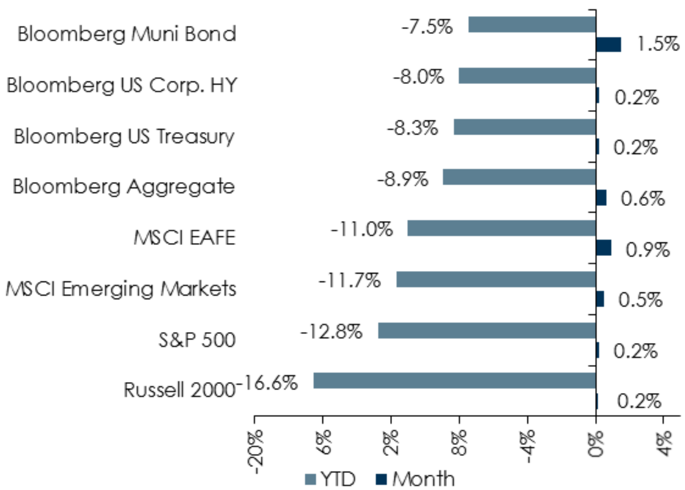
Economic Overview

- **The FOMC raised the federal funds rate by 50 bps, the largest hike in 22 years, and signaled similar increases at the June and July meetings**
- **In a sign inflation may have peaked, both CPI and PCE inflation declined from March's level, though they remain near multi-decade highs**
- **Unemployment held steady at 3.6% and consumer spending outpaced inflation as the personal savings rate fell to its lowest level since 2008**

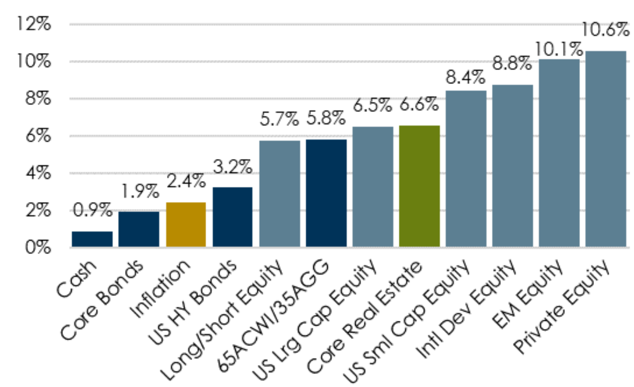
Market Returns

- Equities and bonds similar again with modestly positive returns
- Value equity and energy continue to outperform



Source: Bloomberg, ACG Research (as of 5/31/2022)

ACG's Capital Market Assumptions – Next 10 Years



Asset Class Valuations

- Equities still favored over bonds
- Equity valuations favor US Small Caps
- Equities, H.Y. bonds, R.E. provide an inflation hedge

	Current Fwd P/E	Historical Avg P/E	Current Avg Ratio
S&P 500	17.4	15.8	1.1
R2000	18.0	22.6	0.8
MSCI EAFE	12.7	13.5	0.9
MSCI EM	11.4	11.6	1.0

	Current Yield	Historical Avg Yield	Current Avg Spread
3-month T-Bill	1.1%	4.1%	-3.1%
10-year UST	2.8%	6.0%	-3.2%
Bloomberg Agg	3.4%	6.3%	-2.9%
High Yield	7.1%	9.6%	-2.5%

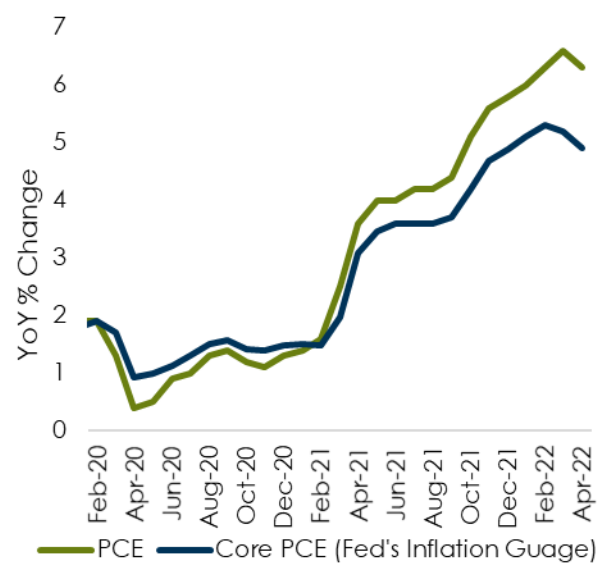
ACWI EY / Agg Spread	2.4%	1.7%	0.7%
Core R.E.	4.0%	5.9%	-1.9%
Core Inflation	6.2%	3.6%	2.6%

Undervalued | Fairly Valued | Overvalued

Key Risk Factors We Are Watching

- Geopolitical tensions
- Inflation / pace of consumer spending
- Financial conditions; Fed tapering/hiking
- Coronavirus variants
- Regulatory policy shifts (US and China in particular)

Peaked? Inflation Declining for First time in Months



Source: Bloomberg, Bureau of Economic Analysis

Recent Articles (click on link below)

- End of Globalization? (May)
- Deploying Cash into a Volatile Market (April)
- The Growing Opportunity in Alternative R.E. (March)

Upcoming Articles / Webcasts

- Fixed Income – Historical Context to a Bad Start

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