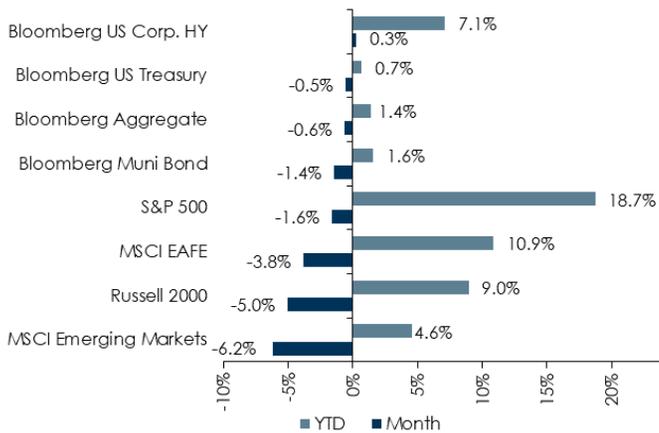


## Economic Overview

- The equity rally stalled in August as the Fitch downgrade of US debt and uncertainty around the path of interest rates weighed on sentiment
- The US job openings survey signaled a cooling labor market, with job openings and the quits rate reaching their lowest levels since early 2021
- Headline CPI rose from a 3.0% annual increase to 3.2%, although this was lower than expected. Core CPI declined slightly to 4.7%

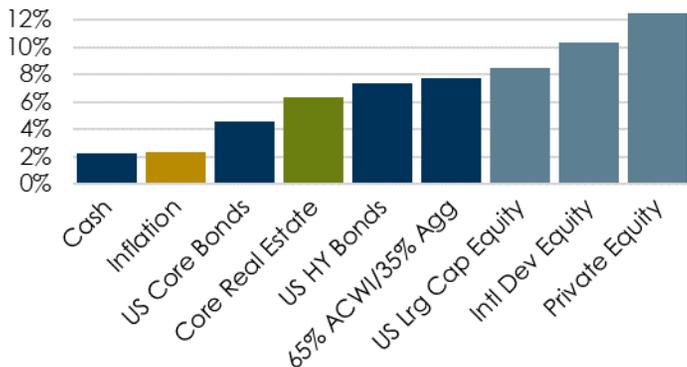
### Market Returns

- Bonds outperformed with yields supporting returns as rates rose
- Emerging markets underperformed on China weakness



Source: Bloomberg, ACG Research (as of 8/31/2023)

### Average Annual Return Assumptions (Next 10 Years)



### Asset Class Valuations - Rebalancing Rationale

- Equities currently priced for a benign economic outcome
- Favor core bonds (US Treasuries) over high yield
- Cash remains attractive with yields around 5%

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	Favorable valuations but stagnant outlook
Emerging Mkt	Fairly Valued	Balanced upside/downside risks

Cash	Undervalued	High current yield
Core Bonds	Undervalued	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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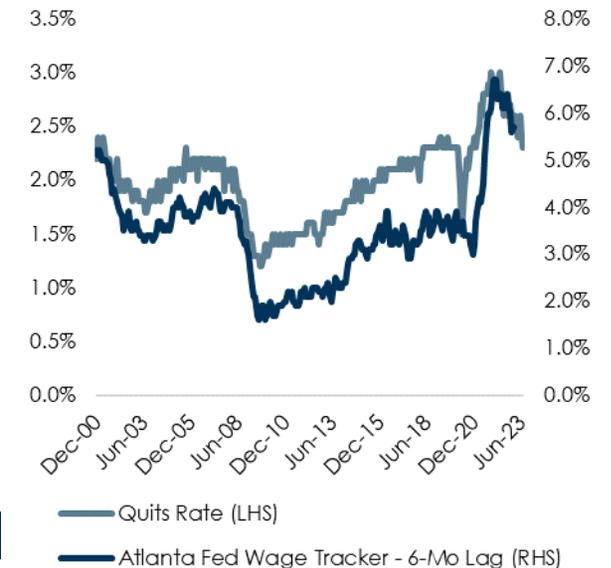
### Recent Articles (click on links below)

- [Artificial Intelligence \(August\)](#)
- [Market Volatility \(July\)](#)
- [US Banking System & the Economy \(May\)](#)

### Key Risk Factors We Are Watching

- Inflation and labor market data
- Tightening financial conditions
- Fed policy mistake
- Downward revisions to corporate earnings
- Ongoing geopolitical tensions
- Weaker than expected China recovery

### Cooling Jobs Market Could Help Ease Inflation



Source: Federal Reserve (as of 8/31/23)

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