

Economic Overview

- US GDP growth remained strong with an annualized growth rate of 2.9% in Q4 and 2.1% overall increase for calendar year 2022
- Data supported a deceleration in Fed tightening, with headline CPI declining to 6.5% in December and wage growth declining to 4.6%
- Global growth remains under pressure, but China's reopening and a mild European winter helped those regions exceed Q4 GDP expectations

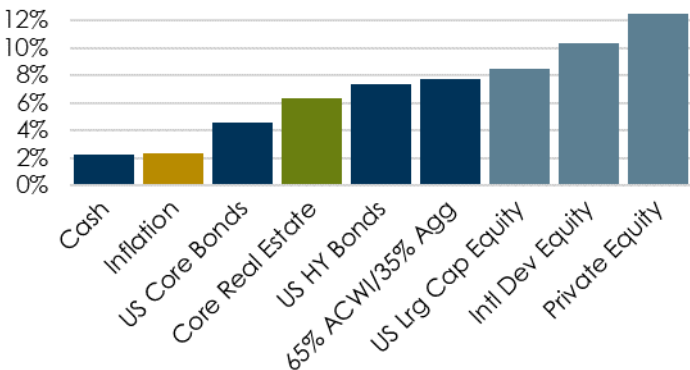
Market Returns

- GDP growth, lower inflation helped equity markets rally
- Bond indices performed well amid strong investor demand



Source: Bloomberg, ACG Research (as of 1/31/2023)

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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Overvalued Fairly Valued Undervalued

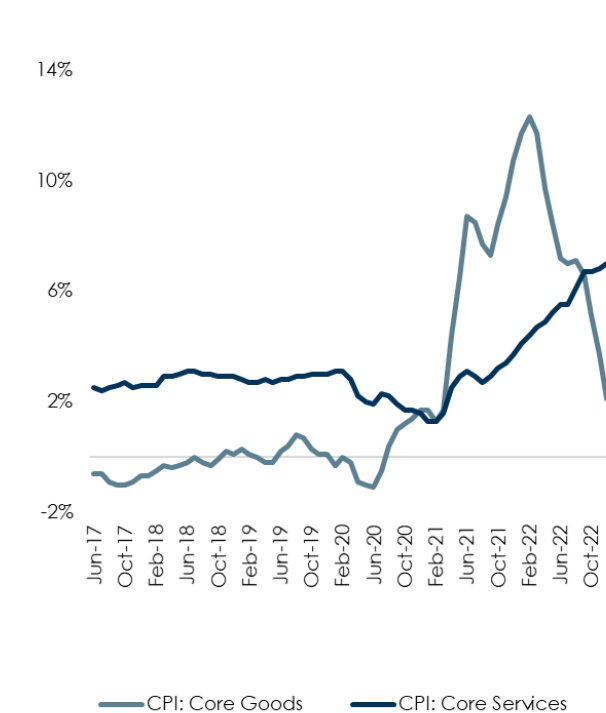
Recent Articles (click on links below)

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

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)

Elevated Services Inflation Still a Fed Concern



Source: Bloomberg

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