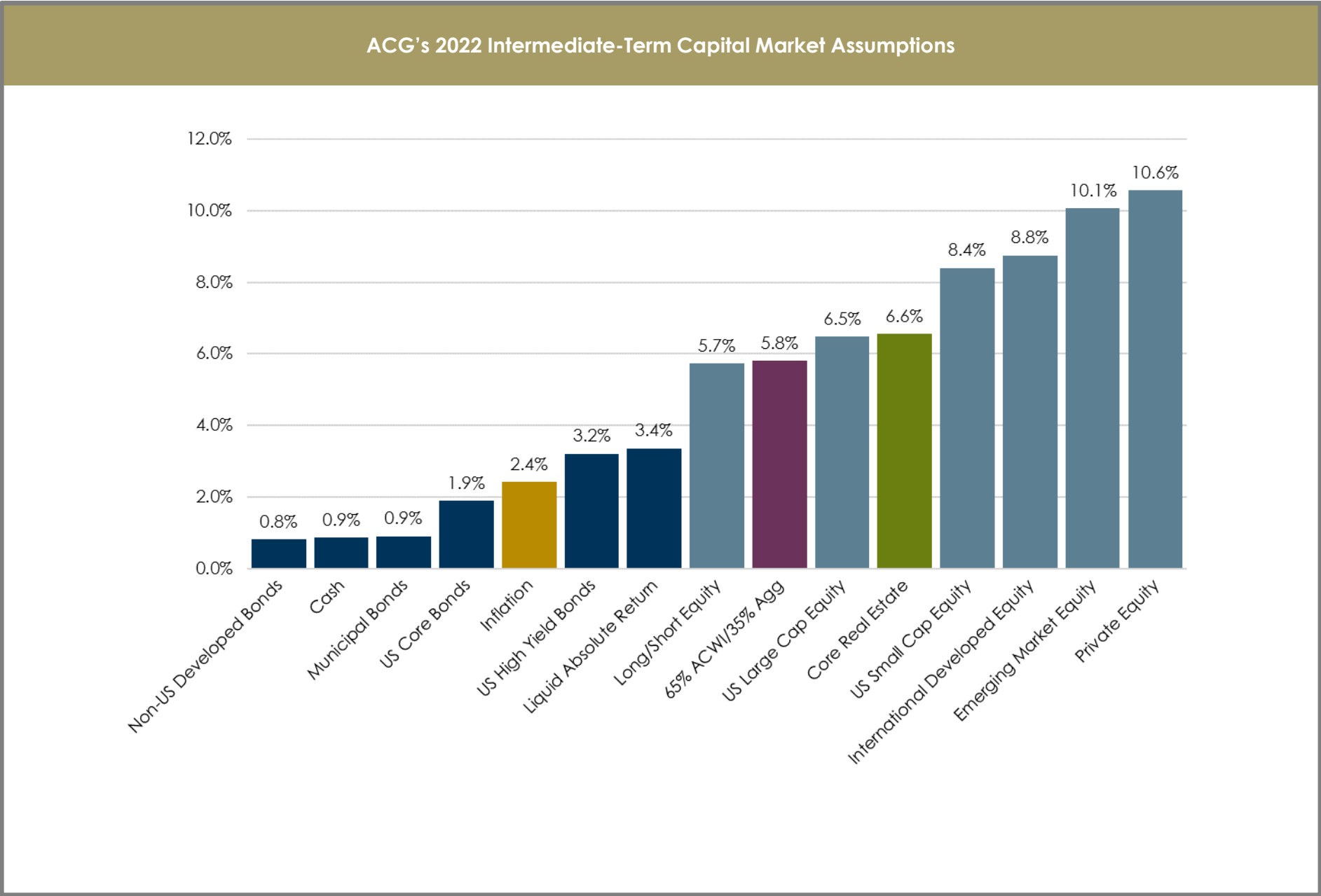
Valuations of EAFE and Emerging Markets Indices Relative to the S&P 500 Near Historical Lows



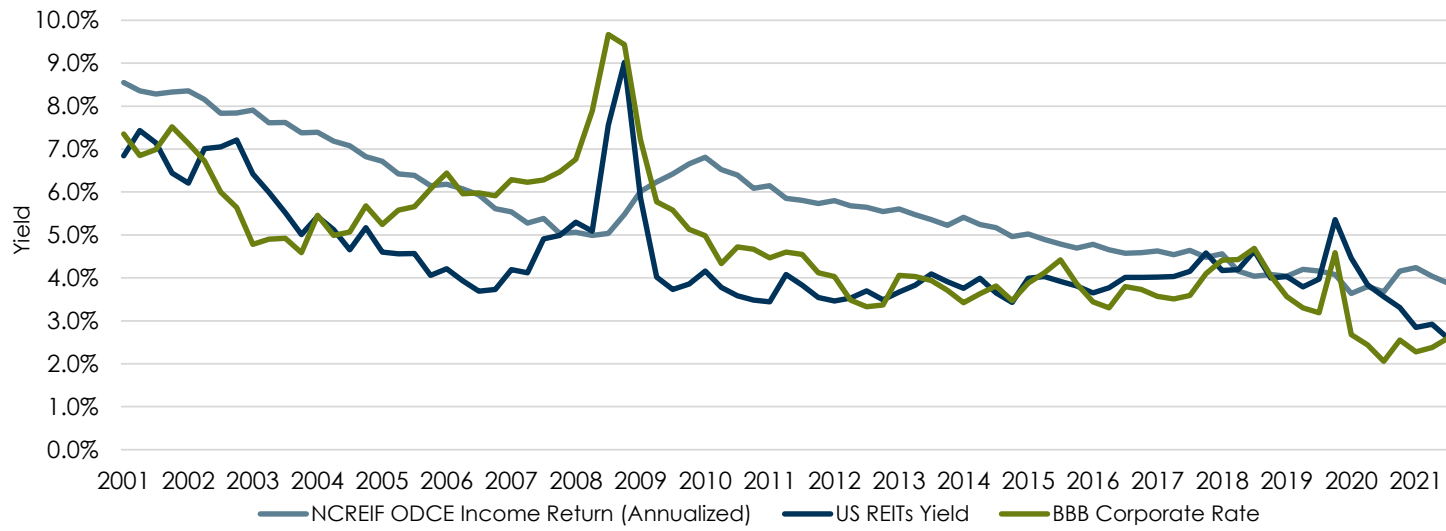
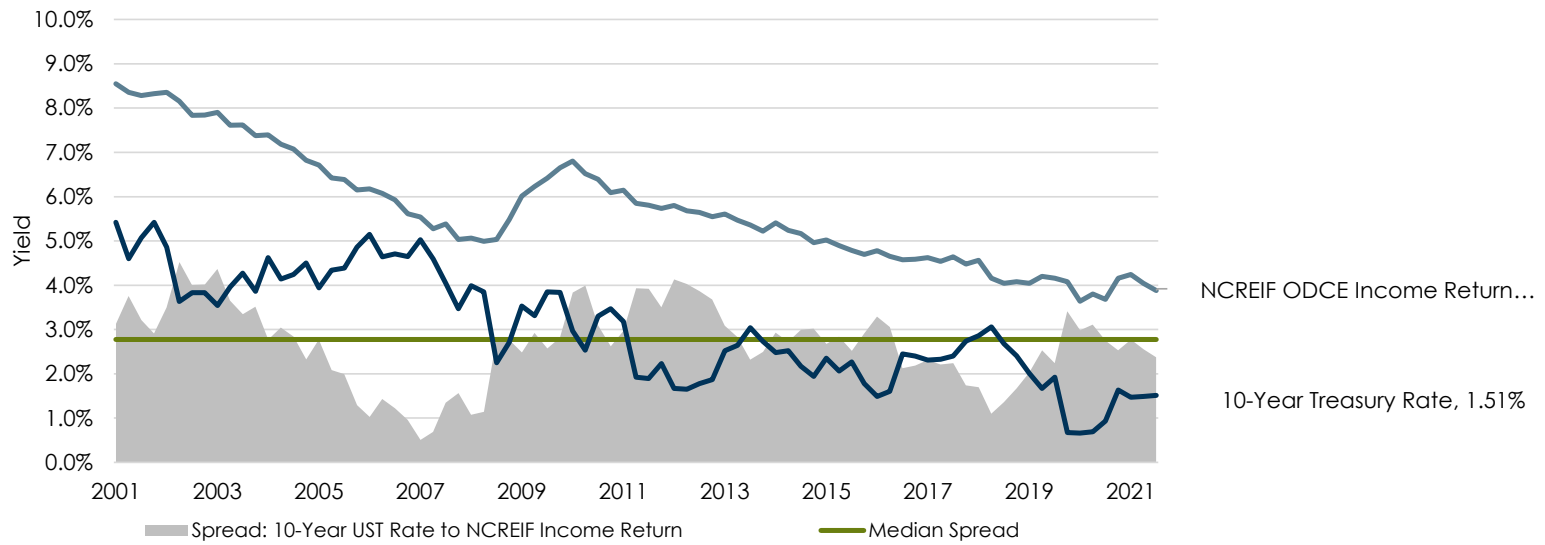
Source: ACG Research, Bloomberg (Valuations are Bloomberg's "Long-Term" PE, using an average of the last 10 years earnings discounted for inflation), (as of March 31, 2022)



Source: ACG Research, Bloomberg, MSCI, Morningstar (as of March 31, 2022)

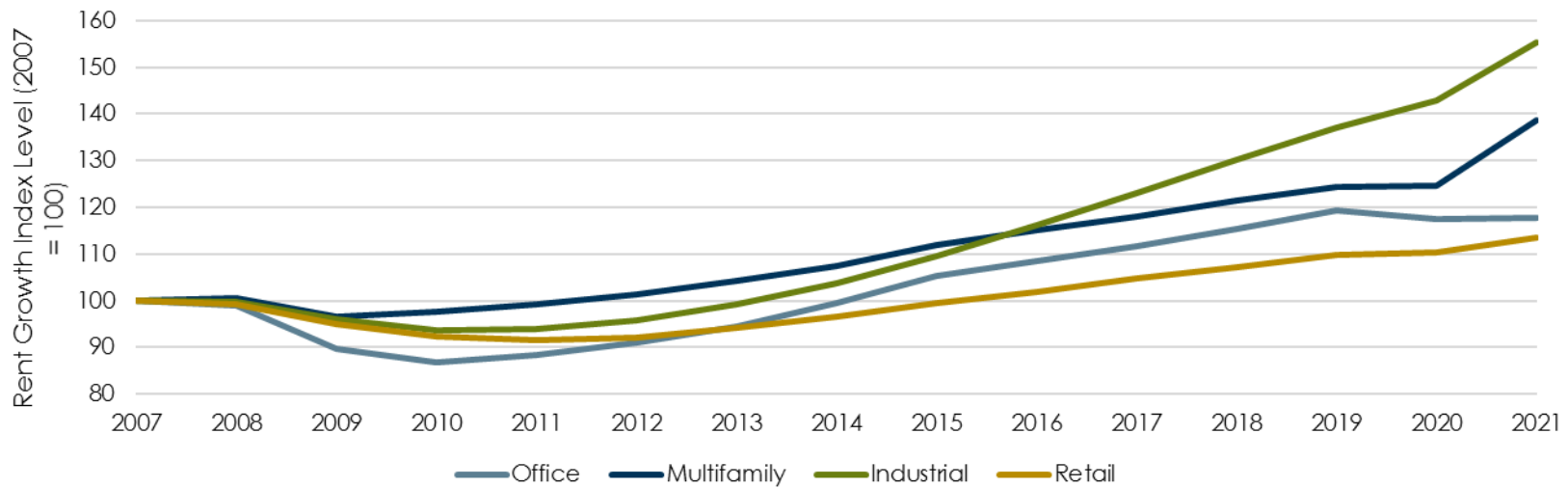
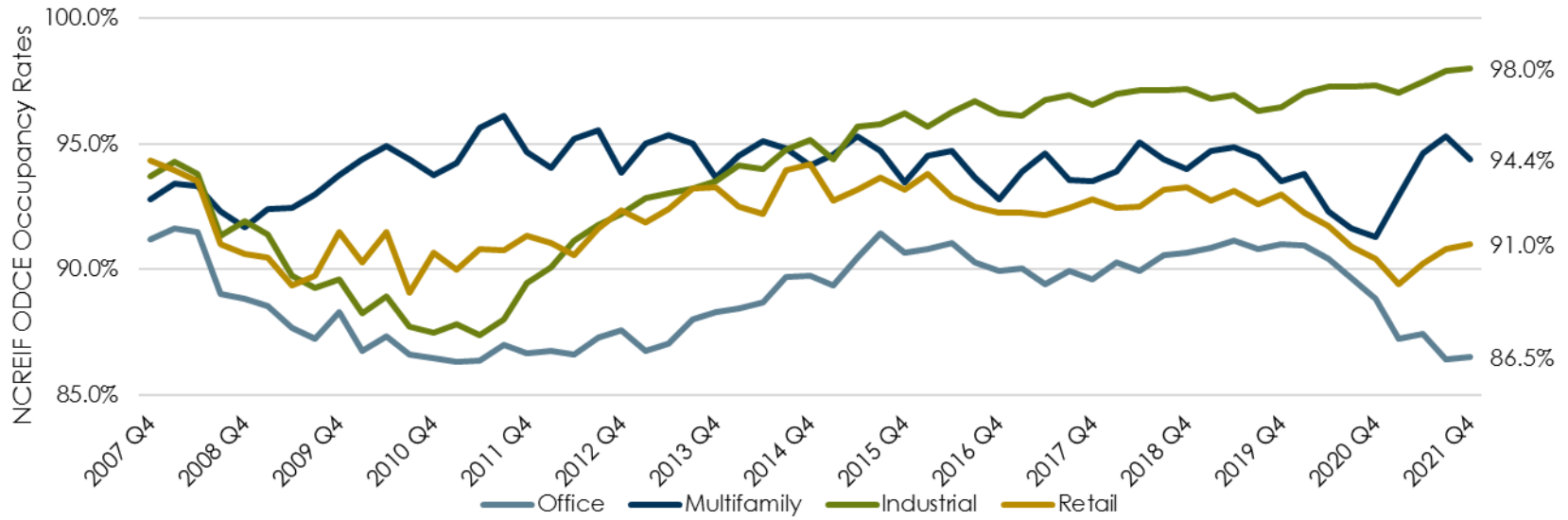


Private Real Estate Yields Remain Attractive Relative to Fixed Income and Public Real Estate



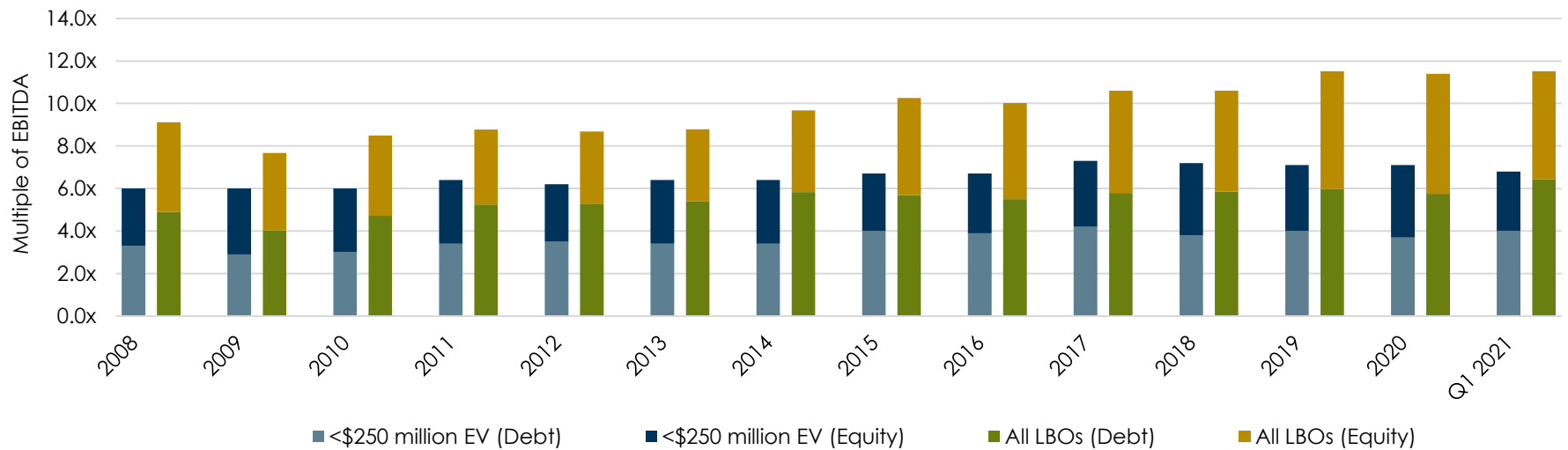
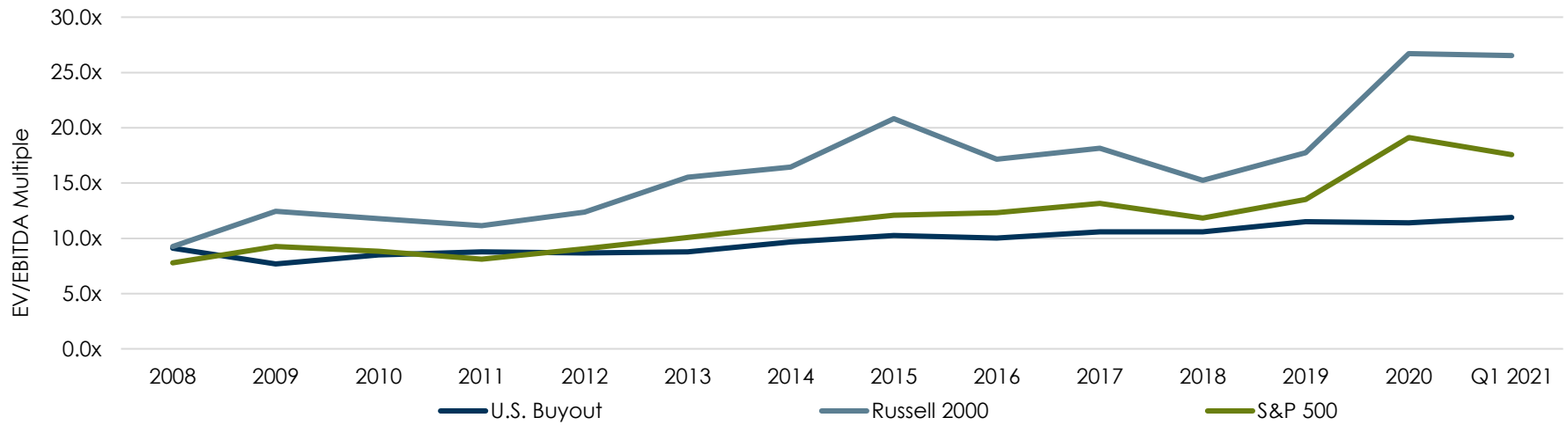
Source: Bloomberg, ACG Research (as of December 31, 2021)

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



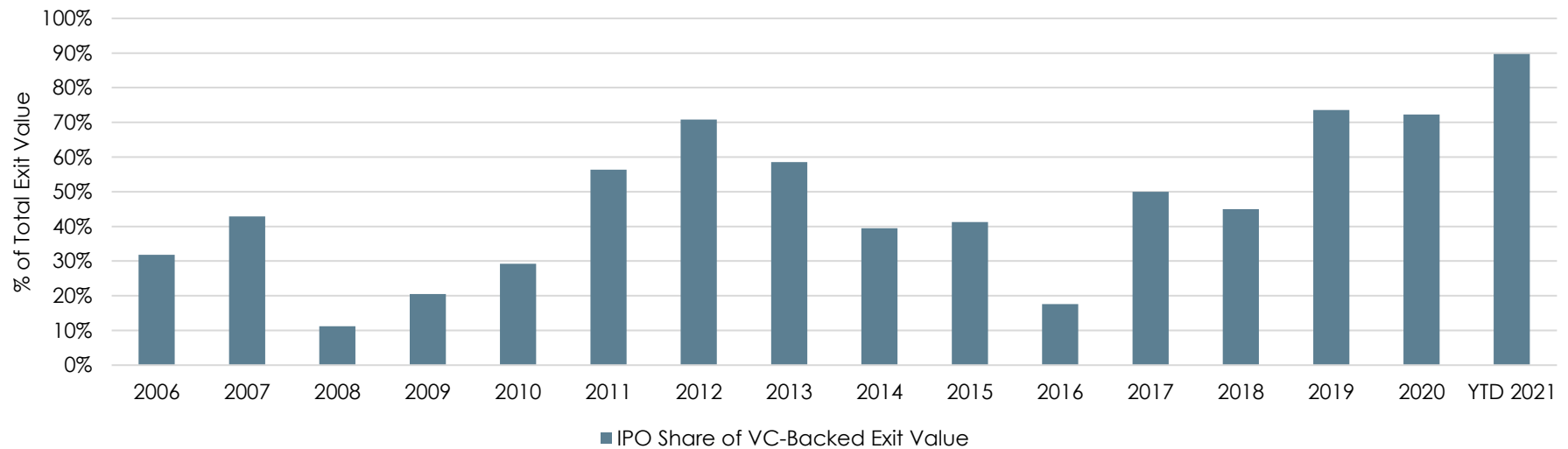
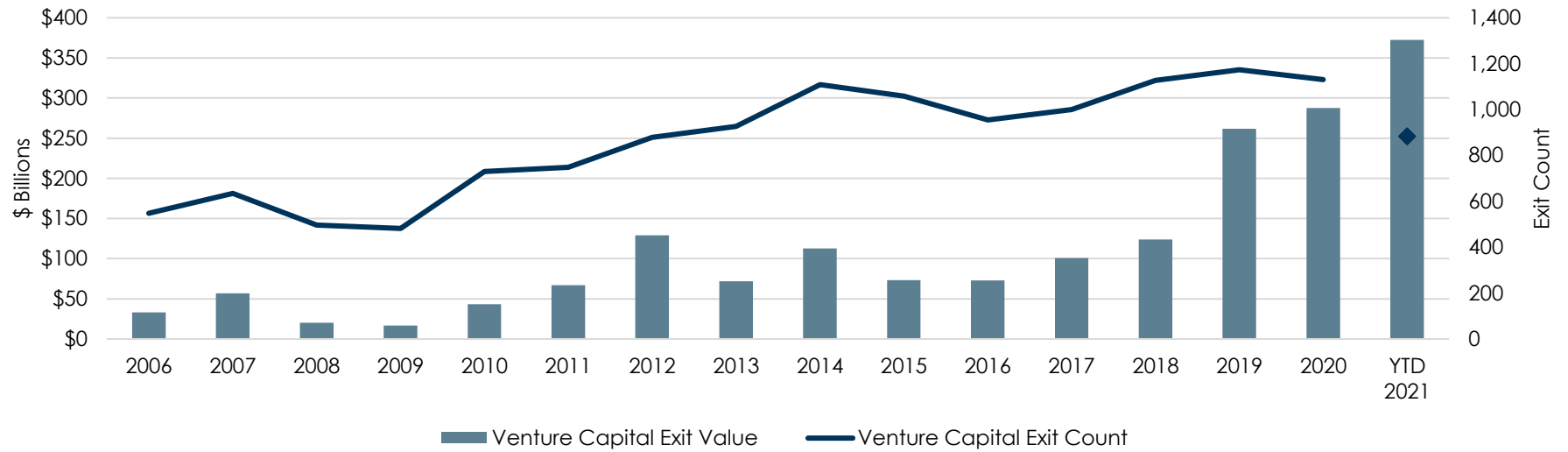
Source: AEW, CoStar, ACG Research (as of December 31, 2021)

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)

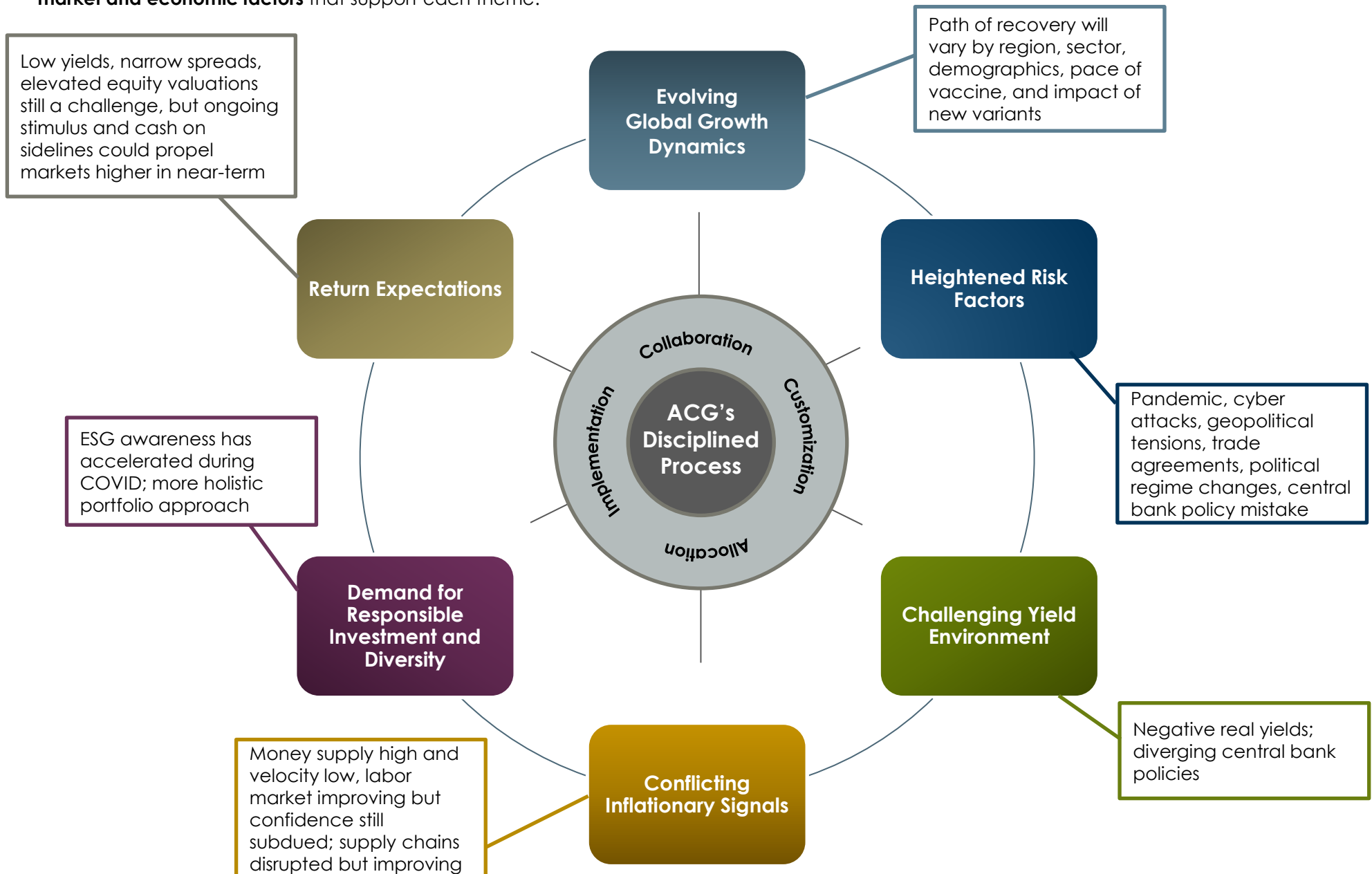
Venture Capital Exit Volume is at Record Levels, with Activity Increasingly Dominated by IPO vs. M&A Activity



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

Key Themes

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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