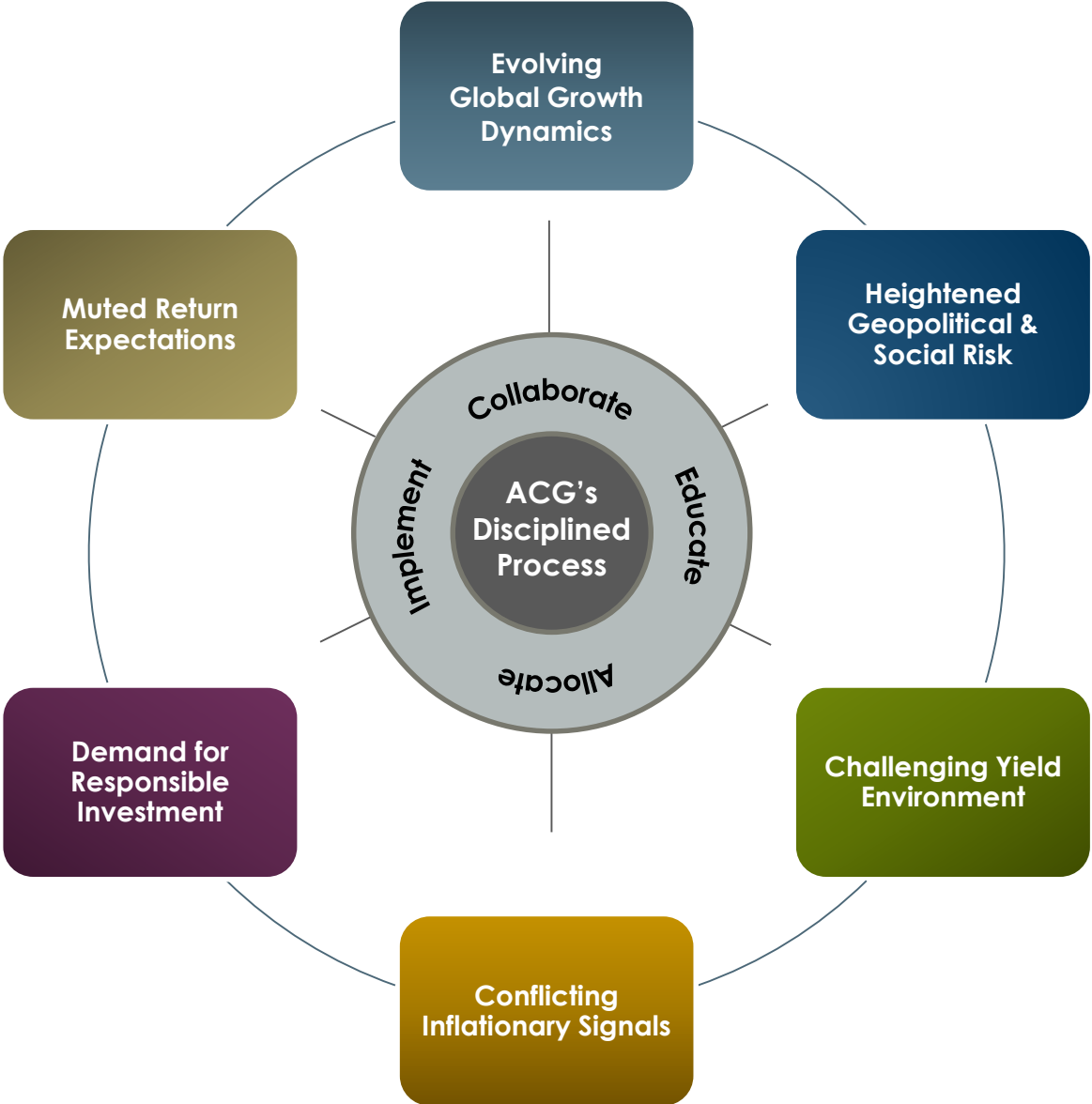
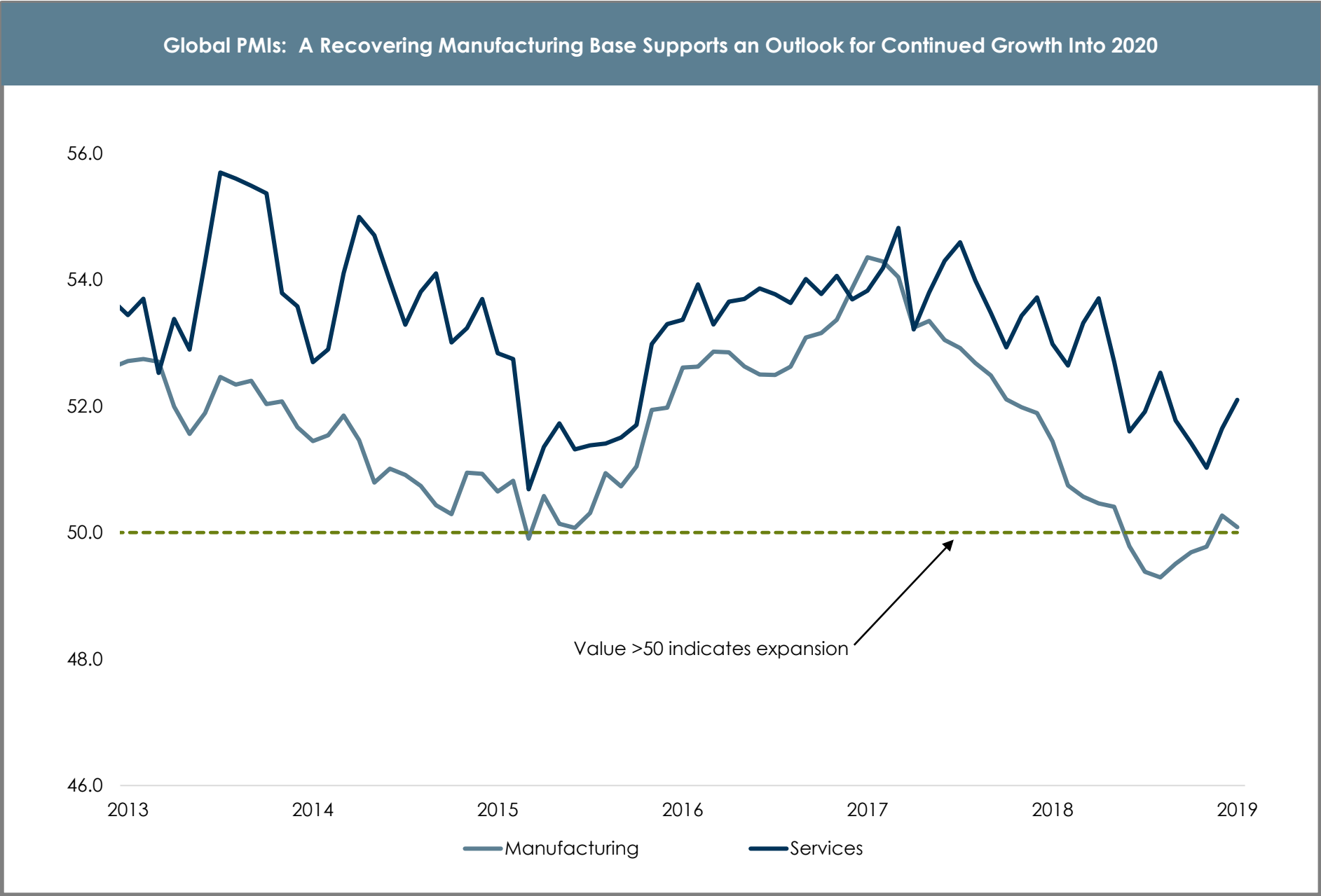

Global Economic Update

First Quarter 2020

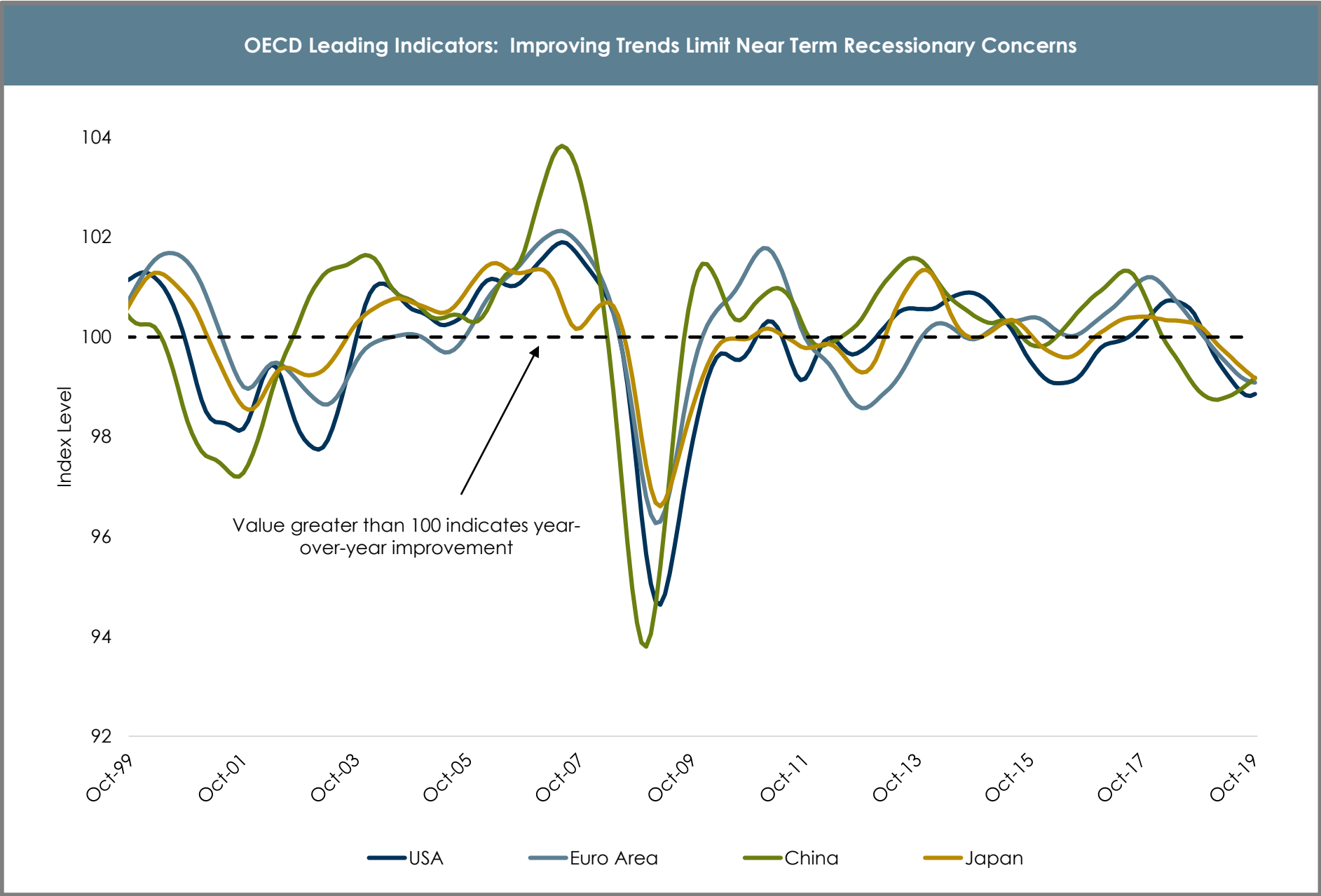
Key Areas of Focus

ACG's Investment Committee routinely identifies key areas of focus or themes that will drive investment returns **over the intermediate term**. In this quarterly update, we highlight **market and economic considerations** relevant in the context of enhancing risk-adjusted outcomes.





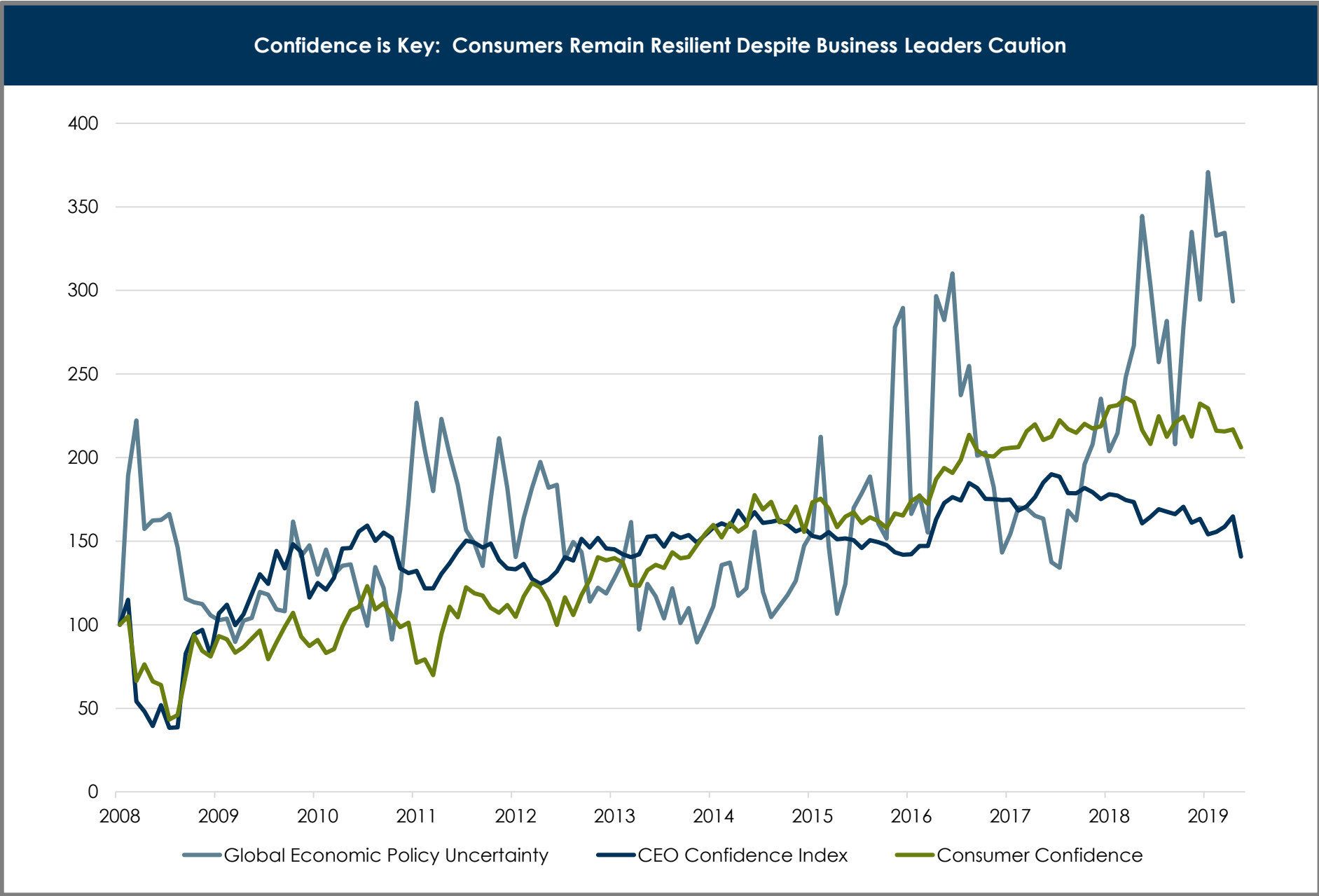
Source: ACG Research, JP Morgan Markets



Source: ACG Research, Bloomberg

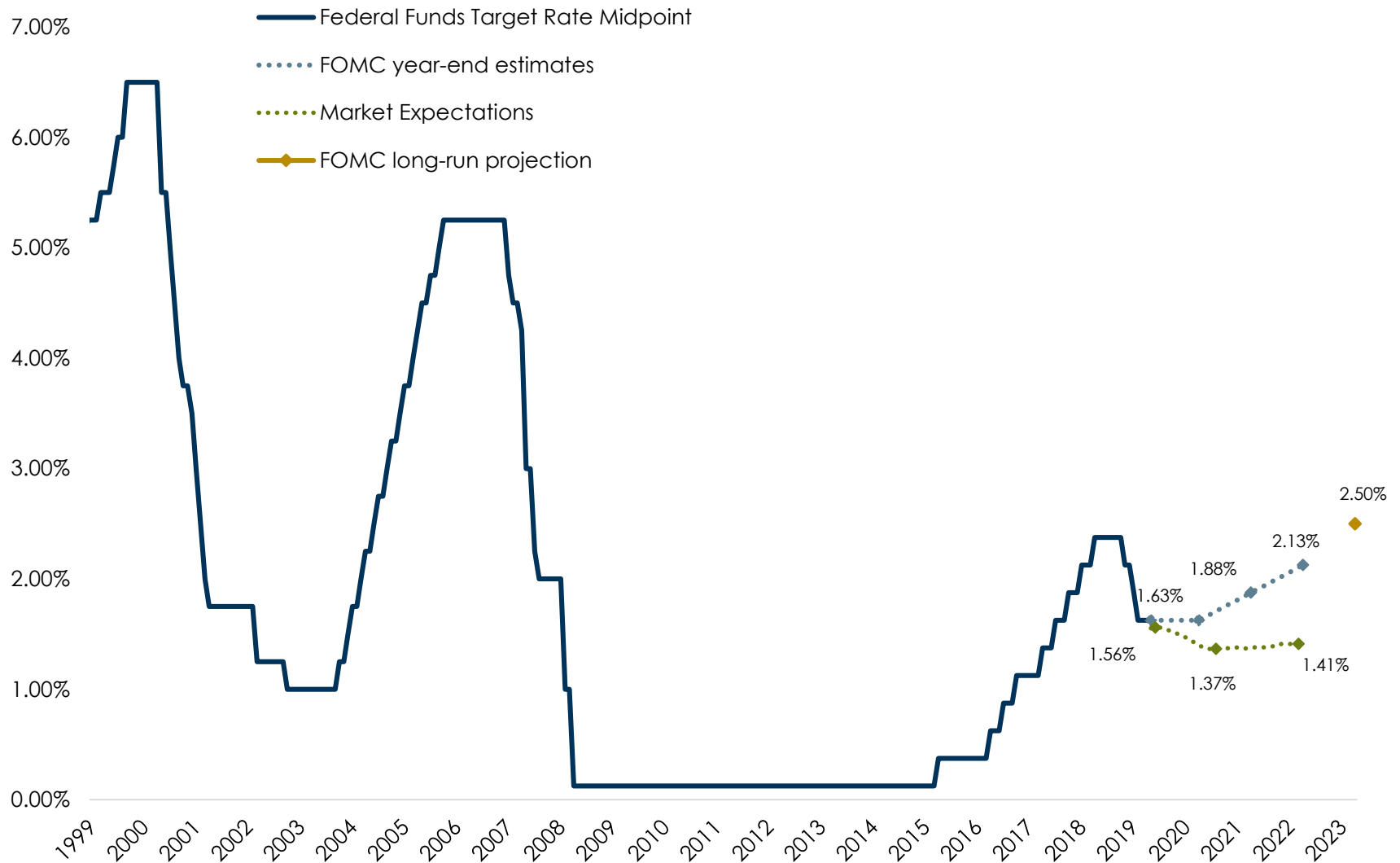


Source: ACG Research, Bloomberg



Source: ACG Research, Bloomberg

US Federal Reserve: Policy Pivot in 2019 Affirms Belief in “Lower for Longer” Rates



Source: ACG Research, Bloomberg (as of 12/31/19)

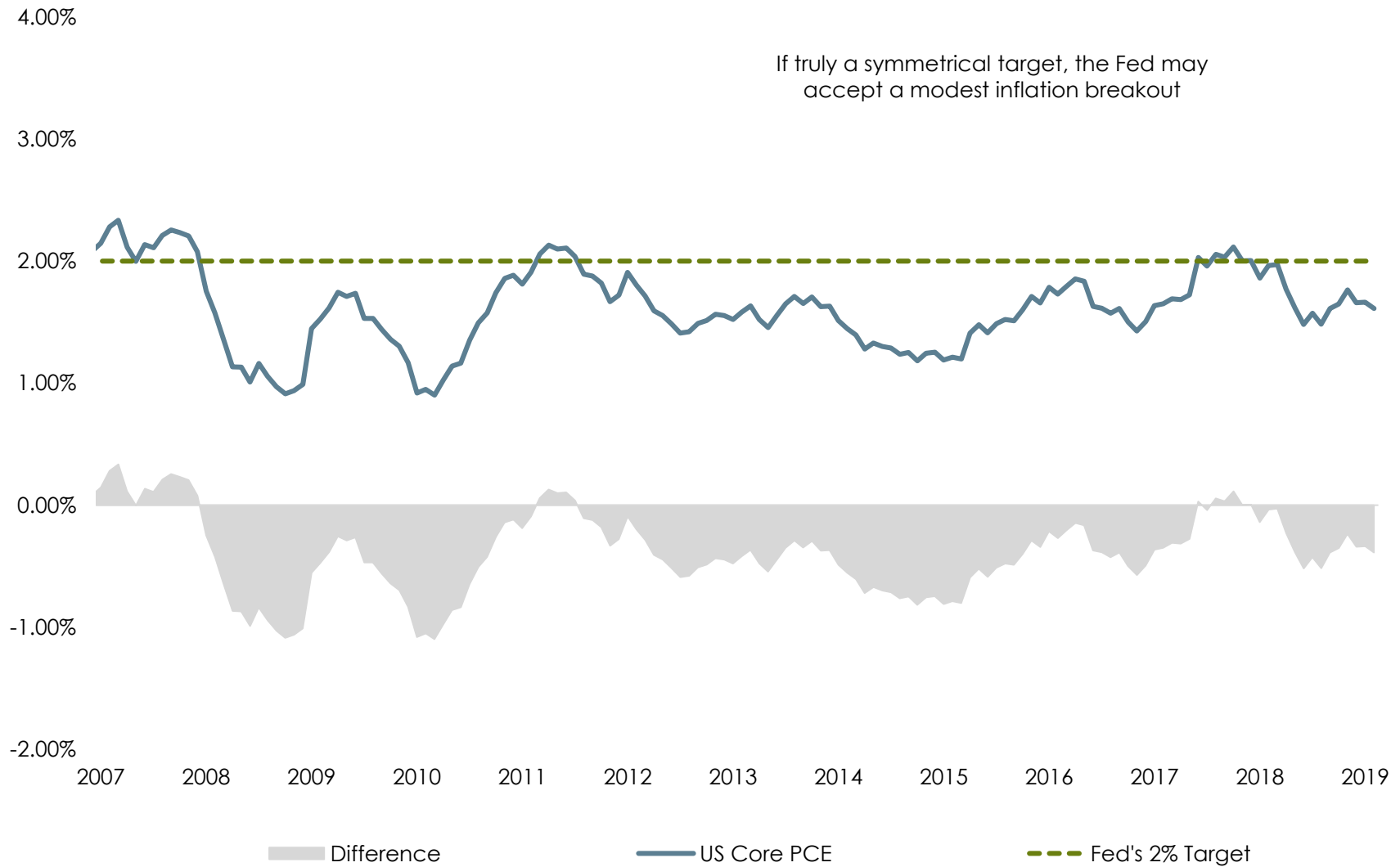
Corporate Credit: Persistently Tight Spreads Limit Income and Introduce Asymmetric Risk



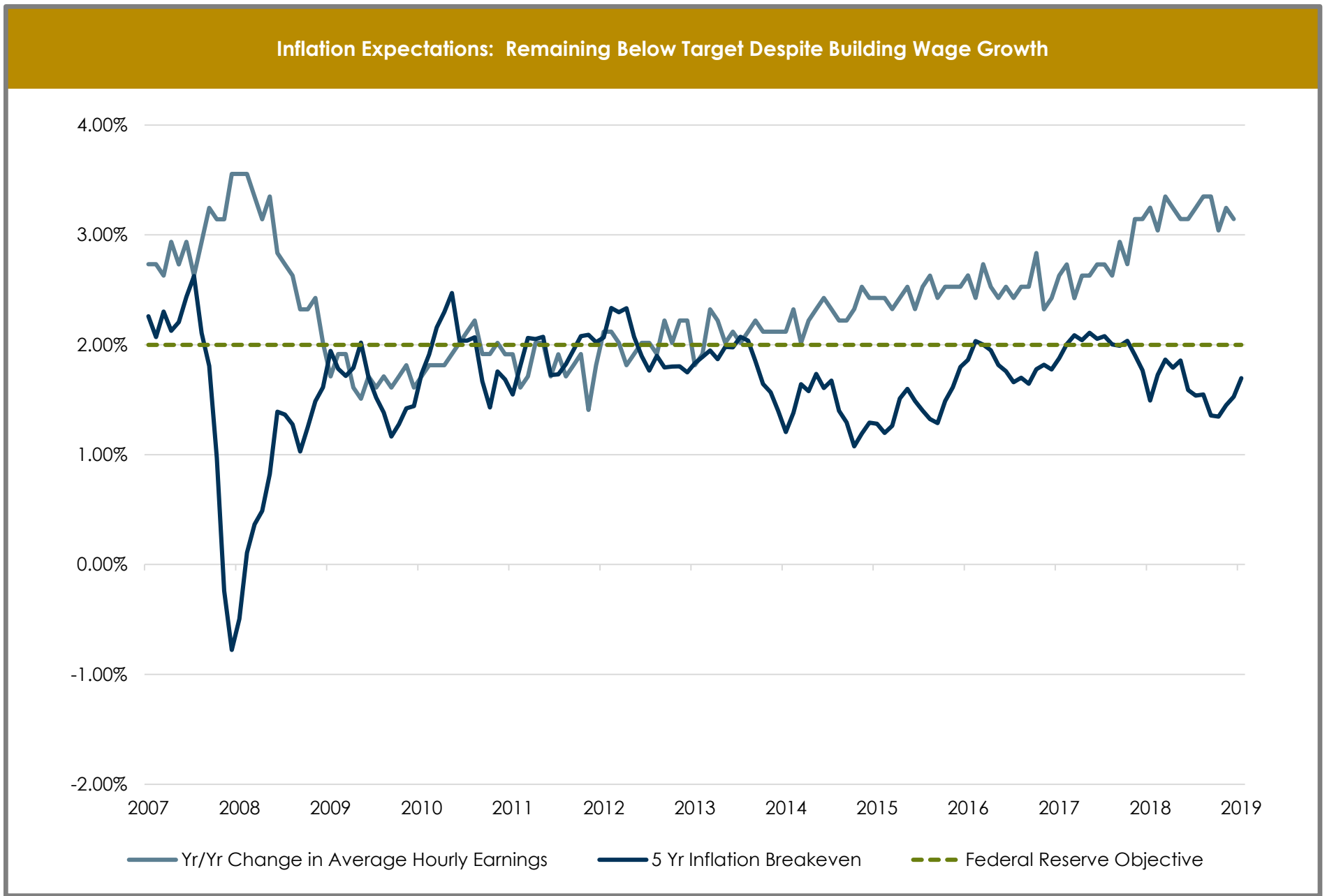
Source: ACG Research, Bloomberg (as of 12/31/19)

Reported Inflation: Core PCE Has Consistently Trailed the Fed's Objective

If truly a symmetrical target, the Fed may accept a modest inflation breakout



Source: ACG Research, Bloomberg (as of 12/31/19)



Source: ACG Research, Bloomberg (11/30/2019)

Responsible Investing: Aiming to Incorporate Environmental, Social, and Governance (ESG) Factors

Increase in focus, intentionality;
move from investor focus to outcomes focus

Negative/ Exclusionary Screening

The **exclusion of certain sectors, companies or practices** from a fund or portfolio based on specific ESG criteria.

Positive/ Best-In-Class Screening

Investment in sectors, companies, or projects selected for **positive ESG performance** relative to industry peers.

ESG Integration

The **explicit incorporation of ESG factors** alongside traditional financial analysis; seeks both risk mitigation and return opportunities.

Sustainability-Themed Strategies

Investments in **themes, solutions, or assets specifically related to sustainability** (clean energy, green technology, water, low-carbon, sustainable agriculture).

Impact/ Community Investments

Targeted investments, typically within the **private markets**, seeking both a social/environmental and financial return.

Engagement/ Shareholder Action

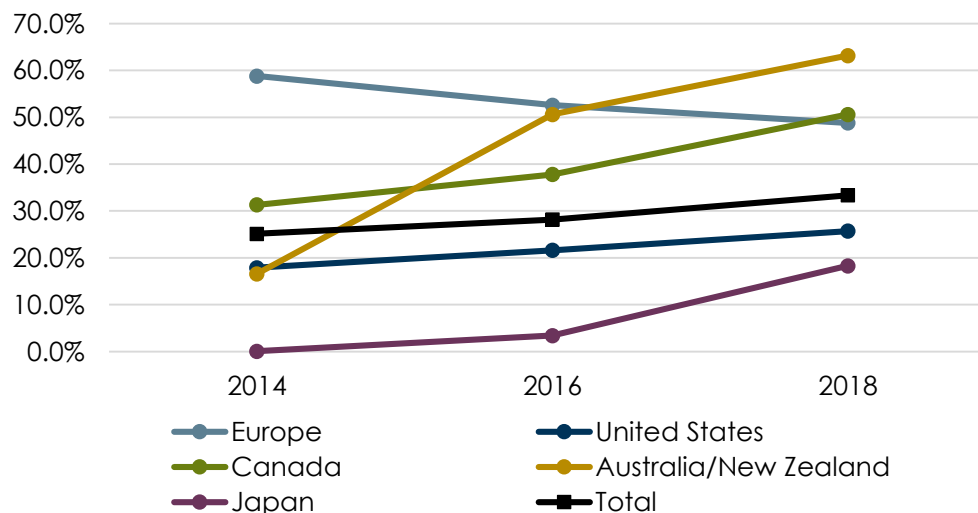
The use of **shareholder power to influence corporate behavior** on ESG matters such as executive remuneration, shareholder rights, diversity and climate-risk disclosures.

Global AUM Growth: Impressive on an Absolute Basis and as a Proportion of Total Managed Assets

Growth of ESG Assets by Region 2014-2018

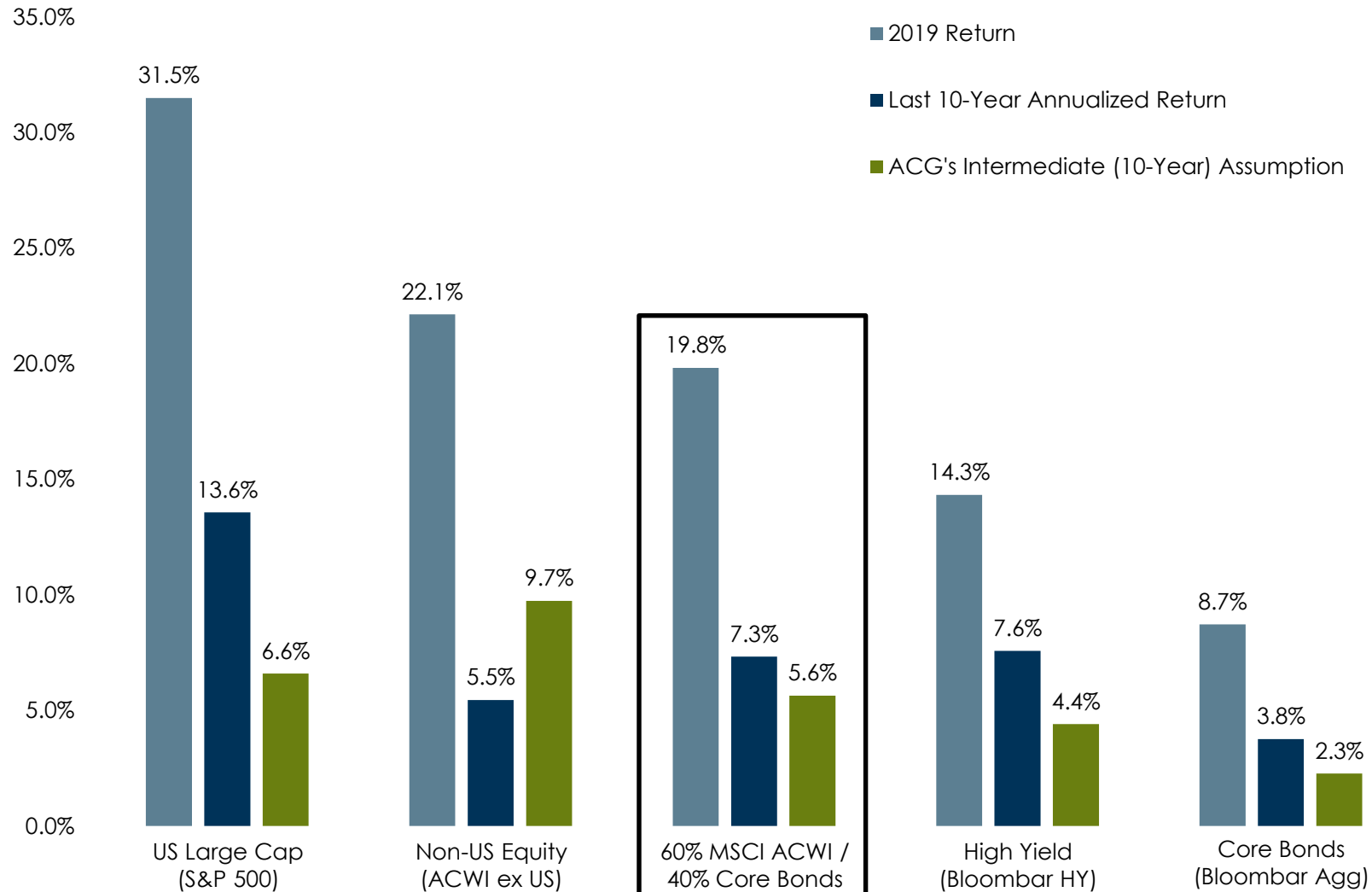
Region	(\$ Billions)			Growth Per Period		Compound Annual Growth Rate
	2014	2016	2018	2014-2016	2016-2018	2014-2018
Europe	\$ 10,775	\$ 12,040	\$ 14,075	11.7%	16.9%	6.9%
United States	\$ 6,572	\$ 8,723	\$ 11,995	32.7%	37.5%	16.2%
Canada	\$ 729	\$ 1,086	\$ 1,699	49.0%	56.4%	23.6%
Australia/New Zealand	\$ 148	\$ 516	\$ 734	248.4%	42.4%	49.2%
Japan	\$ 7	\$ 474	\$ 2,180	6665.7%	360.3%	320.1%
Total	\$ 18,231	\$ 22,838	\$ 30,683	25.3%	34.3%	13.9%

% of Total Managed Assets Considered ESG



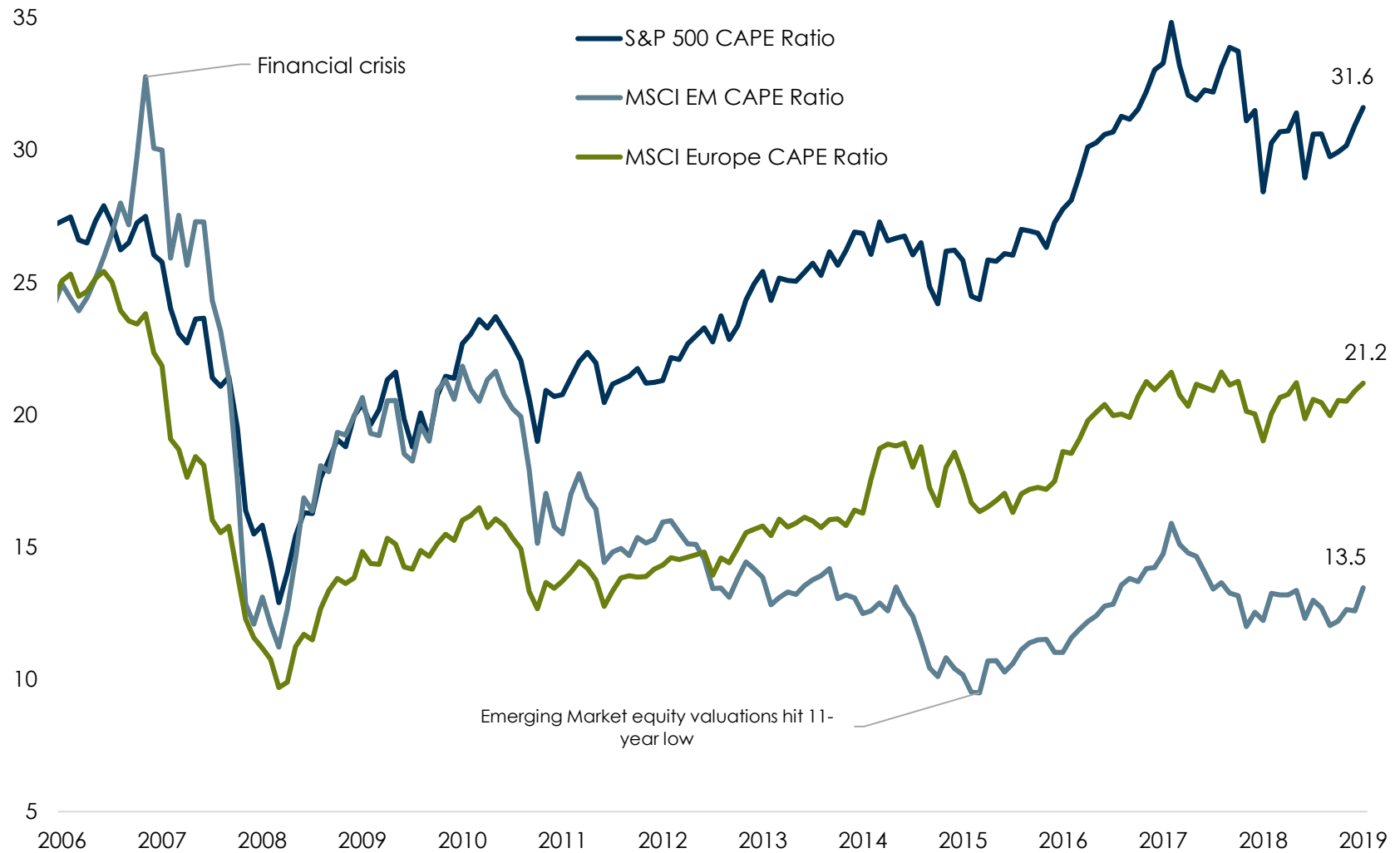
Source: ACG Research, Global Sustainable Investment Alliance. Asset values are converted to US dollars at the time of reporting. Over the measurement period, The European Sustainable Investment Forum (EuroSIF) narrowed its definition of "ESG Integration" which resulted in a lowered proportion of responsible investments to total managed assets. In 2014, data for Japan was combined with the rest of Asia, so this information is not available.

2019 Was Impressive: Return Expectations Appear More Challenged in the Coming Decade

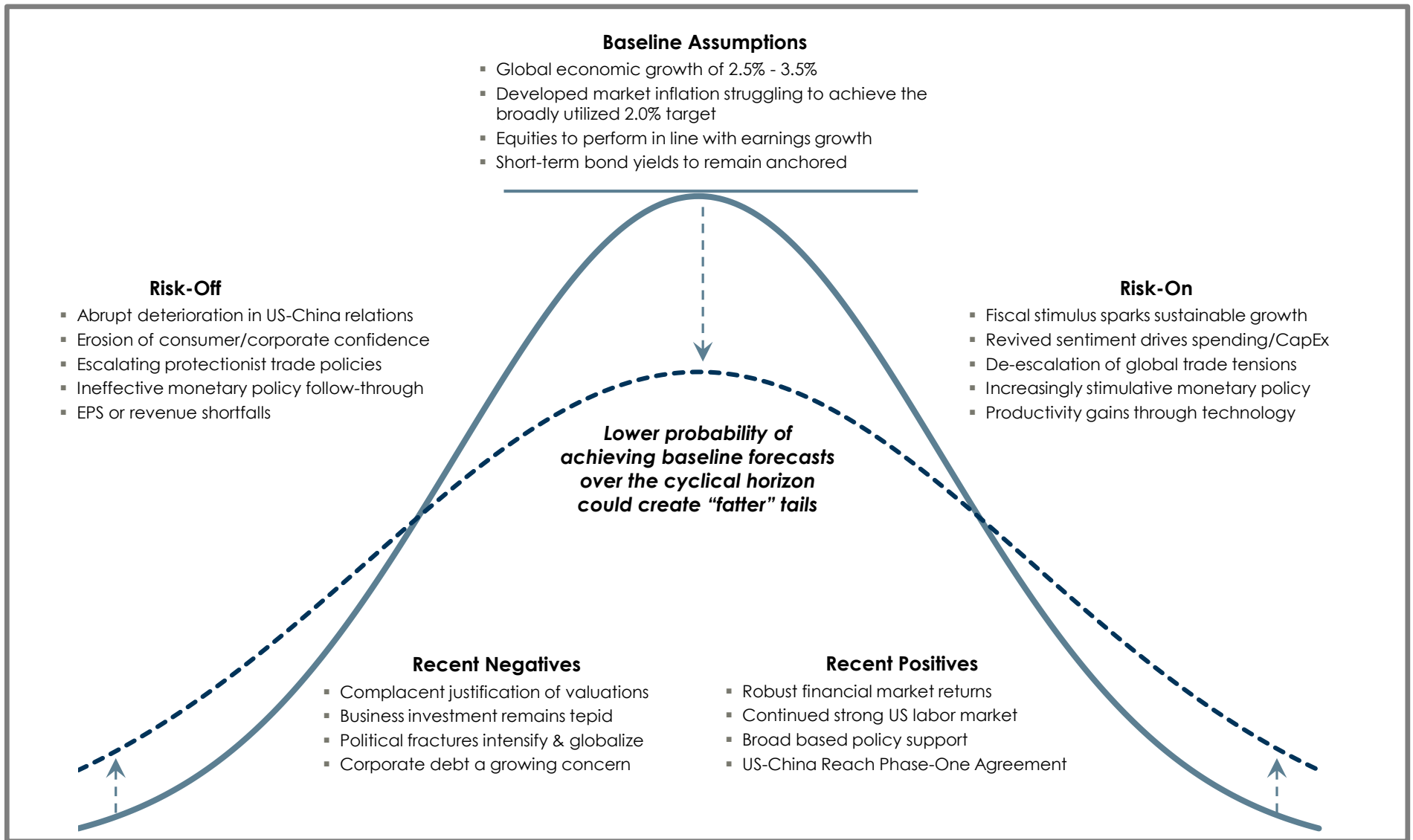


Source: ACG Research, Standard & Poor's, MSCI, Bloomberg Barclays

Equity Valuations: Favoring Non-US Equity Investments Following Period of Dramatic Underperformance



Source: ACG Research, Bloomberg, Robert Shiller



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 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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