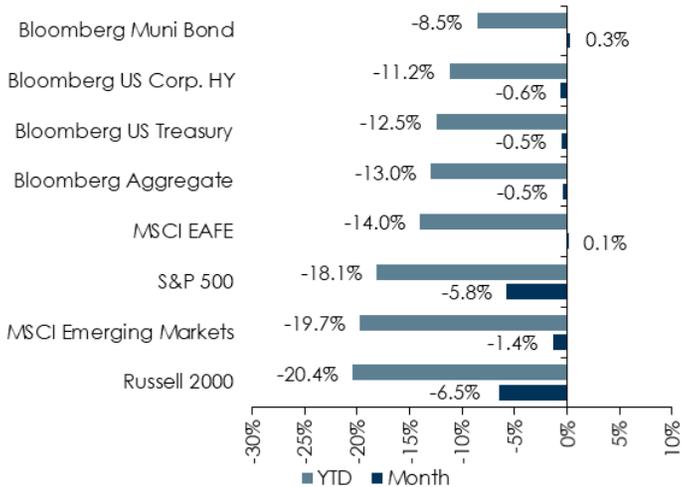


Economic Overview

- The Fed increased rates by another 50 bps, as expected, but with a dot plot indicating a higher terminal rate before an expected pause
- Economic data weakened, with a decline in retail sales and the first contraction in the US manufacturing PMI since the start of the pandemic
- US inflation continued to slow, surprising to the downside, while the labor market remained strong with unemployment holding steady at 3.7%

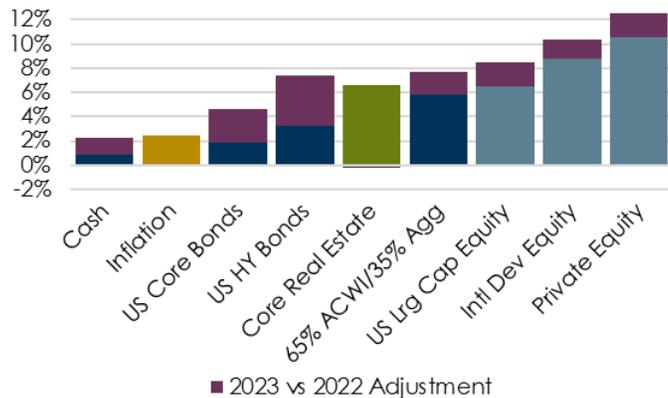
Market Returns

- Muni bonds, non-US dev. equity outperformed in December
- 2022 saw steep declines across asset classes



Source: Bloomberg, ACG Research (as of 12/31/2022)

Average Annual Return Assumptions (Next 10 Years)



Asset Class Valuations - Rebalancing Rationale

- Equity valuations improved as prices fell in 2022
- Favor investment grade credit over high yield
- Cash yields remain attractive

Asset Class	Current Valuation	Rationale
US Large Cap	Fairly Valued	Balanced upside/downside risks
US Small Cap	Fairly Valued	Balanced upside/downside risks
Intl Developed	Overvalued	Favorable valuations, currency tailwinds
Emerging Mkt	Fairly Valued	Balanced upside/downside risks

Cash	Overvalued	High current yield
Core Bonds	Overvalued	Favor high quality
Multi-Sector	Fairly Valued	Duration, spreads balanced
Unconstrained	Fairly Valued	Duration, spreads balanced

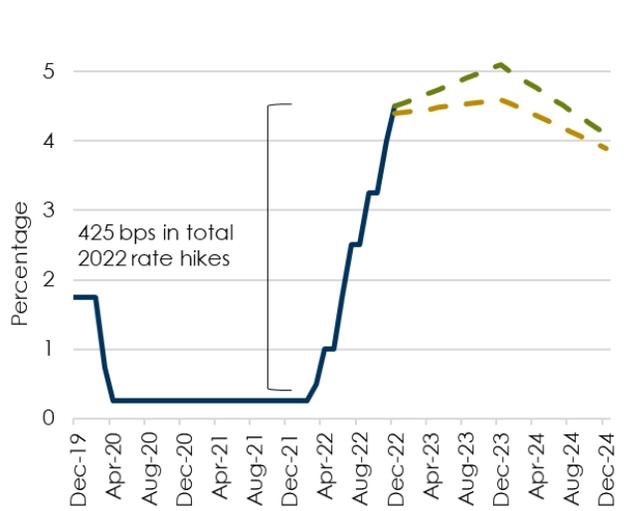
Core Real Estate	Overvalued	Historically low (but rising) cap rates
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Key Risk Factors We Are Watching

- Inflation and labor market data
- Tightening financial conditions
- Downward revisions to corporate earnings
- Ongoing geopolitical tensions
- Regulatory policy shifts (US and China in particular)

Fed Not Done as 'Dots' Forecast a Higher Peak



Source: Bloomberg

Recent Articles (click on links below)

- [China Reopening \(January\)](#)
- [Restoring the Fixed Income Foundation \(Dec\)](#)
- [Mid-Term Elections \(October\)](#)

Upcoming Articles / Webcasts

- Year in Review/Market Outlook (Jan)

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